

Respond, Exceed



**WDB Holdings Co., Ltd.
FY2022 1Q Financial Report**

Company Overview (Jul. 2022)

WDB

Company Name	:WDB Holdings Co., Ltd.
Incorporation	:July 6, 1985
Capital	:¥1 billion
Stock Listing	:Prime Market of Tokyo Stock Exchange (Code 2475)
President and CEO	:Toshimitsu Nakano
Head Office	:79 Toyozawa-cho, Himeji-shi, Hyogo
Number of Employees	:1,012 (temporary staff and others / 10,166)
Sales	:¥46.8 billion(FY2021)
Ordinary Income	:¥ 6.3 billion(FY2021)

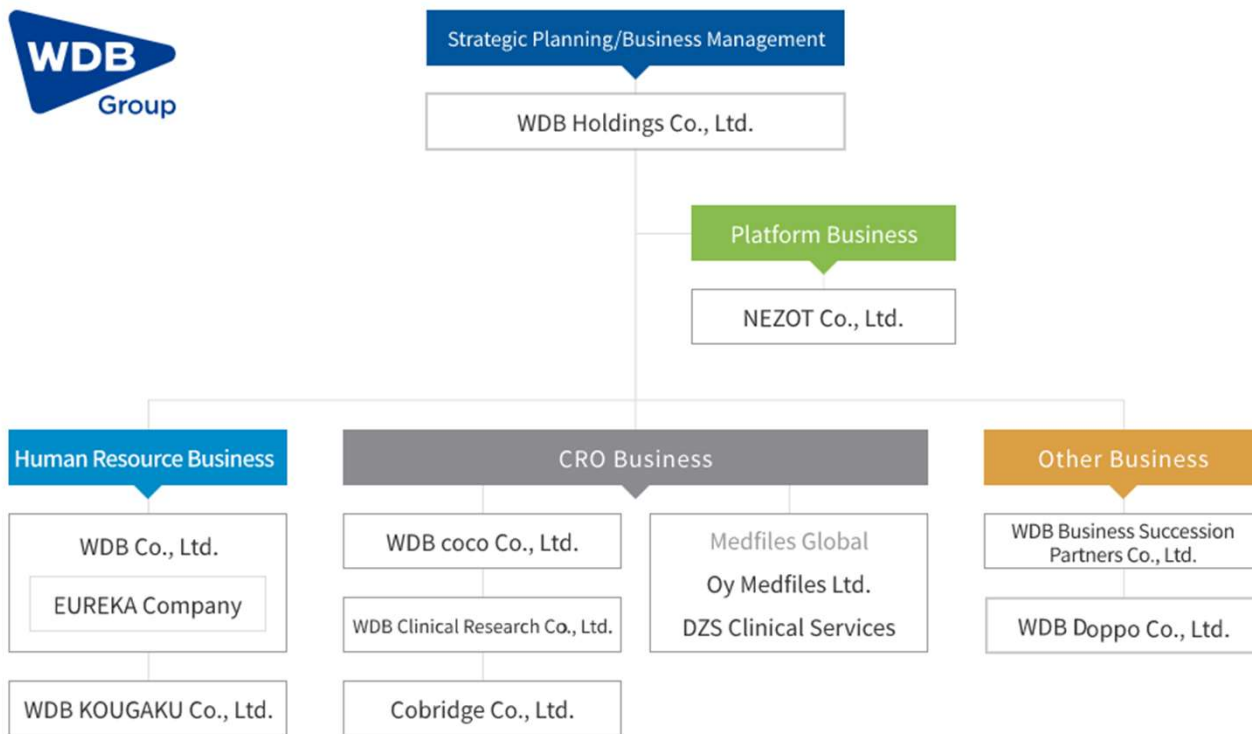
<Business Domain>

- Human Resource Business
- CRO business
- Platform and Other Business



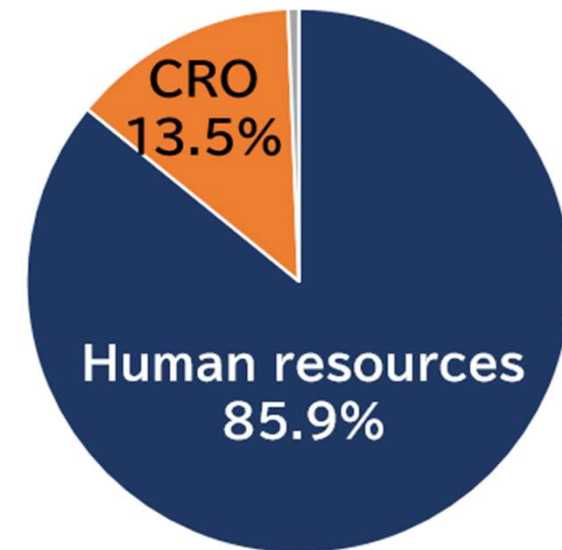
Head Office (Himeji, Hyogo)

Group Companies (Jul. 2022)

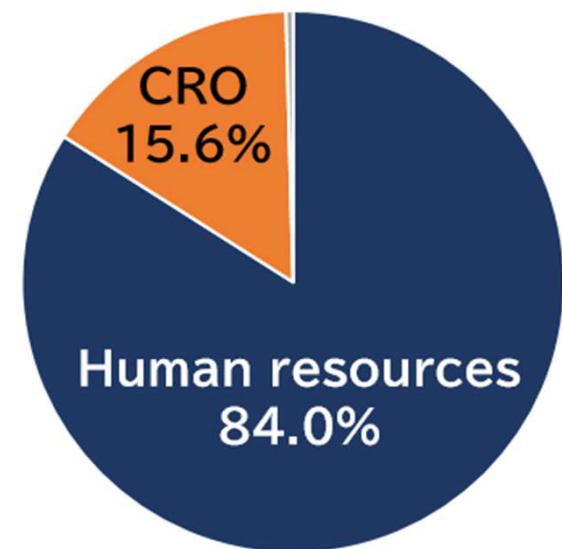


WDB Group has three business domains: Human Resource Services, CRO, and Other businesses.

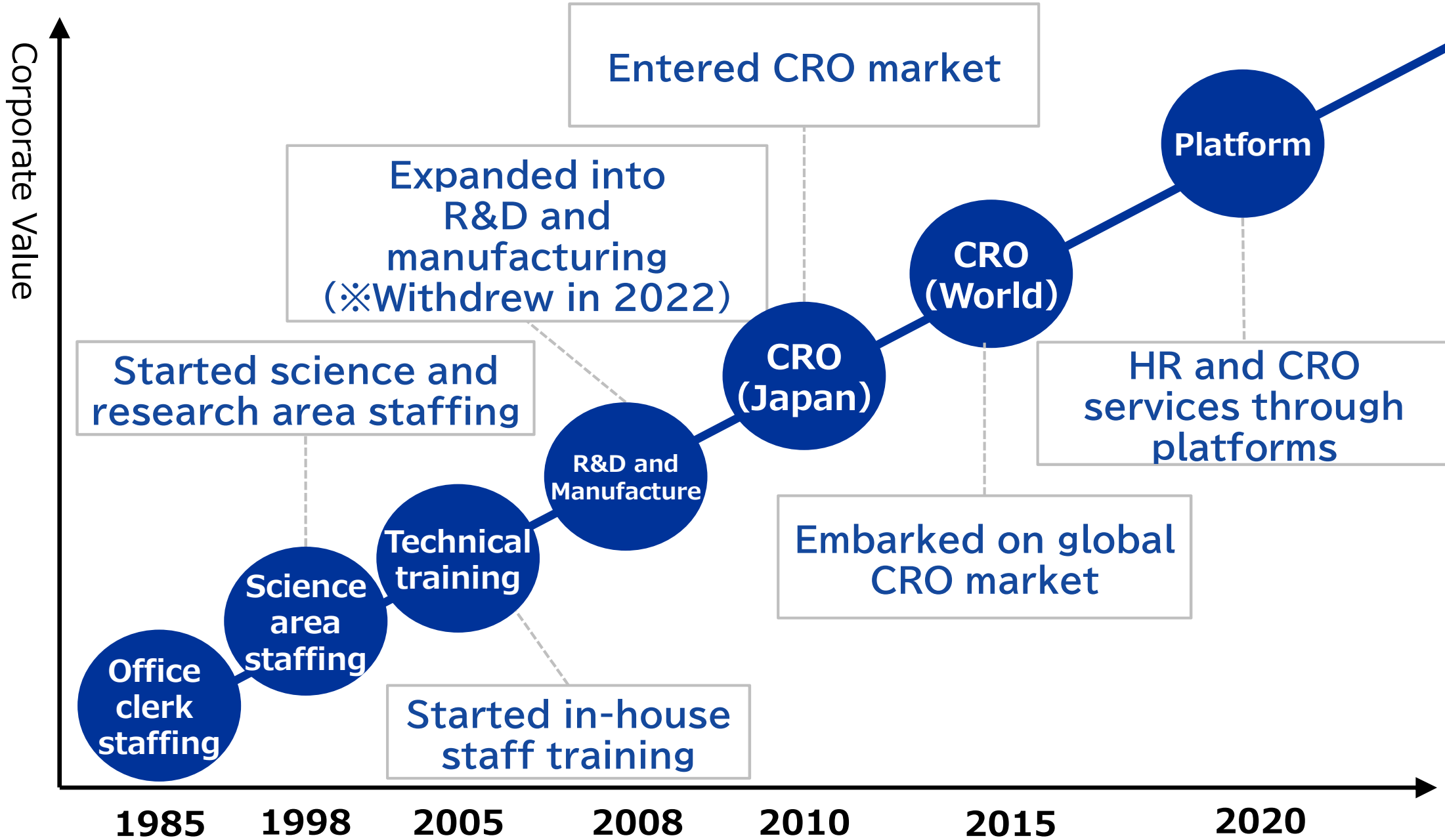
<Sales composition (FY2021)>



<Profit composition (FY2021)>

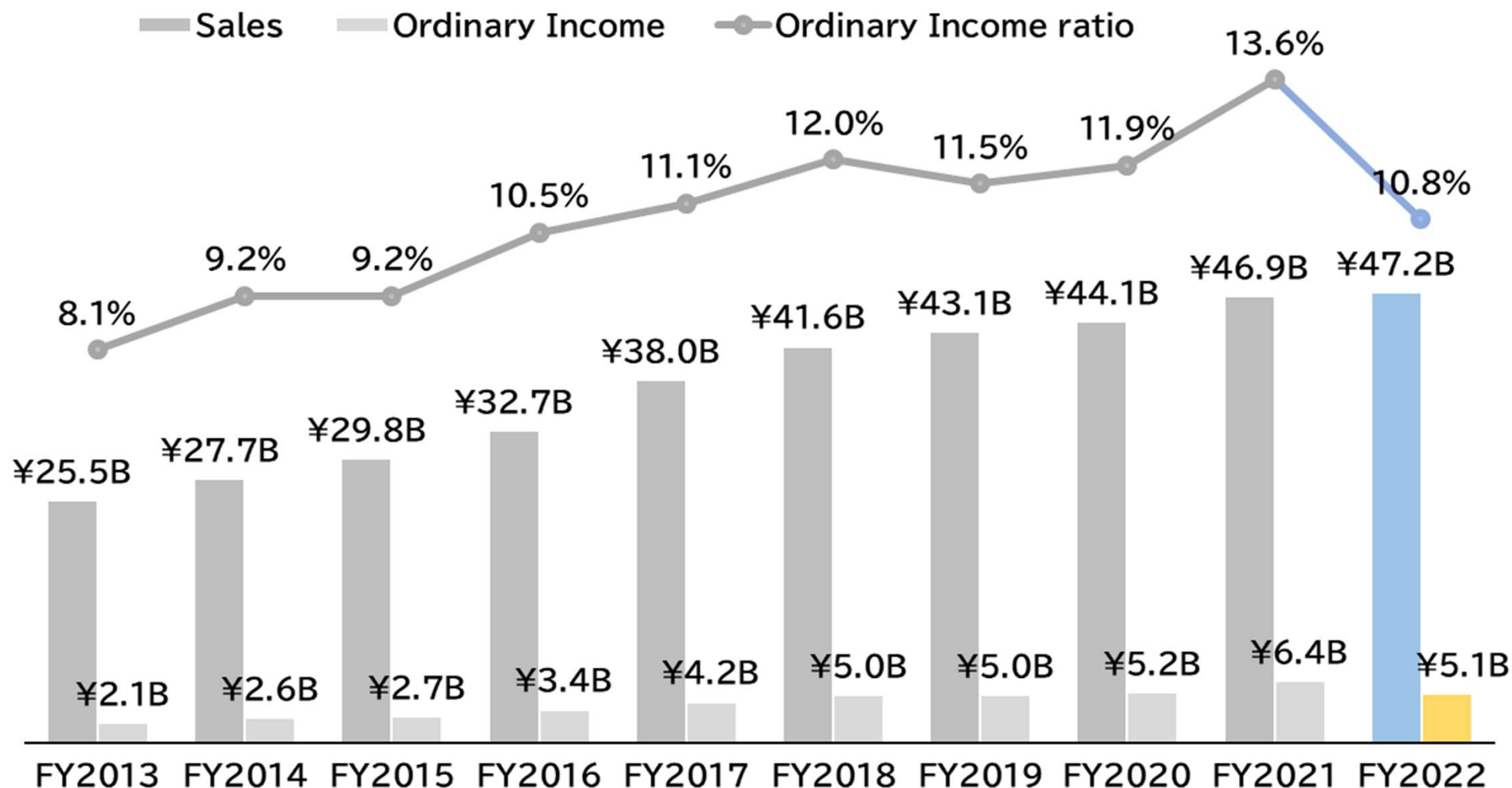


History and Business Expansion



Financial Results

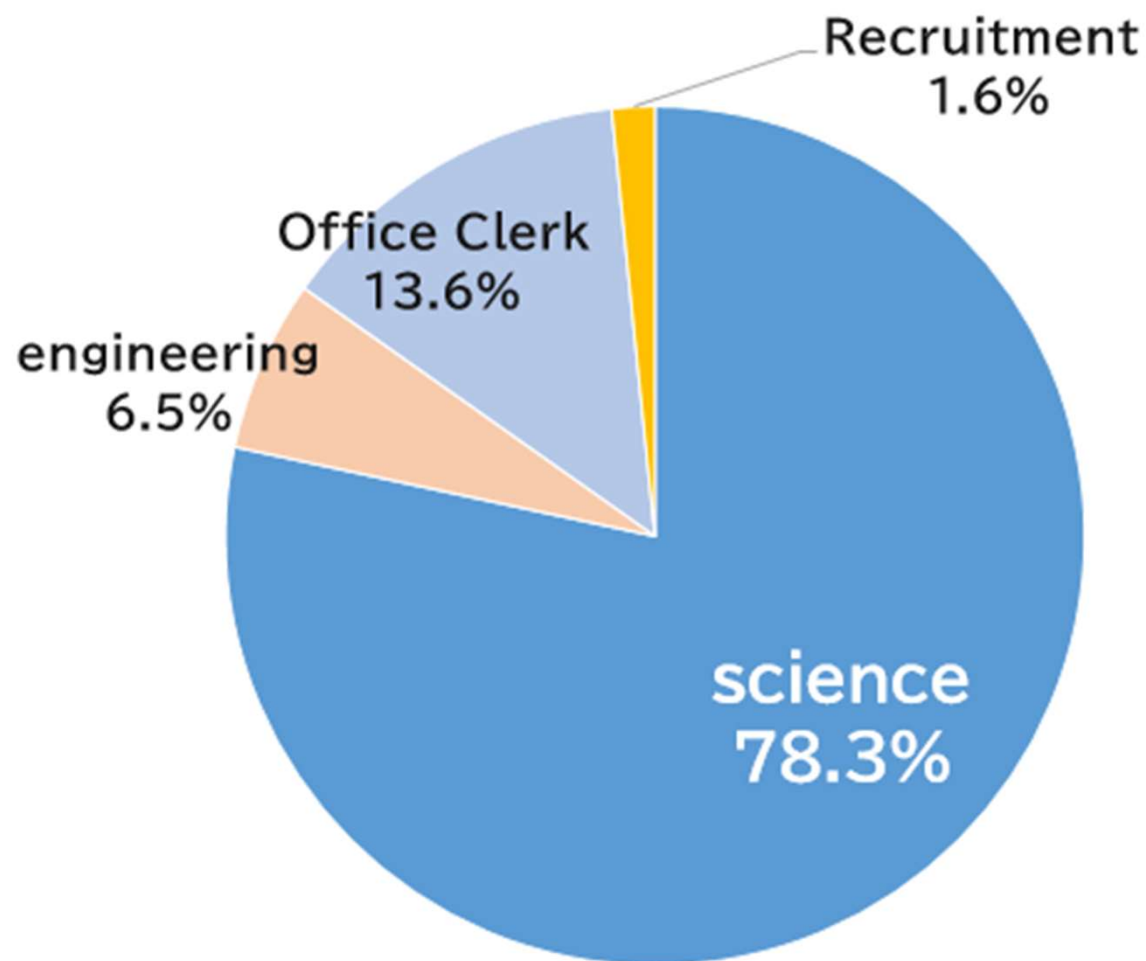
Sales and profits are steadily growing for the past 10 years. However, in FY2022, profits are expected to decline temporarily as we work to improve the treatment of dispatched employees for future growth.



Human Resource (Staffing) Business

Sales Breakdown of Staffing Business

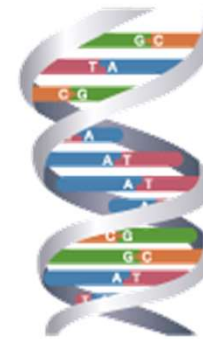
Our staffing business is mainly focusing on the science and research field. Our company accounts for approx. 1/3 of the science-related temporary staffing market (90 billion yen) ※ --- (※ market size by our estimate).



We dispatch scientific researchers, research assistants, and technicians in the science and research related fields.

<Staff and talent>

- Knowledge/skills in genetics
- Knowledge/skills in animal anatomy
- PCR testing capabilities
- Experience in chemical analysis, etc.



<Staffing requests>

- Research assistance in laboratories
(Universities, research institution as well as private sector)
- Quality control work for factory

Images of operations

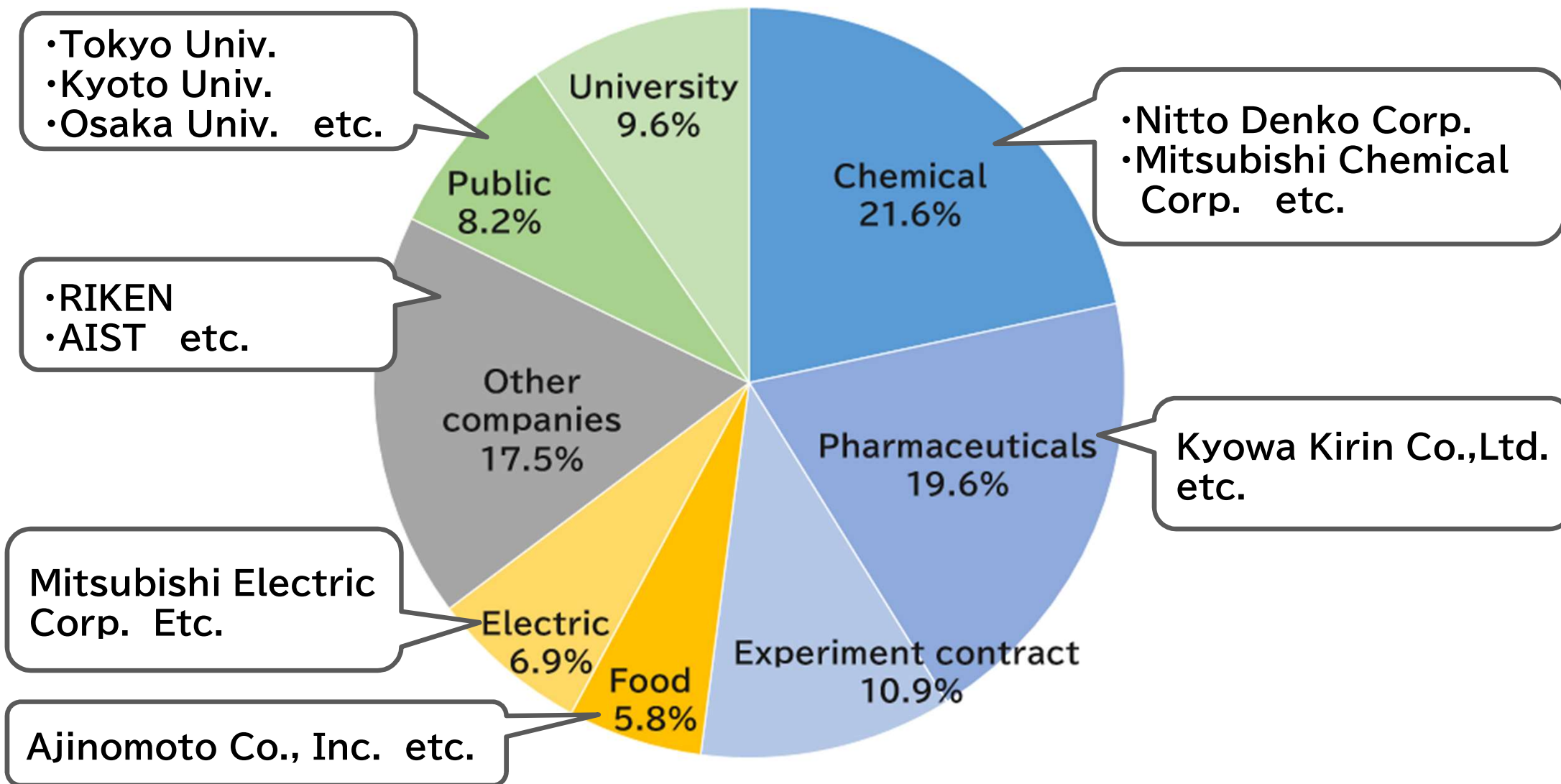


Two Staff Dispatch Types in Japan

	Registration type staffing	Permanent employee type staffing
Form of employment	Employ only for the period when there is a dispatch contract	Employ indefinitely as a full-time employee
Employment period	Months to years (may continue working for more than 10 years)	Long-term employment decades (may work until retirement age)
Selection of staffing destination	Job applicants to choose and apply	Employment agency to choose (Job applicants cannot choose destinations)
Salary when not staffed	None (registration remains and may work again)	Available (wait for the next assignment while receiving training)
Main handling fields	Office work, sales, factory work	Technical (Mainly engineer)
Main staff attributes	Female staff/home-makers	Male staff
New graduates employment	Mid-career recruitment only	Major companies employ hundreds
Main staffing agencies	Parsol, Recruit, Pasona	Technopro, Meitec, UT Group
Dispatching price	Permanent employee type prices are 1.5 to 2 times of registration	
Reasons for using permanent employee type dispatch	<ul style="list-style-type: none"> • Looking for highly skilled workers • There are laboratories and factories in the areas (where it is) difficult to hire people locally 	
WDBG staff share	60%	40%

Sales composition ratio by industry segment

We have business with most major chemicals manufacturers, pharmaceuticals, food manufacturers, public laboratories, and universities.



<Three elements to source high-quality staff>

1. We provide necessary skills and techniques for our staff at our in-house training centers nationwide.
2. We attract good staff because of our name value in the science field.
3. We deal with both registration type and full-time employee type. This is advantageous compared to one type only staffing companies.

<How we keep high level of satisfaction for customer and staff both >

1. We conduct a full-day screening test for staff and dispatch only those who are qualified by passing the test.
We make it a rule to have a monthly meeting with both the customer and the staff to check the status for any improvements.
2. We provide services through a highly convenient system detailing as follows.

We call the mechanism which enhances the convenience and visualization of services that used to be done manually as a "platform".

The basic development concept is that "the platform will streamline, automate, and visualize operations, and customers will be able to receive our services 24/7, and will be able to check the progress of services in real time."

The human resources service platform "doconico" was already released in April 2021. The transformation of human resources services has been in progress. We plan to release platforms related to CRO services in sequence.

Staffing platform "doconico"

Enabling to complete requests, procedures, and management of staffing personnel on the Web.

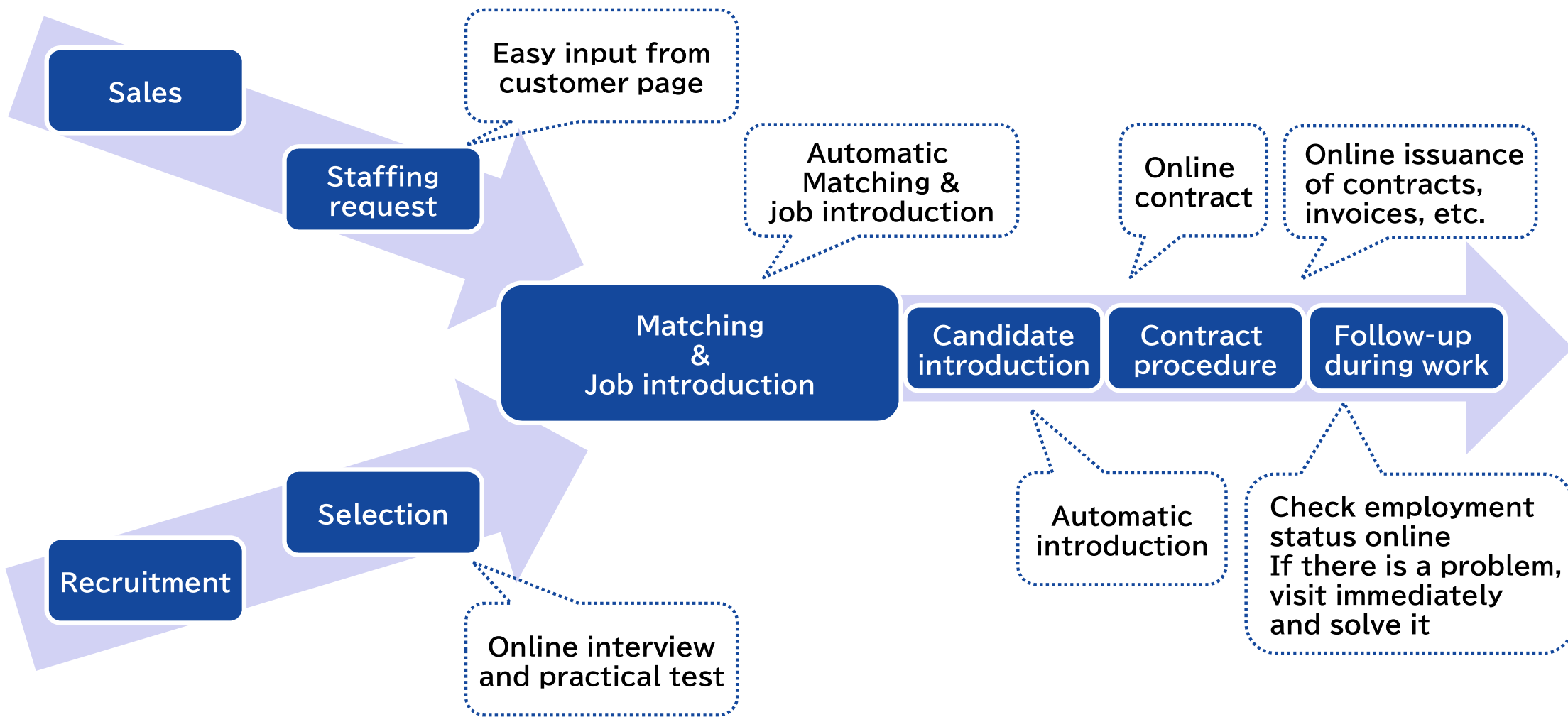
Various labor procedures and documents can be made paperless and efficient, as well as dispatched staff information can be centrally managed.

Information sharing between related parties will be smoother, and improve business efficiency.



Staffing service using doconico

Most of the staffing services procedures that were previously provided through our staff, can now be provided online.



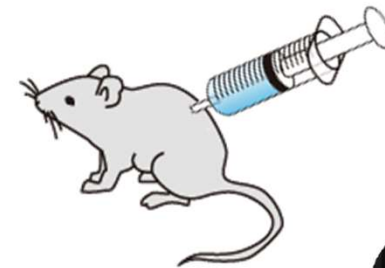
CRO Business

CRO is a company that provides support to the pharmaceutical manufacturers for developing new medicines.

There are four stages in drug development: We mainly support pharmacovigilance in Japan and do other stages overseas as well.

1. Basic research

Study safety and efficacy in cell experiments and animal experiments



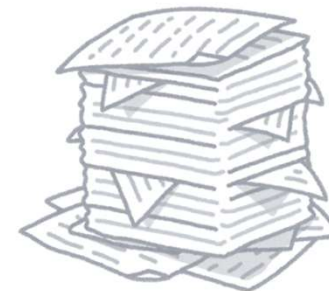
2. Clinical trial

Investigate the effects and side effects on humans with the cooperation of patients



3. Regulatory Affairs

Submit experimental data to the government and get permission to sell the drug



4. Pharmacovigilance

Investigate side effect data by collecting daily data from hospitals



JAPAN

•WDB COCO

- Safety evaluation
- workdocument support

•WDB CLINICAL RESEARCH

- Data management
- statistical analysis

•COBRIDGE

- Pharmaceutical affairs application for medical devices

EUROPA

•MEDFILES

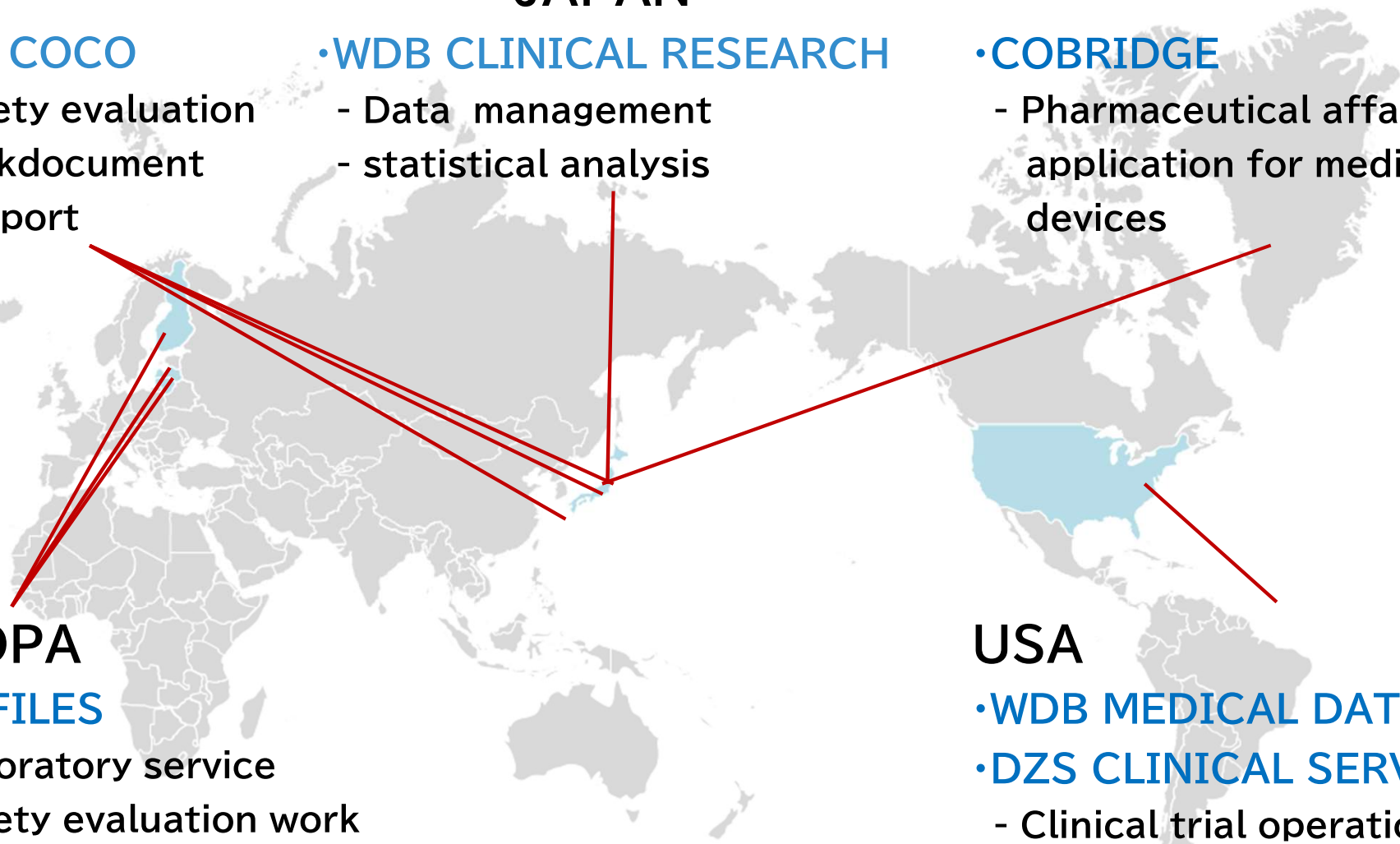
- Laboratory service
- Safety evaluation work
- Clinical trial
- Data management
- Statistical analysis
- Pharmaceutical affairs

USA

•WDB MEDICAL DATA

•DZS CLINICAL SERVICES

- Clinical trial operation
- Medical call center
- Data management
- Statistical analysis



Financials (summary)

Business Performance (Consolidated)

1Q(accum.)	FY2019		FY2020		FY2021		FY2022		21-22 Increase	21-22 Increase Rate
sales	¥10,709M	100.0%	¥10,833M	100.0%	¥11,711M	100.0%	¥11,860M	100.0%	¥149M	1.3%
cost	¥7,837M	73.2%	¥7,909M	73.0%	¥8,466M	72.3%	¥8,797M	74.2%	¥331M	3.9%
Gross Margin	¥2,872M	26.8%	¥2,924M	27.0%	¥3,245M	27.7%	¥3,063M	25.8%	-¥182M	-5.6%
SG(&)A	¥1,665M	15.5%	¥1,561M	14.4%	¥1,543M	13.2%	¥1,635M	13.8%	¥91M	5.9%
Operating Income	¥1,207M	11.3%	¥1,363M	12.6%	¥1,702M	14.5%	¥1,429M	12.0%	-¥273M	-16.0%
Ordinary Income	¥1,207M	11.3%	¥1,366M	12.6%	¥1,727M	14.7%	¥1,434M	12.1%	-¥293M	-17.0%
Net Income	¥630M	5.9%	¥829M	7.7%	¥1,070M	9.1%	¥893M	7.5%	-¥177M	-16.5%

- Sales increased and profit decreased.
Compared to last year, the number of business days was one less, but due to the increase in the number of dispatched staff and the increase in CRO sales, sales increased slightly.
- On the other hand, the cost ratio increased because the number of business days was one less than last year.
In addition, as a result of raising the base of employee compensation, the SG & A expense ratio increased. Consequently, profits declined.

Business Performance (By Segment)

1Q		FY2019		FY2020		FY2021		FY2022		21-22 Increase	21-22 Increase Rate
Human resources	sales	¥9,574M		¥9,631M		¥10,195M		¥10,274M		¥79M	0.8%
	Segment profit	¥1,199M	12.5%	¥1,346M	14.0%	¥1,563M	15.3%	¥1,399M	13.6%	-¥164M	-10.5%
CRO	sales	¥1,081M		¥1,090M		¥1,456M		¥1,586M		¥130M	8.9%
	Segment profit	¥140M	12.9%	¥105M	9.6%	¥224M	15.4%	¥179M	11.3%	-¥45M	-19.9%

<Human resources>

- The number of new staffing requests and orders exceeded that of before-Corona.
- We have started to improve the treatment of dispatched employees. We notify temporary employees who are in work of the pay rate revision, and we are also recruiting new staff with the revised rate.
- We continue working on a further development improvement of “Doconico”, our staffing service platform, to further increase the utilization of customers and dispatched staff.
- We have started to reorganize the internal departments so that we can maximize the effect of SG&A reduction by Doconico.

<CRO>

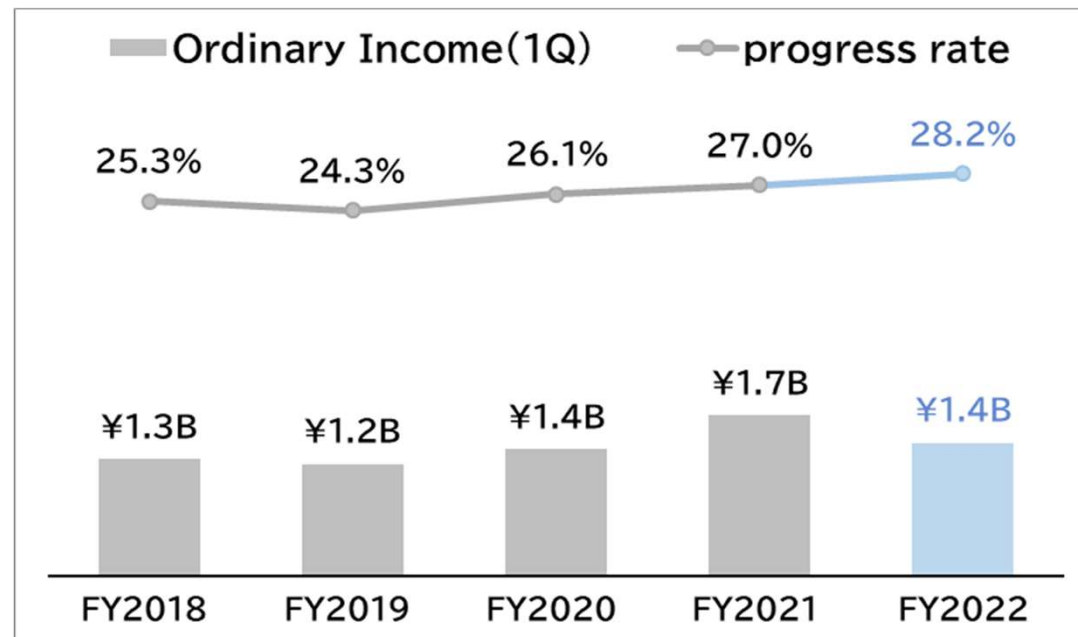
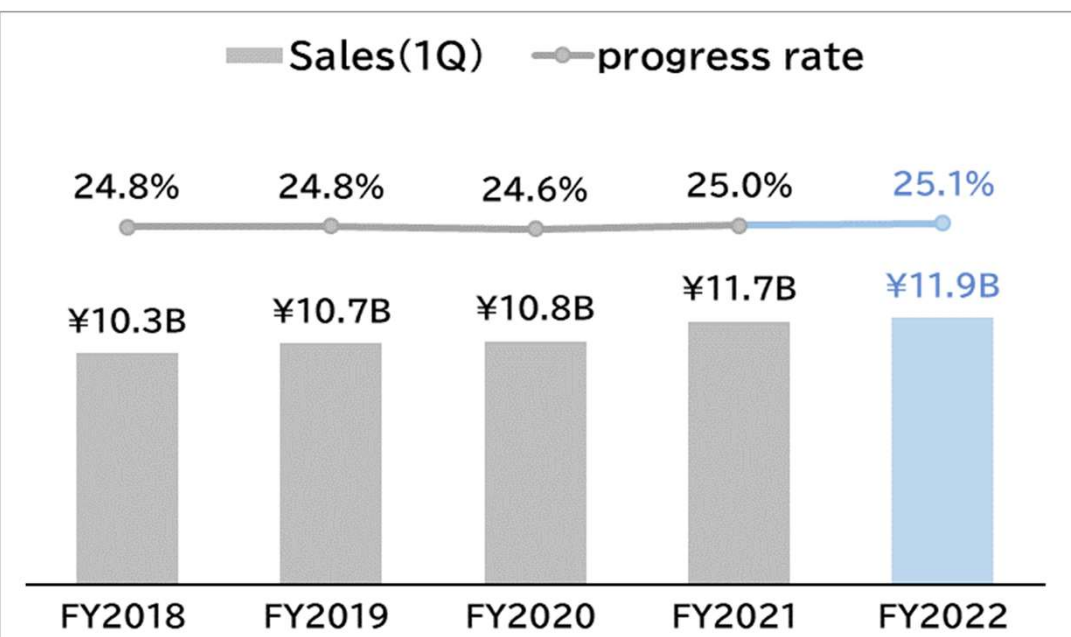
- At WDB Coco, we made an investment for the future and the cost increased. In addition, orders in the United States were sluggish, resulting in higher sales and lower profits.
- Although there are concerns on the affect of the Ukraine situation, there is no visible impact on the business so far.
- We are developing a new CRO platform, with which we aim to reduce costs, improve convenience, and start new services by making business more efficient.

Forecast / dividends of FY2022 and Mid-term Management Plan

FY2022 Forecast

	FY2020			FY2021			FY2022(Forecast)		
	Amount	Composition ratio	Growth rate	Amount	Composition ratio	Growth rate	Amount	Composition ratio	Growth rate
Net Sales	¥44.1B	100.0%	2.4%	¥46.9B	100.0%	6.2%	¥47.2B	100.0%	0.8%
Gross Margin	¥11.5B	26.1%	1.3%	¥12.5B	26.6%	8.3%	¥12.0B	25.5%	-3.6%
SG(&)A	¥6.4B	14.6%	0.0%	¥6.2B	13.2%	-3.8%	¥7.0B	14.7%	12.6%
Operating Income	¥5.1B	11.6%	3.1%	¥6.3B	13.5%	23.6%	¥5.1B	10.8%	-19.5%
Ordinary Income	¥5.2B	11.9%	5.7%	¥6.4B	13.6%	21.9%	¥5.1B	10.8%	-20.5%
Net Income	¥3.4B	7.7%	9.3%	¥4.2B	8.9%	22.5%	¥3.3B	6.9%	-21.4%

Progress rate against Forecast 2022



- Both sales and ordinary income progressed steadily against the full-year forecast.
- The progress rate of ordinary income is higher than usual. The reason for this is that the salary of dispatched staff was increased in July. This is because we have created a full-year plan in anticipation of a decline in profit margins from the second quarter onward.

For the fiscal year ending March 31, 2023, we foresee decreasing profits.

In the current and next fiscal year, we will transform the quality of our business. In the past, we have not paid very high compensation to our temporary staff. Even so, we have the top share in the market for temporary staffing of science-related research workers.

In the fiscal year ending March 31, 2022, we will be able to remain profitable enough as a company that mainly provides registered temporary staffing services.

In the current and next fiscal year, we will increase compensation for temporary staff and invest in IT systems. We will raise staff compensation, build even stronger relationships with clients and staff than before, and further pursue client and staff satisfaction.

We will also use our new platform to work on administrative clerk staffing business.

We will not differentiate ourselves solely on the basis of higher compensation or greater workload.

But, we will differentiate ourselves through our overall strengths as a temporary staffing company, that is, high quality of service based on three elements: highly accurate identification of job seekers, a well-developed training system, and extensive follow-up visits during employment, as well as our own platform pursuing more convenience and usefulness.

We will align the interests of our clients, our staff, and our company to become the one and only staffing company, with the goal of becoming a company with sales of 100 billion yen and ordinary income of 10 billion yen.

This section provides an overview of our management policy.

(For details, please refer to the Medium- and Long-term Management Policies published on May 13, 2022.)

<https://www.wdbhd.co.jp/assets/pdf/eng/ir/about/management-policy220513.pdf>

1. Deliver services through our platform to increase convenience and productivity in order to reduce costs.
2. Although decreasing a short-term profit, utilizing the reduced costs and our profits as a source of funds, we will improve the compensation of temporary staff to achieve long-term sustainable growth and full-scale entry into the administrative clerk staffing business.
3. We target the ordinary profit margin of the human resources business at 10%. We also target the ordinary profit margin of the CRO and other businesses at 20% and keep it. We aim for long-term sustainable profit growth, not short-term high profits.
4. We target ROE should be 15% or higher, and dividend payout ratio to be 30% or higher and maintain it.

We continue to pay stable dividends while continuing to invest in the platform as well.

Currently, the staffing of science researchers, who occupy more than 30% of the market share (about 30 billion yen), will transform the business with the platform and aim for a 50% share (about 50 billion yen).

<Specific strategy>

- Abundant number of staff secured by technical training and our track record of being "No. 1 in science staffing"
- Careful staff identification and matching, trust in an established follow-up system
- Our sales organization that is closely linked to customers through a nationwide branch network
- Providing overwhelming convenience to customers and staff by providing services based on the platform
- The platform contributes to maximize operational efficiency and to reduce cost. Utilize the reduced costs to raise the salary of dispatched employees, secure abundant number of staff that no other companies can imitate, and increase market share

We will expand the scale of engineering staffing with the same strategy.

Taking the same strategy as in science, we will make a full-scale entry into the field of dispatching office clerical workers.

The office dispatch market is estimated around 1.8 trillion yen. It is about 20 times larger than the science dispatch market, which seems so attractive.

This field is the main battlefield of major staffing companies. Thus far, we have not entered the market because we think that we are weaker than them in procuring the right human resources in this field. However, once WDB becomes the industry's highest hourly dispatch pay rate company, we will be able to procure the right human resources.

We aim to establish a presence in the office clerk staffing market as well, by securing ample dispatch staff by higher hourly rate, our accumulated know-hows and highly convenient service provided through our Platform.

Toward a Sound Staffing Industry

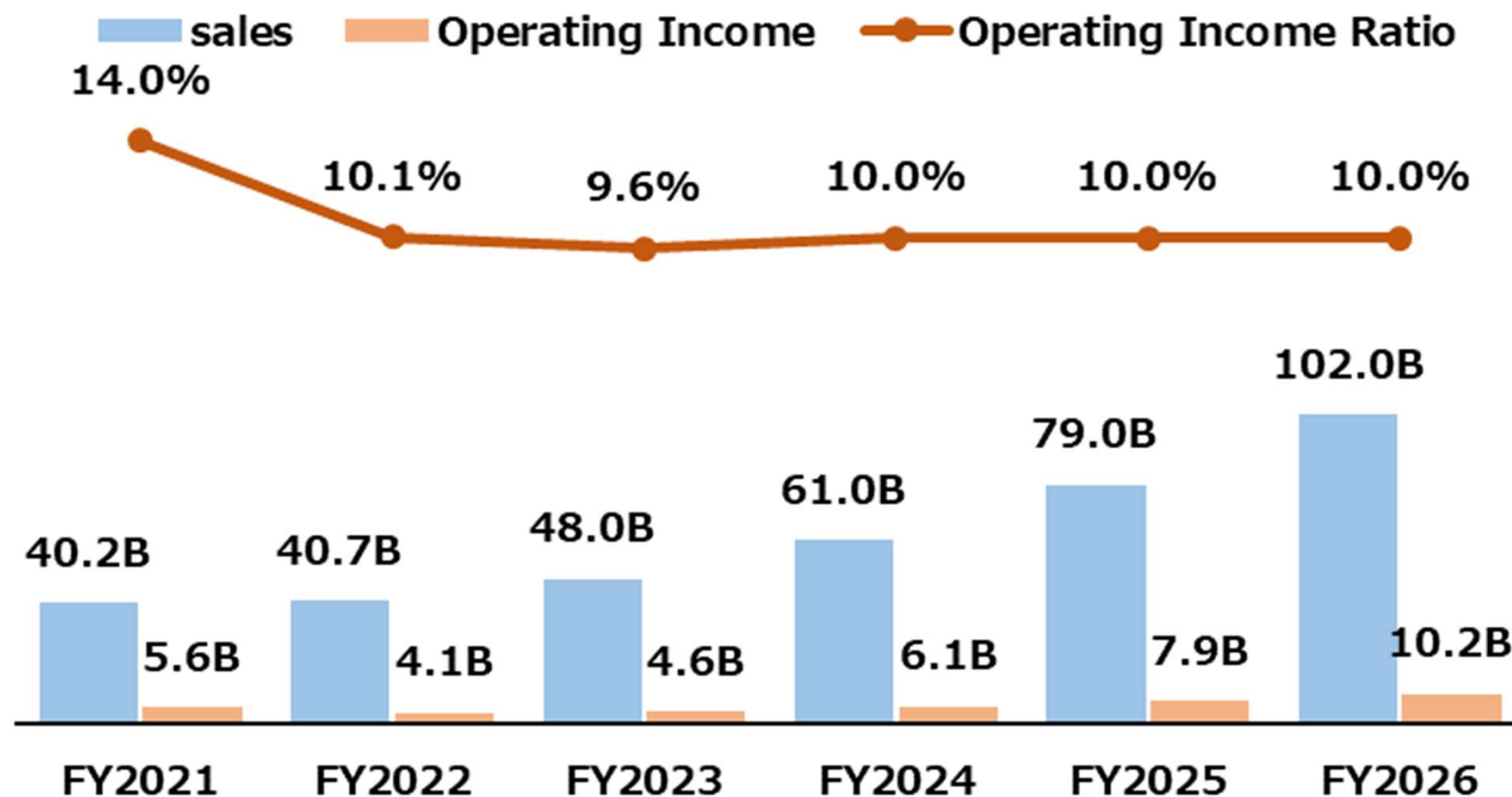
From April 2019, equal pay for equal work has been legislated and required. It is no longer accepted by society that there are differences in the treatment between regular employees and non-regular employees.

We will work on resolving this issue. We communicate appropriately with our customers how our staff work, and pay a satisfactory salary to those who are highly productive. In such a way, we would like to become a staffing company that performs “right evaluation“ and contribute to the sound development of the whole staffing industry.

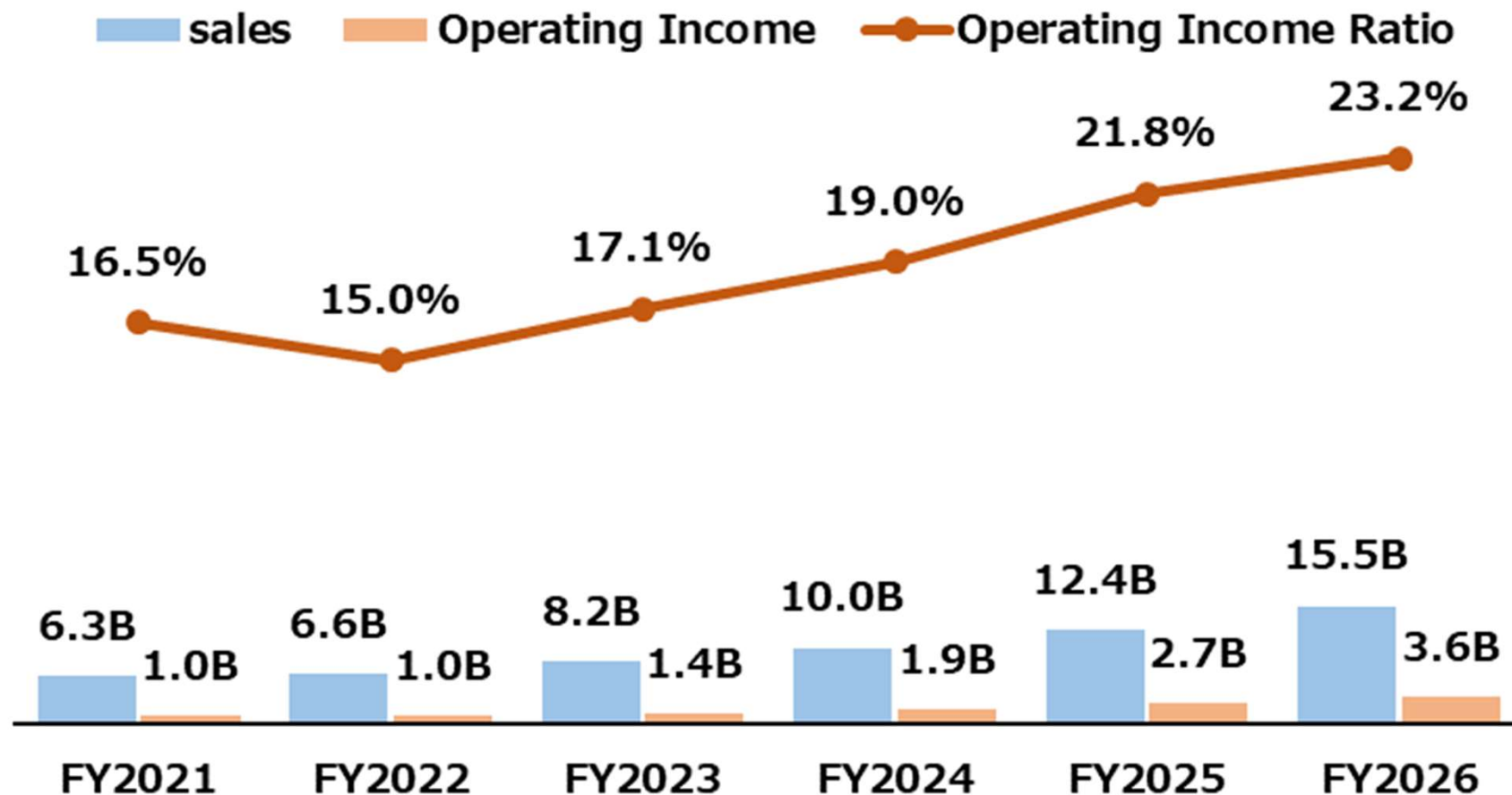
In addition, through this initiative, we would like to be a company where our employees can work for the staffing business with more pride and confidence.

Plan through March 31, 2027 (Human resources)

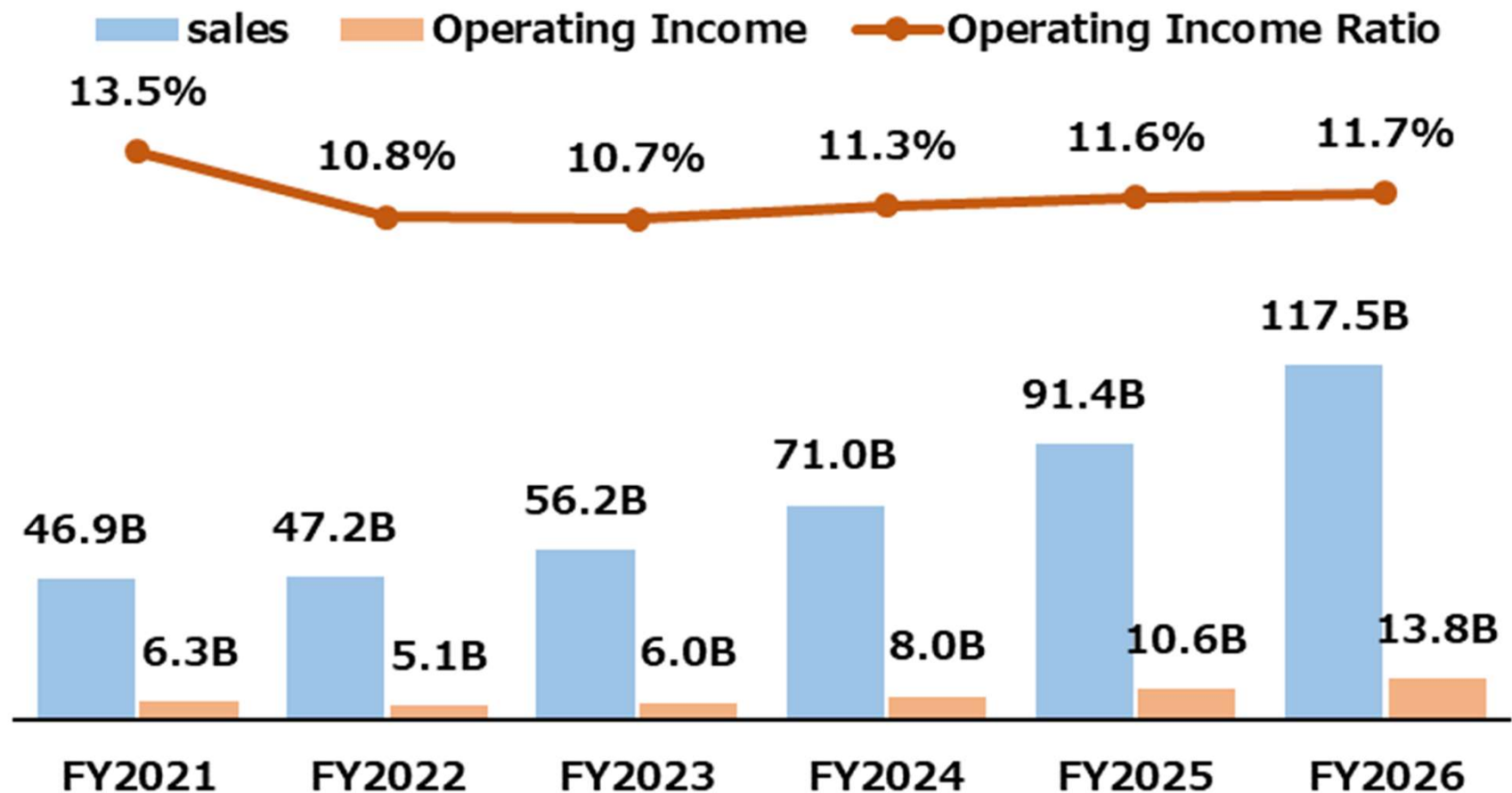
We aim to achieve a business transformation in two years of FY2022 and FY2023, and to achieve a significant increase in sales and profit in FY2024 and onward.



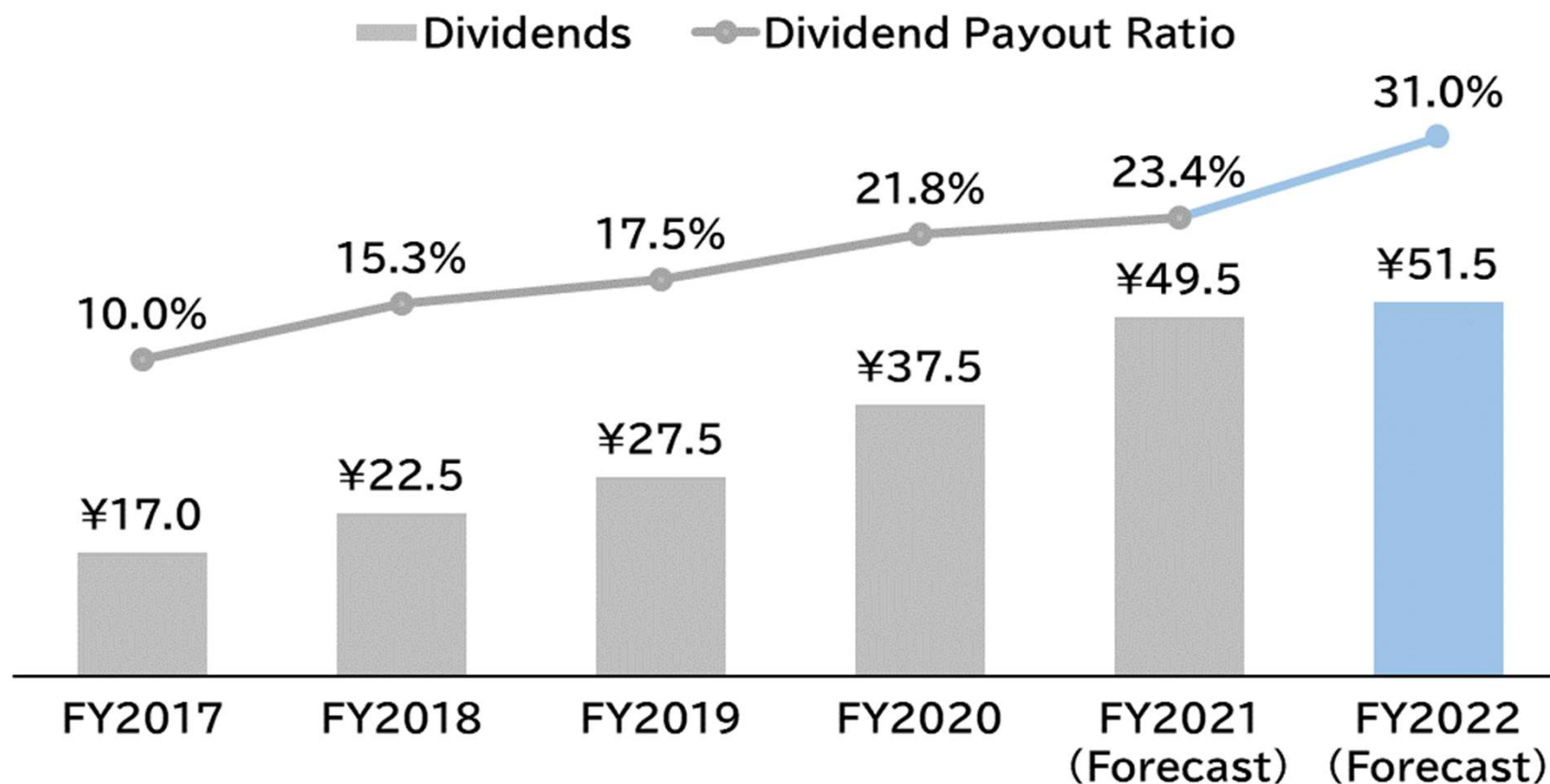
Plans through March 31, 2027 (CRO)



Plan through March 31, 2027 (Total)



We plan to pay a dividend of 51.5 yen for this fiscal year. Dividends for the fiscal year ending March 31, 2024 and beyond have not yet been determined. Our policy is to aim for a dividend payout ratio of 30% and to maintain or increase the dividend amount.



The purpose of this material is to provide information about business performance. It is not intended to solicit investment in our stock.

The predictions given in this material are judgments at the time the material was created. Forecasts are subject to change without notice.

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