

FY overshoot likely on conservative 2H outlook

High dividend yield attractive in the current environment

SUMMARY

▼ As previewed in our 1Q Follow-up Report, **relative to cautious initial 1H guidance for revenue +4.8% and OP -16.2%, actual 1H results were revenue ¥72,358mn (+13.2% YoY), topping guidance by ¥5,358mn, or 8.0%, and operating profit ¥2,934mn (+9.3% YoY), topping guidance by ¥684mn, or 30.4%**. By segments, while Domestic WORK posted slight shortfalls to revenue by 2.7% and OP by 4.7%, it still posted YoY gains of revenue +4.9% and OP +5.4%. Overseas WORK posted overshoots to revenue by 27.0% and OP by 62.2%, achieving YoY gains of +25.5% and +14.2%, respectively, in part due to forex, but also due to record job openings.

▼ Positive developments with respect to the MTP include **1H GPM rising from 22.0% → 22.4%, with both Domestic WORK and Overseas WORK recording YoY improvement due to promoting Perm SHIFT**. In addition, financial position continued to improve, with the equity ratio rising from 21.8% at the end of March, to 23.5% at the end of June, and 26.2% at the end of September.

▼ Despite the strong 1H overshoot, the Company left full-term headline guidance for revenue and profits unchanged, instead revising segment forecasts (see table below and PP 7-8). The main factors cited for leaving full-term forecasts unchanged are 1) the 7th wave of COVID-19 which started in late June caused delays in securing 2Q new contracts as well as increased absences in Domestic WORK, and 2) 1H deployment of strategic investment of ¥470mn was ¥200mn behind budget, which will be made up in the 2H. Ultimately, initial guidance for Domestic WORK revenue of 1H +7.7% and 2H +12.6% was revised to 1H act +4.9% and 2H CE +5.3%. **HOWEVER, there is no explanation for the apparent sharp slowdown in 2H Overseas WORK revenue from 1H actual +25.5% to 2H revised outlook -8.0%, leaving ample room for a FY overshoot in SIR's view.**

Changes in Segment Forecast Assumptions for 2H and Full-term Outlook

JPY mn, %	FY22/3	FY22/3	FY22/3	FY23/3	FY23/3	FY23/3	FY23/3	FY23/3	FY23/3
IFRS	1H act	2H act	act	1H init	1H act	2H init	2H outlk	init CE	outlook
Revenue	63,913	67,167	131,080	67,000	72,358	73,000	67,642	140,000	140,000
• Domestic WORK	39,594	41,132	80,726	42,660	41,525	46,320	43,325	88,980	84,850
• Overseas WORK	23,709	25,037	48,746	23,420	29,744	25,610	23,036	49,030	52,780
Revenue YoY				4.8	13.2	8.7	0.7	6.8	6.8
• Domestic WORK				7.7	4.9	12.6	5.3	10.2	5.1
• Overseas WORK				(1.2)	25.5	2.3	(8.0)	0.6	8.3
Operating profit	2,685	2,787	5,472	2,250	2,934	3,350	2,666	5,600	5,600
• Domestic WORK	2,160	2,288	4,448	2,390	2,277	3,300	2,163	5,690	4,440
• Overseas WORK	1,676	1,672	3,348	1,180	1,914	1,400	1,716	2,580	3,630
OP YoY				(16.2)	9.3	20.2	(4.3)	2.3	2.3
• Domestic WORK				10.6	5.4	44.2	(5.5)	27.9	(0.2)
• Overseas WORK				(29.6)	14.2	(16.3)	2.6	(22.9)	8.4
OPM	4.2%	4.1%	4.2%	3.4%	4.1%	4.6%	3.9%	4.0%	4.0%
• Domestic WORK	5.5%	5.6%	5.5%	5.6%	5.5%	7.1%	5.0%	6.4%	5.2%
• Overseas WORK	7.1%	6.7%	6.9%	5.0%	6.4%	5.5%	7.4%	5.3%	6.9%

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

2Q 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 (12/19)	1,224
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)	22.868
Mkt cap (¥ bn)	29.675
EV (¥ bn)	31.102
Equity ratio (9/30)	26.2%
23.3 P/E (CE)	8.8x
23.3 EV/EBITDA (CE)	4.1x
22.3 ROE (act)	33.5%
22.9 P/B (act)	2.18x
23.3 DY (CE)	3.39%

6M weekly share price



Source: SPEEDA price data

Chris Schreiber CFA

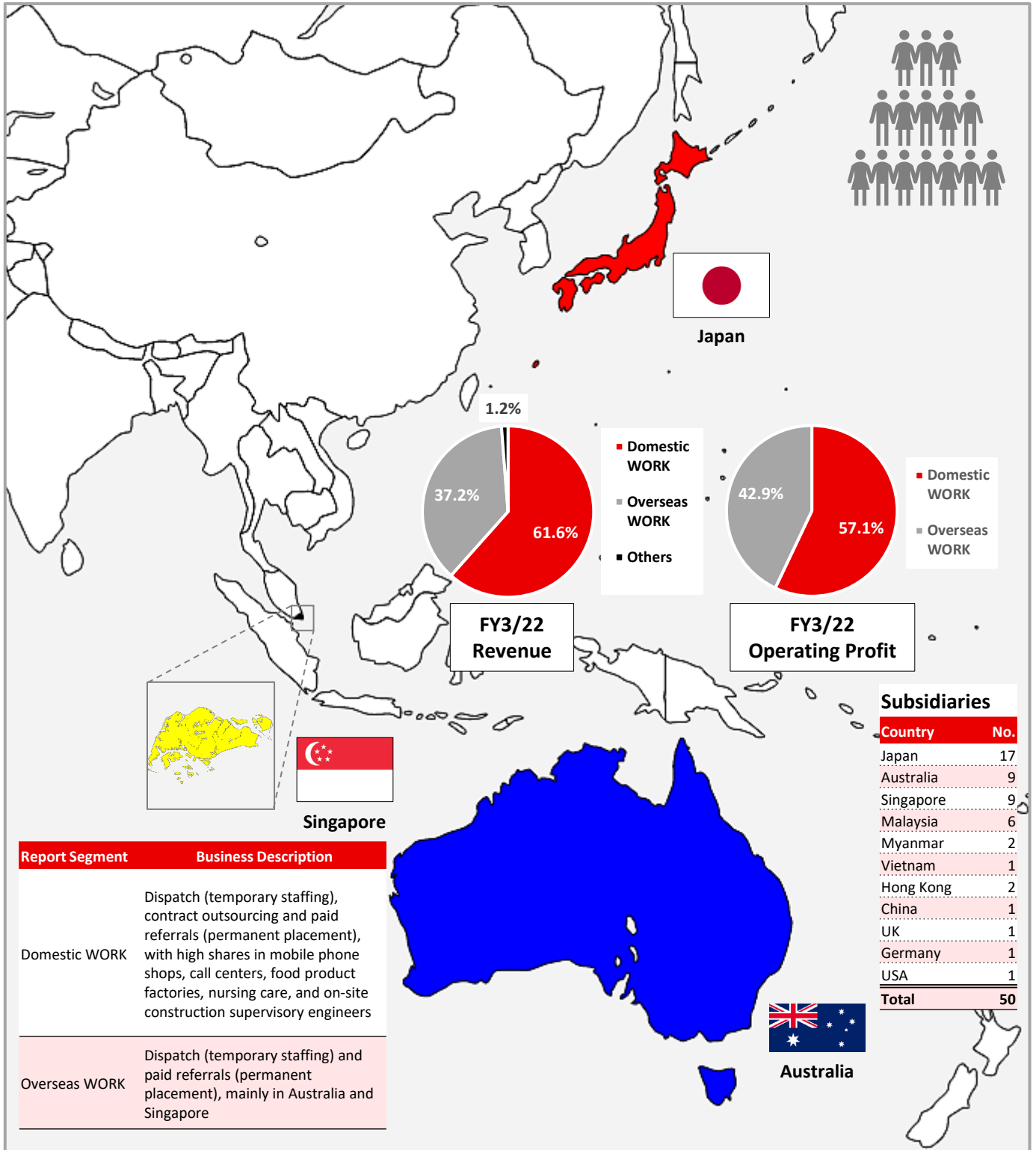
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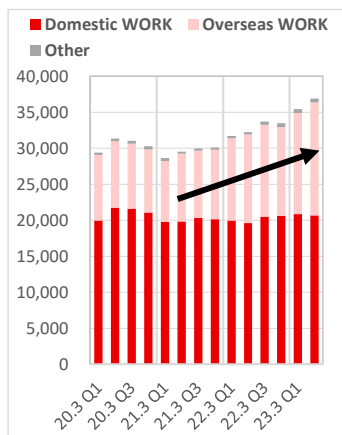
WILL GROUP Consolidated Business Overview



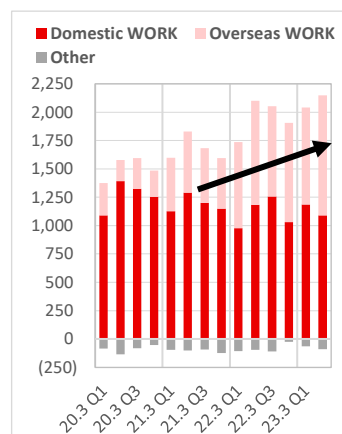
Source: compiled by SIR from TANSHIN summary financial statements and company IR materials.



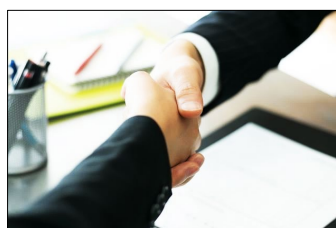
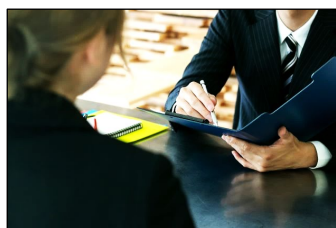
Revenue (JPY mn)



OP (JPY mn)



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



Job openings overseas at record levels

Domestic business affected by resurgence of COVID-19

RESULTS SUMMARY

▼ WILL GROUP announced FY23/3 1H consolidated financial results at 15:00 on Wednesday 11/09, and it held a results briefing at 09:00 on Tuesday 11/22. We previewed high potential for a 1H overshoot in our 1Q Follow-up Report, and relative to conservative initial 1H guidance, **actual 1H revenue came in 8.0% higher, and operating profit came in 30.4% higher** (see table below). However, the Company left its full-term forecasts unchanged, mainly citing delays during the 2Q in acquiring new projects and accumulating the number of staff on assignment in the Domestic WORK segment as a result of the resurgence of new cases of COVID-19 in Japan during the summer, which lowers expectations for operating performance in the 2H.

▼ For Domestic WORK Business, following 1Q revenue +5.2% and OP +21.4%, **2Q-only results were revenue +4.5% and OP -7.9%**, with all sectors other than construction supervisory engineers posting QoQ declines in staff on assignment. In addition, a portion of the ¥200mn shortfall in deploying 1H strategic investment expense will be made up during the 2H (another factor lowering 2H expectations).

▼ For Overseas WORK Business, following 1Q revenue +23.0% and OP +12.6%, 2Q-only results were revenue +27.7% and OP +15.4%. Job openings in Australia and Singapore reached record levels, and both temporary staffing and permanent placement increased. The 1H forex impact from the weak yen on OP was +230mn. **2H revenue and OP are expected to exceed initial guidance on strong demand plus the forex impact.**

WILL GROUP FY23/3 1H Consolidated Financial Results Summary

JPY mn, %	FY20/3	FY21/3	FY22/3	FY23/3	FY22/3	FY23/3	CHG	PCT	FY23/3	PCT
IFRS	act	act	act	init CE	1H act	1H act	AMT	YOY	1H CE	vs CE
Revenue	121,916	118,249	131,080	140,000	63,913	72,358	8,445	13.2	67,000	8.0
YoY	18.0	(3.0)	10.9	6.8	9.9	13.2			4.8	
• Domestic WORK	84,438	80,050	80,726	88,980	39,594	41,525	1,931	4.9	42,660	(2.7)
• Overseas WORK	36,074	36,920	48,746	49,030	23,709	29,744	6,035	25.5	23,420	27.0
ratio to sales	29.6%	31.2%	37.2%	35.0%	37.1%	41.1%			35.0%	
• Others	1,549	1,278	1,607	1,980	609	1,088	479	78.7	910	19.6
Gross profit	25,402	24,056	28,765	31,580	14,035	16,215	2,180	15.5	14,930	8.6
ratio to sales	20.8%	20.3%	21.9%	22.6%	22.0%	22.4%			22.3%	
SG&A expenses	21,258	20,463	23,585	25,900	11,473	13,428	1,955	17.0	NA	
ratio to sales	17.4%	16.9%	18.0%	18.5%	18.0%	18.6%				
Operating profit	4,145	4,030	5,472	5,600	2,685	2,934	249	9.3	2,250	30.4
YoY	40.2	(2.8)	35.8	2.3	20.9	9.3			(16.2)	
ratio to sales	3.4%	3.4%	4.2%	4.0%	4.2%	4.1%			3.4%	
• Domestic WORK	5,061	4,763	4,448	5,690	2,160	2,277	117	5.4	2,390	(4.7)
• Overseas WORK	971	1,942	3,348	2,580	1,676	1,914	238	14.2	1,180	62.2
• Others	(352)	(413)	(342)	(190)	(205)	(156)	49	RS	(100)	
• eliminations	(1,869)	(2,262)	(1,981)	(2,480)	(946)	(1,101)	(155)		(1,220)	
Profit before tax	4,057	3,788	5,293	5,490	2,716	2,947	231	8.5	2,190	34.6
Profit attributable to owners of parent	2,380	2,363	3,286	3,330	1,698	1,743	45	2.7	1,250	39.4
AUD	¥74	¥76	¥83	¥78	¥83	¥93	¥10	12.0	¥78	19.2
SGD	¥79	¥78	¥83	¥79	¥82	¥96	¥14	17.1	¥79	21.5

Source: compiled by SIR from TANSKIN financial statements, IR Factsheet, and supplementary materials.

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Domestic WORK

The resurgence in COVID-19 infections between July and September led not only to delays in winning new projects but also to an increase in absences from work by temporary staff. Also due to the impact of this resurgence, the number of staff on assignment as of the end of 2Q declined QoQ in all domains except construction supervisory engineers (see table on P5).

Upfront investments in strategic growth businesses (construction, startups, nursing care) of ¥470mn were ¥200mn below plan, and part of the unused portion will be carried over to the 3Q.

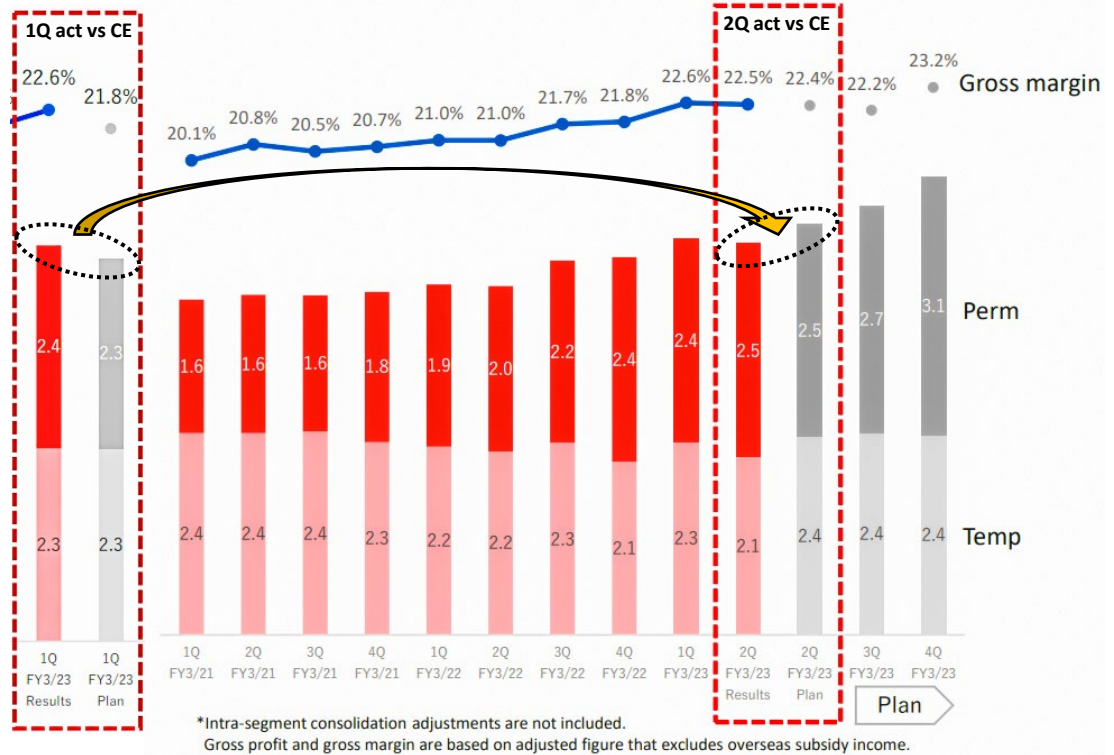
Overseas WORK

Overseas demand for referrals (permanent placement) remained strong, despite initial expectations to slow, as job openings in Australia and Singapore reached record levels. Temporary staffing was stable in both Australia and Singapore, mainly for government/public sector contracts. GPM declined slightly due to the increased weight of Temp, but total GP was well ahead of plan.

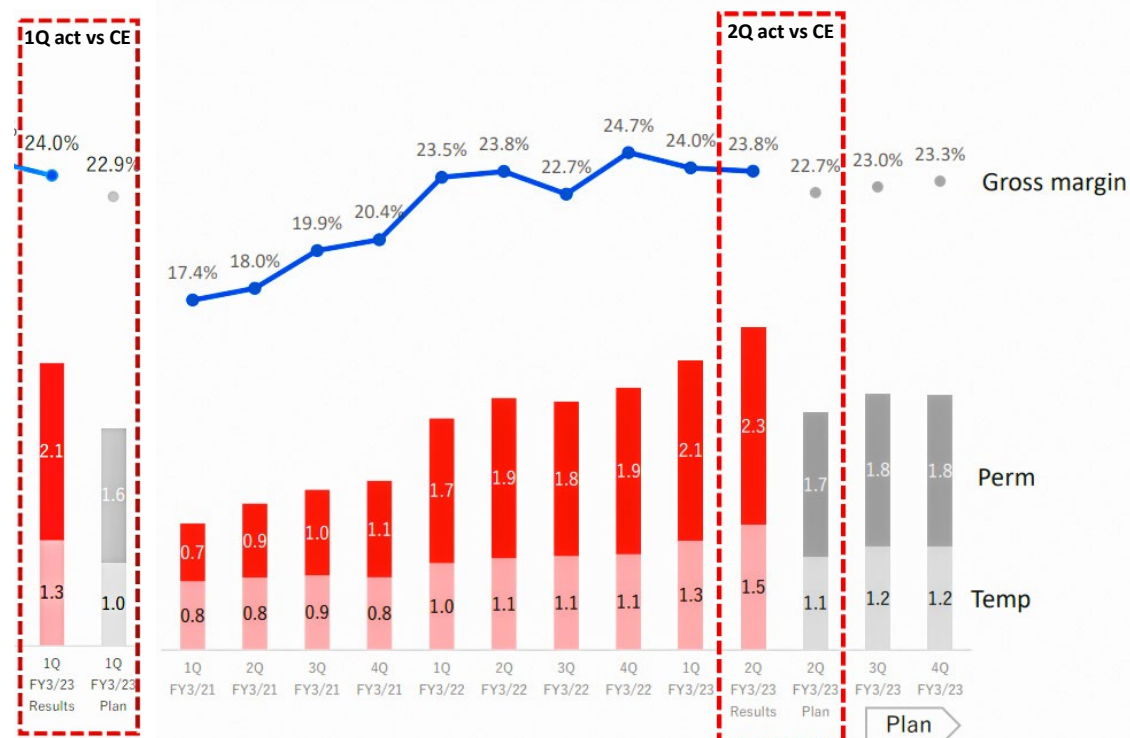


▼ Relative to initial guidance, despite 1Q results beating 1Q plan, 2Q gross profit for Domestic WORK posted a slight shortfall to 2Q plan, due to the resurgence of COVID-19 resulting in delays in securing 2Q new contracts and increased absence. **Note that the 2Q shortfall was in the Temp area, and Perm achieved plan.**

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



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

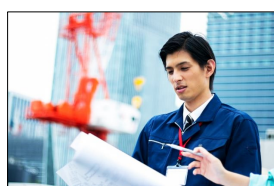
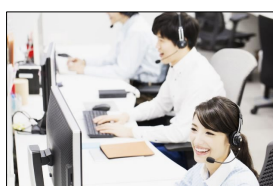


Source: excerpt from IR results briefing materials, 1Q and 2Q.

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
QTR-end staff assigned														
• 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
• 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
• 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
• 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
• Construction engineers	445	476	508	547	550	546	576	613	690	729	775	854	1,088	1,211
YoY														
• 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
• 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
• 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)
• 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
• 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
Revenue by sector														
Domestic WORK Total	19,984	21,741	21,620	21,092	19,781	19,814	20,301	20,153	19,832	19,762	20,518	20,612	20,866	20,658
• 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
• 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
• 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
• 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
• Start-up staff support	261	333	310	359	300	304	267	402	526	569	537	717	709	729
• 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
• Others	763	686	793	717	793	839	1,160	994	959	957	1,133	989	1,275	1,107
YoY														
Domestic WORK Total	16.5	16.0	6.8	7.0	(1.0)	(8.9)	(6.1)	(4.5)	0.3	(0.3)	1.1	2.3	5.2	4.5
• 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
• 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)
• 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)
• 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
• 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
• 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
• 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
OP by sector (*before elim.)														
Domestic WORK Total	1,213	1,451	1,404	1,370	1,152	1,386	1,086	1,087	1,144	1,148	1,326	1,207	1,234	1,299
• Sales outsourcing	393	545	456	470	263	456	384	365	404	327	421	462	464	441
• Call centers	228	276	265	230	322	280	259	270	286	278	307	305	234	254
• Factory outsourcing	350	339	391	328	254	281	218	248	373	284	348	253	287	255
• Nursing care	74	77	69	140	175	102	63	41	60	96	101	39	115	102
• Start-up staff support	62	98	87	63	45	54	(10)	70	142	176	131	155	190	197
• Construction engineers	35	47	62	96	57	35	(25)	(28)	(207)	(121)	(129)	(102)	(273)	(147)
• Others	71	69	74	43	36	178	197	121	86	108	147	95	217	197
OPM by sector (*before elim.)														
Domestic WORK Total	6.1%	6.7%	6.5%	6.5%	5.8%	7.0%	5.3%	5.4%	5.8%	5.8%	6.5%	5.9%	5.9%	6.3%
• 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%
• 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%
• 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%
• 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%
• 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%
• 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%
• 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%

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



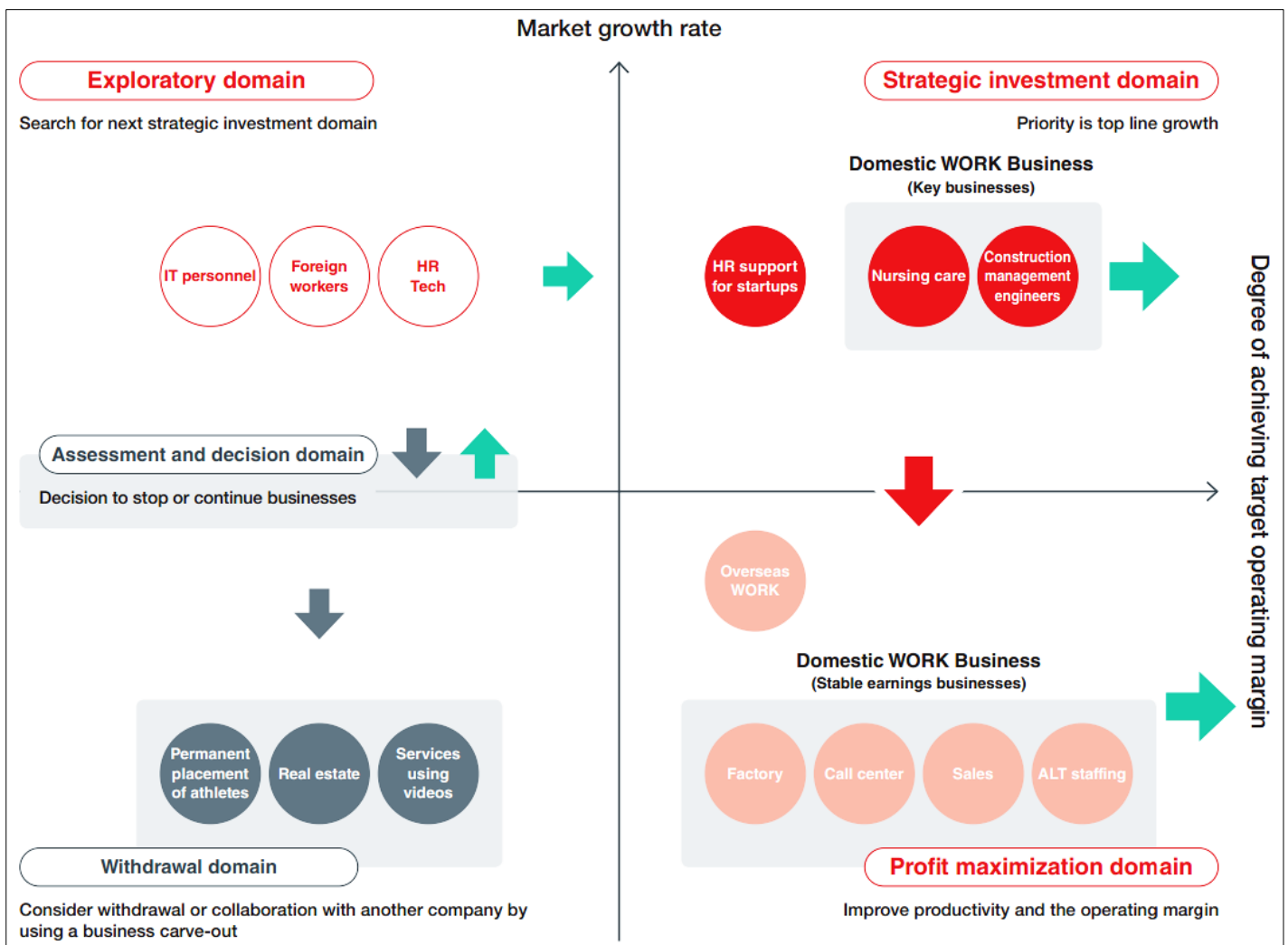


MTP strategic classification of individual businesses into focus domain quadrants

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.

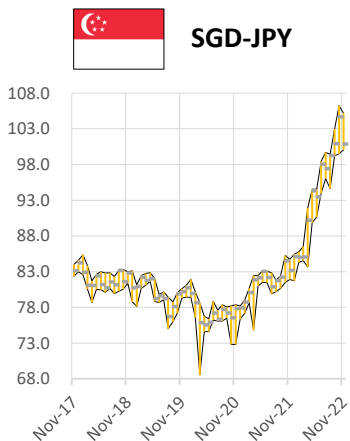
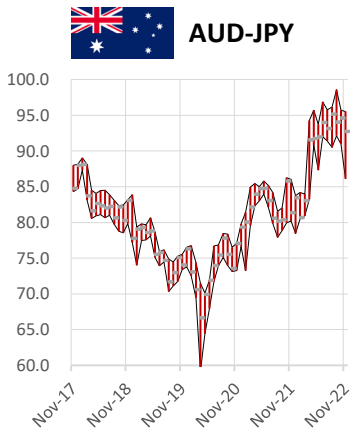
Medium-Term Management Plan “WILL-being 2023”: Business Portfolio Classified into Strategic Domains



Source: “INTEGRATED REPORT” (February 10, 2022). https://ssl4.eir-parts.net/doc/6089/ir_material3/176977/00.pdf

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Changes in key assumptions in full-term FY3/23 revised segments outlook



▼ Full-term FY23/3 headline forecasts for consolidated revenue ¥140,000mn (+6.8% YoY) and OP ¥5,600mn (+2.3% YoY) were left unchanged, instead revising the outlook composition of segment assumptions, as follows. Domestic WORK revenue ¥84,850mn, a decrease of ¥4,130mn, or -4.6% relative to the initial forecast, and Overseas WORK revenue ¥52,780mn, an increase of ¥3,750mn, or +7.7% relative to the initial forecast. Domestic WORK OP ¥4,440mn, a decrease of ¥1,250mn, or -22.0% relative to the initial forecast, and Overseas WORK OP ¥3,630mn, an increase of ¥1,040mn, or +40.4% relative to the initial forecast. For reference, eliminations changed slightly from minus ¥2,480mn to minus ¥2,270mn.

▼ By half, Domestic WORK revenue changed from initial guidance for 1H CE +7.7% / 2H CE +12.6% → 1H act +4.9% / 2H CE +5.3%, and Domestic WORK OP changed from initial guidance for 1H CE +10.6% / 2H CE 44.2% → 1H act +5.4% / 2H CE -5.5%. Overseas WORK revenue changed from initial guidance for 1H CE -1.2% / 2H CE +2.3% → 1H act +25.5% / 2H CE -8.0%, and Overseas WORK OP changed from initial guidance for 1H CE +29.6% / 2H CE -16.3% → 1H act +14.2% / 2H CE +2.6%.

▼ Revised full-term outlooks for Domestic WORK revenue and OP by sub-sectors are shown in the table on P8. Differences between initial forecasts and revised outlook with brief comments are as follows. **Sales outsourcing revenue -1.6%:** despite some impact from the ending of contracts for certain major existing projects and other factors, sales progressed more or less in line with plan. **Call centers -9.5%:** in addition to the resurgence in infections, revisions to recruitment plans by existing customers resulted in a decline in the number of staff on assignments. **Factory outsourcing -4.5%:** due to continued production adjustments at customers and lower-than-expected numbers of foreign workers entering Japan, permanent placement and contract management services and foreign workers recorded declines. **Nursing care -7.9%:** permanent placement sales declined, not only as a result of the resurgence in infections but also due to a change in policy regarding placement of people hired in the temp-to-hire category. **Start-up staff support no change:** strong performance, continuing to strengthen recruitment, including that of consultants. **Construction supervisory engineers -7.4%:** Recruitment of people with no experience is lagging behind plan.

▼ Forex rate assumptions were changed as follows. AUD-JPY 78 → 93, SGD-JPY 79 → 96. Sensitivity for a ¥1 annual change is as follows: AUD-JPY revenue ¥460mn, OP ¥30mn, SGD-JPY ¥110mn, OP ¥10mn.





WILL GROUP FY3/22 Initial Forecasts and FY3/23 Revised Outlook

WILL GROUP

JPY mn, %	FY19/3	FY20/3	FY21/3	FY22/3	AMT	PCT	FY23/3	AMT	PCT	FY23/3	AMT	PCT
	IFRS	IFRS	IFRS	IFRS	CHG	CHG	IFRS	CHG	CHG	IFRS	CHG	CHG
	act	act	act	act	YoY	YoY	init CE	YoY	YoY	outlook	vs init	vs init
Revenue	103,300	121,916	118,249	131,080	12,831	10.9	140,000	8,920	6.8	140,000	0	0.0
YoY		18.0	(3.0)	10.9			6.8			6.8		
<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)
• Overseas WORK	—	36,074	36,920	48,746	11,826	32.0	49,030	284	0.6	52,780	3,750	7.7
ratio to revenue		29.6%	31.2%	37.2%			35.0%			37.7%		
• Others	—	1,549	1,278	1,607	329	25.7	1,980	373	23.2	2,350	370	19.1
<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
GPM	19.7%	20.8%	20.3%	21.9%			22.6%			0		
• 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	1,580	1,990	2,229	2,084	(145)	(6.5)	2,070	(14)	(0.7)	2,070	0	0.0
EBITDA	4,537	4,537	4,537	7,556	3,019	66.5	7,670	114	1.5	7,670	0	0.0
ratio to revenue	4.4%	3.7%	3.8%	5.8%			5.5%			5.5%		
Operating profit	2,957	4,145	4,030	5,472	1,442	35.8	5,600	128	2.3	5,600	0	0.0
YoY		40.2	(2.8)	35.8			2.3			2.3		
OPM	2.9%	3.4%	3.4%	4.2%			4.0%			4.0%		
<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)
OPM		6.0%	6.0%	5.5%			6.4%			5.2%		
• Overseas WORK OP	—	971	1,942	3,348	1,406	72.4	2,580	(768)	(22.9)	3,630	1,040	40.4
OPM		2.7%	5.3%	6.9%			5.3%			6.9%		
• Others OP	—	(352)	(413)	(342)	71	RS	(190)	152	RS	(190)	0	0.0
• eliminations	—	(1,535)	(2,262)	(1,981)	281		(2,480)	(499)		(2,270)	210	—
<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
Profit	1,734	2,712	2,678	3,854	1,176	43.9	3,870	16	0.4	3,870	0	0.0
Profit ATOP	1,539	2,380	2,363	3,286	923	39.1	3,330	44	1.3	3,330	0	0.0
AUD-JPY	80	74	76	83	7		78	(5)		93	15	19.2
SGD-JPY	81	79	78	84	6		79	(5)		96	17	21.5

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

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

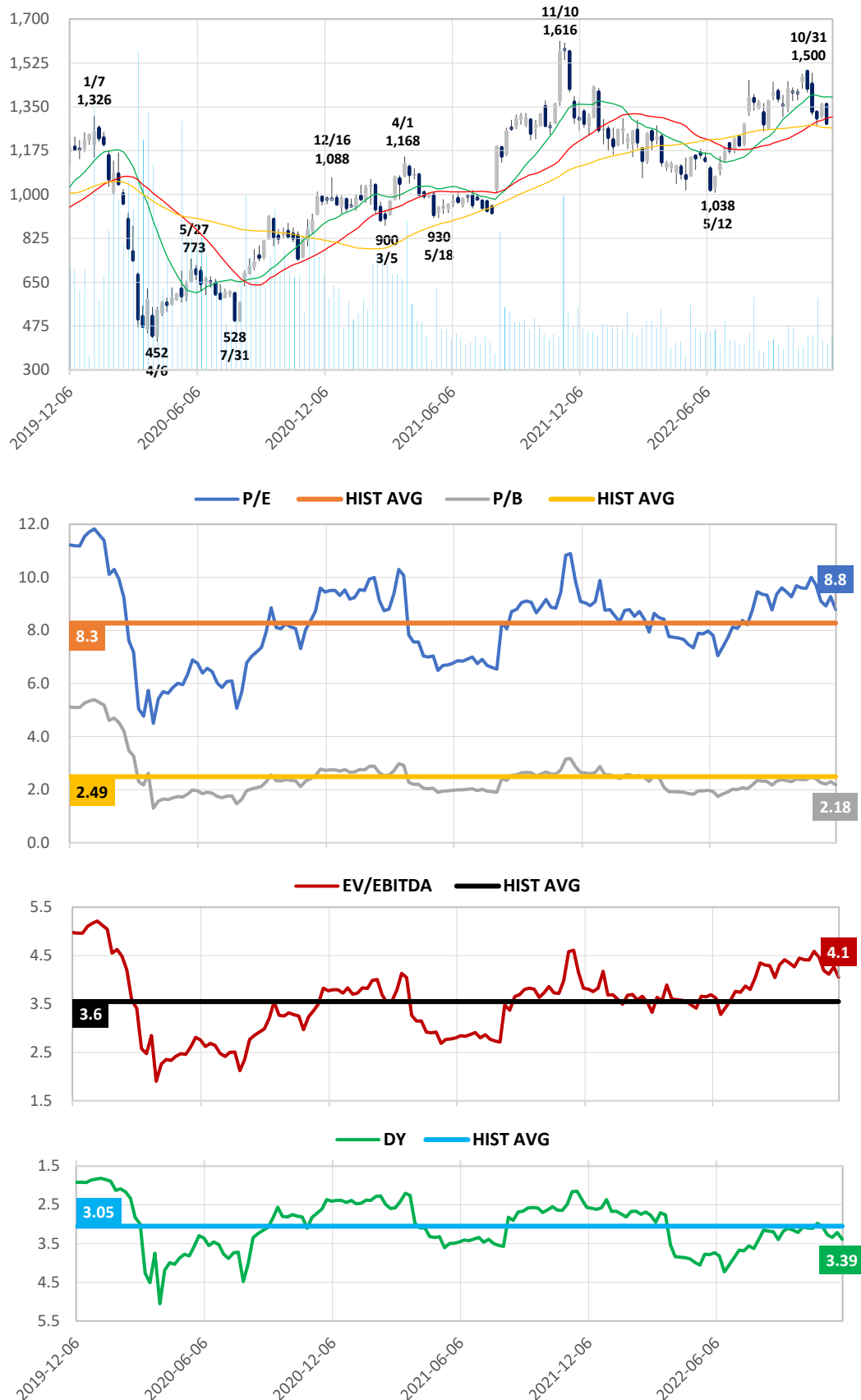
WILL GROUP



Performance and Valuations: SESSA Smart Charts

- ✓ The current P/E is trading around its historical average, while the P/B is 12.4% below its historical average.
- ✓ At the same time, the DY of 3.39% is now trading 11% above its historical average.
- ✓ The investment opportunity is MTP initiatives are improving the profit structure, briefly summarized on the following page, which is accelerating growth.
- ✓ The recent pullback was likely disappointment the Company elected to leave full-term forecasts unchanged despite the strong 1H overshoot. Given growing potential for an overshoot on extremely conservative implied 2H forecasts, SIR believes the share price is attractive around current levels.

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.

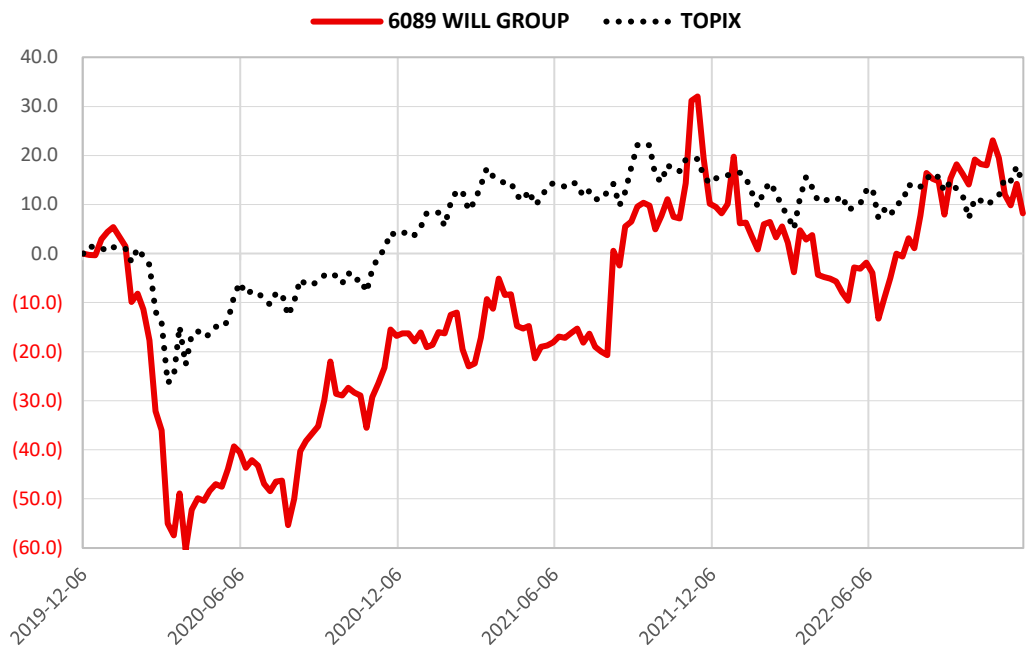


Analyst's view

- ✓ Given the healthy overshoot on FY3/22 earnings, the next positive news flow will likely include additional clues on growth investments clearly articulated in the MTP.
- ✓ In any event, cheap valuations will likely be revisited, along with its high DY and defensive growth portfolio.



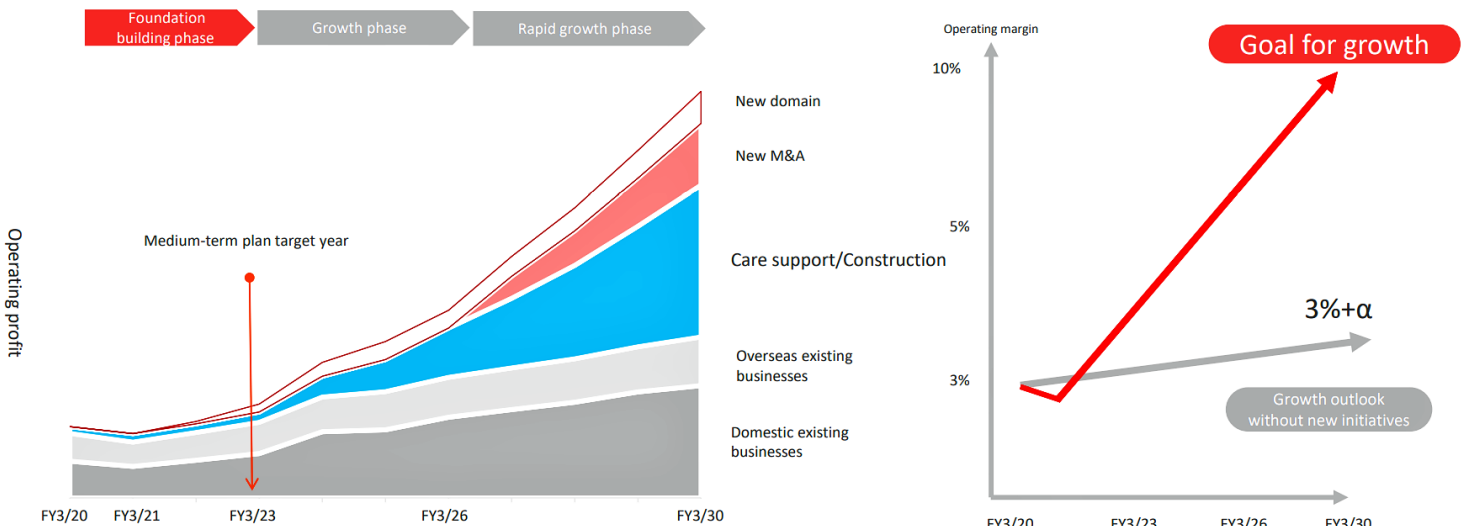
3Y Weekly Relative Performance Trend: strong fundamentals starting to outperform



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 FY3/23 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



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
Top 10	13,400.6	64.37
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 16th Annual General Meeting of Shareholders.

Shareholder Rebate Policy

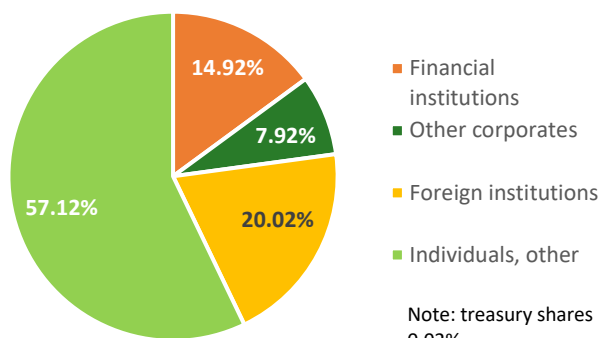
As can be seen from the list of major shareholders above, Chairman Ikeda, his family wealth management office and President Ohara collectively own 33.67% of shares outstanding. Both men are still relatively young and in good health at 53, and they share a passion for growing the company and bringing about positive change in Japan workstyles. As the top shareholders, their interests are aligned with those of all shareholders, an attractive point which can not be understated in our view.

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%.

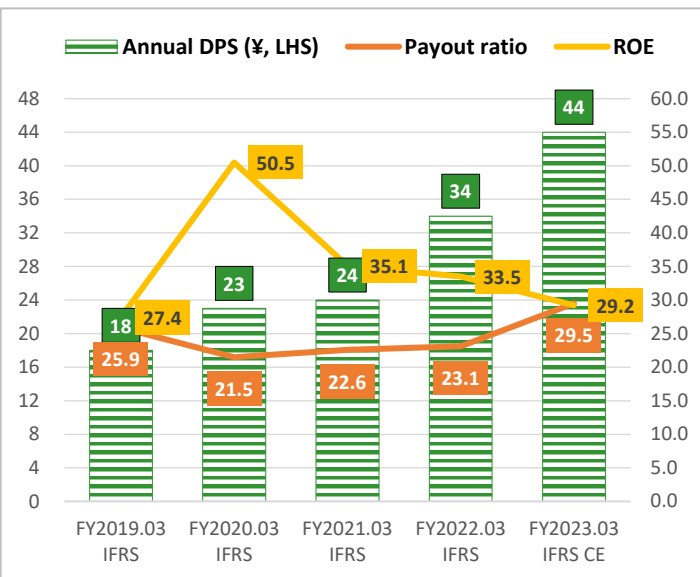


Shareholder breakdown by investor type

(as of 2022.03.31)



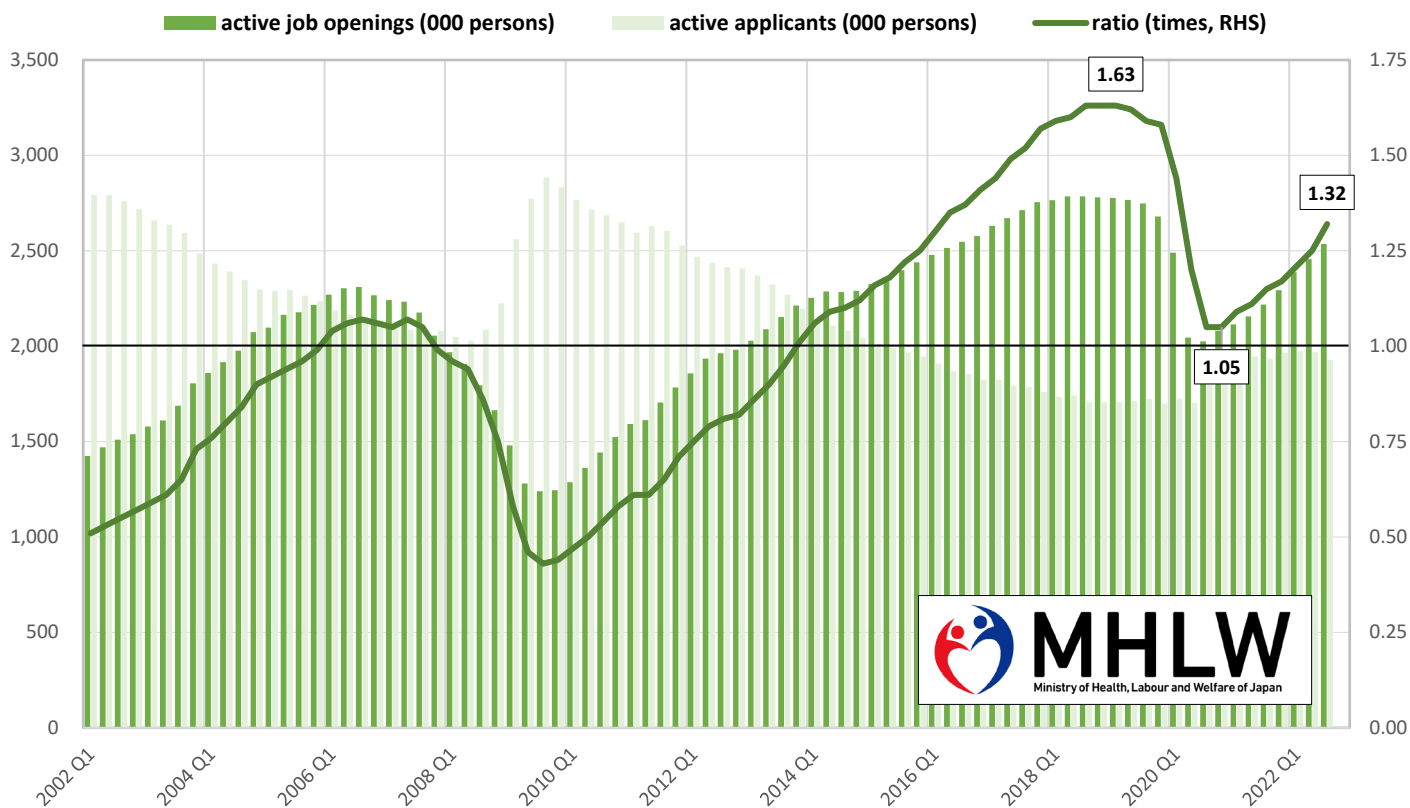
Trend of shareholder rebates



Source: compiled by SIR from TANSHIN financial statements and company IR results briefing materials. 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)	21.11	21.12	22.01	22.02	22.03	22.04	22.05	22.06	22.07	22.08	22.09	22.10
TOTAL	796	810	902	839	891	849	804	892	855	839	888	925
D Construction	72	81	81	76	87	83	74	88	80	74	86	82
E Manufacturing	81	86	96	86	95	91	82	95	90	87	99	97
G Information and communications	20	21	23	20	22	20	20	22	21	21	22	23
H Transportation, postal industry	43	43	50	45	48	50	44	48	50	46	49	56
I Wholesale and retail trade	96	93	110	98	105	103	101	108	105	109	109	114
L Academic research, technical services	21	22	23	21	22	22	21	23	22	23	22	23
M Lodging, food & beverage services	63	58	62	56	67	68	63	69	72	69	66	80
N Lifestyle and recreation services	28	23	28	30	26	27	30	29	27	31	28	30
O Education and learning support	14	15	16	16	18	14	12	15	13	12	14	14
P Medical care and welfare	203	214	225	205	221	210	205	222	212	209	224	228
R Services (not elsewhere classified)	102	104	117	109	121	114	106	123	118	112	120	125
YoY	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct
TOTAL	12.3	12.2	14.6	9.5	7.5	12.3	17.2	12.0	12.8	15.1	9.8	7.9
D Construction	6.6	7.1	4.2	1.7	3.0	4.4	4.4	2.1	4.2	5.6	(0.8)	(0.7)
E Manufacturing	38.0	34.6	38.5	27.6	22.0	21.9	23.9	16.9	14.5	17.0	11.4	6.0
G Information and communications	19.5	20.4	24.7	18.1	16.9	6.0	17.4	13.5	9.2	10.8	7.2	6.7
H Transportation, postal industry	8.6	16.2	14.0	13.4	12.6	13.1	17.6	11.9	14.7	14.6	11.7	7.3
I Wholesale and retail trade	3.9	10.6	13.3	5.1	5.8	6.9	17.5	12.3	12.8	18.7	12.7	11.7
L Academic research, technical services	13.1	12.3	15.1	8.0	3.3	10.1	18.4	7.3	9.0	15.7	3.5	2.6
M Lodging, food & beverage services	23.3	12.7	38.8	28.4	5.0	49.6	54.3	30.9	47.7	51.1	29.5	29.3
N Lifestyle and recreation services	17.3	3.3	16.5	15.4	4.1	10.4	17.4	16.7	13.5	28.9	22.3	11.3
O Education and learning support	19.4	6.6	12.6	(0.6)	(1.6)	3.4	5.8	3.9	10.0	0.4	(0.4)	(1.9)
P Medical care and welfare	7.5	8.4	4.7	2.5	6.3	6.6	11.7	9.4	5.1	6.9	6.1	3.7
R Services (not elsewhere classified)	16.9	15.1	18.7	14.2	11.3	15.3	18.4	13.2	16.7	15.8	11.3	10.1

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

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