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August 8, 2024

Consolidated Financial Results for the Three Months Ended June 30, 2024 (Under IFRS)

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 Listing: Tokyo Stock Exchange
 Securities code: 6089
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 Scheduled date to commence dividend payments: —
 Preparation of supplementary material on financial results: Yes
 Holding of financial results briefing: Yes

(Yen amounts are rounded down to millions, unless otherwise noted.)

1. Consolidated financial results for the three months ended June 30, 2024 (from April 1, 2024 to June 30, 2024)

(1) Consolidated operating results (cumulative)

(Percentages indicate year-on-year changes.)

	Revenue		Operating profit		Profit before tax		Profit	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
Three months ended								
June 30, 2024	35,052	1.8	177	(84.4)	125	(89.5)	69	(90.8)
June 30, 2023	34,435	(2.8)	1,132	(20.9)	1,195	(16.1)	751	(17.2)

	Profit attributable to owners of parent		Total comprehensive income		Basic earnings per share	Diluted earnings per share
	Millions of yen	%	Millions of yen	%	Yen	Yen
Three months ended						
June 30, 2024	69	(90.4)	1,035	(28.2)	3.05	3.04
June 30, 2023	723	(4.6)	1,441	(10.5)	31.91	31.71

(2) Consolidated financial position

	Total assets	Total equity	Equity attributable to owners of parent	Ratio of equity attributable to owners of parent to total assets
	Millions of yen	Millions of yen	Millions of yen	%
As of				
June 30, 2024	51,858	17,513	17,503	33.8
March 31, 2024	51,543	17,518	17,508	34.0

2. Cash dividends

	Annual dividends per share				
	First quarter-end	Second quarter-end	Third quarter-end	Fiscal year-end	Total
	Yen	Yen	Yen	Yen	Yen
Fiscal year ended March 31, 2024	–	0.00	–	44.00	44.00
Fiscal year ending March 31, 2025	–				
Fiscal year ending March 31, 2025 (Forecast)		0.00	–	44.00	44.00

Note: Revisions to the forecast of cash dividends most recently announced: None

3. Consolidated earnings forecasts for the fiscal year ending March 31, 2025 (from April 1, 2024 to March 31, 2025)

(Percentages indicate year-on-year changes.)

	Revenue		Operating profit		Profit before tax		Profit	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
Six months ending September 30, 2024	70,500	1.8	530	(73.8)	480	(77.0)	360	(75.8)
Fiscal year ending March 31, 2025	140,400	1.6	2,290	(49.4)	2,190	(50.4)	1,640	(43.0)

	Profit attributable to owners of parent		Basic earnings per share
	Millions of yen	%	Yen
Six months ending September 30, 2024	360	(74.3)	15.79
Fiscal year ending March 31, 2025	1,640	(41.0)	71.92

Note: Revisions to the earnings forecasts most recently announced: Yes

*** Notes**

(1) Significant changes in the scope of consolidation during the period: None

(2) Changes in accounting policies and changes in accounting estimates

(i) Changes in accounting policies required by IFRS: None

(ii) Changes in accounting policies due to other reasons: None

(iii) Changes in accounting estimates: None

(3) Number of issued shares (ordinary shares)

(i) Total number of issued shares at the end of the period (including treasury shares)

As of June 30, 2024	23,015,700 shares
As of March 31, 2024	22,999,700 shares

(ii) Number of treasury shares at the end of the period

As of June 30, 2024	212,864 shares
As of March 31, 2024	212,864 shares

(iii) Average number of shares outstanding during the period (cumulative from the beginning of the fiscal year)

Three months ended June 30, 2024	22,798,836 shares
Three months ended June 30, 2023	22,665,398 shares

Note: The number of treasury shares at the end of the period includes the number of shares owned by executive stock compensation trust.
(207,455 shares as of June 30, 2024 and 207,455 shares as of March 31, 2024)

* Review of the Japanese-language originals of the attached quarterly consolidated financial statements by certified public accountants or an audit firm: Yes (voluntary)

* Proper use of earnings forecasts, and other special matters

The forward-looking statements shown in these materials, including earnings forecasts, are based on information currently available to the Company and on certain assumptions deemed to be reasonable. As such, they do not constitute guarantees by the Company of future performance. Actual results may differ significantly from these forecasts for a number of reasons. Please refer to “(3) Explanation of consolidated earnings forecasts and other forward-looking statements” under “1. Overview of operating results and others” on page 4 of the attached material for the assumptions on which earnings forecasts are based, and cautions concerning the use thereof.

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1. Overview of operating results and others

(1) Overview of operating results for the period

During the three months ended June 30, 2024, the easing of supply restrictions in various countries and slowing inflation have led to increasing expectations for a moderate economic recovery. However, the outlook remains uncertain mainly due to the prolonged situation in Russia and Ukraine as well as in the Middle East and the slowdown in the Chinese economy. Although the Japanese economy is on an upward trend due to an increase in exports resulting from the weak yen and a recovery in inbound demand, the pace of economic growth remains moderate due to the moderation of consumer spending caused by rising prices and sluggish growth in capital investment.

Under these circumstances, the Group worked to expand the construction management engineer domain, temporary staffing of permanent employees, foreign talent management service, and other initiatives for the renewed growth of the Domestic Working Business, which is the basic policy in the Medium-Term Management Plan “WILL-being 2026,” for which the final fiscal year is the fiscal year ending March 31, 2026.

In Japan, while the call center outsourcing domain remained sluggish, the sales outsourcing domain and the construction management engineer domain were strong. In addition, in order to strengthen hiring capabilities in Japan, the Company ran TV commercials in the Kanto area as promotion of “WILLOF” brand, following running TV commercials in the West Japan area in the previous fiscal year.

In the overseas segment, the outlook remains uncertain due to prolonged reduction in hiring by major clients since the post-COVID-19 surge in permanent placement demand has run its course.

As a result of the above, revenue for the three months ended June 30, 2024 was ¥35,052 million (up 1.8% year on year), operating profit was ¥177 million (down 84.4%), profit before tax was ¥125 million (down 89.5%), profit was ¥69 million (down 90.8%), profit attributable to owners of parent was ¥69 million (down 90.4%), and EBITDA (operating profit + depreciation and amortization) was ¥684 million (down 58.6%).

Results of operations by segment are as follows:

(i) Domestic Working Business

For the Domestic Working Business, which offers temporary staffing, permanent placement, and business process outsourcing services in Japan, specifically for categories such as the sales outsourcing domain, call center outsourcing domain, factory outsourcing domain, nursing care business support domain, and construction management engineer domain, while the call center outsourcing domain remained sluggish, the sales outsourcing domain and the construction management engineer domain were strong. In particular, in the construction management engineer domain, which is the Company’s key focus area, 800 or more employees, including new graduates, joined the Company and each KPI, such as the number of workers on assignment is progressing steadily. In addition, the number of workers on assignment for permanent employee staffing reached a record high on a quarterly basis due to steady recruitment in the factory outsourcing domain as well as the IT engineer domain.

In terms of profit, profit decreased due to the absence of gain on sale of subsidiaries included in the three months ended June 30, 2023 and the impact of exclusion of subsidiaries from consolidation.

As a result of the above, the Domestic Working Business recorded external revenue of ¥20,468 million (up 1.4% year on year), and segment profit of ¥238 million (down 82.5%).

(ii) Overseas Working Business

For the Overseas Working Business, which the Company operates mainly in Singapore and Australia, while the trend of major clients reducing hiring has continued, revenue increased mainly due to the yen’s depreciation compared to the same period of the previous fiscal year.

In terms of profit, profits increased due to the impact of foreign exchange rate fluctuations as well as implementation of phased cost reduction measures to prepare for prolonged market deterioration, and receipt of government grants from the Singapore government.

As a result of the above, the Overseas Working Business recorded external revenue of ¥14,534 million (up 2.5% year on year), and segment profit of ¥573 million (up 25.8%).

(iii) Others

For the Others segment, due to the business transfer of the “VisaMane” foreign talent management system in the previous fiscal year, external revenue amounted to ¥48 million (down 26.0% year on year), with a segment loss of ¥60 million (compared with a segment loss of ¥69 million in the same period of the previous fiscal year).

(2) Overview of financial position for the period

(i) Assets, liabilities and equity

Assets

Current assets as of June 30, 2024 were ¥25,528 million, a decrease of ¥600 million from the end of the previous fiscal year. This was mainly due to a decrease in cash and cash equivalents of ¥1,586 million, despite an increase in trade and other receivables of ¥889 million.

Non-current assets stood at ¥26,330 million, an increase of ¥916 million from the end of the previous fiscal year. This was mainly due to increases in goodwill of ¥484 million, other intangible assets of ¥288 million, and other financial assets of ¥286 million as a result of currency translation effects following the depreciation of the yen, despite a decrease in right-of-use assets of ¥158 million.

As a result, total assets amounted to ¥51,858 million, an increase of ¥315 million from the end of the previous fiscal year.

Liabilities

Current liabilities as of June 30, 2024 were ¥24,670 million, an increase of ¥136 million from the end of the previous fiscal year. This was mainly due to increases in trade and other payables of ¥553 million, borrowings of ¥352 million, and other current liabilities of ¥117 million, despite decreases in income taxes payable of ¥771 million and other financial liabilities of ¥114 million.

Non-current liabilities stood at ¥9,674 million, an increase of ¥183 million from the end of the previous fiscal year. This was mainly due to increases in other financial liabilities of ¥137 million and borrowings of ¥46 million.

As a result, total liabilities amounted to ¥34,345 million, an increase of ¥320 million from the end of the previous fiscal year.

Equity

Total equity as of June 30, 2024 was ¥17,513 million, a decrease of ¥4 million from the end of the previous fiscal year. This was mainly due to decreases in retained earnings of ¥942 million and capital surplus of ¥32 million, despite an increase in exchange differences on translation of foreign operations of ¥977 million among other components of equity.

As a result of the above, the ratio of equity attributable to owners of parent to total assets was 33.8% (34.0% at the end of the previous fiscal year).

(ii) Cash flows

Cash and cash equivalents as of June 30, 2024 decreased ¥1,586 million from the end of the previous fiscal year to ¥5,519 million. Status of cash flows for the three months ended June 30, 2024 and the main factors driving them are as follows:

Cash flows from operating activities

Net cash used in operating activities was ¥681 million (¥591 million provided in the same period of the previous fiscal year). This was mainly due to income taxes paid of ¥906 million, payments included in other of ¥557 million, and an increase in trade receivables of ¥344 million, despite factors such as a recording of depreciation and amortization of ¥507 million and an increase in trade payables of ¥485 million.

Cash flows from investing activities

Net cash used in investing activities was ¥448 million (¥252 million used in the same period of the previous fiscal year). This was mainly due to purchase of investment securities of ¥299 million and purchase of property, plant and equipment, and intangible assets of ¥118 million.

Cash flows from financing activities

Net cash used in financing activities was ¥699 million (¥2,996 million used in the same period of the previous fiscal year). This was mainly due to dividends paid of ¥992 million, repayments of long-term borrowings of ¥355 million, and repayments of lease liabilities of ¥315 million, despite factors such as proceeds from long-term borrowings of ¥500 million, proceeds from government grants of ¥275 million, and a net increase in short-term borrowings of ¥255 million.

(3) Explanation of consolidated earnings forecasts and other forward-looking statements

Regarding the consolidated earnings forecast, the forecast for the six months ending September 30, 2024 has been revised upward, mainly due to the depreciation of the yen during the three months ended June 30, 2024 versus the foreign exchange rate assumptions when the plan was formulated, as well as receipt of government grants in Singapore in Overseas Working Business. On the other hand, although the construction management engineer domain of Domestic Working Business, which is the Company's key focus area, is performing well, the full year forecast for the fiscal year ending March 31, 2025 remains unchanged in light of the prolonged sluggish demand for hiring in Overseas Working Business, especially among major clients in Australia. For details, please refer to the "Notice Concerning Revisions to Consolidated Earnings Forecasts for the Six Months Ending September 30, 2024" released today (August 8, 2024).

Note that earnings forecasts are based on information currently available to the Company, and actual results may differ from forecasts for a variety of reasons going forward.

2. Condensed quarterly consolidated financial statements and significant notes thereto**(1) Condensed quarterly consolidated statement of financial position**

(Millions of yen)

	As of March 31, 2024	As of June 30, 2024
Assets		
Current assets		
Cash and cash equivalents	7,106	5,519
Trade and other receivables	17,512	18,402
Other financial assets	171	220
Other current assets	1,338	1,386
Total current assets	26,129	25,528
Non-current assets		
Property, plant and equipment	1,275	1,241
Right-of-use assets	5,071	4,913
Goodwill	8,737	9,221
Other intangible assets	6,109	6,398
Investments accounted for using equity method	431	431
Other financial assets	1,158	1,445
Deferred tax assets	1,888	1,946
Other non-current assets	741	731
Total non-current assets	25,413	26,330
Total assets	51,543	51,858

(Millions of yen)

	As of March 31, 2024	As of June 30, 2024
Liabilities		
Current liabilities		
Trade and other payables	16,485	17,038
Borrowings	2,490	2,842
Other financial liabilities	2,115	2,000
Income taxes payable	1,005	233
Other current liabilities	2,437	2,555
Total current liabilities	24,533	24,670
Non-current liabilities		
Borrowings	3,440	3,487
Other financial liabilities	4,837	4,974
Deferred tax liabilities	1,006	1,019
Other non-current liabilities	206	193
Total non-current liabilities	9,490	9,674
Total liabilities	34,024	34,345
Equity		
Share capital	2,198	2,201
Capital surplus	(2,045)	(2,078)
Treasury shares	(204)	(204)
Other components of equity	2,032	2,998
Retained earnings	15,528	14,586
Total equity attributable to owners of parent	17,508	17,503
Non-controlling interests	10	10
Total equity	17,518	17,513
Total liabilities and equity	51,543	51,858

(2) Condensed quarterly consolidated statement of profit or loss and condensed quarterly consolidated statement of comprehensive income

Condensed quarterly consolidated statement of profit or loss

(Millions of yen)

	Three months ended June 30, 2023	Three months ended June 30, 2024
Revenue	34,435	35,052
Cost of sales	26,883	27,792
Gross profit	7,552	7,260
Selling, general and administrative expenses	7,256	7,387
Other income	837	308
Other expenses	1	3
Operating profit	1,132	177
Share of profit (loss) of investments accounted for using equity method	(10)	–
Finance income	110	9
Finance costs	37	61
Profit before tax	1,195	125
Income tax expense	444	56
Profit	751	69
Profit attributable to		
Owners of parent	723	69
Non-controlling interests	27	(0)
Earnings per share		
Basic earnings per share	31.91	3.05
Diluted earnings per share	31.71	3.04

Condensed quarterly consolidated statement of comprehensive income

(Millions of yen)

	Three months ended June 30, 2023	Three months ended June 30, 2024
Profit	751	69
Other comprehensive income		
Items that will not be reclassified to profit or loss		
Net change in fair value of equity instruments designated as measured at fair value through other comprehensive income	(7)	(10)
Total of items that will not be reclassified to profit or loss	(7)	(10)
Items that may be reclassified to profit or loss		
Cash flow hedges	(11)	–
Exchange differences on translation of foreign operations	710	977
Total of items that may be reclassified to profit or loss	698	977
Other comprehensive income, net of tax	690	966
Comprehensive income	1,441	1,035
Comprehensive income attributable to		
Owners of parent	1,415	1,036
Non-controlling interests	25	(0)

(3) Condensed quarterly consolidated statement of changes in equity

Three months ended June 30, 2023

(Millions of yen)

	Share capital	Capital surplus	Treasury shares	Total	Retained earnings	Total equity attributable to owners of parent	Non-controlling interests	Total
Balance at beginning of April 1, 2023	2,187	(1,923)	(274)	890	13,758	14,638	1,238	15,877
Profit	-	-	-	-	723	723	27	751
Other comprehensive income	-	-	-	692	-	692	(2)	690
Comprehensive income	-	-	-	692	723	1,415	25	1,441
Dividends of surplus	-	-	-	-	(1,009)	(1,009)	-	(1,009)
Disposal of treasury shares	-	(2)	11	-	-	9	-	9
Share-based payment transactions	-	26	-	-	-	26	-	26
Changes in ownership interest in subsidiaries	-	(0)	-	-	-	(0)	0	0
Increase (decrease) by business combination	-	-	-	-	-	-	(177)	(177)
Total transactions with owners	-	23	11	-	(1,009)	(974)	(176)	(1,150)
Balance at end of June 30,2023	2,187	(1,900)	(262)	1,582	13,472	15,080	1,088	16,168

Three months ended June 30, 2024

(Millions of yen)

	Share capital	Capital surplus	Treasury shares	Total	Retained earnings	Total equity attributable to owners of parent	Non-controlling interests	Total
Balance at beginning of April 1, 2024	2,198	(2,045)	(204)	2,032	15,528	17,508	10	17,518
Profit	-	-	-	-	69	69	(0)	69
Other comprehensive income	-	-	-	966	-	966	0	966
Comprehensive income	-	-	-	966	69	1,036	(0)	1,035
Dividends of surplus	-	-	-	-	(1,011)	(1,011)	-	(1,011)
Disposal of treasury shares	-	-	-	-	-	-	-	-
Share-based payment transactions	3	39	-	-	-	43	-	43
Changes in ownership interest in subsidiaries	-	(72)	-	-	-	(72)	0	(71)
Increase (decrease) by business combination	-	-	-	-	-	-	-	-
Total transactions with owners	3	(32)	-	-	(1,011)	(1,041)	0	(1,040)
Balance at end of June 30,2024	2,201	(2,078)	(204)	2,998	14,586	17,503	10	17,513

(4) Condensed quarterly consolidated statement of cash flows

(Millions of yen)

	Three months ended June 30, 2023	Three months ended June 30, 2024
Cash flows from operating activities		
Profit before tax	1,195	125
Depreciation and amortization	522	507
Share-based payment expenses	32	37
Decrease (increase) in trade receivables	634	(344)
Increase (decrease) in trade payables	142	485
Other	(1,221)	(557)
Subtotal	1,305	254
Interest and dividends received	99	8
Interest paid	(25)	(37)
Income taxes paid	(788)	(906)
Net cash provided by (used in) operating activities	591	(681)
Cash flows from investing activities		
Purchase of property, plant and equipment, and intangible assets	(122)	(118)
Purchase of investment securities	(0)	(299)
Other	(129)	(30)
Net cash provided by (used in) investing activities	(252)	(448)
Cash flows from financing activities		
Net increase (decrease) in short-term borrowings	(1,100)	255
Proceeds from long-term borrowings	–	500
Repayments of long-term borrowings	(649)	(355)
Repayments of lease liabilities	(295)	(315)
Purchase of shares of subsidiaries not resulting in change in scope of consolidation	–	(71)
Dividends paid	(986)	(992)
Proceeds from government grants	24	275
Other	10	6
Net cash provided by (used in) financing activities	(2,996)	(699)
Effect of exchange rate changes on cash and cash equivalents	251	242
Net increase (decrease) in cash and cash equivalents	(2,406)	(1,586)
Cash and cash equivalents at beginning of period	9,590	7,106
Cash and cash equivalents	7,184	5,519

(5) Notes to condensed quarterly consolidated financial statements**Notes on premise of going concern**

Not applicable.

Standards for preparation of consolidated financial statements, etc.

The condensed quarterly consolidated financial statements (i.e., condensed quarterly consolidated statement of financial position, condensed quarterly consolidated statement of profit or loss, condensed quarterly consolidated statement of comprehensive income, condensed quarterly consolidated statement of changes in equity, condensed quarterly consolidated statement of cash flows, and notes thereto) are prepared in accordance with Article 5, paragraph 2 of the “Standards for Preparation of Quarterly Financial Statements, etc.” of Tokyo Stock Exchange, Inc. (however, the omissions set forth in Article 5, paragraph 5 of the said Standards are applied), and certain disclosure items and notes required by International Accounting Standard No. 34 “Interim Financial Reporting” have been omitted.

Segment information, etc.**(1) Overview of reportable segments**

The Group determines reportable segments based on the operating segments that are components of the Group for which discrete financial information is available and regularly reviewed by the chief operating decision maker to make decisions about the allocation of management resources and assess the results of operations. The Group’s reportable segments are comprised of the following two segments.

The details of each reportable segment are as follows:

Reportable segments	Business activities
Domestic Working Business	Engaged primarily in HR support services centered on temporary staffing, permanent placement and business process outsourcing services in Japan specifically for categories such as sales, call center, factory, care support facility and construction management engineer.
Overseas Working Business	Engaged primarily in temporary staffing and permanent placement mainly in Singapore and Australia.

In addition to the above, operations of apartment building for IT engineers and creative personnel (Tech Residence) are included in the “Others” segment.

(2) Information of the reportable segments

The figures for profit for reportable segments are given on an operating profit basis.

The information of each reportable segment is as follows:

Three months ended June 30, 2023

(Millions of yen)

	Reportable segments			Others	Adjustments (Note 2)	Amount recorded in the consolidated financial statements
	Domestic Working Business	Overseas Working Business	Total			
Revenue						
External revenue	20,186	14,182	34,369	66	–	34,435
Intersegment revenue (Note 1)	9	–	9	3	(12)	–
Total	20,196	14,182	34,378	69	(12)	34,435
Segment profit	1,364	456	1,820	(69)	(617)	1,132

(Note 1) Intersegment revenue is based on general market price.

(Note 2) Adjustments to segment profit of negative ¥617 million include intersegment eliminations of negative ¥0 million and corporate expenses not allocated to each business segment of negative ¥617 million. Corporate expenses mainly consist of general and administrative expenses that are not attributable to operating segments.

Three months ended June 30, 2024

(Millions of yen)

	Reportable segments			Others	Adjustments (Note 2)	Amount recorded in the consolidated financial statements
	Domestic Working Business	Overseas Working Business	Total			
Revenue						
External revenue	20,468	14,534	35,003	48	–	35,052
Intersegment revenue (Note 1)	3	–	3	2	(6)	–
Total	20,472	14,534	35,007	51	(6)	35,052
Segment profit	238	573	812	(60)	(574)	177

(Note 1) Intersegment revenue is based on general market price.

(Note 2) Adjustments to segment profit of negative ¥574 million include intersegment eliminations of negative ¥0 million and corporate expenses not allocated to each business segment of negative ¥574 million. Corporate expenses mainly consist of general and administrative expenses that are not attributable to operating segments.