BRIDGE REPORT Bridge Salon

Shigeru Ohara
Representative director and President

WILL GROUP, INC. (6089)

Company Information

Exchange	TSE, Prime Market
Industry	Services
Chairman	Shigeru Ohara
HQ	1-32-2 Honcho, Nakano-ku, Tokyo, Japan
Year-end	March
Website	https://willgroup.co.jp/en/

Stock Information

Share Price	Number of shares issued (End of the term)		Total market cap	ROE (Act.)	Trading Unit
¥1,012	22,695,250 shares		¥22,967 million	24.9%	100 shares
DPS (Est.)	Dividend Yield (Est.)	EPS (Est.)	PER(Est.)	BPS (Act.)	PBR (Act.)
¥44.00	4.3%	¥123.89	8.2x	¥646.04	1.6x

*Stock prices as of the close on June 1, 2023. The number of shares issued is obtained by deducting the number of treasury shares from the number of shares issued as of the end of the latest quarter. ROE and BPS are the actual values in the previous term.
*DPS and EPS are the company's forecasts for this term.

Transition in Consolidated Performance (Voluntary adoption of IFRS)

Fiscal Year	Sales	Operating Income	Ordinary Income, Pretax Profit	Profit attributable to owners of parent	EPS (¥)	DPS (¥)
March 2020(Act.)	121,916	4,145	4,057	2,380	107.07	23.00
March 2021(Act.)	118,249	4,030	3,788	2,363	106.35	24.00
March 2022(Act.)	131,080	5,472	5,293	3,286	147.03	34.00
March 2023(Act.)	143,932	5,318	5,146	3,236	143.20	44.00
March 2024(Est.)	144,000	4,200	4,100	2,900	123.89	44.00

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

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This Bridge Report reviews of fiscal year ended March 2023 earnings results and fiscal year ending March 2024 earnings estimates.

Contents

Key Points

- **In the term ended March 2023, sales revenue increased 9.8% year on year to 143,932 million yen. Operating income declined 2.8% year on year to 5,318 million yen. In terms of sales, the domestic business was stable from October 2022 onward, although the development of new projects was delayed due to the impact of the resurgence of COVID-19. Regarding overseas business, the temporary staffing services, which are operated in stable areas, experienced steady growth due to positive foreign exchange rates. In terms of profit, however, operating income declined as the company was unable to offset the impact of approximately 400 million yen due to a consolidated subsidiary's correction of previous years' financial results.**

- **The company's plan for the term ending March 2024 forecasts sales revenue to remain unchanged year on year at 144,000 million yen and operating income to decline 21.0% year on year to 4,200 million yen. Although sales revenue is expected to increase in the domestic and overseas businesses, the exclusion from the scope of consolidation and the appreciation of the yen will have a negative impact on revenue. Operating income is projected to decrease mainly due to upfront investments in the domestic business. The company plans to pay a dividend of 44 yen/share, like in the previous year, when it increased the dividend by 10 yen/share. The payout ratio is expected to be 35.5%. The company aims for a total payout ratio of at least 30%.**

- **The company has formulated a new medium-term management plan, "WILL-being 2026," targeting FY 3/2026. The key strategies are (1) Achieving further growth and profitability in the construction engineer field, (2) Re-growth of the domestic Working business (other than the construction engineer field), and (3) Stable growth in the overseas Working business. We will pay close attention to the progress of the medium-term management to see the kinds of results that can be achieved under the leadership of Mr. Sumi, the newly appointed Representative Director.**

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, supporting nursing facilities' personnel recruitment, dispatch of workers, such as construction engineers, temporary staffing and category-specific human resources services. 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, call center operation and nursing care, for Startups, Inc., which is engaged in startup human resources support, WILLOF CONSTRUCTION, Inc., which offers construction engineer human resource services, and overseas subsidiaries that offer staffing services mainly in Asia and Oceania.

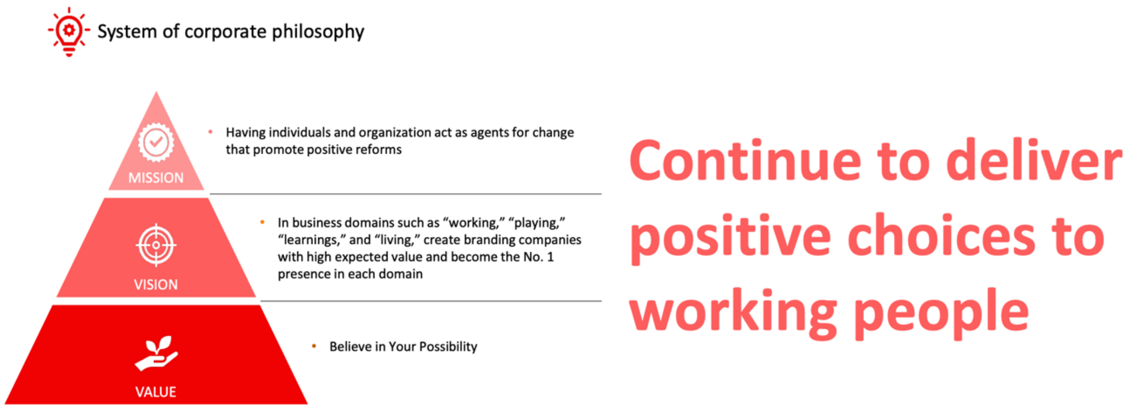
【1-1 WILL Vision and Management Philosophy】
The corporate group's management philosophy is to continue delivering positive choices to workers.

◆The MISSION is to be a Change Agent Group that positively transforms individuals and organizations.

◆VISION is to create a brand developing company with high expected value in the "Working," "Interesting," "Learning" and "Living" domains, and to be the best in each domain.

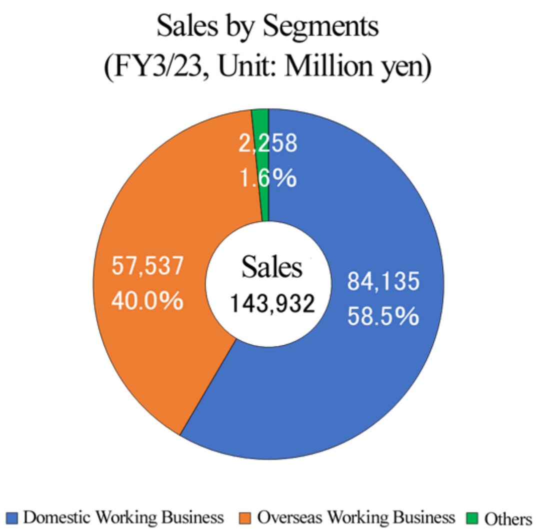
Working	Business field to support **"Working"**
Interesting	Business field to support **"Interesting"**
Learning	Business field to support **"Learning"**
Living	Business field to support **"Living"**

◆VALUE is Believe in Your Possibility



(Source: The company's Medium-Term Management Plan)

【1-2 Business Content】
The business has been classified into three segments: domestic Working business, overseas Working business, and others. With the start of the new medium-term management plan "WILL-being 2026" from April 2023, the names of domestic WORK business and overseas WORK business were changed to domestic Working business and overseas Working business, respectively, in Q1 of FY 3/2024.



*External revenues before deduction of intersegment revenues.

Domestic Working business

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

◎Sales support field: WILLOF WORK, Inc., and CreativeBank INC.

This section mainly provides mass consumer electronics retailers with sales support to help them expand the sales of their products and services and assist leading IT companies in planning and managing product promotion campaigns. Regarding sales support for mass consumer electronics retailers, the company supports the sale of smartphones, manages store staff, places staff to collect and communicate sales information, assembles teams (through its hybrid temporary staffing), undertakes sales tasks, and introduces personnel. In addition, the company offers services such as the temporary staffing in the apparel industry and sales outsourcing.

◎Call center field: WILLOF WORK, Inc.

This section provides client companies that operate call centers and client companies that offer telemarketing services with support in building trust with end users. The company mainly specializes in communication companies, BPO (continuously outsourcing part of the business process to an external company), and financial institution to which it dispatches human resources who engage in after-sales service, consultation, receiving complaints, etc., dispatches teams (hybrid temporary staffing), and introduces personnel. It also has its own call center and undertakes telemarketing operations.

◎Factory segment: WILLOF WORK, Inc.

This section offers technologies and HR management know-how in the production process to its clients in the manufacturing industry, to improve their productivity. The company focuses on the food manufacturing industry, which is relatively unaffected by economic changes, to which it dispatches workers who perform light work such as production, inspection, quality control, sorting, and packing. It also dispatches teams (through its hybrid temporary staffing), undertakes production tasks, and introduces personnel.

◎Nursing care and childcare field: WILLOF WORK, Inc.

This section dispatches nursing care staff to companies that operate nursing care facilities and provides services that ensure the stable operation of nursing care facilities. The company offers employment services for facilities with high direct employment needs by dispatching experienced nursing care staff, undertaking facility operations, and introducing workers.

◎HR support for startups: for Startups, Inc.

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.

◎Construction engineer field: WILLOF CONSTRUCTION, Inc.,

The company dispatches construction management engineers and introduces personnel to the construction industry in Japan, especially to general contractors and subcontractors.

◎Other fields: BORDERLINK, INC., etc.

The company provides temporary staffing and placement services for IT engineers and other professionals.

Overseas Working 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.

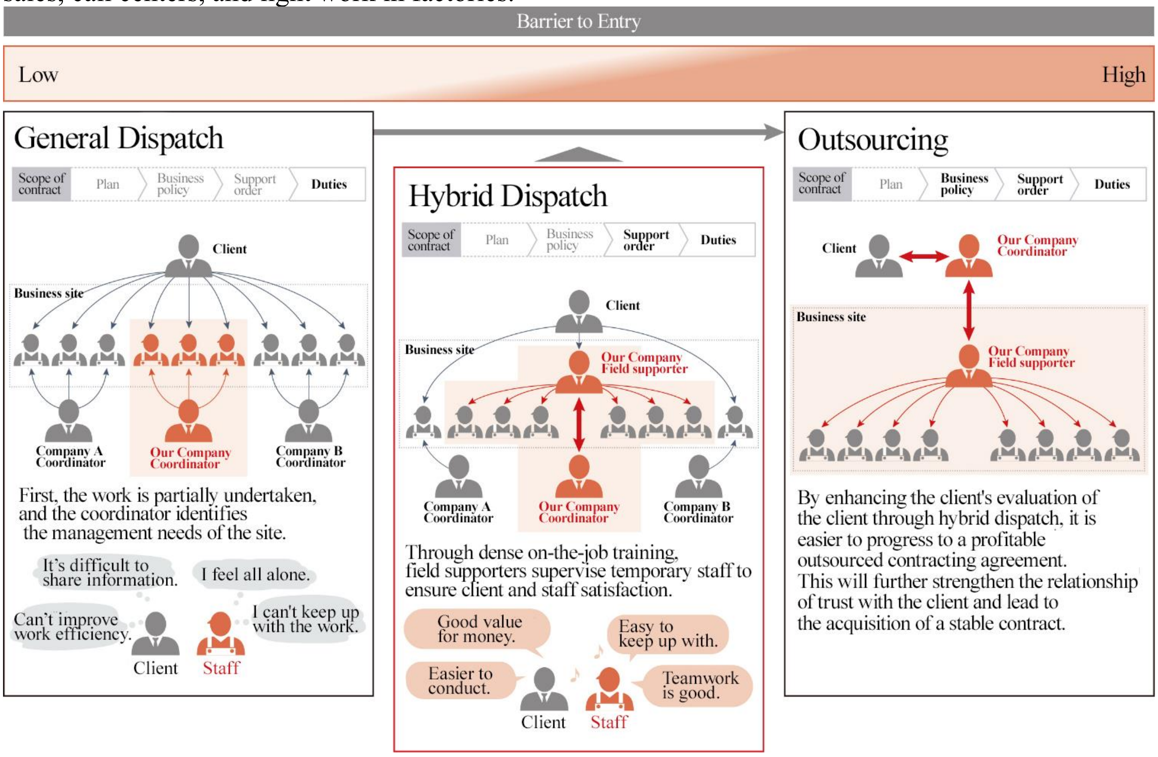
Others

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.
WILL GROUP, INC., etc.

【1-3 Strengths and Characteristics】

Hybrid temporary staffing

To progress from providing general dispatch services to offering highly profitable task-undertaking services, the corporate group has strategically introduced a unique service called "Hybrid temporary staffing." Hybrid temporary staffing is a service that allows the company's employees (field supporters) and temporary staff to work together as a team to respond to customer needs quickly and accurately. The company is increasing profitability and expanding its market share in three main businesses: sales, call centers, and light work in factories.



(Reference material of the company)

Category-specific temporary staffing

The corporate group operates businesses offering human resources services in industries including telecommunications, call centers, light work in factories, and nursing care. Specializing in such specific categories allows the company to provide high-quality services as a specialist in these fields. By grasping the business needs of each category and creating a system that can respond flexibly to them, the company has won the trust of both clients and staff.

【1-4 Business performance】

*The Japanese standards had been applied until FY 3/18, and IFRS has been applied since FY 3/19.

The company, founded in Osaka in 1997, started by offering human resources services and has gradually expanded its business domain. In 2006, the company shifted to a holding company system. In the second half of 2008, sales temporarily declined due to the Lehman Brothers collapse, but the company achieved a V-shaped recovery in 2011 through aggressive sales activities in Japan. Two years later, in 2013, the company went public and was designated to the First Section of the Tokyo Stock Exchange in just one year. Despite the impact of the COVID-19 pandemic, the company's performance has been on an upward trend since its establishment.

2. Fiscal Year ended March 2023 Earnings Results

【2-1 Consolidated earnings results (IFRS)】

	FY 3/22	Ratio to sales	FY 3/23	Ratio to sales	YoY	Initial Forecast (Revised Feb. 8)	Ratio to the forecast
Sales	131,080	100.0%	143,932	100.0%	+9.8%	144,000	-0.0%
Gross Profit	28,765	21.9%	31,737	22.0%	+10.3%	31,920	-0.6%
SG & A	23,585	18.0%	27,169	18.9%	+15.2%	26,720	+1.7%
Operating Income	5,472	4.2%	5,318	3.7%	-2.8%	5,200	+2.3%
Pretax Profit	5,293	4.0%	5,146	3.6%	-2.8%	5,050	+1.9%
Net Income	3,286	2.5%	3,236	2.2%	-1.5%	3,200	+1.1%

*Unit: Million yen.

Sales grew 9.8% and operating profit declined 2.8%, respectively, year on year

Sales revenue increased 9,8% year on year to 143,932 million yen, and operating profit decreased 2.8% year on year to 5,318 million yen.

The Will Group implemented the “WORK SHIFT Strategy” for the purpose of increasing operating profit margin through the portfolio shift and the digital shift, in order to complete the mid-term management plan “WILL-being 2023,” whose final fiscal year is the term ended March 2023.

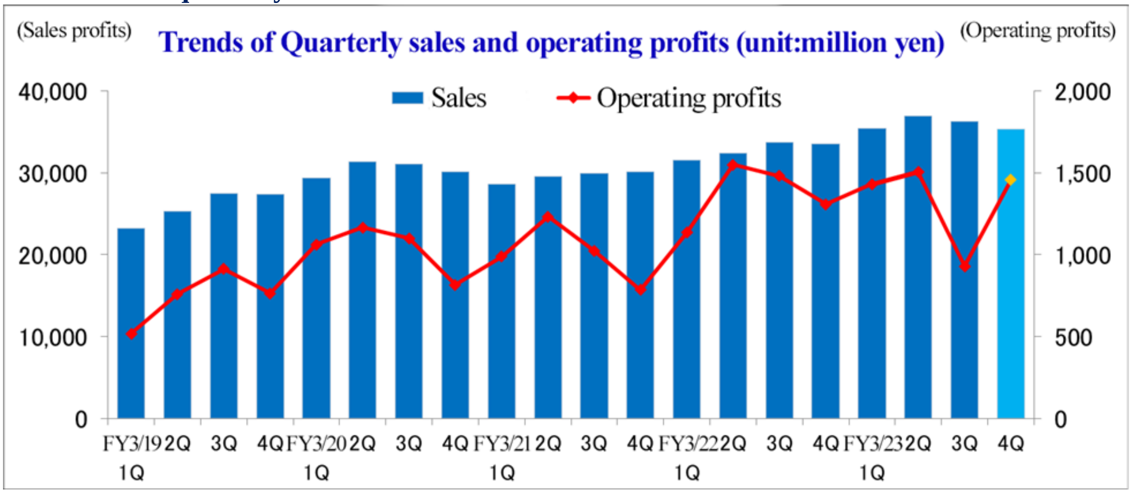
Sales revenue was healthy from October 2022 onward, although the domestic business was slow in developing new projects due to the impact of the resurgence of COVID-19. The construction engineer domain contributed 1,800 million yen to revenue growth, the sales outsourcing domain contributed 700 million yen, and the start-up temporary staffing support domain contributed 600 million yen. The overseas business contributed 6,400 million yen to revenue growth due to the impact of positive foreign exchange rates, and the temporary staffing services business, which is operated in stable areas, contributed 2,600 million yen.

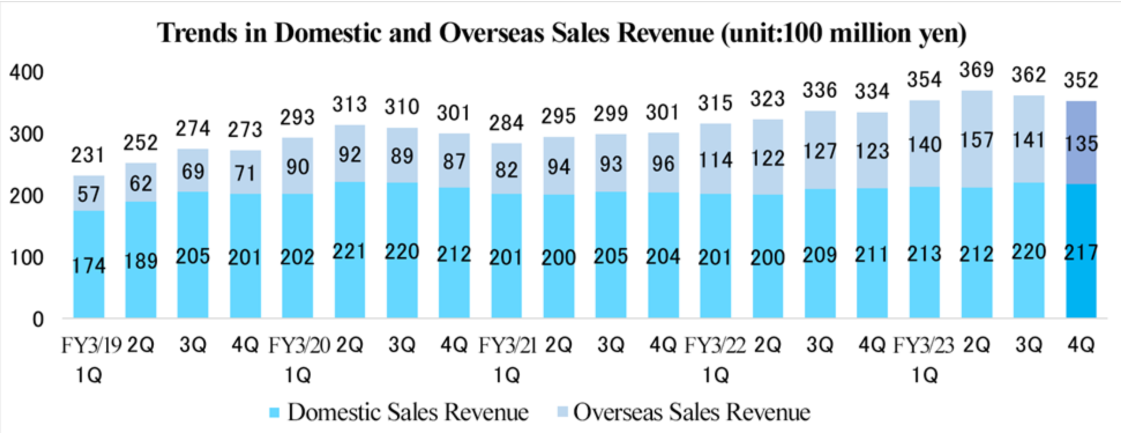
Operating income, on the other hand, declined, as the company could not offset the impact of a consolidated subsidiary's correction of previous years' financial results, which amounted to approximately 400 million yen, despite contributions from the domestic business in the sales outsourcing domain, nursing care domain, and temporary ALT staffing services.

Gross profit increased 10.3% year on year to 31,737 million yen, outpacing the increase in sales, and gross profit margin improved 0.1 points year on year owing to the Perm SHIFT. On the other hand, the SG&A cost-to-sales ratio rose 0.9 points year on year. As a result, the ratio of operating income to sales fell 0.5 points year on year to 3.7%.

In addition, the company made upfront investments in strategic investment areas (construction, startups, and nursing care) totaling 820 million yen for the full year, roughly in line with the 830 million yen target.

【2-2 Trend of quarterly results】



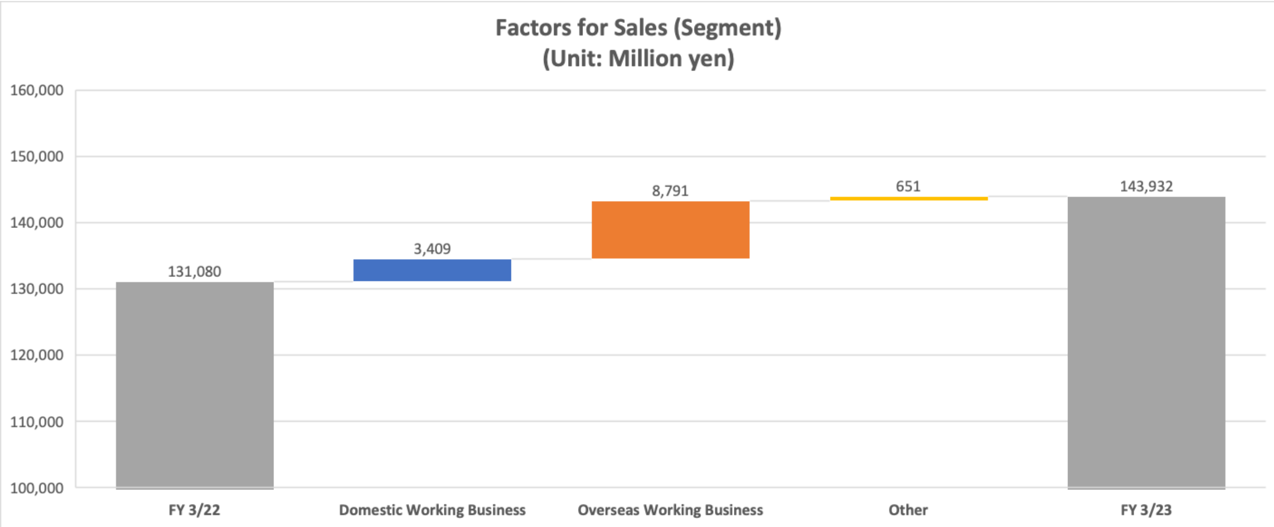


Sales and profit in the fourth quarter (Jan.-Mar.) of the term ended March 2023 decreased and increased from the third quarter (Oct.-Dec.), but sales and profit grew year on year.
In the fourth quarter (Jan.-Mar.) of the term ended March 2023, sales declined 1 billion yen from the third quarter (Oct.-Dec.). While domestic sales for temporary staffing services declined slightly, the overseas sales for the same declined significantly.

【2-3 Trend by Segment】

	FY 3/22	Ratio to sales	FY 3/23	Ratio to sales	YoY
Domestic Working business	80,726	61.6%	84,135	58.5%	+4.2%
Overseas Working business	48,746	37.2%	57,537	40.0%	+18.0%
Other	1,607	1.2%	2,258	1.6%	+40.5%
Revenue	131,080	100.0%	143,932	100.0%	+9.8%
Domestic Working business	4,448	59.7%	4,451	58.9%	+0.1%
Overseas Working business	3,348	44.9%	3,406	45.0%	+1.7%
Others	-342	-4.6%	-296	-3.9%	-
Adjustments	-1,981	-	-2,243	-	-
Operating Profit	5,472	-	5,318	-	-2.8%

*Unit: Million yen.
* With the start of the new medium-term management plan "WILL-being 2026" from April 2023, the names of domestic WORK business and overseas WORK business were changed to domestic Working business and overseas Working business, respectively, in Q1 of FY 3/2024.



*Created by Investment Bridge Co., Ltd. with reference to disclosed material.

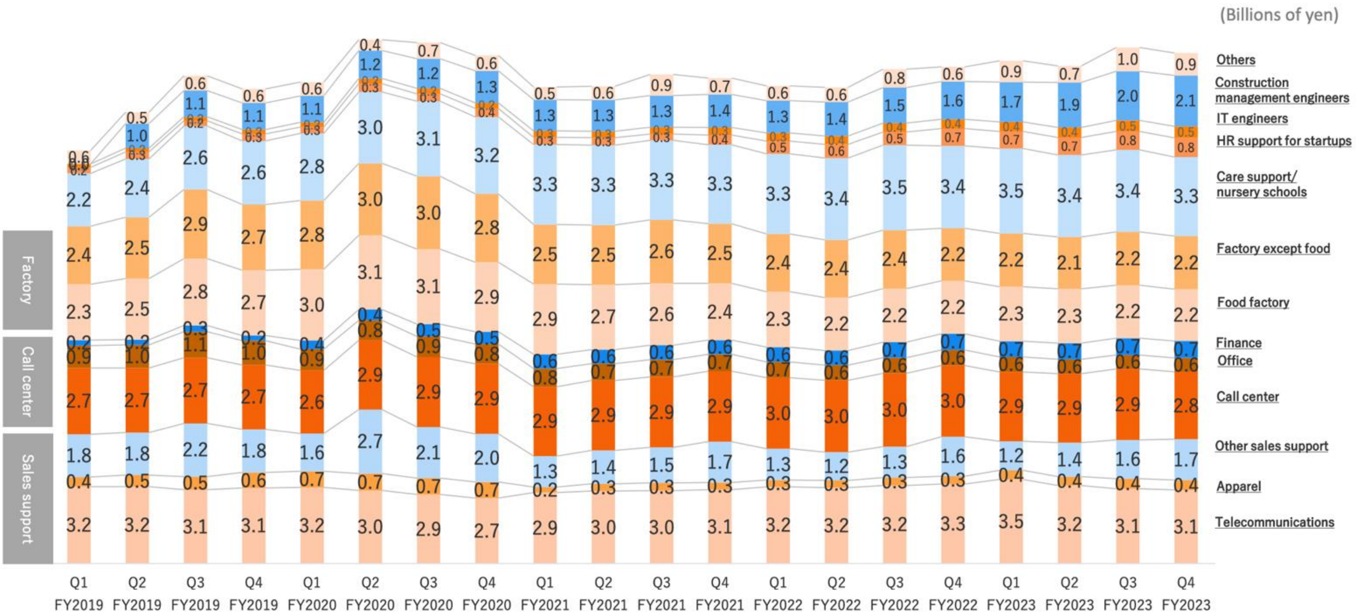
【Domestic Working Business】

Sales revenue increased 4.2% year on year to 84,135 million yen, and profit increased 0.1% to 4,451 million yen.

The domestic Working business, which provides temporary staffing, placement, and contracting services in the sales outsourcing, call center outsourcing, factory outsourcing, nursing care, and construction engineer fields, made progress in developing new projects in each of these fields. In addition, in each area, the company focused on developing customer bases for new services such as sales agency services and home-based contact center services, which are compatible with the COVID-19 pandemic.

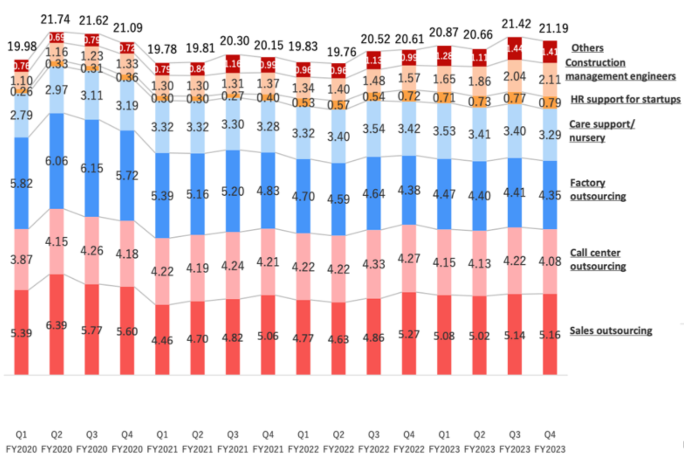
On the profit front, while sales revenue increased and gross profit grew, upfront investments were made to increase the number of sales personnel and consultants in the construction engineer and start-up personnel support fields for Perm (placement and temporary staffing in highly specialized fields) SHIFT. In addition, the company recorded approximately 100 million yen in fees and penalties for failure to record financial expenses for the previous years and the current fiscal year, due to the discovery that its consolidated subsidiary - for Startups Inc., had failed to record commissions paid for personnel support contracts using personnel databases operated by other companies.

In Q4, the number of active staff members decreased by approximately 700 from Q3. The company also made upfront investments of 470 million yen in the construction engineer field and 350 million yen in the start-up personnel support field.

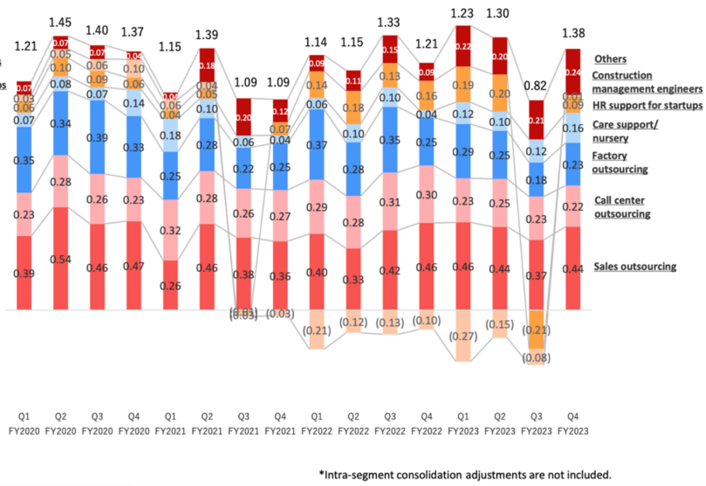


(Reference material of the company)

-Revenue by sector (Billions of yen)-



-Operating profit by sector (Billions of yen)-

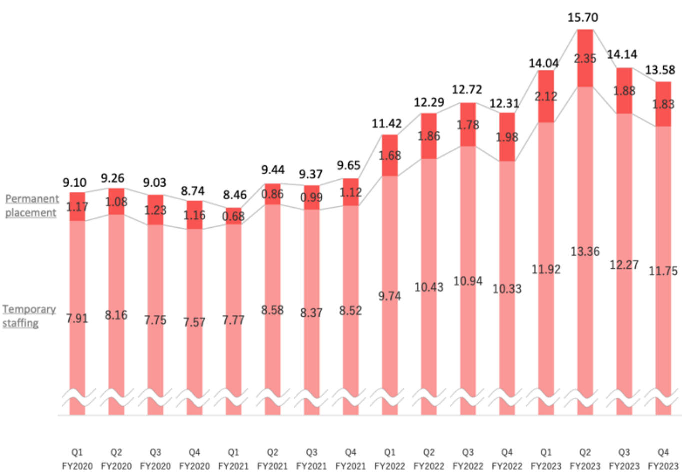


(Reference material of the company)

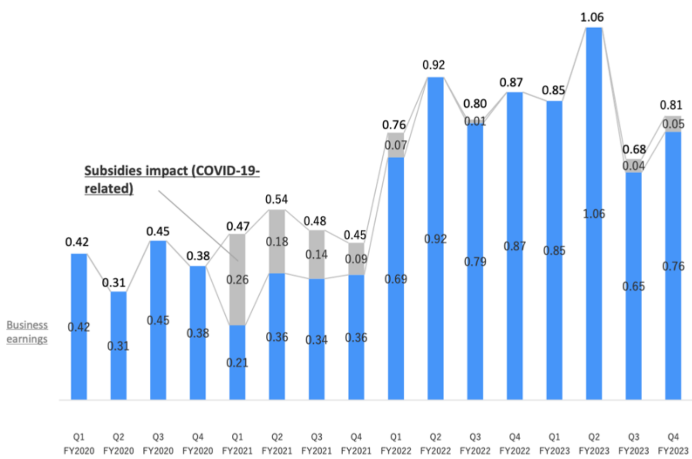
【Overseas Working Business】

Sales revenue increased 18.0% year on year to 57,537 million yen, and profit increased 1.7% to 3,406 million yen.
Personnel services in the ASEAN and Oceania regions maintained a high level in both Singapore and Australia despite a recent decline in the number of job openings. Temporary staffing services, which are offered in stable areas such as government projects, were affected by the termination of temporary staffing contracts with some clients in Australia, but the overall business grew steadily due to the rapid demand for personnel following the COVID-19 pandemic. In addition, the yen depreciated year on year against both the Singapore dollar and the Australian dollar, and the foreign exchange contributed 6,400 million yen to net sales for the current fiscal year.
Profits increased due to government subsidies and the depreciation of the yen, while gross profit shrank due to higher personnel costs and a decrease in sales from placement and staffing services. Foreign exchange increased segment income by 460 million yen for the current fiscal year.

-Revenue by contract type (Billions of yen)-



-Operating profit (Billions of yen)-



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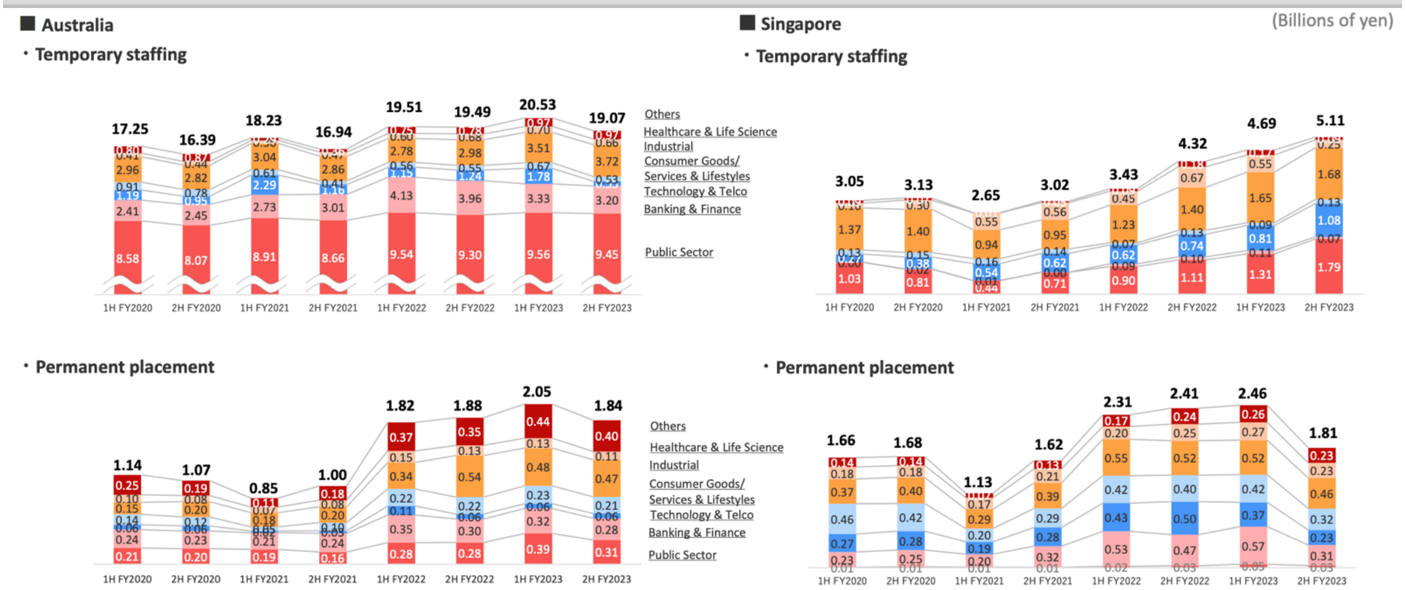


*Unit: Million yen.
(Reference material of the company)

Other

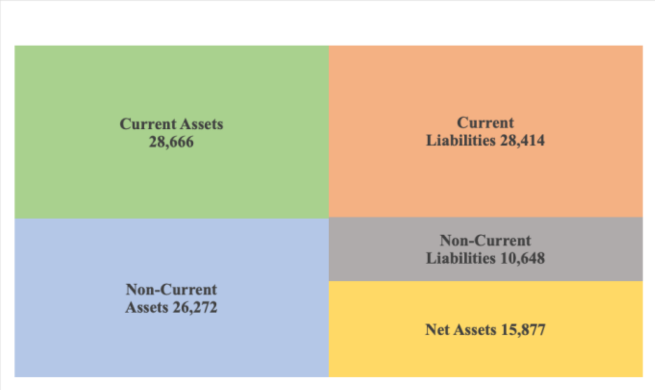
Sales revenue grew 40.5% quarter on quarter to 2,258 million yen, and segment loss was 296 million yen (342 million yen in the previous year).
In the aspect of other, the company kept enhancing the development of new platforms, such as “Export,” a service for supporting non-Japanese people in living in Japan, to expand businesses other than the labor-intensive business. However, the number of foreign workers entering the country remains limited.
In the aspect of profit, SGA decreased, as the company downsized the service for non-Japanese workers although there emerged a sign of lifting of restrictions on the entry of foreign workers and others to Japan while the company continued the investment in development of new platforms.

【2-4 Financial Position and Cash Flow】

◎Balance Sheet

	Mar. 22	Mar. 23		Mar. 22	Mar. 23
Current Assets	27,289	28,666	Current liabilities	29,361	28,414
Cash	8,973	9,590	Operating debts, other debts	15,297	16,151
Receivables, other receivables	17,458	17,928	Other current liabilities	1,836	3,109
Non-Current Assets	25,061	26,272	Non-current liabilities	9,867	10,648
Tangible fixed assets	1,223	1,139	Other financial debts	6,285	5,950
Right-of-use assets	6,809	6,349	Total liabilities	39,228	39,062
Goodwill	6,514	8,120	Total equity	13,121	15,877
Other Intangible Assets	6,154	5,996	Equity attributable to owners of the parent augmented	11,398	14,638
Other Financial Assets	1,208	1,475	Total liabilities and equity	52,350	54,939
Total assets	52,350	54,939	Borrowings	7,988	10,146

*Unit: Million yen



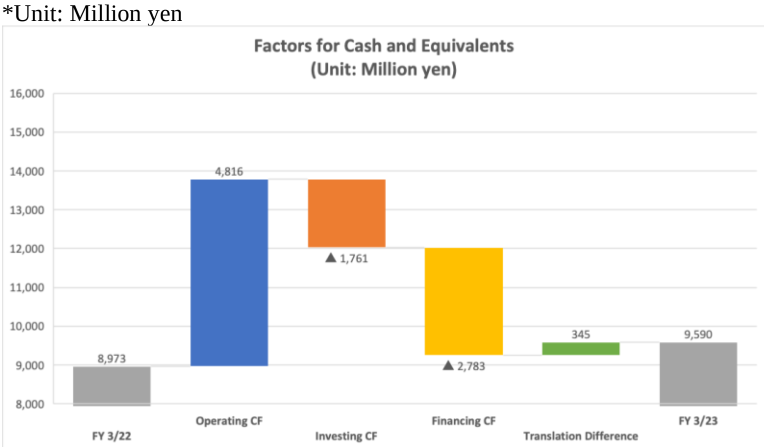
*Created by Investment Bridge Co., Ltd. with reference to disclosed material.

The total assets as of the end of March 2023 stood at 54,939 million yen, up 2,589 million yen from the end of the previous term. The primary factors in increasing assets were cash, other receivables, other current assets, and goodwill due to acquisition of uGu GWS Pty Ltd shares, etc., while the primary factors in decreasing assets were use rights and other intangible asset. The primary factors in increasing liabilities and net assets were other current liabilities, operating debts and other debts , borrowings, retained earnings, and the effect of exchange rate changes of marketing organizations outside Japan among other capital components, while other financial liabilities and non-controlling interests became major factors in the decrease, mainly due to a decrease in put options sold as a result of the acquisition of additional shares in consolidated subsidiaries.
The ratio of equity of owners of the parent company increased 4.8% from the end of the previous term to 26.6%, exceeded the target value of 20% set in the mid-term management plan. The interest-bearing liability ratio after EBITDA adjustment remained flat at 0.7 from the end of the previous year, the ratio of equity of owners of the parent company after adjustment of goodwill rose 0.2 points to 0.6, and the DE ratio after adjustment grew 0.1 points to 0.0.

◎Cash Flow

	FY3/22	FY3/23	Increase/decrease	
Operating cash flow (A)	4,350	4,816	+466	+10.7%
Investing cash flow (B)	-306	-1,761	-1,455	-
Free cash flow（A+B）	4,044	3,055	-989	-24.5%
Financing cash flow	-2,959	-2,783	+176	-
Cash, equivalents at term-end	8,973	9,590	+617	+6.9%

*Unit: Million yen



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The cash inflow from operating activities increased due to a smaller increase in trade receivables and a larger increase in trade payables. On the other hand, the cash outflow from investing activities grew due to increase in purchase of shares of subsidiaries resulting in change in scope of consolidation, resulting in a smaller positive free cash flow. In addition,, the cash outflow from financing activities augmented, due to the increase in payments from changes in ownership interests in subsidiaries that do not result in change in scope of consolidation. As a result, the term-end cash position increased 6.9% year on year.

3. Fiscal Year ending March 2024 Earnings Estimates

【3-1 Consolidated Earnings Estimate】

	FY 3/23	Ratio to sales	FY 3/24 (Est.)	Ratio to sales	YoY
Sales	143,932	100.0%	144,000	100.0%	+0.0%
Gross Profit	31,737	22.0%	33,450	23.2%	+5.4%
Operating Income	5,318	3.7%	4,200	2.9%	-21.0%
Pretax Profit	5,146	3.6%	4,100	2.8%	-20.3%
Profit attributable to owners of parent	3,236	2.2%	2,800	1.9%	-13.5%

*Unit: Million yen.

Sales revenue remained unchanged, and operating income decreased 21.0% year on year.

For the term ending March 2024, the company forecasts sales revenue to remain unchanged year on year at 144,000 million yen and operating income to decline 21.0% year on year to 4,200 million yen.

In terms of sales revenue, the sales revenues of domestic and overseas businesses are expected to increase, but the exclusion from the scope of consolidation and the appreciation of the yen will have a negative impact. In the domestic Working business, the company will work on expansion of the construction engineer field, foreign worker management outsourcing, and the dispatching of permanent employees, which are the key strategies in the new medium-term business plan. Regarding expansion of the construction engineer field, the company will further improve recruitment of inexperienced workers and new graduates, improve retention rate, and increase the unit price of contracts. Regarding the expansion of foreign worker management outsourcing, the company expects an increase in the number of foreign workers entering the country, and will increase orders from clients and local hiring in the factory outsourcing and nursing care fields. Regarding the dispatching of permanent employees, the company will apply the recruiting expertise it has accumulated in the sales outsourcing and construction engineer fields to the factory outsourcing field to increase the number of employees in the field. In the term ending March 2024, the company will make upfront investments of 1,100 million yen in hiring construction engineers and sales staff to achieve the medium-term management plan. In the overseas Working business, the company will expand both placement and temporary staffing services by increasing the number of consultants.

Operating income is expected to decrease year on year due to the significant impact of 1,400 million yen in upfront investments in the domestic business, in spite of the increase in sales. Gross profit margin is forecast to increase 1.2 points year on year to 23.2%, and operating income margin is projected to decrease 0.6 points year on year to 2.9%.

The dividend is expected to be 44 yen/share, like in the previous year when the dividend was increased by 10 yen/share. Payout ratio is expected to be 35.5%. The company is targeting a total payout ratio of at least 30%.

【3-2 Factors affecting sales revenue and operating income (year on year)】

Sales revenue is expected to remain at the same level due to the business portfolio review conducted in the previous fiscal year and the assumed appreciation of the yen.

Operating income is expected to decrease due to upfront investment in the domestic Working business, while sales revenue is expected to increase.

【Sales】

FY3/22		1439
Domestic Working Business	Impact of exclusion from the scope of consolidation	-34
	Increase in revenue	+50
Overseas Working Business	Impact of foreign exchange rate	-44
	Increase in revenue	+50
Other	Impact of exclusion from the scope of consolidation	-19
FY 3/23		1,440

*Unit: 100 million yen.

【Operating Profit】

FY 3/22		53
Domestic Working Business	Gains from exclusion from the scope of consolidation and sale of shares	+3
	Adjustment of previous years' financial statements of subsidiaries	+4
	Prior investments	-14
Overseas Working Business	Impact of foreign exchange rates	-2
	Subsidy income	-4
	Increase in gross profit	+6
Other	Gains from exclusion from the scope of consolidation and sale of shares	-1
	Common expenses	-3
FY 3/23		42

*Unit: 100 million yen.

【3-3 Estimate in Each Segment】

In the domestic Working business, the company plans to achieve sales revenue of 85,800 million yen (up 2.0% year on year) and operating income of 3,780 million yen (down 15.0% year on year).

In the overseas Working business, the company plans to achieve sales revenue of 57,850 million yen (up 0.6% year on year) and operating income of 3,330 million yen (down 2.1% year on year).

	FY 3/23	FY 3/24 (Est.)	Increase/Decrease	YoY
Domestic Working Business	841.3	858.0	+16.6	+2.0%
Overseas Working Business	575.3	578.5	+3.2	+0.6%
Other	22.5	3.3	-19.1	-85.0%
Revenue	1,439.3	1,440.0	+0.6	+0.0%
Domestic Working Business	44.5	37.8	-6.6	-15.0%
Overseas Working Business	34.0	33.3	-0.7	-2.1%
Other	-2.9	-3.1	-0.2	-
Adjustments	-22.4	-25.9	-3.5	-
Operating profit	53.1	42.0	-11.1	-21.0%

*Unit: 100 million yen.

【Domestic Working Business and Prior Investments】

In the domestic Working business, the company has planned 800 million yen in upfront investment in the following, excluding 300 million yen for brand promotion.

	FY3/23	FY3/24 (Est.)	YoY	Prior Investment	Details of Prior Investment
Sales of Domestic Working business					
Sales support	203.9	210.1	+6.1%		
Call center	165.8	167.3	+1.5%		
Factory	176.4	184.9	+8.5%		
Nursing care	136.2	130.2	-6.0%		
HR support for startups	29.9	33.0	+3.0%		
Construction engineers	76.6	105.7	+29.0%		
Operating Income of Domestic Working business					
Sales support	17.1	14.8	-2.3%	100 million yen	Recruitment costs for permanent and temporary personnel
Call center	9.3	6.6	-2.7%		
Factory	9.4	7.8	-1.6%	100 million yen	Recruitment costs for permanent and temporary personnel Increased sales staff for contracted management of foreign personnel
Nursing care	4.9	1.3	-3.6%	100 million yen	Increased sales staff for contracted management of foreign personnel
HR support for startups	2.6	3.3	+0.6%		
Construction engineers	-4.9	-4.9	+0.0%	500 million yen	Increased expenses for hiring new graduates and inexperienced workers, sales personnel, and follow-up personnel

*Unit: 100 million yen

【3-4 Change of Representative Director】

Mr. Yuichi Sumi will assume the position of Representative Director of the company after the Annual Shareholders' General Meeting scheduled in June 2023. The change is intended to enable the company to implement its new medium-term management plan (FY 3/24 to FY 3/26) under a new management structure. Mr. Sumi has demonstrated strong leadership and contributed greatly to the recovery of the company's business performance under the severe business environment in the factory outsourcing field caused by the bankruptcy of Lehman Brothers in 2008. After serving as general manager of the Human Resources Department, he also served as Representative Director of WILLOF CONSTRUCTION, Inc., the area most focused on within the Group, and made a significant growth of the business over the past three years, that contributed greatly to the growth of the Group.

4. Review of Medium-Term Management Plan "WILL-being 2023"

(1) Quantitative goals

Although net sales for FY 3/2023 achieved the numerical targets of the medium-term management plan, partly due to the positive effect of foreign exchange rates, operating income fell slightly short of the numerical targets of the medium-term management plan, due to stagnation in the domestic business.

	FY3/23	FY3/23 Mid-term Management Plan	
	Earnings Results	Quantitative Goals	Ratio to Goals
Revenue	1,439	1,335	+104
Gross Profit Margin	22.1%	22.6%	-0.5p
Operating Income	53.1	53.5	-0.3
Operating Income Margin	3.7%	4.0%	-0.3p
ROIC	16.6%	20.0%	-3.4p
Capital Adequacy Ratio	26.6%	20.0%	+6.6p

*Unit: 100 million yen

(2) Progress of priority strategies

Although the impact of the COVID-19 pandemic was greater than initially expected, the key strategies fell significantly short of their targets.

◎ Strategy I: Improving profitability through a portfolio shift (Domestic W business and Overseas W business) - profit maximization areas and strategic investment areas

<table>
<tr><th colspan="2">Details and Evaluation</th></tr>
<tr><td colspan="2">◆Expand Perm (personnel introduction services and dispatching human resources to highly specialized areas). In particular, the company is focusing on supporting the fields of nursing care, construction engineers, and start-up personnel support (index)
･Strategic investment area = sales growth rate
･Profit maximization area = operating profit margin</td></tr>
<tr><td>△</td><td><Strategic investment area>
◆Construction: ○ (recruitment expanded steadily, but lagged behind the original plan by one year)
◆Nursing-care: × (The strategy for placement and temporary staffing services was changed during the period due to lack of expansion prospects.)
◆Start-up personnel support: ○ (Despite the correction of previous years' financial results, the business continued to grow steadily.)</td></tr>
<tr><td>△</td><td><Profit maximization area>
◆Domestic W : × (Despite the impact of the COVID-19 pandemic, a decrease of orders from existing customers and a decrease in the number of recruits led to a decrease in the number of active employees. Operating income margin declined due to lower gross profit margin.)
◆Overseas W : ○ (Although the rapid demand for staffing services post-COVID-19 has subsided, the base is steadily increasing, even excluding the impact of the exchange rate).</td></tr>
</table>

◎ **Strategy II: Improving productivity through a digital shift (Domestic WORK business and overseas WORK business) - Profit maximization area**

Details and Evaluation	
◆Improve productivity per person through the digital shift.	
×	◆The WILLOF smartphone app was improved (e.g, allowing online applications), and the core system for the construction engineer field (temporary staffing management) was integrated into the existing system, but this did not lead to an improvement in productivity per worker.

◎ **Strategy III: Search for the next strategic investment area Exploration area**

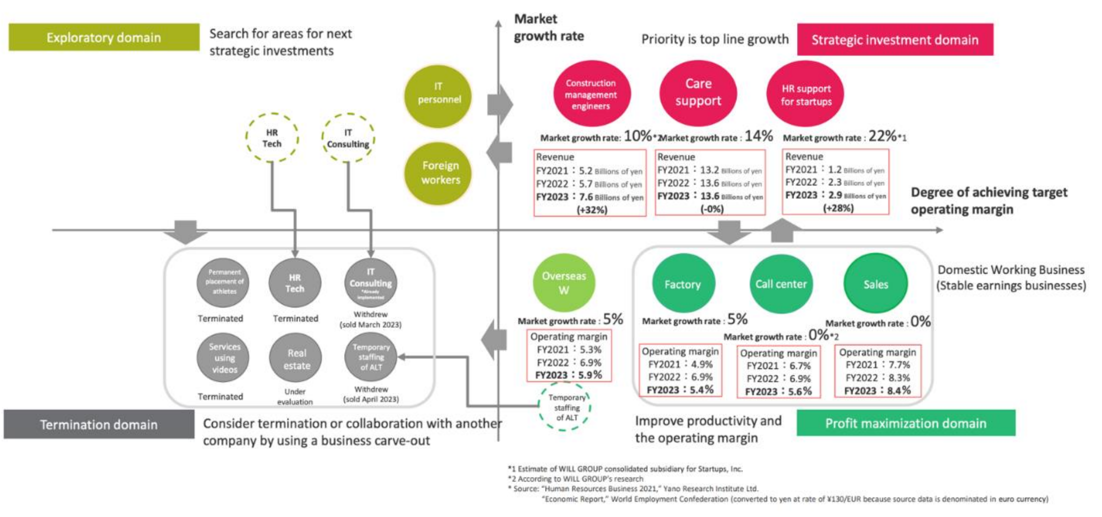
Details and Evaluation	
◆Expansion of services for foreign residents in Japan ･Expansion of IT personnel services ◆Exploring the development of areas peripheral to core businesses in HR Tech	
×	◆In May 2022, technical intern trainees and foreigners with specified skills came to Japan, but services for foreigners living in Japan fell below the company's initial estimates. ◆In IT human resources services, both orders for temporary staffing and personnel introduction services increased steadily. ◆Existing HRTech products (VISAMANE and Foreigner Life Support Service) will be withdrawn in March 2023. Product development is underway, including services in the construction engineer field.

◎ **Strategy IV: Financial strategy Group-wide**

Details and Evaluation	
◆Ratio of equity attributable to owners of the parent company: 20% or more ◆ROIC: 20% or higher (Capital cost is about 10%) ◆Total payout ratio: 30% or higher	
○	◆The ratio of equity attributable to owners of the parent company is 26.6% as of the term ended March 2023. ◆ROIC is 16.6%. Failed to achieve the target due to missing the operating income targets. ◆Total return ratio forecast for the term ended March 2023: 31.2%

(3) Progress of business portfolio shift

The company classifies and operates individual businesses in the five fields of “profit maximization,” “strategical investments,” “exploration,” “assessment” and “withdrawal,” and aimed to “realize a profitable structure based on the WORK SHIFT strategy,” which is their basic policy. The company withdrew from three areas, which did not show prospects for growth in the future.



(Reference material of the company)

◎Challenges and Policies for the Next Medium-Term Management Plan

	Challenges	Policies for the next medium-term management plan
	Operating income margin remained at 3%. (Operating income margin: 3.4% in FY 3/20 → 3.7% in FY 3/23)	While the policy for increasing operating profit margin remains unchanged from the previous medium-term plan, the priority is to increase growth potential (especially in domestic W).
Domestic W	In the construction engineer field, recruitment did not proceed as expected and the plan was delayed by one year.	Continuing from the previous medium-term plan, the company will make recruitment one of the pillars of the business by making upfront investments in it.
	Worsening hiring conditions in the cores areas of domestic W (sales, call centers, and factories).	Make upfront investments to secure new recruitment channels and routes.
	Growth driver decline due to strategic shift in planned placement of nursing care workers.	Create new growth drivers (e.g., contracted management of foreign personnel).
	In Japan, the recruitment environment will worsen in the future.	Conduct domestic brand promotion.
	Growth has stagnated over the last three years, partly due to a focus on financial stability and a lack of M&A activity.	Resume M&A activities with financial discipline, including target selection and investment limits.
Overseas W	Further acceleration of overseas W growth.	Further accelerate growth while making necessary investments (personnel expansion).

5. Conclusions

The company has formulated a new medium-term management plan, "WILL-being 2026," targeting FY 3/2026. The key strategies are (1) achieving further growth and profitability in the construction engineer field, (2) re-growth of the domestic Working business (other than the construction engineer field), and (3) stable growth of the overseas Working business. The key to achieving further growth and profitability in the construction engineer field is to double the number of full-time staff dispatched over the next three years. In addition, the key to re-growing the domestic Working business (other than the construction engineer field) is to expand the number of full-time temporary staffing and contracted management of foreign personnel. The key to stable growth of the overseas Working business will be the ability to expand stable temporary staffing sales while increasing the share of placement and recruiting sales. We will pay close attention to the concrete measures and progress toward the realization of the newly launched medium-term management plan.

In addition, Mr. Yuichi Sumi will assume the position of Representative Director of the company after the Annual Shareholders' General Meeting scheduled for June 2023. This change is intended to enable the company to implement its new medium-term management plan (FY 3/24 - FY 3/26) under the new management structure. Mr. Sumi has demonstrated strong leadership and contributed greatly to the recovery of the company's business performance in the factory outsourcing business, which faced a severe business environment after the bankruptcy of Lehman Brothers in 2008. In addition, as representative director of WILLOF CONSTRUCTION, Inc., the area most focused on within the Group, he made a significant growth of the business over the past three years, that contributed greatly to the growth of the Group. It will be interesting to see how the company will change under President Sumi's leadership.

<Reference 1: Basic Policy of Medium-term Management Plan "WILL-being 2026">

The company has formulated a new medium-term management plan, "WILL-being 2026," targeting the FY 3/2026. The basic policy is the re-growth of the domestic Working business.

【Management Goals】

		FY3/23 Act.	FY3/26 Goals	FY3/23→FY3/26
Target	Sales revenue Excluding new M&A	143.9 billion yen	170 billion yen	CAGR+6%
	Operating income (Operating income margin)	5.31 billion yen (3.7%)	6.5 billion yen (3.8%)	CAGR+7% (0.1p)
KPI	Number of employees/year (Construction engineer field)	1,000	2,000	+1,000
	Retention rate (Construction engineer field)	71%	73%	+2p
	Number of permanent staff dispatched (Domestic W (excluding construction engineer field))	2,450	4,700	+2,250
	Number of foreign personnel supported (Domestic W (excluding construction engineer field))	1,750	6,800	+5,050
	Ratio of placement and recruiting sales (Overseas W)	14%	17%	+3p

	FY3/23	FY3/24 Mid-Term Management Plan	FY3/25 Mid-Term Management Plan	FY3/26 Mid-Term Management Plan
Sales	1,439	1,440	1,596	1,700
Operating Profit	53	43	47	65
Operating Profit Ratio	3.7%	2.9%	3.0%	3.8%

The company will invest approximately 3.5 billion yen in the domestic working business as an upfront investment for a cumulative total of three years, aiming for high growth in FY26/3.

Operating income for FY 3/23	43	
Engineer field	+17	Return to profitability
Overseas Working business	+15	Increase in staffing sales
Contracted management of foreign personnel	+6	Increase in the number of contracted staff
Advertising expenses	-5	WILLOF brand promotion expenses
Head office costs	-11	Personnel expenses, new M&A expenses (500 million yen), etc.
Operating income for FY 3/26	65	

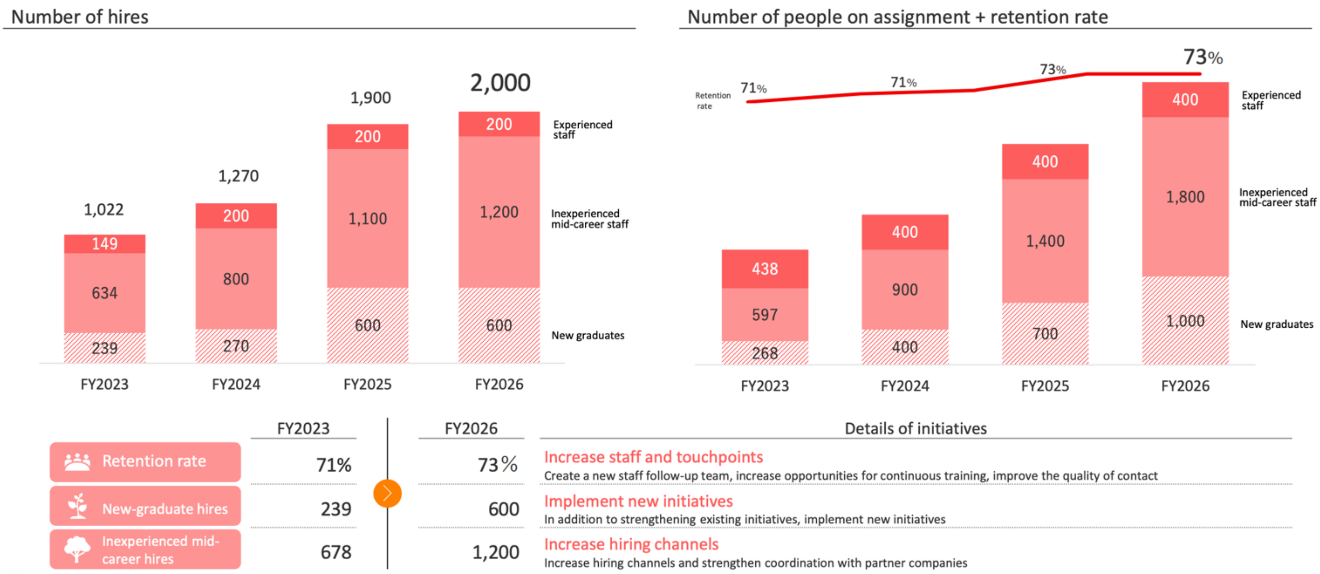
*Unit: 100 million yen
*Operating income for FY 3/23 is adjusted for gain on sale of shares of subsidiaries resulting in change in scope of consolidation (+230 million yen), impact of exclusion from the scope of consolidation after FY 3/24 (+460 million yen), subsidy income from overseas W (+490 million yen), impact of exchange rates on the planned exchange rates for FY 3/24 (+230 million yen), and impact of correction of financial results for the fiscal year when becoming a subsidiary (-40 million yen), in order to exclude unordinary effects.

【Priority Strategy】

Domestic Working Plan		
Strategy I	Achieve further growth and profitability in the construction engineer field	Double the number of inexperienced employees, including new graduates 1,000 (FY 3/23) ⇒ 2,000 (FY 3/26)
Strategy II	Re-grow the domestic Working business (other than the construction engineer field)	（1）Double the number of full-time staff dispatched 2,450 (FY 3/23) ⇒ 4,700 (FY 3/26) （2）Triple the number of contracted management of foreign personnel 1,750 (FY 3/23) ⇒ 6,800 (FY 3/26)
Overseas Working Plan		
Strategy III	Stable growth of overseas Working business	Improving the stability of existing businesses

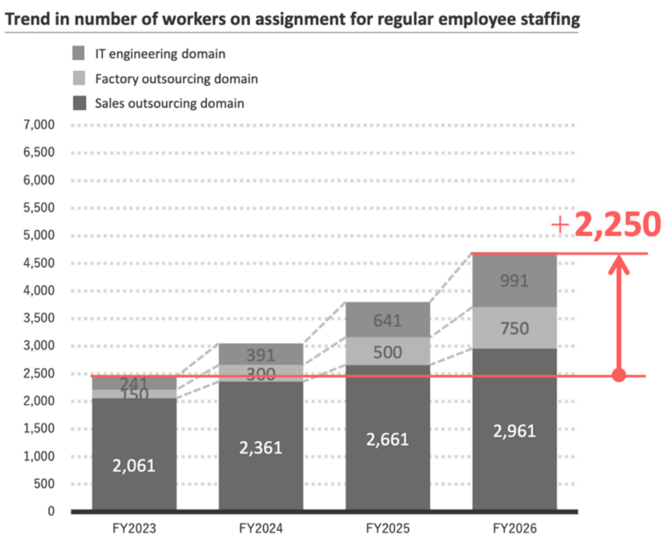
＜Strategy I: Achieve further growth and profitability in the construction engineer field＞

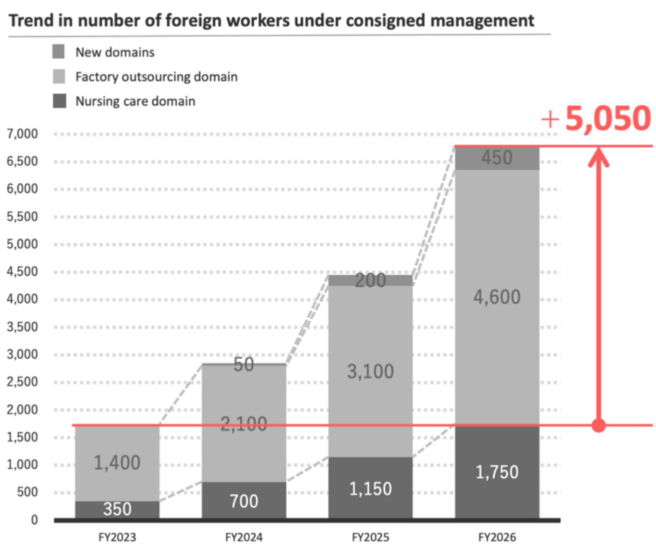
The annual number of employees to be hired will be increased from 1,000 in FY 3/23 to 2,000 in FY 3/26. In addition, the company will raise the retention rate from 71% in FY 3/23 to 73% in FY 3/26. To achieve these goals, the company will conduct aggressively recruitment activities to double the number of new graduates and mid-career inexperienced workers.



(Source: The company's Medium-Term Management Plan)

＜Strategy II: Re-grow the domestic Working business (other than the construction engineer field)＞
The number of contracted management of foreign personnel employed will increase from 1,750 in FY 3/23 to 6,800 in FY 3/26. The number of full-time workers to be dispatched will increase from 2,452 in FY 3/23 to 4,700 in FY 3/26. To achieve these goals, for contracted management of foreign personnel, the company will acquire orders by increasing the number of sales personnel and for dispatching of full-time workers, the company will actively recruit new graduates and inexperienced workers, like the construction engineer field.





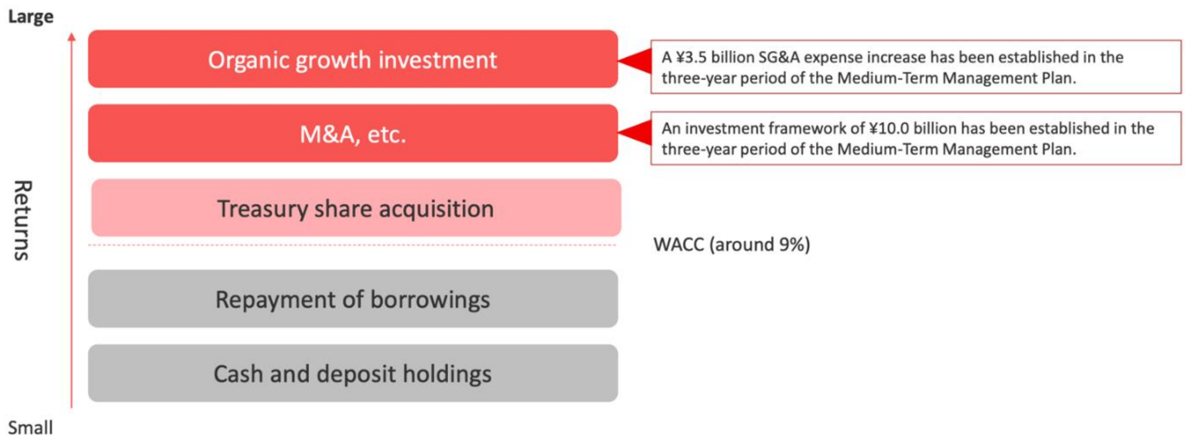
(Source: The company's Medium-Term Management Plan)

In addition, although the domestic brand was unified under the "WILLOF" moniker in October 2019, brand promotion could not be implemented due to the subsequent spread of COVID-19. Going forward, the company plans to implement brand promotion (300-500 million/year) to strengthen its own brand, given the worsening recruitment environment and the resulting increase in the unit cost of recruitment. The company also plans to make an upfront investment of 1,100 million yen in FY 3/24, which include an increase in sales personnel, hiring expenses, and advertising expenses, in order to maximize profits in FY 3/27 and beyond.

＜Strategy III: Stable growth of overseas Working business＞
In the overseas Working business, stable growth will be achieved despite the fact that the temporary demand for personnel following the COVID-19 pandemic has subsided.
While increasing the ratio of placement and recruitment sales, the company will work to expand stable temporary staffing sales and cut costs.
The ratio of placement and recruitment sales will be increased from 14% in FY 3/23 to 17% in FY 3/26. The company will also increase temporary staffing sales from 49,500 million yen in FY 3/23 to 51,100 million yen in 3/26.

◎Key Measures
(1) Improvement of gross profit
With the establishment of a pipeline that did not exist before the COVID-19 pandemic, recruitment is expected to grow steadily in the future. The number of consultants will be increased in the future.
(2) Improving stability
Expand staffing in defensive areas such as government and public works related fields.
(3) Cost reduction
The company will integrate the systems of all group companies. First, the accounting system will be integrated.
(4) Cost reduction
Formulate a third generation succession plan and a retention plan, including the introduction of a motivational incentive plan.

【Cash Allocation Policy】
The highest priority will be placed on investments in organic growth and M&A activities. If there is sufficient capacity, the company will consider share buybacks as the next investment higher than WACC, depending on the business performance.



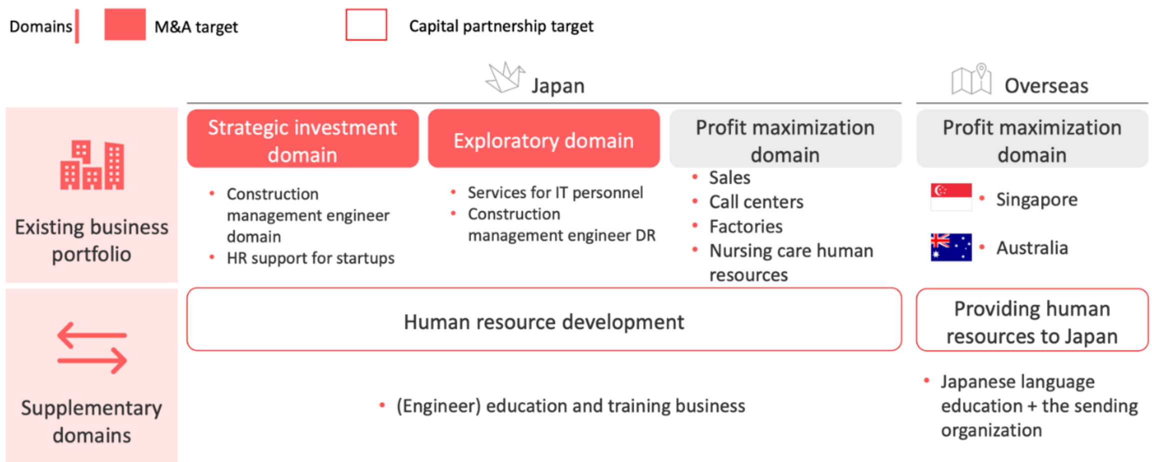
(Source: The company's Medium-Term Management Plan)

【M&A Policy】
In the new medium-term management plan, targets and financial discipline will be established, M&A activities will be resumed, and an investment quota of 10,000 million yen will be set for the period of the medium-term management plan.

◎M&A Policy

Target	WILL GROUP is looking for a company that can contribute to the fields which could accelerate its growth as well as contribute to its future operating margin goals, while focusing on "maximizing and optimizing career paths that make people into experts." ◆IT, construction, and manufacturing engineer staffing business ◆Placement business with the potential to expand positions to the expert level ◆Education and training business
Process	◆Involvement from the initial stage of the transaction by the person in charge of the responsible field and PMI personnel. ◆Ensuring transparency through the execution of the company's past M&A processes.
Financial Discipline	◆M&A funds will be in the order of free C/F and borrowing. ◆Achieve ROIC that at least exceeds the company's cost of capital (WACC: 9%). (Setting an appropriate price at the time of acquisition)
Governance	Appropriate governance through improving management for synergy creation and monitoring acquisition plans at the time of investment.

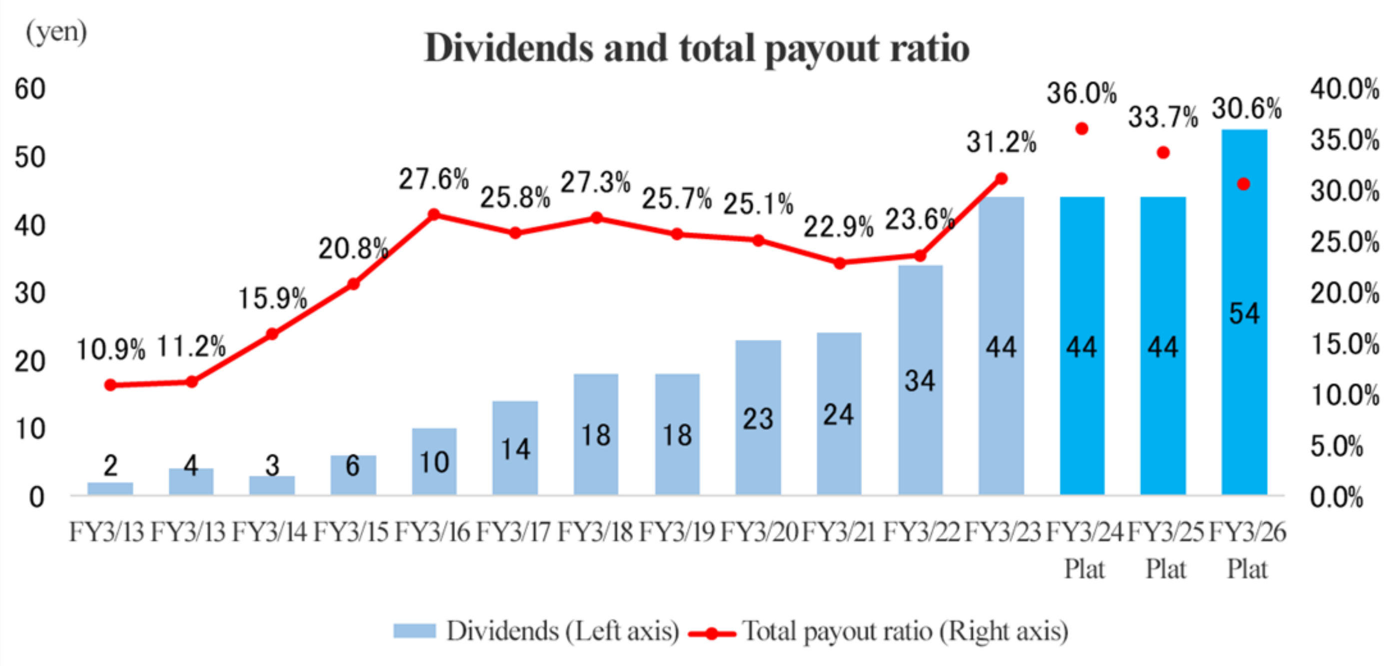
The company will also target strategic investment areas, exploration areas and complementary areas.



(Source: The company's Medium-Term Management Plan)

【Shareholder Return】

In the first and second years of the medium-term management plan, profits are expected to decrease from FY 3/23. Taking this into consideration, the company has changed its shareholder return policy to "progressive dividends and a total payout ratio of 30% or more" in the medium-term management plan. In principle, the company will not reduce dividends, but will increase or maintain dividends, and will consider flexible share buybacks in accordance with its business performance during each fiscal year.



<Reference 2: Regarding Corporate Governance>

Organization type, and the composition of directors and auditors

Organization type	Company with auditor(s)
Directors	7 directors, including 3 external ones
Auditors	3 auditors, including 3 external ones

Corporate Governance Report Updated on June 21, 2022
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>
【Supplementary Principle 3-1-3 Enhancement of Disclosure of Information】
(1) Sustainability Initiatives. This corporate group hopes to grow sustainably together with society as a company that creates positive changes in the world, with the mission of "becoming a "change agent group" that brings positive change to individuals and organizations." Under the recognition that addressing all sustainability issues, including environmental, social and governance issues, is an important management issue that also leads to risk reduction and profit opportunities, the company's Board of Directors has defined their material issues and KPIs, and has been promoting initiatives to address these issues through corporate activities based on their management philosophy "MISSION, VISION, and VALUE." Further, in April 2022, the company established the Sustainability Committee, chaired by the Representative Director and President, as a deliberative body for sustainability activities. The Committee consists of internal directors of the company and directors of their major domestic subsidiaries, which discusses, examines, and formulates sustainability-related activity policies and action plans. It also monitors the progress of KPI promotion regarding material issues and reports the details of the committee discussions to the Board of Directors. Details of the company's sustainability initiatives were disclosed in their Integrated Report in December 2021, as well as on their corporate website. In addition, the company will continue to enhance disclosure of information on investment in human capital and intellectual property, etc., to achieve sustainable growth in corporate value.

(2) Climate Change Initiatives. The corporate group has set a goal of "reducing total CO_2 emissions by 20% by the term ending March 31, 2031, from the term ended March 31, 2020." The scope of CO_2 calculation includes not only CO_2 emissions from offices, but also employees' business activities and the entire life cycle of services. The company will work together with their clients, business partners, and employees to engage in a wide range of global warming prevention activities. In addition, for risks related to climate change and the impact on their business and other activities, the four categories of "Governance," "Strategy," "Risk Management," and "Guiding Principles and Objectives," were analyzed using multiple scenarios (2.0 degrees centigrade, and 4.0 degrees centigrade) based on the TCFD framework and were discussed by the Board of Directors. The details will be disclosed on the company's website. The company will continue to disclose information in a stepwise manner and enhance the quality and quantity of overall disclosed contents. (Sustainability Initiatives: https://willgroup.co.jp/sustainability/index.html)
(Environmental Initiatives: https://willgroup.co.jp/sustainability/environment/)

<Disclosure Based on the Principles of the Corporate Governance Code>
【Supplementary Principle 2-4-1 Ensuring Diversity Within the Company, Including Promotion of Women's Activities】
In an era where market conditions are rapidly changing and a future is difficult to predict, the company recognizes the importance of utilizing diverse perspectives and values in corporate management, in order to create new business opportunities without being bound by the current business domain. Therefore, the corporate group actively and continuously hires and promotes diverse human resources, including women, non-Japanese nationals, and mid-career workers with a variety of work experiences, and promotes initiatives such as development of a working environment that makes the most of individual characteristics and abilities, as well as management-level education. They will continue to work to have a ratio of core personnel equal to respective employee ratios by 2030. (1) Promotion of Female Core Personnel. In recent years, the company has been actively promoting the advancement of women, and has conducted career development training for young employees, as well as management training for managers. While the percentage of female employees among full-time employees is 41.6%, the percentage of female managers is 31.9%, falling below the percentage of female employees. Aiming to increase the ratio of female managers to 40% by 2030, the company will continue to improve the workplace environment, foster career awareness, etc., and increase the number of female employees who will be involved in management decision-making in the future.

【Principle 3-1 Enhancement of Disclosure of Information】
(1) Management philosophy, management strategy, and the mid-term management plan are disclosed on the company's website.
(Management Philosophy: https://willgroup.co.jp/profile/policy.html)
(The Mid-term Management Plan: https://willgroup.co.jp/ir/strategy.html)
(2) It is as stated in I-1 "Basic Approach" of this report. For specific policies and initiatives based on this, please refer to each section of this report.
(3) The company's policy for determining the remuneration for directors is described in II-1 "Matters Relating to Institutional Structure and Organizational Operation, etc. [Relating to Remuneration of Directors]" of this report.
(4) The election and appointment of executives and nomination of candidates for directors are comprehensively reviewed from the viewpoint of the right personnel for the right position, in accordance with internal rules, taking into consideration accurate and prompt decision making, appropriate risk management, monitoring of execution of duties, and the balance that can cover each function of the company and each business division of the group companies. Furthermore, in nominating candidates for corporate auditors, they are comprehensively reviewed from the viewpoint of the right personnel for the right position, while ensuring the balance between their knowledge in finance and accounting, knowledge in the company's business areas, and their diverse perspectives on corporate management. Based on these policies, the Nominating Committee (formerly the Selection Committee), which includes independent outside directors, deliberates in advance, and the Board of Directors makes a resolution. Similarly, the dismissal of executives is discussed in advance by the Nominating Committee (formerly the Selection Committee), which includes independent outside directors, in accordance with internal rules, and is resolved at the Board of Directors meeting.
(5) Candidates for directors and corporate auditors as well as the reason for their election and their career are stated in the reference material for the General Meeting of Shareholders on a case-by-case basis. For reference material for each General Meeting of Shareholders, please refer to the Notice of Convocation of the General Meeting of Shareholders posted on the company's website. In the event of dismissal, appropriate disclosure will be made in a timely manner in accordance with policies and procedures. (Notice of Convocation of the General Meeting of Shareholders: https://willgroup.co.jp/ir/library/report.html)

【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. (Disclosure policy: https://willgroup.co.jp/ir/disclosure/)
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 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 of dialogue, the company holds company briefings for individuals, as well as financial results briefings for institutional investors. In addition, the company will continue to enhance IR activities by posting video clips of briefings, contents of question-and-answer sessions, and other information on the company's website.
(4) Individual meetings with shareholders will be conducted, with the IR team of the Finance Department as the point of contact. Based on the shareholder's request and the purpose of the meeting, executives, directors including outside directors, or corporate auditors will meet with the shareholders and provide appropriate responses within a reasonable scope.
(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.
(6) In addition to establishing a quiet period in accordance with the Disclosure Policy, the Company will operate and thoroughly implement rules and regulations regarding the management of insider information.
※ The disclosed documents relating to the above items can be found on the company's website (https://willgroup.co.jp/ir/index.html).