



YUMESHIN HOLDINGS CO.,LTD.

Fiscal year ended **September** 2020 Financial Results & Mid-term Management Plan

November 13, 2020

September. 2020
Stock code
2362

November 13, 2020

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1. Consolidated P/L

Adoption of IFRS from the full-year results
Impact of IFRS adoption and unplanned impairment losses

2. Segment P/L

Increased revenues and profits due to high utilization rate and unit prices and cost reductions

3. Announced a Mid-term Plan

Formulated a 5-year plan for the period from FY9/21 to FY9/25

Consolidated P/L^① Adoption of IFRS



Group

Change from Japanese GAAP to IFRS from FY9/20

(Million yen)

【Ref.】 Japanese GAAP		【Ref.】 IFRS-adjusted		After adopting IFRS	
Net sales	58,669	Net sales	58,669	Revenue	58,669
Cost of sales	▲42,206	Cost of sales	▲42,493	Cost of sales	▲42,493
Gross profit	16,462	Gross profit	16,175	Gross profit	16,175
Selling, general and administrative expenses	▲10,531	Selling, general and administrative expenses	▲10,114	Selling, general and administrative expenses	▲10,248
Operating income	5,930	Operating income	6,060	Other revenue	384
Non-operating income	433	Non-operating income	644	Other expenses	▲1,004
Non-operating expenses	▲317	Non-operating expenses	▲249	Operating profit	5,306
Ordinary income	6,046	Ordinary income	6,455	Financial income	293
Extraordinary income	87	Extraordinary income	34	Financing cost	▲523
Extraordinary loss	▲1,104	Extraordinary loss	▲1,414	Profit before taxes	5,076
Income before income taxes	5,029	Income before income taxes	5,076	Income tax expense	1,513
Income taxes-deferred	1,653	Income taxes-deferred	1,513	Profit attributable to owners of parent	3,557
Net income attributable to owners of parent	3,356	Net income attributable to owners of parent	3,557		

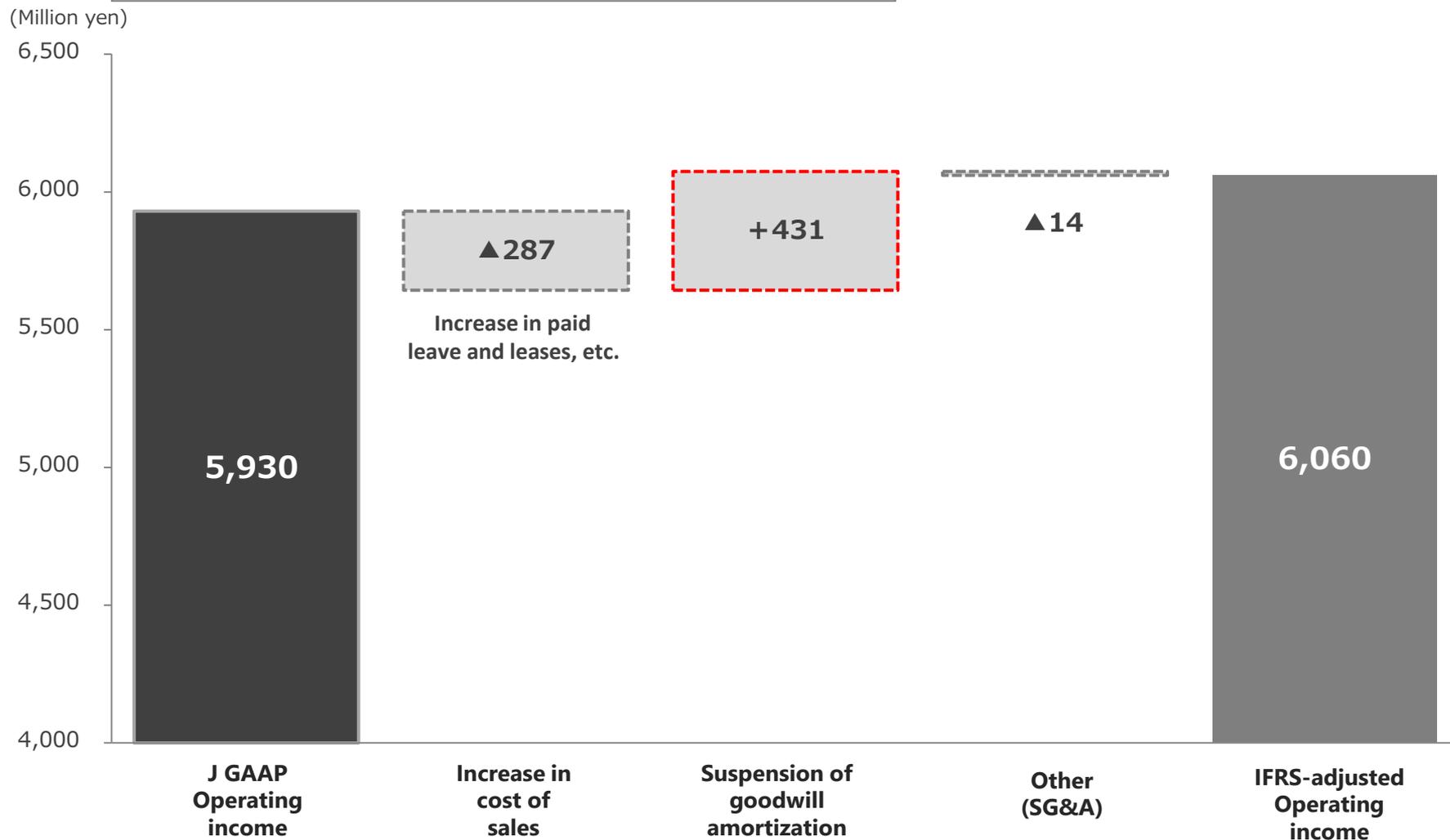
* Costs are shown as ▲.

*"IFRS-adjusted" refers to IFRS reclassified figures presented in Japanese standards.



Major impacts of the change from Japanese GAAP to IFRS

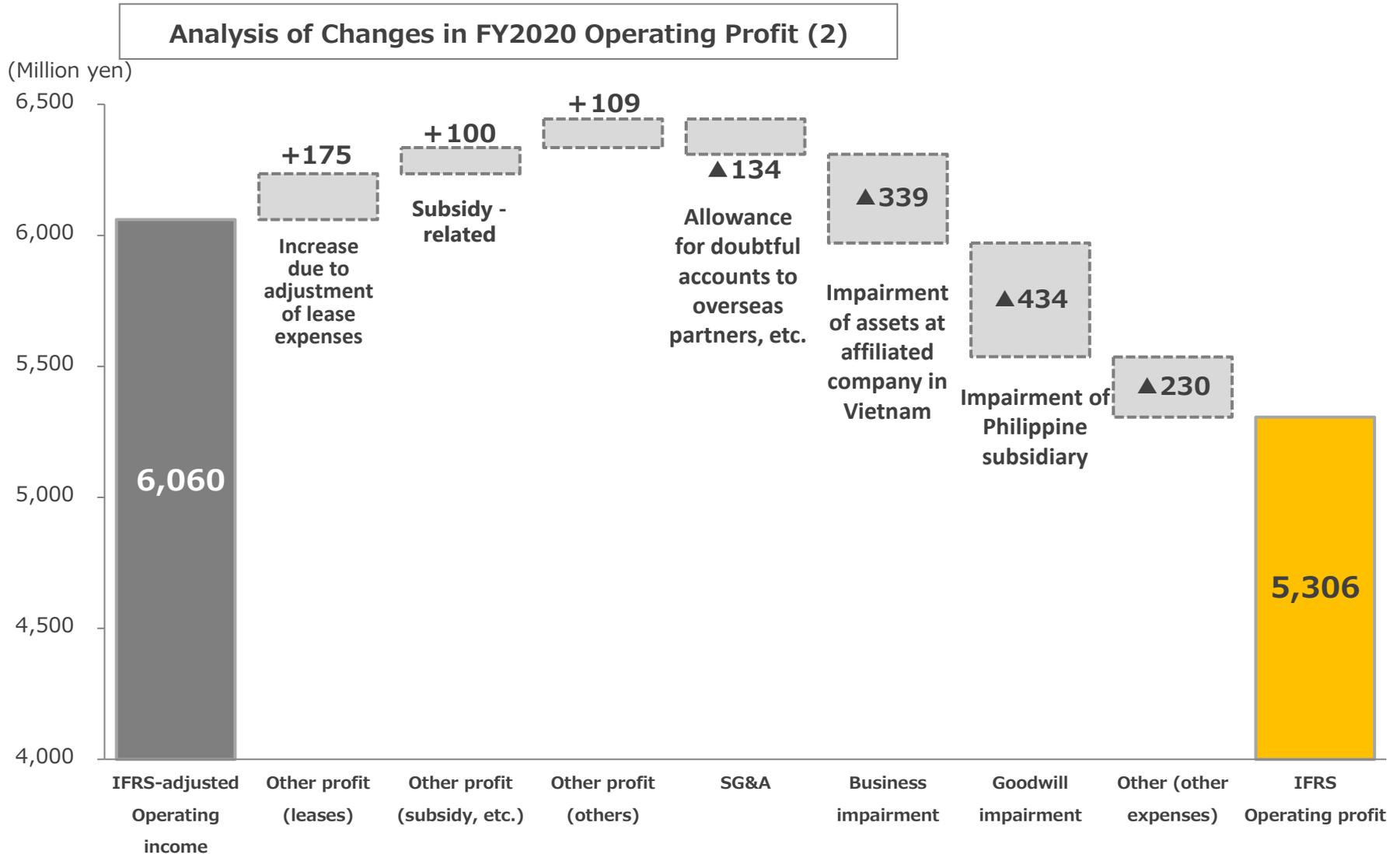
Analysis of Changes in FY2020 Operating Profit (1)



Consolidated P/L ③ Operating Profit Analysis (2)



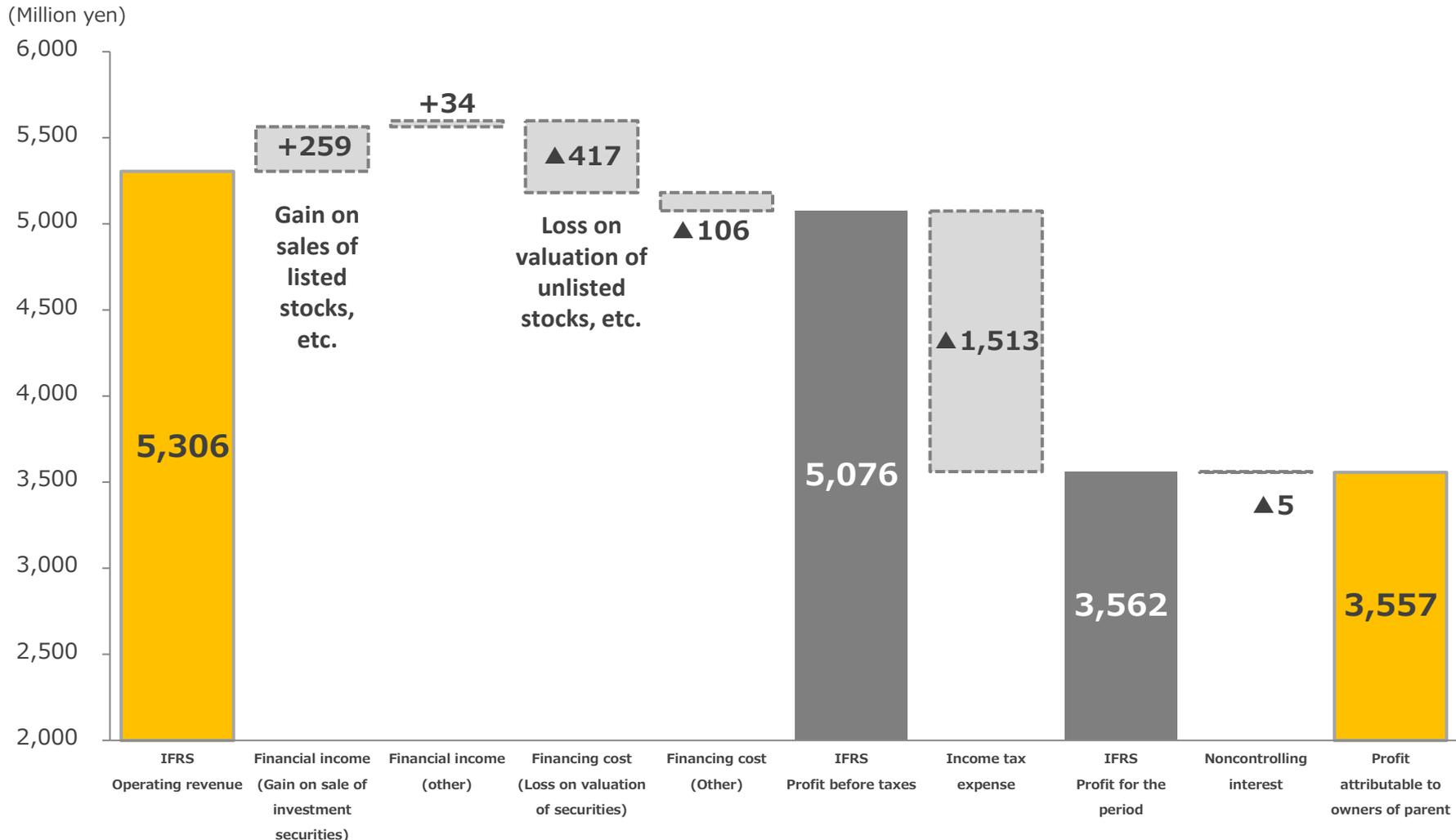
Major effects of the change from Japanese GAAP to IFRS and the impact of unplanned impairment losses





Major effects of the change from Japanese GAAP to IFRS and the impact of unplanned impairment losses

Analysis of Changes in FY2020 Profit for the Period



Consolidated P/L ⑤ YoY/Vs. Forecasts



Group

YoY					Vs. Plan	(Million yen)
	FY2019 (IFRS)	FY2020 (IFRS)	Change	Pct. change	FY2020 (IFRS/Forecasts)	Difference from forecasts
Revenue	52,505	58,669	+6,163	+11.7%	58,000 ~60,000	+669 ~▲1,330
Gross profit	14,861 (28.3%)	16,175 (27.6%)	+1,314	+8.8%	—	—
SG&A expenses	10,435 (19.9%)	10,248 (17.5%)	▲186	▲1.8%	—	—
Operating profit	3,891 (7.4%)	5,306 (9.0%)	+1,415	+36.4%	5,800 ~6,600	▲493 ~▲693
Profit before taxes	3,869 (7.4%)	5,076 (8.7%)	+1,206	+31.2%	—	—
Profit attributable to owners of parent	2,949 (5.5%)	3,557 (6.1%)	+607	+20.6%	3,700 ~4,200	▲142 ~▲642

* () = Ratio to sales

* The Company has been changed its accounting standards for consolidated financial results to International Accounting Standards (IFRS) from the full-year results for FY9/20. In addition, results for FY9/19 adopt IFRS.

Segment P/L① (IFRS)



Group

(Million yen)

1. Construction Engineer Temporary Staffing and Incidental Business	FY2019 Results	FY2020 Results	Change	Pct. change
Revenue	35,860	37,921	2,060	5.7%
Segment profit	5,826	6,585	759	13.0%

FY2020 Forecasts	Difference from forecasts	Compared to forecasts
37,700 ~39,000	+221 ~▲1,078	100.6% ~97.2%
6,250 ~6,800	+335 ~▲214	105.4% ~96.8%

2. Engineer Temporary Staffing and Incidental Business	FY2019 Results	FY2020 Results	Change	Pct. Change
Revenue	16,354	19,875	3,521	21.5%
Segment profit	62	653	590	940.2%

FY2020 Forecasts	Difference from forecasts	Compared to forecasts
19,300 ~20,000	+575 ~▲124	103.0% ~99.4%
650 ~900	+3 ~▲246	100.6% ~72.6%

3. Other businesses	FY2019 Results	FY2020 Results	Change	Pct. Change
Revenue	362	981	619	170.9%
Segment profit	△417	△241	176	—

* We does not disclose the forecasts for Other businesses.

* The Company has been changed its accounting standards for consolidated financial results to International Accounting Standards (IFRS) from the full-year results for FY9/20. In addition, results for FY9/19 adopt IFRS.



1. Maintain high utilization rate

Slight decrease in both segments through reducing hiring and prioritizing utilization of existing engineers

2. Rise in unit price of temporary staffing

Both segments increased by more than 4% YoY

3. Reduction in SG&A expenses

Decrease in recruiting expenses and other expenses due to reduced recruitment

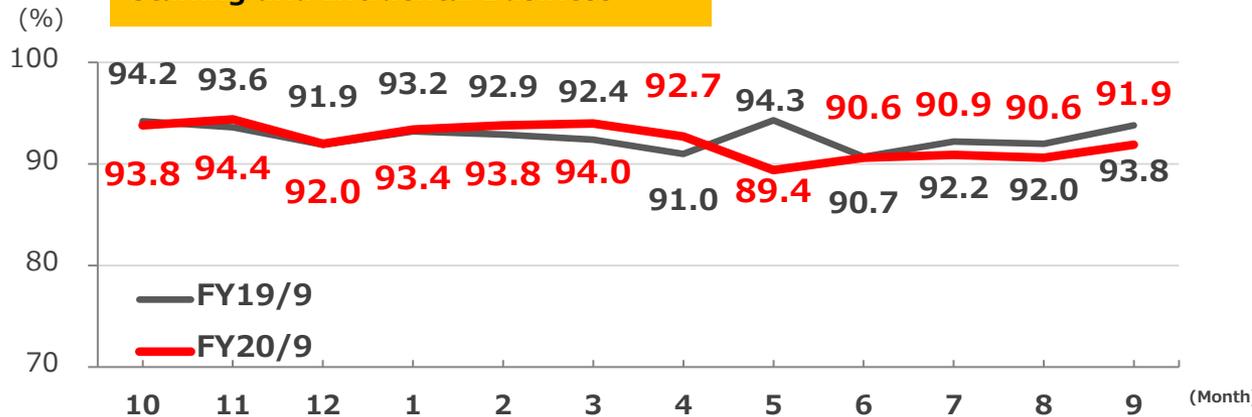
TOPIC① Maintain Utilization Rate



Group

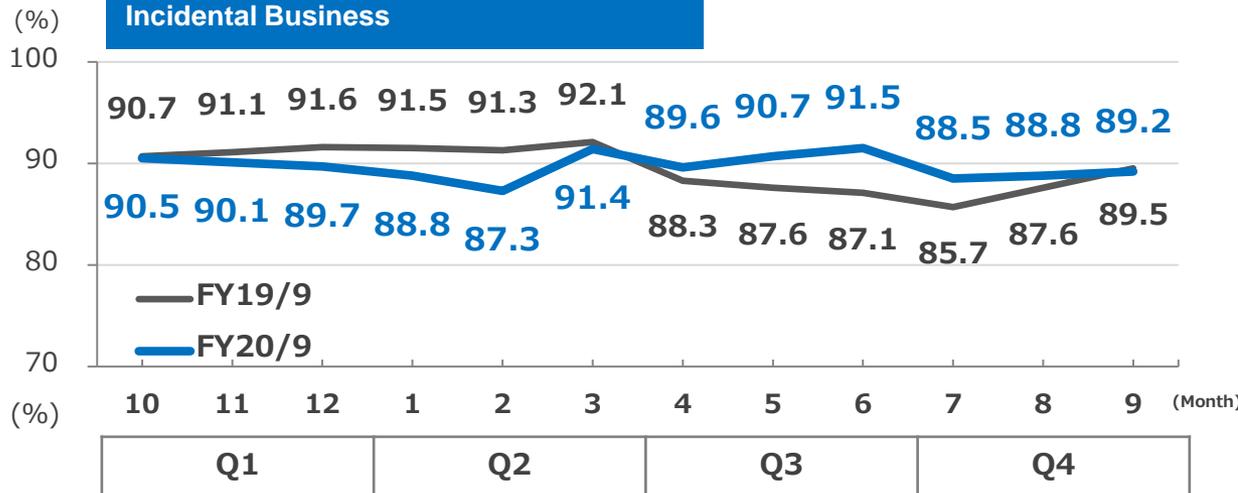
- Utilization rate down only to a minimum as a result of restraining hiring and prioritizing the active use of existing employees.
- In the Engineer Temporary Staffing and Incidental Business, it improved from the 2H of previous year.

Construction Engineer Temporary Staffing and Incidental Business



Avg. Utilization rate 12-month avg. (Oct – Sep)		
FY2019	92.7%	YoY
FY2020	92.3%	▲0.4pt.

Engineer Temporary Staffing and Incidental Business



Avg. Utilization rate 12-month avg. (Oct – Sep)		
FY2019	91.1%	YoY
FY2020	90.1%	▲1.0pt.

TOPIC② Rise in Unit Price for Temporary Staffing



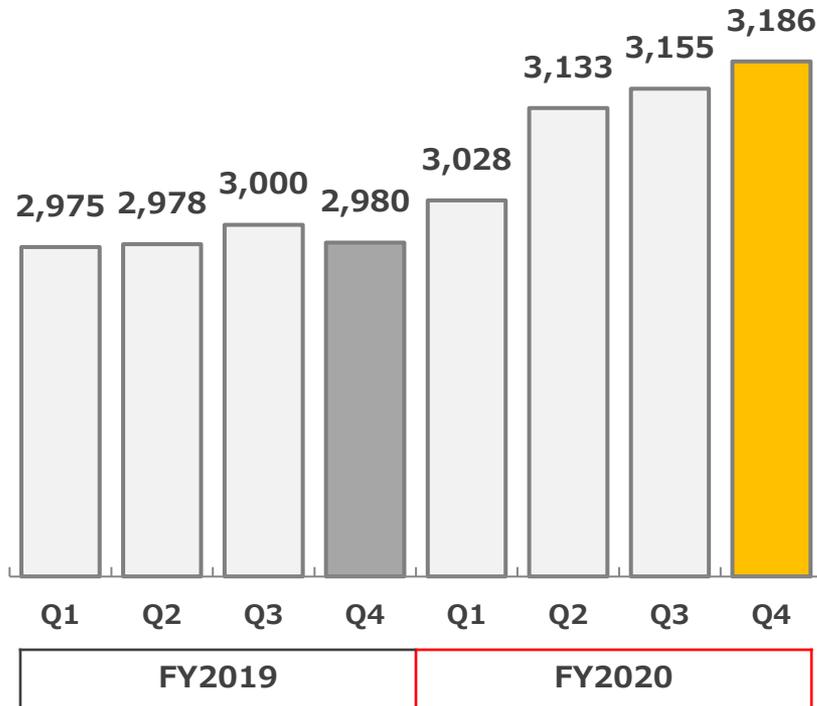
Group

- Increased by more than 4% YoY for each segment
- QoQ increase for 2H even under the COVID-19 crisis

Construction Engineer Temporary Staffing and Incidental Business

	FY2019	FY2020	Pct. change
12-month avg. (Oct - Sep)	¥2,983	¥3,126	+4.8%

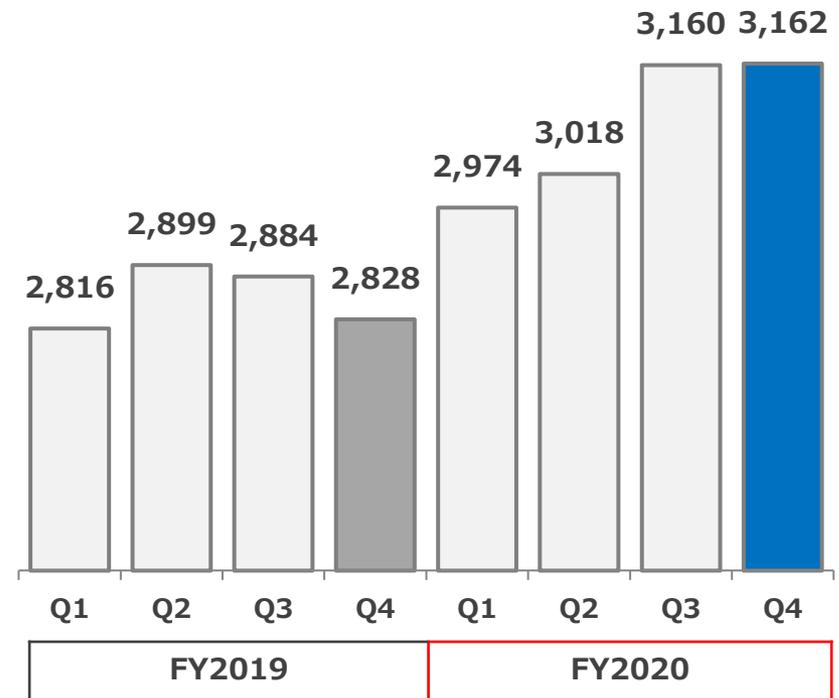
(Yen/h)



Engineer Temporary Staffing and Incidental Business

	FY2019	FY2020	Pct. change
12-month avg. (Oct - Sep)	¥2,857	¥3,076	+7.7%

(Yen/h)



TOPIC③ Reduction of SG&A



Group

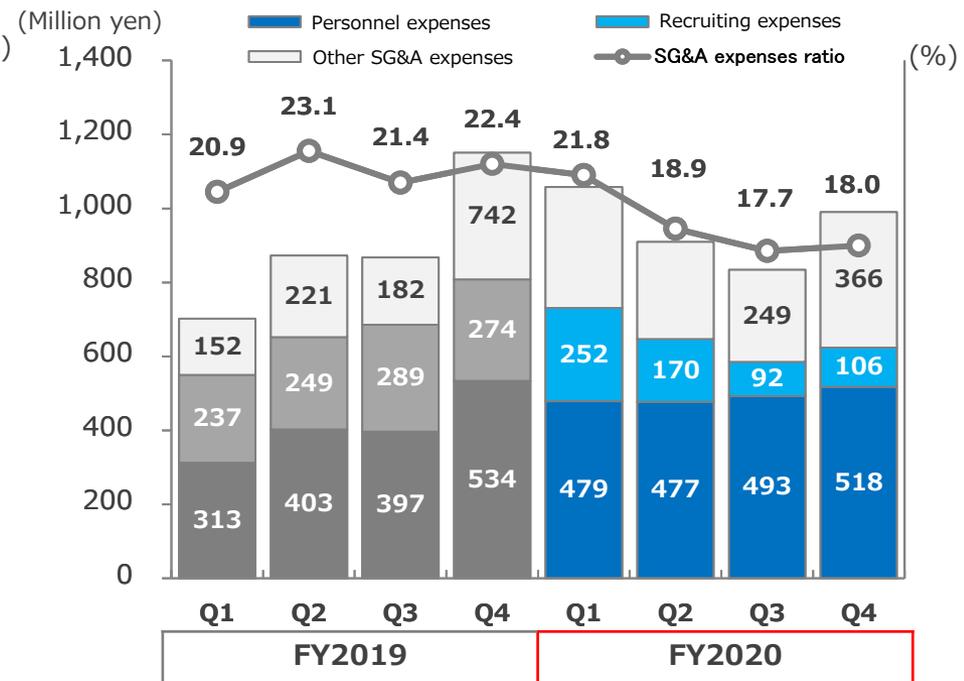
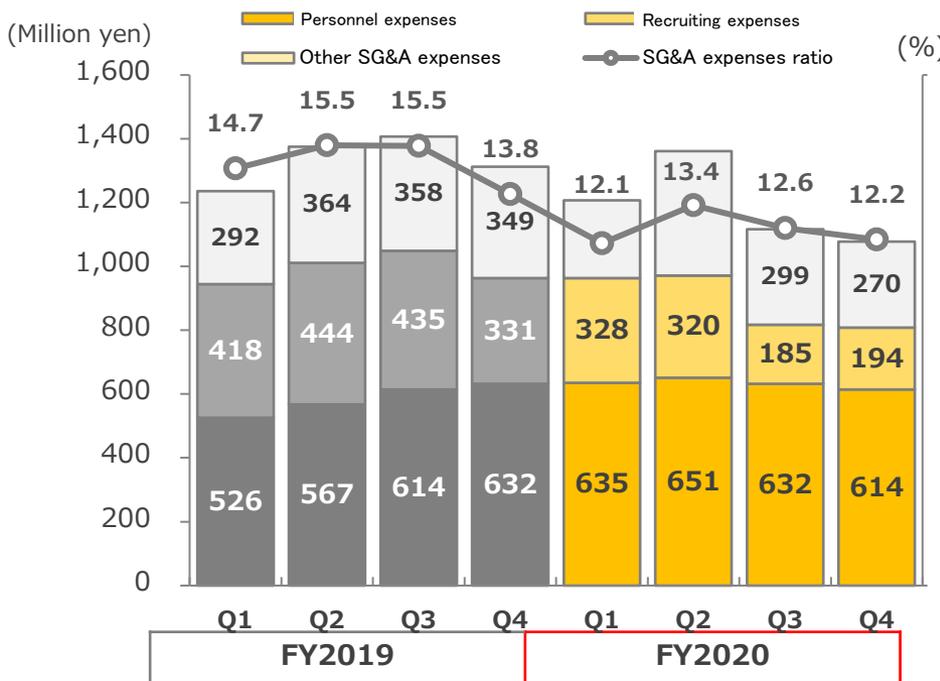
- SG&A expenses decreased, mainly due to a reduction in recruiting expenses through restrained recruitment.

Construction Engineer Temporary Staffing and Incidental Business

	FY2019	FY2020	Pct. change
Recruiting expenses	1,629	1,028	▲36.9%
Recruiting expenses to revenue	4.5%	2.7%	▲1.8pt

Engineer Temporary Staffing and Incidental Business

	FY2019	FY2020	Pct. change
Recruiting expenses	1,051	621	▲429
Recruiting expenses to revenue	6.4%	3.1%	▲3.3pt



*IFRS is applied only to FY2020 Q4.

Consolidated Financial Overview



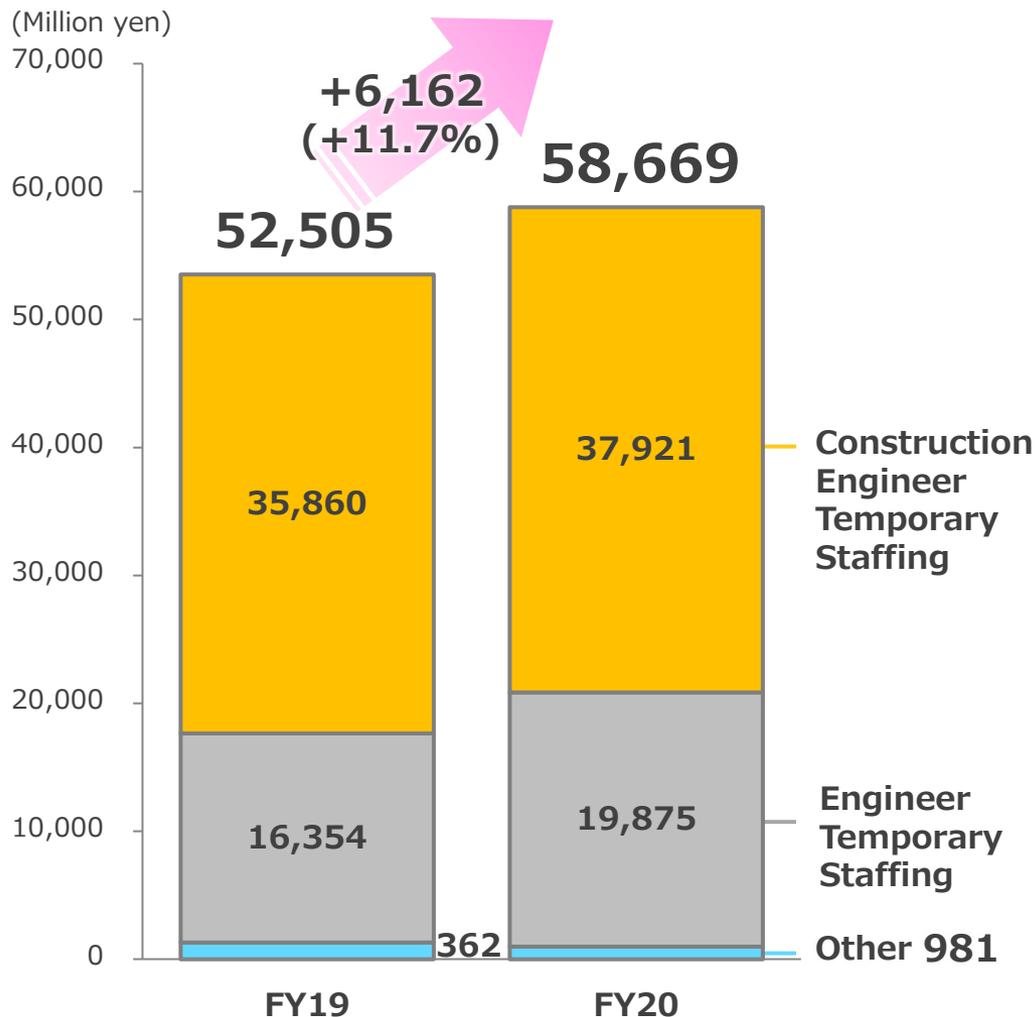
Profit/Loss Statement

Consolidated P/L (1) Revenue



Group

- Revenue of construction engineers and engineers rose 11% due to an increase in the unit price of temporary staffing.



[Major factors for increase/decrease]

Construction Engineer Temporary Staffing and Incidental Business	+2,060m (+5.7%)
<ul style="list-style-type: none"> Sales increased owing to higher unit price of temporary staffing and maintenance of utilization rate 	
Engineer Temporary Staffing and Incidental Business	+3,521m (21.5%)
<ul style="list-style-type: none"> Sales increased owing to higher unit price of temporary staffing and improved utilization rate 	
Other	+619m (+170.9%)
<ul style="list-style-type: none"> Withdrawal from or reduction of unprofitable businesses Education-related business remained high 	

* The Company has been changed its accounting standards for consolidated financial results to International Accounting Standards (IFRS) from the full-year results for FY9/20. In addition, results for FY9/19 adopt IFRS.

Consolidated P/L (2) SG&A expenses



Group

■ Reduced recruiting expenses due to restrained recruitment activities

(Million yen)

	FY2019	FY2020	Change	Remarks
Cost of sales	37,644	42,493	+4,849	Increased in the number of engineers
Cost of sales ratio	71.7%	72.4%	+0.7pt	
Gross profit	14,861	16,175	+1,314	
Gross profit ratio	28.3%	27.6%	▲0.7pt	
SG&A expenses	10,435	10,248	▲186	
Directors' compensations	185	237	+52	
Personnel expenses	4,514	5,042	+528	Increased due to an increase in the number of consolidated subsidiaries
Advertising expenses	114	174	+60	
Recruiting expenses	2,655	1,606	▲1,049	Decreased due to restrained recruitment
Rents	373	354	▲18	Decrease due to liquidation of unprofitable subsidiaries
Business consignment expense	807	599	▲208	
SG&A expenses ratio	19.9%	17.5%	▲2.4pt	

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

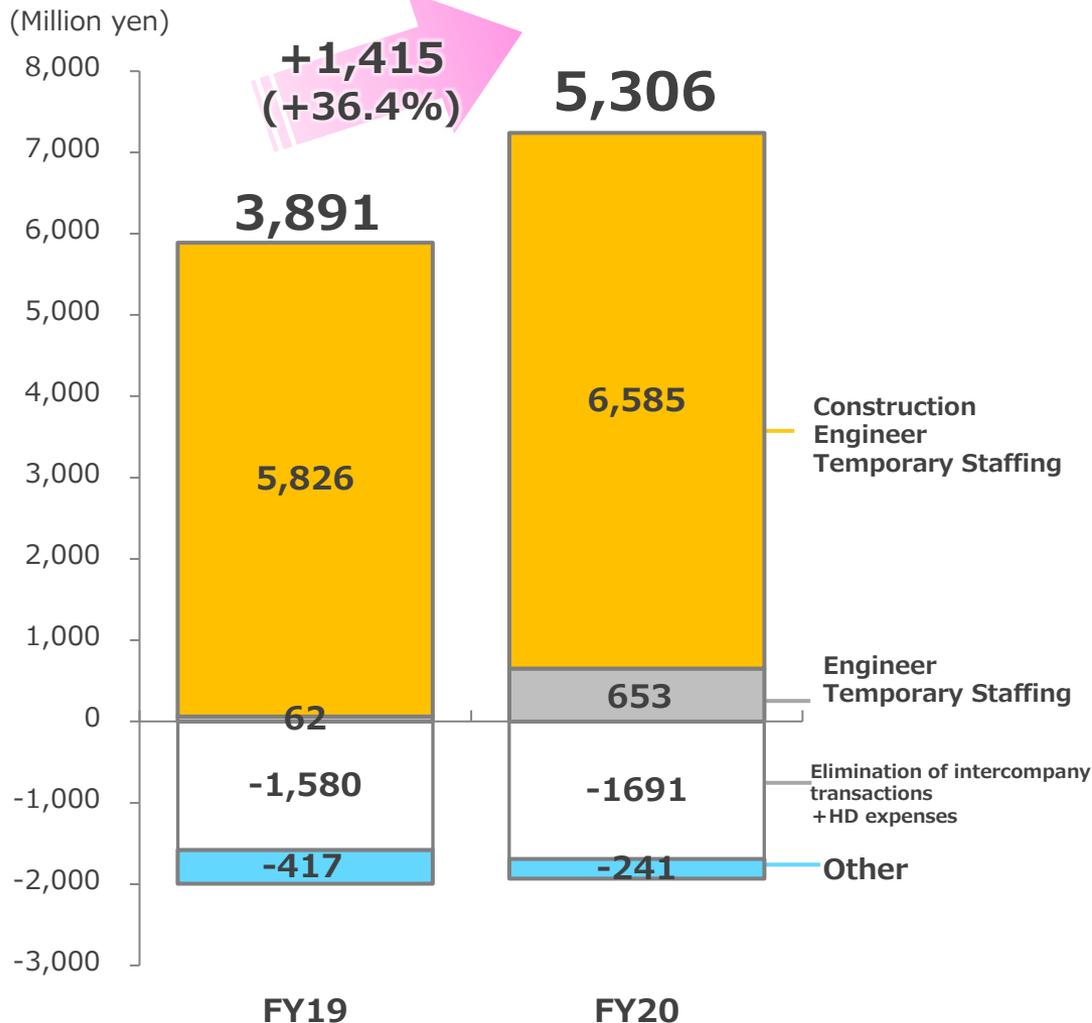
* The Company has been changed its accounting standards for consolidated financial results to International Accounting Standards (IFRS) from the full-year results for FY9/20. In addition, results for FY9/19 adopt IFRS.

Consolidated P/L (3) Operating profit



Group

- Increased due to the rise in unit price of temporary staffing and the reduction of SG&A expenses such as recruiting expenses



[Major factors for increase/decrease]

Construction Engineer Temporary Staffing and Incidental Business **+759m (+13.0%)**

- Profits increased due to the rise in unit price of temporary staffing and lower recruiting expenses

Engineer Temporary Staffing and Incidental Business **+590m (+940.2%)**

- Profits increased due to the rise in unit price of temporary staffing and lower recruiting expenses

Other **+176m**

- Demand for overseas human resources was sluggish due to the spread of COVID-19
- Profitability of Education-Related Business improved

* The Company has been changed its accounting standards for consolidated financial results to International Accounting Standards (IFRS) from the full-year results for FY9/20. In addition, results for FY9/19 adopt IFRS.

Balance Sheet

Consolidated B/S (1) Assets



Group

(Million yen)

	End-Sep.2019	End-Sep.2020	Change	Remarks
Assets	30,346	36,399	+6,052	
Current assets	18,825	24,774	+5,815	
Cash and cash equivalents	10,109	15,426	+5,316	
Trade and other receivables	7,613	7,528	▲213	Decreased due to a decrease in the number of engineers at work
Inventories	57	62	+5	
Other financial assets	187	146	▲44	
Other current assets	857	1,610	+750	
Noncurrent assets	11,521	11,624	+102	
Tangible fixed assets	2,304	2,993	+688	Increased due to increase in bases
Goodwill	3,676	3,428	▲247	Impairment of goodwill of overseas affiliates
Intangible assets	1,044	1,122	+78	
Investment real estate	229	224	▲4	
Other financial assets	3,029	1,790	▲1,241	Sale of shares held, etc.
Deferred tax assets	1,203	2,028	+824	
Other noncurrent assets	34	35	+1	

Consolidated B/S (2) Liabilities and Net Assets



Group

	End-Sep.2019	End-Sep.2020	Change	Remarks
Liabilities + net assets	30,346	36,193	+5,846	
Liabilities	19,292	24,837	+5,545	
Current liabilities	12,631	17,013	+4,381	
Bonds and borrowings	4,458	2,674	▲1,784	
Trade and other payables	688	566	▲121	
Other financial liabilities	646	1,653	+1,006	Increase due to increase in offices and deposits received
Accrued income tax	724	2,390	+1,665	
Provisions	207	23	▲184	
Other current liabilities	5,905	9,703	+3,798	
Noncurrent liabilities	6,660	7,824	+1,164	
Bonds and borrowings	5,219	6,050	+831	
Other financial liabilities	671	1,017	+346	
Liabilities for retirement benefits	335	352	+16	
Provisions	191	182	▲9	
Deferred tax liabilities	241	216	▲24	
Other noncurrent liabilities	—	4	+4	
Assets	11,054	11,561	+506	
Capital	822	828	+5	
Capital surplus	10,777	10,803	+25	
Retained earnings	1,562	2,458	+896	Net income for FY20 – Yearend dividends for FY19 – Interim dividend for FY20
Treasury stock	▲2,001	▲2,437	▲436	
Other components of capital	26	36	+10	
Total equity attributable to owners of parent	11,187	11,689	+501	
Non-controlling interest	▲133	▲128	+4	

(Million yen)

FY9/21 Forecasts

FY9/21 Consolidated Forecasts



Group

(Million yen)

	FY2020 Result (IFRS)	FY2021 Forecasts (IFRS)	Pct. change
Revenue	58,669	61,000	4.0%
Operating profit	5,306 (9.0%)	6,000 (9.8%)	13.1%
Profit before taxes	5,076 (8.7%)	5,800 (9.5%)	14.3%
Profit attributable to owners of parent	3,557 (6.1%)	3,800 (6.2%)	6.8%
Basic profit per share	46.92 yen	50.39 yen	—

Medium-Term Management Plan (FY9/21 – FY9/25)

Summary of Business Plan①



Group

1. Group (consolidated)	FY2021	FY2022	FY2023	FY2024	FY2025
Revenue	61,000	71,500	84,000	98,000	114,000
Operating profit	6,000	7,000	9,500	13,000	16,500

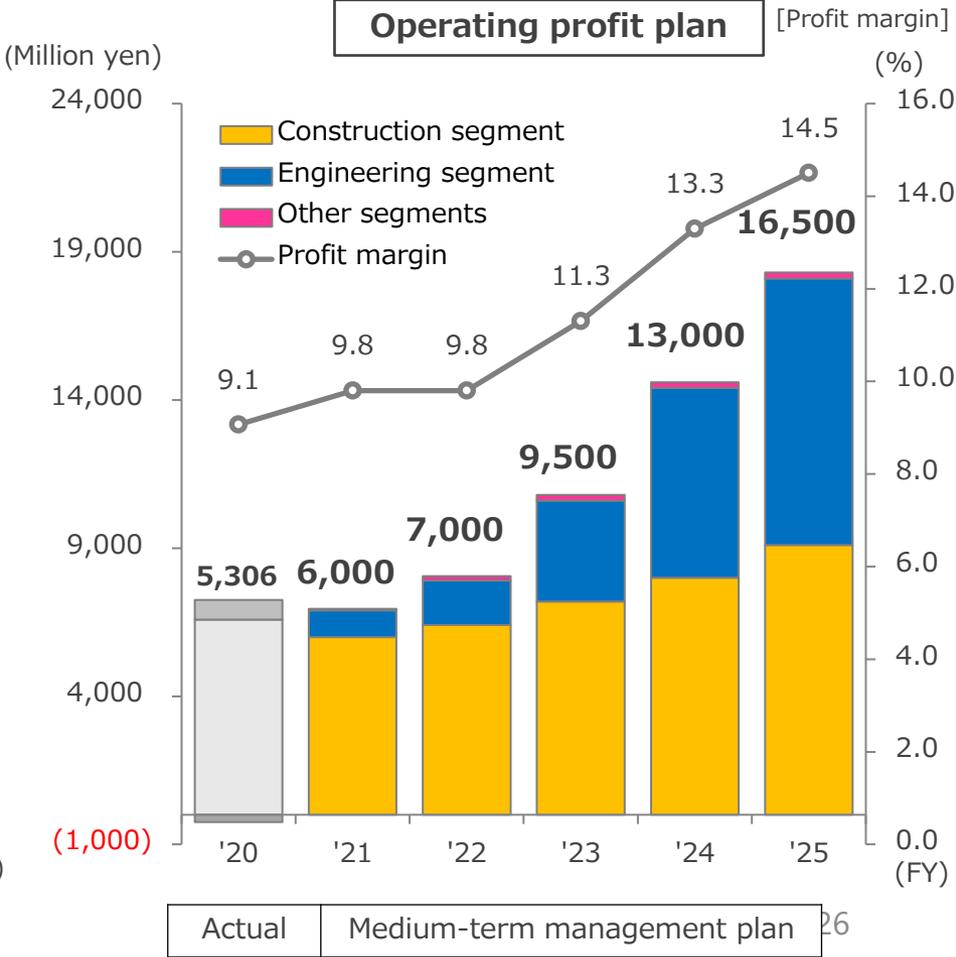
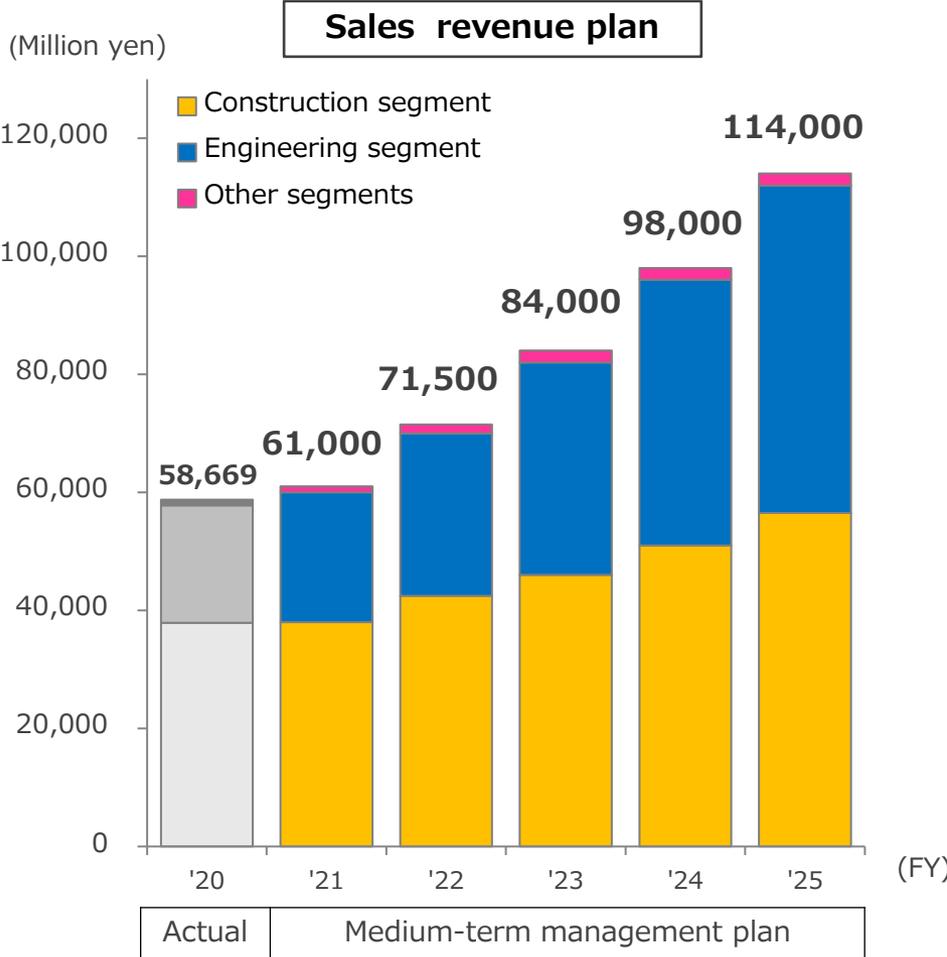
2. Construction engineer temporary staffing and incidental business	FY2021	FY2022	FY2023	FY2024	FY2025
Revenue	38,000	42,500	46,000	51,000	56,500
Segment profit	6,000	6,400	7,200	8,000	9,100

3. Engineer temporary staffing and incidental business	FY2021	FY2022	FY2023	FY2024	FY2025
Revenue	22,000	27,500	36,000	45,000	55,500
Segment profit	900	1,500	3,400	6,400	9,000

Summary of Consolidated Business Forecasts②



- Revenue ⇒ Increase due to increase in each segment
- Operating profit ⇒ Stable growth in the construction segment
Expect a rapid growth in the engineering segment



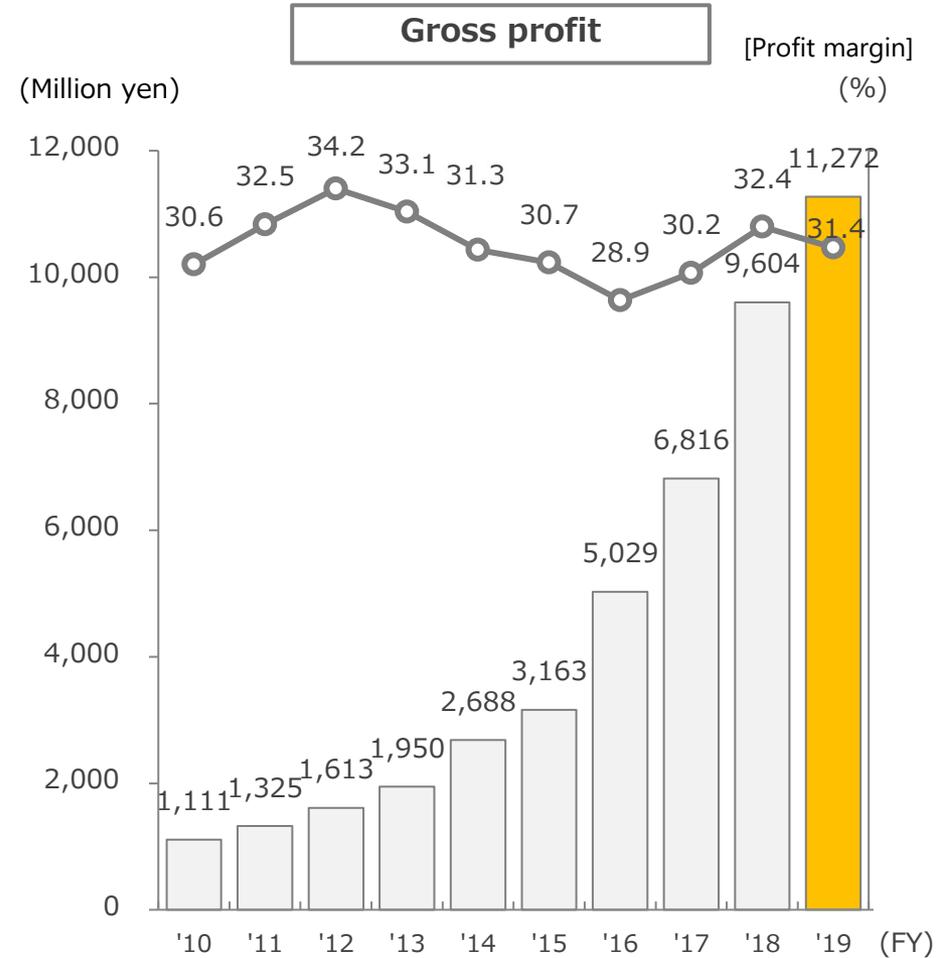
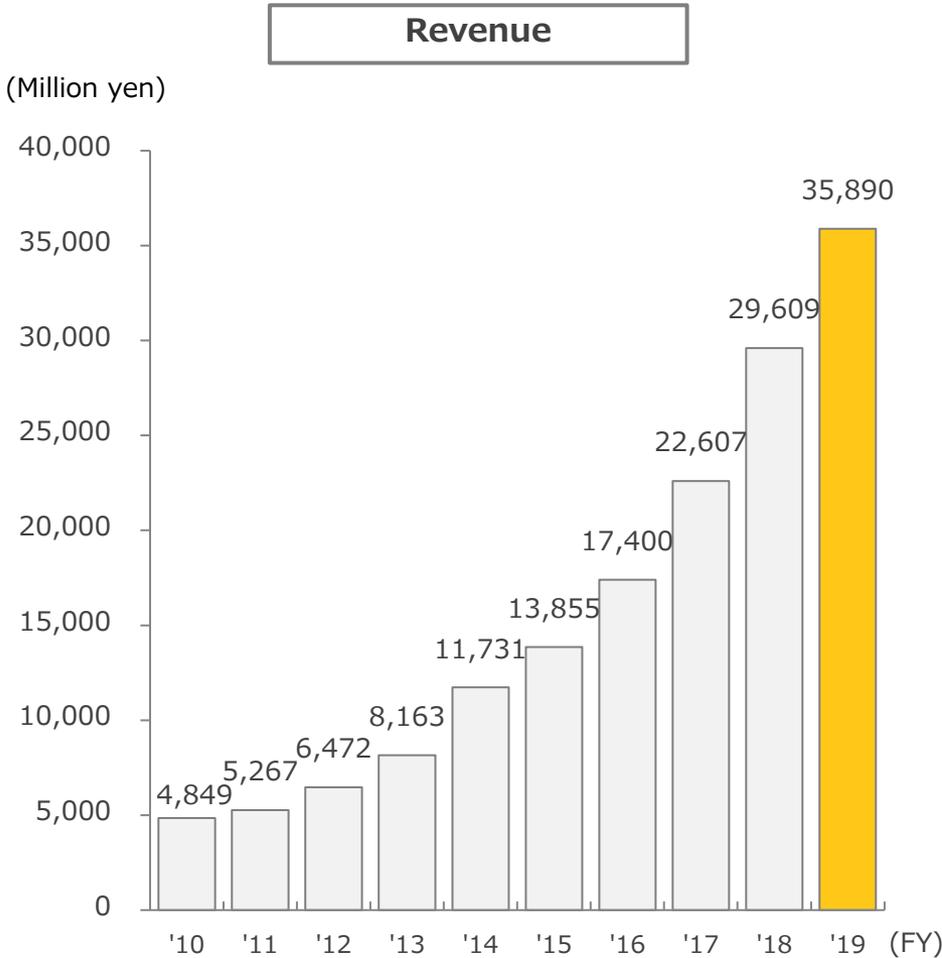
**Yumeshin Holdings is No.1
in **development** and
temporary staffing of
engineers**

Construction Engineer Temporary Staffing and Incidental Business

Changes in Revenue and Gross Profit



- Revenue ⇒ Continued increase in revenue due to increase in the number of engineers and rise in unit price
- Gross profit ⇒ Increased in proportion to revenue but profit margin remained at about 30%

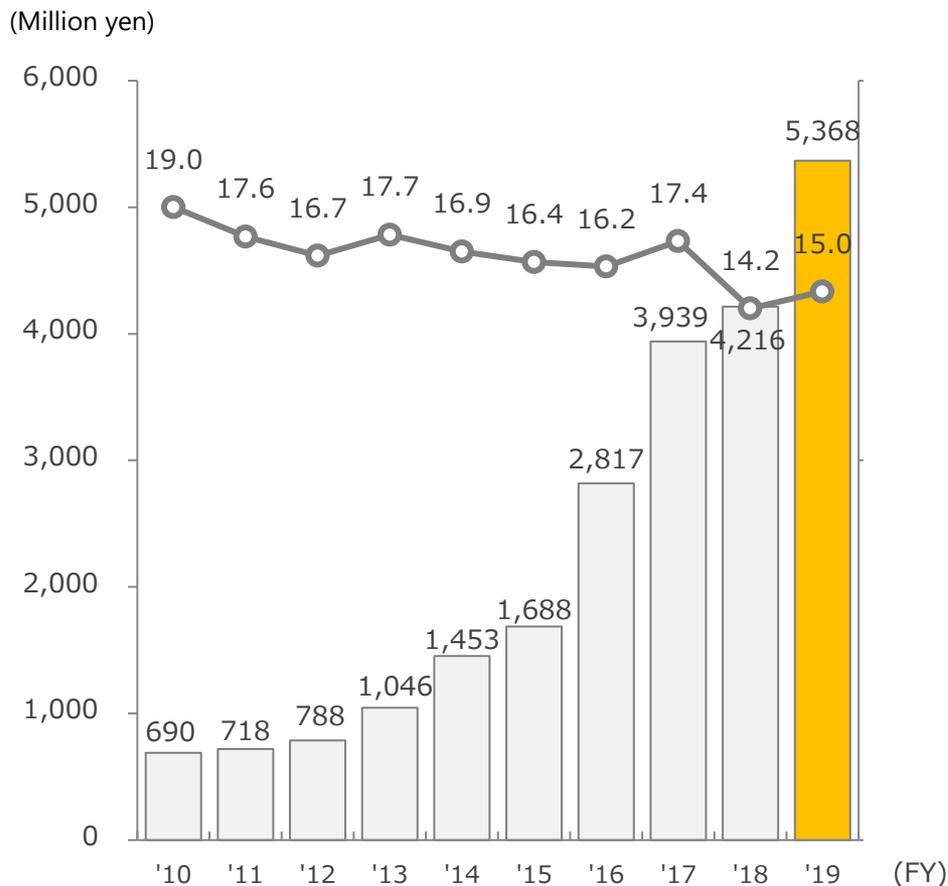


Changes in SG&A Expenses and Segment Profit

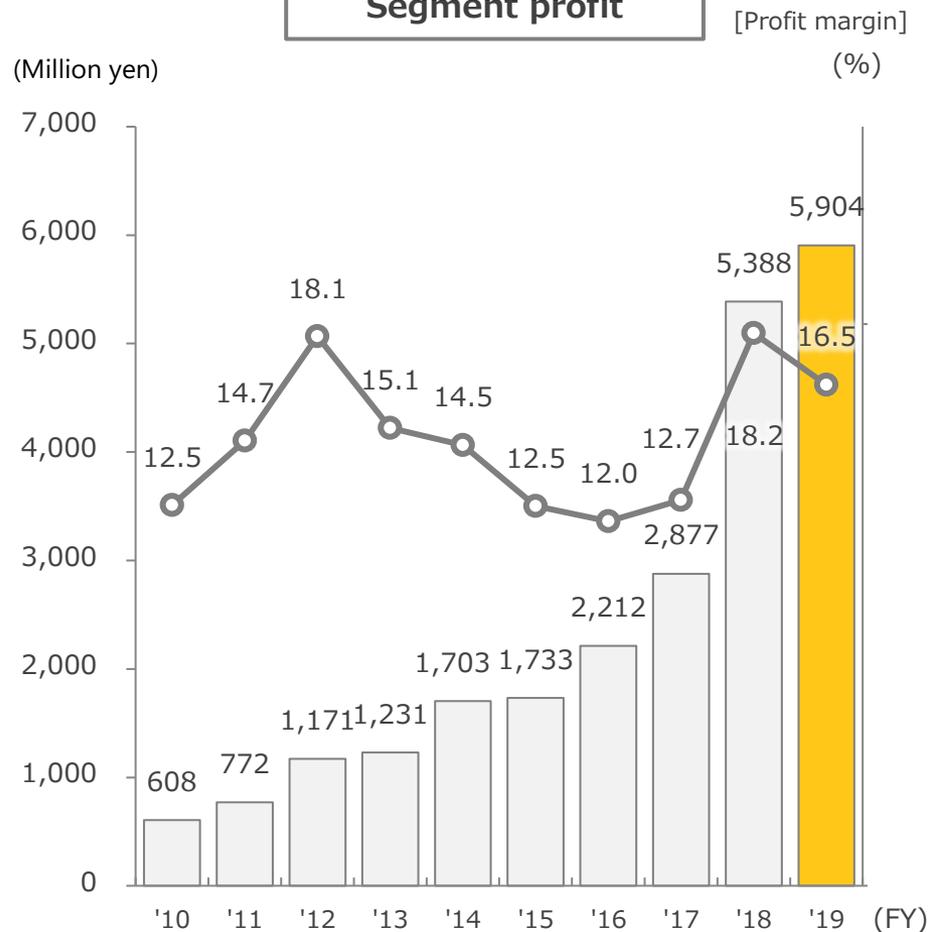


- SG&A expenses ⇒ Increased due to increased number of recruitment
- Segment profit ⇒ Revenue continued to increase but profit margin fluctuated due to investment in recruitment

SG&A expenses



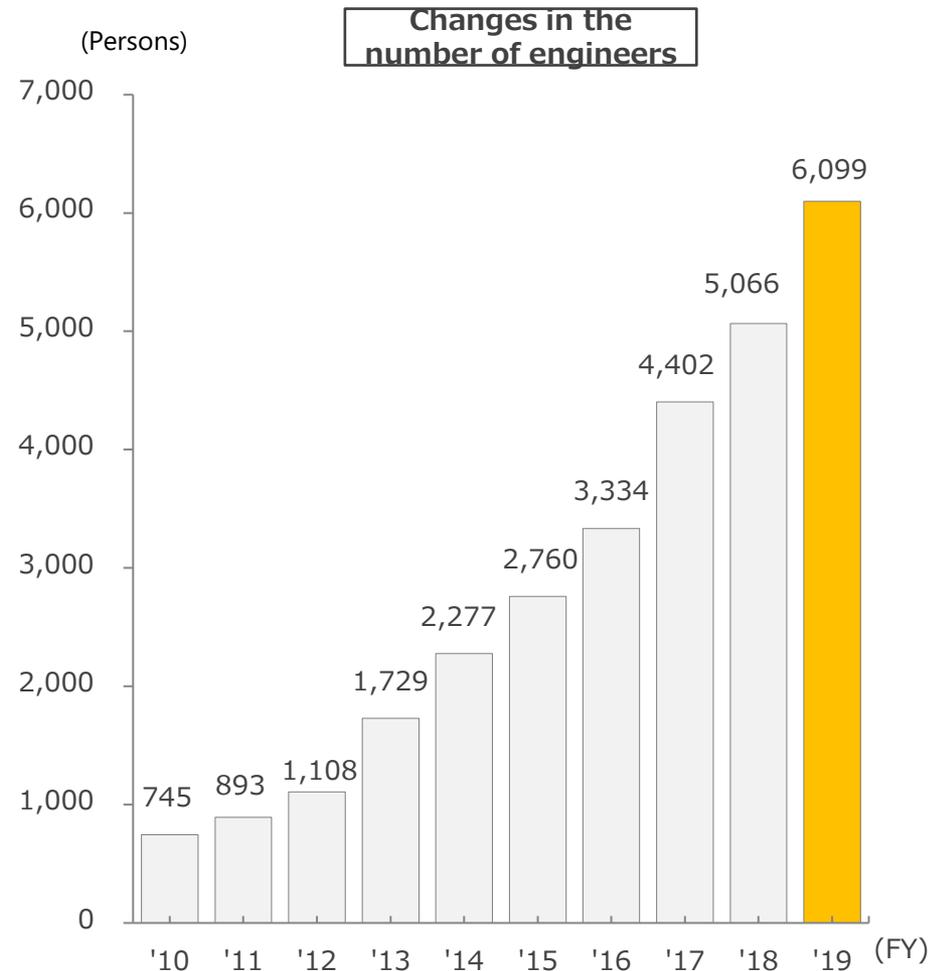
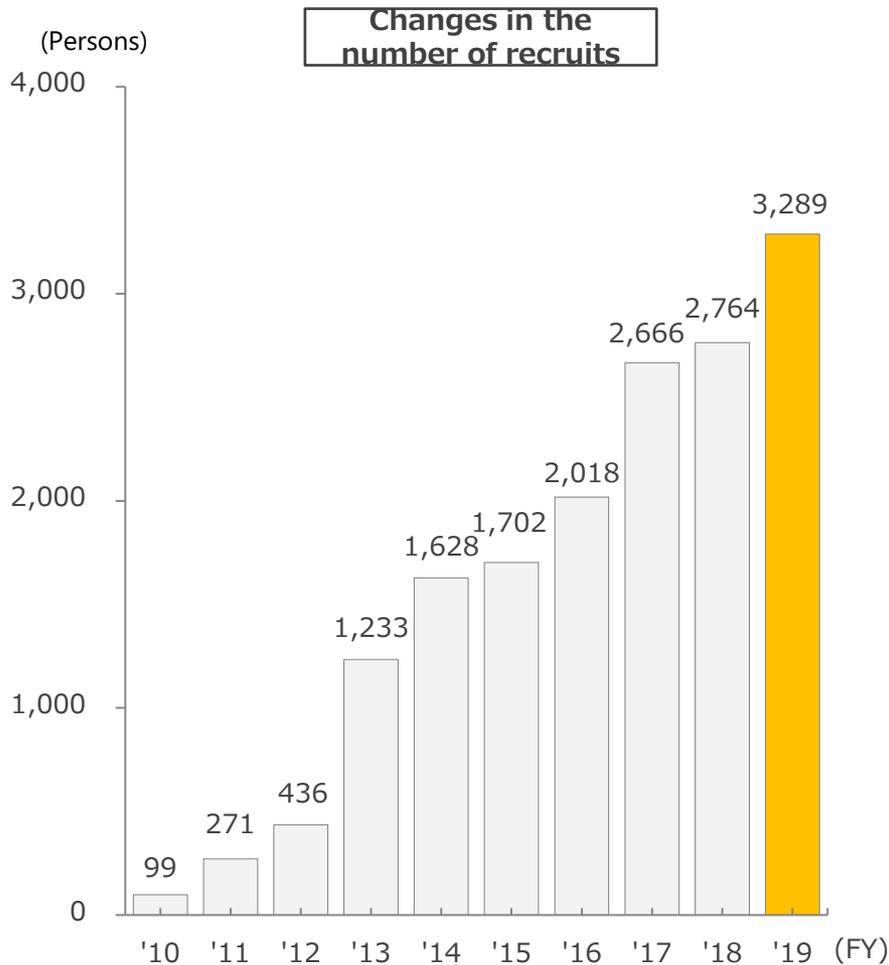
Segment profit



Changes in the Number of Engineers



- Number of recruits ⇒ Demand for engineers after the Great East Japan Earthquake in 2011 increased rapidly → Active recruitment in full-scale
- Number of engineers ⇒ Steadily increased



**Q. Why did the
Company **grow** to
be the Company it
is today?**

A. Difference in **strategy
from other companies**

**Originally, construction
industry was...**

External Environment①

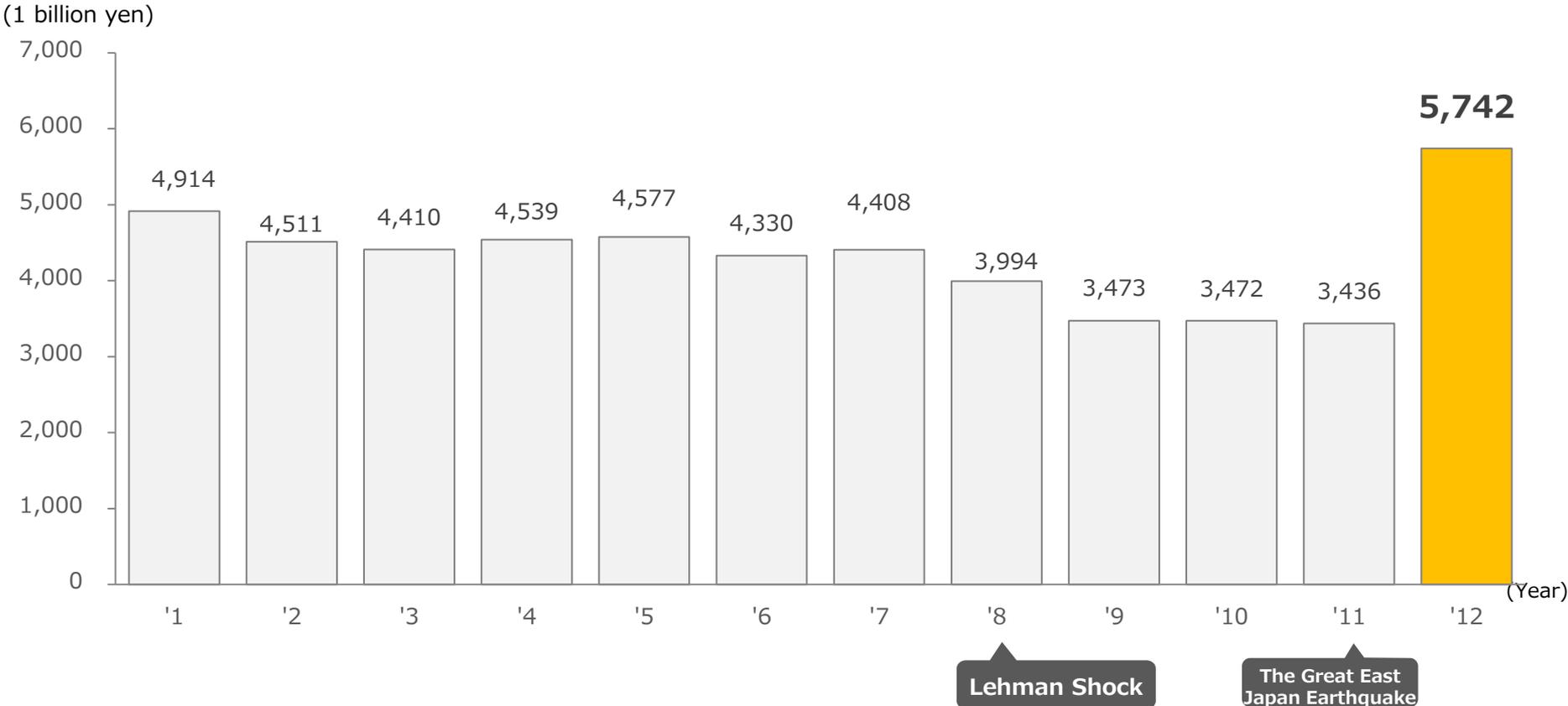


Construction Engineering
Temporary Staffing
Incidental Business

Changes in the Volume of Construction Work

- In the past, experienced workers were the mainstream of the market in the construction industry
- The volume of construction work which was on the decrease recovered rapidly after the Great East Japan Earthquake ⇒ Demand for engineers also increased rapidly

Survey of Orders Received for Construction



Source: "Survey of Orders Received for Construction," Ministry of Land, Infrastructure, Transport and Tourism

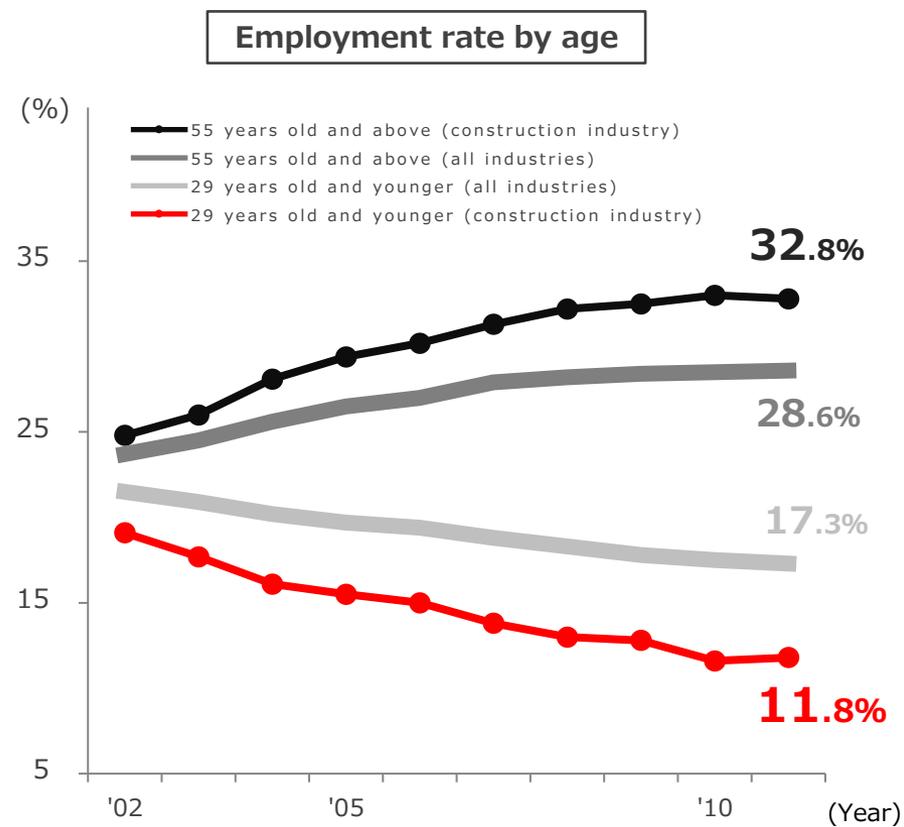
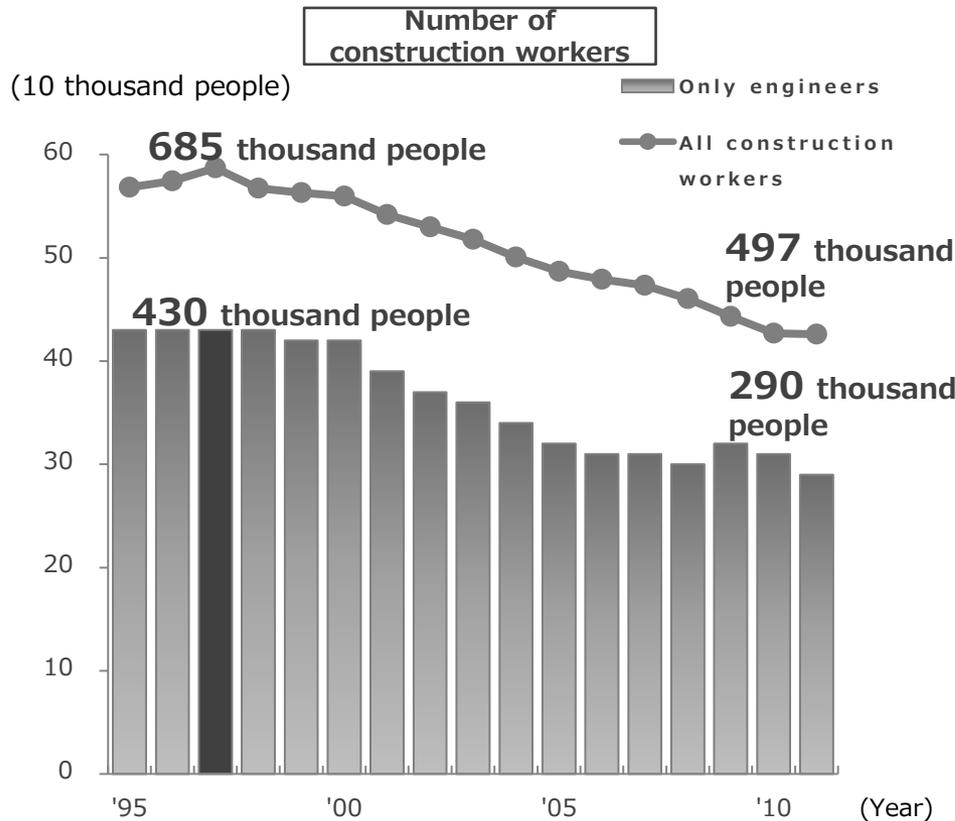
On the other hand

External Environment② Decrease in the Number of Employees and Aging Population



Construction Engineering
Temporary Staffing
Incidental Business

- Decrease in the number of employees due to decrease in construction demand
- Shortage of workforce due to declining birthrate and aging population → One third of the employees to 55 years old and above



To a human resources structure that is unable to respond to rapid increase in demand



Industry characteristics
of experienced workers
as a mainstream



Decrease in
experienced workers
due to declining birthrate
and aging population

Unprecedented shortage of human resources but
cannot increase experienced workers straight away



**A company that can newly develop human
resources is necessary**



YumeShin

Why did the Company grow to be the Company it is today?



- Able to differentiate from other companies in the strategy focusing on recruitment and development of inexperienced workers

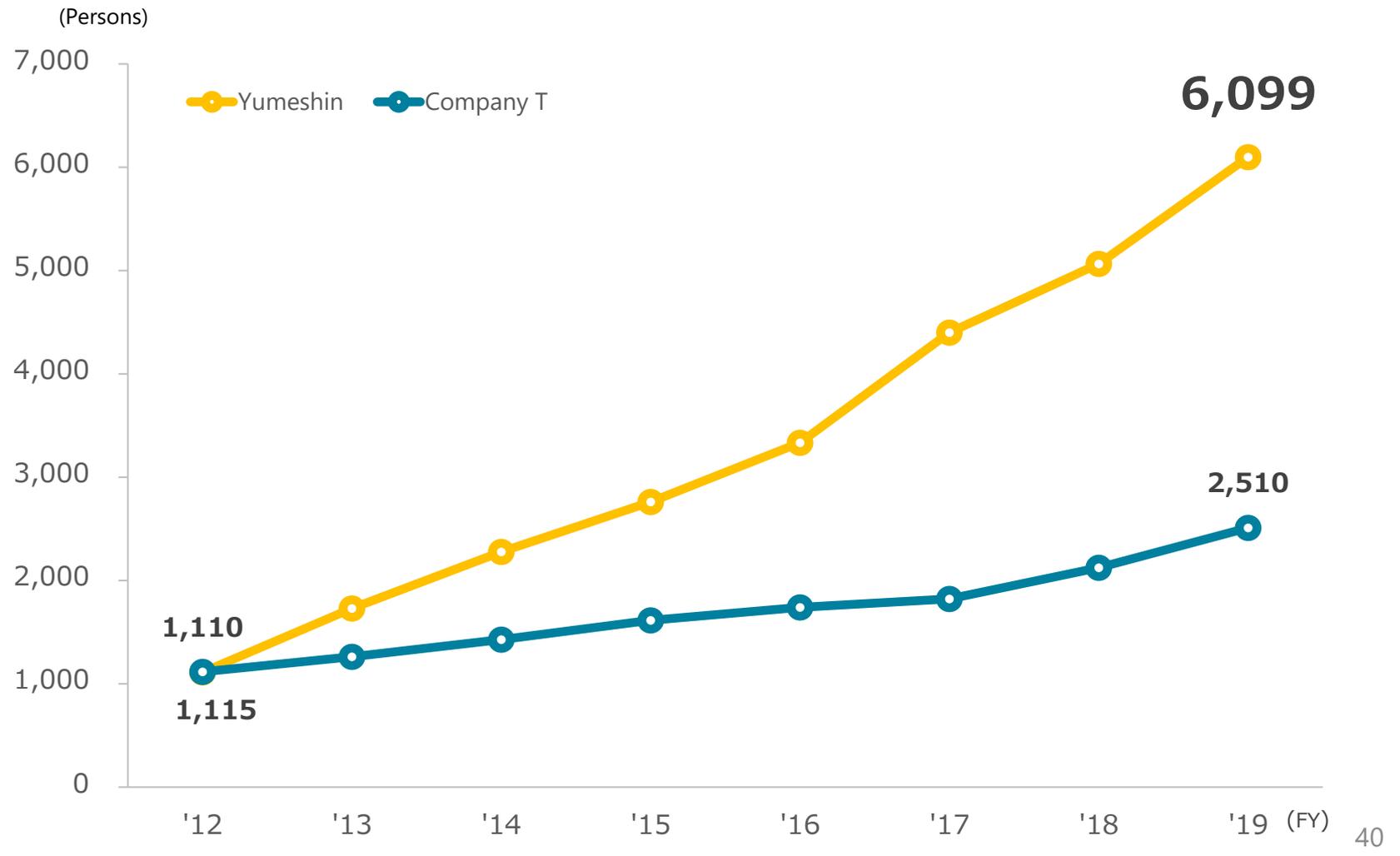
Strategy of development of inexperienced workers	Strategy of recruitment of experienced workers	
Can increase	Capacity to supply to market	Cannot increase
Easier	Employment environment	Difficult
Low but has growth potential	Unit price level	High but limited growth potential
Rise with growth	Profit margin	Fixed

Changes in Growth due to Development of Inexperienced Workers



Construction Engine
Temporary Staffing
Incidental Business

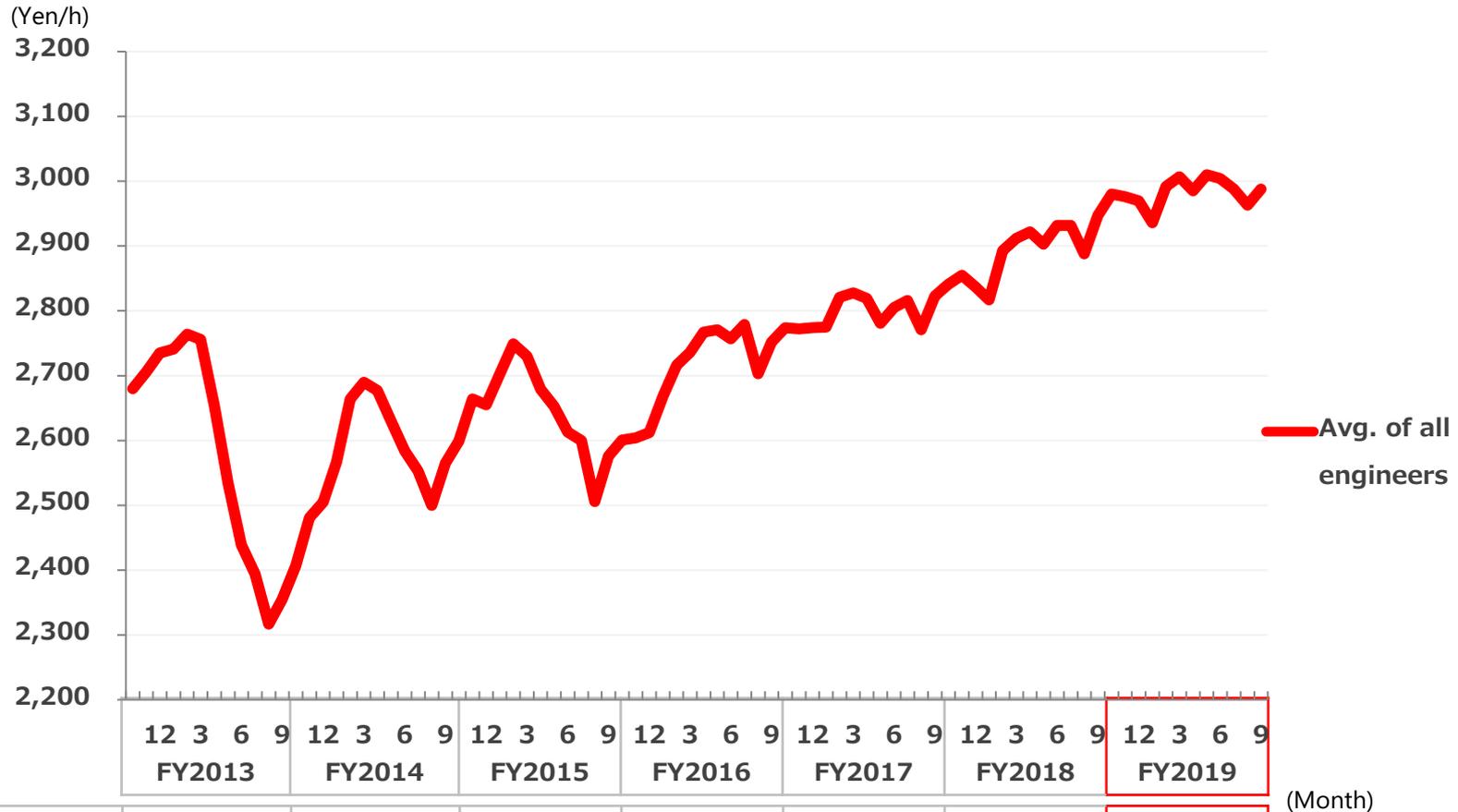
- Other companies adopting strategy for experienced workers struggled in recruitment
- Obvious difference in the long-term growth



Changes in Unit Price of Temporary Staffing



- Unit price was low when there were many inexperienced workers
- Average unit price increased as a result of increase in experienced engineers (increased by more than 30% from the bottom)



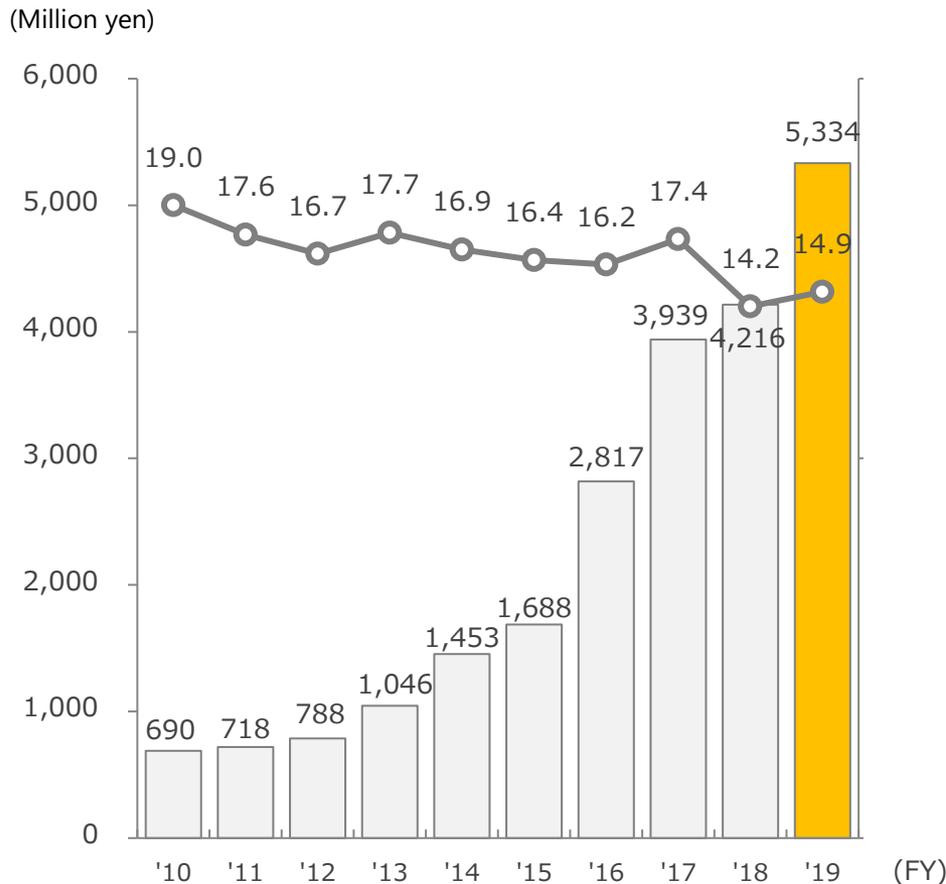
Avg. on a company-wide basis (Q1-Q4)	2,590yen	2,569yen	2,644yen	2,706yen	2,797yen	2,890yen	2,983yen
YoY		▲0.8%	+2.9%	+2.3%	+3.4%	+3.3%	+3.2%
Ratio of new recruits	55.8%	51.2%	47.0%	44.7%	47.2	41.3%	37.8%

Changes in SG&A Expenses and Segment Profit

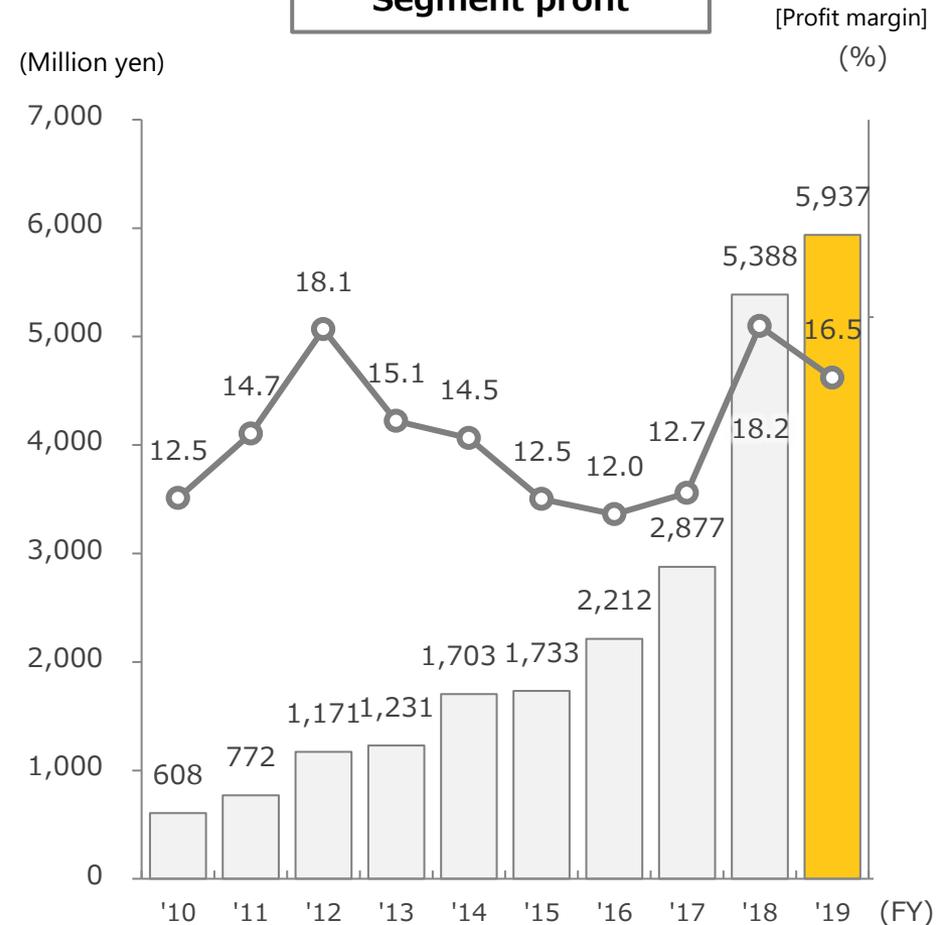


- SG&A expenses ⇒ Increased due to increased number of recruitment
- Segment profit ⇒ Sales continued to increase but profit margin fluctuated due to investment in recruitment

SG&A expenses



Segment profit





**No change in the external
environment**

**From No.1 to overwhelming No.1
in refining the development**

External Environment①

Recovery in the Volume of Construction Work

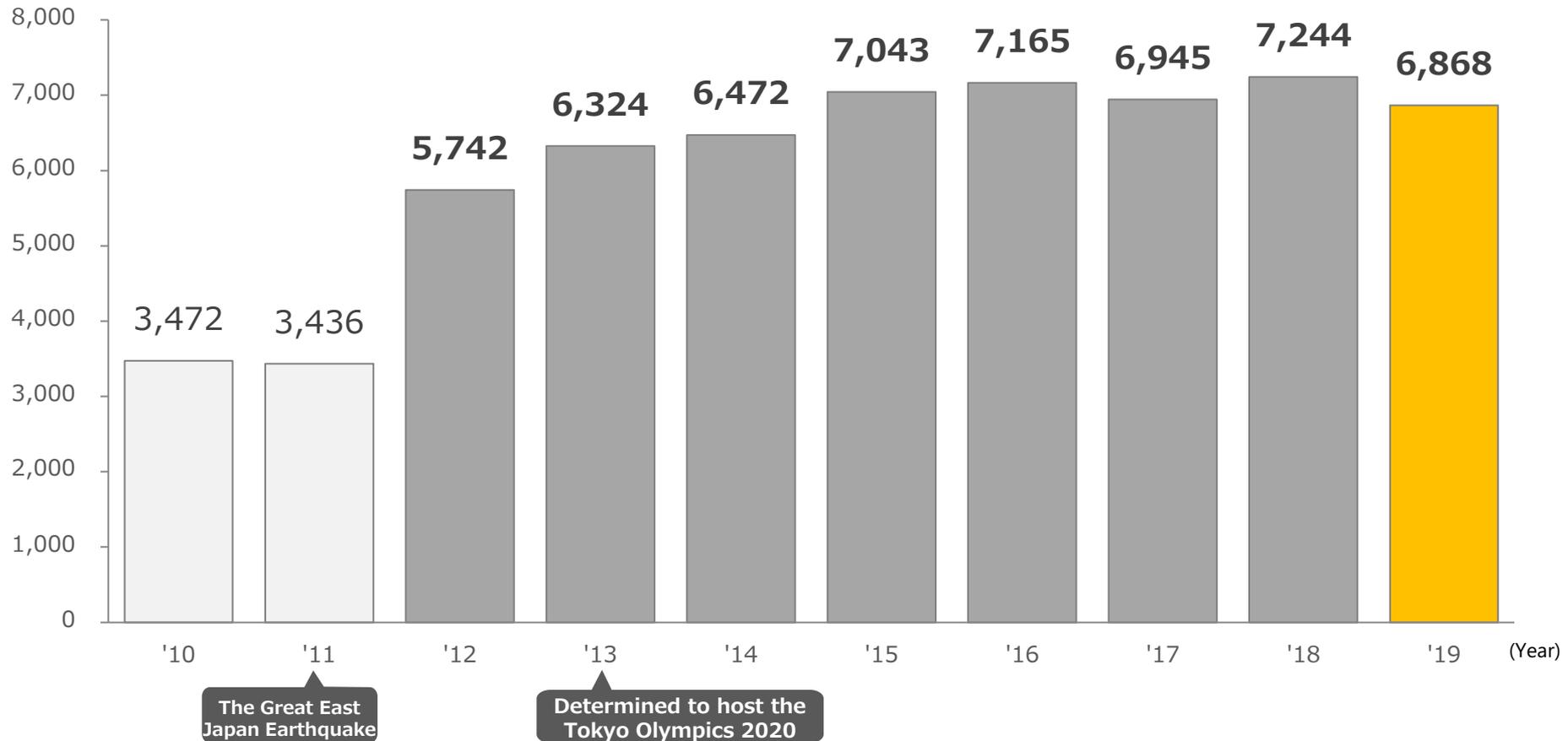


Construction Engineering
Temporary Staffing
Incidental Business

Steady increase in the volume of construction work

Survey of Orders Received for Construction

(1 billion yen)



Source: "Survey of Orders Received for Construction," Ministry of Land, Infrastructure, Transport and Tourism

External Environment②

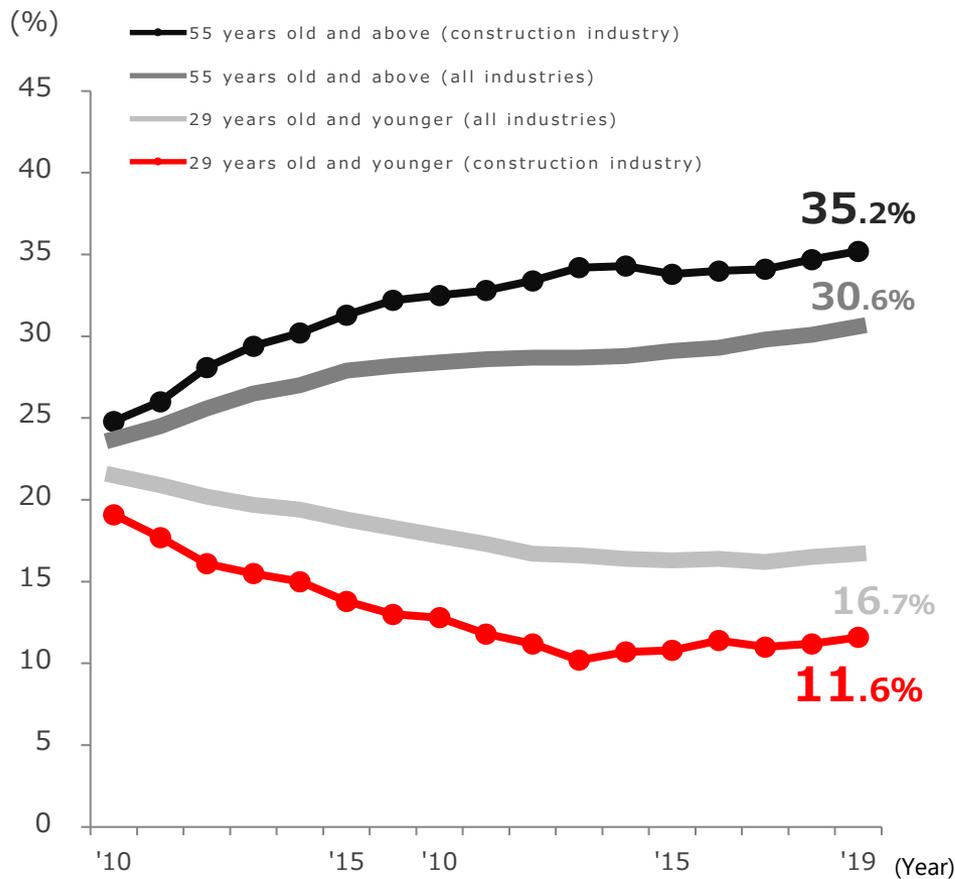
The Current State of Securing of Workforce



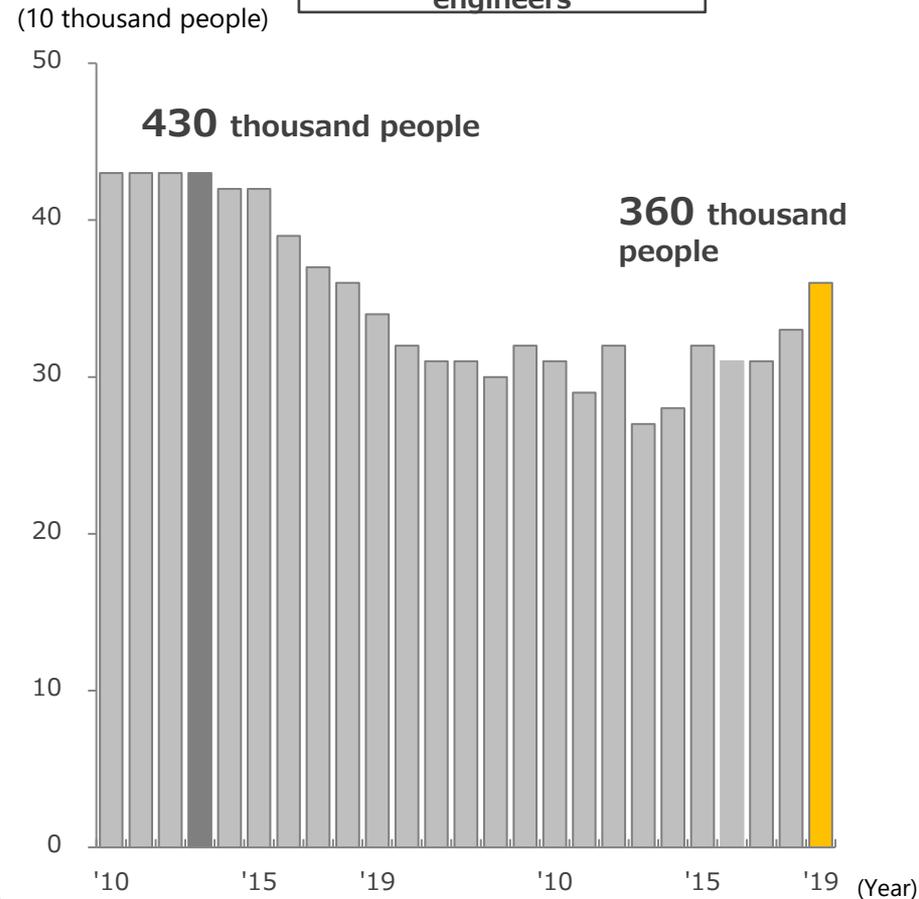
Construction Engineering
Temporary Staffing
Incidental Business

- Aging of population = Structural causes of the shortage of human resources
- Even if the volume of construction work remains unchanged, the speed at which the number of employees decreases exceeds

Employment rate by age



Number of construction engineers





Issues faced by construction companies in recruitment

Major companies

- Life-long employment is a deep-rooted problem, and from a long-term perspective there's a risk in mass recruitment
- Incidental cost of personnel expenses, such as welfare pensions, is high
 - Want to avoid fixed cost due to the employment of full-time workers

Small and medium-sized companies

- Less human resources, funds, and other recruitment resources
 - Low recruitment capabilities

⇒ Use of flexible temporary staffing is generalized

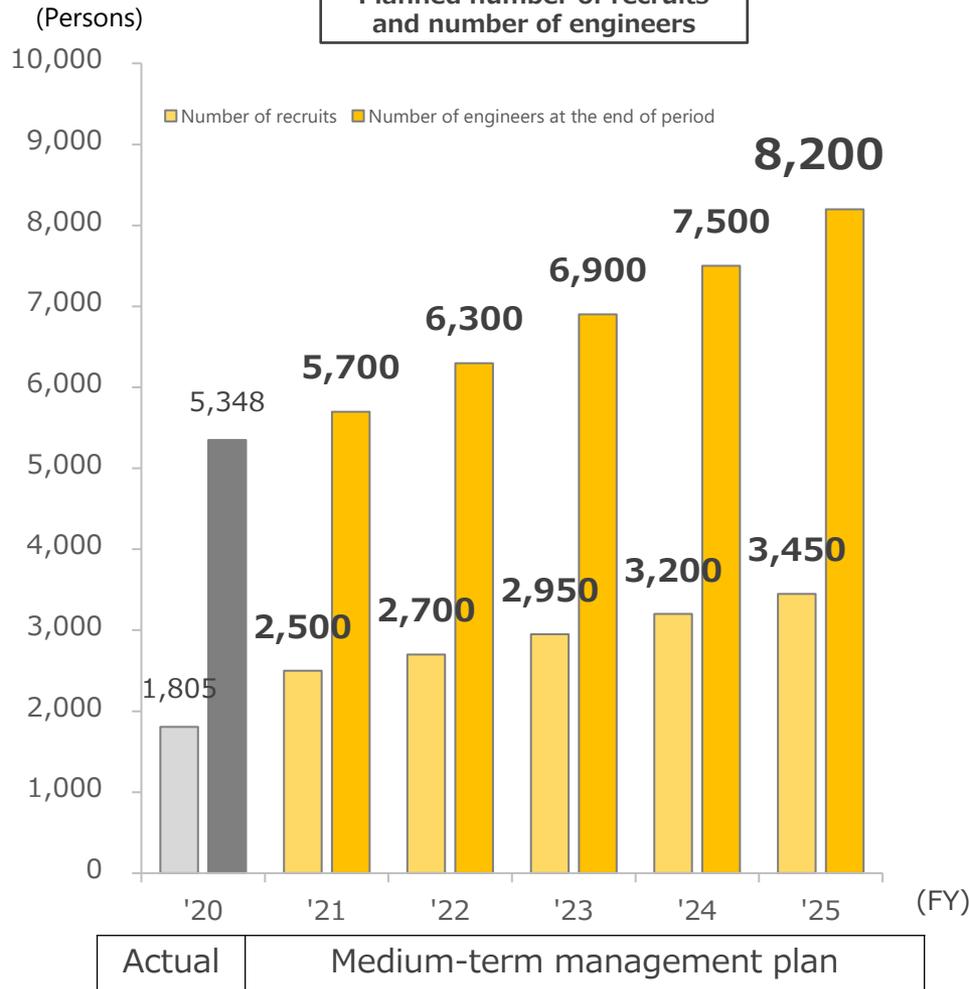
Medium-Term Management Plan① Retention Rate, Recruitment and Number of Engineers



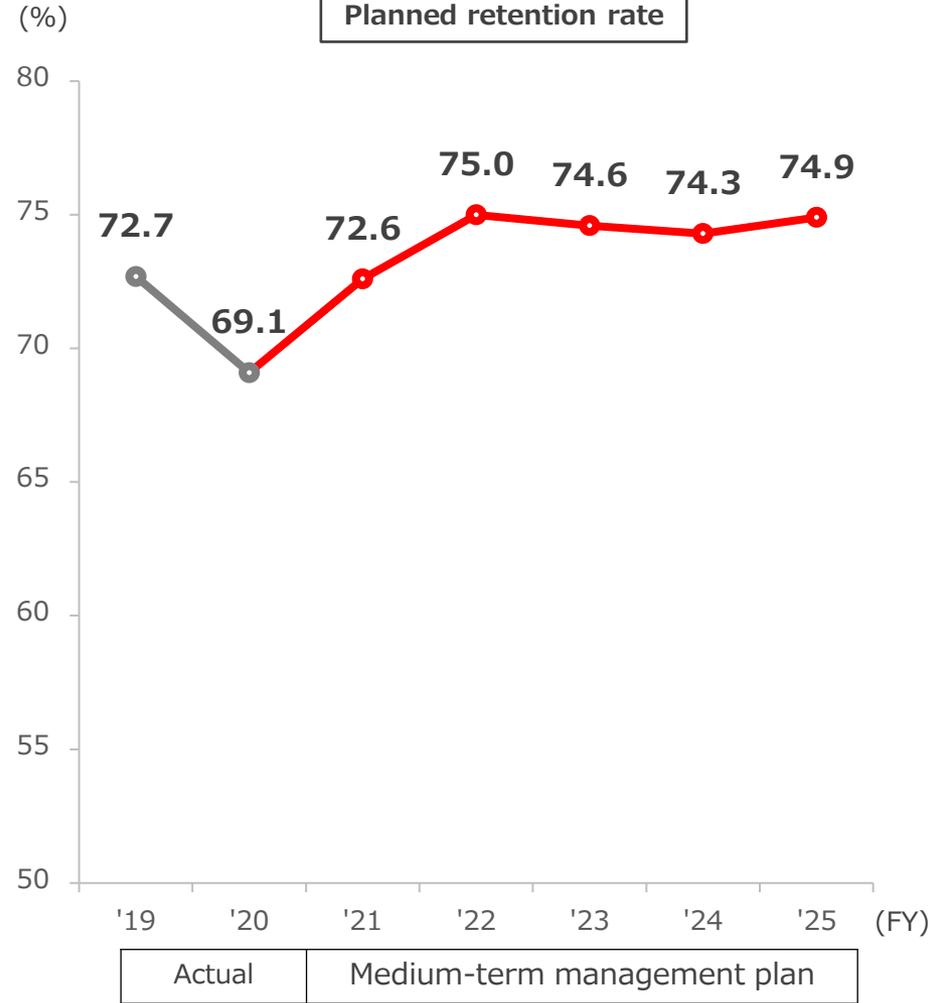
Construction Engineering
Temporary Staffing
Incidental Business

- Active recruitment + Increase in the number of engineers due to improved retention rate
- Reduced recruitment + reshuffling of human resources → FY20 retention rate temporarily decreases

Planned number of recruits and number of engineers



Planned retention rate



Priority Measures: Improvement in Retention Rate



Construction Engineering
Temporary Staffing
Incidental Business

- Follow up in smaller groups of Engineer Access Team (newly established)

Description of
measures

- Follow up in limiting the number of engineers to 50
- Contact every week, visit every month and have a questionnaire
- Continue to follow up even the job site changes



Improve retention rate
by raising follow-up depth

Medium-Term Management Plan ②

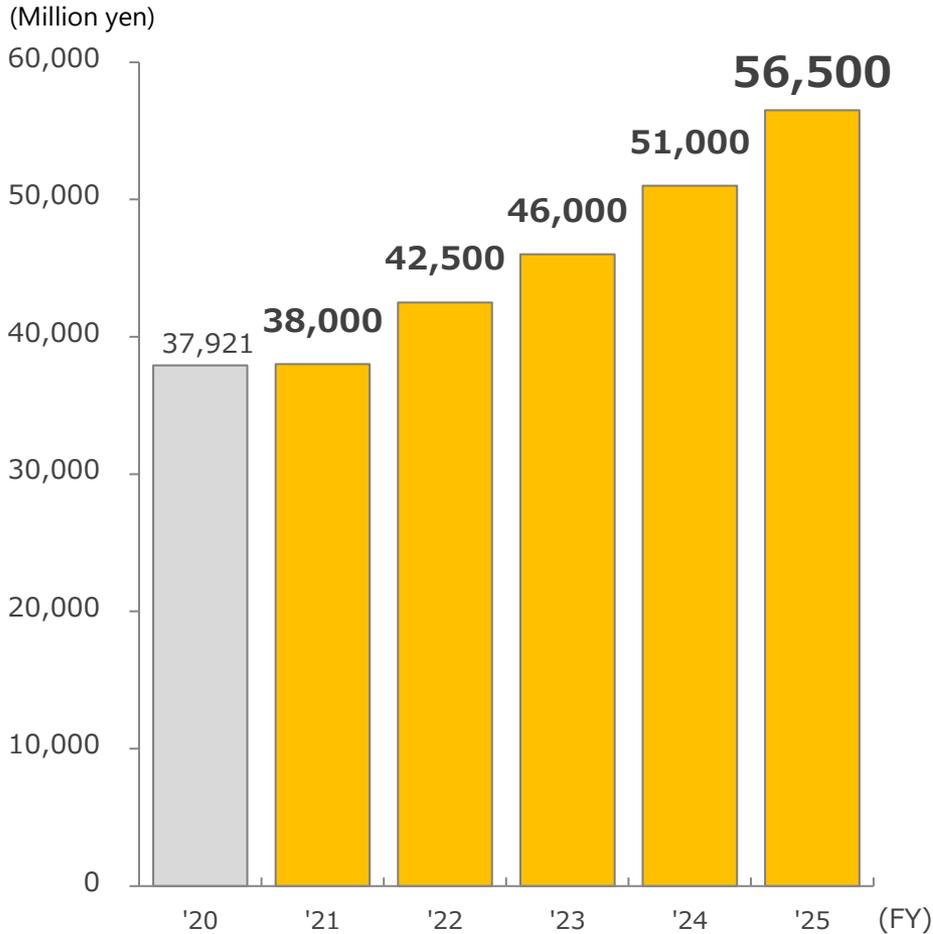
Business Forecasts



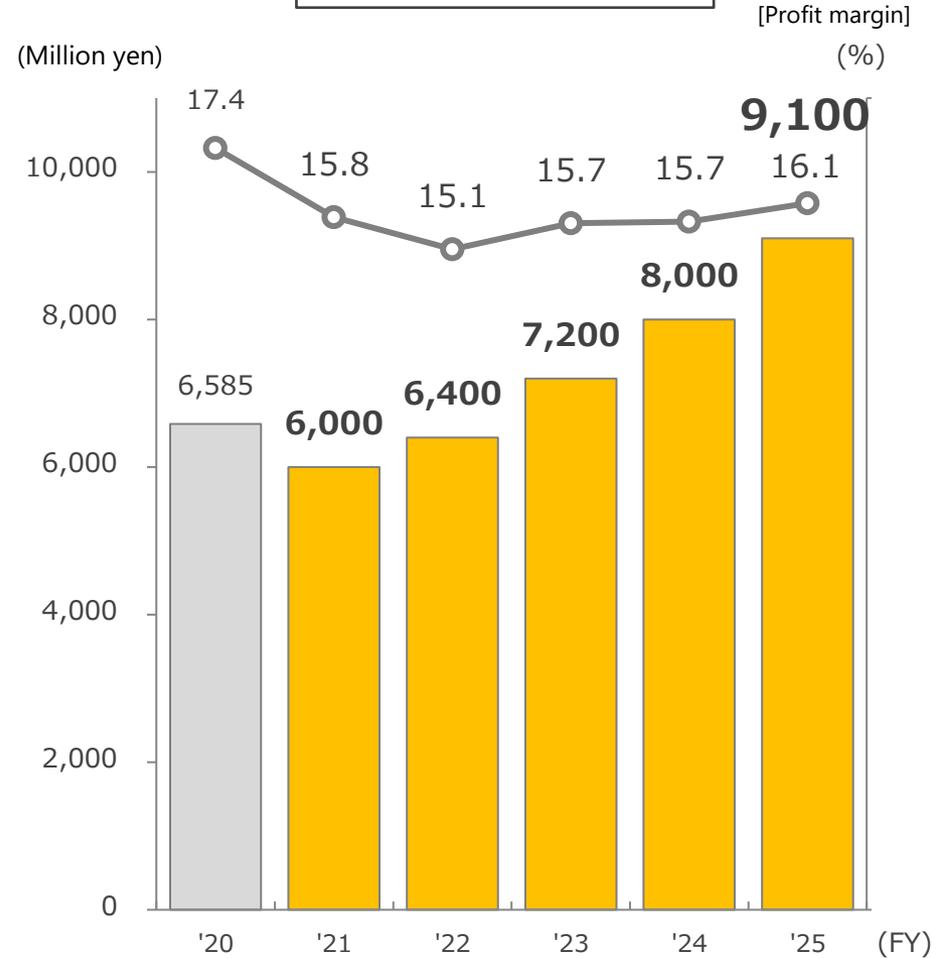
Construction Engineering
Temporary Staffing
Incidental Business

Revenue increase due to increase in the number of engineers

Planned Revenue



Planned segment profit



Actual

Medium-term management plan

Actual

Medium-term management plan

Medium-Term Management Plan②

Summary of Business Forecasts



Construction Engineering
Temporary Staffing
Incidental Business

■ Planned number of engineers to 8,000 in FY2025

(Million yen)

	FY2021	FY2022	FY2023	FY2024	FY2025
Revenue	38,000	42,500	46,000	51,000	56,500
Segment profit	6,000	6,400	7,200	8,000	9,100
Number of recruits (persons)	2,500	2,700	2,950	3,200	3,450
Number of engineers at the end of period (persons)	5,700	6,300	6,900	7,500	8,200

Engineer Temporary Staffing and Incidental Business

**No. 1 in the industry
in development**

Medium-Term Management Plan ①

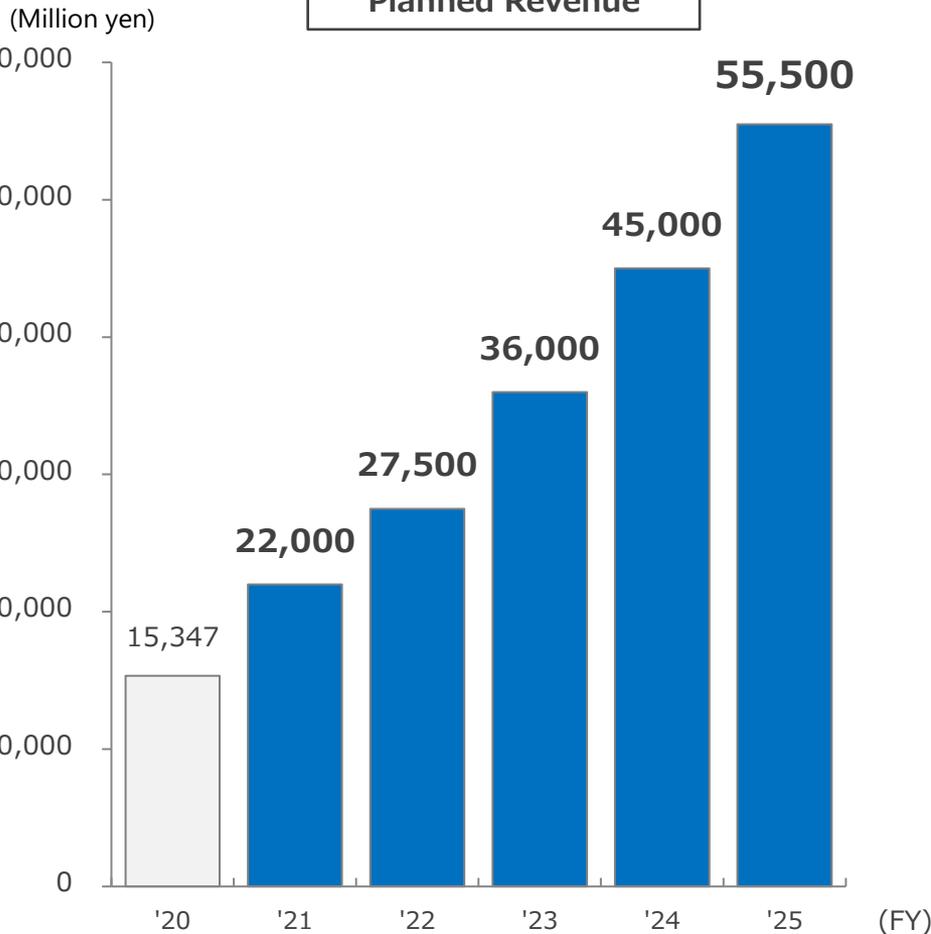
Summary of Business Forecasts



Engineer Temporary Staffing and Incident Business

- Increase in experienced engineers × economies of scale
⇒ Profit margin improve to the same level as the construction engineering temporary staffing segment

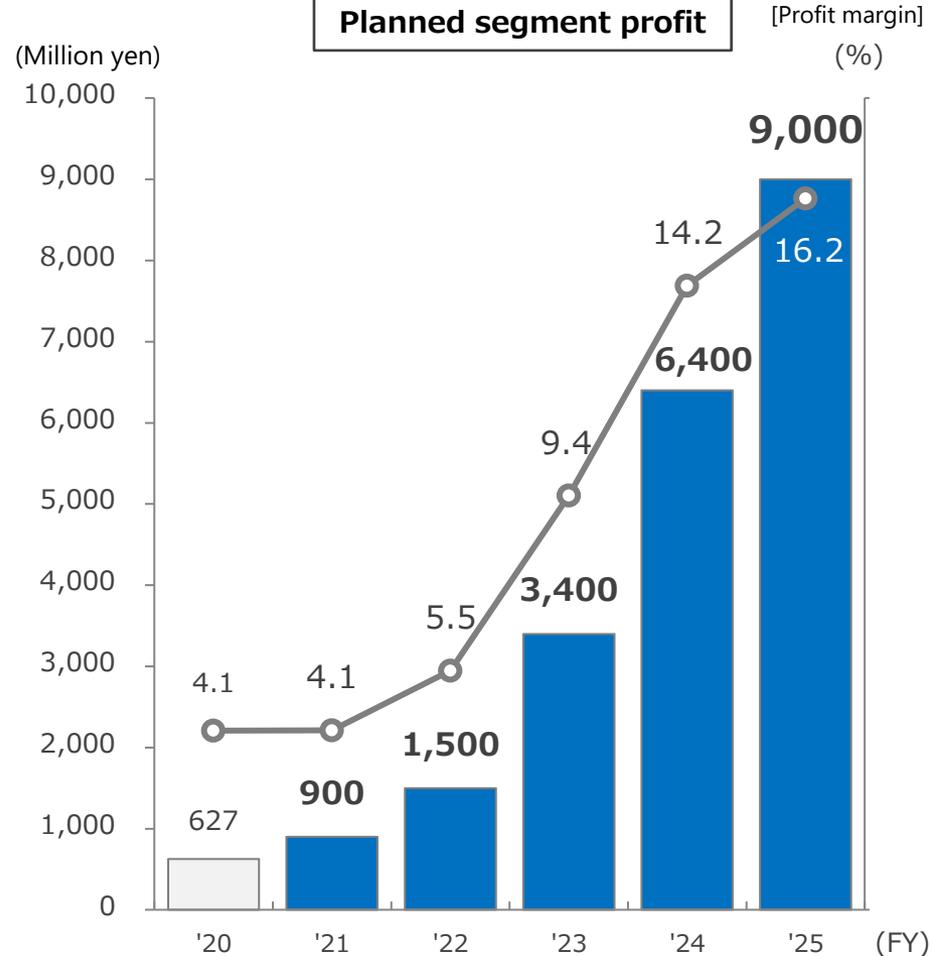
Planned Revenue



Actual

Medium-term management plan

Planned segment profit



Actual

Medium-term management plan

Medium-Term Management Plan②

Summary of Business Forecasts



Engineer Temporary
Staffing and Incident
Business

■ Planned number of engineers to 10,000 in FY2025

(Million yen)

	FY2021	FY2022	FY2023	FY2024	FY2025
Revenue	22,000	27,500	36,000	45,000	55,500
Segment profit	900	1,500	3,400	6,400	9,000
Number of recruits (persons)	1,600	2,300	3,000	3,100	3,800
Number of engineers at the end of period (persons)	4,200	5,400	6,900	8,300	10,000

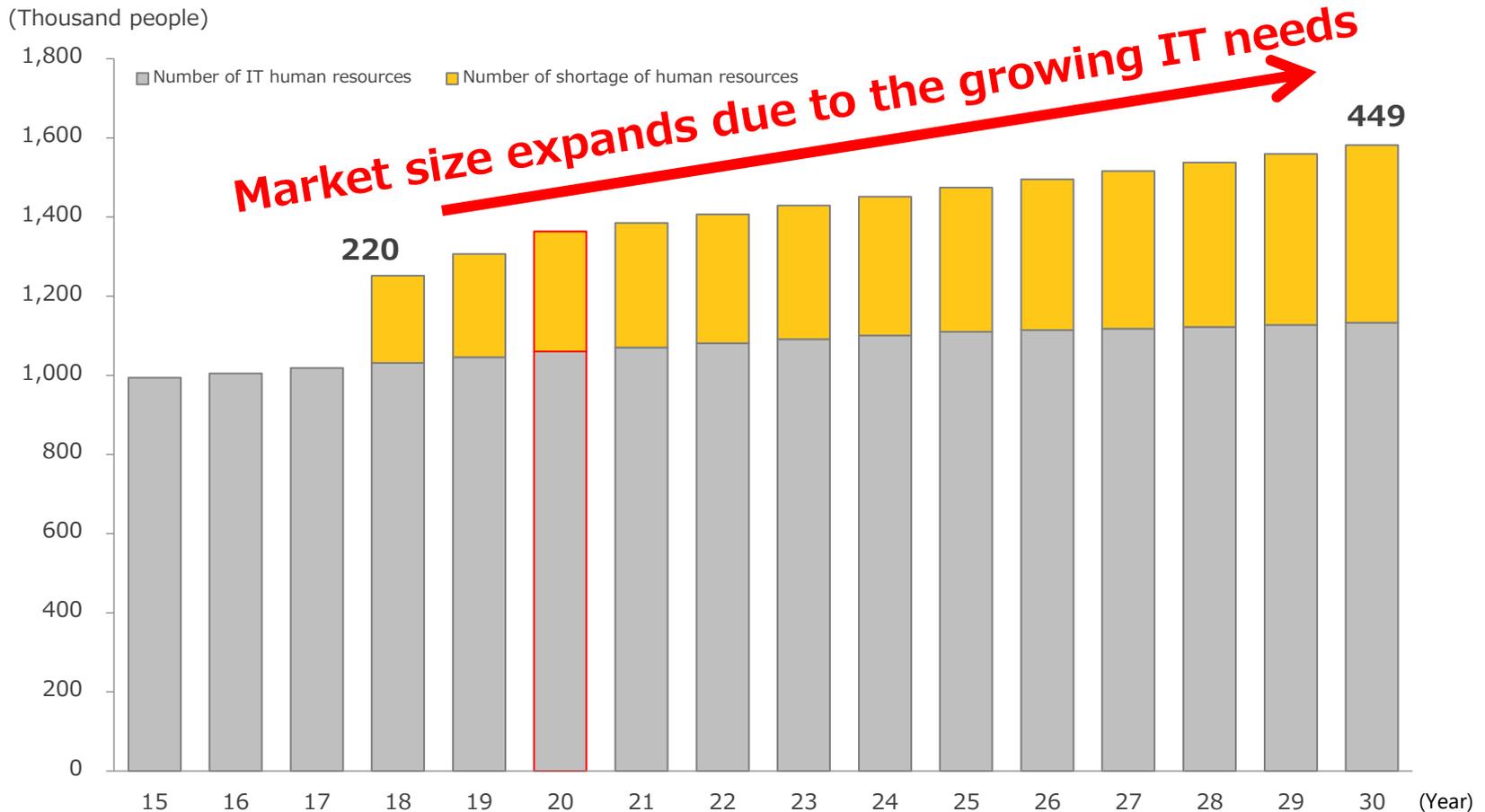
External Environment① The Current State of Securing of Workforce in the Industry



Engineer Temporary Staffing and Incident Business

- Revitalization of the industry due to DX + shortage of human resources = increase in demand for engineers

Estimated scale of shortage of IT human resource





- Change the value of IT investment for companies ⇒ unmatched skills

In the past **Managerial (cost-centered)** position

Waterfall

System design tailored to business

- It takes time to complete because it is made step by step
- There is a minor alteration but it takes a lot of trouble if you need to fix it

On-premises

Use server considering the risk

- Takes time to launch a service
- Each company has its own infrastructure and is inefficient

Outsourcing

To SIER considering expertise and risk

- Not able to accumulate in-house know-how
- It cannot be repaired in-house and is slow



From now on Positioning as **sales (sales improvement)**

SaaS and agile development

System design tailored to customers market

- Speed up business
- Changes in services and products

Cloud

Business efficiency

- Can build infrastructure right away
- Maintenance and operation will be easier

Self-manufacture

IT engineers will be necessary in the company

- Can repair in-house and can respond flexibly to meet the needs
- IT has competitive advantage and promotes corporate R&D



- Expect a shortage of 500 thousand people in 2030
- New human resources with IT skills will be necessary due to industry change
- Cannot expect a large-scale supply of human resource due to the declining birthrate and aging population



**Unprecedented shortage of
manpower**

**What is needed
is a company that can newly
develop human resources**



Misunderstanding and Reality of Engineer Temporary Staffing



- There's a misunderstanding that "Engineer temporary staffing" is red ocean
- Blue ocean where there are less competitors, especially in the area of inexperienced workers in the engineer temporary staffing industry

Misunderstanding

Red ocean with many competitors

Low entry barrier

Low profit margin



No need to focus on it?

Our Company's views

Blue ocean has a different strategy

Difficult to imitate

Profit margin will be high



Now is the perfect opportunity as a growing business!!



- The same environment as the construction engineer temporary staffing business around 2012
 - ... · Market with potential for growth in demand in the future
 - Not No.1 in the industry in terms of the size
- Strategy different from other companies

Industry ranking can be reversed

**Promote the development of
inexperienced workers**



Entry Barrier: Expenses on Development

- Characterized by high initial investment cost and difficult to make a profit in the beginning

Simulation of development cost per person

Initial training	Recruiting cost	550 thousand yen
	Training cost/month	200 thousand yen
	Training period	1 to 2 months
Retraining	Training cost/month	200 thousand yen
	Training period	1 to 2 months

Features of Training

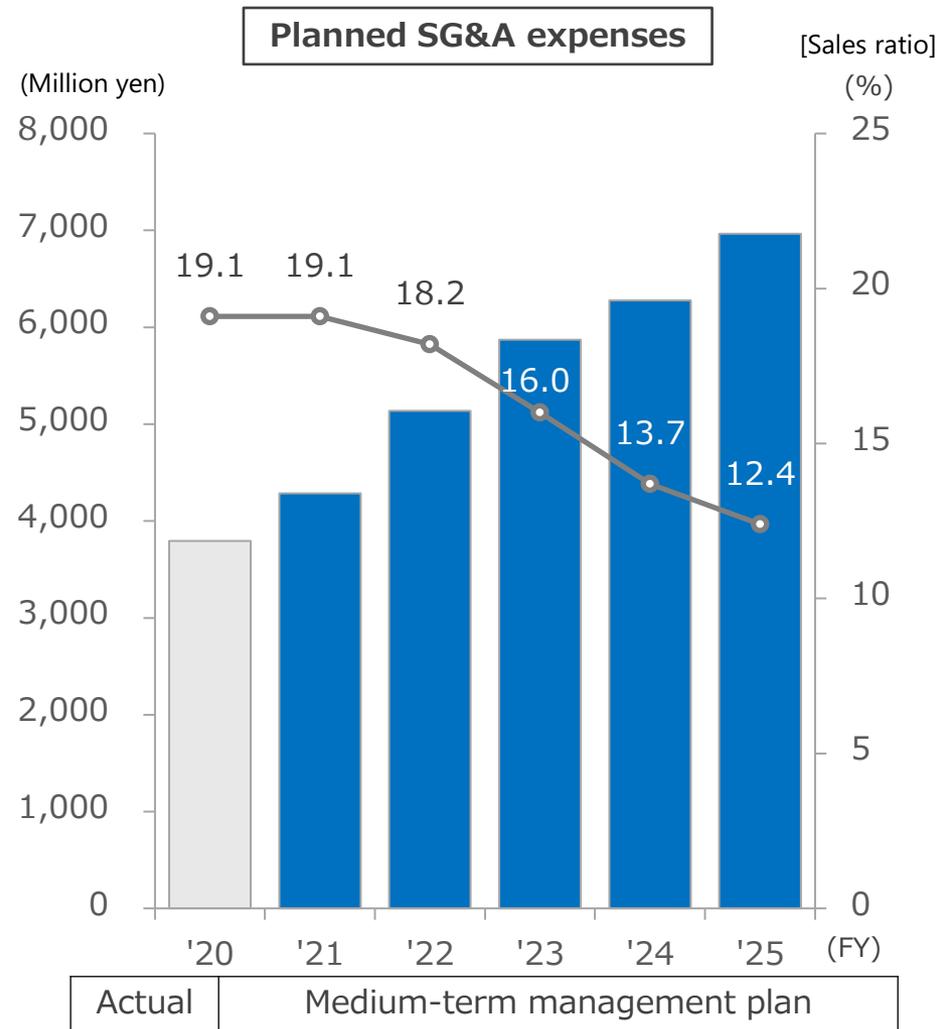
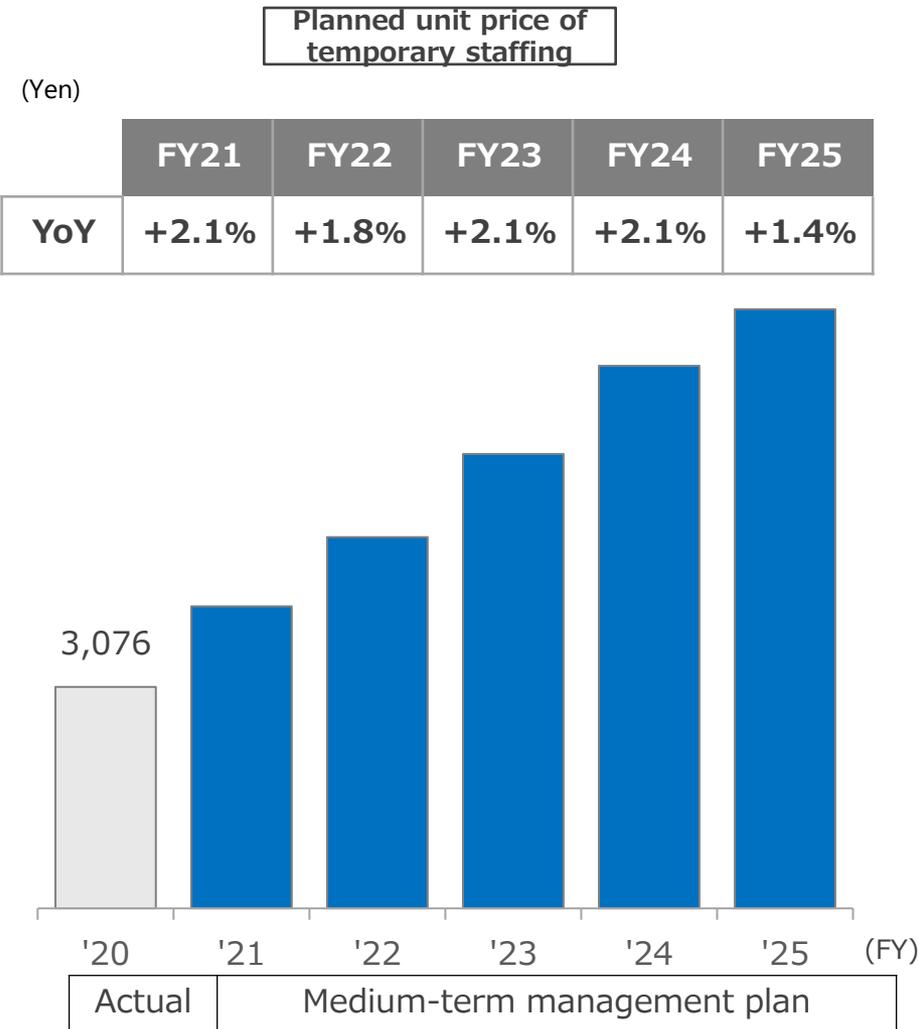
- Concentrate in training being away from work during training period
- Training through practical operation
- Build 3 training bases nationwide



Improvement in Profit Margin



- Increase in experienced engineers × economies of scale
 ⇒ Profit margin improve to the same level as the construction engineering temporary staffing segment

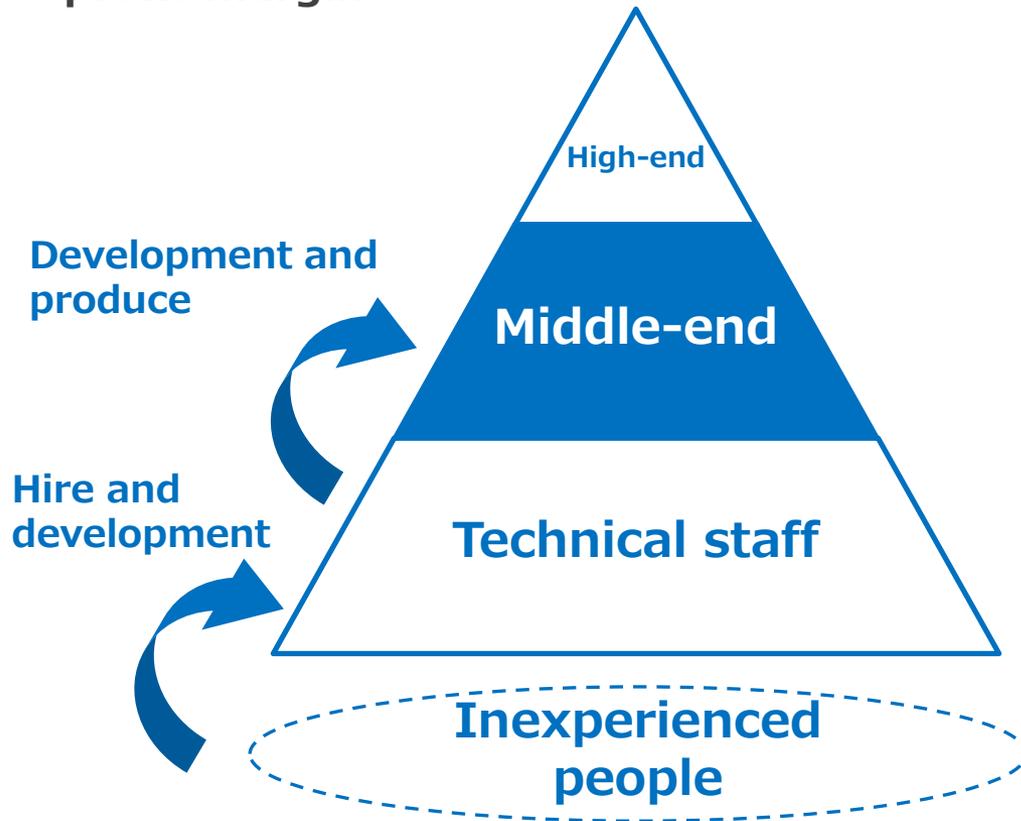


Priority Measures①

Enhancement of Training System



- Increase in the number of engineers due to thorough recruitment → Rise in Revenue
- Rise in unit price due to expansion of continued training → Improvement in profit margin



Retraining programs

- Salesforce training
- AWS training
- C# training
- IT specialist training



Priority Measures②

Development of Cloud Engineers



Engineer Temporary
Staffing and Incident
Business

- Aim to be No.1 in the number of cloud engineers to be developed

Focus①Salesforce engineers

- Build its own development program
 - Training period: 1 month to 2 months

	FY2020 actual
Number of qualified engineers	68 engineers



- Certified partner
 - Certified as Salesforce.com's consulting partner

Focus②AWS engineers

- Build its own development program
 - Training period: 2 months

	FY2020 actual
Number of qualified engineers	54 engineers



- Certified partner
 - Certified as AWS Partner Network (APN) of AWS' select consulting partner

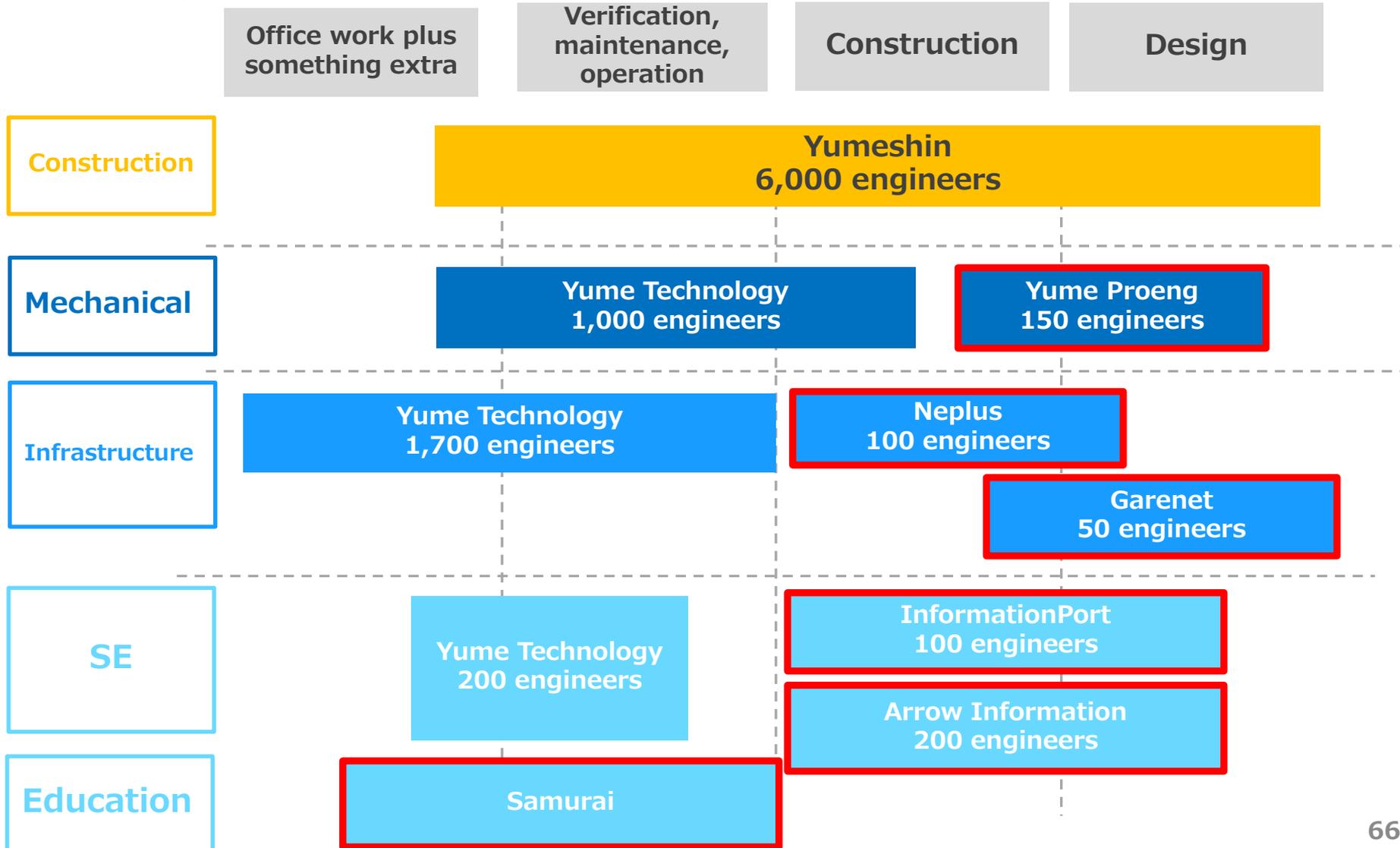
Overview of the Group Strategy

Group Strategy

M&A①Recent 3-Year Results



- M&A mainly in the engineer temporary staffing segment where there are shortages (red boxes: results)





M&A

Used to conduct flexible business alliances

- Responded to a variety of situations such as earn-out type, our fully driven PMI type, and the existing management team balance type
- Accumulated know-how up to PMI
- Built relationships with many partners

PMI

Built a smooth cooperative structure due to PMI respecting mutual culture

- Conducted a human resources development program starting from no experience
- Customer development through joint sales
- Strengthening of recruitment through joint operation of recruitment website
- Progress of DX
- Joint cost reduction through management personnel

Completion of building of a system leading to future excellent M&A

Future policy: Consider M&A as something extra with organic growth as a basic policy

[Judgement criteria]

- Match the business domain
- Fair value
- Construction areas that have not been implemented in the past are also subject to consideration



- Promote efficiency of paperwork between the parties
- Laying the groundwork for management using more data in the future

- Improve convenience of engineers
- Growth promotion through visualization of careers
 - Digitalization of attendance
 - Background and career management
 - Application for qualification, etc.
 - Chat

Technical staff

- Improve convenience of customers
- Expansion of Web marketing market
 - Digitalization of contract and billion
 - Searching and matching of engineers
 - Digitalization of project orders

Customers

Efficiency due to the same platform

Sales and administrative divisions

- Digitalization of interaction with technical staff and customers ⇒ Efficiency of sales and administration, realization of visualization



- Aim to practice ESG based on the business models of “creation of employment opportunity” and “provision of learning opportunity”

E

- Promotion of paperless
- Telecommuting suggested

S

- Provide inexperienced people (regardless of academic background and career) with training to gain employment opportunities and skills as full-time workers
⇒ train more than 25 thousand people in the next 5 years
- Inexperienced people can be engineers
Aim to create a society where anyone can be reeducated and change their jobs

G

- 3 External Directors, 1 female director
- Comply with the CGC code in general

Shareholder Return



1. Dividend

→ Stable dividend with paying 35 yen per share

2. Acquisition of treasury stock

→ Possible to be implemented in the future due to its flexible capital policy

【Ref.】	2019	2020	
		Plan	Acquisition Status
No. of shares acquired	2,651,600 shares (Result)	1,600,000 shares	800,000 shares
Acquisition price	1,999,979,500 yen (Result)	1,000,000,000 yen	435,127,600 yen
Acquisition period	December 20, 2018- December 19, 2019	March 17, 2020- June 16, 2020	March 17, 2020- April 30, 2020

3. Forecast of profit per share

(Yen)

FY2021	FY2022	FY2023	FY2024	FY2025
50.39	58.35	79.57	108.74	139.24

Appendix

Appendix

**Construction Engineer
Temporary Staffing and
Incidental Business**

Summary of Segment P/L



(Million yen)

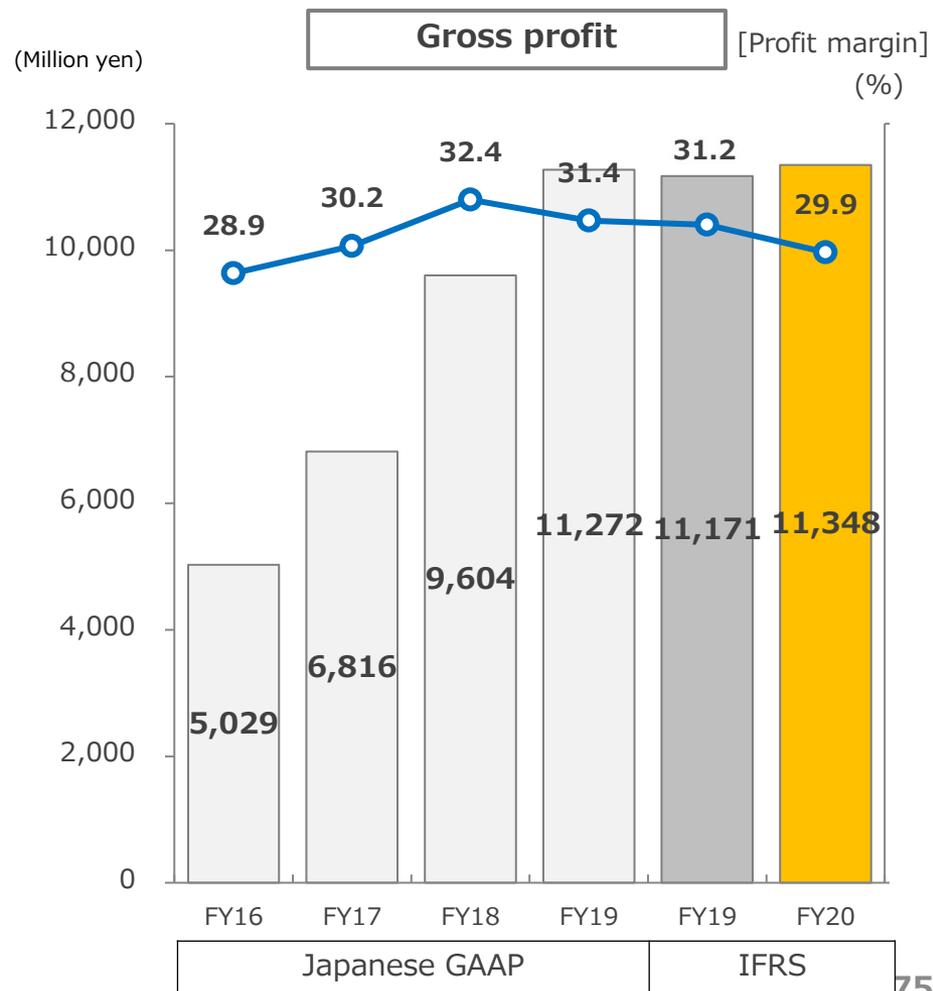
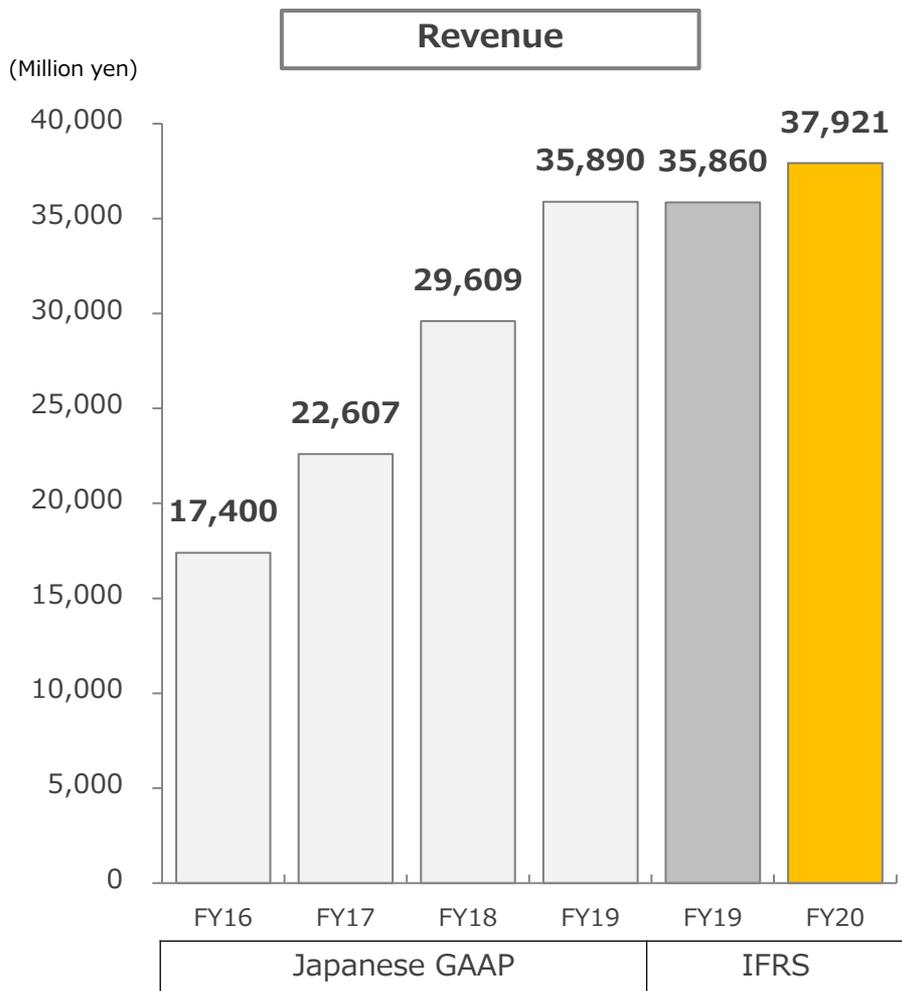
	FY2019	FY2020	Change	Pct. change
Revenue	35,860	37,921	+2,060	+5.7%
Gross profit	11,171	11,348	+176	+1.6%
SG&A expenses	5,345	4,762	▲582	▲10.9%
Segment profit	5,826	6,585	+759	+13.0%

* We changed the consolidated accounting standards to International Financial Reporting Standards (IFRS) from the full-year results for the fiscal year ending September 2020. The figures for the fiscal year ended September 2019 are also in accordance with IFRS.

Revenue/Gross Profit



- Revenue ⇒ Up 5% YoY owing to the rise in unit price of temporary staffing, despite the decline in the number of engineers at work
- Gross profit ⇒ Up 2% YoY. Profitability maintained at least 30% due to higher unit price of temporary staffing despite increased return to engineers.



SG&A Expenses



Construction Engineer
Temporary Staffing and
Incidental Business

- Increase in personnel expenses due to increased sales and personnel administration department staffs ⇒ Personnel expenses up by 8%
- Curbed hiring from late March ⇒ Recruitment cost down 37%

(Million yen)

	FY2019	FY2020	Change	Remarks
SG&A expenses	5,345	4,762	▲582	
Personnel expenses	2,340	2,534	+193	Increased due to increases in staffs in the Sales and Personnel Administration Dept.
Ad expenses	17	4	▲13	
Recruiting cost	1,629	1,028	▲601	Decrease due to curbed hiring
Outsourcing expenses	204	113	▲91	
SG&A expense ratio	14.9%	12.6%	▲2.3pt	

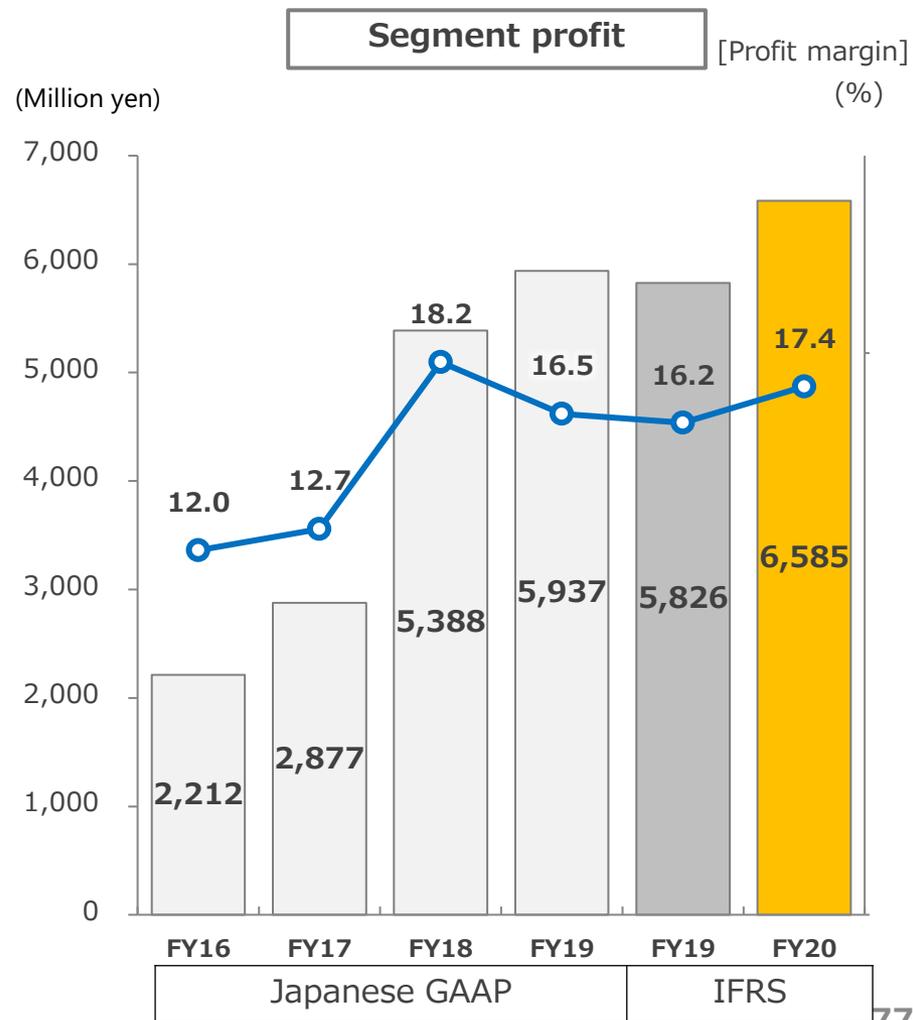
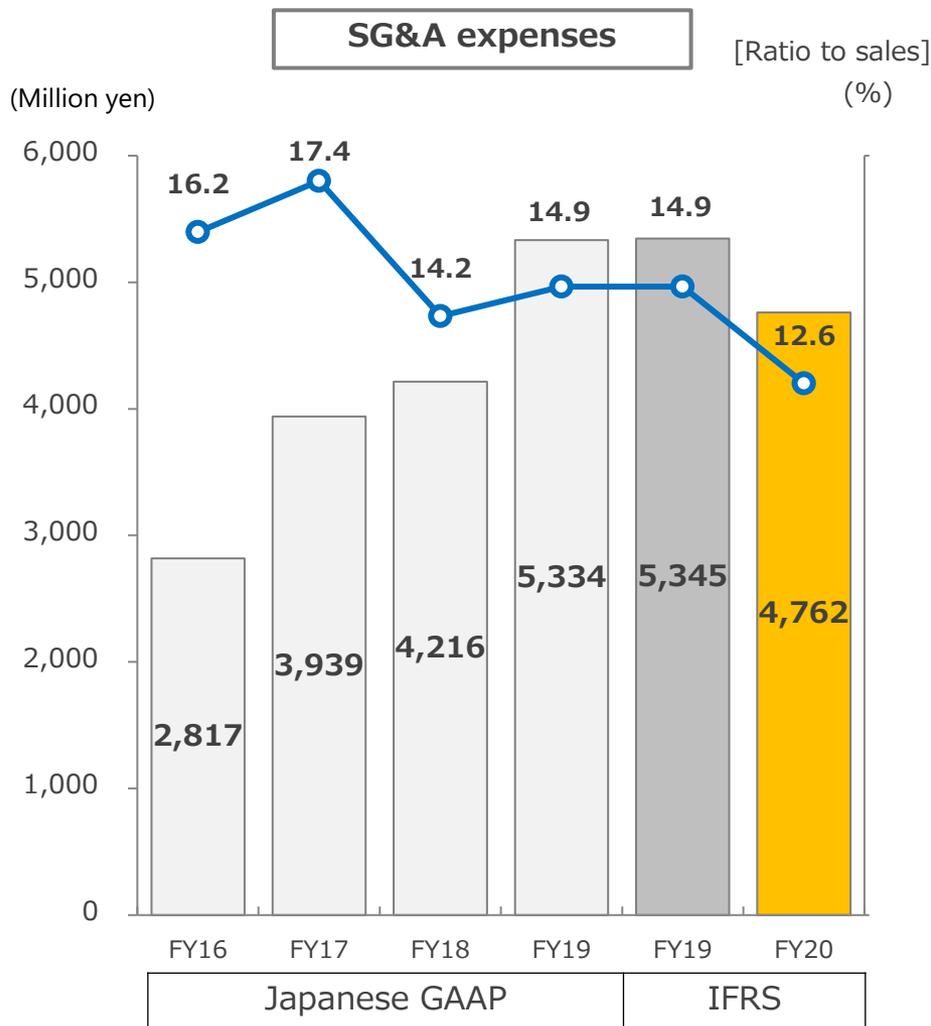
* Personnel expenses = Salaries and allowances + Travel and transport expenses + Bonuses + Legal welfare expenses + Benefit costs + Retirement benefit expenses (except executives)

* We changed the consolidated accounting standards to International Financial Reporting Standards (IFRS) from the full-year results for the fiscal year ending September 2020. The figures for the fiscal year ended September 2019 are also in accordance with IFRS.

SG&A Expenses and Segment Profit



- SG&A expenses ⇒ Down 37% as a result of cost-cutting efforts including recruitment control
- Segment profit ⇒ Up 13% YoY thanks to the reduction of SG&A expenses despite increase in gross margin



Number of Engineers (1) Recruitment



- Due to the spread of COVID-19, recruitment was restricted from March.
- The ratio of hiring costs to net sales is declining due to the effects of the recruitment control.

(Unit: Persons)

	Oct	Nov	Dec	Jan	Feb	Mar	Oct – Mar total
FY19 recruitment	774			829			1,603
FY20 recruitment	635			584			1,219
Change	▲139			▲245			▲384

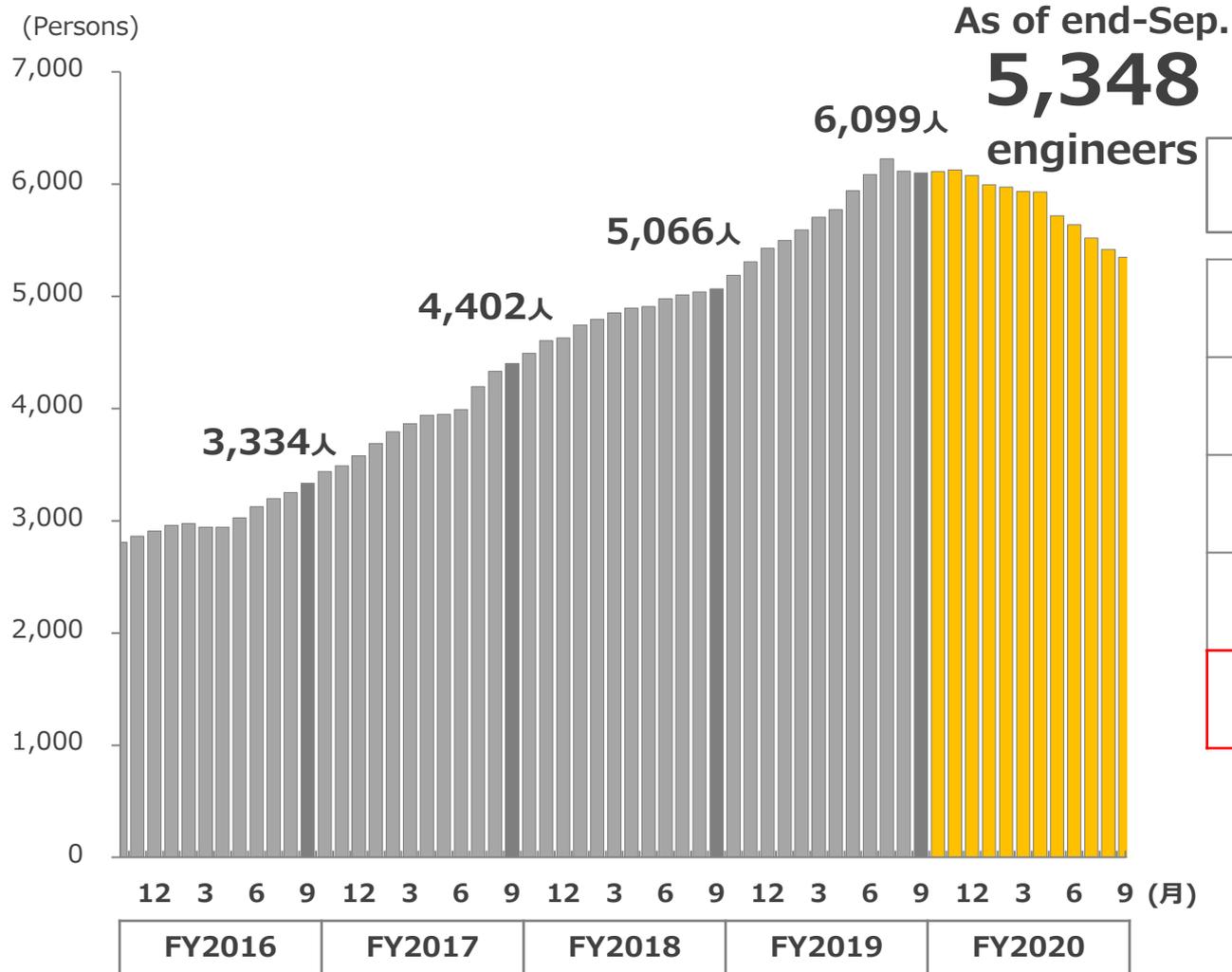
	Apr	May	Jun	Jul	Aug	Sep	Apr – Sep total	Oct – Sep total
FY19 recruitment	1,085			601			1,686	3,289
FY20 recruitment	295			291			586	1,805
Change	▲790			▲310			▲1,100	▲1,484

Number of Engineers (2)

Changes in the Number of Engineers



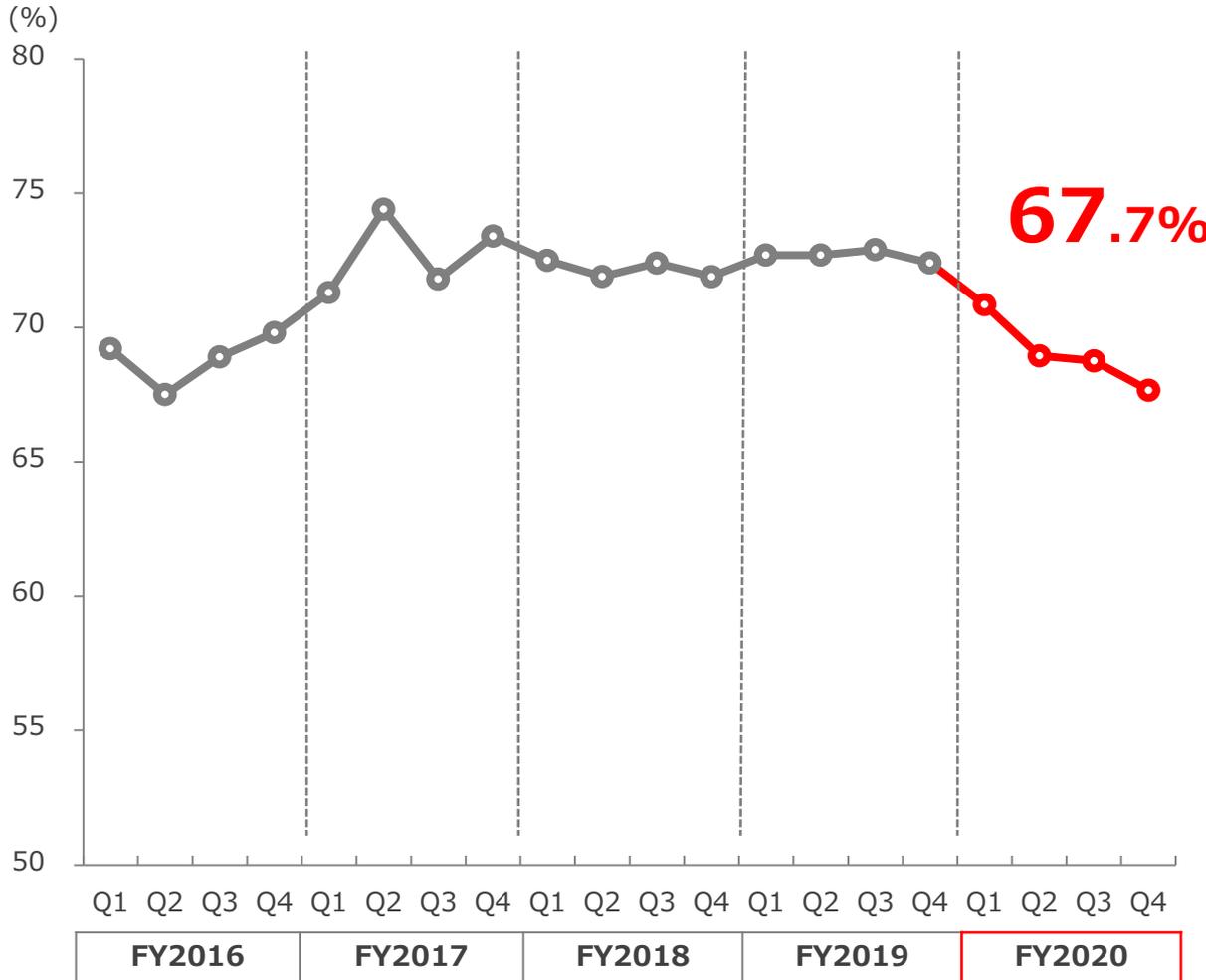
- Down 751 from the end of the same month of the previous year
- Decline in the number of engineers due to curbed hiring and other factors



Number of Engineers (3) Retention Rate



- We temporarily curb the number of new hires since Q3 due to COVID-19
⇒ Decline in the number of new employees and net increase in the number of enrolled employees



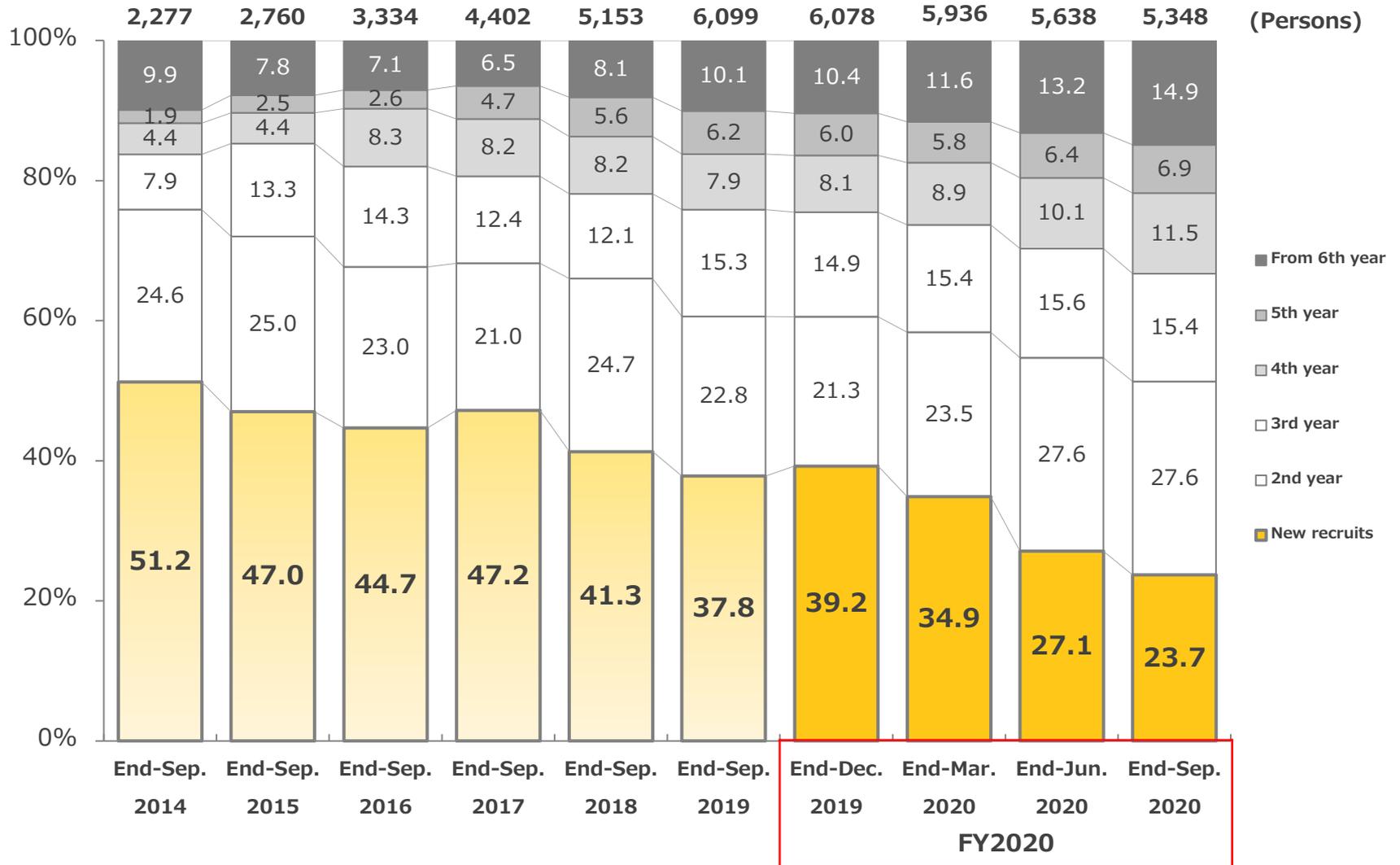
Avg. retention rate 12-month avg. (Oct – Sep)		
FY2016	68.9%	YoY
FY2017	72.7%	+3.9pt.
FY2018	72.2%	▲0.5pt.
FY2019	72.7%	+0.5pt.
FY2020	69.1%	▲3.6%

*Retention rate = No. of engineers at the time of calculation / (No. of engineers a year ago + New hires during the year) x 100

Number of Engineers (4) Ratio by Length of Service



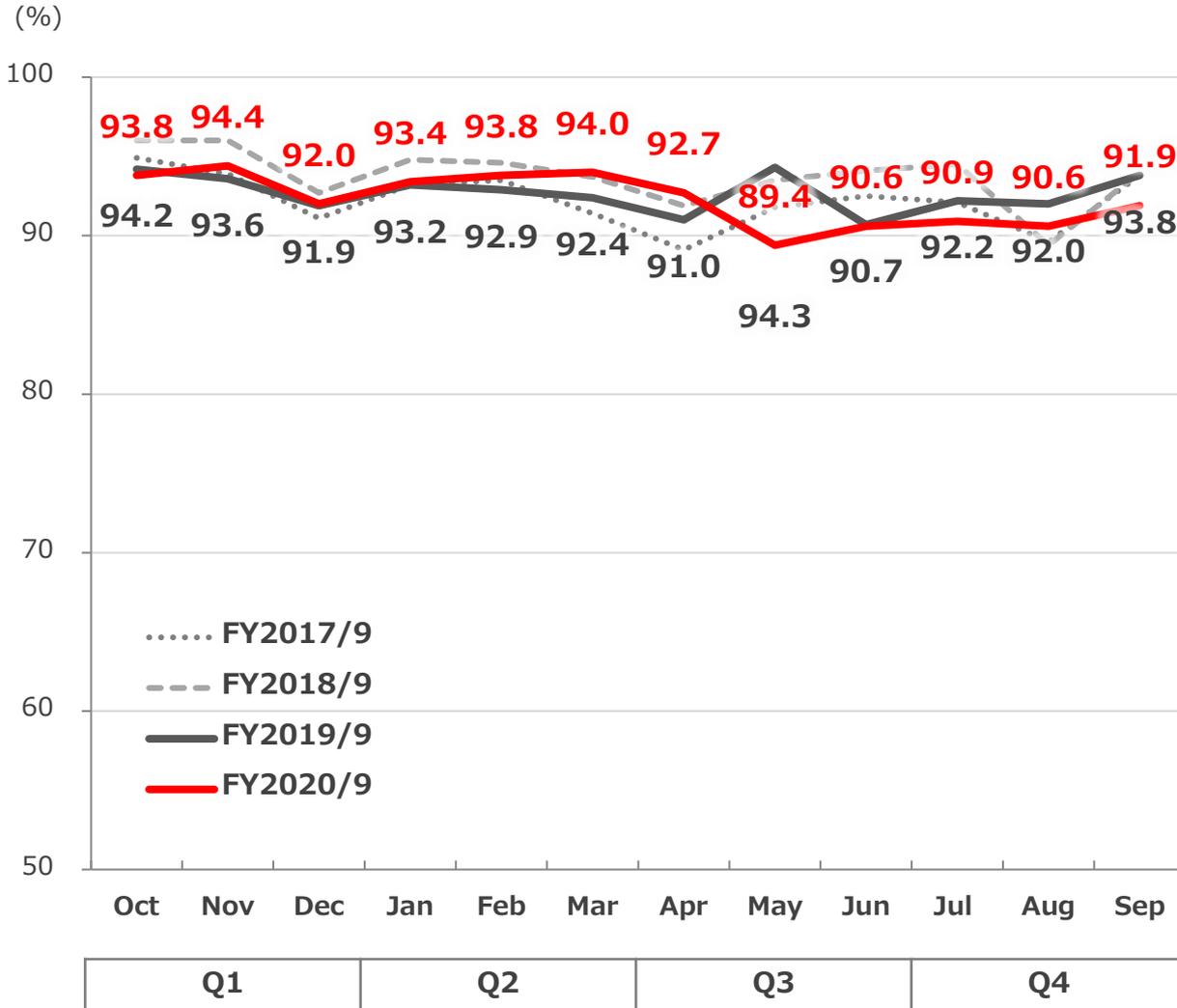
- Ratio of new employees declined due to curbed hiring
- Well-balanced thanks to an increase in the number of engineers in the second year or later



Utilization rate



■ Maintain high utilization rate at the same level as the previous year



Avg. Utilization rate
12-month avg. (Oct – Sep)

Fiscal Year	Avg. Utilization Rate	YoY Change
FY2017	92.2%	YoY
FY2018	93.8%	+1.5pt.
FY2019	92.7%	▲1.1pt.
FY2020	92.3%	▲0.4pt.

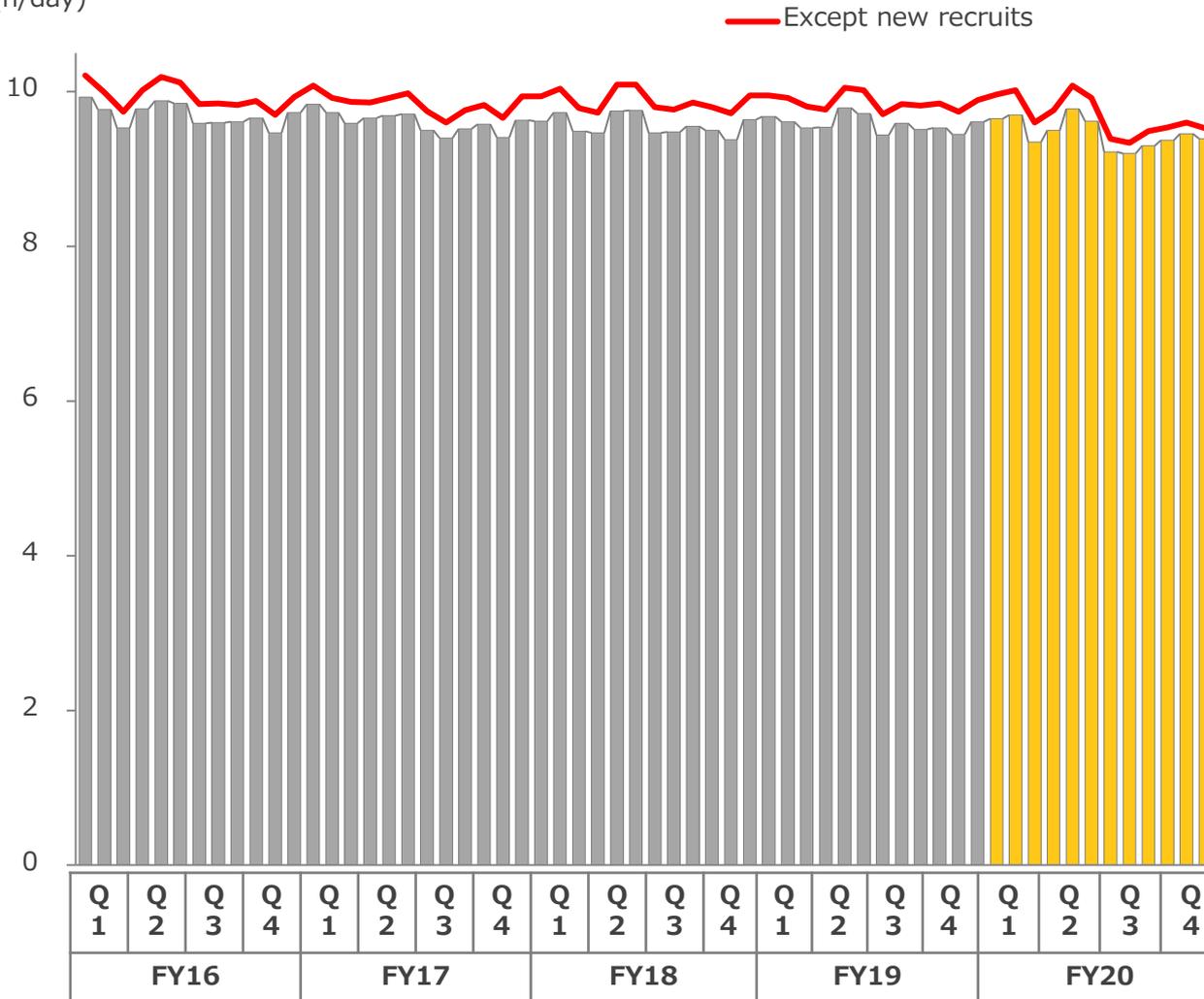
*Figures for July - September 2019 have been revised.

Operating time



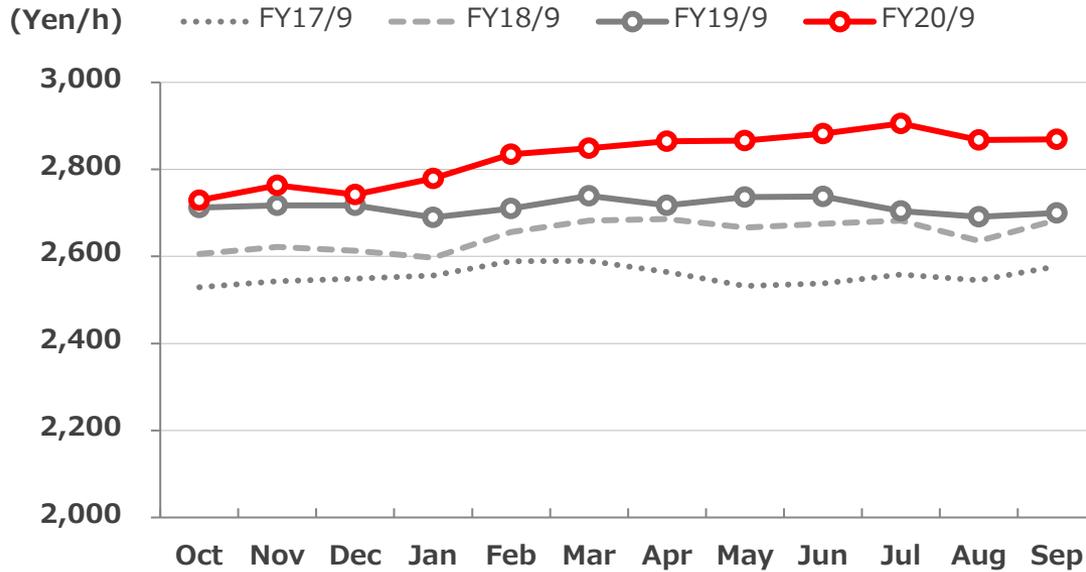
- Operating time continues to decline as a result of "Work Style Reforms"
- Shortened overtime working hours due to the effect of the State of Emergency

(h/day)



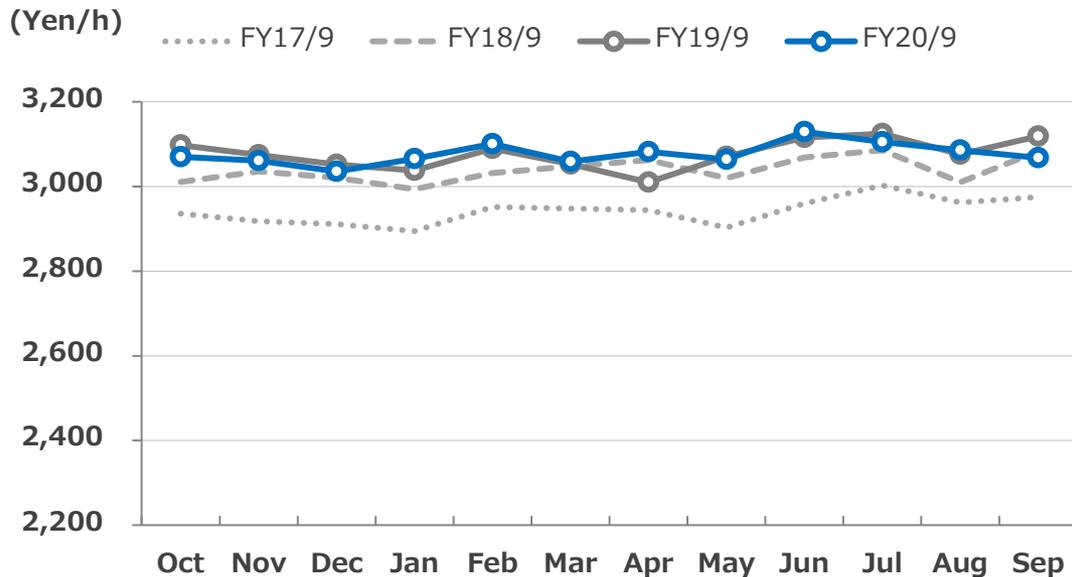
Avg. operating time of all engineers 12-month avg. (Oct – Sep)		
FY2016	9.70h	YoY
FY2017	9.61h	▲ 1.0%
FY2018	9.57h	▲ 0.4%
FY2019	9.58h	+0.1%
FY2020	9.46h	▲ 1.3%

Unit Price of Temporary Staffing (1) New Recruits and 2nd Year



New recruits only 12-month avg. (Oct - Sep)

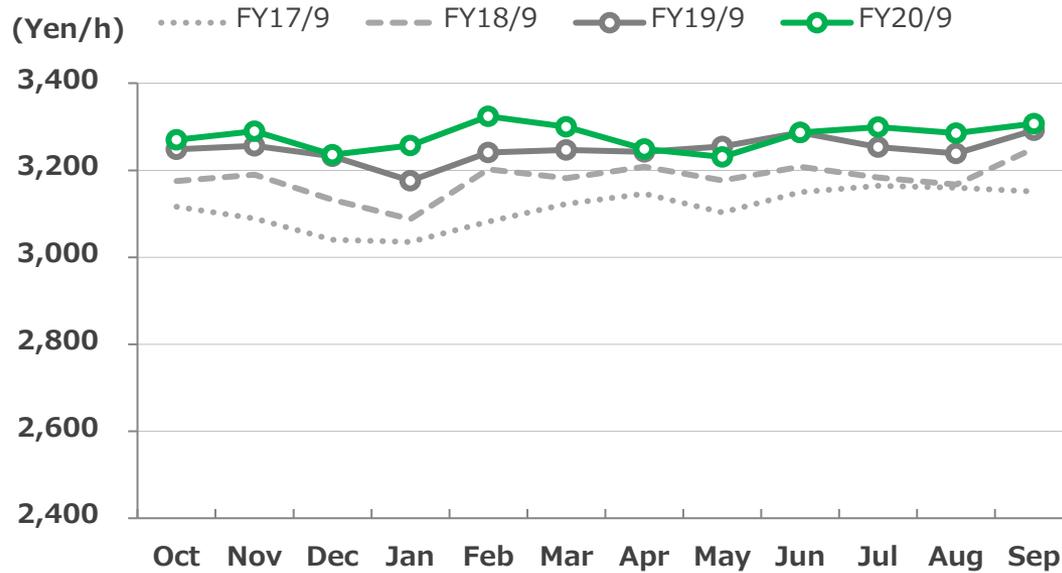
Fiscal Year	12-month avg. (Oct - Sep)	YoY
FY2017	2,556	
FY2018	2,650	+3.7%
FY2019	2,714	+2.4%
FY2020	2,829	+4.2%



2nd year only 12-month avg. (Oct - Sep)

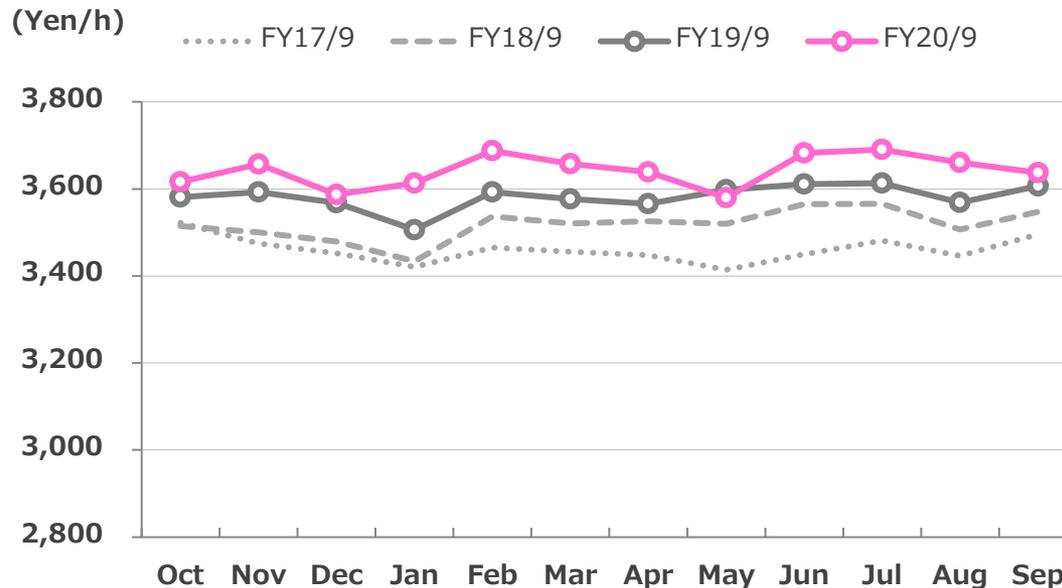
Fiscal Year	12-month avg. (Oct - Sep)	YoY
FY2017	2,942	
FY2018	3,040	+3.3%
FY2019	3,078	+1.3%
FY2020	3,077	±0.0%

Unit Price of Temporary Staffing (2) From the 3rd and 4th Year and Over



3rd year only
12-month avg. (Oct - Sep)

FY	Unit Price (Yen/h)	YoY Change
FY2017	3,113	
FY2018	3,180	+2.1%
FY2019	3,247	+2.1%
FY2020	3,278	+0.9%



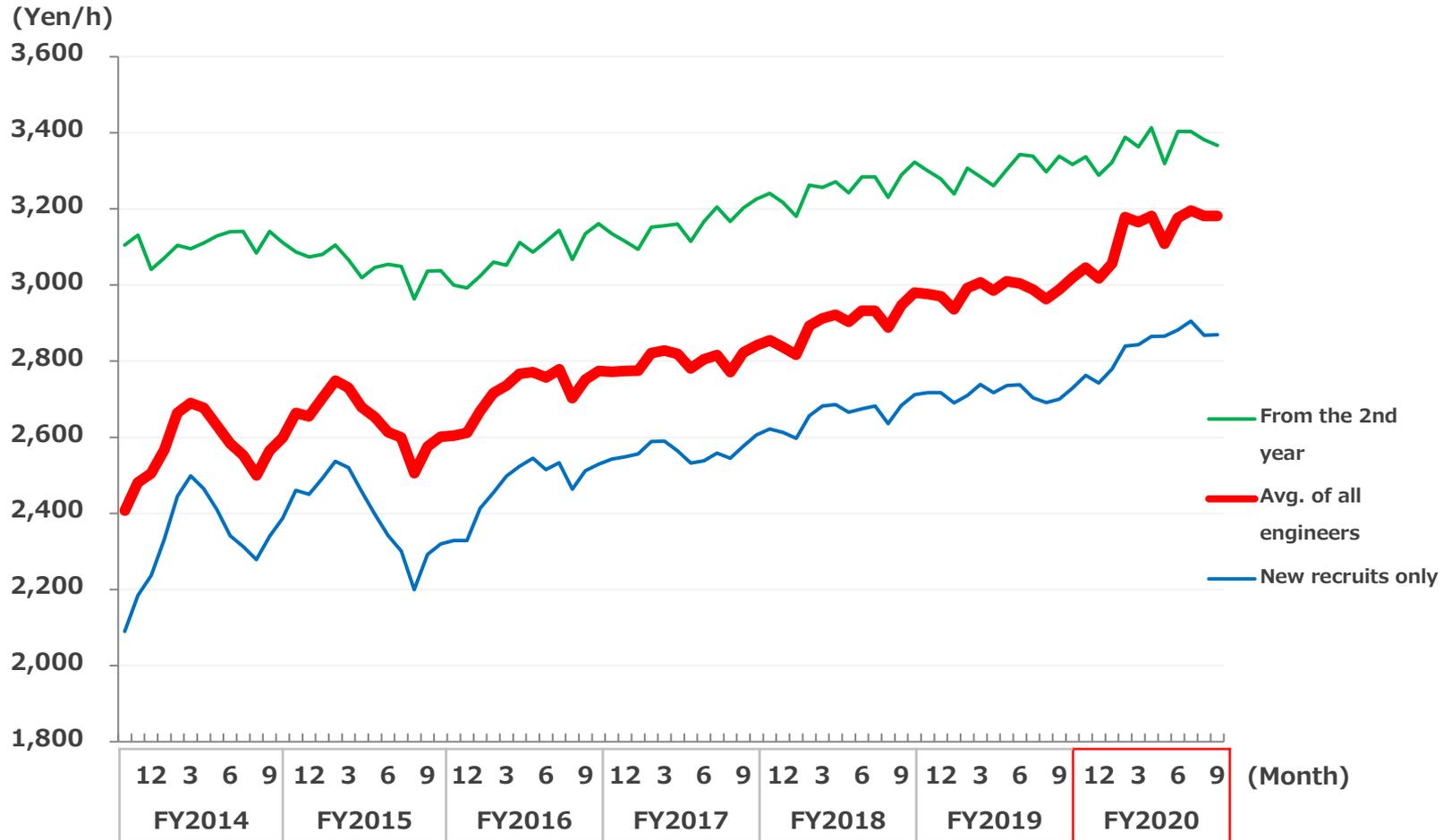
From the 4th year
12-month avg. (Oct - Sep)

FY	Unit Price (Yen/h)	YoY Change
FY2017	3,461	
FY2018	3,518	+1.7%
FY2019	3,582	+1.8%
FY2020	3,642	+1.7%

Unit Price of Temporary Staffing (3) Interim Changes



- Unit price of temporary staffing rose even under the influence of COVID-19 pandemic
- Increased for the six consecutive years from FY2015 supported by the strong demand



Avg. on a company-wide basis (Q1-Q4)	2,569 yen	2,644 yen	2,706 yen	2,797 yen	2,890 yen	2,983 yen	3,126 yen
	YoY	+2.9%	+2.3%	+3.4%	+3.3%	+3.2%	+4.8%

KPI Summary



- Maintain the utilization rate even under the influence of COVID-19 pandemic
- Decrease in the ratio of new recruits × structural labor shortage in the construction industry = Rise in unit price for temporary staffing for 6 consecutive years

All engineers 12-month avg. (Oct - Sep)

	FY2019	FY2020	Change	Pct. change
No. of engineers	5,746 engineers	5,816 engineers	+70 engineers	+1.2%
Utilization rate	92.7%	92.3%	▲0.4pt	—
Operating time	9.58h	9.46h	▲0.1h	▲1.3%
Unit price of temporary staffing	2,983 yen	3,126 yen	143 yen	+4.8%

Engineer Temporary Staffing and Incidental Business

KPI Summary



Engineer
Temporary Staffing
and Incidental Business

	FY2019	FY2020	Change	(Million yen) Pct. change
Revenue	1,6354	19,875	+3,521	21.5%
Gross profit	3,705	4,448	+743	20.1%
SG&A expenses	3,642	3,795	+152	4.2%
Segment profit	62	653	+590	940.2%

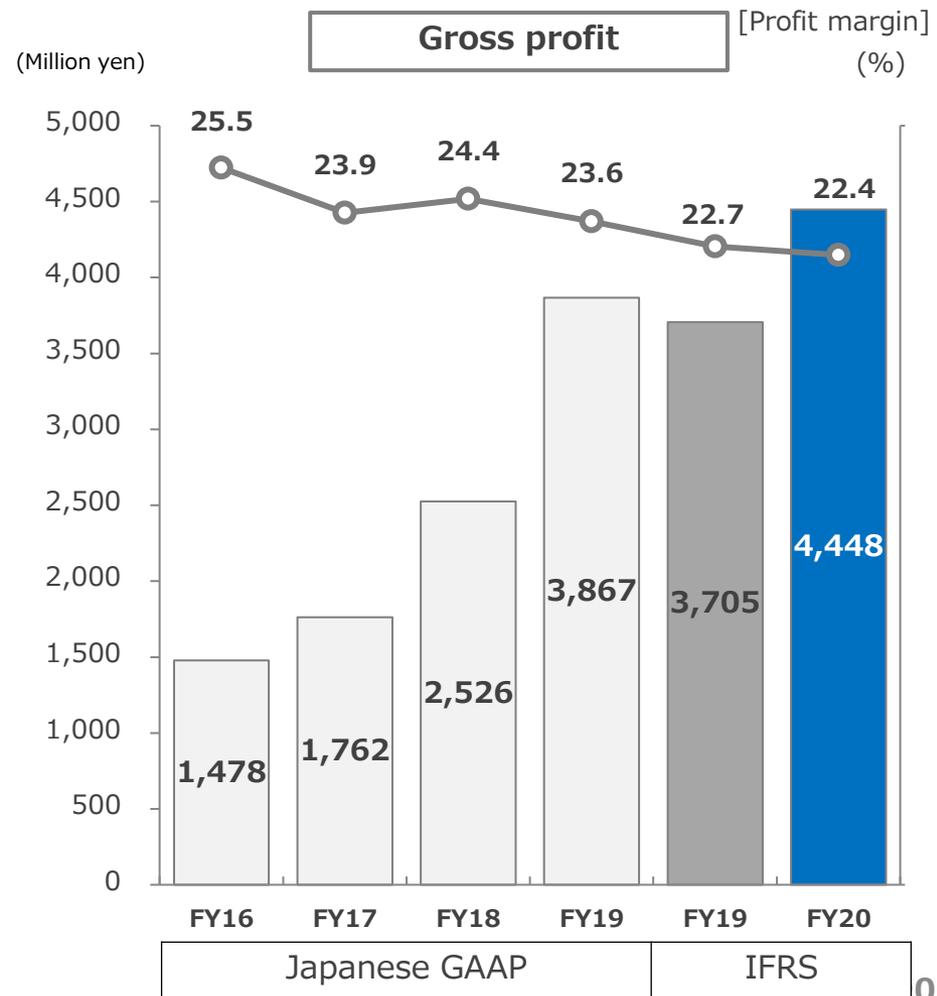
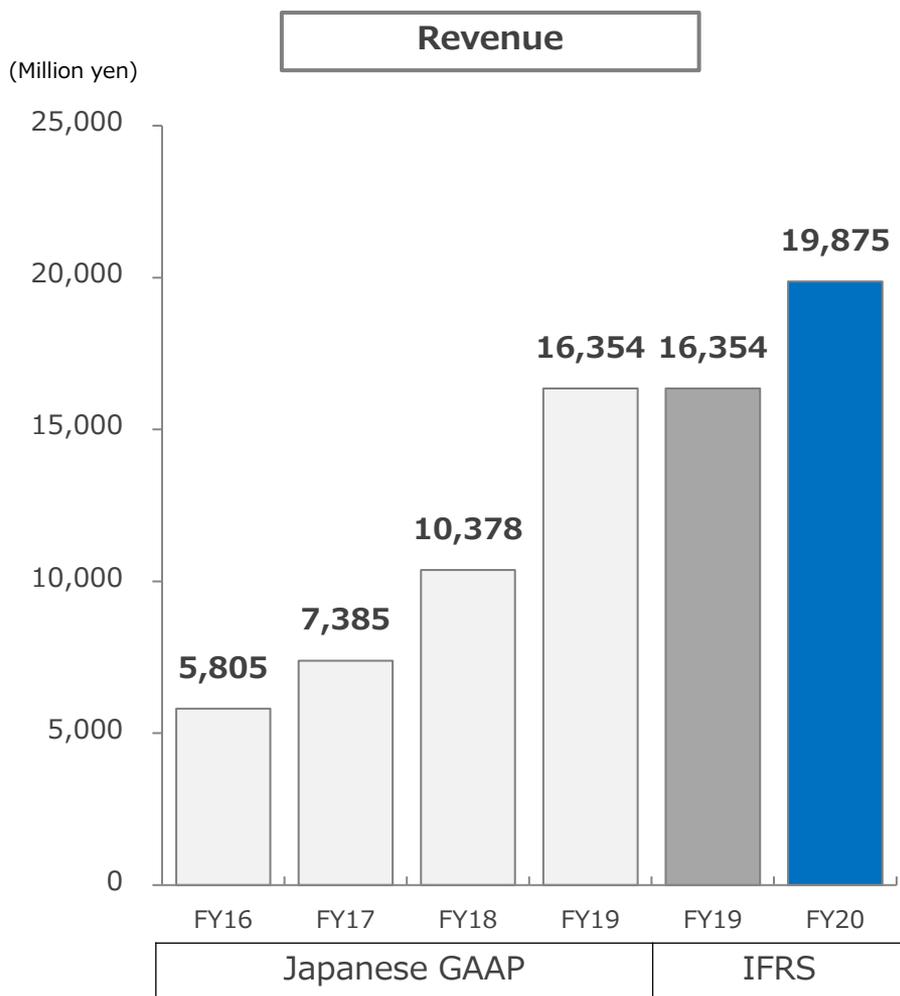
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Revenue/Gross Profit



Engineer
Temporary Staffing
and Incidental Business

- Revenue ⇒ Up 22% YoY due to increased number of engineers at work and higher unit price
- Gross Profit ⇒ Up 20% YoY due to increased number of engineers at work and higher unit price



SG&A Expenses



- Increase in the number of employees due to an increase in the number of administrative departments and group companies ⇒ 19% increase in personnel expenses
- Curbed hiring from late March ⇒ Decrease in hiring costs by 41%

(Million yen)

	FY2019	FY2020	Change	Remarks
SG&A expenses	3,642	3,795	+152	
Personnel expenses	1,649	1,968	+318	Increased due to increase in administrative staff and increase in number of group companies
Ad expenses	38	49	+11	
Recruiting cost	1,051	621	▲429	Decrease due to curbed hiring
Outsourcing expenses	152	142	▲9	
SG&A expense ratio	22.3%	19.1%	▲3.2pt	

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

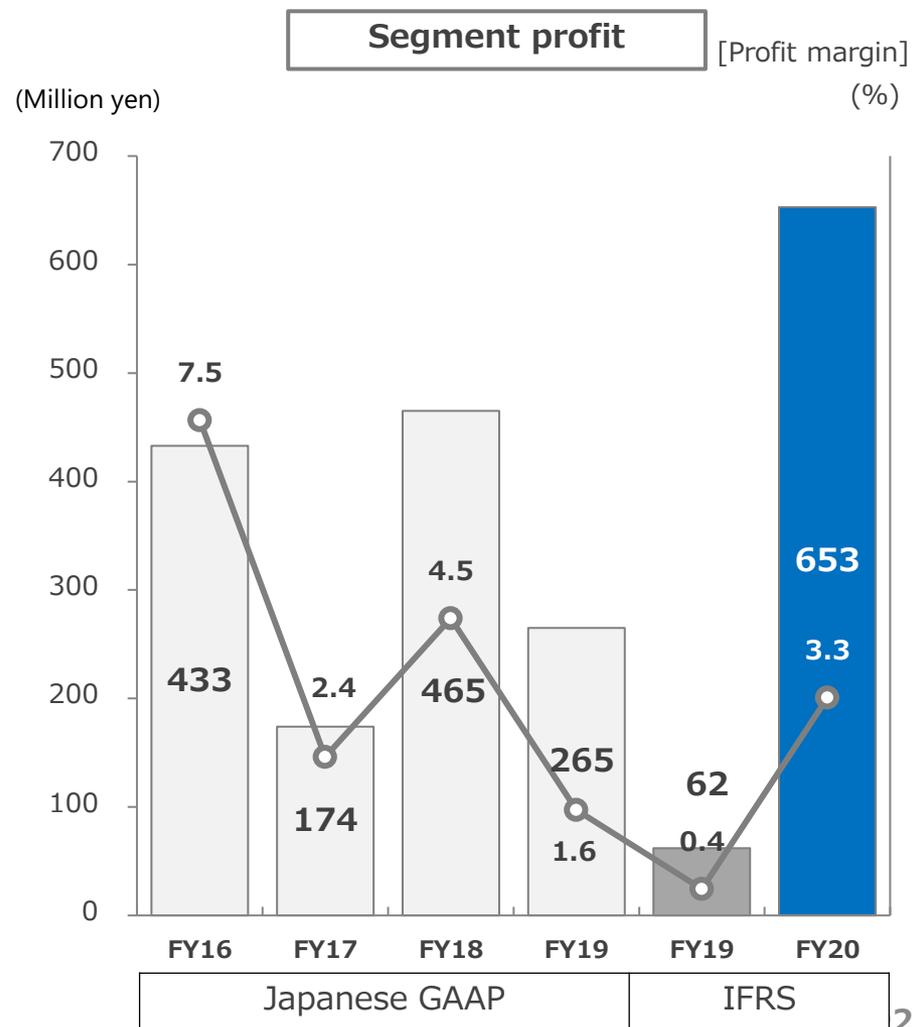
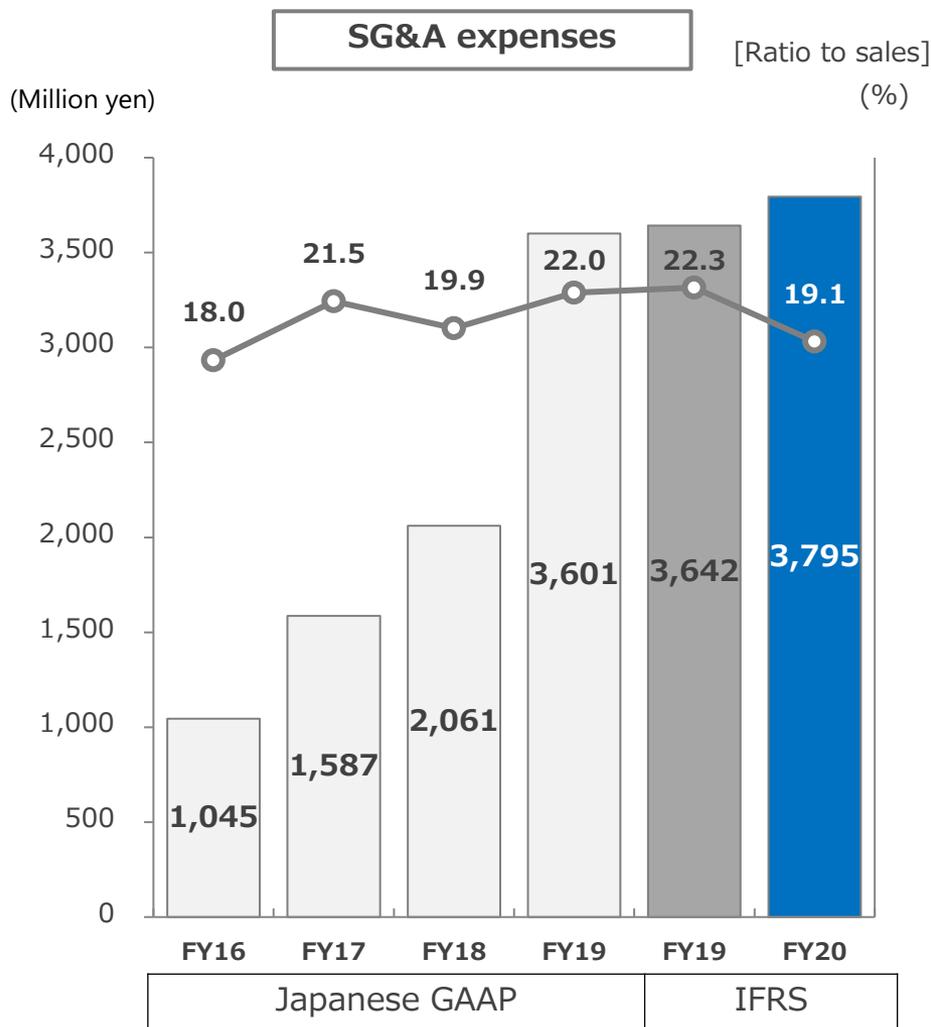
* We changed the consolidated accounting standards to International Financial Reporting Standards (IFRS) from the full-year results for the fiscal year ending September 2020. The figures for the fiscal year ended September 2019 are also in accordance with IFRS.

SG&A Expenses and Segment Profit



Engineer
Temporary Staffing
and Incidental Business

- SG&A expenses ⇒ +4% YoY
- Segment profit ⇒ +517% YoY



Number of Engineers (1) Recruitment



- Due to the spread of COVID-19, we curbed hiring from March
- Breakdown of recruitment: IT field: 943 engineers; Machinery and Electric field: 133 engineers

(Unit: Persons)

	Oct	Nov	Dec	Jan	Feb	Mar	Oct – Mar total
FY19 recruitment	362			344			706
FY20 recruitment	386			371			757
YoY	+24			+27			+51

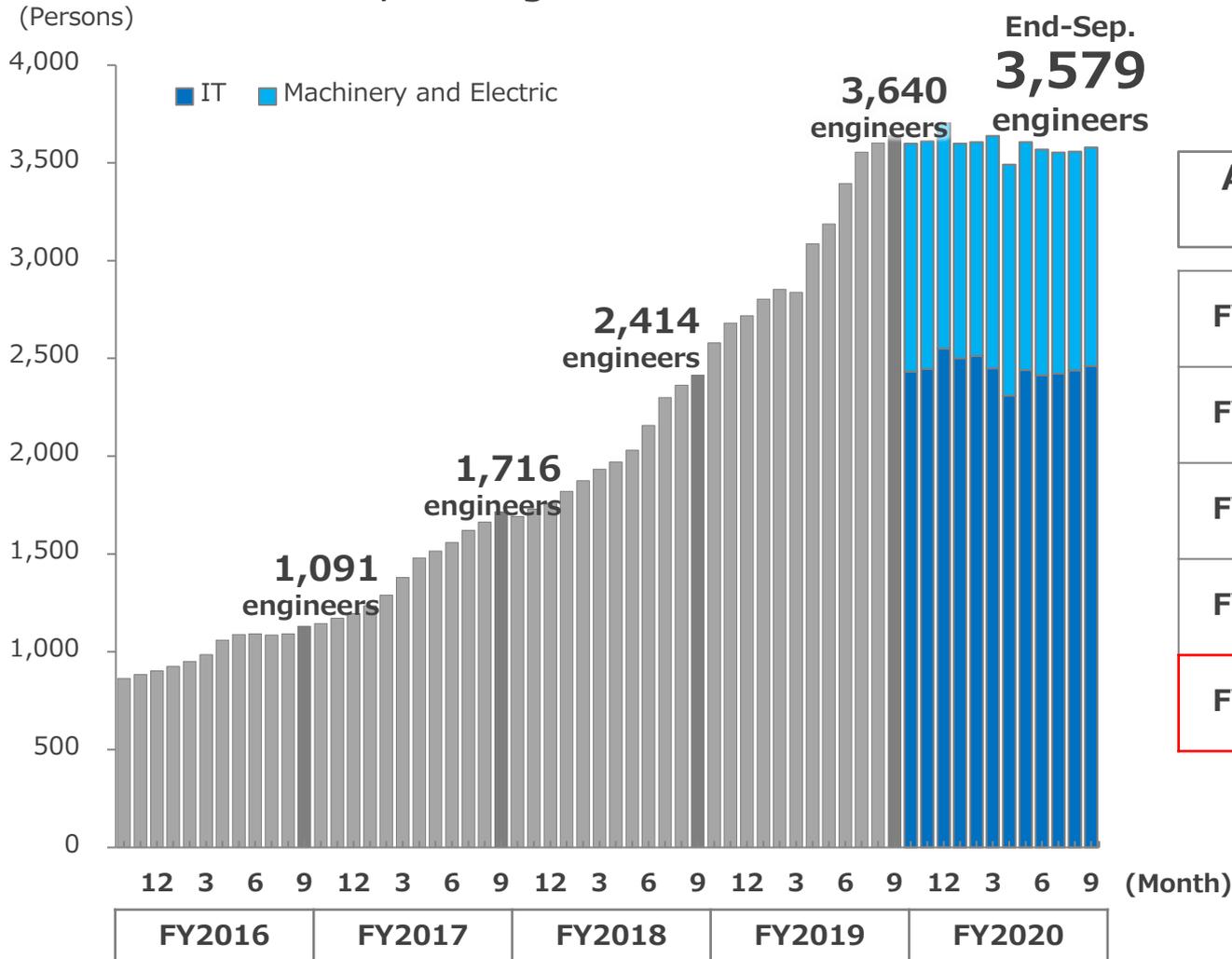
	Apr	May	Jun	Jul	Aug	Sep	Apr – Sep total	Oct – Sep total
FY19 recruitment	584			458			1,042	1,748
FY20 recruitment	104			215			319	1,076
YoY	▲480			▲243			723	▲672

Number of Engineers (2)

Changes in the Number of Engineers



- Decreased by 61 from the end of the same month of the previous year
- Breakdown of enrolled human resources: IT field: 2,461 engineers, Machinery and Electric field: 1,118 engineers



Avg. number of engineers
12-month avg. (Oct – Sep)

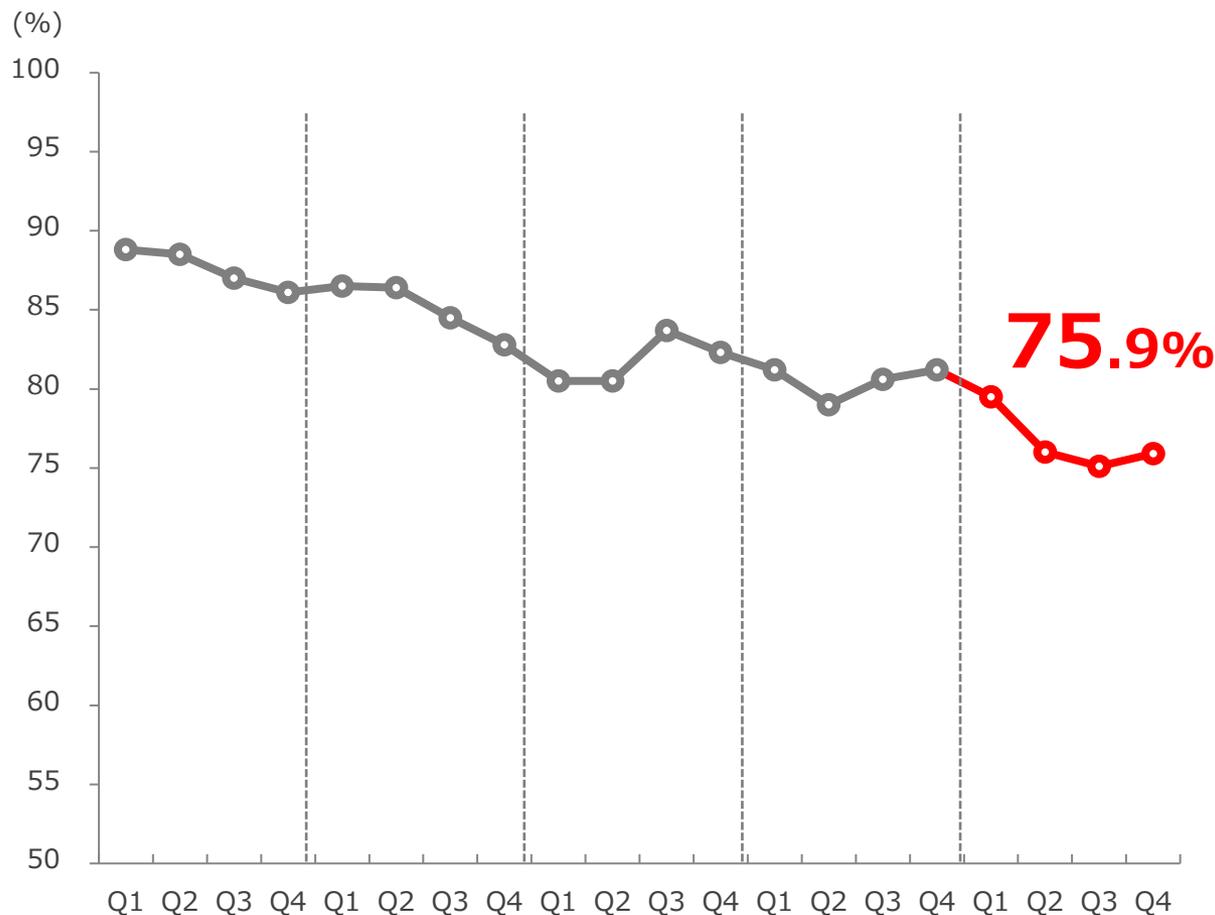
FY2016	1,005 engineers	YoY
FY2017	1,414 engineers	+33.9%
FY2018	2,046 engineers	+40.7%
FY2019	3,078 engineers	+44.7%
FY2020	3,592 engineers	+16.7%

* Number of engineers at the end of month

Changes in Utilization rate



- Continued active recruitment until the first half, but reduced recruitment activities from Q3 and did not increase the number of engineers



Avg. Utilization rate
12-month avg. (Oct – Sep)

FY	Rate	YoY
FY2016	88.0%	YoY
FY2017	85.3%	△2.3pt
FY2018	81.1%	△4.2pt
FY2019	80.9%	△1.3pt
FY2020	76.6%	△3.9pt

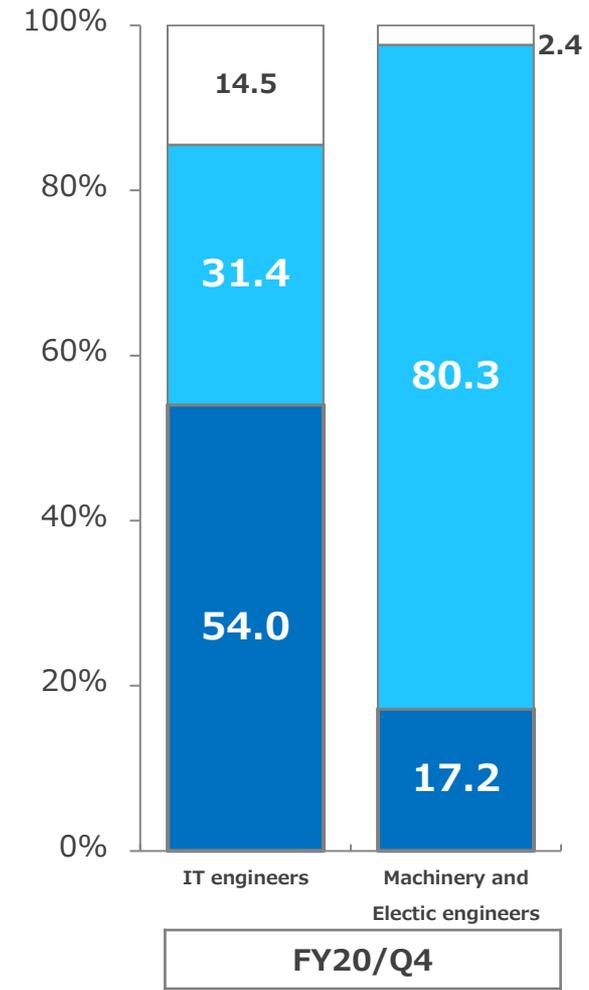
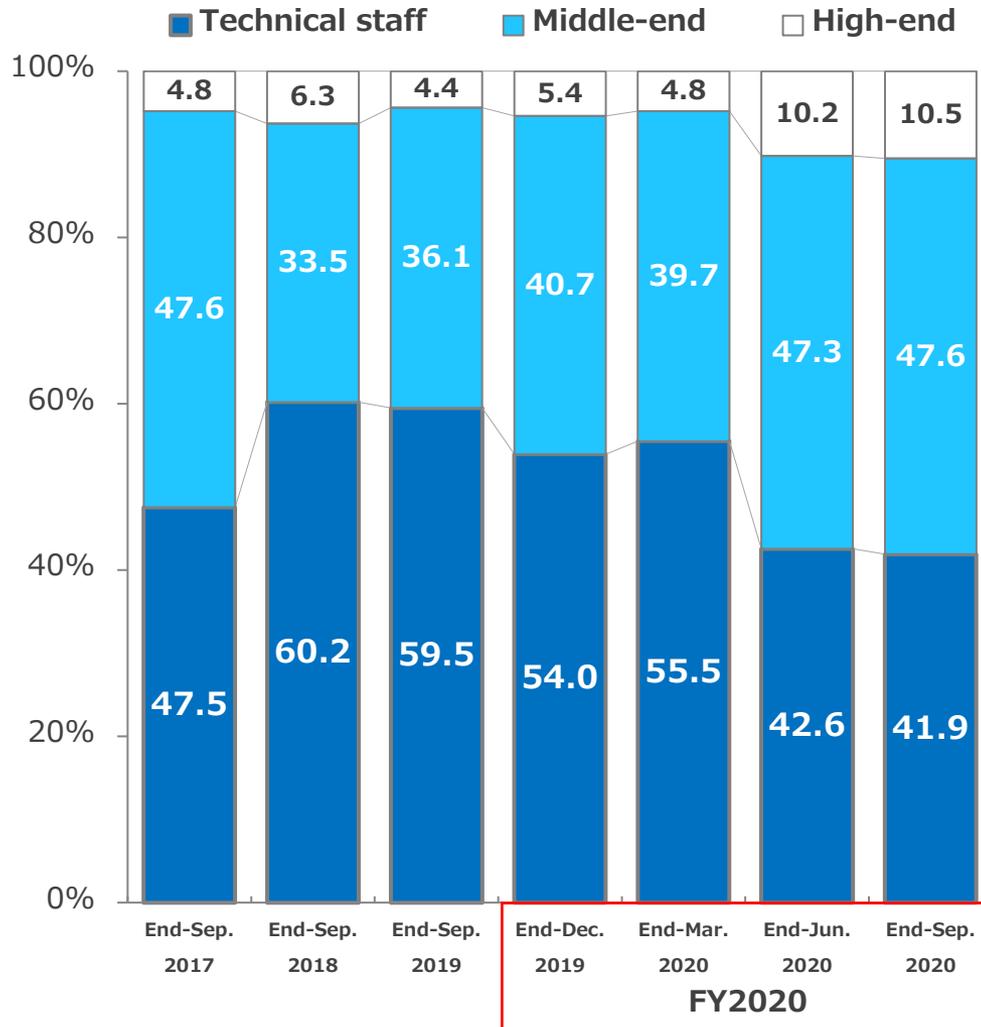
FY2016	FY2017	FY2018	FY2019	FY2020
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*Retention rate = No. of engineers at the time of calculation / (No. of engineers a year ago + New hires during the year) x 100

Number of Engineers (3) Ratio by Level of Engineers



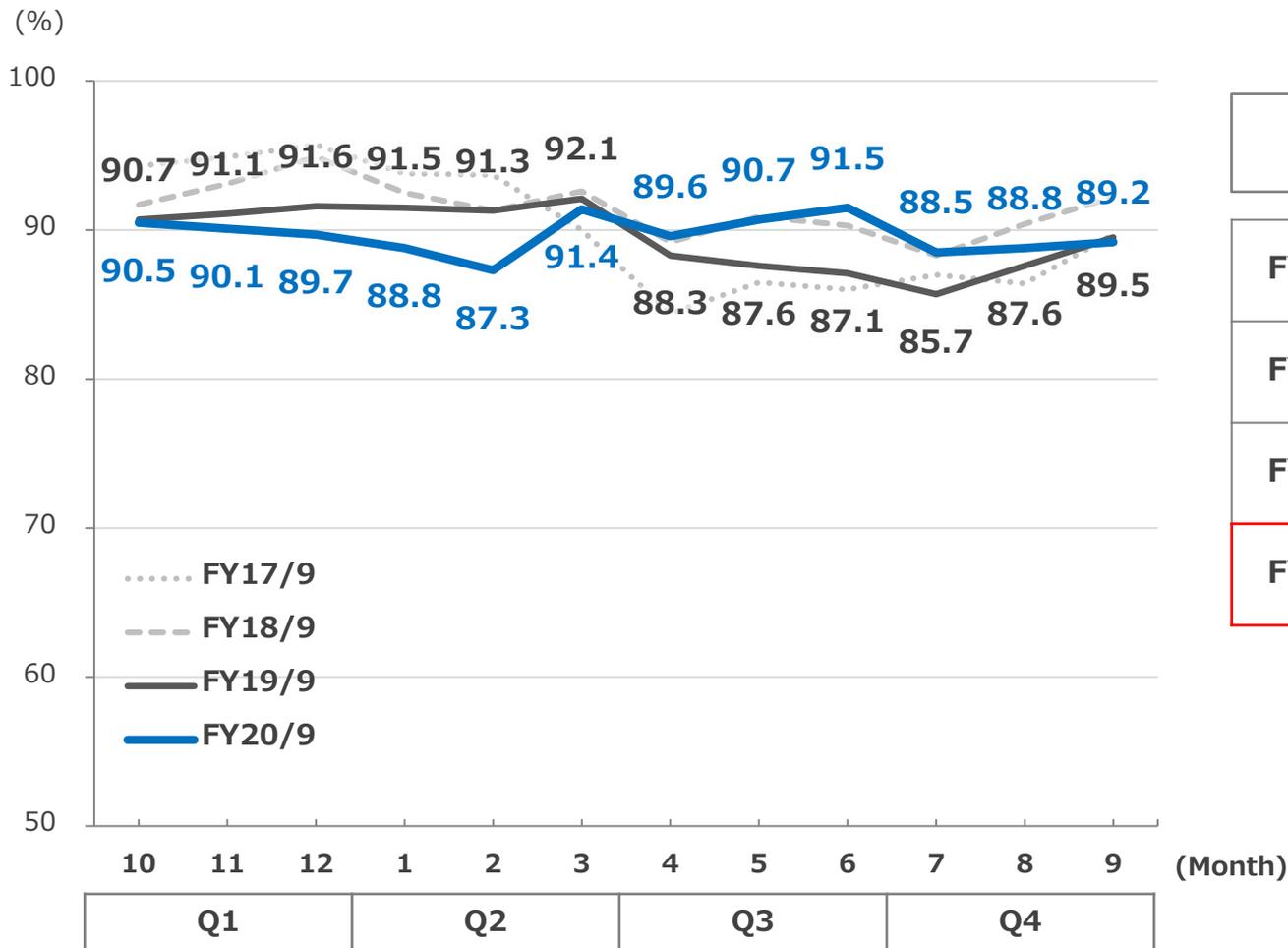
- Decline in the ratio of technical staff due to curbed hiring
- Increase in the ratio of high-end projects due to an increase in the number of subsidiaries through M&A



Changes in Utilization rate



■ Utilization rate improved as we curbed hiring temporarily

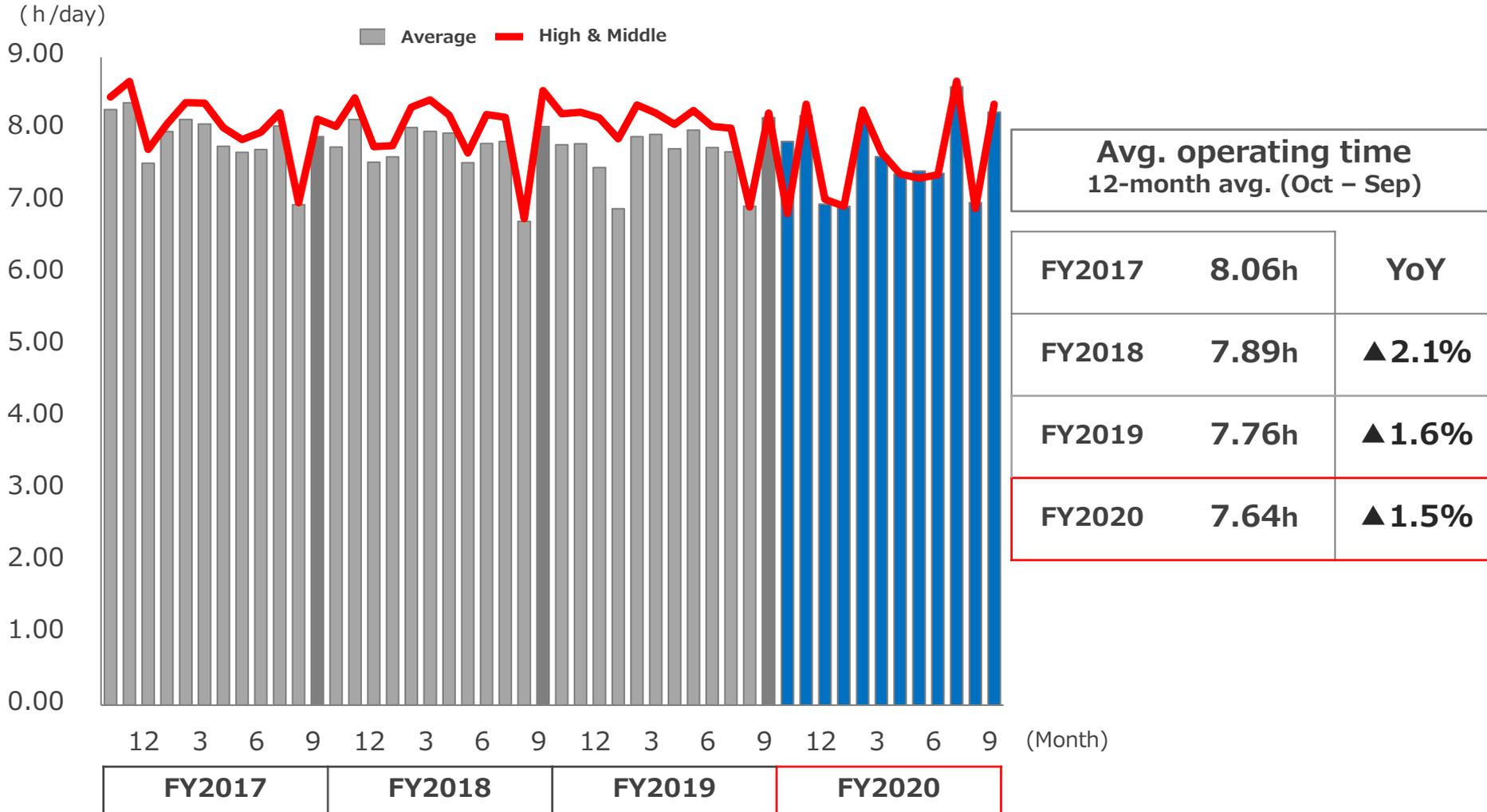


Avg. Utilization rate 12-month avg. (Oct – Sep)		
FY2017	90.2%	YoY
FY2018	91.5%	+1.3pt.
FY2019	89.5%	▲ 2.0pt.
FY2020	89.7%	+0.2pt.

Changes in Operating Time

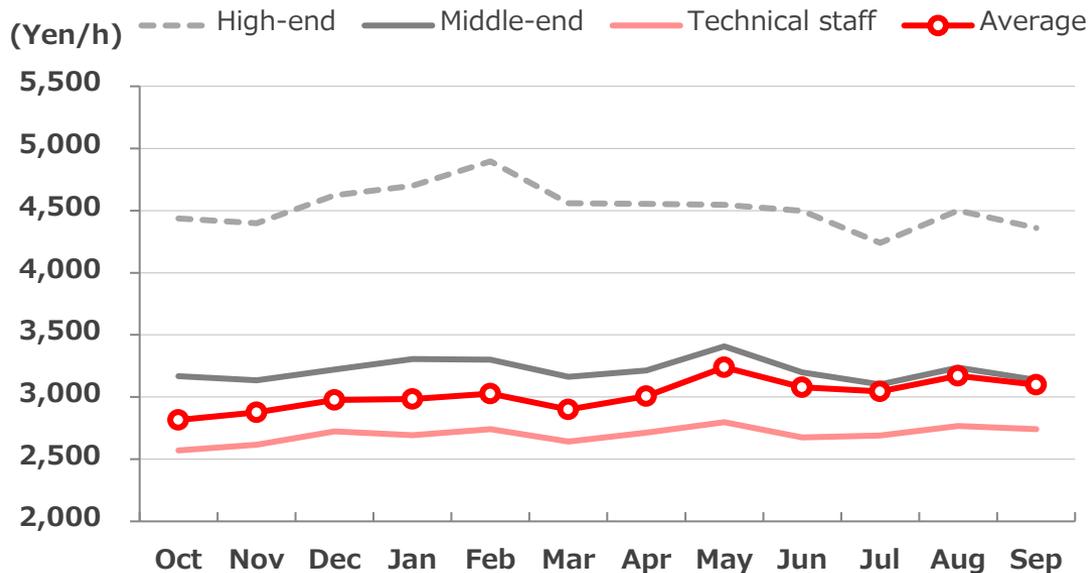


Shortened overtime working hours due to the effect of the State of Emergency



* The aggregation range has been changed from FY2020.

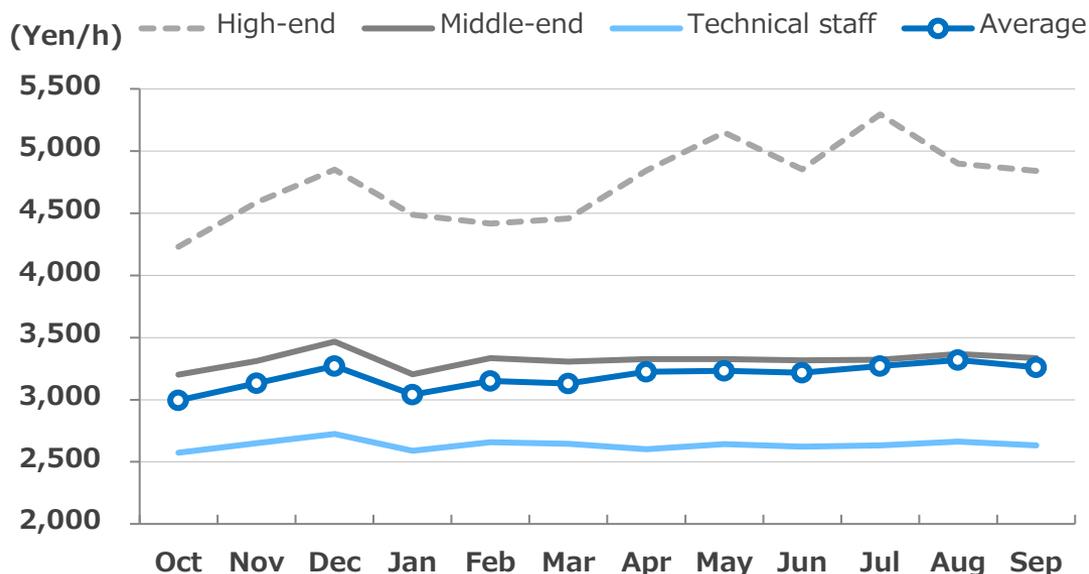
Unit Price of Temporary Staffing



Avg. for IT Engineers 12-month avg. (Oct - Sep)

		YoY
FY2019	2,857 yen	—
FY2020	3,017 yen	+5.6%

* Figures for FY19/Q3 are for reference only (averages for all engineers).
The calculation methods have been changed from FY2020.



Avg. for Machinery and Electric Engineers 12-month avg. (Oct - Sep)

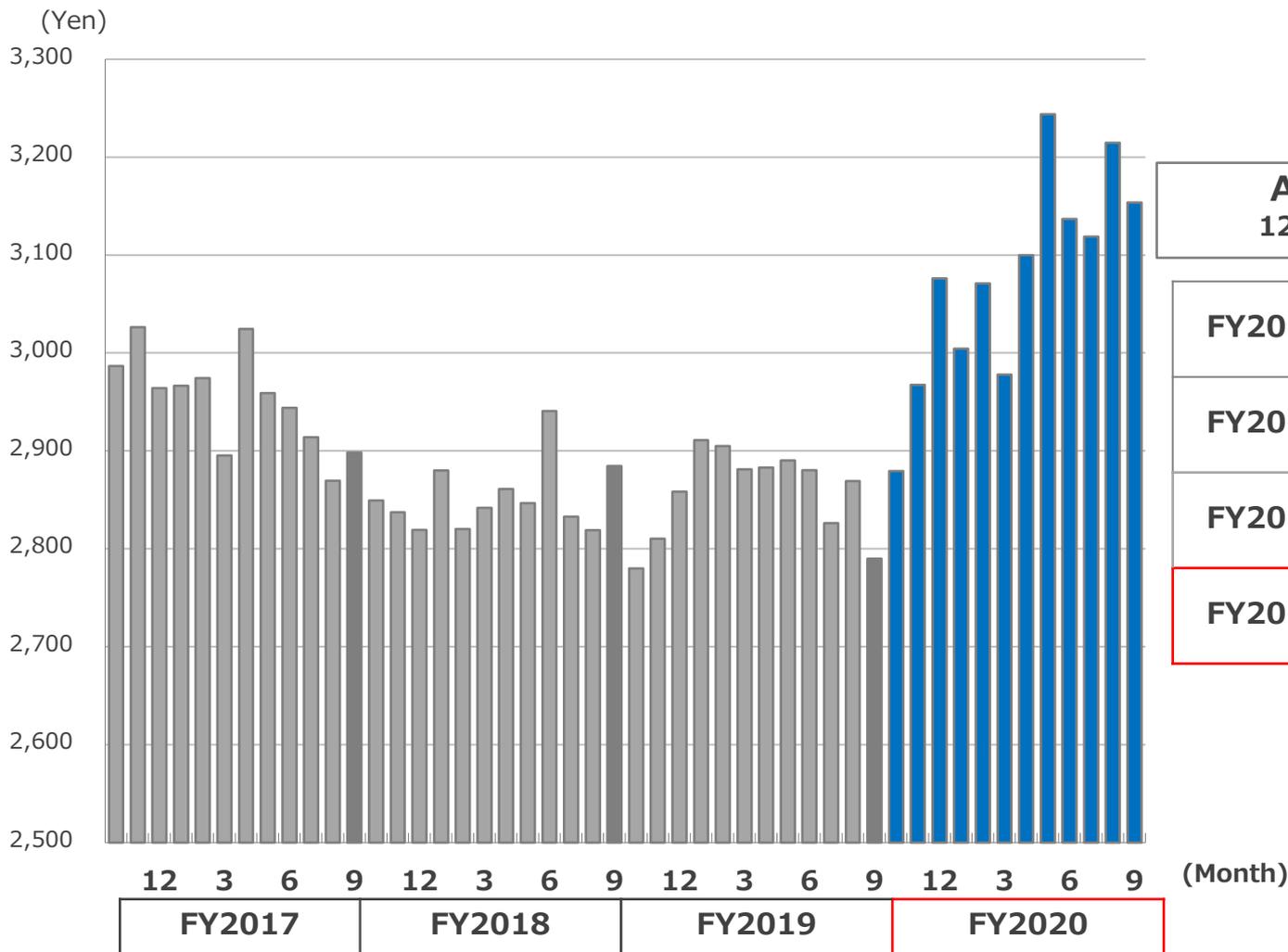
		YoY
FY2019	2,857 yen	—
FY2020	3,183 yen	+11.4%

* Figures for FY19/Q3 are for reference only (averages for all engineers).
The calculation methods have been changed from FY2020.

Changes in Unit Price of Temporary Staffing



- Unit price has been rising due to a decline in the ratio of technical staffs due to curbed hiring
- Middle-end to high-end engineers increased due to M&A → average unit price increased



Avg. operating time 12-month avg. (Oct - Sep)		
FY2017	2,952 yen	YoY
FY2018	2,853 yen	▲3.3%
FY2019	2,857 yen	+0.2%
FY2020	3,076 yen	+7.7%

*The aggregation methods have been changed from FY2020.

KPI Summary



- The number of engineers increased by 17% due to aggressive recruitment up to the first half of the fiscal year
- The average unit price of temporary staffing rose due to the increase in the number of middle-end to high-end engineers

All engineers 12-month avg. (Oct – Sep)

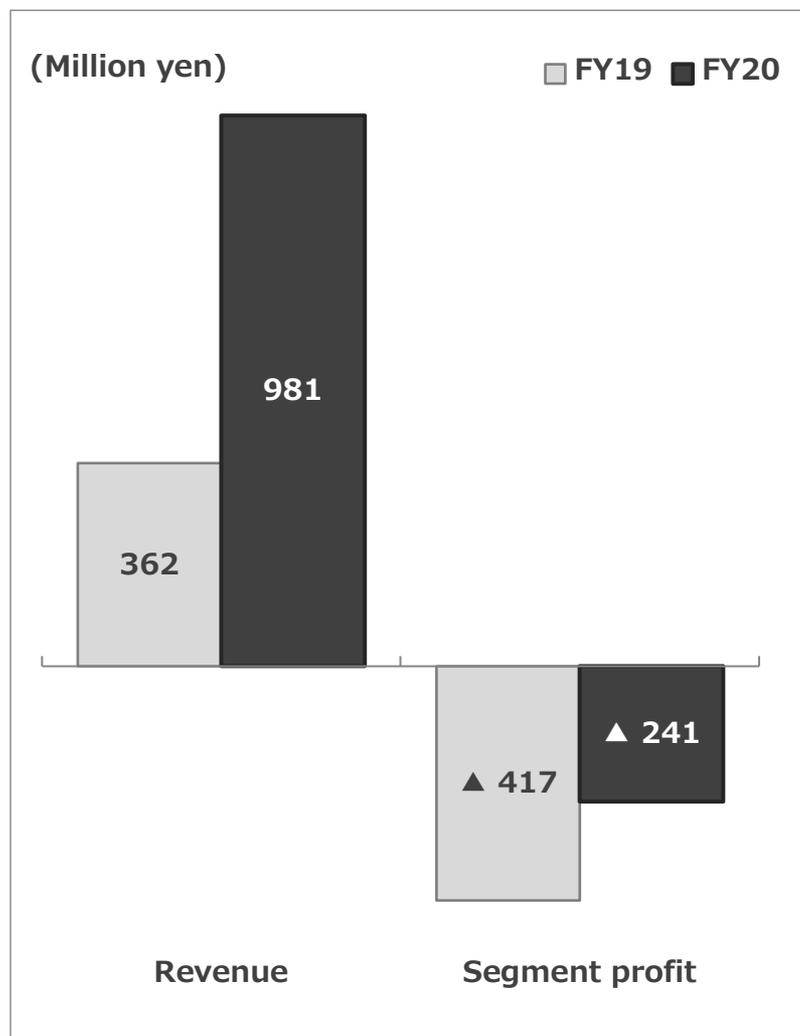
	FY2019	FY2020	Change	Pct. change
No. of engineers	3,078 engineers	3,592 engineers	+514 engineers	+16.7%
Utilization rate	89.5%	89.7%	+0.2pt	—
Operating time	7.76h	7.64h	▲0.12h	▲1.5%
Unit price of temporary staffing	2,857 yen	3,076 yen	+219 yen	+7.7%

Other Business

Segment P/L Summary

Other

- Portfolio changed from the previous fiscal year
- Proceed with the liquidation of unprofitable subsidiaries



1. Temporary staffing business (Million yen)

	FY2019	FY2020	Change
Revenue	184	77	▲ 107
Segment Profit	▲ 145	▲ 212	▲ 66

· Overseas staffing agency business shrank due to the impact of COVID-19

2. Education-related business (Million yen)

	FY2019	FY2020	Change
Revenue	123	847	+724
Segment Profit	▲ 246	15	+261

· Both revenue and profits increased due to the effect of advertising investment made in the previous fiscal year in the programming learning service business

*We also provide consulting services.

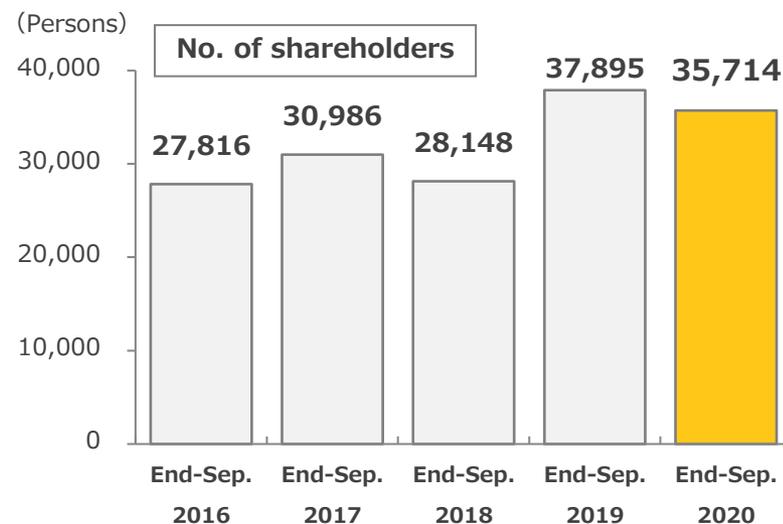
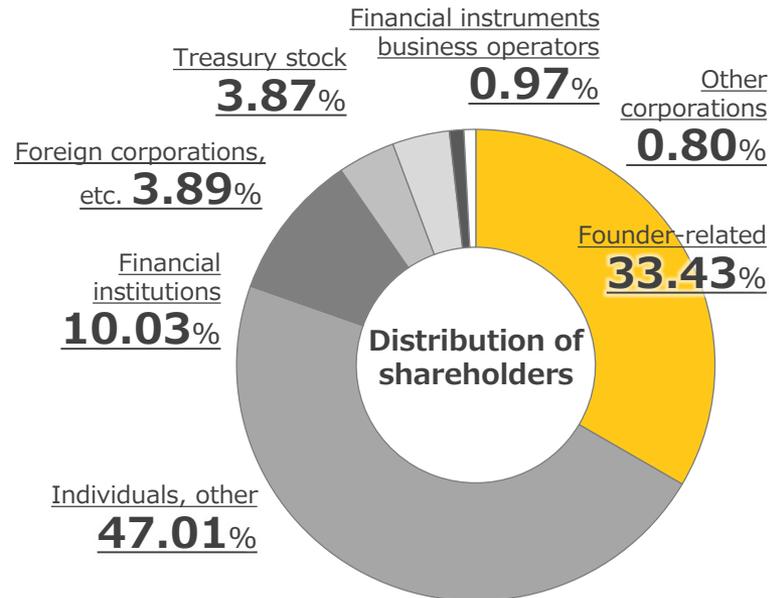
*In addition, there are eliminations due to inter-segment transactions.

*We changed the consolidated accounting standards to International Financial Reporting Standards (IFRS) from the full-year results for the fiscal year ending September 2020. The figures for the fiscal year ended September 2019 are also in accordance with IFRS.

Status of Shareholders

As of Sep. 30, 2020

	Name of shareholders	No. of shares held (in thousands)	Ownership ratio (%)
1	Sato Sogo Kikaku	10,751	16.7
2	Yoshiko Sato	9,220	11.7
3	Custody Bank of Japan	3,860	4.9
4	Hiroko Yamada	3,070	3.9
5	Mio Sato	3,070	3.9
6	The Master Trust Bank of Japan	3,017	3.8
7	Daio Sato	2,007	3.1
8	Tsurumaki Shoji	1,550	2.0
9	Hideki Fukai	1,010	1.3
10	Masahiro Nomura	412	0.5
Total of top 10 largest shareholders		41,021	52.0



*Number of shares outstanding = 78,861,940 shares

Treasury stock = 3,051,331 shares (excluding from the above major shareholders)

*The shareholding ratio of founder-related shares is the ratio stated in the large-volume holding report.

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