



Consolidated Financial Results for the First Quarter of 2021 (Three Months Ended March 31, 2021)

[Japanese GAAP]

May 12, 2021

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, 2021

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 2021 (January 1 to March 31, 2021)

(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, 2021	33,032	(9.5)	1,682	23.8	1,825	31.0	1,324	(19.3)
Three months ended Mar. 31, 2020	36,480	19.2	1,358	734.5	1,393	773.1	1,640	-

Note: Comprehensive income (millions of yen)

Three months ended Mar. 31, 2021: 1,389 (down 17.2%)

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

	Net income per share	Diluted net income per share
	Yen	Yen
Three months ended Mar. 31, 2021	75.88	75.44
Three months ended Mar. 31, 2020	96.83	96.17

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio	Net assets per share
	Million yen	Million yen	%	Yen
As of Mar. 31, 2021	83,767	29,706	33.7	1,615.33
As of Dec. 31, 2020	79,157	30,061	36.1	1,638.03

Reference: Shareholders' equity (millions of yen)

As of Mar. 31, 2021: 28,192

As of Dec. 31, 2020: 28,589

2. Dividends

	Dividends per share				
	1Q-end	2Q-end	3Q-end	Year-end	Total
	Yen	Yen	Yen	Yen	Yen
2020	-	0.00	-	101.70	101.70
2021	-	-	-	-	-
2021 (forecast)	-	0.00	-	78.70	78.70

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

3. Consolidated Forecast for 2021 (January 1 to December 31, 2021)

(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	63,657	(10.1)	1,302	(53.0)	1,283	(55.3)	886	(64.5)	50.81
Full year	150,194	4.6	6,465	3.4	6,388	(5.9)	4,573	(22.7)	262.02

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

*** Notes**

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

Newly added: -

Excluded: -

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

Note: Please refer to the section “2. Quarterly Consolidated Financial Statements and Notes, (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, 2021:	17,566,900 shares	As of Dec. 31, 2020:	17,566,900 shares
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2) Number of treasury shares at the end of the period

As of Mar. 31, 2021:	113,477 shares	As of Dec. 31, 2020:	113,477 shares
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3) Average number of shares during the period

Three months ended Mar. 31, 2021:	17,453,423 shares	Three months ended Mar. 31, 2020:	16,942,798 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 12, 2021), 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

The Japanese economy recovered slowly during the first quarter of 2021 following the end of the state of emergency, but COVID-19 remains a serious problem. In the manufacturing sector, which is the primary market of the World Holdings Group, exports and production expanded because of the economic recoveries in the United States, China and other countries. However, there is still a risk of an economic downturn in Japan caused by another wave of COVID-19 infections, another state of emergency or some other event. As a result, the outlook for the economy remains uncertain.

The performance of the Human Resources and Education Business, the core business of World Holdings, was strong during the first quarter because of strategic investments in key business sectors and the use of the coverage of many market sectors, which is a major strength of this business, for the seamless linkage of operations spanning many industries. As a result, this business was the primary source of growth of consolidated results of operations. First quarter consolidated sales and earnings were higher than planned as operating and ordinary profit were higher than one year earlier and sales were slightly lower.

Net sales decreased 9.5% year on year to 33,032 million yen. Operating profit increased 23.8% to 1,682 million yen, ordinary profit increased 31.0% to 1,825 million yen, and profit attributable to owners of parent decreased 19.3% to 1,324 million yen.

Factory Staffing Business

Sales and earnings were supported by the continuing strength of the 5G and semiconductor categories, which are strategic markets for this business, as well as by a recovery from the COVID-19 downturn in the automobile industry and all other industries that use the services of this business. The logistics sector, which is a key strength of this business, also contributed to the growth of sales and earnings despite some up-front expenditures. Progress is continuing with operations at a logistics base newly established at the end of 2020. In 2020, our highest priority was maintaining employment of our people in all factory staffing categories during the COVID-19 crisis. We also focused on training programs and other activities to upgrade the ability of our workforce to perform factory tasks. Due to these actions during 2020, this business was able to respond with speed and flexibility to many types of orders. In addition, an increase in production volume for all subcontracted work performed at client companies contributed to sales and earnings.

To increase the efficiency of recruiting activities, we made improvements on our owned media Job Paper website and other channels. These measures also reduced expenses. Preparations have been completed for a further expansion in the second quarter and afterward.

As a result, sales were 15,941 million yen, up 31.6% year on year and segment profit increased 53.1% to 714 million yen.

Technology Staffing Business

All categories of this business have been gradually recovering after the downturn caused by the COVID-19 crisis. The volume of work increased in the semiconductor, telecommunications, construction engineering and other industries. Growth was particularly strong for production process development work due to firm demand involving 5G and semiconductors. In the automobile industry, which is a priority of this business, we established a training program for control technologies in response to increasing demand involving CASE (connected, autonomous, shared, electric) technologies. This training will give this business a sound base for more growth in 2022.

Hiring skilled engineers has become even more difficult because of the recovery taking place in a variety of industries that require engineers. We reexamined our recruiting methods and are giving our employees trainings to upgrade their skills and advance their careers in order to supply customers with personnel who have an even higher level of technical skills.

Sales were 4,246 million yen, up 0.9% year on year and segment profit increased 17.6% to 543 million yen.

R&D Staffing Business

In the core research personnel staffing sector, there were strong performances in the medical, biotechnology, chemicals, analysis and all other existing business categories. The performance of this sector also benefited from one-time demand created by the COVID-19 crisis, such as for personnel for PCR tests and the development of vaccines. This business also expanded activities to new market sectors. The result was sales and earnings that exceeded the plan.

Measures to upgrade new training programs also contributed to the performance of this business. In addition, recruiting activities are progressing as planned and preparations are under way for recruiting expenditures to aim for more growth.

Sales were 1,889 million yen, up 7.9% year on year, and segment profit increased 27.9% to 218 million yen.

Sales & Marketing Staffing Business

Although the volume of apparel work declined because of COVID-19, the call center and light duty categories performed well. Call center performance was supported by growth in orders related to one-time sources of demand associated with COVID-19. In the light duty category, there were preparations for more growth in 2022 and afterward, such as by shifting more of these projects to subcontracting work at client companies. As COVID-19 continues to impact the tourism industry, a number of new activities started. One is our participation in the human resources sharing program in Okinawa led by JTB Okinawa Corp. and Okinawa Cellular Telephone Company.

Sales were 1,008 million yen, up 1.1% year on year, and segment loss was 12 million yen, compared with a segment profit of 8 million yen in the first quarter of 2020.

Real Estate Business

We are adopting a cautious stance in this business because of consistently high real estate prices in Japan that show signs of an asset bubble. In the core real estate development category, the committed credit facility established in 2020 was used to purchase quality properties and for other activities expected to produce significant benefits. Sales were down significantly because a large property was sold in the first quarter of 2020 but were generally in line with the plan. One reason was the use of carefully planned marketing activities in order to generate high earnings from sales of properties. A large percentage of property sales in 2021 are expected to take place in the fourth quarter.

In the renovation category, activity was low as 2021 started because we held down property acquisitions during 2020 because of COVID-19. We are retaining a cautious stance as we seek properties that can provide a suitable return on renovation projects as we look ahead to the performance of this business in 2022.

Sales were 6,783 million yen, down 52.4% year on year, and segment profit decreased 14.0% to 740 million yen.

Information and Telecommunications Business

Another period of significant changes is taking place in Japan in the mobile phone shop business, the largest component of this segment. Two major causes of these changes are COVID-19 and the launch by mobile phone carriers of rate plans sold only online, a response to requests by the Japanese government to reduce mobile phone rates. The profitability of this business has temporarily declined sharply because of up-front expenditures for measures to remain competitive. Major initiatives include a scrap-and-build approach for shops to establish a network of highly competitive shops, numerous sales promotion activities, and employee training programs. Our goal remains to establish dominant positions in our targeted markets and receive benefits as one of the survivors in the mobile phone shop market in order to resume the growth of this business.

Sales were 2,443 million yen, down 2.0% year on year, and segment profit decreased 95.5% to 4 million yen.

Others

COVID-19 had a severe impact on the performance of agricultural parks in 2020. However, the performance of agricultural parks is recovering steadily and attendance during the first quarter exceeded the level prior to the COVID-19 crisis. The main reasons are increasing recognition of parks as outdoor facilities that people can enjoy while avoiding close contact among visitors and our appropriate activities which use this strength to attract visitors.

Sales were 719 million yen, up 5.9% year on year, and there was a segment loss of 62 million yen, compared with a segment loss of 141 million yen in the first quarter of 2020.

(2) Explanation of Financial Position

Assets

Total assets increased 4,610 million yen from the end of 2020 to 83,767 million yen at the end of the first quarter of 2021. This was mainly due to increases of 1,504 million yen in real estate for sale and 3,492 million yen in real estate for sale in process.

Liabilities

Total liabilities increased 4,964 million yen from the end of 2020 to 54,060 million yen. This was mainly due to an increase of 1,811 million yen in short-term borrowings, a decrease of 1,134 million yen in accrued consumption taxes and an increase of 4,406 million yen in long-term borrowings.

Net assets

Net assets decreased 354 million yen from the end of 2020 to 29,706 million yen mainly due to a decrease of 446 million yen in retained earnings. Retained earnings decreased due to dividend from surplus of 1,775 million yen, while there was an increase due to profit attributable to owners of parent of 1,324 million yen.

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

World Holdings maintains its first-half and full-year consolidated forecasts that were announced in the “Consolidated Financial Results for 2020” on February 8, 2021.

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

(Millions of yen)

	2020 (As of Dec. 31, 2020)	First quarter of 2021 (As of Mar. 31, 2021)
Assets		
Current assets		
Cash and deposits	22,817	21,574
Notes and accounts receivable - trade	12,817	12,815
Merchandise and finished goods	639	804
Real estate for sale	5,748	7,252
Work in process	123	103
Real estate for sale in process	22,146	25,639
Other	3,842	4,303
Allowance for doubtful accounts	(2)	(3)
Total current assets	68,132	72,490
Non-current assets		
Property, plant and equipment	5,297	5,285
Intangible assets		
Goodwill	104	92
Other	186	173
Total intangible assets	291	265
Investments and other assets		
Investment securities	1,550	1,755
Deferred tax assets	2,398	2,444
Leasehold and guarantee deposits	903	946
Other	808	802
Allowance for doubtful accounts	(224)	(224)
Total investments and other assets	5,436	5,725
Total non-current assets	11,024	11,276
Total assets	79,157	83,767
Liabilities		
Current liabilities		
Notes and accounts payable-trade	1,072	1,228
Accounts payable-real estate business	527	1,602
Short-term borrowings	17,204	19,016
Accrued expenses	6,746	5,878
Advances received	552	347
Income taxes payable	1,049	620
Accrued consumption taxes	3,110	1,975
Provision for bonuses	124	562
Other	4,248	3,825
Total current liabilities	34,637	35,058
Non-current liabilities		
Long-term borrowings	12,073	16,480
Provision for retirement benefits for directors (and other officers)	172	166
Retirement benefit liability	1,921	2,005
Other	291	350
Total non-current liabilities	14,458	19,002
Total liabilities	49,095	54,060

	(Millions of yen)	
	2020	First quarter of 2021
	(As of Dec. 31, 2020)	(As of Mar. 31, 2021)
Net assets		
Shareholders' equity		
Share capital	1,244	1,244
Capital surplus	1,443	1,443
Retained earnings	26,054	25,607
Treasury shares	(119)	(119)
Total shareholders' equity	28,623	28,176
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	(15)	22
Foreign currency translation adjustment	1	13
Remeasurements of defined benefit plans	(20)	(19)
Total accumulated other comprehensive income	(34)	16
Share acquisition rights	49	61
Non-controlling interests	1,422	1,452
Total net assets	30,061	29,706
Total liabilities and net assets	79,157	83,767

(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 2020 (Jan. 1 – Mar. 31, 2020)	First three months of 2021 (Jan. 1 – Mar. 31, 2021)
Net sales	36,480	33,032
Cost of sales	30,463	27,063
Gross profit	6,017	5,969
Selling, general and administrative expenses	4,658	4,286
Operating profit	1,358	1,682
Non-operating income		
Subsidy income	8	131
Income of support to investment in property and equipment	42	-
Other	36	60
Total non-operating income	87	191
Non-operating expenses		
Interest expenses	44	37
Other	8	10
Total non-operating expenses	52	48
Ordinary profit	1,393	1,825
Extraordinary income		
Gain on sales of shares of subsidiaries and associates	175	-
Insurance claim income	3	-
Total extraordinary income	178	-
Profit before income taxes	1,571	1,825
Income taxes	(127)	492
Profit	1,699	1,332
Profit attributable to non-controlling interests	58	8
Profit attributable to owners of parent	1,640	1,324

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

(Millions of yen)

	First three months of 2020 (Jan. 1 – Mar. 31, 2020)	First three months of 2021 (Jan. 1 – Mar. 31, 2021)
Profit	1,699	1,332
Other comprehensive income		
Valuation difference on available-for-sale securities	(16)	37
Foreign currency translation adjustment	(6)	18
Remeasurements of defined benefit plans, net of tax	1	0
Total other comprehensive income	(20)	56
Comprehensive income	1,678	1,389
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	1,621	1,374
Comprehensive income attributable to non-controlling interests	56	14

(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

TOHOWORLD Corporation, which was a non-consolidated subsidiary in 2020, is included in the consolidated financial statements starting in the first quarter of 2021 because of the increasing significance of this company. This change is not deemed as a change in a significant subsidiary.

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 when the use of estimated tax rates produces a clearly irrational result.

Segment Information

I. 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.

II. First three months of 2021 (Jan. 1 – Mar. 31, 2021)

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	15,941	4,246	1,889	1,008	6,783	2,443	32,312	719	33,032	-	33,032
Inter-segment sales and transfers	13	133	-	72	2	4	226	29	255	(255)	-
Total	15,954	4,379	1,889	1,081	6,785	2,447	32,538	749	33,287	(255)	33,032
Segment profit (loss)	714	543	218	(12)	740	4	2,208	(62)	2,146	(464)	1,682

- 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 -464 million yen adjustment to segment profit (loss) includes elimination for inter-segment transactions of 10 million yen, and -474 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.