



YUMESHIN HOLDINGS CO.,LTD.

-2<sup>nd</sup> Quarter-

# Financial Results

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for the Fiscal Year  
Ending **September** 2016

May 18, 2016

FY9/16  
Securities code  
**2362**

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# Consolidated Financial Overview

# Reorganization of Business Portfolio

Business diversification,  
Stable profitability from stock business  
[Risk-distributed]

## 1. Construction technician temporary staffing

### Building technology support

- Temporary staffing of construction management specialist
- Temporary staffing of CAD operators

### Outsourced production of constructing drawings

## 2. Engineer temporary staffing

Temporary staffing of engineers for manufacturing industry  
Temporary staffing of system engineers

## 3. Childcare support

Operation of childcare center  
Temporary staffing of childcare worker

## 4. Nursing care

Operation of day-service facility

## 5. Comprehensive construction

Construction of high-grade custom house

Focus on own field and strengths,  
Specialized in high added-value human resource business  
[Highly profitable]

## 1. Construction technician temporary staffing

### Building technology support

- Temporary staffing of construction management specialist
- Temporary staffing of CAD operators

### Outsourced production of constructing drawings

## 2. Engineer temporary staffing

Temporary staffing of engineers for manufacturing industry  
Temporary staffing of system engineers

## 3. Recruitment (Started from June 2015)

### Recruitment

Utilization and support of foreign engineers

\*From the fourth quarter of FY9/15 Q4

# TOPICS

## 1. Sales

**Sales increased despite the sales of non-core businesses**

## 2. Gross margin/Operating income

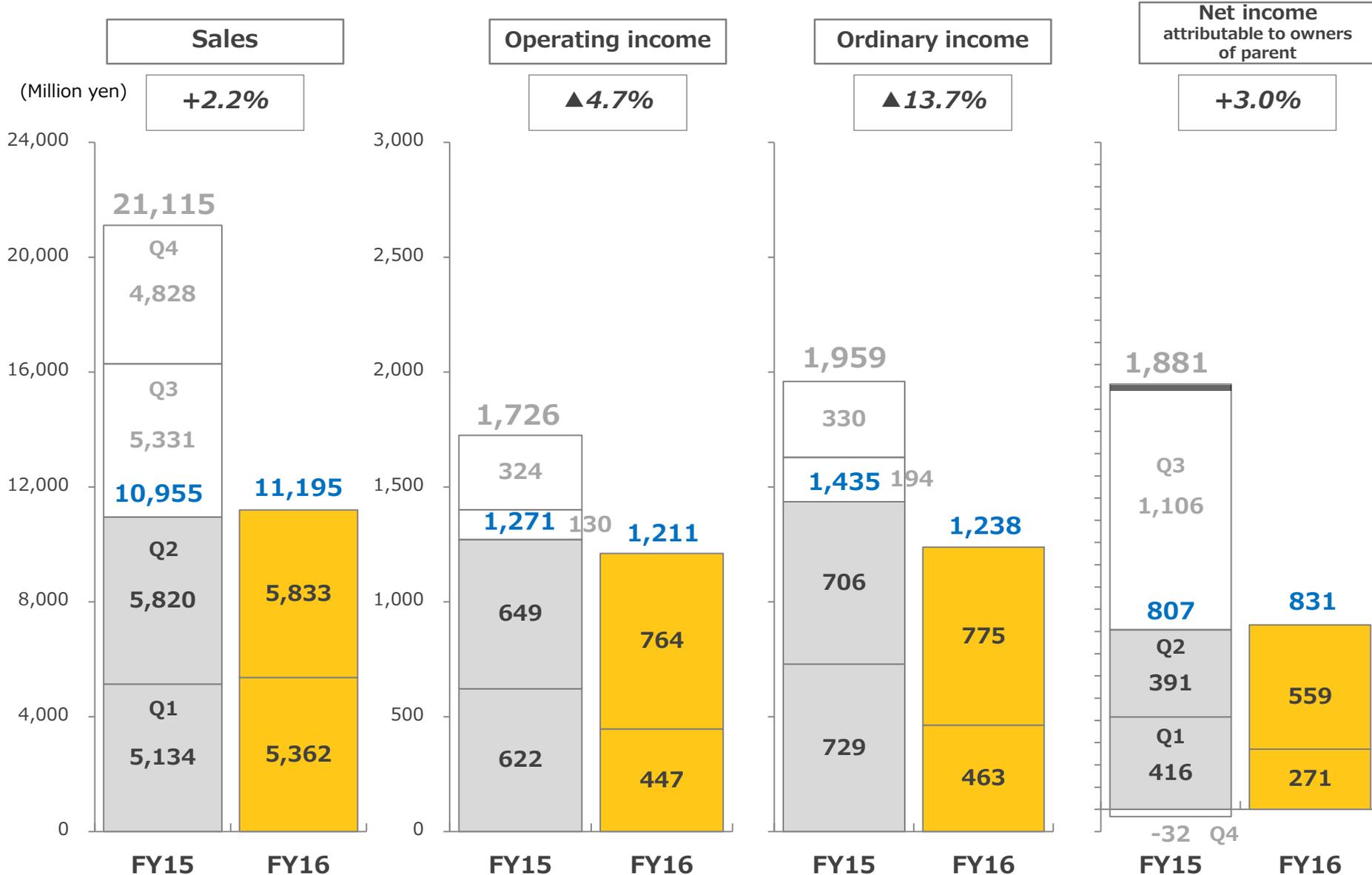
**Shifted to an increasing trend**

## 3. Progress of recruitment

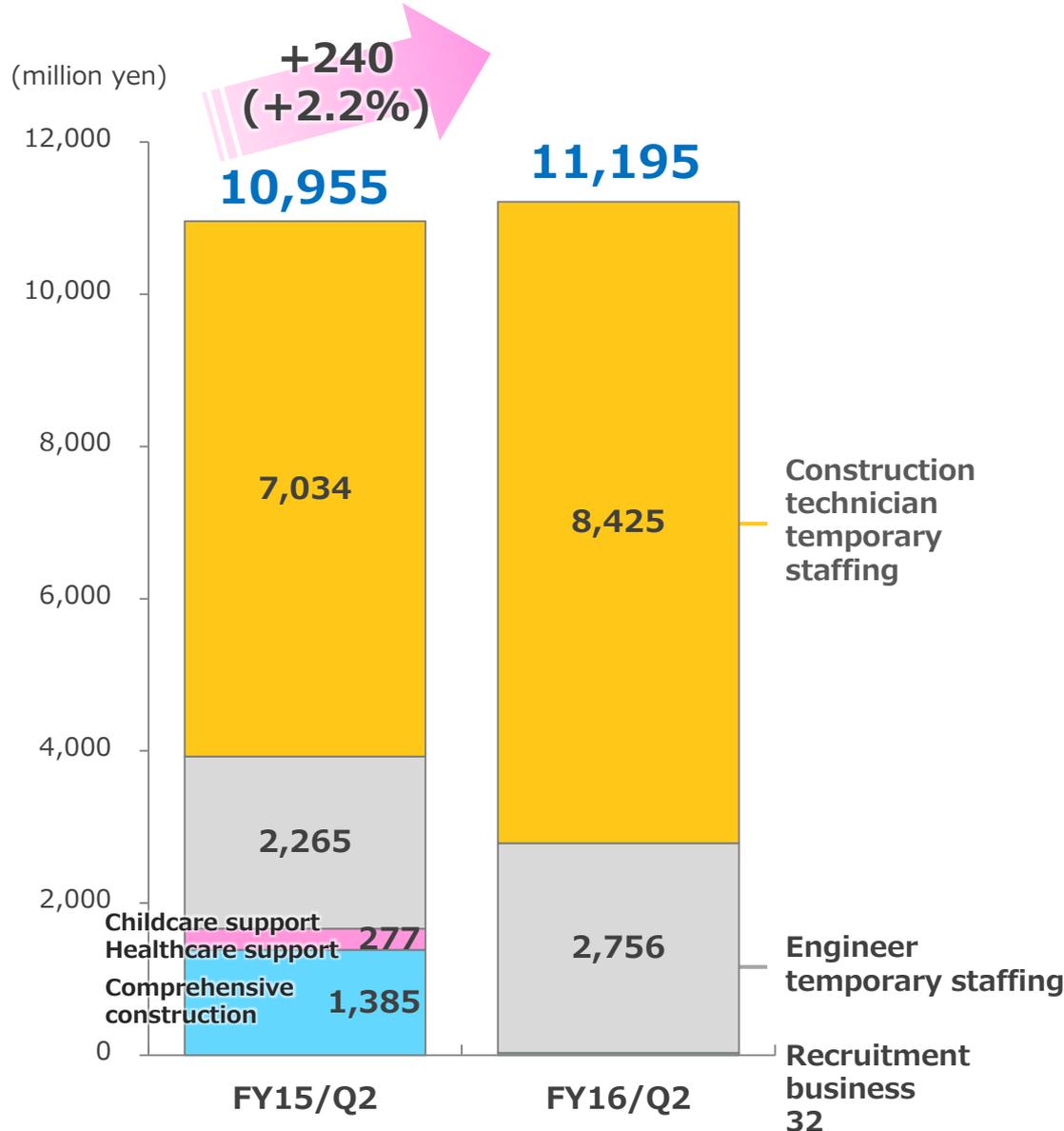
**The whole Group continued to perform well**

## Consolidated P/L Statement

# Consolidated P/L



# Consolidated P/L (1) Sales



## 【Major factors for increase/decrease】

**Construction technician temporary staffing** **+¥1,391m (+19.8%)**

□ Sales up due to increase in staff at work

**Engineer temporary staffing** **+¥490m (+21.7%)**

□ Sales up due to increase in staff at work

**Recruitment** **¥32m**

□ Introducing human resources to construction/manufacturing industries

\* Recruitment business has been consolidated from FY15/Q4.

\* Figures of childcare support/healthcare support business and comprehensive construction business are not included in FY16 results, because the company conducted share transfer in FY15/Q3.

# Consolidated P/L (2)

## Selling, General and Administrative Expenses

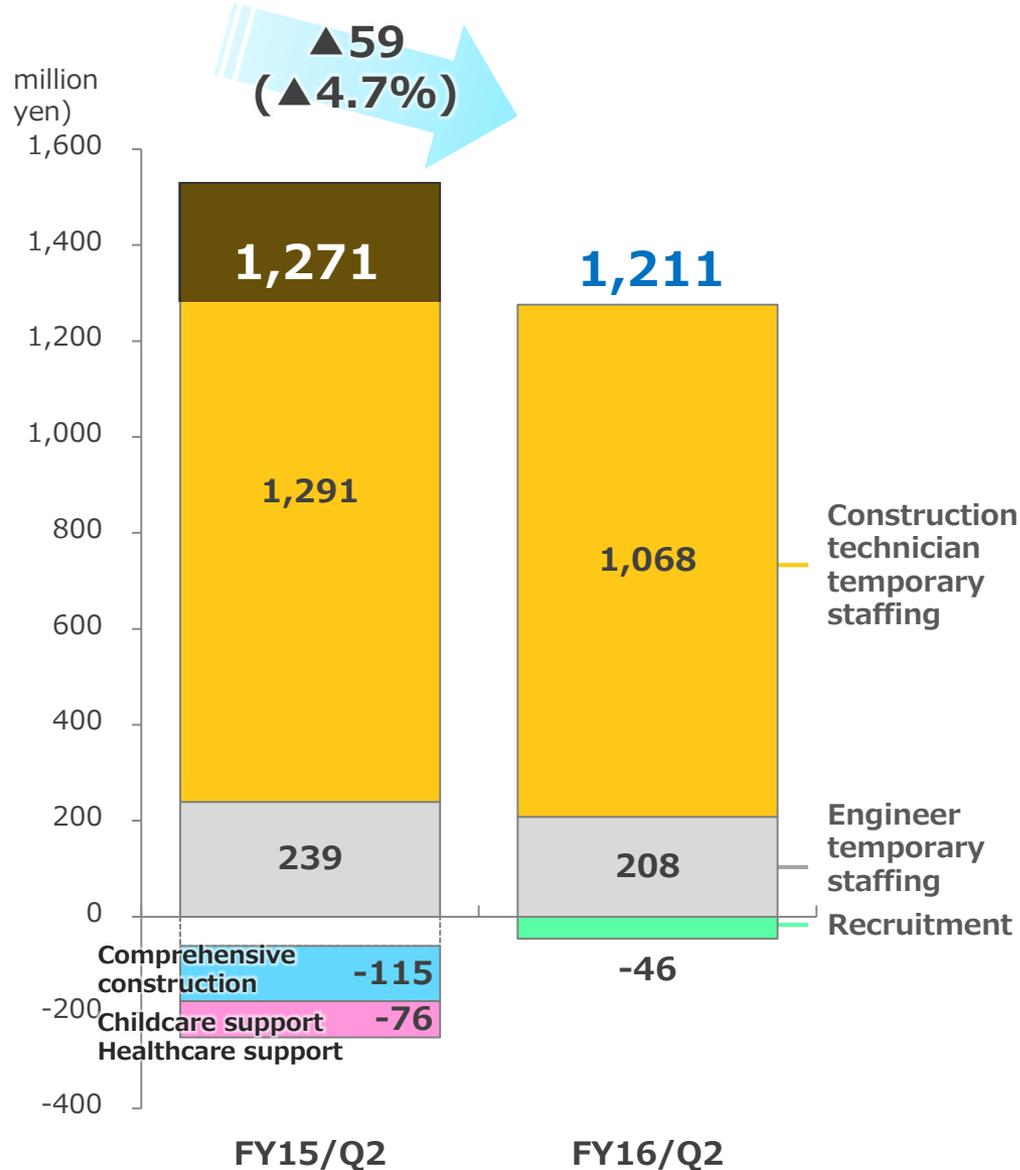
(million yen)

	FY15/Q2	FY16/Q2	Change	Remarks
Cost of sales	8,039	8,056	+17	· Increased due to increase in engineers
<i>Cost of sales ratio</i>	73.4%	72.0%	▲1.4pt.	
Gross profit	2,916	3,138	+222	
<i>Gross profit</i>	26.6%	28.0%	+1.4pt.	
SG&A expenses	1,644	1,926	+282	
<i>Executive compensation</i>	65	70	+4	
<i>Personnel expenses</i>	785	901	+116	· Increased due to increase in sales staffs
<i>Ad expenses</i>	29	8	▲20	
<i>Recruiting cost</i>	248	421	+173	· Advertising cost increased
<i>Rent</i>	166	148	▲17	
<i>Outsourcing expenses</i>	88	130	+42	· Increased due to consolidation of Yume Agent (+¥18 million)
<i>Amortization of goodwill</i>	60	26	▲33	· Decreased due to sales of a subsidiaries
<i>SG&amp;A expenses ratio</i>	15.0%	17.2%	+2.6pt.	

\* Personnel expenses = Salaries and allowances + Travel and transport expenses + Bonuses + Legal welfare expenses + Benefit costs + Retirement benefit expenses (except executives)

# Consolidated P/L (3)

## Operating Income



### 【Major factors for increase/decrease】

Construction technician temporary staffing ▲¥223m (▲17.3%)

□ Income down due to a temporal decrease in the unit price of temporary staffing

Engineer temporary staffing ▲¥31m (▲13.1%)

□ Income down due to increase in recruiting costs

Recruitment ▲¥46m

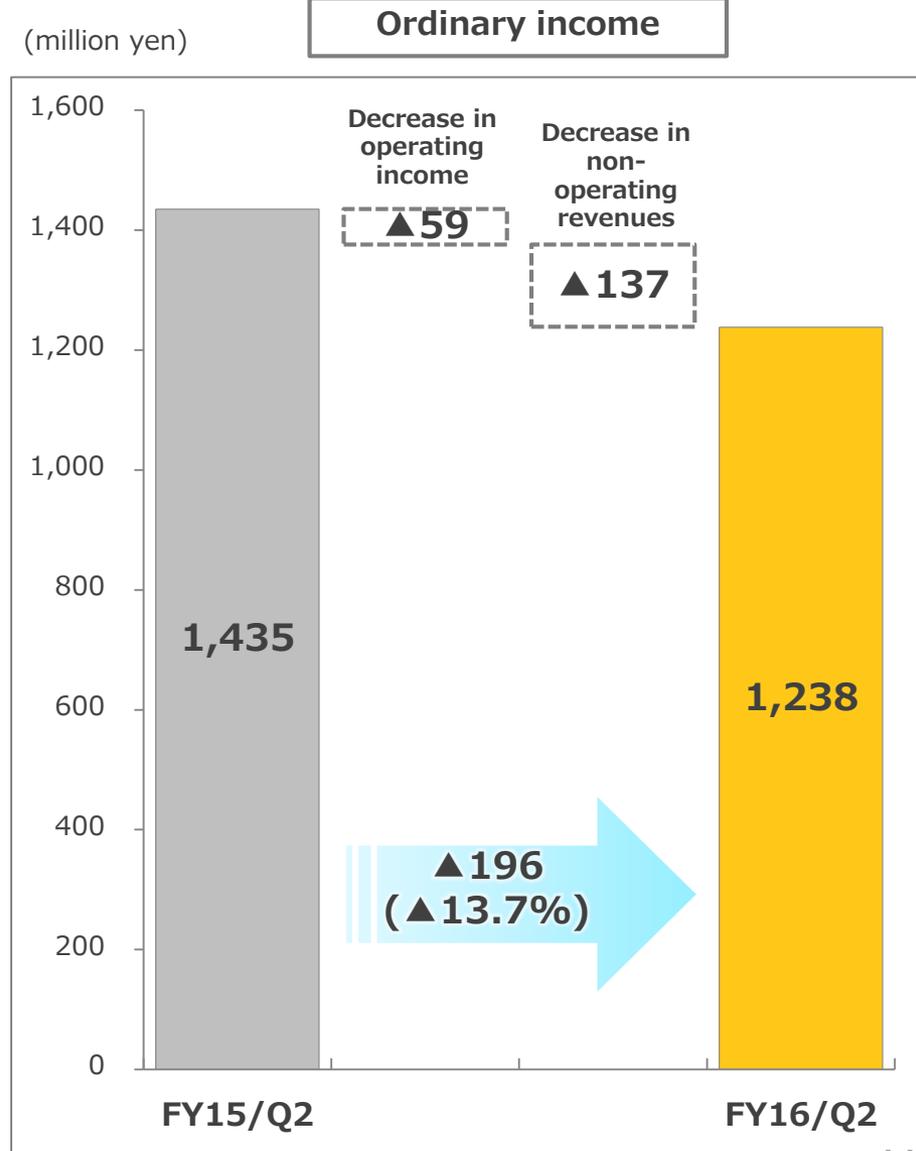
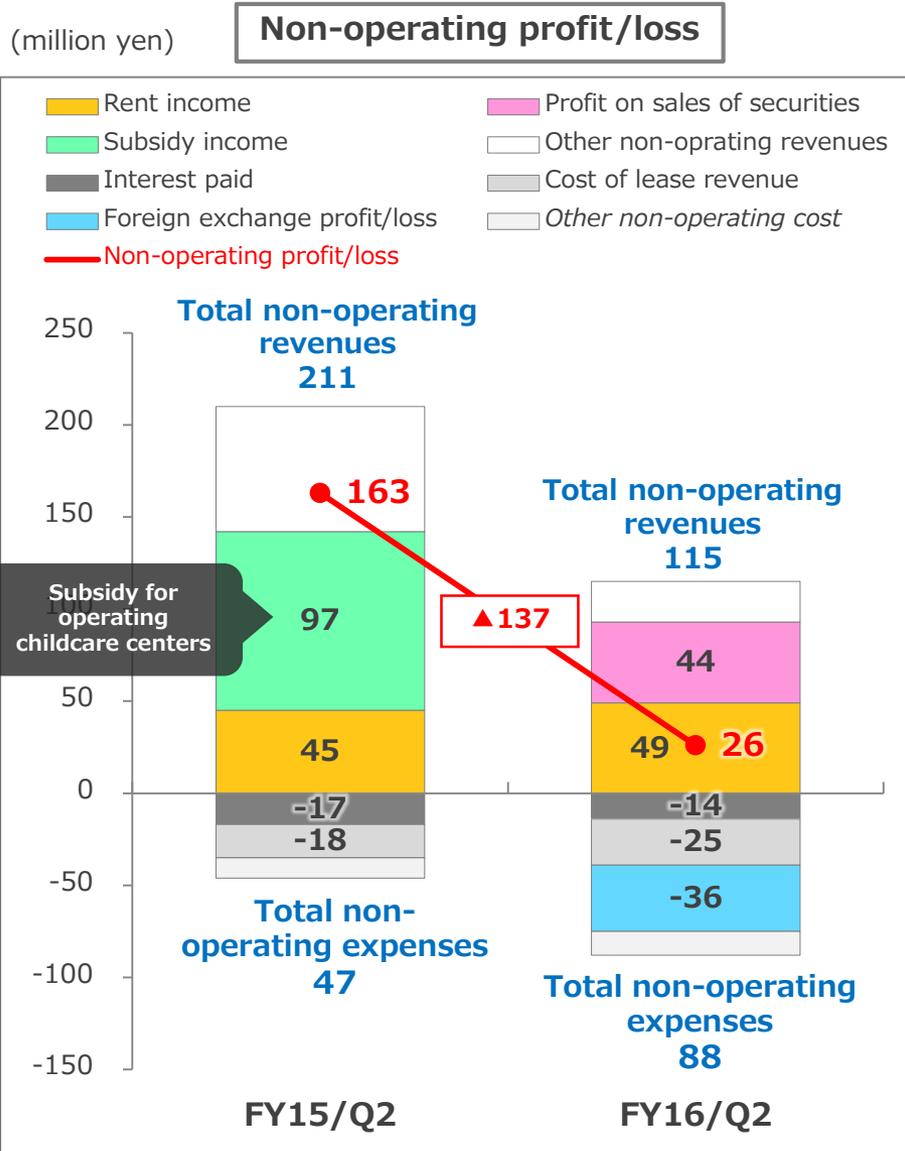
□ Introducing human resources to construction/manufacturing industries

\* Recruitment business has been consolidated from FY15/Q4.

\* Figures of childcare support/healthcare support business and comprehensive construction business are not included in FY16 results, because the company conducted share transfer in FY15/Q3.

# Consolidated P/L (4)

## Non-operating Profit/Loss and Ordinary Income

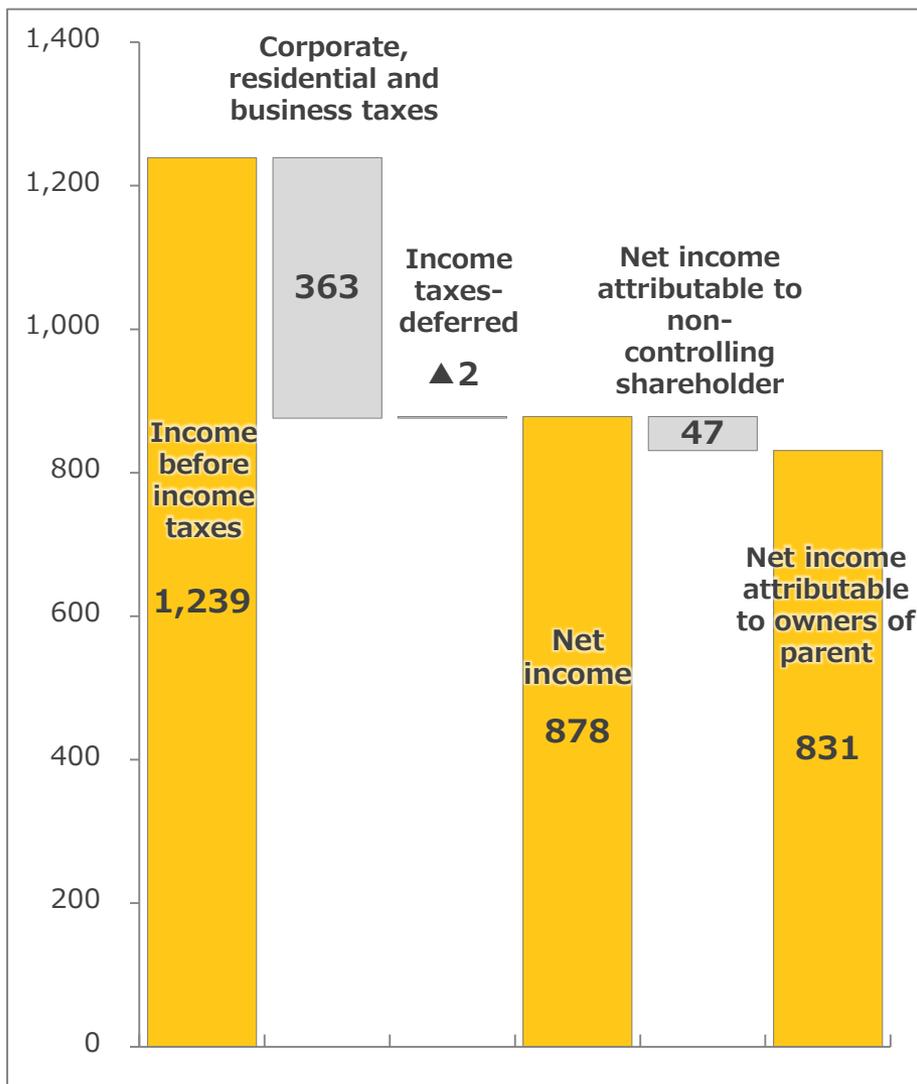


# Consolidated P/L (5)

## Net income attributable to owners of parent

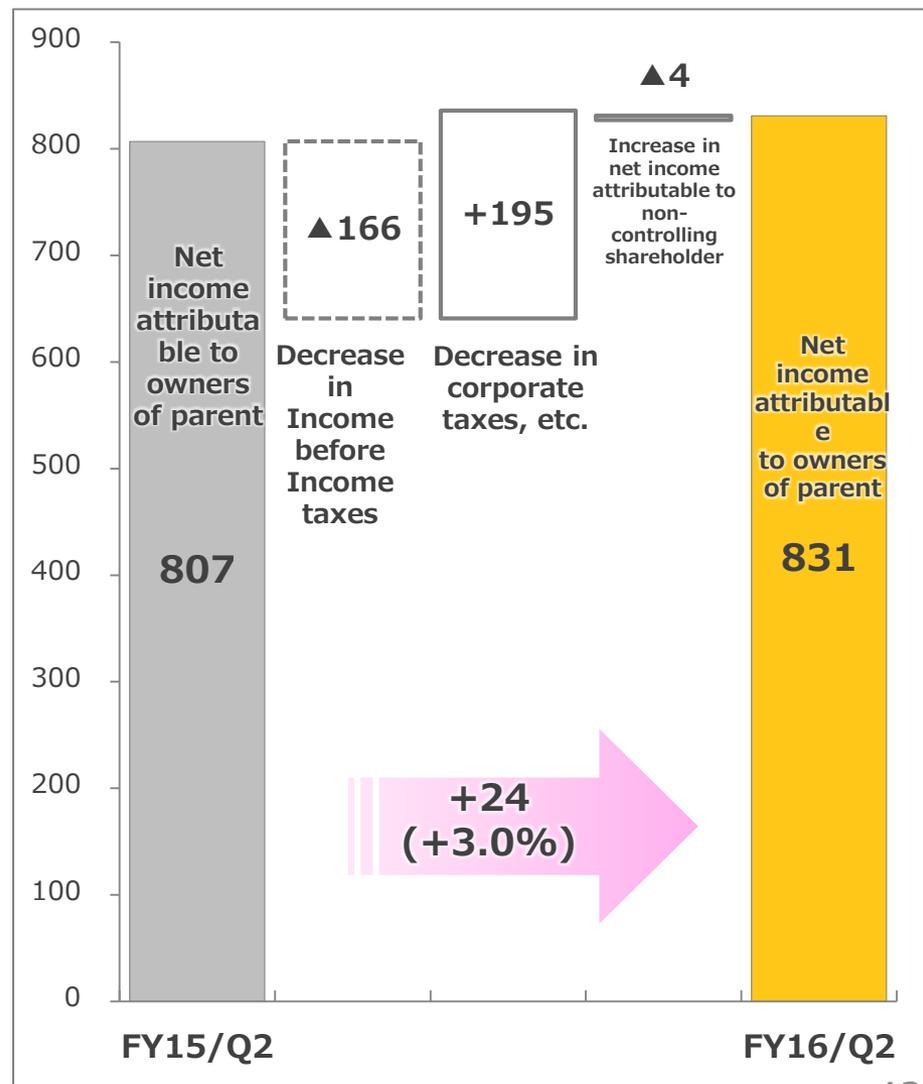
(million yen)

### Net income



(million yen)

### Increase/decrease factors



# Summary of Consolidated P/L Statement

(million yen)

	FY15/Q2	FY16/Q2	Change	Pct. change
<b>Sales</b>	<b>10,955</b>	<b>11,195</b>	+240	+2.2%
<i>Gross profit</i>	<b>2,916</b> (26.6%)	<b>3,138</b> (28.0%)	+222	+7.6%
<i>SG&amp;A expenses</i>	<b>1,644</b> (15.0%)	<b>1,926</b> (17.2%)	+282	+17.2%
<b>Operating income</b>	<b>1,271</b> (11.6%)	<b>1,211</b> (10.8%)	▲59	▲4.7%
<b>Ordinary income</b>	<b>1,435</b> (13.1%)	<b>1,238</b> (11.6%)	▲196	▲13.7%
<b>Net income attributable to owners of parent</b>	<b>807</b> (7.4%)	<b>831</b> (7.4%)	+24	+3.0%

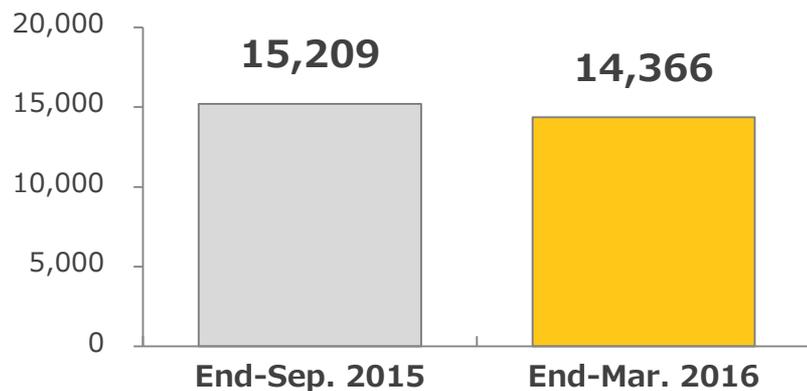
\* ( ) = Ratio to sales

## Consolidated B/S

# Consolidated B/S

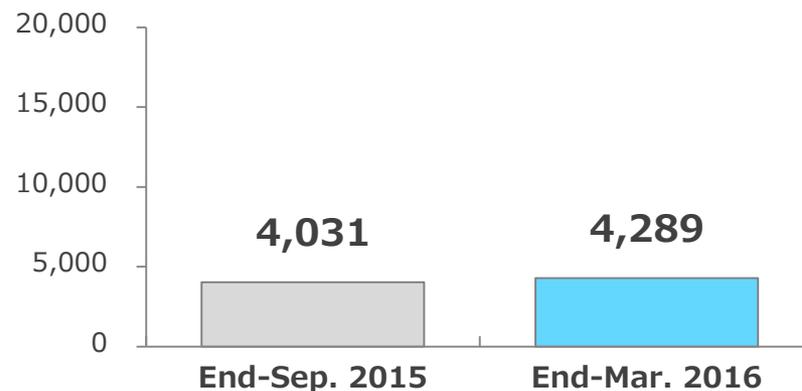
## Current assets

(million yen)



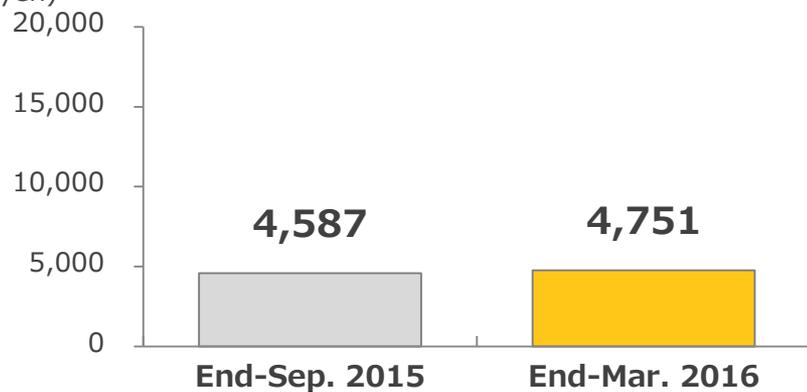
## Current liabilities

(million yen)



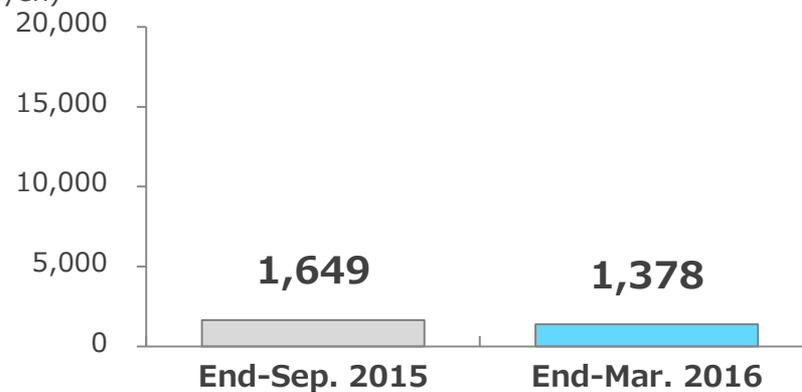
## Fixed assets

(million yen)



## Fixed liabilities

(million yen)



# Consolidated B/S (1) Assets

(million yen)

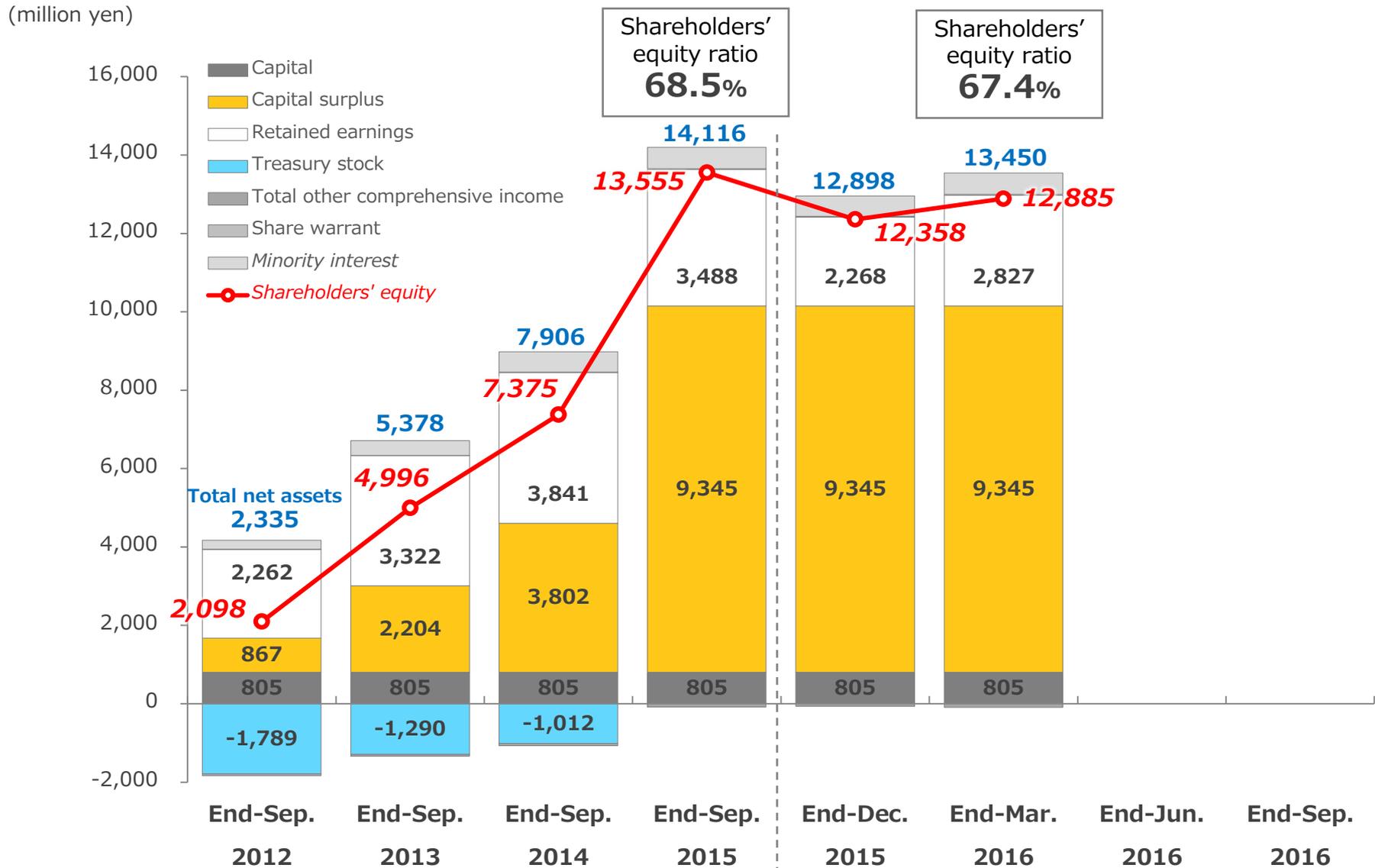
	End-Sep. 2015	End-Mar. 2016	Change	Remarks
<b>Assets</b>	<b>19,797</b>	<b>19,117</b>	<b>▲679</b>	
<b>Current assets</b>	<b>15,209</b>	<b>14,366</b>	<b>▲843</b>	
Cash and deposits	<b>11,460</b>	<b>10,214</b>	<b>▲1,246</b>	<i>Decreased due to payment of dividend</i>
Notes and accounts receivable-trade	<b>2,747</b>	<b>3,319</b>	<b>+571</b>	<i>Increased owing to increase in the number of job sites of the temporary staffing</i>
Deferred tax assets	<b>185</b>	<b>188</b>	<b>+3</b>	
Allowance for doubtful accounts	<b>▲21</b>	<b>▲22</b>	<b>▲0</b>	
<b>Fixed assets</b>	<b>4,587</b>	<b>4,751</b>	<b>+163</b>	
<b>Tangible fixed assets</b>	<b>940</b>	<b>1,360</b>	<b>+420</b>	
Buildings and structures	<b>461</b>	<b>586</b>	<b>+164</b>	
Machinery, delivery equipment	<b>6</b>	<b>5</b>	<b>▲1</b>	
Land	<b>408</b>	<b>702</b>	<b>+294</b>	<i>Decreased due to purchase of company housing</i>
Lease asset	<b>37</b>	<b>32</b>	<b>▲5</b>	
<b>Intangible fixed assets</b>	<b>348</b>	<b>321</b>	<b>▲26</b>	
Goodwill	<b>309</b>	<b>282</b>	<b>▲26</b>	
Software	<b>29</b>	<b>25</b>	<b>▲3</b>	
Lease asset	<b>4</b>	<b>3</b>	<b>▲1</b>	
<b>Investments and other assets</b>	<b>3,299</b>	<b>3,068</b>	<b>▲230</b>	
Investment securities	<b>1,771</b>	<b>1,132</b>	<b>▲638</b>	<i>Decreased due to sales of investment securities</i>
Long-term debt	<b>21</b>	<b>2</b>	<b>▲18</b>	
Deferred tax assets	<b>23</b>	<b>24</b>	<b>+0</b>	
Investment properties	<b>1,118</b>	<b>1,109</b>	<b>▲8</b>	
Allowance for doubtful accounts	<b>▲52</b>	<b>▲50</b>	<b>+2</b>	

# Consolidated B/S (2) Liabilities and Net Assets

(million yen)

	End-Sep. 2015	End-Mar. 2016	Change	Remarks
<b>Liabilities</b>	<b>5,680</b>	<b>5,667</b>	<b>▲13</b>	
<b>Current liabilities</b>	<b>4,031</b>	<b>4,289</b>	<b>+258</b>	
Account payable-trade	8	7	▲0	
Short-term debt	100	800	+700	Increased due to borrowing of working capital
Current portion of long-term debt	1,005	766	▲239	
Accounts payable	210	233	+23	
Income taxes payable	652	379	▲273	Decreased due to payment of corporate taxes
Accrued expenses	1,068	1,130	+61	
Reserve for bonuses	299	360	+61	
<b>Fixed liabilities</b>	<b>1,649</b>	<b>1,378</b>	<b>▲271</b>	
Long-term debt	1,218	956	▲262	
Lease obligations	31	24	▲6	
Loss on retirement benefit	231	247	+15	
<b>Net assets</b>	<b>14,116</b>	<b>13,450</b>	<b>▲660</b>	
<b>Shareholders' equity</b>	<b>13,638</b>	<b>12,978</b>	<b>▲660</b>	
Capital	805	805	—	
Capital surplus	9,345	9,345	—	
Retained earnings	3,488	2,827	▲660	Net income for FY16/Q1+Q2 - Year-end dividend for FY15
Treasury stock	▲0	0	—	
<b>Accumulated other comprehensive income</b>	<b>▲83</b>	<b>▲93</b>	<b>▲10</b>	
Valuation difference on available-for-sale	▲73	▲85	▲11	
<b>Share warrant</b>	<b>19</b>	<b>19</b>	<b>+0</b>	
<b>Minority interest</b>	<b>542</b>	<b>545</b>	<b>+3</b>	

# Consolidated B/S (3) Shareholders' Equity



\*Shareholders' equity = Net assets - Minority interest - Share warrant

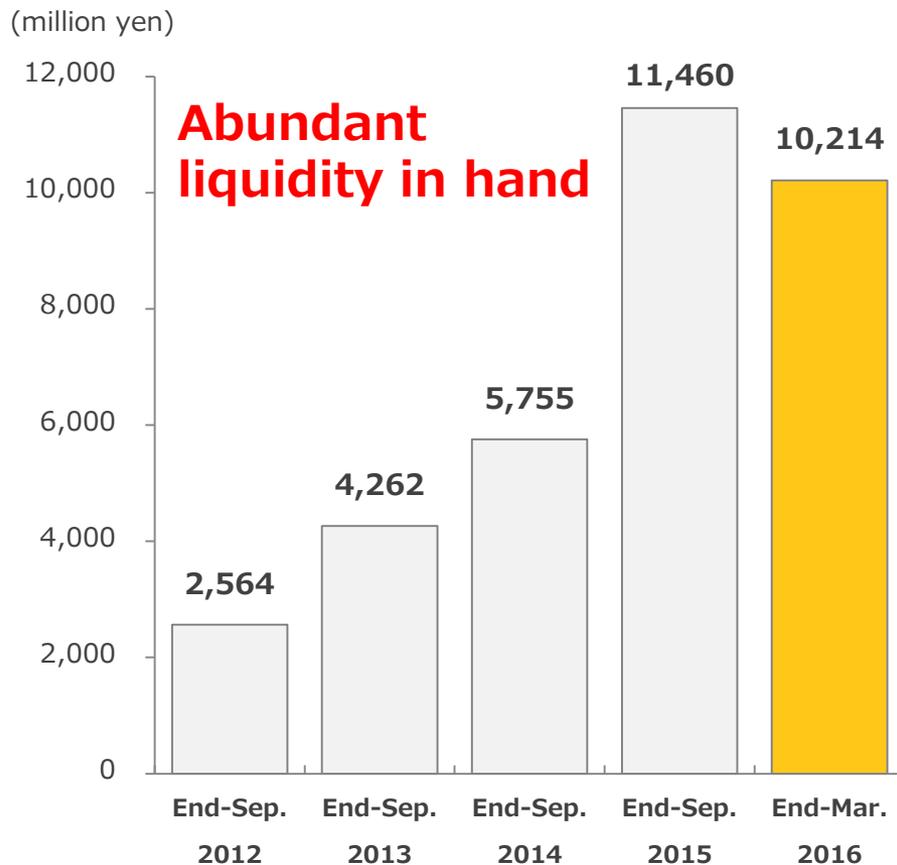
FY2016

## Financial Index

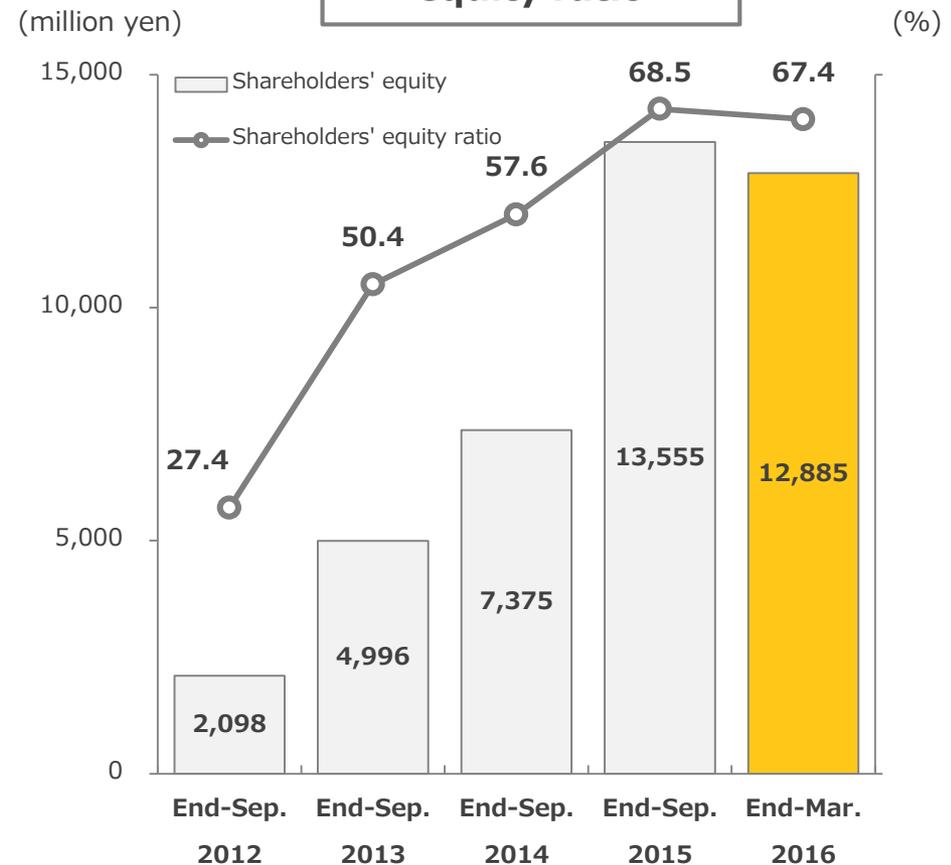
# Financial Index (1)

## Liquidity in Hand and Shareholders' Equity

Liquidity in hand



Shareholders' equity ratio



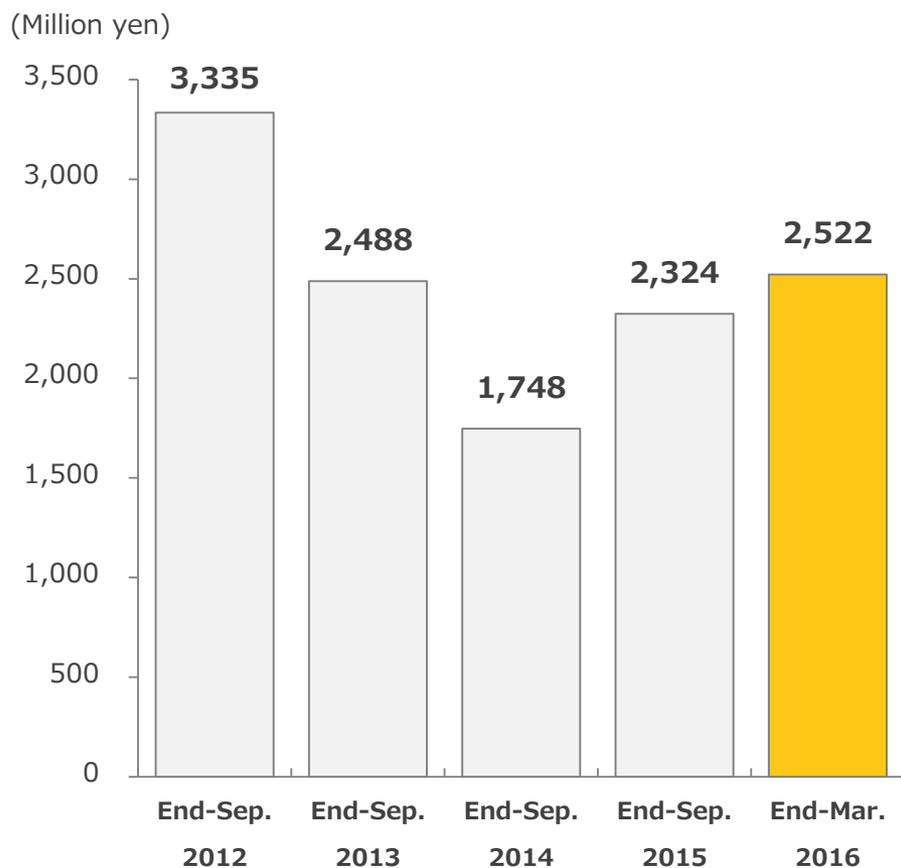
\*1. Liquidity in hand = Cash and deposits+ Securities included in current assets

2. Shareholders' equity = Net assets—Minority interest—Share warrant

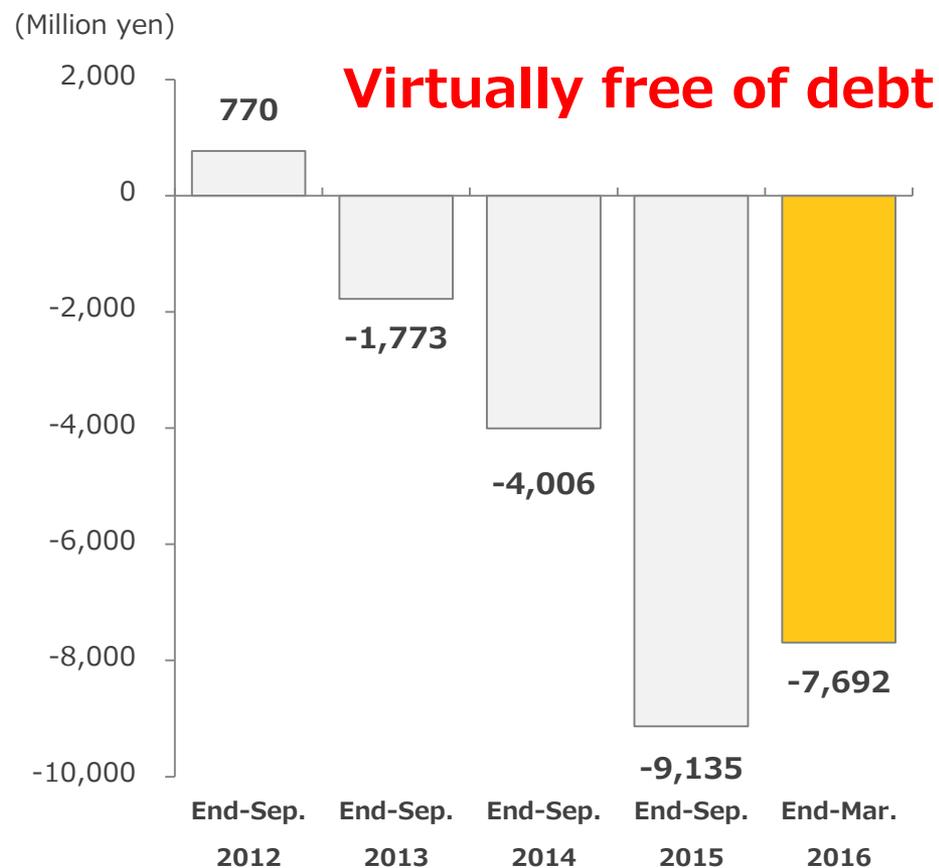
3. Shareholders' equity ratio = Shareholders' equity ÷ Total assets

# Financial Index (2) Interest-Bearing Debt

Interest-bearing debt



Net interest-bearing debt



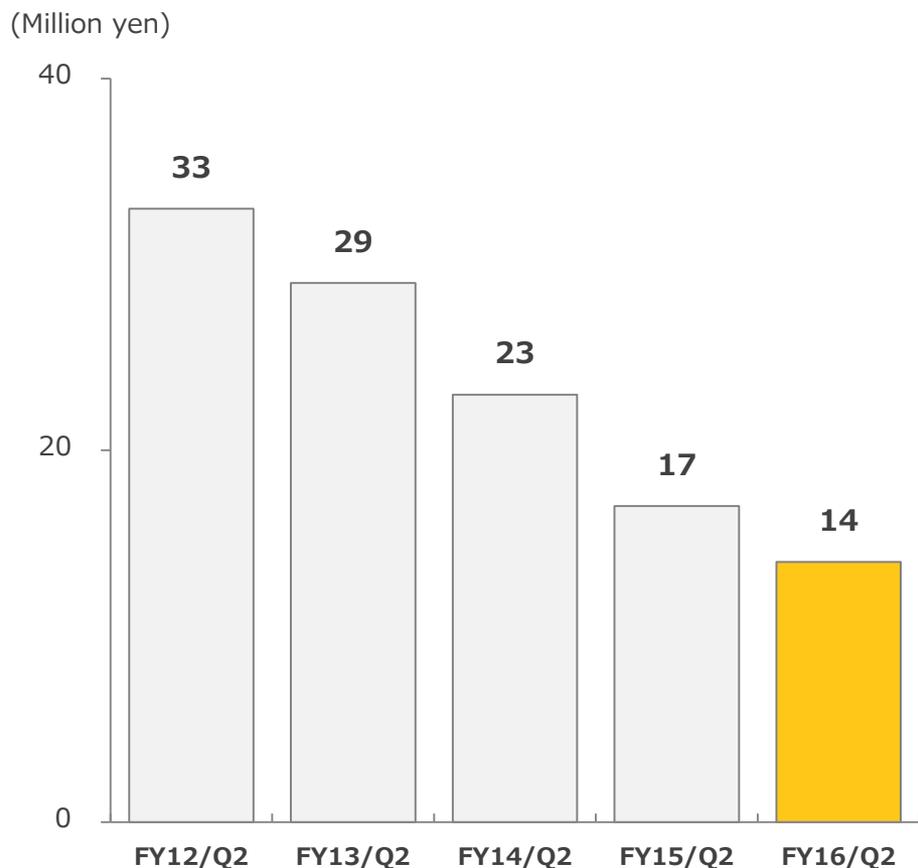
\*1. Interest-bearing debt = Short-term debt+ Long-term debt+ Current portion of long-term debt+ Bond (lease liability not included)

\*2. Net interest-bearing debt = Interest-bearing debt–Liquidity in hand

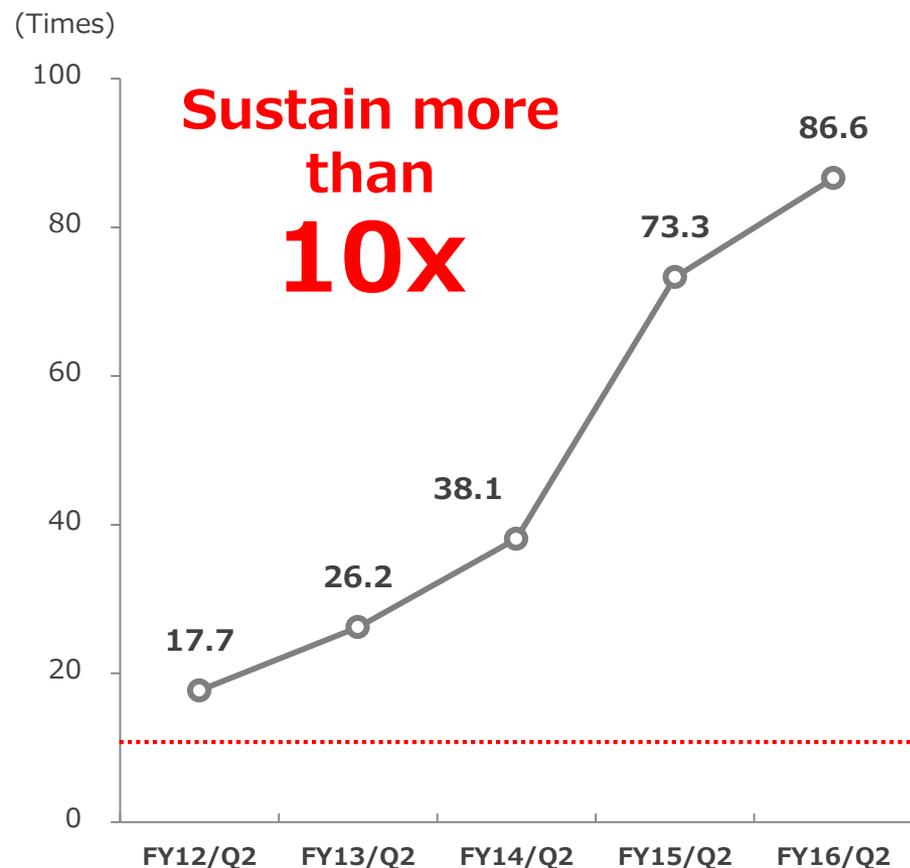
\*3. Liquidity in hand = Cash and deposits+ Securities included current assets

# Financial Index (3) Interest Paid and ICR

Interest paid



ICR

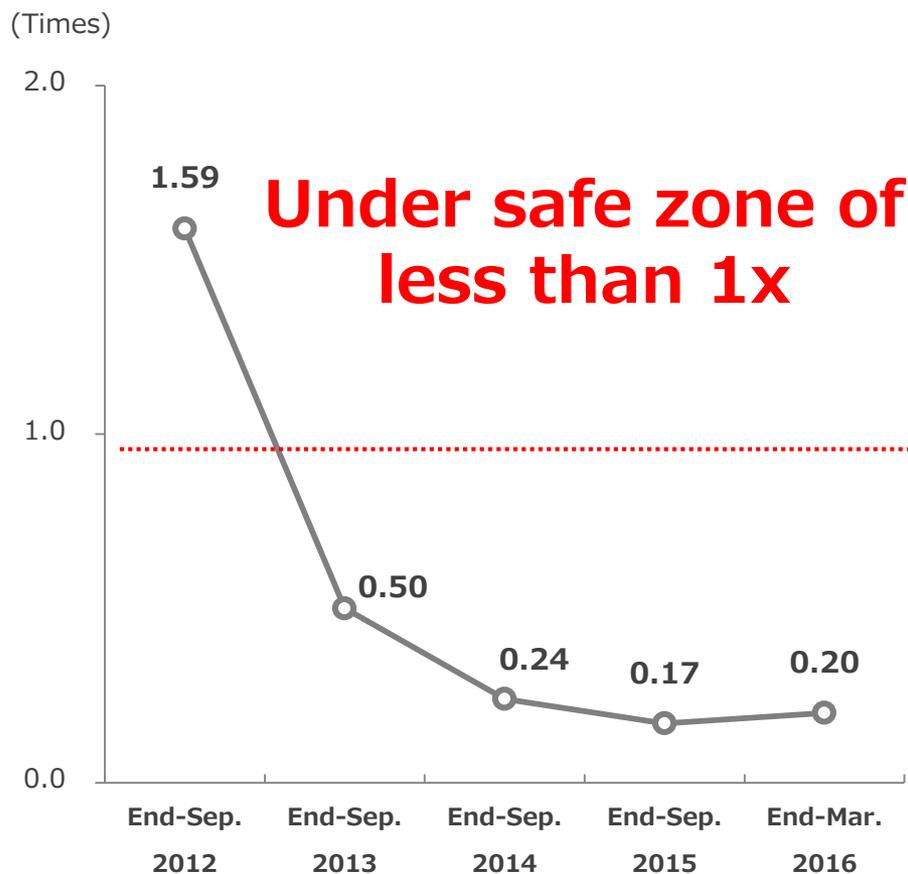


\*1. Instant coverage ratio (ICR) = Net operating profit ÷ Interest paid

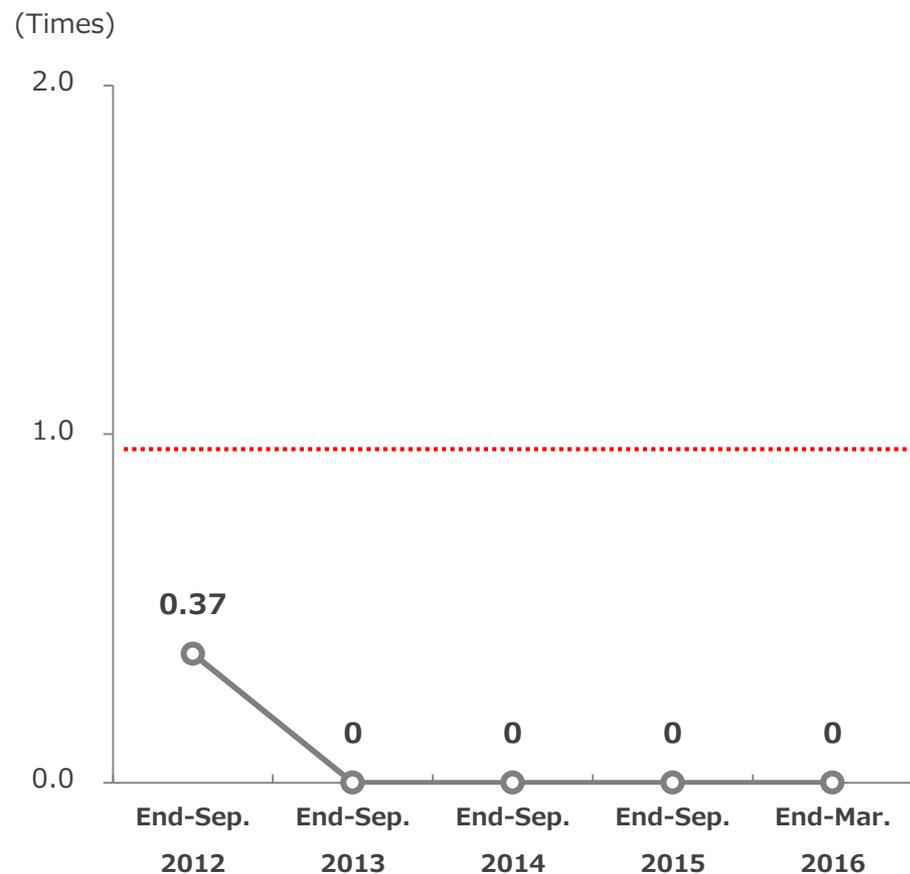
\*2. Net operating profit = Operating income + Interest received + Investment gain/loss on equity method

# Financial Index (4) D/E Ratio

D/E ratio



Net D/E ratio



- ※ 1.  $D/E \text{ ratio} = \text{Interest-bearing debt} \div \text{Shareholders' equity}$
- 2.  $\text{Net D/E ratio} = \text{Net interest-bearing debt} \div \text{Shareholders' equity}$
- 3.  $\text{Net interest-bearing debt} = \text{Interest-bearing debt} - \text{Liquidity in hand}$
- 4.  $\text{Interest-bearing debt} = \text{Short-term debt} + \text{Long-term debt} + \text{Current portion of long-term debt} + \text{Bond (lease liability not included)}$
- 5.  $\text{Liquidity in hand} = \text{Cash and deposits} + \text{Securities included current assets}$

# Summary of Financial Index

(million yen)

	End-Sep. '15	End-Mar. '16	Change
Shareholders' equity	13,555	<b>12,885</b>	<b>▲670</b>
Shareholders' equity ratio	68.5%	<b>67.4%</b>	<b>▲1.1pt.</b>
Liquidity in hand	11,460	<b>10,214</b>	<b>▲1,246</b>
Interest-bearing debt	2,324	<b>2,522</b>	<b>+197</b>
D/E ratio	0.17x	<b>0.20x</b>	<b>+0.02pt.</b>

# Segment Overview

## Construction Technician Temporary Staffing

# TOPICS

- 1 . Sales increased by double digit figures for 20 consecutive quarters**
- 2 . Unit price of temporary staffing steadily improved**
- 3 . Gross margin improved to 30% level**

# Four Indicators of Sales

**No. of engineers**

**×**

**Operating rate**

**×**

**Operating time**

**×**

**Unit price of  
temporary staffing**



**Sales**

# Number of engineers (1) Recruitment

- Limited the number of recruits in March, to maintain its unit price of temporary staffing as Apr.-Jun. period is an off-season for the construction industry
- Plan to recruit 200 people per month from May onward

(Unit: person)

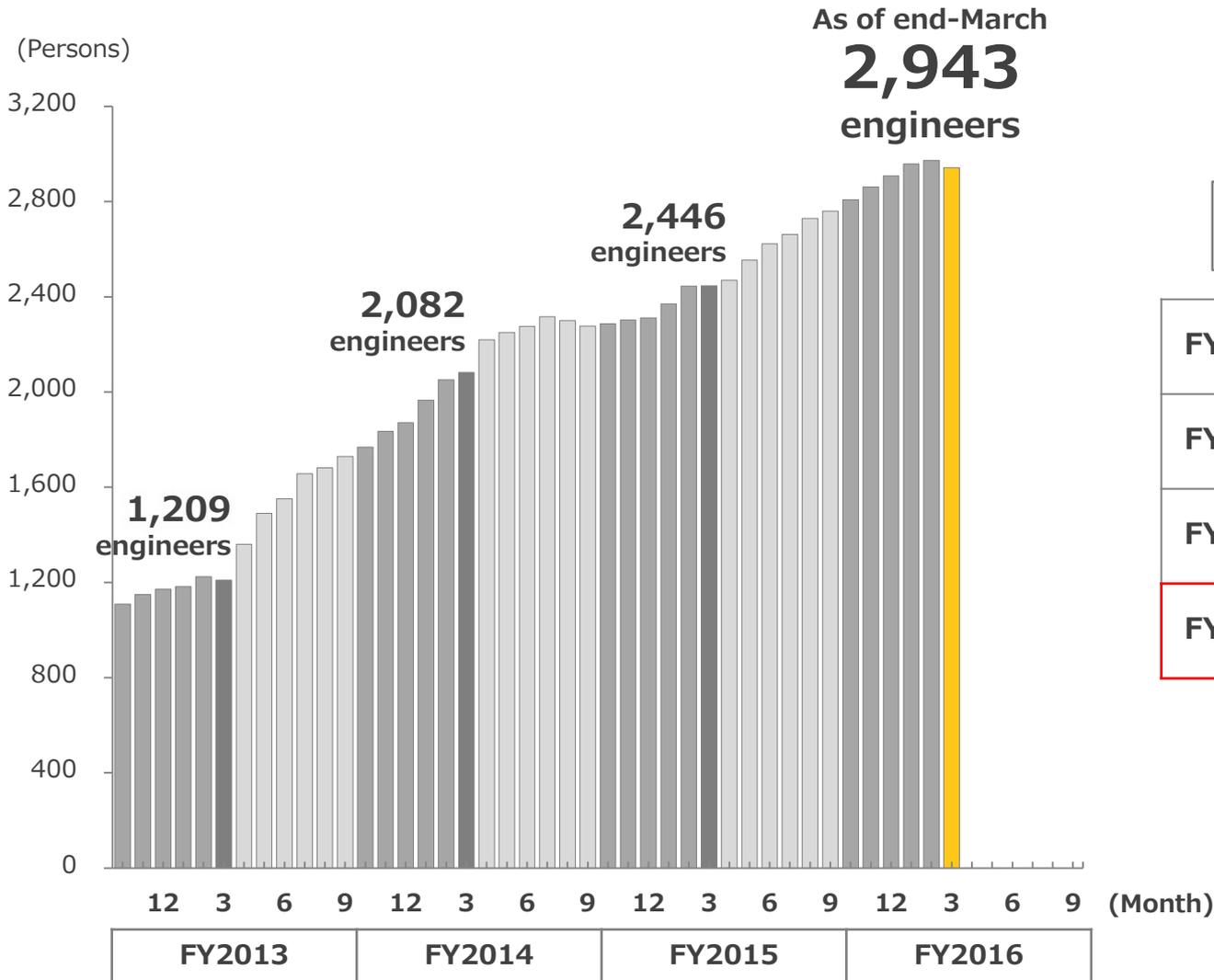
	Oct	Nov	Dec	Jan	Feb	Mar	Oct – Mar total
FY16 Planned recruitment	500			500			1,000
FY16 recruitment	458			460			918
Difference	▲42			▲40			▲82
FY15 recruitment	269			436			705

	Apr	May	Jun	Jul	Aug	Sep	Apr – Sep total	Oct – Sep total
FY16 Planned recruitment	530			470			1,000	2,000
FY16 recruitment								
Difference								
FY15 recruitment	534			463			997	1,702

# Number of engineers (2)

## Changes in the Number of Engineers

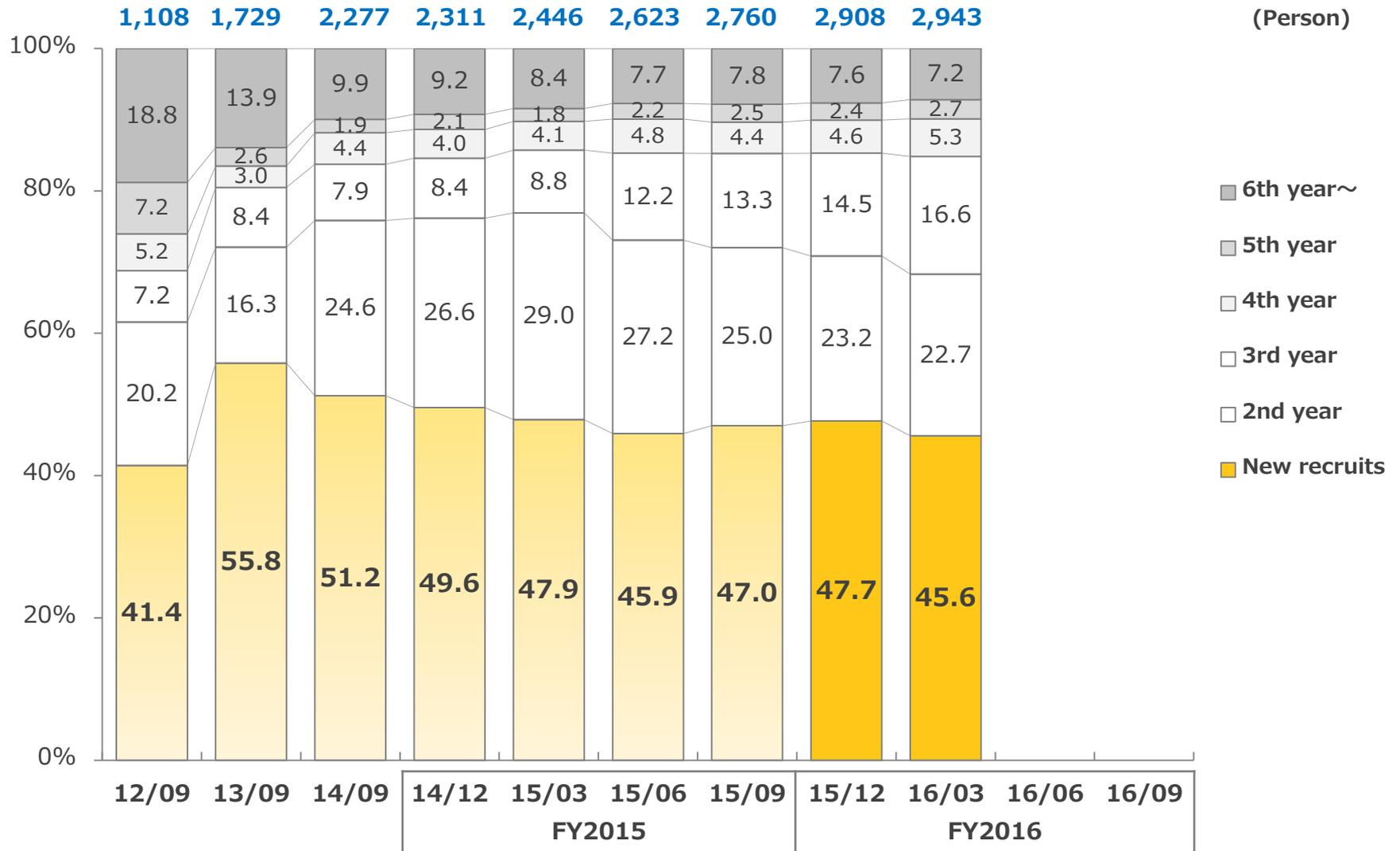
■ Increased by 497 engineers YoY (+20.3%)



\* Number of engineers at the end of month

# Number of engineers (3) Ratio by Length of Service

- It is the fourth year from starting the mass recruitment ⇒ 3rd year engineers steadily increased

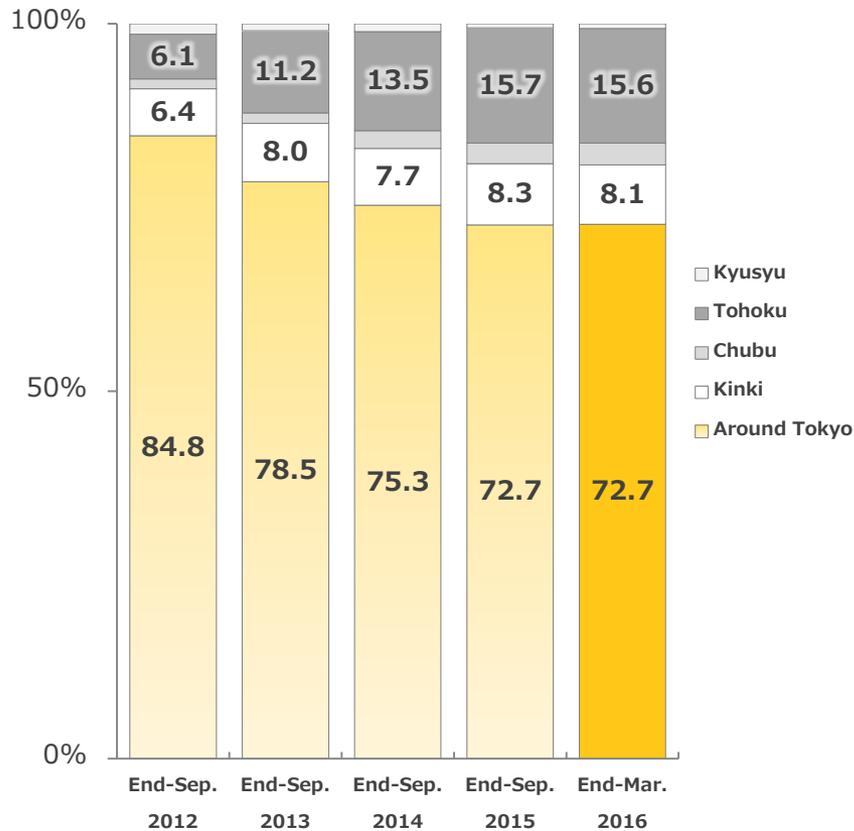


# Number of engineers (4)

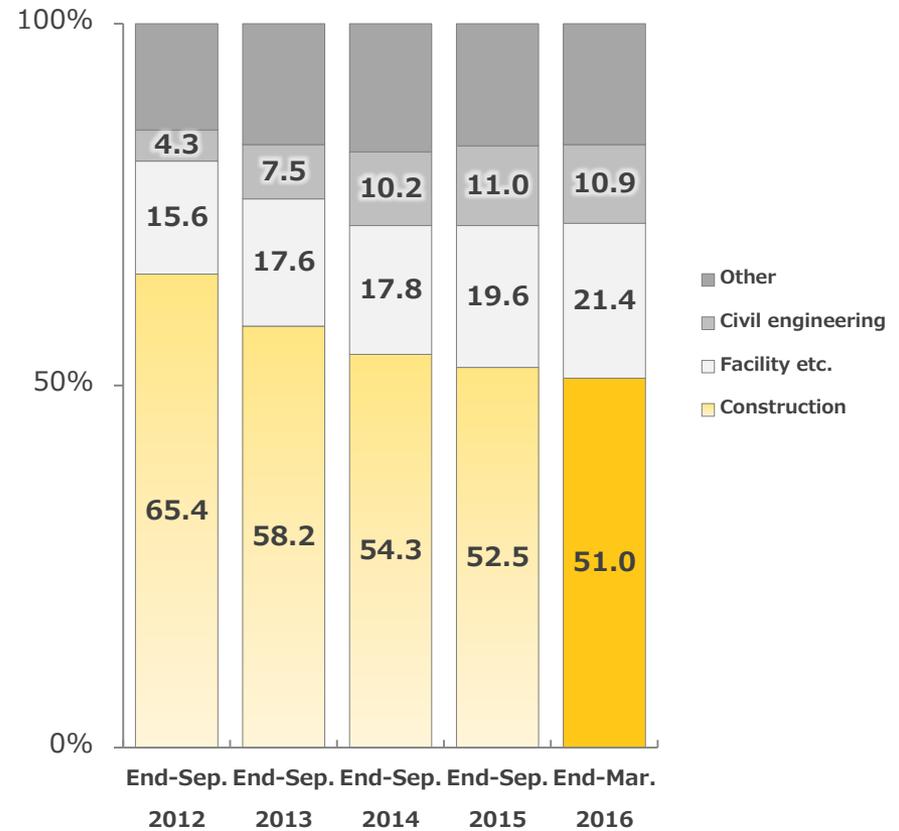
## Ratio by area and industry of temporary staffing

- Business in Tokyo and Tohoku area contributed to the growth
- Business in electricity and air conditioning facility industry continued to perform well as they actively use young engineers

Ratio by area of temporary staffing

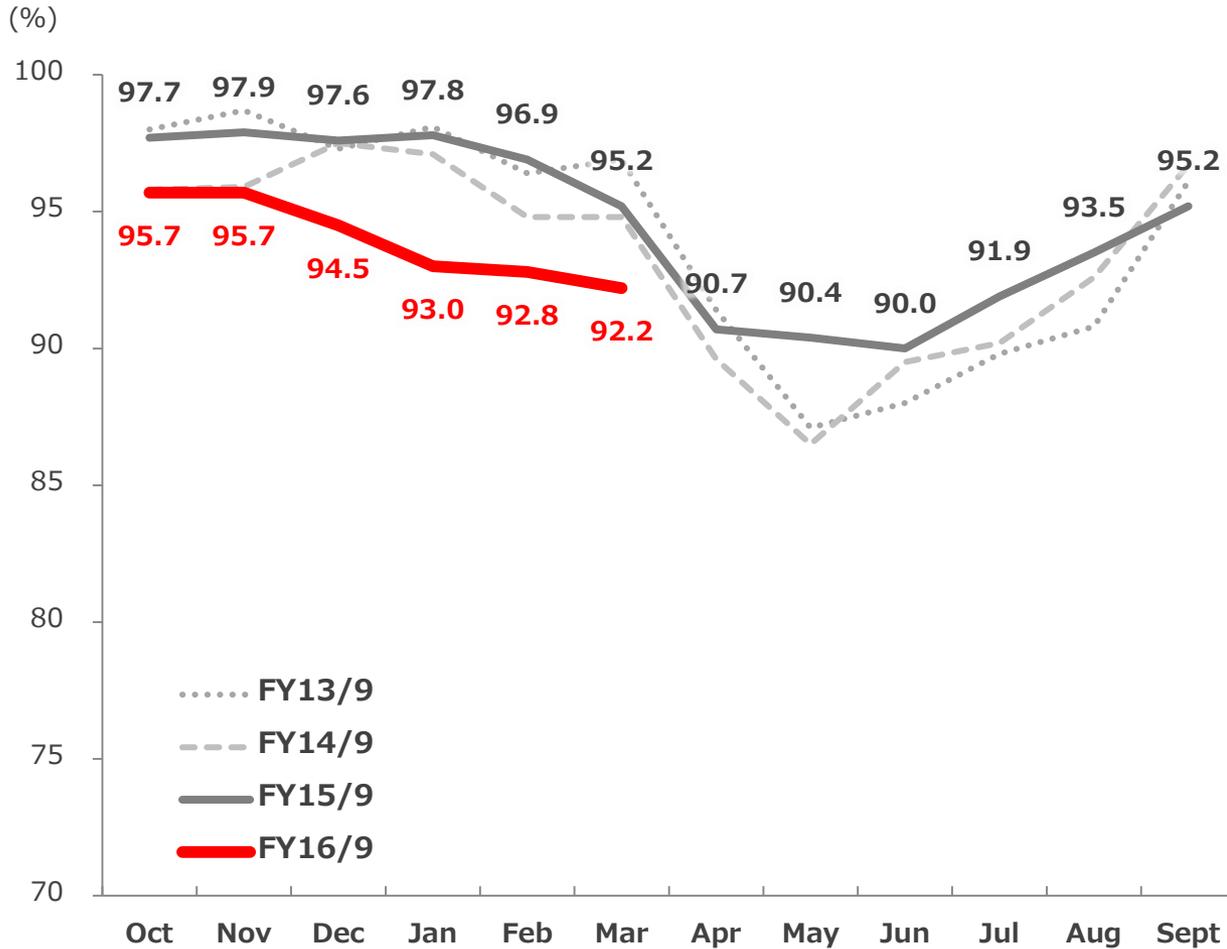


Ratio by industry of temporary staffing



# Operating Rate

■ Operating rate decreased as recruitment is going well



Operating rate  
6-month avg. (Oct.- Mar.)

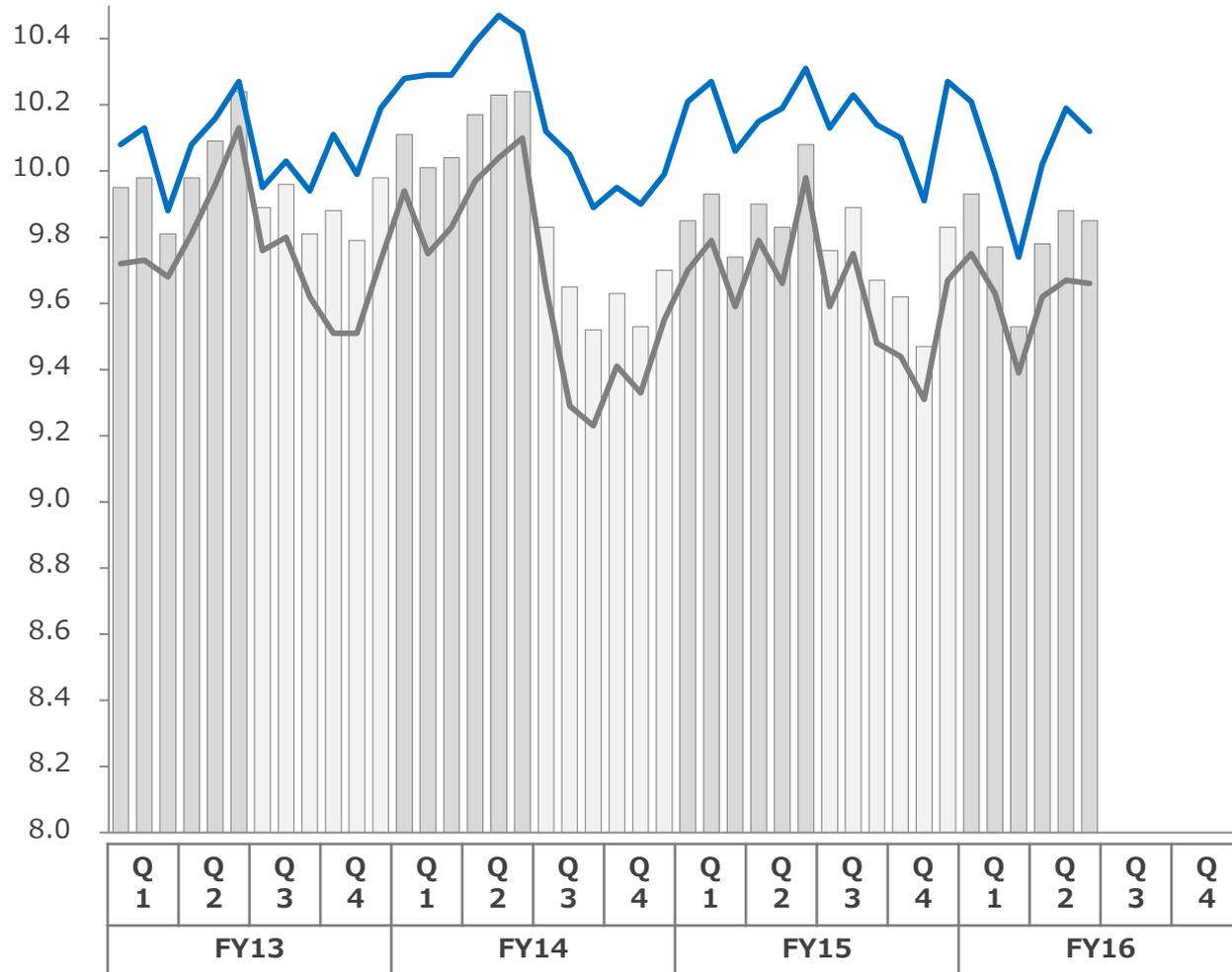
FY13/Q2	97.6%	YoY
FY14/Q2	96.0%	▲ 1.6pt.
FY15/Q2	97.2%	+1.2pt.
FY16/Q2	94.0%	▲ 3.2pt.

Q1	Q2	Q3	Q4
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# Operating Time

■ Settled at 10h/day due to labor control

(h/day)    All engineers    From the 2nd year    New recruits only

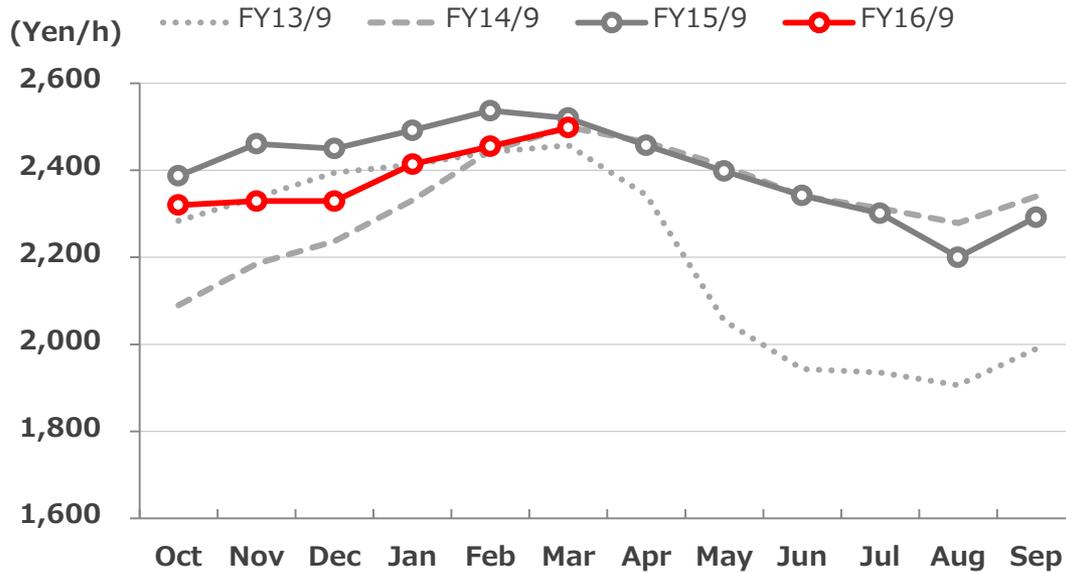


Average of all engineers  
6-month avg. (Oct.- Mar.)

FY13/Q2	10.01h	YoY
FY14/Q2	10.13h	+1.2%
FY15/Q2	9.89h	▲2.4%
FY16/Q2	9.79h	▲1.0%

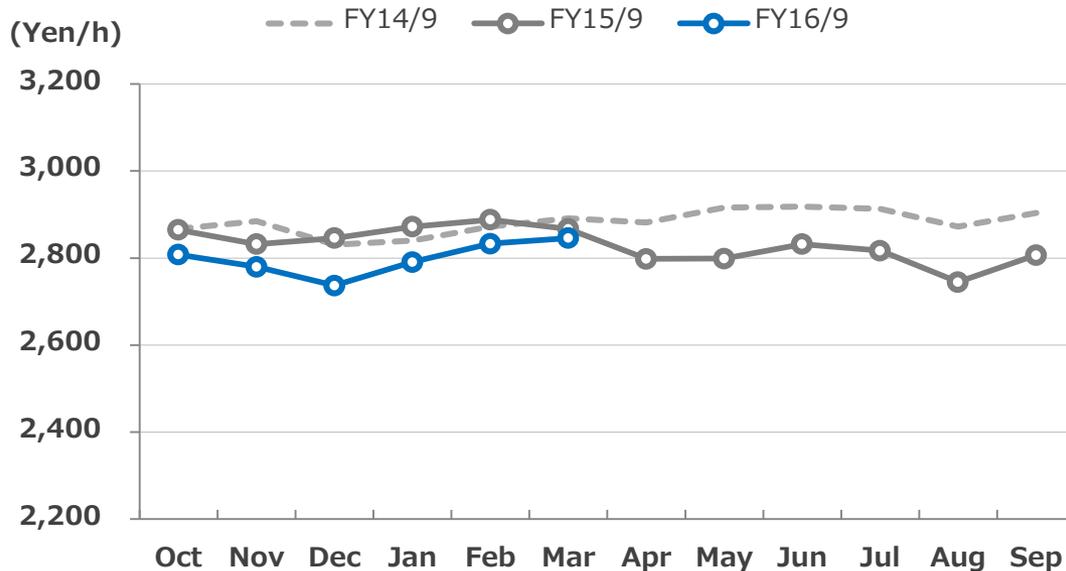
# Unit Price of Temporary Staffing (1)

## Changes in New Recruits and 2<sup>nd</sup> Year



### New recruits only

FY	Recruits	YoY
FY13/Q2	2,388	YoY
FY14/Q2	2,298	▲3.8%
FY15/Q2	2,475	+7.7%
FY16/Q2	2,391	▲3.4%

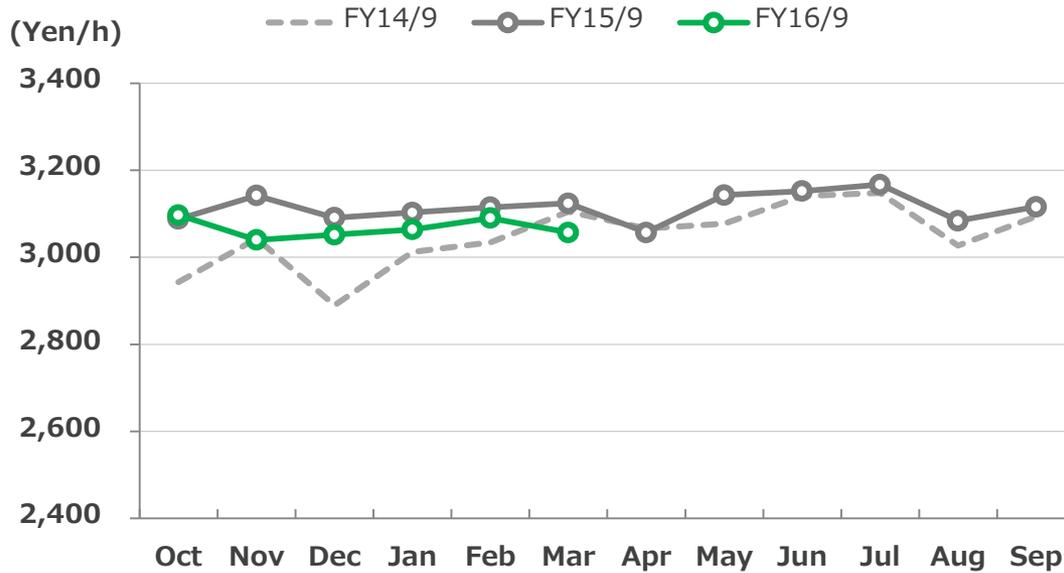


### 2<sup>nd</sup> year only

FY	Recruits	YoY
FY14/Q2	2,864	YoY
FY15/Q2	2,862	▲0.1%
FY16/Q2	2,799	▲2.2%

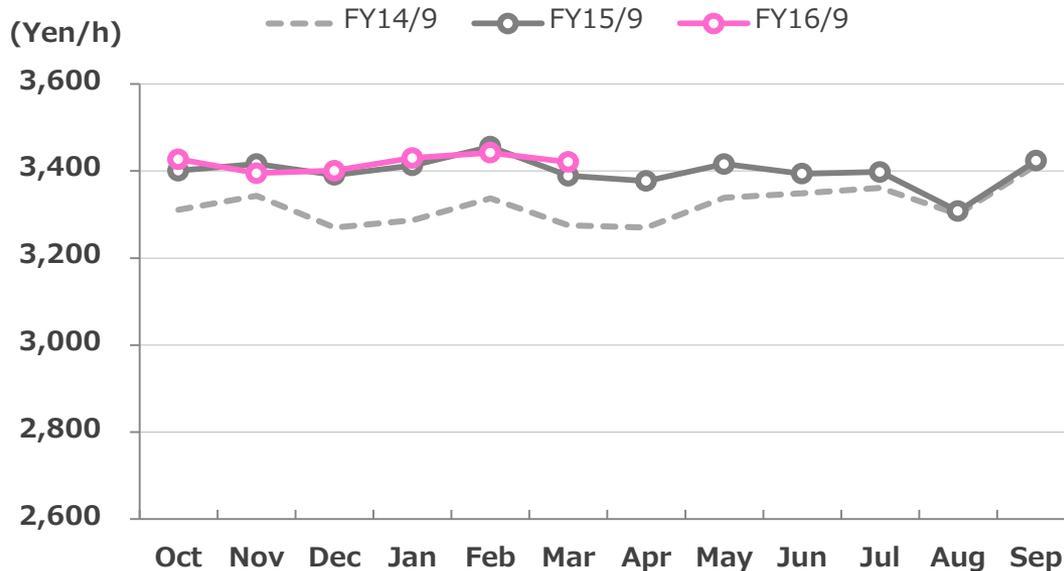
# Unit Price of Temporary Staffing (2)

## Changes from the 3<sup>rd</sup> and 4<sup>th</sup> Year and Over



### 3<sup>rd</sup> year only

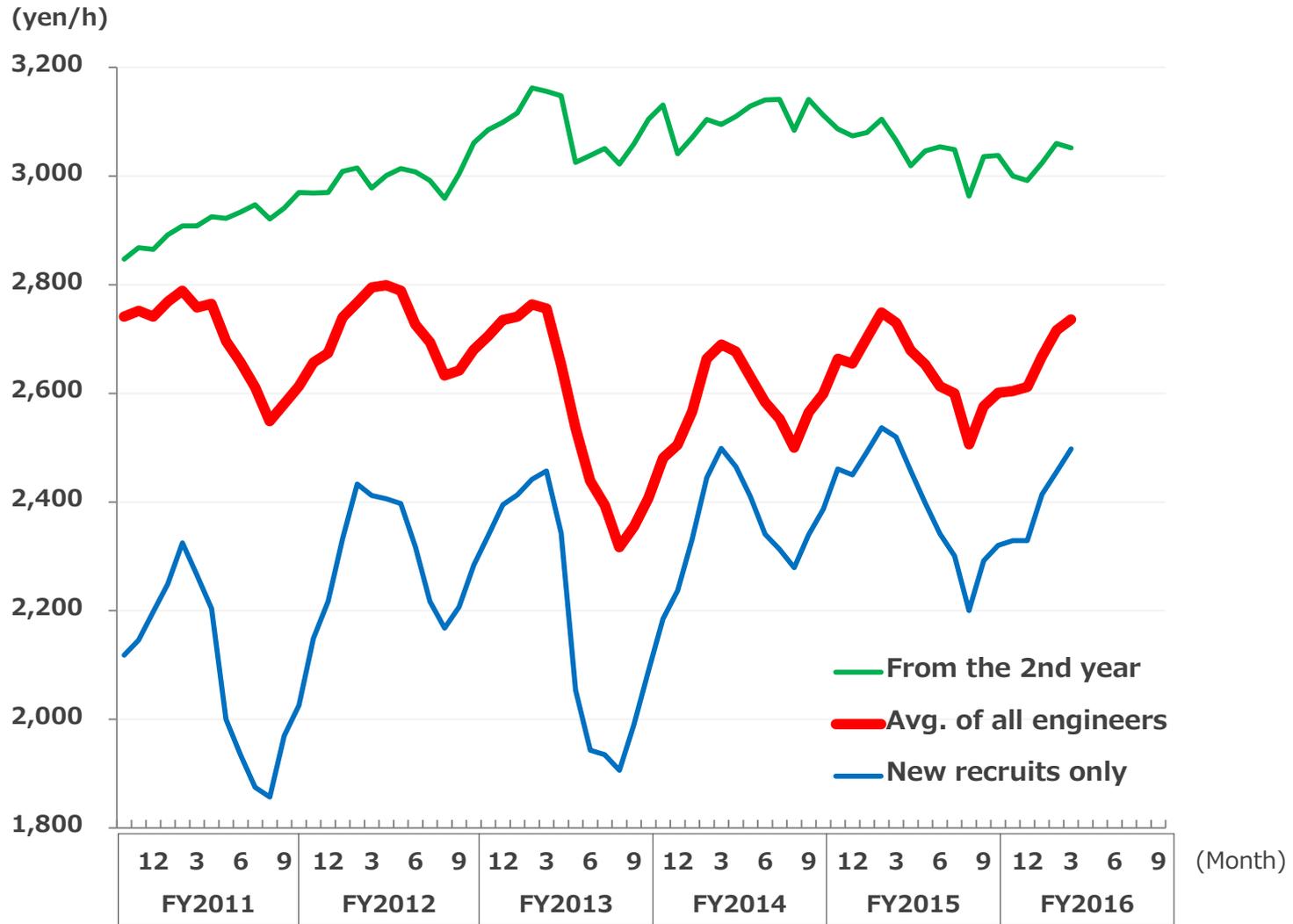
FY14/Q2	3,005	YoY
FY15/Q2	3,111	+3.5%
FY16/Q2	3,067	▲1.4%



### From the 4<sup>th</sup> year

FY14/Q2	3,304	YoY
FY15/Q2	3,411	+3.2%
FY16/Q2	3,419	+0.2%

# Unit Price of Temporary Staffing (3) Interim Changes



All engineers/Q2	2,758	2,708	2,730	2,552	2,683	2,656
YoY		▲1.8%	+0.8%	▲6.5%	+5.1%	▲1.0%

# Summary of Four Indicators of Sales

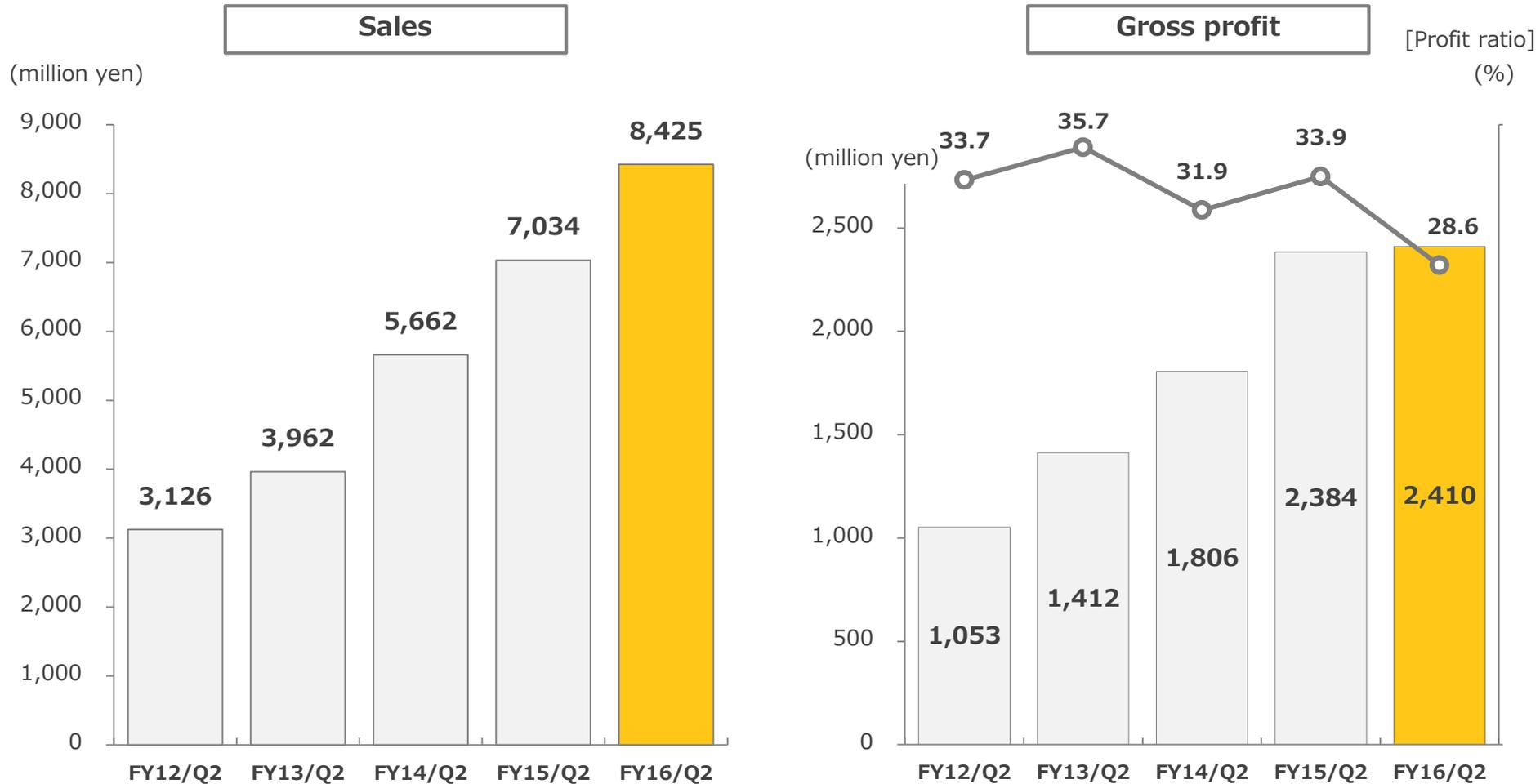
6 months average of all engineers (Oct. - Mar.)

	FY15/Q2	FY16/Q2	Change	Percentage change
No. of engineers	2,360 engineers	<b>2,909</b> engineers	+549 engineers	+23.3%
Operating rate	97.2%	<b>94.0%</b>	▲3.2pt.	—
Operating time	9.90h	<b>9.77h</b>	▲0.13h	▲1.3%
Unit price of temporary staffing	2,683yen	<b>2,631yen</b>	▲52yen	▲1.9%

# Non-consolidated P/L Statement (1)

## Sales and Gross Profit (Total)

- Sales: increased by 20% thanks to increase in the number of engineers at work through aggressive recruitment activity
- Gross margin: increased, although there remains the effect of temporal low priced staffing

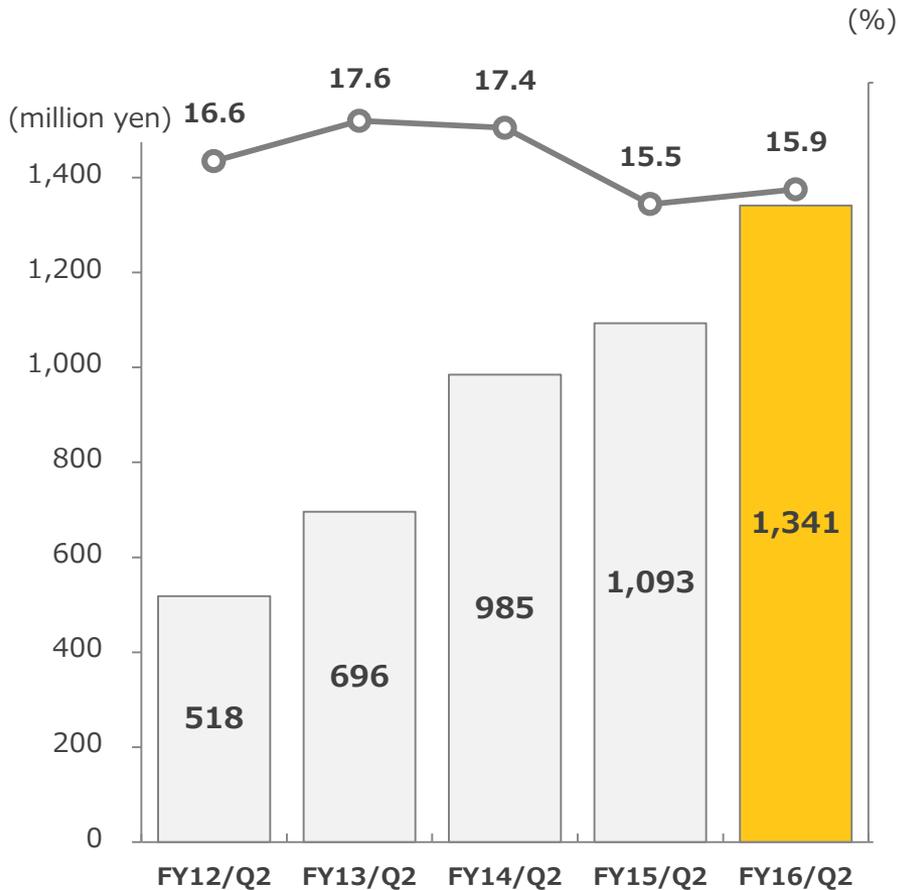


# Non-consolidated P/L Statement (2)

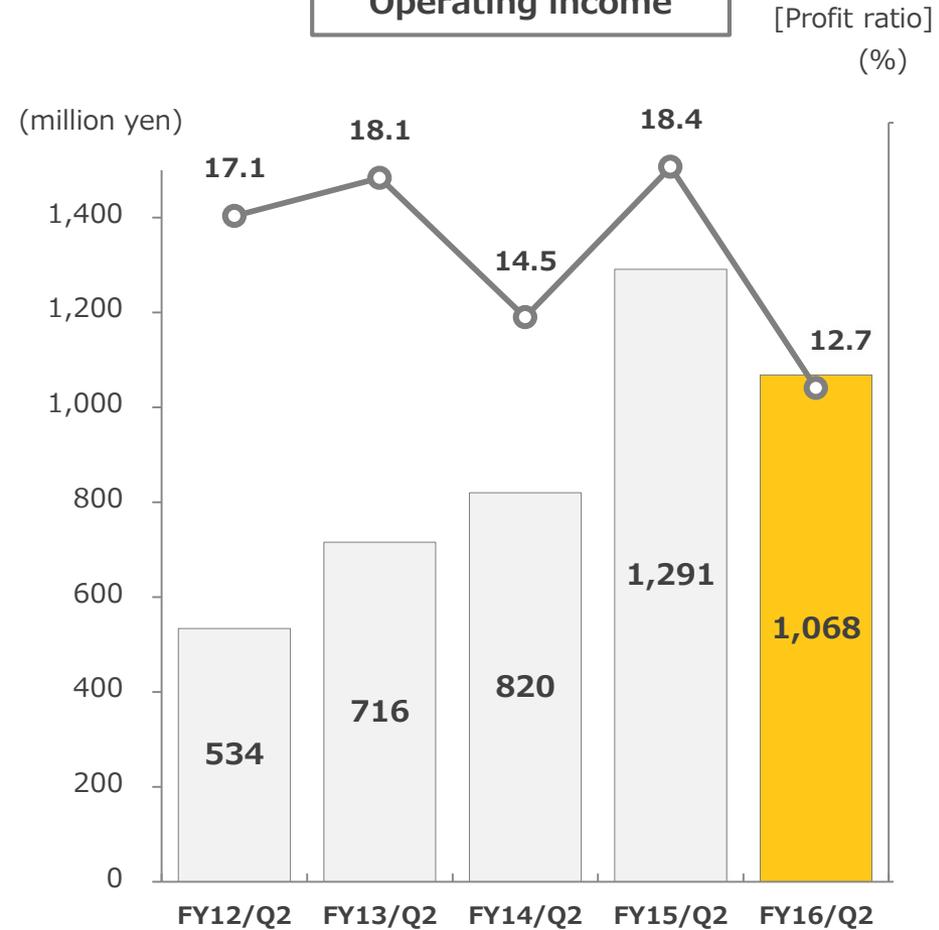
## SG&A Expenses and Operating Income (Total)

- Operating income: decreased by 17% due to decrease in gross margin and increase in recruiting costs

SG&A expenses



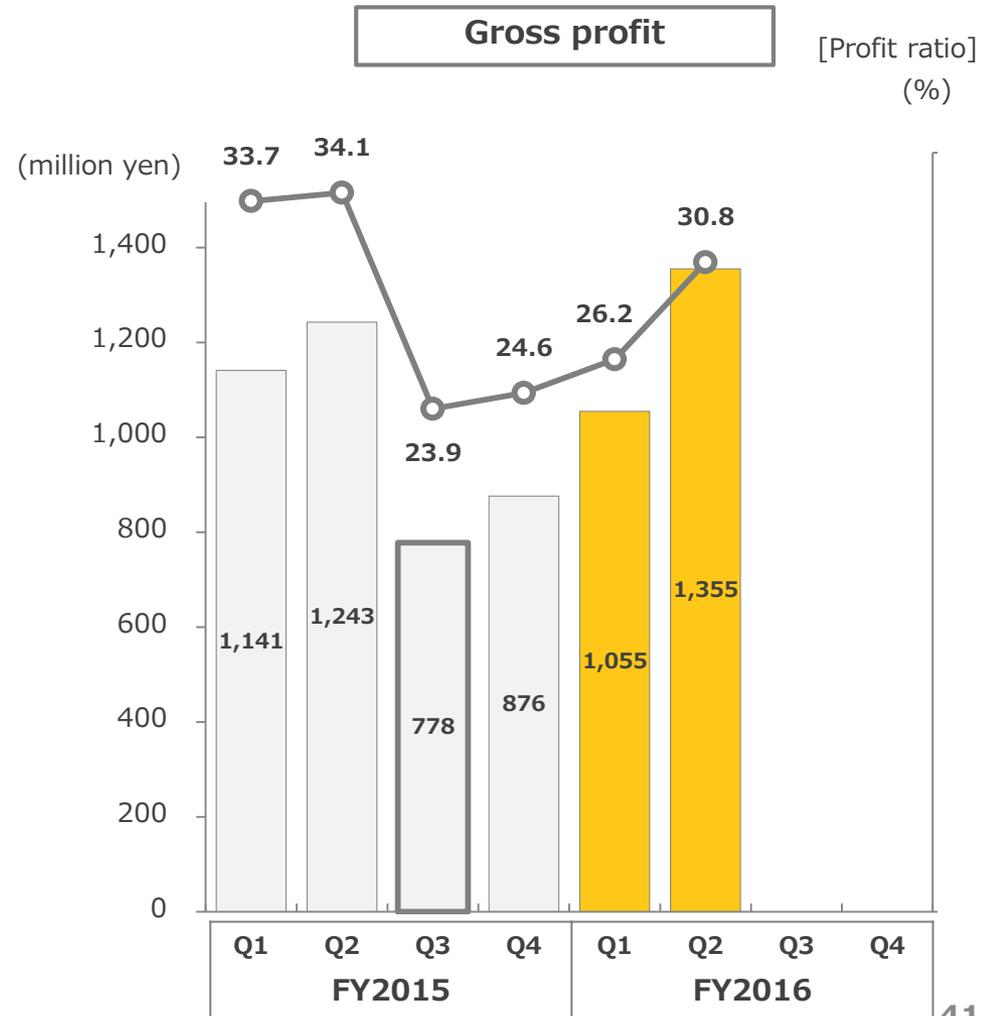
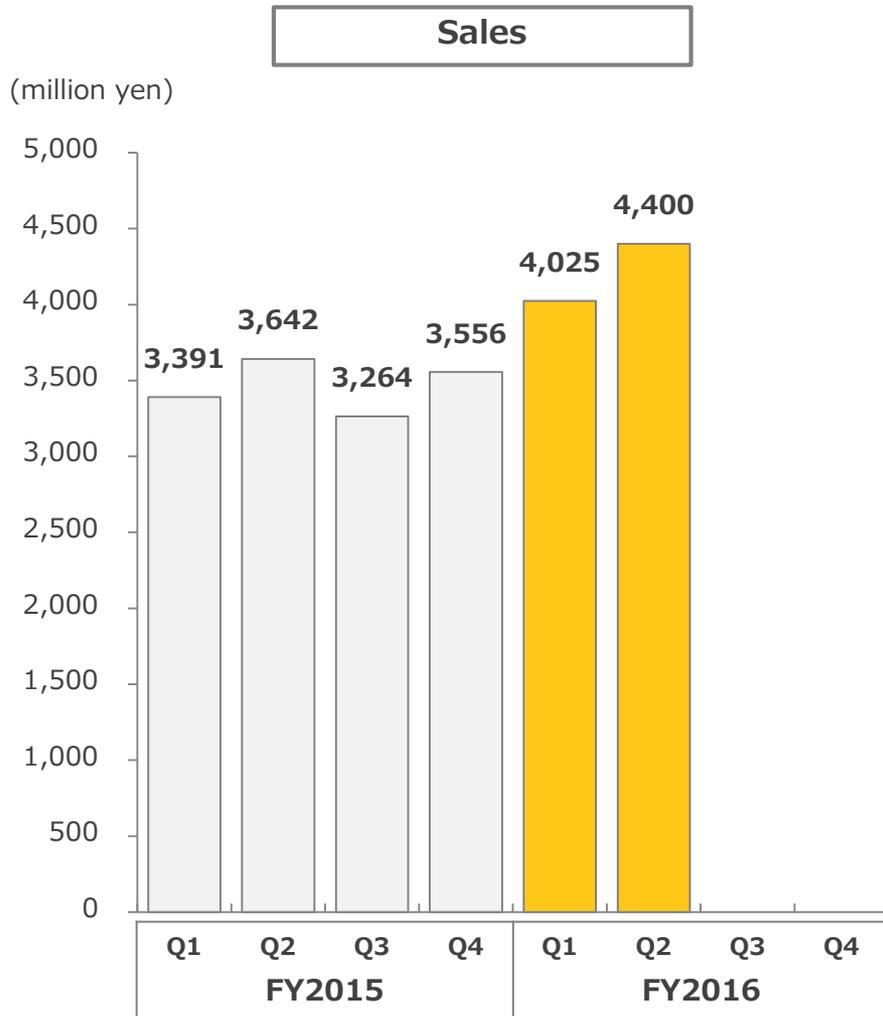
Operating income



# Non-consolidated P/L Statement (3)

## Sales and Gross Profit (Quarter)

- Sales: increased by double digit figures for 20 consecutive quarters thanks to increase in the number of engineers
- Gross margin: steadily recovered from the decrease in income ratio in FY15/Q3 due to fall in unit price

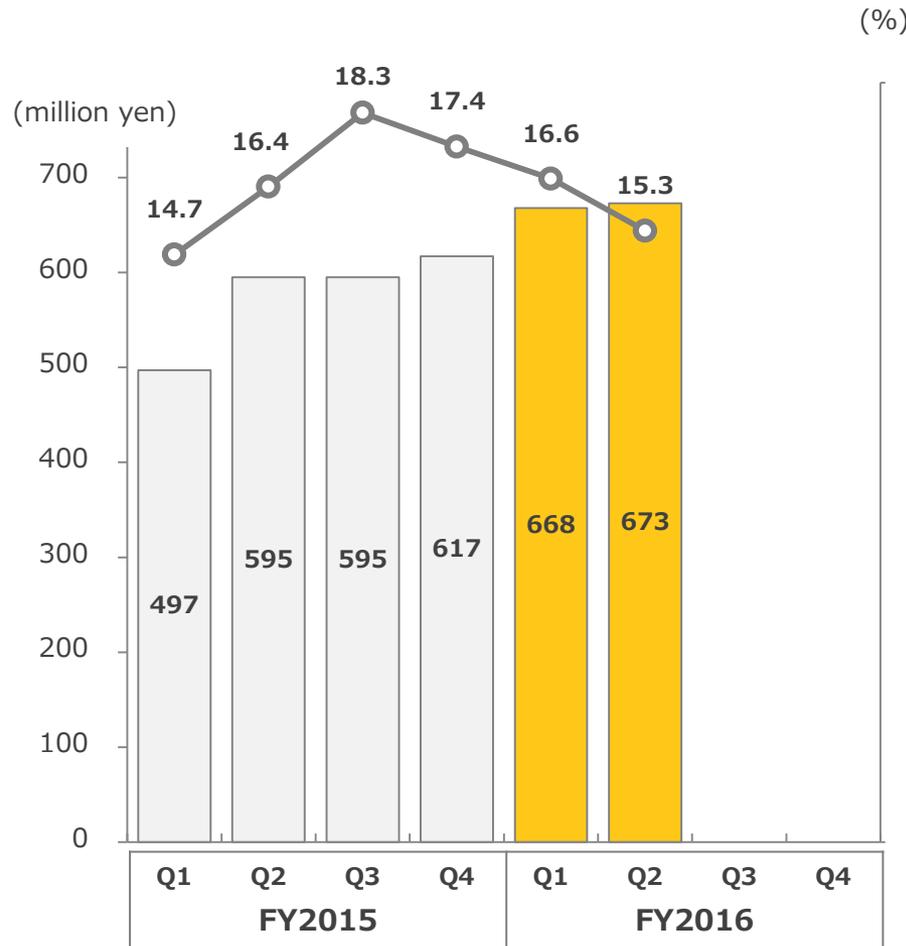


# Non-consolidated P/L Statement (4)

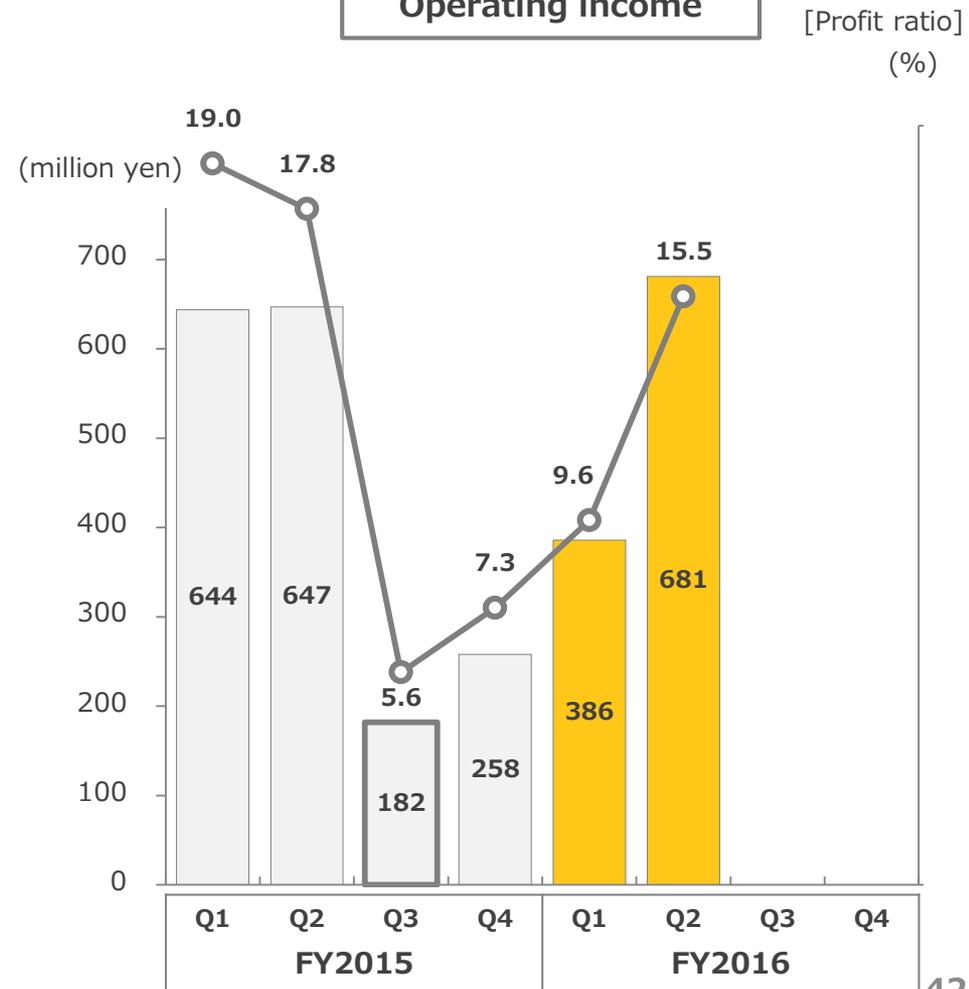
## SG&A Expenses and Operating Income (Quarter)

- SG&A and general administrative expenses: SG&A ratio was appropriately controlled, while recruiting cost increased
- Operating income: Recovered significantly from the decreased in FY15/Q3, thanks to improvement in gross margin

SG&A expenses



Operating income



# Summary of Non-consolidated P/L Statement

(million yen)

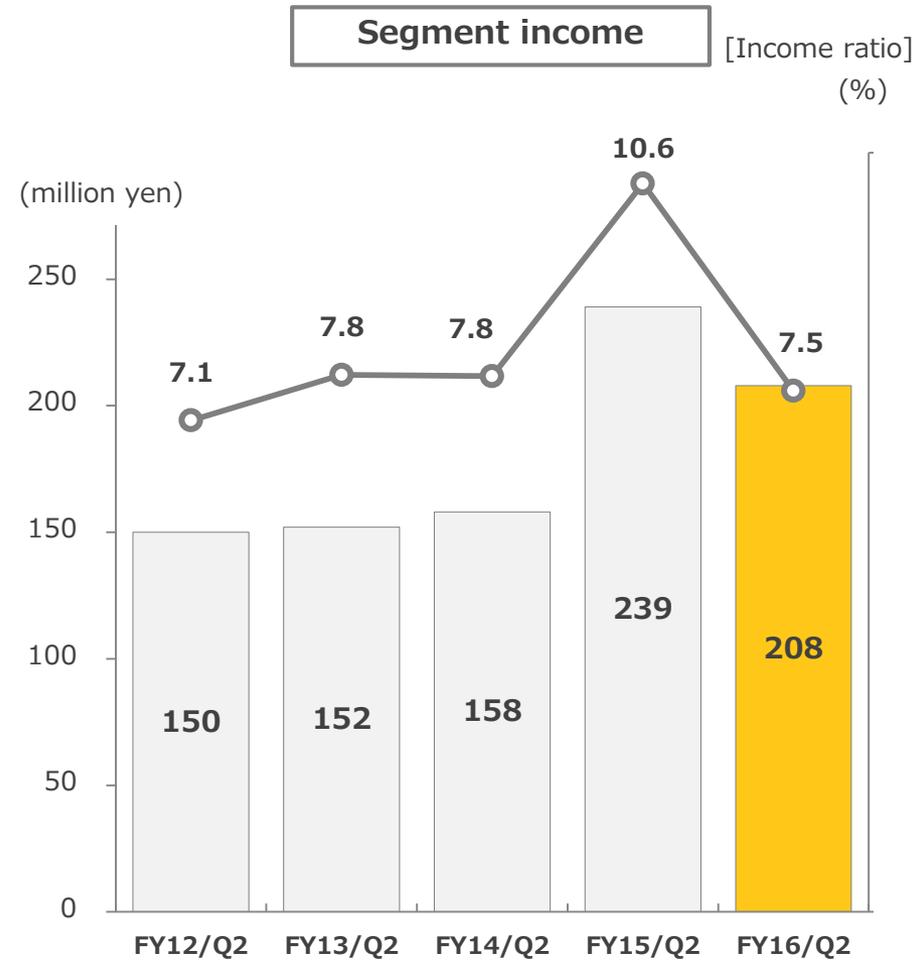
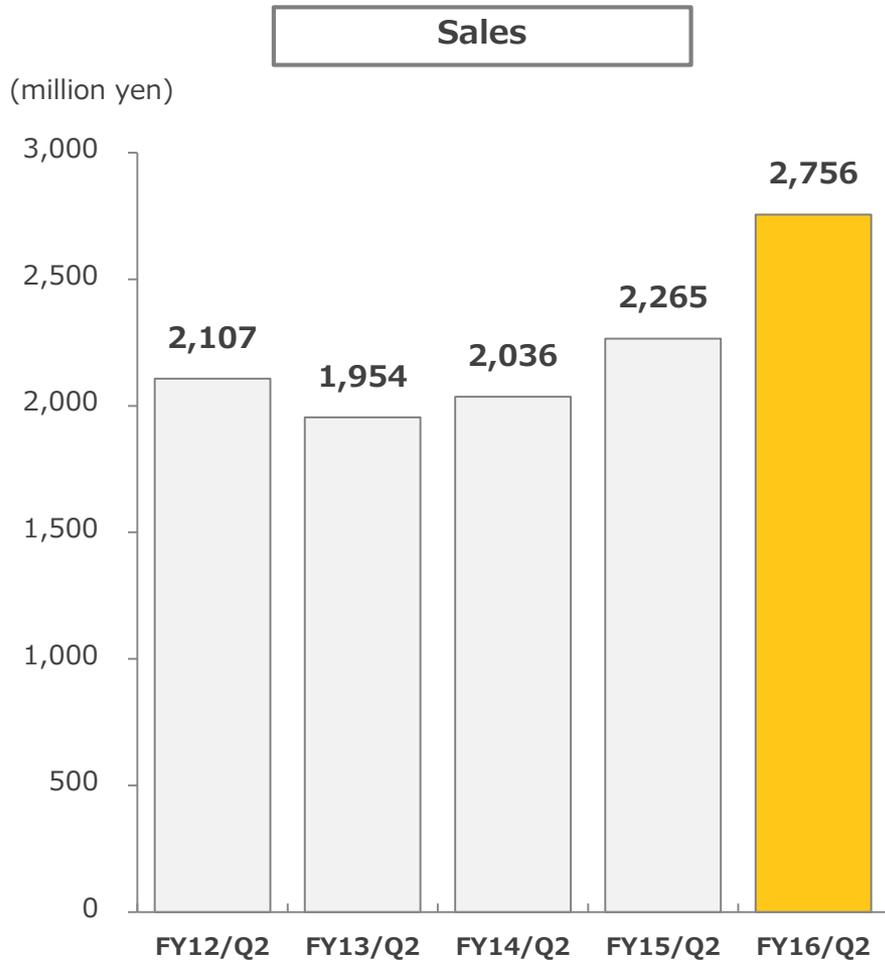
	FY15/Q2	FY16/Q2	Change	Pct. change
Sales	7,034	8,425	+1,391	+19.8%
<i>Gross profit</i>	2,384 (33.9%)	2,410 (28.6%)	+25	+1.1%
<i>SG&amp;A expenses</i>	1,093 (15.4%)	1,341 (15.9%)	+248	+22.7%
Operating income	1,291 (18.4%)	1,068 (12.7%)	▲223	▲17.3%
Ordinary income	1,403 (20.0%)	1,189 (14.1%)	▲213	▲15.2%
Net income	856 (12.2%)	878 (10.4%)	+22	+2.6%

\* ( ) = Percentage of sales

**Other Segments**

# Engineer Temporary Staffing (1) Summary

- Sales: increased by 22% thanks to increase in the number of engineers at work through aggressive recruitment activity
- Segment income: decreased due to increase in recruiting cost



# Engineer Temporary Staffing (2) Recruitment

- Annual recruitment target: 500 people, Increased by 2.4x YoY

(Unit: Persons)

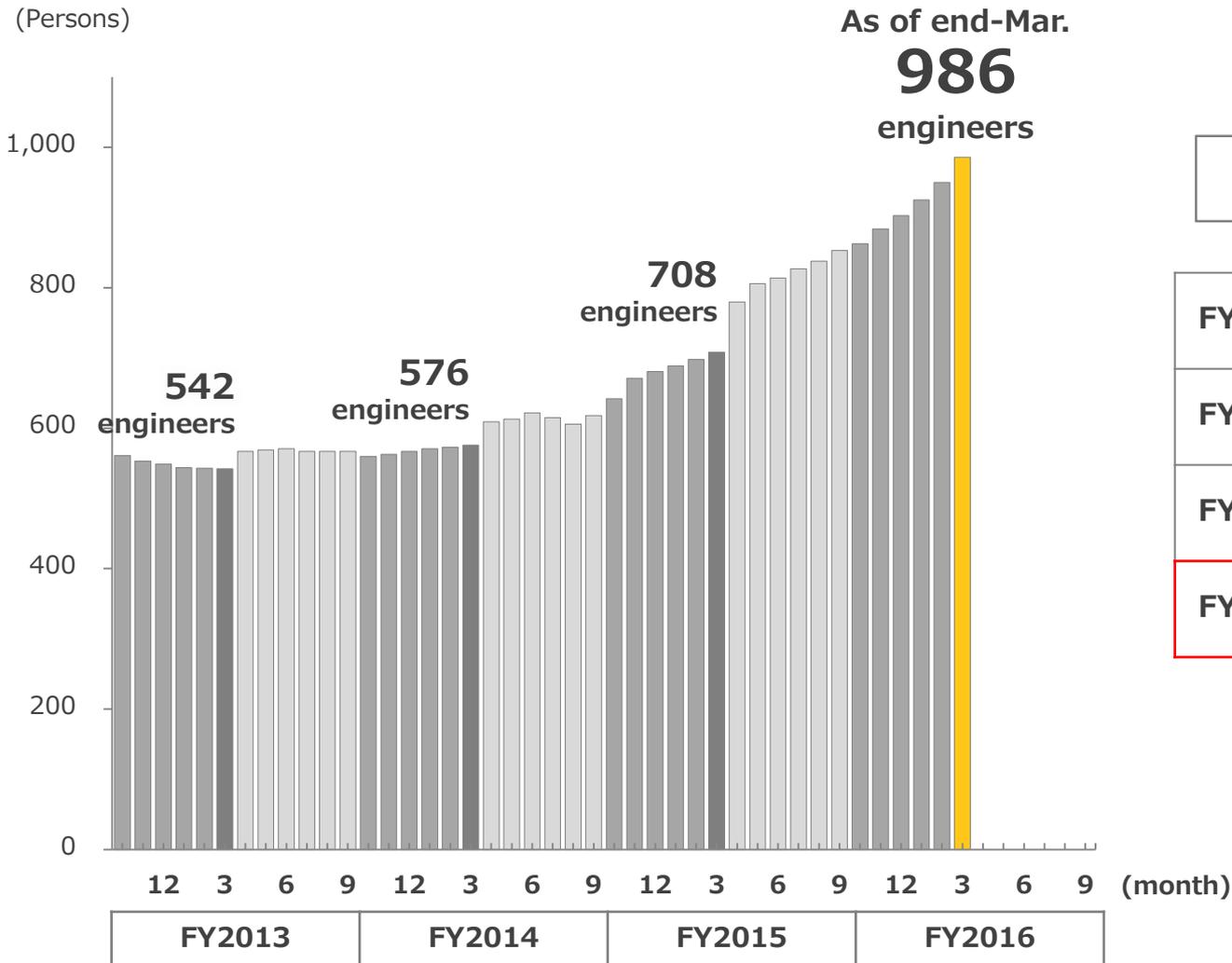
	Oct	Nov	Dec	Jan	Feb	Mar	Oct – Mar total
<b>FY16 Planned recruitment</b>		<b>88</b>			<b>110</b>		<b>198</b>
FY15 recruitment		41			40		81
Difference		<b>+47</b>			<b>+70</b>		<b>+117</b>

	Apr	May	Jun	Jul	Aug	Sep	Apr – Sep total	Oct – Sep total
<b>FY16 Planned recruitment</b>								
FY15 recruitment		130			78		208	289
Difference								

# Engineer Temporary Staffing (3)

## Changes in the Number of Engineers

■ Increased by 278 engineers YoY (+39.3%)



Average no. of engineers  
6-month avg. (Oct.- Mar.)

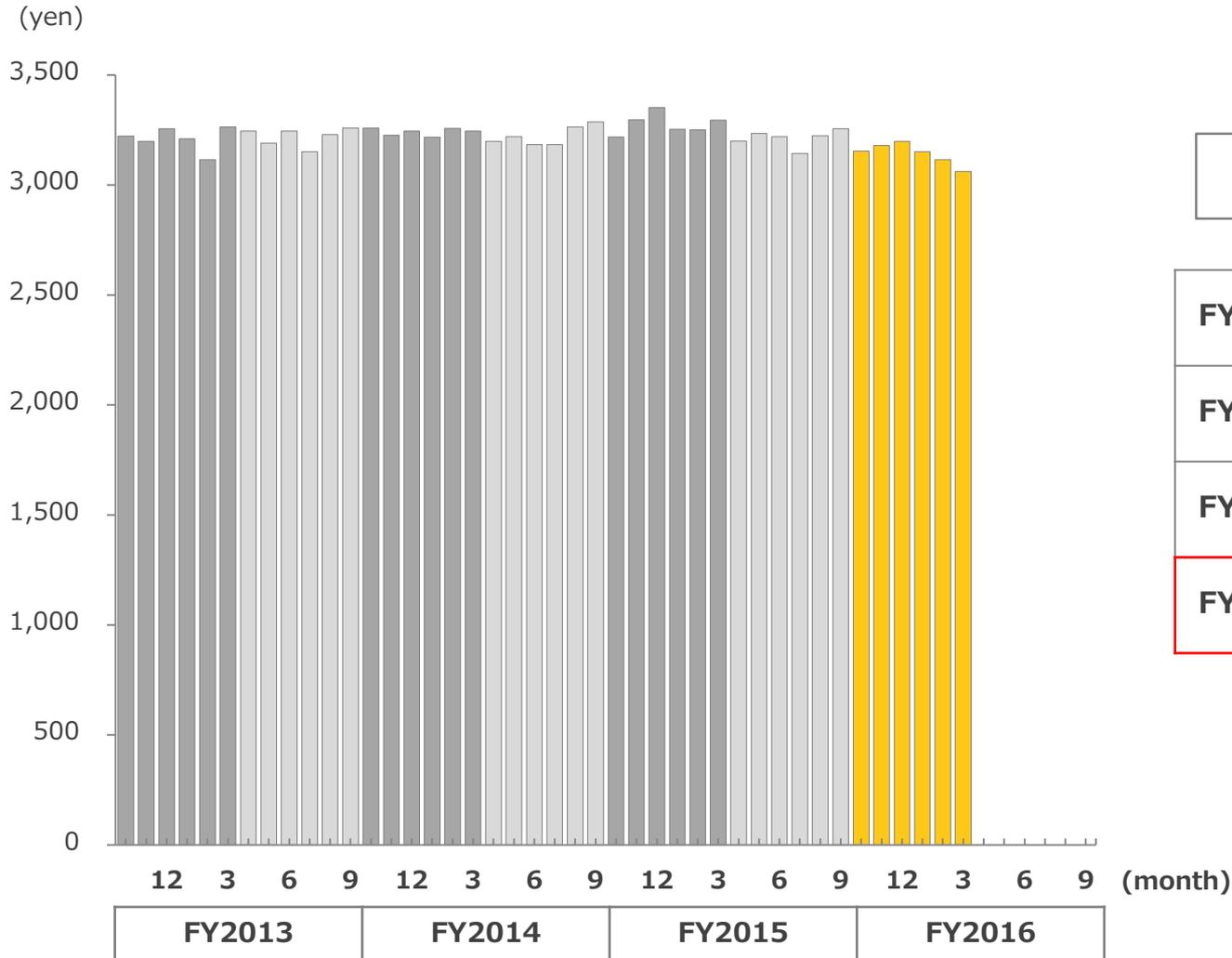
FY13/Q2	549 engineers	YoY
FY14/Q2	568 engineers	+3.6%
FY15/Q2	682 engineers	+19.9%
FY16/Q2	919 engineers	+34.8%

\*No. of engineers at the end of the month

# Engineer Temporary Staffing (4)

## Changes in unit price of temporary staffing

- Decreased by 135 yen (-4.1%) YoY because of increase in young engineers due to the mass recruitment



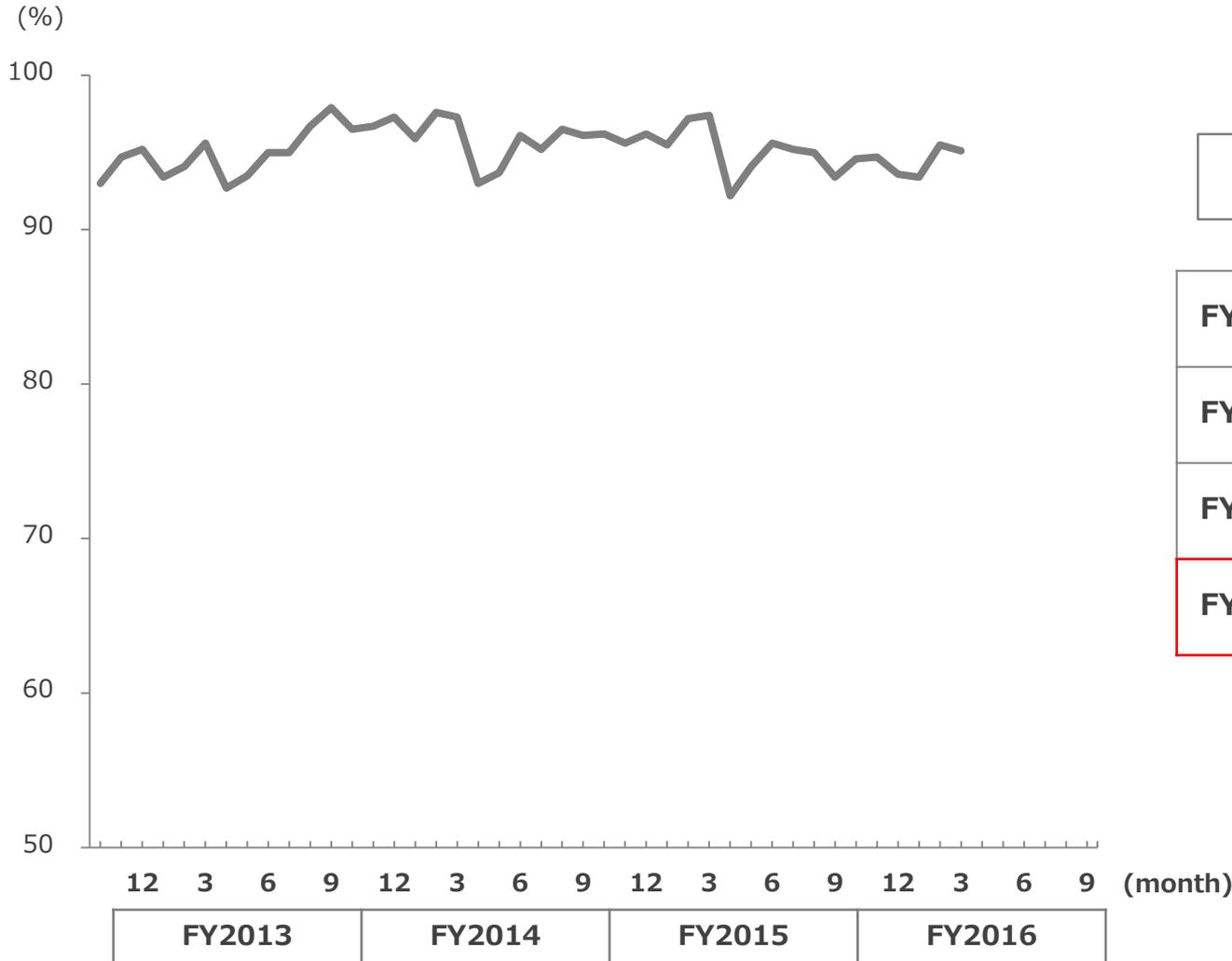
Average no. of engineers  
6-month avg. (Oct.- Mar.)

FY13/Q2	3,212 yen	YoY
FY14/Q2	3,242 yen	+0.9%
FY15/Q2	3,278 yen	+1.1%
FY16/Q2	3,143 yen	▲4.1%

\*No. of engineers at the end of the month

# Engineer Temporary Staffing (5) Changes in Operating Rate

- Operating rate maintained its high level, although it was decreased by 1.9pts YoY due to an increase in the number of new recruits



Average no. of engineers  
6-month avg. (Oct.- Mar.)

FY	Operating Rate (%)	YoY Change
FY13/Q2	94.3%	YoY
FY14/Q2	96.9%	+2.6pt.
FY15/Q2	96.4%	▲0.5pt.
FY16/Q2	94.5%	▲1.9pt.

\*No. of engineers at the end of the month

# Engineer Temporary Staffing (6) Fundraising

## Fundraising totaling about ¥850 million

### Breakdown of fundraising

① New shares		② Share acquisition right	
Due date of payment	May 25, 2016	Date of allotment	May 25, 2016
No. of shares to be issued	430,600 shares	No. of diluted shares	380,200 shares
Amount of allotment	¥450 million	Amount of allotment	¥400 million

### Use of funds

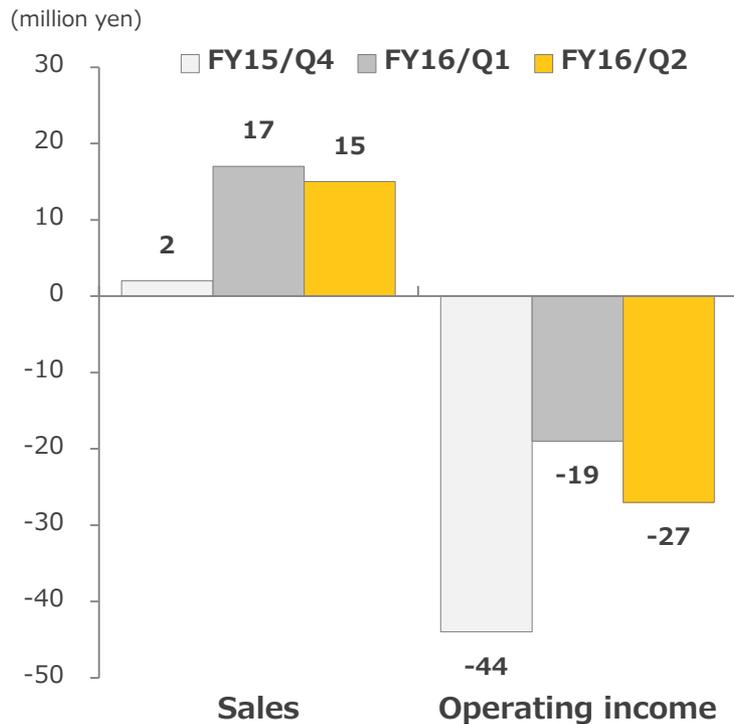
① Use for entering into the IT field with high growth capacity such as FinTech	¥500 million
② Use for M&A and business tie-up	¥350 million

**Recruitment business**

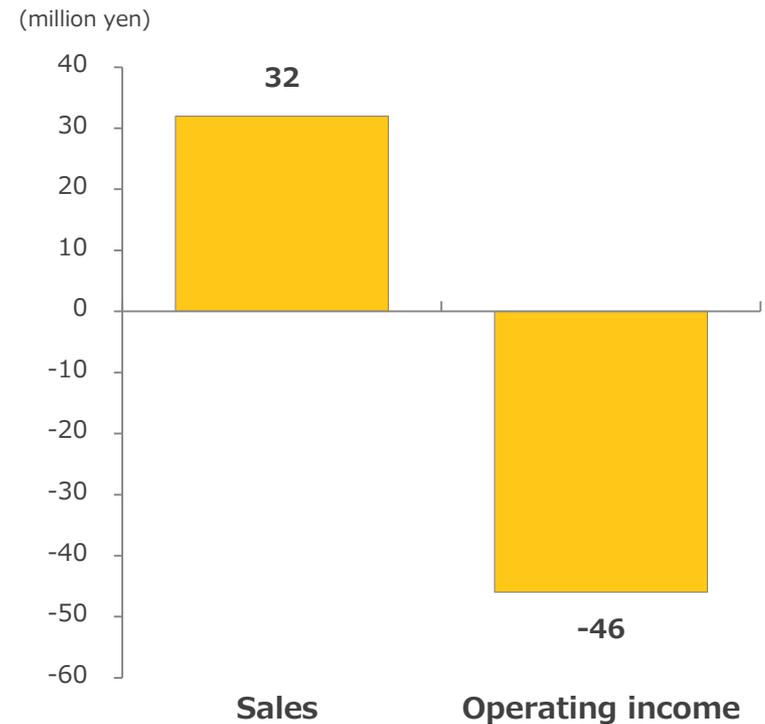
# Recruitment business

- Started recruitment business for construction and manufacturing industry from June 2015 → making prior investment in FY16
- Established recruitment bases in Vietnam and Philippines → Raising foreign engineers

Quarterly changes



FY16/Q2 cumulative period



# **FY9/2016 Second Half**

# FY9/16 Consolidated Business Forecasts

(Million yen)

	<b>FY2016 1H results</b>	<b>FY2016 Full-year forecast</b>	<b>Progress rate</b>
<b>Sales</b>	<b>11,195</b>	<b>23,000</b>	<b>48.7%</b>
<b>Net income</b>	<b>831</b>	<b>2,000</b>	<b>41.6%</b>
<b>Net income per share</b>	<b>11.15 yen</b>	<b>26.82 yen</b>	<b>41.6%</b>

# Key Initiatives

## Improve gross margin

Recruitment 1. Recruit 2,000 engineers

Follow-up 2. Improve retention rate

Operation 3. Increase unit price of temporary staffing

# Recruitment Strategies (1)

## Progress of Recruiting Activities

1. Standardize skills of individuals conducting interviews
2. Centralize oversight of the entry/interview/selection/final approval process
3. Typical starting pay for men in their 20s is ¥190,000 to ¥220,000 = ¥250,000 at Yumeshin Holdings (overtime payments included)
4. Establish recruitment bases: Established in Kanazawa (Jan.), to open in Shizuoka (Jun.) ⇒ total of 10 bases in Japan

(Unit: Persons)

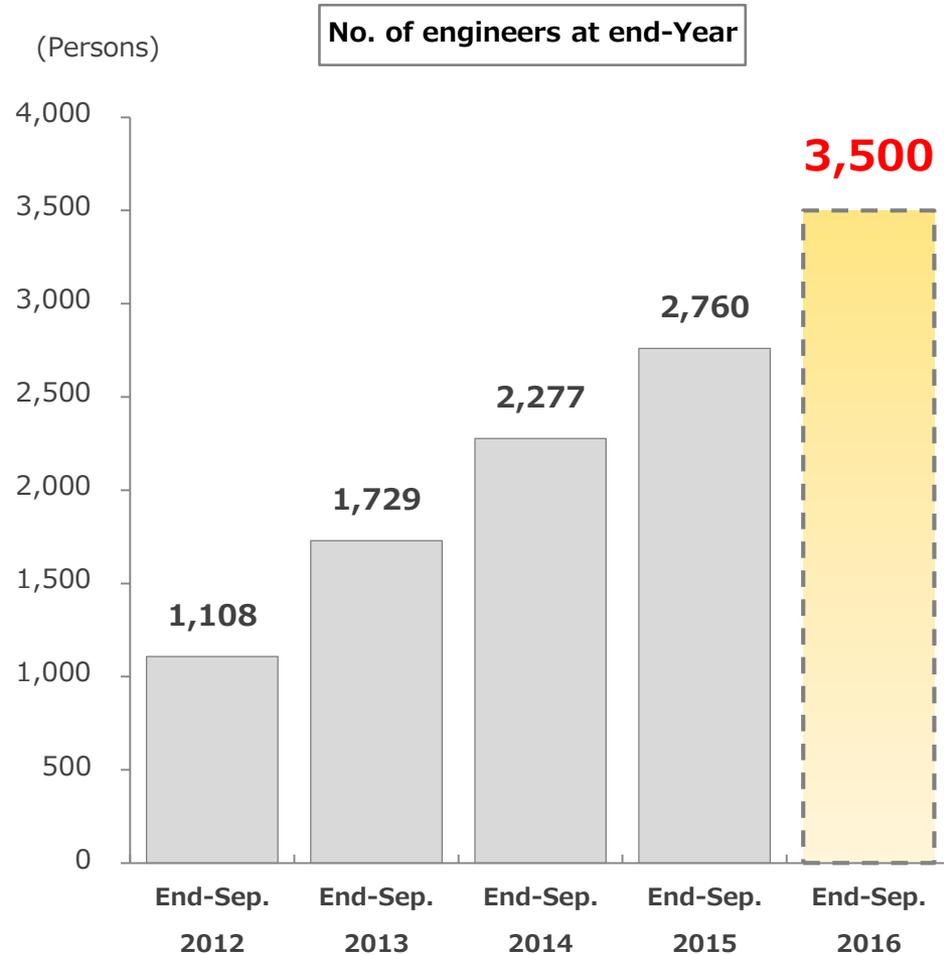
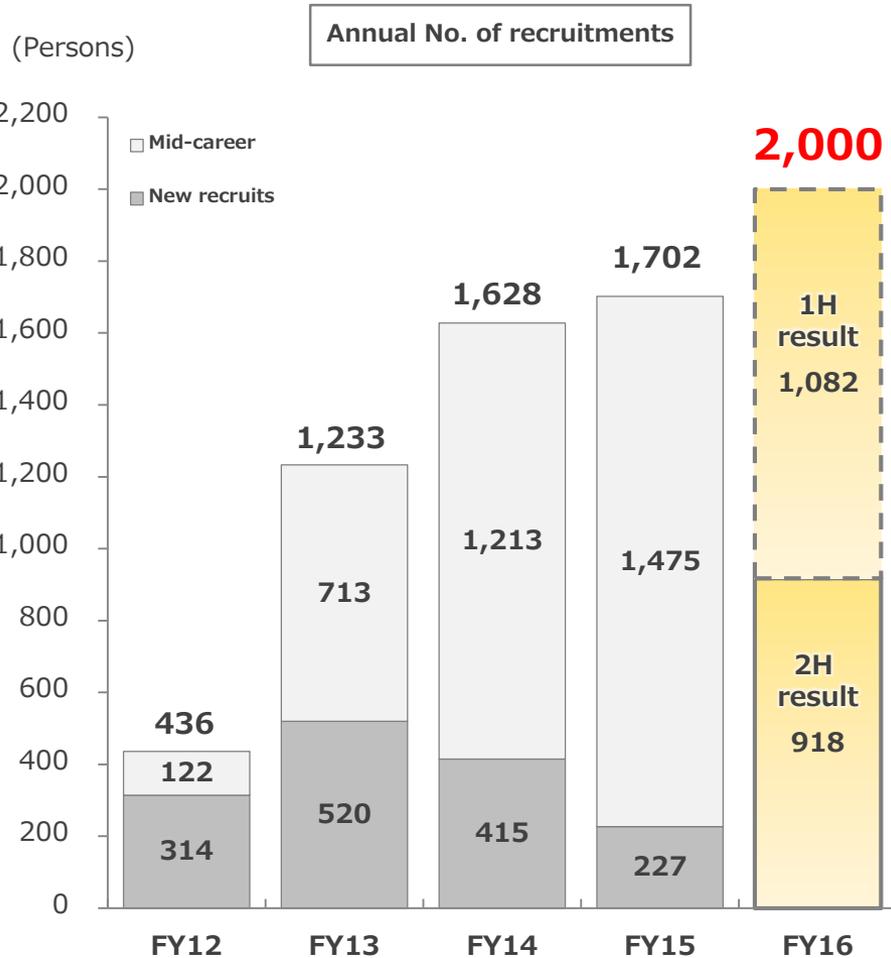
	Oct.	Nov.	Dec.	Jan.	Feb.	Mar.	Oct.- Mar. total
<b>FY16 Planned recruitment</b>	<b>500</b>			<b>500</b>			<b>1,000</b>
<b>FY16 recruitment</b>	<b>458</b>			<b>460</b>			<b>918</b>
<b>Difference</b>	<b>▲42</b>			<b>▲40</b>			<b>▲82</b>

	Apr.	May.	Jun.	Jul.	Aug.	Sep.	Apr.- Sep. total	Oct.- Sep. total
<b>FY16 Planned recruitment</b>	<b>530</b>			<b>470</b>			<b>1,000</b>	<b>2,000</b>
<b>FY16 recruitment</b>	<b>about 340</b>		<b>Remainig 190</b>					
<b>Difference</b>								

# Recruitment Strategies (2)

## Target number of engineers

- Increase the number of mid-career engineers for preventing decrease in operating rate as many engineers join in April all at once.
- Aim to increase by 740 people to 3,500 people by end-Sep. 2016



# Follow-up Strategies (1)

## Measures for improving retention rate

### Follow-up strategies for all engineers

1. Create a career plan for all engineers
2. Provide regular opportunities to share information
3. Encourage and support quality circle activities
4. Guarantee 100% of salaries while waiting for the next assignment
5. Support and promote the acquisition of qualifications
6. Fragment the qualification allowances
7. Conduct periodic skill evaluation
8. Conduct study tour

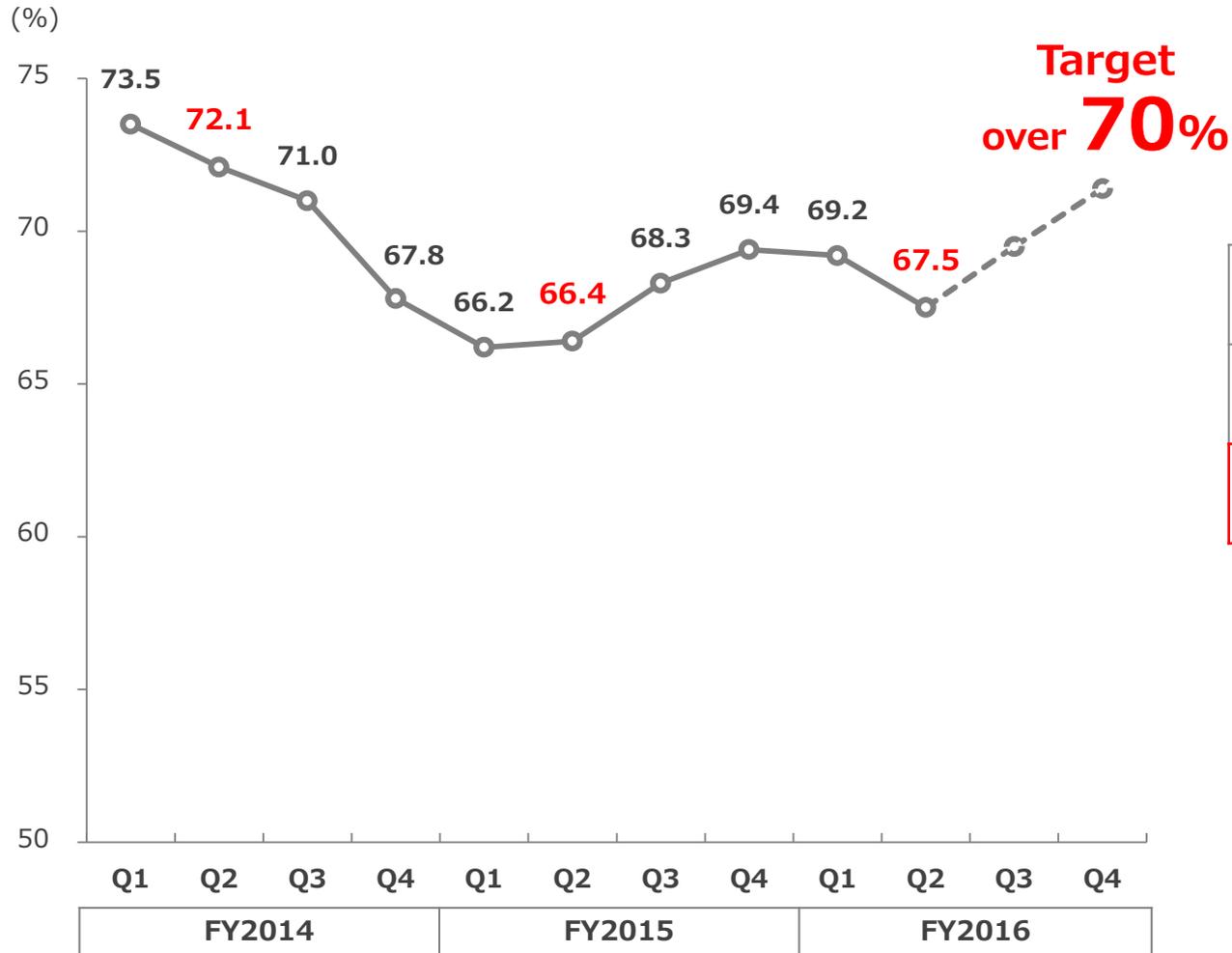
### Follow-up strategies for new recruits

1. Talk with individuals every week during the first month of their first assignments.  
⇒ **Quickly identify problems = Reassign individuals and take other actions**
2. Provide training after three, six and 12 months  
⇒ **Periodically provide the skills required for employees jobs**
3. Introduce group and partner system in the training (to start in March)  
⇒ **Enhance the partnerships with colleagues = develop a feeling of belonging to the company**

# Follow-up Strategies (2)

## Change in Retention Rate

- Retention rate showed recovery trend through continuous recovery measures, but the number of retirees increased in February and March
- Aim for FY2014/Q1 level in FY2016/Q4



Avg. retention rate  
6-month avg.  
(Oct.- Mar.)

FY	Retention Rate (%)	YoY Change
FY14/Q2	72.8%	YoY
FY15/Q2	66.3%	▲ 6.5pt.
FY16/Q2	68.4%	+2.1pt.

\*Retention rate = Employees at year end / (Employees at previous year end + New hires during the year) x 100

# Operational Strategies (1)

## External Environment/Measures

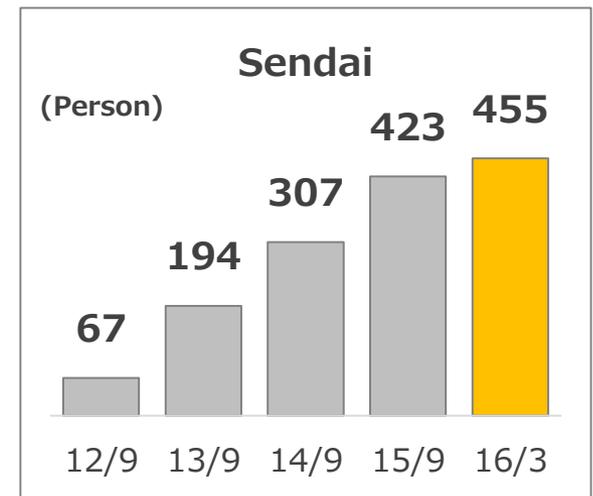
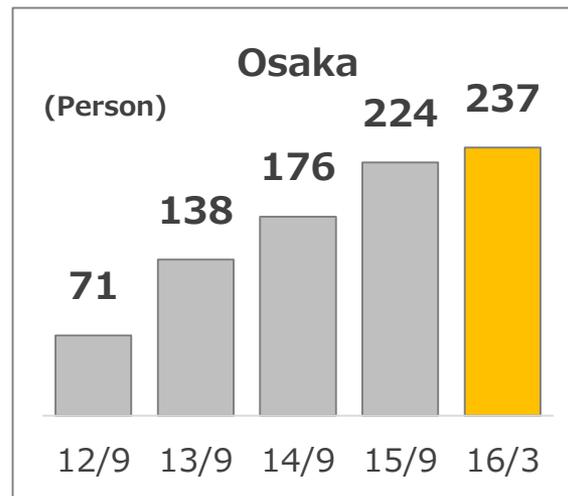
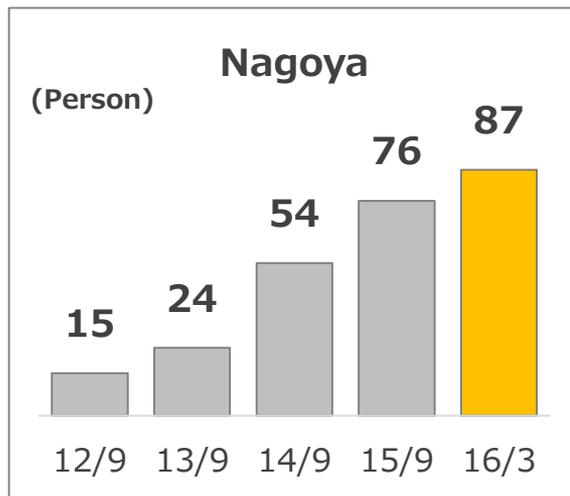
### External environment

- Rapid increase in number of general contractors using workers with no experience ⇒ Affect major general contractors, too.
- Tokyo and Tohoku regions continue to be the growth driver ⇒ Triple the temporary placement workforce at the Osaka and Nagoya offices
- Kumamoto earthquake restoration and recovery works will be increased in a full-scale

### Operational strategies

1. Continue to negotiate with customers for higher unit price
2. Cultivate and expand market into branches of general contractors
3. Shift to workplaces with better prospects for overtime
4. Start sale activity in Hiroshima and Hokkaido from January, as well as in Kanazawa and Shizuoka from June.

Change in No. of engineers by office



# Operational Strategies (2)

## Sales Composition Ratio by Customers

- 1,200 client companies due to steady progress with capturing new businesses (FY2011: 711 companies)
- The percentage of super general contractors significantly increased

### Sales composition ratio

(%)

Rank	FY2012		FY2013		FY2014		FY2015		FY16/Q2	
1	TOKYU CONSTRUCTION CO., LTD.	8.9	TOKYU CONSTRUCTION CO., LTD.	6.6	Daiwa House Industry Co., Ltd.	6.5	Daiwa House Industry Co., Ltd.	6.2	Daiwa House Industry Co., Ltd.	6.0
2	Konoike Construction Co., Ltd.	3.2	Daiwa House Industry Co., Ltd.	4.8	TOKYU CONSTRUCTION CO., LTD.	4.6	Taisei Corporation	3.7	Taisei Corporation	4.0
3	Takenaka Corporation	3.0	KUROSAWA CONSTRUCTION CO.,LTD.	2.7	Taisei Corporation	3.5	SHIMIZU CORPORATION	2.8	SHIMIZU CORPORATION	3.5
4	Kajima Corporation	2.8	Takenaka Corporation	2.2	HAZAMA ANDO CORPORATION	1.6	TOKYU CONSTRUCTION CO., LTD.	2.7	Takenaka Corporation	2.8
5	Sumitomo Mitsui Construction Co., Ltd.	2.0	Taisei Corporation	2.2	SHIMIZU CORPORATION	1.6	Takenaka Corporation	2.2	SHINRYO CORPORATION	1.7
	Top 5 total	19.9	Top 5 total	18.5	Top 5 total	17.8	Top 5 total	17.5	Top 5 total	18.1
	Top 10 total	29.1	Top 10 total	27.5	Top 10 total	24.9	Top 10 total	24.8	Top 10 total	25.1

# Operational Strategies (3)

## Recruit More Female Engineers

### Characteristics of female engineer placements

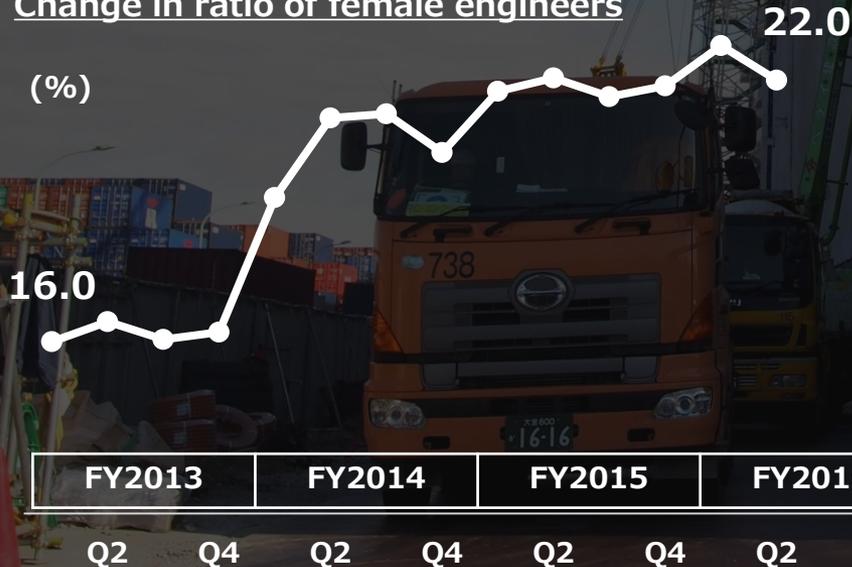
- Women are being used at building construction sites, too.
- Female CAD operators tend to have long assignments of one to two years.

### Measures to recruit more female engineers

1. Train female construction management specialists.
2. Increase placement fees for CAD operators.
3. Plan to recruit 20 women every month from May onward.

### Change in ratio of female engineers

(%)



# Summary of Management Strategies

## 1. No. of staffs at work

- Recruit 2,000 people
- Improve retention rate through continuous monitoring strategies
- Proactively use female engineers

## 2. Operating rate

- Reducing recruiting in April-June, a quiet period
- Reduce office work ⇒ Maintain high utilization rate by increasing sales efficiency
- Further increase activities of sales offices outside major cities  
⇒ Expand sales channels

## 3. Operating time

- Shift workers to jobs with good prospects for overtime hours when updating contract

## 4. Unit price of temporary staffing

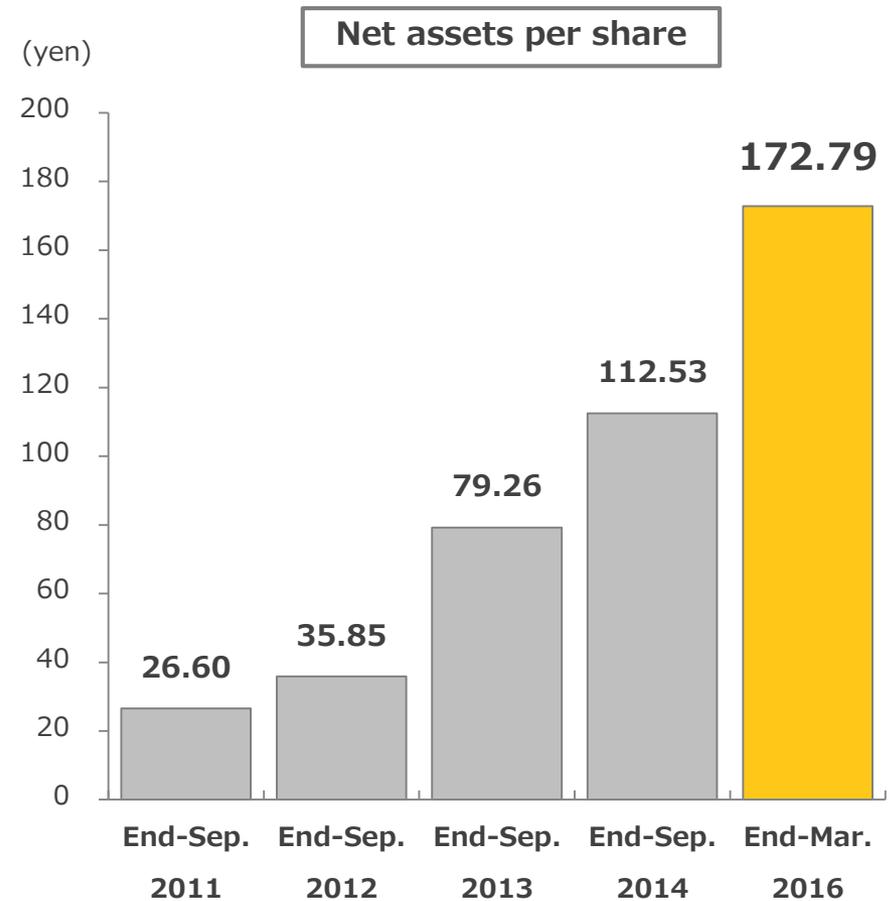
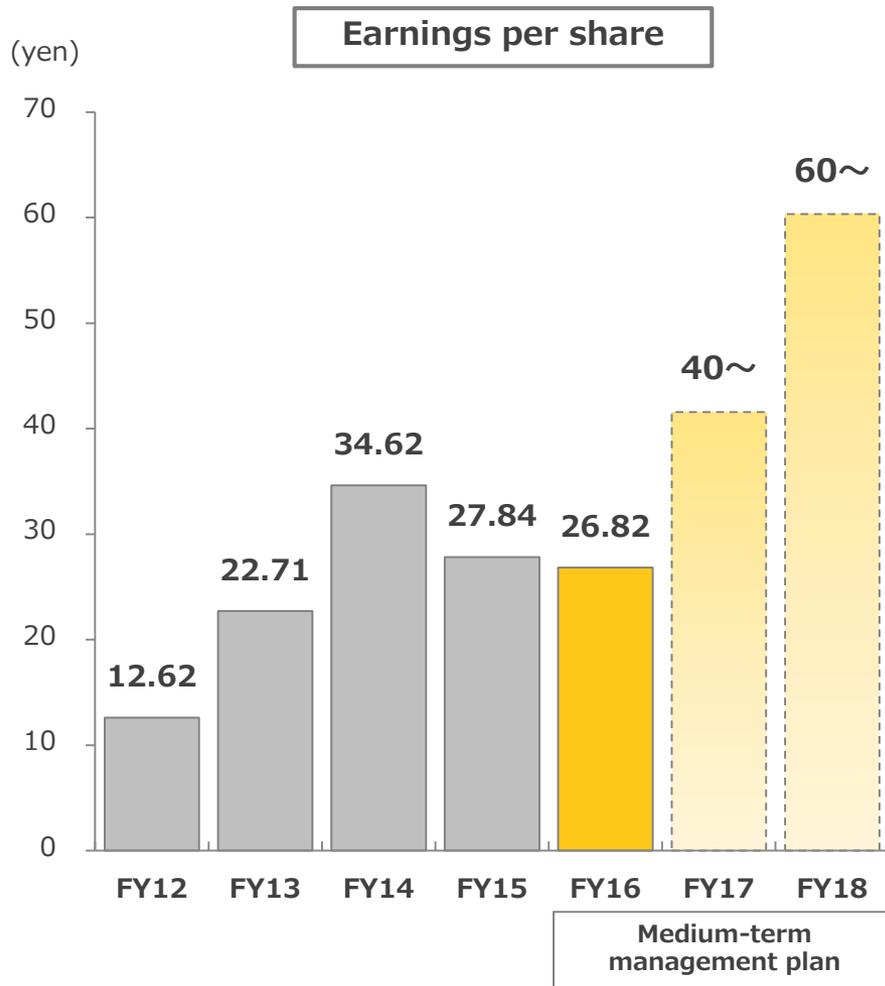
- Increase added value by using constant follow-up training
- Create evaluation system focusing on contract unit prices

# Shareholder Return

# Shareholder Return (1)

## Earnings/Net Assets Per Share

- Net income per share ⇒ Expect to increase from FY2017 onward, owing to improvement in income ratio through business reorganization, although it was temporary decreased due to increase in the No. of shares by disposition of treasury stock



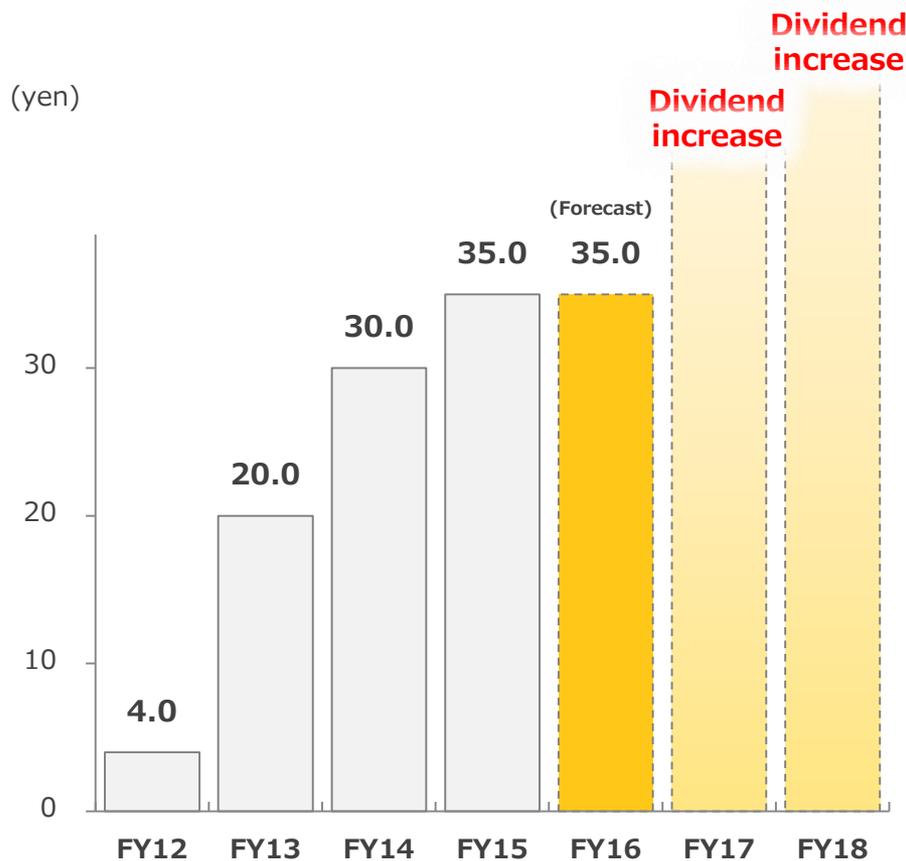
\* 1. Earnings per share = Net income ÷ Average no. of shares during period × 100

\* 2. Net assets per share = Shareholders' equity ÷ (Shares outstanding - No. of treasury stock at end of year) × 100

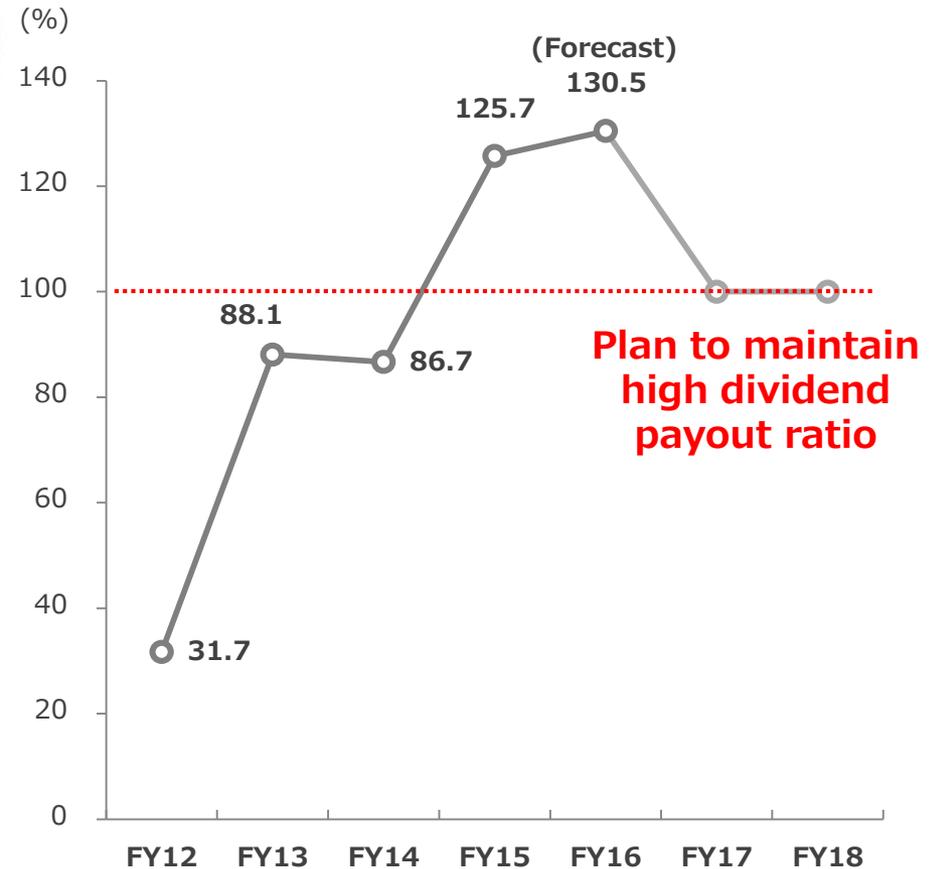
# Shareholder Return (2) Dividend Policy

- Plan to increase dividend every year → Expect over 100% of payout ratio until FY2017, and plan to maintain high payout ratio onward

Dividend per share

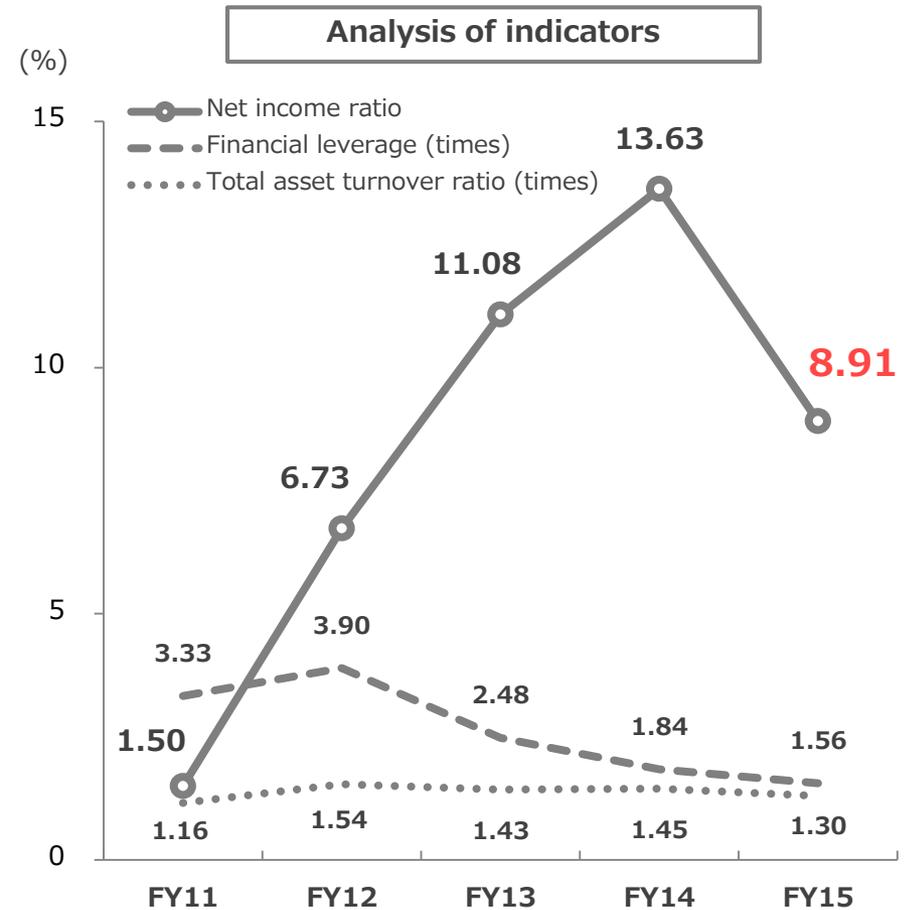
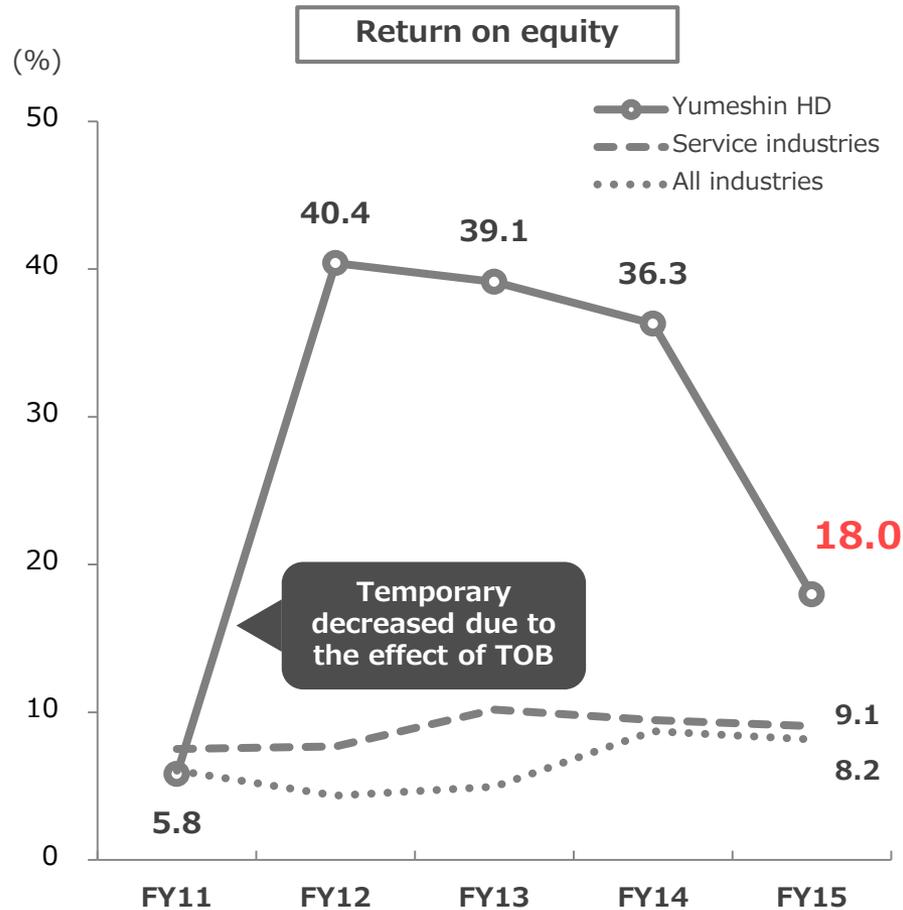


Dividend payout ratio



# Shareholder Return (3) Return on Equity

- ROE decreased because of lower profitability and the sale of treasury stock to procure funds
- Goal is ROE of 30%+ by improving profitability and using acquisitions and other investments to hold down equity



- \* 1. Return on equity =  $\text{Net income} \div \text{Shareholders' equity (avg. during period)} \times 100$
- \* 2. Financial leverage =  $\text{Total assets (avg. during period)} \div \text{Shareholders' equity (avg. during period)}$
- \* 3. Total asset turnover ratio =  $\text{Sales} \div \text{Total assets (avg. during period)}$
- \* 4. All industries and service industry belong to the TSE 1st section

# Reference

# Reference (1) Medium-Term Management Plan

- Plan to hire more than 2,000 engineers every year
- Aim to maintain both high growth rate and high dividend

(Million yen)

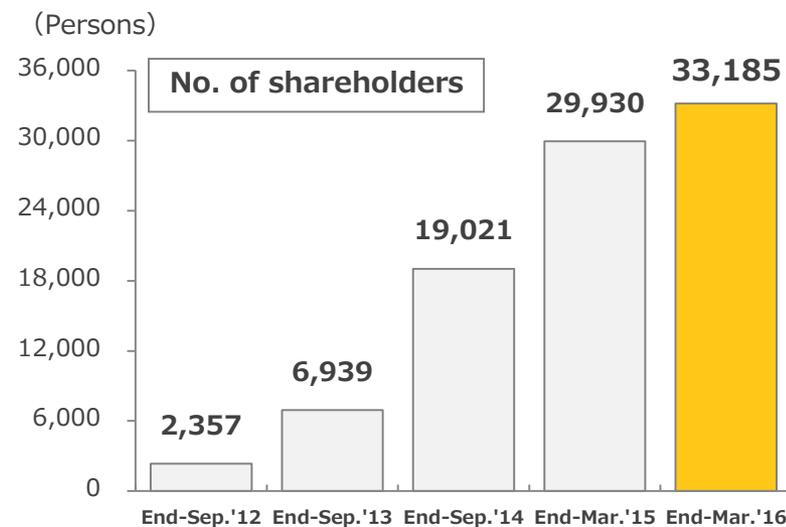
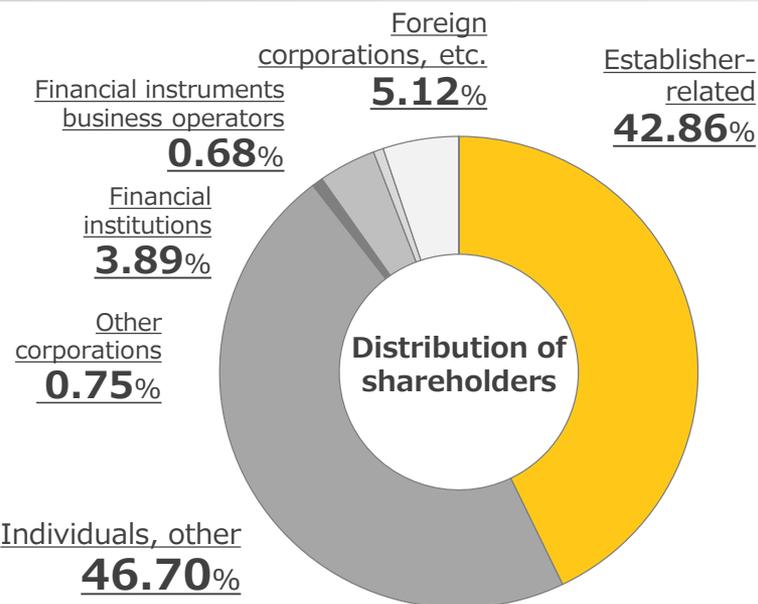
	Results	Medium-Term Management Plan		
	FY2015	FY2016	FY2017	FY2018
Sales	21,115	23,000	31,000	40,000
Net income	1,881	2,000	3,100	4,500
No. of recruits	1,702 engineers	2,000 engineers	2,300 engineers	2,600 engineers
No. of engineers at end-FY	2,760 engineers	3,500 engineers	4,250 engineers	5,000 engineers
Dividend per share	35.0yen	35.0yen	—	—
Dividend payout ratio	125.7%	130.5%	100% (target)	High payout ratio

\* Consolidated-basis

# Reference (2) Shareholders Situation

As of Mar. 30, 2016

	Name of shareholders	No. of shares held (in thousands)	Ownership ratio (%)
1	Shingo Sato	16,425	22.02
2	Sato Sogo Kikaku	14,844	19.90
3	Japan Trustee Services Bank, Ltd.	2,006	2.70
4	BANQUE PICTET AND CIE SA	900	1.21
5	Hideki Fukai	880	1.18
6	Trust & Custody Services Bank, Ltd.	739	0.99
7	Yoshiko Sato	688	0.92
8	STATE STREET LONDON CARE OF STATE STREET BANK AND TRUST.	571	0.77
9	Yoshika Sakiyama	535	0.72
10	Akihito Sakiyama	398	0.53
<b>Total of top 10 largest shareholders</b>		<b>37,987</b>	<b>50.94</b>



\*Number of shares outstanding=74,573,440 shares

# Reference (3) Executives

**Director**

**7(Outside:2)**

**Auditor**

**3 (Outside:2)**

**Total**

**10**

**Chairman and Representative Director**

**Shingo Sato**

Born on Mar. 14, 1947 18,425,440shares

**President and Representative Director**

**Daio Sato**

Born on Nov. 25, 1983 3,700shares

**Director**

**Sadanobu Ono**

Born on Apr. 25, 1955 5,000shares

**Director**

**Masato Kusuhara**

Born on Jan. 2, 1950 17,000shares

**Director**

**Toyohiko Suzuki**

Born on Jan. 16, 1947

**Outside Director**

**(Independent executive)**

**Tomohiro Sakamoto**

Born on Dec. 17, 1962 Sakatomo Law Office (Present post)

**Outside Director**

**(Independent executive)**

**Miki Oda**

Born on Jan. 15, 1973 FinanTec Co., Ltd. (Director)

**Outside Auditor**

**(Independent executive)**

**Hirobumi Takahashi**

Born on Sep.1, 1939 4,000shares

**Outside Auditor**

**(Independent executive)**

**Hiroaki Rokugawa**

Born on Jun. 10, 1963

OGASAWARA KONNO & ROKUGAWA (Present post)

**Auditor**

**Yukio Matsumoto**

Born on Mar. 7, 1948

**(As of Jan 4, 2016)**

# Disclaimer

These materials were prepared based on information available to the company and on certain assumptions deemed to be reliable but the company makes no guarantees regarding the accuracy of the information in these materials. The information may be incomplete or summarized. The prices and figures stated in these materials are past results, estimates or forecasts and may differ from the actual figures.

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**JASDAQ**