

JASDAQ 2362 Yumeshin Holdings Co., Ltd.

Sector: Service

7-Feb-12

Steady growth in the core construction supervisor temporary staffing; Further growth with support from reconstruction demand

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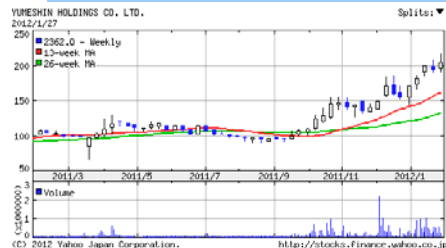
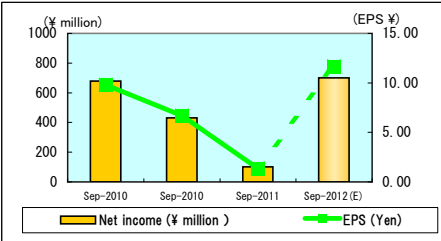
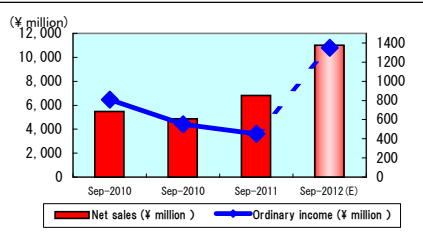
Company profile

Chairman Shingo Sato URL: <http://www.yumeshin.co.jp/>
Head office Otsuka 3-chome Bldg., 3-11-6 Otsuka, Bunkyo-ku, Tokyo
Business line Started off with construction drawings: Now focuses on dispatch of construction supervisors and daycare facilities. Acquired engineer temporary staffing firms.
 Sales composition: Construction supervisor dispatching 77%, engineer dispatching 18%, daycare 5%
Shares issued 74,573,440 shares
 Special stocks 81.3%, foreigners 1.8%, Investment trust 0.0%, floating stock 12.6%
Major shareholders Shingo Sato 35.2%, treasury stock 21.3%, Investment Partnership DRCI 7.5%, Sato Sogo Kikaku 6.9%, Yoshiko Sato 4.4%, Hideki Fukai 1.5% (As of end of Sept. 2011)

Established Listed Oct-1990 Sep 2003

| | Net sales (¥ million) | Ordinary income (¥ million) | Net income (¥ million) | Dividend (¥) | EPS (¥) | ROE (%) |
|-------------|--------------------------|--------------------------------|---------------------------|-----------------|------------|------------|
| Sep-2010 | 5,482 | 807 | 678 | 2.0 | 9.80 | 44.1% |
| Sep-2010 | 4,861 | 552 | 430 | 2.0 | 6.70 | 22.0% |
| Sep-2011 | 6,816 | 451 | 102 | 2.0 | 1.37 | 5.8% |
| Sep-2012(E) | 11,000 | 1,350 | 700 | 3.0 | 11.68 | 35.0% |
| Dec-2012 1Q | 2,663 | 282 | 177 | - | - | - |

| | |
|-----------------------------------|---------|
| 30-Jan-12 | 206 |
| Stock price (¥) | 206 |
| PER (E) (times) | 18 |
| PBR (times) | 7.7 |
| Net assets | 1,757 |
| Market cap (¥ million) | 15,362 |
| Dividend yield (yield %) | 0.97% |
| Volume (5-day average) | 431,000 |
| Trading unit | 1,000 |
| Shareholders' equity % | 23.5% |
| Interest-bearing debt (¥ million) | 3,283 |



Corporate History

In 1991, Yumeshin was established by the current Chairman Mr. Shingo Sato to provide construction firms with construction supervisors and CAD operators. After successfully expanding our operations, we listed our shares on the JASDAQ market in 2003. Our major clients are major general contractors including Tokyu Construction, Kajima Corp., Maeda Corp. and Takenaka Corp. We are mainly engaged in providing general contractors with construction supervisors to construct based on drawings when general contractors receive orders for construction works and subcontract out constructions to subcontractors. After the bubble burst, general contractors were facing severe business environment due mainly to reduced public works. Under such environment, the outsourcing of construction supervisors has spread rapidly because costs can be reduced by outsourcing in accordance with order situation rather than recruiting and training in-house construction supervisors, and also because it is effective in cutting wages to respond to the aging of staff. 60% of our staff are dispatched to condominium construction sites in the Tokyo area, 10% to offices and 10% to commercial facility sites. In the past, we were engaged in temporary staffing on a national level. However, after the bubble burst, because we were not able to make profits due to a sharp decrease in public works in the regions, currently, almost 90% of all sites served by the company is focused on the Tokyo area. In the Tokyo area where demand for condominiums is especially heavy, we mainly dispatch construction supervisors to these construction sites and we are a leading company in temporary staffing for the construction industry. The features of Yumeshin are that while general contractors pay high wages in step with the rising average age of full-time employees, we hire many staff in their 20's and provide training on construction supervision and preparation of construction drawings. We develop young excellent human resources with communication skills. Based on the knowhow of human resources development, we also operate businesses through our subsidiaries in areas other than the construction industry. Operation of daycare facilities by Gaki Daisho is one of it which is planned to be profitable from this fiscal year. We also offer management consulting for medical care and facilities through Yumeshin Medical Support. In 2011, we acquired 2 companies, Unitech Soft, a system engineer temporary staffing firm and Yume Technology (former Fullcast Technology) engaged in engineer temporary staffing and temporary staffing services. These 2 companies are making great contributions to sales and profit increases for this fiscal year (FY9/12). For FY9/11, sales increased and earnings decreased mainly because of syndicated loan fees associated with aggressive M&As. However, for FY9/12, we plan sales and profit increases aiming for ¥11 billion (up 61.4% YoY) in consolidated net sales, ¥1.25 billion (up 130.3% YoY) in operating income and ¥1.35 billion (up 199.1% YoY) in ordinary income as a result of our stable core business and contributions from the companies we acquired. Due to the assumed EPS of ¥11.7, our shares are traded at a P/E ratio of around 18x since last year. It can be said that the expectations of the market is high as our Sendai office associated with reconstruction demand in Tohoku will begin operation this April. Our 1Q sales and profits announced on Jan. 31 (see the above operating results) are increasing significantly compared with the previous period mainly because of the acquisitions.

Business strategy

As we can dispatch young skilled engineers (construction supervisors, CAD operators, etc.) in large numbers to meet the clients' needs, we conduct thorough recruitment and training that other companies in the industry can not imitate, and also because we have strong relationships with our clients, we are in a position to attract more demand without getting caught in price war. In the construction industry, over 60% of employees are in their 40s and 50s, while over 60% of our staff are in their 20s. Expenses for the dispatch of staff compared with the labor costs in the construction industry can be kept low that the needs for outsourcing are increasing. Our 2 main future growth strategies are expansion of our core engineer temporary staffing business in the industry and expansion of temporary staffing business in other industries. In the core engineer temporary staffing business, we will focus on recruiting and training young excellent people through enhanced recruitment in tandem with the expansion of ties with existing clients and development of new clients. In addition, because there will be an increasing demand for reconstruction in Tohoku for the next few years, it is assumed that the demand for temporary staffing services due to staffing shortage will increase even more. Therefore, we will meet the strong demand by actively recruiting young people with majors in liberal arts who have difficulty finding jobs and conduct thorough training. As for the expansion of temporary staffing field in other industries, we acquired Unitech Soft engaged in system engineer temporary staffing business and Yume Technology engaged in engineer temporary staffing business in 2011 by actively utilizing M&A strategy. The domestic human resources business domain tends to focus on client's compliance structure and quality of employee training in addition to demand for outsourcing due to reduced labor costs at client companies. Demands for major temporary staffing firms with such company structure are increasing and small and midsize temporary staffing firms that are not organized are in severe business environment. Meanwhile, the companies receive many M&A proposals and for our company which carefully select companies to conduct M&As, now is the time to take the opportunity to expand our operations. We also expanded into potential daycare services (started in 2009) and medical and nursing support business (started in 2010). Daycare facility business of daycare business is a licensed/certified business which requires a track record. This year, we plan to make the business profitable and open more daycare facilities in the future. In the medical and nursing support business, we just made a start by opening day service facilities in Bunkyo ward in 2011 and we plan to continue to expand eyeing the expansion of our organization as well as M&As.

Corporate analysis by IR STREET

| Strength | Opportunity |
|---|--|
| 1. A leading company in the industry (client assets, creditworthiness) | 1. Expansion of potential demand for human resources outsourcing |
| 2. Human resources development capability | 2. Reconstruction demand |
| 3. Aggressive M&As and business expansion | 3. Hard times for young job seekers |
| Weakness | Risk |
| 1. Decrease in public works in the construction industry | 1. Earthquake in the Tokyo metropolitan area |
| 2. Strengthening of management system associated with expansion of organization | 2. President's health |
| 3. Recruitment linked to demand | 3. Steep recession |

(Peer comparison)

2012/1/31 Stock price standards

| | Fiscal year end | Net sales (¥million) | YoY (±%) | Ordinary income (¥million) | YoY (±%) | Ordinary income margin (%) | EPS (¥) | Market cap (¥million) | PER (times) |
|--------------------------|-----------------|-------------------------|-------------|-------------------------------|-------------|-------------------------------|------------|--------------------------|----------------|
| Yumeshin Holdings (2362) | Sep 2012(E) | 11,000 | 61.4% | 1,350 | 199.1% | 12.2% | 11.7 | 15,000 | 18.0 |
| Meitec (9744) | Mar 2012(E) | 64,000 | 3.6% | 4,200 | -8.5% | 6.5% | 72.4 | 53,400 | 21.0 |
| Altech (4641) | Dec 2011(E) | 16,800 | 2.9% | 900 | 28.1% | 5.3% | 63.0 | 7,200 | 10.2 |
| Pasona Group (2168) | May 2012(E) | 183,000 | 2.3% | 2,900 | 12.8% | 1.5% | 1,735.6 | 29,600 | 41.0 |
| UT Holdings (2146) | Mar 2012(E) | 25,000 | 23.5% | 1,960 | 49.7% | 7.8% | 4,838.3 | 10,700 | 10.3 |



IR Info.



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