



Consolidated Financial Results for the Third Quarter of 2019 (Nine Months Ended September 30, 2019)

[Japanese GAAP]

November 5, 2019

Company name: WORLD HOLDINGS CO., LTD.

Listing: Tokyo Stock Exchange, First Section

Stock code: 2429

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Scheduled date of filing of Quarterly Report:

November 13, 2019

Scheduled date of payment of dividend:

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Preparation of supplementary materials for quarterly financial results: Yes

Holding of quarterly financial results meeting:

None

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

1. Consolidated Financial Results for the First Nine Months of 2019 (January 1 to September 30, 2019)

(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	%
Nine months ended Sep. 30, 2019	101,964	0.1	4,090	(6.7)	4,105	(5.8)	2,659	0.9
Nine months ended Sep. 30, 2018	101,906	21.7	4,383	29.0	4,357	29.1	2,636	16.8

Note: Comprehensive income (millions of yen)

Nine months ended Sep. 30, 2019: 2,682 (up 0.8%)

Nine months ended Sep. 30, 2018: 2,659 (up 9.3%)

	Net income per share	Diluted net income per share
	Yen	Yen
Nine months ended Sep. 30, 2019	157.96	156.35
Nine months ended Sep. 30, 2018	156.73	154.17

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio	Net assets per share
	Million yen	Million yen	%	Yen
As of Sep. 30, 2019	83,117	23,601	26.9	1,325.53
As of Dec. 31, 2018	79,964	22,347	26.3	1,249.02

Reference: Shareholders' equity (millions of yen)

As of Sep. 30, 2019: 22,317

As of Dec. 31, 2018: 21,028

2. Dividends

	Dividends per share				
	1Q-end	2Q-end	3Q-end	Year-end	Total
	Yen	Yen	Yen	Yen	Yen
2018	-	0.00	-	83.00	83.00
2019	-	0.00	-	-	-
2019 (forecast)	-	-	-	65.50	65.50

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

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
Full year	155,452	8.8	6,049	(17.9)	5,910	(19.7)	3,672	(21.0)	218.11

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

*** Notes**

(1) Changes in significant subsidiaries during the period (change in scope of consolidation): Yes

Newly added: - Excluded: 1 (Mobile Service Co., Ltd.)

(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, (3) Notes to Quarterly Consolidated Financial Statements, Application of Special Accounting Methods for Presenting Quarterly Consolidated Financial Statements” on page 10 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 Sep. 30, 2019:	16,957,600 shares	As of Dec. 31, 2018:	16,956,600 shares
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2) Number of treasury shares at the end of the period

As of Sep. 30, 2019:	121,000 shares	As of Dec. 31, 2018:	120,929 shares
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3) Average number of shares during the period

Nine months ended Sep. 30, 2019:	16,836,299 shares	Nine months ended Sep. 30, 2018:	16,823,262 shares
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* 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

Cautionary statement with respect to forecasts

Forecasts of future performance in this document are based on assumption judged to be valid and information currently available to the Company’s management, but are not promises by the Company regarding future performance. 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 5 for forecast assumptions and notes of caution for usage.

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1. Qualitative Information on Quarterly Consolidated Financial Performance

(1) Explanation of Results of Operations

In the first nine months of 2019, the worsening economic climate caused by increasingly heated U.S.-China trade friction, and slowing global growth, including slower growth in China, exerted downward pressure on the Japanese economy, mainly in the manufacturing sector. In addition, Japan's tight labor market, due to a limited supply caused by the shortage of labor, and the rising cost of labor are having a negative effect on business sentiment. Overall, the economic outlook is still uncertain.

In the Human Resources and Education Business, companies in the manufacturing sector, which is the primary market for this business, are reducing output in response to weak demand caused by the global business climate. This includes companies in the smartphone and semiconductor categories. The difficulty of recruiting people due to Japan's labor shortage is another challenge in this business. The World Holdings Group is making up-front investments in training programs, organizations and other areas from a medium to long-term perspective with the goal of becoming the pre-eminent brand in the manufacturing sector. At the same time, there are many activities for the growth of the workforce and sales and earnings in this business, primarily in the Technology Staffing Business.

In the Real Estate Business, conditions indicative of a price bubble are continuing in the condominium market as prices of properties remain high due to the rising cost of land, labor and other items. The outlook for this market is still unclear mainly because of declines in the supply of new condominiums and the first-month contract rate, mainly in the Tokyo area. We are responding to this business climate by strengthening sales activities, strategically moving up the closings of some sales and taking other actions. We are also purchasing properties cautiously while closely monitoring market conditions.

In the Information and Telecommunications Business, big changes are anticipated in Japan's mobile phone market that include lower service charges and higher prices for phones. The reason is the enactment in May 2019 of partial amendments to the Telecommunications Business Act that require the separation of service charges and phone payments. During the first nine months, the World Holdings Group made changes to the organizational structure of this business, strengthened the store network, upgraded employee training activities and took other actions.

Net sales increased 0.1% year on year to 101,964 million yen. Operating profit decreased 6.7% to 4,090 million yen, ordinary profit decreased 5.8% to 4,105 million yen, and profit attributable to owners of parent increased 0.9% to 2,659 million yen.

Business segment performance was as follows.

Factory Staffing Business

Lower production at some client companies in the smartphone, semiconductor and other sectors is negatively affecting the performance of this business. In 2019, this business is taking many actions to build a base for growth that aims for an increase in the volume of business in market sectors that require expertise involving new technologies, such as 5G mobile communications. In the core logistics category, there were measures for the stability of operating rates and higher productivity at all locations. This business is also focusing on training people to become managers with skills required for horizontal expansion by opening more business sites starting in 2020.

Progress is continuing with the establishment of a new human resources system that has the goal of being a company that gives people jobs that are enjoyable and rewarding and allows people to define career roadmaps. Activities include measures to increase our ability to attract people and clients in order to become a company that job applicants choose over others.

Training programs are the primary source of our competitive edge in this business. We are using our own innovative education methods to give people training in quality management, production management and other fields required for strengthening our subcontracting capabilities as well as leadership training. We continued to

increase the pool of prospective employees for assignments as the number of people registered on our Job Paper website surpassed 72,000.

World Intec Fukushima Co., Ltd., which was involved primarily with recovery activities in Fukushima prefecture following the 2011 earthquake and tsunami, has been renamed World Next Co., Ltd. In addition to performing services outsourced by governments, this company has started a new business that specializes in human resource services for seniors.

As a result, sales were 36,594 million yen, up 2.0% year on year and segment profit decreased 20.3% to 1,838 million yen.

Technology Staffing Business

The number of client companies and people on assignments continued to increase due to measures for strengthening sales and training activities, mainly in the automobile industry. In the information and telecommunication services sector, the volume of business is growing steadily because of our reputation among customers as an organization with outstanding training capabilities and the ability to maintain strict compliance with laws and regulations.

Creating the Ways We Live Academy, a training and skill development scheme, continues to provide support for the career advancement of current engineers and people who currently have no experience in a particular field. This academy strengthened training activities for manufacturing technologies, 3D-CAD, many types of programming, infrastructure and other subjects. This education and training framework allows recruiting activities that target people with a broad range of skills, backgrounds and other characteristics, which makes it possible to consistently increase the workforce of this business.

Sales were 12,581 million yen, up 14.3% year on year and segment profit increased 30.0% to 1,210 million yen.

R&D Staffing Business

The research personnel sector recorded growth because of the increasing volume of business with current clients by focusing activities on chemistry. In addition, this business is continuing to broaden the number of specialties covered by joint research programs with universities. For example, a new alliance with Osaka University was used to establish a joint research laboratory. In the clinical research outsourcing sector, there were structural reforms in order to increase the capacity utilization rate.

For training programs, joint research laboratories with all partner universities were used to give people knowledge to fill positions requiring advanced skills. We also upgraded activities using external training programs, chiefly in order to give people a stronger commitment to hospitality. In 2019, training programs have been placing emphasis on giving people skills in the field of chemistry. In addition, this business reinforced its ability to provide technical support to client companies by hiring many people with outstanding research skills.

Sales were 5,287 million yen, up 5.3% year on year, and segment profit increased 19.1% to 453 million yen.

Sales & Marketing Staffing Business

Capturing orders during peak seasons of the retail sector is vital to the growth of this business. This business raised the volume of business in current market sectors like high-volume sales, retail and call centers while taking appropriate actions for summer market conditions. Staffing service rates increased because of the start of staffing services in categories where this business can add significant value.

JW Solution Co., Ltd., which was established in April 2019, has started providing Hospitality Outsourcing® (registered trademark of JTB Communication Design, Inc.) staffing services to hotels and other companies in the tourism industry.

Sales were 2,675 million yen, up 0.4% year on year, and segment loss was 12 million yen compared with a segment loss of 90 million yen one year earlier.

Real Estate Business

The real estate development business strengthened sales activities and completed sales of some properties earlier than planned. Carefully chosen properties were purchased while monitoring market conditions. In the detached house category, the custom-built-house and built-for-sale house sectors performed well.

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

The real estate development business sold 101 condominium units and eight sites for business use, resulting in property sales of 9,878 million yen. Sales from real estate brokerage and other activities totaled 522 million yen.

In the renovation business, 539 residences were sold and sales were 13,049 million yen.

The detached house business completed the sale of 225 custom-build and other houses and recorded sales of 7,334 million yen.

In the prefabricated house business, sales from rental income, house sales and other activities totaled 1,247 million yen.

Sales were 32,030 million yen, down 9.1% year on year and segment profit was 1,987 million yen, down 18.8%.

Information and Telecommunications Business

The mobile phone shop business has been closing and consolidating stores in order to establish a network of competitive and successful stores. This business is also revising operations as needed to reflect the new requirement in Japan for the separation of mobile communication service charges and phone payments. There were 44 directly operated stores at the end of the first nine months. We will continue to make expenditures for the relocating and renovating stores and for training programs that improve employees' customer service skills and knowledge. This business made investments for actions to bolster the store support framework in order to continue growing. To enable all group companies to benefit from its sales capabilities, the corporate solutions business increased exchanges of employees with other World Holdings Group companies. The result is even more synergies among group companies.

Sales were 9,567 million yen, up 1.5% year on year, and segment loss was 17 million yen, compared with a segment loss of 1 million yen one year earlier.

Others

The agricultural parks operated by Farm Co., Ltd. and its affiliate performed well with the total number of visitors up by 85,000 from one year earlier to 823,000. Higher visitor traffic is due to the success of numerous activities to make parks more appealing. One major investment is an enormous athletic facility called Alps Gym that is now operating at Blumen Hugei Farm in Shiga prefecture. At Advan Inc., which mainly operates PC schools, the website production and other activities are performing well and there are activities to increase synergies with the Human Resources and Education Business. Advan is also playing a significant role in the training of engineers in the Technology Staffing Business.

Sales were 3,226 million yen, up 20.6% year on year, and there was a segment profit of 226 million yen compared with a segment loss of 178 million yen one year earlier.

(2) Explanation of Financial Position

Assets

Total assets increased 3,153 million yen from the end of 2018 to 83,117 million yen at the end of the third quarter of 2019. This was mainly due to a decrease of 3,592 million yen in cash and deposits and increases of 3,373 million yen in real estate for sale and 3,666 million yen in real estate for sale in process.

Liabilities

Total liabilities increased 1,899 million yen from the end of 2018 to 59,515 million yen. This was mainly due to decreases of 994 million yen in accounts payable-real estate, 1,191 million yen in accrued expenses, 1,132 million yen in income taxes payable and 1,270 million yen in long-term loans payable, and an increase of 8,014 million yen in short-term loans payable.

Net assets

Net assets increased 1,254 million yen from the end of 2018 to 23,601 million yen mainly due to a 1,279 million yen increase in retained earnings.

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

The Company maintains its full-year consolidated forecasts that were announced in the “Consolidated Financial Results for 2018” on February 12, 2019.

2. Quarterly Consolidated Financial Statements and Notes**(1) Quarterly Consolidated Balance Sheet**

(Millions of yen)

	2018 (As of Dec. 31, 2018)	Third quarter of 2019 (As of Sep. 30, 2019)
Assets		
Current assets		
Cash and deposits	18,825	15,233
Notes and accounts receivable-trade	11,252	9,923
Merchandise and finished goods	1,032	1,203
Real estate for sale	13,193	16,566
Work in process	129	103
Real estate for sale in process	21,124	24,791
Other	4,270	4,971
Allowance for doubtful accounts	(5)	(5)
Total current assets	69,823	72,787
Non-current assets		
Property, plant and equipment	5,439	5,889
Intangible assets		
Goodwill	1,046	590
Other	312	274
Total intangible assets	1,359	864
Investments and other assets		
Investment securities	442	740
Deferred tax assets	1,178	1,184
Lease and guarantee deposits	917	945
Other	878	779
Allowance for doubtful accounts	(74)	(74)
Total investments and other assets	3,342	3,575
Total non-current assets	10,140	10,329
Total assets	79,964	83,117
Liabilities		
Current liabilities		
Notes and accounts payable-trade	1,531	1,194
Accounts payable-real estate	1,818	823
Short-term loans payable	28,321	36,336
Accrued expenses	5,963	4,771
Income taxes payable	1,877	745
Accrued consumption taxes	1,217	977
Provision for bonuses	111	694
Provision for directors' bonuses	-	0
Other	5,290	4,115
Total current liabilities	46,130	49,659
Non-current liabilities		
Long-term loans payable	9,112	7,842
Provision for directors' retirement benefits	667	171
Net defined benefit liability	1,411	1,555
Other	293	287
Total non-current liabilities	11,485	9,855
Total liabilities	57,616	59,515

	(Millions of yen)	
	2018	Third quarter of 2019
	(As of Dec. 31, 2018)	(As of Sep. 30, 2019)
Net assets		
Shareholders' equity		
Capital stock	784	785
Capital surplus	965	981
Retained earnings	19,412	20,692
Treasury shares	(126)	(127)
Total shareholders' equity	21,036	22,332
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	12	(1)
Foreign currency translation adjustment	1	(4)
Remeasurements of defined benefit plans	(21)	(8)
Total accumulated other comprehensive income	(8)	(14)
Share acquisition rights	124	124
Non-controlling interests	1,195	1,160
Total net assets	22,347	23,601
Total liabilities and net assets	79,964	83,117

(2) Quarterly Consolidated Statements of Income and Comprehensive Income**(Quarterly Consolidated Statement of Income)****(For the Nine-month Period)**

(Millions of yen)

	First nine months of 2018 (Jan. 1 – Sep. 30, 2018)	First nine months of 2019 (Jan. 1 – Sep. 30, 2019)
Net sales	101,906	101,964
Cost of sales	82,743	81,941
Gross profit	19,163	20,022
Selling, general and administrative expenses	14,779	15,931
Operating profit	4,383	4,090
Non-operating income		
Subsidy income	23	18
Income of support to investment in property and equipment	0	35
Other	130	158
Total non-operating income	153	211
Non-operating expenses		
Interest expenses	145	140
Loss on retirement of non-current assets	11	41
Other	22	15
Total non-operating expenses	179	196
Ordinary profit	4,357	4,105
Extraordinary income		
Casualty insurance income	-	22
Consumption taxes differential	-	95
Other	-	0
Total extraordinary income	-	119
Extraordinary losses		
Impairment loss	11	4
Loss on valuation of shares of subsidiaries and associates	16	-
Loss on disaster	17	13
Total extraordinary losses	44	18
Profit before income taxes	4,312	4,206
Income taxes	1,644	1,514
Profit	2,668	2,691
Profit attributable to non-controlling interests	32	32
Profit attributable to owners of parent	2,636	2,659

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

(Millions of yen)

	First nine months of 2018 (Jan. 1 – Sep. 30, 2018)	First nine months of 2019 (Jan. 1 – Sep. 30, 2019)
Profit	2,668	2,691
Other comprehensive income		
Valuation difference on available-for-sale securities	(9)	(13)
Foreign currency translation adjustment	(6)	(8)
Remeasurements of defined benefit plans, net of tax	6	12
Total other comprehensive income	(9)	(9)
Comprehensive income	2,659	2,682
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	2,629	2,652
Comprehensive income attributable to non-controlling interests	29	29

(3) 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

Mobile Service Co., Ltd., which was a significant subsidiary, is no longer included in the consolidated financial statements from the third quarter of 2019 because this company was dissolved following its absorption and merger with consolidated subsidiary e-support, Inc. on April 1, 2019.

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

HOEI HOME CO., LTD., which was a non-consolidated subsidiary in 2018, is included in the consolidated financial statements starting in the first quarter of 2019 because of the increasing significance of this company.

KITAYAMA REBEN CO., LTD., which was a non-consolidated subsidiary in 2018, is included in the consolidated financial statements starting in the first quarter of 2019 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 nine months of 2018 (Jan. 1 – Sep. 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	35,880	11,004	5,019	2,665	35,238	9,424	99,232	2,674	101,906	-	101,906
Inter-segment sales and transfers	0	352	-	80	12	12	458	70	529	(529)	-
Total	35,881	11,356	5,019	2,746	35,250	9,436	99,691	2,745	102,436	(529)	101,906
Segment profit (loss)	2,307	931	380	(90)	2,446	(1)	5,973	(178)	5,794	(1,411)	4,383

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 -1,411 million yen adjustment to segment profit (loss) includes elimination for inter-segment transactions of 38 million yen, and -1,450 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.

II. First nine months of 2019 (Jan. 1 – Sep. 30, 2019)

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	36,594	12,581	5,287	2,675	32,030	9,567	98,737	3,226	101,963	0	101,964
Inter-segment sales and transfers	-	347	-	77	12	8	446	98	544	(544)	-
Total	36,594	12,929	5,287	2,753	32,042	9,575	99,183	3,324	102,508	(543)	101,964
Segment profit (loss)	1,838	1,210	453	(12)	1,987	(17)	5,459	226	5,685	(1,595)	4,090

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 -1,595 million yen adjustment to segment profit (loss) includes elimination for inter-segment transactions of 26 million yen, and -1,621 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 (loss) 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.

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.