

Summary of Business Results for the First Quarter Ended December 31, 2018 [Japan GAAP] (Consolidated)

February 8, 2019

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 filing of quarterly report: February 14, 2019
 Expected starting date of dividend payment: -
 Preparation of quarterly supplementary financial document: Yes
 Quarterly results briefing: None

(Rounded down to million yen)

1. Consolidated business results for the three months ended December 2018 (October 1, 2018 through December 31, 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	%
Three months ended Dec. 2018	11,824	25.6	1,240	0.7	1,260	4.6	852	-11.0
Three months ended Dec. 2017	9,411	34.5	1,232	90.8	1,204	66.3	957	124.5

(Note) Comprehensive income

Three months ended December 2018: 771 million yen (-23.3%)

Three months ended December 2017: 1,005 million yen (28.1%)

	Net income per share	Diluted net income per share
	Yen	Yen
Three months ended Dec. 2018	11.43	11.39
Three months ended Dec. 2017	12.84	12.67

(2) Consolidated financial position

	Total assets	Net assets	Shareholders' equity ratio
	Million yen	Million yen	%
As of Dec. 2018	26,310	13,191	46.0
As of Sept. 2018	23,571	13,972	54.6

(Reference) Shareholders' equity

As of December 2018: 12,106 million yen

As of September 2018: 12,872 million yen

2. Dividends

	Annual dividend				
	End of 1Q	End of 2Q	End of 3Q	Year-end	Total
	Yen	Yen	Yen	Yen	Yen
Year ended Sept. 2018	-	15.00	-	20.00	35.00
Year ending Sept. 2019	-				
Year ending Sept. 2019 (forecast)		15.00	-	20.00	35.00

(Note) Revisions to dividend forecast for the current quarter: None

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

(Note) Revisions to business forecast for the current quarter: None

***Notes**

(1) Changes in significant subsidiaries during the period (changes in specified subsidiaries accompanying changes in the scope of consolidation): None

(2) Application of accounting procedures specific to preparation of the quarterly financial statements: None

(3) 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

(4) Shares outstanding (common stock)

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

As of December 2018 74,573,440 shares

As of September 2018 74,573,440 shares

② Treasury stock at the end of period

As of December 2018 88 shares

As of September 2018 86 shares

③ Average number of stock during period (quarterly cumulative period)

Three months ended December 2018 74,573,352 shares

Three months ended December 2017 74,573,354 shares

***Quarterly financial summary is not subject to the quarterly 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.

○ Table of Contents of the Appendix

1. Qualitative Information on Results for the Current Quarter.....	2
(1) Results of Operations.....	2
2. Quarterly Consolidated Financial Statements and Major Notes.....	5
(1) Quarterly consolidated balance sheets.....	5
(2) Quarterly Consolidated Statements of Income and Statements of Comprehensive Income.....	7
(3) Notes to Quarterly Consolidated Financial Statements.....	9
(Notes on going concern assumptions)	9
(Significant subsequent events)	9

1. Qualitative Information on Results for the Current Quarter

(1) Results of Operations

① Overview of Consolidated Business Results

During the current first quarter (October 1, 2018 to December 31, 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 human resources and developing human resources to increase added value in order to supply human resources to the construction and IT industries to play a leading role in the next generation of industries. As a result, net sales increased by 2,413 million yen (25.6%) year-on-year to 11,824 million yen due to growth in the Construction Engineer Temporary Staffing business and the Engineer Temporary Staffing business resulting from an increase in the number of engineers.

Operating income increased by 8 million yen (0.7%) year-on-year to 1,240 million yen due to an increase in recruiting expenses in anticipation of improved business performance, despite an increase in the unit price of temporary staffing in the Construction Engineer Temporary Staffing business.

Net income attributable to owners of parent decreased by 105 million yen (11.0%) year-on-year to 852 million yen.

The following table shows the results for the current first quarter.

(Million yen)

	FY9/18 1Q	FY9/19 1Q	Change	Percentage change
Net sales	9,411	11,824	2,413	25.6%
Operating income	1,232	1,240	8	0.7%
Ordinary income	1,204	1,260	55	4.6%
Net income attributable to owners of parent	957	852	-105	-11.0%

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 December 31, 2018)

Segment Name	Business Line	Company Name
Construction Engineer Temporary Staffing business	<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 Dispatch of network engineers Dispatch of IT engineers to the Philippines 	Yume Technology Co., Ltd. Krung thep Co., Ltd. NEPLUS K.K. (Note 4) Centurion Capital Pacific Limited (Note 4) P3OPLE4U, Inc. (Note 4)
Other businesses	<ul style="list-style-type: none"> Recruitment consultancy service for the construction and manufacturing industries Japanese language education for overseas local personnel and HR business Sales and rental of IT-related equipment Japanese language education for local Philippine personnel 	Yume Agent Co., Ltd. YUMEGLOBAL CO., LTD. (Japan) (Note 6) Neplus Co., Ltd. (Note 4) YUMEGLOBAL Corp. (Note 2)

	<ul style="list-style-type: none"> • Support for recruitment of local Vietnamese personnel • Course on Measures to Acquire National Construction-Related Qualifications • Offshore development in Vietnam 	YUMEGLOBAL CO., LTD. (Note 3) Construction Qualification Promotion Center Co., Ltd. YUMESHIN VIETNAM CO., LTD. (Note 5) Yumeshin Holdings Co., Ltd.
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(Note 1) Yume Solutions Co., Ltd., which had been classified in the Other Business segment, merged with Yumeshin Holdings Co., Ltd. on October 1, 2018, and ceased to exist.

(Note 2) YUMEGLOBAL PHILIPPINES Corp. classified as Others has been renamed YUMEGLOBAL Corp. for the first quarter of the current fiscal year.

(Note 3) YUMEGLOBAL VIETNAM CO., LTD. are renamed YUMEGLOBAL CO., LTD. for the first quarter of the current fiscal year.

(Note 4) Centurion Capital Pacific Limited, P3OPLE4U, Inc., and Neplus Co., Ltd., which acquired shares on October 1, 2018, have been included in the Engineer Dispatch Business and other businesses since the first quarter of the current consolidated fiscal year.

(Note 5) YUMESHIN VIETNAM CO., Ltd., which was newly established on October 2, 2018, is included in the Others segment from the first quarter of the current fiscal year.

(Note 6) From the first quarter of the current fiscal year, YUMEGLOBAL CO., LTD. (Japan) has been included in the scope of consolidation, as it has become increasingly important.

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

(a) Construction Engineer Temporary Staffing business

(Million yen)

	FY9/18 1Q	FY9/19 1Q	Change	Percentage change
Net sales	7,017	8,416	1,398	19.9%
Segment profit	1,263	1,373	109	8.7%
Number of engineers at end of period (at the end of December)	4,629 engineers	5,302 engineers	673 engineers	14.5%
Average number of engineers during the period (average for Oct.-Dec.)	4,575 engineers	5,229 engineers	654 engineers	14.3%

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 projects such as the 2020 Tokyo Olympic and Paralympic Games and projects related to the Linear Chuo Shinkansen have begun in earnest, and the decision to hold the Osaka Expo in 2025, the Company has focused on recruitment activities with an annual hiring plan of 2,800 people. As a result, the Company recruited 744 employees in the first quarter of the current fiscal year (698 people in the same period of the previous fiscal year). As a result, the number of engineers enrolled at the end of Dec. 2018 was 673, an increase of 5,302 from the same period of the previous year.

Business Results

Net sales increased by 1,398 million yen (19.9%) year-on-year to 8,416 million yen due to an increase in number of staffs at work resulting from an increase in the number of engineers and an increase in the unit price of temporary staffing.

Segment profit increased by 109 million yen (8.7%) year-on-year to 1,373 million yen due to the solid performance of hourly wages.

(b) Engineer Temporary Staffing business

(Million yen)

	FY9/18 1Q	FY9/19 1Q	Change	Percentage change
Net sales	2,281	3,354	1,073	47.1%
Segment profit	182	170	-12	-6.8%
Number of engineers at end of period (End of Dec.)	1,761	2,719	958	54.4%
Average number of engineers at end of period (average for Oct.-Dec.)	1,727	2,659	932	54.0%

Overview of the Business

In the Engineer Temporary Staffing business, demand for temporary staffing remained firm, supported by firm domestic demand, despite uncertainty over the outlook due to the impact of trade friction between the United States and China, among the major customers in the manufacturing industries, such as automobiles, electrical equipment, and semiconductors. In the IT industry, where IT engineers are dispatched, demand for investment in infrastructure development and information security remains high.

Against this backdrop, the Company has set an annual recruitment plan of 1,800 engineers to meet the growing demand for engineers, and has focused on strengthening its internal structure by significantly increasing the number of engineers and enhancing its training system.

As a result, the number of engineers hired in the first quarter of the fiscal year ending December 31, 2018 was 362 (159 in the same period of the previous fiscal year), and in addition, the number of engineers enrolled in the Company as of December 31, 2018 was 2,719, an increase of 958 compared with the same period of the previous fiscal year, thanks to the inclusion of companies that were converted into subsidiaries through M&As in the scope of consolidation.

As a result, net sales for the first quarter increased by 1,073 million yen (47.1%) year-on-year to 3,354 million yen, due to an increase in the number of engineers. Segment profit decreased by 12 million yen (6.8%) year-on-year to 170 million yen due to an increase in recruiting expenses resulting from aggressive hiring activities in anticipation of future demand. However, the results were basically in line with the initial plan.

(c) Other businesses

(Million yen)

	FY9/18 1Q	FY9/19 1Q	Change	Percentage change
Net sales	129	71	-57	-44.8%
Segment loss	-81	-16	64	—

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 seeking local human resources in Vietnam. In addition, in order to support the utilization of overseas human resources by Japanese companies, the Company is developing Japanese language classes in Vietnam, the Philippines, Taiwan, South Korea, and Russia.

As a result, net sales for the current first quarter decreased by 57 million yen (44.8%) year-on-year to 71 million yen, and the segment loss was 16 million yen (compared with a segment loss of 81 million yen in the same period of the previous fiscal year).

2. Quarterly Consolidated Financial Statements and Major Notes

(1) Quarterly consolidated balance sheets

(Thousand yen)

	Previous fiscal year (September 30, 2018)	Current First Quarter (December 31, 2018)
Assets		
Current assets		
Cash and deposits	11,300,821	10,197,205
Notes and accounts receivable	5,973,462	6,271,266
Electronically Recorded Monetary Claims	9,529	6,488
Inventories	887	35,004
Other	1,255,817	2,503,630
Allowance for doubtful accounts	-17,834	-69,671
Total current assets	18,522,683	18,943,924
Fixed assets		
Property, plant and equipment	938,286	1,300,050
Intangible assets		
Goodwill	610,028	2,497,287
Other	134,241	201,615
Total intangible assets	744,270	2,698,903
Investments and other assets		
Investment securities	2,052,529	2,074,354
Other	1,345,201	1,331,017
Allowance for doubtful accounts	-38,872	-41,784
Total investment and other assets	3,358,859	3,363,587
Total fixed assets	5,041,416	7,362,541
Deferred assets		
Stock issuance	7,334	4,190
Total deferred assets	7,334	4,190
Total assets	23,571,433	26,310,656
Liabilities		
Current liabilities		
Accounts payable-trade	9,175	88,752
Short-term borrowings	100,000	2,560,000
Current portion of long-term loans payable	1,208,850	1,460,200
Income taxes payable	1,082,346	243,612
Provision for bonuses	634,663	260,400
Allowance for shareholder benefit program	74,294	-
Other	3,537,234	4,122,570
Total current liabilities	6,646,564	8,735,536
Long-term liabilities		
Corporate bonds with stock acquisition rights.	-	50,591
Long-term loan payable	2,538,000	3,914,250
Obligations for retirement plan	306,790	312,567
Asset retirement obligations	66,183	66,238
Other	41,337	39,763
Total long-term liabilities	2,952,310	4,383,410
Total liabilities	9,598,874	13,118,947

(Thousand yen)

	Previous Fiscal Year (September 30, 2018)	Current First Quarter (December 31, 2018)
Net assets		
Shareholders' equity		
Capital stock	805,147	805,147
Capital surplus	9,717,657	9,717,657
Retained earnings	2,266,936	1,627,835
Treasury stock	-9	-11
Total shareholders' equity	12,789,731	12,150,627
Other accumulated comprehensive income		
Valuation difference on securities	89,098	-35,801
Foreign currency translation adjustments	-4,791	-6,576
Remeasurements of defined benefit plans	-1,595	-1,447
Total other accumulated comprehensive income	82,711	-43,825
Stock acquisition rights	72,142	69,253
Non-controlling shareholders' equity	1,027,973	1,015,653
Total net assets	13,972,559	13,191,709
Total liabilities and net assets	23,571,433	26,310,656

(2) Quarterly Consolidated Statements of Income and Statements of Comprehensive Income

Quarterly Consolidated Statement of Income

Current First Quarter

(Thousands of yen)

	Previous First Quarter (Oct. 1, 2017 -December 31, 2017)	Current First Quarter (October 1, 2018 -December 31, 2018)
Net sales	9,411,084	11,824,386
Cost of sales	6,531,411	8,306,436
Gross profit	2,879,673	3,517,950
Selling, general and administrative expenses	1,647,611	2,277,383
Operating income	1,232,062	1,240,566
Non-operating income		
Interest income	430	3,466
Dividends income	36	42
Rent income	15,810	9,815
Other	16,382	46,934
Total non-operating income	32,659	60,260
Non-operating expenses		
Interest expenses	4,446	9,624
Cost of rental revenue	7,816	5,541
Equity in losses of affiliates	15,919	-
Commission paid	18,743	-
Other	13,532	25,655
Total non-operating expenses	60,457	40,821
Ordinary income	1,204,264	1,260,005
Extraordinary income		
Gain on sales of stock of affiliates	255,933	-
Gain on reversal of subscription rights to shares	762	2,888
Other	1,767	-
Total extraordinary income	258,463	2,888
Extraordinary loss		
Loss on sales of noncurrent assets	123	634
Loss on retirement of noncurrent assets	15,813	4,192
Loss on valuation of investment securities	50,649	-
Total extraordinary loss	66,587	4,826
Profit before income taxes	1,396,140	1,258,066
Income taxes	314,199	217,064
Income taxes-deferred	106,767	142,904
Total income tax	420,967	359,969
Net income	975,173	898,097
Net income attributable to owners of Non-Controlling	17,399	45,716
Net income attributable to owners of parent	957,773	852,380

Quarterly Consolidated Statements of Comprehensive Income

Current First Quarter

(Thousand yen)

	Previous First Quarter (Oct. 1, 2017 -December 31, 2017)	Current First Quarter (October 1, 2018 -December 31, 2018)
Net income	975,173	898,097
Other comprehensive income		
Valuation difference on securities	29,766	-124,899
Foreign currency translation adjustments	520	-1,784
Remeasurements of defined benefit plans	397	147
Total other comprehensive income	30,685	-126,537
Comprehensive income	1,005,858	771,560
Breakdown		
Comprehensive income attributable to owners of parent	985,112	721,190
Comprehensive income attributable to owners of non-controlling shareholders	20,745	50,369

(3) Notes to Quarterly Consolidated Financial Statements

(Notes on going concern assumptions)

Not applicable.

(Significant subsequent events)

Execution of the 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.

Prior to the implementation of the Share Exchange, the common stock of Yume Technology was delisted on January 28, 2019 (the last trading day was January 25, 2019) on the Tokyo Stock Exchange, Inc. (hereinafter referred to as the "Tokyo Stock Exchange") JASDAQ Market (hereinafter referred to as the "JASDAQ"). The Share Exchange was implemented on January 31, 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
Date of the Ordinary General Meeting of Shareholders (Yume Technology)	Tuesday, December 18, 2018
Date of the Annual General Meeting of Shareholders (Yumeshin Holdings)	Wednesday, December 19, 2018
Last trading day (Yume Technology)	Friday, January 25, 2019
Delisting date (Yume Technology)	Monday, January 28, 2019
Date of the Share Exchange (Effective Date)	Thursday, January 31, 2019

(3) Outline of the Share Exchange

① Method of Share Exchange

Yumeshin Holdings becomes a wholly-owned parent company in the Share Exchange, and Yume Technology becomes a wholly-owned subsidiary in the Share Exchange. The Share Exchange effected on January 31, 2019.

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	

(Note) 1. Allotment ratio of shares

0.75 shares of Yumeshin Holdings were allotted to each share of Yumeshin Technology. However, the Company will not allocate 7,986,800 shares of Yume Technology common stock held by the Company through the Share Exchange.

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

At the time of the Share Exchange, Yumeshin Holdings delivered 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 Tehnology, Yumeshin Holdings issued 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) 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.