YUMESHIN HOLDINGS CO.,LTD.

# Supplementary Material on Financial Results

## for the Fiscal Year Ending September 2020

## – 3rd Quarter –

September. 2019
Securities code
2362

August 7, 2020

# CONTENTS


FY9/20 Q3 Highlights … P3

Consolidated Financial Overview …P18

Segment Overview …P27

Construction Engineer Temporary Staffing …P28

Engineer Temporary Staffing …P43

Other Business …P57

# FY9/20 Q3 Highlights

## 1. Consolidated P/L Statement

Growth in sales and profits for both nine months of FY9/20 and 3Q alone even under the COVID-19 situation from April through June.

## 2. Segment P/L

Growth in sales and profits reflecting higher utilization rate and unit price for temporary staffing, as well as cost reductions.

Engineer Temporary Staffing: profit up 469% YoY for April-June.

## 3. M&A

Acquired Arrow Information Co., Ltd. as a subsidiary in May

## 4. Forecast for Q4

Recruitment to be resumed, utilization rate to maintain at Q3 level

# Highlights① Consolidated P/L Statement (Nine months summary)

Group

(Million yen)

| | FY2019/Q3 (J-GAAP) | FY2020/Q3 (J-GAAP) | Change | Pct. change |
|---|---|---|---|---|
| **Sales** | **37,708** | **44,118** | +6,409 | *17.0%* |
| Gross profit | *11,155* *(29.6%)* | *12,607* *(28.6%)* | *+1,452* | *13.0%* |
| SG&A expenses | *7,383* *(19.6%)* | *7,949* *(18.0%)* | *+566* | *7.7%* |
| **Operating income** | **3,771** (10.0%) | **4,658** *(10.6%)* | +886 | *23.5%* |
| **Ordinary income** | **3,765** (10.0%) | **4,788** *(10.9%)* | +1,023 | *27.2%* |
| **Net income** attributable to owners of parent | **2,507** (6.7%) | **2,549** *(5.8%)* | +41 | *1.7%* |
| **Amortization of goodwill** | **171** | **314** | +142 | *83.1%* |

* ( ) = 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.

# Highlights① Consolidated P/L Statement (Q3 alone)

Group

## ■ YoY growth for Q3 alone

(Million yen)

| | FY2019/Q3 (J-GAAP) | FY2020/Q3 (J-GAAP) | Change | Pct. change |
|---|---|---|---|---|
| **Sales** | **13,197** | **13,857** | **+656** | ***5.0%*** |
| Gross profit | ***3,722*** ***(28.1%)*** | ***3,761*** ***(27.2%)*** | ***+38*** | ***1.0%*** |
| SG&A expenses | ***2,634*** ***(20.0%)*** | ***2,482*** ***(17.9%)*** | ***▲152*** | ***▲5.8%*** |
| **Operating income** | **1,087** ***(8.2%)*** | **1,279** ***(9.2%)*** | **+191** | ***17.6%*** |
| **Ordinary income** | **1,093** ***(8.3%)*** | **1,359** ***(9.8%)*** | **+265** | ***24.3%*** |
| **Net income** attributable to owners of parent | **757** ***(5.7%)*** | **927** ***(6.7%)*** | **+170** | ***22.5%*** |

* ( ) = 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.

# Highlights② Segment Profit (Nine months)

Group

(Million yen)

| 1. Construction Engineer Temporary Staffing and Incidental Business | FY2019/Q3 results | FY2020/Q3 results | Change | Pct. Change |
|---|---|---|---|---|
| Sales | 26,364 | 29,059 | +2,694 | +10.2% |
| Segment profit | 4,294 | 5,069 | +775 | +18.0% |

| 2. Engineer Temporary Staffing and Incidental Business | FY2019/Q3 results | FY2020/Q3 results | Change | Pct. change |
|---|---|---|---|---|
| Sales | 11,213 | 14,378 | +3,164 | +28.2% |
| Segment profit | 302 | 636 | +334 | +110.6% |

| 3. Other Business | FY2019/Q3 results | FY2020/Q3 results | Change | Pct. change |
|---|---|---|---|---|
| Sales | 185 | 746 | +561 | +303.7% |
| Segment profit | ▲114 | ▲193 | ▲78 | — |

# Highlights② Segment Profit (Q3 alone)

Group

(Million yen)

| 1. Construction Engineer Temporary Staffing and Incidental Business | FY2019/Q3 results | FY2020/Q3 results | Change | Pct. Change |
|---|---|---|---|---|
| Sales | 9,081 | 8,884 | ▲197 | ▲2.2% |
| Segment profit | 1,339 | 1,309 | ▲29 | ▲2.2% |

| 2. Engineer Temporary Staffing and Incidental Business | FY2019/Q3 results | FY2020/Q3 results | Change | Pct. change |
|---|---|---|---|---|
| Sales | 4,060 | 4,729 | +668 | +16.5% |
| Segment profit | 62 | 355 | +292 | +464.7% |

| 3. Other Business | FY2019/Q3 results | FY2020/Q3 results | Change | Pct. change |
|---|---|---|---|---|
| Sales | 73 | 250 | +177 | +243.1% |
| Segment profit | ▲62 | ▲73 | ▲11 | — |

1. Maintain high utilization rate
Both segments were on a par with the previous fiscal year's level in April-June

2. Reduction of recruitment costs
SG&A ratio down 1.6pp YoY

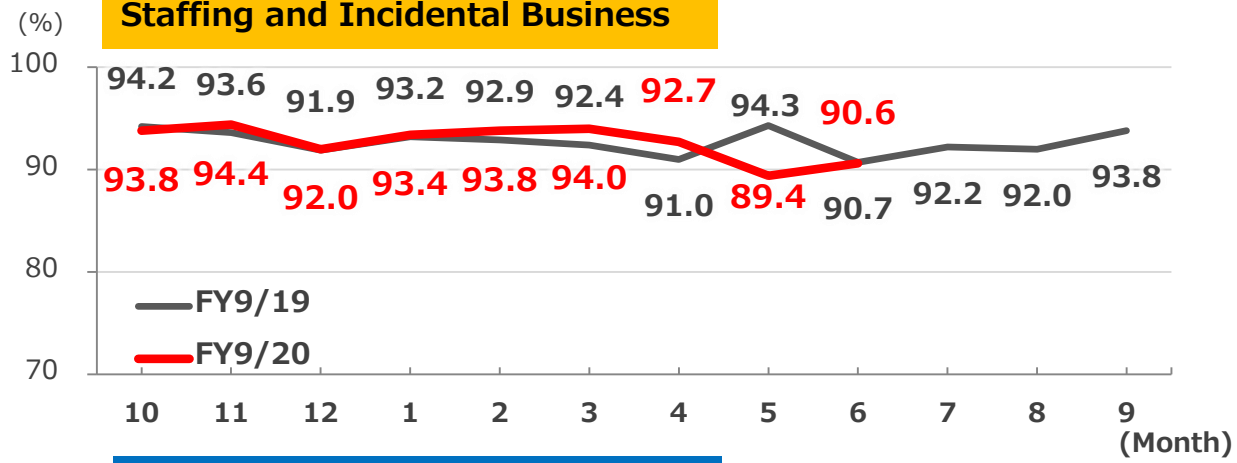
3. Rise in unit price of temporary staffing
Both segments increased by more than 4% YoY

# Reasons for the Higher Sales and Profits
# (1) Maintain Utilization Rate

Group

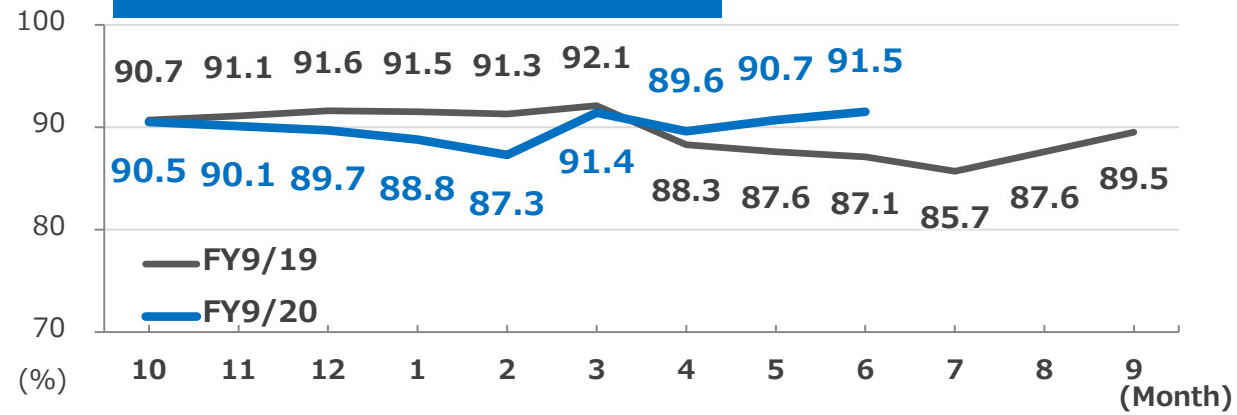
- Utilization rate down only to a minimum as a result of restraining hiring and prioritizing the active use of existing employees.
- In the Engineer Temporary Staffing and Incidental Business, it improved from the previous year for April-June.

## Construction Engineer Temporary Staffing and Incidental Business




| Avg. Utilization rate 9-month avg. (Oct – Jun) | | |
|---|---|---|
| FY19/Q3 | 92.7% | YoY |
| FY20/Q3 | 92.7% | ±0pt. |

## Engineer Temporary Staffing and Incidental Business




| Avg. Utilization rate 9-month avg. (Oct – Jun) | | |
|---|---|---|
| FY19/Q3 | 90.1% | YoY |
| FY20/Q3 | 90.0% | ▲0.2pt. |

| Q1 | Q2 | Q3 | Q4 |
|---|---|---|---|

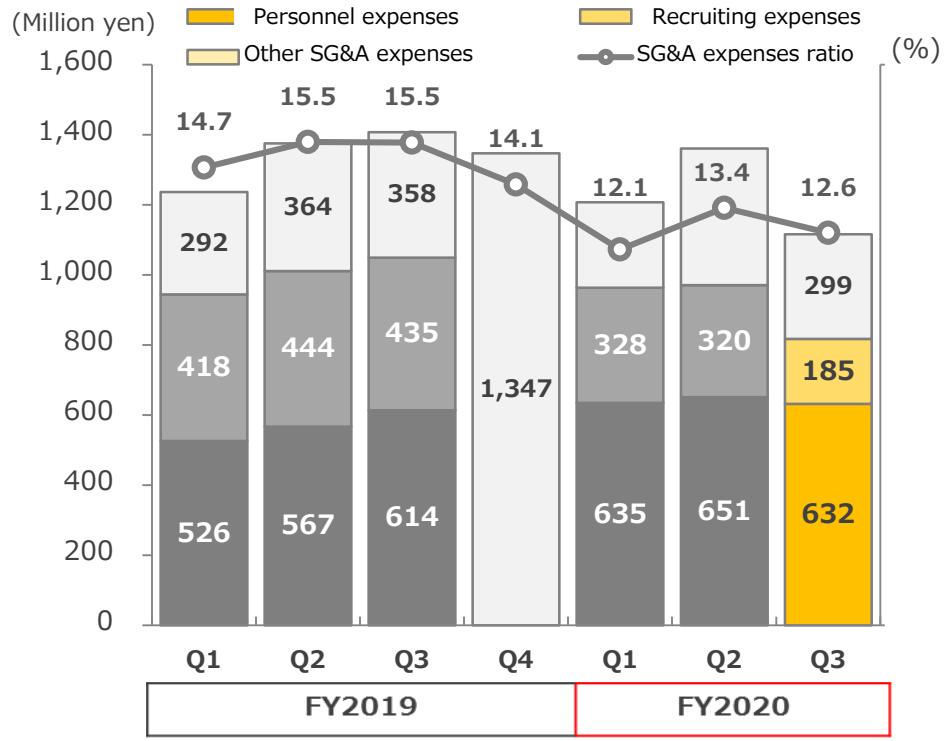
# Reasons for the Higher Sales and Profits
# (2) Reduction of SG&A

Group

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

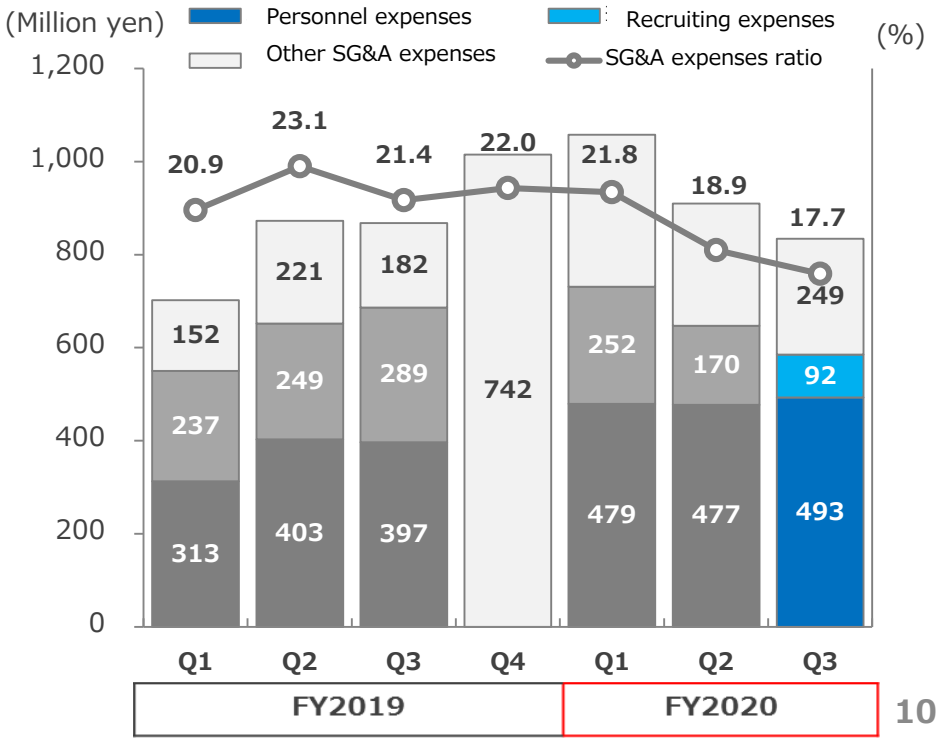
## Construction Engineer Temporary Staffing and Incidental Business

| | FY2019/Q3 | FY2020/Q3 | Pct. change |
|---|---|---|---|
| Recruiting expenses | 1,298 | 834 | ▲35.7% |
| Sales recruiting expenses ratio | 4.9% | 2.9% | ▲2.1pt |




## Engineer Temporary Staffing and Incidental Business

| | FY2019/Q3 | FY2020/Q3 | Pct. change |
|---|---|---|---|
| Recruiting expenses | 776 | 515 | ▲33.7% |
| Sales recruiting expenses ratio | 6.9% | 3.6% | ▲3.3pt |



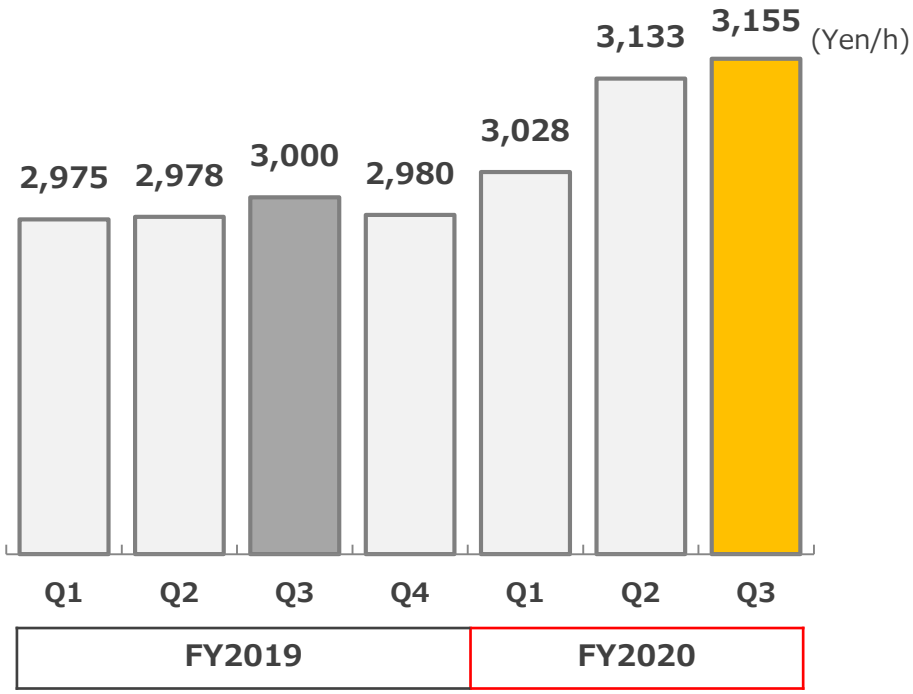
# Reasons for the Higher Sales and Profits
# (3) Rise in Unit Price for Temporary Staffing

Group

- Increased by more than 4% YoY for each segment
- Increased YoY even under the COVID-19 situation from April through June

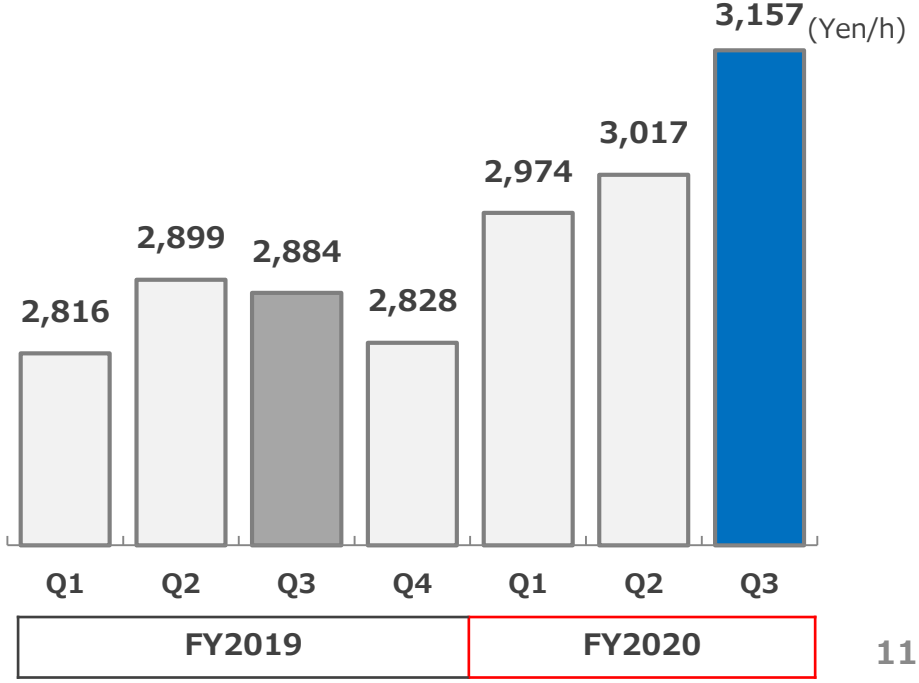
**Construction Engineer Temporary Staffing and Incidental Business**

| | FY2019 | FY2020 | Pct. change |
|---|---|---|---|
| 9-month avg. (Oct – Jun) | ¥2,985 | ¥3,105 | +4.1% |




**Engineer Temporary Staffing and Incidental Business**

| | FY2019 | FY2020 | Pct. change |
|---|---|---|---|
| 9-month avg. (Oct – Jun) | ¥2,867 | ¥3,048 | +6.3% |



# Highlights③ M&A

Group

## <Recent M&A results>

ARROW INFO **Arrow Information Co.,Ltd.**

**Converted to a subsidiary on April 30, 2020**
**IT Engineer SES business**

- **The company has more than 200 high-level engineers, mainly Java engineers**
- **Focus on the SES business, which has a high degree of affinity with the temporary staffing business of the Yumeshin Group**

**[Recent results]** (Million yen)

| | FY6/17 | FY6/18 | FY6/19 |
|---|---|---|---|
| Sales | 1,754 | 1,922 | 2,241 |




# Consider M&A on an ongoing basis

## Target: Both construction engineers and IT engineers

# Highlights④ FY9/20 Consolidated Business Forecasts

Group

- Progress generally in line with revised plan
- The lower end of the range is expected to be higher than the estimated progress rate

(Million yen)

| | FY19 Actual (Japan Standard) | FY20 Revised Forecasts (IFRS) | Pct. change | FY20 Q3 Actual (Japan Standard) | progress rate |
|---|---|---|---|---|---|
| Sales | 52,505 | 58,000 ～60,000 | +10.5% ～+14.3% | 44,118 | 76.1% ～73.5% |
| Operating income | 4,719 | 5,800 ～6,600 | +22.9% ～+39.8% | 4,658 | 80.3% ～70.6% |

# Highlights④ Progress of Segment Profits

Group

(Million yen)

| 1. Construction Engineer Temporary Staffing and Incidental Business | FY2019 Actual | FY2020 Revised forecasts (IFRS) | Pct. change | Q3 Actual (Japan Standard) | progress rate |
|---|---|---|---|---|---|
| Sales | 35,890 | 39,000 ~37,700 | +8.7% ~+5.0% | 29,059 | 74.5% ~77.1% |
| Segment profit | 5,904 | 6,800 ~6,250 | +15.2% ~+5.9% | 5,069 | 74.6% ~81.1% |

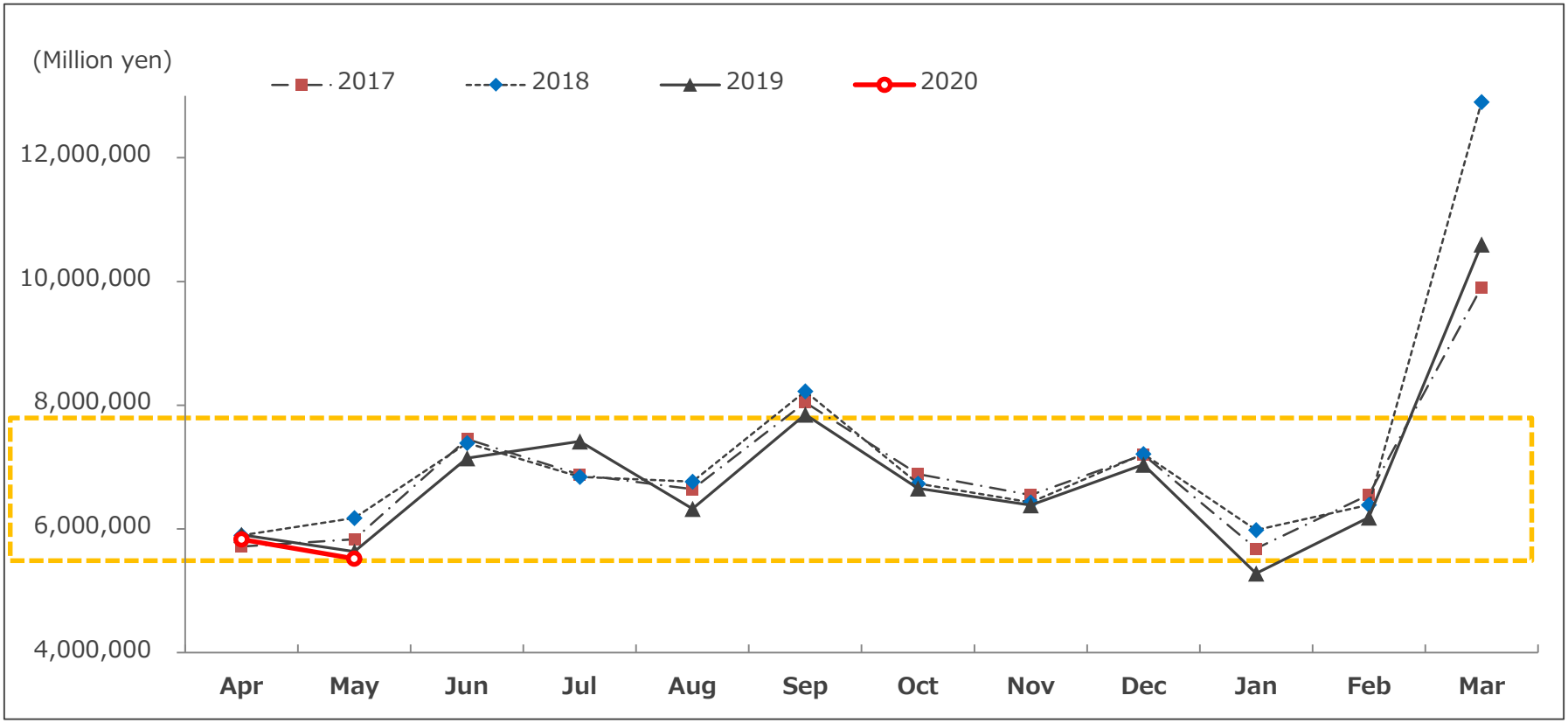
| 2. Engineer Temporary Staffing and Incidental Business | FY2019 Actual | FY2020 Revised forecasts (IFRS) | Pct. change | Q3 Actual (Japan Standard) | progress rate |
|---|---|---|---|---|---|
| Sales | 15,391 | 20,000 ~19,300 | +29.9% ~+25.4% | 14,378 | 71.9% ~74.5% |
| Segment profit | 133 | 900 ~650 | +576.7% ~+388.7% | 636 | 70.7% ~98.0% |

# External Environment
# (1) Trend of Construction Orders



- Stable trend even under the COVID-19 situation
- We will continue to closely monitor construction orders

**Survey of Construction Orders**

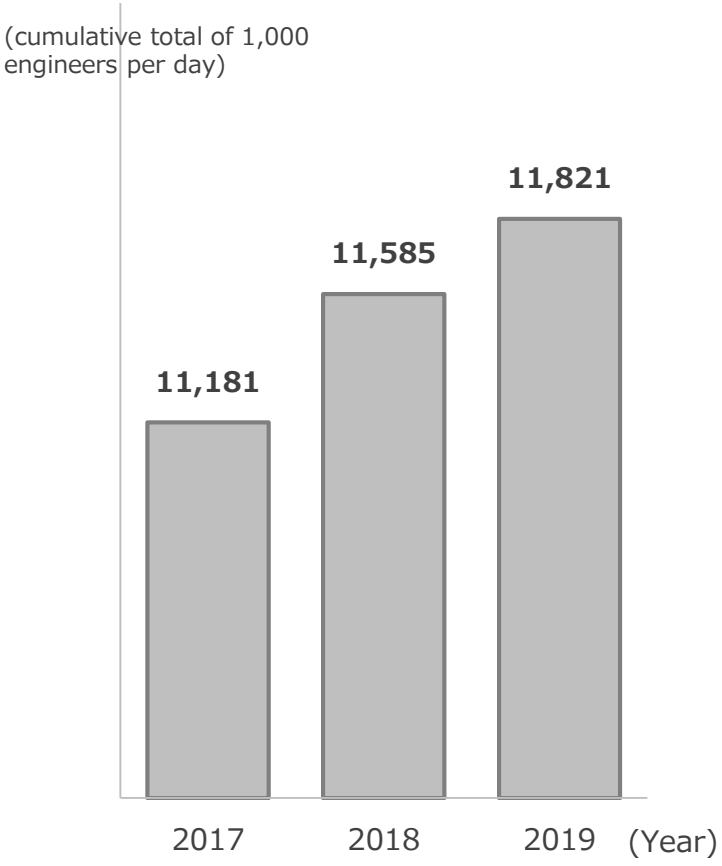


# External Environment
# (2) Number of engineers dispatched in the information service industry

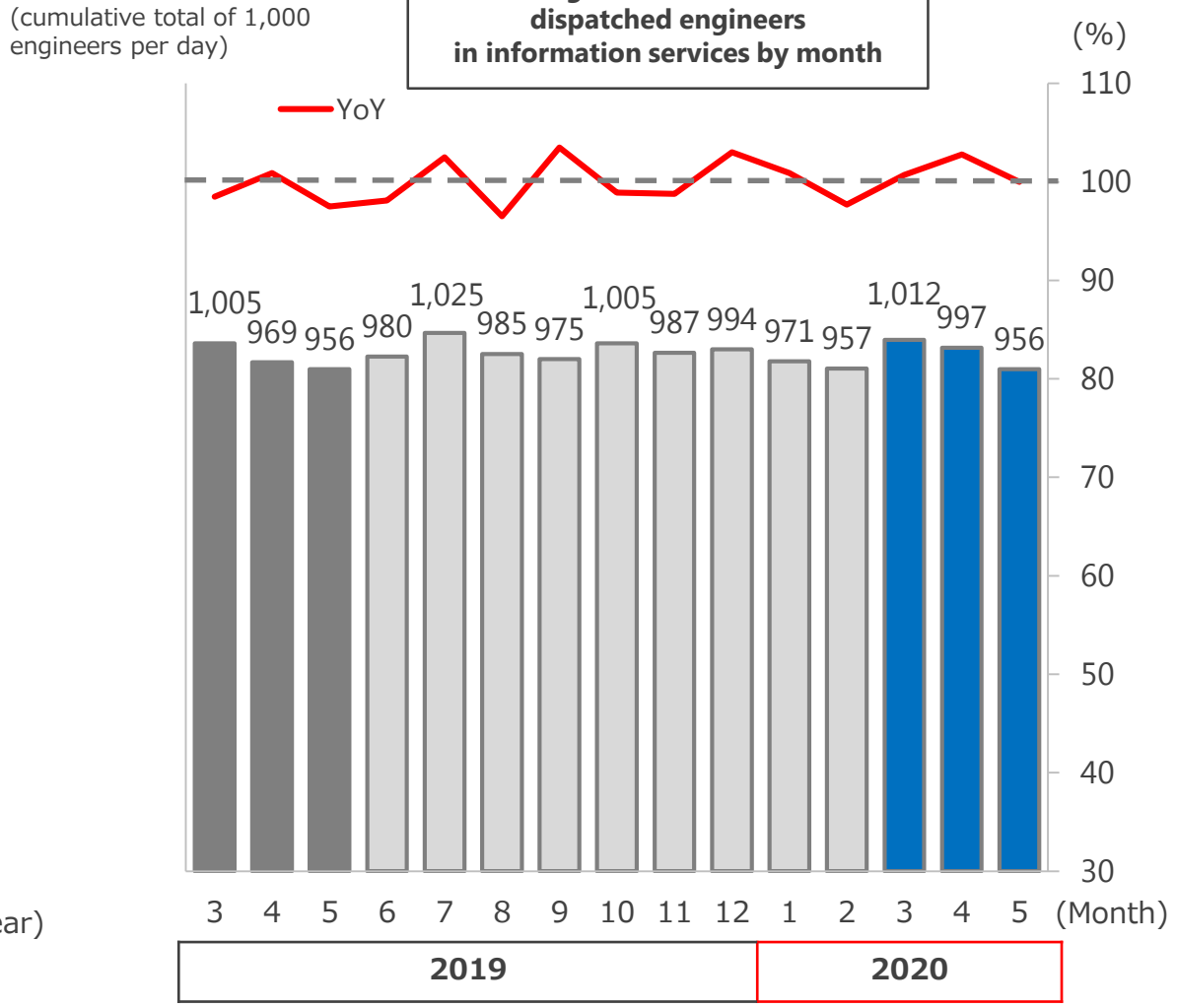


## ■ Increased YoY even under the COVID-19 situation

**Changes in the number of dispatched engineers In information services by year**




**Changes in the number of dispatched engineers in information services by month**

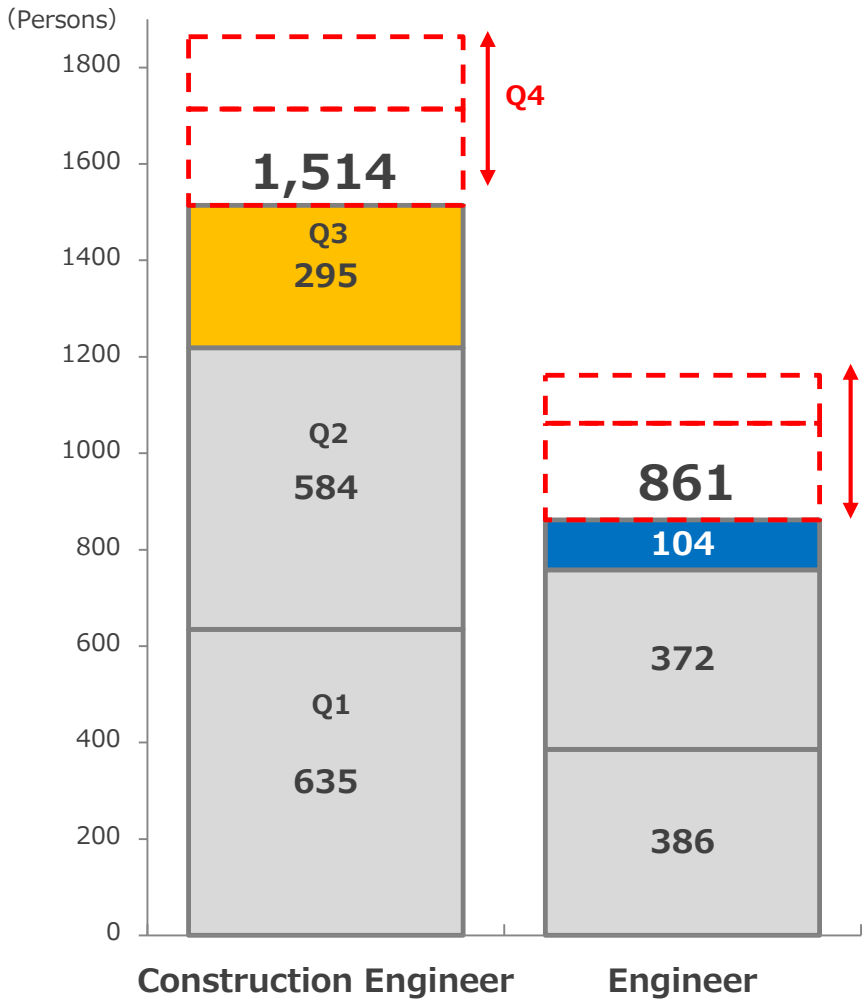



Source: Ministry of Economy, Trade and Industry, Survey of Selected Service Industries (July 16, 2020)

# Highlights④ Recruitment Activities and Prospects

Group

- Recruitment activities resumed in stages from July
- Recruitment in line with demand → aiming to maintain utilization rate
- Annual number of new hires expected to exceed the lower end of the range




## [Q4 Recruitment Forecast]

| | | |
|---|---|---|
| Construction Engineer Temporary Staffing and Incidental Business | Annual recruitment plan | 1,650～2,300 engineers |
| | Q3 Actual | 1,514 engineers |
| | Q4 No. of recruits | 200～350 engineers (Est.) |
| | Annual number of new recruits | 1,714～1,864 engineers (Est.) |
| Engineer Temporary Staffing and Incidental Business | Annual recruitment plan | 990～1,290 engineers |
| | Q3 Actual | 861 engineers |
| | Q4 No. of recruits | 200～350 engineers (Est.) |
| | Annual number of new recruits | 1,061～1,161 engineers (Est.) |

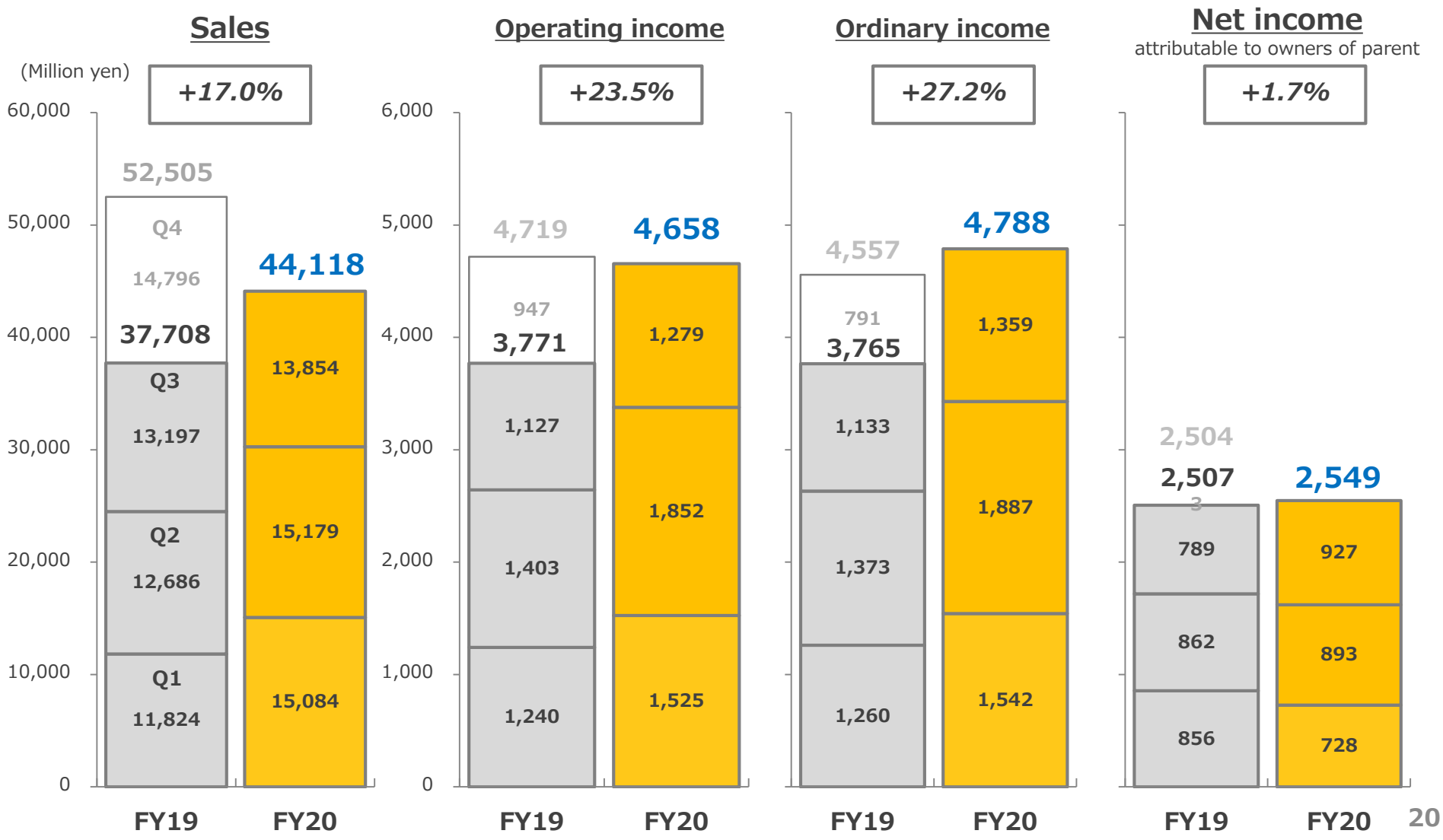
# Consolidated Financial Overview

# Consolidated Financial Overview

# Consolidated P/L (1) Quarterly Trends

Group

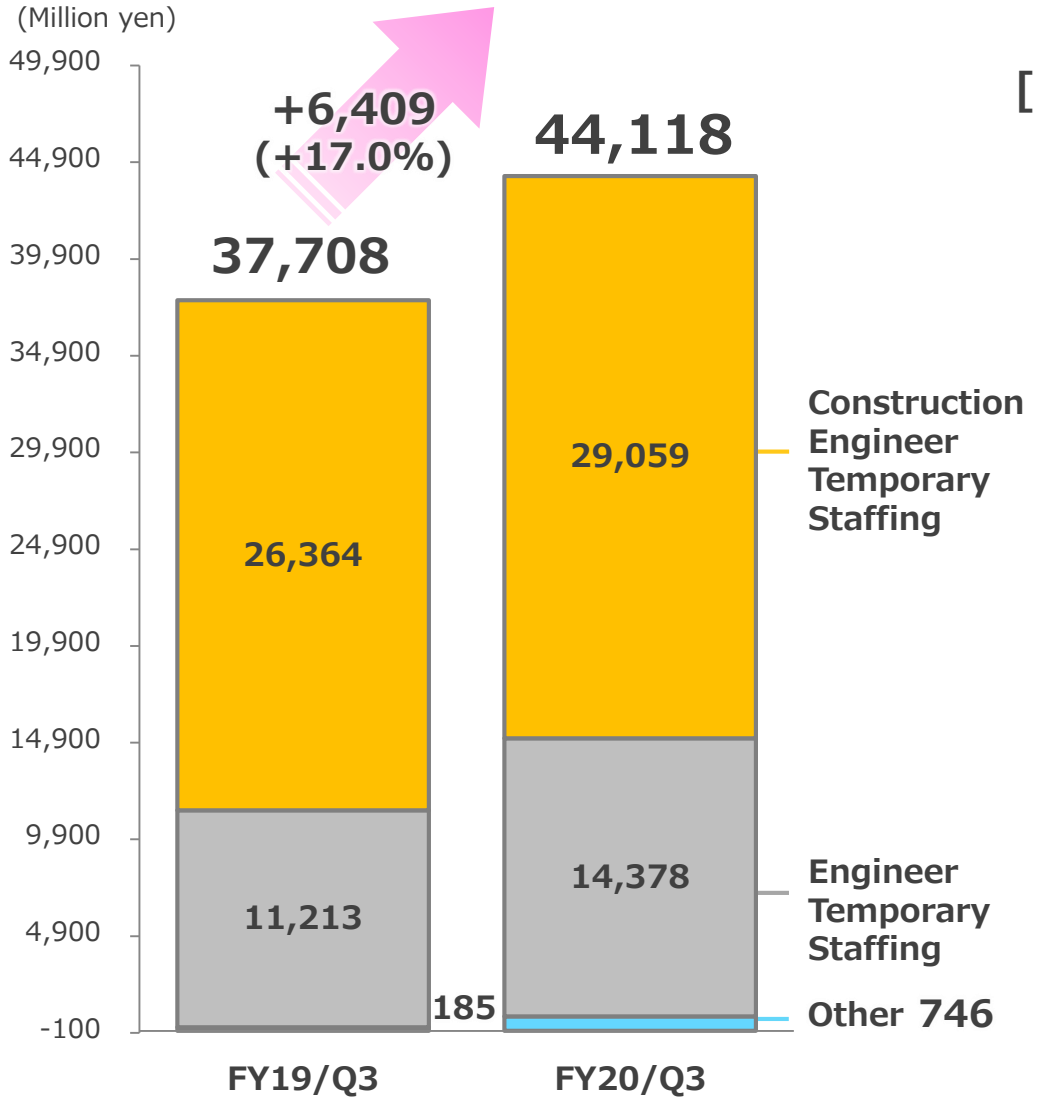
- Net sales increased YoY due to an increase in the number of engineers and a rise in the unit price of temporary staffing.



# Consolidated P/L (2) Sales

Group

■ Sales of construction engineers and engineers rose 17% due to an increase in the unit price of temporary staffing.




## [Major factors for increase/decrease]

| | |
|---|---|
| Construction Engineer Temporary Staffing and Incidental Business | +2,694m (+10.2%) |
| ■ Sales increased owing to higher unit price of temporary staffing and maintenance of utilization rate | |
| Engineer Temporary Staffing and Incidental Business | +3,163m (28.2%) |
| ■ Sales increased owing to higher unit price of temporary staffing and improved utilization rate | |
| Other | +561m (+303.7%) |
| ■ Withdrawal from or reduction of unprofitable businesses<br>■ Education-related business remained high | |

# Consolidated P/L (3) SG&A expenses

Group

- Reduced recruitment costs due to restrained recruitment activities
- SG&A expenses increased due to an increase in the number of consolidated subsidiaries, but the SG&A ratio decreased

(Million yen)

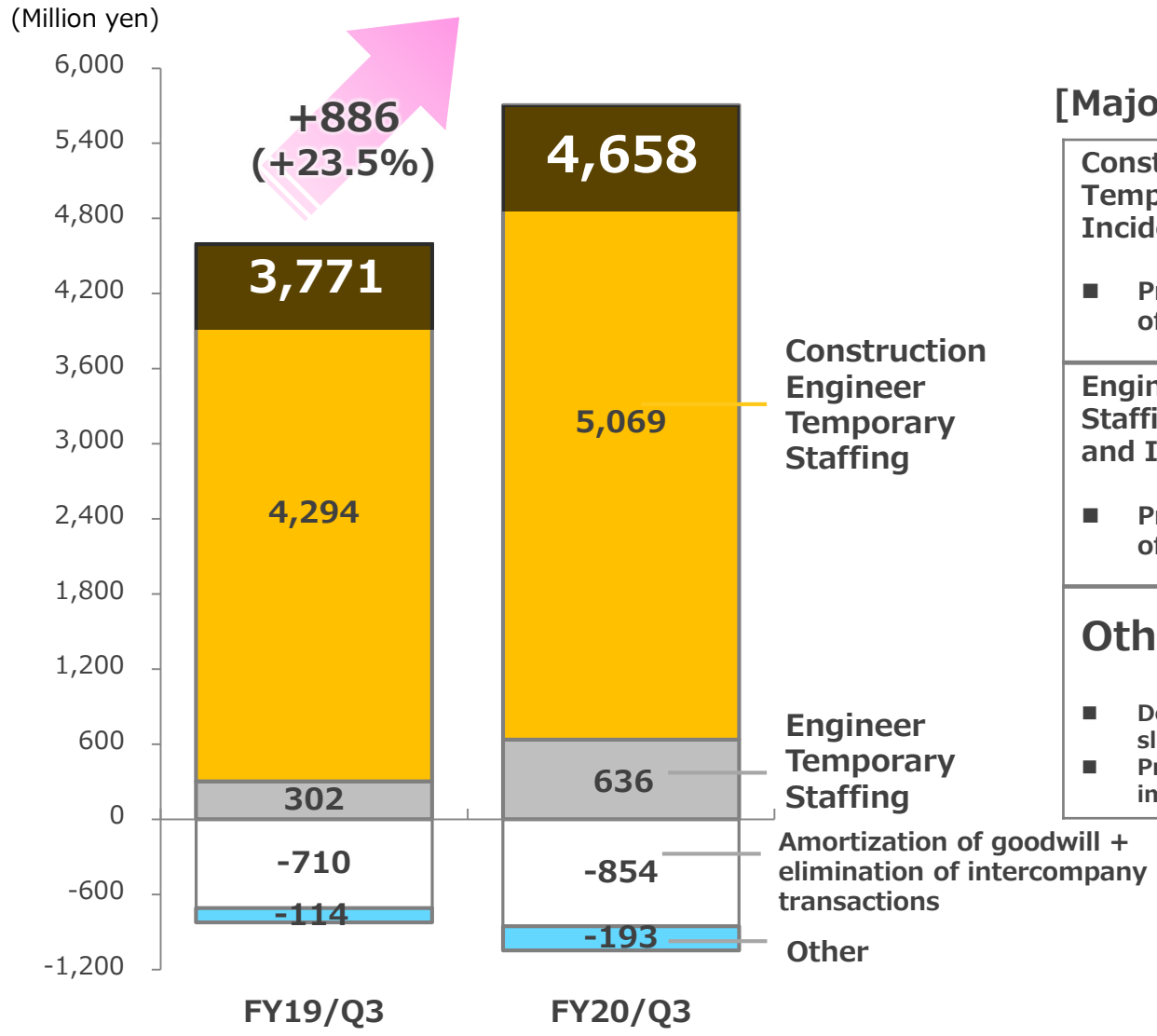
| | FY19/Q3 | FY20/Q3 | Change | Remarks |
|---|---|---|---|---|
| Cost of sales | 26,553 | 31,510 | +4,956 | Increased in the number of engineers |
| Cost of sales ratio | *70.4%* | *71.4%* | *+1.0pt* | |
| Gross profit | 11,155 | 12,607 | +1,452 | |
| Gross profit ratio | *29.6%* | *28.6%* | *▲1.0pt* | |
| SG&A expenses | 7,383 | 7,949 | +566 | |
| Directors' compensations | *122* | *172* | *+50* | |
| Personnel expenses | *3,109* | *3,785* | *+675* | Increased due to an increase in the number of consolidated subsidiaries |
| Advertising expenses | *37* | *128* | *+90* | |
| Recruiting expenses | *2,035* | *1,301* | *▲734* | Decreased due to restrained recruitment |
| Rents | *456* | *719* | *+262* | Increased due to increase in consolidated subsidiaries |
| Business consignment expenses | *597* | *471* | *▲125* | |
| Amortization of goodwill | *171* | *314* | *+142* | |
| SG&A expenses ratio | *19.6%* | *18.0%* | *1.6pt* | |

*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

■ Increased due to the rise in unit price of temporary staffing and the reduction of SG&A expenses such as hiring costs




## [Major factors for increase/decrease]

**Construction Engineer Temporary Staffing and Incidental Business** **+775m (+18.0%)**

- Profits increased due to the rise in unit price of temporary staffing and lower hiring costs

**Engineer Temporary Staffing and Incidental Business** **+334m (+110.9%)**

- Profits increased due to the rise in unit price of temporary staffing and lower hiring costs

**Other** **▲78m**

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

# Balance Sheet

# Consolidated B/S (1) Assets

Group

(Million yen)

| | End-Sep.2019 | End-Jun.2020 | Change | Remarks |
|---|---|---|---|---|
| **Assets** | **28,904** | **32,349** | **+3,344** | |
| **Current assets** | **18,862** | **23,032** | **+4,169** | |
| Cash and deposits | *9,607* | *13,465* | *+3,858* | |
| Notes and accounts receivable-trade | *7,650* | *7,798* | *+148* | Due to an increase in the number of work place for temporary staffing |
| Electronically recorded monetary claims | *3* | *3* | *▲0* | |
| Inventories | *57* | *63* | *+6* | |
| Allowance for doubtful accounts | *▲71* | *▲83* | *▲12* | |
| **Fixed assets** | **10,041** | **9,217** | **▲824** | |
| **Tangible fixed assets** | **1,261** | **1,385** | **+123** | |
| Buildings and structures | *463* | *576* | *+113* | |
| Machinery, equipment and vehicles | *302* | *305* | *+3* | |
| Land | *245* | *245* | *±0* | |
| **Intangible fixed assets** | **4,560** | **4,304** | **▲214** | |
| Goodwill | *3,521* | *3,240* | *▲281* | Impairment of goodwill and amortization of goodwill of overseas affiliates |
| Other | *1,038* | *1,064* | *+25* | |
| **Investments and other assets** | **4,220** | **3,527** | **▲692** | |
| Investment securities | *1,856* | *1,148* | *▲707* | Sale of shares held, etc. |
| Deferred tax assets | *805* | *1,034* | *+228* | |
| Allowance for doubtful accounts | *▲65* | *▲79* | *▲13* | |

# Consolidated B/S (2) Liabilities and Net Assets

Group

(Million yen)

| | End-Sep.2019 | End-Jun.2020 | Change | Remarks |
|---|---|---|---|---|
| **Liabilities + net assets** | **28,904** | **32,249** | **+3,344** | |
| **Liabilities** | **16,984** | **21,013** | **+4,028** | |
| **Current liabilities** | **10,977** | **13,563** | **+2,586** | |
| Notes and accounts payable - trade | *129* | *198* | *+68* | |
| Short-term debt | *2,417* | *116* | *▲2,300* | ※ |
| Current portion of long-term debt | *2,041* | *2,912* | *+870* | ※ |
| Income taxes payable | *724* | *1,886* | *+1,161* | |
| Accrued expenses | *2,546* | *2,806* | *+263* | |
| Reserve for bonuses | *834* | *1,335* | *+500* | |
| Allowance for shareholder benefits | *207* | *47* | *▲160* | |
| **Fixed liabilities** | **6,007** | **7,449** | **+1,442** | |
| Long-term debt | *5,169* | *6,579* | *+1,409* | ※ |
| Loss on retirement benefit | *323* | *382* | *+59* | |
| **Net assets** | **11,920** | **11,236** | **▲684** | |
| **Shareholders' equity** | **11,696** | **11,168** | **▲527** | |
| Capital | *822* | *828* | *+5* | |
| Capital surplus | *10,769* | *10,850* | *+81* | |
| Retained earnings | *2,105* | *1,982* | *▲122* | *Net income for FY20/Q1+Q2 –Yearend dividends for FY19 –Interim dividend forFY20* |
| Treasury stock | *▲2,001* | *▲2,493* | *▲491* | |
| Accumulated other comprehensive income | 169 | ▲2 | ▲172 | |
| Share warrant | 36 | 36 | ▲0 | |
| Minority interest | 17 | 33 | +16 | |

* Borrowing
Switch from a bridge loan to a syndicated loan and borrowing for management funds at the end of December

# 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)

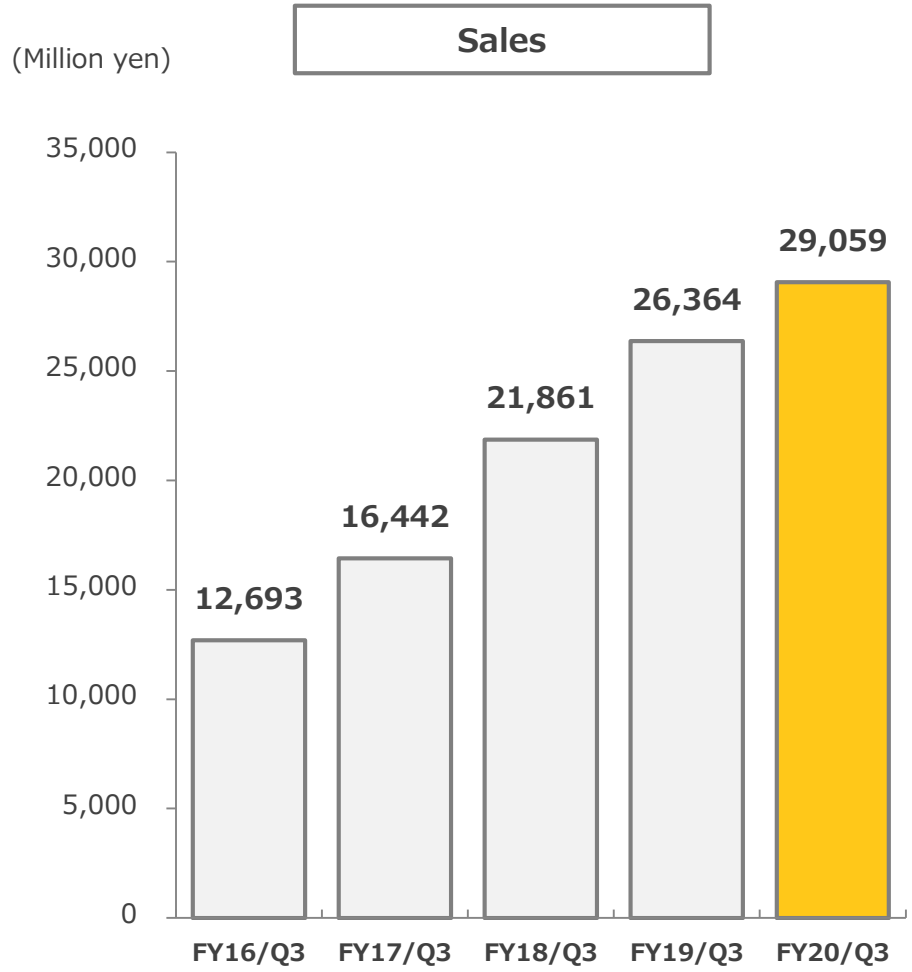
| | FY19/Q3 | FY20/Q3 | Change | Pct. change |
|---|---|---|---|---|
| Sales | 26,364 | 29,059 | 2,694 | 10.2% |
| Gross profit | 8,315 | 8,756 | 441 | 5.3% |
| SG&A expenses | 4,021 | 3,687 | ▲334 | ▲8.3% |
| Segment profit | 4,294 | 5,069 | 775 | 18.0% |

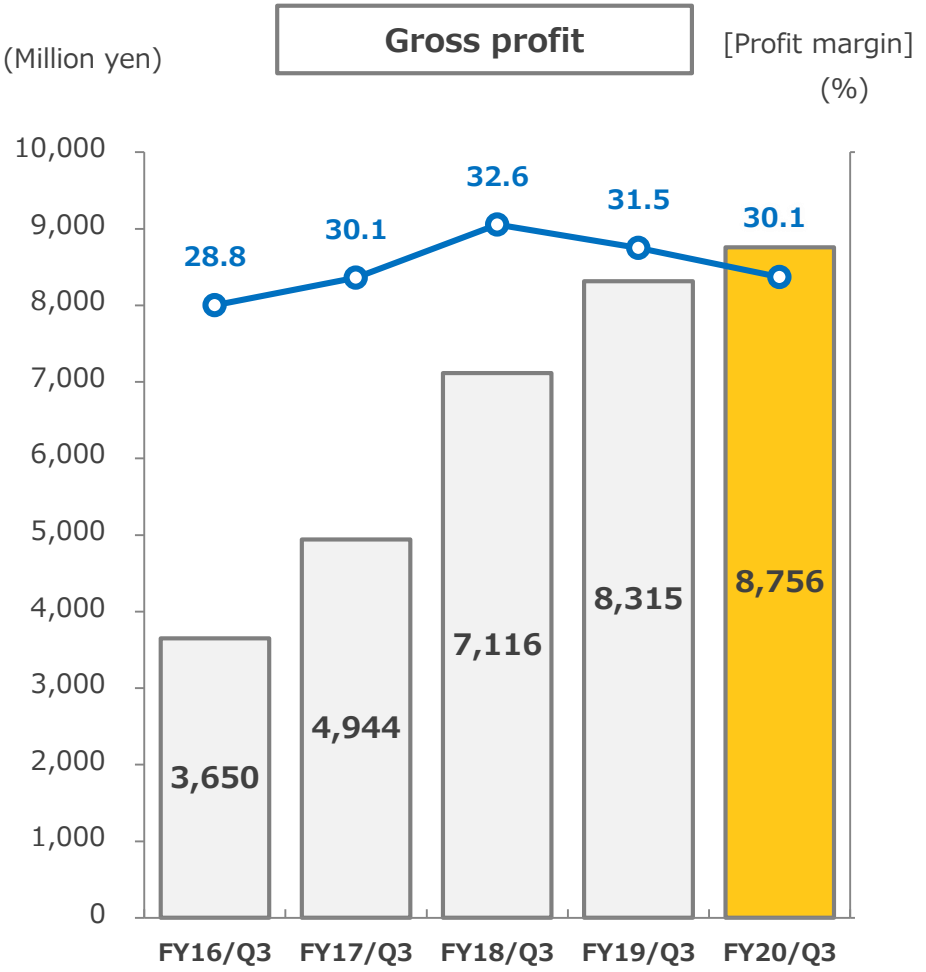
* Results by segment are stated in accordance with Japanese accounting standards.

# Segment P/L (1) Sales and Gross Profit

Construction Engineer Temporary Staffing and Incidental Business

- Sales ⇒ Up 10% YoY due to increase in the number of engineers at work and the unit price of temporary staffing.
- Gross profit ⇒ Up 5% YoY. Profitability maintained at least 30% due to higher unit price of temporary staffing despite increased return to engineers.



# SG&A Expenses

Construction Engineer Temporary Staffing and Incidental Business

- Increase in the number of sales staffs and personnel management staffs in line with the increase in engineers ⇒ Increase in personnel expenses by 12%
- Restrained recruitment from late March ⇒ Recruitment cost down 36%

(Million yen)

| | FY19/Q3 | FY20/Q3 | Change | Remarks |
|---|---|---|---|---|
| **SG&A Expenses** | **4,021** | **3,687** | **▲334** | |
| Personnel expenses | *1,707* | *1,919* | *+211* | Increased due to increases in staffs in the Sales and Management Dept. |
| Ad expenses | *12* | *3* | *▲9* | |
| Recruiting cost | *1,298* | *834* | *▲464* | Decrease due to reduced recruitment |
| Outsourcing expenses | *161* | *110* | *▲50* | |
| SG&A expense ratio | *15.3%* | *12.7%* | *▲3.6pt.* | |

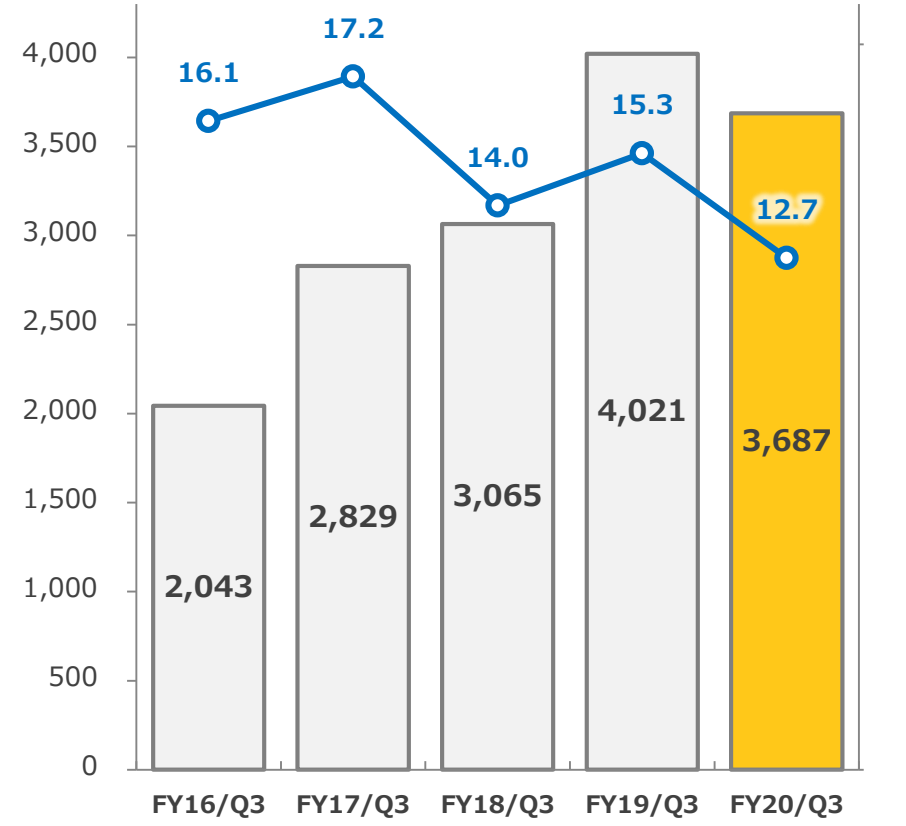
*Personnel expenses＝Salaries and allowances +Travel and transport expenses+Bonuses + Legal welfare expenses+ Benefit costs + Retirement benefit expenses (except executives)
*By the changing the inclusion policy from FY19Q3, the figures for the previous term correspond to the calculation standards after the change.

# SG&A Expenses and Segment Profit

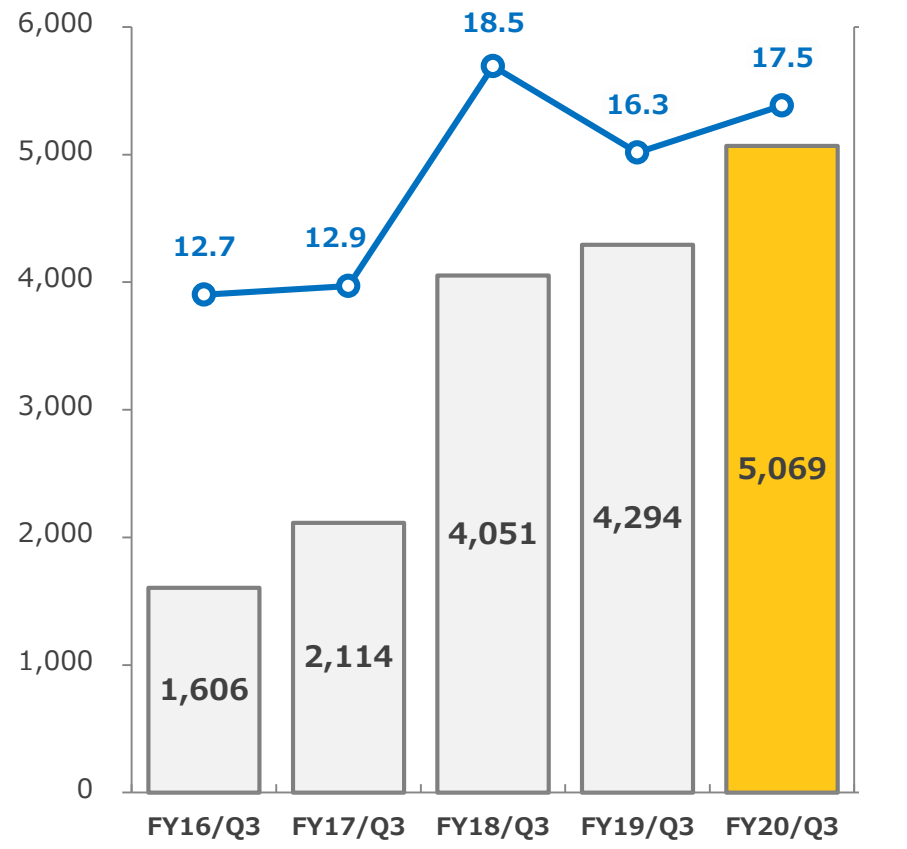
Construction Engineer Temporary Staffing and Incidental Business

- SG&A expenses ⇒ Down 8% as a result of cost-cutting efforts including recruitment control
- Segment profit ⇒ Up 18% YoY thanks to the reduction of SG&A expenses despite increase in gross margin

## SG&A expenses




## Segment profit




*From FY19Q1, the segment allocation method for corporate expenses has been changed. Accordingly, the figures for the previous fiscal year have been revised.

# 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 hiring costs to net sales is declining due to the effects of the recruitment control.

(Unit: Persons)

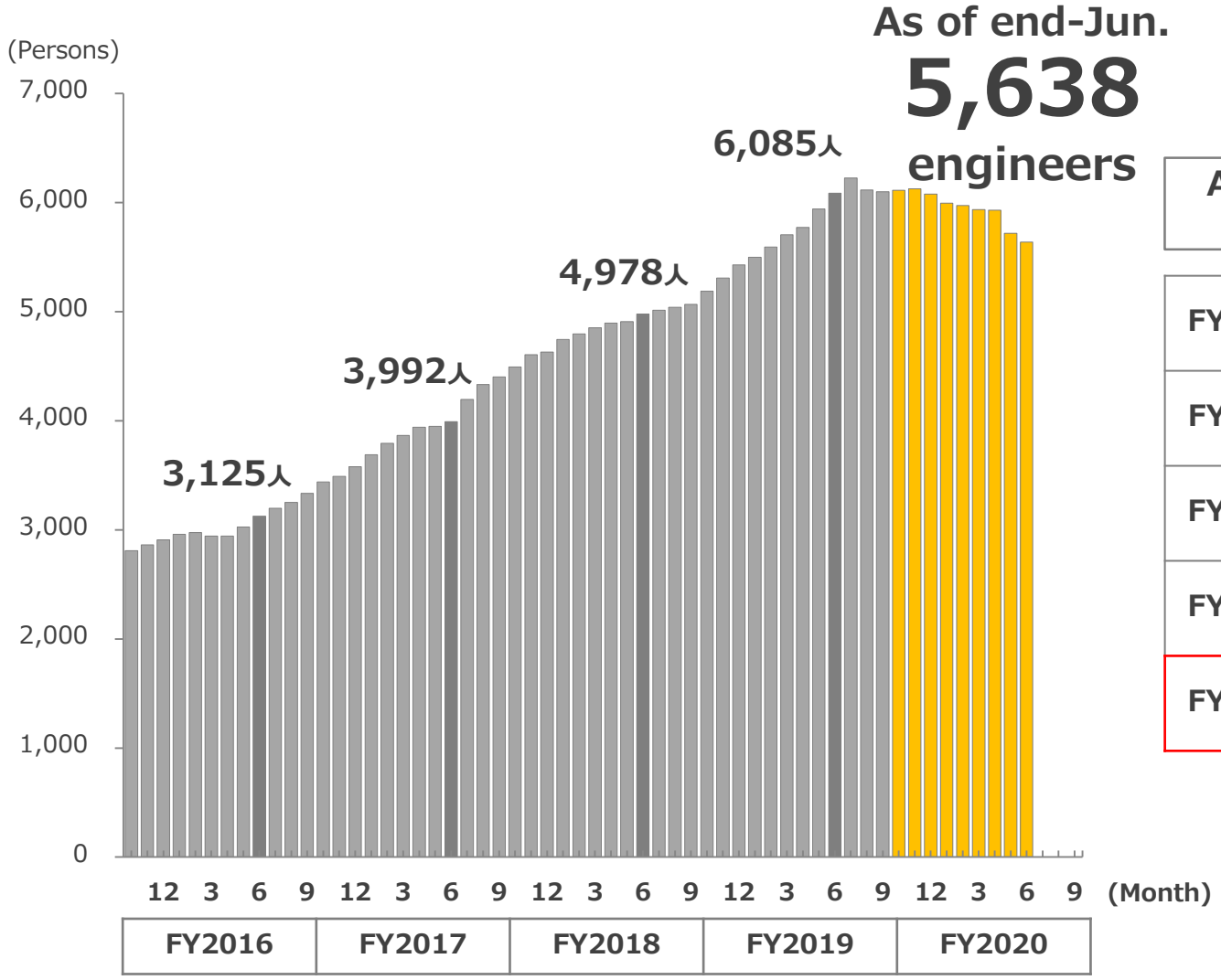
| | Oct | Nov | Dec | Jan | Feb | Mar | Oct-Mar total |
|---|---|---|---|---|---|---|---|
| FY19 recruitment | 774 | | | 829 | | | 1,603 |
| FY20 recruitment | 635 | | | 584 | | | 1,219 |
| Change | ▲139 | | | ▲245 | | | ▲384 |

| | Apr | May | Jun | Jul | Aug | Sep | Apr-Sep total | Oct-Sep total |
|---|---|---|---|---|---|---|---|---|
| FY19 recruitment | 1,085 | | | 601 | | | 1,686 | 3,289 |
| FY20 recruitment | 295 | | | | | | | |
| Change | ▲790 | | | | | | | |

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

Construction Engineer Temporary Staffing and Incidental Business

- Down 447 from the end of the same month of the previous year
- Decline in the number of engineers due to restrained hiring and other factors



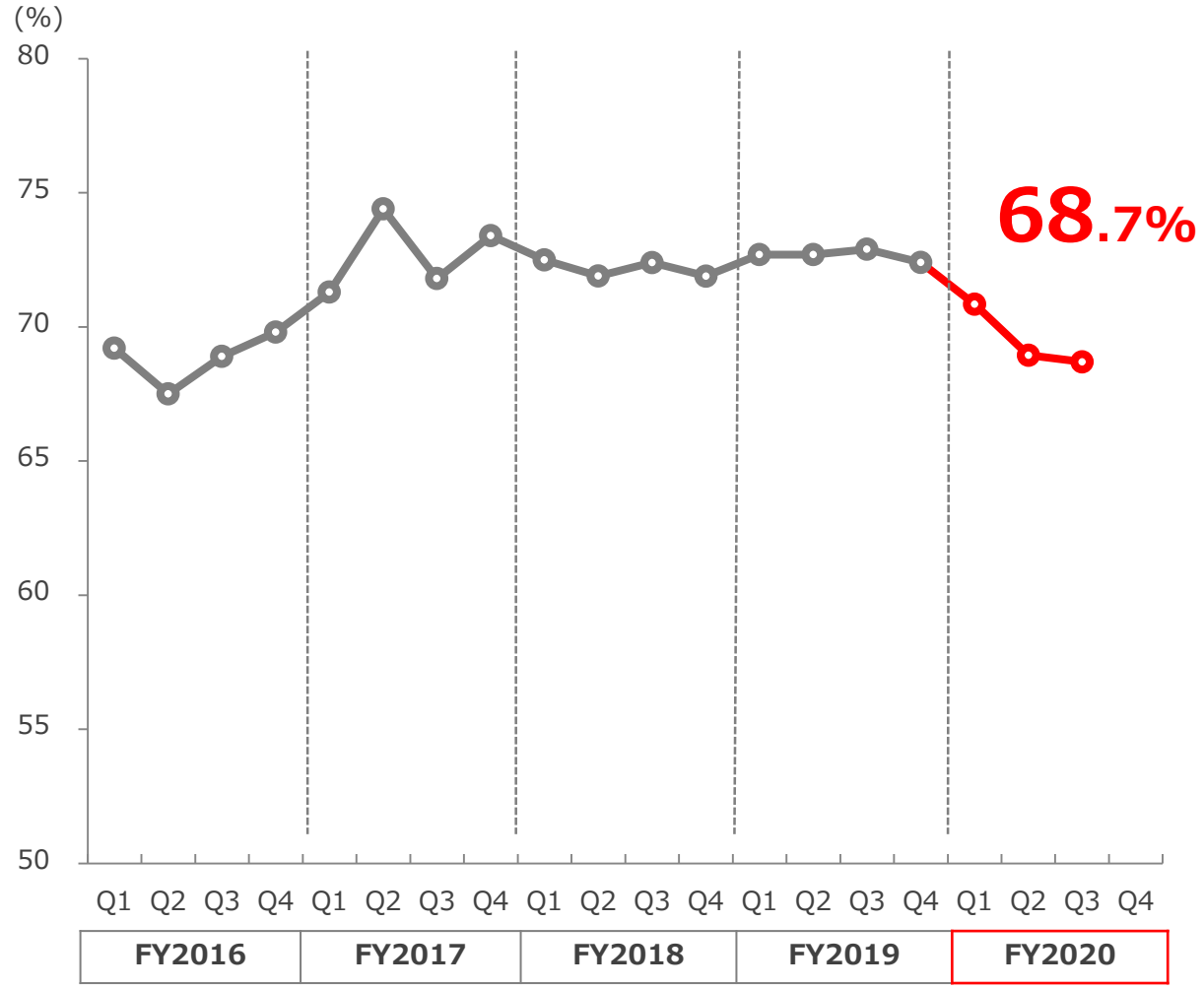

* Number of engineers at the end of month

| Avg. number of engineers 9-month avg. (Oct – Jun) | | |
|---|---|---|
| FY16/Q3 | 2,950 | YoY |
| FY17/Q3 | 3,748 | +27.1% |
| FY18/Q3 | 4,767 | +27.2% |
| FY19/Q3 | 5,631 | +18.1% |
| FY20/Q3 | 5,945 | +5.6% |

# 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**



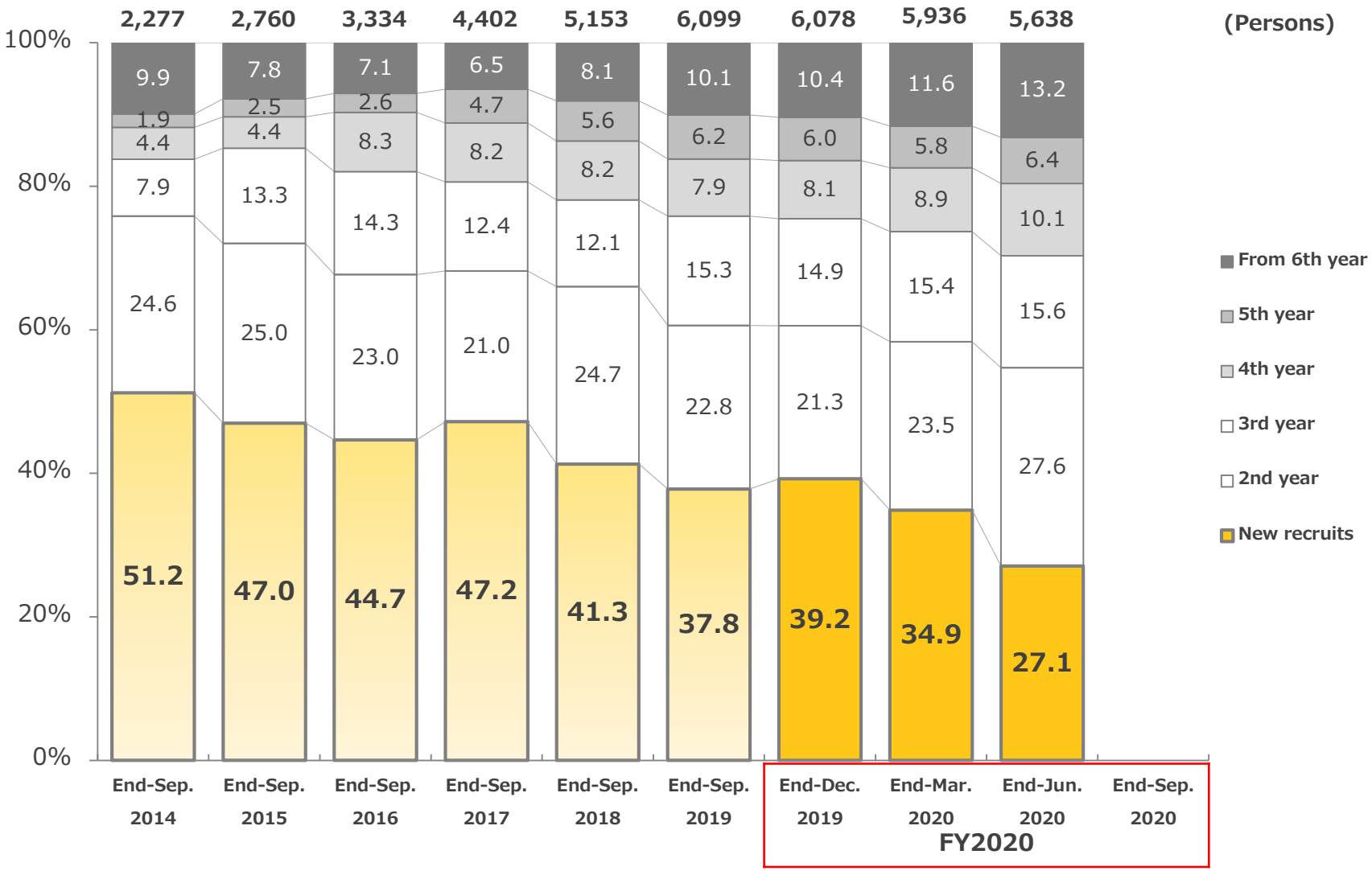

| Avg. retention rate 9-month avg. (Oct – Jun) | | |
|---|---|---|
| FY16/Q3 | 68.5% | YoY |
| FY17/Q3 | 72.5% | +4.0pt |
| FY18/Q3 | 72.3% | △0.2pt |
| FY19/Q3 | 72.8% | +0.5pt |
| FY20/Q3 | 69.5% | △3.2pt |

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

# Number of Engineers (4) Ratio by Length of Service



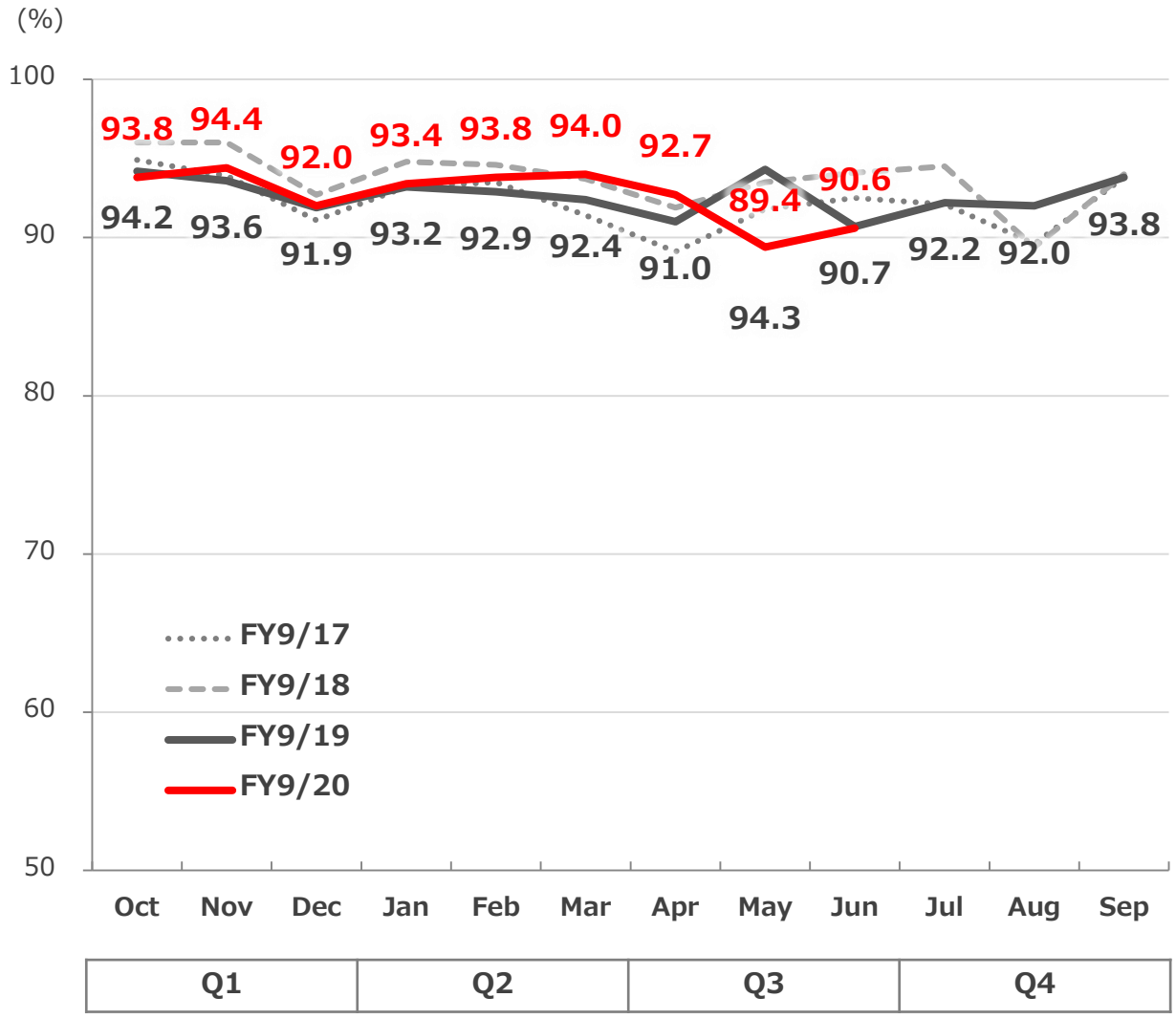
- Ratio of new employees declined due to restrained recruitment
- Well-balanced thanks to an increase in the number of engineers in the second year or later



# Utilization rate



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



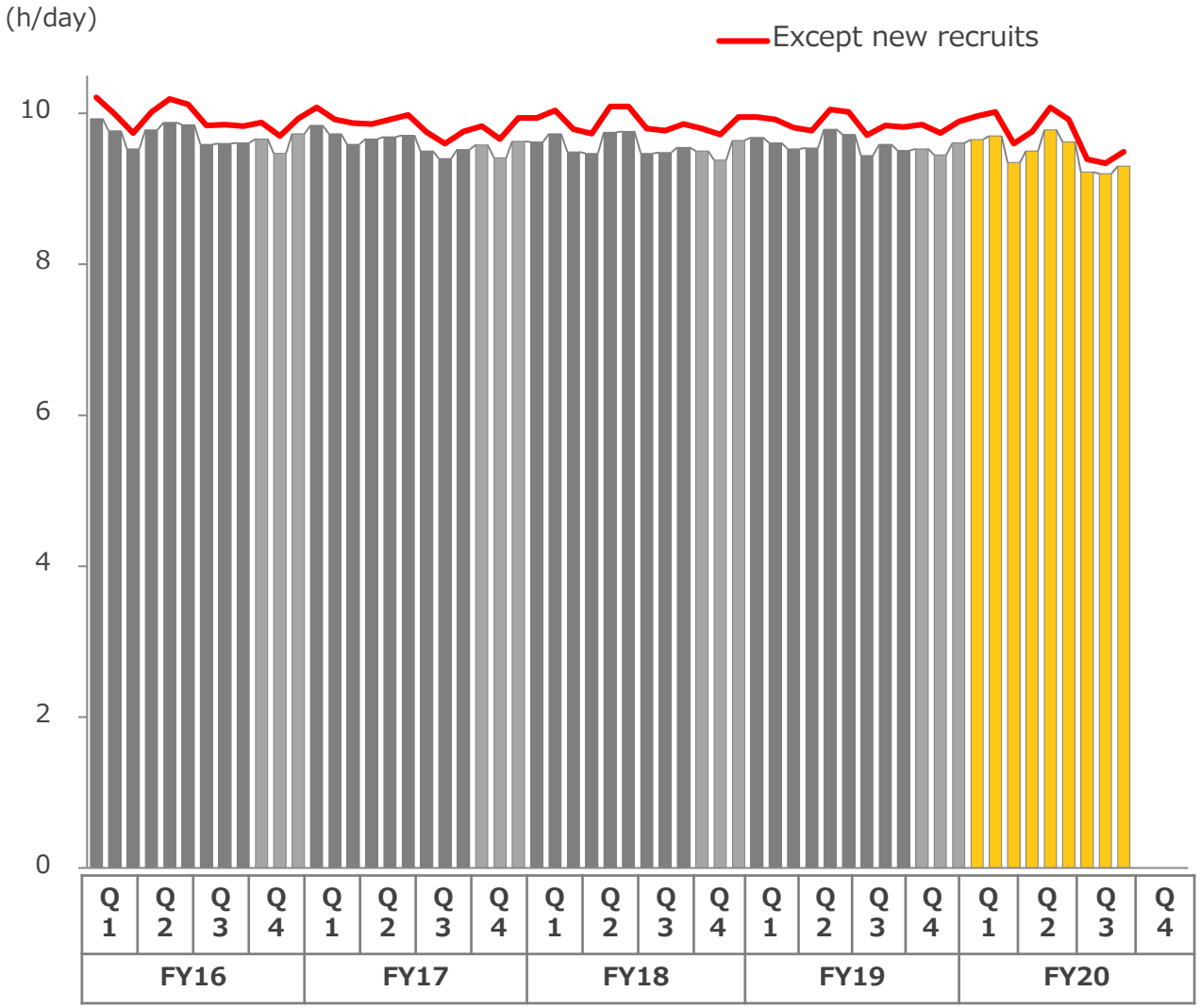

| Avg. Utilization rate 9-month avg. (Oct – Jun) | | |
|---|---|---|
| FY17/Q3 | 92.4% | YoY |
| FY18/Q3 | 94.1% | +1.8pt. |
| FY19/Q3 | 92.7% | ▲1.5pt. |
| FY20/Q3 | 92.7% | ±0pt. |

*Figures for July - September 2019 have been revised.

# Operating time



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

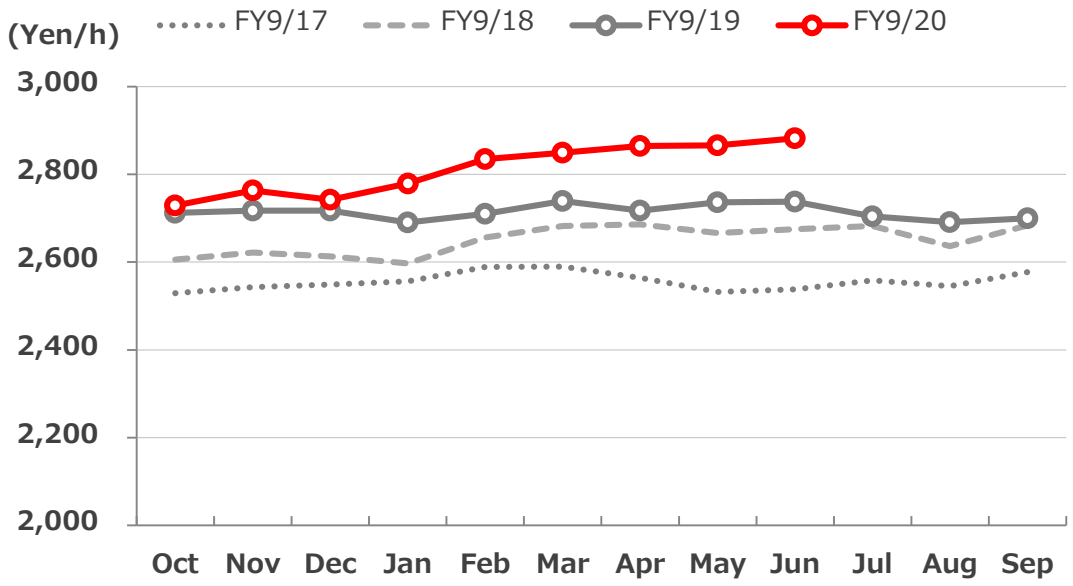



**Avg. operating time of all engineers**
**9-month avg. (Oct – Jun)**

| | | |
|---|---|---|
| FY16/Q3 | 9.73h | YoY |
| FY17/Q3 | 9.63h | ▲1.0% |
| FY18/Q3 | 9.59h | ▲0.4% |
| FY19/Q3 | 9.60h | +0.1% |
| FY20/Q3 | 9.48h | ▲1.3% |

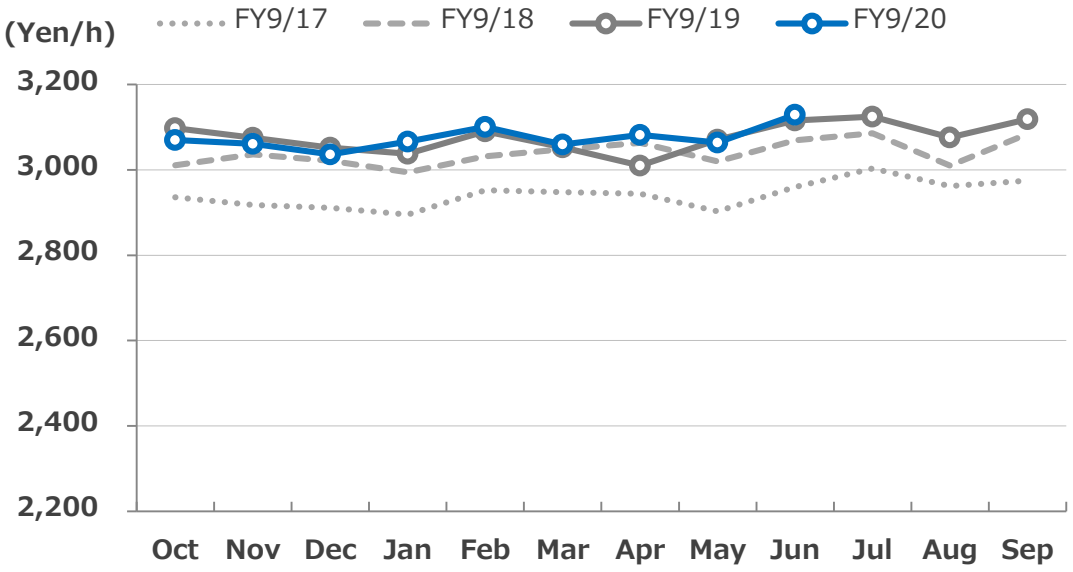
# Unit Price of Temporary Staffing
# (1) New Recruits and 2nd Year

Construction Engineer Temporary Staffing and Incidental Business




**New recruits only**
**9-month avg. (Oct – Jun)**

| | | |
|---|---|---|
| FY17/Q3 | ¥2,555 | YoY |
| FY18/Q3 | ¥2,645 | +3.5% |
| FY19/Q3 | ¥2,720 | +2.8% |
| FY20/Q3 | ¥2,812 | +3.4% |

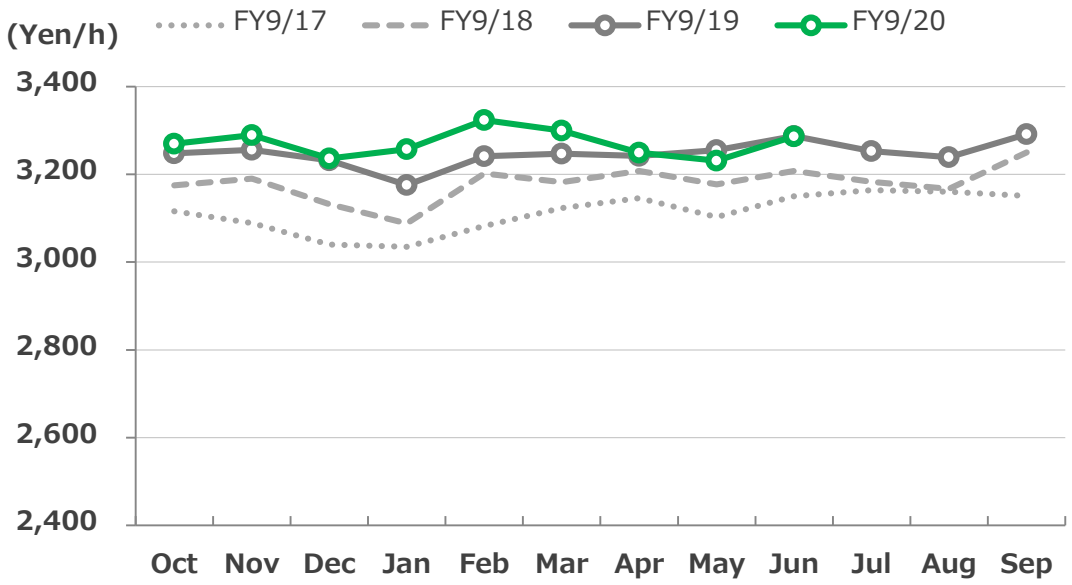



**2nd year only**
**9-month avg. (Oct – Jun)**

| | | |
|---|---|---|
| FY17/Q3 | ¥2,931 | YoY |
| FY18/Q3 | ¥3,033 | +3.5% |
| FY19/Q3 | ¥3,066 | +1.1% |
| FY20/Q3 | ¥3,074 | +0.2% |

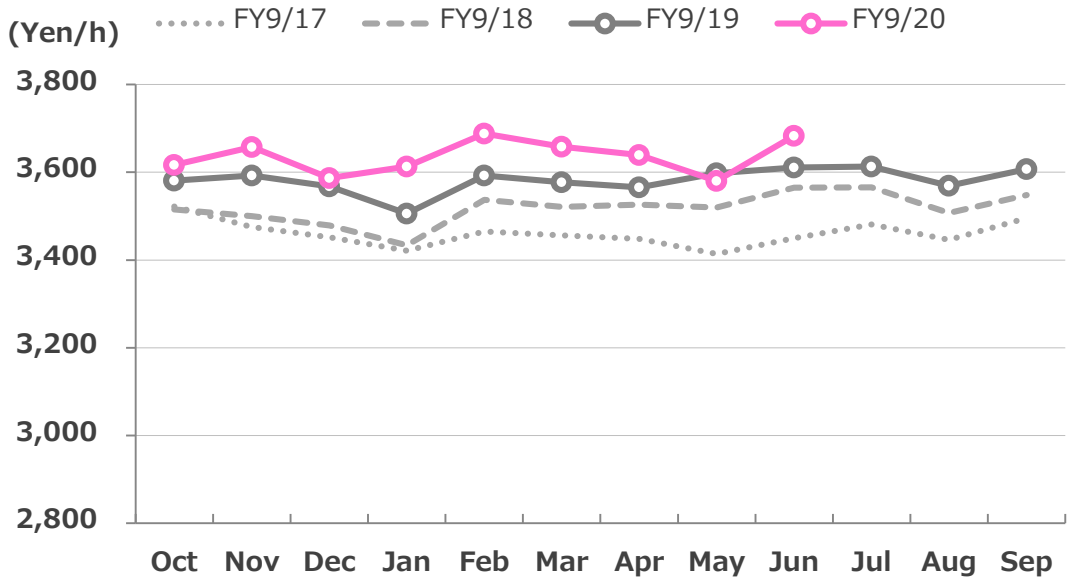
# Unit Price of Temporary Staffing
# (2) From the 3rd and 4th Year and Over

Construction Engineer Temporary Staffing and Incidental Business




**3rd year only**
**9-month avg. (Oct – Jun)**

| | | |
|---|---|---|
| FY17/Q3 | ¥3,097 | YoY |
| FY18/Q3 | ¥3,176 | +2.6% |
| FY19/Q3 | ¥3,243 | +2.1% |
| FY20/Q3 | ¥3,271 | +0.9% |



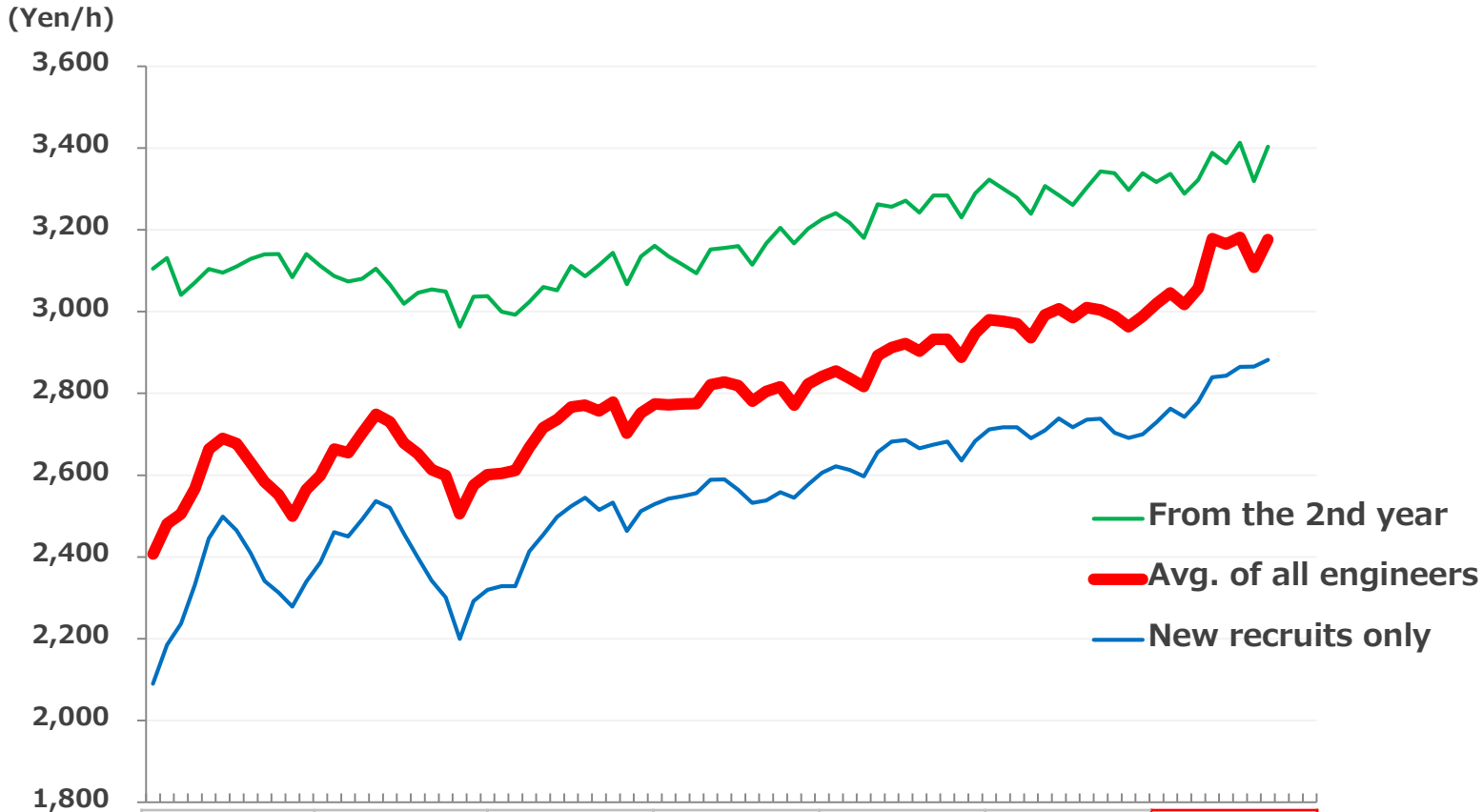

**From the 4th year**
**9-month avg. (Oct – Jun)**

| | | |
|---|---|---|
| FY17/Q3 | ¥3,454 | YoY |
| FY18/Q3 | ¥3,512 | +1.7% |
| FY19/Q3 | ¥3,578 | +1.9% |
| FY20/Q3 | ¥3,636 | +1.6% |

# Unit Price of Temporary Staffing
# (3) Interim Changes



- Increased for the six consecutive years from FY2015 supported by the strong demand
- Higher unit prices for new engineers, which account for a high proportion of the workforce, contributed to an increase in profit margins




| | FY2014 | FY2015 | FY2016 | FY2017 | FY2018 | FY2019 | FY2020 |
|---|---|---|---|---|---|---|---|
| Avg. on a companywide basis (Q1～Q3) | 2,582 yen | 2,672 yen | 2,693 yen | 2,795 yen | 2,880 yen | 2,985 yen | 3,105 yen |
| | YoY | +3.5% | +0.8% | +3.8% | +3.0% | +3.6% | +4.1% |

# KPI Summary

Construction Engineer Temporary Staffing and Incidental Business

- Decrease in the ratio of new recruits × structural labor shortage in the construction industry = Rise in unit price for temporary staffing for 6 consecutive years

All engineers 9-month avg. (Oct-Jun)

| | FY19/Q3 | FY20/Q3 | Change | Pct. change |
|---|---|---|---|---|
| No. of engineers | 5,631 engineers | 5,945 engineers | +314 engineers | +5.6% |
| Utilization rate | 92.7% | 92.7% | ±0pt. | — |
| Operating time | 9.60h | 9.48h | ▲0.12h | ▲1.3% |
| Unit price of temporary staffing | 2,985yen | 3,105yen | +120yen | +4.1% |

# Segment Overview

## Engineer Temporary Staffing and Incidental Business

# Summary of Segment P/L Statement

Engineer
Temporary Staffing
and Incidental Business

(Million yen)

| | FY19/Q3 | FY20/Q3 | Change | Pct. change |
|---|---|---|---|---|
| Sales | 11,213 | 14,378 | 3,164 | 28.2% |
| Gross profit | 2,750 | 3,440 | 689 | 25.1% |
| SG&A expenses | 2,448 | 2,803 | 355 | 14.5% |
| Segment profit | 302 | 636 | 334 | 110.6% |

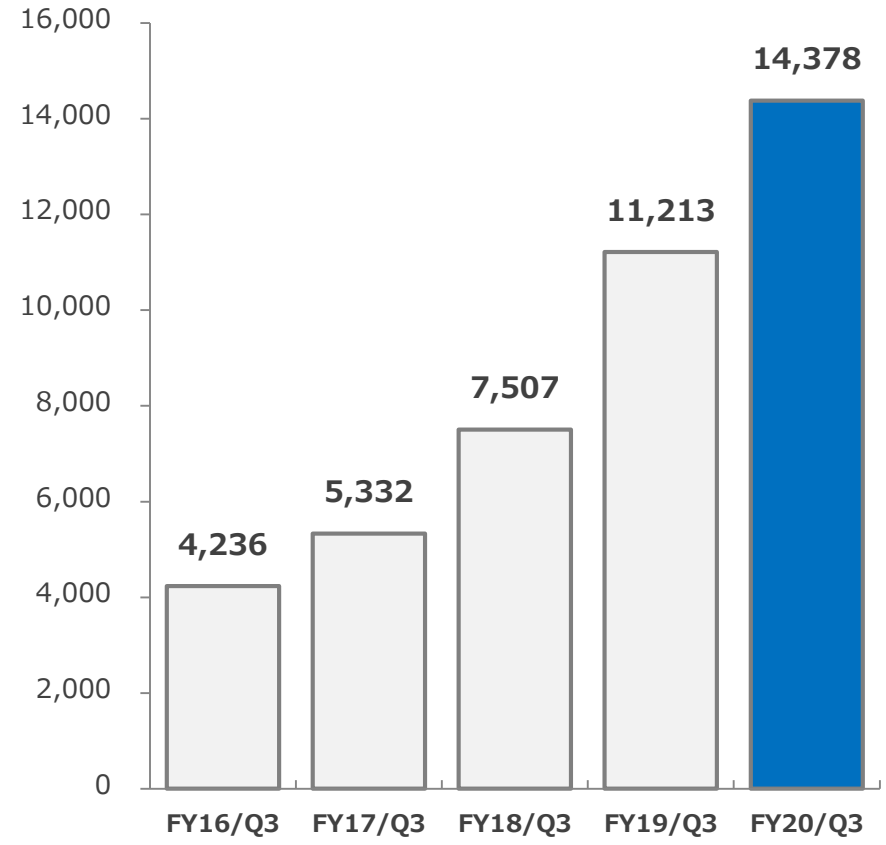
* Results by segment are stated in accordance with Japanese accounting standards.

# Segment P/L (1) Sales and Gross Profit

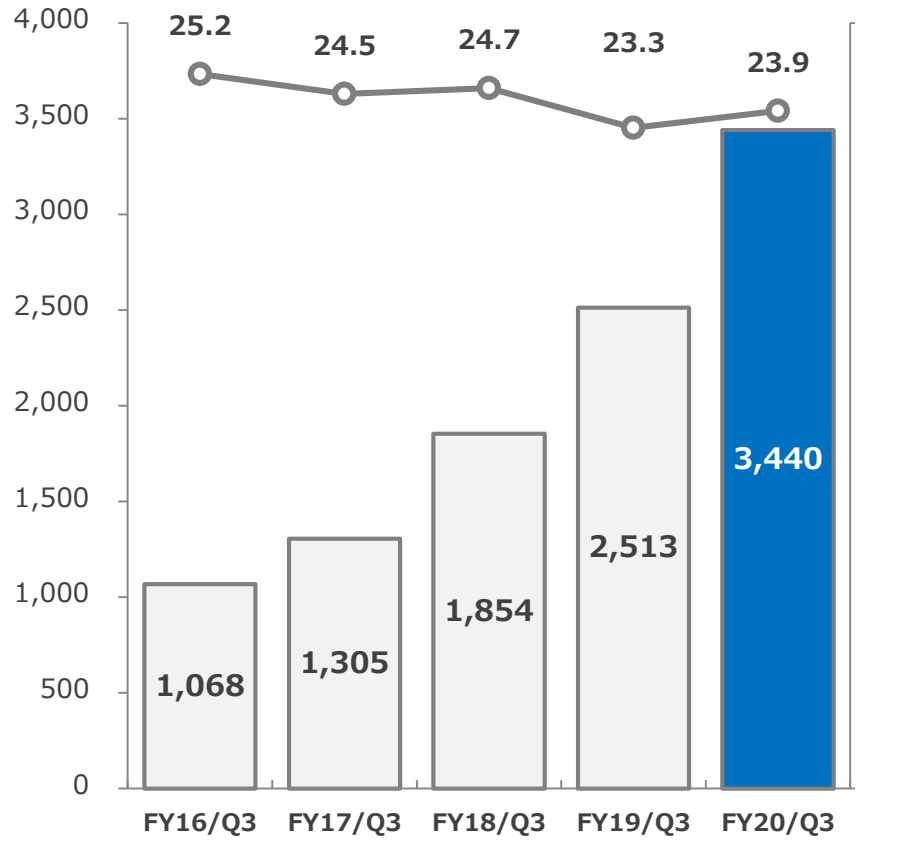
Engineer
Temporary Staffing
and Incidental Business

- Sales ⇒ Up 28% YoY due to increased number of engineers at work and higher unit price
- Gross Profit ⇒ Up 25% YoY due to increased number of engineers at work

## Sales




## Gross Profit



# Sales and Gross Profit

Engineer
Temporary Staffing
and Incidental Business

- Personnel expenses increased by 30% due to an increase in operating companies and the strengthening of administrative and sales divisions
- Restraint in hiring from late March ⇒ Decrease in hiring costs by 34%

(Million yen)

| | FY19/Q3 | FY20/Q3 | Change | Remarks |
|---|---|---|---|---|
| **Sales and Gross Profit** | **2,448** | **2,803** | **+355** | |
| Personnel expenses | *1,115* | *1,450* | *+335* | Increase due to an increase in the number of operating companies and an increase in the number of personnel management divisions and sales divisions |
| Ad expenses | *18* | *38* | *+19* | |
| Recruiting cost | *776* | *515* | *▲261* | Decrease due to restraint in recruitment |
| Outsourcing expenses | *106* | *142* | *+35* | |
| SG&A expense ratio | *21.8%* | *19.5%* | *▲2.3pt.* | |

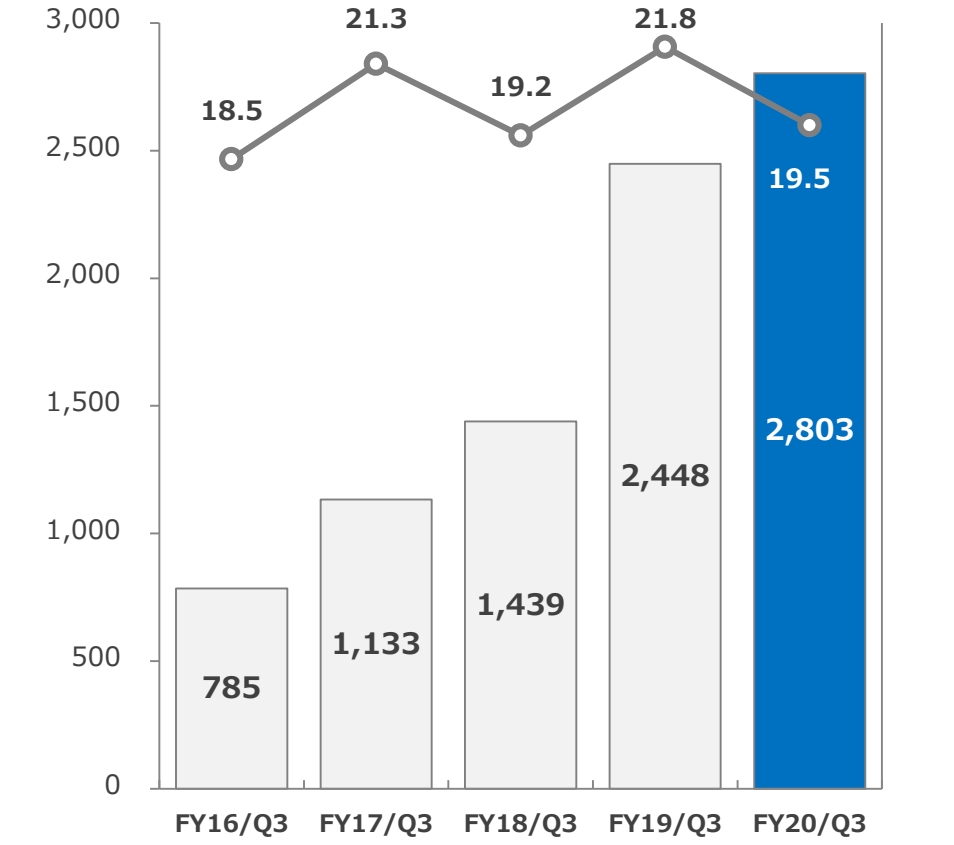
*Personnel expenses＝Salaries and allowances +Travel and transport expenses＋Bonuses + Legal welfare expenses ＋Benefit costs + Retirement benefit expenses (except executives)

# SG&A Expenses and Segment Profit

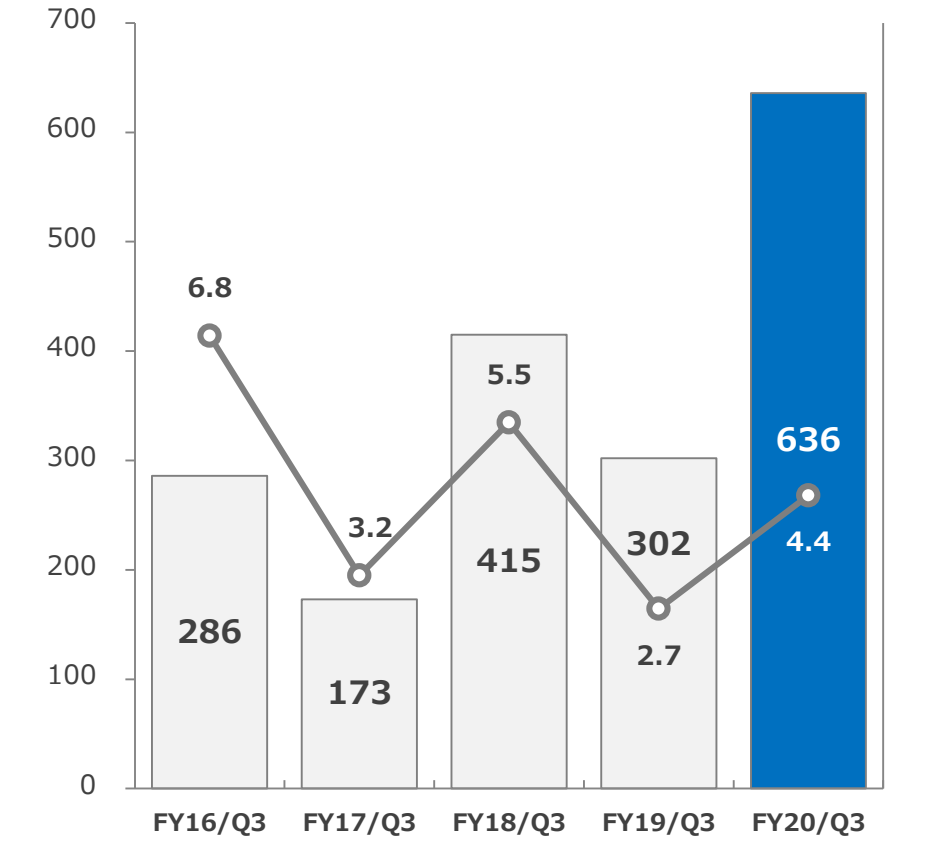
Engineer
Temporary Staffing
and Incidental Business

- **SG&A expenses ⇒ Up 14.5% YoY due to higher personnel expenses and rent**
- **Segment Profit ⇒ Up by 110.9% YoY due to higher unit price of temporary staffing and lower SG&A ratio**

**SG&A expenses**




**Segment Profit**



# Number of Engineers（1）Recruitment



- Due to the spread of COVID-19, recruitment was restricted for a certain period of time
- Breakdown of recruitment: IT field: 746 engineers; Machinery and Electric field: 115 engineers

(Unit: Persons)

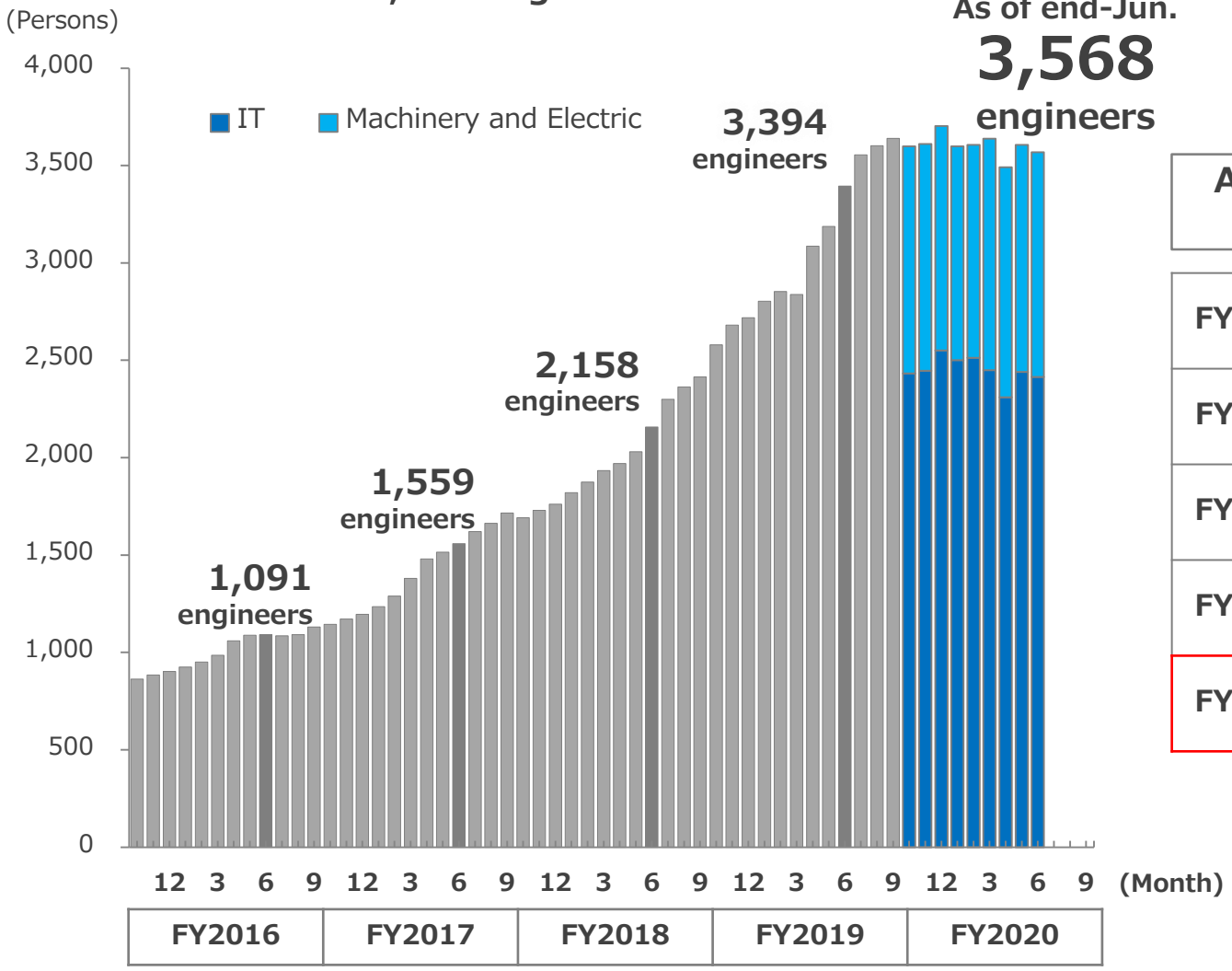
| | Oct | Nov | Dec | Jan | Feb | Mar | Oct-Mar Total |
|---|---|---|---|---|---|---|---|
| FY19 recruitment | 362 | | | 344 | | | 706 |
| FY20 recruitment | 386 | | | 371 | | | 757 |
| YoY | +24 | | | +27 | | | +51 |

| | Apr | May | Jun | Jul | Aug | Sep | Apr-Sep Total | Oct-Sep Total |
|---|---|---|---|---|---|---|---|---|
| FY19 recruitment | 584 | | | 458 | | | 1,042 | 1,748 |
| FY20 recruitment | 104 | | | | | | | |
| YoY | ▲480 | | | | | | | |

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

Engineer
Temporary Staffing
and Incidental Business

- Increased by 174 from the end of the same month of the previous year
- Breakdown of enrolled human resources: IT field: 2,415 engineers, Machinery and Electric field: 1,153 engineers




**Avg. number of engineers**
9-month avg. (Oct – Jun)

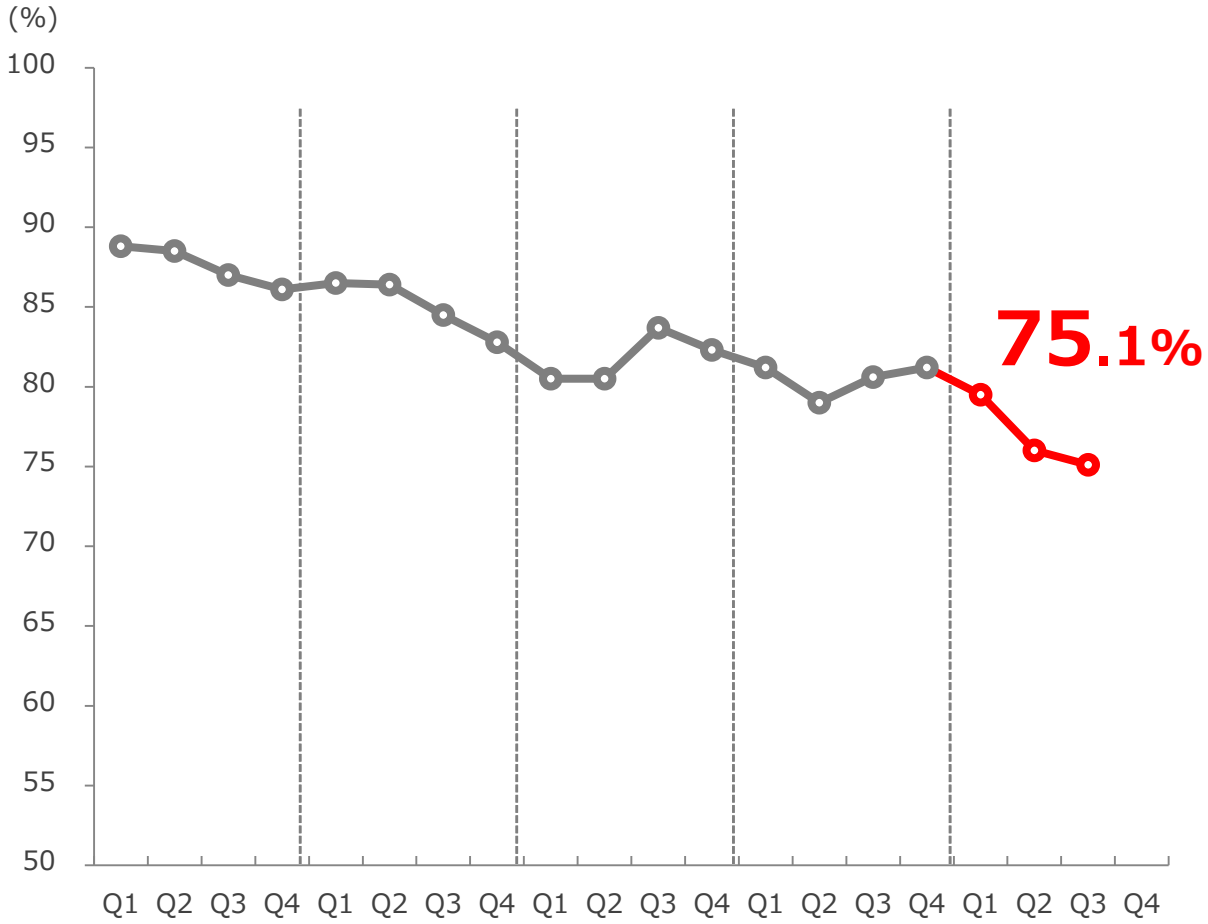
| | | |
|---|---|---|
| FY16/Q3 | 972 engineers | YoY |
| FY17/Q3 | 1,330 engineers | +36.8% |
| FY18/Q3 | 1,885 engineers | +41.8% |
| FY19/Q3 | 2,904 engineers | +54.1% |
| FY20/Q3 | 3,602 engineers | +24.0% |

* Number of engineers at the end of month

# Retention Rate

Engineer
Temporary Staffing
and Incidental Business

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



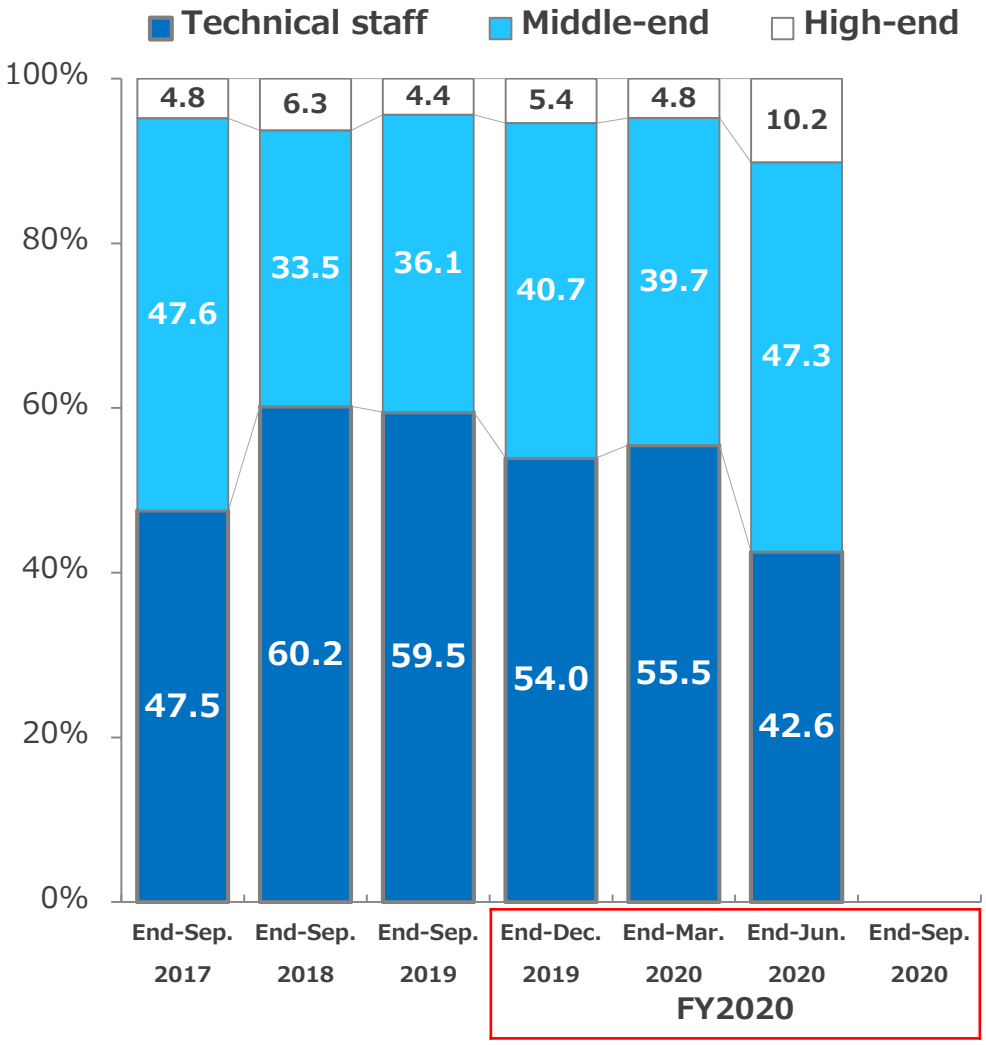

| Avg. retention rate<br>9-month avg. (Oct – Jun) | | |
|---|---|---|
| FY16/Q3 | 88.1% | YoY |
| FY17/Q3 | 85.8% | △2.3pt |
| FY18/Q3 | 81.6% | △4.2pt |
| FY19/Q3 | 80.3% | △1.3pt |
| FY20/Q3 | 77.9% | △2.3pt |

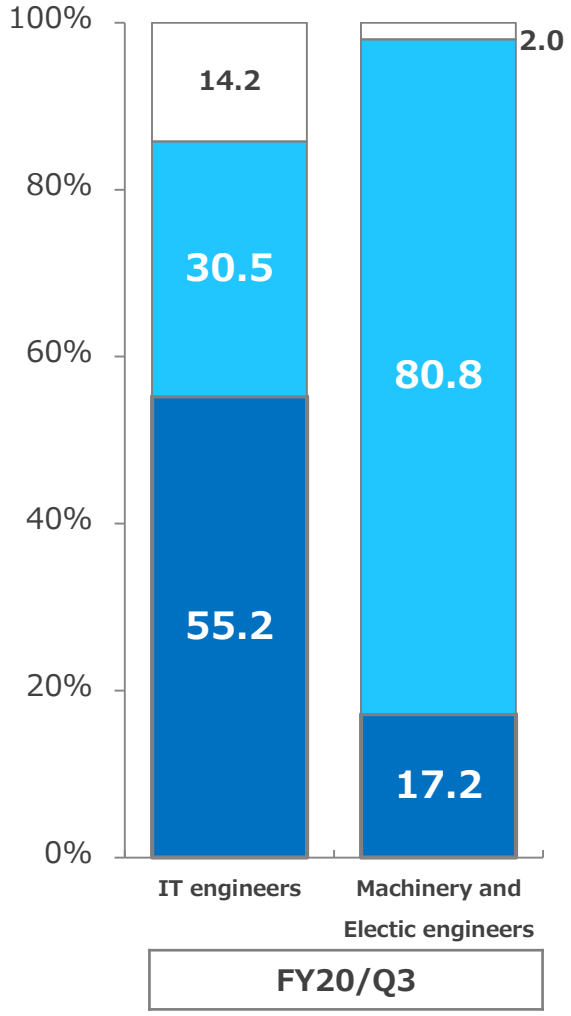
*Retention rate = No. of engineers at the time of calculation / (No. of engineers a year ago + New hires during the year) x 100

# Number of Engineers (4)
# Ratio by Level of Engineers

Engineer
Temporary Staffing
and Incidental Business

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

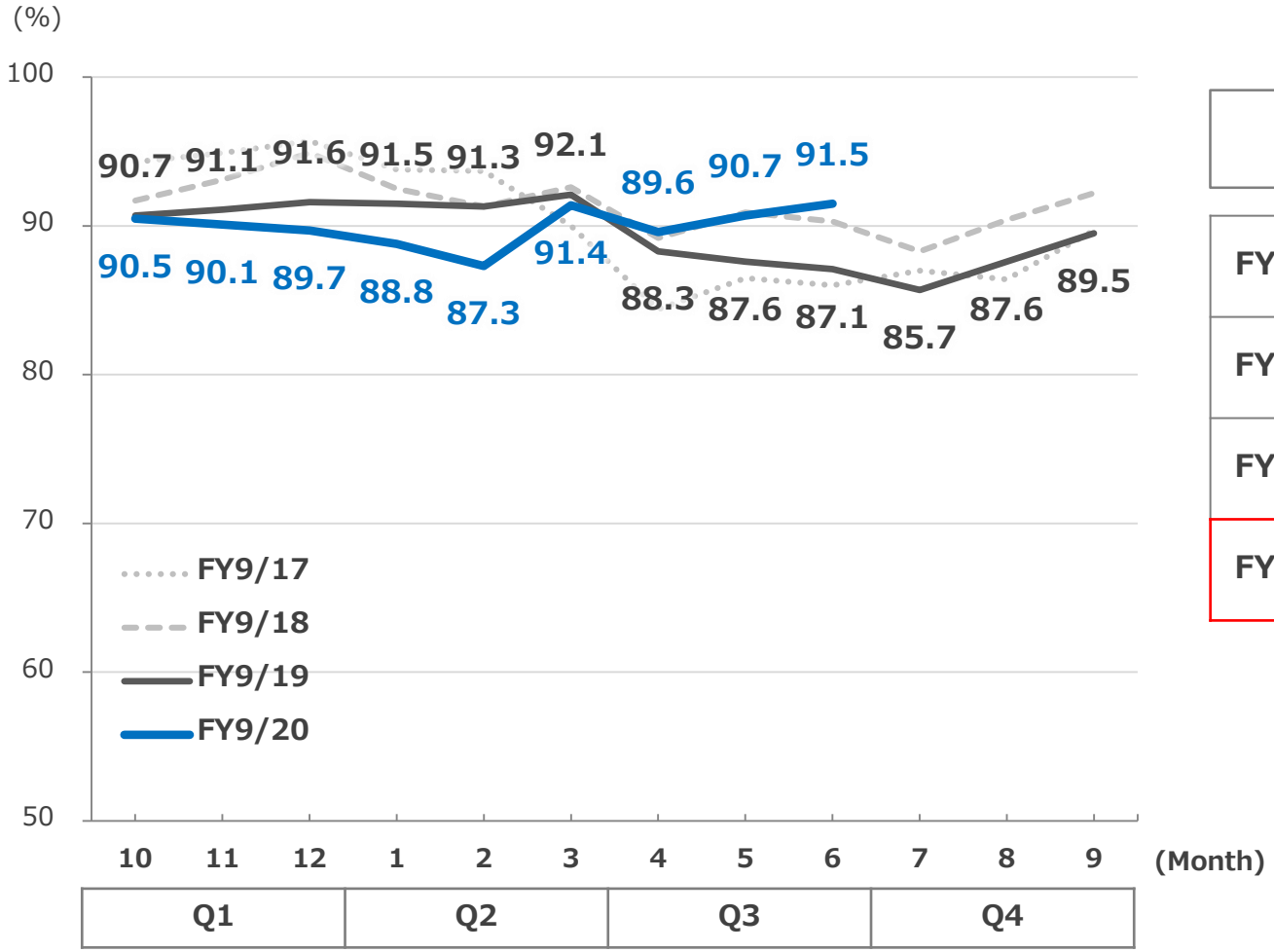


# Changes in Utilization rate

Engineer
Temporary Staffing
and Incidental Business

■ Improved utilization rate by temporarily restraining hiring activities

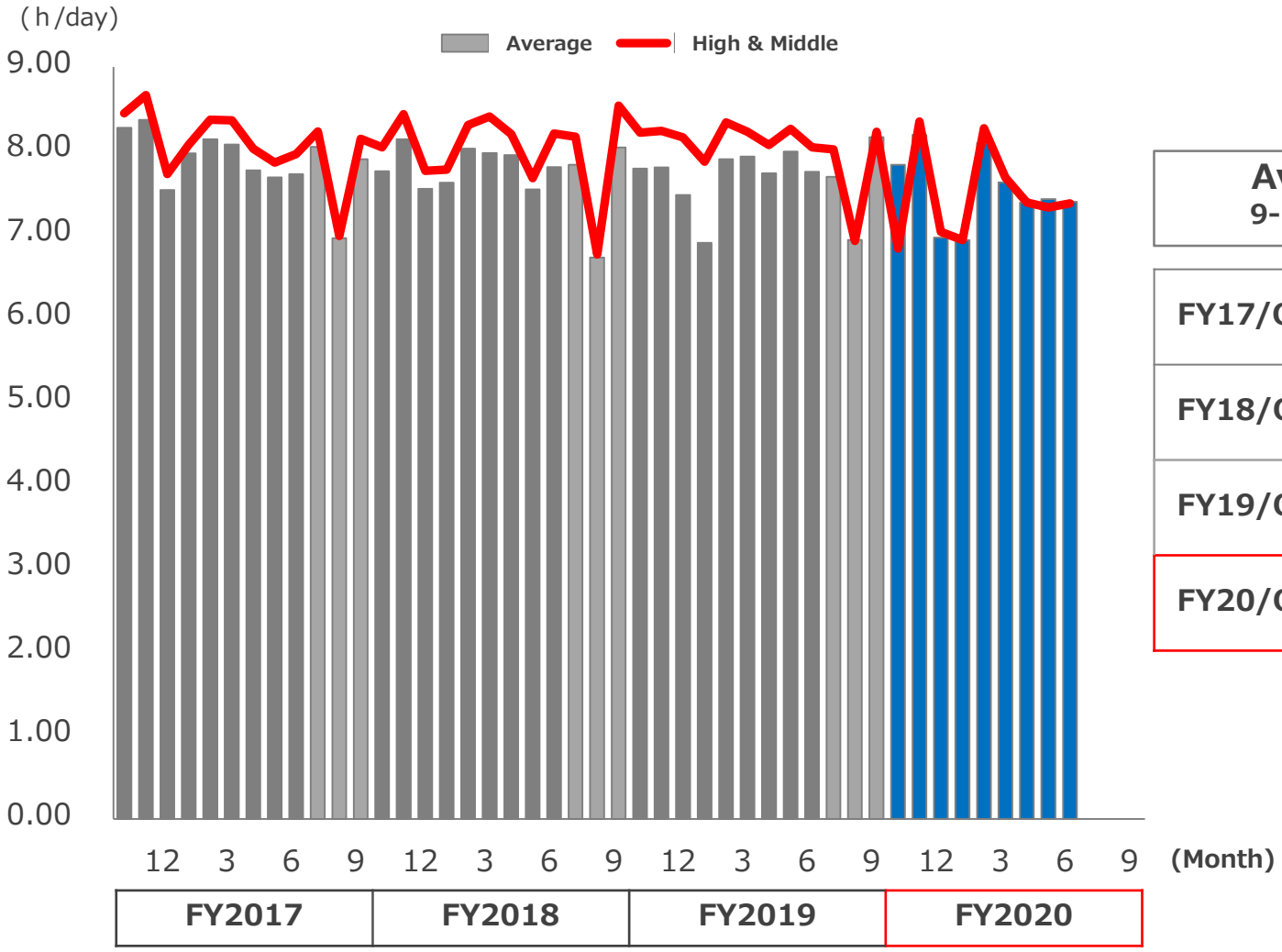



| Avg. Utilization rate<br>9-month avg. (Oct – Jun) | | |
|---|---|---|
| FY17/Q3 | 91.0% | YoY |
| FY18/Q3 | 91.8% | +0.8pt. |
| FY19/Q3 | 90.1% | ▲1.7pt. |
| FY20/Q3 | 90.0% | ▲0.2pt |

# Changes in Operating Time

Engineer
Temporary Staffing
and Incidental Business

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



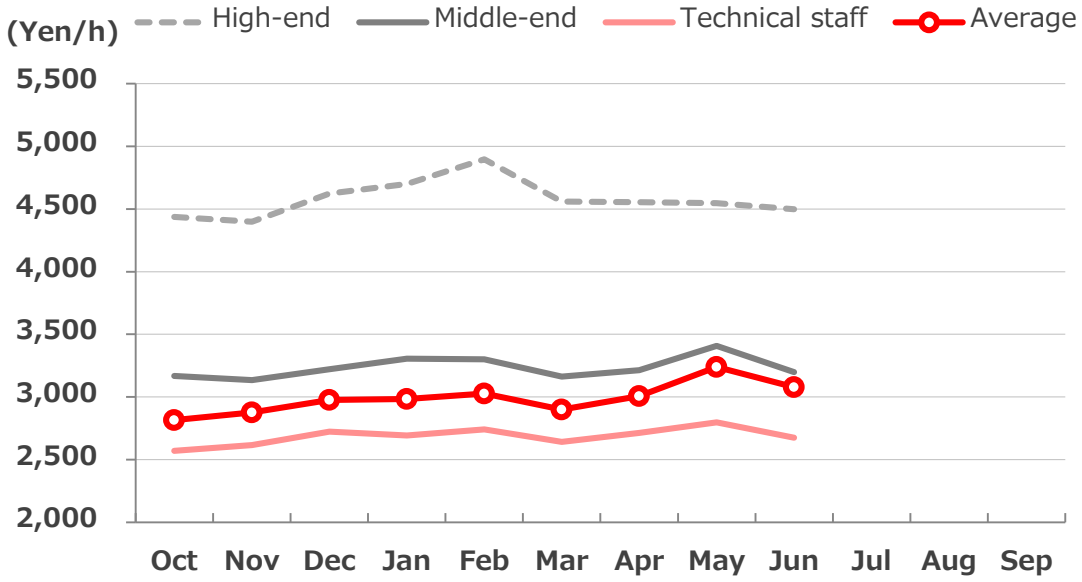

**Avg. operating time**
**9-month avg. (Oct – Jun)**

| | | |
|---|---|---|
| FY17/Q3 | 7.95h | YoY |
| FY18/Q3 | 7.82h | ▲1.7% |
| FY19/Q3 | 7.69h | ▲1.6% |
| FY20/Q3 | 7.53h | ▲2.1% |

* The aggregation range has been changed from FY2020.

# Unit Price of Temporary Staffing

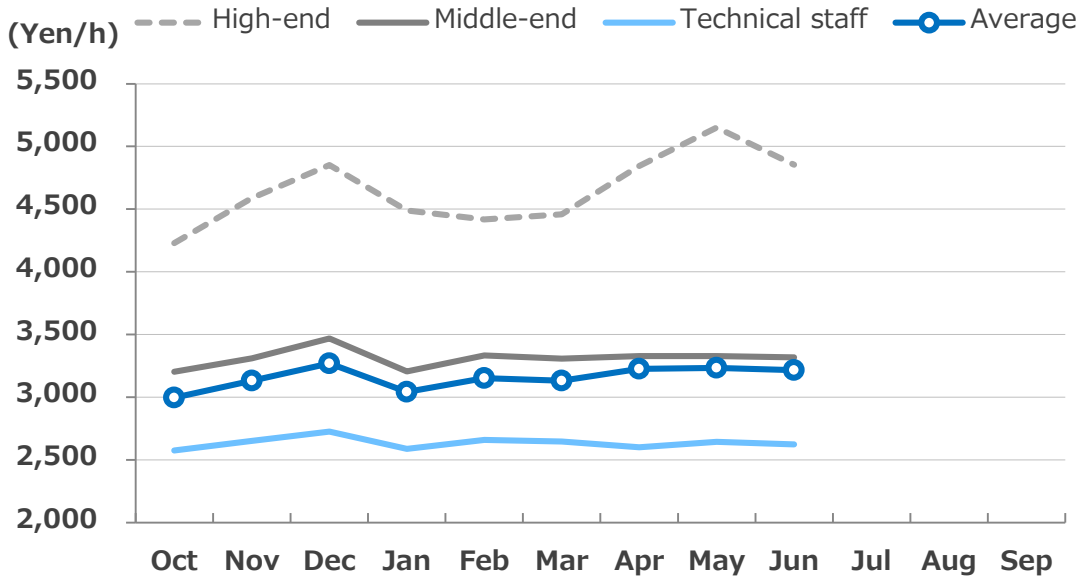
Engineer
Temporary Staffing
and Incidental Business




## Avg. for IT Engineers
9-month avg. (Oct – Jun)

| | | YoY |
|---|---|---|
| FY19/Q3 | 2,867yen | — |
| FY20/Q3 | 2,987yen | +4.2% |

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




## Avg. for Machinery and Electric Engineers
9-month avg. (Oct – Jun)

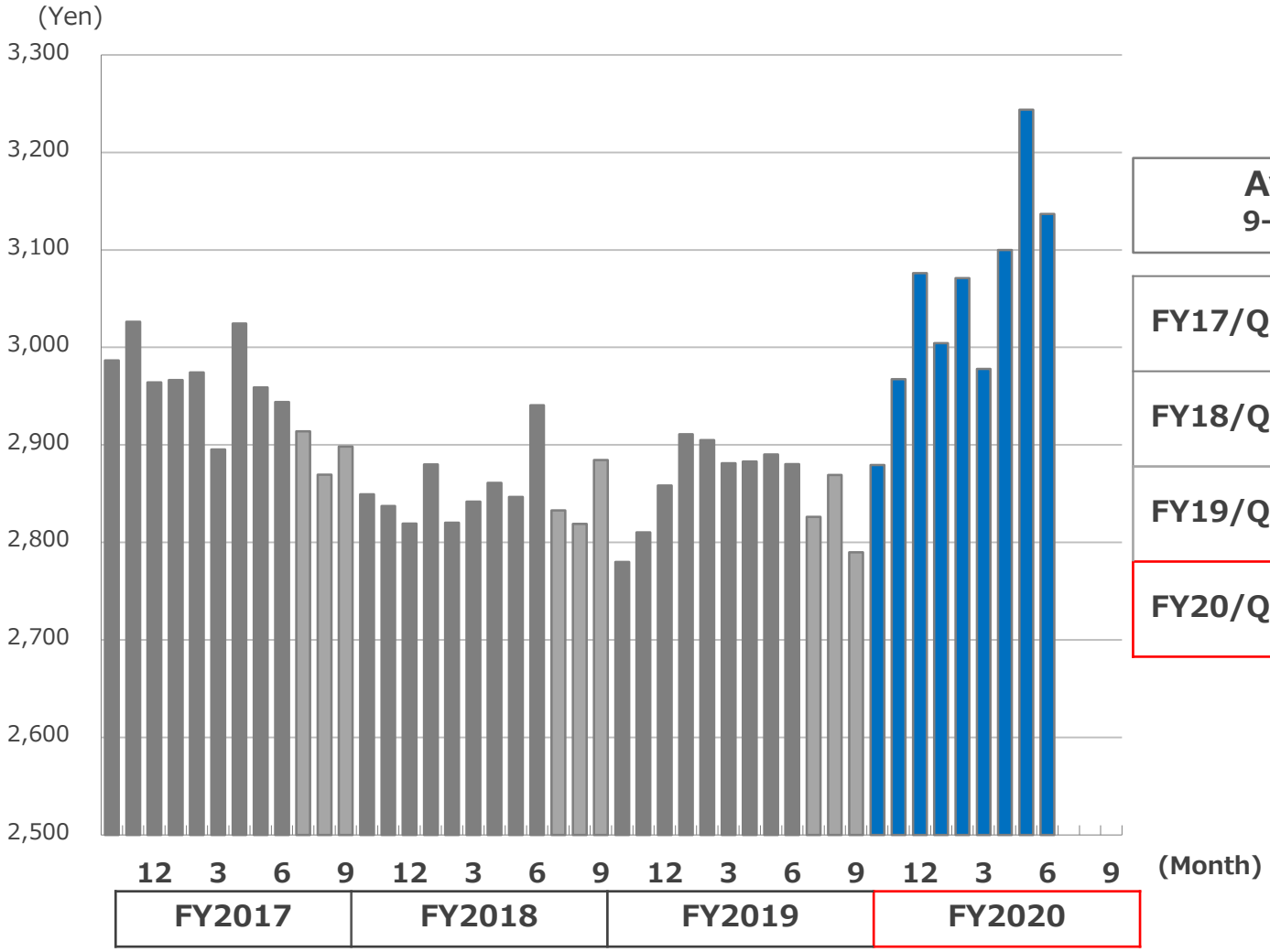
| | | YoY |
|---|---|---|
| FY19/Q3 | 2,867yen | — |
| FY20/Q3 | 3,150yen | +9.9% |

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

# Changes in Unit Price of Temporary Staffing

Engineer
Temporary Staffing
and Incidental Business

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




| Avg. operating time<br>9-month avg. (Oct – Jun) | | |
|---|---|---|
| FY17/Q3 | 2,971yen | YoY |
| FY18/Q3 | 2,855yen | ▲3.9% |
| FY19/Q3 | 2,867yen | +0.4% |
| FY20/Q3 | 3,048yen | +6.3% |

*The aggregation methods have been changed from FY2020.

# KPI Summary

Engineer
Temporary Staffing
and Incidental Business

- The number of engineers increased by 24% due to aggressive recruitment up to the first half of the fiscal year
- The average unit price of temporary staffing rose due to the increase in demand

All engineers 9-month avg. (Oct – Jun)

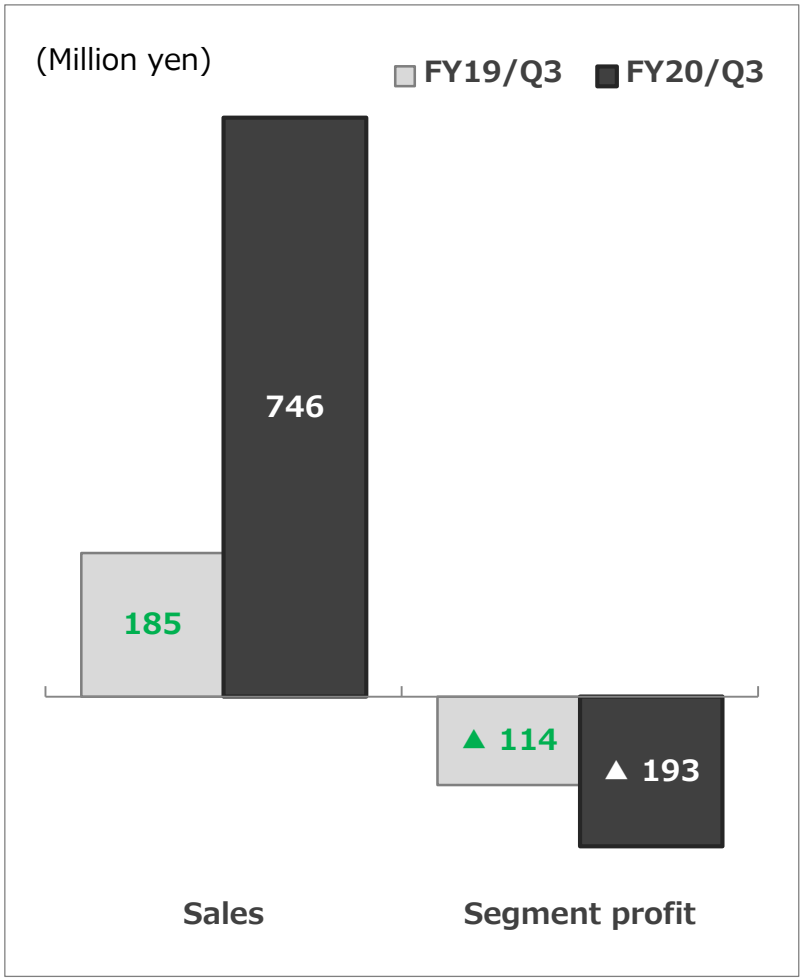
| | FY19/Q3 | FY20/Q3 | Change | Pct. change |
|---|---|---|---|---|
| No. of engineers | 2,904 engineers | 3,602 engineers | +698 engineers | +24.0% |
| Utilization rate | 90.1% | 90.0% | ▲0.2pt. | — |
| Operating time | 7.69h | 7.53h | ▲0.16h | ▲2.1% |
| Unit price of temporary staffing | 2,867yen | 3,048yen | +181yen | +6.3% |

# Other Business

# Segment P/L Summary

Other

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




## 1. Temporary staffing business

(Million yen)

| | FY19/Q3 | FY20/Q3 | Pct. change |
|---|---|---|---|
| Sales | 139 | 70 | ▲49.7% |
| Segment Profit | ▲164 | ▲164 | — |

・Overseas recruitment consulting business shrank due to the impact of COVID-19 → Plan to withdraw from the business.

## 2. Education-related business

(Million yen)

| | FY19/Q3 | FY20/Q3 | Pct. change |
|---|---|---|---|
| Sales | 8 | 627 | +7,294% |
| Segment Profit | ▲10 | 8 | — |

・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.

# Meeting people makes Everybody's dream come true



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