



Consolidated Financial Results for 2019

[Japanese GAAP]

February 10, 2020

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Stock code: 2429

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Scheduled date of Annual General Meeting of Shareholders: March 19, 2020

Scheduled date of payment of dividend: March 23, 2020

Scheduled date of filing of Annual Securities Report: March 23, 2020

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 2019 (January 1 to December 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	%
2019	136,319	(4.6)	4,730	(35.8)	4,805	(34.7)	2,956	(36.4)
2018	142,894	12.4	7,370	4.3	7,357	5.0	4,650	0.8

Note: Comprehensive income (millions of yen) 2019: 3,022 (down 34.2%) 2018: 4,592 (down 6.2%)

	Net income per share	Diluted net income per share	Return on equity	Ordinary profit on total assets	Operating profit to net sales
	Yen	Yen	%	%	%
2019	175.59	174.25	13.5	5.7	3.5
2018	276.38	272.02	23.9	9.2	5.2

Reference: Equity in earnings of affiliates (millions of yen) 2019: - 2018: -

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio	Net assets per share
	Million yen	Million yen	%	Yen
As of Dec. 31, 2019	87,352	23,944	25.9	1,345.71
As of Dec. 31, 2018	79,964	22,347	26.3	1,249.02

Reference: Shareholders' equity (millions of yen) As of Dec. 31, 2019: 22,662 As of Dec. 31, 2018: 21,028

(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
2019	2,708	(2,489)	(2,597)	16,513
2018	9,277	(1,405)	(7,538)	18,824

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	%	%
2018	-	0.00	-	83.00	83.00	1,397	30.0	7.2
2019	-	0.00	-	52.70	52.70	887	30.0	4.1
2020 (forecast)	-	0.00	-	99.80	99.80		30.0	

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

(Percentages represent year-on-year changes)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent		Net income per share
	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Yen
First half	73,566	10.1	2,122	(16.1)	2,733	8.0	1,517	(9.9)	90.13
Full year	159,682	17.1	7,851	66.0	8,338	73.5	5,601	89.5	332.60

*** Notes**

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

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

(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, 2019: 16,961,600 shares As of Dec. 31, 2018: 16,956,600 shares

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

As of Dec. 31, 2019: 121,000 shares As of Dec. 31, 2018: 120,929 shares

3) Average number of shares during the period

2019: 16,837,383 shares 2018: 16,825,751 shares

(Reference) Summary of Non-consolidated Financial Results

Non-consolidated Financial Results for 2019 (January 1 to December 31, 2019)

(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	%
2019	1,652	0.3	37	(77.5)	4,049	1.5	3,986	2.7
2018	1,647	22.2	165	200.7	3,988	(14.7)	3,881	(15.7)

	Net income per share	Diluted net income per share
	Yen	Yen
2019	236.76	234.95
2018	230.70	227.07

(2) Non-consolidated financial position

	Total assets	Net assets	Equity ratio	Net assets per share
	Million yen	Million yen	%	Yen
As of Dec. 31, 2019	41,429	16,211	38.8	955.42
As of Dec. 31, 2018	39,792	13,630	33.9	802.22

Reference: Shareholders' equity (millions of yen)

As of Dec. 31, 2019: 16,089

As of Dec. 31, 2018: 13,505

* The current financial report is not subject to audit by certified public accountants or auditing firms.

* 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, 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. Overview of Results of Operations, (5) Outlook" on page 6 for forecast assumptions and notes of caution for usage.

How to view supplementary materials for financial results

The Company plans to hold a financial results meeting for institutional investors and analysts on Monday, February 17, 2020. Supplementary materials to be distributed at this event will be disclosed on the same day, using the Timely Disclosure network (TDnet), and available on the Company's website.

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1. Overview of Results of Operations

(1) Results of Operations

Economic sentiment in Japan continued to decline during 2019 primarily in the manufacturing sector as exports and capital expenditures decreased along with U.S.-China trade friction and slowing global economic growth. In addition, Japan's labor market remained tight throughout the year, although there was a small decline in shortages in some categories. Limitations on the supply of goods and services due to labor shortages, the rising cost of labor and other factors are exerting downward pressure on economic growth in Japan.

In the Human Resources and Education Business, the core business of World Holdings, there were negative effects in the manufacturing sector of production reductions by some customers because of changes in global market conditions. However, this business performed well mainly because of growth in the technology development category due to past activities to develop a highly trained workforce. Other highlights of the year were a focus on training people for jobs requiring advanced skills and activities to enter new markets, such as by starting a human resources business specializing in tourism. All of these activities during 2019 helped reinforce the stature and distinctive identity of World Holdings in the human resources industry.

The Real Estate Business purchased properties with caution because prices of properties in Japan continue to be at levels indicative of a price bubble. In addition, part of the sale of large sites for business use that had been planned for 2019 was delayed to 2020, resulting in the recognition of part of the sale in 2020 but the recognition of the associated taxes in 2019. This delay reduced sales by 10,004 million yen and operating profit by 1,519 million yen, resulting in big declines in sales and earnings in this business. Prices in Japan's real estate market are expected to decline from the current bubble-like level. We made progress with establishing a broader foundation of this business, such as by starting real estate finance businesses in order to start operations in new categories of the real estate industry.

In the Information and Telecommunications Business, there were many activities during 2019 for developing a framework to establish a sound profit structure during the current transitional period of the mobile phone sales market.

In the Others Business, the operation of agricultural parks, which is a revitalization business that we started in 2017, performed well and posted a profit in 2019.

Net sales decreased 4.6% year on year to 136,319 million yen. Operating profit decreased 35.8% to 4,730 million yen, ordinary profit decreased 34.7% to 4,805 million yen, and profit attributable to owners of parent decreased 36.4% to 2,956 million yen.

Business segment performance was as follows.

Factory Staffing Business

Lower production at some client companies in the smartphone, semiconductor and other sectors had a negative impact on earnings. However, there was growth in the core logistics category. Furthermore, this business took many actions to build a base for growth by increasing the volume of business in market sectors that require expertise involving new technologies, such as 5G mobile communications.

Training activities are one of the highest priorities of this business. Approximately 1,000 people have participated in trainings for specialized skills and for acquiring skills required for team leader and management positions. Education and training contribute to the stability and growth of team assignments and activities performed by teams at client companies, as well as a higher employee retention rate. This business also made progress with opening new business sites. In addition, this business worked on building a sound infrastructure, including preparations for the new human resources system that is scheduled to fully start in 2020. The goal is to become a company that job applicants choose over other opportunities (more ability to attract people).

Recruiting people is difficult because of Japan's labor shortage. In the logistics category, we leveraged our innovative expertise in order to use the consortium model for the receipt of large orders to supply people to client companies during the peak year-end season and at other times. We continued to increase the pool of prospective employees for assignments as the number of people registered on our Job Paper website surpassed 75,000.

As a result, sales were 50,001 million yen, up 1.0% year on year and segment profit decreased 15.5% to 2,679 million yen.

Technology Staffing Business

During 2019, we used human resource development expertise and other know-how to reinforce activities for supporting the career advancement of our engineers. These measures contributed to growth in the volume of business with companies in the automobile, information and telecommunications, and construction engineering industries as well as an increase in the rates for our services. The result was growth of sales and earnings in this business.

The extensive education and training framework of this business make it possible to recruit people across a broad range of skills, backgrounds and other characteristics. As a result, this business has increased the number of people registered for assignments despite the labor shortage in Japan. Education activities for people with little or no experience have been particularly successful for supplying engineers with manufacturing technologies, 3D-CAD engineers and other engineers to companies in the automobile and construction engineering industries. Furthermore, many types of programming, infrastructure and other training programs have resulted in strong placements of people in positions in the information and telecommunications sector. We are taking these training and education programs to an even higher level by expanding and upgrading Creating the Ways We Live Academy, a training and skill development scheme. The objective is to improve our ability to recruit skilled people who already have experience.

Sales were 16,902 million yen, up 11.2% year on year and segment profit increased 31.7% to 1,761 million yen.

R&D Staffing Business

The performance of the research personnel sector was strong because of growth in the pharmaceutical and biotechnology category and the increasing volume of business with current clients by focusing activities on the chemicals industry. In the clinical research outsourcing sector, there were structural reforms in order to increase the capacity utilization rate. By further utilizing relationships established through prior activities, we also made progress with capturing orders for doctor-initiated clinical trials.

For training programs, joint research laboratories with partner universities that perform leading-edge R&D activities were used to give people more advanced skills. These activities are conducted with the University of Tokyo, Kyoto University, Osaka University and other universities. We also strengthened external training programs, chiefly to give people a stronger commitment to hospitality, in order to supply people for positions that demand advanced skills. In addition, this business reinforced its ability to provide technical support to client companies by hiring many people with outstanding research skills.

Sales were 7,108 million yen, up 4.9% year on year, and segment profit increased 27.2% to 711 million yen.

Sales & Marketing Staffing Business

During 2019, work was completed on structural reforms that started in 2018, including measures for the selection of orders to accept, the determination of suitable rates to charge client companies, and the establishment of a stronger administrative framework. This business became profitable by raising the volume of business in current market sectors like high-volume sales, retail operations and call centers. At the recently established JW Solution Co., Ltd., preparations are under way for expanding operations beyond staffing services for the hotel industry to encompass services for the entire tourism industry in order to serve more market sectors.

Sales were 3,761 million yen, up 6.4% year on year, and segment profit was 27 million yen compared with a segment loss of 100 million yen one year earlier.

Real Estate Business

This business retained a cautious stance for purchasing properties because of the risk created by the consistently high prices of real estate in Japan. The delay to 2020 in the recognition of sales and earnings from three large sites for business use for real estate development projects also impacted the performance of this business. The result was big declines in sales and earnings.

Prices in Japan's real estate market are expected to decline from the current bubble-like level. Due to this situation, we are making preparations to start operations in new categories of the real estate industry in 2021 or afterward. For example, we plan to start real estate finance businesses such as asset management and debt

collection.

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

The real estate development business sold 110 condominium units and 11 sites for business use, resulting in property sales of 11,263 million yen. Sales from real estate brokerage and other activities totaled 3,231 million yen.

In the renovation business, 712 residences were sold and sales were 14,513 million yen.

The detached house business completed the sale of 380 custom-build and other houses and recorded sales of 10,962 million yen.

In the prefabricated house business, sales from rental income, house sales and other activities totaled 2,113 million yen.

Sales were 42,082 million yen, down 19.1% year on year and segment profit was 1,460 million yen, down 68.2%.

Information and Telecommunications Business

Major changes are taking place in Japan's mobile phone shop sector as the roles of these shops change because of the mandatory separation of mobile communication service charges and phone payments in accordance with the amended laws, the longer phone replacement cycle, and other events. This business continued to relocate and renovate its mobile phone stores in order to build a network of competitive and successful stores. Activities also include investments in training for upgrading the knowledge and customer service skills of shop personnel. In addition, improvements to the profit structure of the mobile phone shop business resulted in higher earnings in 2019. To enable all group companies to benefit from its sales capabilities, the corporate solutions business increased exchanges of employees with other World Holdings Group companies. The result is even more synergies among group companies.

Sales were 12,344 million yen, down 0.3% year on year, and segment profit increased 193.0% to 10 million yen.

Others

Farm Co., Ltd. and its affiliate operate agricultural parks. These companies joined the World Holdings Group in 2017 for the purpose of revitalizing the agricultural park business. Since then, there have been numerous initiatives, such as restructuring personnel systems and giving people a new mindset regarding their jobs, in order to establish a sound base for park operations. These activities were accompanied by carefully planned and executed marketing programs to attract more people and by capital expenditures. Due to the success of these measures, the number of park visitors and revenue per visitor have increased and park operations have become profitable. In 2019, the number of visitors surpassed one million. A major source of the increase in visitors is Blumen Hügei Farm in Shiga prefecture, where an enormous athletic facility called Alps Gym was constructed. At Advan Inc., which mainly operates PC schools, the website production and other activities are performing well and there are activities to increase synergies with the Human Resources and Education Business. Advan is also playing a significant role in the training of engineers in the Technology Staffing Business.

Sales were 4,118 million yen, up 18.8% year on year, and there was a segment profit of 132 million yen compared with a segment loss of 270 million yen one year earlier.

(2) Financial Position

Assets

Total assets increased 7,388 million yen from the end of 2018 to 87,352 million yen at the end of 2019. This was mainly due to a decrease of 2,312 million yen in cash and deposits and increases of 3,180 million yen in real estate for sale, 5,109 million yen in real estate for sale in process and 413 million yen in investment securities.

Liabilities

Total liabilities increased 5,791 million yen from the end of 2018 to 63,408 million yen. This was mainly due to decreases of 813 million yen in accounts payable-real estate, 620 million yen in short-term loans payable, 650 million yen in income taxes payable and 520 million yen in long-term loans payable, and an increase of 8,785

million yen in advances received.

Net assets

Net assets increased 1,596 million yen from the end of 2018 to 23,944 million yen mainly due to a 1,575 million yen increase in retained earnings.

(3) Cash Flows

Cash and cash equivalents at the end of 2019 decreased 2,311 million yen from the end of 2018 to 16,513 million yen.

Cash flows from operating activities

Net cash provided by operating activities was 2,708 million yen. Main positive factors include profit before income taxes of 4,764 million yen, an 8,877 million yen increase in advances received and income taxes refund of 847 million yen. Major negative factors include an 8,262 million yen increase in real estate for sale and income taxes paid of 3,627 million yen.

Cash flows from investing activities

Net cash used in investing activities was 2,489 million yen. Main positive factors include proceeds from collection of loans of 193 million yen. Main negative factors include payments of 1,475 million yen for purchase of property, plant and equipment and payments of loans receivable of 705 million yen.

Cash flows from financing activities

Net cash used in financing activities was 2,597 million yen. Main positive factors include proceeds of 8,377 million yen from long-term loans payable. Main negative factors include a net decrease of 3,445 million yen in short-term loans payable, repayments of long-term loans payable of 6,071 million yen and cash dividends paid of 1,397 million yen.

Reference: Cash flow indicators

	2015	2016	2017	2018	2019
Equity ratio (%)	19.2	19.4	22.3	26.3	25.9
Market value-based equity ratio (%)	42.3	46.8	75.3	45.3	37.3
Interest-bearing debt to cash flow ratio (%)	(704.2)	(1,159.2)	522.8	403.5	1,340.2
Interest coverage ratio (times)	(31.5)	(21.7)	36.3	45.7	14.7

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 52.70 yen per share for 2019, as stated in "Notice of Differences between Forecast and Results of Operations and Dividends from Surplus" announced on February 10, 2020.

We plan to pay a year-end dividend of 99.80 yen per share for 2020 in accordance with this policy.

(5) Outlook

We believe that the outlook for Japan's economy will become increasingly unclear in 2020 and afterward because of uncertainty about consumer spending, slowing global economic growth and other reasons.

The World Holdings Group is currently implementing the New Medium-term Management Plan 2021, which will end in 2021. The central goal is achieving growth fueled by our own strengths based on our unique identity and an accurate outlook for our medium to long-term prospects. At the same time, we are reexamining every business unit to determine the proper size. Furthermore, we will use risk management for stable growth rather than simply match short-term economic trends. We are determined to establish a distinctive position within the human resources industry while being a constant source of innovative ideas.

In the Human Resources and Education Business, dramatic changes are taking place in the business climate due to amendments to the Worker Dispatching Act, laws associated with working-style reforms, amendments to the Immigration Control Act, and other events. While placing emphasis of improving the quality of our operations, we are taking actions for upgrading the skills of our people and increasing our corporate value in order to continue heightening our stature in the human resources industry.

Training and education are our highest priority. We want employees to use training and education programs to realize their full potential and earn proper recognition for their skills. Raising the value of individuals, and then creating teams of these people, will make it possible to move even faster concerning our long-standing core theme of building a human resources platform. Using this platform to heighten our presence in high-level market sectors will enable us to further differentiate our services from those of competitors.

We will seek opportunities across a broad array of business fields. One illustration is our recent establishment of JW Solution Co., Ltd. with JTB Corp. to start providing human resources services in the tourism industry. Adding more market sectors will even better enable us to establish a distinctive position in our industry.

During this extended period of an apparent price bubble in Japan's real estate market, the Real Estate Business is aiming for stable growth by determining the proper size of operations in this environment and clearly defining market sectors for making investments.

One priority is the field of real estate revitalization, which has excellent prospects for growth. We plan to increase the volume of renovations, conversions and other activities while watching closely for signs of a reversal in market conditions. To target more opportunities for growth, we are also making preparations to start real estate finance businesses such as asset management and debt collection.

In the Information and Telecommunications Business, we expect the current phase of closing and consolidating mobile phone stores to continue for several years. We will continue to make investments to build a network of competitive and successful stores in order to benefit as one of the few remaining mobile phone companies. For the corporate solutions business, we are seeking opportunities involving new products and new areas of Japan in order to build a new profit structure that can support consistent growth.

Our plan is to continue growing in a manner that is linked to our unique identity. Growth will be backed by the expansion of these three core businesses while maintaining a suitable scale of operations in each one. In addition, we will seek opportunities in new business fields with the potential of becoming future core businesses.

Based on the above, we forecast net sales of 159,682 million yen (up 17.1% year on year), operating profit of 7,851 million yen (up 66.0% year on year), ordinary profit of 8,338 million yen (up 73.5% year on year), and profit attributable to owners of parent of 5,601 million yen (up 89.5% year on year) in 2020.

2. Management Policy

1) Management Policy

Since its foundation, World Holdings has been dedicated to the corporate philosophy explained below in order to deepen the bonds between people throughout the world. We want to be a source of an environment and a variety of workplaces for even more people to live. All these activities are centered on our social mission of creating platforms for people to lead fulfilling lives.

Corporate philosophy

- Be a company where people have sincere and open relationships
- Be a company that uses business as a place to train and nurture employees in order to be a source of skilled people who have a strong commitment to ethics
- Be a company that constantly makes contributions to society by protecting the environment and using the world's resources in a responsible manner
- Be a company that creates jobs by utilizing the experience and knowledge of people in older age segments
- Be a company where employees have jobs that give them satisfaction, enjoyment and motivation

2) Medium- and Long-term Business Strategy

The strategic objective of World Holdings is consistent and stable growth that uses a business portfolio with three core elements – the Human Resources and Education Business, Real Estate Business and Information and Telecommunications Business – in order to hedge risks involving changes in the economic environment, individual industries and the business sectors where World Holdings operates. Business activities are based on a combination of recurring-revenue businesses that are a source of steady income and one-time-fee businesses that generate sales from individual projects.

3) Challenges

Human Resources and Education Business

Recruiting activities

There is a nationwide labor shortage in Japan caused primarily by the decreasing number of working-age people as the population becomes older and declines. At the World Holdings Group, there is strong demand at client companies for workers, particularly younger people, which is a category where there is an inadequate supply. We believe that recruiting people will become even more difficult in the future.

We are using our strength as a one-stop source of comprehensive services to provide a diverse array of working environments so that we can recruit people across a broad spectrum of skills, backgrounds and other characteristics. We are also continuing to make progress with our “human resources platform” concept. Another theme is building an even stronger framework for enabling our people to enhance their skills and achieve career goals as they do the jobs they want while receiving career advancement support and training from us. Using these activities to increase our ability to attract people and clients by making the World Holdings Group more appealing and making our brand more powerful will help us recruit the outstanding people that we need. Furthermore, we will build on past activities using subcontracting and consortiums in order to recruit people across the largest range of population segments possible. We will work with client companies to provide workplaces for women, seniors and many other categories of prospective employees.

Effects of events outside Japan

In Human Resources and Education Business, the World Holdings Group has considerable expertise concerning services for manufacturers. If U.S.-China trade friction or other events involving other countries reduces manufacturing output in Japan or has other negative effects on the manufacturing sector, the Group's earnings may decline.

We are diversifying our exposure to risk by using our key strength as a one-stop source of comprehensive services in order to serve companies in a broad range of industries. Furthermore, our infrastructure that allows employees to upgrade their skills and advance their careers gives them greater mobility.

New and amended laws for the human resources industry

Compliance with new or amended laws involving the human resources industry, related expenses and changes to business operations and other actions due to these laws may affect earnings.

Recently, there have been a number of new and amended laws, such as the amended Worker Dispatching Act, laws associated with working-style reforms, and the amended Immigration Control Act. The World Holdings Group has been at the forefront of the human resources industry to respond in the full spirit and intent of these laws and take proper actions for solving problems. By using these actions to minimize expenses and build a powerful compliance framework, we intend to further reinforce our stature in our industry.

Real Estate Business

Changing market conditions

The real estate business climate is vulnerable to changes in the economic environment and in different regions of Japan. As a result, a change in market conditions may cause a decline in the number of properties sold and earnings due to the difficulty of purchasing properties, a rapid increase in selling prices and other events over time.

This is why the Real Estate Business has been working on building a well-balanced business portfolio and maximizing profitability. Activities involve conducting one-time-fee businesses that generate sales from individual projects, such as real estate development, and achieving the consistent growth of recurring-revenue businesses that are a source of steady income. In addition, we are using information about current market conditions and trends obtained from our nationwide network of offices for the creation of strategies that match the characteristics of individual regions of Japan. Controlling the timing of purchases and sales as well as other activities will allow us to maintain the proper scale of operations along with stability. Furthermore, we will also increase our investments in new real estate business fields and new regions of Japan with excellent prospects for growth.

Information and Telecommunications Business

Responding to amended laws and changing customer needs

As Japan's mobile phone sales market reaches maturity, amended laws and changes in the needs of customers may cause earnings to decrease because of a decline in the number of phones sold, reductions in fees paid to stores by carriers or other reasons.

This business is placing emphasis on establishing strong relationships with customers and mobile communication carriers. Activities include giving people the training needed to provide customers with excellent hospitality and services and building a network of highly competitive stores. To improve the stability of this business, we are also upgrading services for corporate customers and seeking opportunities to start new businesses. All these measures are aimed at establishing a structure for adapting to changes in the market needs and achieving steady growth.

3. 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.

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

(Millions of yen)

	2018 (As of Dec. 31, 2018)	2019 (As of Dec. 31, 2019)
Assets		
Current assets		
Cash and deposits	18,825	16,513
Notes and accounts receivable-trade	11,252	12,093
Merchandise and finished goods	1,032	813
Real estate for sale	13,193	16,373
Work in process	129	84
Real estate for sale in process	21,124	26,234
Other	4,270	4,814
Allowance for doubtful accounts	(5)	(6)
Total current assets	69,823	76,920
Non-current assets		
Property, plant and equipment		
Buildings and structures	8,731	9,315
Accumulated depreciation	(7,059)	(7,238)
Buildings and structures, net	1,671	2,076
Land	1,988	2,026
Other	3,988	4,316
Accumulated depreciation	(2,209)	(2,500)
Other, net	1,778	1,816
Total property, plant and equipment	5,439	5,919
Intangible assets		
Goodwill	1,046	436
Other	312	254
Total intangible assets	1,359	690
Investments and other assets		
Investment securities	442	856
Deferred tax assets	1,178	1,467
Leasehold and guarantee deposits	917	943
Other	878	777
Allowance for doubtful accounts	(74)	(224)
Total investments and other assets	3,342	3,820
Total non-current assets	10,140	10,431
Total assets	79,964	87,352

	(Millions of yen)	
	2018	2019
	(As of Dec. 31, 2018)	(As of Dec. 31, 2019)
Liabilities		
Current liabilities		
Notes and accounts payable-trade	1,531	1,402
Accounts payable-real estate	1,818	1,004
Short-term loans payable	28,321	27,701
Accrued expenses	5,963	5,786
Advances received	610	9,395
Income taxes payable	1,877	1,226
Accrued consumption taxes	1,217	1,495
Provision for bonuses	111	142
Other	4,684	4,634
Total current liabilities	46,136	52,790
Non-current liabilities		
Long-term loans payable	9,112	8,592
Provision for retirement benefits for directors (and other officers)	667	182
Retirement benefit liability	1,411	1,573
Other	288	268
Total non-current liabilities	11,479	10,617
Total liabilities	57,616	63,408
Net assets		
Shareholders' equity		
Capital stock	784	787
Capital surplus	965	984
Retained earnings	19,412	20,988
Treasury shares	(126)	(127)
Total shareholders' equity	21,036	22,633
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	12	0
Foreign currency translation adjustment	1	0
Remeasurements of defined benefit plans	(21)	28
Total accumulated other comprehensive income	(8)	29
Share acquisition rights	124	122
Non-controlling interests	1,195	1,159
Total net assets	22,347	23,944
Total liabilities and net assets	79,964	87,352

(2) Consolidated Statements of Income and Comprehensive Income**Consolidated Statement of Income**

(Millions of yen)

	2018 (Jan. 1 – Dec. 31, 2018)	2019 (Jan. 1 – Dec. 31, 2019)
Net sales	142,894	136,319
Cost of sales	115,154	110,009
Gross profit	27,740	26,310
Selling, general and administrative expenses		
Provision of allowance for doubtful accounts	0	(5)
Remuneration for directors (and other officers)	475	493
Salaries and allowances	6,932	7,327
Provision for bonuses	52	56
Retirement benefit expenses	69	127
Provision for retirement benefits for directors (and other officers)	115	17
Welfare expenses	1,293	1,361
Depreciation	475	540
Rent expenses	1,132	1,244
Amortization of goodwill	654	614
Other	9,166	9,802
Total selling, general and administrative expenses	20,370	21,580
Operating profit	7,370	4,730
Non-operating income		
Interest and dividend income	30	13
Subsidy income	32	25
Income of support to investment in property and equipment	15	36
Other	189	272
Total non-operating income	267	347
Non-operating expenses		
Interest expenses	195	185
Loss on retirement of non-current assets	20	52
Other	64	34
Total non-operating expenses	280	272
Ordinary profit	7,357	4,805
Extraordinary income		
Insurance income	-	34
Consumption taxes differential	112	146
Total extraordinary income	112	180
Extraordinary losses		
Provision of allowance for doubtful accounts	-	155
Impairment loss	54	44
Loss on valuation of shares of subsidiaries and associates	16	-
Loss on disaster	18	21
Total extraordinary losses	90	221
Profit before income taxes	7,379	4,764
Income taxes-current	2,784	2,091
Income taxes-deferred	(67)	(313)
Total income taxes	2,717	1,777
Profit	4,662	2,986
Profit attributable to non-controlling interests	12	30
Profit attributable to owners of parent	4,650	2,956

Consolidated Statement of Comprehensive Income

(Millions of yen)

	2018 (Jan. 1 – Dec. 31, 2018)	2019 (Jan. 1 – Dec. 31, 2019)
Profit	4,662	2,986
Other comprehensive income		
Valuation difference on available-for-sale securities	(24)	(12)
Foreign currency translation adjustment	(15)	(1)
Remeasurements of defined benefit plans, net of tax	(30)	49
Total other comprehensive income	(70)	35
Comprehensive income	4,592	3,022
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	4,584	2,993
Comprehensive income attributable to non-controlling interests	7	29

(3) Consolidated Statement of Changes in Equity

2018 (Jan. 1 – Dec. 31, 2018)

(Millions of yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of current period	768	949	16,169	(126)	17,761
Changes of items during period					
Issuance of new shares	15	15			31
Dividends of surplus			(1,390)		(1,390)
Profit attributable to owners of parent			4,650		4,650
Purchase of treasury shares				(0)	(0)
Decrease by addition of newly consolidated subsidiary			(16)		(16)
Net changes of items other than shareholders' equity					
Total changes of items during period	15	15	3,243	(0)	3,274
Balance at end of current period	784	965	19,412	(126)	21,036

	Accumulated other comprehensive income				Share acquisition rights	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	36	11	9	57	133	1,187	19,140
Changes of items during period							
Issuance of new shares							31
Dividends of surplus							(1,390)
Profit attributable to owners of parent							4,650
Purchase of treasury shares							(0)
Decrease by addition of newly consolidated subsidiary							(16)
Net changes of items other than shareholders' equity	(24)	(10)	(30)	(65)	(9)	7	(67)
Total changes of items during period	(24)	(10)	(30)	(65)	(9)	7	3,207
Balance at end of current period	12	1	(21)	(8)	124	1,195	22,347

2019 (Jan. 1 – Dec. 31, 2019)

(Millions of yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of current period	784	965	19,412	(126)	21,036
Changes of items during period					
Issuance of new shares	3	3			6
Dividends of surplus			(1,397)		(1,397)
Profit attributable to owners of parent			2,956		2,956
Purchase of treasury shares				(0)	(0)
Increase by addition of newly consolidated subsidiary			16		16
Sales of shares of consolidated subsidiaries		15			15
Net changes of items other than shareholders' equity					
Total changes of items during period	3	18	1,575	(0)	1,597
Balance at end of current period	787	984	20,988	(127)	22,633

	Accumulated other comprehensive income				Share acquisition rights	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	12	1	(21)	(8)	124	1,195	22,347
Changes of items during period							
Issuance of new shares							6
Dividends of surplus							(1,397)
Profit attributable to owners of parent							2,956
Purchase of treasury shares							(0)
Increase by addition of newly consolidated subsidiary							16
Sales of shares of consolidated subsidiaries							15
Net changes of items other than shareholders' equity	(12)	(0)	49	37	(2)	(35)	(0)
Total changes of items during period	(12)	(0)	49	37	(2)	(35)	1,596
Balance at end of current period	0	0	28	29	122	1,159	23,944

(4) Consolidated Statement of Cash Flows

(Millions of yen)

	2018 (Jan. 1 – Dec. 31, 2018)	2019 (Jan. 1 – Dec. 31, 2019)
Cash flows from operating activities		
Profit before income taxes	7,379	4,764
Depreciation	696	834
Impairment loss	54	44
Amortization of goodwill	654	614
Increase (decrease) in allowance for doubtful accounts	(0)	149
Increase (decrease) in provision for retirement benefits for directors (and other officers)	112	(485)
Increase (decrease) in retirement benefit liability	160	234
Interest and dividend income	(30)	(13)
Interest expenses	195	185
Loss on retirement of non-current assets	20	52
Loss on valuation of shares of subsidiaries and associates	16	-
Decrease (increase) in notes and accounts receivable-trade	(929)	(841)
Decrease (increase) in inventories	(82)	271
Decrease (increase) in real estate for sale	3,064	(8,262)
Increase (decrease) in notes and accounts payable-trade	838	(942)
Increase (decrease) in advances received	151	8,877
Increase (decrease) in accrued expenses	100	(176)
Increase (decrease) in other current liabilities	261	202
Other, net	(1,242)	143
Subtotal	11,424	5,654
Interest and dividend income received	22	17
Interest expenses paid	(202)	(183)
Income taxes paid	(3,268)	(3,627)
Income taxes refund	1,301	847
Net cash provided by (used in) operating activities	9,277	2,708
Cash flows from investing activities		
Proceeds from withdrawal of time deposits	0	0
Proceeds from purchase of shares of subsidiaries resulting in change in scope of consolidation	39	-
Purchase of investments in non-consolidated subsidiary	(70)	(441)
Purchase of property, plant and equipment	(1,310)	(1,475)
Purchase of intangible assets	(37)	(127)
Payments for acquisition of businesses	(100)	(4)
Net decrease (increase) in leasehold and guarantee deposits	(75)	(28)
Payments of loans receivable	(27)	(705)
Collection of loans receivable	7	193
Other, net	168	98
Net cash provided by (used in) investing activities	(1,405)	(2,489)

	(Millions of yen)	
	2018	2019
	(Jan. 1 – Dec. 31, 2018)	(Jan. 1 – Dec. 31, 2019)
Cash flows from financing activities		
Net increase (decrease) in short-term loans payable	(6,674)	(3,445)
Proceeds from long-term loans payable	3,625	8,377
Repayments of long-term loans payable	(2,775)	(6,071)
Repayments of lease obligations	(20)	(16)
Redemption of bonds	(290)	-
Proceeds from issuance of common shares	23	4
Purchase of treasury shares	(0)	(0)
Cash dividends paid	(1,390)	(1,397)
Dividends paid to non-controlling interests	-	(48)
Payments from changes in ownership interests in subsidiaries that do not result in change in scope of consolidation	(34)	-
Net cash provided by (used in) financing activities	(7,538)	(2,597)
Effect of exchange rate change on cash and cash equivalents	(13)	(2)
Net increase (decrease) in cash and cash equivalents	320	(2,380)
Cash and cash equivalents at beginning of period	18,227	18,824
Increase in cash and cash equivalents from newly consolidated subsidiary	276	69
Cash and cash equivalents at end of period	18,824	16,513

(5) Notes to Consolidated Financial Statements**Going Concern Assumption**

Not applicable.

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

Overview of each business segment is as follows.

- (1) Factory Staffing Business: Temporary staffing for manufacturing and logistics, subcontracting, outsourced government agency tasks, temporary staffing and employment agency services
- (2) Technology Staffing 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 Staffing Business: Temporary staffing for research personnel and clinical personnel, clinical research outsourcing
- (4) Sales & Marketing Staffing Business: Temporary staffing for store sales people and office workers
- (5) Real Estate Business: Sale of residences and residential building sites, condominium management, 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 telecommunications products, sale of office automation products

2. Calculation methods for net sales, profit or loss, 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, profit or loss, assets and other items for each reportable segment
2018 (Jan. 1 – Dec. 31, 2018)

(Millions of yen)

	Reportable segment							Others (Note 1)	Total	Adjust- ments (Note 2)	Amounts shown on consolidated financial statements (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	49,524	15,200	6,779	3,533	52,011	12,376	139,427	3,467	142,894	-	142,894
Inter-segment sales and transfers	0	463	-	133	17	49	664	106	771	(771)	-
Total	49,525	15,664	6,779	3,667	52,029	12,426	140,091	3,574	143,666	(771)	142,894
Segment profit (loss)	3,169	1,337	559	(100)	4,589	3	9,558	(270)	9,287	(1,917)	7,370
Segment assets	7,367	3,253	1,218	943	52,633	3,841	69,257	2,482	71,740	8,223	79,964
Other items											
Depreciation	7	18	11	1	273	67	380	156	537	159	696
Amortization of goodwill	1	37	-	-	563	25	628	11	639	15	654
Impairment loss	-	-	-	-	17	37	54	-	54	-	54
Increase in property, plant and equipment and intangible assets	6	72	14	0	514	161	769	658	1,428	130	1,558

- 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. Contents of adjustments are as follows.
 - (1) The -1,917 million yen adjustment to segment profit (loss) includes elimination for inter-segment transactions of 16 million yen, and -1,933 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 8,223 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 159 million yen adjustment to depreciation is related to corporate assets that are not allocated to any of the reportable segments.
 - (4) The 15 million yen adjustment to amortization of goodwill is not allocated to any of the reportable segments.
 - (5) The 130 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 profit is adjusted to be consistent with operating profit shown on the consolidated statement of income.

2019 (Jan. 1 – Dec. 31, 2019)

(Millions of yen)

	Reportable segment							Others (Note 1)	Total	Adjust- ments (Note 2)	Amounts shown on consolidated financial statements (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	50,001	16,902	7,108	3,761	42,082	12,344	132,200	4,118	136,319	-	136,319
Inter-segment sales and transfers	-	486	-	112	17	11	627	131	758	(758)	-
Total	50,001	17,389	7,108	3,873	42,099	12,355	132,828	4,249	137,078	(758)	136,319
Segment profit (loss)	2,679	1,761	711	27	1,460	10	6,650	132	6,782	(2,052)	4,730
Segment assets	7,306	3,447	1,188	1,149	56,830	3,493	73,415	2,813	76,229	11,123	87,352
Other items											
Depreciation	10	26	14	0	374	62	489	178	668	166	834
Amortization of goodwill	1	-	-	-	563	33	598	-	598	15	614
Impairment loss	-	-	-	-	-	44	44	-	44	-	44
Increase in property, plant and equipment and intangible assets	22	24	14	-	896	93	1,052	299	1,351	109	1,461

- 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. Contents of adjustments are as follows.
 - (1) The -2,052 million yen adjustment to segment profit (loss) includes elimination for inter-segment transactions of 265 million yen, and -2,317 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 11,123 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 166 million yen adjustment to depreciation is related to corporate assets that are not allocated to any of the reportable segments.
 - (4) The 15 million yen adjustment to amortization of goodwill is not allocated to any of the reportable segments.
 - (5) The 109 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 profit is adjusted to be consistent with operating profit shown on the consolidated statement of income.

Per-share Information

(Yen)

	2018 (Jan. 1 – Dec. 31, 2018)	2019 (Jan. 1 – Dec. 31, 2019)
Net assets per share	1,249.02	1,345.71
Net income per share	276.38	175.59
Diluted net income per share	272.02	174.25

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

	2018 (Jan. 1 – Dec. 31, 2018)	2019 (Jan. 1 – Dec. 31, 2019)
Net income per share		
Profit attributable to owners of parent (Millions of yen)	4,650	2,956
Amount not attributable to common shareholders (Millions of yen)	-	-
Profit attributable to owners of parent applicable to common stock (Millions of yen)	4,650	2,956
Average number of common stock outstanding during the period (Shares)	16,825,751	16,837,383
Diluted net income per share		
Adjustment to profit attributable to owners of parent (Millions of yen)	-	-
Increase in number of common stock (Shares)	269,645	129,522
[of which share acquisition rights (Shares)]	[269,645]	[129,522]
Summary of potentially dilutive shares not included in the calculation of diluted net income per share due to their anti-dilutive effect	-	-

Subsequent Events

Sale of stock of a subsidiary

On January 23, 2020, the World Holdings Board of Directors approved a resolution to sign a contract for the sale of all issued shares of consolidated subsidiary HOEIKENSETSU Co., Ltd. to Endeavor United II Investment Business Limited Partnership, which is operated by Endeavor United Co., Ltd. The contract was signed the same day and the sale of this stock is scheduled to take place in early March 2020.

1. Reason for the sale of stock

Since becoming a subsidiary of World Holdings in January 2017, HOEIKENSETSU has expanded its homebuilding business from its base in Hokkaido to include the Tohoku region and the Tokyo metropolitan area. Due to the strong regional characteristics of the homebuilding business, HOEIKENSETSU required clear superiority over competitors in terms of people, equipment and capital in order to achieve its strategic goals. This situation led to the conclusion that HOEIKENSETSU requires a partner that can work side by side with this company for growth that begins with becoming the leader in the homebuilding market of Hokkaido.

2. Name of buyer

Endeavour United II Investment Business Limited Partnership

3. Schedule

Early March, 2020 (tentative)

4. Outline of the subsidiary

Name:	HOEIKENSETSU Co., Ltd.
Business:	Residential sales, real estate leasing and renovation businesses
Business with World Holdings:	None

5. Number of shares to be sold, selling price, gain or loss on sales and share ownership after the sale

Number of shares to be sold:	400 shares
Selling price:	Not disclosed due to the wishes of the buyer according to a confidentiality agreement
Gain or loss on sales:	Not determined.
Share ownership after the sale:	-%

6. Reportable segment including business operations to be sold

Real Estate Business

5. Others

Consolidated Forecast for the First Half of 2020 (January 1 to June 30, 2020)

(Millions of yen)

	Reportable segment							Others	Adjustments	Total
	Factory Staffing Business	Technology Staffing Business	R&D Staffing Business	Sales & Marketing Staffing Business	Real Estate Business	Information and Telecommunications Business	Subtotal			
Net sales	25,380	8,496	3,603	2,171	26,101	5,619	71,372	2,193	-	73,566
Segment profit	962	563	296	(54)	1,317	115	3,201	112	(1,191)	2,122

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

(Millions of yen)

	Reportable segment							Others	Adjustments	Total
	Factory Staffing Business	Technology Staffing Business	R&D Staffing Business	Sales & Marketing Staffing Business	Real Estate Business	Information and Telecommunications Business	Subtotal			
Net sales	57,389	18,327	7,446	5,176	56,369	10,644	155,352	4,330	-	159,682
Segment profit	3,399	1,913	753	(59)	4,126	220	10,352	153	(2,654)	7,851

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.