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## Consolidated Financial Results for the Nine Months Ended September 30, 2022 (Under IFRS)

November 14, 2022

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Scheduled date to file quarterly securities report: November 14, 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 nine months ended September 30, 2022 (From January 1, 2022 to September 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	%
nine months ended September 30, 2022	502,309	21.9	16,312	(1.5)	12,289	13.1	6,181	34.1	6,254	78.0	16,454	102.0
September 30, 2021	412,068	57.0	16,566	77.4	10,868	62.4	4,608	28.5	3,513	6.7	8,147	266.8

	Basic earnings per share	Diluted earnings per share
nine months ended	Yen	Yen
September 30, 2022	49.66	49.66
September 30, 2021	27.89	27.89

(Note) Since the provisional accounting treatments related to business combinations were finalized in the fourth quarter of the fiscal year ended December 31, 2021, as well as the first and second quarters of the fiscal year ending December 31, 2022, the condensed quarterly consolidated financial statements for the nine months ended September 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
September 30, 2022	406,798	83,657	79,079	19.4	627.97
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)				22.00	22.00

(Note) Revisions to the forecast of cash dividends most recently announced: Yes

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	686,000	20.5	22,000	(8.0)	17,000	44.8	9,000	346.1	9,000	—	71.46

(Note) Revisions to the financial results forecast most recently announced: Yes

(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)

(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)

As of September 30, 2022	125,951,200	As of December 31, 2021	125,926,800
As of September 30, 2022	23,490	As of December 31, 2021	490
Nine months ended September 30, 2022	125,917,597	Nine months ended September 30, 2021	125,917,784

(Notes)

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

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

(Cautions concerning forward-looking statements)

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

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## 1. QUALITATIVE INFORMATION ON QUARTERLY FINANCIAL RESULTS

### (1) Overview of Consolidated Operating Results

The business environment during the nine months ended September 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 spiraling inflation.

Although the economy in Japan saw an upward trend despite a falling yen and soaring prices of raw materials and fuels, major manufacturers, representing the Company’s main customers, were forced to reduce the level of factory operation due to lockdowns in China 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. 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. The Group’s 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, has now entered into a new phase to develop an industry-standard platform, initiated by a joint project with industry leaders. In the auto industry, although severe supply restrictions have tentatively affected production lines, the demand for automobiles remains high and production is expected to rise on pent-up demand. Accordingly, the effect on the Group businesses is expected to ease over the medium term. Despite the impact of delays in full-scale mass production, all businesses achieved revenue growth in the current period compared to the same period last year. In the administrative work outsourcing business for technical intern trainees, the number of foreign workers under management marked 19,300 as of September 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. However, a longer procurement lead time has caused some delays in construction schedules.

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: increase of geopolitical risks led by the Ukraine crisis and other factors, growing concerns over recession driven by heightened inflationary pressures and further monetary tightening.

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. In the engineering business, the Group has not only successfully supported digital government but also responded to a brisk demand in IT and pharma industries, while in the service business, the Group has 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 terms of profit, although the recruiting and placing business with relatively high profit margins remained strong, profit was negatively affected not only because inflation and wage increases pushed up costs, but also due to certain non-recurring events, such as SL Group in Chile which expensed part of its assets as a conservative accounting treatment and the recording of an impairment loss in the UK and certain Asian countries.

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.

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 effort in diversifying its business and regional portfolios, the Group achieved record highs not only in revenue, but also in profit before tax and profit attributable to owners of parent for the quarter ended September 30, 2022 as well as for the nine months ended September 30, 2022, respectively.

As a result, the Group recorded revenue of 502,309 million yen on a consolidated basis for the current period, up 21.9% year-on-year. Operating profit marked 16,312 million yen, down 1.5% year-on-year, profit before tax of 12,289 million yen, up 13.1% year-on-year, and profit attributable to owners of parent of 6,254 million yen, up 78.0% year-on-year for the current period.

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 third 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 saw a double-digit growth 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 to improve employee retention 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 September 30, 2022, totaled 24,662, up 3,499 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. Although hiring activities resumed across industries and competition for talent intensified, resulting in lower-than-expected hiring for the business, hiring expenses also went down, which allowed the business to secure steady profit. The business also successfully 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 108,455 million yen, up 21.3% year-on-year, and 8,142 million yen, up 14.9% 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 as mass production is expected to rise on pent-up demand, the business failed to return to a full-scale production during the current period, causing a decline in revenue partly due to a decrease in operation hours. The number of worksite employees as of September 30, 2022, totaled 26,831, up 5,490 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 19,300 as of September 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 89,321 million yen, up 23.1% year-on-year, and 4,333 million yen, down 12.6% 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 for construction materials, particularly those imported by sea freight. Going forward, supply chain issues are expected to improve, and the business shall pick up accordingly. Although skyrocketing costs of construction materials and marine transportation due to the yen's depreciation pushed up expenses, profitability shall be maintained for the business over the mid- to long-term by placing early orders for materials and reflecting soaring costs into asking prices to make estimates as accurately as possible for bidding purposes.

Based on the above, segment revenue and operating profit for the Domestic Service Operations Outsourcing Business during the current period were 22,872 million yen, up 6.6% year-on-year, and 2,391 million yen, down 31.0% 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 as a series of pandemic-induced restrictions were almost lifted. Businesses in countries and regions other than the UK were robust. Also, UK saw an improvement in debt issuance for the outsourcing business for public debt collection. Businesses in Ireland and the Oceania region remained brisk, particularly in the recruiting and placing businesses with higher profit margins. Soaring inflation not only pushed up costs but also brought a large increase in revenue, leaving the business with healthy margins.

Based on the above, segment revenue and operating profit for the Overseas Engineering Outsourcing Business during the current period were 120,554 million yen, up 19.9% year-on-year, and 6,023 million yen, up 92.9% 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 Germany, businesses for aviation and medical fields performed well. In South America, security service and cleaning work for logistics and retailing companies also saw strong results. However, in the UK, the recruiting and placing business for governments and Business Process Outsourcing (BPO) business and temporary worker dispatching business for local governments

suffered delays in projects. Meanwhile, segment profit went down mainly due to the following reasons: overall costs went up due to inflation and wage increases particularly in Europe; and SL Group in Chile recorded one-time expenses, including a conservative accounting treatment to expense part of its assets and impairment losses on goodwill.

Based on the above, segment revenue and operating profit for the Overseas Manufacturing and Service Operations Outsourcing Business during the current period were 161,060 million yen, up 25.8% year-on-year, and 2,782 million yen, down 32.9% 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 47 million yen, up 13.6% year-on-year, and operating profit posted 254 million yen, up 98.1% year-on-year.

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

Total assets as of September 30, 2022, were 406,798 million yen, an increase of 54,859 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 September 30, 2022, were 323,141 million yen, an increase of 43,660 million yen from December 31, 2021. This is primarily attributed to an increase in bonds and borrowings.

Equity as of September 30, 2022, was 83,657 million yen, an increase of 11,199 million yen from December 31, 2021. The increase is mainly due to recording profit for the period and exchange differences, offset by a decrease due to dividend payments.

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

The financial results forecast for the fiscal year ending December 31, 2022, has been revised from the previous forecast originally announced on February 18, 2022, reflecting the consolidated financial results for the nine months ended September 30, 2022, and other factors. Further details are provided in the "Notice Regarding Revision of Consolidated Financial Forecasts and Dividend Forecast," released today, November 14, 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 September 30, 2022
Assets		
Current assets		
Cash and cash equivalents	48,334	54,023
Trade and other receivables	88,061	109,115
Inventories	2,658	2,461
Other financial assets	14,652	16,759
Other current assets	13,493	16,188
Total current assets	167,198	198,546
Non-current assets		
Property, plant, and equipment	11,611	12,635
Right-of-use assets	21,362	25,352
Goodwill	83,669	98,619
Intangible assets	39,079	38,781
Investments accounted for using equity method	221	305
Other financial assets	21,508	23,925
Other non-current assets	1,849	1,641
Deferred tax assets	5,442	6,994
Total non-current assets	184,741	208,252
Total assets	351,939	406,798



(Million yen)

As of December 31, 2021 As of September 30, 2022

	As of December 31, 2021	As of September 30, 2022
Liabilities and equity		
Liabilities		
Current liabilities		
Trade and other payables	62,398	74,926
Bonds and borrowings	88,396	64,265
Lease liabilities	20,395	23,546
Other financial liabilities	9,383	2,231
Income taxes payable	4,654	2,670
Other current liabilities	27,286	27,768
Total current liabilities	212,512	195,406
Non-current liabilities		
Bonds and borrowings	15,645	80,620
Lease liabilities	27,157	31,729
Other financial liabilities	8,321	903
Retirement benefit liability	3,309	2,227
Provisions	1,212	1,243
Other non-current liabilities	735	753
Deferred tax liabilities	10,590	10,260
Total non-current liabilities	66,970	127,735
Total liabilities	279,481	323,141
Equity		
Share capital	25,230	25,245
Capital surplus	26,663	26,678
Treasury shares	(0)	(0)
Other capital surplus	(12,887)	(12,171)
Other components of equity	4,052	13,088
Retained earnings	22,767	26,239
Total equity attributable to owners of parent	65,824	79,079
Non-controlling interests	6,634	4,578
Total equity	72,458	83,657
Total liabilities and equity	351,939	406,798

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

(Million yen)

	For the nine months ended September 30, 2021	For the nine months ended September 30, 2022
Revenue	412,068	502,309
Cost of sales	<u>(335,391)</u>	<u>(411,070)</u>
Gross profit	76,678	91,239
Selling, general and administrative expenses	(64,209)	(78,212)
Other operating income	5,536	7,176
Other operating expenses	<u>(1,440)</u>	<u>(3,891)</u>
Operating profit	16,566	16,312
Finance income	1,055	693
Finance costs	(6,851)	(4,801)
Share of profit (loss) of investments accounted for using equity method	99	85
Profit before tax	<u>10,868</u>	<u>12,289</u>
Income tax expense	<u>(6,260)</u>	<u>(6,108)</u>
Profit for the period	<u><u>4,608</u></u>	<u><u>6,181</u></u>
Profit attributable to:		
Owners of parent	3,513	6,254
Non-controlling interests	<u>1,096</u>	<u>(73)</u>
Profit for the period	<u><u>4,608</u></u>	<u><u>6,181</u></u>
Earnings per share		
Basic earnings per share (Yen)	27.89	49.66
Diluted earnings per share (Yen)	27.89	49.66

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

(Million yen)

	For the nine months ended September 30, 2021	For the nine months ended September 30, 2022
Profit for the period	4,608	6,181
Other comprehensive income		
Items that will not be reclassified subsequently to profit or loss:		
Remeasurements of defined benefit retirement plans	346	1,195
Change in fair value of equity financial assets measured at fair value through other comprehensive income	77	(333)
Total of items that will not be reclassified subsequently to profit or loss	423	862
Items that may be reclassified subsequently to profit or loss:		
Exchange differences on translation of foreign operations	3,116	9,410
Change in fair value of debt financial assets measured at fair value through other comprehensive income	(0)	0
Total of items that may be reclassified subsequently to profit or loss	3,115	9,410
Other comprehensive income, net of tax	3,539	10,273
Total comprehensive income	8,147	16,454
Comprehensive income attributable to:		
Owners of parent	6,996	16,485
Non-controlling interests	1,151	(31)
Total comprehensive income	8,147	16,454

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

For the nine months ended September 30, 2021 (From January 1, 2021, to September 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	-	-	-	-	3,062	(0)
Total comprehensive income	-	-	-	-	3,062	(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	-	-	-	571	-	-
Total changes in ownership interests in subsidiaries	-	-	-	571	-	-
Total transactions with owners	15	15	-	571	-	-
Balance at September 30, 2021	25,230	26,663	(0)	(12,886)	1,545	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	-	-	-	3,513	3,513	1,096	4,608
Other comprehensive income	346	75	3,483	-	3,483	55	3,539
Total comprehensive income	346	75	3,483	3,513	6,996	1,151	8,147
Issuance of new shares	-	-	-	-	30	-	30
Dividends	-	-	-	(1,259)	(1,259)	(1,174)	(2,433)
Transfer to retained earnings	(346)	-	(346)	346	-	-	-
Other increase (decrease)	-	-	-	(77)	(77)	-	(77)
Total contributions by (distributions to) owners	(346)	-	(346)	(991)	(1,306)	(1,174)	(2,480)
Changes from business combination and others	-	-	-	6	577	432	1,009
Total changes in ownership interests in subsidiaries	-	-	-	6	577	432	1,009
Total transactions with owners	(346)	-	(346)	(984)	(729)	(742)	(1,471)
Balance at September 30, 2021	-	405	1,951	25,757	66,714	6,407	73,121

For the nine months ended September 30, 2022 (From January 1, 2022, to September 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	–	–	–	–	9,365	0
Total comprehensive income	–	–	–	–	9,365	0
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	–	–	–	722	–	–
Total changes in ownership interests in subsidiaries	–	–	–	722	–	–
Total transactions with owners	15	15	–	716	–	–
Balance at September 30, 2022	25,245	26,678	(0)	(12,171)	12,939	2

	Equity attributable to owners of parent						
	Other components of equity				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	Retained earnings			
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	–	–	–	6,254	6,254	(73)	6,181
Other comprehensive income	1,195	(329)	10,231	–	10,231	41	10,273
Total comprehensive income	1,195	(329)	10,231	6,254	16,485	(31)	16,454
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	(1,195)	–	(1,195)	1,195	–	–	–
Other increase (decrease)	–	–	–	(73)	(73)	–	(73)
Total contributions by (distributions to) owners	(1,195)	–	(1,195)	(2,782)	(3,952)	(1,343)	(5,294)
Changes from business combination and others	–	–	–	–	722	(682)	40
Total changes in ownership interests in subsidiaries	–	–	–	–	722	(682)	40
Total transactions with owners	(1,195)	–	(1,195)	(2,782)	(3,230)	(2,024)	(5,254)
Balance at September 30, 2022	–	148	13,088	26,239	79,079	4,578	83,657

## **(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 nine months ended September 30, 2021 (From January 1, 2021 to September 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	89,413	72,579	21,466	100,510	128,059	412,027	42	412,068	—	412,068
Intersegment revenue (Note 3)	2,323	2,100	178	767	1,282	6,649	1,243	7,892	(7,892)	—
Total	91,737	74,678	21,643	101,277	129,341	418,676	1,285	419,961	(7,892)	412,068
Cost of sales and other income (expenses)	(84,649)	(69,719)	(18,178)	(98,155)	(125,195)	(395,897)	(1,157)	(397,054)	1,551	(395,503)
Segment profit (Operating profit)	7,087	4,959	3,465	3,122	4,146	22,779	128	22,907	(6,342)	16,566
(Reconciling items)										
Finance income	—	—	—	—	—	—	—	—	—	1,055
Finance costs	—	—	—	—	—	—	—	—	—	(6,851)
Share of profit (loss) of investments accounted for using equity method	—	—	—	—	—	—	—	—	—	99
Profit before tax	—	—	—	—	—	—	—	—	—	10,868

(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 (6,342) million yen includes acquisition-related cost related to business combinations of (926) million yen, corporate expenses of (5,396) 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 nine months ended September 30, 2022 (From January 1, 2022 to September 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	108,455	89,321	22,872	120,554	161,060	502,262	47	502,309	—	502,309
Intersegment revenue (Note 3)	1,870	7,163	274	540	1,392	11,239	1,532	12,771	(12,771)	—
Total	110,325	96,485	23,146	121,094	162,451	513,501	1,579	515,080	(12,771)	502,309
Cost of sales and other income (expenses)	(102,183)	(92,152)	(20,754)	(115,072)	(159,669)	(489,830)	(1,325)	(491,155)	5,157	(485,998)
Segment profit (Operating profit)	8,142	4,333	2,391	6,023	2,782	23,671	254	23,925	(7,614)	16,312
(Reconciling items)										
Finance income	—	—	—	—	—	—	—	—	—	693
Finance costs	—	—	—	—	—	—	—	—	—	(4,801)
Share of profit (loss) of investments accounted for using equity method	—	—	—	—	—	—	—	—	—	85
Profit before tax	—	—	—	—	—	—	—	—	—	12,289

(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 (7,614) million yen includes acquisition-related cost related to business combinations of (656) million yen, corporate expenses of (6,971) 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 nine months ended September 30, 2022, is as follows:

Name of Segment	For the nine months ended September 30, 2022		
	Amount (Million yen)	Percentage of total (%)	Year-on-Year (%)
Domestic Engineering Outsourcing Business	108,455	21.6	21.3
Electrical & Electronics	17,471	3.5	21.3
Transport Equipment	19,844	3.9	12.2
Pharm. & Chemicals	9,444	1.9	24.8
IT-related	36,445	7.3	26.2
Construction & Plant-related	15,265	3.0	17.3
Others	9,987	2.0	26.7
Domestic Manufacturing Outsourcing Business	89,321	17.8	23.1
Electrical & Electronics	24,171	4.8	4.7
Transport Equipment	34,755	6.9	11.2
Pharm. & Chemicals	4,553	0.9	2.2
Metals & Construction Materials	4,858	1.0	49.4
Foods	2,905	0.6	12.1
Others	18,080	3.6	127.8
Domestic Service Operations Outsourcing Business	22,872	4.6	6.6
Retail	112	0.0	(24.7)
Public Works	19,643	3.9	1.2
Others	3,117	0.7	63.7
Overseas Engineering Outsourcing Business	120,554	24.0	19.9
Electrical & Electronics	387	0.1	15.4
Transport Equipment	2,236	0.4	2.3
Pharm. & Chemicals	23,868	4.8	33.3
IT-related	23,514	4.7	10.7
Metals & Construction Materials	107	0.0	23.7
Construction & Plant-related	2,748	0.5	(6.9)
Foods	3	0.0	(69.5)
Retail	4,439	0.9	60.2
Public Works	45,790	9.1	16.3
Finance	9,537	1.9	37.9
Others	7,925	1.6	17.9
Overseas Manufacturing and Service Operations Outsourcing Business	161,060	32.0	25.8
Electrical & Electronics	21,012	4.2	53.0
Transport Equipment	14,432	2.9	54.9
Pharm. & Chemicals	2,740	0.5	(12.3)
IT-related	3,395	0.7	16.7
Metals & Construction Materials	2,157	0.4	(11.2)
Construction & Plant-related	6,736	1.3	60.7
Foods	4,534	0.9	(18.4)
Retail	48,298	9.6	10.2
Public Works	23,325	4.6	(1.2)
Finance	1,958	0.4	3.0
Others	32,473	6.5	85.8
Other Business	47	0.0	13.6
<b>Total</b>	<b>502,309</b>	<b>100.0</b>	<b>21.9</b>

(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 nine months ended September 30, 2022		
	Amount (Million yen)	Percentage of total (%)	Year-on-Year (%)
Japan	220,696	44.0	20.3
Europe	204,075	40.6	22.4
Oceania	53,303	10.6	23.5
North America	3,606	0.7	101.7
South America	10,853	2.2	23.6
Asia (excl. Japan)	9,777	1.9	21.2
Total	502,309	100.0	21.9

(Note) Intersegment transactions are offset and eliminated.