


First Quarter FY2011 Financial Results



May 16, 2011
World Intec Co., Ltd.
JASDAQ (2429)

The Tohoku Pacific Offshore Earthquake

World Intec extends its deepest sympathies to all victims of the Great East Japan Earthquake.

- No employees of the World Intec Group were injured by this disaster.
- The head office, regional offices and local sales offices are working together to collect donations, provide supplies and support recovery activities other ways.

We have launched **the Job “Solidarity” Project** and have started conducting activities to help earthquake victims find jobs.

■ Possible upcoming negative effects of the earthquake

- ① Suspension of manufacturing activities due to the earthquake and tsunami damage in eastern Japan and to the nuclear power station crisis
- ② Disruption in the lives of residents of other areas of Japan caused by supply chain problems
- ③ Negative impact on corporate activities caused by limitations on electric power consumption

Earnings were high in the first quarter because of gains from the sale of real estate. **However, there is no change to the 2011 forecast because of uncertainties about how much the earthquake will affect sales and earnings.**

Overview of the First Quarter FY2011 (1): Progress in Business

- **Human resources outsourcing Business;**
 - Until the earthquake, this business was performing better than one year earlier as sales were higher to major customers in the factory business and new customers were added in the R&D sector. The earthquake had only a negligible effect on first quarter performance.
 - In the second quarter, performance will be affected by the smaller number of working days because of Golden Week holiday and by effects of the earthquake, including planned blackouts. We expect demand to increase starting in the third quarter in association with reconstruction activities.
- **Information Technology & Telecommunications business;**
 - Sales were higher than one year earlier as steady growth in smartphone sales produced an increase in the total sales volume of cell phones.
 - Earnings decreased because a higher cost of sales ratio caused by higher procurement prices and an increase in sales agent fees caused SG&A expenses to increase. In response, we are working on improving profit margins.
- **Real Estate business;**
 - Land and buildings initially purchased for condominium sales in 2012 were sold for economic reasons because buyers offered prices that produced higher earnings than would be generated by developing and selling the properties as condominiums.
- **Other businesses;**
 - Sales were down in the parts and materials procurement business as lower production volume caused orders from overseas bases to fall.
 - Sales and earnings were down at Geographic Information of Kyushu, Inc. compared with 2010 when results benefited from extra demand created by emergency employment measures.

Overview of the First Quarter FY2011 (2): Results of Operations

■ Special items ;

- Most significantly, the real estate business posted first quarter sales that were equal to sales planned for the entire year. This was mainly because of the completion of sales at the Minami-Motomachi project.

- Effect of the Great East Japan Earthquake

The effect on first quarter performance was negligible because the earthquake occurred on March 11.

There was an extraordinary loss (¥119 million) for consolation payments to victims of this disaster.

The earthquake may negatively affect human resources operations, which will also be affected by the smaller number of second quarter business days because of the Golden Week holiday.

(We plan to announce a revised 2011 forecast as we monitor progress made in the second quarter.)

■ Consolidated sales ;

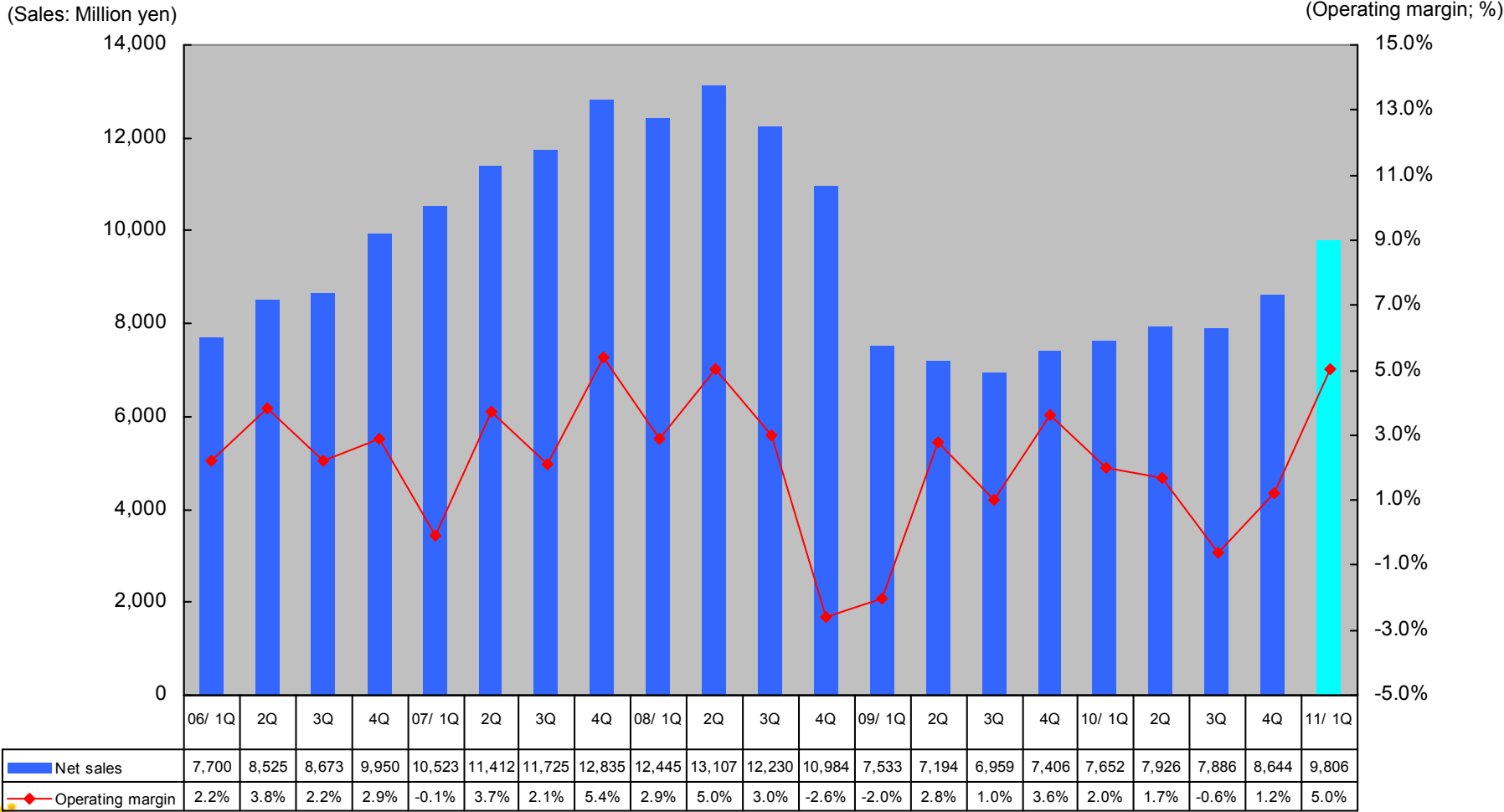
- Real estate sales (¥1,323 million) made a big contribution and posted consolidated sales of ¥9,806 million (up 28.1% YoY)

■ Consolidated operating income ;

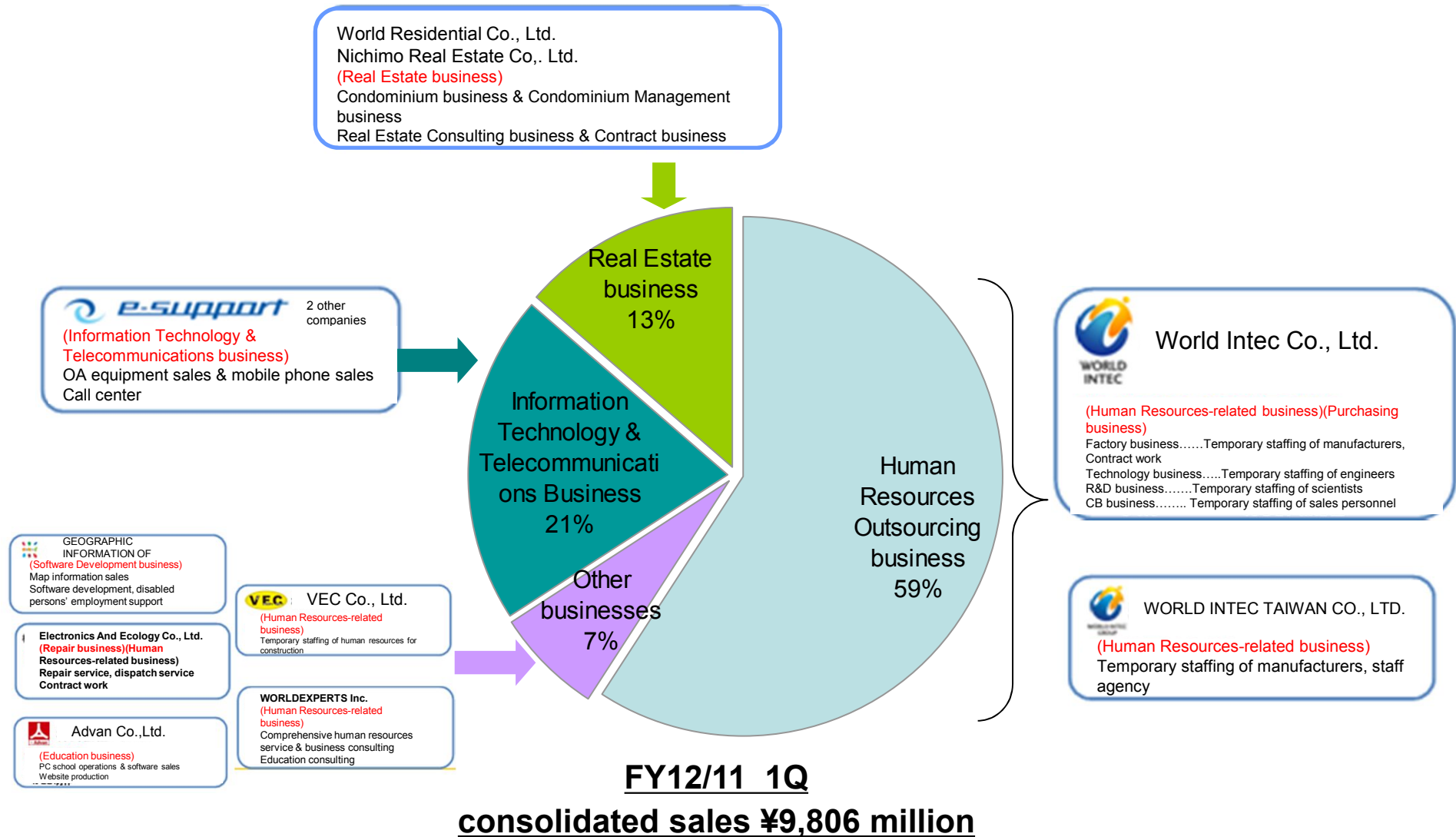
- Gains on real estate sales (¥338 million) made a big contribution and posted a consolidated operating income of ¥487 million (up 214.9% YoY)

Consolidated Business Results

- There has been a steady recovery until March 2011 since the bottom that followed the Lehman shock. However, January and February savings were used up due to the Great East Japan Earthquake. Sales of real estate for sale resulted in a 28.1% increase in sales and an improvement in the operating margin to 4.9%.



World Intec Group (12 Consolidated Subsidiaries)



Consolidated Financial Summary for the First Quarter FY2011

Sales

Human resources outsourcing

Real estate

- In the factory business, sales to current customers increased.
- In the R&D business, sales increased as aggressive recruiting of new college graduates combined with a market recovery resulted in a competitive advantage.
- Land and buildings at the Minami-Motomachi Project were sold as is at very favorable terms.

Profits

Operating income

Ordinary income

- Higher sales in the human resources outsourcing business contributed to growth in earnings.
- Earnings were much higher because of real estate operating income (about ¥340 million).
- Earnings were down in other businesses because of lower sales at Geographic Information of Kyushu, Inc.

(Consolidated) (Million yen)	FY12/10 1Q (Jan.-Mar) actual	FY12/11 1Q (Jan.-Mar) actual	YoY	
			Change	Pct. change
Net sales	7,652	9,806	2,154	28.1%
Operating income	154	487	332	214.9%
Operating margin	2.0%	5.0%	-	-
Ordinary income	209	608	398	190.2%
Ordinary income margin	2.7%	6.2%	-	-
Net income	126	431	305	242.1%
Net income margin	1.6%	4.4%	-	-

Business Summary by Segment

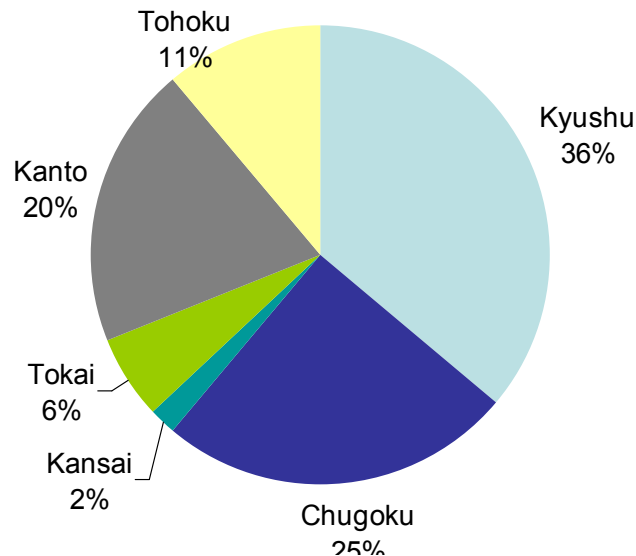
(Million yen)		FY12/10 1Q (Jan.-Mar) actual	FY12/11 actual	YoY	
				Change	Pct. change
Factory business	Net sales	3,146	3,856	709	22.5%
	Operating income	161	191	30	18.7%
	Operating margin	5.1%	5.0%	—	—
Technology business	Net sales	1,409	1,395	-14	-1.0%
	Operating income	87	101	13	15.9%
	Operating margin	6.2%	7.2%	—	—
R&D business	Net sales	502	558	55	11.1%
	Operating income	33	65	31	94.2%
	Operating margin	6.6%	11.6%	—	—
Information Technology & Telecommunications Business	Net sales	1,749	2,016	267	15.3%
	Operating income	13	6	-6	-50.1%
	Operating margin	0.7%	0.3%	—	—
Real Estate business	Net sales	—	1,323	1,323	—
	Operating income	—	338	338	—
	Operating margin	—	25.5%	—	—
Other businesses (FY12/10=various services)	Net sales	844	656	-187	-22.2%
	Operating income	86	18	-67	-78.5%
	Operating margin	10.2%	2.7%	—	—
Total	Net sales	7,652	9,806	2,154	28.1%
	Elimination or corporate	-227	-234	-6	—
	Operating income	154	487	332	114.9%
	Operating margin	2.0%	5.0%	—	—

Human Resources Outsourcing Business; Pct. of Sales by Region

- World Intec operates mainly in Kyushu but also covers all other areas of Japan. Although World Intec did not suffer as much direct earthquake damage as at competitors, there are concerns about the possibility of negative effects caused by supply chain disruptions.

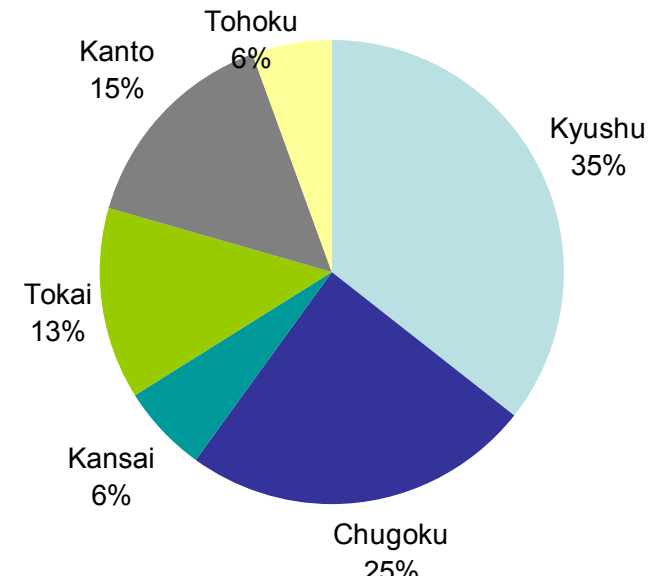
FY10 1Q (end of March)

Sales: ¥5,057 million



FY11 1Q (end of March)

Sales: ¥5,809 million



First Quarter of 2011 BS/CF

(Million yen)

(Million yen)

	End of Dec. '10	FY12/11 1Q	Change %	Comments
Current assets	11,505	12,566	9.2%	
Cash and deposits	3,162	3,405	7.7%	
Notes and accounts receivable-trade	3,571	3,534	-1.0%	
Real estate for sale in process	3,829	4,648	21.4%	Real estate development
Others	942	979	3.9%	
Fixed assets	1,861	1,944	4.4%	
Tangible fixed assets	682	673	-1.3%	
Intangible fixed assets	121	121	0.0%	
Investments and other assets	1,057	1,149	8.7%	
Total assets	13,367	14,511	8.6%	
Current liabilities	6,445	7,913	22.8%	
Notes and accounts payable-trade	496	540	8.9%	
Short-term debt	2,397	4,109	71.4%	Real estate purchase fund
Accrued expense	2,212	1,953	-11.7%	Due to increases in clients and the no. of employees
Accrued income tax and others	305	119	-61.0%	
Others	1,035	1,192	15.2%	
Fixed liabilities	2,077	1,400	-32.6%	
Long-term debt	1,761	1,070	-39.2%	
Total net assets	4,843	5,197	7.3%	
Shareholders' equity ratio %	36.2%	35.8%	-	
Total liabilities and equity	13,367	14,511	8.6%	

	FY12/10 1Q	FY12/11 1Q
Operating cash flow	-46	-576
Investing cash flow	-30	-135
Free cash flow	-76	-711
Financing cash flow	-214	953
Cash & cash equivalents at end of year	3,220	3,409

【 Operating cash flow 】 -¥576mn

Income before income taxes ¥527mn
 Increase in real estate for sale -¥771mn
 Decrease in accrued expense -¥259mn

【 Investing cash flow 】 -¥135mn

Acquisition of investment securities
 -¥100mn

【 Financing cash flow 】 ¥953mn

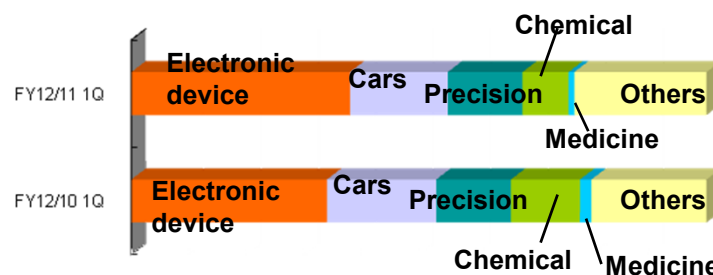
Increases of short and long-term debts
 ¥1,021mn
 Dividends paid -¥68mn

Businesses and Plan for FY2011



Human Resources Outsourcing Business

- Factory business: Growth over one year earlier was driven by the automobile (up 127.2%) and semiconductor (up 114.4%) sectors but performance has weakened since the earthquake. Will reach a decision about the outlook based on April-May performance.



- Technology business: Larger number of workers because of stepped up recruiting activities in fourth quarter of 2010

Performance benefited from increasing needs associated with semiconductor equipment and with public-sector outsourcing projects in Kyushu. Performance has weakened since the earthquake. Expect another recovery to begin in the second half of the second quarter.

	Jan. 2010	Mar	Jun	Dec	Mar. 2011
No. of workers	1,197	1,150	1,234	1,289	1,349
Operating rate	97.8%	98.0%	99.0%	99.7%	97.8%

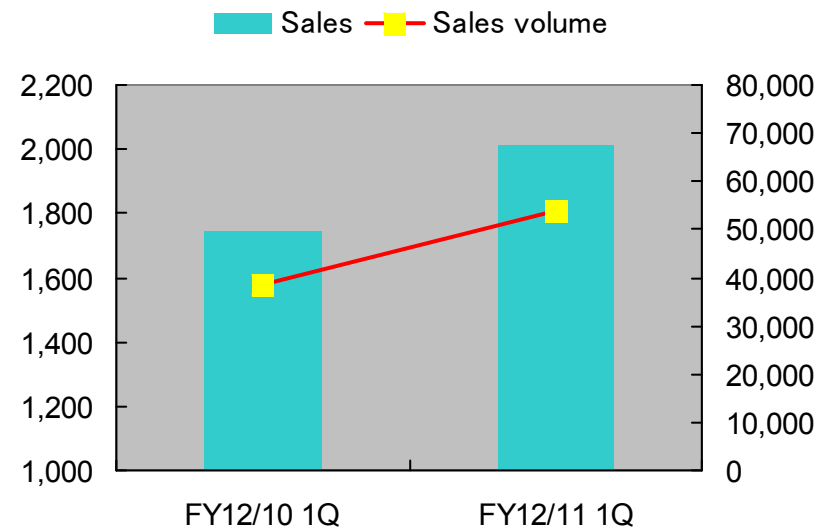
- R&D business: Steady growth in the number of workers

Focusing on capturing new projects by supplying workers with highly specialized skills

	Jan. 2010	Mar	Jun	Dec	Mar. 2011
No. of workers	327	337	356	366	376
Operating rate	98.8%	92.9%	96.3%	95.4%	95.2%

Information Technology & Telecommunications Business

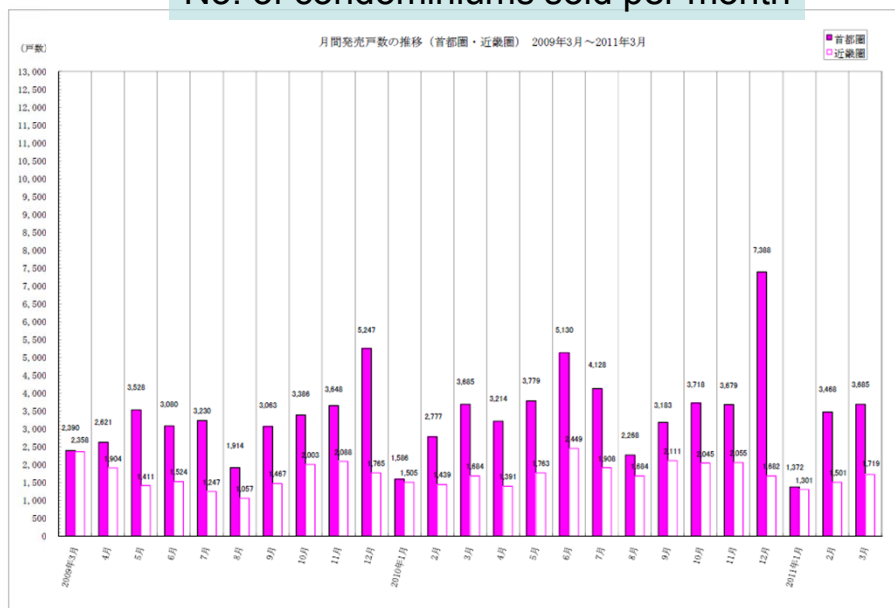
- e-support group, a consolidated subsidiary
 - Kyushu's largest seller of cell phones (au, SoftBank)
 - Smartphone sales are very strong



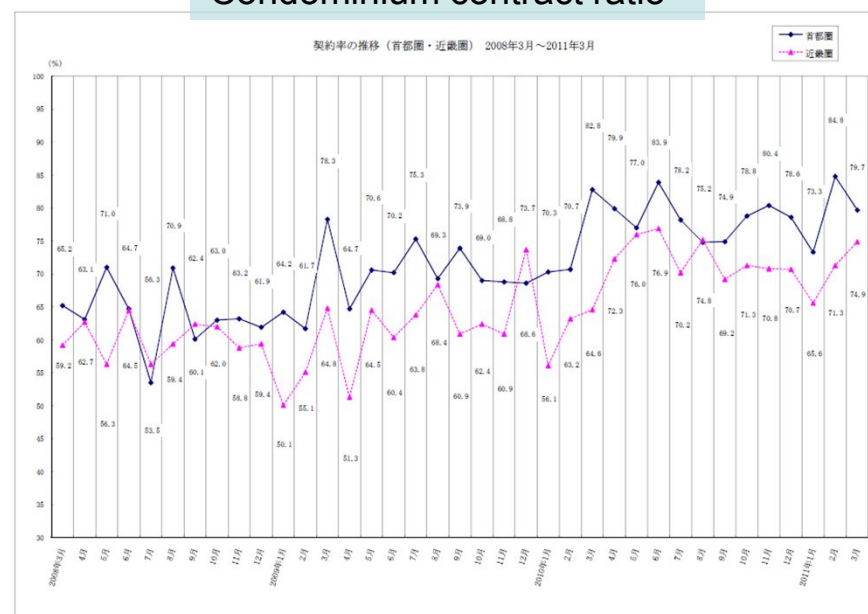
Real Estate Business (1); Consolidated Subsidiary World Residential

- Philosophy: “Contributing to localities by bringing people and culture together and creating communities”
 - Establish a brand that clearly distinguishes World Intec from large companies: the World Residential Series.
 - Develop condominiums with extensive safety measures while respecting the culture of historic neighborhoods of central Tokyo.
 - The primary product is “condominiums for families” to meet real demand for residences in the “Tokyo area.”
 - The supply of condominiums after the 2008 Lehman shock is only half of the peak of 80,000 units. The condominium supply in 2011 is estimated at 50,000 units; the contract signing ratio is climbing because the supply is in line with real demand.

No. of condominiums sold per month



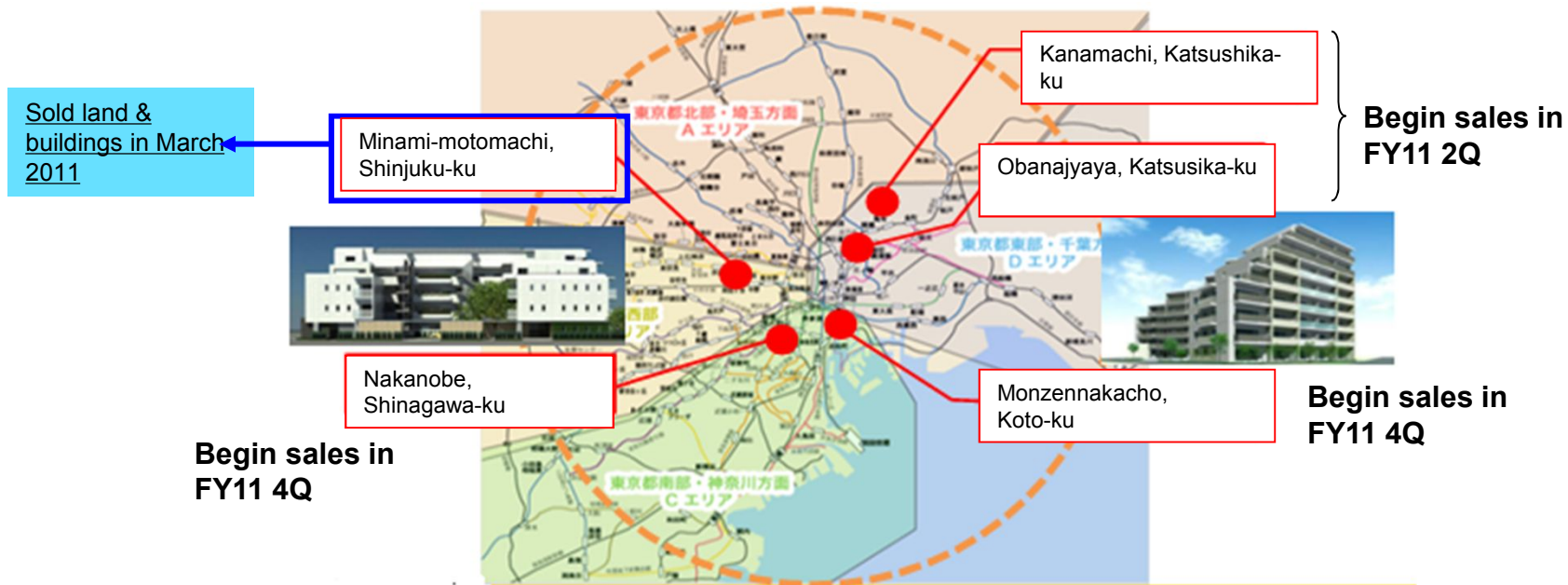
Condominium contract ratio



(Source: Apr. 14, 2011 Real Estate Economic Institute Co., Ltd. report)

Real Estate Business (2); World Residential Series

- Plan sales of 4 buildings in fiscal 2011 (post sales in fiscal 2012)
 - Obanajyaya: Begin sales in FY11 2Q 67 units (Katsushika-ku, Keisei line)
 - Kanamachi: Begin sales in FY11 2Q-3Q 44 units (Katsushika-ku, Keisei line & JR)
 - Ebaranakanobu: Begin sales in FY11 4Q 42 units (Shinagawa-ku, Tokyu)
 - Monzennakacho: Begin sales in FY11 4Q 24 units (Koto-ku, Tokyo Metro)



Summary of FY2011 Consolidated Business Results

- In 2011, World Intec is focusing on building a strong foundation for more progress in 2012.

(Consolidated) (Million yen)	FY12/10 actual	FY12/11 1H forecast	FY12/11 2H forecast	FY12/11 forecast	YoY	
					Change	Pct. change
Net sales	32,109	18,593	17,502	36,095	3,985	12.4%
Operating income	344	279	160	439	94	27.2%
Operating margin	1.1%	1.5%	0.9%	1.2%	—	—
Ordinary income	487	307	158	465	-22	-4.6%
Ordinary income margin	1.5%	1.7%	0.9%	1.3%	—	—
Net income	58	178	-128	50	-8	-14.0%
Net income margin	0.2%	1.0%	-0.7%	0.1%	—	—

Summary of FY2011 Business Forecasts by Segment

(Million yen)		FY12/10 actual	FY12/11 1H forecast	FY12/11 2H forecast	FY12/11 forecast	YoY	
						Change	Pct. change
Factory business	Net sales	14,134	7,720	8,768	16,488	2,354	16.7%
	Operating income	704	185	582	767	63	8.9%
	Operating margin	5.0%	2.4%	6.6%	4.7%	-	-
Technology business	Net sales	5,964	2,988	3,106	6,094	130	2.2%
	Operating income	369	154	186	340	-29	-7.9%
	Operating margin	6.2%	5.2%	6.0%	5.6%	-	-
R&D business	Net sales	2,082	1,143	1,244	2,386	304	14.6%
	Operating income	131	92	127	219	88	67.2%
	Operating margin	6.3%	8.0%	10.2%	9.2%	-	-
Information Technology & Telecommunications Business	Net sales	8,046	4,036	3,365	7,401	-645	-8.0%
	Operating income	165	120	100	220	55	33.3%
	Operating margin	2.1%	3.0%	3.0%	3.0%	-	-
Real Estate business	Net sales	52	1,329	0	1,330	1,277	-
	Operating income	-160	76	-425	-349	-189	-
	Operating margin	-308%	5.7%	-	-26.3%	-	-
Other businesses (FY12/10=various services)	Net sales	1,828	1,378	1,019	2,397	569	31.1%
	Operating income	19	110	16	126	107	563.2%
	Operating margin	1.0%	8.0%	1.6%	5.2%	-	-
Total	Net sales	32,109	18,593	17,502	36,095	3,985	12.4%
	Elimination or corporate	-884	-458	-426	-884	0	—
	Operating income	344	279	160	439	94	27.2%
	Operating margin	1.1%	1.5%	0.9%	1.2%	-	-

For more information

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