Consolidated Financial Results for 2017

[Japanese GAAP]

February 13, 2018

Company name: WORLD HOLDINGS CO., LTD. Listing: Tokyo Stock Exchange, First Section
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Scheduled date of Annual General Meeting of Shareholders: March 23, 2018
Scheduled date of payment of dividend: March 26, 2018
Scheduled date of filing of Annual Securities Report: March 26, 2018
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 2017 (January 1 to December 31, 2017)

(1) Consolidated results of operations (Percentages shown for net sales and profits 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	%
2017	127,147	34.8	7,064	(4.6)	7,007	(4.1)	4,612	10.0
2016	94,334	7.2	7,407	44.2	7,306	42.3	4,192	10.0

Note: Comprehensive income (millions of yen) 2017: 4,893 (up 15.4%) 2016: 4,241 (up 13.6%)

	Net income per share	Diluted net income per share	Return on equity	Ordinary profit on total assets	Operating profit to net sales
	Yen	Yen	%	%	%
2017	275.35	270.68	28.8	9.1	5.6
2016	250.92	248.30	33.5	11.3	7.9

Reference: Equity in earnings of affiliates (millions of yen) 2017: - 2016: -

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio	Net assets per share
	Million yen	Million yen	%	Yen
As of Dec. 31, 2017	80,039	19,140	22.3	1,059.91
As of Dec. 31, 2016	73,392	15,464	19.4	850.00

Reference: Shareholders' equity (millions of yen) As of Dec. 31, 2017: 17,818 As of Dec. 31, 2016: 14,201

(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
2017	8,159	(2,668)	(3,058)	18,227
2016	(3,644)	(1,473)	9,999	15,764

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	%	%
2016	-	0.00	-	75.30	75.30	1,258	30.0	10.1
2017	-	0.00	-	82.70	82.70	1,390	30.0	8.7
2018 (forecast)	-	0.00	-	82.80	82.80		30.0	

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

(Percentages represent year-on-year changes)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent		Net income per share
	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Yen
First half	61,064	7.4	1,154	(61.3)	1,050	(64.4)	656	(68.2)	39.04
Full year	145,137	14.1	7,288	3.2	7,083	1.1	4,635	0.5	275.73

*** Notes**

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

Newly added: 2 (Hoei Construction Co., Ltd., Farm Co., Ltd.) 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, 2017: 16,932,500 shares As of Dec. 31, 2016: 16,831,500 shares

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

As of Dec. 31, 2017: 120,846 shares As of Dec. 31, 2016: 125,346 shares

3) Average number of shares during the period

2017: 16,750,222 shares 2016: 16,707,781 shares

(Reference) Summary of Non-consolidated Financial Results

Non-consolidated Financial Results for 2017 (January 1 to December 31, 2017)

(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	%
2017	1,347	30.5	54	196.7	4,676	46.0	4,602	50.5
2016	1,032	63.0	18	-	3,202	214.6	3,059	215.9

	Net income per share	Diluted net income per share
	Yen	Yen
2017	274.77	270.12
2016	183.06	181.15

(2) Non-consolidated financial position

	Total assets	Net assets	Equity ratio	Net assets per share
	Million yen	Million yen	%	Yen
As of Dec. 31, 2017	43,519	11,136	25.3	654.47
As of Dec. 31, 2016	42,655	7,678	17.6	449.72

Reference: Shareholders' equity (millions of yen) As of Dec. 31, 2017: 11,002 As of Dec. 31, 2016: 7,515

* The current financial report is not subject to audit procedures.

* 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.

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1. Overview of Results of Operations

(1) Results of Operations

The Japanese economy recovered slowly in 2017 as capital expenditures and inventory investments increased due to benefits of the global economic upturn. Growth in Japan's internal demand also contributed to the recovery. In the December Bank of Japan tankan report, a business sentiment diffusion index of large companies and manufacturers improved sharply by 3 points from the previous survey in September to 25. Higher resource prices and the recovery in U.S. capital expenditures were two reasons for this improvement. However, the employment conditions diffusion index worsened because of Japan's persistently tight supply of labor. In addition, the average job openings-to-applicants ratio in 2017 was 1.50, the highest level in 44 years, showing that the labor shortage at companies is becoming increasingly severe.

The performance of the World Holdings Group exceeded the initial plan for 2017 due to measures to expand the activities of existing businesses combined with substantial investments to enter new business fields. As a result, sales and profit attributable to owners of parent rose to all-time highs.

In the core Human Resources and Education Business, the need to recruit people was concentrated at large companies because of Japan's increasing labor shortage and the 2015 amendments to the Worker Dispatching Act. To hire a higher percentage of applicants and raise the employee retention ratio, we located jobs that accurately targeted the needs and interests of workers (both current employees and applicants) and we focused on employee training programs and strengthening administrative systems. These actions resulted in a record-high number of people in this business and sales, making a big contribution to the Group's consolidated performance.

In the Real Estate Business, land and condominium prices were increasingly volatile due to the activities of large companies, primarily in the Tokyo area. In this difficult environment, we supplied properties that matched the characteristics of areas where we operate and focused resources on carefully selected activities. These measures resulted in the establishment of a business structure capable of producing the best possible earnings. In 2017, Hoei Construction Co., Ltd., a builder of detached houses in Hokkaido, became a subsidiary. The acquisition of this company gave the Real Estate Business, which primarily conducts development activities, an even stronger and more stable base of operations. As a result, this business achieved record-high sales in 2017.

The Information and Telecommunications Business, where Japan's mobile phone sector is at the saturation level, was closing stores up to the beginning of 2017. But investments were made in 2017 to build a foundation for renewed growth. The number of stores has started increasing again, enabling this business to strengthen its presence in the Kyushu area.

Net sales increased 34.8% year on year to 127,147 million yen. Operating profit decreased 4.6% to 7,064 million yen, ordinary profit decreased 4.1% to 7,007 million yen, and profit attributable to owners of parent increased 10.0%, to 4,612 million yen.

Results by business segment are described below.

Factory Business

There was growth in this business primarily in the semiconductor, machinery and logistics industries in 2017. One reason was the current need for people at companies. Growth was also supported by activities for the training and easy movement from job to job of next-generation employees. This skill is certain to become a key factor that differentiates our Factory Business.

We placed priority on building workplace organizations that can contribute as quickly as possible to manufacturing activities, launching large-scale projects and capturing orders for our original projects. To do this, we made it easy for key people needed to launch these organizations to move from one assignment to another and we concentrated recruiting activities on specific regions. In addition, this strategy and our performance earned high marks from clients for our company as well as our employees. This allowed us to raise our fees, which contributed to the growth in earnings in this segment.

In the logistics sector, we created a framework and achieved a level of performance that competitors in the human resources field cannot match. This was accomplished by making substantial investments in training programs and building a sound organizational structure. Furthermore, we continued to make progress with using high productivity backed by our organization to set ourselves apart from third-party logistics companies, our main competitors in the logistics sector. As a result, the number of people in this sector increased more than double compared with one year earlier.

We continued to enlarge the target for recruitment. The number of people registered on our Job Paper website is now more than 50,000. We also strengthened our regional marketing activities to conduct recruiting activities that are efficient and have a high matching success ratio. There were also measures to upgrade administrative operations. All these actions improved our employee retention ratio. The result was an increase of more than 4,000 in the number of people placed at client companies compared with one year earlier, which made a contribution to sales growth.

In Fukushima prefecture, we have been recruiting people affected by the March 2011 earthquake and tsunami for some time on an outsourcing basis. During the almost seven-year period since this disaster, we have created jobs for more than 15,000 people.

As a result, sales were 41,654 million yen, up 38.3% year on year and segment profits increased 24.4% to 2,587 million yen.

Technology Business

In response to the shortage of engineers at companies in Japan, we established a training program that makes it possible to recruit experienced engineers as well as new college graduates and inexperienced individuals who agree to undergo training. This business continued to grow due to these activities. Our Design Center provides training to turn inexperienced people into engineers. At this center, we are working with Advan Inc. to offer courses for mechanical design engineers and system integration engineers (server virtualization, Java programming, embedded controls, etc.), two fields where there is strong demand at companies. These activities have produced more than 200 new engineers, including new college graduates. Furthermore, there was steady progress with the placement of people undergoing training. All these measures contributed to the growth in sales and earnings in this business.

The repair section, which handles audio-visual products and home appliances, concentrated on serving high-volume retailers because this is a growing market sector. The business also increased services provided to companies in the logistics sector by leveraging its inspection expertise, which is a key strength. Nikken Techno Co., Ltd. used structural reforms to aim for growth in the camera repair market. In the construction section, which specialized in building construction, the system for hiring and placing inexperienced workers was reexamined and other actions were taken to establish a foundation for growth in 2018 and afterward.

Sales were 12,155 million yen, up 17.6% year on year and segment profits increased 24.4% to 1,263 million yen.

R&D Business

As one of the leading company in the Japanese market for outsourced R&D services, mainly involving chemicals and biotechnology, we are creating an even higher quality training environment for employees with the goal of providing services that have more added value. Recruiting outstanding people is another goal. As a result, the R&D Business continued to grow in 2017. Another priority is the establishment of a training infrastructure that can give research engineers highly advanced specialized skills. One step to create this framework was the signing in 2017 of joint research agreements with two universities: Teranishi Laboratory of the Institute for Chemical Research of Kyoto University and Inui Laboratory of the Graduate School of Life and Environmental Sciences of Osaka Prefecture University. We also focused on branding to reinforce the market profile of this business. Recruiting research personnel with outstanding skills was another theme of the year.

DOT World Co., Ltd. is a clinical research outsourcing company that performs clinical trials for client companies. By using the growing number of people who have completed its training programs, this company has created an infrastructure capable of meeting customers’ needs with flexibility. This framework improved efficiency, resulting in a performance in 2017 that surpassed the plan.

Sales were 6,489 million yen, up 17.3% year on year and segment profits increased 11.0% to 634 million yen.

Sales & Marketing Business

To continue growing in this business, we created a more independent internal organization in order to specialize in the temporary placements based on registrations. We reexamined the job categories and business domains covered and other aspects of operations in order to build a more powerful foundation for this business. Although earnings decreased, these actions boosted sales because of higher sales per employee associated with an improvement in workforce utilization efficiency.

Sales were 5,741 million yen, up 1.5% year on year and segment profits decreased 26.1% to 219 million yen.

Real Estate Business

Sales and earnings in this business are recognized when the sale of a property closes. Business operations are conducted by using a strategy that minimizes risk exposure while constantly monitoring changes in market conditions in areas where we operate. In 2017, there was a large number of closings in the fourth quarter at development projects. In addition, the renovation business continued to grow throughout the year and sales of prefabricated houses were strong. This business also includes the detached house business of Hoei Construction. As a result, the Real Estate Business, which has an extremely well-balanced composition of sales, recorded all-time high sales in 2017.

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

The development business completed the sale of 170 condominium units, mainly at One Park Residential Towers and Residential Morisekinoshita. In addition, 10 sites for business use were sold. The result was property sales of 26,138 million yen. Sales from real estate brokerage and other activities totaled 2,813 million yen.

In the renovation business, 508 residences were sold due to the procurement as planned of properties in 2016. Sales totaled 9,767 million yen. Due to the outlook for more growth in this business sector, Mikuni Co., Ltd. reinforced branding activities with measures that included TV commercials and other investments.

In the detached house business, Hoei Construction posted strong sales in Hokkaido of houses using its Challenge 999 brand. Sales and closings were both steady at this company’s large development project in the Shinhassamu district of Sapporo. In addition, sales closed for 343 custom-built houses. The result was sales of 8,251 million yen.

In the prefabricated house business, sales were strong at Omachi World Co., Ltd. in the Tohoku region, its primary market, as well as in Kyushu, a new strategic area for this company. The rental business and sales of existing prefabricated houses also performed well. Sales totaled 2,110 million yen as a result.

Sales were 49,080 million yen, up 42.3% year on year and segment profits decreased 10.4% to 4,635 million yen.

Information and Telecommunications Business

Competition continues to become even more intense in Japan’s mobile phone sales sector, which has become a mature market. Customers can choose services from major communication carriers as well as mobile virtual network operators. Furthermore, inexpensive smartphones are readily available. Japan now has a very large number of mobile phone rate plans and services provided by the main brands of major carriers and a variety of secondary brands. To retain our appeal among customers, we made investments to renovate and relocate stores and open new ones. We also gave our people training to give them excellent skills for interacting with customers. As a result, the number of directly-owned stores rose to 52 and our market share in Kyushu increased. Sales were higher than in 2016 as the growth rate in the number of mobile phones sold exceeded the national average. However, earnings were down mostly because of investments in stores, a decrease in some fees and higher promotion expenses.

This business also includes services that enable small and midsize companies to cut costs. Performance in 2017 benefited from the addition of salespeople and a reexamination of purchasing activities in the environmental business, which includes the sale of LED lights. Furthermore, the product lineup was expanded. The result was strong sales and earnings.

Sales were 9,167 million yen, up 18.4% year on year and segment profits decreased 89.7% to 25 million yen.

Others

There was a big increase in sales at Advan Inc. mostly because of higher PC school sales and, in the creative sector, growth in website design and creation sales and in online sales. Advan developed its own engineer training program with the cooperation of the Human Resources and Education Business. This program helped improve the skills of engineers in the Technology Business, a synergy that produced a major benefit for the entire group.

Farm Co., Ltd., which became a subsidiary in 2017, and its subsidiary operate an agricultural park business. To quickly rebuild this business, personnel and business processes were reexamined and actions were taken to increase employees' motivation. In addition, a thorough investigation of operations was conducted. These measures are enabling Farm to make preparations for a realignment of its facilities and investments in 2018.

Sales were 2,856 million yen, up 499.7% year on year and there was a segment loss of 272 million yen, compared with a segment profit of 17 million yen in 2016.

(2) Financial Position

Assets

Total assets increased 6,647 million yen from the end of 2016 to 80,039 million yen at the end of 2017. This was mainly due to increases of 2,456 million yen in cash and deposits resulting from the acquisition of subsidiaries, 2,829 million yen in real estate for sale, 2,635 million yen in property, plant and equipment, and 1,869 million yen in notes and accounts receivable-trade, and a 4,659 million yen decrease in real estate for sale in process.

Liabilities

Total liabilities increased 2,971 million yen from the end of 2016 to 60,899 million yen. This was mainly due to increases of 935 million yen in accounts payable-real estate, 3,233 million yen in short-term loans payable to fund purchases of real estate for sale and the stock of subsidiaries, and 1,010 million yen in accrued expenses, and a 2,818 million yen decrease in long-term loans payable resulting from repayments associated with the sale of real estate for sale and real estate for sale in process.

Net assets

Net assets increased 3,675 million yen from the end of 2016 to 19,140 million yen mainly due to a 3,335 million yen increase in retained earnings.

(3) Cash Flows

Cash and cash equivalents at the end of 2017 increased 2,462 million yen from the end of 2016 to 18,227 million yen.

Cash flows from operating activities

Net cash provided by operating activities was 8,159 million yen. Main positive factors include profit before income taxes of 7,204 million yen and a 4,496 million yen decrease in real estate for sale. Major negative factors include a 1,777 million yen increase in notes and accounts receivable-trade and income taxes paid of 4,381 million yen.

Cash flows from investing activities

Net cash used in investing activities was 2,668 million yen. Main positive factors include collection of loans receivable of 183 million yen. Main negative factors include payments of 901 million yen for purchase of property, plant and equipment and 2,022 million yen for purchase of shares of subsidiaries resulting in change in scope of consolidation.

Cash flows from financing activities

Net cash used in financing activities was 3,058 million yen. Main positive factors include a net increase of 2,998 million yen in short-term loans payable and proceeds of 5,048 million yen from long-term loans payable. Main negative factors include repayments of long-term loans payable of 9,606 million yen and cash dividends paid of 1,258 million yen.

Reference: Cash flow indicators

	2013	2014	2015	2016	2017
Equity ratio (%)	18.7	16.1	19.2	19.4	22.3
Market value-based equity ratio (%)	37.4	44.7	42.3	46.8	75.3
Interest-bearing debt to cash flow ratio (%)	(722.9)	1,373.7	(704.2)	(1,159.2)	522.8
Interest coverage ratio (times)	(23.8)	19.7	(31.5)	(21.7)	36.3

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 82.70 yen per share for 2017, as stated in "Notice of Differences between Forecast and Results of Operations and Dividends from Surplus" announced on February 13, 2018.

We plan to pay a year-end dividend of 82.80 yen per share for 2018 in accordance with this policy.

(5) Outlook

Japan's economy is expected to continue to recover. An economic downturn in Asia is possible and there is increasing geopolitical risk due to many sources of tension. However, Japan's exports are likely to continue growing along with the global economic recovery and internal demand is also likely to increase.

The World Holdings Group is currently implementing the New Medium-term Management Plan 2021. Based on this plan, we are expanding operations to new fields, chiefly associated with existing businesses, and aiming for the best possible level of earnings. We are also making substantial investments with long-term perspectives. All activities are aimed at building a stable and powerful foundation for business operations so the Group can continue to grow.

In the Human Resources and Education Business, the realignment of the temporary staffing business is likely to gain momentum in 2018 and afterward due to the effects of amendments to the Worker Dispatching Act. The goal of the World Holdings Group is to differentiate its services by creating an organization that combines career development support with education and training to produce people who are highly motivated. We want to steadily raise the speed at which we create a cycle that produces an environment in which we can provide services at increasingly higher levels. Building an organization with strength and depth for both people and technologies is another goal. By clearly establishing a distinctive position within our business domains, we plan to extend our operations to previously undeveloped categories of people, companies and technologies. We believe this will open up new potential for the outsourcing business.

The Real Estate Business is highly vulnerable to changes in the economy and changes in regional business climates. This business is using up-to-date information about market trends and other subjects acquired from its nationwide network to create strategies targeting individual regions. We are controlling the timing of purchases and sales and aiming for operations with the most suitable size as well as stability. At the same time, we will make substantial investments in new real estate business domains and geographic regions where there are attractive opportunities in order to grow.

As industries associated with the Information and Telecommunications Business undergo a realignment, we will continue making investments in stores and employee training. We are determined to assemble a network of outstanding stores that are needed by the residents of the areas served by each store. We plan to use this network to build stronger ties with mobile communication carriers and our customers. This business will continue to sell mobile phones and other products that produce a steady revenue stream. Moreover, we intend to leverage the sales and operational skills associated with these products to become among the first to take part in promoting new IT products. Becoming even more profitable is the objective.

The New Medium-term Management Plan 2021 has the goals of raising sales to 200 billion yen and operating profit to 10 billion yen in 2021, the plan’s final year. We plan to reach these goals by extending our three core businesses into more peripheral fields while continuing to use mergers and acquisitions to add businesses to our group.

Based on the above, we forecast net sales of 145,137 million yen (up 14.1% year on year), operating profit of 7,288 million yen (up 3.2% year on year), ordinary profit of 7,083 million yen (up 1.1% year on year), and profit attributable to owners of parent of 4,635 million yen (up 0.5% year on year) in 2018.

2. 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.

3. Consolidated Financial Statements and Notes

(1) Consolidated Balance Sheet

(Millions of yen)

	2016 (As of Dec. 31, 2016)	2017 (As of Dec. 31, 2017)
Assets		
Current assets		
Cash and deposits	15,770	18,227
Notes and accounts receivable-trade	8,334	10,204
Merchandise and finished goods	630	889
Real estate for sale	9,495	12,324
Work in process	105	117
Real estate for sale in process	29,344	24,684
Deferred tax assets	466	416
Other	2,852	3,499
Allowance for doubtful accounts	(3)	(48)
Total current assets	66,996	70,315
Non-current assets		
Property, plant and equipment		
Buildings and structures	1,051	8,362
Accumulated depreciation	(537)	(6,848)
Buildings and structures, net	514	1,513
Land	873	1,961
Other	1,912	3,308
Accumulated depreciation	(1,229)	(2,076)
Other, net	683	1,232
Total property, plant and equipment	2,071	4,707
Intangible assets		
Goodwill	1,521	1,552
Other	350	368
Total intangible assets	1,872	1,921
Investments and other assets		
Investment securities	636	821
Deferred tax assets	469	659
Lease and guarantee deposits	691	847
Other	732	845
Allowance for doubtful accounts	(77)	(77)
Total investments and other assets	2,451	3,094
Total non-current assets	6,395	9,724
Total assets	73,392	80,039

(Millions of yen)

	2016 (As of Dec. 31, 2016)	2017 (As of Dec. 31, 2017)
Liabilities		
Current liabilities		
Notes and accounts payable-trade	991	1,286
Accounts payable-real estate	251	1,187
Short-term loans payable	29,861	33,094
Accrued expenses	4,817	5,827
Income taxes payable	1,817	1,509
Accrued consumption taxes	1,877	1,323
Provision for bonuses	59	72
Other	4,341	4,874
Total current liabilities	44,018	49,175
Non-current liabilities		
Long-term loans payable	12,384	9,566
Provision for directors' retirement benefits	79	547
Net defined benefit liability	1,097	1,181
Other	348	428
Total non-current liabilities	13,909	11,724
Total liabilities	57,928	60,899
Net assets		
Shareholders' equity		
Capital stock	701	768
Capital surplus	895	949
Retained earnings	12,833	16,169
Treasury shares	(126)	(126)
Total shareholders' equity	14,303	17,761
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	26	36
Foreign currency translation adjustment	8	11
Remeasurements of defined benefit plans	(136)	9
Total accumulated other comprehensive income	(102)	57
Subscription rights to shares	162	133
Non-controlling interests	1,099	1,187
Total net assets	15,464	19,140
Total liabilities and net assets	73,392	80,039

(2) Consolidated Statements of Income and Comprehensive Income

Consolidated Statement of Income

(Millions of yen)

	2016 (Jan. 1 – Dec. 31, 2016)	2017 (Jan. 1 – Dec. 31, 2017)
Net sales	94,334	127,147
Cost of sales	73,315	101,878
Gross profit	21,019	25,268
Selling, general and administrative expenses		
Provision of allowance for doubtful accounts	(32)	0
Bad debts expenses	41	-
Directors’ compensations	344	435
Salaries and allowances	4,597	6,224
Provision for bonuses	54	29
Retirement benefit expenses	54	65
Provision for directors’ retirement benefits	2	71
Welfare expenses	884	1,123
Depreciation	218	412
Rent expenses	774	1,017
Amortization of goodwill	690	656
Other	5,980	8,166
Total selling, general and administrative expenses	13,611	18,203
Operating profit	7,407	7,064
Non-operating income		
Interest and dividend income	12	15
Subsidy income	13	21
Income of support to investment in property and equipment	-	42
Other	119	171
Total non-operating income	144	250
Non-operating expenses		
Interest expenses	169	226
Loss on retirement of non-current assets	16	28
Other	59	52
Total non-operating expenses	246	307
Ordinary profit	7,306	7,007
Extraordinary income		
Gain on sales of non-current assets	-	331
Gain on forgiveness of debts	-	330
Total extraordinary income	-	661
Extraordinary losses		
Impairment loss	366	351
Loss on valuation of shares of subsidiaries and associates	112	114
Total extraordinary losses	478	465
Profit before income taxes	6,827	7,204
Income taxes-current	2,819	2,449
Income taxes-deferred	(292)	24
Total income taxes	2,526	2,474
Profit	4,301	4,730
Profit attributable to non-controlling interests	108	117
Profit attributable to owners of parent	4,192	4,612

Consolidated Statement of Comprehensive Income

(Millions of yen)

	2016 (Jan. 1 – Dec. 31, 2016)	2017 (Jan. 1 – Dec. 31, 2017)
Profit	4,301	4,730
Other comprehensive income		
Valuation difference on available-for-sale securities	(5)	10
Foreign currency translation adjustment	0	7
Remeasurements of defined benefit plans, net of tax	(53)	145
Total other comprehensive income	(59)	163
Comprehensive income	4,241	4,893
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	4,133	4,774
Comprehensive income attributable to non-controlling interests	108	119

(3) Consolidated Statement of Changes in Equity

2016 (Jan. 1 – Dec. 31, 2016)

(Millions of yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of current period	701	895	9,365	(126)	10,835
Changes of items during period					
Dividends of surplus			(763)		(763)
Profit attributable to owners of parent			4,192		4,192
Purchase of treasury shares				(0)	(0)
Stocks of parent company owned by new consolidated subsidiaries				(0)	(0)
Increase by addition of newly consolidated subsidiary			39		39
Net changes of items other than shareholders' equity					
Total changes of items during period	-	-	3,468	(0)	3,467
Balance at end of current period	701	895	12,833	(126)	14,303

	Accumulated other comprehensive income				Subscription rights to shares	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	31	7	(82)	(42)	129	974	11,897
Changes of items during period							
Dividends of surplus							(763)
Profit attributable to owners of parent							4,192
Purchase of treasury shares							(0)
Stocks of parent company owned by new consolidated subsidiaries							(0)
Increase by addition of newly consolidated subsidiary							39
Net changes of items other than shareholders' equity	(5)	0	(53)	(59)	33	124	98
Total changes of items during period	(5)	0	(53)	(59)	33	124	3,566
Balance at end of current period	26	8	(136)	(102)	162	1,099	15,464

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				Subscription rights to shares	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

(4) Consolidated Statement of Cash Flows

(Millions of yen)

	2016 (Jan. 1 – Dec. 31, 2016)	2017 (Jan. 1 – Dec. 31, 2017)
Cash flows from operating activities		
Profit before income taxes	6,827	7,204
Depreciation	320	564
Impairment loss	366	351
Amortization of goodwill	690	656
Increase (decrease) in allowance for doubtful accounts	(17)	(0)
Increase (decrease) in provision for directors’ retirement benefits	2	19
Increase (decrease) in net defined benefit liability	156	207
Interest and dividend income	(12)	(15)
Interest expenses	169	228
Loss on retirement of non-current assets	16	28
Loss on valuation of shares of subsidiaries and associates	112	114
Gain on forgiveness of debt	-	(330)
Decrease (increase) in notes and accounts receivable-trade	(1,297)	(1,777)
Decrease (increase) in inventories	(112)	(197)
Decrease (increase) in real estate for sale	(10,298)	4,496
Increase (decrease) in notes and accounts payable-trade	(583)	695
Increase (decrease) in accrued expenses	586	1,003
Increase (decrease) in other current liabilities	2,863	(1,287)
Other, net	(75)	37
Subtotal	(284)	11,999
Interest and dividend income received	11	15
Interest expenses paid	(167)	(224)
Income taxes paid	(3,571)	(4,381)
Income taxes refund	368	750
Net cash provided by (used in) operating activities	(3,644)	8,159
Cash flows from investing activities		
Proceeds from withdrawal of time deposits	300	5
Purchase of shares of subsidiaries resulting in change in scope of consolidation	(38)	(2,022)
Purchase of investments in non-consolidated subsidiary	(260)	(276)
Purchase of property, plant and equipment	(1,127)	(901)
Purchase of intangible assets	(323)	(59)
Payments for transfer of business	-	(194)
Net decrease (increase) in lease and guarantee deposits	(27)	(155)
Payments of loans receivable	(95)	(15)
Collection of loans receivable	14	183
Other, net	84	766
Net cash provided by (used in) investing activities	(1,473)	(2,668)
Cash flows from financing activities		
Net increase (decrease) in short-term loans payable	10,453	2,998
Proceeds from long-term loans payable	7,185	5,048
Repayments of long-term loans payable	(6,864)	(9,606)
Repayments of lease obligations	(11)	(23)
Redemption of bonds	-	(245)
Proceeds from issuance of common shares	-	98
Purchase of treasury shares	(0)	-
Cash dividends paid	(763)	(1,258)
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)
Net cash provided by (used in) financing activities	9,999	(3,058)

(Millions of yen)

	2016 (Jan. 1 – Dec. 31, 2016)	2017 (Jan. 1 – Dec. 31, 2017)
Effect of exchange rate change on cash and cash equivalents	(5)	6
Net increase (decrease) in cash and cash equivalents	4,875	2,438
Cash and cash equivalents at beginning of period	10,769	15,764
Increase in cash and cash equivalents from newly consolidated subsidiary	119	68
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	15,764	18,227

(5) Notes to Consolidated Financial Statements

Going Concern Assumption

Not applicable.

Additional Information

Application of Implementation Guidance on Recoverability of Deferred Tax Assets

Effective from 2017, the Company has applied the “Implementation Guidance on Recoverability of Deferred Tax Assets” (Accounting Standards Board of Japan (ASBJ) Guidance No. 26, March 28, 2016).

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 business, technology business, R&D business, sales & marketing business, real estate business, and information and telecommunications business.

Overview of each business segment is as follows.

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

(2) Technology 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 Business: Temporary staffing for research personnel and clinical personnel, clinical research outsourcing

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

(5) Real Estate Business: Sale of residences and residential building sites, condominium management and 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 information and telecommunications products, sale of office automation products

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

2016 (Jan. 1 – Dec. 31, 2016)

(Millions of yen)

	Reportable segment							Other (Note 1)	Total	Adjust-ments (Note 2)	Amounts shown on consolidated financial statements (Note 3)
	Factory Business	Technology Business	R&D Business	Sales & Marketing Business	Real Estate Business	Information and Telecommuni-cations Business	Subtotal				
Net sales											
Sales to external customers	30,111	10,334	5,533	5,654	34,481	7,742	93,858	476	94,334	-	94,334
Inter-segment sales and transfers	0	362	-	1	10	4	380	34	415	(415)	-
Total	30,112	10,697	5,533	5,656	34,491	7,747	94,238	511	94,749	(415)	94,334
Segment profit	2,080	1,015	571	296	5,171	244	9,380	17	9,398	(1,990)	7,407
Segment assets	4,658	2,097	1,101	944	54,618	3,350	66,769	152	66,922	6,470	73,392
Other items											
Depreciation	2	9	2	1	143	52	212	1	213	107	320
Amortization of goodwill	-	-	-	-	502	8	510	-	510	179	690
Impairment loss	-	-	-	-	-	2	2	-	2	364	366
Increase in property, plant and equipment and intangible assets	1	183	2	9	993	112	1,302	1	1,303	314	1,618

Notes: 1. “Others” represent businesses not included in a reportable segment and includes outsourced government agency tasks, a personal computer school and other services.

2. Contents of adjustments are as follows.

(1) The -1,990 million yen adjustment to segment profit includes elimination for inter-segment transactions of 20 million yen, and -2,010 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 6,470 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 107 million yen adjustment to depreciation is related to corporate assets that are not allocated to any of the reportable segments.

(4) The 179 million yen adjustment to amortization of goodwill is not allocated to any of the reportable segments.

(5) The 364 million yen adjustment to impairment loss is related to corporate assets that are not allocated to any of the reportable segments.

(6) The 314 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 profits are adjusted to be consistent with operating profit shown on the consolidated statement of income.

2017 (Jan. 1 – Dec. 31, 2017)

(Millions of yen)

	Reportable segment							Other (Note 1)	Total	Adjust-ments (Note 2)	Amounts shown on consolidated financial statements (Note 3)
	Factory Business	Technology Business	R&D Business	Sales & Marketing 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	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 a reportable segment and includes the operation and management of agricultural parks, a personal computer school, the production of websites and other services.

2. Contents of adjustments are as follows.

(1) The -2,029 million yen adjustment to segment profit 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 profits are adjusted to be consistent with operating profit shown on the consolidated statement of income.

Per-share Information

(Yen)

	2016 (Jan. 1 – Dec. 31, 2016)	2017 (Jan. 1 – Dec. 31, 2017)
Net assets per share	850.00	1,059.91
Net income per share	250.92	275.35
Diluted net income per share	248.30	270.68

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

	2016 (Jan. 1 – Dec. 31, 2016)	2017 (Jan. 1 – Dec. 31, 2017)
Net income per share		
Profit attributable to owners of parent (Millions of yen)	4,192	4,612
Amount not attributable to common shareholders (Millions of yen)	-	-
Profit attributable to owners of parent applicable to common stock (Millions of yen)	4,192	4,612
Average number of common stock outstanding during the period (Shares)	16,707,781	16,750,222
Diluted net income per share		
Adjustment to profit attributable to owners of parent (Millions of yen)	-	-
Increase in number of common stock (Shares)	176,524	288,831
[of which subscription rights to shares (Shares)]	[176,524]	[288,831]
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.

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.