

Summary of Business Results for the Second Quarter Ended March 31, 2019 [Japan GAAP] (Consolidated)

May 10, 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: May 15, 2019 Expected starting date of dividend payment: June 11, 2019
 Preparation of quarterly supplementary financial document: Yes
 Quarterly results briefing: Yes (for institutional investors and analysts)

(Rounded down to million yen)

1. Consolidated business results for the six months ended March 2019 (October 1, 2018 through March 31, 2019)

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

	Net sales		Operating income		Ordinary income		Net income attributable owners of parent	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
Six months ended Mar. 2019	24,510	26.7	2,683	3.7	2,672	4.5	1,750	-6.5
Six months ended Mar. 2018	19,338	33.2	2,587	100.5	2,557	86.9	1,871	127.4

(Note) Comprehensive income

Six months ended March 2019: 1,834 million yen (-3.6%)

Six months ended March 2018: 1,902 million yen (84.8 %)

	Net income per share		Diluted net income per share	
	Yen		Yen	
Six months ended Mar. 2019	23.09		22.79	
Six months ended Mar. 2018	25.10		24.76	

(2) Consolidated financial position

	Total assets	Net assets	Shareholders' equity ratio
	Million yen	Million yen	%
As of Mar. 2019	26,959	14,197	52.4
As of Sept. 2018	23,571	13,972	54.6

(Reference) Shareholders' equity:

As of March 2019: 14,126 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	-	15.00	-	20.00	35.00
Year ending Sept. 2019 (forecast)	-	-	-	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 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 March 2019 78,352,240 shares

As of September 2018 74,573,440 shares

② Treasury stock at the end of period

As of March 2019 89,281 shares

As of September 2018 86 shares

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

Six months ended March 2019 75,799,788 shares

Six months ended March 2018 74,573,354 shares

***Quarterly financial summary is not subject to quarterly auditing 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 quarterly results briefing for institutional investors and analysts is scheduled on May 23, 2019. 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. Qualitative Information on Results for the Current Quarter

(1) Results of Operations

① Overview of Consolidated Business Results

During the six months of the current fiscal year (from October 1, 2018 to March 31, 2019), the engineer temporary staffing industry, to which our group belongs, experienced a decline in the labor force population in Japan as a whole, and many industries were suffering from such shortage of human resources. As a result, demand for our company was brisk. In particular, there is a serious labor shortage 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. For this reason, the Group has focused on securing human resources and developing human resources to increase added value in order to quickly supply the next generation of human resources to the construction and IT industries.

As a result, net sales increased by 5,172 million yen (26.7%) year-on-year to 24,510 million yen due to growth in the Construction Engineer Temporary Staffing and Engineer Temporary Staffing segments attributable to an increase in the number of engineers.

Operating income increased by 96 million yen (3.7%) year-on-year to 2,683 million yen due to an increase in recruitment expenses in anticipation of improved performance despite an increase in the unit cost of temporary staffing in the Construction Engineer Temporary Staffing Business.

Profit attributable to owners of parent decreased by 121 million yen (-6.5%) year on year to 1,750 million yen.

The results for the cumulative second quarter of the current consolidated fiscal year are shown in the table below.

(Million yen)

	FY9/18 2Q	FY9/19 2Q	Change	Percentage change
Net sales	19,338	24,510	5,172	26.7%
Operating income	2,587	2,683	96	3.7%
Ordinary income	2,557	2,672	114	4.5%
Net income attributable to owners of parent	1,871	1,750	-121	-6.5%

② Results by Segment

Our reportable segments are Construction Engineer Temporary Staffing and Engineer Temporary Staffing.

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

(As of March 31, 2019)

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

(Note 3) YUMEAGENT 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 2Q	FY9/19 2Q	Change	Percentage change
Net sales	14,392	17,282	2,890	20.1%
Segment profit	2,707	2,955	247	9.1%
Number of Engineers at end of period (As of the end of March)	4,852	5,704	852	17.6%
Average number of engineers during the period (October-March average)	4,686	5,479	793	16.9%

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, large-scale projects such as the 2020 Tokyo Olympic and Paralympic Games and the Linear Chuo Shinkansen have begun in earnest, and the Osaka Expo is scheduled to be held in 2025. As a result, we have focused on hiring activities with an annual hiring plan of 2,800 people. As a result, the number of employees hired and the number of employees working at Osaka and other regional bases increased, resulting in a total of 1,603 employees (1,373 in the same period of the previous year) hired during the cumulative period of the second quarter. As a result, the number of engineers hired at the end of March 2019 was 852, an increase of 5,704 year-on-year.

<Business Results>

Net sales increased by 2,890 million yen (20.1%) year-on-year to 17,282 million yen due to an increase in the number of staffs in operation resulting from an increase in the number of engineers and an increase in the unit price of temporary staffing.

Segment income increased by 247 million yen (9.1%) year-on-year to 2,955 million yen due to a steady unit price of temporary staffing and a reduction in SG&A expenses.

(b) Engineer Temporary Staffing business

(Million yen)

	FY9/18 2Q	FY9/19 2Q	Change	Percentage change
Net sales	4,760	6,933	2,173	45.7%
Segment profit	281	227	-53	-19.1%
Number of engineers at end of period (As of the end of March)	1,934	2,838	904	46.7%
Average number of engineers during the period (October-March average)	1,802	2,745	943	52.3%

Overview of the Business

In the Engineer Temporary Staffing Business, despite the uncertain outlook for the impact of trade frictions between the United States and Central America, demand for temporary staffing remained firm, supported by firm domestic demand, in the manufacturing industries, such as automobiles, electrical equipment, and semiconductors, which are our main customers. In the IT industry, where IT engineers are dispatched to, digitalization is an important management issue in order to increase the efficiency of operations at each company. As IT investment intensifies, demand for investment in infrastructure development and information security fields continues to be at a high level.

In order to respond to the growing demand for engineers in this business environment, we have set an annual recruitment plan of 1,800 people, and have focused on strengthening our internal system by significantly increasing the number of engineers and enhancing training systems.

As a result, the total number of employees hired in the cumulative period of the current 2nd quarter was 719 (429 in the same period of the previous year), and the number of engineers hired as of the end of March 2019 was 2,838, an increase of 904 year-on-year, due to the consolidation of companies that became subsidiaries as a result of M&A.

As a result, net sales in the second quarter increased by 2,173 million yen (45.7%) year-on-year, to 6,933 million yen, due to an increase in the number of engineers. Segment profit decreased by 53 million yen (19.1%) year-on-year to 227 million yen, due to the contribution of efficiency improvements in recruitment activities, despite the fact that profits were not virtually projected in the initial plan.

(c) Other businesses

(Million yen)

	FY9/18 2Q	FY9/19 2Q	Change	Percentage change
Net sales	224	330	106	47.6%
Segment loss (-)	-128	-17	110	—

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, we are holding Japanese language classes in Vietnam, the Philippines, and Taiwan, and we plan to open them in succession in South Korea, Russia, and Poland.

As a result of the above, the segment recorded net sales of 330 million yen (up 106 million yen year-on-year) and segment loss of 17 million yen (segment loss of 128 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 second quarter (March 31, 2019)
Assets		
Current assets		
Cash and deposits	11,300,821	10,537,362
Notes and accounts receivable	5,973,462	7,119,257
Electronically Recorded Monetary Claims	9,529	6,590
Inventories	887	35,043
Other	1,255,817	1,349,386
Allowance for doubtful accounts	-17,834	-75,593
Total current assets	18,522,683	18,972,046
Fixed assets		
Property, plant and equipment	938,286	1,274,217
Intangible assets		
Goodwill	610,028	2,515,472
Other	134,241	249,712
Total intangible assets	744,270	2,765,184
Investments and other assets		
Investment securities	2,052,529	2,173,219
Other	1,345,201	1,815,971
Allowance for doubtful accounts	-38,872	-41,877
Total investment and other assets	3,358,859	3,947,312
Total noncurrent assets	5,041,416	7,986,715
Deferred assets		
Stock issuance	7,334	1,047
Total deferred assets	7,334	1,047
Total assets	23,571,433	26,959,809
Liabilities		
Current liabilities		
Accounts payable-trade	9,175	97,090
Short-term borrowings	100,000	1,876,000
Current portion of long-term loans payable	1,208,850	1,435,300
Income taxes payable	1,082,346	1,024,968
Provision for bonuses	634,663	718,265
Allowance for shareholder benefit program	74,294	-
Other	3,537,234	3,592,364
Total current liabilities	6,646,564	8,743,988
Long-term liabilities		
Bonds with share acquisition rights	-	50,351
Long-term debt	2,538,000	3,552,500
Obligations for retirement plan	306,790	314,157
Asset retirement obligations	66,183	65,968
Other	41,337	35,807
Total long-term liabilities	2,952,310	4,018,784
Total liabilities	9,598,874	12,762,773

(Thousand yen)

	Previous fiscal year (September 30, 2018)	Current second quarter (March 31, 2019)
Net assets		
Shareholders' equity		
Capital stock	805,147	805,147
Capital surplus	9,717,657	10,751,634
Retained earnings	2,266,936	2,525,712
Treasury stock	-9	-66,842
Total shareholders' equity	12,789,731	14,015,651
Other accumulated comprehensive income		
Valuation difference on securities	89,098	119,907
Foreign currency translation adjustment	-4,791	-6,726
Remeasurements of defined benefit plans	-1,595	-2,121
Total other accumulated comprehensive income	82,711	111,059
Share subscription rights	72,142	70,325
Non-controlling shareholders' equity	1,027,973	-
Total net assets	13,972,559	14,197,036
Total liabilities and net assets	23,571,433	26,959,809

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

Quarterly Consolidated Statement of Income

Current Second Quarter

(Thousand yen)

	Previous second quarter (October 1, 2017 - March 31, 2018)	Current second quarter (October 1, 2018 - March 31, 2019)
Net sales	19,338,657	24,510,984
Cost of sales	13,388,217	17,078,882
Gross profit	5,950,439	7,432,101
Selling, general and administrative expenses	3,363,059	4,748,452
Operating income	2,587,380	2,683,649
Non-operating income		
Interest income	994	7,586
Dividends income	36	42
Rent income	29,012	20,155
Other	64,946	83,277
Total non-operating income	94,990	111,061
Non-operating expenses		
Interest expenses	11,393	20,736
Cost of rental revenue	14,441	12,312
Equity in losses of affiliates	41,996	-
Expenses for shareholder benefit program	-	47,705
Other	56,920	41,477
Total non-operating expenses	124,751	122,231
Ordinary income	2,557,618	2,672,479
Extraordinary income		
Gain on sales of stock of affiliates	440,997	-
Gain on reversal of subscription rights to shares	1,432	2,932
Other	4,177	-
Total extraordinary income	446,607	2,932
Extraordinary loss		
Loss on sales of noncurrent assets	4,035	643
Loss on retirement of noncurrent assets	16,555	4,192
Loss on valuation of investment securities	55,190	-
Loss on sales of investment securities	-	17,760
Impairment loss	70,842	-
Other	-	761
Total extraordinary loss	146,624	23,358
Profit before income taxes	2,857,602	2,652,053
Income taxes	996,556	892,414
Income taxes-deferred	-56,184	-45,800
Total income tax	940,371	846,614
Net income	1,917,230	1,805,439
Net income attributable to owners of non-controlling	45,602	55,182
Net income attributable to owners of parent	1,871,627	1,750,257

Quarterly Consolidated Statements of Comprehensive Income

Current Second Quarter

(Thousand yen)

	Previous second quarter (October 1, 2017 - March 31, 2018)	Current second quarter (October 1, 2018 - March 31, 2019)
Net income	1,917,230	1,805,439
Other comprehensive income		
Valuation difference on securities	-11,624	31,007
Foreign currency translation adjustment	-3,646	-1,934
Of defined benefit plans	795	480
Total other comprehensive income	-14,474	29,553
Comprehensive income	1,902,755	1,834,993
Breakdown		
Comprehensive income attributable to owners of parent	1,853,342	1,775,135
Comprehensive income attributable to owners of non-controlling	49,413	59,858

(3) Notes to Quarterly Consolidated Financial Statements

(Notes on going concern assumptions)

Not applicable.

(Significant Changes in the Amount of Shareholders' Equity)

During the second quarter of the fiscal year under review, capital surplus increased by 1,033 million yen due to the share exchange in which we became the wholly-owning parent company and Yume Technology Co., Ltd. became a wholly owned subsidiary of the Company. As a result, capital surplus amounted to 10,751 million yen at the end of the second quarter of the fiscal year under review.

(Significant subsequent events)

Acquisition of a company through acquisition of shares

1. Acquisition of Information Port Co., Ltd.

At the Board of Directors meeting held on March 27, 2019, the Company resolved to acquire the shares of Information Port Co., Ltd. and make it a subsidiary. In addition, the Company acquired shares on April 2, 2019 and converted it into a subsidiary.

(1) The outline of the Business Combination

① Name and business of the acquired company

Name of the acquired company: Information Port Co., Ltd. ("IP")

Description of Business: Dispatch of IT Engineers and Contract Development of IT Systems

② Main reasons for the business combination

Our Group is currently implementing the Medium-Term Management Plan (from the fiscal year ending September 2019 to September 2021) with the goal of quickly reaching the 10,000 engineers in the whole Group by focusing on the growth of the Construction Engineer Temporary Staffing Business, the R&D Business, and the Engineer Temporary Staffing Business for the IT industry.

IP dispatches IT engineers and develops IT systems on a consignment basis, mainly in the Tokyo metropolitan area. IP has more than 100 engineers, of whom 30% are high-class engineers with more than 10 years of industry experience.

IP also constantly recruits around 10 new graduates each year as engineers, and possesses outstanding training know-how to educate and train them.

Based on the above, we expect that acquiring the shares of IP will provide an opportunity for young engineers to enter upstream processes in the IT industry and further strengthen their development capabilities for the Group, which is led by our young engineers.

For IP, we have decided to acquire the shares of IP because we have judged that it is highly compatible with engineer dispatch and outsourced development by leveraging the customer base of more than 800 companies in our group.

③ Date of business combination

April 2, 2019

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

93.2%

⑦ Main reasons for deciding the acquired company

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

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

Cash consideration of 279 million yen

Acquisition cost of 279 million yen

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

At this time, we have not determined

(4) Goodwill, reason for recognizing goodwill, amortization method and amortization term

At this time, we have not determined

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

At this time, we have not determined

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

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 Samurai Inc.

At a meeting of the Board of Directors held on April 24, 2019, the Company resolved to acquire Samurai Inc. and make it a subsidiary. On the same day, the Company acquired shares of Samurai Inc. and made it a subsidiary.

(1) The outline of the Business Combination

① Name and business of the acquired company

Name of acquired company: Samurai Inc. (hereinafter referred to as "Samurai ")

Education, publishing, planning, operation, and implementation of seminars and lectures on IT-related matters of business

② Main reasons for the business combination

Our Group is currently implementing the Medium-Term Management Plan (from the fiscal year ending September 30, 2019 to September 2021) with the goal of quickly reaching the 10,000 engineers in the whole Group by focusing on the growth of the Construction Engineer Temporary Staffing Business, the R&D Business, and the Engineer Temporary Staffing Business for the IT industry.

Samurai was established in 2015, offering a one-on-one programming learning services for adults. The company is growing by attracting more than 1.7 million users per month and more than 5.2 million PV per month through its Samurai Engineer Juku Blog.

By acquiring the shares of Samurai, which has strengths in its ability to attract customers to its own media, the Yumeshin Group will be able to utilize its expertise to strengthen its in-house recruitment media for IT engineers, and to establish new recruitment routes for participants of programming learning services for adults.

In addition, Samurai designs training programs for its existing engineers, enabling Yumeshin Holdings to improve their skills at the individual level and in line with their career plans.

With this acquisition, Samurai will be possible to promptly decide on how to secure the workplaces for students of programming learning services for adults, which is an issue for them, by utilizing the customer base of approximately 800 companies and sales capabilities of Yumeshin Holdings. This will create an incentive for Samurai to participate in programming learning services, which is expected to lead to an increase in the number of customers.

Based on the above, we decided to acquire the shares of Samurai based on the judgment that a high degree of synergy can be expected.

③ Date of business combination

April 24, 2019

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

51.0%

⑦ Main reasons for deciding the acquired company

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

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

Cash consideration of 500 million yen

Acquisition cost of 500 million yen

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

At this time, we have not determined

(4) Goodwill, reason for recognizing goodwill, amortization method and amortization term

At this time, we have not determined

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

At this time, we have not determined

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

Contingent acquisition consideration

Cash (up to 3,039 million yen) may be paid as additional consideration in the event Samurai achieves certain milestones after the

business combination.

(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.