

Summary of Business Results for the Third Quarter Ended June 30, 2020 [Japan GAAP] (Consolidated)

August 7, 2020

Company **Yumeshin Holdings Co., Ltd.** Listed on the TSE
 Stock Code 2362 URL <https://www.yumeshin-hd.co.jp>
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 Expected date of filing of quarterly report: August 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 nine months ended June 2020 (October 1, 2019 through June 30, 2020)

	Net sales		Operating income		Ordinary income		Net income attributable to owners of parent	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
Nine months ended Jun. 2020	44,118	17.0	4,658	23.5	4,788	27.2	2,549	1.7
Nine months ended Jun. 2019	37,708	27.1	3,771	-3.2	3,765	3.5	2,507	-7.7

(Note) Comprehensive income

Nine months ended June 2020: 2,393 million yen (-5.6%)

Nine months ended June 2019: 2,535 million yen (-4.9%)

	Net income per share		Diluted net income per share	
	Yen	Yen	Yen	Yen
Nine months ended Jun. 2020	33.58	33.36	33.36	33.36
Nine months ended Jun. 2019	32.80	32.43	32.43	32.43

(Note) At the end of the previous fiscal year and the third quarter of the fiscal year ending September 2020, the provisional accounting for the business combination was finalized, and the figures for the third quarter of the fiscal year ended September 2019 reflect the provisional accounting treatment.

(2) Consolidated financial position

	Total assets		Net assets		Shareholders' equity ratio	
	Million yen	Million yen	Million yen	Million yen	%	%
As of Jun. 2020	32,249	11,236	11,236	11,236	34.6	34.6
As of Sept. 2019	28,904	11,920	11,920	11,920	41.1	41.1

(Reference) Shareholders' equity

As of June 2020: 11,166 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
Year ended Sept. 2019	Yen -	Yen 15.00	Yen -	Yen 20.00	Yen 35.00
Year ending Sept. 2020	-	15.00	-	-	-
Year ending Sept. 2020 (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 2020 (October 1, 2019 through September 30, 2020)

	Revenue		Operating profit		Profit attributable to owners of parent		Basic profit per share	
	Million yen	%	Million yen	%	Million yen	%	Yen	%
Year ending Sept. 2020	58,000	-	5,800	-	3,700	-	48.65	-
	~ 60,000	-	~ 6,600	-	~ 4,200	-	~ 55.22	-

(Note) 1. Revisions to business forecast for the current quarter: None

2. 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 June 2020 78,860,440 shares

As of September 2019 78,842,440 shares

② Treasury stock at the end of period

As of June 2020 3,454,581 shares

As of September 2019 2,653,531 shares

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

Nine months ended June 2020 75,939,907 shares

Nine months ended June 2019 76,459,890 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

In Japan, where the labor population is declining, we have focused on securing and developing human resources in order to quickly produce the next generation of human resources to the construction industry, where the aging of the population and the shortage of young people are conspicuous, and to the IT industry, where is experiencing a rapid shortage of engineers with new technologies that are entering a period of dissemination as the standardization of IT technology progresses, there is a rising motivation to invest in IT to strengthen the competitive advantage of companies.

During the third quarter of the fiscal year under review (October 1, 2019 to June 30, 2020), as a consequence of the spread of the new coronavirus (COVID-19) infections, we have temporarily curbed the recruitment activities that our group had been actively working as growth drivers since late March and focused on maintaining the operations of construction engineers and engineers.

As a result, net sales increased by 6,409 million yen (17.0%) year-on-year to 44,118 million yen due to growth in the Construction Engineer Temporary Staffing and Incidental Business and Engineer Temporary Staffing and Incidental Business attributable to a rise in unit price of temporary staffing and a maintenance of utilization rate, as well as contribution from subsidiaries newly acquired.

Operating income increased by 886 million yen (23.5%) year-on-year to 4,658 million yen as a result of the increase in the unit price of temporary staffing and a reduction in SG&A expenses, including hiring costs. Net income attributable to owners of parent increased by 41 million yen (1.7%) year on year to 2,549 million yen.

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

(Million yen)

	FY9/19 3Q	FY9/20 3Q	Change	Percentage change
Net sales	37,708	44,118	6,409	17.0%
Operating income	3,771	4,658	886	23.5%
Ordinary income	3,765	4,788	1,023	27.2%
Net income attributable to owners of parent	2,507	2,549	41	1.7%

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 June 30, 2020)

Segment name	Business Line	Company Name
Construction Engineer Temporary Staffing and Incidental Business	<ul style="list-style-type: none"> • Dispatch of construction management specialist to construction sites • Dispatch of CAD operators 	Yumeshin Co., Ltd.
Engineer Temporary Staffing and Incidental 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 • Dispatch of IT engineers • Offshore development in Vietnam 	Yume Technology Co., Ltd. Yume Proeng Co., Ltd. (Note 1) Neplus Co., Ltd. Centurion Capital Pacific Limited (Note 4) P3OPLE4U, Inc. Information Port Co., Ltd. Garenet Co., Ltd. Information Port Co., Ltd. (Note 2) YUMESHIN VIETNAM Co.,LTD Yumeshin Co., Ltd.

Other businesses	• Japanese language education for overseas local personnel and HR business	YUMEGLOBAL CO., LTD. (Japan)
	• Japanese language education for local Philippine personnel	YUMEGLOBAL Corp.
	• Support for recruitment of local Vietnamese personnel	YUMEGLOBAL CO., LTD.
	• Planning and operation of online programming learning service	Samurai, Inc.
	• Consulting business	Centurion Capital Pacific Limited P3OPLE4U, Inc.

(Note 1) Krung thep Co., Ltd., which had been classified as Engineer Temporary Staffing and Incidental Business, was renamed Yume Proeng Co., Ltd. as a result of the merger with Sanritsu Design, Co., Ltd. (our non-consolidated subsidiary) on April 1, 2020.

(Note 2) Arrow Information Co., Ltd., which we acquired its shares on April 30, 2020, have been included in the Engineer Temporary Staffing and Incidental Business since the third quarter of the current consolidated fiscal year.

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

(a) Construction Engineer Temporary Staffing and Incidental Business

(Million yen)

	FY9/19 3Q	FY9/20 3Q	Change	Percentage change
Net sales	26,364	29,059	2,694	10.2%
Segment profit	4,294	5,069	775	18.0%
Number of Engineers at end of period (End-Jun.)	6,085	5,638	-447	-7.3%
Average number of engineers during the period (Oct.-Jun. avg.)	5,631	5,945	314	5.6%

Overview of the Business

In the Construction Engineer Temporary Staffing and Incidental Business, which is the core business of our group, the speed of decision-making on new operations temporarily slowed down as there were uncertainties about the future due to the impact of the new coronavirus (COVID-19) infections. However, as the structural shortage of human resources in the construction industry, such as the aging of the population and the shortage of young people, remains unchanged, demand for temporary staffing services remained firm, particularly in regional cities, where the impact of the new coronaviral infections is limited.

With the aim of promoting recruitment activities while maintaining a balance with the business environment, we have revised our initial annual recruitment plan to between 1,650 to 2,300 people.

As a result, we hired 1,514 people (2,688 in the same period of the previous fiscal year) in the third quarter of the current fiscal year. As a result, the total number of engineers at the end of June 2020 was 5,638, a decrease of 447 year-on-year.

<Business Results>

Net sales increased by 2,694 million yen (10.2%) year-on-year to 29,059 million yen due to a rise in the unit price of temporary staffing and the minimization of the decrease in the utilization rate.

Segment income increased by 775 million yen (18.0%) year-on-year to 5,069 million yen due to a rise in unit price of temporary staffing and a decrease of 8.3% in SG&A expenses, including hiring costs.

(b) Engineer Temporary Staffing and Incidental Business

(Million yen)

	FY9/19 3Q	FY9/20 3Q	Change	Percentage change
Net sales	11,213	14,378	3,164	28.2%
Segment profit	302	636	334	110.6%
Number of engineers at end of period (End-Jun.)	3,394	3,568	174	5.1%
Average number of engineers during the period (Oct.-Jun. avg.)	2,904	3,602	698	24.0%

Overview of the Business

In the Engineer Temporary Staffing and Incidental Business, the speed of decision-making on new operations temporarily slowed down as there were uncertainties about the future due to the impact of COVID-19. However, there is firm demand for engineers, particularly in the manufacturing industry, where capital investment for labor-saving and automation remains brisk, and in the IT industry, where technological advances are accelerating. Especially driven by semiconductor-related companies, there were signs of a recovery in demand at a faster pace than the pace of the temporary staffing of construction engineers and accompanying businesses since the lifting of the emergency declaration.

In this business environment, we revised our initial annual recruitment plan to between 990 to 1,290 people, to meet the higher demand for engineers, although we curbed temporary recruitment activities. In addition, our group has continued to make efforts since the beginning of the fiscal year, such as increasing the added value of group engineers and strengthening cooperation among group companies in the sales structure.

As a result, the Company hired 861 people (1,290 in the same period of the previous fiscal year) in the third quarter of the current fiscal year. As a result, the number of engineers hired at the end of June 2020 was 3,568, an increase of 174 year-on-year.

<Business Results>

Net sales increased by 3,164 million yen (28.2%) year-on-year to 14,378 million yen due to a rise in the unit price of temporary staffing and an improvement of the utilization rate.

Segment income increased by 334 million yen (110.6%) year-on-year to 636 million yen due to a steady unit price of temporary staffing.

(c) Other businesses

(Million yen)

	FY9/19 3Q	FY9/20 3Q	Change	Percentage change
Net sales	185	746	561	303.7%
Segment profit (loss)	-114	-193	-78	-

Overview of the Business

In the Other Business segment, the Group has developed Japanese language classes in Vietnam, the Philippines, Taiwan, and South Korea to provide recruitment support services for Japanese companies seeking overseas human resources, as a recruitment consulting business, and to assist Japanese companies in utilizing overseas human resources. However, the business environment has been severe due to the expansion of COVID-19 worldwide.

As an Education-related business, the Company launched an online programming learning service through an subsidiary acquired in the previous fiscal year.

<Business Results>

Net income attributable to owners of parent increased by 561 million yen (303.7%) year-on-year to 746 million yen.

The segment loss was 193 million yen (114 million yen of loss in the same period of the previous fiscal year).

(2) Explanation of Consolidated Earnings Forecasts and Other Forward-Looking Statements

With the spread of the COVID-19 infections, the economy is entering a severe phase of slowdown. In the Company's core temporary staffing business, the impact on demand from the construction and IT industries, which are the Company's main clients, was insignificant at the end of the third quarter under review. However, the future outlook remains uncertain, and the impact on demand is expected to become more apparent in the future.

We have temporarily curbed our recruitment activities in order to maintain the employment of our current engineers and to maintain a balance with the demand environment. However, demand has gradually recovered since the State of Emergency was lifted. In the fourth quarter of the fiscal year ending September 2020, we plan to recruit approximately 200 to 300 people in both the Construction Engineer Temporary Staffing and Incidental Business and the Engineer Temporary Staffing and Incidental Business. The utilization rate was maintained at a high level during the third quarter of the fiscal year under review without sudden declines, and we believe that it will continue to trend at the same level in the future. As a result, there is no change in the consolidated business forecasts from the forecast presented in the range above.

* The above forecasts are based on information available as of the date of publication of this document.

Actual results may differ from the forecasts due to various factors.

2. Quarterly Consolidated Financial Statements

(1) Quarterly Consolidated Balance Sheets

(Thousand yen)

	Previous Fiscal Year (September 30, 2019)	Current Third Quarter (June 30, 2020)
Assets		
Current assets		
Cash and deposits	9,607,651	13,465,940
Notes and accounts receivable	7,650,054	7,798,671
Electronically recorded monetary claims	3,734	3,425
Inventories	57,187	63,480
Other	1,615,683	1,784,431
Allowance for doubtful accounts	-71,332	-83,743
Total current assets	18,862,979	23,032,205
Noncurrent assets		
Property, plant and equipment	1,261,240	1,385,126
Intangible assets		
Goodwill	3,521,304	3,240,133
Other	1,038,858	1,064,025
Total intangible assets	4,560,162	4,304,159
Investments and other assets		
Investment securities	1,856,158	1,148,856
Other	2,430,226	2,458,673
Allowance for doubtful accounts	-65,817	-79,571
Total investment and other assets	4,220,567	3,527,957
Total noncurrent assets	10,041,969	9,217,243
Total assets	28,904,949	32,249,448
Liabilities		
Current liabilities		
Accounts payable-trade	129,954	198,461
Short-term borrowings	2,417,548	116,640
Current portion of long-term loans payable	2,041,378	2,912,184
Income taxes payable	724,855	1,886,102
Provision for bonuses	834,432	1,335,001
Allowance for shareholder benefit program	207,779	47,485
Other	4,621,127	7,067,501
Total current liabilities	10,977,076	13,563,377
Noncurrent liabilities		
Corporate bonds	-	35,000
Bonds with share acquisition rights	49,872	25,990
Long-term debt	5,169,978	6,579,756
Obligations for retirement plan	323,034	382,513
Asset retirement obligations	191,929	182,426
Other	272,378	244,077
Total noncurrent liabilities	6,007,193	7,449,763
Total liabilities	16,984,270	21,013,140

(Thousand yen)

	Previous Fiscal Year (September 30, 2019)	Current Third Quarter (June 30, 2020)
Net assets		
Shareholders' equity		
Capital stock	822,964	828,699
Capital surplus	10,769,452	10,850,507
Retained earnings	2,105,613	1,982,745
Treasury stock	-2,001,463	-2,493,174
Total shareholders' equity	11,696,567	11,168,778
Other accumulated comprehensive income		
Valuation difference on securities	183,860	755
Foreign currency translation adjustment	-12,283	-2,094
Remeasurements of defined benefit plans	-1,686	-1,219
Total other accumulated comprehensive income	169,890	-2,558
Share subscription rights	36,470	36,263
Non-controlling shareholders' equity	17,751	33,824
Total net assets	11,920,679	11,236,307
Total liabilities and net assets	28,904,949	32,249,448

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

Quarterly Consolidated Statement of Income

Third Quarter

(Thousand yen)

	Previous Third Quarter (October 1, 2018 - June 30, 2019)	Current Third Quarter (October 1, 2019 - June 30, 2020)
Net sales	37,708,862	44,118,658
Cost of sales	26,553,840	31,510,793
Gross profit	11,155,022	12,607,864
Selling, general and administrative expenses	7,383,405	7,949,530
Operating income	3,771,617	4,658,333
Non-operating income		
Interest income	9,062	10,484
Dividends income	13,778	13,353
Loss on sales of investment securities	501	220,724
Rent income	30,938	14,977
Other	110,793	63,721
Total non-operating income	165,073	323,260
Non-operating expenses		
Interest expenses	33,493	47,347
Cost of rental revenue	21,192	18,345
Expenses for shareholder benefit program	47,705	45,820
Commission fee	-	43,500
Other	68,601	37,584
Total non-operating expenses	170,993	192,597
Ordinary income	3,765,697	4,788,996
Extraordinary income		
Loss on sales of noncurrent assets	203	13,000
Gain on reversal of subscription rights to shares	3,382	149
Reversal of office relocation expenses	-	22,179
Total extraordinary income	3,585	35,329
Extraordinary loss		
Loss on sales of noncurrent assets	613	1,295
Loss on retirement of noncurrent assets	4,276	8,512
Loss on sales of investment securities	17,760	-
Impairment loss	-	423,001
Other	761	76,636
Total extraordinary loss	23,412	509,447
Profit before income taxes	3,745,871	4,314,878
Income taxes	1,307,183	1,852,567
Income taxes-deferred	-124,367	-103,489
Total income tax	1,182,816	1,749,077
Net income	2,563,054	2,565,801
Net income attributable to owners of non-controlling shareholder	55,182	16,073
Net income attributable to owners of parent	2,507,872	2,549,727

Quarterly Consolidated Statements of Comprehensive Income

Third Quarter

(Thousand yen)

	Previous Third Quarter (October 1, 2018 - June 30, 2019)	Current Third Quarter (October 1, 2019 - June 30, 2020)
Net income	2,563,054	2,565,801
Other comprehensive income		
Valuation difference on securities	-23,963	-183,104
Foreign currency translation adjustment	-4,204	10,188
Remeasurements of defined benefit plans	720	466
Total other comprehensive income	-27,448	-172,449
Comprehensive income	2,535,606	2,393,351
Breakdown		
Comprehensive income attributable to owners of parent	2,475,748	2,377,278
Comprehensive income attributable to owners of non-controlling shareholders	59,858	16,073

(3) Notes on Quarterly Consolidated Financial Statements

(Notes on going concern assumptions)

Not applicable.

(Notes on significant changes in shareholders' equity)

The Company acquired 800,000 shares of treasury stock in accordance with a resolution approved at the Board of Directors on March 10, 2020. As a result, treasury stock increased by 436,027 thousand yen during the nine months of the current fiscal year, including an increase from the purchase of shares less than one unit, to 2,493,174 thousand yen at the end of the third quarter of the current fiscal year.