



Consolidated Financial Results for the Second Quarter of 2020 (Six Months Ended June 30, 2020)

[Japanese GAAP]

August 3, 2020

Company name: WORLD HOLDINGS CO., LTD.

Listing: Tokyo Stock Exchange, First Section

Stock code: 2429

URL: <http://www.world-hd.co.jp>

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Scheduled date of filing of Quarterly Report:

August 7, 2020

Scheduled date of payment of dividend:

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Preparation of supplementary materials for quarterly financial results: Yes

Holding of quarterly financial results meeting: Yes (for institutional investors and analysts)

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

1. Consolidated Financial Results for the First Six Months of 2020 (January 1 to June 30, 2020)

(1) Consolidated results of operations

(Percentages represent year-on-year changes)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
Six months ended Jun. 30, 2020	70,844	6.0	2,773	9.6	2,872	13.6	2,497	48.2
Six months ended Jun. 30, 2019	66,827	3.8	2,529	26.2	2,529	26.4	1,685	56.2

Note: Comprehensive income (millions of yen) Six months ended Jun. 30, 2020: 2,603 (up 51.0%)

Six months ended Jun. 30, 2019: 1,724 (up 52.3%)

	Net income per share	Diluted net income per share
	Yen	Yen
Six months ended Jun. 30, 2020	145.25	144.61
Six months ended Jun. 30, 2019	100.10	99.00

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio	Net assets per share
	Million yen	Million yen	%	Yen
As of Jun. 30, 2020	77,803	26,674	32.4	1,444.85
As of Dec. 31, 2019	87,352	23,944	25.9	1,345.71

Reference: Shareholders' equity (millions of yen) As of Jun. 30, 2020: 25,210 As of Dec. 31, 2019: 22,662

2. Dividends

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

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

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

(Percentages represent year-on-year changes)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent		Net income per share
	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Yen
Full year	159,682	17.1	7,851	66.0	8,338	73.5	5,601	89.5	332.60

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

*** Notes**

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

Newly added: 1 (JW Solution Co., Ltd.) Excluded: 1 (HOEIKENSETSU Co., Ltd.)

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

Note: Please refer to the section “2. Quarterly Consolidated Financial Statements and Notes, (4) Notes to Quarterly Consolidated Financial Statements, Application of Special Accounting Methods for Presenting Quarterly Consolidated Financial Statements” on page 12 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 Jun. 30, 2020:	17,561,600 shares	As of Dec. 31, 2019:	16,961,600 shares
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2) Number of treasury shares at the end of the period

As of Jun. 30, 2020:	113,300 shares	As of Dec. 31, 2019:	121,000 shares
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3) Average number of shares during the period

Six months ended Jun. 30, 2020:	17,194,280 shares	Six months ended Jun. 30, 2019:	16,836,147 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 quarterly financial results

The Company plans to hold a financial results meeting for institutional investors and analysts on Monday, August 17, 2020. Supplementary materials for the quarterly financial results will be disclosed on August 17, 2020, using the Timely Disclosure network (TDnet), and available on the Company’s website.

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1. Qualitative Information on Quarterly Consolidated Financial Performance

(1) Explanation of Results of Operations

In the first half of 2020, the Japanese economy was severely impacted by the COVID-19 outbreak as much economic activity came to a halt. Economic activity slowly resumed after the state of emergency was lifted at the end of May. Although this action ended the steep economic downturn, the outlook remains extremely unclear. The COVID-19 infections are continuing to increase in Brazil and other emerging countries and the number of infections has started climbing again in the United States and Japan.

Although COVID-19 has affected the performance of the World Holdings Group, the impact of this crisis was minimized by the Group's diverse client base that covers many industries and by the Group's longstanding commitment to rigorous risk management. In the first half of 2020, sales and earnings were higher than one year earlier with sales below the plan and operating profit above the plan.

Net sales increased 6.0% year on year to 70,844 million yen. Operating profit increased 9.6% to 2,773 million yen, ordinary profit increased 13.6% to 2,872 million yen, and profit attributable to owners of parent increased 48.2% to 2,497 million yen.

Factory Staffing Business

The suspension of operations at some client companies in the automotive parts and other industries due to COVID-19 had a significant negative effect on the performance of this business. However, first half sales and earnings were generally as planned because of the strong performance of staffing services involving the 5G mobile communication and semiconductor sectors. Another contributor to first half performance was the logistics sector in association with the growth in purchases by people who are staying home for safety. Overall, sales increased but earnings declined from one year earlier.

We are working with clients to prevent the spread of COVID-19, such as by avoiding as much as possible recruiting and placement activities that move people from one region of Japan to another. We are increasing the recruiting of people locally and the use of consortiums for securing the people we require. In addition, we frequently check the health of our personnel, provide thermometers to job sites where our people are assigned, monitor the status of personnel's health over a two-week period before they are assigned, and have many other activities to protect our workforce from COVID-19. The highest priorities of all these activities are preserving jobs for our workforce and ensuring that clients can use our services with complete confidence.

As a result, sales were 25,111 million yen, up 5.0% year on year and segment profit decreased 15.9% to 957 million yen.

Technology Staffing Business

Although COVID-19 had a negative impact on the technology staffing services market, there was strong demand for staffing in the semiconductor sector. Performance also benefited from the ability to charge higher fees because of the new and higher skills of personnel due to training programs and other measures that have been a priority of ours for some time. As a result, sales and earnings were higher than one year earlier, with sales below the plan and earnings well above the plan.

Activities are under way to further upgrade training programs and add new types of learning programs in order to enhance the skills of the workforce for technology staffing assignments as well as to shift skills to fields where the demand for personnel is currently strongest. These measures are positioning this business for upcoming trends in the technology sector.

Sales were 8,353 million yen, up 1.6% year on year and segment profit increased 14.5% to 886 million yen.

R&D Staffing Business

In the clinical research outsourcing sector, performance benefited from an increase in demand involving testing for new drugs and other activities associated with COVID-19. However, market conditions made it difficult to receive orders for new projects. In the research personnel sector, although the market was generally weak, there

was an increase in demand for personnel for jobs involving analysis and pharmaceuticals because of higher sales of general pharmaceuticals. Training programs to enhance the skills of R&D staffing personnel also contributed to the performance of this business. Overall, sales and earnings were higher than one year earlier, with sales less than planned and earnings in line with the plan.

The demand for temporary placements of R&D personnel is increasing. This business has a training system that uses joint research laboratories operated with many universities (Tokyo University, Kyoto University, Osaka University, Tokyo Metropolitan University and others). These laboratories improve the ability to secure the people needed for R&D staffing by giving this business access to a large number of prospective R&D specialists with a diverse range of backgrounds and skills.

Sales were 3,515 million yen, up 0.3% year on year, and segment profit increased 44.4% to 381 million yen.

Sales & Marketing Staffing Business

Staffing orders in the apparel category decreased because of COVID-19 but the light duty, general merchandise store and call center categories performed well. Furthermore, this business has become profitable because of the success of structural reforms that were implemented during the past few years. Sales and earnings were higher than one year earlier as this business became profitable even though sales were less than planned.

Sales were 1,941 million yen, up 14.5% year on year, and segment profit was 3 million yen, compared with a segment loss of 33 million yen one year earlier.

Real Estate Business

In the core real estate development category, COVID-19 had a negative effect on condominium procurement and sales activities. Despite this challenge, the development business performed well. The main reasons are actions that began several years ago to prepare for upcoming changes in market conditions and sales of land for business use that exceeded the plan due to sales activities that reflected current market trends. Growth of the renovation business temporarily slowed mainly because suspensions of business operations of major brokers due to COVID-19 reduced the size of the sales network. Nevertheless, sales and earnings in this segment increased, with sales below the plan and earnings in line with the plan.

We are purchasing properties very carefully while closely watching movements in real estate prices. At the same time, we are establishing a base for asset management and other financial businesses involving real estate. We are making progress with preparations for upcoming activities based on the outlook for a significant change in the real estate business climate.

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

The real estate development business sold 27 condominium units, 14 detached houses and 8 sites for business use, resulting in property sales of 17,446 million yen. Sales from real estate brokerage and other activities totaled 1,060 million yen.

In the renovation business, 295 residences were sold and sales were 6,115 million yen.

In the prefabricated house business, sales were 920 million yen.

Sales were 25,541 million yen, up 25.3% year on year and segment profit increased 49.5% to 1,835 million yen.

Information and Telecommunications Business

Structural reforms implemented in prior years have improved the profitability of this business as the realignment of the mobile phone sales industry appears to be in the final stage. Although sales were lower than one year earlier and less than planned, there was a big improvement in earnings.

There is a one quarter delay in the reported sales and earnings of this business. In the six-month period from October 2019 to March 2020, COVID-19 had almost no effect on results of operations. Even after March, the COVID-19 crisis has not significantly impacted performance even though store operating hours were reduced and sales volume declined.

Sales were 5,252 million yen, down 24.9% year on year, and segment profit increased 462.9% to 275 million yen.

Others

Agricultural parks were forced to suspend operations in April and May, normally the busiest time of the year, in response to requests from local governments because of the declaration of a state of emergency. Operations of these parks were further impacted by the reduction of certain activities before and after park closures. As a result, first half sales and earnings were far below one year earlier and this year's plan. The business climate remains difficult even after the end of the state of emergency because restrictions on travel to a different prefecture are still in place. Currently, the number of visitors is slowly recovering as agricultural parks take advantage of their ability to host people while avoiding close contact among visitors.

Sales were 1,126 million yen, down 46.8% year on year, and there was a segment loss of 369 million yen, compared with a segment profit of 196 million yen one year earlier.

Overview of Business Results by Segment

(Millions of yen)			First half of 2019 Result	First half of 2020 Plan	First half of 2020 Result	Vs. plan	Year-on-year change	
							Amount	%
Human Resources and Education Business	Factory Staffing Business	Net sales	23,913	25,380	25,111	(269)	1,198	5.0
		Segment profit	1,137	962	957	(5)	(180)	(15.9)
		(Profit margin)	(4.8%)		(3.8%)			
	Technology Staffing Business	Net sales	8,220	8,496	8,353	(142)	133	1.6
		Segment profit	774	563	886	323	112	14.5
		(Profit margin)	(9.4%)		(10.6%)			
	R&D Staffing Business	Net sales	3,504	3,603	3,515	(87)	11	0.3
		Segment profit	263	296	381	84	117	44.4
		(Profit margin)	(7.5%)		(10.8%)			
	Sales & Marketing Staffing Business	Net sales	1,695	2,171	1,941	(229)	246	14.5
Segment profit		(33)	(54)	3	57	36	-	
(Profit margin)		-		(0.2%)				
Subtotal (Reference)	Net sales	37,333	39,651	38,922	(729)	1,589	4.3	
	Segment profit	2,142	1,768	2,228	460	85	4.0	
	(Profit margin)	(5.7%)		(5.7%)				
Real Estate Business	Real Estate Business	Net sales	20,377	26,101	25,541	(559)	5,164	25.3
		Segment profit	1,227	1,317	1,835	518	608	49.5
		(Profit margin)	(6.0%)		(7.2%)			
Information and Telecommu nications Business	Information and Telecommu nications Business	Net sales	6,999	5,619	5,252	(366)	(1,746)	(24.9)
		Segment profit	48	115	275	159	226	462.9
		(Profit margin)	(0.7%)		(5.2%)			
Others	Other Business	Net sales	2,117	2,193	1,126	(1,066)	(990)	(46.8)
		Segment profit	196	112	(369)	(482)	(566)	-
		(Profit margin)	(9.3%)		-			
Total		Net sales	66,827	73,566	70,844	(2,722)	4,016	6.0
		Elimination or corporate	(1,086)	(1,191)	(1,196)	(4)	(110)	-
		Operating profit	2,529	2,122	2,773	651	244	9.6
		(Profit margin)	(3.8%)		(3.9%)			

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

Total assets decreased 9,548 million yen from the end of 2019 to 77,803 million yen at the end of the second quarter of 2020. This was mainly due to an increase of 1,416 million yen in cash and deposits, and decreases of 863 million yen in notes and accounts receivable-trade, 6,749 million yen in real estate for sale and 3,118 million yen in real estate for sale in process.

Liabilities

Total liabilities decreased 12,279 million yen from the end of 2019 to 51,128 million yen. This was mainly due to decreases of 489 million yen in accounts payable-real estate business, 2,506 million yen in short-term borrowings and 8,326 million yen in advances received.

Net assets

Net assets increased 2,730 million yen from the end of 2019 to 26,674 million yen mainly due to increases of 453 million yen in share capital, 455 million yen in capital surplus and 1,644 million yen in retained earnings.

Cash Flows

Cash and cash equivalents at the end of the first half of 2020 increased 1,416 million yen from the end of 2019 to 17,929 million yen.

Cash flows from operating activities

Net cash provided by operating activities was 2,799 million yen. Main positive factors include profit before income taxes of 3,051 million yen, an 875 million yen decrease in trade receivables and a 7,579 million yen decrease in real estate for sale. Major negative factors include an 8,327 million yen decrease in advances received.

Cash flows from investing activities

Net cash provided by investing activities was 246 million yen. Main positive factors include proceeds from sales of shares of subsidiaries resulting in change in scope of consolidation of 2,029 million yen. Main negative factors include payments of 1,230 million yen for purchase of investments in non-consolidated subsidiary and 535 million yen for purchase of property, plant and equipment.

Cash flows from financing activities

Net cash used in financing activities was 1,783 million yen. Main positive factors include proceeds of 2,962 million yen from long-term borrowings. Main negative factors include a net decrease of 1,224 million yen in short-term borrowings and repayments of long-term borrowings of 3,480 million yen.

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

Although COVID-19 had an effect on results of operations in the first half of 2020, our diversified business portfolio spanning several industries and our rigorous risk management activities minimized the impact of this crisis. However, there are concerns about the possibility of a second wave of COVID-19, particularly in Tokyo, and of the emergence of negative effects of this crisis on our business operations later in 2020. A second wave or appearance later this year of negative effects may affect results of operations of the World Holdings Group.

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

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

(Millions of yen)

	2019 (As of Dec. 31, 2019)	Second quarter of 2020 (As of Jun. 30, 2020)
Assets		
Current assets		
Cash and deposits	16,513	17,929
Notes and accounts receivable-trade	12,093	11,230
Merchandise and finished goods	813	1,041
Real estate for sale	16,373	9,623
Work in process	84	66
Real estate for sale in process	26,234	23,116
Other	4,814	3,643
Allowance for doubtful accounts	(6)	(3)
Total current assets	76,920	66,647
Non-current assets		
Property, plant and equipment	5,919	5,242
Intangible assets		
Goodwill	436	161
Other	254	214
Total intangible assets	690	376
Investments and other assets		
Investment securities	856	1,992
Deferred tax assets	1,467	2,040
Leasehold and guarantee deposits	943	934
Other	777	793
Allowance for doubtful accounts	(224)	(224)
Total investments and other assets	3,820	5,537
Total non-current assets	10,431	11,156
Total assets	87,352	77,803
Liabilities		
Current liabilities		
Notes and accounts payable-trade	1,402	1,221
Accounts payable-real estate business	1,004	515
Short-term borrowings	27,701	25,194
Accrued expenses	5,786	6,133
Advances received	9,395	1,069
Income taxes payable	1,226	1,256
Accrued consumption taxes	1,495	1,802
Provision for bonuses	142	183
Other	4,634	2,777
Total current liabilities	52,790	40,155
Non-current liabilities		
Long-term borrowings	8,592	8,906
Provision for retirement benefits for directors (and other officers)	182	159
Retirement benefit liability	1,573	1,640
Other	268	266
Total non-current liabilities	10,617	10,973
Total liabilities	63,408	51,128

	(Millions of yen)	
	2019	Second quarter of 2020
	(As of Dec. 31, 2019)	(As of Jun. 30, 2020)
Net assets		
Shareholders' equity		
Share capital	787	1,241
Capital surplus	984	1,439
Retained earnings	20,988	22,632
Treasury shares	(127)	(118)
Total shareholders' equity	22,633	25,194
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	0	(14)
Foreign currency translation adjustment	0	(0)
Remeasurements of defined benefit plans	28	31
Total accumulated other comprehensive income	29	15
Share acquisition rights	122	27
Non-controlling interests	1,159	1,436
Total net assets	23,944	26,674
Total liabilities and net assets	87,352	77,803

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

(Millions of yen)

	First six months of 2019 (Jan. 1 – Jun. 30, 2019)	First six months of 2020 (Jan. 1 – Jun. 30, 2020)
Net sales	66,827	70,844
Cost of sales	53,638	58,880
Gross profit	13,189	11,963
Selling, general and administrative expenses	10,659	9,189
Operating profit	2,529	2,773
Non-operating income		
Subsidy income	13	30
Income of support to investment in property and equipment	24	48
Other	102	122
Total non-operating income	140	201
Non-operating expenses		
Interest expenses	92	85
Other	47	17
Total non-operating expenses	140	103
Ordinary profit	2,529	2,872
Extraordinary income		
Casualty insurance income	22	4
Gain on sales of shares of subsidiaries and associates	-	175
Consumption taxes differential	60	-
Other	0	-
Total extraordinary income	83	180
Extraordinary losses		
Impairment loss	3	-
Loss on disaster	13	1
Total extraordinary losses	17	1
Profit before income taxes	2,596	3,051
Income taxes	861	433
Profit	1,734	2,618
Profit attributable to non-controlling interests	49	121
Profit attributable to owners of parent	1,685	2,497

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

(Millions of yen)

	First six months of 2019 (Jan. 1 – Jun. 30, 2019)	First six months of 2020 (Jan. 1 – Jun. 30, 2020)
Profit	1,734	2,618
Other comprehensive income		
Valuation difference on available-for-sale securities	(14)	(14)
Foreign currency translation adjustment	(4)	(2)
Remeasurements of defined benefit plans, net of tax	8	2
Total other comprehensive income	(10)	(15)
Comprehensive income	1,724	2,603
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	1,675	2,483
Comprehensive income attributable to non-controlling interests	48	119

(3) Quarterly Consolidated Statement of Cash Flows

(Millions of yen)

	First six months of 2019 (Jan. 1 – Jun. 30, 2019)	First six months of 2020 (Jan. 1 – Jun. 30, 2020)
Cash flows from operating activities		
Profit before income taxes	2,596	3,051
Depreciation	396	403
Impairment loss	3	-
Amortization of goodwill	306	87
Increase (decrease) in allowance for doubtful accounts	2	(2)
Increase (decrease) in provision for retirement benefits for directors (and other officers)	(497)	2
Increase (decrease) in retirement benefit liability	106	111
Interest and dividend income	(8)	(8)
Loss (gain) on sales of shares of subsidiaries and associates	-	(175)
Interest expenses	92	85
Loss on retirement of property, plant and equipment	39	4
Decrease (increase) in trade receivables	758	875
Decrease (increase) in inventories	(185)	(221)
Decrease (increase) in real estate for sale	(6,828)	7,579
Increase (decrease) in trade payables	(581)	(259)
Increase (decrease) in advances received	(43)	(8,327)
Increase (decrease) in accrued expenses	410	335
Increase (decrease) in other current liabilities	(1,040)	(618)
Other, net	271	291
Subtotal	(4,201)	3,217
Interest and dividends received	17	7
Interest paid	(91)	(86)
Income taxes paid	(1,701)	(1,074)
Income taxes refund	847	736
Net cash provided by (used in) operating activities	(5,129)	2,799
Cash flows from investing activities		
Proceeds from withdrawal of time deposits	0	21
Purchase of investments in non-consolidated subsidiary	(174)	(1,230)
Purchase of property, plant and equipment	(592)	(535)
Purchase of intangible assets	(118)	(17)
Proceeds from sales of shares of subsidiaries resulting in change in scope of consolidation	-	2,029
Loan advances	(30)	(69)
Collection of loans receivable	0	-
Net decrease (increase) in lease and guarantee deposits	(39)	(5)
Other, net	(27)	52
Net cash provided by (used in) investing activities	(980)	246
Cash flows from financing activities		
Net increase (decrease) in short-term borrowings	3,551	(1,224)
Proceeds from long-term borrowings	2,535	2,962
Repayments of long-term borrowings	(1,887)	(3,480)
Repayments of lease obligations	(8)	(1)
Proceeds from issuance of shares	0	701
Proceeds from share issuance to non-controlling shareholders	-	150
Purchase of treasury shares	(0)	-
Dividends paid	(1,397)	(887)
Dividends paid to non-controlling interests	(48)	(2)
Net cash provided by (used in) financing activities	2,745	(1,783)

(Millions of yen)

	First six months of 2019 (Jan. 1 – Jun. 30, 2019)	First six months of 2020 (Jan. 1 – Jun. 30, 2020)
Effect of exchange rate change on cash and cash equivalents	(3)	(3)
Net increase (decrease) in cash and cash equivalents	(3,368)	1,258
Cash and cash equivalents at beginning of period	18,824	16,513
Increase in cash and cash equivalents resulting from inclusion of subsidiaries in consolidation	69	157
Cash and cash equivalents at end of period	15,525	17,929

(4) 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

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

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

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

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

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

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

Application of Special Accounting Methods for Presenting Quarterly Consolidated Financial Statements

Calculation of tax expense

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

Additional Information

The number of visitors has decreased at agricultural parks operated by consolidated subsidiary Farm Co., Ltd. and other organizations because of government requests for people to stay home and other actions in order to prevent the spread of COVID-19. The number of visitors has recovered somewhat following the end of the state of emergency. Accounting estimates for the impairment of non-current assets are based on the premise that demand for the use of these parks will continue to recover slowly and return to the pre-crisis level in 2021.

Segment Information

I. First six months of 2019 (Jan. 1 – Jun. 30, 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	23,913	8,220	3,504	1,695	20,377	6,999	64,709	2,117	66,826	0	66,827
Inter-segment sales and transfers	-	226	-	49	8	6	291	64	355	(355)	-
Total	23,913	8,446	3,504	1,745	20,385	7,005	65,001	2,181	67,182	(354)	66,827
Segment profit (loss)	1,137	774	263	(33)	1,227	48	3,419	196	3,615	(1,086)	2,529

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 -1,086 million yen adjustment to segment profit (loss) includes elimination for inter-segment transactions of 15 million yen, and -1,101 million yen in corporate expenses that cannot be allocated to any of the reportable segments. Corporate expenses mainly consist of general and administrative expenses that are not attributable to any of the reportable segments.

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

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

Impairment losses related to non-current assets

Not applicable.

Significant change in goodwill

There is no significant change.

Significant gain on bargain purchase

Not applicable.

II. First six months of 2020 (Jan. 1 – Jun. 30, 2020)

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

(Millions of yen)

	Reportable segment							Others (Note 1)	Total	Adjust- ments (Note 2)	Amounts shown on quarterly consolidated statement of income (Note 3)
	Factory Staffing Business	Technology Staffing Business	R&D Staffing Business	Sales & Marketing Staffing Business	Real Estate Business	Information and Telecommuni- cations Business	Subtotal				
Net sales											
Sales to external customers	25,111	8,353	3,515	1,941	25,541	5,252	69,717	1,126	70,844	-	70,844
Inter-segment sales and transfers	-	237	-	92	30	12	373	58	431	(431)	-
Total	25,111	8,591	3,515	2,034	25,571	5,265	70,090	1,184	71,275	(431)	70,844
Segment profit (loss)	957	886	381	3	1,835	275	4,339	(369)	3,970	(1,196)	2,773

- 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 -1,196 million yen adjustment to segment profit (loss) includes elimination for inter-segment transactions of 27 million yen, and -1,224 million yen in corporate expenses that cannot be allocated to any of the reportable segments. Corporate expenses mainly consist of general and administrative expenses that are not attributable to any of the reportable segments.
3. Segment profit (loss) is adjusted to be consistent with operating profit shown on the quarterly consolidated statement of income.

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

Impairment losses related to non-current assets

Not applicable.

Significant change in goodwill

Not applicable.

Significant gain on bargain purchase

Not applicable.

This financial report is solely a translation of "Kessan Tanshin" (in Japanese, including attachments), which has been prepared in accordance with accounting principles and practices generally accepted in Japan, for the convenience of readers who prefer an English translation.