

# Summary of Business Results for the Second Quarter Ended March 31, 2020

## [Japan GAAP] (Consolidated)

May 11, 2020

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 22, 2020 Expected starting date of dividend payment: June 11, 2020  
 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 2020 (October 1, 2019 through March 31, 2020)

(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. 2020	30,264	23.5	3,378	27.8	3,429	30.3	1,621	-5.6
Six months ended Mar. 2019	24,510	26.7	2,644	2.2	2,633	3.0	1,718	-8.2

(Note) Comprehensive income

Six months ended March 2020: 1,455 million yen (-19.3%)

Six months ended March 2019: 1,803 million yen (-5.2 %)

	Net income per share	Diluted net income per share
	Yen	Yen
Six months ended Mar. 2020	21.38	21.24
Six months ended Mar. 2019	22.67	22.38

(Note) At the end of the previous fiscal year, the provisional accounting for the business combination was finalized, and the figures for the second 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	%
As of Mar. 2020	30,923	11,805	38.0
As of Sept. 2019	28,863	11,920	41.1

(Reference) Shareholders' equity:

As of March 2020: 11,738 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	-	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)

(% 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	%
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: Yes

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 March 2020	78,860,440 shares
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As of September 2019	78,842,440 shares
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② Treasury stock at the end of period

As of March 2020	2,804,356 shares
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As of September 2019	2,653,531 shares
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③ Average number of stock during period (quarterly cumulative period)

Six months ended March 2020	75,856,804 shares
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Six months ended March 2019	75,799,788 shares
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**\*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.

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# 1. Qualitative Information on Quarterly Financial Results

## (1) Results of Operations

### ① Overview of Consolidated Business Results

During the six months of the current fiscal year (from October 1, 2019 to March 31, 2020), 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, and the impact of the new coronavirus (COVID-19) infections, which has spread globally, is still minor. 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 and developing human resources in order to quickly produce the next generation of human resources to the construction and IT industries.

As a result, net sales increased by 5,753 million yen (23.5%) year-on-year to 30,264 million yen due to growth in the Construction Engineer Temporary Staffing and Incidental Business and Engineer Temporary Staffing and Incidental Business attributable 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 734 million yen year-on-year to 3,378 million yen (27.8%). This was due to a rise in the unit price of temporary staffing and strict cost control, including hiring costs.

Net income attributable to owners of parent decreased by 96 million yen (5.6%) year-on-year to 1,621 million yen due to impairment losses on goodwill and an increase in income taxes.

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

(Million yen)

	FY9/19 2Q	FY9/20 2Q	Change	Percentage change
Net sales	24,510	30,264	5,753	23.5%
Operating income	2,644	3,378	734	27.8%
Ordinary income	2,633	3,429	796	30.3%
Net income attributable to owners of parent	1,718	1,621	-96	-5.6%

### 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.

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

(As of March 31, 2020)

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 network engineers</li> <li>• Dispatch of IT engineers to the Philippines</li> <li>• Dispatch of IT engineers</li> <li>Offshore development in Vietnam</li> </ul>	Yume Technology Co., Ltd. Krung thep Co., Ltd. Neplus Co., Ltd. Centurion Capital Pacific Limited (Note 4) P3OPLE4U, Inc. Information Port Co., Ltd. Garenet Co., Ltd. YUMESHIN VIETNAM Co.,LTD Yumeshin Co., Ltd.

Other businesses	<ul style="list-style-type: none"> <li>• Japanese language education for overseas local personnel and HR business</li> <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 CO., LTD. (Japan)  YUMEGLOBAL Corp.  YUMEGLOBAL CO., LTD.  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.

(a) Construction Engineer Temporary Staffing and Incidental Business

(Million yen)

	FY9/19 2Q	FY9/20 2Q	Change	Percentage change
Net sales	17,282	20,174	2,892	16.7%
Segment profit	2,955	3,759	804	27.2%
Number of Engineers at end of period (End-Mar.)	5,704	5,936	232	4.1%
Average number of engineers during the period (Oct.-Mar. Avg.)	5,479	6,036	557	10.2%

Overview of the Business

In the Construction Engineer Temporary Staffing and Incidental 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 related to the 2020 Tokyo Olympic and Paralympic Games has been nearly completed, but the number of construction projects remain robust due to the start of redevelopment projects and other projects. In regional cities, large-scale projects such as construction related to the Linear Chuo Shinkansen have begun in earnest. However, the spread of COVID-19 impacted the progress of our construction work, such as delays in the delivery of materials. From the initial plan, the Group has planned to hire 2,900 engineers per year after leveling the number of recruits on a quarterly basis throughout the fiscal year, in order to promote recruitment activities while maintaining a balance with the operating environment. However, in light of uncertain demand trends such as the expansion of the COVID-19, the Group has implemented a certain level of recruitment controls. As a result, during the first half of the fiscal year, the Group has recruited 1,219 engineers (1,603 engineers in the same period of the previous fiscal year). As a result, the number of engineers at the end of March 2020 was 5,936, an increase of 232 from the same period of the previous year.

<Business Results>

Net sales increased by 2,892 million yen (16.7%) year-on-year to 20,174 million yen due to an increase in the number of staffs in operation and the unit price of temporary staffing.

Segment income increased by 804 million yen (27.2%) year-on-year to 3,759 million yen due to a 1.6% year-on-year decrease in SG&A expenses, including hiring expenses, in addition to the steady increase in unit price of temporary staffing.

(b) Engineer Temporary Staffing and Incidental Business

(Million yen)

	FY9/19 2Q	FY9/20 2Q	Change	Percentage change
Net sales	7,152	9,648	2,496	34.9%
Segment profit	239	281	41	17.5%
Number of engineers at end of period (End-Mar.)	2,838	3,638	800	28.2%
Average number of engineers during the period (Oct.-Mar. Avg.)	2,745	3,626	881	32.1%

#### 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 people, and have focused on strengthening our internal system by significantly increasing the number of engineers and enhancing training systems. We worked to expand our business domains to increase the added value of our group engineers, while at the same time strengthening cooperation among the group companies.

As a result, the number of engineers hired during the first half was 757 (706 in the same period of the previous fiscal year). Accordingly, the number of engineers at the end of March 2020 was 3,638, increased by 984 year-on-year.

#### <Business Results>

As a result, net sales in the second quarter increased by 2,496 million yen (34.9%) year-on-year, to 9,648 million yen, due to an increase in the number of engineers and the unit price of temporary staffing. Segment income increased by 41 million yen (17.5%) year-on-year to 281 million yen due to a steady unit price of temporary staffing.

#### (c) Other businesses

(Million yen)

	FY9/19 2Q	FY9/20 2Q	Change	Percentage change
Net sales	112	496	384	343.1%
Segment profit (loss)	-52	-119	-67	—

#### 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>

As a result, net sales in the current fiscal year were 496 million yen (up 343.1% year-on-year) and segment loss was 119 million yen (52 million yen 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, corporate activity is stagnant and the economy is entering a severe phase of slowdown. The impact of the temporary staffing business, the core business of the Company, on demand in the construction and IT industries, which are the Company's main clients, is currently minor. However, the future outlook remains uncertain, and the impact on demand is expected to become more apparent in the future. Due to temporary suspension of construction, extension of construction periods, and personnel adjustments at dispatch destinations, new operations are expected to decline and the speed of decision-making on operation is expected to slow.

Against this backdrop, we have revised our full-year consolidated business forecasts for the fiscal year ending September 2020. This is because the growth of the number of technicians is expected to decline from the initial forecast as we have temporarily suspended our recruitment activities, which are our growth drivers, in order to place priority on maintaining the employment of our engineers while balancing the demand environment.

For details, please refer to the "Notice of Recording of Impairment Losses and Revision to Consolidated Full-year Business Forecasts" announced today.

\* 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 Second Quarter (March 31, 2020)
<b>Assets</b>		
Current assets		
Cash and deposits	9,607,651	11,472,034
Notes and accounts receivable	7,650,054	8,360,397
Electronically Recorded Monetary Claims	3,734	3,070
Inventories	57,187	45,977
Other	1,615,683	2,097,756
Allowance for doubtful accounts	-71,332	-74,274
Total current assets	18,862,979	21,904,962
Fixed assets		
Property, plant and equipment	1,261,240	1,414,031
Intangible assets		
Goodwill	3,615,198	2,986,224
Other	903,524	914,901
Total intangible assets	4,518,723	3,901,125
Investments and other assets		
Investment securities	1,856,158	1,436,697
Other	2,430,226	2,344,748
Allowance for doubtful accounts	-65,817	-78,201
Total investment and other assets	4,220,567	3,703,244
Total fixed assets	10,000,530	9,018,401
Total assets	28,863,510	30,923,364
<b>Liabilities</b>		
Current liabilities		
Accounts payable-trade	129,954	95,285
Short-term borrowings	2,417,548	351,000
Current portion of long-term loans payable	2,041,378	2,726,157
Income taxes payable	724,855	1,381,255
Provision for bonuses	834,432	1,044,269
Allowance for shareholder benefit program	207,779	1,665
Other	4,621,127	5,789,625
Total current liabilities	10,977,076	11,389,258
Fixed liabilities		
Bonds with share acquisition rights	49,872	25,630
Long-term debt	5,169,978	6,957,844
Obligations for retirement plan	323,034	338,513
Asset retirement obligations	191,929	191,895
Other	230,939	214,683
Total fixed liabilities	5,965,754	7,728,566
Total liabilities	16,942,831	19,117,824

(Thousand yen)

	Previous Fiscal Year (September 30, 2019)	Current Second Quarter (March 31, 2020)
Net assets		
Shareholders' equity		
Capital stock	822,964	828,699
Capital surplus	10,769,452	10,850,507
Retained earnings	2,105,613	2,203,780
Treasury stock	-2,001,463	-2,134,762
Total shareholders' equity	11,696,567	11,748,225
Other accumulated comprehensive income		
Valuation difference on securities	183,860	-5,210
Foreign currency translation adjustment	-12,283	-3,561
Remeasurements of defined benefit plans	-1,686	-1,375
Total other accumulated comprehensive income	169,890	-10,147
Share subscription rights	36,470	36,350
Non-controlling shareholders' equity	17,751	31,111
Total net assets	11,920,679	11,805,539
Total liabilities and net assets	28,863,510	30,923,364



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

### Quarterly Consolidated Statement of Income

Second quarter

(Thousand yen)

	Previous Second Quarter (October 1, 2018 - March 31, 2019)	Current Second Quarter (October 1, 2019 - March 31, 2020)
Net sales	24,510,984	30,264,324
Cost of sales	17,078,882	21,418,039
Gross profit	7,432,101	8,846,284
Selling, general and administrative expenses	4,787,615	5,467,481
Operating income	2,644,485	3,378,802
Non-operating income		
Interest income	7,586	7,122
Dividends income	42	459
Loss on sales of investment securities	359	77,368
Rent income	20,155	9,920
Other	82,918	45,709
Total non-operating income	111,061	140,579
Non-operating expenses		
Interest expenses	20,736	30,939
Cost of rental revenue	12,312	13,170
Commissions paid	—	22,500
Expenses for shareholder benefit program	47,705	—
Other	41,477	22,851
Total non-operating expenses	122,231	89,461
Ordinary income	2,633,315	3,429,921
Extraordinary income		
Loss on sales of fixed assets	—	13,000
Gain on reversal of subscription rights to shares	2,932	62
Reversal of office relocation expenses	—	22,179
Total extraordinary income	2,932	35,242
Extraordinary loss		
Loss on sales of fixed assets	643	—
Loss on retirement of fixed assets	4,192	5,495
Loss on sales of investment securities	17,760	—
Impairment loss	—	419,001
Other	761	76,636
Total extraordinary loss	23,358	501,134
Profit before income taxes	2,612,890	2,964,029
Income taxes	892,414	1,292,378
Income taxes-deferred	-53,313	36,346
Total income tax	839,101	1,328,724
Net income	1,773,788	1,635,305
Net income attributable to owners of non-controlling	55,182	13,360
Net income attributable to owners of parent	1,718,605	1,621,944

Quarterly Consolidated Statements of Comprehensive Income

Second quarter

(Thousand yen)

	Previous Second Quarter (October 1, 2018 - March 31, 2019)	Current Second Quarter (October 1, 2019 - March 31, 2020)
Net income	1,773,788	1,635,305
Other comprehensive income		
Valuation difference on securities	31,007	-189,071
Foreign currency translation adjustment	-1,934	8,721
Remeasurements of defined benefit plans	480	311
Total other comprehensive income	29,553	-180,038
Comprehensive income	1,803,341	1,455,267
Breakdown		
Comprehensive income attributable to owners of parent	1,743,483	1,441,906
Comprehensive income attributable to owners of non-controlling shareholders	59,858	13,360

(3) Notes on Quarterly Consolidated Financial Statements

(Notes on going concern assumptions)

Not applicable.

(Notes on significant changes in shareholders' equity)

Not applicable.

(Significant subsequent events)

Acquisition of a company through acquisition of shares

Acquisition of Arrow Information Co., Ltd.

Based on the resolution resolved at a meeting of the Board of Directors held on April 30, 2020, the Company acquired Arrow Information Co., Ltd. and make it a subsidiary.

(1) The outline of the Business Combination

① Name and business of the acquired company

Name of the acquired company: Arrow Information Co., Ltd. (hereinafter "Arrow Information")

Business: Temporary staffing of IT engineers, development of software, introduction of development personnel

② Main reasons for the business combination

Arrow Information dispatches IT engineers and develops software, and has over 100 high-class engineers taking roles in upstream systems processes.

We expect that acquiring the shares of Arrow Information 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 Arrow Information, it expects to leverage the Group's customer base to dispatch engineers and cultivate new clients for contract development. We also believe that sharing the Group's recruitment know-how will complement our recruitment capabilities. We have decided to acquire the shares because we have determined that the affinity is very high.

③ Date of business combination

April 30, 2020

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

100.0%

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 for acquisition: 468,949 thousand yen

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Acquisition cost: 468,949 thousand yen

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

Brokerage commission: 64,607 thousand yen

(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

Details of contingent acquisition consideration

Additional cash (up to 160,000 thousand yen) may be paid as additional consideration in the event Arrow Information 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

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.