

Summary of Business Results for the Fiscal Year Ended September 30, 2018 [Japan GAAP] (Consolidated)

November 14, 2018

Company **Yumeshin Holdings Co., Ltd.** Listed on the TSE
 Stock Code 2362 URL <http://www.yumeshin.co.jp>
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 Expected date of annual shareholders' meeting: December 19, 2018 Expected starting date of dividend payment: December 20, 2018
 Expected date of filing of annual securities report: December 20, 2018
 Preparation of supplementary financial document: Yes
 Results briefing: Yes (for institutional investors and analysts)

(Rounded down to million yen)

1. Consolidated business results for the fiscal year ended September 2018 (October 1, 2017 through September 30, 2018)

(1) Consolidated results of operations (% change from the previous corresponding period)

	Net sales		Operating income		Ordinary income		Net income attributable to owners of parent	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
Year ended Sept. 2018	40,419	32.5	5,186	119.6	4,940	103.8	3,635	154.9
Year ended Sept. 2017	30,510	31.1	2,361	-2.9	2,423	-1.6	1,426	-12.1

(Note) Comprehensive income:

Year ended September 2018: 3,670 million yen (128.6%)

Year ended September 2017: 1,606 million yen (-7.1%)

	Net income per share	Diluted net income per share	Return on equity	Ratio of ordinary income to total assets	Ratio of operating income to net sales
	Yen	Yen	%	%	%
Year ended Sept. 2018	48.75	48.10	29.3	22.4	12.8
Year ended Sept. 2017	19.12	18.86	11.6	12.3	7.7

(Reference) equity in earnings of affiliated:

Year ended September 2018: -225 million yen

Year ended September 2017: -million yen

(2) Consolidated financial position

	Total assets	Net assets	Shareholders' equity ratio	Net assets per share
	Million yen	Million yen	%	Yen
As of Sept. 2018	23,571	13,972	54.6	172.61
As of Sept. 2017	20,461	13,080	58.6	160.67

(Reference) Shareholders' equity:

As of September 2018: 12,872 million yen

As of September 2017: 11,981 million yen

(3) Consolidated results of cash flows

	Cash flows from operating activities	Cash flows from investing activities	Cash flows from financing activities	Cash and cash equivalents at the end of period
	Million yen	Million yen	Million yen	Million yen
Year ended Sept. 2018	3,929	415	-1,591	11,700
Year ended Sept. 2017	1,535	417	-2,026	8,947

2. Dividends

	Annual dividend					Total dividend (Total)	Dividend payout ratio (Consolidated)	Rate of total dividend to net assets (Consolidated)
	End of 1Q	End of 2Q	End of 3Q	Year-end	Total			
	Yen	Yen	Yen	Yen	Yen	Million yen	%	%
Year ended Sept. 2017	—	15.00	—	20.00	35.00	2,610	183.1	21.3
Year ended Sept. 2018	—	15.00	—	20.00	35.00	2,610	71.8	21.0
Year ending Sept. 2019 (forecast)	—	15.00	—	20.00	35.00		63.7	

3. Forecast of consolidated business results for the fiscal year ending September 2019

(October 1, 2018 through September 30, 2019)

(% change from the previous corresponding period)

	Net sales		Operating income		Ordinary income		Net income attributable to owners of parent		Net income per share
	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Yen
Year ending Sept. 2019	50,000	23.7	6,000	15.7	6,000	21.4	4,100	12.8	54.98

※Notes

(1) Changes in significant subsidiaries during the period (changes in specified subsidiaries accompanying changes in the scope of consolidation): Yes
Excluded: 1 company (Keepdata Co., Ltd.)

(2) Changes in accounting policies, accounting estimates and restatement

- ① Changes in accounting policies associated with revision of accounting standards: : None
 ② Changes in accounting policies other than ① : None
 ③ Changes in accounting estimates : None
 ④ Restatement : None

(3) Shares outstanding (common stock)

① Number of shares outstanding at the end of period (treasury stock included)

As of September 2018 74,573,440 shares

As of September 2017 74,573,440 shares

② Treasury stock at the end of period:

As of September 2018 86 shares

As of September 2017 86 shares

③ Average number of stock during period

Year ended September 2018 74,573,354 shares

Year ended September 2017 74,573,354 shares

(Reference) Summary of non-consolidated business results

1. Non-consolidated business results for the fiscal year ended September 2018

(October 1, 2017 through September 30, 2018)

(1) Non-consolidated results of operations

(% change from the previous corresponding period)

	Net sales		Operating income		Ordinary income		Net income	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
Year ended Sept. 2018	29,609	31.0	4,980	73.1	5,126	60.3	3,367	83.3
Year ended Sept. 2017	22,607	29.9	2,877	30.0	3,196	33.7	1,837	5.1

	Net income per share	Diluted net income per share
	Yen	Yen
Year ended Sept. 2018	45.16	44.57
Year ended Sept. 2017	24.64	24.31

(2) Non-consolidated financial position

	Total assets	Net assets	Shareholders' equity ratio	Net assets per share
	Million yen	Million yen	%	Yen
As of Sept. 2018	20,496	12,909	62.6	172.18
As of Sept. 2017	17,977	12,231	67.6	163.09

(Reference) Shareholders' equity:

As of September 2018: 12,839 million yen

As of September 2017: 12,161 million yen

2. Forecast of non-consolidated business results for the fiscal year ending September 2019**(October 1, 2018 through September 30, 2019)***(% change from the previous corresponding period)*

	Net sales		Operating income		Ordinary income		Net income		Net income per share
	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Yen
Year ending Sept. 2019	36,000	21.6	6,000	20.5	6,100	19.0	4,200	24.7	56.32

***Financial summary is not subject to the review procedures by certified public accountants or auditing firms.**

***Explanation regarding appropriate use of business forecasts and other special instructions**

Forecasts regarding future performance in this material are based on information currently available to the Company and certain assumptions that the Company deems to be reasonable at the time this report was prepared. The Company does not make promises about the achievements. Actual results may differ significantly from the forecasts due to various factors.

The results briefing for institutional investors and analysts is scheduled on November 22, 2018. The Company will promptly post the materials distributed at the results briefing on the company website after the results briefing.

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1. Summary of Operating Results

(1) Summary of operating results for the current fiscal year

① Overview of Consolidated Business Results

In the current fiscal year (from October 1, 2017 to September 30, 2018), demand for the engineer temporary staffing industry to which the Group belongs was strong due to a decline in the overall workforce in Japan associated with a shortage of human resources in many industries. In particular, there is a serious shortage of human resources in the construction industry, where the aging of the population and the shortage of young people are conspicuous, and in the IT industry, where technological innovation is remarkable. In these circumstances, the Group has focused on securing and developing human resources in order to supply "high value-added human resources" to the construction and IT industries.

As a result, net sales increased by 9,908 million yen (32.5%) year-on-year to 40,419 million yen due to growth in the Construction Engineer Temporary Staffing and Engineer Temporary Staffing businesses resulting from an increase in the number of engineers.

Operating income increased by 2,824 million yen year-on-year to 5,186 million yen (119.6%). This was due to a rise in the unit price of temporary staffing and the operating rate of Construction Engineer Temporary Staffing business, as well as strict cost control, including hiring costs, resulting in a limited increase in expenses.

Net income attributable to owners of parent increased by 2,209 million yen (154.9%) year-on-year to 3,635 million yen.

The following table shows the results for the current consolidated fiscal year.

(Million yen)

	FY9/17	FY9/18	Change	Percentage change
Net sales	30,510	40,419	9,908	32.5%
Operating income	2,361	5,186	2,824	119.6%
Ordinary income	2,423	4,940	2,516	103.8%
Net income attributable to owners of parent	1,426	3,635	2,209	154.9%

② Results by Segment

The reportable segments of the Group are the Construction Engineer Temporary Staffing business and the Engineer Temporary Staffing business.

Refer to the table below for the main businesses and operating companies of each segment.

(As of September 30, 2018)

Segment name	Business Line	Company Name
Construction Engineer Temporary Staffing (Note 5)	<ul style="list-style-type: none"> • Dispatch of construction management specialist to construction sites • Dispatch of CAD operators 	Yumeshin Holdings Co., Ltd.
Engineer Temporary Staffing business	<ul style="list-style-type: none"> • Dispatch of engineers to the manufacturing and IT industries 	Yume Technology Co., Ltd. Krung thep Co., Ltd.
Other businesses	<ul style="list-style-type: none"> • Recruitment consultancy service for the construction and manufacturing industries • Japanese language education for local Philippine personnel • Support for recruitment of local Vietnamese personnel • Course on measures to acquire National Construction-Related Qualifications • Offshore development in Vietnam 	Yume Agent Co., Ltd. YUMEAGENT PHILIPPINES CORP. YUMEAGENT VIETNAM CO.,LTD. Construction Qualifications Promotion Center Co., Ltd. Yume Solutions Co., Ltd.

(Note 1) From the first quarter of the current fiscal year, segments previously reported as "Education-Related Business" and "IT-Related Business" have been changed to "Others" due to lack of significance.

(Note 2) Krung thep Co., Ltd., which the Group acquired its shares on December 22, 2017, has been included in the Engineer Temporary Staffing business from the first quarter of the current fiscal year.

(Note 3) Keepdata Ltd., which had been classified as an IT-related business, was excluded from the scope of consolidation due to the sale of its shares on December 13, 2017.

(Note 4) Galaxy Co., Ltd., which had been classified as an IT-related business, was excluded from the scope of consolidation as the Group liquidated its business in the first quarter of the current fiscal year.

(Note 5) From the second quarter of the current fiscal year, the name of the "Construction Engineer Temporary Staffing Business" has been changed to "Construction Engineer Temporary Staffing Business" to reflect the actual situation.

(Note 6) Yume Education Co., Ltd., which had been classified in the Other Business segment, ceased to exist as a result of the merger with Yume Technology Co., Ltd. on August 1, 2018.

Results by business segment are as follows. Segment income (loss) is adjusted with operating income.

In addition, the Company has changed the classification of its reportable segments from the first quarter of the current fiscal year, and for comparison with the same period of the previous fiscal year, the figures for the same period of the previous fiscal year have been reclassified to the segment classification after the change.

(a) Construction Engineer Temporary Staffing business

(Million yen)

	FY9/17	FY9/18	Change	Percentage change
Net sales	22,607	29,609	7,001	31.0%
Segment profit	2,877	4,980	2,103	73.1%
Number of engineers at end of period	4,402	5,066	664	15.1%
Average number of engineers during the period	3,889	4,852	963	24.8%

Overview of the Business

In the Construction Engineer Temporary Staffing Business, the core business of the Group, demand for temporary staffing services remained strong due to the aging of engineers and a shortage of young workers at general contractors. In addition, as large-scale construction projects related to the 2020 Tokyo Olympics and Paralympics and the Linear Chuo Shinkansen have begun in earnest, the Company has focused on recruitment activities with an annual hiring plan of 2,500 people. As a result, the Company recruited 2,764 employees (2,666 in the same period of the previous fiscal year) in the current fiscal year. As a result, the number of engineers enrolled at the end of September 2018 was 5,066, an increase of 664 from the same period of the previous year.

<Business Results>

Net sales increased by 7,001 million yen (31.0%) year-on-year to 29,609 million yen due to an increase in the number of staffs at work resulting from an increase in the number of engineers employed and an increase in the unit price of temporary staffing.

Segment profit increased by 2,103 million yen (73.1%) year-on-year to 4,980 million yen due to the increase in the gross profit margin by 2.3 percentage points year-on-year due to the solid performance of hourly wages and operating rates, as well as the progress in controlling recruiting and other expenses.

(b) Engineer Temporary Staffing business

(Million yen)

	FY9/17	FY9/18	Change	Percentage change
Net sales	7,384	10,378	2,993	40.5%
Segment profit	177	465	287	161.8%
Number of engineers at end of period	1,716	2,414	698	40.6%
Average number of engineers during the period	1,414	1,977	563	39.8%

Overview of the Business

In the Engineer Temporary Staffing business, demand for engineers remained strong mainly in the manufacturing industry, where capital investment for labor saving and automation was brisk, and in the IT industry, where technological progress was accelerating. Against this backdrop, we have set an annual hiring plan of 1,200 employees to meet the growing demand for engineers and focused on recruiting activities.

As a result, the number of engineers hired in the current fiscal year was 1,118 (941 in the same period of the previous fiscal year), and as a result, the number of engineers enrolled in the Company at the end of September 2018 was 2,414, an increase of 698 from the same period of the previous fiscal year.

As a result, net sales in the current fiscal year increased by 2,993 million yen year-on-year (up by 40.5%) to 10,378 million yen due to an increase in the number of engineers. Segment income increased by 287 million yen year-on-year (up by 161.8%) to 465 million yen due to the contribution of improved efficiency in recruiting activities.

(c) Other businesses

(Million yen)

	FY9/17	FY9/18	Change	Percentage change
Net sales	657	508	-149	-22.7%
Segment loss	-561	-116	445	—

Overview of the Business

In the Other Business segment, the Group mainly provided recruitment agency services for construction and manufacturing companies and employment support services for Japanese companies in Vietnam seeking local human resources.

As a result, net sales in the current fiscal year were 508 million yen (down 22.7% year-on-year) and segment loss was 116 million yen (561 million yen loss in the same period of the previous fiscal year).

(2) Summary of financial condition in the current fiscal year

Assets

Total assets at the end of the current fiscal year increased by 3,110 million yen from the end of the previous fiscal year to 23,571 million yen. This was mainly due to an increase of 2,745 million yen in cash and deposits, an increase of 1,119 million yen in notes and accounts receivable-trade, a decrease of 549 million yen in investment securities, and a decrease of 288 million yen in goodwill.

Liabilities

Liabilities at the end of the current fiscal year increased by 2,218 million yen from the end of the previous fiscal year to 9,598 million yen. This was mainly due to an increase of 1,067 million yen in loans payable, an increase of 484 million yen in accrued expenses, and an increase of 428 million yen in income taxes payable.

Net assets

Net assets at the end of the current fiscal year increased 892 million yen from the end of the previous fiscal year to 13,972 million yen. This was mainly due to net income attributable to owners of parent of 3,635 million yen, a decrease of 2,610 million yen due to dividends of surplus, and a decrease of 75 million yen in valuation difference on available-for-sale securities.

(3) Summary of cash flow in the current fiscal year

Cash and cash equivalents ("cash") at the end of the current fiscal year increased by 2,752 million yen from the end of the previous fiscal year to 11,700 million yen. Cash flows from each activity and their factors are as follows.

Cash flows from operating activities

Net cash provided by operating activities was 3,929 million (up 155.9% year-on-year). This was mainly due to income before income taxes of 5,085 million yen, an increase in notes and accounts receivable-trade of 1,096 million yen, and income taxes paid of 1,075 million yen.

Cash flows from investing activities

Net cash provided by investing activities was 415 million yen (down 0.5% year-on-year). This was mainly due to proceeds from sales of property, plant and equipment of 145 million yen, purchase of investment securities of 136 million yen, proceeds from sales of shares of subsidiaries and associates of 438 million yen, proceeds from sales of shares of subsidiaries resulting in change in scope of consolidation of 271 million yen, and payments of loans receivable of 148 million yen.

Cash flows from financing activities

Net cash used in financing activities was 1,591 million yen (2,026 million yen was used in the previous fiscal year). This was mainly due to an increase/decrease in short-term loans payable of 800 million yen, proceeds from long-term loans payable of 3,000 million yen, repayment of long-term loans payable of 1,108 million yen, and cash dividends paid of 2,614 million yen.

(4) Future outlook

(a) Consolidated full-year forecasts for FY9/19

(Million yen)

	FY9/18 Result	FY9/19 Forecast	Change	Percentage change
Net sales	40,419	50,000	9,581	23.7%
Operating income	5,186	6,000	814	15.7%
Ordinary income	4,940	6,000	1,059	21.4%
Net income attributable to owners of parent	3,635	4,100	464	12.8%

(b) Non-consolidated full-year forecasts for FY9/19

(Million yen)

	FY9/18 Result	FY9/19 Forecast	Change	Percentage change
Net sales	29,609	36,000	6,391	21.6%
Operating income	4,980	6,000	1,019	20.5%
Ordinary income	5,126	6,100	974	19.0%
Net income	3,367	4,200	832	24.7%

In the fiscal year ending September 2019, the Group will continue to strive to expand its business through increasing the number of engineers through aggressive recruitment activities in our core businesses of Construction Engineer Temporary Staffing and Engineer Temporary Staffing.

Strategies by segment are as follows.

① Construction Engineer Temporary Staffing business

In the Construction Engineer Temporary Staffing business, the Group plans to employ 2,700 people annually. In addition, in order to ensure a more stable retention rate, the Group will continue to work on measures such as providing extensive support to new engineers, improving their skills through regular technical training, and improving benefit programs.

In the Marketing and Sales Division, the Group will not only continue stable transactions with existing customers, but also work to expand our market share by developing new customers outside of the Tokyo metropolitan area. As a result, the Group will raise the gross profit margin by raising the unit price of temporary staffing and improving the operating rate.

② Engineer Temporary Staffing business

In the Engineer Temporary Staffing Business, the Group will further actively recruit young, inexperienced, female and non-Japanese engineers in order to solidify its position in the Technical Support Staff Division, which is its proprietary staffing area. In addition, the Group will expand training programs, mainly for IT engineers, and focus on human resource development, so that the Group can respond not only to quantitative shortages but also to qualitative shortages.

③ Other businesses

In the Others Business, the Group will expand the Recruitment Consulting Services business, which actively provides

employment support to companies in the construction, manufacturing, and IT industries. In addition, the Group will build a foundation for our Japanese language education business in order to introduce excellent human resources from Vietnam, the Philippines, and other countries to Japanese companies.

As a result of the above, for the full fiscal year ending September 2019, the Group forecasts net sales of 50,000 million yen, operating income of 6,000 million yen, ordinary income of 6,000 million yen and net income attributable to owners of parent of 4,100 million yen.

(5) Important events, etc. on going concern assumption

Not applicable.

2. Basic Policies regarding the Selection of Accounting Standards

The Group has adopted Japanese accounting standards, considering the comparability of consolidated financial statements among periods and among companies.

Regarding the application of the IFRS, the Group will take appropriate actions in consideration of various circumstances in Japan and overseas.

3. Consolidated Financial Statements and Major Notes

(1) Consolidated Balance Sheet

(Thousand yen)

	Previous Fiscal Year (September 30, 2017)	Current Fiscal Year (September 30, 2018)
Assets		
Current assets		
Cash and deposits	8,555,544	11,300,821
Notes and accounts receivable	4,853,765	5,973,462
Electronically recorded monetary claims	8,925	9,529
Inventories	628	887
Deferred tax assets	238,185	363,846
Other	1,212,272	1,255,817
Allowance for doubtful accounts	-30,010	-17,834
Total current assets	14,839,313	18,886,530
Fixed assets		
Property, plant and equipment		
Buildings and structures	594,317	574,748
Accumulated depreciation	-104,942	-139,621
Buildings and structures, net	489,374	435,127
Machinery and equipment	12,096	14,167
Accumulated depreciation	-9,005	-10,891
Machinery, equipment and vehicles, net	3,091	3,275
Land	505,225	395,062
Leased asset	63,994	63,994
Accumulated depreciation	-45,893	-50,503
Lease assets, net	18,100	13,491
Other	148,542	212,270
Accumulated depreciation	-83,836	-120,941
Other, net	64,706	91,329
Total property, plant and equipment	1,080,498	938,286
Intangible assets		
Goodwill	898,984	610,028
Leased asset	181	-
Other	160,666	134,241
Total intangible assets	1,059,833	744,270
Investments and other assets		
Investment securities	2,601,736	2,052,529
Long-term loans receivable	2,543	101,243
Deferred tax assets	83,352	81,653
Other	795,367	798,457
Allowance for doubtful accounts	-35,298	-38,872
Total investments and other assets	3,447,702	2,995,012
Total noncurrent assets	5,588,033	4,677,569
Deferred assets		
Stock issuance	33,687	7,334
Total deferred assets	33,687	7,334
Total assets	20,461,033	23,571,433

(Thousand yen)

	Previous Fiscal Year (September 30, 2017)	Current Fiscal Year (September 30, 2018)
Liabilities		
Current liabilities		
Notes and accounts payable-trade	25,079	9,175
Short-term borrowings	915,835	100,000
Current portion of long-term loans payable	817,598	1,208,850
Lease obligation	5,162	4,725
Accrued expenses	1,541,231	2,025,934
Income taxes payable	653,875	1,082,346
Provision for bonuses	458,620	634,663
Allowance for shareholder benefit program	-	74,294
Other	1,430,775	1,506,575
Total current liabilities	5,848,177	6,646,564
Long-term liabilities		
Long-term debt	1,045,418	2,538,000
Lease obligation	14,964	10,238
Deferred tax liabilities	59,700	-
Obligations for retirement pay	278,767	306,790
Asset retirement obligations	66,289	66,183
Other	67,342	31,098
Total long-term liabilities	1,532,482	2,952,310
Total liabilities	7,380,659	9,598,874
Net assets		
Shareholders' equity		
Capital stock	805,147	805,147
Capital surplus	9,700,676	9,717,657
Retained earnings	1,317,188	2,266,936
Treasury stock	-9	-9
Total shareholders' equity	11,823,002	12,789,731
Other accumulated comprehensive income		
Valuation difference on securities	164,657	89,098
Foreign currency translation adjustments	-3,428	-4,791
Remeasurements of defined benefit plans	-2,664	-1,595
Total other accumulated comprehensive income	158,564	82,711
Share subscription rights	72,396	72,142
Non-controlling shareholders' equity	1,026,410	1,027,973
Total net assets	13,080,374	13,972,559
Total liabilities and net assets	20,461,033	23,571,433

(2) Consolidated Statement of Income and Consolidated Statement of Comprehensive Income

Consolidated Statements of Income

(Thousand yen)

	Previous Fiscal Year (October 1, 2016 - September 30, 2017)	Current Fiscal Year (October 1, 2017 - September 30, 2018)
Net sales	30,510,428	40,419,427
Cost of sales	21,729,677	28,080,910
Gross profit	8,780,750	12,338,516
Selling, general and administrative expenses		
Salaries and allowances	2,218,936	2,615,868
Provision for bonuses	22,441	27,863
Retirement benefit expenses	11,704	13,088
Recruiting expense	1,554,148	1,853,331
Provision for allowance for doubtful accounts	10,386	-
Other	2,601,352	2,642,139
Total selling, general and administrative expenses	6,418,970	7,152,291
Operating income	2,361,780	5,186,225
Non-operating income		
Interest income	3,335	4,190
Dividends income	6,885	13,419
Gain on investments in partnership	-	28,825
Rent income	101,227	50,026
Other	107,795	90,585
Total non-operating income	219,243	187,047
Non-operating expenses		
Interest expenses	23,975	24,993
Cost of rental revenue	59,920	30,286
Amortization of stock issuance costs	20,255	12,572
Equity in losses of affiliates	-	225,166
Expenses for shareholder benefit program	-	74,294
Other	53,041	65,183
Total non-operating expenses	157,192	432,497
Ordinary income	2,423,831	4,940,775
Extraordinary income		
Gain on sales of noncurrent assets	16,446	-
Gain on reversal of subscription rights to shares	18,275	1,816
Gain on sales of stock of affiliates	-	440,997
Other	28,276	6,952
Total extraordinary income	62,998	449,766
Extraordinary loss		
Loss on sales of noncurrent assets	-	4,035
Loss on valuation of investment securities	-	55,190
Impairment loss	205,336	226,504
Other	42,418	19,408
Total extraordinary loss	247,754	305,138
Income before income taxes	2,239,075	5,085,403
Income taxes	983,492	1,492,123
Income taxes-deferred	-73,755	-150,426
Total income taxes	909,736	1,341,696
Net income	1,329,338	3,743,706
Net income (loss) attributable to non-controlling interests	-96,744	107,968
Net income attributable to owners of parent	1,426,083	3,635,738

Statement of Comprehensive Income

(Thousand yen)

	Previous Fiscal Year (October 1, 2016 - September 30, 2017)	Current Fiscal Year (October 1, 2017 - September 30, 2018)
Net income	1,329,338	3,743,706
Other comprehensive income		
Valuation difference on securities	272,993	-73,122
Foreign currency translation adjustments	1,086	-1,362
Remeasurements of defined benefit plans, net of tax	2,750	1,710
Total other comprehensive income	276,831	-72,775
Comprehensive income	1,606,169	3,670,931
Breakdown		
Comprehensive income attributable to owners of the parent	1,689,529	3,559,844
Comprehensive income attributable to non-controlling interests	-83,359	111,086

(3) Consolidated Statements of Changes in Shareholders' Equity
Previous Fiscal Year (October 1, 2016 - September 30, 2017)

(Thousand yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
Balance at beginning of year	805,147	9,554,645	2,314,738	-9	12,674,521
Change during the year					
Increase (decrease) in equity due to capital increase of consolidated subsidiaries		146,306			146,306
Increase (decrease) in equity due to acquisition of shares of consolidated subsidiaries		-275			-275
Change in scope of equity method			—		—
Dividend of surplus			-2,423,634		-2,423,634
Net income attributable to owners of parent			1,426,083		1,426,083
Net change in items other than shareholders' equity					
Total changes in current term	—	146,031	-997,550	—	-851,518
Balance at end of year	805,147	9,700,676	1,317,188	-9	11,823,002

	Other accumulated comprehensive income				Share subscription rights	Non-controlling shareholders' equity	Total net assets
	Valuation difference on securities	Foreign currency translation adjustments	Remeasurements of defined benefit plans	Total other accumulated comprehensive income			
Balance at beginning of year	-96,610	-4,515	-4,094	-105,220	95,721	846,559	13,511,582
Change during the year							
Increase (decrease) in equity due to capital increase of consolidated subsidiaries							146,306
Increase (decrease) in equity due to acquisition of shares of consolidated subsidiaries							-275
Change in scope of equity method							—
Dividend of surplus							-2,423,634
Net income attributable to owners of parent							1,426,083
Net change in items other than shareholders' equity	261,267	1,086	1,430	263,785	-23,325	179,851	420,310
Total changes in current term	261,267	1,086	1,430	263,785	-23,325	179,851	-431,208
Balance at end of year	164,657	-3,428	-2,664	158,564	72,396	1,026,410	13,080,374

Current Fiscal Year (October 1, 2017 - September 30, 2018)

(Thousand yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
Balance at beginning of year	805,147	9,700,676	1,317,188	-9	11,823,002
Change during the year					
Increase (decrease) in equity due to capital increase of consolidated subsidiaries		16,980			16,980
Increase (decrease) in equity due to acquisition of shares of consolidated subsidiaries		—			—
Change in scope of equity method			-75,922		-75,922
Dividend of surplus			-2,610,067		-2,610,067
Net income attributable to owners of parent			3,635,738		3,635,738
Net change in items other than shareholders' equity					
Total changes in current term	—	16,980	949,748	—	966,728
Balance at end of year	805,147	9,717,657	2,266,936	-9	12,789,731

	Other accumulated comprehensive income				Share subscription rights	Non-controlling shareholders' equity	Total net assets
	Valuation difference on securities	Foreign currency translation adjustments	Remeasurements of defined benefit plans	Total other accumulated comprehensive income			
Balance at beginning of year	164,657	-3,428	-2,664	158,564	72,396	1,026,410	13,080,374
Change during the year							
Increase (decrease) in equity due to capital increase of consolidated subsidiaries							16,980
Increase (decrease) in equity due to acquisition of shares of consolidated subsidiaries							—
Change in scope of equity method							-75,922
Dividend of surplus							-2,610,067
Net income attributable to owners of parent							3,635,738
Net change in items other than shareholders' equity	-75,559	-1,362	1,069	-75,852	-253	1,562	-74,543
Total changes in current term	-75,559	-1,362	1,069	-75,852	-253	1,562	892,185
Balance at end of year	89,098	-4,791	-1,595	82,711	72,142	1,027,973	13,972,559

(4) Consolidated Statement of Cash Flows

(Thousand yen)

	Previous Fiscal Year (October 1, 2016 - September 30, 2017)	Current Fiscal Year (October 1, 2017 - September 30, 2018)
Cash flow from operating activities		
Income before income taxes	2,239,075	5,085,403
Depreciation and amortization	120,079	118,880
Impairment loss	205,336	226,504
Amortization of goodwill	218,402	194,873
Increase (decrease) in allowance for doubtful accounts	10,129	-8,601
Increase (decrease) in accrued bonuses	76,637	176,043
Increase (decrease) in provision for shareholder benefit program	-	74,294
Increase (decrease) in liability for retirement benefits	24,319	19,801
Interest and dividend income	-10,220	-17,609
Interest expenses	23,975	24,993
Foreign exchange loss (gain)	-4,754	-170
Loss (gain) on sale and disposal of property, plant and equipment	7,972	23,426
Loss (gain) on sales of shares of subsidiaries and associates	-	-440,997
Decrease (increase) in notes and accounts receivable-trade	-1,146,668	-1,096,486
Decrease (increase) in inventories	221	-258
Increase (decrease) in notes and accounts payable-trade	-31,213	3,664
Other	440,387	621,301
Sub-total	2,173,679	5,005,063
Interest and dividend received	8,508	17,291
Interest expenses paid	-23,424	-23,702
Income taxes refunded	-	6,582
Income taxes paid	-622,976	-1,075,741
Cash flow from operating activities	1,535,786	3,929,493
Cash flow from investing activities		
Purchase of property, plant and equipment	-144,351	-116,001
Proceeds from sales of property, plant and equipment	473,056	145,634
Purchase of investment securities	-674,101	-136,898
Proceeds from sale of investment securities	444,033	75,860
Proceeds from distribution of investments in capital	843	73,586
Purchase of stocks of subsidiaries and affiliates	-442,249	-48,565
Proceeds from sale of investments in subsidiaries	-	438,910
Acquisition of newly consolidated subsidiaries	-	-74,643
Proceeds from acquisition of newly consolidated subsidiaries	28,501	-
Payments for sale of investments in subsidiaries resulting in change of scope of consolidation	-4,915	-
Proceeds from sale of investments in subsidiaries resulting in change of scope of consolidation	-	271,333
Purchase of intangible assets	-57,497	-107,825
Proceeds from sale of investment properties	884,070	-
Lending of loans receivable	-7,473	-148,511
Collection of loans receivable	25,515	28,766
Payment on guaranty money deposited	-130,722	-21,638
Collection of fixed leasehold deposits	2,556	33,823
Other	19,951	1,319
Cash flow from investing activities	417,216	415,150

(Thousand yen)

	Previous Fiscal Year (October 1, 2016 - September 30, 2017)	Current Fiscal Year (October 1, 2017 - September 30, 2018)
Cash flow from financing activities		
Net increase (decrease) in short-term loans payable	786,817	-800,000
Proceeds from long-term debt	200,000	3,000,000
Repayment of long-term loans payable	-835,395	-1,108,951
Cash dividends paid	-2,423,714	-2,614,934
Dividends paid to non-controlling interests	-92,168	-98,828
Purchase of shares of subsidiaries not resulting in change in scope of consolidation	-20,600	-
Other	358,548	31,192
Cash flow from financing activities	-2,026,512	-1,591,520
Effect of exchange rate change on cash and cash equivalents	4,145	-652
Net increase (decrease) in cash and cash equivalents	-69,364	2,752,471
Cash and cash equivalents at beginning of term	9,017,292	8,947,928
Cash and cash equivalents at end of term	8,947,928	11,700,399

(5) Notes on the Consolidated Financial Statements

(Notes on going concern assumptions)

Not applicable.

(Segment information)

Segmented information

1. Outline of Reportable Segment

(1) Determination of reportable segments

The reportable segments of the Group are components of the Group for which separate financial information is available, and which the Board of Directors regularly reviews to determine the allocation of management resources and assess performance.

The main businesses of the Group are the Construction Engineer Temporary Staffing business and the Engineer Temporary Staffing business. Each consolidated group company conducts its business activities as an independent management unit.

Accordingly, the Group is composed of segments by each business, and in order to provide appropriate information, such as the content of business activities, the two reportable segments of some businesses that are generally similar in terms of services and other elements are consolidated into business segments "Construction Engineer Temporary Staffing Business" and "Engineer Temporary Staffing Business".

(2) Types of products and services belonging to each reportable segment

The Construction Engineer Temporary Staffing business dispatches construction supervisors and construction engineers, prepares construction drawings, and sells them.

The Engineer Temporary Staffing segment dispatches engineers and develops software on a consignment basis.

(3) Changes in reportable segments

Since the first consolidated accounting period, the education-related business and the IT-related business, which had been previously reported, have been excluded from the reporting segment due to the lack of quantitative significance.

As a result, from the first quarter of the current fiscal year, "Construction Engineer Temporary Staffing Business" and "Engineer Temporary Staffing Business" are presented as reportable segments.

Segment information for the previous fiscal year is based on the new classification.

From the second quarter of the current fiscal year, the name of the Construction Engineer Temporary Staffing business was changed to the Construction Engineer Temporary Staffing business to reflect the actual situation.

2. Calculation method for net sales, income (loss), assets, liabilities and other items by reportable segment

The accounting methods for reportable business segments are generally the same as the accounting methods used in the preparation of the consolidated financial statements.

Income of reportable segments is based on operating income. Inter-segment sales and transfers are based on prevailing market prices.

3 Information on net sales, income (loss), assets, liabilities and other items by reportable segment

Previous Fiscal Year (October 1, 2016 - September 30, 2017)

(Thousand yen)

	Reportable Segments			Other (Note)	Total
	Construction Engineer Temporary Staffing business	Engineer Temporary Staffing business	Total		
Net sales					
Net sales to unaffiliated customers	22,607,678	7,367,986	29,975,664	534,764	30,510,428
Intersegment sales or transfers among segments	—	16,761	16,761	122,604	139,365
Total	22,607,678	7,384,747	29,992,425	657,368	30,649,793
Segment profit (loss)	2,877,177	177,685	3,054,862	-561,702	2,493,160
Other items					
Depreciation and amortization	76,451	16,454	92,905	27,173	120,079
Amortization of goodwill	—	54,900	54,900	164,657	219,557

(Note) 1. The "Others" segment is a business segment that is not included in the reportable segments. It includes the Recruitment Consulting Services, Education Services, and IT Services.

2. Segment assets and liabilities are not stated as assets and liabilities are not allocated to business segments.

Current Fiscal Year (October 1, 2017 - September 30, 2018)

(Thousand yen)

	Reportable Segments			Other (NOTE)	Total
	Construction Engineer Temporary Staffing business	Engineer Temporary Staffing business	Total		
Net sales					
Net sales to unaffiliated customers	29,609,178	10,378,646	39,987,825	431,601	40,419,427
Intersegment sales or transfers among segments	—	-281	-281	76,508	76,226
Total	29,609,178	10,378,365	39,987,544	508,109	40,495,654
Segment profit (loss)	4,980,631	465,173	5,445,804	-116,263	5,329,541
Other items					
Depreciation and amortization	88,344	25,347	113,691	5,189	118,880
Amortization of goodwill	—	66,449	66,449	131,196	197,646

(Note) 1. The "Others" segment is a business segment that is not included in the reportable segments. It includes the Recruitment Consulting Services, Education Services, and IT Services.

2. Segment assets and liabilities are not stated as assets and liabilities are not allocated to business segments.

4 Difference between the total amount of reportable segments and the amount recorded in the consolidated financial statements, and main details of the difference (matters concerning difference adjustment)

(Thousand yen)

Net sales	Previous Fiscal Year	Current Fiscal Year
Reportable segments total	29,992,425	39,987,544
Net sales classified in "Others"	657,368	508,109
Elimination of inter-segment transactions	-139,365	-76,226
Net sales on the consolidated financial statements	30,510,428	40,419,427

(Thousand yen)

Gain (loss)	Previous Fiscal Year	Current Fiscal Year
Reportable segments total	3,054,862	5,445,804
Loss in "Others"	-561,702	-116,263
Elimination of inter-segment transactions	71,223	52,805
Amortization of goodwill	-196,103	-183,747
Corporate expenses (Note)	-6,500	-12,375
Operating income in the consolidated financial statements	2,361,780	5,186,225

(Note) Corporate expenses are mainly general and administrative expenses that do not belong to any reportable segment.

(Thousand yen)

Other items	Reportable segments total		Other		Adjusted amount		Amount recorded in the consolidated financial statements	
	Previous Fiscal Year	Current Fiscal Year	Previous Fiscal Year	Current Fiscal Year	Previous Fiscal Year	Current Fiscal Year	Previous Fiscal Year	Current Fiscal Year
Depreciation and amortization	92,905	113,691	27,173	5,189	—	—	120,079	118,880
Amortization of goodwill	54,900	66,449	164,657	131,196	-1,155	-2,772	218,402	194,873

(Per-stock Information)

	Previous Fiscal Year (October 1, 2016 - September 30, 2017)	Current Fiscal Year (October 1, 2017 - September 30, 2018)
Net assets per share	160.67 yen	172.61 yen
Net income per share	19.12 yen	48.75 yen
Diluted net income per share	18.86 yen	48.10 yen

(Note) The basis for calculation of net income per share and diluted net income per share is as follows.

	Previous Fiscal Year (October 1, 2016 - September 30, 2017)	Current Fiscal Year (October 1, 2017 - September 30, 2018)
Net income per share		
Net income attributable to owners of parent (thousand yen)	1,426,083	3,635,738
Amount not attributable to common shareholders (thousand yen)	—	—
Net income attributable to owners of parent related to common stock (thousand yen)	1,426,083	3,635,738
Average number of shares of common stock outstanding during the period (thousand shares)	74,573	74,573
Diluted net income per share		
Adjustment to profit attributable to owners of parent (thousand yen)	-746	-868
(Difference on change in equity related to stock acquisition rights issued by consolidated subsidiaries (thousand yen))	(-746)	(-868)
Increase in common shares (thousand shares)	955	991
(Subscription rights to shares (thousand shares))	(955)	(991)
Outline of potential shares not included in the calculation of fully diluted net income per share due to lack of dilutive effect	—	9 th Stock Acquisition Rights January 27, 2016 Board Resolutions Number of common stock: 94 thousand Number of stock options: 946 11 th Stock Acquisition Rights September 6, 2017 Board Resolutions Number of common stock: 166 thousand Number of stock options: 1,668

The basis for calculating the amount of net assets per share is as follows.

	Previous Fiscal Year (October 1, 2016 - September 30, 2017)	Current Fiscal Year (October 1, 2017 - September 30, 2018)
Total net assets (thousand yen)	13,080,374	13,972,559
Amount deducted from total net assets (thousand yen)	1,098,806	1,100,115
(Stock acquisition rights (thousand yen))	(72,396)	(72,142)
(Non-controlling interests) (thousand yen)	(1,026,410)	(1,027,973)
Net assets related to common stock at the end of the fiscal year (thousand yen)	11,981,567	12,872,443
Number of common shares at the end of the period used to calculate the amount of net assets per share (thousands)	74,573	74,573

(Significant subsequent events)

Acquisition of companies, etc. by acquisition of shares

1. Acquisition of Centurion Capital Pacific Limited

At the Board of Directors meeting held on July 30, 2018, the Company resolved to acquire the share of a special-purpose company (Centurion Capital Pacific Limited, hereinafter referred to as "P4U Company" for convenience) that holds 100% shares of P3OPLE4U, Inc., and make it a subsidiary. In addition, the Company acquired its shares on October 1, 2018 making it a subsidiary.

(1) The outline of the Business Combination

① Name and business of the acquired company

Name of the acquired company: P3OPLE4U, Inc.

Business outline: Temporary staffing of engineer

*Centurion Capital Pacific Limited is a company formed for the purpose of holding shares of P3OPLE4U, Inc.

② Main reasons for the business combination

The Company is currently in the process of implementing the Medium-Term Management Plan, which sees the temporary staffing of engineers to the construction, manufacturing and IT industries as growth drivers, all of which are seriously lacking human resources. Regarding the shortage of human resources, in particular, the shortage of IT personnel is expected to accelerate worldwide, and it is estimated that there will be a shortage of approximately 790,000 people in Japan alone by 2030.

Therefore, the Company recognizes that acquiring IT personnel in Japan and overseas is a significant growth opportunity for the Group. P4U Co., Ltd., which the Company acquired this time, dispatches IT engineers mainly to the Philippines. In the Philippines, the BPO (Business Process Outsourcing) market continues to expand due to low-price labor. In addition, P4U is also expected to grow significantly in the future as a result of the national government's efforts to train IT engineers. In light of this, the Company has decided to acquire shares of P4U as they have a strong affinity with the Group, which considers securing IT personnel in Japan and overseas to be an important management strategy over the medium to long term.

③ Date of business combination

October 1, 2018

④ Legal form of business combination

Acquisition of shares

⑤ Name following business combination

There is no change in the name of the company after the business combination.

⑥ Percentage of voting rights acquired

75%

⑦ Main reasons for deciding the acquiring company

This was due to the acquisition of shares by the Company for cash consideration.

(2) Acquisition cost of the acquired company and breakdown by type of consideration

Cash consideration: 225 million Philippine peso (PhP)

Cost 225 million: Philippine pesos (PhP)

(Note) Consideration for the acquisition does not include contingent acquisition consideration. Contingent consideration is a contract in which payment is processed based on the future performance of the acquired company for a certain period of time, and has not been finalized at this time.

(3) Details and amount of major acquisition-related expenses

Advisory expenses, etc. 33 million yen

(4) Amount of goodwill generated, cause, amortization method and amortization period

Currently undetermined

(5) Assets acquired and liabilities assumed on the date of the business combination

Currently undetermined

(6) Details of contingent acquisition consideration stipulated in the business combination agreement and accounting policies for the current consolidated fiscal year onward

① Contingent acquisition consideration

The following contingent acquisition consideration is payable in accordance with the achievement of specific milestones subsequent to the business combination:

(a) The Company will pay 75 million Philippine peso (PhP) if P4U's performance indicator EBITDA achieves 90% for the period from January 1, 2018 to December 31, 2018.

(b) If P4U's performance indicator EBITDA achieves 90% for the period from January 1, 2018 to December 31, 2018, or the cumulative performance indicator EBITDA achieves 90% or more from January 1, 2018 to December 31, 2018 and January 1, 2019 to December 31, 2019, we will pay up to 100% in proportion to the achievement rate as follows:

Achievement rate	Contingent consideration
90%-100%	57 million Philippine peso (PhP) to 64 million Philippine peso (PhP)

② Accounting policies for the current consolidated fiscal year onward

When additional payments are made for the acquisition consideration, the acquisition cost is adjusted by deeming it to have been paid at the time of acquisition, and the amount of goodwill and the amount of amortization of goodwill are adjusted.

(7) In cases where the allocation of the acquisition cost has not been completed, a statement to that effect and the reason therefor

The allocation of acquisition costs has not been completed as the identification of identifiable assets and liabilities and the calculation of fair value has not been completed.

2. Acquisition of Neplus Co., Ltd.

At the meeting of the Board of Directors held on September 26, 2018, the Company resolved to acquire the shares of Neplus, Inc. and make it a subsidiary. In addition, the Company acquired shares on October 1, 2018, making it a subsidiary.

(1) The outline of the Business Combination

① Name and business of the acquired company

Name of the acquired company: Neplus Co., Ltd.

Business outline: Temporary staffing/Placement/Recruiting Services, Sales and Rental of IT Equipment

② Main reasons for the business combination

In addition to its mainstay Construction Engineer Temporary Staffing business, the Group also actively recruit human resources in the Engineer Staffing business. By achieving a group of 10,000 engineers in the fiscal year ending September 2020, the Group are responding to the vigorous demand for the temporary staffing of engineers in the construction, manufacturing, and IT industries. The Group formulated the Medium-Term Management Plan, which aims to achieve dramatic business expansion with consolidated net sales of 76.2 billion yen and consolidated operating income of 10.0 billion yen in the fiscal year ending September 2021. The entire Group is united in its efforts to achieve these goals.

With regard to the shortage of human resources in particular, it is predicted that the shortage of IT personnel will accelerate worldwide, and it has been announced that by 2030 there will be a shortage of approximately 790,000 people in Japan alone. In the manufacturing industry, technological innovations such as automation and optimization of production through the use of AI and IoT are accelerating, and we anticipate that there will be a growing sense of shortage of engineers in the R&D division. Therefore, we recognize that acquiring IT personnel in Japan and overseas is a significant growth opportunity for the Group.

Neplus, Inc., which the Group acquired this time, is engaged in the sales and rental of IT equipment, centered on CISCO products, and in the IT Engineer Temporary Staffing business. In addition to their deep knowledge of each product and strong relationships with business partners, they have over 50 talented engineers with advanced technical capabilities as the core of the business. The main work sites of the temporary staffing are the so-called upstream process companies in the development and design fields, which can be expected to complement the Group's engineering capabilities in the Engineer Staffing segment, where there are many young and inexperienced engineers. In addition, Neplus has dispatched engineers to several companies that the Group has not dispatched its workers. Therefore, the Group decided that Neplus has a very high affinity with the Group and acquired Neplus's shares, which will enable the Group to expand its customer base.

③ Date of business combination

October 1, 2018

④ Legal form of business combination

Acquisition of shares

⑤ Name following business combination

There is no change in the name of the company after the business combination.

⑥ Percentage of voting rights acquired

100%

⑦ Main reasons for deciding the acquiring company

This was due to the acquisition of shares by the Group for cash consideration.

(2) Acquisition cost of the acquired company and breakdown by type of consideration

Cash consideration	1,954 million yen
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Acquisition cost	1,954 million yen
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(3) Details and amount of major acquisition-related expenses

Advisory expenses, etc. 102 million yen

(4) Amount of goodwill generated, cause, amortization method and amortization period

Currently undetermined

(5) Assets acquired and liabilities assumed on the date of the business combination

Currently undetermined

(6) In cases where the allocation of the acquisition cost has not been completed, a statement to that effect and the reason therefor

The allocation of acquisition costs has not been completed as the identification of identifiable assets and liabilities and the calculation of fair value has not been completed.

Conclusion of Share Exchange Agreement

At a meeting of the Board of Directors held on November 14, 2018, the Company resolved to conduct a share exchange with consolidated subsidiary Yume Technology Co., Ltd. ("Yume Technology") as its wholly-owned subsidiary and concluded a share exchange agreement on the same day.

The share exchange is scheduled to take effect on January 31, 2019, after obtaining approval by resolution of the Ordinary General Meeting of Shareholders of Yume Technology to be held on December 18, 2018 and the Company's Ordinary General Meeting of Shareholders to be held on December 19, 2018.

In addition, prior to the effective date of the Share Exchange, Yume Technology's common stock is scheduled to be delisted on the Tokyo Stock Exchange, Inc. (hereinafter referred to as the "Tokyo Stock Exchange") JASDAQ Market (hereinafter referred to as the "JASDAQ") on January 28, 2019 (last trading day is January 25, 2019).

(1) Purpose of the Share Exchange

The Group has been discussing maximizing group synergy. As a result, the Group has concluded that by making Yume Technology a wholly owned subsidiary, it is possible to enjoy the following benefits for both companies.

The Group believe that realizing these advantages will increase the corporate value of the entire Yumeshin Group. These advantages include following: As for the Yumeshin Holdings, the Group will be able to accelerating the Group's growth strategy, realizing unified business management across the Group, promoting low-cost operations. As for the Yume Technology, they will be able to implementing flexible M&As utilizing the Group's financial resources, securing overseas human resources jointly with Yumeshin Group, realizing swift decision-making, and formulating business plans from a long-term perspective.

In order for the minority shareholders of Yume Technology to enjoy the effect of the above-mentioned improvement in corporate value resulting from the conversion of Yume Technology into a wholly owned subsidiary of Yumeshin Holdings, it is best to have the minority shareholders of Yume Technology become the shareholders of Yume Technology through the Share Exchange method in which Yume Technology becomes the parent company in the Share Exchange and Yume Technology becomes the wholly owned subsidiary in the Share Exchange.

The Group and Yume Technology will strive to maximize equity earnings by making optimal and efficient use of the management resources of the Yumeshin Group through this share exchange.

(2) Share Exchange Schedule

Record Date of Ordinary General Meeting of Shareholders (both companies)	Sunday, September 30, 2018
Resolution date of the board of directors' meeting to conclude the Share Exchange Agreement (both companies)	Wednesday, November 14, 2018
Date of the share exchange agreement (both companies)	Wednesday, November 14, 2018
Annual General Meeting of Shareholders (Yume Technology)	Tuesday, December 18, 2018 (planned)
Date of the Ordinary General Meeting of Shareholders (Yumeshin Holdings)	Wednesday, December 19, 2018 (planned)
Last trading day (Yume Technology)	Friday, January 25, 2019 (tentative)
Delisting date (Yume Technology)	Monday, January 28, 2019 (tentative)
Date of the Share Exchange (Effective Date)	Thursday, January 31, 2019 (planned)

(Note) The schedule of the share exchange may be changed after consultation between the two companies if necessary due to the progress of the share exchange procedures or for other reasons

(3) Outline of the Share Exchange

① Method of Share Exchange

Yumeshin Holdings will become a wholly-owned parent company in the Share Exchange, and Yume Technology will become a wholly-owned subsidiary in the Share Exchange. The share exchange is scheduled to take effect on January 31, 2019 after obtaining approval from the annual general meeting of shareholders of Yume Technology Co., Ltd. scheduled to be held on December 18, 2018, and the annual general meeting of shareholders of Yumeshin Holdings Co., Ltd. scheduled to be held on January 19, 2018.

② Details of the allotment pertaining to the Share Exchange

	Yumeshin Holdings (Wholly-owning parent company in the Share Exchange)	Yume Technology (Wholly-owned subsidiary in the Share Exchange)
Allotment ratio related to the Share Exchange	1	0.75
Number of shares to be delivered through the Share Exchange	Yumeshin Holdings' common stock: 3,778,800 shares (planned)	

(Note) 1. Allotment ratio of shares

0.75 shares of Yumeshin Holdings will be allotted to each share of Yumeshin Technology. However, as for the 7,986,800 shares of common stock of Yume Technology held by Yume Holdings Co., Ltd. (as of November 14, 2018), no shares will be allotted through the Share Exchange. In the event of a material change in the conditions on which the calculation is based, the Share Exchange ratio mentioned above may be changed after consultation between the two companies.

2. Number of shares to be delivered through the Share Exchange

At the time of the Share Exchange, Yumeshin Holdings will deliver to the shareholders (the shareholders shall be the shareholders after the following retirement of treasury shares, excluding Yumeshin Holdings) immediately before the time (hereinafter referred to as the "Base Date") when Yumeshin Holdings acquires all of its outstanding shares of Yume Technology. In place of the common shares of Yume Technology, Yumeshin Holdings plans to issue the total number of shares held by shareholders multiplied by 0.75. All of the shares to be delivered through the Share Exchange will be handled by issuing new shares of common stock.

③ Basis, etc. for Calculating the Details of Allotment of Shares Pertaining to the Share Exchange

In order to ensure fairness and appropriateness in determining the Share Exchange Ratio, we selected a third-party calculation organization and a legal advisor independent from both companies. Yumeshin Holdings selected Trustees Advisory Co., Ltd. (hereinafter referred to as "Trustees") and Yume Technology selected Clifix FAS Co.,LTD. (hereinafter referred to as "Crifix") as third-party calculation organizations, respectively. As legal advisors, Yumeshin Holdings selected Iwata Godo Law Office and Yume Technology selected City-Yuwa Partners, and commenced full-fledged investigation.

The Company carefully reviewed the results of analysis and advice on the share exchange ratio submitted by the Trustee, and also carefully negotiated and discussed with Yume Technology based on a comprehensive consideration of the financial condition, performance trends, stock price trends, etc. of the Company and Yume Technology.

On the other hand, Yume Technology carefully considered the results of analysis and advice on the share exchange ratio submitted by Crifix, and carefully negotiated and discussed them with the Company based on the results of due diligence conducted against the Company, as well as comprehensively taking into account such factors as Yume Technology and the Company's financial condition, performance trends, and share price trends.

As a result, the Company and Yume Technology determined that the Share Exchange ratio was within the scope of the results of the share exchange ratio calculation in the share exchange ratio calculation report submitted by the calculation organizations entrusted by both companies. As a result, the Share Exchange ratio was appropriate to take into consideration the financial condition, performance trends, share price trends, etc. of both companies. At the Board of Directors meeting of both companies held on November 14, 2018, it was decided that the Share Exchange ratio would be used for the Share Exchange, and the two companies concluded the Share Exchange Agreement on the same day.

④ Overview of the companies involved in the Share Exchange (as of September 30, 2018)

	Wholly-owning parent company in the Share Exchange	Wholly-owned subsidiary in the Share Exchange
(1) Name	Yumeshin Holdings Co., Ltd.	Yume Technology Co, Ltd.
(2) Location	4-1, Marunouchi 1-chome, Chiyoda-ku, Tokyo	20-3, Osaki 1-chome, Shinagawa-ku, Tokyo
(3) Job Title/Name of Representative	Daio Sato, President and Representative Director	Saichiro Motoyama, President and Representative Director
(4) Business content	Construction Engineer Temporary Staffing business	Engineer Temporary Staffing business
(5) Capital stock	805,147 thousand yen	1,290,940 thousand yen

(4) Outline of accounting treatment

In accordance with the "Revised Accounting Standard for Business Combinations" (ASBJ Statement No. 21, September 13, 2013) and the "Revised Implementation Guidance on Accounting Standard for Business Combinations and Accounting Standard for Business Divestitures" (ASBJ Guidance No. 10, September 13, 2013), the Company plans to treat the transaction as a transaction under common control.

4. Non-consolidated financial statements

(1) Balance Sheet

(Thousand yen)

	Previous Fiscal Year (September 30, 2017)	Current Fiscal Year (September 30, 2018)
Assets		
Current assets		
Cash and deposits	6,556,545	9,046,060
Accounts receivable	3,764,483	4,565,461
Finished products	176	801
Supplies	452	86
Prepaid expenses	212,340	257,575
Deferred tax assets	178,841	299,407
Other	1,035,972	939,960
Allowance for doubtful accounts	-82,607	-197,834
Total current assets	11,666,204	14,911,518
Fixed assets		
Property, plant and equipment		
Buildings	412,490	362,465
Structures	104	95
Automotive equipment	3,091	2,058
Tools, furniture and fixtures	29,801	72,788
Land	505,225	395,062
Leased asset	18,100	13,491
Total property, plant and equipment	968,814	845,961
Intangible assets		
Software	28,240	97,114
Leased asset	181	-
Other	12,241	13,282
Total intangible assets	40,663	110,396
Investments and other assets		
Investment securities	1,490,144	1,421,298
Stocks of subsidiaries and affiliates	3,074,978	2,330,610
Long-term loans receivable	132	100,800
Long-term loans to shareholders, officers and employees	1,400	443
Claims in bankruptcy	31,238	37,519
Deferred tax assets	103,229	120,696
Other	636,363	656,079
Allowance for doubtful accounts	-35,298	-38,872
Total investments and other assets	5,302,188	4,628,576
Total noncurrent assets	6,311,666	5,584,935
Total assets	17,977,870	20,496,453

(Thousand yen)

	Previous Fiscal Year (September 30, 2017)	Current Fiscal Year (September 30, 2018)
Liabilities		
Current liabilities		
Accounts payable-trade	8,760	9,175
Short-term borrowings	760,000	100,000
Current portion of long-term loans payable	775,600	1,108,850
Lease obligation	5,162	4,725
Accounts payable	293,083	294,645
Accrued expenses	1,157,587	1,525,027
Income taxes payable	637,110	1,007,800
Advances received	50,429	63,488
Deposit	93,548	112,569
Provision for bonuses	261,083	373,053
Allowance for shareholder benefit program	-	74,294
Other	524,755	617,966
Total current liabilities	4,567,119	5,291,597
Long-term liabilities		
Long-term debt	1,031,850	2,188,000
Lease obligation	14,964	10,238
Asset retirement obligations	65,639	65,858
Other	67,279	31,036
Total long-term liabilities	1,179,733	2,295,132
Total liabilities	5,746,853	7,586,729
Net assets		
Shareholders' equity		
Capital stock	805,147	805,147
Capital surplus		
Legal capital surplus	867,545	867,545
Other capital surplus	8,477,977	8,477,977
Total capital surplus	9,345,523	9,345,523
Retained earnings		
Legal reserve	13,478	13,478
Other retained earnings		
General reserve	100,000	100,000
Retained earnings brought forward	1,723,067	2,480,611
Total retained earnings	1,836,546	2,594,089
Treasury stock	-9	-9
Total shareholders'equity	11,987,206	12,744,750
Valuation and translation adjustments		
Valuation difference on securities	174,783	95,207
Total valuation and translation adjustments	174,783	95,207
Share subscription rights	69,026	69,766
Total net assets	12,231,017	12,909,724
Total liabilities and net assets	17,977,870	20,496,453

(2) Income Statement

(Thousand yen)

	Previous Fiscal Year (October 1, 2016 - September 30, 2017)	Current Fiscal Year (October 1, 2017 - September 30, 2018)
Net sales	22,607,678	29,609,178
Cost of sales	15,791,304	20,004,225
Gross profit	6,816,374	9,604,952
Selling, general and administrative expenses	3,939,196	4,624,321
Operating income	2,877,177	4,980,631
Non-operating income		
Interest income	11,720	5,685
Dividends income	166,469	173,155
Rent income	118,278	62,206
Other	142,126	83,846
Total non-operating income	438,595	324,894
Non-operating expenses		
Interest expenses	21,401	23,042
Cost of rental revenue	59,920	30,286
Expenses for shareholder benefit program	-	74,294
Commission paid	-	21,397
Other	37,609	30,121
Total non-operating expenses	118,931	179,141
Ordinary income	3,196,841	5,126,384
Extraordinary income		
Gain on sales of noncurrent assets	16,446	-
Gain on sales of stock of affiliates	-	440,996
Other	17,295	4,360
Total extraordinary income	33,741	445,356
Extraordinary loss		
Loss on sales of noncurrent assets	-	3,911
Provision for allowance for doubtful accounts	-	179,999
Bad debt loss	75,000	-
Valuation loss on shares of affiliates	532,101	643,038
Other	113,544	78,559
Total extraordinary loss	720,645	905,509
Income before income taxes	2,509,936	4,666,231
Income taxes	913,590	1,401,534
Income taxes-deferred	-241,100	-102,914
Total income taxes	672,490	1,298,620
Net income	1,837,446	3,367,610

(3) Statements of Changes in Shareholders' Equity

Previous Fiscal Year (October 1, 2016 - September 30, 2017)

(Thousand yen)

	Shareholders' equity							
	Capital stock	Capital surplus			Legal reserve	Retained earnings		
		Legal capital surplus	Other Capital surplus	Capital surplus Total		General reserve	Other retained earnings Retained earnings brought forward	Total retained earnings
Balance at beginning of year	805,147	867,545	8,477,977	9,345,523	13,478	100,000	2,309,256	2,422,734
Change during the year								
Dividend of surplus							-2,423,634	-2,423,634
Net income							1,837,446	1,837,446
Net change in items other than shareholders' equity								
Total changes in current term	-	-	-	-	-	-	-586,188	-586,188
Balance at end of year	805,147	867,545	8,477,977	9,345,523	13,478	100,000	1,723,067	1,836,546

	Shareholders' equity		Valuation and translation adjustments		Share subscription rights	Total net assets
	Treasury stock	Total shareholders' equity	Valuation difference on available-for-sale securities	Total valuation and translation adjustments		
Balance at beginning of year	-9	12,573,394	-63,671	-63,671	86,321	12,596,044
Change during the year						
Dividend of surplus		-2,423,634				-2,423,634
Net income		1,837,446				1,837,446
Net change in items other than shareholders' equity			238,455	238,455	-17,295	221,160
Total changes in current term	-	-586,188	238,455	238,455	-17,295	-365,027
Balance at end of year	-9	11,987,206	174,783	174,783	69,026	12,231,017

Current Fiscal Year (October 1, 2017 - September 30, 2018)

(Thousand yen)

	Shareholders' equity							
	Capital stock	Capital surplus			Legal reserve	Retained earnings		
		Legal capital surplus	Other Capital surplus	Capital surplus Total		Other retained earnings		Total retained earnings
					General reserve	Retained earnings brought forward		
Balance at beginning of year	805,147	867,545	8,477,977	9,345,523	13,478	100,000	1,723,067	1,836,546
Change during the year								
Dividend of surplus							-2,610,067	-2,610,067
Net income							3,367,610	3,367,610
Net change in items other than shareholders' equity								
Total changes in current term	-	-	-	-	-	-	757,543	757,543
Balance at end of year	805,147	867,545	8,477,977	9,345,523	13,478	100,000	2,480,611	2,594,089

	Shareholders' equity		Valuation and translation adjustments		Share subscription rights	Total net assets
	Treasury stock	Total shareholders' equity	Valuation difference on available-for-sale securities	Total valuation and translation adjustments		
Balance at beginning of year	-9	11,987,206	174,783	174,783	69,026	12,231,017
Change during the year						
Dividend of surplus		-2,610,067				-2,610,067
Net income		3,367,610				3,367,610
Net change in items other than shareholders' equity			-79,576	-79,576	740	-78,836
Total changes in current term	-	757,543	-79,576	-79,576	740	678,706
Balance at end of year	-9	12,744,750	95,207	95,207	69,766	12,909,724