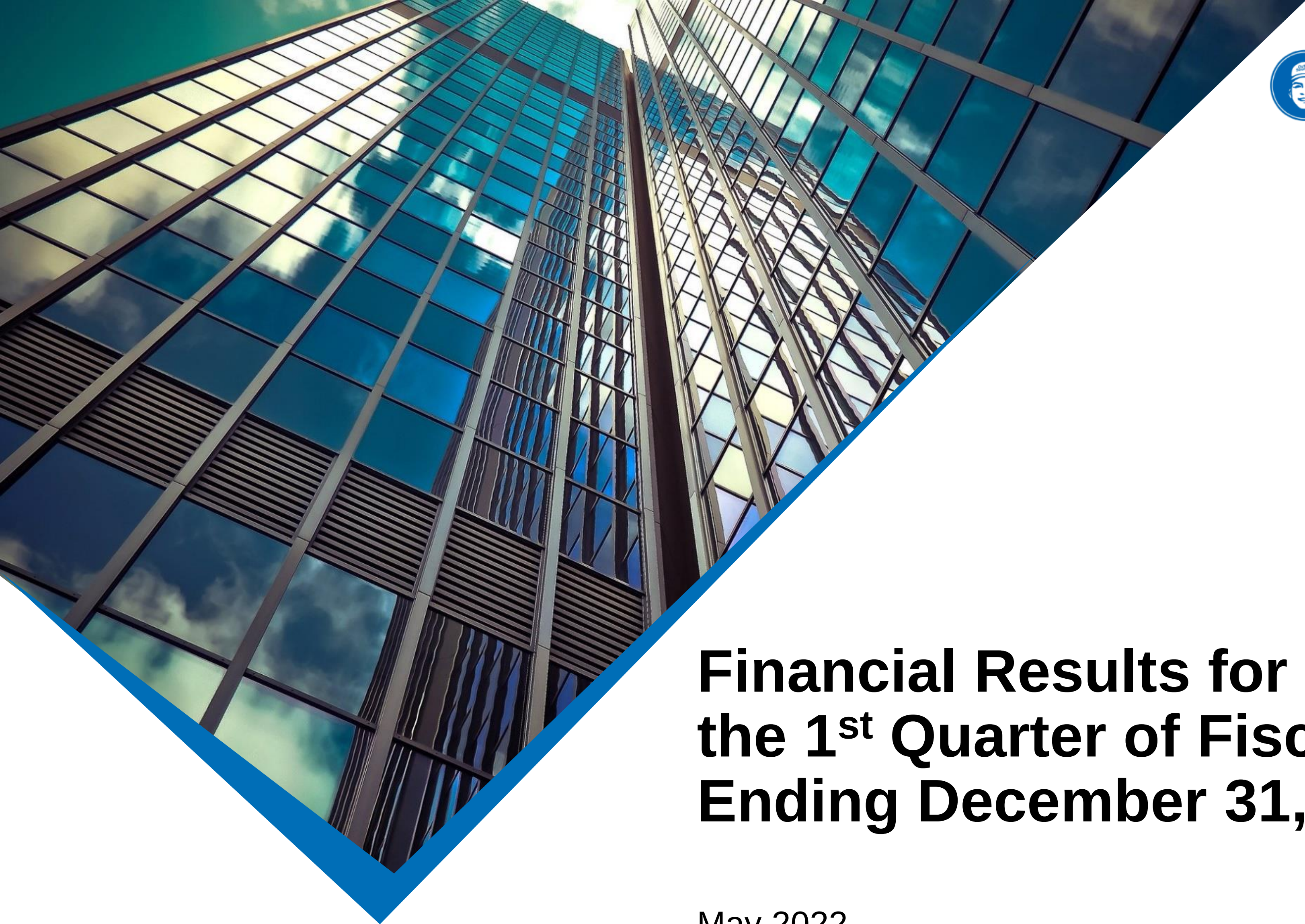

# Financial Results for the 1st Quarter of Fiscal Year Ending December 31, 2022

May 2022

OUTSOURCING Inc.

Securities Code: 2427/TSE Prime Section

# Contents

# Progress in Measures to Prevent Recurrence of Inappropriate Accounting

# Progress in Measures to Prevent Recurrence of Inappropriate Accounting

## ■ Schedule and Progress of Measures to Prevent Recurrence (as of April 30, 2022)

[Legend] ●: Completed 🔴: Completed or corresponding ○: Scheduled

| Measures to prevent recurrence | FY12/22 Jan. | Feb. | Mar. | Apr. | May | Jun. | Jul. | Aug. | Sep. |
|---|---|---|---|---|---|---|---|---|---|
| **1. Clarifying management responsibilities** | | | | | | | | | |
| Disposition of OS Directors, OST Directors, and other executive officers or higher involved in the case | ● | ● | | | | | | | |
| **2. Reform of the corporate culture led by top management** | | | | | | | | | |
| Promotion by the committee for prevention of recurrence | | ● | 🔴 | 🔴 | | | | | |
| Holding town hall meetings with top management at each site | | | | 🔴 | | | | | |
| Publication of comments by management of the group newsletter (ONETEAM) | | | | 🔴 | | | ○ | | |
| Improve communications between employees (experience from other departments) | | | | | | ○ | | | |
| **3. Raising compliance awareness and thorough implementation of measures to prevent recurrence** | | | | | | | | | |
| **(a) Compliance promotion system, etc.** | | | | | | | | | |
| Establishment of a director in charge of compliance and a department specializing in compliance | | 🔴 | 🔴 | | | | | | |
| **(b) Instilling compliance awareness and reforming awareness** | | | | | | | | | |
| Publication of compliance articles in group newsletters (Ratoon) | | | | 🔴 | ○ | ○ | ○ | ○ | ○ |
| Creation and distribution of compliance guidebooks and case studies of non-compliance violations (published) | | | 🔴 | | | ○ | | ○ | |
| **(c) Compliance training** | | | | | | | | | |
| Establishment of compliance training system | | | 🔴 | 🔴 | | | | | |
| Raising awareness and knowledge through training for managers and executives of group companies | | 🔴 | 🔴 | 🔴 | ○ | | | | |
| Raising awareness and knowledge through training for managers and executives of group companies (Consideration for overseas group companies) | | | 🔴 | | | | | ○ | |
| **(d) Identify priority compliance items and consider management measures** | | | | | | | | | |
| Identify accounting and accounting-related fraud items and priority compliance items with a risk approach centered on target companies | | | | 🔴 | | | | | |
| Formulation of measures to manage priority compliance items and plans for setting monitoring items | | | | | | | ○ | ○ | |
| **(e) Implementation of monitoring by the accounting division and (f) compliance awareness survey among executives and employees** | | | | | | | | | |
| Implementation of monitoring by the finance and accounting divisions | | | | | | | ○ | ○ | |
| Compliance awareness survey for executives and employees | | | | | ○ | | ○ | | |
| **4. Strengthening our management system** | | | | | | | | | |
| Development of recruitment plans for the appointment of talented managers and highly specialized personnel | | | 🔴 | | | ○ | | | |
| **5. Restructuring the corporate governance system and organizational structure** | | | | | | | | | |
| **(a) Strengthening supervisory function by the Board of Directors** | | | | | | | | | |
| Invitation of new independent external directors | | ● | 🔴 | | | | | | |
| Review of standards for appointing external directors | | | | ○ | | | | | |
| Delegate a part of the authority of the Board of Directors to the management committee and review the agenda of the Board of Directors | | | | 🔴 | | ○ | | | |
| Consideration of transitioning to a company with nominating, compensation, and audit committees (NCACs) or introducing a delegated executive officer system | | | | 🔴 | | ○ | | | |
| Enhancement of prior explanations to directors and establishment of a system to share information necessary for supervision with external directors | | | 🔴 | 🔴 | | ○ | | | |
| **(b) Strengthening audit functions by the Audit and Supervisory Committee, etc.** | | | | | | | | | |
| **a) Expansion of audit system by the Audit and Supervisory Committee** | | | | | | | | | |
| Composition changes to the Audit and Supervisory Committee (1 full-time, 3 part-time→ 2 full-time, 2 part-time)<br>Transition to an audit system by domestic, overseas, and business divisions | | | 🔴 | 🔴 | | | | | |
| Assigning employees to assist the Audit and Supervisory Committee in their duties | | | | 🔴 | | | | | |
| Review of audit system of subsidiaries | | | 🔴 | | | | | | |
| Invitation of experts | | | 🔴 | | | | | ○ | |
| **b) Audit system in cooperation with the OS internal audit office and accounting auditors** | | | | | | | | | |
| System for supervising internal audits, methods, and providing guidance on additional investigations, etc. as necessary | | | | | ○ | | | | |
| Attending or meeting with internal audits of the OS internal audit office | | | | | | ○ | | | |
| Strengthening collaboration with OS internal audit office and accounting auditors on financial accounting audits | | | | 🔴 | ○ | ○ | ○ | ○ | ○ |

| Measures to prevent recurrence | FY12/22 Jan. | Feb. | Mar. | Apr. | May | Jun. | Jul. | Aug. | Sep. |
|---|---|---|---|---|---|---|---|---|---|
| **(c) Realizing appropriate allocation of authorities by strengthening the management system** | | | | | | | | | |
| Avoiding concentration of authority through revision of regulations, and reviewing the authority of OS sales division | | | ○ | 🔴 | | ○ | | | |
| Management enhancement by reviewing the authority of domestic engineering group companies due to the abolition of the governance agreement concluded with OST | ● | ● | ○ | | | ○ | | | |
| Establishment of a framework for group management | | | 🔴 | | | | | ○ | |
| Strengthening collaboration by holding regular meetings of group management division liaison meetings | | | ● | 🔴 | ○ | ○ | ○ | ○ | ○ |
| Basic online seminars on internal regulations, e-learning distribution of basic internal regulations | | | | | | | ○ | ○ | ○ |
| **(d) Expansion of personnel in the accounting division and securing of high-quality human resources** | | | | | | | | | |
| Efficient use of personnel in the accounting division and integrated group management | | | 🔴 | 🔴 | | | | | |
| Strengthen the system in terms of both quality and quantity by recruiting people with experience in listed companies and specialized knowledge | | | | | | | | ○ | |
| **6. Strengthening the internal control division** | | | | | | | | | |
| **(a) Expansion of personnel in administrative divisions and securing of high-quality human resources** | | | | | | | | | |
| Planning for appointment of managers and highly specialized personnel and business alliances with expert contractors | | | | | ○ | | | | |
| Development plan for employees in administrative divisions | | | | | | ○ | | | |
| Personnel training in line with the development plan | | | | | | | ○ | | |
| Compliance training program for employees in the accounting division | | | | | | | ○ | | |
| **(b) Strengthen global governance** | | | | | | | | | |
| Review of MCR evaluation items and MCR evaluation operations | | | | 🔴 | ○ | | | | |
| **© Enhancement of internal audit system** | | | | | | | | | |
| Planning audit plans with an emphasis on accounting and financial areas through a review of the risk approach | | ● | | | | | | | |
| Two more internal auditors and a shift to an integrated audit system with the OST | ● | | | | | ○ | | | |
| Consideration of additional staff plans | | | | | ○ | ○ | | | |
| Compliance, finance and accounting training for internal audit division | | ● | | | | | | ○ | |
| **7. Revising the internal reporting system** | | | | | | | | | |
| Review of internal reporting system and establishment of a point of contact independent of management | | | 🔴 | 🔴 | | | | ○ | |
| Sharing information on the contents of reports to audit and supervisory committee members (establishment of regulations) | | | | 🔴 | ○ | | | | |
| Dissemination of internal reporting system and handling rules | | | | 🔴 | | | | | |
| Consideration of remuneration system and in-house leniency system | | | 🔴 | | | | | ○ | |
| Establishment of OS Group internal reporting regulations | | | 🔴 | | | | | ○ | |
| **8. Revising the internal accounting rules and the accounting system** | | | | | | | | | |
| Review and clarification of accounting rules in collaboration with external experts | | | 🔴 | | | | | ○ | ○ |
| Operational fraud prevention by renovating current core systems | | | 🔴 | | | | ○ | ○ | |
| (Emergency action until completion of current core system renovation) introduction of consistency check tool | 🔴 | | | 🔴 | ○ | | | | |
| Fraud detection through the introduction of financial data analysis tools | | | | | | | | ○ | ○ |
| **9. Establishing feasible business plans and budget** | | | | | | | | | |
| Formulation of budget with high feasibility based on actual budget analysis and understanding of causes (development of detailed operational rules) | | | | | | | | ○ | |
| Scrutiny of the validity of preconditions for budget formulation (development of detailed operational rules) | | | | | | | | ○ | |
| Improvement of budget accuracy through analysis using KPIs (development of detailed operational rules) | | | | | | | | ○ | |
| **10. Termination of an illegal hotbed of dealing** | | | | | | | | | |
| Termination, in principle, of the contract with transactions as a hotbed of fraud involved in the case | | 🔴 | 🔴 | ○ | | | | | |

# Progress in Measures to Prevent Recurrence of Inappropriate Accounting

■ Progress status of major items (as of April 30, 2022)

**In order to reliably and effectively promote measures to prevent recurrence, we established a recurrence prevention committee led by the top management on February 18 and hold meetings twice a month to manage the implementation of measures to prevent recurrence. It is proceeding according to the timetable stipulated in the improvement report.**

## 1. Three new external directors appointed

Three new external directors were elected and appointed at the General Meeting of Shareholders on March 29.
The following measures are being taken in order to provide sufficient information and provide explanations in advance for the appropriate judgment of external directors.

- Provision of materials up to 3 days prior to the date of the Board of Directors meeting
- Holding a briefing session for the Board of Directors prior to the meeting of the Board of Directors
- Guidance to the required internal meetings

## 2. Revising the internal reporting system

An external lawyer and Audit and Supervisory Committee were newly established as an internal reporting hotline that is independent of management, and operation began on April 30.

In addition, we have partially established a reporting system to share the contents of the report with the Audit and Supervisory Committee members and began operation on April 8.
Operational changes, such as the addition of an internal reporting hotline, will be disseminated throughout the company on an ongoing basis through internal newsletters, salary statements, etc.

# Progress in Measures to Prevent Recurrence of Inappropriate Accounting

■ Progress status of major items (as of April 30, 2022)

## 3. Holding town hall meetings

From April 11 to 13, a town hall meeting was held at five major locations (Sapporo, Tokyo, Nagoya, Osaka, and Fukuoka) where representative directors directly interacted with executives and employees of OS and group companies in Japan, and a total of 290 people participated. Management will consider responses to opinions and issues raised by participating executives and employees, and strive to reform the corporate culture.

Continuous implementation is planned, and the next meeting is scheduled from July to August.

## 4. Establishment of compliance officers and specialized departments

As a department specializing in compliance in OS, on March 29, the Compliance Management Division was established under the Legal Department. In addition, Masashi Umehara, Director and Executive General Manager in charge of Corporate Management Division of OUTSOURCING Inc., has been appointed as Director in charge of Compliance.

**We will strengthen our internal control and governance system by ensuring the execution of measures to prevent recurrence.**

## ■ Changes in IR system due to measures to prevent recurrence

**To date, Haruhiko Doi, Chairman and CEO has held financial results briefings for institutional investors twice a year in conjunction with the announcement of interim and full-year financial results, and 1-on-1 meetings with institutional investors after the announcement of quarterly financial results.**

**As a result of the review of the IR system, we will expand the financial results briefings from the 1Q FY12/22 to four times a year for each quarterly financial results, and will continue to hold meetings by Haruhiko Doi. The 1-on-1 meeting with institutional investors will be led mainly by Shun Konya from the IR team in the newly established CEO Office.**

**Contact Us**

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# Our Group's Social Responsibility and Significance

# Our Group’s Social Responsibility and Significance

**Due to large, worldwide changes caused by rapid globalization, significant changes have been starting to occur in what the society demands from HR service companies and their roles in society. By redefining our corporate principles in August 2020, we as the Outsourcing Group create a framework that will allow us to contribute widely to society through our business activities.**

## Group Mission

### Corporate Principles

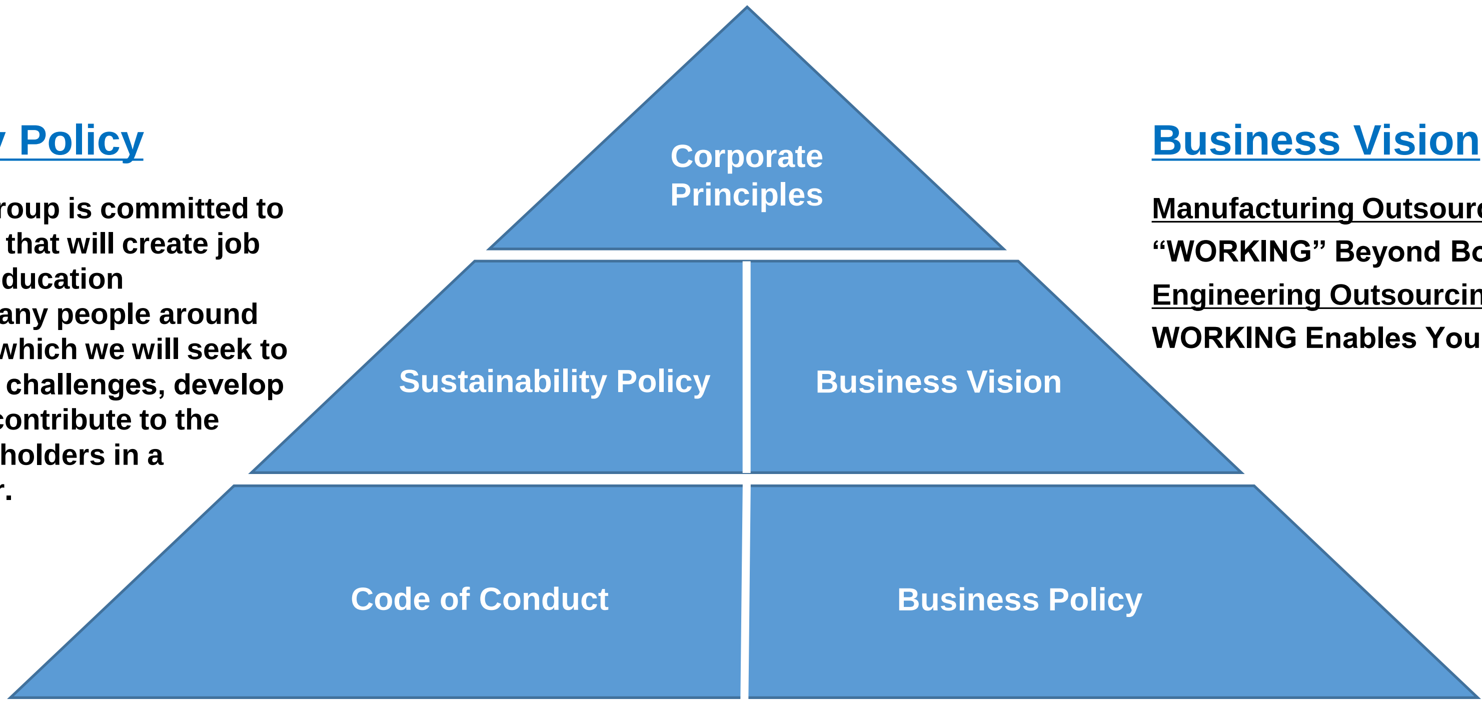
: Vision of a society to be achieved through our businesses
= Universal principles that underpin our Group’s business activities for realizing our Group mission

**Enhancing the quality of life of everyone around the world by eliminating inequalities in working conditions and creating truly motivating workplaces.**

**We believe that every person in the world has the right to choose an occupation according to their life plan. We strive to enhance the quality of life of everyone around the world by establishing effective educational systems, developing talents who are highly demanded by the global market, and eliminating inequalities in working conditions.**

### Sustainability Policy

**The Outsourcing Group is committed to corporate activities that will create job opportunities and education opportunities for many people around the world, through which we will seek to tackle the society’s challenges, develop our business, and contribute to the benefit of our stakeholders in a sustainable manner.**




### Business Vision

**Manufacturing Outsourcing Business**
**“WORKING” Beyond Borders**
**Engineering Outsourcing Business**
**WORKING Enables You to Craft “Your Future”**

# Our Group’s Social Responsibility and Significance

## Contribution to the SDGs

**In line with the Sustainability Policy of the OUTSOURCING Group, we pledge to contribute to the realization of a sustainable society, as we set forth in the OUTSOURCING SDGs Declaration made on February 15, 2021.**

### The OUTSOURCING Group SDGs Declaration

**Our Group supports the Sustainable Development Goals (SDGs) proposed by the United Nations and the SDGs Action Plan 2020 set by the Japanese government. We will contribute to the realization of a sustainable society by actively engaging in SDGs through our businesses, emphasizing ESG in business management, and conducting corporate social responsibility (CSR) activities that are rooted in the local community and country.**

Our Group’s corporate principles are to enhance the quality of life of everyone around the world by eliminating inequalities in working conditions and creating truly motivating workplaces. These principles reflect our wish to develop globally competitive talents and eliminate inequalities in working conditions through enhanced education programs so that every person in the world can aspire toward his or her own life plan and live a rich and fulfilling life.

We are keenly aware that the essence of our business lies in solving the social issues that stand as obstacles against these principles. We will strive to enrich people’s lives by creating job opportunities and education opportunities for many people around the world, as well as enhancing each person’s productivity through the power of technology and education. As part of this aim, we have adopted the following goals proposed by the United Nations as our priority issues and will work on contributing to the achievement of the following goals.

# Our Group's Social Responsibility and Significance

## Contribution to the SDGs

**We have identified materiality (priority issues) that we should prioritize through our business to address the issues of the SDGs, established KPIs, and are promoting efforts toward their achievement.**

### ■ Materiality and KPIs

| | |
|---|---|
| **1. Providing job opportunities** | |
| ・Non-Japanese residents contribute to solving Japan's growing labor shortage. We will provide employment support to 300,000 non-Japanese residents by 2024 and 500,000 non-Japanese residents by 2030.<br>・Through the power of education and technology, we will successfully support the career change from labor-intensive industry worker to the specialized talent of 30,000 people by 2030. | 1 NO POVERTY; 8 DECENT WORK AND ECONOMIC GROWTH; 9 INDUSTRY, INNOVATION AND INFRASTRUCTURE; 10 REDUCED INEQUALITIES |
| **2. Providing high-quality education** | |
| ・To provide high-quality education opportunities for achieving career advancement, we will provide our global training program to a total of 300,000 users by FY2030. Through this effort, we will support employment in productive positions and contribute to increasing people's motivation at work. | 4 QUALITY EDUCATION; 8 DECENT WORK AND ECONOMIC GROWTH |
| **3. Respecting diversity and implementing diversity management** | |
| ・As the OUTSOURCING Group, we will promote and strive toward achieving a society in which women can actively participate. We will increase the percentage of women directors (management team members) in the Group to 30% by FY2030. | 5 GENDER EQUALITY |
| **4. Making greater efforts toward the realization of a carbon-free society** | |
| ・By FY2025, we will replace all vehicles used in sales activities by domestic group companies with next-generation vehicles (electric, hybrid, etc.). By 2030, 70% of the vehicles used by the entire group, including our overseas companies, will be next-generation vehicles. | 7 AFFORDABLE AND CLEAN ENERGY |
| **5. Raising the productivity of all industries** | |
| • By using leading-edge digital technologies and our expertise in production that we have developed through experience in various industries worldwide, we will train 100,000 people by FY2030 across the world to become specialized talents who can improve the productivity of industries. Under this scheme, we will contribute to raising the productivity of the entire world. | 9 INDUSTRY, INNOVATION AND INFRASTRUCTURE |

# Our Group's Social Responsibility and Significance

## Contribution to the SDGs

### ■ Examples of initiatives for materiality (priority issues) and KPIs

**1. At PT. OS SELNAJAYA INDONESIA, an Indonesian group company, Indonesian people are trained to work in various countries worldwide (in the FY12/21, more than 700 people received training, and it is expected to increase in the future.)**

■ A man who wishes to work in automobile manufacturing in Japan through Technical Intern Training Program (age 23) ⇒ Training Japanese and basic business knowledge "Working in Japan is my dream, and my family supports me, so I want to learn advanced skills by working and work for a local Japanese company even after returning home."

■ A woman who wishes to work as an ICU (intensive care room) nurse in the Netherlands using her nursing qualifications (age 26) ⇒ Training Dutch "I want to acquire advanced medical experience and skills, and contribute to the improvement of local medical technology after returning home."

■ A woman who wishes to work for building cleaning work in Japan through Specified Skilled Worker System (age 20) ⇒ Training Japanese and business knowledge "I have eight young brothers whose father has just passed away, and I want to provide a better life to my family by working in Japan."

**The Group is implementing similar initiatives in Asian countries other than Indonesia, and is required for the future designs of Asian people** (this initiative contributes to the realization of materiality 1 of the Group.)

**2. ■ OTTO Group of the Netherlands, has 6 recruitment bases in Ukraine and about 3,000 people were working. We assigned people who evacuated from Ukraine to our base in Poland, and are actively working on new recruitment to support them, including their families. We are also working with our business partners to operate evacuation facilities.**

**■ As an initiative for humanitarian assistance, the Group has been accepting Ukrainian refugees to Japan. In April, we launched a free telephone interpreter for Ukrainian refugees and opened a call center, which provides interpretation services and daily life consultations, free of charge to ordinary local governments and corporations.**

**The Group is engaged in humanitarian assistance to Ukrainians who are searching for housing and jobs while having anxiety at evacuation sites.** (This initiative contributes to the realization of materiality 1 of the Group.)

**Innovation arising from diversity is essential to realizing our Group's corporate principles, and we will continue to promote necessary initiatives globally as a group.**

## Contribution to the SDGs

### ■ Sustainability Committee

Established the Sustainability Committee to make these initiatives more effective, such as promoting the achievement of KPIs for materiality in order to resolve SDGs issues.

Chairman: Representative Director

Committee member: Executive Director and External Director

Deliberates on medium-to long-term topics and directions, including our Group's Sustainability Policy and strategies, as well as key issues, and monitors KPIs to propose and report to Board of Directors to further strengthen SDGs and ESG activities, thereby realizing our Corporate Principles of "enhancing the quality of life of everyone around the world by eliminating inequalities in working conditions and creating truly motivating workplaces."

**■ Sustainability promotion structure**

Board of Directors

Sustainability Committee

Chairman: Representative Director
Secretariat: Sustainability Committee Secretariat

Each Business Division

### ■ Towards materiality and KPI promotion

**1. Participating in initiatives**

As an initiative for SDGs management, we will carefully evaluate the various organizations that support the achievement of SDGs, determine early on which organization’s founding philosophy and activities match our Group’s views, and work toward joining the organization. After joining, we will proactively disclose and provide information pertaining to the SDGs to the organization.

**2. Sharing awareness of SDGs within the OUTSOURCING Group**

We will distribute the “SDGs Handbook” created by the OUTSOURCING Group to all management team members and employees of the Group as an opportunity for each member to think about how they can contribute to the SDGs as members of the society. We will also provide training to new members joining the Group so that they are provided the time to thoroughly understand the Handbook.

**TOPICS**

- **As an initiative for SDGs management, the Company participated in GCNJ (Global Compact Network Japan) in April 2021**

  OUTSOURCING Inc. became a signatory to the United Nations Global Compact (UNGC) and promotes adherence to the Ten Principles in 4 areas of UNGC “Human Rights, Labour, Environment, and Anti-Corruption.”

- **Signed a statement to act in accordance with the principles of “Women's Empowerment Principles (WEPs)”**

  WEPs is a set of principles of action jointly prepared by the United Nations Global Compact (UNGC) and United Nations Entity for Gender Equality and the Empowerment of Women (UN Women) to promote women's active participation in the workplace, marketplace and community.

WE SUPPORT
UN GLOBAL COMPACT

# Consolidated Financial Results Summary for 1Q FY12/22 (IFRS)

# Consolidated Financial Results Summary for 1Q FY12/22 (IFRS)

## Consolidated Statement of Profit and Loss

| (¥ billion) | FY12/21 1Q Actual | | FY12/22 1Q Actual | | YoY Change | |
|---|---|---|---|---|---|---|
| | Amount | Composition Ratio | Amount | Composition Ratio | Amount | Ratio |
| **Revenue** | **123.8** | **100.0%** | **155.3** | **100.0%** | **31.5** | **25.5%** |
| **Cost of sales** | 100.1 | 80.8% | 126.8 | 81.6% | 26.7 | 26.7% |
| **Gross profit** | **23.7** | **19.2%** | **28.5** | **18.4%** | **4.8** | **20.2%** |
| **SG&A expenses** | 20.3 | 16.4% | 24.0 | 15.4% | 3.7 | 18.2% |
| **Operating profit** | **5.2** | **4.2%** | **6.0** | **3.9%** | **0.8** | **16.4%** |
| **Profit before tax** | 5.7 | 4.6% | 4.0 | 2.6% | (1.7) | -30.3% |
| **Profit** | 3.4 | 2.8% | 1.8 | 1.2% | (1.6) | -46.7% |
| **Profit attributable to owners of parent** | **3.1** | **2.5%** | **1.6** | **1.0%** | **(1.4)** | **-47.2%** |

*Displayed in ¥billion (rounded off to the nearest ¥0.1 billion)

## General Comment

**In the 1Q, the prolonged semiconductor shortage and the global outbreak of the Omicron variant had a significant negative impact on our Domestic Manufacturing Outsourcing Business and Overseas Manufacturing & Service Operations Outsourcing Business.**

**However, our Domestic and Overseas Engineering Outsourcing Businesses were not affected by COVID-19 and achieved stable growth while the Domestic Service Operation Outsourcing Business performed well, especially for U.S. military facilities, bringing supplementary effects. As a result, both consolidated revenue and operating profit exceeded the initial forecast and increased on YoY basis. Consolidated revenue reached a record high.**

**This is proof that our group's efforts to diversify our businesses and operations across regions aiming to level the business performance have been successful. We are confident that we can achieve our full-year forecasts and these efforts will lead to significant medium- and long-term business growth in the future.**

## Impact of Ukraine crisis

■ Impact of Ukraine crisis for 1Q FY12/22

In 1Q FY12/22, the rise in gasoline costs in debt collection in the U.K. and the temporary disruption of the European supply chain affected manufacturing-related dispatches and logistics-related dispatches (the impact of the expansion of the Omicron variant of COVID-19 was significant in 1Q.)

■ Future outlook due to Ukraine crisis

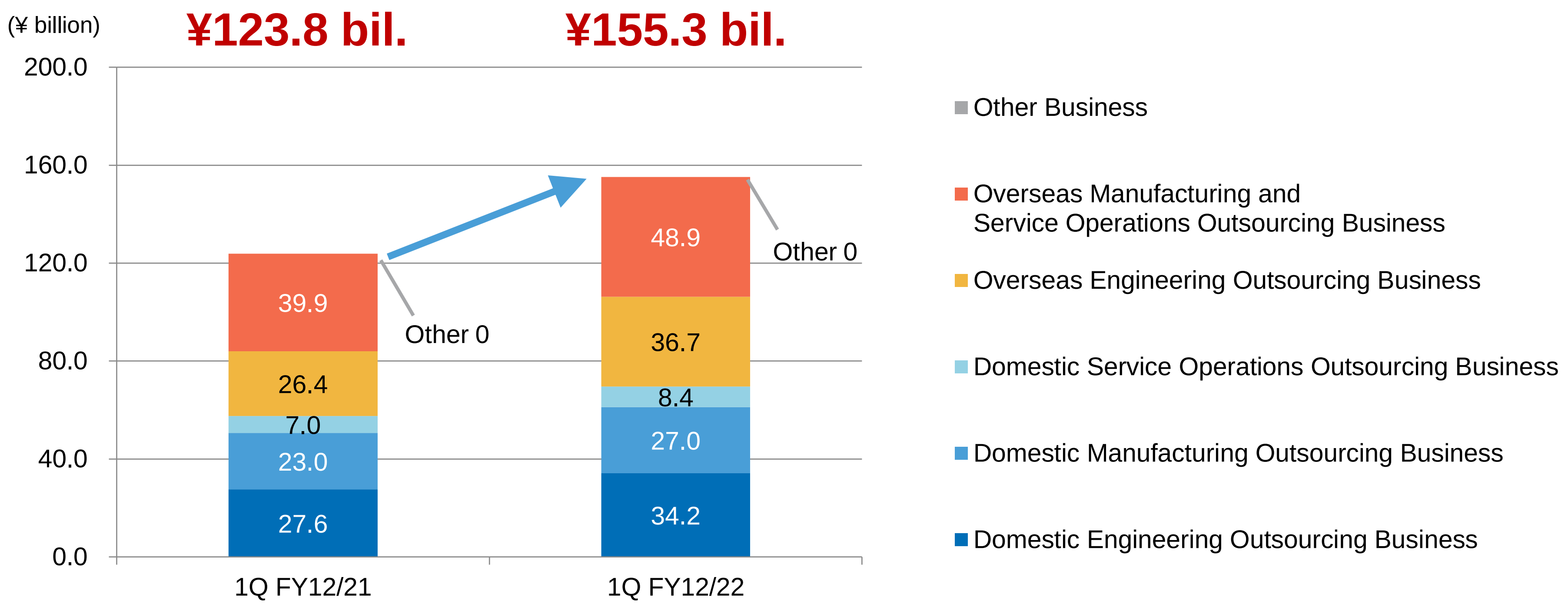
Although it is difficult to predict the impact due to uncertainty in the future situation, business performance is likely to deteriorate due to rising prices and supply shortages such as electricity, gas, gasoline, food prices, etc. due to the full import ban on energy, which is dependent on Russia mainly in the EU, and the continuation of the suspension of supply of Ukrainian and Russian agricultural crops. We assume that the impact level will be recoverable at this point. However, the outlook for business performance is likely to change due to significant changes in the impact on economic activity in line with future developments, and we will thoroughly assess the situation and analyze the impact.

# Consolidated Financial Results Summary for 1Q FY12/22 (IFRS)

## Revenue

**¥ 155.3 billion (+25.5% YoY)**

- Due to the unexpected deterioration in semiconductor shortages and supply chain disruptions in the Domestic Manufacturing Outsourcing Business, we were affected by an unexpected production reduction adjustment, but we achieved the initial forecast and reached a record high for the 1Q by covering it by winning orders that exceeded the forecast and keeping the strong performance of each segment other than Domestic Manufacturing.

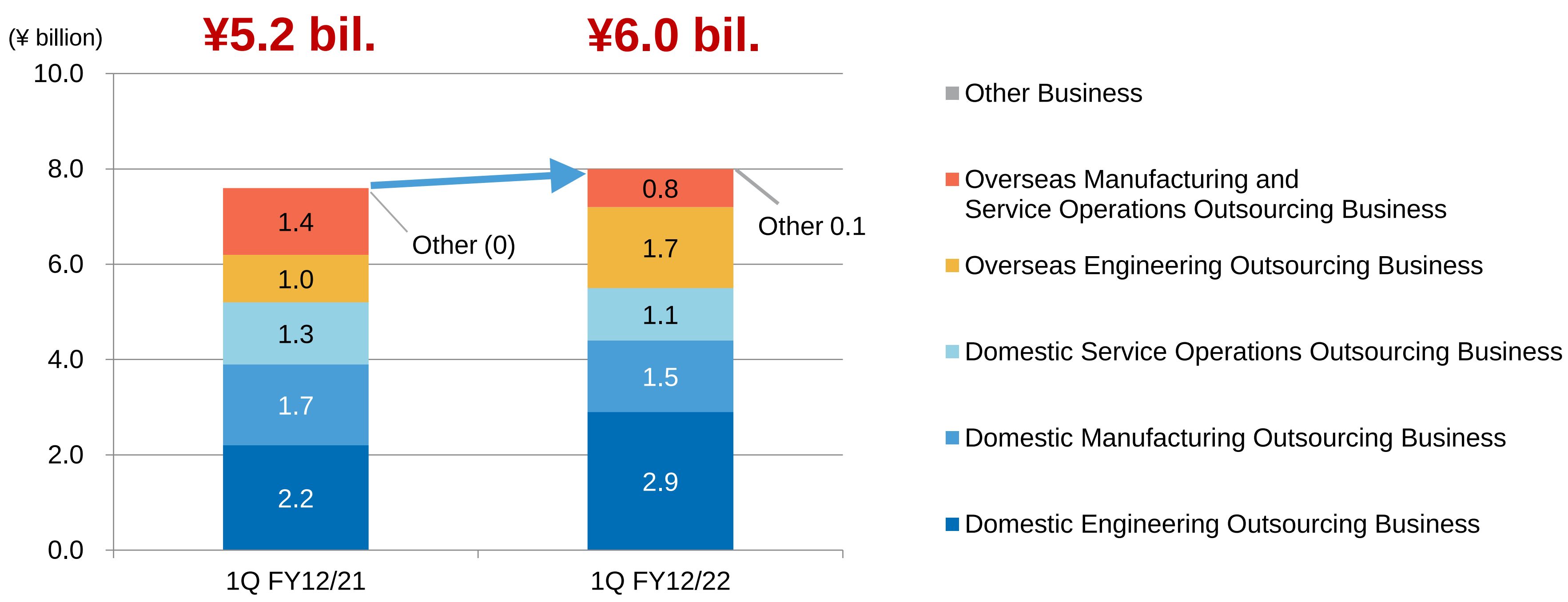


# Consolidated Financial Results Summary for 1Q FY12/22 (IFRS)

## Operating Profit

**¥ 6.0 billion** **(+16.4% YoY)**

- In the Overseas Manufacturing and Service Operations Outsourcing Business, the impact of the rapid spread of the Omicron variant caused ¥460 million at VERACITY in the U.K. and ¥60 million impairment loss of goodwill at ELOFORT in Brazil to record a negative operating profit in this segment. However, on a consolidated basis, the results exceeded the initial forecast thanks to the increase in gross profit due to growth in revenue exceeding the forecast.




* The operating profit amount is the sum of operating profit from each business segment minus the adjustment for head office expenses (¥2.5 billion in 1Q FY12/21, ¥2.1 billion in 1Q FY12/22)

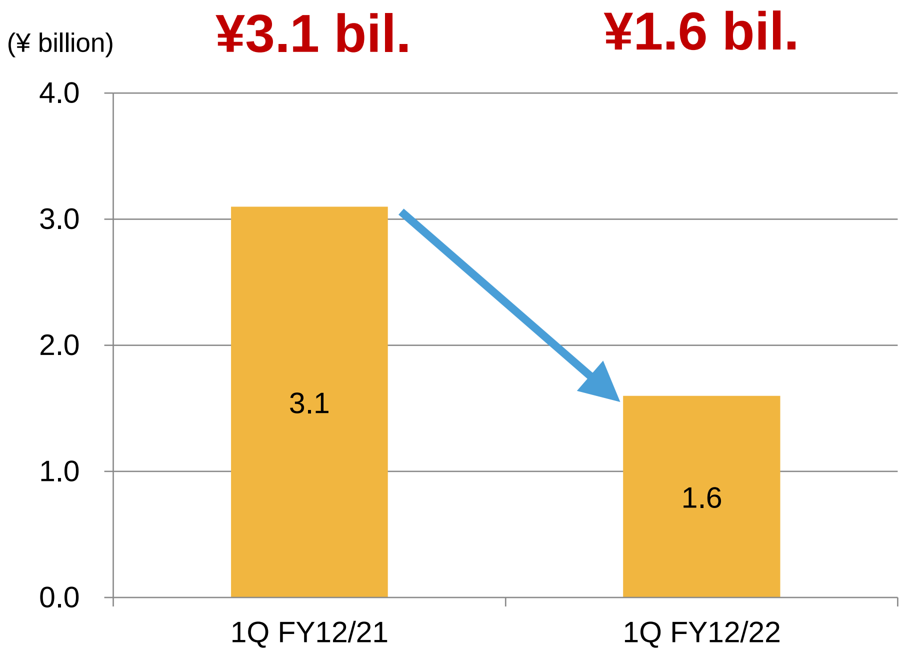
# Consolidated Financial Results Summary for 1Q FY12/22 (IFRS)

## ● Profit Attributable to Owners of Parent

**¥ 1.6 billion (-47.2% YoY)**

- With the aim of sharing throughout the Group the success model of OTTO in the Netherlands (dispatch for e-commerce logistics) that continues to perform well, in consultation with the company, acquired all remaining shares that were planned to be purchased sequentially by the end of June 2023, in January 2022 ahead of schedule, and accumulated about €20 million (about ¥2.4 billion), which was last processed as financial expenses in the 1Q, so profit attributable to owners of parent has not reached the initial forecast. **However, since the Company was able to capture 100% of the OTTO's profits from February 2022 and financial expenses related to the company's put option debt will not be incurred in the future, it will remain steady after the 2Q and very positive for the full-year forecast.**

*Put option ⇒please refer to Reference Materials p.29



# Consolidated Financial Results Summary for 1Q FY12/22 (IFRS)

## Consolidated Financial Results (Quarterly Trends)

| (¥ billion) | FY12/21 Actual | | | | | FY12/22 Actual |
|---|---|---|---|---|---|---|
| | 1Q | 2Q | 3Q | 4Q | Full-Year | 1Q |
| Revenue | 123.8 | 140.8 | 147.4 | 157.3 | 569.3 | 155.3 |
| Gross profit | 23.7 | 26.2 | 26.7 | 30.4 | 107.1 | 28.5 |
| Gross profit margin | 19.2% | 18.6% | 18.1% | 19.3% | 18.8% | 18.4% |
| SG&A expenses | 20.3 | 21.4 | 22.5 | 23.9 | 88.1 | 24.0 |
| SG&A expenses ratio | 16.4% | 15.2% | 15.2% | 15.2% | 15.5% | 15.4% |
| Other operating income *1 | 1.9 | 1.8 | 1.9 | 2.3 | 7.8 | 2.2 |
| Other operating expense | 0.1 | 0.2 | 1.1 | 1.4 | 2.9 | 0.8 |
| Operating profit | 5.2 | 6.4 | 5.1 | 7.4 | 24.0 | 6.0 |
| Operating profit margin | 4.2% | 4.5% | 3.4% | 4.7% | 4.2% | 3.9% |
| Profit before tax | 5.7 | 5.1 | 0.1 | 0.9 | 11.8 | 4.0 |
| Profit before tax margin | 4.6% | 3.6% | 0.0% | 0.6% | 2.1% | 2.6% |
| Profit attributable to owners of parent | 3.1 | 2.6 | (2.1) | (2.8) | 0.7 | 1.6 |
| Profit attributable to owners of parent margin | 2.5% | 1.8% | -1.4% | -1.8% | 0.1% | 1.0% |

| QoQ/YoY Changes | FY12/21 Actual | | | | | FY12/22 Actual |
|---|---|---|---|---|---|---|
| | 1Q | 2Q | 3Q | 4Q | Full-Year | 1Q |
| Revenue | 20.5% | 13.8% | 4.7% | 6.7% | 55.9% | -1.2% |
| Gross profit | 17.2% | 10.7% | 1.8% | 13.8% | 52.2% | -6.3% |
| SG&A expenses | 22.6% | 5.7% | 4.8% | 6.3% | 45.7% | 0.5% |
| Operating profit | 30.8% | 23.5% | -20.7% | 46.3% | 80.6% | -18.8% |
| Profit before tax | 445.4% | -10.6% | -98.8% | - | 52.6% | 336.0% |
| Profit attributable to owners of parent | - | -16.8% | - | - | -62.5% | - |

*1 Dormitory fees received from employees at company-rented employee dormitories, which should be included in real profit, are included in other operating income.
*2 Displayed in ¥billion (rounded off to the nearest ¥0.1 billion)

# Consolidated Financial Results Summary for 1Q FY12/22 (IFRS)

## Financial Results by Operating Segment and Revenue by Region (Quarterly Trends)

| (¥ billion) | | FY12/21 Actual 1Q | 2Q | 3Q | 4Q | Full-Year | FY12/22 Actual 1Q |
|---|---|---|---|---|---|---|---|
| Domestic Engineering Outsourcing Business | Revenue | 27.6 | 30.0 | 31.8 | 34.4 | 123.8 | 34.2 |
| | Operating profit | 2.2 | 2.3 | 2.6 | 2.8 | 9.9 | 2.9 |
| | No. of worksite employees at term-end | 18,249 | 20,829 | 21,163 | 21,622 | 21,622 | 22,085 |
| Domestic Manufacturing Outsourcing Business | Revenue | 23.0 | 24.5 | 25.1 | 27.1 | 99.7 | 27.0 |
| | Operating profit | 1.7 | 1.8 | 1.5 | 2.2 | 7.2 | 1.5 |
| | No. of worksite employees at term-end | 18,614 | 20,126 | 21,341 | 21,443 | 21,443 | 21,506 |
| | No. of workers under outsourced administration at term-end | 21,942 | 21,607 | 21,076 | 20,004 | 20,004 | 18,510 |
| | No. of placed workers | 360 | 391 | 371 | 374 | 1,496 | - |
| Domestic Service Operations Outsourcing Business | Revenue | 7.0 | 7.2 | 7.3 | 7.7 | 29.2 | 8.4 |
| | Operating profit | 1.3 | 1.0 | 1.1 | 0.6 | 4.0 | 1.1 |
| | No. of worksite employees at term-end | 2,444 | 2,567 | 3,074 | 3,349 | 3,349 | 3,868 |
| Overseas Engineering Outsourcing Business | Revenue | 26.4 | 36.2 | 38.0 | 39.3 | 139.8 | 36.7 |
| | Operating profit | 1.0 | 1.5 | 0.5 | 1.4 | 4.6 | 1.7 |
| | No. of worksite employees at term-end | 13,393 | 14,726 | 14,642 | 14,881 | 14,881 | 13,976 |
| Overseas Manufacturing and Service Operations Outsourcing Business | Revenue | 39.9 | 42.9 | 45.3 | 48.7 | 176.8 | 48.9 |
| | Operating profit | 1.4 | 1.5 | 1.3 | 2.5 | 6.7 | 0.8 |
| | No. of worksite employees at term-end | 48,383 | 49,441 | 50,669 | 51,229 | 51,229 | 51,455 |
| Other Business | Revenue | 0.0 | 0.0 | 0.0 | 0.0 | 0.1 | 0.0 |
| | Operating profit | (0.0) | 0.1 | 0.1 | 0.1 | 0.2 | 0.1 |
| Adjustments | Operating profit | (2.5) | (1.9) | (2.0) | (2.2) | (8.6) | (2.1) |
| Total | Revenue | 123.8 | 140.8 | 147.4 | 157.3 | 569.3 | 155.3 |
| | Operating profit | 5.2 | 6.4 | 5.1 | 7.4 | 24.0 | 6.0 |

| Revenue by Region (¥ billion) | FY12/21 Actual 1Q | 2Q | 3Q | 4Q | Full-Year | FY12/22 Actual 1Q |
|---|---|---|---|---|---|---|
| Japan | 57.6 | 61.7 | 64.2 | 69.3 | 252.8 | 69.7 |
| Europe | 48.6 | 58.1 | 60.0 | 63.6 | 230.4 | 62.9 |
| Oceania | 12.2 | 15.0 | 15.9 | 16.6 | 59.8 | 15.2 |
| North America | - | 0.4 | 1.4 | 1.2 | 2.9 | 1.1 |
| South America | 2.6 | 3.0 | 3.2 | 3.5 | 12.3 | 3.6 |
| Asia (excl. Japan) | 2.8 | 2.6 | 2.7 | 3.1 | 11.2 | 2.8 |
| Total | 123.8 | 140.8 | 147.4 | 157.3 | 569.3 | 155.3 |

*1: Displayed in ¥billion (rounded off to the nearest ¥0.1 billion)

*2: Inter-segment transactions in revenue are eliminated.

*3: Actual forex rates used in 1Q FY12/22 results (average rates for Jan.-Mar. 2022)
- EUR 130.40
- GBP 155.95
- AUD 84.22
- USD 116.34

- Manufacturers' demand for recruiting and placing of the Domestic Manufacturing Outsourcing Business has significantly shifted to dispatching and its impact on business performance is minimal. Therefore, the number of placed workers will be kept private from FY12/22.

# Consolidated Financial Results Summary for 1Q FY12/22 (IFRS)

## Consolidated Statement of Financial Position

| (¥ billion) | FY12/21-End | | 1Q-End FY12/22 | | vs FY12/21-End |
|---|---|---|---|---|---|
| | Amount | Composition Ratio | Amount | Composition Ratio | Amount |
| **Current assets** | **167.2** | **47.6%** | **178.0** | **47.8%** | **10.8** |
| Cash and cash equivalents | 48.3 | 13.7% | 45.8 | 12.3% | (2.6) |
| Trade and other receivables | 88.1 | 25.0% | 98.9 | 26.5% | 10.8 |
| Inventories | 2.7 | 0.8% | 2.3 | 0.6% | (0.4) |
| **Non-current assets** | **184.4** | **52.4%** | **194.6** | **52.2%** | **10.2** |
| Property, plant and equipment | 11.6 | 3.3% | 12.0 | 3.2% | 0.4 |
| Right-of-use assets | 21.4 | 6.1% | 25.0 | 6.7% | 3.7 |
| Goodwill | 84.9 | 24.1% | 89.6 | 24.0% | 4.7 |
| Intangible assets | 37.5 | 10.7% | 38.1 | 10.2% | 0.6 |
| Other financial assets | 21.5 | 6.1% | 22.2 | 6.0% | 0.7 |
| **Total assets** | **351.6** | **100.0%** | **372.6** | **100.0%** | **21.0** |
| **Current liabilities** | **212.5** | **60.4%** | **181.2** | **48.6%** | **(31.3)** |
| Trade and other payables | 62.4 | 17.7% | 66.4 | 17.8% | 4.0 |
| Bonds and borrowings | 88.4 | 25.1% | 51.8 | 13.9% | (36.6) |
| Lease Liabilities | 20.4 | 5.8% | 22.3 | 6.0% | 1.9 |
| Income taxes payable | 4.7 | 1.3% | 3.1 | 0.8% | (1.5) |
| **Non-current liabilities** | **66.6** | **18.9%** | **116.5** | **31.3%** | **49.9** |
| Bonds and borrowings | 15.6 | 4.5% | 70.7 | 19.0% | 55.0 |
| Lease Liabilities | 27.2 | 7.7% | 30.3 | 8.1% | 3.1 |
| Other financial liabilities | 8.3 | 2.4% | 0.8 | 0.2% | (7.5) |
| **Total liabilities** | **279.1** | **79.4%** | **297.7** | **79.9%** | **18.6** |
| Share capital | 25.2 | 7.2% | 25.2 | 6.8% | - |
| Capital surplus | 26.7 | 7.6% | 26.7 | 7.2% | - |
| Treasury shares | (0.0) | -0.0% | (0.0) | -0.0% | - |
| Other share premium | (12.9) | -3.7% | (12.3) | -3.3% | 0.6 |
| Retained earnings | 22.8 | 6.5% | 20.9 | 5.6% | (1.9) |
| **Equity attributable to owners of the Company** | **65.9** | **18.7%** | **69.7** | **18.7%** | **3.9** |
| **Non-controlling interests** | **6.6** | **1.9%** | **5.1** | **1.4%** | **(1.5)** |
| **Equity** | **72.5** | **20.6%** | **74.8** | **20.1%** | **2.4** |
| **Total liabilities and equity** | **351.6** | **100.0%** | **372.6** | **100.0%** | **21.0** |

*Displayed in ¥billion (rounded off to the nearest ¥0.1 billion)

Trade and other receivables:

Increased due to the growing numbers of group companies and expansion of business scale

Trade and other payables:

Increased due to the growing numbers of group companies and expansion of business scale

Bonds and borrowings:

A portion of borrowings has been reclassified from current to non-current

# Topics for 1Q FY12/22 and Forecasts for FY12/22 by Operating Segment (IFRS)

# Topics for 1Q FY12/22 and Forecasts for FY12/22 by Operating Segment (IFRS)

## Domestic Engineering Outsourcing Business

⇒ Please refer to Reference Materials pp.8-13

### ■ Trends in 1Q FY12/22

Demand for engineers continues to be high in all industries, and the utilization rate has recovered to the pre-pandemic level, achieving the initial forecast in both revenue and operating profit.

| (¥ billion) | FY12/21 | | | | | FY12/22 | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Results | | | | | Initial Forecasts | | | | | Results | | | | |
| | 1Q | 2Q | 3Q | 4Q | Full-year | 1Q | 2Q | 3Q | 4Q | Full-year | 1Q | 2Q | 3Q | 4Q | Full-year |
| Revenue | 27.6 | 30.0 | 31.8 | 34.4 | 123.8 | 33.8 | 37.4 | 40.0 | 42.8 | 154.0 | 34.2 | － | － | － | － |
| Operating Profit | 2.2 | 2.3 | 2.6 | 2.8 | 9.9 | 1.9 | 1.3 | 2.8 | 5.0 | 11.0 | 2.9 | － | － | － | － |
| Utilization rate (%) | 95.7 | 90.8 | 95.7 | 97.3 | 94.9 | 96.2 | 91.0 | 96.3 | 97.4 | 95.2 | 96.6 | － | － | － | － |
| No. of worksite employees at term-end (persons) | 18,249 | 20,829 | 21,163 | 21,622 | 21,622 | 22,300 | 25,500 | 26,100 | 26,700 | 26,700 | 22,085 | － | － | － | － |

| Overview by field/area and forecasts for FY12/22 | |
|---|---|
| **IT-related field** | ・ Currently, although the impact of the prolonged COVID-19 and shortage of semiconductors remain slightly, the impact is limited.<br>・ Looking ahead, it is expected to remain firm due to an absolute shortage of IT human resources and an increase in DX needs. |
| **R&D-related fields such as transport equipment, electric and electronic, etc.** | ・ Demand for semiconductors continues to be favorable, and orders are expanding, mainly in materials, products, and equipment manufacturers.<br>・ Looking ahead, the order environment is expected to remain favorable. |
| **Pharmaceuticals and healthcare-related field** | ・ Project related to the COVID-19 vaccine has been completed, but new orders remain steady.<br>・ The content of orders is also returning to pre-pandemic status, and recruitment is expected to remain firm. |
| **Construction-related field** | ・ In addition to the amount of domestic construction investment exceeding ¥62 trillion in the previous fiscal year, the shortage of personnel due to the decline in the construction labor force population is an issue, and the order receiving environment is expected to be favorable. |
| **Segment overall** | ・ Anti-epidemic measures have been lifted and measures under the pandemic by each client have progressed, the business environment is recovering, and the utilization rate, which has recovered to the pre-pandemic level, is expected to continue to remain at a high level.<br>・ Approximately 2,600 new graduates who joined the Company in April are scheduled to be assigned sequentially after conducting training, and the assignment is expected to be completed in July as planned.<br>・ Approximately 3,300 new graduates will be hired in 2023 according to the plan made at the beginning of the FY 12/22.<br>・ As a virtuous cycle of economic conditions is expected to continue and demand for engineers in various fields is expected to expand further, human resources are expected to make steady progress toward the full-year initial forecast by further strengthening its recruiting, training, and placement. |

# Domestic Engineering Outsourcing Business

## Progress of "Dispatch 2.0" by category

Dispatch 2.0 = Expanding a scheme that provides a bundle of engineers and cutting-edge technologies such as RPA and AI, to support clients' operational efficiency up to operation, in a broader market with higher unit prices than simple engineer dispatch.

### Dispatch 2.0 categories

(1) Office-related
Services to provide products and human resources related to man-hours reduction of white-collar workers such as back offices.

(2) Non-office-related
Services to provide human resources related to man-hours reduction of blue-collar workers such as construction and manufacturing industries
*Currently targeting ICT-supported services of the construction industry.

(3) Advanced technology-related
Services to provide SI business to support the introduction of DX in all fields that will lead to future worker man-hours reduction, and provide human resources to support the development of autonomous driving platforms.

### Revenue trends by category

(Unit：¥ million)

| | | FY12/21 1Q | FY12/21 2Q | FY12/21 3Q | FY12/21 4Q | FY12/22 1Q Plan | FY12/22 1Q Result | FY12/22 2Q Plan | FY12/22 3Q Plan | FY12/22 4Q Plan |
|---|---|---|---|---|---|---|---|---|---|---|
| Total | Net sales | 275 | 358 | 640 | 793 | 1,059 | 1,002 | 1,257 | 1,483 | 1,716 |
| | Gross profit | 99 | 85 | 210 | 305 | 360 | 352 | 441 | 518 | 601 |
| Office-related | Net sales | 95 | 126 | 232 | 300 | 325 | 282 | 358 | 376 | 415 |
| | Gross profit | 17 | (14) | 39 | 90 | 109 | 94 | 125 | 127 | 142 |
| Non-office-related | Net sales | 0 | 45 | 85 | 93 | 106 | 103 | 125 | 144 | 163 |
| | Gross profit | 0 | 22 | 42 | 46 | 44 | 32 | 57 | 62 | 70 |
| Advanced technology-related | Net sales | 180 | 187 | 323 | 400 | 627 | 617 | 774 | 963 | 1,137 |
| | Gross profit | 82 | 77 | 129 | 169 | 207 | 226 | 259 | 329 | 389 |

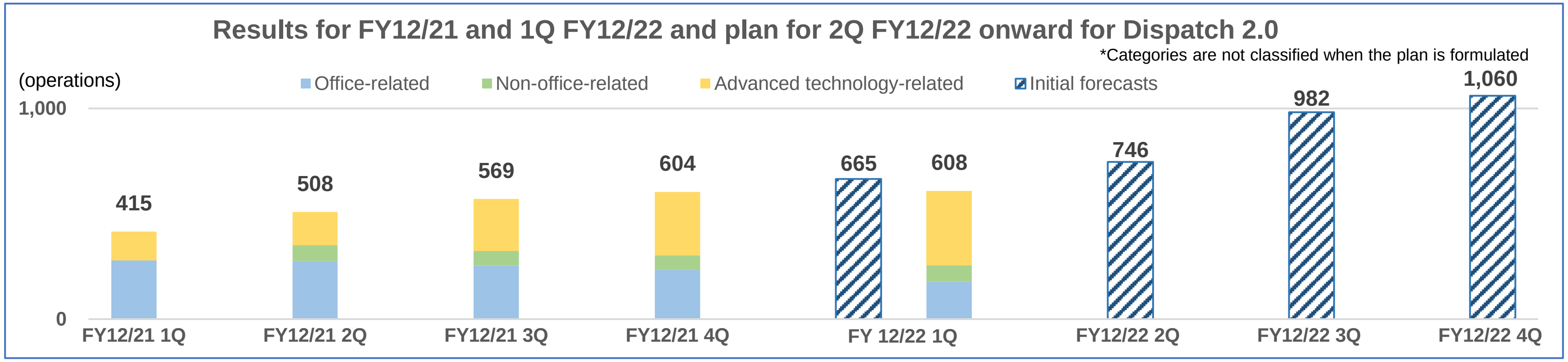
* Results for 1Q and 2Q of FY12/21 are the revised actual figures.

### Status for 1Q FY12/22 and forecasts for 2Q FY12/22 onward

- In the office-related business, demand for RPA is saturated, and demand for engineers due to Dispatch 2.0 is on a declining trend
- Demand for digitization in the non-office-related business is on the rise (there is room to consider entering other fields)
- In the advanced technology-related business, demand for infrastructural enhancements and security increased due to an increase in remote work

### Number of Dispatch 2.0

*All human resources, robots, and software work classified as "operation"




**In the 1Q FY12/22, the number of Dispatch 2.0 fell short of the plan due to the impact of the rapidly expanding Omicron variant and the saturation of RPA market; however, due to the high demand for advanced engineers such as cloud and SI, which are high unit prices, we aim to achieve the full-year plan by strengthening internal and external education schemes and increasing the number of high-level human resources required in the market.**

# Topics for 1Q FY12/22 and Forecasts for FY12/22 by Operating Segment (IFRS)

## Domestic Manufacturing Outsourcing Business

⇒ Please refer to Reference Materials pp.14-16

### ■Trends in 1Q FY12/22

Due to the shortage of parts and semiconductors and the continuing supply chain disruption, non-working days and production reduction adjustments of automakers occurred beyond expectations, and revenue fell slightly short of the forecast, while operating profit achieved the forecast due to the partial recognition of claims to manufacturers for production reduction adjustments.

| (¥ billion) | FY12/21 | | | | | FY12/22 | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Results | | | | | Initial Forecasts | | | | | Results | | | | |
| | 1Q | 2Q | 3Q | 4Q | Full-year | 1Q | 2Q | 3Q | 4Q | Full-year | 1Q | 2Q | 3Q | 4Q | Full-year |
| Revenue | 23.0 | 24.5 | 25.1 | 27.1 | 99.7 | 27.3 | 32.5 | 34.0 | 36.7 | 130.5 | 27.0 | — | — | — | — |
| Operating Profit | 1.7 | 1.8 | 1.5 | 2.2 | 7.2 | 1.4 | 2.0 | 2.3 | 3.1 | 8.8 | 1.5 | — | — | — | — |
| No. of worksite employees (persons) | 18,614 | 20,126 | 21,341 | 21,443 | 21,443 | 21,800 | 24,000 | 25,000 | 26,500 | 26,500 | 21,506 | — | — | — | — |
| No. of workers under outsourced administration (persons) | 21,942 | 21,607 | 21,076 | 20,004 | 20,004 | 19,000 | 18,200 | 19,200 | 20,000 | 20,000 | 18,510 | — | — | — | — |

| Overview by field/area and forecasts for FY12/22 | |
|---|---|
| **Manufacturing dispatch / outsourced contracting** | • Although orders from various manufacturers have exceeded the forecast, it is expected that the start of full-fledged recovery production by automakers will be delayed after the 2H, and the assignment time is expected to be delayed from the plan.<br>• As a measure, we expect to achieve our full-year forecasts at this point by revising unit prices and improving retention rate, and by accelerating the invitation of Japanese Brazilians from Brazil. |
| **Administrative outsourcing** | • The entry restrictions for Technical Intern Trainees, which have been partially relaxed since March, will continue to be further relaxed, and after 2Q the entry of accumulated Technical Intern Trainees waiting for entry will become full-fledged. |
| **Segment overall** | • As recovery production is planned by automakers after the 2H, Technical Intern Trainees are expected to be steady against the full-year initial forecast, as the acceptance is in full swing from the 2Q. |

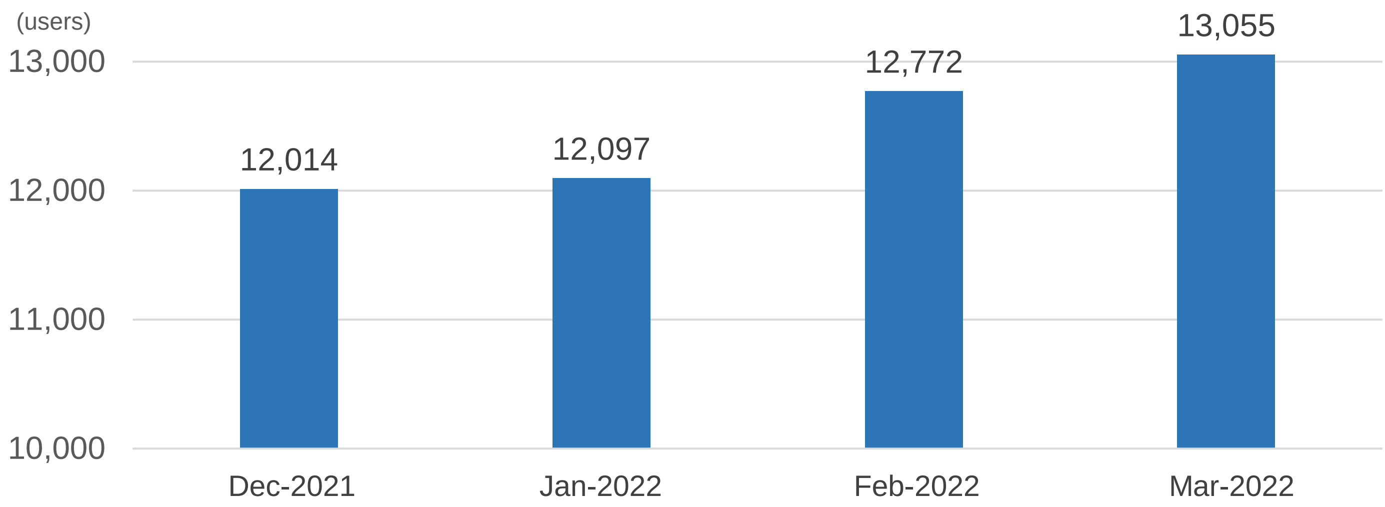
# Topics for 1Q FY12/22 and Forecasts for FY12/22 by Operating Segment (IFRS)

## Domestic Manufacturing Outsourcing Business

- **Status of Dispatched Employee Management System "CSM"**

### Trends in number of users

*Including the number of the Group use




***CSM = a system that handles various complicated tasks such as management of multiple dispatch agencies and dispatch staff at manufacturers**

| | | |
|---|---|---|
| **1Q FY12/22** | **Estimation** | **The number of manufacturers who have implemented it: 110 companies**<br>**The number of users: 13,165 persons** |
| | **Results** | **The number of manufacturers who have implemented it: 116 companies**<br>**The number of users: 13,055 persons** |

**Supported by the demand for remote management during the pandemic, orders received from companies exceeded initial estimations. However, regarding the number of users, the deployment of the client company to other factories was delayed, resulting in a slight shortfall.**

# Topics for 1Q FY12/22 and Forecasts for FY12/22 by Operating Segment (IFRS)

## Domestic Service Operations Outsourcing Business

⇒ Please refer to Reference Materials p.17

### ■ Trends in 1Q FY12/22

The U.S. military facilities business was going favorably, other business in the segment in general made steady progress, and both revenue and operating profit achieved the initial forecast.

In the U.S. military facilities business, while high profit margins were secured because the accuracy of orders was increased by taking advantage of past performance in the nomination competitive bidding at MACC (Multiple Award Construction Contract), general competitive bidding judged only by the amount tends to have a lower profit margin in order to compete with the dumping of general contractors. As a result, revenue grew by about 106% compared to the initial forecast, while operating profit was about 105%.

| (¥ billion) | FY12/21 | | | | | FY12/22 | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Results | | | | | Initial Forecasts | | | | | Results | | | | |
| | 1Q | 2Q | 3Q | 4Q | Full-year | 1Q | 2Q | 3Q | 4Q | Full-year | 1Q | 2Q | 3Q | 4Q | Full-year |
| Revenue | 7.0 | 7.2 | 7.3 | 7.7 | 29.2 | 8.1 | 8.5 | 9.6 | 9.8 | 36.0 | 8.4 | — | — | — | — |
| Operating Profit | 1.3 | 1.0 | 1.1 | 0.6 | 4.0 | 1.0 | 1.0 | 1.4 | 1.3 | 4.7 | 1.1 | — | — | — | — |
| No. of worksite employees at term-end (persons) | 2,444 | 2,567 | 3,074 | 3,349 | 3,349 | 3,100 | 3,300 | 3,800 | 4,000 | 4,000 | 3,868 | — | — | — | — |

| Overview by field/area and forecasts for FY12/22 | |
|---|---|
| **Business for U.S. military facilities** | • Continued stable orders and strong sales trends due to backlogs are certain, but the rise in raw material prices is a cause for concern in the future, and the depreciation of the yen will also weigh on profits when importing large quantities of overseas materials related to U.S. military construction.<br>• In FY12/22, several ultra-large projects for the U.S. military are scheduled to be budgeted, and in cooperation with general contractors, it is expected to be solid by expanding orders for large-scale projects with high gross margin rates and increasing experience in the construction field with little track record to lead to new orders. |
| **Inbound-related Service Operations Outsourcing Business other than for U.S. military facilities** | • In the essential worker area, orders related to COVID-19 recuperation facilities and subsidy applications expanded due to the Omicron variant outbreak.<br>• The above special demand is expected to end in the 2Q, and after the end, it is expected to expand subsidy projects such as the Go To travel campaign.<br>• Demand in security contract businesses and water-related businesses is expected to remain firm under the pandemic as well, with no decline in demand. |
| **Segment overall** | • By increasing orders for large-scale projects with high gross profit margin in the U.S. military business, and by increasing orders in areas such as security, logistics, public-related services, etc. in the Japanese economy which has been moving toward after the pandemic in other service businesses, it is expected to progress in line with the initial forecast. |

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# Topics for 1Q FY12/22 and Forecasts for FY12/22 by Operating Segment (IFRS)

## Overseas Engineering Outsourcing Business

⇒ Please refer to Reference Materials p.18

### ■Trends in 1Q FY12/22

Both revenue and operating profit achieved the initial forecasts, as strong Ireland/Oceania compensated for gross profit margin deterioration in the debt collection business in the U.K. due to the rise in prices, such as energy prices, affected by the situation in Ukraine.

| (¥ billion) | FY12/21 | | | | | FY12/22 | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Results | | | | | Initial Forecasts | | | | | Results | | | | |
| | 1Q | 2Q | 3Q | 4Q | Full-year | 1Q | 2Q | 3Q | 4Q | Full-year | 1Q | 2Q | 3Q | 4Q | Full-year |
| Revenue | 26.4 | 36.2 | 38.0 | 39.3 | 139.8 | 35.8 | 37.0 | 39.3 | 38.9 | 151.0 | 36.7 | — | — | — | — |
| Operating Profit | 1.0 | 1.5 | 0.5 | 1.4 | 4.6 | 1.4 | 1.5 | 1.9 | 2.0 | 6.8 | 1.7 | — | — | — | — |
| No. of worksite employees at term-end (persons) | 13,393 | 14,726 | 14,642 | 14,881 | 14,881 | 15,010 | 13,040 | 12,020 | 12,650 | 12,650 | 13,976 | — | — | — | — |

* The decrease in the number of worksite employees at term-end for FY12/22 is due to the plan that dispatched employees will be replaced by freelancers.

| Overview by field/area and forecasts for FY12/22 | |
|---|---|
| **U.K.** | • Although the debt collection business has been delayed in some debt issuance due to the impact of COVID-19 last year, receipts and collections of receivables are expected to rise due in part to the issuance of new receivables.<br>• On the other hand, despite concerns about a decrease in debt collection rate due to a decline in borrowers' capacity to pay due to the impacts of rising energy prices and prices, it is expected to steadily expand its business by developing into a wider debt collection market in addition to increasing debt collection agency fees going forward. |
| **Ireland** | • The Irish business is expected to continue to perform well, and the Group aims to expand its business by developing services in peripheral countries such as dispatching, recruiting and placing, and outsourced contracting for IT, pharmaceuticals, life sciences, and healthcare, which it has established in Ireland and the U.K.<br>• Special demand related to COVID-19 (vaccinations, contract tracing services, etc.) is expected to end early in 2022, but businesses that were affected by COVID-19 due to resumption of economic activity are expected to recover and business environment is expected to remain strong. |
| **Oceania** | • The government continues the policy of measures under the pandemic and is not concerned about its impact on the market and business environment.<br>• Although there is an issue of labor shortage in the market, corporate recruiting activities have resumed, and the recruiting and placing business is particularly strong. Orders are expected to increase in various fields such as IT, construction, mining, finance, dispatching/recruiting and placing for the government, and training business.<br>• In addition, entering the businesses for Ministry of Defense, etc. and other market is promoted and expected to perform well. |
| **Segment overall** | • Ireland and Oceania are expected to continue to perform well, and the U.K. is expected to expand steadily in the future, and is expected to trend in line with the initial forecasts. |

# Overseas Manufacturing and Service Operations Outsourcing Business

⇒ Please refer to Reference Materials pp.19-20

## ■Trends in 1Q FY12/22

Although revenue achieved the initial forecast, operating profit fell short of the forecast due to impairment loss treatment of goodwill at VERACITY in the U.K. for ¥520 million, cost of countermeasures due to the rapid expansion of Omicron variant at Orizon and OTTO, and the sick leaves and shortened working hours for those infected.

| (¥ billion) | FY12/21 | | | | | FY12/22 | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Results | | | | | Initial Forecasts | | | | | Results | | | | |
| | 1Q | 2Q | 3Q | 4Q | Full-year | 1Q | 2Q | 3Q | 4Q | Full-year | 1Q | 2Q | 3Q | 4Q | Full-year |
| Revenue | 39.9 | 42.9 | 45.3 | 48.7 | 176.8 | 48.0 | 54.6 | 59.1 | 61.8 | 223.5 | 48.9 | — | — | — | — |
| Operating Profit | 1.4 | 1.5 | 1.3 | 2.5 | 6.7 | 1.3 | 2.0 | 3.2 | 3.5 | 10.0 | 0.8 | — | — | — | — |
| No. of worksite employees at term-end (persons) | 48,383 | 49,441 | 50,669 | 51,229 | 51,229 | 53,250 | 56,110 | 59,930 | 62,550 | 62,550 | 51,455 | — | — | — | — |

| Overview by field/area and forecasts for FY12/22 | |
|---|---|
| **Germany** | • In Orizon's manufacturing business, dispatch recovered despite the impact of a shortage of raw materials procurement.<br>• The dispatch of medical fields is expected to expand steadily, and the engineering business and BPO business for call centers are expected to perform steadily. |
| **The Netherlands** | • Steady growth in orders at dispatching for the e-commerce logistics business, the main business of OTTO.<br>• In the future, depending on the impact of COVID-19 and the situation in Ukraine, business performance is expected to expand in line with the normalization of the supply chain. |
| **U.K. (services for local governments, etc.)** | • The dispatching business for the government struggles to secure excellent human resources, but the recruiting and placing business remains strong.<br>• The consulting business received orders for multi-year large scale project for the central government and ministries, although they were behind schedule.<br>• The BPO business for local governments was also steadily advancing in automation and RPA requirements, and is expected to perform well going forward as we work on acquiring new multi-year projects through bids for a number of large-scale projects. |
| **Asia** | • In March 2022, the project for sending Technical Intern Trainees to Japan resumed. Further deregulation in the future is expected to expand the business.<br>• Projects for a major client in the payroll business are underway. In addition, sales to ASEAN small and medium-sized enterprises are expanding, and it is expected to continue to perform steadily. |
| **South America** | • In Chile, in addition to dispatch and outsourced contracting for the logistics business, the outsourced contracting business for retailers and security businesses expanded steadily.<br>• Looking ahead, as the COVID-19 environment, including Brazil, improves, it is expected to expand steadily, mainly in the retail and facility fields. |
| **Segment overall** | • The business, which was slightly slumped due to various factors in 1Q, is also expected to recover from 2Q onward, and is expected to trend in line with the initial forecast. |

# KPI and Results for
# Consolidated Business Plan for FY12/22 (IFRS)

# KPI and Results for Consolidated Business Plan for FY12/22 (IFRS)

## KPI (Annual, Semi-Annual and Quarterly Financial Forecasts by Operating Segment)

| (¥ billion) | | FY12/21 | | | | | FY12/22 | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | Actual | | | | | Forecast | Actual | Forecast | | | | | |
| | | 1Q | 2Q | 3Q | 4Q | Full-Year | 1Q | 1Q | 2Q | 3Q | 4Q | 1H | 2H | Full-Year |
| Domestic Engineering Outsourcing Business | Revenue | 27.6 | 30.0 | 31.8 | 34.4 | 123.8 | 33.8 | 34.2 | 37.4 | 40.0 | 42.8 | 71.2 | 82.8 | 154.0 |
| | Operating profit | 2.2 | 2.3 | 2.6 | 2.8 | 9.9 | 1.9 | 2.9 | 1.3 | 2.8 | 5.0 | 3.2 | 7.8 | 11.0 |
| | Recruiting expenses | - | - | - | - | - | 1.3 | 1.1 | 1.4 | 1.7 | 1.5 | 2.7 | 3.2 | 5.9 |
| | No. of worksite employees at term-end | 18,249 | 20,829 | 21,163 | 21,622 | 21,622 | 22,300 | 22,085 | 25,500 | 26,100 | 26,700 | 25,500 | 26,700 | 26,700 |
| | Utilization Rate | 95.7% | 90.8% | 95.7% | 97.3% | 94.9% | 96.2% | 96.6% | 91.0% | 96.3% | 97.4% | 93.4% | 96.9% | 95.2% |
| | Order backlog at term-end (persons) | 4,618 | 6,026 | 5,055 | 6,965 | 6,965 | 6,500 | 5,926 | 5,300 | 7,200 | 7,000 | 5,300 | 7,000 | 7,000 |
| Domestic Manufacturing Outsourcing Business | Revenue | 23.0 | 24.5 | 25.1 | 27.1 | 99.7 | 27.3 | 27.0 | 32.5 | 34.0 | 36.7 | 59.8 | 70.7 | 130.5 |
| | Operating profit | 1.7 | 1.8 | 1.5 | 2.2 | 7.2 | 1.4 | 1.5 | 2.0 | 2.3 | 3.1 | 3.4 | 5.4 | 8.8 |
| | Recruiting expenses | - | - | - | - | - | 0.7 | 0.6 | 0.6 | 0.7 | 0.7 | 1.3 | 1.4 | 2.7 |
| | No. of worksite employees at term-end | 18,614 | 20,126 | 21,341 | 21,443 | 21,443 | 21,800 | 21,506 | 24,000 | 25,000 | 26,500 | 24,000 | 26,500 | 26,500 |
| | No. of workers under outsourced administration at term-end | 21,942 | 21,607 | 21,076 | 20,004 | 20,004 | 19,000 | 18,510 | 18,200 | 19,200 | 20,000 | 18,200 | 20,000 | 20,000 |
| | Order backlog at term-end (persons) | 4,373 | 6,613 | 5,923 | 6,176 | 6,176 | 6,600 | 6,480 | 6,600 | 6,400 | 6,700 | 6,600 | 6,700 | 6,700 |
| Domestic Service Operations Outsourcing Business | Revenue | 7.0 | 7.2 | 7.3 | 7.7 | 29.2 | 8.1 | 8.4 | 8.5 | 9.6 | 9.8 | 16.6 | 19.4 | 36.0 |
| | Operating profit | 1.3 | 1.0 | 1.1 | 0.6 | 4.0 | 1.0 | 1.1 | 1.0 | 1.4 | 1.3 | 2.0 | 2.7 | 4.7 |
| | No. of worksite employees at term-end | 2,444 | 2,567 | 3,074 | 3,349 | 3,349 | 3,100 | 3,868 | 3,300 | 3,800 | 4,000 | 3,300 | 4,000 | 4,000 |
| | Order backlog at term-end (¥ billion) | 25.8 | 27.3 | 29.9 | 29.8 | 29.8 | - | 27.5 | - | - | - | - | - | - |
| Overseas Engineering Outsourcing Business | Revenue | 26.4 | 36.2 | 38.0 | 39.3 | 139.8 | 35.8 | 36.7 | 37.0 | 39.3 | 38.9 | 72.8 | 78.2 | 151.0 |
| | Operating profit | 1.0 | 1.5 | 0.5 | 1.4 | 4.6 | 1.4 | 1.7 | 1.5 | 1.9 | 2.0 | 2.9 | 3.9 | 6.8 |
| | No. of worksite employees at term-end | 13,393 | 14,726 | 14,642 | 14,881 | 14,881 | 15,010 | 13,976 | 13,040 | 12,020 | 12,650 | 13,040 | 12,650 | 12,650 |
| Overseas Manufacturing and Service Operations Outsourcing Business | Revenue | 39.9 | 42.9 | 45.3 | 48.7 | 176.8 | 48.0 | 48.9 | 54.6 | 59.1 | 61.8 | 102.6 | 120.9 | 223.5 |
| | Operating profit | 1.4 | 1.5 | 1.3 | 2.5 | 6.7 | 1.3 | 0.8 | 2.0 | 3.2 | 3.5 | 3.3 | 6.7 | 10.0 |
| | No. of worksite employees at term-end | 48,383 | 49,441 | 50,669 | 51,229 | 51,229 | 53,250 | 51,455 | 56,110 | 59,930 | 62,550 | 56,110 | 62,550 | 62,550 |
| Other Business | Revenue | 0.0 | 0.0 | 0.0 | 0.0 | 0.1 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| | Operating profit | (0.0) | 0.1 | 0.1 | 0.1 | 0.2 | 0.1 | 0.1 | 0.0 | 0.0 | 0.0 | 0.1 | 0.0 | 0.1 |
| Adjustments | Operating profit | (2.5) | (1.9) | (2.0) | (2.2) | (8.6) | (2.1) | (2.1) | (2.3) | (2.6) | (2.4) | (4.4) | (5.0) | (9.4) |
| Total | Revenue | 123.8 | 140.8 | 147.4 | 157.3 | 569.3 | 153.0 | 155.3 | 170.0 | 182.0 | 190.0 | 323.0 | 372.0 | 695.0 |
| | Operating profit | 5.2 | 6.4 | 5.1 | 7.4 | 24.0 | 5.0 | 6.0 | 5.5 | 9.0 | 12.5 | 10.5 | 21.5 | 32.0 |

*1: Displayed in ¥billion (rounded off to the nearest ¥0.1 billion)
*2: Inter-segment transactions in revenue are eliminated.

- The Order backlog at term-end in the above table indicates:
  - Domestic Engineering Outsourcing Business : the number of orders received for temporary engineers
  - Domestic Manufacturing Outsourcing Business : the number of orders received for manufacturing dispatch workers
  - Domestic Service Operations Outsourcing Business : the number of orders received for the U.S. military facilities business at American Engineering Corporation.
- The order backlog at term-end for the Domestic Manufacturing Outsourcing Business include the number of people simultaneously ordered by each manufacturer to multiple dispatch companies and orders with the assignment date in next month or later.

# KPI and Results for Consolidated Business Plan for FY12/22 (IFRS)

## KPI (Consolidated Financial Forecasts)

| (¥ billion) | FY12/21 Actual | | | | FY12/22 Forecast | | | | YoY Change | |
|---|---|---|---|---|---|---|---|---|---|---|
| | 1H | 2H | Full-Year | | 1H | 2H | Full-Year | | | |
| | Amount | Amount | Amount | Composition Ratio | Amount | Amount | Amount | Composition Ratio | Amount | Ratio |
| **Revenue** | **264.6** | **304.7** | **569.3** | **100.0%** | **323.0** | **372.0** | **695.0** | **100.0%** | **125.7** | **22.1%** |
| Cost of sales | 214.7 | 247.6 | 462.2 | 81.2% | - | - | - | - | - | - |
| **Gross profit** | **50.0** | **57.1** | **107.1** | **18.8%** | **-** | **-** | **-** | **-** | **-** | **-** |
| SG&A expenses | 41.7 | 46.3 | 88.1 | 15.5% | - | - | - | - | - | - |
| **Operating profit** | **11.5** | **12.5** | **24.0** | **4.2%** | **10.5** | **21.5** | **32.0** | **4.6%** | **8.0** | **33.4%** |
| Finance income | 2.1 | 0.2 | 1.4 | 0.2% | - | - | - | - | - | - |
| Finance costs | 2.8 | 11.7 | 13.7 | 2.4% | - | - | - | - | - | - |
| **Profit before tax** | **10.8** | **1.0** | **11.8** | **2.1%** | **9.3** | **20.3** | **29.6** | **4.3%** | **17.8** | **150.7%** |
| **Profit** | **6.4** | **(4.4)** | **2.1** | **0.4%** | **5.6** | **13.7** | **19.3** | **2.8%** | **17.2** | **832.5%** |
| **Profit attributable to owners of the Company** | **5.6** | **(4.9)** | **0.7** | **0.1%** | **5.2** | **13.3** | **18.5** | **2.7%** | **17.8** | **-** |

*1: Displayed in ¥billion (rounded off to the nearest ¥0.1 billion)

*2: Forex rate for full-year consolidated financial forecast
EUR 129.91
GBP 151.17
AUD 82.50
USD 109.90

# KPI and Results for Consolidated Business Plan for FY12/22 (IFRS)

## Supplemental Information: Domestic Recruitment Plan for FY12/22 Annual and Semi-Annual Trends

| | | FY12/21 Actual | | | FY12/22 Forecasts | | |
|---|---|---|---|---|---|---|---|
| | | 1H | 2H | Full-Year | 1H | 2H | Full-Year |
| Engineering | No. of workers recruited (persons) | 5,220 | 3,039 | 8,259 | 6,500 | 3,770 | 10,270 |
| Manufacturing | No. of workers recruited (persons) | 6,523 | 6,521 | 13,044 | 8,040 | 7,410 | 15,450 |

*Based on the investigation report we received on December 28, 2021, the recruitment unit prices will be kept private including those from the past.

## Supplemental Information: Domestic Recruitment Plan for FY12/22 Quarterly Trend

| | | FY12/21 Actual | | | | | FY12/22 Actual | FY12/22 Forecasts | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | | 1Q | 2Q | 3Q | 4Q | Full-Year | 1Q | 2Q | 3Q | 4Q | Full-Year |
| Engineering | No. of workers recruited (persons) | 1,384 | 3,836 | 1,494 | 1,545 | 8,259 | 1,702 | 4,500 | 1,920 | 1,850 | 10,270 |
| Manufacturing | No. of workers recruited (persons) | 2,606 | 3,917 | 3,364 | 3,157 | 13,044 | 3,234 | 4,660 | 3,500 | 3,910 | 15,450 |

*Based on the investigation report we received on December 28, 2021, the recruitment unit prices will be kept private including those from the past.

- In the Service Operations Outsourcing Business, the bulk of revenue is for the U.S. military facilities Business, not a stock business of human resources. Therefore, the number of workers recruited will be kept private from FY12/22.
- Manufacturers' demand in recruiting and placing of the Domestic Manufacturing Outsourcing Business has significantly shifted to dispatching and its impact on business performance is minimal. Therefore, the number of placed workers will be kept private from FY12/22.

# Differences from the Medium-Term Management Plan for FY12/22

# Differences from the Medium-Term Management Plan for FY12/22

## ● Business Environment for Foreign-Related Businesses at the Company

### ● Business segment to which each business belongs

・Administrative outsourcing business: Domestic Manufacturing Outsourcing Business

Since it is a stock-type business that accumulates the number of workers under outsourced administration of consignment work support for non-Japanese workers entering Japan, it is particularly greatly affected by the immigration restrictions due to COVID-19 after 2020.

The amount of downturn on operating profit under the Medium-Term Management Plan：¥3.0 billion

・Asian staff sending business: Overseas Manufacturing and Service Operations Outsourcing Business

Group companies such as Indonesia, Vietnam, and Thailand belong to this business and are consigned with language education for foreign workers who are sent overseas, mainly to Japan. It is greatly affected by the long-term continuation of immigration restrictions in Japan.

The amount of downturn on operating profit under the Medium-Term Management Plan：¥0.6 billion

・WBB Business: Other business segments

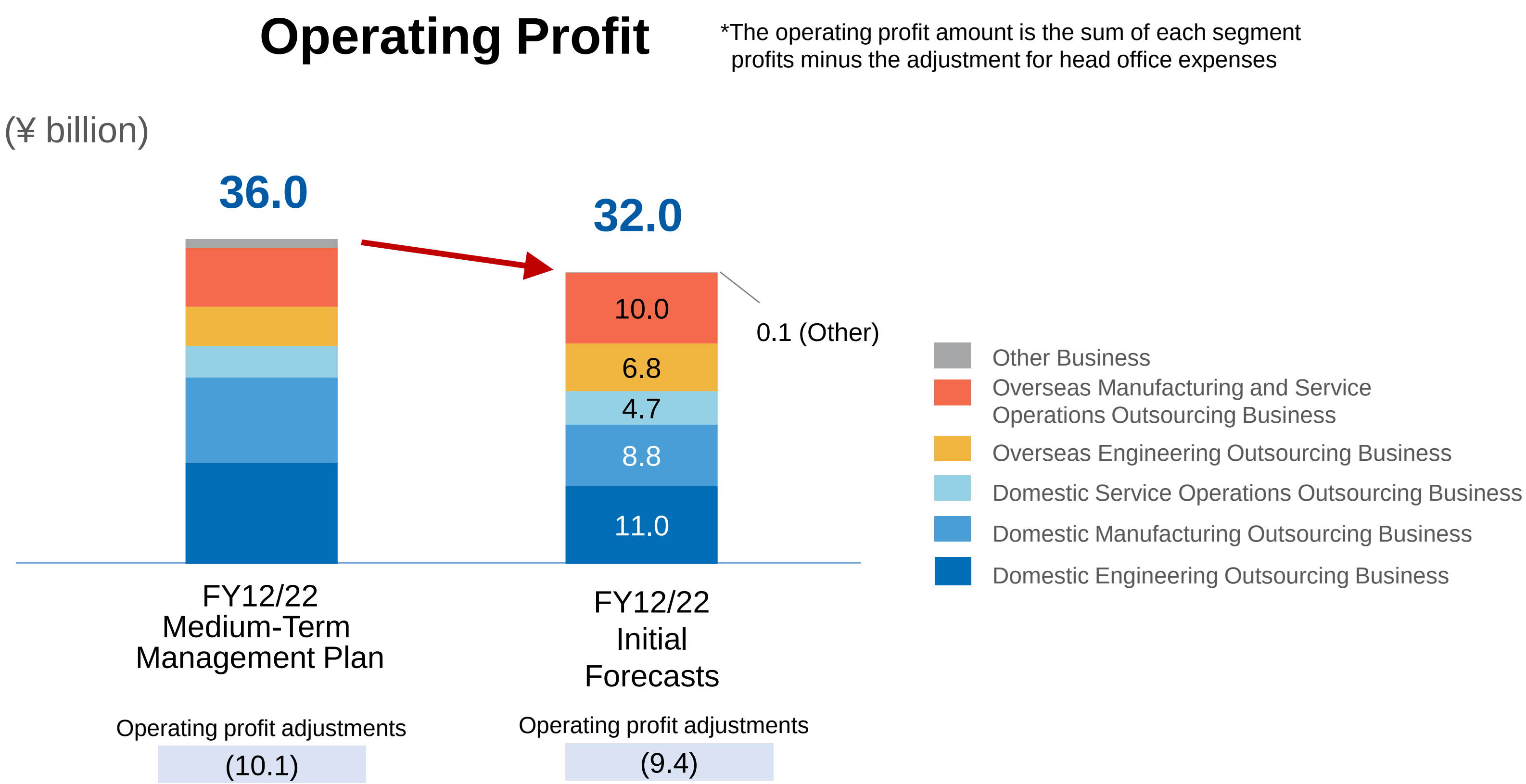
Since it is a business of providing services related to cross-border employment, it is necessary to push back the business plan.

The amount of downturn on operating profit under the Medium-Term Management Plan： ¥0.8 billion

**In FY12/22, businesses expect a downturn amount of ¥4.4 billion on operating profit from the Medium-Term Management Plan in 3 foreign-related businesses.**

# Differences from the Medium-Term Management Plan for FY12/22

## ● Comparison between the FY12/22 Initial Forecasts and the Medium-Term Management Plan in terms of operating profit




■ **In FY12/22, revenue is expected to meet the original target of the medium-term management plan, but operating profit is expected to fall short of the target due to the negative impact of 4.4 billion yen from the continuing stagnation of foreign-related business from 2020 caused by the COVID-19 restrictions, and we will announce our decision on the necessity of making changes to the medium-term management plan at the financial results briefing for the 1H of FY12/22.**

# Differences from the Medium-Term Management Plan for FY12/22

## ● Business Environment for Foreign-Related Businesses at the Company

**The environment from FY12/23 onward for the administrative outsourcing business prioritized by the Domestic Manufacturing segment**

- ■ **As the shortage of workers becomes a social problem due to immigration restrictions, inquiries from companies for technical intern trainees remain quite strong. Since the immigration restrictions associated with COVID-19 were partially relaxed in March, and are expected to be further relaxed in June, the administrative outsourcing business is expected to expand significantly.**
- ■ **As the domestic workforce population declines, the demand for further use of non-Japanese workers is expected to expand, so regulations such as job types and the maximum number of years of employment available will be deregulated to a large extent.**

- ● **The government is currently working to adjust the status of residence status for "Specified Skilled Worker" to add an indefinite period of stay in 11 fields, and it is expected that a system that enables long-term employment in all 14 fields where labor shortages are critical, will be established.**
- ● **Specified Skilled Worker (No.2) will be allowed to accompany family members, and a huge administrative outsourcing business market for families will be formed going forward.**

**Specified Skilled Worker (No.1) (14 fields in total)**
- ■ **Period of stay: up to 5 years**
- ■ **Accompaniment by family members: Not allowed**

◎Food and beverage manufacturing industries ◎Agricultural industry
◎Industrial machinery manufacturing industries
◎Formed & fabricated material industry ◎Restaurant business
◎Automobile maintenance industry
◎Electronics and electronic information-related industries
◎Building cleaning industry ◎Fisheries ◎Lodging industry ◎Aviation industry

→ **Currently working on adjusting the addition of the above 11 fields**

**Specified Skilled Worker (No.2)**
- ■ **Effectively, no period of stay**
- ■ **Accompaniment by family members: Allowed**

3 existing fields where long-term employment is possible
◎Construction industry
◎Shipbuilding and shipping industry
◎Nursing care

**Upon the pandemic coming under control and accelerated deregulation, a major growth trajectory from FY12/23 onward is expected to return.**

# Status of Group Companies Whose Goodwill is Recorded on OS Account

# Status of Group Companies Whose Goodwill is Recorded on OS Account

- **Virtually almost all of the goodwill was generated by M&A to acquire the management resources necessary for global expansion**

**Importance of global expansion in the HR service business**

Our Group business = HR service business

We are engaged in what we call a "stock business" which accompanies hiring and achieves growth by dispatching more workers. Since the Japanese population is rapidly decreasing, **the prospect for long-term growth in the Japanese market alone is gloomy**.

In contrast, the global population **now at 7.7 billion is projected to increase to 10 billion**. **Our Group views this population increase as a growth opportunity. We have proactively pushed into markets overseas through M&A, recording a significant amount of goodwill in the process. However, in exchange, we will achieve overwhelming growth compared to our competitors.**

**Our Group's global strategy and policy**

1. **Since we see the increasing global population as a growth opportunity, our Group aims to provide HR services to industries capable of sustainable growth in countries that are open to immigrants, or in other words, industries with demand for human resources.**
2. **In order to level business performance, which is a prerequisite of achieving sustainable growth, our Group is striving to create a global platform. This will enable us to expand our HR service business globally by entering fields with different business cycles or fields relatively insusceptible to economic fluctuations.**
3. **We will not jump into a business that falls outside the realm of the management expertise our Group has built up over the years.**

**Our Group's global business is an HR service business developed and refined in Japan and, as such, our Group portfolio is not comprised of industries to which we provide services.**

# Status of Group Companies Whose Goodwill is Recorded on OS Account

## Goodwill by Country

Of the total goodwill of ¥89.6 billion, overseas consolidated Group companies amounts to ¥68.0 billion.

(¥ hundred million)

| Country name | Goodwill amount (at the end of 1Q FY12/22) | | | | | |
|---|---|---|---|---|---|---|
| | Domestic Engineering Outsourcing Business | Domestic Manufacturing Outsourcing Business | Domestic Service Operations Outsourcing Business | Overseas Engineering Outsourcing Business | Overseas Manufacturing and Service Operations Outsourcing Business | Total Amount by Country |
| Japan Total | 62 | 101 | 53 | — | — | 216 |
| U.K. Total | — | — | — | 77 | 138 | 215 |
| Germany | — | — | — | — | 77 | 77 |
| Netherlands | — | — | — | — | 72 | 72 |
| Ireland | — | — | — | 168 | — | 168 |
| EU Total | — | — | — | 168 | 149 | 318 |
| Australia | — | — | — | 100 | 6 | 106 |
| New Zealand | — | — | — | — | 2 | 2 |
| Oceania Total | — | — | — | 100 | 8 | 108 |
| North America Total | — | — | — | — | 24 | 24 |
| Chile | — | — | — | — | 6 | 6 |
| Brazil | — | — | — | — | 0 | 0 |
| South America Total | — | — | — | — | 6 | 6 |
| Thailand | — | — | — | — | 0 | 0 |
| Vietnam | — | — | — | — | 0 | 0 |
| India | — | — | — | 0 | 1 | 1 |
| Malaysia | — | — | — | — | 7 | 7 |
| Asia (excluding Japan) Total | — | — | — | 0 | 9 | 9 |
| **Total** | 62 | 101 | 53 | 346 | 334 | 896 |

*Although HOBAN in Australia falls under Overseas Manufacturing and Service Operations Business, since it is recognized as part of the goodwill group of OUTSOURCING OCEANIA (CLICKS, INDEX, HOBAN, OUTSOURCING OCEANIA) and cannot be separated independently, Hoban has been tentatively included in the Overseas Engineering Outsourcing Business.

# Status of Group Companies Whose Goodwill is Recorded on OS Account

(Risk of impairment for FY12/22)

**Individual company explanations are for those with more than ¥1 billion in goodwill**

Goodwill impairment risk evaluation from looking at future forecasts
- ○ Extremely low risk
- ▲ While not zero, risk remains stable and limited
- × High risk

| Total goodwill in Japan | ¥21.6 bil.<br>*Total of 38 companies including the following |
|---|---|

| Company | Goodwill | Business summary | Risk of impairment | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | | | 2021.1Q | 2021.2Q | 2021.3Q | 2021.4Q | 2022.1Q | 2022.2Q | 2022.3Q | 2022.4Q |
| Domestic Engineering *2<br>**OUTSOURCING TECHNOLOGY Inc.** | ¥2.4 bil. | Engineer dispatch business for IT and manufacturing industries | No | No | No | No | No | ○ | ○ | ○ |
| Domestic Engineering *2<br>**Advantec Co.,Ltd.** | ¥1.4 bil. | Dispatch of researchers and other technical personnel to the pharmaceutical industry | No | No | No | No | No | ○ | ○ | ○ |
| Domestic Engineering *2<br>**Kyodo Engineering Corporation** | ¥1.1 bil. | Dispatching of engineers for construction management, etc. to the construction industry | No | No | No | No | No | ○ | ○ | ○ |
| Domestic Manufacturing<br>**AVANCE Group** | ¥2.3 bil. | Human resources business for Japanese descent for the manufacturing sector | No | No | No | No | No | ○ | ○ | ○ |
| Domestic Manufacturing<br>**PEO Construction Machinery Operators Training Center Co., Ltd.** | ¥1.4 bil. | Technical training business for construction machinery, etc. | No | No | No | No | No | ○ | ○ | ○ |
| Domestic Service Operations<br>**EcoCity Group** | ¥1.1 bil. | Outsourced contracting business from local governments | No | No | No | ¥0.12 bil. | No | ▲ *1 | ▲ *1 | ▲ *1 |
| Domestic Service Operations<br>**AMERICAN ENGINEERING CORPORATION** | ¥3.0 bil. | Service operation business for the U.S. military facilities | No | No | No | No | No | ○ | ○ | ○ |

*1 Water meter reading work from local governments and the outsourced contracting business of call centers, which are existing businesses are robust, but progress may be delayed due to the restriction on sales activities due to the pandemic in area expansion strategy.

*2 Goodwill of domestic engineering companies was not listed until FY12/21 due to the listing of a subsidiary.

| Total goodwill in Asia | ¥0.9 bil.<br>*Total of 6 companies |
|---|---|

| Company | Goodwill | Business summary | Risk of impairment | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | | | 2021.1Q | 2021.2Q | 2021.3Q | 2021.4Q | 2022.1Q | 2022.2Q | 2022.3Q | 2022.4Q |
| **Asia (6 companies in total)** | ¥0.9 bil. | Human resources services for manufacturing sector, payroll service | No | No | No | ¥0.32 bil. | No | ○ | ○ | ○ |

# Status of Group Companies Whose Goodwill is Recorded on OS Account

(Risk of impairment for FY12/22)

**Individual company explanations are for those with more than ¥1 billion in goodwill**

Goodwill impairment risk evaluation from looking at future forecasts
- ○ Extremely low risk
- ▲ While not zero, risk remains stable and limited
- × High risk

| Total goodwill in U.K. | ¥21.5 bil. *Total of 11 companies including the following |
|---|---|

| Company | Goodwill | Business summary | Risk of impairment 2021.1Q | 2021.2Q | 2021.3Q | 2021.4Q | 2022.1Q | 2022.2Q | 2022.3Q | 2022.4Q |
|---|---|---|---|---|---|---|---|---|---|---|
| Overseas Engineering **CDER** | ¥7.3 bil. | Public debt collection business | No | No | No | No | No | ○ | ○ | ○ |
| Overseas Manufacturing and Service Operations **ALLEN LANE** | ¥2.8 bil. | Human resources services for public sector | No | No | No | No | No | ○ | ○ | ○ |
| Overseas Manufacturing and Service Operations **LIBERATA** | ¥5.7 bil. | Various contracting business for central government | No | No | No | No | No | ○ | ○ | ○ |
| Overseas Manufacturing and Service Operations **VERACITY** | ¥5.4 bil. | Financial and business consultancy services | No | No | ¥0.28 bil. | No | ¥0.46 bil. *3 | ○ | ○ | ○ |

*3 Under the pandemic, the number of projects for the central government declined, which affected the acquisition of new projects, and the recovery from COVID-19 was slower than expected, so impairment loss was recorded.

| Total goodwill in EU | ¥31.8 bil. *Total of 4 companies including the following |
|---|---|

| Company | Goodwill | Business summary | Risk of impairment 2021.1Q | 2021.2Q | 2021.3Q | 2021.4Q | 2022.1Q | 2022.2Q | 2022.3Q | 2022.4Q |
|---|---|---|---|---|---|---|---|---|---|---|
| Overseas Manufacturing and Service Operations **Orizon** | ¥7.7 bil. | Human resources services for the manufacturing sector (for machinery, transport equipment, medical-related field, and other fields) | No | No | No | No | No | ○ | ○ | ○ |
| Overseas Manufacturing and Service Operations **OTTO** | ¥7.2 bil. | E-commerce distribution-related services | No | No | No | No | No | ○ | ○ | ○ |
| Overseas Engineering **CPL RESOURCES** | ¥16.8 bil. | Engineer human resources business for the IT, pharmaceuticals, life sciences, and healthcare sectors | No | No | No | No | No | ○ | ○ | ○ |

# Status of Group Companies Whose Goodwill is Recorded on OS Account

(Risk of impairment for FY12/22)

**Individual company explanations are for those with more than ¥1 billion in goodwill**

Goodwill impairment risk evaluation from looking at future forecasts
- ○ Extremely low risk
- ▲ While not zero, risk remains stable and limited
- × High risk

| Total Goodwill in Oceania | ¥10.8 bil. *Total of 8 companies including the following |
|---|---|

| Company | Goodwill | Business summary | Risk of impairment | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | | | 2021.1Q | 2021.2Q | 2021.3Q | 2021.4Q | 2022.1Q | 2022.2Q | 2022.3Q | 2022.4Q |
| Overseas Engineering **BLUEFIN** | ¥2.9 bil. | Human resources services for IT and financial fields | No | No | No | No | No | ○ | ○ | ○ |
| Overseas Engineering **PM-P** | ¥2.6 bil. | Consultancy for improving business processes and corporate training services | No | No | No | No | No | ○ | ○ | ○ |
| Overseas Engineering **OUTSOURCING OCEANIA** | ¥3.9 bil | Human resources services for IT, Infrastructure, and public-related fields | No | No | No | No | No | ○ | ○ | ○ |

| Total Goodwill in North America | ¥2.4 bil. *Total of 3 companies including the following |
|---|---|

| Company | Goodwill | Business summary | Risk of impairment | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | | | 2021.1Q | 2021.2Q | 2021.3Q | 2021.4Q | 2022.1Q | 2022.2Q | 2022.3Q | 2022.4Q |
| Overseas Manufacturing and Service Operations **INTEGRITY NETWORKS** | ¥1.5 bil. | System construction services for the IT-related field and low-voltage electrical equipment such as crime prevention security systems and network security for government agencies and military facilities in the U.S. | — | — | No | No | No | ○ | ○ | ○ |

| Total Goodwill in South America | ¥0.6 bil. *Total of 4 companies |
|---|---|

| Company | Goodwill | Business summary | Risk of impairment | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | | | 2021.1Q | 2021.2Q | 2021.3Q | 2021.4Q | 2022.1Q | 2022.2Q | 2022.3Q | 2022.4Q |
| Overseas Manufacturing and Service Operations **South America (4 companies in total)** | ¥0.6 bil. | Airport and commercial facility maintenance and cleaning services, human resources services for distribution and service industry | No | No | No | No | ¥0.06 bil. *4 | ○ | ○ | ○ |

*4 Impairment loss was recorded considering the impact on revenue and operating profit due to failure to pass inflation on prices through price negotiations with major clients at ELOFORT in Brazil.

# Note

Due to the finalization of provisional accounting for business consolidation in FY12/21, the consolidated financial statements from FY12/21 onward have been retrospectively adjusted.

In addition, due to the occurrence of inappropriate accounting in the Group, the consolidated financial statements have been amended from the fiscal year ended December 31, 2019.

When making the amendments, those items that were not amended from the standpoint of materiality in the past fiscal years, are also amended.

# Legal Disclaimer

This material contains forward-looking statements such as earnings estimates and plans made by the Company, which are based upon the best available information as of the date of the presentation of this material. Therefore, the actual results may differ from the plan and the estimate values due to various factors in the future. Note that the contents of this material are relevant as of the date of this document (or a date specified separately therein) and are subject to change without advance notice. Also, the information described in this presentation other than corporate information of the Group has been compiled by the Company based on publicly available sources, and we have not verified and will not guarantee the accuracy or appropriateness of such information.

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