

## Yumeshin Holdings Co. Ltd.(2362 JT)

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12 August 2020

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### Yumeshin Holdings Co. Ltd. (2362 JT) And The Booming Opportunity in IT Engineers in Japan

- METI estimate that by 2030 in Japan there will be a shortage of roughly 790,000 IT engineers
- Structural job offers in the IT sector are rising: the job offer to applicant ratio in the IT and communication sector has risen from 6.17 X in 2010 to 10.83 X in 2019 and continues to rise
- Migration of both private companies and public entities to the Public Cloud is accelerating rapidly: IDC see a 2019-2024 CAGR of 18.7% for the Public Cloud in Japan, with the overall market growing 2.4X to Y2.0T. Companies are increasing their focus on the need to migrate in-house systems to the Cloud
- Yumeshin Holdings operates in the Engineer Temp Staff dispatch business and, in line with its mid-term plan announced in September 2017, the company is transforming its overall revenue structure away from its focus on the Japanese construction sector, towards the fastest growing areas of the IT industry
- The company will hire and train 1000 Salesforce.com engineers and 1000 AWS engineers for dispatch in its Engineer Temp Staff Dispatch business. There are currently 3638 engineers working in this division
- The COVID 19 impact is accelerating the shift towards cloud-based business systems and supports the company's new positioning towards cloud-based business engineer dispatch
- The Company's unique in-house training programs enable them to produce qualified engineers for the market in 2 weeks for the construction sector and 1-2 months for the IT sector, while paying a salary
- Yumeshin Holding's high proportion of younger staff in the construction related temp dispatch business will support the company's profitability for longer, and as industry retirement rates increase, along with enhanced staff retention rates, Yumeshin will be able to exploit a positive pricing environment

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12 August 2020

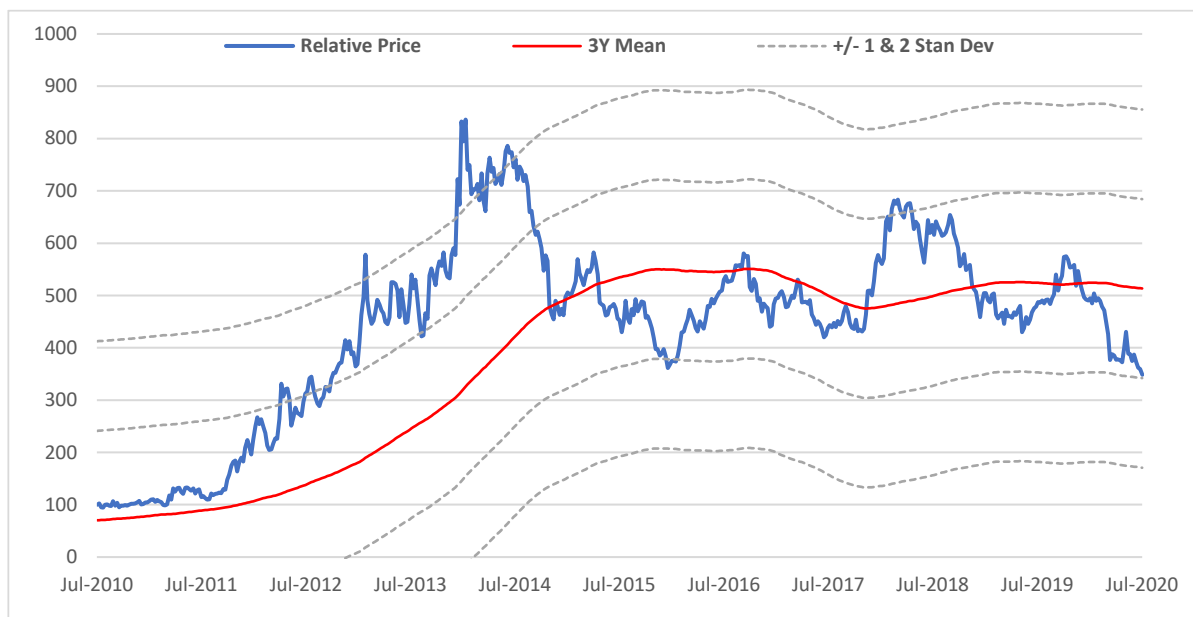
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### Investment Points

#### Growth Drivers

- A pivot towards SaaS: The company is launching a major initiative to hire and train 1000 employees as Salesforce.com dispatch engineers and 1000 AWS (Amazon Web Service) dispatch engineers by FY2022. The Engineer Temp Staffing business currently has 3638 engineers
- Training periods will be from 1.5-2.0 months and conducted in-house
- Yumeshin Holdings are targeting Y12-15B in annual sales for this new business that will sit within the Engineer Temp Staffing Segment, Gross Profit of Y4B and Operating Profit of Y1.5-2.0B
- In the last fiscal year Revenue in the Engineer Temp Staffing Segment was Y15.39B and Operating Profit Y133M
- The company is already certified as both a Salesforce.com consulting partner and an AWS Partner Network (APNs) Select Consulting Partner
- A stated intention to pay Y35 per share annual dividends through FY 09/2020

#### The Equity Price Relative to TPX index



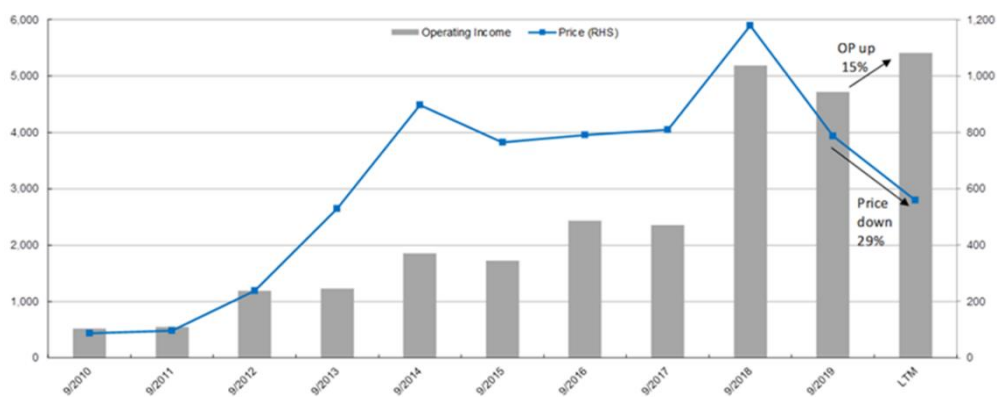
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### Operating Profit and the Equity Price

Operating profit is on a rising trend. Share price is falling.



LTM=Latest Twelve Months

### Competition and valuations

Ticker	Name	Market Cap (USD mn)	6m Avg Dail Volume (USD mn)	P/B Trail x	P/E Trail x	P/E Curr x	EV/ EBITDA Trail x	ROE %	Net D/E %	OPM Trail %
2362 JT equity	Yumeshin Holdings Co Lt	413	2.7	3.6	18.1	10.9	6.8	18.3	0.7	9.3
6028 JT equity	TechnoPro Holdings Inc	1,987	15.0	4.6	18.9	20.4	10.3	25.4	Net Cash	10.0
4848 JT equity	FULLCAST Holdings Co Lt	507	4.3	3.4	11.2	12.0	4.7	33.0	Net Cash	16.3
7088 JT equity	Forum Engineering Inc	192	2.1	1.6	9.6	n.a.	1.4	16.6	Net Cash	12.7
9744 JT equity	Meitec Corp	1,397	5.6	3.2	15.8	17.3	5.3	21.0	Net Cash	12.8
4641 JT equity	Altech Corp	424	1.4	3.5	13.6	14.2	5.5	26.6	Net Cash	11.2
3697 JT equity	SHIFT Inc	1,604	20.5	18.2	114.4	106.8	35.6	24.1	Net Cash	9.5
2146 JT equity	UT Group Co Ltd	934	18.2	6.7	22.3	36.2	4.1	32.5	Net Cash	7.9
3915 JT equity	TerraSky Co Ltd	319	13.4	3.8	38.2	n.a.	28.2	14.7	Net Cash	7.8
4434 JT equity	Serverworks Co Ltd	606	13.4	21.0	190.9	n.a.	75.8	14.0	Net Cash	6.1

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### **Strengths**

#### **Yumeshin Holdings Strengths:**

- As of September 2019, Yumeshin Holdings employed 10,499 staff with an average age of 31 years
- A unique ability to continuously train both construction industry and IT technicians in-house
- Group wide initiatives that enhance staff satisfaction and retention
- As more engineers gain greater experience, knowledge is shared with other colleagues within the company and across divisions
- A proven track record in focused M&A-driven expansion

#### **Construction Technician Temporary Staffing Segment Strengths:**

- Overwhelmingly No.1 in the construction engineer dispatching industry with 6000 engineers
- A young and dynamic workforce with 70% of engineers in their 20s, playing directly into the young engineer dispatch market, a market pioneered by the company
- Low customer concentration reducing potential revenue volatility

#### **Engineer Temporary Staffing Segment Strengths:**

- A proven track record in training inexperienced young Japanese people into dynamic value adding IT assets
- Yumeshin's excellent in-house training programs are designed to rapidly build a large-scale in-house competence in new growth areas such as AWS and Salesforce.com. After 2 months training, new recruits have acquired skills in Java, Python and C

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### The Yumeshin Holdings Senior Management Team

#### President Mr. Daio Sato



After spending time at Nomura Real Estate Development from 2006, in 2010 Mr. Sato joined Yumeshin Holdings and became Director and President in 2015.

A devoted family man with 6 children, Mr. Sato works 60 hour weeks and has key input with management on all aspects of strategy and implementation, holding regular weekly feedback meetings with all key team leaders.

#### Managing Director Mr. Yusaku Soeda

Mr. Soeda has former experience as a consultant at a major global consulting company, and he also worked overseas in both CEO and COO positions.

Since joining the company in 2017, Mr. Soeda has been mainly engaged in business planning.

He plays an important role in helping improve efficiency in company operations as they enter a new growth phase.

#### Director Mr. Kenjirou Ogawa

Mr. Ogawa Joined Yumeshin in 1995 and is their longest serving officer starting as a salesman in the days when the company began dispatching construction engineers.

As a sales manager, he has supported the launch of many regional bases and has played a pivotal role in building the current nationwide network of the company.

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### **Director Mr. Yoshiyasu Fujii**

Mr. Fujii is qualified as a certified public accountant and has both major corporation and auditor experience.

Since joining the company in 2018 has worked mainly in the financial accounting areas of the business.

Mr. Fujii helps to maintain the overall financial soundness of the business while playing an important role in capital policy and structure.

With the number of group companies increasing through M&A, Mr. Fujii is working towards the financial integration of the group.

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### Current Mid Term Plan

- At the end of September 2018 Yumeshin Holdings introduced their new Mid Term Plan through FY 09/2021

### Firm Wide Financial Targets:

JPY M	FY09/2018	YoY %	FY09/2019	YoY %	FY09/2020E	YoY %	FY09/2021E	YoY %
Revenue	40,419	33%	52,505	30%	63,000	20%	76,200	21%
Operating Profit	5,186	120%	4,720	-9%	8,000	69%	10,000	25%
Net Profit	3,636	155%	2,504	-31%	5,400	116%	6,800	26%
Net Profit Margin	9.0%		4.8%		8.6%		8.9%	

### Segment Financial Targets:

Engineer Temp Staffing	FY09/2018	YoY %	FY09/2019	YoY %	FY09/2020E	YoY %	FY09/2021E	YoY %
New Hires	1,118		1,748	56%	1,350	-23%	2,200	63%
Total Staff Numbers	2,414		3,640	51%	4,000	10%	5,500	38%
Revenue	10,379	41%	15,391	48%	20,800	35%	25,000	20%
Operating Profit	465	166%	133	-71%	1,200	802%	2,000	67%

Construction Temp Staffing	FY09/2018	YoY %	FY09/2019	YoY %	FY09/2020E	YoY %	FY09/2021E	YoY %
New Hires	2,764		3,289	19%	2,900	-12%	3,000	3%
Total Staff Numbers	5,066		6,099	20%	6,800	11%	7,800	15%
Revenue	29,609	31%	35,890	21%	41,100	15%	50,000	22%
Operating Profit	5,388	87%	5,904	10%	7,500	27%	8,000	7%

### Operating Profit Margins:

OP Margins	FY09/2018	YoY Δ	FY09/2019	YoY Δ	FY09/2020E	YoY Δ	FY09/2021E	YoY Δ
Yumeshin	12.8%	5.1%	9.0%	-3.8%	12.7%	3.7%	13.1%	0.4%
Engineering Temp	4.5%	2.1%	0.9%	-3.6%	5.8%	4.9%	8.0%	2.2%
Construction Temp	18.2%	5.5%	16.5%	-1.7%	18.2%	1.7%	16.0%	-2.2%

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### Latest Company Results

On 7<sup>th</sup> August 2020, the company announced Q3 FY 09/2020 results

- Revenue Y44.19B +17% YoY
- OP Y4.66B +23.5% YoY
- RP Y4.79B +27.2% YoY
- NP Y2.55B +1.7% YoY

The company left revenue and profits estimates for FY 09/2020 unchanged

- Revenue Y58->60B +10.4% YoY (the previous estimate was Y63B)
- OP Y5.8->6.6B +22.9% YoY(the previous estimate was Y8.0B)
- NP Y3.7-4.2B +47.7% YoY (the previous estimate was Y5.4B)

Please note to arrive at YoY % we assume the low end of the company estimated range

### From the Japanese Tanshin:

“During the third quarter Covid-19 continued to impact the overall economy and the company temporarily focused on reducing hiring, leading to a rise in average overall dispatch rates. In addition, we also actively controlled expenses, while our newly consolidated subsidiary also made a positive impact on sales”

### Construction Engineer Temporary Staffing Segment

- Revenue Y29.06B +10.2% YoY
- OP Y5.07B +18.0% YoY

At the end of the period, the total number of engineers in the division was 5,638 down 447 compared to the same period last year

“Long term trends such as the ageing workforce and a shortage of younger staff continue to support overall demand for dispatched construction workers. In the third quarter, despite the impact of COVID-19, which is causing increased uncertainty, slowing the decision making process on new projects, demand for dispatched construction workers remained firm, especially in the regional cities outside Tokyo, where the impact of the disease is less severe.

The Group has revised down its hiring plans for this fiscal year in the division, from the previous year end target of 2300 to 1650, and reflecting this change the total number of new hires year to date in the division is 1514 versus 2688 during the same period last year.



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In addition, strict expense controls leading to an overall decline of 8.3% year on year in SG&A , together with higher average dispatch rates also supported profitability in the division”

### Engineer Temporary Staffing Segment

- Rev Y14.38B +28.2% YoY
- OP Y636M +110.6% YoY

“At the end of the period, the total number of engineers in the division was 3,568 up 174 compared to the same period last year

Recovery in demand for dispatched engineers in this business has been quicker than in the construction engineer dispatch business and remains robust. In particular, in the manufacturing industry, where capital investment in labor-saving and automation is brisk, and in the IT industry, where technological advances are accelerating. Demand from the semiconductor industry is particularly firm.

A cumulative number of 861 new engineers were hired during this period compared to 1290 during the same period last year. In addition, expense controls led to an improvement of 2.3% in SG&A and higher dispatch and operating rates also supported profitability”

## The Macro Outlook for Company Target Markets:

### The Japanese Construction Market

**Opportunity:** Key Structural Drivers of Growth for Yumeshin Holdings Construction Technician Temporary Staffing Segment

- 1. A historical structural decline in the overall number of construction workers in Japan:** Yumeshin Holdings estimate that the total number of Construction Workers in Japan has declined from a peak in 1997 of 6.85M to 2018 5.03M with the specialist construction engineer sub sector population declining from 430K to 330K over the same period.
- 2. The trend is seen accelerating in the future:** the company see an ongoing decline in the number of construction engineers with the number of construction engineers falling to just 230K by 2027.
- 3. Increased hiring of temp staff:** Because General contractors and smaller construction specialist companies are faced with overall slowing demand and the need for more efficient balance sheets, they are increasingly outsourcing worker demand and hiring temporary staff. Overall sourcing of temporary staff in the construction industry has risen by some 30% over the last 10 years and will continue as project uncertainty and timing increases.

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4. **A structural ageing of the overall construction worker population in Japan:** Company data show that 1 in 3 construction workers in Japan is over 55, and while experience matters, in a dangerous and physically demanding working environment, fit and capable workers will trade at an increasing premium, as retirement of older workers inevitably accelerates.

The Japanese annual construction market peaked in late 1992 with an overall value of JPY84T falling to a low of Y41T in 2010.

**There are a number of well-known structural positives:** following the 2011 Tohoku Earthquake and tsunami, construction spending had been increasing annually, driven by factors such as-

1. Reconstruction
2. Rural to urban depopulation
3. Influx of foreign labour
4. Higher building standards
5. Preparation for major events such as the Olympics 2020 and Osaka World Expo 2025
6. Major national infrastructure projects such as The Japan National Maglev project, scheduled to open in 2027, the extension of both the Hokuriku and Hokkaido Shinkansen and the proposed introduction of Integrated Resorts and Casinos

### **Olympic uncertainty casts a shadow**

Most major construction projects had already been completed ahead of the scheduled Olympics 2020, and a delay to 2021 would simply mean a resumption of any unfinished or mothballed projects.

However, a cancellation would mean a short-term negative impact for the outlook for overall domestic demand with the accompanying economic uncertainty leading to at least a temporary slowdown in the construction market.

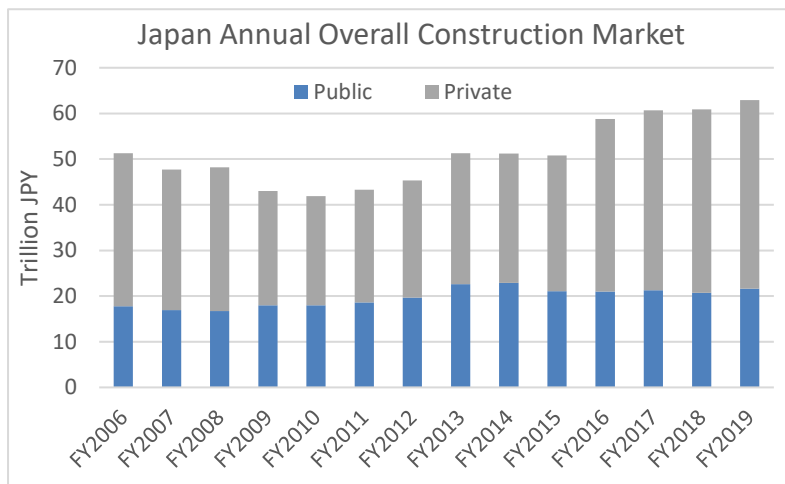
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### The outlook remains overall positive

The ongoing growth in infrastructure spending and demographic changes, remain supportive of an overall positive outlook for the industry. This is particularly the case in the greater Kanto area, where the company has its strategic focus.



### The Japanese IT Market

**Opportunity:** Key Structural Drivers of Growth For Yumeshin Holdings Engineer Temporary Staffing Segment

- 1. A structural shortfall of engineers:** METI estimate in Japan that by 2030 there will be a shortage of roughly 790,000 IT engineers.
- 2. Structural job offers in the IT sector are rising:** the job offer to applicant ratio in the IT and communication sector has risen from 6.17 X in 2010 to 10.83 X in 2019.
- 3. Migration of both private companies and public entities to the cloud is accelerating rapidly:** AWS with 42% of the market and Salesforce.com with 30% of the market globally are the dominant new applications in Japan.
- 4. IDC see a 2019-2024 CAGR of 18.7% for the Public Cloud in Japan** with the overall market for cloud-based applications growing 2.4X to Y2.0T. Companies are increasing their focus on the need to migrate in-house systems to the Cloud.

**R&D expenditure in Japan only regained its 2008 highs in 2017:** In FY 2008 at the time of the Lehman Shock, Annual R&D spending in Japan peaked at JPY18.9T. It was FY2017 before new highs of JPY 19T were once again recorded.

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**Overall IT Growth is accelerating again driven by long-term structural factors:**

- **System upgrades are essential:** the need for basic upgrades of aging systems in response to consumption tax increases and the end of support for Windows Server 2008.
- **New business models are gaining traction:** cashless payment systems, virtual and mobile banking, multiple cloud-based applications, together with overall accelerating penetration rates of E-commerce are all pressuring companies to intensify their focus on the IT budget.

This trend is seen continuing with IT investment is expected to continue increasing to a level of JPY27.4T by 2021.

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### The Business

**50 years of corporate history:** Yumeshin Holdings Company Ltd. was founded in 1970 as Sato Construction Design Limited by Mr. Shingo Sato. Mr. Sato, formerly the company Chairman and Representative Director, retired in December 2019 to become Director.

His son, Daio Sato, the current company President and Representative Director, joined the company in 2010 and became Director in 2015.

Yumeshin Holdings was originally listed on the Osaka Stock Exchange in 2003 and moved to JASDAQ in 2013.

**A core construction industry design business focus:** the original business focus was architectural, featuring structural design and drawing services. Over time, the company established overseas subsidiaries in Vietnam and China to carry out some of the drawing and design functions, helping to control costs.

**Shifting to a focus on construction and IT industry related staffing:** the company began its construction industry-focused staffing business in 1990, then through the 2011 acquisition of Fullcast Technology Co. Ltd entered the engineering staffing business, renaming the newly acquired business Yume Technology Co. Ltd.

**A new mid-term plan was announced in September 2018:** covering the period FY09/2019 through FY09/2021 and targeting FY09/2021 revenue of Y76.2B.

**In May 2019 announced a move to a holding company and IFRS accounting:** this has improved transparency, clarified the decision-making process and enabled more efficient asset allocation within the group.

**Changes to business segments:** the IT business network equipment sales and leasing businesses were transferred from the “Others” business to the “Engineer Temporary Staffing” business. The company now has 3 business segments.

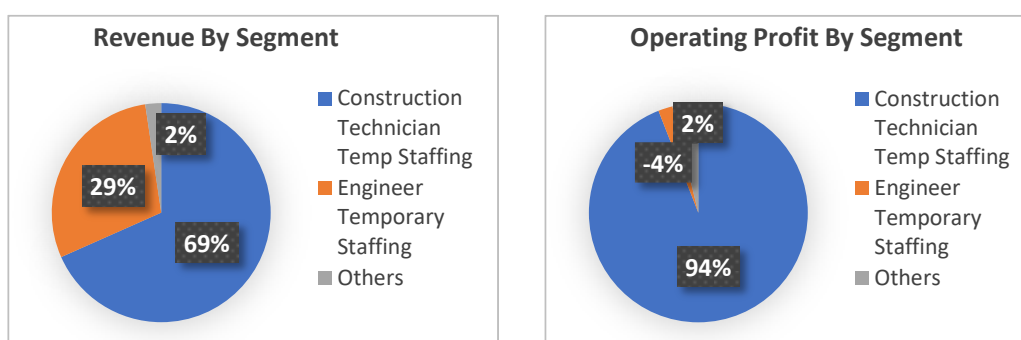
- The Construction Technician Temporary Staffing Segment: the main business segment
- The Engineer Temporary Staffing Business Segment: the focus for future strategic growth
- The Others Segment: where the company carries out recruitment and education businesses

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### Revenue and Operating Profit Contribution by Segment as of FY 09/2020



### Historical and Forecast Consolidated Revenue and Profit YoY%

The company revised its forecasts for FY 09/2020 in May of this year and currently indicates ranges as below

Unit JPYM	Company Estimate															
	FY09/2013	YoY%	FY09/2014	YoY%	FY09/2015	YoY%	FY09/2016	YoY%	FY09/2017	YoY%	FY09/2018	YoY%	FY09/2019	YoY%	FY09/2020E	YoY%
Revenue	12,538	14%	16,482	31%	21,116	28%	23,271	10%	30,510	31%	40,419	32%	52,505	30%	58000-60000	10%
Operating Profit	1,230	3%	1,857	51%	1,727	-7%	2,433	41%	2,362	-3%	5,186	120%	4,720	-9%	5800-6600	23%
Recurring Profit	1,771	37%	2,952	67%	1,960	-34%	2,463	26%	2,424	-2%	4,941	104%	4,558	-8%	n.a.	
Net Profit	1,389	88%	2,246	62%	1,882	-16%	1,623	-14%	1,426	-12%	3,636	155%	2,504	-31%	3700-4200	48%

### Historical Consolidated Margins

Consolidated Margins	FY09/2013	FY09/2014	FY09/2015	FY09/2016	FY09/2017	FY09/2018	FY09/2019	FY09/2020E
Operating Margin %	9.81	11.27	8.18	10.46	7.74	12.83	8.99	10.00
Recurring Margin%	14.13	17.91	9.28	10.58	7.94	12.22	8.68	N/A
Net Margin %	11.08	13.63	8.91	6.97	4.67	9.00	4.77	6.40

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### Construction Technician Temporary Staffing Segment

- Yumeshin Holdings have 15% market share in this segment which is more than twice the second biggest player
- Dispatched staff contribute to upstream and downstream areas in the customer value chain

#### Competition and market positioning

**A fragmented market:** The market for temporary staffing services in the Japan Construction Sector is highly fragmented with more than 100 players. The business relies very much on reputation and long-term relationships which favours Yumeshin, with its long track record dating back to 1970, and also its stock market listing.

**Yumeshin has top market share:** The company market share stands at 15%, more than twice the level of their nearest competitor, while the top 5 companies in the segment account for around 45% of the market.

**Major direct competitors:** number 2 by market share is Technopro Construction, a subsidiary of Technopro (6028 JT) who have 2870 engineers and Tekken Kosan a subsidiary of Tekken Corp (1815 JT).

Other peers in the industry include staffing subsidiaries of major contractors such as Taisei (1801 JT) and Kajima (1812 JT).

**A long history in core areas:** The company has its history in drawing and blue-print production for the construction segment. These functions together with those of CAD design and on-site supervision comprise the main areas of business operation in this segment.

#### Employees

**More staff than the competition:** In March this year, the company had 6040 staff which it dispatches to work on projects at its customer worksites.

**And younger as well:** over the previous 5 years against the background of the structural ageing of the existing construction workforce in Japan, where more than 45% of all employees are in their 50s, the company has been actively hiring young and inexperienced entrants as trainees into the division.

**60% of staff in this division are in their 20s and 30% in their 30s:** despite the shrinking overall market for construction in Japan, this strategy leaves the company very well placed to take a higher share of dispatched workers in the segment as worker numbers inevitably decline due to retirement

The work in the industry is after all physically demanding, and Yumeshin's younger and fitter labour force should be very much in demand in the future, despite the overall slowdown in construction spending.



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An excellent position - While the company may face rising acquisition and staff retention costs, the overall industry should see a sustainable rise in average dispatch rates.

### New recruits and training

**On the job training programs:** new recruits, some with no relevant experience are given an intense 2 week, 10 hour per day training program in Yumeshin's in house training facility. They are then dispatched to customers as supervisors and for on the job training.

Initial hourly dispatch rates are 20% lower than industry dispatch rates, but these catch up in time and engineers typically break-even after 6 months.

**Supervisors are the key:** thanks to its communication training program, Yumeshin is able to dispatch its newly trained staff mainly as supervisors to its customers, carrying out co-ordination work such as organizing teams, resources and even such roles as the morning exercise regime.

**Break-even after 6 months:** 30% of new recruits leave after 1 year, and the company estimates that breakeven on new hiring is after 6 months. Clearly staff retention is key for the company.

### Staff satisfaction and retention programs

In April of this year, the company invested in a new, 6-member career development and retention division, which helps dissatisfied staff by offering career planning and development.

According to members of this new division, who we met with, the dispatch model to many different corporate cultures means that staff sometimes feel a sense of alienation from Yumeshin. This is described as "feeling like a grain of rice".

These new initiatives will help alleviate these problems and higher retention rates will lead longer term to higher margins.

The new program is already showing results with an increase in retention rates and success in dissuading staff from leaving early after the first year.

### The Dispatch Model

**Off the customer balance sheet, a global trend:** Before dispatching a worker Yumeshin Holdings signs a worker staffing agreement with the client and then sends its own full-time employees to perform the job at client sites. The client directs the staff on a day to day basis and uses the staff as needed.

This trend to "balance sheet reduction" is seen in many industries globally for example with EMS growing now in Vietnam and the outsourcing of R&D in major drug companies.

### Sales Growth Drivers in this business

The key drivers of sales in the segment are the number of staff dispatched, utilization rates, hours dispatched, and hourly billing rates. The majority of cost of sales is labor costs in this division.



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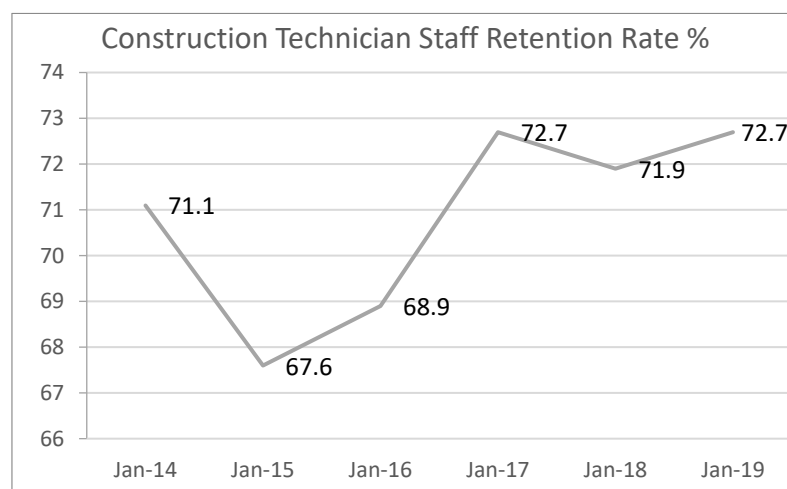
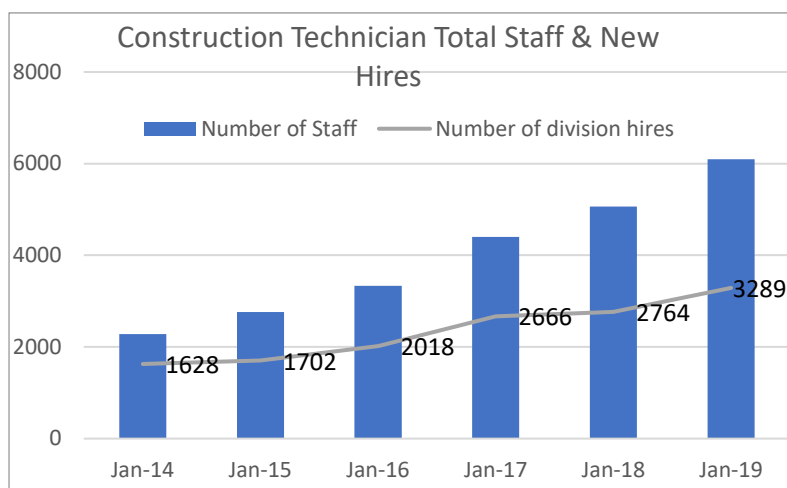
### Regular disclosure of Key metrics

**The overall utilization rate:** Q2 FY 09/2020 the company maintained at 93.6% up 0.6% versus the same period in the previous fiscal year

**Average hourly wages:** Y3064 in March 2020 versus Y2977 in the same quarter of last year.

**Average number of hours worked per day:** 9.60 hours per day in March 2020.

### Historical Key Metrics in the Construction Technician Temporary Staffing Segment

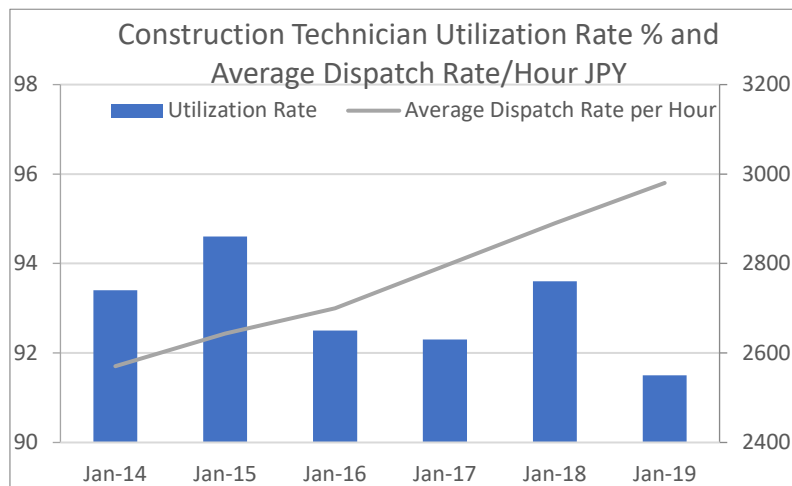


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### Utilization Rates and Hourly Dispatch Rates



### Customers and Concentration

As of FY09/2019, Yumeshin Holdings had more than 1830 clients in total with the largest by contribution being the general contractors, Daiwa House, Taisei, Shimizu, Takenaka and Nippo.

The ranking of customers changes in line with successful contract wins in the market.

Overall customer concentration in terms of revenue has been declining at around 1% per year as the business grows in scale and penetration. Top 10 customers currently contribute around 20% of Revenue in the Segment and Top 5, 14.8%.

### Segment Top 5 Customers by % Revenue as of FY 09/2019

Rank	Customer	% Sales
1	Daiwa House Industry	4.6
2	Taisei Construction	3.8
3	Shimizu Construction	2.9
4	Shinryo Corporation	2.1
5	Kinden	1.4

## Yumeshin Holdings Co. Ltd.(2362 JT)

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### Engineer Temporary Staffing Segment

Fullcast Technology Co Ltd., was acquired by Yumeshin Holdings in FY09/2011 and became the consolidated subsidiary Yume Technology Co Ltd in January 2019. Yume Technology Co Ltd., operate the business of this segment

As of FY09/2019 the company had a total of 3640 staff engineers in this division

**The Dispatch model-off the balance sheet** Similar to the Construction Technician Temporary Staffing Segment Yumeshin Holdings signs a worker staffing agreement with the client and then sends its own employees to perform the job at client sites. The client directs the staff on a day to day basis and uses the staff as needed.

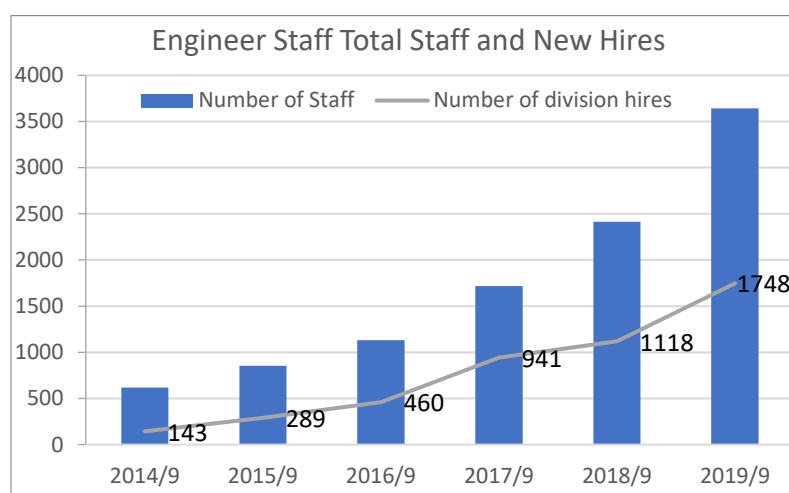
In this division the company mainly dispatches more experienced staff to IT and manufacturing companies depending on the customer project execution needs.

**Experienced Engineers** While the company has an overall younger workforce of Engineers relative to its competitors, in this division Yume Technology mainly dispatches more experienced engineers, that work in design, testing, and maintenance/technical support.

#### Sales Growth Drivers in this Segment

Similar to the Construction Technician Temporary Staffing business, the key drivers of sales are the number of staff dispatched, utilization rates, hours worked and billing rates.

#### Total Annual Staffing Numbers and New Hires

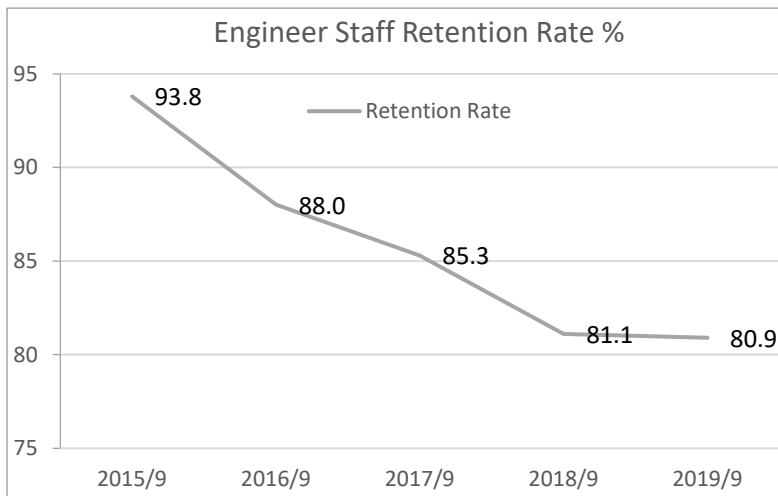


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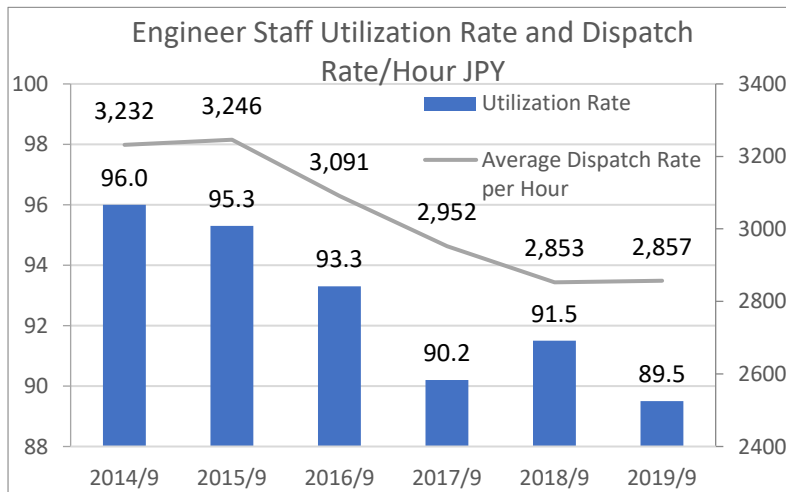
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### Retention Rate of Employees



### Utilization Rate and Average Dispatch Rate/Hour



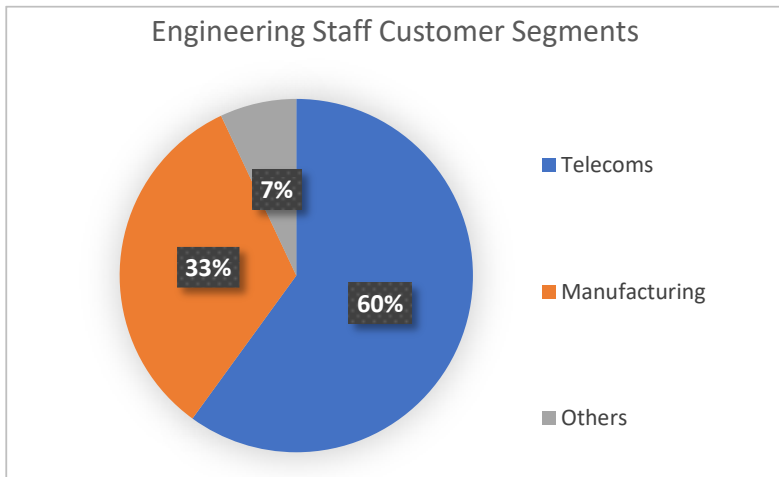
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### Segment Customers by End User Industries

Engineers dispatched to telecoms related companies tend to work on the infrastructure and applications development side of the end user businesses, while in the manufacturing space, the focus is more on the testing and design functions.



### Customers and Concentration

Segment Top 5 Customers by % Revenue as of FY 09/2019

Rank	Customer	% Sales
1	Nissan Motor	2.2
2	Hitachi Systems Engineering Service	2.0
3	Tokyo Electron Technology Solutions	1.7
4	Toppan Forms Solutions	1.7
5	Yokogawa Solutions Service	1.7





## Yumeshin Holdings Co. Ltd.(2362 JT)

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Cash Flow Statement															
	2012-09-30	2013-09-30	2014-09-30	2015-09-30	2016-09-30	2017-09-30	2018-09-30	2019-09-30	1Q20	2Q20	3Q20	4Q20	2020-09-30	2021-09-30	2022-09-30
<b>Operating Activities</b>															
Net Income before Extraordinaries	738.7	1,388.5	2,246.0	1,881.7	1,623.0	1,426.1	3,635.7	2,504.1	728.8	893.1	927.8	-	3,856.9	4,802.7	5,933.7
Depreciation & Amortization	167.8	162.1	164.8	212.3	222.9	338.5	313.8	579.6	181.9	193.5	-	-	878.5	1,101.2	1,368.5
Deferred Taxes	-	-	-	-	-	-	-	-	-	-	-	-	1,161.2	-	-
Non-Cash Items	436.2	(533.8)	(164.9)	(820.5)	(354.3)	652.3	905.6	588.3	-	-	-	-	214.6	-	-
Changes in Working Capital	(278.3)	(223.1)	(586.8)	(560.9)	(765.2)	(881.1)	(925.6)	(912.7)	-	-	-	-	1,496.5	(1,727.2)	(2,072.6)
<b>Net Operating Cash Flow</b>	<b>1,064.4</b>	<b>793.6</b>	<b>1,659.1</b>	<b>712.6</b>	<b>726.4</b>	<b>1,536.8</b>	<b>3,929.5</b>	<b>2,759.3</b>	-	-	-	-	<b>7,607.7</b>	<b>4,176.7</b>	<b>5,229.5</b>
<b>Investing Activities</b>															
Capital Expenditures	(5.7)	(40.2)	(887.5)	(392.8)	(473.8)	(144.4)	(116.0)	(436.1)	-	-	-	-	(501.5)	(601.8)	(722.1)
Capex % of Sales	0.1%	0.3%	5.4%	1.9%	2.0%	0.5%	0.3%	0.8%	-	-	-	-	0.8%	0.8%	0.8%
Acquisition/Sale of Business	-	-	-	-	(103.4)	-	-	-	-	-	-	-	-	-	-
Sale of Fixed Assets	0.0	-	362.0	-	-	473.1	145.6	267.6	-	-	-	-	-	-	-
Purchase/Sale of Investments	(518.3)	(116.0)	979.1	(722.8)	102.9	672.0	(180.8)	(3,291.8)	-	-	-	-	558.4	-	-
Other Investing Activities	726.3	336.7	166.4	1,015.1	(624.6)	(583.5)	566.3	(939.4)	-	-	-	-	134.2	-	-
<b>Net Investing Cash Flow</b>	<b>202.3</b>	<b>180.6</b>	<b>620.1</b>	<b>(100.5)</b>	<b>(1,098.9)</b>	<b>417.2</b>	<b>415.2</b>	<b>(4,399.7)</b>	-	-	-	-	<b>191.1</b>	<b>(601.8)</b>	<b>(722.1)</b>
<b>Financing Activities</b>															
Cash Dividends Paid	(147.3)	(326.2)	(1,720.4)	(2,288.6)	(2,791.8)	(2,423.7)	(2,614.9)	(2,665.9)	-	-	-	-	(2,540.3)	(2,762.1)	(2,948.6)
Sale/Repurchase of Stock, Net	(19.9)	1,831.0	1,875.0	6,555.7	-	-	-	(2,001.5)	-	-	-	-	(2,000.0)	(2,000.0)	(2,000.0)
<b>Net Financing Cash Flow</b>	<b>(182.1)</b>	<b>697.9</b>	<b>(735.9)</b>	<b>5,272.4</b>	<b>(2,259.6)</b>	<b>(2,022.4)</b>	<b>(1,592.2)</b>	<b>49.3</b>	-	-	-	-	<b>(4,491.3)</b>	<b>(4,762.1)</b>	<b>(4,948.6)</b>
<b>Net Change in Cash</b>	<b>1,114.6</b>	<b>1,572.2</b>	<b>1,543.3</b>	<b>5,884.5</b>	<b>(2,632.1)</b>	<b>(69.4)</b>	<b>2,752.5</b>	<b>(1,591.1)</b>	-	-	-	-	<b>3,307.5</b>	<b>(1,187.2)</b>	<b>(441.3)</b>
<b>Cash - Beginning Balance</b>	<b>1,534.7</b>	<b>2,649.4</b>	<b>4,221.6</b>	<b>5,764.9</b>	<b>11,649.4</b>	<b>9,017.3</b>	<b>8,947.9</b>	<b>11,700.4</b>	-	-	-	-	<b>9,607.7</b>	<b>12,915.2</b>	<b>11,728.0</b>
<b>Cash - Ending Balance</b>	<b>2,649.4</b>	<b>4,221.6</b>	<b>5,764.9</b>	<b>11,649.4</b>	<b>9,017.3</b>	<b>8,947.9</b>	<b>11,700.4</b>	<b>10,109.3</b>	-	-	-	-	<b>12,915.2</b>	<b>11,728.0</b>	<b>11,286.8</b>

Balance Sheet															
	2012-09-30	2013-09-30	2014-09-30	2015-09-30	2016-09-30	2017-09-30	2018-09-30	2019-09-30	1Q20	2Q20	3Q20	4Q20	2020-09-30	2021-09-30	2022-09-30
<b>Assets</b>															
Cash & Short Term Investments	2,564.7	4,262.3	5,755.1	11,460.3	8,723.7	8,555.5	11,300.8	9,607.7	10,853.6	11,472.0	13,465.9	-	12,915.2	11,728.0	11,286.8
Total Accounts Receivable	1,541.7	1,837.9	2,492.3	2,725.9	3,620.7	4,832.7	5,965.2	7,582.5	7,709.1	8,289.2	7,718.4	-	8,719.8	10,463.8	12,556.5
Inventories	1.2	0.8	1.0	0.7	0.9	0.6	0.9	57.2	47.2	46.0	63.5	-	65.8	79.0	94.8
Other Current Assets	576.0	356.4	607.4	1,023.1	988.5	1,450.5	1,255.8	1,615.7	1,203.6	2,097.8	1,784.4	-	1,784.4	1,784.4	1,784.4
<b>Total Current Assets</b>	<b>4,683.6</b>	<b>6,457.5</b>	<b>8,855.8</b>	<b>15,209.9</b>	<b>13,333.7</b>	<b>14,839.3</b>	<b>18,522.7</b>	<b>18,863.0</b>	<b>19,813.5</b>	<b>21,905.0</b>	<b>23,032.2</b>	-	<b>23,485.3</b>	<b>24,055.2</b>	<b>25,722.5</b>
Property, Plant & Equipment - Gross	1,666.0	1,752.4	1,081.4	1,128.3	1,599.2	1,324.2	1,260.2	1,872.0	-	-	-	-	2,373.5	2,975.3	3,697.5
Accumulated Depreciation	253.9	287.2	270.5	188.0	246.6	243.7	322.0	610.8	-	-	-	-	1,489.3	2,590.5	3,958.9
Property, Plant & Equipment - Net	1,412.2	1,465.2	810.9	940.3	1,352.6	1,080.5	938.3	1,261.2	1,424.8	1,414.0	1,385.1	-	884.3	384.9	2,615.0
Net Goodwill	628.4	515.8	390.7	309.0	1,175.2	899.0	610.0	3,615.2	3,520.8	2,986.2	3,240.1	-	3,240.1	3,240.1	3,240.1
Net Intangibles	37.8	37.2	25.3	39.2	45.6	160.8	134.2	903.5	907.7	914.9	1,064.0	-	1,064.0	1,064.0	1,064.0
Long Term Investments	736.7	1,253.6	2,146.3	2,530.1	2,453.9	1,807.9	1,748.9	1,707.3	1,792.3	1,436.7	1,148.9	-	1,148.9	1,148.9	1,148.9
Other Assets	171.1	186.3	577.1	769.0	756.8	1,673.5	1,617.3	2,513.3	2,138.0	2,266.5	2,379.1	-	2,379.1	2,379.1	2,379.1
<b>Total Assets</b>	<b>7,669.8</b>	<b>9,915.6</b>	<b>12,806.0</b>	<b>19,797.5</b>	<b>19,117.8</b>	<b>20,461.0</b>	<b>23,571.4</b>	<b>28,863.5</b>	<b>29,597.1</b>	<b>30,923.4</b>	<b>32,249.4</b>	-	<b>32,201.6</b>	<b>32,272.2</b>	<b>33,293.2</b>
<b>Liabilities &amp; Shareholders' Equity</b>															
Total Short Term Debt	1,839.6	855.9	873.4	1,119.3	902.4	1,738.6	1,313.6	4,463.9	3,401.7	3,077.2	3,028.8	-	3,028.8	3,028.8	3,028.8
Accounts Payable	14.1	9.4	11.6	8.5	11.1	25.1	9.2	130.0	76.6	95.3	198.5	-	149.6	179.6	215.5
Income Tax Payable	442.5	377.6	879.8	652.8	252.3	653.9	1,082.3	724.9	574.4	1,381.3	1,886.1	-	1,886.1	1,886.1	1,886.1
Other Current Liabilities	1,105.9	1,212.4	1,827.7	2,250.7	2,385.7	3,430.6	4,241.5	5,658.4	5,895.0	6,835.6	8,450.0	-	8,450.0	8,450.0	8,450.0
<b>Total Current Liabilities</b>	<b>3,402.1</b>	<b>2,455.4</b>	<b>3,592.5</b>	<b>4,031.3</b>	<b>3,551.5</b>	<b>5,848.2</b>	<b>6,646.6</b>	<b>10,977.1</b>	<b>9,947.7</b>	<b>11,389.3</b>	<b>13,563.4</b>	-	<b>13,514.5</b>	<b>13,544.5</b>	<b>13,580.4</b>
Total Long Term Debt	1,553.7	1,690.5	920.9	1,250.0	1,664.7	1,060.4	2,548.2	5,225.7	7,711.6	6,983.5	6,640.7	-	6,640.7	6,640.7	6,640.7
Deferred Income Tax	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other Liabilities	378.4	391.7	386.1	399.2	390.1	472.1	404.1	740.1	747.8	745.1	809.0	-	809.0	809.0	809.0
<b>Total Liabilities</b>	<b>5,334.1</b>	<b>4,537.5</b>	<b>4,899.5</b>	<b>5,680.6</b>	<b>5,606.2</b>	<b>7,380.7</b>	<b>9,598.9</b>	<b>16,942.8</b>	<b>18,407.1</b>	<b>19,117.8</b>	<b>21,013.1</b>	-	<b>20,964.3</b>	<b>20,994.2</b>	<b>21,030.1</b>
Preferred Stock	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Common Equity	2,109.0	5,001.8	7,388.2	13,574.8	12,665.0	12,054.0	12,944.6	11,902.9	11,165.6	11,774.4	11,202.5	-	11,219.6	11,260.2	12,243.3
<b>Total Shareholders' Equity</b>	<b>2,109.0</b>	<b>5,001.8</b>	<b>7,388.2</b>	<b>13,574.8</b>	<b>12,665.0</b>	<b>12,054.0</b>	<b>12,944.6</b>	<b>11,902.9</b>	<b>11,165.6</b>	<b>11,774.4</b>	<b>11,202.5</b>	-	<b>11,219.6</b>	<b>11,260.2</b>	<b>12,243.3</b>
Accumulated Minority Interest	226.7	376.2	518.3	542.1	846.6	1,026.4	1,028.0	17.8	24.3	31.1	33.8	-	17.8	17.8	17.8
<b>Total Equity</b>	<b>2,335.7</b>	<b>5,378.0</b>	<b>7,906.5</b>	<b>14,117.0</b>	<b>13,511.6</b>	<b>13,080.4</b>	<b>13,972.6</b>	<b>11,920.7</b>	<b>11,189.9</b>	<b>11,805.5</b>	<b>11,236.3</b>	-	<b>11,237.3</b>	<b>11,278.0</b>	<b>12,261.1</b>
<b>Liabilities &amp; Shareholders' Equity</b>	<b>7,669.8</b>	<b>9,915.6</b>	<b>12,806.0</b>	<b>19,797.5</b>	<b>19,117.8</b>	<b>20,461.0</b>	<b>23,571.4</b>	<b>28,863.5</b>	<b>29,597.1</b>	<b>30,923.4</b>	<b>32,249.4</b>	-	<b>32,201.6</b>	<b>32,272.2</b>	<b>33,293.2</b>
Book Value Per Share	36.03	79.34	112.73	182.03	169.83	161.64	173.58	156.23	146.55	154.81	148.56	-	154.83	163.33	187.15
CFPS	18.18	12.98	25.58	10.54	9.74	20.59	52.69	36.07	-	-	-	-	104.82	60.49	79.81

## Yumeshin Holdings Co. Ltd.(2362 JT)

12 August 2020

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Financial Analysis	2012-09-30	2013-09-30	2014-09-30	2015-09-30	2016-09-30	2017-09-30	2018-09-30	2019-09-30	1Q20	2Q20	3Q20	4Q20	2020-09-30	2021-09-30	2022-09-30
<b>Ratios</b>															
<b>Dupont (use average equity)</b>															
EBIT margin (%)	10.9%	9.8%	11.3%	8.2%	10.5%	7.7%	12.8%	9.0%	9.0%	9.3%	9.5%	-	11.0%	11.0%	11.0%
Asset Turnover (x)	1.43x	1.26x	1.29x	1.07x	1.22x	1.49x	1.71x	1.82x	0.51x	0.49x	0.43x	-	1.98x	2.25x	2.65x
Interest Burden (x)	0.95x	0.97x	0.99x	0.99x	0.99x	0.99x	1.00x	0.99x	0.99x	0.99x	0.99x	-	0.83x	0.86x	0.88x
Tax Burden (x)	0.59x	0.70x	0.65x	0.60x	0.66x	0.64x	0.71x	0.69x	0.62x	0.61x	0.61x	-	0.70x	0.70x	0.70x
ROA (%)	10.3%	15.8%	19.8%	11.5%	8.3%	7.2%	16.5%	9.6%	8.5%	8.2%	8.25x	-	12.6%	14.9%	18.1%
Leverage (x)	3.89x	2.47x	1.83x	1.56x	1.48x	1.60x	1.76x	2.11x	2.53x	2.64x	2.75x	-	2.64x	2.86x	2.79x
ROE (%)	40.2%	39.1%	36.3%	18.0%	12.4%	11.5%	29.1%	20.2%	20.4%	18.3%	21.6%	-	33.3%	42.7%	50.4%
ROIC	14.0%	12.9%	13.5%	7.8%	10.5%	8.7%	21.8%	16.8%	14.5%	14.9%	15.3%	-	20.9%	24.8%	29.1%
<b>Capitalization</b>															
Net Debt / Equity	35.5%	-31.9%	-50.1%	-64.4%	-45.6%	-44.0%	-53.2%	0.7%	2.3%	-12.0%	-33.8%	-	-28.9%	-18.3%	-13.2%
Net Debt / Asset	10.8%	-17.3%	-30.9%	-45.9%	-32.2%	-28.1%	-31.6%	0.3%	0.9%	-4.6%	-11.8%	-	-10.1%	-6.4%	-4.9%
Current Ratio	1.38x	2.63x	2.47x	3.77x	3.75x	2.54x	2.79x	1.72x	1.99x	1.92x	1.70x	-	1.74x	1.78x	1.89x
Interest Coverage	16.5x	23.1x	46.5x	49.8x	98.1x	98.5x	207.5x	97.0x	96.9x	122.0x	78.0x	-	103.1x	123.9x	148.7x
<b>Capital Intensity</b>															
Sales/Fixed Assets	7.8x	8.6x	20.3x	22.5x	17.2x	28.2x	43.1x	41.6x	39.1x	41.2x	42.5x	-	68.3x	188.3x	-332.5x
Capex/Sales	0.1%	0.3%	5.4%	1.9%	2.0%	0.5%	0.3%	0.8%	-	-	-	-	0.8%	0.8%	0.8%
<b>Cost of Debt</b>															
Interest Received on Cash	0.2%	0.1%	0.1%	0.1%	0.1%	0.0%	0.0%	0.1%	0.1%	0.2%	0.1%	-	0.1%	0.1%	0.1%
Interest Paid on Debt	2.2%	1.8%	1.8%	1.7%	1.0%	0.9%	0.8%	0.7%	0.6%	0.6%	0.7%	-	0.7%	0.7%	0.7%
<b>Working Capital</b>															
Inventory	1.2	0.8	1.0	0.7	0.9	0.6	0.9	57.2	47.2	46.0	63.5	-	65.8	79.0	94.8
AR	1,541.7	1,837.9	2,492.3	2,725.9	3,620.7	4,832.7	5,965.2	7,582.5	7,709.1	8,289.2	7,718.4	-	8,719.8	10,463.8	12,556.5
AP	14.1	9.4	11.6	8.5	11.1	25.1	9.2	130.0	76.6	95.3	198.5	-	149.6	179.6	215.5
Working Capital Proxy	1,528.8	1,829.3	2,481.7	2,718.1	3,610.5	4,808.2	5,956.9	7,509.7	7,679.7	8,239.9	7,583.4	-	8,636.0	10,363.2	12,435.9
Working Capital Proxy/ Sales (%)	13.9%	14.6%	15.1%	12.9%	15.5%	15.8%	14.7%	14.3%	12.7%	13.6%	13.7%	-	14.3%	14.3%	14.3%
<b>Free Cash Flow</b>															
NP+D&A less WC	141.6	(1,169.9)	1,149.7	(3,821.4)	3,242.4	2,555.6	1,064.5	7,074.0	728.8	893.1	927.8	-	(501.5)	(601.8)	(722.1)
Capex	(5.7)	(40.2)	(887.5)	(392.8)	(473.8)	(144.4)	(116.0)	(436.1)	-	-	-	-	-	-	-
FCF	1,058.7	753.5	771.7	319.8	252.6	1,391.4	3,813.5	2,323.2	-	-	-	-	7,106.2	3,574.9	4,507.3
Dividend Paid	(147.3)	(326.2)	(1,720.4)	(2,288.6)	(2,791.8)	(2,423.7)	(2,614.9)	(2,665.9)	-	-	-	-	(2,540.3)	(2,762.1)	(2,948.6)
Net FCF	911.4	427.3	(948.7)	(1,968.8)	(2,539.2)	(1,032.3)	1,198.6	(342.7)	-	-	-	-	4,566.0	812.8	1,558.7
FCF Yield (Last 12M)	7.3%	1.8%	1.4%	0.6%	0.4%	2.4%	4.5%	3.5%	-	-	-	-	15.9%	8.0%	10.1%
Inv Days	0.1	0.0	0.0	0.0	0.0	0.0	0.0	0.6	0.4	0.4	0.6	-	0.6	0.6	0.6
AR Days	51.2	53.5	55.2	47.1	56.8	57.8	53.9	52.7	46.6	49.8	50.8	-	52.7	52.7	52.7
AP Days	0.7	0.4	0.4	0.2	0.2	0.4	0.1	1.3	0.7	0.8	1.8	-	1.3	1.3	1.3
CCC	50.6	53.2	54.9	46.9	56.6	57.4	53.8	52.0	46.4	49.4	49.6	-	52.0	52.0	52.0
<b>Costs</b>															
SG&A as % of sales	17.9%	17.7%	16.5%	16.2%	17.7%	21.0%	17.7%	20.1%	18.6%	17.5%	17.9%	-	18.0%	18.0%	18.0%
R&D as % of sales	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	-	0.0%	0.0%	0.0%
<b>Non-OP Items</b>															
non-op	53.8	765.7	1,576.5	1,404.0	27.7	(122.7)	(100.8)	(1,105.1)	(53.1)	(361.7)	71.3	-	(1,122.1)	(1,118.5)	(1,119.7)
non-op as % of pretax inc	4.3%	38.4%	45.9%	44.8%	1.1%	-5.5%	-2.0%	-30.6%	-3.6%	-24.3%	5.3%	-	-20.3%	-16.3%	-13.3%
non-op as % of OP	4.5%	62.3%	84.9%	81.3%	1.1%	-5.2%	-1.9%	-23.4%	-3.5%	-19.5%	5.6%	-	-16.9%	-14.0%	-11.7%
net int exp as % of Pretax inc	5.8%	2.7%	1.2%	1.1%	1.0%	1.1%	0.5%	1.3%	1.1%	1.0%	1.2%	-	1.2%	0.9%	0.8%
<b>D&amp;A</b>															
D&A as % of sales	1.5%	1.3%	1.0%	1.0%	1.0%	1.1%	0.8%	1.1%	1.2%	1.3%	0.0%	-	1.5%	1.5%	1.6%
D&A as % of COGS	2.1%	1.8%	1.4%	1.3%	1.3%	1.6%	1.1%	1.6%	1.7%	1.8%	0.0%	-	2.0%	2.1%	2.2%
D&A / Capex	2961.0%	403.7%	18.6%	54.0%	47.0%	234.5%	270.5%	132.9%	-	-	-	-	175.2%	183.0%	189.5%
<b>Capitalization</b>															
Cash & equivalent	2,564.7	4,262.3	5,755.1	11,460.3	8,723.7	8,555.5	11,300.8	9,607.7	10,853.6	11,472.0	13,465.9	-	12,915.2	11,728.0	11,286.8
Short-term Debt	1,839.6	855.9	873.4	1,119.3	902.4	1,738.6	1,313.6	4,463.9	3,401.7	3,077.2	3,028.8	-	3,028.8	3,028.8	3,028.8
Long-term Debt	1,553.7	1,690.5	920.9	1,250.0	1,664.7	1,060.4	2,548.2	5,225.7	7,711.6	6,983.5	6,640.7	-	6,640.7	6,640.7	6,640.7
Net debt (cash)	828.5	(1,716.0)	(3,960.8)	(9,091.0)	(6,156.6)	(5,756.6)	(7,439.0)	81.9	259.7	(1,411.4)	(3,796.4)	-	(3,245.6)	(2,058.4)	(1,617.2)
Equity	2,109.0	5,001.8	7,388.2	13,574.8	12,665.0	12,054.0	12,944.6	11,902.9	11,165.6	11,774.4	11,202.5	-	11,219.6	11,260.2	12,245.3
Gearing	0.39	(0.34)	(0.54)	(0.67)	(0.49)	(0.48)	(0.57)	0.01	0.02	(0.12)	(0.34)	-	(0.29)	(0.18)	(0.13)
Net cash per basic share	(14.15)	28.07	61.06	134.49	82.56	77.19	99.75	(1.07)	(3.41)	18.69	49.88	-	44.72	29.81	24.68



## Yumeshin Holdings Co. Ltd.(2362 JT)

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