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Consolidated Financial Results for the Nine Months Ended September 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 nine months ended September 30, 2023 (From January 1, 2023 to September 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	%
nine months ended September 30, 2023	551,721	9.8	15,842	(5.9)	14,525	13.4	7,000	2.4	6,989	4.2	20,368	17.8
September 30, 2022	502,578	22.0	16,835	21.3	12,812	56.5	6,833	—	6,711	—	17,294	—

	Basic earnings per share	Diluted earnings per share
nine months ended	Yen	Yen
September 30, 2023	55.48	55.48
September 30, 2022	53.29	53.29

(Note) 1. Since the provisional accounting treatments related to business combinations were finalized during the fourth quarter ended December 31, 2022, the first quarter ended March 31, 2023, and the second quarter ended June 30, 2023, respectively, the condensed quarterly financial statements for the nine months ended September 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 nine months ended September 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
September 30, 2023	441,719	95,933	92,717	21.0	735.83
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 September 30, 2023	126,026,200	As of December 31, 2022	125,951,200
As of September 30, 2023	23,536	As of December 31, 2022	23,490
Nine months ended September 30, 2023	125,969,441	Nine months ended September 30, 2022	125,917,597

(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.

Table of Contents for the Attached Documents

1. QUALITATIVE INFORMATION ON QUARTERLY FINANCIAL RESULTS	2
(1) Overview of Consolidated Operating Results	2
(2) Overview of Consolidated Financial Position	4
(3) Explanation of Forecasts Including the Consolidated Financial Results Forecasts	4
2. CONDENSED QUARTERLY CONSOLIDATED FINANCIAL STATEMENTS AND RELATED NOTES	5
(1) Condensed Quarterly Consolidated Statement of Financial Position	5
(2) Condensed Quarterly Consolidated Statement of Profit or Loss	7
(3) Condensed Quarterly Consolidated Statement of Comprehensive Income	8
(4) Condensed Quarterly Consolidated Statement of Changes in Equity	9
(5) Notes to Condensed Quarterly Consolidated Financial Statements	12
[Going Concern Assumption]	12
[Changes in Significant Subsidiaries]	12
[Changes in Accounting Policies].....	12
[Segment Information].....	12
3. SUPPLEMENTARY INFORMATION	16

1. QUALITATIVE INFORMATION ON QUARTERLY FINANCIAL RESULTS

(1) Overview of Consolidated Operating Results

The business environment continued to be slow during the nine months ended September 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 globally.

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 21,038 as of September 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 (or some 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, revenue increased in the current period, not just in the engineering business but also in the manufacturing and service businesses.

As a result, the Group recorded revenue of 551,721 million yen on a consolidated basis for the nine months ended September 30, 2023, up 9.8% year-on-year, exceeding its record high for the nine months. Operating profit marked 15,842 million yen, down 5.9% year-on-year, profit before tax of 14,525 million yen, up 13.4% year-on-year, and profit attributable to owners of parent of 6,989 million yen, up 4.2% year-on-year. The Group considered the business activities in the current period relatively robust because operating profit declined by only 3.4 % 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, while 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 September 30, 2023, the number of worksite employees totaled 26,237, up 1,575 from a year earlier, 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 119,818 million yen, up 10.5% year-on-year, and 7,200 million yen, down 8.9% 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 25,066, down 1,765 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 21,038 as of September 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 92,415 million yen, up 3.5% year-on-year, and 3,946 million yen, down 5.2% 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 but 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 24,370 million yen, up 6.4% year-on-year, and 2,039 million yen, down 16.0% year-on-year, respectively.

[Overseas Engineering Outsourcing Business]

The Overseas Engineering Outsourcing Business recorded an increase in revenue and decrease in 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 129,595 million yen, up 7.5% year-on-year, and 5,996 million yen, down 0.3% 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 reinforcement of the strong e-commerce related business centered around major supermarkets in Netherlands as well as the logistics-related business, an increase in dispatch unit prices, and a surging demand in the aviation industry in Germany.

In terms of profit, cost increased: a goodwill impairment loss of 648 million yen due to the restraint of capital investment amid the growing concerns about the economic recession in the United States and an increase in expenses due to high inflation, similar to the Overseas Engineering Outsourcing Business. However, compared to the same period last year, profit increased significantly partly because the one-time factors such as countermeasure costs associated with the rapid spread of mutant strains peeled off.

Based on the above, revenue and operating profit for the Overseas Manufacturing and Service Operations Outsourcing Business were 185,477 million yen, up 15.0% year-on-year, and 5,019 million yen, up 35.9% 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 46 million yen, down 3.0% year-on-year, and operating profit posted 181 million yen, down 28.7% year-on-year.

(2) Overview of Consolidated Financial Position

Total assets as of September 30, 2023, were 441,719 million yen, an increase of 39,821 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 September 30, 2023, were 345,787 million yen, an increase of 23,050 million yen from December 31, 2022. This is primarily attributed to an increase in trade and other payables, bonds and borrowings, and lease liabilities despite a decrease in other current liabilities.

In addition, some of the syndicated loan agreements the Company entered into with financial institutions contain covenants pertaining to the deadline for submission of quarterly financial results. The deadline extension for submission of the financial results for the six months ended June 30, 2023, violated such covenants. Therefore, the associated borrowings of 5,033 million yen were reclassified from non-current liabilities to current liabilities as of September 30, 2023. As of September 30, 2023, there was no violation of any of the financial covenants.

Equity as of September 30, 2023, was 95,933 million yen, an increase of 16,772 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 September 30, 2023
Assets		
Current assets		
Cash and cash equivalents	53,324	60,184
Trade and other receivables	104,704	118,008
Inventories	2,205	2,991
Other financial assets	16,805	16,281
Other current assets	18,289	20,559
Total current assets	195,327	218,022
Non-current assets		
Property, plant, and equipment	12,475	13,948
Right-of-use assets	27,753	36,657
Goodwill	92,238	97,957
Intangible assets	42,482	41,550
Investments accounted for using equity method	322	508
Other financial assets	23,687	24,627
Other non-current assets	650	754
Deferred tax assets	6,965	7,696
Total non-current assets	206,571	223,697
Total assets	401,898	441,719

(Million yen)

As of December 31, 2022 As of September 30, 2023

	As of December 31, 2022	As of September 30, 2023
Liabilities and equity		
Liabilities		
Current liabilities		
Trade and other payables	75,365	86,117
Bonds and borrowings	43,343	59,900
Lease liabilities	24,088	26,185
Other financial liabilities	1,111	501
Income taxes payable	2,594	4,163
Other current liabilities	37,951	35,231
Total current liabilities	184,453	212,097
Non-current liabilities		
Bonds and borrowings	87,255	76,743
Lease liabilities	34,150	40,638
Other financial liabilities	877	499
Retirement benefit liability	2,269	2,837
Provisions	1,335	1,373
Other non-current liabilities	748	541
Deferred tax liabilities	11,651	11,059
Total non-current liabilities	138,284	133,689
Total liabilities	322,737	345,787
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	23,074
Retained earnings	25,250	29,007
Total equity attributable to owners of parent	75,394	92,717
Non-controlling interests	3,767	3,216
Total equity	79,161	95,933
Total liabilities and equity	401,898	441,719

(2) Condensed Quarterly Consolidated Statement of Profit or Loss

(Million yen)

	For the nine months ended September 30, 2022	For the nine months ended September 30, 2023
Revenue	502,578	551,721
Cost of sales	<u>(411,137)</u>	<u>(452,886)</u>
Gross profit	91,441	98,835
Selling, general and administrative expenses	(78,382)	(88,622)
Other operating income	7,111	8,808
Other operating expenses	<u>(3,335)</u>	<u>(3,178)</u>
Operating profit	16,835	15,842
Finance income	693	1,406
Finance costs	(4,801)	(2,908)
Share of profit (loss) of investments accounted for using equity method	85	185
Profit before tax	<u>12,812</u>	<u>14,525</u>
Income tax expense	<u>(5,979)</u>	<u>(7,525)</u>
Profit for the period	<u><u>6,833</u></u>	<u><u>7,000</u></u>
Profit attributable to:		
Owners of parent	6,711	6,989
Non-controlling interests	<u>123</u>	<u>11</u>
Profit for the period	<u><u>6,833</u></u>	<u><u>7,000</u></u>
Earnings per share		
Basic earnings per share (Yen)	53.29	55.48
Diluted earnings per share (Yen)	53.29	55.48

(3) Condensed Quarterly Consolidated Statement of Comprehensive Income

(Million yen)

	For the nine months ended September 30, 2022	For the nine months ended September 30, 2023
Profit for the period	6,833	7,000
Other comprehensive income		
Items that will not be reclassified subsequently to profit or loss:		
Remeasurements of defined benefit retirement plans	1,195	(9)
Change in fair value of equity financial assets measured at fair value through other comprehensive income	(333)	10
Total of items that will not be reclassified subsequently to profit or loss	862	1
Items that may be reclassified subsequently to profit or loss:		
Exchange differences on translation of foreign operations	9,598	13,367
Change in fair value of debt financial assets measured at fair value through other comprehensive income	0	—
Total of items that may be reclassified subsequently to profit or loss	9,599	13,367
Other comprehensive income, net of tax	10,461	13,368
Total comprehensive income	17,294	20,368
Comprehensive income attributable to:		
Owners of parent	17,130	20,392
Non-controlling interests	164	(24)
Total comprehensive income	17,294	20,368

(4) Condensed Quarterly Consolidated Statement of Changes in Equity

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 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	—	—	—	—	9,553	0
Total comprehensive income	—	—	—	—	9,553	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	—	—	—	1,109	—	—
Total changes in ownership interests in subsidiaries	—	—	—	1,109	—	—
Total transactions with owners	15	15	—	1,104	—	—
Balance on September 30, 2022	25,245	26,678	(0)	(11,783)	12,970	2

Equity attributable to owners of parent

	Other components of equity			Retained earnings	Total	Non-controlling interests	Total equity
	Remeasurements of defined benefit retirement plans	Change in fair value of equity financial assets measured at fair value through other comprehensive income	Total				
	Million yen	Million yen	Million yen	Million yen	Million yen	Million yen	Million yen
Balance 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	—	—	—	6,711	6,711	123	6,833
Other comprehensive income	1,195	(329)	10,420	—	10,420	41	10,461
Total comprehensive income	1,195	(329)	10,420	6,711	17,130	164	17,294
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	—	—	—	—	1,109	(1,069)	40
Total changes in ownership interests in subsidiaries	—	—	—	—	1,109	(1,069)	40
Total transactions with owners	(1,195)	—	(1,195)	(2,782)	(2,842)	(2,412)	(5,254)
Balance on September 30, 2022	—	148	13,120	21,620	74,880	4,189	79,069

For the nine months ended September 30, 2023 (From January 1, 2023, to September 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	—	—	—	—	13,404	—
Total comprehensive income	—	—	—	—	13,404	—
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	(170)	—
Total changes in ownership interests in subsidiaries	—	—	—	228	(170)	—
Total transactions with owners	49	49	(0)	228	(170)	—
Balance on September 30, 2023	25,293	26,727	(0)	11,383	23,149	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	—	—	—	6,989	6,989	11	7,000
Other comprehensive income	(9)	7	13,403	—	13,403	(35)	13,368
Total comprehensive income	(9)	7	13,403	6,989	20,392	(24)	20,368
Issuance of new shares	—	—	—	—	97	—	97
Purchase of treasury shares	—	—	—	—	(0)	—	(0)
Dividends	—	—	—	(3,148)	(3,148)	(299)	(3,447)
Transfer to retained earnings	9	—	9	(9)	—	—	—
Other increase (decrease)	—	—	—	(8)	(8)	—	(8)
Total contributions by (distributions to) owners	9	—	9	(3,164)	(3,059)	(299)	(3,358)
Changes from business combination and others	—	—	(170)	(68)	(10)	(228)	(238)
Total changes in ownership interests in subsidiaries	—	—	(170)	(68)	(10)	(228)	(238)
Total transactions with owners	9	—	(162)	(3,232)	(3,069)	(527)	(3,596)
Balance on September 30, 2023	—	(77)	23,074	29,007	92,717	3,216	95,933

(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 nine months ended September 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 nine months ended September 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 nine months ended September 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 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	22,908	120,554	161,293	502,531	47	502,578	—	502,578
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	23,181	121,094	162,685	513,770	1,579	515,349	(12,771)	502,578
Cost of sales and other income (expenses)	(102,421)	(92,325)	(20,754)	(115,083)	(158,993)	(489,575)	(1,325)	(490,901)	5,157	(485,743)
Segment profit (Operating profit)	7,904	4,160	2,427	6,011	3,692	24,195	254	24,449	(7,614)	16,835
(Reconciling items)										
Finance income	—	—	—	—	—	—	—	—	—	693
Finance costs	—	—	—	—	—	—	—	—	—	(4,801)
Share of profit (loss) of investments accounted for using equity method	—	—	—	—	—	—	—	—	—	85
Profit before tax	—	—	—	—	—	—	—	—	—	12,812

(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.

For the nine months ended September 30, 2023 (From January 1, 2023 to September 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	119,818	92,415	24,370	129,595	185,477	551,675	46	551,721	—	551,721
Intersegment revenue (Note 3)	1,800	4,098	170	1,328	1,678	9,074	1,803	10,876	(10,876)	—
Total	121,618	96,514	24,539	130,922	187,155	560,749	1,849	562,597	(10,876)	551,721
Cost of sales and other income (expenses)	(114,418)	(92,568)	(22,500)	(124,927)	(182,136)	(536,549)	(1,667)	(538,216)	2,337	(535,879)
Segment profit (Operating profit)	7,200	3,946	2,039	5,996	5,019	24,200	181	24,381	(8,539)	15,842
(Reconciling items)										
Finance income	—	—	—	—	—	—	—	—	—	1,406
Finance costs	—	—	—	—	—	—	—	—	—	(2,908)
Share of profit (loss) of investments accounted for using equity method	—	—	—	—	—	—	—	—	—	185
Profit before tax	—	—	—	—	—	—	—	—	—	14,525

(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 (8,539) million yen includes acquisition-related cost related to business combinations of (79) million yen, corporate expenses of (8,537) 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, 2023, is as follows:

Name of Segment	For the nine months ended September 30, 2023		
	Amount (Million yen)	Percentage of total (%)	Year-on-Year (%)
Domestic Engineering Outsourcing Business	119,818	21.7	10.5
Electrical & Electronics	18,502	3.3	5.9
Transport Equipment	20,710	3.7	4.4
Pharm. & Chemicals	10,322	1.9	9.3
IT-related	42,959	7.8	17.9
Construction & Plant-related	17,095	3.1	12.0
Others	10,231	1.9	2.4
Domestic Manufacturing Outsourcing Business	92,415	16.8	3.5
Electrical & Electronics	20,624	3.8	(14.7)
Transport Equipment	36,020	6.5	3.6
Pharm. & Chemicals	5,231	1.0	14.9
Metals & Construction Materials	5,150	0.9	6.0
Foods	3,138	0.6	8.0
Others	22,253	4.0	23.1
Domestic Service Operations Outsourcing Business	24,370	4.4	6.4
Retail	115	0.0	2.7
Public Works	21,273	3.9	8.1
Others	2,982	0.5	(4.3)
Overseas Engineering Outsourcing Business	129,595	23.5	7.5
Electrical & Electronics	314	0.1	(18.8)
Transport Equipment	3,620	0.7	61.9
Pharm. & Chemicals	26,326	4.8	10.3
IT-related	31,446	5.7	33.7
Metals & Construction Materials	232	0.0	116.2
Construction & Plant-related	1,737	0.3	(36.8)
Retail	5,221	0.9	17.6
Public Works	41,649	7.6	(9.0)
Finance	7,829	1.4	(17.9)
Others	11,222	2.0	41.6
Overseas Manufacturing and Service Operations Outsourcing Business	185,477	33.6	15.0
Electrical & Electronics	12,345	2.2	(41.3)
Transport Equipment	13,549	2.5	(6.2)
Pharm. & Chemicals	3,863	0.7	41.0
IT-related	3,248	0.6	(4.3)
Metals & Construction Materials	2,485	0.5	15.2
Construction & Plant-related	7,672	1.4	13.9
Foods	9,475	1.7	108.7
Retail	53,752	9.7	11.1
Public Works	25,547	4.6	9.5
Finance	1,727	0.3	(11.8)
Others	51,815	9.4	59.1
Other Business	46	0.0	(3.0)
Total	551,721	100.0	9.8

(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, 2023		
	Amount (Million yen)	Percentage of total (%)	Year-on-Year (%)
Japan	236,649	42.9	7.2
Europe	234,514	42.5	14.8
Oceania	55,138	10.0	3.4
North America	3,414	0.6	(5.3)
South America	11,803	2.1	8.3
Asia (excl. Japan)	10,202	1.9	4.4
Total	551,721	100.0	9.8

(Note) Intersegment transactions are offset and eliminated.