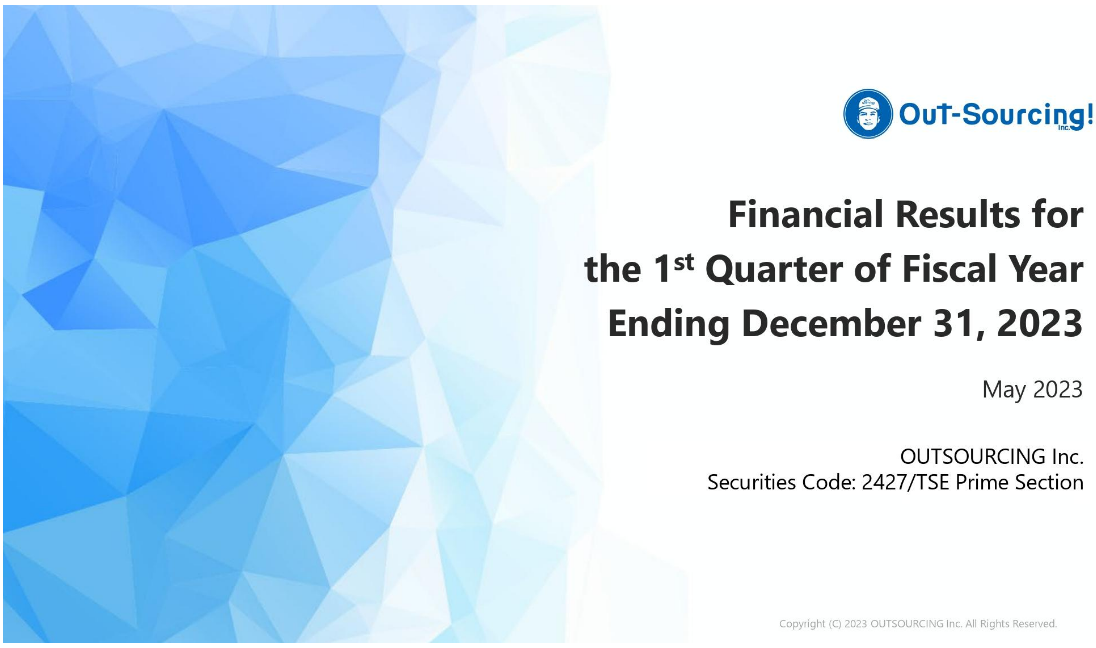

【Title】
With 13.2% YoY Consolidated Revenue High Growth, OUTSOURCING Gets off to Good Start to Achieve the Medium-Term Management Plan

【Date】
May 17, 2023.

【Speaker】
Mr. Haruhiko Doi, Representative Executive Officer, Chairman and CEO, OUTSOURCING Inc.
Mr. Shun Konya, Deputy Executive Manager (in charge of IR) of the CEO Office, OUTSOURCING Inc.

Explanation of Financial Results for the First Quarter of the Fiscal Year Ending December 31, 2023

Mr. Haruhiko Doi: Good morning, everyone. I'm Doi. I would first like to give some opening remarks before Mr. Konya gives an explanation of the financial results.

Thank you very much for taking the time out of your busy schedule to attend our financial results briefing session today. We now have the financial results for the first quarter to start off 2023. Some analysts and investors may see the operating profit as being slightly lower than expected, but we view this as a solid performance.

We have announced the Medium-Term Management Plan for the three years with 2023 as the first year and 2025 as the final year. This quarter, as a beginning of the three-year period (12 quarters in total), we believe we got off to a very smooth start to achieve the Medium-Term Management plan through the end of 2025.

We have announced that our consolidated subsidiaries will be reduced from the current 268 to 185 companies in order to achieve the Medium-Term Management plan. In this context, as for the Domestic Manufacturing Outsourcing Business, preparations for the merger of 11 companies into one company are almost complete, and will be effective on July 1. The 10 companies to be restructured are expected to be of a considerable size after the merger; therefore, we have reviewed the internal rules and regulations in accordance with the restructuring of group.

This resulted in some changes in the rules for retirement benefits as well, and has incurred an accumulation of nearly 500 million yen during the current period, but we have been making smooth progress toward the closure and consolidation.

We have also announced the establishment of general management headquarters in each region of the world in pursuit of our global strategy. We intend to oversee these general headquarters by dividing them into five regions: Europe, Oceania, South America, Asia, and Japan. Europe is leading the way, and we hope to have a provisional settlement of accounts for all of Europe at the time of the final settlement of accounts in 2023.

The core companies in Europe are OTTO Work Force in the Netherlands and CPL in Ireland. Both are companies with sales of hundreds of billions of yen, and these two companies alone have more than 100 consolidated subsidiaries. We are now working to reduce the number of companies by 90 percent.

The restructuring of the group and the general regional headquarters concept will strengthen the internal control and governance of our group-wide system, and increase operating efficiency to increase profitability. While some unanticipated costs have been incurred as we move forward with these initiatives, we believe we have been performing fairly well.

We also need to smooth out our business to achieve the Medium-Term Management plan. It would take a considerable amount of time to recover our performance if our performance deteriorated due to a major reset. The maintenance and preservation business for U.S. military facilities should play a crucial role in smoothing out our business.

This is a business to repair and maintain a wide range of equipment owned by the U.S. military. Currently, not much progress has been made due to delays in the procurement of materials.

Delays in the procurement of materials for maintenance would hinder construction work and therefore sales would not increase. Meanwhile, construction projects themselves are plentiful as defense budgets are increasing due to the strengthening of the defense systems around the world.

Projects for U.S. military facilities are determined by bidding. At the time of bidding, bond insurance, an insurance to guarantee the completion of performance and confidentiality, is required. Obtaining this insurance is costly, and it is said that the number of bidders has decreased in some bases because despite the high cost of order taking, performing construction work is difficult and does not lead to sales.

However, since there are no cancellations or lost orders in the projects for U.S. military facilities, we need to ensure the completion of performance. Currently, no sales are still in sight, and they are preceded by expenses. Taking new orders is never a negative, and is always a bid that leads to sales and profit. Therefore, although we know that we have difficulty undertaking construction work immediately, we are taking new orders with a high cost because we believe now is the time to seize this opportunity.

This order backlog has grown to a record high, which we believe will lead to the smoothing out of our business reported in the Medium-Term Management Plan, without being affected by the economy. In other words, while sales are not growing at the moment, it will lead to the strengthening of the group as a whole.

For this reason, we assess we got off to a good start to achieve the Medium-Term Management Plan. From here, Mr. Konya will explain regarding our first quarter financial results. It would be great if you could listen until the end. Thank you.

Consolidated Statement of Profit and Loss

Consolidated Financial Results Summary for 1Q FY12/23 (IFRS)

Consolidated Statement of Profit and Loss

(¥ billion)

	Quarterly Results (Jan 1, 2023 - Mar 31, 2023)					Cumulative Results (Jan 1, 2023 - Mar 31, 2023)				
	FY12/22 1Q	FY12/23 1Q	YoY	Forecast	Difference (vs. forecast)	FY12/22 1Q YTD	FY12/23 1Q YTD	YoY	Forecast	Difference (vs. forecast)
Revenue	155.3	**175.9**	+ 13.2%	176.0	**- 0.1**	-	-	-	-	-
Gross profit	28.5	**31.8**	+ 11.5%	-	-	-	-	-	-	-
(Gross profit margin)	18.4%	**18.1%**	- 0.3pt	-	-	-	-	-	-	-
SG&A expenses	24.0	**28.5**	+ 18.4%	-	-	-	-	-	-	-
Operating profit	6.0	**5.3**	- 11.4%	5.0	**+ 0.3**	-	-	-	-	-
(Operating profit margin)	3.8%	**3.0%**	- 0.8pt	2.8%	**+ 0.2pt**	-	-	-	-	-
Profit before tax	3.9	**4.7**	+ 19.6%	-	-	-	-	-	-	-
Profit	1.8	**3.2**	+ 79.7%	-	-	-	-	-	-	-
Profit attributable to owners of parent	1.6	**3.1**	+ 98.0%	-	-	-	-	-	-	-

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Mr. Shun Konya: I am Konya from the CEO Office. First, please take a look at the consolidated income statement, which shows a comparison of the first quarter results with the same period last year and the initial forecast.

The revenue was mostly in line with our initial forecast with an increase of 13.2% from the same period last year. With record high revenues for 14 consecutive periods, we hope you recognize that high growth is maintained for the first quarter.

On the other hand, operating profit decreased by 11.4% from the same period last year. This is mostly affected by an increase in costs due to the restructuring of the group, as Chairman Doi reported in the beginning. However, in terms of the comparison with the initial forecast, the operating profit exceeded our initial forecast by about 300 million yen, which can be positively evaluated.

General Comment

General Comment

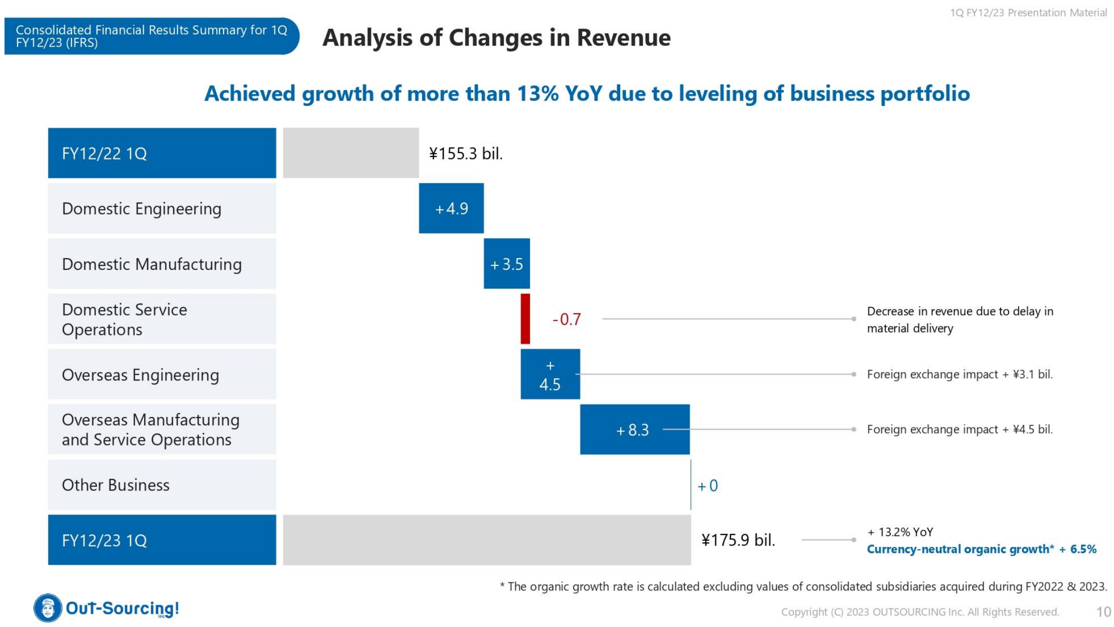
The business activities of the Group were impacted significantly by the increased uncertainty in Europe, sluggish Chinese economy, and prolonged supply chain disruptions. Despite such situation, the revenue increased by over 10% YoY, as we kept up with the ever-changing needs in the market. The operating profit fell short YoY as a result of accumulating retirement benefits, etc., due to provision changes for group restructuring stated in the Medium-Term Management Plan. However, it achieved the initial forecast.

Despite the decrease in profits YoY, we believe that we are making steady progress in improving efficiency and profitability through the group restructuring. This is the framework of the Medium-Term Management Plan ending in 2025, and in creating a structure to strengthen governance.

The comments on the overall summary is shown in the slide. Please refer to the slide for details. While we ended the first quarter with higher revenue and lower profit compared to the same period last year, the profit achieved the initial forecast.

In addition, as this is the first year in the Medium-Term Management Plan, we are confident that we are making steady progress toward "Improving profitability by strengthening efficiency through the restructuring of the group, and creating a system with strengthened internal control and governance where employees can work with confidence and vigor," which are the main features of the plan. We are going to continue to work on these initiatives.

Analysis of Changes in Revenue

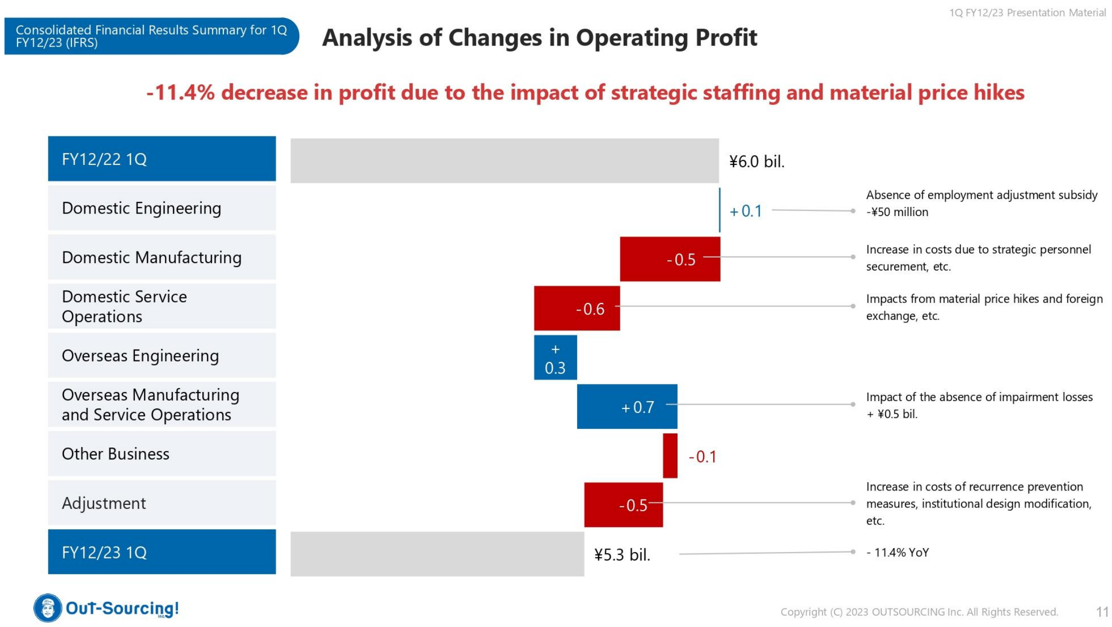


Here is a chart showing the analysis of changes in the consolidated revenue by segment, with the results for the same period last year. Revenue was up by about 20 billion yen from the same period last year.

Of the five segments, only the Domestic Service Operations Business saw a decline in profit compared to the same period last year. This is mostly affected by delays in the procurement of materials in our core business for U.S. military facilities. However, the U.S. military facilities business itself has a very favorable environment for order taking. Therefore, while revenue is expected to decline in the short-term, we believe the growth potential in the medium-to-long-term will remain the same.

Currently, the overseas business accounts for about 55% to 56% of our revenue. There is a possibility of the depreciation of the yen leading to a higher revenue, but the organic growth rate excluding such foreign exchange impact is plus 6.5% from the same period last year. We hope you recognize that our existing business is growing steadily.

Analysis of Changes in Operating Profit



Here is the analysis of changes in the operating profit. Reported by segment, the Domestic Manufacturing and the Domestic Service Operations Business saw a decline in profit compared to the same period last year.

Two main reasons can be considered for the decline in profit in the Domestic Manufacturing Business. The first reason is our strategic hiring of worksite employees in anticipation of increased production in the future, particularly in automobile production, leading to a lower gross profit margin. However, this is expected to recover as the production recovery gets into full swing. The second reason is, as we reported before, an increase in costs due to the restructuring of the group.

As for the Domestic Service Operations Business, the decline in sales is the factor that contributed the most. Accordingly, the operating profit also decreased by 600 million yen from the same period last year.

The adjustments increased by about 500 million yen from last year. This was a result of an increase in the related costs due to the design of the new organizational body following the measures to prevent recurrence at the end of March. The fact that the adjustments fell below our initial forecast by about 200 million yen is positively evaluated.

Analysis of Changes in Profit Attributable to Owners of Parent

Consolidated Financial Results Summary for 1Q FY12/23 (IFRS)

Analysis of Changes in Profit Attributable to Owners of Parent

Significant improvement in quarterly profit due to OTTO Group becoming a wholly owned subsidiary

	FY12/22 1Q YTD	FY12/23 1Q YTD	YoY Changes (Amount)	Main reasons
Operating profit (¥ billion)	6.0	5.3	- 0.7	
Finance income (¥ billion)	0.9	0.2	- 0.7	Approx. - ¥0.5 bil. in forex gains
Finance costs (¥ billion)	3.0	0.9	- 2.1	Approx. - ¥2.4 bil. of put option expenses
Interest costs (¥ billion)	0.5	0.8	+ 0.3	
Profit before tax (¥ billion)	3.9	4.7	+ 0.8	
Income tax expense (¥ billion)	2.2	1.5	- 0.7	Improved due to elimination of put option expenses
Profit (¥ billion)	1.8	3.2	+ 1.4	
Profit attributable to owners of parent (¥ billion)	1.6	3.1	+ 1.6	
Basic earnings per share (¥)	12.57	24.89	+ 12.32	

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Here is the profit analysis for the operating, ordinary and net income. The main point is financial expenses. In the same period last year, about 2.4 billion yen in financial expenses associated with put options were incurred as a result of the OTTO group becoming a wholly owned subsidiary, but these expenses are no longer incurred. Accordingly, the growth in operating profit is directly linked to the growth in profit for the period.

Moreover, financial expenses associated with put options are so-called non-deductible: they are not taken into account for tax calculations. The apparent tax rate was high, but after normalization, profit for the period also increased 80 percent from the same period last year.

Consolidated Statement of Financial Position

1Q FY12/23 Presentation Material

Consolidated Financial Results Summary for 1Q FY12/23 (IFRS)

Consolidated Statement of Financial Position

No significant change from the end of the previous period

		FY12/22 4Q YTD	FY12/23 1Q YTD	YoY Changes	Main reasons
Total assets	(¥ billion)	400.0	416.3	+ 16.3	
Current assets	(¥ billion)	193.8	205.6	+ 11.8	Increased due to trade receivables and other receivables
Cash and cash equivalents	(¥ billion)	53.2	56.6	+ 3.4	
Non-current assets	(¥ billion)	206.3	210.7	+ 4.5	
Goodwill	(¥ billion)	93.2	95.1	+ 1.8	Foreign exchange impact + ¥1.8 bil.
Liabilities	(¥ billion)	316.5	329.8	+ 13.3	
Bonds and loans	(¥ billion)	130.6	145.2	+ 14.6	Increased due to dividend payment and borrowing for business fund, etc.
Equity	(¥ billion)	83.6	86.5	+ 2.9	
Equity ratio	(%)	19.8%	19.8%	- 0.1pt	
Goodwill/equity ratio	(times)	1.5	1.4	- 0.1pt	

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 13

There were no significant changes from the fourth quarter ended December 31, 2022.

KPIs and Financial Results

1Q FY12/23 Presentation Material

Overview for Each Operating Segment

KPI and Financial Results

(¥ billion)		FY12/22							FY12/23									
		Actual							Forecasts	Actual	Forecasts					
		1Q	2Q	3Q	4Q	1H	2H	Full-Year	1Q	1Q	2Q	3Q	4Q	1H	2H	Full-Year
Domestic Engineering Outsourcing Business	Revenue	34.2	36.7	37.5	41.1	71.0	78.6	149.6	39.0	39.2	42.5	43.0	45.0	81.5	88.0	169.5
	Operating profit	2.9	2.5	2.7	2.2	5.4	5.0	10.4	2.9	3.0	2.1	2.8	5.2	5.0	8.0	13.0
	Recruiting expenses	1.1	1.2	1.3	1.2	2.3	2.5	4.8	1.2	1.2	1.5	1.5	0.9	2.7	2.5	5.2
	No. of worksite employees at term-end	22,085	24,571	24,662	24,713	24,571	24,713	24,713	24,900	24,779	26,900	27,100	26,800	26,900	26,800	26,800
	Utilization Rate	96.6%	93.0%	95.7%	96.5%	94.7%	96.1%	95.4%	96.2%	96.2%	92.8%	95.9%	96.8%	94.4%	96.4%	95.4%
Domestic Manufacturing Outsourcing Business	Revenue	27.0	30.7	31.6	33.1	57.7	64.7	122.4	29.5	30.6	33.5	36.0	38.5	63.0	74.5	137.5
	Operating profit	1.5	1.4	1.3	2.8	2.9	4.1	7.1	0.7	0.9	1.7	2.6	3.5	2.4	6.1	8.5
	Recruiting expenses	0.9	1.0	0.8	0.7	1.9	1.5	3.2	1.0	0.8	1.0	0.9	1.0	2.0	1.9	3.9
	No. of worksite employees at term-end	21,506	27,000	26,831	26,529	27,000	26,529	26,529	26,200	25,903	27,500	28,300	29,100	27,500	29,100	29,100
	No. of workers under outsourced administration at term-end	18,510	18,660	19,300	19,045	18,660	19,045	19,045	19,200	19,226	19,800	22,000	23,800	19,800	23,800	23,800
Domestic Service Operations Outsourcing Business	Revenue	8.4	7.0	7.5	7.7	15.4	15.1	30.5	8.5	7.7	9.0	9.5	10.0	17.5	19.5	37.0
	Operating profit	1.1	0.8	0.5	0.8	1.9	1.3	3.2	0.9	0.5	1.1	0.8	0.7	2.0	1.5	3.5
	No. of worksite employees at term-end	3,868	3,344	3,517	4,098	3,344	4,098	4,098	3,600	3,616	3,900	4,200	5,700	3,900	5,700	5,700
	Order backlog at term-end	27.5	30.5	35.6	44.3	30.5	44.3	44.3	-	46.4	-	-	-	-	-	-
Overseas Engineering Outsourcing Business	Revenue	36.7	40.7	43.2	44.6	77.4	87.7	165.1	41.0	41.3	43.5	44.5	44.0	84.5	88.5	173.0
	Operating profit	1.7	2.1	2.2	2.0	3.8	4.2	8.0	1.8	2.0	2.0	2.3	2.4	3.8	4.7	8.5
	No. of worksite employees at term-end	13,976	13,970	13,045	13,224	13,970	13,224	13,224	-	12,297	-	-	-	-	-	-
Overseas Manufacturing and Service Operations Outsourcing Business	Revenue	48.9	54.7	57.4	60.9	103.6	118.4	222.0	58.0	57.2	61.5	65.0	68.5	119.5	133.5	253.0
	Operating profit	0.7	0.9	1.2	0.6	1.6	1.8	3.4	1.5	1.4	1.5	2.9	2.6	3.0	5.5	8.5
	No. of worksite employees at term-end	51,455	50,080	53,776	51,138	50,080	51,138	51,138	-	47,942	-	-	-	-	-	-
Adjustments	Operating profit	(2.1)	(2.9)	(2.6)	(2.8)	(5.0)	(5.4)	(10.4)	(2.8)	(2.6)	(2.9)	(2.9)	(2.9)	(5.7)	(5.8)	(11.5)
Total	Revenue	155.3	169.8	177.2	187.5	325.1	364.6	689.8	176.0	175.9	190.0	198.0	206.0	366.0	404.0	770.0
	Operating profit	6.0	4.9	5.3	5.7	10.9	11.0	21.9	5.0	5.3	5.5	8.5	11.5	10.5	20.0	30.5

*1: Displayed in ¥billion (rounded off to the nearest ¥0.1 billion) *2: Inter-segment transactions in revenue are eliminated. *3: For other businesses, please refer to the Factsheet.

OuT-Sourcing!

 15

The following slides show an overview of each segment.

Domestic Engineering Outsourcing Business

Overview for Each Operating Segment

Domestic Engineering Outsourcing Business

- With **engineer needs remaining high in all industries**, the revenue and profit reached the initial forecast.
- **The planned number of engineers were secured** by investing recruitment expenses as planned despite the ongoing competition for employment. (See P.39)
- **Operating profit margin decreased YoY**, due to increase in costs of surging recruitment expenses and in HR measures, etc.

		Quarterly Results (Jan 1, 2023 - Mar 31, 2023)					Cumulative Results (Jan 1, 2023 - Mar 31, 2023)				
		FY12/22 1Q	FY12/23 1Q	YoY	Initial forecast 1Q	Difference (vs. forecast)	FY12/22 1Q YTD	FY12/22 1Q YTD	YoY	Initial forecast Full-year	Difference (vs. forecast)
Revenue	(¥ billion)	34.2	**39.2**	+ 14.4%	39.0	**+ 0.2**	-	-	-	-	-
Operating profit	(¥ billion)	2.9	**3.0**	+ 2.9%	2.9	**+ 0.1**	-	-	-	-	-
Operating profit margin	(%)	8.5%	**7.7%**	- 0.9pt	7.4%	**+ 0.2pt**	-	-	-	-	-
No. of worksite employees at term-end	(persons)	22,085	**24,779**	+ 12.2%	24,900	**- 121**	-	-	-	-	-
Utilization rate	(%)	96.6%	**96.2%**	- 0.4pt	96.2%	**- 0.0pt**	-	-	-	-	-

I will explain regarding the Domestic Engineering Outsourcing Business. To summarize, this segment saw an increase in both revenue and profit, as well as positive results compared to the initial forecast. The background was that the demand for engineers remained high, and this segment was able to increase both sales and operating profit by capturing this demand.

Our group dispatches engineers to a wide variety of industries, ranging from IT, electrical and electronics, construction, pharmaceuticals and chemicals, and the demand for engineers remains high in all industries. Especially in the IT sector, inquiries have been very strong due to the high DX needs, and this trend is expected to continue for the time being.

In terms of recruitment, competition for engineers has remained intense. This has led to an increase in recruitment costs, but we were able to achieve the recruitment target planned at the beginning of the period. We assess that we were also able to increase the headcount of engineers while digesting recruiting expenses planned in the first quarter.

Domestic Manufacturing Outsourcing Business

Overview for Each Operating Segment

Domestic Manufacturing Outsourcing Business

- **Implemented strategic securement of personnel** for a full-scale production increase in the future, with the automotive production being on a recovery trend.
- **The increase in one-time costs** associated with the group restructuring aiming to improvement of governance/profits resulted in a decrease in profit.
- With the measures designed for profit improvement in the medium term, the Company will grow business to be flexible to capture ever-changing needs.

		Quarterly Results (Jan 1, 2023 - Mar 31, 2023)					Cumulative Results (Jan 1, 2023 - Mar 31, 2023)				
		FY12/22 1Q	FY12/23 1Q	YoY	Initial forecast 1Q	Difference (vs. forecast)	FY12/22 1Q YTD	FY12/23 1Q YTD	YoY	Initial forecast Full-year	Difference (vs. forecast)
Revenue	(¥ billion)	27.0	**30.6**	+ 13.1%	29.5	**+ 1.1**	-	-	-	-	-
Operating profit	(¥ billion)	1.5	**0.9**	- 36.9%	0.7	**+0.2**	-	-	-	-	-
Operating profit margin	(%)	5.5%	**3.1%**	- 2.4pt	2.4%	**+ 0.7pt**	-	-	-	-	-
No. of worksite employees at term-end	(persons)	21,506	**25,903**	+ 20.4%	26,200	**- 297**	-	-	-	-	-
No. of workers under outsourced administration at term-end	(persons)	18,510	**19,226**	+ 3.9%	19,200	**+ 26**	-	-	-	-	-

OuT-Sourcing!

While the Domestic Manufacturing Outsourcing Business saw a higher revenue and lower profit, this segment achieved our initial forecast. The contributing factor is automobile production. It is on the road to recovery, but it has yet to reach a full-fledged recovery. The impact has partially led to a lower gross profit margin, but we believe our strategic hiring of worksite employees will have a positive impact going forward.

Another major factor pushing down profit compared to last year is an increase in costs due to the restructuring of the group, also leading to a lower gross profit margin.

Domestic Manufacturing Outsourcing Business – by Industry

1Q FY12/23 Presentation Material

Overview for Each Operating Segment

Domestic Manufacturing Outsourcing Business – by Industry

Industry	Revenue for 1Q 2023	Overview for 1Q 2023	Future Outlook
Transport Equipment	¥11.9 bil. (YoY + 3.1%)	• Auto-related production has bottomed out and is on the road to recovery.	• A full-scale recovery is expected in automobile production from the second half due to a shift of semiconductor suppliers to the domestic market.
Electrical & Electronics	¥7.2 bil. (YoY - 7.3%)	• Decrease in revenue due to lower demand for products exported to China.	• Conditions will remain challenging due to export restrictions and recession concerns in other countries.
Pharm. & Chemicals	¥1.7 bil. (YoY + 5.5%)	• Medical equipment-related demand gradually recovered from the sluggishness due to COVID-19.	• Demand is expected to remain firm going forward.
Metals & Construction Materials	¥1.7 bil. (YoY + 9.6%)	• Strong orders due to extended subsidies for building materials and other housing-related items.	• Demand is expected to remain firm going forward.
Foods	¥1.0 bil. (YoY + 9.5%)	• Increased orders from frozen foods and other food manufacturers.	• Demand will be firm, partly due to expectations of recovery in the restaurant industry.
Total Segment Overall	¥30.6 bil. (YoY + 13.1%)	• Strong demand supported by the recovery in automobile production.	• With the recovery in production of major transportation equipment, there is an outlook for improvement in operating profit margin starting from the second half of 2023.

OUT-Sourcing!

 19

This slide shows the status by industry. We will not go into details here.

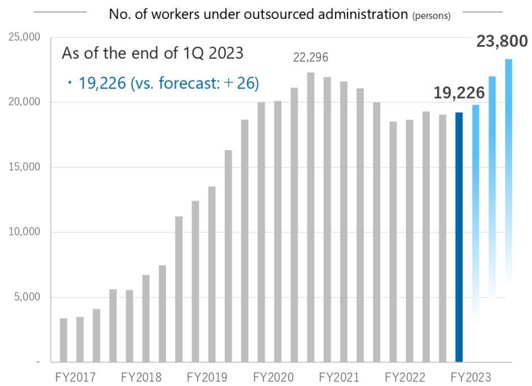
Management Business of Foreign Technical Intern Trainees

1Q FY12/23 Presentation Material

Overview for Each Operating Segment

Management Business of Foreign Technical Intern Trainees

- The number of outsourced workers bottomed out in 1Q FY2022 and is showing **signs of an increasing trend starting in 2023**, and the full-year forecasts are mostly expected to be achieved.
- To respond flexibly, we are closely monitoring the discussion on system changes, etc. by experts toward this autumn.
- We are **working to improve the soundness of the market as a market leader** by resolving the bonded labor problem of foreign workers and improving the working/living environment, etc.



An example of an initiative to improve the issues of debt labor among foreign workers

- The host company and the sending organization will bear approximately 50% of the cost of pre-entry training and other expenses, thereby reducing the burden on the individual.
- By paying the remaining amount within two weeks of the expiration of practical training, the burden on foreign technical intern trainees will be eliminated and efforts will be made to improve the debt labor problem.

OUT-Sourcing!

 20

I will explain regarding the management business of foreign technical intern trainees included in the Domestic Manufacturing Outsourcing Business. The number of workers under outsourced administration is about 19,200 or more at the end of the first quarter and is mostly in line with our plan. The number of workers to Japan, which had been stagnant since the COVID-19 pandemic, has entered an upward trend following the easing and lifting of entry restrictions last year. This trend is expected to continue.

We hold the position of market leader in the country with the largest number of workers under administration, which is about 19,200. As a market leader, we are also working on debt-labor issues for foreign workers, helping them service the debt incurred in their countries before coming to Japan.

By negotiating with several manufacturers, we have begun initiatives in various ways so that foreign workers can work in Japan without taking on a heavy burden on them. These initiatives will be followed through financial results briefing sessions.

Domestic Service Operations Business

1Q FY12/23 Presentation Material

Overview for Each Operating Segment

Domestic Service Operations Business

- The main business for US military facilities was affected by **prolonged delays** in material procurement, resulting in a decrease in revenue and profit below the initial plan.
- On the other hand, **the year-end order backlog has reached a record high,** indicating an unwavering assessment of the long-term potential for business growth.
- In other service-related businesses, **orders in tourism-related sectors (such as airports) have been progressing well** in conjunction with the normalization of social and economic activities.

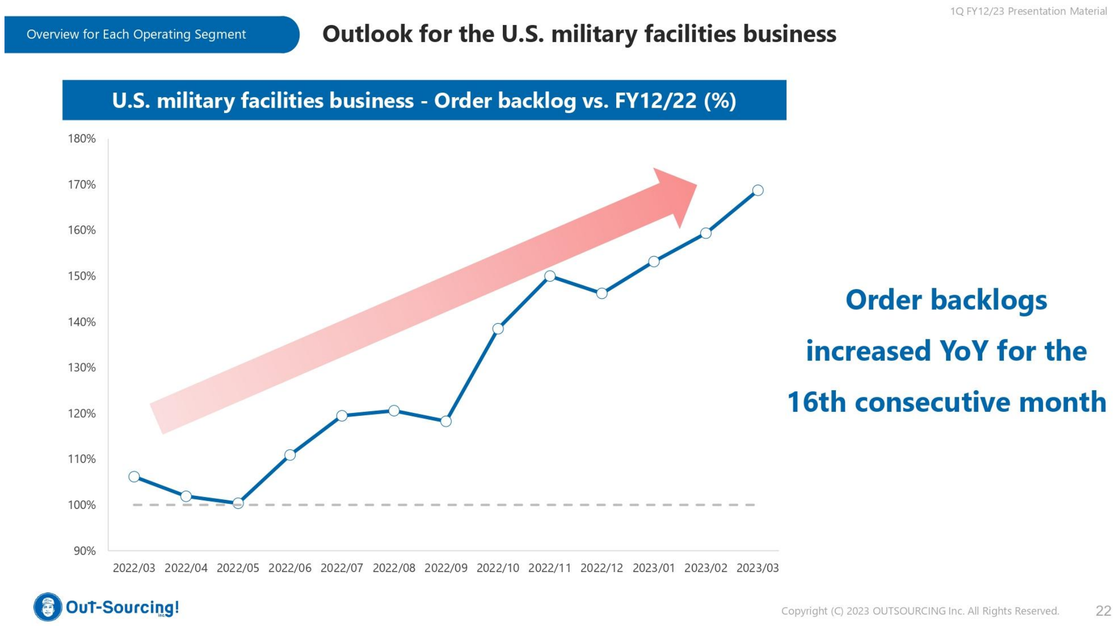
	Quarterly Results (Jan 1, 2023 - Mar 31, 2023)					Cumulative Results (Jan 1, 2023 - Mar 31, 2023)				
	FY12/22 1Q	**FY12/23**	YoY	Initial forecast	**Difference (vs. forecast)**	FY12/22 1Q	**FY12/23**	YoY	Initial forecast	**Difference (vs. forecast)**
Revenue (¥ billion)	8.4	**7.7**	- 8.7%	8.5	**- 0.8**	-	-	-	-	-
Operating profit (¥ billion)	1.1	**0.5**	- 56.3%	0.9	**- 0.4**	-	-	-	-	-
Operating profit margin (%)	12.9%	**6.2%**	- 6.7pt	10.6%	**- 4.4pt**	-	-	-	-	-
No. of worksite employees at term-end (persons)	386.8	**361.6**	- 6.5%	360.0	**+ 1.6**	-	-	-	-	-
Order backlog at term-end (¥ billion)	27.5	**46.4**	+ 68.7%	-		-	-	-	-	-

OuT-Sourcing!

21

The Domestic Service Operations Business saw a decline in both revenue and profit. The segment also fell behind on our plan, and the most contributing factor was the prolonged delays in the procurement of materials.

Outlook for the U.S. military facilities business



The slide shows the order backlog compared to the same period last year. We have been able to take new orders, with about 170% compared to the same period last year. In some military bases, not much progress has been made with construction work piling up, but even with this, we are still able to gain new contracts and we hope you understand that the environment for taking orders is favorable.

As for delays in the procurement of materials, we are gradually taking various measures such as switching some of the procurement sources, speeding up the timing of order placement, and negotiating with suppliers. Once these issues are resolved, we should be able to return to a growth track again.

Overseas Engineering Outsourcing Business

Overview for Each Operating Segment

Overseas Engineering Outsourcing Business

- In Ireland/Oceania, while the demand for recruitment and placement business, which performed well last year, has slightly weakened, **the dispatching business has been progressing well.**
- The debt collection business in the U.K. achieved its initial plan with a significant increase in revenue and profit **as the number of new receivables issued exceeded expectations.**
- In addition, the training business in Oceania performed well on the back of **increased demand for corporate educational training**, which had been restrained by the COVID-19.

		Quarterly Results (Jan 1, 2023 - Mar 31, 2023)					Cumulative Results (Jan 1, 2023 - Mar 31, 2023)				
		FY12/22	FY12/23	YoY	Initial forecast	Difference (vs. forecast)	FY12/22	FY12/23	YoY	Initial forecast	Difference (vs. forecast)
Revenue	(¥ billion)	36.7	41.3	+ 12.4%	41.0	+0. 3	-	-	-	-	-
Operating profit	(¥ billion)	1.7	2.0	+ 20.0%	1.8	+0. 2	-	-	-	-	-
Operating profit margin	(%)	4.6%	4.9%	+ 0.3pt	4.4%	+ 0.5pt	-	-	-	-	-
No. of worksite employees at term-end	(persons)	13,976	12,297	- 12.0%	-	-	-	-	-	-	-
No. of freelancers	(persons)	1,377	1,951	+41.7	-	–	-	-	-	-	-

OuT-Sourcing!

Regarding the Overseas Engineering Outsourcing Business, this segment achieved our initial forecast as well as our business plan, with an increase in both revenue and profit compared to the same period last year. This segment is mainly divided into three regions, among which Ireland and Oceania alone account for about 90% of total sales, and both had a good performance.

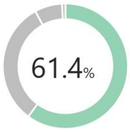
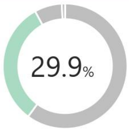
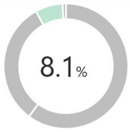
The recruitment and placement business showed significantly high growth last year with the resumption of economic activity. Although that the momentum toward the demand has settled down, the strong performance of our core dispatching business made a positive contribution. As for the debt collection business in the U.K., the business had been difficult since 2021, mainly due to partial delays in new bond issuances caused by the lockdown and other measures against COVID-19, and this impact partially remained still in 2022.

However, the situation has already normalized since the beginning of this year, and the receivables that had been partially unissued have been widely issued in the first quarter. Both sales and profit increased with the so-called bent-up demand coming to the surface.

Overseas Engineering Outsourcing Business – by Region

Overview for Each Operating Segment

Overseas Engineering Outsourcing Business – by Region

	Ireland	Oceania	U.K.
Sales composition ratio	 61.4%	 29.9%	 8.1%
Business summary	Providing HR services to major companies in the IT, healthcare, and pharmaceuticals industries, centered on CPL Group.	Providing a wide range of HR services centered on outsourced contracting and HR services in the ICT field for governmental and financial industries.	Developing AI-based debt collection agency services for uncollected public debts.
Overview for 1Q	• Dispatching business was affected by layoffs at a major IT company but remained firm going forward to increased orders in healthcare and other fields. • The recruiting and placing business slowed down due to the increasingly uncertain macro environment.	• Demand for placement services slowed due to recession fears, but the dispatching business was relatively strong, capturing demand. • Cost reductions, including personnel reductions in indirect departments, achieved results.	• The issuance of certain delayed credits, which were affected by COVID-19, progressed, resulting in an increase in the volume of credit. • Significant increase in sales and profit due to the realization of carry-over demand.
Future outlook	• Recruiting and placing business demand is slowing, however demand for the dispatching business is expected to remain firm going forward. • Expanding business in countries surrounding Ireland.	• Aiming to offset decline in demand for introductions with the dispatching business. • The labor market is tightening, and securing human resources is one of the key points for the future.	• Further cost increases are expected due to high inflation and upward pressure on wages. • On the other hand, the normalization of new debt issuance is progressing, and future performance is expected to remain firm going forward.

*The ○, ×, △ symbols indicate the achievement degree in cumulative operating profit.

OUT-Sourcing!

Please take a look at the slides for an overview by region when you have time.

Overseas Manufacturing and Service Operations Business

Overview for Each Operating Segment

Overseas Manufacturing and Service Operations Business

- The service-related business in the Netherlands increased sales and profit from the same period of the previous year. However, it fell short of the initial plan due to the impact of **stagnant consumer sentiment**.
- The Manufacturing Outsourcing Business in Germany performed generally well, mainly due to **an increase in orders related to aviation and automotive parts**.
- **Operating margin in the overall segment improved from the previous year** due to the absence of impairment losses (¥0.5 bil.) and efforts to improve operational efficiency.

		Quarterly Results (Jan 1, 2023 - Mar 31, 2023)					Cumulative Results (Jan 1, 2023 - Mar 31, 2023)				
		FY12/22	FY12/23	YoY	Initial forecast	Difference (vs. forecast)	FY12/22	FY12/23	YoY	Initial forecast	Difference (vs. forecast)
Revenue	(¥ billion)	48.9	57.2	+ 17.0%	58.0	-0. 8	-	-	-	-	-
Operating profit	(¥ billion)	0.7	1.4	+ 92.9%	1.5	-0.1	-	-	-	-	-
Operating profit margin	(%)	1.5%	2.4%	+ 0.9pt	2.6%	- 0.2pt	-	-	-	-	-
No. of worksite employees at term-end	(persons)	51,455	47,942	- 6.8%			-	-	-	-	-

OUT-Sourcing!

Concerning the Overseas Manufacturing and Service Operations Business, while the segment saw an increase in both revenue and profit compared to the same period last year, the operating profit fell below our initial forecast by about 100 million yen.

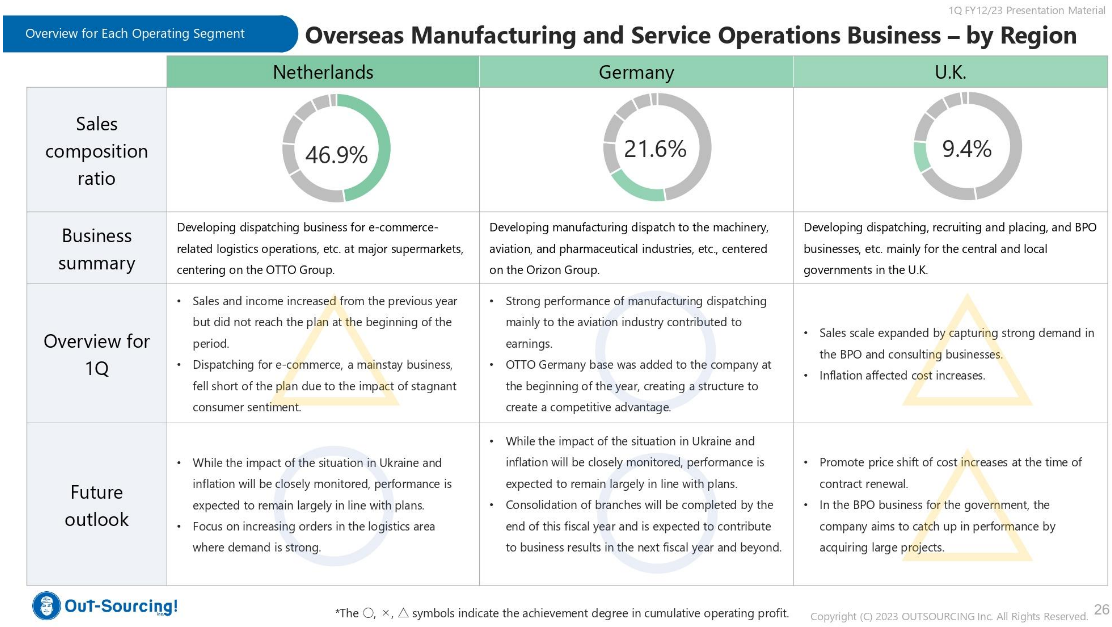
In the segment, we are developing HR service business by dividing overseas subsidiaries into mainly six regions. Our core service business in OTTO group in the Netherlands failed to achieve our initial forecast as the consumer confidence remained partially stagnant.

However, since both sales and operating profits for the OTTO group increased from the same period last year, we hope you understand the group continues its growth.

In the Manufacturing Outsourcing Business in Germany, which accounts for a high percentage of total sales, the business remained favorable as a result of an increase in the order taking for aviation and automotive parts.

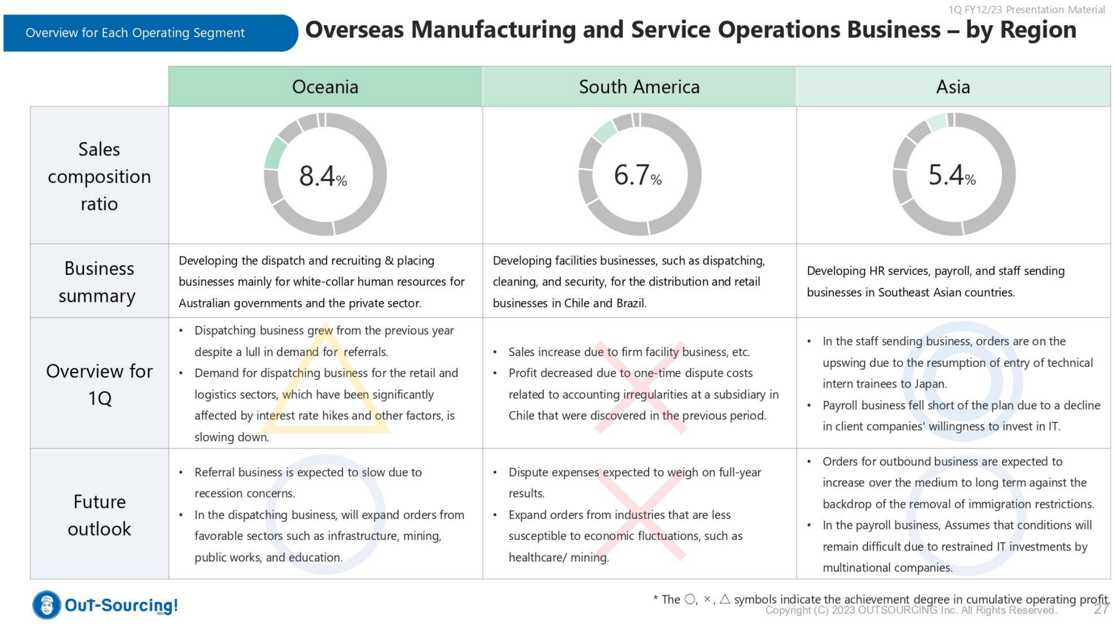
In this segment, an impairment loss of about 500 million yen was incurred in the first quarter of last year, but in this quarter, the operating profit margin improved significantly as there was no such loss.

Overseas Manufacturing and Service Operations Business – by Region



The slide shows an overview by region for the Overseas Manufacturing and Service Operations Business. These chart above is a description on the situation for the Netherlands, Germany, and the U.K.

Overseas Manufacturing and Service Operations Business – by Region


1Q FY12/23 Presentation Material

Overview for Each Operating Segment

Overseas Manufacturing and Service Operations Business – by Region

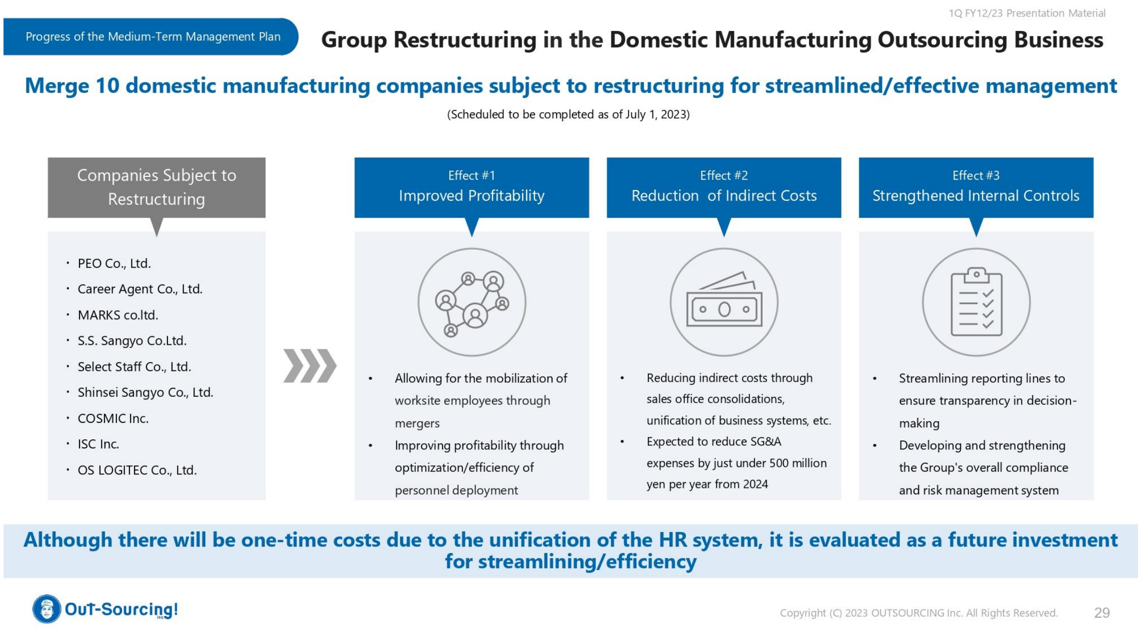
	Oceania	South America	Asia
Sales composition ratio	8.4%	6.7%	5.4%
Business summary	Developing the dispatch and recruiting & placing businesses mainly for white-collar human resources for Australian governments and the private sector.	Developing facilities businesses, such as dispatching, cleaning, and security, for the distribution and retail businesses in Chile and Brazil.	Developing HR services, payroll, and staff sending businesses in Southeast Asian countries.
Overview for 1Q	• Dispatching business grew from the previous year despite a lull in demand for referrals. • Demand for dispatching business for the retail and logistics sectors, which have been significantly affected by interest rate hikes and other factors, is slowing down.	• Sales increase due to firm facility business, etc. • Profit decreased due to one-time dispute costs related to accounting irregularities at a subsidiary in Chile that were discovered in the previous period.	• In the staff sending business, orders are on the upswing due to the resumption of entry of technical intern trainees to Japan. • Payroll business fell short of the plan due to a decline in client companies' willingness to invest in IT.
Future outlook	• Referral business is expected to slow due to recession concerns. • In the dispatching business, will expand orders from favorable sectors such as infrastructure, mining, public works, and education.	• Dispute expenses expected to weigh on full-year results. • Expand orders from industries that are less susceptible to economic fluctuations, such as healthcare/ mining.	• Orders for outbound business are expected to increase over the medium to long term against the backdrop of the removal of immigration restrictions. • In the payroll business, Assumes that conditions will remain difficult due to restrained IT investments by multinational companies.

* The ○, ×, △ symbols indicate the achievement degree in cumulative operating profit.

 27

The chart above is a description on the situation in Oceania, South America, and Asia. Please take a look when you have time.

Group Restructuring in the Domestic Manufacturing Outsourcing Business


1Q FY12/23 Presentation Material

Progress of the Medium-Term Management Plan

Group Restructuring in the Domestic Manufacturing Outsourcing Business

Merge 10 domestic manufacturing companies subject to restructuring for streamlined/effective management

(Scheduled to be completed as of July 1, 2023)

Companies Subject to Restructuring

- PEO Co., Ltd.
- Career Agent Co., Ltd.
- MARKS co.ltd.
- S.S. Sangyo Co.Ltd.
- Select Staff Co., Ltd.
- Shinsei Sangyo Co., Ltd.
- COSMIC Inc.
- ISC Inc.
- OS LOGITEC Co., Ltd.

Effect #1 Improved Profitability

- Allowing for the mobilization of worksite employees through mergers
- Improving profitability through optimization/efficiency of personnel deployment

Effect #2 Reduction of Indirect Costs

- Reducing indirect costs through sales office consolidations, unification of business systems, etc.
- Expected to reduce SG&A expenses by just under 500 million yen per year from 2024

Effect #3 Strengthened Internal Controls

- Streamlining reporting lines to ensure transparency in decision-making
- Developing and strengthening the Group's overall compliance and risk management system

Although there will be one-time costs due to the unification of the HR system, it is evaluated as a future investment for streamlining/efficiency

 29

I will explain regarding some topics concerning the progress of the Medium-Term Management Plan. Of the five segments, progress in the restructuring of group, a main feature of the Medium-Term Management Plan, has been preceded in the Domestic Manufacturing Outsourcing Business. As reported in the timely disclosure of information on March 15, we are going to streamline and improve efficiency of management by absorbing 10 companies subject to restructuring in the Domestic Manufacturing Outsourcing Business.

There are three expected effects, the first of which is improved profitability.
The absorption of 10 companies will allow us to have mobility of worksite employees in the group-wide system, which we believe will improve profitability through optimization of personnel deployment.

We have worksite employees in each of the 10 companies, and the transfers of employees would be inevitable if we intend to utilize them in the group-wide system. We believe the absorption will allow us to flexibly allocate personnel catering to the demand, thereby increasing profitability.

The second effect is the compression of overhead costs. The consolidation of sales bases owned by each group company and the unification of business systems can compress the so-called overhead expenses. In monetary terms, a SG&A expense reduction effect of 500 million yen or less per year is expected from 2024 onward, which will also lead to improved business performance.

The third effect is the strengthening of internal control. By streamlining reporting lines and ensuring the transparency in decision-making, we believe we can design and strengthen the group-wide compliance and risk management systems. We are going to gradually proceed in the Domestic Manufacturing Outsourcing Business and in other segments as well.

Development of Advanced Technology Engineers

The second topic regarding the progress of the Medium-Term Management plan is the development of advanced technology engineers. As disclosed in the news release, we have formed alliances with Cybereason and CyberArk.

Cybereason is a global company that develops the cyber security business worldwide. CyberArk is also a global leader company in the field of identity security, listed on NASDAQ. We have signed an “all-in-one partner” agreement with CyberArk, the first of its kind in Japan, and we are going to focus on the development of advanced technology engineers, which are in high demand.

In the Medium-Term Management Plan, we plan to develop 100 and 200 security personnel at each of the companies, which will be updated as needed. While the two companies are taking the lead in the cybersecurity field, there are also other advanced technology fields whose demands are significantly high, such as data science and cloud computing, and we intend to pursue alliances with those partners as well.

That is all from me. Thank you very much for your attention.