YUMESHIN HOLDINGS CO.,LTD.

Supplementary Material on Financial Results

for the Fiscal Year Ending September 2020

– 2nd Quarter –

September. 2020
Securities code
2362

May 11, 2020

CONTENTS

FY9/20 Business Forecasts … P3

Consolidated Financial Overview …P14

Segment Overview …P28

2nd Half of FY9/20 …P60

Shareholder Return …P78

FY9/20
Business Forecasts

External Environment

Effects of COVID-19

Current effects of COVID-19

Group

1. Effects on Q2 FY9/20 results

- Without suspension of operations, there is almost no effect on results.
- Performances are generally in line with plan

2. Effects on operations

- Slowdown in operation decision from the second half of March
- Completion rate is same as usual

3. Effects on recruitment

- Due to slowdown in sales, recruitment activities are being completely suspended from the latter half of March.
- Half or less of the initial forecast for the April-May recruitment plan

Revisions to business forecasts

Business Forecasts

Group

■ Impact of the COVID-19 on full-year performance

Reduced hiring in April-May affected on full-year performance

→ Plans for June onward assume two scenarios

1. **Resume hiring after June**
2. **Impact to continue in the second half**

- **Assuming two scenarios**
- **Range forecasts**

FY9/20 Business Forecasts
Construction Engineer Temporary Staffing

Group

(Million yen)

Scenario 1 Resume hiring after June	FY2019 Actual	FY2020 Revised forecasts	Pct. change
Sales	35,890	39,000	+8.7%
Segment profit	5,904	6,800	+15.2%
No. of recruits (engineers)	3,289	2,300	▲30.1%
Utilization rate at year-end	90.6%	90.3%	▲0.3pt
No. of engineers at year-end (engineers)	6,099	5,700	▲6.5%

Scenario 2 Impact to continue in 2H	FY2019 Actual	FY2020 Revised forecasts	Pct. change
Sales	35,890	37,700	+5.0%
Segment profit	5,904	6,250	+5.9%
No. of recruits (engineers)	3,289人	1,650	▲49.8%
Utilization rate at year-end	90.6%	84.1%	▲6.5pt
No. of engineers at year-end (engineers)	6,099人	5,040	▲17.4%

FY9/20 Business Forecasts
Engineer Temporary Staffing

Group

(Million yen)

Scenario 1 Resume hiring after June	FY2019 Actual	FY2020 Revised forecasts	Pct. change
Sales	15,391	20,000	+29.9%
Segment profit	133	900	+576.7%
No. of recruits (engineers)	1,748人	1,290人	▲26.2%
Utilization rate at year-end	89.5%	91.0%	+1.5pt
No. of engineers at year-end (engineers)	3,640人	3,690人	+1.4%

Scenario 2 Impact to continue in 2H	FY2019 Actual	FY2020 Revised forecasts	Pct. change
Sales	15,391	19,300	+25.4%
Segment profit	133	650	+388.7%
No. of recruits (engineers)	1,748人	990人	▲43.4%
Utilization rate at year-end	89.5%	85.0%	▲4.5pt
No. of engineers at year-end (engineers)	3,640人	3,290人	▲9.6%

FY9/20 Consolidated Business Forecasts(Revised)

Group

(Million yen)

	Previous forecasts (IFRS)	Revised forecasts (IFRS)	Change	Pct. change		FY2019 Actual (Japanese Standard)
Sales	63,000	58,000 ～60,000	▲5,000 ～▲3,000	▲7.9 % ～▲4.8%	Sales	52,505
Operating income	8,000	5,800 ～6,600	▲2,200 ～▲1,400	▲27.5% ～ ▲17.5%	Operating income	4,719
Net income attributable owners of parent	5,400	3,700 ～4,200	▲1,700 ～▲1,200	▲31.5% ～ ▲22.2%	Net income attributable owners of parent	2,504
Net income per share	70.59yen	48.65yen ～55.22yen	—	—	Net income per share	32.73yen

*The revised forecasts are based on information available at the time of this release.
Actual results may differ materially from forecasts.
*The dividend is expected to remain unchanged from the initial plan.

Key points in revision of the business forecasts

Group

1. Impact of the number of new hires on our performance

- As the process from hiring to training and assignment is time consuming, contribution to results of operations of new hires in 2H will be limited.
- Lower recruitment expenses (due to restraint on new hiring) will lift profit.

2. Impact on operations

- Temporary staffing contract cancellations like those during the Lehman Shock are unlikely in the current clients' business situation
- Since new hires are limited, the current high utilization rate is sustainable
- Year-end utilization rate forecast of 85% in scenario 2 is a conservative estimate

Scenario 2 assumes the most negative situation

Plan to achieve results within the forecast range

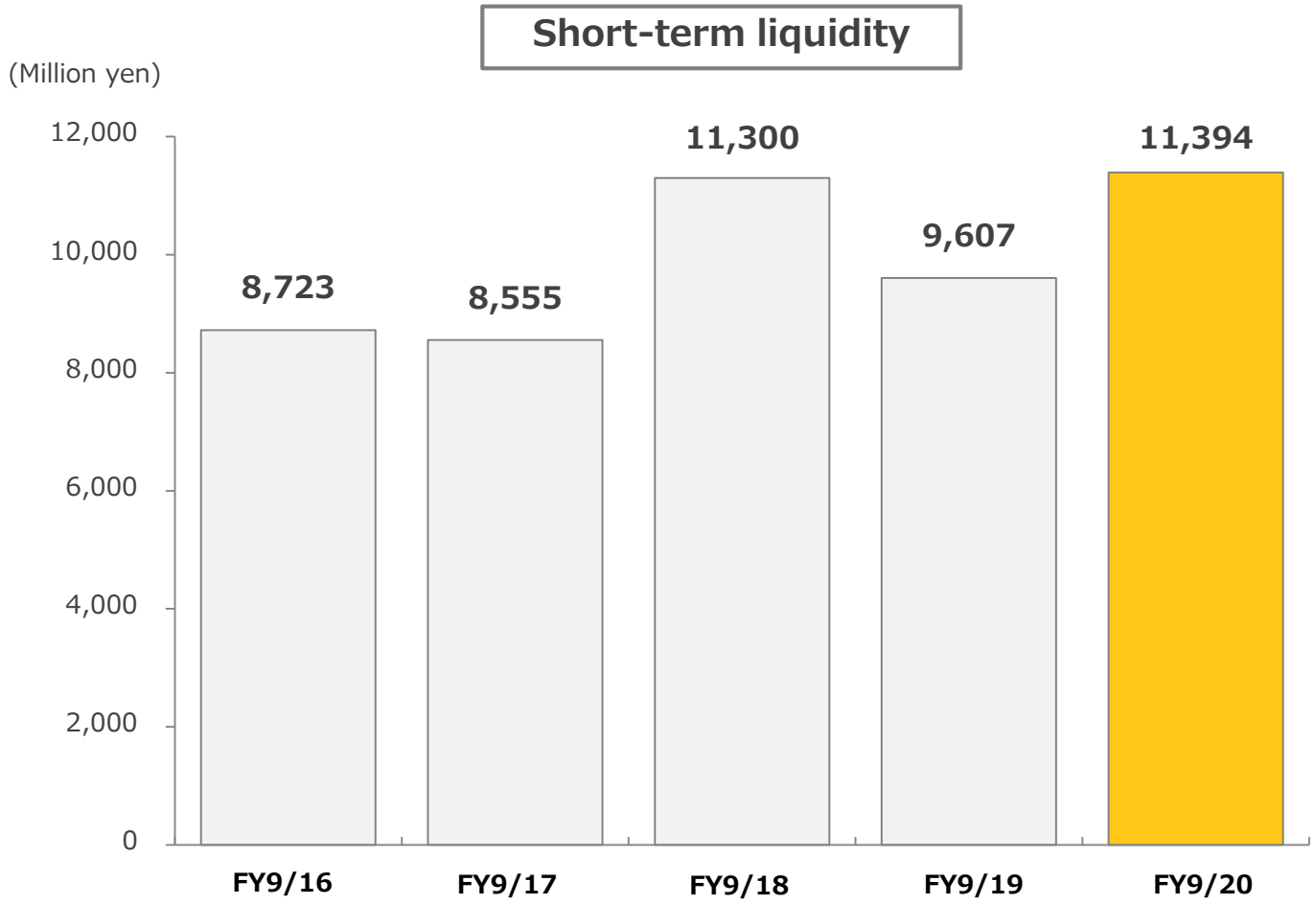
Financial structure

Financial structure

Group

- Strengthen liquidity on hand in preparation for unexpected contingencies
- Consulting with multiple financial institutions to conclude commitment line agreements

Assumed borrowing limit: Total 4 billion yen



* Liquidity on hand = Cash and deposits + Securities included in current assets

Consolidated Financial Overview

FY9/20 Q2 TOPICS

1. Consolidated Operating income

Effect of COVID-19 is minor.
Performed generally in line with plan ⇒ Up 28% YoY

2. Construction Engineer Temporary Staffing and Incidental Business

Maintain high occupancy rates & Rise in unit price of temporary staffing
⇒ Profit up by 27%

3. Engineer Temporary Staffing and Incidental Business

Continue active recruitment & Rise in unit price of temporary staffing
⇒ Profit up by 18%

Summary of Consolidated P/L Statement

Group

(Million yen)

	FY2019/Q2 (J-GAAP)	FY2020/Q2 (J-GAAP)	Change	Pct. change
Sales	**24,510**	**30,264**	**+5,753**	**23.5%**
Gross profit	*7,432* *(30.3%)*	*8,846* *(29.2%)*	*+1,414*	*19.0%*
SG&A expenses	*4,748* *(19.5%)*	*5,467* *(18.1%)*	*+679*	*14.2%*
Operating income	**2,644** (10.8%)	**3,378** *(11.2%)*	**+734**	**27.8%**
Ordinary income	**2,633** (10.7%)	**3,429** *(11.3%)*	**+796**	**30.3%**
Net income attributable to owners of parent	**1,718** (7.0%)	**1,621** *(5.4%)*	**▲96**	**▲5.6%**
Amortization of goodwill	**132**	**221**	**+89**	**67.7%**

* ( ) = Ratio to sales
* The Company will change its accounting standards for consolidated financial results to International Accounting Standards (IFRS) from the full-year results for the fiscal year ending September 2020. For the first to third quarters of the fiscal year ending September 2020, the Japanese standard will be applied as before.

Summary of Segment P/L Statement

Group

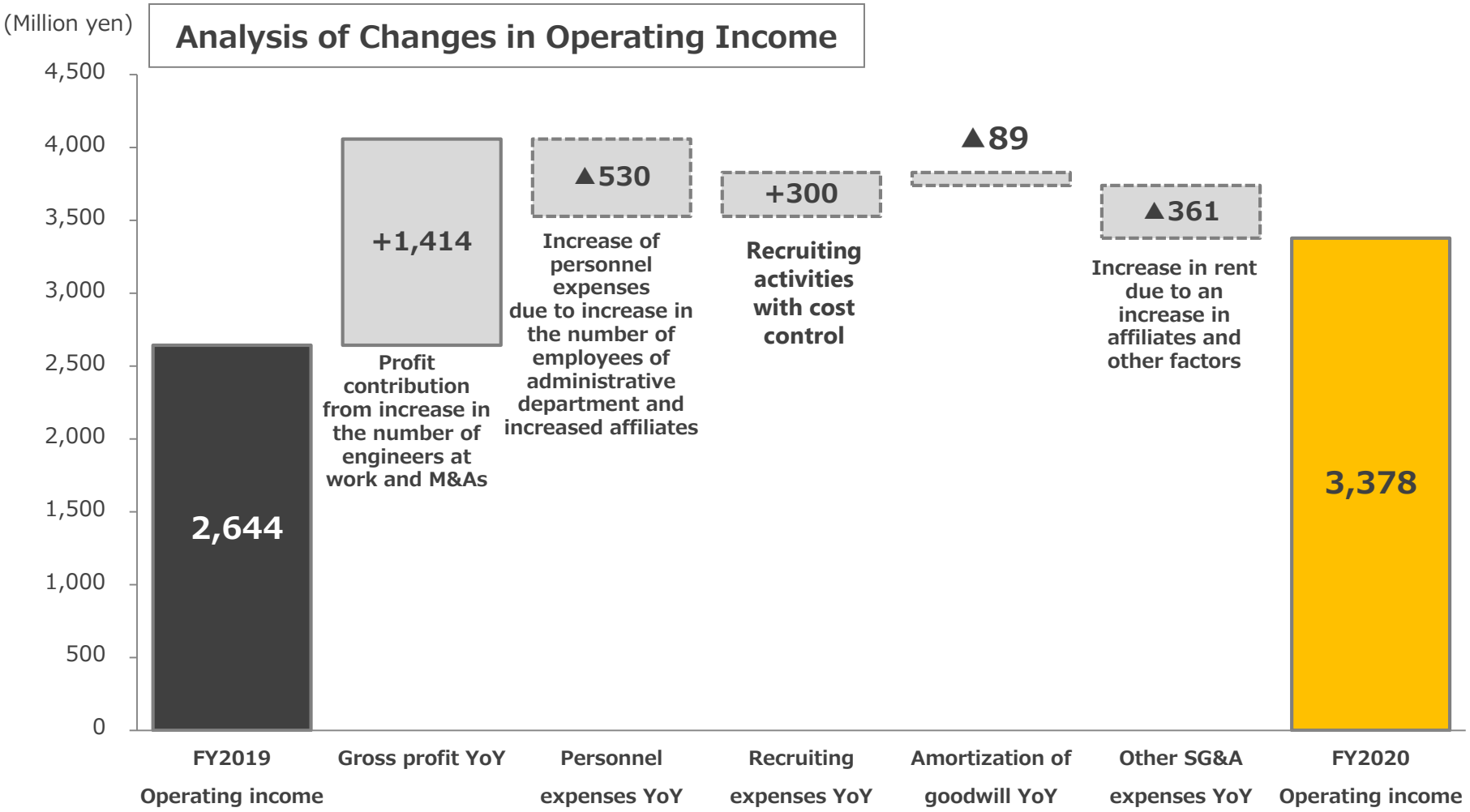
(Million yen)

		FY19/Q2	FY20/Q2	Pct. change
Construction Engineer Temporary Staffing and Incidental Business	Sales	17,282	20,174	16.7%
	Gross profit	5,569	6,330	13.7%
	SG&A expenses	2,613	2,571	▲1.6%
	Segment profit	2,955	3,759	27.2%
Engineer Temporary Staffing and Incidental Business	Sales	7,152	9,648	34.9%
	Gross profit	1,818	2,249	23.7%
	SG&A expenses	1,579	1,968	24.7%
	Segment profit	239	281	17.5%
Other business	Sales	112	496	343.1%
	Segment profit	▲52	▲119	—

* Results by segment are stated in accordance with Japanese accounting standards

Analysis of Changes in Consolidated Operating Income

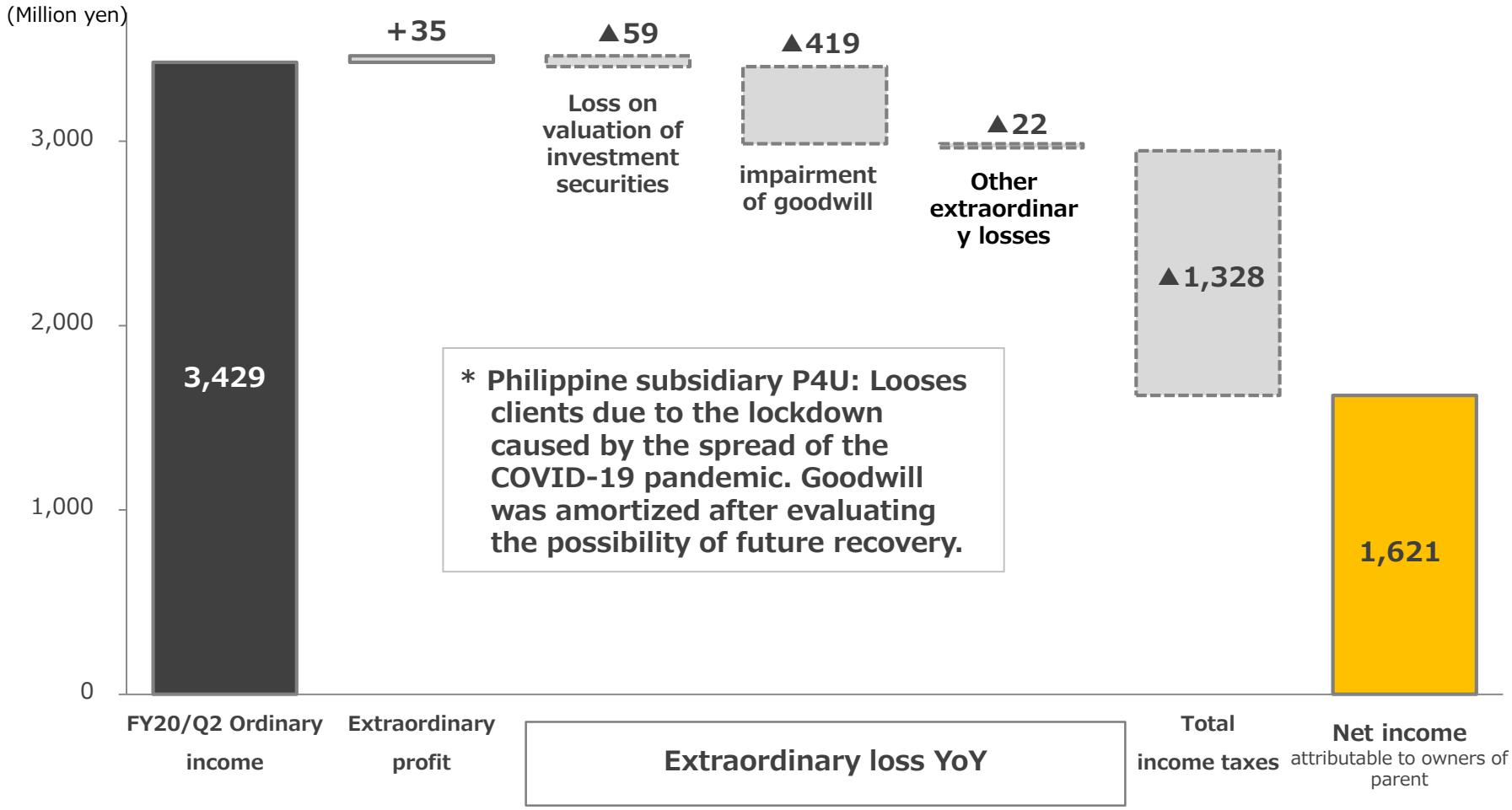
- Gross profit to increase driven by higher utilization rate and contribution from Group companies acquired through M&A.
- Effective recruitment cost control curbs SG&A expenses



Analysis of Changes in Consolidated Net Income

- Extraordinary loss on impairment of goodwill of overseas affiliates
- Increase in consolidated expenses, as transition to a pure holding company structure, higher local corporation tax rate, amortization of goodwill and other items drives up corporation and other taxes.

Analysis of Changes in Consolidated Net Income



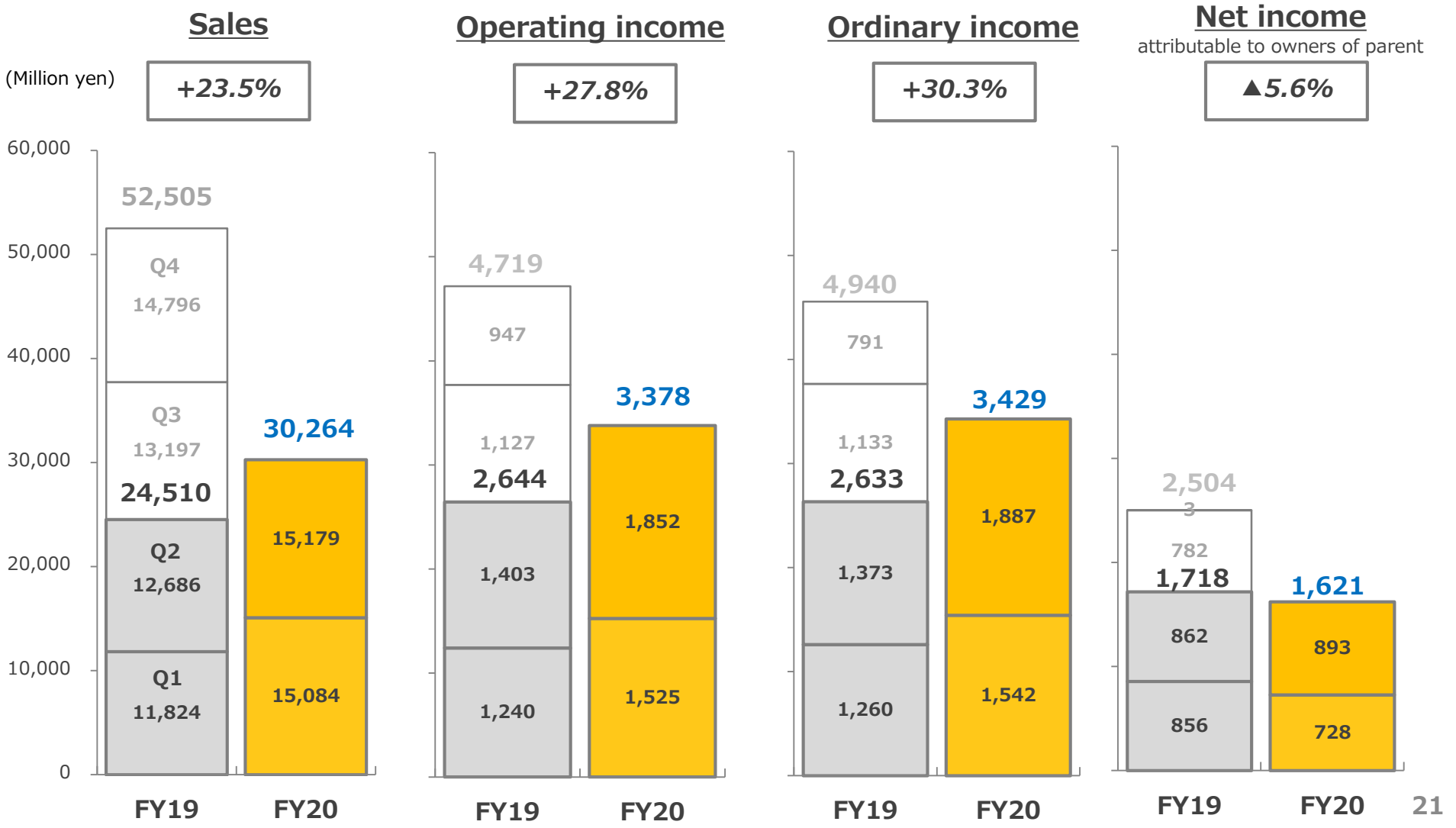
* Philippine subsidiary P4U: Looses clients due to the lockdown caused by the spread of the COVID-19 pandemic. Goodwill was amortized after evaluating the possibility of future recovery.

Profit and Loss

Consolidated P/L (1) Quarterly Trends

Group

- Net sales showed continuous growth due to the accumulation of the number of engineers.
- Generally in line with the plan due to an increase in the unit price of temporary staffing.

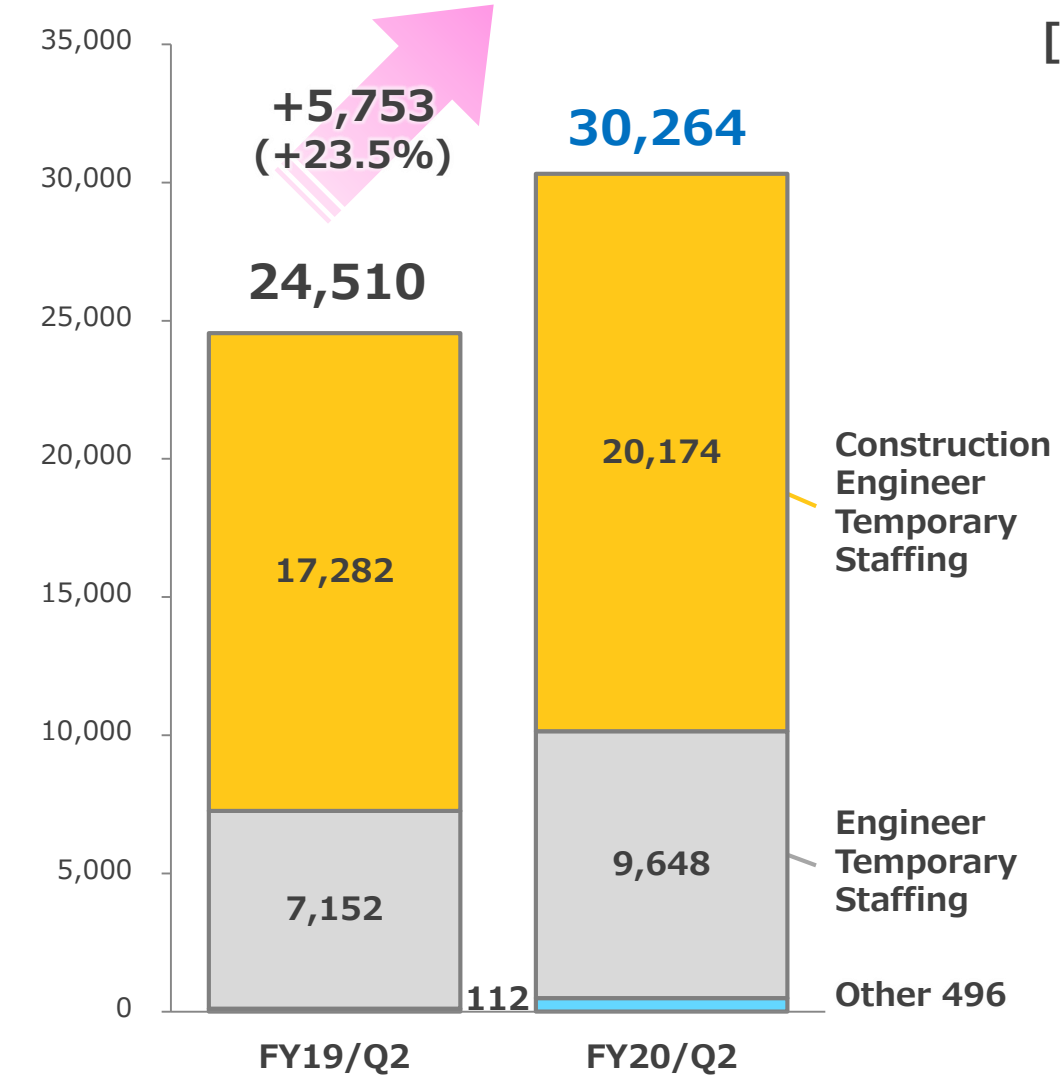


Consolidated P/L (2) Sales

Group

■ Sales increased by 24% due to increases in both the number of construction engineers and engineers and rise in unit price of temporary staffing.

(Million yen)



[Major factors for increase/decrease]

Construction Engineer Temporary Staffing and Incidental Business **+2,892m (+16.7%)**

■ Sales up due to increases in engineers at work and unit price of temporary staffing

Engineer Temporary Staffing and Incidental Business **+2,496m (+34.9%)**

■ Sales up due to increases in engineers at work and unit price of temporary staffing

Other **+384m (+343.1%)**

■ Withdrawal and downsizing of unprofitable businesses and M&Aによる新規事業の開始

Consolidated P/L (3) SG&A expenses

Group

■ Personnel expenses and rent, etc. increased due to increase in consolidated subsidiaries, but hiring efficiency improved → SG&A ratio declined slightly

(Million yen)

	FY19/Q2	FY20/Q2	Change	Remarks
Cost of sales	17,078	21,418	+4,339	Increase due to increase in the number of engineers
Cost of sales ratio	*69.7%*	*70.8%*	*+1.1pt.*	
Gross profit	7,432	8,846	+1,414	
Gross profit ratio	*30.3%*	*29.2%*	*▲1.1pt.*	
SG&A expenses	4,748	5,467	+679	
Directors' compensations	*81*	*114*	*+32*	
Personnel expenses	*1,996*	*2,526*	*+530*	Increase due to increase in the number of sales staff and human resources management staff
Advertising expenses	*27*	*97*	*+70*	
Recruiting expenses	*1,325*	*1,024*	*▲300*	Decrease due to recruitment control
Rents	*290*	*491*	*+200*	9 Increase due to increase in consolidated subsidiaries
Business consignment expenses	*370*	*275*	*▲95*	
Amortization of goodwill	*132*	*221*	*+89*	
SG&A expenses ratio	*19.5%*	*18.1%*	*▲1.4pt.*	

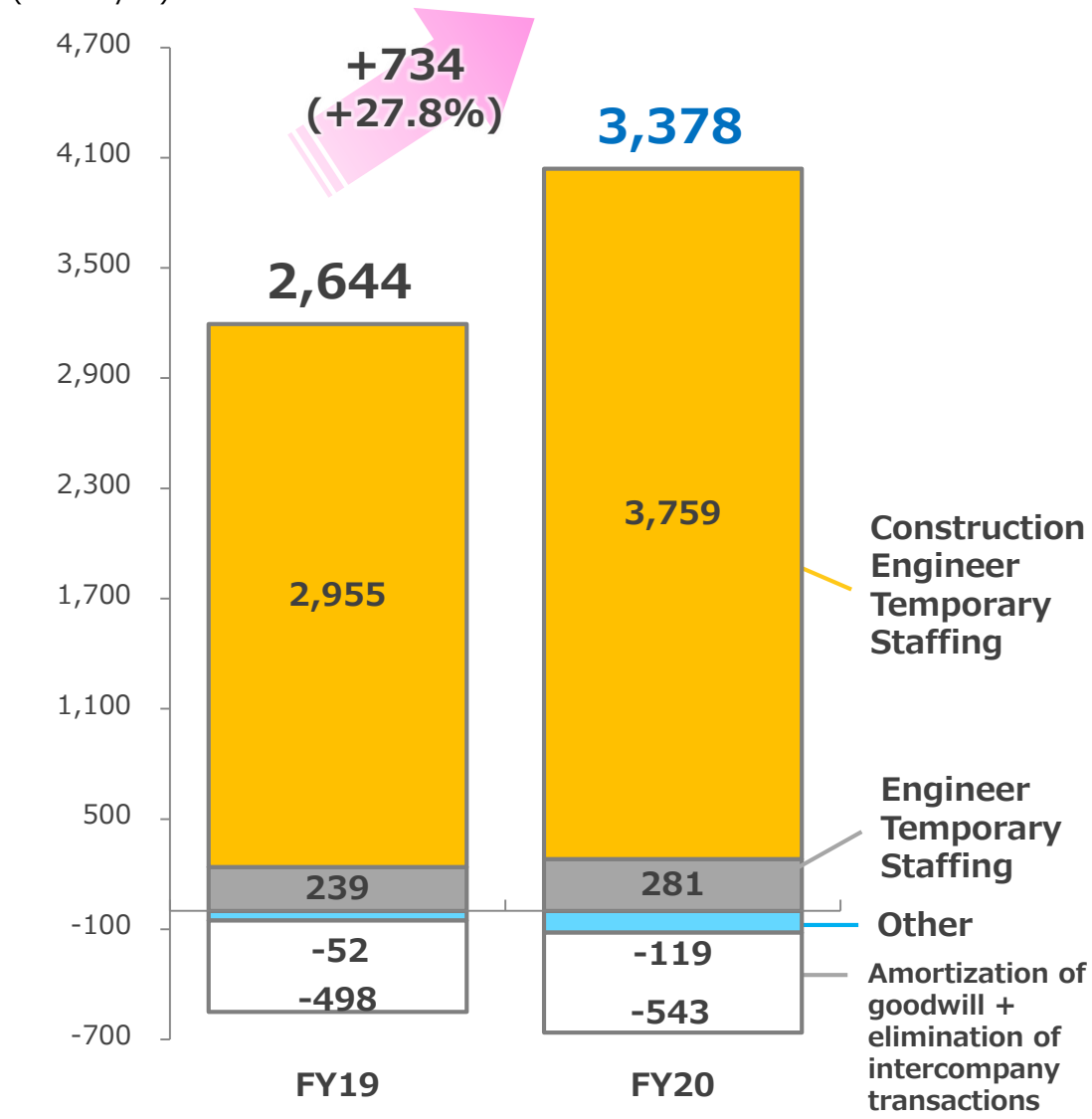
*Personnel expenses＝Salaries and allowances +Travel and transport expenses＋Bonuses + Legal welfare expenses＋Benefit costs +Retirement benefit expenses (except executives)

Consolidated P/L (4) Operating income

Group

■ Contribution from curtailment of hiring costs, increase in the number of engineers at work and rise in unit price of temporary staffing

(Million yen)



[Major factors for increase/decrease]

Construction Engineer Temporary Staffing and Incidental Business **+804m (+27.2%)**

- Increase in profit due to rise in unit price of temporary staffing
- Control SG&A expenses through efficient recruitment

Engineer Temporary Staffing and Incidental Business **+41m (+17.5%)**

- Increase in profit due to increase in the number of engineers at work and rise in unit price of temporary staffing

Other **▲67m (–)**

- Sluggish demand for overseas recruitment consulting services due to the spread of COVID-19
- Profitability of Education-Related Business Improved

Balance Sheet

Consolidated B/S (1) Assets

(Million yen)

	End-Sep.2019	End-Mar.2020	Change	Remarks
Assets	**28,863**	**30,923**	**+2,059**	
Current assets	**18,862**	**21,904**	**+3,041**	
Cash and deposits	*9,607*	*11,472*	*+1,864*	
Notes and accounts receivable-trade	*7,650*	*8,360*	*+710*	Due to an increase in the number of work place for staffing agencies
Electronically recorded monetary claims	*3*	*3*	*▲0*	
Inventories	*57*	*45*	*▲11*	
Allowance for doubtful accounts	*▲71*	*▲74*	*▲2*	
Fixed assets	**10,000**	**9,018**	**▲982**	
Tangible fixed assets	1,261	1,414	+152	
Buildings and structures	*463*	*577*	*+113*	
Machinery, equipment and vehicles	*302*	*317*	*+15*	
Land	*245*	*245*	*+0*	
Intangible fixed assets	4,518	3,901	▲617	
Goodwill	*3,615*	*2,986*	*▲628*	*Impairment of goodwill and amortization of goodwill of overseas affiliates*
Other	*903*	*914*	*+11*	
Investments and other assets	4,220	3,703	▲517	
Investment securities	*1,856*	*1,436*	*▲419*	*Sale of shares held*
Deferred tax assets	*805*	*842*	*+36*	
Allowance for doubtful accounts	*▲65*	*▲78*	*▲12*	

Consolidated B/S (2) Liabilities and Net Assets

(Million yen)

	End-Sep.2019	End-Mar.2020	Change	Remarks
Liabilities + net assets	**28,863**	**30,923**	**+2,059**	
Liabilities	**16,942**	**19,117**	**+2,174**	
Current liabilities	10,977	11,389	▲412	
Notes and accounts payable - trade	*129*	*95*	*▲34*	
Short-term debt	*2,417*	*351*	*▲2,066*	※
Current portion of long-term debt	*2,041*	*2,726*	*+684*	※
Income taxes payable	*724*	*1,381*	*▲656*	* Borrowing Switch from a bridge loan to a syndicated loan and borrowing for management funds at the end of December
Accrued expenses	*2,546*	*2,686*	*+140*	
Reserve for bonuses	*834*	*1,044*	*▲209*	
Allowance for shareholder benefits	*207*	*1*	*▲206*	
Fixed liabilities	5,965	7,728	+1,762	
Long-term debt	*5,169*	*6,957*	*+1,787*	※
Loss on retirement benefit	*323*	*338*	*+15*	
Net assets	**11,920**	**11,805**	**▲115**	
Shareholders' equity	11,696	11,748	+51	
Capital	*822*	*828*	*+5*	
Capital surplus	*10,769*	*10,850*	*+81*	
Retained earnings	*2,105*	*2,203*	*+98*	*Net income for FY20/Q1+Q2 – Yearend dividends for FY19*
Treasury stock	*▲2,001*	*▲2,134*	*▲133*	*Acquisition of treasury stock*
Accumulated other comprehensive income	169	▲10	▲180	
Share warrant	36	36	▲0	
Minority interest	17	31	+13	

Segment Overview

Segment Overview

Construction Engineer Temporary Staffing and Incidental Business

Summary of Segment P/L Statement



Construction Engineer Temporary Staffing and Incidental Business

(Million yen)

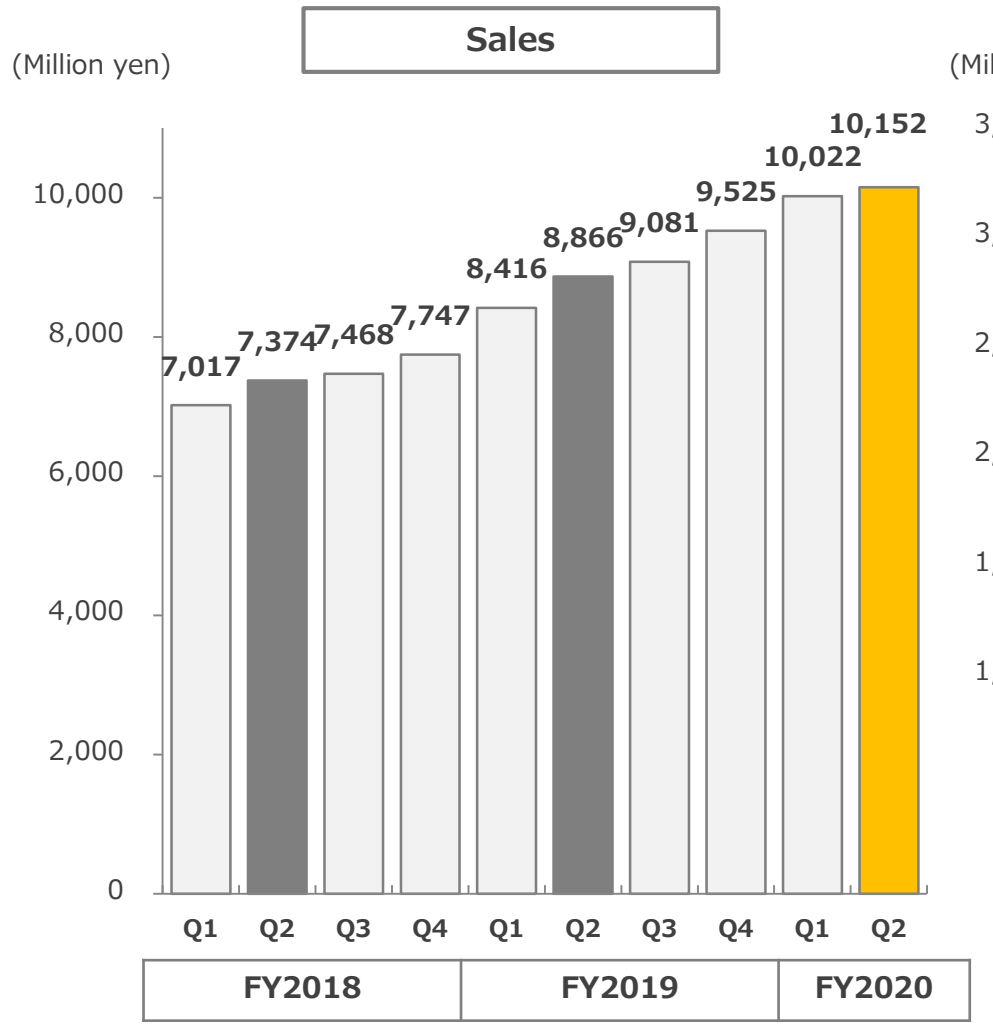
	FY19/Q2	FY20/Q2	Change	Pct. change
Sales	17,282	20,174	2,892	16.7%
Gross profit	5,569	6,330	761	13.7%
SG&A expenses	2,613	2,571	▲42	▲1.6%
Segment profit	2,955	3,759	804	27.2%

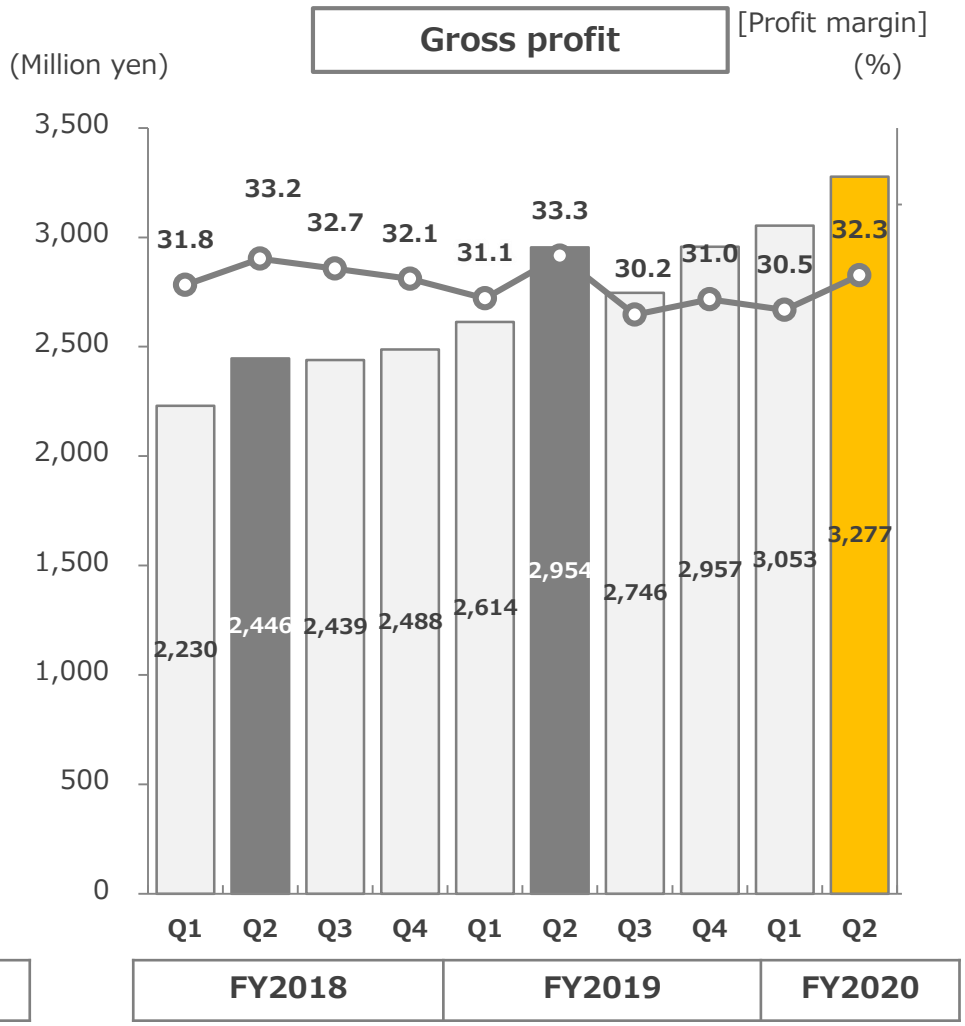
* Results by segment are stated in accordance with Japanese accounting standards.

Segment P/L (1) Sales and Gross Profit

Construction Engineer Temporary Staffing and Incidental Business

- Sales ⇒ Up by 17% YoY thanks to an increases in the number of engineers at work and unit price of temporary staffing
- Gross profit ⇒ Up by 14% YoY. Increased returns to engineers, but profitability remained at over 30% due to an increase in unit price of engineers.



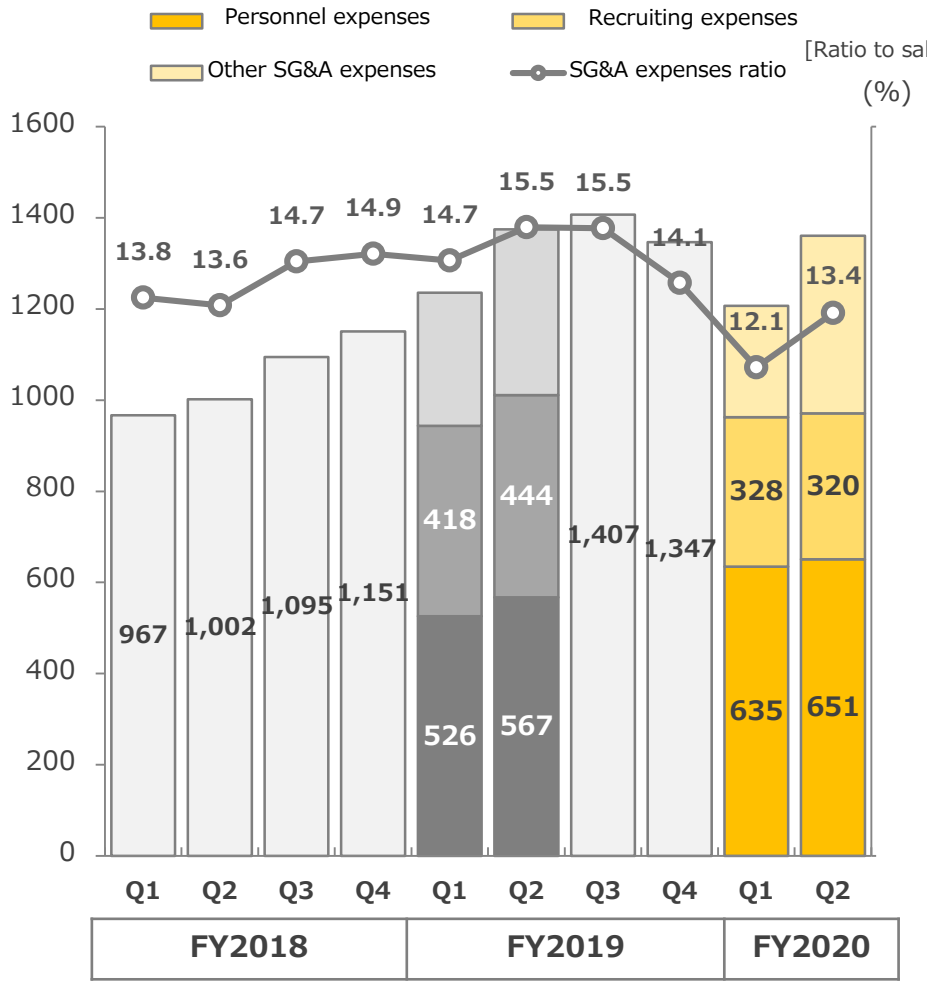


Segment P/L (2)
SG&A Expenses and Segment Profit

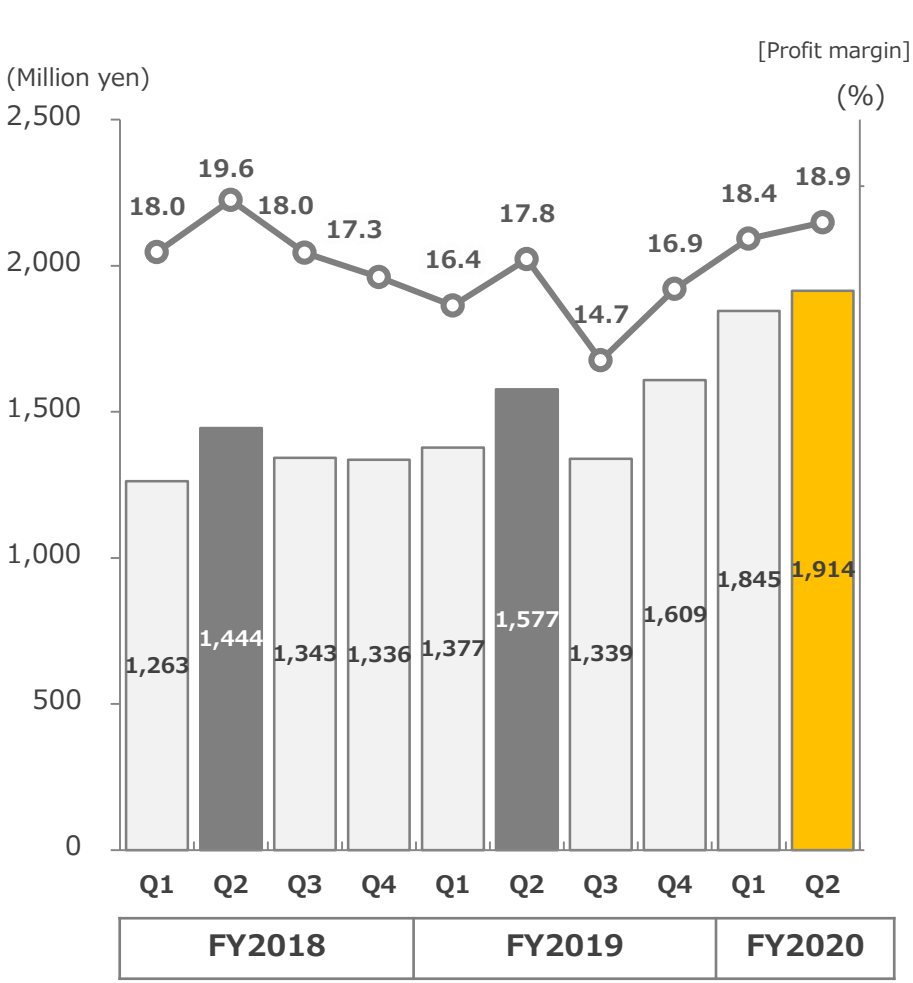
Construction Engineer
Temporary Staffing and
Incidental Business

- SG&A expenses ⇒ Down by 2% YoY owing to the efficient recruitment activities.
- Segment profit ⇒ Up by 27% YoY due to reduced SG&A expenses.

SG&A expenses



Segment profit

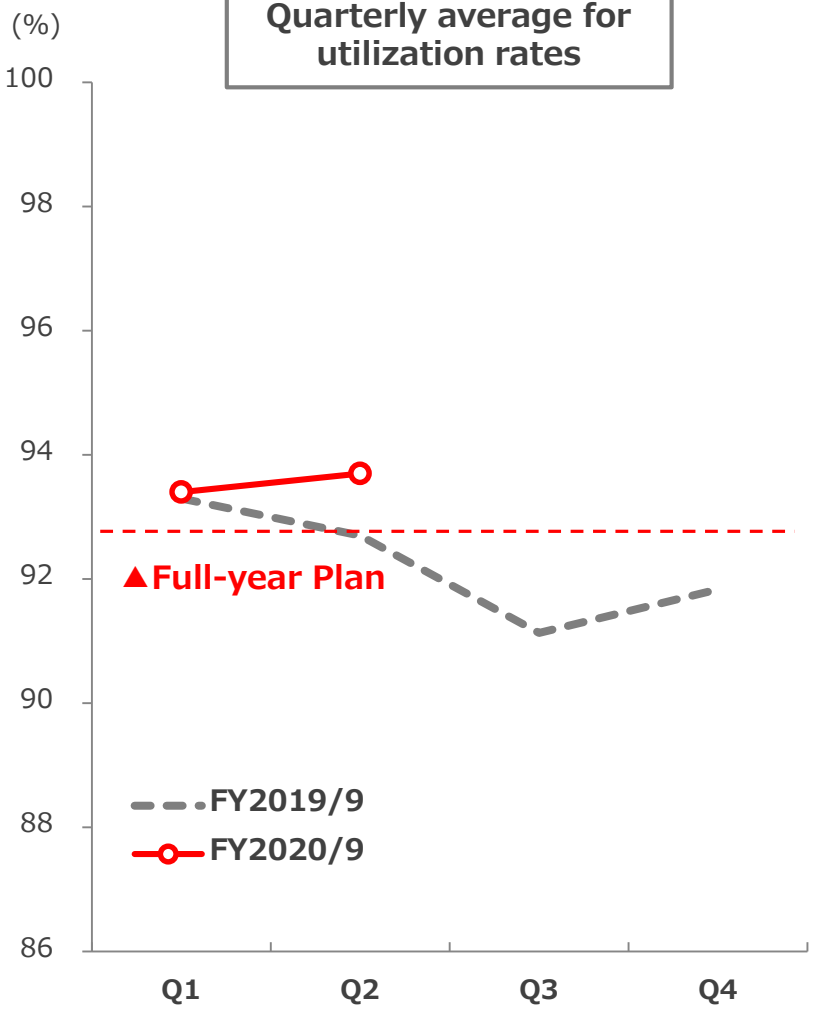


Segment Highlights

Construction Engineer Temporary Staffing and Incidental Business

- Key Indicator 1: Utilization rate→ maintaining a high level
- Key Indicator 2: Ratio of recruiting expenses to net sales
  → Steadily implementing efficient hiring

Quarterly average for utilization rates



Ratio of recruiting expenses to net sales

	FY19	FY20/Q2	FY20 Plan (Before revision)
Sales (Million yen)	35,890	20,174	41,100
Recruiting expenses (Million yen)	1,640	648	1,450
Sales recruiting expenses ratio	4.57%	3.21%	3.53%

Number of Engineers（1）Recruitment



Construction Engineer Temporary Staffing and Incidental Business

- Due to the spread of COVID-19, recruitment was restricted for a certain period of time.
- The ratio of recruitment cost to net sales is declining due to the effects of the recruitment control.

(Unit: Persons)

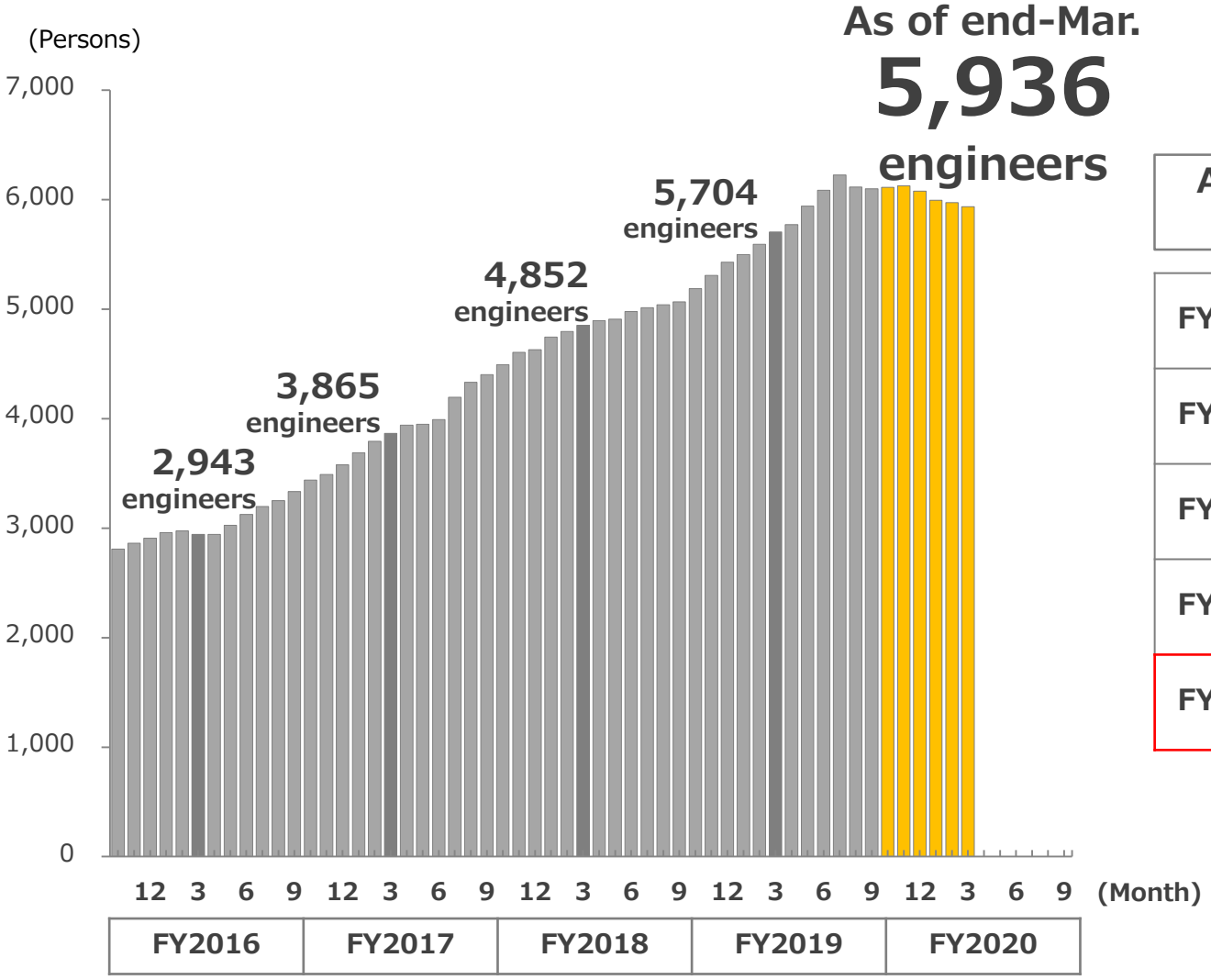
	Oct	Nov	Dec	Jan	Feb	Mar	Oct-Mar total
FY19 recruitment	774			829			1,603
FY20 recruitment	635			584			1,219
Change	▲139			▲245			▲384

	Apr	May	Jun	Jul	Aug	Sep	Apr-Sep total	Oct-Sep total
FY19 recruitment	1,085			601			1,686	3,289
FY20 recruitment								
Change								

Number of Engineers (2)
Changes in the Number of Engineers

Construction Engineer Temporary Staffing and Incidental Business

- Increased by 232 engineers from the end of the previous year
- Growth in the number of engineers slowed due to restrained recruitment and other factors.



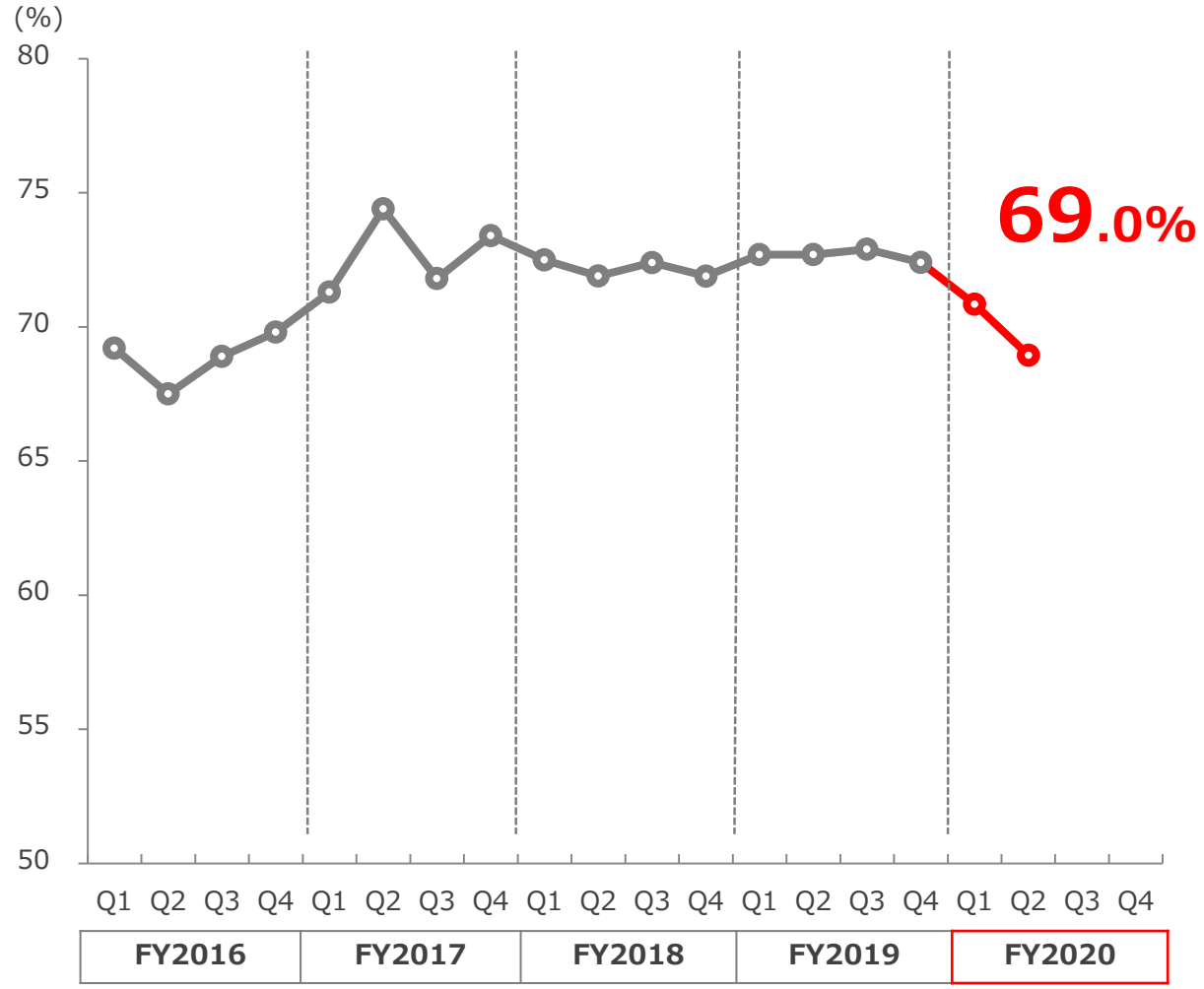
* Number of engineers at the end of month

Avg. number of engineers 6-month avg. (Oct – Mar)		
FY16/Q2	2,909	YoY
FY17/Q2	3,642	+25.2%
FY18/Q2	4,686	+28.7%
FY19/Q2	5,479	+16.9%
FY20/Q2	6,036	+10.2%

Number of Engineers (3) Retention Rate

Construction Engineer Temporary Staffing and Incidental Business

■ **Temporarily restrain the number of new hires in Q2 due to the impact of COVID-19**
⇒ Decline in the number of new employees and net increase in the number of enrolled employees

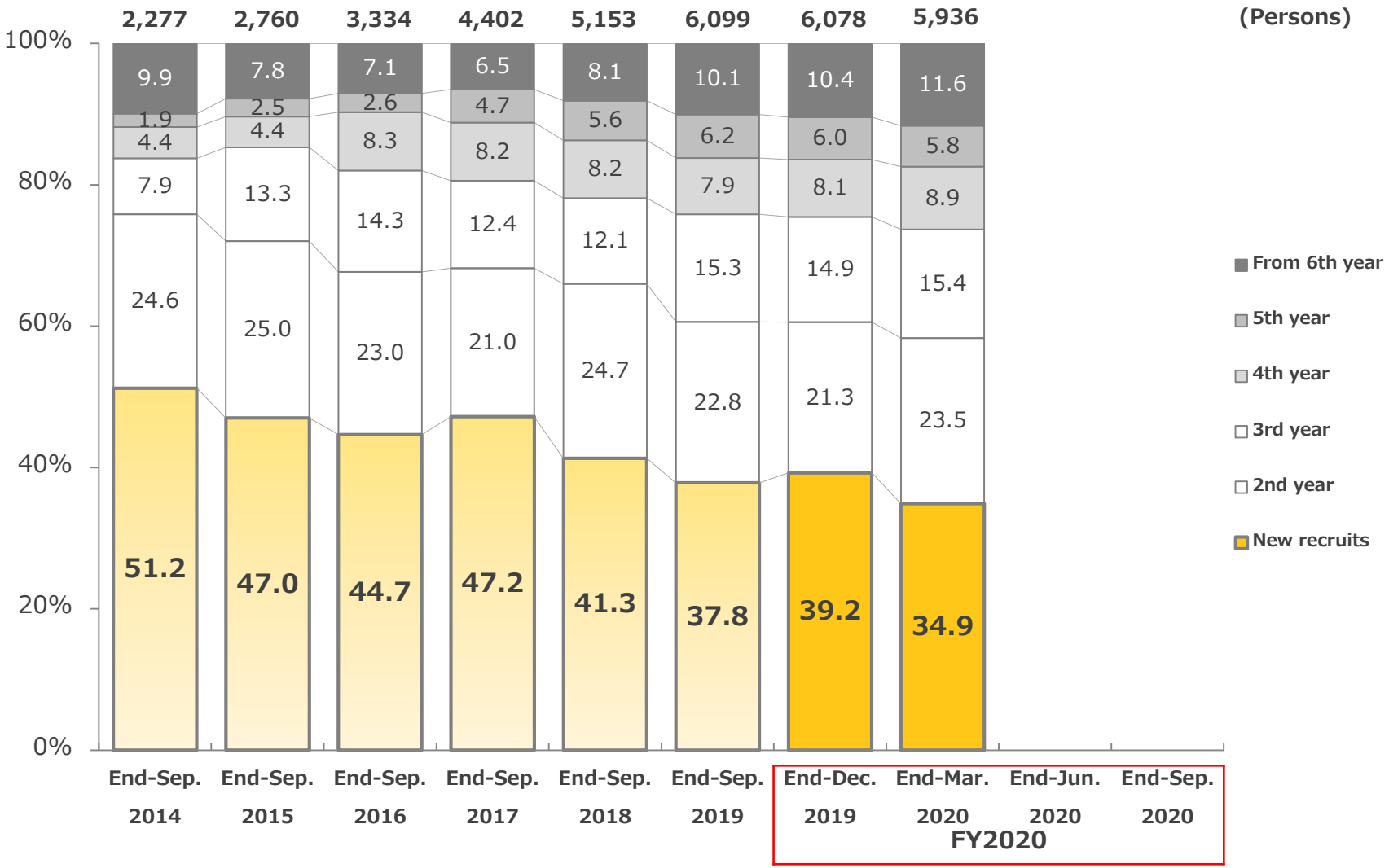


Avg. retention rate 6-month avg. (Oct – Mar)		
FY16/Q2	68.4%	YoY
FY17/Q2	72.9%	+4.5pt
FY18/Q2	72.2%	▲0.6pt
FY19/Q2	72.7%	+0.5pt
FY20/Q2	69.9%	▲3.7pt

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

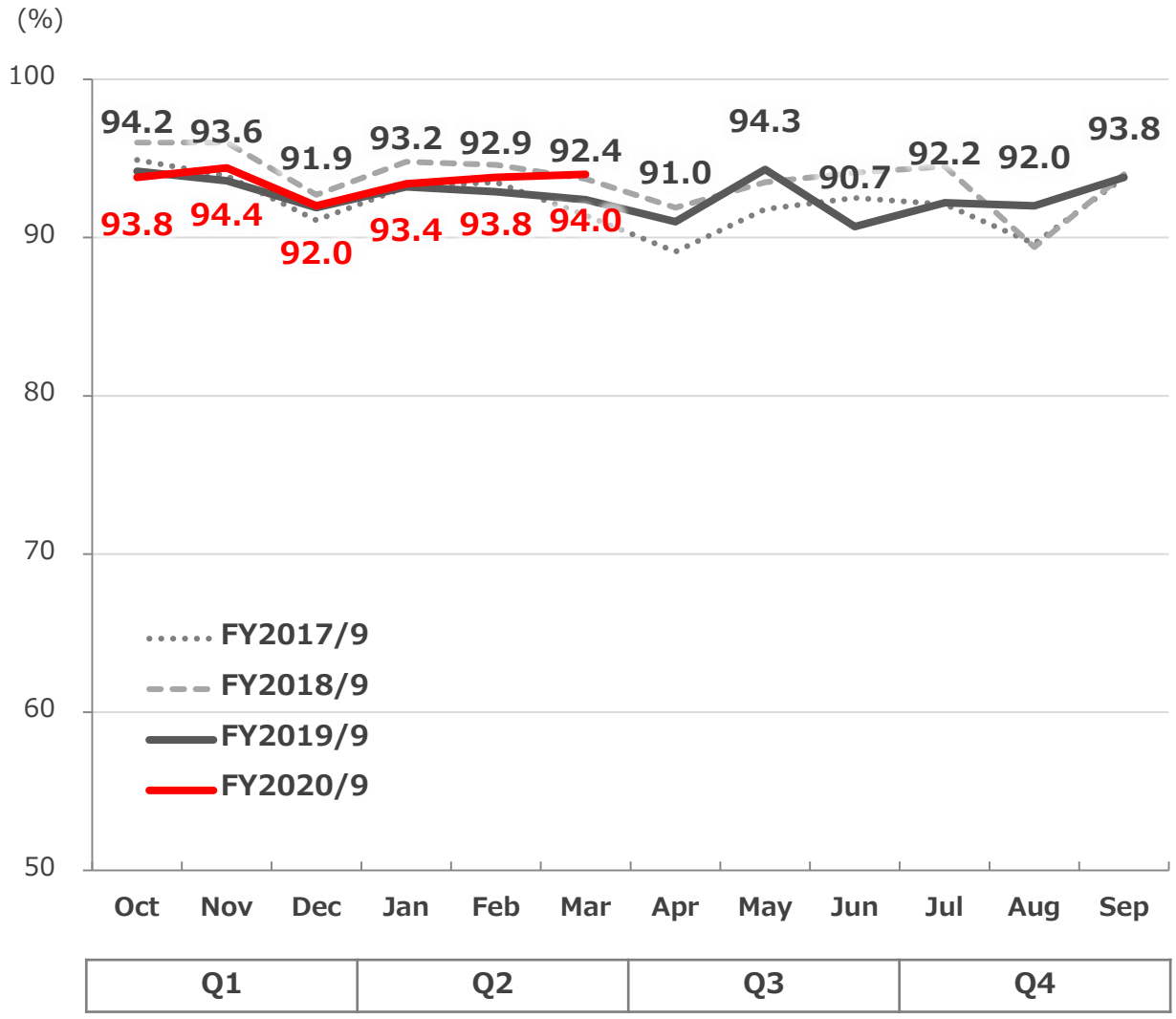
Number of Engineers (4) Ratio by Length of Service

■ Well-balanced thanks to an increase in the number of engineers in the second year or later



Utilization rate

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



Avg. Utilization rate
6-month avg. (Oct – Mar)

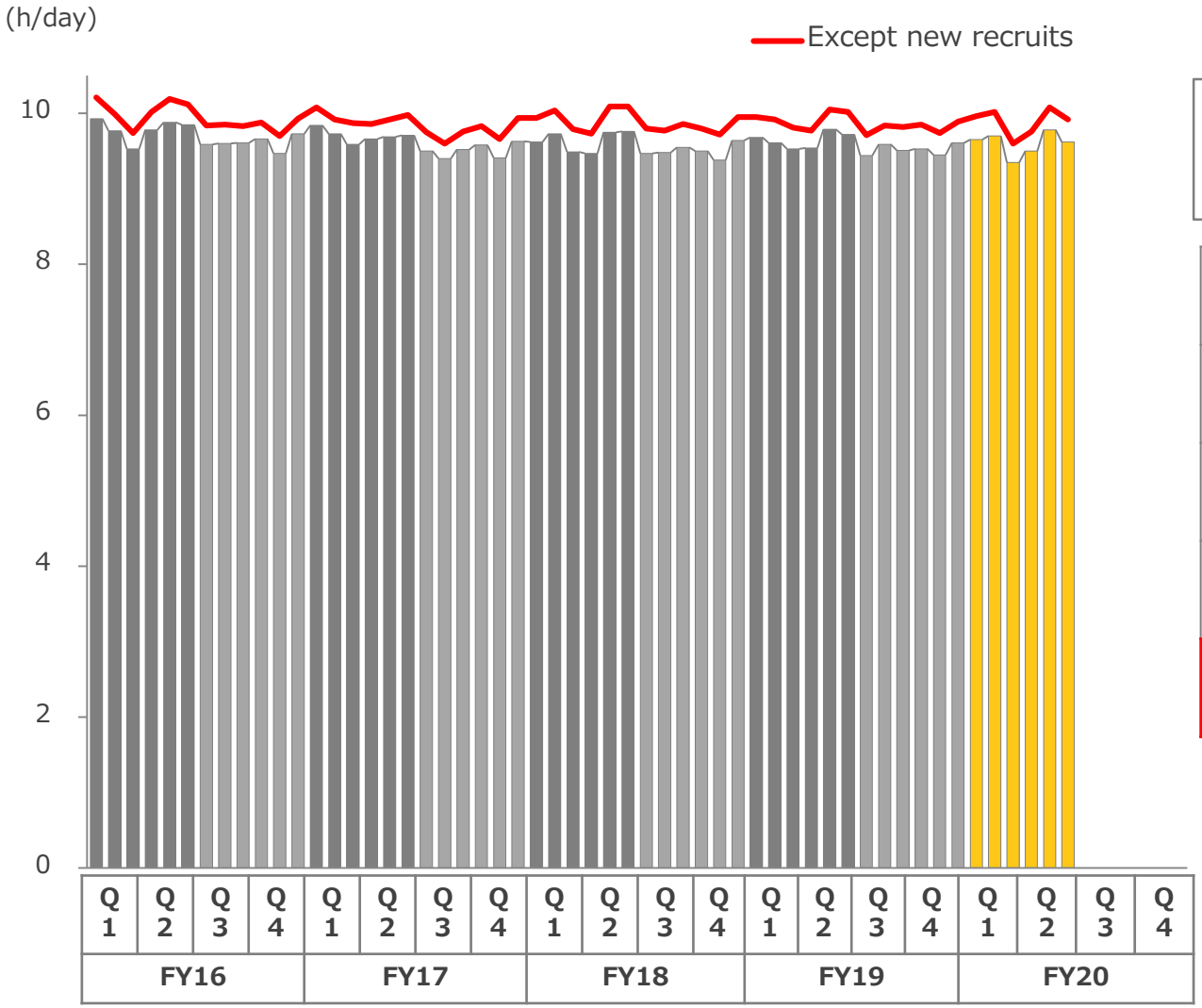
FY17/Q2	93.0%	YoY
FY18/Q2	94.6%	+1.6pt
FY19/Q2	93.0%	▲1.6pt
FY20/Q2	93.6%	+0.6pt

* Figures for July - September 2019 have been revised.

Operating time

Construction Engineer Temporary Staffing and Incidental Business

- Operating time continues to decline as a result of "Work Style Reforms"
- Slight increase in the short term due to seasonal year-end demand

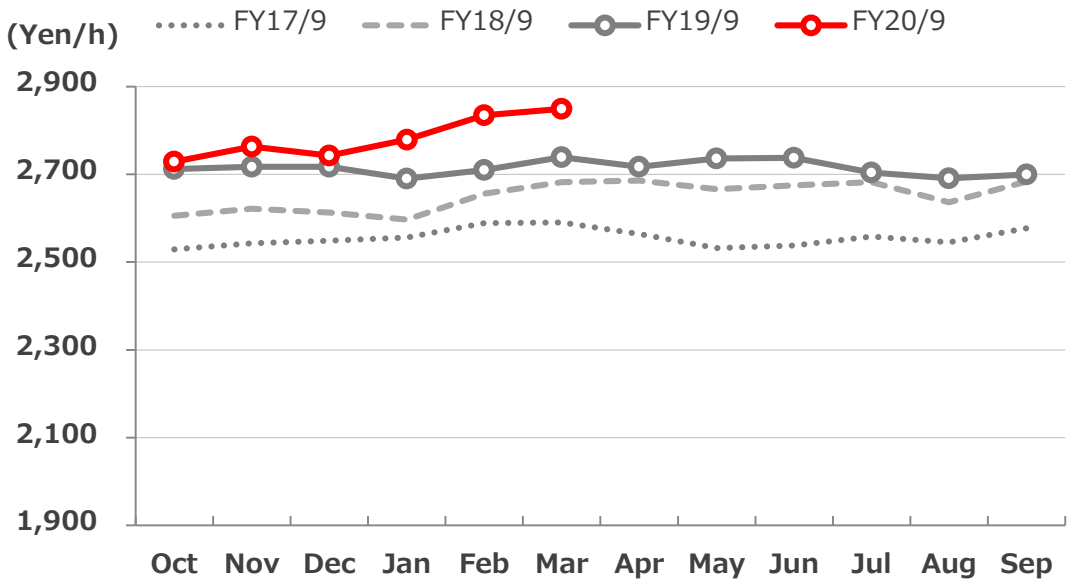


Avg. operating time of all engineers
6-month avg. (Oct – Mar)

FY16/Q2	9.79h	YoY
FY17/Q2	9.70h	▲0.9%
FY18/Q2	9.64h	▲0.7%
FY19/Q2	9.65h	+0.1%
FY20/Q2	9.60h	▲0.5%

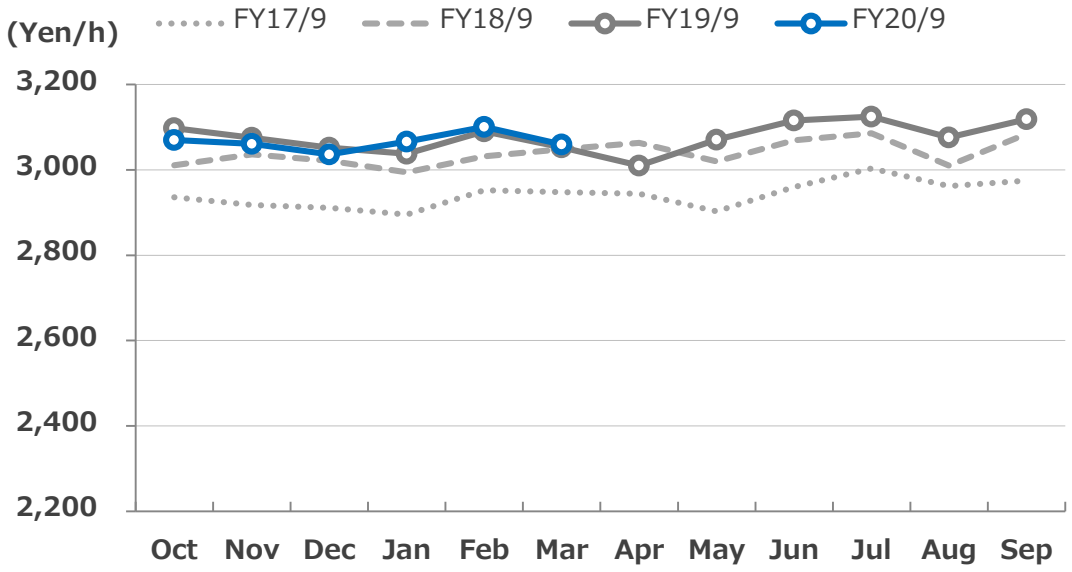
Unit Price of Temporary Staffing (1)
New Recruits and 2nd Year

Construction Engineer Temporary Staffing and Incidental Business



New recruits only
6-month avg. (Oct – Mar)

FY17/Q2	¥2,559	YoY
FY18/Q2	¥2,629	+2.7%
FY19/Q2	¥2,714	+3.2%
FY20/Q2	¥2,783	+2.5%

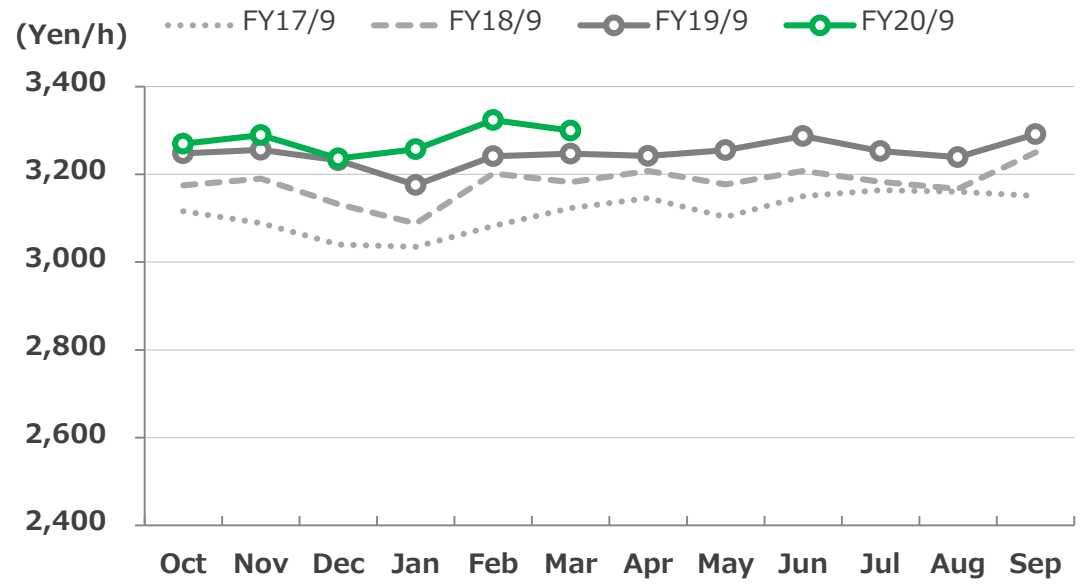


2nd year only
6-month avg. (Oct – Mar)

FY17/Q2	¥2,927	YoY
FY18/Q2	¥3,024	+3.3%
FY19/Q2	¥3,068	+1.5%
FY20/Q2	¥3,066	▲0.1%

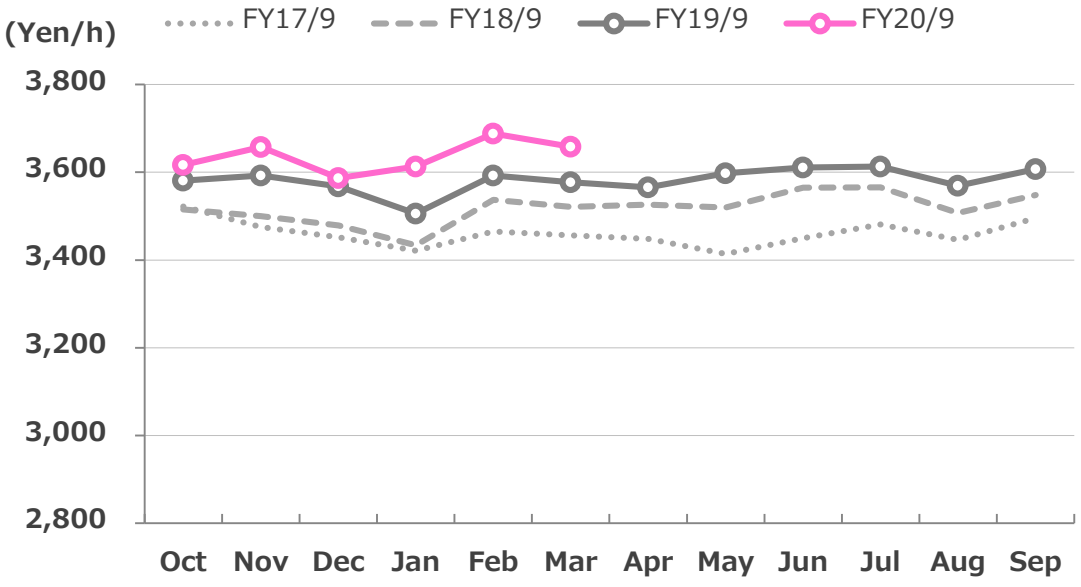
Unit Price of Temporary Staffing (2)
From the 3rd and 4th Year and Over

Construction Engineer Temporary Staffing and Incidental Business



3rd year only
6-month avg. (Oct – Mar)

FY17/Q2	¥3,081	YoY
FY18/Q2	¥3,162	+2.6%
FY19/Q2	¥3,233	+2.3%
FY20/Q2	¥3,279	+1.4%



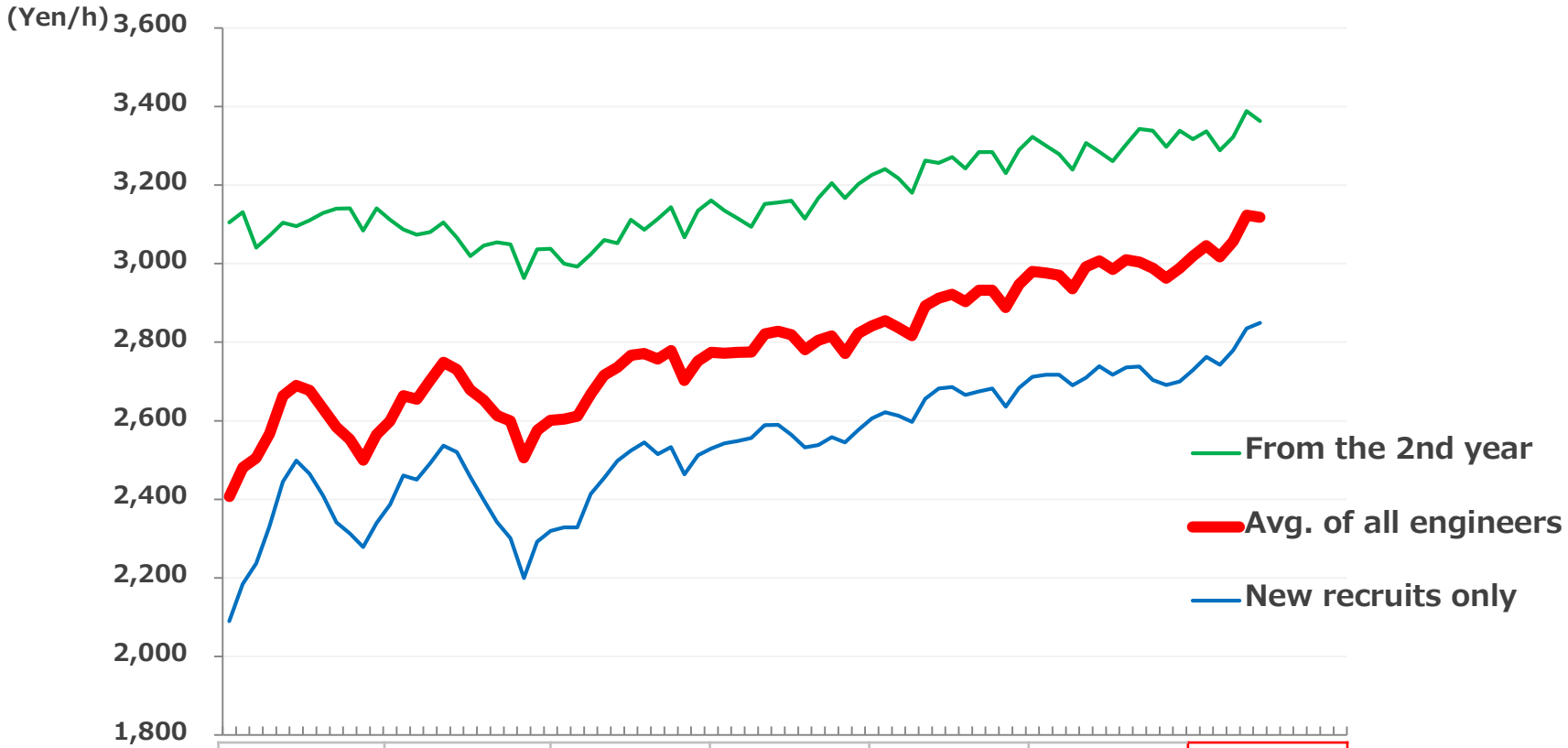
From the 4th year
6-month avg. (Oct – Mar)

FY17/Q2	¥3,465	YoY
FY18/Q2	¥3,498	+0.9%
FY19/Q2	¥3,570	+2.1%
FY20/Q2	¥3,637	+1.9%

Unit Price of Temporary Staffing (3) Interim Changes

Construction Engineer Temporary Staffing and Incidental Business

- Continue to rise from FY2016 supported by robust demand
- Rise in unit price for newly hired engineers with a high composition ratio contributed significantly to higher profit margins



	FY2014	FY2015	FY2016	FY2017	FY2018	FY2019	FY2020
Avg. on a companywide basis (Q1~Q2)	2,552 yen	2,683 yen	2,656 yen	2,791 yen	2,859 yen	2,977 yen	3,064 yen
	YoY	+5.1%	▲1.0%	+5.1%	+2.5%	+4.1%	+2.9%

KPI Summary

Construction Engineer Temporary Staffing and Incidental Business

- Unit price of temporary staffing continued to increase for 4 years against a backdrop of labor shortage in the construction industry

All engineers 6-month avg. (Oct –Mar)

	FY19/Q2	FY20/Q2	Change	Pct. change
No. of engineers	5,479 engineers	6,036 engineers	+557 engineers	+10.2%
Utilization rate	93.0%	93.6%	+0.6pt	—
Operating time	9.65h	9.60h	▲0.05h	▲0.5%
Unit price of temporary staffing	2,977yen	3,064yen	+87yen	+2.9%

Segment Overview

Engineer Temporary Staffing and Incidental Business

Summary of Segment P/L Statement

Engineer Temporary Staffing

(Million yen)

	FY19/Q2	FY20/Q2	Change	Pct. change
Sales	7,152	9,648	2,496	34.9%
Gross profit	1,818	2,249	431	23.7%
SG&A expenses	1,579	1,968	389	24.7%
Segment profit	239	281	41	17.5%

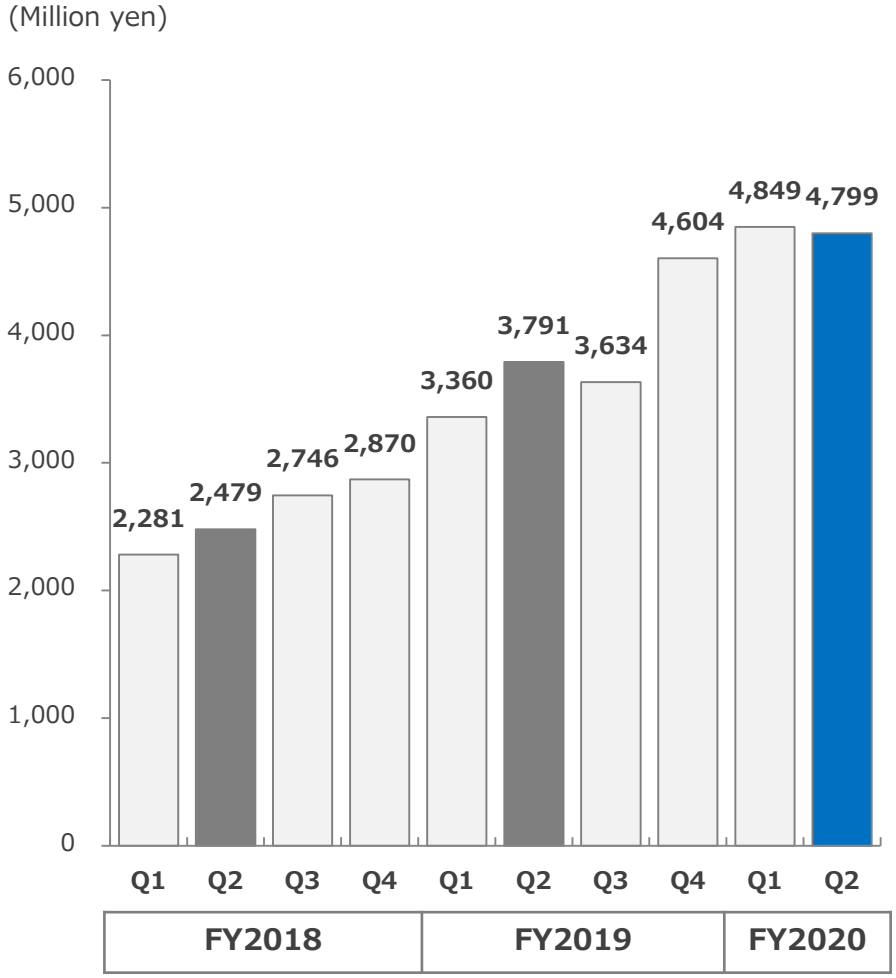
* Results by segment are stated in accordance with Japanese accounting standards.

Segment P/L (1) Sales and Gross Profit

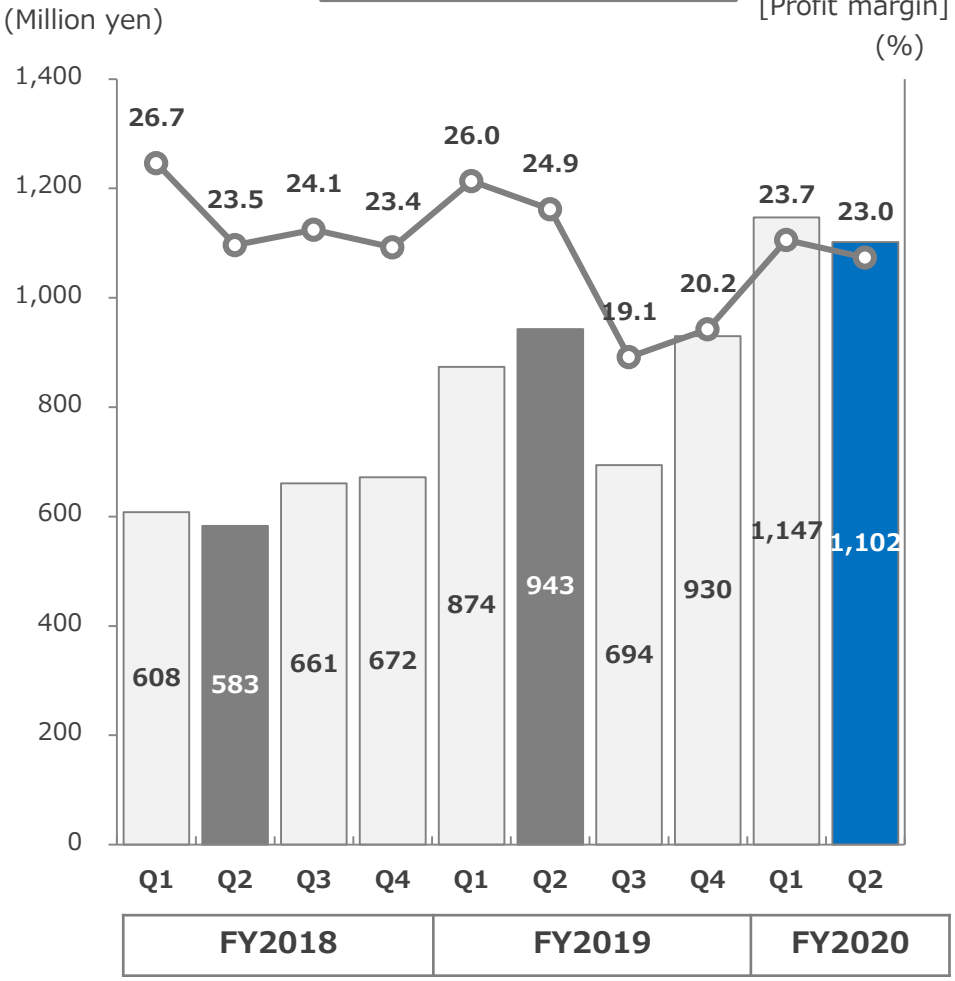
Engineer Temporary Staffing

- Sales ⇒ Up by 35% YoY thanks to an increases in the number of engineers at work and unit price of temporary staffing
- Gross Profit ⇒ Up by 31% YoY thanks to an increase in the number of engineers at work

Sales



Gross Profit

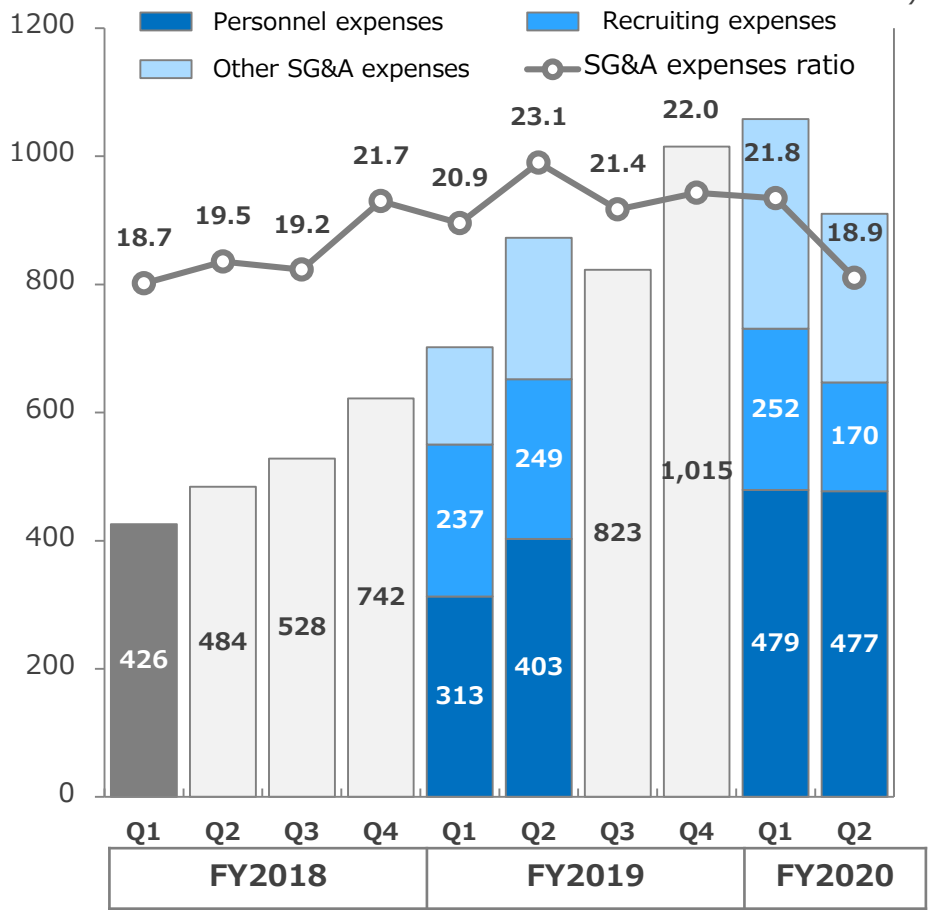


Segment P/L (2)
SG&A Expenses and Segment Profit

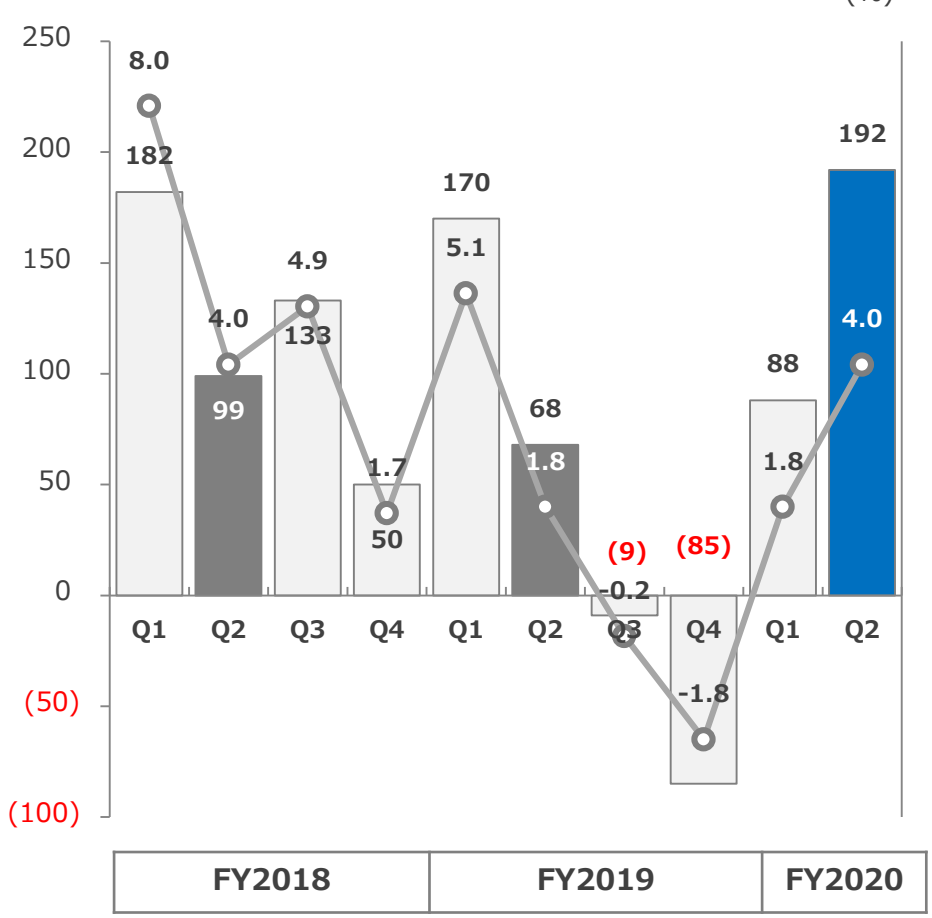
Engineer
Temporary Staffing

- SG&A expenses ⇒ Personnel expenses increased by 25% YoY despite more efficient recruitment
- Segment Profit ⇒ Up by 18% YoY but we recorded profits despite an increase inv SG&A expenses due to an increase in the number of engineers at work

SG&A expenses



Segment Profit

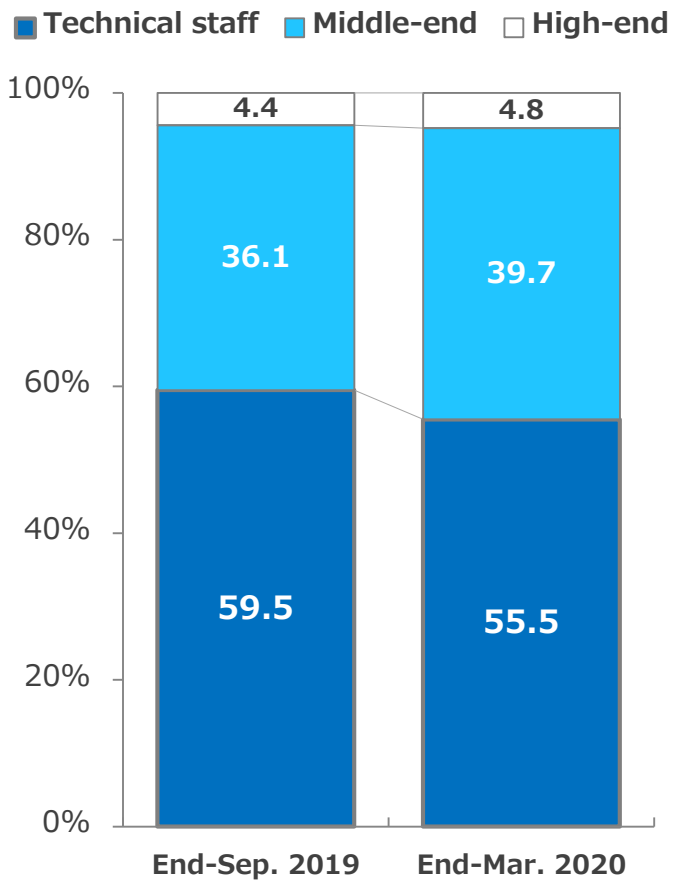


Segment Highlights

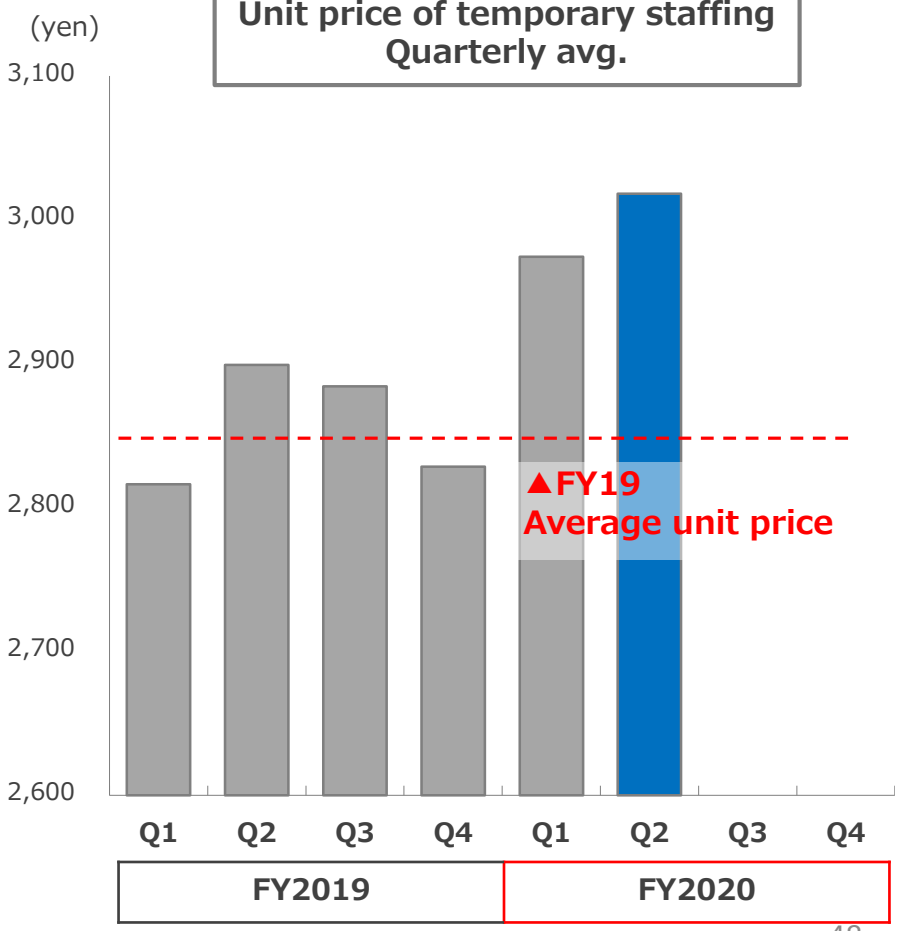
Engineer
Temporary Staffing

- Key Indicators 1: Percentage of Employees by Layer → Layer Shifting steadily progress
- Key Indicator 2: Unit Price of Temporary Staffing
  → Unit price of temporary staffing also rose due to an increase in the number of high-class engineers through Layer Shifting and M&A

Percentage of employees by layer



Unit price of temporary staffing
Quarterly avg.



* Calculated by Yume Technology alone until FY2019

Number of Engineers（1）Recruitment

Engineer Temporary Staffing

- Achieved 56% of the annual recruitment target of hiring （before revision） 1,350 engineers and increased by 7.2% YoY
- Breakdown of recruitment: IT field: 660 engineers; Machinery and Electric field: 97 engineers

(Unit: Persons)

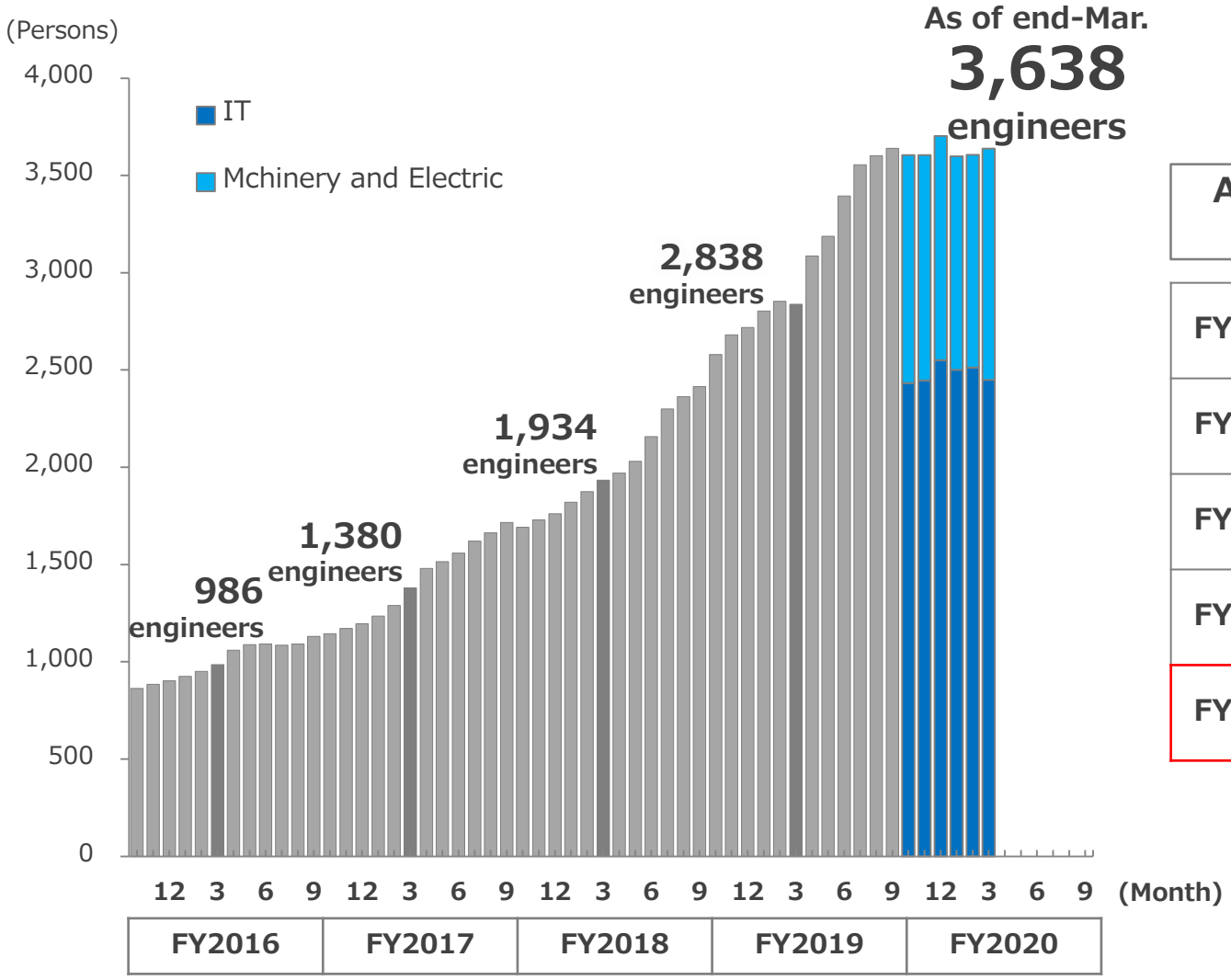
	Oct	Nov	Dec	Jan	Feb	Mar	Oct-Mar Total
FY19 recruitment	362			344			706
FY20 recruitment	386			371			757
YoY	+24			+27			+51

	Apr	May	Jun	Jul	Aug	Sep	Apr-Sep Total	Oct-Sep Total
FY19 recruitment	584			458			1,042	1,748
FY20 recruitment								
YoY								

Number of Engineers (2)
Changes in the Number of Engineers

Engineer Temporary Staffing

- Achieved 83% of the plan at 4,400 engineers at the end of the fiscal year, increased by 800 engineers YoY
- Breakdown of enrolled human resources: IT field: 2,449 engineers, Machinery and Electric field: 1,189 engineers



Avg. number of engineers
6-month avg. (Oct – Mar)

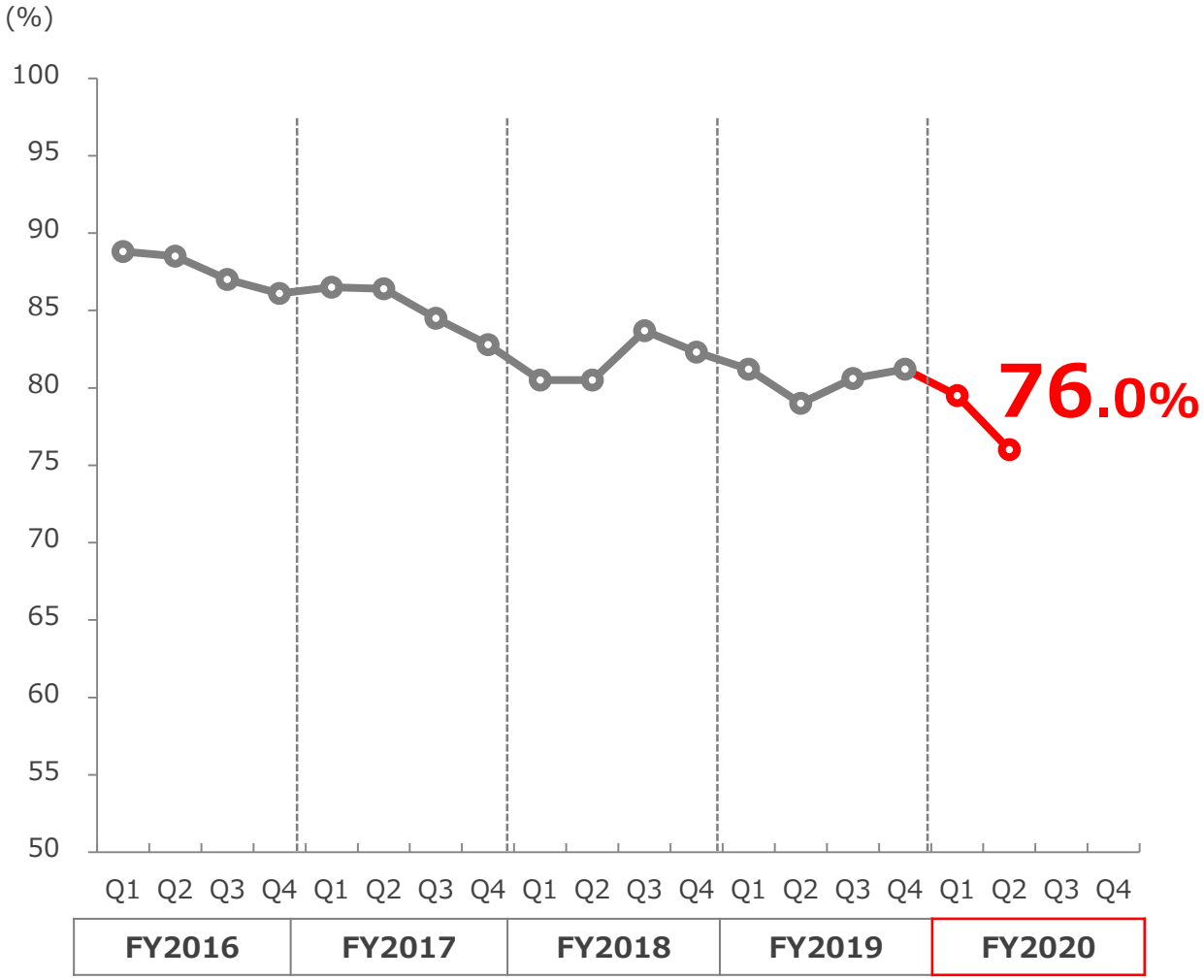
FY16/Q2	919人	YoY
FY17/Q2	1,236人	+34.4%
FY18/Q2	1,802人	+45.7%
FY19/Q2	2,745人	+52.3%
FY20/Q2	3,626人	+32.1%

* Number of engineers at the end of month

Number of Engineers (3) Retention Rate

Engineer Temporary Staffing

■ Declining due to an increase in the number of new hires



Avg. retention rate 6-month avg. (Oct – Mar)		
FY16/Q2	88.7%	YoY
FY17/Q2	86.5%	▲2.2pt
FY18/Q2	80.5%	▲6.0pt
FY19/Q2	80.1%	▲0.4pt
FY20/Q2	78.1%	▲2.0pt

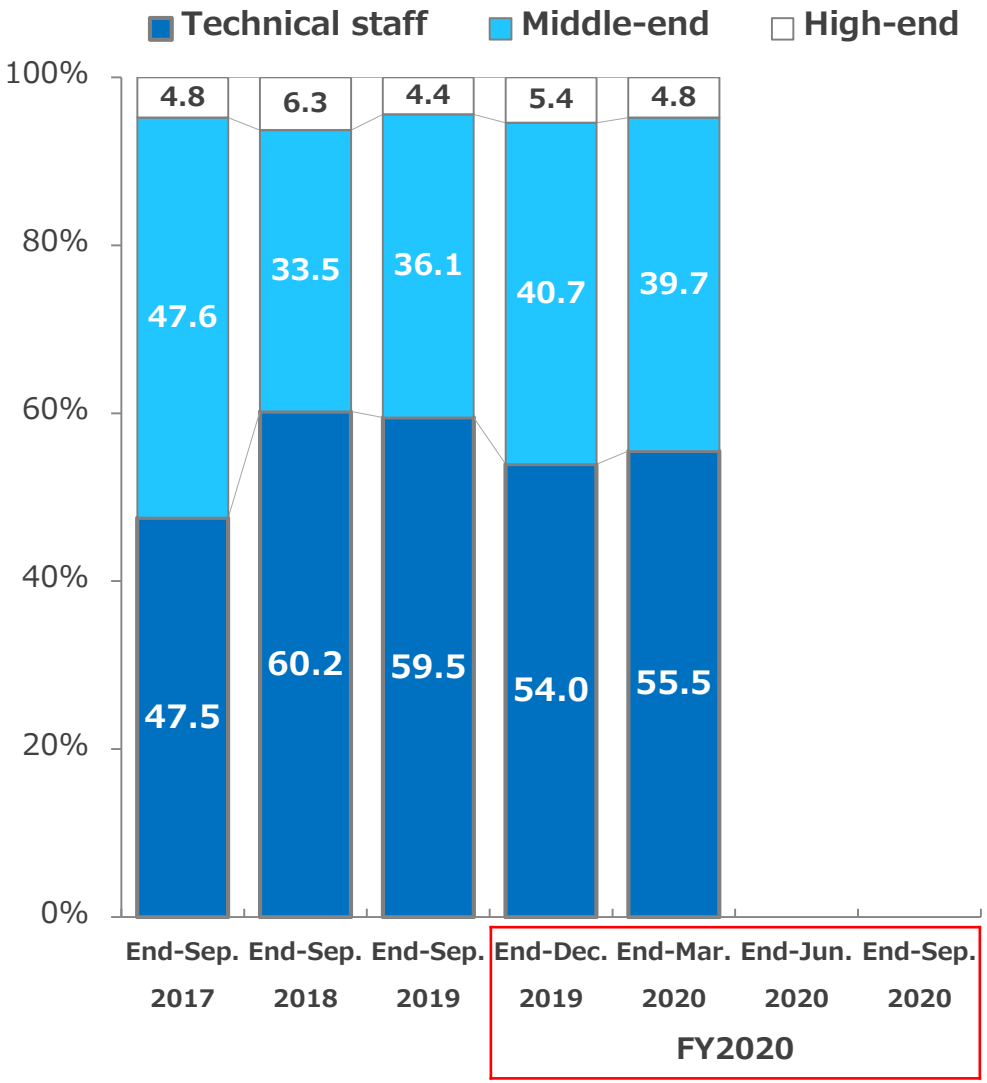
*Retention rate = No. of engineers at the time of calculation / (No. of engineers a year ago + New hires during the year) x 100

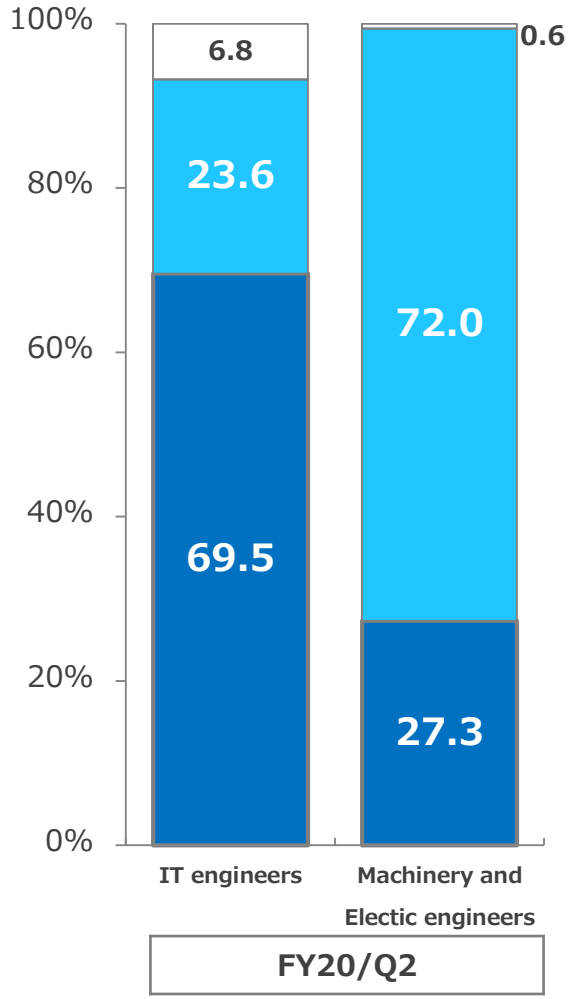
* The aggregation range has been changed from FY2020 Q2.

Number of Engineers (4)
Ratio by Level of Engineers

Engineer Temporary Staffing

- A slight increase in the number of technical staff due to hiring after changing staff assignments in Q1

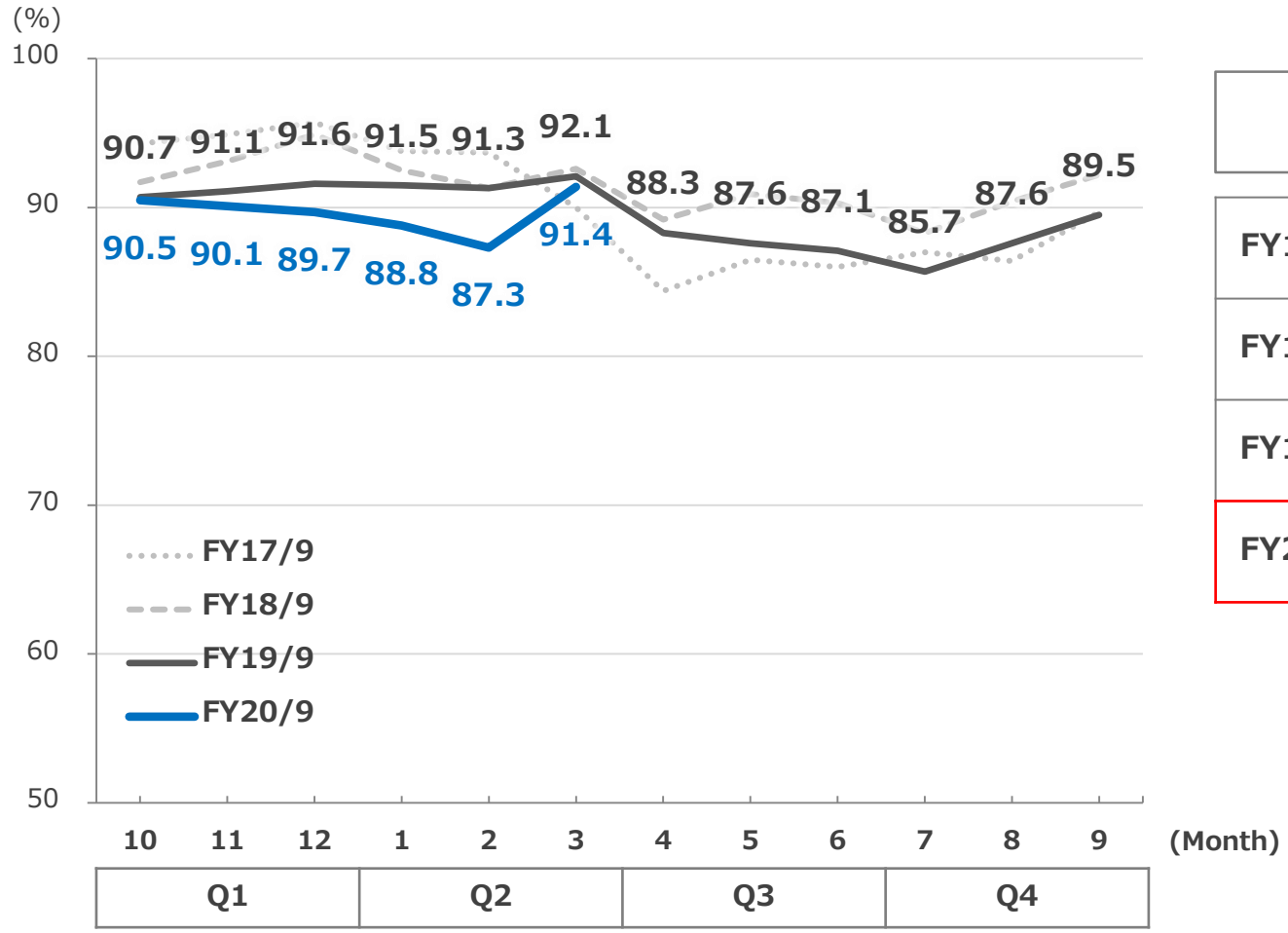




Changes in Utilization rate

Engineer
Temporary Staffing

- Utilization rate declined because the number of engineers increased due to active recruitment, in addition to an increase in the number of employees in retraining programs.
- Improved due to adjustment of the number of new hires in March.



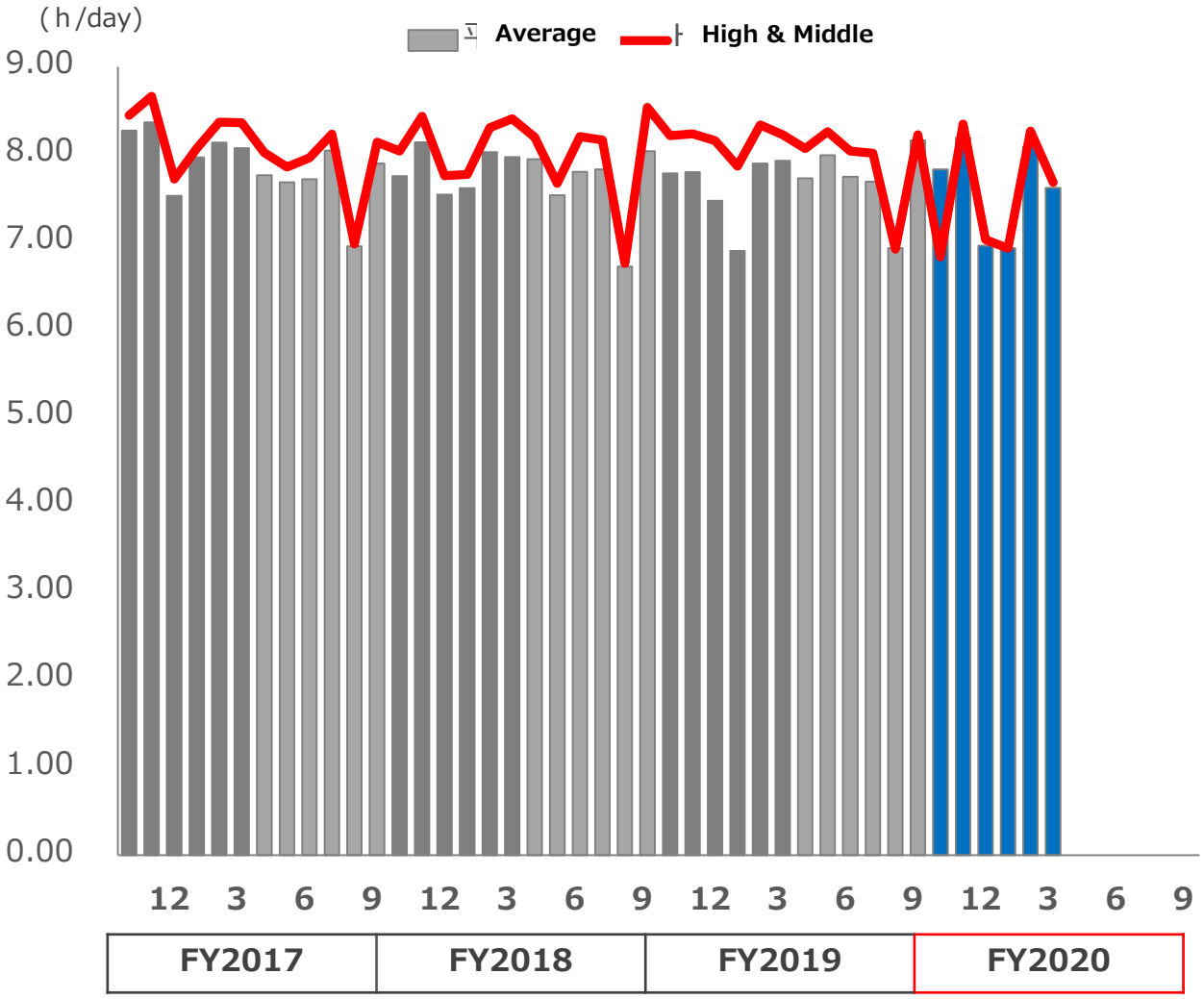
Avg. Utilization rate 6-month avg. (Oct – Mar)		
FY17/Q2	93.7%	YoY
FY18/Q2	92.7%	▲1.0pt
FY19/Q2	91.4%	▲1.3pt
FY20/Q2	89.6%	▲1.8pt

* The aggregation range has been changed from FY2020.

Changes in Operating Time

Engineer
Temporary Staffing

■ **Operating time is declining due to increased awareness of labor management through "Work Style Reforms"**



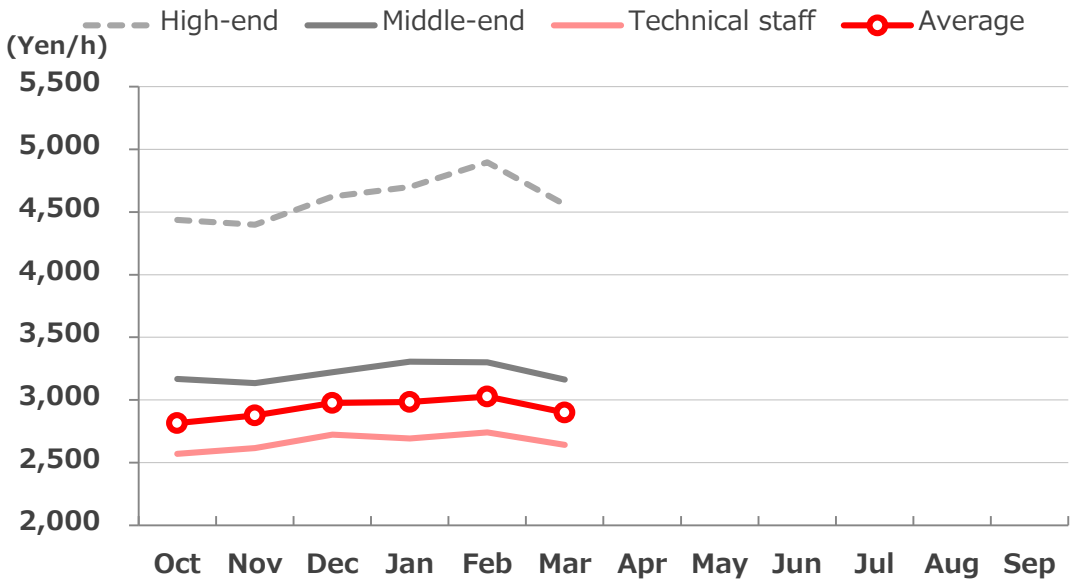
Avg. operating time
6-month avg. (Oct – Mar)

FY17/Q2	8.06h	YoY
FY18/Q2	7.84h	▲2.7%
FY19/Q2	7.63h	▲2.7%
FY20/Q2	7.60h	▲0.3%

* The aggregation range has been changed from FY2020.

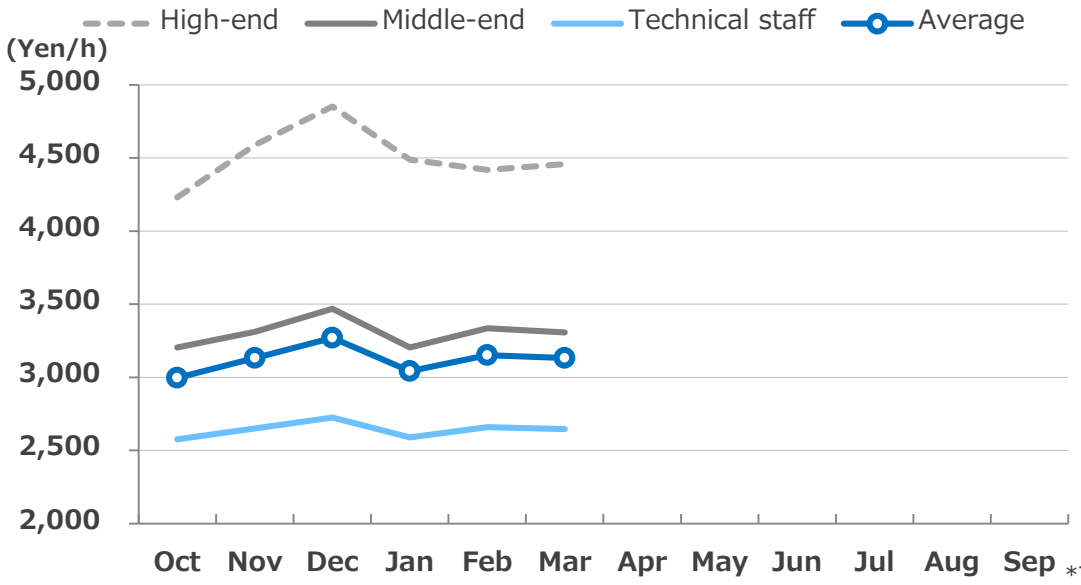
Unit Price of Temporary Staffing

Engineer Temporary Staffing



Avg. for IT Engineers
6-month avg. (Oct – Mar)

		YoY
FY20/Q2	2,947yen	—



Avg. for Machinery and Electric Engineers
6-month avg. (Oct – Mar)

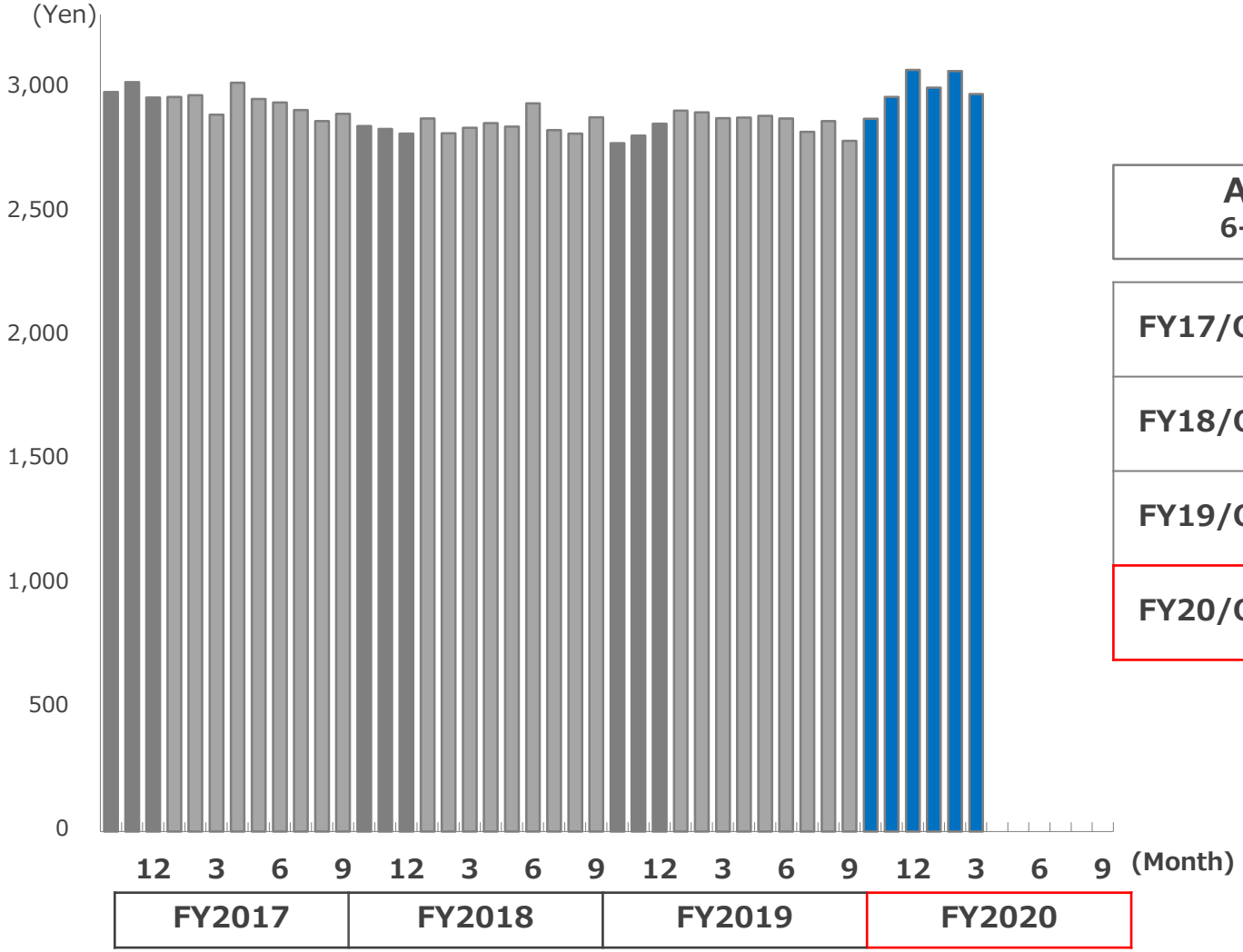
		YoY
FY20/Q2	3,136yen	—

*The aggregation methods have been changed from FY2020.

Changes in Unit Price of Temporary Staffing

Engineer Temporary Staffing

■ **Average unit price increased due to increase in middle-end of the group as a whole reflecting M&A in the previous fiscal year**



Avg. operating time 6-month avg. (Oct – Mar)		
FY17/Q2	2,969yen	YoY
FY18/Q2	2,841yen	▲4.2%
FY19/Q2	2,858yen	+0.5%
FY20/Q2	2,995yen	+4.8%

*The aggregation methods have been changed from FY2020.

KPI Summary

Engineer
Temporary Staffing

- The number of engineers increased steadily by 37% due to active recruitment
- Utilization rate decreased with increased number of engineers and 研修者の増加 but the average unit price of temporary staffing increased

All engineers 6-month avg. (Oct – Mar)

	FY19/Q2	FY20/Q2	Change	Pct. change
No. of engineers	2,745 engineers	3,626 engineers	+881人	+32.1%
Utilization rate	91.4%	89.6%	▲1.8pt	—
Operating time	7.63h	7.60h	▲0.03h	▲0.3%
Unit price of temporary staffing	2,858yen	2,995yen	+137yen	+4.8%

* The aggregation range has been changed from FY2020.

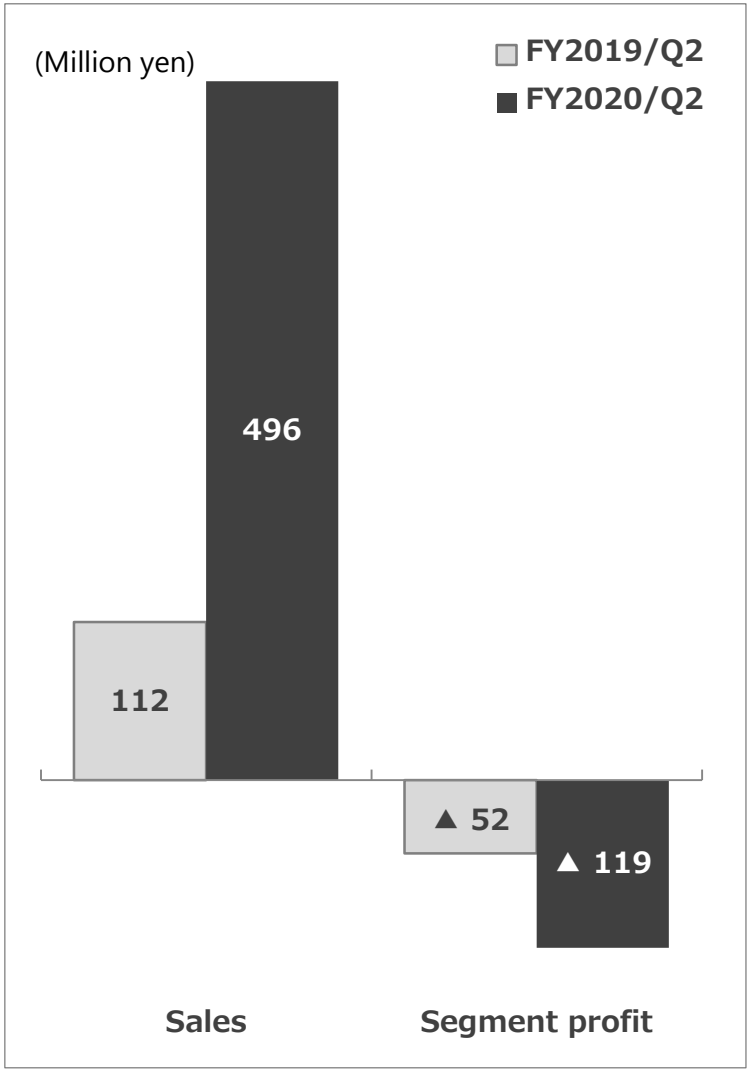
Segment Overview

Other Business

P/L Summary

Other

■ Portfolio changed from the previous fiscal year



1. Temporary staffing business

(Million yen)

	FY19/Q2	FY20/Q2	Pct. change
Sales	80	57	▲28.4%
Segment Profit	▲66	▲95	-

・Domestic business merged → Investment phase focusing on the use of foreigners
・Major impact of COVID-19

2. Education-related business

(Million yen)

	FY19/Q2	FY20/Q2	Pct. change
Sales	8	404	4669.9%
Segment Profit	▲7	12	-

・In the programming learning service business, sales and profits increased due to the efficacies of advertising, which was invested in the previous fiscal year.

*We also provide consulting services.
*In addition, there are eliminations due to inter-segment transactions.

2nd Half of FY9/20

2nd Half of FY9/20

Construction Engineer Temporary Staffing and Incidental Business

2nd Half of FY9/20 Management Strategies

Construction Engineer
Temporary Staffing and
Incidental Business

1. Response based on the assumption that demand will decline

Priority on utilization of existing engineers

Focus on maintaining the utilization rate at the time of contract renewal, etc.

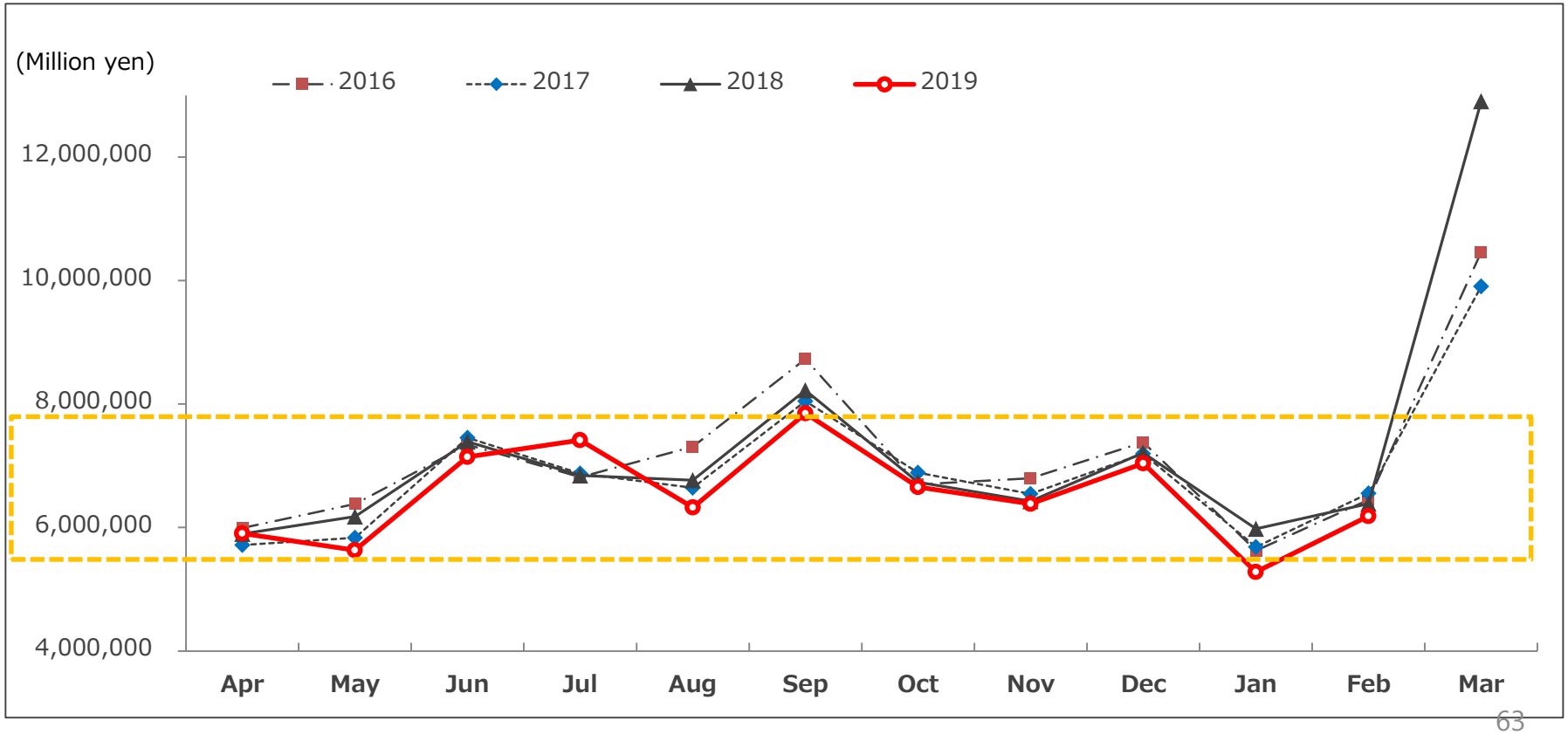
2. Adjustment of supply system

Flexible recruitment activities linked to demand

Construction industry ①Trend of Construction Orders

- General construction contractors announce suspension of operations in April 2020
  → Only limited impact on billing during the suspension period
- Going forward, focus on orders related to construction projects

Survey of Construction Orders



Adjustment of Supply System through Recruitment Activities



Construction Engineer Temporary Staffing and Incidental Business

- Prioritize the operation of existing engineers and coordinate recruitment activities
- Reduce recruitment from April - May to less than half of the initial recruitment plan
- Recruitment in June or later was implemented to meet demand.

(Persons)

	FY20 1H Number of recruits (Actual)	FY20 2H Number of recruits (Plan)	Full-year Number of recruits (Plan)
FY20 Initial plan	1,225	1,675	2,900
FY20 Revised plan	1,225	425～1,075	1,650～2,300
Change	—	▲1,250～▲600	▲1,250～▲600
(Ref.) FY19 Actual	1,603	1,686	3,289

Engineer Temporary Staffing and Incidental Business

2nd Half of FY9/20 Management Strategies

Engineer
Temporary Staffing

1. IT infrastructure, which is robust even in the economic downturn

   Focus on training IT engineers

2. IT industry in the period of change

   Training IT engineers with new technologies

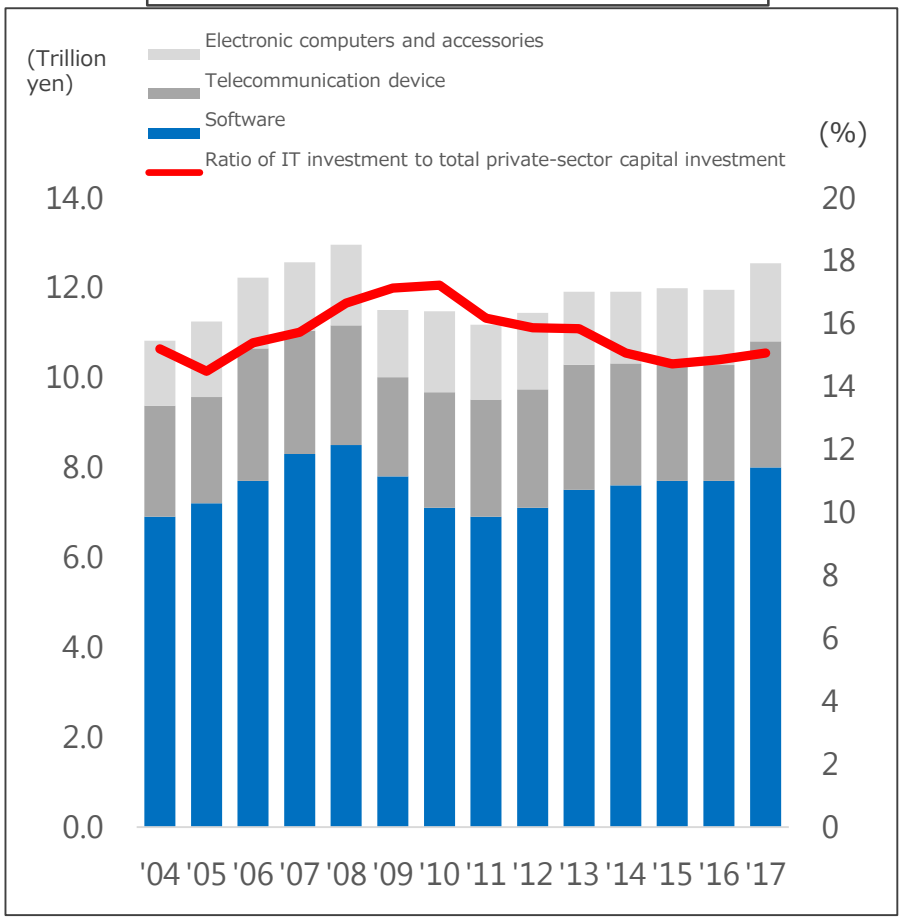
3. Contribution of group companies throughout the year

   Contribution from subsidiaries acquired in the previous fiscal year on a full-year basis

IT infrastructure investment is resilient to recession

- **IT related capital investment represented 15.7% (average for 2004-2017) of the total private sector capital investment**
  ⇒ IT capital investment is stable even during recessions

Trends in IT investment in Japan



- **Increase in telework-related infrastructure investment**
- **Brisk digital transformation-related (DX) capital investment**

Business sectors that can survive even under the “State of Emergency”

Source: White Paper on Information and Communications, Ministry of Internal Affairs and Communications

IT sector is on the brink of a revolutionary change

Engineer
Temporary Staffing
and Incidental Business

What does IT capital investment mean to businesses?

Past IT was defined as a **cost center**

Waterfall

System design tailored to job requirements

- Takes time to complete as system development is done in stages
- Not much debugging is required but rework is time consuming

On-premises

Use of server with due consideration to risk

- Takes time to launch service
- Corporate infrastructure is inefficient

Outsourcing

SIer considering expertise and risk

- Does not accumulate knowhow
- Inhouse system renovation is time consuming

From now on IT is being redefined as a **business tool (contributes to increasing sales)**

SaaS・Agile development

System designs tailored to individual customer sectors

- Business speedup
- Renewal of service menu and product lineup

Cloud

Work efficiency

- Infrastructure can be developed quickly
- Easy maintenance and operation

Insourcing

Inhouse IT engineers are required

- IT systems can be renovated inhouse, allowing flexible response to your immediate needs
- IT has a competitive advantage and promotes corporate R&D

Mismatch develops

Emergence of new IT technologies X Changes in business environment = Change in HR needs

Appearance of new IT technologies = Shortage of experienced workers

Necessity of training engineers to suit the need of times

Compatibility with the Yumeshin Group

Engineer
Temporary Staffing
and Incidental Business

	IT technology during the adoption stage	Yumeshin Group
Characteristics of human resources	**Severe shortages in human resources** despite strong demand	**Large number of young employees** due to continuous recruiting of inexperienced employees
Training	Can be learned in a shorter period of time than conventional technology **Quick start as an engineer**	**Yumeshin can provide engineering training** to entry level recruits

Yumeshin Group trains inexperienced employees

Train engineers ①

Engineer
Temporary Staffing
and Incidental Business

Dissemination of IT Technology ①

Salesforce

What is Salesforce?

- A cloud-based sales support (SFA) and customer-management (CRM) system offered by Salesforce.com, which is one of SaaS applications
- Salesforce.com plans to increase the number of Salesforce certified engineers in Japan from approximately 3.7 thousand to 10 thousand.

Initiatives of Yumeshin Group

■ Establishment of an original training program
- Plan to cultivate **1,000** employees by FY2022
- Training period: 1 to 1.5 months

■ Partner certification
- Certified as a Salesforce.com consulting partner

	Results as of Q2
Number of qualified employees	46



Train engineers ②

Dissemination of IT Technology ②

AWS（Amazon Web Service）

What Is AWS?

- Cloud services provided by Amazon
- Provides a variety of services, including storage, databases, and servers

Initiatives of Yumeshin Group

■ Establishment of an original training program
- Plan to cultivate 1,000 employees by FY2022
- Training period: 2 months

	Results as of Q2
Number of qualified employees	16

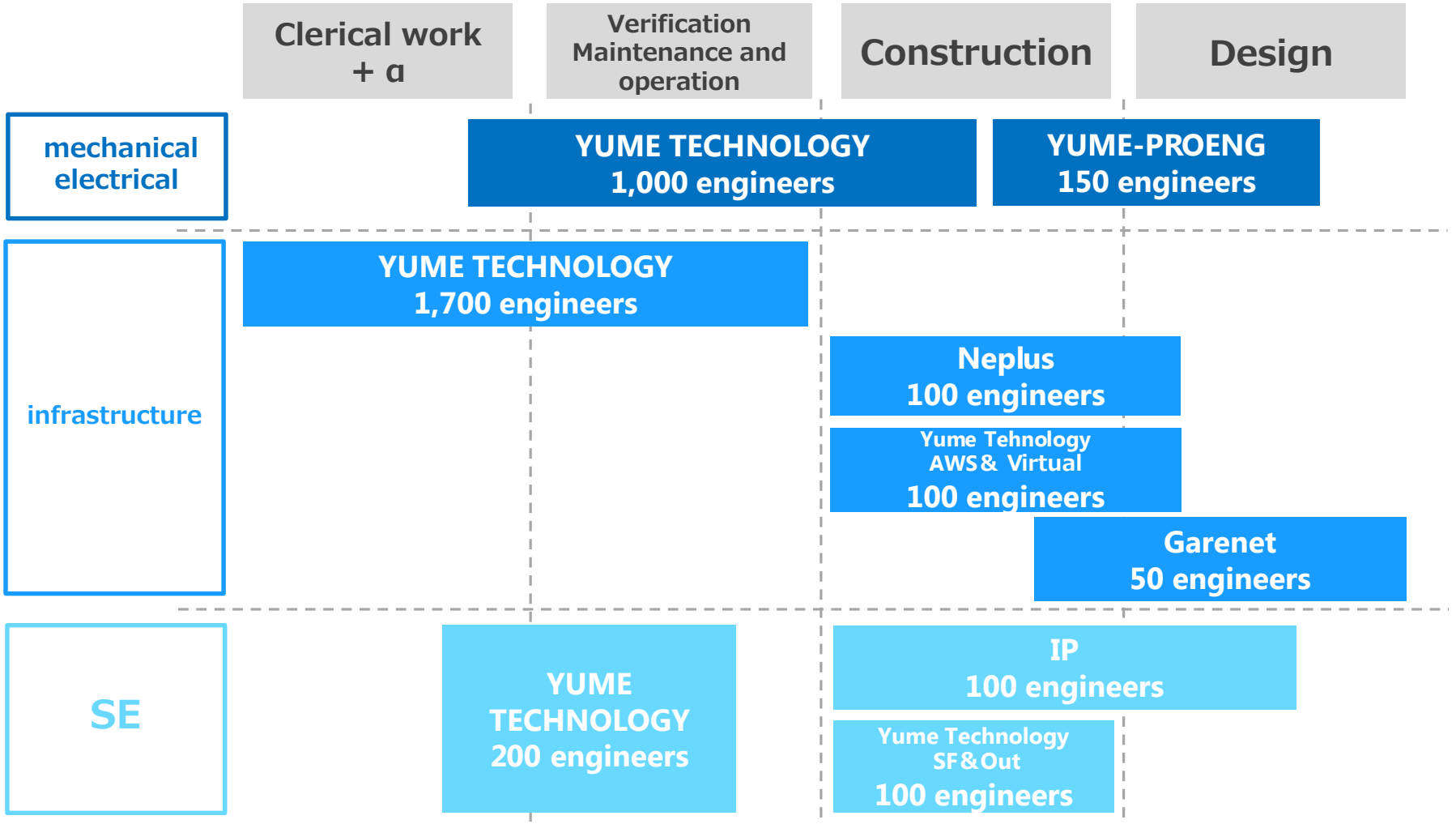
■ Partner certification
- Certified as a AWS Partner Network (APNs) Select Consulting Partner

aws partner network
Select
Consulting
Partner

Positioning Map (Current)

Engineer
Temporary Staffing
and Incidental Business

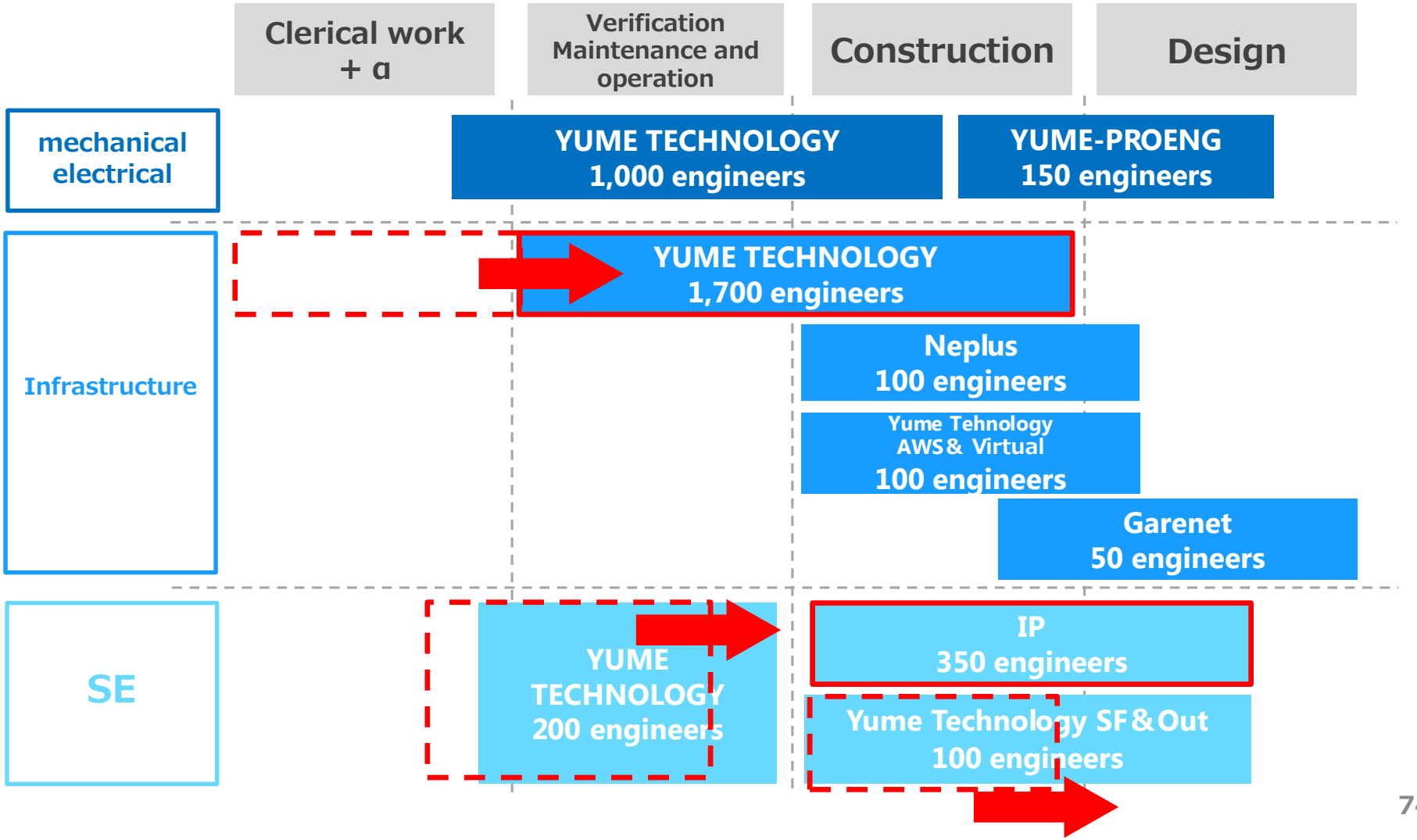
- Plan to retrain infrastructure engineers of Yume Technology to capture more projects involving upstream processes
- Quickly expand the pool of SEs through M&A



Positioning Map (Future)

Engineer
Temporary Staffing
and Incidental Business

- Retraining Yume Technology's infrastructure engineers → plan to increase upstream process projects
- Rapidly strengthening the number of SE personnel through M&A



Profit/Loss and PMI of Subsidiaries

Group

(Million yen)

Krungthep	FY20/Q2 (Actual)
Sales	421
Operating income	10

(Dec. 2017/ Engineers Temporary Staffing/ Approx. 140 employees)

- Merged with an unconsolidated affiliate, SANRITSU DESIGN Co., Ltd. and become Yume-Proeng Co., Ltd. in April 2020
- Mutual cooperation between sales engineers of the company and Yume Technology is advancing.

Neplus	FY20/Q2 (Actual)
Sales	737
Operating income	34

(Oct. 2018/ Engineers Temporary Staffing and sales and rental of IT equipment/Approx. 90 employees)

- Increased number of temporary staff due to strengthened recruitment
- Minimal effect of COVID-19 with high-skill engineers and infrastructure
- Sales and rental business enjoy special demand for Telework

InformationPort	FY20/Q2 (Actual)
Sales	357
Operating income	▲48

(Apr. 2019/ Engineers Temporary Staffing and outsourced development of IT systems/Approx. 110 employees)

- Loss in recruitment investment is expected to turn profitable due to an increase in engineers.
- Unit price increased by 5% by utilizing the Group's sales capabilities
- Interaction of sales personnel and the utilization of training systems at both companies

* In parentheses: year and month of conversion into a subsidiary, business contents, number of engineers

Profit/Loss and PMI of Subsidiaries

Group

(Million yen)

Garenet	FY20/Q2 (Actual)
Sales	295
Operating income	67

- Due to the presence of highly skilled infrastructure engineers, the impact of COVID-19 is minimal.
- Promote the use of personnel employed by the Group

(Jul. 2019/ Engineers Temporary Staffing and design and construction of network systems/approx. 30 employees)

Samurai	FY20/Q2 (Actual)
Sales	404
Operating income	12

- Payout of advertising expenses in the previous fiscal year
  ⇒ Make profitable
- No impact of COVID-19 for online classes

(Apr. 2019/Planning and operation of online programming learning service)
*Other Business segment

PMI progressed smoothly

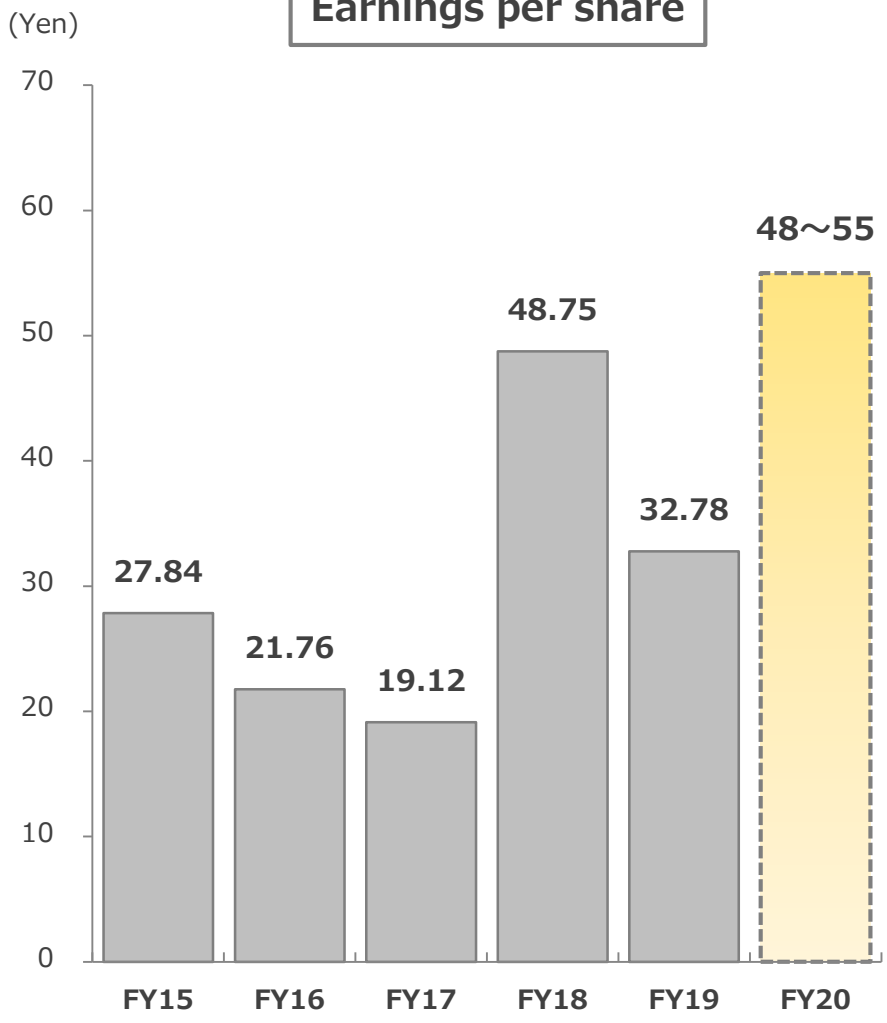
* In parentheses: year and month of conversion into a subsidiary, business contents, number of engineers

Shareholder Return

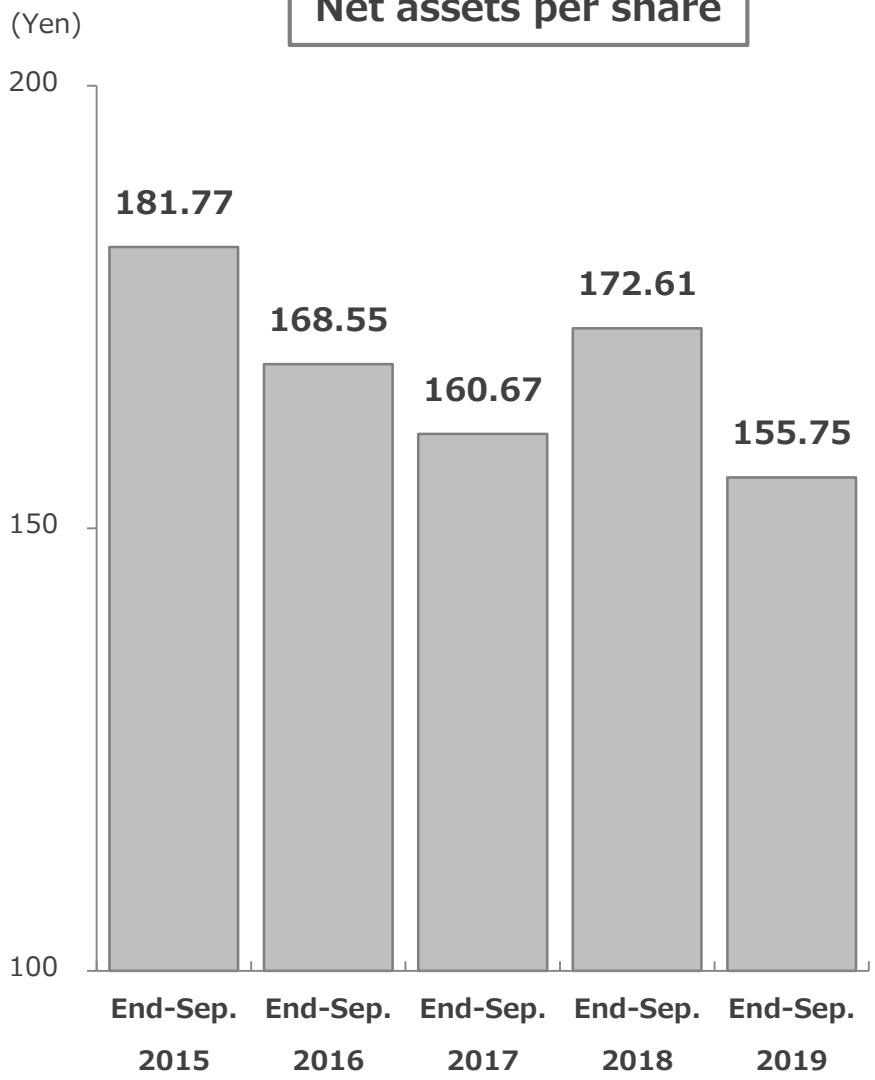
Shareholder Return (1)
Earnings and Net Assets per Share

Group

Earnings per share



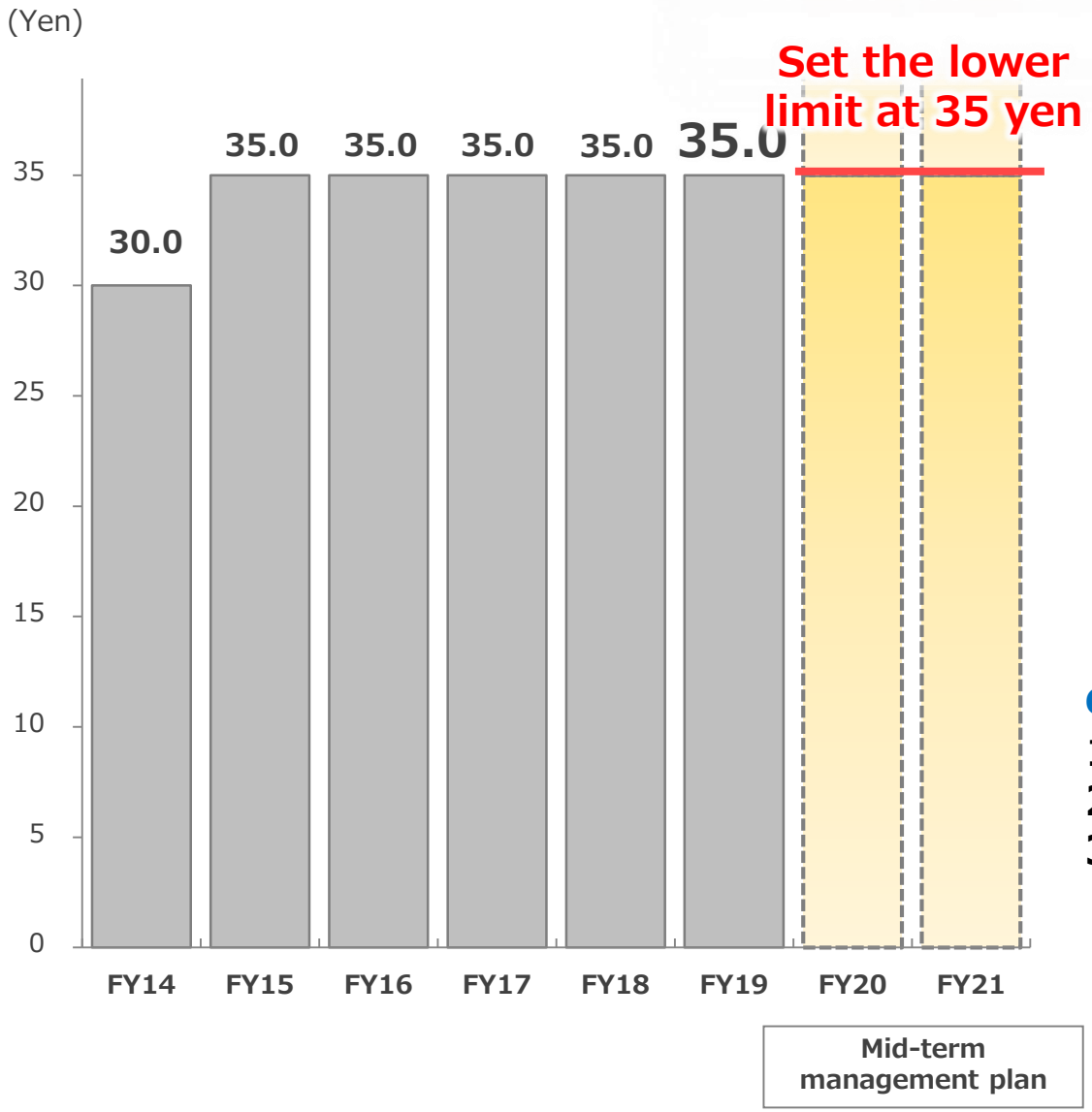
Net assets per share



*1. Earnings per share = Net income ÷ Average no. of shares during period ×100
2. Net assets per share = Shareholders' equity ÷ (Shares outstanding − No. of treasury stock at end of year) ×100

Shareholder Return (2) Dividend per Share

Group



Aggressive Investment

with stable Dividend

Flexibly utilize EPS earnings growth

1. Reinvestment in M&As, etc.
2. Acquisition of treasury stock
3. Increased dividend

Shareholder Return (3)
Future Shareholder Return Policy

Group

1. Dividend

→ Stable dividend of 35 yen per share

2. Acquisition of Treasury Stock

→ Implemented for flexible capital policy

	Implemented in 2019	Implemented in 2020	
		Plan	Acquisition Status
Number of shares acquired	2,651,600shares (Actual)	1,600,000 shares	800,000 shares
Acquisition amount	1,999,979,500yen (Actual)	1,000,000,000 yen	435,127,600 yen
Acquisition period	From Dec. 20, 2018 to Jun. 19, 2019	From Mar 17,2020 to Jun.16,2020	From Mar 17,2020 to Apr.30,2020

3. Abolishment of the shareholder benefit program

→ Maintain sustainable shareholder returns by paying dividends and acquiring treasury stock

→ Operating income is expected to increase by about 250 million yen due to the abolition.

→ Only points granted in November 2,019 can be used.

2nd Half of FY9/20
Summary of Management Strategies

Group

1. Recruitment activities in line with demand

→ Curb the increase in SG&A expenses

→ Prioritize the operation of existing engineers

2. Training of IT engineers

→ Plan to increase unit price of dispatched workers in line with initial plan

3. Strengthen of liquidity on hand

→ Establishment of a financial system prepared for unexpected contingencies

4. Dividend of 35 yen per share

*As for the medium-term management plan, which was scheduled to be announced in the near future, we will postpone this announcement, taking into account the current economic situation and uncertainty in the business environment,.

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みんなの夢を真にする



Disclaimer

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