

JADAQ

**2362**

**Yumeshin Holdings Co., Ltd.**

Sector; Service

8-Mar-11



**Steady growth in the core management engineer dispatching; Also expect childcare center business to be the engine for growth**

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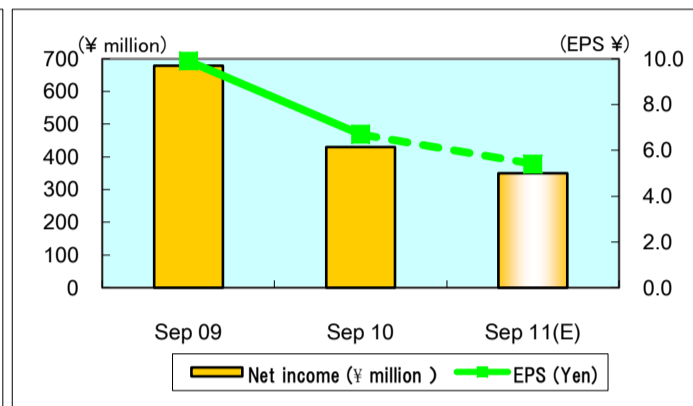
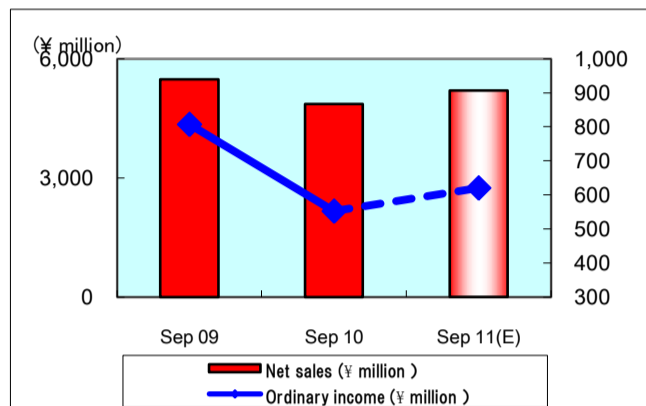
**Company profile**

Representative Shingo Sato URL: <http://www.yumeshin.co.jp>  
 Head office 3-11-6 Otsuka, Bunkyo-ku, Tokyo  
 Business line Construction management engineer dispatching, preparation of working drawings, dispatch of child minders, nursery school business, medical and nursing care businesses  
 Shares issued 74,573,440 share ( as of the end of Sept. 2010 )  
 Special stocks 77.6%, foreigners 1.5%, Investment trust 0%, floating stock 14.4%  
 Major shareholders Shingo Sato 37.4%, treasury stock 16.0%, DRCI ( Investment Partnership ) 7.5%  
 ( end of Sept. 2010 ) Sato Sogo Kikaku 5.7%, Yoshiko Sato 4.4%

Established Oct 1990  
 Listed Sep 2003

|                | Net sales<br>(¥ million) | Ordinary income<br>(¥ million) | Net income<br>(¥ million) | Dividend<br>(Yen) | EPS<br>(Yen) | ROE<br>(%) |
|----------------|--------------------------|--------------------------------|---------------------------|-------------------|--------------|------------|
| Sep 09         | 5,482                    | 807                            | 678                       | 3                 | 9.9          | 31.3       |
| Sep 10         | 4,861                    | 552                            | 430                       | 2                 | 6.7          | 21.9       |
| Sep 11(E)      | 5,200                    | 620                            | 350                       | 2                 | 5.4          | 18.9       |
| Dec 11(1Q YoY) | 1361(+9.0%)              | 203(+20.1%)                    | 120(+10.3%)               | -                 | -            | -          |

|                                   |        |
|-----------------------------------|--------|
| 3-Mar-11                          |        |
| Stock price (¥)                   | 100    |
| PER (est.)                        | 20.2   |
| PBR (actual)                      | 3.8    |
| Market cap (¥ million)            | 7,453  |
| Volume (5-day average)            | 18,200 |
| Trading unit                      | 1,000  |
| Shareholders' equity %            | 38.4%  |
| Interest-bearing debt (¥ million) | 2,722  |



**Corporate History**

In January 1980, Yumeshin was established as Sato Architectural Design Office by the current President and Chairman Shingo Sato. Based on the idea that working drawings are important in order to provide high-quality architectural structures in the construction industry, Yumeshin built an overseas network fast to prepare high-quality and price-competitive working drawings. At the same time, Yumeshin built its current base of operations by fostering construction management engineers and promoting dispatch business creating a unique outsourcing business which extends from preparing general contractors' working drawings to dispatching construction management engineers. In 1996, the company established YUMESHIN VIETNAM., CO in Vietnam. In 2003, Yumeshin listed its shares on the Hercules market and became a holding company in 2005 to expand its operations. In the highly-competitive construction industry, the demand for Yumeshin's services ranging from preparing working drawings and dispatching CAD operators to outsourcing construction management engineers based on drawings is strong because the fostering of engineers in the company and aging experienced engineers will lead to rise in general contractors' fixed costs. Under the 4 themes - "Improving and strengthening infrastructure of human resources", "Improving technical skills and improving overseas drawing techniques", "Improving sales capabilities" and "Thorough performance", Yumeshin grew to an industry leading unique manpower outsourcing company with some 1,000 young and highly-skilled engineers. Based on Yumeshin's knowhow in recruitment and fostering human resources to build their professional skills, in 2009, Yumeshin expanded its business in two domains which are growing childcare center business and medical and nursing care related business, and these businesses are getting on track. Due to a slowdown in new condominium sales, consolidated net sales in September 2010 stood at ¥4.8 billion (down 11% YoY) and ordinary income was ¥552 million (down 31.5% YoY). Decrease in profit was mainly attributable to the posting of an ordinary loss of ¥91 million due to the establishment of childcare center business which Yumeshin entered in the previous fiscal year.

For the current fiscal year, which ends in September 2011, Yumeshin plans sales and profit increases aiming for ¥5.2 billion (up 6.9% YoY) in consolidated net sales and ¥620 million (up 12.3% YoY) in ordinary

**Business Strategy**

The businesses of Yumeshin are focused on 3 market sectors. In the "construction market", the company conducts its core staffing services business for construction management engineers and CAD operators. In the "market for child care services", where insufficient capacity is becoming a serious problem in Japan, the company has a childcare center business. In the "senior market", the company operates medical and nursing care related services. In the construction market, public-works expenditures in Japan will continue to decline. However, the building construction market is expected to remain strong. Sources of demand include reconstructing commercial buildings that were completed during Japan's postwar period of rapid economic growth, reconstructing condominium buildings and constructing new condominium buildings. Japan's large metropolitan areas account for much of this demand. Amendments to Japan's Worker Dispatching Act will have no effect on Yumeshin's staffing services for engineers. Furthermore, Yumeshin foresees steady growth in needs in the construction engineer staffing services market as technologies become more advanced and certifications for these engineers are upgraded. The company is leveraging its know-how in staffing services for engineers to start an IT engineer service in the current fiscal year. Yumeshin acquired Unitech Soft Inc. in January 2011 (for ¥27 million) and plans to continue expanding its business domains. To deal with the growing number of children who are waiting for vacancies at childcare centers, which is becoming a social problem, Yumeshin started a childcare center business in 2009 by opening a center in Tokyo's Sumida-ku that is certified by the Tokyo metropolitan government. Yumeshin plans to open its second childcare center in Yokohama in April 2011. The childcare business requires government approval. By accumulating experience in this business, companies gain the ability to obtain approval to open more facilities. Yumeshin's growth strategy is to build a track record that will allow opening new childcare centers at a faster pace. Childcare center operator JP Holdings, which is traded on JASDAQ, is growing steadily. Since the demand for childcare services is still substantial, prospects are excellent for more growth in the market for childcare centers. There is also significant demand in Japan for healthcare and care workers. Yumeshin plans to supply qualified personnel to nursing homes and other facilities by using its integrated human resources system that extends from recruiting activities to a comprehensive training program.

**Corporate analysis by IR STREET**

| Strength   | Opportunity   |
|--|---|
| 1. Expert in preparing drawings and dispatching engineers<br>2. Client assets<br>3. Management skills and capability to foster human resources   | 1. Demand for continuous cost reductions from client companies<br>2. Market for childcare services with increasing number of children waiting for vacancies at childcare centers<br>3. Recruitment of excellent human resources due to hiring slump |
| Weakness   | Risk  |
| 1. Decline in construction demand particularly in the regions due to cut in public investments<br>2. Competition from competitors<br>3. Childcare center business requires approval to receive subsidies | 1. Rapid economic downturn<br>2. Significant changes in such as administrative system<br>3. Management (health)   |

«Peer comparison»

|                               | Fiscal year end | Net sales<br>(¥ million) | YoY<br>(%) | Ordinary income<br>(¥ million) | YoY<br>(%) | Ordinary income margin<br>(%) | EPS<br>(¥) | Market cap<br>(¥ million) |
|-------------------------------|-----------------|--------------------------|------------|--------------------------------|------------|-------------------------------|------------|---------------------------|
| *Based on companies' websites |                 |                          |            |                                |            |                               |            |                           |
| Yumeshin Holdings ( 2362 )    | Sep 2011(E)     | 5,200                    | 6.9%       | 620                            | 12.3%      | 11.9%                         | 5.4        | 7,457                     |
| Meiho Facility Works(1717)    | Mar 2011(E)     | 4,000                    | 48.8%      | 26                             | -          | 0.7%                          | 0.5        | 1,653                     |
| Japan ERI(2419)               | May 2011(E)     | 10,378                   | 5.5%       | 1,019                          | 34.7%      | 9.8%                          | 25,843.8   | 6,187                     |
| Outsourcing(2427)             | Dec 2011(E)     | 40,000                   | 40.9%      | 1,900                          | 35.6%      | 4.8%                          | 79.1       | 8,028                     |
| JP-Holdings(2749)             | Mar 2011(E)     | 9,000                    | 9.8%       | 900                            | 12.5%      | 10.0%                         | 76.8       | 11,972                    |



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