(English Translation)
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November 6, 2018

Summary of Consolidated Financial Results for the Second Quarter of the Fiscal Year Ending March 31, 2019 (Six Months Ended September 30, 2018)

[Japanese GAAP]

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Scheduled date of filing of Quarterly Report: November 6, 2018
Scheduled date of payment of dividend: -
Preparation of supplementary materials for quarterly financial results: Yes
Holding of quarterly financial results meeting: Yes (for institutional investors and securities analysts)

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

1. Consolidated Financial Results for the Six Months Ended September 30, 2018 (April 1, 2018 – September 30, 2018)

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

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
Six months ended Sep. 30, 2018	48,807	33.6	1,092	(15.9)	1,097	(15.6)	557	(14.4)
Six months ended Sep. 30, 2017	36,543	31.1	1,299	119.7	1,299	118.8	651	127.6

Note: Comprehensive income (million yen) Six months ended Sep. 30, 2018: 692 (down 20.0%)
Six months ended Sep. 30, 2017: 865 (up 358.9%)

	Basic earnings per share	Diluted earnings per share
	Yen	Yen
Six months ended Sep. 30, 2018	25.21	24.50
Six months ended Sep. 30, 2017	31.78	30.34

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio
	Million yen	Million yen	%
As of Sep. 30, 2018	30,109	7,326	21.6
As of Mar. 31, 2018	27,496	9,517	30.0

Reference: Shareholders' equity (million yen) As of Sep. 30, 2018: 6,496 As of Mar. 31, 2018: 8,261

2. Dividends

	Dividend per share				
	1Q-end	2Q-end	3Q-end	Year-end	Total
	Yen	Yen	Yen	Yen	Yen
Fiscal year ended Mar. 31, 2018	-	0.00	-	18.00	18.00
Fiscal year ending Mar. 31, 2019	-	0.00			
Fiscal year ending Mar. 31, 2019 (forecasts)			-	18.00	18.00

Note: Revisions to the most recently announced dividend forecast: None

3. Consolidated Earnings Forecasts for the Fiscal Year Ending March 31, 2019 (April 1, 2018 – March 31, 2019)

(Percentages represent year-on-year changes)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent		Earnings per share
	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Yen
Full year	100,000	26.3	2,600	7.5	2,600	6.6	1,350	11.6	60.97

Note: Revisions to the most recently announced consolidated forecast: None

*** Notes**

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

Newly added: -

Excluded: -

(2) Application of special accounting methods for presenting quarterly consolidated financial statements: None

(3) Changes in accounting policies and accounting-based estimates, and restatements

1) Changes in accounting policies due to revisions in accounting standards, others: Yes

2) Changes in accounting policies other than 1) above: Yes

3) Changes in accounting-based estimates: Yes

4) Restatements: None

Note: Subject to “changes in accounting policies that are difficult to distinguish from changes in accounting-based estimates” since the Company has revised its depreciation method starting in the first quarter of the current fiscal year. For more information, please refer to “2. Quarterly Consolidated Financial Statements and Notes, (4) Notes to Quarterly Consolidated Financial Statements, Changes in Accounting Policies that are Difficult to Distinguish from Changes in Accounting-based Estimates” on page 12.

(4) Number of outstanding shares (common stock)

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

As of Sep. 30, 2018:	22,158,000 shares	As of Mar. 31, 2018:	22,124,000 shares

2) Number of treasury shares at the end of period

As of Sep. 30, 2018:	6,268 shares	As of Mar. 31, 2018:	6,168 shares

3) Average number of shares outstanding during the period

Six months ended Sep. 30, 2018:	22,134,046 shares	Six months ended Sep. 30, 2017:	20,513,198 shares

* This quarterly financial report is not subject to quarterly review 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. Qualitative Information on Quarterly Consolidated Financial Performance, (3) Explanation of Consolidated Forecast and Other Forward-looking Statements” on page 5 for forecast assumptions and notes of caution for usage.

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1. Qualitative Information on Quarterly Consolidated Financial Performance

(1) Explanation of Results of Operations

In the first half of the fiscal year ending March 31, 2019, there were expectations for a continuation of the slow recovery of the Japanese economy as the labor market, personal income and corporate earnings continue to improve. However, the outlook remains unclear due to several natural disasters in Japan and significant uncertainty about the global economy because of concerns about the economies of Asian emerging countries, trade problems, the effects of volatility in financial markets and other reasons. In Japan, there is strong demand in the human resources service market. The main reasons are a high job openings-to-applicants ratio (1.6), a persistent labor shortage and the enactment of working style reforms.

The Company and its group companies (the “Group”) are guided by the mission of serving as an agent of change to bring about positive changes for individuals and organizations. By upgrading specialized skills in all our businesses, we worked on improving customer satisfaction and further differentiating our services. One goal is raising 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 expanding our operations to more areas of Japan and other countries. In addition, there were many activities to expand operations in the three strategic growth businesses: temporary staffing and permanent placement services in the nursing care field; permanent placement and other services in the Internet and IoT field; and overseas human resources services. In June 2018, C4 inc. became a consolidated subsidiary. This company provides temporary staffing and permanent placement services for construction management engineers to aim for growth in the construction sector. In Australia, Quay Appointments Pty Ltd., which has core strengths in providing temporary staffing services to government agencies, and two other companies became consolidated subsidiaries in September 2018.

For the first half of the fiscal year ending on March 31, 2019, the Company reported consolidated net sales of 48,807 million yen (up 33.6% year on year), operating profit of 1,092 million yen (down 15.9%), ordinary profit of 1,097 million yen (down 15.6%) and profit attributable to owners of parent of 557 million yen (down 14.4%). EBITDA (Operating profit + depreciation + amortization of goodwill) was 1,566 million yen (up 0.6%).

Results by business segment were as follows.

Categories used internally for managing performance were reexamined due to the increasing materiality of overseas operations. As a result, starting in the fiscal year that ended on March 31, 2018, the overseas human resources service business that was previously included in Others is a separate reportable segment called the “Overseas Human Resources Business.”

In previous fiscal years, the HR Support Business for Startups, which includes the permanent placement of people in the Internet and IoT fields, was included in Others. Due to its increasing importance, the HR Support Business for Startups is a separate reportable segment beginning with the first quarter of the fiscal year ending on March 31, 2019. In addition, due to an organizational change, the Office Worker Temporary Staffing and Permanent Placement Business, which was included in Others, has been combined with the Call Center Outsourcing Business beginning with the first quarter of the fiscal year ending on March 31, 2019.

Prior-year segment information has been revised to reflect the new segment classification to permit comparisons.

Sales Outsourcing Business

Saint Media, Inc. provides store sales personnel and other categories of workers. In response to the consistently strong demand for sales personnel in the telecommunications field, this company concentrated on raising its in-store share at current client companies and capturing orders for consignment work. In order to expand business to fields other than telecommunications, Saint Media focused on expanding temporary staffing services for the apparel industry and capturing orders for temporary staffing and consignment work for sales promotion staff over a larger area. CreativeBank Inc. operates a sales promotion service. Orders were strong from large companies in the IT field for retail support and marketing campaigns as well as for private seminars and exhibitions for companies and joint activities with a large distributor (a trading company specializing in IT).

First half earnings decreased mainly due to lower gross profit margin caused primarily by a decrease in telecommunications sector incentive payments and to higher personnel expenses associated with the expansion of sale and service locations for growth in market sectors other than telecommunications.

As a result, the segment recorded sales of 10,809 million yen (up 3.7% year on year) and segment profit of 638 million yen (down 29.7%).

Call Center Outsourcing Business

In the call center staffing service of Saint Media, activities focused on receiving more orders to meet the enormous demand for operators resulting from rapid growth in smartphone after-sales services and smartphone mail-order services. In the office human resources services sector, the business network for the call center business was used to increase the size of orders and add more seniors to the temporary staffing workforce.

Earnings decreased mainly because of a decline in the gross profit margin caused primarily by a decrease in the number of people on assignments and an increase in mandatory employer contributions for social security programs for employees.

As a result, the segment recorded sales of 7,762 million yen (down 7.5% year on year) and segment profit of 284 million yen (down 33.2%).

Factory Outsourcing Business

FAJ, Inc. provides human resources services primarily to manufacturers. Food companies were the main source of growth in the volume of business. This was mainly a reflection of the solid demand for the production of prepared food items and for desserts and bento lunch boxes sold at convenience stores. FAJ worked on expanding to more areas of Japan and opened four facilities. Little Seeds Service, which became a consolidated subsidiary in September 2017, contributed to this segment’s performance beginning in the first quarter as it continued to grow. In addition, there are many initiatives for growth in the cosmetics sector and other market sectors other than the food industry. This business also established alliances with two universities in Vietnam to increase channels for people to come to Japan for technical training. Activities are now under way to start an education program that gives people outside Japan the skills to work at companies in Japan and at overseas companies affiliated with Japanese companies.

Segment profit increased as the contribution to earnings from higher sales outweighed the negative effects of a lower gross profit margin caused by higher wages for staff and growth in personnel expenses to support the expansion of sales activities to more areas of Japan.

As a result, the segment recorded sales of 9,813 million yen (up 28.1% year on year) and segment profit of 424 million yen (up 1.1%).

Care Support Business

Saint Media continued to enlarge its service network for nursing care human resources services by opening three offices to expand the network to 47 locations. To increase the number of people on assignments, there were also measures to increase the use of people with little or no experience and people who want to work but do not want a full time job. Activities included more follow-up support for people on assignments and ideas about different ways client companies can use workers. Another goal is reexamining contract terms with current customers in order to improve the gross profit margin. WILL Care Academy, established for strengthening training programs for people who work at nursing care facilities, including people who do belong to the Group company, expanded its locations to three in the Tokyo area.

Although there were up-front investments for opening offices and other activities and an increase in recruiting expenses, this business is making steady progress toward becoming profitable as the gross profit margin improved.

As a result, the segment recorded sales of 4,353 million yen (up 29.9% year on year) and segment profit of 28 million yen (compared with segment loss of 40 million yen one year earlier).

Overseas Human Resources Business

Operations outside Japan are in the ASEAN regions and Oceania. In this segment, consolidated subsidiaries in Singapore and Australia performed well. DFP Recruitment Holdings Pty Ltd, which became a consolidated subsidiary in January 2018, also made a contribution to consolidated sales and earnings from the beginning of the current fiscal year. This company is engaged in human resources services for office work and call center operations in Australia.

Earnings increased because of the growth of this business.

As a result, the segment recorded sales of 12,100 million yen (up 132.2% year on year) and segment profit of 465 million yen (up 138.0%).

HR Support Business for Startups

Advances in the fields of artificial intelligence and the IoT are creating many types of new services. Demand for human resources support specifically for these fields is growing as a result. This business hired more consultants to provide this support to start-up companies. In addition, this business launched STARTUP DB, an information platform devoted solely to constant advances taking place in growing industries.

Earnings increased because of the growth of this business.

As a result, the segment recorded sales of 536 million yen (up 59.1% year on year) and segment profit of 134 million yen (up 17.1%).

Others

Current business operations, such as temporary staffing for assistant foreign language teachers and temporary and permanent placement services for nursery school personnel, continued to grow. There were also up-front investments for media for the placement of part-time foreign workers in Japan, a recruiting agency service for companies, and other new businesses. During the first quarter, this business sold Tech Residence, an apartment building for IT engineers and creators. In addition, C4 inc., which became a consolidated subsidiary in June 2018, made a contribution to consolidated sales and earnings from the second quarter. This company provides temporary staffing and permanent placement services for construction management engineers.

As a result, the segment recorded sales of 3,431 million yen (up 194.6% year on year) and segment profit of 20 million yen (compared with segment loss of 79 million yen one year earlier).

(2) Explanation of Financial Position

Starting with the beginning of the first quarter of the current fiscal year, WILL GROUP has applied the “Partial Amendments to Accounting Standard for Tax Effect Accounting” (Accounting Standards Board of Japan (ASBJ) Statement No. 28, February 16, 2018) and other related pronouncements. Prior-year figures have been adjusted retroactively to conform with this accounting standard in order to facilitate comparisons and analysis.

1) Assets, Liabilities and Net Assets

Assets

Current assets at the end of the second quarter were 22,021 million yen, down 324 million yen from the end of the previous fiscal year. This was mainly due to a decrease of 1,910 million yen in cash and deposits while there was an increase of 1,481 million yen in notes and accounts receivable-trade.

Non-current assets were 8,088 million yen at the end of the second quarter, up 2,937 million yen from the end of the previous fiscal year. This was mainly due to an increase of 2,515 million yen in intangible assets because of an increase in goodwill resulting from acquisition of shares of C4 inc., Quay Appointments Pty Ltd. and two other companies, and increases of 230 million yen in property, plant and equipment and 191 million yen in investments and other assets.

As a result, total assets increased 2,612 million yen from the end of the previous fiscal year to 30,109 million yen.

Liabilities

Current liabilities at the end of the second quarter was 16,936 million yen, up 1,401 million yen from the end of the previous fiscal year. This was mainly due to increases of 1,048 million yen in current portion of long-term loans payable, 208 million yen in accounts payable-other, and 196 million yen in provision for bonuses, while there was a decrease of 314 million yen in short-term loans payable.

Non-current liabilities was 5,847 million yen at the end of the second quarter, up 3,401 million yen from the end of the previous fiscal year. This was mainly due to a 3,397 million yen increase in long-term loans payable.

As a result, total liabilities increased 4,803 million yen from the end of the previous fiscal year to 22,783 million yen.

Net assets

Net assets at the end of the second quarter was 7,326 million yen, down 2,190 million yen from the end of the previous fiscal year. This was mainly because of decreases of 1,958 million yen in capital surplus due to change in equity associated with additional purchase of shares of consolidated subsidiaries and 451 million yen in non-controlling interests, while there was an increase of 159 million yen in retained earnings.

Consequently, the equity ratio was 21.6% compared with 30.0% at the end of the previous fiscal year.

2) Cash Flows

Cash and cash equivalents as of September 30, 2018 amounted to 7,249 million yen, a decrease of 1,910 million yen over the end of the previous fiscal year. The cash flow components during the first half and the main reasons for changes are described below.

Cash flows from operating activities

Net cash provided by operating activities was 737 million yen. This was mainly due to profit before income taxes of 1,121 million yen, amortization of goodwill of 340 million yen, and an increase in provision for bonuses of 178 million yen, while there were income taxes paid of 605 million yen and an increase in notes and accounts receivable-trade of 473 million yen.

Cash flows from investing activities

Net cash used in investing activities was 3,459 million yen. This was mainly due to purchase of shares of subsidiaries resulting in change in scope of consolidation of 2,650 million yen, purchase of property, plant and equipment of 354 million yen, purchase of investment securities of 222 million yen, and purchase of intangible assets of 216 million yen.

Cash flows from financing activities

Net cash provided by financing activities was 822 million yen. This was mainly due to proceeds from long-term loans payable of 5,024 million yen, while there were payments from changes in ownership interests in subsidiaries that do not result in change in scope of consolidation of 2,627 million yen, repayments of long-term loans payable of 594 million yen, cash dividends paid of 397 million yen, and a net decrease in short-term loans payable of 366 million yen.

(3) Explanation of Consolidated Forecast and Other Forward-looking Statements

There are no revisions to the consolidated earnings forecast for the fiscal year ending March 31, 2019, which was announced on May 11, 2018. Forecasts are based on information currently available to the Company. Actual performance may differ from these forecasts for a number of reasons.

2. Quarterly Consolidated Financial Statements and Notes

(1) Quarterly Consolidated Balance Sheet

(Millions of yen)

	FY3/18 (As of Mar. 31, 2018)	Second quarter of FY3/19 (As of Sep. 30, 2018)
Assets		
Current assets		
Cash and deposits	9,236	7,325
Notes and accounts receivable-trade	11,661	13,143
Real estate for sale	305	488
Work in process	190	357
Real estate for sale in process	551	202
Other	410	521
Allowance for doubtful accounts	(10)	(19)
Total current assets	22,345	22,021
Non-current assets		
Property, plant and equipment	958	1,188
Intangible assets		
Goodwill	2,234	4,589
Other	419	580
Total intangible assets	2,654	5,169
Investments and other assets		
Investment securities	333	454
Deferred tax assets	641	667
Other	566	618
Allowance for doubtful accounts	(2)	(9)
Total investments and other assets	1,538	1,730
Total non-current assets	5,151	8,088
Total assets	27,496	30,109
Liabilities		
Current liabilities		
Accounts payable-trade	628	462
Short-term loans payable	3,102	2,787
Current portion of long-term loans payable	828	1,876
Accounts payable-other	6,341	6,549
Accrued expenses	1,130	1,309
Income taxes payable	451	335
Accrued consumption taxes	1,356	1,518
Provision for bonuses	564	761
Provision for refund of permanent placement income	30	36
Provision for office transfer loss	0	-
Other	1,099	1,296
Total current liabilities	15,534	16,936
Non-current liabilities		
Long-term loans payable	2,417	5,815
Net defined benefit liability	4	4
Deferred tax liabilities	7	7
Other	15	19
Total non-current liabilities	2,445	5,847
Total liabilities	17,979	22,783

(Millions of yen)

	FY3/18 (As of Mar. 31, 2018)	Second quarter of FY3/19 (As of Sep. 30, 2018)
Net assets		
Shareholders' equity		
Capital stock	1,993	2,000
Capital surplus	2,445	486
Retained earnings	3,960	4,120
Treasury shares	(2)	(2)
Total shareholders' equity	8,396	6,604
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	0	(1)
Deferred gains or losses on hedges	-	(3)
Foreign currency translation adjustment	(135)	(103)
Total accumulated other comprehensive income	(134)	(108)
Share acquisition rights	157	182
Non-controlling interests	1,098	647
Total net assets	9,517	7,326
Total liabilities and net assets	27,496	30,109

(2) Quarterly Consolidated Statements of Income and Comprehensive Income

Quarterly Consolidated Statement of Income
(For the Six-month Period)

(Millions of yen)

	First six months of FY3/18 (Apr. 1, 2017 – Sep. 30, 2017)	First six months of FY3/19 (Apr. 1, 2018 – Sep. 30, 2018)
Net sales	36,543	48,807
Cost of sales	29,010	39,013
Gross profit	7,532	9,794
Selling, general and administrative expenses	6,233	8,702
Operating profit	1,299	1,092
Non-operating income		
Interest income	1	1
Subsidy income	21	28
Other	7	6
Total non-operating income	31	37
Non-operating expenses		
Interest expenses	9	24
Share issuance cost	13	-
Other	8	7
Total non-operating expenses	31	32
Ordinary profit	1,299	1,097
Extraordinary income		
Gain on sales of investment securities	10	-
Gain on sales of shares of subsidiaries and associates	-	24
Other	0	-
Total extraordinary income	10	24
Extraordinary losses		
Loss on sales of non-current assets	0	-
Loss on retirement of non-current assets	0	0
Loss on valuation of investment securities	21	-
Office transfer loss	1	0
Provision of allowance for office transfer loss	0	-
Total extraordinary losses	23	0
Profit before income taxes	1,286	1,121
Income taxes-current	560	452
Income taxes-deferred	(54)	(6)
Total income taxes	505	445
Profit	781	675
Profit attributable to non-controlling interests	129	117
Profit attributable to owners of parent	651	557

Quarterly Consolidated Statement of Comprehensive Income
(For the Six-month Period)

(Millions of yen)

	First six months of FY3/18 (Apr. 1, 2017 – Sep. 30, 2017)	First six months of FY3/19 (Apr. 1, 2018 – Sep. 30, 2018)
Profit	781	675
Other comprehensive income		
Valuation difference on available-for-sale securities	0	(2)
Deferred gains or losses on hedges	-	(3)
Foreign currency translation adjustment	83	22
Total other comprehensive income	84	17
Comprehensive income	865	692
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	721	584
Comprehensive income attributable to non-controlling interests	144	108

(3) Quarterly Consolidated Statement of Cash Flows

(Millions of yen)

	First six months of FY3/18 (Apr. 1, 2017 – Sep. 30, 2017)	First six months of FY3/19 (Apr. 1, 2018 – Sep. 30, 2018)
Cash flows from operating activities		
Profit before income taxes	1,286	1,121
Depreciation	100	133
Amortization of goodwill	157	340
Share-based compensation expenses	31	25
Increase (decrease) in provision for bonuses	122	178
Increase (decrease) in allowance for doubtful accounts	(6)	16
Increase (decrease) in provision for refund of permanent placement income	4	6
Increase (decrease) in provision for office transfer loss	0	(0)
Increase (decrease) in net defined benefit liability	-	(0)
Interest and dividend income	1	(1)
Interest expenses	9	24
Loss (gain) on sales of non-current assets	0	-
Loss (gain) on valuation of investment securities	21	-
Loss (gain) on sales of investment securities	(10)	-
Loss (gain) on sales of shares of subsidiaries and associates	-	(24)
Loss on retirement of non-current assets	0	0
Office transfer loss	1	0
Decrease (increase) in notes and accounts receivable-trade	92	(473)
Decrease (increase) in real estate for sale in process	(50)	349
Decrease (increase) in real estate for sale	(2)	(183)
Decrease (increase) in inventories	(32)	(167)
Increase (decrease) in notes and accounts payable-trade	(84)	(198)
Increase (decrease) in accounts payable-other	405	(134)
Increase (decrease) in accrued expenses	475	74
Increase (decrease) in deposits received	480	126
Increase (decrease) in accrued consumption taxes	251	53
Other, net	37	99
Subtotal	3,291	1,367
Interest and dividend income received	(1)	1
Interest expenses paid	(9)	(25)
Income taxes paid	(517)	(605)
Net cash provided by (used in) operating activities	2,763	737
Cash flows from investing activities		
Purchase of property, plant and equipment	(167)	(354)
Proceeds from sales of property, plant and equipment	-	15
Purchase of intangible assets	(128)	(216)
Purchase of investment securities	(122)	(222)
Proceeds from sales of investment securities	15	72
Purchase of shares of subsidiaries resulting in change in scope of consolidation	(335)	(2,650)
Payments for sales of shares of subsidiaries resulting in change in scope of consolidation	-	(57)
Other, net	(69)	(45)
Net cash provided by (used in) investing activities	(808)	(3,459)

(Millions of yen)

	First six months of FY3/18 (Apr. 1, 2017 – Sep. 30, 2017)	First six months of FY3/19 (Apr. 1, 2018 – Sep. 30, 2018)
Cash flows from financing activities		
Net increase (decrease) in short-term loans payable	(401)	(366)
Proceeds from long-term loans payable	-	5,024
Repayments of long-term loans payable	(403)	(594)
Proceeds from disposal of treasury shares	571	-
Purchase of treasury shares	-	(0)
Payments from changes in ownership interests in subsidiaries that do not result in change in scope of consolidation	(101)	(2,627)
Proceeds from issuance of shares resulting from exercise of share acquisition rights	2,606	12
Proceeds from issuance of share acquisition rights	4	-
Cash dividends paid	(257)	(397)
Dividends paid to non-controlling interests	(53)	(227)
Other, net	(0)	0
Net cash provided by (used in) financing activities	1,965	822
Effect of exchange rate change on cash and cash equivalents	41	(11)
Net increase (decrease) in cash and cash equivalents	3,960	(1,910)
Cash and cash equivalents at beginning of period	3,627	9,159
Cash and cash equivalents at end of period	7,587	7,249

(4) Notes to Quarterly Consolidated Financial Statements

Going Concern Assumption

Not applicable.

Significant Changes in Shareholders' Equity

WILL GROUP has purchased additional shares of CreativeBank Inc., The Ethos Unit Trust, which are our consolidated subsidiaries, and seven other companies. As a result, capital surplus has decreased by 1,964 million yen during the first half of the current fiscal year.

Changes in Accounting Policies

On April 1, 2018, WILL GROUP started applying the "Practical Solution on Transactions Granting Employees and Others Share Acquisition Rights, which Involve Considerations, with Vesting Conditions, etc." (Practical Issues Task Force (PITF) No. 36, January 12, 2018) and other accounting policies. When employees and others are granted share acquisition rights requiring a payment, WILL GROUP uses an accounting method that complies with the "Accounting Standard for Stock Options" (ASBJ Statement No. 8, December 27, 2005).

The application of PITF No. 36 is based on the transitional measures designated in Paragraph 10 (3) of PITF No. 36. For share acquisition rights requiring a payment that were granted to employees and others prior to the application of PITF No. 36, WILL GROUP is continuing to use the original accounting methods.

Changes in Accounting Policies that are Difficult to Distinguish from Changes in Accounting-based Estimates

Changes in depreciation method of property, plant and equipment

WILL GROUP and some of its consolidated subsidiaries have changed the property, plant and equipment depreciation method. In prior years, these assets were depreciated using the declining-balance method. However, WILL GROUP and consolidated subsidiaries in Japan used the straight-line method for buildings and structures acquired on or after April 1, 2016. Beginning with the first quarter of the current fiscal year, the straight-line method is used for all depreciation.

Due to the increasing number of overseas subsidiaries of WILL GROUP, the decision to make this change was made for the consistency of accounting policies used by group companies and in order to more accurately show the actual utilization of property, plant and equipment so that this utilization is properly reflected in each fiscal year's income statement.

WILL GROUP expects that property, plant and equipment at group companies will be operated in consistent manner throughout the useful lives of these assets. As a result, the recognition of expenses in equal installments during the useful lives of these assets is an appropriate reflection of how property, plant and equipment are used. In addition, WILL GROUP believes that the use of the straight-line method more appropriately reflects results of operations from the standpoint of having expenses correspond to income. For these reasons, depreciation of property, plant and equipment has been changed from the declining-balance method to the straight-line method beginning with the first quarter of the current fiscal year.

This change in the depreciation method increased operating profit, ordinary profit and profit before income taxes in the first half by 40 million yen each.

Additional Information

Starting with the beginning of the first quarter of the current fiscal year, WILL GROUP has applied the "Partial Amendments to Accounting Standard for Tax Effect Accounting" (ASBJ Statement No. 28, February 16, 2018) and other related pronouncements. Accordingly, deferred tax assets and deferred tax liabilities have been presented in the investments and other assets section and the non-current liabilities section of the balance sheet, respectively.

Segment and Other Information

Segment information

I. First six months of FY3/18 (Apr. 1, 2017 – Sep. 30, 2017)

1. Information related to net sales and profit or loss for each reportable segment

(Millions of yen)

	Reportable segment							Others (Note 1)	Total	Adjust-ment (Note 2)	Amounts recorded in the quarterly consolidated statement of income (Note 3)
	Sales Outsourcing	Call Center Outsourcing	Factory Outsourcing	Care Support	Overseas Human Resources	HR Support for Startups	Total				
Net sales											
External sales	10,426	8,392	7,661	3,350	5,210	337	35,378	1,164	36,543	-	36,543
Inter-segment sales and transfers	0	-	0	-	-	-	0	2	3	(3)	-
Total	10,426	8,392	7,661	3,350	5,210	337	35,379	1,167	36,546	(3)	36,543
Segment profit (loss)	907	425	420	(40)	195	115	2,023	(79)	1,944	(644)	1,299

Notes: 1. Others is a business segment not included in any of the reportable segments and mainly includes contract staffing of ALTs.

2. The negative adjustment of 644 million yen to segment profit includes elimination of 5 million yen for inter-segment transactions and corporate expenses of minus 649 million yen that are not allocated to any of the reportable segments. Corporate expenses mainly consist of general and administrative expenses that are not attributable to any of the reportable segments.

3. Segment profit is adjusted to be consistent with operating profit recorded in the quarterly consolidated statement of income.

II. First six months of FY3/19 (Apr. 1, 2018 – Sep. 30, 2018)

1. Information related to net sales and profit or loss for each reportable segment

(Millions of yen)

	Reportable segment							Others (Note 1)	Total	Adjust-ment (Note 2)	Amounts recorded in the quarterly consolidated statement of income (Note 3)
	Sales Outsourcing	Call Center Outsourcing	Factory Outsourcing	Care Support	Overseas Human Resources	HR Support for Startups	Total				
Net sales											
External sales	10,809	7,762	9,813	4,353	12,100	536	45,376	3,431	48,807	-	48,807
Inter-segment sales and transfers	1	-	0	-	-	-	1	4	5	(5)	-
Total	10,811	7,762	9,813	4,353	12,100	536	45,377	3,436	48,813	(5)	48,807
Segment profit	638	284	424	28	465	134	1,976	20	1,997	(904)	1,092

Notes: 1. Others is a business segment not included in any of the reportable segments and mainly includes contract staffing of ALTs.

2. The negative adjustment of 904 million yen to segment profit includes elimination of 3 million yen for inter-segment transactions and corporate expenses of minus 908 million yen that are not allocated to any of the reportable segments. Corporate expenses mainly consist of general and administrative expenses that are not attributable to any of the reportable segments.

3. Segment profit is adjusted to be consistent with operating profit recorded in the quarterly consolidated statement of income.

4. As stated in "Changes in Accounting Policies that are Difficult to Distinguish from Changes in Accounting-based Estimates" under the Notes section, WILL GROUP and some of its consolidated subsidiaries have changed the property, plant and equipment depreciation method. In prior years, these assets were depreciated using the declining-balance method. However, WILL GROUP and consolidated subsidiaries in Japan used the straight-line method for buildings and structures acquired on or after April 1, 2016. Beginning with the first quarter of the current fiscal year, the straight-line method has been used for all depreciation. The effect of this change was to increase segment profits for the Sales Outsourcing Business, the Call Center Outsourcing Business, the Factory Outsourcing Business, the Care Support Business, the Overseas Human Resources Business, and Others by 2 million yen, 1 million yen, 2 million yen, 2 million yen, 1 million yen, and 2 million yen, respectively, in the first half of the current fiscal year, compared with the previous method.

2. Information related to revision to reportable segments

Categories used internally for managing performance were reexamined due to the increasing materiality of overseas operations. As a result, starting in the fiscal year that ended on March 31, 2018, the overseas human resources service business that was previously included in Others is a separate reportable segment called the “Overseas Human Resources Business.”

In previous fiscal years, the HR Support Business for Startups, which includes the permanent placement of people in the Internet and IoT fields, was included in Others. Due to its increasing importance, the HR Support Business for Startups is a separate reportable segment beginning with the first quarter of the fiscal year ending on March 31, 2019. In addition, due to an organizational change, the Office Temporary Staffing and Permanent Placement Business, which was included in Others, has been combined with the Call Center Outsourcing Business beginning with the first quarter of the fiscal year ending on March 31, 2019.

Prior-year segment information has been revised to reflect the new segment classification to permit comparisons.

3. Information related to impairment losses on non-current assets, goodwill, etc. for each reportable segment

Significant change in goodwill

In the Overseas Human Resources segment, Quay Appointments Pty Ltd and two other companies were included in the consolidation from the second quarter of the fiscal year ending on March 31, 2019. During the first half, this consolidation caused goodwill to increase by 249 million yen. The amount is calculated provisionally because the allocation of the acquisition cost has not been completed as of the end of the second quarter.

Business Combinations

Business combination through acquisition

WILL GROUP purchased shares of Quay Appointments Pty Ltd, making this company a consolidated subsidiary.

(1) Summary of business combination

1) Acquired company and its business activities
Acquired company: Quay Appointments Pty Ltd and its two subsidiaries
Business activities: Permanent placement and temporary staffing

2) Reasons for acquisition

WILL GROUP believes that the acquisition of Quay Appointments Pty Ltd will make it possible to strengthen and expand the Group’s position in the human resources service domain in Oceania.

3) Acquisition date
September 30, 2018 (assumed acquisition date)

4) Legal form of acquisition
Acquisition of shares with cash

5) Name of the acquired company after acquisition
There is no change in the company’s name.

6) Percentage of voting rights acquired
51%

7) Basis for choosing the acquiring company
Because Ethos Beathchapman Australia Pty Ltd, a consolidated subsidiary of WILL GROUP, purchased shares of Quay Appointments Pty Ltd with cash, and acquired 51% of its voting rights.

(2) Period of the acquired company’s performance included in the quarterly consolidated statement of income for the period under review

As the assumed acquisition date is September 30, 2018, Quay Appointments Pty Ltd is included in only the consolidated balance sheet at the end of the second quarter and is not included in the first half consolidated statement of income.

(3) Acquisition cost and type of payment

Payment for the acquisition	Cash	503	million yen
Acquisition cost		503	million yen

(4) Goodwill resulting from the acquisition

1) Value of goodwill

249 million yen

The value of goodwill is calculated provisionally.

2) Source of goodwill

The source is primarily the expectation for Quay Appointments Pty Ltd to generate even higher earnings from upcoming business activities.

3) Amortization method and amortization period

Goodwill will be amortized by using the straight-line method over the period during which this goodwill is expected to provide benefits. The length of the amortization period will be determined based on how the acquisition cost is allocated.

Subsequent Events

Not applicable.

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.