【Title】
21.2% YOY Consolidated Revenue Growth in 2022
OUTSOURCING to Develop a Structure for Sustainable Organic Growth

【Date】
February 22, 2023.

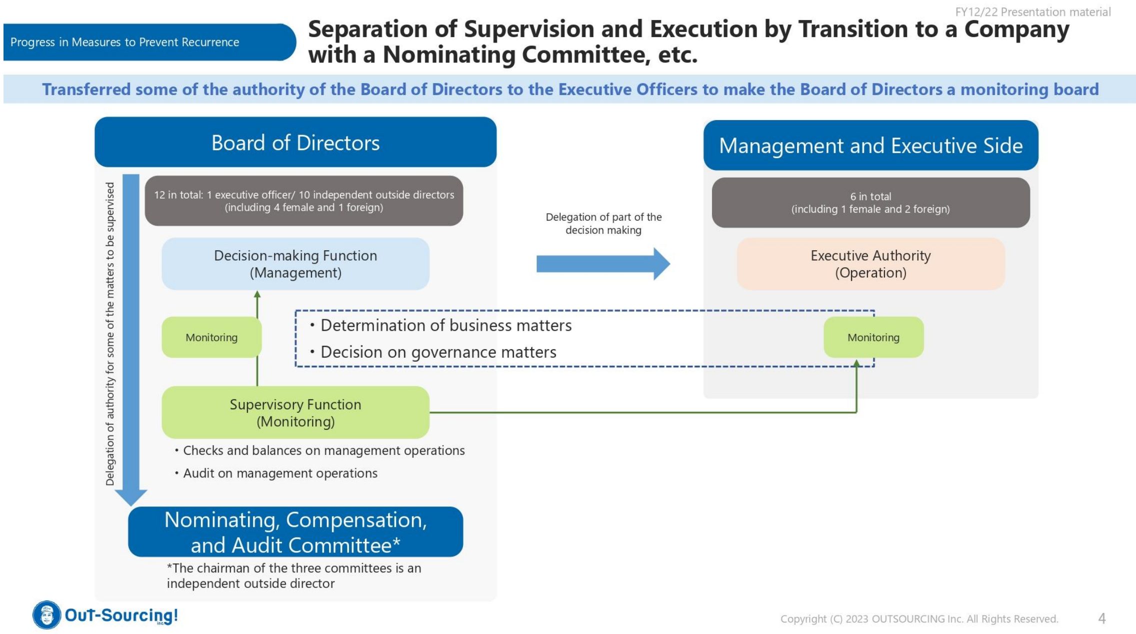
【Speaker】
Mr. Haruhiko Doi, Chairman and CEO,
OUTSOURCING Inc.
Mr. Shun Konya, Deputy Executive Manager (in charge of IR) of the CEO Office,
OUTSOURCING Inc.

Explanation of Financial Results for the Fiscal Year Ended December 31, 2022

Mr. Haruhiko Doi: Good morning, everyone. I'm Doi. Thank you very much for taking time out of your busy schedule to attend our briefing session today. I would like to thank you all sincerely, including those participating online.

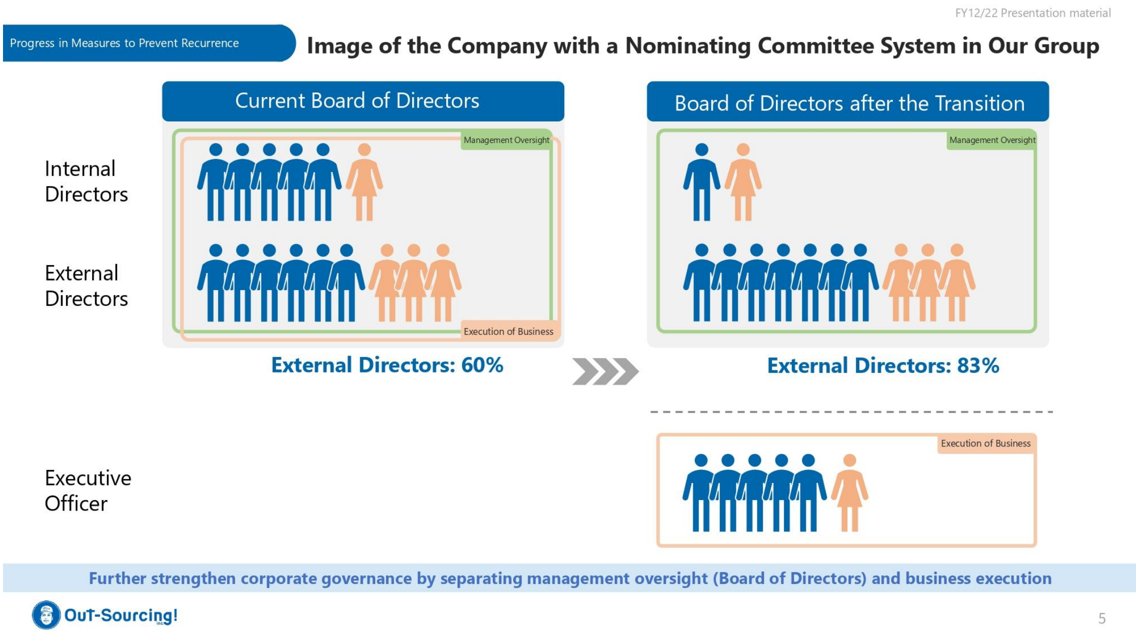
In addition to the financial results for the fiscal year ended December 31, 2022, I will also explain regarding the Medium-Term Management Plan announced on February 14. Following my explanation of the full-year consolidated financial results, Konya will give an overview of each segment. Then, I will explain regarding our Medium-Term Management Plan.

Separation of Supervision and Execution by Transition to a Company with a Nominating Committee, etc.



First, allow me to explain regarding the progress of measures to prevent recurrence of the inappropriate accounting case. A resolution to our transition to a company with a nominating committee, etc. was passed at the January board of directors meeting. Accordingly, the transition will be confirmed when this proposal is submitted and approved at the general meeting of shareholders in March. After the transition, the separation of management supervision and business execution by the board of directors will proceed as shown in the slide.

Image of the Company with a Nominating Committee System in Our Group



Currently, external directors account for 60 percent of our board of directors, but it will rise to 83 percent with the appointment of three new external directors. The internal directors after the transition will be a female director in Ireland and one other director, which will be myself. All other directors will operate as independent external directors.

Consolidated Statement of Profit and Loss

FY12/22 Presentation material

Consolidated Financial Results Summary for FY12/22 (IFRS)

Consolidated Statement of Profit and Loss

(Unit: ¥ billion)

	Quarterly Results (Oct. 1, 2022 – Dec. 31, 2022)					Cumulative Results (Jan. 1, 2022 - Dec. 31, 2022)				
	FY12/21 4Q	FY12/22 4Q	YoY	Initial Fcst. 4Q	Differences (vs. forecasts)	FY12/21 Full-year	FY12/22 Full-year	YoY	Initial Fcst. Full-year	Differences (vs. forecasts)
Revenue	157.3	**187.5**	+ 19.2%	183.7	**+ 3.8**	569.3	**689.8**	+ 21.2%	686.0	**+ 3.8**
Gross profit	30.4	**33.3**	+ 9.4%	-	**-**	107.1	**124.5**	+ 16.3%	-	**-**
(Gross profit margin)	19.3%	**17.7%**	- 1.6pt	-	**-**	18.8%	**18.1%**	- 0.8pt	-	**-**
SG&A expenses	23.9	**28.8**	+ 20.6%	-	**-**	88.1	**107.1**	+ 21.5%	-	**-**
Operating profit	7.4	**5.7**	- 22.5%	5.7	**+ 0.0**	23.9	**22.0**	- 8.1%	22.0	**- 0.0**
(Operating profit margin)	4.7%	**3.0%**	- 1.6pt	3.1%	**- 0.1pt**	4.2%	**3.2%**	- 1.0pt	3.2%	**- 0.0pt**
Profit before tax	0.9	**4.8**	+ 445.7%	-	**-**	11.7	**17.0**	+ 45.0%	17.0	**+ 0.0**
Profit	- 2.6	**3.8**	-	-	**-**	2.0	**10.0**	+ 393.9%	9.0	**+ 1.0**
Profit attributable to owners of parent	- 2.8	**4.0**	-	-	**-**	0.7	**10.2**	-	9.0	**+ 1.2**

OuT-Sourcing!

Here is the full-year consolidated statement of profit and loss for FY2022. Overall, revenue increased significantly, but operating profit decreased compared to the previous year.

This was due to the negative 600 million yen from the initial forecast in the Domestic Engineering Outsourcing Business as a result of the provision for losses on orders due to delays in the delivery of contracted development materials caused by supply chain disruptions. It was also due to the negative 1.5 billion yen in Domestic Service Operations Business due to material delivery delays and raw material price hikes.

In the Domestic Manufacturing Outsourcing Business, recovery production did not happen during FY2022 due to prolonged production adjustments until just before the end of the year. Although worksite employees were prepared for recovery production, gross profit deteriorated due to lower operating hours, resulting in a shortfall of 1.6 billion yen from the initial forecast.

The biggest negative growth was recorded in the Overseas Manufacturing and Service Operations Business. Inflation led to pay raises in the Netherlands and other countries. Although we can pass on prices by raising the unit price to charge clients, the time lag due to the earlier implementation of pay raises, the deteriorating performance due to inflation and other factors, and impairment losses resulted in a shortfall of 6.6 billion yen from the initial forecast.

However, the factors that hurt the operating profit the most in 2022 are expected to be resolved during 2023. The delays in material deliveries have become shorter than before, and we are getting better at dealing with the rising cost of raw materials.
As for the automobile production adjustment in Japan, production recovered to 90% of that in 2019, when it was extremely busy. Also, employee pay raises in the Netherlands and elsewhere have mostly been converted to charges to clients, despite the time lag.

Profit for the year increased significantly YoY. In the previous years, the expenses for OTTO's put option had been a main factor pushing down operating profit and the items below. The 2.5 billion yen expense recorded in the first quarter of 2022 should be the last major expense. We can expect profit for the current year also to grow significantly in proportion to the growth in operating profit.

General Comment

General Comment

In the fiscal year under review, the Group's business was heavily impacted by supply chain disruptions and inflation, particularly by the prolonged shortage of semiconductors. However, the engineering industry has been relatively steady, and there are many industries that are performing well in various industries, and we regret not being able to adopt a thorough recovery strategy.

In the fiscal year under review, measures to prevent recurrence were announced, and if compliance were maintained, the figures would have a warm second-order atmosphere. However, by making clear of the difference between the pressures on the figures and the stringency of the power harassment as well as each person's sense of responsibility and pressure regarding figures, in addition to building a system in which the person in charge of each business executes a flexible strategy according to the business environment on their own responsibility, we intend to achieve medium-to long-term growth in the future.

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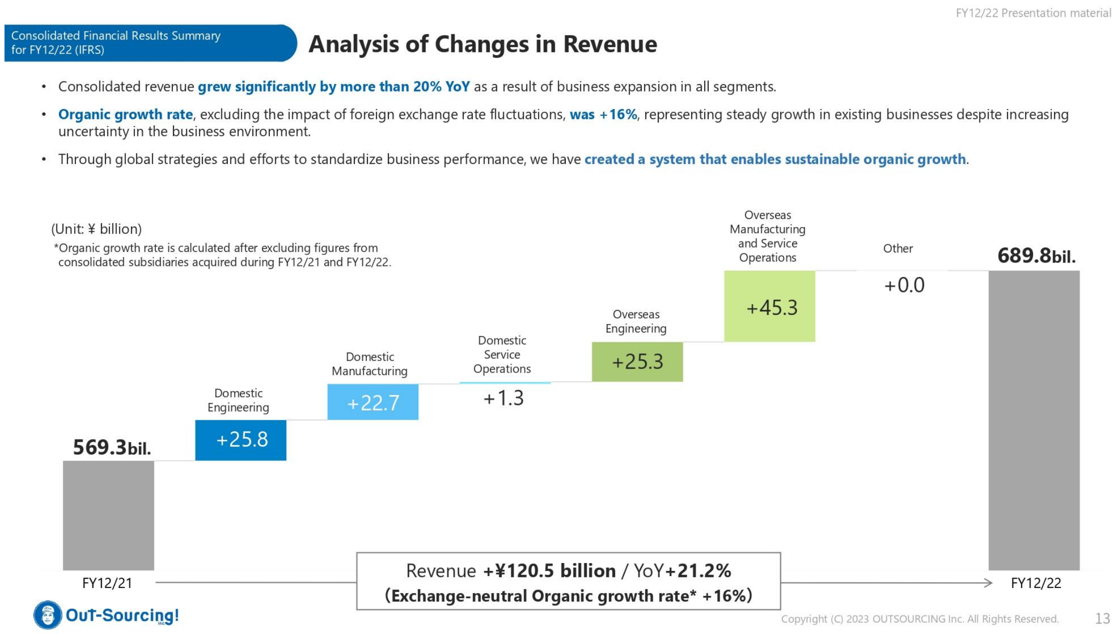
Here is the general comment. Although I mentioned the reasons for operating profit being far below the initial forecast, the real reason was, in my opinion, not the external environment, but our failure to respond flexibly to the external environment in advance.

In December 2021, we received the investigation report on the inappropriate accounting case. In response, we announced measures to prevent recurrence in January 2022. The report strictly pointed out to find the causes of deviation from the budget and take measures against such deviation.

We cannot win in the free competition of capitalism without a sense of responsibility and tension for what we announce. If we cannot win there, it may become difficult to even maintain employment. Also, we will not be able to meet the minimum 5 percent salary increase promoted by Keidanren.

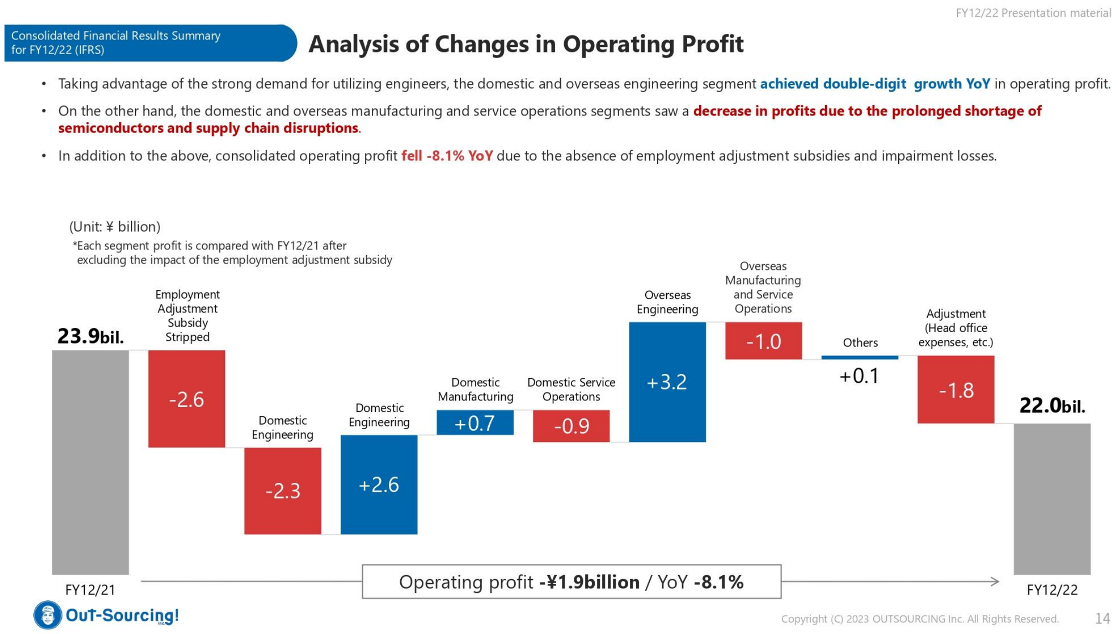
Therefore, I will take it upon myself to ensure that we will be a company that can properly distinguish between intrusiveness/power harassment and strictness/sense of tension toward the business.

Analysis of Changes in Revenue



Here is an analysis of the changes in revenue from the previous year. Significant growth was achieved in all sectors except the Domestic Service Operations Business. The Domestic Service Operations Business focuses on businesses that require materials to generate revenue. However, delays in the delivery of materials to U.S. military bases and other locations prevented construction work from taking place. The resulting carry-over in accounting led to no revenue growth in 2022.

Analysis of Changes in Operating Profit



Here is the analysis of changes in operating profit from the previous year. From the Domestic Engineering Outsourcing Business to the Overseas Manufacturing and Service Operations Business, figures are compared with the previous year, excluding one-time charges such as employment adjustment subsidies and impairment losses.

Growth was recorded in most sectors except the Domestic Service Operations Business and the Overseas Manufacturing and Service Operations Business. As discussed earlier in the Summary, the deterioration from the previous year in the Domestic Service Operations Business and the Overseas Manufacturing and Service Operations Business was due to transitory factors, many of which will disappear during 2023.

Consolidated Statement of Financial Position

FY12/22 Presentation material

Consolidated Financial Results Summary for FY12/22 (IFRS)

Consolidated Statement of Financial Position

(Unit: ¥ billion)

	FY12/21 (Dec. 31, 2021)	FY12/22 (Dec. 31, 2022)	YoY Changes (Amount)	Main reasons
Total assets	351.9	399.4	+ 47.5	
Current assets	167.2	193.8	+ 26.6	
Cash and cash equivalents	48.3	53.2	+ 4.9	
Trade and other receivables	88.1	104.7	+ 16.6	Increased due to the growing numbers of group companies and expansion of business scale
Non-current assets	184.7	205.6	+ 20.9	
Goodwill	83.7	95.4	+ 11.7	Increased due to purchase of shares through M&A and currency translation differences due to current exchange rate (yen depreciation) (+¥4.4 bil.)
Current liabilities	212.5	178.5	- 34.0	Reclassification of a portion of borrowings from current to non-current
Non-current liabilities	67.0	137.1	+ 70.1	Same as above and increased due to borrowing of business funds
Equity	72.5	83.8	+ 11.4	
Equity ratio	18.7%	19.9%	+ 1.2pt	
Interest-bearing liabilities	151.6	188.8	+ 37.2	Increased due to borrowing of business funds

OuT-Sourcing!

Here is the consolidated statement of our financial position. As we explained in previous financial results briefings, current liabilities have decreased significantly, and non-current liabilities have increased due to the change in our loan status. Our long-term bank loans were temporarily transferred to short-term loans due to the inappropriate accounting case. However, later on, they returned to long-term loans following the measures to prevent recurrence and other factors.

Some leased assets are included in the 188.8 billion yen in interest-bearing debt based on IFRS Accounting Standards. The bank loan is about 130 billion yen, and the peak should be in 2022, which I will explain later.

Domestic Engineering Outsourcing Business

Overview for Each Operating Segment

Domestic Engineering Outsourcing Business

- Engineer needs remained high in all business fields, and the utilization rate for the full year increased, resulting in **increased revenue and profits** YoY.
- **Operating profit fell short of the plan** as a result of booking an allowance for loss on orders due to delays in deliveries of consigned development materials caused by supply chain disruptions.
- Due to intensifying competition for recruitment of engineers, the **number of recruits fell short of the plan**, but exceeded the previous year (See P.48).

		Quarterly Results (Oct. 1, 2022 - Dec. 31, 2022)						Cumulative Results (Jan. 1, 2022 - Dec. 31, 2022)					
		FY12/21 4Q	FY12/22 4Q	YoY	Initial Forecasts 4Q	Revised Forecasts 4Q	Differences (vs. Revised Forecasts)	FY12/21 Full-year	FY12/22 Full-year	YoY	Initial Forecasts Full-year	Revised Forecasts Full-year	Differences (vs. Revised Forecasts)
Revenue	(¥ billion)	34.4	**41.1**	+ 19.7%	42.8	39.0	**+ 2.1**	123.8	**149.6**	+ 20.8%	154.0	147.5	**+ 2.1**
Operating profit	(¥ billion)	2.8	**2.2**	- 19.9%	5.0	2.9	**- 0.6**	9.9	**10.4**	+ 5.1%	11.0	11.0	**- 0.6**
Operating profit margin	(%)	8.1%	**5.4%**	- 2.7pt	11.7%	7.3%	**- 1.9pt**	8.0%	**6.9%**	- 1.0pt	7.1%	7.5%	**- 0.5pt**
No. of worksite employees at term-end	(persons)	21,622	**24,713**	+ 14.3%	26,700	24,800	**- 87**	21,622	**24,713**	+ 14.3%	26,700	24,800	**- 87**
Utilization rate	(%)	97.3%	**96.5%**	- 0.8pt	97.4%	96.5%	**+ 0.0pt**	94.9%	**95.4%**	+ 0.5pt	95.2%	95.4%	**+ 0.0pt**

OuT-Sourcing!

Mr. Shun Konya: I am Konya. I will go through the overview of each segment.

Operating profit for the Domestic Engineering Outsourcing Business for the full year was 10.4 billion yen, which, as mentioned earlier, fell short of the initial forecast due to the provision for losses on orders.

On the other hand, the demand for engineers remained extremely high during the year, and the utilization rate exceeded that of the previous year. Accordingly, we ended the year with increased revenue and profit.

As for the operating profit margin, at first glance it appears that profitability declined, down one percentage point from the previous year, but this is due to the impact of subsidies. Excluding that impact, the operating profit margin improved YoY.

Domestic Recruitment Plan

FY12/22 Presentation material

Reference Data

(Reference) Domestic Recruitment Plan

FY12/22

Unit: Persons

	1Q			2Q			3Q			4Q		
	Actual	Forecasts	Differences	Actual	Forecasts	Differences	Actual	Forecasts	Differences	Actual	Forecasts	Differences
Domestic Engineering	1,702	2,000	- 298	4,140	4,500	-360	1,314	1,920	- 606	1,386	1,850	- 464
Domestic Manufacturing	3,234	3,380	- 146	4,920	4,660	+ 260	3,667	3,500	+ 167	3,614	3,910	- 296

	1H			2H			Full-year		
	Actual	Forecasts	Differences	Actual	Forecasts	Differences	Actual	Forecasts	Differences
Domestic Engineering	5,842	6,500	- 658	2,700	3,770	- 1,070	8,542	10,270	- 1,728
Domestic Manufacturing	8,154	8,040	+ 114	7,281	7,410	- 129	15,435	15,450	- 15

Domestic Engineering
Number of new graduates recruited:
2021: approx. 2,300 persons
2022: approx. 2,600 persons

FY12/21

Unit: Persons

	1Q			2Q			3Q			4Q		
	Actual	Forecasts	Differences	Actual	Forecasts	Differences	Actual	Forecasts	Differences	Actual	Forecasts	Differences
Domestic Engineering	1,384	1,100	+ 284	3,836	3,400	+ 436	1,494	1,200	+ 294	1,545	1,300	+ 245
Domestic Manufacturing	2,606	2,299	+ 307	3,917	3,405	+ 512	3,364	3,259	+ 105	3,157	2,949	+ 208

	1H			2H			Full-year		
	Actual	Forecasts	Differences	Actual	Forecasts	Differences	Actual	Forecasts	Differences
Domestic Engineering	5,220	4,500	+ 720	3,039	2,500	+ 539	8,259	7,000	+ 1,259
Domestic Manufacturing	6,523	5,704	+ 819	6,521	6,208	+ 313	13,044	11,912	+ 1,132

OuT-Sourcing!

We believe the key to success in the face of the high demand for engineers is how many people we can hire. The original plan was more than 10,000 hires per year. However, with the recruiting environment getting tighter, we ended up with about 8,500 hires. Although the number was lower than the initial forecast, it exceeded the number in the previous year, and we secured the industry's top level in the number of hires. Therefore, we believe this can be evaluated quite positively.

Domestic Engineering Outsourcing Business - Financial Results by Industry

FY12/22 Presentation material

Overview for Each Operating Segment

Domestic Engineering Outsourcing Business – Financial Results by Industry

Industry	Revenue for FY12/22	Overview for FY12/22	Future Outlook
IT-related	¥49.8bil. (YoY + 24.3%)	• Demand remained strong due to a shortage of IT human resources in various layers and rising DX needs.	• Demand for advanced technology is expanding along with market expansion.
Transport Equipment	¥27.0bil. (YoY + 10.8%)	• The R&D area is less susceptible to production adjustments, and the order environment continues to be strong.	• The order environment is expected to remain firm.
Electrical & Electronics	¥24.2bil. (YoY + 21.2%)	• Although demand for PC and home appliances seems to be slowing down, the order environment continues to be favorable.	• As the semiconductor industry enters a phase of inventory adjustments, demand may soften from the next fiscal year onward.
Construction & Plant-related	¥21.7bil. (YoY + 21.9%)	• The order environment remained favorable as a result of a growing sense of labor shortage accompanying the decline in the construction labor population.	• The order environment is expected to remain favorable. • There are concerns about securing personnel, due to a labor shortage.
Pharm. & Chemicals	¥13.0bil. (YoY + 23.0%)	• Orders of R&D projects, which had been suspended or postponed due to the spread of COVID-19, remained firm.	• Demand for human resources is expected to remain firm going forward.
Total Segment Overall	¥149.6bil. (YoY + 20.8%)	• Engineer needs are generally firm in all industries and demand is firm.	• The business environment is expected to remain favorable, and the utilization rate is also expected to remain at a high level. • The recruitment environment is expected to continue to be difficult for the time being.

OuT-Sourcing!

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Here is the summary by industry. We dispatch engineers to a wide variety of industries, from IT to chemical and pharmaceutical. As a whole, the demand for engineers has not changed. All these industries achieved double-digit growth from the previous year, so we summarize it as very strong organic growth.

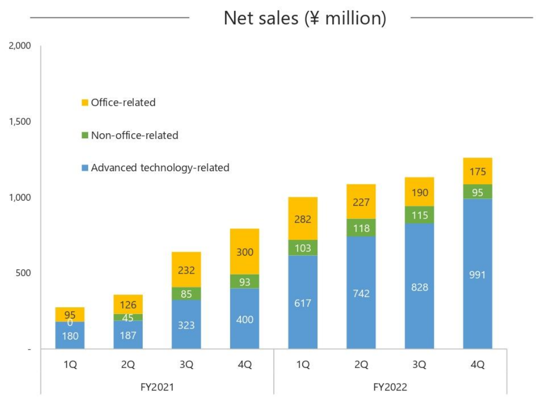
Domestic Engineering Outsourcing Business - Overview of Dispatch 2.0

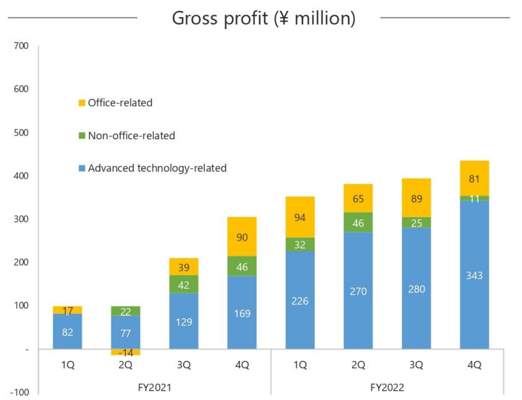
FY12/22 Presentation material

Overview for Each Operating Segment

Domestic Engineering Outsourcing Business – Overview of Dispatch 2.0

- Unlike originally anticipated in the office-related field, the demand for RPA peaked in 4Q FY12/21 and was on a downward trend.
- At the end of FY12/22, the number of dispatch 2.0 operations was 808 (-252 from the plan).
- Going forward, the Company will **deepen its efforts to cultivate and produce leading-edge engineers** through alliances, in response to increasing demand not only in RPA but also in the field of advanced technology.





OuT-Sourcing!

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Here is an overview of “Dispatch 2.0.” The slide shows the trends in sales and gross profit. Originally, “Dispatch 2.0” was developed with RPA as one of its cores. However, not limited to RPA, the demand for advanced technologies, such as cybersecurity and data science, is growing tremendously in the changing business environment.

Based on these environmental changes, we will shift our strategy to develop a wide range of advanced engineers not limited to those in RPA. Therefore, from now on, we would like to explain to all of our stakeholders, from the perspective of expanding the number of advanced engineers rather than “Dispatch 2.0.”

Domestic Manufacturing Outsourcing Business

FY12/22 Presentation material

Overview for Each Operating Segment

Domestic Manufacturing Outsourcing Business

- Despite achieving the revised forecasts, **both revenue and operating profit fell short of the full year initial forecasts**, due to the significant impact of automobile production adjustments.
- **Operating income in 4Q exceeded the revised forecast** due to **higher-than-expected automobile and electric equipment manufacturing** and increased operations.
- Going forward, the Company plans to capture demand associated with the recovery in production of its mainstay automobile-related products, while at the same time **focusing on strong industries such as the semiconductor-related field**.

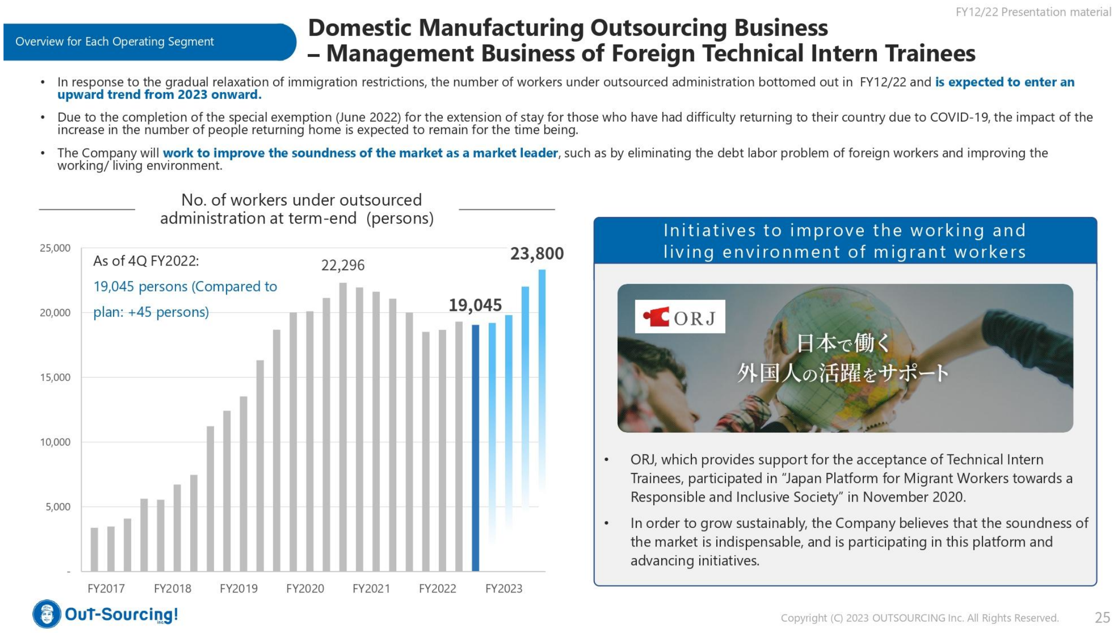
		Quarterly Results (Oct. 1, 2022 - Dec. 31, 2022)						Cumulative Results (Jan. 1, 2022 - Dec. 31, 2022)					
		FY12/21 4Q	FY12/22 4Q	YoY	Initial Forecasts 4Q	Revised Forecasts 4Q	Differences (vs. Revised Forecasts)	FY12/21 Full-year	FY12/22 Full-year	YoY	Initial Forecasts Full-year	Revised Forecasts Full-year	Differences (vs. Revised Forecasts)
Revenue	(¥ billion)	27.1	**33.1**	+ 22.0%	36.7	31.7	**1.4**	99.7	**122.4**	+ 22.8%	130.5	121.0	**+ 1.4**
Operating profit	(¥ billion)	2.2	**2.8**	+ 28.2%	3.1	1.6	**1.3**	7.2	**7.2**	- 0.1%	8.8	5.9	**+ 1.3**
Operating profit margin	(%)	8.1%	**8.5%**	+ 0.4pt	8.4%	4.9%	**+ 3.6pt**	7.2%	**5.8%**	- 1.3pt	6.7%	4.9%	**+ 1.0pt**
No. of worksite employees at term-end	(persons)	21,443	**26,529**	+ 23.7%	26,500	27,000	**- 471**	21,443	**26,529**	+ 23.7%	26,500	27,000	**- 471**
No. of workers under outsourced administration at term-end	(persons)	20,004	**19,045**	- 4.8%	20,000	19,000	**+ 45**	20,004	**19,045**	- 4.8%	20,000	19,000	**+ 45**

OuT-Sourcing!

Here is our Domestic Manufacturing Outsourcing Business. As reported earlier by Mr. Doi, the automobile production adjustment exerted the biggest impact on our results. At the time of the initial forecast, we had assumed that automobile production would begin to recover in the second quarter, but this did not happen, which created a major gap.

However, with the current momentum toward automobile production reform, we believe the market will expand over the medium to long term, regardless of short-term fluctuations in the semiconductor-related field. Thus, we intend to take a firm grip on the demand from well-performing industries.

Domestic Manufacturing Outsourcing Business - Management Business of Foreign Technical Intern Trainees



Here is our management business of foreign technical intern trainees. At the end of 2022, the number of workers under outsourced administration was 19,045. Since immigration restrictions have been lifted, we plan to increase the number beginning in 2023 after the bottom in 2022.

As a market leader with the largest number of workers under outsourced administration, we intend to work to enhance market health by improving the working and living conditions of foreign workers to grow the business.

Domestic Service Operations Outsourcing Business

Overview for Each Operating Segment

Domestic Service Operations Outsourcing Business

- In the mainstay business for U.S. military facilities, profit margins declined due to **delays in construction**, as a result of delays in material procurement, **soaring material prices, and the impact of the depreciation of the yen.**
- **Demand** for the U.S. military facilities business **is strong, the order backlog is at a record high**, and the potential for medium-to long-term business growth is assessed as unwavering.
- In addition, the **tourism-related business (hotel, airlines, etc.) will recover** on the back of an increase in inbound demand due to the convergence of COVID-19 and travel support.

	Quarterly Results (Oct. 1, 2022 - Dec. 31, 2022)						Cumulative Results (Jan. 1, 2022 - Dec. 31, 2022)					
	FY12/21 4Q	FY12/22 4Q	YoY	Initial Forecasts 4Q	Revised Forecasts 4Q	Differences (vs. Revised Forecasts)	FY12/21 Full-year	FY12/22 Full-year	YoY	Initial Forecasts Full-year	Revised Forecasts Full-year	Differences (vs. Revised Forecasts)
Revenue (¥ billion)	7.7	**7.7**	- 0.9%	9.8	8.6	**- 1.0**	29.2	**30.5**	+ 4.6%	36.0	31.5	**- 1.0**
Operating profit (¥ billion)	0.6	**0.8**	+ 32.1%	1.3	0.6	**+ 0.2**	4.0	**3.2**	- 22.0%	4.7	3.0	**+ 0.2**
Operating profit margin (%)	7.5%	**10.0%**	+ 2.5pt	13.3%	7.0%	**+ 2.9pt**	13.8%	**10.3%**	- 3.5pt	13.1%	9.5%	**+ 0.8pt**
No. of worksite employees at term-end (persons)	3,349	**4,098**	+ 22.4%	4,000	3,600	**+ 498**	3,349	**4,098**	+ 22.4%	4,000	3,600	**+ 498**
Order backlog at term-end (¥ billion)	29.8	**44.3**	+ 48.7%	-	-	**-**	29.8	**44.3**	+ 48.7%	-	-	**-**

OuT-Sourcing!

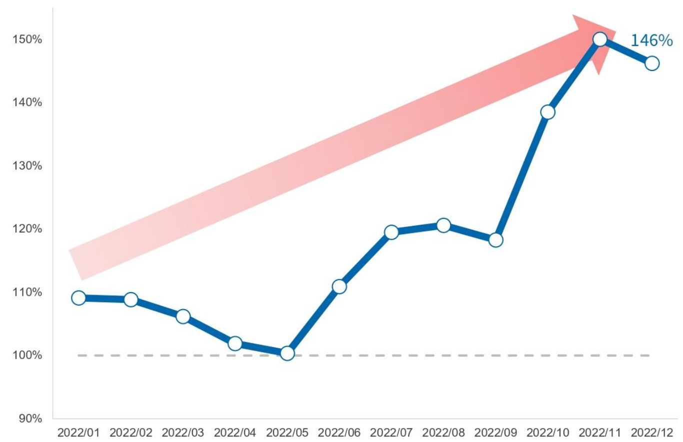
Here is our Domestic Service Operations Outsourcing Business. As reported earlier, delays in material deliveries affected our operating profit margin. We also did not achieve the initial forecast for the operating profit, as we were affected by the soaring material prices and the depreciation of the yen.

Domestic Service Operations Outsourcing Business - Outlook for the U.S. Military Facilities Business

Overview for Each Operating Segment

Domestic Service Operations Outsourcing Business - Outlook for the U.S. Military Facilities Business

U.S. Military Facilities Business - YoY Change in Order Backlog (%)



Order backlog increased year-on-year for 12 consecutive months

OuT-Sourcing!

On the other hand, if you look at the graph of the year-to-year comparison of order backlogs in the maintenance and preservation business for U.S. military facilities, it never fell below 100 percent, and exceeded the previous year's level for 12 consecutive months from January to December 2022. For this reason, we view the order environment as favorable.

Despite the accumulated losses due to construction delays, we are steadily receiving new orders to offset such losses.

Overseas Engineering Outsourcing Business

Overview for Each Operating Segment

Overseas Engineering Outsourcing Business

- Revenue and operating profit both exceeded the revised forecasts, driven by **strong performance in Ireland and Oceania** throughout the year.
- The operating profit margin grew significantly due to the **strong performance of the highly profitable placement and recruiting business**, in line with the resumption of economic activities in each country.
- In the U.K. debt collection business, the business environment is on a recovery trend compared to the previous fiscal year, which was affected by the COVID-19, and **both revenue and profits increased significantly**.

		Quarterly Results (Oct. 1, 2022 - Dec. 31, 2022)						Cumulative Results (Jan. 1, 2022 - Dec. 31, 2022)					
		FY12/21 4Q	FY12/22 4Q	YoY	Initial Forecasts 4Q	Revised Forecasts 4Q	Differences (vs. Revised Forecasts)	FY12/21 Full-year	FY12/22 Full-year	YoY	Initial Forecasts Full-year	Revised Forecasts Full-year	Differences (vs. Revised Forecasts)
Revenue	(¥ billion)	39.3	**44.6**	+ 13.5%	38.9	41.6	**+ 2.9**	139.8	**165.1**	+ 18.1%	151.0	162.2	**+ 2.9**
Operating profit	(¥ billion)	1.4	**2.0**	+ 37.4%	2.0	1.7	**+ 0.2**	4.6	**8.0**	+ 75.3%	6.8	7.8	**+ 0.2**
Operating profit margin	(%)	3.6%	**4.4%**	+ 0.8pt	5.1%	4.1%	**+ 0.3pt**	3.3%	**4.8%**	+ 1.6pt	4.5%	4.8%	**+ 0.1pt**
No. of worksite employees at term-end	(person)	14,881	**13,224**	- 11.1%	12,650	12,800	**+ 424**	14,881	**13,224**	- 11.1%	12,650	12,800	**+ 424**
No. of freelancers	(person)	1,377	**1,915**	+ 39.1%	2,491	1,900	**+ 15**	1,377	**1,915**	+ 39.1%	2,491	1,900	**+ 15**

Here is our Overseas Engineering Outsourcing Business. The full-year operating profit was about 1.2 billion yen higher than the initial forecast. Engineer dispatching in Ireland and Oceania performed well, driving this segment’s growth.

With the resumption of economic activities from the halt due to the COVID-19 pandemic, the Staff Agency Business in these two regions was very strong throughout the year, contributing to an improved operating profit margin.

In the debt collection businesses in the U.K., the year 2021 was severely affected by the lockdown and other measures against COVID-19. However, with a significant increase in profit in 2022, the business environment is on the road to recovery.

Overseas Manufacturing and Service Operations Outsourcing Business

Overview for Each Operating Segment

Overseas Manufacturing and Service Operations Outsourcing Business

- The services-related business segment of OTTO Group in the Netherlands was driven by its **mainstay dispatching business for logistics, and demand was firm**.
- Both revenue and profit **fell short of forecasts due to the significant impact of supply constraints** in the manufacturing business **for semiconductors and other products**.
- **The operating profit margin fell far short of the forecast** as a result of the poor performance of the manufacturing-related business and the goodwill impairment loss.

		Quarterly Results (Oct. 1, 2022 - Dec. 31, 2022)						Cumulative Results (Jan. 1, 2022 - Dec. 31, 2022)					
		FY12/21 4Q	FY12/22 4Q	YoY	Initial Forecasts 4Q	Revised Forecasts 4Q	Differences (vs. Revised Forecasts)	FY12/21 Full-year	FY12/22 Full-year	YoY	Initial Forecasts Full-year	Revised Forecasts Full-year	Differences (vs. Revised Forecasts)
Revenue	(¥ billion)	48.7	**60.9**	+ 25.2%	61.8	62.7	**- 1.8**	176.8	**222.0**	+ 25.6%	223.5	223.8	**- 1.8**
Operating profit	(¥ billion)	2.5	**0.6**	- 75.6%	3.5	1.9	**- 1.3**	6.7	**3.4**	- 49.2%	10.0	4.7	**- 1.3**
Operating profit margin	(%)	5.2%	**1.0%**	- 4.2pt	5.7%	3.0%	**- 2.0pt**	3.8%	**1.5%**	- 2.2pt	4.5%	2.1%	**- 0.6pt**
No. of worksite employees at term-end	(person)	51,229	**51,138**	- 0.2%	62,550	62,550	**- 11,412**	51,229	**51,138**	- 0.2%	62,550	62,550	**- 11,412**

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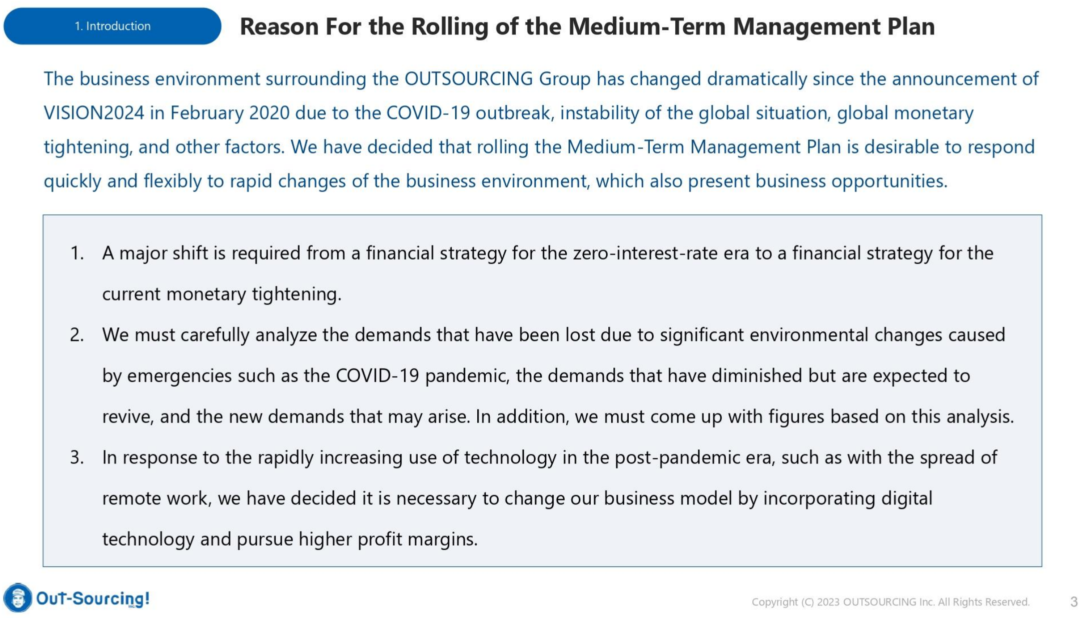
Here is our Overseas Manufacturing and Service Operations Outsourcing Business. The full-year operating profit was 3.4 billion yen, a significant shortfall of 6.6 billion yen from the initial forecast. This is the segment most greatly affected by supply chain disruptions and inflation. A major factor that pushed down the operating profit was the recording of goodwill impairment losses and other one-time expenses, amounting to just under 3.1 billion yen for the year.

Reason for the Rolling of the Medium-Term Management Plan



Mr. Haruhiko Doi: Now I will explain regarding the Medium-Term Management Plan.

On February 14, we announced the Medium-Term Management Plan for the three years from 2023 to 2025. The previous Medium-Term Management Plan was a five-year plan from 2020 to 2024 but has been rolled to 2023.

There are three main reasons for the rolling. The first is that many countries have implemented monetary easing measures, but there is a major shift toward monetary tightening.

The human resources business is a stock business. While Japan's population is declining, the world's population is expected to increase from 7 to 10 billion. We have been pursuing a global strategy to make such population increase our growth potential.

We need to smooth out our business performance in order to grow. If we are only in a highly volatile business, it will be difficult for us to grow as it will take several years to recover our performance when a reset phase comes around. Although we originally started in manufacturing, we have expanded into various other industries to smooth out our business performance. We have been working on these two, through a focus on M&A.

As for M&A, most of our acquisitions relied on bank loans. However, since interest rates in Japan were close to zero, we decided that the benefits of creating a system were greater than using bank money to raise ROIC. Therefore, we have prioritized the creation of the system.

However, we had such an idea precisely because it was during the time of zero-interest rates. Interest rates in Japan have not yet begun to rise, but we decided to change our strategy now that we are beginning to see the signs because we would not be able to make it on time by waiting until they rise to 2 percent, 3 percent, or 4 percent.

Second, as I mentioned earlier, the previous Medium-Term Management Plan was based on the idea of making the increasing population overseas our growth potential.

The supply-demand gap differs from country to country because people flow from the low to high points of the economy. Services for various needs and issues arising from people's movement were the growth drivers of the previous Medium-Term Management Plan. However, it was halted for three years due to COVID-19, so we decided the rolling of the plan was necessary.

Third, the COVID-19 pandemic has changed our work style dramatically. The dispatch business is a business model that dates back to the 1960s and relies heavily on manpower. With significant changes in our work style and various technologies being utilized, we believe now is the time for the dispatching business model itself to change.

Aiming to change the profit structure as well simultaneously, we decided now was the right timing to roll the Medium-Term Management Plan.

Looking Back of VISION 2024

1. Introduction

Looking Back on VISION2024

FY 2022 Revenue: Plan 593.0 billion yen Actual 689.8 billion yen (+96.8 billion yen)

Operating Profit: Plan 36.0 billion yen Actual 22.0 billion yen (-14.0 billion yen)

No.	Priority Measures		Summary	Future Policies
Strategy I	Expanding support services for foreign workers	×	Missed the targeted number of workers due to the significant impact of COVID-19	Strengthen and expand the business in preparation for the post-pandemic era
Strategy II	Raising operational efficiency and saving labor through Dispatch 2.0, a model that combines engineering and technology	△	Attained some progress amid changing demand	Expand the dispatching and contracting business in more advanced areas such as security
Strategy III	Further expanding the businesses for U.S. military facilities and the public sector that will help smooth out business performance	○	Expanded the revenue of each business	Continue to strengthen and expand the businesses
Strategy IV	Establishing a global HR mobilization network to turn the world's growing population into an opportunity	△	Built a new network despite the impact of COVID-19	Continue to strengthen and expand our network
Strategy V	Creating a WBB platform to shift away from a business based on our stock of human resources available ("stock business")	×	Delayed due to the COVID-19 pandemic	Restructure the strategy in light of the changing environment
Strategy VI	Financial strategy	×	Fell short of the goals for capital efficiency and financial soundness indicators	Change our financial strategy

We believe that we were able to create the foundation for our next growth phase to some extent, although our operating profit fell short of our plan due to the impact of COVID-19 and other factors.

OuT-Sourcing!

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Here is a review of the previous Medium-Term Management Plan. "○" is for items that went well, "X" is for items that did not go well, and "△" is for items that may be partially evaluated. The two items out of the three with “X” involve the movement of people, which did not grow at all.

We intentionally assigned “X” to our financial strategy because we could not anticipate global interest rates would change from easing to tightening at the time of planning the previous Medium-Term Management Plan, but as it turned out, that is the environment we found ourselves in.

Theme for the New Medium-Term Management Plan

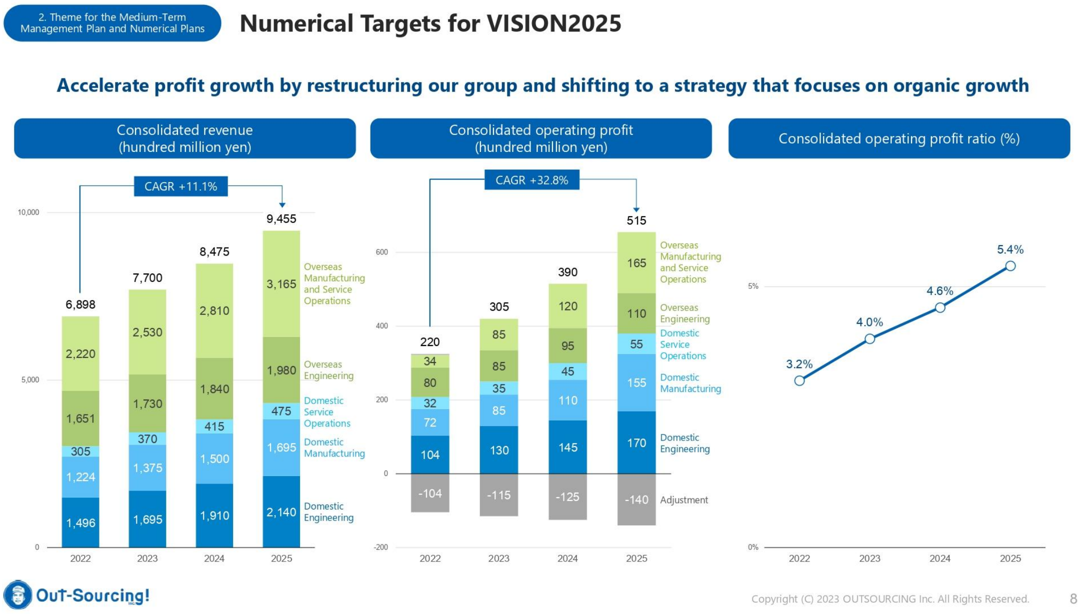
The theme of the current Medium-Term Management Plan for 2023 to 2025 is “Building a New Stage.” Our primary goal is to increase our corporate value. We will make the most of our experience of mistakes and failures in the past to improve our corporate value.

The background of this theme is the inappropriate accounting case that occurred in 2021. Our stock price, or corporate value according to the description in the slide, has dropped significantly due to that case.

Our stock price fell sharply three times in 2022. The first time was when the inappropriate accounting case came to light, the second time was when we announced a downward revision of our earnings forecast, and the third time was when the Bank of Japan implied a slight change in their approach toward monetary easing. As you are all aware, we are a company that borrows a large amount of money. We believe the impact it would have on such loans was taken into account and reflected in the stock price.

After all, no matter how much we grow, if we have any problem with compliance or governance, or have a poor financial standing, our reputation will significantly be lowered. Thus, we intend to work on eliminating these issues.

Numerical Targets for VISION2025



Net sales in 2022 were 689.8 billion yen. We intend to raise this to 945.5 billion yen in the three years from 2023 to 2025. We plan to increase operating profit from 22 billion yen in 2022 to 51.5 billion yen in 2025 and raise the operating profit margin from 3.2% to 5.4%.

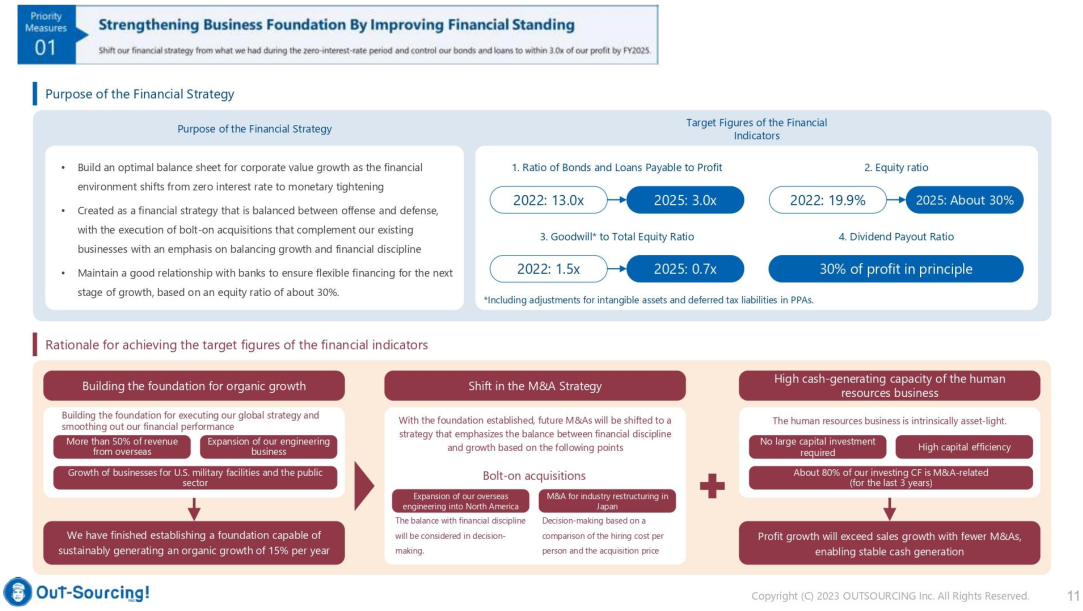
Some may feel these figures are unsatisfactory, but it is because the plan is conservative. These figures are mainly based on KPI because the investigation report on the inappropriate accounting case pointed out that excessively high targets led to the case.

During the three years, we will launch various new businesses. We basically will not be conducting large-scale M&A; however, neither the M&As leading to industry restructuring nor an expansion into North America, which is included in our business plan in Ireland, are in the current Medium-Term Management Plan. This will be explained in more detail later on.

Priority Measures for VISION2025

Now, allow me to talk about priority measures. Since the theme of the current Medium-Term Management Plan is the enhancement of our corporate value, we will thoroughly address the restoration of our credibility in the stock market, which was lost in 2022. The major themes are “Strengthening Business Foundation By Improving Financial Standing” and “Improving Profitability by Strengthening Our Global Internal Control and Improving Efficiency Through the Restructuring of Our Group.”

Strengthening Business Foundation By Improving Financial Standing



I will explain regarding each priority measure one by one.

The first is “Strengthening Business Foundation By Improving Financial Standing.” The reason we are working on this is the reason I mentioned earlier. In the upper right corner of the slide are the planned values for financial indicators. Currently, bonds and loans have ballooned to 13 times the profit for the current year, but we plan to reduce it to 3 times or less by 2025.

The current equity ratio is 19.9%, but we intend to raise it to around 30% by 2025. The goodwill is 1.5 times the total equity, but we plan to lower it to 0.7 times. Also, we aim for a dividend payout ratio of 30 percent.

The reason for this is, as we reported earlier, a shift in our strategy due to the change from the zero-interest-rate era to the era of monetary tightening.

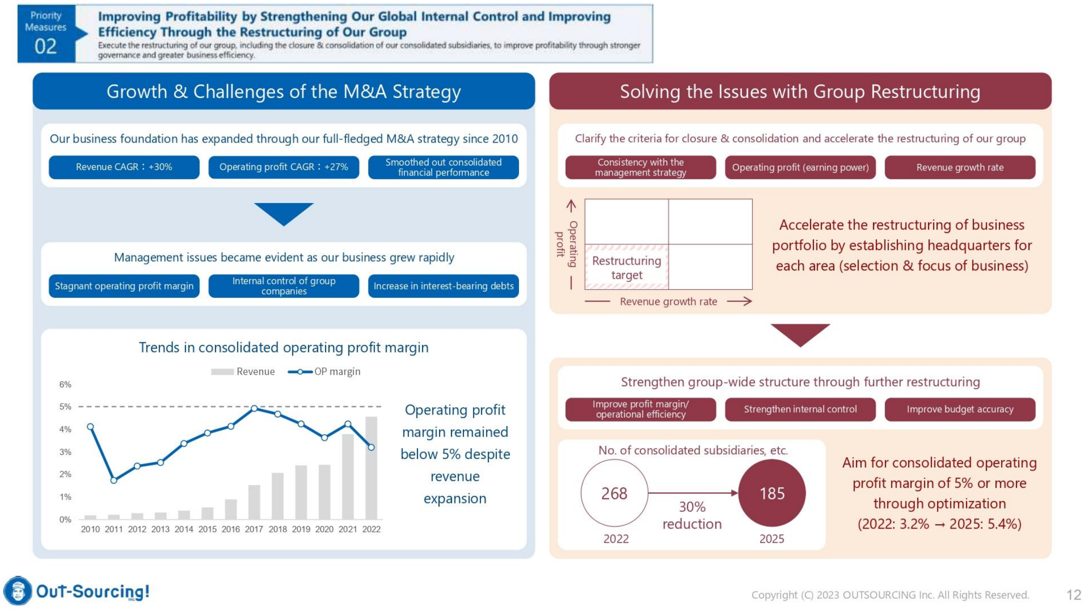
In the zero-interest-rate era, we believed that the debt on our loans would not increase even if we could not repay our credit while maintaining our current financial standing. That was, provided we were growing at a reasonable rate, so the current equity ratio would not be a significant risk. However, this is not the case in an era of monetary tightening.

To achieve these planned values, we should reduce the number of M&As, create a system focusing on organic growth, and strengthen our HR business.

The HR business is very capital-efficient because it does not require substantial capital investments or procurement of materials to generate sales. By focusing on this business, we will certainly be able to achieve the planned values.

However, this does not mean that we will not conduct any M&A. There is quite a bit of industry restructuring taking place in Japan's worker dispatching industry today, and we intend to ensure the restructuring of such areas. Also, we will support the expansion of CPL of Ireland into North America.

Improving Profitability by Strengthening Our Global Internal Control and Improving Efficiency Through the Restructuring of Our Group



Next, let me explain about the restructuring of our group. We have been pursuing M&A to use the ever-growing global population as our growth potential and to smooth out our business performance.

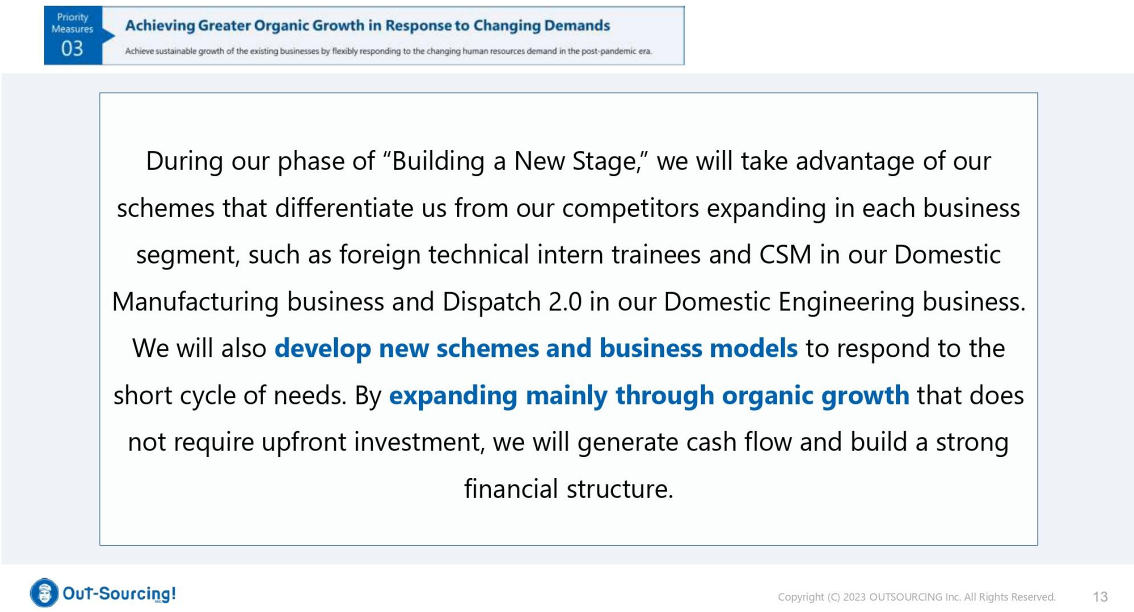
As stated on the left side of the slide, M&A has been effective in expanding our business base. However, the rapid growth has brought management issues. The major issues are the decline in operating profit margin and the internal control of group companies. Since these have been the contributing factors to the drop in our stock price, we are going to restructure our group-wide system significantly.

Specifically, we will reduce the number of consolidated subsidiaries and other affiliated organizations from the current 268 companies to 185 by 2025. We will not stop there but will continue to reorganize our group-wide system to make it more transparent and visible to investors, shareholders, and other stakeholders.

To optimize the number of consolidated subsidiaries, we will first set up a general headquarters in each area, such as Europe, Oceania, and Southeast Asia, and then proceed to identify the group companies for restructuring. It is truly embarrassing to say this, but I don't have an accurate picture of the businesses and characteristics of all 268 consolidated companies.

To grasp those matters, we intend to establish a general management headquarters for each region and proceed with restructuring after close examination. Domestic scrutiny has been done to some extent. It should be completed by the end of 2023.

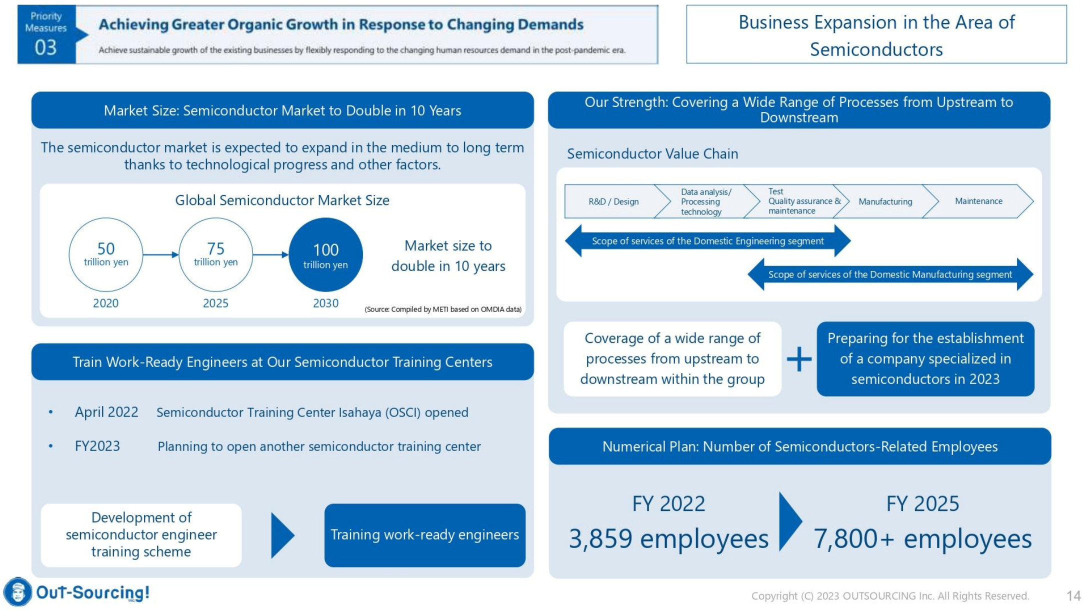
Achieving Greater Organic Growth in Response to Changing Demands



Now, let me talk about strengthening organic growth. We have developed and deployed various business schemes that other companies are not engaged in, such as dealing with technical intern trainees in the Domestic Manufacturing Outsourcing Business, "Dispatch 2.0" in the Domestic Engineering Outsourcing Business, U.S. military facilities business in the Domestic Service Operations Outsourcing Business, e-commerce services and debt collection businesses overseas, etc.

With these business schemes as an advantage, we intend to launch new schemes and business models to meet changing needs.

Achieving Greater Organic Growth in Response to Changing Demands - Business Expansion in the Area of Semiconductors



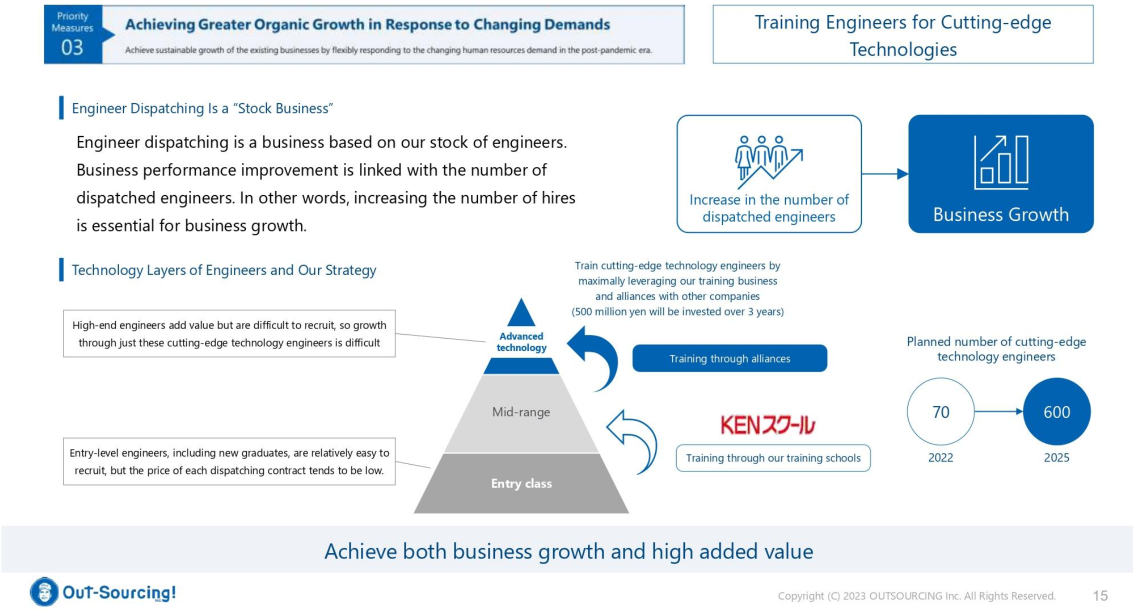
One of the measures to enhance organic growth is to expand business in the semiconductor area. We are currently planning to establish a company specializing in semiconductors. It is said that there is some surplus of semiconductor inventory for some products. However, we expect the tight situation to remain as the development of diverse technologies continues.

In this context, a large number of domestic semiconductor manufacturers are setting up plants. However, they are having considerable difficulty in the launch of such plants due to locations with a smaller working population.

In response to such situations, we plan to establish a company specializing in semiconductors to support the launch of semiconductor plants by creating a system that allows us to cover all semiconductor-related processes from upstream to downstream rather than just dispatching workers.

In 2022, we dispatched just under 4,000 workers to semiconductor manufacturing plants. Our ultimate goal is to raise this number to 7,800, which is nearly double.

Achieving Greater Organic Growth in Response to Changing Demands - Training Engineers for Cutting-edge Technologies

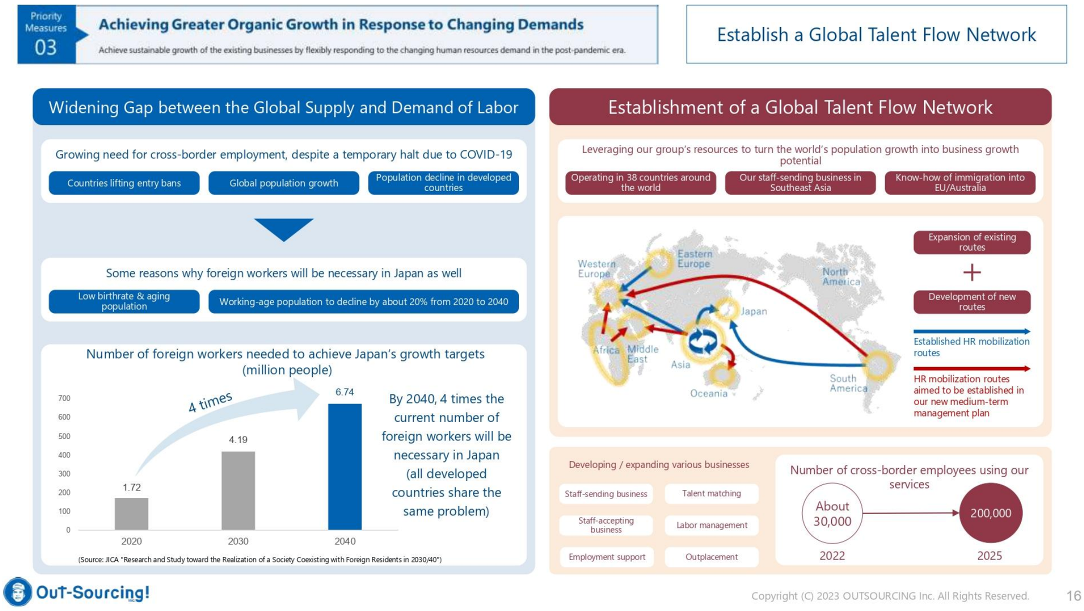


Next, let me talk about the development of advanced engineers. Currently, in the Domestic Engineering Outsourcing Business, engineers in advanced technologies such as cyber security and data science are highly demanded by the market, but such personnel are not easy to recruit.

After all, engineer dispatching is a dispatching or human resources stock business. If we focus only on recruiting such personnel, we will not be able to grow.

Therefore, aiming to increase the number of advanced engineers from the current 70 to 600 by 2025, we intend to hire mainly entry class personnel and accelerate their development into mid-range and advanced engineers while maintaining a system that ensures they generate sales.

Achieving Greater Organic Growth in Response to Changing Demands - Establish a Global Talent Flow Network

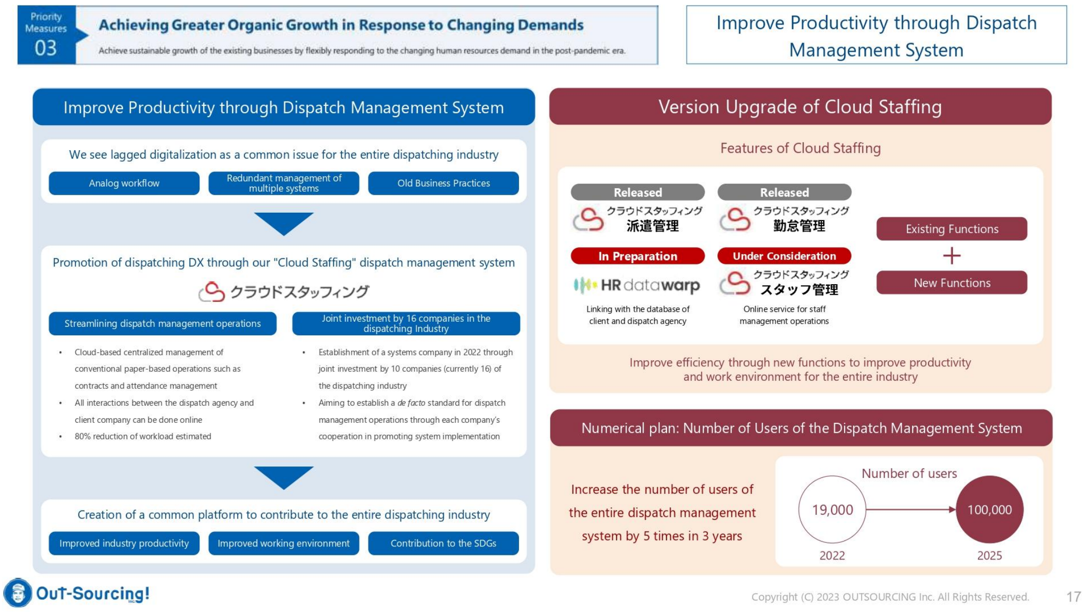


Now, let me talk about the establishment of a global talent flow network. The businesses associated with the global mobility of people have come to a complete halt since 2020. However, our research revealed that the need for these businesses has not been lost at all. We have found that the demand for human resources is increasing as economies normalize, and all developed countries are in need of human resources from outside their own countries.

We intend to upgrade and re-launch those businesses. Please see the map on the right. We have been working on the portion of the blue movement lines, but from now on, we plan to establish the routes indicated by the red movement lines.

We currently provide services for mobility to about 30,000 people in Japan and plan to increase this number to 200,000 by 2025.

Achieving Greater Organic Growth in Response to Changing Demands - Improve Productivity through Dispatch Management System

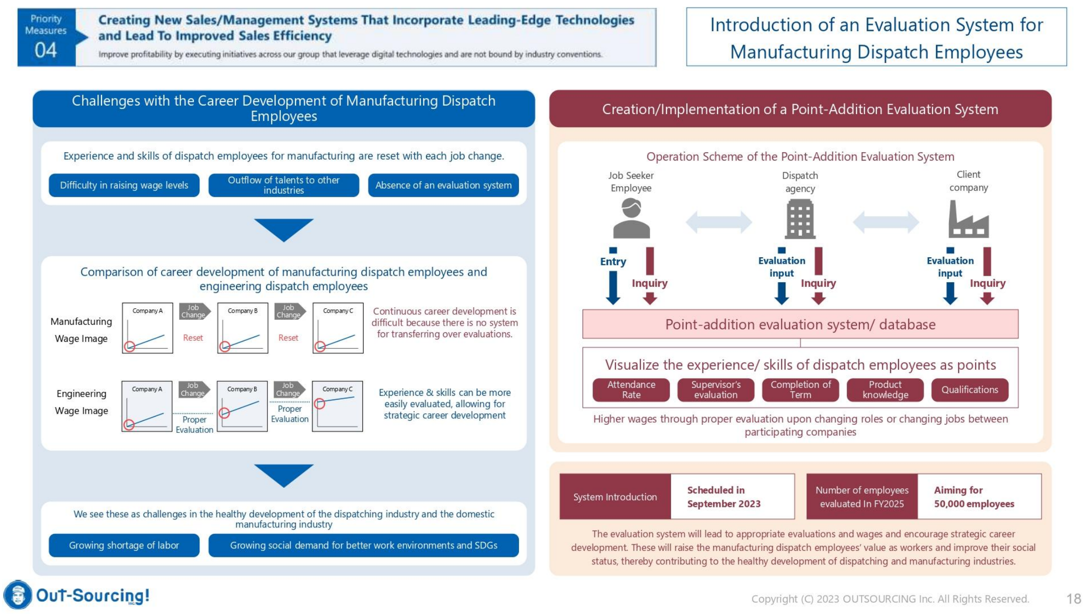


Next, let me talk about improving productivity through an evaluation system for manufacturing dispatch employees. We plan further upgrades for Cloud Staffing, a successor of CSM. The objective so far has been to save time and effort for companies using dispatching services. However, we aim to improve the environment by enabling the system to revitalize communications among dispatched employees, which was previously possible only between sites.

Also, we will facilitate the matching between dispatched employees and dispatch destination companies. For manufacturers who utilize the matching function, we plan to improve the performance to the point where it can recognize those likely to quit or take leaves, for example, by suggesting that “this person is a good fit due to such properties.”

For this, big data is necessary. At the time of CSM, we were the sole deployer of the system. Currently, 16 of our peers are starting to collect big data together. Accordingly, the name has been changed from CSM to Cloud Staffing.

Creating New Sales/Management Systems That Incorporate Leading-Edge Technologies and Lead to Improved Sales Efficiency - Introduction of an Evaluation System for Manufacturing Dispatch Employees

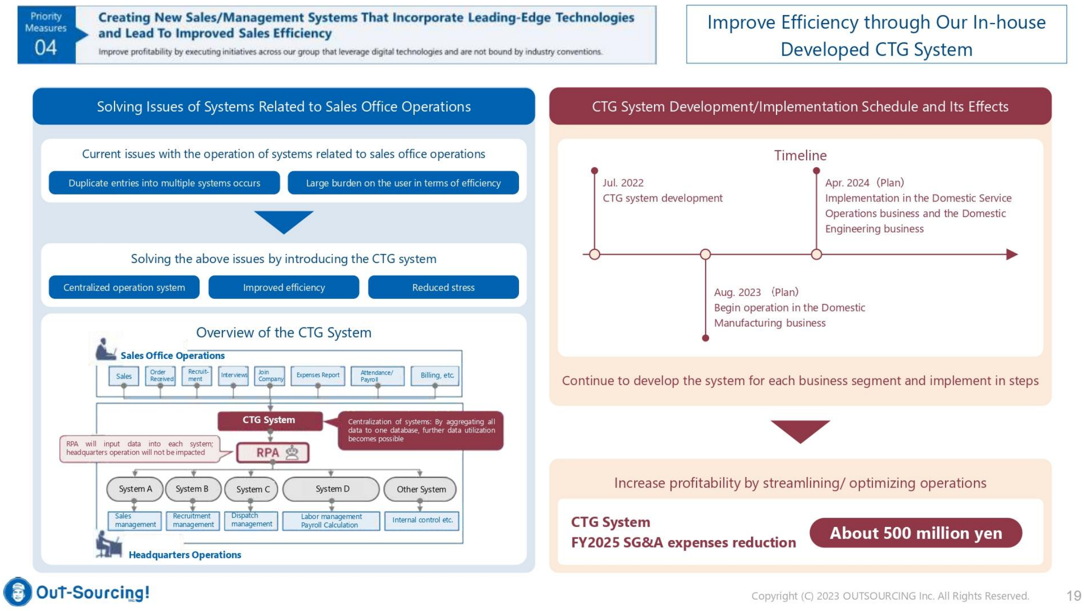


Now, let me explain about the creation of new sales/management systems that incorporate leading-edge technologies and lead to improved sales efficiency. First, about the implementation of an evaluation system for manufacturing dispatch employees. Once the contract period ends, the career and evaluation that the employee has earned working for the company are reset.

For example, if they start with a daily wage of 10,000 yen, it will increase by tens of percent over two to three years. However, after the contract period ends, they must start at 10,000 yen per day again at another dispatch destination.

This situation is very inefficient for both the dispatched employee and the dispatch destination company. Thus, we are creating a system to eliminate such inefficiencies. The primary aim of implementing this system is to significantly reduce recruitment costs, which we believe will lead to improved SG&A efficiency.

Creating New Sales/Management Systems That Incorporate Leading-Edge Technologies and Lead to Improved Sales Efficiency - Improve Efficiency through Our In-House Developed CTG System



Second, let me explain about improving efficiency through our in-house developed CTG system. As mentioned earlier, the dispatching industry is a very old business model. Each sales office manages invoices, payroll, and year-end adjustments, mostly manually.

We have more than 1,000 clients in total for the dispatching business, including manufacturing dispatch. Since dispatched employees go directly to work at client companies and use their time cards, we do not have a standardized system and rely almost entirely on manual procedures.

We are taking on the challenge of systemizing this very inefficient state of operations. The systematization has progressed considerably, and the system will be ready for some test operations by August this year.

We have been supported by our clients in many ways, which would ultimately benefit them as well. We expect this measure to reduce SG&A expenses by approximately 500 million yen annually.

Consolidated Operating Results Targets / KPI

4. Business Plan by Segment

Consolidated Operating Results Targets / KPI

(¥ billion, %)	FY12/22	FY12/23	FY12/24	FY12/25	Differences from 2022	Rate of change
Revenue	689.8	770.0	847.5	945.5	+ 255.7	+ 37.1%
Cost of Sales	565.3	631.0	691.5	766.5	+ 201.2	+ 35.6%
Gross Profit	124.5	139.0	156.0	179.0	+ 54.5	+ 43.8%
(Gross Profit Margin)	18.1%	18.1%	18.4%	18.9%	+ 0.8pt	---
SG&A Expenses	107.1	118.5	127.0	138.0	+ 30.9	+ 28.9%
(SG&A Expenses Ratio)	15.5%	15.4%	15.0%	14.6%	- 0.9pt	---
Other Sales Profit	10.1	10.0	10.5	11.0	+ 0.9	+ 8.9%
Other Sales Expenses	5.5	0	0.5	0.5	- 5.0	- 90.1%
Operating Profit	22.0	30.5	39.0	51.5	+ 29.6	+ 135.2%
(Operating Profit Margin)	3.2%	4.0%	4.6%	5.4%	+ 2.2pt	---

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Let me explain about the specific details of our consolidated operating results targets.

The first is the gross profit margin. We reduced efficiency considerably in 2022, resulting in a gross profit margin of 18.1 percent, which has been carried over to 2023.

The gross profit margin was 19.5 percent in 2019, 19.3 percent in 2020, and 18.8 percent in 2021. We started 2023 with a gross profit margin of 18.1 percent, but I believe it will exceed the plan.

Contributing factors to the decline in gross profit margin in 2022 include lower operating hours due to production adjustments. We were in a situation where we could not assure 100% production recovery at the time of developing the Medium-Term Management Plan.

Even if automakers say production will recover, there is no excuse for production being slow throughout 2022. Thus, our planned values are conservative, as shown on the slide, but we do not think this is the case.

For example, a 0.1 percent increase in gross profit margin will have an impact of 770 million yen on an operating profit basis in 2023. Also, an increase in gross profit margin does not necessarily lead to higher SG&A expenses. In consideration of these points, we developed a conservative plan.

Secondly, despite my earlier report about organic growth, we did not include the launch of a company specializing in semiconductors, for example, in the plan, as it cannot be indicated logically in KPI.

We have included the explanation of each segment in the document in order, starting with the Domestic Engineering Outsourcing Business. As there are many overlaps with what we have discussed today, please review it later. I will now conclude my explanation of the Medium-Term Management Plan. Thank you very much.