



Consolidated Financial Results for the First Quarter of 2019 (Three Months Ended March 31, 2019)

[Japanese GAAP]

May 7, 2019

Company name: WORLD HOLDINGS CO., LTD.

Listing: Tokyo Stock Exchange, First Section

Stock code: 2429

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Scheduled date of filing of Quarterly Report:

May 14, 2019

Scheduled date of payment of dividend:

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Preparation of supplementary materials for quarterly financial results: Yes

Holding of quarterly financial results meeting:

None

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

1. Consolidated Financial Results for the First Quarter of 2019 (January 1 to March 31, 2019)

(1) Consolidated results of operations

(Percentages represent year-on-year changes)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
Three months ended Mar. 31, 2019	30,614	1.7	162	(71.5)	159	(71.1)	11	(92.5)
Three months ended Mar. 31, 2018	30,111	3.6	570	(69.1)	553	(69.5)	148	(86.6)

Note: Comprehensive income (millions of yen)

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

Three months ended Mar. 31, 2018: 180 (down 84.3%)

	Net income per share		Diluted net income per share	
	Yen		Yen	
Three months ended Mar. 31, 2019	0.66		0.65	
Three months ended Mar. 31, 2018	8.83		8.68	

(2) Consolidated financial position

	Total assets		Net assets		Equity ratio		Net assets per share	
	Million yen		Million yen		%		Yen	
As of Mar. 31, 2019	77,887		20,925		25.3		1,168.49	
As of Dec. 31, 2018	79,964		22,347		26.3		1,249.02	

Reference: Shareholders' equity (millions of yen)

As of Mar. 31, 2019: 19,672

As of Dec. 31, 2018: 21,028

2. Dividends

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

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

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

(Percentages represent year-on-year changes)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent		Net income per share
	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Yen
First half	66,514	3.3	1,057	(47.3)	992	(50.4)	605	(43.9)	35.96
Full year	155,452	8.8	6,049	(17.9)	5,910	(19.7)	3,672	(21.0)	218.11

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 10 for further information.

(3) Changes in accounting policies and accounting-based estimates, and restatements

1) Changes in accounting policies due to revisions in accounting standards, others: None

2) Changes in accounting policies other than 1) above: None

3) Changes in accounting-based estimates: None

4) Restatements: None

(4) Number of shares issued (common stock)

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

As of Mar. 31, 2019:	16,956,600 shares	As of Dec. 31, 2018:	16,956,600 shares
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2) Number of treasury shares at the end of the period

As of Mar. 31, 2019:	120,952 shares	As of Dec. 31, 2018:	120,929 shares
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3) Average number of shares during the period

Three months ended Mar. 31, 2019:	16,835,656 shares	Three months ended Mar. 31, 2018:	16,815,313 shares
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* The current financial report is not subject to quarterly review by certified public accountants or auditing firms.

* Cautionary statement with respect to forward-looking statements, and other special items

Cautionary statement with respect to forecasts

Forecasts of future performance in this document are based on assumption judged to be valid and information currently available to the Company’s management, but are not promises by the Company regarding future performance. Actual results may differ materially from the forecasts for a number of reasons. Please refer to “1. Qualitative Information on Quarterly Consolidated Financial Performance, (3) Explanation of Consolidated Forecast and Other Forward-looking Statements” on page 5 for forecast assumptions and notes of caution for usage.

How to view supplementary materials for financial results

Supplementary materials for the quarterly financial results will be disclosed today (May 7, 2019), using the Timely Disclosure network (TDnet).

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1. Qualitative Information on Quarterly Consolidated Financial Performance

(1) Explanation of Results of Operations

There was a downturn in sentiment in many business sectors in Japan in the first quarter of 2019 in response to slower economic growth in China, lackluster IT demand, Japan's chronic labor shortage, the rebound in the price of crude oil and other reasons.

The World Holdings Group achieved higher sales in the first quarter but earnings fell. Performance benefited from the steady growth of the core Human Resources and Education Business as group companies took actions in line with work-style reform measures in Japan. However, a reexamination of the Real Estate Business strategy due to changing market conditions and investments for future growth in the Information and Telecommunications Business had a negative impact on first quarter performance.

The Human Resources and Education Business has the strategic goal of making our brand more powerful (increasing the ability to attract people and clients) in order to more clearly differentiate us from competitors. To build a base for accomplishing this goal, this business made investments for strengthening training programs that develop the skills of its workforce and for restructuring the personnel system. Even while making these investments, this business continued to increase sales and earnings, making a contribution to the growth of the entire World Holdings Group.

The Real Estate Business continues to use a cautious stance regarding purchases and sales of properties because of persistently high prices of real estate that have signs of an asset bubble. In addition, there were activities during the first quarter to make the brand stronger, primarily for renovation activities.

The Information and Telecommunications Business is closing and consolidating stores to build a network of highly competitive stores in response to the major shift taking place in Japan's mobile phone sales market. Providing more solutions for corporate clients is another priority of this business.

Net sales increased 1.7% year on year to 30,614 million yen. Operating profit decreased 71.5% to 162 million yen, ordinary profit decreased 71.1% to 159 million yen, and profit attributable to owners of parent decreased 92.5% to 11 million yen.

Results by business segment are described below.

Factory Staffing Business

There were activities for growth in the core logistics category and for the growth of operations at subcontracting locations in many industries. We also made investments aimed at growth in order to differentiate operations from those of competitors.

In the logistics sector, sales and earnings continued to increase along with measures to achieve stable operations at locations that were opened in 2018. Training programs for specific job categories and levels, chiefly managers, are another key activity in this sector in order to prepare for the addition of more locations in 2020 and afterward.

In the machinery and electrical/electronic products and semiconductor sectors, performance was affected by production cuts and other actions in response to changing market conditions due to continuing U.S.-China trade friction and other factors. To capture high-volume contracts in the second half of 2019, there were measures to strengthen subcontracting operations and provide customers with teams of workers. In addition, we upgraded recruiting, education and administrative capabilities in this sector.

We are recruiting people from an increasingly broader range of skills, backgrounds and other characteristics by using our Job Paper website, which has more than 64,000 people registered. Separately, we hired about 270 new college graduates and immediately assigned them to locations, mainly subcontracting business sites, where they can develop their skills.

In 2019, we will start using in stages a new personnel system that was created with the assistance of companies outside the World Holdings Group. We plan to have a system that provides the same pay for the same work starting in April 2020. There is also steady progress involving work-style reform initiatives. In addition, preparations have been made for the provision of new solution packages to customers.

As a result, sales were 11,785 million yen, up 4.1% year on year and segment profit decreased 22.5% to 506 million yen.

Technology Staffing Business

There were big increases in the number of people on assignments, sales and earnings due to the success of the Creating the Ways We Live Academy*, a training and skill development scheme that has been a key component of this business for some time.

This academy is consistently supplying design engineers, mainly for the automobile industry, resulting in an increase in the number of client companies. Furthermore, the number of system engineers qualified for JAVA, embedded software, IT network infrastructures and other fields increased. These activities, along with the resulting improvement how customers value our services, resulted in higher fees that contributed to sales and earnings.

Other activities in this business are adapting to the shift of current customers to higher-end business sectors and entering market sectors with good prospects for growth, such as 5G telecommunications and self-driving vehicles. These activities position this business to aim for more growth starting in the second half of 2019.

For recruiting activities, our sound training programs make it possible to hire people who have no experience in a particular technology field. We are also making steady progress with hiring experienced individuals who can become team leaders. In addition, this business hired about 170 new college graduates and quickly placed them in suitable assignments. Overall, these activities resulted in a steady increase in the number of people on assignments.

* The academy is a training platform that gives new and current employees access to a variety of so-called relearning programs. Current employees can change career paths or upgrade existing technology skills. A Design Center teaches 3D-CAD skills to people with no experience involving this technology and a Production Engineering Center gives people training in this field. In addition, in conjunction with Advan Inc., the academy offers JAVA, Python, embedded C and other programming classes, Linux network and other infrastructure training, and other education programs.

Sales were 4,037 million yen, up 28.1% year on year and segment profit increased 41.2% to 354 million yen.

R&D Staffing Business

Sales and earnings increased along with solid performances involving both the temporary placement of research personnel and clinical research outsourcing.

In the research personnel sector, the priorities are recruiting skilled research scientists and giving people training with emphasis on a dedication to providing customers with the best possible services. These activities helped us achieve a strategic increase in the volume of business with current clients in the life sciences category.

About 100 new college graduates were hired, almost 50% more than in 2018, and these people were quickly placed in assignments. As a result, this business is positioned for growth in the second quarter and afterward.

DOT World Co., Ltd., a clinical research outsourcing company, conducted a reconfirmation of its markets and a reexamination of its business activities with the assistance of individuals from outside the World Holdings Group. The company is using this process to implement structural reforms as well as to capture orders for clinical trials for client companies and other projects. Due to these activities, sales and earnings remained firm.

Sales were 1,692 million yen, up 6.2% year on year, and segment profit increased 6.0% to 106 million yen.

Sales & Marketing Staffing Business

This business has reached the final stage of structural reforms that began in 2018. To increase sales and earnings in the second half, the goal is to grow in current business domains while entering other market sectors where the business can add significant value.

In April 2019, World Holdings and JTB Communication Design, Inc. established JW Solution Co., Ltd., for the provision of human resource services to the hotel industry. Substantial demand is anticipated in the hotel industry

for recruiting people. JW Solution plans to supply hotels with Japanese employees as well as with people from other countries who have advanced or designated skills.

Sales were 810 million yen, down 22.5% year on year, and segment loss was 17 million yen, compared with a segment loss of 12 million yen one year earlier.

Real Estate Business

The renovation business, which is using a strategy centered on a powerful brand, performed well and is making progress with establishing a sound base for its operations. The real estate development business is retaining a cautious stance regarding property purchases and sales but was still able to post sales and earnings that were higher than planned. Preparations are under way to start a conversion business in 2020 and we are also considering other new businesses.

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

The real estate development business sold three sites for business use, resulting in property sales of 1,463 million yen. Sales from real estate brokerage and other activities totaled 208 million yen.

In the renovation business, 200 residences were sold and sales were 4,636 million yen.

The detached house business completed the sale of 58 custom-build and other houses and recorded sales of 1,548 million yen.

In the prefabricated house business, sales from rentals, sales and other activities totaled 436 million yen.

Sales were 8,291 million yen, down 9.8% year on year and segment loss was 23 million yen, compared with segment profit of 217 million yen one year earlier.

Information and Telecommunications Business

To resume growing in the second half of 2019, the mobile phone shop business made investments for training its workforce in order to improve the reputation of stores and the ability of store personnel to provide outstanding services. In addition, some stores were closed or consolidated in order to establish a network of highly competitive stores that can fully benefit from being one of the few remaining mobile phone retailers in Japan. As a result, there were 47 directly operated stores at the end of the first quarter.

The corporate solutions business expanded its operations to include Kumamoto and Kagoshima prefectures and added new products. Furthermore, there were activities to capture more synergies with World Holdings Group companies, such as the consideration of using the outstanding sales skills of this business to assist other companies with their sales activities.

Sales were 3,369 million yen, up 0.6% year on year, and segment loss was 88 million yen, compared with a segment profit of 37 million yen one year earlier.

Others

At Advan Inc., which mainly operates PC schools, the creative sector, which includes website production and other subjects, performed well. In addition, Advan increased synergies with other group companies by making a big contribution to training the employees of the Human Resources and Education Business.

Farm Co., Ltd. and its affiliate operate agricultural parks. There is steady progress with the revitalization of all of these parks. Most significantly, the number of visitors at Blumen Hugel Farm, an agricultural park in Shiga prefecture, was almost twice as high as one year earlier following the March 2019 opening at this park of an enormous athletic facility called Alps Gym.

Sales were 628 million yen, up 38.2% year on year, and there was a segment loss of 126 million yen, compared with a segment loss of 196 million yen one year earlier.

(2) Explanation of Financial Position

Assets

Total assets decreased 2,076 million yen from the end of 2018 to 77,887 million yen at the end of the first quarter of 2019. This was mainly due to decreases of 4,068 million yen in cash and deposits, 1,002 million yen in notes and accounts receivable-trade, and increases of 808 million yen in real estate for sale and 2,211 million yen in real estate for sale in process.

Liabilities

Total liabilities decreased 654 million yen from the end of 2018 to 56,961 million yen. This was mainly due to decreases of 766 million yen in accounts payable-real estate and 1,524 million yen in income taxes payable, and an increase of 1,734 million yen in long-term loans payable.

Net assets

Net assets decreased 1,422 million yen from the end of 2018 to 20,925 million yen mainly due to a 1,368 million yen decrease in retained earnings.

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

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

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

(Millions of yen)

	2018 (As of Dec. 31, 2018)	First quarter of 2019 (As of Mar. 31, 2019)
Assets		
Current assets		
Cash and deposits	18,825	14,756
Notes and accounts receivable-trade	11,252	10,250
Merchandise and finished goods	1,032	1,324
Real estate for sale	13,193	14,001
Work in process	129	133
Real estate for sale in process	21,124	23,335
Other	4,270	3,980
Allowance for doubtful accounts	(5)	(6)
Total current assets	69,823	67,776
Non-current assets		
Property, plant and equipment	5,439	5,568
Intangible assets		
Goodwill	1,046	893
Other	312	313
Total intangible assets	1,359	1,206
Investments and other assets		
Investment securities	442	424
Deferred tax assets	1,178	1,243
Lease and guarantee deposits	917	957
Other	878	784
Allowance for doubtful accounts	(74)	(74)
Total investments and other assets	3,342	3,335
Total non-current assets	10,140	10,110
Total assets	79,964	77,887
Liabilities		
Current liabilities		
Notes and accounts payable-trade	1,531	1,352
Accounts payable-real estate	1,818	1,052
Short-term loans payable	28,321	27,943
Accrued expenses	5,963	5,283
Income taxes payable	1,877	353
Accrued consumption taxes	1,217	1,094
Provision for bonuses	111	631
Provision for directors' bonuses	-	0
Other	5,290	6,503
Total current liabilities	46,130	44,216
Non-current liabilities		
Long-term loans payable	9,112	10,846
Provision for directors' retirement benefits	667	168
Net defined benefit liability	1,411	1,467
Other	293	262
Total non-current liabilities	11,485	12,745
Total liabilities	57,616	56,961

(Millions of yen)

	2018 (As of Dec. 31, 2018)	First quarter of 2019 (As of Mar. 31, 2019)
Net assets		
Shareholders' equity		
Capital stock	784	784
Capital surplus	965	976
Retained earnings	19,412	18,043
Treasury shares	(126)	(126)
Total shareholders' equity	21,036	19,677
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	12	8
Foreign currency translation adjustment	1	3
Remeasurements of defined benefit plans	(21)	(16)
Total accumulated other comprehensive income	(8)	(5)
Share acquisition rights	124	124
Non-controlling interests	1,195	1,129
Total net assets	22,347	20,925
Total liabilities and net assets	79,964	77,887

(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 2018 (Jan. 1 - Mar. 31, 2018)	First three months of 2019 (Jan. 1 - Mar. 31, 2019)
Net sales	30,111	30,614
Cost of sales	24,909	25,342
Gross profit	5,201	5,272
Selling, general and administrative expenses	4,631	5,109
Operating profit	570	162
Non-operating income		
Subsidy income	9	7
Income of support to investment in property and equipment	0	14
Other	35	42
Total non-operating income	45	63
Non-operating expenses		
Interest expenses	47	46
Other	15	20
Total non-operating expenses	63	67
Ordinary profit	553	159
Extraordinary income		
Insurance income	-	10
Consumption taxes differential	-	29
Other	-	0
Total extraordinary income	-	39
Extraordinary losses		
Impairment loss	-	4
Loss on disaster	11	7
Total extraordinary losses	11	12
Profit before income taxes	541	187
Income taxes	359	210
Profit (loss)	181	(23)
Profit (loss) attributable to non-controlling interests	33	(34)
Profit attributable to owners of parent	148	11

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

(Millions of yen)

	First three months of 2018 (Jan. 1 - Mar. 31, 2018)	First three months of 2019 (Jan. 1 - Mar. 31, 2019)
Profit (loss)	181	(23)
Other comprehensive income		
Valuation difference on available-for-sale securities	2	(4)
Foreign currency translation adjustment	(6)	4
Remeasurements of defined benefit plans, net of tax	2	4
Total other comprehensive income	(1)	4
Comprehensive income	180	(18)
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	148	13
Comprehensive income attributable to non-controlling interests	32	(32)

(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

Not applicable.

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

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

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

Application of Special Accounting Methods for Presenting Quarterly Consolidated Financial Statements

Calculation of tax expense

The tax expenses are calculated by first reasonably estimating the effective tax rate after the application of tax effect accounting with respect to profit before income taxes for the fiscal year in which the quarter under review falls, and multiplying that rate by the profit before income taxes for the quarter under review. However, the Company uses legally stipulated effective tax rates to calculate tax expenses for cases in which using estimated tax rates gives a noticeably irrational result.

Additional Information

Application of the "Partial Amendments to Accounting Standard for Tax Effect Accounting," etc.

Effective from the first quarter of 2019, the Company has adopted the "Partial Amendments to Accounting Standard for Tax Effect Accounting" (Accounting Standards Board of Japan (ASBJ) Statement No. 28, February 16, 2018) and other related pronouncements. Accordingly, deferred tax assets and deferred tax liabilities have been presented in the investments and other assets section and the non-current liabilities section of the balance sheet, respectively.

Segment Information

I. First three months of 2018 (Jan. 1 – Mar. 31, 2018)

1. Information related to net sales and profit or loss for each reportable segment

(Millions of yen)

	Reportable segment							Others (Note 1)	Total	Adjust- ments (Note 2)	Amounts shown on quarterly consolidated statement of income (Note 3)
	Factory Staffing Business	Technology Staffing Business	R&D Staffing Business	Sales & Marketing Staffing Business	Real Estate Business	Information and Telecommuni- cations Business	Subtotal				
Net sales											
Sales to external customers	11,320	3,151	1,594	1,046	9,194	3,349	29,656	454	30,111	-	30,111
Inter-segment sales and transfers	-	115	-	39	3	4	163	21	184	(184)	-
Total	11,320	3,266	1,594	1,085	9,198	3,354	29,819	475	30,295	(184)	30,111
Segment profit (loss)	653	250	100	(12)	217	37	1,246	(196)	1,049	(478)	570

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 -478 million yen adjustment to segment profit (loss) includes elimination for inter-segment transactions of 12 million yen, and -491 million yen in corporate expenses that cannot be allocated to any of the reportable segments. Corporate expenses mainly consist of general and administrative expenses that are not attributable to any of the reportable segments.

3. Segment profits (loss) are adjusted to be consistent with operating profit shown on the quarterly consolidated statement of income.

2. Information related to impairment losses on non-current assets or goodwill, etc. for each reportable segment

Impairment losses related to non-current assets

Not applicable.

Significant change in goodwill

Not applicable.

Significant gain on bargain purchase

Not applicable.

II. 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 profits (loss) are adjusted to be consistent with operating profit shown on the quarterly consolidated statement of income.

2. Information related to impairment losses on non-current assets or goodwill, etc. for each reportable segment

Impairment losses related to non-current assets

Not applicable.

Significant change in goodwill

There is no significant change.

Significant gain on bargain purchase

Not applicable.

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.