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August 7, 2023

Consolidated Financial Results for the Three Months Ended June 30, 2023 (Under IFRS)

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 Listing: Tokyo Stock Exchange
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 Scheduled date to file quarterly securities report: August 7, 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 three months ended June 30, 2023 (from April 1, 2023 to June 30, 2023)

(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	%
Three months ended								
June 30, 2023	34,435	(2.8)	1,132	(20.9)	1,195	(16.1)	751	(17.2)
June 30, 2022	35,441	12.4	1,431	26.0	1,425	24.4	906	9.0

	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
Three months ended						
June 30, 2023	723	(4.6)	1,441	(10.5)	31.91	31.71
June 30, 2022	758	8.0	1,611	111.6	33.60	33.31

(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	%
June 30, 2023	52,551	16,168	15,080	28.7
March 31, 2023	54,939	15,877	14,638	26.6

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, 2023	–	0.00	–	44.00	44.00
Fiscal year ending March 31, 2024	–				
Fiscal year ending March 31, 2024 (Forecast)		0.00	–	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, 2024 (from April 1, 2023 to March 31, 2024)

(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 ending September 30, 2023	69,000	(4.6)	1,900	(35.2)	1,850	(37.2)	1,230	(38.2)
Fiscal year ending March 31, 2024	144,000	0.0	4,200	(21.0)	4,100	(20.3)	2,900	(16.2)

	Profit attributable to owners of parent		Basic earnings per share
	Millions of yen	%	Yen
Six months ending September 30, 2023	1,230	(29.5)	54.27
Fiscal year ending March 31, 2024	2,800	(13.5)	123.54

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 June 30, 2023	22,944,100 shares
As of March 31, 2023	22,944,100 shares

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

As of June 30, 2023	272,553 shares
As of March 31, 2023	284,850 shares

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

Three months ended June 30, 2023	22,665,398 shares
Three months ended June 30, 2022	22,572,255 shares

Note: The number of treasury shares at the end of the period includes the number of shares owned by executive stock compensation trust.
(267,144 shares as of June 30, 2023 and 279,441 shares as of March 31, 2023)

* 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 three months ended June 30, 2023, the outlook for the global economy remained uncertain due to concerns of recession caused by monetary tightening in response to global inflation, the prolonged situation in Russia and Ukraine and other factors. In the Japanese economy, personal consumption increased, inbound demand recovered, and the economy showed signs of a gradual recovery due to the easing of restrictions on activities because of COVID-19 being reclassified as a Class 5 infectious disease. However, the risk of a downturn in overseas economies, rising prices for energy and raw materials, and volatility in foreign exchange rates continue to require careful attention.

Under these circumstances, the Group worked to expand the construction management engineer domain, temporary staffing of regular employees, and administration of foreign workers on consignment, and other initiatives for the renewed growth of the Domestic Working Business, which is the basic policy in the Medium-Term Management Plan “WILL-being 2026,” for which the final fiscal year is the fiscal year ending March 31, 2026.

In Japan, although new project development was stagnant in the sales outsourcing domain and the call center outsourcing domain, results were strong in other domains.

In the overseas segment, although permanent placement sales decreased due to the post-COVID-19 surge in permanent placement demand in the previous fiscal year running its course, temporary staffing operated in stable domains showed strong results.

As a result of the above, revenue for the three months ended June 30, 2023 was ¥34,435 million (down 2.8% year on year), operating profit was ¥1,132 million (down 20.9%), profit before tax was ¥1,195 million (down 16.1%), profit was ¥751 million (down 17.2%), profit attributable to owners of parent was ¥723 million (down 4.6%), and EBITDA (operating profit + depreciation and amortization) was ¥1,654 million (down 15.9%).

Results of operations by segment are as follows:

(i) Domestic Working Business

The Domestic Working 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 new project development was stagnant in the sales outsourcing domain and the call center outsourcing domain, results were strong in other domains. In the construction management engineer domain, which is being focused on the most, a record-breaking number of 500 people, including new graduates, joined the Company. Furthermore, profitability improved as negotiations with customers on raising fees also progressed steadily.

As for profit, selling, general and administrative expenses increased due to recruitment expenses in the construction management engineer domain, recruitment expenses for temporary staffing of regular employees in the sales outsourcing domain and the factory outsourcing domain, and upfront investment for the increase of sales staff for administration of foreign workers on consignment. On the other hand, the Company recorded ¥786 million as gain on sale of shares due to the transfer of shares of BORDERLINK, INC. The said company has been excluded from the scope of consolidation from the three months ended June 30, 2023.

As a result of the above, the Domestic Working Business recorded external revenue of ¥20,186 million (down 3.3% year on year), and segment profit of ¥1,364 million (up 15.0%).

(ii) Overseas Working Business

With regard to the human resources services that the Company has been operating primarily in Singapore and Australia, the number of job openings in both Singapore and Australia remained at a high level compared to the period before the spread of COVID-19 despite a decline in the recent number of job openings. Temporary staffing showed strong performance due to operation in stable domains, such as government projects. Permanent placement showed year-on-year decreases due to

the post-COVID-19 surge in permanent placement demand in the previous fiscal year running its course.

Profit decreased due to gross profit shrinking because of a decline in permanent placement sales, and higher personnel and other costs.

As a result of the above, the Overseas Working Business recorded external revenue of ¥14,182 million (up 1.0% year on year), and segment profit of ¥456 million (down 46.7%).

(iii) Others

In the Others segment, the Company transferred the shares of HiBlead Inc. at the end of the previous fiscal year, which resulted in decreased revenue as the said company was excluded from the scope of consolidation.

In terms of profit, selling, general and administrative expenses increased due to continued investment in the development of new platforms.

As a result of the above, the Others segment recorded external revenue of ¥66 million (down 87.6% year on year), and a segment loss of ¥69 million (a segment loss of ¥66 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 June 30, 2023 were ¥25,670 million, a decrease of ¥2,996 million from the end of the previous fiscal year. This was mainly due to decreases in cash and cash equivalents of ¥2,406 million and in trade and other receivables of ¥880 million, despite an increase in other current assets of ¥220 million.

Non-current assets stood at ¥26,881 million, an increase of ¥608 million from the end of the previous fiscal year. This was mainly due to increases in goodwill of ¥386 million as a result of the impact of weaker yen on foreign currency translation, in right-of-use assets of ¥242 million, and in other intangible assets of ¥204 million, despite a decrease in other financial assets of ¥178 million.

As a result, total assets amounted to ¥52,551 million, a decrease of ¥2,388 million from the end of the previous fiscal year.

Liabilities

Current liabilities as of June 30, 2023 were ¥25,708 million, a decrease of ¥2,705 million from the end of the previous fiscal year. This was mainly due to decreases in borrowings of ¥1,462 million, in other current liabilities of ¥719 million, and in income taxes payable of ¥582 million, despite an increase in other financial liabilities of ¥609 million.

Non-current liabilities stood at ¥10,673 million, an increase of ¥25 million from the end of the previous fiscal year. This was mainly due to an increase in other financial liabilities of ¥360 million, despite a decrease in borrowings of ¥286 million.

As a result, total liabilities amounted to ¥36,382 million, a decrease of ¥2,679 million from the end of the previous fiscal year.

Equity

Total equity as of June 30, 2023 was ¥16,168 million, an increase of ¥291 million from the end of the previous fiscal year. This was mainly due to an increase in exchange differences on translation of foreign operations of ¥710 million among other components of equity, despite decreases in retained earnings of ¥285 million and in non-controlling interests of ¥150 million.

As a result of the above, the ratio of equity attributable to owners of parent to total assets was 28.7% (26.6% at the end of the previous fiscal year).

(ii) Cash flows

Cash and cash equivalents as of June 30, 2023 decreased ¥2,406 million from the end of the previous fiscal year to ¥7,184 million. Status of cash flows for the three months ended June 30, 2023 and the main factors driving them are as follows:

Cash flows from operating activities

Net cash provided by operating activities was ¥591 million (¥1,383 million provided in the same period of the previous fiscal year). This was mainly due to a recording of profit before tax of ¥1,195 million, a decrease in trade receivables of ¥634 million, a recording of depreciation and amortization of ¥522 million, and an increase in trade payables of ¥142 million, despite factors such as payments included in other of ¥1,221 million and income taxes paid of ¥788 million.

Cash flows from investing activities

Net cash used in investing activities was ¥252 million (¥89 million used in the same period of the previous fiscal year). This was mainly due to payments included in other of ¥129 million and purchase of property, plant and equipment, and intangible assets of ¥122 million.

Cash flows from financing activities

Net cash used in financing activities was ¥2,996 million (¥2,518 million used in the same period of the previous fiscal year). This was mainly due to a net decrease in short-term borrowings of ¥1,100 million, dividends paid of ¥986 million, and repayments of long-term borrowings of ¥649 million.

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

Consolidated earnings forecasts are unchanged from those announced on May 11, 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, 2023	As of June 30, 2023
Assets		
Current assets		
Cash and cash equivalents	9,590	7,184
Trade and other receivables	17,928	17,047
Other financial assets	138	207
Other current assets	1,009	1,230
Total current assets	28,666	25,670
Non-current assets		
Property, plant and equipment	1,139	1,129
Right-of-use assets	6,349	6,592
Goodwill	8,120	8,507
Other intangible assets	5,996	6,200
Investments accounted for using equity method	456	445
Other financial assets	1,475	1,296
Deferred tax assets	1,953	1,938
Other non-current assets	782	771
Total non-current assets	26,272	26,881
Total assets	54,939	52,551

(Millions of yen)

	As of March 31, 2023	As of June 30, 2023
Liabilities		
Current liabilities		
Trade and other payables	16,151	15,601
Borrowings	6,761	5,298
Other financial liabilities	1,364	1,973
Income taxes payable	1,027	444
Other current liabilities	3,109	2,390
Total current liabilities	28,414	25,708
Non-current liabilities		
Borrowings	3,385	3,098
Other financial liabilities	5,950	6,310
Deferred tax liabilities	1,127	1,073
Other non-current liabilities	184	191
Total non-current liabilities	10,648	10,673
Total liabilities	39,062	36,382
Equity		
Share capital	2,187	2,187
Capital surplus	(1,923)	(1,900)
Treasury shares	(274)	(262)
Other components of equity	890	1,582
Retained earnings	13,758	13,472
Total equity attributable to owners of parent	14,638	15,080
Non-controlling interests	1,238	1,088
Total equity	15,877	16,168
Total liabilities and equity	54,939	52,551

(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)

	Three months ended June 30, 2022	Three months ended June 30, 2023
Revenue	35,441	34,435
Cost of sales	27,407	26,883
Gross profit	8,033	7,552
Selling, general and administrative expenses	6,662	7,256
Other income	69	837
Other expenses	8	1
Operating profit	1,431	1,132
Share of profit (loss) of investments accounted for using equity method	(4)	(10)
Finance income	19	110
Finance costs	21	37
Profit before tax	1,425	1,195
Income tax expense	518	444
Profit	906	751
Profit attributable to		
Owners of parent	758	723
Non-controlling interests	148	27
Earnings per share		
Basic earnings per share	33.60	31.91
Diluted earnings per share	33.31	31.71

Condensed quarterly consolidated statement of comprehensive income

(Millions of yen)

	Three months ended June 30, 2022	Three months ended June 30, 2023
Profit	906	751
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	21	(7)
Total of items that will not be reclassified to profit or loss	21	(7)
Items that may be reclassified to profit or loss		
Cash flow hedges	41	(11)
Exchange differences on translation of foreign operations	642	710
Total of items that may be reclassified to profit or loss	683	698
Other comprehensive income, net of tax	704	690
Comprehensive income	1,611	1,441
Comprehensive income attributable to		
Owners of parent	1,422	1,415
Non-controlling interests	189	25

(3) Condensed quarterly consolidated statement of changes in equity

Three months ended June 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 at beginning of April 1, 2022	2,163	(2,266)	(274)	464	11,310	11,398	1,723	13,121
Profit	-	-	-	-	758	758	148	906
Other comprehensive income	-	-	-	663	-	663	41	704
Comprehensive income	-	-	-	663	758	1,422	189	1,611
Dividends of surplus	-	-	-	-	(776)	(776)	-	(776)
Disposal of treasury shares	-	-	-	-	-	-	-	-
Share-based payment transactions	5	10	-	-	-	16	-	16
Increase (decrease) by business combination	-	85	-	-	-	85	(588)	(502)
Other	-	-	-	-	-	-	0	0
Total transactions with owners	5	95	-	-	(776)	(675)	(587)	(1,263)
Balance at end of June 30,2022	2,169	(2,170)	(274)	1,128	11,292	12,145	1,324	13,469

Three months ended June 30, 2023

(Millions of yen)

	Share capital	Capital surplus	Treasury shares	Total	Retained earnings	Total equity attributable to owners of parent	Non-controlling interests	Total
Balance at beginning of April 1, 2023	2,187	(1,923)	(274)	890	13,758	14,638	1,238	15,877
Profit	-	-	-	-	723	723	27	751
Other comprehensive income	-	-	-	692	-	692	(2)	690
Comprehensive income	-	-	-	692	723	1,415	25	1,441
Dividends of surplus	-	-	-	-	(1,009)	(1,009)	-	(1,009)
Disposal of treasury shares	-	(2)	11	-	-	9	-	9
Share-based payment transactions	-	26	-	-	-	26	-	26
Increase (decrease) by business combination	-	(0)	-	-	-	(0)	(176)	(176)
Other	-	-	-	-	-	-	-	-
Total transactions with owners	-	23	11	-	(1,009)	(974)	(176)	(1,150)
Balance at end of June 30,2023	2,187	(1,900)	(262)	1,582	13,472	15,080	1,088	16,168

(4) Condensed quarterly consolidated statement of cash flows

(Millions of yen)

	Three months ended June 30, 2022	Three months ended June 30, 2023
Cash flows from operating activities		
Profit before tax	1,425	1,195
Depreciation and amortization	535	522
Share-based payment expenses	25	32
Decrease (increase) in trade receivables	143	634
Increase (decrease) in trade payables	435	142
Other	(409)	(1,221)
Subtotal	2,154	1,305
Interest and dividends received	0	99
Interest paid	(20)	(25)
Income taxes paid	(751)	(788)
Net cash provided by (used in) operating activities	1,383	591
Cash flows from investing activities		
Purchase of property, plant and equipment, and intangible assets	(107)	(122)
Other	17	(129)
Net cash provided by (used in) investing activities	(89)	(252)
Cash flows from financing activities		
Net increase (decrease) in short-term borrowings	(300)	(1,100)
Proceeds from long-term borrowings	1,975	–
Repayments of long-term borrowings	(738)	(649)
Repayments of lease liabilities	(344)	(295)
Purchase of shares of subsidiaries not resulting in change in scope of consolidation	(2,353)	–
Dividends paid to non-controlling interests	(56)	–
Dividends paid	(759)	(986)
Other	57	35
Net cash provided by (used in) financing activities	(2,518)	(2,996)
Effect of exchange rate changes on cash and cash equivalents	286	251
Net increase (decrease) in cash and cash equivalents	(938)	(2,406)
Cash and cash equivalents at beginning of period	8,973	9,590
Cash and cash equivalents	8,034	7,184

(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 Working 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 Working Business	Engaged primarily in temporary staffing and permanent placement mainly in Singapore and Australia.

In addition to the above, 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:

Three months ended June 30, 2022

(Millions of yen)

	Reportable segments			Others	Adjustments (Note 2)	Amount recorded in the consolidated financial statements
	Domestic Working Business	Overseas Working Business	Total			
Revenue						
External revenue	20,866	14,042	34,909	532	–	35,441
Intersegment revenue (Note 1)	17	–	17	1	(19)	–
Total	20,884	14,042	34,926	533	(19)	35,441
Segment profit	1,186	855	2,042	(66)	(543)	1,431

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

(Note 2) Adjustments to segment profit of negative ¥543 million include intersegment eliminations of negative ¥0 million and corporate expenses not allocated to each business segment of negative ¥543 million. Corporate expenses mainly consist of general and administrative expenses that are not attributable to operating segments.

Three months ended June 30, 2023

(Millions of yen)

	Reportable segments			Others	Adjustments (Note 2)	Amount recorded in the consolidated financial statements
	Domestic Working Business	Overseas Working Business	Total			
Revenue						
External revenue	20,186	14,182	34,369	66	–	34,435
Intersegment revenue (Note 1)	9	–	9	3	(12)	–
Total	20,196	14,182	34,378	69	(12)	34,435
Segment profit	1,364	456	1,820	(69)	(617)	1,132

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

(Note 2) Adjustments to segment profit of negative ¥617 million include intersegment eliminations of negative ¥0 million and corporate expenses not allocated to each business segment of negative ¥617 million. Corporate expenses mainly consist of general and administrative expenses that are not attributable to operating segments.