

Bridge Report



Bridge Report

WILL GROUP, INC. (6089)



Ryosuke Ikeda,
Chairman and CEO

Company	WILL GROUP, INC.
Code No.	6089
Exchange	First Section, TSE
Industry	Services
Chairman and CEO	Ryosuke Ikeda
HQ	1-32-2 Honcho, Nakano-ku, Tokyo, Japan
Year-end	End of March
Website	http://willgroup.co.jp/english



— Stock Information —

Share Price	Number of shares issued (excluding treasury shares)		Total market cap	ROE (Act.)	Trading Unit
¥1,848	21,916,832 shares		¥40,502 million	26.5%	100 shares
DPS (Est.)	Dividend Yield (Est.)	EPS (Est.)	PER (Est.)	BPS (Act.)	PBR (Act.)
¥14.00	0.8%	¥51.75	35.7 times	¥219.56	8.4 times

*Stock prices as of the close on November 24, 2017. Number of shares issued at the end of the most recent quarter excluding treasury shares.

ROE and BPS based on previous term's results.

— Consolidated Earnings Trends —

(Unit: Million yen or yen)

Fiscal Year	Net Sales	Operating Income	Ordinary Income	Net Income	EPS (¥)	DPS (¥)
March 2014	26,798	808	774	384	91.67	26.00
March 2015	32,586	939	950	547	57.97	24.00
March 2016	45,028	1,429	1,468	692	36.38	20.00
March 2017	60,599	1,963	1,980	1,011	54.23	14.00
March 2018 Est.	75,000	2,250	2,250	1,100	51.75	14.00

*Estimated by the Company. Net Income means Net Income Attributable to Owners of the Parent since FY 3/16.

* A 2 for 1 stock splits were conducted in September 2014, September 2015 and December 2016.

* Dividend and earnings per share data (DPS, EPS) for FY3/16 was taken from the FY3/16 securities report.

FY3/17 DPS and EPS data have been adjusted to reflect the stock split to be conducted in December 2016.

This Bridge Report reviews the first half of the fiscal year March 2018 earnings and the full year estimates on WILL GROUP, INC.

1. Company Overview
2. First Half of Fiscal Year March 2018 Earnings Results
3. Fiscal Year March 2018 Earnings Estimates
4. Progress of The Mid-term Managerial Plan "Will Vision 2020"
5. Conclusions

<Reference: Regarding Corporate Governance>

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Key Points

- The sales and operating income for the first half of the term ended Mar. 2018 were up 31.1% and 119.7%, respectively, year on year. The company kept growing sales by around 30% and expanded operating income 2.2 times, because its core business in Japan was healthy and the overseas business, too, grew thanks to the performance of the subsidiary acquired via M&A in the previous term. Its financial standing became sound with equity ratio improving 10.8 points from the end of the previous term to 34.1%.
- There is no change to the full-year earnings forecast. Sales and operating income are estimated to rise 23.8% and 14.6%, respectively, year on year. The estimates for the second half are conservative, because the cost for system development, which has not been posted, will be posted in the second half and the overseas business has high volatility. They mentioned, “We think that the current business environment offers a large number of opportunities and we will conduct upfront investment for the following terms.” The term-end dividend is to be 14 yen/share.
- In the first half of the term ending Mar. 2018, the company achieved growth with a good balance between organic growth and M&A. As for the three major businesses, the sales from existing clients have increased, and in-store share is apparently expanding. On the other hand, overseas M&A performance is favorable. As for overseas business, the company first offered services by itself, but changed its policy and established an intermediate holding company in 2014, to expand the business through M&A of local staffing agencies and multinational enterprises. The M&A team of the intermediate holding company started functioning, and the follow-up activities after finding and acquiring firms have been healthy.

1. Company Overview

WILL GROUP, INC. provides sales support staff, call center operator, manufacturing line staff, and other human resources dispatched staff (Temporary staffing business) primarily to food manufacturing and other manufacturing industry applications. A characteristic of the Company is its “hybrid temporary staffing system” that combines the use of permanent employees of Will Group who work alongside temporary staff in the dispatched workplace. Will Group differentiates itself from its competitors and places its highest priority upon the workplace in its endeavor to achieving its goal of ¥100 billion in sales by creating new businesses.

Will Group companies includes the call center outsourcing services company SAINT MEDIA, INC., the company specializing in manufacturing industry temporary staffing services FAJ, INC., the assistant language teacher dispatch and elementary school foreign language class outsourcing company Border Link, Inc., the sales promotion company CreativeBank INC. and others for a total of 31 consolidated subsidiaries (including Domestic: 14 companies, Overseas: 17. As of end of September 2017).

Main Subsidiaries Business Description

SAINT MEDIA, INC.	Retail store sales staff dispatch, call center operator dispatch, nursing care staff dispatch
FAJ, INC.	Manufacturing industry staff dispatch, consignment
WILL GROUP Asia Pacific Pte. Ltd. (Singapore)	Intermediary holding company overseeing overseas business

<Will Vision>

Creating a strong brand with high expected value and becoming No. 1 in the business fields of “working,” “interesting,” “learning” and “living.”

Working:	Business fields for Support “ Working ”
Interesting:	Business fields for Support “ Interesting ”
Learning:	Business fields for Support “ Learning ”
Living:	Business fields for Support “ Living ”

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<Corporate History>

The predecessor of this corporate group was SAINT MEDIA, INC., a company established in Kita-ku, Osaka-shi in January 1997, which operated telemarketing business. SAINT MEDIA, INC., is now a consolidated subsidiary. In the meantime, in August 1997, Big Aid Co., Ltd. which undertook short-term businesses, was established in Naniwa-ku, Osaka-shi, and Mr. Ryosuke Ikeda, the current Representative Director and President, joined Big Aid Co., Ltd. as one of its co-founders in October 1997. In February 2000, the two companies merged, with SAINT MEDIA, INC. being the surviving company, hoping to produce synergetic effects between telemarketing and task undertaking business, and Mr. Ikeda was appointed as the president of this new company. Since then, this business group has operated personnel services with SAINT MEDIA, INC. as its core company, creating new businesses and restructuring existing businesses to keep pace with market changes. In April 2006, Will Holdings, Inc. (renamed to WILL GROUP, INC. in June 2012) was founded as a pure holding company, shifting to group business administration in order to improve the expertise of operational companies and optimize managerial resources. The Company was listed in the second section of the Tokyo Stock Exchange in December 2013, then in December 2014, designated to the first section of the Tokyo Stock Exchange.

<Business Description>

While operating the 3 core businesses of “sales outsourcing,” “call center outsourcing,” and “factory outsourcing” as its mainstay, Will Group is nurturing a variety of businesses not limited to staffing services, in order to build the next pillar for growth (related revenue is recorded in “Others.” As for the sales composition in the fiscal year ended March 2017, the sales outsourcing business accounts for 33%, the call center outsourcing 20%, the factory outsourcing 23%, the nursing care domain support business 9%, and others 15%. As for the sales composition of the 3 major businesses of sales outsourcing, call center outsourcing and factory outsourcing according to business category, worker dispatch makes up by 64% [hybrid dispatch: 35%, general dispatch: 29%], task undertaking 27%, personnel introduction 1%, and others 9%.)

Hybrid dispatch is Will Group’s original service in which a full-time employee called a field supporter (FS, a hands-on employee) works and do the same tasks with dispatched workers while managing, instructing, and educating them at a workplace. This is a strength of Will Group. As loyal field supporters conduct on-site management, they can offer high-quality services, grasp the needs of clients, and respond to them swiftly, receiving exclusive orders (Will Group becoming the exclusive service provider), increasing in-store share (ratio of Will Group’s workers in each client’s business establishment), and fortifying its client base.

Sales Outsourcing Business

SAINT MEDIA, INC.. CreativeBank INC.

Dispatching of temporary staff to provide storefront sales services at apparel, home electronic mass retail and cellular telephone shops and outsourcing of related business processes are conducted in this business segment. CreativeBank INC. was turned into a consolidated subsidiary in September 2015 and earnings derived from its sales promotion planning and operations are booked in this segment (A comprehensive support structure has been facilitated to provide sales promotion operations and sales support).

Call Center Outsourcing Business

SAINT MEDIA, INC.

Call center operators are dispatched to companies operating telemarketing services and call centers including communications companies and a growing number of finance industry companies. Will Group is also able to provide business process outsourcing of telemarketing functions because of its in-house call center.

Factory Outsourcing Business

FAJ, INC.

The consolidated subsidiary FAJ, INC. provides business process outsourcing and temporary worker dispatching services to the food manufacturing industry (Convenience store lunch boxes and other food side dishes), which is relatively stable and is not largely impacted by fluctuations in the economy, and the light work job applications (Inspecting, quality assurance, sorting, packing, others).

Nursing Care Domain Support Business

SAINT MEDIA, INC.

This is the business domain of the consolidated subsidiary SAINT MEDIA, INC. Inexperienced workers are recruited and educated, and then dispatched as assistants to certified care workers. Will Group offers job establishments not only as full-time works, but also as other various type of ones, to make the working environments comfortable to temporary workers. This business was started in the fiscal year ended March 2014, as the staffing market grew considerably because of the shortage of care workers. The company has carried out upfront investment while prioritizing business expansion over making a profit, but in the fiscal year ended March 2017, quarterly results constantly became the black.

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Others

Will Group offers the 3 prioritized businesses: “nursing care support,” “introduction of personnel specializing in the Internet and IoT fields” by NET jinzai bank, Inc. and “overseas staffing services in ASEAN countries” operated mainly by WILL GROUP Asia Pacific Pte. Ltd. In addition to these, the Group offers the 9 new businesses that are at the investment stage: the dispatch of workers to offices, etc., the introduction of personnel in the sporting field, the dispatch of assistant language teachers (ALTs), the dispatch of IT engineers, the introduction and dispatch of nursery staff, shared house operation, video utilization services, the introduction of medical doctors and nurses, and funds (incubation and HRTech)

FY3/17 Segment Sales, Operating Income

(Unit: Million yen)

	Sales	Share	YoY Change	Operating Income	Share	YoY Change
Sales Outsourcing	20,071	33.1%	+15.6%	1,489	46.1%	+22.2%
Call Center Outsourcing	12,352	20.4%	+24.3%	699	21.7%	+9.1%
Factory Outsourcing	13,697	22.6%	+32.4%	719	22.3%	+26.5%
Nursing care domain support business	5,244	8.7%	+97.6%	80	2.5%	-
Others	9,234	15.2%	+95.3%	238	7.4%	+98.1%
Adjustments	-	-	-	-1,264	-	-
Total	60,599	100.0%	+34.6%	1,963	-	+37.3%

2. First Half of Fiscal Year March 2018 Earnings Results

(1) Consolidated Earnings

(Unit: Million yen)

	1HF FY3/17	Share	1HF FY3/18	Share	YoY Change	Initial Est.	Divergence
Sales	27,872	100.0%	36,543	100.0%	+31.1%	36,500	+0.1%
Gross Profit	5,305	19.0%	7,532	20.6%	+42.0%	-	-
SG & A	4,714	16.9%	6,233	17.1%	+32.2%	-	-
Operating Income	591	2.1%	1,299	3.6%	+119.7%	1,230	+5.6%
Ordinary Income	594	2.1%	1,299	3.6%	+118.8%	1,230	+5.6%
Net Income	286	1.0%	651	1.8%	+127.6%	570	+14.2%

※Values in this table and other parts of this report include figures which have been calculated by Investment Bridge as reference values, and may differ from those of the Company (same as above).

Sales and operating income increased 31.1% and 119.7%, respectively, year on year.

Sales were 36,543 million yen, up 31.1% (8.6 billion yen), year on year, because domestic major businesses, including sales outsourcing, call center outsourcing, and factory outsourcing, were healthy. The nursing care domain support business also grew through the increase of facilities. Consequently, the organic sales rose 4.2 billion yen. The effect of M&A with Ethos Corporation Pty. Ltd., which became a consolidated subsidiary in the first half, and other two companies was 4.3 billion yen.

As for the performance of each contract type, the sales from general dispatch grew 4.7 billion yen to 16 billion yen (accounting for 43.9% of total sales), the sales from hybrid dispatch rose 1.5 billion yen to 9.5 billion yen (making up 26.3% of total sales), and the sales from the task undertaking increased 1.1 billion yen to 6.8 billion yen (occupying 18.7% of total sales). The sales from general dispatch, which is a growth driver, increased, and some clients started using the services of hybrid dispatch and the task undertaking, which have high added value. In addition, the sales from personnel introduction rose 900 million yen to 1.6 billion yen (accounting for 4.4% of total sales), and the sales from other businesses increased 300 million yen to 2.4 billion yen (making up 6.6% of total sales).

Operating income rose 119.7% (700 million yen) year on year to 1,299 million yen. In detail, the organic profit increased 500 million yen, and the effect of M&A boosted profit 200 million yen, while offsetting a goodwill amortization of about 150 million yen. Profit rate improved in every business, excluding the nursing care domain support business, where upfront investment is continued. Although an extraordinary loss of 23 million yen, including a loss on valuation of investment securities of 21 million yen, was posted, net income increased 127.6% year on year to 651 million yen.

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The number of employees as of the end of the first half was 1,634, up 394 from the end of the previous term (1,240 as of the end of the previous term). The number of field supporters was 384, up 46 from the end of the previous term (338 as of the end of the previous term).

Sales and profit by segment

(Unit: Million yen)

	1HF Y3/17	Share	1HF Y3/18	Share	YoY Change
Sales outsourcing	9,414	33.8%	10,426	28.5%	+10.8%
Call center outsourcing	6,012	21.6%	6,648	18.2%	+10.6%
Factory outsourcing	6,520	23.4%	7,661	21.0%	+17.5%
Nursing care domain support	2,389	8.6%	3,350	9.2%	+40.2%
Others	3,535	12.7%	8,456	23.1%	+139.2%
Consolidated Sales	27,872	100.0%	36,543	100.0%	+31.1%
Sales outsourcing	560	45.3%	907	45.5%	+61.9%
Call center outsourcing	297	24.0%	391	19.6%	+31.4%
Factory outsourcing	294	23.8%	420	21.1%	+42.6%
Nursing care domain support	-7	-0.6%	-40	-2.0%	-
Others	89	7.2%	315	15.8%	+251.9%
Adjustments	-644	-	-695	-	-
Consolidated operating income	591	-	1,299	-	+119.7%

Quarterly Sales, Operating Income Trends of Sales outsourcing business

(Unit: Million yen)

	17/3-1Q	2Q	3Q	4Q	18/3-1Q	2Q
Sales	4,595	4,818	5,277	5,380	5,231	5,194
Operating Income	211	349	419	510	468	438

Sales outsourcing business

The transactions for undertaking tasks in the telecommunications field and the dispatch of workers in the apparel field, mainly for existing clients, increased. As the orders from leading IT enterprises increased, the sales of CreativeBank Inc., which offers sales promotion services, rose. As for profits, profit rate improved through the revision to the conditions of contracts with existing clients and the increase of orders for undertaking tasks.

Quarterly Sales, Operating Income Trends of Call center outsourcing business

(Unit: Million yen)

	17/3-1Q	2Q	3Q	4Q	18/3-1Q	2Q
Sales	2,851	3,160	3,187	3,152	3,207	3,440
Operating Income	120	177	173	228	171	220

Call center outsourcing business

The market itself has not grown, but the company dispatched more operators who would explain how to use smartphones to customers, as the demand for after-sales services increased through the recent rapid expansion of the smartphone market, and the company offered more services to existing clients mainly for telecommunications, non-life insurance, and credit cards in the markets of BPO (outsourcing part of business processes), finance, etc. As for profits, profit rate increased, because sales grew and the company made efforts to improve marketing efficiency without increasing sales staff, to meet the enhanced demand.

Quarterly Sales, Operating Income Trends of Factory outsourcing business

(Unit: Million yen)

	17/3-1Q	2Q	3Q	4Q	18/3-1Q	2Q
Sales	3,157	3,363	3,554	3,622	3,770	3,891
Operating income	143	151	188	236	208	211

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Factory outsourcing business

While the demand for deli foods, sweets for convenience stores, boxed meals, etc. got stronger, the company increased clients by expanding target regions (establishing 2 facilities), and sales grew mainly in the food manufacturing field, where the company puts considerably energy. As for profits, personnel cost, etc. augmented due to the expansion of target regions, including the establishment of 2 facilities, but profit rate increased, because gross profit rate rose due to sales growth and the revision to contract conditions.

Quarterly Sales, Operating Income Trends of Nursing domain business

(Unit: Million yen)

	17/3-1Q	2Q	3Q	4Q	18/3-1Q	2Q
Sales	1,102	1,287	1,377	1,477	1,588	1,761
Operating income	-31	24	19	68	-46	6

Nursing care domain support business

Sales grew due to active development of facilities (5 new nursing-care facilities were built) to cultivate this field. Services, including stress check for nursing-care field, have grown steadily. Since upfront investment, including the cost for establishing new facilities and personnel expenses for strengthening sales systems, increased, operating loss was posted in the first quarter. Operating income was recorded in the second quarter due to sales growth, but it could not offset the loss in the first quarter. For the foreseeable future, the company plans to prioritize upfront investment, including the enrichment of facilities, over the securing of profit. It will secure stable profit, after the completion of activities for developing facilities. In the medium to long terms, the company plans to dispatch hands-on managers and enter the educational field.

Quarterly Sales, Operating Income Trends of Others (For Domestic)

(Unit: Million yen)

	17/3-1Q	2Q	3Q	4Q	18/3-1Q	2Q
Sales	1,110	1,191	1,181	1,641	1,576	1,669
Operating income	-14	68	20	65	19	49

For Domestic

Sales grew steadily in every business. The company made new transactions while receiving continuous orders from existing clients, because the strengthening of the marketing system for dispatching personnel to offices, etc. turned out to be effective and municipalities have high interests in enriching English education with assistant language teachers. The business of introducing personnel in the Internet and IoT fields is experiencing tailwinds from the growth of demand for executive personnel in Internet or IoT-related ventures due to the recent IPO boom. Furthermore, the services of dispatching and introducing nursery staff have grown steadily. As for profits, the business of introducing personnel in the Internet and IoT fields contributed.

Quarterly Sales, Operating Income Trends of Others (For Overseas)

(Unit: Million yen)

	17/3-1Q	2Q	3Q	4Q	18/3-1Q	2Q
Sales	601	631	847	2,028	2,368	2,841
Operating income	19	16	3	58	61	185

For Overseas

Sales and profit increased considerably, because of the good performance of Asia Recruit Holdings Sdn. Bhd. (which became a consolidated subsidiary in Jun. 2016), Ethos Corporation Pty. Ltd., and other two companies (which became consolidated subsidiaries in Jan. 2017) since the beginning of the term.

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(3) Financial Position and Cash Flow

Balance Sheet

(Unit: Million yen)

	FY3/17	FY9/17		FY3/17	FY9/17
Cash, equivalents	3,656	7,703	Payables	4,773	5,285
Receivables	9,463	9,644	Unpaid expenses	604	1,122
Real Estate for Sale	774	857	Unpaid taxes	1,287	1,641
Current Assets	14,361	18,805	Bonus reserves	435	572
Tangible assets	445	812	Interest bearing liabilities	4,361	3,894
Intangible assets	1,758	1,985	Liabilities	12,282	13,840
Investments, others	735	909	Net Assets	5,018	8,672
Noncurrent Assets	2,939	3,707	Total Liabilities, Net Assets	17,300	22,513

The total assets as of the end of the first half were 22,513 million yen, up 5,212 million yen from the end of the previous term. Cash and deposits increased, as the fifth share acquisition right (a moving strike warrant) was exercised. Inventory assets increased through the expansion of the shared house business, and intangible assets grew, as Little Seeds Service Corporation was reorganized into a 100% subsidiary in September. It operates the businesses of dispatching workers and undertaking tasks mainly in Fukushima Prefecture, which has not been covered by the Will Group sufficiently, and recorded sales of 1,357 million yen and an operating income of 80 million yen in the term ended Sep. 2016. The acquisition cost was 545 million yen. 97.9% of the above share acquisition right had been exercised as of the end of the first half, and remaining 2.1% was exercised on October 2. Equity ratio was 34.1% (23.3% at the end of the previous term).

Cash Flow Summary

(Unit: Million yen)

	1HF FY3/17	1HF FY3/18	YoY Change	
Operating cash flow (A)	-763	2,763	+3,526	-
Investing cash flow (B)	-507	-808	-301	-
Financing cash flow	1,776	1,965	+189	+10.6%
Cash, equivalents at end term	3,203	7,587	+4,384	+136.9%

Operating CF was 2,763 million yen, due to the increase in net income before taxes and other adjustments and the decrease in working capital. The deficit of investing CF augmented due to the expenditure related to M&A, but the company secured a free CF of 1,955 million yen. As for financing CF, the company procured 2,606 million yen by exercising new acquisition rights while repaying interest-bearing liabilities.

3. Fiscal Year March 2018 Earnings Estimates

(1) Consolidated Earnings

(Unit: Million yen)

	FY3/17 Act.	Share	FY3/18 Est.	Share	YoY Change
Sales	60,599	100.0%	75,000	100.0%	+23.8%
Operating Income	1,963	3.2%	2,250	3.0%	+14.6%
Ordinary Income	1,980	3.3%	2,250	3.0%	+13.6%
Net profit	1,011	1.7%	1,100	1.5%	+8.8%

No change to the full-year earnings forecast. Sales and operating income estimated to increase 23.8% and 14.6%, respectively, year on year.

There is no change to the full-year earnings forecast or the initial estimates for sales in each segment. The progress rates to the full-year earnings forecast are 48.7% for sales, 57.8% for operating income, 57.8% for ordinary income, and 59.3% for net income. The estimates for the second half are conservative, because the cost for system development, which has not been posted, will be posted in the second half and the overseas business has high volatility. They mentioned, "We think that the current business environment offers a large number of opportunities and we will conduct upfront investment for the following terms." The term-end dividend is to be 14 yen/share.

4. Progress of the mid-term managerial plan “Will Vision2020”

The mid-term managerial plan “Will Vision 2020” is ongoing, with the aim of achieving sales of 100 billion yen and an operating income of 4 billion yen in the term ending March 2020. The intensive strategic goals are (1) to grow the current 3 major businesses into No.1 in respective fields, (2) to establish 3 new businesses as another pillars, and (3) to create new business domains other than the above on a certain scale.

As the policy for return to shareholders, the company set total return ratio (ratio of the sum of dividends and acquisition of treasury shares to net income) at 30% in the term ending March 2020.

(1) To grow the current 3 major businesses into No.1 in respective fields

The concrete measures are (a) to expand the in-store share of the corporate group among clients, (b) to broaden the target area for marketing, and (c) to diversify related business domains. In the first half of the term ending March 2018, as for the expansion of in-store share, sales to existing clients increased, as the sales of the sales outsourcing business (excluding the results of CreativeBank), the call center outsourcing business, and the factory outsourcing business grew 8%, 9%, and 15%, respectively, (while the increase rate of the number of dispatched workers was only 4%, because productivity was improved). As for the expansion of target areas, the company opened 7 new facilities, and the number of footholds was 73 as of the end of the first half. By the end of the term ending March 2020, the company aims to develop a network of about 100 footholds. As for the diversification of related business domains, the company offers services of introducing bilingual personnel to existing clients and planning and operating sales promotions. For cultivating new clients, the company entered the fields of apparel, finance, and logistics, launched services of introducing workers to clinics, RPO (recruitment on behalf of clients), and websites for introducing personnel and help-wanted ads for international students, and started dispatching senior workers.

(2) To establish 3 new businesses as another pillars

The staffing service for the nursing-care and medical fields, the service of introducing personnel in the Internet and IoT fields, and the overseas staffing service are growing. As for the staffing service for the nursing-care and medical fields, the company established new facilities and opened training facilities in November for improving services. In addition, the performance of personnel introduction in the Internet and IoT fields has been improving steadily, and the overseas personnel service has been expanding rapidly thanks to the successful M&A strategies.

	FY 3/12	FY 3/13	FY 3/14	FY 3/15	FY 3/16	FY 3/17	FY 3/18 Est.
Overseas sales	60 million yen	90 million yen	120 million yen	520 million yen	980 million yen	4.1 billion yen	7.4 billion yen
No. of companies	2	2	3	3	8	17	17


※Overseas M&A was enhanced by establishing WILL GROUP Asia Pacific, an overseas undertaking corporation in February 2014, and by making a resident overseas M&A team.

(3) To create new business domains other than the above on a certain scale

Up until the end of the first half, invested in 15 ventures through corporate venture capital and conducted M&A or minor investment for 3 firms. In addition, the company has established the businesses of shared houses, the dispatch of nursery staff, the introduction of medical doctors and nurses, the website of help-wanted ads for foreign people, etc. and is developing them

Records of corporate venture capital investment (as of the end of Sep. 2017)

Corporate name	Business content	Corporate name	Business content
SECUAL Inc.	IoT home smart security	appArray, Inc.	AI-based app for English conversations
AnotherShotGolf Inc.	Golf communication service	BRAIN MAGIC Ltd.	Innovative devices for creators
Health Care Markets, Japan Inc.	Visiting nurse time sharing	Setsuro Tech Co., Ltd.	Highly efficient genome editing
KIYO Learning Co., Ltd.	Smartphone-based learning	RESVO Inc.	R&D of medicines and test agents related to FLC for schizophrenia
VISIT WORKS Co., Ltd.	Career SNS platform	BRAIN MAGIC Ltd.	Innovative device for creators

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DVERSE Inc.	Tools for producing VR content	MyDearest Inc.	Production and distribution of VR novels
MiRTeL Co., Ltd.	Super early detection of cancer and Alzheimer's disease	O:INC	App for improving sleep
HRDatabank, Inc.	International platform for employment	mama square Co., Ltd.	Operation of “mama square”

5. Conclusions

In the first half of the term ending Mar. 2018, the company achieved growth with a good balance between organic growth and M&A. As for the three major businesses, the sales from existing clients have increased, as the clients have been shifting from general dispatch (contact points with clients) to hybrid dispatch (fostering of trusting relations) and then to the task undertaking (high income), and profitability, too, improved. On the other hand, overseas M&A performance is favorable. As for overseas business, the company first offered services by itself, but changed its policy and established an intermediate holding company in 2014, to expand the business through M&A of local staffing agencies and multinational enterprises. The M&A team of the intermediate holding company started functioning, and the follow-up activities after finding and acquiring firms have been healthy.

In the first half, the company established Will Group HR Tech Fund, a corporate venture capital for investing in enterprises that offer innovative staffing services. As of now, the staffing service is thriving because of the shortage of manpower, but in the long term, productivity is expected to improve through IT and labor-saving technology. Accordingly, the company plans to preferentially invest in enterprises that offer innovative staffing services with the cutting-edge technology.

<Reference: Regarding Corporate Governance>

◎ Organization type, and the composition of directors and auditors

Organization type	Company with company auditor(s)
Directors	6 directors, including 2 external ones
Auditors	3 auditors, including 3 external ones

◎ Corporate Governance Report

Updated on Jun. 21, 2017

Basic policy

In order to make our business administration transparent and compliant with law, our company will develop a system for swiftly and flexibly responding to the changes in the business environment of the entire group of our company, while enriching corporate governance. We will implement a variety of company-wide measures for diffusing our corporate ethics, philosophy, etc. among all employees of our corporate group.

<Disclosure Based on the Principles of the Corporate Governance Code (Excerpts)>

【Principle 1-4】

(A) Policy on strategically held shares

Comprehensively considering creation of business opportunities, and establishment, maintenance and enhancement of transaction and cooperative relationships, and the like, our company will hold shares when strategically necessary.

(B) Criteria for the execution of voting rights relating to strategically held shares

Our company will determine whether or not to exercise our voting rights based on various perspectives such as medium- to long-term improvement of corporate value and enhancement of shareholder return, with sufficient respect for the management policy, strategy, and the like of companies that we invest in, not based on pros and cons in a uniform manner.

【Principle 5-1】

Our company has formulated the disclosure policy which consists of “Basic policy on information disclosure,” “Criteria for information disclosure,” “Methods for information disclosure,” “Future outlook,” and “Silent period” and published them on our website. Moreover, our policy on encouraging constructive dialogue with shareholders is as follows:

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- (1) In our company, the president and the director in charge of the Administration department proactively have dialogue and conduct IR activities to facilitate good bilateral communication with shareholders, with weight attached to fairness, accuracy, and continuity of the management strategy, business strategy, financial information, and the like.
- (2) Various departments, including not only the Administration department, but also the Management planning department, General Affairs department, Financial department, Accounting department, Legal department, and personnel in charge of each business, organically cooperate with each other to disclose information in a timely, fair and proper fashion.
- (3) Our company endeavors to enrich company information sessions for shareholders and the like, as means of dialogue.
- (4) Our company appropriately and effectively feeds back opinions or concerns of shareholders, and the like, obtained through dialogue with them to each meeting structure of our company by the president or the director in charge of the Administration department.
- (5) In addition to the silent period in accordance with the disclosure policy, our company thoroughly enforces the regulations for management of insider information.

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