



Consolidated Financial Results for the Third Quarter of 2020 (Nine Months Ended September 30, 2020)

[Japanese GAAP]

November 9, 2020

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Stock code: 2429

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Listing: Tokyo Stock Exchange, First Section

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Scheduled date of filing of Quarterly Report:

November 13, 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:

None

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

1. Consolidated Financial Results for the First Nine Months of 2020 (January 1 to September 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	%
Nine months ended Sep. 30, 2020	98,682	(3.2)	3,283	(19.7)	3,608	(12.1)	3,010	13.2
Nine months ended Sep. 30, 2019	101,964	0.1	4,090	(6.7)	4,105	(5.8)	2,659	0.9

Note: Comprehensive income (millions of yen)

Nine months ended Sep. 30, 2020: 3,114 (up 16.1%)

Nine months ended Sep. 30, 2019: 2,682 (up 0.8%)

	Net income per share	Diluted net income per share
	Yen	Yen
Nine months ended Sep. 30, 2020	174.23	173.53
Nine months ended Sep. 30, 2019	157.96	156.35

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio	Net assets per share
	Million yen	Million yen	%	Yen
As of Sep. 30, 2020	76,423	27,179	33.6	1,473.45
As of Dec. 31, 2019	87,352	23,944	25.9	1,345.71

Reference: Shareholders' equity (millions of yen)

As of Sep. 30, 2020: 25,709

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)	-	-	-	88.70	88.70

Note: Revisions to the most recently announced dividend forecast: Yes

Regarding revisions to the dividend forecast, please refer to the press release titled "Notice of Revisions to Consolidated Forecasts and Dividend Forecasts" dated November 9, 2020.

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	142,558	4.6	6,006	27.0	6,365	32.5	5,157	74.4	295.57

Note: Revisions to the most recently announced consolidated forecast: Yes

Regarding revisions to the consolidated forecast, please refer to the press release titled "Notice of Revisions to Consolidated Forecasts and Dividend Forecasts" dated November 9, 2020.

*** 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, (3) Notes to Quarterly Consolidated Financial Statements, Application of Special Accounting Methods for Presenting Quarterly Consolidated Financial Statements” on page 9 for further information.

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

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

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

3) Changes in accounting-based estimates: None

4) Restatements: None

(4) Number of shares issued (common stock)

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

As of Sep. 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 Sep. 30, 2020:	113,377 shares	As of Dec. 31, 2019:	121,000 shares
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3) Average number of shares during the period

Nine months ended Sep. 30, 2020:	17,279,556 shares	Nine months ended Sep. 30, 2019:	16,836,299 shares
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* The current financial report is not subject to quarterly review by certified public accountants or auditing firms.

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

Cautionary statement with respect to forecasts

Forecasts of future performance in this document are based on assumption judged to be valid and information currently available to the Company’s management, but are not promises by the Company regarding future performance. Actual results may differ materially from the forecasts for a number of reasons. Please refer to “1. Qualitative Information on Quarterly Consolidated Financial Performance, (3) Explanation of Consolidated Forecast and Other Forward-looking Statements” on page 4 for forecast assumptions and notes of caution for usage.

How to view supplementary materials for quarterly financial results

Supplementary materials for the quarterly financial results will be disclosed today (November 9, 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 nine months of 2020, the longest economic downturn since the global financial crisis continued in Japan because of U.S.-China trade friction and COVID-19. Economic activity is slowly resuming and there are signs of an economic rebound, although the situation varies in different industries. Nevertheless, the economic condition is still challenging and the outlook remains unclear because there is still no end in sight for the COVID-19 crisis.

Sales and earnings at the World Holdings Group in the first nine months of 2020 were lower than one year earlier because of COVID-19. However, the group's diversified operations spanning many industries minimized the impact of this crisis. Most significantly, the core Human Resources and Education Business achieved sales and earnings growth despite the unprecedented challenges created by the COVID-19 crisis.

We are making investments to set the stage for more growth in 2021, mainly in the Human Resources and Education Business. In addition, in September we established a 10 billion yen committed facility with The Bank of Fukuoka, Ltd. for the flexible and stable procurement of funds needed for the growth of our businesses. In December, we plan to establish another 10 billion yen committed facility with The Nishi-Nippon City Bank, Ltd., which will result in loan commitments of 20 billion yen in total. These steps give us a sound financial base for M&A activity to expand the Human Resources and Education Business, purchasing properties in a timely manner in the Real Estate Business, and other activities.

Net sales decreased 3.2% year on year to 98,682 million yen. Operating profit decreased 19.7% to 3,283 million yen, ordinary profit decreased 12.1% to 3,608 million yen, and profit attributable to owners of parent increased 13.2% to 3,010 million yen.

Factory Staffing Business

Sales and earnings were less than initially planned for the first nine months of 2020 because of the effects of the U.S.-China trade friction and COVID-19 crisis. In particular, there was a smaller than expected number of projects in some categories of the smartphone sector and in the automobile industry. However, performance was supported by ongoing activities to target business involving 5G mobile communications and by the strength of the logistics and other sectors due to the growth of purchases by people who are staying home for safety. Overall, sales increased but earnings declined from one year earlier.

This business is making up-front investments to recruit more people, open more business sites and take other actions to support growth in the fourth quarter and afterward in two strong market sectors: semiconductors, chiefly involving 5G, and machinery. There are also investments in the logistics sector, including for training programs for people needed to open new business sites, to build a base for growth starting in 2021.

As a result, sales were 38,651 million yen, up 5.6% year on year and segment profit decreased 8.8% to 1,676 million yen.

Technology Staffing Business

The workforce utilization rate declined briefly and expenses increased as the number of projects fell below the initially planned level because of COVID-19. But performance was supported by growth in the semiconductor manufacturing equipment, information and telecommunications services, construction engineering, and other industries. In addition, we were able to charge higher fees because of new and more advanced skills of personnel due to training programs. As a result, sales increased but were less than planned and earnings increased and exceeded the plan.

This business added new training programs that match changes taking place in its markets, established a new training structure for giving the current workforce new and more advanced skills, and took other actions to be well positioned for growth.

Sales were 12,650 million yen, up 0.5% year on year and segment profit increased 14.6% to 1,387 million yen.

R&D Staffing Business

The number of projects in the clinical research outsourcing sector decreased because of COVID-19 but all categories of the research personnel staffing sector performed well. Overall, sales and earnings were higher than one year earlier, with sales less than planned and earnings higher than planned.

Furthermore, this business made investments for recruiting and other activities to build a base for more growth in 2021 in response to the increasing number of projects resulting from the success of highly effective marketing activities.

Sales were 5,320 million yen, up 0.6% year on year, and segment profit increased 33.4% to 604 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 earnings were well above the plan even though sales were below the plan.

Sales were 2,897 million yen, up 8.3% year on year, and segment profit was 21 million yen, compared with a segment loss of 12 million yen one year earlier.

Real Estate Business

The COVID-19 crisis reduced the number of residences sold in the renovation business and caused delays in a project involving land for business use in the real estate development business. The result was sales and earnings that were below the plan and less than in the same period of 2019.

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. To position this business for the expected recovery in its markets in 2021 and switch to an offensive stance, we have taken actions that include the establishments of committed facilities for the speedy and flexible procurement of funds as mentioned above.

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

The real estate development business sold 38 condominium units, 19 detached houses and 9 sites for business use, resulting in property sales of 18,118 million yen. Sales from real estate brokerage and other activities totaled 1,483 million yen.

In the renovation business, 430 residences were sold and sales were 8,859 million yen.

In the prefabricated house business, sales were 1,448 million yen.

Sales were 29,908 million yen, down 6.6% year on year and segment profit decreased 28.6% to 1,418 million yen.

Information and Telecommunications Business

In the mobile phone shop business, the largest component of this segment, the number of phones sold decreased because of restrictions on shop operations due to COVID-19. Operations were severely limited by COVID-19 in the corporate solutions business too. Although sales in this segment were less than planned, earnings were much higher than planned because of structural reforms that were completed in 2019 in order to make this segment more profitable. The result was lower sales than one year earlier but a good performance in terms of earnings.

Sales were 7,059 million yen, down 26.2% year on year, and segment profit was 284 million yen, compared with a segment loss of 17 million yen one year earlier.

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 due to COVID-19. These temporary closures severely impacted the performance of these parks. As a result, sales and earnings were much lower than planned and one year earlier.

Even after parks reopened, performance was held down for a while by the continuing reluctance of people to go out and by the suspension of operations of some park attractions and other activities. Agricultural parks responded by using appropriate measures to attract visitors, including the promotion of the ability of these parks to host people while avoiding close contact among visitors. Due to these initiatives, the performance of parks has been recovering steadily, including a big year-on-year increase in park attendance in September.

Sales were 2,194 million yen, down 32.0% year on year, and there was a segment loss of 279 million yen, compared with a segment profit of 226 million yen one year earlier.

(2) Explanation of Financial Position

Assets

Total assets decreased 10,929 million yen from the end of 2019 to 76,423 million yen at the end of the third quarter of 2020. This was mainly due to an increase of 1,166 million yen in cash and deposits, decreases of 1,047 million yen in notes and accounts receivable-trade, 6,974 million yen in real estate for sale and 4,461 million yen in real estate for sale in process, and an increase of 1,133 million yen in investment securities.

Liabilities

Total liabilities decreased 14,164 million yen from the end of 2019 to 49,243 million yen. This was mainly due to decreases of 804 million yen in accounts payable-real estate business, 2,931 million yen in short-term borrowings, 570 million yen in accrued expenses, 8,326 million yen in advances received, 540 million yen in income taxes payable and 483 million yen in long-term borrowings.

Net assets

Net assets increased 3,234 million yen from the end of 2019 to 27,179 million yen mainly due to increases of 453 million yen in share capital, 455 million yen in capital surplus and 2,144 million yen in retained earnings.

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

We forecast sales and earnings growth in 2020 but also expect sales and earnings to be less than in the initial plan for the year due to COVID-19. One reason is the temporary decline in the number of projects in the Human Resources and Education Business and the Real Estate Business. Another reason is the suspension of agricultural park operations in April and May, normally the busiest time of the year, in the Others segment because of requests from local governments. Consequently, we have revised the 2020 consolidated forecasts that were announced on February 10, 2020. For details, please refer to the press release titled “Notice of Revisions to Consolidated Forecasts and Dividend Forecasts” dated November 9, 2020.

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

(Millions of yen)

	2019 (As of Dec. 31, 2019)	Third quarter of 2020 (As of Sep. 30, 2020)
Assets		
Current assets		
Cash and deposits	16,513	17,679
Notes and accounts receivable-trade	12,093	11,046
Merchandise and finished goods	813	869
Real estate for sale	16,373	9,398
Work in process	84	123
Real estate for sale in process	26,234	21,772
Other	4,814	4,072
Allowance for doubtful accounts	(6)	(3)
Total current assets	76,920	64,960
Non-current assets		
Property, plant and equipment	5,919	5,536
Intangible assets		
Goodwill	436	117
Other	254	205
Total intangible assets	690	323
Investments and other assets		
Investment securities	856	1,990
Deferred tax assets	1,467	2,103
Leasehold and guarantee deposits	943	938
Other	777	795
Allowance for doubtful accounts	(224)	(224)
Total investments and other assets	3,820	5,603
Total non-current assets	10,431	11,462
Total assets	87,352	76,423
Liabilities		
Current liabilities		
Notes and accounts payable-trade	1,402	988
Accounts payable-real estate business	1,004	199
Short-term borrowings	27,701	24,769
Accrued expenses	5,786	5,216
Advances received	9,395	1,069
Income taxes payable	1,226	686
Accrued consumption taxes	1,495	2,368
Provision for bonuses	142	574
Other	4,634	3,120
Total current liabilities	52,790	38,993
Non-current liabilities		
Long-term borrowings	8,592	8,108
Provision for retirement benefits for directors (and other officers)	182	162
Retirement benefit liability	1,573	1,698
Other	268	279
Total non-current liabilities	10,617	10,249
Total liabilities	63,408	49,243

	(Millions of yen)	
	2019	Third quarter of 2020
	(As of Dec. 31, 2019)	(As of Sep. 30, 2020)
Net assets		
Shareholders' equity		
Share capital	787	1,241
Capital surplus	984	1,439
Retained earnings	20,988	23,132
Treasury shares	(127)	(119)
Total shareholders' equity	22,633	25,694
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	0	(16)
Foreign currency translation adjustment	0	(0)
Remeasurements of defined benefit plans	28	32
Total accumulated other comprehensive income	29	14
Share acquisition rights	122	39
Non-controlling interests	1,159	1,430
Total net assets	23,944	27,179
Total liabilities and net assets	87,352	76,423

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

(Millions of yen)

	First nine months of 2019 (Jan. 1 – Sep. 30, 2019)	First nine months of 2020 (Jan. 1 – Sep. 30, 2020)
Net sales	101,964	98,682
Cost of sales	81,941	81,886
Gross profit	20,022	16,796
Selling, general and administrative expenses	15,931	13,512
Operating profit	4,090	3,283
Non-operating income		
Subsidy income	18	221
Income of support to investment in property and equipment	35	48
Other	158	215
Total non-operating income	211	486
Non-operating expenses		
Interest expenses	140	124
Loss on retirement of non-current assets	41	11
Other	15	25
Total non-operating expenses	196	161
Ordinary profit	4,105	3,608
Extraordinary income		
Gain on sales of shares of subsidiaries and associates	-	175
Casualty insurance income	22	6
Consumption taxes differential	95	-
Other	0	-
Total extraordinary income	119	181
Extraordinary losses		
Impairment loss	4	-
Loss on disaster	13	2
Total extraordinary losses	18	2
Profit before income taxes	4,206	3,787
Income taxes	1,514	658
Profit	2,691	3,129
Profit attributable to non-controlling interests	32	118
Profit attributable to owners of parent	2,659	3,010

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

(Millions of yen)

	First nine months of 2019 (Jan. 1 – Sep. 30, 2019)	First nine months of 2020 (Jan. 1 – Sep. 30, 2020)
Profit	2,691	3,129
Other comprehensive income		
Valuation difference on available-for-sale securities	(13)	(17)
Foreign currency translation adjustment	(8)	(1)
Remeasurements of defined benefit plans, net of tax	12	3
Total other comprehensive income	(9)	(14)
Comprehensive income	2,682	3,114
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	2,652	2,996
Comprehensive income attributable to non-controlling interests	29	118

(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

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 nine months of 2019 (Jan. 1 – Sep. 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	36,594	12,581	5,287	2,675	32,030	9,567	98,737	3,226	101,963	0	101,964
Inter-segment sales and transfers	-	347	-	77	12	8	446	98	544	(544)	-
Total	36,594	12,929	5,287	2,753	32,042	9,575	99,183	3,324	102,508	(543)	101,964
Segment profit (loss)	1,838	1,210	453	(12)	1,987	(17)	5,459	226	5,685	(1,595)	4,090

- 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 -1,595 million yen adjustment to segment profit (loss) includes elimination for inter-segment transactions of 26 million yen, and -1,621 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 nine months of 2020 (Jan. 1 – Sep. 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	38,651	12,650	5,320	2,897	29,908	7,059	96,488	2,194	98,682	-	98,682
Inter-segment sales and transfers	0	357	-	151	45	24	579	97	676	(676)	-
Total	38,652	13,008	5,320	3,049	29,953	7,083	97,068	2,291	99,359	(676)	98,682
Segment profit (loss)	1,676	1,387	604	21	1,418	284	5,392	(279)	5,113	(1,829)	3,283

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 -1,829 million yen adjustment to segment profit (loss) includes elimination for inter-segment transactions of 42 million yen, and -1,872 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.

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.