Consolidated Financial Results for 2018

[Japanese GAAP]

February 12, 2019

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 Annual General Meeting of Shareholders: March 20, 2019
Scheduled date of payment of dividend: March 22, 2019
Scheduled date of filing of Annual Securities Report: March 22, 2019
Preparation of supplementary materials for financial results: Yes
Holding of financial results meeting: Yes (for analysts)

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

1. Consolidated Financial Results for 2018 (January 1 to December 31, 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	%
2018	142,894	12.4	7,370	4.3	7,357	5.0	4,650	0.8
2017	127,147	34.8	7,064	(4.6)	7,007	(4.1)	4,612	10.0

Note: Comprehensive income (millions of yen) 2018: 4,592 (down 6.2%) 2017: 4,893 (up 15.4%)

	Net income per share	Diluted net income per share	Return on equity	Ordinary profit on total assets	Operating profit to net sales
	Yen	Yen	%	%	%
2018	276.38	272.02	23.9	9.2	5.2
2017	275.35	270.68	28.8	9.1	5.6

Reference: Equity in earnings of affiliates (millions of yen) 2018: - 2017: -

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio	Net assets per share
	Million yen	Million yen	%	Yen
As of Dec. 31, 2018	79,964	22,347	26.3	1,249.02
As of Dec. 31, 2017	80,039	19,140	22.3	1,059.91

Reference: Shareholders' equity (millions of yen) As of Dec. 31, 2018: 21,028 As of Dec. 31, 2017: 17,818

(3) Consolidated cash flows

	Cash flows from operating activities	Cash flows from investing activities	Cash flows from financing activities	Cash and cash equivalents at end of period
	Million yen	Million yen	Million yen	Million yen
2018	9,277	(1,405)	(7,538)	18,824
2017	8,159	(2,668)	(3,058)	18,227

2. Dividends

	Dividends per share					Total dividends	Payout ratio (consolidated)	Dividend on equity (consolidated)
	1Q-end	2Q-end	3Q-end	Year-end	Total			
	Yen	Yen	Yen	Yen	Yen	Million yen	%	%
2017	-	0.00	-	82.70	82.70	1,390	30.0	8.7
2018	-	0.00	-	83.00	83.00	1,397	30.0	7.2
2019 (forecast)	-	0.00	-	65.50	65.50		30.0	

3. Consolidated Forecast for 2019 (January 1 to December 31, 2019)

(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
First half	66,514	3.3	1,057	(47.3)	992	(50.4)	605	(43.9)	35.96
Full year	155,452	8.8	6,049	(17.9)	5,910	(19.7)	3,672	(21.0)	218.11

*** Notes**

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

Newly added: - Excluded: -

(2) 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

(3) Number of shares issued (common stock)

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

As of Dec. 31, 2018:	16,956,600 shares	As of Dec. 31, 2017:	16,932,500 shares

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

As of Dec. 31, 2018:	120,929 shares	As of Dec. 31, 2017:	120,846 shares

3) Average number of shares during the period

2018:	16,825,751 shares	2017:	16,750,222 shares

(Reference) Summary of Non-consolidated Financial Results

Non-consolidated Financial Results for 2018 (January 1 to December 31, 2018)

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

	Net sales		Operating profit		Ordinary profit		Profit	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
2018	1,647	22.2	165	200.7	3,988	(14.7)	3,881	(15.7)
2017	1,347	30.5	54	196.7	4,676	46.0	4,602	50.5

	Net income per share	Diluted net income per share
	Yen	Yen
2018	230.70	227.07
2017	274.77	270.12

(2) Non-consolidated financial position

	Total assets	Net assets	Equity ratio	Net assets per share
	Million yen	Million yen	%	Yen
As of Dec. 31, 2018	39,792	13,630	33.9	802.22
As of Dec. 31, 2017	43,519	11,136	25.3	654.47

Reference: Shareholders' equity (millions of yen) As of Dec. 31, 2018: 13,505 As of Dec. 31, 2017: 11,002

* The current financial report is not subject to audit 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. Overview of Results of Operations, (5) Outlook" on page 6 for forecast assumptions and notes of caution for usage.

Contents of Attachments

1. Overview of Results of Operations

(1) Results of Operations

The Japanese economy in 2018 was supported by strong corporate earnings and firm capital expenditures. However, the economic outlook became increasingly uncertain during the year because of concerns about U.S.-China trade friction, the slowing pace of economic growth in China and other reasons. Japan’s labor market remained tight with the job openings-to-applicants ratio consistently at a record high. Worries about the chronic labor shortage are having a negative impact on economic sentiment.

The World Holdings Group achieved higher sales and earnings in 2018 supported by the strong performance of the core Human Resources and Education Business. The Real Estate Business also made a contribution to the growth in sales and earnings.

In the Human Resources and Education Business, there were many activities for responding to the impact of U.S.-China trade friction on manufacturing operations in Japan as well as to external factors including the chronic labor shortage and amendments to laws involving this business. These activities encompassed sales, administrative, recruiting and other operations of this business. In addition, we took steps from a medium to long-term perspective that are aimed at making our brand more powerful (ability to attract people and clients). All these initiatives helped clearly differentiate us from competitors from the standpoint of our clients, employees and applicants. Due to all of these measures, we were able to make steady progress with recruiting activities, primarily for hiring people with outstanding skills. We also maintained our ability to meet even high-volume human resource requirements. As a result, this business set new records for the number of people on assignments and sales, making a big contribution to the growth of the entire World Holdings Group.

In the Real Estate Business, persistently high prices are making the outlook for the real estate market increasingly unclear. To succeed in this challenging environment, this business used its information resources and network of business relationships, which are backed by operations spanning a broad range of market sectors and regions of Japan. By purchasing and selling properties in a proper manner that reflected market conditions, this business posted record-high sales and made a contribution to growth of the entire World Holdings Group.

The Information and Telecommunications Business took numerous actions in response to the increasing number of options that customers have as the services of telecommunications companies become more diverse due to policies of the Ministry of Internal Affairs and Communications aimed at increasing competition. There were measures to further upgrade the services of stores in this business and some stores were combined with others or closed in order to improve efficiency.

Net sales increased 12.4% year on year to 142,894 million yen. Operating profit increased 4.3% to 7,370 million yen, ordinary profit increased 5.0% to 7,357 million yen, and profit attributable to owners of parent increased 0.8% to 4,650 million yen.

Results by business segment are described below.

Factory Staffing Business

Performance in this segment was strong, making a big contribution to the growth of consolidated results of operations. Logistics, machinery, and electrical and electronic products were the major areas of growth.

In the logistics sector, we conducted training programs designed for specific job categories and levels with emphasis on management personnel. This training made it possible to supervise people at a larger number of locations as well as to control output to maintain stability. Furthermore, this business was able to supply large numbers of temporary workers in December, which is the busiest time of the year for logistics companies. As a result, logistics sales and earnings were significantly higher than in 2017. Furthermore, we made up-front investments to add more service locations for logistics in order to establish a base for more growth in 2019 and afterward.

In the machinery and electrical and electronic products sectors, there was a negative impact from reductions in output and other events associated with changing market conditions. However, this impact was largely as expected. We continued to expand subcontracting locations. There were also activities to establish ties with new customers in growing market sectors such as 5G. Both of these measures helped increase the mobility of our strategic personnel and as a result, sales and earnings increased in these sectors.

For recruiting activities, we continued to reexamine our recruiting processes. One step was hiring several hundred people in advance in order to establish a process for the reliable hiring, training and placement of workers. We also operate a Job Paper website for recruiting people that currently has more than 62,000 people registered. All of these activities resulted in an increase in the number of people on assignments.

Training programs are a key strength that will give us a competitive edge over competitors. We use on-the-job training by placing people in assignments that best match their skills and goals. We also have system to support for determining career paths of each individual. These measures enhance the skills of our employees and improve the retention rate. Furthermore, we have completely reviewed and rebuilt our personnel evaluation system by using a process that included an external company. The objective is to grow into a company that is even more attractive (reinforcement of ability to attract people and clients). Furthermore, training, career support and the new evaluation system are all measures that are consistent with the working style reform goal of giving everyone the same pay for the same work. We started to package these activities to provide our customers with new solutions.

As a result, sales were 49,524 million yen, up 18.9% year on year and segment profit increased 22.5% to 3,169 million yen.

Technology Staffing Business

Sales and earnings continued to increase in the semiconductor, machinery, automobile, information and telecommunication services, and other sectors of this business. Performance was supported by the consistent placement of mechanical design engineers in the automobile industry and 5G and other system engineers, which are two job categories where demand is strong.

Demand is increasing for inexperienced individuals who are suitable for undergoing training. To meet this demand, we further expanded our personnel development scheme* that was started to supply people for receiving training as engineers. By recruiting a broader range of people for these positions, we increased the number of people on these training assignments, which raised sales and earnings.

We reinforced the framework for enabling our employees to use their own initiative to become eligible for a broader range of job matching. For example, we are placing people in positions that match their personal skills. Placing people in the most suitable training positions also allows us to receive higher fees and other benefits. This stronger framework positions this business sector for more growth.

In addition, we continue to make steady progress with increasing the breadth of the Technology Staffing Business. One example is services for construction engineers, a job category where demand in Japan is very strong. There was also steady growth of sales and earnings in the repair category.

* Our personnel development scheme encompasses education and technology knowledge upgrades for current employees who want to switch to a different career path, training programs for inexperienced people, such as 3D-CAD classes for inexperienced people at our Design Center, production technology classes at our Production Engineering Center, JAVA, Python, embedded C and other programming classes offered in conjunction with Advan Inc., and other education programs.

Sales were 15,200 million yen, up 25.0% year on year and segment profit increased 5.9% to 1,337 million yen.

R&D Staffing Business

There was steady growth in the temporary placement of research personnel mainly in positions involving chemistry and synthetic chemistry. However, this business was unable to receive a large clinical research outsourcing order and there were expenses for up-front investments to implement structural reforms. As a result, sales increased but earnings were down in this business.

In the research personnel sector, as the leader in the outsourcing business for the temporary placement of research personnel, we made investments to train people for assignments in job categories where there is more added value. This made it possible to place people in jobs where we can charge higher rates, which made a contribution to the growth of earnings.

We have been involved with joint research projects with universities for many years. In 2018, we started a joint research project with the Yamaguchi Laboratory of the Department of Applied Chemistry in the University of Tokyo

School of Engineering. This new project and other activities give us an even stronger capability to give our research personnel highly advanced specialized knowledge and technologies.

At DOT World Co., Ltd., a clinical research outsourcing company, earnings were down because of the inability to receive a large order in the first half of 2018 due to the client company's decision to postpone testing. In the fourth quarter of 2018, DOT World signed an advisory contract with Dr. Akifumi Matsuyama of the School of Medicine of Fujita Health University. Dr. Matsuyama is a professor of regenerative medicine and head of the Regenerative Medicine Support Promotion Facility at the university's Center for Research Promotion and Support. By utilizing this collaboration for studying and receiving advice on business strategies associated with gene and cell therapy, regenerative medicine and other fields with excellent prospects for growth and employee training, DOT World implemented structural reforms expected to produce benefits in 2019 and afterward.

Sales were 6,779 million yen, up 4.5% year on year and segment profit decreased 11.9% to 559 million yen.

Sales & Marketing Staffing Business

This business continued to conduct strategic business model reforms while limiting growth in 2018 in order to establish a sound base for growth starting in 2019.

There were also measures to enter business domains with more added value and to reexamine the job categories and business domains where this business provides staffing services. Another move was an up-front investment to start operating a call center in order to strengthen administrative operations and improve the efficiency of recruiting activities.

Sales were 3,533 million yen, down 38.4% year on year and segment loss was 100 million yen, compared with a segment profit of 219 million yen in 2017.

Real Estate Business

In the renovation business, which is a priority in this business sector, the number of residences involving renovation increased about 30% year on year due to expanded areas for operations and a brand strategy. Another activity was a new brand strategy, including the "ReColor" theme, in order to secure the talented people that will be needed due to the anticipated growth of Japan's renovation market. In real estate development operations, there were steady sales of newly constructed condominiums in all areas where this business has projects. Sales contracts have been signed and closed for all condominium units at Residential Ikegami in Tokyo, Residential Ikoma in Nara and Residential Musashigaoka in Kumamoto.

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

The real estate development business completed the sale of 187 condominium units and sold ten sites for business use, resulting in property sales of 26,464 million yen. Sales from real estate brokerage and other activities totaled 2,540 million yen.

In the renovation business, 688 residences were sold and sales were 13,408 million yen.

The detached house business completed the sale of 321 custom-build and other houses and recorded sales of 7,735 million yen.

In the prefabricated house business, sales from rentals, sales and other activities totaled 1,864 million yen.

Sales were 52,011 million yen, up 6.0% year on year and segment profit decreased 1.0% to 4,589 million yen.

Information and Telecommunications Business

There were up-front investments in 2018 to establish a network of highly competitive stores in order to benefit from our position as one of the few remaining companies in this business in association with the ongoing realignment of the information and telecommunications sector. The result was higher sales but a decline in earnings.

Sales increased because of the higher number of phones sold, which was mainly the result of stores added in 2017. But earnings were lower due to up-front investments and a strategic increase in marketing expenses.

Based on our strategy of establishing a dominant presence for our stores, we will continue to build a network of highly competitive stores. Activities will include closing and combining stores with a process that may use mergers and acquisitions, and training programs to upgrade the customer service, consultation and other skills of store personnel.

The cost-cutting solutions business, which serves small and midsize companies, continued to achieve growth in sales and earnings. We added new products and conducted activities for starting new businesses in order to establish a foundation for growth in 2019 and afterward.

Sales were 12,376 million yen, up 35.0% year on year and segment profit decreased 85.1% to 3 million yen.

Others

At Advan Inc., which mainly operates PC schools, growth continued in the creative sector, which includes website production and other subjects. In addition, through collaboration with the Human Resources and Education Business, Advan made a big contribution to improving the skills of people at all group companies. Expansion of system engineer training in the Technology Staffing Business is the biggest beneficiary of this collaboration. Overall, Advan produced substantial synergies with other group companies in 2018.

Farm Co., Ltd. and its affiliate operate agricultural parks. In 2018, sales increased as the number of visitors to these parks was higher than in 2017. Park attendance increased as the benefits of park improvements and a variety of actions to attract more people outweighed the negative impact of unfavorable weather and natural disasters during the peak season for these parks.

To further increase attendance, Farm has made up-front investments that are expected to produce growth in the future. One major project is the construction of a very large athletic facility called Alps Gym at Blumen Hugel Farm, an agricultural park in Shiga prefecture. Alps Gym is scheduled to start operating in March 2019.

Sales were 3,467 million yen, up 21.4% year on year and there was a segment loss of 270 million yen, compared with a segment loss of 272 million yen in 2017.

(2) Financial Position

Assets

Total assets decreased 75 million yen from the end of 2017 to 79,964 million yen at the end of 2018. This was mainly due to increases of 597 million yen in cash and deposits, 1,048 million yen in notes and accounts receivable-trade, 868 million yen in real estate for sale, and 732 million yen in property, plant and equipment, and a 3,560 million yen decrease in real estate for sale in process.

Liabilities

Total liabilities decreased 3,283 million yen from the end of 2017 to 57,616 million yen. This was mainly due to increases of 244 million yen in notes and accounts payable-trade, 630 million yen in accounts payable-real estate, 368 million yen in income taxes payable, and 229 million yen in net defined benefit liability, and a 4,772 million yen decrease in short-term loans payable.

Net assets

Net assets increased 3,207 million yen from the end of 2017 to 22,347 million yen mainly due to a 3,243 million yen increase in retained earnings.

(3) Cash Flows

Cash and cash equivalents at the end of 2018 increased 597 million yen from the end of 2017 to 18,824 million yen.

Cash flows from operating activities

Net cash provided by operating activities was 9,277 million yen. Main positive factors include profit before income taxes of 7,379 million yen, a 3,064 million yen decrease in real estate for sale and income taxes refund of 1,301 million yen. Major negative factors include income taxes paid of 3,268 million yen.

Cash flows from investing activities

Net cash used in investing activities was 1,405 million yen. Main positive factors include proceeds of 39 million yen from purchase of shares of subsidiaries resulting in change in scope of consolidation. Main negative factors include payments of 1,310 million yen for purchase of property, plant and equipment and 100 million yen for transfer of business.

Cash flows from financing activities

Net cash used in financing activities was 7,538 million yen. Main positive factors include proceeds of 3,625 million yen from long-term loans payable. Main negative factors include a net decrease of 6,674 million yen in short-term loans payable, repayments of long-term loans payable of 2,775 million yen and cash dividends paid of 1,390 million yen.

Reference: Cash flow indicators

	2014	2015	2016	2017	2018
Equity ratio (%)	16.1	19.2	19.4	22.3	26.3
Market value-based equity ratio (%)	44.7	42.3	46.8	75.3	45.3
Interest-bearing debt to cash flow ratio (%)	1,373.7	(704.2)	(1,159.2)	522.8	403.5
Interest coverage ratio (times)	19.7	(31.5)	(21.7)	36.3	45.7

Equity ratio: Shareholders' equity / Total assets

Market value-based equity ratio: Market capitalization / Total assets

Interest-bearing debt to cash flow ratio: Interest-bearing debt / Cash flows

Interest coverage ratio: Cash flows / Interest payments

Notes: 1. All indices are calculated based on consolidated figures.
2. Market capitalization is calculated by the total number of shares outstanding after the deduction of treasury shares.
3. Cash flows are calculated using the figures for operating cash flows on the consolidated statement of cash flows.
4. Interest-bearing debt includes all debt on the consolidated balance sheet that incur interest.

(4) Basic Policy for Profit Distribution, and Dividends in the Current and Next Fiscal Years

The basic policy for profit distributions is to distribute profits in a manner that reflects results of operations while retaining sufficient earnings for future business operations and for making business operations stronger. For dividends, the goal is to stably and consistently increase the dividend while using a consolidated payout ratio of 30% as the guideline for dividends.

We plan to pay a year-end dividend of 83.00 yen per share for 2018, as stated in "Notice of Dividends from Surplus" announced on February 12, 2019.

We plan to pay a year-end dividend of 65.50 yen per share for 2019 in accordance with this policy.

(5) Outlook

The outlook for Japan's economy in 2019 is still unclear because of slowing global economic growth, particularly in China, concerns about trade friction and other reasons.

To achieve more growth in corporate value, the World Holdings Group is currently implementing the New Medium-term Management Plan 2021. The central goal is to continue growing consistently with a well-balanced business portfolio by establishing new core businesses while strengthening existing businesses and extending our activities into more business domains.

In the Human Resources and Education Business, the operating environment is changing significantly. One reason is responses to Japan's decreasing working-age population, such as amendments to the Worker Dispatching Act, laws associated with working style reforms, and amendments to the Immigration Control Act. All human resources and education companies are using their distinctive strengths to become more competitive as this business sector continues to mature.

As the leader in Japan's human resources and education sector, the World Holdings Group will use its insight to determine the true nature of changes in the business climate. We will conduct a diverse array of activities involving job creation, workforce training and education, and the creation of skilled workers. These are the core roles of the human resources business.

Training and education are our highest priority. We want employees to use training and education programs to realize their full potential and earn recognition for their skills. Raising the value of individuals, and then creating teams of these people, will make it possible to move even faster concerning our long-standing core theme of building a human resources platform. Using this platform to heighten our presence in high-level market sectors will enable us to further differentiate our services from those of competitors.

The Real Estate Business will conduct operations from a medium to long-term standpoint as the outlook for Japan's real estate market remains uncertain. The goal of this business is stability by focusing on core markets and regions, controlling the timing of procurement activities to match market conditions, and diversifying risk exposure.

Managing numerical performance indicators will make it possible to operate businesses while making management decisions with a high degree of accuracy. For recurring-revenue businesses that are a source of steady income, we will place emphasis on comparisons with prior-year performance. For one-time-fee businesses that generate sales from individual projects, we will place emphasis on comparisons with the plan for each year.

In the Information and Telecommunications Business, our goal is to benefit as one of the few remaining companies as a realignment takes place in industries associated with this business. We will continue to pursue our dominance strategy as we establish a network of highly competitive stores. We will also use our solutions business for corporate cost-cutting activities and new products and businesses in order to build a base for more growth.

Our plan is to expand outward from these three stable core businesses: human resources and education, real estate, and information and telecommunications. At the same time, we are aiming for more growth by entering market sectors that can become new core businesses.

Based on the above, we forecast net sales of 155,452 million yen (up 8.8% year on year), operating profit of 6,049 million yen (down 17.9% year on year), ordinary profit of 5,910 million yen (down 19.7% year on year), and profit attributable to owners of parent of 3,672 million yen (down 21.0% year on year) in 2019.

2. Management Policy

1) Management policy

Since its foundation, World Holdings has been dedicated to the corporate philosophy explained below in order to deepen the bonds between people throughout the world. We want to be a source of an environment and a variety of workplaces for even more people to live. All these activities are centered on our social mission of creating platforms for people to lead fulfilling lives.

Corporate philosophy

- Be a company where people have sincere and open relationships
- Be a company that uses business as a place to train and nurture employees in order to be a source of skilled people who have a strong commitment to ethics
- Be a company that constantly makes contributions to society by protecting the environment and using the world's resources in a responsible manner
- Be a company that creates jobs by utilizing the experience and knowledge of people in older age segments
- Be a company where employees have jobs that give them satisfaction, enjoyment and motivation

2) Medium- and Long-term Business Strategy

The strategic objective of World Holdings is consistent and stable growth that uses a business portfolio with three core elements – the Human Resources and Education Business, Real Estate Business and Information and Telecommunications Business – in order to hedge risks involving changes in the economic environment, individual industries and the business sectors where World Holdings operates. Business activities are based on a combination of recurring-revenue businesses that are a source of steady income and one-time-fee businesses that generate sales from individual projects.

3) Challenges

The outlook for the business climate is becoming increasingly unclear because of slowing global economic growth, U.S.-China trade friction and other reasons. To continue growing steadily, the World Holdings Group is focusing on the following key issues in its business segments.

Human Resources and Education Business

Recruiting activities

There is a nationwide labor shortage in Japan caused primarily by the decreasing number of working-age people as the population becomes older and declines. At the World Holdings Group, there is strong demand at client companies for workers, particularly younger people, which is a category where there is an inadequate supply. We believe that recruiting people will become even more difficult in the future.

We are using our strength as a one-stop source of comprehensive services to provide a diverse array of working environments so that we can recruit people across a broad spectrum of skills, backgrounds and other characteristics. We are also continuing to make progress with our "human resources platform" concept. Another theme is building an even stronger framework for enabling our people to enhance their skills and achieve career goals as they do the jobs they want while receiving career advancement support and training from us. Using these activities to increase our ability to attract people and clients by making the World Holdings Group more appealing and making our brand more powerful will help us recruit the outstanding people that we need. Furthermore, we will build on past activities using subcontracting and consortiums in order to recruit people across the largest range of population segments possible. We will work with client companies to provide workplaces for women, seniors and many other categories of prospective employees.

Real Estate Business

Changing market conditions

The real estate business climate is vulnerable to changes in the economic environment and in different regions of Japan. As a result, a change in market conditions may cause a decline in the number of properties sold and earnings due to the difficulty of purchasing properties, a rapid increase in selling prices and other events over time.

This is why the Real Estate Business has been working on building a well-balanced business portfolio and maximizing profitability. Activities involve conducting one-time-fee businesses that generate sales from individual projects, such as real estate development, and achieving the consistent growth of recurring-revenue businesses that are a source of steady income. In addition, we are using information about current market conditions and trends obtained from our nationwide network of offices for the creation of strategies that match the characteristics of individual regions of Japan. Controlling the timing of purchases and sales as well as other activities will allow us to maintain the proper scale of operations along with stability. Furthermore, we will also increase our investments in new real estate business fields and new regions of Japan with excellent prospects for growth.

Information and Telecommunications Business

Changing needs of a maturing market

The needs of consumers are changing as Japan's mobile phone sales market reaches maturity. The number of phones sold is decreasing, carriers are reducing fees and other changes are taking place. Earnings of companies that sell these phones may decline because of these events.

This business is placing emphasis on establishing strong relationships with customers and mobile communication carriers. Activities include giving people the training needed to provide customers with excellent hospitality and services and building a network of highly competitive stores. To improve the stability of this business, we are also upgrading services for corporate customers and seeking opportunities to start new businesses. All of these measures are aimed at establishing a structure that will enable this business to adapt to changes in the market needs.

3. Basic Approach for the Selection of Accounting Standards

The Group uses Japanese accounting standards.

Decisions about the use of International Financial Reporting Standards will be made by taking into consideration the use of accounting standards in Japan and other countries.

4. Consolidated Financial Statements and Notes

(1) Consolidated Balance Sheet

(Millions of yen)

	2017 (As of Dec. 31, 2017)	2018 (As of Dec. 31, 2018)
Assets		
Current assets		
Cash and deposits	18,227	18,825
Notes and accounts receivable-trade	10,204	11,252
Merchandise and finished goods	889	1,032
Real estate for sale	12,324	13,193
Work in process	117	129
Real estate for sale in process	24,684	21,124
Deferred tax assets	416	486
Other	3,499	4,270
Allowance for doubtful accounts	(48)	(5)
Total current assets	70,315	70,309
Non-current assets		
Property, plant and equipment		
Buildings and structures	8,362	8,731
Accumulated depreciation	(6,848)	(7,059)
Buildings and structures, net	1,513	1,671
Land	1,961	1,988
Other	3,308	3,988
Accumulated depreciation	(2,076)	(2,209)
Other, net	1,232	1,778
Total property, plant and equipment	4,707	5,439
Intangible assets		
Goodwill	1,552	1,046
Other	368	312
Total intangible assets	1,921	1,359
Investments and other assets		
Investment securities	821	442
Deferred tax assets	659	692
Lease and guarantee deposits	847	917
Other	845	878
Allowance for doubtful accounts	(77)	(74)
Total investments and other assets	3,094	2,856
Total non-current assets	9,724	9,654
Total assets	80,039	79,964

(Millions of yen)

	2017 (As of Dec. 31, 2017)	2018 (As of Dec. 31, 2018)
Liabilities		
Current liabilities		
Notes and accounts payable-trade	1,286	1,531
Accounts payable-real estate	1,187	1,818
Short-term loans payable	33,094	28,321
Accrued expenses	5,827	5,963
Income taxes payable	1,509	1,877
Accrued consumption taxes	1,323	1,217
Provision for bonuses	72	111
Other	4,874	5,290
Total current liabilities	49,175	46,130
Non-current liabilities		
Long-term loans payable	9,566	9,112
Provision for directors’ retirement benefits	547	667
Net defined benefit liability	1,181	1,411
Other	428	293
Total non-current liabilities	11,724	11,485
Total liabilities	60,899	57,616
Net assets		
Shareholders’ equity		
Capital stock	768	784
Capital surplus	949	965
Retained earnings	16,169	19,412
Treasury shares	(126)	(126)
Total shareholders’ equity	17,761	21,036
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	36	12
Foreign currency translation adjustment	11	1
Remeasurements of defined benefit plans	9	(21)
Total accumulated other comprehensive income	57	(8)
Share acquisition rights	133	124
Non-controlling interests	1,187	1,195
Total net assets	19,140	22,347
Total liabilities and net assets	80,039	79,964

(2) Consolidated Statements of Income and Comprehensive Income

Consolidated Statement of Income

(Millions of yen)

	2017 (Jan. 1 – Dec. 31, 2017)	2018 (Jan. 1 – Dec. 31, 2018)
Net sales	127,147	142,894
Cost of sales	101,878	115,154
Gross profit	25,268	27,740
Selling, general and administrative expenses		
Provision of allowance for doubtful accounts	0	0
Directors' compensations	435	475
Salaries and allowances	6,224	6,932
Provision for bonuses	29	52
Retirement benefit expenses	65	69
Provision for director' retirement benefits	71	115
Welfare expenses	1,123	1,293
Depreciation	412	475
Rent expenses	1,017	1,132
Amortization of goodwill	656	654
Other	8,166	9,166
Total selling, general and administrative expenses	18,203	20,370
Operating profit	7,064	7,370
Non-operating income		
Interest and dividend income	15	30
Subsidy income	21	32
Income of support to investment in property and equipment	42	15
Other	171	189
Total non-operating income	250	267
Non-operating expenses		
Interest expenses	226	195
Loss on retirement of non-current assets	28	20
Other	52	64
Total non-operating expenses	307	280
Ordinary profit	7,007	7,357
Extraordinary income		
Gain on sales of non-current assets	331	-
Consumption taxes differential	-	112
Gain on forgiveness of debts	330	-
Total extraordinary income	661	112
Extraordinary losses		
Impairment loss	351	54
Loss on valuation of shares of subsidiaries and associates	114	16
Loss on disaster	-	18
Total extraordinary losses	465	90
Profit before income taxes	7,204	7,379
Income taxes-current	2,449	2,784
Income taxes-deferred	24	(67)
Total income taxes	2,474	2,717
Profit	4,730	4,662
Profit attributable to non-controlling interests	117	12
Profit attributable to owners of parent	4,612	4,650

Consolidated Statement of Comprehensive Income

(Millions of yen)

	2017 (Jan. 1 - Dec. 31, 2017)	2018 (Jan. 1 - Dec. 31, 2018)
Profit	4,730	4,662
Other comprehensive income		
Valuation difference on available-for-sale securities	10	(24)
Foreign currency translation adjustment	7	(15)
Remeasurements of defined benefit plans, net of tax	145	(30)
Total other comprehensive income	163	(70)
Comprehensive income	4,893	4,592
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	4,774	4,584
Comprehensive income attributable to non-controlling interests	119	7

(3) Consolidated Statement of Changes in Equity

2017 (Jan. 1 – Dec. 31, 2017)

(Millions of yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of current period	701	895	12,833	(126)	14,303
Changes of items during period					
Issuance of new shares	66	66			133
Dividends of surplus			(1,258)		(1,258)
Profit attributable to owners of parent			4,612		4,612
Disposal of treasury shares				0	0
Increase by addition of newly consolidated subsidiary			10		10
Additional purchase of shares of consolidated subsidiaries		(12)			(12)
Decrease in retained earnings resulting from exclusion of subsidiaries from consolidation			(28)		(28)
Net changes of items other than shareholders' equity					
Total changes of items during period	66	54	3,335	0	3,457
Balance at end of current period	768	949	16,169	(126)	17,761

	Accumulated other comprehensive income				Share acquisition rights	Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income			
Balance at beginning of current period	26	8	(136)	(102)	162	1,099	15,464
Changes of items during period							
Issuance of new shares							133
Dividends of surplus							(1,258)
Profit attributable to owners of parent							4,612
Disposal of treasury shares							0
Increase by addition of newly consolidated subsidiary							10
Additional purchase of shares of consolidated subsidiaries							(12)
Decrease in retained earnings resulting from exclusion of subsidiaries from consolidation							(28)
Net changes of items other than shareholders' equity	10	3	145	159	(29)	88	218
Total changes of items during period	10	3	145	159	(29)	88	3,675
Balance at end of current period	36	11	9	57	133	1,187	19,140

2018 (Jan. 1 – Dec. 31, 2018)

(Millions of yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of current period	768	949	16,169	(126)	17,761
Changes of items during period					
Issuance of new shares	15	15			31
Dividends of surplus			(1,390)		(1,390)
Profit attributable to owners of parent			4,650		4,650
Purchase of treasury shares				(0)	(0)
Decrease by addition of newly consolidated subsidiary			(16)		(16)
Net changes of items other than shareholders' equity					
Total changes of items during period	15	15	3,243	(0)	3,274
Balance at end of current period	784	965	19,412	(126)	21,036

	Accumulated other comprehensive income				Share acquisition rights	Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income			
Balance at beginning of current period	36	11	9	57	133	1,187	19,140
Changes of items during period							
Issuance of new shares							31
Dividends of surplus							(1,390)
Profit attributable to owners of parent							4,650
Purchase of treasury shares							(0)
Decrease by addition of newly consolidated subsidiary							(16)
Net changes of items other than shareholders' equity	(24)	(10)	(30)	(65)	(9)	7	(67)
Total changes of items during period	(24)	(10)	(30)	(65)	(9)	7	3,207
Balance at end of current period	12	1	(21)	(8)	124	1,195	22,347

(4) Consolidated Statement of Cash Flows

(Millions of yen)

	2017 (Jan. 1 – Dec. 31, 2017)	2018 (Jan. 1 – Dec. 31, 2018)
Cash flows from operating activities		
Profit before income taxes	7,204	7,379
Depreciation	564	696
Impairment loss	351	54
Amortization of goodwill	656	654
Increase (decrease) in allowance for doubtful accounts	(0)	(0)
Increase (decrease) in provision for directors' retirement benefits	19	112
Increase (decrease) in net defined benefit liability	207	160
Interest and dividend income	(15)	(30)
Interest expenses	226	195
Loss on retirement of non-current assets	28	20
Loss on valuation of shares of subsidiaries and associates	114	16
Gain on forgiveness of debt	(330)	-
Decrease (increase) in notes and accounts receivable-trade	(1,777)	(929)
Decrease (increase) in inventories	(197)	(82)
Decrease (increase) in real estate for sale	4,496	3,064
Increase (decrease) in notes and accounts payable-trade	695	838
Increase (decrease) in accrued expenses	1,003	100
Increase (decrease) in other current liabilities	(1,287)	413
Other, net	39	(1,242)
Subtotal	11,999	11,424
Interest and dividend income received	15	22
Interest expenses paid	(224)	(202)
Income taxes paid	(4,381)	(3,268)
Income taxes refund	750	1,301
Net cash provided by (used in) operating activities	8,159	9,277
Cash flows from investing activities		
Proceeds from withdrawal of time deposits	5	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	(276)	(70)
Purchase of property, plant and equipment	(901)	(1,310)
Purchase of intangible assets	(59)	(37)
Payments for transfer of business	(194)	(100)
Net decrease (increase) in lease and guarantee deposits	(155)	(75)
Payments of loans receivable	(15)	(27)
Collection of loans receivable	183	7
Other, net	766	168
Net cash provided by (used in) investing activities	(2,668)	(1,405)

(Millions of yen)

	2017 (Jan. 1 – Dec. 31, 2017)	2018 (Jan. 1 – Dec. 31, 2018)
Cash flows from financing activities		
Net increase (decrease) in short-term loans payable	2,998	(6,674)
Proceeds from long-term loans payable	5,048	3,625
Repayments of long-term loans payable	(9,606)	(2,775)
Repayments of lease obligations	(23)	(20)
Redemption of bonds	(245)	(290)
Proceeds from issuance of common shares	98	23
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	(60)	(34)
Net cash provided by (used in) financing activities	(3,058)	(7,538)
Effect of exchange rate change on cash and cash equivalents	6	(13)
Net increase (decrease) in cash and cash equivalents	2,438	320
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	18,227	18,824

(5) Notes to Consolidated Financial Statements

Going Concern Assumption

Not applicable.

Segment and Other Information

Segment Information

1. Overview of reportable segments

Segments used for financial reporting are the constituent units for which separate financial information is available and for which the Board of Directors performs periodic studies for the purposes of determining the allocation of resources and evaluating performance. Based on the characteristics of products and services, World Holdings has established the following reportable segments: the factory staffing business, technology staffing business, R&D staffing business, sales & marketing staffing business, real estate business, and information and telecommunications business.

Overview of each business segment is as follows.

(1) Factory Staffing Business: Temporary staffing for manufacturing and logistics, subcontracting, outsourced government agency tasks, temporary staffing and employment agency services

(2) Technology Staffing Business: Temporary staffing for engineers, outsourced software development, outsourced repair and maintenance work, outsourced IT system development, repair of digital equipment, temporary staffing for construction engineers

(3) R&D Staffing Business: Temporary staffing for research personnel and clinical personnel, clinical research outsourcing

(4) Sales & Marketing Staffing Business: Temporary staffing for store sales people and office workers

(5) Real Estate Business: Sale of residences and residential building sites, condominium management, brokerage sales, real estate consulting, design/construction/sale of detached houses, renovations, real estate brokerage services, rental property management, manufacture/sale/rental of prefabricated houses

(6) Information and Telecommunications Business: Operation of call centers, sale of telecommunications products, sale of office automation products

2. Calculation methods for net sales, profit or loss, assets, and other items for each reportable segment

The accounting methods for reportable segments are the same as those used for preparing the consolidated financial statements.

Profits for reportable business segments are operating profit figures.

Inter-segment sales and transfers are based on market prices.

3. Information related to net sales, profit or loss, assets and other items for each reportable segment

2017 (Jan. 1 – Dec. 31, 2017)

(Millions of yen)

	Reportable segment							Others (Note 1)	Total	Adjust-ments (Note 2)	Amounts shown on consolidated financial statements (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	41,654	12,155	6,489	5,741	49,080	9,167	124,290	2,856	127,147	-	127,147
Inter-segment sales and transfers	0	476	-	525	21	10	1,034	82	1,116	(1,116)	-
Total	41,655	12,632	6,489	6,267	49,101	9,178	125,324	2,939	128,263	(1,116)	127,147
Segment profit (loss)	2,587	1,263	634	219	4,635	25	9,365	(272)	9,093	(2,029)	7,064
Segment assets	6,516	2,450	1,295	751	53,113	3,631	67,757	1,914	69,671	10,367	80,039
Other items											
Depreciation	6	16	4	2	222	58	312	131	443	120	564
Amortization of goodwill	1	-	-	-	571	9	582	61	644	12	656
Impairment loss	-	-	-	-	-	2	2	348	351	-	351
Increase in property, plant and equipment and intangible assets	5	4	43	1	542	224	821	76	897	191	1,089

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. Contents of adjustments are as follows.
   (1) The -2,029 million yen adjustment to segment profit (loss) includes elimination for inter-segment transactions of 0 million yen, and -2,028 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.
   (2) The 10,367 million yen adjustment to segment assets is corporate assets that are not allocated to any of the reportable segments. Corporate assets mainly consist of the Company’s surplus funds (cash and deposits).
   (3) The 120 million yen adjustment to depreciation is related to corporate assets that are not allocated to any of the reportable segments.
   (4) The 12 million yen adjustment to amortization of goodwill is not allocated to any of the reportable segments.
   (5) The 191 million yen adjustment to increase in property, plant and equipment and intangible assets is capital expenditures that are not allocated to any of the reportable segments.
3. Segment profit is adjusted to be consistent with operating profit shown on the consolidated statement of income.

2018 (Jan. 1 – Dec. 31, 2018)

(Millions of yen)

	Reportable segment							Others (Note 1)	Total	Adjust-ments (Note 2)	Amounts shown on consolidated financial statements (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	49,524	15,200	6,779	3,533	52,011	12,376	139,427	3,467	142,894	-	142,894
Inter-segment sales and transfers	0	463	-	133	17	49	664	106	771	(771)	-
Total	49,525	15,664	6,779	3,667	52,029	12,426	140,091	3,574	143,666	(771)	142,894
Segment profit (loss)	3,169	1,337	559	(100)	4,589	3	9,558	(270)	9,287	(1,917)	7,370
Segment assets	7,367	3,253	1,218	943	52,633	3,841	69,257	2,482	71,740	8,223	79,964
Other items											
Depreciation	7	18	11	1	273	67	380	156	537	159	696
Amortization of goodwill	1	37	-	-	563	25	628	11	639	15	654
Impairment loss	-	-	-	-	17	37	54	-	54	-	54
Increase in property, plant and equipment and intangible assets	6	72	14	0	514	161	769	658	1,428	130	1,558

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. Contents of adjustments are as follows.

(1) The -1,917 million yen adjustment to segment profit (loss) includes elimination for inter-segment transactions of 16 million yen, and -1,933 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.

(2) The 8,223 million yen adjustment to segment assets is corporate assets that are not allocated to any of the reportable segments. Corporate assets mainly consist of the Company's surplus funds (cash and deposits).

(3) The 159 million yen adjustment to depreciation is related to corporate assets that are not allocated to any of the reportable segments.

(4) The 15 million yen adjustment to amortization of goodwill is not allocated to any of the reportable segments.

(5) The 130 million yen adjustment to increase in property, plant and equipment and intangible assets is capital expenditures that are not allocated to any of the reportable segments.

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

Per-share Information

(Yen)

	2017 (Jan. 1 – Dec. 31, 2017)	2018 (Jan. 1 – Dec. 31, 2018)
Net assets per share	1,059.91	1,249.02
Net income per share	275.35	276.38
Diluted net income per share	270.68	272.02

Note: Basis for the calculation of net income per share and diluted net income per share is as follows:

	2017 (Jan. 1 – Dec. 31, 2017)	2018 (Jan. 1 – Dec. 31, 2018)
Net income per share		
Profit attributable to owners of parent (Millions of yen)	4,612	4,650
Amount not attributable to common shareholders (Millions of yen)	-	-
Profit attributable to owners of parent applicable to common stock (Millions of yen)	4,612	4,650
Average number of common stock outstanding during the period (Shares)	16,750,222	16,825,751
Diluted net income per share		
Adjustment to profit attributable to owners of parent (Millions of yen)	-	-
Increase in number of common stock (Shares)	288,831	269,645
[of which share acquisition rights (Shares)]	[288,831]	[269,645]
Summary of potentially dilutive shares not included in the calculation of diluted net income per share due to their anti-dilutive effect	-	-

Subsequent Events

Not applicable.

5. Others

Consolidated Forecast for the First Half of 2019 (January 1 to June 30, 2019)

(Millions of yen)

	Reportable segment							Others	Adjustments	Total
	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	24,344	8,554	3,654	1,746	19,517	6,714	64,531	1,983	-	66,514
Segment profit	1,165	544	291	(33)	219	30	2,218	23	(1,184)	1,057

Consolidated Forecast for 2019 (January 1 to December 31, 2019)

(Millions of yen)

	Reportable segment							Others	Adjustments	Total
	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	53,427	18,228	7,638	4,066	56,063	12,019	151,444	4,008	-	155,452
Segment profit	3,309	1,548	719	40	2,753	157	8,528	45	(2,525)	6,049

This financial report is solely a translation of “Kessan Tanshin” (in Japanese, including attachments), which has been prepared in accordance with accounting principles and practices generally accepted in Japan, for the convenience of readers who prefer an English translation.