World Holdings / 2429

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How to read a Shared Research report: This report begins with the trends and outlook section, which discusses the company's most recent earnings. First-time readers should start at the business section later in the report.

Executive summary

Business overview

- World Holdings Co., Ltd. is a pure holding company with 32 consolidated subsidiaries under its umbrella and operates in four business domains. The Human Resources and Education business (57.5% of total revenue and 60.5% of total operating profit in FY12/20) mainly provides subcontracting and staffing for various professional services. The Real Estate business (33.3%, 39.0%) focuses on new condominium development and renovations. The Information and Telecommunications business (6.3%, 2.6%) is mainly engaged in mobile phone handset sales, and the Other businesses (2.2%, loss of JPY200mn) cover management of agricultural park facilities.
- World Holdings uses its diverse business portfolio to hedge against market fluctuation and other business risks. It operates across a range of geographic regions and industries, and incorporates both recurring-revenue business (Human Resources and Education, Information and Telecommunications) and one-time revenue business (Real Estate). While the Human Resources and Education business represents the bulk of its operations, the company has expanded into other businesses as well. Launched in December 2005, the Information and Telecommunications business helped offset the slump in the staffing business amid the global financial crisis in 2008. The crisis also left the real estate industry with a dwindling number of players, and World Holdings capitalized on that opportunity to make a full-fledged push into the Real Estate business in 2010.
- The core Human Resources and Education business consists of four segments. The factory staffing business (38.1% of total revenue, 28.9% of segment operating profit) runs staffing and subcontracting in the manufacturing industry. The technology staffing business (11.8%, 22.2%) conducts tech staffing and subcontracting. The R&D staffing business (5.0%, 9.3%) conducts research and development staffing and subcontracting, and the sales and marketing staffing business (2.7%, 0.2%) provides sales and call center staffing. With its focus on the manufacturing industry (production processes, R&D), the company's strength lies in blue-collar staffing and subcontracting. The company has achieved substantial growth in the fields of semiconductors and machinery-related manufacturing, and it further expanded into third-party logistics (3PL) in 2012 when it began handling logistics duties for Amazon Japan (Amazon Japan is now a major customer, accounting for 14.1% of companywide revenue and 38.4% of revenue in the factory staffing business in FY12/19). The company has also been working to augment its business portfolio by expanding its scope beyond manufacturing to design and development of machinery and electronics, as well as R&D for pharmaceuticals and biotechnology. Most recently, it has also been spreading out into white-collar staffing services.
- The Human Resources and Education business has a labor-intensive earnings structure. Earnings in subcontracting are determined by the formula "revenue = number of contracts x contract value." In the staffing business, the formula is "revenue = number of registered workers x billing rates," and ongoing revenues are generated commensurate with the number of registered workers. Registrations have been on the rise in the years since the global financial crisis, and billing rates as well have been growing.
- The Real Estate business began in earnest in 2010, after the global financial crisis, by launching development operations in Japan's central Kanto region. The company is particularly adept at the "seed lot" business. It makes strategic purchases of small parcels of land ("seed lots"), negotiates for the rights to surrounding land, and then puts them up for either sale or joint development. The company primarily develops and sells new condominiums (of 20 to 60 units selling for around JPY26mn per unit). For large development projects it mostly teams up with major developers. The company also excels in renovation, i.e., fixing up and adding new value to pre-owned properties, and most recently it has been venturing into conversion work as well, in which it redesignates the use of existing buildings, fully refurbishes them, and converts them to new buildings.
- Lead times in the Real Estate business, from sourcing through design, construction, completion, and sale, vary depending on property type. In condominium development, lead times are long, taking two to three years from sourcing to handover, and capital turnover is slow. Conversely, detached homes and conversion have lead times of six to 12 months. Renovation is a one-time revenue business with lead times of four to six months. Prefabricated homes and property management are high capital turnover, recurring-revenue businesses with revenues generated on an ongoing basis over the duration of contract. The formula for the Real Estate business is "revenue = revenue generated along the duration vector (time of property delivery, month-to-month) x the quantity of respective properties)." The company works to ensure stability within the Real Estate

business by diversifying its portfolio over business type, capital turnover times, and recurring vs. one-time revenue operations.

Trends and outlook

- World Holdings posted FY12/20 revenue of JPY143.6bn (+5.3% YoY), operating profit of JPY6.3bn (+32.2%), recurring profit of JPY6.8bn (+41.2%), and net income attributable to owners of the parent of JPY5.9bn (+100.0%). Progress vs. revised full-year company forecasts (announced on November 9, 2020) was 100.7% for revenue, 104.1% for operating profit, 106.6% for recurring profit, and 114.7% for net income.
- The company's FY12/21 forecast calls for revenue of JPY150.2bn (+4.6% YoY), operating profit JPY6.5bn (+3.4%), recurring profit JPY6.4bn (-5.9%), and net income attributable to owners of the parent JPY4.6bn (-22.7%). In addition, the company's 1H forecast calls for revenue of JPY63.7bn (-10.1% YoY), operating profit JPY1.3bn (-53.0% YoY), recurring profit JPY1.3bn (-55.3% YoY), and net income attributable to owners of the parent JPY886mn (-64.5% YoY).
- Final year targets of the company's five-year Medium-Term Business Plan 2021 spanning FY12/17 to FY12/21 were revised downward in a rolling plan updated on August 19, 2019. The revised plan called for FY12/21 revenue of JPY175bn (versus initial target of JPY200bn) and operating profit of JPY8bn (JPY10bn). The main reason for the revision was the shift in the company's stance toward strengthening risk management for the Real Estate business, which experienced a bubble in FY12/16. The company left intact its targets for ROE of 20% or higher, equity ratio of 20% or higher, and dividend payout ratio of 30% or higher.

Strengths and weaknesses

Strengths

- Business portfolio conducive to well-balanced risk hedging against changes in business conditions and industry fluctuation.
- In its core Human Resources and Education business, the company has differentiated itself from competing staffing companies by expanding its range of subcontracting schemes.
- One-stop services from upstream to downstream manufacturing processes (from R&D through design and development, manufacturing, logistics, and repair work).

Weaknesses

- Inter-segment fragmentation leads to inefficient resource allocation and keeps low-profit businesses artificially alive.
- Little sign of disciplined judgment in business development.
- High dependency on the company's owner in the Real Estate business puts sustainable operations at risk.

Key financial data

Income statement (JPYmn)	FY12/11 Cons.	FY12/12 Cons.	FY12/13 Cons.	FY12/14 Cons.	FY12/15 Cons.	FY12/16 Cons.	FY12/17 Cons.	FY12/18 Cons.	FY12/19 Cons.	FY12/20 Cons.	FY12/21 Est.
Revenue	**37,892**	**53,007**	**56,450**	**68,829**	**87,984**	**94,334**	**127,147**	**142,894**	**136,319**	**143,571**	**150,194**
YoY	18.0%	39.9%	6.5%	21.9%	27.8%	7.2%	34.8%	12.4%	-4.6%	5.3%	10.2%
Gross profit	**6,743**	**9,117**	**10,581**	**13,087**	**17,530**	**21,019**	**25,268**	**27,740**	**26,310**	**25,018**	
YoY	14.9%	35.2%	16.1%	23.7%	33.9%	19.9%	20.2%	9.8%	-5.2%	-4.9%	
Gross profit margin	17.8%	17.2%	18.7%	19.0%	19.9%	22.3%	19.9%	19.4%	19.3%	17.4%	
Operating profit	**588**	**1,223**	**2,120**	**3,748**	**5,137**	**7,407**	**7,064**	**7,370**	**4,730**	**6,251**	**6,465**
YoY	70.4%	108.0%	73.3%	76.8%	37.1%	44.2%	-4.6%	4.3%	-35.8%	32.2%	36.7%
Operating profit margin	1.6%	2.3%	3.8%	5.4%	5.8%	7.9%	5.6%	5.2%	3.5%	4.4%	4.3%
Recurring profit	**678**	**1,290**	**2,164**	**3,722**	**5,133**	**7,306**	**7,007**	**7,357**	**4,805**	**6,786**	**6,388**
YoY	39.2%	90.3%	67.8%	72.0%	37.9%	42.3%	-4.1%	5.0%	-34.7%	41.2%	32.9%
Recurring profit margin	1.8%	2.4%	3.8%	5.4%	5.8%	7.7%	5.5%	5.1%	3.5%	4.7%	4.3%
Net income	**214**	**658**	**834**	**1,992**	**3,810**	**4,192**	**4,612**	**4,650**	**2,956**	**5,913**	**4,573**
YoY	269.0%	207.5%	26.7%	138.8%	91.3%	10.0%	10.0%	0.8%	-36.4%	100.0%	54.7%
Net margin	0.6%	1.2%	1.5%	2.9%	4.3%	4.4%	3.6%	3.3%	2.2%	4.1%	3.0%
Per-share data (split-adjusted; JPY)											
Shares issued (year-end; '000)	16,734	16,814	16,832	16,832	16,832	16,832	16,933	16,957	16,962	17,567	
EPS	13.2	40.3	49.6	118.5	228.1	250.9	275.4	276.4	175.6	341.4	262.0
EPS (fully diluted)	13.1	40.2	49.6	118.5	226.5	248.3	270.7	272.0	174.3	339.9	
Dividend per share	4.5	8.5	10.0	23.7	45.7	75.3	82.7	83.0	52.7	101.7	78.7
Book value per share	262	298	340	444	646	850	1,060	1,249	1,346	1,638	
Balance sheet (JPYmn)											
Cash and cash equivalents	3,349	4,897	5,970	10,794	11,059	15,770	18,227	18,825	16,513	22,817	
Total current assets	**15,407**	**21,279**	**28,157**	**41,606**	**50,402**	**66,996**	**70,315**	**69,823**	**76,920**	**68,132**	
Tangible fixed assets	663	733	637	867	1,176	2,071	4,707	5,439	5,919	5,297	
Investments and other assets	913	1,034	1,116	1,523	2,155	2,451	3,094	3,342	3,820	5,436	
Intangible fixed assets	141	757	655	2,090	2,595	1,872	1,921	1,359	690	291	
Total assets	**17,126**	**23,805**	**30,566**	**46,087**	**56,329**	**73,392**	**80,039**	**79,964**	**87,352**	**79,157**	
Short-term debt	6,168	9,387	10,931	15,888	20,962	29,861	33,094	28,321	27,701	17,204	
Total current liabilities	**11,112**	**15,733**	**19,594**	**29,032**	**32,913**	**44,018**	**49,175**	**46,136**	**52,790**	**34,637**	
Long-term debt	675	1,803	3,617	7,699	10,286	12,384	9,566	9,112	8,592	12,073	
Total fixed liabilities	**1,052**	**2,245**	**4,288**	**8,627**	**11,519**	**13,909**	**11,724**	**11,479**	**10,617**	**14,458**	
Total liabilities	**12,165**	**17,978**	**23,882**	**37,660**	**44,432**	**57,928**	**60,899**	**57,616**	**63,408**	**49,095**	
Shareholders' equity	4,310	5,028	5,721	7,419	10,838	14,305	17,764	21,036	22,634	28,624	
Total net assets	**4,961**	**5,826**	**6,683**	**8,426**	**11,897**	**15,464**	**19,140**	**22,347**	**23,944**	**30,061**	
Total interest-bearing debt	6,843	11,190	14,548	23,587	31,248	42,245	42,660	37,433	36,293	29,277	
Cash flow statement (JPYmn)											
Cash flows from operating activities	-2,225	-1,703	-2,012	1,717	-4,437	-3,644	8,159	9,277	2,708	13,770	
Cash flows from investing activities	-112	-1,004	-141	-2,300	-2,075	-1,473	-2,668	-1,405	-2,489	-1,030	
Cash flows from financing activities	2,534	4,243	3,213	5,405	6,481	9,999	-3,058	-7,538	-2,597	-6,604	
Financial ratios											
ROA (RP-based)	4.4%	6.3%	8.0%	9.7%	10.0%	11.3%	9.1%	9.2%	5.7%	8.2%	
ROE	5.1%	14.1%	15.5%	30.3%	41.7%	33.3%	28.8%	24.0%	13.5%	23.1%	
Equity ratio	25.2%	21.1%	18.7%	16.1%	19.2%	19.5%	22.2%	26.3%	25.9%	36.2%	
Total asset turnover	2.5	2.6	2.1	1.8	1.7	1.5	1.7	1.8	1.6	1.7	
Net margin	0.6%	1.2%	1.5%	2.9%	4.3%	4.4%	3.6%	3.3%	2.2%	4.1%	
Number of employees	9,419	10,584	9,910	11,082	12,885	15,559	17,924	18,852	19,498	22,717	

Source: Shared Research based on company data
Note: Figures may differ from company materials due to differences in rounding methods.

Recent updates

Highlights

On March 19, 2021, Shared Research updated the report following interviews with World Holdings Co., Ltd.

On February 8, 2021, the company announced earnings results for full-year FY12/20; see the results section for details.

On December 24, the company announced the establishment of Nominating and Compensation Advisory Committee.

At a meeting held on the same day, the company's Board of Directors resolved to establish a Nominating and Compensation Advisory Committee with the purposes of strengthening the supervisory function of the Board and enhancing the corporate governance structure. The Committee will deliberate on matters consulted by the Board (e.g., matters relating to the composition and balance of the Board, appointment and dismissal of directors, and succession planning) and report to the Board.

Composition of the Committee
(1) The Committee shall consist of three or more directors appointed by the Board of Directors.
(2) Half of Committee members as well as the Chairman of the Committee shall be outside directors.

Date of establishment: January 1, 2021

For previous releases and developments, please refer to the News and topics section.

Trends and outlook

Quarterly trends and results

Cumulative	FY12/19				FY12/20				FY12/20	
(JPYmn)	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	% of Est.	FY Est.
Revenue	30,614	66,827	101,964	136,319	36,480	70,844	98,682	143,571	100.7%	142,558
YoY	1.7%	3.8%	0.1%	-4.6%	19.2%	6.0%	-3.2%	5.3%		4.6%
Gross profit	5,272	13,189	20,022	26,310	6,017	11,963	16,796	25,017		
YoY	1.4%	12.2%	4.5%	-5.2%	14.1%	-9.3%	-16.1%	-4.9%		
Gross profit margin	17.2%	19.7%	19.6%	19.3%	16.5%	16.9%	17.0%	17.4%		
SG&A expenses	5,109	10,659	15,931	21,580	4,658	9,189	13,512	18,766		
YoY	10.3%	9.4%	7.8%	5.9%	-8.8%	-13.8%	-15.2%	-13.0%		
SG&A ratio	16.7%	16.0%	15.6%	15.8%	12.8%	13.0%	13.7%	13.1%		
Operating profit	162	2,529	4,090	4,730	1,358	2,773	3,283	6,251	104.1%	6,006
YoY	-71.6%	26.1%	-6.7%	-35.8%	738.3%	9.6%	-19.7%	32.2%		27.0%
Operating profit margin	0.5%	3.8%	4.0%	3.5%	3.7%	3.9%	3.3%	4.4%		4.2%
Recurring profit	159	2,529	4,105	4,805	1,393	2,872	3,608	6,786	106.6%	6,365
YoY	-71.2%	26.4%	-5.8%	-34.7%	776.1%	13.6%	-12.1%	41.2%		32.5%
Recurring profit margin	0.5%	3.8%	4.0%	3.5%	3.8%	4.1%	3.7%	4.7%		4.5%
Net income	11	1,685	2,659	2,956	1,640	2,497	3,010	5,913	114.7%	5,157
YoY	-92.6%	56.2%	0.9%	-36.4%	-	48.2%	13.2%	100.0%		74.5%
Net margin	0.0%	2.5%	2.6%	2.2%	4.5%	3.5%	3.1%	4.1%		3.6%
Quarterly	FY12/19				FY12/20					
(JPYmn)	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4		
Revenue	30,614	36,213	35,137	34,355	36,480	34,364	27,838	44,889		
YoY	1.7%	5.7%	-6.4%	-16.2%	19.2%	-5.1%	-20.8%	30.7%		
Gross profit	5,272	7,917	6,833	6,288	6,017	5,946	4,833	8,221		
YoY	1.4%	20.9%	-7.8%	-26.7%	14.1%	-24.9%	-29.3%	30.7%		
Gross profit margin	17.2%	21.9%	19.4%	18.3%	16.5%	17.3%	17.4%	18.3%		
SG&A expenses	5,109	5,550	5,272	5,649	4,658	4,531	4,323	5,254		
YoY	10.3%	8.5%	4.7%	1.0%	-8.8%	-18.4%	-18.0%	-7.0%		
SG&A ratio	16.7%	15.3%	15.0%	16.4%	12.8%	13.2%	15.5%	11.7%		
Operating profit	162	2,367	1,561	640	1,358	1,415	510	2,968		
YoY	-71.6%	64.9%	-34.4%	-78.6%	738.3%	-40.2%	-67.3%	363.8%		
Operating profit margin	0.5%	6.5%	4.4%	1.9%	3.7%	4.1%	1.8%	6.6%		
Recurring profit	159	2,370	1,576	700	1,393	1,479	736	3,178		
YoY	-71.2%	63.7%	-33.1%	-76.7%	776.1%	-37.6%	-53.3%	354.0%		
Recurring profit margin	0.5%	6.5%	4.5%	2.0%	3.8%	4.3%	2.6%	7.1%		
Net income	11	1,674	974	297	1,640	857	513	2,903		
YoY	-92.6%	79.8%	-37.4%	-85.3%	-	-48.8%	-47.3%	877.4%		
Net margin	0.0%	4.6%	2.8%	0.9%	4.5%	2.5%	1.8%	6.5%		

Source: Shared Research based on company data
Note: Figures may differ from company materials due to differences in rounding methods.

Number of on-site specialists at World Intec (monthly)

(persons)	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Jan.	6,849	10,195	11,105	7,173	5,159	6,171	7,886	8,048	7,994	9,077	10,557	12,744	14,099	14,743	15,433
Feb.	6,958	10,210	11,045	6,589	5,097	6,327	7,986	7,605	8,296	9,215	10,736	12,656	13,968	14,653	15,670
Mar.	6,917	9,968	10,925	5,489	5,029	6,348	7,851	7,200	8,311	9,700	10,601	12,508	13,817	14,567	15,897
Apr.	7,435	10,310	11,034	5,210	5,215	6,335	7,431	7,372	8,498	9,429	11,202	12,864	14,316	15,074	16,697
May	7,917	10,235	11,046	5,027	5,360	6,351	7,508	7,374	8,425	9,467	11,221	13,050	14,491	15,153	17,275
Jun.	7,999	10,190	11,083	5,040	5,617	6,367	7,625	7,472	8,500	9,578	11,653	13,237	15,209	15,577	17,633
Jul.	8,095	10,615	10,985	5,129	5,728	6,907	7,694	7,612	8,674	9,557	11,938	13,258	15,004	15,621	17,498
Aug.	8,232	10,703	10,837	5,300	5,761	7,115	7,866	7,636	8,641	9,691	11,909	13,109	14,648	15,521	17,417
Sep.	8,082	11,171	10,862	5,223	5,884	7,512	7,912	7,710	8,647	9,788	12,168	13,141	14,648	15,657	18,373
Oct.	8,478	11,242	10,380	5,258	5,975	7,616	8,124	7,814	8,919	10,232	12,468	13,284	14,884	15,583	19,153
Nov.	9,466	11,389	9,795	5,350	6,103	7,756	8,251	7,864	9,198	10,655	13,010	13,729	15,527	16,532	19,799
Dec.	9,411	11,019	8,290	5,147	6,090	7,892	8,368	7,997	9,088	10,681	13,120	13,818	15,390	16,346	19,597

Source: Shared Research based on company data

By segment (cumulative)	FY12/19				FY12/20				FY12/21	
(JPYmn)	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	% of Est.	FY Est.
Revenue (external customers)	**30,614**	**66,827**	**101,964**	**136,319**	**36,480**	**70,844**	**98,682**	**143,571**		**150,194**
YoY	1.7%	3.8%	0.1%	-4.6%	19.2%	6.0%	-3.2%	5.3%		4.6%
Human Resources and Education	18,325	37,332	57,137	77,774	19,069	38,922	59,521	83,142		96,825
YoY	7.1%	5.0%	4.7%	3.6%	4.1%	4.3%	4.2%	6.9%		16.5%
Factory	11,785	23,913	36,594	50,001	12,114	25,111	38,651	55,102		65,964
YoY	4.1%	2.5%	2.0%	1.0%	2.8%	5.0%	5.6%	10.2%		19.7%
Technology	4,037	8,220	12,581	16,902	4,207	8,353	12,650	17,003		18,135
YoY	28.1%	16.9%	14.3%	11.2%	4.2%	1.6%	0.5%	0.6%		6.7%
R&D	1,692	3,504	5,287	7,108	1,750	3,515	5,320	7,200		7,876
YoY	6.1%	5.0%	5.3%	4.9%	3.4%	0.3%	0.6%	1.3%		9.4%
Sales and marketing	810	1,695	2,675	3,761	997	1,941	2,897	3,835		4,849
YoY	-22.6%	-8.2%	0.4%	6.5%	23.1%	14.5%	8.3%	2.0%		26.4%
Real Estate	8,291	20,377	32,030	42,082	14,238	25,541	29,908	48,081		40,363
YoY	-9.8%	-0.2%	-9.1%	-19.1%	71.7%	25.3%	-6.6%	14.3%		-16.1%
Information and Telecommunications	3,369	6,999	9,567	12,344	2,492	5,252	7,059	9,133		8,769
YoY	0.6%	3.8%	1.5%	-0.3%	-26.0%	-25.0%	-26.2%	-26.0%		-4.0%
Other	628	2,117	3,226	4,118	679	1,126	2,194	3,214		4,236
YoY	38.3%	26.4%	20.6%	18.8%	8.1%	-46.8%	-32.0%	-22.0%		31.8%
Company-wide expenses, eliminations								-965		
Operating profit (segment profit)	**162**	**2,529**	**4,090**	**4,730**	**1,358**	**2,773**	**3,283**	**6,251**		**6,465**
YoY	-71.6%	26.1%	-6.7%	-35.8%	738.3%	9.6%	-19.7%	32.2%		36.7%
Operating profit margin	0.5%	3.8%	4.0%	3.5%	3.7%	3.9%	3.3%	4.4%		
Human Resources and Education	949	2,141	3,489	5,179	1,108	2,228	3,690	5,515		6,210
YoY	-4.2%	-1.9%	-1.1%	4.3%	16.8%	4.1%	5.8%	6.5%		12.6%
Segment profit margin	5.2%	5.7%	6.1%	6.7%	5.8%	5.7%	6.2%	6.6%		6.4%
Factory	506	1,137	1,838	2,679	466	957	1,676	2,632		3,476
YoY	-22.5%	-18.3%	-20.3%	-15.5%	-7.9%	-15.8%	-8.8%	-1.8%		32.1%
Segment profit margin	4.3%	4.8%	5.0%	5.4%	3.8%	3.8%	4.3%	4.8%		5.3%
Technology	354	774	1,210	1,761	462	886	1,387	2,019		1,908
YoY	41.6%	28.1%	30.0%	31.7%	30.5%	14.5%	14.6%	14.7%		-5.5%
Segment profit margin	8.8%	9.4%	9.6%	10.4%	11.0%	10.6%	11.0%	11.9%		10.5%
R&D	106	263	453	711	170	381	604	843		849
YoY	6.0%	6.5%	19.2%	27.2%	60.4%	44.9%	33.3%	18.6%		0.7%
Segment profit margin	6.3%	7.5%	8.6%	10.0%	9.7%	10.8%	11.4%	11.7%		10.8%
Sales and marketing	-17	-33	-12	27	8	3	21	18		-23
YoY	-	-	-	-	-	-	-	-33.3%		-
Segment profit margin	-	-	-	0.7%	0.8%	0.2%	0.7%	0.5%		
Real Estate	-23	1,227	1,987	1,460	861	1,835	1,418	3,550		2,167
YoY	-	56.5%	-18.8%	-68.2%	-	49.6%	-28.6%	143.2%		-39.0%
Segment profit margin	-	6.0%	6.2%	3.5%	6.0%	7.2%	4.7%	7.4%		5.4%
Information and Telecommunications	-88	48	-17	10	91	275	284	240		190
YoY	-	-34.2%	-	233.3%	-	472.9%	-	-		-20.8%
Segment profit margin	-	0.7%	-	0.1%	3.7%	5.2%	4.0%	2.6%		2.2%
Other	-126	196	226	132	-141	-369	-279	-200		170
YoY	-	-	-	-	-	-	-	-		-
Segment profit margin	-	9.3%	7.0%	3.2%	-	-	-	-		4.0%
Company-wide expenses, eliminations	-546	-1,086	-1,595	-2,052	-560	-1,196	-1,829	-2,854		-

Source: Shared Research based on company data
Note: Figures may differ from company materials due to differences in rounding methods.
Note: Segment profit margins are calculated using segment revenue for results and segment revenue from external customers for forecasts.

By segment (quarterly)	FY12/19				FY12/20			
(JPYmn)	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Revenue (external customers)	**30,614**	**36,213**	**35,137**	**34,355**	**36,480**	**34,364**	**27,838**	**44,889**
YoY	1.7%	5.7%	-6.4%	-16.2%	19.2%	-5.1%	-20.8%	30.7%
Human Resources and Education	18,325	19,007	19,805	20,637	19,069	19,853	20,599	23,621
YoY	7.1%	3.1%	4.1%	0.8%	4.1%	4.5%	4.0%	14.5%
Factory	11,785	12,128	12,681	13,407	12,114	12,997	13,540	16,451
YoY	4.1%	1.0%	1.1%	-1.7%	2.8%	7.2%	6.8%	22.7%
Technology	4,037	4,183	4,361	4,321	4,207	4,146	4,297	4,353
YoY	28.1%	7.9%	9.7%	3.0%	4.2%	-0.9%	-1.5%	0.7%
R&D	1,692	1,812	1,783	1,821	1,750	1,765	1,805	1,880
YoY	6.1%	4.0%	5.9%	3.5%	3.4%	-2.6%	1.2%	3.2%
Sales and marketing	810	885	980	1,086	997	944	956	938
YoY	-22.6%	10.5%	19.8%	25.1%	23.1%	6.7%	-2.4%	-13.6%
Real Estate	8,291	12,086	11,653	10,052	14,238	11,303	4,367	18,173
YoY	-9.8%	7.7%	-21.4%	-40.1%	71.7%	-6.5%	-62.5%	80.8%
Information and Telecommunications	3,369	3,630	2,568	2,777	2,492	2,760	1,807	2,074
YoY	0.6%	7.0%	-4.3%	-5.9%	-26.0%	-24.0%	-29.6%	-25.3%
Other	628	1,489	1,109	892	679	447	1,068	1,020
YoY	38.3%	21.9%	11.0%	12.5%	8.1%	-70.0%	-3.7%	14.3%
Operating profit (segment profit)	**162**	**2,367**	**1,561**	**640**	**1,358**	**1,415**	**510**	**2,968**
YoY	-71.6%	64.9%	-34.4%	-78.6%	738.3%	-40.2%	-67.3%	363.8%
Operating profit margin	0.5%	6.5%	4.4%	1.9%	3.7%	4.1%	1.8%	6.6%
Human Resources and Education	949	1,192	1,348	1,689	1,108	1,120	1,462	1,825
YoY	-4.2%	0.0%	0.2%	17.5%	16.8%	-6.0%	8.5%	8.1%
Segment profit margin	5.2%	6.3%	6.8%	8.2%	5.8%	5.6%	7.1%	7.7%
Factory	506	631	701	841	466	491	719	956
YoY	-22.5%	-14.6%	-23.4%	-2.4%	-7.9%	-22.2%	2.6%	13.7%
Segment profit margin	4.3%	5.2%	5.5%	6.3%	3.8%	3.8%	5.3%	5.8%
Technology	354	420	436	551	462	424	501	632
YoY	41.6%	18.6%	33.3%	35.7%	30.5%	1.0%	14.9%	14.7%
Segment profit margin	8.8%	10.0%	10.0%	12.8%	11.0%	10.2%	11.7%	14.5%
R&D	106	157	190	258	170	211	223	239
YoY	6.0%	6.8%	42.9%	44.1%	60.4%	34.4%	17.4%	-7.4%
Segment profit margin	6.3%	8.7%	10.7%	14.2%	9.7%	12.0%	12.4%	12.7%
Sales and marketing	-17	-16	21	39	8	-5	18	-3
YoY	-	-	-	-	-	-	-14.3%	-
Segment profit margin	-	-	2.1%	3.6%	0.8%	-	-	-
Real Estate	-23	1,250	760	-527	861	974	-417	2,132
YoY	-	120.5%	-54.3%	-	-	-22.1%	-	-
Segment profit margin	-	10.3%	6.5%	-	6.0%	8.6%	-	11.7%
Information and Telecommunications	-88	136	-65	27	91	184	9	-44
YoY	-	277.8%	-	575.0%	-	35.3%	-	-
Segment profit margin	-	3.7%	-	1.0%	3.7%	6.7%	0.5%	-
Other	-126	322	30	-94	-141	-228	90	79
YoY	-	387.9%	-	-	-	-	200.0%	-
Segment profit margin	-	21.6%	2.7%	-	-	-	8.4%	7.7%
Company-wide expenses, eliminations	-546	-540	-509	-457	-560	-636	-633	-1,025

Source: Shared Research based on company data
Note: Figures may differ from company materials due to differences in rounding methods.
Note: Segment profit margins are calculated using segment revenue for results and segment revenue from external customers for forecasts.

No. of specialists employed	FY12/19				FY12/20			
(three months average)	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Total	**19,889**	**20,703**	**20,704**	**21,645**	**19,887**	**22,124**	**23,099**	**27,543**
YoY	4.0%	2.5%	2.6%	0.3%	0.0%	6.9%	11.6%	27.2%
Factory	15,151	15,609	15,463	16,266	14,661	16,639	17,642	22,103
YoY	4.7%	-0.1%	-0.4%	-3.1%	-3.2%	6.6%	14.1%	35.9%
Technology	2,472	2,639	2,654	2,634	2,655	2,880	2,925	2,778
YoY	16.9%	13.4%	11.2%	8.1%	7.4%	9.1%	10.2%	5.5%
R&D	1,005	1,093	1,074	1,045	1,028	1,091	1,095	1,120
YoY	0.9%	3.9%	3.7%	2.2%	2.3%	-0.2%	2.0%	7.2%
Sales and marketing	1,261	1,362	1,513	1,701	1,543	1,514	1,437	1,541
YoY	-18.1%	14.4%	23.2%	27.4%	22.4%	11.2%	-5.0%	-9.4%

Source: Shared Research based on company data
Note: Figures may differ from company materials due to differences in rounding methods.

Full-year FY12/20 results

Overview:

- Revenue: JPY143.6bn (+5.3% YoY, progress vs. revised full-year company forecast: 100.7%)
- Operating profit JPY6.3bn (+32.2%, 104.1%)
- Recurring profit: JPY6.8bn (+41.2%, 106.6%)
- Net income*: JPY5.9bn (+100.0%, 114.7%)

*Net income attributable to owners of the parent

In FY12/20, the company posted higher revenue and profits YoY despite the impact of the COVID-19 pandemic. Results were mainly driven by the core Human Resources and Education business. Revenue rose JPY7.3bn YoY. This was driven by a JPY6.0bn YoY increase in the Real Estate business as well as a JPY5.1bn YoY increase in the Factory staffing business under the Human Resources and Education business. On the other hand, revenue fell by JPY3.2bn YoY in the Telecommunications business and by JPY904mn YoY in Other businesses. The JPY6.0bn YoY increase in the Real Estate business owed largely to the timing of booking revenue on three large commercial properties the company developed in FY12/19.

Operating profit rose JPY1.5bn YoY. This was driven by a JPY2.1bn YoY increase in the Real Estate business, a JPY258mn YoY increase in the Technology staffing business, a JPY230mn YoY rise in Information and Telecommunications business, and a JPY132mn YoY increase in the R&D staffing business. On the other hand, operating profit fell by JPY47mn YoY in the Factory staffing business. In Other businesses, operating profit fell by JPY332mn YoY. Company-wide expenses rose JPY802mn YoY.

Segment overview

Human Resources and Education business

Factory staffing business

- Revenue came to JPY55.1bn (+10.2% YoY) and segment profit JPY2.6bn (-1.8% YoY). After taking into account pandemic related subsidies, operating profit rose 3.3% YoY. Revenue grew and profit fell amid strong logistics-related demand due to the rollout of 5G and stay-at-home consumption. The company incurred upfront spending in semiconductor and machinery related areas to tap into strong 5G-related demand and prepare the business to grow in FY12/21.

Technology staffing business

- Revenue came to JPY17.0bn (+0.6% YoY) and segment profit JPY2.0bn (+14.7% YoY). Revenue and profit rose despite upfront spending owing to a temporary decline in utilization rates as orders came in below initial forecasts due to the pandemic. Demand from semiconductor production equipment, IT services, and construction engineering customers increased. The company also focused on personnel development to boost the skills and raise the level of its staff, which led to higher billing rates.

R&D staffing business

- Revenue came to JPY7.2bn (+1.3% YoY) and segment profit JPY843mn (+18.6% YoY). CRO orders declined amid the pandemic. However revenue and profit rose due to strong results in the core research staffing business.

Sales and marketing staffing business

- Revenue came to JPY3.8bn (+2.0% YoY) and segment profit JPY18mn (-32.5% YoY). Orders were solid from light duty, GMS, and call center customers, but the pandemic had a substantial impact on the tourism industry and apparel-related orders fell. After pandemic-related subsidies, operating profit was JPY44mn (+61.4% YoY).

Real estate business

- Revenue came to JPY48.1bn (+14.3% YoY) and segment profit JPY3.6bn (+143.2% YoY). Although the number of renovation project deliveries fell, commercial premises project deliveries carried over from FY12/19 in the core development operations progressed in line with plan. The company took a cautious approach to property sourcing in light of real estate property price trends and laid the foundation for asset management and other parts of the real estate financing business. It also raised funds through committed credit lines to lay the foundations for growth.

Information and Telecommunications business

- Revenue came to JPY9.1bn (-26.0% YoY) and segment profit JPY240mn (vs. profit of JPY10mn in FY12/19). The COVID-19 pandemic restricted operations in the mainstay mobile store business (reducing handset sales). Enterprise solutions for corporate clients also suffered from severe restrictions to operations. Revenue declined as the company pressed on with the ongoing consolidation of its store network, but the accompanying structural reform put it on a better profit footing.

Other businesses

- Revenue came to JPY3.2bn (-22.0% YoY) with a segment loss of JPY200mn (vs. JPY132mn profit in FY12/19). In the agricultural park facilities operation business, the company was forced to close parks during peak season as local governments requested temporary closures of businesses. However, as these are outdoor facilities and tend not to become crowded, park attendance bounced back from Q4 onward.

Balance sheet

Assets

Total assets were JPY79.2bn, down JPY8.2bn from end-FY12/19. This was largely the result of a JPY6.3bn increase in cash and deposits, a JPY10.6bn decrease in real estate for sale, and JPY4.1bn decrease in real estate for sale in process.

Liabilities

Liabilities totaled JPY49.1bn, down JPY14.3bn from end-FY12/19. This was mainly the result of a JPY10.5bn decline in short-term borrowings, a JPY8.8bn decrease in advances received, a JPY1.6bn increase in consumption taxes payable, and a JPY3.5bn increase in long-term borrowings. The company signed three-year committed credit line agreements totaling JPY20.0bn with the Bank of Fukuoka and The Nishi-Nippon City Bank (on September 30, 2020). It also obtained syndicated loans of JPY2.0bn to cover working capital requirements. The company procured funds required for the Real Estate business of JPY9.8bn in long-term borrowings and JPY16.8bn in short-term borrowings.

Net assets

Net assets totaled JPY30.1bn, up JPY6.1bn from end-FY12/19. This was mainly due to increases of JPY457mn in capital stock, JPY458mn in capital surplus, and JPY5.1bn in retained earnings.

Internal group restructuring

Following the sale of shares in Hoeikensetsu Co., Ltd., a consolidated subsidiary until FY12/19, Hoeikensetsu and its subsidiary Hoei Home Co., Ltd. are no longer within the scope of consolidation. In addition, Farm Co., Ltd., a consolidated subsidiary until FY12/19, was absorbed in an absorption-type merger with consolidated subsidiary World Intec Co., Ltd., and is no longer consolidated.

For details on previous results, see the Historical performance section.

FY12/2021 outlook

(JPYmn)	FY12/19 1H Act.	FY12/19 2H Act.	FY12/19 FY Act.	FY12/20 1H Act.	FY12/20 2H Act.	FY12/20 FY Act.	FY12/21 1H Est.	FY12/21 2H Est.	FY12/21 FY Est.	YoY 1H Est.	YoY 2H Est.	YoY FY Est.
Revenue	**66,827**	**69,492**	**136,319**	**70,844**	**72,727**	**143,571**	**71,714**	**86,537**	**150,194**	-10.1%	19.0%	4.6%
Cost of revenue	53,638	56,371	110,009	58,880	59,673	118,553						
Gross profit	**13,189**	**13,121**	**26,310**	**11,963**	**13,054**	**25,017**						
Gross profit margin	19.7%	18.9%	19.3%	16.9%	17.9%	17.4%						
SG&A expenses	10,659	10,921	21,580	9,189	9,577	18,766						
SG&A ratio	16.0%	15.7%	15.8%	13.0%	13.2%	13.1%						
Operating profit	**2,529**	**2,201**	**4,730**	**2,773**	**3,478**	**6,251**	**3,233**	**5,163**	**6,465**	-53.0%	48.4%	3.4%
Operating profit margin	3.8%	3.2%	3.5%	3.9%	4.8%	4.4%	4.5%	6.0%	4.3%			
Recurring profit	**2,529**	**2,276**	**4,805**	**2,872**	**3,914**	**6,786**	**3,493**	**5,105**	**6,388**	-55.3%	30.4%	-5.9%
Recurring profit margin	3.8%	3.3%	3.5%	4.1%	5.4%	4.7%	4.9%	5.9%	4.3%			
Net income	**1,685**	**1,271**	**2,956**	**2,497**	**3,416**	**5,913**	**2,660**	**3,687**	**4,573**	-64.5%	7.9%	-22.7%
Net margin	2.5%	1.8%	2.2%	3.5%	4.7%	4.1%	3.7%	4.3%	3.0%			

The company’s FY12/21 forecast calls for revenue of JPY150.2bn (+4.6% YoY), operating profit JPY6.5bn (+3.4%), recurring profit JPY6.4bn (-5.9%), and net income attributable to owners of the parent JPY4.6bn (-22.7%). In addition, the company’s 1H forecast calls for revenue of JPY63.7bn (-10.1% YoY), operating profit JPY1.3bn (-53.0% YoY), recurring profit JPY1.3bn (-55.3% YoY), and net income attributable to owners of the parent JPY886mn (-64.5% YoY).

Segment forecasts

The company’s initial forecast calls for revenue growth of JPY6.6bn YoY, including JPY13.7bn in the Human Resources and Education business and JPY1.0bn in Other businesses, which includes agricultural park facilities, and declines of JPY7.7bn in the Real Estate business and JPY364mn in the Information and Telecommunications business. The company targets operating profit expanding JPY214mn YoY, including expected gains of JPY695mn in the Human Resources and Education business and JPY370mn in the Other businesses category, and declines of JPY1.4bn in the Real Estate business and JPY50mn in the Information and Telecommunications business. Note that in FY12/20, COVID-19 pandemic-related subsidies were booked under non-operating revenue, but have not been factored into the FY12/21 forecast.

Human Resources and Education

Forecast revenue growth of JPY13.7bn in the Human Resources and Education business breaks down to increases of JPY10.9bn in the factory staffing business, JPY1.1bn in the technology staffing business, JPY675mn in the R&D staffing business, and JPY1.0bn in the sales and marketing staffing business. Segment profit growth of JPY695mn comprises a rise of JPY843mn in the factory staffing business and decline of JPY110mn in the technology staffing business.

Factory staffing business

FY12/20 revenue grew by JPY5.1bn YoY. The company expects revenue to grow by JPY10.9bn YoY in FY12/21. The COVID-19 pandemic put the brakes on revenue growth in FY12/20, but the company saw a rise in large orders in Q4. The company thus expects major projects to get underway in 5G, including peripheral businesses such as semiconductor production equipment. The company opened two logistics centers in FY12/20, which should make significant contributions to revenue and profit in FY12/21.

Technology staffing business

The company is hiring veteran employees to boost the skill levels of existing employees and increase billing rates, but is incurring training costs upfront, so has conservative forecasts for FY12/21.

R&D staffing business

The company expects a strong performance from the research staffing unit. It said it expected orders in PCR test analysis amid the pandemic. For PCR testing-related business, in some cases there are special dispatch conditions for reception and office staff, and coordination with the sales and marketing staffing business opens up potential business opportunities for the group as a whole.

Sales and marketing staffing business

Improved profitability is in prospect as the company restructured the organization and cut back on apparel related projects in FY12/20. Tourism projects with JTB involve upfront spending so are a drag on profit, but the company expects strong orders from light duty, major supermarket, and call center customers.

Real Estate

The company sees real estate prices as difficult to read because of the pandemic. It has adopted a basically cautious approach to business development, and is looking for the market environment to turn. It aims to build a real estate finance platform involved in asset management and servicer businesses.

Information and Telecommunications

In response to requests from the Ministry of Internal Affairs and Communications to reduce mobile phone charges, carriers are launching new fee plans from March 2021. The company said the outlook was murky in light of this. Applications for mobile carriers' new plans are only available online, so the company anticipates a prolonged phase of mobile store consolidation. It continues to assemble a top-notch store network and expand its line of solutions merchandise and area coverage for corporate customers in a quest for higher per-store earnings.

Other Businesses

The company had to close agricultural parks during the peak season (March to May) in FY12/20, but expects somewhat of recovery in 2021. In September to November 2020, monthly park visitor numbers came in above comparable 2019 figures. The company plans to make best use of the fact that these outdoor facilities tend not to become crowded, and aims at enhancing their role as necessary relaxation facilities for local communities. The state of emergency looks likely to be lifted in March 2021, and developments through May bear close attention.

Segment forecasts

	FY12/19			FY12/20			FY12/21	YoY	
(JPYmn)	1H Act.	2H Act.	FY Act.	1H Act.	2H Act.	FY Act.	FY Est.	Change	Rate
Revenue	**66,827**	**69,492**	**136,319**	**70,844**	**72,727**	**143,571**	**150,194**	**6,623**	**4.6%**
Human Resources and Education	37,332	40,442	77,774	38,922	44,220	83,142	96,825	13,683	16.5%
Factory	23,913	26,088	50,001	25,111	29,991	55,102	65,964	10,862	19.7%
Technology	8,220	8,682	16,902	8,353	8,650	17,003	18,135	1,132	6.7%
R&D	3,504	3,604	7,108	3,515	3,685	7,200	7,876	676	9.4%
Sales and marketing	1,695	2,066	3,761	1,941	1,894	3,835	4,849	1,014	26.4%
Real Estate	20,377	21,705	42,082	25,541	22,540	48,081	40,363	-7,718	-16.1%
Information and Telecommunications	6,999	5,345	12,344	5,252	3,881	9,133	8,769	-364	-4.0%
Other	2,117	2,001	4,118	1,126	2,088	3,214	4,236	1,022	31.8%
Operating profit	**2,529**	**2,201**	**4,730**	**2,773**	**3,478**	**6,251**	**6,465**	**214**	**3.4%**
Human Resources and Education	2,141	3,038	5,179	2,228	3,287	5,515	6,210	695	12.6%
Factory	1,137	1,542	2,679	957	1,675	2,632	3,476	844	32.1%
Technology	774	987	1,761	886	1,133	2,019	1,908	-111	-5.5%
R&D	263	448	711	381	462	843	849	6	0.7%
Sales and marketing	-33	60	27	3	15	18	-23	-41	-
Real Estate	1,227	233	1,460	1,835	1,715	3,550	2,167	-1,383	-39.0%
Information and Telecommunications	48	-38	10	275	-35	240	190	-50	-20.8%
Other	196	-64	132	-369	169	-200	170	370	-
Company-wide expenses, eliminations	-1,086	-966	-2,052	-1,196	-1,658	-2,854	-2,274	580	-
Operating profit margin	**3.8%**	**3.2%**	**3.5%**	**3.9%**	**0.4%**	**4.4%**	**4.3%**		
Human Resources and Education	5.7%	7.5%	6.7%	5.7%	0.9%	6.6%	6.4%		
Factory	4.8%	5.9%	5.4%	3.8%	1.0%	4.8%	5.3%		
Technology	9.4%	11.4%	10.4%	10.6%	1.3%	11.9%	10.5%		
R&D	7.5%	12.4%	10.0%	10.8%	0.9%	11.7%	10.8%		
Sales and marketing	-1.9%	2.9%	0.7%	0.2%	0.3%	0.5%	-0.5%		
Real Estate	6.0%	1.1%	3.5%	7.2%	0.2%	7.4%	5.4%		
Information and Telecommunications	0.7%	-0.7%	0.1%	5.2%	-2.6%	2.6%	2.2%		
Other	9.3%	-3.2%	3.2%	-32.8%	26.5%	-6.2%	4.0%		

Source: Shared Research based on company data
Note: Figures may differ from company materials due to differences in rounding methods.
Note: Segment profit margins are calculated using segment revenue for results and segment revenue from external customers for forecasts.

Medium-term management plan

Five-year plan

New and old medium-term plan

World Holdings' Medium-Term Business Plan 2021 is a five-year plan spanning FY12/17 to FY12/21. The previous medium-term plan focused on profit through structural reform, whereas the current plan anticipates lower profit margins due to strategic investments.

Rolling plan

The FY12/21 plan as initially formulated aimed for revenue of JPY200bn (including JPY10–15bn contribution from M&A) and operating profit of JPY10bn (5.0% OPM). In the wake of the COVID-19 pandemic, the forecast now calls for revenue of JPY150.2bn (+4.6% YoY), operating profit JPY6.5bn (+3.4%), recurring profit JPY6.4bn (-5.9%), and net income attributable to owners of the parent JPY4.6bn (-22.7%). The plan avoids an overambitious growth path in response to changes in the market environment. The company left intact its objectives of an ROE of 20% or higher, an equity ratio of 20% or higher, and a dividend payout ratio of 30% or higher.

By segment

FY12/21 targets (JPYmn)	FY12/18	FY12/19	FY12/20	FY12/21	FY12/21	(FY12/18–FY12/21)	
	Act.	Act.	Act.	Est.	Initial targets	Change	CAGR
Revenue	142,894	136,319	143,571	150,194	175,000	7,300	1.7%
Human Resources and Education	75,964	77,774	83,142				
% of revenue	52.9%	56.7%	57.5%				
Factory	49,525	50,001	55,102				
% of revenue	34.5%	36.5%	38.1%				
Technology	15,664	16,902	17,003				
% of revenue	10.9%	12.3%	11.8%				
R&D	7,108	7,108	7,200				
% of revenue	4.9%	5.2%	5.0%				
Sales and marketing	3,667	3,761	3,835				
% of revenue	2.6%	2.7%	2.7%				
Real Estate	52,029	42,082	48,081				
% of revenue	36.2%	30.7%	33.3%				
Information and Telecommunications	12,426	12,344	9,133				
% of revenue	8.6%	9.0%	6.3%				
Other	3,574	4,118	3,214				
Overseas ratio	2.5%	3.0%	2.2%				
Operating profit	7,370	4,730	6,251	6,465	8,000	-905	-4.3%
Operating profit margin	5.2%	3.5%	4.4%	4.3%	4.6%		
Net income attributable to owners of the parent	4,650	2,956	5,913		-		
ROE	24.0%	13.5%	23.1%		20% or higher		
Equity ratio	26.3%	25.9%	36.2%		20% or higher		
Payout ratio	30.0%	30.0%	30.0%		30% or higher		

FY12/21 targets (persons)	FY12/18	FY12/19	FY12/20		FY12/21	(FY12/18–FY12/21)	
	Act.	Act.	Est.		Initial targets	Change	CAGR
No. of specialists employed	21,577	21,646	27,543	-	28,964	7,387	10.3%
Factory	16,782	16,266	22,103	-	20,565	3,783	7.0%
Technology	2,437	2,634	2,778	-	2,819	382	5.0%
R&D	1,023	1,045	1,120	-	1,180	157	4.9%
Sales and marketing	1,335	1,701	1,541	-	4,400	3,065	48.8%

Source: Shared Research based on company data
Note: Figures may differ from company materials due to differences in rounding methods.
Note: Number of specialists employed are the average of the three months for Q4. Figures for the factory staffing business include those employed by other companies.

Doing things “the World Holdings way”

Under its rolling plan, the company has tweaked its basic strategy and put together a policy that aims for solid growth. In the course of executing its basic strategy, the company seeks to do things “the World Holdings way.” Based on an accurate grasp of its long-term potential, the “World Holdings way” consists of three main elements.

- Reassess the optimal scale of each business and achieve growth driven by intrinsic potential. Employ risk management to achieve stable growth, rather than merely chasing short-term economic trends.
- Do not use M&A merely to gain size, but do make use of M&A to attain strategically crucial functions based on level-headed assessments of enterprise value and price.
- Spark innovation to carve out our own unique position within the industry.

Human Resources and Education business

Initial projections

With the revision to the Worker Dispatching Act, labor shortages, and growing outsourcing needs, the projection was that companies who are incapable of adapting to the revised laws would withdraw, and market needs would gravitate around staffing companies that are capable of the requisite compliance.

Current assessment

- In actuality, the weeding out of the industry has been milder than anticipated due to changes in the market environment.
- At the same time, though, owing to the COVID-19 scourge, the work style reform movement has accelerated and reached critical mass.

Basic strategy for the future

Focus on home-grown growth without resorting to high-risk M&A

- Aim for top brand position in the field of manufacturing and implement solid strategies. Leverage innovation to pioneer new fields
- Carry out co-sourcing* with bona fide corporate partners. Foster and organize human resources with stronger management abilities, expertise, and advanced skills
- Enhance inter-segment collaboration and respond to new needs. Deepen ties to our clients and adapt to societal needs such as senior citizen staffing and side business

*Co-sourcing is a more evolved form of outsourcing that goes beyond simple quantitative human resources support to work together with the customer to solve challenges.

Real Estate business

Initial projections

The company initially expected land prices and construction costs to remain high and selling prices to continue to rise along with persistently robust demand for hotels (commercial premises) and strong demand for Greater Tokyo area real estate. This was based on a growing market for condominiums, labor shortages in construction industries, and growing inbound demand.

Current assessment

- In actuality, the real estate market has remained in a bubble longer than anticipated.
- The impact of the COVID-19 scourge has been limited, and the sourcing environment has improved as well.

Basic strategy

- Take a more circumspect approach to sourcing on development projects and reassess optimal scale
- Clarify areas of investment and expand business domains

- ▷ Aim for stable growth in development operations within the scope of newly assessed optimal scale
- ▷ Concentrate on the growing field of revitalization (renovation, conversion)
- ▷ Build a foundation for asset management and other financial services businesses in preparation for a turnaround in the external environment

Expansion into real estate finance business

Loan servicing business and asset management business

The company has traditionally dealt only in actual real estate, but having gone through various real estate cycles, it has come to handle real estate derivatives as well. Its expansion into the real estate financial business is spearheaded by two subsidiaries (World Asset Management Co., Ltd. and Mirai Servicing Co., Ltd.). Mirai Servicing is positioned as a financial instruments portal in the capacity of a servicer, and World Asset Management forms private real estate funds and private REITs as an advisor and agent.

Servicer

A loan servicer is a debt servicing specialist licensed by Japan's Minister of Justice to handle the management and collection of "specified monetary debts" either on behalf of a financial institution or transferred from one. The company's aim is to form deeper collaborative ties by allying with financial institutions' servicers as well as collecting payments on behalf of financial institutions that have no servicers.

Information and Telecommunications business

Current assessment

Telecom carriers have maintained a selective stance on sales agents.

Future outlook

- ▷ Lower ARPU will reduce recurring revenue earnings, and the replacement cycle will grow longer.
- ▷ Customer needs will become more diversified with the launch of commercial 5G service (in 2020).

Basic strategy

- ▷ Expect the move to consolidate mobile stores to be a prolonged process
- ▷ Continue to invest in building a top-notch store network; achieve healthy and steadily profitable store operations
- ▷ Expand lineup of merchandise for enterprise solutions for corporate clients and mitigate the impact of mobile store earnings trends
- ▷ Use the above basic strategy to reap survivor's benefits and build a new earnings model

Other businesses

- ▷ Building on the success (growth in park attendance) of Sylvanian Park (Comorebi Ibaraido Forest, Ibaraki Prefecture) and Alps Gym (Shiga Agricultural Park, Shiga Prefecture), leverage other facilities' revitalization planning, which have proven successful, to achieve early profitability.
- ▷ Use the core agricultural parks business (Farm Co., Ltd.) to revitalize facilities and stimulate local communities. Contribute to children's upbringing and wide-ranging job creation through interaction with nature.

Business

Business model overview

Business segments

World Holdings operates in four business domains. The Human Resources and Education business (57.5% of total revenue and 60.5% of total operating profit in FY12/20) mainly provides subcontracting and staffing for various professional services. The Real Estate business (33.3%, 39.0%) focuses on new condominium development and renovations. The Information and Telecommunications business (6.3%, 2.6%) is mainly engaged in mobile phone handset sales, and the Other businesses (2.2%, segment loss of JPY200mn) cover management of agricultural park facilities.

In its mainstay Human Resources and Education business, the company provides subcontracting and staffing services focused on full-time employment or regularly employed worker dispatching. It is particularly adept at blue collar and R&D professions, and covers general professions to some extent as well. The company is also actively working to tap into new fields. Unusual for a staffing service company, World Holdings has expanded into third party logistics (3PL) operations in e-commerce logistics (sorting, packaging, etc.), which it is cultivating into a core business. In addition, the company is expanding into the materials and tourism industries in collaboration with industry majors.

History of business expansion

Origins

World Holdings traces its roots back to Mikuni Sangyo (now Mikuni Co., Ltd.), founded in 1981 by Eikichi Iida (the company's president). Mikuni originally handled built-to-order and built-for-sale housing, but it currently runs general real estate operations under World Holdings' umbrella. Having survived the bursting of Japan's bubble economy in February 1991, Iida sought out other lines of business, and in February 1993 he founded the blue-collar staffing and subcontracting company World Intec Co., Ltd. (the core unit of World Holdings). The company's growth got a boost in March 2004 when the revised Worker Dispatching Act lifted the ban on dispatching on-site workers for manufacturing industries.

Leads the industry in formulating a manufacturing subcontracting standards manual

From 2006 to 2007, fraudulent subcontracting at manufacturers such as Canon (TSE1: 7751) and Panasonic (TSE1: 6752) emerged as a public scandal. The underlying issue was the lack of clear distinction between worker staffing and subcontracting. In 2005, World Holdings led the industry in compiling its own manufacturing subcontracting standards manual. The manual sets the standard for completing subcontracted manufacturing work to satisfy the compliance standards put forth in the government's public notification designating the distinction between worker staffing business and subcontracting (Ministry of Labour public notice no. 37). By obtaining certification from labor regulators, the company established the standards for manufacturing contracting that clearly separates subcontracting from staffing. By doing so, it was able to differentiate itself from its competitors and build up a successful track record in the subcontracting business. The industry shakeout triggered by the fraudulent subcontracting scandal presented an opportunity, which the company seized upon to accelerate the transition of manufacturing staffing to subcontracting. Meanwhile, one of the company's greatest strengths is government-corporate collaboration, which it has leveraged to advocate for employee training, job creation, and employment stability.

Staffing, or "Worker Dispatching," means deploying a worker(s) employed by one party (staffing agency) so as to be engaged in work for another party (client company) under the instruction of the latter (worker dispatch contracting). In contrast, in business subcontracting the objective is the completion of work as a result of labor (Article 623 of the Civil Code), and value is generated with respect to the result of the work performed rather than the work itself (subcontracting). Hence, subcontractors give instructions to the workers that they themselves employ.
Source: Shared Research based on materials form the Ministry of Health, Labour and Welfare

There are two approaches to staffing operations. In "Registered Type Worker Dispatching," the dispatched worker contracts with a staffing agency when a customer is found that offers conditions that satisfy the worker's demands. In "Regularly (Indefinitely) Employed Worker Dispatching," the dispatched worker is a full-time or contract employee of the staffing agency. The former has the advantages of giving the worker a certain degree of freedom to choose work that suits his/her lifestyle in terms of the kind of work, working hours, and duration of work. The latter, on the other hand, offers stable employment and income, and, in some cases, attractive benefits. The disadvantage of working as a dispatched worker is that it is hard to obtain stable employment. In the case of registered dispatching, a lack of customers creates standby times, causing gaps between employment.
The advantage of subcontracting is that it offers long-term work regardless of the type of employment. In many cases, the contracts between a subcontracting company and its customers cover entire projects, and thus are often long-term contracts. The disadvantage for the subcontractor is that,

because the contract value is determined beforehand, failure to properly manage human resources drags down productivity, drives up costs, and eats into profit.

Source: Shared Research based on materials form the Ministry of Health, Labour and Welfare

The value World Holdings delivers to its customers

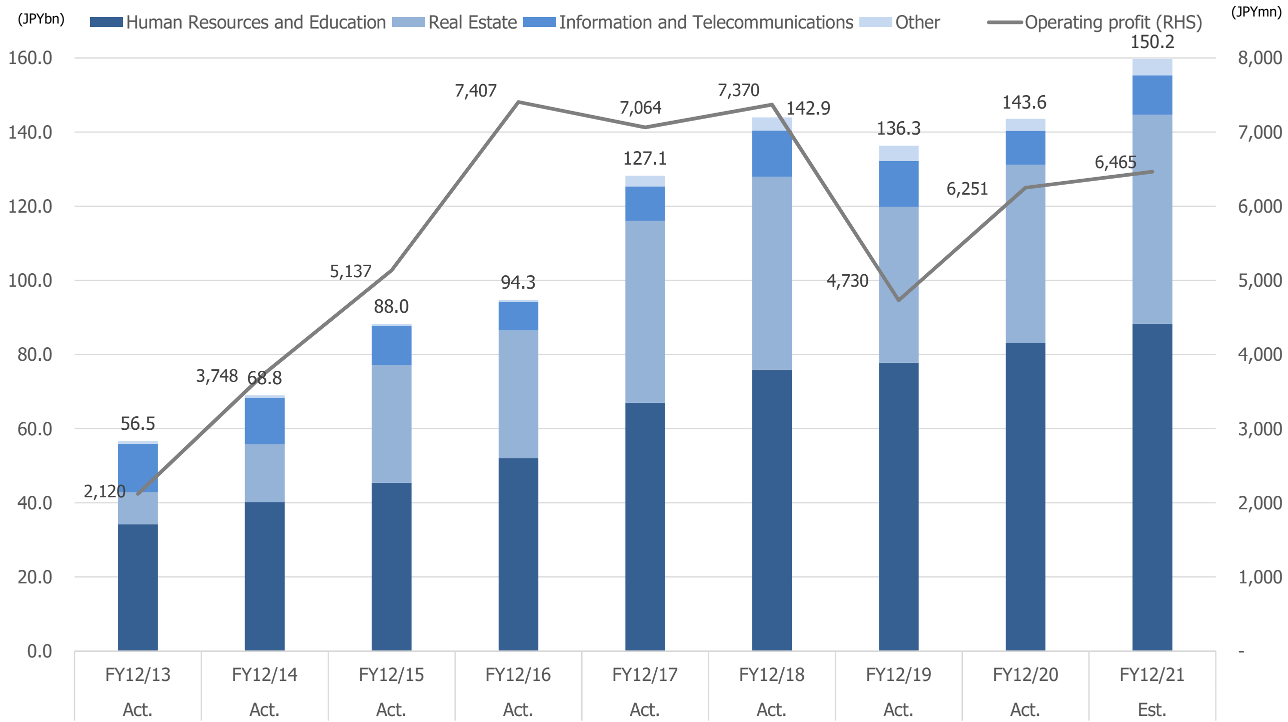
Thanks to its manufacturing subcontracting standards manual, the company is able to satisfy the standards for staffing and subcontracting business (Ministry of Labour notice no. 37) as well as adapt flexibly to its customers' needs by fully leveraging the mechanisms of both types of business. It uses staffing contracts for all work outside the purview of the subcontracting standards manual, while also pursuing the transition to subcontracting during the duration of the staffing contract.
The subcontracting business has the advantage of building up employee skills and expertise since the company's team assumes the core work pertaining to design, development, and production. It also facilitates the securing of long-term ongoing contracts. Manufacturers also benefit from stable operations of production lines and the securing of technology successors. The disadvantage of subcontracting for the company (subcontractor) is that it has to burden additional costs incurred by failing to complete the work by the contract date.

In the staffing business, the company can anticipate revenue commensurate with the number of registered workers. The disadvantage is that it has to keep regularly employed staffing workers on the payroll even when they are on standby due to a shortage of customer demand. There are also barriers to reducing salaries accordingly when staffing fees are reduced.
World Holdings has dedicated itself to three main prerequisites for powering its competitive edge: (1) compliance, (2) rigorous employment training to enable the execution of subcontracted production work, and (3) the financial base required for investments in personnel and subcontracting. Handling warehousing for Amazon Japan has enabled the company to make a name for itself in the 3PL industry, and what helped it achieve this is its highly rated track record pertaining to the mechanisms and productivity of its subcontracting services.

Transition to a holding company

The company expanded into the Information and Telecommunications business in December 2005, and by leveraging the features of recurring revenue business, it partly compensated for the slump in the staffing business when the global financial crisis hit in 2008, and managed to weather the crisis. Capitalizing on the shrinking number of players in the real estate industry following the crisis, the company made a full-fledged push into the Real Estate business in 2010 as a condominium developer. On July 1, 2014, it transitioned to a holding company structure (the present-day World Holdings). The company has conducted a number of M&A in the same industries it operates in as well as in different industries, such as the acquisition of the agricultural park management business, and most of these were corporate rehabilitation offers, the main exceptions being Hoeikensetsu Co., Ltd. (which has now been sold off) and Mikuni Co., Ltd. (President Iida's original company).

Revenue (by segment) and operating profit



Source: Shared Research based on company data

Changes in the staffing business industry

2007 Compliance violations come to light → Collapse of the leading companies
2008 Global financial crisis → Plunge in production volume and decline in number of clients
2009 New government elected and Worker Dispatching Act revised → Ambiguity of legal revisions leads to acceleration of direct hiring and decline in dispatched labor
2010 Yen appreciation → Production adjustments and offshoring, further acceleration of industry weeding out
2013 Labor contract revision
2015 Revision of Worker Dispatching Act
2019 Work style reform
2020 Equal pay for equal work

Company milestones

2005 Completion of manufacturing subcontracting standards manual; expansion into Information and Telecommunication business, listing on JASDAQ (moved to the First Section of TSE in 2016)
2010 Expansion into Real Estate business (business expansion via acquisition of Mikuni Co., Ltd. in 2014)
2014 Transition to holding company

Source: Shared Research based on company materials

Balanced management using optimal scale to generate ongoing optimal profits

Multiple cornerstone businesses, including staffing and real estate

World Holdings aims to build a business structure resistant to the impacts of changes in the socioeconomic and business environments. In fact, it has achieved stable business management by running its business in a well-balanced way, using geographic and industry diversification and incorporating both recurring-revenue and one-time revenue businesses. It has also conducted numerous M&A in the same industries it operates in as well as in different industries (most of them corporate rehabilitations). It currently has multiple cornerstone businesses, including the Human Resources and Education business and Real Estate business. These segments respectively cover different business domains, and this accords the double benefits of mutual defense against the impact of fluctuation in individual industries as well as the dispersion of business resources.

Optimal scale business

Since founding the company, President Iida has undertaken a variety of businesses, from real estate to the staffing and education business, information and telecommunications, and agricultural parks management. Along with business domain expansion, Mr.

Iida has worked to ensure business management of suitable scale. He asserts that limiting the company's main and subordinate businesses to three each holds the key to successfully running an optimally balanced, stable business. Rather than chasing the top position in each individual business, President Iida places higher priority on generating optimal profit on an ongoing basis using the optimal scale conducive to control under a holding company structure.

Mixture of recurring-revenue and one-time revenue businesses

Human Resources and Education business

The Human Resources and Education business is basically a recurring-revenue business. Staffing is a labor-intensive business, with earnings determined by the formula "revenue = number of registered workers x billing rates," and generates ongoing revenues commensurate with the number of registered workers. Worker registrations have been on the rise in the years since the global financial crisis of 2008, and billing rates as well have been growing. When retention and utilization rates of registered workers are stable, there is little fluctuation in revenue and the business can secure stable earnings.

On the other hand, the subcontracting business operates on one-stop, limited-term outsourced contracts for entire projects, and earnings are determined by the formula "revenue = number of contracts x contract value." If a contract ends up being just a one-off deal, then subcontracting becomes a one-time revenue business, but since subcontracting contracts are largely long-term contracts, and the company considers its subcontracting operations a recurring-revenue business. Taking on large projects has the potential for high profit margins, but it also carries the risk of lower earnings if productivity is impaired.

Real Estate business

The Real Estate business primarily develops and sells new condominiums (of 20 to 60 units, selling for around JPY26mn per unit). The company also focuses on renovation, i.e., fixing up and adding new value to pre-owned properties, and most recently it has been venturing into conversion work as well, in which it redesignates the use of existing buildings, fully refurbishes them, and converts them to new buildings. The company's four regional subsidiaries (respectively covering the Greater Tokyo area, and the Tohoku, Kinki, and Kyushu regions) run community-rooted businesses as mid-sized developers of condominiums designed for families, and the company is engaged in renovation nationwide.

> The company's idea of optimal scale in its Real Estate business (i.e., annual supply quantities) is as follows (according to its FY12/16 earnings materials).
> Development: 100–200 units in the Tohoku region, 400–500 units in the Greater Tokyo area, 100–200 units in the Kinki region, 100–200 units in the Kyushu region
> Renovation: 1,500 units

Development and conversion are basically one-time revenue businesses. The company sees its renovation operations as close to a recurring-revenue business since its steady procurement and a large customer base enable it to obtain ongoing orders.

Prefabricated home rentals, property management, and asset management (REITs, funds) are recurring-revenue businesses.

The Real Estate business consists of a variety of operations of varying capital turnover. In condominium development, lead times are long, taking two to three years from sourcing to handover, and capital turnover is slow. Conversely, detached homes and conversion have lead times of six to 12 months. Renovation has lead times of four to six months. Prefabricated homes and property management are high capital turnover recurring-revenue businesses with revenue generated on an ongoing basis during the duration of contracts. The formula for the Real Estate business is "revenue = revenue generated along the duration vector (time property delivery, month-to-month) x the quantity of respective properties".

The company is particularly adept at the neighboring land development from "seed lots" that major real estate corporations generally do not utilize (this involves realignment of property rights), as well as renovation and conversion. It purchases small parcels of land (seed lots), negotiates rights to surrounding land, and develops large-scale commercial premises, which paves the way to build its own condominiums or jointly develop properties with major developers. In recent years, the company has seen an increase in the sale of undeveloped commercial premises, in which large commercial premise arrangements attract direct buyers from major developers or hotel operators.

Information and Telecommunications business

The Information and Telecommunications business is a recurring-revenue business consisting primarily of mobile handset sales. It has one of the largest store networks in the Kyushu region (37 stores as of December 2020), and aims to expand market share in

Kyushu in conjunction with its corporate business (solutions proposals). The mobile phone business operates on the formula "revenue = {revenue generated upon contract signing + service charges commensurate with monthly telecom fees (for the duration of the contract)} x number of subscribers." The company says that, in the future, it aims to take on full-fledged commissioned software development, and leverage the synergistic effects with its enterprise solutions business to augment its Information and Telecommunications business.

Globalization

Even before founding World Intec, President Iida had always had his eyes on globalization and has made attempts at international expansion. The company's name even reflects his ambition for worldwide business deployment. In Mr. Iida's mind, globalization is both outbound and inbound. For the past 30 years he has frequently traveled abroad, worked to gather information, and has broadened his outlook on the world. The company currently has 10 offices overseas, largely in China and Southeast Asia, and has been engaging in overseas businesses (i.e., outbound) for more than 20 years. Although they are struggling to contribute to earnings, they have steadily sown the seeds for business. Meanwhile, thanks to domestic globalization (inbound), the percentage of revenue contributed by overseas companies has risen to around 30%. Notably, in the factory staffing segment of the Human Resources and Education business, logistics subcontracting for Amazon Japan (sorting, packaging, etc.) has grown into a high-volume operation, accounting for 14.1% of overall revenue (or JPY19.2bn, 38.4% of factory staffing business revenue, in FY12/19). The company says it hopes to expand into overseas repair operations and global clinical trials for CRO operations.

Expansion into real estate finance business

Loan servicing business and asset management business

The company has traditionally dealt only in actual real estate, but having gone through various real estate cycles, it has come to handle real estate derivatives as well. Its expansion into the real estate financial business is spearheaded by two subsidiaries (World Asset Management Co., Ltd. and Mirai Servicing Co., Ltd.). Mirai Servicing is positioned as a financial instruments portal in the capacity of a servicer, and World Asset Management forms private real estate funds and private REITs as an advisor and agent.

Servicer

A loan servicer is a debt servicing specialist licensed by Japan's Minister of Justice to handle the management and collection of "specified monetary debts" either on behalf of a financial institution or transferred from one. The company's aim is to form deeper collaborative ties by allying with financial institutions' servicers as well as collecting payments on behalf of financial institutions that have no servicers.

Other real estate finance operations

The company's consolidated subsidiary Mikuni has jointly developed a reverse mortgage product called "Mikuni Guaranteed Purchase Type" together with The Bank of Fukuoka. The bank has previously offered only trust-type reverse mortgages, but it has now added the non-trust standard-type "Mikuni Guaranteed Purchase Type" to its lineup. Leveraging its expertise in purchase assessment, Mikuni handles the real estate property appraisal duties involved in the new reverse mortgage product. Mikuni fields requests for collateral property appraisal from The Bank of Fukuoka, and handles the appraisal of the property used as collateral when reverse mortgage customers sign their contracts (the property undergoes annual reappraisal). When it comes time to sell the real estate property in question, Mikuni uses specialist brokers to handle sales and purchases of collateral property and allocates it to the repayment of the customer's loan.

> A reverse mortgage is a type of financial instrument geared toward senior citizen homeowners. The customer borrows against the value of their detached home or condominium, and when the homeowner dies, the proceeds from the home's sale go to the lender to repay the loan.

Diversification through M&A (corporate revitalization)

The company's core segment, the Human Resources and Education business has achieved all of its growth through its own home-grown efforts. In contrast, when it comes to the Real Estate business and other combined and diversified business segments, its basic strategy is to expand into and augment new business through M&A. However, the only bona fide M&A actions the company has taken are when it made Hoeikensetsu Co., Ltd. (which has now been sold off) and Mikuni Co., Ltd. (President Iida's original company) subsidiaries. The rest are nearly all corporate rehabilitation offers. Farm Co., Ltd. was undergoing court-supervised rehabilitation under Japan's Civil Rehabilitation Act when the company acquired it and made it a subsidiary in February 2017. Three years later, Farm was profitable again, and the company says it has since seen an increase in inquiries and negotiations from local governments (cities, towns, and villages) for park management and administration. By leveraging human talents, the company has imbued its philosophy of "Creating the ways we live" in all activity, from putting people to work in its Human Resources and Education business through corporate rehabilitation. Thus, its use of M&A is one of the ways in which it puts its philosophy into practice.

Specific examples

December 2005: Expands into Information and Telecommunications business by making e-support and Network Solutions subsidiaries
November 2012: Makes clinical trial contractor DOT International (currently DOT World) a subsidiary
December 2014: Makes general realtor Mikuni Sangyo (currently Mikuni) a subsidiary
August 2015: Makes prefabricated home builder Omachi (currently Omachi World) a subsidiary
July 2016: Makes camera and electric appliance repair business Nikken Techno a subsidiary
January 2017: Makes Hoeikensetsu a subsidiary. Hoeikensetsu designs, builds, and sells built-to-order detached homes in Hokkaido. (Hoeikensetsu was sold off in 2020)
February 2017: Makes agricultural park facility administrators Farm and Crowdeight subsidiaries
February 2018: Makes software development contractor Saihi Information Service a subsidiary
June 2019: Expands into real estate finance by making investment advisor and agent World Asset Management a subsidiary
September 2019: Makes loan servicing and bond management consulting firm Fuji Servicing (currently Mirai Servicing) a subsidiary

Group business overview

The World Holdings Group consists of a pure holding company, World Holdings, and its 32 consolidated subsidiaries.

Key consolidated subsidiaries in the Human Resources and Education business

Factory staffing business

- World Intec Co., Ltd.
  - Active industries: Focus on manufacturing, covering a wide range of fields including semiconductors, electrical and electronics, logistics, automotive, machinery, environment and energy, groceries and consumer goods, and chemicals
  - Professions: Subcontracting and staffing primarily for manufacturing and production management companies in areas including manufacturing and assembly, inspection and quality control, logistics/sorting/packaging.
- World Next Co., Ltd.: Administrative consignment and support for employment of women bringing up children for post-quake recovery work in Fukushima Prefecture
- World Intec Taiwan Co., Ltd.: Recruitment and manufacturing staffing in Taiwan
- EngmaIntec Co., Ltd.: Subcontracting business in China
- Tohoworld Corporation: Joint venture with Toho Titanium. Staffing business aimed at the continuance of technologies and skills specializing in the materials industry.

Technology staffing business

- World Intec Co., Ltd.
  - Active industries: Semiconductors, machinery, automotive, and information and telecommunications services
  - Professions: Staffing and subcontracting primarily for production technology, design and development, maintenance, as well as product repair work outsourced from manufacturers.
- Nikken Techno Co., Ltd.: Camera and home electronics repair
- World Construction Co., Ltd.: Construction technician staffing
- Saihi Information Service Co., Ltd.*: Commissioned software development
- Geographic Information of Kyushu, Inc. (special subsidiary): Geographic information systems (GIS), general systems development, maintenance, and administration, and diagram and text systems operations.

Saihi Information Service was created by spinning off the systems unit of Saihi Motor Co., Ltd. It has a long history of developing and maintaining vehicle operation systems for route buses. Given that expertise, it has a high level of technological abilities in systems development, and has handled numerous projects for government agencies and universities. It became a subsidiary of World Holdings in 2018.

R&D staffing business

- World Intec Co., Ltd. (research staffing unit): Staffing of researchers specializing in bio and chemicals, staffing of pharmacists, nurses, and clinical trial technicians and other development staff, and pharmaceuticals safety information management staffing
- DOT World Co., Ltd. (CRO unit): Commissioned clinical testing services for pharmaceuticals development

Sales and marketing staffing business

- World Staffing Co., Ltd.: Staffing of sales clerks for the fashion industry and department stores and mass retailers, call center operators, and light duty staff in the logistics field
- JW Solution Co., Ltd.: Joint venture with JTB providing staffing service for the tourism industry

Key consolidated subsidiaries in the Real Estate business

- ▷ World Residential Co., Ltd. (Greater Tokyo area), World iCity Co., Ltd. (Tohoku region), World Wisteria Homes Co., Ltd. (Kinki region), World Mikuni Co., Ltd. (Kyushu region): These four subsidiaries run community-rooted businesses as mid-sized developers of condominiums designed for families
- ▷ Mikuni Co., Ltd.: Renovations, real estate brokerage, and rental property management
- ▷ Omachi World Co., Ltd.*: Manufacture, sale, and rental of prefabricated homes in the Tohoku and Kyushu regions
- ▷ World Asset Management Co., Ltd. (non-consolidated): Investment advisory and agency
- ▷ Mirai Servicing Co., Ltd. (non-consolidated): Loan servicing and bond management consulting

Omachi World's expansion into the Kyushu region is the result of synergistic effects straddling businesses by leveraging the powerful local sales and marketing network of the Information and Telecommunications business (enterprise solutions for corporate clients).

Key consolidated subsidiaries in the Information and Telecommunications business

- ▷ E-support, Inc. and associated subsidiaries: Mobile store management, call center operations, sales of LED lighting and OA equipment and other energy cost saving solutions for businesses

Key consolidated subsidiaries in the Other businesses

- ▷ World Intec Co., Ltd., Farm Co., Ltd., and associated subsidiaries: Agricultural park facilities operation including management of five directly operated facilities and numerous designated management facilities nationwide
- ▷ Advan Co., Ltd.: Personal computer schools, website creation, and staff cultivation for the Human Resources and Education business.

Business segment (JPYmn)	FY12/11 Act.	FY12/12 Act.	FY12/13 Act.	FY12/14 Act.	FY12/15 Act.	FY12/16 Act.	FY12/17 Act.	FY12/18 Act.	FY12/19 Act.	FY12/20 Act.
Revenue	**37,892**	**53,007**	**56,450**	**68,829**	**87,984**	**94,334**	**127,147**	**142,894**	**136,319**	**143,571**
YoY	18.0%	39.9%	6.5%	21.9%	27.8%	7.2%	34.8%	12.4%	-4.6%	5.3%
Human Resources and Education	24,231	27,104	34,172	40,229	45,420	51,998	67,043	75,964	77,774	83,142
YoY	9.1%	11.9%	26.1%	17.7%	12.9%	14.5%	28.9%	13.3%	2.4%	6.9%
Total revenue composition	63.6%	50.9%	60.4%	58.3%	51.5%	54.9%	52.3%	52.9%	56.7%	57.5%
Factory	15,722	17,893	21,021	24,932	26,911	30,112	41,655	49,525	50,001	55,102
YoY	11.2%	13.8%	-	18.6%	7.9%	11.9%	38.3%	18.9%	1.0%	10.2%
Total revenue composition	41.3%	33.6%	37.1%	36.1%	30.5%	31.8%	32.5%	34.5%	36.5%	38.1%
Technology	6,007	6,227	7,469	8,554	9,781	10,697	12,632	15,664	16,902	17,003
YoY	0.1%	3.7%	-	14.5%	14.3%	9.4%	18.1%	24.0%	7.9%	0.6%
Total revenue composition	15.8%	11.7%	13.2%	12.4%	11.1%	11.3%	9.8%	10.9%	12.3%	11.8%
R&D	2,502	2,984	3,693	4,062	4,755	5,533	6,489	7,108	7,108	7,200
YoY	20.2%	19.3%	23.8%	10.0%	17.1%	16.4%	17.3%	9.5%	0.0%	1.3%
Total revenue composition	6.6%	5.6%	6.5%	5.9%	5.4%	5.8%	5.1%	4.9%	5.2%	5.0%
Sales and marketing	-	-	1,989	2,681	3,973	5,656	6,267	3,667	3,761	3,835
YoY	-	-	-	34.8%	48.2%	42.4%	10.8%	-41.5%	2.6%	2.0%
Total revenue composition	0.0%	0.0%	3.5%	3.9%	4.5%	6.0%	4.9%	2.6%	2.7%	2.7%
Real Estate	1,514	8,794	8,683	15,545	31,785	34,491	49,101	52,029	42,082	48,081
YoY	-	480.8%	-1.3%	79.0%	104.5%	8.5%	42.4%	6.0%	-19.1%	14.3%
Total revenue composition	4.0%	16.5%	15.3%	22.5%	36.0%	36.4%	38.3%	36.2%	30.7%	33.3%
Information and Telecommunications	9,176	11,658	13,097	12,618	10,535	7,747	9,178	12,426	12,344	9,133
YoY	14.0%	27.0%	12.3%	-3.7%	-16.5%	-26.5%	18.5%	35.4%	-0.7%	-26.0%
Total revenue composition	24.1%	21.9%	23.1%	18.3%	11.9%	8.2%	7.2%	8.6%	9.0%	6.3%
Other	3,168	5,667	666	602	510	511	2,939	3,574	4,118	3,214
YoY	63.6%	78.9%	-88.2%	-9.6%	-15.3%	0.2%	475.1%	21.6%	15.2%	-22.0%
Total revenue composition	8.3%	10.6%	1.2%	0.9%	0.6%	0.5%	2.3%	2.5%	3.0%	2.2%
Operating profit	**588**	**1,223**	**2,120**	**3,748**	**5,137**	**7,407**	**7,064**	**7,370**	**4,730**	**6,251**
YoY	70.4%	108.0%	73.3%	76.8%	37.1%	44.2%	-4.6%	4.3%	-35.8%	32.2%
Operating profit margin	1.6%	2.3%	3.8%	5.4%	5.8%	7.9%	5.6%	5.2%	3.5%	4.4%
Human Resources and Education	1,164	1,114	2,087	2,848	3,526	3,962	4,703	4,965	5,178	5,512
YoY	-3.3%	-4.3%	87.3%	36.5%	23.8%	12.4%	18.7%	5.6%	4.3%	6.5%
Segment profit margin	4.8%	4.1%	6.1%	7.1%	7.8%	7.6%	7.0%	6.5%	6.7%	6.6%
Total OP composition	79.7%	50.8%	67.5%	58.0%	53.4%	73.1%	51.7%	53.5%	76.3%	60.5%
Factory	596	489	1,204	1,918	1,801	2,080	2,587	3,169	2,679	2,632
YoY	-15.3%	-18.0%	-	59.3%	-6.1%	15.5%	24.4%	22.5%	-15.5%	-1.8%
Segment profit margin	3.8%	2.7%	5.7%	7.7%	6.7%	6.9%	6.2%	6.4%	5.4%	4.8%
Total OP composition	40.8%	22.3%	38.9%	39.1%	27.3%	38.4%	28.5%	34.1%	39.5%	28.9%
Technology	327	356	638	699	989	1,015	1,263	1,337	1,761	2,019
YoY	-11.4%	8.9%	-	9.6%	41.5%	2.6%	24.4%	5.9%	31.7%	14.7%
Segment profit margin	5.4%	5.7%	8.5%	8.2%	10.1%	9.5%	10.0%	8.5%	10.4%	11.9%
Total OP composition	22.4%	16.2%	20.6%	14.2%	15.0%	18.7%	13.9%	14.4%	26.0%	22.2%
R&D	241	269	195	159	518	571	634	559	711	843
YoY	84.0%	11.6%	-27.5%	-18.5%	225.8%	10.2%	11.0%	-11.8%	27.2%	18.6%
Segment profit margin	9.6%	9.0%	5.3%	3.9%	10.9%	10.3%	9.8%	7.9%	10.0%	11.7%
Total OP composition	16.5%	12.3%	6.3%	3.2%	7.8%	10.5%	7.0%	6.0%	10.5%	9.3%
Sales and marketing	-	-	50	72	218	296	219	-100	27	18
YoY	-	-	-	44.0%	202.8%	35.8%	-26.0%	-	-	-33.3%
Segment profit margin	-	-	2.5%	2.7%	5.5%	5.2%	3.5%	-	0.7%	0.5%
Total OP composition	0.0%	0.0%	1.6%	1.5%	3.3%	5.5%	2.4%	-1.1%	0.4%	0.2%
Real Estate	-75	462	511	1,869	3,061	5,171	4,635	4,589	1,460	3,550
YoY	-	-	10.6%	265.8%	63.8%	68.9%	-10.4%	-1.0%	-68.2%	143.2%
Segment profit margin	-	5.3%	5.9%	12.0%	9.6%	15.0%	9.4%	8.8%	3.5%	7.4%
Total OP composition	-5.1%	21.0%	16.5%	38.1%	46.3%	95.5%	51.0%	49.4%	21.5%	39.0%
Information and Telecommunications	213	408	441	172	4	244	25	3	10	240
YoY	29.1%	91.5%	8.1%	-61.0%	-97.7%	-	-89.8%	-88.0%	233.3%	-
Segment profit margin	2.3%	3.5%	3.4%	1.4%	0.0%	3.1%	0.3%	0.0%	0.1%	2.6%
Total OP composition	14.6%	18.6%	14.3%	3.5%	0.1%	4.5%	0.3%	0.0%	0.1%	2.6%
Other	157	211	52	18	15	17	-272	-270	132	-200
YoY	726.3%	34.4%	-75.4%	-65.4%	-16.7%	13.3%	-	-	-	-
Segment profit margin	5.0%	3.7%	7.8%	3.0%	2.9%	3.3%	-	-	3.2%	-
Total OP composition	10.7%	9.6%	1.7%	0.4%	0.2%	0.3%	-3.0%	-2.9%	1.9%	-2.2%
Company-wide expenses, eliminations	-873	-972	-973	-1,162	-1,472	1,990	-2,029	-1,917	-2,052	-2,854
Large lot customer (10% or more of total revenue)										
Amazon Japan						7,757	13,156	17,681	19,246	
% of revenue						8.2%	10.3%	12.4%	14.1%	

Source: Shared Research based on company data
Note: Figures may differ from company materials due to differences in rounding methods.
Note: Segment revenue forecasts are calculated using revenue from external customers (YoY comparisons are provisionally calculated using revenue excluding company-wide expenses and eliminations)

Segment business overview

Human Resources and Education business (57.5% of total revenue, 60.5% of total operating profit in FY12/20)

In its mainstay Human Resources and Education business, the company provides subcontracting and staffing services focused on full-time employment or regularly employed worker dispatching. The R&D staffing business handles upstream processes in the manufacturing field. The technology staffing business handles mid- to upstream processes (although repairs are downstream). The factory staffing business handles mid- to downstream processes, and the sales and marketing staffing business handles post-manufacturing downstream domains.

In the Human Resources and Education business, because of the large scale of revenue in the logistics field, the subcontracting ratio for factory staffing business has risen. The rise in the company's ratio of subcontracting is largely attributable to the successful use of its manufacturing subcontracting standards manual, which enabled it to differentiate itself from its competitors by clearly delineating the difference between staffing and subcontracting and satisfying compliance standards. Another significant factor is the compartmentalization of manufacturing processes on the client side. Whereas the scope of subcontracting was traditionally focused on downstream processes where competition among subcontractors was concentrated, it has now expanded to upstream processes as well. For example, in logistics subcontracting, subcontracting was traditionally limited to truck loading and destination sorting, but the scope has now expanded to encompass upstream processes such as merchandise picking and shipment packaging.

Factory staffing business (38.1% of total revenue, 28.9% of segment operating profit in FY12/20)

In FY12/20, this segment's revenue breakdown by industry was 20.1% electrical and electronics, 40.2% logistics, 2.7 automotive, 12.0% semiconductors, 5.9% machinery, 3.0% environment and energy, and 16.1% other.

Registered workers include regular employees (on-site specialists and administrators), external staff seconded from other companies, and consignment staff from overseas or governments. The number of on-site specialists (average for Q4) has been increasingly each year in the form of fresh graduates and mid-career hires, but utilization rates declined in Q1 FY12/20 due to the impact of the COVID-19 pandemic in the overseas business.

The company has been training personnel to open new facilities in the logistics field, and in the electrical and electronics field it has achieved strong performance in 5G and semiconductor-related operations, where it has been strategically expanding business. The company therefore expects the number of registered workers to return to growth in FY12/20 on a full-year basis.

The main customers are manufacturers in the semiconductor and machinery industries. In recent years, there has also been an increase in business in the logistics field (such as Amazon Japan).

In logistics (such as Amazon Japan), subcontracting at warehouses had been the realm of freight companies such as Nippon Express (TSE1: 9062). World Holdings is unique among staffing companies for expanding into the warehousing market and cultivating customers. Leveraging the skills in production and process management it has accumulated in manufacturing industry staffing and subcontracting, the company has grown to become a major player in its subcontracting of logistics operations (sorting, packaging, etc.) at Amazon Japan. The majority of the company's logistics business is with Amazon Japan (generating revenue of JPY19.2bn, accounting for 14.1% of the company's revenue in FY12/19).

As part of its undertakings in new business domains, World Holdings established the staffing business company Tohoworld, a joint venture with major materials manufacturer Toho Titanium (TSE1: 5727) specializing in the materials industry. The materials industry has been a difficult one for staffing agencies to penetrate since it requires highly specialized skills. At the same time, though, workers in the materials industry are aging, and with technical skills at risk of dying out, this is driving up the need for apprenticing. Tohoworld has pioneered to meet those needs by drawing on the experience and expertise of both World Holdings and Toho Titanium.

Factory staffing business

(JPYmn)	FY12/11	FY12/12	FY12/13	FY12/14	FY12/15	FY12/16	FY12/17	FY12/18	FY12/19	FY12/20
Revenue (external customers)	15,722	17,893	21,015	24,928	26,910	30,111	41,654	49,524	50,001	55,102
YoY	11.2%	13.8%	17.4%	18.6%	8.0%	11.9%	38.3%	18.9%	1.0%	10.2%
% of revenue by category										
Electrical and electronics	13.8%	18.8%	22.5%	23.0%	24.4%	19.5%	19.1%	20.0%	19.2%	20.1%
Logistics	8.5%	11.5%	11.3%	14.3%	17.5%	27.9%	32.0%	35.8%	38.4%	40.2%
Automotive	2.8%	6.7%	10.6%	9.4%	6.5%	4.8%	4.2%	3.1%	4.1%	2.7%
Semiconductors	33.9%	25.0%	8.9%	9.0%	11.5%	15.6%	14.4%	13.0%	12.9%	12.0%
Machinery	10.5%	8.2%	9.0%	13.6%	11.2%	5.7%	8.5%	8.6%	5.2%	5.9%
Environment and energy	6.3%	4.6%	5.5%	5.6%	5.8%	6.0%	3.6%	2.8%	3.0%	3.0%
Chemical				3.3%	4.6%					
Other	24.2%	25.3%	32.2%	21.6%	18.5%	20.5%	18.2%	16.7%	17.2%	16.1%
Segment employees			6,998	7,698	8,144	10,161	15,090	16,782	16,266	22,103
Administrative	222	252	243	276	335	336	419	-	-	
Specialists			6,755	7,422	7,809	9,825	14,671	-	-	
No. of specialists employed (avg. for Q4)			6,998	7,698	8,144	10,161	15,090	16,782	16,266	22,103
New hires								239	274	286
No. of employees			5,172	5,718	6,260	7,320	8,617	9,936	10,172	13,451
Overseas and public service outsourcing			844	717	722	665	1,401	1,383	1,077	1,156
Specialists employed by other companies			982	1,263	1,162	2,176	5,072	5,463	5,017	7,496
Segment profit	596	489	1,204	1,918	1,801	2,080	2,587	3,169	2,679	2,632
YoY	-15.3%	-18.0%	146.2%	59.3%	-6.1%	15.5%	24.4%	22.5%	-15.5%	-1.8%
Segment profit margin	3.8%	2.7%	5.7%	7.7%	6.7%	6.9%	6.2%	6.4%	5.4%	4.8%

Source: Shared Research based on company data
Note: Figures may differ from company materials due to differences in rounding methods.

Technology staffing business (11.8% of total revenue, 22.2% of segment operating profit in FY12/20)

In FY12/20, this segment's revenue breakdown by industry was 31.1% semiconductors, 20.5% IT services, 4.5% machinery, 8.7% automotive, and 35.2% other. The company has achieved steady growth through the use of training programs to cultivate inexperienced workers and place them as technicians. It is working to place workers in highly advanced areas by focusing on hiring experienced workers and enhancing training programs to boost worker skills.

The segment's registered workers consist of regular employees (both on-site specialists and administrators), and it hires fresh graduates as well. The number of on-site specialists (average for Q4) has been growing each year, with notable increases in workers in the areas of design and development, as well as construction and repair, and other technologies (the number of production engineering workers is holding steady).

Technology staffing business

(JPYmn)	FY12/11	FY12/12	FY12/13	FY12/14	FY12/15	FY12/16	FY12/17	FY12/18	FY12/19	FY12/20
Revenue (external customers)	5,982	6,197	7,335	8,430	9,547	10,334	12,155	15,200	16,902	17,003
YoY	0.3%	3.6%	18.4%	14.9%	13.3%	8.2%	17.6%	25.1%	11.2%	0.6%
% of revenue by category										
Semiconductors			43.1%	44.9%	47.4%	44.5%	37.8%	42.6%	34.2%	31.1%
IT services			15.7%	16.3%	15.6%	15.7%	16.0%	15.2%	19.3%	20.5%
Machinery			5.9%	6.5%	5.1%	4.8%	6.2%	5.4%	4.7%	4.5%
Automotive			6.2%	5.8%	5.6%	6.2%	6.1%	6.9%	8.4%	8.7%
Construction					6.8%				8.4%	10.1%
Other			29.1%	26.5%	19.5%	28.8%	34.0%	29.9%	25.0%	25.1%
Segment employees			1,396	1,552	1,669	1,897	2,042	2,437	2,634	2,778
Administrative	63	64	58	75	93	145	153	-	-	-
Specialists			1,338	1,477	1,576	1,752	1,889	-	-	-
No. of specialists employed (avg. for Q4)			1,396	1,552	1,669	1,897	2,042	2,437	2,634	2,778
New hires								114	175	180
Production engineering			632	679	749	799	679	739	697	790
Design and development			567	658	705	797	1,052	1,331	1,535	1,509
Construction and repair, other			197	215	215	301	311	367	402	480
Segment profit	327	356	638	699	989	1,015	1,263	1,337	1,761	2,019
YoY	-11.4%	8.9%	79.2%	9.6%	41.5%	2.6%	24.4%	5.9%	31.7%	14.7%
Segment profit margin	5.4%	5.7%	8.5%	8.2%	10.1%	9.5%	10.0%	8.5%	10.4%	11.9%

Source: Shared Research based on company data
Note: Figures may differ from company materials due to differences in rounding methods.

R&D staffing business (5.0% of total revenue, 9.3% of segment operating profit in FY12/20)

In FY12/20, this segment's revenue breakdown by industry was 39.2% pharmaceutical and biotechnology, 43.2% chemical, 7.8% clinical, and 9.7% CRO. Both research staffing and CRO operations are largely performing on target. The company is also responding, albeit to a limited degree, to the increased demand for treatment related to COVID-19.

The segment's registered workers consist of regular employees (both on-site specialists and administrator), and it hires fresh graduates as well. The company has put in place a framework for cultivating human resources through research labs jointly run with partner universities (University of Tokyo, Kyoto University, Osaka University, and others), which has also contributed to the securing of hiring slots. The number of on-site specialists (average for Q4) has been growing each year.

R&D staffing business

(JPYmn)	FY12/11	FY12/12	FY12/13	FY12/14	FY12/15	FY12/16	FY12/17	FY12/18	FY12/19	FY12/20
Revenue (external customers)	2,502	2,984	3,693	4,062	4,755	5,533	6,489	7,108	7,108	7,200
YoY	20.2%	19.3%	23.8%	10.0%	17.1%	16.4%	17.3%	9.5%	0.0%	1.3%
% of revenue by category										
Pharmaceuticals and biotechnology			39.6%	36.8%	33.2%	31.9%	34.2%	38.3%	40.7%	39.2%
Chemical			45.6%	48.7%	41.9%	44.3%	43.2%	41.1%	39.5%	43.2%
Clinical			14.9%	14.5%	24.8%	23.8%	22.5%	7.5%	7.5%	7.8%
CRO								13.1%	12.4%	9.7%
Segment employees			628	686	769	912	1,029	1,023	1,045	1,120
Administrative	31	46	51	58	67	81	87	-	-	
Specialists			577	628	702	831	942	-	-	
No. of specialists employed (avg. for Q4)		574	628	686	769	912	1,029	1,023	1,045	1,120
New hires								78	96	84
R&D			578	618	692	830	936	931	931	1,050
DOT World			50	68	77	82	93	93	93	70
Segment profit	241	269	195	159	518	571	634	559	711	843
YoY	84.0%	11.6%	-27.5%	-18.5%	225.8%	10.2%	11.0%	-11.8%	27.2%	18.6%
Segment profit margin	9.6%	9.0%	5.3%	3.9%	10.9%	10.3%	9.8%	7.9%	10.0%	11.7%

Source: Shared Research based on company data
Note: Figures may differ from company materials due to differences in rounding methods.

Sales and marketing staffing business (2.7% of total revenue, 0.2% of segment operating profit in FY12/20)

In FY12/18, this segment's revenue declined 38.5% (from JPY5.7bn in FY12/17 to JPY3.5bn in FY12/18) and profit fell into the red, but returned to profitability in FY12/19. ,

The segment's workforce shrank by from 2,761 (as of end-FY12/16) to 1,541 (end-FY12/20). The company attributes this to the need to slim down operations as part of the structural reforms carried out to enhance its compliance systems. The segment's registered workers consist of regular employees (administrators) and registered contract employees (on-site specialists).

As part of its undertakings in new business domains, the company is strengthening hiring through measures such as using a consortium model recruiting. The company has begun collaborating with JTB to quickly expand nationwide into the tourism industry. With joint funding by JTB, the company has substantially augmented operations at JW Solution, a staffing service company specializing in the hotel industry.

Sales and marketing staffing business

(JPYmn)	FY12/11	FY12/12	FY12/13	FY12/14	FY12/15	FY12/16	FY12/17	FY12/18	FY12/19	FY12/20
Revenue (external customers)	-	-	1,989	2,681	3,973	5,656	6,267	3,667	3,761	3,835
YoY	-	-	-	34.8%	48.2%	42.4%	10.8%	-41.5%	2.6%	2.0%
Segment employees	-	-	-	1,174	1,854	2,761	2,199	1,335	1,701	1,541
Administrative				51	63	89	110	-	-	-
Specialists				1,123	1,791	2,672	2,089	-	-	-
Segment profit	-	-	50	72	218	296	219	-100	27	18
YoY	-	-	-	44.0%	202.8%	35.8%	-26.0%	-	-	-33.3%
Segment profit margin	-	-	2.5%	2.7%	5.5%	5.2%	3.5%	-2.7%	0.7%	0.5%

Source: Shared Research based on company data
Note: Figures may differ from company materials due to differences in rounding methods.

Real Estate business (33.3% of total revenue, 39.0% of total operating profit in FY12/20)

In FY12/20, the Real Estate business's revenue breakdown was 66.1% development related, 2.1% detached houses, and 31.8% renovation and others. The segment's workforce is growing, particularly among managerial staff.

The company's basic strategy on sourcing land is to acquire small land parcels (seed lots) first, and then acquire adjacent land by negotiation for realignment of property rights. Development operations primarily consist of condominium development, but recently it is increasingly taking commercial premises acquired for condominium development and selling them as is. In FY12/19, the company worked to diversify its sector portfolio within its Real Estate segment as well, and while development related revenue has shrunk by half, revenue for detached houses and renovation/others has increased. The real estate market remains high, and although some business has been held back to FY12/20, deliveries of commercial premises have been outpacing targets.

Given the persistent real estate bubble, the company has maintained a cautious stance on land sourcing, while it is also working to build a foundation for asset management and other financial services business in preparation for a turnaround in the external environment.

Real estate business

(JPYmn)	FY12/11	FY12/12	FY12/13	FY12/14	FY12/15	FY12/16	FY12/17	FY12/18	FY12/19	FY12/20
Revenue (external customers)	1,514	8,794	8,683	15,545	31,785	34,481	49,080	52,011	42,082	48,081
YoY	-	480.8%	-1.3%	79.0%	104.5%	8.5%	42.3%	6.0%	-19.1%	14.3%
Development and detached houses						22,335	34,389	34,199	22,225	-
Renovation and prefab homes						12,146	14,690	17,812	19,857	-
% of revenue by category										
Development-related				96.5%	75.3%	64.7%	53.1%	50.9%	26.8%	66.1%
Detached houses							17.1%	14.9%	26.0%	2.1%
Renovation-related				3.5%	24.7%	29.8%	25.0%	30.7%	47.2%	31.8%
Prefab homes-related						5.5%	4.8%	3.6%	-	
Segment employees			94	198	262	354	515	529	556	-
Administrative	41	79	94	198	233	281	463	-	-	-
Specialists			0	0	29	73	52	-	-	-
Segment profit	-75	462	511	1,869	3,061	5,171	4,635	4,589	1,460	3,550
YoY	-	-	10.6%	265.8%	63.8%	68.9%	-10.4%	-1.0%	-68.2%	143.2%
Segment profit margin	-5.0%	5.3%	5.9%	12.0%	9.6%	15.0%	9.4%	8.8%	3.5%	7.4%
Development and detached houses						4,532	4,164	3,651	753	-
Segment profit margin						20.3%	12.1%	10.7%	3.4%	
Renovation and prefab homes						639	471	938	707	-
Segment profit margin						5.3%	3.2%	5.3%	3.6%	

Source: Shared Research based on company data
Note: Figures may differ from company materials due to differences in rounding methods.

Information and Telecommunications business (6.3% of total revenue, 2.6% of total operating profit in FY12/20)

In FY12/20, the Information and Telecommunications business's revenue breakdown was 90.1% mobile store operation and 9.9% enterprise solutions. The segment's registered workforce includes regular employees (administrators).

The segment is essentially positioned as a secondary agent for optical telecommunications. It currently operates SoftBank mobile stores and au mobile stores, and has one of the largest store networks in the Kyushu region (37 stores as of December 2020). During the slump in the Human Resources and Education business amid the global financial crisis of 2008, the Information and Telecommunications business made major contributions to earnings, but profit margins have recently been declining due to the impact of mobile store consolidation.

The company faces an adverse business environment, with lower ARPU dragging down recurring revenue earnings and replacement cycles becoming longer, but there are finally some signs of the situation easing down. Further, mobile carriers have been maintaining a selective stance on distribution agents. Meanwhile, with the launch of 5G commercial service, customer needs are expected to become more diversified.

The company anticipates a prolonged phase of mobile store consolidation. Accordingly, it continues to invest in preparations for assembling a top-notch store network (investing in areas such as organization, store consolidation and upgrades, customer reception quality, and personnel training), and expanding its line of enterprise solutions for corporate customers. These steps are delivering improvement in per-store earnings.

Information and Telecommunications business

(JPYmn)	FY12/11	FY12/12	FY12/13	FY12/14	FY12/15	FY12/16	FY12/17	FY12/18	FY12/19	FY12/20
Revenue (external customers)	9,176	11,658	13,092	12,608	10,522	7,742	9,167	12,376	12,344	9,133
YoY	14.0%	27.0%	12.3%	-3.7%	-16.5%	-26.4%	18.4%	35.0%	-0.3%	-26.0%
% of revenue by category										
Mobile store operation				90.4%	89.8%	86.2%	87.9%	89.9%	89.7%	90.1%
Enterprise solutions				9.6%	10.2%	13.8%	12.1%	10.1%	11.3%	9.9%
Segment employees (administrative)	0	0	393	425	426	408	426	449	394	-
Segment profit	213	408	441	172	4	244	25	3	10	240
YoY	29.1%	91.5%	8.1%	-61.0%	-97.7%	-	-89.8%	-88.0%	233.3%	-
Segment profit margin	2.3%	3.5%	3.4%	1.4%	0.0%	3.1%	0.3%	0.0%	0.1%	2.6%

Source: Shared Research based on company data
Note: Figures may differ from company materials due to differences in rounding methods.

Other businesses (2.2% of total revenue, JPY200mn operating loss in FY12/20)

In FY12/20, other businesses' revenue breakdown was 85.1% agricultural park related (Farm Co., Ltd., etc.), 12.6% school related (Advan Co., Ltd.), and 2.3% others. The segment's registered workforce includes full-time employees (administrative and specialists).

Farm Co., Ltd., achieved profitability in FY12/19, three years after World Holdings took it over. In 2020, the business was impacted by the shelter-in-place measures in response to the COVID-19 pandemic, but the company expects a bounce back after the state of emergency declaration is lifted as it highlights the advantages of outdoor facilities.

Other businesses

(JPYmn)	FY12/11	FY12/12	FY12/13	FY12/14	FY12/15	FY12/16	FY12/17	FY12/18	FY12/19	FY12/20
Revenue (external customers)	2,994	5,479	640	574	491	476	2,856	3,467	4,118	3,214
YoY	63.8%	83.0%	-88.3%	-10.3%	-14.5%	-3.1%	500.0%	21.4%	18.8%	-22.0%
% of revenue by category										
Advan Co., Ltd.								9.7%	9.5%	12.6%
Farm Co., Ltd.								76.0%	88.7%	85.1%
Other								14.2%	1.7%	2.3%
Segment employees			1,762	64	56	89	644	699	781	-
Administrative	82	83	86	11	7	7	25	-	-	
Specialists			1,676	53	49	82	619	-	-	
Segment profit	157	211	52	18	15	17	-272	-270	132	-200
YoY	726.3%	34.4%	-75.4%	-65.4%	-16.7%	13.3%	-	-	-	-
Segment profit margin	5.0%	3.7%	7.8%	3.0%	2.9%	3.3%	-9.3%	-7.6%	3.2%	-6.2%

Source: Shared Research based on company data
Note: Figures may differ from company materials due to differences in rounding methods.

Profitability analysis

With its three mainstay businesses of Human Resources and Education, Real Estate, and Information and Telecommunications, World Holdings places priority on running its operations with a proper balance of both recurring revenue business (Human Resources and Education, Information and Telecommunications) and one-time revenue business (Real Estate). Each of these three segments covers different business domains. By spreading out its business over different regions and industries, the company attains mutual protection against industry fluctuation. A diversified business portfolio does have its drawbacks, however. Business fragmentation results in inefficient allocation of resources and keeps low-profit businesses on life-support. This makes streamlining more difficult than specialist companies, and tends to keep profit margins low (World Holdings' OPM was 4.4% in FY12/20).

The company's GPM has been holding steady at around 20%. In response to market fluctuation in its one-time revenue business (Real Estate), the company has taken a cautious approach to sourcing, while its recurring-revenue business (Human Resources and Education) provides a steady earnings base, thus buttressing stable operations. In terms of its OPM, the company's previous medium-term plan (FY12/12–FY12/16) emphasized generating profits through structural reform, while its new medium-term plan (FY12/17–FY12/21) clearly shows an inclination toward strategic investments (which bring down profit margins). The OPM in fact improved from 2.3% in FY12/12 to 7.9% in FY12/16, but then fell to 3.5% in FY12/19 (the company is targeting 4.3% in FY12/21).

Regarding the company's earnings structure, the Human Resources and Education business is a labor-intensive business. At the same time, the majority of total assets are inventories (real estate for sale, real estate for sale in process, etc.), and the majority of total liabilities are interest-bearing debt in the Real Estate business. Turnover rates for both total assets and inventories tend to decline along with growth in the Real Estate business.

The staffing business has a short cash cycle (less than a month) but since the company also conducts real estate operations, which have a long cycle (of up to two years) from sourcing of property to recoupment of investment, on a companywide basis, World Holdings' cash cycle is about five months. Thanks to its cash flow generation in its Human Resources and Education business and its buildup of trust with local banks, the company has attained high credit ratings from financial institutions (with preferential interest rates in the 0.4% level). In FY12/20, actual interest rates on the company's interest-bearing liabilities were 0.49%, significantly lower than the 1% or so paid by the five independent real estate specialists in their most recent fiscal years.

Profit margins (JPYmn)	FY12/11 Cons.	FY12/12 Cons.	FY12/13 Cons.	FY12/14 Cons.	FY12/15 Cons.	FY12/16 Cons.	FY12/17 Cons.	FY12/18 Cons.	FY12/19 Cons.	FY12/20 Cons.
Gross profit	6,743	9,117	10,581	13,087	17,530	21,019	25,268	27,740	26,310	25,018
Gross profit margin	17.8%	17.2%	18.7%	19.0%	19.9%	22.3%	19.9%	19.4%	19.3%	17.4%
Operating profit	588	1,223	2,120	3,748	5,137	7,407	7,064	7,370	4,730	6,251
Operating profit margin	1.6%	2.3%	3.8%	5.4%	5.8%	7.9%	5.6%	5.2%	3.5%	4.4%
EBITDA	720	1,378	2,271	3,908	5,367	7,727	7,628	8,066	5,564	7,074
EBITDA margin	1.9%	2.6%	4.0%	5.7%	6.1%	8.2%	6.0%	5.6%	4.1%	4.9%
Net margin	0.6%	1.2%	1.5%	2.9%	4.3%	4.4%	3.6%	3.3%	2.2%	4.1%
Financial ratios										
ROA (RP-based)	4.4%	6.3%	8.0%	9.7%	10.0%	11.3%	9.1%	9.2%	5.7%	8.2%
ROE	5.1%	14.1%	15.5%	30.3%	41.7%	33.3%	28.8%	24.0%	13.5%	23.1%
Total asset turnover	2.04	2.14	1.69	1.45	1.38	1.13	1.33	1.44	1.31	1.42
Working capital	11,030	14,654	19,879	25,120	34,899	46,917	46,932	45,199	54,195	40,401
Current ratio	138.7%	135.3%	143.7%	143.3%	153.1%	152.2%	143.0%	151.3%	145.7%	196.7%
Quick ratio	65.4%	60.8%	58.8%	68.4%	55.7%	55.8%	58.6%	65.2%	54.2%	102.9%
OCF / Current liabilities	-0.25	-0.13	-0.11	0.07	-0.14	-0.09	0.18	0.19	0.05	0.32
OCF / Total liabilities	-0.18	-0.09	-0.08	0.05	-0.10	-0.06	0.13	0.16	0.04	0.28
Cash conversion cycle (days)	100.0	100.7	129.9	140.3	148.9	195.2	161.5	139.4	157.4	138.9
Change in working capital	3,667	3,624	5,225	5,241	9,779	12,018	15	-1,733	8,996	-13,794

	FY12/11	FY12/12	FY12/13	FY12/14	FY12/15	FY12/16	FY12/17	FY12/18	FY12/19	FY12/20
Accounts receivable turnover	10.2	12.4	11.2	12.2	13.7	12.4	13.7	13.3	11.7	11.5
Days in accounts receivable	35.9	29.4	32.6	30.0	26.6	29.5	26.6	27.4	31.3	31.7

	FY12/11	FY12/12	FY12/13	FY12/14	FY12/15	FY12/16	FY12/17	FY12/18	FY12/19	FY12/20
Inventory turnover	5.2	4.8	3.5	3.1	2.9	2.1	2.6	3.1	2.8	3.3
Days in inventory	70.2	76.0	103.1	116.7	127.3	170.3	139.0	116.5	131.0	111.1

	FY12/11	FY12/12	FY12/13	FY12/14	FY12/15	FY12/16	FY12/17	FY12/18	FY12/19	FY12/20
Accounts payable turnover	59.4	76.3	62.5	56.9	72.3	79.1	89.5	81.8	75.0	95.8
Days in accounts payable	6.1	4.8	5.8	6.4	5.1	4.6	4.1	4.5	4.9	3.8

	FY12/11	FY12/12	FY12/13	FY12/14	FY12/15	FY12/16	FY12/17	FY12/18	FY12/19	FY12/20
Tangible fixed asset turnover	56.3	75.9	82.4	91.5	86.1	58.1	37.5	28.2	24.0	25.6
Days in tangible fixed assets	6.5	4.8	4.4	4.0	4.2	6.3	9.7	13.0	15.2	14.3

Source: Shared Research based on company data
Note: Figures may differ from company materials due to differences in rounding methods.

Market and value chain

Competition

Staffing industry

Key competitors

Among majors alone, there are 50 companies in the staffing industry, which can be broadly categorized into four major groups.

1. Comprehensive personnel services (Recruit Holdings [TSE1: 6098], Persol Holdings [TSE1: 2181], and Pasona Group [TSE1: 2168])
2. Highly skilled personnel recruitment services (Creek & River [TSE1:4763], MS-Japan [TSE1:6359], and others)
3. Part-timers staffing and job board services (DIP [TSE1: 2379], en-japan [TSE1: 4849], and others)
4. Specialist staffing services (World Holdings, Outsourcing [TSE1: 2427], TechnoPro Holdings [TSE1: 6028], Meitec [TSE1: 9744]

World Holdings offers a manufacturing-focused specialist staffing service. In size, it is no match for Recruit Holdings, Persol Holdings, or Pasona Group, but it thinks boosting the quality of its staff and registered workers by enhancing their skills and raising billing rates can drive growth.

Major human resources companies

Ticker	Company	Latest FY results: Revenue (JPYmn)	Latest FY results: Operating profit	Latest FY results: OPM	Latest FY results: ROE	Manufacturing-related coverage	Business description (% of total revenue)
2429	**World Holdings**	**143,571**	**6,251**	**4.35%**	**23.1%**	**Factory, technology, R&D**	**Human Resources and Education (57.5), Real Estate (33.3), Information and Telecommunications (6.3), Other (2.2)**
6098	Recruit Holdings	2,399,465	206,011	8.59%	18.4%	Comprehensive HR information	HR Technology (17.4), Media & Solutions (31.2), Staffing (51.4)
2427	Outsourcing	366,711	14,337	3.91%	5.4%	Factory, technology	Domestic Outsourcing (52.8), Overseas Outsourcing (46.8), Other (0.4)
2146	UT group	101,191	8,040	7.95%	32.5%	Factory, technology	Manufacturing (74.1), Solution (12.0), Engineering (13.9)
2154	BeNEXT Group	81,755	4,666	5.71%	25.5%	Factory, technology	Engineer (53.7), Manufacturing (11.0), Overseas (35.3)
6569	Nisso	74,966	3,061	4.08%	18.1%	Factory	Automotive (45.8), Electronic devices (25.8), Precision and electric machinery (13.1), Other (15.3)
9744	Meitec	100,995	12,926	12.80%	21.0%	Technology	Engineering Solutions (98.5), Recruiting and Placement for Engineers (1.5)
2362	Yumeshin Holdings	58,669	5,306	9.04%	31.1%	Technology	Construction Technician Temporary Staffing (64.5), Engineer Temporary Staffing (33.8), Other (1.7)
6028	TechnoPro Holdings	158,407	15,772	9.96%	23.3%	Technology, R&D	R&D (78.9), Construction Management (12.4), Other businesses in Japan (2.6), Overseas (6.2)
2475	WDB Holdings	43,108	4,956	11.50%	17.5%	R&D	Physical Science (76), Engineering (4), Clerical Work (14), Other (6)

Source: Shared Research based on company data
Note: Figures may differ from company materials due to differences in rounding methods.

Outsourcing Inc. (TSE1: 2427)

Major tech-oriented staffing company. Employs a profit sharing model (combining business resources and batch processing under contract) which it provides for companies in the manufacturing, technology, management, and service industries in Japan and overseas. For example, in the manufacturing industry it dispatches process engineers to companies in the automobile, semiconductor, chemical, pharmaceutical, plant, and electronics industries and manages foreign workforces under contract. Overseas business accounts for 46.8% of the total. It is involved in a wide range of services in its mainstay automobile industry, including R&D project support and development of engine performance tests. It is expanding contract management of international workers and expanding their use in the workforce. Revenue breaks down to 52.8% Domestic Outsourcing, 46.8% Overseas Outsourcing, and Other 0.4% (FY12/20).

UT Group Co., Ltd. (TSE1: 2146)

Manufacturing industry outsourcing company. Staffing and subcontracting (end-to-end services from processes involved in manufacturing operations through device maintenance) for Japanese semiconductor, electronics parts, and automobile companies. Segments include Manufacturing (open-ended staffing contracts and subcontracting for manufacturing plants), Solution (dispatching UT Group employees and subcontracting to assist major companies with structural reform), and Engineering (staffing for design, development, and IT engineering). Revenue breaks down into Manufacturing 74.1%, Solution 12.0%, and Engineering 13.9% (FY03/20). This major company has roughly 20,000 permanent engineers on staff, and 40% of its business is for semiconductor and electronics parts makers. Got its start in semiconductors, and branched out into electronics parts and environment and energy (liquid crystals, solar cells, and secondary batteries).

BeNEXT Group Inc. (TSE1: 2154)
Provides the manufacturing industry subcontracting and staffing services in technical areas (research, testing and evaluation, IT infrastructure, and design and embedded systems development) and production areas (assembly, processing, shipping, and packaging). Supplies end-to-end human resources services to upstream (R&D, design, and analysis) and downstream (manufacturing and logistics). Key customers are in the automobile, electronics, semiconductor, machine-tool, and industrial machinery segments. Efforts to globalize include services for Japanese companies operating in China and Europe and the acquisition of local staffing company in the UK. Plans to merge with Yumeshin Holdings Co., Ltd. in April 2021 and change name to BeNEXT-Yumeshin Group Co.

Yumeshin Holdings Co., Ltd. (TSE1: 2362)
Construction technician staffing company. Key business entails dispatch of construction supervisors (responsible for workflow outsourcing, process and safety management, quality control, blueprint drafting, and human resources development) to construction sites. Also involved in engineer dispatch (manufacturing and IT), primarily construction management engineers to construction sites. The largest construction technician staffing company in Japan (dispatches construction supervisors, project managers, designers, and CAD operators). Plans to merge with BeNEXT Group in April 2021, after which it will be delisted.

Nisso Corporation (TSE1: 6569)
Subcontracting and staffing services provider specialized in manufacturing. Provides manufacturing, maintenance, and design services under contract and dispatches production and design technology engineers to the automobile, electronic device, precision and electrical equipment, and residential equipment industries. In addition, it is involved in the dispatch of clerical staff, business process outsourcing, and workforce management support in clerical HR services, as well as in nursing care and welfare services (nursing care in facilities and at home). It also operates factory job board websites Kojo Kyujin Navi and Kojo Kyujin Navi Sha-in. In FY03/20, manufacturing staffing and subcontracting services revenue broke down to: automobiles 45.8%, electronic devices 25.8%, precision and electrical equipment 13.1%, and other 15.3%.

Meitec Corporation (TSE1: 9744)
One of Japan's leading engineer staffing companies. Provides outsourced engineering services and recruitment services specializing in engineers to the manufacturing industry. In automobile, transport equipment, machinery, electronics/electrical, industrial machinery, information and telecommunications equipment, and computer software fields, the company provides design, development, and support services for digital cameras, smartphones, eco cars, industrial robots, precision medical equipment, and aircraft. Key customers include Mitsubishi Heavy Industries, Denso, Sony Semiconductor Solutions, Panasonic, Nikon, and Toyota Motor. Revenue breaks down to Engineering Solutions 98.5% and Recruiting and Placement for Engineers 1.5% (FY03/20).

TechnoPro Holdings, Inc. (TSE1: 6028)
Japan's largest provider of technology-focused human resources services with 21,000 engineers and researchers and dealings with 2,200 customers, covering technological fields in virtually all industries. TechnoPro supports customers' R&D activities (in the fields of outsourced R&D and construction management) through temporary staffing, subcontracting, and outsourcing services provided by the company's engineers and researchers. It provides engineer dispatch and subcontracted services in machinery, electrical/electronics, embedded control, IT networks, business applications, systems maintenance and operations, and biochemistry. Overseas, it has expanded into China, India, and Singapore. Revenue breakdown was R&D 78.9%, Construction Management 12.4%, Other businesses in Japan 2.6%, and overseas 6.2% (FY06/20).

Real estate industry

The real estate majors' "remora strategy"

The benchmark companies for World Holdings' Real Estate business are real estate majors. Mikuni Co., Ltd, founded by company President Eikichi Iida, previously signed an exclusive agency agreement with Mitsui Real Estate Sales (currently Mitsui Fudosan Realty) and also established the joint venture Kyushu Hokubu Rehouse Co., Ltd. Although World Holdings is not after size, the direction in which it aims to go is along the same lines as the real estate majors (e.g., redevelopment projects). President Iida self-deprecatingly refers to this as a "remora strategy." The company's preferred approach is to develop neighboring property (realignment of property rights) from seed lots that the majors tend not to bother with.

Comparison to five real estate specialists

Using independent specialists with comparable revenue for benchmark comparison

Japan's real estate industry is a thronging mass of countless companies, but it is hard to find companies of similar size to World Holdings that also run a diverse business portfolio encompassing different industries. Furthermore, for the company the Real Estate business is seen as part of its overall business portfolio and complementary to the core Human Resources and Education business. Because their aims are different, there is little significance in comparing the company's Real Estate business with those of other real estate companies. However, the company is considering expanding its real estate financing services, so similar sized real estate specialists are listed for the purposes of comparison.

Ticker	Company	Latest FY results				Net	Business description (% of total revenue)
		Revenue (JPYmn)	Operating profit	OPM	ROE	D/E ratio	
2429	**World Holdings**	**48,081**	**3,550**	**7.4%**	**23.1%**	**0.23**	**Human Resources and Education (57.5), Real Estate (33.3), Information and Telecommunications (6.3), Other (2.2)**
3454	First Brothers	15,642	2,541	16.2%	13.4%	2.25	Investment Management (4.2), Investment Banking (94.9), Other (0.9)
8923	Tosei	63,939	6,427	10.1%	6.1%	0.91	Revitalization (48.7), Development (25.3), Rental (9.1), Fund and Consulting (8.9), Property Management (7.3), Other (0.7)
2337	Ichigo	87,360	27,721	31.7%	8.2%	1.65	Asset Management (4.5), Value-added (renovation) (91.2), Clean Energy (4.3)
8934	Sun Frontier Fudousan	73,218	16,571	22.6%	17.7%	0.48	Renovation (80.5), Real Estate Services (4.7), Operations (7.2), other (7.6)

Source: Shared Research based on company data
Note: The company's revenue and OPM are values for the Real Estate business (ROE and equity ratio are companywide figures)

First Brothers Co., Ltd. (TSE1: 3454)

Independent asset management company, operating investment banking business (proprietary investment) and investment management business (asset management of private funds primarily investing in real estate). Key investments are offices, commercial facilities, hotels, and residences (ample track record in rental properties and commercial facilities). Its own investments focus on small and medium-sized properties, turnarounds, debt, venture capital, renewable energy, and private equity. The company has shifted its business model from one primarily earning fee revenue from asset management services to investment revenue (income and capital gains) through investing its own funds.

Tosei Corporation (TSE1: 8923)

Tosei Corporation operates six main businesses: the Revitalization, Development, Rental, Fund and Consulting, Property Management, and Hotel businesses, primarily in Tokyo's 23 wards. The portfolio provides stable sources of earnings (rental, fund, and management businesses) to lessen reliance on property transactions. The Revitalization business adds value to office buildings, commercial facilities, and rental condominiums for resale. It focuses on the sale of pre-owned condo units after refurbishing and improving the value of entire buildings in its "Restyling" business. In 2014, Tosei REIT Investment Corporation (TES1: 3451) was listed on the Tokyo Stock Exchange.

Ichigo Inc. (TSE1: 2337)

Asset management group specializing in long-term investments. Three business segments: Asset Management (asset management business dealing in listed REITS and private real estate funds), Value-added (real estate rental, advisory, facilities management, and revitalization), and Clean Energy (sales of electricity generated from eco-friendly mega-solar projects). It is developing new businesses in real estate owner services, hotel operations, and smart agriculture support.

Sun Frontier Fudousan Co., Ltd. (TSE1: 8934)

Primarily in five central wards of Tokyo (Chiyoda, Chuo, Minato, Shinjuku, and Shibuya) the company operates the Renovation business (entailing "replanning" [extensive renovation], building rentals, hotel development, and real estate securitization) and the Real Estate Services business (brokerage and property management). It specializes in real estate revitalization (renovation and replanning) of small office buildings and retail buildings. Overseas, it provides high-net-worth Japanese individuals real estate investment opportunities in Vietnam and Indonesia. The company also has the Operations business (hotel management and rental conference rooms).

Loan interest comparison

In FY12/19, World Holdings paid interest rates of 0.49% on short-term loans and 0.42% on long-term loans, which was substantially lower than the around 1% interest paid by the five industry peers (for the most recent fiscal year). The company takes out loans in its Real Estate business, but thanks to the stable revenue source of its Human Resources and Education business, it has earned its high credit ratings (preferential interest rates) from its banks. The company has built up long-standing trust with regional banks from the Kyushu region (The Bank of Fukuoka, Nishi-Nippon City Bank, and the Kitakyushu Bank) to the Tohoku region. It also has a partnership with The Bank of Fukuoka, jointly developing financial instruments such as reverse mortgages. The company's net debt/equity ratio is below 1.0, as its net borrowings are less than shareholders' equity.

Comparison with similar sized real estate companies

(JPYmn)		First Brothers (FY11/20)				Tosei (FY11/20)				World Holdings (FY12/20)			
		Year-start	Year-end	Avg. interest rate	Repayment term	Year-start	Year-end	Avg. interest rate	Repayment term	Year-start	Year-end	Avg. interest rate	Repayment term
Current liabilities	Short-term loans payable	1,763	2,000	0.90%	-	1,996	200	1.12%	-	22,001	17,204	-	
	Current portion of LT loans payable	1,398	1,741	0.73%	-	14,287	11,375	1.10%	-	5,699			
	Current portion of non-recourse long-term loans payable	15	15	1.07%	-								
	Lease obligations					9	220	1.09%	-				
Noncurrent liabilities	Long-term loans payable (excluding the current portion)	38,123	43,318	0.73%	2021–2050	73,533	78,482	1.02%	2020–2047	8,592	12,073	-	
	Long-term non-recourse loans payable (excluding the current portion)	598	583	1.07%	2025								
	Lease obligations					19	710	1.09%	2021–2025				
Total interest-bearing debt		41,898	47,657			89,843	90,988			36,301	29,277		
Total interest-bearing debt (ex. non-recourse loans)		41,284	47,059			89,843	90,988			36,301	29,277		
Cash and deposits, and deposits in trust		8,206	6,771			31,999	37,040			16,513	22,817		
Net debt		33,691	40,886			57,844	53,948			19,788	6,460		
Shareholders' equity		16,181	18,212			58,306	58,970			22,633	28,623		
Net debt / equity ratio		2.08	2.25			0.99	0.91			0.87	0.23		
Net debt / Equity ratio (ex. non-recourse loans)		2.04	2.21			0.99	0.91			0.87	0.23		

(JPYmn)		Ichigo (FY02/20)				Sun Frontier Fudosan (FY03/20)				Katitas (FY03/20)			
		Year-start	Year-end	Avg. interest rate	Repayment term	Year-start	Year-end	Avg. interest rate	Repayment term	Year-start	Year-end	Avg. interest rate	Repayment term
Current liabilities	Short-term loans payable	3,275	3,086	0.86%	-	-	478	0.91%	-	-	2,000	0.8%	-
	Current portion of LT loans payable	7,881	12,277	0.89%	-	2,248	3,985	1.79%	-	750	750	0.8%	-
	Current portion of non-recourse long-term loans payable	1,666	1,178	1.47%	-								
	Lease obligations									6	2	-	-
Noncurrent liabilities	Long-term loans payable (excluding the current portion)	131,569	151,483	0.91%	2021–2054	39,751	44,906	0.99%	2020–2037	20,000	19,250	0.9%	Mar 2024
	Long-term non-recourse loans payable (excluding the current portion)	51,068	39,156	1.08%	2023–2033								
	Lease obligations									1	3	-	Apr 2024
Total interest-bearing debt		195,461	207,181			42,000	49,370			20,758	22,005		
Total interest-bearing debt (ex. non-recourse loans)		142,727	166,847			42,000	49,370			20,758	22,005		
Cash and deposits, and deposits in trust		50,225	41,067			20,257	18,628			7,395	9,137		
Net debt		145,236	166,114			21,742	30,742			13,363	12,868		
Shareholders' equity		98,769	100,674			55,900	64,690			19,273	22,623		
Net debt / equity ratio		1.47	1.65			0.39	0.48			0.69	0.57		
Net debt / Equity ratio (ex. non-recourse loans)		0.94	1.25			0.39	0.48			0.69	0.57		

Source: Shared Research based on company data
Note: Figures may differ from company materials due to differences in rounding methods
Note: The company had not yet released its annual financial statements as of the time this report was updated, so average interest rate on borrowings is not shown. In FY12/19, the company paid an average interest rate of 0.49% on short-term loans payable, 0.42% on current portion of long-term loans payable, and 0.42% on long-term loans payable.

Market trends

Staffing industry

Worker staffing business

The staffing industry is divided into two general categories in Japan. The first type is the dispatching of back-office and manufacturing workers (formerly "general worker dispatching"), which is primarily labor-intensive work and is susceptible to adjustments in production volume. The second type is the dispatching of technicians that requires a high level of specialization (formerly "specified worker dispatching"). The former is relatively concentrated in industry majors since the difficulty in differentiating workers by skill level means that competitive strength is largely determined by the number of registered workers and the quantity of clients. On the other hand, in the case of the latter, there are numerous SMEs running locally-rooted business. In response to revised Worker Dispatching Act, Japan's domestic companies have been corralling top-performing temp staff by making them regular employees, as well as making greater use of temp workers to cut down on excessively long working hours. Consequently, the competition for hiring has been growing fiercer in recent years.

Owing to these circumstances, clients are more amenable to higher contract rates for top-notch temp workers, while the current difficulty in hiring top-class staff has led to an increase in job offers requiring no qualifications or experience. Consequently, average hourly wages for technical specialists tends to decline in some cases (although the general trend is for wages to rise due to labor shortage). In the long term, temp staffing of labor-intensive jobs requiring no particular skills or expertise could be replaced by advances in technologies such as robotic process automation (RPA) and artificial intelligence (AI). In contrast, there appears to be relatively little risk of technical staffing being replaced due to the need for the creative abilities of such temp workers.

Worker staffing market size

Market size (JPYbn)	FY2013	FY2014	FY2015	FY2016	FY2017	FY2018
Worker staffing business	3,591	3,906	4,034	5,183	5,491	6,382
(Former) Specified worker dispatching business	1,514	1,534	1,644	1,397	1,008	-
Total	5,104	5,439	5,678	6,580	6,500	6,382
YoY	-2.7%	6.6%	4.4%	15.9%	-1.2%	-1.8%

Source: Shared Research based on data from the Report on Worker Staffing Services issued by the Ministry of Health, Labour and Welfare of Japan

BPO market size in Japan

(JPYbn)	FY2017 Act.	FY2018 Act.	FY2019 Act.	FY2020 Forecast	FY2021 Forecast	FY2022 Forecast	FY2023 Forecast	FY2024 Forecast	CAGR
IT BPO	2,384	2,476	2,576	2,614	2,667	2,727	2,782	2,835	1.9%
Non-IT BPO	1,703	1,735	1,773	1,825	1,820	1,852	1,884	1,915	1.6%
Total	4,087	4,211	4,349	4,439	4,487	4,579	4,666	4,750	1.8%

Source: Shared Research based on Yano Research Institute materials

Trends in employment by job contract type (excluding directors)

In 2020, the number of regular employees rose by 0.35mn YoY to 35.29mn. Meanwhile, the number of part-time and dispatched workers declined by 0.75mn YoY to 20.9mn, in a tough employment market due to the COVID-19 pandemic.

No. of employed persons by job contract type (excluding directors)

(mn)			2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Regular employees	Total		33.95	33.74	33.55	33.45	33.02	32.88	33.17	33.67	34.23	34.76	34.94	35.29
		YoY change	-0.15	-0.21	-0.19	-0.10	-0.43	-0.14	0.29	0.50	0.56	0.53	0.18	0.35
	Male		23.45	23.24	23.15	23.04	22.73	22.67	22.72	22.87	23.10	23.39	23.34	23.36
		YoY change	-0.22	-0.21	-0.09	-0.11	-0.31	-0.06	0.05	0.15	0.23	0.29	-0.05	0.02
	Female		10.50	10.51	10.40	10.42	10.29	10.22	10.45	10.80	11.14	11.37	11.60	11.93
		YoY change	0.07	0.01	-0.11	0.02	-0.13	-0.07	0.23	0.35	0.34	0.23	0.23	0.33
Part-time and dispatched workers	Total		17.27	17.63	18.12	18.16	19.10	19.67	19.86	20.23	20.36	21.20	21.65	20.90
		YoY change	-0.38	0.36	0.49	0.04	0.94	0.57	0.19	0.37	0.13	0.84	0.45	-0.75
	Male		5.27	5.40	5.71	5.66	6.11	6.31	6.36	6.51	6.47	6.69	6.91	6.65
		YoY change	-0.33	0.13	0.31	-0.05	0.45	0.20	0.05	0.15	-0.04	0.22	0.22	-0.26
	Female		12.00	12.23	12.41	12.49	12.98	13.35	13.50	13.73	13.89	14.51	14.75	14.25
		YoY change	-0.05	0.23	0.18	0.08	0.49	0.37	0.15	0.23	0.16	0.62	0.24	-0.50

Source: Shared Research based on data from the Statistics Bureau, Ministry of Internal Affairs and Communications

Real estate industry

Benchmark land prices

- According to official land prices from the Ministry of Land, Infrastructure, Transport and Tourism, in 2020 average prices for land of all usage types nationwide had risen for the fifth consecutive year, and the pace had accelerated for the fourth consecutive year. Broken down by usage type, prices for residential land were up for the third year in a row and commercial land prices logged their fifth straight gain.
- In Japan's three major urban centers (the Tokyo, Nagoya, and Osaka areas) all-use land prices were up 2.1%, residential land was up 1.1%, and commercial land was up 5.4%, as the upswing continued. Price rises accelerated in the Tokyo and Osaka areas.
- In regional areas, average prices for all usage types and residential land were up for the second consecutive year, while commercial and industrial land were up for the third straight year. Land prices continued to rise for all uses in the four major regional cities (Sapporo, Sendai, Hiroshima, and Fukuoka). In other regional areas, all-use and commercial land prices rose for the first time in 28 years since 1992 and residential land was flat after a downturn starting in 1996; industrial land prices rose for the second straight year.
- Demand for residential land has been buttressed by ongoing improvement in employment and income conditions combined with factors including persistently low interest rates and initiatives to encourage home purchases. Demand is strong, notably for areas with convenient transportation access and attractive neighborhoods.
- In the midst of an economic recovery and favorable funding climate, there has been solid demand for office buildings as companies worked to recruit employees, resulting in falling occupancy rates and rising rents, underpinning commercial land prices. The average price rise nationwide was 3.1%, the fifth consecutive year of increases, and the pace of increase accelerated for the fourth consecutive year.

Average fluctuation in benchmark land prices (by region and usage type)

	2017			2018			2019			2020		
	Avg.	Residential	Commercial	Avg.	Residential	Commercial	Avg.	Residential	Commercial	Avg.	Residential	Commercial
Nationwide	0.4%	-0.6%	0.5%	0.7%	-0.3%	1.1%	1.2%	0.6%	2.8%	1.4%	0.8%	3.1%
Three major cities	1.1%	0.4%	3.5%	1.5%	0.7%	4.2%	2.0%	1.0%	5.1%	2.1%	1.1%	5.4%
Tokyo area	1.3%	0.6%	3.3%	1.7%	1.0%	4.0%	2.2%	1.3%	4.7%	2.3%	1.4%	5.2%
Osaka area	0.9%	0.0%	4.5%	1.1%	0.1%	5.4%	1.6%	0.3%	6.4%	1.8%	0.4%	6.9%
Nagoya area	1.1%	0.6%	2.6%	1.4%	0.8%	3.3%	2.1%	1.2%	4.7%	1.9%	1.1%	4.7%
Local areas	-0.3%	-1.0%	-0.6%	0.0%	-0.8%	-0.1%	0.4%	0.2%	1.0%	0.8%	0.5%	1.5%
Four local cities	3.9%	2.8%	7.9%	4.6%	3.9%	9.2%	5.9%	4.4%	9.4%	7.4%	5.9%	11.3%
Other	-0.8%	-1.1%	-1.1%	-0.5%	-0.9%	-0.6%	-0.2%	-0.2%	0.0%	0.1%	0.0%	0.3%

Shared Research based on data from the Ministry of Land, Infrastructure, Transport and Tourism (official land prices)

Average fluctuation in benchmark land prices (four Tokyo area prefectures)

	Tokyo		Kanagawa		Saitama		Chiba	
CY	Residential	Commercial	Residential	Commercial	Residential	Commercial	Residential	Commercial
2007	9.9%	17.2%	3.2%	6.5%	1.7%	2.6%	1.5%	4.7%
2008	1.9%	4.6%	2.6%	4.1%	0.9%	1.7%	0.1%	1.5%
2009	-8.7%	-10.8%	-5.4%	-6.6%	-5.4%	-6.7%	-4.5%	-5.2%
2010	-3.3%	-5.0%	-2.0%	-2.6%	-3.4%	-4.1%	-2.8%	-3.2%
2011	-1.3%	-2.4%	-1.5%	-1.6%	-2.7%	-3.3%	-2.5%	-2.4%
2012	-0.6%	-0.8%	-0.7%	-0.5%	-1.7%	-2.0%	-1.4%	-1.6%
2013	0.5%	0.7%	0.1%	0.9%	-0.7%	-0.8%	-0.7%	-0.4%
2014	1.3%	2.7%	0.4%	1.3%	0.0%	0.2%	-0.1%	0.4%
2015	1.3%	3.3%	0.1%	1.3%	-0.2%	0.2%	0.0%	0.5%
2016	1.5%	4.1%	-0.2%	1.3%	-0.1%	0.2%	0.0%	0.8%
2017	1.8%	4.9%	-0.2%	1.5%	0.1%	0.5%	0.0%	1.2%
2018	2.4%	5.4%	0.1%	1.9%	0.5%	1.2%	0.4%	1.7%
2019	2.9%	6.8%	0.3%	2.4%	0.7%	1.6%	0.6%	2.9%
2020	2.8%	7.2%	0.3%	2.7%	1.0%	2.0%	0.7%	3.4%

Shared Research based on data from the Ministry of Land, Infrastructure, Transport and Tourism (official land prices)

New condominium prices

(JPY'000)	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Greater Tokyo	45,780	45,400	49,290	50,600	55,180	54,900	59,080	58,710	59,800	60,830
YoY	-2.9%	-0.8%	8.6%	2.7%	9.1%	-0.5%	7.6%	-0.6%	1.9%	1.7%
Kinki	34,900	34,380	34,960	36,470	37,880	39,190	38,360	38,440	38,660	41,810
YoY	1.1%	-1.5%	1.7%	4.3%	3.9%	3.5%	-2.1%	0.2%	0.6%	8.1%
Nationwide	45,780	45,400	49,290	50,600	55,180	54,900	59,080	58,710	59,800	60,830
YoY	-2.9%	-0.8%	8.6%	2.7%	9.1%	-0.5%	7.6%	-0.6%	1.9%	1.7%

Source: Shared Research based on Real Estate Economic Institute data

New condominiums for sale

	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Greater Tokyo	44,499	45,602	56,478	44,913	40,449	35,772	35,898	37,132	31,238	27,228
YoY	-0.1%	2.5%	23.8%	-20.5%	-9.9%	-11.6%	0.4%	3.4%	-15.9%	-12.8%
Kinki	20,219	23,266	24,691	18,814	18,930	18,676	19,560	20,958	18,042	15,195
YoY	-6.9%	15.1%	6.1%	-23.8%	0.6%	-1.3%	4.7%	7.1%	-13.9%	-15.8%
Other	21,864	24,993	24,113	19,478	18,710	22,545	21,905	22,166	21,380	17,484
YoY	18.5%	14.3%	-3.5%	-19.2%	-3.9%	20.5%	-2.8%	1.2%	-3.5%	-18.2%
Nationwide	86,582	93,861	105,282	83,205	78,089	76,993	77,363	80,256	70,660	59,907
YoY	2.2%	8.4%	12.2%	-21.0%	-6.1%	-1.4%	0.5%	3.7%	-12.0%	-15.2%

Source: Shared Research based on Real Estate Economic Institute data

Strengths and weaknesses

Strengths

Business portfolio conducive to well-balanced risk hedging against changes in business conditions and industry fluctuation

Running a staffing or subcontracting business in a specific field makes business more vulnerable to the influence of the business environment. In fact, the thing that compensated for the slump in the staffing business amid the global financial crisis in 2008 was the company's Information and Telecommunications segment, which it launched in December 2005. Rather than vying for the top market spot in its various lines of business, World Holdings has placed higher priority on optimal scale to generate ongoing optimal profit, and it has seen limiting its core operations to just three main segments as the key to running a stable business. The company has assembled a business portfolio that provides mutual protection against market fluctuation and other business risks by striking a proper balance of recurring-revenue business (Human Resources and Education, and Information and Telecommunications) and one-time revenue business (Real Estate). It has also focused on the balance in terms of geography (Fukuoka-Kitakyushu head office, Tokyo headquarters, and presence in key regional cities), industry (Human Resources and Education, Real Estate, Information and Telecommunications, and others), and scheduling (order receipt and delivery lead times). In fact, since it conducts both staffing business, which has a short cash cycle (less than a month), and real estate business, which have a long cycle (of up to two years) from sourcing of property to recoupment of investment, World Holdings' cash cycle is about five months on a companywide basis and its gross margin holds steady at around 20%. The company is able to get financing at interest rates in the 0.4% range (compared to the 1% or so paid by five comparable independent real estate specialists), and which we see as proof of financial institutions' acknowledgement of the cash flow generating abilities of the company's staffing-based business.

In its Human Resources and Education business, the company has differentiated itself from competing staffing companies by expanding its range of subcontracting schemes.

When considering investment in the staffing industry, Shared Research believes that there is higher added value to be had in subcontracting rather than temp staff dispatching. When World Holdings obtains a subcontracting contract with a client company, it signs a contract with the laborer in the capacity of a subcontractor (the laborer works under the instruction of World Holdings, who acts as a subcontractor). By using education and training to raise productivity, the company will be able to complete work with fewer staff, and thereby raise profit margins. It therefore stands to reason that the company is moving in the direction of a higher percentage of subcontracting business. On that point, we think the growth in subcontracting work from Amazon Japan's logistics business (Amazon Japan accounted for 14.1% of companywide revenue in FY012/19, up from 8.2% in FY012/16) is testimony to World Holdings' steady accumulation of expertise as a 3PL subcontractor. Subcontracting is around 40% to 50% of the company's overall HR business, but given its accumulation of expertise in subcontracting, we think the company has what it takes to differentiate itself from its competition, and we see the capacity for growth in its technology and R&D lines of business.

One-stop services from upstream to downstream manufacturing processes (from R&D through design and development, manufacturing, logistics, and repair work)

According to the Ministry of Internal Affairs and Communications, the number of part-time and dispatched workers in Japan is set to rival the number of regular employees in 20 years from now, and in 30 years the numbers could flip. Women are also entering the workforce at an increasing rate, while the government has also been pushing workstyle reform. As a result, both workers and employers alike now hold a more diverse views and values than ever before, and World Holdings has assembled frameworks and mechanisms to meet the modern needs of both sides. The company covers the full range of blue-collar staffing, and partially covers white-collar staffing as well. The company's expanded scope of subcontracting (from downstream to upstream processes) has enabled it to respond flexibly to the needs of its customers. In recent years, not just for World Holdings, but for the staffing service industry as a whole, the cost of securing human resources has continued to rise. As the competition to obtain staff continues to escalate, we think the company's wide-ranging duties menu and employee training provide differentiation from its competitors, and we think it also offers advantages for workers seeking employment opportunities.

Weaknesses

Inter-segment fragmentation leads to inefficient resource allocation and keeps low-profit businesses artificially alive

World Holdings' diversified business portfolio has certain drawbacks. Business fragmentation results in inefficient allocation of resources and keeps low-profit businesses artificially alive. This makes streamlining more difficult than specialized companies, and tends to keep profit margins low (World Holdings' OPM was 4.4% in FY12/20). This is low compared with the 8.1% average for eight major staffing service companies that handle specialist staff. The Real Estate business had a profit margin of 7.4% in FY12/20, which was lower than the 20.2% average operating profit margin for the four peer specialists (with revenue of up to JPY100bn in real estate operations). The company's Real Estate business is two pronged, consisting of development/detached homes and renovation/prefabricated homes. It is also currently making strategic investments in new business areas such as real estate financing. As such, the company has not made much progress on streamlining the Real Estate business, which we believe explains the segment's low profit margins compared to its four peer companies.

Little sign of disciplined judgment in business development

For the sake of dialog with investors, companies generally need to be mindful of shareholders' equity cost to justify the logic in expanding equity spread (ROE – shareholders' equity cost) or ROIC spread. In other words, they are expected to show that they make disciplined decisions based on the cost of capital and either 1) augment or expand highly profitable business units, 2) improve or liquidate low-profit margin business units, or 3) be selective when it comes to new business units. This sort of disciplined judgement is precisely the function of a CFO. However, since it has no CFO, World Holdings appears to have trouble communicating smoothly with its investors. Particularly while its ROE continues to fall, we believe investors may be wondering whether the company is practicing disciplined decision making.

High dependency on the company's owner in its Real Estate business puts sustainable operations at risk

The Real Estate business accounts for approximately 40% of World Holdings' revenue, and has a heavy influence on profit fluctuation. In FY12/16, the business accounted for 95.5% of operating profit. However, the Real Estate business relies heavily on President Eikichi Iida for the sourcing of properties. He also appears to effectively control the segment in terms of its basic operations. As long as the business continues to depend on Mr. Iida's gift for sniffing out lucrative real estate deals, it will end up inhibiting its cultivation of younger staff and up and coming management. For the sake of ensuring sustainable operations, we think the business needs to take action soon to implement reform, such as delegating more authority.

Historical results and financial statements

Income statement

Income statement (JPYmn)	FY12/11 Cons.	FY12/12 Cons.	FY12/13 Cons.	FY12/14 Cons.	FY12/15 Cons.	FY12/16 Cons.	FY12/17 Cons.	FY12/18 Cons.	FY12/19 Cons.	FY12/20 Cons.
Revenue	**37,892**	**53,007**	**56,450**	**68,829**	**87,984**	**94,334**	**127,147**	**142,894**	**136,319**	**143,571**
YoY	18.0%	39.9%	6.5%	21.9%	27.8%	7.2%	34.8%	12.4%	-4.6%	5.3%
Cost of revenue	31,149	43,890	45,869	55,742	70,453	73,315	101,878	115,154	110,009	118,553
Gross profit	**6,743**	**9,117**	**10,581**	**13,087**	**17,530**	**21,019**	**25,268**	**27,740**	**26,310**	**25,018**
Gross profit margin	17.8%	17.2%	18.7%	19.0%	19.9%	22.3%	19.9%	19.4%	19.3%	17.4%
SG&A expenses	6,155	7,893	8,460	9,338	12,393	13,611	18,203	20,370	21,580	18,766
SG&A ratio	16.2%	14.9%	15.0%	13.6%	14.1%	14.4%	14.3%	14.3%	15.8%	13.1%
Operating profit	**588**	**1,223**	**2,120**	**3,748**	**5,137**	**7,407**	**7,064**	**7,370**	**4,730**	**6,251**
YoY	70.4%	108.0%	73.3%	76.8%	37.1%	44.2%	-4.6%	4.3%	-35.8%	32.2%
Operating profit margin	1.6%	2.3%	3.8%	5.4%	5.8%	7.9%	5.6%	5.2%	3.5%	4.4%
Non-operating income	253	253	180	113	194	144	250	267	347	781
Interest and dividend income	5	4	6	10	17	12	15	30	13	16
Other	248	249	174	103	177	132	235	237	334	765
Non-operating expenses	163	186	136	139	198	246	307	280	272	246
Interest expenses	45	80	84	86	141	169	226	195	185	162
Other	118	106	52	53	57	77	81	85	87	84
Recurring profit	**678**	**1,290**	**2,164**	**3,722**	**5,133**	**7,306**	**7,007**	**7,357**	**4,805**	**6,786**
YoY	39.2%	90.3%	67.8%	72.0%	37.9%	42.3%	-4.1%	5.0%	-34.7%	41.2%
Recurring profit margin	1.8%	2.4%	3.8%	5.4%	5.8%	7.7%	5.5%	5.1%	3.5%	4.7%
Extraordinary gains	243	100		488	995		661	112	180	182
Extraordinary losses	235	144	224	380	59	478	465	90	221	200
Income taxes	424	456	966	1,788	2,287	2,526	2,474	2,717	1,777	746
Implied tax rate	61.8%	36.6%	49.8%	46.7%	37.7%	37.0%	34.3%	36.8%	37.3%	11.0%
Net income attributable to non-controlling interests	47	131	139	49	-29	108	117	12	30	108
Net income attributable to owners of the parent	**214**	**658**	**834**	**1,992**	**3,810**	**4,192**	**4,612**	**4,650**	**2,956**	**5,913**
YoY	269.0%	207.5%	26.7%	138.8%	91.3%	10.0%	10.0%	0.8%	-36.4%	100.0%
Net margin	0.6%	1.2%	1.5%	2.9%	4.3%	4.4%	3.6%	3.3%	2.2%	4.1%

Source: Shared Research based on company data
Note: Figures may differ from company materials due to differences in rounding methods.

SG&A expenses (JPYmn)	FY12/10 Cons.	FY12/11 Cons.	FY12/12 Cons.	FY12/13 Cons.	FY12/14 Cons.	FY12/15 Cons.	FY12/16 Cons.	FY12/17 Cons.	FY12/18 Cons.	FY12/19 Cons.
SG&A expenses	5,525	6,155	7,893	8,460	9,338	12,393	13,611	18,203	20,370	21,580
Provision for doubtful accounts	5	8	88	62	-67	1	-32	0	0	-5
Directors' compensations	150	161	154	218	243	282	344	435	475	493
Salaries and allowances	2,419	2,517	2,891	3,236	3,492	4,186	4,597	6,224	6,932	7,327
Provision for bonuses	34	26	33	16	15	14	54	29	52	56
Provision for directors' retirement benefits	3	2		4	9	5	2	65	69	127
Retirement benefit expenses	25	30	24	31	32	37	54	71	115	17
Statutory welfare expenses	371	399	484	555	646	790	884	1,123	1,293	1,361
Depreciation	109	125	145	144	154	186	218	412	475	540
Rents	510	539	548	636	689	807	774	1,017	1,132	1,244
Amortization of goodwill	95	21	64	138	117	417	690	656	654	614
Other	1,804	2,327	3,462	3,420	4,008	5,668	6,026	8,166	9,166	9,802

Source: Shared Research based on company data
Note: Figures may differ from company materials due to differences in rounding methods.

In terms of earnings structure, the company's Human Resources and Education business is a labor-intensive business. Under its new medium-term plan (FY12/17–FY12/21), the company is making strategic investments in staff hiring and training, and in SG&A expenses, it has been increasing spending on both salaries and allowances as well as statutory welfare expenses.

The company's gross profit margin has been generally holding steady at around 20%, although it declined in FY12/20 due to the pandemic. In response to market fluctuation in its one-time revenue business (Real Estate), the company has taken a cautious approach to sourcing, while its recurring-revenue business (Human Resources and Education) provides a steady earnings base, thus buttressing stable operations. In terms of its OPM, the company's previous medium-term plan (FY12/12–FY12/16) emphasized generating profits through structural reform, while its new medium-term plan (FY12/17–FY12/21) clearly shows an inclination toward strategic investments (which bring down profit margins). The OPM in fact improved from 2.3% in FY12/12 to 7.9% in FY12/16, but then fell to 3.5% in FY12/19 (the company is targeting 4.3% for FY12/21).

Balance sheet

Balance sheet (JPYmn)	FY12/11 Cons.	FY12/12 Cons.	FY12/13 Cons.	FY12/14 Cons.	FY12/15 Cons.	FY12/16 Cons.	FY12/17 Cons.	FY12/18 Cons.	FY12/19 Cons.	FY12/20 Cons.
ASSETS										
Cash and deposits	3,349	4,897	5,970	10,794	11,059	15,770	18,227	18,825	16,513	22,817
Notes and accounts receivable	3,891	4,659	5,427	5,882	6,938	8,334	10,204	11,252	12,093	12,817
Inventories	7,692	10,592	15,322	20,326	28,823	39,574	38,014	35,478	43,504	28,656
Deferred tax assets	39	47	221	211	368	466	416			
Other	449	1,119	1,314	1,423	3,245	2,852	3,499	4,270	4,814	3,842
Allowance for doubtful assets	-16	-37	-100	-32	-35	-3	-48	-5	-6	-2
Total current assets	**15,407**	**21,279**	**28,157**	**41,606**	**50,402**	**66,996**	**70,315**	**69,823**	**76,920**	**68,132**
Buildings and structures	310	370	298	420	443	514	1,513	1,671	2,076	1,926
Machinery, equipment, and vehicles	7	9	13							
Land	221	242	242	304	304	873	1,961	1,988	2,026	1,589
Other	124	111	81	142	427	683	1,232	1,778	1,816	1,781
Total tangible fixed assets	**663**	**733**	**637**	**867**	**1,176**	**2,071**	**4,707**	**5,439**	**5,919**	**5,297**
Goodwill	60	637	515	1,829	2,032	1,521	1,552	1,046	436	104
Other	81	120	140	260	563	350	368	312	254	186
Total intangible assets	**141**	**757**	**655**	**2,090**	**2,595**	**1,872**	**1,921**	**1,359**	**690**	**291**
Investment securities	290	353	351	579	641	636	821	442	856	1,550
Deferred tax assets	143	143	186	209	247	469	659	1,178	1,467	2,398
Other	532	655	668	826	1,328	1,423	1,692	1,795	1,720	1,711
Allowance for doubtful assets	-54	-119	-90	-92	-62	-77	-77	-74	-224	-224
Investments and other assets	**913**	**1,034**	**1,116**	**1,523**	**2,155**	**2,451**	**3,094**	**3,342**	**3,820**	**5,436**
Total fixed assets	**1,719**	**2,525**	**2,409**	**4,480**	**5,927**	**6,395**	**9,724**	**10,140**	**10,431**	**11,024**
Total assets	**17,126**	**23,805**	**30,566**	**46,087**	**56,329**	**73,392**	**80,039**	**79,964**	**87,352**	**79,157**
LIABILITIES										
Notes and accounts payable	553	597	870	1,088	862	991	1,286	1,531	1,402	1,072
Short-term debt	6,168	9,387	10,931	15,888	20,962	29,861	33,094	28,321	27,701	17,204
Deposits	287	437	1,079	2,448	913	251	1,187	1,818	1,004	527
Provision for bonuses	2,560	2,910	2,972	3,580	4,225	4,817	5,827	5,963	5,786	6,746
Advances received								610	9,395	552
Income taxes payable	253	278	955	1,366	1,790	1,817	1,509	1,877	1,226	1,049
Consumption taxes payable	232	321	289	949	1,154	1,877	1,323	1,217	1,495	3,110
Provision for bonuses	35	48	51	57	55	59	72	111	142	124
Other	1,020	1,750	2,443	3,649	2,947	4,341	4,874	4,684	4,634	4,248
Total current liabilities	**11,112**	**15,733**	**19,594**	**29,032**	**32,913**	**44,018**	**49,175**	**46,136**	**52,790**	**34,637**
Long-term debt	675	1,803	3,617	7,699	10,286	12,384	9,566	9,112	8,592	12,073
Provision for directors' retirement benefits	28	27	32	41	47	79	547	667	182	172
Retirement benefit liability	340	377	576	697	864	1,097	1,181	1,411	1,573	1,921
Other	8	36	61	189	321	348	428	288	268	291
Total fixed liabilities	**1,052**	**2,245**	**4,288**	**8,627**	**11,519**	**13,909**	**11,724**	**11,479**	**10,617**	**14,458**
Total liabilities	**12,165**	**17,978**	**23,882**	**37,660**	**44,432**	**57,928**	**60,899**	**57,616**	**63,408**	**49,095**
NET ASSETS										
Shareholders' equity	4,310	5,026	5,720	7,419	10,835	14,303	17,760	21,036	22,633	28,623
Capital stock	700	700	701	701	701	701	768	784	787	1,244
Capital surplus	863	894	895	895	895	895	949	965	984	1,443
Retained earnings	2,847	3,432	4,124	5,948	9,365	12,833	16,169	19,412	20,988	26,054
Treasury stock	-100	-		-126	-126	-126	-126	-126	-127	-119
Accumulated other comprehensive income	-32	-16	8	3	-44	-102	56	-8	29	-34
Subscription rights to shares					129	162	133	124	122	49
Non-controlling interests	683	814	954	1,004	974	1,099	1,187	1,195	1,159	1,422
Total net assets	**4,961**	**5,826**	**6,683**	**8,426**	**11,897**	**15,464**	**19,140**	**22,347**	**23,944**	**30,061**
Working capital	11,030	14,654	19,879	25,120	34,899	46,917	46,932	45,199	54,195	40,401
Total interest-bearing debt	6,843	11,190	14,548	23,587	31,248	42,245	42,660	37,433	36,293	29,277
Net debt	3,494	6,293	8,578	12,793	20,189	26,475	24,433	18,608	19,780	6,460

Source: Shared Research based on company data
Note: Figures may differ from company materials due to differences in rounding methods.

The majority of the company's total assets are inventories (real estate for sale and real estate for sale in process, etc.), and the majority of total liabilities are interest-bearing debt in the Real Estate business. By reining in procurement in anticipation of market fluctuation, the company is reducing the ratios of inventories and interest-bearing debt to total assets and liabilities, respectively. Interest-bearing debt began to decline from end-FY12/18. The reason for this is that the company takes a cautious outlook on the real estate market and has reduced its sourcing of property. The company's net debt/equity ratio has been below 1.0 since end-FY12/18, and was 0.23 in FY12/20.

Cash flow statement

Cash flow statement (JPYmn)	FY12/11 Cons.	FY12/12 Cons.	FY12/13 Cons.	FY12/14 Cons.	FY12/15 Cons.	FY12/16 Cons.	FY12/17 Cons.	FY12/18 Cons.	FY12/19 Cons.	FY12/20 Cons.
Cash flows from operating activities (1)	-2,225	-1,703	-2,012	1,717	-4,437	-3,644	8,159	9,277	2,708	13,770
Pre-tax profit	686	1,245	1,940	3,830	6,069	6,827	7,204	7,379	4,764	6,768
Depreciation	132	155	151	160	230	320	564	696	834	823
Impairment losses	47	44	37	316	32	366	351	54	44	197
Gains (losses) on sale of fixed assets		100		31	15			20	52	19
Change in working capital	-3,421	-3,435	-4,568	-3,737	-7,857	-12,290	3,217	3,042	-897	3,797
Decrease (increase) in trade receivables	-306	-726	-757	-455	-700	-1,297	-1,777	-929	-841	-710
Decrease (increase) in inventories	-198	120	-123	-219	437	-112	-197	-82	271	239
Decrease (increase) in real estate for sale	-3,206	-3,022	-4,603	-4,530	-5,682	-10,298	4,496	3,064	-8,262	13,508
Increase (decrease) in advances received								151	8,877	-8,845
Increase (decrease) in trade payables	289	193	915	1,467	-1,912	-583	695	838	-942	-395
Cash flows from investing activities (2)	-112	-1,004	-141	-2,300	-2,075	-1,473	-2,668	-1,405	-2,489	-1,030
Purchase of tangible/intangible fixed assets	-121	-589	-154	-334	-515	-1,450	-960	-1,347	-1,602	-1,199
Proceeds from sale of tangible/intangible fixed assets										
Free cash flow (1+2)	-2,337	-2,707	-2,153	-583	-6,512	-5,117	5,491	7,872	219	12,740
Cash flows from financing activities	2,534	4,243	3,213	5,405	6,481	9,999	-3,058	-7,538	-2,597	-6,604
Net increase in short-term borrowings	3,357	2,019	1,874	665	3,213	10,453	2,998	-6,674	-3,445	-7,344
Net increase in long-term borrowings	-672	2,329	1,484	4,920	3,681	321	-4,558	850	2,306	777
Proceeds from long-term borrowings	215	3,796	3,447	6,441	7,765	7,185	5,048	3,625	8,377	12,189
Repayment of long-term borrowings	-887	-1,467	-1,963	-1,521	-4,084	-6,864	-9,606	-2,775	-6,071	-11,412
Proceeds from issuance of, and redemption of, bonds	-	-	-	-	-	-	-245	-290	-	-
Dividends paid	-73	-74	-142	-168	-400	-763	-1,258	-1,390	-1,397	-887
Depreciation and amortization (A)	132	155	151	160	230	320	564	696	834	823
Capital expenditures (B)	164	552	147	412	550	1,618	1,089	1,558	1,461	1,145
Change in working capital (C)	-3,421	-3,435	-4,568	-3,737	-7,857	-12,290	3,217	3,042	-897	3,797
Simple FCF (NI + A + B - C)	-2,911	-2,070	-3,436	-1,173	-3,267	-6,160	9,482	9,946	4,354	11,678

Source: Shared Research based on company data
Note: Figures may differ from company materials due to differences in rounding methods.

Cash flows

Cash and cash equivalents at end-FY12/20 were JPY22.8bn, up JPY6.3bn YoY.

Cash flows from operating activities

Operating activities provided cash inflows of JPY13.8bn in FY12/20. The major positive factors were pre-tax profit of JPY6.8bn, a decrease in real estate for sale of JPY13.5bn, an increase in accrued expenses of JPY955mn, an increase of accrued consumption tax of JPY1.9bn, and an income tax refund of JPY727mn. The major negative factors were an increase of JPY710mn in trade receivables, decrease of JPY8.8bn in advances received, and increase of JPY2.8bn in income taxes paid.

Cash flows from investing activities

Investing cash outflows were JPY1.0bn. The major positive factor was JPY2.0bn from the sale of a subsidiary accompanied by a change in the scope of consolidation. The major negative factors were JPY1.2bn spent on purchase of tangible fixed assets, and JPY1.9bn spent on acquiring shares in a non-consolidated subsidiary.

Cash flows from financing activities

Financing cash outflows were JPY6.6bn. The major positive factor was proceeds of JPY12.2bn from long-term borrowings, while the major negative factors were a JPY7.3bn net decrease in short-term borrowings, JPY11.4bn in repayments of long-term borrowings, and JPY887mn in dividends paid.

Historical results

Cumulative Q3 FY12/20 results

Overview

World Holdings posted cumulative Q3 FY12/20 revenue of JPY98.7bn (-3.2% YoY), operating profit of JPY3.3bn (-19.7%), recurring profit of JPY3.6bn (-12.1%), and net income attributable to owners of the parent of JPY3.0bn (+13.2%). Progress vs. full-year company forecast was 69.2% for revenue, 54.7% for operating profit, 56.7% for recurring profit, and 58.4% for net income.

While cumulative Q3 FY12/20 revenue and profit for the company declined YoY, revenue and profit improved YoY in the mainstay Human Resources and Education business. The company's initial forecast was formulated and disclosed prior to the spread of COVID-19, so of course did not factor in the effects from the pandemic. However, the company disclosed its revised full-year FY12/20 results forecast alongside the announcement of Q3 results. While lowering its forecast, the company nevertheless expects revenue and profit to improve YoY, contributing to Shared Research's belief that the company's business is improving on a qualitative basis.

Operating profit was down JPY807mn YoY. While operating profit was up JPY200mn YoY in Human Resources and Education and up JPY302mn YoY in Information and Telecommunications, it fell JPY569mn YoY in Real Estate and fell JPY506mn YoY in Other businesses, which includes the operation of agricultural park facilities. The company commented that revenue and profit both rose in its core Human Resources and Education segment, and its diversified business portfolio meant that the company was able to minimize the negative impact of the ongoing pandemic.

Segment overview

Human Resources and Education business

Revenue in the mainstay Human Resources and Education business came to JPY59.5bn, up JPY2.4bn YoY, while operating profit was JPY3.7bn, up JPY200mn YoY. The YoY decline in profit in the factory staffing business was offset by improved profit in the technology staffing, R&D staffing, and sales and marketing staffing businesses.

Factory staffing business

Revenue came to JPY38.7bn (+5.6% YoY), with segment profit at JPY1.7bn (-8.8% YoY). Earnings were impacted by a downturn in projects, including automotive component projects and some smartphone-related projects, due to the spread of COVID-19 and ongoing trade friction between China and the US. Moreover, profit was adversely impacted by recruitment-related upfront spending in line with an expansion in machinery and semiconductor field projects including 5G-related projects. The business also invested to secure personnel in line with a new large-scale order tied to the expansion of new warehouse facilities at a logistics company. The three-month average number of registered workers came to 17,642 (+14.1% YoY).

Technology staffing business

Revenue came to JPY12.7bn (+0.5% YoY) and segment profit JPY1.4bn (+14.6% YoY). The spread of COVID-19 led to the suspension of sales activities and made it difficult for the business to win new projects. As a result, personnel were not dispatched to new projects and were instead placed on standby, leading to a decline in capacity utilization. While capacity utilization continued to decline through September, the decline eased from October and utilization appears to be gradually recovering from Q4. The three-month average number of registered workers came to 2,925 (+10.2% YoY).

R&D staffing business

Revenue came to JPY5.3bn (+0.6% YoY) and segment profit JPY604mn (+33.3% YoY). The spread of COVID-19 resulted in a decline in CRO unit projects, though the research staffing unit showed relative strength in the analytical and pharmaceutical fields. The three-month average number of registered workers came to 1,095 (+2.0% YoY).

Sales and marketing staffing business

Revenue came to JPY2.9bn (+8.3% YoY) and segment profit JPY21mn (vs. a JPY12mn loss in cumulative Q3 FY12/19). Apparel companies were the leading destination for dispatched workers in this business, but the business was sharply impacted by the spread of COVID-19. However, the business moved into the black from an operating loss in cumulative Q3 FY12/19 thanks to structural reforms that resulted in stronger weightings for companies in relatively high margin sectors, including companies operating in the light duty, large-scale supermarket, and call center domains. The three-month average number of registered workers came to 1,437 (-5.0% YoY).

Real Estate business

Revenue came to JPY29.9bn (-6.6% YoY) and segment profit JPY1.4bn (-28.6%). In addition to a YoY reduction of about 100 renovation project deliveries, the pandemic caused postponements to commercial premises projects in development operations. The company positions the Real Estate business as a complement to the core Human Resources and Education business, and with no downtrend in real estate prices in sight, the company elected to limit purchases to avoid the risk of buying too quickly at too high a price. On the other hand, the renovation business cycle appears to be somewhat off, with inventory to be sold off within six months to a year somewhat scarce as the company rushed to dispose of inventories on the assumption of falling prices ahead. Amid such an environment, the company moved to raise JPY20.0bn to invest in well-timed purchases (see below for additional information).

Information and Telecommunications business

Revenue came to JPY7.1bn (-26.2% YoY) and segment profit JPY284mn (vs. a JPY17mn loss in cumulative Q3 FY12/19). The sharp drop in revenue was due largely to the spread of COVID-19 and the shuttering of stores. Through the implementation of special measures and investments aimed at strengthening the mobile store business, including personnel training to improve customer reception abilities and knowledge, as well as organizational and store-based upgrades, the business was able to improve earnings per store and move substantially into the black after recording an operating loss in cumulative Q3 FY12/19.

Other businesses

Revenue came to JPY2.2bn (-32.0% YoY) with a segment loss of JPY279mn (vs. JPY226mn profit in cumulative Q3 FY12/19). Revenue declined sharply in the agricultural parks-related business due to requests from municipal officials to close the parks during the peak months of April–May. Park attendance fell 41.4% YoY to 482,000. However, thanks to efforts aimed at attracting customers, including fireworks displays, and the agricultural parks being outdoor facilities, park attendance now appears in recovery, with attendance for September alone up sharply YoY.

Fund raising: strategic commitment line agreements for JPY20.0bn

The company signed a three-year, JPY10.0bn commitment line agreement with the Bank of Fukuoka in September and intends to sign a similar agreement for a similar amount with The Nishi-Nippon City Bank in December in order to ensure flexible and stable funding for the expansion of its business. The company is not raising funds for use as working capital, but is instead focused on securing funds that would allow it to flexibly purchase in the Real Estate business and expand the base of the core Human Resources and Education business through M&A deals.

Topics

Company selected for inclusion in the JPX-Nikkei Mid and Small Cap Index

World Holdings was again selected as a FY2020 constituent company in the JPX-Nikkei Mid and Small Cap Index, which is jointly compiled and scored by Tokyo Stock Exchange, Inc., and Nikkei Inc.

1H FY12/20 results

Overview

World Holdings posted 1H FY12/20 revenue of JPY70.8bn (+6.0% YoY), operating profit of JPY2.8bn (+9.6%), recurring profit of JPY2.9bn (+13.6%), and net income attributable to owners of the parent of JPY2.5bn (+48.2%). Progress vs. 1H company forecasts was 96.3% for revenue, 130.7% for operating profit, 105.1% for recurring profit, and 164.6% for net income. Profits substantially exceeded 1H forecasts. Progress vs. full-year company forecasts was 44.4% for revenue, 35.3% for operating profit, 34.4% for recurring profit, and 44.6% for net income.

Operating profit was up JPY244mn. While operating profit was up JPY85mn in Human Resources and Education, JPY608mn in Real Estate, and JPY226mn in Information and Communications, but fell JPY566mn in the Other businesses segment. Deliveries of commercial premises to real estate majors exceeded target, leading to profit growth in the Real Estate business, but requests by local authorities for temporary closures in April and May brought park attendance crashing down in the agricultural parks business.

Segment overview

Human Resources and Education business

Factory staffing business

Revenue came to JPY25.1bn (+5.0% YoY) and segment profit JPY957mn (-15.8% YoY). The three-month average number of registered workers came to 16,639 (+6.6% YoY). The COVID-19 scourge took a sizeable toll on earnings, with some clients in industries such as automotive components suspending operations. At the same time, though, the company had solid performance in the field of semiconductors, notably 5G areas on which it has been concentrating over recent years. It also did well in the field of logistics, thanks to shelter-in-place consumption amid the COVID-19 pandemic. As a result, earnings were generally in line with company targets, with both revenue and profit up YoY.

The company worked to combat the COVID-19 pandemic and placed top propriety on sustaining employment and reassuring its clients. In terms of hiring and placement, it worked with its clients to avoid inter-regional hiring or placement as much as possible. The company also strengthened local hiring and secured human resources through the consortium model recruiting. Other measures included conducting constant health checks for its employees, handing out thermometers to its clients, and instigating a 14-day observation period prior to staff placement.

Technology staffing business

Revenue came to JPY8.4bn (+1.6% YoY) and segment profit JPY886mn (+14.5% YoY). The three-month average number of registered workers came to 2,880 (+9.1% YoY). Revenue fell short of company target, but profit overshot by a wide margin. Even as the COVID-19 scourge continued to inhibit the market, the company enjoyed solid performance in the semiconductor industry. It also succeeded in its top-priority item of boosting skills and elevating the level of its staff. This enabled it to raise billing rates accordingly, which led to higher profit margins. The company also made a number of preparations with foresight and added new training programs to further augment its personnel development scheme.

R&D staffing business

Revenue came to JPY3.5bn (+0.3% YoY) and segment profit JPY381mn (+44.9% YoY). The three-month average number of registered workers came to 1,091 (-0.2% YoY). Revenue fell short of forecast, but profit was on target. While contract research organization (CRO) operations saw special demand for new drug testing associated with COVID-19, it had a tough time obtaining new orders. In research staffing as well, in spite of a slumping market, the increase in the circulation of general pharmaceuticals generated special demand in areas such as analysis and medical supplies.
The company also focused on personnel development to boost the skills and raise the level of its staff. Amid mounting needs in the research staffing business, the company hired staff from a wide ranging population by utilizing its training systems at research labs jointly run with partner universities (including University of Tokyo, Kyoto University, and Osaka University, and Tokyo Metropolitan University).

Sales and marketing staffing business

Revenue came to JPY1.9bn (+14.5% YoY) and segment profit JPY3mn (vs. a JPY33mn loss a year ago). The three-month average number of registered workers came to 1,514 (+11.2% YoY). Revenue fell short of target but the business turned profitable. Although the COVID-19 scourge dealt a serious blow to apparel related business, areas such as light work, general merchandise store, and call centers performed well. The company's structural reform efforts of the past few years also paid off, and it succeeded in overhauling its profit structure.

Real estate business

Revenue came to JPY25.5bn (+25.3% YoY) and segment profit JPY1.8bn (+49.6%). Core development-related operations performed well. Although condominium sales and sourcing were hit by the COVID-19 scourge, commercial premises deliveries surpassed forecasts. This was attributable to various initiatives the company has been taking for several years now in anticipation of market fluctuation as well as insightful marketing activities. Renovation operations were also negatively impacted, as the COVID-19 scourge forced major property brokers to suspend operations. This caused World Holdings' sales network to shrink, which in turn caused a temporary lull in growth. As a result of these factors, revenue fell short of company target, but profit met target, with both revenue and profit up YoY.

Meanwhile, after sizing up the real estate property price trends, the company took a cautious approach to property sourcing and made preparations for major changes anticipated in the external environment. Specifically, it laid the foundation for asset management and other parts of the real estate financing business. The breakdown of revenue in real estate operations was as follows. Development operations delivered 27 for-sale condominiums, 14 detached homes, and eight commercial premises, and posted revenue of JPY17.4bn. Commissioned sales posted revenue of JPY1.1bn. Renovation operations delivered 295 units and posted revenue of JPY6.1bn. Prefabricated homes recorded revenue of JPY920mn.

Real estate for sale and real estate for sale in process were down JPY9.9bn vs. the end of the previous term. The company sold eight seed lots and re-zoned lots to major real estate developers.

Information and Telecommunications business

Revenue came to JPY5.3bn (-25.0% YoY) and segment profit JPY275mn (+472.9%). Revenue fell short of company target, but segment profit surged well ahead of target. With the shakeup in the mobile phone sales industry showing signs of entering the final phase, the company improved its profit structure thanks to the structural reforms it implemented up through FY12/19. COVID-19 had almost no impact on business since the segment's Q2 is January–March. Although sales volumes are recently down due to restrictions on store operations, this has not had any serious impact.

Other businesses

Revenue came to JPY1.1bn (-46.8% YoY) with a segment loss of JPY369mn (vs. a JPY196mn profit a year ago). Park attendance fell 62.1% YoY to 206,000. Earnings missed company targets and declined sharply YoY. In agricultural park facilities operations, the company was forced to close parks during the peak April–May season as local governments requested temporary closures of businesses under the state of emergency declaration over COVID-19. Adding to the damage was the voluntary suspension of certain park services around the same time. The state of emergency declaration has since been lifted, but business is still in tough shape as there are still restrictions in place on travel across prefectural lines. That said, park attendance seems to be gradually recovering, partly because outdoor facilities have the advantage of making it relatively easy to avoid the "Three C's (closed spaces, crowded places, and close-contact settings)." The company typically projects more than 1mn in normal years.

Balance sheet

Assets

Total assets were JPY77.8bn, down JPY9.5bn from end-FY12/19. This is mainly the result of a JPY1.5bn increase in cash and deposits, a JPY863mn decline in notes and accounts receivable, a JPY6.7bn decline in real estate for sale, and a JPY3.1bn decline in real estate for sale in process.

Liabilities

Liabilities totaled JPY51.1bn, down JPY12.3bn from end-FY12/19. This is mainly the result of a JPY489mn decline in accounts payable in the Real Estate business, a JPY2.5bn decline in short-term borrowings, and an JPY8.3bn decline in advances received.

Net assets

Net assets totaled JPY26.7bn, up JPY2.7bn from end-FY12/19. This is mainly the result of a JPY453mn increase in capital stock, a JPY455mn increase in capital surplus, and a JPY1.6bn increase in retained earnings.

Cash flows

Cash and cash equivalents totaled JPY17.9bn, down JPY1.4bn from end-FY12/19.

Cash flows from operating activities

Operating activities provided cash of JPY2.8bn. The major positive factors were pre-tax profit of JPY3.1bn, an JPY875mn decrease in trade receivable, and a JPY7.6bn decrease in real estate for sale. The major negative factors were an JPY8.3bn decrease in advances received.

Cash flows from investing activities

Investing activities provided cash of JPY246mn. The major positive factor was income of JPY2.0bn on the sale of stock in subsidiaries accompanying the change in the scope of consolidation, while the major negative factors were JPY1.2bn spent on acquiring stock in non-consolidated subsidiaries, and JPY535mn spent on purchase of tangible fixed assets.

Cash flows from financing activities

Financing activities used cash of JPY1.8bn. The major positive factor was JPY3.0bn in proceeds from long-term borrowings, while the major negative factors were a JPY1.2bn net decline in short-term borrowings and JPY3.5bn in repayments of long-term borrowings.

Q1 FY12/20 results

Overview

World Holdings posted Q1 FY12/20 revenue of JPY36.5bn (+19.2% YoY), operating profit of JPY1.4bn (+734.5%), recurring profit of JPY1.4bn (+773.1%), and net income attributable to owners of the parent of JPY1.6bn (vs. net income of JPY11mn in Q1 FY12/19). Progress vs. full-year company forecasts was 22.8% for revenue, 17.3% for operating profit, 16.7% for recurring profit, and 29.3% for net income.

Segment overview

Human Resources and Education business

Factory staffing business

Revenue came to JPY12.1bn (+2.8% YoY) and segment profit JPY466mn (-7.9% YoY), which were generally on target. Although business was slightly negatively affected by the impact of COVID-19 at some clients, 5G and semiconductor related business did well. In terms of hiring, the company worked to bolster its staff recruitment by concentrating efforts into its own JOB PAPER recruitment website. It hired 286 fresh graduates and confirmed early deployment in preparation for April. In terms of personnel development as well, the company implemented steady operation of team dispatching and subcontracting sites, as well as expanded them, through skills training, leader and manager-class training, and fresh graduate training. This has led to higher employee retention and helped pave the way for opening new facilities. The company also moved ahead with preparations to establish the staffing business company Tohoworld, a joint venture with major materials manufacturer Toho Titanium Co., Ltd. specializing in the materials industry.

Technology staffing business

Revenue came to JPY4.2bn (+4.2% YoY) and segment profit JPY462mn (+30.6% YoY). Both revenue and profit saw steady growth in the areas of automotive, IT services, and construction technologies. In terms of hiring and personnel development, the company worked to allocate more staff to sophisticated job duties. It recruited more highly skilled staff by focusing on hiring experienced professionals and expanded programs for training and new skill development. The company hired a total of 180 fresh graduates.

R&D staffing business

Revenue came to JPY1.8bn (+3.4% YoY) and segment profit JPY170mn (+60.8% YoY). Both the R&D staffing and contract research organization (CRO) businesses kept pace with targets, while there was also growth in orders for, notably, clinical trials related to the COVID-19 pandemic. Further, the company was able to hire a wide range of personnel and its headcount progress was on target. It achieved this by bolstering its personnel training programs and putting in place frameworks for fostering talent at laboratories jointly run with top universities, including University of Tokyo, Kyoto University, and Osaka University. The company hired 84 fresh graduates, most of which it placed in preparation for April and later.

Sales and marketing staffing business

Revenue came to JPY997mn (+23.1% YoY) and segment profit JPY8mn (vs. a JPY17mn loss in Q1 FY12/19). Business was partially affected by declines in operations and orders as industries such as apparel and tourism were hit by the COVID-19 pandemic, but revenue and profit nonetheless performed well thanks to increased orders in food-related and call center operations. We also note that JW Solution Co., Ltd., which was established in FY12/19, primarily provides customer service staffing solutions customized for the hotel industry. The company also made preparations to cultivate personnel for the tourism industry through joint investments with JTB Corporation.

Real Estate business

Revenue came to JPY14.2bn (+71.7% YoY) and segment profit JPY861mn (vs. a JPY23mn loss in Q1 FY12/19). Both revenue and profit vastly outpaced target as development operations made solid progress on delivering commercial premises. At the same time, though, growth in areas such as renovation temporarily slackened. In terms of the impact of the COVID-19 pandemic, the industry has experienced some delays on procuring supplies for properties under construction, but World Holdings was not significantly affected given its collaborative ties with major construction firms. Revenue in the Real Estate business broke down as follows: Development operations delivered 11 for-sale condominiums, 10 detached homes, and four commercial premises, and recorded revenue of JPY9.8bn. Commissioned sales recorded revenue of JPY593mn. Renovations delivered 159 units and recorded revenue of JPY3.3bn. Prefabricated homes recorded revenue of JPY531mn.

Information and Telecommunications business

Revenue came to JPY2.5bn (-26.0% YoY) and segment profit JPY91mn (vs. a JPY88mn in Q1 FY12/19). The segment attained a profitable business structure as the reforms carried out through FY12/19 yielded stronger per-store earnings. COVID-19 had no impact on business since the segment's Q1 is October–December. In spite of recent constrictions on store operations, business has so far not been heavily affected.

Other businesses

Revenue came to JPY679mn (+8.2% YoY) and segment profit JPY141mn (vs. a JPY126mn loss in Q1 FY12/19). Agricultural park facilities management typically sees low customer traffic in January–March, but Q1 this year actually saw an increase in customer footfall in January and February thanks to the mild winter since the start of the year as well as strategic investments since FY12/19, which paid off. The tables turned in March, however, as the stay-at-home policies amid the COVID-19 pandemic ate into customer traffic and business struggled throughout the month.

Balance sheet

Assets

Total assets were JPY80.1bn, down JPY7.2bn from end-FY12/19. This is mainly the result of a JPY1.1bn decline in notes and accounts receivable, a JPY3.8bn decline in real estate for sale, and a JPY2.7bn decline in real estate for sale in process.

Liabilities

Liabilities totaled JPY54.9bn, down JPY8.5bn from end-FY12/19. This is mainly the result of a JPY737mn decline in accounts payable in the Real Estate business, a JPY879mn decline in accrued expenses, and a JPY6.2bn decline in advances received.

Net assets

Net assets totaled JPY25.2bn, up JPY1.3bn from end-FY12/19. This is mainly the result of a JPY197mn increase in capital stock, a JPY197mn increase in capital surplus, and a JPY787mn increase in retained earnings.

Full-year FY12/19 results

Earnings summary

FY12/19 revenue totaled JPY136.5bn (-4.6% YoY), operating profit JPY4.7bn (-35.8%), recurring profit JPY4.8bn (-34.7%), and net income attributable to owners of the parent JPY3.0bn (-36.4%).

Segment performance

Human Resources and Education business

Factory staffing business

Revenue totaled JPY50.0bn (+1.0% YoY) and segment profit JPY2.7bn (-15.5%). Profit has been hit by production cut backs at some customers in smartphone and semiconductor industries, but the company expanded in the logistics field as well as made preparations for earnings growth by designating the fields to target, such as 5G. In terms of personnel development, it held skills training and leader and management level training for 1,000 trainees. This contributed to stable operations and expansion of team staffing and subcontracting work and fostered higher employee retention. The company also made progress in preparing for opening new facilities. Further, the company put efforts into putting protocols in place, such as the new personnel system to be introduced in FY12/20, and worked to evolve into a company favored by job seekers. In terms of hiring, even amid the difficulty finding hires due to the labor shortage, the company came through in the logistics field and was able to meet the demands of large projects during the busy year-end season thanks to its unique consortium model recruiting. The company also worked to expand hiring with its original website JOB PAPER, which had over 75,000 registrations.

Technology staffing business

Revenue totaled JPY17.0bn (+11.2% YoY) and segment profit JPY1.8bn (+31.7%). The segment achieved both revenue and profit growth thanks to growth in business in the automotive, IT services, and construction engineering fields as well as higher billing rates. Hiring was solid even amid the labor shortage, and the number of registered workers grew steadily. Notably, the company trained inexperienced workers in production technologies and 3D-CAD, helping them qualify as engineers for the automotive and construction engineering fields. Staffing in IT services field also did well thanks to a series of programming and infrastructure training. The company also assembled a sophisticated training framework, and worked to hire more mid-career (i.e., experienced) workers.

R&D staffing business

Revenue totaled JPY71.0bn (+4.9% YoY) and segment profit JPY711mn (+27.2%). Research staffing performed well thanks to concentration on the pharma and bio fields well as the chemicals field. In the contract research organization (CRO) business, the company implemented initiatives to raise operating rates while it worked to obtain orders for investigator-initiated clinical trial projects. In terms of personnel development, the company pursued staff training in advanced fields. It used its joint research laboratories (run with partners such as University of Tokyo, Kyoto University, and Osaka University) to conduct leading-edge R&D, thereby elevating technological abilities and expanding external training. The company also worked to hire top-notch research employees.

Sales and marketing staffing business

Revenue totaled JPY3.8bn (+6.4% YoY) and segment profit JPY27mn (vs. a JPY100mn loss in FY12/18). The segment achieved profitability thanks to two main factors. First, it completed the structural reforms initiated in FY12/18 (specific measures included increased selectivity in orders, price optimization, and improved administration). Second, it expanded business in existing fields such as mass merchandising, retail, and call centers. In addition, at the newly established JW Solution Co., Ltd., it made preparations to expand into not only the hotel industry but the overall tourism industry.

Real Estate business

Revenue totaled JPY42.1bn (-19.1% YoY) and segment profit JPY1.5mn (-68.2%). There are two factors behind the sharp drop in profit. First, the company took a cautious approach to property sourcing given the persistently inflated property prices. Second, in property development, the recording of earnings on three large commercial premises was pushed back to FY12/20. The company also expanded into real estate financing. The revenue breakdown was as follows. Revenue in development operations totaled JPY11.3bn thanks to the delivery of 110 for-sale condominiums and 11 commercial premises. Commissioned sales totaled JPY3.2bn. In renovations, the company delivered 712 units and recorded revenue of JPY14.5bn. In detached homes, the company delivered 380 built-to-order homes and recorded revenue of JPY10.9bn. In prefabricated homes, rentals and sales generated revenue of JPY2.1bn.

Information and Telecommunications business

Revenue totaled JPY12.3bn (-0.3% YoY) and segment profit JPY10mn (+233.3%). Profit was up in mobile store operations as the company worked to improve its profit structure by upgrading its operations by relocating and refurbishing stores and investing in personnel development to build a top-notch store network. In addition, in enterprise solutions for corporate clients, it boosted synergistic effects by pursuing human resources mobility.

Other businesses

Revenue totaled JPY4.1bn (+18.8% YoY) and segment profit JPY132mn (vs. a loss of JPY270mn in FY12/18). In agricultural park facilities, Farm Co., Ltd. and associated subsidiaries conducted capex and implemented initiatives to attract customers by realigning its personnel policies and enhancing its fundamental administrative abilities. These actions paid off, and both park attendance and average customer spend increased, thus putting operations into the black. Overall park attendance was solid, with visitors topping 1mn. Growth was led by Shiga Agricultural Park (Blumen Hugel Farm), which opened the giant Alps Gym obstacle course. Advan Co., Ltd., which runs computer schools, focused on website creation and synergies with the Human Resources and Education business, and notably trained engineers in the technology staffing business.

Balance sheet

Assets

Total assets were JPY87.4bn, up JPY7.4bn from end-FY12/18. This is largely the result of a JPY2.3bn increase in cash and deposits, a JPY3.2bn increase in real estate for sale, a JPY5.1bn increase in real estate for sale in process, and a JPY413mn increase in investment securities.

Liabilities

Liabilities totaled JPY63.4bn, up JPY5.8bn from end-FY12/18. This is mainly the result of a JPY813mn decrease in accounts payable in the Real Estate business, a JPY620mn decline in short-term borrowings, a JPY8.8bn increase in advances received, a JPY650mn decrease in income taxes payable, and a JPY250mn decrease in long-term borrowings.

Net assets

Net assets totaled JPY23.9bn, up JPY1.6bn from end-FY12/18. This is mainly the result of a JPY1.6bn increase in capital surplus.

Cash flows

Cash and cash equivalents totaled JPY16.5bn, down JPY2.3bn from end-FY12/18.

Cash flows from operating activities

Operating activities provided cash of JPY2.7bn. The major positive factors were pre-tax profit of JPY4.8bn, an increase in advances received of JPY8.9bn, and an income taxes refund of JPY847mn. The major negative factors were an increase in real estate for sale of JPY8.3bn, and JPY3.6bn in income taxes paid.

Cash flows from investing activities

Investing activities used cash of JPY2.5bn. The major positive factor was income of JPY193mn on collection of loans receivable, while the major negative factors were JPY1.5bn spent on purchase of tangible fixed assets, and JPY705mn expended on loans receivable.

Cash flows from financing activities

Financing activities used cash of JPY2.6bn. The major positive factor was JPY8.4bn in proceeds from long-term borrowings, while the major negative factors were a JPY3.4bn net decrease in short-term borrowings, JPY6.1bn in repayments of long-term borrowings, and JPY1.4bn in dividends paid.

Other information

History

Date		Description
Feb	1993	Established World Intec Co., Ltd. (now World Holdings Co., Ltd. Factory staffing business) in Kitakyushu, Fukuoka
Jun	1997	Established FE business (now Technology staffing business)
Feb	2002	Established Research and Development Division (now R&D Staffing Business Department) and opened R&D Tokyo Sales Office
Feb	2005	Listed shares on the JASDAQ Securities Exchange
Apr	2005	Launched the sales staffing business (now Sales & Marketing Staffing Business)
Dec	2005	Made e-support Inc. and Network Solutions Co., Ltd. subsidiaries and entered Information and Telecommunications business
Dec	2009	Launched Repair business
Feb	2010	Established Advan Co., Ltd. as the Education business operator
Apr	2010	Established World Residential Co., Ltd., a property developer focusing on the Greater Tokyo area, and entered the real estate business
Apr	2010	Listed shares on the JASDAQ market of the Osaka Securities Exchange
Dec	2010	Launched Construction Engineer Dispatch business (now World Construction Co., Ltd.)
Mar	2012	Established World Intec Fukushima (now World Next Co., Ltd.) for post-earthquake reconstruction support and outsourcing public services
Nov	2012	Made DOT International l(now DOT World), an operator of contract business of clinical trials, a subsidiary
Jul	2013	Listed shares on the JASDAQ (Standard) market of the Tokyo Stock Exchange
Jul	2014	Migrated to holding company structure, and renamed to World Holdings Co., Ltd.
Dec	2014	Made Mikuni Sangyo (now Mikuni Co., Ltd.) a real estate developer, a subsidiary
Mar	2016	Listed shares on the Second Section of the Tokyo Stock Exchange
Jun	2016	Listed shares on the First Section of the Tokyo Stock Exchange
Nov	2018	Established Worldintec America Co., Ltd. in the US
Jun	2019	Made World Asset Management Co., Ltd. providing investment advisory and agency services, a subsidiary and entered real estate financing business
Sep	2019	Made Ichifuji Servicer Co., Ltd. (now Mirai Service Co., Ltd.) a operator of receivables management services and consulting, a subsidiary
Feb	2020	Invested in JW Solution Co., Ltd. jointly with JTB Corp. and expanded business to include HR businesses for the tourism industry
Apr	2020	Established Toho World Corporation, a comprehensive HR service provider focusing on materials industry, as a joint venture between Toho Titanium Co., Ltd. and World Intec Co., Ltd.

Source: Shared Research based on company data

Origins

World Holdings traces its roots back to Mikuni Sangyo (currently Mikuni Co., Ltd.), founded in 1981 by Eikichi Iida (the company's president). Mikuni Sangyo originally handled built-to-order and built-for-sale housing, but it currently runs general real estate operations under World Holdings' umbrella. In 1982, Mikuni Sangyo became an exclusive agent for Mitsui Real Estate Sales (currently Mitsui Fudosan Realty). In 1990, Mitsui Real Estate Sales consolidated six other exclusive agents into Mikuni Sangyo, and Mitsui Real Estate Sales and Mikuni Sangyo together established the joint venture Kyushu Hokubu Rehouse, with Mr. Iida appointed as its first president. Japan's asset bubble economy burst in February 1991, and although Mr. Iida was pursuing international business development at the time, he quickly obtained pertinent information and was able to get a head start on pulling out of overseas operations. Leaving Mikuni Sangyo and Kyushu Hokubu Rehouse, Mr. Iida zeroed in on the staffing business, which was expected to see growing market needs. In February 1993, he founded the blue-collar staffing and subcontracting company World Intec Co., Ltd.

Diversification through corporate revitalization

The company's core segment, the Human Resources and Education business has achieved all of its growth through its own home-grown efforts. In contrast, when it comes to diversified business segments, its basic strategy is to expand into and augment new business through M&A. However, the only bona fide M&A actions the company has taken are when it made Hoeikensetsu Co., Ltd. (sold off in March 2020) and Mikuni Co., Ltd. (President Iida's original company) subsidiaries. The rest are nearly all corporate revitalization offers. The company has imbued all business activity with its philosophy of “Creating the ways we live,” from operating its mainstay Human Resources and Education business to corporate revitalization efforts.

News and topics

November 2020

On November 9, 2020, the company announced that it had revised downward its initial forecast for FY12/20.

The company expects revenue and profits to finish below its initial forecast, because the COVID-19 pandemic has caused projects in the Human Resources and Education business and in the Real Estate business to temporarily fall below initial expectations. Further, in agricultural park facilities operations under Other businesses, the company was forced to close parks during the peak April–May season as local governments requested temporary closures of businesses.

	FY12/18			FY12/19			FY12/20			YoY		
(JPYmn)	1H Act.	2H Act.	FY Act.	1H Act.	2H Act.	FY Act.	1H Act.	2H Est.	FY Est.	1H Act.	2H Est.	FY Est.
Revenue	**64,379**	**78,515**	**142,894**	**66,827**	**69,492**	**136,319**	**70,844**	**71,714**	**142,558**	6.0%	3.2%	4.6%
Cost of revenue	52,629	62,525	115,154	53,638	56,371	110,009	58,880	-	-	9.8%		
Gross profit	**11,750**	**15,990**	**27,740**	**13,189**	**13,121**	**26,310**	**11,963**	**-**	**-**	-9.3%		
Gross profit margin	18.3%	20.4%	19.4%	19.7%	18.9%	19.3%	16.9%	-	-			
SG&A expenses	9,744	10,626	20,370	10,659	10,921	21,580	9,189	-	-	-13.8%		
SG&A ratio	15.1%	13.5%	14.3%	16.0%	15.7%	15.8%	13.0%	-	-			
Operating profit	**2,005**	**5,365**	**7,370**	**2,529**	**2,201**	**4,730**	**2,773**	**3,233**	**6,006**	9.6%	46.9%	27.0%
Operating profit margin	3.1%	6.8%	5.2%	3.8%	3.2%	3.5%	3.9%	4.5%	4.2%			
Recurring profit	**2,001**	**5,356**	**7,357**	**2,529**	**2,276**	**4,805**	**2,872**	**3,493**	**6,365**	13.6%	53.5%	32.5%
Recurring profit margin	3.1%	6.8%	5.1%	3.8%	3.3%	3.5%	4.1%	4.9%	4.5%			
Net income	**1,079**	**3,571**	**4,650**	**1,685**	**1,271**	**2,956**	**2,497**	**2,660**	**5,157**	48.2%	109.3%	74.5%
Net margin	1.7%	4.5%	3.3%	2.5%	1.8%	2.2%	3.5%	3.7%	3.6%			

Source: Shared Research based on company data
Note: Figures may differ from company materials due to differences in rounding methods.

Corporate governance and top management

Top management

Eikichi Iida, Chairman and President (born May 1956)

Feb	1981	Representative director, Sanshin Sangyo Co., Ltd. (now Mikuni Co., Ltd.)
Feb	1993	Established World Intec Co., Ltd. (now World Holdings Co., Ltd.)
Feb	1997	Director, World Intec
Dec	1997	Representative director and chairman, World Intec
May	1999	Representative director and president, World Intec
Jun	2007	Representative director, chairman and president (CEO & CEOO), World Intec
Dec	2011	Representative director, chairman and president (current position), World Intec (now World Holdings)

Source: Shared Research based on company data

The fourth of five brothers, Eikichi Iida was born in Fushimi, Kyoto. Fast on his feet since his grammar school days, Iida broke numerous records at athletic tournaments. With a strong set of shoulders as well, he was also active on the famous baseball team of Otani Senior High School. In 1976, Iida took a live-in job helping out his brother-in-law’s built-for-sale housing company in Kitakyushu (northern Kyushu). Starting out as a driver, he procured supplies and managed the master carpenters. In so doing, he gained expertise in process management and productivity. It was during this time that Iida laid the foundation for running construction, real estate, and staffing service businesses.

Based on the motto “to build things is to build people,” Mr. Iida has made “Creating the ways we live” the company’s corporate vision. He has developed a love of home and building construction, of taking in the sights of the town, and of figuring out how to create ways for people to work. To this day, World Holdings leverages human resources to expand in scale and attain stable earnings. Showing no sign of slowing down, Mr. Iida is constantly undertaking new challenges in new areas and launching new businesses. The company’s enterprise value includes social values (ESG, SDGs, etc.) that are not evident in key performance metrics alone.

Corporate governance

Form of organization and capital structure	
Form of organization	Company with Audit & Supervisory Board
Controlling shareholder and parent company	None
Directors and Audit & Supervisory Board members	
Number of directors under Articles of Incorporation	15
Number of directors	13
Directors' terms under Articles of Incorporation (year)	1
Chairman of the Board of Directors	President
Number of outside directors	3
Number of independent outside directors	2
Number of members of Audit & Supervisory Board under Articles of Incorporation	4
Number of members of Audit & Supervisory Board	3
Number of outside members of Audit & Supervisory Board	2
Number of independent outside members of Audit & Supervisory Board	0
Other	
Participation in electronic voting platform	None
Providing convocation notice in English	None
Implementation of measures regarding director incentives	Stock option plan
Eligible for stock option	Inside directors, employees, directors and employees at subsidiaries
Disclosure of individual director's compensation	None
Policy on determining amount of compensation and calculation methodology	In place
Corporate takeover defenses	None

Source: Shared Research based on company data (as of May 2020)

World Holdings' three external directors cover a wide range of backgrounds: a consultant for Kyushu Electric Power, the deputy director of the Entrepreneurship Center, and the representative director of the Medical Science Based Resource Laboratory.

Dividends

World Holdings aims for stable, ongoing growth in dividends by targeting a consolidated payout ratio of 30%. At this time, given the volatility in intra-term earnings, its basic policy is to pay an annual dividend at fiscal year-end.

(JPY)	FY12/15	FY12/16	FY12/17	FY12/18	FY12/19	FY12/20	FY12/21 Est.
Dividend per share	45.7	75.3	82.7	83.0	52.7	101.7	78.7
Dividend on equity	8.4%	10.1%	8.7%	7.2%	4.1%	6.8%	-
Payout ratio	20.0%	30.0%	30.0%	30.0%	30.0%	30.0%	30.0%
EPS	228.1	250.9	275.4	276.4	175.6	341.4	262.0

Source: Shared Research based on company data

Inclusion in JPX-Nikkei Mid and Small Cap Index

World Holdings was selected as a constituent in the JPX-Nikkei Mid and Small Cap Index, jointly compiled by Tokyo Stock Exchange, Inc., and Nikkei Inc. The index applies the concept of the JPX-Nikkei Index 400 (which is comprised of companies "highly attractive to investors") to small- and mid-cap equities. Selection is based on screening common stock whose main market is the Tokyo Stock Exchange First Section, Second Section, Mothers, or JASDAQ market using benchmarks for profit, market capitalization, and liquidity, taking into account quantitative factors including three-year average ROE and cumulative three-year operating profit as well as several qualitative factors. The top 200 stocks are included.

Major shareholders

Top shareholders	Shares held ('000)	Shareholding ratio
Mirai Soken Co., Ltd. (former IIDA Soken Co., Ltd.)	7,965	45.64%
Custody Bank of Japan, Ltd. (Trust account)	1,190	6.82%
BNP Paribas Securities Services Luxembourg/JASDEC/FIM/Luxembourg Funds/UCITS Assets (Standing proxy: The Hongkong and Shanghai Banking Corporation, Ltd. Tokyo Branch)	810	4.64%
The Kitakyushu Bank, Ltd. (Standing proxy: The Master Trust Bank of Japan, Ltd.)	709	4.06%
Nanko Abe	500	2.86%
Eikichi Iida	497	2.84%
The Master Trust Bank of Japan, Ltd. (Trust account)	411	2.35%
The Nishi-nippon City Bank, Ltd.	300	1.72%
MUFG Bank, Ltd.	180	1.03%
JP MORGAN CHASE BANK385151 (Standing proxy: Mizuho Bank, Ltd.))	121	0.70%
SUM	12,684	72.67%

Source: Shared Research based on company data
Note: Figures are as of December 31, 2020
Note: The shareholding ratio is calculated using the 17,566,900 shares issued, excluding 113,477 shares of treasury stock.
Note: Figures may differ from company materials due to differences in rounding methods.
Mirai Souken (formerly IIDA Souken) is the company that manages stock owned by the family of President Eikichi Iida. When combined with President Iida's personal holdings, the combined total comes to 48.48%.

Number of registered workers and employees

Employee metrics	FY12/13	FY12/14	FY12/15	FY12/16	FY12/17	FY12/18	FY12/19	FY12/20
Total number of employees (avg.)	12,105	11,855	13,246	16,662	22,024	23,339	23,481	27,542
Human Resources and Education	9,805	11,110	12,436	15,731	20,360	21,577	21,646	27,542
Factory	6,998	7,698	8,144	10,161	15,090	16,782	16,266	22,103
Technology	1,396	1,552	1,669	1,897	2,042	2,437	2,634	2,778
R&D	628	686	769	912	1,029	1,023	1,045	1,120
Sales and marketing	783	1,174	1,854	2,761	2,199	1,335	1,701	1,541
% of total employees								
Human Resources and Education	81.0%	93.7%	93.9%	94.4%	92.4%	92.5%	92.2%	100.0%
Factory	57.8%	64.9%	61.5%	61.0%	68.5%	71.9%	69.3%	80.3%
Technology	11.5%	13.1%	12.6%	11.4%	9.3%	10.4%	11.2%	10.1%
R&D	5.2%	5.8%	5.8%	5.5%	4.7%	4.4%	4.5%	4.1%
Sales and marketing	-	9.9%	14.0%	16.6%	10.0%	5.7%	7.2%	5.6%
Segment revenue per employee (JPYmn)	9.3	5.7	7.0	6.3	6.6	6.3	5.8	5.6
Human Resources and Education	7.0	3.8	3.9	3.7	3.7	3.6	3.6	3.4
Factory	6.0	3.4	3.4	3.3	3.3	3.1	3.0	2.9
Technology	10.7	5.8	6.1	6.0	6.4	7.0	6.7	6.3
R&D	11.8	6.2	6.5	6.6	6.7	6.9	6.9	6.7
Sales and marketing	-	-	2.6	2.5	2.5	2.1	2.5	2.4
Segment profit per employee (JPYmn)	0.35	0.31	0.41	0.50	0.37	0.32	0.20	0.25
Human Resources and Education	0.43	0.27	0.30	0.28	0.26	0.24	0.24	0.22
Factory	0.34	0.26	0.23	0.23	0.20	0.20	0.16	0.14
Technology	0.91	0.47	0.61	0.57	0.64	0.60	0.69	0.75
R&D	0.62	0.24	0.71	0.68	0.65	0.54	0.69	0.78
Sales and marketing	-	-	0.14	0.13	0.09	-0.06	0.02	0.01

No. of employees: Parent	-	18	26	29	31	36	37	77
Average age		45.4	46.0	44.7	45.0	44.3	45.5	40.0
Average years of service		8.1	8.8	9.9	10.1	10.1	11.1	6.1
Average annual salary (JPY'000)		5,697	6,601	6,394	5,997	6,062	6,171	
No. of employees: Consolidated								
Factory	5,660	6,729	7,377	8,428	10,575	11,871	11,838	15,105
Technology	1,263	1,638	1,766	2,116	2,190	2,664	2,856	2,956
R&D	687	736	837	988	1,115	1,103	1,123	1,225
Sales and marketing	-	1,234	2,095	3,096	2,380	1,452	1,846	1,773
Real Estate	94	198	262	354	515	529	556	385
Information and Telecommunications	393	425	426	408	426	449	394	735
Other	1,762	64	56	89	644	699	781	140
Company-wide	9,910	11,082	12,885	15,559	17,924	18,852	19,498	22,717

Source: Shared Research based on company data
Note: Figures may differ from company materials due to differences in rounding methods.
Note: Number of employees is the figure at each fiscal year-end.
Note: Segment revenue and profit per employee are calculated by dividing segment revenue and profit (excluding company-wide expenses, before eliminations) by the number of employees in the segment (the average of the previous year-end and the year-end in question)

Profile

Company Name	Head Office
World Holdings Co., Ltd.	Fukuoka Asahi Building 6F, 2-1-1 Hakata Ekimae, Hakata-ku, Fukuoka-shi, Fukuoka Prefecture 812-0011
Phone	**Listed On**
+81-(92)-474-0555	First section of the Tokyo Stock Exchange
Established	**Exchange Listing**
February 12, 1993	June 29, 2016
Website	**Fiscal Year-End**
https://en.world-hd.co.jp/	December
IR Contact	**IR Web**
https://en.world-hd.co.jp/contact/	https://en.world-hd.co.jp/ir/

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Nisso Corporation
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VISION INC.
VISIONARY HOLDINGS CO., LTD.
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