Ryosuke Ikeda,
Chairman and CEO

WILL GROUP, INC. (6089)

WILL GROUP

Company Information

Exchange	First Section, TSE
Industry	Services
Chairman	Ryosuke Ikeda
HQ	1-32-2 Honcho, Nakano-ku, Tokyo, Japan
Year-end	March
Website	https://willgroup.co.jp/

Stock Information

Share Price	Number of shares issued (excluding treasury shares)		Total market cap	ROE (Act.)	Trading Unit
¥889	22,236,097 shares		¥19,768 million	16.3%	100 shares
DPS (Est.)	Dividend Yield (Est.)	EPS (Est.)	PER（Est.）	BPS (Act.)	PBR (Act.)
¥18.00	2.0%	¥88.59	10.0 times	¥309.28	2.9 times

*Stock prices as of the close on June 14, 2019.

Transition in Consolidated Performance (IFRS from the term ending March 2020)

Fiscal Year	Net Sales	Operating Income	Ordinary Income	Profit attributable to owners of parent	EPS (¥)	DPS (¥)
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	2,422	2,441	1,222	57.44	18.00
March 2019	103,603	2,547	2,636	1,231	55.58	18.00
March 2020 Est	120,000	4,000	3,800	1,970	88.59	18.00

*Estimated by the Company. (Unit: Million yen or yen)

*2 for 1 stock splits were conducted in December 2016. (EPS of the term ending March 2016 has been revised retroactively.)

This Bridge Report reviews fiscal year March 2019 earnings results and fiscal year March 2020 earnings estimates of WILL GROUP, INC.

Contents

Key Point

- **For the term ended March 2019, sales and operating profit grew 30.8% and 5.2%, respectively, year on year. While the 3 core businesses showed a 6% stable growth, the sales of the 3 businesses on which the company concentrates increased 74% year on year, and the new business, which will lead further growth, grew 3 times year on year. The company achieved sales of 100 billion yen, which is a goal for the final fiscal year (FY 3/2020) of the mid-term plan, one year earlier than expected, offsetting the expenses for improving the treatment of staff, investing in IT, and applying IFRS, and also strategic recruitment cost, etc. The company plans to pay a term-end dividend of 18 yen/share (payout ratio: 32.4%).**

- **For the term ending March 2020, to which IFRS will be applied, sales revenue is estimated to be 120 billion yen (103.6 billion yen for the term ended March 2019, according to the Japanese accounting standard), and the company aims to achieve an operating profit of 4 billion yen (2.54 billion yen for the previous term), which is a mid-term goal. Sales and profit are projected to increase, mainly in the businesses of factory outsourcing, nursing care business support, overseas HR, and startup personnel support. Through the application of IFRS, the cessation of goodwill amortization, etc. will boost operating profit. The dividend is to be 18 yen/share, but the estimated payout ratio is 20.3%. In order to achieve a target total return ratio of 30%, the company is expected to increase the dividend or acquire treasury shares.**

- **The final fiscal year of the mid-term management plan “Will Vision 2020” (FY 3/2017 to FY 3/2020) has begun. As the sales and operating profit in the term ended March 2016 before the start of the mid-term plan were 45 billion yen and 1.4 billion yen, respectively, sales and operating profit are expected to grow 2.7 times and 2.8 times, respectively, in the 4 years. As the core businesses have been growing, managerial strategies for sound sections that are still loss-making worked well, and the businesses of nursing care business support and overseas HR are becoming revenue pillars. In addition, the company has paved the way for hiring foreign workers earlier than competitors. The expansion of the market of foreign worker dispatch services and the shortage of manpower in Japan will continue. The company is expected to grow its business further even after the mid-term management plan “Will Vision 2020.”**

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.
There are 48 group companies (15 companies inside Japan and 33 companies outside Japan as of the end of March 2019), including Saint Media Inc., which deals with the outsourcing of sales and call center operation, CreativeBank Inc., which carries out sales promotion, FAJ, Inc., which offers services specializing in manufacturing, and overseas subsidiaries that offer staffing services mainly in Asia and Oceania.

【1-1. 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 field to support **"Working"**
Interesting:	Business field to support **"Interesting"**
Learning:	Business field to support **"Learning"**
Living:	Business field to support **"Living"**

【1-2 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).
As for the sales composition in the term ending March 2019, sales outsourcing business accounted for 21%, call center outsourcing business 15%, factory outsourcing business 20%, care support business 9%, overseas HR business 25%, startup personnel support business 1%, and other 8%.

(1) 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).

(2) 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.

(3) 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.

Strengths of the worker dispatch business of Will Group: hybrid dispatch

The worker dispatch service of Will Group is unique in that its full-time employees called field supporters (FS) work with temporary staff, while managing, instructing, and educating them on a daily basis in each workplace. This is a strength of the company. As loyal field supporters engage in hands-on management, the company can offer high-quality services, grasp and respond to customer needs swiftly, receive exclusive orders, expand its in-store share, and establish a robust customer base.

(4) 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 conducted upfront investment while prioritizing business expansion over profit, and entered the recoupment phase in the term ended March 2019.

(5) 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.

(6) 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.

In other businesses, Will Group offers 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. Fiscal Year March 2019 Earnings Results

(1) Business Performance

	FY3/18	Share	FY3/19	Share	YoY Change	Initial forecast	Divergence
Sales	79,197	100.0%	103,603	100.0%	+30.8%	100,000	+3.6%
Gross Profit	16,058	20.3%	20,335	19.6%	+26.6%	-	-
SG & A	13,636	17.2%	17,787	17.2%	+30.4%	-	-
Operating Income	2,422	3.1%	2,547	2.5%	+5.2%	2,600	-2.0%
Ordinary Income	2,441	3.1%	2,636	2.5%	+8.0%	2,600	+1.4%
Profit attributable to owners of parent	1,222	1.5%	1,231	1.2%	+0.7%	1,350	-8.8%

(Unit: Million yen)

*Values include estimate values that Investment Bridge Co.,Ltd calculated, and errors might happen between actual values and estimate ones (The followings are the same).

The company achieved sales of 100 billion yen, which is a mid-term goal, one year earlier than expected, offsetting upfront investments and increasing operating profit 5.2% year on year.
Sales were 103,603 million yen, up 30.8% year on year. While the 3 core businesses showed a 6% stable growth, the sales of the 3 businesses on which the company concentrates increased 74% year on year, and the total sales in these business domains reached around 100 billion yen. The new business, which will lead further growth, grew 3 times year on year.
As for profit, the company increased the average wage to staff before increasing the average charge to customers in the 3 core businesses, increasing cost rate by 0.7 points. SGA augmented 30.4% year on year, due to the posting of expenses for investing in IT and applying IFRS and also for strategic recruitment (250 million yen), but it was offset by sales growth. Operating profit was 2,547 million yen, up 5.2% year on year.
Ordinary profit rose 8.0% year on year to 2,636 million yen, due to the posting of gain from investment partnership (27 million yen) and the increase in revenue from subsidies (from 76 million yen to 108 million yen), but tax burden ration augmented from 38.1% to 45.6%. Consequently, net profit rose slightly by 0.7% year on year to 1,231 million yen. EBITDA, on which the company puts importance, was 3,637 million yen, up 20.5% year on year (3,044 million yen in the previous term), exceeding the initial estimate: 3,440 million yen.
The term-end number of employees was 3,529, up 1,485 from the end of the previous term. The number of field supporters is 900, up 418 from the end of the previous term.

The company plans to pay a term-end dividend of 18 yen/share (payout ratio: 32.4%).

(2) Trend by Segment

Unit: Million yen	FY3/18	Share	FY3/19	Share	YoY Change	Initial forecast	Divergence
Sales outsourcing	21,654	27.3%	22,207	21.4%	+2.6%	24,270	-8.5%
Call center outsourcing	16,793	21.2%	15,724	15.2%	-6.4%	18,280	-14.0%
Factory outsourcing	16,994	21.5%	20,885	20.2%	+22.9%	22,350	-6.6%
Care support	7,140	9.0%	9,310	9.0%	+30.4%	9,300	+0.1%
Overseas HR	13,170	16.6%	26,275	25.4%	+99.5%	20,760	+26.6%
Startup personnel support	731	0.9%	1,049	1.0%	+43.5%	1,150	-8.8%
Others domestic business (in new fields)	2,712	3.4%	8,151	7.9%	+200.5%	3,870	+110.6%
Consolidated Sales	79,197	100.0%	103,603	100.0%	+30.8%	100,000	+3.6%
Sales outsourcing	1,749	8.1%	1,537	6.9%	-12.1%	1,810	-15.1%
Call center outsourcing	820	4.9%	833	5.3%	+1.6%	950	-12.5%
Factory outsourcing	891	5.2%	1,038	5.0%	+16.5%	1,180	-12.4%
Care support	-16	-	182	2.0%	-	80	+109.9%
Overseas HR	356	2.7%	428	1.6%	+20.2%	310	+36.0%
Startup personnel support	208	28.5%	269	25.7%	+29.0%	300	-10.2%
Others domestic business (in new fields)	-77	5.2%	143	1.8%	-	0	-!
Adjustments	-1,511	-	-1,886	-	-	-2,030	-
Consolidated operating income	2,422	3.1%	2,547	2.5%	+5.2%	2,600	-

*Unit: Million yen

Sales Outsourcing Business

Sales were 22,207 million yen, up 2.6% year on year, while profit was 1,537 million yen, down 12.1% year on year. As for Saint Media's service of dispatching in-store sales staff, etc., the sales in the communications domain, which is mainstay, declined due to the decrease of shipments of smartphones in Japan, the curtailment of sales promotion expenses by customers, etc., but the sales in the apparel domain grew through the expansion of the business area. The sales promotion dealt with by CreativeBank Inc. increased. As the breakdown of sales of 22.2 billion yen (21.6 million yen in the previous term), communications account for 12.6 billion yen (13.6 billion yen in the previous term), apparel and SP 2.9 billion yen (2.1 billion yen in the previous term), and others 6.7 billion yen (6 billion yen in the previous term).

As for profit, while gross profit rate decreased due to the drop in income from incentives in the communications domain, the augmentation of outsourcing cost, etc., the company incurred the rise in personnel cost due to the increase of business establishments for the expansion of the non-communications domain.

Call Center Outsourcing Business

Sales were 15,724 million yen, down 6.4% year on year, while profit was 833 million yen, up 1.6% year on year. Office-related sales grew, but call center-related sales declined because of the decrease of staff caused by stagnant recruitment. As the breakdown of sales of 15.7 billion yen (16.7 billion yen in the previous term), call centers account for 10.8 billion yen (12.3 billion yen in the previous term), offices 4 billion yen (3.5 billion yen in the previous term), and finance 900 million yen (900 million yen in the previous term).

As for profit, the improvement in productivity reduced SGA, and offset the effect of drop in sales.

Factory Outsourcing Business

Sales were 20,885 million yen, up 22.9% year on year, while profit was 1,038 million yen, up 16.5% year on year. The factors in increasing sales are (1) the increase of transactions with existing customers mainly in the food manufacturing field, (2) the expansion of business target areas (opening 7 new branches), (3) the full-term contribution of Little Seeds Service Corporation, which became a consolidated subsidiary in September 2017 (raising sales by 800 million yen), and (4) the expansion of the non-food business domain, such as cosmetics. The company enhanced the recruitment of foreign workers and increased non-Japanese field supporters, and worked

on the improvement of retention rate of foreign staff, increasing dispatched staff and meeting the strong demand for workers. Out of sales of 20.8 billion yen (16.9 billion yen in the previous term), food products account for 10.3 billion yen (8.9 billion yen in the previous term), and non-food products make up 10.5 billion yen (8.1 billion yen in the previous term), occupying the majority.
As for profit, costs for personnel, etc. augmented due to the expansion of business target areas, but sales growth offset it.

Care Support Business

Sales were 9,310 million yen, up 30.4% year on year, while profit was 182 million yen (a loss of 16 million yen in the previous term). The number of dispatched workers increased, as the company supported employment by dealing with unexperienced or less-experienced staff and part-time workers, and proposed diverse ways of working to client enterprises.
As for profit, upfront investments for opening branches, etc. augmented, but the number of business establishments that have been operated for 3 or more years and started earning revenue increased, the conditions of contracts with clients were revised, and the sales from introduction of nursing staff, which is highly profitable, expanded. Consequently, gross profit ratio improved, and operating profit became positive.
The term-end number of business establishments is 47 (41 as of the end of the previous term). Among them, the number of business establishments that have been operated for 3 or more years is 30 (27 as of the end of the previous term), and the number of other business establishments is 17 (14 as of the end of the previous term). The company also proceeded with the preparation for the service of undertaking the management of foreign workers (on-the-job trainees and personnel with particular skills), who are strongly demanded by nursing-care facilities.

Overseas HR Business

Sales were 26,275 million yen, up 99.5% year on year, while profit was 428 million yen, up 20.2% year on year. The performance of consolidated subsidiaries in Singapore and Australia improved. DFP Recruitment Holdings Pty Ltd., which became a consolidated subsidiary in April 2018, Quay Appointments Pty Ltd., which became a consolidated subsidiary in September 2018, and other two companies, The ChapmanConsulting Group Pte. Ltd., which became a consolidated subsidiary in January 2019, and other 6 companies contributed (the subsidiaries that were included in the scope of consolidation in the term ended March 2018 account for 8.9 billion yen of sales, and the subsidiaries that were included in the scope of consolidation in the term ended March 2019 make up 2.2 billion yen of sales).

Startup Personnel Support Business

Sales were 1,049 million yen, up 43.5% year on year, while profit was 269 million yen, up 29.0% year on year. The number of workers introduced increased from 315 in the previous term to 400, as the company increased the number of consultants from 28 at the beginning of the term to 41 at the end of the term and implemented measures for improving matchmaking precision. The sales growth offset the augmentation of personnel cost and upfront investments for releasing “STARTUP DB,” an information platform specializing in growing industrial fields, leading to the increase in profit.

Other

Sales were 8,151 million yen, up 200.5% year on year, while profit was 143 million yen (a loss of 77 million yen in the previous term). C4 Inc., which dispatches and introduces construction engineers and became a consolidated subsidiary in Junary 2018, contributed to sales (3.2 billion yen). The sales from the dispatch of assistant language teachers (ALTs) and the dispatch/introduction of nursery staff increased. As for profit, the augmentation of cost for investment for developing new businesses, including “Joboty,” media for introducing part-time jobs for foreign people, and “Visamane,” a system for managing residence cards, was offset by the effects of sales growth and the withdrawal from money-losing businesses.

(3) Financial Position and Cash Flow

◎Balance Sheet

	3/18	3/19		3/18	3/19
Cash, equivalents	9,236	6,958	Payables	6,348	7,652
Account Receivable	11,661	14,513	Unpaid expenses	1,130	1,297
Inventory	1,046	1,075	Unpaid Income Tax, and Consumption Tax etc.	1,807	2,327
Current Assets	22,345	23,162	Provision for bonuses	564	863
Tangible Fixed Assets	958	1,319	Interest bearing liabilities	6,347	11,453
Intangible Fixed Assets	3,365	7,650	Total Liabilities	18,234	26,249
Other Investment	1,426	2,083	Net Assets	9,860	7,964
Fixed Assets	5,749	11,052	Total Liability and Net Assets	28,095	34,214

*Unit: Million yen

Term-end total assets were 34,214 million yen, up 6,119 million yen from the end of the previous term due to business expansion and M&A. Noncurrent assets increased, because the company acquired all shares of C4 Inc., which dispatches and introduces construction engineers mainly in the Tohoku area, in June, acquired 51% of shares of Quay Appointments Pty Ltd., which dispatches workers in Australia and offers services to governmental organizations, etc., in September, and acquired 51% of shares of The Chapman Consulting Group Pte. Ltd., which introduces personnel and offers consulting services mainly in Singapore, and also in Hong Kong, Japan, the U.S., China, U.A.E., and Australia, in January 2019. On the other hand, net assets decreased due to the change in equity after the additional acquisition of shares of consolidated subsidiaries with the earnout scheme.

As a result of active M&A, capital-to-asset ratio dropped 9.3 points from 29.4% at the end of the previous term to 20.1%. The company expects that “the effect of M&A has been reflected in EBITDA, and will be reflected also in the balance sheet,” and thinks that their interest-bearing liabilities are within their control and can be repaid in a few years.

Net DE ratio ([Balance of interest-bearing liabilities – Cash and deposits] ÷ Equity capital): Negative 0.3 in FY 3/2018 → 0.7 in FY 3/2019
Goodwill-net assets ratio (Goodwill balance ÷ Equity capital): 0.2 in FY 3/2018 → 0.7 in FY 3/2019
EBITDA-adjusted interest-bearing liabilities ratio (Balance of interest-bearing liabilities [excluding short-term debts] ÷ EBITDA): 1.1 in FY 3/2018 → 2.7 in FY 3/2019

◎Cash Flow Summary

	FY3/18	FY3/19	YoY Change	
Operating cash flow	3,503	2,079	-1,424	-40.7%
Investing cash flow	-2,095	-5,715	-3,620	-
Financing cash flow	3,971	1,372	-2,599	-65.4%
Cash, equivalents at term-end	9,159	6,862	-2,297	-25.1%

*Unit: Million yen

Operating CF is composed of a pretax profit of 2,625 million yen, a depreciation of 424 million yen, etc. Operating CF declined from the previous term, due to the increase of working capital.

(4) The achievement of M&A

C4 Inc.

In June 2018, the company acquired all shares of C4 Inc., which dispatches and introduces construction engineers mainly in the Tohoku area.

Headquartered in	:	Kanagawa Prefecture
Business description	:	Dispatch and introduction of construction engineers
Results for FY 3/2018	:	sales: 3,494 million yen, operating profit: 306 million yen, net profit: 201 million yen
Acquisition price	:	3,409 million yen

Quay Appointments Pty Ltd.

In September 2018, the company acquired 51% of shares of Quay Appointments Pty Ltd., which is good at offering staffing services to governmental organizations in Australia.

Headquartered in	:	Australia
Business description	:	Dispatch and introduction of workers
Results for FY 6/2018	:	sales: 4,783 million yen, pretax net profit: 223 million yen, net profit: 156 million yen
Acquisition price	:	503 million yen

*It was assumed that 1 Australian dollar = 80.5 yen.

The Chapman Consulting Group Pte.Ltd.

In January 2019, the company acquired 51% of shares of The Chapman Consulting Group Pte. Ltd., which offers personnel introduction and consulting businesses specializing in HR mainly in Singapore and also in Hong Kong, Japan, the U.S., China, U.A.E., and Australia.

Headquartered in	:	Singapore
Major business	:	Introduction of personnel
Results for FY 12/2017	:	sales: 1,133 million yen, pretax net profit: 315 million yen, net profit: 260 million yen
Acquisition price	:	1,888 million yen

*It was assumed that 1 Singaporean dollar = 80 yen

3. Fiscal Year March 2020 Earnings Estimates

(1) Performance Forecast (Consolidated Earnings)

	FY3/19	Share	FY3/20 IFRS	Share	YoY Change
Sales	103,603	100.0%	120,000	100.0%	-
Operating Income	2,547	2.5%	4,000	3.3%	-
Ordinary Income Before Income Taxes	2,625	2.5%	3,800	3.2%	-
Profit attributable to owners of parent	1,231	1.2%	1,970	1.6%	-

*Unit: Million yen

Aiming for an increase in the international comparability of financial information, the International Financial Reporting Standards (IFRS) will be arbitrarily applied from the consolidated financial statements of the annual securities report of FY 3/2019 (to be submitted on June 19). Along with the application of IFRS, goodwill amortization will be ceased and compared to the conventional Japanese standard, the operating profit for FY 3/2020 will increase by about 700 million yen due to parts of the operating profit/loss and extraordinary profit/loss of the Japanese standard being posted under operating profit/loss stages. The financial impact on the profit-and-loss statement is as follows.

Stopping of goodwill amortization	Impact on operating profit Approximately 900 million yen	
Stock-based remuneration expenses	Impact on operating profit Approximately -200 million yen	
Paid leave reserves	Impact on operating profit Approximately -100 million yen	
Rearrangement of Operating Profit	Impact on operating profit Approximately 100 million yen	Total Impact on operating profit Approximately 700 million yen

Aiming for achieving a target operating profit of 4 billion yen in the mid-term management plan

Mainly in the segments of factory outsourcing, nursing care business support, overseas HR and startup personnel support, sales and profits are expected to increase. As for profit, the expenses for promoting the new service brand will increase by 80 million yen, but the application of IFRS will boost operating profit by 700 million yen as mentioned above. (Operating profit under the Japanese standard is 3.3 billion yen). EBITDA is estimated to be 4.7 billion yen, up 28.1% year on year.

The term-end dividend is projected to be 18 yen per share (payout ratio: 20.3%). Under the medium-term management plan, the shareholder return goal for FY 3/2020 is a total return ratio of 30%. The total return ratio of 30% will be accomplished by either acquiring treasury shares or by increasing the dividend.

(2) Estimated Sale by Segment

	FY3/19	Share	FY3/20 forecast	Share	YoY Change
Sales outsourcing	22,207	21.4%	22,600	18.8%	+1.8%
Call center outsourcing	15,724	15.2%	15,750	13.1%	+0.2%
Factory outsourcing	20,885	20.2%	25,000	20.8%	+19.7%
Care support	9,310	9.0%	10,500	8.8%	+12.8%
Overseas HR	26,275	25.4%	35,100	29.3%	+33.6%
Startup personnel support	1,049	1.0%	1,300	1.1%	+23.9%
Others domestic business (in new fields)	8,151	7.9%	9,750	8.1%	+19.6%
Consolidated Sales	103,603	100.0%	120,000	100.0%	+15.8%
Sales outsourcing	1,537	6.9%	1,550	6.9%	-
Call center outsourcing	833	5.3%	720	4.6%	-
Factory outsourcing	1,038	5.0%	1,360	5.4%	-
Care support	182	2.0%	470	4.5%	-
Overseas HR	428	1.6%	740	2.1%	-
Startup personnel support	269	25.7%	300	23.1%	-
Others domestic business (in new fields)	143	1.8%	160	1.6%	-
Adjustments	-1,886	-	-1,300	-	-
Consolidated operating income	2,547	2.5%	4,000	3.3%	-

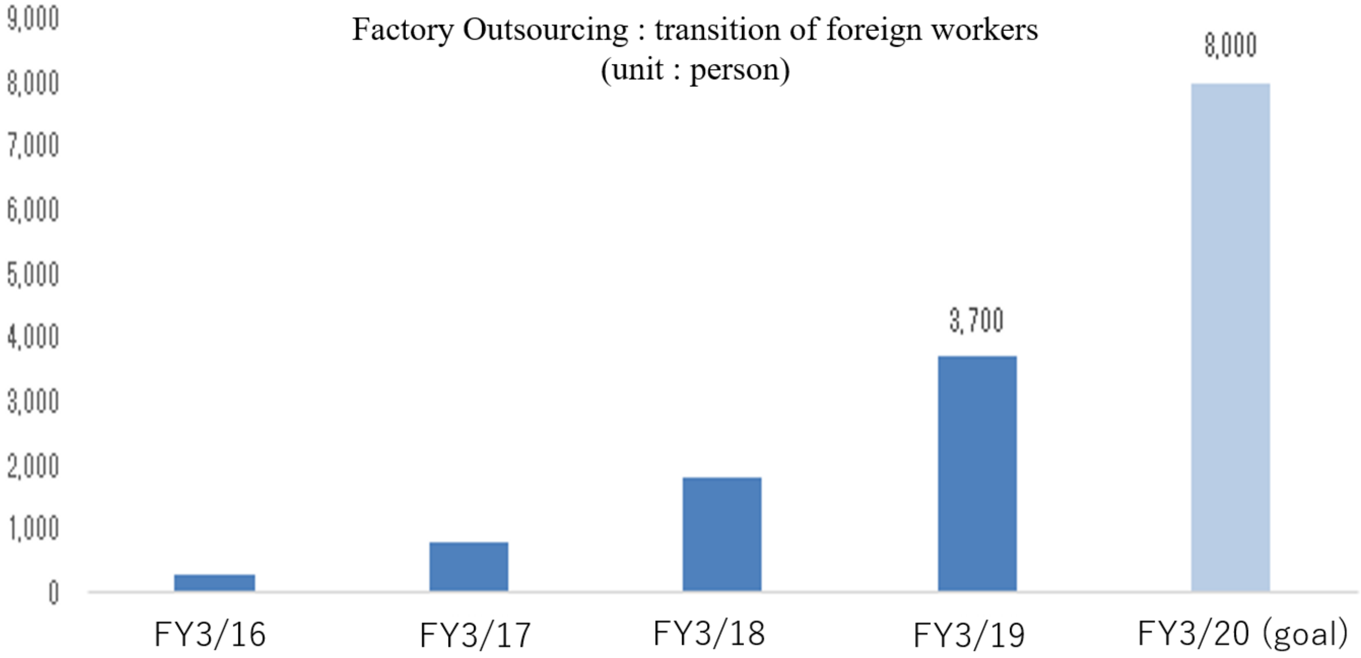
*Unit: Million yen

Three Core Businesses

The sales from factory outsourcing, where the sales of both food and non-food products (cosmetics, distribution etc.) are expanding, will increase. Sales outsourcing will see an increase in the non-communication field (apparel, marketing, etc.), but the reduction in the communication field will result in only a marginal increase in sales from the previous term, and the sales from call center outsourcing, which is shifting from temporary employee placement to subcontracting, is expected to remain at the same level as the previous term. As for profit, the increase in labor costs accompanying the increase of subcontracting will result in a decline in profit from call center outsourcing, but with the increase in sales due to the expansion of business and the improvement in gross profit margin, the profit from factory outsourcing will significantly increase.

Increasing Sales in Factory Outsourcing through Utilization of Foreign Workers

At the end of FY 3/2019, there were 3700 foreign workers working in the business of factory outsourcing (approximately 40% of all workers) and the aim for the end of FY 3/2020 is set at about 8000 foreign workers. The company is supporting its foreign workers (mainly Vietnamese and Burmese) by appointing its foreign employees as field supporters and coordinators. Further, in order to implement quality control as a foreigner recruitment channel that cannot be entrusted to third parties, the company is also operating a Japanese language school in Myanmar (usually about 100 students taught at full capacity). The opening of a recruitment route to the Philippines and Indonesia is also being considered.



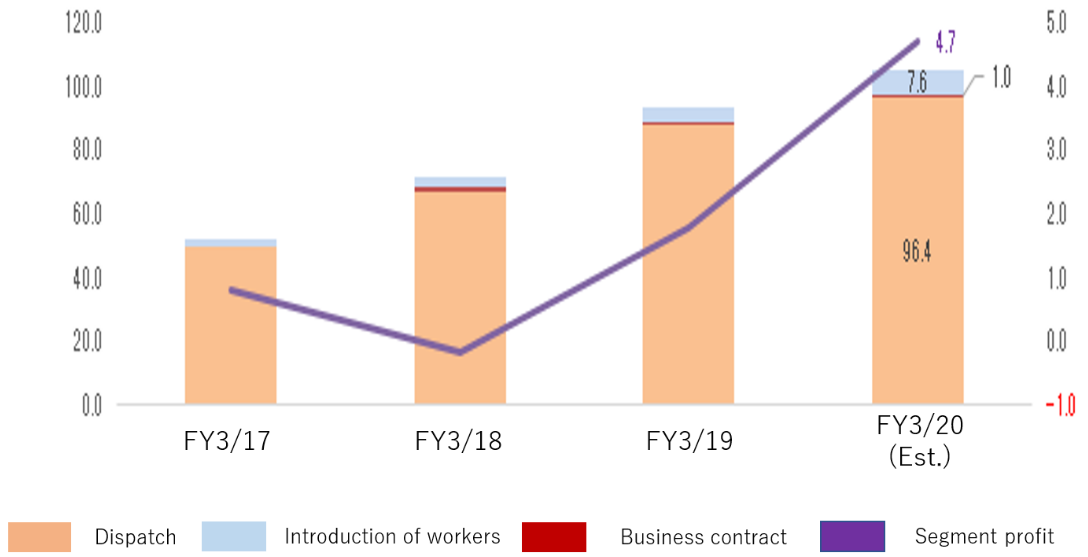
Three Focused Businesses

The improvement of performance of existing consolidated subsidiaries and the full-term contribution of the subsidiary consolidated in FY 3/2019 will result in a significant increase in the sales of overseas HR and mainly for the introduction of personnel with high profitability, sales of nursing care business support will increase. Further, startup personnel support is expected to steadily increase mainly in existing businesses. As for profit, due to the increase of introduction of personnel with high profitability and productivity, the profit ratio of the nursing care business support will improve and the profit ratio of overseas HR is also expected to improve due to the effect of sales growth. On the other hand, the upfront investment for increasing recruitment consultants for the startup personnel support will be offset by an increase in sales.

Nursing Care Business Support Entering the Recovery Period

The number of business establishments reached 47 by the end of FY 3/2019 and a system covering almost the entire nation was put in order (should the company opens a new one, the number of new business establishments opened will be 1 to 3 per year). Their business establishments move into the black in 3 years after opening. 30 business establishments had been operated for over 3 years since they were opened as of the end of the previous term and by the end of the current term, the number of business establishments that will be open for three years or more since opening will go up to 40. Further, with the need to employ qualified people as full-time employees, personnel introduction is also increasing. Personnel introduction has been conducted mainly in the Tokyo Metropolitan Area and other metropolitan areas but by utilizing the 47 footholds, it will be expanded to all over the country.

Nursing Care Business Support sales and profits by contract
(unit : 100 million yen)



Expansion of Overseas HR through New Consolidation and Strengthening of Cooperation between Subsidiaries

Consolidated statements started including Quay Appointments Pty Ltd (Australia), which manages the dispatching and introduction of personnel for office work, accounting, finance, and IT related work targeted at government agencies in October 2018, The Chapman Consulting Group Pte. Ltd. (Singapore), which manages the introduction of personnel in the HR field in February 2019 and u&uHoldings Pty Ltd. (Australia), which manages the introduction and dispatching of personnel for government agencies and major companies, executive search, IT, accounting and finance, and HR related work in April 2019. These 3 companies are expected to increase sales by around 300 million yen.

Further, Mr. Matt Beath, the president of the consolidated subsidiary EBC Singapore (a personnel matchmaking firm specializing in finance in Singapore), took over the position of CEO for the on-site intermediary stock-holding company. Till recently Mr. Ikeda, chairperson and CEO, has been supervising overseas businesses, but with the increase of companies and the expansion of the scale of business, he entrusted the supervision of overseas businesses to Mr. Matt Beath. Through his nearly 20 years of business experience in personnel service in Southeast Asia and Oceania, Mr. Beath has thorough knowledge of the local markets. As the head of the intermediary stock-holding company, he shall engage in business expansion with synergy between group subsidiaries.

Others

An increase in sales is expected due to the contribution of subsidiaries consolidated in FY 3/2019 and the contribution of existing businesses and consolidated subsidiaries, which will offset upfront investment in new businesses, such as HR Tech.

(3) Unification of Service Brands **Unification of corporate names under the title of "WILLOF" in October 2019**

Service Brand Logo

WILLOF

"WILLOF," while being a part of the company name, is also a word coined by combining the words "Will" and "Of." Under the positive will that is the DNA of WILLGROUP, they want to support the will of many people, from businesspeople and senior workers to housewives and foreign workers. They also want to expand their space for activities, including the "labor" domain, while capitalizing on their group synergy. The name was created with such ambition.

On October 1, 2019, the company name of Saint Media Inc., which manages personnel services in the sales, call center and nursing care fields, will be changed to WILLOF Work Inc., the company name of FAJ Inc., which manages personnel services for factories, will be changed to WILLOF Factory Inc. and the company name of Mars Sports Agent Inc., which manages personnel services specializing in sports industries, will be changed to WILLOF Sports Inc.

Background and Aim of Brand Unification

The aim of brand unification is to have high name recognition through integration into one brand and to increase the efficiency of the recruitment process. Increasing recruitment efficiency is indispensable for further increasing earnings and profitability of existing businesses. Till now, the receipt of orders was given top priority and every company and service in the group would receive the orders through their respective brands but currently, orders cannot be responded to due to labor shortages. Thus, initiatives will be taken from now on to give maximum priority to increasing recruitment efficiency and order receipt capacity.

Further, since seizing growth opportunities through the creation of a new brand is also the aim of brand unification, a brand vision called "Chance-Making Company" was also set up. "Chance-Making Company" is the process of presenting growth opportunities through work to men and women of all ages including foreign workers. The corporate strategy and services will be reconsidered from the basics in order to create a brand that can give abundant growth opportunities.

4. Conclusions

The final fiscal year of the mid-term management plan "Will Vision 2020" (FY 3/2017 to FY 3/2020) has begun. As the sales and operating profit in the term ended March 2016 before the start of the mid-term plan were 45 billion yen and 1.4 billion yen, respectively, sales and operating profit are expected to grow 2.7 times and 2.8 times, respectively, in the 4 years. As the core businesses have been growing, managerial strategies for sound sections that are still loss-making worked well, and the overseas HR business has grown and is expected to earn sales of 35 billion yen in the term ending March 2020, improving profitability. In addition, the nursing care business support has expanded, and is expected to earn sales of over 10 billion yen in the term ending March 2020. As for profit, the company has moved into the black as planned. In addition, the company has already paved the way for hiring foreign workers. It is noteworthy that the company has not only recruited workers, but also developed systems for recruiting and training workers in each region and offering hands-on support, including mental care.

It is true that the increase in profit due to the adoption of IFRS will help achieve the mid-term goal. This is controversial, and the company humbly recognizes that "we first set a goal of 4 billion yen in the Japanese standard, so the result is not undisputed." However, the effect of boosting profit can be exerted only when the profitability of subsidiaries acquired in the past remains. Therefore, the company aims to the initially set goal: 4 billion yen as of now. The expansion of the market of foreign worker dispatch services and the shortage of manpower in Japan will continue. We would like to expect that the company will complete the mid-term management plan "Will Vision 2020" and grow its business further.

<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 19, 2019

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　Cross held shares】

(1) Policies Regarding Cross-holding

Our company does not own any cross-held shares. We shall not own any such stocks in the future except cases where, taking into consideration the creation of business opportunities and the development, maintenance and strengthening of transactions and cooperative relations, we conclude that possessing such stocks will contribute to an increase in middle and long-term value of our company. After our company owns such stocks, if we decide, as per the policies mentioned above, that the benefit from owning these stocks is insufficient, we shall swiftly cut down these stocks.

(2) Details of discussion regarding cross-held shares

In the case of our company possessing cross-held shares, the board of directors will periodically evaluate the economic rationality, such as return on investment, regarding merits, risks and capital costs of possessing such stocks as well as future prospects and make a decision on whether to keep holding such stocks.

(3) Criteria for the Exercise of Voting Rights regarding Cross-held Shares

Regarding the exercise of voting rights related to cross-held shares, instead of unilaterally making a decision, decisions will be made on each item of the agenda individually, from a point of view of increasing company value in the middle and long-term as well as increasing returns for shareholders, while respecting the management policies and strategies of the company being invested in.

【Principle 5-1 Policies related to Constructive Interaction with Shareholders】

Our company has formulated a disclosure policy composed of "Basic Policy regarding Information Disclosure," "Standards for Information Disclosure," "Methods of Information Disclosure," "Regarding Future Prospects" and "About the Quiet Period," which we have publicly announced on our website. Further, the following are our policies aimed at promoting constructive interaction with our shareholders.

(1) In our company's IR activities, the representative director and executive officers in charge of the finance department aggressively take part in dialogues and aim for communication that is favorable to both sides while focusing on fairness, accuracy and continuity with regard to management and business strategies, financial information etc.

(2) The finance department takes a central role, and the management planning, general affairs, financial affairs, accounting, and legal affairs departments and the people in charge of each business shall work in coordination with each other and carry out the disclosure of information in a timely, fair and suitable fashion.

(3) As a means for interaction, we shall engage in the enrichment of company information sessions for shareholders.
(4) The opinions and worries of shareholders understood in our interactions will be reviewed appropriately and effectively in all our company meetings through the representative director and executive officers in charge of the finance department.
(5) In addition to setting up a quiet period based on our disclosure policies, we shall also apply and enforce regulations regarding the 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/