Ryosuke Ikeda, Representative director and Chairman

WILL GROUP, INC. (6089)

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/en/index.html

Stock Information

Share Price	Number of shares issued (excluding treasury shares)		Total market cap	ROE (Act.)	Trading Unit
¥990	22,226,097shares		¥22,003 million	50.5%	100 shares
DPS (Est.)	Dividend Yield (Est.)	EPS (Est.)	PER（Est.)	BPS (Act.)	PBR (Act.)
¥24.00	2.4%	¥78.74	12.6x	¥235.46	4.2x

*Stock prices as of the close on December 7, 2020. The number of shares issued is obtained by deducting the number of treasury stocks from the number of shares issued at the end of the latest quarter.

* ROE and BPS are the actual value based on the end of the previous year.

Transition in Consolidated Performance (IFRS from the term ended March 2019)

Fiscal Year	Net Sales	Operating Income	Ordinary Income, Pretax Profit	Profit attributable to owners of parent	EPS (¥)	DPS (¥)
March 2017(Act.)	60,599	1,963	1,980	1,011	54.23	14.00
March 2018(Act.)	79,197	2,417	2,437	1,210	57.44	18.00
March 2019(Act.)	103,300	2,957	2,876	1,539	69.46	18.00
March 2020(Act.)	121,916	4,145	4,057	2,380	107.07	23.00
March 2021(Est.)	116,000	3,400	3,250	1,750	78.74	24.00

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

This Bridge Report reviews the second quarter of fiscal year ending March 2021 earnings results and fiscal year March 2021 earnings estimates of WILL GROUP, INC.

BRIDGE REPORT Bridge Salon

Contents

Key Points

- **In the first half of the term ending March 2021, sales decreased 4.2%, and operating profit increased 2.3% year on year. Sales declined in both domestic and overseas WORK businesses due to the spread of the novel coronavirus. In the domestic WORK business, the performance of the sales outsourcing and factory outsourcing fields deteriorated, and personnel introduction went down in the overseas WORK business. Although the sales dropped, profits rose due to reviewing new investment plans and head office costs and receiving subsidies both in Japan and overseas.**

- **The upwardly revised full-year forecast estimates sales and operating profit to go down 4.9% and 18.0%, respectively, year on year. The better-than-expected performance in the first half was reflected in the full-year forecast. However, in the second half, sales and operating profit are expected to decrease 5.5% and 40.3%, respectively, year on year. At the beginning of the term, it was expected that sales would return to normal in Q4, but currently, new orders have been sluggish. Thus, the outlook for normalization has been revised, and sales are estimated to return to normal in the next term or later. In terms of profits, the company plans to make investments that it had restrained, and SG&A expenses will rise compared to the first half. The dividend is scheduled to increase 1 yen per share to 24 yen (expected payout ratio: 30.5%).**

- **Currently, the novel coronavirus is spreading to the extent that the third wave of infections is occurring. Nonetheless, there is no change in the trend of improvement in gross profit margin and the number of staff members in service, which are the basis for the company's business performance recovery. The gross profit margin improvement is due to the positive results of working on price revisions for equal pay for equal work since the previous fiscal year. The company will promote the "WORK SHIFT strategy" to improve operating profit margin by changing the business and working style. Specifically, in the domestic WORK business, the company will promote the shift to temporary staffing to highly specialized areas and personnel introduction and improve existing temporary staffing productivity through digitalization. On the other hand, it will emphasize business stability rather than expanding in the overseas WORK business. It aims to dispatch more workers in stable areas with high expertise such as government-affiliated projects, IT engineers, accounting and finance, and legal affairs, where the overseas subsidiaries are strong.**

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 called "field supporters" are stationed at the dispatched workplace. Will Group differentiates itself from its competitors by implementing its hands-on policy as it endeavors to develop new businesses.
There are group companies, including WILLOF WORK, Inc., which deals with the outsourcing of sales and call center operation, CreativeBank Inc., which carries out sales promotion, WILLOF FACTORY, Inc., which offers services specializing in manufacturing, and overseas subsidiaries that offer staffing services mainly in Asia and Oceania.

【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"**

1-1 Business Segments Description

Since the management scope has expanded due to the increase of the business domain, the management system has been changed in the term ending March 2021 and the business segments have been reorganized into three segments: domestic WORK business, overseas WORK business, and others.

Sales and Profit by Segment

	FY 3/20 Results	Composition ratio and profit margin	FY 3/21 Forecast	Composition ratio and profit margin	Year on year
Domestic WORK business	844.3	69.3%	806.1	69.5%	-4.5%
Overseas WORK business	360.7	29.6%	340.5	29.4%	-5.6%
Others	15.4	1.3%	21.5	1.9%	+39.6%
IFRS adjustments	-1.4	-	-8.1	-	-
Revenue	1,219.1	-	1,160.0	-	-4.8%
Domestic WORK business	50.6	6.0%	42.5	5.3%	-16.0%
Overseas WORK business	9.7	2.7%	8.8	2.6%	-9.3%
Others	-3.5		-1.3	-	-
Adjustments + IFRS adjustment	-15.3	-	-16.0	-	-
Consolidated Operating profit	41.4	3.4%	34.0	2.9%	-17.9%
EBITDA	61.3	5.0%	54.0	4.7%	-11.9%

*unit: 100 million yen

Domestic WORK business

In Japan, the company provides personnel introduction, temporary staffing, and outsourcing contracts specializing in categories such as the sales outsourcing field, call center outsourcing, factory outsourcing, nursing care, and childcare. It also offers personnel support for start-ups.

Sales outsourcing field: WILLOF WORK, Inc., and CreativeBank Inc.

The telecommunications sector accounts for more than 50% of total sales, while the apparel sector makes up more than 10%, and others account for more than 30%. As for sales outsourcing for the telecommunications field, the company conducts sales of smartphones, etc. at home electronics mass retailers, manages sales staff, and temporary staffing for operations such as collecting and reporting sales information. The company also undertakes team-type temporary staffing (hybrid temporary staffing), sales operations, and personnel introduction. As for sales outsourcing for the apparel industry, the company utilizes the company's hiring capabilities to provide services such as part-time and full-time hiring services to companies with high needs for direct employment, in addition to temporary staffing.

Call center outsourcing field: WILLOF WORK, Inc.
Customers are companies that operate call centers and companies that use telemarketing services. The number of customers is increasing, mainly for telecommunications companies and BPOs (continuously outsourcing part of business processes to external companies) and financial institutions. The company is responsible for dispatching staff engaged in after-sales service, consultation, and receiving complaints, and providing team-type temporary staffing (hybrid temporary staffing) and introducing personnel. It also undertakes customer telemarketing operations at its own call center.

Factory outsourcing segment: WILLOF FACTORY, Inc.
The company is responsible for dispatching staff who would engage in light work such as manufacturing, inspection, quality control, sorting, and packing mainly in the food manufacturing industry, which is not easily affected by the economy, as well as providing team type temporary staffing (hybrid temporary staffing), outsourcing of production process operations and personnel introduction.

Nursing care and childcare field: WILLOF WORK, Inc.
The company undertakes temporary staffing and personnel introduction to companies that operate nursing care facilities and childcare facilities. For facilities with high needs for direct employment, the company also provides services such as recruitment.

Start-up personnel support: for Startups, Inc., etc.
It is a business that supports growing industries (ventures, start-up companies, etc.) centered on HR (Human Resources). It operates the information platform "START-UP DB (Startup Database)", which is the largest platform specializing in the growing industry fields in Japan.

Other fields: WILLOF CONSTRUCTION, Inc., BORDERLINK, INC., etc.
The company dispatches construction engineers, and introduces human resources. It also dispatches ALTs (foreign language teaching assistants) and engineers and introduces human resources specialized in the sports industry.

Overseas WORK Business
In the ASEAN and Oceania regions, the company dispatches and introduces personnel for government-affiliated projects, engineers, finance, legal affairs, etc.
WILL GROUP Asia Pacific Pte. Ltd., Good Job Creations (Singapore) Pte. Ltd., Scientec Consulting Pte. Ltd.,
The Chapman Consulting Group Pte. Ltd., Oriental Aviation International Pte. Ltd., Ethos BeathChapman,
Quay Appointments Pty Ltd., u & u Holdings Pty Ltd., DFP Recruitment Holdings Pty Ltd,
Asia Recruit Holdings Sdn.Bhd., GJC Myanmar Ltd., Dream Job Myanmar Ltd.

Others
The company is working on expanding the domain of HRTech with the aim of strengthening the development of new platforms that provide a community for human resources such as system engineers through concept rental management and the expansion of forms of businesses other than the labor-intensive business. Examples of these platforms are "Hour Money," a working time management system for foreign workers, "Day Work," a part-time work for spare time application, and "Enport," a foreign worker support service.
WILL GROUP, INC. WILLOF WORK, Inc., etc.

Sales and Profit by new and old Segment

	FY 3/19	FY 3/20	YoY
Sales outsourcing	22,207	23,149	+4.2%
Call center outsourcing	15,724	16,459	+4.7%
Factory outsourcing	20,885	23,745	+13.7%
Nursing-care business support business	9,310	11,142	+19.7%
Overseas HR business	26,275	36,131	+37.5%
Start-up personnel support business	1,049	1,262	+20.4%
Other domestic business (new field busines)	8,151	10,172	+24.8%
IFRS adjustments	-302	-146	-
Sales	103,300	121,916	+18.0%
Sales outsourcing	1,537	1,790	+16.4%
Call center outsourcing	833	994	+19.3%
Factory outsourcing	1,038	1,349	+29.9%
Nursing-care business support business	182	349	+91.5%
Overseas HR business	425	964	+126.9%
Start-up personnel support business	269	308	+14.6%
Other domestic business (new field busines)	143	-87	-
Adjustments ＋ IFRS adjustment	-1,473	-1,525	-
Consolidated Operating Income	2,957	4,145	+40.1%

	FY 3/20	Share and profit margin
Domestic WORK business	84,438	69.2%
Overseas WORK business	36,074	29.5%
Other	1,549	1.3%
IFRS adjustments	-146	-
Sales	121,916	-
Domestic WORK business	5,061	6.0%
Overseas WORK business	971	2.7%
Other	-352	-
Adjustments ＋ IFRS Adjustments	-1,535	-
Consolidated Operating Income	4,145	3.4%

(Source: Company)

2. The Second Quarter of Fiscal Year ending March 2021 Earnings Results

2-1 Business Performance of the first half (IFRS)

	1H of FY 3/20	Share	1H of FY 3/21	Share	YoY	Revised forecast on Sep	Compared to the forecast
Sales	60,736	100.0%	58,177	100.0%	-4.2%	57,000	+2.1%
Gross Profit	12,712	20.9%	11,921	20.5%	-6.2%	-	-
SG & A	10,599	17.5%	9,916	17.0%	-6.4%	-	-
Operating Income	2,171	3.6%	2,221	3.8%	+2.3%	1,700	+30.7%
Pretax Profit	2,145	3.5%	2,085	3.6%	-2.8%	1,700	+22.7%
Profit attributable to owners of parent	1,240	2.0%	1,304	2.2%	+5.1%	1,000	+30.5%

*Unit: Million yen

Sales decreased 4.2% and operating profit grew 2.3% year on year.

Sales revenue dropped 4.2% year on year to 58.17 billion yen. Sales of domestic call center outsourcing field, nursing care and childcare field, HRTech field, which is under development, temporary staffing overseas, etc., increased. However, the spread of COVID-19 impacted the sales of domestic sales outsourcing field, factory outsourcing field, and overseas personnel introduction.

In terms of profits, despite a decrease in profit in the sales outsourcing and factory outsourcing and an increase in labor costs and IT investment, the company received overseas employment support subsidies and domestic employment adjustment subsidies, and there was a decline in paid leave reserves. Thus, operating profit increased 2.3% year on year to 2.22 billion yen. Although pretax profit dropped due to an increase in financial expenses, net profit rose 5.1% to 1.3 billion yen due to a decrease in corporate income tax expenses (750 million yen → 560 million yen).

EBITDA (operating profit + depreciation and amortization), which the company emphasizes, was 3.26 billion yen, up 5.8% year on year. The number of employees at the end of the second quarter was 4,762, an increase of 274 from the end of the same period of the previous year.

As for Other segment, a total of 250 million yen was recorded due to a gain on sale of real estate for sale and gain on sale of fund shares, which was offset by IFRS adjustment and included in other comprehensive income.

2-2 Trend by Segment

	1H of FY 3/20	Share and Profit margin	1H of FY 3/21	Share and Profit margin	YoY Change
Domestic WORK business	41,725	68.7%	39,596	68.1%	-5.1%
Overseas WORK business	18,356	30.2%	17,901	30.8%	-2.5%
Other	654	1.1%	1,496	2.6%	+128.7%
IFRS adjustments	－	-	-818	-	-
Revenue	60,736	-	58,177	-	-4.2%
Domestic WORK business	2,483	6.0%	2,116	5.3%	-14.8%
Overseas WORK business	468	2.5%	566	3.2%	+21.0%
Other	-219		54	3.6%	-
Adjustments ＋ IFRS adjustment	-561	-	-517	-	-
Consolidated Operating Income	2,171	3.6%	2,221	3.8%	+2.3%

*Unit: Million yen

*In other segment, revenues from sales of real estate for sale and gains on sales of fund shares of 810 million yen and segment profits of 250 million yen were offset by IFRS adjustments.

Domestic WORK business

Sales revenue was 39.59 billion yen (down 5.1% year on year), and segment profit was 2.11 billion yen (down 14.8% year on year). Both sales and profit exceeded the estimates (sales of 39.57 billion yen and a profit of 1.99 billion yen). Although sales in the call center outsourcing field and nursing care and childcare field augmented, sales in the sales outsourcing field and factory outsourcing field dropped due to the impact of the spread of COVID-19.
In the sales outsourcing field, although the telecommunications field has recovered after the state of emergency was lifted, the severe conditions in apparel and sales promotion continue. In the factory outsourcing field, the food sector remained strong, but orders decreased in the non-food industries due to the reduced production by customers. On the other hand, in the call center outsourcing field, even though the number of staff members in service decreased due to social distancing, the unit price per person increased. In the nursing care and childcare field, new dispatch orders declined due to increased direct employment. However, demand is still strong. The start-up personnel support field has been on a gradual recovery trend since the first quarter. ALT dispatch has not been affected by the resumption of schools after the state of emergency was lifted. Furthermore, the demand for construction engineers is robust, and the company expanded the hiring of inexperienced personnel and strengthened new sales activities.

In terms of profits, although hiring costs were curtailed (down 230 million yen year on year) based on the status of new orders (decrease in the number of job openings), profits fell due to the drop in sales in the sales outsourcing and factory outsourcing fields.

After continuous decline in demand, the number of staff members in service is expected to bottom out at the end of the second quarter, and recovery is expected from the third quarter onward.

The breakdown of sales and profit by segment

	1H of FY3/20	1H of FY3/21	YoY
Sales outsourcing	117.8	91.6	-22.2%
Call center outsourcing	80.1	84.1	+5.0%
Factory outsourcing	118.8	105.5	-11.2%
Nursing-care business support business	57.6	66.4	+15.3%
Start-up personnel support business	5.9	6.0	+1.7%
Other domestic business	37.0	42.3	+14.3%
Segment Sales	417.2	395.9	-5.1%
Sales outsourcing	9.0	5.8	-35.6%
Call center outsourcing	5.0	6.0	+20.0%
Factory outsourcing	6.6	4.2	-36.4%
Nursing-care business support business	1.5	2.8	+86.7%
Start-up personnel support business	1.6	1.0	-37.5%
Other domestic business	1.1	1.4	+27.3%
Segment Operating Income	24.8	21.1	-14.8%

*unit 100 million yen

Overseas WORK Business

Sales revenue was 17.9 billion yen (down 2.5% year on year), and profit was 560 million yen (up 21.0% year on year). Both sales and profit exceeded the estimates (sales of 16.96 billion yen and a profit of 490 million yen). Despite the spread of COVID-19, temporary staffing for government-affiliated institutions, engineers, finance and legal affairs, etc., remained strong. Still, personnel introduction decreased due to the economic slowdown and stagnant corporate activities in Australia and Singapore.

Profits increased due to the revision of fixed costs (SG&A expenses declined 400 million yen) and employment support government subsidies (about 500 million yen) as a countermeasure against the novel coronavirus in Singapore.

Although the demand for personnel introduction is expected to recover gradually, the company will shift to temporary staffing, which has a strong market.

Assumptions for exchange rates and sensitivity

	Results in 1H of FY3/20	Results in 1H of FY3/21	Initial assumption	Operating amount/year due to the fluctuation of 1 yen (sales revenue and profit)	
Australia dollar	¥75	¥73	¥70	¥380 million	¥10 million
Singapore dollar	¥79	¥77	¥75	¥90 million	¥0 million

Other

The company recorded a sales revenue of 1.49 billion yen (up 128.7% year on year) and a profit of 54 million yen (a loss of 210 million yen in the same period of the previous year). Both sales and profit exceeded the estimates (sales of 950 million yen and a loss of 170 million yen). To expand forms of business other than the labor-intensive business, the company is expanding the HRTech field through platforms such as Hour Money," a working time management system for foreign workers, "Day Work," part-time work for spare time application, and "Enport," a foreign worker support service. Moreover, in the first quarter, the company sold one unit of rental housing (TECH RESIDENCE) for IT engineers and creators and sold some shares held by the fund.

In terms of profits, although the company made an upfront investment in the HRTech field (220 million yen), profits rose due to the expansion of existing businesses, and gains on sales of rental housing and sales of some shares held by the fund (250 million yen).

Gains on rental housing sales and sales of some shares held by the fund were offset by IFRS adjustments and were included in other comprehensive income. Therefore, it is not included in consolidated operating profit.

2-3 Financial Position and Cash Flow

Balance Sheet

	Mar. 20	Sep. 20		Mar. 20	Sep. 20
Cash	5,944	6,312	Operating debts, other debts	12,521	13,103
Trade receivables, other receivables	15,067	14,230	Borrowings	3,177	3,783
Current Assets	22,041	21,585	Other financial debts	2,359	3,444
Tangible fixed assets	1,315	1,203	Current liabilities	21,566	22,701
Right-of-use assets	6,200	5,461	Borrowings	6,533	5,322
Goodwill	5,654	5,816	Other financial debts	8,012	6,283
Other Intangible Assets	5,455	5,843	Non-current liabilities	15,909	13,003
Non-Current Assets	22,558	22,575	Equity attributable to owners of the parent augmented	5,233	6,875
Total assets	44,600	44,160	Equity	7,123	8,456

*Unit: Million yen

Total assets at the end of the second quarter decreased 430 million yen from the end of the previous fiscal year to 44.16 billion yen. As trade receivables and other receivables declined due to a drop in sales, operating CF improved, and cash and deposits increased. In liabilities and net assets, borrowings decreased while equity attributable to owners of the parent augmented.

Financial indicators are improving, with a parent company owner-attributable equity ratio of 15.6% (11.7% at the end of the previous fiscal year), an EBITDA-adjusted interest-bearing debt ratio of 1.5 (1.6 at the end of the previous fiscal year), and a goodwill-adjusted parent company-owner-attributable equity ratio of 0.6 (0.7 at the end of the previous fiscal year) and an adjusted net D/E ratio of 0.3 (0.4 at the end of the previous fiscal year).

Cash Flow

	1H of FY3/20	1H of FY3/21	Increase/decrease	YoY Change
Operating cash flow (A)	1,394	2,452	+1,058	+75.9%
Investing cash flow (B)	-2,624	-163	+2,461	-
Free cash flow（A+B）	-1,230	2,289	+3,519	-
Financing cash flow	-1,215	-1,989	-774	-
Cash, equivalents at term-end	4,177	6,312	+2,135	+51.1%

*Unit: Million yen

Operating CF increased due to decreased working capital. On the other hand, free CF improved significantly as M&A-related spending disappeared and the deficit of investing CF shrank. Financing CF declined due to the repayment of debt and payment of dividends.

3.Fiscal Year March 2021 Earnings Estimates

3-1 Consolidated Earnings Estimate

	FY 3/20	FY 3/21	YoY	Revised forecast on Sep	Compared to the forecast
Sales	1,219.1	1,160.0	-4.9%	1,150.0	+0.9%
Domestic WORK Business	844.3	806.1	-4.5%	800.4	+0.7%
Overseas WORK Business	360.7	340.5	-5.6%	338.6	+0.6%
Other	15.4	21.5	+39.6%	15.8	+36.1%
IFRS adjustments	-1.4	-8.1	-	-4.9	-
Operating Income	41.4	34.0	-18.0%	30.0	+13.3%
Domestic WORK Business	50.6	42.5	-16.0%	42.6	-0.2%
Overseas WORK Business	9.7	8.8	-9.3%	8.8	+0.0%
Other	-3.5	-1.3	-	-4.1	-
Adjustments	-18.6	-23.6	-	-23.5	-
IFRS adjustments	3.3	7.6	-	5.9	-
Profit attributable to owners of parent	23.8	17.5	-26.5%	15.5	+12.9%
EBITDA	61.3	54.0	-11.9%	50.0	+8.0%

*Unit: 100 Million yen

Sales and operating profit are projected to decrease 4.9% and 18.0% respectively, year on year

The better-than-expected performance in the first half was reflected in the full-year forecast. However, in the second half, sales and operating profit are estimated to decrease 5.5% and 40.3%, respectively, year on year. Although the gross profit margin of the domestic WORK business is forecasted to improve, the company intends to resume the investment for growth, which it has restrained, in addition to the decrease in overseas employment support subsidies and increase in paid leave reserves. As a result, SG&A expenses are estimated to increase 900 million yen from the first half (personnel expenses will increase 300 million yen, hiring expenses will rise 200 million yen, WILLOF brand promotion expenses will go up 100 million yen, etc.). Furthermore, at the beginning of the term, it was predicted that sales would return to normal in Q4, but recently, new orders have been sluggish. Thus, the outlook for normalization has been revised, so that sales are estimated to return to normal in the next term or later.

The year-end dividend is to increase 1 yen per share to 24 yen per share (expected payout ratio: 30.5%).

3-2 Estimates by segment and Current situation

Domestic WORK business

	FY3/20	FY3/21	YoY
Sales outsourcing	231.4	190.0	-17.9%
Call center outsourcing	164.5	166.9	+1.5%
Factory outsourcing	237.4	210.0	-11.5%
Nursing-care business support business	120.5	136.6	+13.4%
Start-up personnel support business	12.6	11.7	-7.1%
Other domestic business	77.2	90.8	+17.6%
Segment Sales	844.3	806.1	-4.5%
Sales outsourcing	17.9	13.7	-23.5%
Call center outsourcing	9.9	11.2	+13.1%
Factory outsourcing	13.4	9.4	-29.9%
Nursing-care business support business	3.6	5.8	+61.1%
Start-up personnel support business	3.0	0.7	-76.7%
Other domestic business	2.5	1.6	-36.0%
Segment Operating Income	50.6	42.5	-16.0%

*unit 100 million yen

Although the demand for sales promotion will struggle in the second half of the year in the sales outsourcing field, apparel will bottom out. The company will strengthen operations in services such as communication and sales agencies. In the call center outsourcing field, the company will enhance sales activities for new orders and expand the top line while emphasizing profitability. In the factory outsourcing field, the company will improve sales activities in the food area and focus on operations in projects related to foreign technical intern trainees and personnel with specific skills in preparation for the age after the deregulation of immigration restrictions. In addition to enhancing sales activities for new orders of temporary staffing in the nursing care and childcare field, it will increase sales personnel to strengthen workers' introduction, which has strong demand. As for start-up personnel support, the company will enhance support for executives, engineers, etc., who are in strong demand even during the novel coronavirus crisis. Also, it will increase sales personnel in anticipation of the post-pandemic era. In light of the strong demand for construction engineers' temporary staffing, the company will boost recruitment activities and order sales to expand the dispatch of inexperienced workers. Also, demand for ALT dispatch and engineer dispatch is strong, and sales are expected to increase.

Overseas WORK Business

The company will focus on expanding temporary staffing, which has strong demand. Moreover, although the number of orders for personnel introduction will decrease for the full year due to the economic slowdown, recovery is expected toward the end of the fiscal year.

3-3 Situation of consolidated subsidiaries

	Start of consolidation	Investment balance		1H of 3/20	1H of 3/21	YoY
WILLOF CONSTRUCTION	2018/6	27.2	Sales	22.5	25.9	+15.1%
Main bases: Tokyo Metropolitan Area and Tohoku	Shareholding ratio	100%	Profit	1.2	1.2	+1.2%
The Chapman CG	2019/1	14.6	Sales	6.8	4.9	-28.1%
Main bases: Singapore	Shareholding ratio	51%	Profit	2.0	1.3	-36.9%
u&u Holdings	2019/4	14.7	Sales	30.9	29.9	-3.4%
Main bases: Brisbane	Shareholding ratio	80%	Profit	2.8	3.0	+7.0%
DFP Recruitment Holdings	2018/1	8.4	Sales	58.1	63.8	+9.8%
Main bases: Melbourne	Shareholding ratio	80%	Profit	1.7	1.9	+9.5%

* Unit: 100 million yen. To exclude the effects of exchange rates, the amounts were converted under the assumption that 1 Singapore dollar = 75 yen and 1 Australian dollar = 70 yen.
* Regardless of the timing of disclosure of consolidated results, actual sales and profit are the results in the consolidated accounting period from April to September.
* Investment balance = Goodwill balance + Identifiable intangible asset balance. Profit is the pretax profit, excluding the amortization of identifiable intangible assets, internal transactions, and temporary expenses.

Despite the impact of the spread of COVID-19, it is temporary, and there is no risk of impairments at this time.

4.Conclusions

Currently, the novel coronavirus is spreading to the extent that the third wave of infections is occurring. Nonetheless, there is no change in the trend of improvement in gross profit margin and the number of staff members in service, which are the basis for the company's business performance recovery. The gross profit margin improvement is due to the positive results of working on price revisions for equal pay for equal work since the previous fiscal year.

The company will promote the "WORK SHIFT strategy" to improve operating profit margin and respond to changes in the environment by changing the business (Portfolio Shift) and working style (Digital Shift).
In the domestic WORK business, the company is working to improve profitability through "Perm (personnel introduction and temporary staffing to highly specialized areas) SHIFT" and "Digital SHIFT in the Temp (temporary staffing and outsourcing contracts) area." In "Perm SHIFT," the company will expand its personnel introduction services in the fields of nursing care and childcare, which are always suffering from labor shortage. It will also shift to temporary staffing in highly specialized areas such as construction, IT engineers, and B2B sales agencies. In "Digital SHIFT," to improve temporary staffing productivity, the company will strive to improve productivity by making operations online and automated and utilizing in-house education and HR technology.
In the overseas WORK business, the company has established a business foundation in the ASEAN and Oceania regions through aggressive M&A up to the previous fiscal year. Hence, in the future, it will focus on business stability rather than expanding the scale of business and work on "Temp SHIFT." Specifically, overseas subsidiaries often dispatch temporary staff in highly specialized and stable areas such as government-affiliated projects, IT engineers, accounting and finance, and legal affairs. So, the company will increase the stability of management by further focusing on temporary staffing. The company will also develop new overseas group brands and pursue synergies between subsidiaries, such as joint development of HR products and cross-selling.

<Reference: Regarding Corporate Governance>

◎ Organization type, and the composition of directors and auditors

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

◎ Corporate Governance Report Updated on June 23, 2020

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.

<Reasons for Non-compliance with the Principles of the Corporate Governance Code>

As of June 23, 2020, the company follows all the principles of the Corporate Governance Code.

<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 management headquarters 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 management headquarters takes a central role, and the management planning, general affairs, financial affairs, accounting, legal affairs departments, and IT department 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 management headquarters.

(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.

BRIDGE REPORT Bridge Salon

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/