



## Yumeshin Holdings / 2362

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COVERAGE INITIATED ON: 2011.03.09

LAST UPDATE: 2020.12.23

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## Executive summary

### Business

- Yumeshin's main businesses are Construction Technician Temporary Staffing and Ancillary Services and Engineer Temporary Staffing and Ancillary Services. In FY09/20, the former business generated 64.6% of revenue and 94.1% of operating profit, and the latter 33.9% of revenue and 9.3% of operating profit.
- The company signs a worker staffing agreement with a client and dispatches its own full-time employees to perform the job on client sites. The client directly manages the staff and can utilize them for the duration of the assignment. As opposed to a registration-based staffing system, the company has an indefinite employment contract with its employees and pays them ongoing salaries. Under a registration-based staffing arrangement, an employment contract between the temporary employee and the temporary staffing company arises only once there is a work request from the client company and there is no salary payment in the absence of work request.)
- The Construction Technician Temporary Staffing and Ancillary Services business is conducted through Yumeshin Co., Ltd. In construction, timing of orders is uncertain, site locations change with each project, duration of projects vary and are comparatively short, and the work is labor intensive. According to the company, this makes outsourcing perfectly suited to the needs of the industry. While many of its peers respond to outsourcing needs in various fields, Yumeshin has focused on construction staffing.
- Yumeshin mainly provides workers in their 20s. Since the bubble burst in the 1990s, the domestic construction workforce has aged as firms cut back on new hiring. There is now strong demand for young workers on construction sites, partly owing to difficult physical conditions—including extreme weather and exposure to the elements—and to the fact that young workers offer nimble footwork while their billing rates are lower. Yumeshin thus focuses on hiring and dispatching young workers to capitalize on this demand.
- The Engineer Temporary Staffing and Ancillary Services business is conducted through Yume Technology Co., Ltd. (formerly Fullcast Technology Co., Ltd.), which became a wholly owned subsidiary of Yumeshin Holdings in January 2019. Yume Technology employees (technicians), who have experience in various fields, including semiconductors, electrical and electronic apparatuses, machinery, information technology, and chemistry, provide services in response to the research and development needs of client companies under worker staffing or outsourcing agreements.
- The company's revenue is determined by the number of staff that it dispatches, utilization rates, hours dispatched, and billing rates. The majority of cost of revenue is labor costs. The gross profit margin remains around 30%. SG&A expenses are mainly personnel and hiring expenses (advertising and others), and the SG&A-to-revenue ratio remains in the 16–21% range.

### Earnings

- In FY09/20, revenue was JPY58.7bn (+11.7% YoY), operating profit was JPY5.3bn (+36.4% YoY), pre-tax profit was JPY5.1bn (+31.2% YoY), and profit attributable to owners of parent was JPY3.6bn (+20.6% YoY).
- 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).
- In November 2020, Yumeshin announced its medium-term management plan for FY09/21–FY09/25. The new plan targets FY09/25 revenue of JPY114.0bn and operating profit of JPY16.5bn. The company aims for business expansion through aggressive hiring in the Construction Technician Temporary Staffing and Ancillary Services business and the Engineer Temporary Staffing and Ancillary Services business.

### Strengths and weaknesses

Shared Research thinks Yumeshin's strengths include its brand recognition based on its stock market listing, an established training system that turns people with no experience into workers who can be dispatched to construction sites after a short

training period, and its effective use of younger employees. Weaknesses include performance in favorable economic periods when younger employees may look elsewhere for work and dependence on the construction industry (see the Strengths and weaknesses section for details).

## Key financial data

Income statement (JPYmm)	FY09/11	FY09/12	FY09/13	FY09/14	FY09/15	FY09/16	FY09/17	FY09/18	FY09/19	FY09/20	FY09/21
	JGA A P	JGA A P	JGA A P	JGA A P	JGA A P	JGA A P	JGA A P	JGA A P	JGA A P	IFRS	IFRS Est.
<b>Sales (Revenue)</b>	<b>6,817</b>	<b>10,982</b>	<b>12,538</b>	<b>16,482</b>	<b>21,116</b>	<b>23,271</b>	<b>30,510</b>	<b>40,419</b>	<b>52,505</b>	<b>58,669</b>	<b>61,000</b>
YoY	40.2%	61.1%	14.2%	31.5%	28.1%	10.2%	31.1%	32.5%	29.9%	-	4.0%
<b>Gross profit</b>	<b>1,899</b>	<b>3,159</b>	<b>3,450</b>	<b>4,583</b>	<b>5,150</b>	<b>6,563</b>	<b>8,781</b>	<b>12,339</b>	<b>15,272</b>	<b>16,175</b>	
YoY	27.4%	66.3%	9.2%	32.8%	12.4%	27.5%	33.8%	40.5%	23.8%	-	
Gross profit margin	27.9%	28.8%	27.5%	27.8%	24.4%	28.2%	28.8%	30.5%	29.1%	27.6%	
<b>Operating profit</b>	<b>543</b>	<b>1,195</b>	<b>1,230</b>	<b>1,857</b>	<b>1,727</b>	<b>2,433</b>	<b>2,362</b>	<b>5,186</b>	<b>4,720</b>	<b>5,306</b>	<b>6,000</b>
YoY	4.4%	120.1%	3.0%	51.0%	-7.0%	40.9%	-2.9%	119.6%	-9.0%	-	13.1%
Operating profit margin	8.0%	10.9%	9.8%	11.3%	8.2%	10.5%	7.7%	12.8%	9.0%	9.0%	9.8%
<b>Pre-tax profit</b>	<b>451</b>	<b>1,296</b>	<b>1,771</b>	<b>2,952</b>	<b>1,960</b>	<b>2,463</b>	<b>2,424</b>	<b>4,941</b>	<b>4,558</b>	<b>5,076</b>	<b>5,800</b>
YoY	-18.3%	187.2%	36.7%	66.7%	-33.6%	25.7%	-1.6%	103.8%	-7.8%	-	14.3%
Pre-tax profit margin	6.6%	11.8%	14.1%	17.9%	9.3%	10.6%	7.9%	12.2%	8.7%	8.7%	9.5%
<b>Net income (Profit) attributable to owners of the parent</b>	<b>102</b>	<b>739</b>	<b>1,389</b>	<b>2,246</b>	<b>1,882</b>	<b>1,623</b>	<b>1,426</b>	<b>3,636</b>	<b>2,504</b>	<b>3,557</b>	<b>3,800</b>
YoY	-73.5%	622.5%	88.0%	61.8%	-16.2%	-13.7%	-12.1%	154.9%	-31.1%	-	6.8%
Net margin (Profit margin)	1.5%	6.7%	11.1%	13.6%	8.9%	7.0%	4.7%	9.0%	4.8%	6.1%	6.2%
<b>Per-share data</b>											
Shares issued (year-end; '000)	74,573	74,573	74,573	74,573	74,573	74,573	74,573	74,573	78,842	78,862	
EPS	1.4	12.6	22.7	34.6	27.8	21.8	19.1	48.8	32.7	46.9	50.4
Dividend per share	2.0	4.0	20.0	30.0	35.0	35.0	35.0	35.0	35.0	35.0	35.0
Book value per share	26.6	35.9	79.3	112.5	181.8	168.6	160.7	172.6	155.8	154.2	
<b>Balance sheet (JPYmm)</b>											
Cash and cash equivalents	2,305	2,565	4,262	5,755	11,460	8,724	8,556	11,301	9,608	15,426	
<b>Total current assets</b>	<b>3,917</b>	<b>4,684</b>	<b>6,457</b>	<b>8,856</b>	<b>15,210</b>	<b>13,334</b>	<b>14,839</b>	<b>18,887</b>	<b>18,863</b>	<b>24,775</b>	
Tangible fixed assets	1,388	1,412	1,465	811	940	1,353	1,080	938	1,261	2,994	
Goodwill	718	628	516	391	309	1,175	899	610	3,615	3,429	
<b>Total noncurrent assets</b>	<b>2,713</b>	<b>2,986</b>	<b>3,458</b>	<b>3,950</b>	<b>4,588</b>	<b>5,766</b>	<b>5,528</b>	<b>4,678</b>	<b>10,001</b>	<b>11,624</b>	
<b>Total assets</b>	<b>6,630</b>	<b>7,670</b>	<b>9,916</b>	<b>12,806</b>	<b>19,798</b>	<b>19,118</b>	<b>20,401</b>	<b>23,571</b>	<b>28,864</b>	<b>36,399</b>	
Trade and other payables	10	14	9	12	9	11	25	9	130	567	
Short-term debt	2,195	1,826	840	856	1,106	891	1,733	1,309	4,459	2,675	
<b>Total current liabilities</b>	<b>3,400</b>	<b>3,402</b>	<b>2,455</b>	<b>3,593</b>	<b>4,031</b>	<b>3,552</b>	<b>5,848</b>	<b>6,647</b>	<b>10,977</b>	<b>17,013</b>	
Long-term debt	1,088	1,509	1,649	893	1,219	1,645	1,045	2,538	5,170	6,051	
<b>Total noncurrent liabilities</b>	<b>1,472</b>	<b>1,932</b>	<b>2,082</b>	<b>1,307</b>	<b>1,649</b>	<b>2,055</b>	<b>1,532</b>	<b>2,952</b>	<b>5,966</b>	<b>7,825</b>	
<b>Total liabilities</b>	<b>4,872</b>	<b>5,334</b>	<b>4,538</b>	<b>4,899</b>	<b>5,681</b>	<b>5,606</b>	<b>7,381</b>	<b>9,599</b>	<b>16,943</b>	<b>24,838</b>	
<b>Total equity</b>	<b>1,757</b>	<b>2,336</b>	<b>5,378</b>	<b>7,907</b>	<b>14,117</b>	<b>13,512</b>	<b>13,080</b>	<b>13,973</b>	<b>11,921</b>	<b>11,561</b>	
Total interest-bearing debt	3,284	3,335	2,488	1,749	2,325	2,536	2,779	3,847	9,629	8,726	
<b>Cash flow statement (JPYmm)</b>											
Cash flows from operating activities	528	1,064	793	1,659	713	726	1,536	3,929	2,759	9,934	
Cash flows from investing activities	-409	202	180	620	-178	-1,118	417	415	-4,400	476	
Cash flows from financing activities	4	-152	595	-734	5,272	-2,173	-2,027	-1,592	49	-5,088	
<b>Financial ratios</b>											
ROA (RP-based)	7.7%	18.1%	20.1%	26.0%	12.0%	12.7%	12.3%	22.5%	17.4%	15.2%	
ROE	5.8%	40.4%	39.1%	36.3%	18.0%	12.4%	11.6%	29.3%	20.2%	31.1%	
Equity ratio	23.5%	27.4%	50.4%	57.6%	68.5%	65.7%	58.7%	54.6%	41.1%	32.1%	

Source: Shared Research based on company data  
 Note: Figures may differ from company materials due to differences in rounding methods.  
 The company voluntarily applied IFRS from FY09/20.

## Recent updates

### Highlights

On December 23, 2020, Shared Research updated the report following interviews with Yumeshin Holdings Co., Ltd.

On November 13, 2020, the company announced earnings results for full-year FY09/20; see the results section for details.

On the same day, 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.

**For previous releases and developments, refer to the News and topics section.**

## Trends and outlook

### Construction orders (JPYmn)

2020	Jan.–Mar.	Apr.–Jun.	Jul.–Sep.	Oct.–Dec.	Total
Total orders	22,063	17,860	20,396		
YoY	-12.7%	-4.4%	-5.5%		
2019	Jan.–Mar.	Apr.–Jun.	Jul.–Sep.	Oct.–Dec.	Total
Total orders	25,272	18,687	21,592	20,079	85,630
YoY	14.1%	-4.0%	-1.1%	-1.4%	2.2%
2018	Jan.–Mar.	Apr.–Jun.	Jul.–Sep.	Oct.–Dec.	Total
Total orders	22,144	19,464	21,830	20,373	83,810
YoY	-1.7%	2.4%	1.2%	-1.3%	0.1%
2017	Jan.–Mar.	Apr.–Jun.	Jul.–Sep.	Oct.–Dec.	Total
Total orders	22,536	19,002	21,565	20,631	83,734
YoY	-1.8%	-3.6%	-5.6%	-1.2%	-3.1%
2016	Jan.–Mar.	Apr.–Jun.	Jul.–Sep.	Oct.–Dec.	Total
Total orders	22,952	19,715	22,852	20,879	86,398
YoY	13.6%	4.2%	4.3%	0.6%	5.7%
2015	Jan.–Mar.	Apr.–Jun.	Jul.–Sep.	Oct.–Dec.	Total
Total orders	20,205	18,914	21,911	20,746	81,776
YoY	6.2%	5.2%	8.9%	7.2%	6.9%
2014	Jan.–Mar.	Apr.–Jun.	Jul.–Sep.	Oct.–Dec.	Total
Total orders	19,024	17,982	20,126	19,356	76,488
YoY	3.6%	9.0%	-8.7%	5.6%	1.7%
2013	Jan.–Mar.	Apr.–Jun.	Jul.–Sep.	Oct.–Dec.	Total
Total orders	18,357	16,493	22,034	18,338	75,222
YoY	10.3%	13.9%	21.0%	2.7%	6.6%
2012	Jan.–Mar.	Apr.–Jun.	Jul.–Sep.	Oct.–Dec.	Total
Total orders	16,646	14,480	18,209	17,862	70,544
YoY	47.5%	72.3%	63.2%	74.9%	71.8%
2011	Jan.–Mar.	Apr.–Jun.	Jul.–Sep.	Oct.–Dec.	Total
Total orders	11,285	8,404	11,158	10,210	41,057
YoY	0.6%	-5.6%	-2.4%	1.7%	-1.3%

Source: Shared Research based on *Current Survey on Orders Received for Construction*, Ministry of Land, Infrastructure, Transport and Tourism

## Quarterly trends and results

Earnings (IFRS) (JPYmn)	FY09/19		FY09/20		FY09/20
	FY	FY	YoY	FY Est.	
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	
<b>Revenue</b>	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%	
<b>Gross profit</b>	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	31.2%	29.9%		
Engineer Temporary Staffing and Ancillary Services	3,705	4,448	20.1%	
GPM	22.7%	22.4%		
<b>Operating profit</b>	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	16.2%	17.4%		
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: revenue metrics

Cumulative	FY09/19				FY09/20			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
No. of technicians (average)	5,363	5,481	5,631	5,746	6,105	6,036	5,945	5,816
YoY	17.2%	17.0%	18.1%	18.8%	13.8%	10.1%	5.6%	1.2%
Utilization rate	93.2%	93.0%	92.7%	92.7%	93.4%	93.6%	92.7%	92.3%
YoY change	-1.7pp	-1.6pp	-1.4pp	-1.1pp	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	6,091	6,105	5,967	5,763	5,429
YoY	17.2%	16.7%	20.3%	20.9%	13.8%	6.6%	-2.8%	-10.9%
Utilization rate	93.2%	92.8%	92.1%	92.7%	93.4%	93.8%	90.9%	91.1%
YoY change	-1.7pp	-1.5pp	-1.0pp	-0.2pp	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: revenue 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%	89.5%	90.1%	89.6%	90.0%	89.7%
YoY change	-	-	-	-	-1.0pp	-1.8pp	-0.1pp	0.2pp
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%	87.7%	90.1%	89.1%	90.8%	88.8%
YoY change	-	-	-	-	-1.1pp	-2.8pp	3.8pp	1.3pp
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. SG&A expenses were JPY10.2bn (-1.8% YoY) and the SG&A-to-revenue ratio was 17.5% (-2.4pp YoY). With an increase in the number of consolidated subsidiaries, personnel expenses rose to JPY5.0bn (+11.7% YoY), but hiring expenses dropped to JPY1.6bn (-39.5% YoY), expenses related to M&A conducted in FY09/19 declined, and outsourcing expenses fell to JPY599mn (-25.8% YoY).

The company's FY09/20 full-year forecast was given as ranges rather than specific targets. FY09/20 revenue came within the projected range. Operating profit reached 91.5% of the bottom end of its targeted range, while profit attributable to owners of parent reached 96.1%. The shortfalls on the various profit lines were due to actions taken in conjunction with the shift to IFRS, including booking of JPY134mn related to allowance for doubtful accounts and other items at overseas partners, JPY339mn in impairment loss on a Vietnam affiliate, and JPY434mn in impairment loss on a subsidiary in the Philippines.

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, revenue rose YoY as demand for temporary staffing services remained robust, especially in regional cities where the effects of the pandemic have been limited. Despite economic volatility, the company secured double-digit segment profit growth by curtailing the hiring of technicians and adjusting the retention rate to reduce costs.

### Construction Technician Temporary Staffing and Ancillary Services: Revenue and key performance metrics

Revenue growth was driven by an increase in the number of technicians utilized following increased hiring of technicians and improved billing rates.

As for the key performance metrics, the average number of technicians was up 1.2% YoY, with staff utilization rate down 0.4pp YoY, hours dispatched down 1.3% YoY, and billing rates up 4.8% YoY.

- ▷ As of end-FY09/20, the number of technicians on the company's books was 5,348 (-751 YoY).
  - The number of technicians hired was 1,805, down 45.1% YoY from 3,289 in FY09/19. In an effort to balance hiring activities in light of its operating environment, the company revised its annual hiring goal to 1,650–2,300 technicians, and pushed ahead with hiring activities accordingly. On a quarterly basis, it hired 635 technicians in Q1 (-18.0% YoY), 584 in Q2 (-29.6% YoY), 295 in Q3 (-72.8% YoY), and 291 in Q4 (-51.6% YoY). The company has curtailed hiring since Q1 and aimed to improve the staff utilization rate in Q1 and Q2. In Q3 and Q4, it sharply scaled back hiring YoY to maintain the staff utilization rate in the face of uncertainty over demand trends amid the COVID-19 pandemic. However, it has resumed its hiring activities after the staff utilization rate rose both YoY and QoQ in Q4.
  - The retention rate fell 3.8pp to 69.1% from 72.8% in FY09/19. According to the company, the drop in the retention rate reflected rate adjustment and a large number of technicians hired in FY09/19 leaving in Q2 and Q3 FY09/20, after their first assignments.
- ▷ The staff utilization rate (number of technicians on assignment divided by total number of technicians) fell 0.4pp YoY from 92.7% in FY09/19 to 92.3% in FY09/20. On a quarterly basis, however, the utilization rate was 93.4% in Q1 (-0.2pp YoY), 93.8% in Q2 (-1.0pp YoY), 90.9% in Q3 (-2.7pp YoY), and 91.1% in Q4 (-1.6pp YoY). The rate for Q3 fell YoY and QoQ on falling demand for technicians due to the COVID-19 pandemic. The rate for Q4 was down YoY, but rose QoQ as demand bottomed out.
- ▷ Hours dispatched (the average number of hours worked per day) were 9.46 hours (-0.12 hours or -1.3% YoY). On a quarterly basis, hours dispatched were 9.57 hours in Q1 (-0.4% YoY), 9.63 hours in Q2 (-0.7% YoY), 9.24 hours in Q3 (-2.7% YoY), and 9.40 hours in Q4 (-1.3% YoY). In Q3, hours dispatched declined as overtime hours were reduced due to the pandemic, but rose QoQ in Q4.
- ▷ The average hourly billing rate was JPY3,126 (+JPY143 or +4.8% YoY). By quarter, the average hourly billing rate was JPY3,028 in Q1 (+1.8% YoY), JPY3,100 in Q2 (+4.1% YoY), JPY3,187 in Q3 (+6.2% YoY), and JPY3,189 in Q4 (+7.1% YoY). In Q3, Yumeshin reviewed its contracts with customers to reflect the revised Worker Dispatching Act (enacted in April 2020), and this drove up the average hourly billing rate. A decline in the ratio of first-year technicians similarly lifted the average hourly billing rate.

- Due to the reduction in hiring and lower retention rate, the ratio of first-year technicians whose average hourly rate is relatively low fell 14.1pp to 23.7% from 37.8% at end-FY09/19.
- Average billing rates per year of employment were as follows: up 4.2% YoY for first-year technicians, flat YoY for second-year technicians, up 1.0% YoY for third-year technicians, and up 1.7% YoY for four-plus year technicians.

The revised Worker Dispatching Act was enacted in April 2020. It aims to resolve unreasonable differences in treatment between regular and non-regular (including temporary) employees to realize equal pay for equal work (i.e., the determination of wages based on work content rather than employment format).

### Construction Technician Temporary Staffing and Ancillary Services: Gross profit and SG&A expenses

The segment's gross profit was up 1.6% YoY to JPY11.3bn, buoyed by revenue growth. However, GPM was down 1.2pp YoY to 29.9% as a decline in the staff utilization rate offset growth in billing rates. Yumeshin says that in Q4 the staff utilization rate improved QoQ, so GPM also improved QoQ.

SG&A expenses were JPY4.8bn (-10.9% YoY), and the SG&A-to-revenue ratio was 12.6% (-2.3pp YoY), breaking down into personnel expenses of JPY2.5bn (+8.3% YoY) and hiring expenses of JPY1.0bn (-36.9% YoY).

- ▷ Personnel expenses grew YoY due to increased headcount in sales and human resources management departments.
- ▷ Hiring expenses decreased YoY due to a fall in the number of new hires.

### 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, during FY09/20, it conducted retraining for current engineers and established a system to allow technical support engineers to be reclassified as middle-end engineers. Shared Research understands that this initiative will make it possible for Yumeshin to increase revenue and the profit margin due to higher billing rates in the medium term.

### Engineer Temporary Staffing and Ancillary Services: Revenue and key performance metrics

Revenue was up YoY due to an increase in the number of engineers and rise in average billing rate, because some technical support engineers were reclassified as middle-end engineers.

As for the key performance metrics, the average number of engineers was up 16.7% YoY, with staff utilization rate down 0.2pp YoY, hours dispatched down 1.5% YoY, and billing rates up 7.7% YoY.

- ▷ The average number of engineers was 3,592 (versus 3,078 in FY09/19), and the number of engineers on the company's books at end-FY09/20 was 3,579 (versus 3,640 at end-FY09/19). Yumeshin temporarily curtailed hiring in Q3 and the retention rate fell, resulting in a drop in the number of engineers on the company's books.

- In FY09/20, the company hired a total of 1,076 engineers (versus 1,748 in FY09/19). Broken down by quarter, it hired 386 in Q1 (+6.6% YoY), 371 in Q2 (+7.8% YoY), 104 in Q3 (-82.2% YoY), and 215 in Q4 (-53.1% YoY). It temporarily curtailed hiring in Q3, but resumed hiring efforts in Q4.
- The composition of Yumeshin's engineers as of end-FY09/20 was 41.9% technical support engineers (-17.6pp YoY), 47.6% middle-end engineers (+11.5pp YoY), and 10.5% high-end engineers (+6.1pp YoY). The ratio of technical support engineers declined and the ratio of middle-end engineers grew because, although hiring activities focus on technical support engineers, the number of engineers hired fell YoY and roughly 200 technical support engineers were reclassified as middle-end engineers.
- The retention rate fell to 76.6%, down 3.9pp from 80.9% in FY09/19.
- ▷ The staff utilization rate was 89.7%, up 0.2pp YoY from 89.5% in FY09/19. The rate held at the 90.0% level due to efforts to scale back hiring.
- ▷ Hours dispatched (the average number of hours worked per day) were 7.64 hours (-0.12 hours or -1.5% YoY). Through Q2, hours dispatched continued to trend down, driven by the ongoing impact of the government's push for work style reforms. In Q3, hours dispatched were 7.39 hours (-5.4% YoY) due to impact from the COVID-19 pandemic, but recovered to 7.97 hours in Q4 (flat YoY).
- ▷ The average hourly billing rate was JPY3,076 (+JPY219 or +7.7% YoY). As noted above, the average rate went up, because some technical support engineers were reclassified as middle-end engineers. In addition, the company reviewed its contracts with customers to reflect the revised Worker Dispatching Act (explained above), and this lifted the average hourly billing rate.

#### Engineer Temporary Staffing and Ancillary Services business: Gross profit and SG&A expenses

The segment's gross profit was up 20.1% YoY to JPY4.4bn, supported by revenue growth. However, GPM down was down 0.3pp YoY to 22.4% due to the lower staff utilization rate.

SG&A expenses were JPY3.8bn (+4.2% YoY), and the SG&A-to-revenue ratio was 19.1% (-3.2pp YoY), breaking down into personnel expenses of JPY2.0bn (+19.3% YoY) and hiring expenses of JPY621 mn (-40.9% YoY).

- ▷ Personnel expenses rose YoY due to an increase in the number of subsidiaries and higher headcounts in sales and human resources management departments.
- ▷ Hiring expenses declined YoY as the company scaled back hiring activities.

#### Other

- ▷ Revenue: JPY981 mn (+171.0% YoY)
- ▷ Segment loss: JPY241 mn (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.

Revenue expanded YoY but the segment loss widened.

#### Recruitment business

Revenue in the recruitment business was JPY77mn (-58.2% YoY), and the segment loss was JPY212mn (versus a loss of JPY145mn in FY09/19).

With lockdowns being put into place in urban areas around the world in an effort to prevent the further spread of COVID-19, the operating environment for the recruitment business was particularly harsh. Accordingly, the company intends to narrow down the business.

## Education business

Revenue in the education business was JPY847mn (7x the figure for FY09/19), and segment profit was JPY15mn (versus a loss of JPY246mn in FY09/19).

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

**For details on previous quarterly and annual results, please refer to the Historical financial statements section.**

## 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	FY09/21
	Act.	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	FY09/21
	Act.	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 by improving the retention rate in Construction Technician Temporary Staffing and Ancillary Services and increasing hiring in Engineer Temporary Staffing and Ancillary Services. This will cause expenses to rise, but Yumeshin still targets rises in revenue and profit on earnings growth especially in Engineer Temporary Staffing and Ancillary Services. In addition, in conjunction with the shift to IFRS in FY09/20, the company booked JPY134mn related to allowance for doubtful accounts and other items at overseas partners, JPY339mn in impairment loss on a Vietnam affiliate, and JPY434mn in impairment loss on a subsidiary in the Philippines. However, it does not anticipate any similar expenses in FY09/21.

### Construction Technician Temporary Staffing and Ancillary Services

Yumeshin projects revenue of JPY38.0bn (+0.2% YoY) and segment profit of JPY6.0bn (-8.9% YoY). It expects higher revenue due to an increased number of technicians, but lower profit caused by growth in expenses accompanying increased hiring and enhanced follow-up activities for technicians on the company's books.

The company is targeting 5,700 technicians (+6.6% YoY) on the books by end-FY09/21. It expects the staff utilization rate and billing rates to be essentially flat YoY.

In FY09/20, the retention rate temporarily fell to 69.1% (versus 72.7% in FY09/19). The company plans to hire 2,500 technicians during the year, identify those at lower risk of quitting, and raise the retention rate to 75% in the medium term. It plans to step up its efforts to follow up technicians on its books, boosting the headcount of those involved in follow-up activities from one per 100–200 technicians to one per 50. In addition, it will establish an Engineer Success Team and systematize the division of labor between follow-up staff and sales staff. The Engineer Success Team will comprise about 10 people who will follow a maximum of 50 technicians each, using periodic contact, visits, and questionnaires to identify those technicians who may have problems that would lead to resignation and work with them to resolve issues.

### Engineer Temporary Staffing and Ancillary Services

Yumeshin projects revenue of JPY22.0bn (+10.7% YoY) and segment profit of JPY900mn (+37.8% YoY). It expects higher revenue and profit due to an increased number of engineers.

The company is targeting 4,200 engineers (+17.4% YoY) on the books by end-FY09/21. In addition, it expects higher billing rates to boost revenue, but increased hiring to result in only moderate improvement in the staff utilization rate.

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.

The Construction Technician Temporary Staffing and Ancillary Services segment's revenue in FY09/20 (IFRS) was about 2.7x what it was in FY09/15 (Japanese standards), while segment profit reached about 3.8x. This segment was the company's growth driver. During this time, in the Engineer Temporary Staffing and Ancillary Services, the company hired more than 1,000 people each year, and has gained experience in hiring and training even inexperienced people to become engineers. Even as it targets stable earnings growth in the Construction Technician Temporary Staffing and Ancillary Services between FY09/20 and FY09/25, it aims to boost Engineer Temporary Staffing and Ancillary Services segment revenue to about 2.8x and 13.8x the FY09/20 levels by leveraging its accumulated experience. If it can achieve this, FY09/25 revenue and profit for each of the two segments will be about even, and Shared Research understands that this diversification of Yumeshin's business portfolio will lead to improved management stability.

### Earnings targets

Business plans (JPYmn)	FY09/20	FY09/21	FY09/22	FY09/23	FY09/24	FY09/25
	Act.	Est.	Target	Target	Target	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%
Construction Technician Temporary Staffing and Ancillary Services	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%
Engineer Temporary Staffing and Ancillary Services	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	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%
Construction Technician Temporary Staffing and Ancillary Services	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%
OPM	17.4%	15.8%	15.1%	15.7%	15.7%	16.1%
Engineer Temporary Staffing and Ancillary Services	653	900	1,500	3,400	6,400	9,000
YoY	953.2%	37.8%	66.7%	126.7%	88.2%	40.6%
OPM	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.

### Construction Technician Temporary Staffing and Ancillary Services

In this segment, Yumeshin targets FY09/25 revenue of JPY56.5bn (CAGR of 8.3% versus FY09/20) and profit of JPY9.1bn (CAGR of 6.7%).

The company plans to increase the number of employees on its books by focusing on recruitment and working to improve retention rates. In FY09/20, the retention rate temporarily fell to 69.1% (versus 72.7% in FY09/19). During hiring activities, the company aims to identify and hire candidates with a low risk of resigning, while also enhancing efforts to follow up technicians on its books, with the objective of raising the retention rate to 75% in the medium term. It plans to boost the headcount of those involved in follow-up activities from one per 100–200 technicians to one per 50. In addition, it will establish an Engineer Success Team and systematize the division of labor between follow-up staff and sales staff. The Engineer Success Team will comprise about 10 people who will follow a maximum of 50 technicians each, using periodic contact, visits, and questionnaires to identify those technicians who may have problems that would lead to resignation and work with them to resolve issues.

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.

**Engineer Temporary Staffing and Ancillary Services**

In this segment, Yumeshin targets FY09/25 revenue of JPY55.5bn (CAGR of 22.8% versus FY09/20) and profit of JPY9.0bn (CAGR of 69.0%).

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 says it costs JPY550,000 per person to hire someone with no experience in the industry, and JPY200,000 per month to train them for a one to two month period, but that such an employee can contribute to segment profit within one year of hire.

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 by about 2% annually. 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.

## Estimated scale of IT personnel shortage (1,000 people)



Source: Shared Research based on *Survey on Supply and Demand of IT Personnel* from Mizuho Information & Research Institute, Inc.

## Business

### Business description

Yumeshin's main segment is Construction Technician Temporary Staffing and Ancillary Services, and it also has Engineer Temporary Staffing and Ancillary Services and other businesses.

In FY09/20, the Construction Technician Temporary Staffing and Ancillary Services segment accounted for 64.6% of revenue and 94.1% of operating profit. The segment comprises subsegments of construction and technical support services and drawing and blueprint production. The construction and technical support services business provides construction companies with construction supervisors and computer aided design (CAD) operators, providing support for technical personnel at construction sites. The clients for drawing services are general contractors. Working drawings are also known as "production design drawings" and cover not only basic construction plans but also such areas as measurements and materials based on requirements related to functions, durability, weather resistance, appearance, project scheduling, and costs.

In FY09/20, the Engineer Temporary Staffing and Ancillary Services segment accounted for 33.9% of revenue and 9.3% of operating profit. In this segment, the company provides staffing services to clients in information and telecommunications and manufacturing in response to their R&D needs either through a worker staffing or outsourcing agreement. It primarily dispatches middle-end engineers involved mainly in design, evaluation, and maintenance or technical support engineers mainly involved in administrative work, equipment installation, and troubleshooting.

### Earnings by segment

	FY09/11	FY09/12	FY09/13	FY09/14	FY09/15	FY09/16	FY09/17	FY09/18	FY09/19		FY09/19	FY09/20
(JPY mn)	Cons.	(JPYmn)	IFRS	IFRS								
Sales	6,817	10,982	12,538	16,482	21,116	23,271	30,510	40,419	52,505	Revenue	52,505	58,669
YoY	40.2%	61.1%	14.2%	31.5%	28.1%	10.2%	31.1%	32.5%	29.9%	YoY	-	11.7%
Construction Technician Temp. Staffing	5,268	6,472	8,163	11,731	13,855	17,401	22,608	29,609	35,890	Construction Technician Temp. Staffing and Ancillary Services	35,860	37,921
YoY	15.7%	22.9%	26.1%	43.7%	18.1%	25.6%	29.9%	31.0%	21.2%	YoY	-	5.7%
% of sales	77.3%	58.9%	65.1%	71.2%	65.6%	74.8%	74.1%	73.3%	68.4%	% of total	68.3%	64.6%
Engineer Temporary Staffing	1,210	4,109	3,911	4,189	4,773	5,803	7,368	10,379	15,386	Engineer Temporary Staffing and Ancillary Services	16,354	19,875
YoY	-	239.6%	-4.8%	7.1%	13.9%	21.6%	27.0%	40.9%	48.2%	YoY	-	21.5%
% of sales	17.7%	37.4%	31.2%	25.4%	22.6%	24.9%	24.1%	25.7%	29.3%	% of total	31.1%	33.9%
Total segment profit	732	1,440	1,610	2,135	1,824	2,558	2,493	5,733	5,798	Total segment profit	5,889	7,239
YoY	1.5%	6.7%	11.1%	13.6%	-	40.2%	-2.5%	130.0%	1.1%	YoY	-	22.9%
Construction Technician Temp. Staffing	773	1,172	1,231	1,703	1,733	2,213	2,877	5,388	5,904	Construction Technician Temp. Staffing and Ancillary Services	5,826	6,585
YoY	11.5%	51.7%	5.1%	38.3%	-	27.6%	30.0%	87.3%	9.6%	YoY	-	13.0%
Profit margin	14.7%	18.1%	15.1%	14.5%	12.5%	12.7%	12.7%	18.2%	16.5%	Segment profit margin	16.2%	17.4%
% of total segment profit	105.5%	81.4%	76.5%	79.2%	85.6%	85.5%	116.3%	93.9%	101.9%	% of total segment profit	106.5%	94.1%
Engineer Temporary Staffing	-1	243	302	374	479	436	178	465	133	Engineer Temporary Staffing and Ancillary Services	62	653
YoY	-	-	24.5%	23.8%	-	-9.1%	-59.2%	161.8%	-71.3%	YoY	-	953.2%
Profit margin	-	5.9%	7.7%	8.9%	10.0%	7.5%	2.4%	4.5%	0.9%	Segment profit margin	0.4%	3.3%
% of total segment profit	0	16.9%	18.8%	17.4%	23.7%	16.8%	7.2%	8.1%	2.3%	% of total segment profit	1.1%	9.3%
Amortization of goodwill	-30	-83	-83	-76	-103	-132	-196	-184	-323	Amortization of goodwill	-	-
Company-wide expenses	-251	-61	245	877	6	7	65	-363	-755	Company-wide expenses	-1,581	-1,692
Operating profit	543	1,195	1,230	1,857	1,727	2,433	2,362	5,186	4,720	Operating profit	3,891	5,306
YoY	4.4%	120.1%	3.0%	51.0%	-7.0%	40.9%	-2.9%	119.6%	-9.0%	YoY	-	36.4%
OPM	8.0%	10.9%	9.8%	11.3%	8.2%	10.5%	7.7%	12.8%	9.0%	OPM	7.4%	9.0%
Recurring profit	451	1,296	1,771	2,952	1,960	2,463	2,424	4,941	4,558	Recurring profit	3,870	5,076
YoY	-18.3%	187.2%	36.7%	66.7%	-33.6%	25.7%	-1.6%	103.8%	-7.8%	YoY	-	31.2%
RPM	6.6%	11.8%	14.1%	17.9%	9.3%	10.6%	7.9%	12.2%	8.7%	RPM	7.4%	8.7%

Source: Shared Research based on company data

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

Note: "% of total segment profit" measures the share of an individual segment's profit against the total value of profit for all segments combined.

Note: Following change in reporting segments in FY09/18, the company is now reporting using the following three segments: Construction Technician Temporary Staffing, Engineer Temporary Staffing, and Other Businesses.

Note: The company altered its segmentation in FY09/20. Its reporting segments are now Construction Technician Temporary Staffing and Ancillary Services, Engineer Temporary Staffing and Ancillary Services, and Other Businesses.

Note: The company voluntarily applied IFRS from FY09/20. FY09/19 earnings results have been converted from the Japanese standards to IFRS for reference.

Note: Until FY09/14 segment profit was adjusted with recurring profit. After FY09/15, these figures are adjusted with operating profit.

## Construction Technician Temporary Staffing and Ancillary Services

Subsidiary Yumeshin Co., Ltd., runs this core business, which accounted for 64.6% of revenue and 94.1% of operating profit in FY09/20. Construction Technician Temporary Staffing and Ancillary Services can be further subdivided into Construction Technician Temporary Staffing and drawing and blueprint production.

### Dispatches full-time employees mainly to construction companies

The company signs a worker staffing agreement with a client and dispatches its own full-time employees to perform the job on client sites. It has an indefinite employment contract with its workers regardless of whether there is an end client, and pays them ongoing salaries. The client directly manages the staff and can utilize them for the duration of an assignment. This form of employment relationship is legally different from a registration-based staffing system under which an employment contract between the dispatched worker and the staffing company arises only once there is a work request from the client company and there is no salary payment in the absence of work request.

In construction, timing of orders is uncertain, site locations change with each project, duration of projects vary and are comparatively short, and the work is labor intensive. According to the company, this makes outsourcing perfectly suited for the needs of the industry. While many of its peers provide outsourcing services in different fields, Yumeshin has focused on construction staffing.

### Construction Technician Temporary Staffing

This is the company's core business; it has been offering this service since March 1991. The company provides construction companies with construction supervisors and computer aided design (CAD) operators, providing support for technical personnel at construction sites. Yumeshin's full-time employees are about 80% of staff; the remaining 20% are contract employees.

The company's construction supervisors provide support for construction site safety control, quality control, process control, cost management, and environmental management. Specific duties include taking site photos, assisting with surveying, managing site safety, running morning assemblies, communicating instructions, taking off (calculation of quantities of materials needed), and preparing various documents.

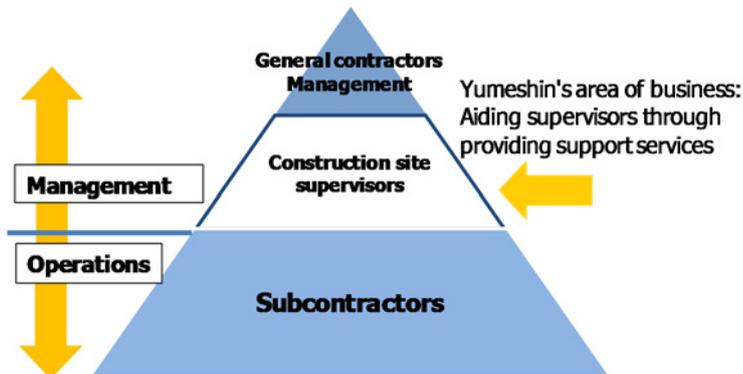
Yumeshin also has a training program for individuals seeking to obtain a license as a second-class construction supervisor under Japan's national qualification system. Candidates for the program must have at least one year of related practical experience, depending on academic background.

### Providing staffing to a multilayered subcontracting structure

Before looking at the company's Temporary Staffing segment in further detail, some features of the Japanese construction industry warrant an explanation. Japan's construction industry has a unique multilayered subcontracting structure. General contractors mostly handle project supervision, parceling out work to subcontractors. Employees of the general contractor do not take part in actual construction, instead subcontractor employees handle the construction work. General contractors are more akin to construction project managers for the end customer. Typical examples of general contractors include Taisei Corp. (TSE1: 1801), Obayashi Corp. (TSE1: 1802), Shimizu Corp. (TSE1: 1803), Kajima Corp. (TSE1: 1812), Takenaka Corp. (unlisted), Nishimatsu Construction Co. (TSE1: 1820), Maeda Corp. (TSE1: 1824), and Tokyu Construction Co. (TSE1: 1720). Subcontractors receive part of the construction work from general contractors, who originally received the orders from the customers.

Large subcontracting firms would typically include major facility construction companies like Kanden Co. (TSE1: 1942), Kinden Corp. (TSE1: 1944), or Takasago Thermal Engineering Co. (TSE1: 1969). Occasionally, these major facility construction companies might themselves serve as primary contractors. In addition to these firms, there are companies engaged in various specialized areas such as carpentry, structural steel, interiors, etc. These are also referred to as "subcontractors." While there are some subcontractors that hire their own workers, most will further "sub-subcontract" the work out to smaller operations. This secondary and tertiary subcontracting gives the industry its multilayered subcontracting structure.

Construction supervision services provided by the company staff include such general supervision tasks as coordinating work of various specialist workers on the construction site, preparing and making corrections in construction drawings, etc. The company provides safety control, quality control, process control, cost management, and environmental management for the construction industry. In the multilayer subcontracting structure of a typical Japanese construction site, Yumeshin provides construction site supervisors who assist in communication between the prime contractor employees (managers and supervisors) and subcontractors (workers who actually do construction).



Source: Company materials

### Dispersed client base and low per-client dependency

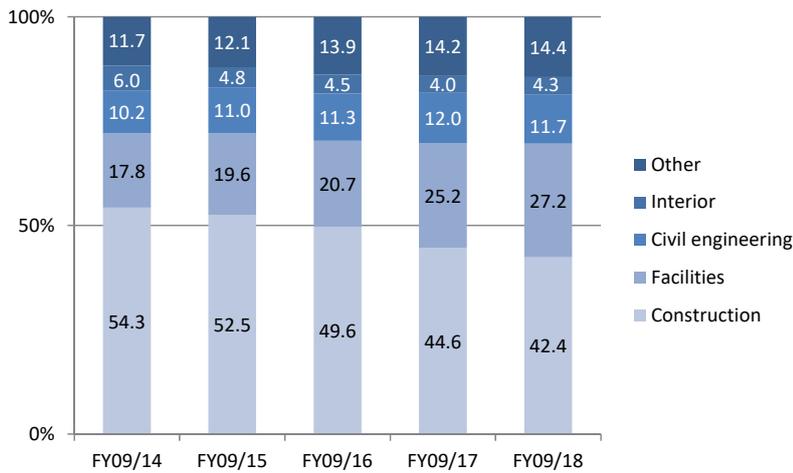
The company had 693 client firms in FY09/13 and about 2,000 in FY09/19, demonstrating a steady increase in the number of clients. As clients increased, the share of revenue from the top five clients has decreased from 17.5% in FY09/15 to 14.8% in FY09/19.

### Share of revenue by customer (%)

Rank	FY09/15		FY09/16		FY09/17		FY09/18		FY09/19	
1	Daiwa House Industry	6.2	Daiwa House Industry	6.1	Daiwa House Industry	5.4	Daiwa House Industry	4.7	Daiwa House Industry	4.6
2	Taisei	3.7	Taisei	4.1	Taisei	3.8	Taisei	3.8	Taisei	3.8
3	Shimizu	2.8	Shimizu	3.4	Shimizu	2.6	Shimizu	2.5	Shimizu	2.9
4	Tokyu Construction	2.7	Takenaka	3.0	Takenaka	2.0	Shinryo	1.7	Shinryo	2.1
5	Takenaka	2.2	Shinryo	1.7	Fuji Electric	1.6	NIPPO	1.3	Kinden	1.4
	Top 5 companies	17.5	Top 5 companies	18.3	Top 5 companies	15.3	Top 5 companies	14.1	Top 5 companies	14.8
	Top 10 companies	24.8	Top 10 companies	24.6	Top 10 companies	22.1	Top 10 companies	19.8		

Source: Shared Research based on company data

**Share of revenue by areas of staff specialization (%)**



Source: Shared Research based on company data

**Business characteristics**

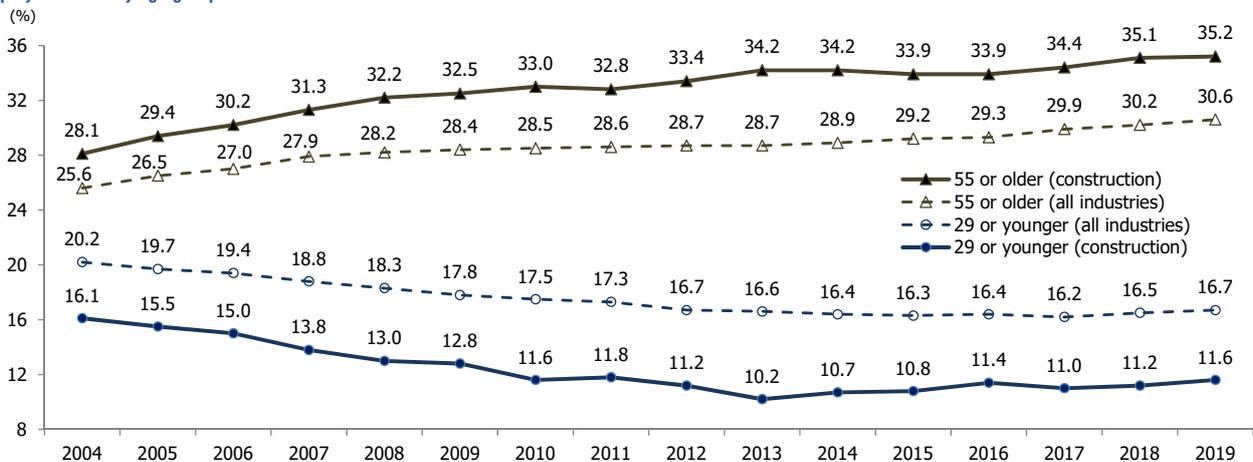
Yumeshin differentiates itself from competition through hiring many young employees, and focusing the majority of its business on the greater Tokyo area.

**Employees primarily in their twenties**

The Japanese construction industry is aging—in fiscal 2019, 43.8% of all employees were in their fifties, those in their forties constituted some 25.9%, and staff in their twenties and thirties made up a minority. This is because the construction industry held back on new hiring when the asset price bubble burst in Japan in the early 1990s. By contrast, a majority of Yumeshin’s staff were in their twenties as of September 2020. Construction sites typically expose workers to the elements. Billing rates tend to be low, and employees must be physically fit. Therefore, it is more suitable to young workers. As a result, the company responds by mainly employing young people for its Temporary Staffing services.

Remarkably, of the company’s employees, around 60% have been with the firm for at least three years. Employees typically go through two weeks of initial training in-house, and are then sent to gain hands on experience at client sites. The company emphasizes this sort of sink-or-swim, on-the-job training (OJT) and expects that while new employees may lack knowledge and experience at first, communication skills are more valuable to clients.

**Employment rate by age group**



Source: Shared Research based on Ministry of Internal Affairs and Communications data

As of end-September 2020, the company had 5,348 staff, compared to 6,099 as of end-September 2019 (supervisors it provides to clients). The number of staff it sends to a particular site depends on the project; typically, 1–2 people for a small project, but

up to 10 for a large project. Contracts are monthly, with eight-hour workdays and two days off per week. Any other work is treated as overtime.

There were about 140 sales personnel. Emphasis is on individual performance rather than teamwork. While salespeople work to acquire new clients, most sales involve projects from existing clients.

### **Drawing and blueprint production**

The company started out as an architectural design firm but changed its business model to emphasize construction blueprint services once it realized that working drawings were as important as master plans in ensuring high quality construction. Working drawings are also known as “production design drawings” and cover not only basic construction plans but also such areas as measurements and materials based on requirements related to durability, appearance, project scheduling, costs, etc. The clients for drawing services are general contractors and other construction related firms. In order to respond to the demand for lower-cost construction drawings, the company began outsourcing drawing production to affiliates in China (Shanghai, Dalian) and Vietnam. The Vietnamese affiliate was originally a subsidiary, Yumeshin Vietnam Co., Ltd., established in 1996, but the company excluded this from consolidation in 2009.

According to the company, drawing and blueprint production services have a gross profit margin of about 70% and operating profit margin of up to 40%.

Yumeshin uses the same sales personnel for both Construction Technician Temporary Staffing and drawing services. The workflow for a construction project: commissions for working drawings are paid prior to the start of construction work. After construction begins, a CAD operator (dispatched through Construction Technician Temporary Staffing) may make changes to the working drawings.

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### **Engineer Temporary Staffing and Ancillary Services**

Operations in this segment are carried out mainly by Yume Technology Co., Ltd. (became a wholly owned subsidiary in January 2019; formerly, Fullcast Technology Co., Ltd.), which was acquired during FY09/11.

In this segment, the company provides services under a worker staffing or outsourcing agreement in response to the R&D needs of client companies (some 800 companies in FY09/20) in the fields of information and telecommunications (50% of revenue), information and telecommunications device manufacturing (7%), transportation equipment (11%), electrical equipment (11%), and industrial equipment (10%), with others comprising 9%. Engineers the company dispatches to information telecommunications companies mainly work in applications development, help desks, and infrastructure engineering services. Customers in the manufacturing sector mainly require engineers to engage in quality control, CAD operation, evaluation and testing, and machinery design.

The company had 3,579 engineers on its books at end-FY09/20 (versus 3,640 at end-FY09/19), broadly divided into high-end, middle-end, and technical support engineers. High-end engineers are mainly involved in design and development and middle-end engineers in design, evaluation, and maintenance. Technical support engineers mainly provide administrative work, IT product installation, and troubleshooting.

In the Engineer Temporary Staffing and Ancillary Services, Yumeshin mainly hires newcomers to the industry, so they require one to two months before they can be dispatched to client companies. Hiring expenses per engineer are JPY550,000, and training expenses are JPY200,000 or more, but engineers can contribute to segment profit within one year of hire. In addition, the company retrain some current engineers for one to two months, and in FY09/20 such retraining led to the reclassification of about 200 technical support engineers as middle-end engineers. By focusing on reclassifying its engineers, the company aims to raise billing rates and improve profit margins.

## Business model

### Construction Technician Temporary Staffing and Ancillary Services

The company's revenue is driven by the number of staff (for construction sites or CAD operators) that it dispatches, utilization rates, hours dispatched, and the billing rate. Billing rates depend upon technicians' skills and years of employment. According to the company, clients typically seek discounts, but because no other companies can supply the numbers of young (relatively lower cost) staff that Yumeshin can, Yumeshin billing rates remain mostly stable.

#### Construction Technician Temporary Staffing and Ancillary Services revenue metrics

	FY09/16	FY09/17	FY09/18	FY09/19	FY09/20
Number of technicians	3,334	4,402	5,066	6,099	5,348
Number of new hires	2,018	2,666	2,764	3,289	1,805
Net increase	574	1,068	664	1,033	-751
Retention rate	69.8%	73.4%	70.7%	73.0%	67.7%
a) Average number of technicians	3,027	3,889	4,835	5,746	5,816
b) Utilization rate	92.7%	92.2%	93.8%	92.7%	92.3%
c) Average hours per day	9.7	9.6	9.6	9.6	9.5
d) Average hourly wage (JPY)	2,706	2,797	2,890	2,983	3,126
Sales (JPYmn)	17,401	22,608	29,609	35,890	37,921
YoY	25.6%	29.9%	31.0%	-	5.7%
Ref.: a x b x c x d x operating days (JPYmn)	17,309	22,649	29,477	35,771	37,306

Source: Shared Research based on company data

Note: Retention rate = Number of technicians at year end / (number of technicians at previous year end + new hires in the current year)

Note: Calculated based on 235 days of operation

Note: The company voluntarily applied IFRS from FY09/20. FY09/19 revenue figures have been converted from the Japanese standards to IFRS for reference.

### Cost of revenue

The majority of cost of revenue is labor. An important factor here is the company's need to pay ongoing salaries to the workers even when they are not assigned to the clients' sites. Further, seeing that it is hard to adjust wages rapidly and since billing rates are basically stable, we expect the spread between billing rates and wages paid to also be stable. This means changes in the staff utilization rate (number of staff sent out to a construction site divided by the number of total dispatch staff) is the primary factor affecting the company's gross profit margins.

That said, Shared Research considers the labor costs incurred by the company to be a semi-fixed cost. Because of the difficult working conditions of the construction sites and other reasons causing staff to quit, the average retention rate of Yumeshin technicians is low at 67.7% in FY09/20 (73.0% in FY09/19). As such, the company can adjust labor costs by restricting new hire and reducing the size of its staff through natural attrition.

### SG&A expenses

The majority of SG&A expenses are personnel costs. Judging from past performance, these costs can also be considered long-term variable as the company had been adjusting them with fluctuations in revenue levels.

**Construction Technician Temporary Staffing and Ancillary Services performance**

(JPYmn)	FY09/16	FY09/17	FY09/18	FY09/19	FY09/20
Sales	17,401	22,608	29,609	35,977	37,921
YoY	25.6%	29.9%	31.0%	-	5.4%
Cost of sales	12,371	15,791	20,004	24,806	26,573
Cost ratio	71.1%	69.8%	67.6%	68.9%	70.1%
Labor costs	12,071	15,384	19,467		
Outsourcing costs	93	104	108		
Other costs	207	303	430		
Gross profit	5,030	6,816	9,605	11,171	11,348
YoY	24.5%	35.5%	40.9%	-	1.6%
GPM	28.9%	30.2%	32.4%	31.1%	29.9%
SG&A expenses	2,817	3,939	4,624	5,345	4,762
SG&A ratio	16.2%	17.4%	15.6%	14.9%	12.6%
Salaries and allowances	1,050	1,368	1,677	2,340	2,534
Hiring expenses	669	1,118	1,249	1,629	1,028
Operating profit	2,213	2,877	4,981	5,826	6,585
YoY	27.7%	30.0%	73.1%	-	13.0%
OPM	12.7%	12.7%	16.8%	16.2%	17.4%

Source: Shared Research based on company data

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

Note: Through FY09/19, Yumeshin Holdings (parent) was in charge of Construction Technician Temporary Staffing (now Construction Technician Temporary Staffing and Ancillary Services), but in FY09/20 the company was converted to a pure holding company structure. For this reason, results through FY09/19 are results for the parent, but results starting with FY09/20 are for the Construction Technician Temporary Staffing and Ancillary Services segment.

Note: The company voluntarily applied IFRS from FY09/20. FY09/19 earnings results have been converted from the Japanese standards to IFRS for reference.

Note: Personnel expenses through FY09/18 were salaries and allowances.

**Engineer Temporary Staffing and Ancillary Services**

As in Construction Technician Temporary Staffing and Ancillary Services, revenue is determined by the number of engineers, utilization rate, and billing rates for workers. In FY09/20, the company had 3,579 engineers (versus 3,640 in FY09/19), an 89.7% utilization rate (versus 89.5% in FY09/19), and an average hourly billing rate of JPY3,076 (versus JPY2,857 in FY09/19).

**Engineer Temporary Staffing and Ancillary Services revenue metrics**

Construction Technician Temp. Staffing	FY09/16	FY09/17	FY09/18	FY09/19	FY09/20
Number of technicians	1,131	1,716	2,414	3,640	3,579
Number of new hires	460	941	1,118	1,748	1,076
Net increase	278	585	698	1,226	-61
Retention rate	86.1%	82.8%	85.2%	87.5%	75.9%
a) Average number of technicians	1,005	1,414	2,046	3,078	3,592
b) Utilization rate	93.3%	90.2%	91.5%	89.5%	89.7%
c) Average hourly wage (JPY)	3,091	2,952	2,853	2,857	3,076
Sales (JPYmn)	5,805	7,385	10,381	15,391	19,875
YoY	21.6%	27.2%	40.6%	48.3%	29.1%
Ref.: a x b x c x operating days (JPYmn)	5,789	7,521	10,669	15,721	19,797

Source: Shared Research based on company data

Note: Retention rate = Number of technicians at year end / (number of technicians at previous year end + new hires in the current year)

Note: Calculated based on 235 days of operation

Note: The company voluntarily applied IFRS from FY09/20. FY09/19 revenue figures have been converted from the Japanese standards to IFRS for reference.

In FY09/20, the gross profit margin was 22.4%. The vast majority of cost of revenue was labor. The SG&A-to-revenue ratio was 19.1%. Personnel expenses and hiring expenses account for the majority of SG&A expenses.

## Engineer Temporary Staffing and Ancillary Services performance

Engineer Temporary Staffing (JPYmm)	FY09/16	FY09/17	FY09/18	FY09/19	FY09/20
Sales	5,805	7,385	10,378	15,391	19,875
YoY	21.6%	27.2%	40.5%	48.3%	29.1%
Cost of sales	4,326	5,622	7,852	11,948	15,427
Cost ratio	74.5%	76.1%	75.7%	77.6%	77.6%
Labor costs	4,204	5,477			
Outsourcing costs	0	0			
Other costs	122	146			
Gross profit	1,479	1,763	2,529	3,443	4,448
YoY	21.4%	19.2%	43.5%	36.2%	29.2%
GPM	25.5%	23.9%	24.4%	22.4%	22.4%
SG&A expenses	1,046	1,588	2,061	3,309	3,795
SG&A ratio	18.0%	21.5%	19.9%	21.5%	19.1%
Salaries and allowances	382	531	934	1,649	1,968
Hiring expenses	262	546	662	1,051	621
Operating profit	433	175	465	133	653
YoY	-9.1%	-59.6%	165.8%	-71.4%	391.0%
OPM	7.5%	2.4%	4.5%	0.9%	3.3%

Source: Shared Research based on company data

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

Figures through FY09/17 are for Yume Technology Co., Ltd., the core subsidiary in Engineer Temporary Staffing and Ancillary Services.

Note: The company voluntarily applied IFRS from FY09/20. FY09/19 earnings results have been converted from the Japanese standards to IFRS for reference.

Note: Personnel expenses through FY09/18 were salaries and allowances.

## Group companies

The group consists of Yumeshin and consolidated subsidiaries. Respective segments are as shown in the table below:

### Segment and name of consolidated subsidiary

Segment	Business	Consolidated subsidiary
Construction Technician Temporary Staffing and Ancillary Services	Staff construction supervisors and technicians; draft and sell blueprints	Yumeshin Co., Ltd.
Engineer Temporary Staffing and Ancillary Services	Dispatch engineers to the manufacturing and IT industries	Yume Technology Co., Ltd. Yume Proeng Co., Ltd.
	Network engineer dispatch	Neplus K.K.
	IT engineer dispatch in the Philippines	Centurion Capital Pacific Limited P3OPLE4U, Inc.
	IT engineer dispatch	InformationPort Co., Ltd. Garet Co., Ltd.
	Offshore development in Vietnam	Yumeshin Vietnam Co., Ltd. Yumeshin Co., Ltd.
Other Businesses	Japanese language classes for local Filipino staff	YumeGlobal Corp.
	Support for local Vietnamese recruitment	Yume Global Co., Ltd.
	Planning and operation of online programming tutorial services	Samurai, Inc.
	Consultancy services	Centurion Capital Pacific Limited P3OPLE4U, Inc.

## Strengths and weaknesses

### Strengths

- ▶ **Reputation based on experience and stock market listing:** In the construction industry, credibility and trust are important factors in securing future work. Yumeshin has been building its reputation over many years, and has the added prestige of being a listed company—a combination not shared by many competitors. Yumeshin’s clients are mainly top-tier firms, so when the company delivers reliably for these clients, it seems reasonable to conclude other potential clients would take notice. As its relationships with blue-chip clients grow, so does Yumeshin’s reputation, creating a virtuous cycle leading to more business opportunities. Shared Research thinks that this cycle is likely to continue and strengthen with time. Because the company is publicly traded, it has a certain degree of reliability and recognition that its unlisted competitors lack. A side effect of being publicly traded is enhanced disclosure about business performance, financial condition, etc. This available information means the company is more transparent, which could make clients more confident in doing business with Yumeshin.
- ▶ **Established education system that quickly trains people with no experience to level where they can be dispatched to construction sites:** In Construction Technician Temporary Staffing and Ancillary Services, the company hires people with no work experience in the construction industry and even those with humanities degrees and puts them through a training program lasting about two weeks, which makes them ready for dispatch to construction sites. The training program covers a diverse range of subjects from safety training needed at construction sites to architecture fundamentals, practical surveying work, business etiquette, social skills, and PC training. Using this training program, the company has hired over 2,000 people per year since FY09/16, making it possible to maintain a capacity utilization rate above 90%.
- ▶ **Effective use of younger employees:** While the average employee in the construction industry has aged, the company has been actively hiring younger employees to work on client sites. Industry competitors have placed more emphasis on experience and skill in hiring decisions, resulting in a mainly older workforce. Yumeshin has favored energetic and well-rounded younger employees, and given them a lot of practical on-site experience shortly after joining the firm. As a result, the company’s employees bring both youth (and energy) to job sites and hands-on experience. The company’s financial performance suggests its sink-or-swim approach is effective.

### Weaknesses

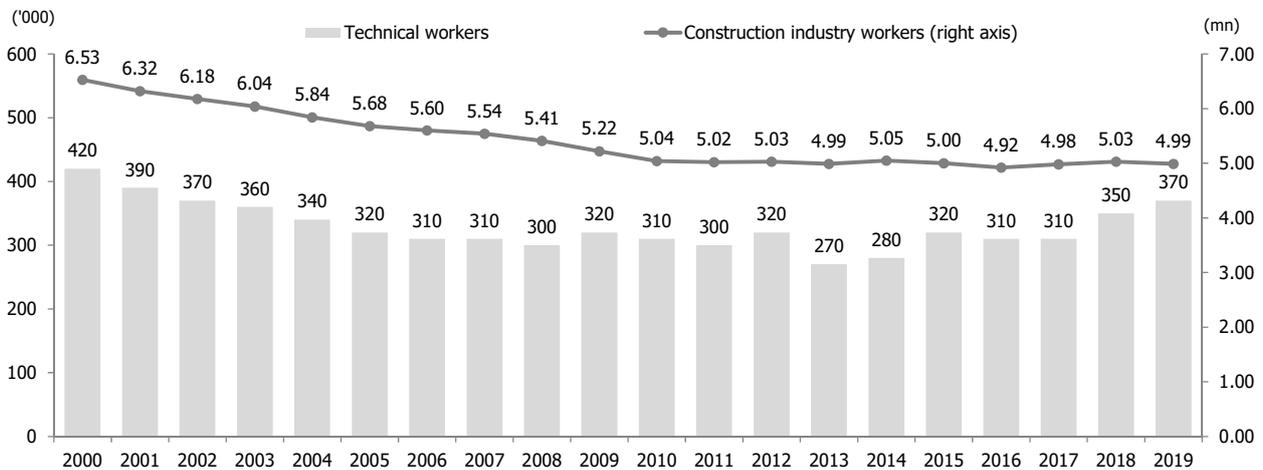
- ▶ **Performance in favorable economic periods:** Shared Research wonders if the company will be able to maintain its strength, using younger employees, during good economic times. This is tough to measure, but if the economy improves, some of the company’s younger employees may look for greener pastures elsewhere (either with competitors or higher-paying and less-demanding jobs). Job opportunities for older employees tend to be fewer, so competitors with older employees are less exposed to this potential risk. Additionally, as the aging population trend in Japan continues, hiring new graduates during boom times will likely be even more difficult than in the past. Naturally, a shortage of staff would mean lost opportunities for the company.
- ▶ **Dependence on construction industry:** In FY09/20, Construction Technician Temporary Staffing and Ancillary Services accounted for 64.6% of revenue and 94.1% of profit. As of December 2020, Construction Technician Temporary Staffing is seeing strong demand due to the recovery in construction spending and active utilization of dispatched technicians by construction contractors (see the Market and value chain section). However, if construction spending were to decrease again, causing diminishing demand for construction technicians, Shared Research believes this would likely have a very significant impact on the company’s earnings.

## Market and value chain

### Market overview

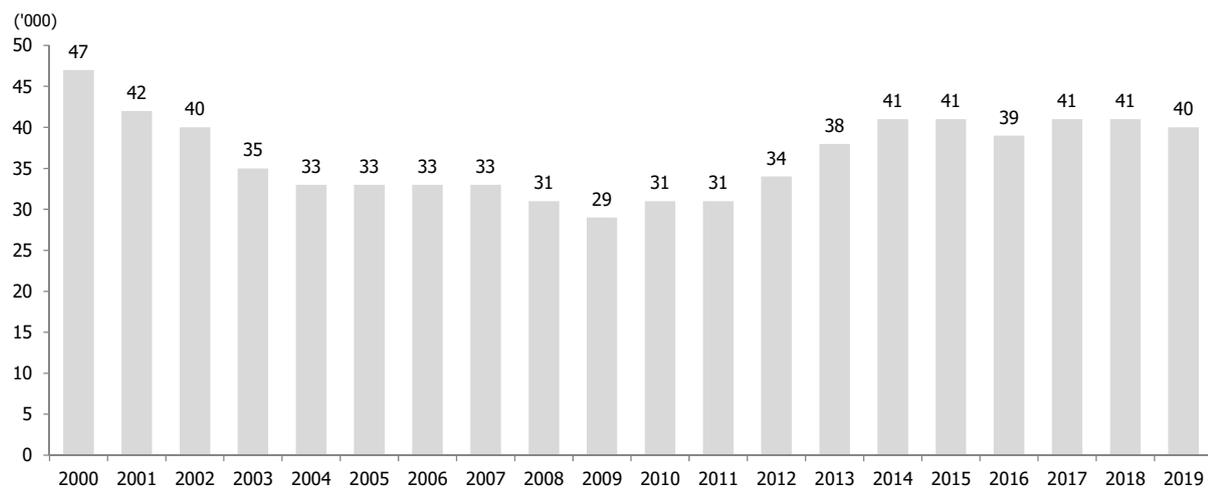
This section focuses on the market for Yumeshin’s mainstay Construction Technician Temporary Staffing and Ancillary Services.

#### Construction worker population



Source: Shared Research based on statistics from the Japan Federation of Construction Contractors' *Construction Handbook 2019*

#### New graduates joining construction industry ('000 people)



Source: Shared Research based on statistics from the Japan Federation of Construction Contractors' *Construction Handbook 2019*

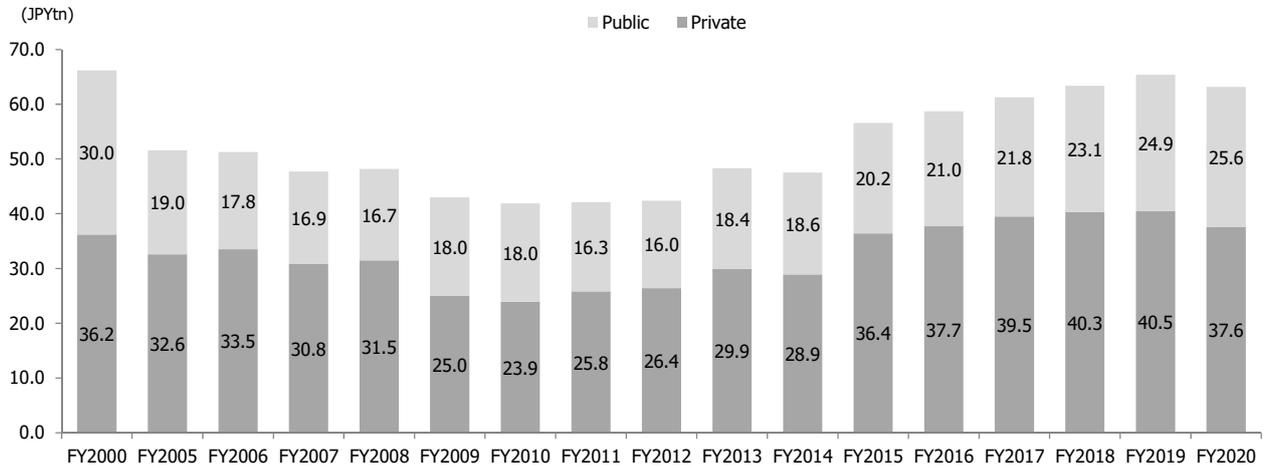
The construction industry expanded during Japan’s high economic growth period (from mid-1950s to 1960s) as it pushed mass hiring. The industry, however, has recently done without much hiring of new personnel against the backdrop of a nosedive in construction demand attributable to fewer public projects and lower capex after the economic bubble burst. The number of people employed in construction decreased by 1.54mn between 2000 and 2019. The number of new graduates entering the industry peaked in 1995 at 78,000. However, it bottomed out in 2009 at 29,000 and has been averaging around 40,000 a year since 2013, finishing fiscal 2019 at 40,000.

As of 2019, baby boomers were reaching their retirement ages, and the construction industry as a whole was aging accordingly, with one out of three workers (34.7%) being 55 years or older (see also Employment Rate by Age Group in the Construction Technician Temporary Staffing and Ancillary Services section). Also, with less young people joining the industry, chronic worker shortages have been an industry-wide issue.

Construction spending has been declining since it peaked in 1992 at JPY84tn. Following the 2007 revision to the Building Standards Law and the global financial crisis of 2008, construction spending continued to decline, and by 2010, it fell to JPY42tn, just half of the 1992 figure. Thereafter, spending has been increasing due to recovery efforts following the Great East Japan

Earthquake. Particularly in Tokyo and the neighboring prefectures, strong construction demand may continue due to population inflows, as well as rising demand for rebuilding houses aged 40 years or older, enhancing buildings' earthquake resistance, and making buildings barrier-free. Shared Research believes that the 2020 Tokyo Olympics, the 2025 Osaka World Expo, and the Linear Chuo Shinkansen (high-speed maglev train line), which is scheduled to open for business in 2027, will have positive impacts on construction spending.

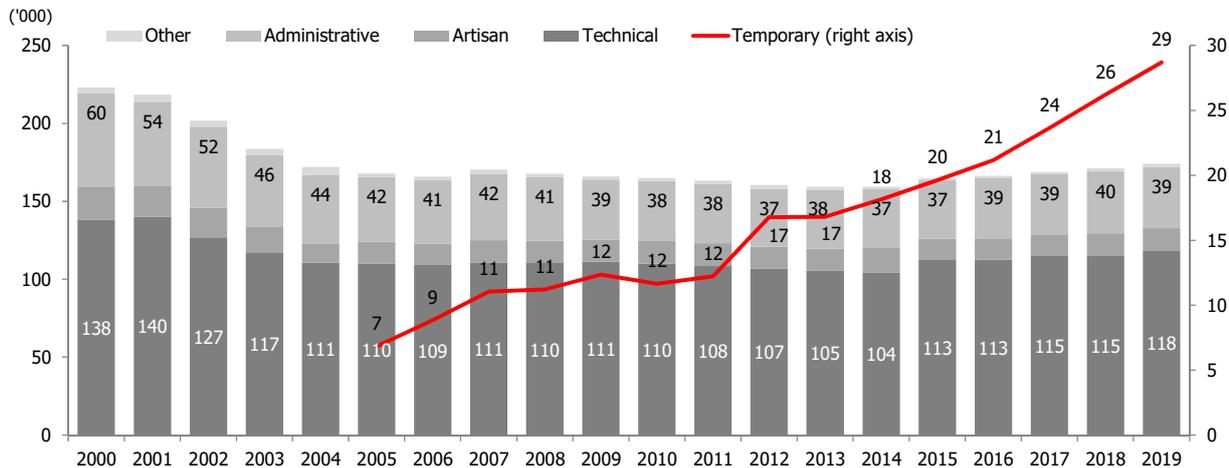
**Construction spending**



Source: Shared Research based on Ministry of Land, Infrastructure, Transport and Tourism *Construction Industry Investment Outlook for 2019*  
Note: Figures for 2020 are estimates.

To cope with construction demand, construction companies are cutting back on new hires in favor of hiring many more temporary workers from temporary staffing companies. Based on the figures presented in the Ministry of Land, Infrastructure, Transport and Tourism's *Construction Industry Activity Survey*, Shared Research has calculated that the hiring of temporary workers from temporary staffing companies by major construction companies increased at an average annual rate of 30.0% between 2005 and 2018.

**Individuals involved in major construction**



Source: Shared Research based on *Construction Industry Activity Survey* (of 53 companies), Ministry of Land, Infrastructure, Transport and Tourism

The rate of population growth is the main long-term demand driver for Tokyo area construction spending. Japan's total population started to decline after peaking in 2004. By contrast, the population of the Greater Tokyo Area has been growing as more economic activity concentrated in the area, leading to increasing job opportunities and higher standards of living, which in turn are attracting more residents, a self-perpetuating loop. Between 1995 and 2000, the population grew by 849,000 people; between 2000 and 2005, by 973,000 people. On average, the population increased by over 150,000 people per year. Since 2006, the pace slowed, but continued to be on the rise. This migration has been causing regional housing demand to shrink, while sustaining high levels of housing demand in and around Tokyo, a trend partially responsible for making the Greater Tokyo Area the largest megalopolis in the world.

### Greater Tokyo Area population

Population (Greater Tokyo area) ('000)	1995	2000	2005	2010	2014	2015	2016	2017	2018	2019
Tokyo	11,543	11,850	12,325	12,834	13,044	13,131	13,207	13,273	13,340	13,405
YoY	-	-	-	1.9%	0.5%	0.7%	0.6%	0.5%	0.5%	0.5%
Kanagawa	8,152	8,391	8,676	8,921	8,967	8,979	8,986	8,989	8,993	8,997
YoY	-	-	-	1.2%	0.1%	0.1%	0.1%	0.0%	0.0%	0.0%
Saitama	6,696	6,875	6,974	7,105	7,143	7,160	7,169	7,174	7,175	7,174
YoY	-	-	-	0.9%	0.1%	0.2%	0.1%	0.1%	0.0%	0.0%
Chiba	5,744	5,869	5,983	6,135	6,114	6,131	6,137	6,141	6,143	6,141
YoY	-	-	-	1.2%	0.0%	0.3%	0.1%	0.1%	0.0%	0.0%
Greater Tokyo area	32,136	32,985	33,958	34,995	35,268	35,402	35,499	35,577	35,651	35,717
YoY	-	-	-	1.4%	0.2%	0.4%	0.3%	0.2%	0.2%	0.2%
YoY change	-	849	973	1,037	85	134	97	78	74	66

Source: Ministry of Internal Affairs and Communications data

### Long-term expected population in Greater Tokyo Area

('000)	2015	2020	2025	2030	2035	2040	2045
Tokyo	13,515	13,733	13,846	13,883	13,852	13,759	13,607
CAGR	0.5%	0.3%	0.2%	0.1%	0.0%	-0.1%	-0.2%
Kanagawa	9,126	9,141	9,070	8,933	8,751	8,541	8,313
CAGR	0.2%	0.0%	-0.2%	-0.3%	-0.4%	-0.5%	-0.5%
Saitama	7,267	7,273	7,203	7,076	6,909	6,721	6,525
CAGR	0.2%	0.0%	-0.2%	-0.4%	-0.5%	-0.5%	-0.6%
Chiba	6,223	6,205	6,118	5,986	5,823	5,646	5,463
CAGR	0.0%	-0.1%	-0.3%	-0.4%	-0.6%	-0.6%	-0.7%
Greater Tokyo Area	36,131	36,352	36,237	35,878	35,335	34,667	33,907
CAGR	0.6%	0.1%	-0.1%	-0.2%	-0.3%	-0.4%	-0.4%

Source: National Institute of Population and Social Security Research data

However, when viewed over a longer time span, say 2020 or 2025, the Tokyo area population is likely to decline. So, over the longer term, it is hard to be overly optimistic about housing demand in the market. Still, what is important to consider here is the balance between the supply (workers) and demand (spending) in the construction industry. In other words, it is necessary to monitor which (the supply or demand) will shrink more rapidly in the long run.

## Barriers to entry

### Temporary staffing services

As the great number of staffing companies serving the construction industry suggests, the barriers to entry are low. However, it is a business where the track record and reputation matter and growing into a large business is challenging. The construction industry is order driven. This creates uncertainty for the client who cannot know whether construction is going to be completed with high quality and according to specification until the work is done. This means that past performance and the existing relationship of trust with clients are very important.

## Competitors

### Peers in Construction Technician Temporary Staffing and Ancillary Services

There are many of competing firms providing temporary staff to the construction industry, about 100 firms according to the company. However, the industry has seen increasing concentration, with the top five firms responsible for approximately 50% of the market and the top 10 making up about 75%. In descending order, the major players by revenues are: TechnoPro Construction, Inc. (unlisted), Tekken Kosan Co., Ltd. (a subsidiary of Tekken Corporation; TSE1: 1815), and Ikeshita Design Co., Ltd. (unlisted).

The company is independent, a relatively unique trait in the industry populated with general contractor subsidiaries, such as Act Technical Support Co., Ltd. (a subsidiary of Kajima Corporation; TSE1: 1812) and Taisei Staff Services Co., Ltd. (a subsidiary of Taisei Construction; TSE1: 1801). Such firms tend to provide staffing services primarily to their parent company and would not (or cannot) service their parent's competitors. This gives an independent firm like Yumeshin, neutral in its dealings with various general contractors, an important role. Also, as mentioned in Business Description, one important aspect of the company is that it

hires young people and proactively sends them out to work at construction sites. According to the company, the competition tends to use veteran employees who used to work at general contractors (older and more expensive staff). Therefore, Shared Research notes that in the construction industry, where younger workers continue to decrease and the entire workforce keeps aging, Yumeshin is in a relatively advantageous position.

## Peers in Engineer Temporary Staffing and Ancillary Services

Competing firms providing engineer temporary staffing and ancillary services include TechnoPro Holdings Inc. (TSE1: 6028), Meitec Corporation (TSE1: 9744), and Altech Corporation (TSE1: 4641).

Compared with the other companies, the company focuses more on younger, relatively inexperienced engineers and middle tier (including R&D assistance and evaluation and maintenance support) and support departments, and its billing rate is lower than its peers' rates.

### Overview of peers

	Revenue (JPYmn)	Gross profit (JPYmn)	Operating profit (JPYmn)	Number of engineers	Billing rate (JPY)	Number of client companies	Detail
Yumeshin	19,875	4,448 (22.4%)	653	3,579	3,076	More than 800	Dispatches engineers to machinery, electrical and electronic apparatus, IT, and chemical manufacturing industries. Primary business areas include middle tier (including R&D assistance and evaluation and maintenance support) and support departments. More than 90% of its engineers are in their 20s and 30s.
TechnoPro Holdings Inc.	158,407	40,226 (25.4%)	15,772	21,264	3,785	2,212	Handles the largest number of engineers and researchers in Japan. Dispatches engineers to technical fields, including machinery, electrical and electronic apparatuses, built-in control systems, IT infrastructure, software development and maintenance, chemistry, biotechnology, and construction management.
Meitec Corporation	75,297	20,159 (26.8%)	10,382	7,150	5,286	About 1,200	Dispatches engineers chiefly to advanced automotive and electrical apparatus manufacturing industries to cover design and development support. 53.6% of engineers are in their 30s and 40s.
Altech Corporation	36,371	9,197 (25.3%)	4,015	3,783	4,048	About 700	Dispatches engineers to machinery, electrical and electronics apparatus, software, and chemical manufacturing industries to cover various processes from basic research through planning, design, trial manufacturing, evaluation, and analysis.

Note: The company's results (IFRS) are from FY09/20 for Engineer Temporary Staffing and Ancillary Services, TechnoPro Holdings' are from FY06/20 (IFRS) with billing rate calculated based on monthly average revenue per engineer, Meitec's are from FY03/20 (parent), and Altech's are from FY12/19.

## Historical financial statements

### Cumulative Q3 FY09/20 results

- ▷ Sales: JPY44.1bn (+17.0% YoY)
- ▷ Operating profit: JPY4.7bn (+23.5% YoY)
- ▷ Recurring profit: JPY4.8bn (+27.2% YoY)
- ▷ Net income\*: JPY2.6bn (+1.9% YoY)

\*Net income attributable to owners of the parent

- ▷ 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.
- ▷ Sales growth in the Construction Technician Temporary Staffing and Ancillary Services and Engineer Temporary Staffing and Ancillary Services segments was underpinned by an increase in billing rates and continued high staff utilization rates. New subsidiaries acquired in FY09/19 also contributed to sales growth.
- ▷ GPM was down 1.0pp YoY to 28.6%, but gross profit increased on sales growth. In Q3 FY09/20 (April–June 2020), GPM was weighed down by a drop in the staff utilization rate in the Construction Technician Temporary Staffing and Ancillary Services segment as demand for technicians dwindled due to the COVID-19 pandemic. According to Yumeshin, personnel demand at customers has gradually recovered since June 2020—after the state of emergency was lifted. In Q4 (July–September 2020), the company plans to keep the staff utilization rate at the Q3 level, and conduct hiring activities accordingly.
- ▷ The YoY gains at the operating and recurring profit levels reflected a reduction in hiring and other expenses. SG&A expenses were JPY8.0bn (+7.7% YoY) and the SG&A-to-sales ratio was 18.0% (-1.6pp YoY). Factors driving up SG&A expenses were personnel expenses of JPY3.8bn (+21.7% YoY), rent expenses of JPY719mn (+57.7% YoY), and goodwill amortization of JPY314mn (+83.6% YoY), reflecting growth in the number of consolidated subsidiaries. Factors weighing down SG&A expenses were hiring expenses of JPY1.3bn (-36.1% YoY) and outsourcing expenses of JPY471mn (-21.1% YoY). The company plans to adopt IFRS from the FY09/20 results. In FY09/20, it plans to amortize goodwill of roughly JPY400mn over the full year under J-GAAP, but profit decreases caused by goodwill amortization will disappear under IFRS.
- ▷ Net income attributable to owners of the parent increased YoY despite an impairment loss of JPY423mn and an increase in income tax.

The company revised its full-year FY09/20 earnings forecast when announcing 1H results. The company lowered its sales and profit forecast for FY09/20 (IFRS basis), citing adjustments in hiring in line with expected demand amid projections for temporary project suspensions or delays at client companies, as well as personnel adjustments at outsourcing destinations. The company's revised forecast calls for sales of JPY58.0–60.0bn, operating profit of JPY5.8–6.6bn, and net income attributable to owners of the parent of JPY3.7–4.2bn. Compared to the previous forecast, the revised targets are JPY5.0–3.0bn lower for sales, JPY2.2–1.4bn lower for operating profit, and JPY1.7–1.2bn lower for net income attributable to owners of the parent. The ranged format factors in two scenarios, with the upper limits assuming hiring activity returning to normal from June 2020 and the lower limits assuming hiring activity remains subdued through the end of FY09/20.

Results for cumulative Q3 FY09/20 have been within the company's full-year forecast range. As noted above, the company says demand has gradually recovered. In Q4 FY09/20, the company expects to hire about 200 to 300 staff in the Construction Technician Temporary Staffing and Ancillary Services and Engineer Temporary Staffing and Ancillary Services segments. Having able to prevent a sharp decline in the staff utilization rate in Q3, the company thinks it can maintain a similar level going forward.

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

- ▷ Sales: JPY29.1bn (+10.2% YoY)
- ▷ Segment profit: JPY5.1bn (+18.0% 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.

#### Construction Technician Temporary Staffing and Ancillary Services: Sales and key metrics of sales performance

Sales growth was driven by an increase in the number of technicians utilized following increased hiring of technicians and improved billing rates.

As for the key metrics of sales performance, the average number of technicians was up 5.6% YoY, with staff utilization rate unchanged YoY, hours dispatched down 1.3% YoY, and billing rates up 4.0% YoY.

- ▷ As of end-June 2020, the number of technicians on the company's books was 5,638 (-447 YoY).
  - The number of technicians hired was 1,514, down 43.7% YoY from 2,688 in cumulative Q3 FY09/19. In an effort to balance hiring activities in light of its operating environment, the company revised its annual hiring goal to 1,650–2,300 technicians, and pushed ahead with hiring activities accordingly. On a quarterly basis, it hired 635 technicians in Q1 (-18.0% YoY), 584 in Q2 (-29.6% YoY), and 295 in Q3 (-72.8% YoY). The company has curtailed hiring since Q1, and it aimed to improve the staff utilization rate in Q1 and Q2. In Q3, it sharply scaled back hiring YoY due to uncertainty over demand trends amid the COVID-19 pandemic.
  - The retention rate fell 3.2pp to 69.5% from 72.9% in cumulative Q3 FY09/19. According to the company, the drop in the retention rate reflected a large number of technicians hired in FY09/19 leaving in Q2 and Q3 FY09/20, after their first assignments.
- ▷ The staff utilization rate (number of technicians on assignment divided by total number of technicians) was unchanged YoY at 92.7%. On a quarterly basis, however, the utilization rate was 93.4% in Q1 (-0.2pp YoY), 93.8% in Q2 (-1.0pp YoY), and 90.9% in Q3 (-2.7pp YoY). The rate for Q3 was affected by falling demand for technicians due to the COVID-19 pandemic.
- ▷ Hours dispatched (the average number of hours worked per day) were 9.48 hours (-0.12 hours or -1.3% YoY). On a quarterly basis, hours dispatched were 9.57 hours in Q1 (-0.4% YoY), 9.63 hours in Q2 (-0.7% YoY), and 9.24 hours in Q3 (-2.7% YoY). In Q3, hours dispatched declined as overtime hours were reduced due to the COVID-19 pandemic.
- ▷ The average hourly billing rate was JPY3,105 (+JPY120 or +4.0% YoY). By quarter, the average hourly billing rate was JPY3,028 in Q1 (+1.8% YoY), JPY3,100 in Q2 (+4.1% YoY), and JPY3,187 in Q3 (+6.2% YoY). In Q3, Yumeshin reviewed its contracts with customers to reflect the revised Worker Dispatching Act (enacted in April 2020), and this drove up the average hourly billing rate. A decline in the ratio of first-year technicians similarly lifted the average hourly billing rate.
  - Due to the reduction in hiring and lower retention rate, the ratio of first-year technicians whose average hourly rate is relatively low fell 16.3pp to 27.1% from 43.4% at end-Q3 FY09/19.
  - Average billing rates per year of employment were as follows: up 3.4% YoY for first-year technicians, up 0.2% YoY for second-year technicians, up 0.9% YoY for third-year technicians, and up 1.6% YoY for four-plus years technicians.

The revised Worker Dispatching Act was enacted in April 2020. It aims to resolve unreasonable differences in treatment between regular and non-regular (including temporary) employees to realize equal pay for equal work (i.e., the determination of wages based on work content rather than employment format).

#### Construction Technician Temporary Staffing and Ancillary Services: Gross profit and SG&A expenses

The segment's gross profit was up 5.3% YoY to JPY8.8bn, buoyed by sales growth. However, GPM was down 1.4pp YoY to 30.1% as a decline in the staff utilization rate offset growth in billing rates.

SG&A expenses were JPY3.7bn (-8.7% YoY), and the SG&A-to-sales ratio was 12.7% (-2.6pp YoY), breaking down into personnel expenses of JPY1.9bn (+12.4% YoY) and hiring expenses of JPY834mn (-35.7% YoY).

- ▷ Personnel expenses grew YoY due to increased headcount in sales and human resources management departments.
- ▷ Hiring expenses decreased YoY due to a fall in the number of new hires.

#### Q3 FY09/20 results

In Q3 FY09/20, sales totaled JPY8.9bn (-2.2% YoY, -12.5% QoQ), with segment profit at JPY1.3bn (-2.2% YoY, -31.6% QoQ).

Sales and profit declined YoY and QoQ due to a lower staff utilization rate amid the COVID-19 pandemic, a drop in the average number of technicians, and a decline in hours dispatched. Barring a resurgence of the COVID-19 pandemic, the company thinks it can achieve a recovery in earnings in Q4 by maintaining the retention rate at the Q3 level and increasing the number of technicians.

#### Engineer Temporary Staffing and Ancillary Services

- ▷ Sales: JPY14.4bn (+28.2% YoY)
- ▷ Segment profit: JPY636mn (+110.6% YoY)

At the Engineer Temporary Staffing and Ancillary Services business, demand for engineers remained strong, particularly in the manufacturing industry that has seen high levels of capital investment in labor saving and automation, as well as in the IT industry. Demand for engineers was particularly strong among semiconductor-related companies. After the lifting of the state of emergency, signs of a recovery were evident at an earlier stage than in the Construction Technician Temporary Staffing and Ancillary Services segment.

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.

#### Engineer Temporary Staffing and Ancillary Services: Sales and key metrics of sales performance

Sales were up YoY due to an increase in the number of engineers and rise in average billing rate, because some technical support engineers were reclassified as middle-end engineers.

As for the key metrics of sales performance, the average number of engineers was up 24.0% YoY, with staff utilization rate down 0.1pp YoY, hours dispatched down 2.1% YoY, and billing rates up 6.3% YoY.

- ▷ The average number of engineers was 3,602 (versus 2,904 in cumulative Q3 FY09/19), and the number of engineers on the company's books at end-June 2020 was 3,568 (versus 3,394 at end-June 2019). The increase in engineers reflects firm recruitment activities. However, the number of engineers on the company's books were down by 70 from 3,638 at end-March 2020 as the company temporarily curtailed hiring.
  - In cumulative Q3 FY09/20, the company hired a total of 861 engineers (versus 1,290 in cumulative Q3 FY09/19).

- The composition of Yumeshin's engineers as of end-June 2020 was 42.6% technical support engineers (-16.9pp YoY), 47.3% middle-end engineers (+11.2pp YoY), and 10.2% high-end engineers (+5.8pp YoY). While new hires were mostly technical support engineers, the share of technical support engineers declined and middle-end engineers increased as roughly 200 technical support engineers were reclassified as middle-end engineers. The share of high-end engineers grew as the newly consolidated subsidiary (in FY09/19) had high-end engineers on its books.
- The retention rate fell to 76.9%, down 3.4pp from 80.3% in cumulative Q3 FY09/19.
- ▷ The staff utilization rate was 90.0%, down 0.1pp YoY from 90.1% in cumulative Q3 FY09/19. The rate held at the 90.0% level due to efforts to scale back hiring.
- ▷ Hours dispatched (the average number of hours worked per day) were 7.53 hours (-0.16 hours or -2.1% YoY). Hours dispatched continued to trend down, driven by the ongoing impact of the government's push for work style reforms. In Q3, hours dispatched were 7.39 hours (-5.4% YoY) due to impact from the COVID-19 pandemic.
- ▷ The average hourly billing rate was JPY3,048 (+JPY181 or +6.3% YoY). As noted above, the average rate went up, because some technical support engineers were reclassified as middle-end engineers. In addition, the company reviewed its contracts with customers to reflect the revised Worker Dispatching Act (explained above), and this lifted the average hourly billing rate.

#### Engineer Temporary Staffing business: Gross profit and SG&A expenses

The segment's gross profit was up 25.1% YoY to JPY3.4bn, supported by sales growth. However, GPM down was down 0.6pp YoY to 23.9% despite higher billing rates and a steady staff utilization rate.

SG&A expenses were JPY2.8bn (+14.5% YoY), and the SG&A-to-sales ratio was 19.5% (-2.3pp YoY), breaking down into personnel expenses of JPY1.5bn (+30.0% YoY) and hiring expenses of JPY515mn (-33.6% YoY).

- ▷ Personnel expenses rose YoY due to an increase in the number of subsidiaries and higher headcounts in sales and human resources management departments.
- ▷ Hiring expenses declined YoY as the company scaled back hiring activities.

#### Q3 FY09/20 results

In Q3 FY09/20, sales totaled JPY4.7bn (+16.4% YoY, -1.4% QoQ), with segment profit at JPY356mn (+456.3% YoY, +85.4% QoQ).

Sales and profit increased YoY. Sales declined only 1.4% QoQ as higher billing rates softened the impact from a worsening staff utilization rate attributable to the COVID-19 pandemic, and declines in the average number of engineers and hours dispatched. Profit expanded QoQ due to an increase in GPM driven by higher billing rates and to lower hiring expenses. Assuming no resurgence of the COVID-19 pandemic, the company says it will target earnings growth in Q4 by keeping the staff utilization rate at above 90% and increasing the number of engineers.

#### Other

- ▷ Sales: JPY746mn (+303.2% YoY)
- ▷ Segment loss: JPY193mn (versus a loss of JPY114mn in cumulative Q3 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 cumulative Q3. Following an acquisition in FY09/19, the company also started an online tutorial service for programmers.

Sales expanded but the segment loss widened.

### Recruitment business

Sales in the recruitment business were JPY70mn (-49.7% YoY), and the segment loss was JPY164mn (versus a loss of JPY164mn in cumulative Q3 FY09/19).

With lockdowns being put into place in urban areas around the world in an effort to prevent the further spread of COVID-19, the operating environment for the recruitment business was particularly harsh. Accordingly, the company intends to narrow down the business.

### Education business

Sales in the education business were JPY627mn (78x the figure for cumulative Q3 FY09/19), and segment profit was JPY8mn (versus a loss of JPY10mn in cumulative Q3 FY09/19).

Sales and profit were firm, thanks to the effects from advertising campaigns the company rolled out in FY09/19.

## 1H FY09/20 results

▷ Sales:	JPY30.3bn (+23.5% YoY)
▷ Operating profit:	JPY3.4bn (+27.8% YoY)
▷ Recurring profit:	JPY3.4bn (+30.3% YoY)
▷ Net income*:	JPY1.6bn (-5.6% YoY)

\*Net income attributable to owners of the parent

- ▷ The top-line gains were driven by growth at the company's Construction Technician Temporary Staffing and Ancillary Services business as well as the Engineer Temporary Staffing and Ancillary Services business, both of which benefited from increases in the number of technicians working and higher billing rates, as well as contributions from companies acquired in the previous fiscal year.
- ▷ Gross profit was up on higher sales, but the GPM was down 1.1pp YoY to 29.2% due to improving technicians' pay in the Construction Technician Temporary Staffing and Ancillary Services business.
- ▷ The YoY gains at the operating and recurring profit levels reflected increases in the company's billing rates and curtailment of hiring and other expenses. SG&A expenses were JPY5.5bn (+26.6% YoY) and the SG&A-to-sales ratio was 18.1% (-1.5pp YoY). Factors contributing to the increase in SG&A expenses were personnel expenses totaling JPY2.5bn (+26.6% YoY) on new hiring of sales and HR staff and rent expenses of JPY491mn (+69.3% YoY) from an increase in the number of subsidiaries by M&A in FY09/19. Factors contributing to lower SG&A expenses included lower hiring expenses of JPY1.0bn (-22.7% YoY).
- ▷ The decline in earnings at the net income level was due to a jump in the company's tax burden and the booking of JPY419mn on goodwill impairment charges.

The company revised its full-year FY09/20 earnings forecast when announcing 1H results. It noted almost no impact on 1H earnings from the COVID-19 pandemic, with progress toward its full-year targets, prior to their revision, generally in line with the initial expectations. However, the company lowered its sales and profit forecast for FY09/20, citing adjustments in hiring in line with expected demand amid projections for temporary project suspensions or delays at client companies, as well as personnel adjustments at outsourcing destinations. The company's revised forecast calls for sales of JPY58.0–60.0bn, operating profit of JPY5.8–6.6bn, and net income attributable to owners of the parent of JPY3.7–4.2bn. Compared to the previous forecast, the revised targets are JPY5.0–3.0bn lower for sales, JPY2.2–1.4bn lower for operating profit, and JPY1.7–1.2bn lower for net income attributable to owners of the parent. The ranged format factors in two scenarios, with the upper limits assuming hiring activity returning to normal from June 2020 and the lower limits assuming hiring activity remains subdued through the end of FY09/20.

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

- ▷ Sales: JPY20.2bn (+16.7% YoY)
- ▷ Segment profit: JPY3.8bn (+27.2% YoY)

Demand for temporary construction technicians remained firm as general contractors continued to struggle with the labor shortages fostered by an aging workforce and a chronic lack of younger workers. Construction projects in the Tokyo area that are related to 2020 Tokyo Olympic and Paralympic Games have been completed, but new redevelopment projects were launched. Major construction projects in regional cities (including the Linear Chuo Shinkansen) have gotten underway in earnest. On the other hand, the increased number of COVID-19 infections has impacted progress at construction project progress, including delays in the delivery of materials.

#### Construction Technician Temporary Staffing and Ancillary Services business: sales and key metrics of sales performance

Sales growth was driven by an increase in the number of technicians utilized following increased hiring of technicians and improved billing rates.

As for the key metrics of sales performance such as the number of technicians that it dispatches, utilization rates, hours dispatched and billing rates, the average number of technicians was up 10.1% YoY with staff utilization rate up 0.6pp YoY, the average number of hours dispatched down 0.5%, and billing rates increased by 2.9% YoY.

- ▷ As of end-March 2020, the number of technicians in this segment was 5,936 (+232 YoY).
  - The number of hires was 1,219, down from 1,603 in 1H FY09/19. With the aim of maintaining its strong utilization rate, the company lowered the number of new hires YoY, but still made progress in its systematic recruitment program, created before the COVID-19 pandemic, targeting 2,900 new hires (down from 3,289 in FY09/19). The company has reduced hiring from March 2020 given uncertainties in demand as a result of the COVID-19 pandemic.
  - The retention rate fell 2.8pp to 69.9% from 72.7% in 1H FY09/19. According to the company, the temporary drop in retention rate reflected a large number of technicians hired in FY09/19 leaving after their first assignments.
- ▷ The utilization rate (number of technicians on assignment divided by total number of technicians) rose 0.6pp YoY to 93.6% from 93.0% in 1H FY09/19. As noted above, the company curtailed the hiring of technicians to focus on raising utilization rates.
- ▷ Hours dispatched (the average number of hours worked per day) were 9.60 hours, down 0.5% YoY (-0.05 hours YoY). There had been a period of decline in the hours dispatched, driven by the continued impact of the government's push for work style reform, but they were more or less steady YoY from Q2 FY09/19 onward.
- ▷ The average hourly billing rate was JPY3,064 (+JPY87 or +2.9% YoY). The average billing rate has increased for all years of employment except workers in their second year. The percentage of workers with relatively low hourly rates decreased.
  - With the reduction in hiring, the ratio of first-year technicians whose average hourly rate is relatively low fell 6.3pp from 41.2% a year prior to 34.9%.
  - Average billing rates per year of employment were as follows: up 2.5% YoY for first-year technicians, down 0.1% YoY for second-year technicians, up 1.4% YoY for third-year technicians, and up 1.9% YoY for four-plus years technicians.

#### Construction Technician Temporary Staffing and Ancillary Services: Gross profit and SG&A expenses

The segment's gross profit was up 13.7% YoY to JPY6.3bn, buoyed by growth in sales. GPM of 31.4% was down 0.8pp YoY due to pay increases for technicians, despite higher billing rates and higher utilization rates.

SG&A expenses were JPY2.6bn (-1.6% YoY), and the SG&A-to-sales ratio was 12.7% (-2.4pp YoY), breaking down into personnel expenses of JPY1.3bn (+17.7% YoY) and hiring expenses of JPY648mn (-24.9% YoY).

- ▷ Personnel expenses went up YoY due to increased headcount in sales and human resources management departments.
- ▷ Hiring expenses decreased YoY due to a fall in the number of new hires.

## COVID-19 impact

The COVID-19 pandemic had almost no impact on earnings in 1H FY09/20. While there were suspensions or delays at some construction projects in the greater Tokyo metropolitan area as of May 2020, the reduction in workers has been rather limited. Expecting a reduction in demand for construction technicians, the company reduced hiring in April–May to about half the initial target. Keeping a close eye on trends at construction companies, Yumeshin intends to hire construction technicians from June in line with actual demand.

## Engineer Temporary Staffing and Ancillary Services

- ▷ Sales: JPY9.6bn (+34.9% YoY)
- ▷ Segment profit: JPY281 mn (+17.6% YoY)

At the Engineer Temporary Staffing and Ancillary Services business, demand for engineers remained strong, particularly in the manufacturing and IT industries, with high levels of capital investment in labor saving and automation.

In keeping with the favorable operating environment, the company set its annual hiring goal at 1,350 and also took steps to strengthen its internal organization to accommodate this level of hiring and training. 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.

### Engineer Temporary Staffing and Ancillary Services business: sales and key metrics of sales performance

Sales were up YoY due to an increase in the number of engineers and rise in average billing rate, because some technical support engineers were reclassified as middle-end engineers.

As for the key metrics of sales performance, the average number of engineers was up 32.1% YoY, the staff utilization rate fell 1.7pp YoY, and the average billing rate went up 5.6% YoY.

- ▷ The average number of engineers was 3,626 (versus 2,745 in 1H FY09/19), and the number of engineers on the company's books at end-March 2020 was 3,638 (versus 2,838 at end-March 2019). The increase in engineers reflects firm recruitment activities over the past year.
  - In 1H FY09/20, the company hired a total of 757 people in (versus 706 in 1H FY09/19).
  - The composition of Yumeshin's engineers as of end-March 2020 is 55.5% technical support engineers (-4.0pp YoY), 39.7% middle-end engineers (+3.6pp YoY), and 4.8% high-end engineers (+0.4pp YoY). While new hires were mostly technical support engineers, the share of technical support engineers declined and middle-end engineers increased as some technical support engineers were reclassified as middle-end engineers and the newly consolidated subsidiary (in FY09/19) had high-end engineers.
  - The staff retention rate fell to 78.1%, down 2.0pp from 80.1% a year earlier.
- ▷ The staff utilization rate was 89.6%, down 1.8pp YoY from 91.4% a year earlier. The decline in the utilization rate reflected the increase in the number of engineers.
- ▷ Hours dispatched (the average number of hours worked per day) totaled 7.60 (-0.03 hours or -0.4% YoY). Hours continued to trend down, driven by the continued impact of the government's push for work style reforms.

- ▷ The average hourly billing rate was JPY2,995 (+4.8% YoY or +JPY137 YoY). As noted above, the average rate went up, because some technical support engineers were reclassified as middle-end engineers.

#### Engineer Temporary Staffing business: Gross profit and SG&A expenses

Gross profit of the Engineer Temporary Staffing business was JPY2.2bn (+23.3% YoY) buoyed by growth in sales. However, GPM of 23.3% was down 2.1pp YoY despite higher billing rates, due to lower utilization rates.

SG&A expenses were JPY2.0bn (+24.8% YoY) and the SG&A-to-sales ratio was 20.4% (-1.7pp YoY). Personnel expenses were JPY956mn (+33.5% YoY) and hiring expenses came to JPY422mn (+13.2% YoY).

- ▷ Personnel expenses went up due to increasing the head count in sales and human resources management departments.
- ▷ Hiring expenses rose YoY owing to the increased number of new hires during the period.

#### COVID 19 impact

As with Construction Technician Temporary Staffing and Ancillary Services, the impact from the COVID-19 pandemic on Engineer Temporary Staffing and Ancillary Services earnings was almost non-existent. Demand at present also appears firm. The company's policy from June 2020 is to match recruitment activity to actual engineer demand.

#### Other

- ▷ Sales: JPY496mn (+342.9% YoY)
- ▷ Segment loss: JPY119mn (versus a loss of JPY52mn in 1H 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. Following an acquisition last fiscal year, the company also started an online tutorial service for programmers.

Reflecting these efforts, sales at the segment were up sharply but operating losses increased.

#### Recruitment business

Sales in the recruitment business reached JPY57mn (-28.4% YoY), with segment loss at JPY95mn (versus a loss of JPY66mn in 1H FY09/19).

With lockdowns being put into place in urban areas around the world in an effort to prevent the further spread of COVID-19, the operating environment for the recruitment business was particularly harsh. Accordingly, the company is following a policy focused on narrowing down the business.

#### Education business

Sales in the education business reached JPY404mn, up from JPY8mn in 1H FY09/19, with segment profit at JPY12mn (versus a loss of JPY7mn in 1H FY09/19).

Sales and profit were both firm, thanks in part to the effects from advertising last year.

### Q1 FY09/20 results

- ▷ Sales: JPY15.1bn (+27.6% YoY)
- ▷ Operating profit: JPY1.5bn (+23.0% YoY)
- ▷ Recurring profit: JPY1.5bn (+22.4% YoY)
- ▷ Net income\*: JPY729mn (-14.5% YoY)

\*Net income attributable to owners of the parent

- ▷ The top-line gains were driven by growth at the company's Construction Technician Temporary Staffing and Ancillary Services business as well as the Engineer Temporary Staffing and Ancillary Services business, both of which benefited from increases in the number of technicians working and higher billing rates, as well as contributions from companies acquired in the previous fiscal year.
- ▷ Gross profit was up on higher sales, but the GPM was down 1.0pp YoY to 28.8% due to improving technicians' pay in the Construction Technician Temporary Staffing and Ancillary Services business.
- ▷ The gains at the operating and recurring profit levels reflected increases in the company's billing rates and curtailment of hiring and other expenses. SG&A expenses were JPY2.8bn (+23.4% YoY) and the SG&A-to-sales ratio was 18.6% (-0.6pp YoY). Factors contributing to the increase in SG&A expenses were personnel expenses totaling JPY1.3bn (+37.7% YoY) on new hiring of sales and HR staff and rent expenses of JPY255mn (+88.9% YoY) from an increase in the number of subsidiaries by M&A in FY09/19, offset lower hiring expenses of JPY561mn (-12.6% YoY) and outsourcing expenses of 109mn (-45.2% YoY) due to the absence of M&A-related expenses.
- ▷ The decline in earnings at the net income level was due to a jump in the company's tax burden.

Progress versus the FY09/20 company forecast was on track. The company has indicated it will voluntarily apply IFRS from full-year FY09/20, applying J-GAAP through cumulative Q3, and has only announced full-year forecast on an IFRS basis.

Overviews by segment are as follows. Note: Starting in Q1 FY09/20, the company changed the names of reportable segments from Construction Technician Temporary Staffing and Engineer Temporary Staffing segments to Construction Technician Temporary Staffing and Ancillary Services and Engineer Temporary Staffing and Ancillary Services. The company also reorganized its business segments, such as transferring the IT business (network equipment sales and leasing and contracted IT systems development) from the Other segment to the Engineer Temporary Staffing and Ancillary Services segment. FY09/19 figures have been adjusted for purposes of comparison and are provided for reference purposes only.

### Construction Technician Temporary Staffing and Ancillary Services

- ▷ Sales: JPY10.0bn (+19.1% YoY)
- ▷ Segment profit: JPY1.8bn (+34.0% YoY)

Demand for temporary construction technicians remained strong as general contractors continue to struggle with the labor shortages fostered by an aging workforce and a chronic lack of younger workers. Construction projects in the Tokyo area that are related to 2020 Tokyo Olympic and Paralympic Games have been completed, but new redevelopment projects were launched. Major construction projections in regional cities (including the Linear Chuo Shinkansen) have gotten underway in earnest.

### Construction Technician Temporary Staffing and Ancillary Services business: sales and key metrics of sales performance

Sales growth was driven by an increase in the number of technicians utilized following increased hiring of technicians and improved billing rates.

As for the key metrics of sales performance such as the number of technicians that it dispatches, utilization rates, hours dispatched and billing rates, the average number of technicians was up 13.8% YoY with staff utilization rate up 0.2pp YoY, the average number of hours dispatched down 0.4%, and billing rates increased by 1.8% YoY.

- ▷ As of end-December 2019, the number of technicians in this segment was 6,078 (up 650 YoY).

- ▷ The company's systematic recruitment program targeting 2,900 new hires in FY09/20 (versus 3,289 in FY09/19) resulted in 635 workers joining in Q1 (versus 774 in Q1 FY09/19). In Q1 FY09/20, it curtailed the hiring of technicians to focus on raising utilization rates.
- ▷ The retention rate fell 1.8pp to 70.9% from 72.6% in Q1 FY09/19. According to the company, the temporary drop in retention rate reflected a large number of technicians hired in FY09/19 leaving after their first assignments.
- ▷ The utilization rate (number of technicians on assignment divided by total number of technicians) rose 0.2pp YoY to 93.4% from 93.2% in Q1 FY09/19. As noted above, the company curtailed the hiring of technicians to focus on raising utilization rates in Q1.
- ▷ Hours dispatched (the average number of hours worked per day) were 9.57 hours, down 0.4% YoY (-0.04 hours YoY). There had been a period of decline in the hours dispatched, driven by the continued impact of the government's push for work style reform, but they were more or less steady YoY from Q2 FY09/19 onward.
- ▷ The average hourly billing rate was JPY3,028 (+JPY93 or +1.8% YoY). The average billing rate has increased for all years of employment except workers in their second year. The percentage of workers with relatively low hourly rates decreased.
- ▷ The ratio of first-year technicians whose average hourly rate is relatively low fell 1.7pp from 40.9% a year prior to 39.2%.
- ▷ Average billing rates per year of employment were as follows: up 1.1% YoY for first-year technicians, down 0.6% YoY for second-year technicians, up 0.6% YoY for third-year technicians, and up 1.1% YoY for four-plus years technicians. The company said robust demand for construction technician temporary staffing continued to push average billing rates generally higher.

#### Construction Technician Temporary Staffing and Ancillary Services: Gross profit and SG&A expenses

The segment's gross profit was up 16.8% YoY to JPY3.1bn, buoyed by growth in sales. GPM of 30.5% was down 0.6pp YoY due to pay increases for technicians, despite higher billing rates and higher utilization rates.

SG&A expenses were JPY1.2bn (-2.3% YoY), and the SG&A-to-sales ratio was 12.1% (-2.6pp YoY), breaking down into personnel expenses of JPY635mn (+20.7 YoY) and hiring expenses of JPY328mn (-21.5% YoY).

- ▷ Personnel expenses went up YoY due to increased headcount in sales and human resources management departments.
- ▷ Hiring expenses decreased YoY due to a fall in the number of new hires. As well, the company established a new recruiting webpage in Q1 FY09/19 targeting veteran technicians (over age 50) and conducted recruitment campaigns but in Q3 discontinued those that fell short of expected results, which also contributed to a reduction in hiring expenses.

#### Engineer Temporary Staffing and Ancillary Services

- ▷ Sales: JPY4.8bn (+44.3% YoY)
- ▷ Segment profit: JPY88mn (-48.2% YoY)

At the Engineer Temporary Staffing and Ancillary Services business, demand for engineers remained strong, particularly in the manufacturing and IT industries, with high levels of capital investment in labor saving and automation.

In keeping with the favorable operating environment, the company set its annual hiring goal at 1,350 (versus 1,748 a year earlier) and also took steps to strengthen its internal organization to accommodate this level of hiring and training. 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.

## Engineer Temporary Staffing and Ancillary Services business: sales and key metrics of sales performance

Sales were up YoY due to an increase in the number of engineers and rise in average billing rate, because some technical support engineers were reclassified as middle-end engineers.

As for the key metrics of sales performance, the average number of engineers was up 36.8% YoY, the staff utilization rate fell 1.7pp YoY, and the average billing rate went up 5.6% YoY.

- ▷ The average number of engineers was 3,637 (versus 2,659 in Q1 FY09/19), and the number of engineers on the company's books at end-December 2019 was 3,703 (versus 2,719 at end-December 2019). The increase in engineers reflected a focus on recruitment activities in FY09/19.
- ▷ In Q1 FY09/20, the company hired a total of 386 people in Q1 FY09/19 (versus 362 in Q1 FY09/19).
- ▷ The composition of Yumeshin's engineers as of end December 2019 is 54.0% technical support engineers (-5.5pp YoY), 40.7% middle-end engineers (+4.6pp YoY), and 5.4% high-end engineers (+1.0pp YoY). While new hires were mostly technical support engineers, the share of technical support engineers declined and middle-end engineers increased as some technical support engineers were reclassified as middle-end engineers and the newly consolidated subsidiary (in FY09/19) had high-end engineers.
- ▷ Broken down into IT and electrical and electronic apparatuses/machinery businesses, the number of engineers at end December 2019 was 2,550 for IT and 1,153 for electric and electronic apparatuses/machinery. The company is focusing on hiring more IT engineers in the medium term. In Q1 FY09/20, the 386 new hires broke down into 320 in the IT business and 66 in the electric and electronic apparatuses/machinery business.
- ▷ The staff retention rate fell to 79.5%, down 1.7pp from 81.2% a year earlier.
- ▷ The staff utilization rate was 90.1%, down 1.0pp YoY from 91.1% in Q1 FY09/19. The decline in the utilization rate reflected the increase in the number of engineers.
- ▷ Hours dispatched (the average number of hours worked per day) totaled 7.66 (-0.02 hours or -0.3% YoY). Hours continued to trend down, driven by the continued impact of the government's push for work style reforms.
- ▷ The average hourly billing rate was JPY2,974 (+5.6% YoY or +JPY158 YoY). As noted above, the average rate went up, because some technical support engineers were reclassified as middle-end engineers.

IT engineers: Mainly engage in app and website development or installation and troubleshooting of IT products, depending on their position  
 Electrical, electronic, and mechanical engineers: Mainly engage in design and development as well as administrative work in the fields of semiconductors, electrical and electronic apparatuses, machinery, information technology, and chemistry.

## Engineer Temporary Staffing business: Gross profit and SG&A expenses

Gross profit of the Engineer Temporary Staffing business was JPY1.1bn (+31.2% YoY) buoyed by growth in sales. However, GPM of 23.7% was down 2.4pp YoY despite higher billing rates, due to lower utilization rates.

SG&A expenses were JPY1.1bn (+50.6% YoY) and the SG&A-to-sales ratio was 21.8% (+0.9pp YoY). Personnel expenses were JPY479mn (+53.0% YoY) and hiring expenses came to JPY252mn (+6.3% YoY).

- ▷ Personnel expenses went up due to increasing the head count in sales and human resources management departments.
- ▷ Hiring expenses rose YoY owing to the increased number of new hires during the period.

## Other

- ▷ Sales: JPY248mn (+281.5% YoY)
- ▷ Segment loss: JPY92mn (versus loss of JPY47mn in Q1 FY09/19)

Other businesses include recruitment services for construction companies, recruitment support services for Japanese companies seeking local human resources in Vietnam, and Japanese language schools for local hires of Japanese companies in Vietnam, the Philippines, Taiwan, and South Korea. Following an acquisition last fiscal year, the company also started an online tutorial service for programmers.

Reflecting these efforts, sales at the segment were up sharply but operating losses increased.

## Full-year FY09/19 results

- ▷ Sales: JPY52.5bn (+29.9% YoY)
- ▷ Operating profit: JPY4.7bn (-9.0% YoY)
- ▷ Recurring profit: JPY4.6bn (-7.8% YoY)
- ▷ Net income\*: JPY2.5bn (-31.1% YoY)

\*Net income attributable to owners of the parent

- ▷ Sales increased on growth in the Construction Technician Temporary Staffing and the Engineer Temporary Staffing segments driven primarily by an increase in the number of technicians and higher billing rates. Acquired subsidiaries also contributed to the increase in sales.
- ▷ Gross profit was JPY15.3bn (+23.8% YoY) due to sales growth, but GPM declined by 1.4pp YoY to 29.1%. It fell due to lower utilization rates in the Construction Technician Temporary Staffing and Engineer Temporary Staffing segments.
- ▷ Operating profit fell YoY as an increase of JPY3.4bn in SG&A expenses exceeded a JPY2.9bn rise in gross profit. The increase in SG&A expenses included rises of JPY1.2bn in personnel costs due to higher headcount in management operations and a rise in the number of associated companies, JPY801mn in hiring expenses, JPY408mn in M&A related expenses (advisory fees and goodwill amortization), and JPY985mn elsewhere.
- ▷ Recurring profit fell because of lower operating profit.
- ▷ Net income attributable to owners of the parent declined YoY, reflecting the decline in recurring profit and the dropout of a one-off boost (JPY441mn) in 1H FY09/18 from the sale of shares in an affiliate. The company also recorded an extraordinary loss of JPY952mn, including a write-down in the value of an affiliated company of JPY257mn and a write-down of the value of investment securities of JPY200mn.

Sales reached 105.0% of the full-year FY09/19 forecast, operating profit 78.7%, recurring profit 76.0%, and net income 61.1%. Although sales came in above plan, profit at all levels came in below. Sales exceeded company forecast due to contributions from companies acquired in the Engineer Temporary Staffing segment. Operating and recurring profit fell short due to unexpected M&A related costs. In addition, in the Construction Technician Temporary Staffing segment, hiring expenses exceeded forecast as the company took on 3,289 workers versus its forecast of 2,800. Net income came in below forecast due to recurring profit falling short of plan and the posting of an extraordinary loss.

Overviews by segment are as follows.

### Construction Technician Temporary Staffing

- ▷ Sales: JPY35.9bn (+21.2% YoY)
- ▷ Segment profit: JPY5.9bn (+9.6% YoY)

Due to an aging workforce and shortage of young workers, dispatch demand at general contractors remained firm. In addition to the peak demand before the completion of construction projects related to the 2020 Tokyo Olympic and Paralympic Games,

there was growth in new redevelopment projects. Major construction projects including the Linear Chuo Shinkansen also got into full swing.

#### Construction Technician Temporary Staffing business: sales and key metrics of sales performance

Sales growth was driven by an increase in the number of technicians utilized following increased hiring of technicians and improved billing rates.

As for the key metrics of sales performance such as the number of technicians that it dispatches, utilization rates, hours dispatched and billing rates, the average number of technicians was up 15.6% YoY with staff utilization rate down 1.9pp YoY, the average number of hours dispatched up 0.1%, and billing rates increased by 3.2% YoY.

- ▷ As of end-September 2019, the number of technicians in this segment was 6,099 (up 1,033 YoY).
- ▷ The company's increased focus on recruitment has come to fruition as 3,289 new hires in FY09/19 (2,764 in FY09/18). In Q3 the company hired 1,085 workers (716 in Q3 FY09/18) and 601 in Q4 (677). 2,688 in the first three quarters (versus 2,087 in cumulative Q3 FY09/18). In Q3 alone, new hires totaled 1,085 (up from 829 a year earlier). The company explained that in Q3 it introduced a new, more efficient job applicant management system that integrated the data received from multiple recruitment media. As a result, Yumeshin has been able to increase the number of interviews conducted by each recruiter at the company and boost the number of new hires. In Q4, it curtailed hiring due to lower employee utilization rates in Q3.
- ▷ The retention rate rose by 1.0pp to 72.8% from 71.8% in FY09/18. According to the company, the improvement in retention rate reflected initiatives such as the commencement of on-site training by reproducing construction sites inside the warehouse. The retention rate also improved thanks to a new system put in place at the start of the fiscal year, whereby in each region, a leader selected among the technicians helps retain peers who are considering to leave the company.
- ▷ The utilization rate (number of technicians on assignment divided by total number of technicians) declined 1.9pp YoY to 91.9% from 93.8% in FY09/18. On a quarterly basis, the utilization rate was 92.1% in Q3 (down 1.0pp YoY) and 89.5% in Q4 (down 3.4pp). The company said that Q3 (April–June) is a lean period for labor demand in the construction industry and demand for construction technicians is relatively low. The utilization rate fell in Q3 after the company increased headcount by over 1,000, and remained low in Q4 despite the company curtailing new hires.
- ▷ Hours dispatched (the average number of hours worked per day) was 9.58 hours, up 0.1% YoY (+0.01 hours YoY). There had been a period of decline in the hours dispatched, driven by the continued impact of the government's push for work style reform, but they were more or less steady YoY from Q2 FY09/19 onward with the figures for the full year generally in line with results of the previous year.
- ▷ The average hourly billing rate was JPY2,983 (+JPY93 or +3.2% YoY). The average billing rate has increased for all years of employment. In addition, thanks to the rise in retention rate, the billing rate mix has improved on an increase in the share of engineers with two or more years' experience with a relatively high hourly rate.
- ▷ The ratio of first-year technicians whose average hourly rate is relatively low fell 3.5pp from 41.3% a year prior to 37.8%.
- ▷ Average billing rates per year of employment were as follows: up 2.4% YoY for first-year technicians, up 1.3% YoY for second-year technicians, up 2.1% YoY for third-year technicians, and up 1.8% YoY for four-plus years technicians. The company said robust demand for construction technician temporary staffing continued to push average billing rates higher.

#### Construction Technician Temporary Staffing: Gross profit and SG&A expenses

The segment's gross profit was up 17.4% YoY to JPY11.3bn, buoyed by growth in sales. GPM of 31.4% was down 1.0pp YoY despite higher billing rates, due to lower utilization rates.

SG&A expenses were JPY5.4bn (+27.3% YoY), and the SG&A-to-sales ratio was 15.0% (+0.7pp YoY), breaking down into personnel expenses of JPY2.4bn (+20.9% YoY) and hiring expenses of JPY1.6bn (+32.8% YoY).

- ▷ Personnel expenses went up due to increased headcount in sales and human resources management departments.
- ▷ Hiring expenses increased YoY. In addition to an increase in the number of new hires, average hiring expenses per new hire for the full year rose by 11.4% YoY to JPY498,000 as the company started targeting veteran employees who have relatively high hiring expenses. That said, average hiring expense fell from JPY538,000 in 1H to JPY461,000 in 2H, mainly because hiring expense per veteran employee dropped from JPY1.2mn in 1H to JPY735,000 in 2H. In 1H the company established a new recruiting webpage targeting veteran technicians (over age 50) and conducted recruitment campaigns but in Q3 discontinued those that fell short of expected results. The new job applicant management system mentioned earlier also helped lower the cost per new technician hired.

### Engineer Temporary Staffing

- ▷ Sales: JPY15.4bn (+48.3% YoY)
- ▷ Segment profit: JPY133mn (-71.3% YoY)

In the Engineer Temporary Staffing business, demand for engineers remained strong, particularly in the manufacturing and IT industries, with high levels of capital investment in labor saving and automation.

Under these conditions, the company set a yearly hiring plan of 1,800 engineers in order to respond to the growing demand for engineers. It focused on hiring activities, as well as enhancement of training programs to strengthen the internal system. In FY09/19, the company hired 1,748 engineers (1,118 engineers in FY09/18) and the number of engineers in the company's books as of end-September 2019 was 3,640 (+1,226 YoY). In addition to new hires, the increase in engineers reflects those employed by a recently acquired new consolidated subsidiary.

Sales were up due to the increase in engineer numbers. Segment profit declined YoY despite increased efficiency in recruiting.

As for the key metrics of sales performance, the average number of engineers was up 50.4% YoY, the staff utilization rate fell 2.0pp YoY, and the average billing rate went up 3.7% YoY.

- ▷ The average number of engineers was 3,078 (versus 2,046 in FY09/18), and the number of engineers on the company's books at end-September 2019 was 3,640 (versus 2,414 at end-September 2018). In addition to new hires, the increase in engineers reflected those employed by a recently acquired new consolidated subsidiary.
- ▷ The company hired a total of 1,748 people over FY09/19 (versus 1,118 in FY09/18). The newly acquired consolidated subsidiary accounted for about 200 of this total.
- ▷ The composition of Yumeshin's engineers as of end-FY09/19 is 59.5% technical support engineers (-0.7pp YoY), 36.1% middle-end engineers (+2.6pp YoY), and 4.4% high-end engineers (-1.9pp YoY). While new hires were mostly technical support engineers, the share of technical support engineers declined and middle-end engineers increased as some technical support engineers were reclassified as middle-end engineers and the newly consolidated subsidiary had many middle-end and high-end engineers.
- ▷ The staff retention rate fell to 80.9%, down 0.2pp from 81.1% a year earlier.
- ▷ The staff utilization rate was 89.5% down 2.0pp YoY from 91.5% in FY09/18. The decline in the utilization rate reflected the increase in the number of engineers.
- ▷ The average hourly billing rate was JPY2,857 (+0.1% YoY or +JPY4 YoY). Although the average hourly rate increased in all classes, the increase was small due to the mix.

- ▷ The hourly rate was JPY2,550 (+4.4% YoY) for technical support engineers, JPY3,298 (+1.4% YoY) for middle-end engineers, and JPY4,401 (+5.1% YoY) for high-end engineers.

In the fields of semiconductors, electrical and electronic apparatuses, machinery, information technology, and chemistry, high-end engineers mainly engage in design and development and middle-end engineers are primarily involved with design, evaluations, and maintenance. Technical support engineers mainly handle installation of IT products and troubleshooting in addition to administrative work.

#### Engineer Temporary Staffing business: Gross profit and SG&A expenses

Gross profit of the Engineer Temporary Staffing business was JPY3.4bn (+36.3% YoY) buoyed by growth in sales. However, GPM of 22.4% was down 2.0pp YoY despite higher billing rates, due to lower utilization rates.

SG&A expenses were JPY3.3bn (+60.6% YoY) and the SG&A-to-sales ratio was 21.5% (+1.6pp YoY). Personnel expenses were JPY1.5bn (+58.7% YoY) and hiring expenses came to JPY1.0bn (+56.6% YoY).

- ▷ Personnel expenses went up due to increasing the head count in sales and human resources management departments.
- ▷ Hiring expenses rose YoY owing to the increased number of new hires during the period.

#### Other

- ▷ Sales: JPY1.3bn (+157.5% YoY)
- ▷ Segment loss before goodwill amortization: JPY239mn loss (segment loss of JPY120mn in FY09/18)
- ▷ Segment loss after goodwill amortization: JPY384mn loss (segment loss of JPY251mn in FY09/18)

Other businesses include recruitment services, education services, and IT services.

#### Recruitment

- ▷ Sales: JPY156mn (-36.3% YoY)
- ▷ Segment loss before goodwill amortization: JPY138mn (profit of JPY43mn in FY09/18)

Runs businesses such as Yume Global Co., Ltd. Provides recruitment for construction companies, recruitment support services for Japanese companies looking for local staff in Vietnam, and Japanese language classes for overseas staff of Japanese companies in Vietnam, the Philippines, Taiwan, and South Korea.

#### Education

- ▷ Sales: JPY123mn (-11.5% YoY)
- ▷ Segment loss before goodwill amortization: JPY236mn (segment loss of JPY133mn in FY09/18)

Runs businesses such as Samurai, Inc., which offers programming tutorial services for businesspeople.

#### IT

- ▷ Sales: JPY974mn (+649.2% YoY)
- ▷ Segment profit before goodwill amortization: JPY133mn (segment loss of JPY30mn in FY09/18)

Runs businesses such as Neplus K.K., InformationPort Co., Ltd., and Garenet Co., Ltd., which sell and lease network equipment sales and provide contracted IT systems development. In FY09/19, sales and leasing of network equipment by Neplus drove segment results.

In October 2018, the company made network equipment sales and leasing business operator and engineer dispatch company Neplus a subsidiary and included it in the Engineer Temporary Staffing business, but transferred network equipment sales and leasing to the Other business segment in Q3 FY09/19. The company said that Neplus has the No. 1 share in the network equipment sales and leasing industry.

## Income statement

Income statement (JPY mn)	FY09/11 JGAAP	FY09/12 JGAAP	FY09/13 JGAAP	FY09/14 JGAAP	FY09/15 JGAAP	FY09/16 JGAAP	FY09/17 JGAAP	FY09/18 JGAAP	Income statement (JPY mn)	FY09/19 IFRS	FY09/20 IFRS
<b>Sales</b>	<b>6,817</b>	<b>10,982</b>	<b>12,538</b>	<b>16,482</b>	<b>21,116</b>	<b>23,271</b>	<b>30,510</b>	<b>40,419</b>	<b>Revenue</b>	<b>52,505</b>	<b>58,669</b>
YoY	40.2%	61.1%	14.2%	31.5%	28.1%	10.2%	31.1%	32.5%	YoY	-	11.7%
Cost of sales	4,918	7,824	9,088	11,900	15,966	16,707	21,730	28,081	Cost of revenue	37,644	42,494
<b>Gross profit</b>	<b>1,899</b>	<b>3,159</b>	<b>3,450</b>	<b>4,583</b>	<b>5,150</b>	<b>6,563</b>	<b>8,781</b>	<b>12,339</b>	<b>Gross profit</b>	<b>14,861</b>	<b>16,175</b>
Gross profit margin	27.9%	28.8%	27.5%	27.8%	24.4%	28.2%	28.8%	30.5%	Gross profit margin	28.3%	27.6%
SG&A expenses	1,357	1,964	2,220	2,726	3,423	4,130	6,419	7,152	SG&A expenses	10,435	10,249
SG&A ratio	19.9%	17.9%	17.7%	16.5%	16.2%	17.7%	21.0%	17.7%	SG&A ratio	19.9%	17.5%
<b>Operating profit</b>	<b>543</b>	<b>1,195</b>	<b>1,230</b>	<b>1,857</b>	<b>1,727</b>	<b>2,433</b>	<b>2,362</b>	<b>5,186</b>	<b>Operating profit</b>	<b>3,891</b>	<b>5,306</b>
YoY	4.4%	120.1%	3.0%	51.0%	-7.0%	40.9%	-2.9%	119.6%	YoY	-	36.4%
Operating profit margin	8.0%	10.9%	9.8%	11.3%	8.2%	10.5%	7.7%	12.8%	Operating profit margin	7.4%	9.0%
Non-operating income	232	269	648	1,379	356	246	219	187	Finance income	60	294
Non-operating expense	324	168	107	284	123	216	157	432	Finance expenses	82	524
<b>Recurring profit</b>	<b>451</b>	<b>1,296</b>	<b>1,771</b>	<b>2,952</b>	<b>1,960</b>	<b>2,463</b>	<b>2,424</b>	<b>4,941</b>	<b>Pre-tax profit</b>	<b>3,870</b>	<b>5,076</b>
YoY	-18.3%	187.2%	36.7%	66.7%	-33.6%	25.7%	-1.6%	103.8%	YoY	-	31.2%
RPM	6.6%	11.8%	14.1%	17.9%	9.3%	10.6%	7.9%	12.2%	Pre-tax profit margin	7.4%	8.7%
Tax charges	219	469	536	1,093	1,189	708	910	1,342	Income tax expenses	995	1,514
Implied tax rate	69.7%	37.5%	26.8%	31.8%	38.0%	28.8%	40.6%	26.4%	Implied tax rate	25.7%	29.8%
Net income attrib. to non-controlling interests	-7	40	71	95	61	130	-97	108	Net income attrib. to non-controlling interests	-75	6
<b>Net income</b>	<b>102</b>	<b>739</b>	<b>1,389</b>	<b>2,246</b>	<b>1,882</b>	<b>1,623</b>	<b>1,426</b>	<b>3,636</b>	<b>Profit</b>	<b>2,949</b>	<b>3,557</b>
YoY	-73.5%	622.5%	88.0%	61.8%	-16.2%	-13.7%	-12.1%	154.9%	YoY	#REF!	20.6%
Net margin	1.5%	6.7%	11.1%	13.6%	8.9%	7.0%	4.7%	9.0%	Profit margin	5.6%	6.1%

Source: Shared Research based on company data

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

From FY09/09 until FY09/10, sales were sluggish as construction of new houses fell due in part to stricter compliance inspections connected to revisions to the Building Standards Law. From FY09/11 until FY09/12, sales rose thanks primarily to the acquisition of Yume Technology as a consolidated subsidiary. Since FY09/13, the company has achieved earnings growth by expanding its staff of technicians and raising billing rates as the construction industry recovers.

### FY09/09–FY09/10

Company sales trended downward from FY09/09 until FY09/10. This drop was primarily due to the 2008 global financial crisis and a slump in construction of new houses that occurred as a result of stricter compliance inspections in connection with 2007 revisions to the Building Standards Law.

Operating profit increased by more than 50% while sales fell 22.6% in FY09/09. This rise occurred because SG&A expenses decreased by 35.2% YoY due primarily to reduced payment of overtime wages achieved through the adoption of a flex time system. In FY09/10, operating profit dropped on lower sales.

### FY09/11–FY09/12

In January 2011, the company converted Yume Technology (formerly Fullcast Technology Co., Ltd.) into a subsidiary and advanced into the construction technician temporary staffing business. This conversion boosted FY09/11 sales and also brought up FY09/12 sales through Yume Technology's full-year contributions to consolidated earnings.

Growth in operating profit was limited to 4.4% in FY09/11 but expanded by 120.1% in FY09/12. This growth was due to increased profit, which was primarily thanks to a rising utilization rate in the Construction Technician Temporary Staffing business.

### Since FY09/13

Yumeshin hired 1,233 new construction technicians in FY09/13, about three times as many as in FY09/12. The company has since continued to conduct large-scale annual recruitment of more than 1,000 people in Construction Technician Temporary Staffing (2,764 new hires in FY09/18). Since it began, large-scale recruitment has boosted both sales and profit in the Construction Technician Temporary Staffing segment and has driven overall company earnings as well.

Excluding FY09/15, FY09/17, and FY09/19, operating profit has been on an upward trend since FY09/13.

▷ In FY09/15, profit increased in the Construction Technician Temporary Staffing segment, the company's primary business, but expanded losses in childcare support, nursing, and overall construction led to a decrease in overall profit.

- ▷ Profit in the Construction Technician Temporary Staffing segment also increased in FY09/17, but the company invested in the establishment of systems enabling annual recruitment on the scale of 1,000 new hires (compared to 460 new hires in FY09/16) in the Engineer Temporary Staffing segment, and this expenditure resulted in a reduction in profit.
- ▷ In FY09/19, profit fell as margins in the Construction Technician Temporary Staffing and the Engineer Temporary Staffing segments declined due to lower utilization rates accompanying a rise in new hires, and the company incurred expenses on a number of M&A transactions executed during the year.

## Historical results vs. estimates

Results vs. Initial Est. (JPYmn)	FY09/11	FY09/12	FY09/13	FY09/14	FY09/15	FY09/16	FY09/17	FY09/18	FY09/19	FY09/20
	JGAAP	JGAAP	JGAAP	JGAAP	JGAAP	JGAAP	JGAAP	JGAAP	JGAAP	IFRS
Revenue/Sales (Initial Est.)	5,120	5,200	13,500	18,000	20~25,500	23,000	23,000	39,000	50,000	63,000
Revenue/Sales (Results)	4,862	6,817	12,538	16,482	21,116	23,271	30,510	40,419	52,505	58,669
<b>Results vs. Initial Est.</b>	<b>-5.0%</b>	<b>31.1%</b>	<b>-7.1%</b>	<b>-8.4%</b>	-	<b>1.2%</b>	<b>32.7%</b>	<b>3.6%</b>	<b>5.0%</b>	<b>-6.9%</b>
Operating profit (Initial Est.)	710	620	2,100	-	-	-	3,600	5,400	6,000	8,000
Operating profit (Results)	520	543	1,230	-	-	-	2,362	5,186	4,720	5,306
<b>Results vs. Initial Est.</b>	<b>-26.8%</b>	<b>-12.5%</b>	<b>-41.4%</b>	-	-	-	<b>-34.4%</b>	<b>-4.0%</b>	<b>-21.3%</b>	<b>-33.7%</b>
Profit/Net income (Initial Est.)	560	350	1,300	100~2,600	1,250~3,200	2,000	2,100	3,700	4,100	5,400
Profit/Net income (Results)	386	102	1,389	2,246	1,882	1,623	1,426	3,636	2,504	3,557
<b>Results vs. Initial Est.</b>	<b>-31.1%</b>	<b>-70.8%</b>	<b>6.8%</b>	-	-	<b>-18.9%</b>	<b>-32.1%</b>	<b>-1.7%</b>	<b>-38.9%</b>	<b>-34.1%</b>

Source: Shared Research based on company data

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

## Statement of financial position

Balance sheet (JPY mn)	FY09/11	FY09/12	FY09/13	FY09/14	FY09/15	FY09/16	FY09/17	FY09/18	Statement of financial position (JPY mn)	FY09/19	FY09/20
	JGAAP	JGAAP	JGAAP	JGAAP	JGAAP	JGAAP	JGAAP	JGAAP		IFRS	IFRS
<b>ASSETS</b>									<b>ASSETS</b>		
Cash and deposits	2,304	2,558	4,246	5,755	11,460	8,724	8,556	11,301	Cash and cash equivalents	10,109	15,426
Accounts receivable	1,425	1,626	1,860	2,524	2,748	3,642	4,854	5,973	Trade and other receivables	7,613	7,528
Inventories	1	1	1	1	1	1	1	1	Inventories	57	63
Allowance for doubtful accounts	-74	-85	-22	-32	-22	-22	-30	-18	Other finance assets	188	147
Other current assets	260	583	373	607	1,023	988	1,450	1,620	Other current assets	858	1,611
<b>Total current assets</b>	<b>3,917</b>	<b>4,684</b>	<b>6,457</b>	<b>8,856</b>	<b>15,210</b>	<b>13,334</b>	<b>14,839</b>	<b>18,887</b>	<b>Total current assets</b>	<b>18,825</b>	<b>24,775</b>
<b>Total tangible fixed assets</b>	<b>1,388</b>	<b>1,412</b>	<b>1,465</b>	<b>811</b>	<b>940</b>	<b>1,353</b>	<b>1,080</b>	<b>938</b>	Tangible fixed assets	2,305	2,994
Investment real estate (net)	-	-	-	1,135	1,118	1,106	-	-	Goodwill	3,676	3,429
Investment securities	293	689	1,166	1,072	1,772	1,566	2,602	2,053	Intangible assets	1,044	1,123
<b>Investments and other assets</b>	<b>566</b>	<b>908</b>	<b>1,440</b>	<b>2,723</b>	<b>3,299</b>	<b>3,193</b>	<b>3,388</b>	<b>2,995</b>	Investment real estate	230	225
Goodwill	718	628	516	391	309	1,175	899	610	Other financial assets	3,029	1,790
<b>Intangible fixed assets</b>	<b>759</b>	<b>666</b>	<b>553</b>	<b>416</b>	<b>348</b>	<b>1,221</b>	<b>1,060</b>	<b>744</b>	Deferred tax assets	1,203	2,028
<b>Total fixed assets</b>	<b>2,713</b>	<b>2,986</b>	<b>3,458</b>	<b>4,588</b>	<b>5,766</b>	<b>5,528</b>	<b>5,288</b>	<b>4,678</b>	Other noncurrent assets	34	36
<b>Total deferred assets</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>18</b>	<b>34</b>	<b>7</b>	<b>Total noncurrent assets</b>	<b>11,522</b>	<b>11,624</b>
<b>Total assets</b>	<b>6,630</b>	<b>7,670</b>	<b>9,916</b>	<b>12,806</b>	<b>19,798</b>	<b>19,118</b>	<b>20,401</b>	<b>23,571</b>	<b>Total assets</b>	<b>30,347</b>	<b>36,399</b>
<b>LIABILITIES</b>									<b>LIABILITIES</b>		
Short-term debt	2,195	1,826	840	856	1,106	891	1,733	1,309	Bonds and borrowings	4,459	2,675
Accounts payable	10	14	9	12	9	11	25	9	Trade and other payables	688	567
Accrued expenses	521	551	643	799	1,069	1,058	1,408	2,026	Other financial liabilities	647	1,653
Other	674	1,011	964	1,925	1,848	1,591	2,681	3,303	Other	6,838	12,118
<b>Total current liabilities</b>	<b>3,400</b>	<b>3,402</b>	<b>2,455</b>	<b>3,593</b>	<b>4,031</b>	<b>3,552</b>	<b>5,848</b>	<b>6,647</b>	<b>Total current liabilities</b>	<b>12,632</b>	<b>17,013</b>
Long-term debt	1,088	1,509	1,649	893	1,219	1,645	1,045	2,538	Bonds and borrowings	5,220	6,051
Other	384	423	433	414	430	410	487	414	Other	1,441	1,774
<b>Total fixed liabilities</b>	<b>1,472</b>	<b>1,932</b>	<b>2,082</b>	<b>1,307</b>	<b>1,649</b>	<b>2,055</b>	<b>1,532</b>	<b>2,952</b>	<b>Total noncurrent liabilities</b>	<b>6,661</b>	<b>7,825</b>
<b>Total liabilities</b>	<b>4,872</b>	<b>5,334</b>	<b>4,538</b>	<b>4,899</b>	<b>5,681</b>	<b>5,606</b>	<b>7,381</b>	<b>9,599</b>	<b>Total liabilities</b>	<b>19,292</b>	<b>24,838</b>
<b>NET ASSETS</b>									<b>Equity</b>		
Capital stock	805	805	805	805	805	805	805	805	Capital stock	823	829
Capital surplus	868	868	2,205	3,803	9,346	9,555	9,701	9,718	Capital surplus	10,778	10,804
Retained earnings	1,670	2,262	3,323	3,842	3,488	2,315	1,317	2,267	Retained earnings	1,562	2,459
Treasury stock	-1,770	-1,790	-1,290	-1,013	-0	-0	-0	-0	Treasury stock	-2,001	-2,438
Non-controlling interests	193	227	376	518	542	847	1,026	1,028	Non-controlling interests	-133	-129
<b>Total net assets</b>	<b>1,757</b>	<b>2,336</b>	<b>5,378</b>	<b>7,907</b>	<b>14,117</b>	<b>13,512</b>	<b>13,080</b>	<b>13,973</b>	<b>Total equity</b>	<b>11,055</b>	<b>11,561</b>
Working capital	1,417	1,614	1,852	2,513	2,740	3,632	4,829	5,965	Working capital	6,982	7,024
Total interest-bearing debt	3,284	3,335	2,488	1,749	2,325	2,536	2,779	3,847	Total interest-bearing debt	9,679	8,726
Net debt	978	771	-1,774	-4,006	-9,136	-6,187	-5,777	-7,454	Net debt	-431	-6,700

Source: Shared Research based on company data

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

## Assets

The company's assets have varied considerably due to the addition and removal of subsidiaries from the scope of consolidation.

At end-FY09/04, total assets were 5.3 billion yen, but total assets grew to 47.9 billion yen in FY09/06. Starting in FY09/07, the company reversed the acquisition trend and began focusing on its main operations. The company sold non-core businesses during FY09/07. Total assets fell to 4.9 billion yen for FY09/09.

The company's assets increased due to growth at its core businesses, and in FY09/20, total assets stood at JPY36.4bn. Current assets, a major asset item on the balance sheet, accounted for 68.1% of total assets. The company's core business is staffing, with the majority of its current assets in cash and cash equivalents (42.4% of total assets in FY09/20) and in trade receivables and other receivables (20.7%).

Tangible fixed assets are mainly the company's head office and its various hiring centers. Together they constituted 8.2% of total assets in FY09/20.

Goodwill accounted for 8.2% of total assets in FY09/20. Goodwill accounted for the bulk of the value of companies purchased in FY09/19: Neplus K.K., Sanritsu Design Co., Ltd., InformationPort Co., Ltd., Samurai, Inc., and Garenet Co., Ltd.

## Liabilities

The company had JPY2.6bn of interest-bearing debt at end-FY09/04, which grew to JPY23.7bn at end-FY09/06 because of business expansion that relied on M&A and the creation of new subsidiaries. The company subsequently refocused on its main operations and as of end-FY09/18 interest-bearing debt was down to JPY3.8bn, but it increased to JPY8.7bn in FY09/20 due to

borrowings used in acquisitions. Net debt (interest-bearing debt minus cash and cash equivalents [including short-term investment securities]) has remained negative since FY09/13 (with cash and cash equivalents exceeding debt).

## Equity

Equity (net assets) varies in response to acquisitions of treasury stock or changes in retained earnings as net income or loss are realized each term. The increase in net assets after end-FY09/13 was largely due to retained earnings and disposal of treasury stock. Capital stock in FY09/13, FY09/14 and FY09/15 increased JPY1.8bn, JPY1.9bn and JPY6.6bn respectively following the disposal of treasury stock.

The equity ratio fell to 3.3% in FY09/06 and, following financial and other restructuring, stood at 54.6% as of end-FY09/18. In FY09/20, the equity ratio attributable to owners of parent declined to 32.1%. This was due to a decrease in total equity attributable to owners of parent resulting from the company's purchase of treasure shares and increases in loans and other liabilities.

## Statement of cash flows

Statement of cash flows (JPYmn)	FY09/11 JGAAP	FY09/12 Cons.	FY09/13 Cons.	FY09/14 Cons.	FY09/15 Cons.	FY09/16 Cons.	FY09/17 Cons.	FY09/18 Cons.	FY09/19 IFRS	FY09/20 IFRS
Cash flows from operating activities (1)	558	528	793	1,659	713	726	1,536	3,929	3,113	9,934
Cash flows from investing activities (2)	-498	-409	180	620	-178	-1,118	417	415	-4,400	476
<b>Free cash flow (1+2)</b>	<b>60</b>	<b>119</b>	<b>973</b>	<b>2,279</b>	<b>535</b>	<b>-392</b>	<b>1,953</b>	<b>4,345</b>	<b>-1,286</b>	<b>10,410</b>
Cash flows from financing activities	-178	4	595	-734	5,272	-2,173	-2,027	-1,592	-305	-5,088
Depreciation and amortization (A)	35	84	79	165	212	223	424	421	620	928
Capital expenditures (B)	135	-80	-40	-887	-393	-474	-144	-116	-465	-543
Working capital changes (C)	-21	703	238	662	227	892	1,197	1,136	-	42
<b>Simple FCF (NI + A + B - C)</b>	<b>576</b>	<b>-596</b>	<b>1,189</b>	<b>862</b>	<b>1,474</b>	<b>480</b>	<b>508</b>	<b>2,805</b>	<b>-</b>	<b>3,901</b>

Source: Shared Research based on company data

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

### Cash flows from operating activities

Trends for cash flows from operating activities are typical, varying with net income or loss and changes in working capital. In FY09/06 and FY09/07 cash flows from operating activities were negative. The principle causes were a sudden increase in working capital FY09/06, and net losses in FY09/07.

### Cash flows from investing activities

Cash flows from investing activities vary mainly with acquisition or sale of investment securities.

In FY09/16, cash flows from investing activities were the result of outflows of JPY1.1bn (minus). This came from capital and business alliances and the conversion of certain companies to subsidiaries to facilitate human resource education and the dispatch of temporary staff for IT technology in the future. A breakdown shows outflows of JPY204mn to acquire affiliate shares, JPY455mn to acquire subsidiary stocks and JPY103mn to transfer a business.

In FY09/19, cash flows from investing activities were negative, comprising outflows of JPY4.4bn. This was due to outflows of JPY3.1bn to acquire shares in subsidiaries accompanying changes in the scope of consolidation due to the purchase of Neplux K.K., Sanritsu Design Co., Ltd., InformationPort Co., Ltd., Samurai, Inc., and Garenet Co., Ltd.

### Cash flows from financing activities

Through FY09/06, the cash flows from financing activities tended to be positive due to the issue of corporate bonds or borrowings accompanying the expansion of operations. Since FY09/07 the trends reversed as the company repaid bank debt and redeemed corporate bonds. The disposition of treasury shares in FY09/15 generated an income of JPY6.6bn, resulting in a positive cash flow from financing activities.

### Simple free cash flow

The main sources of change have come from changes in the net income and working capital.

## Other information

### History

The company was founded in 1970 as a construction design office by Shingo Sato, current Chairman and CEO. Subsequently, it became Sato Construction Design Ltd., and in October 1990, in order to expand the size of the business, the company was incorporated (and changed its name to Yumeshin Co., Ltd.). The company started a staffing business in 1991.

The company launched an M&A-based expansion program in 2005, with the goal of becoming a general construction company, but with the harsh business environment and worsening business efficiency, all of the acquired firms were sold off. Since that time, the company has focused on developing its core staffing business in the construction industry. In 2011 the company entered the Engineer Temporary Staffing and Ancillary Services business with the purchase of Yume Technology Co., Ltd., which became the second growth driver as of 2020 following the Construction Technician Temporary Staffing and Ancillary Services business.

January 1980	Established Sato Construction Design Ltd. aiming to provide construction drawings
April 1985	Started building overseas network for construction drawings
April 1987	Started ordering construction drawing to design offices overseas
October 1990	Incorporated and changed its name to Yumeshin Co., Ltd.
March 1991	Started operation of Construction Technician Temporary Staffing business
December 1996	Established Yumeshin Vietnam Co., Ltd. to enhance overseas production capacity
September 2003	Listed on the Osaka Stock Exchange (Hercules: 2362)
April 2005	Transitioned to a pure holding company and changed name to Yumeshin Holdings Co., Ltd. New company Yumeshin Co., Ltd. established for succession of business operations
October 2007	Yumeshin Holdings Co., Ltd. took over Yumeshin Co., Ltd. in absorption-type merger
October 2010	Listed on Osaka Securities Exchange JASDAQ following market consolidation
January 2011	Made Unitech Soft Co., Ltd. a subsidiary
May 2011	Made Yume Technology Co., Ltd. (former Fullcast Technology Co., Ltd.) a subsidiary through tender offer
January 2012	Opened Yume Tansaku Café, a satellite office for recruiting, in Shibuya-ku, Tokyo, ahead of other sites in Japan
July 2013	Listed on Tokyo Stock Exchange JASDAQ following market consolidation
October 2014	Merged Yume Technology Co., Ltd. with Unitech Soft Co., Ltd. in absorption-type merger Group technicians exceeded 2000.
February 2015	Established Yume Agent Co., Ltd.
August 2015	Yume Agent Co., Ltd. made Buzz Box Co., Ltd. a subsidiary Number of group-wide technicians at work exceeded 3,000
December 2015	Yume Agent Co., Ltd. established Yumeagent Philippines Corp.
May 2016	Established subsidiary Yume Education Co., Ltd.
August 2016	Made Yume Solutions Co., Ltd. (former Social Fintech Co.) a subsidiary
November 2016	Group-wide technicians at work exceeded 4,000
March 2017	Certified as excellent staffing operator in MHLW-commissioned Excellent Worker-Dispatch Operator Certification System
June 2017	Yume Education Co., Ltd. established Construction Qualifications Promotion Center Co., Ltd. Yume Agent Co., Ltd. made Yumeagent Vietnam Co., Ltd. a subsidiary
July 2017	Group-wide technicians at work exceeded 5,000
December 2017	Group-wide technicians at work exceeded 6,000
September 2018	Group-wide technicians at work exceeded 7,000 Established Yume Global
October 2018	Made Neplus K.K. a wholly owned subsidiary Made P3OPLE4U, Inc. a subsidiary

January 2019	Made Yume Technology Co., Ltd. a wholly owned subsidiary
April 2019	Made InformationPort Co., Ltd., a subsidiary
	Made Samurai, Inc. a subsidiary
May 2019	Group-wide technicians at work exceeded 8,000
July 2019	Made Garenet Co., Ltd. a subsidiary
October 2019	Shifted to pure holding company structure

## News and topics

### May 2020

On May 11, 2020, the company announced the booking of impairment losses and revised full-year earnings forecast.

#### Impairment losses

Yumeshin Holdings announced the booking of JPY419mn in impairment losses (as extraordinary losses) on goodwill impairment charges at P3OPLE4U, Inc., a consolidated subsidiary in the Philippines that operates an engineer outsourcing business. Given the loss of customers due to the lockdown in the Philippines in response to the COVID-19 outbreak, the company has revised its earnings outlook and re-examined the prospects for a recovery moving forward.

#### Revised FY09/20 earnings forecast

▷ Sales:	JPY58.0–60.0b (previous forecast was JPY63.0bn)
▷ Operating profit:	JPY5.8–6.6bn (JPY8.0bn)
▷ Net income:	JPY3.7–4.2bn (JPY5.4bn)
▷ EPS:	JPY48.65–55.22 (JPY70.59)

#### Reasons for the revision

While the increased number of COVID-19 infections has contributed to a slump in corporate activity and a severe slowdown in the economy as a whole, the company's core temporary staffing services business as of May 2020 has seen only a minor impact on outsourcing demand in the key construction and IT industries. However, the situation moving forward remains uncertain and the company expects temporary project suspensions or delays as well as personnel adjustments at outsourcing destinations to result in a decline in new technician utilization and a slowdown in the pace at which staffing-related decisions are made.

The company gives priority to maintaining employment for its current engineers, and in a bid to balance supply with demand has temporarily suspended recruitment efforts, a key growth driver for the firm. As such, the company now expects the number of technicians on the company's books as of the end of FY09/20 to fall below its previous forecast. In light of adjustments in recruitment to match demand, the company's revised forecast is in a ranged format, with the higher figure assuming recruitment activity returns to normal from June 2020 and the lower figure assuming recruitment remains subdued through the end of September 2020.

### March 2020

On March 10, 2020, the company announced its decision on a share repurchase.

#### Details of share acquisition

- ▷ Type of shares to be acquired: Common shares of the company
- ▷ Total number of shares acquirable: 1,600,000 shares (2.1% of total outstanding shares [excludes treasury shares])
- ▷ Share acquisition cost: JPY1.0bn
- ▷ Acquisition period: March 17, 2020–June 16, 2020

## Major shareholders

Top shareholders	Shares held ('000)	Shareholding ratio
Shingo Sato	18,425	24.18%
Sato Sogokikaku Limited	12,721	16.70%
Japan Trustee Services Bank, Ltd. (Trust account)	3,791	4.98%
The Master Trust Bank of Japan, Ltd. (Trust account)	1,278	1.68%
Hideki Fukai	1,010	1.33%
J.P. Morgan Bank Luxembourg S.A. 380577	753	0.99%
Yoshiko Sato	688	0.90%
Daio Sato	486	0.64%
Japan Trustee Services Bank, Ltd. (Trust account 9)	437	0.57%
Masahiro Nomura	399	0.52%
<b>SUM</b>	<b>39,988</b>	<b>52.49%</b>

Source: Shared Research based on company data (as of end-September 2019)

## Top management

### President, Daio Sato

President, Daio Sato, joined Nomura Real Estate Development Co., Ltd. He joined Yumeshin in 2010, became Director in 2015 and President (present post) in 2015.

## Dividends and shareholder benefits

The company dividend policy links dividends to the level of profitability. In its medium-term management plan, which was announced in FY09/18, the company indicated its intention to pay a minimum dividend of JPY35 per share every year through FY09/20, and would increase the dividend or undertake share buybacks depending on actual results.

For FY09/21, the company plans to pay an annual dividend of JPY35 (payout ratio 69.5%), including an interim dividend of JPY15.0.

## Employees

Yumeshin employed 10,499 employees at the consolidated level as of end-FY09/19 (6,465 at the parent). Parent company employees' average age is 30.8 and they have been working with the company 2.4 years.

## Company profile

<b>Company Name</b>	<b>Head Office</b>
YUMESHIN HOLDINGS Co., Ltd.	Marunouchi Eiraku Bldg., 22F 1-4-1 Marunouchi, Chiyoda-ku Tokyo, Japan 100-0005
<b>Phone</b>	<b>Listed On</b>
+81-3-3210-1200	JASDAQ Standard
<b>Established</b>	<b>Exchange Listing</b>
January 28, 1980	September 18, 2003
<b>Website</b>	<b>Fiscal Year-End</b>
<a href="http://www.yumeshin.co.jp/">http://www.yumeshin.co.jp/</a>	September
<b>IR Contact</b>	<b>IR Web</b>
-	<a href="http://www.yumeshin.co.jp/ir/">http://www.yumeshin.co.jp/ir/</a>
<b>IR Mail</b>	<b>IR Phone</b>
-	+81-3-3210-1212

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Aeon Fantasy Co., Ltd.	Dream Incubator Inc.	KI-Star Real Estate Co., Ltd.	SBS Holdings, Inc.
Ai Holdings Corporation	Earth Corporation	KLab Inc.	Seikagaku Corporation
AI inside Inc.	Edion Corporation	Kondotec Inc.	Seria Co.,Ltd.
AirTrip Corp.	Elecom Co., Ltd.	Kumiai Chemical Industry Co., Ltd.	Serverworks Co.,Ltd.
and factory, inc.	en-Japan Inc.	Lasertec Corporation	SHIFT Inc.
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Anritsu Corporation	Ferrotec Holdings Corporation	Media Do Co., Ltd.	SMS Co., Ltd.
Apaman Co., Ltd.	FIELDS CORPORATION	Medical System Network Co., Ltd.	Snow Peak, Inc.
ARATA CORPORATION	Financial Products Group Co., Ltd.	MEDINET Co., Ltd.	Solasia Pharma K.K.
Artspark Holdings Inc.	First Brothers Col, Ltd.	MedPeer,Inc.	SOURCENEXT Corporation
AS ONE CORPORATION	FreeBit Co., Ltd.	Mercuria Investment Co., Ltd.	Star Mica Holdings Co., Ltd.
Ateam Inc.	Fujita Kanko Inc.	Micronics Japan Co., Ltd.	Strike Co., Ltd.
Aucfan Co., Ltd.	Gamecard-Joyco Holdings, Inc.	MIRAIT Holdings Corporation	SymBio Pharmaceuticals Limited
AVANT CORPORATION	GameWith, Inc.	Monex Goup Inc.	Synchro Food Co., Ltd.
Axell Corporation	GCA Corporation	MORINAGA MILK INDUSTRY CO., LTD.	TAIYO HOLDINGS CO., LTD.
Azbil Corporation	Good Com Asset Co., Ltd.	Mortgage Service Japan Limited.	Takashimaya Company, Limited
AZIA CO., LTD.	Grandy House Corporation	NAGASE & CO., LTD	Take and Give Needs Co., Ltd.
AZoom, Co., Ltd.	Hakuto Co., Ltd.	NAIGAI TRANS LINE LTD.	TEAR Corporation
Base Co., Ltd	Hamee Corp.	NanoCarrier Co., Ltd.	Tenpo Innovation Inc.
BEENOS Inc.	Happinet Corporation	Net Marketing Co., Ltd.	3-D Matrix, Ltd.
Bell-Park Co., Ltd.	Harmonic Drive Systems Inc.	Net One Systems Co.,Ltd.	The Hokkoku Bank,Ltd.
Benefit One Inc.	HENNGE K.K.	Nichi-Iko Pharmaceutical Co., Ltd.	TKC Corporation
B-lot Co.,Ltd.	Hope, Inc.	Nihon Denkei Co., Ltd.	TKP Corporation
Broadleaf Co., Ltd.	HOUSEDO Co., Ltd.	Nippon Koei Co., Ltd.	Tsuzuki Denki Co., Ltd.
CarBas Co., Ltd.	H2O Retailing Corporation	NIPPON PARKING DEVELOPMENT Co., Ltd.	TOCALO Co., Ltd.
Canon Marketing Japan Inc.	IDOM Inc.	NIPRO CORPORATION	TOKAI Holdings Corporation
Career Design Center Co., Ltd.	IGNIS LTD.	Nishinbo Holdings Inc.	Tokyu Construction Co., Ltd.
Carma Biosciences, Inc.	i-mobile Co.,Ltd.	NS TOOL CO., LTD.	TOYOBO CO., LTD.
CARTA HOLDINGS, INC	Inabata & Co., Ltd.	OHIZUMI MFG. CO., LTD.	Toyo Ink SC Holdings Co., Ltd
CERES INC.	Infocom Corporation	Oisix ra daichi Inc.	Toyo Tanso Co., Ltd.
Chiyoda Co., Ltd.	Infomart Corporation	Oki Electric Industry Co., Ltd	Tri-Stage Inc.
Chori Co., Ltd.	Intelligent Wave, Inc.	ONO SOKKI Co., Ltd.	TSURUHA Holdings
Chugoku Marine Paints, Ltd.	ipet Insurance CO., Ltd.	ONWARD HOLDINGS CO.,LTD.	VISION INC.
cocokara fine Inc.	Itochu Enex Co., Ltd.	Pan Pacific International Holdings Corporation	VISIONARY HOLDINGS CO., LTD.
COMSYS Holdings Corporation	JAFCO Co.,Ltd.	PARIS MIKI HOLDINGS Inc.	World Holdings Co., Ltd.
COTA CO.,LTD.	JMDC Inc.	PIGEON CORPORATION	YELLOW HAT LTD.
CRE, Inc.	JSB Co., Ltd.	QB Net Holdings Co., Ltd.	YOSHINOYA HOLDINGS CO., LTD.
CREEK & RIVER Co., Ltd.	JTEC Corporation	RACCOON HOLDINGS, Inc.	YUMESHIN HOLDINGS CO., LTD.
Daiichi Kigenso Kagaku Kogyo Co., Ltd.	J Trust Co., Ltd	Raysum Co., Ltd.	ZAPPALLAS, INC.
Daiseki Co., Ltd.	Japan Best Rescue System Co., Ltd.	RESORTTRUST, INC.	
Demae-Can CO., LTD	JINS HOLDINGS Inc.	ROUND ONE Corporation	
DIC Corporation	JP-HOLDINGS, INC.	RYOHIN KEIKAKU CO., LTD.	
Digital Arts Inc.	KAMEDA SEIKA CO., LTD.	SanBio Company Limited	

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