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February 8, 2023

Consolidated Financial Results for the Nine Months Ended December 31, 2022 (Under IFRS)

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 Securities code: 6089
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 Scheduled date to file quarterly securities report: February 8, 2023
 Scheduled date to commence dividend payments: —
 Preparation of supplementary material on quarterly financial results: Yes
 Holding of quarterly financial results briefing: Yes

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

1. Consolidated financial results for the nine months ended December 31, 2022 (from April 1, 2022 to December 31, 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	%
Nine months ended								
December 31, 2022	108,613	11.3	3,863	(7.3)	3,745	(10.8)	2,491	(18.0)
December 31, 2021	97,608	10.7	4,165	28.4	4,197	37.8	3,036	40.8

	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
Nine months ended						
December 31, 2022	2,278	(13.3)	2,850	(4.6)	100.90	99.98
December 31, 2021	2,628	39.9	2,986	(11.5)	117.76	115.90

(2) Consolidated financial position

As of	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	%
December 31, 2022	53,026	14,732	13,578	25.6
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	144,000	9.9	5,200	(5.0)	5,050	(4.6)	3,500	(9.2)

	Profit attributable to owners of parent		Basic earnings per share
	Millions of yen	%	Yen
Fiscal year ending March 31, 2023	3,200	(2.6)	141.68

Note: Revisions to the earnings forecasts most recently announced: Yes

*** 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 December 31, 2022	22,883,700 shares
As of March 31, 2022	22,852,200 shares

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

As of December 31, 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)

Nine months ended December 31, 2022	22,585,375 shares
Nine months ended December 31, 2021	22,318,354 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 December 31, 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.

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1. Qualitative information on quarterly consolidated financial results

(1) Explanation of operating results

During the nine months ended December 31, 2022, while the lifting of the lockdown in China and the easing of supply constraints due to the expansion of semiconductor manufacturing capacity brought about a recovery trend in the economy, there are growing concerns that the global economy is entering a recession due to tighter monetary tightening mainly in the U.S. and Europe. In the Japanese economy, although domestic demand remained strong and the economy showed signs of a gradual recovery, the outlook remains uncertain due to soaring resource and energy prices, the weak yen, and other factors that have caused prices to continue to rise.

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 gradual progress was made in developing new projects in each area since October 2022, the Company was not able to regain new project development that was delayed due to the resurgence of COVID-19 infections between July and September.

Overseas, with regard to the human resources services that the Company has rolled out in the ASEAN and Oceania regions, amid concerns of a global economic recession, the rapid demand for post-COVID-19 permanent placement has been subsiding since the third quarter, but temporary staffing remained strong.

As a result of the above, revenue for the nine months ended December 31, 2022 was ¥108,613 million (up 11.3% year on year), operating profit was ¥3,863 million (down 7.3%), profit before tax was ¥3,745 million (down 10.8%), profit was ¥2,491 million (down 18.0%), profit attributable to owners of parent was ¥2,278 million (down 13.3%), and EBITDA (operating profit + depreciation and amortization) was ¥5,424 million (down 4.0%).

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. Although business was on a recovery trend with the easing of restrictions on activities through June 2022, the resurgence of COVID-19 infections between July and September 2022 once again curtailed customer recruitment activities, resulting in delays in our winning of new projects, as well as widespread absence from work by temporary staff. From October 2022 onward, although gradual progress was made in developing new projects in each area, the Company was unable to make up for the delays from July to September. In addition, 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, while there were an increase in revenue and a rise in gross 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. In addition, profits decreased due to the recording of unpaid commissions and penalties (approximately ¥400 million) as a result of the discovery that consolidated subsidiary for Startups, Inc. failed to pay commissions paid when staffing support was successfully contracted through the use of a human resource database operated by another company.

As a result of the above, the Domestic WORK Business recorded external revenue of ¥62,945 million (up 4.7% year on year), and segment profit of ¥3,162 million (down 7.4%).

(ii) Overseas WORK Business

With regard to the human resources services that the Company has rolled out in the ASEAN and Oceania regions, amid concerns of a global economic recession, the rapid demand for post-COVID-19 permanent placement has been subsiding since the third quarter, but temporary staffing remained strong. In addition, as for exchange rates, the yen depreciated against both the Singaporean dollar (¥98 for the nine months ended December 31, 2022, compared to ¥82 for the nine months ended December 31, 2021) and the Australian dollar (¥93 for the nine months ended December 31, 2022, compared to ¥82 for the nine months ended December 31, 2021). The impact of forex on revenue during the nine months ended December 31, 2022, was approximately ¥4,800 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 nine months ended December 31, 2022, was approximately ¥340 million.

As a result of the above, the Overseas WORK Business recorded external revenue of ¥43,948 million (up 20.6% year on year), and segment profit of ¥2,599 million (up 5.1%).

(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. However, due to having scaled back some services aimed at foreign workers, selling, general and administrative expenses decreased, as the number of foreign workers entering the country continues to be limited.

As a result of the above, the Others segment recorded external revenue of ¥1,719 million (up 61.9% year on year), and a segment loss of ¥212 million (a segment loss of ¥316 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 December 31, 2022 were ¥27,084 million, a decrease of ¥204 million from the end of the previous fiscal year. This was mainly due to decreases in trade and other receivables of ¥440 million, and in cash and cash equivalents of ¥273 million, despite an increase in other current assets of ¥496 million.

Non-current assets stood at ¥25,942 million, an increase of ¥881 million from the end of the previous fiscal year. This was mainly due to increases in goodwill of ¥1,253 million as a result of purchase of shares of u&u GWS Pty Ltd and in other intangible assets of ¥477 million, despite a decrease in right-of-use assets of ¥841 million.

As a result, total assets amounted to ¥53,026 million, an increase of ¥676 million from the end of the previous fiscal year.

Liabilities

Current liabilities as of December 31, 2022 were ¥27,233 million, a decrease of ¥2,127 million from the end of the previous fiscal year. This was mainly due to decreases in other financial liabilities of ¥3,161 million, and in income taxes payable of ¥697 million, despite increases in trade and other payables of ¥1,301 million, and other current liabilities of ¥657 million.

Non-current liabilities stood at ¥11,061 million, an increase of ¥1,193 million from the end of the previous fiscal year. This was mainly due to an increase in borrowings of ¥1,901 million, despite a decrease in other financial liabilities of ¥669 million.

As a result, total liabilities amounted to ¥38,294 million, a decrease of ¥934 million from the end of the previous fiscal year.

Equity

Total equity as of December 31, 2022 was ¥14,732 million, an increase of ¥1,610 million from the end of the previous fiscal year. This was mainly due to increases in retained earnings of ¥1,502 million, in exchange differences on translation of foreign operations of ¥338 million among other components of equity and in capital surplus of ¥305 million, despite a decrease in non-controlling interests of ¥569 million.

As a result of the above, the ratio of equity attributable to owners of parent to total assets was 25.6% (21.8% at the end of the previous fiscal year).

(ii) Cash flows

Cash and cash equivalents as of December 31, 2022 decreased ¥273 million from the end of the previous fiscal year to ¥8,699 million. Status of cash flows for the nine months ended December 31, 2022 and the main factors driving them are as follows:

Cash flows from operating activities

Net cash provided by operating activities was ¥5,572 million (¥4,998 million provided in the same period of the previous fiscal year). This was mainly due to a recording of profit before tax of ¥3,745 million, an increase in trade payables of ¥2,337 million, and a recording of depreciation and amortization of ¥1,560 million, despite factors such as income taxes paid of ¥2,195 million.

Cash flows from investing activities

Net cash used in investing activities was ¥2,190 million (¥98 million used in the same period of the previous fiscal year). This was mainly due to purchase of shares of subsidiaries resulting in change in scope of consolidation of ¥1,757 million, and purchase of property, plant and equipment, and intangible assets of ¥264 million.

Cash flows from financing activities

Net cash used in financing activities was ¥3,888 million (¥5,087 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 ¥2,469 million, repayments of lease liabilities of ¥961 million, and dividends paid of ¥776 million, despite factors such as proceeds from long-term borrowings of ¥4,244 million.

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

We have revised the consolidated earnings forecast for the fiscal year ending March 31, 2023, as announced in “Notice of Revisions to Consolidated Earnings Forecast for the Fiscal Year Ending March 31, 2023” (Japanese version only), which has been released today on February 8, 2023.

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 December 31, 2022
Assets		
Current assets		
Cash and cash equivalents	8,973	8,699
Trade and other receivables	17,458	17,017
Other financial assets	129	142
Other current assets	728	1,225
Total current assets	27,289	27,084
Non-current assets		
Property, plant and equipment	1,223	1,115
Right-of-use assets	6,809	5,968
Goodwill	6,514	7,768
Other intangible assets	6,154	6,631
Investments accounted for using equity method	477	462
Other financial assets	1,208	1,333
Deferred tax assets	1,850	1,868
Other non-current assets	822	793
Total non-current assets	25,061	25,942
Total assets	52,350	53,026

(Millions of yen)

	As of March 31, 2022	As of December 31, 2022
Liabilities		
Current liabilities		
Trade and other payables	15,297	16,598
Borrowings	5,786	5,559
Other financial liabilities	5,245	2,083
Income taxes payable	1,195	497
Other current liabilities	1,836	2,493
Total current liabilities	29,361	27,233
Non-current liabilities		
Borrowings	2,202	4,103
Other financial liabilities	6,285	5,616
Deferred tax liabilities	1,202	1,162
Other non-current liabilities	177	178
Total non-current liabilities	9,867	11,061
Total liabilities	39,228	38,294
Equity		
Share capital	2,163	2,175
Capital surplus	(2,266)	(1,960)
Treasury shares	(274)	(274)
Other components of equity	464	825
Retained earnings	11,310	12,812
Total equity attributable to owners of parent	11,398	13,578
Non-controlling interests	1,723	1,153
Total equity	13,121	14,732
Total liabilities and equity	52,350	53,026

(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)

	Nine months ended December 31, 2021	Nine months ended December 31, 2022
Revenue	97,608	108,613
Cost of sales	76,313	84,450
Gross profit	21,294	24,163
Selling, general and administrative expenses	17,268	20,518
Other income	202	237
Other expenses	63	18
Operating profit	4,165	3,863
Share of profit (loss) of investments accounted for using equity method	(13)	(14)
Finance income	104	8
Finance costs	58	111
Profit before tax	4,197	3,745
Income tax expense	1,160	1,254
Profit	3,036	2,491
Profit attributable to		
Owners of parent	2,628	2,278
Non-controlling interests	408	212
Earnings per share		
Basic earnings per share	117.76	100.90
Diluted earnings per share	115.90	99.98

Condensed quarterly consolidated statement of comprehensive income

(Millions of yen)

	Nine months ended December 31, 2021	Nine months ended December 31, 2022
Profit	3,036	2,491
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	(41)	(44)
Total of items that will not be reclassified to profit or loss	(41)	(44)
Items that may be reclassified to profit or loss		
Cash flow hedges	(45)	36
Exchange differences on translation of foreign operations	37	366
Total of items that may be reclassified to profit or loss	(7)	403
Other comprehensive income, net of tax	(49)	358
Comprehensive income	2,986	2,850
Comprehensive income attributable to		
Owners of parent	2,601	2,639
Non-controlling interests	384	210

(3) Condensed quarterly consolidated statement of changes in equity

Nine months ended December 31, 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	-	-	-	-	2,628	2,628	408	3,036
Other comprehensive income	-	-	-	(26)	-	(26)	(23)	(49)
Comprehensive income	-	-	-	(26)	2,628	2,601	384	2,986
Dividends of surplus	-	-	-	-	(541)	(541)	-	(541)
Purchase of treasury shares	-	-	-	-	-	-	-	-
Disposal of treasury shares	-	(1)	5	-	-	3	-	3
Share-based payment transactions	24	56	-	-	-	81	-	81
Increase (decrease) by business combination	-	1,233	-	-	-	1,233	(679)	554
Transfer from other components of equity to retained earnings	-	-	-	(3)	3	-	-	-
Other	-	-	-	-	-	-	(30)	(30)
Total transactions with owners	24	1,288	5	(3)	(537)	777	(710)	67
Balance as of December 31, 2021	2,114	(497)	(274)	(372)	10,650	11,620	1,461	13,081

Nine months ended December 31, 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	-	-	-	-	2,278	2,278	212	2,491
Other comprehensive income	-	-	-	360	-	360	(1)	358
Comprehensive income	-	-	-	360	2,278	2,639	210	2,850
Dividends of surplus	-	-	-	-	(776)	(776)	-	(776)
Purchase of treasury shares	-	-	(0)	-	-	(0)	-	(0)
Disposal of treasury shares	-	-	-	-	-	-	-	-
Share-based payment transactions	11	95	-	-	-	106	-	106
Increase (decrease) by business combination	-	210	-	-	-	210	(780)	(569)
Transfer from other components of equity to retained earnings	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	0	0
Total transactions with owners	11	305	(0)	-	(776)	(459)	(779)	(1,239)
Balance as of December 31, 2022	2,175	(1,960)	(274)	825	12,812	13,578	1,153	14,732

(4) Condensed quarterly consolidated statement of cash flows

(Millions of yen)

	Nine months ended December 31, 2021	Nine months ended December 31, 2022
Cash flows from operating activities		
Profit before tax	4,197	3,745
Depreciation and amortization	1,481	1,560
Share-based payment expenses	46	80
Decrease (increase) in trade receivables	(937)	749
Increase (decrease) in trade payables	1,394	2,337
Other	(149)	(649)
Subtotal	6,033	7,823
Interest and dividends received	7	8
Interest paid	(58)	(64)
Income taxes paid	(983)	(2,195)
Net cash provided by (used in) operating activities	4,998	5,572
Cash flows from investing activities		
Purchase of property, plant and equipment, and intangible assets	(494)	(264)
Purchase of shares of subsidiaries resulting in change in scope of consolidation	–	(1,757)
Other	395	(169)
Net cash provided by (used in) investing activities	(98)	(2,190)
Cash flows from financing activities		
Net increase (decrease) in short-term borrowings	(1,400)	(100)
Proceeds from long-term borrowings	1,060	4,244
Repayments of long-term borrowings	(2,233)	(2,469)
Repayments of lease liabilities	(916)	(961)
Purchase of shares of subsidiaries not resulting in change in scope of consolidation	(1,969)	(3,746)
Proceeds from sale of shares of subsidiaries not resulting in change in scope of consolidation	931	–
Dividends paid to non-controlling interests	(281)	(373)
Dividends paid	(540)	(776)
Other	264	295
Net cash provided by (used in) financing activities	(5,087)	(3,888)
Effect of exchange rate changes on cash and cash equivalents	87	233
Net increase (decrease) in cash and cash equivalents	(100)	(273)
Cash and cash equivalents at beginning of period	7,455	8,973
Cash and cash equivalents	7,355	8,699

(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:

Nine months ended December 31, 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	60,113	36,432	96,546	1,061	–	97,608
Intersegment revenue (Note 1)	41	–	41	4	(45)	–
Total	60,155	36,432	96,588	1,065	(45)	97,608
Segment profit	3,416	2,473	5,889	(316)	(1,407)	4,165

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

(Note 2) Adjustments to segment profit of negative ¥1,407 million include intersegment eliminations of ¥0 million and corporate expenses not allocated to each business segment of negative ¥1,406 million. Corporate expenses mainly consist of general and administrative expenses that are not attributable to operating segments.

Nine months ended December 31, 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	62,945	43,948	106,894	1,719	–	108,613
Intersegment revenue (Note 1)	48	–	48	6	(55)	–
Total	62,994	43,948	106,943	1,725	(55)	108,613
Segment profit	3,162	2,599	5,761	(212)	(1,686)	3,863

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

(Note 2) Adjustments to segment profit of negative ¥1,686 million include intersegment eliminations of negative ¥0 million and corporate expenses not allocated to each business segment of negative ¥1,685 million. Corporate expenses mainly consist of general and administrative expenses that are not attributable to operating segments.