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On November 13, 2020, Yumeshin Holdings Co., Ltd. announced earnings results for full-year FY09/20.

Earnings (IFRS) (JPYmn)	FY09/19		FY09/20		FY09/20 FY Est.
	FY	FY	YoY		
Revenue	52,505	58,669	11.7%		58,000~60,000
Gross profit	14,861	16,175	8.8%		
Gross profit margin	28.3%	27.6%			
SG&A expenses	10,435	10,249	-1.8%		
SG&A ratio	19.9%	17.5%			
Operating profit	3,891	5,306	36.4%		5,800~6,600
Operating profit margin	7.4%	9.0%			10.0%~11.0%
Pre-tax profit	3,870	5,076	31.2%		
Pre-tax profit margin	7.4%	8.7%			
Profit attributable to owners of the parent	2,949	3,557	20.6%		3,700~4,200
Profit margin	5.6%	6.1%			6.4%~7.0%

Source: Shared Research based on company data

Note: Figures may differ from company materials due to differences in rounding methods.

Note: The company voluntarily applied IFRS from full-year FY09/20. YoY changes are based on previous year's results converted into IFRS for reference purposes.

Breakdown of earnings by segment

By segment (IFRS) (JPYmn)	FY09/19		FY09/20	
	FY	FY	YoY	
Revenue	52,505	58,669	11.7%	
Construction Technician Temporary Staffing and Ancillary Services	35,860	37,921	5.7%	
Engineer Temporary Staffing and Ancillary Services	16,354	19,875	21.5%	
Other	362	981	171.0%	
Gross profit	14,861	16,175	8.8%	
Gross profit margin	28.3%	27.6%		
Construction Technician Temporary Staffing and Ancillary Services	11,171	11,348	1.6%	
GPM	68.3%	57.1%		
Engineer Temporary Staffing and Ancillary Services	3,705	4,448	20.1%	
GPM	22.7%	22.4%		
Operating profit	3,891	5,306	36.4%	
Operating profit margin	7.4%	9.0%		
Construction Technician Temporary Staffing and Ancillary Services	5,826	6,585	13.0%	
OPM	35.6%	33.1%		
Engineer Temporary Staffing and Ancillary Services	62	653	953.2%	
OPM	0.4%	3.3%		
Other	-417	-241	-	
OPM	-	-		

Source: Shared Research based on company data

Note: Figures may differ from company materials due to differences in rounding methods.

Note: The company voluntarily applied IFRS from full-year FY09/20. YoY changes are based on previous year's results converted into IFRS for reference purposes.

Construction Technician Temporary Staffing and Ancillary Services: number of technicians

Cumulative	FY09/19				FY09/20			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
No. of technicians (quarter-end)	5,428	5,704	6,085	6,099	6,078	5,936	5,638	5,348
New hires	774	1,603	2,688	3,289	635	1,219	1,514	1,805
Departures	412	965	1,669	2,256	656	1,382	1,975	2,556
Retention rate	72.6%	72.7%	72.8%	72.8%	70.9%	69.9%	69.5%	69.1%
Quarterly	FY09/19				FY09/20			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
New hires	774	829	1,085	601	635	584	295	291
Departures	412	553	704	587	656	726	593	581
Retention rate	72.6%	72.7%	72.9%	73.0%	70.9%	69.0%	68.8%	67.7%

Source: Shared Research based on company data

Note: Retention rate: Number of technicians at quarter end / (Number of technicians at end previous year's quarter + cumulative annual new hires)

Construction Technician Temporary Staffing and Ancillary Services business: sales metrics

Cumulative	FY09/19				FY09/20			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
No. of technicians (average)	5,363	5,481	5,631	5,588	6,105	6,036	5,945	5,816
YoY	17.2%	17.0%	18.1%	15.6%	13.8%	10.1%	5.6%	4.1%
Utilization rate	93.2%	93.0%	92.7%	91.9%	93.4%	93.6%	92.7%	92.3%
YoY change	-1.7pp	-1.6pp	-1.4pp	-1.9pp	0.2pp	0.6pp	0.0pp	0.4pp
Average hours per day	9.61	9.65	9.60	9.58	9.57	9.60	9.48	9.46
YoY	-0.1%	0.1%	0.1%	0.1%	-0.4%	-0.5%	-1.3%	-1.3%
Average hourly wage (JPY)	2,975	2,977	2,985	2,983	3,028	3,064	3,105	3,126
YoY	4.6%	4.1%	3.7%	3.2%	1.8%	2.9%	4.0%	4.8%
Quarterly	FY09/19				FY09/20			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
No. of technicians (average)	5,363	5,599	5,931	5,459	6,105	5,967	5,763	5,429
YoY	17.2%	16.7%	20.3%	8.3%	13.8%	6.6%	-2.8%	-0.5%
Utilization rate	93.2%	92.8%	92.1%	89.5%	93.4%	93.8%	90.9%	91.1%
YoY change	-1.7pp	-1.5pp	-1.0pp	-3.4pp	0.2pp	1.0pp	-1.2pp	1.6pp
Average hours per day	9.61	9.69	9.50	9.52	9.57	9.63	9.24	9.40
YoY	-0.1%	0.3%	0.1%	0.1%	-0.4%	-0.7%	-2.7%	-1.3%
Average hourly wage (JPY)	2,975	2,979	3,001	2,977	3,028	3,100	3,187	3,189
YoY	4.6%	3.7%	2.8%	1.8%	1.8%	4.1%	6.2%	7.1%

Source: Shared Research based on company data

Note: Figures may differ from company materials due to differences in rounding methods.

Construction Technician Temporary Staffing and Ancillary Services segment: Average hourly billing rates based on years of employment

Cumulative (average) (JPY / hour)	FY09/19				FY09/20			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
First year	2,715	2,714	2,719	2,714	2,745	2,783	2,812	2,829
YoY	3.9%	3.2%	2.8%	2.4%	1.1%	2.5%	3.4%	4.2%
Second year	3,075	3,068	3,066	3,078	3,056	3,066	3,074	3,077
YoY	1.7%	1.5%	1.1%	1.3%	-0.6%	-0.1%	0.3%	0.0%
Third year	3,245	3,233	3,243	3,247	3,265	3,279	3,271	3,278
YoY	2.5%	2.2%	2.1%	2.1%	0.6%	1.4%	0.9%	1.0%
Fourth year and beyond	3,581	3,570	3,578	3,582	3,620	3,637	3,636	3,642
YoY	2.4%	2.1%	1.9%	1.8%	1.1%	1.9%	1.6%	1.7%
Quarterly (average) (JPY / hour)	FY09/19				FY09/20			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
First year	2,715	2,713	2,729	2,699	2,745	2,821	2,870	2,880
YoY	3.9%	2.6%	1.9%	1.3%	1.1%	4.0%	5.2%	6.7%
Second year	3,075	3,061	3,062	3,114	3,056	3,076	3,090	3,086
YoY	1.7%	1.2%	0.4%	1.7%	-0.6%	0.5%	0.9%	-0.9%
Third year	3,245	3,221	3,263	3,259	3,265	3,293	3,255	3,299
YoY	2.5%	2.0%	1.8%	2.1%	0.6%	2.2%	-0.2%	1.2%
Fourth year and beyond	3,581	3,559	3,594	3,594	3,620	3,654	3,634	3,660
YoY	2.4%	1.7%	1.5%	1.6%	1.1%	2.7%	1.1%	1.8%

Source: Shared Research based on company data

Note: Figures may differ from company materials due to differences in rounding methods.

Note: Shared Research calculated quarterly averages from cumulative figures.

Engineer Temporary Staffing and Ancillary Services segment: number of technicians

Cumulative	FY09/19				FY09/20			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
No. of technicians (quarter-end)	2,719	2,838	3,394	3,640	3,703	3,638	3,568	3,579
New hires	362	706	1,290	1,748	386	757	861	1,076
Departures	57	282	310	522	323	759	933	1,137
Retention rate	88.2%	86.7%	87.3%	87.4%	82.5%	80.5%	78.9%	78.1%
Quarterly	FY09/19				FY09/20			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
New hires	362	344	584	458	386	371	104	215
Departures	57	225	28	212	323	436	174	204
Retention rate	88.2%	85.3%	88.5%	87.5%	82.5%	78.5%	75.7%	75.9%

Source: Shared Research based on company data

Note: Retention rate: Number of technicians at quarter end / (Number of technicians at end previous year's quarter + cumulative annual new hires)

Engineer Temporary Staffing and Ancillary Services segment: sales metrics

Cumulative	FY09/19				FY09/20			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
No. of engineers (average)	2,659	2,745	2,904	3,078	3,637	3,626	3,602	3,592
YoY	-	-	-	-	36.8%	32.1%	24.0%	16.7%
Utilization rate	91.1%	91.4%	90.1%	91.9%	90.1%	89.6%	90.0%	89.7%
YoY change	-	-	-	-	-1.0pp	-1.8pp	-0.1pp	-2.2pp
Average hours per day	7.68	7.63	7.69	7.76	7.66	7.60	7.53	7.64
YoY	-	-	-	-	-0.3%	-0.4%	-2.1%	-1.5%
Average hourly wage (JPY)	2,816	2,858	2,867	2,857	2,974	2,995	3,048	3,076
YoY	-	-	-	-	5.6%	4.8%	6.3%	7.7%
Quarterly	FY09/19				FY09/20			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
No. of engineers (average)	2,659	2,831	3,222	3,600	3,637	3,615	3,554	3,562
YoY	-	-	-	-	36.8%	27.7%	10.3%	-1.1%
Utilization rate	91.1%	91.7%	87.5%	97.3%	90.1%	89.1%	90.8%	88.8%
YoY change	-	-	-	-	-1.1pp	-2.8pp	3.8pp	-8.7pp
Average hours per day	7.68	7.58	7.81	7.97	7.66	7.54	7.39	7.97
YoY	-	-	-	-	-0.3%	-0.5%	-5.4%	0.0%
Average hourly wage (JPY)	2,816	2,900	2,885	2,827	2,974	3,016	3,154	3,160
YoY	-	-	-	-	5.6%	4.0%	9.3%	11.8%

Source: Shared Research based on company data

Note: Figures may differ from company materials due to differences in rounding methods.

Full-year FY09/20 results

- ▷ **Revenue:** JPY58.7bn (+11.7% YoY)
- ▷ **Operating profit:** JPY5.3bn (+36.4% YoY)
- ▷ **Pre-tax profit:** JPY5.1bn (+31.2% YoY)
- ▷ **Profit*:** JPY3.6bn (+20.6% YoY)

*Profit attributable to owners of the parent

- ▷ In FY09/20, the company temporarily curtailed its hiring activities from late March 2020 amid the COVID-19 pandemic, and instead focused on ensuring that the utilization of its construction technicians and engineers remained steady.
- ▷ The YoY revenue growth in the Construction Technician Temporary Staffing and Ancillary Services segment and the Engineer Temporary Staffing and Ancillary Services segment was underpinned by an increase in billing rates. New subsidiaries acquired in FY09/19 also contributed to revenue growth.
- ▷ The YoY gains from the operating level down reflected increases in the company's billing rates and a reduction in hiring and other expenses.

Overviews by segment are as follows. Note: Starting in Q1 FY09/20, the company changed its business segmentation scheme. FY09/19 figures have been adjusted for purposes of comparison and are provided for reference purposes only.

Construction Technician Temporary Staffing and Ancillary Services

- ▷ **Revenue:** JPY37.9bn (+5.7% YoY)
- ▷ **Segment profit:** JPY6.6bn (+13.0% YoY)

The COVID-19 situation stirred a sense of significant uncertainty about the future, temporarily slowing down the customers' decisions to place new orders. However, the structural labor shortage in the construction industry caused by the aging of technicians and the absence of young staff remains unchanged. As such, demand for temporary staffing services remained robust, especially in regional cities where the effects of the pandemic have been limited.

The company continued hiring activity albeit at a scaled-down level in response to the business environment. The originally budgeted hiring goal was reduced to a new target of 1,650–2,300 technicians, and total hires in FY09/20 came to 1,805 (versus 3,289 in FY09/19). As of end-September 2020, the number of technicians on the company's books was 5,348, down 751 YoY.

Revenue increased YoY reflecting higher billing rates with the decline in the utilization rate minimized. The higher billing rates also bolstered segment profit. Moreover, better control of hiring and other expenses also boosted profit growth, with SG&A expenses dropping 13.0% YoY to JPY6.6bn.

Engineer Temporary Staffing and Ancillary Services

- ▷ **Revenue:** JPY19.9bn (+21.5% YoY)
- ▷ **Segment profit:** JPY653mn (+953.2% YoY)

The COVID-19 situation stirred a sense of significant uncertainty about the future, temporarily slowing down the customers' decisions to place new orders. Still, at the Engineer Temporary Staffing and Ancillary Services business, demand for engineers remained strong, particularly in the manufacturing industry, which has seen high levels of capital investment in labor saving and automation, as well as in the IT industry.

Against this backdrop, the company revised its initial hiring goal for the year to 990–1,290 engineers and continued its hiring efforts to meet the increasing demand for engineers, although it temporarily suppressed hiring activity during the period. In addition to ongoing efforts to increase the value-added by its engineers, the company took steps on the sales front to increase cooperation among group companies and expand sales coverage. In FY09/20, the company hired 1,076 new engineers (1,748 in FY09/19), bringing the number of engineers on the company's books at end-September 2020 to 3,579, down 61 YoY.

Reflecting the rise in billing rates, segment revenue and profit grew YoY. The decline in the SG&A-to-sales ratio (down 3.2pp YoY) also contributed to profit growth.

Other

- ▷ **Revenue:** JPY981mn (+171.0% YoY)
- ▷ **Segment loss:** JPY241mn (a segment loss of JPY417mn in FY09/19)

Other businesses include recruitment support services for Japanese companies seeking overseas human resources, and Japanese language schools for local hires of Japanese companies in Vietnam, the Philippines, Taiwan, and South Korea. The global spread of COVID-19 contributed to a tough operating environment in FY09/20.

Following an acquisition in FY09/19, the company started an education-related business, an online tutorial service for programmers. As the result of advertising and promotion activities in FY09/19, revenue and profit increased.

Revenue expanded YoY but the segment loss widened.

Full-year company forecast

FY09/21 forecast

Earnings (IFRS) (JPYmn)	FY09/20	FY09/21	YoY
	FY Est.	FY Est.	
Revenue	58,669	61,000	4.0%
Gross profit	16,175		
Gross profit margin	27.6%		
SG&A expenses	10,249		
SG&A ratio	17.5%		
Operating profit	5,306	6,000	13.1%
Operating profit margin	9.0%	9.8%	
Pre-tax profit	5,076	5,800	14.3%
Pre-tax profit margin	8.7%	9.5%	
Profit attributable to owners of the parent	3,557	3,800	6.8%
Profit margin	6.1%	6.2%	

Source: Shared Research based on company data

Note: Figures may differ from company materials due to differences in rounding methods.

Company forecast for the Construction Technician Temporary Staffing and Ancillary Services segment

Construction Technician Temporary Staffing and Ancillary Services (JPYmn)	FY09/20 Act.	FY09/21 Est.
No. of technicians hired	1,805	2,500
No. of technicians (year-end)	5,348	5,700
Net increase	-751	352
Retention rate	69.1%	72.6%
Revenue	37,921	38,000
YoY	5.7%	0.2%
Operating profit	6,585	6,000
YoY	13.0%	-8.9%
Operating profit margin	17.4%	15.8%

Source: Shared Research based on company data

Note: Figures may differ from company materials due to differences in rounding methods.

Company forecast for the Engineer Temporary Staffing and Ancillary Services segment

Engineer Temporary Staffing and Ancillary Services (JPYmn)	FY09/20 Act.	FY09/21 Est.
No. of engineers hired	1,076	1,600
No. of engineers (year-end)	3,579	4,200
Net increase	-61	621
Revenue	19,875	22,000
YoY	21.5%	10.7%
Operating profit	653	900
YoY	953.2%	37.8%
Operating profit margin	3.3%	4.1%

Source: Shared Research based on company data

Notes: Figures may differ from company materials due to differences in rounding methods.

For FY09/21, the company forecasts revenue of JPY61.0bn (+4.0% YoY), operating profit of JPY6.0bn (+13.1% YoY), pre-tax profit of JPY5.8bn (+14.3% YoY), and profit attributable to owners of parent of JPY3.8bn (+6.8% YoY).

The company plans to build up its engineer headcount in FY09/21 after a fall in FY09/20.

Segment outlooks follow.

Construction Technician Temporary Staffing and Ancillary Services

The company plans to hire 2,500 technicians during the year and identify those at lower risk of quitting. It plans to step up its efforts to follow up technicians on its books, and boost the headcount of those involved in follow-up activities and systematize the division of labor between follow-up staff and sales staff. It plans to have 5,700 technicians on its books at end-FY09/21.

Engineer Temporary Staffing and Ancillary Services

The company plans to hire 1,600 technicians during the year and boost billing rates. Its plans include shifting from low-rate clerical jobs to engineers, and enhancing the skills of engineers on its books by retraining. It plans to have 4,200 engineers at end-FY09/21.

Other

The company plans to downsize its recruitment business, which it has been mainly operating overseas, and integrate it with the education business it has been running in Japan. It thus hopes to narrow segment losses.

Long-term outlook

In November 2020, the company announced its medium-term management plan for FY09/21–FY09/25.

As Japan's workforce shrinks, the construction industry workforce in particular is aging amid a lack of young workers, and the IT industry faces an increasingly acute shortage of engineers. Yumeshin has focused on hiring and training employees in response. In FY09/20, as it temporarily curtailed hiring due to the COVID-19 pandemic, the company's engineer headcount stagnated. As of November 2020, with the economy recovering, the company was gradually resuming recruitment activities. Its new medium-term plan through FY09/25 aims at growth across the group driven by hiring and training personnel.

Earnings targets

Earnings (JPYmn)	FY09/20 Act.	FY09/21 Est.	FY09/22 Target	FY09/23 Target	FY09/24 Target	FY09/25 Target
Revenue	58,669	61,000	71,500	84,000	98,000	114,000
YoY	11.7%	4.0%	17.2%	17.5%	16.7%	16.3%
Operating profit	5,306	6,000	7,000	9,500	13,000	16,500
YoY	36.4%	13.1%	16.7%	35.7%	36.8%	26.9%
Operating profit margin	9.0%	9.8%	9.8%	11.3%	13.3%	14.5%

Source: Shared Research based on company data

Note: Figures may differ from company materials due to differences in rounding methods.

In the Construction Technician Temporary Staffing and Ancillary Services segment, the company plans to increase the number of employees on its books by focusing on recruitment and working to improve retention rates. In the medium-term plan, improving retention rates has the highest priority. Yumeshin plans to accomplish this by improving recruitment quality and forming small teams to support its engineers.

By focusing attention on recruitment, the company expects margins to decline in the first half of the plan but billing rates to climb as its engineers gain experience. It foresees segment margins recovering in the second half of the plan.

Construction Technician Temporary Staffing and Ancillary Services earnings forecast

Construction Technician Temporary Staffing and Ancillary Services (JPYmn)	FY09/20 Act.	FY09/21 Est.	FY09/22 Target	FY09/23 Target	FY09/24 Target	FY09/25 Target
No. of technicians hired	1,805	2,500	2,700	2,950	3,200	3,450
No. of technicians (year-end)	5,348	5,700	6,300	6,900	7,500	8,200
Net increase	-751	352	600	600	600	700
Retention rate	69.1%	72.6%	75.0%	74.6%	74.3%	74.9%
Revenue	37,921	38,000	42,500	46,000	51,000	56,500
YoY	5.7%	0.2%	11.8%	8.2%	10.9%	10.8%
Operating profit	6,585	6,000	6,400	7,200	8,000	9,100
YoY	13.0%	-8.9%	6.7%	12.5%	11.1%	13.8%
Operating profit margin	17.4%	15.8%	15.1%	15.7%	15.7%	16.1%

Source: Shared Research based on company data

Note: Figures may differ from company materials due to differences in rounding methods.

In the Engineer Temporary Staffing and Ancillary Services segment, the company plans to focus on hiring newcomers to the industry. Such employees attract relatively low billing rates, but in FY09/20, the company started a retraining program that aims to boost the skill levels of engineers with one or two years' experience, which should enable ongoing increases in billing rates.

Yumeshin intends to grow revenue by focusing on recruitment and increasing the number of engineers on the company's books. It also aims to improve margins by expanding the retraining program and increasing billing rates. In the final year of the medium-term plan, the company forecasts this segment to have higher headcount and margins than the Construction Technician Temporary Staffing and Ancillary Services segment.

Engineer Temporary Staffing and Ancillary Services earnings forecast

Engineer Temporary Staffing and Ancillary Services (JPYmn)	FY09/20 Act.	FY09/21 Est.	FY09/22 Target	FY09/23 Target	FY09/24 Target	FY09/25 Target
No. of engineers hired	1,076	1,600	2,300	3,000	3,100	3,800
No. of engineers (year-end)	3,579	4,200	5,400	6,900	8,300	10,000
Net increase	-61	621	1,200	1,500	1,400	1,700
Revenue	19,875	22,000	27,500	36,000	45,000	55,500
YoY	21.5%	10.7%	25.0%	30.9%	25.0%	23.3%
Operating profit	653	900	1,500	3,400	6,400	9,000
YoY	953.2%	37.8%	66.7%	126.7%	88.2%	40.6%
Operating profit margin	3.3%	4.1%	5.5%	9.4%	14.2%	16.2%

Source: Shared Research based on company data

Note: Figures may differ from company materials due to differences in rounding methods.

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