



Consolidated Financial Results for the Second Quarter of 2023 (Six Months Ended June 30, 2023)

[Japanese GAAP]

August 7, 2023

Company name: WORLD HOLDINGS CO., LTD.

Listing: Tokyo Stock Exchange

Stock code: 2429

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Scheduled date of filing of Quarterly Report:

August 10, 2023

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 2023 (January 1 to June 30, 2023)

(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, 2023	90,461	4.9	3,685	(20.4)	3,645	(23.1)	2,013	(21.0)
Six months ended Jun. 30, 2022	86,208	32.5	4,629	88.8	4,740	80.8	2,549	34.8

Note: Comprehensive income (millions of yen)

Six months ended Jun. 30, 2023: 2,151 (down 20.8%)

Six months ended Jun. 30, 2022: 2,717 (up 35.4%)

	Net income per share	Diluted net income per share
	Yen	Yen
Six months ended Jun. 30, 2023	114.79	114.27
Six months ended Jun. 30, 2022	145.95	145.16

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio	Net assets per share
	Million yen	Million yen	%	Yen
As of Jun. 30, 2023	137,371	37,743	26.1	2,047.40
As of Dec. 31, 2022	123,591	37,195	28.6	2,019.89

Reference: Shareholders' equity (millions of yen)

As of Jun. 30, 2023: 35,918

As of Dec. 31, 2022: 35,408

2. Dividends

	Dividends per share				
	1Q-end	2Q-end	3Q-end	Year-end	Total
	Yen	Yen	Yen	Yen	Yen
2022	-	0.00	-	91.50	91.50
2023	-	0.00	-	-	-
2023 (forecast)	-	-	-	103.50	103.50

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

3. Consolidated Forecast for 2023 (January 1 to December 31, 2023)

(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	201,354	9.6	9,916	11.1	9,453	5.8	6,045	13.2	344.84

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

*** Notes**

(1) Changes in significant subsidiaries during the period (change in scope of consolidation): None

Newly added: -

Excluded: -

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

Note: Please refer to the section “2. Quarterly Consolidated Financial Statements and Notes, (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: Yes

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

3) Changes in accounting-based estimates: None

4) Restatements: None

Note: Please refer to the section “2. Quarterly Consolidated Financial Statements and Notes, (4) Notes to Quarterly Consolidated Financial Statements, Changes in Accounting Policies” on page 12 for further information.

(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, 2023:	17,657,300 shares	As of Dec. 31, 2022:	17,643,500 shares
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2) Number of treasury shares at the end of the period

As of Jun. 30, 2023:	113,631 shares	As of Dec. 31, 2022:	113,573 shares
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3) Average number of shares during the period

Six months ended Jun. 30, 2023:	17,538,746 shares	Six months ended Jun. 30, 2022:	17,478,827 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 Wednesday, August 9, 2023. 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. Qualitative Information on Quarterly Consolidated Financial Performance

(1) Explanation of Results of Operations

During the first half of 2023, the economy followed a gradual recovery trend, with economic and social activity moving more rapidly towards normalization as the turmoil caused by the prolonged COVID crisis subsided. However, factors such as soaring resource and raw material prices, labor shortages, and rising living costs due to inflation as well as a slowdown among the overseas economies had an adverse effect, and the outlook for the Japanese economy remained uncertain.

Under these circumstances, the World Holdings Group has made steady progress in preparing for both the Human Resources and Education business and the Real Estate business, which are expected to have a significant concentration of projects in the second half of the year. We have also responded appropriately to changes through a portfolio of multiple businesses and industries, resulting in sales and profits outperforming the initial plan.

Net sales increased 4.9% year on year to 90,461 million yen (up 1.9% vs. plan). Operating profit decreased 20.4% to 3,685 million yen (up 47.0% vs. plan), ordinary profit decreased 23.1% to 3,645 million yen (up 49.8% vs. plan), and profit attributable to owners of parent decreased 21.0% to 2,013 million yen (up 32.5% vs. plan).

All activities of the Group continue to be guided by the group's purpose of "contributing to happiness and a sustainable society through the creation of a variety of ways we live worldwide." By promoting investment in human capital and increasing its value, which is the group's most important resource, we are determined to make even greater contributions to society while growing rapidly.

Business segment sales were as follows.

Products Human Resources Business

In the Products Human Resources business, orders for semiconductors, electrical and electronic components, machinery-related, and other products followed a downward trend compared to the previous year due to the impact of the overseas economic slowdown and other factors. However, both sales and profits outperformed the plan as the Company leveraged its strength across multiple industries and increased its support to various sectors, including automotive-related industries.

Furthermore, in addition to welcoming a record number of new graduates in April, we invested in securing personnel and training personnel to handle orders expected in the second half of the year and beyond. In particular, in preparation for the expected growth of the semiconductor industry in the Kyushu region and elsewhere, the Company invested in strengthening its organizational structure with an eye to the future, including the establishment of a system capable of training 1,000 semiconductor personnel, and also invested in digital transformation (DX) to reduce SG&A expenses and improve back-office productivity.

Moreover, as disclosed on April 20, 2023, we have successfully completed the acquisition of Nippon Gijutsu Center Co., Ltd. We will leverage the strengths of Nippon Gijutsu Center to strengthen our technical field and further develop our contracting business, especially in the Kansai region.

As a result, sales were 47,946 million yen, up 16.4% year on year (up 7.2% vs. plan) and segment profit decreased 13.2% to 1,650 million yen (up 35.1% vs. plan).

Services Human Resources Business

The Service Human Resources Business fell short of the plan following a decline due to the completion of special demand projects in the first half of 2022 and prior investment in new business development, such as dispatch order management agency services. In addition to opening new bases in the core logistics sector, we steadily prepared for the second half of the fiscal year by responding to increased demand in the hospitality sales and tourism fields as the COVID pandemic subsided.

In addition, as disclosed on July 27, 2023, we have moved forward with preparations for a business alliance with Yamato Holdings, Co., Ltd. and the acquisition of shares in Yamato Staff Supply Co., Ltd. Up until now, we have been engaged in transactions such as dispatch order management agency services between Yamato Transport Co.,

Ltd. and our group company World Staffing Co., Ltd., harnessing our expertise cultivated in the logistics field. In adding Yamato Staff Supply Co., Ltd. to our group, we aim to create still greater opportunities for more people to play an active role by harnessing our expertise in human resource management over a wide range of industries and occupations.

Sales were 21,424 million yen, up 3.7% year on year (down 3.3% vs. plan) and segment profit decreased 77.4% to 156 million yen (down 11.0% vs. plan).

Real Estate Business

This business is operating with caution because real estate prices in Japan remain high. The sale and delivery of land for business use at the optimum time for sale exceeded the plan, especially in terms of profit.

In 2023, the delivery of numerous properties, including Residential Hara Branchera in Fukuoka City, Fukuoka Prefecture and Residential Aoba Hirosegawa in Sendai City, Miyagi Prefecture, was concentrated in the second half of the year, but both sales and deliveries are progressing approximately according to plan.

With regard to procurement, while maintaining a cautious approach to business expansion, we have leveraged our expertise in commercial land development, which is one of our strengths, to minimize risk while steadily securing properties that will contribute into the next fiscal year and beyond.

Sales were 14,526 million yen, down 17.2% year on year (down 6.0% vs. plan), and segment profit were 1,264 million yen, down 20.4% year on year (up 104.5% vs. plan).

Information and Telecommunications Business

In the Information and Telecommunications Business, commission income declined due to a fall in the unit price per user caused by the reduction of mobile phone usage fees and the revision of commission terms and conditions by telecommunications carriers, and profits were lower than planned. The mobile phone sales agent industry surrounding the business is undergoing a period of major transformation, and by leveraging the segment's prior strengths in the corporate solutions sector and integrating its expertise in corporate problem-solving with its mobile phone stores for individuals, the Group aims to enhance its presence and grow once more as a regional problem-solving center for both individual and corporate customers.

Sales were 4,165 million yen, down 9.3% year on year (up 1.7% vs. plan), and segment profit were 15 million yen, down 79.9% year on year (down 68.4% vs. plan).

Agricultural Park Business

In the Agricultural Park Business, the number of visitors to the park struggled to grow due to poor weather in May, the busiest season of the year, in addition to factors that pushed down profits, such as an increase in SG&A expenses due mainly to soaring electricity rates. Nevertheless, following various initiatives, an increase in spending per customer led to sales and profits outperforming the plan.

In addition, at the Comorebi Ibaraido Forest in Ibaraki Prefecture, environmentally friendly initiatives were promoted by exploiting the strengths of its extensive outdoor facilities, including the introduction of new solar power generation and battery storage facilities to reduce greenhouse gas emissions and electricity costs.

In April, we also began the new designated management of the Osaka Garden of Floral Culture in Kawachinagano City, Osaka Prefecture. Building on our track record of facility revitalization, we plan to achieve further growth by increasing the number of designated management projects in various regions of Japan.

Sales were 2,398 million yen, up 8.7% year on year (up 4.3% vs. plan), and there was a segment profit were 122 million yen, down 33.5% year on year (up 14.7% vs. plan).

Overview of Business Results by Segment

(Millions of yen)			First half of 2022 Result	First half of 2023 Plan	First half of 2023 Result	Vs. plan		Year-on-year change	
						Amount	%	Amount	%
Human Resources and Education Business	Products Human Resources Business	Net sales	41,203	44,735	47,946	3,210	7.2%	6,742	16.4%
		Segment profit (Profit margin)	1,901 (4.6%)	1,222 (2.7%)	1,650 (3.4%)	428	35.1%	(250)	(13.2)%
	Services Human Resources Business	Net sales	20,651	22,158	21,424	(734)	(3.3)%	772	3.7%
Segment profit (Profit margin)		695 (3.4%)	176 (0.8%)	156 (0.7%)	(19)	(11.0)%	(538)	(77.4)%	
	Subtotal (Reference)	Net sales	61,855	66,894	69,370	2,476	3.7%	7,515	12.2%
		Segment profit (Profit margin)	2,597 (4.2%)	1,398 (2.1%)	1,807 (2.6%)	409	29.2%	(789)	(30.4)%
Real Estate Business	Real Estate Business	Net sales	17,551	15,445	14,526	(919)	(6.0)%	(3,024)	(17.2)%
		Segment profit (Profit margin)	1,587 (9.0%)	618 (4.0%)	1,264 (8.7%)	646	104.5%	(323)	(20.4)%
Information and Telecommunications Business	Information and Telecommunications Business	Net sales	4,594	4,096	4,165	69	1.7%	(428)	(9.3)%
		Segment profit (Profit margin)	76 (1.7%)	48 (1.2%)	15 (0.4%)	(33)	(68.4)%	(61)	(79.9)%
Agricultural Park Business	Agricultural Park Business	Net sales	2,207	2,300	2,398	98	4.3%	191	8.7%
		Segment profit (Profit margin)	184 (8.4%)	107 (4.7%)	122 (5.1%)	15	14.7%	(61)	(33.5)%
Total		Net sales	86,208	88,736	90,461	1,725	1.9%	4,253	4.9%
		Elimination or corporate	183	335	475	140	42.0%	292	159.5%
		Operating profit (Profit margin)	4,629 (5.4%)	2,507 (2.8%)	3,685 (4.1%)	1,178	47.0%	(943)	(20.4)%

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

Total assets increased 13,780 million yen from the end of 2022 to 137,371 million yen at the end of the second quarter of 2023. This was mainly due to increases of 2,658 million yen in real estate for sale, 6,306 million yen in real estate for sale in process and 4,269 million yen in goodwill.

Liabilities

Total liabilities increased 13,232 million yen from the end of 2022 to 99,627 million yen. This was mainly due to increases of 5,266 million yen in short-term borrowings and 8,692 million yen in long-term borrowings.

Net assets

Net assets increased 547 million yen from the end of 2022 to 37,743 million yen, mainly due to increases of 409 million yen in retained earnings and 44 million yen in non-controlling interests.

Cash Flows

Cash and cash equivalents at the end of the first half of 2023 decreased 2,544 million yen from the end of 2022 to 32,533 million yen.

Cash flows from operating activities

Net cash used in operating activities was 9,530 million yen. Main positive factors include profit before income taxes of 3,644 million yen. Major negative factors include an 8,964 million yen increase in real estate for sale, a 1,264 million yen decrease in accrued consumption taxes and income taxes paid of 2,427 million yen.

Cash flows from investing activities

Net cash used in investing activities was 5,365 million yen. Main negative factors include payments of 349 million yen for purchase of property, plant and equipment and 4,822 million yen for purchase of shares of subsidiaries resulting in change in scope of consolidation.

Cash flows from financing activities

Net cash provided by financing activities was 12,315 million yen. Main positive factors include net increase in short-term borrowings of 2,880 million yen and proceeds of 13,424 million yen from long-term borrowings. Main negative factors include repayments of long-term borrowings of 2,358 million yen and dividends paid of 1,603 million yen.

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

In the core Human Resources and Education Business, the Group formulated a plan assuming a weak performance in the semiconductor and electronic components industries in light of the global economic slowdown. However, we exceeded initial projections by successfully managing a variety of sectors, including automobiles, through a strategic portfolio that spans multiple industries. Moreover, in the real estate business, by seizing the optimal timing for sales and delivery of commercial land and other assets, the performance exceeded initial plans, leading to significant variations, especially in profits, across the group as a whole.

World Holdings maintains its full-year consolidated forecasts that were announced in the “Consolidated Financial Results for 2022” on February 14, 2023.

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

(Millions of yen)

	2022 (As of Dec. 31, 2022)	Second quarter of 2023 (As of Jun. 30, 2023)
Assets		
Current assets		
Cash and deposits	35,091	32,533
Notes and accounts receivable-trade	18,809	19,333
Merchandise and finished goods	833	1,482
Real estate for sale	6,506	9,165
Work in process	113	180
Real estate for sale in process	43,099	49,405
Other	3,811	5,024
Allowance for doubtful accounts	(6)	(9)
Total current assets	108,257	117,115
Non-current assets		
Property, plant and equipment	6,032	6,135
Intangible assets		
Goodwill	4,059	8,328
Other	192	200
Total intangible assets	4,252	8,528
Investments and other assets		
Investment securities	1,229	1,329
Deferred tax assets	2,047	2,187
Leasehold and guarantee deposits	1,191	1,458
Other	932	968
Allowance for doubtful accounts	(352)	(350)
Total investments and other assets	5,049	5,592
Total non-current assets	15,333	20,256
Total assets	123,591	137,371
Liabilities		
Current liabilities		
Notes and accounts payable-trade	1,225	1,161
Accounts payable-real estate business	269	516
Short-term borrowings	30,798	36,064
Accrued expenses	10,798	10,893
Advances received	1,167	1,110
Income taxes payable	2,580	1,769
Accrued consumption taxes	3,307	2,295
Provision for bonuses	225	667
Other	5,115	4,987
Total current liabilities	55,489	59,467
Non-current liabilities		
Long-term borrowings	25,149	33,842
Provision for retirement benefits for directors (and other officers)	198	185
Retirement benefit liability	3,297	3,755
Other	2,260	2,376
Total non-current liabilities	30,905	40,160
Total liabilities	86,395	99,627

	(Millions of yen)	
	2022	Second quarter of 2023
	(As of Dec. 31, 2022)	(As of Jun. 30, 2023)
Net assets		
Shareholders' equity		
Share capital	1,314	1,327
Capital surplus	1,504	1,517
Retained earnings	32,862	33,271
Treasury shares	(119)	(119)
Total shareholders' equity	35,561	35,996
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	14	40
Foreign currency translation adjustment	40	65
Remeasurements of defined benefit plans	(207)	(182)
Total accumulated other comprehensive income	(153)	(77)
Share acquisition rights	76	70
Non-controlling interests	1,710	1,754
Total net assets	37,195	37,743
Total liabilities and net assets	123,591	137,371

(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 2022 (Jan. 1 – Jun. 30, 2022)	First six months of 2023 (Jan. 1 – Jun. 30, 2023)
Net sales	86,208	90,461
Cost of sales	71,105	74,675
Gross profit	15,103	15,786
Selling, general and administrative expenses	10,473	12,100
Operating profit	4,629	3,685
Non-operating income		
Interest and dividend income	6	47
Subsidy income	75	19
Income of support to investment in property and equipment	3	-
Other	145	75
Total non-operating income	230	142
Non-operating expenses		
Interest expenses	97	140
Other	21	42
Total non-operating expenses	119	182
Ordinary profit	4,740	3,645
Extraordinary losses		
Loss on disaster	-	1
Total extraordinary losses	-	1
Profit before income taxes	4,740	3,644
Income taxes	2,065	1,578
Profit	2,675	2,066
Profit attributable to non-controlling interests	125	53
Profit attributable to owners of parent	2,549	2,013

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

(Millions of yen)

	First six months of 2022 (Jan. 1 – Jun. 30, 2022)	First six months of 2023 (Jan. 1 – Jun. 30, 2023)
Profit	2,675	2,066
Other comprehensive income		
Valuation difference on available-for-sale securities	(9)	26
Foreign currency translation adjustment	55	33
Remeasurements of defined benefit plans, net of tax	(3)	24
Total other comprehensive income	42	84
Comprehensive income	2,717	2,151
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	2,573	2,089
Comprehensive income attributable to non-controlling interests	144	62

(3) Quarterly Consolidated Statement of Cash Flows

(Millions of yen)

	First six months of 2022 (Jan. 1 – Jun. 30, 2022)	First six months of 2023 (Jan. 1 – Jun. 30, 2023)
Cash flows from operating activities		
Profit before income taxes	4,740	3,644
Depreciation	418	453
Amortization of goodwill	161	303
Increase (decrease) in allowance for doubtful accounts	0	(0)
Increase (decrease) in provision for retirement benefits for directors (and other officers)	5	(12)
Increase (decrease) in retirement benefit liability	188	319
Interest and dividend income	(6)	(47)
Interest expenses	97	140
Loss on retirement of property, plant and equipment	14	0
Decrease (increase) in trade receivables	338	378
Decrease (increase) in inventories	(243)	(667)
Decrease (increase) in real estate for sale	(4,182)	(8,964)
Increase (decrease) in trade payables	(438)	154
Increase (decrease) in advances received	600	(60)
Increase (decrease) in accrued expenses	1,788	(349)
Increase (decrease) in accrued consumption taxes	(395)	(1,264)
Increase (decrease) in other current liabilities	(3,176)	(335)
Other, net	(650)	(844)
Subtotal	(739)	(7,150)
Interest and dividends received	7	47
Interest paid	(93)	(144)
Income taxes paid	(1,411)	(2,427)
Income taxes refund	472	144
Net cash provided by (used in) operating activities	(1,763)	(9,530)
Cash flows from investing activities		
Payments into time deposits	(1)	-
Proceeds from withdrawal of time deposits	1	13
Purchase of property, plant and equipment	(1,145)	(349)
Purchase of intangible assets	(14)	(69)
Proceeds of investments in consolidated subsidiary	-	14
Purchase of investments in consolidated subsidiary	(4,165)	(4,822)
Purchase of investments in non-consolidated subsidiary	(30)	(15)
Payments for acquisition of businesses	-	(42)
Loan advances	(100)	(65)
Proceeds from collection of loans receivable	3	-
Net decrease (increase) in lease and guarantee deposits	(28)	(6)
Other, net	(8)	(21)
Net cash provided by (used in) investing activities	(5,489)	(5,365)

	(Millions of yen)	
	First six months of 2022 (Jan. 1 – Jun. 30, 2022)	First six months of 2023 (Jan. 1 – Jun. 30, 2023)
Cash flows from financing activities		
Net increase (decrease) in short-term borrowings	(3,762)	2,880
Purchase of shares of subsidiaries not resulting in change in scope of consolidation	-	(13)
Proceeds from long-term borrowings	14,184	13,424
Repayments of long-term borrowings	(675)	(2,358)
Repayments of lease obligations	(2)	(4)
Proceeds from issuance of shares	23	18
Purchase of treasury shares	-	0
Dividends paid	(1,388)	(1,603)
Repayments to non-controlling shareholders	(34)	(27)
Net cash provided by (used in) financing activities	8,344	12,315
Effect of exchange rate change on cash and cash equivalents	49	35
Net increase (decrease) in cash and cash equivalents	1,140	(2,544)
Cash and cash equivalents at beginning of period	30,748	35,078
Cash and cash equivalents at end of period	31,889	32,533

(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

Toen Planning Co., Ltd., which is not a specified subsidiary, became a consolidated subsidiary in 2022. In the first quarter of 2023, Toen Planning Co., Ltd. was removed from the scope of consolidation because this company was absorbed by World Residential Co., Ltd. on March 1, 2023 and subsequently dissolved.

Koresato Winery, which is not a specified subsidiary, became a consolidated subsidiary in the second quarter of 2023. During this period, on April 1, 2023, the Company subscribed to a third-party allotment of new shares in Koresato Winery, Co., Ltd. and included the company in the scope of its consolidation.

While not applicable to the transfer of a specified subsidiary, on May 22, 2023, during the second quarter of 2023, we also acquired shares in Nippon Gijutsu Center Co., Ltd. Accordingly, both Nippon Gijutsu Center Co., Ltd. and its subsidiary Techno Link Co., Ltd. have been included in the scope of consolidation.

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 when the use of estimated tax rates produces a clearly irrational result.

Changes in Accounting Policies**Application of Guidance on the Accounting Standard for Fair Value Measurement**

World Holdings has applied Guidance on the Accounting Standard for Fair Value Measurement (Accounting Standards Board of Japan (ASBJ) Statement No. 31, June 17, 2021) from the beginning of the first quarter of 2023, and has applied the new accounting policies set forth by Guidance on the Accounting Standard for Fair Value Measurement prospectively in accordance with the transitional treatment in the paragraph 27-2 of this guidance.

There is no effect of the application of this guidance on the quarterly consolidated financial statements.

Segment Information

I. First six months of 2022 (Jan. 1 – Jun. 30, 2022)

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

(Millions of yen)

	Reportable segment						Adjustments (Note 1)	Amounts shown on quarterly consolidated statement of income (Note 2)
	Products Human Resources Business	Services Human Resources Business	Real Estate Business	Information and Telecommunications Business	Agricultural Park Business	Total		
Net sales								
Sales to external customers	41,203	20,651	17,551	4,594	2,207	86,208	-	86,208
Inter-segment sales and transfers	274	90	67	27	7	468	(468)	-
Total	41,478	20,742	17,619	4,621	2,215	86,676	(468)	86,208
Segment profit	1,901	695	1,587	76	184	4,446	183	4,629

Notes: 1. The 183 million yen adjustment to segment profit includes elimination for inter-segment transactions of -166 million yen, and 349 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. Segment profit 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

Goodwill was booked in the “Products Human Resources Business” segment as World Holdings has acquired the shares of Creative Inc. and made it a consolidated subsidiary. The event caused the amount of goodwill to increase by 691 million yen during the first six months of 2022.

Significant gain on bargain purchase

Not applicable.

II. First six months of 2023 (Jan. 1 – Jun. 30, 2023)

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

(Millions of yen)

	Reportable segment						Adjustments (Note 1)	Amounts shown on quarterly consolidated statement of income (Note 2)
	Products Human Resources Business	Services Human Resources Business	Real Estate Business	Information and Telecommunications Business	Agricultural Park Business	Total		
Net sales								
Sales to external customers	47,946	21,424	14,526	4,165	2,398	90,461	-	90,461
Inter-segment sales and transfers	312	88	10	28	6	446	(446)	-
Total	48,258	21,512	14,537	4,194	2,405	90,908	(446)	90,461
Segment profit	1,650	156	1,264	15	122	3,210	475	3,685

Notes: 1. The 475 million yen adjustment to segment profit includes elimination for inter-segment transactions of -11 million yen, and 486 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. Segment profit 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

Goodwill was booked in the “Products Human Resources Business” segment as World Holdings has acquired the all shares of Nippon Gijutsu Center Co., Ltd., and Nippon Gijutsu Center and its subsidiary are included in the scope of consolidation. The event caused the amount of goodwill to increase by 4,545 million yen during the first six months of 2023.

Significant gain on bargain purchase

Not applicable.

Subsequent Events

Combining businesses through acquisition

At a meeting of the Board of Directors held on July 27, 2023, we resolved to enter into a strategic business alliance with Yamato Holdings Co., Ltd. (hereinafter referred to as YHD). In addition, our consolidated subsidiary World Staffing Co., Ltd. (hereinafter referred to as WSF), decided to acquire 51% of issued shares in Yamato Staff Supply Co., Ltd. (hereinafter referred to as YSS), a wholly-owned subsidiary of YHD, and to make it a subsidiary, concluding a share transfer agreement on July 27, 2023. Subsequently, the Company plans to acquire the shares on September 1, 2023.

(1) Reason for the acquisition

In the core Human Resources and Education Business of World Holdings, we are developing a wide range of human resources businesses from manufacturing to services. Among them, the logistics field conducted by WSF, our core operating company in the service domain, has grown significantly as one of our major businesses to date, transcending the human resources business and leveraging our strength in bulk logistics warehouse contracting based on a consortium model.

YHD is committed to achieving sustainable business growth through its contribution to “realizing an affluent society” as a member responsible for social infrastructure. To achieve this, YHD is aiming to enhance the value it provides to the end-to-end supply chain and working on structural reforms to business.

The environment surrounding Japan’s logistics industry is subject to various trends, including changes in consumer behavior and distribution structures such as the shift towards and expansion of e-commerce, labor shortages due to the falling birthrate and aging population, and a diversification of work styles. In this context, the aim of the strategic partnership between the Company and YHD is to collaborate and effectively leverage both companies’ management resources. This will help maintain revenue opportunities, ensure future competitiveness, create more "ways for people to be active," and contribute to the sustainable development of Japanese society as well as the "realization of an affluent society."

As part of the business alliance, YSS, which operates the human resources business in YHD, will become a consolidated subsidiary of the Company, with WSF acquiring 51% of the issued shares. By leveraging the expertise in human resources management that the Company possesses over a wide range of industries and occupations, the Company will create opportunities for more people to play a still more active role. We will continue to effectively utilize the management resources of both companies and engage in discussions to maintain revenue opportunities and ensure future competitiveness.

(2) Name of seller

Yamato Holdings Co., Ltd.

(3) Profile of the company to be acquired

Name: YAMATO.STAFF.SUPPLY.CO.,LTD.

Business: Human resources, light cargo, education, outsourcing businesses

Capital: 150 million yen

(4) Stock acquisition date

September 1, 2023 (tentative)

(5) Number of shares to be acquired, acquisition cost, number of shares to be held after acquisition

Number of shares to be acquired: 1,555 shares

Acquisition cost: The decision to refrain from disclosure is based on discussions between the two companies, and made in light of the results of a third-party calculation of the share value.

Number of shares to be held after acquisition: 51%

(6) Method for procuring funds for payments on the stock acquisition

Plan to raise funds through borrowing from financial institutions

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.