Bridge Report WILL GROUP, INC. (6089)

Ryosuke Ikeda,
Chairman and CEO

Company	WILL GROUP, INC.
Code No.	6089
Exchange	First Section, TSE
Industry	Services
Chairman and CEO	Ryosuke Ikeda
HQ	1-32-2 Honcho, Nakano-ku, Tokyo, Japan
Business Description	Personnel services, including contract staffing and recruitment of personnel, as well as business process outsourcing. The core business is to dispatch sales staff to retailers, such as consumer electronics mass retailers. Its business is characterized by "hybrid placement service," by which permanent employees called field supporters are stationed at each site.
Year-end	March
Website	https://willgroup.co.jp/en/index.html

– Stock Information –

Share Price	Number of shares issued (excluding treasury shares)	Total market cap	ROE (Act.)	Trading Unit
¥1,157	22,117,832 shares	¥25,590 million	19.7%	100 shares

DPS (Est.)	Dividend Yield (Est.)	EPS (Est.)	PER (Est.)	BPS (Act.)	PBR (Act.)
¥18.00	1.6%	¥61.04	19.0 times	¥373.52	3.1 times

*Stock prices as of the close on June 14, 2018. Number of shares issued at the end of the most recent quarter excluding treasury shares.

– Consolidated Earnings Trends – (Unit: Million yen or yen)

Fiscal Year	Net Sales	Operating Income	Ordinary Income	Net Income	EPS (¥)	DPS (¥)
March 2015	32,586	939	950	547	57.97	24.00
March 2016	45,028	1,429	1,468	692	36.38	20.00
March 2017	60,599	1,963	1,980	1,011	54.23	14.00
March 2018	79,197	2,417	2,437	1,210	57.44	18.00
March 2019 Est.	100,000	2,600	2,600	1,350	61.04	18.00

*Estimated by the Company. Net Income refers to Net Income Attributable to Owners of Parent since FY 3/16. (The same shall apply hereinafter.)
* 2 for 1 stock splits were conducted in September 2015 and December 2016. (EPS has been revised retroactively.)

This Bridge Report reviews fiscal year March 2018 earnings results and fiscal year March 2019 earnings estimates of WILL GROUP, INC.

1. Company Overview
2. Fiscal Year March 2018 Earnings Results
3. Fiscal Year March 2019 Earnings Estimates
4. Progress of the Medium-Term Management Plan "Will Vision 2020" (FY3/17 to FY3/20)
5. Conclusions

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Key Points

・The sales and operating income for the term ended March 2018 were up 30.7% and 23.1%, respectively, year on year. Sales grew in all business segments, for example, the sales of the overseas HR business increased 3.2 times year on year thanks to the effect of M&A. The sales growth and the improvement in profitability through the revision to the conditions of contracts, etc. offset the augmentation of SG&A expenses, mainly upfront investment including the costs of personnel and recruitment. The term-end dividend is to be 18 yen/share, up 4 yen/share from the previous term (payout ratio: 31.3%).

・For the term ending March 2019, sales and operating income are estimated to increase 26.3% and 7.5%, respectively, year on year. It is expected that sales will continue to grow in all segments, including the factory outsourcing (up 31.5%), care support (up 30.3%), and overseas HR (up 57.6%). The target sales (100 billion yen) set in the medium-term management plan (from FY 3/17) will be achieved one year earlier than planned. The estimated growth rate of operating income is low, because of the consideration of upfront investment for attaining the goals of the medium-term management plan. The estimate for the profit from the overseas HR business, which is susceptible to exchange rates, is conservative, too. The term-end dividend is to remain at 18 yen/share (payout ratio: 29.5%).

・In the medium-term management plan, the company aims to achieve sales of 100 billion yen and an operating income of 4 billion yen in the final term ending March 2020. Target sales are projected to be achieved one year earlier than planned, but it is necessary to increase operating income (2.41 billion yen in the term ended March 2018) by 60-70% in two years. The hurdle seems to be high, but in the term ending Mar. 2019, the company will fortify its marketing base by expanding sales areas for its 3 core businesses and cultivating new fields. Among 3 concentrated businesses, the care support business will enter the profit-earning phase, and the business of recruitment of personnel specializing in the Internet and IoT, which is riding the tide of market expansion, is profitable and will significantly contribute to total profit. As for the overseas HR business, there is a concern over exchange rates, but M&A is expected to improve performance.

1. Company Overview

WILL GROUP, INC. is a holding company that dispatches sales support staff, call center operators, manufacturing line staff primarily to food manufacturing, and supports personnel recruitment. The main feature of the Company is the "hybrid placement service," by which permanent employees of Will Group work alongside temporary staff in the dispatched workplace. Will Group differentiates itself from its competitors by implementing its hands-on policy as it endeavors to develop new businesses to achieve the goal of ¥100 billion in sales.

Will Group companies are SAINT MEDIA, INC., a call center outsourcing services company; FAJ, INC., a company specializing in temporary staffing exclusively in the manufacturing industry; Border Link, Inc., which dispatches Assistant Language Teachers and operates foreign language schools for kids; an advertising agency CreativeBank INC. and others, totaling up to 35 companies (including 14 domestic companies, 21 overseas companies as of the end of March 2018).

Main Subsidiaries Business Description

SAINT MEDIA, INC.	Retail store sales staff dispatch, call center operator dispatch, nursing care staff dispatch
FAJ, INC.	Manufacturing industry staff dispatch, consignment
WILL GROUP Asia Pacific Pte. Ltd. (Singapore)	Intermediary holding company overseeing overseas businesses

<WILL Vision>

Creating a strong brand with high expected value and becoming No. 1 in the business fields of "working," "interesting," "learning" and "living."

Working:	Business field to support **"Working"**
Interesting:	Business field to support **"Interesting"**
Learning:	Business field to support **"Learning"**
Living:	Business field to support **"Living"**

<Corporate History>

The predecessor of this corporate group was SAINT MEDIA, INC., a company established in Kita-ku, Osaka-shi in January 1997, which operated a telemarketing business. SAINT MEDIA, INC., is now a consolidated subsidiary. In the meantime, in August 1997, Big Aid Co., Ltd., which undertook short-term businesses, was established in Naniwa-ku, Osaka-shi, and Mr. Ryosuke Ikeda, the current Representative Director and President, joined Big Aid Co., Ltd. as one of its co-founders in October 1997. In February 2000, the two companies merged, with SAINT MEDIA, INC. being the surviving company, hoping to produce synergetic effects between telemarketing and task undertaking business, and Mr. Ikeda was appointed as the president of this new company. Since then, this business group has operated personnel services with SAINT MEDIA, INC. as its core company, creating new businesses and restructuring existing businesses to keep pace with market changes. In April 2006, Will Holdings, Inc. (renamed to WILL GROUP, INC. in June 2012) was founded as a pure holding company, shifting to group business administration in order to improve the expertise of operational companies and optimize managerial resources. The Company was listed on the second section of the Tokyo Stock Exchange in December 2013, then in December 2014, it got listed on the first section of the Tokyo Stock Exchange.

<Business Description>

While operating the 3 core businesses of “sales outsourcing,” “call center outsourcing,” and “factory outsourcing” as its mainstay, Will Group is nurturing a variety of businesses not limited to staffing services, in order to build the next pillar for growth (revenue related to these activities is recorded in the “Others” section). As for the sales composition in the fiscal year ended March 2018, the sales outsourcing business accounted for 27%, call center outsourcing business 17%, factory outsourcing business 22%, care support business 9%, overseas HR business 17% and other (Japan) almost 9%.

Hybrid placement service is Will Group’s original service by which permanent employees called field supporters (FS, on-site employees) work and do the same tasks with contract staff while managing, instructing, and educating them at a workplace. This is a strength of Will Group. As loyal field supporters conduct on-site management, they can offer high-quality services, grasp the needs of clients, and respond to them swiftly, receiving exclusive orders (clients’ orders exclusively received by Will Group), increasing in-store share (ratio of Will Group’s workers to all dispatched workers in each client’s workplace), and fortifying its client base.

Sales Outsourcing Business **SAINT MEDIA, INC.** **CreativeBank INC.**

Dispatch of contract staff to provide storefront sales services at apparel, consumer electronics mass retail and cellular phone shops and outsourcing of related business processes are conducted in this business segment. CreativeBank INC. was turned into a consolidated subsidiary in September 2015 and earnings derived from planning/operation of its sales promotion are booked in this segment (A comprehensive support structure has been facilitated to provide sales promotion operations and sales support).

Call Center Outsourcing Business **SAINT MEDIA, INC.**

Call center operators are dispatched to companies operating telemarketing services and call centers including communications companies and a growing number of financial service companies. Will Group is also able to provide a telemarketing outsourcing service at its own call centers.

Factory Outsourcing Business **FAJ, INC.**

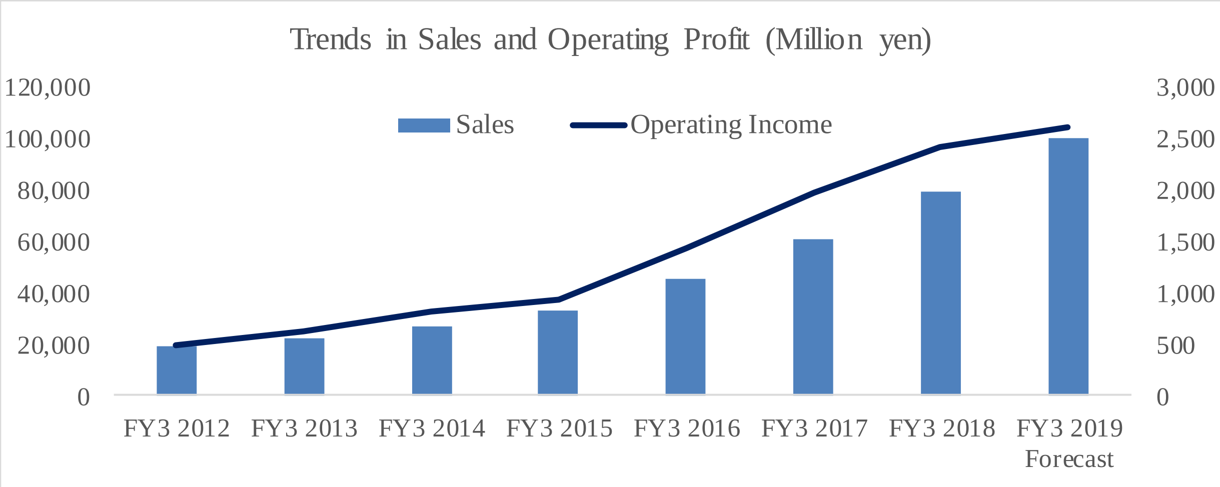
The consolidated subsidiary FAJ, INC. provides production outsourcing involving simple tasks (inspection, quality management, sorting, packing, etc.) and places contract staff to the food manufacturing industry (lunch boxes at convenience stores, prepared food), which is least affected by economies’ ups and downs.

Care Support Business **SAINT MEDIA, INC.**

This is the business domain of the consolidated subsidiary SAINT MEDIA, INC. Inexperienced workers are recruited and educated, and then dispatched as assistants to certified care workers. Will Group offers not only full-time jobs but also jobs with flexible working styles, to make the working environments comfortable to contract staff. This business was started in the fiscal year ended March 2014, as the staffing market grew considerably because of the shortage of care workers. The company has carried out upfront investment while prioritizing business expansion over making a profit.

Others

Will Group offers "recruitment of personnel specializing in the Internet and IoT fields" by for Startups, Inc. and "overseas HR business" operated mainly by WILL GROUP Asia Pacific Pte. Ltd. In addition to these, the Group offers 9 new businesses that are at the investment stage: dispatch of workers to offices, recruitment of personnel in the sporting field, dispatch of Assistant Language Teachers (ALTs), dispatch of IT engineers, recruitment and dispatch of nursery staff, shared house operation, video utilization services, recruitment of medical doctors and nurses, and funds (incubation and HRTech).



2. Fiscal Year March 2018 Earnings Results

(1) Consolidated Earnings

(Unit: Million yen)

	FY3/17	Share	FY3/18	Share	YoY Change	Initial forecast	Divergence
Sales	60,599	100.0%	79,197	100.0%	+30.7%	75,000	+5.6%
Gross Profit	11,774	19.4%	16,058	20.3%	+36.4%	-	-
SG & A	9,811	16.2%	13,640	17.2%	+39.0%	-	-
Operating Income	1,963	3.2%	2,417	3.1%	+23.1%	2,250	+7.5%
Ordinary Income	1,980	3.3%	2,437	3.1%	+23.1%	2,250	+8.4%
Net Income	1,011	1.7%	1,210	1.5%	+19.6%	1,100	+10.0%

Sales and operating income grew 30.7% and 23.1%, respectively, year on year.

Sales were 79,197 million yen, up 30.7% year on year. Sales increased in all business segments, for example, the sales from the overseas HR business, which offers staffing services in ASEAN and Oceanian regions, expanded 3.2 times thanks to M&A. The amount of increase was 18.5 billion yen, of which M&A accounted for 10.6 billion yen and the organic sales made up 7.9 billion yen.

Operating income was 2,417 million yen, up 23.1% year on year. The care support business incurred a small operating loss, because profit was reduced by upfront investment, including the expenses for establishing new business bases and the cost for personnel and recruitment for strengthening its marketing structure, but the other segments saw the improvement in profit rate (the profit rate of the factory outsourcing business was unchanged from the previous term), as sales growth, the revision to conditions of contracts with existing clients, etc. offset the augmentation of personnel and recruitment costs due to the increase of employees. EBITDA, which is emphasized by the company, was 3,044 million yen, up 28.2% year on year from 2,375 million yen in the previous term.

Sales and Profit by Segment

(Unit: Million yen)

	FY3/17	Share	FY3/18	Share	YoY Change	Initial forecast	Divergence
Sales outsourcing	20,071	33.1%	21,654	27.3%	+7.9%	21,800	-0.7%
Call center outsourcing	12,352	20.4%	13,178	16.6%	+6.7%	13,900	-5.2%
Factory outsourcing	13,697	22.6%	16,994	21.5%	+24.1%	16,900	+0.6%
Care support	5,244	8.7%	7,140	9.0%	+36.1%	8,000	-10.8%
Overseas HR	4,108	6.8%	13,170	16.6%	+220.6%	7,400	+78.0%
Others (Japan)	5,125	8.5%	7,059	8.9%	+37.7%	7,000	+0.8%
Consolidated Sales	60,599	100.0%	79,197	100.0%	+30.7%	75,000	+5.6%

Sales outsourcing	1,489	7.4%	1,749	8.1%	+17.5%	-	-
Call center outsourcing	699	5.7%	704	5.3%	+0.7%	-	-
Factory outsourcing	719	5.2%	891	5.2%	+24.0%	-	-
Care support	80	1.5%	-16	-	-	-	-
Overseas HR	77	1.9%	352	2.7%	+357.1%	-	-
Others (Japan)	139	2.7%	246	3.5%	+76.5%	-	-
Adjustments	-1,243	-	-1,511	-	-	-	-
Consolidated operating income	1,963	3.2%	2,417	3.1%	+23.1%	-	-

(2) Trend by Segment

Sales outsourcing business

(Unit: Million yen)

	3/17-1Q	2Q	3Q	4Q	3/18-1Q	2Q	3Q	4Q
Sales	4,595	4,818	5,277	5,380	5,231	5,194	5,737	5,490
Operating Income	211	349	419	510	468	438	446	395
Profit Rate	4.6%	7.2%	7.9%	9.5%	8.9%	8.4%	7.8%	7.2%

For the full year, sales were 21,654 million yen (up 7.9% year on year) and profit was 1,749 million yen (up 17.5% year on year). The sales from staffing services grew, due to the increase in the number of contracts in the communications field and contract staffing in the apparel field. The sales from sales promotion through retail support and campaigns of leading IT-related enterprises, private seminars, exhibitions, etc. for corporations, also rose.

As for profit, profit rate declined in the 4th quarter, due to the enhancement of recruitment of permanent employees and staff of SAINT MEDIA, INC., but full-year profit rate increased thanks to the revision to conditions of contracts with existing clients and the increase of receipt of orders for entrusted work. The company maintained the trend of profit increase.

Call center outsourcing business

(Unit: Million yen)

	3/17-1Q	2Q	3Q	4Q	3/18-1Q	2Q	3Q	4Q
Sales	2,851	3,160	3,187	3,152	3,207	3,440	3,415	3,114
Operating Income	120	177	173	228	171	220	186	127
Profit Rate	4.2%	5.6%	5.4%	7.2%	5.3%	6.4%	5.4%	4.1%

For the full year, sales were 13,178 million yen (up 6.7% year on year) and profit was 704 million yen (up 0.7% year on year). In the staffing services offered by SAINT MEDIA, INC., while the smartphone market is expanding, there remains a demand for an increase of operators who explain how to use terminals, the details of services, etc. Also, the number of contracts for BPO (business process outsourcing: continuous outsourcing of business processes), financial business, etc. increased.

As for profit, the company kept the profit growth trend by offsetting the decline in gross profit rate with sales growth. But in the fourth quarter, while sales struggled, operating income rate dropped because gross profit rate decreased and the cost for recruiting staff (operators) augmented.

Factory outsourcing business

(Unit: Million yen)

	3/17-1Q	2Q	3Q	4Q	3/18-1Q	2Q	3Q	4Q
Sales	3,157	3,363	3,554	3,622	3,770	3,891	4,749	4,582
Operating income	143	151	188	236	208	211	269	202
Profit Rate	4.5%	4.5%	5.3%	6.5%	5.5%	5.4%	5.7%	4.4%

For the full year, sales were 16,994 million yen (up 24.1% year on year) and profit was 891 million yen (up 24.0% year on year). As the company enhanced sales from existing customers and increased the number of new customers through the expansion of marketing areas, it met the needs for human resources in the food manufacturing industry, which are growing because home meal replacement (HMR) such as prepared food, sweets to be sold at convenience stores and boxed meals became popular. The performance of Little Seeds Service Corporation, which was reorganized into a consolidated (second-tier) subsidiary in September 2017, made a contribution. Little Seeds Service Corporation boasts top-class performance of dispatch of workers in the manufacturing field in Fukushima Prefecture.

As for profit, the cost for opening 5 bases was recorded earlier than planned in the fourth quarter, augmenting expenses for personnel, recruitment, etc., but this was offset by sales growth and the improvement of gross profit rate.

Care support business (Unit: Million yen)

	3/17-1Q	2Q	3Q	4Q	3/18-1Q	2Q	3Q	4Q
Sales	1,102	1,287	1,377	1,477	1,588	1,761	1,886	1,902
Operating income	-31	24	19	68	-46	6	24	-0
Profit Rate	-	1.9%	1.4%	4.6%	-	0.3%	1.3%	-

For the full year, sales were 7,140 million yen (up 36.1% year on year) and loss was 16 million yen (profit: 80 million yen in the previous term). Sales grew steadily, thanks to the active development of business bases and the cultivation of facilities. The number of contract staff increased, as the company enhanced employment follow-up activities, proposal for a variety of ways of working toward client enterprises, and so on, as part of activities for assisting inexperienced and less-experienced staff and part-time workers in getting a job. In November 2017, the company opened “Will Care Academy” for training the staff of the company and nursing-care facilities.
As for profit and loss, profit was reduced by upfront investment, including the cost for establishing new facilities and the expenses for personnel, recruitment, etc. for the strengthening of its marketing structure.

Overseas HR business (Unit: Million yen)

	3/17-1Q	2Q	3Q	4Q	3/18-1Q	2Q	3Q	4Q
Sales	618	648	738	2,102	2,382	2,860	2,874	5,053
Operating income	12	12	9	42	21	174	84	71
Profit Rate	1.9%	1.9%	1.2%	2.0%	0.9%	6.1%	2.9%	1.4%

For the full year, sales were 13,170 million yen (up 220.6% year on year) and profit was 352 million yen (up 354.5% year on year). The performance of Asia Recruit Holdings Sdn. Bhd. (reorganized into a consolidated subsidiary in June 2016) and Ethos Corporation Pty Ltd. and other two companies (reorganized into consolidated subsidiaries in January 2017) contributed to full-year results. In addition, the company saw the effect of acquisition of DFP Recruitment Holdings Pty Ltd., which became a consolidated subsidiary in January 2018 and dispatches and introduces clerical workers and call center operators.

Others (Japan) (Unit: Million yen)

	3/17-1Q	2Q	3Q	4Q	3/18-1Q	2Q	3Q	4Q
Sales	1,110	1,191	1,181	1,641	1,576	1,662	1,829	1,983
Operating income	-14	68	20	65	19	49	89	88
Profit Rate	-	5.7%	1.7%	4.0%	1.2%	2.9%	4.9%	4.4%

For the full year, sales were 7,059 million yen (up 37.7% year on year) and profit was 246 million yen (up 76.5% year on year). As the demand for executive staff in the Internet and IoT ventures is growing due to the current IPO boom, the business of personnel recruitment in the fields of the Internet and IoT expanded steadily. In addition, the company saw the increase in sales from the dispatch and recruitment of nursery staff, the dispatch of Assistant Language teachers (ALTs) in response to municipalities’ needs for the enrichment of English education, and the dispatch of workers to offices that strengthened marketing structures and support for senior workers.
As for profit, the personnel recruitment in the fields of the Internet and IoT contributed considerably.

Little Seeds Service Corporation (Fukushima Pref.), which was reorganized into a consolidated subsidiary as the company acquired all of its shares in September 2017, carries out the businesses of contract staffing and business process outsourcing mainly in Fukushima Prefecture. DFP Recruitment Holdings Pty Ltd., which was reorganized into a consolidated subsidiary as the company acquired 60% of its shares in January 2018, provides contract staffing and personnel recruitment services related to clerical jobs and call center operations jobs to a variety of institutions and enterprises, including governmental offices, communications firms, and energy corporations in Australia.

Bridge Report

Bridge Salon

(3) Financial Position and Cash Flow

Balance Sheet

(Unit: Million yen)

	FY3/17	FY3/18		FY3/17	FY3/18
Cash, equivalents	3,656	9,236	Payables	4,773	6,341
Receivables	9,460	11,661	Unpaid expenses	604	1,130
Inventories	774	1,046	Unpaid taxes	1,287	1,807
Current Assets	14,361	22,797	Bonus reserves	435	564
Tangible assets	445	958	Interest bearing liabilities (leasing fee)	4,364(3)	6,354(7)
Intangible assets	1,758	2,654	Liabilities	12,282	17,979
Investments, others	735	1,086	Net Assets	5,018	9,517
Noncurrent Assets	2,939	4,699	Total Liabilities, Net Assets	17,300	27,496

Term-end total assets were 27,496 million yen, up 10,196 million yen from the end of the previous term. Cash & deposits and net assets increased as the exercise of the fifth share acquisition right (with a provision for revising strike price) was finished. Receivables and payables augmented because the end of the term fell on a holiday and account settlement was delayed till the next term. Capital-to-asset ratio was 30.0% (23.3% at the end of the previous term).

Cash Flow Summary

(Unit: Million yen)

	FY3/17	FY3/18	YoY Change	
Operating cash flow (A)	38	3,503	+3,465	+9118.4%
Investing cash flow (B)	-1,576	-2,095	-519	-
Free cash flow (A+B)	-1,538	1,408	+2,946	-
Financing cash flow	2,446	3,971	+1,525	+62.3%
Cash, equivalents at term-end	3,627	9,159	+5,532	+152.5%

ROE Analysis

		FY3/14	FY3/15	FY3/16	FY3/17	FY3/18
ROE		20.68%	19.72%	20.80%	26.47%	19.68%
	Net Profit Margin	1.43%	1.68%	1.54%	1.67%	1.53%
	Assets Turnover	5.05 times	4.62 times	4.42 times	4.09 times	3.54 times
	Leverage	2.86 x	2.54 x	3.06 x	3.88 x	3.64 x

* ROE (return on equity) is "net profit margin (net income÷sales)" multiplied by "assets turnover (sales÷total assets)" multiplied by "financial leverage (total assets÷net assets, reciprocal number of equity ratio)". ROE = net profit margin × assets turnover × financial leverage

* The data in the table above is based upon figures taken from the official earnings announcement filings, and total assets and capital required to calculate the data above are averages for the term (Using the values at the end of the previous and current terms, and therefore the data listed in the official earnings announcement filings and the data above do not necessarily coincide because they use term end equity ratio).

3. Fiscal Year March 2019 Earnings Estimates

(1) Consolidated Earnings

(Unit: Million yen)

	FY3/18	Share	FY3/19 forecast	Share	YoY Change
Sales	79,197	100.0%	100,000	100.0%	+26.3%
Operating Income	2,417	3.1%	2,600	2.6%	+7.5%
Ordinary Income	2,437	3.1%	2,600	2.6%	+6.6%
Net profit	1,210	1.5%	1,350	1.4%	+11.6%

The company is estimated to achieve sales of 100 billion yen, which is a goal for the medium-term management plan, one year earlier than planned. As for profit, anticipatory expenses for the term ending March 2020 will be posted.

Thanks to the cultivation of new markets and M&A, sales are projected to rise in all business segments, including factory outsourcing (up 31.5% year on year), care support (up 30.3% year on year due to the increase of business bases), and overseas HR (up 57.6% year on year due to M&A). The company is expected to achieve sales of 100 billion yen, which is a goal for the medium-term management plan for the term ending March 2020, ahead of schedule. As for profit, upfront investment for attaining an operating income of 4 billion yen as a goal in the medium-term management plan is taken into account, and the profit from the overseas HR business, which is susceptible to exchange rates, has been estimated conservatively.

EBITDA, which is emphasized by the company, is forecasted to be 3,440 million yen, up 13.0% year on year (3,044 million yen in the term ended March 2018).

(2) Estimated Sale by Segment

(Unit: Million yen)

	FY3/18	Share	FY3/19 forecast	Share	YoY Change
Sales outsourcing	21,654	27.3%	24,270	24.3%	+12.1%
Call center outsourcing	16,793	21.2%	18,280	18.3%	+8.9%
Factory outsourcing	16,994	21.5%	22,350	22.4%	+31.5%
Care support	7,140	9.0%	9,300	9.3%	+30.3%
Overseas HR	13,170	16.6%	20,760	20.8%	+57.6%
Others (Japan)	3,443	4.3%	5,040	5.0%	+46.3%
Consolidated Sales	79,197	100.0%	100,000	100.0%	+26.3%

※From FY3/19, dispatch and recruitment of workers to offices, which was included in "Others," was integrated into Call center outsourcing business.

As for the sales outsourcing business, sales are estimated to increase by 12.1% year on year, while expecting the growth of the communications domain as well as the non-communications domain, including apparel. Profit will be curbed by the establishment of 10 business bases for expanding the non-communications domain, and the incentive in the communications domain is estimated conservatively.

As for the call center outsourcing business (the business of dispatch and recruitment of office workers integrated in the term ending March 2019), sales are projected to grow 8.9% year on year, due to the increase of orders for financial projects and the dispatch of contract staff to offices utilizing the nationwide network of bases. As for profit, gross profit rate is estimated to improve, thanks to the cultivation of long-term contracts, etc.

As for the factory outsourcing business, sales are forecasted to grow 31.5% year on year and profitability is estimated to improve, thanks to the contribution of the non-food product domain and Little Seeds Service Corporation, which was reorganized into a consolidated subsidiary in the term ended March 2018, as well as the expansion of the food product domain.

As for the care support business, 6 to 10 bases are to be established, and the company will have 50 bases by the end of the term ending March 2019. Sales are estimated to increase 30.3% year on year, in parallel with the improvement in the rate of utilization of facilities that had been opened by the previous term. The number of profitable facilities opened more than 2 years ago will increase, recouping upfront investment and earning profit.

As for the overseas HR business, sales are projected to rise 57.6% year on year, thanks to the full-year contribution of DFP Recruitment Holdings

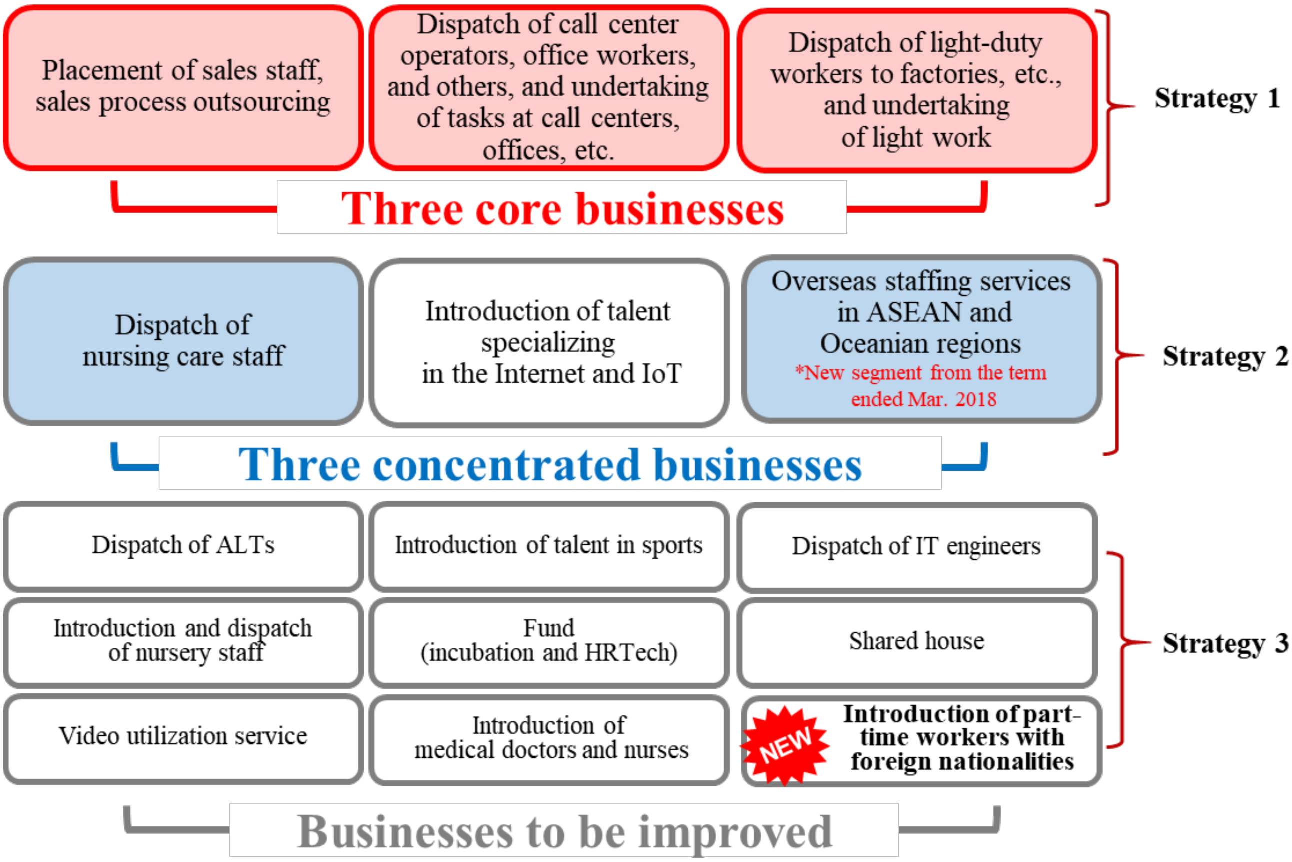
Pty Ltd. (Australia), which was reorganized into a consolidated subsidiary in January 2018. Profit is forecasted to decline, because of the conservative estimates for exchange rates, etc.

As for other domestic businesses, sales are estimated to grow 46.3% year on year, thanks to the expansion of existing businesses and new businesses, including the introduction of part-time workers with foreign nationalities. Profit is projected to increase significantly, mainly in the concentrated business of recruitment of personnel specializing in the Internet and IoT.

In addition, joint cost (adjustment) is forecasted to augment 470 million yen, taking into account an upfront investment of 400 million yen for upgrading the infrastructure system and strengthening functions for technology shift for operation.

4. Progress of the Medium-Term Management Plan "Will Vision 2020" (FY 3/17 to FY 3/20)

The intensive strategies set in the medium-term management plan "Will Vision 2020" are (1) to grow the 3 core businesses to No.1 in respective fields, (2) to establish 3 new businesses as mainstays, and (3) create a certain scale of business in a new field other than those mentioned above. In the final term ending March 2020, the company aims to achieve sales of 100 billion yen and an operating income of 4 billion yen. As a policy for return to shareholders, the company has set a total return ratio (ratio of the sum of dividends and treasury shares acquired to net income) at 30% in the term ending March 2020.



(Source: WILL GROUP)

Progress of intensive strategies

As for (1), the company is striving to expand the in-store share of the Will Group, broaden its marketing areas, and diversify its related business fields, and sales are steadily growing.

Sales outsourcing business	FY 3/16: sales of 17,359 million yen	⇒	FY 3/18: sales of 21,654 million yen
Call center outsourcing business	FY 3/16: sales of 9,938 million yen	⇒	FY 3/18: sales of 16,793 million yen
Factory outsourcing business	FY 3/16: sales of 10,346 million yen	⇒	FY 3/18: sales of 16,994 million yen

As for (2), the company is striving to promote the placement of nursing care staff, improve overseas staffing services mainly in ASEAN and Oceanian regions, and enhance the recruitment of personnel specializing in the Internet and IoT. As for the placement of nursing care staff, the care support business is expected to earn annual sales of 9.3 billion yen in the term ending March 2019, contributing to profit (each facility starts contributing to profit 3 years after establishment). As for the overseas staffing service in mainly ASEAN and Oceanian regions, the overseas HR business is estimated to earn annual sales of 20.7 billion yen in the term ending March 2019, and it has already started contributing to profit. As for the recruitment of personnel specializing in the Internet and IoT, the company provides C-level positions executive search services and the number of executives introduced by the company increased 15 times in five years from 20 in the term ended March 2014 (the year of business start-up) to 315 in the term ended March 2018, because there is a growing demand for executives in the Internet and IoT ventures amid the IPO boom. This business spun off from SAINT MEDIA, INC. in the term ended September 2016, and changed its brand name from "Net Jinzai Bank" to "for Startups" in the term ended March 2018. Because of the characteristics of its business, the scale of sales is not large, but profitability is high.
As for (3), the company makes investments in ventures via corporate venture capital, conducts M&A, injects small funds, forms alliances, launches new businesses by itself, and more. It is developing the media for recruitment of foreign part-time workers.

To achieve target sales and operating income

The company is expected to achieve sales of 100 billion yen in the term ending March 2019, one year earlier than planned. As for operating income, the company aims to earn 2.6 billion yen in the term ending March 2019, and additional 890 million yen in the 3 core businesses and 670 million yen in the 3 concentrated businesses in the term ending March 2020, offsetting the 160 million yen augmentation of costs for developing new businesses and common expense, to achieve 4 billion yen.

Estimated variation in the number of facilities and profit/loss in the care support business

	FY 3/14	FY 3/15	FY 3/16	FY 3/17	FY 3/18	FY 3/19 (forecast)	FY 3/20 (estimate)
No. of facilities opened within 2 years	2	9	25	21	14	17	12
No. of facilities opened more than 2 years ago (the main source of profit)	-	-	2	9	27	30	41
Total	2	9	27	30	41	About 50	Over 50
Profit (100 million yen)	-	-	-	-	-0.1	0.9	3.8

Estimated sales and profit in the overseas HR business

	FY 3/18	FY 3/19 (forecast)	FY 3/20 (estimate)
Sales (billion yen)	13.1	20.7	21.8
Profit (million yen)	350	310	390
No. of subsidiaries	21	21	21

Results of recruitment of personnel specializing in the Internet and IoT

	FY 3/14	FY 3/15	FY 3/16	FY 3/17	FY 3/18
No. of workers recruited	20	101	160	185	315

5. Conclusions

In the medium-term management plan, the company aims to achieve sales of 100 billion yen and an operating income of 4 billion yen in the final term ending March 2020. Target sales are projected to be achieved one year earlier than planned, but it is necessary to increase operating income at an annual rate of around 30% for two consecutive years (FY 3/19 and FY 3/20). Since operating income is estimated to grow only 7.6% in FY 3/19, it is necessary to earn much more operating income in FY 3/20. However, in the term ending March 2019, the company will fortify its marketing base by expanding sales areas and cultivating new fields for the 3 core businesses. Among the 3 concentrated businesses, the care support business, which will have 50 facilities as targeted, will enter the profit-earning phase in FY 3/19 or later, and the business of recruitment of personnel specializing in the Internet and IoT is riding the tide of market expansion and will increasingly contribute to total profit. This business has a high profit rate, so even when its contribution to sales is small, that to profit becomes significant. As for the overseas HR business, there is a concern over exchange rates, but the revenue from existing subsidiaries is stable, and M&A is expected to improve the business performance.
The key point for the term ending March 2019 is how much the company can increase the possibility of achieving their goals. We would like to pay attention to the progress and outcomes of their measures.

<Reference: Regarding Corporate Governance>

◎ Organization type, and the composition of directors and auditors

Organization type	Company with company auditor(s)
Directors	5 directors, including 2 external ones
Auditors	3 auditors, including 3 external ones

◎ Corporate Governance Report **Updated on June 20, 2018**

Basic policy

In order to make our business administration transparent and compliant with law, our company will develop a structure for swiftly and flexibly responding to the changes in the business environment of the entire group of our company, while enriching corporate governance. We will implement a variety of company-wide measures for diffusing our corporate ethics, philosophy, etc. among all employees of our corporate group.

<Disclosure Based on the Principles of the Corporate Governance Code (Excerpts)>

【Principle 1-4】

(A) Policy on strategically held shares

Comprehensively considering creation of business opportunities, and establishment, maintenance and enhancement of transaction and cooperative relationships, and the like, our company will hold shares when strategically necessary.

(B) Criteria for the execution of voting rights relating to strategically held shares

Our company will determine whether or not to exercise our voting rights based on various perspectives such as medium to long-term improvement of corporate value and enhancement of shareholder return, with sufficient respect for the management policy, strategy, and the like of companies that we invest in, not based on pros and cons in a uniform manner.

【Principle 5-1】

Our company has formulated the disclosure policy which consists of “Basic policy on information disclosure,” ‘Criteria for information disclosure,” “Methods for information disclosure,” “Future outlook,” and “Silent period” and published them on our website. Moreover, our policy on encouraging constructive dialogue with shareholders is as follows:

(1) In our company, the president and the director in charge of the Administration department proactively have dialogue and conduct IR activities to facilitate good bilateral communication with shareholders, with weight attached to fairness, accuracy, and continuity of the management strategy, business strategy, financial information, and the like.
(2) Various departments, including not only the Administration department but also the Management planning department, General Affairs department, Financial department, Accounting department, Legal department, and personnel in charge of each business, organically cooperate with each other to disclose information in a timely, fair and proper fashion.
(3) Our company endeavors to enrich company information sessions for shareholders and the like, as a means of dialogue.
(4) Our company appropriately and effectively feeds back opinions or concerns of shareholders, and the like, obtained through dialogue with them to each meeting structure of our company by the president or the director in charge of the Administration department.
(5) In addition to the silent period in accordance with the disclosure policy, our company thoroughly enforces the regulations for management of insider information.

To view back numbers of Bridge Reports on WILL GROUP, INC. (6089) and other companies and to see IR related seminars of Bridge Salon, please go to our website at the following url: www.bridge-salon.jp/