



# Supplementary Materials for the Third Quarter of the Fiscal Year Ending March 31, 2023

February 8, 2023

WILL GROUP, INC. (Tokyo Stock Exchange, Prime Market / Stock code: 6089)

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# I. Adjustments to Prior Fiscal Year Financial Results of WILL GROUP Consolidated Subsidiary

# Adjustments to Prior Fiscal Year Financial Results of WILL GROUP Consolidated Subsidiary

It has come to our attention that for Startups, Inc. failed to make fee payments in prior fiscal years (failure to record cost of sales) due to misconceptions regarding use of human resource databases operated by third parties, as stated in the “Notice of WILL GROUP’s response regarding adjustments to prior fiscal year financial results of WILL GROUP consolidated subsidiary for Startups, Inc.” (in Japanese only) released on January 20, 2023.

We sincerely apologize for any inconvenience and concern this may have caused to our shareholders, investors, business partners and other stakeholders.

We have opted not to adjust prior fiscal year financial results upon having determined the effect of this on our consolidated financial results to be negligible both monetarily and qualitatively. However, we have instead recorded fees and penalties for non-payment in prior fiscal years (approximately ¥0.4 billion) in selling, general and administrative expenses for the third quarter of the fiscal year ending March 31, 2023.

Given that we take this matter seriously, for Startups, Inc. has established measures to prevent recurrence and will accordingly persist with efforts undertaken to assess the sufficiency and effectiveness of these measures to prevent recurrence going forward. We will also regularly monitor implementation of the measures to prevent recurrence.

In steadfastly implementing these preventative measures, we remain committed to regaining the trust of our shareholders, investors, market participants and business partners, and accordingly seek their understanding and support in this regard.

[“Notice of WILL GROUP’s response regarding adjustments to prior fiscal year financial results of WILL GROUP consolidated subsidiary for Startups, Inc.” \(in Japanese only\) released on January 20, 2023.](#)

# Adjustments to Prior Fiscal Year Financial Results of WILL GROUP Consolidated Subsidiary

## ■ Measures to prevent recurrence

- (1) Regularly hold risk assessment meetings
- (2) Redevelop educational framework to ensure thorough understanding of usage rules enlisted by the respective operating companies
- (3) Form team dedicated to communicating with the respective operating companies
- (4) Establish an appropriate management framework encompassing adoption of additional management systems

## ■ Findings of internal surveys administered at other consolidated subsidiaries

Given that domestic and overseas consolidated subsidiaries other than for Startups, Inc. (the “Other Subsidiaries”) also engage in the business of permanent placement, we have conducted in-house investigations to determine whether similar incidents have occurred at such enterprises. Findings of the investigations have confirmed a lack of similar incidents having occurred at the Other Subsidiaries, and that such subsidiaries have been implementing relevant measures with respect to their operating procedures.

## II. 3Q FY3/23 Results

# 3Q FY3/23 Results

Revenue and gross profit achieved double-digit growth but profit otherwise decreased overall due to the effect of adjustments to prior fiscal year financial results of consolidated subsidiary (SG&A expenses +¥0.4 billion).

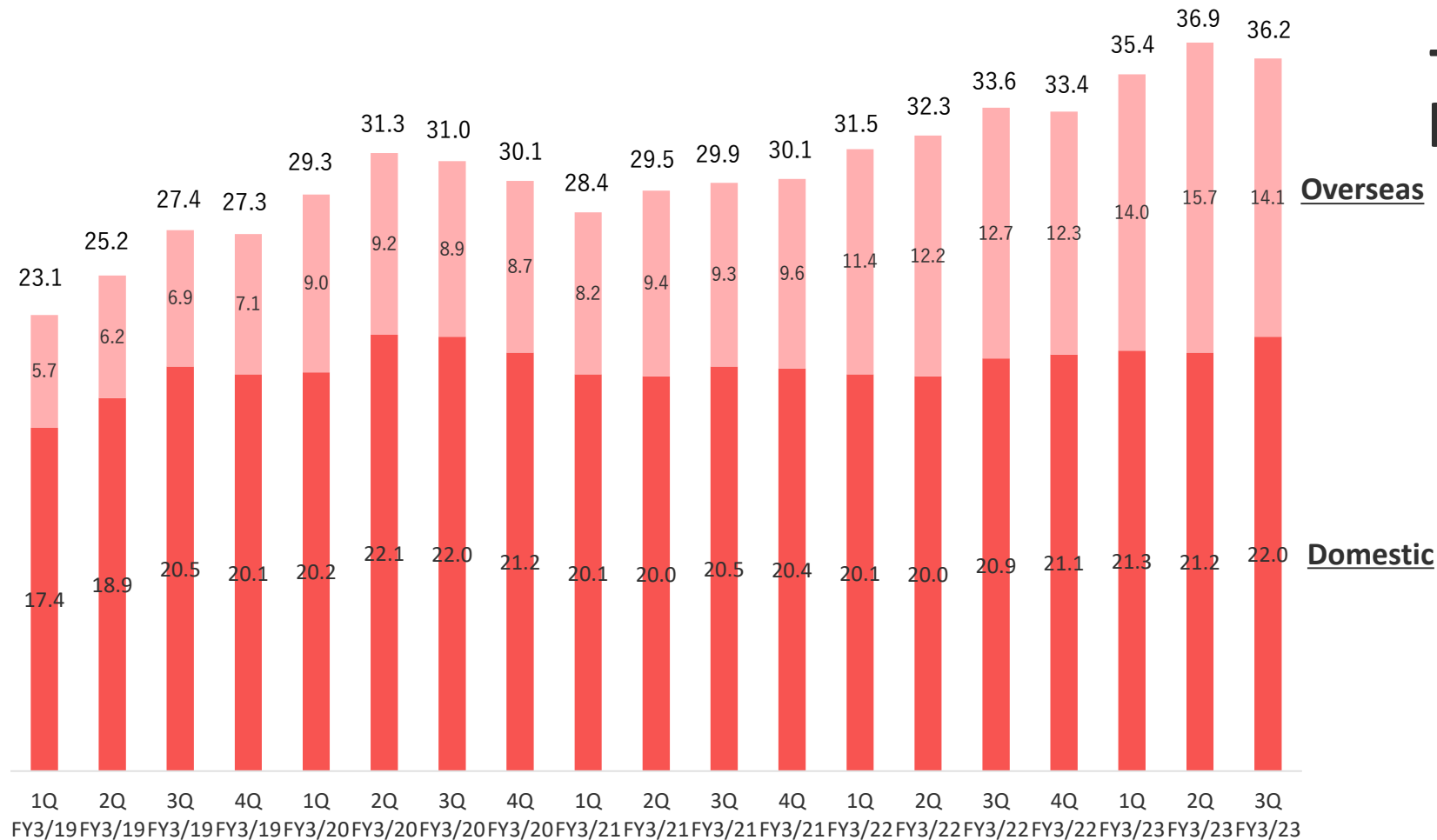
(Billions of yen)	3Q FY3/22	3Q FY3/23	Vs. 3Q FY3/22	
			Change	% change
Revenue	97.60	<b>108.61</b>	+11.00	+11.3%
Gross profit (Gross margin)	21.29 (21.8%)	<b>24.16</b> <b>(22.2%)</b>	+2.86 (+0.4pt)	+13.5%
SG&A expenses (SG&A expense ratio)	17.26 (17.7%)	<b>20.51</b> <b>(18.9%)</b>	+3.25 (+1.2pt)	+18.8%
Operating profit (Operating margin)	4.16 (4.3%)	<b>3.86</b> <b>(3.6%)</b>	-0.30 (-0.7pt)	-7.3%
Profit before tax	4.19	<b>3.74</b>	-0.45	-10.8%
Profit attributable to owners of parent	2.62	<b>2.27</b>	-0.34	-13.3%
EBITDA (Operating profit + Depreciation and amortization)	5.64	<b>5.42</b>	-0.22	-4.0%

Number of employees: 6,271  
(+ 908 from the end of FY3/22)



# Consolidated Revenue

(Billions of yen)



**3Q FY3/23 revenue was  
- ¥0.7 billion  
below 2Q FY3/23**

**Overseas** (The effects of foreign exchange rate: + ¥0.0 billion)

**Domestically, revenue increased  
relative to 2Q FY3/23.**

**Overseas, the post-COVID-19 surge  
in permanent placement demand  
subsided in 3Q.**

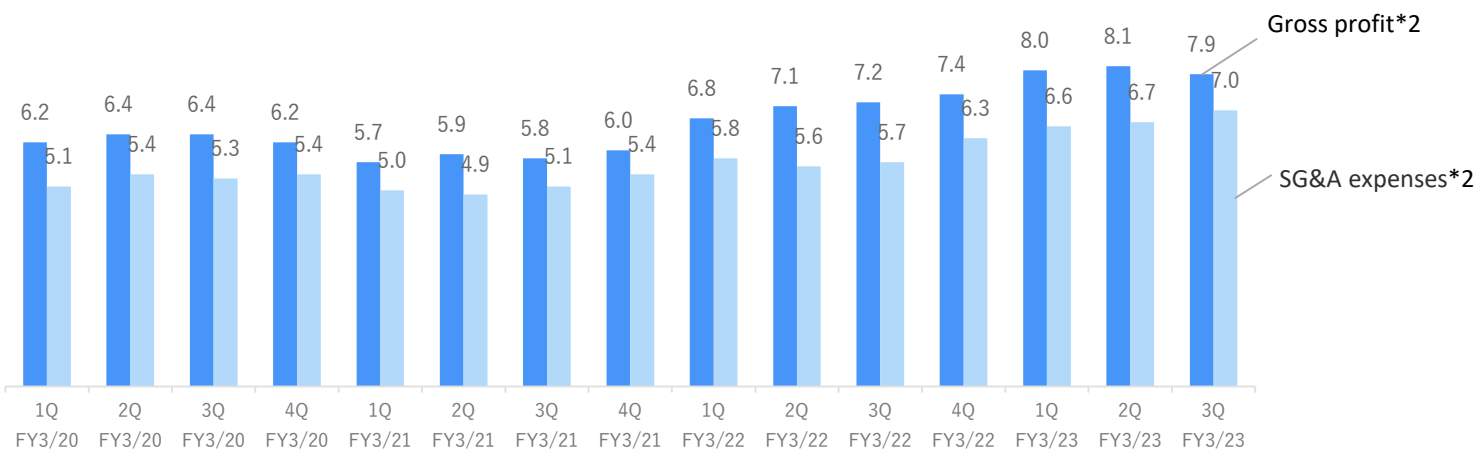
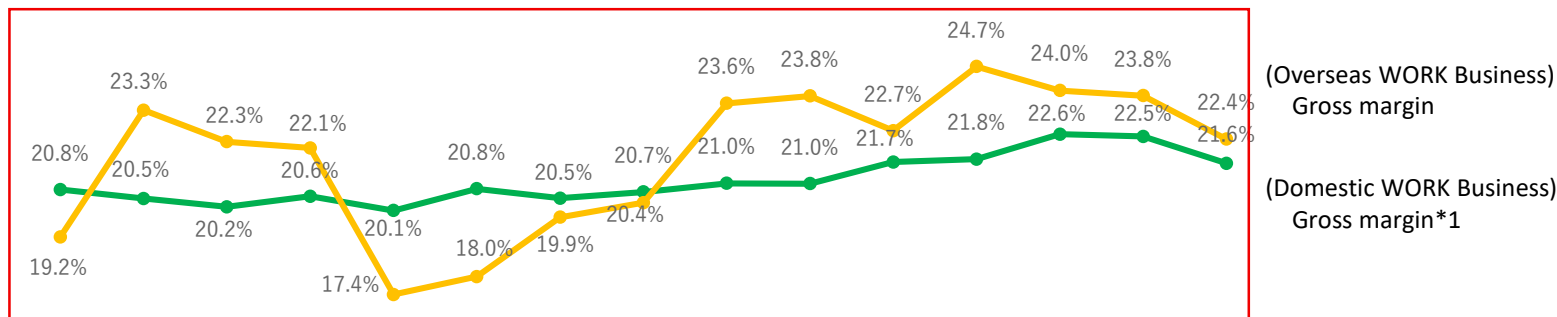
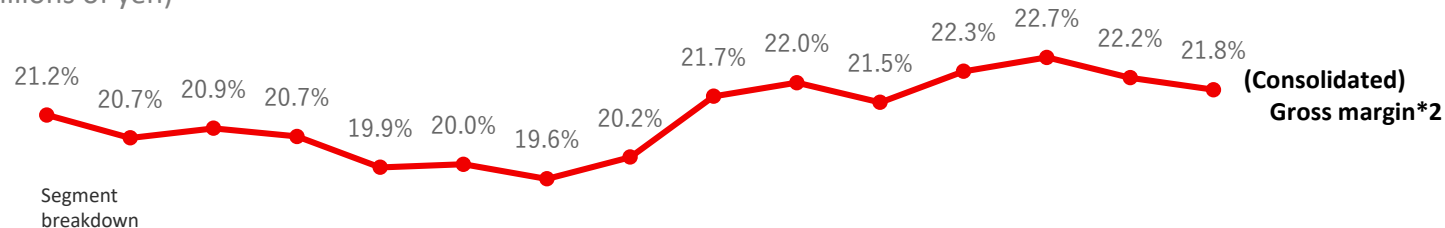
**Domestic**

\*The revenue is based on adjusted figure that excludes overseas subsidy income.



# Consolidated Gross Margin

(Billions of yen)



The consolidated gross margin decreased amid lower permanent placement sales in the Overseas WORK Business.

Upfront investments in strategic growth businesses (construction, startups, nursing care)

1Q-3Q plan: ¥1.04 billion

1Q-3Q results: ¥0.71 billion (-¥0.33 billion)

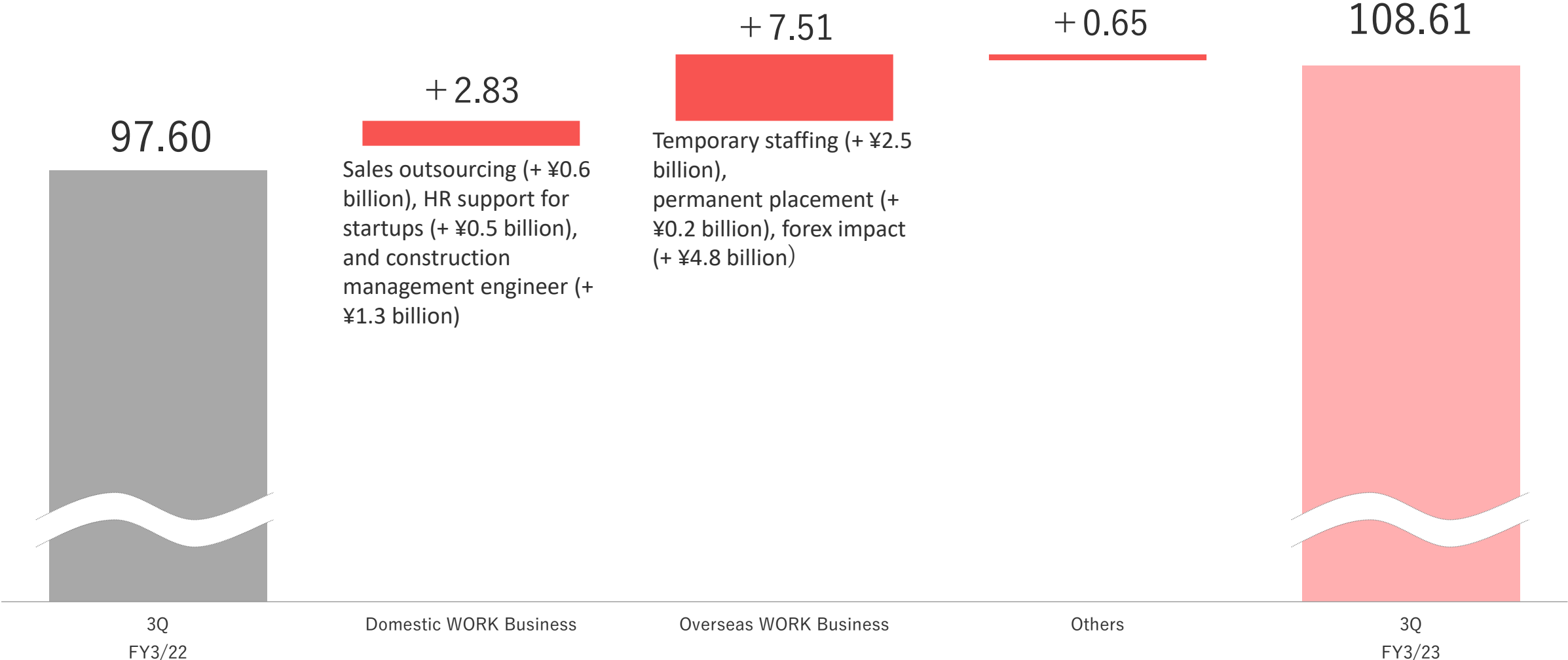
The unused portion is not to be carried forward.

\*1 Intersegment consolidation adjustments are not included. The amounts for FY3/20 are based on the previous accounting policy.

\*2 Gross profit and SG&A expenses are based on adjusted figure that excludes overseas subsidiary income.

# 3Q FY3/23 Revenue: Breakdown of Year-on-Year Changes

(Billions of yen)



# 3Q FY3/23 Operating Profit: Breakdown of Year-on-Year Changes

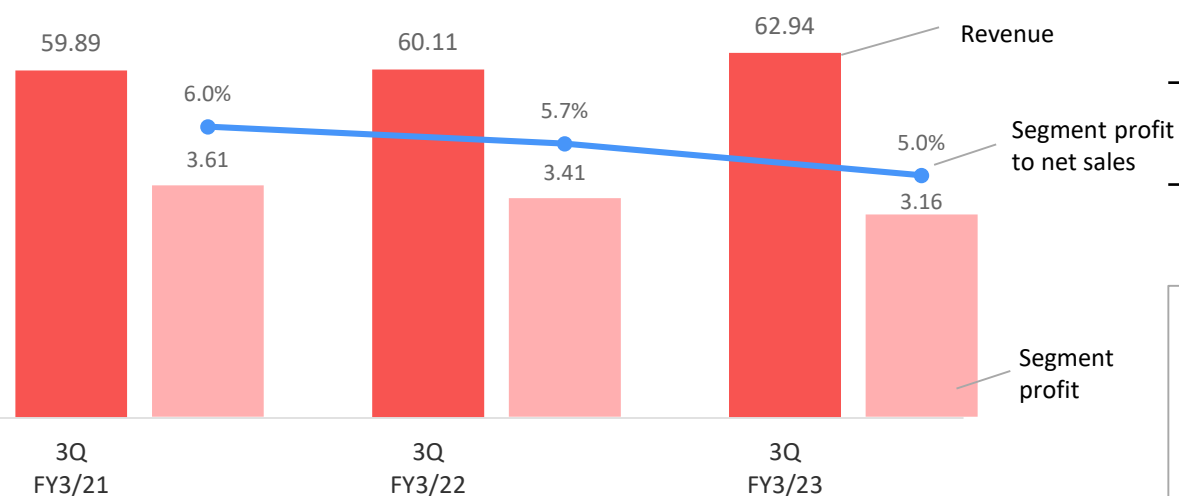
Operating profit decreased due to the effect of adjustments to prior fiscal year financial results of consolidated subsidiary (SG&A expenses +¥0.4 billion).

(Billions of yen)



# Domestic WORK Business

## -Revenue and segment profit (Billions of yen)-

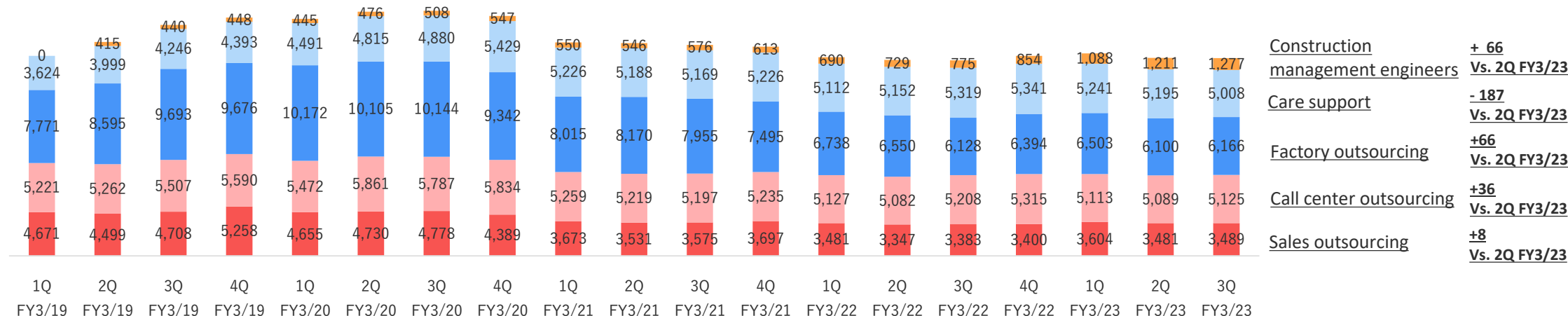


(Billions of yen)	3Q FY3/23	3Q FY3/22	Vs. FY3/22 % change
Revenue	<b>62.94</b>	60.11	<b>+4.7%</b>
Segment profit	<b>3.16</b>	3.41	<b>-7.4%</b>

### -Topics-

- Effect of adjustments to prior fiscal year financial results of consolidated subsidiary (-¥0.4 billion)
- The number of workers on assignments in 3Q was unchanged relative to 2Q.
- Implemented upfront investment in construction management engineers (¥0.4 billion) and HR support for startups (¥0.2 billion).

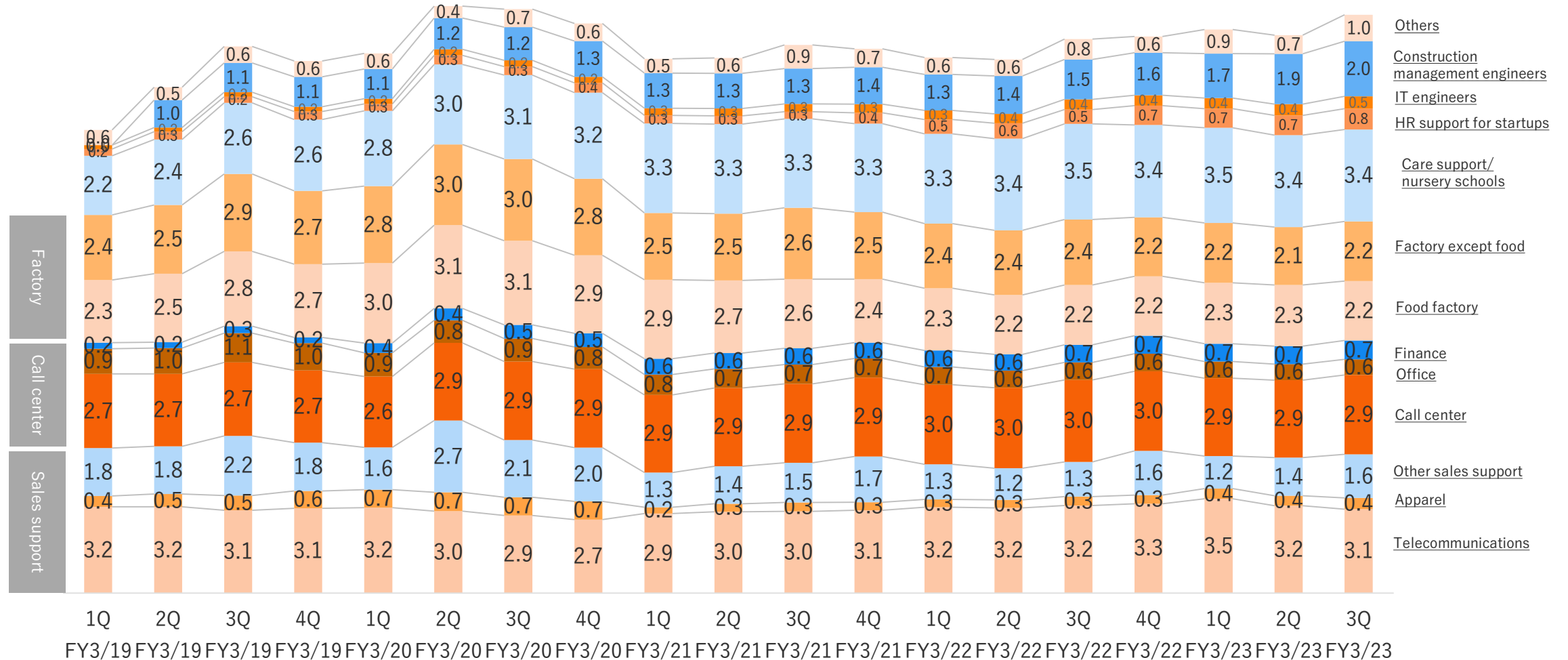
## -Number of workers on assignments (persons)-



# Domestic WORK Business (Business sector sales)

Other sales support, HR support for startups, and construction management engineer domains were all strong.

(Billions of yen)

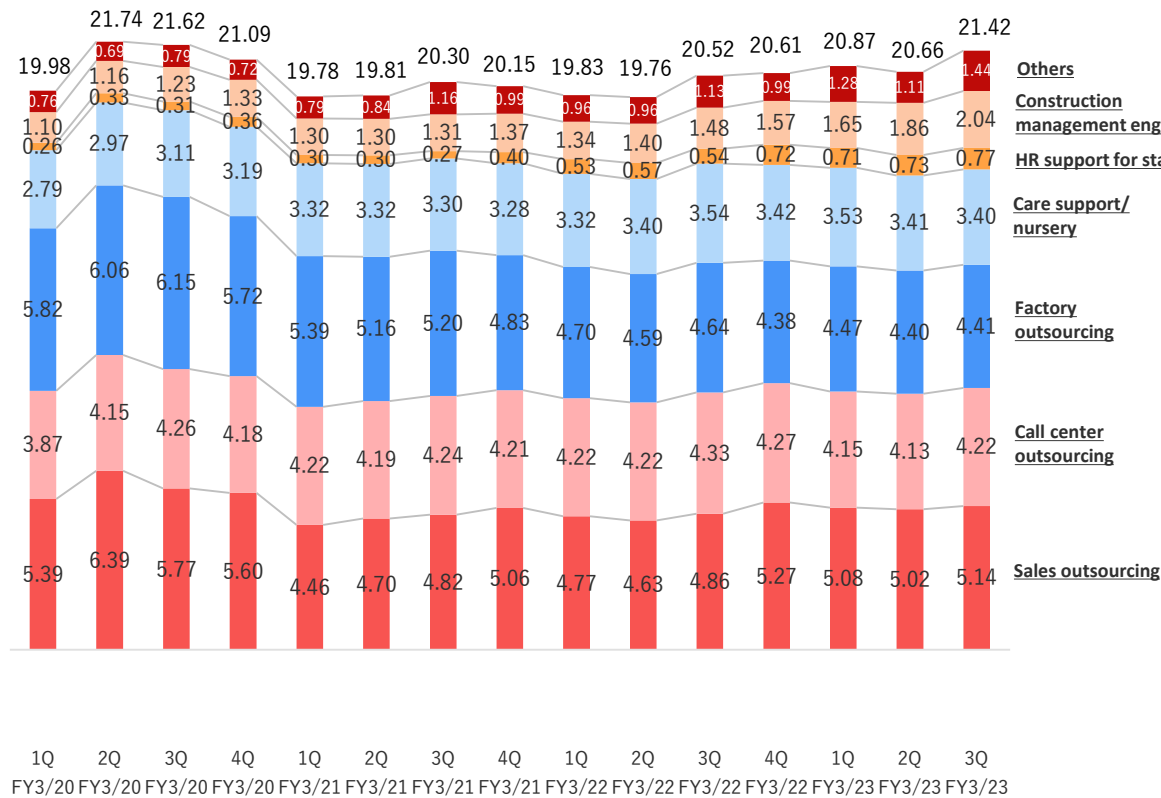


# Domestic WORK Business (Sales and operating profit by sector)

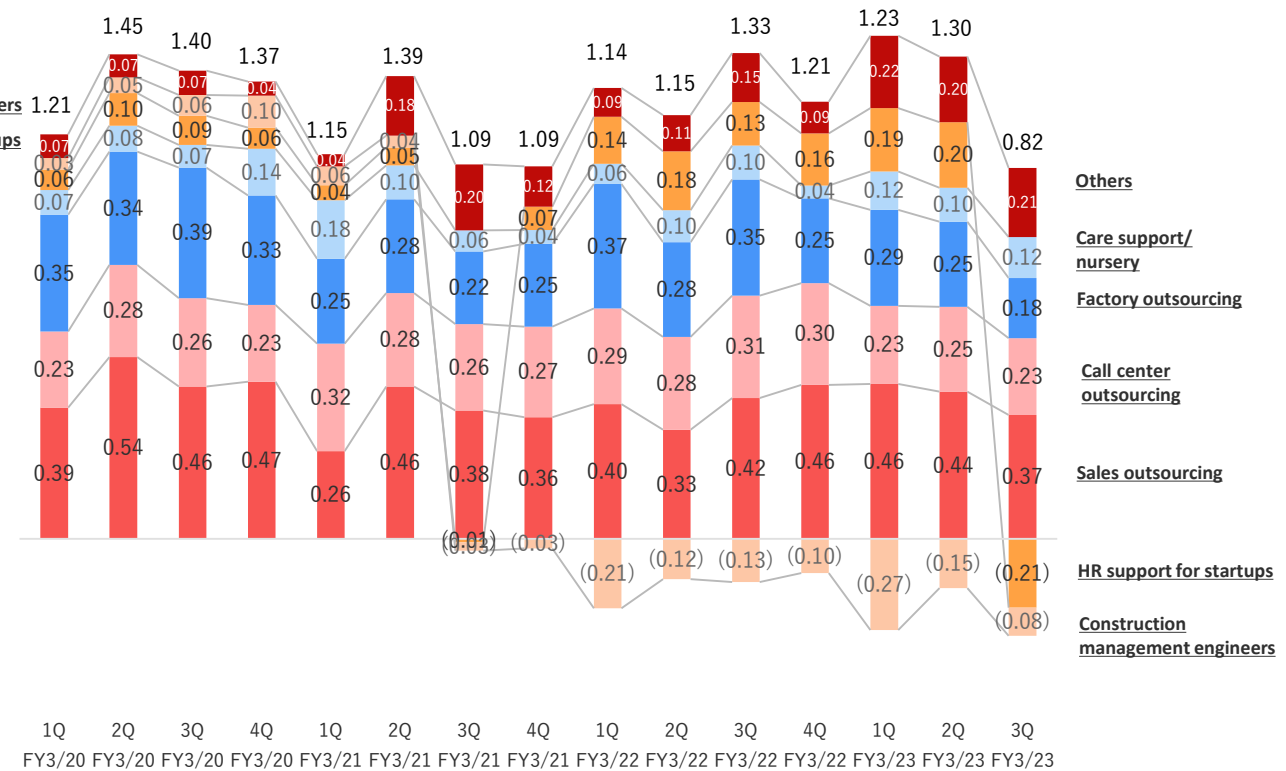
In the construction management engineer domain, this year is one for upfront investment (increasing personnel, committing recruitment expenses).

In 3Q, the HR support for startups domain incurred an operating loss due to adjustments to prior fiscal year financial results.

-Sales by sector (Billions of yen)-



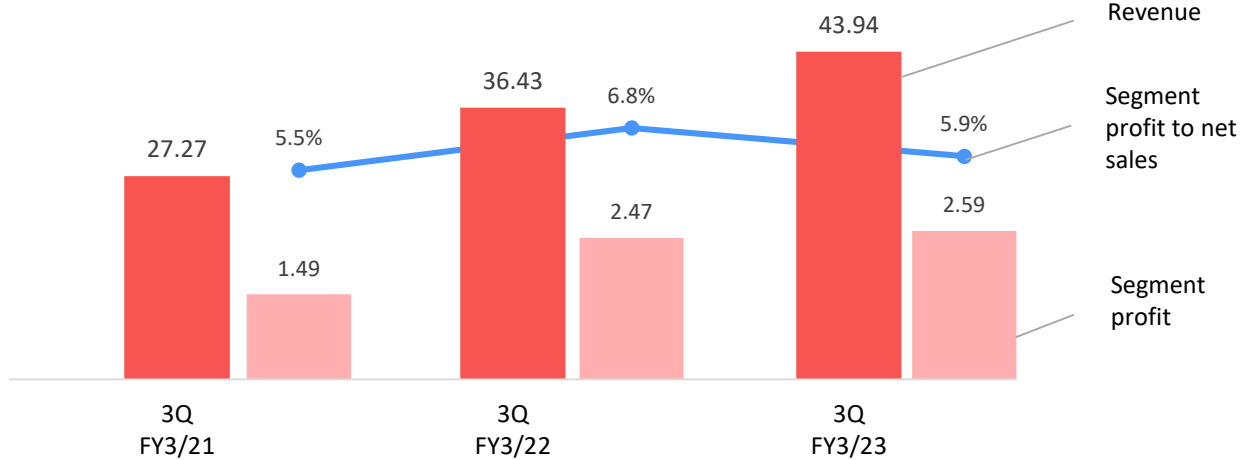
-Operating profit by sector (Billions of yen)-



\*Intra-segment consolidation adjustments are not included.

# Overseas WORK Business

## -Revenue and segment profit (Billions of yen)-

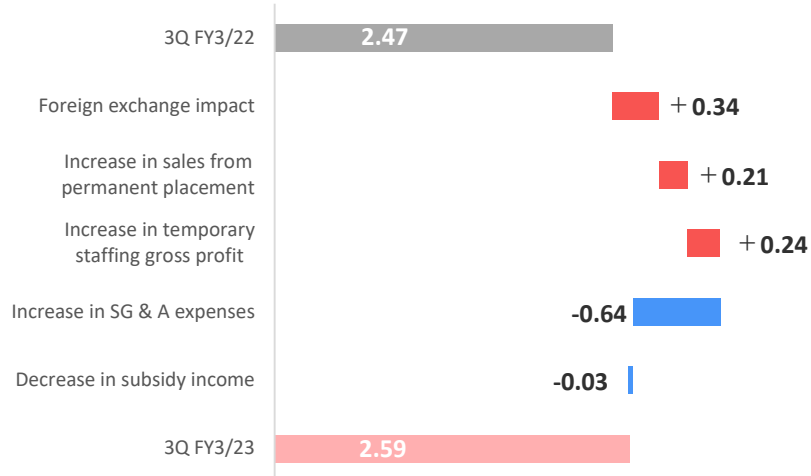


(Billions of yen)	3Q FY3/23	3Q FY3/22	Vs. FY3/22 % change
Revenue	<b>43.94</b>	36.43	+20.6%
Segment profit	<b>2.59</b>	2.47	+5.1%

### -Topics-

- The post-COVID-19 surge in demand for human resources subsided in 3Q.
- The yen depreciated against both the Singapore dollar and the Australian dollar.  
The forex impact vs. the previous fiscal year it was +¥4.8 billion for revenue and +¥0.34 billion for operating profit.

## -Major components of changes in segment profit (Billions of yen)-



### □ Forex sensitivity

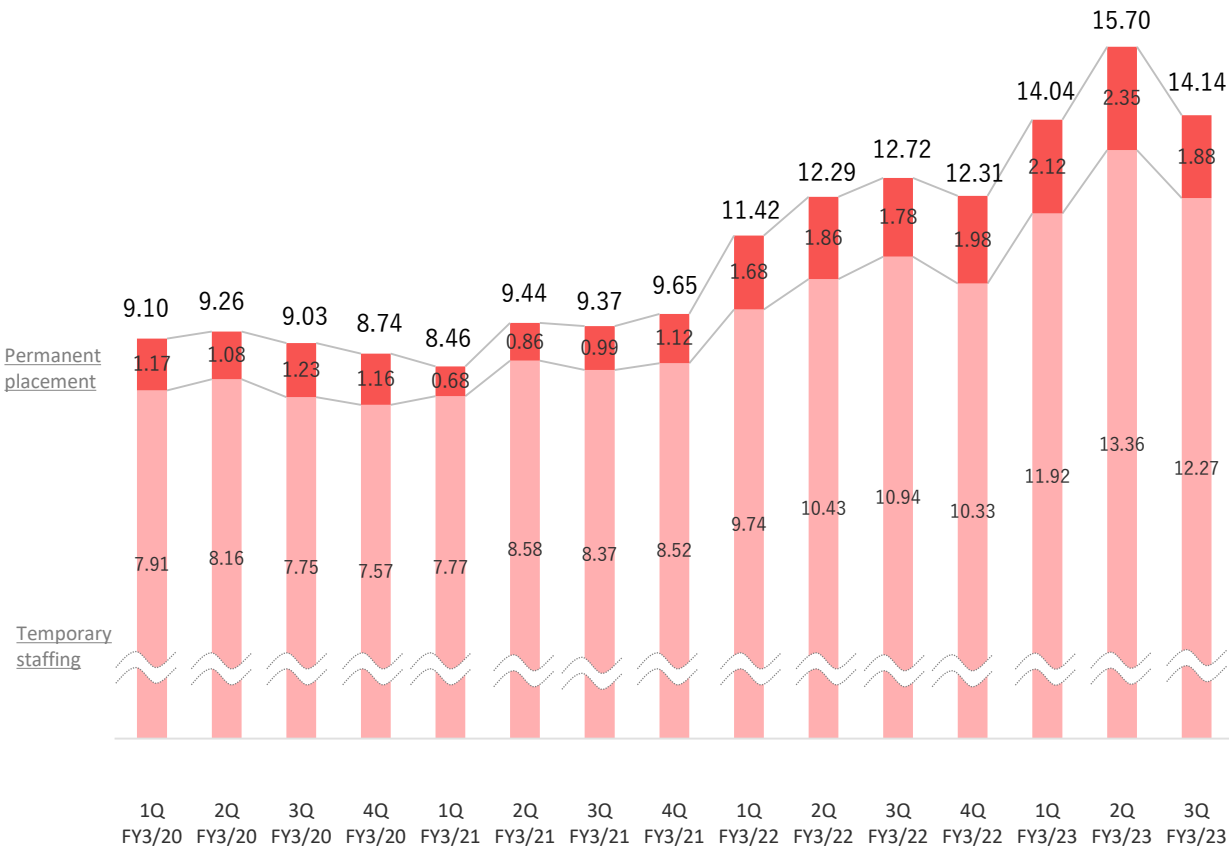
	3Q FY3/23 Plan	3Q FY3/23 Results	3Q FY3/22 Results	Change for ¥1 difference/y	
				Revenue	Profit
AUD	¥78	¥93	¥83	¥460 mln	¥30 mln
SGD	¥79	¥98	¥82	¥110 mln	¥10 mln



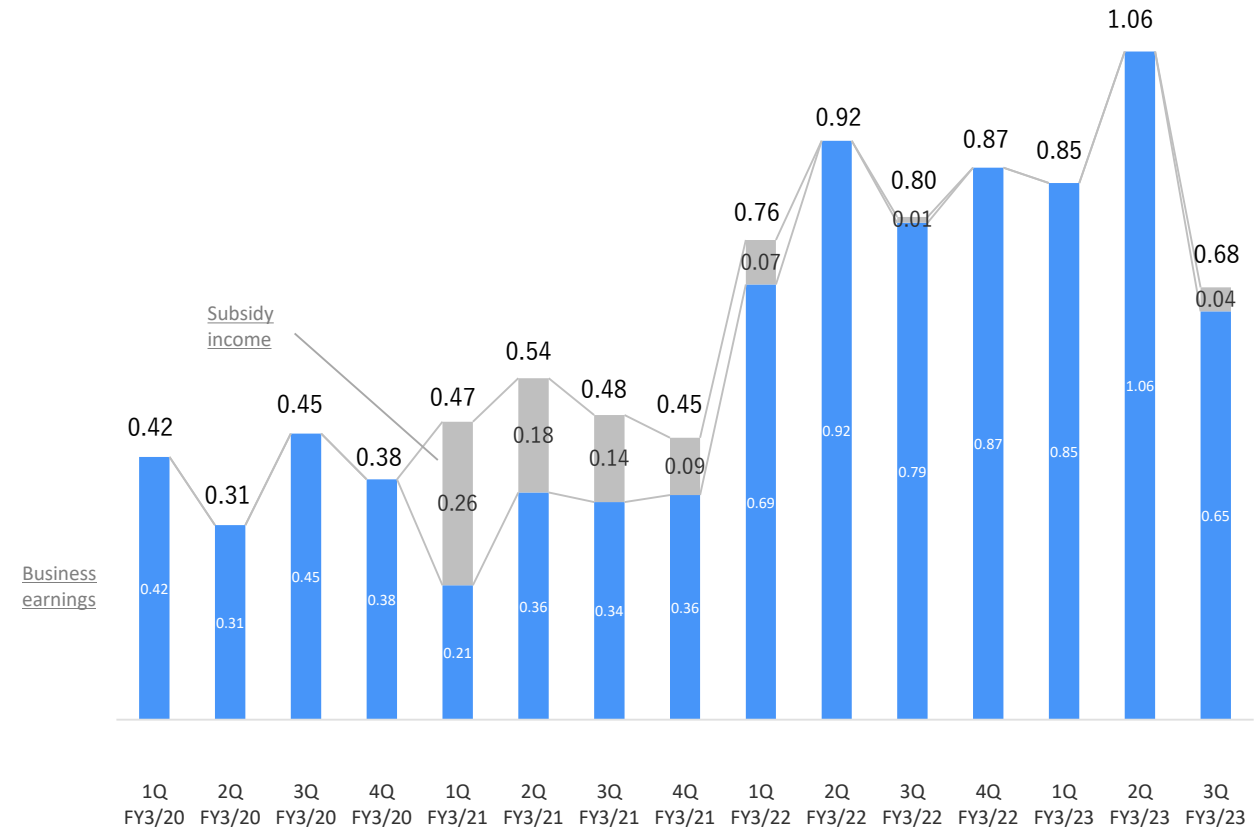
# Overseas WORK Business (Sales by contract type and operating profit)

The post-COVID-19 surge in demand for human resources persisting since 1Q FY3/22 subsided in 3Q. Operating profit decreased amid lower permanent placement sales.

-Sales by contract type (Billions of yen)-



-Operating profit (Billions of yen)-

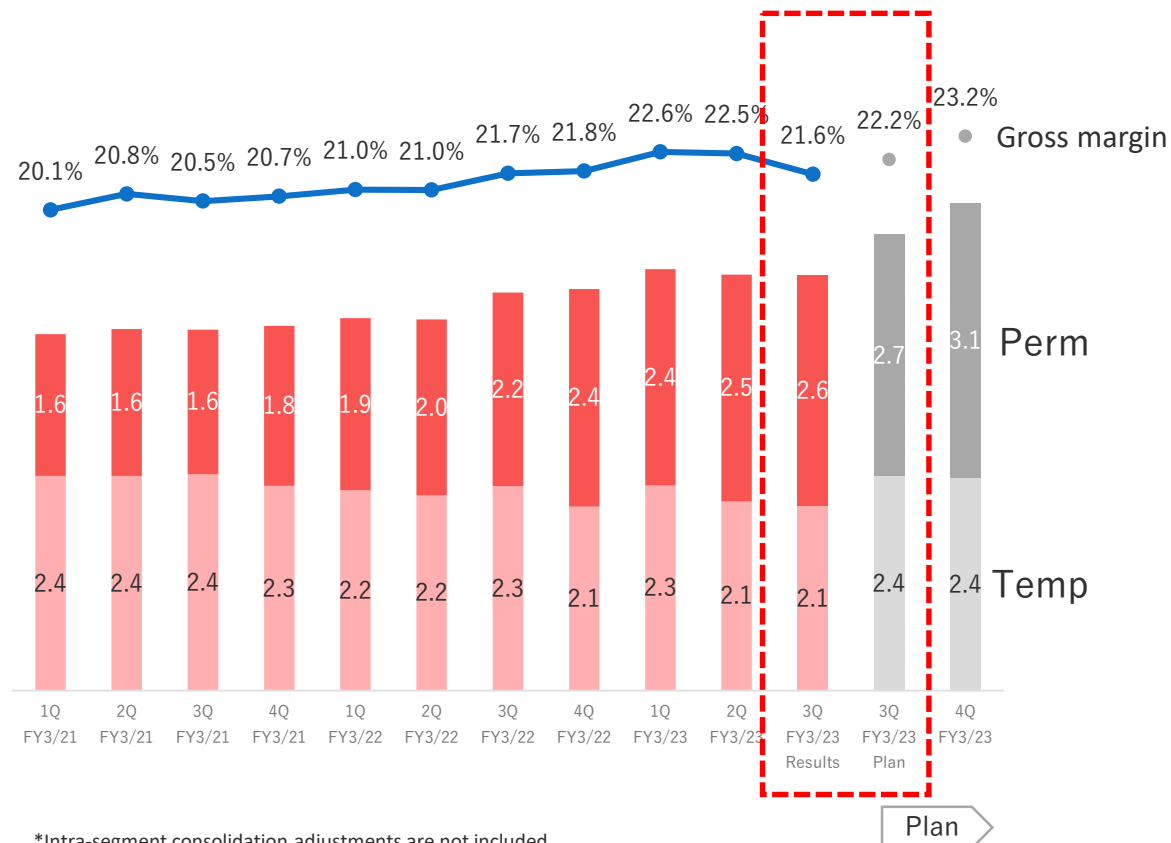


# Business Portfolio Changes in Japan and Overseas

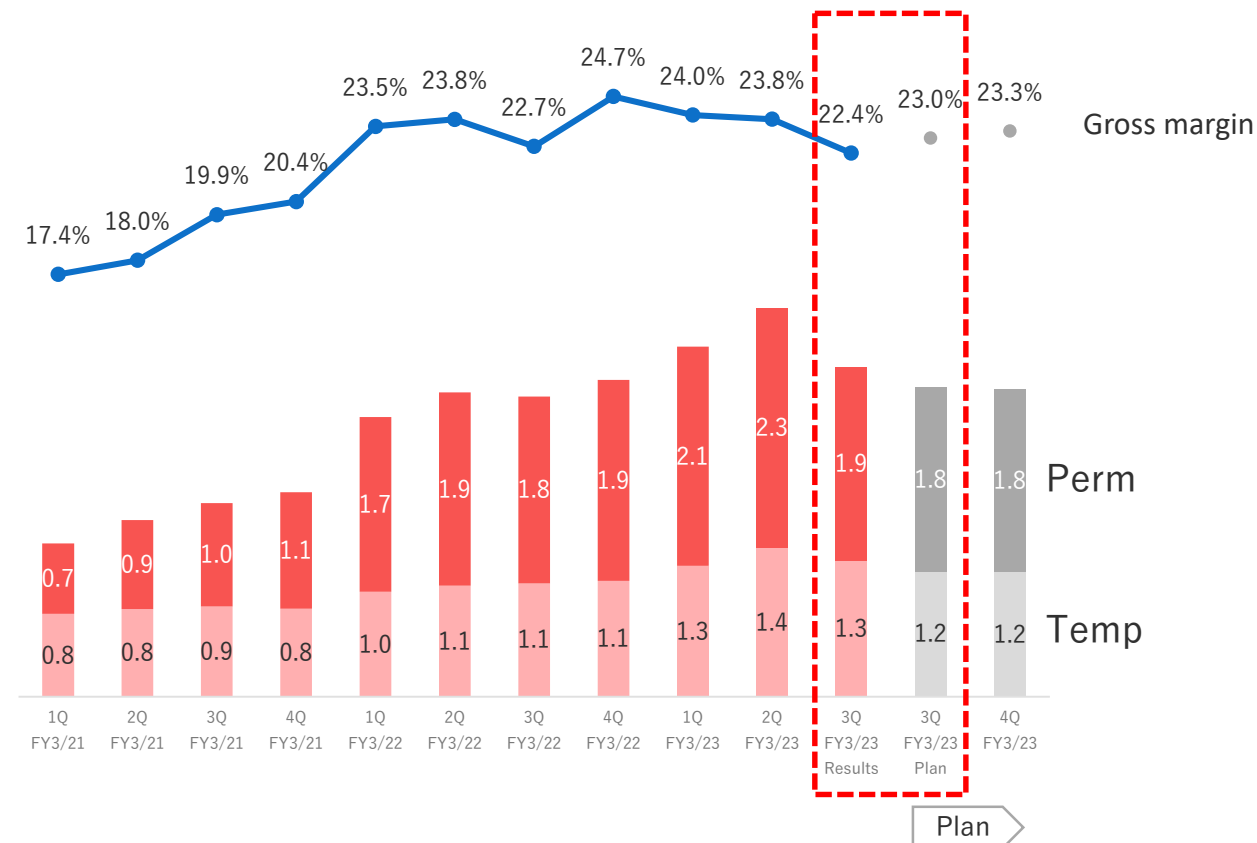
In the Domestic WORK Business, the gross margin of the Temp area decreased.

In the Overseas WORK Business, the gross margin decreased due to lower gross profit of the Perm area.

-Domestic WORK Business Gross profit by Temp / Perm\*(Billions of yen)-



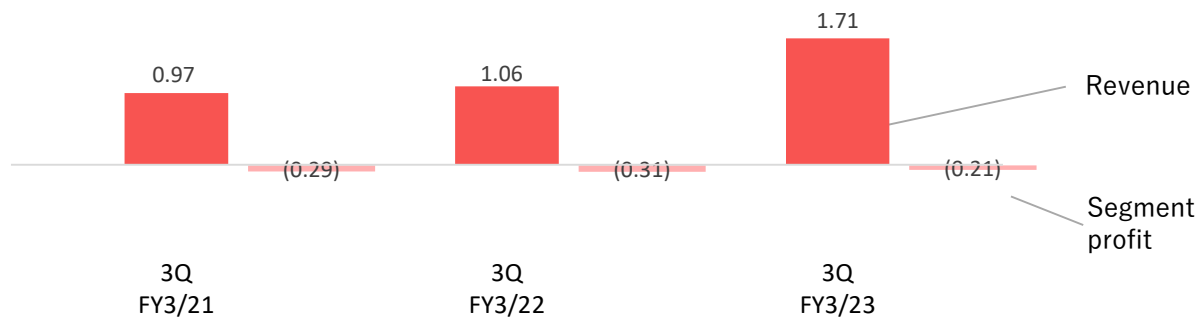
-Overseas WORK Business Gross profit by Temp / Perm (Billions of yen)-



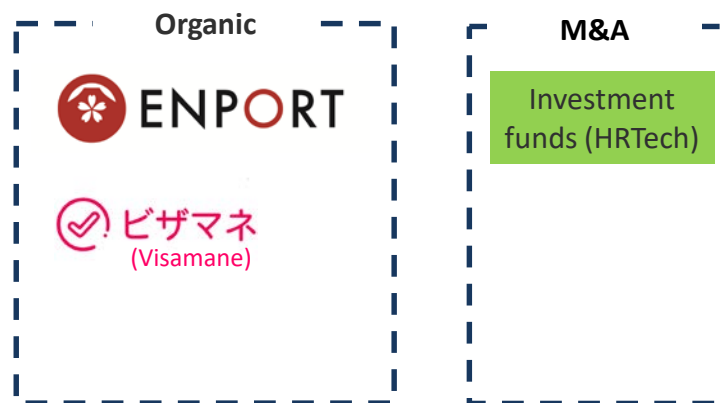
\*Intra-segment consolidation adjustments are not included.  
Gross profit and gross margin are based on adjusted figure that excludes overseas subsidy income.

# Others

## -Revenue and segment profit (Billions of yen)-



## -Other business activities-



(Billions of yen)

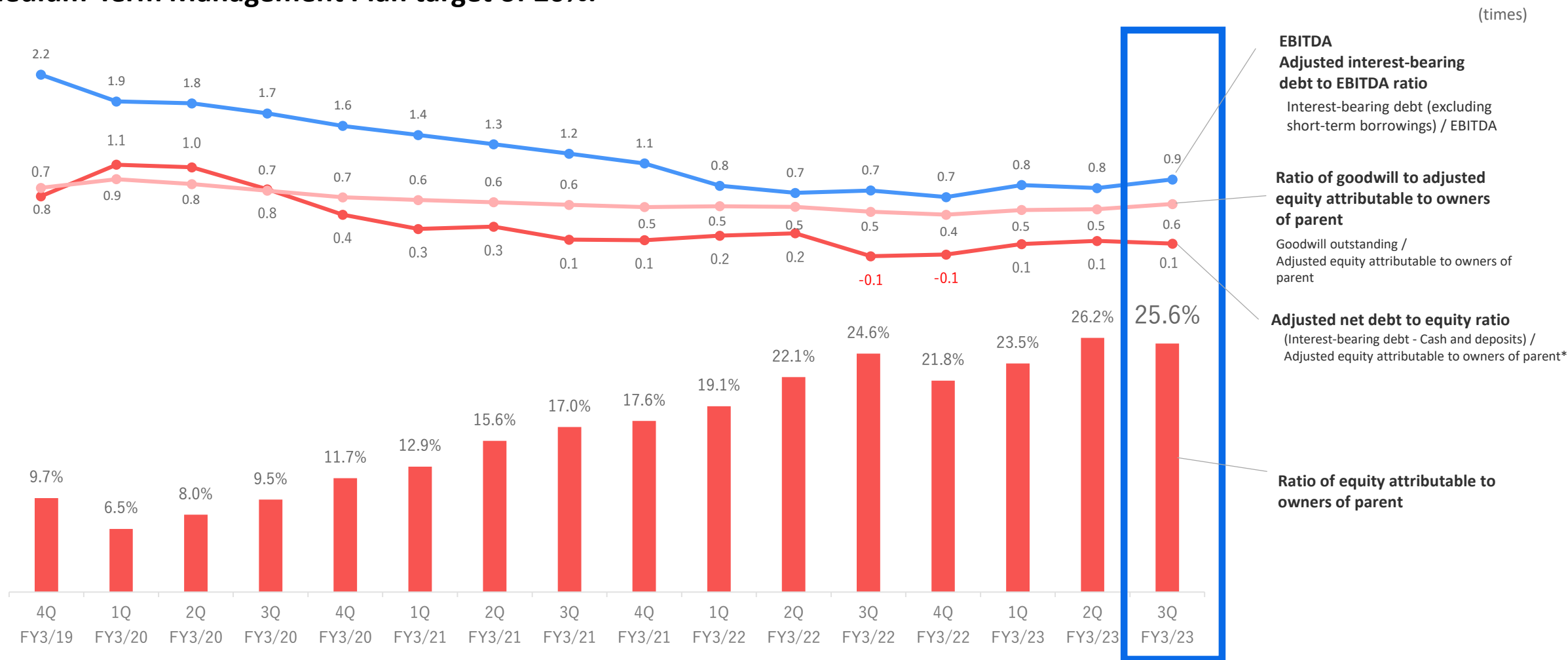
	3Q FY3/23	3Q FY3/22	Vs. FY3/22 % change
Revenue	<b>1.71</b>	1.06	<b>+61.9%</b>
Segment profit	<b>(0.21)</b>	(0.31)	-

## -Topics-

- We continued upfront investment in exploratory domain (inbound services). SG&A expenses decreased as a result of our having scaled back some services for foreign workers given that the number of foreign workers entering Japan remains limited.

# Financial Indicators

The ratio of equity attributable to owners of parent to total assets at the end of 3Q was 25.6%, which exceeded the Medium-Term Management Plan target of 20%.



# Consolidated Balance Sheet

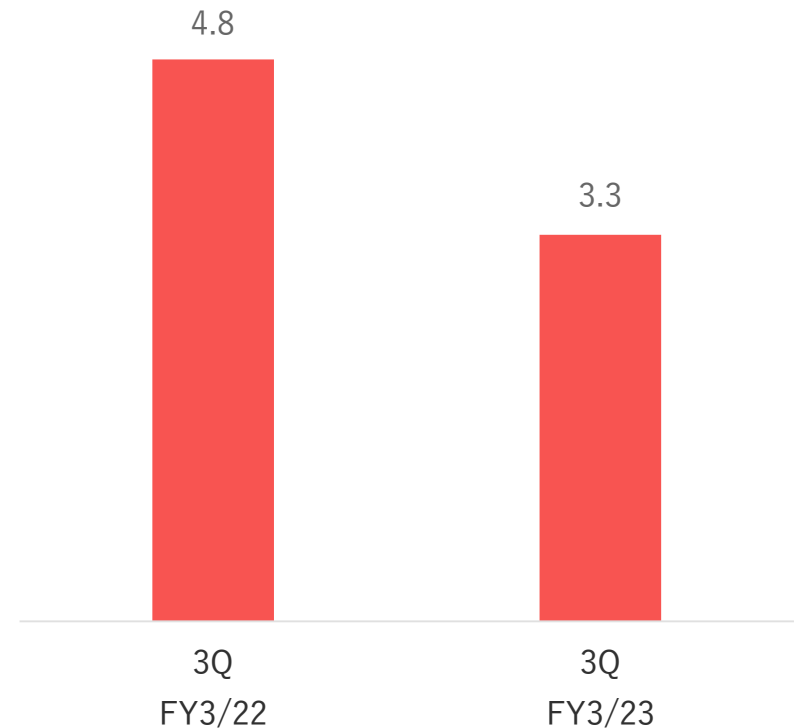
(Billions of yen)	March 31, 2022	Dec 31, 2022	Change	Major components of changes
Current assets	27.28	27.08	-0.20	
Of which Cash and cash equivalents	8.97	8.69	-0.27	
Of which Trade and other receivables	17.45	17.01	-0.44	
Non-current assets	25.06	25.94	+0.88	
Of which Goodwill	6.51	7.76	+1.25	Increased due to the new consolidation of sub-subsidiary overseas (+¥1.1 billion)
Of which Other intangible assets	6.15	6.63	+0.47	
<b>Total assets</b>	<b>52.35</b>	<b>53.02</b>	<b>+0.67</b>	
Current liabilities	29.36	27.23	-2.12	
Of which Trade and other payables	15.29	16.59	+1.30	
Of which Borrowings	5.78	5.55	-0.22	
Of which Other financial liabilities	5.24	2.08	-3.16	Decrease in put options as a result of acquiring additional shares (- ¥3.7 billion)
Non-current liabilities	9.86	11.06	+1.19	
Of which Borrowings	2.20	4.10	+1.90	Borrowings (+¥4.2 billion), repayments (- ¥2.4 billion)
Of which Other financial liabilities	6.28	5.61	-0.66	
<b>Total liabilities</b>	<b>39.22</b>	<b>38.29</b>	<b>-0.93</b>	
<b>Total equity</b>	<b>13.12</b>	<b>14.73</b>	<b>+1.61</b>	
Of which total of equity attributable to owners of parent	11.39	13.57	+2.18	Recording of profit attributable to owners of parent (+ ¥2.2 billion)
<b>Total liabilities and equity</b>	<b>52.35</b>	<b>53.02</b>	<b>+0.67</b>	
<b>Ratio of equity attributable to owners of parent to total assets</b>	<b>21.8%</b>	<b>25.6%</b>	<b>+3.8pt</b>	

# Consolidated Statement of Cash Flows

(Billions of yen)	3Q FY3/22	3Q FY3/23
Profit before tax	4.1	3.7
Depreciation and amortization	1.4	1.5
Income taxes paid	(0.9)	(2.1)
Other	0.3	2.4
<b>Net cash provided by (used in) operating activities</b>	<b>4.9</b>	<b>5.5</b>
Purchase and sales of property, plant and equipment, etc.	(0.4)	(0.2)
Purchase and sales of shares of subsidiaries	0.0	(1.7)
Other	0.3	(0.1)
<b>Net cash provided by (used in) investing activities</b>	<b>(0.0)</b>	<b>(2.1)</b>
Net increase (decrease) in interest-bearing debt	(3.4)	0.7
Purchase and sales of shares of subsidiaries not resulting in change in scope of consolidation	(1.0)	(3.7)
Dividends paid	(0.5)	(0.7)
Other	0.0	0.0
<b>Net cash provided by (used in) financing activities</b>	<b>(5.0)</b>	<b>(3.8)</b>
Effect of exchange rate changes	0.0	0.2
Net increase (decrease) in cash and cash equivalents	(0.1)	(0.2)
Cash and cash equivalents at end of period	7.3	8.6
<b>Free cash flows (Operating activities + Investing activities)</b>	<b>4.8</b>	<b>3.3</b>

## Free Cash Flows

(Billions of yen)



### III. FY3/23 Earnings and Dividend Forecasts



# Revisions to FY3/23 Consolidated Earnings Forecasts

We have revised our consolidated earnings forecasts for the fiscal year ending March 31, 2023, to reflect prevailing business performance trends.

The revised forecast for 4Q enlists the following assumptions.

## ■ Revenue

- The Domestic WORK Business will make gradual progress in winning new projects from October 2022 onward, yet such progress will be slower than expected.
- In the Overseas WORK Business, whereas the post-COVID-19 surge in permanent placement demand will have subsided, temporary staffing demand will be strong.

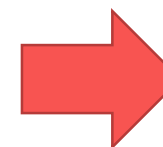
## ■ Operating profit

- In the Domestic WORK Business, revenue will decrease due to delays in breaking ground with new projects.
- In the Overseas WORK Business, operating profit is likely to hold to 3Q levels.

## □ Progress toward the initial FY3/23 earnings forecasts as of December 31, 2022

(Billions of yen)

			Initial forecast	Revised forecast
Revenue	108,61	Progress rate : 78%	140.00	144.00
Operating profit	3.86	Progress rate : 69%	5.60	5.20
Profit attributable to owners of parent	2.27	Progress rate : 68%	3.33	3.20



# Revisions to FY3/23 Consolidated Earnings Forecasts

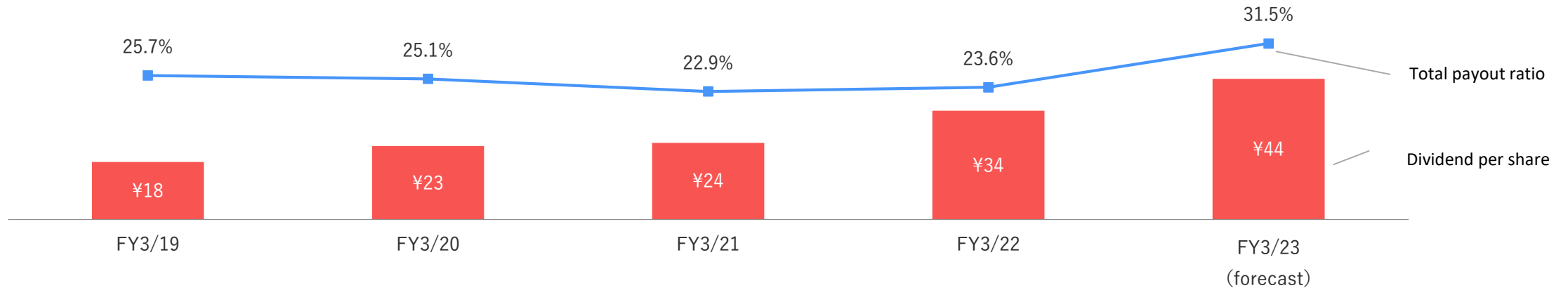
(Billions of yen)	FY3/22	Initial forecast	Outlook at time of 2Q earnings announcement	Revised forecast	Vs. outlook at time of 2Q earnings announcement	
					Change	% change
Revenue	131.08	140.00	140.00	144.00	+4.00	+2.9%
Domestic WORK Business	80.72	88.98	84.85	83.87	-0.98	-1.2%
Overseas WORK Business	48.74	49.03	52.78	57.77	+4.99	+9.5%
Others	1.60	1.98	2.35	2.36	+0.01	+0.4%
Gross margin	21.9%	22.6%	22.7%	22.2%	-0.5pt	-
Operating profit	5.47	5.60	5.60	5.20	-0.40	-7.1%
Operating margin	4.2%	4.0%	4.0%	3.6%	-0.4pt	-
Domestic WORK Business	4.44	5.69	4.44	4.03	-0.40	-9.2%
Overseas WORK Business	3.34	2.58	3.63	3.21	-0.41	-11.4%
Others	(0.34)	(0.19)	(0.19)	0.05	+0.23	-
Adjustments	(1.98)	(2.48)	(2.27)	(2.09)	+0.17	-
Profit attributable to owners of parent	3.28	3.33	3.33	3.20	-0.13	-3.9%
EBITDA	7.55	7.67	7.67	7.24	-0.43	-5.6%
Exchange rate	FY3/22	Initial forecast	Outlook at time of 2Q earnings announcement	Revised forecast	Change for ¥1 difference/y	
					Revenue	Profit
AUD	¥ 83	¥78	¥93	¥93	¥ 460 mln	¥ 30 mln
SGD	¥ 83	¥79	¥96	¥98	¥ 110 mln	¥ 10 mln

# FY3/23 Dividend Forecast

The dividend forecast has not been revised given that the shareholder return policy stipulates a total payout ratio of 30% relative to the earnings forecasts at the start of the fiscal year.

	FY3/22	FY3/23 Revised forecast
Year-end dividend	¥34 per share	¥44 per share
Total payout ratio	23.6%	31.5%

■ Dividend per share and total payout ratio





Forecasts of future performance in this report are based on assumptions judged to be valid and information available to the Will Group's management at the time the materials were prepared, but are not promises by the Will Group regarding future performance. Actual results may differ significantly from these forecasts for a number of reasons.

This report is an English translation of the original Japanese document and is only for reference purposes. In the event of any discrepancy between the original Japanese version and this translated version, the Japanese version shall prevail.

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# Appendix

# Overseas (Australia, Singapore) Macro Environment



## Market conditions for WILL GROUP

We are encountering decreasing numbers of job openings in both Australia and Singapore, in sectors that include IT and finance.

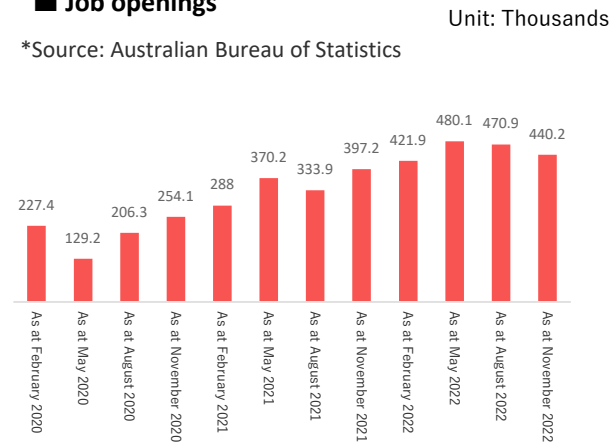
Whereas results have been strong in temporary staffing, a consistent domain undergoing expansion, in permanent placement the post-COVID-19 surge in human resources demand subsided in 3Q. Despite a lack of prevailing signs of diminishing customer demand, we will need to carefully monitor developments going forward amid concerns of economic contraction.



## Economic indicators

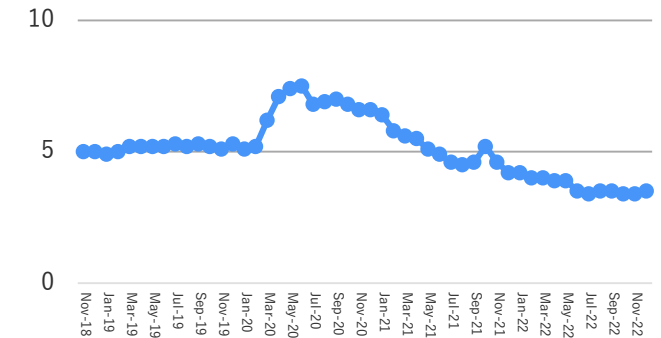
### Job openings

\*Source: Australian Bureau of Statistics



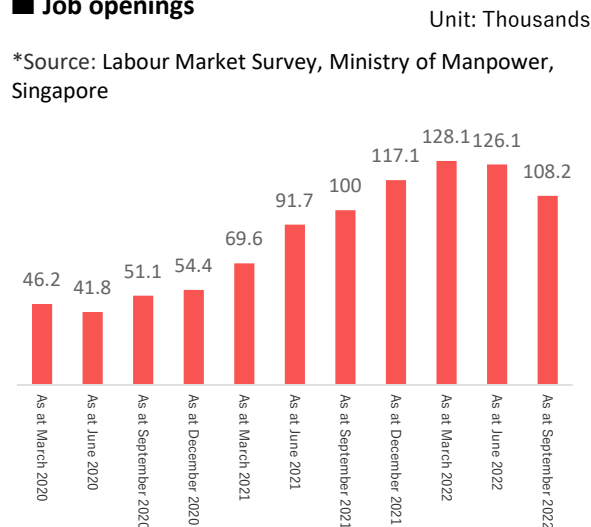
### Unemployment rate

\*Source: Australian Bureau of Statistics



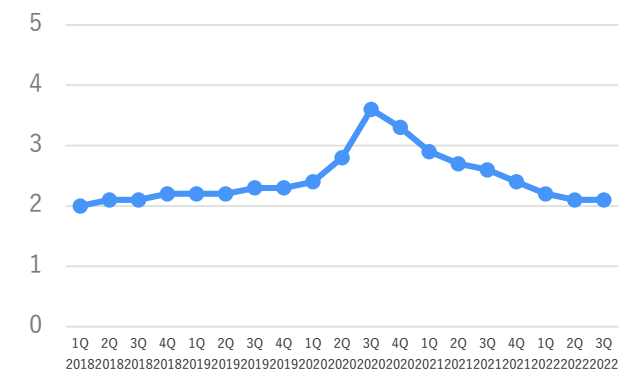
### Job openings

\*Source: Labour Market Survey, Ministry of Manpower, Singapore



### Unemployment rate

\*Source: Singapore Department of Statistics







# No Risk of Impairment Losses

There is currently no expectation of impairment risk.

For WILLOF CONSTRUCTION, FY3/23 is a period of upfront investment in preparation for future profit growth.

(Billions of yen)

	Primary location	Business activities	Start of consolidation since (WILL GROUP ownership)	Investment *1	*2	3Q FY3/22	3Q FY3/23	YoY change
	Tokyo metropolitan area and Tohoku	Construction management engineer temporary staffing and permanent placements mainly in the Tohoku region of Japan. A large number of highly skilled people are registered for assignments. Strong position in the market for temporary staffing of engineers for large building and civil engineering projects.	2018/6 (100%)	2.52	Sales	4.21	5.55	+ 31.7%
					Profit *3	(0.45)	(0.50)	-
	Singapore	Providing permanent placement and consulting services focused on HR primarily in Singapore, through wholly-owned subsidiaries in Hong Kong, Japan, U.S., China, Australia and UK.	2019/1 (100%)	2.70	Sales	1.78	1.61	-9.1%
					Profit *3	0.70	0.49	-30.5%
	Brisbane	Providing temporary staffing and permanent placement services to government agencies and major corporations in Australia.	2019/4 (100%)	4.32	Sales	8.50	8.92	+4.9%
					Profit *3	1.20	0.91	-24.5%
	Melbourne	Providing temporary staffing and permanent placement services for office work and call center operations to agencies and companies in various sectors such as government, telecommunications, resources and appliance manufacturing in Australia.	2018/1 (100%)	1.56	Sales	12.03	13.54	+12.5%
					Profit *3	0.30	0.53	+75.4%

\*1 The investment in each company includes goodwill and identifiable intangible assets.

\*2 Sales and profit are for the April-December consolidated fiscal period regardless of the timing of consolidated disclosures. Converted to yen at the rates of ¥98/SGD and ¥93/AUD in order to eliminate the effects of foreign exchange rate movements.

\*3 Profit is profit before tax after the amortization of identifiable intangible assets, internal transactions and one-time expenses.

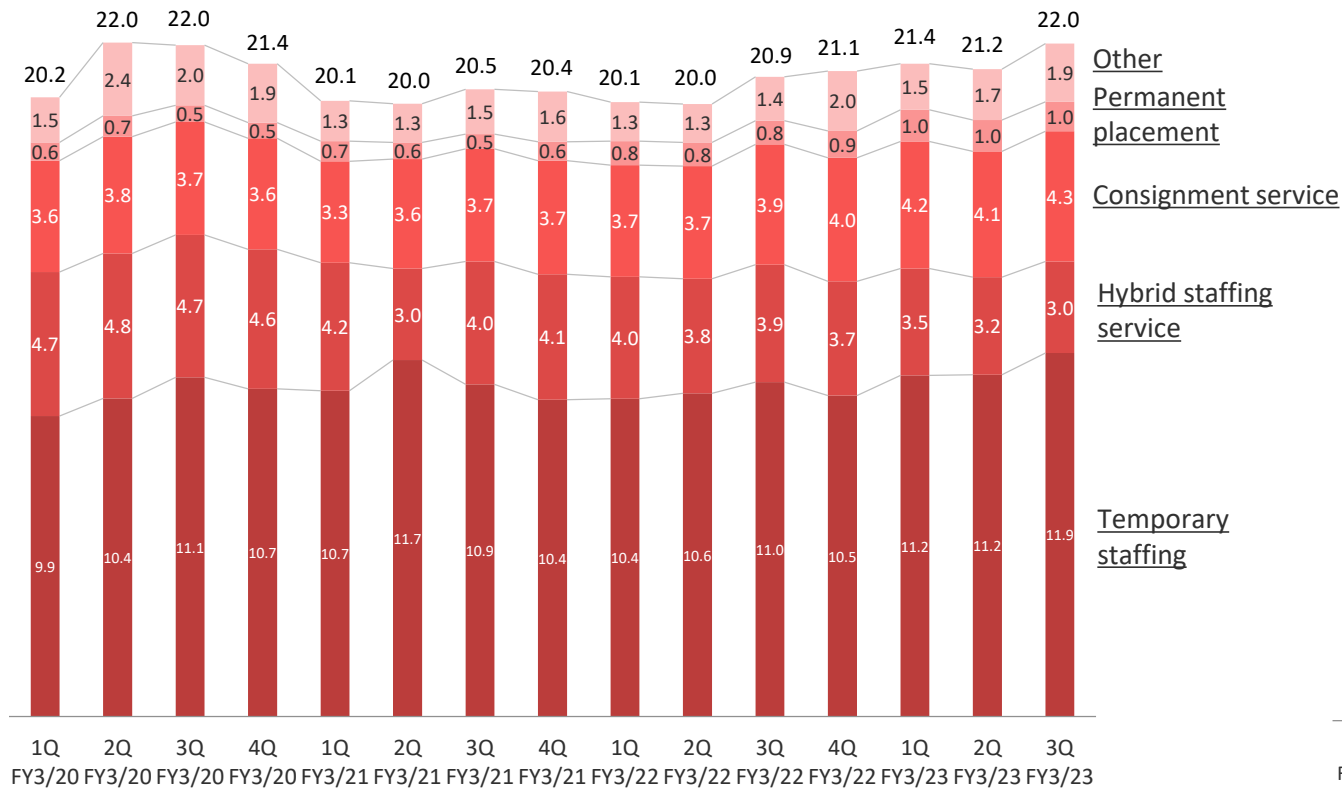
**Investment balance (above 4 companies): ¥11.1 billion**  
**Investment balance (consolidated): ¥12.9 billion**



# Breakdown of Revenue by Region/Contract Type

(Billions of yen)

## Japan



## Overseas

