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	March
Website	https://willgroup.co.jp/en/index.html

— Stock Information —

Share Price	Number of shares issued (excluding treasury shares)		Total market cap	ROE (Act.)	Trading Unit
¥1,159	22,151,732 shares		¥25,674 million	19.7%	100 shares
DPS (Est.)	**Dividend Yield (Est.)**	**EPS (Est.)**	**PER (Est.)**	**BPS (Act.)**	**PBR (Act.)**
¥18.00	1.6%	¥60.97	19.0 times	¥373.52	3.1 times

*Stock prices as of the close on November 22, 2018. Number of shares issued at the end of the most recent quarter excluding treasury shares.

— Consolidated Earnings Trends — (Unit: Million yen or yen)

Fiscal Year	Net Sales	Operating Income	Ordinary Income	Net Income	EPS (¥)	DPS (¥)
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	79,197	2,417	2,437	1,210	57.44	18.00
March 2019 Est.	100,000	2,600	2,600	1,350	60.97	18.00

*Estimated by the Company. Net Income refers to Net Income Attributable to Owners of Parent since FY 3/16. (The same shall apply hereinafter.)
* 2 for 1 stock splits were conducted in September 2015 and December 2016. (EPS has been revised retroactively.)

This Bridge Report reviews the first half of fiscal year March 2019 earnings results and fiscal year March 2019 earnings estimates of WILL GROUP, INC.

1. Company Overview
2. First Half of Fiscal Year March 2019 Earnings Results
3. Fiscal Year March 2019 Earnings Estimates
4. Conclusions

Key Points

Bridge Report

Bridge Salon

・For the first half of the term ending March 2019, sales grew significantly by 33.6% year on year. Operating income declined 15.9% year on year, due to upfront investment for achieving an operating income of 4 billion yen as a goal set in the medium-term management plan, but this decline has been estimated from the beginning of the term. Thanks to the three core businesses (care support, overseas HR, and startup personnel), the result was 28.5% larger than the initial estimate. EBITDA, which is a management index on which the company puts importance, was 1,566 million yen, up 0.6% year on year.

・There is no revision to the full-year earnings forecast. Sales and operating income are projected to increase 26.3% and 7.5%, respectively, year on year. The results in the first half were better than expected, but since “the outlook for the market environment is uncertain,” the company has not revised the full-year earnings forecast. Sales are estimated to achieve 100 billion yen as a goal set in the medium-term management plan, one year earlier than initially planned. As the company raised unit prices, the profitability of the three core businesses (sales outsourcing, call center outsourcing, and factory outsourcing) is expected to improve, offsetting the cost for upfront investment in the establishment of business footholds, the update of base systems, etc. EBITDA is forecasted to rise 13.0% year on year. The term-end dividend is to be 18 yen/share (payout ratio: 29.5%).

・In the ongoing medium-term management plan “Will Vision 2020,” the company aims to achieve sales of 100 billion yen and an operating income of 4 billion yen in the term ending March 2020, which is the final year of the plan. It is expected that the company will earn sales of 100 billion yen in the term ending March 2019 and aim to achieve sales of around 120 billion yen in the term ending March 2020. The company needs to increase operating income by 1.4 billion yen (up 54%) from 2.6 billion yen, which is the estimated figure in the term ending March 2019. The profit from the three core businesses, where the company has been faced with difficulty in securing human resources, is estimated to fall below the estimate, but the profit from the three strategic growth businesses is projected to exceed the estimate, thanks to M&A, which has not been taken into account. The company aims to attain the goals by enhancing the profitability of businesses in new fields by withdrawing from some businesses, etc. and curbing common expense by streamlining business operation through RPA, etc. As for the three core businesses, the company will enhance recruitment by improving the function of owned media, hiring seniors and women by proposing various ways of working, and so on.

1. Company Overview

WILL GROUP, INC. is a holding company that provides HR services specialized at each category such as dispatching sales support staff, call center operators and manufacturing line staff primarily to food manufacturing, and supporting nursing facilities’ personnel recruitment and temporary staffing. The main feature of the Company is the “hybrid placement service,” by which permanent employees of Will Group work alongside temporary staff in the dispatched workplace. Will Group differentiates itself from its competitors by implementing its hands-on policy as it endeavors to develop new businesses to achieve the goal of ¥100 billion in sales.

Will Group companies are SAINT MEDIA, INC., a call center outsourcing services company; FAJ, INC., a company specializing in temporary staffing exclusively in the manufacturing industry; Border Link, Inc., which dispatches Assistant Language Teachers and operates foreign language schools for kids; an advertising agency CreativeBank INC. and others, totaling up to 39 companies (including 13 domestic companies, 26 overseas companies as of the end of September 2018).

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 businesses

<WILL Vision>

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

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Bridge Salon

Working:	Business field to support **"Working"**
Interesting:	Business field to support **"Interesting"**
Learning:	Business field to support **"Learning"**
Living:	Business field to support **"Living"**

<Corporate History>

The predecessor of Will Group was Big Aid Co., Ltd., which was established in August 1997 and operated the business of undertaking short-term businesses in Naniwa-ku, Osaka-shi. Mr. Ryosuke Ikeda, who currently serves as chairman and CEO, joined Big Aid Co., Ltd. as one of founders in October 1997. In the meantime, in January 1997, SAINT MEDIA, INC., which is now a consolidated subsidiary and operated a telemarketing business, was established in Kita-ku, Osaka-shi. 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 on the second section of the Tokyo Stock Exchange in December 2013, then in December 2014, it got listed on the first section of the Tokyo Stock Exchange.

<Business Description>

While operating the three core businesses of "sales outsourcing," "call center outsourcing," and "factory outsourcing" and the three strategic growth businesses of "care support," "overseas HR," and "startup personnel support," 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 first half of the term ending March 2019, sales outsourcing business accounted for 22%, call center outsourcing business 16%, factory outsourcing business 20%, care support business 9%, overseas HR business 25%, startup personnel support business 1%, and other (Japan) less than 7%.

Here, hybrid placement service is Will Group's original service by which permanent employees called field supporters (FS, on-site employees) work and do the same tasks with contract staff 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 (clients' orders exclusively received by Will Group), increasing in-store share (ratio of Will Group's workers to all dispatched workers in each client's workplace), and fortifying its client base.

Sales Outsourcing Business **SAINT MEDIA, INC.** **CreativeBank INC.**

Dispatch of contract staff to provide storefront sales services at apparel, consumer electronics mass retail and cellular phone 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 planning/operation of its sales promotion 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.**

Will Group dispatches call center operators to companies operating call centers and telemarketing services including communications companies, while providing contract staffing for office and personnel recruitment services. The company is also able to provide a telemarketing outsourcing service at its own call centers.

Factory Outsourcing Business **FAJ, INC.**

The consolidated subsidiary FAJ, INC. provides production outsourcing involving simple tasks (inspection, quality management, sorting, packing, etc.) and places contract staff to the food manufacturing industry (lunch boxes at convenience stores, prepared food), which is least affected by economies' ups and downs.

Care 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 not only full-time jobs but also jobs with flexible working styles, to make the working environments comfortable to contract staff. 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.

Overseas HR Business

Scientec Consulting Pte. Ltd. (Singapore; reorganized into a subsidiary in August 2014), Asia Recruit Holdings Sdn. Bhd. (Malaysia; reorganized into a subsidiary in June 2016), Ethos Corporation Pty Ltd. (Australia; reorganized into a subsidiary in January 2017), DFP Recruitment Holdings Pty Ltd. (Australia; reorganized into a subsidiary in January 2018), etc. became consolidated subsidiaries of Will Group, to conduct personnel services, including the contract staffing and the recruitment of personnel, in ASEAN countries and the Oceanian region.

Startup Personnel Support Business for Startups, Inc.

In cooperation with leading entrepreneurs and investors in Japan, the company offers services of introducing candidate executives, including CxO and board members, to promising venture firms whose IPO has been completed or scheduled.

Other domestic businesses (in new fields)

Will Group offers new businesses that are at the investment stage: dispatch of assistant language teachers (ALTs), recruitment of personnel in the sporting field, dispatch of IT engineers, recruitment and dispatch of nursery staff, recruitment of medical doctors specialized for clinic, media for the placement of foreign part-time workers, dispatch and recruitment of construction engineers, and funds (incubation and HRTech)

2. First Half of Fiscal Year March 2019 Earnings Results

(1) Consolidated Earnings

(Unit: Million yen)

	1H of FY3/18	Share	1H of FY3/19	Share	YoY Change	Initial forecast	Divergence
Sales	36,543	100.0%	48,807	100.0%	+33.6%	48,000	+1.7%
Gross Profit	7,532	20.6%	9,794	20.1%	+30.0%	-	-
SG & A	6,233	17.1%	8,702	17.8%	+39.6%	-	-
Operating Income	1,299	3.6%	1,092	2.2%	-15.9%	850	+28.5%
Ordinary Income	1,299	3.6%	1,097	2.2%	-15.6%	850	+29.1%
Net Income	651	1.8%	557	1.1%	-14.4%	420	+32.8%

Operating income declined, but exceeded the initial estimate.

Sales grew 33.6% year on year to 48,807 million yen. The sales of the three core businesses fell below the initial estimate, due to the sluggishness of the communications business, in which the shipment volume of smartphones decreased, and the delay in securing personnel due to the stringency in the labor market, but the three strategic growth businesses (care support, overseas HR, and startup personnel support), mainly overseas HR business, saw steady sales growth. As C4 Inc., which dispatches and introduces construction engineers mainly in the Tohoku region, was reorganized into a subsidiary of Will Group through the acquisition of all of its shares, sales exceeded the initial estimate.

Operating income decreased 15.9% year on year to 1,092 million yen. For the three core businesses, since the company raised wages for staff before raising unit prices the company charge clients, gross profit rate dropped. The company incurred the cost for upfront investment for achieving an operating income of 4 billion yen as a goal of the medium-term management plan (200 million yen for IT investment, preparation for adapting to the IFRS, strategic recruitment, etc.). However, the drop in profit has been estimated from the beginning of the term, and operating income exceeded the initial estimate significantly thanks to the performance of the three strategic growth businesses. EBITDA (operating income + depreciation + goodwill amortization), which is a management index on which the company puts importance, was 1,566 million yen, up 0.6% year on year from 1,557 million yen.

(2) Trend by Segment

(Unit: Million yen)

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	1H of FY3/18	Share	1H of FY3/19	Share	YoY Change	Divergence
Sales outsourcing	10,426	28.5%	10,809	22.1%	+3.7%	-5.9%
Call center outsourcing	8,392	23.0%	7,762	15.9%	-7.5%	-10.7%
Factory outsourcing	7,661	21.0%	9,813	20.1%	+28.1%	-5.9%
Care support	3,350	9.2%	4,353	8.9%	+29.9%	+5.9%
Overseas HR	5,210	14.3%	12,100	24.8%	+132.2%	+15.5%
Startup personnel support	337	0.9%	536	1.1%	+59.1%	+8.1%
Others domestic business (in new fields)	1,164	3.2%	3,431	7.0%	+194.6%	-
Consolidated Sales	36,543	100.0%	48,807	100.0%	+33.6%	+1.7%
Sales outsourcing	907	8.7%	638	5.9%	-29.7%	-18.6%
Call center outsourcing	425	5.1%	284	3.7%	-33.2%	-29.2%
Factory outsourcing	420	5.5%	424	4.3%	+1.1%	-10.2%
Care support	-40	-	28	0.6%	-	-
Overseas HR	195	3.7%	465	3.8%	+138.0%	+123.0%
Startup personnel support	115	34.1%	134	25.0%	+17.1%	+10.4%
Others domestic business (in new fields)	-79	-	20	0.6%	-	-
Adjustments (including IT investment and strategic recruitment expense)	-644	-	-904	-	-	-
Consolidated operating income	1,299	3.6%	1,092	2.2%	-15.9%	+28.5%

Sales Outsourcing Business

Sales were 10,809 million yen, up 3.7% year on year, and profit was 638 million yen, down 29.7% year on year. The sales in the communications field declined, but the company saw sales growth in the non-communications field, including the dispatch of workers in the apparel industry, the dispatch of sales promotion staff, the undertaking of sales promotion, and sales promotion services offered by CreativeBank INC. As for profit, gross profit rate decreased due to the rise in wages, the decline in income from incentives in the communications field, etc. and personnel expenses augmented as marketing bases (9 branches) were established for expanding the non-communications domain.

Sales by Fields (Unit: Million yen)

	1H of FY3/18	Share	1H of FY3/19	Share	YoY Change
Communications	6,676	64%	6,389	59%	-4%
Apparel and Sales promotion	875	8%	1,331	12%	+52%
Others	2,876	28%	3,089	29%	+7%

Quarterly Sales and Profit (Unit: Million yen)

	18/3-1Q	2Q	3Q	4Q	19/3-1Q	2Q
Sales	5,231	5,194	5,737	5,490	5,371	5,437
Segment profit	468	438	446	395	281	356
Margin	8.9%	8.4%	7.8%	7.2%	5.2%	6.5%

Call Center Outsourcing Business

Sales were 7,762 million yen, down 7.5% year on year, and profit was 284 million yen, down 33.2% year on year. The dispatch and introduction of office workers, which had been included in the segment "Others" till the term ended March 2018, are included in this segment from this term. The sales increased in the financial field, where the company strived to increase clients further, but could not offset the decline in sales in the call center and office fields, and the number of dispatched staff members dropped. While sales decreased, gross profit rate, too, dropped due to the augmentation of legal welfare expenses.

Sales by Fields (Unit: Million yen)

	1H of FY3/18	Share	1H of FY3/19	Share	YoY Change

Call center and Others	6,044	72%	5,425	70%	-10%
Office	1,931	23%	1,890	24%	-2%
FInance	416	5%	447	6%	+7%

Quarterly Sales and Profit (Unit: Million yen)

	18/3-1Q	2Q	3Q	4Q	19/3-1Q	2Q
Sales	4,082	4,310	4,340	4,060	3,905	3,857
Segment profit	187	237	225	169	130	153
Margin	4.6%	5.5%	5.2%	4.2%	3.3%	4.0%

Factory Outsourcing Business

Sales were 9,813 million yen, up 28.1% year on year, and profit was 424 million yen, up 1.1% year on year. While the food product domain, including prepared food, sweets to be sold at convenience stores and boxed meals, expanded due to the active expansion of footholds, Little Seeds Service Corporation, which was reorganized into a consolidated subsidiary in September 2017, made a contribution (increasing sales 800 million yen), and the domains other than the food product one, such as the cosmetic one, expanded. While gross profit rate declined due to the rise in wages for staff, the target area for marketing expanded, boosting personnel expenses, but it was offset by sales growth. The recruitment of non-Japanese workers progressed.

For expanding the target area of marketing, four branches were established (3 branches in the 1st quarter, 1 branch in the 2nd quarter). In addition, the company formed an alliance with two colleges in Vietnam for accepting more non-Japanese technical interns and proceeded with the development of an educational program for developing personnel with necessary skills for joining Japanese enterprises and Japanese affiliated firms in Vietnam.

Sales by Fields (Unit: Million yen)

	1H of FY3/18	Share	1H of FY3/19	Share	YoY Change
Food Product	4,253	56%	4,857	49%	+14%
Other than Food Product	3,408	44%	4,956	51%	+45%

Quarterly Sales and Profit (Unit: Million yen)

	18/3-1Q	2Q	3Q	4Q	19/3-1Q	2Q
Sales	3,770	3,891	4,749	4,582	4,732	5,081
Segment profit	208	211	269	202	197	227
Margin	5.5%	5.4%	5.7%	4.4%	4.2%	4.5%

Care Support Business

Sales were 4,353 million yen, up 29.9% year on year, and profit was 28 million yen (a loss of 40 million yen posted in the same period of the previous year). In addition to active development of business bases, including establishment of three branches in the first quarter and three branches in the second quarter (the number of branches: 47 as of the end of the first half), the company enhanced employment follow-up activities and proposal for a variety of ways of working toward client enterprises. This led to more use of staff who have no experience or less experience and staff who want to work flextime, and the number of contract staff increased. The upfront investment for opening branches, etc. and expenses for increasing staff augmented, but this was offset by sales growth and improvement in gross profit rate through the revision to contracts with existing clients. Consequently, the company secured an operating income of 28 million yen.

For “Will Care Academy,” which was established for training staff from the inside and outside of Will Group, the number of the schools increased to three in the Tokyo Metropolitan Area, and the system for developing staff was developed.

Quarterly Sales and Profit (Unit: Million yen)

	18/3-1Q	2Q	3Q	4Q	19/3-1Q	2Q
Sales	1,588	1,761	1,886	1,902	2,067	2,286

Segment profit	-46	6	24	-0	-20	49
Margin	-2.9%	0.3%	1.3%	0.0%	-1.0%	2.1%

Overseas HR Business

Sales were 12.1 billion yen, up 132.2% year on year, and profit was 465 million yen, up 138.0% year on year. The businesses of consolidated subsidiaries in Singapore and Australia expanded steadily, and DFP Recruitment Holdings Pty Ltd., which offers personnel services related to office work and call centers in Australia and became a consolidated subsidiary in January 2018, contributed significantly to sales and profit.

Quarterly Sales and Profit (Unit: Million yen)

	18/3-1Q	2Q	3Q	4Q	19/3-1Q	2Q
Sales	2,368	2,841	2,847	5,112	5,806	6,293
Segment profit	21	174	84	71	263	202
Margin	0.9%	6.1%	3.0%	1.4%	4.5%	3.2%

Startup Personnel Support Business

Sales were 536 million yen, up 59.1% year on year, and profit was 134 million yen, up 17.1% year on year. Sales and profit grew, mainly thanks to the recruitment of personnel in the AI and IoT fields. The number of workers the company introduced increased 37.8% year on year from 147 to 203. The decrease in profit rate from 34.1% to 25.1% is due to the increase of staff for expanding businesses (augmentation of personnel expenses, etc.). The company released "STARTUP DB," an information platform specializing in growing industries.

Quarterly Sales and Profit (Unit: Million yen)

	18/3-1Q	2Q	3Q	4Q	19/3-1Q	2Q
Sales	132	204	172	221	245	291
Segment profit	26	88	54	39	51	83
Margin	19.7%	43.1%	31.4%	17.6%	20.8%	28.5%

Other Domestic Businesses (in new fields)

Sales were 3,431 million yen, up 194.6% year on year, and profit was 20 million yen (a loss of 79 million yen posted in the same period of the previous year). While the sales of existing businesses, including the dispatch of assistant language teachers (ALTs), the dispatch and recruitment of nursery staff, increased, C4 Inc., which dispatches and introduces construction engineers and was reorganized into a consolidated subsidiary in June 2018, and TECH RESIDENCE, which is a rental apartment building for IT engineers and creators, contributed to sales growth.

Quarterly Sales and Profit (Unit: Million yen)

	18/3-1Q	2Q	3Q	4Q	19/3-1Q	2Q
Sales	576	588	732	818	1,394	2,036
Segment profit	-23	-55	-4	6	40	-19
Margin	-4.0%	-9.4%	-0.5%	0.7%	2.9%	-0.9%

(3) Financial Position and Cash Flow

Balance Sheet (Unit: Million yen)

	3/18	9/18		3/18	9/18
Cash, equivalents	9,236	7,325	Payables	6,341	6,549
Current Assets	22,345	22,021	Unpaid expenses	1,130	1,309
Intangible assets	2,654	5,169	Interest bearing liabilities	6,347	10,478
Noncurrent Assets	5,151	8,088	Total Liabilities	17,979	22,783
Total Assets	27,496	30,109	Net Assets	9,517	7,326

Total assets as of the end of the first half were 30,109 million yen, up 2,612 million yen from the end of the previous term. Non-current assets increased, mainly due to the increase of intangible assets (goodwill: from 2,234 million yen to 4,589 million yen), as the company acquired all shares of C4 Inc., which dispatches and introduces construction engineers mainly in the Tohoku region, in June and acquired 51% of shares of Quay Appointments Pty Ltd., which dispatches workers in Australia and excels at offering services to governmental organizations, etc., in September.

On the other hand, net assets (capital surplus: -1,958 million yen; non-controlling interests: -451 million yen) decreased, as cash and deposits declined through active M&A and equity changed due to the acquisition of more shares of consolidated subsidiaries. As a result, capital-to-asset ratio dropped to 21.6% (30.0% as of the end of the previous term), but net DE ratio ([balance of interest-bearing liabilities – cash and deposits] ÷ equity capital) was 0.5 (down 0.3 from the end of the previous term), and EBITDA-adjusted interest-bearing liabilities ratio (balance of interest-bearing liabilities excluding short-term loans payable ÷ estimated EBITDA) is 2.2 (actual EBITDA-based one at the end of the previous term: 1.1). This indicates that the influence on the corporate finance is minor as a whole.

Regarding the changes in equity, the decrease in capital surplus, etc. due to the acquisition of more shares of affiliated companies

Will Group carries out M&A actively in the field of personnel services. For M&A inside Japan, the company can conduct post-merger integration appropriately, because it has been offering personnel services for about 20 years. Accordingly, it usually reorganize acquired companies into 100% subsidiaries, but in foreign countries, where it is difficult to grasp commercial customs, etc., the company makes earn-out deals in a careful manner. In the earn-out scheme, the company first acquires slightly over 50% of shares, and then acquires more shares after confirming the progress of management plans in 1 to 3 years. This will lead to the changes in equity, so capital surplus, etc. may be affected like this time. In this case, too, the influence on the corporate finance was minor, and the company plans to deal with M&A with its own funds and borrowings.

C4 Inc.

Business description : Dispatch and recruitment of construction engineers
Results for FY 3/18 : Sales: 3,494 million yen; operating income: 306 million yen; net income: 201 million yen
Acquisition price : 3,409 million yen
Goodwill (provisional) : 2,416 million yen (amortization period: 7 years)

C4 Inc. was established in 2011 for the purpose of supporting restoration after the Great East Japan Earthquake, and all engineers are experienced full-time employees. At present, its market share is about 20% in the field of dispatch of construction management engineers in the Tohoku region, and there are about 100 competitors in Japan, and C4 ranks around 10th. Domestic nominal construction investment is growing by double digits, but the number of workers in the construction field is decreasing. Accordingly, there is significant room for the growth of personnel services. The company estimates that the scale of the market of dispatch and recruitment of construction engineers is 230 billion yen and market growth rate is 9% per year. By utilizing the footholds of Will Group, it plans to expand its business area from the Tohoku region and the Tokyo Metropolitan Area to Osaka, Nagoya, and Fukuoka.

Quay Appointments Pty Ltd.

Results for FY 6/18 : Sales: 4,783 million yen; net income before taxes: 223 million yen; net income: 156 million yen
Acquisition price : 503 million yen
Goodwill (provisional) : 249 million yen
* It is assumed that 1 Australian dollar = 80.5 yen.

Cash Flow Summary (Unit: Million yen)

	1H of FY3/18	1H of FY3/19	YoY Change	
Operating cash flow (A)	2,763	737	-2,026	-73.3%
Investing cash flow (B)	-808	-3,459	-2,651	-
Financing cash flow	1,965	822	-1,143	-58.2%
Cash, equivalents at term-end	7,587	7,249	-338	-4.5%

3. Fiscal Year March 2019 Earnings Estimates

(1) Consolidated Earnings

(Unit: Million yen)

	FY3/18	Share	FY3/19 forecast	Share	YoY Change

Sales	79,197	100.0%	100,000	100.0%	+26.3%
Operating Income	2,417	3.1%	2,600	2.6%	+7.5%
Ordinary Income	2,437	3.1%	2,600	2.6%	+6.6%
Net profit	1,210	1.5%	1,350	1.4%	+11.6%

The company is estimated to achieve sales of 100 billion yen, which is a goal for the medium-term management plan, one year earlier than planned. As for profit, anticipatory expenses for the term ending March 2020 will be posted.

The results in the first half were better than expected, but since "the outlook for the market environment is uncertain," the company has not revised the full-year earnings forecast. The company plans to establish 10 footholds for sales outsourcing business, 4 footholds for factory outsourcing business, and 6-10 footholds for care support business. The upfront investment of 400 million yen for updating base systems and improving IT functions for the technological shift of operation is taken into account. The assumed profit from the overseas HR business, which is affected by exchange rates, is conservative. The company will raise unit prices in the three core businesses, and strive to make a profitable deal.

EBITDA, on which the company puts importance, is projected to rise 13.0% year on year to 3,440 million yen (3,044 million yen in the term ended March 2018).

Estimated Sale by Segment (Unit: Million yen)

	FY3/18	Share	FY3/19 forecast	Share	YoY Change
Sales outsourcing	21,654	27.3%	24,270	24.3%	+12.1%
Call center outsourcing	16,793	21.2%	18,280	18.3%	+8.9%
Factory outsourcing	16,994	21.5%	22,350	22.4%	+31.5%
Care support	7,140	9.0%	9,300	9.3%	+30.3%
Overseas HR	13,170	16.6%	20,760	20.8%	+57.6%
Others and domestic business	3,443	4.3%	5,040	5.0%	+46.3%
Consolidated Sales	79,197	100.0%	100,000	100.0%	+26.3%

※From FY3/19, dispatch and recruitment of workers to offices, which was included in "Others and domestic business," was integrated into Call center outsourcing business.

(2) Progress of the Medium-term management plan "Will Vision 2020" (FY 17/ to FY 20/3)

The company is aiming to achieve sales of 100 billion yen and operating income of 4 billion yen by FY 20/3 which is the final year of medium-term management plan "Will Vision 2020." It is expected that the company will earn sales of 100 billion yen in the term ending March 2019 earlier than expected and aim to achieve sales of around 120 billion yen in the term ending March 2020. As for operating income, the company plans to earn 2.6 billion yen in the term ending March 2019, and increase operating income by 890 million yen in the three core businesses and by 670 billion yen in the three strategic growth businesses, absorbing the 160 million yen increase of costs for developing new businesses and common expense in new business domains and achieving an operating income of 4 billion yen. The profit from the three core businesses, where the company has been faced with difficulty in securing human resources, is estimated to fall below the estimate, but the profit from the three strategic growth businesses is projected to exceed the estimate, thanks to M&A, which has not been taken into account. The company will make efforts to enhance the profitability of businesses in new fields by withdrawing from some businesses, etc. and curb common expense by streamlining business operation through RPA, etc. As for the three core businesses, the company will enhance recruitment by improving the function of owned media, hiring seniors and women by proposing various ways of working, and so on.

4. Conclusions

Currently, the bill for amending the Immigration Control Law for accepting more non-Japanese workers is under deliberation. The company considers that "If this bill passes, this will enhance the growth potential of Will Group." In factory outsourcing business, the company has already started recruiting non-Japanese workers, and such recruitment will progress also in care support business. As preparation for accepting them, the company is proceeding with the establishment of a corporation for vocational training. This is scheduled to be accredited soon, and this corporation will have the function to accept and manage technical interns. As foreign residents, including international students, are increasing, the company is proceeding with the development of related tools (media for recruitment) and the improvement of operation.

Since a system for follow-up after employment is necessary, each section is organizing a team specializing in the recruitment of non-Japanese workers. In hybrid dispatch, the company excels at supporting non-Japanese staff by using field supporters (FS, on-site employees) from outside

Japan. In addition, affiliated companies, etc. in Myanmar run educational institutions, to develop personnel by teaching the language, etc. and send them to Japan. The affiliated companies also conduct the business of personnel recruitment, so they can assist those who have returned from Japan in finding a job there (which is an advantage of Will Group in using non-Japanese workers).
The number of staff members in factory outsourcing business is now about 8,000, out of which the number of non-Japanese workers is 3,500. It increased by 1,500 in 6 months from April to September. The number of non-Japanese staff members in care support business is only 20-30, but the company is making efforts to increase them by utilizing its overseas networks. Will Group plans to recruit non-Japanese workers residing in Japan at the pace in the first half, while developing systems for coping with illegal foreign workers and conducting follow-up activities after they return to their respective countries.

<Reference: Regarding Corporate Governance>

◎ Organization type, and the composition of directors and auditors

Organization type	Company with company auditor(s)
Directors	5 directors, including 2 external ones
Auditors	3 auditors, including 3 external ones

◎ Corporate Governance Report **Updated on June 20, 2018**

Basic policy

In order to make our business administration transparent and compliant with law, our company will develop a structure 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:

(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 a 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.

To view back numbers of Bridge Reports on WILL GROUP, INC. (6089) and other companies and to see IR related seminars of Bridge Salon, please go to our website at the following url: www.bridge-salon.jp/