Consolidated Financial Results for the Fiscal Year Ended December 31, 2022 (Under IFRS)

February 14, 2023

Company name:	OUTSOURCING Inc.	Listing:	Tokyo Stock Exchange
Securities code:	2427	URL:	https://www.outsourcing.co.jp/en/
Representative:	Haruhiko Doi, Chairman and CEO		
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Scheduled date of annual general meeting of shareholders:	March 28, 2023
Scheduled date to file annual securities report:	March 29, 2023
Scheduled date for dividend payment:	March 29, 2023
Preparation of supplementary material on the financial results:	Yes
Holding of financial results briefing:	Yes (for securities analysts and institutional investors)

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

1. Consolidated Financial Results for the Fiscal Year Ended December 31, 2022 (From January 1, 2022 to December 31, 2022)

(1) Consolidated Operating Results

(Percentages indicate year-on-year changes.)

	Revenue		Operating Profit		Profit before Tax		Profit		Profit Attributable to Owners of Parent		Total Comprehensive Income	
Fiscal year ended	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Million yen	%
December 31, 2022	689,777	21.2	21,987	(8.1)	17,030	45.0	10,048	398.0	10,290	–	16,613	123.7
December 31, 2021	569,325	55.9	23,925	80.1	11,742	51.7	2,018	(24.3)	664	(65.2)	7,426	95.9

	Basic Earnings per Share	Diluted Earnings per Share	Return on Equity	Ratio of Profit before Tax to Total Assets	Ratio of Operating Profit to Revenue
Fiscal year ended	Yen	Yen	%	%	%
December 31, 2022	81.71	81.71	14.1	4.5	3.2
December 31, 2021	5.27	5.27	1.1	3.6	4.2

(Reference) Equity in losses of affiliates As of December 31, 2022: 102 million yen
As of December 31, 2021: 97 million yen

(Note) Since the provisional accounting treatments related to business combinations were finalized in the first and second quarter of the fiscal year ended December 31, 2022, the consolidated financial statements for the fiscal year ended December 31, 2021, were retrospectively adjusted.

(2) Consolidated Financial Position

	Total Assets	Total Equity	Equity Attributable to Owners of Parent	Ratio of Equity Attributable to Owners of Parent to Total Assets	Equity Attributable to Owners of Parent per Share
As of	Million yen	Million yen	Million yen	%	Yen
December 31, 2022	399,723	83,906	79,642	19.9	632.43
December 31, 2021	351,939	72,458	65,824	18.7	522.71

(Note) Since the provisional accounting treatments related to business combinations were finalized in the first and second quarters of the fiscal year ended December 31, 2022, the consolidated financial statements for the fiscal year ended December 31, 2021, were retrospectively adjusted.

(3) Consolidated Cash Flows

	Cash Flows from Operating Activities	Cash Flows from Investing Activities	Cash Flows from Financing Activities	Cash and Cash Equivalents at the End of the Year
As of	Million yen	Million yen	Million yen	Million yen
December 31, 2022	27,240	(18,173)	(5,338)	53,806
December 31, 2021	28,872	(38,373)	(25,985)	48,334

2. Cash Dividends

	Annual Dividends per Share					Total Cash Dividends (Total)	Payout Ratio (Consolidated)	Ratio of Dividends to Equity Attributable to Owners of Parent (Consolidated)
	First Quarter-end	Second Quarter-end	Third Quarter-end	Fiscal Year-end	Total			
	Yen	Yen	Yen	Yen	Yen	Million yen	%	%
Fiscal year ended December 31, 2021	－	0.00	－	31.00	31.00	3,904	469.7	6.2
Fiscal year ended December 31, 2022	－	0.00	－	25.00	25.00	3,148	30.6	4.3
Fiscal year ending December 31, 2023 (Forecast)	－	0.00	－	43.00	43.00		30.5	

3. Forecast of Consolidated Financial Results for the Fiscal Year Ending December 31, 2023 (From January 1, 2023 to December 31, 2023)

(Percentages indicate year-on-year changes.)

	Revenue		Operating Profit		Profit before Tax		Profit		Profit Attributable to Owners of Parent		Basic Earnings per Share
	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Yen
First half	366,000	12.6	10,500	(3.8)	9,500	24.3	6,500	67.0	6,000	53.9	46.92
Full year	770,000	11.6	30,500	38.7	27,500	61.5	18,500	84.1	18,000	74.9	141.17

(Notes)

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

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

(3) Number of issued shares (ordinary shares)

(a) Number of issued shares at the end of the year (including treasury shares)	As of December 31, 2022	125,951,200	As of December 31, 2021	125,926,800
(b) Number of treasury shares at the end of the year	As of December 31, 2022	23,490	As of December 31, 2021	490
(c) Average number of shares outstanding during the year	Fiscal year ended December 31, 2022	125,920,146	Fiscal year ended December 31, 2021	125,919,933

[Reference] Overview of Non-consolidated Financial Results
Non-consolidated Financial Results for the Fiscal Year Ended December 31, 2022
(From January 1, 2022 to December 31, 2022)

(1) Non-consolidated Operating Results

(Percentages indicate year-on-year changes.)

	Revenue		Operating Profit		Ordinary Profit		Profit	
Fiscal year ended	Million yen	%	Million yen	%	Million yen	%	Million yen	%
December 31, 2022	62,100	28.1	(1,546)	–	3,987	15.7	4,018	43.6
December 31, 2021	48,489	16.6	(3,093)	–	3,447	40.6	2,798	6.3

	Basic Earnings per Share	Diluted Earnings per Share
Fiscal year ended	Yen	Yen
December 31, 2022	31.90	–
December 31, 2021	22.22	–

(2) Non-consolidated Financial Position

	Total Assets	Net Assets	Equity Ratio	Net Assets per Share
As of	Million yen	Million yen	%	Yen
December 31, 2022	204,008	58,099	28.5	461.37
December 31, 2021	178,093	58,247	32.7	462.54

(Reference) Equity As of December 31, 2022: 58,099 million yen
As of December 31, 2021: 58,247 million yen

(Reasons for differences in non-consolidated results from the results of the previous fiscal year)
As the severe impact of COVID-19 receded during the fiscal year ended December 31, 2022, the leading manufacturers in Japan, representing the Group’s main customers, showed a gradual recovery from the previous fiscal year, which contributed to a year-on-year increase in revenue. As a result, operating profit, ordinary profit, and profit also rose from the previous fiscal year.

(Notes)
* Financial results reports are exempt from audits conducted by certified public accountants or an auditing firm.

* Statement regarding the proper use of financial forecasts and other special remarks:
(Cautions concerning forward-looking statements)
The forward-looking statements including financial forecasts in this summary are based on information currently available to OUTSOURCING Inc. (hereinafter, “the Company”) and on assumptions believed to be reasonable by the Company. These statements do not guarantee future performance of the Company, and various factors may cause the actual results to differ significantly from the forecasts. For details on the specific assumptions on which the forecasts are based and cautionary statements regarding the use of financial forecasts, please see “1. OVERVIEW OF FINANCIAL RESULTS” from page 2 to page 7 of the attached documents.

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1. OVERVIEW OF FINANCIAL RESULTS

(1) Overview of Consolidated Operating Results

The business environment for the fiscal year ended December 31, 2022 (the "current fiscal year"), gradually saw signs of recovery from the devastating impact of the COVID-19 pandemic. However, myriad events with significant repercussions on international affairs continued, such as new variants of coronaviruses spreading infections, the Ukraine crisis, the tightening of financial conditions, and spiraling inflation, which all put burden on economic activities.

The economy in Japan saw an upward trend despite an increase in costs driven by the depreciation of the yen and soaring prices of raw materials and fuels. However, major manufacturers, representing the Company's main customers, could not see a clear recovery in the level of factory operation due to lockdowns in China as well as the prolonged semiconductor shortage and other supply restrictions. Meanwhile, companies in a wide range of industries, including the information technology (IT) sector, continued to show a strong need for hiring engineers on the back of a tight labor market.

In response to such business environment in Japan, the OUTSOURCING Group (the "Group") has pursued to reinforce the growth domain by smoothing out earnings. In the manufacturing field, part of the work performed by fixed-term workers are replaced by dispatching workers under a long-term dispatch contract to mitigate the effect of production adjustment. The Group's dispatched employee management system, called "Cloud Staffing Management (CSM)," an HR tech service aiming to improve the productivity of customers through digitalizing dispatch management tasks, has now entered into a new phase to develop an industry-standard platform, initiated by a joint project with industry leaders. Although manufacturing activities were forced to slow down in the auto industry due to supply restrictions, the demand for automobiles remains high and production is expected to rise as the supply chain is normalized. Accordingly, the effect on the Group businesses is expected to ease over the medium term. Despite delays in full-scale mass production, the business across all types of industries achieved revenue growth in the current fiscal year compared to last year. In the administrative work outsourcing business for technical intern trainees, more foreign workers who were allowed to extend their stays exceptionally under the pandemic kept leaving Japan during the current fiscal year despite a gradual easing of border control. That said, the number of foreign workers under management marked 19,045 as of December 31, 2022, which continues to represent the top share in Japan, thanks to positive feedback from customers for the Group's efficient and appropriate management service. In the engineering field, the Group is promoting "Dispatch 2.0," a business model to improve efficiency and reduce manpower at the same time by combining engineers and technology. Also, the Group has developed a business scheme utilizing KEN School, one of the Group companies specialized in offering training service. KEN School provides training to people with little experience to enable them to work not only in the engineering field but also in various industries, including IT, construction, and pharma. By keeping recruitment costs at a low level while increasing the number of hiring through this scheme, the Group has successfully grown the business. Further, in April 2022, more than 3,200 new hires have joined the Group, making it one of the leading companies in hiring new graduates. This clearly demonstrates not only the high recruiting capability but also the Group's excellence in marketing to find a new workplace suitable for people with little experience, on-boarding training for people, and the ability to build a trusted relationship with client companies. Besides the manufacturing field, which is more susceptible to macroeconomic dynamics, the Group is aiming to expand businesses that are less affected by economic fluctuations. In particular, the U.S. military facilities business continues to see a steady growth in demand for renovation and maintenance services for buildings and facilities. However, a longer procurement lead time has caused some delays in construction schedules, resulting in a sluggish growth in the current fiscal year.

Looking at the market overseas, uncertainty still remained quite high under the following circumstances: the impact of COVID-19, an increase of geopolitical risks led by the Ukraine crisis and other factors, heightened inflationary pressures, and further monetary tightening.

Under such business environment, the Group has continued to make all-out effort to reinforce the growth domain by smoothing out earnings for its overseas businesses. In detail, in addition to expanding outsourcing businesses in the public sector, including government projects, which are less susceptible to economic fluctuations, the Group offers engineering outsourcing service where the demand remains high. Also, the Group is rolling out a scheme to mobilize human resources at a global level from countries that have plenty of workforce to those that face labor shortage. Demand in IT and pharma industries was resilient in the engineering business, while seeing growing opportunities in logistics in the service business. In terms of profit, although the recruiting and placing business with relatively high profit margins remained strong, profit was negatively affected not only because inflation and wage increases pushed up costs, but also due to certain non-recurring events, such as SL Group in Chile which expensed part of its assets as a conservative accounting treatment and the recording of impairment losses in the UK and certain Asian countries.

In January 2022, the Company signed an early purchase agreement for the remaining shares of OTTO Group in the Netherlands. The difference between put option liability and the acquisition price of the remaining shares was recorded as finance cost of some 2.4 billion yen in the first quarter ended March 31, 2022. As finance cost is not supposed to be reflected in tax calculations, profit before tax, profit for the period, and profit attributable to owners of parent were significantly understated by the equivalent amount. However, now that the Group is engaged to early acquire the entire shares of OTTO Group, non-recurring finance costs related to OTTO Group will not arise in the following periods. In other words, only foreign exchange differences related to the transaction will be recorded in the second quarter ended June 30, 2022, and onwards.

By establishing an appropriate vision and specific business strategies in response to the rapidly changing business environment, the Group has successfully adjusted business portfolios accordingly so as to ensure a sustainable business expansion. Due to the effort in diversifying service offerings and business areas, the Group achieved record highs not only in revenue, but also in profit before tax and profit attributable to owners of parent for the quarter ended December 31, 2022 (Oct–Dec), as well as for the six months ended December 31, 2022 (Jul–Dec), and for the fiscal year ended December 31, 2022 (Jan–Dec), respectively.

As a result, the Group recorded historical high revenue of 689,777 million yen on a consolidated basis for the current fiscal year, up 21.2% year-on-year. While operating profit was 21,987 million yen, down 8.1% year-on-year, the Group saw record highs in both profit before tax of 17,030 million yen, up 45.0% year-on-year, and profit attributable to owners of parent of 10,290 million yen, up 9,626 million yen year-on-year for the current fiscal year.

The Group places a high value on sustainable growth. As for the sustainability policy of the Group to promote Sustainable Development Goals ("SDGs") management, the Group is committed to corporate activities that will create job opportunities and education opportunities for many people around the world, through which the Group will seek to tackle society's challenges, develop businesses, and contribute to the benefit of stakeholders in a sustainable manner. The Group has set 2021 to be the first year to tackle SDG issues and explore SDGs management by taking bold initiatives, including the announcement of "The OUTSOURCING Group SDGs Declaration," the establishment of a Sustainability Committee, participation as a signatory to the United Nations Global Compact ("UNGC"), and participation as a signatory to the Women's Empowerment Principles. In April 2022, the Group published the first-year results of KPIs in line with materiality (priority issues) for 2021 as well as the Independent Verification Report. The Group continues to pursue the goal of creating a system under which its business activities will widely benefit the society.

Segment results are provided below. The Group has five reportable segments, namely "Domestic Engineering Outsourcing Business," "Domestic Manufacturing Outsourcing Business," "Domestic Service Operations Outsourcing Business," "Overseas Engineering Outsourcing Business," and "Overseas Manufacturing and Service Operations Outsourcing Business." Revenue for all five reportable segments successfully rose to a record high in the current fiscal year.

[Domestic Engineering Outsourcing Business]

The Domestic Engineering Outsourcing Business experienced limited negative effects of the COVID-19 pandemic and continued to see an increase in both revenue and profit from a year earlier. While taking the anticipated new hires into account, recruitment was carefully controlled to improve employee retention and continued to be supported by the business scheme utilizing KEN School, which provides training to people with little experience for dispatching purposes, thereby keeping recruitment costs at a low level. As many companies across various industries restarted recruiting activities and the job market became more competitive, the Group experienced some difficulty in hiring during the fiscal year. However, as of December 31, 2022, the number of worksite employees totaled 24,713, up 3,091 from a year earlier, which remained the highest in the industry despite the Group being a latecomer. This was achieved not only because of the Group's competitiveness in hiring and training, but also its excellence in marketing to find a new workplace suitable for people with little experience. The business also successfully expanded services to IT, construction, and pharma fields, identified as the focus areas to mitigate the effect of economic fluctuations in the manufacturing industry. Although certain one-time events pushed down operating profit, such as the expiration of the pandemic-led employment adjustment subsidies and the recording of provision for loss on orders received, the highest-ever segment operating profit was successfully recorded in the current fiscal year.

Based on the above, segment revenue and operating profit for the Domestic Engineering Outsourcing Business during the current fiscal year were 149,605 million yen, up 20.8% year-on-year, and 10,377 million yen, up 5.1% year-on-year, respectively.

[Domestic Manufacturing Outsourcing Business]
The Domestic Manufacturing Outsourcing Business was negatively affected by production adjustment on the back of semiconductor shortages and supply chain disruptions under the pandemic. There needed to be more than an anticipated pent-up demand to get production activities back to a full scale. In particular, the auto field, in which dispatched employees play a major role, saw a decline not only in revenue but also in profit as their operation hours went down. Despite the above, revenue rose from the prior fiscal year across all industries, and the number of worksite employees as of December 31, 2022, totaled 26,529, up 5,086 from a year earlier. In the administrative work outsourcing business, the need for recruiting technical intern trainees continued to be stable among manufacturers, representing the Company's main customers. That said, the growth of the business leveled off during the current fiscal year, mainly because the number of foreign workers entering Japan remained limited in spite of a gradual easing of border control. However, thanks to positive feedback from customers for the Group's efficient and appropriate management service, the number of foreign workers under management marked 19,045 as of December 31, 2022, leading the Japanese market.

Based on the above, segment revenue and operating profit for the Domestic Manufacturing Outsourcing Business during the current fiscal year were 122,444 million yen, up 22.8% year-on-year, and 7,160 million yen, down 0.1% year-on-year, respectively.

[Domestic Service Operations Outsourcing Business]
The Domestic Service Operations Outsourcing Business mainly provides services to U.S. military facilities, which are less susceptible to macroeconomic dynamics, unlike businesses in the manufacturing field. On the demand side, renovation and maintenance services for U.S. military buildings and facilities remained solid without being significantly affected by the pandemic. However, on the supply side, construction schedules had to be delayed due to a longer procurement lead time for construction materials, particularly those imported by sea freight. Going forward, as the external factors shall improve, supply chain issues are expected to be resolved accordingly. Although skyrocketing costs of construction materials and marine transportation due to the depreciation of the yen push up expenses, profitability shall be maintained for the business over the mid- to long-term by placing early orders for materials and reflecting soaring costs into asking prices to make estimates as accurately as possible for bidding purposes.

Based on the above, segment revenue and operating profit for the Domestic Service Operations Outsourcing Business during the current fiscal year were 30,527 million yen, up 4.6% year-on-year, and 3,155 million yen, down 22.0% year-on-year, respectively.

[Overseas Engineering Outsourcing Business]
The Overseas Engineering Outsourcing Business continued to see a large increase in both revenue and profit from a year earlier during the current fiscal year as a series of pandemic-induced restrictions were almost lifted. Businesses in countries and regions other than the UK were robust. That said, the UK saw an improvement in debt issuance for the outsourcing business for public debt collection. Businesses in Ireland and the Oceania region remained brisk, particularly in the recruiting and placing businesses with higher profit margins. Soaring inflation not only pushed up costs but also brought a large increase in revenue, leaving the business with healthy margins.

Based on the above, segment revenue and operating profit for the Overseas Engineering Outsourcing Business during the current fiscal year were 165,138 million yen, up 18.1% year-on-year, and 7,976 million yen, up 75.3% year-on-year, respectively.

[Overseas Manufacturing and Service Operations Outsourcing Business]
In the Overseas Manufacturing and Service Operations Outsourcing Business, the logistics business in the Netherlands continued to grow. In Germany, businesses for aviation and medical fields performed well. In South America, security service and cleaning work for logistics and retailing companies also saw strong results. However, in the UK, the political turmoil negatively affected the recruiting and placing business for governments and Business Process Outsourcing (BPO) business and temporary worker dispatching business for local governments.

Meanwhile, segment profit went down mainly due to increased costs driven by higher inflation and wage increases particularly in Europe. The following non-recurring events also pushed down segment profit during the current fiscal year: SL Group in Chile conservatively expensed part of its assets; and impairment losses were recognized on goodwill and other assets.

Based on the above, segment revenue and operating profit for the Overseas Manufacturing and Service Operations Outsourcing Business during the current fiscal year marked 222,001 million yen, up 25.6% year-on-year, and 3,382 million yen, down 49.2% year-on-year, respectively.

[Other Business]

Included in Other Business are shared service of administrative work and sign language classes provided by disabled employees who work for the Group’s special subsidiary company, which performed well during the current fiscal year, though the business was negatively affected by a resurgence of COVID-19.

Based on the above, segment revenue during the current fiscal year marked 61 million yen, up 1.8% year-on-year, and operating profit posted 319 million yen, up 49.8% year-on-year.

(2) Overview of Consolidated Financial Position

Total current assets as of December 31, 2022, were 194,344 million yen, an increase of 27,146 million yen from December 31, 2021. This was primarily attributed to an increase in cash and cash equivalents and also trade and other receivables. Total non-current assets were 205,379 million yen, an increase of 20,638 million yen year-on-year, mainly due to an increase in right-of-use assets and goodwill. As a result, total assets as of December 31, 2022, were 399,723 million yen, up 47,784 million yen year-on-year.

Total current liabilities as of December 31, 2022, were 179,069 million yen, a decrease of 33,443 million yen from December 31, 2021. This was primarily attributed to a decrease in bonds and borrowings, offset by an increase in trade and other payables. Total non-current liabilities were 136,748 million yen, up 69,778 million yen from December 31, 2021. This was mainly due to an increase in bonds and borrowings. On December 28, 2021, it was revealed that inappropriate accounting occurred in previous fiscal years, which led to the violation of covenants related to representations and warranties as well as borrower’s obligation of syndicate loan agreements signed between the Group and major financial institutions. As a result, the Group classified the related borrowings of 32,873 million yen from non-current liabilities to current liabilities as of December 31, 2021. On February 10, 2022, as all the financial institutions concerned agreed that they would not exercise their rights of a claim for forfeiture of the benefit of the time regarding this incident, the borrowings were reclassified to non-current liabilities as of December 31, 2022. There was no violation of each financial covenant as of December 31, 2022 and 2021, respectively.

Equity as of December 31, 2022, was 83,906 million yen, an increase of 11,448 million yen from December 31, 2021. The increase is mainly due to recording profit for the year and exchange differences.

(3) Overview of Consolidated Cash Flows

As of December 31, 2022, cash and cash equivalents were 53,806 million yen, up 5,472 million yen or 11.3% from December 31, 2021.

(Cash flows from operating activities)

Net cash provided by operating activities was 27,240 million yen. This is mainly attributable to cash inflows due to profit before tax of 17,030 million yen and depreciation and amortization of 17,239 million yen, offset by the payment of income taxes of 12,890 million yen.

(Cash flows from investing activities)

Net cash used in investing activities was 18,173 million yen. This is mainly due to the purchase of businesses of 13,656 million yen.

(Cash flows from financing activities)

Net cash used in financing activities was 5,338 million yen. This is primarily due to a decrease in short-term borrowings of 12,666 million yen, repayments of long-term borrowings of 30,085 million yen, and transactions with non-controlling interests of 17,305 million yen, offset by proceeds from long-term borrowings of 69,197 million yen.

(4) Outlook for the Fiscal Year Ending December 31, 2023

The outlook for the fiscal year ending December 31, 2023, is based on the assumption that the Group would be less susceptible to negative impacts caused by macroeconomic dynamics, such as the COVID-19 pandemic, supply chain disruptions including semiconductor shortage, inflation pressure, and geopolitical risks led by the Ukraine crisis and other factors. Under such circumstances, the business environment in Japan is expected to improve as the nation’s leading manufacturers, representing the Group’s main customers, shall see a pick-up in production activities because an ease of supply restrictions and a recovery in domestic demand led by pent-up demand shall provide support to an upward trend in the Japanese economy. In the engineering field, a soaring demand for engineers will continue, while the hiring activities will become even more competitive in 2023. The tight labor market is also increasing the hiring demand for foreign workers. Although limitations on entering Japan due to COVID still remain, the need to utilize foreign workers are on an upward trend partly due to a tight labor market. Thus, the business shall be back on track once the returning of foreign workers to their countries, who were allowed to extend their stays in Japan under the pandemic, slows down in the first half of 2023.

On the back of the business landscape, the Group aims to expand the number of worksite employees, while curbing the rising recruitment cost per employee, for both the manufacturing field and the engineering field, now that it has become one of the leading companies in Japan in hiring new graduates and also a pioneer in introducing a unique recruitment scheme. In the administrative work outsourcing business for technical intern trainees, which remains to take a strong leading position in Japan, the number of foreign workers under management is expected to increase meaningfully from the second half of 2023. Strong needs for engineers in Japan will remain high not only in the manufacturing sector, which is relatively sensitive to macroeconomic trends, but also IT, construction and many other industries, which generally operate under different business cycles from the manufacturing sector, given the serious shortage of specialists. That said, further growth can be expected in the business by boosting training programs for engineers. In response to the growing needs to improve efficiency and reduce manpower, the Group has pursued the “Dispatch 2.0” strategy, a business model which combines the delivery of engineers and technology. The Group will focus on empowering engineers in cutting-edge fields and building a training platform for high value-adding specialists. The Group will also expand businesses that are less affected by economic fluctuations, including the business with U.S. military facilities, thereby diversifying its business portfolios and smoothing out earnings while continuing to follow a path leading to sustainable growth.

Meanwhile, the business environment overseas is becoming more uncertain. Although activity restrictions due to COVID-19 are almost completely lifted around the globe, post- COVID-19 economic recovery is slow due to a higher inflation and tighter monetary policies than those in Japan. That said, the economic trend is expected to pick up globally to some extent, causing a tight labor market, which shall steadily contribute to the Group’s growth in 2023.

On the back of such business landscape overseas, the Group plans to change the M&A strategy. Over the last few years, the Group aggressively engaged in M&A transactions. Now that it has successfully secured economic resource to achieve sustainable growth and monetary policies are getting tighter compared to the zero-interest policy, the Group plans to hold back new M&A investments, focus on the improvement of its financial structure, and pursue organic growth in 2023. Given that human resource could be either abundant or scarce, depending on countries, the Group has been rolling out a scheme to mobilize human resource at a global level from countries that have plenty of work force to those that face labor shortage. In addition to the expansion of the mobilization business, the Group is aiming to explore a new business opportunity to support workers who cross boarders under the Group’s mobilization scheme. For the fiscal year ending December 31, 2023, the Group’s assumption for exchange rates for the selected currencies according to the budget for the fiscal year ending December 31, 2023, are as follows: 138.14 yen/ Euro; 91.13 yen/ Australian dollar; 162.00 yen/ British pound; and 131.62 yen/ U.S. dollar.

The Group will further shift its business strategy to improve profitability and increase profits. Striving to achieve an operating profit ratio of 5% or more on a consolidated basis, the Group is committed to conduct structural reforms by selectively focusing on certain businesses, to seek an economy of scale, and to accelerate cost-efficiency for marketing and administrative activities by leveraging digital technology, in order to enhance profitability.

To further strengthen corporate governance, the Group has decided to become a company with a Nominating Committee, etc., which incorporates three committees, namely the Nominating Committee, the Compensation Committee and the Audit Committee. External directors are the majority of the committees, thereby enabling a significant delegation of authority from the Board of Directors to executive officers. As a company with a Nominating Committee, etc., the Group aims to further clarify the separation of management supervisory and execution functions to strengthen management oversight function, while ensuring prompt and decisive decision making. The transition to a company with a Nominating Committee, etc. will take place upon approval of the necessary amendments to the Articles of Incorporation at the 26th Ordinary General Meeting of Shareholders scheduled to be held on March 28, 2023. The Group continuously strives to improve corporate governance in order to enhance corporate value over the medium- to long-term. Management of the Group is committed to assign the utmost priority going forward to creating a fully autonomous, highly ethical corporate governance system that is closely monitored and routinely reviewed. The Group also recognizes that such a system will prove invaluable in the ongoing building of trust and confidence with all its stakeholders, including shareholders, clients, local communities, and employees.

Based on above, the Group forecasts the following operating results on a consolidated basis for the fiscal year ending December 31, 2023: revenue of 770.0 billion yen; operating profit of 30.5 billion yen; profit before tax of 27.5 billion yen; profit of 18.5 billion yen; and profit attributable to owners of parent of 18.0 billion yen.

The Group has drawn up a three-year medium-term management plan from the fiscal year ending December 31, 2023, to the fiscal year ending December 31,2025. The Group is dedicated to enhance corporate value, while establishing a strong and balanced financial structure and also building robust internal controls and governance structure under which employees can work with peace of mind and full of motivation. Here are the focus areas identified in the three-year medium-term management plan:

1. Strengthening Business Foundation By Improving Financial Standing
2. Improving Profitability by Strengthening Our Global Internal Control and Improving Efficiency Through the Restructuring of Our Group
3. Achieving Greater Organic Growth in Response to Changing Demands
4. Creating New Sales/Management Systems That Incorporate Leading-Edge Technologies and Lead To Improved Sales Efficiency

Please see further detail in the announcement released on February 14, 2023, titled “Notice Regarding Formulation of Medium-term Management Plan ‘VISION2025：Building a New Stage.’”

(5) Basic Policy Regarding Distribution of Profits and Dividends Applicable to the Fiscal Year Ended December 31, 2022 and the Fiscal Year Ending December 31, 2023

The Group recognizes that rewarding its shareholders is one of the important managerial issues. Since its listing on the JASDAQ market in 2004, the Group has introduced a dividend policy based on a consolidated dividend payout ratio to clarify it puts a high value on the shareholders and to ensure dividend amounts are linked to business performance.

The Group sets its consolidated dividend payout ratio at 30%, in principle, for the purpose of enhancing the return of profits to shareholders and expanding the shareholder base, while reinvesting part of its profits to expand businesses.

For the fiscal year ended December 31, 2022, in light of the dividend payout ratio policy, dividend payment of 25.00 yen per share, up 3.0 yen compared to the previous forecast, is planned because basic earnings per share exceeded the previous forecast released on November 14, 2022. Dividends will be discussed at the 26th Ordinary General Meeting of Shareholders scheduled to be held on March 28, 2023.

For the fiscal year ending December 31, 2023, the annual dividend per share is expected to be 43.00 per share, up 18.00 yen per share, in accordance with the existing dividend payout ratio of 30%.

2. BASIC VIEWS ON THE SELECTION OF ACCOUNTING STANDARDS

The Group voluntarily adopts International Financial Reporting Standards (IFRS) to enhance the international comparability of financial statements in the capital markets and to improve business operations by unifying accounting standards within the Group.

3. CONSOLIDATED FINANCIAL STATEMENTS AND RELATED NOTES

(1) Consolidated Statement of Financial Position

(Million yen)

	As of December 31, 2021	As of December 31, 2022
Assets		
Current assets		
Cash and cash equivalents	48,334	53,806
Trade and other receivables	88,061	104,670
Inventories	2,658	2,205
Other financial assets	14,652	16,805
Other current assets	13,493	16,859
Total current assets	167,198	194,344
Non-current assets		
Property, plant, and equipment	11,611	12,476
Right-of-use assets	21,362	27,753
Goodwill	83,669	95,409
Intangible assets	39,079	38,484
Investments accounted for using equity method	221	322
Other financial assets	21,508	23,687
Other non-current assets	1,849	650
Deferred tax assets	5,442	6,598
Total non-current assets	184,741	205,379
Total assets	351,939	399,723

(Million yen)

	As of December 31, 2021	As of December 31, 2022
Liabilities and equity		
Liabilities		
Current liabilities		
Trade and other payables	62,398	75,877
Bonds and borrowings	88,396	43,343
Lease liabilities	20,395	24,088
Other financial liabilities	9,383	1,111
Income taxes payable	4,654	2,615
Other current liabilities	27,286	32,035
Total current liabilities	212,512	179,069
Non-current liabilities		
Bonds and borrowings	15,645	87,255
Lease liabilities	27,157	34,150
Other financial liabilities	8,321	877
Retirement benefit liability	3,309	2,269
Provisions	1,212	1,335
Other non-current liabilities	735	748
Deferred tax liabilities	10,590	10,115
Total non-current liabilities	66,970	136,748
Total liabilities	279,481	315,817
Equity		
Share capital	25,230	25,245
Capital surplus	26,663	26,678
Treasury shares	(0)	(0)
Other capital surplus	(12,887)	(11,907)
Other components of equity	4,052	9,666
Retained earnings	22,767	29,960
Total equity attributable to owners of parent	65,824	79,642
Non-controlling interests	6,634	4,264
Total equity	72,458	83,906
Total liabilities and equity	351,939	399,723

(2) Consolidated Statement of Profit or Loss

(Million yen)

	Fiscal year ended December 31, 2021	Fiscal year ended December 31, 2022
Revenue	569,325	689,777
Cost of sales	(462,236)	(565,268)
Gross profit	107,088	124,508
Selling, general and administrative expenses	(88,123)	(107,066)
Other operating income	7,817	10,084
Other operating expenses	(2,857)	(5,539)
Operating profit	23,925	21,987
Finance income	1,370	633
Finance costs	(13,650)	(5,692)
Share of profit (loss) of investments accounted for using equity method	97	102
Profit before tax	11,742	17,030
Income tax expense	(9,724)	(6,982)
Profit for the year	2,018	10,048
Profit attributable to:		
Owners of parent	664	10,290
Non-controlling interests	1,354	(242)
Profit for the year	2,018	10,048
Earnings per share		
Basic earnings per share (Yen)	5.27	81.71
Diluted earnings per share (Yen)	5.27	81.71

(3) Consolidated Statement of Comprehensive Income

(Million yen)

	Fiscal year ended December 31, 2021	Fiscal year ended December 31, 2022
Profit for the year	2,018	10,048
Other comprehensive income		
Items that will not be reclassified subsequently to profit or loss:		
Remeasurements of defined benefit retirement plans	107	864
Change in fair value of equity financial assets measured at fair value through other comprehensive income	149	(564)
Total of items that will not be reclassified subsequently to profit or loss	256	300
Items that may be reclassified subsequently to profit or loss:		
Exchange differences on translation of foreign operations	5,153	6,266
Change in fair value of debt financial assets measured at fair value through other comprehensive income	(0)	—
Total of items that may be reclassified subsequently to profit or loss	5,152	6,266
Other comprehensive income, net of tax	5,408	6,565
Total comprehensive income	7,426	16,613
Comprehensive income attributable to:		
Owners of parent	6,010	16,767
Non-controlling interests	1,416	(154)
Total comprehensive income	7,426	16,613

(4) Consolidated Statement of Changes in Equity

(Million yen)	Equity attributable to owners of parent					
					Other components of equity	
	Share capital	Capital surplus	Treasury shares	Other capital surplus	Exchange differences on translation of foreign operations	Change in fair value of debt financial assets measured at fair value through other comprehensive income
Balance at January 1, 2021	25,214	26,647	(0)	(13,456)	(1,518)	1
Profit for the year	–	–	–	–	–	–
Other comprehensive income	–	–	–	–	5,092	(0)
Total comprehensive income	–	–	–	–	5,092	(0)
Issuance of new shares	15	15	–	–	–	–
Dividends	–	–	–	–	–	–
Transfer to retained earnings	–	–	–	–	–	–
Other increase (decrease)	–	–	–	–	–	–
Total contributions by (distributions to) owners	15	15	–	–	–	–
Changes from business combination and others	–	–	–	569	–	–
Total changes in ownership interests in subsidiaries	–	–	–	569	–	–
Total transactions with owners	15	15	–	569	–	–
Balance at December 31, 2021	25,230	26,663	(0)	(12,887)	3,574	1
Profit for the year	–	–	–	–	–	–
Other comprehensive income	–	–	–	–	6,175	–
Total comprehensive income	–	–	–	–	6,175	–
Issuance of new shares	15	15	–	–	–	–
Dividends	–	–	–	–	–	–
Share-based remuneration transactions	–	–	–	(10)	–	–
Transfer to retained earnings	–	–	–	–	–	–
Other increase (decrease)	–	–	–	–	–	–
Total contributions by (distributions to) owners	15	15	–	(10)	–	–
Changes from business combination and others	–	–	–	991	–	–
Total changes in ownership interests in subsidiaries	–	–	–	991	–	–
Total transactions with owners	15	15	–	980	–	–
Balance at December 31, 2022	25,245	26,678	(0)	(11,907)	9,749	1

(Million yen)	Equity attributable to owners of parent						
	Other components of equity						
	Remeasurements of defined benefit retirement plans	Change in fair value of equity financial assets measured at fair value through other comprehensive income	Total	Retained earnings	Total	Non-controlling interests	Total equity
Balance at January 1, 2021	–	329	(1,187)	23,229	60,448	5,998	66,446
Profit for the year	–	–	–	664	664	1,354	2,018
Other comprehensive income	107	147	5,346	–	5,346	62	5,408
Total comprehensive income	107	147	5,346	664	6,010	1,416	7,426
Issuance of new shares	–	–	–	–	30	–	30
Dividends	–	–	–	(1,259)	(1,259)	(1,212)	(2,471)
Transfer to retained earnings	(107)	–	(107)	107	–	–	–
Other increase (decrease)	–	–	–	19	19	–	19
Total contributions by (distributions to) owners	(107)	–	(107)	(1,133)	(1,209)	(1,212)	(2,421)
Changes from business combination and others	–	–	–	6	575	432	1,008
Total changes in ownership interests in subsidiaries	–	–	–	6	575	432	1,008
Total transactions with owners	(107)	–	(107)	(1,126)	(634)	(779)	(1,413)
Balance at December 31, 2021	–	477	4,052	22,767	65,824	6,634	72,458
Profit for the year	–	–	–	10,290	10,290	(242)	10,048
Other comprehensive income	864	(561)	6,478	—	6,478	88	6,565
Total comprehensive income	864	(561)	6,478	10,290	16,767	(154)	16,613
Issuance of new shares	–	–	—	—	30	—	30
Dividends	–	–	—	(3,904)	(3,904)	(1,463)	(5,367)
Share-based remuneration transactions	–	–	—	—	(10)	—	(10)
Transfer to retained earnings	(864)	–	(864)	864	—	—	—
Other increase (decrease)	–	–	—	(56)	(56)	—	(56)
Total contributions by (distributions to) owners	(864)	–	(864)	(3,096)	(3,940)	(1,463)	(5,403)
Changes from business combination and others	–	–	—	—	991	(753)	238
Total changes in ownership interests in subsidiaries	–	–	—	—	991	(753)	238
Total transactions with owners	(864)	–	(864)	(3,096)	(2,949)	(2,216)	(5,165)
Balance at December 31, 2022	–	(84)	9,666	29,960	79,642	4,264	83,906

(5) Consolidated Statement of Cash Flows

(Million yen)

	Fiscal year ended December 31, 2021	Fiscal year ended December 31, 2022
Cash flows from operating activities		
Profit before tax	11,742	17,030
Depreciation and amortization	15,419	17,239
Impairment losses	1,371	3,668
Increase (decrease) in provisions and retirement benefit liability	(388)	(46)
Finance income	(1,370)	(633)
Finance costs	13,650	5,692
Share of loss (profit) of investments accounted for using equity method	(97)	(102)
Decrease (increase) in inventories	(881)	543
Decrease (increase) in trade and other receivables	(10,751)	(5,856)
Increase (decrease) in trade and other payables	10,069	6,232
Increase (decrease) in accrued consumption taxes	926	1,527
Other	(1,041)	(2,830)
Subtotal	38,648	42,462
Interest and dividends received	106	150
Interest paid	(2,183)	(2,528)
Income taxes paid	(8,695)	(12,890)
Income taxes refund	995	45
Net cash provided by (used in) operating activities	28,872	27,240
Cash flows from investing activities		
Payments into time deposits	(703)	(1,747)
Proceeds from withdrawal of time deposits	527	1,892
Purchase of property, plant and equipment	(2,778)	(2,816)
Purchase of intangible assets	(991)	(1,341)
Proceeds from sale of property, plant and equipment	281	348
Purchase of investments	(7)	(229)
Proceeds from sale of investments	492	17
Payments for purchase of business	(36,458)	(13,656)
Proceeds from purchase of business	747	—
Payments for loans receivable	(170)	(3)
Proceeds from collection of loans receivable	21	7
Payments of leasehold and guarantee deposits	(927)	(1,449)
Proceeds from refund of leasehold and guarantee deposits	977	783
Purchase of insurance funds	(14)	(5)
Proceeds from cancellation of insurance funds	88	—
Other	544	24
Net cash provided by (used in) investing activities	(38,373)	(18,173)

(Million yen)

	Fiscal year ended December 31, 2021	Fiscal year ended December 31, 2022
Cash flows from financing activities		
Increase (decrease) in short-term borrowings	(19,864)	(12,666)
Proceeds from long-term borrowings	30,629	69,197
Repayments of long-term borrowings	(16,681)	(30,085)
Proceeds from issuance of bonds	2,000	—
Redemption of bonds	(6,260)	(110)
Repayments of lease liabilities	(8,193)	(9,002)
Dividends paid	(1,259)	(3,904)
Transactions with non-controlling interests	(5,182)	(17,305)
Dividends paid to non-controlling interests	(1,212)	(1,463)
Other	37	—
Net cash provided by (used in) financing activities	(25,985)	(5,338)
Effect of exchange rate changes on cash and cash equivalents	2,101	1,743
Net increase (decrease) in cash and cash equivalents	(33,386)	5,472
Cash and cash equivalents at the beginning of the year	81,720	48,334
Cash and cash equivalents at the end of the year	48,334	53,806

(6) Notes to Consolidated Financial Statements

[Going Concern Assumption]

Not applicable.

[Segment Information]

(a) Overview of reportable segments

The reportable segments of the Group are its components for which discrete financial information is available and which are subject to periodical assessments by the Board of Directors to determine allocation of management resources and evaluate performance.

The Group consists of segments categorized by description of business, with five reportable segments, namely "Domestic Engineering Outsourcing Business," "Domestic Manufacturing Outsourcing Business," "Domestic Service Operations Outsourcing Business," "Overseas Engineering Outsourcing Business," and "Overseas Manufacturing and Service Operations Outsourcing Business."

Major operations of each segment are as follows:

Domestic Engineering Outsourcing Business:

Subsidiaries of the Company provide the following: services to offer sophisticated technologies and know-how to assist manufacturers in their design/development and experiment/evaluation processes; development of telecommunication-related applications for websites, smartphones, etc., as well as development of e-commerce websites; various solution services for and development of foundational IT systems, infrastructure, and networks; outsourcing services for research and development operations specializing in medical- and chemical-related areas; services to offer expertise and know-how for construction management/design as well as for the design, construction, management, and the like of various plants; and IT schools.

Domestic Manufacturing Outsourcing Business:

The Company and its subsidiaries offer services to realize better production efficiencies by providing technologies and management know-how in response to manufacturers' needs for outsourcing manufacturing processes. In addition, the Company and its subsidiaries offer comprehensive consignment services covering everything from outsourced recruitment of fixed-term employees to be directly employed by customers (fee-charging recruiting service), administrative work outsourcing including labor management and housing management for fixed-term employees, technical intern trainees, international students, etc., and job hunting support for workers whose employment terms have expired.

Domestic Service Operations Outsourcing Business:

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

Overseas Engineering Outsourcing Business:

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

Overseas Manufacturing and Service Operations Outsourcing Business:

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

Other Business:

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

(b) Segment revenues and results

Revenues and results by reportable segment are as shown below.

Accounting treatments for operating segments reported approximate those used to prepare the consolidated

financial statements. Intersegment transaction prices are based on the prevailing market prices.
Segment profit figures are based on operating profit.

For the fiscal year ended December 31, 2021 (From January 1, 2021 to December 31, 2021)

(Million yen)	Reportable Segment						Other Business (Note 1)	Total	Adjustments (Note 2)	Consolidated
	Domestic Engineering Outsourcing Business	Domestic Manufacturing Outsourcing Business	Domestic Service Operations Outsourcing Business	Overseas Engineering Outsourcing Business	Overseas Manufacturing and Service Operations Outsourcing Business	Total				
Revenue										
Revenue from external customers	123,797	99,727	29,191	139,799	176,750	569,265	60	569,325	—	569,325
Intersegment revenue (Note 3)	3,089	2,663	315	1,026	1,823	8,916	1,726	10,642	(10,642)	—
Total	126,887	102,390	29,506	140,825	178,573	578,181	1,786	579,967	(10,642)	569,325
Cost of sales and other income (expenses)	(117,009)	(95,225)	(25,464)	(136,274)	(171,911)	(545,883)	(1,574)	(547,456)	2,056	(545,400)
Segment profit (Operating profit)	9,878	7,165	4,043	4,551	6,662	32,298	213	32,511	(8,586)	23,925
(Reconciling items)										
Finance income	—	—	—	—	—	—	—	—	—	1,370
Finance costs	—	—	—	—	—	—	—	—	—	(13,650)
Share of profit (loss) of investments accounted for using equity method	—	—	—	—	—	—	—	—	—	97
Profit before tax	—	—	—	—	—	—	—	—	—	11,742
Income tax expense	—	—	—	—	—	—	—	—	—	(9,724)
Profit for the year	—	—	—	—	—	—	—	—	—	2,018
Segment assets	77,113	227,530	22,669	116,515	117,722	561,549	971	562,521	(210,581)	351,939
Capital expenditure	329	1,145	688	214	1,360	3,737	31	3,768	—	3,768
Depreciation and amortization	2,561	3,253	576	3,203	5,807	15,400	20	15,419	—	15,419
Impairment losses	258	91	119	297	607	1,371	—	1,371	—	1,371

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

(Note 2) The adjustment of segment profit of (8,586) million yen includes acquisition-related cost related to business combinations of (1,032) million yen, corporate expenses of (7,567) million yen, profits or losses not allocated to any specific operating segment, and elimination of intersegment transactions. The adjustment of segment assets of (210,581) million yen mainly represents shares of subsidiaries and associates of the Group.

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

For the fiscal year ended December 31, 2022 (From January 1, 2022 to December 31, 2022)

(Million yen)	Reportable Segment						Other Business (Note 1)	Total	Adjustments (Note 2)	Consolidated
	Domestic Engineering Outsourcing Business	Domestic Manufacturing Outsourcing Business	Domestic Service Operations Outsourcing Business	Overseas Engineering Outsourcing Business	Overseas Manufacturing and Service Operations Outsourcing Business	Total				
Revenue										
Revenue from external customers	149,605	122,444	30,527	165,138	222,001	689,716	61	689,777	−	689,777
Intersegment revenue (Note 3)	2,468	10,314	353	768	1,933	15,836	2,080	17,916	(17,916)	−
Total	152,073	132,758	30,880	165,907	223,934	705,552	2,142	707,693	(17,916)	689,777
Cost of sales and other income (expenses)	(141,696)	(125,599)	(27,726)	(157,930)	(220,552)	(673,502)	(1,823)	(675,325)	7,535	(667,790)
Segment profit (Operating profit)	10,377	7,160	3,155	7,976	3,382	32,049	319	32,368	(10,381)	21,987
Reconciling items:										
Finance income	−	−	−	−	−	−	−	−	−	633
Finance costs	−	−	−	−	−	−	−	−	−	(5,692)
Share of profit (loss) of investments accounted for using equity method	−	−	−	−	−	−	−	−	−	102
Profit before tax	−	−	−	−	−	−	−	−	−	17,030
Income tax expense	−	−	−	−	−	−	−	−	−	(6,982)
Profit for the year	−	−	−	−	−	−	−	−	−	10,048
Segment assets	86,427	263,915	23,144	130,774	142,221	646,482	1,237	647,718	(247,996)	399,723
Capital expenditure	234	672	812	370	2,038	4,128	29	4,157	−	4,157
Depreciation and amortization	2,610	3,479	650	3,570	6,911	17,219	19	17,239	−	17,239
Impairment losses	416	661	151	−	2,439	3,668	−	3,668	−	3,668

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

(Note 2) The adjustment of segment profit of (10,381) million yen includes acquisition-related cost related to business combinations of (683) million yen, corporate expenses of (9,599) million yen, profits or losses not allocated to any specific operating segment, and elimination of intersegment transactions. The adjustment of segment assets of (247,996) million yen mainly represents shares of subsidiaries and associates of the Group.

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

[Per Share Information]

(a) Basis for the calculation of basic earnings per share

i. Profit attributable to ordinary shareholders of parent

	Fiscal year ended December 31, 2021	Fiscal year ended December 31, 2022
	(Million yen)	(Million yen)
Profit attributable to owners of parent	664	10,290
Profit for the year not attributable to ordinary shareholders of parent	–	–
Profit used to calculate basic earnings per share	664	10,290

ii. Average number of ordinary shares outstanding during the year

	Fiscal year ended December 31, 2021	Fiscal year ended December 31, 2022
	(Number of shares)	(Number of shares)
Average number of ordinary shares outstanding during the year	125,919,933	125,920,146

(b) Basis for the calculation of diluted earnings per share

i. Profit attributable to ordinary shareholders after dilution

	Fiscal year ended December 31, 2021	Fiscal year ended December 31, 2022
	(Million yen)	(Million yen)
Profit used to calculate basic earnings per share	664	10,290
Adjustments to profit	–	–
Profit used to calculate diluted earnings per share	664	10,290

ii. Average number of ordinary shares outstanding during the year after dilution

	Fiscal year ended December 31, 2021	Fiscal year ended December 31, 2022
	(Number of shares)	(Number of shares)
Average number of ordinary shares outstanding during the year	125,919,933	125,920,146
Increase in number of ordinary shares due to stock acquisition rights	–	–
Average number of ordinary shares outstanding during the year after dilution	125,919,933	125,920,146

	Fiscal year ended December 31, 2021	Fiscal year ended December 31, 2022
	Yen	Yen
Basic earnings per share	5.27	81.71
Diluted earnings per share	5.27	81.71

(Note) Diluted earnings per share for the fiscal years ended December 31, 2022 and December 31, 2021, are shown as the same amount as that of basic earnings per share, respectively, since there are no dilutive shares.

[Subsequent Events]

Not applicable.

4. SUPPLEMENTARY INFORMATION

Revenue by segment and by industry for the fiscal years ended December 31, 2022, and December 31, 2021, are as follows:

Name of Segment	Fiscal year ended December 31, 2021		Fiscal year ended December 31, 2022		
	Amount (Million yen)	Percentage of Total (%)	Amount (Million yen)	Percentage of Total (%)	Year-on-Year (%)
Domestic Engineering Outsourcing Business	123,797	21.8	149,605	21.7	20.8
Electrical & Electronics	20,016	3.5	24,250	3.5	21.2
Transport Equipment	24,407	4.3	27,031	3.9	10.8
Pharm. & Chemicals	10,548	1.9	12,974	1.9	23.0
IT-related	40,091	7.1	49,826	7.2	24.3
Construction & Plant-related	17,760	3.1	21,652	3.2	21.9
Others	10,975	1.9	13,872	2.0	26.4
Domestic Manufacturing Outsourcing Business	99,727	17.5	122,444	17.8	22.8
Electrical & Electronics	31,137	5.5	32,246	4.7	3.6
Transport Equipment	42,604	7.5	47,799	6.9	12.2
Pharm. & Chemicals	6,061	1.1	6,236	0.9	2.9
Metals & Construction Materials	4,759	0.8	6,535	1.0	37.3
Foods	3,554	0.6	3,913	0.6	10.1
Others	11,612	2.0	25,716	3.7	121.5
Domestic Service Operations Outsourcing Business	29,191	5.1	30,527	4.4	4.6
Retail	198	0.0	147	0.0	(25.9)
Public Works	26,059	4.6	26,193	3.8	0.5
Others	2,934	0.5	4,187	0.6	42.7
Overseas Engineering Outsourcing Business	139,799	24.6	165,138	23.9	18.1
Electrical & Electronics	453	0.1	559	0.1	23.2
Transport Equipment	3,199	0.6	2,872	0.4	(10.2)
Pharm. & Chemicals	24,770	4.3	33,754	4.9	36.3
IT-related	29,471	5.2	31,857	4.6	8.1
Metals & Construction Materials	103	0.0	147	0.0	42.8
Construction & Plant-related	3,966	0.7	3,624	0.5	(8.6)
Foods	8	0.0	3	0.0	(69.3)
Retail	3,828	0.7	6,175	0.9	61.3
Public Works	54,414	9.6	61,775	9.0	13.5
Finance	9,930	1.7	12,737	1.8	28.3
Others	9,657	1.7	11,636	1.7	20.5
Overseas Manufacturing and Service Operations Outsourcing Business	176,750	31.0	222,001	32.2	25.6
Electrical & Electronics	19,421	3.4	28,743	4.2	48.0
Transport Equipment	13,156	2.3	20,730	3.0	57.6
Pharm. & Chemicals	4,283	0.7	3,691	0.5	(13.8)
IT-related	3,892	0.7	4,460	0.6	14.6
Metals & Construction Materials	3,236	0.6	2,945	0.4	(9.0)
Construction & Plant-related	6,420	1.1	9,335	1.4	45.4
Foods	6,317	1.1	6,215	0.9	(1.6)
Retail	59,654	10.5	65,708	9.5	10.1
Public Works	31,849	5.6	31,635	4.6	(0.7)
Finance	2,563	0.4	2,628	0.4	2.5
Others	25,957	4.6	54,911	6.7	76.9
Other Business	60	0.0	61	0.0	1.8
Total	569,325	100.0	689,777	100.0	21.2

(Note 1) Intersegment transactions are offset and eliminated.

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

Revenue by region is as follows:

Region	Fiscal year ended December 31, 2021		Fiscal year ended December 31, 2022		
	Amount (Million yen)	Percentage of total (%)	Amount (Million yen)	Percentage of Total (%)	Year-on-Year (%)
Japan	252,776	44.4	302,638	43.9	19.7
Europe	230,365	40.5	280,837	40.7	21.9
Oceania	59,761	10.5	73,227	10.6	22.5
North America	2,949	0.5	4,714	0.7	59.8
South America	12,293	2.1	14,740	2.1	19.9
Asia (excl. Japan)	11,181	2.0	13,622	2.0	21.8
Total	569,325	100.0	689,777	100.0	21.2

(Note) Intersegment transactions are offset and eliminated.