

# Summary of Business Results for the First Quarter Ended December 31, 2019 [Japan GAAP] (Consolidated)

February 7, 2020

Company Yumeshin Holdings Co., Ltd. Listed on the TSE  
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 Expected date of filing of quarterly report: February 14, 2020  
 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 2019 (October 1, 2019 through December 31, 2019)

### (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. 2019	15,084	27.6	1,525	23.0	1,542	22.4	728	-14.5
Three months ended Dec. 2018	11,824	25.6	1,240	0.7	1,260	4.6	852	-11.0

(Note) Comprehensive income

Three months ended December 2019: 774 million yen (0.3%)

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

	Net income per share	Diluted net income per share
	Yen	Yen
Three months ended Dec. 2019	9.57	9.50
Three months ended Dec. 2018	11.43	11.39

### (2) Consolidated financial position

	Total assets	Net assets	Shareholders' equity ratio
	Million yen	Million yen	%
As of Dec. 2019	29,597	11,189	37.6
As of Sept. 2019	28,863	11,920	41.1

(Reference) Shareholders' equity

As of December 2019: 11,129 million yen

As of September 2019: 11,866 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. 2019	-	15.00	-	20.00	35.00
Year ending Sept. 2020	-	-	-	-	-
Year ending Sept. 2020 (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 2020

### (October 1, 2019 through September 30, 2020) (% change from the previous corresponding period)

	Revenue		Operating profit		Profit attributable to owners of parent		Basic profit per share	
	Million yen	%	Million yen	%	Million yen	%	Yen	
Year ending Sept. 2020	63,000	-	8,000	-	5,400	-	70.59	

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

The Company decided to voluntarily apply IFRS (International Financial Reporting Standards) from its full-year financial results announcement for the fiscal year ending September 2020.

Accordingly, the forecasts for the fiscal year ending September 2020 are based on IFRS and do not include the year-on-year increase or decrease rates.

**\*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 2019	78,842,440 shares
As of September 2019	78,842,440 shares

② Treasury stock at the end of period

As of December 2019	2,654,181 shares
As of September 2019	2,653,531 shares

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

Three months ended December 2019	76,188,496 shares
Three months ended December 2018	74,573,352 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.

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## 1. Qualitative Information on Quarterly Financial Results

### (1) Results of Operations

#### ① Overview of Consolidated Business Results

During the three months of the current fiscal year (from October 1, 2019 to December 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, as the standardization of IT technology progresses, there is a rising motivation to invest in IT to strengthen the competitive advantage of companies. As a result, there is a rapidly increasing shortage of engineers with new technologies that are entering a period of dissemination. For this reason, the Group has focused on securing human resources and increasing the number of engineers at work in order to quickly supply the next generation of human resources to the construction and IT industries.

As a result, net sales increased by 3,260 million yen (27.6%) year-on-year to 15,084 million yen due to growth in the Construction Engineer Temporary Staffing and Incidental Business and Engineer Temporary Staffing and Incidental Business, thanks to an increase in the number of engineers and a rise in unit price of temporary staffing, as well as contribution from subsidiaries newly acquired in the previous fiscal year.

Operating income increased by 285 million yen (23.0%) year-on-year to 1,525 million yen due to a rise in the unit price of temporary staffing and the effect of strict cost control including hiring costs.

Net income attributable to owners of parent decreased by 123 million yen (14.5%) year-on-year to 728 million yen due to an increase in the income taxes, etc.

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

(Million yen)

	FY9/19 1Q	FY9/20 1Q	Change	Percentage change
Net sales	11,824	15,084	3,260	27.6%
Operating income	1,240	1,525	285	23.0%
Ordinary income	1,260	1,542	282	22.4%
Net income attributable to owners of parent	852	728	-123	-14.5%

#### ② Results by Segment

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

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

(As of December 31, 2019)

Segment name	Business Line	Company Name
Construction Engineer Temporary Staffing and Incidental Business	<ul style="list-style-type: none"> <li>• Dispatch of construction management specialist to construction sites</li> <li>• Dispatch of CAD operators</li> </ul>	Yumeshin Co., Ltd.
Engineer Temporary Staffing and Incidental Business	<ul style="list-style-type: none"> <li>• Dispatch of engineers to the manufacturing and IT industries</li> <li>• Dispatch of IT engineers</li> <li>• Dispatch of IT engineers to the Philippines</li> <li>• Offshore development in Vietnam</li> </ul>	Yume Technology Co., Ltd. Krung thep Co., Ltd. Neplus Co., Ltd. Information Port Co., Ltd. Garenet Co., Ltd. Centurion Capital Pacific Limited P3OPLE4U, Inc. YUMESHIN VIETNAM Co.,LTD Yumeshin Co., Ltd.
Other businesses	<ul style="list-style-type: none"> <li>• Recruiting agency</li> <li>• Japanese language education for overseas local personnel and HR business</li> </ul>	Yumeshin Co., Ltd. YUMEGLOBAL CO., LTD. (Japan)

	<ul style="list-style-type: none"> <li>• Japanese language education for local Philippine personnel</li> <li>• Support for recruitment of local Vietnamese personnel</li> <li>• Planning and operation of online programming learning service</li> <li>• Consulting business</li> </ul>	YUMEGLOBAL Corp. YUMEGLOBAL CO., LTD. (Note 3) Samurai, Inc. Centurion Capital Pacific Limited P3OPLE4U, Inc.
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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 and Incidental Business

(Million yen)

	FY9/19 1Q	FY9/20 1Q	Change	Percentage change
Net sales	8,416	10,022	1,606	19.1%
Segment profit	1,377	1,845	467	34.0%
Number of Engineers at end of period (End-Dec.)	5,428	6,078	650	12.0%
Average number of engineers during the period (Oct.-Dec. avg.)	5,363	6,105	742	13.8%

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 central Tokyo, construction works related to the 2020 Tokyo Olympic and Paralympic Games is nearly completed, but demand for construction projects are still robust due to the start of redevelopment and other projects. In regional cities, large-scale construction related to the Linear Chuo Shinkansen has begun in earnest. While we plan to hire 2,900 engineers annually, we have also worked to reduce the ratio of hiring expenses to net sales as part of our efficient recruiting activities. As a result, the Company recruited 635 employees (774 in the same period of the previous fiscal year) in the current first quarter. As a result, the number of engineers hired at the end of December 2019 was 6,078.

<Business Results>

Net sales increased by 1,606 million yen (19.1%) year-on-year to 10,022 million yen due to an increase in the utilization rate and the unit price of temporary staffing.

Segment income increased by 467 million yen (34.0%) year-on-year to 1,845 million yen due to steady increase in the unit price of temporary staffing and a 2.4% year-on-year decrease in SG&A expenses, including hiring expenses.

(b) Engineer Temporary Staffing and Incidental Business

(Million yen)

	FY9/19 1Q	FY9/20 1Q	Change	Percentage change
Net sales	3,360	4,849	1,488	44.3%
Segment profit	170	88	-82	-48.1%
Number of engineers at end of period (End-Dec.)	2,719	3,703	984	36.2%
Average number of engineers during the period (Oct.-Dec. avg.)	2,659	3,637	978	36.8%

#### Overview of the Business

In the Engineer Temporary Staffing and Incidental Business, demand for engineers remained robust, particularly in the manufacturing industry, where capital investment in labor-saving and automation is brisk, and in the IT industry, where technological advances are accelerating. Especially in the IT industry, the use of AI, IoT, RPA, etc. is expected to penetrate in the future against the backdrop of improved operational efficiency and higher value-added products and services.

In order to respond to the growing demand for engineers in this business environment, we have set an annual recruitment plan of 1,350 engineers, and have focused on strengthening our internal system by significantly increasing the number of engineers and enhancing training systems. In addition, we worked to increase the added value of our group engineers, while at the same time reinforcing cooperation among Group companies in the area of sales and marketing operation, thereby expanding the scope of our sales activities.

As a result, the number of engineers hired during the cumulative first quarter was 386 (362 in the previous fiscal year). Accordingly, the number of engineers at the end of December 2019 was 3,703, increased by 984 year-on-year.

As a result, net sales in the first quarter increased by 1,488 million yen (44.3%) year-on-year, to 4,849 million yen, due to an increase in the number of engineers. Segment income decreased by 82 million yen (48.1%) year-on-year to 88 million yen.

#### (c) Other businesses

(Million yen)

	FY9/19 1Q	FY9/20 1Q	Change	Percentage change
Net sales	65	248	183	279.2%
Segment profit (loss)	-47	-92	-45	-

#### Overview of the Business

In the Other Businesses segment, the Group have offered Japanese language classes in Vietnam, the Philippines, Taiwan, South Korea to provide staffing services for construction companies, recruitment support services for Japanese companies seeking local human resources in Vietnam, and support Japanese companies for utilization of overseas human resource. In addition, following the M&A conducted in the previous fiscal year, we launched an online programming learning service.

As a result of the above, for the first quarter, net sales were 248 million yen (up 279.2% year-on-year), and the segment loss was 92 (segment loss of 45 million yen in the same period of the previous fiscal year).

## 2. [Quarterly Consolidated Financial Statements]

### Quarterly consolidated balance sheets

(Thousand yen)

	Previous Fiscal Year (September 30, 2019)	Current First Quarter (December 31, 2019)
<b>Cash and deposits</b>		
Current assets		
Cash and deposits	9,607,651	10,853,586
Notes and accounts receivable	7,650,054	7,779,552
Electronically Recorded Monetary Claims	3,734	5,972
Inventories	57,187	47,236
Other	1,615,683	1,203,602
Allowance for doubtful accounts	-71,332	-76,429
<b>Total current assets</b>	<b>18,862,979</b>	<b>19,813,520</b>
Fixed assets		
Property, plant and equipment	1,261,240	1,424,794
Intangible assets		
Goodwill	3,615,198	3,520,788
Other	903,524	907,665
<b>Total intangible fixed assets</b>	<b>4,518,723</b>	<b>4,428,454</b>
Investments and other assets		
Investment securities	1,856,158	1,792,325
Other	2,430,226	2,214,395
Allowance for doubtful accounts	-65,817	-76,432
<b>Total investment and other assets</b>	<b>4,220,567</b>	<b>3,930,287</b>
<b>Total fixed assets</b>	<b>10,000,530</b>	<b>9,783,536</b>
<b>Total assets</b>	<b>28,863,510</b>	<b>29,597,056</b>
<b>Liabilities</b>		
Current liabilities		
Accounts payable-trade	129,954	76,644
Short-term borrowings	2,417,548	664,048
Current portion of long-term loans payable	2,041,378	2,737,628
Income taxes payable	724,855	574,389
Provision for bonuses	834,432	377,464
Allowance for shareholder benefit program	207,779	59,809
Other	4,621,127	5,457,733
<b>Total current liabilities</b>	<b>10,977,076</b>	<b>9,947,720</b>
Fixed liabilities		
Bonds with share acquisition rights	49,872	25,870
Long-term debt	5,169,978	7,685,745
Obligations for retirement plan	323,034	330,009
Asset retirement obligations	191,929	191,912
Other	230,939	225,856
<b>Total fixed liabilities</b>	<b>5,965,754</b>	<b>8,459,394</b>
<b>Total liabilities</b>	<b>16,942,831</b>	<b>18,407,114</b>

(Thousand yen)

	Previous Fiscal Year (September 30, 2019)	Current First Quarter (December 31, 2019)
Net assets		
Shareholders' equity		
Capital stock	822,964	822,964
Capital surplus	10,769,452	10,789,090
Retained earnings	2,105,613	1,310,657
Treasury stock	-2,001,463	-2,002,083
Total shareholders' equity	11,696,567	10,920,629
Other accumulated comprehensive income		
Valuation difference on securities	183,860	208,296
Foreign currency translation adjustment	-12,283	1,789
Remeasurements of defined benefit plans	-1,686	-1,530
Total other accumulated comprehensive income	169,890	208,555
Share subscription rights	36,470	36,432
Non-controlling shareholders' equity	17,751	24,325
Total net assets	11,920,679	11,189,942
Total liabilities and net assets	28,863,510	29,597,056

[Quarterly Consolidated Statements of Income and Statements of Comprehensive Income]

Quarterly Consolidated Statement of Income

[First Quarter]

(Thousand yen)

	Previous First Quarter (October 1, 2018 - December 31, 2018)	Current First Quarter (October 1, 2019 - December 31, 2019)
Net sales	11,824,386	15,084,695
Cost of sales	8,306,436	10,747,616
Gross profit	3,517,950	4,337,079
Selling, general and administrative expenses	2,277,383	2,811,265
Operating income	1,240,566	1,525,814
Non-operating income		
Interest income	3,466	2,485
Dividends income	42	401
Gain on sales of investment securities	1	25,379
Rent income	9,815	4,896
Other	46,933	29,839
Total non-operating income	60,260	63,002
Non-operating expenses		
Interest expenses	9,624	15,745
Commission paid	-	22,500
Cost of rental revenue	5,541	3,204
Other	25,655	4,898
Total non-operating expenses	40,821	46,348
Ordinary income	1,260,005	1,542,467
Extraordinary income		
Gain on reversal of subscription rights to shares	2,888	37
Total extraordinary income	2,888	37
Extraordinary loss		
Loss on sales of fixed assets	634	-
Loss on valuation of investment securities	-	59,999
Other	4,192	9,798
Total extraordinary loss	4,826	69,797
Profit before income taxes	1,258,066	1,472,707
Income taxes	217,064	557,965
Income taxes-deferred	142,904	179,345
Total income tax	359,969	737,310
Net income	898,097	735,396
Net income attributable to owners of non-controlling	45,716	6,574
Net income attributable to owners of parent	852,380	728,822

Quarterly Consolidated Statements of Comprehensive Income Current Second Quarter

[First Quarter]

(Thousand yen)

	Previous First Quarter (October 1, 2018 - December 31, 2018)	Current First Quarter (October 1, 2019 - December 31, 2019)
Net income	898,097	735,396
Other comprehensive income		
Valuation difference on securities	-124,899	24,436
Foreign currency translation adjustment	-1,784	14,072
Remeasurements of defined benefit plans	147	155
Total other comprehensive income	-126,537	38,664
Comprehensive income	771,560	774,061
Breakdown		
Comprehensive income attributable to owners of parent	721,190	767,486
Comprehensive income attributable to owners of non-controlling shareholders	50,369	6,574

(3) Notes on Quarterly Consolidated Financial Statements

(Notes on going concern assumptions)

Not applicable.

(Notes on significant changes in shareholders' equity)

Not applicable.