



February 19, 2024

To Whom It May Concern

Company Name: OUTSOURCING Inc.
 Representative: Haruhiko Doi
 Representative Executive
 Officer, Chairman and CEO
 (Prime Market of TSE, Securities Code 2427)
 Contact: Masashi Umehara
 Executive Officer in
 charge of Corporate
 Management Division
 Phone: +81-3-3286-4888(Main)

Notice Regarding Recording of Impairment Losses and Differences Between the Forecasts vs. Actual Results for the Consolidated Performance for the Fiscal Year Ended December 31, 2023

OUTSOURCING Inc. (hereinafter, “the Company”) hereby announces that in regard to the consolidated financial results for the fiscal year ended December 31, 2023, impairment losses on goodwill, etc. were recorded. Due to this, differences have arisen between the consolidated performance forecast for the fiscal year ended December 31, 2023 (January 1, 2023, to December 31, 2023) announced on February 14, 2023, and the actual results stated in today's summary of the financial results, as described below.

Note

1. Details on the Recording of Goodwill Impairment Losses

The Company recognized impairment losses on goodwill, etc. totaling 6,875 million yen, not included in the full-year performance forecast announced on February 14, 2023, in the 4th quarter of fiscal year ended December 2023 (October 1, 2023, to December 31, 2023).

The Company's group conducts impairment testing for goodwill, etc. in each quarterly accounting period. As a result of the impairment testing conducted, the Company recognized new impairment losses totaling 6,875 million yen on goodwill, fixed assets, and customer-related assets in the domestic engineering, domestic manufacturing, and overseas manufacturing and services segments, which were not included in the full-year performance forecast announced on February 14, 2023. The impairment losses for each segment amount to 192 million yen, 2,714 million yen, and 3,969 million yen, respectively.

2. FY2023 Consolidated Business Performance: Difference Between Forecasts vs. Actual Results

(1) Consolidated business performance: Differences between forecasts vs. actual results
 (January 1, 2023 to December 31, 2023)

	Revenue	Operating profit	Profit before tax	Profit for the year	Profit attributable to owners of parent	Basic earnings per share for the year
	Millions of yen	Millions of yen	Millions of yen	Millions of yen	Millions of yen	Yen
Previously announced forecast (A) (Announced February 14, 2023)	770,000	30,500	27,500	18,500	18,000	141.17
Actual results (B)	749,608	16,476	13,607	4,997	5,162	40.97
Difference (B-A)	(20,392)	(14,024)	(13,893)	(13,503)	(12,838)	(100.20)
Difference (%)	(2.6)	(46.0)	(50.5)	(73.0)	(71.3)	(70.98)
(Reference) Results for the previous fiscal year (FY2022)	690,430	22,750	17,793	10,607	10,654	84.61

(Note) In conjunction with the determination of provisional accounting for business combination, the Company has retroactively revised the consolidated financial statements for the fiscal year ended December 31, 2022.

[Translation]

(2) Reasons for the differences

Regarding the consolidated performance the fiscal year ended December 31, 2023, despite achieving record-high revenue, the actual results fell below the performance forecast announced on February 14, 2023. The impact of factors such as impairment losses on goodwill significantly contributed to the shortfall in performance compared to the forecast, particularly in the operating profit and other profits below operating profit.

Revenue recorded a new high, driven by strong demand in engineering and the recovery of production in the transportation equipment sector. However, challenges such as intensifying competition for talent acquisition, continued slowdown in the production of electrical equipment, including semiconductors, and delays in material procurement for projects related to the domestic U.S. military facilities led to a performance below the forecast. In addition, operating profit, profit before tax, profit for the year, and profit attributable to owners of parent all fell below the forecast affected by the impairment losses on goodwill, amounting to 9,051 million yen recorded, as well as investigation costs related to the employment adjustment subsidies. Furthermore, as impairment losses, including goodwill, are not considered in tax calculations, they had a downward impact on profits below profit before tax.