Company Report

July 5, 2024

Strategy Advisors, Inc.
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Executive Officer

Strategy Advisors

Shift from "Numbers" to "Quality" to Return to a Growth Trajectory

With the mission of being "a change agent group that positively transforms individuals and organizations", WILL GROUP is developing its human resource services business in Japan and the Asia-Oceania region. The company provides temporary staffing, placement and outsourcing services to smartphone sales floors of electronics retailers, call centers of telecommunications and financial institutions, food factories, nursing care facilities and construction sites.

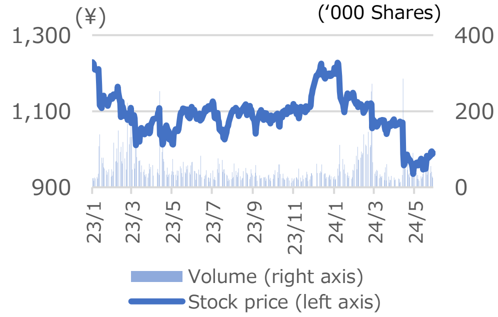
The company intends to gradually increase profitability by shifting from registered fixed-term temporary staffing to being a business involving quality permanent staffing for permanent and non-permanent employment. Even during a period of population contraction, demand for specialized human resources is expected to increase further and the company expects to return to a growth trajectory through its business centered on permanent temporary staffing with special skills.

Specifically, the company intends to focus on the dispatch of permanent employees in the area of construction engineering. The number of workers in the construction industry is declining and there is a chronic shortage of labor. On the other hand, the number of job seekers in industry may well increase in the future as the working environment improves in accordance with the Workplace Reform Law (in force since April 2019). Furthermore, Open Up Group Inc. (2154 TSE Prime), a competitor in this field, is prioritizing business expansion through aggressive hiring and the market has high growth potential.

The stock price has been soft and P/B ratio has fallen to 1.3 times. In addition to the struggles of existing businesses, the company's share price is likely to be affected by the slightly lower valuations in the human resources industry as a whole. On the other hand, we expect Will of Construction (a consolidated subsidiary in construction engineering) to turn profitable from FY3/2025 onward and also for the existing domestic business to recover and so we believe the company will enter a phase in which it is a good investment.

Although profits are expected to decline sharply in FY3/2025 (company plan), real operating income is expected to increase 19.4% excluding gains on sales of subsidiaries & the effects of deconsolidation. Profits in the ‘domestic working’ business are expected to increase mainly in the highly profitable construction engineer field. The ‘overseas working’ business is expected to improve profitability through cost reforms.

Stock Price and Volumes



Source: Strategy Advisors

Key Indicators

Stock Price (7/2/24)	1,037
Year-to-Date High (2/6/24)	1,238
Year-to-Date Low (5/30/24)	931
10-Year High (2/2/18)	2,139
10-Year Low (5/14/21)	184
Shares on Issue (mn)	22.8
Market Capitalization (¥ bn)	23.6
EV (¥ bn)	28.0
Equity Ratio (3/24 Actual, %)	34.0
PER (3/25 CoE, Times)	13.5
PBR (3/24 Actual, Times)	1.3
Yield (3/25 CoE, %)	4.5

Source: Strategy Advisors.

IFRS - Consolidation

FY	Sales (¥ mn)	YoY (%)	OP (¥ mn)	YoY (%)	Pre-Tax Profit (¥ mn)	YoY (%)	NP (¥ mn)	YoY (%)	EPS (¥)	DPS (¥)
FY3/2021	118,249	-3.0	4,030	-2.8	3,788	-6.6	2,363	-0.7	106.4	24.0
FY3/2022	131,080	10.9	5,472	35.8	5,293	39.7	3,286	39.0	147.0	34.0
FY3/2023	143,932	9.8	5,318	-2.8	5,146	-2.8	3,236	-1.5	143.2	44.0
FY3/2024	138,227	-4.0	4,525	-14.9	4,417	-14.2	2,778	-14.1	122.4	44.0
FY3/2025 CoE	140,400	1.6	2,290	-49.4	2,190	-50.4	1,640	-41.0	72.2	44.0

Source: Prepared by Strategy Advisors, Based on Company Data.

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Executive Summary

With the mission of being "a change agent group that positively transforms individuals and organizations", the company operates a human resource services business in Japan and the Asia-Oceania region. The company currently provides temporary staffing, placement and outsourced contracting services to smart phone sales floors of electronics retailers, call centers of telecommunications and financial institutions, food factories, nursing care facilities and construction sites.

The earnings structure of the temporary staffing business consists of sales = number of workers x unit price of temporary staffing x working hours, with the main KPI’s being the number of workers and unit price of temporary staffing. Dispatch unit costs vary by area, but generally range from ¥2,000 to ¥2,500 per hour.

The company's competitive advantage lies in its hybrid dispatching model, which leverages its organizational strengths. Hybrid dispatching is a service in which WILL GROUP employees (field supporters) and temporary staff work together as a team at the client site to respond quickly and accurately to client needs. In the three main areas of sales outsourcing, call center outsourcing and factory outsourcing, intensive on-the-job training not only improves communication with client-side personnel but also enhances operational efficiency, which differentiates WILL GROUP from its competitors. In addition, both of these areas have high turnover rates, and having a full-time employee at the same site has the added benefit of following up with the staff mentally and physically, thereby increasing retention rates. In this way, hybrid temporary staffing is an important strategic tool for the company to increase its presence within its client base and gain market share by training and following up with temporary staff at client sites.

The company's equity story is to move away from a low-profit business model centered on fixed-term temporary staffing and increase the ratio of profitable businesses such as permanent staffing, placement, recruiting and outsourced foreign personnel management to a high value-added business model that can survive in an era of declining population as a winner in an era of "job mismatch". The company intends to shift to a more profitable business model by (1) accelerating growth in the construction engineer field, which is centered on permanent worker dispatching and (2) re-growing the domestic working business by expanding foreign worker management contracts and permanent worker dispatching.

In addition, the stock price has been soft. The share price has been on an upward trend since 2021, thanks to the strong performance of the overseas working business due to the post-Corona rebound bubble but has been on a downward trend since 2023 due to the slowdown in growth of the domestic working business, in addition to the expiration of the overseas working business rebound bubble. In addition, valuations have declined markedly and P/B ratios, which at one point exceeded 5.0 times, are now just 1.3 times. Going forward, in addition to a recovery in earnings, we expect valuations to improve as a result of a change in the business model.

The company announced a new medium-term management plan (FY3/2024-FY3/2026) titled "WILL-being 2026" and set a quantitative target for the number of employees to be hired in this area (1,500 p/year) in order to focus on accelerating growth in the construction engineer field. The construction industry is chronically short of labor, and in addition to strong demand, the company expects an increase in job openings due to reforms in work styles. In addition, Open Up Group (2154 TSE Prime), a competitor in this area, is also aggressively strengthening recruitment through upfront investment, indicating that the market is in a growth phase.

In FY3/2024, the first year of the medium-term management plan, the company managed to secure a profit from the sale of a subsidiary (operating income of ¥2.06 billion); however, the domestic working business continued to struggle and the overseas working business experienced a decline in sales for the first time, resulting in an extremely difficult business environment. In the fiscal year ending March 31, 2025, in addition to the restructuring of existing businesses, the company expects to see the results of its business model transformation through the expansion of permanent worker dispatching in the construction engineer field and other areas.

1. Company Overview - Achieving High Growth with Domain Specialization & Overseas Expansion

1）Establishing a Stable Business Foundation with Industry-Leading Performance in Specific Areas

Revenue Source is the Temporary Staffing Business

The company is a human resource services company that operates temporary staffing, outsourced contracting and placement services in Japan and the Asia-Oceania region with the mission of being "a change agent group that positively transforms individuals and organizations". In Japan, the company provides category-specific temporary staffing, placement and outsourced contracting services in areas such as smartphone sales floors of electronics retailers, call centers for telecommunications and financial institutions, food and other factories, nursing care facilities and construction sites. Overseas, in Australia and Singapore, the company provides temporary staffing and placement services in areas with relatively low economic volatility, such as government and public administration. Although the company also provides placement and recruiting services and outsourced contracting services, approximately 70% of the company's total revenues come from the temporary staffing business.

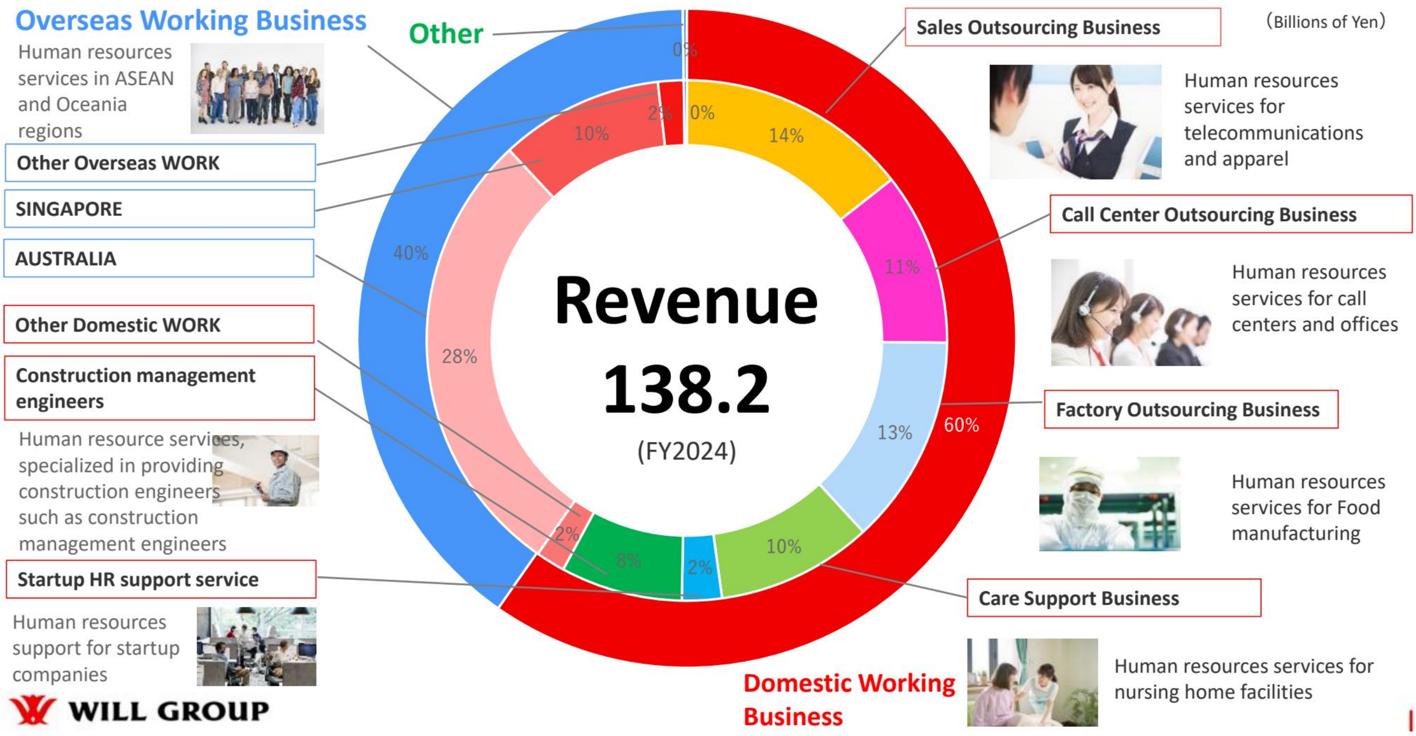
Establish a Balanced Business Portfolio

In the fiscal year ended March 2024, sales were ¥138.2 billion, with the domestic working business accounting for about 60% and the overseas working business about 40%. The domestic working business is roughly divided into the sales outsourcing domain (telecommunications, apparel, sales support, etc.), call center outsourcing domain, factory outsourcing domain (food and other factories), nursing care support business domain, construction engineer domain and others; and is not dependent on any one domain (each domain accounts for about 10%). In addition, the company is one of the industry leaders in the sales outsourcing domain, call center outsourcing domain and nursing care business support domain.

Australia is the Source of Revenue for the Overseas Working Business

The Overseas Working business consists of human resource service operations in Australia and Singapore. About 80% of sales are in Australia, and about 50% of sales are for temporary staffing services for government and public administration. The rest of the company's staffing services are provided to the finance, information and telecommunications and industrial sectors, as is the case in Japan. In Singapore, as in Australia, a high percentage of sales are to the government and administrative sectors.

Figure1: Sales Revenue Breakdown



Source: Company Data.

2）Focus on Specific Areas & Expand Business Through Speedy Growth

Latecomers in the Human Resources Industry

The company was founded in 1997 in Osaka, Japan, as a contractor for factory production lines (current consolidated subsidiary Centmedia was founded in 1997 and WILL GROUP was founded in 2006). Competitors are Recruit Holdings (6098 TSE Prime), which was founded in 1960 and PERSOL Holdings (2181 TSE Prime), which was founded in 1973 by Tempstaff Co., Ltd.

Institutional Change is a Tailwind

One of the reasons for the steady expansion of the business, despite being a latecomer to the market, can be attributed to the systemic changes that took place in the 2000's. The market for temporary staffing services was boosted by the March 2004 revision of the Worker Dispatching Act, which lifted the ban on dispatching workers to manufacturing sites and by the clarification of standards for temporary staffing and outsourced contracting services in response to the growing social problem of bogus outsourced contracting.

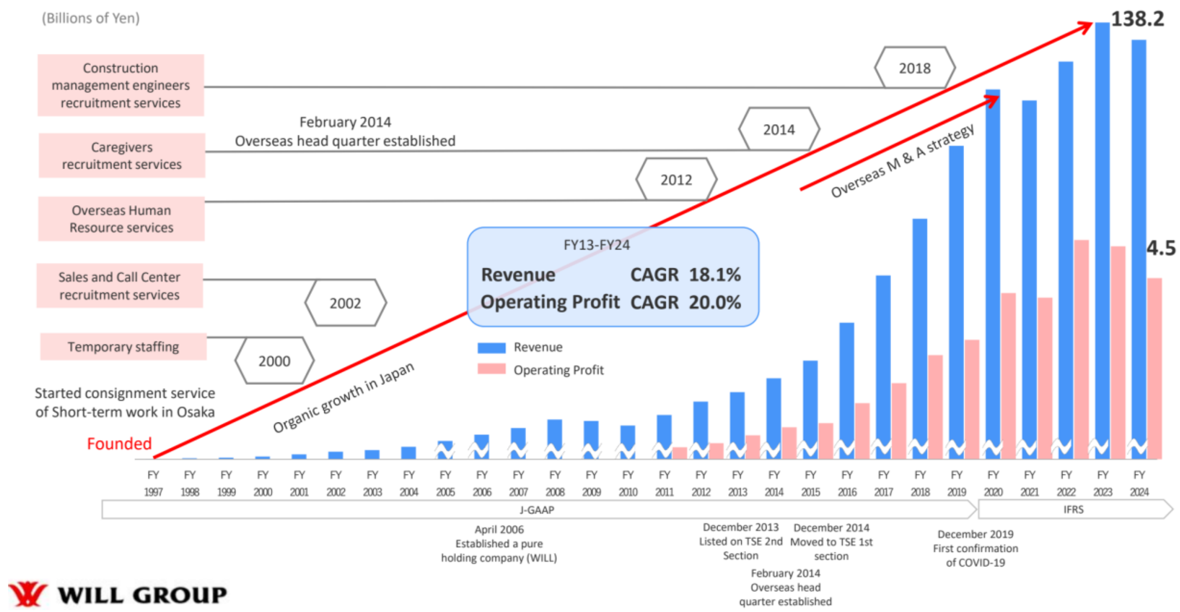
Fast Management Decision Making and Timely Entry into Growing Markets

Since the start of its temporary staffing business in 2000, the company has expanded its business in the field of sales representative and operator staffing, while at the same time launching an overseas business, which dispatches nursing care workers and construction technicians. As a result, the growth rates (CAGR) of sales and operating profit from FY3/2013 to FY3/2024 are high at 18.1% and 20.0%, respectively and the company continues to grow at a high rate despite its late start. This can be attributed to the company's decision to enter a growing market through prompt management decisions.

Accelerating Growth Through Overseas Expansion

In particular, the company's decision to launch overseas operations at a relatively early stage was an excellent business decision. As the domestic market is facing a period of population contraction, there are limits to growth in the domestic market on its own. By expanding overseas, mainly through M&A, the company was able to acquire a new pillar of growth that accounts for 40% of its sales and earnings.

Figure2: Long-Term Performance Trends



Source: Company Data.

3）Details of Each Area of the Domestic Working Business

① **Sales Outsourcing Domain**
(telecommunications, apparel, sales support, etc.)

Provides support for the expansion of customers' products and services at mass-scale electronic retailers, apparel stores, etc., and plans and manages various campaigns for major IT companies. In sales support at mass-scale electronic retailers, the company dispatches staff to engage in sales operations such as customer service, product explanations and applications, management of sales staff, and collection and reporting of sales information, mainly for smartphones and other mobile devices.

② **Call Center Outsourcing Domain**
(call center and others, office, finance)

For companies that operate call centers and telemarketing services, the company provides services to help build trust between customers and end users by dispatching staff to provide information, deliveries, after-sales services, consultations; and to receive, process and resolve complaints. Among call centers, the company's main services are for telecommunications companies, BPO and financial institutions. The company also provides outsourced telemarketing services using its own call centers. The company also provides office staffing and placement services.

③ **Factory Outsourcing Domain**
(food factories, non-food factories)

The company offers services to improve its clients' productivity by providing technology and human resource management expertise in the production process of food, electrical equipment, electronics, transportation equipment, chemicals/pharmaceuticals, metals and other manufacturing industries. Among manufacturing industries, the company focuses on the food manufacturing industry, which is relatively less susceptible to economic downturns and dispatches staff engaged in manufacturing, inspection, quality control, sorting, packaging and other operations. The company also provides support management contract services for outside personal laborers, which is expected to increase in the future.

④ **Care Support Business Domain**

The company provides services that support the stable operation of nursing care facilities by dispatching and placing nursing care staff to companies that operate nursing care facilities. In addition, through the operation of the "WILLOF Care Academy," which is a qualification acquisition support service, the company provides skill improvement and career support for staff.

⑤ **Construction Engineer Domain**

Provides construction management engineer dispatch and placement services to major general contractors and subcontractors. In addition to experienced employees, the company also dispatches newly graduated and inexperienced technical employees.

⑥ **Other Domains**
(IT engineers, etc.)

The company provides dispatch and the introduction of system engineers.

⑦ **Other Businesses**

The company is engaged in rental housing for IT engineers/creators (TECH RESIDENCE) and other businesses.

4）Description of the Overseas Working Business

Business Expansion Through Aggressive M&A

The company provides temporary staffing and placement services in Singapore, other Asian countries and Australia. Since its establishment in Singapore in 2011, the company has been expanding its business through aggressive M&A. In particular, since the acquisition of DFP Recruitment Holdings Pty Ltd., in Australia, the company has been expanding its business scale.

Less Susceptible to Economic Fluctuations Due to the Focus on Government and Administrative Projects

The company's overseas working business is characterized by its high ratio of government and administrative projects, particularly temporary staffing projects, which are less susceptible to economic fluctuations. The company's entry into the market through the acquisition of local subsidiaries has been successful, and despite being a foreign company, it has been able to acquire projects from local governments and public administrations. Aside from government and public administration, a relatively high percentage of its business is in the industrial and financial sectors. As in Japan, the company has established a business portfolio by dispatching personnel to a variety of industries, rather than relying on a single industry.

In Australia, Six M&A Companies have Already Been Acquired

By region, Australia accounts for about 70% of the overseas business total. The company has already acquired six Australian companies. The company's overseas M&A policy is to acquire a majority stake in the first acquisition, followed by an earn-out to acquire additional shares over the next one to three years, targeting 1) companies in areas with growth potential, 2) companies with succession plans and 3) category-specific companies. In addition, PMI (Post Merger Integration) will be considered to support business succession from the founder, integrate back-office divisions and cross-sell among consolidated subsidiaries. Since the acquisition, the company has focused on creating synergies, targeting an average annual growth rate of 15%.

Both Singapore and Australia have Good Economies

We believe that one of the factors behind the company's success in expanding its business overseas is the relatively favorable business climate in both Singapore and Australia. When the company entered the Australian market in 2018, real GDP was A$2.2 trillion, but by 2023 it had grown to A$2.4 trillion. Similarly, Singapore's real GDP was $377.4 billion in 2011, the year the company entered the market, and it is growing to $532.2 billion in 2023. It can be said that the company has been able to expand its business in a timely manner to meet the needs of companies that require manpower to keep up with economic growth.

Figure 3: Trends in Overseas Working Business Performance

	FY3/2020	FY3/2021	FY3/2022	FY3/2023	FY3/2024
Overseas Working	36,133	36,946	48,746	57,538	55,430
Revenue by type					
Temporary staffing	31,385	33,236	41,438	49,287	48,018
Permanent placement	4,641	3,649	7,308	8,179	7,353
Others	107	61	-	72	59
Revenue by Region					
Australlia	28,169	30,549	38,197	43,429	39,231
Asia	8,024	6,369	10,548	14,110	16,201
Ratio by Region					
Australlia	78.0%	82.7%	78.4%	75.5%	70.8%
Asia	22.2%	17.2%	21.6%	24.5%	29.2%
Overseas Working	-	1,942	3,348	3,406	1,946
OP margin	-	5.3%	6.9%	5.9%	3.5%

Source: Prepared by Strategy Advisors, Based on Company Data.

Note: Does Not Include Consolidation Adjustments within Segments.

2. Business Model & Key KPI's

1) Net Sales = Number of Workers x Dispatch Unit price x Working Hours -- Stock-Type Business

Net Sales = Number of Workers x Dispatch Unit Price x Working Hours

The revenue structure of the temporary staffing business consists of sales = number of workers x unit price of temporary staffing x working hours. In the case of the company, it has secured approximately 1 million registered temporary workers through its own media, "Will of" and by other means. The company generates revenue when registered workers find jobs with the conditions they desire in the media, the registered workers actually work and the company charges the client the unit price for the temporary staffing services. Cost of sales is calculated by multiplying the unit price paid to temporary workers by the number of hours and number of workers.

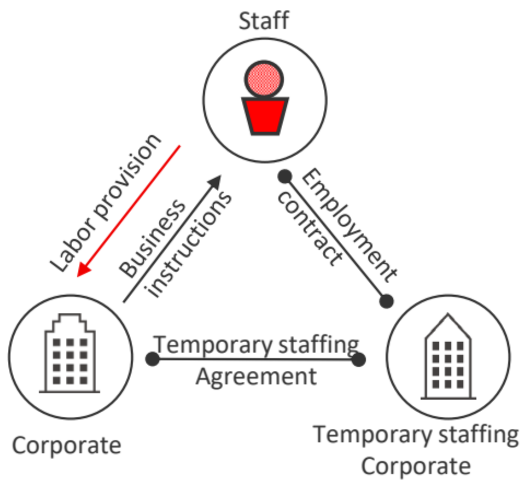
The Company's Revenue Source is from Registered Temporary Staffing and Fixed-Term Temporary Staffing

There are two types of worker dispatching: registered fixed-term worker dispatching, in which workers register in advance and sign a contract with a dispatch company when a client matching their conditions is found; and permanent fixed-term worker dispatching, in which workers become regular employees or contract workers of a dispatch company. The former has the advantage of allowing workers to choose when to work, working hours and job content to suit their lifestyles. On the other hand, the latter offers more stable employment and income and sometimes better benefits. From the standpoint of the temporary staffing worker, there is a risk that a client may not be assigned to a fixed-term worker, resulting in a period of waiting time and no income, while from the standpoint of the temporary staffing provider, there is no need to pay salaries during the waiting period, as is the case with permanent placement workers and the business is more stable. The company's main source of revenue is from fixed-term temporary staffing, which is a stable stock-type business.

The Construction Engineer Area Provides Permanent Dispatch of Permanent Employees for an Indefinite Period of Time

The construction engineer field differs from other fields in that both temporary staffing and outsourced contracting are permanent placement services for permanent employees. Profitability is also higher than in other areas, with gross profit margins hovering in the upper 20% range. The company is able to secure profitability because of the clear labor shortage in the construction industry as a whole, as well as by dispatching engineers and providing services through the dispatch of permanent employees.

Figure 4: Schematic Diagram of Temporary Staffing Business



Source: Company Data.

2）Key KPI's are the Number of Workers and Dispatch Unit Cost

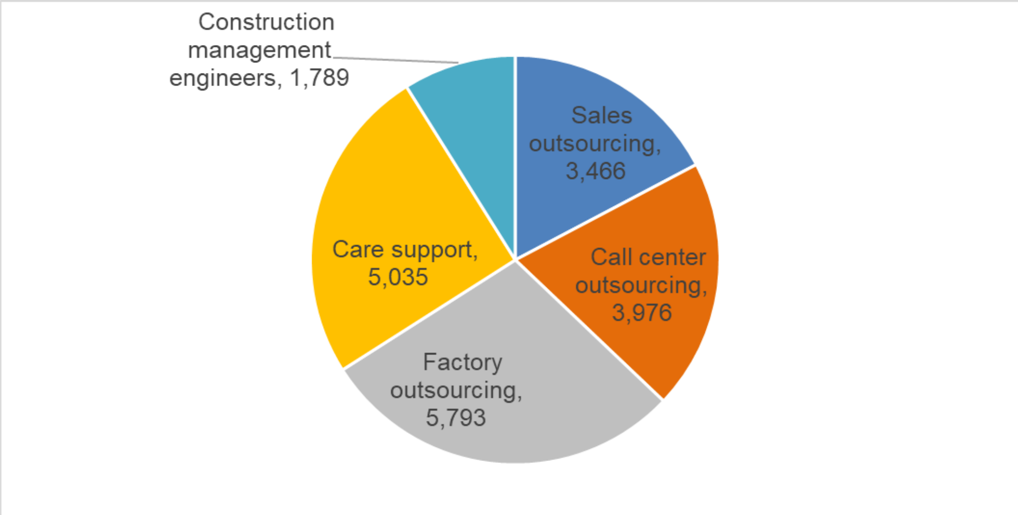
Key KPI's are the Number of Workers & Dispatch Unit Cost

As mentioned above, the revenue structure is as follows: revenue = number of workers x unit price of temporary staffing x working hours. Given the difficulty of increasing working hours to an extreme level due to overtime regulations, the main KPI's are the number of workers and unit price of temporary staffing.

Existing Areas Account For Less Than 60% of the Total

The number of active workers at the end of FY3/2024 was 20,059, which is the sum of the number of permanent staff dispatched (approximately 3,000) and temporary staff (approximately 17,000). By area, the company's sales and earnings are linked to the size of its revenue, with the existing areas (sales outsourcing, call center outsourcing, and factory outsourcing) accounting for slightly less than 60% of total sales and earnings.

Figure 5: Number of Employees by Area as of the End of FY3/2024 (Unit: Persons)



Source: Prepared by Strategy Advisors, Based on Company Data.

KPI's Include the Number of "Will of" Registrants, Retention Rate of Permanent Temporary Staff & Number of Hires

The number of registered users of "Will of", the company's media, the retention rate of permanent staffing and the number of hires should also be monitored closely as management indicators that affect the number of workers. The company conducted a "Will of" promotion in FY3/2024. The company conducted terrestrial TV commercials featuring celebrities and distributed online advertisements on YouTube and other sites. The company has seen positive response in terms of recognition, the number of nomination searches and intention to use the service; and these measures have led to an increase in temporary staffing registrations on "Will of". Given that there are many competing media outlets, it is essential to secure a certain level of inflow to Will of in order to secure temporary staff.

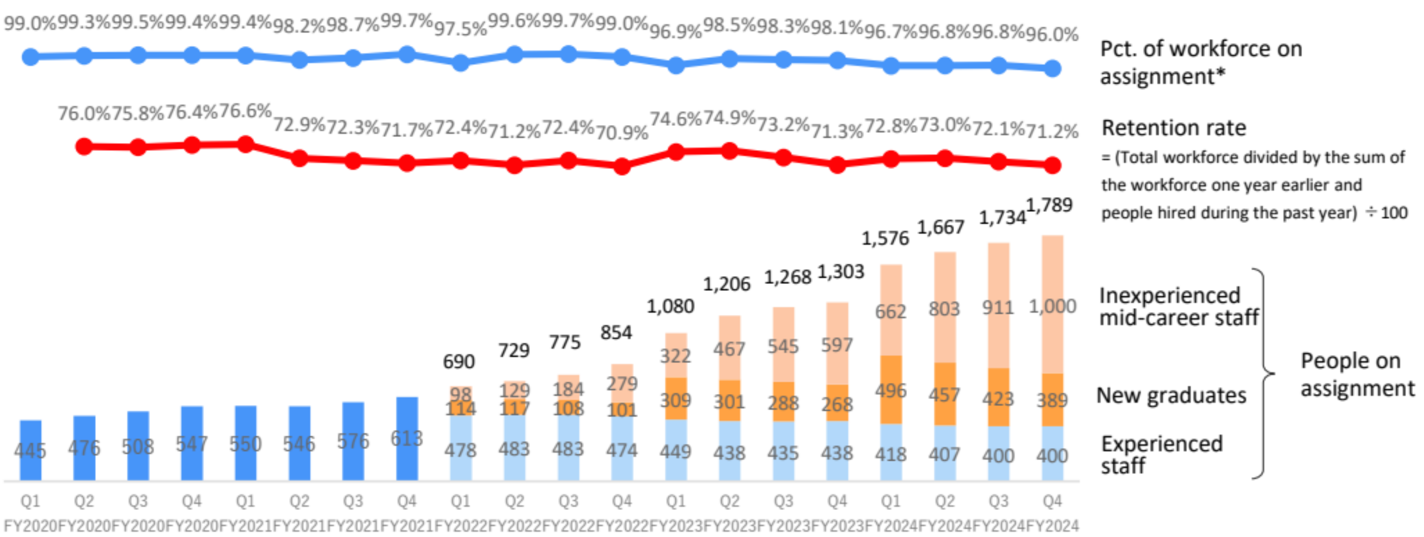
Retention Rate in the Construction Area is Low, with High Room for Improvement

In addition, the company disclosed the retention rate and the number of full-time temporary staff hired in the construction engineer field, which is currently the focus of the company's efforts. The company expects to improve the retention rate to the same level as the competition by reviewing the hiring process and continuously negotiating for higher fees (unit price negotiations) from FY 3/2025 onward. The company expects to improve the retention rate to a level comparable to its competitors by improving compensation through a review of the hiring process and ongoing negotiations for higher fees (unit price negotiations).

It is Important to Sophisticate the Process of Recruitment, Training, Operation & Retention

In the construction engineer field, inexperienced mid-career workers account for nearly 60% of the total number of workers in the company's workforce and it is extremely important to establish a three-way process for clients, employees and the company; by upgrading the series of hiring, training, operation and retention processes. In order to achieve this, it is necessary to establish a system with a high retention rate and high yield rate in parallel with strengthening recruitment.

Figure 6: KPI Trends in the Construction Engineer Domain (Unit: Persons, %)



Source: Company Data.

Note (*): Occupancy Rate for 1Q is the Occupancy Rate for the Month of June, Excluding the Impact of the New Graduate Training Perio

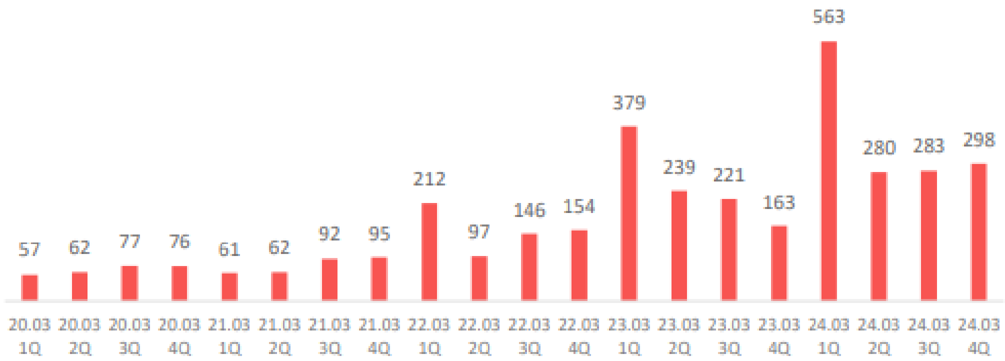
The Company Plans to Hire Approximately 1,500 People in the Area of Construction Engineers in the Future

In FY3/2024, the company made steady progress in hiring construction engineers and achieved its recruitment target (1,270). However, in the revision of its medium-term management plan disclosed at the same time as the year-end earnings announcement, the company announced a reduction in its initial recruitment target (from 2,000 to 1,500 in FY3/2026). The company plans to continue hiring approximately 1,500 employees and expand its human resources while seeking the best balance based on the effects of future investments and retention and utilization rates.

Capital and Business Alliance with ROXX, Inc. to Secure Human Resources

In addition, the company aims to strengthen its recruitment in the area of construction engineers, In May 2024, the company entered into a capital and business alliance with ROXX, Inc. (ROXX operates "agent bank," a cloud job database specialized in the recruiting business. In addition to the 3,500 regular jobs, the database contains approximately 39,000 jobs from the company's partner, Persol Career; and the company uses this information to conduct more than 10,000 job introductions each month. The company has already hired several hundred people through ROXX, Inc., and is expected to continue to introduce highly accurate job seekers to the company in the future.

Figure 7: Trends in the # of Construction Engineer Recruits (Persons)

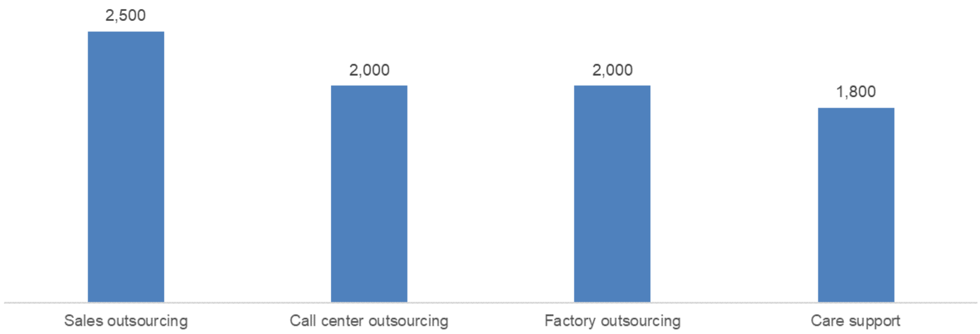


Source: Company Data.

Dispatch Unit Price Varies by Area

Although the company does not disclose specific amounts of dispatch unit prices, the unit prices for each area based on interviews are as follows. While the unit price in the sales outsourcing domain is slightly high at ¥2,500 per hour, the unit price in the call center outsourcing domain, factory outsourcing domain and nursing care support business domain is relatively low. The existence of competition in each of these areas makes it difficult to raise unit prices to extreme levels. The unit price in the construction engineer field differs from the other fields, ranging from ¥2,500 to ¥4,500 and varies widely. Since engineers are dispatched, there is a large difference in the unit price of dispatched workers depending on the skills of each worker.

Figure 8: Dispatch Unit Cost Per Area (Unit: ￥/Hour)



Source: Prepared by Strategy Advisors, Based on Company Data.

The Construction Engineer Area is More Likely to Negotiate Unit Prices

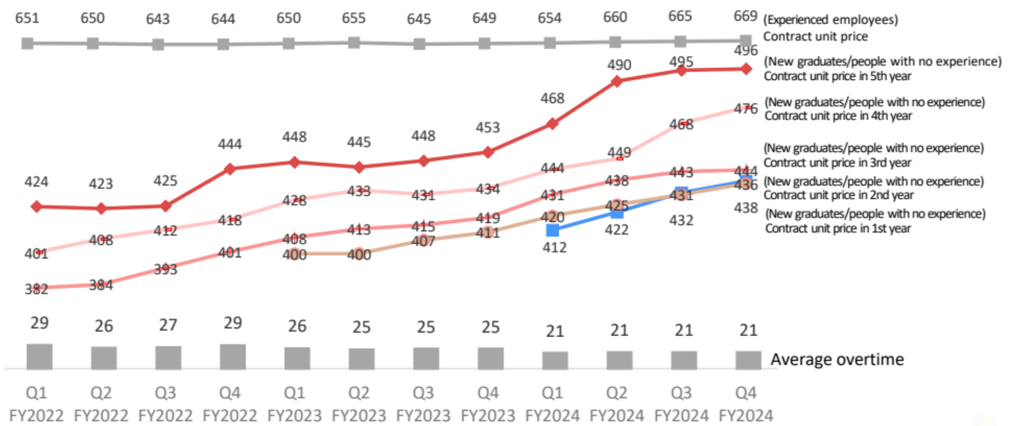
In the area of construction engineers, the company is actively negotiating charge increases and the average contract unit price for new graduates and inexperienced employees has increased by 5% per year. In addition, the unit price per contract for each year of employment is also increasing. As a result, it is easier to raise the unit price for experienced and skilled employees than in other areas. Another feature of the construction engineer field is that there is a well-developed qualification system to prove skills, such as being a qualified construction management engineer. For inexperienced employees who join the company on a full-time basis, it is possible to negotiate higher fees by improving their skills through the acquisition of qualifications, in parallel with their practical experience in the field.

Established System to Support Career Development

A construction management engineer is a person in charge of construction site management who is responsible for planning, process control and quality and safety control at construction sites. It is recognized as a national qualification and it is required that a contract amount of ¥40 million or more must have a certified construction management engineer as a "chief engineer". According to the website of Will of Construction, a subsidiary of the company that provides human resource services in the construction engineer field, the average monthly number of certified engineers is 83.

Figure9: Average Contract Unit Price, Average Overtime (Monthly)

(Unit: Hours, ¥1,000)



Source: Company Data.

3）Profitability and Cost Structure

Gross Profit Margin Has Been in a Range

The company's gross profit margin has remained in the range of 20-22%. Generally, gross profit margins increase with the expansion of business scale in many industries. For example, in the manufacturing industry, as sales increase, manufacturing costs are reduced and the gross profit margin rises. For example, in the manufacturing industry, the gross profit margin rises with an increase in sales as manufacturing costs are reduced. In the retail industry, the gross profit margin rises with a reduction in purchasing costs through volume discounting. On the other hand, in the temporary staffing business, the margin earned from each temporary worker is fixed, limiting the improvement in gross profit margin as the company grows in size. Therefore, while the company's revenue grew 1.7 times from FY3/2018 to FY3/2024, its gross profit margin improved only by about 2%.

Gross Profit Margin Improved Due to the Expansion of the Overseas Working Business, Which Accounts for a High Proportion of Placement & Recruiting Activities

The main reason for the 2% improvement is an improved business mix due to the expansion of the overseas working business. The overseas working business has a higher proportion of placement and recruiting (commission income), and its gross profit margin is higher than that of the domestic working business. The gross profit margin of this business increased to 41.7% (FY3/2024), resulting in an improvement in the gross profit margin of the entire company.

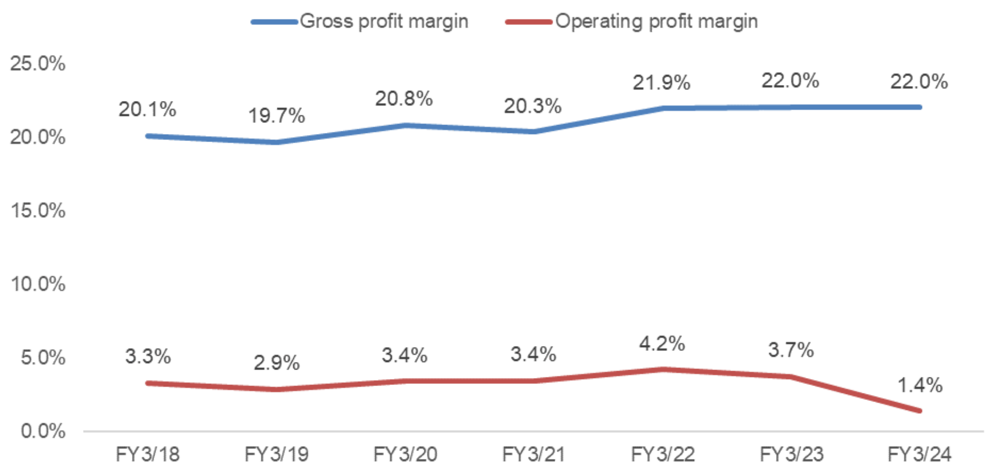
High Profitability in the Construction Engineer Area

Gross profit margins in each area of the domestic working business are generally linked to differences in unit prices of temporary staffing, with the construction engineer area accounting for the highest percentage at the higher half of 20%-30% range, followed by the sales outsourcing area, call center outsourcing area and finally the factory outsourcing area. The nursing care support business domain is slightly more profitable than the call center outsourcing and factory outsourcing domains because the amount is determined by nursing care fees.

Operating Income Margin Remained Flat Due to an Increase in SG&A Expenses

Looking at profit margin trends, gross profit margin improved by 1.9% compared to FY 3/2018, but the operating profit margin slowed slightly, due to an upward trend in SG&A expenses resulting from the M&A of C4 (Will of Construction's predecessor company) and 4 overseas companies, as well as the increase in SG&A expenses from FY 3/2023 onward. In addition, the company has been making up-front investments (increased recruiting and personnel expenses) in its focus areas (construction engineers, startups and nursing care) and advertising to raise awareness of its own brand "WILL OF" since FY3/2023. Upfront investments amounted to ¥1 billion in FY3/2022, ¥830 million in FY3/2023 and ¥800 million in FY3/2024.

Figure10: Trends in Gross Profit Margin and Operating Profit Margin



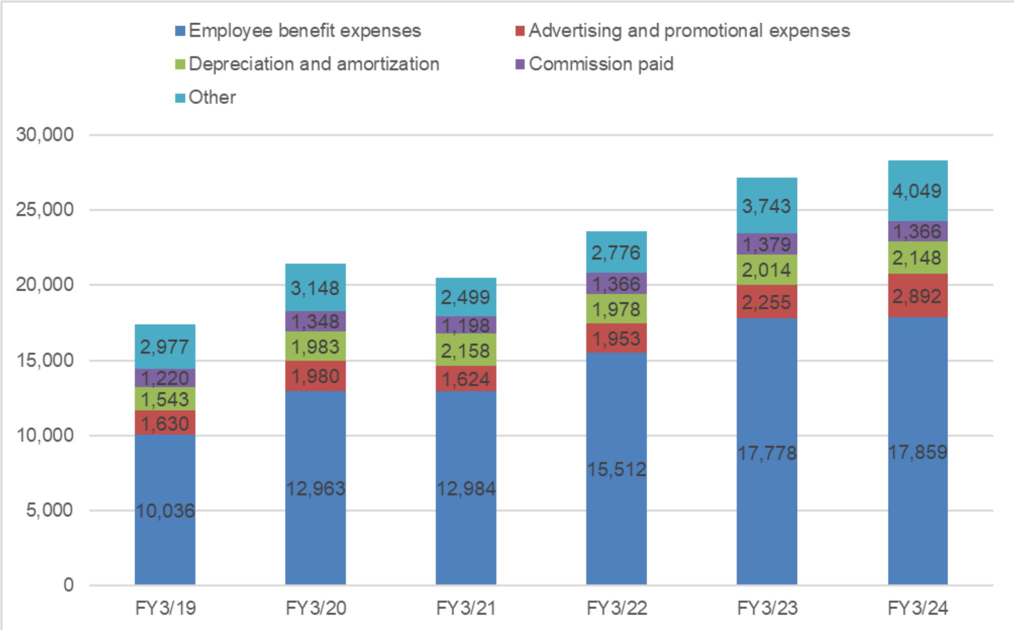
Source: Prepared by Strategy Advisors, Based on Company Data.

Note: Operating income margin for FY3/2024 takes into account the impact of the sale of subsidiaries (¥2.06 billion) and the exclusion of subsidiaries from the scope of consolidation.

Labor Costs Account for a High Percentage of SG&A

The largest component of SG&A expenses (as shown in the Annual Securities Report) is employee benefit expenses, which are labor costs for WILL GROUP employees, coordinators working at operating companies, sales personnel, back-office personnel, etc. (labor costs for permanent temporary workers are included in cost). Recruiting expenses are fees paid to other media outlets for job postings and fees paid to human resource agents. Fees and commissions are the sum of various payments, and a relatively large component is information system-related expenses.

Figure11 Breakdown of SG&A and Trends (￥mil)



Source: Prepared by Strategy Advisors, Based on Securities Reports.

Note: "Other" is Calculated by Subtracting Each Expense from Total SG&A Expenses.

4) Balance Sheet and Cash Flow

Balance Sheet is Healthy, With Net Debt of -¥1.17 Billion

The company has a sound balance sheet, with net debt (total long and short-term debt minus cash and deposits) of -¥1.17 billion at the end of FY3/2024, with cash and deposits exceeding debt. In addition, human resource service companies do not require facilities such as factories, so their fixed assets account for a low percentage of their total assets, including those of their competitors. Therefore, it is rare for a company to take out large loans for purposes other than M&A. In the case of the company, it took out ¥8.51 billion in long-term debt in FY3/2019, due to the acquisition of 10 companies in Australia and Singapore, in addition to C4 (now Will of Construction). Since then, the company has gradually repaid the debt and its financial position has improved.

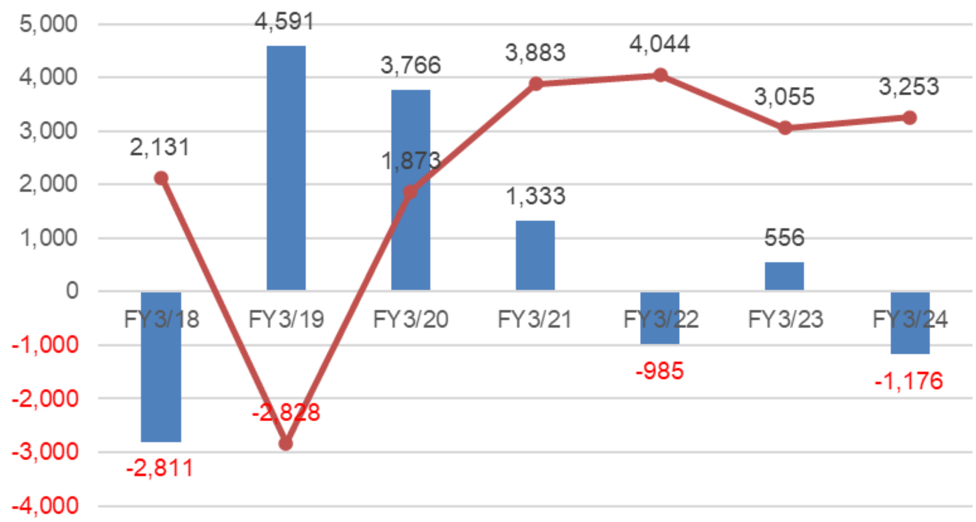
10 Days of Trade Debt Payment is Due

Another characteristic of the temporary staffing business is the relatively large amount of trade receivables. In the case of the company, wages are paid to employees and staff on the 20th of the following month, while accounts receivable are collected at the end of the following month, resulting in 10 days of trade debt payment (in advance).

High FCF (Free Cash Flow) Generation Capacity

As mentioned above, although there is an impact from increases and decreases in working capital, the company is fundamentally strong in cash flow generation and has generated ¥3-4 billion of FCF (CF from operations + CF from investments) every fiscal year since FY3/2021. In the case of the company, operating CF is calculated by adding depreciation and amortization (no amortization of goodwill due to IFRS) to profit and taking into account changes in working capital. The company's investment CF is mainly for the acquisition of property, plant and equipment and intangible assets.

Figure12: Net Debt (bar) and FCF (line) (￥mil)



Source: Prepared by Strategy Advisors, Based on Company Data.

3. Competitive Advantage Rooted in Top Management's Origins and MVV

1) Founder, Chairman Ikeda's Background & Company History

Background of Chairman Ikeda's Life and His Decision to Start his Own Business

Chairman Ryosuke Ikeda is 55 years old, born in Hyogo Prefecture (December 5, 1968). He has been a business owner since his grandfather's generation and his father's business failure and the death of his mother without satisfactory medical treatment affected him. Believing that knowledge and skills in accounting were necessary for management, he joined an accounting firm (April 1992). Later, after the Great Hanshin Earthquake (1995), he realized that he had to do what he wanted to do to the best of his ability while he was still alive and decided to start his own business.

Centmedia is Established

In January 1997, Centmedia (now Will of Work, a consolidated subsidiary) was established in Osaka City with telemarketing as its main business. In the same year, BigAid was established in Osaka City as a short-term contractor for light work, such as moving and setting up event venues. In October of the same year, Mr. Ikeda participated in the launch of Big Aid out of a desire to start a business, which led to the current WILL GROUP.

A Series of Failures and the Company's Values

At that time, Big-Aid was a venture company in its early stages, with only three staff members: the president, the branch manager, and Chairman Ikeda. The company started out as an outsourced contracting service for the manufacturing industry and although it had no track record and was facing a series of failures, the staff and Mr. Ikeda worked together to somehow improve the field and did not run away from the task. What emerged from this experience was the motto "Believe in Your Possibility," which has become the company's current corporate value. In three years, BigAid grew to have ¥500 million in annual sales.

Factory Outsourcing Business is Launched

In 2000, with the aim of achieving synergy between the telemarketing and outsourcing businesses, St. Media merged with BigAid and launched its factory outsourcing business. In the same year, St. Media established St. Staff for the purpose of providing temporary staffing services.

Appointment of President and Challenges

At the age of 32, Mr. Ikeda was appointed president of the company. He aspired of becoming a manager, but since his dream was solely to run the company he had founded himself; he was not comfortable with being appointed president, or a hired gun. Although he once refused the offer, he became president on the promise that he would remain in office until the company went public. However, upon assuming the position of president, he found that St. Media was a loss-making company and even the office rent was in arrears, so the company was strapped for cash. To improve these conditions, he implemented management reforms using every means at his disposal and succeeded in bringing the company back to health in about a year, but this highlighted an important issue: the company lacked a clear corporate philosophy and vision.

The Company's MVV

When Mr. Ikeda asked a question at a lecture by Masao Horiba, then Chairman of Horiba Manufacturing Co., Ltd. famous for its company motto, "Be interesting"; Mr. Horiba replied, "You are still young, so you should devote yourself to your work. You should value the customers in front of you and put into words what is truly important and absolutely non-negotiable as you grow through your management". From then on, he earnestly worked on what was in front of him, and in 2003, the principles of "Positively Individual and Organization," "We Do Change, and "Change Agent," which led to the current MVV, were born.

Repeated Hardships Became a Source of Sustenance for Him as a Manager

Chairman Ikeda's positive attitude in the face of adversity, including the failure of his father's business, the bereavement of his mother and the restructuring of a loss-making company, is reflected in the company's MVV and culture, and it can be said that these experiences have provided him with the strength to be a manager in the human resources business, where people are assets.

2）President Yuichi Sumi's Past and Future

President Sumi's Background

President Yuichi Sumi is 43 years old and was born in Abiko, Chiba Prefecture (October 6, 1980). His hobby is trail running. He grew up in a typical businessman family with parents and a younger sister. When he was a student, he wandered around the world in several countries as a backpacker. His dream for the future was to "earn money and live a life of visiting world heritage sites".

Joined Centmedia, Then Worked in Sales and Human Resources

He wanted to become president at the age of 30 and Chairman at 40. When he was job hunting in the human resource service industry, where he thought he could grow quickly, he found St. Media. After graduating from university, I joined Centmedia (now Will of Work) in April 2003 and was assigned to the Sales Department. 2 years later, when the first branch was opened in Ibaraki Prefecture, he became the branch manager and was later transferred to the Human Resources Department, where he was mainly responsible for new graduate recruitment.

From General Dispatching to Outsourced Contracting

In 2009, he transferred to St. Media Field Agent (now Will of Work), which manages the manufacturing field. He received an order from a major food manufacturer to dispatch workers to their factory, gradually gaining the client's trust and after three years, the company began to receive around 200 dispatched workers. In addition, orders shifted from general dispatching to highly profitable outsourced contracting. In general dispatching, the client side is responsible for guaranteeing the quality of the deliverables. With outsourced contracting, however, the client is responsible for guaranteeing the quality of the deliverables. This required a high level of operational know-how and at the same time led to increased profit margins. During this period, his goal was to be active in the company rather than to become an independent president.

The Financial Crisis Triggered by the Lehman Brothers Collapse, Led the Company to Acquire Expertise in Hybrid Dispatching

The turning point in the company's growth was the economic crisis triggered by the financial crisis (2008). As orders from the automobile and other manufacturing industries plummeted, the company liquidated its small-lot clients and selected around 100 clients with whom it should have long-term relationships and concentrated its resources there. It was also during this period that the company's expertise in hybrid temporary staffing, which is one of its strengths, was enhanced. After the financial crisis, the company's performance deteriorated significantly, forcing the company to dispatch its regular employees from the head office to the field. The company's regular employees and temporary staff worked together to help each other overcome the economic crisis and immersed themselves in on-site work in unison, which brought the regular employees and temporary staff closer together and the hybrid dispatch style took root. Subsequently, as business conditions recovered, the company was able to leverage hybrid temporary staffing to grow its temporary staffing business.

Experienced HR Department Manager

President Sumi has worked in sales at the group's major domestic subsidiaries before becoming the head of the human resources department for the entire group in Japan. He has extensive knowledge of the human resources business and has led the company with strong leadership skills. Mr. Sumi has since been recognized for his skills and has risen quickly through the ranks at a youthful age.

After Holding Various Positions, he Became President of Will of Construction in April 2021

In April 2009, he transferred to Centmedia Field Agents (now Will of Work), where he was appointed General Manager of Sales in April 2014, Director in April 2016, and Executive Officer and General Manager of Human Resources for WILL GROUP in July 2018 In June 2019, he was appointed Director of Centmedia, In April 2021, he was appointed President of Will of Construction in the area of construction engineers, his focus area.

Appointed as Representative Director of WILL GROUP to Leverage the Domestic Working Business

In June 2022, he became a director of WILL GROUP and in June 2023, he assumed the position of Representative Director. Based on Chairman Ikeda's decision that the next generation needs to be refreshed in order to continue to respond to change and achieve sustainable growth, he replaced former President Shigeru Ohara (appointed in 2016), who had led the company's growth in tandem with Chairman Ikeda. The company is expanding its business in the field of construction engineers and increasing the ratio of full-time temporary staffing to its total workforce in order to get its domestic working business back on a growth trajectory.

3）MVV (Mission, Vision and Values) and Competitive Advantage

The Mission is: Be "A Change Agent Group that Positively Transforms Individuals & Organizations

The company's mission is to be "a change agent group that positively transforms individuals and organizations". The company is convinced that if positives can outweigh negatives by as little as 51 to 49, both individuals and organizations will gradually grow and become a better society.

The Current Mission is Born as We Continue to Deal With Customers and Staff

This mission was born out of facing customers and staff onsite. The firm believes that the human resources business is more than just matching and that both clients and staff can grow in a better direction when they work together to create better workplaces; and that creating positive change is the ultimate value of WILL GROUP's existence.

Vision Calls for Being No. 1 in Each Domain

The company's vision is to create a branding company with high expected value in the business domains of "work", "play", "learn" and "live," and to become the No. 1 presence in each domain.

Values are "Believe in Your Possibility"

And the value is to "Believe in Your Possibility": a company started by three people, always looking forward, no matter how difficult the situation, believing in their own potential and in the potential of their colleagues. Even today, with the company having grown to such a large scale, the potential of many people is the foundation of the group and the driving force of the company.

MVV Reflects Chairman Ikeda's Way of Life & Management Philosophy

In our opinion, the company's MVV strongly reflects the way of life and management philosophy of its founder, Chairman Ikeda. In order to scale the labor-intensive temporary staffing business amidst a certain number of competitors, it is important for both individuals and the organization to move forward in a positive manner; and it is this kind of organizational attractiveness that has led to the securing of temporary and permanent staff and supported the growth of the business to date.

Competitive Advantage Lies in Hybrid Dispatch

The company's competitive advantage lies in its hybrid temporary staffing model, which leverages its organizational strength. Hybrid dispatching is a service in which WILL GROUP employees (field supporters) and temporary staff work together as a team at the client site, enabling the company to respond quickly and accurately to client needs. The hybrid temporary staffing business model was born in the wake of the financial crisis in 2008, when the company's performance deteriorated significantly and it was forced to dispatch regular employees from the head office to work in the field. This is a strength that other companies do not have.

Michael Porter's Differentiation Strategy

Michael Porter classifies competitive strategies into differentiation, cost leadership, and concentration. The company has achieved high growth in the staffing industry despite being a latecomer through differentiation. Porter lists the following sources of differentiation: (1) product features, (2) coordination of functions, (3) timing, (4) geographic location, (5) product assortment, (6) relationships with other firms and (7) reputation (brand).

Hybrid Dispatch Facilitates On-Site Communication

In the case of general temporary staffing, the client company must train the temporary staff, but in the case of hybrid temporary staffing, field supporters, who are WILL GROUP employees, train the staff on behalf of the client company. In the case of hybrid dispatching, however, WILL GROUP employees, field supporters, train staff on behalf of the client company. This allows for smooth command and control and also allows for good teamwork since the staff members are working at the client company as colleagues. As a result, the morale and retention rate of temporary staff is improved. Especially in an industry with a high turnover rate, the improvement of on-site communication and follow-up systems through hybrid dispatching, etc., will be extremely important.

Hybrid Dispatch is Rooted in the MVV

Note that we believe that hybrid dispatching has become a competitive advantage for the company because it is rooted in WILL GROUP's MVV. In an interview for the Integrated Report (2023), newly appointed President Sumi stated, "We have a corporate culture that values meritocracy, trying to create results not individually but as a team, and the quality of human relationships". As can be seen from these words, the company has a culture of valuing human relationships, whereby the company's employees and regular employees work together as a team to create results, regardless of their positions as regular employees or temporary staff.

4. Future Equity Story and Market Potential

1）From "Numbers" to "Quality" in Order to Win in the Era of "Job Mismatch"

The Equity Story is a Shift to a Value-Added Business Model

The company's equity story is to move away from a low-profit business model centered on fixed-term temporary staffing and increase the ratio of profitable businesses such as permanent staffing, placement and recruiting and outsourced foreign personnel management and thereby move to a high value-added business model, so that the firm that can be a survivor in an era of declining population as a winner in an era of "job mismatch". Against the backdrop of slowing growth in existing areas, a drastic change is required.

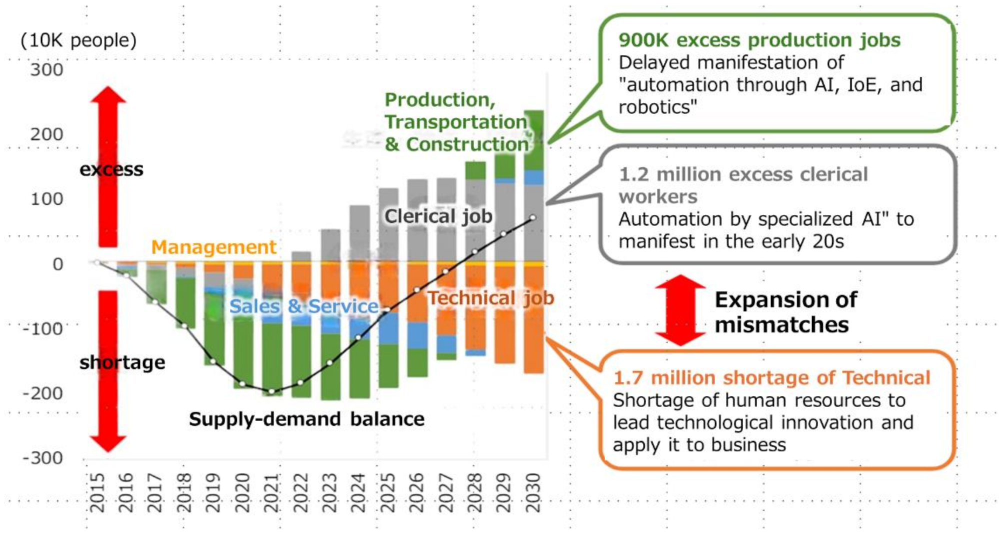
Shortage of Professionals is Expected to Become More Apparent in the Future

We believe that changes in the macro environment will also be a tailwind. According to a survey by Mitsubishi Research Institute, the number of jobs that require less manpower is expected to increase in the latter half of the 2020s due to technological changes represented by AI and the "job mismatch" (increasing gap between required skills and skills possessed) is likely to further widen the gap. According to the study, there will be fewer production and administrative jobs, which are currently in short supply and an overabundance of human resources, while at the same time there could be a shortage of 1.7 million professionals who can lead technological innovation and apply it to real businesses.

Change From "Numbers" to "Quality"

In light of these social changes, the company intends to shift to a more profitable business model by 1) accelerating growth in the construction engineer field, which is centered on permanent worker dispatching and 2) re-growing the domestic working business (outside the construction engineer field) by expanding foreign worker hiring management contracts and permanent worker dispatching. In Japan, where the population is shrinking, the current business model centered on fixed-term temporary staffing is reaching the limits of growth. Going forward, the company is expected to leverage its existing business assets (clients and temporary staffing know-how) to shift from a "quantity" to a "quality" business model and increase its corporate value.

Figure13: Gap Between Supply & Demand of Human Resources by Occupation (v's 2015)



Source: Mitsubishi Research Institute, "Medium- to Long-Term Outlook for Domestic and Foreign Economies, FY 2018-2030" (July 9, 2018).

2）Market Potential and Growth Strategies for the Construction Engineer Domain

Labor Environment is Improving

The construction engineer field has become so unpopular among young people that it is derided as a "3K" (hard, dirty, and dangerous) industry due to the long working hours outdoors and the risk of accidents that are characteristic of the construction industry. The number of workers in this industry continues to decline and there is a chronic shortage of labor. Meanwhile, improvements in the working environment in the construction industry are underway in accordance with the Law on Reform of Working Conditions (to be enforced in April 2019). Since the construction industry was allowed to take special measures, the overtime limit regulations have been in effect since April 2024. The improved labor environment may lead to an increase in the number of job seekers in this industry in the future, which is a tailwind for the company.

Open Up Group is Aggressively Expanding its Business

Open Up Group (2154 TSE Prime), a competitor in the construction engineer field, posted construction segment sales of ¥40.13 billion (FY6/2023), about four times the company's revenue and employs more than 6,000 engineers in Japan. The company employs 2,340 people annually (in FY6/2023), indicating that it is still in a growth phase and is accelerating its business expansion. In our opinion, both companies are in a growth phase that prioritizes market acquisition, as charge-up negotiations are progressing smoothly.

Market Growth Potential is High

Of course, there is a possibility that the competitive environment will worsen in the future and that adverse effects such as recruitment difficulties and a slowdown in the range of charge increases will become apparent. However, considering that the competitors, who are leading the industry, are expanding their business at full throttle, the market has high growth potential and the company should be able to follow their lead.

Also Possesses Know-How in Dispatching Permanent Employees

Although the company's main business has been fixed-term temporary staffing, it has also provided hybrid temporary staffing services and thus has a certain amount of expertise in permanent staffing, which in our view has been a positive factor. Although this business is somewhat different from the company's traditional business of dispatching permanent engineers, we expect the company to accelerate its growth in this business by leveraging its existing business assets, such as improved recruitment and retention rates.

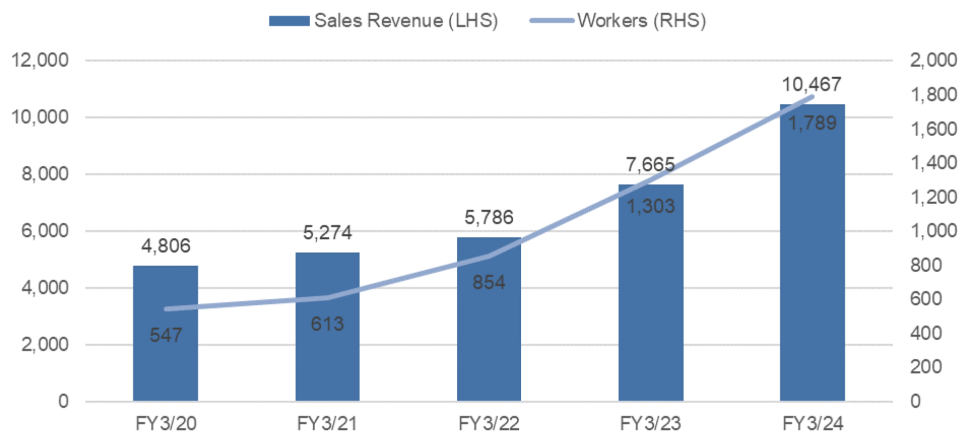
Policy to Hire 1,500 Employees

The company intends to establish a structure that will enable it to hire 1,500 people in this area by the final year of its medium-term management plan, FY3/2026. As mentioned above, the number of employees hired by the Open Up Group, a competitor, is 2,340 per year, so hiring 1,500 employees is a realistic target.

There is Significant Room for Improvement in Retention Rates

In addition to strengthening recruitment, the company intends to improve the retention rate. Since the company has prioritized business expansion and aggressively strengthened the hiring of new graduates and inexperienced employees, the retention rate is 71.2% (as of the end of FY3/2024), which appears to be lower than that of competitors. The resignation rate of the Open Up Group (number of employees who resign in a year/number of employees enrolled at the end of the previous year + number of employees hired in a year) is around 20-24%, suggesting that there is room for the company to improve its retention rate to the upper 70% range.

Figure14: Number of Active Workers and Sales Revenue in the Construction Engineer Area (¥mil LHS/Persons RHS)



Source: Prepared by Strategy Advisors, Based on Company Data.

3）Overview and Growth Potential of the Foreign Management Contract Business

Overview of Foreign Management Trusteeship

Foreigner Management Outsourcing is a service in which the company provides a variety of support for foreign workers on behalf of companies that host foreign technical intern trainees. In cooperation with the supervisory organization, the company provides preliminary guidance prior to travel to Japan, assistance with immigration and transportation, housing, assistance with contracts necessary for daily living and accompaniment with official procedures. The company has an overseas group company in Vietnam, Myanmar, Indonesia and other countries, which works in partnership with state governments and local school corporations.

Livelihood Support Fees are a Source of Revenue

In addition to the placement fee earned during the recruitment stage, the company's sources of revenue include a monthly cost of living support (¥30,000) and visa application agency fees (from ¥50,000 per person). The company outsources visa application agency fees to administrative scriveners, etc., so profitability is likely to be low, but the cost of recruiting and lifestyle support fees is low, so profitability is likely to be high.

Expected to Earn About ¥1 billion

The company intends to increase the number of foreign employees under management to 3,500 by FY3/2026, the final year of its medium-term management plan; the number at the end of FY3/2024 was 2,341, and the company expects to increase this number by improving the quality of orders (locations and salary conditions that make it easier to attract customers). The monthly living support fee of ¥30,000 x 12 months x 3,500 persons is expected to generate approximately ¥1 billion in revenue (roughly equivalent to gross profit).

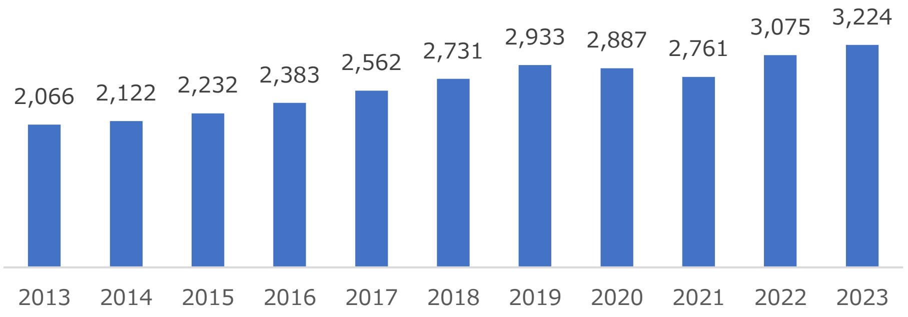
Leverage Business Assets Such as Existing Customers & Overseas Group Companies

In addition, 1,702 of the total number of foreign employees under contract for management as of the end of FY3/2024 were in the factory outsourcing area. In the case of the company, it is able to leverage its existing client assets because it has been conducting business with food and other factories in the temporary staffing business. In addition, as mentioned above, the company hires locally through its overseas group companies, state governments and local educational institutions, making it relatively easy to expand this business as long as it can secure quality orders.

The Number of Technical Internship Residents is on the Rise

The market environment is also favorable, and although the number of foreign residents temporarily declined due to the Corona disaster, it has been recovering since 2022, reaching 3.22 million as of the end of June 2023. By country, the number of foreign residents from Vietnam and the Philippines is on a remarkable upward trend. Compared to the end of December 2010, the number of technical intern trainees increased by 10.2% over the past six months and the market is expected to continue to expand in the future.

Figure15: Changes in Foreign Residents ('000)



Source: Immigration and Immigration Agency.

Note: Figures for 2023 are as of the end of June and figures for other years are as of the end of December.

4) The Number of Active Full-Time Temporary Staff by Area & Profitability

Factory Outsourcing and IT Engineering Domains Led the Permanent Staffing Business

In addition to fixed-term temporary staffing, the company is also focusing on permanent staffing and the number of workers is steadily increasing. The factory outsourcing and IT engineering fields led the increase in permanent staffing.

Use of Permanent and Hybrid Temporary Staffing for Each Area

In the case of the company, there are two types of dispatching: hybrid dispatching of regular employees (field supporters) and regular employee dispatching alone, with varying degrees of intensity in each area. In the Factory Outsourcing domain, which supports factory operations, a high percentage of hybrid dispatching is used, while in the Sales Outsourcing domain, the company uses only permanent employee dispatching. In the IT engineer field, hybrid dispatching is not practiced and is basically a permanent employee dispatch.

Profitability of Permanent Staffing is High

Compared to fixed-term temporary staffing, permanent temporary staffing requires a certain degree of skill and thus has a higher unit cost. As a result, the gross profit margin for fixed-term temporary staffing services is around 14% to 17%, while that for permanent temporary staffing services is around 21% to 28%. In terms of profitability by area, the IT engineer area has the highest profitability, followed by the construction engineer area, then the sales outsourcing area and then the factory outsourcing area.

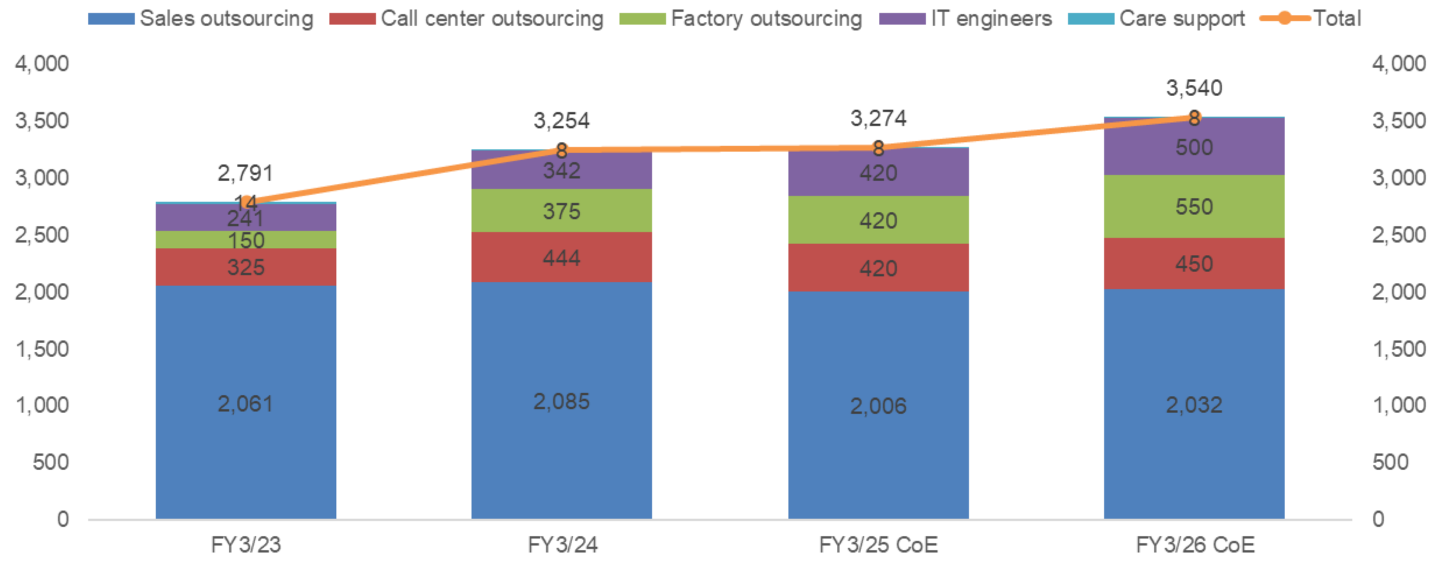
There is a Serious Shortage of Engineers and Growth Potential in this Area is High

The IT engineering field has just started up, and although the number of active employees is low at 342 (as of the end of FY3/2024), the shortage of engineers is clear and the growth potential is high. Some IT companies are already hiring locally overseas. The company may be able to increase the speed of growth in this area by taking advantage of its overseas group companies, hiring skilled Southeast Asian engineers locally and assigning them to Japanese companies.

The Company Plans to Expand the Number of Full-Time Temporary Employees to Roughly 3,500 by the End of FY March 31, 2024

The company intends to increase the number of full-time temporary workers to approximately 3,500 by the fiscal year ending March 31, 2024, the final year of its medium-term management plan. While the sales outsourcing and call center outsourcing areas continue to struggle, the company intends to achieve steady growth in other areas, making this a feasible quantitative target.

Figure16: Number of Full-Time Temporary Workers in Operation (Excluding Construction Engineer Area) (Unit: Persons)



Source: Prepared by Strategy Advisors, Based on Company Data.

5. Medium-Term Management Plan and Current Performance Trends

1) Progress of the Medium-Term Management Plan

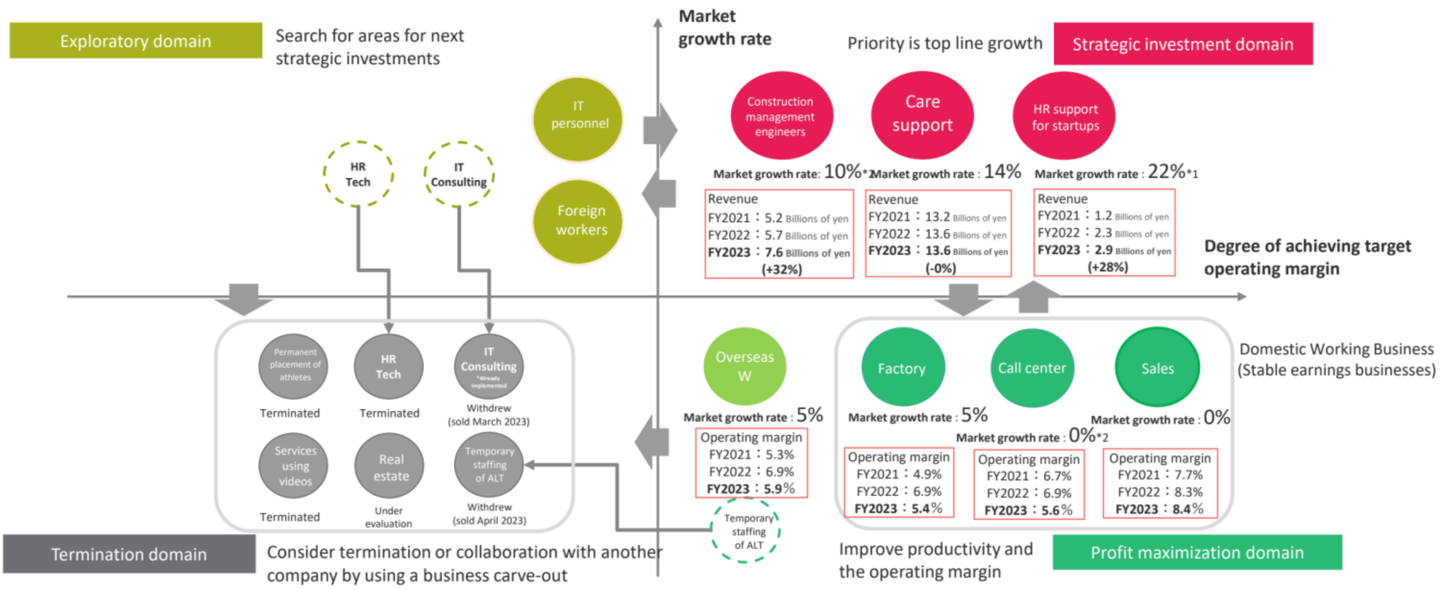
In the Previous Medium-Term Management Plan, the Policy was to Improve Profitability in Existing Areas and Expand Strategic Investment Areas

In May 2023, the company announced a new medium-term management plan titled "WILL-being 2026" (FY3/2024-FY3/2026). The previous medium-term management plan, "WILL-being 2023" (FY3/2021-FY3/2023), called for improving profitability through a portfolio shift and the company has been working to improve profitability in existing areas (factory outsourcing, call center outsourcing, and sales outsourcing). At the same time, the company also plans to expand its strategic investment areas such as the construction engineer area, nursing care business support area and start-up human resources support area.

In Addition to a Deteriorating External Environment, Strategic Investment Areas Failed to Meet Their Targets

Revenue from the start-up human resource support domain expanded from ¥1.26 billion (FY 3/2020) to ¥2.99 billion (FY3/2023) and the overseas working business also achieved improved profitability due to an increase in the ratio of placement and recruiting activities. On the other hand, the hiring environment in the existing areas of Corona Disaster (factory outsourcing, call center outsourcing, and sales outsourcing) deteriorated more than expected, resulting in sluggish performance in these areas. In addition, in the strategic investment area, recruitment of construction engineers did not proceed as planned; and in the nursing care area, the company found that it could not expand its placement and placement services (temporary staffing with the expectation of becoming a full-time employee) as much as it had expected.

Figure17 Schematic of Portfolio Shift in the Previous Mid-Term Management Plan



Source: Company Data.

The New Medium-Term Management Plan has Qualitative & Quantitative Targets

Based on these reflections, "WILL-being 2026" has set as its basic policy the re-growth of the domestic working business and as its key strategic objectives: 1) further growth and profitability in the construction engineer field, 2) re-growth of the domestic working business (other than the construction engineer field) and 3) stable growth of the overseas working business. The company also set specific quantitative targets for revenue, operating income, the number of construction engineers it plans to focus on hiring and retention rate, the number of full-time temporary staffing workers (excluding construction engineers), the number of foreign employees it will support and the percentage of sales from placement and recruiting activities (overseas working business).

Focus on Construction Engineer Area

It is noteworthy that the company has set specific targets in the construction engineer field. The company intends to further accelerate growth in this area over the same period, as it still has high growth potential; and in addition, is more profitable than other areas due to its engineer staffing services.

Promote Support for Permanent Staffing and Employment of Foreign Nationals for the Re-Growth of the Domestic Working Business

In addition, the company intends to aggressively promote permanent staffing and support for hiring non-Japanese workers in order to re-grow its domestic working business. The company's strength in hybrid temporary staffing has given it expertise in permanent staffing; and it intends to expand its business in the sales outsourcing, factory outsourcing and IT engineering fields. The company also intends to significantly increase the number of foreign employees it manages on a contract basis and to increase the monthly cost of living support by ¥30,000 per person to improve profitability, which will lead to the placement of foreign employees.

Secured ¥10 Billion for M&A Investment Over 3-Years

In addition, the company expects to secure an investment line of ¥10 billion over three years through free cash flow and borrowings to fund discontinuous growth through M&A and to pursue aggressive acquisitions. Targets include companies engaged in the IT, construction and manufacturing engineer staffing business, companies that provide placement services in areas where job types are expected to expand to experts and also companies engaged in education and training.

Downward Revision of the Medium-Term Management Plan in the First Year of the Plan

At the same time as the announcement of the year-end results, the company also announced a downward revision to its medium-term management plan. Although the company is making steady progress in the area of construction engineers, on which it has been focusing its efforts, and in increasing the number of foreign workers under management; it appears that it will not be able to achieve its initial targets. In addition, demand for human resources has fallen as the rapid post-Corona rebound bubble has run its course and this is the main reason why the company is struggling in the overseas Working business. The company dropped its quantitative targets for sales revenue and operating profit and at the same time revised its key KPI targets downward.

Sales Revenue & Operating Income Targets to be Undisclosed

Although it is extremely regrettable that the downward revision was made one year after the disclosure of the new medium-term management plan, it can be inferred that the changes in the external environment are so difficult to read that the targets for sales revenue and operating income were not disclosed. It also means that the company can concentrate on promoting strategies for the re-growth of its domestic working business without being tied hand and foot to unreasonable performance targets under such difficult-to-forecast circumstances and can be expected to make management decisions that will ensure sustainable growth.

Figure18: Quantitative Targets of the Medium-Term Management Plan

	FY3/23	FY5/23	FY5/24 (Downward Revised)
Gross Profit (¥ bn)	143.9	170	-
Operating Profit (¥ bn)	5.31	6.5	-
OPM	3.7%	3.8%	-
Number of Employees/Year (Construction Technology)	1,000	2,000	1,500
Employment rate (Construction technology field)	71.0%	73.0%	71.5%
Employees dispatched to work (excluding the construction technology field)	2,450	4,700	3,500
Foreign employees	1,750	6,800	3,500
Employment agency sales ratio (Overseas working business)	14.0%	17.0%	-

Source: Prepared by Strategy Advisors, Based on Company Data.

2) Current Performance Trends

Profit Secured in FY3/2024 Through the Sale of Subsidiaries

For the fiscal year ended March 31, 2024, net sales were ¥138.22 billion (down 4.0% YoY) and operating income was ¥4.52 billion (down 14.9% YoY), falling short of the initial plan (net sales of ¥144.0 billion and operating income of ¥4.20 billion) in terms of sales, but exceeding it in terms of income. In addition to the struggles of the domestic working business, the overseas working business also suffered a decline in revenue as the impact of the Australian government's shift from temporary to permanent employment became apparent.

By Domain - The Sales & Call Center Outsourcing Domains Remained Weak

By area, sales in the sales outsourcing domain declined mainly due to the slump in telecommunications and the call center outsourcing domain was also affected by the shift to in-house production following the completion of special demand for the Corona disaster. In the construction engineer field, on which the company has been focusing its efforts, progress was steady and the company achieved its recruitment target.

Profits Exceeded the Initial Plan Due to Gains on Sales of Subsidiaries

Profits exceeded the initial forecast due to growth in the construction engineer field and a gain of ¥2.06 billion from the sale of shares in subsidiaries (BorderLink and Four Startups), while profits in the call center outsourcing, sales outsourcing and factory outsourcing fields decreased by ¥1.02 billion and the deconsolidation of a subsidiary pushed down profits by ¥0.59 billion. However, growth in the construction engineer field and a ¥2.06 billion gain on the sale of shares in subsidiaries (BorderLink and Four Startups) helped the company exceed its initial forecasts.

FY3/2025: Slight Increase in Sales, Significant Decrease in Profit Expected

For the fiscal year ending March 31, 2013, the company plans to make net sales of ¥140.4 billion (up 1.6% YoY) and operating income of ¥2.29 billion (down 49.4% YoY). By segment, the domestic working business is expected to post a 2.4% increase in sales, while the overseas working business is expected to post a 0.4% increase. In the domestic working business, sales are expected to increase mainly in the construction engineer field, with the existing fields (sales outsourcing, call center outsourcing, and factory outsourcing) expected to remain flat. The company expects a slight increase in overseas sales, but at the fiscal year March 2024 year-end results meeting, it was explained that the company's policy is to prioritize improving profitability through structural reforms rather than top-line improvement, as the current situation continues to be more difficult than expected.

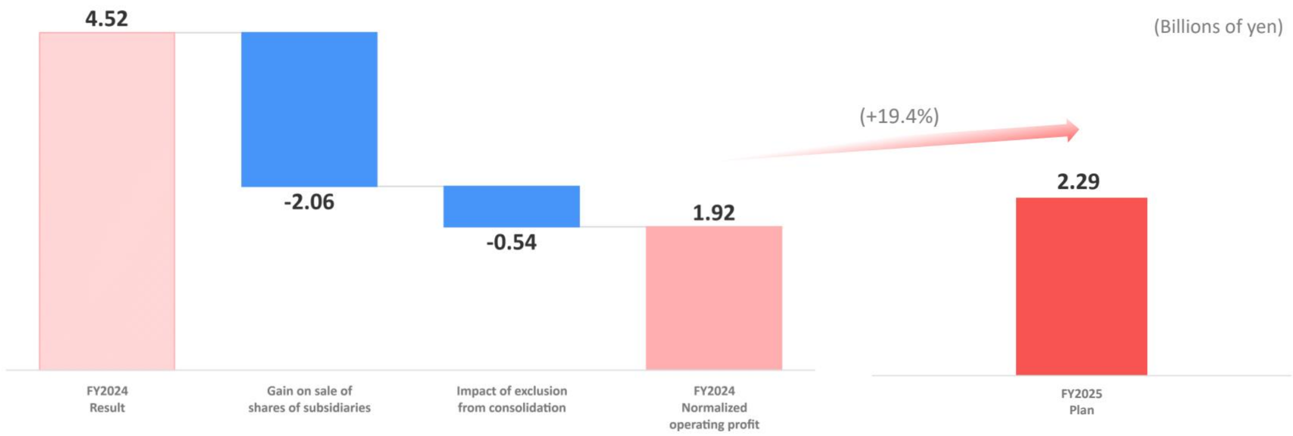
Excluding the Impact of the Sale of the Subsidiary, the Company Expects a 19.4% Increase in Profit

Although profits are expected to decline significantly, the company projects a 19.4% increase in profits for FY3/2025, given that actual operating income, excluding the impact of sales of subsidiaries and deconsolidation, was ¥1.92 billion, compared to operating income of ¥4.52 billion in FY3/2024. In the domestic working business, the company plans to secure an increase of ¥370 million in profit through growth centered on the highly profitable construction engineer field. The overseas working business is expected to increase profit by ¥210 million.

Note that the Overseas Working Businesses May Benefit from Foreign Exchange Rates

The company's overseas working business is affected by foreign exchange rates. The exchange rate assumption for the current fiscal year is ¥91 to the Australian dollar, and a depreciation of the yen by ¥1 would have an impact of ¥0.01 billion on profit growth. Since the Australian dollar has been above ¥100 recently, the company expects to benefit from the exchange rate advantage in addition to improved profitability.

19 Assumed Increase/Decrease in Company Profit Forecast for FY3/2025



(Breakdown)

Domestic Working Business	5.03	2.43	2.80	(+15.2%)
Overseas Working Business	1.94	1.94	2.15	(+10.7%)
Others	(0.22)	(0.22)	(0.26)	
Corporate expenses	(2.23)	(2.23)	(2.40)	

Source: Company Data.

6. Valuations and Competitor Comparisons

1) Time Series Valuations

Market Capitalization Exceeded ¥40 billion in January 2018, But Growth Has Been Sluggish Since

The company's market capitalization has been sluggish since it exceeded ¥40 billion in January 2018 and ¥2.59 billion in operating profit for FY3/2018. While performance is steadily expanding, valuations are shrinking. In addition to growth in existing areas (sales outsourcing, factory outsourcing, and call center outsourcing), the company is now in the phase of launching its human resources business in its focus areas of nursing care and overseas.

Valuations Slumped, Factoring in the Slump in the Domestic Working Business

As mentioned above, valuations have been declining noticeably since 2020. The domestic working business has been driving growth. Sales and earnings from the domestic working business peaked at ¥84.4 billion in FY 3/2020 and remained sluggish in FY3/2021 (¥80.0 billion) and FY3/2022 (¥80.7 billion).The main reason for the decline is that the company's main earners, the sales outsourcing business and factory outsourcing business, have seen a decline in demand for temporary staffing services due to the impact of the new Corona outbreak.

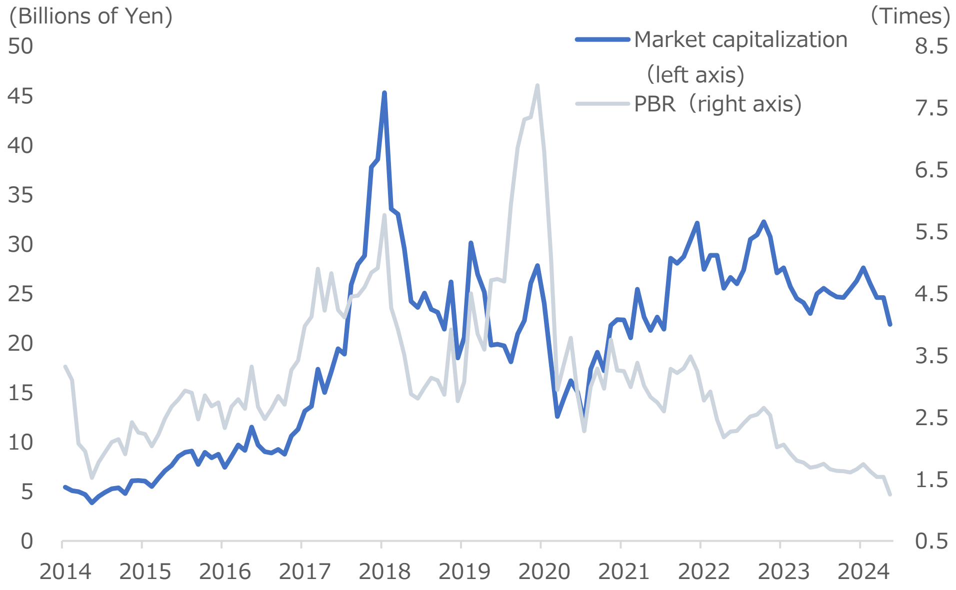
There are Also Concerns About the Normalization of Online Activities and the Increasing Manpower Savings etc.

Although the domestic Working business has once again begun to increase revenues since FY3/2023 as economic activity has normalized, valuations have continued to trend downward. The Company estimates that the market is concerned about the growth potential of the temporary staffing business against the backdrop of the normalization of online activities due to the spread of remote work, etc., and the increasing use of manpower due to technological advancements.

Expect to Improve Profitability Through Business Portfolio Transformation

According to company interviews, the company has seen little impact from the rise of generation AI, automation of call center operations and labor saving; and it appears that the impact of technological advancements and other factors has not yet materialized. In addition, the company is shifting from a temporary staffing business centered on fixed-term temporary staffing to permanent staffing and as such, we expect a valuation correction to occur along with an improvement in profitability due to the shift in its business portfolio.

Figure20: Market Capitalization and P/B Trends



Source: Prepared by Strategy Advisors from FactSet.

Decline in PER & PBR

Note that, like PBR, PER has also been on a downward trend. In January 2018, PER reached its highest point, at around 45 times; but it has declined since then, and the multiple has recently shrunk to 8.1 times (based on FY3/2024 results). The average PER over the past 10 years is 14.4 times.

Figure21: PER (Actual Basis) (Unit: Times)

Source: Prepared by Strategy Advisors from PEEDA.

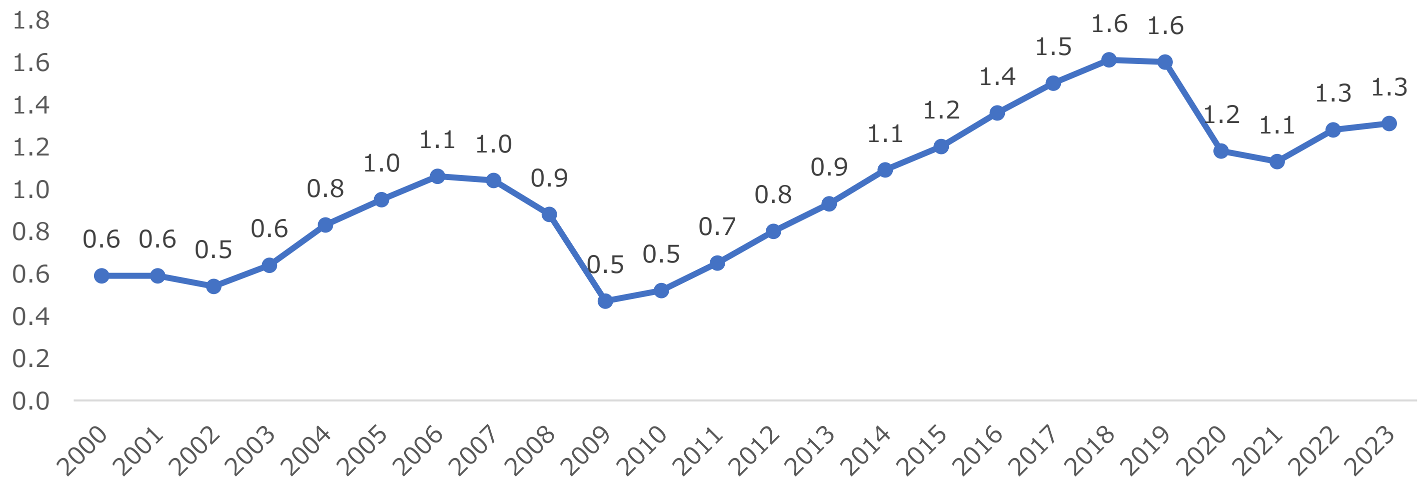
Valuations in the Human Resources Industry as a Whole are Also Declining

In addition, it should not be overlooked that valuations in the human resources industry as a whole, not just this company, are on a downward trend. The average P/B ratios of human resources firms (companies with market capitalization of ¥100 billion or more), like WILL GROUP, have been trending lower since 2018. Each company's performance has been strong and while total market capitalization (see next page) has increased relative to 2018, valuations have declined.

The Effective Job Openings Ratio is Recovering, Albeit Slowly and Valuations for the Industry as a Whole are Expected to Rise

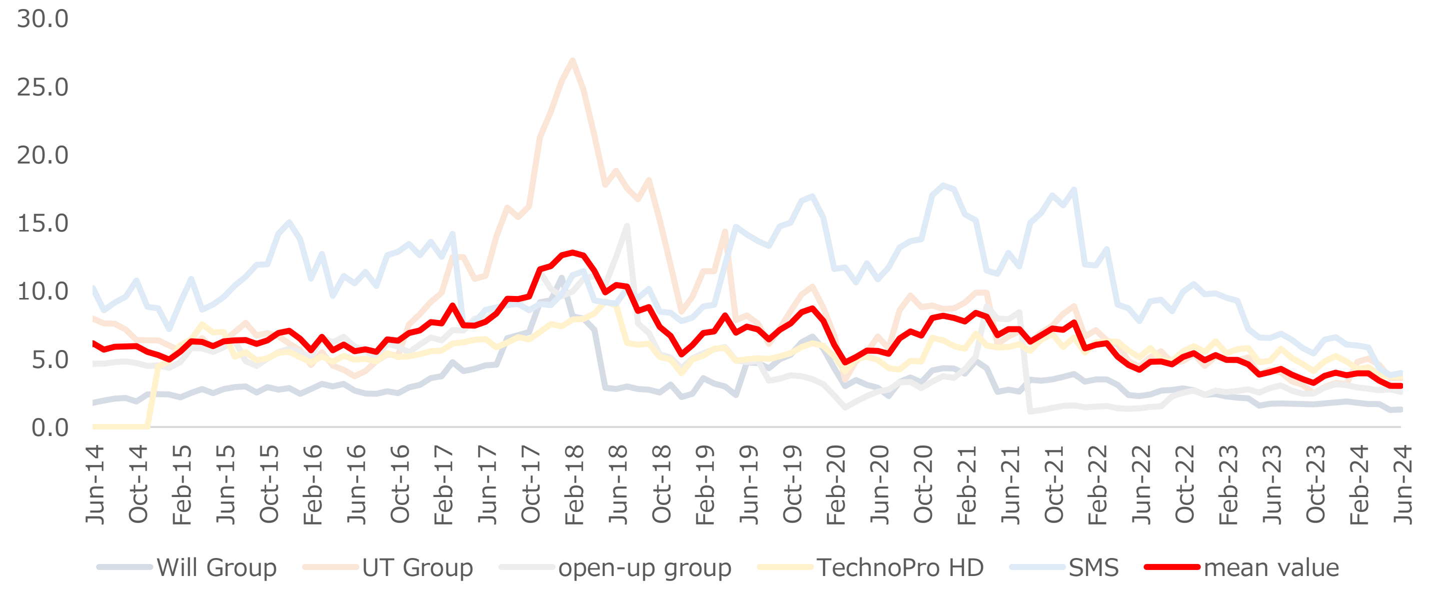
We believe that the peak out of the effective job-to-job ratio (number of active job openings/ number of active job seekers) may be a contributing factor. This ratio bottomed out in 2009 and began an upward trend, reaching 1.6 times in 2018, but subsequently declined to 1.1 times due to the new corona and remains at 1.3 times today. However, from 2022 onward, as economic activity normalizes following the new corona's settlement, the effective job openings ratio is showing a gradual recovery. Given the solid performance of each company, it will be interesting to see whether the industry as a whole will see its valuations rise again as the multiple begins to trend upward again.

Figure22: Trends in the Ratio of Effective Job Offers to Job Seekers (Unit: Times)



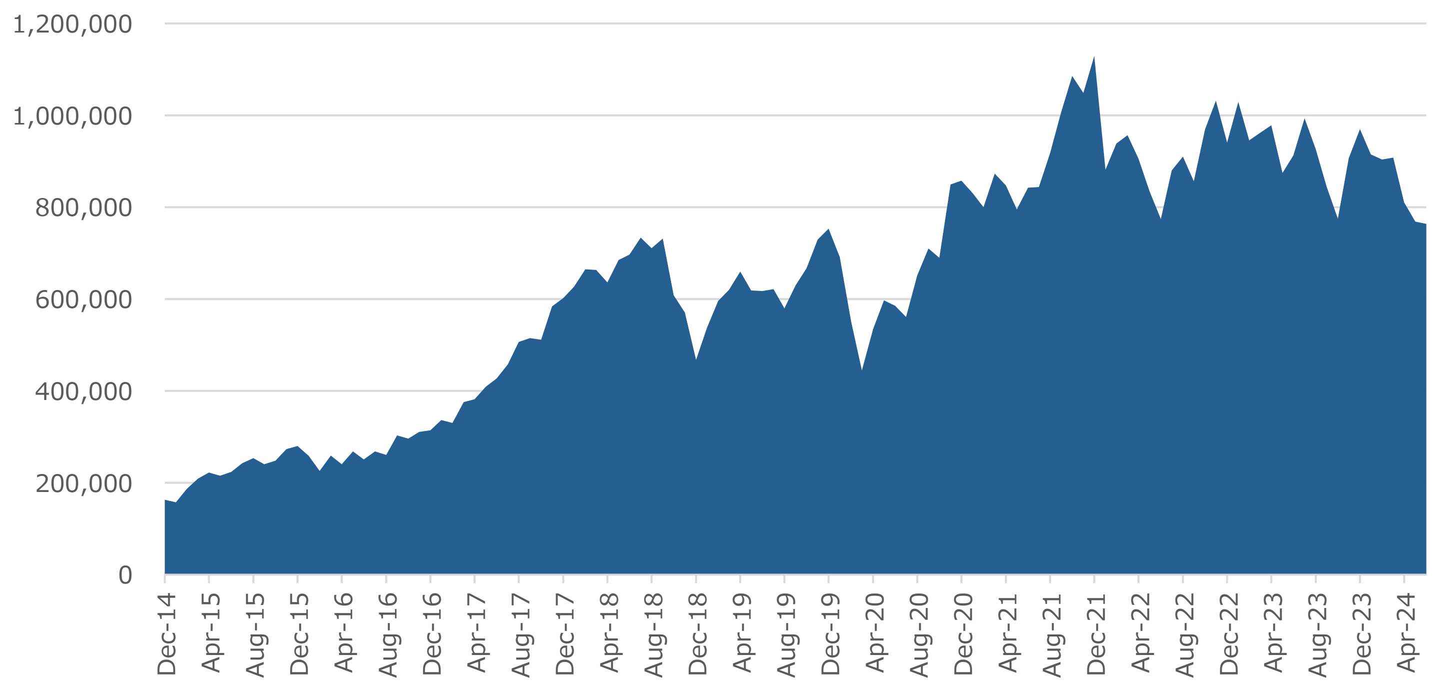
Source: National Institute for Labour Policy Studies and Research, Independent Administrative Institution.

Figure23: P/B Ratios of 5 Companies in the Human Resources Industry (Unit: Times)



Source: Prepared by Strategy Advisors from SPEEDA.

Figure24 Total Market Capitalization of Five Human Resources Industry Companies (¥ Millions)



Source: Prepared by Strategy Advisors from SPEEDA.

Note: Total Market Capitalization of WILL GROUP, UT Group, Open Up Group, TechnoPro HD and SMS.

2）Competitors and Business Size by Area

In the Construction Engineer Domain, the Open Up Group Has a Large-Scale Business

There are many companies that provide temporary staffing services and in the case of the company, there are competitors in each area. In the construction engineer field, Open Up Group (2154 TSE Prime) is the largest company, with sales and earnings exceed those of WILL GROUP. Copro Holdings Co., Ltd. (7059 TSE Prime) and TechnoPro Holdings Inc. (6028 TSE Prime) also provide temporary staffing services in this field. Copro Holdings has 3,568 engineers on staff (as of the end of FY3/2024) and TechnoPro Holdings has about 2,000 engineers on staff, which is small compared to the Open Up Group, which has over 6,000 engineers.

The Factory Outsourcing Domain Will Not Have Many Direct Competitors, as it Requires Expertise in Each Industry

In the factory outsourcing domain, competitors include World HD Co., Ltd. (2429 TSE Prime), Outsourcing (unlisted), Ut Group Co., Ltd. (2146 TSE Prime), and NISSO Holdings (9332 TSE Prime). Outsourcing is one of the larger players in the human resources industry, with revenues in excess of ¥700 billion. In a broad sense, the two companies compete with each other, but the majority of their customers are transportation equipment and electrical equipment manufacturers, which is somewhat different from WILL GROUP, which serves a relatively high percentage of food factories. In addition, the factory outsourcing field requires more industry-specific expertise and technology than other fields, so although the two companies compete in a broad sense, they and other companies do not directly compete with each other.

In the Sales Outsourcing Domain, HITO-Communications HD Would be a Direct Competitor

HITO-Communications Holdings, Inc. (4433 TSE Prime) and Like Co., Ltd. (2462 TSE Prime) are competitors in the sales outsourcing domain. HITO-Communications sales of sales support services totaled ¥16.47 billion (FY8/2023), putting it ahead of the company in this area. In addition, HITO-Communications directly competes with the telecommunications companies, which account for a relatively high percentage of their sales in the temporary staffing business. Both companies have been affected by the sluggish performance of their clients and the shift to in-house production and sales in this field have been declining.

In the Call Center Outsourcing Domain, S-pool is Similar in Scale to the Company & Can be Considered a Direct Competitor

In the call center outsourcing domain, competitors are S-pool, Inc. (2471 TSE Prime), CRG Holdings (4071 TSE Growth) and CareerLink (6070 TSE Prime). S-Pool's call center outsourcing service sales (FY11/2023) totaled ¥11.09 billion (-23.3% YoY), which is similar in scale to the company's sales, making it a direct competitor. Both companies continue to face somewhat difficult conditions, affected by a reactionary decline from the special demand for Corona. CRG Holdings and CareerLink do not disclose their sales to call centers, but their combined revenue disclosures suggest that they are not as large as the WILL GROUP.

Company Survey Shows that the Company has Secured Top-Level Market Share in Sales Staffing & Operator Staffing

According to company surveys, the company has secured top-level market shares in sales staffing (No. 3 in the industry) and operator staffing (No. 1 in the industry), which have driven the company's growth; and in the field of nursing care staffing, the company also ranked second in the industry, according to the survey.

The Construction Engineer Domain is ranked 8th. Meaning there is a Lot of Potential Upside

In the food/manufacturing temporary staffing business, the company's industry ranking is 7th due to the large number of competitors and the high percentage of food factories in the industry. In the construction engineer field, where the company is focusing its efforts, the company is ranked 8th, still a latecomer to the industry. Going forward, the company intends to expand its business in order to secure the number of employees needed to compete with the leading Open Up Group and to become one of the top companies in the industry. In the temporary staffing business, it is easy to demonstrate economies of scale in the hiring and training processes and it will be important for the company to be recognized as a top-tier company in the industry.

Figure25: List of Competitors

Company Name	Stock Code	FY	Sales (¥ mn)	OP (¥ mn)	OPM (%)	ROE (%)	Equity Ratio (%)	Number Of Employees (Person)	Overseas Sales (%)	Competition Area	Business
WILL GROUP Inc.	6089	24-Mar	138,227	4,525	3.3%	17.3%	34.0%	7,004	40.1%	-	Temporary Staffing/Introduction, Outsourced Contracting, overseas (Temporary Staffing/Introduction) Business
World HD Co., Ltd.	2429	23-Dec	213,742	10,365	4.8%	16.4%	25.3%	52,570	-	Factory	Temporary Staffing, Outsourcing, and Contracting Services
Outsourcing Inc.	2427	23-Dec	749,608	16,476	2.2%	6.2%	21.2%	126,543	57.4%	Factory	Domestic And Overseas Outsourcing of Engineering and Manufacturing
Ut Group Co., Ltd.	2146	24-Mar	167,030	9,344	5.6%	20.5%	48.5%	53,467	6.5%	Factory	Temporary Staffing, Outsourced Contracting, Engineer Dispatching, Overseas Business
Nisso HD Co., Ltd.	9332	24-Mar	96,858	3,058	3.2%	13.2%	48.0%	2,336	-	Factory	Temporary Staffing, Contracting, BPO, Nursing Care and Welfare Services
Open Up Group Inc.	2154	23-Jun	161,689	12,760	7.9%	14.9%	64.0%	31,172	17.9%	Construction	Temporary Staffing, Contracting, Outsourcing/Contracting Business, Overseas Business
Copro HD Co., Ltd.	7059	24-Mar	24,098	2,142	8.9%	19.2%	66.8%	4,189	-	Construction	Engineer Dispatching/Introduction/Contracting (Construction, Plant, Mechanical Design)
TechnoPro HD Inc.	6028	23-Jun	199,851	21,838	10.9%	21.3%	52.4%	27,003	10.6%	Construction	R&D, Construction Management Outsourcing, Overseas Business
Human HD Co., Ltd.	2415	24-Mar	95,896	3,149	3.3%	14.0%	31.5%	4,480	-	Care	Temporary Staffing/Introduction/Outsourcing, Education, Nursing Care, Other Businesses
Career Co., Ltd.	6198	23-Sep	17,792	609	3.4%	21.8%	37.7%	308	-	Care	Elderly Care (Temporary Staffing/Introduction, Outsourced Contracting)
SMS Co., Ltd.	2175	24-Mar	53,973	8,269	15.3%	17.5%	61.1%	4,188	17.0%	Care	Elderly Care (Temporary/Introduction Staffing, Outsourced Contracting), Overseas Business
HITO-Communications HD, Inc.	4433	23-Aug	63,980	4,198	6.6%	10.8%	42.0%	1,274	-	Sales	Temporary Staffing/Contracting (Sales Strategies, Personnel Arrangements, Customer Service Sales Operations, etc.)
Like Co., Ltd.	2462	23-May	60,015	3,581	6.0%	17.4%	39.2%	5,390	-	Sales	Comprehensive Human Resources, Childcare Support, and Nursing Care Related Services Business
S-pool, Inc.	2471	23-Nov	25,784	2,777	10.8%	24.9%	25.5%	973	-	Call Center	Outsourcing, Temporary Staffing, etc.
CRG HD Co., Ltd.	7041	23-Sep	20,816	113	0.5%	1.4%	43.1%	495	-	Call Center	Temporary Staffing/Introduction (Call Center, etc.), Manufacturing Outsourcing
CareerLink Co., Ltd.	6070	24-Mar	43,791	3,279	7.5%	15.8%	67.9%	928	-	Call Center	Temporary Staffing/Introduction/Contracting (Clerical, Manufacturing, Sales)

Source: Prepared by Strategy Advisors from FactSet.

Note: WILL GROUP, Outsourcing, Open Up Group, TechnoPro Holdings and S-Pool are under IFRS (sales are revenues); others are under Japanese GAAP.

3）List of Each Company's Stock Price Trends & Valuations

Share Price & Valuations - Clear Winners & Losers. COPRO HD the Best Performer

In the human resources industry, there are clear winners and losers in terms of share price trends and valuations. The best performer over the past three years was Copro Holdings, which achieved a 62.0% increase in profit in FY3/2024 Figure thanks to business expansion in the construction engineer field. In addition to business growth, the company is also highly conscious of capital efficiency and has been raising its dividend payout ratio in stages (65.2% in the FY3/2025 plan).

SMS is Trading at a P/B Ratio of Less than 4 Times Due to Steady Earnings Growth

SMS Co., Ltd. (2175 TSE Prime), with a P/B ratio of less than 4 times, focuses on the nursing and medical care placement business, which is a different domain from WILL GROUP. Since its inception, the company has achieved 21 consecutive quarters of increased sales and profits and is well trusted by the capital markets.

Both Stock Price Performance & Valuations are Sluggish

WILL GROUP's share price has declined -5.0% over the past three years and its valuations (P/B ratio of 1.2 times and P/E ratio of 13.3 times) are also depressed. Similar to WILL GROUP, companies that provide sales staffing services for telecommunications carriers and call center staffing services are struggling and we expect the company to join the winning side by shifting its business portfolio.

Figure26: List of Competitive Valuations

Company Name	Stock Code	FY	Stock Price (7/2) (¥)	Mkt Cap (7/2) (¥ mn)	PER CoE (Times)	PBR Latest Results (Times)	ROE CoE CoE (%)	Dividend Yield CoE (%)	1-Year Return (7/2) (%)	3-Year Rate of Return (7/2) (%)
WILL GROUP Inc.	6089	3/24	1,037	23,647	14.3	1.3	9.4%	4.2%	-5.8%	2.1%
World HD Co., Ltd.	2429	12/23	2,174	38,246	8.0	0.9	12.3%	3.7%	-19.6%	-30.5%
Outsourcing Inc.	2427	12/23	1,749	220,379	NA	2.4	NA	NA	28.5%	-19.5%
Ut Group Co., Ltd.	2146	3/24	3,425	136,181	10.4	4.9	39.1%	4.8%	13.6%	3.2%
Nisso HD Co., Ltd.	9332	3/24	838	27,456	11.4	1.7	15.9%	2.6%	NA	NA
Open Up Group Inc.	2154	6/23	2,062	179,002	15.9	2.7	16.2%	3.1%	-1.7%	57.3%
Copro HD Co., Ltd.	7059	3/24	1,746	33,319	18.9	4.1	21.6%	3.4%	55.6%	175.0%
TechnoPro HD Inc.	6028	6/23	2,628	278,364	16.8	3.7	20.9%	3.0%	-15.3%	0.6%
Human HD Co., Ltd.	2415	3/24	1,553	16,117	7.3	1.0	13.6%	4.1%	54.8%	71.8%
Career Co., Ltd.	6198	9/23	402	3,419	20.1	1.8	8.5%	0.0%	17.2%	-17.1%
SMS Co., Ltd.	2175	3/24	1,990	172,630	21.6	3.9	18.1%	NA	-30.7%	-39.8%
HITO-Communications HD, Inc.	4433	8/23	961	17,147	16.2	0.9	5.8%	3.6%	-38.1%	-57.7%
Like Co., Ltd.	2462	5/23	1,531	29,380	8.5	1.9	22.5%	3.7%	-9.0%	-24.9%
S-pool, Inc.	2471	11/23	318	25,123	13.7	2.9	22.9%	3.1%	-39.7%	-68.2%
CRG HD Co., Ltd.	7041	9/23	511	2,824	46.7	0.9	1.9%	0.0%	-15.3%	-1.7%
CareerLink Co., Ltd.	6070	3/24	2,493	29,585	12.3	2.0	16.6%	4.8%	-18.8%	9.9%

Note: WILL GROUP, Outsourcing, Open Up Group, TechnoPro Holdings, and S-Pool are under IFRS (sales are revenues); others are under Japanese GAAP.

Note: Outsourcing was delisted on 6/5/2024, so share price, market capitalization, and P/B ratio are calculated based on the 6/5/2024 standard share price.

Note: NISSO Holdings was listed on 10/2/2023, so 1-Year and 3-Year return rates are not available.

Source: Prepared by Strategy Advisors from SPEEDA.

7. Governance and Sustainability

1) Chairman Ikeda is the Largest Shareholder, with Employees Holding Approximately 40% of Shares

Less Than 40% of Shares Held by Employees

The company's largest shareholder is Chairman Ikeda. Together with his personal and asset management companies, he owns about 27% of the company. Mr. Ohara, the former president, also owns 7.3%. When combined with the employees' shareholding association, the company's employees hold nearly 40% of the company's stock.

FMR (U.S.) Holds a Large Amount

FMR LLC (U.S.), one of the leading institutional investors in the U.S., is also confirmed as an owner of the company.

Figure 27 WILL GROUP's Major Shareholders (As of March 31, 2024)

Name of Shareholder	Number of Shares Held (shares)	Shareholding Ratio (%)
Ryosuke Ikeda	4,204	18.28
Ikeda Planning Office Co., Ltd.	2,008	8.73
Shigeru Ohara	1,694	7.37
The Master Trust Bank of Japan, Ltd. (Trust Account)	1,506	6.55
BBH FOR FIDELITY LOW-PRICED STOCK FUND (PRINCIPAL ALL SECTOR SUBPORTFOLIO)	1,095	4.76
Custody Bank of Japan, Ltd. (Trust Account)	683	2.97
WILL GROUP Employee Stock Ownership Plan	506	2.20
GOLDMAN SACHS & CO.REG	485	2.11
STATE STREET BANK AND TRUST CLIENT OMNIBUS ACCOUNT OM02 505002	421	1.83
Shingo Watabe	400	1.74

Note: Ikeda Planning Co., Ltd. is the Asset Management Company of Ryosuke Ikeda (Representative: Ryosuke Ikeda).

Source: Prepared by Strategy Advisors, Based on Company Data.

2) The Percentage of Outside & Female Directors is Higher than the TSE Prime Market Average

The Ratio of Outside Directors is 60% & the Corporate Governance Code Implements all Principles

WILL GROUP is a company with auditors and has five directors (including three outside directors) and four auditors (including four outside auditors). The ratio of outside directors is 60%, which satisfies Principle 4-8 of the Corporate Governance Code, which requires companies listed on the prime market to appoint at least one-third of independent outside directors. In addition, the company has implemented all principles of the Corporate Governance Code.

Ms. Ichikawa was Appointed

At the annual shareholders' meeting held on June 22, 2024, Ms. Yuko Ichikawa

as an Outside Director

was appointed as an outside director. Ms. Ichikawa has extensive knowledge of the capital market, having served as head of investor relations at Rakuten Group (4755 TSE Prime) for about 12 years. We look forward to her future efforts to enhance the company's corporate value.

The Percentage of Female Executives is High & the Company Actively Embraces Diversity

In addition, the company is actively working on gender equality and women's activities. This is probably due to the relatively high ratio of women in the company's business. The ratio of female directors is 33.3% (1 female director and 2 female auditors). The ratio of female directors is relatively high compared to the 13.4% (in 2023) of all companies listed on the prime market. The TSE has set a target of appointing at least one female director by 2025 and at least 30% by 2030 for companies listed on the prime market. WILL GROUP has three female executives and has achieved the required standard by 2025. In addition to directors, corporate auditors and executive officers, female officers may include executive officers or equivalent positions.

Figure 28: Skill Matrix

Position Name	Attribute		Operational experience/knowledge, etc.							Advisory Committee		Expertise
	Indepen-dence	Gender Male ● Female ○	Corpo-rate manage-ment	Experience in the Company's business and industry	Global experi-ence	Finance/ Account-ing	HR, labor, human resources develop-ment	Legal/ Risk manage-ment	IT/ Tech-nology	Nomi-nation Commi-ttee	Remune-ration Commi-ttee	Qualifications
Chairman and Director Ryosuke Ikeda		●	●	●	●		●			●		
President and Representative Director Yuichi Sumi		●	●	●			●			●		
Outside Director Kunihiro Koshizuka	●	●	●		●				●	◎	◎	
Outside Director Masato Takahashi	●	●	●						●	●	●	
Outside Director Yuko Ichikawa	●	○	●			●				●	●	
Full-time Outside Audit & Supervisory Board Member Shizuka Sawada	●	○		●		●		●		●		Certified public accountant, licensed tax accountant
Full-time Outside Audit & Supervisory Board Member Sachie Ikeda	●	○				●		●		●		Certified public accountant
Outside Audit & Supervisory Board Member Kenji Omukai	●	●	●		●	●		●		●		Certified public accountant, certified public accountant of the State of New York, licensed tax accountant
Outside Audit & Supervisory Board Member Katsumi Nakamura	●	●					●	●		●		Attorney, certified fraud examiner

Source: Company Data.

The Company Intends to Increase the Ratio of Female Managers as Well as Executives

Among regular employees, the ratio of female employees is 46.3%, while the ratio of female managers is 30.0%. 40% of female managers is targeted by 2030. The ratio of foreign nationals among regular employees is 30.7%, while the ratio of foreign nationals in management positions is as high at 40.2%. The ratio of mid-career hires in management positions is 69.0%. The wage gap between men and women is 74.2%.

3) In Addition to Environment-Related Activities, the Company Plans to Focus on Improving Wellbeing

Disclose Sustainability-Related Information in the Integrated Report

The company launched its sustainability website in 2020 and issued its first integrated report in 2021. In the integrated report, the company discloses details of its sustainability initiatives. As priority issues, the company has identified their priorities as eliminating job mismatches, strengthening disaster resilience (climate change), enhancing human capital and building a strong governance structure.

Endorses the TCFD on Environmental Matters

In the environmental area, the company has expressed its support for the Climate-related Financial Disclosure Task Force (TCFD) recommendations and joined the TCFD consortium in January 2023. In January 2023, the company joined the TCFD consortium and has been disclosing information on "governance", "strategy", "risk management" and "indicators and targets," which are the four basic disclosure items recommended by the TCFD. The company has set an environmental goal of "reducing total CO_2 emissions for fiscal year ending March 31, 2020, by 20% by the fiscal year ending March 31, 2031.

Well-Being Score Disclosed

WILL GROUP have also declared health management as key and are working on (1) improvement of work style, (2) maintenance and improvement of mental health, (3) maintenance and improvement of physical health and (4) improvement of health literacy. The numerical Well-being target for March 2026 is 66.5 points.

Figure29: WILL GROUP's Well-Being

	Unit	3/2020	3/2021	3/2022	3/2023	3/2024
Well-Being Score	pt	66.1	65.7	66.1	66.5	66.4
Working Well-being						
(1) Well-being Experience	%	-	-	47.4	50.9	50.9
(2) Evaluation of Working	%	-	-	59.4	61.1	61.1
(3) Self-Determination in Working	%	-	-	49.4	57.6	57.6

Note: Well-being at work refers to "the happiness and satisfaction a person feels through working".

Source: Company Data.

8. Risk Factors

1）Risk of Performance Deterioration in 3-Main Areas

Sales in the three main areas (sales outsourcing, call center outsourcing and factory outsourcing) account for a relatively high percentage of the Group's total revenues, and a significant deterioration in the performance of these areas due to external factors such as a downturn in client business performance or advances in technology could affect consolidated business results.

2）Risk of Difficulties in Business Operations Due to Changes in the Dispatched Worker Law and Other laws and Regulations

The temporary staffing business is a licensed business conducted under the Temporary Staffing Business Act and licensed by the Minister of Health, Labor and Welfare. Since the business is operated in accordance with the laws and regulations of the country in which it operates, not only in Japan but also overseas, there is a risk that changes in laws and regulations may make it difficult to operate the business.

3）Risk of Difficulty in Expanding Business Due to Inability to Secure Human Resources

In the temporary staffing business, which is the company's main source of revenue, it is essential to secure human resources. If it becomes significantly difficult to secure human resources due to intensifying competition for human resources, there is a risk that it will be difficult to operate the business as it has been historically.

4）Risks Associated with Overseas Expansion

At present, the company has sales offices in Singapore, Malaysia, Australia, the United States, China, Vietnam, the United Kingdom and Germany, and there is a risk that changes in the economy, exchange rates, politics or other factors may make it difficult to operate the business.

5）Risks Related to Personal Information

The Company holds personal information of temporary staffing registrants and job applicants. If personal information is leaked due to a cyber-attack or other unforeseen circumstances, there is a risk that business operations may become difficult due to compensation for damages or loss of credibility.

Figure30: ***Consolidated Statements of Income IFRS***

Profit and loss statement (IFRS) (¥ mn)	FY3/2020	FY3/2021	FY3/2022	FY3/2023	FY3/2024	FY3/2025 CoE
Revenue	**121,916**	**118,249**	**131,080**	**143,932**	**138,227**	**140,400**
YoY	18.0%	-3.0%	10.9%	9.8%	-4.0%	1.6%
Cost of sales	96,513	94,192	102,314	112,194	107,781	
Gross profit	**25,402**	**24,056**	**28,765**	**31,737**	**30,446**	
Gross profit margin	20.8%	20.3%	21.9%	22.0%	22.0%	
Selling, general and administrative expenses	21,422	20,463	23,585	27,169	28,314	
SG&A ratio to sales	17.6%	17.3%	18.0%	18.9%	20.5%	
Other income	220	519	387	842	2,412	
Other expenses	56	82	95	91	18	
Operating profit	**4,145**	**4,030**	**5,472**	**5,318**	**4,525**	**2,290**
YoY	40.2%	-2.8%	35.8%	-2.8%	-14.9%	-49.4%
Operating profit margin	3.4%	3.4%	4.2%	3.7%	3.3%	1.6%
Equity method investment gains and losses	-	-5	-18	-21	-24	
Financial income	42	11	52	161	128	
Finance expenses	131	247	212	311	211	
Profit before tax	**4,057**	**3,788**	**5,293**	**5,146**	**4,417**	**2,190**
YoY	41.1%	-6.6%	39.7%	-2.8%	-14.2%	-50.4%
Pretax profit margin	3.3%	3.2%	4.0%	3.6%	3.2%	1.6%
Income tax expense	1,344	1,110	1,439	1,686	1,539	
Tax rate	33.1%	29.3%	27.2%	32.8%	34.8%	
Profit	2,712	2,678	3,854	3,459	2,878	
Non-controlling interests	331	314	568	223	99	
Owners of parent profit (loss)	**2,380**	**2,363**	**3,286**	**3,236**	**2,778**	**1,640**
YoY	54.6%	-0.7%	39.1%	-1.5%	-14.2%	-41.0%
Owners of parent profit margin	2.0%	2.0%	2.5%	2.2%	2.0%	
EBITDA	**6,136**	**6,259**	**7,556**	**7,456**	**6,810**	
EBITDA margin	5.0%	5.3%	5.8%	5.2%	4.9%	

Source: Prepared by Strategy Advisors, Based on Company Data.

Figure31: *Key Indicators*

Key indicators	FY3/2020	FY3/2021	FY3/2022	FY3/2023	FY3/2024
Stock indicators					
Number of shares outstanding at year-end ('000 shares)	22,321	22,555	22,852	22,944	23,000
Number of treasury shares at year-end ('000 shares)	95	290	285	285	213
EPS (¥)	107.1	106.4	147.0	143.2	122.4
EPS (Diluted, ¥)	104.8	104.6	144.8	142.0	121.6
DPS (¥)	23	24	34	44	44
Payout ratio (%)	21.5%	22.6%	23.1%	30.7%	36.0%
DOE (%)	10.8%	7.9%	7.8%	7.6%	6.2%
BPS (¥)	235.5	370.1	505.1	646.0	768.4
Profitrability indicators					
Gross profit margin (%)	20.8%	20.3%	21.9%	22.0%	22.0%
EBITDA (¥ mn)	6,136	6,259	7,556	7,456	6,810
EBITDA margin (%)	5.0%	5.3%	5.8%	5.2%	4.9%
Operating profit margin (%)	3.4%	3.4%	4.2%	3.7%	3.3%
Owners of parent profit margin (%)	2.0%	2.0%	2.5%	2.2%	2.0%
Financial indicators					
Ratio of pretax profit to total asset (%)	9.2%	8.3%	10.7%	9.6%	8.3%
Ratio of profit to equity attributable to owners of parent (%)	50.5%	35.1%	33.5%	24.9%	17.3%
Ratio of equity attributable to owners of parent to total asset (%)	11.7%	17.6%	21.8%	26.6%	34.0%
Cash and cash equivalents (¥ mn)	5,944	7,455	8,973	9,590	7,106
Long- and Short-term Debt (¥ mn)	9,710.00	8,788.00	7,988.00	10,146.00	5,930.00
Net Debt (¥ mn)	3,766.00	1,333.00	-985.00	556.00	-1,176.00
Net DE Ratio	0.72	0.16	-0.09	0.04	-0.07
Net Debt/EBITDA	0.61	0.21	-0.13	0.07	-0.17
Invested capital (¥ mn, gross IC)	14,943	17,028	19,386	24,784	23,438
NOPAT (NOPLAT, ¥ mn)	2,772	2,849	3,984	3,576	2,948
ROIC (%, gross IC)	18.1%	17.8%	21.9%	16.2%	12.2%
ROIC (%, company disclosed)	13.9%	13.8%	17.9%	16.6%	13.4%
Efficiency indicators					
Working capital (¥ mn)	2,546	934	2,161	1,777	1,027
Working capital turnover (Times)	47.9	126.6	60.7	81.0	134.6
Current ratio (%)	102.2%	95.1%	92.9%	100.9%	106.4%
Quick ratio (%)	98.6%	92.1%	90.5%	97.3%	101.0%

Source: Prepared by Strategy Advisors, Based on Company Data.

Figure32: ***Segment Performance by Business Segment***

Segment Breakdown (¥ mn, %)	FY3/2020	FY3/2021	FY3/2022	FY3/2023	FY3/2024
Revenue	121,916	118,249	131,080	143,932	138,227
YoY	18.0%	-3.0%	10.9%	9.8%	-4.0%
Domestic Working	-	80,050	80,726	84,135	82,528
YoY	-	-	0.8%	4.2%	-1.9%
Ratio to revenue	-	67.7%	61.6%	58.5%	59.7%
Overseas Working	-	36,920	48,746	57,537	55,432
YoY	-	-	32.0%	18.0%	-3.7%
Ratio to revenue	-	31.2%	37.2%	40.0%	40.1%
Others	-	1,278	1,607	2,258	267
Ratio to revenue	-	1.1%	1.2%	1.6%	0.2%
Gross Profit	-	24,056	28,765	31,737	30,446
Gross Profit Margin	-	20.3%	21.9%	22.0%	22.0%
Domestic Working	-	16,430	17,231	18,784	18,403
GPM	-	20.5%	21.3%	22.3%	22.3%
Overseas Working	-	6,994	11,540	13,342	12,682
GPM	-	19.1%	23.7%	23.2%	22.9%
Operating Profit	4,145	4,030	5,472	5,318	4,525
YoY	-	-2.8%	35.8%	-2.8%	-14.9%
Operating Profit Margin	3.4%	3.4%	4.2%	3.7%	3.3%
Domestic Working	-	4,763	4,448	4,451	5,038
YoY	-	-	-6.6%	0.1%	13.2%
OPM	-	6.0%	5.5%	5.3%	6.1%
Overseas Working	-	1,942	3,348	3,406	1,946
YoY	-	-	72.4%	1.7%	-42.9%
OPM	-	5.3%	6.9%	5.9%	3.5%
Others	-	-413	-342	-296	-225
Adjusment	-	-2,262	-1,982	-2,243	-2,234

Source: Prepared by Strategy Advisors, Based on Company Data.

Note: Gross profit does not include consolidation adjustments within segments.

Figure33: ***Details of Domestic Working Business (¥ Millions)***

Sector	FY3/2020	FY3/2021	FY3/2022	FY3/2023	FY3/2024
Domestic Working	84,437	80,049	80,724	84,134	82,560
Sales outsourcing	23,150	19,046	19,517	20,395	19,906
Call center outsourcing	16,459	16,866	17,041	16,583	14,840
Factory outsourcing	23,745	20,585	18,315	17,639	17,990
Food factory	12,040	10,532	8,920	8,870	8,669
Factory except food	11,700	10,053	9,395	8,769	9,321
Care support	12,055	13,218	13,678	13,620	13,389
HR support for startups	1,263	1,273	2,349	2,999	3,421
Construction management engineers	4,806	5,275	5,786	7,665	10,467
Others	2,959	3,786	4,038	5,233	2,547
IT engineers	883	1,134	1,449	1,749	2,228
Others	2,329	2,652	2,589	3,485	319
Domestic Working	5,438	4,711	4,825	4,735	3,032
Sales outsourcing	1,864	1,468	1,614	1,718	1,308
Call center outsourcing	999	1,131	1,176	936	508
Factory outsourcing	1,408	1,001	1,258	948	765
Care support	360	381	296	498	227
HR support for startups	310	159	604	268	401
Construction management engineers	240	39	-559	-498	-400
Others	257	532	436	865	223
Domestic Working	6.4%	5.9%	6.0%	5.6%	3.7%
Sales outsourcing	8.1%	7.7%	8.3%	8.4%	6.6%
Call center outsourcing	6.1%	6.7%	6.9%	5.6%	3.4%
Factory outsourcing	5.9%	4.9%	6.9%	5.4%	4.3%
Care support	3.0%	2.9%	2.2%	3.7%	1.7%
HR support for startups	24.5%	12.5%	25.7%	8.9%	11.7%
Construction management engineers	5.0%	0.7%	-9.7%	-6.5%	-3.8%
Others	8.7%	14.1%	10.8%	16.5%	8.8%

Source: Prepared by Strategy Advisors, Based on Company Data.

Figure 34: ***Consolidated Balance Sheets***

Balance Sheet（IFRS、¥ mn）	FY3/2020	FY3/2021	FY3/2022	FY3/2023	FY3/2024
Assets					
Cash and cash equivalents	5,944	7,455	8,973	9,590	7,106
Trade and other receivables	15,067	14,694	17,458	17,928	17,512
Other financial assets	251	690	129	138	171
Other current assets	777	729	728	1,009	1,338
Current assets	**22,041**	**23,570**	**27,289**	**28,666**	**26,129**
Property, plant and equipment	1,315	1,082	1,223	1,139	1,275
Right-to-use assets	6,200	5,715	6,809	6,349	5,071
Goodwill	5,654	6,155	6,514	8,120	8,737
Other intangible assets	5,455	6,049	6,154	5,996	6,109
Investment accounted for using equity method	-	495	477	456	431
Other financial assets	1,281	1,151	1,208	1,475	1,158
Deferred tax assets	1,640	1,678	1,850	1,953	1,888
Other non-current assets	1,011	863	822	782	741
Non-current assets	**22,558**	**23,190**	**25,061**	**26,272**	**25,413**
Total assets	**44,600**	**46,760**	**52,350**	**54,939**	**51,543**
Liabilities					
Trade and other payables	12,521	13,760	15,297	16,151	16,485
Short-term borrowings	3,177	4,865	5,786	6,761	2,490
Other financial liabilities	2,359	3,600	5,245	1,364	2,115
Income taxes payable	1,116	514	1,195	1,027	1,005
Other current liabilities	2,391	2,048	1,836	3,109	2,437
Current liabilities	**21,566**	**24,790**	**29,361**	**28,414**	**24,553**
Long-term borrowings	6,533	3,923	2,202	3,385	3,440
Others financial liabilities	8,012	6,563	6,285	5,950	4,837
Deferred tax liabilities	1,170	1,289	1,202	1,127	1,006
Other non-current liabilities	193	166	177	184	206
Non-current liabilities	**15,909**	**11,943**	**9,867**	**10,648**	**9,490**
Total liabilities	**37,476**	**36,733**	**39,228**	**39,062**	**34,024**
Net assets					
Share capital	2,033	2,089	2,163	2,187	2,198
Capital surplus	-1,399	-1,786	-2,266	-1,923	-2,045
Retained earnings	6,478	8,559	11,310	13,758	15,528
Treasury shares	-89	-279	-274	-274	-204
Other components of equity	-1,789	-343	464	890	2,032
y attributable to owners of parent	5,233	8,240	11,398	14,638	17,508
Non-controlling interests	1,890	1,786	1,723	1,238	10
Total equity	**7,123**	**10,027**	**13,121**	**15,877**	**17,518**
Total liabilities and equity	**44,600**	**46,760**	**52,350**	**54,939**	**51,543**

Source: Prepared by Strategy Advisors, Based on Company Data.

Figure35: ***Consolidated Statements of Cash Flows (¥mn)***

Statement of Cash Flows（IFRS）	FY3/2020	FY3/2021	FY3/2022	FY3/2023	FY3/2024
Cash flows from operating activities (1)	**4,908**	**4,316**	**4,350**	**4,816**	**3,828**
Profit before tax	4,057	3,788	5,293	5,146	4,417
Depreciation and amortization	1,990	2,229	2,084	2,137	2,285
Share-based payment expenses	204	85	65	107	104
Decrease (increase) in trade receivables	-292	1,488	-2,494	-223	42
Increase (decrease) in trade payables	1,011	72	580	969	1,031
Other	-482	-1,312	-4	-839	-2,489
Subtotal	6,489	6,351	5,525	7,297	5,390
Interests and dividends received	10	7	9	17	124
Interest paid	-114	-86	-79	-88	-120
Income taxes paid	-1,478	-1,956	-1,104	-2,409	-1,565
Cash flows from investing activities(2)	**-3,035**	**-433**	**-306**	**-1,761**	**-575**
Purchase of property, plant and equipment, and intangible assets	-557	-589	-741	-396	-802
Purchase of investments accounted for using equity metho	-	-350	-	-	-
Purchase of investment securities	-312	-46	-63	-	-
Proceeds from sales of investment securities	7	374	22	-	-
Purchase of shares of subsidiaries resulting in change in scope of consolidatio	-2,064	-	-	-1,757	-
Proceeds from sale of shares of subsidiaries resulting in change in scope of consolidation	-	-	-	1,009	811
Other	-108	179	475	-617	-584
FCF（1＋2）	1,873	3,883	4,044	3,055	3,253
Cash flows from financing activities	**-2,631**	**-2,646**	**-2,959**	**-2,783**	**-6,232**
Net increase (decrease) in short-term borrowings	-1,413	1,890	1,000	1,590	-3,245
Proceeds from long-term borrowings	3,253	270	1,165	4,383	1,500
Repayments of long-term borrowings	-3,729	-3,080	-2,965	-3,367	-2,470
Repayments of lease liabilities	-1,223	-1,302	-1,310	-1,333	-1,335
Pur Proceeds from long-term debt	-246	-798	-1,969	-3,746	-
Prc Repayments of long-tem debt	977	-	1,360	-	-
Dividends paid to non-controlling interests	-181	-362	-281	-373	-
Dividends paid	-400	-511	-540	-776	-1,008
Proceeds from government grants	88	1,273	361	524	190
Other	244	-25	222	316	137
Cash and cash equivalents increase (decrease)	-917	1,511	1,517	617	-2,484

Source: Prepared by Strategy Advisors, Based on Company Data.

Figure36: *Quarterly Financial Results*

Quarterly Financial Results (¥ mn, %) (3 months)	FY3/2023				FY3/2024			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Revenue	35,441	36,917	36,255	35,319	34,435	34,841	34,641	34,310
YoY	12.4%	14.0%	7.6%	5.5%	-2.8%	-5.6%	-4.5%	-2.9%
Cost of sales	27,407	28,736	28,307	27,744	26,883	26,984	26,943	26,971
YoY	11.2%	13.9%	7.1%	6.7%	-1.9%	-6.1%	-4.8%	-2.8%
Cost of sales ratio	77.3%	77.8%	78.1%	78.6%	78.1%	77.4%	77.8%	78.6%
Gross profit	8,033	8,182	7,948	7,574	7,552	7,856	7,699	7,339
YoY	16.4%	14.7%	9.5%	1.4%	-6.0%	-4.0%	-3.1%	-3.1%
Gross profit margin	22.7%	22.2%	21.9%	21.4%	21.9%	22.5%	22.2%	21.4%
SG&A	6,662	6,766	7,086	6,654	7,256	7,021	7,017	7,020
YoY	15.0%	19.2%	22.3%	5.3%	8.9%	3.8%	-1.0%	5.5%
SG&A ratio to revenue	18.8%	18.3%	19.5%	18.8%	21.1%	20.2%	20.3%	20.5%
Operating profit	1,431	1,503	932	1,451	1,132	887	776	1,730
YoY	26.0%	-3.0%	-37.0%	11.0%	-20.9%	-41.0%	-16.7%	19.2%
OP margin	4.0%	4.1%	2.6%	4.1%	3.3%	2.5%	2.2%	5.0%
Profit before tax	1,425	1,522	802	1,396	1,195	891	633	1,698
YoY	24.3%	-3.1%	-45.8%	27.4%	-16.1%	-41.5%	-21.1%	21.6%
Pretax profit margin	4.0%	4.1%	2.2%	4.0%	3.5%	2.6%	1.8%	4.9%
Profit attributable to owners of parent	758	985	537	954	723	679	162	1,214
YoY	8.0%	-1.1%	-42.3%	45.0%	-4.6%	-31.1%	-69.8%	27.3%
NP margin	2.1%	2.7%	1.5%	2.7%	2.1%	1.9%	0.5%	3.5%

Source: Prepared by Strategy Advisors, Based on Company Data.

Figure 37: *Quarterly Results by Segment*

Segment Breakdown (¥ mn, %) (3 months)	FY3/2023 Q1	FY3/2023 Q2	FY3/2023 Q3	FY3/2023 Q4	FY3/2024 Q1	FY3/2024 Q2	FY3/2024 Q3	FY3/2024 Q4
Revenue	35,441	36,917	36,255	35,319	34,435	34,841	34,641	34,310
YoY	12.4%	14.0%	7.6%	5.5%	-2.8%	-5.6%	-4.5%	-2.9%
Domestic Working	20,866	20,659	21,420	21,190	20,186	20,515	20,940	20,887
YoY	5.2%	4.5%	4.4%	2.8%	-3.3%	-0.7%	-2.2%	-1.4%
Ratio to revenue	58.9%	56.0%	59.1%	60.0%	58.6%	58.9%	60.4%	60.9%
Overseas Working	14,042	15,702	14,204	13,589	14,182	14,258	13,631	13,361
YoY	23.0%	27.7%	11.6%	10.4%	1.0%	-9.2%	-4.0%	-1.7%
Ratio to revenue	39.6%	42.5%	39.2%	38.5%	41.2%	40.9%	39.3%	38.9%
Others	532	556	631	539	66	68	69	62
Ratio to revenue	1.5%	1.5%	1.7%	1.5%	0.2%	0.2%	0.2%	0.2%
Operating profit	1,431	1,503	932	1,451	1,132	887	776	1,730
YoY	26.0%	-3.0%	-37.0%	11.0%	-20.9%	-41.0%	-16.7%	19.2%
OP margin	4.0%	4.1%	2.6%	4.1%	3.3%	2.5%	2.2%	5.0%
Domestic Working	1,186	1,091	885	1,289	1,364	782	850	2,042
YoY	21.4%	-7.8%	-29.5%	24.9%	15.0%	-28.3%	-4.0%	58.4%
OP margin	5.7%	5.3%	4.1%	6.1%	6.8%	3.8%	4.1%	9.8%
Overseas Working	855	1,059	689	803	456	667	526	297
YoY	12.6%	15.5%	-13.6%	-8.2%	-46.7%	-37.0%	-23.7%	-63.0%
OP margin	6.1%	6.7%	4.9%	5.9%	3.2%	4.7%	3.9%	2.2%
Others	-66	-90	-56	-84	-69	-69	-54	62
Adjusment	-544	-557	-585	-557	-617	-493	-546	-576

Source: Prepared by Strategy Advisors, Based on Company Data.

Figure38: *Domestic Working Business Quarterly Details (¥ mn)*

Sector (3 months)	FY3/2023 Q1	FY3/2023 Q2	FY3/2023 Q3	FY3/2023 Q4	FY3/2024 Q1	FY3/2024 Q2	FY3/2024 Q3	FY3/2024 Q4
Domestic Working	20,866	20,658	21,421	21,189	20,187	20,514	20,941	20,918
Sales outsourcing	5,078	5,019	5,137	5,161	4,886	4,885	4,986	5,149
Call center outsourcing	4,154	4,130	4,221	4,078	3,884	3,753	3,721	3,482
Factory outsourcing	4,472	4,404	4,410	4,353	4,449	4,474	4,631	4,436
Care support	3,526	3,407	3,402	3,285	3,312	3,339	3,398	3,340
HR support for startups	709	729	769	792	730	879	826	986
Construction management engineers	1,652	1,862	2,040	2,111	2,347	2,587	2,709	2,824
Others	1,275	1,107	1,442	1,409	579	597	670	701
Domestic Working	1,234	1,299	820	1,382	664	808	713	847
Sales outsourcing	464	441	371	442	282	284	337	405
Call center outsourcing	234	254	230	218	152	114	144	98
Factory outsourcing	287	255	180	226	222	180	229	134
Care support	115	102	122	159	78	48	54	47
HR support for startups	190	197	-205	86	102	204	-84	179
Construction management engineers	-273	-147	-85	7	-273	-59	-20	-48
Others	217	197	207	244	101	37	53	32

Source: Company Data.

Figure39: *Overseas Working Business Quarterly Details*

Revenue by contract type (¥ mn) (3 months)	FY3/2023 Q1	FY3/2023 Q2	FY3/2023 Q3	FY3/2023 Q4	FY3/2024 Q1	FY3/2024 Q2	FY3/2024 Q3	FY3/2024 Q4
Overseas W	14,042	15,702	14,205	13,589	14,181	14,259	13,622	13,367
Temporary staffing	11,918	13,356	12,267	11,746	12,227	12,216	11,782	11,793
Permanent placement	2,124	2,346	1,878	1,831	1,933	2,031	1,839	1,550
Other	0	0	60	12	21	12	1	24
Geographic (Overseas) Revenue								
Australia	10,668	12,098	10,770	9,893	10,504	10,220	9,436	9,071
Asia	3,374	3,605	3,435	3,696	3,678	4,039	4,194	4,290

Source: Prepared by Strategy Advisors, Based on Company Data.

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