

## Next MTP to be announced in May

Next generation Group President Yuichi Sumi (42) nominated

### SUMMARY

▼ Along with 3Q cumulative (9M) FY23/3 results announced on February 8, WILL GROUP also announced revisions to full-term guidance (see table on P6 for details). The headline revisions were revising up consolidated revenue by ¥4,000mn to ¥144,000mn (+6.8% YoY → +9.9%), and revising down consolidated operating profit by ¥400mn to ¥5,200mn (+2.3% YoY → -5.0%). By segments, Domestic WORK revenue was revised down (+10.2% YoY → +3.9%), reflecting the impact of the resurgence of COVID-19 during the 2Q causing delays in winning new projects, resulting in lower utilization rates and number of temporary staff deployed. Overseas WORK revenue was revised up (+0.6% YoY → +18.5%), largely reflecting the impact of foreign exchange rates for the weaker yen versus the AUD and SGD.

▼ For operating profit by segments, Domestic WORK OP was revised down (+27.9% YoY → -9.4%), reflecting not only delays in assignments of temporary staff, but also the impact from recording roughly ¥400mn in unpaid commissions and penalties in the 3Q under SG&A after it was discovered that consolidated subsidiary 'for Startups, Inc.' had been using an HR database operated by another company and due to an incorrect understanding had omitted payment in prior fiscal years. Overseas WORK OP was revised up from (-22.9% YoY → -4.1%), largely reflecting the impact of forex rates.

▼ Despite FY23/3 profits getting derailed by the one-time SG&A expense in the 3Q, a majority of the priority initiatives in the current MTP outlined on the bottom of P11 have been largely achieved under the leadership of President Ohara since June 2016: 1) the 'Perm SHIFT' initiative for profit maximization domains achieved a steady rise in GPM through targeting permanent placement, 2) strong growth was achieved in the strategic investment domains for construction engineers and staffing support for startups, although nursing care required a course correction, and 3) financial targets of raising the equity ratio for owners of parent above 20% and total payout of 30% have both been achieved. **SIR believes nomination of a next generation Group President to lead the next MTP (FY24/3 – FY26/3) may signal reversion to emphasizing growth.**

### Medium-Term Management Plan 'WILL-being 2023' Progress Review: KPI Trend

JPY mn, %	FY2019/03	FY2020/03	FY2021/03	FY2022/03	FY2023/03	FY2023/03
KPI	IFRS act	IFRS act	IFRS act	IFRS act	MTP CE	revised CE
Revenue (JPY bn)	103,300	121,916	118,249	131,080	133,500	144,000
YoY	—	18.0	(3.0)	10.9	1.8	9.9
Gross Profit Margin	19.7%	20.8%	20.3%	21.9%	22.6%	22.2%
SG&A expenses	17,406	21,422	20,463	23,585	24,800	26,700
• Leading investments				1,000	1,300	1,000
Operating profit	2,979	4,145	4,030	5,472	5,350	5,200
OPM	2.9%	3.4%	3.4%	4.2%	4.0%	3.6%
ROIC		14.0%	14.0%	17.9%	20.0%	16.0%
Equity ratio ATOP		11.7%	17.6%	21.8%	22.0%	28.0%
Total payout ratio		25.1%	22.6%	23.6%	30.0%	31.5%

Source: compiled by SIR from company IR results briefing materials.  
ATOP = attributable to owners of parent.

## 3Q Follow-up



### Focus Points:

High-growth HR services provider with strength in mobile phone shops, call centers, food factories, nursing care, construction engineers and start-up support. Overseas business in Aus. and Sing.

### Key Indicators

Share price (3/8)	1,144
YH (22/10/31)	1,500
YL (22/6/20)	1,028
10YH (18/2/2)	2,139
10YL (14/5/21)	183.6
Shrs out. (mn shrs)	22.932
Mkt cap (¥ bn)	26.166
EV (¥ bn)	26.804
Equity ratio (12/30)	25.6%
23.3 P/E (CE)	8.1x
23.3 EV/EBITDA (CE)	3.7x
22.3 ROE (act)	33.5%
22.9 P/B (act)	1.90x
23.3 DY (CE)	3.86%

### 6M weekly share price



Source: SPEEDA price data

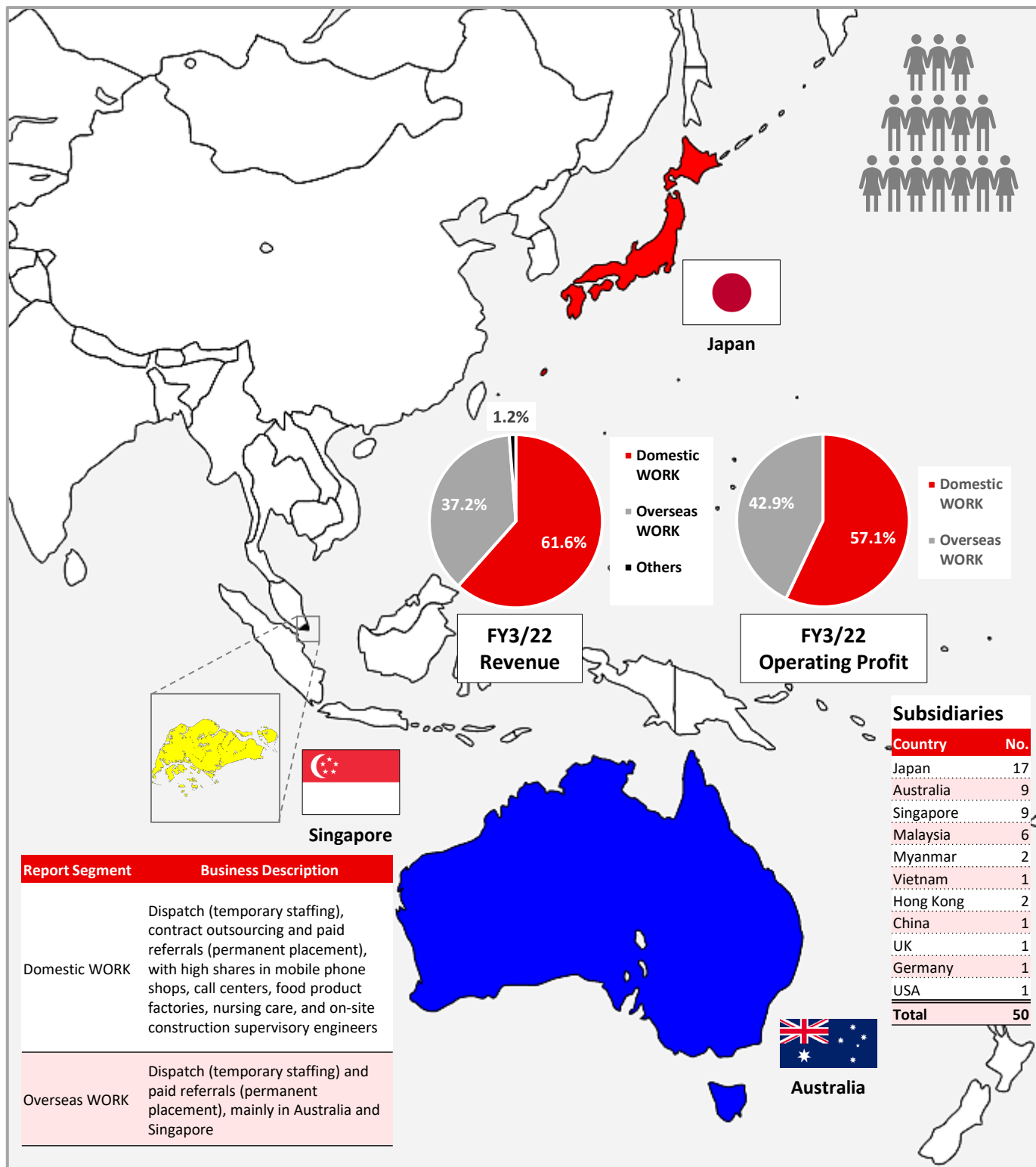
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This report was prepared by Sessa Partners on behalf of WILL GROUP, INC. Please refer to the legal disclaimer at the end for details.

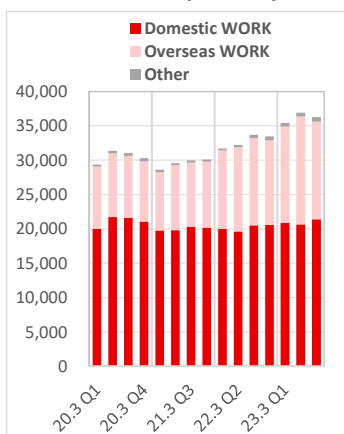
WILL GROUP Consolidated Business Overview



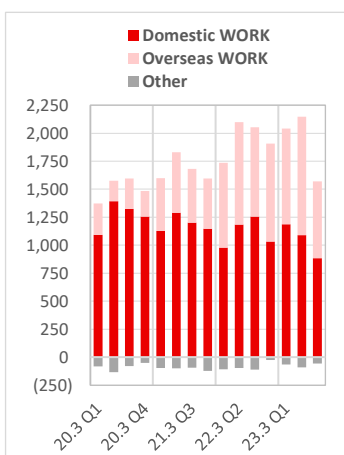
Source: compiled by SIR from TANSHIN summary financial statements and company IR materials.



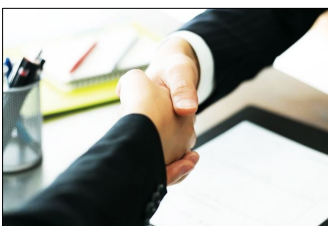
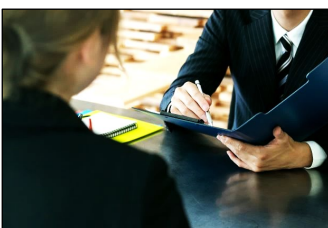
Revenue (JPY mn)



OP (JPY mn)



Source: compiled by SIR from TANSBIN financial statements. Segment OP is shown before eliminations.



# Full-term OP guidance revised down

## Mainly due to recording a one-time SG&A expense in 3Q

### RESULTS SUMMARY

- ▼ WILL GROUP announced FY23/3 9-months consolidated financial results at 15:00 on Wednesday 2/08, and it held a results briefing at 09:00 on Wednesday 2/22. Headline numbers for the cumulative 3Q were revenue +11.3% YoY, OP -7.3% and profit ATOP -13.3% (see table below). The YoY trend by quarter for revenue is 1Q +12.4% → 2Q +14.0% → 3Q +7.6%, and for OP is 1Q +26.0% → 2Q -3.0% → 3Q -37.2%.
- ▼ Along with 3Q results, the Company also announced revised FY23/3 full-term guidance. Relative to initial full-term guidance, the Company revised up revenue by ¥4,000mn (+2.9%), and revised down OP by ¥400mn (-7.1%). The upward revision to revenue is mainly due to the positive foreign exchange effect from a weaker than expected yen, offsetting delays and shortfalls in building up the number staff on assignment in Domestic Work business due to resurgence of COVID-19 in the 2Q and 3Q, and in Overseas WORK business rapid demand to secure permanent placement since 1Q FY22/3 peaking out in 2Q FY23/3 (six consecutive quarters).
- ▼ The downward revision to OP is mainly due to recording roughly ¥400mn in unpaid commissions and penalties in the 3Q under SG&A after it was discovered that consolidated subsidiary 'for Startups, Inc.' (WILL GROUP owns 54.3%) had been using an HR database operated by another company and due to an incorrect understanding had omitted payment in previous fiscal years. Since this matter was determined to be minor in terms of both monetary and qualitative importance, rather than amending prior year financial statements, the amount was expensed in the 3Q.

### 3Q (9M) FY23/3 Consolidated Financial Results Summary and Progress Ratios

JPY mn, %	FY20/3	FY21/3	FY22/3	FY23/3	FY23/3	FY23/3	FY22/3	FY23/3	CHG	PCT	PROG
IFRS	act	act	act	init CE	1H rev	3Q rev	9M act	9M act	AMT	YOY	ratio*
Revenue	121,916	118,249	131,080	140,000	140,000	144,000	97,608	108,613	11,005	11.3	75.4%
YoY	18.0	(3.0)	10.9	6.8	6.8	9.9	10.7	11.3			
• Domestic WORK	84,438	80,050	80,726	88,980	84,850	83,870	60,113	62,945	2,832	4.7	
• Overseas WORK	36,074	36,920	48,746	49,030	52,780	57,770	36,432	43,948	7,516	20.6	
ratio to sales	29.6%	31.2%	37.2%	35.0%	37.7%	40.1%	37.3%	40.5%			
• Others	1,549	1,278	1,607	1,980	2,350	2,360	1,061	1,719	658	62.0	
Gross profit	25,402	24,056	28,765	31,580	31,780	31,970	21,294	24,163	2,869	13.5	75.6%
ratio to sales	20.8%	20.3%	21.9%	22.6%	22.7%	22.2%	21.8%	22.2%			
SG&A expenses	21,258	20,463	23,585	25,900			17,268	20,518	3,250	18.8	
ratio to sales	17.4%	16.9%	18.0%	18.5%			17.7%	18.9%			
Operating profit	4,145	4,030	5,472	5,600	5,600	5,200	4,165	3,863	(302)	(7.3)	74.3%
YoY	40.2	(2.8)	35.8	2.3	2.3	(5.0)	28.4	(7.3)			
ratio to sales	3.4%	3.4%	4.2%	4.0%	4.0%	3.6%	4.3%	3.6%			
• Domestic WORK	5,061	4,763	4,448	5,690	4,440	4,030	3,416	3,162	(254)	(7.4)	
• Overseas WORK	971	1,942	3,348	2,580	3,630	3,210	2,473	2,599	126	5.1	
• Others	(352)	(413)	(342)	(190)	(190)	50	(316)	(212)	104	RS	
• eliminations	(1,869)	(2,262)	(1,981)	(2,480)	(2,270)	(2,090)	(1,407)	(1,686)	(279)		
Profit before tax	4,057	3,788	5,293	5,490	5,490	5,050	4,197	3,745	(452)	(10.8)	74.2%
Profit attributable to owners of parent	2,380	2,363	3,286	3,330	3,330	3,200	2,628	2,278	(350)	(13.3)	71.2%
AUD	¥74	¥76	¥83	¥78	¥93	¥93	¥83	¥93	¥10	12.0	
SGD	¥79	¥78	¥83	¥79	¥96	¥98	¥82	¥98	¥16	19.5	

Source: compiled by SIR from TANSBIN financial statements and IR supplementary materials. \*Versus 3Q rev CE.

**WILL GROUP**

**Domestic WORK**

In addition to the resurgence in COVID-19 infections between July and September leading not only to delays in winning new projects but also to an increase in absences from work by temporary staff, resulting in lower utilization rates and less temporary staff deployed to client worksites, Japan gross margins were also negatively impacted by expanded coverage of National Health Insurance and Employees' Pension Insurance coverage for part-time workers from October 2022.

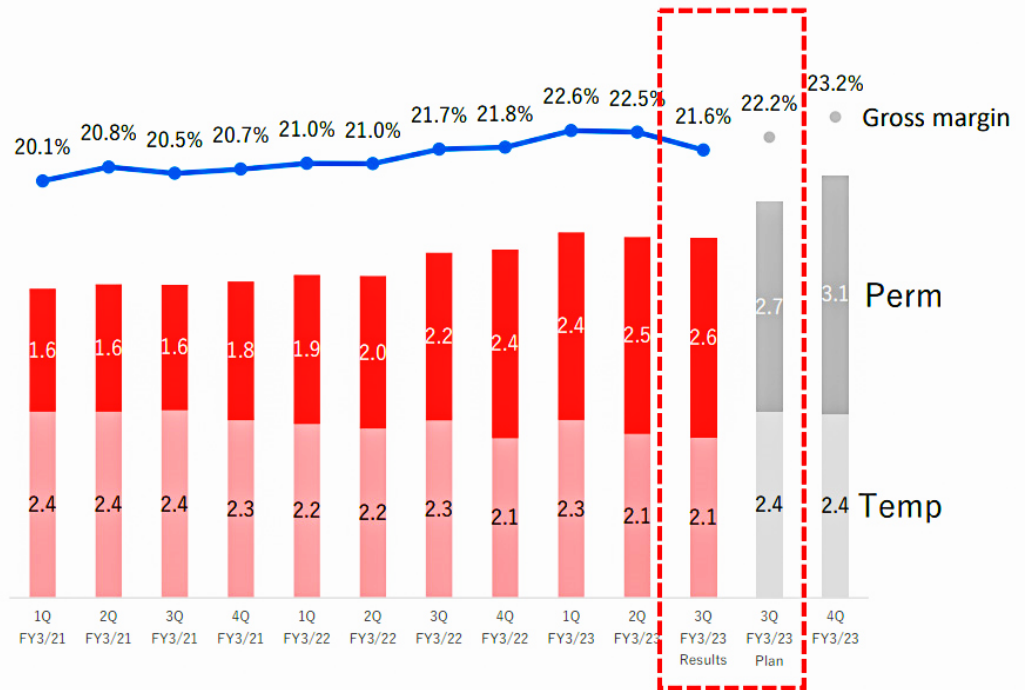
The Act for Partial Revision of the National Pension Act, etc. for Strengthening the Functions of the Pension System was enacted in May 2020, going into effect from October 2022. Specifically, mandatory coverage was extended for 1) specified applicable establishments where the number of eligible insured persons exceeds 500 → exceeds 100, and 2) part-time workers are expected to be used continuously for more than 1 year → **for more than 2 months**, the latter having the main impact on costs for temporary staff for call centers, factory and nursing care sectors.

**Overseas WORK**

According to the Company, rapid growth in post-COVID-19 demand from FY22/3 1Q for permanent placement has run its course after 6 consecutive quarters, settling down from the 3Q. However, **demand for temporary placement remains strong.**

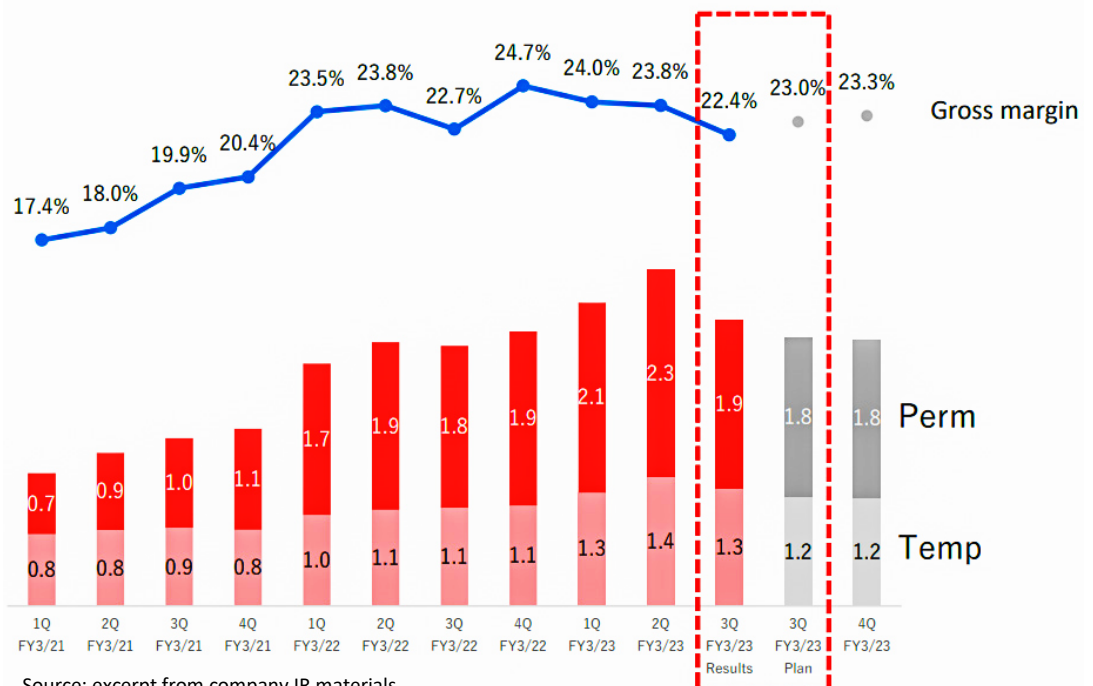
▼ Despite the strong start in the 1Q with consolidated gross profit +16.4% YoY, and GPM improving from 21.9% → 22.7%, with 1Q GPM topping initial budget, the graphs below show that GPM declined QoQ in both the 2Q and 3Q, posting slight shortfalls for two consecutive quarters. While this is disappointing in the final year of the current MTP, note that **permanent placement sales for both segments achieved steady increases.**

**-Domestic WORK Business Gross profit by Temp / Perm\* (Billions of yen)-**



\*Intra-segment consolidation adjustments are not included. Gross profit and gross margin are based on adjusted figure that excludes overseas subsidy income.

**-Overseas WORK Business Gross profit by Temp / Perm (Billions of yen)-**



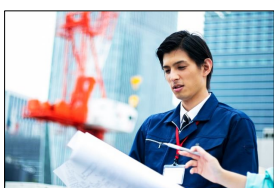
Source: excerpt from company IR materials



Domestic WORK Sectors Supplementary Information

persons, JPYmn, %	FY20/3				FY21/3				FY22/3				FY23/3		
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	1Q	2Q	3Q
<b>QTR-end staff on assignment</b>															
• Sales outsourcing	4,655	4,730	4,778	4,389	3,673	3,531	3,575	3,697	3,481	3,347	3,383	3,400	3,604	3,481	3,489
• Call centers	5,472	5,861	5,787	5,834	5,259	5,219	5,197	5,235	5,127	5,082	5,208	5,315	5,113	5,089	5,125
• Factory outsourcing	10,172	10,105	10,144	9,342	8,015	8,170	7,955	7,495	6,738	6,550	6,128	6,394	6,503	6,100	6,166
• Nursing care	4,491	4,815	4,880	5,429	5,226	5,188	5,169	5,226	5,112	5,152	5,319	5,341	5,241	5,195	5,008
• Construction engineers	445	476	508	547	550	546	576	613	690	729	775	854	1,088	1,211	1,277
<b>YoY</b>															
• Sales outsourcing	(0.3)	5.1	1.5	(16.5)	(21.1)	(25.3)	(25.2)	(15.8)	(5.2)	(5.2)	(5.4)	(8.0)	3.5	4.0	3.1
• Call centers	4.8	11.4	5.1	4.4	(3.9)	(11.0)	(10.2)	(10.3)	(2.5)	(2.6)	0.2	1.5	(0.3)	0.1	(1.6)
• Factory outsourcing	30.9	17.6	4.7	(3.5)	(21.2)	(19.1)	(21.6)	(19.8)	(15.9)	(19.8)	(23.0)	(14.7)	(3.5)	(6.9)	0.6
• Nursing care	23.9	20.4	14.9	23.6	16.4	7.7	5.9	(3.7)	(2.2)	(0.7)	2.9	2.2	2.5	0.8	(5.8)
• Construction engineers	—	14.7	15.5	22.1	23.6	14.7	13.4	12.1	25.5	33.5	34.5	39.3	57.7	66.1	64.8
<b>Revenue by sector</b>															
<b>Domestic WORK Total</b>	<b>19,984</b>	<b>21,741</b>	<b>21,620</b>	<b>21,092</b>	<b>19,781</b>	<b>19,814</b>	<b>20,301</b>	<b>20,153</b>	<b>19,832</b>	<b>19,762</b>	<b>20,518</b>	<b>20,612</b>	<b>20,866</b>	<b>20,658</b>	<b>21,421</b>
• Sales outsourcing	5,386	6,393	5,769	5,602	4,462	4,696	4,824	5,064	4,767	4,625	4,860	5,265	5,078	5,019	5,137
• Call centers	3,868	4,145	4,264	4,182	4,222	4,190	4,243	4,211	4,220	4,216	4,334	4,271	4,154	4,130	4,221
• Factory outsourcing	5,819	6,060	6,150	5,716	5,390	5,163	5,199	4,833	4,698	4,594	4,642	4,381	4,472	4,404	4,410
• Nursing care	2,788	2,968	3,108	3,191	3,317	3,323	3,297	3,281	3,325	3,396	3,537	3,420	3,526	3,407	3,402
• Start-up staff support	261	333	310	359	300	304	267	402	526	569	537	717	709	729	769
• Construction engineers	1,099	1,156	1,226	1,325	1,297	1,299	1,311	1,368	1,337	1,405	1,475	1,569	1,652	1,862	2,040
• Others	763	686	793	717	793	839	1,160	994	959	957	1,133	989	1,275	1,107	1,442
<b>YoY</b>															
<b>Domestic WORK Total</b>	<b>16.5</b>	<b>16.0</b>	<b>6.8</b>	<b>7.0</b>	<b>(1.0)</b>	<b>(8.9)</b>	<b>(6.1)</b>	<b>(4.5)</b>	<b>0.3</b>	<b>(0.3)</b>	<b>1.1</b>	<b>2.3</b>	<b>5.2</b>	<b>4.5</b>	<b>4.4</b>
• Sales outsourcing	0.3	17.6	(0.9)	0.4	(17.2)	(26.5)	(16.4)	(9.6)	6.8	(1.5)	0.7	4.0	6.5	8.5	5.7
• Call centers	(0.9)	7.5	4.9	7.3	9.2	1.1	(0.5)	0.7	(0.0)	0.6	2.1	1.4	(1.6)	(2.0)	(2.6)
• Factory outsourcing	23.0	19.3	9.1	5.2	(7.4)	(14.8)	(15.5)	(15.4)	(12.8)	(11.0)	(10.7)	(9.4)	(4.8)	(4.1)	(5.0)
• Nursing care	27.2	22.6	18.0	20.8	19.0	12.0	6.1	2.8	0.2	2.2	7.3	4.2	6.0	0.3	(3.8)
• Start-up staff support	6.1	14.4	39.0	23.8	14.9	(8.7)	(13.9)	12.0	75.3	87.2	101.1	78.4	34.8	28.1	43.2
• Construction engineers	—	13.7	12.7	19.9	18.0	12.4	6.9	3.2	3.1	8.2	12.5	14.7	23.6	32.5	38.3
• Others	8.4	8.9	2.5	(5.4)	3.9	22.3	46.3	38.6	20.9	14.1	(2.3)	(0.5)	33.0	15.7	27.3
<b>OP by sector (*before elim.)</b>															
<b>Domestic WORK Total</b>	<b>1,213</b>	<b>1,451</b>	<b>1,404</b>	<b>1,370</b>	<b>1,152</b>	<b>1,386</b>	<b>1,086</b>	<b>1,087</b>	<b>1,144</b>	<b>1,148</b>	<b>1,326</b>	<b>1,207</b>	<b>1,234</b>	<b>1,299</b>	<b>820</b>
• Sales outsourcing	393	545	456	470	263	456	384	365	404	327	421	462	464	441	371
• Call centers	228	276	265	230	322	280	259	270	286	278	307	305	234	254	230
• Factory outsourcing	350	339	391	328	254	281	218	248	373	284	348	253	287	255	180
• Nursing care	74	77	69	140	175	102	63	41	60	96	101	39	115	102	122
• Start-up staff support	62	98	87	63	45	54	(10)	70	142	176	131	155	190	197	(205)
• Construction engineers	35	47	62	96	57	35	(25)	(28)	(207)	(121)	(129)	(102)	(273)	(147)	(85)
• Others	71	69	74	43	36	178	197	121	86	108	147	95	217	197	207
<b>OPM by sector (*before eliminations)</b>															
<b>Domestic WORK Total</b>	<b>6.1%</b>	<b>6.7%</b>	<b>6.5%</b>	<b>6.5%</b>	<b>5.8%</b>	<b>7.0%</b>	<b>5.3%</b>	<b>5.4%</b>	<b>5.8%</b>	<b>5.8%</b>	<b>6.5%</b>	<b>5.9%</b>	<b>5.9%</b>	<b>6.3%</b>	<b>3.8%</b>
• Sales outsourcing	7.3%	8.5%	7.9%	8.4%	5.9%	9.7%	8.0%	7.2%	8.5%	7.1%	8.7%	8.8%	9.1%	8.8%	7.2%
• Call centers	5.9%	6.7%	6.2%	5.5%	7.6%	6.7%	6.1%	6.4%	6.8%	6.6%	7.1%	7.1%	5.6%	6.2%	5.4%
• Factory outsourcing	6.0%	5.6%	6.4%	5.7%	4.7%	5.4%	4.2%	5.1%	7.9%	6.2%	7.5%	5.8%	6.4%	5.8%	4.1%
• Nursing care	2.7%	2.6%	2.2%	4.4%	5.3%	3.1%	1.9%	1.2%	1.8%	2.8%	2.9%	1.1%	3.3%	3.0%	3.6%
• Start-up staff support	23.8%	29.4%	28.1%	17.5%	15.0%	17.8%	-3.7%	17.4%	27.0%	30.9%	24.4%	21.6%	26.8%	27.0%	-26.7%
• Construction engineers	3.2%	4.1%	5.1%	7.2%	4.4%	2.7%	-1.9%	-2.0%	-15.5%	-8.6%	-8.7%	-6.5%	-16.5%	-7.9%	-4.2%
• Others	9.3%	10.1%	9.3%	6.0%	4.5%	21.2%	17.0%	12.2%	9.0%	11.3%	13.0%	9.6%	17.0%	17.8%	14.4%

Source: compiled by SIR from IR FactSheet, supplementary information.





## WILL GROUP FY3/22 Initial Forecasts, 2Q Revised Outlook and 3Q Revised Guidance

WILL GROUP

JPY mn, %	FY19/3	FY20/3	FY21/3	FY22/3	AMT	PCT	FY23/3	AMT	PCT	FY23/3	AMT	PCT	FY23/3	AMT	PCT
	IFRS	IFRS	IFRS	IFRS	CHG	CHG	IFRS	CHG	CHG	2Q	CHG	CHG	3Q	CHG	CHG
	act	act	act	act	YoY	YoY	init CE	YoY	YoY	rev CE	vs init	vs init	rev CE	vs 2Q	vs 2Q
<b>Revenue</b>	<b>103,300</b>	<b>121,916</b>	<b>118,249</b>	<b>131,080</b>	<b>12,831</b>	<b>10.9</b>	<b>140,000</b>	<b>8,920</b>	<b>6.8</b>	<b>140,000</b>	<b>0</b>	<b>0.0</b>	<b>144,000</b>	<b>4,000</b>	<b>2.9</b>
<b>YoY</b>		<b>18.0</b>	<b>(3.0)</b>	<b>10.9</b>			<b>6.8</b>			<b>6.8</b>			<b>9.9</b>		
<i>by reporting segment</i>															
• Domestic WORK	—	84,438	80,050	80,726	676	0.8	88,980	8,254	10.2	84,850	(4,130)	(4.6)	83,870	(980)	(1.2)
• Overseas WORK	—	36,074	36,920	48,746	11,826	32.0	49,030	284	0.6	52,780	3,750	7.7	57,770	4,990	9.5
ratio to revenue		29.6%	31.2%	37.2%			35.0%			37.7%			40.1%		
• Others	—	1,549	1,278	1,607	329	25.7	1,980	373	23.2	2,350	370	19.1	2,360	10	0.4
<i>by Domestic WORK sectors</i>															
• Sales outsourcing	22,208	23,150	19,046	19,517	471	2.5	20,660	1,143	5.9	20,320	(340)	(1.6)			
• Call centers	15,724	16,459	16,866	17,041	175	1.0	18,420	1,379	8.1	16,680	(1,740)	(9.5)			
• Factory outsourcing	20,885	23,745	20,585	18,315	(2,270)	(11.0)	19,110	795	4.3	18,260	(850)	(4.5)			
• Nursing care	9,889	12,055	13,218	13,678	460	3.5	14,760	1,082	7.9	13,590	(1,170)	(7.9)			
• Start-up staff support	1,050	1,263	1,273	2,349	1,076	84.5	2,800	451	19.2	2,800	0	0.0			
• Construction engineers	3,210	4,806	5,275	5,786	511	9.7	8,300	2,514	43.4	7,680	(620)	(7.4)			
• Others	2,866	2,959	3,786	4,038	252	6.7	4,930	892	22.1	5,520	590	12.0			
Gross profit	20,305	25,402	24,056	28,765	4,709	19.6	31,580	2,815	9.8	31,780	200	0.6	31,970	190	0.6
GPM	19.7%	20.8%	20.3%	21.9%			22.6%			22.7%			22.2%		
• Domestic WORK GP	—	—	16,430	17,231	801	4.9	—	—	—	—	—	—	—	—	—
GPM			20.5%	21.3%											
• Overseas WORK GP	—	—	6,994	11,540	4,546	65.0	—	—	—	—	—	—	—	—	—
GPM			18.9%	23.7%											
SG&A expenses	17,406	21,422	20,463	23,585	3,122	15.3	—	—	—	—	—	—	—	—	—
ratio to revenue	16.8%	17.6%	17.3%	18.0%											
Depreciation & amortization	1,580	1,990	2,229	2,084	(145)	(6.5)	2,070	(14)	(0.7)	2,070	0	0.0	2,040	(30)	(1.4)
EBITDA	4,537	4,537	4,537	7,556	3,019	66.5	7,670	114	1.5	7,670	0	0.0	7,240	(430)	(5.6)
ratio to revenue	4.4%	3.7%	3.8%	5.8%			5.5%			5.5%			5.0%		
<b>Operating profit</b>	<b>2,957</b>	<b>4,145</b>	<b>4,030</b>	<b>5,472</b>	<b>1,442</b>	<b>35.8</b>	<b>5,600</b>	<b>128</b>	<b>2.3</b>	<b>5,600</b>	<b>0</b>	<b>0.0</b>	<b>5,200</b>	<b>(400)</b>	<b>(7.1)</b>
<b>YoY</b>		<b>40.2</b>	<b>(2.8)</b>	<b>35.8</b>			<b>2.3</b>			<b>2.3</b>			<b>(5.0)</b>		
<b>OPM</b>	<b>2.9%</b>	<b>3.4%</b>	<b>3.4%</b>	<b>4.2%</b>			<b>4.0%</b>			<b>4.0%</b>			<b>3.6%</b>		
<i>by reporting segment</i>															
• Domestic WORK OP	—	5,061	4,763	4,448	(315)	(6.6)	5,690	1,242	27.9	4,440	(1,250)	(22.0)	4,030	(410)	(9.2)
OPM		6.0%	6.0%	5.5%			6.4%			5.2%			4.8%		
• Overseas WORK OP	—	971	1,942	3,348	1,406	72.4	2,580	(768)	(22.9)	3,630	1,040	40.4	3,210	(420)	(11.6)
OPM		2.7%	5.3%	6.9%			5.3%			6.9%			5.6%		
• Others OP	—	(352)	(413)	(342)	71	RS	(190)	152	RS	(190)	0	0.0	50	240	TB
• eliminations	—	(1,535)	(2,262)	(1,981)	281		(2,480)	(499)		(2,270)	210	—	(2,090)		
<i>by Domestic WORK sectors</i>															
• Sales outsourcing	1,538	1,864	1,468	1,614	146	9.9	1,870	256	15.9	1,780	(90)	(4.9)			
• Call centers	833	999	1,131	1,176	45	4.0	1,300	124	10.5	860	(440)	(34.0)			
• Factory outsourcing	1,039	1,408	1,001	1,258	257	25.7	1,450	192	15.3	1,100	(350)	(24.4)			
• Nursing care	187	360	381	296	(85)	(22.3)	710	414	139.9	400	(310)	(43.7)			
• Start-up staff support	269	310	159	604	445	279.9	570	(34)	(5.6)	570	0	0.0			
• Construction engineers	31	240	39	(559)	(598)	TR	(430)	129	RS	(580)	(150)	RE			
• Others	168	257	532	436	(96)	(18.0)	NA			NA					
Profit before tax	2,876	4,057	3,788	5,293	1,505	39.7	5,490	197	3.7	5,490	0	0.0	5,050	(440)	(8.0)
Profit	1,734	2,712	2,678	3,854	1,176	43.9	3,870	16	0.4	3,870	0	0.0	3,500	(370)	(9.6)
Profit ATOP	1,539	2,380	2,363	3,286	923	39.1	3,330	44	1.3	3,330	0	0.0	3,200	(130)	(3.9)
AUD-JPY	80	74	76	83	7		78	(5)		93	15	19.2	93	0	0.0
SGD-JPY	81	79	78	84	6		79	(5)		96	17	21.5	98	2	2.1

Source: compiled by Sessa Partners from IR results briefing materials, TANSBIN statements and IR FactSheet.

Note: sensitivity to ¥1 annual fluctuation ► AUD = revenue ¥460mn, OP ¥30mn, ► SGD = revenue ¥110mn, OP ¥10mn. TR = turned red, RE = red expanded, RS = red shrank and TB = turned black.

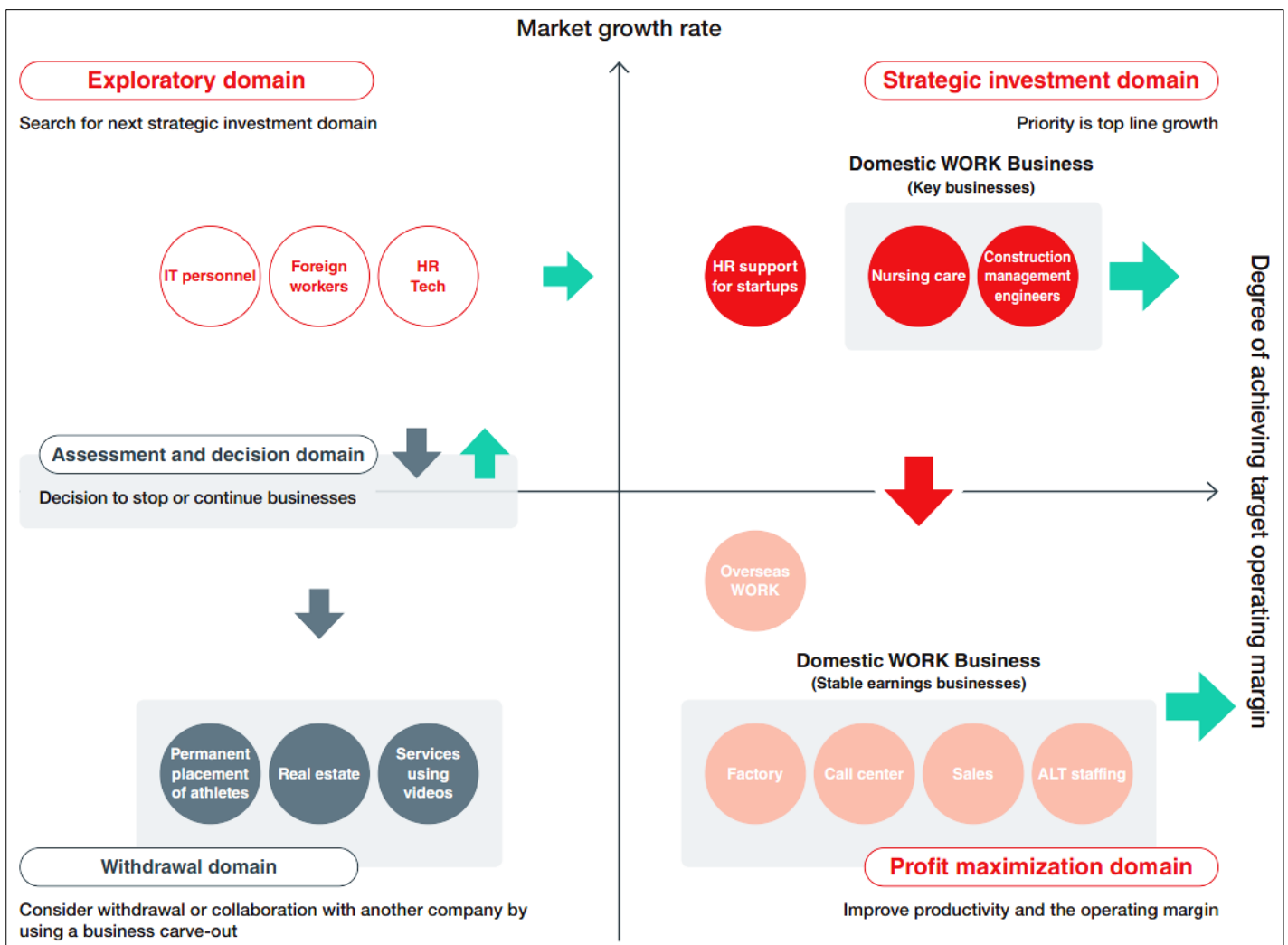


**MTP strategic classification of individual businesses into focus domain quadrants**

When reviewing each of the six category-specific areas of specialization in domestic business, it is important to consider each in the context of the Medium-Term Management Plan “WILL-being 2023,” differentiating between a focus on growth and a focus on profitability. The first three original main businesses of Sales Outsourcing, Call Centers and Factory Outsourcing, shown in pink circles in the lower right-hand quadrant titled “Profit maximization domain,” have effectively gone ex-growth, and the focus going forward is on raising profit margins by raising efficiency.

The second three areas of Nursing Care, Construction Supervisory Engineers and Start-up HR Support, shown in red circles in the upper right-hand quadrant titled “Strategic investment domain,” prioritize top line revenue growth in growing market segments. The situation of chronic shortages of IT engineers and foreign national workers, shown in white circles in the upper left-hand quadrant titled “Exploratory domain,” along with the Group’s initiative for HR Tech as part of overall digital transformation (DX), are new business areas for strategic investment. For a full overview of MTP initiatives, please refer to [SIR’s Initiation report](#) dated April 7, 2022.

**Medium-Term Management Plan “WILL-being 2023”: Business Portfolio Classified into Strategic Domains**



Source: excerpt from WILL GROUP integrated Report 2021.

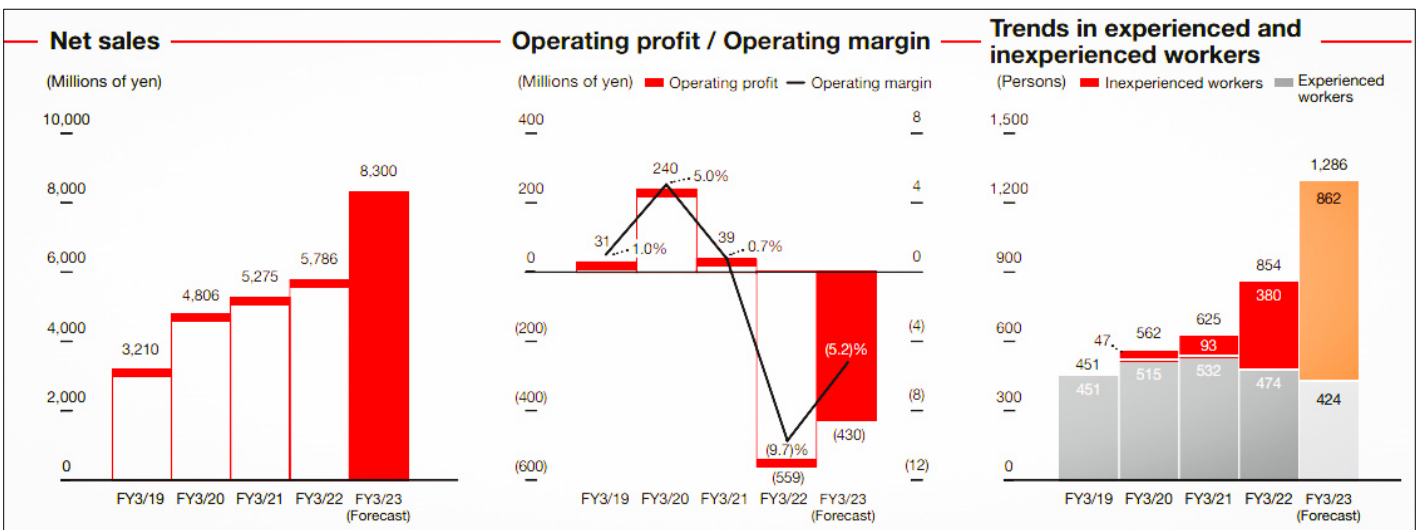
**WILL GROUP**



**Progress of strategic investment areas Construction Engineers and Nursing Care**

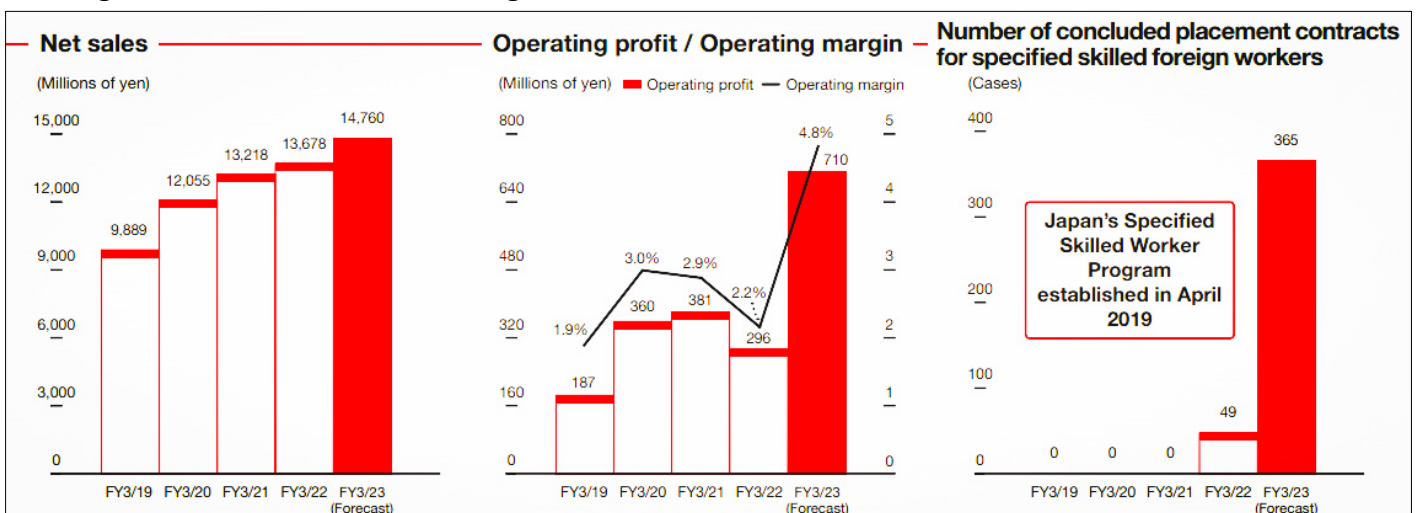
- ▼ As the final year three of the current MTP draws to a close, the Company provided a progress update on the strategic investment domains of construction supervisory engineers and nursing care. The 2 exhibits below from the latest Integrated Report include initial company estimates for FY23/3, and the following two pages show the trend of actual KPI for each through the 3Q. The Company’s initiative to ramp up hiring of new graduates and mid-career inexperienced staff has largely been successful, even though final total numbers will post a slight shortfall.
- ▼ Nursing care is a slightly different story. The Company discovered that its strategy to focus on the ‘temp-to-permanent placement’ category, while retention has remained high, has not yielded a satisfactory level of demand from customers, and therefore shifted the focus during the current term to permanent placement. A key takeaway from the bottom exhibit on P10 is that the focus on experienced staff has had a significant impact on achieved placement contract unit prices, maintaining a certain level of revenue despite the shortfall in number of staff.

**Strategic Investment Domain: Construction Supervisory Engineers**



Source: excerpt from WILL GROUP integrated Report 2022. [https://willgroup.co.jp/willg-wp/wp-content/uploads/2022/11/willgroup\\_integratedreport2022\\_en.pdf](https://willgroup.co.jp/willg-wp/wp-content/uploads/2022/11/willgroup_integratedreport2022_en.pdf)

**Strategic Investment Domain: Nursing care**



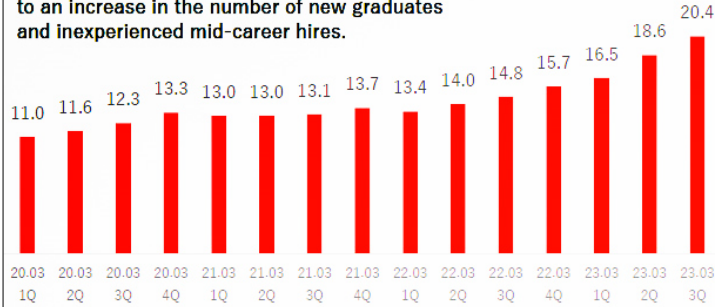




**Progress of Construction Supervisory Engineers**

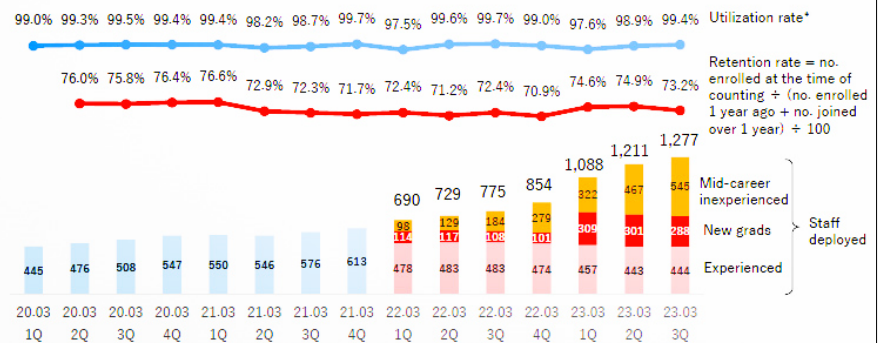
**Quarterly sales trend** unit: Y100mn

Double-digit growth has continued since 1Q due to an increase in the number of new graduates and inexperienced mid-career hires.



**Staff deployed, utilization rate, retention rate** unit: persons

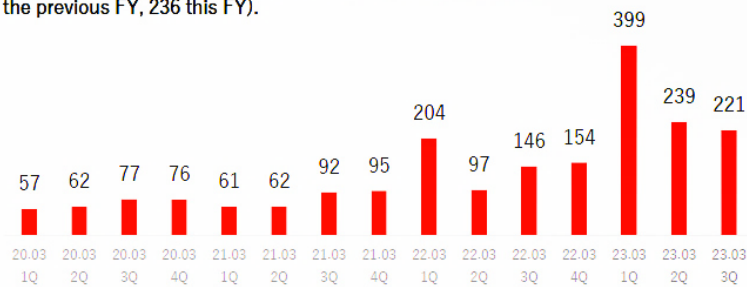
Utilization rate remains high. Continue to work on improving the retention rate.



\*Utilization rates for 22.03 1Q and 23.03 1Q are for the single month of June, excluding the impact of the new graduate training period. Utilization rates for the cumulative periods are: 22.03 1Q: 90.4%, 23.03 1Q: 89.6%.

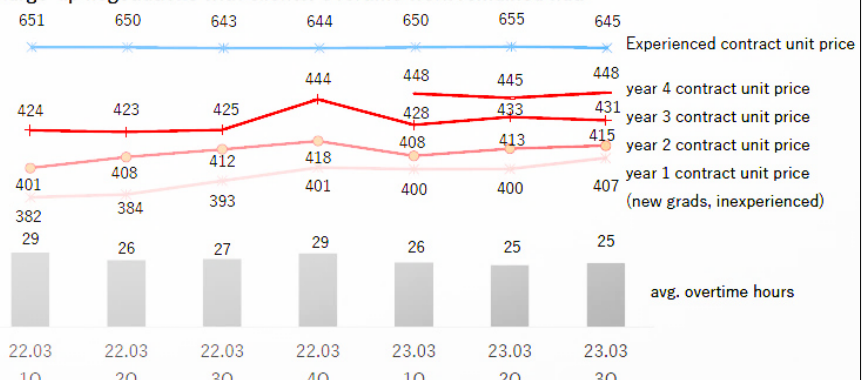
**Number recruited** unit: persons

Mid-career inexperienced hires is progressing at a pace exceeding 1,000/year. \*1Q includes new graduate hires (131 in the previous FY, 236 this FY).



**Avg. contract unit price, avg. overtime hours (monthly)** unit: hours, thou. yen

Avg. contract unit price for new grads and inexperienced hires increased 3%-5%/year due to charge-up negotiations with clients. Overtime work remained flat.



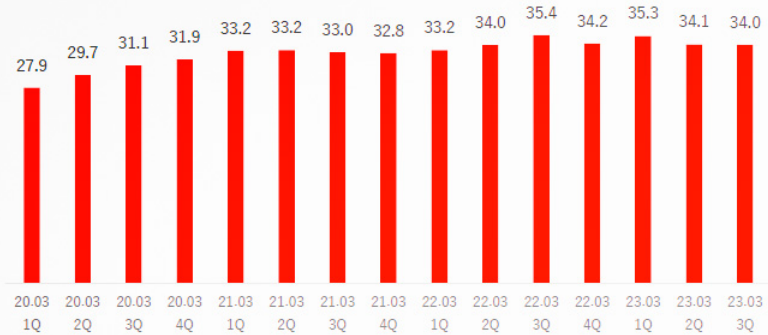
Source: excerpt from company IR materials



**Progress of Nursing Care**

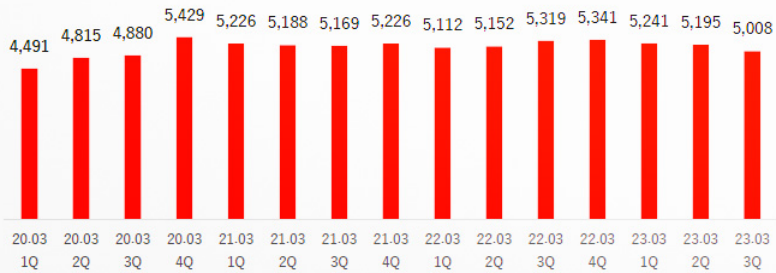
**Quarterly sales trend** unit: Y100mn

Both temporary staffing and placement remained steady.



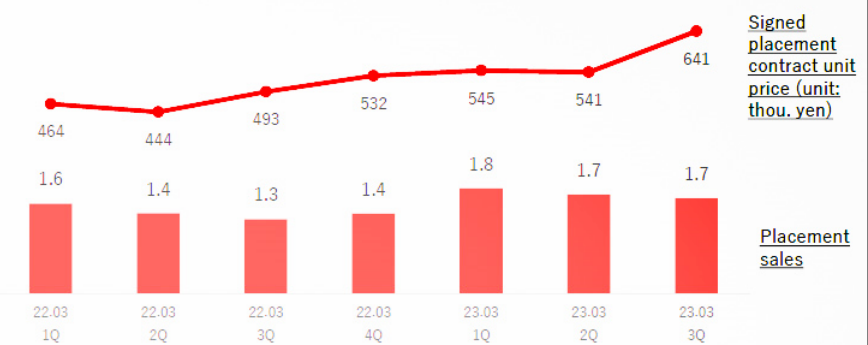
**No. of temporary staff deployed** unit: persons

Decreased QoQ due to the continued impact of a decline in new projects caused by the resurgence of COVID-19.



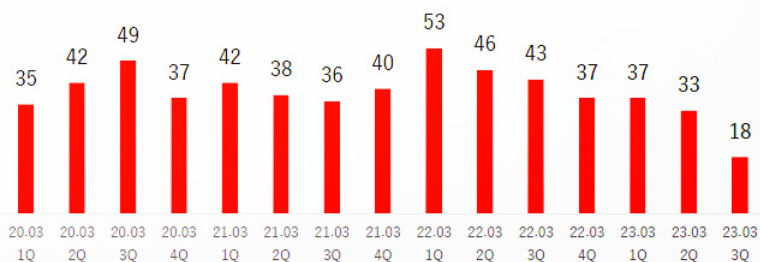
**Placement sales and signed contract unit price** unit: Y100mn

The signed placement contract unit price rose due to targeting experienced staff.



**No. of employees in the Placement area** unit: persons

The no. of employees will be increased going forward while maintaining productivity.



Source: excerpt from company IR materials



# New Group President nominated

## Scheduled to assume office June 2023 after the AGM



**WILLOF CONSTRUCTION, Inc.**  
President and Representative  
Director Yuichi Sumi (42)

### SUMMARY

- ▼ Based on the report by the Nomination Committee, which is chaired by an Outside Director, WILL GROUP’s Board of Directors resolved at its meeting on February 21, 2023 to change its President and Representative Director. Current President and Representative Shigeru Ohara will retire at the conclusion of the Ordinary General Meeting of Shareholders in June 2023, and subject to appointment by shareholder election, Yuichi Sumi (42), currently a Director of the Company and President and Representative Director of WILLOF CONSTRUCTION, Inc., will assume office after the AGM in June.
- ▼ The stated reason for the change is to lead implementation of the next MTP (FY24/3 – FY26/3) to be announced in May along with full-term FY23/3 results. Since joining the Company in 2003 (20 years experience), contributions to the Group by Yuichi Sumi include strong leadership and contribution to the recovery of business performance in the factory outsourcing sector under severe conditions in the wake of the 2008 Financial Crisis, GM of the Sales Division from Apr-2014 and Executive Officer and GM of the HR Division from Jul-2018. He was appointed President and Representative Director of WILLOF CONSTRUCTION, Inc. from Apr-2021.
- ▼ A majority of the priority initiatives in the current MTP outlined below have been largely achieved under the leadership of President Ohara since June 2016: 1) the ‘Perm SHIFT’ initiative for profit maximization domains achieved a steady rise in GPM through targeting permanent placement, 2) strong growth was achieved in the strategic investment domains for construction engineers and staffing support for startups, although nursing care required a course correction, and 3) financial targets of raising the equity ratio for owners of parent above 20% and total payout of 30% have both been achieved. **This appointment may signal a reversion to emphasizing growth.**

### Summary of progress in the Medium-Term Management Plan (WILL-being 2023)

Key strategies	Details	Progress in 1Q FY3/23
<b>Strategy I</b> <b>Utilizing portfolio shift to improve profitability</b> <small>Domestic WORK Business and Overseas WORK Business</small> Strategic investment domain, profit maximization domain	<ul style="list-style-type: none"> <li>■ Expansion of Perm area (“Perm” refers to permanent placement, and temporary staffing for highly specialized fields). In particular, we will focus on the domains of nursing care, construction management engineers, and HR support for startups.</li> </ul> <div style="background-color: #2c3e50; color: white; padding: 2px; margin: 5px 0;"><b>Indicators</b></div> <ul style="list-style-type: none"> <li>■ Strategic investment domain: Revenue growth rate</li> <li>■ Profit maximization domain: Operating margin</li> </ul>	<div style="background-color: #2c3e50; color: white; padding: 2px; margin-bottom: 5px;"><b>Strategic investment domain</b></div> <ul style="list-style-type: none"> <li>■ Construction: ○ (Increase in new graduate and mid-career hires without experience)</li> <li>■ Nursing care: △ (The retention rate of people hired in <i>the shokai yotei haken</i> (temporary-to-permanent placement) category is high, as expected, but this has not led to an expansion of permanent placement for those without experience. Accordingly, we moved away from active promotion and positioned it as just one part of our service lineup, while changing our strategy to one focusing on permanent placement. Employees and other resources were shifted to the temporary staffing division.)</li> <li>■ Human resources support for startups: ○ (strong performance)</li> </ul> <div style="background-color: #2c3e50; color: white; padding: 2px; margin-bottom: 5px;"><b>Profit maximization domain</b></div> <ul style="list-style-type: none"> <li>■ Domestic WORK: ○ (Improvement in gross margin and operating margin resulting from the assessment of economic conditions, etc.)</li> <li>■ Overseas: ○ (A steady rise in the base level, even after excluding forex impact)</li> </ul>
<b>Strategy II</b> <b>Utilizing digital shift to improve productivity</b> <small>Domestic WORK Business and Overseas WORK Business</small> Profit maximization domain	<ul style="list-style-type: none"> <li>■ Improve productivity per capita through digital shift.</li> </ul>	<ul style="list-style-type: none"> <li>■ Continued to improve the functionality of the WILLOF smartphone app (shift to online applications, etc.). Launched “Manned chat support” in April 2022.</li> </ul>
<b>Strategy III</b> <b>Searching for next strategic investment domain</b> Exploratory domain	<ul style="list-style-type: none"> <li>■ Expand services for foreigners in Japan.</li> <li>■ Expand services for IT personnel.</li> <li>■ In HR Tech, we are exploring opportunities in sectors adjacent to our main businesses.</li> </ul>	<ul style="list-style-type: none"> <li>■ Technical interns and specified skilled foreign workers arrived in Japan in May 2022, but services for foreigners in Japan undershot initial expectations.</li> <li>■ In services for IT personnel, both temporary staffing and permanent placement grew steadily.</li> <li>■ Product under development for services, etc. to be provided to construction management engineers.</li> </ul>
<b>Strategy IV</b> <b>Financial strategy</b> For the Group as a whole	<ul style="list-style-type: none"> <li>■ Ratio of equity attributable to owners of parent: 20% or higher</li> <li>■ ROIC: 20% or higher (cost of capital at around 10%)</li> <li>■ Total payout ratio: 30% or higher</li> </ul>	<ul style="list-style-type: none"> <li>■ Ratio of equity attributable to owners of parent was 23.5% at the end of 1Q FY3/23.</li> <li>■ Aiming to achieve ROIC by overshooting operating profit.</li> <li>■ Expected total payout ratio for FY3/23: 30.2%</li> </ul>

Source: excerpt from WILL GROUP integrated Report 2022.

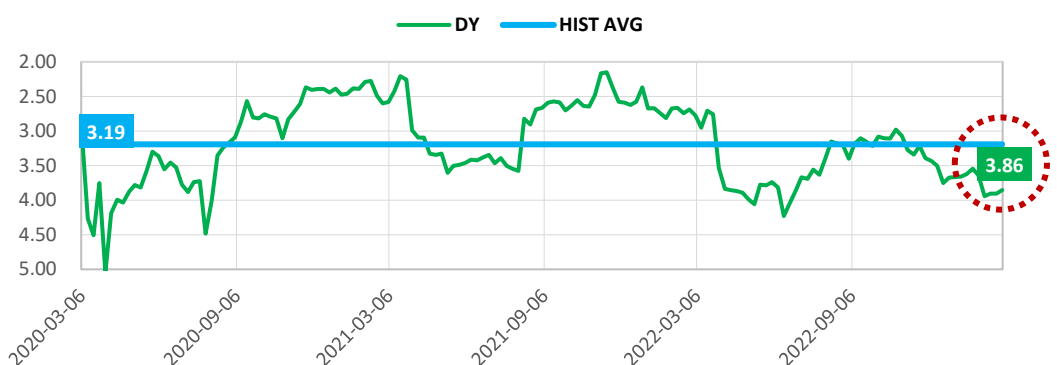
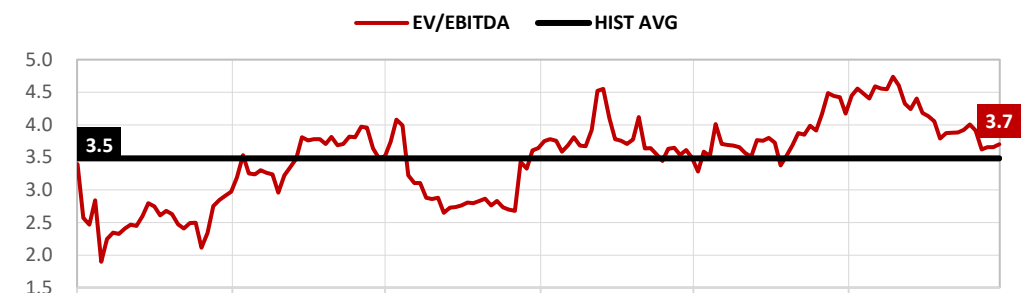
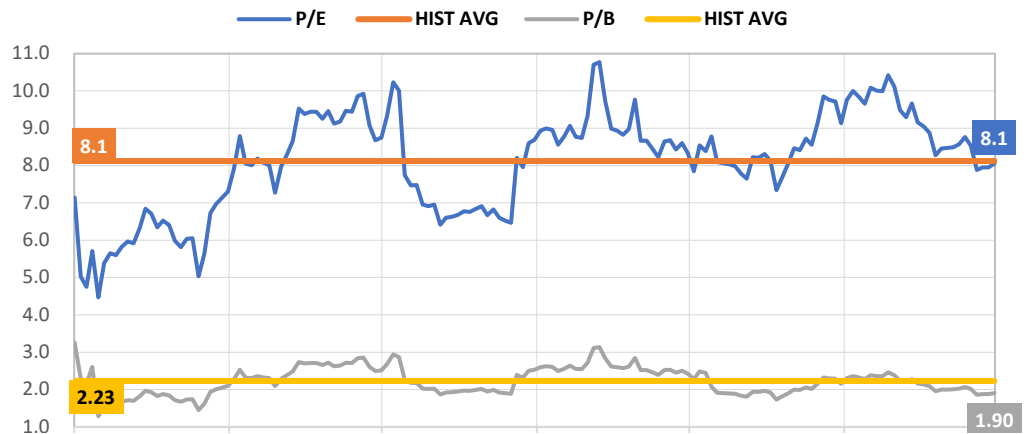
**WILL GROUP**



**Performance and Valuations: SESSA Smart Charts**

- ✓ The current P/E is trading spot on its historical average, while the P/B is 15% below its historical average.
- ✓ At the same time, the **DY of 3.86%** is now trading 21% above its historical average.
- ✓ Current valuations appears to have discounted the full-term downward revision, and the next catalyst will be the new MTP to be announced in May along with full-term results.
- ✓ Since the financial condition (B/S) has improved significantly over the last 3 years, the next MTP will likely give some clues as to the next targets for new growth investment.
- ✓ It is noteworthy that Chairman Ikeda's family wealth management office has increased its stake twice over the last 9 months, ahead of announcing the next MTP in May under the leadership of a new CEO from June (see left-hand table P14).

**SESSA Smart Charts: 3-Year Weekly Share Price and Valuations Trend**



Source: compiled by SIR from SPEEDA historical earnings and price data. Valuations calculated based on CE.



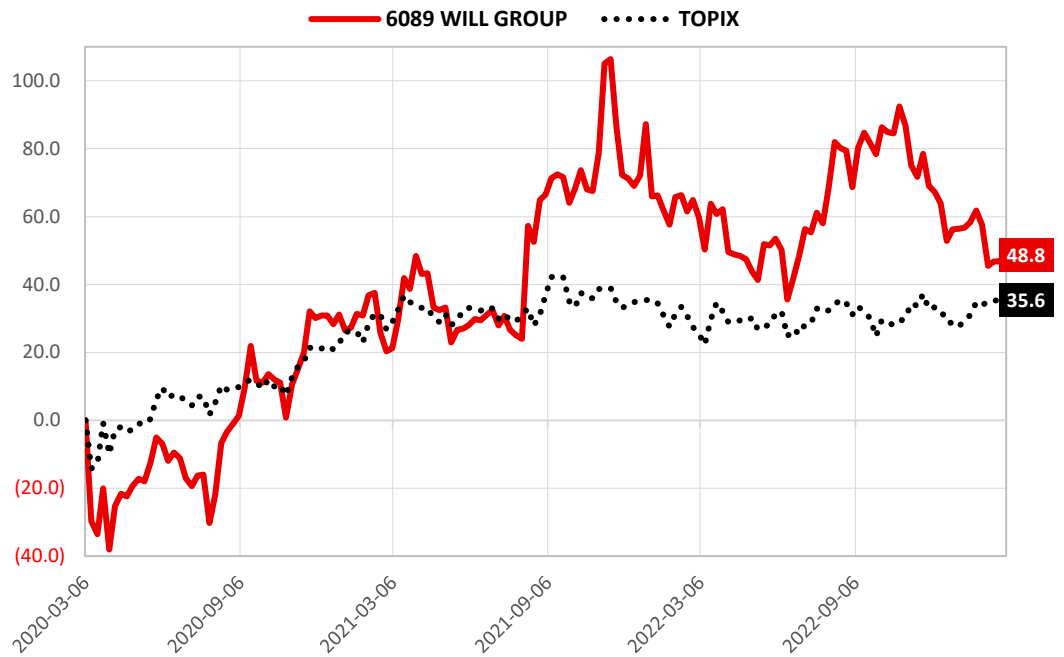


Analyst's view

- ✓ Despite the shortfall on GPM this term due to delays in securing new projects in Japan and high growth in referrals overseas calming down, management intends to continue 'Perm SHIFT' going forward.
- ✓ In any event, cheap valuations will likely be revisited, along with its high DY and defensive growth portfolio.



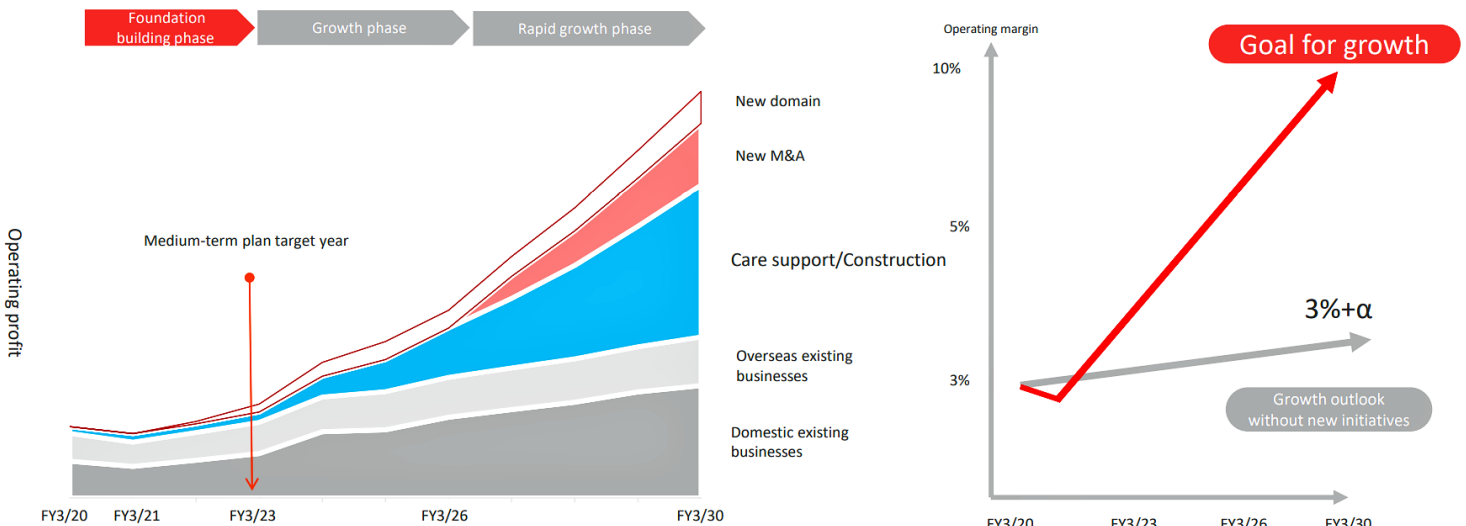
3Y Weekly Relative Performance Trend



Basic policy outlined in the MTP is to use the "WORK SHIFT" strategy to raise profit margins, consisting of: ① **portfolio shift**, or "Perm SHIFT" to permanent placement and temporary staffing in highly specialized categories to maximize/optimize growth, and ② **digital shift** to use digital technologies to raise efficiency of temporary placement and contract outsourcing. The graphic below provides a long-term vision (growth scenario) for the Group envisioned by top management, where MTP "WILL-being 2023" is positioned as a "foundation building phase." Since the Group essentially achieved FY23/3 targets a year ahead of schedule, it has likely already advanced to the "growth phase," and catalysts going forward will likely include announcements by management regarding new strategic growth investments.

MTP "WILL-being 2023" focus is changing the profit structure for rapid future growth

■ Medium/Long-term Growth Scenario



Source: "Company Overview" (July 1, 2021). [https://ssl4.eir-parts.net/doc/6089/ir\\_material3/166720/00.pdf](https://ssl4.eir-parts.net/doc/6089/ir_material3/166720/00.pdf)



Chairman Ikeda and President Ohara

Major Shareholders

as of March 31, 2022

Name or Designation	Shares owned (thou. shares)	Pct of Shares Owned
Ryosuke Ikeda	4,204.1	18.40
Shigeru Ohara	1,781.5	7.80
Ikeda Planning Office Co.	1,707.5	7.47
The Master Trust Bank of Japan, Ltd. (trust acct.)	1,683.7	7.37
Custody Bank of Japan, Ltd. (trust acct.)	1,098.4	4.81
BBH FOR FIDELITY LOW-PRICED STOCK FUND (prin. all sector subport.)	1,048.5	4.59
WILL GROUP Employee Stock Ownership Plan	560.3	2.45
GOLDMAN SACHS INTERNATIONAL	495.7	2.17
STATE STREET BANK AND TRUST Client Omnibus Acct. OM02505002	420.9	1.84
Shingo Watanabe	400.0	1.75
<b>Top 10</b>	<b>13,400.6</b>	<b>64.37</b>
Number of shares issued	22,852.2	
Treasury stock (0.02%)	5.4	
Number of shares issued and outstanding (excl. treasury stock)	22,846.8	100.00

Source: compiled by SIR from Notice of 16<sup>th</sup> Annual General Meeting of Shareholders.

Filings of Change in Major Shareholdings

Ikeda Planning Office Co.	
Report obligation	2022-07-07
Filed with MOF	2022-10-07
New shares owned	1,876,700
% ownership CHG	7.17% → 8.20%
Ikeda Planning Office Co.	
Report obligation	2023-02-21
Filed with MOF	2023-03-01
New shares owned	2,007,500
% ownership CHG	8.20% → 8.75%

Source: compiled by SIR from EDINET filings.

Shareholder Rebate Policy

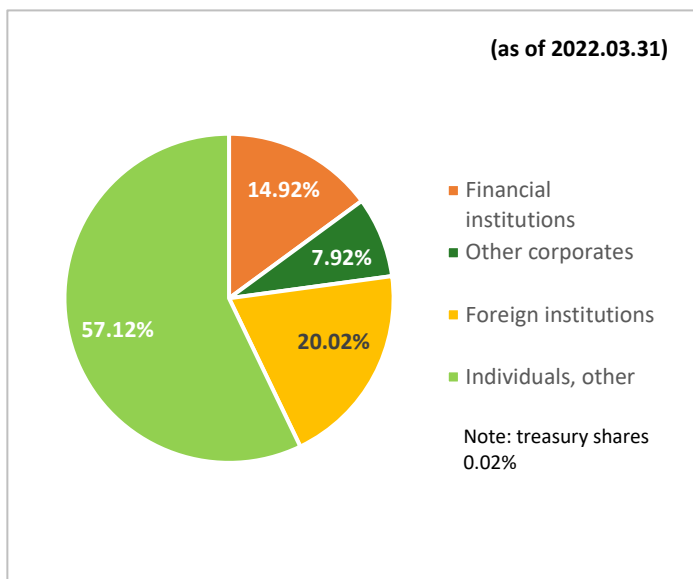
As can be seen from the list of major shareholders above, Chairman Ikeda, his family wealth management office and President Ohara collectively own 33.67% of shares outstanding. The company’s policy on distribution of profits adopts a total return approach including payment of dividends and share buybacks, aiming for total consol. payout ratio of 30%.

Submission of Change Reports Pertaining to Large Shareholdings

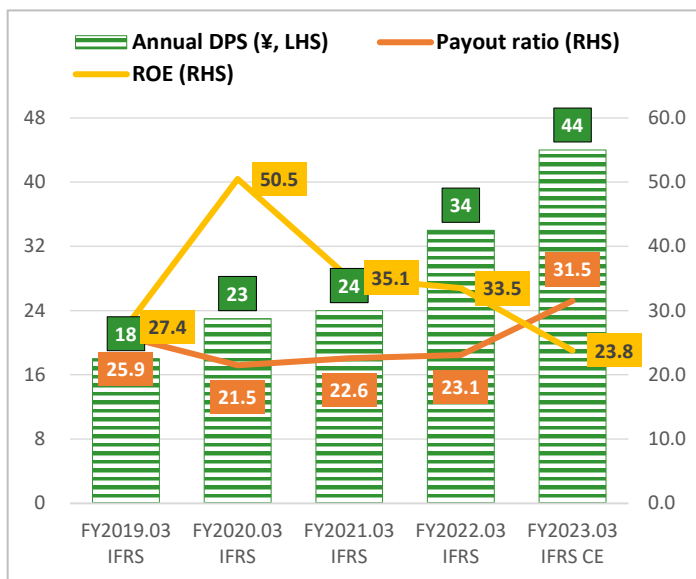
Pursuant to the 5% rule, the table on the left shows the Chairman’s family wealth management office increased the number of shares owned twice over the last 9 months.



Shareholder breakdown by investor type



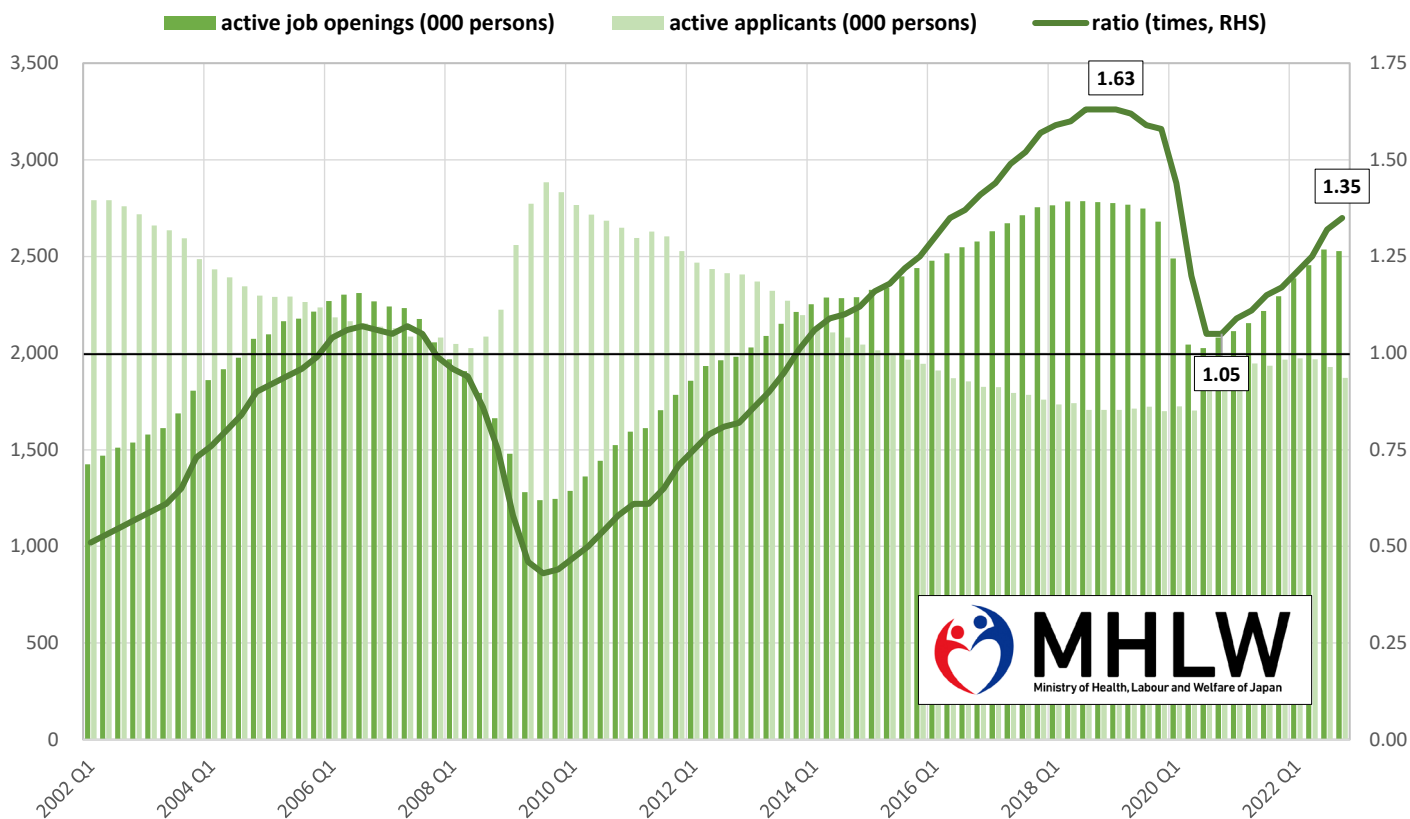
Trend of shareholder rebates



Source: compiled by SIR from TANSIN financial statements and company IR results briefing materials. Revised ROE estimate by SIR.

JAPAN LABOR MARKET STATISTICS

Quarterly Trend of Active Job Openings-to-Applicants Ratio (S.A., incl. part-timers, excl. new graduates)



Source: compiled by SIR from MHLW "Employment Referrals for General Workers"

Monthly Trend of New Job Openings by Industry (general including part-timers)

Persons (000)	22.01	22.02	22.03	22.04	22.05	22.06	22.07	22.08	22.09	22.10	22.11	22.12
<b>TOTAL</b>	<b>902</b>	<b>839</b>	<b>891</b>	<b>849</b>	<b>804</b>	<b>892</b>	<b>855</b>	<b>839</b>	<b>888</b>	<b>925</b>	<b>865</b>	<b>849</b>
D Construction	81	76	87	83	74	88	80	74	86	82	74	76
E Manufacturing	96	86	95	91	82	95	90	87	99	97	86	86
G Information and communications	23	20	22	20	20	22	21	21	22	23	21	22
H Transportation, postal industry	50	45	48	50	44	48	50	46	49	56	46	45
I Wholesale and retail trade	110	98	105	103	101	108	105	109	109	114	109	98
L Academic research, technical services	23	21	22	22	21	23	22	23	22	23	23	22
M Lodging, food & beverage services	62	56	67	68	63	69	72	69	66	80	76	62
N Lifestyle and recreation services	28	30	26	27	30	29	27	31	28	30	30	27
O Education and learning support	16	16	18	14	12	15	13	12	14	14	13	15
P Medical care and welfare	225	205	221	210	205	222	212	209	224	228	213	218
R Services (not elsewhere classified)	117	109	121	114	106	123	118	112	120	125	115	112
<b>YoY</b>	<b>Jan</b>	<b>Feb</b>	<b>Mar</b>	<b>Apr</b>	<b>May</b>	<b>Jun</b>	<b>Jul</b>	<b>Aug</b>	<b>Sep</b>	<b>Oct</b>	<b>Nov</b>	<b>Dec</b>
<b>TOTAL</b>	<b>14.6</b>	<b>9.5</b>	<b>7.5</b>	<b>12.3</b>	<b>17.2</b>	<b>12.0</b>	<b>12.8</b>	<b>15.1</b>	<b>9.8</b>	<b>7.9</b>	<b>8.7</b>	<b>4.8</b>
D Construction	4.2	1.7	3.0	4.4	4.4	2.1	4.2	5.6	(0.8)	(0.7)	1.8	(6.2)
E Manufacturing	38.5	27.6	22.0	21.9	23.9	16.9	14.5	17.0	11.4	6.0	5.8	(0.1)
G Information and communications	24.7	18.1	16.9	6.0	17.4	13.5	9.2	10.8	7.2	6.7	5.3	5.7
H Transportation, postal industry	14.0	13.4	12.6	13.1	17.6	11.9	14.7	14.6	11.7	7.3	8.1	4.7
I Wholesale and retail trade	13.3	5.1	5.8	6.9	17.5	12.3	12.8	18.7	12.7	11.7	13.0	5.2
L Academic research, technical services	15.1	8.0	3.3	10.1	18.4	7.3	9.0	15.7	3.5	2.6	10.6	0.4
M Lodging, food & beverage services	38.8	28.4	5.0	49.6	54.3	30.9	47.7	51.1	29.5	29.3	21.2	6.9
N Lifestyle and recreation services	16.5	15.4	4.1	10.4	17.4	16.7	13.5	28.9	22.3	11.3	6.3	18.5
O Education and learning support	12.6	(0.6)	(1.6)	3.4	5.8	3.9	10.0	0.4	(0.4)	(1.9)	(9.4)	1.2
P Medical care and welfare	4.7	2.5	6.3	6.6	11.7	9.4	5.1	6.9	6.1	3.7	4.8	2.1
R Services (not elsewhere classified)	18.7	14.2	11.3	15.3	18.4	13.2	16.7	15.8	11.3	10.1	13.2	7.9

Source: compiled by SIR from MHLW "Employment Referrals for General Workers"

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