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November 9, 2022

Consolidated Financial Results for the Six Months Ended September 30, 2022 (Under IFRS)

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 Listing: Tokyo Stock Exchange
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 Scheduled date to file quarterly securities report: November 9, 2022
 Scheduled date to commence dividend payments: —
 Preparation of supplementary material on quarterly financial results: Yes
 Holding of quarterly financial results briefing: Yes (for institutional investors and analysts)

(Yen amounts are rounded down to millions, unless otherwise noted.)

1. Consolidated financial results for the six months ended September 30, 2022 (from April 1, 2022 to September 30, 2022)

(1) Consolidated operating results (cumulative)

(Percentages indicate year-on-year changes.)

	Revenue		Operating profit		Profit before tax		Profit	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
Six months ended								
September 30, 2022	72,358	13.2	2,934	9.3	2,947	8.5	1,989	(0.4)
September 30, 2021	63,913	9.9	2,685	20.9	2,716	30.2	1,996	31.2

	Profit attributable to owners of parent		Total comprehensive income		Basic earnings per share	Diluted earnings per share
	Millions of yen	%	Millions of yen	%	Yen	Yen
Six months ended						
September 30, 2022	1,743	2.7	2,766	63.6	77.23	76.53
September 30, 2021	1,698	30.2	1,691	(31.3)	76.18	75.00

(2) Consolidated financial position

	Total assets	Total equity	Equity attributable to owners of parent	Ratio of equity attributable to owners of parent to total assets
	Millions of yen	Millions of yen	Millions of yen	%
As of				
September 30, 2022	51,275	14,669	13,431	26.2
March 31, 2022	52,350	13,121	11,398	21.8

2. Cash dividends

	Annual dividends per share				
	First quarter-end	Second quarter-end	Third quarter-end	Fiscal year-end	Total
	Yen	Yen	Yen	Yen	Yen
Fiscal year ended March 31, 2022	–	0.00	–	34.00	34.00
Fiscal year ending March 31, 2023	–	0.00			
Fiscal year ending March 31, 2023 (Forecast)			–	44.00	44.00

Note: Revisions to the forecast of cash dividends most recently announced: None

3. Consolidated earnings forecasts for the fiscal year ending March 31, 2023 (from April 1, 2022 to March 31, 2023)

(Percentages indicate year-on-year changes.)

	Revenue		Operating profit		Profit before tax		Profit	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
Fiscal year ending March 31, 2023	140,000	6.8	5,600	2.3	5,490	3.7	3,870	0.4

	Profit attributable to owners of parent		Basic earnings per share
	Millions of yen	%	Yen
Fiscal year ending March 31, 2023	3,330	1.3	147.47

Note: Revisions to the earnings forecasts most recently announced: None

*** Notes**

- (1) Changes in significant subsidiaries during the period (changes in specified subsidiaries resulting in the change in scope of consolidation): None
- (2) Changes in accounting policies and changes in accounting estimates
 - (i) Changes in accounting policies required by IFRS: None
 - (ii) Changes in accounting policies due to other reasons: None
 - (iii) Changes in accounting estimates: None

(3) Number of issued shares (ordinary shares)

(i) Total number of issued shares at the end of the period (including treasury shares)

As of September 30, 2022	22,880,100 shares
As of March 31, 2022	22,852,200 shares

(ii) Number of treasury shares at the end of the period

As of September 30, 2022	284,850 shares
As of March 31, 2022	284,820 shares

(iii) Average number of shares outstanding during the period (cumulative from the beginning of the fiscal year)

Six months ended September 30, 2022	22,580,342 shares
Six months ended September 30, 2021	22,300,657 shares

Note: The number of treasury shares at the end of the period includes the number of shares owned by executive stock compensation trust.

(279,441 shares as of September 30, 2022 and 279,441 shares as of March 31, 2022)

- * Quarterly financial results reports are exempt from quarterly review conducted by certified public accountants or an audit corporation.

* Proper use of earnings forecasts, and other special matters

The forward-looking statements shown in these materials, including earnings forecasts, are based on information currently available to the Company and on certain assumptions deemed to be reasonable. As such, they do not constitute guarantees by the Company of future performance. Actual results may differ significantly from these forecasts for a number of reasons. Please refer to “(3) Explanation of consolidated earnings forecasts and other forward-looking statements” under “1. Qualitative information on quarterly consolidated financial results” on page 4 of the attached material for the assumptions on which earnings forecasts are based, and cautions concerning the use thereof.

Attached Material Index

1.	Qualitative information on quarterly consolidated financial results.....	2
	(1) Explanation of operating results.....	2
	(2) Explanation of financial position.....	3
	(3) Explanation of consolidated earnings forecasts and other forward-looking statements.....	4
2.	Condensed quarterly consolidated financial statements and significant notes thereto	5
	(1) Condensed quarterly consolidated statement of financial position	5
	(2) Condensed quarterly consolidated statement of profit or loss and condensed quarterly condensed statement of comprehensive income	7
	Condensed quarterly consolidated statement of profit or loss.....	7
	Condensed quarterly consolidated statement of comprehensive income	8
	(3) Condensed quarterly consolidated statement of changes in equity	9
	(4) Condensed quarterly consolidated statement of cash flows	10
	(5) Notes to condensed quarterly consolidated financial statements	11
	Notes on premise of going concern.....	11
	Segment information, etc.	11

1. Qualitative information on quarterly consolidated financial results

(1) Explanation of operating results

During the six months ended September 30, 2022, soaring prices for resources, highly volatile exchange rates, and rising prices, etc. caused by these two factors resulted in a continuation of the uncertain outlook for the global economy. In addition to the impact of global economic conditions, the Japanese economy was affected by the number of people infected with COVID-19, which at one point during the second quarter reached the highest level yet recorded.

Under these circumstances, the Group worked on the WORK SHIFT Strategy, which aims to raise the operating margin through a portfolio shift and digital shift in preparation for achieving the goals of the “WILL-being 2023” Medium-Term Management Plan, which has entered its final year in the fiscal year ending March 31, 2023.

In Japan, although restrictions on behavior were eased and the situation had begun trending toward recovery, the resurgence of COVID-19 infections between July and September 2022 led to constraints being imposed yet again on customers’ recruitment activities. In addition to delays in our winning of new projects, the impact of widespread absences from work by temporary staff resulted in a slump in business.

In Singapore and Australia, which are the main areas in which the Company has expanded its business overseas, the lifting of restrictions on entering the country led to signs of economic recovery. For this reason, demand for human resources remained strong.

As a result of the above, revenue for the six months ended September 30, 2022 was ¥72,358 million (up 13.2% year on year), operating profit was ¥2,934 million (up 9.3%), profit before tax was ¥2,947 million (up 8.5%), profit was ¥1,989 million (down 0.4%), profit attributable to owners of parent was ¥1,743 million (up 2.7%), and EBITDA (operating profit + depreciation and amortization) was ¥3,965 million (up 8.6%).

Results of operations by segment are as follows:

(i) Domestic WORK Business

The Domestic WORK Business offers temporary staffing, permanent placement, and business process outsourcing services in Japan, specifically for categories such as the sales outsourcing domain, call center outsourcing domain, factory outsourcing domain, nursing care domain, and construction management engineer domain. We saw strength in the HR support for startups domain and construction management engineer domain, but other sectors were slow as a result of the resurgence in COVID-19 infections between July and September 2022. On the other hand, in response to the era of coexistence with coronavirus, each sector also focused on developing clients for new services, including a sales agency, and a contact center service in which all the staff work from home.

As for profit, in preparation for the Perm SHIFT (“Perm” refers to permanent placement and temporary staffing for highly specialized fields), we made upfront investments by increasing the number of sales and consultant staff in the construction management engineer and HR support for startups domains, but there were a rise in gross profit and higher earnings due to an increase in revenue.

As a result of the above, the Domestic WORK Business recorded external revenue of ¥41,525 million (up 4.9% year on year), and segment profit of ¥2,277 million (up 5.4%).

(ii) Overseas WORK Business

With regard to the human resources services that the Company has rolled out in the ASEAN and Oceania regions, the full-scale resumption of entry into Australia and Singapore and other factors led to signs of economic recovery. With regard to demand for human resources, the number of job openings has reached record levels in both Australia and Singapore, resulting in strength in both temporary staffing and permanent placement. In addition, as for exchange rates, the yen has depreciated against both the Singaporean dollar (¥96 for the six months ended September 30, 2022, compared to ¥83 for the previous fiscal year) and the Australian dollar (¥93 for the six months ended

September 30, 2022, compared to ¥83 for the previous fiscal year). The impact of forex on revenue during the six months ended September 30, 2022, was approximately ¥3,400 million.

As for profit, in addition to the increase in personnel expenses, there was a decrease in income from employment support government subsidies aimed at tackling COVID-19 that we received in Singapore for the same period of the previous fiscal year, but the increase in permanent placement sales, which resulted in a rise in gross profit, and the shift in foreign exchange rates toward yen depreciation led to higher earnings. The impact of forex on segment profit during the six months ended September 30, 2022, was approximately ¥230 million.

As a result of the above, the Overseas WORK Business recorded external revenue of ¥29,744 million (up 25.5% year on year), and segment profit of ¥1,914 million (up 14.2%).

(iii) Others

In the Others segment, we worked to expand non-labor-intensive businesses by continuing to strengthen the development of new platforms such as “ENPORT,” which provides comprehensive support services for foreigners living in Japan. In terms of profit, while continuing to invest in the development of new platforms, we began to see signs of a resumption in entries to Japan by foreign workers following the easing of restrictions on entry, but due to having scaled back some services aimed at foreign workers, selling, general and administrative expenses decreased.

As a result of the above, the Others segment recorded external revenue of ¥1,088 million (up 78.7% year on year), and a segment loss of ¥156 million (a segment loss of ¥205 million was recorded in the same period of the previous fiscal year).

(2) Explanation of financial position

(i) Assets, liabilities and equity

Assets

Current assets as of September 30, 2022 were ¥26,402 million, a decrease of ¥886 million from the end of the previous fiscal year. This was mainly due to a decrease in cash and cash equivalents of ¥1,871 million, despite increases in trade and other receivables of ¥555 million, and in other current assets of ¥415 million.

Non-current assets stood at ¥24,872 million, a decrease of ¥188 million from the end of the previous fiscal year. This was mainly due to right-of-use assets decreasing by ¥548 million, despite goodwill increasing by ¥281 million as a result of currency translation effects following the depreciation of the yen.

As a result, total assets amounted to ¥51,275 million, a decrease of ¥1,074 million from the end of the previous fiscal year.

Liabilities

Current liabilities as of September 30, 2022 were ¥26,236 million, a decrease of ¥3,124 million from the end of the previous fiscal year. This was mainly due to decreases in other financial liabilities of ¥3,816 million, and in borrowings of ¥519 million, despite increases in trade and other payables of ¥996 million, and in income taxes payable of ¥123 million.

Non-current liabilities stood at ¥10,368 million, an increase of ¥501 million from the end of the previous fiscal year. This was mainly due to an increase in borrowings of ¥1,061 million, despite decreases in other financial liabilities of ¥362 million, and in deferred tax liabilities of ¥199 million.

As a result, total liabilities amounted to ¥36,605 million, a decrease of ¥2,623 million from the end of the previous fiscal year.

Equity

Total equity as of September 30, 2022 was ¥14,669 million, an increase of ¥1,548 million from the end of the previous fiscal year. This was mainly due to increases in retained earnings of ¥967 million,

and in exchange differences on translation of foreign operations of ¥750 million among other components of equity, despite a decrease in non-controlling interests of ¥484 million.

As a result of the above, the ratio of equity attributable to owners of parent to total assets was 26.2% (21.8% at the end of the previous fiscal year).

(ii) Cash flows

Cash and cash equivalents as of September 30, 2022 decreased ¥1,871 million from the end of the previous fiscal year to ¥7,102 million. Status of cash flows for the six months ended September 30, 2022 and the main factors driving them are as follows:

Cash flows from operating activities

Net cash provided by operating activities was ¥2,657 million (¥2,115 million provided in the same period of the previous fiscal year). This was mainly due to a recording of profit before tax of ¥2,947 million and a recording of depreciation and amortization of ¥1,031 million, despite factors such as income taxes paid of ¥1,098 million.

Cash flows from investing activities

Net cash used in investing activities was ¥218 million (¥147 million provided in the same period of the previous fiscal year). This was mainly due to purchase of property, plant and equipment, and intangible assets of ¥187 million, and payments included in other of ¥30 million.

Cash flows from financing activities

Net cash used in financing activities was ¥4,701 million (¥3,661 million used in the same period of the previous fiscal year). This was mainly due to purchase of shares of subsidiaries not resulting in change in scope of consolidation of ¥3,746 million, repayments of long-term borrowings of ¥1,578 million, dividends paid of ¥775 million, repayments of lease liabilities of ¥637 million, and a net decrease in short-term borrowings of ¥400 million, despite factors such as proceeds from long-term borrowings of ¥2,520 million.

(3) Explanation of consolidated earnings forecasts and other forward-looking statements

Consolidated earnings forecasts are unchanged from those announced on May 11, 2022.

Note that earnings forecasts are based on information currently available to the Company, and actual results may differ from forecasts for a variety of reasons going forward.

2. Condensed quarterly consolidated financial statements and significant notes thereto**(1) Condensed quarterly consolidated statement of financial position**

(Millions of yen)

	As of March 31, 2022	As of September 30, 2022
Assets		
Current assets		
Cash and cash equivalents	8,973	7,102
Trade and other receivables	17,458	18,013
Other financial assets	129	142
Other current assets	728	1,144
Total current assets	27,289	26,402
Non-current assets		
Property, plant and equipment	1,223	1,158
Right-of-use assets	6,809	6,260
Goodwill	6,514	6,796
Other intangible assets	6,154	6,182
Investments accounted for using equity method	477	466
Other financial assets	1,208	1,274
Deferred tax assets	1,850	1,929
Other non-current assets	822	803
Total non-current assets	25,061	24,872
Total assets	52,350	51,275

(Millions of yen)

	As of March 31, 2022	As of September 30, 2022
Liabilities		
Current liabilities		
Trade and other payables	15,297	16,293
Borrowings	5,786	5,266
Other financial liabilities	5,245	1,428
Income taxes payable	1,195	1,319
Other current liabilities	1,836	1,928
Total current liabilities	29,361	26,236
Non-current liabilities		
Borrowings	2,202	3,263
Other financial liabilities	6,285	5,923
Deferred tax liabilities	1,202	1,002
Other non-current liabilities	177	179
Total non-current liabilities	9,867	10,368
Total liabilities	39,228	36,605
Equity		
Share capital	2,163	2,174
Capital surplus	(2,266)	(1,990)
Treasury shares	(274)	(274)
Other components of equity	464	1,244
Retained earnings	11,310	12,277
Total equity attributable to owners of parent	11,398	13,431
Non-controlling interests	1,723	1,238
Total equity	13,121	14,669
Total liabilities and equity	52,350	51,275

(2) Condensed quarterly consolidated statement of profit or loss and condensed quarterly consolidated statement of comprehensive income

Condensed quarterly consolidated statement of profit or loss

(Millions of yen)

	Six months ended September 30, 2021	Six months ended September 30, 2022
Revenue	63,913	72,358
Cost of sales	49,878	56,143
Gross profit	14,035	16,215
Selling, general and administrative expenses	11,473	13,428
Other income	160	161
Other expenses	37	15
Operating profit	2,685	2,934
Share of profit (loss) of investments accounted for using equity method	(11)	(11)
Finance income	79	69
Finance costs	37	45
Profit before tax	2,716	2,947
Income tax expense	719	958
Profit	1,996	1,989
Profit attributable to		
Owners of parent	1,698	1,743
Non-controlling interests	297	245
Earnings per share		
Basic earnings per share	76.18	77.23
Diluted earnings per share	75.00	76.53

Condensed quarterly consolidated statement of comprehensive income

(Millions of yen)

	Six months ended September 30, 2021	Six months ended September 30, 2022
Profit	1,996	1,989
Other comprehensive income		
Items that will not be reclassified to profit or loss		
Net change in fair value of equity instruments designated as measured at fair value through other comprehensive income	22	(42)
Total of items that will not be reclassified to profit or loss	22	(42)
Items that may be reclassified to profit or loss		
Cash flow hedges	(20)	40
Exchange differences on translation of foreign operations	(307)	778
Total of items that may be reclassified to profit or loss	(327)	819
Other comprehensive income, net of tax	(305)	777
Comprehensive income	1,691	2,766
Comprehensive income attributable to		
Owners of parent	1,401	2,523
Non-controlling interests	289	243

(3) Condensed quarterly consolidated statement of changes in equity

Six months ended September 30, 2021

(Millions of yen)

	Share capital	Capital surplus	Treasury shares	Total	Retained earnings	Total equity attributable to owners of parent	Non-controlling interests	Total
Balance as of April 1, 2021	2,089	(1,786)	(279)	(343)	8,559	8,240	1,786	10,027
Profit	-	-	-	-	1,698	1,698	297	1,996
Other comprehensive income	-	-	-	(296)	-	(296)	(8)	(305)
Comprehensive income	-	-	-	(296)	1,698	1,401	289	1,691
Dividends of surplus	-	-	-	-	(541)	(541)	-	(541)
Purchase of treasury shares	-	-	(0)	-	-	(0)	-	(0)
Disposal of treasury shares	-	(1)	5	-	-	3	-	3
Share-based payment transactions	22	42	-	-	-	64	-	64
Increase (decrease) by business combination	-	721	-	-	-	721	(1,024)	(303)
Transfer from other components of equity to retained earnings	-	-	-	(3)	3	-	-	-
Other	-	-	-	-	-	-	10	10
Total transactions with owners	22	761	5	(3)	(538)	247	(1,014)	(767)
Balance as of September 30, 2021	2,111	(1,024)	(274)	(643)	9,719	9,889	1,061	10,950

Six months ended September 30, 2022

(Millions of yen)

	Share capital	Capital surplus	Treasury shares	Total	Retained earnings	Total equity attributable to owners of parent	Non-controlling interests	Total
Balance as of April 1, 2022	2,163	(2,266)	(274)	464	11,310	11,398	1,723	13,121
Profit	-	-	-	-	1,743	1,743	245	1,989
Other comprehensive income	-	-	-	779	-	779	(1)	777
Comprehensive income	-	-	-	779	1,743	2,523	243	2,766
Dividends of surplus	-	-	-	-	(776)	(776)	-	(776)
Purchase of treasury shares	-	-	(0)	-	-	(0)	-	(0)
Disposal of treasury shares	-	-	-	-	-	-	-	-
Share-based payment transactions	10	65	-	-	-	76	-	76
Increase (decrease) by business combination	-	210	-	-	-	210	(728)	(517)
Transfer from other components of equity to retained earnings	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	0	0
Total transactions with owners	10	276	(0)	-	(776)	(489)	(728)	(1,217)
Balance as of September 30, 2022	2,174	(1,990)	(274)	1,244	12,277	13,431	1,238	14,669

(4) Condensed quarterly consolidated statement of cash flows

(Millions of yen)

	Six months ended September 30, 2021	Six months ended September 30, 2022
Cash flows from operating activities		
Profit before tax	2,716	2,947
Depreciation and amortization	965	1,031
Share-based payment expenses	31	53
Decrease (increase) in trade receivables	(139)	(261)
Increase (decrease) in trade payables	(477)	753
Other	(187)	(728)
Subtotal	2,907	3,796
Interest and dividends received	2	2
Interest paid	(37)	(43)
Income taxes paid	(757)	(1,098)
Net cash provided by (used in) operating activities	2,115	2,657
Cash flows from investing activities		
Purchase of property, plant and equipment, and intangible assets	(312)	(187)
Other	460	(30)
Net cash provided by (used in) investing activities	147	(218)
Cash flows from financing activities		
Net increase (decrease) in short-term borrowings	900	(400)
Proceeds from long-term borrowings	60	2,520
Repayments of long-term borrowings	(1,466)	(1,578)
Repayments of lease liabilities	(602)	(637)
Purchase of shares of subsidiaries not resulting in change in scope of consolidation	(1,969)	(3,746)
Dividends paid to non-controlling interests	(269)	(311)
Dividends paid	(540)	(775)
Other	227	228
Net cash provided by (used in) financing activities	(3,661)	(4,701)
Effect of exchange rate changes on cash and cash equivalents	(61)	391
Net increase (decrease) in cash and cash equivalents	(1,460)	(1,871)
Cash and cash equivalents at beginning of period	7,455	8,973
Cash and cash equivalents	5,995	7,102

(5) Notes to condensed quarterly consolidated financial statements**Notes on premise of going concern**

Not applicable.

Segment information, etc.**(1) Overview of reportable segments**

The Group determines reportable segments based on the operating segments that are components of the Group for which discrete financial information is available and regularly reviewed by the chief operating decision maker to make decisions about the allocation of management resources and assess the results of operations. The Group's reportable segments are comprised of the following two segments.

The details of each reportable segment are as follows:

Reportable segments	Business activities
Domestic WORK Business	Engaged primarily in temporary staffing, permanent placement and business process outsourcing services in Japan specifically for categories such as sales, call center, factory, care support facility and construction management engineer, and HR support services centered on permanent employee placements for startups developed by for Startups, Inc.
Overseas WORK Business	Engaged primarily in temporary staffing and permanent placement in the ASEAN and Oceania regions.

In addition to the above, human resources service in the HR Tech field, support services for foreigners living in Japan, and operations of apartment building for IT engineers and creative personnel (Tech Residence) are included in the "Others" segment.

(2) Information of the reportable segments

The figures for profit for reportable segments are given on an operating profit basis.

The information of each reportable segment is as follows:

Six months ended September 30, 2021

(Millions of yen)

	Reportable segments			Others	Adjustments (Note 2)	Amount recorded in the consolidated financial statements
	Domestic WORK Business	Overseas WORK Business	Total			
Revenue						
External revenue	39,594	23,709	63,303	609	–	63,913
Intersegment revenue (Note 1)	27	–	27	2	(30)	–
Total	39,621	23,709	63,331	611	(30)	63,913
Segment profit	2,160	1,676	3,837	(205)	(946)	2,685

(Note 1) Intersegment revenue is based on general market price.

(Note 2) Adjustments to segment profit of negative ¥946 million include intersegment eliminations of ¥0 million and corporate expenses not allocated to each business segment of negative ¥946 million. Corporate expenses mainly consist of general and administrative expenses that are not attributable to operating segments.

Six months ended September 30, 2022

(Millions of yen)

	Reportable segments			Others	Adjustments (Note 2)	Amount recorded in the consolidated financial statements
	Domestic WORK Business	Overseas WORK Business	Total			
Revenue						
External revenue	41,525	29,744	71,270	1,088	–	72,358
Intersegment revenue (Note 1)	33	–	33	3	(37)	–
Total	41,559	29,744	71,304	1,091	(37)	72,358
Segment profit	2,277	1,914	4,191	(156)	(1,101)	2,934

(Note 1) Intersegment revenue is based on general market price.

(Note 2) Adjustments to segment profit of negative ¥1,101 million include intersegment eliminations of negative ¥0 million and corporate expenses not allocated to each business segment of negative ¥1,100 million. Corporate expenses mainly consist of general and administrative expenses that are not attributable to operating segments.