June 19, 2019

Summary of Consolidated Financial Results for the Fiscal Year Ended March 31, 2019 [IFRS]

Company name: WILL GROUP, INC. Listing: Tokyo Stock Exchange, First Section
Stock code: 6089 URL: https://willgroup.co.jp/
Representative: Ryosuke Ikeda, Chairman and Representative Director
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Tel: +81-3-6859-8880
Scheduled date of Annual General Meeting of Shareholders: June 19, 2019
Scheduled date of payment of dividend: June 20, 2019
Scheduled date of filing of Annual Securities Report: June 19, 2019
Preparation of supplementary materials for financial results: Yes
Holding of financial results meeting: None

(All amounts are rounded down to the nearest million yen)

1. Consolidated Financial Results for the Fiscal Year Ended March 31, 2019 (April 1, 2018 – March 31, 2019)

(1) Consolidated operating results (Percentages represent year-on-year changes)

	Revenue		Operating profit		Profit before tax		Profit		Profit attributable to owners of parent		Total comprehensive income	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Million yen	%
Fiscal year ended Mar. 31, 2019	103,300	30.3	2,979	14.7	2,898	15.5	1,750	1.7	1,554	7.1	1,368	(13.7)
Fiscal year ended Mar. 31, 2018	79,273	-	2,597	-	2,510	-	1,721	-	1,451	-	1,586	-

	Basic earnings per share	Diluted earnings per share	Ratio of profit to equity attributable to owners of parent	Ratio of profit before tax to total assets	Ratio of operating profit to revenue
	Yen	Yen	%	%	%
Fiscal year ended Mar. 31, 2019	70.15	68.27	27.6	6.9	2.9
Fiscal year ended Mar. 31, 2018	68.91	66.04	27.9	7.1	3.3

Reference: Share of profit (loss) of investments accounted for using equity method (Millions of yen)
Fiscal year ended Mar. 31, 2019: - Fiscal year ended Mar. 31, 2018: -

(2) Consolidated financial position

	Total assets	Total equity	Equity attributable to owners of parent	Ratio of equity attributable to owners of parent to total assets	Equity per share attributable to owners of parent
	Million yen	Million yen	Million yen	%	Yen
As of Mar. 31, 2019	42,287	5,066	4,197	9.9	188.76
As of Mar. 31, 2018	35,600	8,497	7,056	19.8	319.04

(3) Consolidated cash flows

	Cash flows from operating activities	Cash flows from investing activities	Cash flows from financing activities	Cash and cash equivalents at end of period
	Million yen	Million yen	Million yen	Million yen
Fiscal year ended Mar. 31, 2019	2,807	(5,635)	564	6,862
Fiscal year ended Mar. 31, 2018	4,462	(2,331)	3,247	9,159

2. Dividends

	Dividend per share					Total dividends	Payout ratio (consolidated)	Ratio of dividends to equity attributable to owners of parent (consolidated)
	1Q-end	2Q-end	3Q-end	Year-end	Total			
	Yen	Yen	Yen	Yen	Yen	Million yen	%	%
Fiscal year ended Mar. 31, 2018	-	0.00	-	18.00	18.00	398	26.1	7.2
Fiscal year ended Mar. 31, 2019	-	0.00	-	18.00	18.00	400	25.7	7.1
Fiscal year ending Mar. 31, 2020 (forecast)	-	0.00	-	18.00	18.00		20.3	

3. Consolidated Earnings Forecasts for the Fiscal Year Ending March 31, 2020 (April 1, 2019 – March 31, 2020)

(Percentages represent year-on-year changes)

	Revenue		Operating profit		Profit before tax		Profit		Profit attributable to owners of parent		Basic earnings per share
	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Yen
First half	58,000	-	1,400	-	1,400	-	800	-	650	-	29.23
Full year	120,000	16.2	4,000	34.3	3,800	31.1	2,300	31.4	1,970	26.7	88.59

*** Notes**

(1) Changes in significant subsidiaries during the period (changes in scope of consolidation): None

Newly added: - Name: - Excluded: - Name: -

(2) Changes in accounting policies and accounting-based estimates

1) Changes in accounting policies required by IFRS: None
2) Changes in accounting policies other than 1) above: None
3) Changes in accounting-based estimates: None

(3) Number of outstanding shares (common stock)

1) Number of shares outstanding at the end of period (including treasury shares)

As of Mar. 31, 2019:	22,242,400 shares	As of Mar. 31, 2018:	22,124,000 shares

2) Number of treasury shares at the end of period

As of Mar. 31, 2019:	6,303 shares	As of Mar. 31, 2018:	6,168 shares

3) Average number of shares outstanding during the period

Fiscal year ended Mar. 31, 2019:	22,161,764 shares	Fiscal year ended Mar. 31, 2018:	21,066,893 shares

* This financial report is not subject to audit by certified public accountants or auditing firms.

* Explanation of appropriate use of earnings forecasts and other special items

Forecasts of future performance in this report are based on assumptions judged to be valid and information available to the Company's management at the time the materials were prepared, but are not promises by the Company regarding future performance. Actual results may differ significantly from these forecasts for a number of reasons. Please refer to "1. Overview of Results of Operations, (5) Outlook" on page 6 for forecast assumptions and notes of caution for usage.

The Group has adopted International Financial Reporting Standards (IFRS) from the fiscal year ended March 31, 2019. The figures for the fiscal year ended March 31, 2018 are also presented in accordance with IFRS.

For differences between IFRS and Japanese GAAP as they pertain to financial figures, please refer to "3. Consolidated Financial Statements and Notes, (5) Notes to Consolidated Financial Statements, First-time Adoption" on pages 25 through 33.

Contents of Attachments

1. Overview of Results of Operations

(1) Results of Operations

In the fiscal year ended March 31, 2019, the Japanese economy recovered slowly as the labor market and personal income continued to improve, though natural disasters temporarily put some downward pressure on the economy. Nevertheless, its outlook remains unclear due to significant uncertainty in the global economy over concerns including the U.S.-China trade issues and the UK’s withdrawal from the European Union (EU) (Brexit). The human resources service market in Japan, however, enjoyed strong demand backed primarily by a high job openings-to-applicants ratio of 1.6, a persistent labor shortage, the enactment of working style reforms and an increase in foreign labor force.

The Company and its subsidiaries (the “Group”) are guided by the mission of serving as an agent of change to bring about positive changes to both individuals and organizations. By upgrading specialized skills in all our businesses, we have sought to improve customer satisfaction and further differentiate our services. One goal is to raise our in-store share, which is our temporary staffing and consignment workers as a percentage of all these workers at a client company. Another goal is to expand our business operations to more areas of Japan and other countries. In addition, we focused on diversifying offerings in the three strategic growth businesses, namely temporary staffing and permanent placement services in the nursing care field; human resources services overseas; and human resources services in the internet and IoT field. Further, as part of business expansion through M&A, the Company converted a number of companies into consolidated subsidiaries, including C4 inc. in Japan in June 2018, Quay Appointments Pty Ltd. and other two companies abroad in September 2018, and The Chapman Consulting Group Pte. Ltd. and other six companies in January 2019. C4 inc. is a company providing temporary staffing and permanent placement of construction management engineers with the aim to grow business in the construction sector; Quay Appointments Pty Ltd. has core strengths in providing temporary staffing services to Australian government agencies; and The Chapman Consulting Group Pte. Ltd. is a company focused on HR primarily in Singapore, providing permanent placement and consulting services.

Adoption of IFRS

The Group has adopted IFRS in place of the previously adopted Japanese GAAP from the beginning of the fiscal year ended March 31, 2019. The figures for the fiscal year ended March 31, 2018 have also been reclassified in accordance with IFRS for the purpose of comparative analysis. Please refer to “3. Consolidated Financial Statements and Notes, (5) Notes to Consolidated Financial Statements, First-time Adoption” for reconciliations required to be disclosed under IFRS.

As a result, for the fiscal year ended March 31, 2019, the Company reported revenue of 103,300 million yen (up 30.3% year on year), operating profit of 2,979 million yen (up 14.7%), profit before tax of 2,898 million yen (up 15.5%), profit of 1,750 million yen (up 1.7%) and profit attributable to owners of parent of 1,554 million yen (up 7.1%). EBITDA (operating profit + depreciation and amortization + impairment losses) was 4,570 million yen (up 27.7%).

Results by operating segment were as follows.

Sales Outsourcing Business

Saint Media, Inc. provides store sales personnel and other categories of workers. As the demand for sales personnel continued to be solid, this company concentrated on raising its in-store share with existing client companies and expanding consignment business. The core telecommunications sector saw some stagnation in the business climate due mainly to decreased domestic shipment of smartphones and customers cutting down on their sales promotion expenses. However, we achieved stable growth outside the telecommunications sector by expanding sales areas and thus wining more orders for temporary staffing services in the apparel industry. Also, CreativeBank Inc. received strong demand for its sales promotion service, including orders for retail support and marketing campaigns from large IT companies, orders for private seminars and exhibitions from other companies, as well as joint activities with a large distributor (a trading company specializing in IT).

For the fiscal year ended March 31, 2019, earnings decreased mainly due to lower gross profit margin caused primarily by a decrease in telecommunications sector incentive payments and an increase in outsourcing expenses, and higher personnel expenses associated with the expansion of sale and service locations for growth in sectors other than telecommunications.

As a result, the segment recorded revenue of 22,207 million yen (up 2.6% year on year) and segment profit of 1,537 million yen (down 12.1%).

Call Center Outsourcing Business

Saint Media, providing call center staffing and office human resources services, received increased demand for office outsourcing service from companies that are short of human resources and thus are in need of enhancing their operational efficiency. Saint Media focused especially on increasing orders from financial institutions and orders for in-house projects that are more profitable. The company also focused on the recruitment of senior-level staff.

Overall, earnings increased on the back of improved productivity and subsequent decreases in sales and general administrative expenses, despite sales decline caused primarily by a decrease in the number of employees on assignments.

As a result, the segment recorded revenue of 15,724 million yen (down 6.4% year on year) and segment profit of 833 million yen (up 1.6%).

Factory Outsourcing Business

For FAJ, Inc., which provides human resources services primarily to manufacturers and other corporate customers, the food manufacturing sector was the primary source of its growth. This is primarily a reflection of the solid demand for prepared food items and for desserts and bento lunch boxes sold at convenience stores. FAJ worked on expanding business to more areas of Japan and newly opened seven facilities. Little Seeds Service, which became a consolidated subsidiary in September 2017, also contributed to this segment’s earnings from the beginning of the fiscal year ended March 31, 2019. In this segment, we also worked on a number of growth initiatives for sectors other than the food sector, including the cosmetics sector. On the recruitment side, the segment continued to strengthen the recruitment of foreign workers and sought to improve their retention rate by increasing the number of foreign staff working as field supporters (full-time regular employees working on-site).

Although the expansion of operations to more areas of Japan resulted in increased personnel and other expenses, the segment’s profit increased as higher sales outweighed the negative effect of such increased expenses.

As a result, the segment recorded revenue of 20,885 million yen (up 22.9% year on year) and segment profit of 1,038 million yen (up 16.5%).

Care Support Business

Saint Media, Inc. continued to expand its network for nursing care human resources services by newly opening six branch offices, and as a result, the number of branch offices increased to a total of 47 in Japan. The segment also focused on increasing the number of workers on assignments through a range of intensive efforts, such as providing support to job seekers and making proposals to client companies on a diverse forms of employment, so that all kinds of staff, ranging from those inexperienced or with limited experience in the assignments to those who hope to work non-full time, can use their abilities at workplace. In addition, the segment focused on efforts to improve its gross operating margin, including the revision of contract terms with existing customers and expansion of permanent placement of caregivers which is more profitable. Furthermore, the segment launched activities towards accepting orders for the management of foreign workers, including interns and those with particular skills, who are in ever greater demand from nursing care facilities.

Although the amount of up-front investments increased due to opening of new offices and other activities, the segment’s profit increased backed by improved gross profit margin resulting from an increase in sales from highly profitable permanent placement service and an increase in the number of locations that have continued to operate for more than three years, a benchmark to measure whether the business is able to earn meaningful profits in the years ahead.

As a result, the segment recorded revenue of 9,310 million yen (up 30.4% year on year) and segment profit of 182 million yen (compared with segment loss of 16 million yen a year earlier).

Overseas Human Resources Business

In the Overseas Human Resources Business, which has an operating presence in the ASEAN and Oceania regions, the consolidated subsidiaries in Singapore and Australia performed strongly. In addition, DFP Recruitment Holdings Pty Ltd, which became consolidated subsidiary in January 2018 and is engaged in human resources services for office work and call center operations in Australia, contributed to the segment's earnings from the beginning of the fiscal year ended March 31, 2019; and also Quay Appointments Pty Ltd and two other companies, which became consolidated subsidiaries in September 2018, and The Chapman Consulting Group and other six companies, which became consolidated subsidiaries in January 2019, contributed to the segment's earnings.

As a result, the segment recorded revenue of 26,275 million yen (up 99.5% year on year) and segment profit of 428 million yen (up 20.2%).

HR Support Business for Startups

The environment surrounding startups has grown more attractive and vibrant on the back of government-backed support like "J-Startup" and higher equity investments by venture capitals. In fact, demand for human resources from startups is quite strong. Under such circumstances, the segment focused on hiring more consultants in order to increase the permanent placement of personnel from the beginning of the fiscal year ended March 31, 2019, and also implemented measures to increase matching accuracy and improve productivity. In addition, the operating segment launched STARTUP DB, an information platform devoted solely to ever evolving growth industries.

Overall, earnings increased due to growth of the business.

As a result, the segment recorded revenue of 1,049 million yen (up 43.5% year on year) and segment profit of 269 million yen (up 29.0%).

Others

Temporary staffing for assistant language teachers (ALT) and temporary and permanent placement services for nursery school personnel increased steadily. We also proactively invested in the development of new businesses, such as "Joboty," job introduction media for part-time foreign workers, and "Visamane," a residence card management system. In addition, C4 inc., providing temporary staffing and placement services for construction management engineers and converted into a consolidated subsidiary in June 2018, contributed to earnings.

Overall, earnings for this segment increased driven by expansion of the ALT temporary staffing and nursery school personnel temporary staffing and permanent services, and withdrawal from loss-making business.

As a result, the segment recorded revenue of 8,151 million yen (up 200.5% year on year) and segment profit of 143 million yen (compared with segment loss of 77 million yen a year earlier).

(2) Financial Position

Assets

Current assets at the end of the current fiscal year amounted to 22,536 million yen, up 897 million yen from the end of the previous fiscal year. This is primarily because a decrease in cash and deposits of 2,297 million yen was offset by increases in trade and other receivables of 2,893 million yen and other current assets of 289 million yen.

Non-current assets amounted to 19,750 million yen at the end of the current fiscal year, up 5,788 million yen from the end of the previous fiscal year. This is primarily because goodwill associated with business combinations increased 3,592 million yen, intangible assets increased 1,294 million yen due to allocation of acquisition costs, and property, plant and equipment increased 358 million yen due to capital investment in IT infrastructure.

As a result, total assets increased 6,686 million yen from the end of the previous fiscal year to 42,287 million yen.

Liabilities

Current liabilities at the end of the current fiscal year amounted to 20,541 million yen, up 2,107 million yen from the end of the previous fiscal year. This is primarily due to increases in trade and other payables of 2,107 million yen and other current liabilities of 331 million yen, despite a decrease in other financial liabilities of 488 million yen.

Non-current liabilities amounted to 16,679 million yen at the end of the current fiscal year, up 8,009 million yen from the end of the previous fiscal year. This is primarily due to increases in borrowings of 5,112 million yen and other financial liabilities of 2,443 million yen.

As a result, total liabilities increased 10,117 million yen from the end of the previous fiscal year to 37,221 million yen.

Equity

Total equity at the end of the current fiscal year amounted to 5,066 million yen, down 3,430 million yen from the end of the previous fiscal year. This is primarily because retained earnings increased 1,143 million yen due to the booking of profit attributable to owners of parent and other factors, while capital surplus decreased 3,667 million yen and non-controlling interests decreased 571 million yen due to additional purchase of shares of affiliated companies and other factors.

As a result, the ratio of equity attributable to owners of parent to total assets declined to 9.9% compared with 19.8% at the end of the previous fiscal year.

(3) Cash Flows

Cash flows from operating activities

Net cash provided by operating activities was 2,807 million yen, compared with 4,462 million yen provided in the previous fiscal year. This is primarily due to profit before tax of 2,898 million yen, depreciation and amortization of 1,558 million yen and an increase in trade payables of 973 million yen, despite an increase in trade receivables of 1,613 million yen and income taxes paid of 1,142 million yen.

Cash flows from investing activities

Net cash used in investing activities was 5,635 million yen, compared with 2,331 million yen used in the previous fiscal year. This is primarily due to purchase of investments in subsidiaries resulting in change in scope of consolidation of 4,267 million yen; purchase of property, plant and equipment, and intangible assets of 770 million yen; and purchase of investment securities of 644 million yen.

Cash flows from financing activities

Net cash provided by financing activities was 564 million yen, compared with 3,247 million yen provided in the previous fiscal year. This is primarily due to proceeds from long-term borrowings of 8,518 million yen, despite purchase of investments in subsidiaries not resulting in change in scope of consolidation of 3,206 million yen, a net decrease in short-term borrowings of 1,778 million yen and repayments of long-term borrowings of 1,701 million yen.

(4) Basic Policy for Profit Distribution and Dividends in the Current and Next Fiscal Years

The basic policy for dividends is to distribute earnings to shareholders while increasing internal reserves as needed to maintain the stability of business activities. More specifically, in view of the results of operations in each fiscal year and other factors, we have aimed to achieve a total return ratio of 30% (the sum of dividends paid and stock repurchases as a proportion to net profit) in 2020.

While the Company embraces a fundamental policy to pay dividends once a year, its Articles of Incorporation include a provision for the payment of an interim dividend as provided for in Article 454, Paragraph 5 of the Companies Act. The interim dividend is determined by the Board of Directors and the year-end dividend is determined at the general meeting of shareholders.

The Company plans to pay a year-end ordinary dividend of 18 yen per share for the fiscal year ended on March 31, 2019 and plans to pay the same ordinary dividend for the fiscal year ending on March 31, 2020.

(5) Outlook

Our Group formulated the medium-term management plan “Will Vision 2020” running through the fiscal year ending March 31, 2020 and has sought to achieve targets set out in the plan. We have already achieved the sales target of 100.0 billion yen a year ahead of schedule, with contribution of M&A mostly overseas to our earnings; in the period ending March 31, 2020, we will strive to achieve an operating profit of 4.0 billion yen.

In the matured Sales Outsourcing and Call Center Outsourcing businesses, two of the three major operating segments, recruiting employees has become more difficult due to changing business environment, as compared to when the medium-term management plan was formulated. Nevertheless, we will strive to achieve the operating profit of 4.0 billion yen as the three strategic growth businesses and other new domain businesses are expected to grow strongly.

In addition, to drive recruitment of employees in Japan, one of our key management issues, we plan to bring together the services of major subsidiaries in Japan under the brand name of “WILLOF” in October 2019, so that we can increase our name recognition and improve the Group’s ability to provide relevant services. More specifically, we focus on increasing the number of people recruited through our own website and referral of candidates by our existing workforce to make our recruiting channel even stronger and ultimately strengthen our recruiting capability.

Strategies by operating segment are as shown below.

In the Sales Outsourcing Business, we are surrounded by an uncertain future business environment of the telecommunications sector as the business will likely be affected by a reduction in monthly communication charges and a stall in the growth of smartphone shipments in Japan. Given this situation, we will first strive to enhance the profit margin in the telecommunications sector by improving sales performance and operating capabilities with an increased proportion of full-time regular employees working on-site, then expand temporary staffing and consignment services in the apparel sector, and finally increase sales by expanding and developing new businesses such as the service to perform sales and marketing on behalf of customers. With these effort in place, we will ensure that the business will become more profitable and consistent.

In the Call Center Outsourcing Business where we expect the demand for outsourcing to keep growing, we focus on shifting away from temporary staffing to consignment services, as well as winning new consignment deals through the dispatch of hybrid teams, one of our strengths. We will again ensure that the business will become more profitable and consistent by seeking and winning highly profitable deals.

In the Factory Outsourcing Business, we plan to use our sales and service network to increase the volume of business with companies in the food sector, where the demand for prepared food items and bento lunch boxes is rising. We are also committed to receiving more orders in new sectors other than the food sector. Further, we will expand the business by continuing to strengthen the recruitment of foreign workers and making efforts to expand services of permanent placement for foreign engineers and registration support for Specified Skilled Workers.

In the Care Support Business, as we have almost completed the deployment of business locations, we will focus on improving profit margin. By leveraging our nationwide network, we will increase sales from highly profitable permanent placement service and provide support for facilities that seek to hire foreign nursing care workers so that we will strengthen the competitiveness of the business as a new pillar of growth.

In the Overseas Human Resources Business, we will continue to expand its scale by achieving further growth of the companies acquired through M&A primarily in the ASEAN and Oceania regions and creating synergy among the overseas subsidiaries so they can refer each other to their customers.

In the HR Support Business for Startups, we will focus on improving productivity through a range of measures and technologies to improve operational efficiency, including an automated matching between employers and job seekers, while expanding the business with an increased number of consultants. We will also upgrade our information platform dedicated to growth industries.

In the Others segment, we plan to expand existing businesses, including the temporary staffing and placement services for construction management engineers and nursery school personnel, and placement of foreign part-time workers, while proactively making efforts to develop new businesses by investing in and providing support to promising startups via a corporate venture capital, and also creating and establishing a new source of earnings.

Based on this outlook, in the fiscal year ending on March 31, 2020, we expect to record revenue of 120,000 million yen, operating profit of 4,000 million yen, profit before tax of 3,800 million yen, profit of 2,300 million yen, profit attributable to owners of parent of 1,970 million yen, and EBITDA of 5,700 million yen. All these figures are calculated with the assumed foreign exchange rates of JPY 77.00 per SGD and JPY 79.00 per AUD.

2. Basic Approach to the Selection of Accounting Standards

The Group has prepared consolidated financial statements by adopting International Financial Reporting Standards (IFRS) from the filing of Annual Securities Report for the fiscal year ended March 31, 2019, with a view to further expanding business overseas and improving comparability of our financial information with that of IFRS-based companies abroad.

3. Consolidated Financial Statements and Notes

(1) Consolidated Statement of Financial Position

(Millions of yen)

	Transition date (As of Apr. 1, 2017)	FY3/18 (As of Mar. 31, 2018)	FY3/19 (As of Mar. 31, 2019)
Assets			
Current assets			
Cash and cash equivalents	3,627	9,159	6,862
Trade and other receivables	9,497	11,959	14,852
Other financial assets	56	131	144
Other current assets	305	387	677
Total current assets	13,486	21,638	22,536
Non-current assets			
Property, plant and equipment	502	1,061	1,420
Right-of-use assets	3,863	6,278	6,160
Goodwill	1,414	2,216	5,809
Other intangible assets	343	1,620	2,914
Other financial assets	480	741	959
Deferred tax assets	798	1,158	1,434
Other non-current assets	666	884	1,051
Total non-current assets	8,070	13,961	19,750
Total assets	21,557	35,600	42,287

(Millions of yen)

	Transition date (As of Apr. 1, 2017)	FY3/18 (As of Mar. 31, 2018)	FY3/19 (As of Mar. 31, 2019)
Liabilities			
Current liabilities			
Trade and other payables	7,431	10,224	12,331
Borrowings	2,039	3,931	3,924
Other financial liabilities	517	1,429	941
Income taxes payable	344	475	639
Other current liabilities	1,161	2,372	2,704
Total current liabilities	11,494	18,433	20,541
Non-current liabilities			
Borrowings	2,322	2,417	7,529
Other financial liabilities	3,348	5,726	8,169
Deferred tax liabilities	5	254	623
Other non-current liabilities	177	272	357
Total non-current liabilities	5,853	8,670	16,679
Total liabilities	17,348	27,103	37,221
Equity			
Share capital	609	1,993	2,017
Capital surplus	980	1,934	(1,733)
Treasury shares	(317)	(2)	(2)
Other components of equity	(108)	(264)	(622)
Retained earnings	2,174	3,395	4,538
Total equity attributable to owners of parent	3,339	7,056	4,197
Non-controlling interests	869	1,440	869
Total equity	4,208	8,497	5,066
Total liabilities and equity	21,557	35,600	42,287

(2) Consolidated Statements of Profit or Loss and Comprehensive Income

Consolidated Statement of Profit or Loss

(Millions of yen)

	FY3/18 (Apr. 1, 2017 – Mar. 31, 2018)	FY3/19 (Apr. 1, 2018 – Mar. 31, 2019)
Revenue	79,273	103,300
Cost of sales	63,326	82,995
Gross profit	15,946	20,305
Selling, general and administrative expenses	13,415	17,385
Other income	92	127
Other expenses	26	67
Operating profit	2,597	2,979
Finance income	2	25
Finance costs	90	106
Profit before tax	2,510	2,898
Income tax expense	788	1,148
Profit	1,721	1,750
Profit attributable to		
Owners of parent	1,451	1,554
Non-controlling interests	269	195
Earnings per share		
Basic earnings per share (Yen)	68.91	70.15
Diluted earnings per share (Yen)	66.04	68.27

Consolidated Statement of Comprehensive Income

(Millions of yen)

	FY3/18 (Apr. 1, 2017 – Mar. 31, 2018)	FY3/19 (Apr. 1, 2018 – Mar. 31, 2019)
Profit	1,721	1,750
Other comprehensive income		
Items that will not be reclassified to profit or loss		
Financial assets measured at fair value through other comprehensive income	(23)	(276)
Total of items that will not be reclassified to profit or loss	(23)	(276)
Items that may be reclassified to profit or loss		
Cash flow hedges	-	(18)
Exchange differences on translation of foreign operations	(111)	(86)
Total of items that may be reclassified to profit or loss	(111)	(104)
Other comprehensive income, net of tax	(134)	(381)
Comprehensive income	1,586	1,368
Comprehensive income attributable to		
Owners of parent	1,321	1,183
Non-controlling interests	265	185

(3) Consolidated Statement of Changes in Equity

(Millions of yen)

	Share capital	Capital surplus	Treasury shares	Total other components of equity	Retained earnings	Total equity attributable to owners of parent	Non-controlling interests	Total equity
Balance as of April 1, 2017	609	980	(317)	(108)	2,174	3,339	869	4,208
Profit	-	-	-	-	1,451	1,451	269	1,721
Other comprehensive income	-	-	-	(130)	-	(130)	(4)	(134)
Comprehensive income	-	-	-	(130)	1,451	1,321	265	1,586
Dividends of surplus	-	-	-	-	(257)	(257)	-	(257)
Purchase of treasury shares	-	-	-	-	-	-	-	-
Disposal of treasury shares	-	259	314	-	-	573	-	573
Share-based payment transactions	-	110	-	-	-	110	-	110
Issuance of new shares	1,384	1,384	-	-	-	2,768	-	2,768
Increase (decrease) by business combination	-	(800)	-	-	-	(800)	290	(509)
Transfer from other components of equity to retained earnings	-	-	-	(25)	25	-	-	-
Other	-	-	-	-	-	-	14	14
Total transactions with owners	1,384	953	314	(25)	(231)	2,395	305	2,701
Balance as of March 31, 2018	1,993	1,934	(2)	(264)	3,395	7,056	1,440	8,497
Profit	-	-	-	-	1,554	1,554	195	1,750
Other comprehensive income	-	-	-	(371)	-	(371)	(9)	(381)
Comprehensive income	-	-	-	(371)	1,554	1,183	185	1,368
Dividends of surplus	-	-	-	-	(398)	(398)	-	(398)
Purchase of treasury shares	-	-	(0)	-	-	(0)	-	(0)
Disposal of treasury shares	-	-	-	-	-	-	-	-
Share-based payment transactions	-	136	-	-	-	136	-	136
Issuance of new shares	23	183	-	-	-	206	-	206
Increase (decrease) by business combination	-	(3,987)	-	-	-	(3,987)	(747)	(4,735)
Transfer from other components of equity to retained earnings	-	-	-	13	(13)	-	-	-
Other	-	-	-	-	-	-	(9)	(9)
Total transactions with owners	23	(3,667)	(0)	13	(411)	(4,042)	(757)	(4,799)
Balance as of March 31, 2019	2,017	(1,733)	(2)	(622)	4,538	4,197	869	5,066

(4) Consolidated Statement of Cash Flows

(Millions of yen)

	FY3/18 (Apr. 1, 2017 – Mar. 31, 2018)	FY3/19 (Apr. 1, 2018 – Mar. 31, 2019)
Cash flows from operating activities		
Profit before tax	2,510	2,898
Depreciation and amortization	981	1,558
Share-based payment expenses	144	282
Decrease (increase) in trade receivables	(716)	(1,613)
Increase (decrease) in trade payables	1,956	973
Other	641	(58)
Subtotal	5,516	4,042
Interest and dividends received	2	4
Interest paid	(53)	(97)
Income taxes paid	(1,003)	(1,142)
Net cash provided by (used in) operating activities	4,462	2,807
Cash flows from investing activities		
Purchase of property, plant and equipment, and intangible assets	(495)	(770)
Purchase of investment securities	(159)	(644)
Proceeds from sale of investment securities	40	77
Purchase of investments in subsidiaries resulting in change in scope of consolidation	(1,403)	(4,267)
Other	(313)	(29)
Net cash provided by (used in) investing activities	(2,331)	(5,635)
Cash flows from financing activities		
Net increase (decrease) in short-term borrowings	1,157	(1,778)
Proceeds from long-term borrowings	1,870	8,518
Repayments of long-term borrowings	(2,014)	(1,701)
Proceeds from issuance of shares resulting from exercise of share acquisition rights	2,740	45
Purchase of investments in subsidiaries not resulting in change in scope of consolidation	(101)	(3,206)
Repayments of lease obligations	(730)	(1,084)
Dividends paid	(257)	(397)
Other	582	169
Net cash provided by (used in) financing activities	3,247	564
Effect of exchange rate changes on cash and cash equivalents	153	(34)
Net increase (decrease) in cash and cash equivalents	5,532	(2,297)
Cash and cash equivalents at beginning of period	3,627	9,159
Cash and cash equivalents at end of period	9,159	6,862

(5) Notes to Consolidated Financial Statements

Going Concern Assumption

Not applicable.

Reporting Entity

WILL GROUP, INC. is a company located in Japan. The registered addresses of its head office and other major offices are disclosed on its corporate website (https://willgroup.co.jp/).

Details of the businesses and major activities of the Company and its subsidiaries (the "Group") are described in "Segment and Other Information" on page 22.

Basis of Preparation

(1) Compliance with IFRS and notes on first-time adoption

The Group qualifies as a "specified company complying with designated international accounting standards" as stipulated in Article 1-2 of the Ordinance on Terminology, Forms, and Preparation Methods of Consolidated Financial Statements (Ordinance of the Ministry of Finance No. 28 of 1976). Accordingly, the Group prepares its consolidated financial statements in accordance with IFRS pursuant to the provisions of Article 93 of the said Ordinance.

The consolidated financial statements for the fiscal year ended March 31, 2019 were approved by the Board of Directors on June 19, 2019.

The Group adopted IFRS for the first time in the fiscal year ended March 31, 2019, and the date of transition to IFRS (the "transition date") is April 1, 2017. The effects of the transition to IFRS on the Group's financial position, operating results and cash flows on the transition date and for the fiscal year ended March 31, 2018 are stated in "First-time Adoption" on page 25.

(2) Basis of measurement

The Group's consolidated financial statements are prepared on a cost basis, except for the items stated in "Significant Accounting Policies" on page 15.

(3) Functional currency and presentation currency

The consolidated financial statements of the Group are presented in Japanese yen, which is the functional currency for the Group. All financial figures presented in Japanese yen are rounded down to the nearest million yen.

(4) Early-adoption of new standards

The Group has early adopted IFRS 16 *Leases* (issued in January 2016) since the transition date (April 1, 2017).

(5) New or revised standards and interpretations published but not yet adopted

Of the major new or revised standards and interpretations published prior to the date of authorization of the Group's consolidated financial statements, we estimate the standards the Group has not early adopted will have an immaterial impact on the Group's consolidated financial statements.

(6) Use of judgements, estimates and assumptions

The preparation of consolidated financial statements in accordance with IFRS requires the management to make certain judgements, estimates, and assumptions that affect the application of accounting policies, and the reported amounts of assets, liabilities, revenues and expenses. The actual results, however, could differ from these estimates.

These estimates and underlying assumptions are consistently reviewed. Changes in accounting estimates are recognized in the reporting period in which the changes are made and in any future periods affected.

Information about judgements made on the application of accounting policies that have a material impact on the amounts reported in the consolidated financial statements is included in the descriptions of significant accounting policies for the following items:

- (4) Financial instruments
- (8) Leases
- (9) Impairment of non-financial assets
- (11) Accrued paid leave
- (14) Income taxes

Significant Accounting Policies

Significant accounting policies for the Group are as shown below; these policies apply to all periods presented in the consolidated financial statements, unless otherwise stated.

For details of the exemptions from retrospective application of IFRS 1 the Group has elected in the process of transition from Japanese GAAP to IFRS, please find “First-time Adoption” on page 25.

(1) Basis of consolidation

The consolidated financial statements of the Group include the accounts of the Company and its subsidiaries.

Subsidiaries

A subsidiary is an entity that is controlled by the Group. The Group controls the entity when the Group has power over the entity, is exposed or has rights to variable returns from its involvement with the entity, and has the ability to affect those returns through its power over the entity.

The financial statements of a subsidiary are included in the consolidated financial statements from the date when the Group obtains control over the subsidiary until the date when it loses control of the subsidiary. When the Group retains control over a subsidiary after disposing part of the ownership interest in the subsidiary, changes in ownership interest in the subsidiary are accounted for as equity transactions. Any difference between the amount of adjustment to non-controlling interests and the fair value of the consideration received is recognized immediately in equity as equity attributable to owners of parent. When the Group loses its control over the subsidiary, gains or losses derived from the loss of control are recognized in profit or loss.

The balances of receivables and payables and transactions within the Group and unrealized intercompany profits and losses have been eliminated in preparation of the consolidated financial statements.

(2) Business combinations

Business combinations are accounted for using the acquisition method. Non-controlling interest is measured at its proportionate share in the recognized amounts of the identifiable assets acquired and the liabilities assumed from an acquiree.

If the sum of the fair value of consideration transferred in the business combination exceeds the net value of the acquiree’s identifiable assets and liabilities assumed as of the acquisition date, the excess is recognized as goodwill. If the sum of the fair value of consideration transferred in the business combination falls below the net value of the acquiree’s identifiable assets and liabilities, the difference is recognized as gain in profit or loss.

Acquisition related costs associated with business combinations are recognized as expenses in the period they are incurred.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Group reports in its financial statements the provisional amounts for items for which the accounting is incomplete. If the Group obtains new information about facts and circumstances that existed as of the acquisition date during the period in which such new information, if known, would have affected the measurement of the amounts recognized as of that date (the “measurement period”), it retrospectively adjusts the provisional amounts recognized at the acquisition date to reflect the new information. The measurement period does not exceed one year from the acquisition date.

It is noted that a business combination under common control, or a business combination in which all of the combining entities or businesses are ultimately controlled by the same entity or entities before and after the transaction and such control is not transitory, is consistently accounted for at carrying amount.

(3) Foreign currency translation

1) Foreign currency transactions

A foreign currency transaction, which is a transaction between companies using currencies other than their functional currencies, is translated into functional currency of each company using the exchange rate on the transaction date. Monetary assets and liabilities denominated in foreign currencies are translated into functional currencies at the exchange rate on the closing date for the consolidated financial statements, while non-monetary assets and liabilities measured at fair value are translated into functional currencies at the exchange rate on the day the fair value is determined. Exchange differences arising from the translation are recognized in profit or loss.

However, exchange differences arising from financial assets measured at fair value with changes in fair value recognized in other comprehensive income and from cash flow hedges are recognized in other comprehensive income.

Non-monetary items denominated in foreign currencies measured at cost are translated using the exchange rate on the transaction date.

2) Foreign operations

Assets and liabilities of foreign operations are translated into a presentation currency at the exchange rate on the closing date for the consolidated financial statements. Their profit and loss, and cash flows are translated into a presentation currency using the average exchange rate over the reporting period, except in cases where exchange rates fluctuate significantly. Exchange differences arising from such translations are recognized in other comprehensive income.

When the Group disposes of its entire or part of the interest in a foreign operation, which results in a loss of control, the cumulative amount of exchange differences related to that foreign operation is reclassified from other comprehensive income to profit or loss in the period such disposal took place.

(4) Financial instruments

1) Financial assets

(i) Initial recognition and measurement

Of all financial assets, equity and debt securities are initially recognized on the trade date and all other financial assets on the date of transaction.

Financial assets are classified, at initial recognition, into financial assets measured at fair value and those measured at amortized cost, depending on whether they are debt or equity instruments as shown below.

(a) Financial assets as debt instruments

These financial assets that meet both of the following conditions are classified as financial assets measured at amortized cost:

- The financial assets are held within a business model with the objective of collecting contractual cash flows, and
- The contractual terms of the financial assets provide cash flows on specified dates that are solely payments of principal and interest on the principal amount outstanding.

Also, these financial assets that meet both of the following conditions are classified as financial assets measured at fair value through other comprehensive income:

- The financial assets are held within a business model with the objective of both collecting contractual cash flows and selling the financial assets, and
- The contractual terms of the financial assets provide cash flows on specified dates that are solely payments of principal and interest on the principal amount outstanding.

The financial assets that fall into neither of the above are classified as financial assets measured at fair value through profit or loss.

(b) Financial assets as equity instruments

These financial assets are, in principle, classified as financial assets measured at fair value through profit or loss.

For equity instruments held for other than trading purposes, however, it is permitted to make an irrevocable election to present subsequent changes in the fair value in other comprehensive income; the Group makes a designation for each of such equity instruments.

These financial assets are, in principle, measured at fair value plus transaction costs that are directly attributable to the financial assets. However, trade receivables that do not include significant financial components are measured at the transaction price.

Moreover, transaction costs for financial assets measured at fair value through profit or loss are recognized in profit or loss when incurred.

(ii) Subsequent measurement

(a) Financial assets measured at amortized cost

These financial assets are measured at amortized cost using the effective interest method, and interest on these financial assets is recognized in profit or loss as “finance income.” Impairment loss is deducted when needed.

(b) Financial assets measured at fair value

These financial assets are measured at fair value.

For financial assets measured at fair value through other comprehensive income, their interest, exchange gains/losses and impairment losses are recognized in profit or loss; while the amount of changes in the fair value excluding these items are recognized in other comprehensive income.

For equity instruments the Group has elected to classify as financial assets measured at fair value through other comprehensive income, the amount of changes in the fair value is recognized in other comprehensive income, while accumulated gains and losses are reclassified to retained earnings upon derecognition. Dividends received, however, are recognized in profit or loss as “finance income.”

For financial assets other than the above, the amount of changes in the fair value is recognized in profit or loss.

(iii) Derecognition of financial assets

The Group derecognizes financial assets when the contractual rights to cash flows from these financial assets expire or when the Group transfers these financial assets in transactions in which substantially all the risks and rewards of its ownership in the assets are transferred. When the Group retains control over the transferred financial assets, however, it continues to recognize the assets and related liabilities to the extent of its continuing involvement with them.

(iv) Impairment of financial assets

The Group assesses expected credit losses for financial assets measured at amortized cost and financial assets measured at fair value through other comprehensive income (excluding equity instruments). If the credit risk has increased materially since the initial recognition, the amount equal to lifetime expected credit losses is recognized as loss allowance. If the credit risk associated with the financial assets has not increased materially since the initial recognition, the amount equal to 12-month expected credit losses is recognized as loss allowance. Details of the assessment of whether credit risks associated with financial assets have increased materially since their initial recognition are stated in the Annual Securities Report.

For trade and other receivables, the amount of loss allowance is always measured based on their lifetime expected credit losses.

Expected credit losses on financial instruments are assessed to reflect the followings:

(a) Unbiased probability-weighted amount that is determined by evaluating a range of possible outcomes,

(b) Time value of money, and

(c) Reasonable and supportable information about past events, current conditions, and forecasts of future economic conditions, available at the reporting date without undue cost or effort.

The amount incurred for the assessment is recognized in profit or loss.

2) Financial liabilities

At initial recognition, financial liabilities are classified either as financial liabilities measured at fair value through profit or loss and financial liabilities measured at amortized cost. The Group initially recognizes the financial liabilities measured at amortized cost on the date such liabilities arise, while it initially recognizes other financial liabilities on the transaction date.

Financial liabilities are derecognized when they have been extinguished; that is, when obligations under the contract are discharged, cancelled, or expires.

(a) Financial liabilities measured at amortized cost

Financial liabilities, other than those measured at fair value through profit or loss, are classified as financial liabilities measured at amortized cost. At initial recognition, the financial liabilities measured at amortized cost are measured at fair value less transaction costs that are directly attributable to their issuance. Also, they are subsequently measured at amortized cost using the effective interest method.

(b) Financial liabilities measured at fair value through profit or loss

At initial recognition, the financial liabilities measured at fair value through profit or loss are measured at fair value. They are subsequently measured at fair value and subsequent changes in the amount of these financial liabilities are recognized in profit or loss.

3) Derivatives

The Group hedges foreign currency and interest risks using derivative financial instruments, such as foreign exchange forward and interest rate swap contracts. The Group initially recognizes these derivatives at fair value as of the date the contracts are entered into and subsequently remeasures them at fair value.

At the start of the hedge, the Group officially designates and documents the relationship between hedging instruments and hedged items, as well as risk management purposes and strategies in undertaking hedge transactions. This documentation contains information including the details of the hedging instruments used, the hedged items or transactions, the nature of the risks being hedged, and the method of evaluating the effectiveness of changes in the fair value of the hedging instruments in offsetting the exposure to changes in the fair value or cash flows of the hedged items attributable to the hedged risks. Hedges are deemed effective when they satisfy all of the following conditions:

- An economic relationship exists between hedged items and hedging instruments,
- The effect of credit risk is not such that it materially dominates value changes arising from the economic relationship, and
- The hedge ratio of the hedge relationship is equivalent to the ratio of the volume of items that are actually hedged and the volume of hedging instruments used to hedge such items.

The Group assesses, on an ongoing basis, whether hedge relationship remains effective for the future. Reasons that give rise to an ineffective portion in hedges include the cases where changes in the value of hedging instruments are more or less than those of hedged items.

The Group has designated a hedge ratio that is appropriate in view of the economic relationship between hedged items and hedging instruments, as well as risk management strategies.

When the hedge relationship is deemed no longer effective but the purposes of risk management remain unchanged, the hedge ratio is readjusted so that the hedge relationship restore its effectiveness. When the purposes of risk management have changed, the application of hedge accounting is discontinued.

Hedges that quality for hedge accounting treatment are classified and accounted for as follows:

(i) Fair value hedge

Changes in the fair value of derivatives are recognized in profit or loss in the consolidated statement of profit or loss. Changes in the fair value of a hedged item attributable to the hedged risks are recognized in profit or loss in the consolidated statement of profit or loss, with the carrying amount of the hedged item being adjusted.

(ii) Cash flow hedge

The portion of gains or losses on the hedging instrument that is deemed effective is recognized in other comprehensive income in the consolidated statement of comprehensive income, while the portion that is deemed ineffective is recognized immediately in profit or loss in the consolidated statement of profit or loss.

The amounts associated with hedging instruments that are recognized in other comprehensive income are reclassified to profit or loss when the transactions of the hedged items affect profit or loss. In cases where hedged items result in the recognition of non-financial assets or liabilities, the amounts recognized in other comprehensive income are accounted for as adjustments to the initial carrying amount of non-financial assets or liabilities.

When forecast transactions or firm commitments are no longer expected to occur, any related cumulative gains or losses that have been recognized in equity through other comprehensive income are reclassified to profit or loss. If the hedged future cash flows are still expected to occur, the amounts that have been recognized in equity through other comprehensive income continue to be recognized in equity until such future cash flows occur.

(5) Cash and cash equivalents

Cash and cash equivalents consist of cash on hand, demand deposits withdrawable at any time, and short-term investments with a maturity of three months or less that are readily convertible to cash and are subject to insignificant risk of changes in value.

(6) Property, plant and equipment

1) Recognition and measurement

The Group has adopted the cost model to measure property, plant and equipment. Based on the model, they are measured at cost less any accumulated depreciation and any accumulated impairment losses.

The cost includes the cost directly attributable to the acquisition of the assets; the cost for dismantling and removing the assets; and the initially estimated amount of cost for restoring the assets.

2) Subsequent expenditures

Of the expenditures incurred after the acquisition of property, plant and equipment, ordinary repair and maintenance expenditures are accounted for as expenses, while the expenditures for major replacements and improvements are capitalized only if such expenditures are expected to bring economic benefits to the Group.

3) Depreciation

Property, plant and equipment, except land and construction in progress, are depreciated using the straight-line method over their estimated useful lives from the time they become available for use. The estimated useful lives of major property, plant and equipment are as follows:

Buildings and structures: 3 to 38 years

The depreciation methods, residual values and estimated useful lives of property, plant and equipment are reviewed at each fiscal year-end. Changes in the depreciation methods, residual values and estimated useful lives, if any, are recognized prospectively as changes in accounting estimates.

(7) Goodwill and other intangible assets

1) Goodwill

Goodwill is not amortized and allocated to assets, cash-generating units or groups of cash-generating units that are identified according to the operating region and type of business, and tested for impairment annually or whenever there is an indication of impairment. An impairment loss is recognized in profit or loss and no subsequent reversal is made.

After initial recognition, goodwill is presented at cost less accumulated impairment losses.

2) Other intangible assets

Major intangible assets for the Group are as follows:

(i) Customer-related assets

At initial recognition, customer-related assets are measured at cost. Customer-related assets are amortized over their estimated useful lives (10 to 15 years) using the straight-line method and are tested for impairment whenever there is an indication of impairment.

(ii) Other intangible assets

At initial recognition, other intangible assets are measured at cost. Other intangible assets with definite useful lives are amortized over their estimated useful lives (5 to 15 years) using the straight-line method and are tested for impairment whenever there is an indication of impairment. Other intangible assets with indefinite useful lives are not amortized and are tested for impairment annually or whenever there is an indication of impairment.

The amortization methods, residual values and estimated useful lives are reviewed at each fiscal year end. Changes in the amortization methods, residual values and estimated useful lives, if any, are recognized prospectively as changes in accounting estimates.

(8) Leases

At the commencement date of the lease, the Group recognizes right-of-use assets and lease liabilities.

1) Right-of-use assets

Right-of-use assets are initially measured at cost which includes the amount of lease liabilities measured at initial recognition, the amount of initial direct costs, the amounts of costs initially estimated for dismantling, removing and restoring underlying assets.

Right-of-use assets are subsequently measured using the cost model. Right-of-use assets are presented in the consolidated statement of financial position as “Right-of-use assets” at the amount of cost less accumulated depreciation and accumulated impairment losses.

After initial recognition, right-of-use assets are depreciated over the expected useful lives of their underlying assets if the ownership of the underlying assets are transferred by the end of the lease term or it is reasonably certain that the purchase option is exercised given the cost of right-of-use assets, or over the lease term if such exercise is not reasonably certain, based on the straight-line method.

2) Lease liabilities

Lease liabilities are initially recognized at the present value, which is calculated by discounting lease payments which have not been made on the lease commencement date using the interest rate implicit in the lease.

In case it is not easy to calculate the interest rate implicit in the lease, the Group uses its incremental borrowing rate.

For subsequent measurement of lease liabilities, the carrying amount is increased to reflect the interest associated with the lease liabilities or decreased to reflect the lease payments made. They are included in “Other financial liabilities” in the consolidated statement of financial position.

For short-term leases and low-value leases, such as the leases for 12 months or less and IT equipment, the Group recognizes lease payments as expenses over the lease terms using the straight-line method unless another systematic method is more representative of the pattern of user benefits.

(9) Impairment of non-financial assets

The carrying amounts of non-financial assets other than inventories and deferred tax assets are assessed to determine whether there is any indication of impairment.

If any such indication exists, the Group performs an impairment test to estimate the recoverable amount for each asset or cash-generating unit. Goodwill, intangible assets with indefinite useful lives, and intangible assets that are not yet available for use are not amortized but tested for impairment annually or whenever there is an indication of impairment.

Since the Group's corporate assets do not generate independent cash inflows, if there are any indications that the corporate assets may be impaired, they are tested for impairment based on the recoverable amount of the cash-generating unit to which the corporate assets belong.

The recoverable amount is the higher of the fair value less costs of disposal and the value in use; the value in use is measured by valuing the future cash flows expected to be derived from the continued use and final disposal of the asset discounted by an appropriate interest rate.

If the recoverable amount of an individual asset or a cash-generating unit is less than its carrying amount, the carrying amount is reduced to the recoverable amount, and the difference between the recoverable amount and the carrying amount is recognized as an impairment loss in profit or loss. An impairment loss for a cash-generating unit is allocated to reduce the carrying amount of goodwill allocated to the unit and then reduce the carrying amounts of other assets of the unit on a pro rata basis.

The impairment loss on goodwill is not reversed. Non-financial assets other than goodwill for which impairment losses were recognized are assessed to determine whether or not there is any indication that such impairment losses no longer exist or have decreased. If such an indication exists, the recoverable amount of the asset is estimated, and if the recoverable amount exceeds the carrying amount of the asset, the impairment loss is reversed. The amount of reversal is recognized in profit or loss to the extent that such amount does not exceed the carrying amount that would have been determined if no impairment loss had been recognized in prior periods.

(10) Share-based compensation

The Group has adopted share-based compensation plans and provides equity-settled and cash-settled share-based payments.

1) Equity-settled share-based payment

Equity-settled share-based compensation is recognized as an expense over the vesting period by first estimating the fair value of services to be received at the fair value of equity instruments granted at the grant date, and then recognizing the same amount as an increase in equity. The fair value of stock options granted is calculated using the Black-Scholes models and others taking into account terms and conditions of the stock options. The Group regularly reviews the terms and conditions and revises the estimated number of vested stock options as needed.

2) Cash-settled share-based payment

Cash-settled share-based compensation is recognized as an expense over the vesting period by first measuring services to be received and incurred liabilities at the fair value of such liabilities, and then recognizing the same amount as an increase in liabilities. Moreover, the Group remeasures the fair value of said liabilities at the end of the reporting period and settlement date and recognizes changes in the fair value as profit or loss.

(11) Accrued paid leave

Short-term employee benefits are recognized as an expense in the period in which employees render the related service.

Paid leave expenses are recognized as liabilities in the amount estimated to be paid based on the applicable benefit payment system, when there is a legal or constructive obligation to pay and the obligation can be estimated reliably.

(12) Equity

1) Common stock

The issue price of equity instruments issued by the Company are recognized in share capital and capital surplus, and direct issue costs (net of tax effects) are deducted from share capital and capital surplus.

2) Treasury shares

Treasury shares are deducted from equity. No gains or losses are recognized on the purchase, sale, or cancellation of treasury shares. Any difference between the carrying amount and consideration received upon the disposal is recognized as equity.

(13) Revenue

The Group has adopted IFRS 15 Revenue from Contracts with Customers.

The Group recognizes revenues when a promised good or service is transferred to a customer and the customer obtains control of that good or service based on the following five-step model.

Step 1: Identify the contract

Step 2: Identify performance obligations

Step 3: Determine the transaction price

Step 4: Allocate the transaction price to the performance obligations

Step 5: Recognize revenue when (or as) the entity satisfies a performance obligation

1) Temporary staffing contract

The Group dispatches workers to its clients based on a labor dispatch contract entered into with them. The revenue from temporary staffing contracts is recognized according to the actual working hours of dispatched workers, who have entered into an employment contract with the Group, during the dispatch period.

2) Consignment service contract

The Group considers its performance obligations to be satisfied at a point in time when work undertaken based on a consignment service contract entered into with its clients is complete. Therefore, the revenue from consignment service contracts is recognized at the completion of such work.

3) Permanent placement contract

The Group considers its performance obligations to be satisfied at a point in time when the process for permanent placement of job candidates, who meet the recruitment requirements of its clients, is complete based on a permanent placement contract entered into with its clients. Therefore, the revenue from permanent placement contracts is recognized at the completion of such process.

It is noted that these contracts above do not contain a significant financing component.

(14) Income taxes

Income tax expenses are presented as the sum of current tax and deferred tax.

Current taxes are calculated at the expected amount of income taxes payable to or recoverable from the tax authorities, using the tax rates that have been enacted or substantively enacted by the end of the reporting period. They are recognized in profit or loss, except to the extent that they relate to business combinations or items recognized directly in equity or in other comprehensive income.

Deferred tax assets and liabilities are calculated at the tax rates that are expected to apply in the period when the assets are realized or the liabilities are settled, based on the tax rates that have been enacted or substantively enacted by the end of the reporting period. Deferred tax assets and liabilities are calculated based on temporary differences between the accounting carrying amount and tax bases of the assets or liabilities, and unused tax losses. Deferred tax assets are recognized for deductible temporary differences and the carryforward of unused tax losses and unused tax credits to the extent that it is probable that future taxable profit will be available against which the deductible temporary differences and unused tax losses and unused tax credits can be utilized.

Moreover, deferred tax assets and liabilities are not recognized for temporary differences arising from the initial recognition of an asset or liability in a transaction which: is not a business combination; and affects neither accounting profit nor taxable profit at the time of the transaction. Furthermore, deferred tax liabilities are also not recognized for taxable temporary differences arising from the initial recognition of goodwill.

Deferred tax liabilities are recognized for taxable temporary differences associated with investments in subsidiaries; however, they are not recognized when the Group is able to control the timing of the reversal of the temporary difference; and it is probable that the temporary difference will not reverse in the foreseeable future. In addition, deferred tax assets are recognized for deductible temporary differences associated with investments in subsidiaries only to the extent that it is probable that the temporary difference will reverse in the foreseeable future; and taxable profit will be available against which the temporary difference can be utilized.

Deferred tax assets and liabilities are offset when the Group has a legally enforceable right to offset current tax assets against current tax liabilities; and the deferred tax assets and liabilities relate to income taxes levied by the same taxation authority on the same taxable entity.

(15) Earnings per share

Basic earnings per share is calculated by dividing profit attributable to owners of parent by the weighted-average number of issued shares of common stock, adjusted by the number of treasury shares, during the reporting period.

Diluted earnings per share is calculated by adjusting all the effects of shares of dilutive potential common stock.

Segment and Other Information

Operating segments

(1) Overview of reportable segments

The Group's operating segments are components of the Group that are categorized by type of services provided. The Group determines reportable segments based on the operating segments for which discrete financial information is available and the Group's chief operating decision maker regularly reviews to make decisions about allocation of management resources and assess their performance. As a result, the six reportable segments are identified with the details described as follows.

Reportable segment	Business activities
Sales Outsourcing Business	Consignment services for sales operations and temporary staffing at consumer electronics and other stores
Call Center Outsourcing Business	Temporary staffing for telemarketing companies
Factory Outsourcing Business	Temporary staffing at the production process of companies in the food manufacturing sector
Care Support Business	Temporary staffing for nursery care workers
Overseas Human Resources Business	Temporary staffing in Australia and the Asian region
HR Support Business for Startups	Permanent placement of people in the internet and IoT fields

In addition to the above, temporary staffing for assistant foreign language teachers (ALT), temporary staffing/permanent placement for construction management engineers are included in the "Others" segment.

(2) Information on reportable segments

Segment profits and assets of the reportable segments are measured based on operating profit and assets under Japanese GAAP with adjustment to operating profit and assets of the consolidated financial statements prepared under IFRS.

Transition date (As of Apr. 1, 2017) (Millions of yen)

	Reportable segment							Others	Adjustment (Note 1)	IFRS adjustment (Note 2)	Amounts recorded in consolidated financial statements
	Sales Outsourcing	Call Center Outsourcing	Factory Outsourcing	Care Support	Overseas Human Resources	HR Support for Startups	Total				
Segment assets	4,830	2,173	2,288	724	3,319	142	13,479	2,710	1,110	4,256	21,557

Notes: 1. The 1,110 million yen adjustment to segment assets mainly includes corporate assets that are not allocated to any of the operating segments, which consist of assets owned by the Company.

2. The IFRS adjustment to the segment assets of 4,256 million yen reflects recognition of right-of-use assets and reversal of amortization of goodwill and others.

FY3/18 (Apr. 1, 2017 – Mar. 31, 2018) (Millions of yen)

	Reportable segment							Others	Adjustment (Notes 2, 3 and 4)	IFRS adjustment (Note 5)	Amounts recorded in consolidated financial statements
	Sales Outsourcing	Call Center Outsourcing	Factory Outsourcing	Care Support	Overseas Human Resources	HR Support for Startups	Total				
Net sales											
External sales	21,654	16,793	16,994	7,140	13,170	731	76,484	2,712	-	76	79,273
Inter-segment sales (Note 1)	1	-	1	-	-	-	2	5	(7)	-	-
Total	21,656	16,793	16,995	7,140	13,170	731	76,486	2,717	(7)	76	79,273
Operating profit	1,749	820	891	(16)	356	208	4,010	(77)	(1,511)	175	2,597
Other items											
Depreciation and amortization	30	17	14	17	48	2	131	25	96	728	981
Capital expenditures	92	80	34	34	1,242	34	1,519	103	55	-	1,677
Segment assets	6,154	4,011	4,048	1,705	6,901	330	23,153	2,540	2,401	7,505	35,600

Notes: 1. Inter-segment sales are measured based on normal market prices.
2. The negative adjustment of 1,511 million yen to operating profit includes elimination of 7 million yen for inter-segment transactions and corporate expenses of minus 1,518 million yen that are not allocated to any of the operating segments. Corporate expenses mainly consist of general and administrative expenses that are not attributable to any of the operating segments.
3. The 2,401 million yen adjustment to segment assets mainly includes corporate assets that are not allocated to any of the operating segments, which consist of assets owned by the Company.
4. The 96 million yen adjustment to depreciation and amortization includes depreciation of corporate assets that are not allocated to any of the operating segments.
5. The 175 million yen IFRS adjustment to operating profit reflects reversal of amortization of goodwill and recognition of expenses associated with accrued paid leave, and others. The 7,505 million yen IFRS adjustment to segment assets reflects recognition of right-of-use assets and reversal of amortization of goodwill and others.

FY3/19 (Apr. 1, 2018 – Mar. 31, 2019) (Millions of yen)

	Reportable segment							Others	Adjust-ment (Notes 2, 3 and 4)	IFRS adjust-ment (Note 5)	Amounts recorded in consolidated financial statements
	Sales Out-sourcing	Call Center Out-sourcing	Factory Out-sourcing	Care Support	Overseas Human Resources	HR Support for Startups	Total				
Net sales											
External sales	22,207	15,724	20,885	9,310	26,275	1,049	95,451	8,151	-	(302)	103,300
Inter-segment sales (Note 1)	1	0	0	-	-	-	1	19	(20)	-	-
Total	22,208	15,724	20,885	9,310	26,275	1,049	95,453	8,170	(20)	(302)	103,300
Operating profit	1,537	833	1,038	182	428	269	4,290	143	(1,886)	431	2,979
Other items											
Depreciation and amortization	32	12	17	20	105	4	193	118	112	1,134	1,558
Capital expenditures	107	38	55	22	95	9	329	1,341	472	-	2,143
Segment assets	5,480	2,911	4,147	1,723	10,667	578	25,509	7,241	1,463	8,072	42,287

Notes: 1. Inter-segment sales are measured based on normal market prices.
2. The negative adjustment of 1,886 million yen to operating profit includes elimination of 5 million yen for inter-segment transactions and corporate expenses of minus 1,892 million yen that are not allocated to any of the operating segments. Corporate expenses mainly consist of general and administrative expenses that are not attributable to any of the operating segments.
3. The 1,463 million yen adjustment to segment assets mainly includes corporate assets that are not allocated to any of the operating segments, which consist of assets owned by the Company.
4. The 112 million yen adjustment to depreciation and amortization includes depreciation of corporate assets that are not allocated to any of the operating segments.
5. The 431 million yen IFRS adjustment to operating profit reflects reversal of amortization of goodwill and recognition of expenses associated with accrued paid leave, and others. The 8,072 million yen IFRS adjustment to segment assets reflects recognition of right-of-use assets and reversal of amortization of goodwill and others.

(3) Information by region

1) Revenue from external customers

(Millions of yen)

	FY3/18 (Apr. 1, 2017 – Mar. 31, 2018)	FY3/19 (Apr. 1, 2018 – Mar. 31, 2019)
Japan	66,027	77,007
Australia	8,636	22,380
Asia	4,609	3,912
Total	79,273	103,300

Note: Classification of revenue is based on countries where customers are located; however, countries that are not individually material are classified into a region.

2) Non-current assets (excluding financial assets and deferred tax assets)

(Millions of yen)

	Transition date (As of Apr. 1, 2017)	FY3/18 (As of Mar. 31, 2018)	FY3/19 (As of Mar. 31, 2019)
Japan	5,504	8,532	11,764
Australia	575	2,327	2,613
Asia	711	1,202	2,959
Total	6,790	12,062	17,356

(4) Information on major customer

This information is omitted because no single external customer accounted for 10% or more of the Group’s consolidated revenue.

Per Share Information

The basis of calculating basic earnings per share and diluted earnings per share attributable to common shareholders is as follows:

(Millions of yen, unless otherwise stated)

	FY3/18 (Apr. 1, 2017 – Mar. 31, 2018)	FY3/19 (Apr. 1, 2018 – Mar. 31, 2019)
Basis of calculating basic earnings per share		
Profit attributable to owners of parent	1,451	1,554
Profit not attributable to common shareholders of parent	-	-
Profit used in calculating basic earnings per share	1,451	1,554
Weighted average number of shares of common stock (Thousands of shares)	21,066	22,161
Basic earnings per share	68.91	70.15
Basis of calculating diluted earnings per share		
Profit used in calculating basic earnings per share	1,451	1,554
Profit adjustments	-	-
Profit used in calculation of diluted earnings per share	1,451	1,554
Weighted average number of shares of common stock (Thousands of shares)	21,066	22,161
Increase in number of shares of common stock from share acquisition rights	918	612
Weighted average number of shares of common stock after dilution (Thousands of shares)	21,985	22,773
Diluted earnings per share	66.04	68.27
Summary of potential stock not included in the calculation of diluted earnings per share since there was no dilutive effect	Share acquisition rights issued pursuant to the Board of Directors’ resolution in February 2018 Share acquisition rights: 5,420 units Common stock: 542,000 shares	Share acquisition rights issued pursuant to the Board of Directors’ resolution in February 2018 Share acquisition rights: 5,320 units Common stock: 532,000 shares

Subsequent Events

Acquisition of shares of u&u Holdings Pty Ltd and its consolidated subsidiary, making them the Company's consolidated subsidiaries

At the Board of Directors meeting held on March 18, 2019, the Company and its consolidated subsidiary WILL GROUP Asia Pacific Pte. Ltd. resolved to purchase shares of u&u Holdings Pty Ltd ("u&u") and its consolidated subsidiary u&u NSW Pty Ltd ("NSW"), making them the Company's subsidiaries. These companies' shares were purchased on April 30, 2019.

1. Summary of business combination

(1) Acquired companies and their business activities

1) Acquired company: u&u Holdings Pty Ltd
Business activities: Temporary staffing and permanent placement

2) Acquired company: u&u NSW Pty Ltd
Business activities: Temporary staffing and permanent placement

(2) Acquisition date
April 30, 2019

(3) Percentage of equity interests with voting rights acquired

1) u&u: 60%
2) NSW: 59%

(4) Reasons for acquisition
The acquisition of u&u and NSW will make it possible to strengthen and expand the Group's global network in the human resources service domain.

(5) Method for acquisition of control of acquired companies
Acquisition of shares in exchange for cash

2. Consideration paid

Cash: 1,615 million yen

First-time Adoption

From the fiscal year ended March 31, 2019, the Group has disclosed IFRS-compliant consolidated financial statements. The transition date is April 1, 2017. Accordingly, its most recent consolidated financial statements prepared in accordance with Japanese GAAP are those for the fiscal year ended March 31, 2018. The Group has early adopted IFRS 16 *Leases* prior to the transition date.

IFRS 1 requires an entity that adopts IFRS for the first time to apply IFRS retrospectively; however, some exceptions are granted. Accordingly, the Group has applied these exemptions to the following:

・ The Group has elected to apply IFRS 3 prospectively from the transition date and has not applied it retrospectively to business combinations that arose prior to the transition date.
・ The Group has deemed the cumulative foreign currency translation differences relating to its investments in foreign operations at the transition date to be zero and not included such differences in any subsequent calculation of profit or loss on disposal.
・ The Group has designated financial instruments recognized prior to the transition date in accordance with IFRS 9 *Financial Instruments* based on the facts and circumstances that existed on the transition date.

In addition, IFRS 1 prohibits retrospective application of IFRS in some areas, such as estimates, derecognition of financial assets and financial liabilities, hedge accounting and classification and measurement of financial assets. The Group has applied IFRS to these items prospectively from the transition date.

The effects of the adoption of IFRS are summarized in the following reconciliation schedules. In the reconciliation schedules below, items that do not affect retained earnings or comprehensive income are presented in the column titled "Reclassification" whereas items that affect retained earnings or comprehensive income are presented in the column titled "Recognition and measurement difference."

The effects of the transition from Japanese GAAP to IFRS on the Group's consolidated financial position, operating results and cash flows are as follows.

Reconciliation of equity as of transition date (April 1, 2017)

(Millions of yen)

Line item under J-GAAP	J-GAAP	Reclassification	Recognition and measurement difference	IFRS	Note	Line item under IFRS
Assets						Assets
Current assets						Current assets
Cash and deposits	3,656	(29)	-	3,627	1	Cash and cash equivalents
Notes and accounts receivable-trade	9,463	33	-	9,497		Trade and other receivables
Real estate for sale	310	(310)	-	-	6	
Work in process	153	(153)	-	-		
Real estate for sale in process	311	(311)	-	-	6	
Other	223	82	-	305		Other current assets
Allowance for doubtful accounts	(10)	10	-	-		
	-	56	-	56	1	Other financial assets
Total current assets	14,108	(622)	-	13,486		Total current assets
Non-current assets						Non-current assets
Property, plant and equipment	445	(8)	66	502	2	Property, plant and equipment
	-	8	3,854	3,863	4	Right-of-use assets
Intangible assets						
Goodwill	1,414	-	-	1,414	3	Goodwill
Other	343	-	-	343		Other intangible assets
Investments and other assets						
Investments securities	242	368	(130)	480		Other financial assets
Deferred tax assets	332	-	466	798	5	Deferred tax assets
Other	414	252	-	666	6	Other non-current assets
Allowance for doubtful accounts	(0)	(0)	-	-		
Total non-current assets	3,192	622	4,256	8,070		Total non-current assets
Total assets	17,300	-	4,256	21,557		Total assets

(Millions of yen)

Line item under J-GAAP	J-GAAP	Reclassification	Recognition and measurement difference	IFRS	Note	Line item under IFRS
Liabilities						Liabilities
Current liabilities						Current liabilities
Notes and accounts payable-trade	499	5,896	1,035	7,431	7, 9	Trade and other payables
Short-term loans payable	1,300	739	-	2,039		Borrowings
Current portion of long-term loans payable	739	(739)	-	-		
Accounts payable-other	4,773	(4,773)	-	-	7	
Accrued expenses	604	(604)	-	-	7	
Income taxes payable	344	-	-	344		Income taxes payable
Accrued consumption taxes	943	(943)	-	-		
Provision for bonuses	435	(435)	-	-	7	
Provision for refund of permanent placement income	51	(51)	-	-	7	
Other	254	906	-	1,161		Other current liabilities
	-	4	513	517	8	Other financial liabilities
Total current liabilities	9,945	-	1,548	11,494		Total current liabilities
Non-current liabilities						Non-current liabilities
Long-term loans payable	2,322	-	-	2,322		Borrowings
Lease obligations	3	-	3,344	3,348	8	Other financial liabilities
Deferred tax liabilities	5	-	0	5	5	Deferred tax liabilities
Other	4	-	173	177		Other non-current liabilities
Total non-current liabilities	2,336	-	3,517	5,853		Total non-current liabilities
Total liabilities	12,282	-	5,065	17,348		Total liabilities
Net assets						
Shareholders’ equity						Equity
Capital stock	609	-	-	609		Share capital
Capital surplus	773	108	97	980	9	Capital surplus
Retained earnings	3,007	-	(832)	2,174	10	Retained earnings
Treasury shares	(317)	-	-	(317)		Treasury shares
Foreign currency translation adjustment	(39)	-	(68)	(108)	11	Other components of equity
Share acquisition rights	108	(108)	-	-		
Non-controlling interests	875	-	(6)	869		Non-controlling interests
Total net assets	5,018	-	(809)	4,208		Total equity
Total liabilities and net assets	17,300	-	4,256	21,557		Total liabilities and equity

Note: The effects of the application of “Partial Amendments to Accounting Standard for Tax Effect Accounting” (ASBJ Statement No. 28, February 16, 2018) in the fiscal year ended March 31, 2019 are reflected in the schedule above. Accordingly, deferred tax assets and deferred tax liabilities are presented in the investments and other assets section and the non-current liabilities section, respectively.

Reconciliation of equity as of March 31, 2018 (the end of the previous fiscal year)

(Millions of yen)

Line item under J-GAAP	J-GAAP	Reclassification	Recognition and measurement difference	IFRS	Note	Line item under IFRS
Assets						Assets
Current assets						Current assets
Cash and deposits	9,236	(76)	-	9,159	1	Cash and cash equivalents
Notes and accounts receivable-trade	11,661	146	151	11,959		Trade and other receivables
Real estate for sale	305	(305)	-	-	6	
Work in process	190	(190)	-	-		
Real estate for sale in process	551	(551)	-	-	6	
Other	410	(21)	-	387		Other current assets
Allowance for doubtful accounts	(10)	10	-	-		
	-	131	-	131	1	Other financial assets
Total current assets	22,345	(857)	151	21,638		Total current assets
Non-current assets						Non-current assets
Property, plant and equipment	958	(10)	114	1,061	2	Property, plant and equipment
	-	10	6,268	6,278	4	Right-of-use assets
Intangible assets						
Goodwill	1,744	-	471	2,216	3	Goodwill
Other	1,620	-	-	1,620		Other intangible assets
Investments and other assets						
Investments securities	333	536	(128)	741		Other financial assets
Deferred tax assets	529	-	628	1,158	5	Deferred tax assets
Other	566	318	-	884	6	Other non-current assets
Allowance for doubtful accounts	(2)	2	-	-		
Total non-current assets	5,749	857	7,354	13,961		Total non-current assets
Total assets	28,095	-	7,505	35,600		Total assets

(Millions of yen)

Line item under J-GAAP	J-GAAP	Reclassification	Recognition and measurement difference	IFRS	Note	Line item under IFRS
Liabilities						Liabilities
Current liabilities						Current liabilities
Notes and accounts payable-trade	628	8,130	1,465	10,224	7, 9	Trade and other payables
Short-term loans payable	3,102	828	-	3,931		Borrowings
Current portion of long-term loans payable	828	(828)	-	-		
Accounts payable-other	6,348	(6,348)	-	-	7	
Accrued expenses	1,130	(1,130)	-	-	7	
Income taxes payable	451	-	24	475		Income taxes payable
Accrued consumption taxes	1,356	(1,356)	-	-		
Provision for bonuses	564	(564)	-	-	7	
Provision for refund of permanent placement income	30	(30)	-	-	7	
Provision for office transfer loss	0	0	-	-	7	
Other	1,099	1,265	7	2,372		Other current liabilities
	-	35	1,394	1,429	8	Other financial liabilities
Total current liabilities	15,541	-	2,892	18,433		Total current liabilities
Non-current liabilities						Non-current liabilities
Long-term loans payable	2,417	-	-	2,417		Borrowings
Lease obligations	7	-	5,718	5,726	8	Other financial liabilities
Retirement benefit liability	4	(4)	-	-		
Deferred tax liabilities	255	-	(1)	254	5	Deferred tax liabilities
Other	8	4	259	272		Other non-current liabilities
Total non-current liabilities	2,693	-	5,976	8,670		Total non-current liabilities
Total liabilities	18,234	-	8,868	27,103		Total liabilities
Net assets						
Shareholders' equity						Equity
Capital stock	1,993	-	-	1,993		Share capital
Capital surplus	2,445	157	(667)	1,934	9	Capital surplus
Retained earnings	3,972	-	(577)	3,395	10	Retained earnings
Treasury shares	(2)	-	-	(2)		Treasury shares
Valuation difference on available-for sale securities	0	(0)	-	-		
Foreign currency translation adjustment	(143)	0	(121)	(264)	11	Other components of equity
Share acquisition rights	157	(157)	-	-		
Non-controlling interests	1,436	-	3	1,440		Non-controlling interests
Total net assets	9,860	-	(1,363)	8,497		Total equity
Total liabilities and net assets	28,095	-	7,505	35,600		Total liabilities and equity

Note: The figures in the column titled “J-GAAP” on the reconciliation schedules above are based on the consolidated balance sheet as of March 31, 2018 prepared under Japanese GAAP. The allocation of acquisition costs associated with business combinations in said consolidated balance sheet was not yet finalized and therefore accounted for provisionally based on reasonable information and others available at the time of preparing said consolidated financial statements. As the allocation of the acquisition costs was finalized in the fiscal year ended March 31, 2019, the result was reflected in the figures in the column titled “Japanese GAAP” on the schedule above.

Furthermore, the effects of the application of “Partial Amendments to Accounting Standard for Tax Effect Accounting” (ASBJ Statement No. 28, February 16, 2018) in the fiscal year ended March 31, 2019 are also reflected in the schedule above. Accordingly, deferred tax assets and deferred tax liabilities are presented in the investments and other assets section and the non-current liabilities section, respectively.

Notes to reconciliation of equity as of the transition date and as of the end of the previous fiscal year

1. Reconciliation of cash and cash equivalents

Time deposits with deposit terms longer than three months included in “Cash and deposits” under Japanese GAAP are included and presented in “Other financial assets (current)” under IFRS.

2. Reconciliation of property, plant and equipment

Regarding the depreciation method of property, plant and equipment, the Group mainly adopted the declining-balance method under Japanese GAAP, but now adopts the straight-line method under IFRS. It is noted that the Group has also adopted the straight-line method under Japanese GAAP from the beginning of the fiscal year ended March 31, 2019.

Under Japanese GAAP, useful life for tax purposes was used for depreciation of property, plant and equipment as it was not significantly deviated from how property, plant and equipment were actually used whereas, under IFRS, useful life is determined based on the actual conditions of such assets.

3. Reconciliation of goodwill

Under Japanese GAAP, goodwill was amortized on a straight-line basis over a reasonable period within 20 years whereas under IFRS goodwill is not amortized after the transition date and is to be tested for impairment annually.

4. Reconciliation of right-of-use assets

For all leases in principle, the Group has recorded right-of-use assets that represent a right to use underlying assets for the lease term since the application of IFRS 16.

5. Reconciliation of deferred tax assets and deferred tax liabilities

Under IFRS, the recoverability of deferred tax assets is assessed for each taxable entity. As a result, there are differences in recognition between Japanese GAAP and IFRS.

The amounts of both deferred tax assets and liabilities have changed since temporary differences arose from: fair value measurement of unlisted equity instruments, recognition of liabilities relating to unused paid leave, change in depreciation method for property, plant and equipment, adjustment of asset retirement obligations, and others.

6. Reconciliation of real estate for sale

“Real estate for sale” and “Real estate for sale in process” that were separately presented in current assets under Japanese GAAP are reclassified to “Other non-current assets” under IFRS.

7. Reconciliation of trade and other payables

“Accounts payable-other,” “Accrued expenses,” “Provision for bonuses,” “Provision for refund of permanent placement income” and “Provision for office transfer loss” that were separately presented in current liabilities under Japanese GAAP are reclassified to “Trade and other payables” in current liabilities under IFRS.
Under Japanese GAAP, unused paid leave that was recognized as liabilities by some overseas subsidiaries were included and presented in “Accounts payable-other” whereas other reporting companies and subsidiaries were not required to account for their unused paid leave. Under IFRS, such unused paid leave is recorded as liabilities.

8. Reconciliation of other financial liabilities

“Lease obligations” that were included in “Other” in current liabilities and “Lease obligations” that were separately presented in non-current liabilities under Japanese GAAP are reclassified to “Other financial liabilities” in non-current liabilities under IFRS. The Group has additionally recorded newly recognized lease liabilities upon the application of IFRS 16.

9. Reconciliation of capital surplus

Under Japanese GAAP, stock options granted by some subsidiaries were recorded as share acquisition rights whereas they are accounted for as cash-settled share-based compensation and presented as "Other payables" under IFRS.

The amount of capital surplus has changed as share-based compensation expense is recognized as a result of the fair value measurement of the share acquisition rights upon the adoption of IFRS.

10. Reconciliation of retained earnings

(Millions of yen)

	Transition date (As of Apr. 1, 2017)	FY3/18 (As of Mar. 31, 2018)
Goodwill	-	369
Equity instruments	3	45
Unused paid leave	(683)	(862)
Exchange differences on translation of foreign operations	(39)	(39)
Recoverability of deferred tax assets	27	69
Share-based compensation expense	(137)	(228)
Provision for refund of permanent placement income	-	63
Other	(2)	5
Total	(832)	(577)

11. Reconciliation of other components of equity

The Group has elected to apply exemptions provided in IFRS 1 and reclassified all cumulative translation differences for foreign operations as of the transition date to retained earnings.

Under Japanese GAAP, gains and losses on sale and impairment losses of shares and other equity instruments are recognized as profit or loss. On the other hand, under IFRS, equity instruments designated to be measured at fair value through other comprehensive income are not subject to recognition in profit or loss but instead the cumulative amount of previously recognized other comprehensive income is reclassified to retained earnings upon the derecognition.

Reconciliation of profit or loss for the fiscal year ended March 31, 2018 (April 1, 2017 – March 31, 2018)

(Millions of yen)

Line item under J-GAAP	J-GAAP	Reclassification	Recognition and measurement difference	IFRS	Note	Line item under IFRS
Net sales	79,197	-	76	79,273	b	Revenue
Cost of sales	63,138	-	188	63,326	c	Cost of sales
Gross profit	16,058	-	(111)	15,946		Gross profit
Selling, general and administrative expenses	13,636	-	(221)	13,415	d	Selling, general and administrative expenses
	-	92	-	92	f	Other income
	-	18	8	26	f	Other expenses
Operating profit	2,422	74	101	2,597		Operating profit
Non-operating income	95	(95)	-	-		
Non-operating expenses	75	(75)	-	-		
Extraordinary income	37	(37)	-	-		
Extraordinary losses	62	(62)	-	-		
	-	39	(36)	2	e	Finance income
	-	119	(29)	90	e	Finance costs
Profit before income taxes	2,416	-	93	2,510		Profit before tax
Total income taxes	920	-	(131)	788		Income tax expense
Profit	1,496	-	225	1,721		Profit
Other comprehensive income						Other comprehensive income
						Items that will not be reclassified to profit or loss:
Valuation difference on available-for-sale securities	0	-	(24)	(23)		Financial assets measured at fair value through other comprehensive income
						Items that may be reclassified to profit or loss:
Foreign currency translation adjustment	(103)	-	(7)	(111)	g	Exchange differences on translation of foreign operations
Total other comprehensive income	(102)	-	(32)	(134)		Other comprehensive income (net of tax effects)
Comprehensive income	1,393	-	193	1,586		Comprehensive income

(a) Reclassification
Of those items presented in “Non-operating income” and “Non-operating expenses” under Japanese GAAP, finance-related income and expenses are recorded as “Finance income” and “Finance costs,” respectively, and other items are presented in line items such as “Other income” and “Other expenses” under IFRS.

(b) Revenue
The Group makes adjustment to some sales from permanent placement overseas that differ in the timing of revenue recognition between Japanese GAAP and IFRS.

(c) Cost of sales
Unused paid leave that was not required to account for under Japanese GAAP is recorded as liabilities under IFRS. Accordingly, related expenses are recorded in cost of sales.

(d) Selling, general and administrative expenses
Under Japanese GAAP, the Group estimated the effective amortization period of goodwill and amortized goodwill over such a period; however, under IFRS, it has ceased amortizing goodwill since the transition date.

(e) Finance income and finance costs
Of those items presented in “Non-operating income,” “Non-operating expenses,” “Extraordinary income” and “Extraordinary losses” under Japanese GAAP, finance-related items and foreign currency gains or losses are presented in “Finance income” or “Finance costs” under IFRS.

(f) Other income and other expenses
Items other than those stated in (e) above are presented in “Other income” and “Other expenses.”

(g) Exchange differences on translation of foreign operations
The amount of exchange differences on translation of foreign operations has changed due to various reconciliations performed for the transition from Japanese GAAP to IFRS.

<u>Reconciliation of cash flows for the fiscal year ended March 31, 2018 (April 1, 2017 – March 31, 2018)</u>

Lease payments for operating lease transactions that were classified in “Cash flows from operating activities” under Japanese GAAP are classified in “Cash flows from financing activities” as payments for repayment of lease obligations under IFRS.

As a result, “Cash flows from financing activities” decreased by 723 million yen and “Cash flows from operating activities” increased by the same amount.

This financial report is solely a translation of the Company’s Kessan Tanshin (including attachments) in Japanese, which has been prepared in accordance with accounting principles and practices generally accepted in Japan, for the convenience of readers who prefer an English translation.