



Consolidated Financial Results for the Six Months Ended June 30, 2023 (Under IFRS)

November 14, 2023

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Scheduled date to file quarterly securities report: November 14, 2023
 Scheduled date to commence dividend payments: —
 Preparation of supplementary material on quarterly financial results: Yes
 Holding of quarterly financial results briefing: None

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

1. Consolidated financial results for the six months ended June 30, 2023 (From January 1, 2023 to June 30, 2023)

a. Consolidated operating results (Cumulative)

(Percentages indicate year-on-year changes.)

	Revenue		Operating profit		Profit before tax		Profit		Profit attributable to owners of parent		Total comprehensive income	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Million yen	%
Six months ended June 30, 2023	360,721	10.9	8,719	(22.8)	8,272	3.1	3,582	(17.8)	3,622	(13.1)	16,591	14.2
June 30, 2022	325,399	23.0	11,288	15.2	8,021	(11.8)	4,356	—	4,167	—	14,532	—

	Basic earnings per share	Diluted earnings per share
Six months ended	Yen	Yen
June 30, 2023	28.75	28.75
June 30, 2022	33.09	33.09

(Note) 1. Since the provisional accounting treatments related to business combinations were finalized during the first quarter ended March 31, 2023, and the second quarter ended June 30, 2023, respectively, the condensed quarterly financial statements for the six months ended June 30, 2022, were retrospectively adjusted.

2. Due to retroactive adjustments made with the adoption of IAS 12 "Income Taxes" (amended May 2021), year-on-year comparison in ratio of profit, profit attributable to owners of parent, and total comprehensive income for the six months ended June 30, 2022, is not available.

b. Consolidated financial position

	Total assets	Total equity	Equity attributable to owners of parent	Ratio of equity attributable to owners of parent to total assets	Equity attributable to owners of parent per share
As of	Million yen	Million yen	Million yen	%	Yen
June 30, 2023	439,199	92,514	89,248	20.3	708.30
December 31, 2022	401,898	79,161	75,394	18.8	598.70

(Note) Since the provisional accounting treatments related to business combinations were finalized during the first quarter ended March 31, 2023, and the second quarter ended June 30, 2023, respectively, the consolidated financial statements for the fiscal year ended December 31, 2022, 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, 2022	—	0.00	—	25.00	25.00
Fiscal year ending December 31, 2023	—	0.00			
Fiscal year ending December 31, 2023 (Forecast)			—	43.00	43.00

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

3. Forecast of consolidated financial results for the fiscal year ending December 31, 2023 (From January 1, 2023 to December 31, 2023)

(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	770,000	11.5	30,500	34.1	27,500	54.6	18,500	74.4	18,000	68.9	141.17

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

(Notes)

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

(2) Changes in accounting policies and accounting estimates

- | | |
|--|------|
| (a) Changes in accounting policies as required by IFRS: | Yes |
| (b) Changes in accounting policies due to other reasons: | None |
| (c) Changes in accounting estimates: | None |

(3) Number of issued shares (ordinary shares)

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

As of June 30, 2023	126,026,200	As of December 31, 2022	125,951,200
As of June 30, 2023	23,536	As of December 31, 2022	23,490
Six months ended June 30, 2023	125,952,554	Six months ended June 30, 2023	125,912,457

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

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

(Notes)

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

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

(Cautions concerning forward-looking statements)

The forward-looking statements including financial forecasts in this summary are based on information currently available to OUTSOURCING Inc. (hereinafter, "the Company") and on assumptions believed to be reasonable by the Company. These statements do not guarantee future performance of the Company, and various factors may cause the actual results to differ significantly from the forecasts. For details on the specific assumptions on which the forecasts are based and cautionary statements regarding the use of financial forecasts, please see "1. QUALITATIVE INFORMATION ON QUARTELY FINANCIAL RESULTS, (3) Explanation of Forecasts Including the Consolidated Financial Results Forecasts" on page 4 of the attached documents.

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1. QUALITATIVE INFORMATION ON QUARTERLY FINANCIAL RESULTS

(1) Overview of Consolidated Operating Results

The business environment continued to be slow during the six months ended June 30, 2023 (the “current period”) under the following circumstances: inflation remained higher than the pre-COVID levels despite a slow-down after peaking out in the latter half of last year; and myriad events with significant repercussions on international affairs continued, such as the geopolitical tension due to the lingering Ukraine crisis, and rising raw material and fuel prices.

In Japan, the electric equipment industry faced headwinds such as high raw material and fuel prices, export controls on semiconductor manufacturing equipment and others, and inventory adjustment, which hindered a full-scale recovery in production activities anticipated at the beginning of the period. On the other hand, the Group saw some political tailwinds, such as a pickup in personal consumption fueled by a decrease in the number of newly infected cases of COVID-19 and an easing of border control despite high raw material and fuel prices. Further, major transportation equipment manufacturers, representing the Company’s main customers, were getting their production back on track thanks to the ease of semiconductor shortage. Meanwhile, companies in a wide range of industries, including the information technology (IT) sector, continued to show a strong need for hiring engineers on the back of the tight labor market.

In response to such business environment in Japan, the OUTSOURCING Group (the “Group”) pursued to reinforce the growth domain by smoothing out earnings. In the manufacturing field, production activities started to improve as the long-dragging issue of semiconductor shortage eased. In the administrative work outsourcing business for technical intern trainees, thanks to positive feedback from customers for the Group’s efficient and appropriate management service, the number of foreign workers under management marked 19,768 as of June 30, 2023, continuing to represent the top share in Japan. The Group also tackled on the issue of debt bondage to make the overall foreign workforce market much healthier. Debt bondage exists when laborers (sometimes with their families) are forced to work outside of their home countries in order to pay off their own debts or those they have inherited. In the engineering field, in response to the heightened demand for engineers, the Group developed a business scheme utilizing KEN School, one of the Group companies specialized in offering training services. 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 pharmaceuticals. By keeping recruitment costs at a low level while increasing the number of hires through this scheme, the Group has successfully grown the business. Furthermore, in April 2023, approximately 1,800 new graduates joined the Company (about 2,300 on a consolidated basis), making it one of the leading companies in Japan in hiring new graduates. This clearly demonstrates not only the 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 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 aimed to expand businesses less affected by economic fluctuation. In particular, the U.S. military facilities business continued to see steady growth in demand for renovation and maintenance services for buildings and facilities. However, a longer procurement lead time and escalating material prices weighed on the business growth during the current period.

Looking at the market overseas, uncertainties remained high as the economic growth was sluggish and financial risks heightened while high inflation continued.

Under such business environment, the Group continued to make an all-out effort to reinforce the growth domain by smoothing out earnings for its overseas businesses. Specifically, in addition to expanding outsourcing businesses in the public sector, including government projects, less susceptible to economic fluctuations, the Group offered engineering outsourcing services where persistent demands were seen. Also, the Group rolled out a scheme to mobilize human resources at a global level from countries that have plenty of workforce to those that face labor shortages. Owing to the Group’s diversified business and geographic portfolios, in the current period, the revenue increased not just in the engineering business but also in the manufacturing and service businesses.

As a result, the Group recorded revenue of 360,721 million yen on a consolidated basis for the second quarter ended June 30, 2023, up 10.9% year-on-year, exceeding its record high for the second quarter. Operating profit marked 8,719 million yen, down 22.8% year-on-year, profit before tax of 8,272 million yen, up 3.1% year-on-year, and profit attributable to owners of parent of 3,622 million yen, down 13.1% year-on-year. The Group considered the business activities in the current period relatively robust because operating profit declined by only 3.5 % year-on-year, excluding the one-time expenses associated with the Group restructuring costs and legal expenses incurred in Latin America, and impairment losses of goodwill and others.

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 continues to pursue the goal of creating a system under which its business activities will widely benefit society.

Segment results are provided below.

[Domestic Engineering Outsourcing Business]

The Domestic Engineering Outsourcing Business experienced limited negative effects of the COVID-19 pandemic. Revenue marked a double-digit growth year-on-year on the back of soaring demand for engineers, whereas profit decreased due to a declining utilization rate of worksite employees and an impairment loss of 162 million yen on fixed assets during the current period. The Group continued to constrain recruitment costs by leveraging KEN School, which provides training to people with little experience for dispatching purposes. Even though the labor market became more competitive as many companies across various industries restarted recruiting activities, the Group successfully hired as planned. As of June 30, 2023, the number of worksite employees totaled 26,407, an increase of 1,836 compared to the end of the same period last year, marking one of the highest in the industry despite the Group being a latecomer. Mainstay fields also continued to grow, such as IT, construction, and pharmaceutical industries, positioned to make the business less vulnerable to 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 79,491 million yen, up 12.0% year-on-year, and 4,784 million yen, down 8.3% year-on-year, respectively.

[Domestic Manufacturing Outsourcing Business]

The Domestic Manufacturing Outsourcing Business recorded an increase in revenue from a year earlier, as the production recovered in the auto industry. However, segment profit declined due to additional costs relating to the Group reorganization and goodwill impairment loss of 1,366 million yen incurred because of stagnated demand arising from the inventory adjustment process of semiconductors. The number of worksite employees at the period-end was 25,815, down 1,185 year-on-year. In the administrative work outsourcing business, the demand for recruiting technical intern trainees continued to be robust among manufacturers. Thanks to positive feedback from customers for the Group's efficient and appropriate management service, the number of foreign workers under management marked 19,768 as of June 30, 2023, leading the Japanese market.

Based on the above, segment revenue and operating profit for the Domestic Manufacturing Outsourcing Business during the current period were 61,814 million yen, up 7.1% year-on-year, and 1,955 million yen, down 31.1% 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. Although the demand for renovation and maintenance services for U.S. military buildings and facilities remained high, a procurement lead time for construction materials, particularly those imported by sea freight, continued to become longer. Also, costs increased due to a surge in construction material prices and marine transport costs. As a result, the business saw an increase in revenue and a decrease in profit. However, the U.S. military facilities business's order backlog is increasing, and the Group believes the business profitability over the medium- to long-term is not impaired.

Based on the above, segment revenue and operating profit for the Domestic Service Operations Outsourcing Business during the current period were 15,803 million yen, up 2.5% year-on-year, and 1,364 million yen, down 28.5% year-on-year, respectively.

[Overseas Engineering Outsourcing Business]

The Overseas Engineering Outsourcing Business recorded growth in both revenue and profit year-on-year. In the UK, the profitable public debt collection business continued to show a recovery and improved its collection efficiency. Whereas in Ireland, an economic uncertainty, including the layoff at a major global IT company, partly affected the recruiting and placing business. Despite increased costs driven by inflation continuing at a high level, the dispatching business stayed brisk during the current period.

Based on the above, revenue and operating profit for the Overseas Engineering Outsourcing Business during

the current period were 84,698 million yen, up 9.4% year-on-year, and 3,942 million yen, up 3.0% year-on-year, respectively.

[Overseas Manufacturing and Service Operations Outsourcing Business]

The Overseas Manufacturing and Service Operations Outsourcing Business marked a double-digit growth in revenue year-on-year thanks to the strong e-commerce related business centered around major supermarkets and the reinforcement of the logistics-related business in Netherlands, an increase in dispatch unit prices, and a surging demand in the aviation industry in Germany.

Meanwhile, segment profit decreased during the current period mainly because of the following: goodwill impairment loss of 648 million yen was recorded due to suppressing capital expenditures in the United States amid recession fears; and costs increased as inflation remained high, similar to the Overseas Engineering Outsourcing Business situation.

Based on the above, revenue and operating profit for the Overseas Manufacturing and Service Operations Outsourcing Business were 118,883 million yen, up 14.4% year-on-year, and 1,823 million yen, down 19.3% year-on-year, respectively.

[Other Business]

Included in Other Business are shared services of administrative work and sign language classes provided by disabled employees who work for the Group's special subsidiary company, which performed as planned during the current period.

Based on the above, segment revenue during the current period marked 32 million yen, down 7.8% year-on-year, and operating profit posted 143 million yen, down 30.6% year-on-year.

(2) Overview of Consolidated Financial Position

Total assets as of June 30, 2023, were 439,199 million yen, an increase of 37,301 million yen from December 31, 2022. This is primarily attributed to increases in cash and cash equivalents, trade and other receivables, right-of-use assets, and goodwill.

Total liabilities as of June 30, 2023, were 346,685 million yen, an increase of 23,948 million yen from December 31, 2022. This is primarily attributed to an increase in trade and other payables as well as bonds and borrowings, and lease liabilities, while other current liabilities decreased.

Equity as of June 30, 2023, was 92,514 million yen, an increase of 13,353 million yen from December 31, 2022. This is mainly due to an increase in equity by recording profit and exchange differences, offset by a decrease due to the payment of cash dividends.

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

The financial results forecasts for the fiscal year ending December 31, 2023, have not changed from those that were originally announced on February 14, 2023.

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. Actual financial results may differ from the forecasts due to changes in business situations 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, 2022	As of June 30, 2023
Assets		
Current assets		
Cash and cash equivalents	53,324	61,227
Trade and other receivables	104,704	119,713
Inventories	2,205	2,983
Other financial assets	16,805	16,899
Other current assets	18,289	18,835
Total current assets	195,327	219,657
Non-current assets		
Property, plant, and equipment	12,475	13,209
Right-of-use assets	27,753	31,997
Goodwill	92,238	97,830
Intangible assets	42,482	42,820
Investments accounted for using equity method	322	412
Other financial assets	23,687	24,529
Other non-current assets	650	763
Deferred tax assets	6,965	7,981
Total non-current assets	206,571	219,542
Total assets	401,898	439,199

(Million yen)

	As of December 31, 2022	As of June 30, 2023
Liabilities and equity		
Liabilities		
Current liabilities		
Trade and other payables	75,365	82,093
Bonds and borrowings	43,343	60,093
Lease liabilities	24,088	25,221
Other financial liabilities	1,111	436
Income taxes payable	2,594	4,791
Other current liabilities	37,951	35,905
Total current liabilities	184,453	208,539
Non-current liabilities		
Bonds and borrowings	87,255	83,191
Lease liabilities	34,150	37,865
Other financial liabilities	877	710
Retirement benefit liability	2,269	2,647
Provisions	1,335	1,396
Other non-current liabilities	748	536
Deferred tax liabilities	11,651	11,801
Total non-current liabilities	138,284	138,146
Total liabilities	322,737	346,685
Equity		
Share capital	25,245	25,293
Capital surplus	26,678	26,727
Treasury shares	(0)	(0)
Other capital surplus	(11,611)	(11,383)
Other components of equity	9,833	22,807
Retained earnings	25,250	25,805
Total equity attributable to owners of parent	75,394	89,248
Non-controlling interests	3,767	3,266
Total equity	79,161	92,514
Total liabilities and equity	401,898	439,199

(2) Condensed Quarterly Consolidated Statement of Profit or Loss

(Million yen)

	For the six months ended June 30, 2022	For the six months ended June 30, 2023
Revenue	325,399	360,721
Cost of sales	<u>(266,284)</u>	<u>(295,724)</u>
Gross profit	59,115	64,997
Selling, general and administrative expenses	(50,996)	(58,733)
Other operating income	4,510	5,379
Other operating expenses	<u>(1,340)</u>	<u>(2,924)</u>
Operating profit	11,288	8,719
Finance income	788	1,191
Finance costs	(4,104)	(1,729)
Share of profit (loss) of investments accounted for using equity method	50	90
Profit before tax	<u>8,021</u>	<u>8,272</u>
Income tax expense	<u>(3,665)</u>	<u>(4,690)</u>
Profit for the period	<u><u>4,356</u></u>	<u><u>3,582</u></u>
Profit attributable to:		
Owners of parent	4,167	3,622
Non-controlling interests	<u>190</u>	<u>(40)</u>
Profit for the period	<u><u>4,356</u></u>	<u><u>3,582</u></u>
Earnings per share		
Basic earnings per share (Yen)	33.09	28.75
Diluted earnings per share (Yen)	33.09	28.75

(3) Condensed Quarterly Consolidated Statement of Comprehensive Income

(Million yen)

	For the six months ended June 30, 2022	For the six months ended June 30, 2023
Profit for the period	4,356	3,582
Other comprehensive income		
Items that will not be reclassified subsequently to profit or loss:		
Remeasurements of defined benefit retirement plans	471	61
Change in fair value of equity financial assets measured at fair value through other comprehensive income	(273)	(54)
Total of items that will not be reclassified subsequently to profit or loss	198	6
Items that may be reclassified subsequently to profit or loss:		
Exchange differences on translation of foreign operations	9,978	13,002
Total of items that may be reclassified subsequently to profit or loss	9,978	13,002
Other comprehensive income, net of tax	10,176	13,009
Total comprehensive income	14,532	16,591
Comprehensive income attributable to:		
Owners of parent	14,159	16,657
Non-controlling interests	373	(66)
Total comprehensive income	14,532	16,591

(4) Condensed Quarterly Consolidated Statement of Changes in Equity

For the six months ended June 30, 2022 (From January 1, 2022, to June 30, 2022)

(Million yen)

	Equity attributable to owners of parent					
	Share capital	Capital surplus	Treasury shares	Other capital surplus	Other components of equity	
					Exchange differences on translation of foreign operations	Change in fair value of debt financial assets measured at fair value through other comprehensive income
	Million yen	Million yen	Million yen	Million yen	Million yen	Million yen
Balance on January 1, 2022	25,230	26,663	(0)	(12,887)	3,417	1
Cumulative effects of changes in accounting policies	—	—	—	—	—	—
Restated balance on January 1, 2022	25,230	26,663	(0)	(12,887)	3,417	1
Profit for the period	—	—	—	—	—	—
Other comprehensive income	—	—	—	—	9,790	—
Total comprehensive income	—	—	—	—	9,790	—
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	—	—	—	1,071	—	—
Total changes in ownership interests in subsidiaries	—	—	—	1,071	—	—
Total transactions with owners	15	15	—	1,066	—	—
Balance on June 30, 2022	25,245	26,678	(0)	(11,821)	13,208	1

Equity attributable to owners of parent

	Other components of equity		Total	Retained earnings	Total	Non-controlling interests	Total equity
	Remeasurements of defined benefit retirement plans	Change in fair value of equity financial assets measured at fair value through other comprehensive income					
	Million yen	Million yen	Million yen	Million yen	Million yen	Million yen	Million yen
Balance on January 1, 2022	—	477	3,895	17,691	60,592	6,437	67,029
Cumulative effects of changes in accounting policies	—	—	—	0	0	—	0
Restated balance on January 1, 2022	—	477	3,895	17,691	60,592	6,437	67,029
Profit for the period	—	—	—	4,167	4,167	190	4,356
Other comprehensive income	471	(269)	9,992	—	9,992	184	10,176
Total comprehensive income	471	(269)	9,992	4,167	14,159	373	14,532
Issuance of new shares	—	—	—	—	30	—	30
Dividends	—	—	—	(3,904)	(3,904)	(1,343)	(5,247)
Share-based remuneration transactions	—	—	—	—	(5)	—	(5)
Transfer to retained earnings	(471)	—	(471)	471	—	—	—
Other increase (decrease)	—	—	—	(46)	(46)	—	(46)
Total contributions by (distributions to) owners	(471)	—	(471)	(3,479)	(3,925)	(1,343)	(5,268)
Changes from business combination and others	—	—	—	—	1,071	(1,129)	(58)
Total changes in ownership interests in subsidiaries	—	—	—	—	1,071	(1,129)	(58)
Total transactions with owners	(471)	—	(471)	(3,479)	(2,853)	(2,472)	(5,326)
Balance on June 30, 2022	—	208	13,416	18,379	71,897	4,338	76,235

For the six months ended June 30, 2023 (From January 1, 2023, to June 30, 2023)

(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 on January 1, 2023	25,245	26,678	(0)	(11,611)	9,916	1
Profit for the period	—	—	—	—	—	—
Other comprehensive income	—	—	—	—	13,029	—
Total comprehensive income	—	—	—	—	13,029	—
Issuance of new shares	49	49	—	—	—	—
Purchase of treasury shares	—	—	(0)	—	—	—
Dividends	—	—	—	—	—	—
Transfer to retained earnings	—	—	—	—	—	—
Other increase (decrease)	—	—	—	—	—	—
Total contributions by (distributions to) owners	49	49	(0)	—	—	—
Changes from business combination and others	—	—	—	228	—	—
Total changes in ownership interests in subsidiaries	—	—	—	228	—	—
Total transactions with owners	49	49	(0)	228	—	—
Balance on June 30, 2023	25,293	26,727	(0)	(11,383)	22,944	1

	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 on January 1, 2023	—	(84)	9,833	25,250	75,394	3,767	79,161
Profit for the period	—	—	—	3,622	3,622	(40)	3,582
Other comprehensive income	61	(55)	13,035	—	13,035	(26)	13,009
Total comprehensive income	61	(55)	13,035	3,622	16,657	(66)	16,591
Issuance of new shares	—	—	—	—	97	—	97
Purchase of treasury shares	—	—	—	—	(0)	—	(0)
Dividends	—	—	—	(3,148)	(3,148)	(207)	(3,355)
Transfer to retained earnings	(61)	—	(61)	61	—	—	—
Other increase (decrease)	—	—	—	20	20	—	20
Total contributions by (distributions to) owners	(61)	—	(61)	(3,067)	(3,031)	(207)	(3,238)
Changes from business combination and others	—	—	—	—	228	(228)	—
Total changes in ownership interests in subsidiaries	—	—	—	—	228	(228)	—
Total transactions with owners	(61)	—	(61)	(3,067)	(2,803)	(435)	(3,238)
Balance on June 30, 2023	—	(139)	22,807	25,805	89,248	3,266	92,514

(5) Notes to Condensed Quarterly Consolidated Financial Statements

[Going Concern Assumption]

Not applicable.

[Changes in Significant Subsidiaries]

Not applicable.

[Changes in Accounting Policies]

Material accounting policies adopted for the condensed quarterly consolidated financial statements are the same as those for the consolidated financial statements for the fiscal year ended December 31, 2022, with the exception of the item described below.

The Group calculated income tax expenses for the six months ended June 30, 2023, based on the estimated average annual effective tax rate. The Group adopted the following accounting standard from the first quarter ended March 31, 2023.

IFRS		Details of new and amended accounting standards
IAS 12	Income taxes (amended May 2021)	Clarify how companies account for deferred tax on transactions such as leases and decommissioning obligations

The Group adopted IAS 12 “Income taxes” (amended May 2021) starting from the first quarter ended March 31, 2023.

The amendment clarifies that entities should recognize deferred tax liabilities and deferred tax assets on transactions such as leases and decommissioning obligations if such transactions create the same amount of taxable temporary difference and deductible temporary difference.

The amendment was applied retrospectively. Accordingly, the condensed quarterly consolidated financial statements for the six months ended June 30, 2022, and consolidated financial statements for the fiscal year ended December 31, 2022, are presented on a retrospective basis.

As a result of the adoption, the restated consolidated statement of financial position as of December 31, 2022, shows that deferred tax assets and deferred tax liabilities increased by 112 million yen and 71 million yen, respectively, and retained earnings increased by 41 million yen. The effect of restatements was minimal on the condensed quarterly consolidated statement of profit or loss for the six months ended June 30, 2022, and 2023, respectively.

As cumulative effects of changes in accounting policies were reflected in equity as of January 1, 2022, the beginning of the previous period, the restated balance of retained earnings in the condensed quarterly consolidated statement of changes in equity increased by 0 million yen as of January 1, 2022.

[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 searching support for workers whose employment terms have expired.

Domestic Service Operations Outsourcing Business:

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

Overseas Engineering Outsourcing Business:

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

Overseas Manufacturing and Service Operations Outsourcing Business:

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

Other Business:

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

(b) Segment Revenues and Results

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

For the six months ended June 30, 2022 (From January 1, 2022 to June 30, 2022)

	Reportable Segment					Total	Other Business (Note 1)	Total	Adjustments (Note 2)	Consolidated
	Domestic Engineering Outsourcing Business	Domestic Manufacturing Outsourcing Business	Domestic Service Operations Outsourcing Business	Overseas Engineering Outsourcing Business	Overseas Manufacturing and Service Operations Outsourcing Business					
	Million yen	Million yen	Million yen	Million yen	Million yen	Million yen	Million yen	Million yen	Million yen	Million yen
Revenue										
Revenue from external customers	70,963	57,705	15,424	77,397	103,874	325,364	35	325,399	—	325,399
Intersegment revenue (Note 3)	1,248	4,046	169	365	878	6,706	1,009	7,715	(7,715)	—
Total	72,211	61,752	15,593	77,762	104,752	332,070	1,044	333,114	(7,715)	325,399
Cost of sales and other income (expenses)	(66,992)	(58,914)	(13,684)	(73,937)	(102,494)	(316,021)	(838)	(316,860)	2,748	(314,111)
Segment profit (Operating profit)	5,219	2,838	1,908	3,825	2,258	16,049	206	16,255	(4,967)	11,288
(Reconciling items)										
Finance income	—	—	—	—	—	—	—	—	—	788
Finance costs	—	—	—	—	—	—	—	—	—	(4,104)
Share of profit (loss) of investments accounted for using equity method	—	—	—	—	—	—	—	—	—	50
Profit before tax	—	—	—	—	—	—	—	—	—	8,021

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

(Note 2) The adjustment of segment profit of (4,967) million yen includes acquisition-related cost related to business combinations of (480) million yen, corporate expenses of (4,481) million yen, profits or losses not allocated to any specific operating segment, and elimination of intersegment transactions.

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

For the six months ended June 30, 2023 (From January 1, 2023 to June 30, 2023)

	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	79,491	61,814	15,803	84,698	118,883	360,689	32	360,721	—	360,721
Intersegment revenue (Note 3)	1,278	3,742	119	795	1,077	7,012	1,183	8,194	(8,194)	—
Total	80,769	65,556	15,922	85,493	119,960	367,700	1,215	368,915	(8,194)	360,721
Cost of sales and other income (expenses)	(75,985)	(63,601)	(14,558)	(81,552)	(118,137)	(353,832)	(1,072)	(354,904)	2,903	(352,002)
Segment profit (Operating profit)	4,784	1,955	1,364	3,942	1,823	13,868	143	14,011	(5,292)	8,719
(Reconciling items)										
Finance income	—	—	—	—	—	—	—	—	—	1,191
Finance costs	—	—	—	—	—	—	—	—	—	(1,729)
Share of profit (loss) of investments accounted for using equity method	—	—	—	—	—	—	—	—	—	90
Profit before tax	—	—	—	—	—	—	—	—	—	8,272

(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 (5,292) million yen includes acquisition-related cost related to business combinations of (35) million yen, corporate expenses of (5,296) million yen, profits or losses not allocated to any specific operating segment and elimination of intersegment transactions.

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

3. SUPPLEMENTARY INFORMATION

Revenue by segment and by industry for the six months ended June 30, 2023, is as follows:

Name of Segment	For the six months ended June 30, 2023		
	Amount (Million yen)	Percentage of total (%)	Year-on-Year (%)
Domestic Engineering Outsourcing Business	79,491	22.0	12.0
Electrical & Electronics	12,559	3.5	8.2
Transport Equipment	13,687	3.8	3.7
Pharm. & Chemicals	6,830	1.9	10.4
IT-related	28,483	7.9	22.6
Construction & Plant-related	11,216	3.1	12.5
Others	6,717	1.8	(0.8)
Domestic Manufacturing Outsourcing Business	61,814	17.1	7.1
Electrical & Electronics	14,104	3.9	(11.4)
Transport Equipment	24,153	6.7	5.4
Pharm. & Chemicals	3,462	0.9	6.2
Metals & Construction Materials	3,487	1.0	9.7
Foods	2,053	0.6	8.7
Others	14,554	4.0	37.9
Domestic Service Operations Outsourcing Business	15,803	4.4	2.5
Retail	76	0.0	(0.3)
Public Works	13,808	3.8	4.6
Others	1,919	0.6	(10.4)
Overseas Engineering Outsourcing Business	84,698	23.5	9.4
Electrical & Electronics	253	0.1	7.7
Transport Equipment	2,219	0.6	48.1
Pharm. & Chemicals	16,541	4.6	12.5
IT-related	20,338	5.7	29.9
Metals & Construction Materials	158	0.1	129.2
Construction & Plant-related	1,077	0.3	(40.0)
Retail	3,320	0.9	26.2
Public Works	28,274	7.8	(4.9)
Finance	5,542	1.5	(8.5)
Others	6,976	1.9	39.5
Overseas Manufacturing and Service Operations Outsourcing Business	118,883	33.0	14.4
Electrical & Electronics	8,273	2.3	(21.5)
Transport Equipment	8,989	2.5	8.2
Pharm. & Chemicals	2,537	0.7	83.8
IT-related	2,176	0.6	7.0
Metals & Construction Materials	1,497	0.4	9.8
Construction & Plant-related	4,849	1.4	22.0
Foods	6,136	1.7	112.5
Retail	34,738	9.6	8.7
Public Works	16,242	4.5	5.2
Finance	1,139	0.3	2.5
Others	32,307	9.0	29.7
Other Business	32	0.0	(7.8)
Total	360,721	100.0	10.9

(Note 1) Intersegment transactions are offset and eliminated.

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

Revenue by region is as follows:

Region	For the six months ended June 30, 2023		
	Amount (Million yen)	Percentage of total (%)	Year-on-Year (%)
Japan	157,140	43.5	9.0
Europe	150,979	41.9	14.7
Oceania	36,072	10.0	6.6
North America	1,992	0.5	(11.2)
South America	7,849	2.2	7.0
Asia (excl. Japan)	6,689	1.9	7.3
Total	360,721	100.0	10.9

(Note) Intersegment transactions are offset and eliminated.