



Consolidated Financial Results for the First Quarter of 2020 (Three Months Ended March 31, 2020)

[Japanese GAAP]

May 11, 2020

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:

May 14, 2020

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 Three Months of 2020 (January 1 to March 31, 2020)

(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	%
Three months ended Mar. 31, 2020	36,480	19.2	1,358	734.5	1,393	773.1	1,640	-
Three months ended Mar. 31, 2019	30,614	1.7	162	(71.5)	159	(71.1)	11	(92.5)

Note: Comprehensive income (millions of yen)

Three months ended Mar. 31, 2020: 1,678 (-%)

Three months ended Mar. 31, 2019: (18) (-%)

	Net income per share	Diluted net income per share
	Yen	Yen
Three months ended Mar. 31, 2020	96.83	96.17
Three months ended Mar. 31, 2019	0.66	0.65

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio	Net assets per share
	Million yen	Million yen	%	Yen
As of Mar. 31, 2020	80,125	25,220	29.7	1,390.08
As of Dec. 31, 2019	87,352	23,944	25.9	1,345.71

Reference: Shareholders' equity (millions of yen)

As of Mar. 31, 2020: 23,826

As of Dec. 31, 2019: 22,662

2. Dividends

	Dividends per share				
	1Q-end	2Q-end	3Q-end	Year-end	Total
	Yen	Yen	Yen	Yen	Yen
2019	-	0.00	-	52.70	52.70
2020	-	-	-	-	-
2020 (forecast)	-	0.00	-	99.80	99.80

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

3. Consolidated Forecast for 2020 (January 1 to December 31, 2020)

(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	73,566	10.1	2,122	(16.1)	2,733	8.0	1,517	(9.9)	90.13
Full year	159,682	17.1	7,851	66.0	8,338	73.5	5,601	89.5	332.60

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: 1 (JW Solution Co., Ltd.) Excluded: 1 (HOEIKENSETSU 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 9 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 Mar. 31, 2020:	17,261,600 shares	As of Dec. 31, 2019:	16,961,600 shares
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2) Number of treasury shares at the end of the period

As of Mar. 31, 2020:	121,000 shares	As of Dec. 31, 2019:	121,000 shares
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3) Average number of shares during the period

Three months ended Mar. 31, 2020:	16,942,798 shares	Three months ended Mar. 31, 2019:	16,835,656 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 4 for forecast assumptions and notes of caution for usage.

How to view supplementary materials for quarterly financial results

Supplementary materials for the quarterly financial results will be disclosed today (May 11, 2020), using the Timely Disclosure network (TDnet), and available on the Company’s website.

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1. Qualitative Information on Quarterly Consolidated Financial Performance

(1) Explanation of Results of Operations

In the first quarter of 2020, when the Japanese economy was expected to decline, there was a rapid economic downturn because of the COVID-19 outbreak. Slowing economic growth in China, the difficulty of procuring parts and materials, and other problems caused by this crisis impacted the manufacturing sector. Activity in Japan's non-manufacturing sector was held down by the drop in foreign tourists, people refraining from going out for safety and other effects of COVID-19.

Although the business climate was difficult, sales and earnings were higher than planned because COVID-19 did not have a significant negative effect during the first quarter on the major industries that use services of the World Holdings Group. Net sales increased 19.2% year on year to 36,480 million yen. Operating profit increased 734.5% to 1,358 million yen, ordinary profit increased 773.1% to 1,393 million yen, and profit attributable to owners of parent was 1,640 million yen, compared with a profit of 11 million yen one year earlier.

Business segment performance was as follows.

HOEIKENSETSU Co., Ltd. is no longer included in the consolidated financial statements due to the sale of this company. The beginning of the first quarter of 2020 is used as the date of sale for accounting purposes. As a result, this company is no longer included in reportable segments starting with the first quarter of 2020.

Factory Staffing Business

Some client companies had difficulty procuring parts and materials, briefly suspended operations, and had other problems due to COVID-19. Although this had a small negative effect on the performance of this business, sales and earnings were generally as planned because of the strong performance of staffing services involving the 5G mobile communication and semiconductor sectors, which we have been strategically targeting for growth.

We are using our Job Paper website for most recruiting activities in order to improve the efficiency of these activities and the quality of the people we hire. In addition, we are using the consortium model for hiring the people we require in order to strengthen our recruiting capabilities. We hired 286 new graduates and quickly determined assignments for these people beginning in April. Our training activities include trainings for specialized skills, acquiring skills required for team leader and management positions, and for newly hired graduates. Providing education and training contributes to the stability and growth of team assignments and activities performed by teams at client companies. Training also helps raise our employee retention rate. In addition to these activities, we continued to make preparations to open more offices and other business sites.

To build a base for more growth in the next fiscal year and onward, preparations are under way to establish a human resources company specializing in the materials industry to be called TOHOWORLD Corporation. The company will be owned jointly with Toho Titanium Co., Ltd., a well-known manufacturer of materials. Establishing this partnership with Toho Titanium, which has a long history in the materials industry, will create an even more powerful framework for providing human resource solutions to companies in the manufacturing sector.

As a result, sales were 12,114 million yen, up 2.8% year on year and segment profit decreased 7.9% to 466 million yen.

Technology Staffing Business

Training activities are one of the highest priorities of this business. Utilizing these activities has been progress as planned for placing trainees on assignments and increasing rates for our services. As a result, sales and earnings were higher for business with companies in the automobile, information and telecommunications, construction engineering, and other industries.

This business strengthened activities for recruiting people with job experience in order to secure highly skilled human resources. There were also measures to reinforce training programs in order to enhance skills and enable people to do jobs at a higher level to meet the current needs of client companies. This business hired 180 new graduates. Although the assignments for some of these people were delayed by COVID-19, we are using our extensive education and training framework to enable these people to contribute to our growth during the

remainder of 2020.

Sales were 4,207 million yen, up 4.2% year on year and segment profit increased 30.6% to 462 million yen.

R&D Staffing Business

First quarter performance was generally as planned in both the research personnel sector and the clinical research outsourcing sector. This business responded to the growth of orders for personnel to perform tests and other tasks associated with the COVID-19 crisis.

This business strengthened training programs and has in place a training system that uses joint research laboratories with the University of Tokyo, Kyoto University, Osaka University and other universities. Due to this training infrastructure, this business is able to recruit people across a broad range of skills, backgrounds and other characteristics and, as a result, people have been hired as planned. This business has hired 84 new graduates and assignments starting in April have been determined for almost all of these people.

Sales were 1,750 million yen, up 3.4% year on year, and segment profit increased 60.8% to 170 million yen.

Sales & Marketing Staffing Business

The volume of work performed and number of orders decreased in some market sectors, including at apparel companies and especially in the tourism sector, because of COVID-19. Despite these declines, sales and earnings were mostly as planned because of higher orders in the food industry and for call center staffing.

JW Solution Co., Ltd., which was established in 2019, began operations by providing mainly guest services personnel to the hotel industry. This company has increased its equity due to investments by World Holdings and JTB Corp. JW Solution is currently making preparations for the provision of services for solving a variety of human resource issues in the tourism industry, where significant demand is foreseen. These activities are utilizing the human resource business knowledge of the World Holdings Group and the powerful brand and business network of JTB.

Sales were 997 million yen, up 23.1% year on year, and segment profit was 8 million yen, compared with a segment loss of 17 million yen one year earlier.

Real Estate Business

Sales and earnings were much higher than planned in the first quarter because of sales activities that reflected current market conditions and the completions of sales of land for business use in the real estate development business of this segment.

We continue to be cautious about purchasing real estate because prices are consistently high. Although this stance has temporarily reduced growth of the renovation business and other activities, there was progress with building a base for asset management and other businesses involving real estate finance. Preparations are continuing in order to adapt to the major shift in the real estate business climate that is expected to occur in Japan.

COVID-19 has not significantly affected the performance of this business. There are delays in deliveries of some parts and materials at buildings under construction in this industry, but the World Holdings Group has strong relationships with general contractors based on mutual cooperation.

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

The real estate development business sold 11 condominium units, 10 detached houses and 4 sites for business use, resulting in property sales of 9,822 million yen. Sales from real estate brokerage and other activities totaled 593 million yen.

In the renovation business, 159 residences were sold and sales were 3,292 million yen.

In the prefabricated house business, sales were 531 million yen.

Sales were 14,238 million yen, up 71.7% year on year and segment profit was 861 million yen, compared with a segment loss of 23 million yen one year earlier.

Information and Telecommunications Business

Structural reforms implemented in prior years have improved the profit structure of this business. As a result, sales per store were higher and earnings increased steadily even as some stores were closed or consolidated with others under the realignment in the cellular phone sales industry. (First quarter performance of this business is for operations from October to December 2019, so there was no impact of the COVID-19 outbreak. Currently, this crisis is not having a significant negative effect on this business despite limited store operating hours and other restrictions.)

Sales were 2,492 million yen, down 26.0% year on year, and segment profit was 91 million yen, compared with a segment loss of 88 million yen one year earlier.

Others

Although the first quarter of the year is usually an off-season for the agricultural park management and operation business, the first quarter of the current fiscal year saw an increase in the number of park visitors in January and February due to the success of strategic investments since last year and warmer than normal winter weather from the beginning of the year. However, as people refrained from going out to curb the spread of COVID-19 pandemic, the situation continued to be severe, with the number of park visitors falling in March.

Sales were 679 million yen, up 8.2% year on year, and there was a segment loss of 141 million yen, compared with a segment loss of 126 million yen one year earlier.

(2) Explanation of Financial Position**Assets**

Total assets decreased 7,226 million yen from the end of 2019 to 80,125 million yen at the end of the first quarter of 2020. This was mainly due to decreases of 1,076 million yen in notes and accounts receivable-trade, 3,827 million yen in real estate for sale and 2,742 million yen in real estate for sale in process.

Liabilities

Total liabilities decreased 8,502 million yen from the end of 2019 to 54,905 million yen. This was mainly due to decreases of 737 million yen in accounts payable-real estate, 879 million yen in accrued expenses and 6,211 million yen in advances received.

Net assets

Net assets increased 1,276 million yen from the end of 2019 to 25,220 million yen mainly due to increases of 197 million yen in share capital, 197 million yen in capital surplus and 787 million yen in retained earnings.

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

The impact of the COVID-19 pandemic was limited in the first quarter. However, the recent declaration of emergency has started forcing some businesses to close down and affecting peoples' movements as residents avoid nonessential outings. Concerns are also growing about any further spread of the pandemic and its impact on the economy. If the risk continues to materialize for a long time, it may affect the performance of the Group.

In addition, the consolidated forecast announced on February 10, 2020 does not include the impact of the spread of the COVID-19 pandemic. We have not changed our consolidated forecasts at this time because the impact on the first quarter earnings was limited and the outlook going forward is uncertain. An announcement will be made promptly if a forecast review is needed.

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

(Millions of yen)

	2019 (As of Dec. 31, 2019)	First quarter of 2020 (As of Mar. 31, 2020)
Assets		
Current assets		
Cash and deposits	16,513	16,806
Notes and accounts receivable-trade	12,093	11,017
Merchandise and finished goods	813	966
Real estate for sale	16,373	12,545
Work in process	84	92
Real estate for sale in process	26,234	23,491
Other	4,814	5,252
Allowance for doubtful accounts	(6)	(4)
Total current assets	76,920	70,167
Non-current assets		
Property, plant and equipment	5,919	5,254
Intangible assets		
Goodwill	436	205
Other	254	233
Total intangible assets	690	438
Investments and other assets		
Investment securities	856	750
Deferred tax assets	1,467	2,032
Leasehold and guarantee deposits	943	919
Other	777	787
Allowance for doubtful accounts	(224)	(224)
Total investments and other assets	3,820	4,265
Total non-current assets	10,431	9,958
Total assets	87,352	80,125
Liabilities		
Current liabilities		
Notes and accounts payable-trade	1,402	1,190
Accounts payable-real estate business	1,004	267
Short-term borrowings	27,701	28,864
Accrued expenses	5,786	4,907
Advances received	9,395	3,184
Income taxes payable	1,226	591
Accrued consumption taxes	1,495	1,573
Provision for bonuses	142	674
Provision for bonuses for directors (and other officers)	-	0
Other	4,634	3,347
Total current liabilities	52,790	44,601
Non-current liabilities		
Long-term borrowings	8,592	8,257
Provision for retirement benefits for directors (and other officers)	182	158
Retirement benefit liability	1,573	1,588
Other	268	299
Total non-current liabilities	10,617	10,303
Total liabilities	63,408	54,905

	(Millions of yen)	
	2019	First quarter of 2020
	(As of Dec. 31, 2019)	(As of Mar. 31, 2020)
Net assets		
Shareholders' equity		
Share capital	787	985
Capital surplus	984	1,182
Retained earnings	20,988	21,775
Treasury shares	(127)	(127)
Total shareholders' equity	22,633	23,816
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	0	(16)
Foreign currency translation adjustment	0	(3)
Remeasurements of defined benefit plans	28	29
Total accumulated other comprehensive income	29	10
Share acquisition rights	122	19
Non-controlling interests	1,159	1,374
Total net assets	23,944	25,220
Total liabilities and net assets	87,352	80,125

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

(Millions of yen)

	First three months of 2019 (Jan. 1 – Mar. 31, 2019)	First three months of 2020 (Jan. 1 – Mar. 31, 2020)
Net sales	30,614	36,480
Cost of sales	25,342	30,463
Gross profit	5,272	6,017
Selling, general and administrative expenses	5,109	4,658
Operating profit	162	1,358
Non-operating income		
Subsidy income	7	8
Income of support to investment in property and equipment	14	42
Other	42	36
Total non-operating income	63	87
Non-operating expenses		
Interest expenses	46	44
Other	20	8
Total non-operating expenses	67	52
Ordinary profit	159	1,393
Extraordinary income		
Gain on sales of shares of subsidiaries and associates	-	175
Insurance claim income	10	3
Consumption taxes differential	29	-
Other	0	-
Total extraordinary income	39	178
Extraordinary losses		
Impairment loss	4	-
Loss on disaster	7	-
Total extraordinary losses	12	-
Profit before income taxes	187	1,571
Income taxes	210	(127)
Profit (loss)	(23)	1,699
Profit (loss) attributable to non-controlling interests	(34)	58
Profit attributable to owners of parent	11	1,640

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

(Millions of yen)

	First three months of 2019 (Jan. 1 – Mar. 31, 2019)	First three months of 2020 (Jan. 1 – Mar. 31, 2020)
Profit (loss)	(23)	1,699
Other comprehensive income		
Valuation difference on available-for-sale securities	(4)	(16)
Foreign currency translation adjustment	4	(6)
Remeasurements of defined benefit plans, net of tax	4	1
Total other comprehensive income	4	(20)
Comprehensive income	(18)	1,678
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	13	1,621
Comprehensive income attributable to non-controlling interests	(32)	56

(3) Notes to Quarterly Consolidated Financial Statements

Going Concern Assumption

Not applicable.

Significant Changes in Shareholders' Equity

World Holdings received payment for the new shares issued following the exercise of the second share acquisition rights issued on March 10, 2015. These newly issued shares raised the share capital and capital surplus by 197 million yen each.

As a result, share capital was 985 million yen and capital surplus was 1,182 million yen at the end of the first quarter of 2020.

Changes in Significant Subsidiaries during the Period

JW Solution Co., Ltd., which was a non-consolidated subsidiary in 2019, is included in the consolidated financial statements starting in the first quarter of 2020 because of the increasing significance of this company. JW Solution is classified as a significant subsidiary of World Holdings.

HOEIKENSETSU Co., Ltd., which was a significant subsidiary, is no longer included in the consolidated financial statements from the first quarter of 2020 because World Holdings sold all shares of this company on March 16, 2020.

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

WORLD INTEC AMERICA, INC., which was a non-consolidated subsidiary in 2019, is included in the consolidated financial statements starting in the first quarter of 2020 because of the increasing significance of this company.

COMPAX Co.,Ltd., which was a non-consolidated subsidiary in 2019, is included in the consolidated financial statements starting in the first quarter of 2020 because of the increasing significance of this company.

HOEI HOME CO., LTD., which is a subsidiary of HOEIKENSETSU Co., Ltd., is no longer included in the consolidated financial statements from the first quarter of 2020 because World Holdings sold all shares of HOEIKENSETSU, which was a consolidated subsidiary in 2019, on March 16, 2020.

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, World Holdings 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 three months of 2019 (Jan. 1 – Mar. 31, 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	11,785	4,037	1,692	810	8,291	3,369	29,985	628	30,613	0	30,614
Inter-segment sales and transfers	-	109	-	28	4	3	145	30	175	(175)	-
Total	11,785	4,146	1,692	838	8,295	3,372	30,130	658	30,789	(174)	30,614
Segment profit (loss)	506	354	106	(17)	(23)	(88)	836	(126)	709	(546)	162

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 -546 million yen adjustment to segment profit (loss) includes elimination for inter-segment transactions of 4 million yen, and -550 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) 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

Not applicable.

Significant gain on bargain purchase

Not applicable.

II. First three months of 2020 (Jan. 1 – Mar. 31, 2020)

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	12,114	4,207	1,750	997	14,238	2,492	35,800	679	36,480	-	36,480
Inter-segment sales and transfers	-	123	-	45	4	2	176	27	204	(204)	-
Total	12,114	4,330	1,750	1,043	14,242	2,495	35,977	707	36,684	(204)	36,480
Segment profit (loss)	466	462	170	8	861	91	2,061	(141)	1,919	(560)	1,358

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 -560 million yen adjustment to segment profit (loss) includes elimination for inter-segment transactions of 11 million yen, and -572 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

Not applicable.

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.