

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

May 11, 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 filing of quarterly report: May 15, 2018 Expected starting date of dividend payment: June 11, 2018
 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 2018 (October 1, 2017 through March 31, 2018)

(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. 2018	19,338	33.2	2,587	100.5	2,557	86.9	1,871	127.4
Six months ended Mar. 2017	14,517	29.7	1,290	6.5	1,368	10.5	822	-1.0

(Note) Comprehensive income

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

Six months ended March 2017: 1,029 million yen (18.7 %)

	Net income per share		Diluted net income per share	
	Yen		Yen	
Six months ended Mar. 2018	25.10		24.76	
Six months ended Mar. 2017	11.04		11.02	

(2) Consolidated financial position

	Total assets		Net assets		Shareholders' equity ratio	
	Million yen		Million yen		%	
As of Mar. 2018	23,707		13,328		51.8	
As of Sept. 2017	20,461		13,080		58.6	

(Reference) Shareholders' equity:

As of March 2018: 12,268 million yen

As of September 2017: 11,981 million yen

2. Dividends

	Annual dividend				
	End of 1Q	End of 2Q	End of 3Q	Year-end	Total
Year ended Sept. 2017	- Yen	15.00 Yen	- Yen	20.00 Yen	35.00 Yen
Year ending Sept. 2018	-	15.00	-	20.00	35.00
Year ending Sept. 2018 (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 2018 (October 1, 2017 through September 30, 2018)

(% 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. 2018	39,000	27.8	4,500	90.5	4,500	85.7	2,900	103.4	38.89	

(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): Yes
Excluded: 1 (Keepdata Co., Ltd.)

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

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

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

(4) Shares outstanding (common stock)

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

As of March 2018 74,573,440 shares

As of September 2017 74,573,440 shares

②Treasury stock at the end of period

As of March 2018 86 shares

As of September 2017 86 shares

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

Six months ended March 2018 74,573,354 shares

Six months ended March 2017 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 22, 2018. The company will promptly post the materials distributed at the results briefing on the company website after the results briefing.

○ 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.....	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
(Notes on significant changes in shareholders' equity)	9

1. Qualitative Information on Results for the Current Quarter

(1) Results of Operations

① Overview of Consolidated Business Results

During the six months ended March 31, 2018 (October 1, 2017 to March 31, 2018), 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 4,821 million yen (33.2%) year-on-year to 19,338 million yen due to growth in the Construction Engineer Temporary Staffing and Engineer Temporary Staffing businesses thanks to an increase in the number of engineers.

Operating income increased by 1,297 million yen (100.5%) year-on-year to 2,587 million yen due to a rise in the unit price and utilization rate of temporary staffing in the Construction Engineer Temporary Staffing business, as well as strict cost control, including hiring costs, which limited the increase in expenses.

Net income attributable to owners of parent increased by 1,048 million yen (127.4%) year-on-year to 1,871 million yen.

The following table shows the results for the second quarter of the current fiscal year.

(Millions of yen)

	FY9/17 2Q	FY9/18 2Q	Change	Percentage change
Net sales	14,517	19,338	4,821	33.2%
Operating income	1,290	2,587	1,297	100.5%
Ordinary income	1,368	2,557	1,188	86.9%
Net income attributable to owners of parent	822	1,871	1,048	127.4%

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 March 31, 2018)

Segment name	Business Line	Company Name
Construction Engineer Temporary Staffing (Note 5)	<ul style="list-style-type: none"> • Dispatch of construction management engineers 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 • Development of IT engineers • Course on Measures to Acquire National Construction-Related Qualifications • Offshore development in Vietnam 	Yume Agent Co., Ltd. YUMEAGENT PHILIPPINES Corp. YUMEAGENT VIETNAM Co.,Ltd. Yume Education Co., Ltd. Construction Qualification 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 Businesses" and "IT-Related Businesses" 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.

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

(Millions of yen)

	FY9/17 2Q	FY9/18 2Q	Change	Percentage change
Net sales	10,901	14,392	3,490	32.0%
Segment profit	1,460	2,520	1,059	72.6%
Number of engineers at end of period (end of March)	3,865	4,852	987 persons	25.5%
Average number of engineers during the period (October-March average)	3,643	4,686	1,043	28.6%

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, 1,373 employees (1,155 employees in the same period of the previous fiscal year) were recruited during the first half of the current fiscal year. As a result, the number of technicians on our books at the end of March 2018 was 4,852, an increase of 987 compared with the same period of the previous fiscal year.

<Business Results>

Net sales increased by 3,490 million yen (32.0%) year-on-year to 14,392 million yen due to an increase in the number of dispatched engineers resulting from an increase in the number of technicians employed and an increase in the unit price of temporary staffing.

Segment profit increased by 1,059 million yen (72.6%) year-on-year to 2,520 million yen due to the increase in the gross profit margin by 2 percentage points year-on-year thanks to the solid performance of hourly wages and utilization rates, as well as the progress in controlling recruiting and other expenses.

(b) Engineer Temporary Staffing business

(Millions of yen)

	FY9/17 2Q	FY9/18 2Q	Change	Percentage change
Net sales	3,429	4,760	1,331	38.8%
Segment profit	183	281	98	53.5%
Number of engineers at end of period (end of March)	1,380	1,934	554 persons	40.1%
Average number of engineers during the period (October-March average)	1,236	1,802	566	45.8%

Overview of the Business

In the Engineer Temporary Staffing business, manufacturers in the automotive, electrical equipment, semiconductors, etc., which are the Company's main customers enjoyed favorable exports due to the recovery of overseas economies, and their business results trended upward. 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 hiring plan of 1,200 engineers to meet the growing demand for engineers and focused on recruiting activities. As a result, the number of engineers hired during the six months ended March 2018 was 429 (349 in the same period of the previous year), and accordingly, the number of engineers hired at the end of March 2018 was 1,934, an increase of 554 from the same period of the previous year.

As a result, net sales in the cumulative period of the current second quarter increased 38.8%, or 1,331 million yen, to 4,760 million yen, due to an increase in the number of engineers. Segment income increased 98 million yen (53.5%) year-on-year to 281 million yen due to the contribution of improved efficiency in recruiting activities.

(c) Other businesses

(Millions of yen)

	FY9/17 2Q	FY9/17 2Q	Change	Percentage change
Net sales	245	224	-21	-8.6%
Segment loss	-276	-128	148	—

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.

As a result, the segment recorded sales of 224 million yen (down 8.6% year-on-year) and segment loss of 128 million yen (compared with a loss of 276 million yen in the same period a year earlier) for the six months ended March 31, 2018.

2. Quarterly Consolidated Financial Statements

(1) Quarterly Consolidated Balance Sheets

(Thousands of yen)

	Previous Fiscal Year (September 30, 2017)	Current Second Quarter (March 31, 2018)
Assets		
Current assets		
Cash and deposits	8,555,544	11,394,360
Notes and accounts receivable	4,853,765	5,751,401
Electronically recorded monetary claims	8,925	9,591
Inventories	628	496
Other	1,450,458	1,431,897
Allowance for doubtful accounts	-30,010	-35,783
Total current assets	14,839,313	18,551,964
Fixed assets		
Property, plant and equipment	1,080,498	969,903
Intangible assets		
Goodwill	898,984	859,332
Other	160,848	110,921
Total intangible assets	1,059,833	970,254
Investments and other assets		
Investment securities	2,601,736	2,348,780
Other	881,264	892,892
Allowance for doubtful accounts	-35,298	-40,270
Total investments and other assets	3,447,702	3,201,402
Total noncurrent assets	5,588,033	5,141,560
Deferred assets		
Stock issuance	33,687	13,620
Total deferred assets	33,687	13,620
Total assets	20,461,033	23,707,145
Liabilities		
Current liabilities		
Accounts payable-trade	25,079	9,499
Short-term borrowings	915,835	900,000
Current portion of long-term loans payable	817,598	1,281,850
Income taxes payable	653,875	1,075,404
Provision for bonuses	458,620	574,274
Other	2,977,168	2,942,812
Total current liabilities	5,848,177	6,783,841
Long-term liabilities		
Long-term debt	1,045,418	3,117,800
Obligations for retirement pay	278,767	294,937
Asset retirement obligations	66,289	66,398
Other	142,006	116,004
Total long-term liabilities	1,532,482	3,595,140
Total liabilities	7,380,659	10,378,982

(Thousands of yen)

	Previous Fiscal Year (September 30, 2017)	Current Second Quarter (March 31, 2018)
Net assets		
Shareholders' equity		
Capital stock	805,147	805,147
Capital surplus	9,700,676	9,701,656
Retained earnings	1,317,188	1,621,426
Treasury stock	-9	-9
Total shareholders' equity	11,823,002	12,128,220
Other accumulated comprehensive income		
Valuation difference on securities	164,657	149,527
Foreign currency translation adjustments	-3,428	-7,075
Remeasurements of defined benefit plans	-2,664	-2,171
Total other accumulated comprehensive income	158,564	140,280
Share subscription rights	72,396	72,749
Non-controlling shareholders' equity	1,026,410	986,912
Total net assets	13,080,374	13,328,163
Total liabilities and net assets	20,461,033	23,707,145

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

Quarterly consolidated statement of income

Second Quarter of FY9/18

(Thousands of yen)

	Previous Second Quarter (October 1, 2016 -March 31, 2017)	Current Second Quarter (October 1, 2017 -March 31, 2018)
Net sales	14,517,359	19,338,657
Cost of sales	10,258,750	13,388,217
Gross profit	4,258,609	5,950,439
Selling, general and administrative expenses	2,968,342	3,363,059
Operating income	1,290,266	2,587,380
Non-operating income		
Interest income	1,783	994
Dividends income	26	36
Gain on sales of investment securities	11,015	5,337
Gain on investments in partnership	—	28,825
Rent income	56,403	29,012
Other	72,682	30,783
Total non-operating income	141,910	94,990
Non-operating expenses		
Interest expenses	12,154	11,393
Cost of rental revenue	30,125	14,441
Equity in losses of affiliates	—	41,996
Other	21,175	56,920
Total non-operating expenses	63,455	124,751
Ordinary income	1,368,721	2,557,618
Extraordinary income		
Gain on sales of stock of affiliates	—	440,997
Gain on reversal of subscription rights to shares	17,226	1,432
Other	—	4,177
Total extraordinary income	17,226	446,607
Extraordinary loss		
Loss on sales of noncurrent assets	—	4,035
Loss on retirement of noncurrent assets	—	16,555
Loss on valuation of investment securities	—	55,190
Impairment loss	—	70,842
Total extraordinary loss	—	146,624
Current net income for the quarter before income taxes and minority interests	1,385,948	2,857,602
Income taxes	614,675	996,556
Income taxes-deferred	-51,927	-56,184
Total income taxes	562,748	940,371
Net income	823,200	1,917,230
Net income (loss) attributable to non-controlling interests	268	45,602
Net income attributable to owners of parent	822,931	1,871,627

Consolidated Statements of Comprehensive Income

Second Quarter of FY9/18

(Thousands of yen)

	Previous Second Quarter (October 1, 2016 -March 31, 2017)	Current Second Quarter (October 1, 2017 -March 31, 2018)
Net income	823,200	1,917,230
Other comprehensive income		
Valuation difference on securities	203,800	-11,624
Foreign currency translation adjustments	1,113	-3,646
Remeasurements of defined benefit plans, net of tax	1,302	795
Total other comprehensive income	206,217	-14,474
Comprehensive income	1,029,417	1,902,755
Breakdown		
Comprehensive income attributable to owners of parent	1,019,188	1,853,342
Comprehensive income attributable to non-controlling interests	10,228	49,413

(3) Notes to Quarterly Consolidated Financial Statements

(Notes on going concern assumptions)

Not applicable.

(Notes on significant changes in shareholders' equity)

Not applicable.