

*November 13, 2020*

**Announcement of New Medium-term Management Plan**  
**(FY9/21 - FY9/25)**

**Stable growth in the Construction Engineer Temporary Staffing business**  
**Expansion of the scale and improvement in profitability**  
**in the Engineer Temporary Staffing business,**  
**Becoming the No.1 "Development-oriented" Engineer Temporary Staffing Group**  
**Final-year target: Revenue of 114 billion-yen, Operating profit of 16.5 billion yen**

We have newly formulated the "Medium-Term Management Plan" (from FY9/21 to FY9/25) based on recent trends in external environment and performance. Details are as follows.

**1. Outline of medium-term business plan**

In Japan, where the working population is declining, we have focused on securing and developing human resources to rapidly produce the human resources that will play a leading role in the next-generation industry, particularly in the construction industry, where there is a marked aging population and a shortage of young employees, and in the IT industry, where the shortage of engineers with new technologies is rapidly advancing as IT technologies become standardized and companies become more willing to invest in IT as a factor to strengthen their competitive advantage.

In the previous fiscal year (FY9/20), due to the spread of COVID-19, we temporarily curtailed hiring. As a result, the increase in the number of engineers, which had been steady until now, was stagnant. However, as economic trends recover, our recruitment activities are gradually resuming. We have recently formulated a new medium-term management plan with FY9/25 as the final year of the plan, with the aim of re-steering group growth based on active recruitment and training of the next generation of human resources required by society.

The basic policies for each business, M&A policies, and shareholder return policies are as follows.

**[Construction Engineer Temporary Staffing and Incidental Business]**

In the construction industry, the Great East Japan Earthquake in 2011 triggered a sharp increase in the volume of construction work, and stable construction demand has continued since then. On the other hand, in terms of the structure of the industry, the dramatic aging of society and the shortage of young employees present an overwhelming shortage of personnel. Accordingly, the society need a company that can develop new human resources for the industry, and we believe that the role we play will continue to be important. In the past, we have recruited and trained a large number of inexperienced employees and have been aggressively producing them in the industry. We will further refine our "development-oriented" business model and aim to become the overwhelming No. 1 in the construction engineer dispatch industry.

During the period of the current medium-term management plan, we will continue to actively recruit employees and steadily increase the number of engineers by thoroughly promoting initiatives to improve the retention rate. Improving the retention rate is positioned as the most important measure in the current plan, and the Group will take initiatives such as improving the quality of recruitment and forming a small team of engineer support.

By resuming aggressive recruitment, the profit margin will decline in the first half of the period of the medium-term management plan. However, given that a model has been created to increase the unit price per engineer by increasing the year of experience, the segment profit margin will recover in the second half of the period of the plan, as well as the increase in the number of employees enrolled.

### **[Engineer Temporary Staffing and Incidental Business]**

In the IT industry, the shortage of IT personnel is becoming increasingly serious due to the recent rapid DX (digital transformation) promotion, in addition to the survey result that IT engineers will be shortage of about 450,000 people in Japan alone in 2030. The IT industry is also aging, and there is a shortage of engineers with new IT skills due to rapid technological innovation in the industry. Therefore, it is urgent that we cultivate new IT engineers from inexperienced individuals.<sup>1</sup>

Although there are many players in the engineer dispatch industry, there are few companies focusing on the field of inexperienced people. In addition, as mentioned above, against the backdrop of the recent rapid increase in IT demand, there has been an increase in acceptance of inexperienced people in the industry, which had not been widely accepted in the past. This is an extremely attractive market for us, which has accumulated know-how in developing inexperienced people in the construction engineer dispatch business. Due to inexperience, new hires start working from a low wage, but in FY9/20, we established a system that enables continuous unit price increases, including initiatives under the Re-training Program for engineers with experience of 1 to 2 years, which aims to raise unit prices in line with the improvement of their skill levels. We plan to increase revenue by increasing the number of engineers through active recruitment, and improve the profit margin by increasing the unit price by expanding the retraining program. As a result, in the final year of the current medium-term plan, we plan to increase the number of engineers and profit margin in excess of the number of the Construction Engineer Temporary Staffing and Incidental business.

In the field of engineer dispatch, we will also work to improve our constitution and restructure to transform ourselves into a highly profitable business structure with the aim of becoming the No. 1 company in the field of development-oriented engineer dispatch.

### **[M&A Policy]**

Over the past 3 years, we have been aggressively implementing M&A as a method to cover the areas necessary for our engineer dispatch and ancillary businesses, as we are a late entrant in the engineer dispatch industry. Looking ahead, we will continue to actively consider M&A whether target companies are in line with our business domains and if its values are fair. These figures are not included in the current numerical targets.

### **[Shareholder Return Policy]**

While maintaining a basic policy of paying stable dividends, we will flexibly utilize the increase in earnings per share for reinvestment, such as M&A, and the acquisition of treasury stock.

Through the initiatives described above, we aim to achieve consolidated revenue of 114 billion yen, consolidated operating profit of 16.5 billion yen, and a consolidated operating profit margin of 14.5% in the final year of the plan, FY9/25.

## **2. Numerical management plan**

### **(1) Consolidated Business Plan**

(Million yen)

	FY9/21	FY9/22	FY9/23	FY9/24	FY9/25
Revenue	61,000	71,500	84,000	98,000	114,000
Growth rate (YoY)	+4.0%	+17.2%	+17.5%	+16.7%	+16.3%
Operating profit	6,000	7,000	9,500	13,000	16,500
Growth rate (YoY)	+13.1%	+16.7%	+35.7%	+36.8%	+26.9%
Operating profit margin	9.8%	9.8%	11.3%	13.3%	14.5%

<sup>1</sup> METI, Survey of Supply and Demand for IT Human Resources (March 2019).

<Planned number of recruitments and engineers at the end of the fiscal year for the Group as a whole>

(Number of engineers)

	FY9/21	FY9/22	FY9/23	FY9/24	FY9/25
Total number of engineers hired	4,100	5,000	5,950	6,300	7,250
Total number of engineers at the end of the fiscal year	9,900	11,700	13,800	15,800	18,200

(2) Business Forecasts by Segment

① Construction Engineer Temporary Staffing and Incidental Business

(Million yen)

	FY9/21	FY9/22	FY9/23	FY9/24	FY9/25
Revenue	38,000	42,500	46,000	51,000	56,500
Segment profit	6,000	6,400	7,200	8,000	9,100
Segment profit margin	15.8%	15.1%	15.7%	15.7%	16.1%
Number of employees hired annually	2,500	2,700	2,950	3,200	3,450
Number of engineers at the end of the fiscal year	5,700	6,300	6,900	7,500	8,200
Retention rate	72.6%	75.0%	74.6%	74.3%	74.9%

② Engineer Temporary Staffing and Incidental Business

(Million yen)

	FY9/21	FY9/22	FY9/23	FY9/24	FY9/25
Revenue	22,000	27,500	36,000	45,000	55,500
Segment profit	900	1,500	3,400	6,400	9,000
Segment profit margin	4.0%	5.5%	9.4%	14.2%	16.2%
Number of employees hired annually	1,600	2,300	3,000	3,100	3,800
Number of engineers at the end of the fiscal year	4,200	5,400	6,900	8,300	10,000

For details, please refer to the "Financial Results for the Fiscal Year Ending September 2020 through Q4-Q4" published on November 13, 2020 on our website.

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