

Yumeshin Holdings Co. Ltd.(2362 JT)

11 December 2020

Please Contact
Shirt@Astrisadvisory.com
+813-6868-8700

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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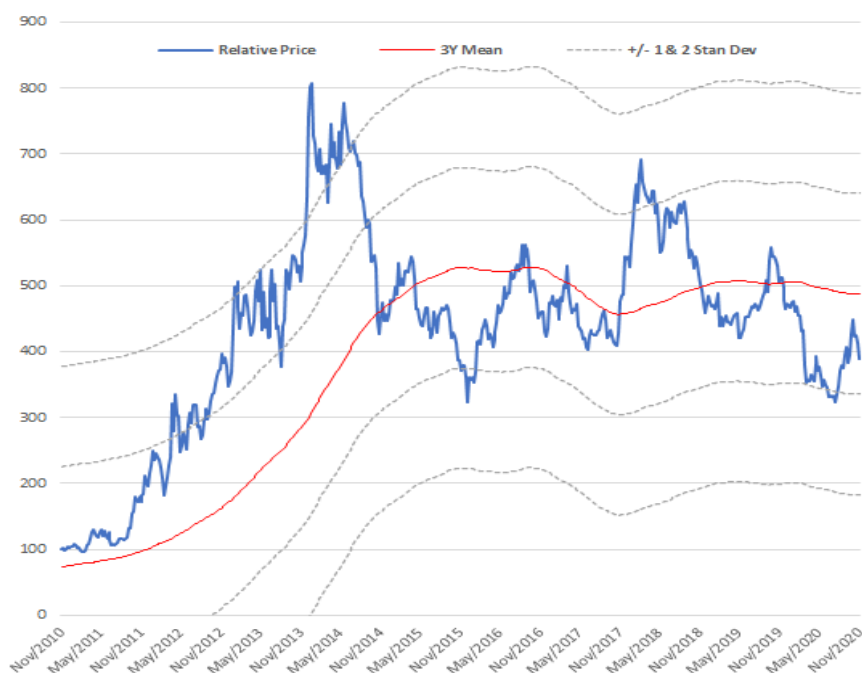
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Investment Points

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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Competition and valuations

Ticker	Name	Market Cap (USD mn)	6M ADVT (USD mn)	P/B Trail x	P/E Trail x	P/E FY1 x	EV/EBITDA Trail x	EV/Sales Trail x	ROE %	Div yield %	Net D/E %	OPM Trail %
2362 JT	Yumeshin Holdings	556	3.6	4.9	21.7	na	8.2	0.9	21.6	4.8	Net Cash	9.0
6028 JT	TechnoPro Holdings	2,746	13.0	6.0	25.5	27.9	15.2	1.8	24.6	1.9	Net Cash	10.2
4848 JT	FULLCAST Holdings	620	2.6	3.9	14.7	15.0	7.8	1.3	27.8	2.4	Net Cash	15.0
7088 JT	Forum Engineering	211	0.9	1.7	10.2	na	na	na	16.6	5.9	Net Cash	12.7
9744 JT	Meitec Corp	1,450	3.9	3.2	17.3	19.7	8.5	1.1	19.2	3.5	Net Cash	12.0
4641 JT	Altech Corp	475	0.9	3.4	13.3	14.8	10.4	1.2	27.0	3.7	Net Cash	10.5
3697 JT	SHIFT Inc	2,470	32.2	22.0	139.2	104.0	86.5	8.9	17.2	na	Net Cash	8.2
2146 JT	UT Group Co Ltd	1,184	16.1	6.9	24.1	27.3	13.1	1.1	34.0	na	Net Cash	7.5
3915 JT	TerraSky Co Ltd	547	25.2	5.1	22.8	na	40.7	5.0	28.6	na	Net Cash	8.7
4434 JT	Serverworks Co Ltd	369	14.0	4.5	77.2	na	70.4	4.2	8.1	na	Net Cash	5.0

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

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- 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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New Mid Term Plan

- On November 13th 2020 Yumeshin Holdings introduced their new **Mid Term Plan** covering forecasts for the period FY 09/2021- FY09/2025

Firm Wide Financial Targets :

JPY M	FY09/2020 A	YoY %	FY09/2021 E	YoY %	FY09/2022 E	YoY %	FY09/2023 E	YoY %	FY09/2024 E	YoY %	FY09/2025 E	YoY %
Revenue	58,669	12%	61,000.00	4%	71,500.00	17%	84,000.00	18%	98,000.00	17%	114,000	16%
Operating Profit	5,306	36%	6,000	13%	7,000	17%	9,500	36%	13,000	37%	16,500	27%
Operating margin	9.00%		9.80%		9.80%		11.30%		13.30%		14.50%	

Segment Financial Targets :

Engineer												
Temp Staffing	FY09/2020 A	YoY %	FY09/2021 E	YoY %	FY09/2022 E	YoY %	FY09/2023 E	YoY %	FY09/2024 E	YoY %	FY09/2025 E	YoY %
New Hires	1,076		1,600		2,300		3,000		3,100		3,800	
Total Staff Numbers	3,579		4,200		5,400		6,900		8,300		10,000	
Revenue	19,875	22%	22,000	11%	27,500	25%	36,000	31%	45,000	25%	55,500	23%
Operating Profit	653	953%	900	38%	1,500	67%	3,400	127%	6,400	88%	9,000	41%
Operating margin	3.30%		4.10%		5.50%		9.40%		14.2		16.2	
Construction												
Temp Staffing	FY09/2020 A	YoY %	FY09/2021 E	YoY %	FY09/2022 E	YoY %	FY09/2023 E	YoY %	FY09/2024 E	YoY %	FY09/2025 E	YoY %
New Hires	1,805		2,500		2,700		2,950		3,200		3,450	
Total Staff Numbers	5,348		5,700		6,300		6,900		7,500		8,200	
Revenue	37,921	6%	38,000	0%	42,500	12%	46,000	8%	51,000	11%	56,500	11%
Operating Profit	6,585	13%	6,000	-9%	6,400	7%	7,200	13%	8,000	11%	9,100	14%
Operating margin	17.40%		15.80%		15.10%		15.70%		15.70%		16.10%	

- In their new mid-term plan covering the next 5 fiscal years, the company foresees a sustainable annual increase in overall demand growth across both major businesses. This will be accompanied by an uplift in profit margins, as overall blended hourly dispatch rates rise and scale effects come through from lower overall SG&A.
- From an ESG perspective the company are proud of their record of offering opportunities for retraining and career advancement for Japanese people negatively affected by demographic changes. The company also offers greater opportunities for career advancement for women
- Accelerating growth opportunities, in dispatch related to AWS, Salesforce.com and Microsoft Azure, in particular will play into Yumeshin's strengths over the next 5 years, as the company rapidly builds a large-scale in-house competence in these new areas

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Latest Company Results

On 13th November 2020, the company announced Full FY 09/2020 results:

- Revenue Y58.67.19B +11.7% YoY
- OP Y5.31B +36.4% YoY
- RP Y5.08B +31.2% YoY
- NP Y3.56B +20.6% YoY

From the Japanese Tanshin:

‘Although the negative influence of the Coronavirus from around the end of March 2020 caused us to temporarily curtail our recruitment activities, overall, we were able to raise engineer dispatch prices across both our main businesses while at the same time expanding ancillary businesses. We were also able to reduce SG&A and overall hiring costs

Businesses we acquired in the previous fiscal year also contributed to earnings growth

Construction Engineer Temporary Staffing Segment

- Revenue Y37.9B +5.7% YoY
- OP Y6.585B +13% YoY
- SG&A dropped 13% YoY in the division

At the end of fiscal year September 2020, the total number of engineers in the division was 5,348 down 751 compared to the previous fiscal year, while total hires for the year came to 1805 compared with 3289 in fiscal year September 2019

“Long term trends such as the ageing workforce and a shortage of younger staff continue to support overall demand for dispatched construction workers.”

Engineer Temporary Staffing Segment

- Revenue Y19.875B +21.5% YoY
- OP Y653M +940.2% YoY
- The ratio of SG&A to revenue in the division improved by 3.2% YoY

Total engineers at the end of the period stood at 3579 down 61 from the previous fiscal year

“While uncertainty remains over the duration of the Coronavirus outbreak, stability has returned to overall business in the division and demand for engineers is strong on the back of IT capex.

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The overall macro environment is supportive as trends toward greater automation of manufacturing processes accelerate.”

Others Segment

- Revenue Y981M +170.9% YoY
- OP LOSS Y-241M versus LOSS Y-417M

“In this business we provide Japanese language training for overseas recruits of Japanese companies. The impact of the Coronavirus has been strongly negative, although overall advertising-spend during the previous fiscal year helped raise revenues in the business”

For the New Fiscal Year 03/2021 the company announced forecasts-

- Revenue Y61B +4% YoY
- OP Y6.0B +13.1% YoY
- RP Y5.8B +14.3% YoY
- NPY 3.8B +6.8% YoY

Revenue in the Construction Engineers Temporary Staffing segment is seen rising to Y38B +0.2% YoY while OP is seen declining to Y6B-8.9% YoY

Revenue in the Engineer Temporary Staffing Segment is seen rising to Y22B+10.7% YoY and OP is seen rising to Y900M +37.8% YoY

The company plans to raise the level of overall engineer numbers in the new fiscal year and targets 5700 construction engineers and 4200 IT engineers by the end of September 2021.

In the Engineer Temporary staffing business, the company aims to raise overall dispatch rates as demand conditions are seen remaining firm

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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.
- 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
- 7.

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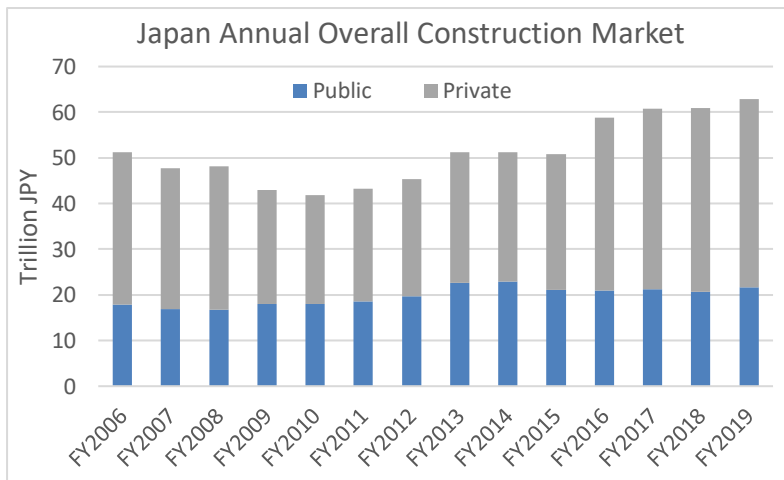
Olympic uncertainty casts a shadow

Firstly, most major construction projects had already been completed ahead of the scheduled Olympics 2020, and 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.

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.



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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 spend in Japan peaked at JPY18.9T. It was FY17 before new highs of JPY 19T were once again recorded.

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 November 2020: covering the period FY09/2021 through FY09/2025 and targeting FY09/2025 revenue of Y98.0B.

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.

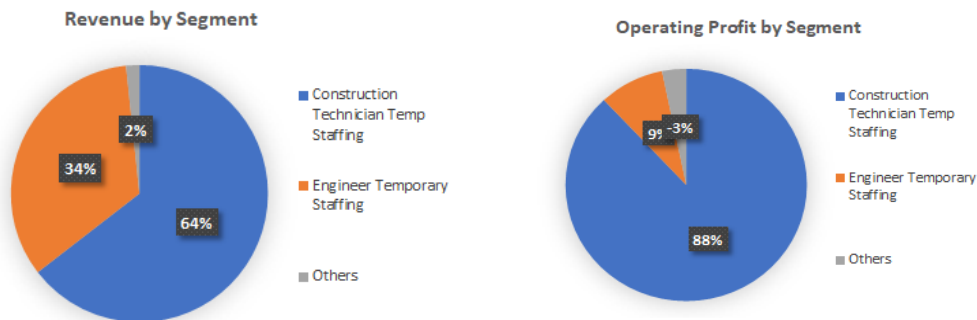
- The Construction Technician Temporary Staffing Segment: the main business segment
- The Engineer Temporary Staffing Business Segment: the focus for future strategic growth
- The Others Segment: where the company carries out recruitment and education businesses

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



Historical and Forecast Consolidated Revenue and Profit YoY%

Unit JPYM													Company Estimate			
	FY9/2014	YoY%	FY9/2015	YoY%	FY9/2016	YoY%	FY9/2017	YoY%	FY9/2018	YoY%	FY9/2019	YoY%	FY9/2020	YoY%	FY9/2021E	YoY%
Consolidated Revenue	16,482	31%	21,116	28%	23,271	10%	30,510	31%	40,419	32%	52,505	30%	58,669	12%	61,000	4%
Operating Profit	1,857	51%	1,727	-7%	2,433	41%	2,362	-3%	5,186	120%	4,720	-9%	5,306	12%	6,000	13%
Recurring Profit	3,434	72%	3,131	-9%	2,461	-21%	2,239	-9%	5,085	127%	3,615	-29%	5,076	40%	5,800	14%
Net Profit	2,246	62%	1,882	-16%	1,623	-14%	1,426	-12%	3,636	155%	2,504	-31%	3,557	42%	3,800	7%

Historical and Forecast Consolidated Margins

Consolidated Margins	FY9/2014	FY9/2015	FY9/2016	FY9/2017	FY9/2018	FY9/2019	FY9/2020	FY9/2021E
Operating Margin %	11.27	8.18	10.46	7.74	12.83	8.99	9.04	9.84
Recurring Margin%	20.83	14.83	10.58	7.34	12.58	6.88	8.65	9.51
Net Margin %	13.63	8.91	6.97	4.67	9.00	4.77	6.06	6.23

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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: As of end FY September 2020, the company had 5348 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

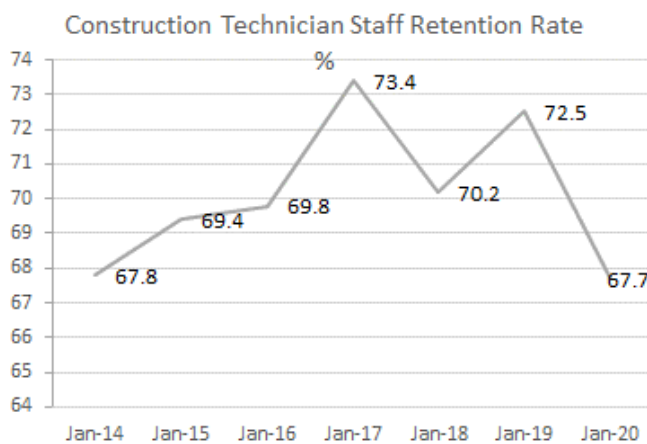
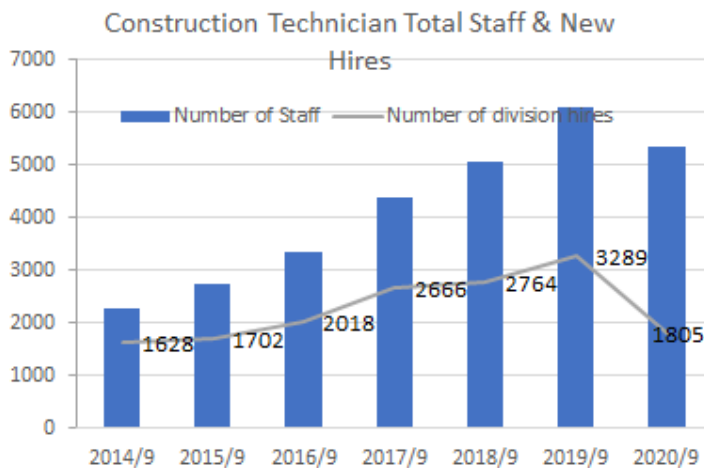
The overall utilization rate: in FY 09/2020 for this division was 92.3% down 0.4% versus the same period in the previous fiscal year

Additional data

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

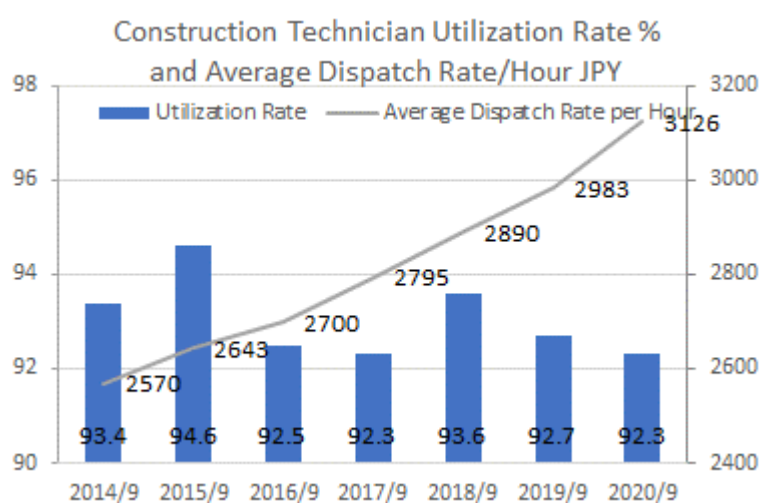


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Utilization Rates and Hourly Dispatch Rates



Customers and Concentration

As of FY092020, Yumeshin Holdings had more than 2000 clients in total with the largest by contribution being the general contractors, Daiwa House, Taisei, Shimizu, Shinryo Corp and the electrical and utilities contractor Kinden

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 19.3% of Revenue in the Segment and Top 5, 13.8%.

Rank	Customer	% Sales
1	Daiwa House Industry	4.7
2	Taisei Construction	3
3	Shimizu Construction	2.4
4	Shinryo Corporation	2
5	Kinden	1.8

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Please Contact
 Shirt@Astrisadvisory.com
 +813-6868-8700

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 end FY09/2020 the company had a total of 3379 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.

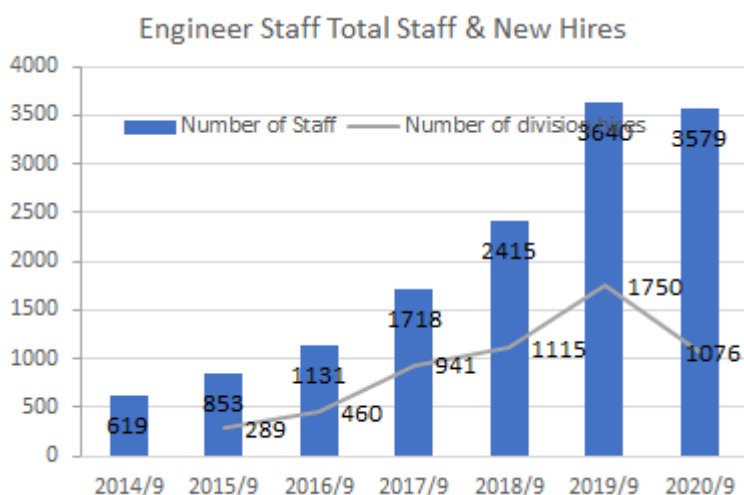
In this division the company mainly dispatches more experienced staff to IT and manufacturing companies depending on the customer project execution needs.

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

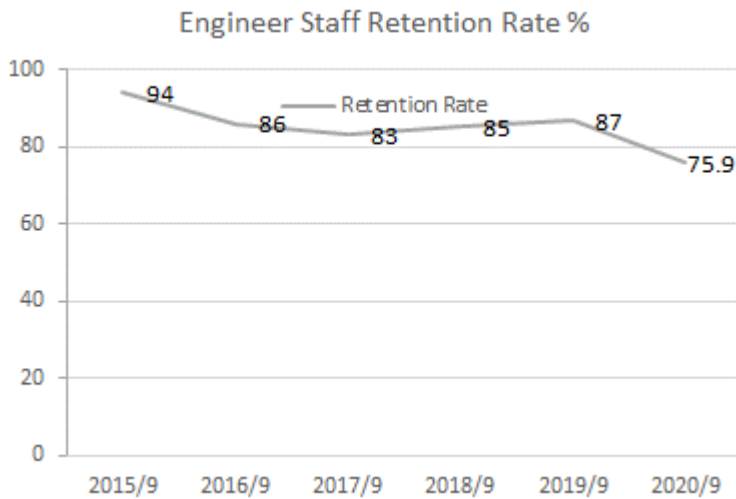


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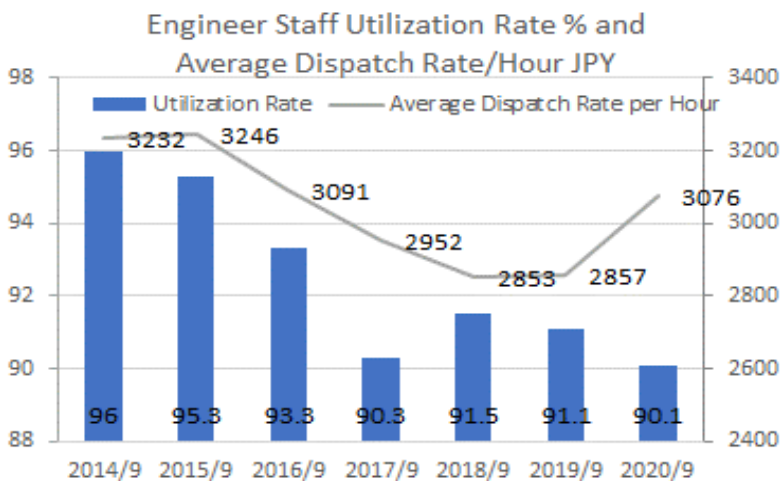
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Retention Rate of Employees



Utilization Rate and Average Dispatch Rate/Hour



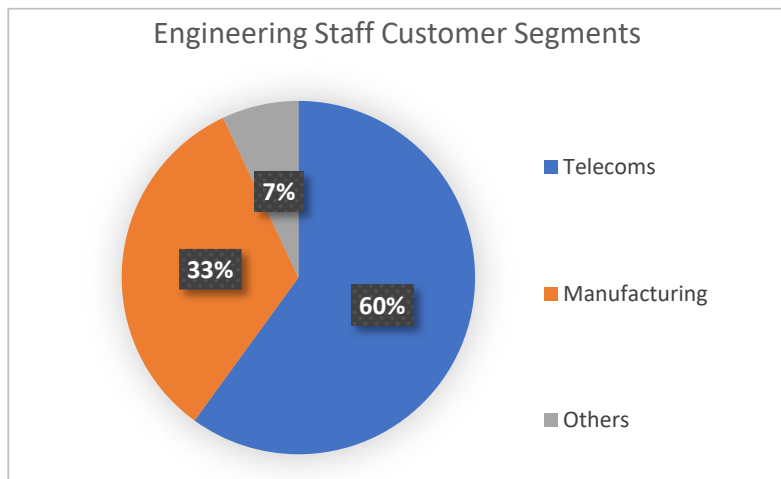
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 Shirt@Astrisadvisory.com
 +813-6868-8700

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

Overall the company has more than 800 customers in this segment. Top 5 Customers account for 12.2% Revenue as of FY 09/2020, while top 10 account for 20.1%

Rank	Customer	% Sales
1	Toppan Forms Solutions	3
2	Hitachi Systems Engineering Service	2.9
3	Nissan Motor	2.7
4	Tokyo Electron technology Solutions	1.9
5	Transcosmos	1.8

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 +813-6868-8700

Yumeshin Holdings Co Ltd

Price 770
 Market cap 58,063
 EV 53,895

Valuations & Analysis	2010-09-30	2011-09-30	2012-09-30	2013-09-30	2014-09-30	2015-09-30	2016-09-30	2017-09-30	2018-09-30	2019-09-30	2020-09-30
Sales	4,862	6,817	10,982	12,538	16,482	21,116	23,271	30,510	40,419	52,505	58,669
Gross Profit	1,490	1,899	3,159	3,450	4,583	5,150	6,563	8,781	12,339	15,272	16,175
Operating Profit	520	543	1,195	1,230	1,857	1,727	2,433	2,362	5,186	4,720	5,306
Pretax	486	314	1,248	1,996	3,434	3,131	2,461	2,239	5,085	3,615	5,076
Net Profit	431	102	739	1,389	2,246	1,882	1,623	1,426	3,636	2,504	3,557
EPS	6.71	1.71	12.62	22.71	34.62	27.84	21.76	19.12	48.75	32.73	46.92
BVPS	31.22	26.65	36.03	79.34	112.73	182.03	169.83	161.64	173.58	156.23	155.02
ROE	20.9%	5.8%	40.2%	39.1%	36.3%	18.0%	12.4%	11.5%	29.1%	20.2%	30.2%
ROIC	13.4%	4.8%	23.7%	28.9%	37.7%	27.1%	31.5%	21.9%	64.7%	38.3%	43.9%

Valuation Ratios

Price	- Min	80	85	110	255	652	652	503	671	766	693	496
	- Max	116	120	294	728	1,145	966	825	894	1,339	1,146	1,003

	9/2010	9/2011	9/2012	9/2013	9/2014	9/2015	9/2016	9/2017	9/2018	9/2019	9/2020
Price/Earnings	114.8	450.3	61.0	33.9	22.2	27.7	35.4	40.3	15.8	23.5	16.4
Price/Book Value	24.7	28.9	21.4	9.7	6.8	4.2	4.5	4.8	4.4	4.9	5.0
EV/EBITDA	97.2	85.9	39.6	38.7	26.7	27.8	20.3	20.0	9.8	10.2	8.6
Dividend Yield	0.3%	0.3%	0.5%	2.6%	3.9%	4.5%	4.5%	4.5%	4.5%	4.5%	4.5%

Income Statement	9/2010	9/2011	9/2012	9/2013	9/2014	9/2015	9/2016	9/2017	9/2018	9/2019	9/2020
Sales/Revenue	4,862	6,817	10,982	12,538	16,482	21,116	23,271	30,510	40,419	52,505	58,669
Sales Growth (YoY)	-11.3%	40.2%	61.1%	14.2%	31.5%	28.1%	10.2%	31.1%	32.5%	29.9%	11.7%
Cost of Goods Sold	3,371	4,918	7,824	9,088	11,900	15,966	16,707	21,730	28,081	37,233	42,494
Gross Income	1,490	1,899	3,159	3,450	4,583	5,150	6,563	8,781	12,339	15,272	16,175
Gross Margin	30.7%	27.9%	28.8%	27.5%	27.8%	24.4%	28.2%	28.8%	30.5%	29.1%	27.57%
SG&A Expense	970	1,357	1,964	2,220	2,726	3,423	4,130	6,419	7,152	10,552	11,253
Advertising Expense	-	-	-	-	-	-	-	-	-	-	-
Labor & Related Expense	-	-	-	-	-	-	-	-	-	-	-
Research & Development	-	-	-	-	-	-	-	-	-	-	-
Other Operating Expenses	-	-	-	-	-	-	-	-	-	-	-
EBIT (Operating Income)	520	543	1,195	1,230	1,857	1,727	2,433	2,362	5,186	4,720	5,306
EBITDA	554	627	1,362	1,392	2,022	1,939	2,656	2,700	5,500	5,299	6,234
Interest Expense	61	88	72	53	40	35	25	24	25	49	-
Interest Income	4	4	5	3	4	6	7	3	4	12	-
Income from Affiliates	-	-	-	-	-	-	-	-	(225)	-	-
Foreign Exchange Losses	-	-	-	-	-	-	83	(56)	-	-	-
Net Non-Operating Losses	(22)	146	(122)	(815)	(1,612)	(1,433)	37	46	(145)	1,068	230
Pretax Income	486	314	1,248	1,996	3,434	3,131	2,461	2,239	5,085	3,615	5,076
Income Taxes	78	219	469	536	1,093	1,189	708	910	1,342	1,048	1,514
Tax Rate	16.0%	69.7%	37.5%	26.8%	31.8%	38.0%	28.8%	40.6%	26.4%	29.0%	29.8%
Minority Interest	(22.6)	(7.1)	41.0	71.4	94.5	60.6	129.8	(96.7)	108.0	62.4	5.6
Equity In Affiliates	-	-	-	-	-	-	-	-	-	-	-
Net Income	431	102	739	1,389	2,246	1,882	1,623	1,426	3,636	2,504	3,557
Basic Shares Outstanding (Average)	64.2	60.0	58.6	61.1	64.9	67.6	74.6	74.6	74.6	76.5	75.8
Diluted Shares Outstanding (Average)	64.2	60.0	58.6	62.6	66.6	67.6	74.6	75.6	75.6	77.3	76.3
Dividend per share	2.00	2.00	4.00	20.00	30.00	35.00	35.00	35.00	35.00	35.00	35.00
Payout Ratio	29.8%	117.0%	31.7%	88.1%	86.7%	125.7%	160.8%	183.1%	71.8%	106.9%	74.6%
EPS (Basic)	6.71	1.71	12.62	22.71	34.62	27.84	21.76	19.12	48.75	32.73	46.92
EPS (Diluted)	6.71	1.71	12.62	22.18	33.70	27.82	21.76	18.86	48.10	32.40	46.62

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 Shirt@Astrisadvisory.com
 +813-6868-8700

Cash Flow Statement	9/2010	9/2011	9/2012	9/2013	9/2014	9/2015	9/2016	9/2017	9/2018	9/2019	9/2020
Operating Activities											
Net Income before Extraordinaries	431	102	739	1,389	2,246	1,882	1,623	1,426	3,636	2,504	3,557
Depreciation & Amortization	35	84	168	162	165	212	223	338	314	580	928
Deferred Taxes	-	-	-	-	-	-	-	-	-	-	-
Non-Cash Items	26	347	436	(534)	(165)	(820)	(354)	652	906	588	5,185
Changes in Working Capital	67	(6)	(278)	(223)	(587)	(561)	(765)	(881)	(926)	(913)	264
Net Operating Cash Flow	558	528	1,064	794	1,659	713	726	1,536	3,929	2,759	9,934
Investing Activities											
Capital Expenditures	(14)	(80)	(6)	(40)	(887)	(393)	(474)	(144)	(116)	(436)	(318)
Acquisition/Sale of Business	-	-	-	-	-	-	(103)	-	-	-	-
Sale of Fixed Assets	149	0	0	-	362	-	-	473	146	268	12
Purchase/Sale of Investments	(64)	88	(518)	(116)	979	(723)	103	672	(181)	(3,292)	821
Other Investing Activities	(569)	(347)	726	337	166	1,015	(625)	(584)	566	(939)	(38)
Net Investing Cash Flow	(498)	(338)	202	181	620	(101)	(1,099)	417	415	(4,400)	476
Financing Activities											
Cash Dividends Paid	(197)	(123)	(147)	(326)	(1,720)	(2,289)	(2,792)	(2,424)	(2,615)	(2,666)	(2,671)
Sale/Repurchase of Stock, Net	(401)	(399)	(20)	1,831	1,875	6,556	-	-	-	(2,001)	(436)
Issuance/Reduction of Debt, Net	405	530	37	(847)	(740)	1,123	194	151	1,073	4,764	(2,087)
Other Financing Activities, Net	15	(5)	(21)	(62)	(149)	(118)	425	246	(50)	(47)	106
Foreign Exchange Effects	(2)	(0)	(0)	2	(2)	-	(87)	4	(1)	(0)	(5)
Net Financing Cash Flow	(179)	3	(152)	598	(736)	5,272	(2,260)	(2,022)	(1,592)	49	(5,094)
Net Change in Cash	(119)	193	1,115	1,572	1,543	5,885	(2,632)	(69)	2,752	(1,591)	5,317
Cash - Beginning Balance	1,461	1,342	1,535	2,649	4,222	5,765	11,649	9,017	8,948	11,700	10,109
Cash - Ending Balance	1,342	1,535	2,649	4,222	5,765	11,649	9,017	8,948	11,700	10,109	15,426

Balance Sheet	9/2010	9/2011	9/2012	9/2013	9/2014	9/2015	9/2016	9/2017	9/2018	9/2019	9/2020
Assets											
Cash & Short Term Investments	1,158	1,506	2,565	4,262	5,755	11,460	8,724	8,556	11,301	9,608	15,426
Total Accounts Receivable	684	1,351	1,542	1,838	2,492	2,726	3,621	4,833	5,965	7,582	7,528
Inventories	1	1	1	1	1	1	1	1	1	57	63
Other Current Assets	1,184	1,059	576	356	607	1,023	988	1,450	1,256	1,616	1,758
Total Current Assets	3,027	3,917	4,684	6,457	8,856	15,210	13,334	14,839	18,523	18,863	24,775
Property, Plant & Equipment - Net	1,230	1,388	1,412	1,465	811	940	1,353	1,080	938	1,261	2,994
Net Goodwill	31	718	628	516	391	309	1,175	899	610	3,615	3,429
Net Intangibles	6	41	38	37	25	39	46	161	134	904	-
Long Term Investments	442	364	737	1,254	2,146	2,530	2,454	1,808	1,749	1,707	2,015
Other Assets	346	202	171	186	577	769	757	1,673	1,617	2,513	3,187
Total Assets	5,082	6,630	7,670	9,916	12,806	19,798	19,118	20,461	23,571	28,864	36,399
Liabilities & Shareholders' Equity											
Total Short Term Debt	702	2,211	1,840	856	873	1,119	902	1,739	1,314	4,464	2,675
Accounts Payable	8	10	14	9	12	9	11	25	9	130	567
Income Tax Payable	1	112	442	378	880	653	252	654	1,082	725	2,390
Other Current Liabilities	390	1,067	1,106	1,212	1,828	2,251	2,386	3,431	4,241	5,658	11,381
Total Current Liabilities	1,102	3,400	3,402	2,455	3,593	4,031	3,552	5,848	6,647	10,977	17,013
Total Long Term Debt	2,020	1,093	1,554	1,690	921	1,250	1,665	1,060	2,548	5,226	6,051
Deferred Income Tax	-	-	-	-	-	-	-	-	-	-	-
Other Liabilities	4	379	378	392	386	399	390	472	404	740	1,774
Total Liabilities	3,126	4,872	5,334	4,538	4,899	5,681	5,606	7,381	9,599	16,943	24,838
Preferred Stock	-	-	-	-	-	-	-	-	-	-	-
Common Equity	1,954	1,564	2,109	5,002	7,388	13,575	12,665	12,054	12,945	11,903	11,690
Total Shareholders' Equity	1,954	1,564	2,109	5,002	7,388	13,575	12,665	12,054	12,945	11,903	11,690
Accumulated Minority Interest	2	193	227	376	518	542	847	1,026	1,028	18	(129)
Total Equity	1,956	1,757	2,336	5,378	7,907	14,117	13,512	13,080	13,973	11,921	11,561
Total Liabilities & Shareholders' E	5,082	6,630	7,670	9,916	12,806	19,798	19,118	20,461	23,571	28,864	36,399
Net Debt	1,564	1,798	829	(1,716)	(3,961)	(9,091)	(6,157)	(5,757)	(7,439)	82	(6,700)
Book Value Per Share	31.22	26.65	36.03	79.34	112.73	182.03	169.83	161.64	173.58	156.23	155.02
CFPS	8.68	8.81	18.18	12.98	25.58	10.54	9.74	20.59	52.69	36.07	131.05

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 Shirt@Astrisadvisory.com
 +813-6868-8700

Financial Analysis	9/2010	9/2011	9/2012	9/2013	9/2014	9/2015	9/2016	9/2017	9/2018	9/2019	9/2020
Dupont (use average equity)											
EBIT margin (%)	10.7%	8.0%	10.9%	9.8%	11.3%	8.2%	10.5%	7.7%	12.8%	9.0%	9.0%
Sales/ Invested Capital (x)	1.38x	2.03x	3.74x	3.82x	4.81x	4.71x	3.58x	4.84x	7.34x	4.38x	11.76x
Asset Turnover (x)	0.97x	1.16x	1.54x	1.43x	1.45x	1.30x	1.20x	1.54x	1.84x	2.00x	1.80x
Interest Burden (x)	0.94x	0.58x	1.05x	1.62x	1.85x	1.81x	1.01x	0.95x	0.98x	0.77x	0.96x
Tax Burden (x)	0.9x	0.3x	0.6x	0.7x	0.7x	0.6x	0.7x	0.6x	0.7x	0.7x	0.7x
ROA	8.6%	1.7%	10.3%	15.8%	19.8%	11.5%	8.3%	7.2%	16.5%	9.6%	10.9%
Leverage (x)	2.43x	3.33x	3.89x	2.47x	1.83x	1.56x	1.48x	1.60x	1.76x	2.11x	2.77x
ROE	20.9%	5.8%	40.2%	39.1%	36.3%	18.0%	12.4%	11.5%	29.1%	20.2%	30.2%
ROIC	13.4%	4.8%	23.7%	28.9%	37.7%	27.1%	31.5%	21.9%	64.7%	38.3%	43.9%
Capitalization											
Net Debt / Equity	0.80x	1.15x	0.39x	-0.34x	-0.54x	-0.67x	-0.49x	-0.48x	-0.57x	0.01x	-0.57x
Net Debt / EBITDA	2.82x	2.87x	0.61x	-1.23x	-1.96x	-4.69x	-2.32x	-2.13x	-1.35x	0.02x	-1.07x
Asset / Equity	2.43x	3.33x	3.89x	2.47x	1.83x	1.56x	1.48x	1.60x	1.76x	2.11x	2.77x
Current Ratio	2.75x	1.15x	1.38x	2.63x	2.47x	3.77x	3.75x	2.54x	2.79x	1.72x	1.46x
Interest Coverage	8.6x	6.2x	16.5x	23.1x	46.5x	49.8x	98.1x	98.5x	207.5x	97.0x	-
Capital Intensity											
Working Capital/Sales	13.9%	19.7%	13.9%	14.6%	15.1%	12.9%	15.5%	15.8%	14.7%	14.3%	12.0%
Sales/ Fixed Assets	3.95x	4.91x	7.78x	8.56x	20.33x	22.46x	17.20x	28.24x	43.08x	41.63x	19.60x
Asset Turns	0.97x	1.16x	1.54x	1.43x	1.45x	1.30x	1.20x	1.54x	1.84x	2.00x	1.80x
Capex/ Sales	0.3%	1.2%	0.1%	0.3%	5.4%	1.9%	2.0%	0.5%	0.3%	0.8%	0.5%
Working Capital											
Inventory Days	0.1	0.1	0.1	0.0	0.0	0.0	0.0	0.0	0.0	0.6	0.5
AR Days	51.4	72.3	51.2	53.5	55.2	47.1	56.8	57.8	53.9	52.7	46.8
AP Days	0.9	0.7	0.7	0.4	0.4	0.2	0.2	0.4	0.1	1.3	4.9
Working Capital Days	50.6	71.7	50.6	53.2	54.9	46.9	56.6	57.4	53.8	52.0	42.5

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Yumeshin Holdings Co. Ltd.(2362 JT)

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Please Contact
Shirt@Astrisadvisory.com
+813-6868-8700

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