WILL GROUP, INC. | 6089 (TSE Prime)

Company Report

September 9, 2024

Strategy Advisors Inc.
Executive Officer
Kenichi Ito

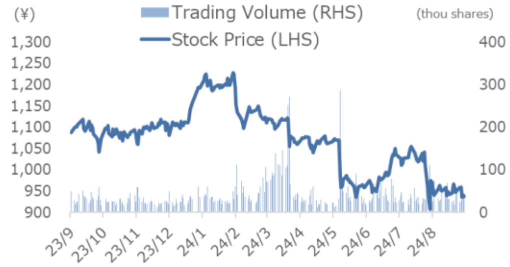
High Growth Maintained, Mainly in the Construction Engineering Field. Cost Management in the Overseas Working Business is Essential

The results for Q1, FY3/2025 (April-June) (disclosed on August 8) showed a slight increase in revenue and a large decrease in profit, with revenue of ¥35.05 billion (1.8% increase YoY) and operating profit of ¥170 million (84.4% decrease YoY). Although revenue was affected by a decrease of ¥720 million due to the impact of the sale of a subsidiary conducted in FY3/2024. The construction engineering field, which is the focus of the domestic Working business, secured an increase in revenue of ¥810 million YoY. In addition, the exchange rates during the same period were ¥103 to the Australian dollar and ¥115 to the Singapore dollar, compared to the exchange rates expected at the beginning of the period (¥91 to the Australian dollar and ¥104 to the Singapore dollar) (the impact of a ¥1 fluctuation on revenue is ¥520 million to the Australian dollar and ¥220 million to the Singapore dollar) and so a slight increase in revenue was secured.

The company's key strategies in the mid-term business plan are to accelerate growth in the construction engineering field and to regrow the domestic working business excluding construction engineers and it is a positive that the results were generally in line with these plans. On the other hand, the overseas working business has been significantly affected by the sluggish employment needs in Australia and it will be necessary to provide immediate support. Fortunately, this year the exchange rate has been weaker against the yen compared to the initial expectations and the company has received a subsidy (¥260 million) from the Singaporean government, so its performance does not appear to be that bad. The company plans to gradually implement cost reductions, including a review of employee benefits and attention will be focused on whether it can return to a growth trajectory from next year onwards.

In addition, taking into account that the exchange rate has been weaker than expected, the company has revised its earnings forecast for the first half (April-September) upward (sales revenue from ¥65.62 billion to ¥70.50 billion, operating profit from ¥280 million to ¥530 million), but the full-year forecast has remained unchanged, mainly due to the uncertainty of the overseas working business. This year will be a year in which the company will be forced to fight between offense (in the construction engineering field) and defense (cost management of the overseas working business) in order to make a leap from next fiscal year onwards and it will be necessary to confirm progress from the second half (October-March) onwards.

Stock Price and Trading Volumes



Source: Strategy Advisors

Key Indicators

Stock Price (9/9/24)	921
Year-to-Date High (2/4/24)	1,228
Year-to-Date Low (8/4/24)	908
10-Year High (2/2/18)	2,139
10-Year Low (5/21/14)	184
Shares on Issue (mn)	23
Market Capitalization (¥ bn)	21
EV (¥bn)	21.8
Equity Ratio (3/24 Actual, %)	34
PER (3/25 CoE, Times)	12.8
PBR (3/24 Actual, Times)	1.2
Yield (3/25 CoE, %)	4.7

Source: Strategy Advisors

IFRS-Consolidation	Sales	YoY	OP	YoY	Pre-tax Profit	YoY	NP	YoY	EPS	DPS
FY	(¥ mn)	(%)	(¥ mn)	(%)	(¥ mn)	(%)	(¥ mn)	(%)	(¥)	(¥)
FY3/2025 Q1	35,052	1.8	177	-84.4	125	-89.5	69	-90.4	3.05	-
FY3/2024 Q1	34,435	-2.8	1,132	-20.9	1,195	-16.1	723	-4.6	31.91	-
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: Created by Strategy Advisors. Based on Company Materials

Table of Contents

1. Summary of 1Q, FY3/2025 Results

1) Profits Fell Sharply Due to the Impact of an Exclusion from Consolidation, but Construction Engineering Remains Strong

Profits Fell Sharply Due to Exclusion from Consolidation. But Construction Engineering Performed Well

The results for the first quarter of FY3/2025 (April-June) (disclosed on August 8) showed a slight increase in sales and a large decrease in profits, with sales revenue of ¥35.05 billion (up 1.8% YoY) and operating profit of ¥170 million (down 84.4% YoY). Sales revenue decreased by ¥720 million due to the impact of exclusion from consolidation following the sale of a subsidiary implemented in FY3/2024; but the construction engineering field, which is the focus of the domestic Working business, secured an increase in sales of ¥810 million YoY. In addition, the exchange rates for the same period fluctuated between ¥103 to the Australian dollar and ¥115 to the Singapore dollar compared to the expected exchange rates at the beginning of the period (¥91 to the Australian dollar and ¥104 to the Singapore dollar). The impact of a ¥1 fluctuation on sales revenue is ¥520 million to the Australian dollar and ¥220 million to the Singapore dollar, helping the firm secure a slight increase in sales.

Sales & Administrative Expenses are Being Consumed as Planned Thanks to Upfront Investment

Operating profit decreased significantly due to the loss of profits from the sale of a subsidiary recorded in FY3/2024 and the impact of exclusion from consolidated numbers, which resulted in a decrease of ¥890 million. In addition, the domestic Working business also implemented strategic investments, mainly in advertising and recruitment expenses; and although there was subsidy income (which had an effect of increasing profits of ¥260 million in the overseas Working business), profits decreased significantly.

First-Half Performance Plan Revised Upwards. Full-Year Plan Remains Unchanged

The company revised its plans for the first half of the year (April-September) upward (sales revenue from ¥65.62 billion to ¥70.50 billion & operating profit from ¥280 million to ¥530 million), mainly due to the exchange rate being weaker than expected against the yen and the receipt of subsidies from the Singaporean government but has left its full-year plan unchanged.

Figure 1. Quarterly Results by Segment

Segment Breakdown (¥ mn, %) (3 months)	FY3/2024 Q1	FY3/2024 Q1-2	FY3/2024 Q1-3	FY3/2024 Q1-4	FY3/2025 Q1
Revenue	34,435	69,276	103,917	138,227	35,052
YoY	-2.8%	-4.3%	-4.3%	-4.0%	1.8%
Domestic Working	20,186	40,701	61,641	82,528	20,468
YoY	-3.3%	-2.0%	-2.1%	-1.9%	1.4%
Ratio to revenue	58.6%	58.8%	59.3%	59.7%	58.4%
Overseas Working	14,182	28,440	42,071	55,432	14,534
YoY	1.0%	-4.4%	-4.3%	-3.7%	2.5%
Ratio to revenue	41.2%	41.1%	40.5%	40.1%	41.5%
Others	66	134	203	267	48
Ratio to revenue	0.2%	0.2%	0.2%	0.2%	0.1%
Operating profit	1,132	2,019	2,795	4,525	177
YoY	-20.9%	-31.2%	-27.7%	-14.9%	-84.4%
OP margin	3.3%	2.9%	2.7%	3.3%	0.5%
Domestic Working	1,364	2,146	2,996	5,038	238
YoY	15.0%	-5.8%	-5.2%	13.2%	-82.6%
OP margin	6.8%	5.3%	4.9%	6.1%	1.2%
Overseas Working	456	1,123	1,649	1,946	573
YoY	-46.7%	-41.3%	-36.7%	-42.9%	25.7%
OP margin	3.2%	3.9%	3.9%	3.5%	3.9%
Others	-69	-138	-192	-225	-60
Adjusment	-619	-1,112	-1,658	-2,234	-574

Source: Financial Results Summary & Others

2. The Domestic Working Business is Performing Steadily, Mainly in Strategic Investment Areas

1) Hiring in Construction Engineering is Progressing Smoothly

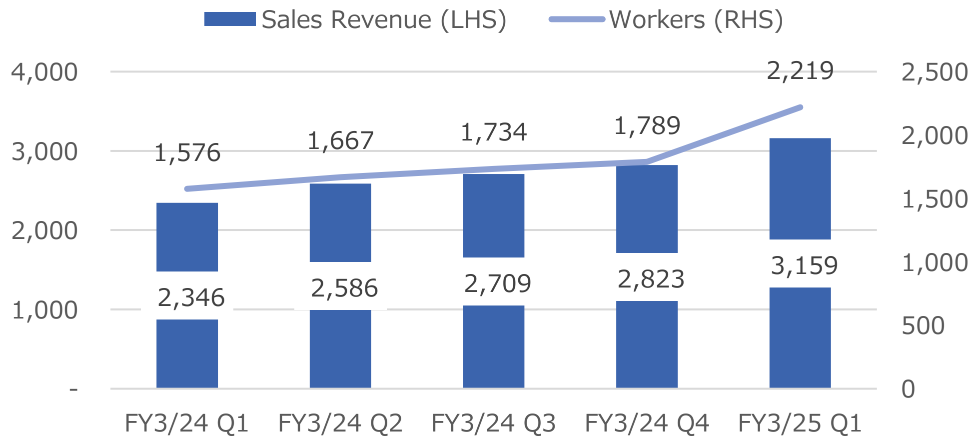
Recruitment in Construction Engineering is Going Well

The results for Q1 of FY3/2025 in the construction engineering field showed high growth, with sales revenue of ¥3.15 billion (up 34.6% YoY). The operating loss was ¥360 million (a loss of ¥270 million in the same quarter last year) with the loss widening due to the impact of up-front expenses for new graduates who joined in the first quarter. The number of employees working was 2,219, and the increase in inexperienced mid-career employees and new graduates who joined in April drove this increase. In addition, the retention rate, which is a major KPI, rose to 73.6% due to the increase in new graduates. The utilization rate also remained at a high level of 95.9%. The KPI targets for this year are 1,200 employees per year and a retention rate of 71.3%, with the company says it is making good progress toward this plan.

Expected to Turn Profitable From Q2 Onwards

In terms of profits, the deficit widened due to the impact of increased hiring (804 new hires), however the progress is in-line with the company's plan (sales revenue of ¥13.68 billion, operating profit of ¥120 million) and is within the expected range. The area is expected to turn into a quarterly profit from Q2 (July-September). It is noteworthy that the aggressive upfront investment phase is coming to an end and the company is entering a profit-earning phase. The company has no plans to hire more people than expected at the beginning of the fiscal year and it plans to continue investing in growth whilst ensuring profitability, going forward.

Figure 2. Number of Active Workers and Sales Revenue in the Construction Engineer Area (￥Mil LHS/# Persons RHS)



Source: Company Data

Open Up Group also Showing Steady Performance

The construction segment performance of Open Up Group (2154, TSE Prime), a major competitor in this business, was ¥12.35 billion in sales (21.1% increase YoY) and ¥1.43 billion in segment profit (21.4% increase YoY) in Q4 FY6/2024 and appears to be progressing steadily like the Will Group. The company has further strengthened its recruitment, hiring 1,127 people in April-June (228 more than YoY, including 512 new graduates).

Further Strengthening the Foundations of the Business Through M&A

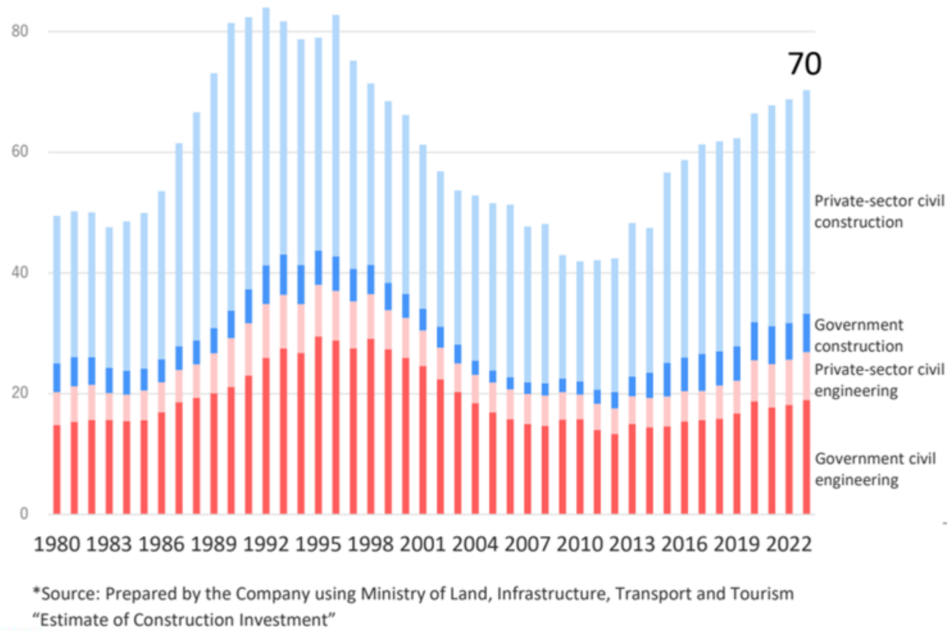
In addition, the Open Up Group announced the acquisition (100% subsidiary) of Ofukas Invesco Co., which owns IR Inc., a company engaged in temporary staffing and recruitment services in the construction engineer field (disclosed on August 9, 2024). IR's performance for FY7/2023 was sales of ¥5.23 billion, operating profit of ¥330 million, with the number of technical employees being approximately 1,300. From the perspective of the Will Group, this has further widened the gap in business scale. Although it is necessary to note that the battle for human resources in the field of construction engineers may become even more intense, as competitors are further investing in growth, it can be said that the market has high potential for growth and is still in an expansion phase.

The Market is in an Expansionary Phase, With Ample Room for Growth

Will Group has disclosed supplementary information on the market for construction engineers in its supplementary financial statements. Construction investment has been on the rise since bottoming out in 2011 and is expected to reach ¥70 trillion by 2023. In addition, one research company (Yano Research Institute) has predicted a CAGR of 4% growth for the construction industry human resources services market, so it can be said that the market is in a period of expansion.

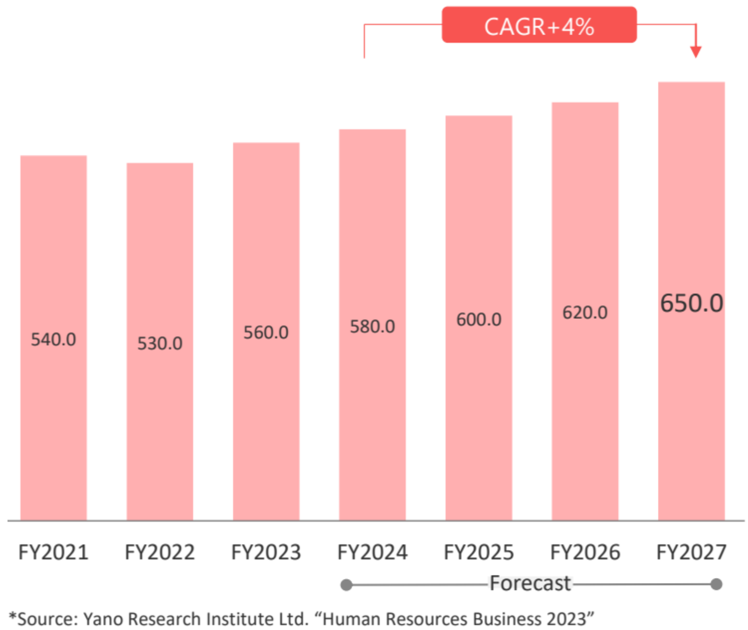
Figure 3. Trend of Construction-Related Investment

(¥ Trillions) / (Nominal Values)



Source: Company Documents

Figure 4. Size of Human Resources Services Market in the Construction Industry (¥ Billions)



Source: Company Documents

2) Domestic Working Business (Excluding Construction Engineering) is Progressing Roughly In-Line with Plans

Although there are Strengths and Weaknesses in Each Area, Progress is Generally as Expected

Although there were some strengths and weaknesses in each field except for the construction engineering field; overall, results were generally in line with the company's plans. While sales outsourcing was relatively strong, call center outsourcing continued to be sluggish. In addition, factory outsourcing and nursing care business support progressed generally in line with the company's plans.

Sales Outsourcing Area Remains Strong

In the sales outsourcing field, sales representative services for IT companies and others are driving growth, with sales support and other sales revenues growing to ¥1.8 billion (up ¥400 million YoY). The company also received a relatively large order from a major telecommunications company, giving the impression that it is getting out of the worst during this period. The progress rate against the company's plan is also good at 26.2% and solid performance is expected to continue from the second quarter onwards.

The Call Center Outsourcing Sector Remains in a Tough Situation

On the other hand, the call center outsourcing sector continues to be sluggish, with revenues falling by ¥490 million YoY in the first quarter alone, compared to the company's plan of ¥14.46 billion (a decrease of ¥370 million YoY). Some large orders have been secured and it appears that performance will not continue to be as severe as in the first quarter; but the impact of in-house production and other factors continues and the business environment is likely to remain severe for the remainder of the fiscal year.

Factory Outsourcing is Progressing as Planned, but Demand is Strong

The factory outsourcing sector is progressing smoothly and generally in line with the company's plans. This sector is broadly divided into food factories and other sectors, with food factories remaining stable as before. Outside of food factories, demand is robust from three manufacturing sectors, including automobiles, machinery, electronic parts and semiconductors. According to the Nikkei Newspaper's capital investment trend survey (FY2024), capital investment in the manufacturing industry is expected to increase by 14.3%. In addition to the recovery in business performance due to the weak yen, companies are actively investing in response to technological innovations such as EV's and semiconductors, so this business environment is likely to remain favorable going forward.

The Nursing Care Business Support Area is Expected to Catch-Up from Q2 Quarter Onwards

Sales revenue in the nursing care business support domain increased slightly to ¥3.37 billion (up 2.0% YoY), which was slightly weaker than the company's plan (an increase of ¥760 million), but was generally in line with the plan. The company is shifting resources from part-time staff to full-time staff to increase the ratio, which resulted in a somewhat weak start, but it is expected to catch -up from the second quarter onwards and otherwise progress as planned.

Figure 5. Sales Revenue and Progress by Area (Unit: ¥100 million)

	FY3/24 Q1	FY3/25 Q1	YoY	CoE	Progress rate
Sales outsourcing	4,886	5,221	6.9%	19,940	26.2%
Call center outsourcing	3,883	3,387	-12.8%	14,460	23.4%
Factory outsourcing	4,448	4,586	3.1%	18,470	24.8%
Care support	3,311	3,379	2.1%	14,150	23.9%

Source: Company Documents

3）Demand for Permanent Temporary Staffing is Strong and Recruitment is Proceeding Smoothly

Full-Time Temporary Staffing is Showing Steady Growth with Steady Hiring

The company's focus on full-time temporary staffing has been strong, with 3,459 active employees. Due to seasonal factors (usually most employees are hired in April-June), the number of active employees has already exceeded the initial plan. Since Q2, the number of employees has stagnated due to an increase in employees leaving the company but considering that the full-year target was achieved at the end of Q1, it is fair to say that progress is going smoothly.

Hiring in Sales and Factory Outsourcing

The number of full-time temporary staff hired in Q1 was 733, an increase of 167 from the same period last year. By field, 400 were hired in the sales outsourcing field, 218 in the factory outsourcing field and the remaining were hired in the call center, IT engineer and nursing care business support fields.

In Sales Outsourcing, there is a Noticeable Need for Sales Agents for DX tools, etc.

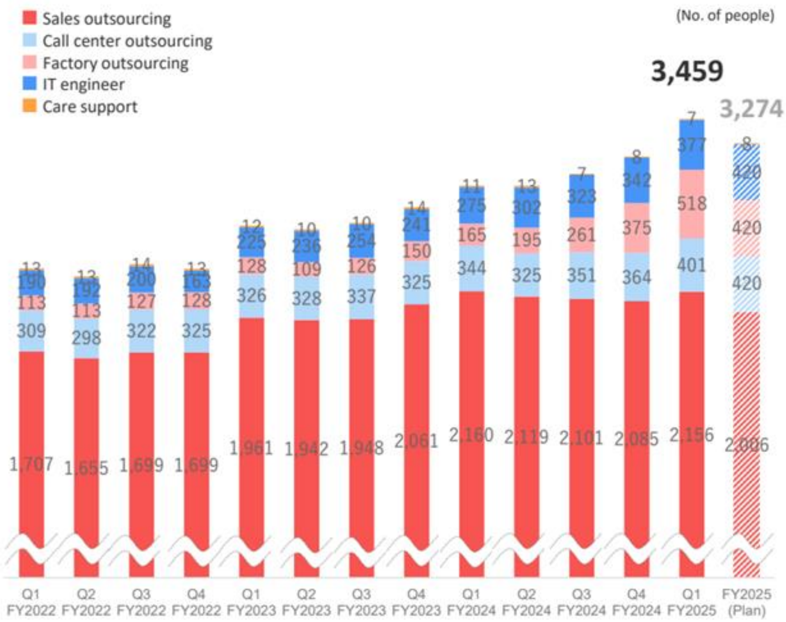
In the sales outsourcing field, there seems to be a noticeable demand for sales agents for BtoB and digital transformation tools such as AI chatbots and cashless payments. Companies that provide digital transformation tools for BtoB attract customers through online seminars and then contact participants by phone and email. From there, if there is need, a business meeting is arranged and a visiting sales representative, known as a field salesperson, actually goes forward and makes a proposal. As the sales process itself is subdivided and requires team management, it can be said that this is an area with a high demand for the dispatch of full-time employees.

In Factory Outsourcing, there are Strong Inquiries from the 3 Manufacturing Fields

As mentioned above, with strong demand from the three manufacturing sectors, the dispatch of full-time employees in the factory outsourcing sector is also performing well. In particular, the number of employees hired in this sector has increased dramatically from 47 in the same period last year to 218 and the company is actively making upfront investments. Given the strong demand, the company is strengthening its hiring in advance and Strategy Advisors evaluates this as a sign of the company's confidence in this sector.

This sector is highly specialized, and once the company has gained the trust of its customers, it can be said to be an area where business can be conducted long-term. It will be important to secure resources and expand business in this sector while the performance of the three manufacturing sectors is strong and demand is strong.

Figure 6. Number of Workers on Assignment for Permanent Employee Staffing (#'s of people)



Source: Company Documents

4）Despite the Struggle to Secure New Hires, Demand for Foreign Employment Support Remains Strong

The Number of New Foreigners Employed was Somewhat Disappointing

The company plans to increase the number of foreigners it supports to 2,900 this fiscal year and to secure 2,133 new foreigners, but the number of new foreigners it supports in Q1 was 366, which was somewhat disappointing.

Hopes for Securing Orders from Overseas Talent

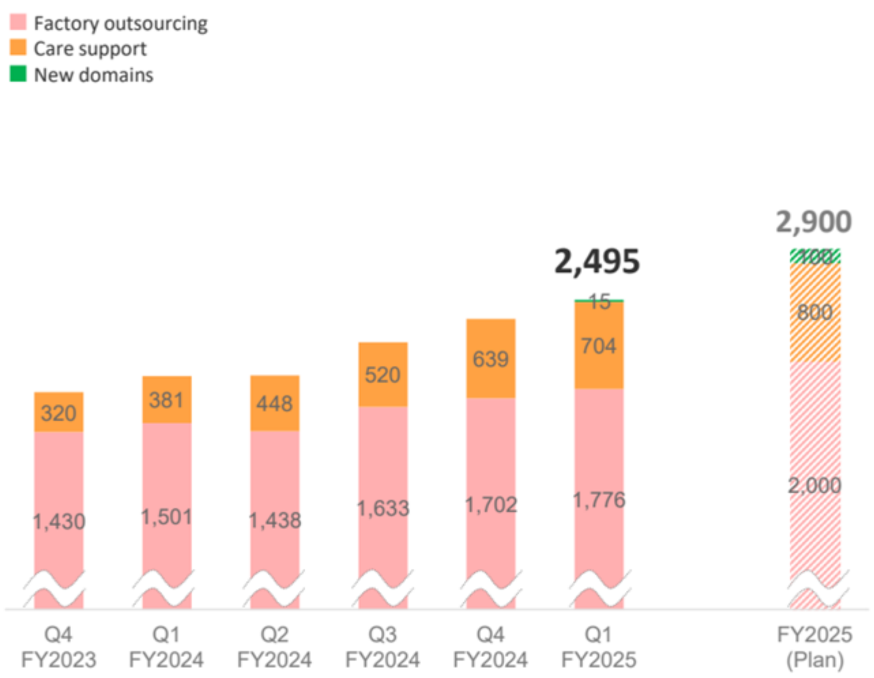
As mentioned above, there is strong demand, especially in the factory outsourcing field, and the number of orders from client companies is steady, but it seems that the company is having some difficulty in securing personnel. The company's strength is that it can hire locally, mainly in Southeast Asia, by utilizing its overseas local subsidiaries, but client companies tend to hire people who already live in Japan and have work experience, rather than hiring locally.

Since there are a certain number of competing companies, the company is a latecomer, and it is difficult to utilize its strengths in securing people who already live in Japan and have work experience. In the future, it will be necessary to increase the number of new foreign employees it supports by acquiring orders from overseas personnel with a high success rate.

It is Highly Profitable and is Likely to be a Growth Driver in the Future

The market environment is favorable, and the number of foreign workers has grown at a CAGR of 7% over the past five years. By industry, the number of workers in manufacturing and services is increasing and construction and medical and welfare industries are growing at double-digit rates. In the case of the company, since it already has many clients with a track record in its existing business, which is centered on temporary staffing; it is possible to increase sales efficiency and profitability by cross-selling foreign employment support to its existing business. The gross profit margin of foreign employment support is over 90%, which is much higher in each case than the existing fixed-term temporary employment (gross profit margin 14-17%) and full-time temporary employment (gross profit margin 14-22%). In the medium-to-long term, this could become a growth driver that increases the company's profitability, so we will keep an eye on future developments here.

Figure 7. Number of Foreigners Supported through Foreign Talent Management Services (# of people)



Source: Company Documents

3. Structural Reform is Essential for the Overseas Working Business

Excluding the Impact of Foreign Exchange & Government Subsidies, Revenue Decreased 10%

The overseas Working business's first quarter results for FY3/2025 were sales revenue of ¥14.53 billion (up 2.5% YoY) and operating profit of ¥570 million (up 25.7% YoY), showing a slight increase in sales and a large increase in profits. At first glance, it appears to be solid but considering the impact of exchange rates (sales revenue up ¥1.89 billion, operating profit up ¥50 million) and the effect of a ¥260 million increases in profits due to subsidies from the Singaporean government, it can be said that the results were extremely tough. Excluding the impact of exchange rates and government subsidies, sales revenue for the overseas Working business decreased by about 10% and operating profit decreased by about 40% YoY.

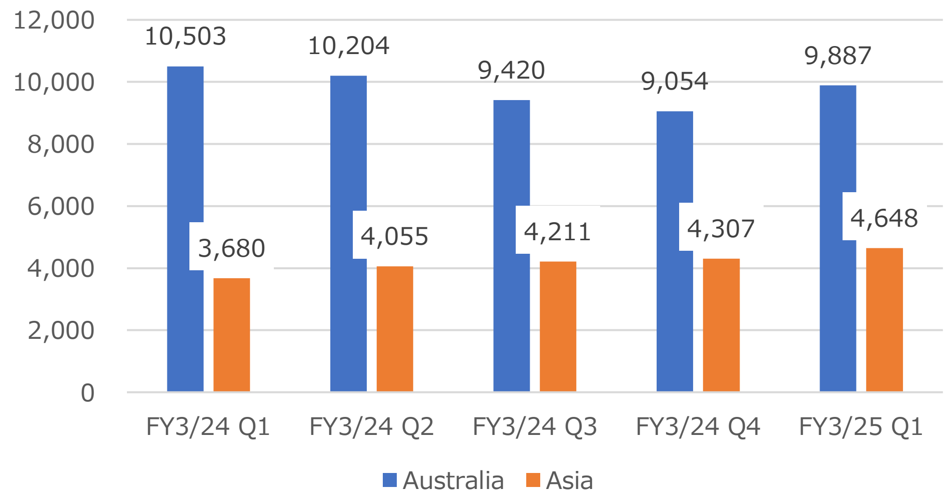
Australia's Slump Will Continue

By region, Australia, which had been driving the company's growth, continues to stagnate. Australia was a business with stable performance, with a focus on temporary staffing and a high proportion of government and public administration; but a change in government policy has led to a shift from temporary staffing to full-time employment and performance continues to be sluggish. The company disclosed sales by area for temporary staffing in Australia in its company presentation materials for the end of FY3/2024. Sales revenue to governments and public administration in the second half of FY3/2024 (October-March) was ¥8.59 billion, still accounting for a high proportion of total revenue. In light of this, it is highly likely that the slump in the overseas human resources market will continue and measures will be necessary, mainly focusing on cost management.

Expectations are High for Cost Control Results from the 2H Onwards

The company is also well aware of the problem and plans to begin reducing staff numbers gradually this year. Each consultant will be required to set clear goals and those who are unable to produce results will be forced to review their working conditions. The reduction in staff numbers is being conducted with the aim of optimizing business investment and the company plans to continue to manage costs so that it will be able to respond when the market recovers.

Figure 8. Trends in Overseas Sales Revenue by Region (Unit: ¥ mn)



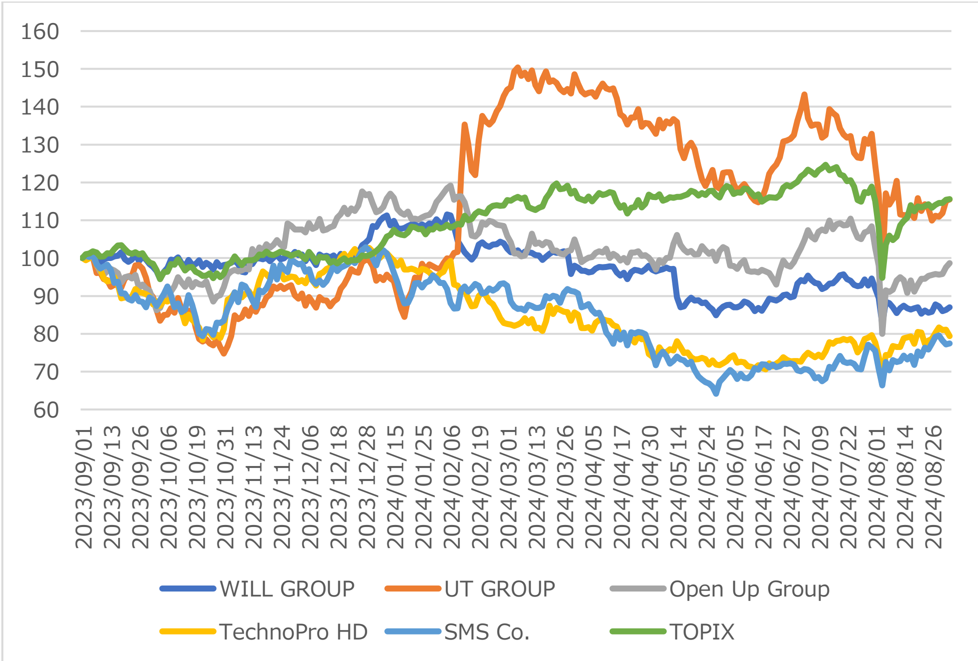
Source: Company Documents

4. Stock Price Remains on Hold

Stock Price is Relatively Weak

Since the financial results were announced, the stock price has been weak. The stock market crash following the Bank of Japan's policy interest rate hike announced before the financial results were announced resulted in Will Group's stock price also falling. Although the TOPIX and the stock prices of competitors have since recovered somewhat, the company's stock price remains weak. The company has left its full-year plan unchanged (effectively revising its second-half results downward) and has announced that its overseas working business is expected to perform weakly in the second half.

Figure 9. Relative Stock Price Chart



Source: Created by our Company. Based on SPEEDA Data

PER is on Par with the Average of Competitors

Strategy Advisors believes that the valuation is generally at a reasonable level, and that this year's performance has been factored into the stock price to a certain extent. The average PER based on the company plans for this fiscal year of competitors is 13.4 times (excluding CRG Holdings), which is roughly the same level as the Company's PER.

Considering the ROE Based on this Fiscal Year's Performance, PBR is Also at a Reasonable Level

In addition, the company's PBR based on the most recent performance is 1.2 times, which is lower than the average of 2.2 times for its competitors. However, the ROE based on this fiscal year's performance, which will see a significant decrease in profits, is relatively low at 9.4%. Considering that companies with a ROE of around 10% are valued at a PBR of around 1, this is not a particularly cheap level.

Downside is Limited & Expectations are High for Structural Reform of the Overseas Working Business

On the other hand, the dividend yield is 4.6% and Strategy Advisors believes that the downside of the stock price will be limited. The catalyst going forward will be whether or not we can see signs of a market recovery in the overseas working business from the second half onwards. The construction engineering field is expected to turn profitable from the second quarter onwards and profits are expected to increase throughout the entire FY3/2026. If the overseas human resources market recovers and it is possible to demonstrate to the capital market that profits will grow primarily in the domestic working business from FY3/2026 onwards, there is a possibility that the stock price will once again move on an upwards trend.

Figure 10. Valuation List

Company name	Stock code	FY	Stock price (9/2) (¥)	Mkt cap (9/2) (¥ mn)	PER CoE (Times)	PBR Latest Results (Times)	ROE CoE (%)	Dividend Yield CoE (%)	1-Year Return (9/2) (%)	3-Year Rate of Return (9/2) (%)
WILL GROUP Inc.	6089	3/24	958	21,845	13.3	1.2	9.4%	4.6%	-13.0%	-25.2%
World HD Co., Ltd.	2429	12/23	2,000	35,785	7.4	0.9	11.7%	4.0%	-18.0%	-24.2%
Ut Group Co., Ltd.	2146	3/24	2,838	113,088	8.7	4.1	37.6%	5.8%	15.5%	-8.5%
Nisso HD Co., Ltd.	9332	3/24	773	25,327	10.6	1.7	16.1%	2.8%	NA	NA
Open Up Group Inc.	2154	6/24	1,981	171,981	15.3	2.3	15.4%	3.8%	-1.3%	60.0%
Copro HD Co., Ltd.	7059	3/24	1,599	30,831	17.5	3.8	23.0%	3.8%	25.4%	185.3%
TechnoPro HD Inc.	6028	6/24	2,872	304,246	16.4	3.8	22.9%	3.1%	-20.6%	-3.8%
Human HD Co., Ltd.	2415	3/24	1,489	15,453	7.0	1.0	14.0%	4.3%	44.6%	63.1%
Career Co., Ltd.	6198	9/23	378	3,215	14.7	1.7	11.4%	0.0%	2.4%	-25.4%
SMS Co., Ltd.	2175	3/24	2,200	188,976	23.6	4.3	17.7%	0.0%	-22.6%	-43.8%
HITO-Communications HD, Inc.	4433	8/23	880	15,701	14.8	0.9	6.0%	4.0%	-37.1%	-53.2%
Like Co., Ltd.	2462	5/24	1,417	27,192	10.9	1.6	14.9%	4.1%	-9.4%	-20.0%
S-pool, Inc.	2471	11/23	352	27,809	15.2	3.3	21.7%	2.8%	-28.3%	-64.0%
CRG HD Co., Ltd.	7041	9/23	517	2,857	-25.6	0.9	-3.9%	0.0%	-9.3%	3.2%
CareerLink Co., Ltd.	6070	3/24	2,495	29,620	12.4	2.1	17.6%	4.8%	0.8%	25.7%

Note: NISSO Holdings was listed on the stock exchange in October 2011, and 1 and 3-year rates of change cannot be calculated, so they are not listed.

Source: Created by our Company. Based on SPEEDA Data

Figure 11. ***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	-	-	-	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	-	-	-	-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	-	-	-	-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	-	-	-	-1.5%	-14.2%	-41.0%
Owners of parent profit margin	2.0%	2.0%	2.5%	2.2%	2.0%	1.2%
EBITDA	**6,136**	**6,259**	**7,556**	**7,456**	**6,810**	
EBITDA margin	5.0%	5.3%	5.8%	5.2%	4.9%	0.0%

Source: Created by Strategy Advisors. Based on Company Materials

Figure 12. ***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 (¥)	23.0	24.0	34.0	44.0	44.0
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
Interest-bearing debt (¥ mn)	9,710	8,788	7,988	10,146	5,930
Net Debt (¥ mn)	3,766	1,333	-985	556	-1,176
Net DE ratio	0.7	0.2	-0.1	0.0	-0.1
Net Debt/operating EBITDA (compnay definition)	0.6	0.2	-0.1	0.1	-0.2
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: Created by Strategy Advisors. Based on Company Materials

Figure 13. ***Segment Performance by Business Segment***

Segment Breakdown (¥ mn, %)	FY3/2020	FY3/2021	FY3/2022	FY3/2023	FY3/2024	FY3/2025CE
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%
Domestic Working	-	80,050	80,726	84,135	82,528	84,500
YoY	-	-	0.8%	4.2%	-1.9%	2.4%
Ratio to revenue	-	67.7%	61.6%	58.5%	59.7%	60.2%
Overseas Working	-	36,920	48,746	57,537	55,432	55,630
YoY	-	-	32.0%	18.0%	-3.7%	0.4%
Ratio to revenue	-	31.2%	37.2%	40.0%	40.1%	39.6%
Others	-	1,278	1,607	2,258	267	260
Ratio to revenue	-	1.1%	1.2%	1.6%	0.2%	0.2%
Operating profit	4,145	4,030	5,472	5,318	4,525	2,290
YoY	-	-2.8%	35.8%	-2.8%	-14.9%	-49.4%
OP margin	3.4%	3.4%	4.2%	3.7%	3.3%	1.6%
Domestic Working	-	4,763	4,448	4,451	5,038	2,800
YoY	-	-	-6.6%	0.1%	13.2%	-44.4%
OP margin	-	6.0%	5.5%	5.3%	6.1%	3.3%
Overseas Working	-	1,942	3,348	3,406	1,946	2,150
YoY	-	-	72.4%	1.7%	-42.9%	10.5%
OP margin	-	5.3%	6.9%	5.9%	3.5%	3.9%
Others	-	-413	-342	-296	-225	-260
Adjusment	-	-2,262	-1,982	-2,243	-2,234	-2,400

Source: Created by Strategy Advisors. Based on Company Materials

Note: Gross Profit Does Not Include Consolidated Adjustments

Figure 14. ***Details of Domestic Working Business (¥ mn)***

Sector	FY3/2020	FY3/2021	FY3/2022	FY3/2023	FY3/2024
Revenue (¥ mn)	121,916	118,249	131,080	143,932	138,227
Domestic Working	84,437	80,049	80,724	84,134	82,560
Sales outsourcing	23,150	19,046	19,517	20,395	19,906
Telecommunications	11,802	12,053	12,894	12,904	11,817
Apparel	2,707	1,155	1,238	1,571	1,929
Other sales support	8,343	5,838	5,387	5,921	6,161
Call center outsourcing	16,459	16,866	17,041	16,583	14,840
Call center, etc	11,307	11,630	11,921	11,485	10,020
Office	3,383	2,874	2,580	2,367	1,994
Finance	1,819	2,361	2,540	2,731	2,827
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 engir	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
Operating profit (¥ mn)	4,145	4,030	5,472	5,318	4,525
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 engir	240	39	-559	-498	-400
Others	257	532	436	865	223
Operating profit margin (%)	3.4%	3.4%	4.2%	3.7%	3.3%
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 engir	5.0%	0.7%	-9.7%	-6.5%	-3.8%
Others	8.7%	14.1%	10.8%	16.5%	8.8%

Source: Created by Strategy Advisors. Based on Company Materials

Figure 15. ***Consolidated balance sheet (¥ 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
Equity 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: Created by Strategy Advisors. Based on Company Materials

Figure 16. ***Consolidated Statements of Cash Flows (¥mn)***

	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 method	-	-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 consolidation	-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: Created by Strategy Advisors. Based on Company Materials

Figure 17. ***Quarterly Financial Results***

Quarterly Financial Results (¥ mn, %) (3 months)	FY3/2023				FY3/2024				FY3/2025	
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	1HCE
Revenue	35,441	36,917	36,255	35,319	34,435	34,841	34,641	34,310	35,052	70,500
YoY	12.4%	14.0%	7.6%	5.5%	-2.8%	-5.6%	-4.5%	-2.9%	1.8%	1.8%
Cost of sales	27,407	28,736	28,307	27,744	26,883	26,984	26,943	26,971	27,792	55,850
YoY	11.2%	13.9%	7.1%	6.7%	-1.9%	-6.1%	-4.8%	-2.8%	3.4%	3.7%
Cost of sales ratio	77.3%	77.8%	78.1%	78.6%	78.1%	77.4%	77.8%	78.6%	79.3%	79.2%
Gross profit	8,033	8,182	7,948	7,574	7,552	7,856	7,699	7,339	7,260	14,650
YoY	16.4%	14.7%	9.5%	1.4%	-6.0%	-4.0%	-3.1%	-3.1%	-3.9%	-4.9%
Gross profit margin	22.7%	22.2%	21.9%	21.4%	21.9%	22.5%	22.2%	21.4%	20.7%	20.8%
SG&A	6,662	6,766	7,086	6,654	7,256	7,021	7,017	7,020	7,387	14,120
YoY	15.0%	19.2%	22.3%	5.3%	8.9%	3.8%	-1.0%	5.5%	1.8%	-1.1%
SG&A ratio to revenue	18.8%	18.3%	19.5%	18.8%	21.1%	20.2%	20.3%	20.5%	21.1%	20.0%
Operating profit	1,431	1,503	932	1,451	1,132	887	776	1,730	177	530
YoY	26.0%	-3.0%	-37.0%	11.0%	-20.9%	-41.0%	-16.7%	19.2%	-84.4%	-73.7%
OP margin	4.0%	4.1%	2.6%	4.1%	3.3%	2.5%	2.2%	5.0%	0.5%	0.8%
Profit before tax	1,425	1,522	802	1,396	1,195	891	633	1,698	125	480
YoY	24.3%	-3.1%	-45.8%	27.4%	-16.1%	-41.5%	-21.1%	21.6%	-89.5%	-77.0%
Pretax profit margin	4.0%	4.1%	2.2%	4.0%	3.5%	2.6%	1.8%	4.9%	0.4%	0.7%
Profit attributable to owners of parent	758	985	537	954	723	679	162	1,214	69	360
YoY	8.0%	-1.1%	-42.3%	45.0%	-4.6%	-31.1%	-69.8%	27.3%	-90.5%	-74.3%
NP margin	2.1%	2.7%	1.5%	2.7%	2.1%	1.9%	0.5%	3.5%	0.2%	0.5%

Source: Created by Strategy Advisors. Based on Company Materials

Figure 18. ***Quarterly Results by Segment***

Segment Breakdown (¥ mn, %)	FY3/2023				FY3/2024				FY3/2025	FY3/25
(3 months)	Q1	Q1-2	Q1-3	Q1-4	Q1	Q1-2	Q1-3	Q1-4	Q1	H1 CoE
Revenue	35,441	72,358	108,613	143,932	34,435	69,276	103,917	138,227	35,052	70,500
YoY	12.4%	13.2%	11.3%	9.8%	-2.8%	-4.3%	-4.3%	-4.0%	1.8%	
Domestic Working	20,866	41,525	62,945	84,135	20,186	40,701	61,641	82,528	20,468	41,180
YoY	5.2%	4.9%	4.7%	4.2%	-3.3%	-2.0%	-2.1%	-1.9%	1.4%	
Ratio to revenue	58.9%	57.4%	58.0%	58.5%	58.6%	58.8%	59.3%	59.7%	58.4%	
Overseas Working	14,042	29,744	43,948	57,537	14,182	28,440	42,071	55,432	14,534	29,230
YoY	23.0%	25.5%	20.6%	18.0%	1.0%	-4.4%	-4.3%	-3.7%	2.5%	
Ratio to revenue	39.6%	41.1%	40.5%	40.0%	41.2%	41.1%	40.5%	40.1%	41.5%	
Others	532	1,088	1,719	2,258	66	134	203	267	48	90
Ratio to revenue	1.5%	1.5%	1.6%	1.6%	0.2%	0.2%	0.2%	0.2%	0.1%	
Operating profit	1,431	2,934	3,867	5,318	1,132	2,019	2,795	4,525	177	530
YoY	26.0%	9.3%	-7.2%	-2.8%	-20.9%	-31.2%	-27.7%	-14.9%	-84.4%	
OP margin	4.0%	4.1%	3.6%	3.7%	3.3%	2.9%	2.7%	3.3%	0.5%	
Domestic Working	1,186	2,277	3,162	4,451	1,364	2,146	2,996	5,038	238	730
YoY	21.4%	5.4%	-7.4%	0.1%	15.0%	-5.8%	-5.2%	13.2%	-82.6%	
OP margin	5.7%	5.5%	5.0%	5.3%	6.8%	5.3%	4.9%	6.1%	1.2%	
Overseas Working	855	1,914	2,603	3,406	456	1,123	1,649	1,946	573	1,070
YoY	12.6%	14.2%	5.3%	1.7%	-46.7%	-41.3%	-36.7%	-42.9%	25.7%	
OP margin	6.1%	6.4%	5.9%	5.9%	3.2%	3.9%	3.9%	3.5%	3.9%	
Others	-66	-156	-212	-296	-69	-138	-192	-225	-60	-140
Adjusment	-544	-1,101	-1,686	-2,243	-619	-1,112	-1,658	-2,234	-574	-1,120

Source: Created by Strategy Advisors. Based on Company Materials

Figure 19. *Domestic Working Business Quarterly Details (¥ mn)*

Sector	FY3/2023				FY3/2024				FY3/2025
(3 months)	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1
Domestic Working	20,866	20,658	21,420	21,189	20,186	20,514	20,940	20,886	20,468
Sales outsourcing	5,078	5,019	5,136	5,161	4,886	4,884	4,986	5,149	5,221
Call center outsourcing	4,153	4,129	4,220	4,077	3,883	3,753	3,720	3,482	3,387
Factory outsourcing	4,472	4,404	4,410	4,352	4,448	4,473	4,630	4,435	4,586
Care support	3,526	3,406	3,401	3,285	3,311	3,338	3,398	3,339	3,379
HR support for startups	709	728	768	792	729	879	826	985	-
Construction management engineers	1,651	1,862	2,039	2,111	2,346	2,586	2,709	2,823	3,159
					42.1%	38.9%	32.9%	33.7%	34.7%
Others	1,275	1,107	1,442	1,409	579	597	669	670	734
Domestic Working	1,233	1,297	820	1,382	663	808	712	847	259
Sales outsourcing	464	440	371	441	281	284	337	405	375
Call center outsourcing	233	254	229	218	152	114	143	97	103
Factory outsourcing	286	254	180	225	221	180	229	134	139
Care support	115	101	122	158	77	48	54	46	59
HR support for startups	189	196	-205	86	101	203	-84	179	-
Construction management engineers	-272	-146	-84	7	-273	-59	-20	-47	-369
Others	216	196	206	244	101	36	52	32	-49

Source: Company data

Figure 20. *Overseas Working Business Quarterly Details*

Revenue by contract type (¥ mn)	FY3/2023				FY3/2024				FY3/2025
(3 months)	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1
Overseas Working	14,042	15,702	14,205	13,589	14,181	14,260	13,622	13,367	14,534
Temporary staffing	11,918	13,356	12,267	11,746	12,227	12,216	11,782	11,793	12,514
Permanent placement	2,124	2,346	1,878	1,831	1,933	2,031	1,839	1,550	1,993
Other	0	0	60	12	21	13	1	24	27
Geographic (Overseas) Revenue									
Australia	10,661	12,089	10,761	9,881	10,503	10,204	9,420	9,054	9,887
YoY	16.6%	23.2%	7.4%	7.2%	-1.5%	-15.6%	-12.5%	-8.4%	-5.9%
Asia	3,381	3,613	3,443	3,708	3,680	4,055	4,211	4,307	4,648

Source: Created by Strategy Advisors. Based on Company Materials

Disclaimer

This report is published by Strategy Advisors Inc. (hereinafter referred to as the "Publisher") and was prepared primarily by external partner companies and analysts.

The purpose of this report is to introduce and explain the target companies using a different approach than usual. In principle, the issuer does not review or approve the contents of the report (however, the issuer will point out to the author only if there are obvious errors or inappropriate expressions) .

The Issuer may have received compensation, directly or indirectly, from the Target Company for providing the planning, proposal and infrastructure for the publication of this report.

The external partners and analysts who write this report may receive compensation directly or indirectly from the subject company for activities other than preparing this report. In addition, the external partners and analysts who write this report may have or may in the future have transactions in the securities of the subject company.

This report has been prepared solely for the purpose of providing information to serve as a reference for investment decisions and is not intended as a solicitation for securities or other transactions. Investors should make final decisions regarding securities and other transactions at their own discretion and responsibility.

In preparing this report, the authors received information through interviews with the target companies, etc. However, the hypotheses and opinions expressed in this report are not those of the target companies but are the result of the authors' analysis and evaluation.

This report is based on information that the author believes to be reliable, but does not guarantee its accuracy, completeness or timeliness. The views and forecasts contained in this report are the judgment of the author at the time of publication of this report and are subject to change without notice.

Neither the issuer nor the authors shall be liable for any direct, indirect, incidental or special damages which an investor may suffer as a result of placing reliance on the information or analysis contained in this report.

Strategy Advisors

Address: Central Building 703, 1-27-8 Ginza, Chuo- Ku, Tokyo 104-0061