



Yumeshin Holdings / 2362

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How to read a Shared Research report: This report begins with the trends and outlook section, which discusses the company's most recent earnings. First-time readers should start at the business section later in the report.

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Executive summary

Business

- Yumeshin's main segment is Construction Technician Temporary Staffing, and it also has an Engineer Temporary Staffing business.
- 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.)
- 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 have 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 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 sales are driven by the number of staff that it dispatches, utilization rates, hours dispatched, and billing rates. The majority of cost of sales is labor costs. The gross profit margin remains around 30%. SG&A expenses are mainly personnel and hiring costs (advertising and others), and the SG&A-to-sales ratio remains in the 16–21% range.

Earnings

- FY09/19 results (J-GAAP): Consolidated sales JPY52.5bn (+29.9% YoY), operating profit JPY4.7bn (-9.0% YoY), recurring profit JPY4.6bn (-7.8% YoY) and net income JPY2.5bn (-31.1% YoY).
- For FY09/20, Yumeshin is forecasting full-year consolidated sales of JPY63.0bn, operating profit of JPY8.0bn, and net income of JPY5.4bn. These figures reflect the company's voluntary adoption of IFRS accounting starting in FY09/20; the company has *not* restated the previous year's results on an IFRS basis.
- In September 2018, Yumeshin announced its medium-term management plan for FY09/19–FY09/21. The new plan is targeting FY09/21 sales of JPY76.2bn, operating profit of JPY10.0bn, and net income of JPY6.8bn. The company aims to build scale through aggressive hiring in both core segments.

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 (JPYmn)	FY09/10	FY09/11	FY09/12	FY09/13	FY09/14	FY09/15	FY09/16	FY09/17	FY09/18	FY09/19	FY09/20
	Cons.	Cons.	Cons.	Cons.	Cons.	Cons.	Cons.	Cons.	Cons.	Cons.	IFRS Est.
Sales	4,862	6,817	10,982	12,538	16,482	21,116	23,271	30,510	40,419	52,505	63,000
YoY	-11.3%	40.2%	61.1%	14.2%	31.5%	28.1%	10.2%	31.1%	32.5%	29.9%	-
Gross profit	1,490	1,899	3,159	3,450	4,583	5,150	6,563	8,781	12,339	15,272	
YoY	-15.3%	27.4%	66.3%	9.2%	32.8%	12.4%	27.5%	33.8%	40.5%	23.8%	
GPM	30.7%	27.9%	28.8%	27.5%	27.8%	24.4%	28.2%	28.8%	30.5%	29.1%	
Operating profit	520	543	1,195	1,230	1,857	1,727	2,433	2,362	5,186	4,720	8,000
YoY	-31.2%	4.4%	120.1%	3.0%	51.0%	-7.0%	40.9%	-2.9%	119.6%	-9.0%	-
OPM	10.7%	8.0%	10.9%	9.8%	11.3%	8.2%	10.5%	7.7%	12.8%	9.0%	12.7%
Recurring profit	552	451	1,296	1,771	2,952	1,960	2,463	2,424	4,941	4,558	
YoY	-31.6%	-18.3%	187.2%	36.7%	66.7%	-33.6%	25.7%	-1.6%	103.8%	-7.8%	
RPM	11.4%	6.6%	11.8%	14.1%	17.9%	9.3%	10.6%	7.9%	12.2%	8.7%	
Net income	386	102	739	1,389	2,246	1,882	1,623	1,426	3,636	2,504	5,400
YoY	-43.2%	-73.5%	622.5%	88.0%	61.8%	-16.2%	-13.7%	-12.1%	154.9%	-31.1%	-
Net margin	7.9%	1.5%	6.7%	11.1%	13.6%	8.9%	7.0%	4.7%	9.0%	4.8%	8.6%
Per share data											
Shares issued (year-end; '000)	74,573	74,573	74,573	74,573	74,573	74,573	74,573	74,573	74,573	78,842	
EPS	6.7	1.4	12.6	22.7	34.6	27.8	21.8	19.1	48.8	32.7	70.6
Dividend per share	2.0	2.0	4.0	20.0	30.0	35.0	35.0	35.0	35.0	35.0	35.0
Book value per share	31.3	26.6	35.9	79.3	112.5	181.8	168.6	160.7	172.6	155.8	
Balance sheet (JPYmn)											
Cash and cash equivalents	2,020	2,305	2,565	4,262	5,755	11,460	8,724	8,556	11,301	9,608	
Total current assets	3,027	3,917	4,684	6,457	8,856	15,210	13,334	14,839	18,887	18,863	
Tangible fixed assets	1,230	1,388	1,412	1,465	811	940	1,353	1,080	938	1,261	
Investments and other assets	788	566	908	1,440	2,723	3,299	3,193	3,388	2,995	4,221	
Intangible fixed assets	36	759	666	553	416	348	1,221	1,060	744	4,519	
Total assets	5,082	6,630	7,670	9,916	12,806	19,798	19,118	20,401	23,571	28,864	
Accounts payable	8	10	14	9	12	9	11	25	9	130	
Short-term debt	702	2,195	1,826	840	856	1,106	891	1,733	1,309	4,459	
Total current liabilities	1,102	3,400	3,402	2,455	3,593	4,031	3,552	5,848	6,647	10,977	
Long-term debt	2,020	1,088	1,509	1,649	893	1,219	1,645	1,045	2,538	5,170	
Total fixed liabilities	2,024	1,472	1,932	2,082	1,307	1,649	2,055	1,532	2,952	5,966	
Total liabilities	3,126	4,872	5,334	4,538	4,899	5,681	5,606	7,381	9,599	16,943	
Net assets	1,956	1,757	2,336	5,378	7,907	14,117	13,512	13,080	13,973	11,921	
Total interest-bearing debt	2,722	3,284	3,335	2,488	1,749	2,325	2,536	2,779	3,847	9,629	
Cash flow statement (JPYmn)											
Cash flows from operating activities	558	528	1,064	793	1,659	713	726	1,536	3,929	2,759	
Cash flows from investing activities	-498	-409	202	180	620	-178	-1,118	417	415	-4,400	
Cash flows from financing activities	-178	4	-152	595	-734	5,272	-2,173	-2,027	-1,592	49	
Financial ratios											
ROA (RP-based)	11.1%	7.7%	18.1%	20.1%	26.0%	12.0%	12.7%	12.3%	22.5%	17.4%	
ROE	18.7%	5.8%	40.4%	39.1%	36.3%	18.0%	12.4%	11.6%	29.3%	20.2%	
Equity ratio	38.5%	23.5%	27.4%	50.4%	57.6%	68.5%	65.7%	58.7%	54.6%	41.1%	

Source: Shared Research based on company data

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

Net income refers to net income attributable to owners of the parent.

The company has indicated it will voluntarily apply IFRS in FY09/20 but has not restated the previous year's results on an IFRS basis. Net income for FY09/20 refers to profit attributable to owners of the parent.

Recent updates

Highlights

On **March 10, 2020**, Yumeshin Holdings Co., Ltd. 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

On **March 3, 2020**, Shared Research updated the report following interviews with the company.

On **February 7, 2020**, the company announced earnings results for Q1 FY09/20; see the results section for details.

On **December 23, 2019**, Shared Research updated the report following interviews with the company.

On **December 19, 2019**, the company announced a change in representative director.

Details of the change

Name	After change	Before change
Shingo Sato	Director	Chairman and representative director

Reason for the change

The company aims to accelerate the decision-making process and strengthen its business foundation. With this change, President Daio Sato will be the sole representative director of the company.

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

Trends and outlook

Construction orders (JPYmn)

2019	Jan.–Mar.	Apr.–Jun.	Jul.–Sep.	Oct.–Dec.	Total
Total orders	25,272	18,687	21,592	20,124	85,675
YoY	14.1%	-4.0%	-1.1%	-1.2%	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%
2010	Jan.–Mar.	Apr.–Jun.	Jul.–Sep.	Oct.–Dec.	Total
Total orders	11,219	8,907	11,433	10,039	41,598
YoY	-0.1%	-3.0%	1.2%	0.5%	-0.3%
2009	Jan.–Mar.	Apr.–Jun.	Jul.–Sep.	Oct.–Dec.	Total
Total orders	11,235	9,183	11,293	9,992	41,703
YoY	-18.7%	-18.1%	-17.0%	-15.9%	-17.4%

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

Quarterly trends and results

Cumulative (JPYmn)	FY09/19 J-GAAP				FY09/20 J-GAAP				FY09/20 IFRS	
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	% of FY	FY est.
Sales	11,824	24,511	37,709	52,505	15,085				-	63,000
YoY	25.6%	26.7%	27.1%	29.9%	27.6%					-
Gross profit	3,518	7,432	11,155	15,272	4,337					
YoY	22.2%	24.9%	22.5%	23.8%	23.3%					
GPM	29.8%	30.3%	29.6%	29.1%	28.8%					
SG&A expenses	2,277	4,748	7,383	10,552	2,811					
YoY	38.2%	41.2%	41.7%	47.5%	23.4%					
SG&A ratio	19.3%	19.4%	19.6%	20.1%	18.6%					
Operating profit	1,241	2,684	3,772	4,720	1,526				-	8,000
YoY	0.7%	3.7%	-3.2%	-9.0%	23.0%					-
OPM	10.5%	10.9%	10.0%	9.0%	10.1%					12.7%
Recurring profit	1,260	2,672	3,766	4,558	1,542					
YoY	4.6%	4.5%	3.5%	-7.8%	22.4%					
RPM	10.7%	10.9%	10.0%	8.7%	10.2%					
Net income	852	1,750	2,501	2,504	729				-	5,400
YoY	-11.0%	-6.5%	-7.9%	-31.1%	-14.5%					-
Net margin	7.2%	7.1%	6.6%	4.8%	4.8%					8.6%

Quarterly (JPYmn)	FY09/19 J-GAAP				FY09/20 J-GAAP			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Sales	11,824	12,687	13,198	14,796	15,085			
YoY	25.6%	27.8%	27.8%	37.6%	27.6%			
Gross profit	3,518	3,914	3,723	4,117	4,337			
YoY	22.2%	27.5%	17.9%	27.5%	23.3%			
GPM	29.8%	30.9%	28.2%	27.8%	28.8%			
SG&A expenses	2,277	2,471	2,634	3,170	2,811			
YoY	38.2%	44.0%	42.6%	63.2%	23.4%			
SG&A ratio	19.3%	19.5%	20.0%	21.4%	18.6%			
Operating profit	1,241	1,443	1,089	947	1,526			
YoY	0.7%	6.5%	-16.9%	-26.4%	23.0%			
OPM	10.5%	11.4%	8.2%	6.4%	10.1%			
Recurring profit	1,260	1,412	1,094	791	1,542			
YoY	4.6%	4.4%	1.1%	-39.2%	22.4%			
RPM	10.7%	11.1%	8.3%	5.3%	10.2%			
Net income	852	898	751	3	729			
YoY	-11.0%	-1.7%	-11.0%	-99.7%	-14.5%			
Net margin	7.2%	7.1%	5.7%	0.0%	4.8%			

Source: Shared Research based on company data

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

Note: The company plans to apply JGAAP through cumulative Q3 FY09/20 and voluntarily apply IFRS from full-year FY09/20. Net income for FY09/20 refers to net income attributable to owners of the parent.

Main components of SG&A expenses

Cumulative (JPYmn)	FY09/19 J-GAAP				FY09/20 J-GAAP			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
SG&A expenses	2,277	4,748	7,383	10,552	2,811			
YoY	38.2%	41.2%	41.7%	47.5%	23.4%			
Personnel expenses	928	1,996	3,109	4,437	1,278			
YoY	17.0%	26.2%	28.1%	37.3%	37.7%			
Hiring expenses	642	1,325	2,035	2,655	561			
YoY	76.9%	72.1%	57.8%	43.3%	-12.6%			
Other	707	1,427	2,239	3,460	972			
YoY	43.9%	41.2%	49.9%	67.3%	37.4%			

Quarterly (JPYmn)	FY09/19 J-GAAP				FY09/20 J-GAAP			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
SG&A expenses	2,277	2,471	2,634	3,170	2,811			
YoY	38.2%	44.0%	42.6%	63.2%	23.4%			
Personnel expenses	928	1,068	1,113	1,328	1,278			
YoY	17.0%	35.4%	31.7%	65.2%	37.7%			
Hiring expenses	642	683	710	620	561			
YoY	76.9%	67.8%	36.5%	10.2%	-12.6%			
Other	707	720	811	1,221	972			
YoY	43.9%	38.6%	68.1%	112.5%	37.4%			

Source: Shared Research based on company data

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

Breakdown of sales and earnings by segment

Segment sales and profit (cumulative) (JPYmn)	FY09/19 J-GAAP		FY09/20 J-GAAP	
		Q1		Q1
Sales		11,824		15,085
YoY		25.6%		27.6%
Construction Technician Temp. Staffing & Ancillary Services		8,416		10,022
YoY		-		19.1%
Engineer Temporary Staffing & Ancillary Services		3,360		4,849
YoY		-		44.3%
Other		65		248
YoY		-		281.5%
Operating profit		1,241		1,526
YoY		0.7%		23.0%
Construction Technician Temp. Staffing & Ancillary Services		1,377		1,845
YoY		-		34.0%
OPM		16.4%		18.4%
Engineer Temporary Staffing & Ancillary Services		170		88
YoY		-		-48.2%
OPM		5.1%		1.8%
Other		-47		-92
YoY		-		-
OPM		-		-

Source: Shared Research based on company data

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

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 segment: sales and earnings

Cumulative (JPYmn)	FY09/19 J-GAAP		FY09/20 J-GAAP	
		Q1		Q1
Sales		8,416		10,022
YoY		-		19.1%
Gross profit		2,614		3,053
YoY		-		16.8%
GPM		31.1%		30.5%
SG&A expenses		1,237		1,208
YoY		-		-2.3%
SG&A ratio		14.7%		12.1%
Operating profit		1,377		1,845
YoY		-		34.0%
OPM		16.4%		18.4%

Source: Shared Research based on company data

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

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: number of technicians

Cumulative	FY09/19 J-GAAP				FY09/20 J-GAAP			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
No. of technicians (quarter-end)	5,428	5,704	6,085	6,099	6,078			
New hires	774	1,603	2,688	3,289	635			
Departures	412	965	1,669	2,256	656			
Retention rate	72.6%	72.7%	72.8%	72.8%	70.9%			
Quarterly	FY09/19 J-GAAP				FY09/20 J-GAAP			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
New hires	774	829	1,085	601	635			
Departures	412	553	704	587	656			
Retention rate	72.6%	72.7%	72.9%	73.0%	70.9%			

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)

Construction Technician Temporary Staffing and Ancillary Services business: sales metrics

Cumulative	FY09/19 J-GAAP				FY09/20 J-GAAP			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
No. of technicians (average)	5,363	5,481	5,631	5,588	6,105			
YoY	17.2%	17.0%	18.1%	15.6%	13.8%			
Utilization rate	93.2%	93.0%	92.7%	91.9%	93.4%			
YoY change	-1.7pp	-1.6pp	-1.4pp	-1.9pp	0.2pp	-	-	-
Average hours per day	9.61	9.65	9.60	9.58	9.57			
YoY	-0.1%	0.1%	0.1%	0.1%	-0.4%			
Average hourly wage (JPY)	2,975	2,977	2,985	2,983	3,028			
YoY	4.6%	4.1%	3.7%	3.2%	1.8%			
Quarterly	FY09/19 J-GAAP				FY09/20 J-GAAP			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
No. of technicians (average)	5,363	5,599	5,931	5,459	6,105			
YoY	17.2%	16.7%	20.3%	8.3%	13.8%			
Utilization rate	93.2%	92.8%	92.1%	89.5%	93.4%			
YoY change	-1.7pp	-1.5pp	-1.0pp	-3.4pp	0.2pp	-	-	-
Average hours per day	9.61	9.69	9.50	9.52	9.57			
YoY	-0.1%	0.3%	0.1%	0.1%	-0.4%			
Average hourly wage (JPY)	2,975	2,979	3,001	2,977	3,028			
YoY	4.6%	3.7%	2.8%	1.8%	1.8%			

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 J-GAAP				FY09/20 J-GAAP			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
First year	2,715	2,714	2,719	2,714	2,745			
YoY	3.9%	3.2%	2.8%	2.4%	1.1%			
Second year	3,075	3,068	3,066	3,078	3,056			
YoY	1.7%	1.5%	1.1%	1.3%	-0.6%			
Third year	3,245	3,233	3,243	3,247	3,265			
YoY	2.5%	2.2%	2.1%	2.1%	0.6%			
Fourth year and beyond	3,581	3,570	3,578	3,582	3,620			
YoY	2.4%	2.1%	1.9%	1.8%	1.1%			
Quarterly (average) (JPY / hour)	FY09/19 J-GAAP				FY09/20 J-GAAP			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
First year	2,715	2,713	2,729	2,699	2,745			
YoY	3.9%	2.6%	1.9%	1.3%	1.1%			
Second year	3,075	3,061	3,062	3,114	3,056			
YoY	1.7%	1.2%	0.4%	1.7%	-0.6%			
Third year	3,245	3,221	3,263	3,259	3,265			
YoY	2.5%	2.0%	1.8%	2.1%	0.6%			
Fourth year and beyond	3,581	3,559	3,594	3,594	3,620			
YoY	2.4%	1.7%	1.5%	1.6%	1.1%			

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.

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 refers to 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 better control of costs (particularly hiring costs). 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 of JPY255mn (+88.9% YoY) from an increase in the number of subsidiaries by M&A in FY09/19, offset lower hiring costs 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 forecasts 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 projects in regional cities (including the Linear Chuo Shinkansen) have gotten underway in earnest.

Construction 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 costs of JPY328mn (-21.5% YoY).

- ▷ Personnel expenses went up YoY due to increased headcount in sales and human resources management departments.
- ▷ Hiring costs 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 costs.

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 costs came to JPY252mn (+6.3% YoY).

- ▷ Personnel expenses went up due to increasing the head count in sales and human resources management departments.
- ▷ Hiring costs 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 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.

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

Full-year company forecasts

FY09/20 forecasts

(JPYmn)	FY09/19			FY09/20
	1H Act.	2H Act.	FY Act.	IFRS Est.
Sales (Revenue)	24,511	27,994	52,505	63,000
YoY	26.7%	32.8%	29.9%	-
Cost of sales	17,079	20,154	37,233	
Gross profit	7,432	7,840	15,272	
YoY	24.9%	22.7%	23.8%	
GPM	30.3%	28.0%	29.1%	
SG&A expenses	4,748	5,804	10,552	
SG&A ratio	19.4%	20.7%	20.1%	
Operating profit	2,684	2,036	4,720	8,000
YoY	3.7%	-21.7%	-9.0%	-
OPM	10.9%	7.3%	9.0%	12.7%
Recurring profit	2,672	1,885	4,558	
YoY	4.5%	-20.9%	-7.8%	
RPM	10.9%	6.7%	8.7%	
Net income (Profit)	1,750	754	2,504	5,400
YoY	-6.5%	-57.3%	-31.1%	-

Source: Shared Research based on company data

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

Net income refers to net income attributable to owners of the parent.

The company has indicated it will voluntarily apply IFRS in FY09/20 but has not restated the previous year's results on an IFRS basis.

Note: The company plans to apply JGAAP through cumulative Q3 FY09/20 and voluntarily apply IFRS from full-year FY09/20. Net income for FY09/20 refers to net income attributable to owners of the parent.

Company forecast for the Construction Technician Temporary Staffing segment

Construction Technician Temp. Staffing (JPYmn)	FY09/19	FY09/20
	Act.	Est.
No. of technicians hired	3,289	2,900
No. of technicians (year-end)	6,099	6,800
Net increase	1,033	701
Sales	35,890	41,100
YoY	21.2%	14.5%
Operating profit	5,904	7,500
YoY	18.5%	27.0%
OPM	16.5%	18.2%

Source: Shared Research based on company data

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

Company forecast for the Engineer Temporary Staffing segment

Engineer Temporary Staffing (JPYmn)	FY09/19	FY09/20
	Act.	Est.
No. of technicians hired	1,748	1,350
No. of technicians (year-end)	3,640	4,000
Net increase	1,226	360
Sales	15,391	20,800
YoY	48.3%	35.1%
Operating profit	133	1,200
YoY	-71.4%	802.3%
OPM	0.9%	5.8%

Source: Shared Research based on company data

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

The company has altered its reporting segments from FY09/20, transferring the IT business (network equipment sales and leasing and contracted IT systems development) from the Other segment to the Engineer Temporary Staffing segment. For the purpose of YoY comparisons, FY09/19 figures have been retroactively adjusted to the new segmentation.

For FY09/20, Yumeshin forecasts full-year sales of JPY63.0bn on an IFRS basis, operating profit of JPY8.0bn, and net income attributable to owners of the parent of JPY5.4bn. The company has indicated it will voluntarily apply IFRS from full-year FY09/20 but has not restated the previous year's results on an IFRS basis. The company will apply J-GAAP through cumulative Q3 and amortize goodwill, but for the full year it will apply IFRS and not amortize goodwill. The company said this will boost profit by roughly JPY500mn YoY.

The company has altered its reporting segments from FY09/20, transferring the IT business (network equipment sales and leasing and contracted IT systems development) from the Other segment to the Engineer Temporary Staffing segment. For the purpose of YoY comparisons, FY09/19 figures have been retroactively adjusted to the new segmentation.

Construction Technician Temporary Staffing

Yumeshin forecasts sales of JPY41.1bn (+14.5% YoY) and segment profit of JPY7.5bn (+27.0% YoY).

Sales

- ▷ Forecast sales in the Construction Technician Temporary Staffing segment are based on the following assumptions for technician numbers, utilization rates, and billing rates. The company forecasts 2,900 new hires. It increased headcount by 3,289 in FY09/19, but plans to curtail hiring to increase utilization rates. It targets 6,800 technicians at year-end (net increase of 701, +11.5% YoY).
- ▷ It forecasts a utilization rate of 93.0% (+1.1pp YoY). The company said it plans to increase the utilization rate by curtailing new hires in April–June, a lean period for labor demand in the construction industry, and shorten the time between hiring and utilization of new hires by one week by curbing excessive training.

Segment profit

The company expects a higher utilization rate to contribute to improved GPM. It also expects a contribution from an 11.6% YoY drop in hiring costs to JPY1.5bn. It forecasts hiring cost per technician at JPY500,000 (JPY498,000 in FY09/19) and fewer new hires.

Engineer Temporary Staffing

Yumeshin forecasts sales of JPY20.8bn (+35.1% YoY) and segment profit of JPY1.2bn (+802.3% YoY).

The company aims to increase utilization rates by constraining new hires to 1,350 (-22.8% YoY) against a backdrop of solid demand. It also aims to promote roughly 400 technical support engineers to middle-end engineers by conducting training and in-house qualification exams in FY09/20. It aims to thereby boost billing rates and margins. In FY09/19 billing rates were JPY2,550 for technical support engineers and JPY3,298 for middle-end engineers.

It also expects full-year contributions from companies purchased last year: Neplus K.K., Sanritsu Design Co., Ltd., InformationPort Co., Ltd., Samurai, Inc., and Garenet Co., Ltd. For FY09/20 the company forecasts subsidiaries in the Engineer Temporary Staffing segment (excluding core subsidiary Yume Technology) to post sales of JPY3.9bn (+38.2% YoY), operating profit before goodwill amortization of JPY350mn (+293.3% YoY), and goodwill amortization of JPY300mn (JPY227mn in FY09/19). It will amortize goodwill through Q3 under J-GAAP, but for full-year FY09/20 it will apply IFRS, and the lack of goodwill amortization will also push up profit.

Other businesses

The company also operates recruitment and education businesses in the Other segment.

Recruitment

The company forecasts sales of JPY200mn (+28.2% YoY) and segment loss of JPY100mn (segment loss of JPY138mn in FY09/19).

The company offers recruitment services for construction companies, recruitment support services for Japanese companies seeking local human resources in Vietnam, and Japanese language classes for local hires of Japanese companies in Vietnam, the Philippines, Taiwan, and Korea. The company expects to place 300 overseas personnel in FY09/20.

Education

The company forecasts sales of JPY900mn (+631.7% YoY) and segment loss of JPY100mn (segment loss of JPY236mn in FY09/19).

Long-term outlook

In September 2018, Yumeshin announced a new medium-term management plan covering FY09/19 through FY09/21.

Consolidated earnings forecasts under medium-term plan

Earnings plan (JPYmn)	FY09/18	FY09/19	FY09/20	FY09/21
	J-GAAP Act.	J-GAAP Act.	IFRS Est.	J-GAAP Target
Sales (Revenue)	40,419	52,505	63,000	76,200
YoY	32.5%	29.9%	-	-
Operating profit	5,186	4,720	8,000	10,000
YoY	119.6%	-9.0%	-	-
OPM	12.8%	9.0%	12.7%	13.1%
Net income (Profit)	3,636	2,504	5,400	6,800
YoY	155.0%	-31.1%	-	-
Net margin	9.0%	4.8%	8.6%	8.9%

Source: Shared Research based on company data

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

The company has indicated it will voluntarily apply IFRS in FY09/20 but has not restated the previous year's results on an IFRS basis. Net income for FY09/20 refers to net income attributable to owners of the parent.

Targets under medium-term plan for Construction Technician Temporary Staffing business

Construction Technician Temp. Staffing (JPYmn)	FY09/18 Act.	FY09/19 Act.	FY09/20 Est.	FY09/21 Target
No. of technicians hired	2,764	3,289	2,900	3,000
No. of technicians (year-end)	5,066	6,099	6,800	7,800
Net increase	664	1,033	701	1,000
Sales	29,609	35,890	41,100	50,000
YoY	31.0%	21.2%	14.5%	21.7%
Operating profit	4,981	5,904	7,500	8,000
YoY	73.1%	18.5%	27.0%	6.7%
OPM	16.8%	16.5%	18.2%	16.0%

Source: Shared Research based on company data

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

Targets under medium-term plan for Engineer Temporary Staffing business

Engineer Temporary Staffing (JPYmn)	FY09/18 Act.	FY09/19 Act.	FY09/20 Est.	FY09/21 Target
No. of technicians hired	1,118	1,748	1,350	2,200
No. of technicians (year-end)	2,414	3,640	4,000	5,500
Net increase	698	1,226	360	1,500
Sales	10,379	15,391	20,800	25,000
YoY	40.5%	48.3%	35.1%	20.2%
Operating profit	465	133	1,200	2,000
YoY	165.9%	-71.4%	802.3%	66.7%
OPM	4.5%	0.9%	5.8%	8.0%

Source: Shared Research based on company data

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

Overview of new medium-term management plan

Basic plan: Moves up target date for reaching group-wide goal of 10,000 technicians, raises operating profit target to JPY10.0bn

Under the previous medium-term management plan (announced in November 2017), the company had set its sights on a group-wide total of 10,000 technicians by the end of FY09/20. In its new medium-term plan, the company has moved up the target date for achieving that goal to the end of FY09/20 and, based on this, has set a target for consolidated operating profit of JPY10.0bn in FY09/21.

The company aims to expand its business and cater to demand for technician temporary staffing services in the construction, manufacturing, and IT industries by aggressively stepping up hiring not only in its mainstay Construction Technician Temporary Staffing business but also in its Engineer Temporary Staffing business.

The overview by segment is as follows.

Construction Technician Temporary Staffing

In FY09/21, Yumeshin Holdings will aim for sales of JPY50.0bn (+39.3% versus FY09/19 results) and operating profit of JPY8.0bn (+35.5% versus FY09/19 results). The company plans to seek growth in both sales and profit using a higher number of technicians on its books as a source of earnings.

At its Construction Technician Temporary Staffing business, Yumeshin sees continued strong demand for construction site supervisors to meet the needs stemming from construction related to the 2020 Tokyo Olympics and Paralympics and the growing number of redevelopment projects being undertaken in the Greater Tokyo Area. The company also sees demand remaining strong after 2020 as redevelopment continues in the Greater Tokyo Area (with projects in such areas as Shinagawa, Yaesu, and Shibuya), aging infrastructure is replaced, and more redevelopment projects are undertaken in rural areas to create cities based on the “compact city” urban design concept.

To keep up with the expected growth in demand, the company plans to maintain an annual hiring goal of more than 2,800 technicians. It looks to increase the retention rate through continuous follow-up measures and other strategies, and aims to have 7,800 technicians in its books at end-FY09/21.

Yumeshin hired 2,764 technicians in FY09/18 but aims to hire 3,000 in FY09/21. Previously, the company had targeted inexperienced or young technicians in their twenties but, moving forward, will also add veteran technicians in their forties or older who have experience in the industry. According to the company, more than 50% of construction workers are in their forties or fifties, which means that the company could greatly expand its hiring totals by adding veterans to its hiring pool. The company hired 359 veteran technicians in FY09/19 and is increasing its number of veteran hires through strategies such as enhancing the content of Ore no Yume (“My Dream”), a job information site aimed at veteran technicians.

The retention rate for technicians in FY09/19 was 72.8%, 1.0pp higher YoY, and is now on an upward trend thanks to the company’s engagement in providing support for new technicians, improving skills through regular technical training, and enhancing its company benefit system.

Engineer Temporary Staffing business

In FY09/21, Yumeshin Holdings will aim for sales of JPY25.0bn (+62.4% versus FY09/19 results) and operating profit of JPY2.0bn (roughly 15x FY09/19 results). The company will use the increased number of engineers on its books as a source of earnings as it strives to achieve growth in both sales and profit.

At its Engineer Temporary Staffing business, Yumeshin sees the shortage of IT technicians growing even worse in light of the announcement by the Ministry of Economy, Trade and Industry that by the year 2030 they expected there to be a shortage of roughly 790,000 IT engineers in Japan alone. The company also anticipates that the shortage of IT engineers will be felt more and more in the R&D departments of Japanese manufacturers as they step up efforts to develop new production automation and optimization technologies that make use of AI and IoT. To help meet those needs, during FY09/19 the company is planning to front-load spending at its administration, training, and sales departments to handle the increase in hiring and the addition to its engineering staff, with the goal of being able to consistently hire at least 2,000 engineers every year. The company’s goal is to have at least 5,000 engineers on staff by end-FY09/21 and it will strive for this target primarily through increasing its number of annual hires.

In FY09/20, the company aims to enhance its training regime to enable it to train technical support engineers it hires to become middle-end engineers. It aims to thus increase billing rates and margins. In FY09/19 the hourly rate was JPY2,550 for technical support engineers and JPY3,298 for middle-end engineers.

Business

Business description

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

In FY09/19, the Construction Technician Temporary Staffing segment accounted for 68.4% of sales and 101.9% 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, costs, and so on.

The Engineer Temporary Staffing segment accounted for 29.3% of FY09/19 sales and 2.3% 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

(JPYmm)	FY09/10	FY09/11	FY09/12	FY09/13	FY09/14	FY09/15	FY09/16	FY09/17	FY09/18	FY09/19
	Cons.	Cons.	Cons.	Cons.	Cons.	Cons.	Cons.	Cons.	Cons.	Cons.
Sales	4,862	6,817	10,982	12,538	16,482	21,116	23,271	30,510	40,419	52,505
YoY	-11.3%	40.2%	61.1%	14.2%	31.5%	28.1%	10.2%	31.1%	32.5%	29.9%
Construction Technician Temp. Staffing	4,552	5,268	6,472	8,163	11,731	13,855	17,401	22,608	29,609	35,890
YoY	-10.9%	15.7%	22.9%	26.1%	43.7%	18.1%	25.6%	29.9%	31.0%	21.2%
% of sales	93.6%	77.3%	58.9%	65.1%	71.2%	65.6%	74.8%	74.1%	73.3%	68.4%
Engineer Temporary Staffing	-	1,210	4,109	3,911	4,189	4,773	5,803	7,368	10,379	15,386
YoY	-	-	239.6%	-4.8%	7.1%	13.9%	21.6%	27.0%	40.9%	48.2%
% of sales	-	17.7%	37.4%	31.2%	25.4%	22.6%	24.9%	24.1%	25.7%	29.3%
Total segment profit	619	732	1,440	1,610	2,135	1,824	2,558	2,493	5,733	5,798
YoY	7.9%	1.5%	6.7%	11.1%	13.6%	-	40.2%	-2.5%	130.0%	1.1%
Construction Technician Temp. Staffing	693	773	1,172	1,231	1,703	1,733	2,213	2,877	5,388	5,904
YoY	-	11.5%	51.7%	5.1%	38.3%	-	27.6%	30.0%	87.3%	9.6%
Profit margin	15.2%	14.7%	18.1%	15.1%	14.5%	12.5%	12.7%	12.7%	18.2%	16.5%
% of total segment profit	111.9%	105.5%	81.4%	76.5%	79.2%	85.6%	85.5%	116.3%	93.9%	101.9%
Engineer Temporary Staffing	-	-1	243	302	374	479	436	178	465	133
YoY	-	-	-	24.5%	23.8%	-	-9.1%	-59.2%	161.8%	-71.3%
Profit margin	-	-	5.9%	7.7%	8.9%	10.0%	7.5%	2.4%	4.5%	0.9%
% of total segment profit	-	0	16.9%	18.8%	17.4%	23.7%	16.8%	7.2%	8.1%	2.3%
Amortization of goodwill	-1	-30	-83	-83	-76	-103	-132	-196	-184	-323
Company-wide expenses	-66	-251	-61	245	877	6	7	65	-363	-755
Operating profit	520	543	1,195	1,230	1,857	1,727	2,433	2,362	5,186	4,720
YoY	-31.2%	4.4%	120.1%	3.0%	51.0%	-7.0%	40.9%	-2.9%	119.6%	-9.0%
OPM	10.7%	8.0%	10.9%	9.8%	11.3%	8.2%	10.5%	7.7%	12.8%	9.0%
Recurring profit	552	451	1,296	1,771	2,952	1,960	2,463	2,424	4,941	4,558
YoY	-31.6%	-18.3%	187.2%	36.7%	66.7%	-33.6%	25.7%	-1.6%	103.8%	-7.8%
RPM	11.4%	6.6%	11.8%	14.1%	17.9%	9.3%	10.6%	7.9%	12.2%	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: Until FY09/14 segment profit was adjusted with recurring profit. After FY09/15, these figures are adjusted with operating profit.

Construction Technician Temporary Staffing

The parent company, Yumeshin Holdings, runs this core business, which accounted for 68.4% of sales and 101.9% of operating profit in FY09/19. Construction Technician Temporary Staffing can be further subdivided into construction and technical support services, 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 and technical support services

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. Duties also include taking site photos and running morning assemblies. 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.

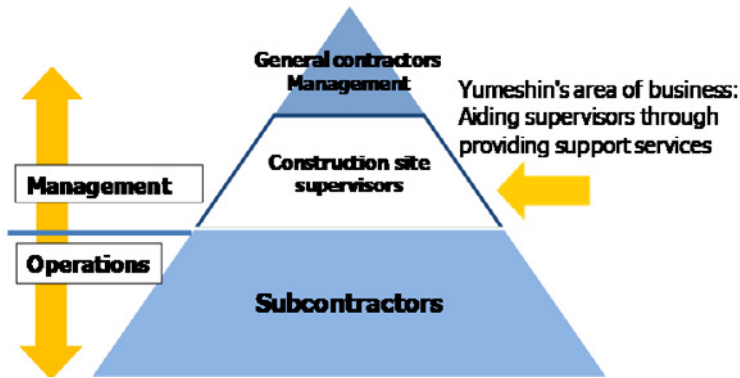
Providing staffing to a multilayered subcontracting structure

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

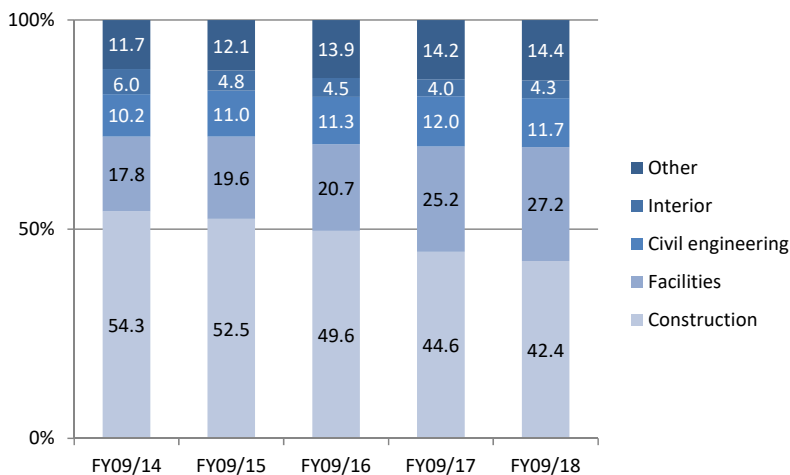
The company had 693 client firms in FY09/13 and more than 1,800 in FY09/18, demonstrating a steady increase in the number of clients. As clients increased, the share of sales to the top five clients has decreased from 18.5% in FY09/13 to 14.1% in FY09/18. The share of sales associated with the top ten clients has also decreased from 27.5% in FY09/13 to 19.8% in FY09/18.

Share of sales by customer (%)

Rank	FY09/13		FY09/14		FY09/15		FY09/16		FY09/17		FY09/18	
1	Tokyu Construction	6.6	Daiwa House Industry	6.5	Daiwa House Industry	6.2	Daiwa House Industry	6.1	Daiwa House Industry	5.4	Daiwa House Industry	4.7
2	Daiwa House Industry	4.8	Tokyu Construction	4.6	Taisei	3.7	Taisei	4.1	Taisei	3.8	Taisei	3.8
3	Kurosawa Construction	2.7	Taisei	3.5	Shimizu	2.8	Shimizu	3.4	Shimizu	2.6	Shimizu	2.5
4	Takenaka	2.2	Hazama Ando	1.6	Tokyu Construction	2.7	Takenaka	3.0	Takenaka	2.0	Shinryo	1.7
5	Taisei	2.2	Shimizu	1.6	Takenaka	2.2	Shinryo	1.7	Fuji Electric	1.6	NIPPO	1.3
	Top 5 companies	18.5	Top 5 companies	17.8	Top 5 companies	17.5	Top 5 companies	18.3	Top 5 companies	15.3	Top 5 companies	14.1
	Top 10 companies	27.5	Top 10 companies	24.9	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 sales 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— 43.4% of all employees are in their fifties, those in their forties constitute some 23.0%, and staff in their twenties and thirties make 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, 66.4% of Yumeshin’s staff were in their twenties as of September 2018. 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.

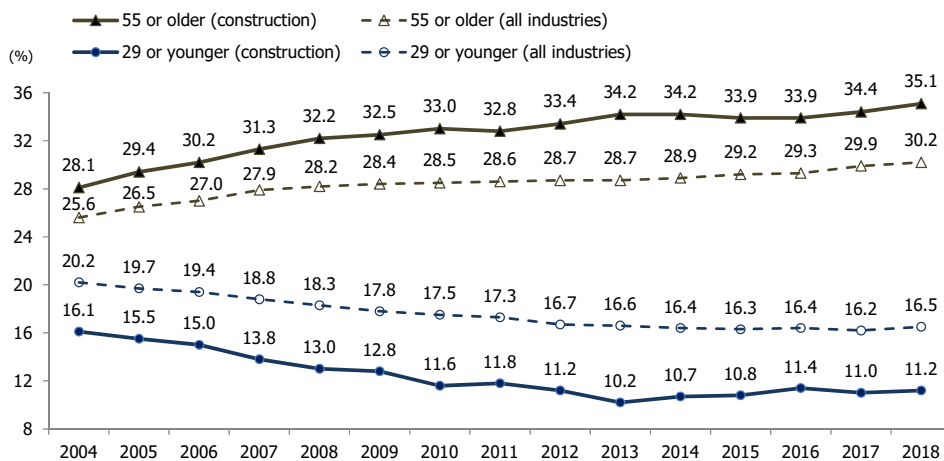
Remarkably, of the company’s employees, around 70% have been with the firm for at least three years. Employees typically go through two weeks of initial training in-house, and are then sent to gain hands on experience at client sites. The company emphasizes this sort of sink-or-swim, on-the-job training (OJT) and expects that while new employees may lack knowledge and experience at first, communication skills are more valuable to clients.

Employees by age group (%)

	Yumeshin	Construction industry	All industries
20s	66.4	11.2	16.7
30s	27.8	22.4	21.8
40s	2.2	23.0	23.0
50s and older	3.6	43.4	38.5

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

Employment rate by age group



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

As of end-September 2019, the company had 6,099 staff, compared to 5,066 as of end-September 2018 (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 as of September 2018. 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 and technical support services 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 and technical support services) may make changes to the working drawings.

Engineer Temporary Staffing

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 clients’ R&D needs in the fields of information and telecommunications (about 57% of sales), manufacturing (roughly 34%), with others comprising about 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 3,640 engineers on its books at end-September 2019 (+50.8% YoY), 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 collaboration with group companies YumeGlobal Corp. and Yume Global Co., Ltd., the company has also aggressively pursued recruitment overseas. It has provided Japanese language education to local resources in Vietnam and the Philippines and has been employing between one hundred and three hundred staff overseas on a yearly basis.

Business model

Construction Technician Temporary Staffing business

The company's sales are 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 business sales metrics

	FY09/14	FY09/15	FY09/16	FY09/17	FY09/18	FY09/19
Number of technicians	2,277	2,760	3,334	4,402	5,066	6,099
Number of new hires	1,628	1,702	2,018	2,666	2,764	3,289
Net increase	548	483	574	1,068	664	1,033
Retention rate	67.8%	69.4%	69.8%	73.4%	70.7%	73.0%
a) Average number of technicians	2,101	2,497	3,027	3,889	4,835	5,746
b) Utilization rate	93.4%	94.6%	92.7%	92.2%	93.8%	91.9%
c) Average hours per day	9.8	9.8	9.7	9.6	9.6	9.6
d) Average hourly wage (JPY)	2,569	2,644	2,706	2,797	2,890	2,983
Sales (JPYmn)	11,731	13,855	17,401	22,608	29,609	35,890
YoY	43.7%	18.1%	25.6%	29.9%	31.0%	21.2%
Ref.: a x b x c x d x operating days (JPYmn)	11,610	14,369	17,309	22,649	29,477	35,462

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

Cost of sales

The majority of cost of sales 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 73.0% in FY09/19 (70.7% in FY09/18). 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 sales levels.

Parent earnings (JPYmn)	FY09/14	FY09/15	FY09/16	FY09/17	FY09/18	FY09/19
Sales	11,731	13,855	17,401	22,608	29,609	35,977
YoY	43.7%	18.1%	25.6%	29.9%	31.0%	21.5%
Cost of sales	8,132	9,816	12,371	15,791	20,004	24,663
Cost ratio	69.3%	70.8%	71.1%	69.8%	67.6%	68.6%
Labor costs	7,883	9,528	12,071	15,384	19,467	23,907
Outsourcing costs	94	90	93	104	108	124
Other costs	156	198	207	303	430	632
Gross profit	3,598	4,039	5,030	6,816	9,605	11,314
YoY	39.1%	12.3%	24.5%	35.5%	40.9%	17.8%
GPM	30.7%	29.2%	28.9%	30.2%	32.4%	31.4%
SG&A expenses	1,938	2,306	2,817	3,939	4,624	5,972
SG&A ratio	16.5%	16.6%	16.2%	17.4%	15.6%	16.6%
Salaries and allowances	7,680	842	1,050	1,368	1,677	2,093
Hiring expenses	330	455	669	1,118	1,249	1,665
Operating profit	1,660	1,733	2,213	2,877	4,981	5,343
YoY	48.6%	4.4%	27.7%	30.0%	73.1%	7.3%
OPM	14.2%	12.5%	12.7%	12.7%	16.8%	14.8%

Source: Shared Research based on company data
 Note: Figures may differ from company materials due to differences in rounding methods.

Engineer Temporary Staffing business

As in Construction Technician Temporary Staffing, sales are determined by the number of engineers, utilization rate, and billing rates for workers. In FY09/19, the company had 3,640 engineers (versus 2,414 in FY09/18), an 89.5% utilization rate (versus 91.5% in FY09/18), and an average hourly billing rate of JPY2,857 (versus JPY2,853 in FY09/18).

Sales metrics for Engineer Temporary Staffing business

Yume Technology sales metrics	FY09/14	FY09/15	FY09/16	FY09/17	FY09/18	FY09/19
Number of technicians	618	853	1,131	1,716	2,414	3,640
Number of new hires	-	289	460	941	1,118	1,748
Net increase	51	235	278	585	698	1,226
Retention rate	-	94.0%	86.1%	82.8%	85.2%	87.5%
a) Average number of technicians	591	751	1,005	1,414	2,046	3,078
b) Utilization rate	96.0%	95.3%	93.3%	90.2%	91.5%	89.5%
c) Average hourly wage (JPY)	3,232	3,246	3,091	2,952	2,853	2,857
Sales (JPYmn)	3,839	4,773	5,805	7,385	10,381	15,391
YoY	8.7%	24.3%	21.6%	27.2%	40.6%	48.3%
Ref.: a x b x c x operating days (JPYmn)	3,663	4,641	5,789	7,521	10,669	15,721

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

In FY09/19, the gross profit margin was 22.4%. The vast majority of cost of sales was labor (97.4%). The SG&A-to-sales ratio was 21.5%. Personnel expenses and hiring expenses account for the majority of SG&A expenses.

Earnings performance of Engineer Temporary Staffing business

Yume Technology earnings (JPYmm)	FY09/14	FY09/15	FY09/16	FY09/17	FY09/18	FY09/19
Sales	3,839	4,773	5,805	7,385	10,378	15,391
YoY	8.7%	24.3%	21.6%	27.2%	40.5%	48.3%
Cost of sales	2,892	3,555	4,326	5,622	7,852	11,948
Cost ratio	75.3%	74.5%	74.5%	76.1%	75.7%	77.6%
Labor costs	2,789	3,445	4,204	5,477		
Outsourcing costs	2	5	0	0		
Other costs	101	105	122	146		
Gross profit	947	1,218	1,479	1,763	2,529	3,443
YoY	14.7%	28.6%	21.4%	19.2%	43.5%	36.2%
GPM	24.7%	25.5%	25.5%	23.9%	24.4%	22.4%
SG&A expenses	587	726	1,046	1,588	2,061	3,309
SG&A ratio	15.3%	15.2%	18.0%	21.5%	19.9%	21.5%
Salaries and allowances	259	300	382	531	934	1,482
Hiring expenses	71	134	262	546	662	1,037
Operating profit	351	476	433	175	465	133
YoY	26.7%	35.8%	-9.1%	-59.6%	165.8%	-71.4%
OPM	9.1%	10.0%	7.5%	2.4%	4.5%	0.9%

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 the Engineer Temporary Staffing business.

Profitability/ financial indicators

Profit margins (JPYmm)	FY09/10	FY09/11	FY09/12	FY09/13	FY09/14	FY09/15	FY09/16	FY09/17	FY09/18	FY09/19
	Cons.	Cons.	Cons.	Cons.	Cons.	Cons.	Cons.	Cons.	Cons.	Cons.
Gross profit	1,490	1,899	3,159	3,450	4,583	5,150	6,563	8,781	12,339	15,272
GPM	30.7%	27.9%	28.8%	27.5%	27.8%	24.4%	28.2%	28.8%	30.5%	29.1%
Operating profit	520	543	1,195	1,230	1,857	1,727	2,433	2,362	5,186	4,720
OPM	10.7%	8.0%	10.9%	9.8%	11.3%	8.2%	10.5%	7.7%	12.8%	9.0%
EBITDA	554	627	1,362	1,309	2,022	1,939	2,656	2,786	5,608	5,141
EBITDA margin	11.4%	9.2%	12.4%	10.4%	12.3%	9.2%	11.4%	9.1%	13.9%	9.8%
Net margin	7.9%	1.5%	6.7%	11.1%	13.6%	8.9%	7.0%	4.7%	9.0%	4.8%
Financial ratios										
ROA (RP-based)	11.1%	7.7%	18.1%	20.1%	26.0%	12.0%	12.7%	12.3%	22.5%	17.4%
ROE	18.7%	5.8%	40.4%	39.1%	36.3%	18.0%	12.4%	11.6%	29.3%	20.2%
Total asset turnover	0.97	1.16	1.54	1.43	1.45	1.30	1.20	1.54	1.84	2.00
Working capital	714	1,417	1,614	1,852	2,513	2,740	3,632	4,829	5,965	7,577
Current ratio	274.8%	115.2%	137.7%	263.0%	246.5%	377.3%	375.4%	253.7%	284.2%	171.8%
Quick ratio	248.8%	109.7%	123.2%	249.4%	230.4%	352.4%	348.2%	229.3%	259.9%	157.2%
OCF / Current liabilities	0.42	0.23	0.31	0.27	0.55	0.19	0.19	0.33	0.63	0.31
OCF / Total liabilities	0.18	0.11	0.20	0.17	0.34	0.13	0.13	0.21	0.41	0.16
Change in working capital	-21	703	197	238	662	227	892	1,197	1,136	1,612

Source: Shared Research based on company data

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

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	Staff construction supervisors and technicians; draft and sell blueprints	Yumeshin Holdings Co., Ltd. Yumeshin Co., Ltd.
Engineer Temporary Staffing	Dispatch engineers to the manufacturing and IT industries	Yume Technology Co., Ltd. Krung thep 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. Garenet Co., Ltd.
Other Businesses	Recruitment for construction and manufacturing sectors	Yumeshin Holdings Co., Ltd.
	Japanese language class and HR business for Japanese companies' local staff overseas	Yume Global Co., Ltd.
	Sales and leasing of IT equipment	Neplus K.K.
	Japanese language classes for local Filipino staff	YumeGlobal Corp.
	Support for local Vietnamese recruitment	Yume Global Co., Ltd.
	Offshore development in Vietnam	Yumeshin Vietnam Co., Ltd. Yumeshin Holdings Co., Ltd.
	Planning and operation of online programming tutorial services	Samurai, Inc.
	Outsourced IT systems development	InformationPort Co., Ltd. Garenet Co., Ltd.
	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:** 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 a construction site. 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 (3,289 in FY09/19), 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

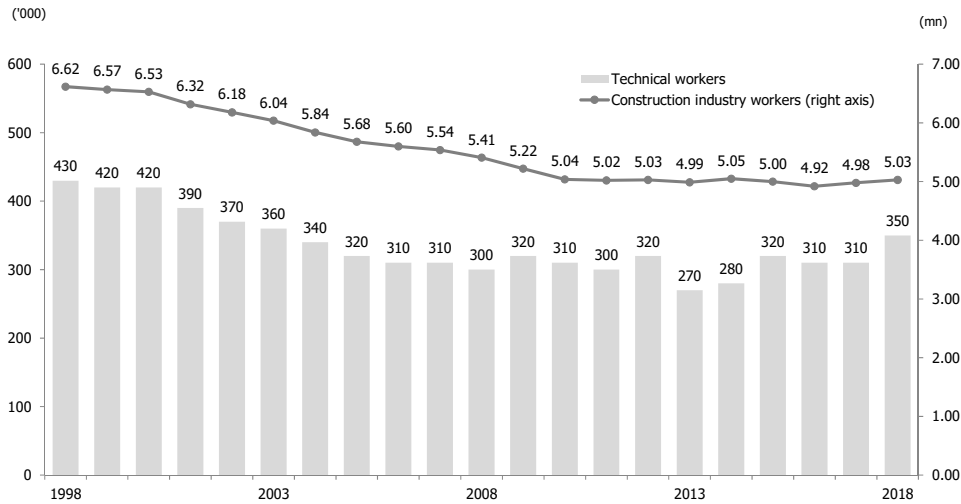
- ▶ **Performance in favorable economic periods:** Shared Research wonders if the company will be able to maintain its strength, using younger employees, during good economic times. This is tough to measure, but if the economy improves, some of the company’s younger employees may look for greener pastures 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 FY09/19, Construction Technician Temporary Staffing accounted for 68.4% of sales and 101.9% of profit. In Engineer Temporary Staffing, the company is expanding hiring from FY09/17, targeting earnings growth, but expects Construction Technician Temporary Staffing to contribute about 80% of operating profit even in the final year of the company’s medium-term management plan (FY09/21). As of December 2019, 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

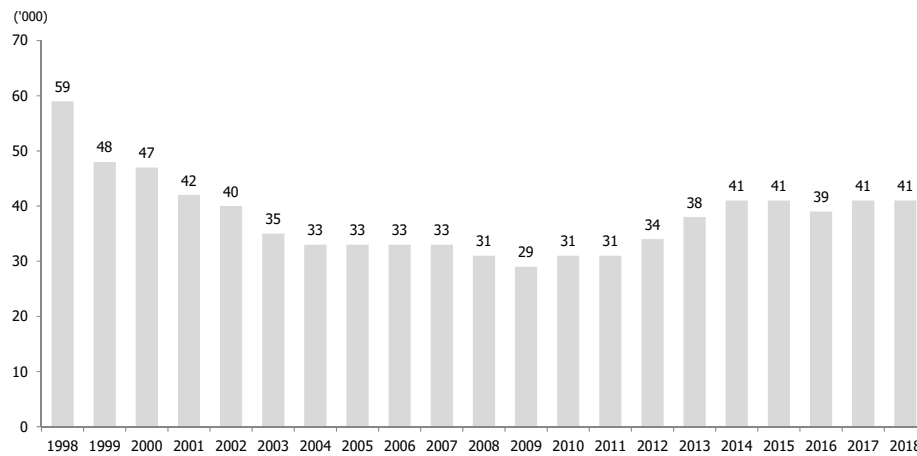
This section focuses on the market for Yumeshin’s mainstay Construction Technician Temporary Staffing.

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)



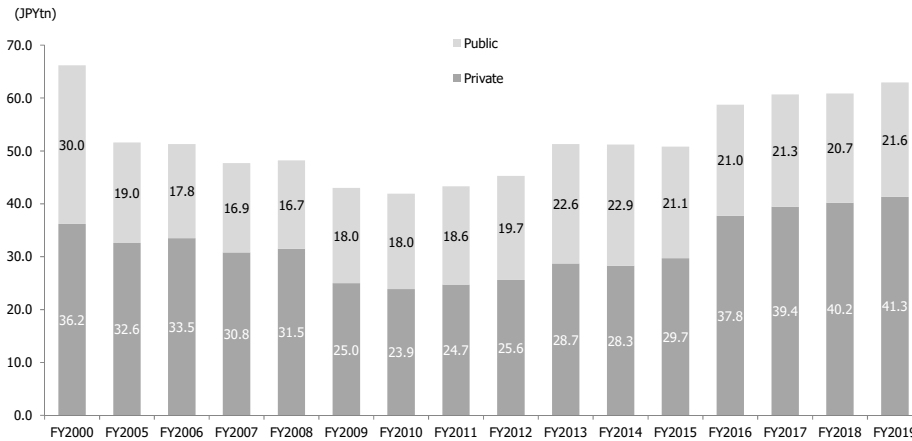
Source: Shared Research based on statistics from the Japan Federation of Construction Contractors' *Construction Handbook 2019*

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 post the economic bubble burst. Between 1997 and 2018, the number of people employed in construction decreased by 1.8mn. 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, and finished fiscal 2018 at 41,000.

As of 2018, baby boomers were reaching their retirement ages, and the construction industry as a whole was aging accordingly, with one out of three workers (35.1%) being 55 years or older (see also Employment Rate by Age Group in the Construction Technician Temporary Staffing 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.

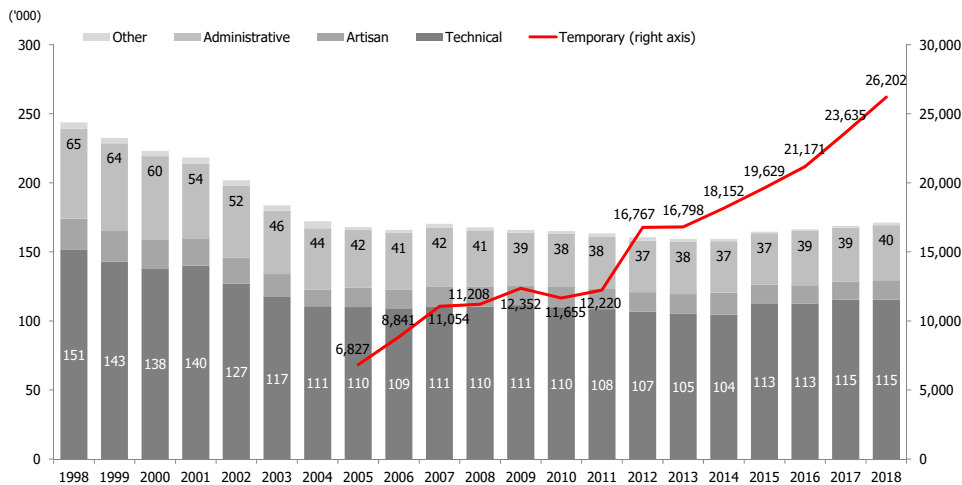
Construction spending



Source: Shared Research based on Ministry of Land, Infrastructure, Transport and Tourism *Construction Industry Investment Outlook for 2019*
 Note: Figures for 2019 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 28.8% between 2005 and 2017.

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	2013	2014	2015	2016	2017	2018
Tokyo	11,543	11,850	12,325	12,834	12,979	13,044	13,131	13,207	13,273	13,340
YoY	-	-	-	1.9%	0.5%	0.5%	0.7%	0.6%	0.5%	0.5%
Kanagawa	8,152	8,391	8,676	8,921	8,956	8,967	8,979	8,986	8,989	8,993
YoY	-	-	-	1.2%	0.1%	0.1%	0.1%	0.1%	0.0%	0.0%
Saitama	6,696	6,875	6,974	7,105	7,134	7,143	7,160	7,169	7,174	7,175
YoY	-	-	-	0.9%	0.1%	0.1%	0.2%	0.1%	0.1%	0.0%
Chiba	5,744	5,869	5,983	6,135	6,114	6,114	6,131	6,137	6,141	6,143
YoY	-	-	-	1.2%	-0.1%	0.0%	0.3%	0.1%	0.1%	0.0%
Greater Tokyo area	32,136	32,985	33,958	34,995	35,183	35,268	35,402	35,499	35,577	35,651
YoY	-	-	-	1.4%	0.2%	0.2%	0.4%	0.3%	0.2%	0.2%
YoY change	-	849	973	1,037	75	85	134	97	78	74

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 business

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 business

Competing firms providing engineer temporary staffing 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

	Sales (JPYmn)	Gross profit (JPYmn)	Operating profit (JPYmn)	Number of engineers	Billing rate (JPY)	Number of client companies	Detail
Yumeshin	15,386	3,443 (22.4%)	133	3,640	2,857	More than 700	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.	144,176	36,466 (25.3%)	13,739	19,293	3,677	2,156	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	74,036	19,416 (26.2%)	10,157	6,923	5,235	About 1,200	Dispatches engineers chiefly to advanced automotive and electrical apparatus manufacturing industries to cover design and development support. 58.2% of engineers are in their 30s and 40s.
Altech Corporation	32,781	8,375 (25.5%)	3,586	3,518	3,988	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 are FY09/19 for Engineer Temporary Staffing business, TechnoPro Holdings' are from FY06/19 (IFRS) with billing rate calculated based on monthly average sales per engineer, Meitec's are from FY03/19 (parent), and Altech's are from FY12/18.

Historical financial statements

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 refers to 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 costs, JPY408mn in M&A related expenses (advisory fees and goodwill amortization), and JPY985mn elsewhere.
- ▷ Operating profit declined due to growth-related expenses, including increased hiring costs in anticipation of greater demand for technicians and M&A-related expenses.
- ▷ 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 forecasts 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 forecasts as the company took on 3,289 workers versus its forecast of 2,800. Net income came in below forecasts 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 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 costs of JPY1.6bn (+32.8% YoY).

- ▷ Personnel expenses went up due to increased headcount in sales and human resources management departments.
- ▷ Hiring costs increased YoY. In addition to an increase in the number of new hires, average hiring cost 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 costs. That said, average hiring cost fell from JPY538,000 in 1H to JPY461,000 in 2H, mainly because hiring cost 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 costs 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 costs 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 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.

Q3 FY09/19 results

- ▷ Sales: JPY37.7bn (+27.1% YoY)
- ▷ Operating profit: JPY3.8bn (-3.2% YoY)
- ▷ Recurring profit: JPY3.8bn (+3.5% YoY)
- ▷ Net income*: JPY2.5bn (-7.9% YoY)

*Net income refers to net income attributable to owners of the parent.

- ▷ Sales increased on growth in the Construction Technician Temporary Staffing segment (driven primarily by an increase in the number of technicians) and the Engineer Temporary Staffing segment.
- ▷ Operating profit declined YoY due to growth-related expenses, including increased hiring costs in anticipation of greater demand for technicians and M&A-related expenses.
- ▷ In Q3 FY09/19 (April-June 2019), operating profit totaled JPY1.1bn (-16.9% YoY). The decline reflects the higher average wage paid to technicians, which lowered the gross profit margin to 28.2% (-1.8pp YoY), and the 42.6% increase in SG&A expenses, compared with a 27.8% rise in sales.
- ▷ Recurring profit increased despite the decline in operating profit as the absence of the previous year's investment losses on an equity-method affiliate helped reduce non-operating expenses to JPY171mn (down 55.5% YoY).
- ▷ Net income attributable to owners of the parent declined YoY, mainly on the dropout of a one-off boost (JPY441mn) in 1H FY09/18 from the sale of shares in an affiliate.

Progress towards the FY09/19 full-year forecast was 75.4% for sales (73.4% in Q3 FY09/18 compared with full-year results for FY09/18), 62.9% for operating profit (75.2%), 62.8% for recurring profit (73.7%), and 61.0% for net income attributable to owners of the parent (74.7%).

Progress was faster than a year earlier for sales, but slower for profits at all levels. The slow pace for profits was due to two reasons. First is the unplanned JPY510mn in M&A fees related to the acquisition of shares in five companies—Neplus K.K., Sanritsu Design Co., Ltd., InformationPort Co., Ltd., Samurai, Inc., and Garenet Co., Ltd.—during the first three quarters of the fiscal year. Second is the higher-than-planned rise in hiring expenses caused by the faster-than-expected pace in hiring of technicians at the Construction Technician Temporary Staffing segment. According to Yumeshin, the segment achieved its full-year goal of 2,800 new hires in the first three quarters, and hiring is therefore expected to drop off in Q4 (July-September), when the company plans to increase the utilization of these new human resources.

Overviews by segment are as follows.

Construction Technician Temporary Staffing

- ▷ Sales: JPY26.4bn (+20.6% YoY)
- ▷ Segment profit: JPY4.3bn (+6.0% YoY)

Due to an aging workforce and shortage of young workers, dispatch demand at general contractors remained firm. The company focused on hiring, with a target of 2,800 technicians over the year, as major construction projects related to the 2020 Tokyo Olympic and Paralympic Games and to the Linear Chuo Shinkansen got into full swing, and as Osaka was officially named host of

the 2025 World Expo. The company hired 2,688 new technicians in cumulative Q3 FY09/19 (2,087 in Q3 FY09/18). The number of technicians in the company's books as of end-June 2019 was 6,085 (+1,107 YoY).

Construction 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 18.1% YoY with staff utilization rate down 1.4pp YoY, the average number of hours dispatched up 0.1%, and billing rates increased by 3.7% YoY.

- ▷ As of end-June 2019, the number of technicians was 6,085 (up 1,107 YoY).
 - As a result of the company's increased focus on recruitment, as noted above, new hires totaled 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 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.
 - The retention rate rose by 0.5pp to 72.8% from 72.4% in Q3 FY09/18. According to the company, the improvement in retention rate reflected initiatives such as extending the training period for new technicians from two weeks to three weeks and 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 1.4pp YoY to 92.7% from 94.1% in Q3 FY09/18. This decline reflected increased hiring. According to the company, it currently has about six projects per technician and new inquiries from customers are at a high level.
- ▷ Hours dispatched (the average number of hours worked per day) was 9.60 hours, up 0.1% YoY (+0.01 hours YoY). Hours worked increased over the first three quarters of FY09/19 after a period of decline driven by the continued impact of the government's push for work style reform.
- ▷ The average hourly billing rate was JPY2,985 (+JPY106 or +3.7% 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 0.7pp from 44.1% a year ago to 43.4%YoY.
 - Average billing rates per year of employment were as follows: up 2.8% YoY for first-year technicians, up 1.1% YoY for second-year technicians, up 2.1% YoY for third-year technicians, and up 1.9% YoY for four-plus years technicians. Robust demand for construction technician temporary staffing continued to push average hourly wages higher.

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

The segment's gross profit was up 16.8% YoY to JPY8.3bn, buoyed by growth in sales. GPM of 31.5% was down 1.0pp YoY despite higher billing rates, due to increased wages paid and lower utilization rates.

SG&A expenses were JPY4.0bn (+31.2% YoY), and the SG&A-to-sales ratio was 15.3% (+1.2pp YoY), breaking down into personnel expenses of JPY1.7bn (+20.7% YoY) and hiring costs of JPY1.3bn (+48.3% YoY).

- ▷ Personnel expenses went up due to increasing the head count in sales and human resources management departments.

- ▷ Higher hiring costs reflected spending to establish a new recruiting webpage targeting veteran technicians (over age 50) and recruitment campaigns as well as the increase in new hires. The rate of increase in hiring costs over cumulative Q3 was less than that for 1H as spending per new hire in Q3 (April-June) was less than in Q2. According to the company, during Q3 it discontinued a hiring campaign conducted in 1H that fell short of expected results. In addition, the new job applicant management system mentioned earlier helped lower the cost per new technician hired.

Engineer Temporary Staffing

- ▷ Sales: JPY10.8bn (+43.7% YoY)
- ▷ Segment profit: JPY218mn (-47.5% YoY)

Despite uncertainties such as the impact of US-China trade frictions, demand for engineers continued to be robust, underpinned by strong domestic demand in the manufacturing industry including automotive, electronics, and semiconductor sectors. The IT industry, another customer base, continued to see a high level of investments into infrastructure overhaul and information security. Under these conditions, the company set a yearly hiring plan of 1,800 engineers and focused on hiring activities in order to respond to the growing demand for engineers.

Sales were up due to the increase in engineer numbers. Segment profit declined YoY on higher hiring expenses (since the company recruited aggressively in preparation for rising future demand) but came in ahead of the initial forecast thanks to the improved efficiency of the hiring process.

As for the key metrics of sales performance, the average number of technicians was up 51.1% YoY, the staff utilization rate fell 1.7pp YoY, and the average billing rate went up 0.4% YoY.

- ▷ The average number of engineers was 2,904 (versus 1,885 in Q3 FY09/18), and the number of engineers on the company's books at end-June 2019 was 3,394 (versus 2,158 at end-June 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 1,290 people over the first three quarters of FY09/19 (versus 732 in the first three quarters of FY09/18). The newly acquired consolidated subsidiary accounted for about 200 of this total.
 - The current composition of Yumeshin's engineers is 57.9% technical support engineers (-0.1pp YoY), 37.3% middle-end engineers (-1.2pp YoY), and 4.7% high-end engineers (+1.2pp). Although the newly consolidated subsidiary has many middle-end and high-end engineers, the composition of engineers was largely unchanged as new hires were mostly technical support engineers.
 - The staff retention rate fell to 80.3%, down 1.3pp from 81.6% for the same period a year earlier.
- ▷ The staff utilization rate was 90.1% down 1.7pp YoY from 91.8% in Q3 FY09/18. The decline in the utilization rate reflected the increase in the number of engineers.
- ▷ The average hourly billing rate was JPY2,867 (+0.4% YoY or +JPY12 YoY). Although the average hourly rate increased in all classes, the increase was small due to the mix.
 - The hourly rate was JPY2,545 (+4.7% YoY) for technical support engineers, JPY3,315 (+2.3%) for middle-end engineers, and JPY4,397 (+6.4%) 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 general business.

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

Gross profit of the Engineer Temporary Staffing business was JPY2.5bn (+35.5% YoY) buoyed by growth in sales. However, GPM of 23.3% was down 1.4pp YoY despite higher billing rates, due to increased wages paid and lower utilization rates.

SG&A expenses were JPY2.3bn (+59.4% YoY) and the SG&A-to-sales ratio was 21.3% (+2.1pp YoY). Personnel expenses were JPY1.0bn (+55.1% YoY) and hiring costs came to JPY770mn (+72.3%).

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

Other

- ▷ Sales: JPY611mn (+74.1% YoY)
- ▷ Segment profit: JPY23mn (segment loss of JPY206 in Q3 FY09/18)

Other businesses include recruitment services for construction companies, recruitment support services for Japanese companies seeking local human resources in Vietnam, and Japanese language classes for local hires of Japanese companies in Vietnam, the Philippines, and Taiwan. In addition, the results of the network equipment sales and leasing business of Neplus KK, which Yumeshin acquired in October 2018, are included in the Other segment's Q3 FY09/19 results.

Neplus' network equipment sales and leasing business pushed up Other segment sales, contributing to a return to the black for segment profits. The withdrawal from unprofitable operations also contributed to the improvement in earnings.

1H FY09/19 results

- ▷ Sales: JPY24.5bn (+26.7% YoY)
- ▷ Operating profit: JPY2.7bn (+3.7% YoY)
- ▷ Recurring profit: JPY2.7bn (+4.5% YoY)
- ▷ Net income*: JPY1.8bn (-6.5% YoY)

*Net income refers to net income attributable to owners of the parent.

Sales increased on growth in the Construction Technician Temporary Staffing segment (driven primarily by an increase in the number of technicians) and the Engineer Temporary Staffing segment. Operating profit and recurring profit expanded YoY, as the benefits of higher staffing rates in the Construction Technician Temporary Staffing segment outstripped the impact from the increase in hiring expenses aimed at driving future earnings. However, net income attributable to owners of the parent declined YoY, mainly on the dropout of a one-off boost (JPY441mn) in 1H FY09/18 from the sale of shares in an affiliate.

Progress towards the FY09/19 full-year forecast was 49.0% for sales (47.8% in 1H FY09/18 compared with full-year results for FY09/18), 44.7% for operating profit (49.9%), 44.5% for recurring profit (51.8%), and 42.7% for net income attributable to owners of the parent (51.5%). Progress was faster than a year earlier for sales, but slower for profits at all levels. This was due to outsourcing expenses of JPY370mn from unexpected M&A advisory fees arising in connection with the acquisition of shares in Neplus K.K., Sanritsu Design Co., Ltd., InformationPort Co., Ltd., and Samurai, Inc. Shared Research thinks the company can attain its full-year forecasts, as the number of technicians hired reached 1,603 in 1H (57.3% of full-year target), demand for construction technicians and engineers remains brisk resulting in high utilization rates, and wage are trending up.

Overviews by segment are as follows.

Construction Technician Temporary Staffing

- ▷ Sales: JPY17.3bn (+20.1% YoY)

▷ Segment profit: JPY3.0bn (+9.2% YoY)

Due to an aging workforce and shortage of young workers, dispatch demand at general contractors remained firm. The company focused on hiring, with a target of 2,800 technicians over the year, as major construction projects related to the 2020 Tokyo Olympic and Paralympic Games and to the Linear Chuo Shinkansen got into full swing, and as Osaka was officially named host of the 2025 World Expo. The company hired 1,603 new technicians in 1H FY09/19 (1,373 in 1H FY09/18). The number of technicians in the company's books as of end-March 2019 was 5,704 (+852 YoY).

Construction 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 17.0% YoY with staff utilization rate down 1.6pp YoY, the average number of hours dispatched up 0.1%, and billing rates increased by 4.6% YoY.

- ▷ As of end-March 2019, the number of technicians was 5,704 (up 852 YoY).
 - As a result of the company's increased focus on recruitment, 1,603 people joined the company in 1H (versus 1,371 in 1H FY09/18).
 - The retention rate rose by 0.6pp to 72.7% from 72.1% in 1H FY09/18. According to the company, the improvement in retention rate reflects initiatives such as extending the training period for new technicians from two weeks to three weeks and the commencement of on-site training by reproducing construction sites inside the warehouse.
- ▷ The utilization rate (number of technicians on assignment divided by total number of technicians) declined 1.6pp YoY to 93.0% from 94.6% in 1H FY09/18. This decline reflected increased hiring.
- ▷ Hours dispatched (the average number of hours worked per day) was 9.65 hours, up 0.1% YoY (+0.01 hours YoY). Hours worked increased in 1H FY09/19 after a period of decline driven by the continued impact of the government's push for work style reform.
- ▷ The average hourly billing rate was JPY2,977 (+JPY118 or +4.1% YoY). The billing rate mix improved on increases in the average hourly rate based on years of employment and in the share of engineers with two or more years' experience with a relatively high hourly wage.
 - The ratio of first-year technicians whose average hourly wage is relatively low fell YoY.
 - Average billing rate per year of employment were as follows: up 3.2% YoY for first-year technicians, up 1.5% YoY for second-year technicians, up 2.2% YoY for third-year technicians, and up 2.1% YoY for four-plus years technicians. Robust demand for construction technician temporary staffing continued to push average hourly rates higher.

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

The segment's gross profit was up 19.1% YoY to JPY5.6bn, buoyed by growth in sales. GPM of 32.2% was down 0.3pp YoY despite higher billing rates due to increased wages paid and lower utilization rates.

SG&A expenses were JPY2.6bn (+21.1% YoY), and the SG&A-to-sales ratio was 15.1% (+0.1pp YoY), breaking down into personnel expenses of JPY1.1bn (+18.5%) and hiring costs of JPY863mn (+66.0%).

- ▷ Personnel expenses went up due to increasing the head count in sales and human resources management departments.
- ▷ Hiring costs rose as a result of the increase in the number of new hires, particularly 150 veteran technicians aged over 50 with a relatively high average hourly wage, which raised the hiring cost per person. In the past, the company has tended to hire

relatively young or inexperienced technicians in their twenties. However, in FY09/19, the company is increasing its hiring of experienced veteran technicians aged 40 or above. In Q3 (April–June 2019) and beyond, the company expects hiring cost per person to drop, because it terminated a hiring campaign launched in 1H that was not as effective as expected.

Engineer Temporary Staffing

- ▷ Sales: JPY6.9bn (+45.7% YoY)
- ▷ Segment profit: JPY227mn (-19.2% YoY)

Demand for engineers continued to be robust, underpinned by strong domestic demand in the manufacturing industry including automotive, electronics, and semiconductor sectors. The IT industry, another customer base, continued to see a high level of investments into infrastructure overhaul and information security. Under these conditions, the company set a yearly hiring plan of 1,800 engineers and focused on hiring activities in order to respond to the growing demand for engineers.

Sales were up due to the increase in engineer numbers. Segment profit declined YoY on higher hiring expenses (since the company recruited aggressively in preparation for rising future demand) but came in ahead of the initial forecast.

As for the key metrics of sales performance, the average number of technicians was up 52.3% YoY, the staff utilization rate fell 1.3pp YoY, and the average hourly wage went up 0.5% YoY.

- ▷ The average number of engineers was 2,745 (versus 1,802 in 1H FY09/18), and the number of engineers on the company's books at end-March 2019 was 2,838 (versus 1,934 at end-March 2018).
 - The company hired a total of 706 people in 1H (versus 429 in 1H FY09/18). Of these new engineers, 351 were female and 71 were foreign nationals.
 - Out of the total number of engineers on the company's books, about 10% were high-end engineers. Middle-end engineers were around 20% and technical support engineers were around 70%.
- ▷ The staff utilization rate was 91.4% down 1.3pp YoY from 92.7% in 1H FY09/18. The decline in the utilization rate reflected the increase in the number of engineers.
- ▷ The average hourly wage was JPY2,858 (+0.5% YoY or JPY17 YoY). Although the average hourly wage increased in all classes, the increase was small due to the mix.
 - The hourly wage was JPY2,509 (+2.8% YoY) for technical support engineers, JPY3,342 (+2.3%) for middle-end engineers, and JPY4,390 (+7.9%) 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 general business.

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

Gross profit of the Engineer Temporary Staffing business was JPY1.7bn (+42.4% YoY) buoyed by growth in sales. However, GPM of 24.5% was down 0.5pp YoY despite higher billing rates, due to increased wages paid and lower utilization rates.

SG&A expenses were JPY1.5bn (+61.5% YoY) and the SG&A-to-sales ratio was 21.2% (+2.1pp YoY). Personnel expenses were JPY666mn (+54.9% YoY) and hiring costs came to JPY482mn (+76.6%).

- ▷ Personnel expenses went up due to increasing the head count in sales and human resources management departments.
- ▷ Hiring costs rose due to hiring more people and increased hiring cost per person.

Other

- ▷ Sales: JPY330mn (-47.6% YoY)
- ▷ Segment loss: JPY17mn (segment loss of JPY128 in 1H FY09/18)

In the Other segment, the company introduces personnel to various companies in the construction and manufacturing industries and provides hiring support services to Japanese companies which are seeking local personnel in Vietnam. In a bid to support Japanese companies aiming to utilize local personnel in their overseas businesses, Yumeshin operates Japanese classes in Vietnam, the Philippines, and Taiwan, and subsequently plans to expand its operations to South Korea, Russia, and Poland.

Segment loss contracted despite a YoY decline in sales, as the company scaled back or withdrew from unprofitable businesses in FY09/18.

Q1 FY09/19 results

- ▷ Sales: JPY11.8bn (+25.6% YoY)
- ▷ Operating profit: JPY1.2bn (+0.7% YoY)
- ▷ Recurring profit: JPY1.3bn (+4.6% YoY)
- ▷ Net income*: JPY852mn (-11.0% YoY)

*Net income refers to net income attributable to owners of the parent.

Sales increased on growth in the Construction Technician Temporary Staffing and Engineer Temporary Staffing segments.

In terms of profit, operating profit was in line with Q1 FY09/18 due to an increase in SG&A costs despite higher sales. SG&A expenses were JPY2.3bn (up 38.2% YoY). In addition to hiring costs of JPY642mn (up 76.9% YoY) outsourcing expenses were JPY226mn (up 227.5% YoY), along with M&A advisory costs related to the acquisitions of Neplus K.K. and Sanritsu Design, Co., Ltd. in October 2018. Recurring profit increased owing to an increase in non-operating income. Net income attributable to owners of the parent declined, primarily reflecting a decline in extraordinary income. In Q1 FY09/18, the company recorded extraordinary income of JPY258mn, including a JPY256mn gain on sales of shares of subsidiaries and associates; in Q1 this year, extraordinary profit was JPY3mn.

Progress towards the FY09/19 full year forecast was 23.6% for sales (23.3% in Q1 FY09/18 compared with full-year results for FY09/18), 20.7% for operating profit (23.8%), 21.4% for recurring profit (24.4%) and 20.8% for net income attributable to owners of the parent (26.3%). According to the company, sales and profits were in line with expectations.

The overview by segment is as follows.

Construction Technician Temporary Staffing

- ▷ Sales: JPY8.4bn (+19.9% YoY)
- ▷ Segment profit: JPY1.4bn (+8.7% YoY)

Due to an aging workforce and shortage of young workers, dispatch demand at general contractors remained firm. The company focused on hiring, with a target of 2,800 technicians over the year, as major construction projects related to the 2020 Tokyo Olympic and Paralympic Games and to the Linear Chuo Shinkansen got into full swing, and as Osaka was officially named host of the 2025 World Expo. The company hired 744 new technicians in Q1 FY09/19 (698 in Q1 FY09/18). The number of technicians in the company's books as of end-December 2018 was 5,302 (+673 YoY).

Construction 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 17.2% YoY with staff utilization rate down 1.7pp YoY, the average number of hours dispatched down 0.1%, and billing rates increased by 4.6% YoY.

- ▷ As of end-December 2018, the number of technicians was 5,428 (up 799 YoY).
 - As a result of the company's increased focus on recruitment, 774 people joined the company in Q1 (versus 695 in Q1 FY09/18).
 - The retention rate rose by 0.3 pp to 72.6% from 72.3% in Q1 FY09/18. According to the company, the improvement in retention rate reflects initiatives such as extending the training period for new technicians from two weeks to three weeks and the commencement of on-site training by reproducing construction sites inside the warehouse.
- ▷ The utilization rate (number of technicians on assignment divided by total number of technicians) declined 1.7pp YoY to 93.2% from 94.9% in Q1 FY09/18. This decline reflected increased hiring, as mentioned above, and the extension in the training period for new technicians.
- ▷ Hours dispatched (the average number of hours worked per day) was 9.61 hours, down 0.1% YoY (-0.01 hours YoY). The decline in work hours was driven by the continued impact of the government's push for work style reform.
 - Total hours worked by technicians increased 1.0% YoY (0.10 hours YoY), showing further increase after bottoming out in Q3 FY09/18 (April-June 2018).
- ▷ The average hourly billing rate was JPY2,975 (+JPY131 or +4.6% YoY).
 - The ratio of first-year technicians whose average hourly billing rate is relatively low was 40.9% (-6.2pp YoY) as of end-December 2018. Hourly rate for technicians in all age groups increased.
 - Average billing rates per year of employment were as follows: up 3.9% YoY for first-year technicians, up 1.7% YoY for second-year technicians, up 2.5% YoY for third-year technicians, and up 2.4% YoY for four-plus years technicians. Given the robust demand for construction technician temporary staffing, average hourly billing rates continue to trend higher.

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

The segment's gross profit margin was 31.1% (-0.7pp YoY) due to increased wages paid to technicians and lower technician utilization rates despite higher billing rates. Although the gross profit margin declined, gross profit increased to JPY2.6bn (+17.2% YoY) due to higher sales.

SG&A expenses were JPY1.2bn (+17.7% YoY), and the SG&A-to-sales ratio was 14.7% (-0.3pp YoY). Hiring costs rose as a result of the increase in the number of new hires, particularly veteran technicians with a relatively high average hourly billing rate. In the past, the company has tended to hire relatively young or inexperienced technicians in their twenties. However, in FY09/19, the company is increasing its hiring of experienced veteran technicians aged 40 or above.

Engineer Temporary Staffing

- ▷ Sales: JPY3.4bn (+47.0% YoY)
- ▷ Segment profit: JPY170mn (-6.6% YoY)

Demand for engineers continued to be robust, underpinned by strong domestic demand in the manufacturing industry including automotive, electronics, and semiconductor sectors. The IT industry, another customer base, continued to see a high level of investments into infrastructure overhaul and information security.

Under these conditions, the company set a yearly hiring plan of 1,800 engineers and focused on hiring activities in order to respond to the growing demand for engineers.

Sales were up due to the increase in engineer numbers. Meanwhile, segment profit declined YoY on higher hiring expenses since the company recruited aggressively in preparation for rising future demand. The company stated that progress was largely in line with its initial plan.

As for the key metrics of sales performance, the average number of technicians was up 53.9% YoY, the staff utilization rate fell 2.1pp YoY, and the average hourly billing rate declined 0.7% YoY.

▷ The average number of engineers was 2,659 (versus 1,727 in Q1 FY09/18), and the number of engineers on the company's books at end-December 2018 was 2,719 (versus 1,761 at end-December 2017).

- The company hired a total of 362 people in Q1 (versus 159 in Q1 FY09/18). Of these new engineers, 182 were female and 26 were foreign nationals.
- Out of the total number of engineers on the company's books, about 10% were high-end engineers. Middle-end engineers were around 20% and technical support engineers were around 70%.

▷ The staff utilization rate was 91.1% down 2.1pp YoY from 92.3% in Q1 FY09/18. The utilization rate reflected the increase in the number of engineers.

▷ The average hourly billing rate was JPY2,816 (-0.7% YoY, or JPY19 YoY). This decline was due to the increase in the number of technical support staff with a relatively low billing rate amongst the total number of 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 general business.

Other

- ▷ Sales: JPY71mn (-44.8% YoY)
- ▷ Segment loss: JPY16mn (JPY81mn segment loss in FY09/18)

In the Other segment, the company introduces personnel to various companies in the construction and manufacturing industries and provides hiring support services to Japanese companies which are seeking local personnel in Vietnam.

The segment loss declined as the company withdrew from some of the unprofitable business in FY09/18. However, this also resulted in sales decline.

Income statement

Income statement (JPY mn)	FY09/10	FY09/11	FY09/12	FY09/13	FY09/14	FY09/15	FY09/16	FY09/17	FY09/18	FY09/19
	Cons.	Cons.	Cons.	Cons.	Cons.	Cons.	Cons.	Cons.	Cons.	Cons.
Sales	4,862	6,817	10,982	12,538	16,482	21,116	23,271	30,510	40,419	52,505
YoY	-11.3%	40.2%	61.1%	14.2%	31.5%	28.1%	10.2%	31.1%	32.5%	29.9%
Cost of sales	3,371	4,918	7,824	9,088	11,900	15,966	16,707	21,730	28,081	37,233
Gross profit	1,490	1,899	3,159	3,450	4,583	5,150	6,563	8,781	12,339	15,272
GPM	30.7%	27.9%	28.8%	27.5%	27.8%	24.4%	28.2%	28.8%	30.5%	29.1%
SG&A expenses	970	1,357	1,964	2,220	2,726	3,423	4,130	6,419	7,152	10,552
SG&A ratio	20.0%	19.9%	17.9%	17.7%	16.5%	16.2%	17.7%	21.0%	17.7%	20.1%
Operating profit	520	543	1,195	1,230	1,857	1,727	2,433	2,362	5,186	4,720
YoY	-31.2%	4.4%	120.1%	3.0%	51.0%	-7.0%	40.9%	-2.9%	119.6%	-9.0%
OPM	10.7%	8.0%	10.9%	9.8%	11.3%	8.2%	10.5%	7.7%	12.8%	9.0%
Non-operating income	185	232	269	648	1,379	356	246	219	187	254
Non-operating expense	152	324	168	107	284	123	216	157	432	416
Recurring profit	552	451	1,296	1,771	2,952	1,960	2,463	2,424	4,941	4,558
YoY	-31.6%	-18.3%	187.2%	36.7%	66.7%	-33.6%	25.7%	-1.6%	103.8%	-7.8%
RPM	11.4%	6.6%	11.8%	14.1%	17.9%	9.3%	10.6%	7.9%	12.2%	8.7%
Extraordinary gains	84	7	10	266	500	1,489	2	63	450	9
Extraordinary losses	150	145	57	42	18	318	4	248	305	952
Tax charges	78	219	469	536	1,093	1,189	708	910	1,342	1,048
Implied tax rate	16.0%	69.7%	37.5%	26.8%	31.8%	38.0%	28.8%	40.6%	26.4%	29.0%
Net income attrib. to non-controlling interests	23	-7	40	71	95	61	130	-97	108	62
Net income	386	102	739	1,389	2,246	1,882	1,623	1,426	3,636	2,504
YoY	-43.2%	-73.5%	622.5%	88.0%	61.8%	-16.2%	-13.7%	-12.1%	154.9%	-31.1%
Net margin	7.9%	1.5%	6.7%	11.1%	13.6%	8.9%	7.0%	4.7%	9.0%	4.8%

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)	FY09/10	FY09/11	FY09/12	FY09/13	FY09/14	FY09/15	FY09/16	FY09/17	FY09/18	FY09/19
	Cons.	Cons.	Cons.	Cons.	Cons.	Cons.	Cons.	Cons.	Cons.	Cons.
Sales (Initial Est.)	5,120	5,200	11,000	13,500	18,000	25,000-25,500	23,000	23,000	39,000	50,000
Sales (Results)	4,862	6,817	10,982	12,538	16,482	21,116	23,271	30,510	40,419	52,505
Results vs. Initial Est.	-5.0%	31.1%	-0.2%	-7.1%	-8.4%	-	1.2%	32.7%	3.6%	5.0%
Operating profit (Initial Est.)	710	620	1,250	2,100	-	-	-	3,600	5,400	6,000
Operating profit (Results)	520	543	1,195	1,230	-	-	-	2,362	5,186	4,720
Results vs. Initial Est.	-26.8%	-12.5%	-4.4%	-41.4%	-	-	-	-34.4%	-4.0%	-21.3%
Recurring profit (Initial Est.)	750	620	620	2,200	3,200-4,200	-	-	3,600	5,200	6,000
Recurring profit (Results)	552	451	1,296	1,771	2,952	-	-	2,424	4,941	4,558
Results vs. Initial Est.	-26.4%	-27.2%	109.0%	-19.5%	-	-	-	-32.7%	-5.0%	-24.0%
Net income (Initial Est.)	560	350	350	1,300	2,100-2,600	2,250-3,200	2,000	2,100	3,700	4,100
Net income (Results)	386	102	739	1,389	2,246	1,882	1,623	1,426	3,636	2,504
Results vs. Initial Est.	-31.1%	-70.8%	111.1%	6.8%	-	-	-18.9%	-32.1%	-1.7%	-38.9%

Source: Shared Research based on company data

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

Balance sheet

Balance sheet (JPY mn)	FY09/10	FY09/11	FY09/12	FY09/13	FY09/14	FY09/15	FY09/16	FY09/17	FY09/18	FY09/19
	Cons.	Cons.	Cons.	Cons.	Cons.	Cons.	Cons.	Cons.	Cons.	Cons.
TOTAL ASSETS										
Cash and deposits	2,020	2,304	2,558	4,246	5,755	11,460	8,724	8,556	11,301	9,608
Marketable securities	-	1	7	17	-	-	-	-	-	-
Accounts receivable	721	1,425	1,626	1,860	2,524	2,748	3,642	4,854	5,973	7,650
Electronically recorded monetary claims	-	-	-	-	-	-	-	9	10	4
Inventories	1	1	1	1	1	1	1	1	1	57
Other current assets	322	260	583	373	607	1,023	988	1,450	1,620	1,616
Allowance for doubtful accounts	-37	-74	-85	-22	-32	-22	-22	-30	-18	-71
Total current assets	3,027	3,917	4,684	6,457	8,856	15,210	13,334	14,839	18,887	18,863
Buildings and structures (net)	634	761	739	823	469	462	583	489	435	611
Machinery, equipment, and vehicles (net)	2	5	3	2	12	7	5	3	3	303
Land	578	578	578	578	278	408	703	505	395	245
Other (net)	3	24	16	16	15	26	36	65	91	93
Total tangible fixed assets	1,230	1,388	1,412	1,465	811	940	1,353	1,080	938	1,261
Investment securities	467	293	689	1,166	1,072	1,772	1,566	2,602	2,053	1,856
Investment real estate (net)	-	-	-	-	1,135	1,118	1,106	-	-	-
Other	321	273	219	273	516	409	521	786	942	2,364
Investments and other assets	788	566	908	1,440	2,723	3,299	3,193	3,388	2,995	4,221
Goodwill	31	718	628	516	391	309	1,175	899	610	3,615
Intangible fixed assets	36	759	666	553	416	348	1,221	1,060	744	4,519
Total fixed assets	2,055	2,713	2,986	3,458	3,950	4,588	5,766	5,528	4,678	10,001
Total deferred assets	-	-	-	-	-	-	18	34	7	-
Total assets	5,082	6,630	7,670	9,916	12,806	19,798	19,118	20,401	23,571	28,864
LIABILITIES										
Accounts payable	8	10	14	9	12	9	11	25	9	130
Short-term debt	702	2,195	1,826	840	856	1,106	891	1,733	1,309	4,459
Accrued expenses	262	521	551	643	799	1,069	1,058	1,408	2,026	2,546
Other	130	674	1,011	964	1,925	1,848	1,591	2,681	3,303	3,842
Total current liabilities	1,102	3,400	3,402	2,455	3,593	4,031	3,552	5,848	6,647	10,977
Long-term debt	2,020	1,088	1,509	1,649	893	1,219	1,645	1,045	2,538	5,170
Other	4	384	423	433	414	430	410	487	414	796
Total fixed liabilities	2,024	1,472	1,932	2,082	1,307	1,649	2,055	1,532	2,952	5,966
Total liabilities	3,126	4,872	5,334	4,538	4,899	5,681	5,606	7,381	9,599	16,943
Net assets										
Capital stock	805	805	805	805	805	805	805	805	805	823
Capital surplus	868	868	868	2,205	3,803	9,346	9,555	9,701	9,718	10,769
Retained earnings	1,693	1,670	2,262	3,323	3,842	3,488	2,315	1,317	2,267	2,106
Treasury stock	-1,375	-1,770	-1,790	-1,290	-1,013	-0	-0	-0	-0	-2,001
Share subscription rights	-	3	11	6	13	19	96	72	72	36
Non-controlling interests	2	193	227	376	518	542	847	1,026	1,028	18
Total net assets	1,956	1,757	2,336	5,378	7,907	14,117	13,512	13,080	13,973	11,921
Working capital	714	1,417	1,614	1,852	2,513	2,740	3,632	4,829	5,965	7,577
Total interest-bearing debt	2,722	3,284	3,335	2,488	1,749	2,325	2,536	2,779	3,847	9,629
Net debt	702	978	771	-1,774	-4,006	-9,136	-6,187	-5,777	-7,454	21

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 FY09/19, total assets stood at JPY28.9bn. Current assets, a major asset item on the balance sheet, accounted for 65.4% of total assets. The company's core business is staffing, with the majority of its current assets in cash and deposits (33.3% of total assets in FY09/19) and in accounts receivable (notes and

accounts receivables) (26.5%). Tangible fixed assets are mainly the company's head office and its various hiring centers. Together they constituted 4.4% of total assets in FY09/19.

Intangible fixed assets accounted for 15.7% of total assets in FY09/19. 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. In FY09/19 the company booked goodwill amortization charges of JPY323mn (JPY184mn in FY09/18).

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 JPY9.6bn in FY09/19 due to borrowings used in acquisitions. Net debt (interest-bearing debt minus cash and cash equivalents [including short-term investment securities]) has been negative since FY09/13 (with cash and cash equivalents exceeding debt), but in FY09/19 the company returned to having a net debt position.

Net assets

Vary 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 FY09/19, it declined to 41.1% following an increase in borrowings.

Statement of cash flows

Statement of cash flows (JPYmn)	FY09/10 Cons.	FY09/11 Cons.	FY09/12 Cons.	FY09/13 Cons.	FY09/14 Cons.	FY09/15 Cons.	FY09/16 Cons.	FY09/17 Cons.	FY09/18 Cons.	FY09/19 Cons.
Cash flows from operating activities (1)	558	528	1,064	793	1,659	713	726	1,536	3,929	2,759
Cash flows from investing activities (2)	-498	-409	202	180	620	-178	-1,118	417	415	-4,400
Free cash flow (1+2)	60	119	1,267	973	2,279	535	-392	1,953	4,345	-1,640
Cash flows from financing activities	-178	4	-152	595	-734	5,272	-2,173	-2,027	-1,592	49
Depreciation and amortization (A)	35	84	168	79	165	212	223	424	421	421
Capital expenditures (B)	135	-80	-6	-40	-887	-393	-474	-144	-116	-436
Working capital changes (C)	-21	703	197	238	662	227	892	1,197	1,136	1,612
Simple FCF (NI + A + B - C)	576	-596	704	1,189	862	1,474	480	508	2,805	877

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 Neplus 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 business with the purchase of Yume Technology Co., Ltd., which became the second growth driver as of 2019 following the Construction Technician Temporary Staffing 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

September 2019

On **September 9, 2019**, the company announced that it had increased the limit and extended the repurchase period of its share repurchase plan.

Details of the increased share repurchase limit and extended repurchase period

- ▷ Type of shares to be repurchased: Common shares
- ▷ Total number of shares to be repurchased: 4,050,000 shares (upper limit, +1,350,000 shares; 5.14% of all issued shares, excluding treasury shares)
- ▷ Total repurchase cost: JPY3.0bn (upper limit, +JPY1.0bn)
- ▷ Repurchase period: December 20, 2018 –December 19, 2019
- ▷ Repurchase method: Market purchase based on a discretionary trading contract for share repurchase

May 2019

On **May 29, 2019**, the company announced a transfer to a holding company structure.

The company announced that it would begin preparations to shift to a holding company structure in around October 2019.

Purpose of shift to holding company structure

- ▷ Strengthen group structure: A holding company will be specialized in the management of the overall company group, make proposals for group management strategies, including corporate governance and M&A, and maximize the corporate value of the overall group by optimally allocating and efficiently utilizing management resources.
- ▷ Clarify roles and responsibilities: By separating the business organization and group management organization and clarifying the responsibilities and authorization of these organizations, the company aims to accelerate decision-making processes, promote flexible business operations, and strengthen competitiveness.

Method of transition

The company expects a wholly owned new company (preparatory company) will succeed the business to be spun off. Yumeshin Holding Co., Ltd. will continue to be listed as a holding company.

Schedule of transition

- ▷ Establishment of preparatory company: Early June 2019 (planned)
- ▷ Effective date (shift to holding company structure): October 2019 (planned)

On **May 28, 2019**, the company announced its subsidiary Yume Technology Co., Ltd. had entered into a business alliance with BlueMeme Inc.

Rationale of business alliance

Since 2012, BlueMeme Inc. has been involved in agile development and technical support for business systems through the sale and implementation of OutSystems, an automation and standardization platform product for application development and maintenance. BlueMeme possesses advanced software development technology and expertise. Yumeshin expects the tie-up will strengthen the technological capabilities of Yume Technology, which currently has a number of young and relatively inexperienced engineers. It should also help expand the company's customer base, since many customers require a high level of technical IT support.

Agile development is a project development approach for systems and software development. In this method, systems will not be divided into large increments but development is carried out by iterations and testing in small increments.

Details of business alliance

- ▷ Yume Technology will secure agile development personnel and dispatch engineers for agile development projects;
- ▷ BlueMeme will conduct agile development training for Yume Technology personnel;
- ▷ Yume Technology and BlueMeme will collaborate on securing agile development business.

Schedule

- ▷ Date of contract: May 28, 2019
- ▷ Start of alliance: June 1, 2019

April 2019

On **April 24, 2019**, the company announced that it will acquire stock in Samurai, Inc., making it a subsidiary.

The company decided to acquire stock in Samurai, Inc., and to make it a subsidiary. The impact on earnings results for FY09/19 will be negligible.

Reasons for the stock acquisition

Samurai, Inc. is a company established in 2015 that provides one-on-one programming tutorial services for businesspeople. It is a growing company with the power to attract customers through its own media "Samurai Engineer Juku Blog," which has over 1.7mn monthly users and over 5.2mn monthly page views.

By acquiring stock in Samurai, Inc., whose strength is the ability to attract customers through its own media, Yumeshin plans to take advantage of Samurai's expertise to improve channels for its own hiring of IT engineers. It will also allow Yumeshin to establish a new hiring route targeting those who have used Samurai's programming tutorial service for businesspeople. Furthermore, it will be possible for Samurai, Inc. to design training programs to upskill Yumeshin's existing engineers according to their own individual level and career plan. Meanwhile, in terms of Samurai, Inc. securing a place of employment for businesspeople using its programming tutorial services, it will be able to take full advantage of Yumeshin's sales expertise and customer base of approximately 800 companies to allow earlier decision-making. The acquisition price has not been disclosed, in accordance with the preferences of the other party.

Overview of the new subsidiary

- ▷ Name: Samurai, Inc.
- ▷ Business: Planning and operation of online programming tutorial services
- ▷ Date established: March 2015

Samurai's operating results and financial status over the past three years (JPYmn)

Fiscal year	FY02/16	FY02/17	FY02/18
Net assets	-2	1	17
Total assets	4	7	63
Sales	30	34	190
Operating profit	-5	4	21
Recurring profit	-5	3	21
Net income	-5	3	15

On **April 2, 2019**, the company announced the acquisition of shares in InformationPort Co., Ltd.

The company made InformationPort a subsidiary through the acquisition of its shares. InformationPort undertakes IT engineer staffing and IT system contract development mainly in the greater Tokyo area, with over 100 engineers (roughly 30% of which are qualified as first-class engineers with over 10 years of experience in the industry). It recruits about 10 new graduates for engineering roles every year and possesses expertise in training them.

As Yumeshin's operations are driven by young engineers, the company believes the acquisition of the shares of InformationPort would present an opportunity for it to gain a foothold in the upstream processes of the IT industry, and enable it to move toward bolstering its personnel training capabilities. Meanwhile, InformationPort will be able to leverage Yumeshin Holdings' customer base of over 800 companies, and potentially tap new demand for engineer staffing and IT system contract development. Note that the company did not disclose the share acquisition price.

InformationPort's operating results and financial status over the past three years (JPYmn)

Fiscal year	FY11/16	FY11/17	FY11/18
Net assets	91	95	119
Total assets	442	548	545
Sales	1,196	1,313	1,409
Operating profit	26	5	41
Recurring profit	28	5	40
Net income	20	4	24

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%
SUM	39,988	52.49%

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 FY09/20, the company plans to pay an annual dividend of JPY35 (payout ratio 51.1%), 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

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

We offer corporate clients comprehensive report coverage, a service that allows them to better inform investors and other stakeholders by presenting a continuously updated third-party view of business fundamentals, independent of investment biases. Shared Research can be found on the web at <https://sharedresearch.jp>.

Current Client Coverage of Shared Research Inc.

Accordia Golf Trust	DIC Corporation	Kawanishi Holdings, Inc.	SANIX INCORPORATED
Advance Create Co., Ltd.	Digital Arts Inc.	KFC Holdings Japan, Ltd.	Sanrio Company, Ltd.
ADJUVANT COSME JAPAN CO., LTD.	Digital Garage Inc.	KI-Star Real Estate Co., Ltd.	SATO HOLDINGS CORPORATION
Aeon Delight Co., Ltd.	Doshisha Corporation	Kondotec Inc.	SBS Holdings, Inc.
Aeon Fantasy Co., Ltd.	Dream Incubator Inc.	Kumiai Chemical Industry Co., Ltd.	Sekigaku Corporation
Ai Holdings Corporation	Earth Corporation	Lasertec Corporation	Seria Co.,Ltd.
AirTrip Corp.	Elecom Co., Ltd.	LUCKLAND CO., LTD.	SHIFT Inc.
and factory, inc.	en-Japan Inc.	MATSUI SECURITIES CO., LTD.	Shikigaku Co., Ltd
ANEST IWATA Corporation	euglena Co., Ltd.	Medical System Network Co., Ltd.	SHIP HEALTHCARE HOLDINGS, INC.
AnGes Inc.	FaithNetwork Co., Ltd.	MEDINET Co., Ltd.	SIGMAXYZ Inc.
Anicom Holdings, Inc.	Ferrotec Holdings Corporation	MedPeer, Inc.	SMS Co., Ltd.
Anritsu Corporation	FIELDS CORPORATION	Mercuria Investment Co., Ltd.	Snow Peak, Inc.
Apaman Co., Ltd.	Financial Products Group Co., Ltd.	Micronics Japan Co., Ltd.	Solasia Pharma K.K.
ARATA CORPORATION	First Brothers Col, Ltd.	MIRAIT Holdings Corporation	SOURCENEXT Corporation
Artspark Holdings Inc.	FreeBit Co., Ltd.	Monex Goup Inc.	Star Mica Holdings Co., Ltd.
AS ONE CORPORATION	FRONTEO, Inc.	MORINAGA MILK INDUSTRY CO., LTD.	Strike Co., Ltd.
Ateam Inc.	Fujita Kanko Inc.	NAGASE & CO., LTD	Symbio Pharmaceuticals Limited
Aucfan Co., Ltd.	Gamecard-Joyco Holdings, Inc.	NAIGAI TRANS LINE LTD.	Synchro Food Co., Ltd.
AVANT CORPORATION	GameWith, Inc.	NanoCarrier Co., Ltd.	TAIYO HOLDINGS CO., LTD.
Axell Corporation	GCA Corporation	Net Marketing Co., Ltd.	Takashimaya Company, Limited
Azbil Corporation	Good Com Asset Co., Ltd.	Net One Systems Co.,Ltd.	Take and Give Needs Co., Ltd.
AZIA CO., LTD.	Grandy House Corporation	Nichi-Iko Pharmaceutical Co., Ltd.	Takihyo Co., Ltd.
AZoom, Co., Ltd.	Hakuto Co., Ltd.	Nihon Denkei Co., Ltd.	TEAR Corporation
BEBNOS Inc.	Hamee Corp.	Nippon Koei Co., Ltd.	Tenpo Innovation Inc.
Bell-Park Co., Ltd.	Happinet Corporation	NIPPON PARKING DEVELOPMENT Co., Ltd.	3-D Matrix, Ltd.
Benefit One Inc.	Harmonic Drive Systems Inc.	NIPRO CORPORATION	TKC Corporation
B-lot Co.,Ltd.	HOUSEDO Co., Ltd.	Nisshinbo Holdings Inc.	TKP Corporation
Broadleaf Co., Ltd.	IDOM Inc.	NS TOOL CO., LTD.	TOCALO Co., Ltd.
Canon Marketing Japan Inc.	IGNIS LTD.	OHIZUMI MFG. CO., LTD.	TOKAI Holdings Corporation
Career Design Center Co., Ltd.	i-mobile Co.,Ltd.	Oisix ra daichi Inc.	TOYOBO CO., LTD.
Carna Biosciences, Inc.	Inabata & Co., Ltd.	Oki Electric Industry Co., Ltd	Toyo Ink SC Holdings Co., Ltd
CARTA HOLDINGS, INC	Infocom Corporation	ONO SOKKI Co., Ltd.	Toyo Tanso Co., Ltd.
CERES INC.	Infomart Corporation	ONWARD HOLDINGS CO.,LTD.	Tri-Stage Inc.
Chiyoda Co., Ltd.	Intelligent Wave, Inc.	Pan Pacific International Holdings Corporation	TSURUHA Holdings
Chori Co., Ltd.	ipet Insurance CO., Ltd.	PARIS MIKI HOLDINGS Inc.	VISION INC.
Chugoku Marine Paints, Ltd.	Itochu Enex Co., Ltd.	PIGEON CORPORATION	VISIONARY HOLDINGS CO., LTD.
cocokara fine Inc.	JSB Co., Ltd.	QB Net Holdings Co., Ltd.	WirelessGate, Inc.
COMSYS Holdings Corporation	JTEC Corporation	RACCOON HOLDINGS, Inc.	YELLOW HAT LTD.
COTA CO.,LTD.	J Trust Co., Ltd	Raysum Co., Ltd.	YOSHINOYA HOLDINGS CO., LTD.
CRE, Inc.	Japan Best Rescue System Co., Ltd.	RESORTTRUST, INC.	YUMESHIN HOLDINGS CO., LTD.
CREEK & RIVER Co., Ltd.	JINS HOLDINGS Inc.	ROUND ONE Corporation	Yushiro Chemical Industry Co., Ltd.
Daiichi Kigenso Kagaku Kogyo Co., Ltd.	JP-HOLDINGS, INC.	RVH Inc.	ZAPPALLAS, INC.
Daiseki Co., Ltd.	KAMEDA SEIKA CO., LTD.	RYOHIN KEIKAKU CO., LTD.	
Demae-Can CO., LTD	Kanamic Network Co.,LTD	SanBio Company Limited	

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