

Trias Company Memo 2010-06-09

(Securities Code: 2429 / JASDAQ) WORLD INTEC CO., LTD.

Summary of FY12/10 Q1 Business Results Follow-up Interview

Trias Corporation recently interviewed Hiroshi Kudo, a corporate spokesperson of WORLD INTEC CO., LTD. (hereinafter WORLD INTEC or the Company) to follow up on its FY12/10 Q 1 business results announced on May 10, 2010. The following is a summary of the interview.

【Business Results Summary of FY12/10 Q1】

In the first quarter of FY12/10, net sales rose by 1.6% on a year-on-year basis, driven particularly by increased sales from WORLD INTEC's Information Technology & Telecommunications Services business. While hit by an earnings loss last year, the Company turned a profit, including in operating income, for the quarter, due to the structural reforms it instituted earlier. As for ordinary income, the Company posted ¥31 million from an employment adjustment subsidy paid by the government. Net income did not improve to the same degree as other earnings due to the payment of corporate income tax.

【Table 1】FY12/10 Q1 Consolidated Business Results Summary

(¥million)	FY12/09 Q1	FY12/10 Q1	YoY		FY12/10 Forecast (as of 10-May-2010)		
	Actual	Actual	Change	Ratio	H1	H2	Fullyear
Net sales	7,533	7,652	118	1.6%	15,000	16,300	31,300
Operating income	△ 147	154	302	-	270	420	690
Operating margin	-2.0%	2.0%	-	-	1.8%	2.6%	2.2%
Ordinary income	△ 118	209	328	-	330	370	700
Ordinary margin	-1.6%	2.7%	-	-	2.2%	2.3%	2.2%
Net income	△ 70	126	196	-	140	100	240
Net margin	-0.9%	1.6%	-	-	0.9%	0.6%	0.8%

As for revenue by segment, net sales from manufacturing temporary placement for domestic makers fell on a y/y basis. Due to overzealous cutbacks in personnel, however, makers cannot cope with the recent recovery in production, and demand for the Company's services has begun to rise from the end of last year. While orders have been coming in, because the larger projects have started up from April, WORLD INTEC expects its earnings recovery to lag roughly one month behind its competitors. As for recent client trends, the major automakers, which engage in the final assembly process, are in need for manufacturing temporary placement, but services for outsourced contracting are not in demand. In such peripheral industries as automotive components, demand for temporary workers is currently on the rise, but the need for outsourced contracting services is expected to grow over the mid- and long term. Meanwhile, for the electrical machinery industry, the trend differs by product and application. While orders have generally been increasing since October 2009, growth has been particularly noticeable

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in mobile terminals led by smart phones, electronic home appliances and semiconductor devices. It should be noted that because temporary placement needs are growing in response to the possible amendment of the Worker Dispatch Law, the ratio of outsourced contracting at WORLD INTEC has been on the decline. In the short term, the Company will be meeting the demand for temporary placement, but will continue to promote clients' conversion to outsourced contracting at existing worksites.

On a nonconsolidated basis, WORLD INTEC's contracted workforce, which is comprised of those registered for its manufacturing temporary placement, R&D placement, technology oriented placement and marketing related business units, declined to less than 6,000 at the end of fiscal 2009. That figure is half the peak number recorded at the end of fiscal 2006. But the Company expects its workforce to recover to somewhat less than 8,000, a level reached at the start of fiscal 2006.

WORLD INTEC's overseas operations are performing well. Its Taiwan subsidiary, which began operating in 2003, struggled in April 2009, but recovered rapidly towards the year end. As of the end of April 2010, the Taiwan operation had more than 800 contracted workers placed. However, because the size of Taiwan's potential market is limited and unit price per contract modest at best, the Company believes it will necessary to take another strategic step to improve long-term prospects.

In areas outside of manufacturing, because GEOGRAPHIC INFORMATION OF KYUSHU, INC., which is a subsidiary belonging to Marketing Sales Services, won a major contract, its sales and profits were significantly higher y/y.

【Table 2】Consolidated Business Results by Segment

(¥million)		FY12/09 Q1	FY12/10 Q1	YoY		FY12/10
		Actual	Actual	Change	Ratio	Forecast (as of 12-Feb-2010)
Manufacturing Temporary Placement/Contracting	Net sales	3,718	3,146	△ 571	-15.4%	15,200
	Operating income	43	161	117	268.0%	890
	OP Margin	1.2%	5.1%	-	-	5.9%
Technology Oriented Placement	Net sales	1,474	1,409	△ 65	-4.4%	6,000
	Operating income	17	87	70	407.5%	440
	OP Margin	1.2%	6.2%	-	-	7.3%
R&D Placement	Net sales	518	502	△ 15	-3.0%	2,200
	Operating income	53	33	△ 19	-36.5%	200
	OP Margin	10.2%	6.6%	-	-	9.1%
Information Technology & Telecommunication Services	Net sales	1,608	1,749	140	8.7%	6,600
	Operating income	17	13	△ 4	-26.5%	120
	OP Margin	1.1%	0.7%	-	-	1.8%
Marketing Sales Services	Net sales	213	844	630	295.4%	1,300
	Operating income	△ 1	86	87	-	0
	OP Margin	-0.5%	10.2%	-	-	0.2%
Total	Net sales	7,533	7,652	118	1.6%	31,300
	Eliminations/All company	△ 278	△ 227	50	-	△ 960
	Operating income	△ 147	154	302	-	690
	OP Margin	-2.0%	2.0%	-	-	2.2%

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【Earnings Forecast】

Although WORLD INTEC did not revise the consolidated full-year earnings forecast for FY12/10 issued on February 12, it did revise its earnings forecast for the first half on May 10. As for the Company's short-term future, while it plans to focus on meeting rising demand for manufacturing temporary placement as mentioned above, its strategic goal of converting such contracts to outsourced contracting over the mid- and long term has not changed. It is pushing forward a company-wide reorganization to reinforce its sales and marketing effort to convince clients to convert to outsourced contracting services. Following the Lehman Brothers collapse, the outsourced services industry's largest firms, which are unlisted, dramatically downsized their operations, primarily by closing down offices and by paring its worker recruitment staff. As a result, the industry today has a number of leading companies, including WORLD INTEC, that have reached a rough parity in terms of operational scale. In order to continue winning out, especially in the manufacturing temporary placement/contracting services market, the Company believes that the key lies with developing and strengthening a framework capable of recruiting some 5,000 workers, to deliver sheer "recruitment power" needed to survive. The outsourcing provider that can deliver such power and expand its recruitment capacity over the next few years will gain the competitive edge, WORLD INTEC believes.

Regarding WORLD RESIDENTIAL CO., LTD., on which the Company issued a press release on March 24, it should be noted that the real estate development and marketing firm is scheduled to acquire its real estate agent license in July. As a result, the impact on this fiscal year's earnings is expected to be modest.

(This concludes the summary of our interview.)

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[Reference] WORLD INTEC CO., LTD. (2429)
Key Financial Data and Business Results (Consolidated)

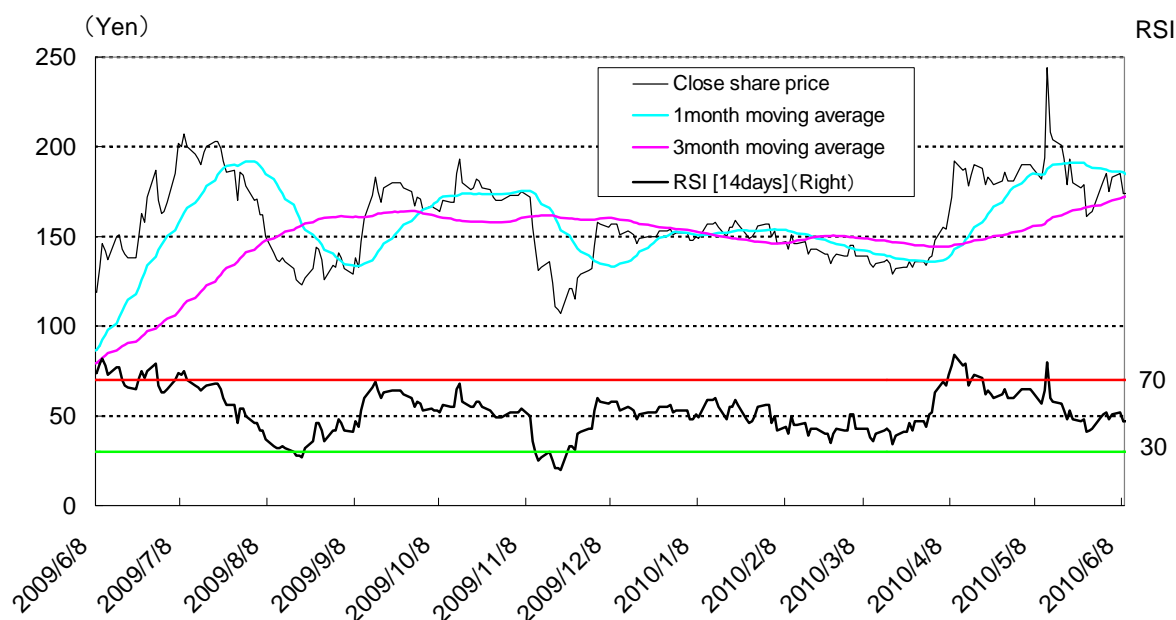
Key Stock Indicators (Consolidated)			Key Financial Data (Consolidated)		
No. of Shares Issued	Dec. 09	55,760	Total Assets (¥million)	Dec. 09	9,497
No. of Treasury Stock	Dec. 09	1,654	Shareholders' Equity (¥million)	Dec. 09	4,152
Market Value (¥million)	Jun. 8, 2010	2,911	Interest-Bearing Debt (¥million)	Dec. 09	1,169
BPS (¥)	Dec. 09	79,053.7	Equity Ratio (%)	Dec. 09	43.7
ROE (%) ※1	Dec. 09	3.6	Ratio of Interest-Bearing Debt (%) ※5	Dec. 09	28.2
ROA (%) ※2	Dec. 09	1.4	Free Cash Flows (¥million) ※6	Dec. 09	18
PER (times)	FY12/10 est.	11.8	※1 ROE=Current Net Income÷Averaged Shareholders' Equity of beginning of term and term end		
PCFR(times) ※3	Dec. 09	10.5	※2 ROA=Current Net Income÷Averaged Total Assets of beginning of term and term end		
PBR (times)	Dec. 09	0.0	※3 PCFR=Market Value÷(Current Net Income+Depreciation)		
Share Price (¥)	Jun. 8, 2010	174	※4 Average Daily Volume=Average Daily Volume for previous 12months		
Unit Share (shares)	Dec. 09	100	※5 Ratio=Interest-Bearing Debts÷Shareholders' Equity		
Average Daily Volume (shares) ※4	Jun. 8, 2010	52,516	※6 Free Cash Flows=Operating CF+Investment CF		

A 300-for-1 split down on the common stock done as of January 1, 2010.

Market Value calculated with 16,728,000 shares issued after January 1, 2010

Consolidated (¥million)	Net Sales	Operating Income	Ordinary Income	Net Income	EPS (¥)	Dividend per Share (¥)
FY12/06	34,850	978	1,172	418	7,555.98	1,300.00
FY12/07	46,497	1,345	1,772	741	13,363.08	1,300.00
FY12/08	48,767	1,089	1,278	192	3,485.05	1,300.00
FY12/09	29,094	389	537	149	2,753.48	1,300.00
FY12/10 H1 fcst.	15,000	270	330	140	8.63	-
FY12/10 fcst.	31,300	690	700	240	14.79	4.50

Note: FY12/10 forecasts announced on May 10, 2010

Share Price Charts and RSI


Source: Prepared by Trias Corp. with Bloomberg L.P. data.

Note: RSI, Relative Strength Index, is the index representing the ratio of overbought or oversold share prices.

In general, over 70 in RSI shows overbought share price range, while below 30 shows oversold share price range.

RSI=averaged share price appreciation for N days÷(averaged share price appreciation for N days + averaged share price decline for N days) x100

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