Consolidated Financial Results for the Second Quarter of 2018
(Six Months Ended June 30, 2018)

[Japanese GAAP]

August 6, 2018

Company name: WORLD HOLDINGS CO., LTD. Listing: Tokyo Stock Exchange, First Section
Stock code: 2429 URL: http://www.world-hd.co.jp
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Scheduled date of filing of Quarterly Report: August 10, 2018
Scheduled date of payment of dividend: -
Preparation of supplementary materials for quarterly financial results: Yes
Holding of quarterly financial results meeting: Yes (for institutional investors and analysts)

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

1. Consolidated Financial Results for the First Six Months of 2018 (January 1 to June 30, 2018)

(1) Consolidated results of operations (Percentages represent year-on-year changes)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
Six months ended Jun. 30, 2018	64,379	13.2	2,005	(32.8)	2,001	(32.2)	1,079	(47.6)
Six months ended Jun. 30, 2017	56,853	36.6	2,981	41.2	2,950	41.3	2,061	71.8

Note: Comprehensive income (millions of yen) Six months ended Jun. 30, 2018: 1,132 (down 49.3%)
Six months ended Jun. 30, 2017: 2,235 (up 82.2%)

	Net income per share	Diluted net income per share
	Yen	Yen
Six months ended Jun. 30, 2018	64.15	63.08
Six months ended Jun. 30, 2017	123.26	121.31

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio	Net assets per share
	Million yen	Million yen	%	Yen
As of Jun. 30, 2018	79,520	18,891	22.0	1,040.88
As of Dec. 31, 2017	80,039	19,140	22.3	1,059.91

Reference: Shareholders' equity (millions of yen) As of Jun. 30, 2018: 17,514 As of Dec. 31, 2017: 17,818

2. Dividends

	Dividends per share				
	1Q-end	2Q-end	3Q-end	Year-end	Total
	Yen	Yen	Yen	Yen	Yen
2017	-	0.00	-	82.70	82.70
2018	-	0.00			
2018 (forecast)			-	82.80	82.80

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

3. Consolidated Forecast for 2018 (January 1 to December 31, 2018)

(Percentages represent year-on-year changes)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent		Net income per share
	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Yen
Full year	145,137	14.1	7,288	3.2	7,083	1.1	4,635	0.5	275.73

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

*** Notes**

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

Newly added: - Excluded: -

(2) Application of special accounting methods for presenting quarterly consolidated financial statements: Yes

Note: Please refer to the section “2. Quarterly Consolidated Financial Statements and Notes, (4) Notes to Quarterly Consolidated Financial Statements, Application of Special Accounting Methods for Presenting Quarterly Consolidated Financial Statements” on page 13 for further information.

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

1) Changes in accounting policies due to revisions in accounting standards, others: None

2) Changes in accounting policies other than 1) above: None

3) Changes in accounting-based estimates: None

4) Restatements: None

(4) Number of shares issued (common stock)

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

As of Jun. 30, 2018:	16,947,300 shares	As of Dec. 31, 2017:	16,932,500 shares

2) Number of treasury shares at the end of the period

As of Jun. 30, 2018:	120,876 shares	As of Dec. 31, 2017:	120,846 shares

3) Average number of shares during the period

Six months ended Jun. 30, 2018:	16,820,496 shares	Six months ended Jun. 30, 2017:	16,720,552 shares

* The current financial report is not subject to quarterly review by certified public accountants or auditing firms.

* Cautionary statement with respect to forward-looking statements, and other special items

Forecasts of future performance in this document are based on assumption judged to be valid and information currently available to the Company’s management. Actual results may differ materially from the forecasts for a number of reasons. Please refer to “1. Qualitative Information on Quarterly Consolidated Financial Performance, (3) Explanation of Consolidated Forecast and Other Forward-looking Statements” on page 6 for forecast assumptions and notes of caution for usage.

Contents of Attachments

1. Qualitative Information on Quarterly Consolidated Financial Performance

(1) Explanation of Results of Operations

In the first half of 2018, although the Japanese economy continued to grow, the improvement in the business climate slowed because of the rising cost of crude oil and other raw materials and other reasons. There are also concerns about trade friction. The economic outlook is uncertain as a result. In the labor market, the job openings-to-applicants ratio surpassed the previous record set during Japan's asset bubble to reach an all-time high of 1.62 in June 2018. This demonstrates that the labor shortage at companies continues to be severe.

In the core Human Resources and Education Business, the operating environment is changing due to two events. One is the first application in April 2018 of a provision in the amended Labor Contracts Act that requires employers to convert fixed-term employees who have completed five years of employment in this status to permanent employees. Second is the September 2018 deadline for the shift to a licensing system for temporary staffing companies that placed workers for a maximum of three years. This licensing system is the primary element of the amended Worker Dispatching Act. The rising job openings-to-applicants ratio is also influencing the business climate. Due to this situation, for their recruitment needs, companies are becoming increasingly dependent on temporary staffing companies capable of providing reliable services that include strict compliance with laws and regulations. Companies in the human resources and education sector are adapting to these changes while taking even more actions on their own to become more competitive. For example, companies are focusing on quickly supplying large numbers of workers, training employees and other distinctive strengths that can set them apart from competitors. As a result, Japan's human resources and education industry is beginning to make a significant shift to a phase of maturity.

Based on its "one-stop service" strategy, World Holdings (hereinafter, "the Company") covers many categories of the manufacturing sector and has established a sound organization of well-trained people and a framework for moving these people to different assignments. The consistent ability to meet customers' requirements by using these strengths has earned an excellent reputation that has made a big contribution to growth of the World Holdings Group.

In the Real Estate Business, the Tokyo area condominium market, which is the primary market for this business, remained strong. In the newly constructed condominium category, the number of condominium units newly listed for sale in June was 16.4% higher than in June 2017 and the average price per square meter increased 3.7%. During the first half of 2018, with the support of extensive and effective marketing activities, this business posted sales and earnings that exceeded the initial plan by completing sales of units with speed and flexibility in relation to the plan.

In the Information and Telecommunications Business, where Japan's mobile phone market has reached maturity, initiatives are under way to set the stage for growth in 2019 and afterward. The goal is to build a base for launching new products, businesses and other activities while retaining our strategy of establishing dominant positions in our targeted market sectors.

In the first half of 2018, net sales increased 13.2% year on year to 64,379 million yen. Operating profit decreased 32.8% to 2,005 million yen, ordinary profit decreased 32.2% to 2,001 million yen, and profit attributable to owners of parent decreased 47.6% to 1,079 million yen.

Results by business segment are described below.

Factory Staffing Business

First half sales in this segment increased significantly mainly because of higher sales in the machinery, logistics, and electrical and electronic products sectors.

We used two-way matching in order to achieve the best possible matching of the requirements of client companies and the people we assign to projects. By using this approach, we recruited hundreds of people who can be moved easily from one assignment to another prior to the need for these workers. This business also has many business sites that perform outsourced manufacturing processes. We can supply temporary workers who can meet the requirements of each project after only about three months of preliminary training. During the first half, this business also improved its workforce retention rate and quickly started large projects. All these activities produced benefits as planned and enabled this business to add more success stories.

We have a dominant position in temporary staffing for logistics companies. Supporting this position are an organization that can control a large number of partner companies and a workforce of thousands. For more growth, we have training programs for specific job categories and levels. By using this training to increase the number of mid-level management personnel, we completed the start-up of operations at new business locations acquired in this period with no problems. This made a big contribution to the addition of thousands of people to our temporary placement workforce.

Recruiting activities are the highest priority of this business. We hired new graduates and the number of people registered on our Job Paper website is now more than 57,000. In addition, there was progress with building a sound framework for recruiting processes to reflect the steadily growing scale of our recruiting operations. These activities made it possible to conduct recruiting operations with outstanding efficiency and quality.

As a result, sales were 23,332 million yen, up 25.3% year on year and segment profit decreased 0.7% to 1,392 million yen.

Technology Staffing Business

This business continued to grow in the first half, mainly in the machinery, automobile, and information and telecommunication services sectors.

In response to Japan's severe shortage of engineers, we have been making investments to build an infrastructure for training employees to become engineers. With the support of Advan Inc., we provide Java programming and Python training. We also operate a Design Center where people receive training involving CATIA and other 3D-CAD skills. In 2018, we started operating a Production Engineering Center that is dedicated solely to this field of engineering. These activities contributed to growth in orders involving production engineering.

SAIHI JOHO SERVICE CO., LTD. (SAINS) was acquired for the purpose of giving the system design development section a stronger framework for performing outsourced work. SAINS is included in the consolidated statement of income beginning with the second quarter of the current fiscal year.

A record-high of more than 100 new graduates were hired during the first half of 2018 and this business used upgraded content on social networking services and other channels to recruit experienced professionals. Overall, recruiting activities made a contribution to growth in the workforce and sales.

Sales were 7,029 million yen, up 17.2% year on year and segment profit decreased 6.0% to 604 million yen.

R&D Staffing Business

In this business, we are working on establishing a prominent position in business domains with substantial added value. Most of all, we are focusing on R&D staffing involving chemicals, synthetic chemicals and other fields where only the Company can supply qualified personnel. To give our R&D staffing workforce more training for the basic knowledge they require, we created our own education program for statistics, analysis and other subjects. We also have training to give people skills that increase the loyalty of our client companies. Due to these activities, this business made progress with creating a workforce of research personnel with excellent value for our clients and with the placement of these people in R&D fields where we can charge higher staffing service rates.

During the first half of 2018, the recruiting operations of this business continued to perform well. By using innovative recruiting plans, we hired many highly skilled research personnel that included about 70 new university graduates, mostly people with a master's or PhD degree.

We are currently making preparations to start a business for outsourced R&D services. One step was the 2017 start of joint research with Kyoto University and Osaka Prefecture University. Next, we plan to expand joint research activities to include other universities.

DOT WORLD CO., LTD. is a clinical research outsourcing company that performs clinical trials for client companies. In response to its failure to receive a large clinical research outsourcing contract and other events, this company made investments for reexamination of its employee training programs and organization even though they would have a negative impact on segment profit. The result was a temporary decrease in earnings at this company.

Sales were 3,336 million yen, up 8.2% year on year and segment profit decreased 8.8% to 247 million yen.

Sales & Marketing Staffing Business

This business continued business model reforms. There are also up-front investments to reinforce administrative sections and make other improvements. All these actions are aimed at establishing a powerful foundation for growth starting in 2019.

Sales were 1,847 million yen, down 39.1% year on year and segment loss was 60 million yen, compared with a segment profit of 138 million yen in the first half of 2017.

Real Estate Business

In this business, we have established a stable business portfolio and a framework for operating in all areas of Japan. This makes it possible to perform marketing activities that precisely match the characteristics of regional markets and the properties we sell. Another benefit is the ability to reach decisions in a more timely and accurate manner. Especially for development projects, which have particularly high volatility, we are able to make decisions about the timing and profitability of property sales with greater accuracy. During the first half of 2018, we used these capabilities for speed and flexibility for the closing of property sales, which resulted in sales and earnings that were higher than we had planned.

The renovation business, which produces a steady income stream, continues to grow consistently. The performance of this business has benefited from the success of branding activities centered on Mikuni Co., Ltd. and of the growth of activities to more areas of Japan. As a result, there were increases in the number of properties sold, sales and earnings.

In 2019, restrictions on bringing people to Japan for training are expected to be eased. The Real Estate Business is working with the Human Resources and Education Business to gather information about reduced limitations on foreign workers in Japan. These activities may result in the creation of a new business model.

The performance of each category of this segment was as follows.

The real estate development business completed the sale of 35.5 condominium units and sold five sites for business use, resulting in property sales of 8,844 million yen. Sales from real estate brokerage and other activities totaled 1,266 million yen. At Residential Musashigaoka, a condominium building where the closing of sales is scheduled to start in the third quarter of 2018, the number of sales contracts signed has been higher than planned.

In the renovation business, the number of residences sold increased by about 50% from one year earlier to 327 during the first half of 2018. Sales were 6,604 million yen.

In the detached house business, Hoei Construction Co., Ltd. has expanded its operations from Hokkaido to include the Sendai area. This company completed the sale of 122 custom-build houses and recorded sales of 3,017 million yen.

In the prefabricated house business, Omachi World Co., Ltd. has a rental business and sells prefabricated houses. Sales totaled 685 million yen.

Sales were 20,416 million yen, down 0.9% year on year and segment profit decreased 39.2% to 784 million yen.

Information and Telecommunications Business

The structure of Japan’s telecommunications market is changing rapidly. The maturity of the mobile phone market and government measures to increase competition are two causes. Other sources of change include the increasing variety of options for customers as rate and service packages become more diverse and the preference of consumers for lower-priced products and services. We reinforced the sales activities of all stores, especially stores that were opened in 2017, and increased measures to sell accessories and other products. Although these activities resulted in higher sales, earnings decreased as this business continued to make investments for making every store the leader in its home market. Investments are aimed at improving customer satisfaction, strengthening sales promotion activities to earn a better reputation for stores, and increasing productivity by training store personnel.

This business also includes services for cost cutting primarily at small and midsize companies. Numerous preparations are under way for the growth of this business in 2019. We are expanding the lineup of energy-efficient products and other new products, extending operations to more areas of Japan, covering more categories of call centers and taking other actions.

Sales were 6,741 million yen, up 59.9% year on year and segment profit decreased 51.1% to 73 million yen.

Others

At Advan Inc., which operates PC schools, the creative sector performed well and web design, online sales and other activities recorded solid sales and earnings. Advan’s performance continues to reflect the substantial synergies with the Human Resources and Education Business. In addition to its existing training programs, Advan has started offering an e-learning education program. These activities made a contribution to improving the skills of engineers, mainly in the Technology Staffing Business.

At Farm Co., Ltd., which operates agricultural parks, and its affiliate, attendance at these parks was 475,000 in the first half of 2018, about the same as one year earlier. Attendance was unchanged despite the negative impact of unfavorable weather of an unexpectedly severe magnitude. This impact was offset by ongoing activities to upgrade park facilities and take other actions to revitalize agricultural parks. At Sakai Greenery Museum Harvest Hill, sales and earnings were both higher than planned. At the end of June, Sylvanian Park opened at Comorebi Ibaraido Forest in Ibaraki prefecture as a joint operation with Epoch Co., Ltd. in order to make this forest park even more appealing during the peak summer season. Crowdeight co.,Ltd., which oversees the operation of agricultural parks, became a consolidated subsidiary in the second quarter of 2018 because of its increasing significance.

Sales were 1,675 million yen, up 27.6% year on year and there was a segment loss of 130 million yen, compared with a segment profit of 70 million yen in the first half of 2017.

(2) Explanation of Financial Position

Assets

Total assets decreased 519 million yen from the end of 2017 to 79,520 million yen at the end of the second quarter of 2018. This was mainly due to a decrease of 840 million yen in cash and deposits, an increase of 1,370 million yen in real estate for sale, a decrease of 1,307 million yen in real estate for sale in process and an increase of 186 million yen in property, plant and equipment.

Liabilities

Total liabilities decreased 271 million yen from the end of 2017 to 60,628 million yen. This was mainly due to an increase of 839 million yen in short-term loans payable, decreases of 518 million yen in income taxes payable and 644 million yen in long-term loans payable.

Net assets

Net assets decreased 248 million yen from the end of 2017 to 18,891 million yen mainly due to a 314 million yen decrease in retained earnings.

Cash Flows

Cash and cash equivalents at the end of the first half of 2018 decreased 840 million yen from the end of 2017 to 17,387 million yen.

Cash flows from operating activities

Net cash provided by operating activities was 1,129 million yen. Main positive factors include profit before income taxes of 1,975 million yen, a 488 million yen increase in accrued expenses and income taxes refund of 1,301 million yen. Major negative factors include a 403 million yen increase in inventories, a 156 million yen decrease in notes and accounts payable-trade and income taxes paid of 1,318 million yen.

Cash flows from investing activities

Net cash used in investing activities was 664 million yen. Main positive factors include proceeds from purchase of shares of subsidiaries resulting in change in scope of consolidation of 39 million yen. Main negative factors include payments of 70 million yen for purchase of investments in non-consolidated subsidiary and 504 million yen for purchase of property, plant and equipment and 63 million yen for purchase of intangible assets.

Cash flows from financing activities

Net cash used in financing activities was 1,575 million yen. Main positive factors include proceeds of 2,139 million yen from long-term loans payable. Main negative factors include repayments of long-term loans payable of 1,340 million yen and cash dividends paid of 1,390 million yen.

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

The Company maintains its full-year consolidated forecast that was announced in the "Consolidated Financial Results for 2017" on February 13, 2018.

2. Quarterly Consolidated Financial Statements and Notes

(1) Quarterly Consolidated Balance Sheet

(Millions of yen)

	2017 (As of Dec. 31, 2017)	Second quarter of 2018 (As of Jun. 30, 2018)
Assets		
Current assets		
Cash and deposits	18,227	17,387
Notes and accounts receivable-trade	10,204	10,352
Merchandise and finished goods	889	1,271
Real estate for sale	12,324	13,695
Work in process	117	99
Real estate for sale in process	24,684	23,377
Deferred tax assets	416	423
Other	3,499	3,576
Allowance for doubtful accounts	(48)	(50)
Total current assets	70,315	70,134
Non-current assets		
Property, plant and equipment	4,707	4,893
Intangible assets		
Goodwill	1,552	1,252
Other	368	324
Total intangible assets	1,921	1,577
Investments and other assets		
Investment securities	821	602
Deferred tax assets	659	660
Lease and guarantee deposits	847	864
Other	845	865
Allowance for doubtful accounts	(77)	(77)
Total investments and other assets	3,094	2,915
Total non-current assets	9,724	9,386
Total assets	80,039	79,520
Liabilities		
Current liabilities		
Notes and accounts payable-trade	1,286	1,617
Accounts payable-real estate	1,187	735
Short-term loans payable	33,094	33,934
Accrued expenses	5,827	6,351
Income taxes payable	1,509	991
Accrued consumption taxes	1,323	965
Provision for bonuses	72	147
Provision for directors’ bonuses	-	0
Other	4,874	4,832
Total current liabilities	49,175	49,575
Non-current liabilities		
Long-term loans payable	9,566	8,921
Provision for directors’ retirement benefits	547	590
Net defined benefit liability	1,181	1,276
Other	428	264
Total non-current liabilities	11,724	11,052
Total liabilities	60,899	60,628

(Millions of yen)

	2017 (As of Dec. 31, 2017)	Second quarter of 2018 (As of Jun. 30, 2018)
Net assets		
Shareholders' equity		
Capital stock	768	778
Capital surplus	949	959
Retained earnings	16,169	15,854
Treasury shares	(126)	(126)
Total shareholders' equity	17,761	17,465
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	36	29
Foreign currency translation adjustment	11	5
Remeasurements of defined benefit plans	9	14
Total accumulated other comprehensive income	57	48
Subscription rights to shares	133	127
Non-controlling interests	1,187	1,250
Total net assets	19,140	18,891
Total liabilities and net assets	80,039	79,520

(2) Quarterly Consolidated Statements of Income and Comprehensive Income

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

(Millions of yen)

	First six months of 2017 (Jan. 1 – Jun. 30, 2017)	First six months of 2018 (Jan. 1 – Jun. 30, 2018)
Net sales	56,853	64,379
Cost of sales	45,455	52,629
Gross profit	11,398	11,750
Selling, general and administrative expenses	8,416	9,744
Operating profit	2,981	2,005
Non-operating income		
Subsidy income	11	19
Other	115	102
Total non-operating income	126	121
Non-operating expenses		
Interest expenses	110	99
Other	46	26
Total non-operating expenses	157	125
Ordinary profit	2,950	2,001
Extraordinary income		
Gain on forgiveness of debts	330	-
Total extraordinary income	330	-
Extraordinary losses		
Impairment loss	-	11
Loss on disaster	-	14
Total extraordinary losses	-	25
Profit before income taxes	3,281	1,975
Income taxes	1,073	832
Profit	2,207	1,143
Profit attributable to non-controlling interests	146	64
Profit attributable to owners of parent	2,061	1,079

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

(Millions of yen)

	First six months of 2017 (Jan. 1 – Jun. 30, 2017)	First six months of 2018 (Jan. 1 – Jun. 30, 2018)
Profit	2,207	1,143
Other comprehensive income		
Valuation difference on available-for-sale securities	11	(6)
Foreign currency translation adjustment	0	(8)
Remeasurements of defined benefit plans, net of tax	15	4
Total other comprehensive income	27	(11)
Comprehensive income	2,235	1,132
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	2,089	1,069
Comprehensive income attributable to non-controlling interests	145	62

(3) Quarterly Consolidated Statement of Cash Flows

(Millions of yen)

	First six months of 2017 (Jan. 1 – Jun. 30, 2017)	First six months of 2018 (Jan. 1 – Jun. 30, 2018)
Cash flows from operating activities		
Profit before income taxes	3,281	1,975
Depreciation	244	329
Impairment loss	-	11
Amortization of goodwill	320	348
Increase (decrease) in allowance for doubtful accounts	0	0
Increase (decrease) in provision for directors' retirement benefits	34	35
Increase (decrease) in net defined benefit liability	109	76
Interest and dividend income	(10)	(6)
Interest expenses	112	99
Loss on retirement of property, plant and equipment	19	9
Gain on forgiveness of debt	(330)	-
Decrease (increase) in notes and accounts receivable-trade	(249)	(27)
Decrease (increase) in inventories	(47)	(403)
Decrease (increase) in real estate for sale	1,332	(62)
Increase (decrease) in notes and accounts payable-trade	(23)	(156)
Increase (decrease) in deposits received	(1,134)	81
Increase (decrease) in accrued expenses	215	488
Increase (decrease) in other current liabilities	(856)	(335)
Other, net	(454)	(1,223)
Subtotal	2,562	1,239
Interest and dividend income received	8	4
Interest expenses paid	(106)	(97)
Income taxes paid	(1,814)	(1,318)
Income taxes refund	750	1,301
Net cash provided by (used in) operating activities	1,401	1,129
Cash flows from investing activities		
Proceeds from withdrawal of time deposits	-	0
Proceeds from purchase of shares of subsidiaries resulting in change in scope of consolidation	-	39
Purchase of shares of subsidiaries resulting in change in scope of consolidation	(2,022)	-
Purchase of investments in non-consolidated subsidiary	(26)	(70)
Purchase of property, plant and equipment	(316)	(504)
Purchase of intangible assets	(42)	(63)
Payments for transfer of business	(77)	-
Payments of loans receivable	(13)	(0)
Collection of loans receivable	170	1
Net decrease (increase) in lease and guarantee deposits	(54)	(17)
Other, net	369	(49)
Net cash provided by (used in) investing activities	(2,012)	(664)

(Millions of yen)

	First six months of 2017 (Jan. 1 – Jun. 30, 2017)	First six months of 2018 (Jan. 1 – Jun. 30, 2018)
Cash flows from financing activities		
Net increase (decrease) in short-term loans payable	2,896	(706)
Proceeds from long-term loans payable	3,634	2,139
Repayments of long-term loans payable	(4,305)	(1,340)
Repayments of lease obligations	(13)	(10)
Redemption of bonds	(125)	(262)
Proceeds from issuance of common shares	33	14
Purchase of treasury shares	-	(0)
Cash dividends paid	(1,258)	(1,390)
Dividends paid to non-controlling interests	(9)	-
Payments from changes in ownership interests in subsidiaries that do not result in change in scope of consolidation	-	(18)
Net cash provided by (used in) financing activities	852	(1,575)
Effect of exchange rate change on cash and cash equivalents	0	(6)
Net increase (decrease) in cash and cash equivalents	241	(1,116)
Cash and cash equivalents at beginning of period	15,764	18,227
Increase in cash and cash equivalents from newly consolidated subsidiary	68	276
Decrease in cash and cash equivalents resulting from exclusion of subsidiaries from consolidation	(91)	-
Increase in cash and cash equivalents resulting from merger with unconsolidated subsidiaries	47	-
Cash and cash equivalents at end of period	16,031	17,387

(4) Notes to Quarterly Consolidated Financial Statements

Going Concern Assumption

Not applicable.

Significant Changes in Shareholders' Equity

Not applicable.

Changes in Significant Subsidiaries during the Period

Not applicable.

The following information is provided even though these four actions were not a change in a significant subsidiary.

SAIHI JOHO SERVICE CO., LTD. became a consolidated subsidiary in the first quarter of 2018 following the acquisition of its shares by the Company on February 28, 2018.

NIKKEN SERVICE CO., LTD., which was a consolidated subsidiary in 2017, is no longer included in the consolidated financial statements because this company was dissolved following its absorption and merger with consolidated subsidiary NIKKEN TECHNO CO., LTD. on January 1, 2018.

WORLD STAFFING CO., LTD., which was a non-consolidated subsidiary in 2017, is included in the consolidated financial statements starting in the first quarter of 2018 because of the increasing significance of this company.

Crowdeight co.,Ltd., which was a non-consolidated subsidiary in 2017, is included in the consolidated financial statements starting in the second quarter of 2018 because of the increasing significance of this company.

Application of Special Accounting Methods for Presenting Quarterly Consolidated Financial Statements

Calculation of tax expense

The tax expenses are calculated by first reasonably estimating the effective tax rate after the application of tax effect accounting with respect to profit before income taxes for the fiscal year in which the quarter under review falls, and multiplying that rate by the profit before income taxes for the quarter under review. However, the Company uses legally stipulated effective tax rates to calculate tax expenses for cases in which using estimated tax rates gives a noticeably irrational result.

Segment Information

I. First six months of 2017 (Jan. 1 – Jun. 30, 2017)

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

(Millions of yen)

	Reportable segment							Others (Note 1)	Total	Adjust-ments (Note 2)	Amounts shown on quarterly consolidated statement of income (Note 3)
	Factory Staffing Business	Technology Staffing Business	R&D Staffing Business	Sales & Marketing Staffing Business	Real Estate Business	Information and Telecommuni-cations Business	Subtotal				
Net sales											
Sales to external customers	18,614	5,996	3,084	3,033	20,594	4,217	55,540	1,312	56,853	-	56,853
Inter-segment sales and transfers	0	225	-	253	8	4	491	33	524	(524)	-
Total	18,614	6,221	3,084	3,286	20,602	4,222	56,032	1,345	57,378	(524)	56,853
Segment profit	1,401	642	271	138	1,290	150	3,894	70	3,964	(982)	2,981

Notes: 1. "Others" represent businesses not included in reportable segments and include agricultural park business, outsourced government agency business, education and training business and the operation of personal computer schools and other services.

2. The -982 million yen adjustment to segment profit includes elimination for inter-segment transactions of -3 million yen, and -979 million yen in corporate expenses that cannot be allocated to any of the reportable segments. Corporate

expenses mainly consist of general and administrative expenses that are not attributable to any of the reportable segments.

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

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

Impairment losses related to non-current assets

Not applicable.

Significant change in goodwill

There is no significant change.

Significant gain on bargain purchase

Not applicable.

II. First six months of 2018 (Jan. 1 – Jun. 30, 2018)

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

(Millions of yen)

	Reportable segment							Others (Note 1)	Total	Adjust-ments (Note 2)	Amounts shown on quarterly consolidated statement of income (Note 3)
	Factory Staffing Business	Technology Staffing Business	R&D Staffing Business	Sales & Marketing Staffing Business	Real Estate Business	Information and Telecommuni-cations Business	Subtotal				
Net sales											
Sales to external customers	23,332	7,029	3,336	1,847	20,416	6,741	62,704	1,675	64,379	-	64,379
Inter-segment sales and transfers	-	233	-	46	7	9	296	43	340	(340)	-
Total	23,332	7,262	3,336	1,893	20,424	6,751	63,001	1,719	64,720	(340)	64,379
Segment profit (loss)	1,392	604	247	(60)	784	73	3,041	(130)	2,910	(905)	2,005

Notes: 1. “Others” represent businesses not included in reportable segments and include the operation and management of agricultural parks, the operation of personal computer schools, the production of websites and other services.

2. The -905 million yen adjustment to segment profit (loss) includes elimination for inter-segment transactions of 25 million yen, and -931 million yen in corporate expenses that cannot be allocated to any of the reportable segments. Corporate expenses mainly consist of general and administrative expenses that are not attributable to any of the reportable segments.

3. Segment profits (loss) are adjusted to be consistent with operating profit shown on the quarterly consolidated statement of income.

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

Impairment losses related to non-current assets

Not applicable.

Significant change in goodwill

There is no significant change.

Significant gain on bargain purchase

Not applicable.