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Financial Results for Q3 FY2023.10

September 13, 2023

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株式会社ナレルグループ

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1. Company Profile

2. Financial results for Q3 FY2023.10

3. Company Highlights

1) High growth potential of the market for dispatching construction engineers due to labor shortage

2) Industry’s No.1 growth rates and profitability backed by our inexperienced worker recruitment strategy

3) High growth potential as a construction human resources platform company

4. Appendix

Nareru Group

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Company Profile

Company Name	Nareru Group Inc.
Head Office Address	3rd Floor, Kojimachi Mitsuba Building, 3-5 Nibancho, Chiyoda, Tokyo
Representative	Ryo Kobayashi
Number of employees As of the end of May. 2023	3,138 (Consolidated)
History	November 2008: Established World Corporation (For engineer dispatch business of construction industry) May 2019: Advantage Partners established AP64 (now Nareru Group) (For pure investment purpose) November 2019: Made World Corporation a sbusidiary December 2020: Made ATJC a subsidiary (For entering dispatch business of the IT industry) April 2021: Acquired craftworker recruitment business April 2021: Made the Japan Construction Contractors Association a subsidiary May 2021: AP64 changes name to Nareru Group October 2021: Established CONTRAFT (To provide information to Zenken as an individual brand)

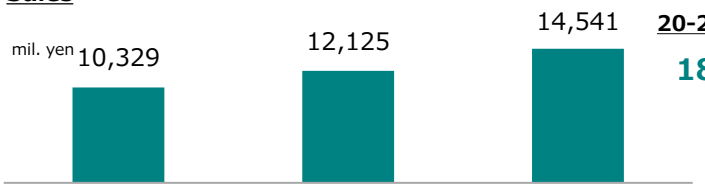
(*1) Perform process control, safety control, quality control, and cost control at construction sites.
(*2) Create, modify, and adjust drawings using CAD (Computer Aided Design) according to instructions from designers and drafters.
(*3) Abbreviation for system engineering service. A form of consignment contract regarding the development, maintenance, and operation of software systems
(*4) Calculated based on J-GAAP for the fiscal year ended October 2020 (LTM), and based on financial figures prepared based on IFRS for the fiscal years ended October 2021 and October 2022.

Group overview

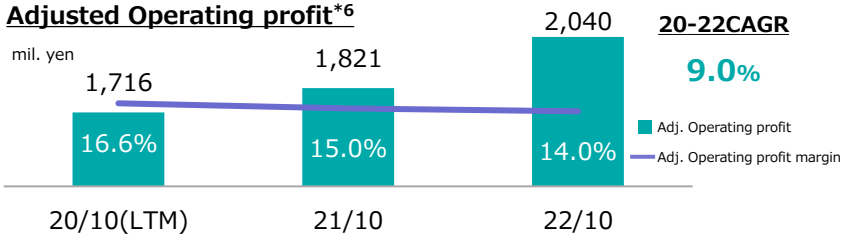
Nareru Group	Established in May. 2019	• **Holding company**
World Corporation	Established in Nov. 2008 Number of engineers: 2,538 (as of the end of May. 2023)	• **Dispatch of construction engineers*1** • **Dispatch of CAD operators *2** • **Preparation of construction drawings**
ATJC	Established in Dec. 2007 Number of engineers: 362 (as of the end of May. 2023)	• **Dispatch of IT engineers/SES*3**
CONTRAFT	Established in Oct. 2021	• **Operation of a human resources platform for employment placement of craftsman**
一般社団法人 全国建設請負業協会 Zenken (Non-consolidated)	Established in Jul. 2013	• **Employment placement services for craftsman**

Performance *4, 5

Sales



Adjusted Operating profit*6



(*5) After our company was established on May 27, 2019, we changed the fiscal year-end from the end of April to the end of October. As a result, the fiscal year ended October 2020 of our company is the six-month period from May 1, 2020 to October 31, 2020. "Fiscal Year Ended October 2020 (LTM)" is an unaudited figure calculated assuming the 12-month period from November 1, 2019 to October 31, 2020 as one consolidated fiscal year. Results differ from those for the six-month period ended October 2020.
(*6) For the fiscal year ended October 31, 2020 (LTM), adjusted operating income is calculated by adding back goodwill amortization and temporary expenses to operating income for the same period. For the fiscal year ended October 2021, adjusted operating income is calculated by adding back temporary expenses to operating income for the same period. For the fiscal year ended October 2022, operating income for the same period (without adjustment for temporary expenses, etc.). See page 36 for details on adjusted operating income.

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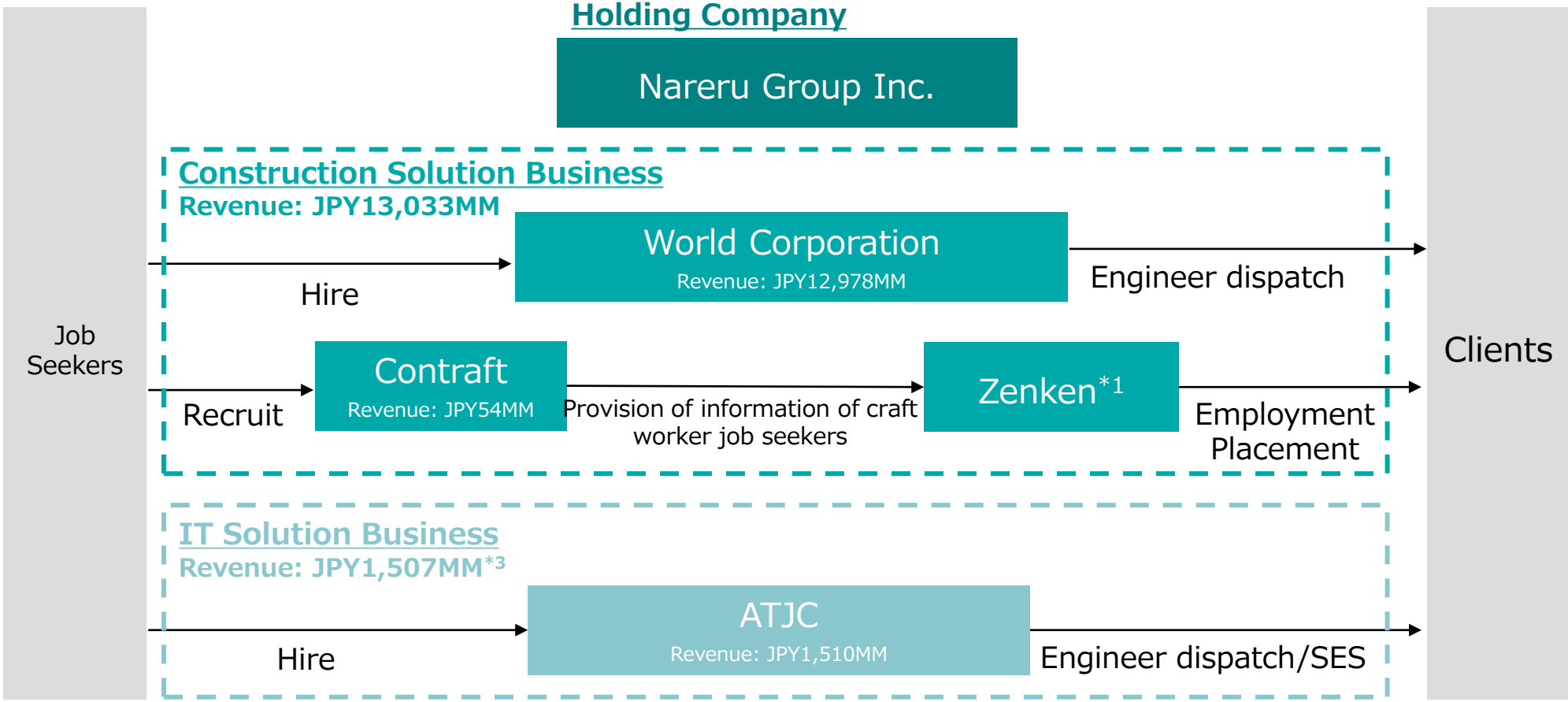
Group Overview



(*1) Although World Corporation is the only member of Zenken and it owns 100% of the voting rights of the corporation, it is considered an unconsolidated subsidiary because it is financially immaterial.
(*2) Revenue figures are for FY2022.10.
(*3) The revenue of the IT solutions business is external sales after eliminating internal transactions, so it does not match the amount of revenue of ATJC.

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Nareru's Mission/Vision

Mission: To solve the increasingly severe shortage of skilled professionals[*1] and make Japan an "advanced problem-solving nation"

Challenges facing the construction industry



Chronic shortage of engineers

- Market is growing
- Number of workers is decreasing



Aging of engineers

- Number of young job seekers is decreasing
- Slow in implementing new technologies



Delay in IT and DX adoption

- Hand written, manual input
- Lack of knowledge on how to use ICT tools

Supply human resources

Business efficiency support

Nareru's raison d'etre



Provide engineering personnel



Train young engineers



Help increase business efficiency using construction ICT

Vision: By combining the two technologies of IT and human resource development, we will provide and realize "business transformation to increase productivity" and "development and stable supply of professional human resources" to compensate for the decline in professional human resources.

(*1) We define skilled professionals as "human resources who have skills in a specific industrial field and are engaged in specialized work."

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Business Model①: World Corporation

We mainly dispatch construction managers called site supervisors. They plays an important role in connecting the client, the construction company, and the on-site workers, the craftsmen.

Business model

Orderer
(National, local government, developer, etc.)

order

Construction company
(General contractors, engineering firms, etc.)

- Drawing order
- Dispatch request

- Drawing delivery
- Dispatching engineers

Site manager

- Chief of construction site
- In general, a full-time employee in a major general contractor in charge of this position

Construction manager

World Corporation

- Construction site process management and safety management
- In general, a dispatched construction engineer in charge of this position

Craftworker
(scaffold worker, plasterer, etc.)

- Field work
- In general, a subcontractor workers in charge of this position

Job Description of Construction Manager



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Business Model②: World Corporation

Dispatching engineers to various areas of the construction industry

Supplying human resources for the increasing number of civil engineering and construction investments in Japan

Main target

Architecture

Projects such as office buildings, high-rise condominiums, commercial facilities, SCs, factories, medical and welfare facilities, earthquake-resistant construction, etc.

Civil engineering

Urban development such as road construction, river construction, sewerage construction, bridges, dams, tunnels, railway construction, etc.

Air conditioning hygiene

Air conditioning and hygiene in high-rise buildings, condominiums, factories, etc. to provide the function as a circulatory system for buildings

Electrical equipment

Electrical installation work for high-rise condominiums, commercial facilities, shopping centers, factories, medical and welfare facilities, etc.

Examples of Dispatching Sites



*1

TSMC's Kumamoto Plant



*2

Tokyo Olympics



*3

Urban Development



*4

Maglev and Wind-power generation

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(*2) ©Kaidog, 2023, CC BY-SA 4.0, https://commons.wikimedia.org/w/index.php?curid=128610724
(*3) ©Sakura Torch, 2023, CC BY-SA 4.0, https://commons.wikimedia.org/w/index.php?curid=128881439
(*4) ©Saruno Hirobano, 2014, CC BY-SA 3.0, https://commons.wikimedia.org/w/index.php?curid=30917648

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Summary of Financial Results for Q3 FY2023.10

Earnings Summary for Q3 FY2023.10 YTD

- Since both the number of active engineers and contract unit price increased steadily, we achieved increases in revenue and profits YoY.

Revenue	Operating Profit	Profit Attributable to Owners of Parent
JPY13,064MM	JPY1,826MM	JPY1,231MM
(YoY +23.6%)	(YoY +17.6%)	(YoY +27.6%)

FY2023.10 Earnings Forecasts

- No change in earnings forecasts.
- The annual dividend for FY2023.10 is planned to be JPY90 per share.

Revenue	Operating Profit	Profit Attributable to Owners of Parent
JPY17,482MM	JPY2,162MM	JPY1,485MM

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Quarterly Results for Q3 FY2023.10

Revenue in Q3 increased by 26.7% YoY and each profit also increased significantly.

As a result, we have achieved significant increases in revenue and profits even on a cumulative basis and are making steady progress toward our full-year earnings forecasts.

(Millions of Yen)

	Q3				YTD (9 months)				Earnings Forecasts	
	FY2022.10	FY2023.10	YoY		FY2022.10	FY2023.10	YoY		FY2023.10	Progress
Revenue	3,760	4,765	1,004	+26.7%	10,572	13,064	2,492	+23.6%	17,482	74.7%
Gross Profit	1,075	1,481	406	+37.7%	3,098	3,756	658	+21.2%	4,769	78.8%
Operating Profit	491	775	284	+57.8%	1,553	1,826	272	+17.6%	2,162	84.5%
Profit before Tax	457	763	305	+66.8%	1,449	1,787	338	+23.3%	2,111	84.7%
Profit Attributable to Owners of Parent	298	508	210	+70.6%	964	1,231	266	+27.6%	1,485	82.9%

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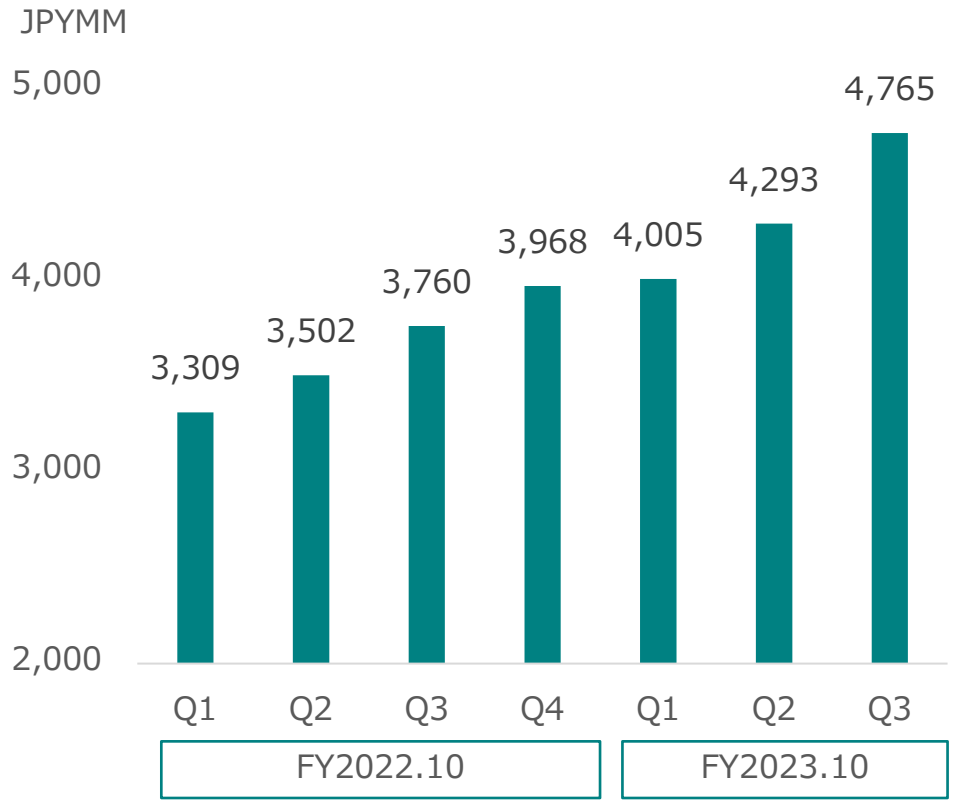
Trends in Quarterly Results

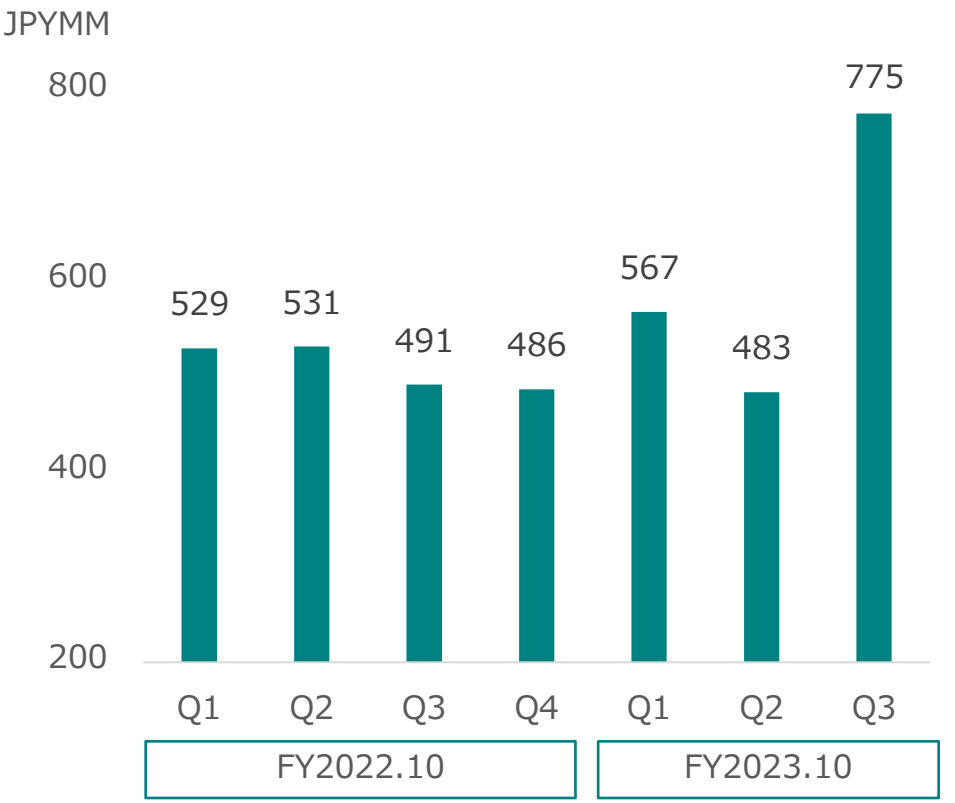
Quarterly revenue has steadily increased from the previous year.

Q3 operating profit increased significantly due to an increase in gross profit. This is due to an increase in the number of active engineers and a rise in contract unit prices.

Quarterly Revenue



Quarterly Operating Profit



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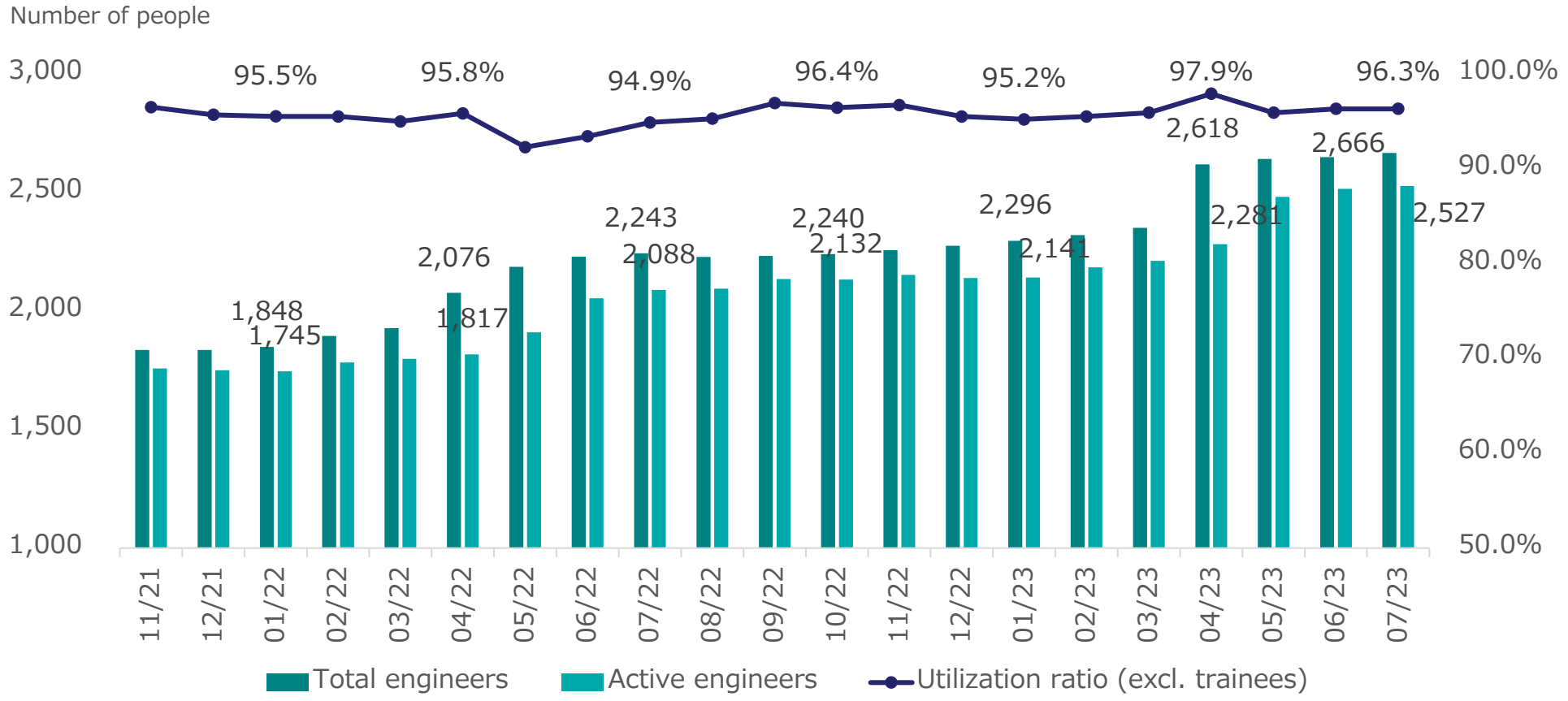
Trends in Engineers and Utilization Ratio (World Corporation)

The number of active engineers increased by 246 QnQ due to the steady assignment of new grads who joined the company in April 2023 to clients.

Trends in total engineers, active engineers and utilization ratio



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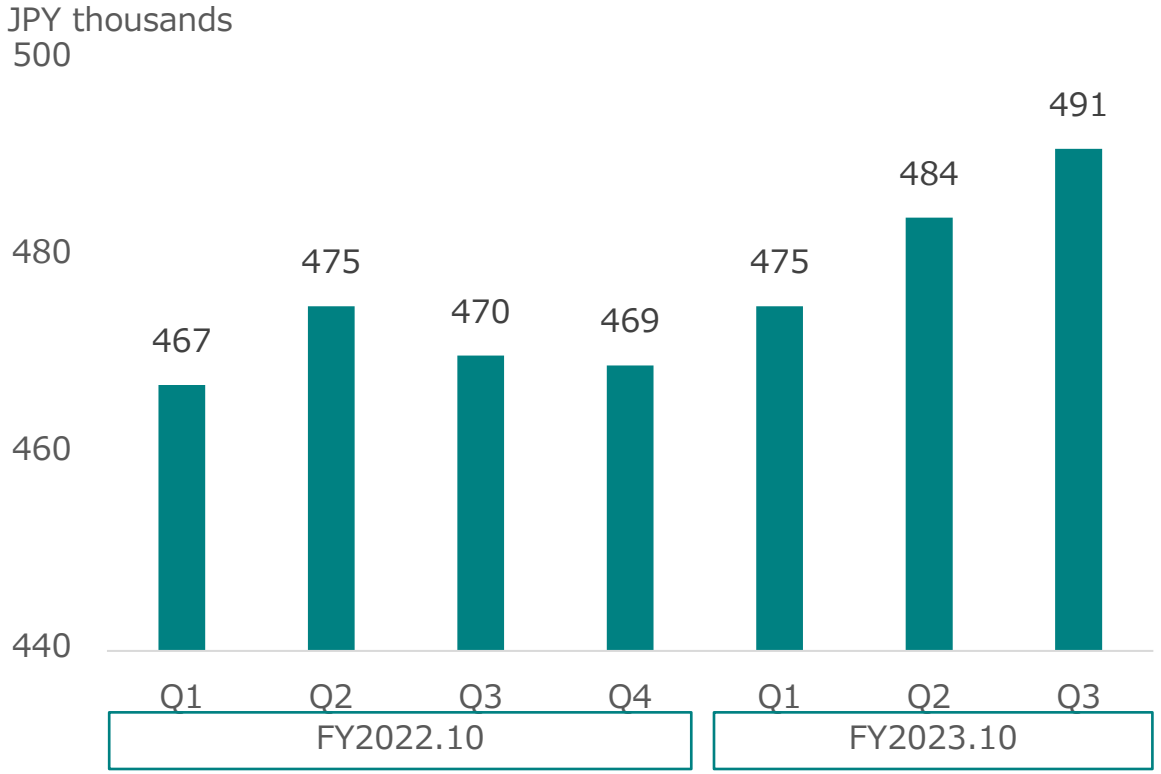
Trends in Contract Unit Price (World Corporation)

As a result of the revision of the contract price table and the negotiation of price increases mainly for clients with low-priced contracts, the contract unit price has steadily increased despite the assignment of new grads who joined in April, which would normally cause a decline in the contract unit price.

Trends in contract unit price



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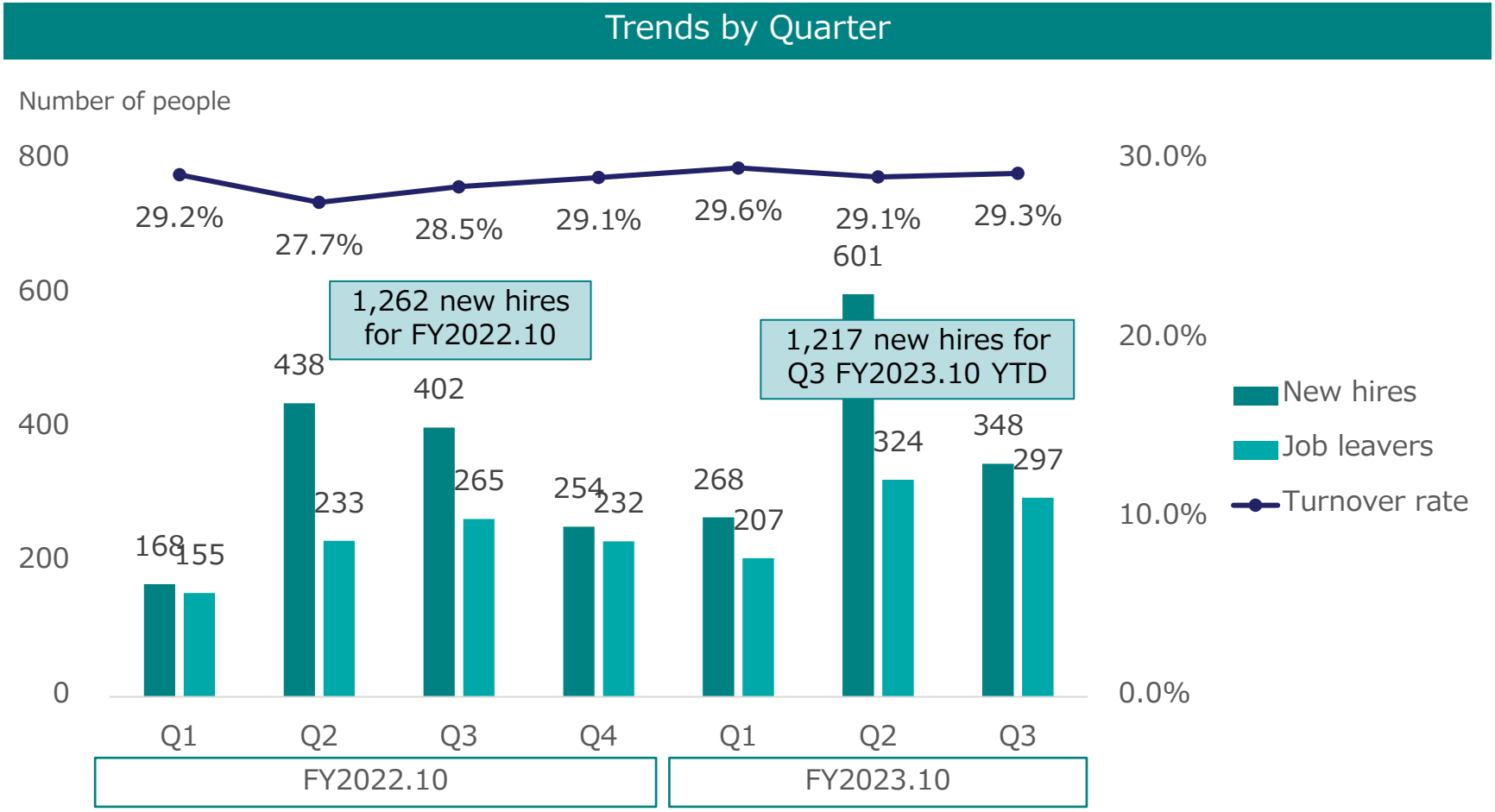
Trends in New Hires, Job Leavers and Turnover (World Corporation)

As new grads joined the company only in April, the number of hires in Q3 decreased YoY, but the cumulative number of hires in Q3 was almost the same as full year in the previous year.



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Results by Segment

Both revenue and operating profit in the construction solutions business increased steadily YoY.

In the IT solutions business, revenue grew rapidly by 29.4% YoY, but operating profit decreased due to increased hiring and training costs due to increased hiring.

(Millions of Yen)

	YTD (9 months)			
	FY2022.10	FY2023.10	YoY	
Revenue*1				
Construction Solution	9,479	11,650	2,170	+22.9%
IT Solution	1,092	1,413	321	+29.4%
Total	10,572	13,064	2,492	+23.6%
Operating Profit				
Construction Solution	1,361	1,681	319	+23.5%
IT Solution	82	74	(7)	-
Adjustments	109	70	(39)	-
Total	1,553	1,826	272	+17.6%

The number of engineers in the IT solutions business increased from 282 at the end of the previous fiscal year to 370 at the end of Q3 (+31.2%)

*1 Internal transactions eliminated

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Consolidated Financial Position

Net debt decreased due to repayment of borrowings.
Goodwill ratio steadily decreased due to accumulated retained earnings.

(Millions of Yen)

	As of Oct. 2022	As of Jul. 2023
Cash and Cash Equivalents	2,283	3,249
Trade Receivables and Other Financial Assets	2,297	2,694
Other Current Assets	295	149
Total Current Assets	**4,877**	**6,093**
Property, Plant and Equipment	165	161
Right-of-use Assets	309	404
Goodwill	14,074	14,074
Deferred Tax Assets	384	363
Other Non-current Assets	343	290
Total Non-current Assets	**15,278**	**15,295**
Total Assets	**20,155**	**21,388**

Ratio of Total Equity Attributable to Owners of Parent to Total Assets	49.3%	54.3%
Net Debt*1	4,994	3,582
Ratio of Goodwill*2	1.42x	1.21x

	As of Oct. 2022	As of Jul. 2023
Borrowings	2,714	2,714
Lease liabilities	153	208
Other Current Liabilities	2,665	2,599
Total Currnet Liabilities	**5,533**	**5,522**
Borrowings	4,285	3,750
Lease liabilities	124	159
Other Non-current Liabilities	279	337
Total Non-currnet Liabilities	**4,689**	**4,247**
Share Capital, Capital Surplus, etc.	8,376	8,831
Retained Earnings	1,556	2,788
Total Equity	**9,933**	**11,619**
Total Liabilities and Equity	**20,155**	**21,388**

*1 Borrowings (current) +Lease liabilities (current)+ Borrowings (non-current) + Lease liabilities (non-current) – Cash and cash equivalents
*2 Goodwill / Total equity

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Consolidated Cash Flows

Free cash flow increased YoY and debt repayments were smooth.

Funds for growth were secured through IPO on TSE Growth Market in July 2023.

(Millions of Yen)

	Q3 FY2022.10 YTD	Q3 FY2023.10 YTD
Profit before Tax	**1,449**	**1,787**
Depreciation	168	176
Decrease (Increase) in Trade Receivables	(331)	(396)
Increase (Decrease) in Accrued Expenses	234	249
Interest Paid	(65)	(36)
Income Taxes Paid	(558)	(768)
Other	147	189
Cash Flows from Operating Activities	**1,045**	**1,200**
Purchase of Property, Plant and Equipment	(44)	(34)
Purchase (Collection) of Other Financial Assets	(97)	129
Other	(6)	(8)
Cash Flows from Investing Activities	**(148)**	**86**
Free Cash Flows	**896**	**1,287**
Repayments of Long-term Borrowings	(400)	(535)
Repayments of Lease Liabilities	(132)	(151)
Proceeds from Issuance of Shares	-	373
Other	(9)	(7)
Cash Flows from Financing Activities	**(542)**	**(321)**
Net Increase (Decrease) in Cash and Cash Equivalents	**353**	**965**

Incl. depreciation of right-of-use assets (IFRS)

Interest suppressed by refinance

Cancellation refund of officer life insurance

Incl. office rent (IFRS)

IPO in July 2023

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Full-year Earnings Forecasts

Since the cumulative results are progressing well, the full-year earnings forecasts has not been changed.

In Q4, we plan to make strategic upfront investments aimed at growth from next fiscal year onward.

(Millions of Yen)

	FY2022.10	FY2023.10 Previous Forecasts (as of Jul. 21, 2023)	FY2023.10 Current Forecasts (as of Sep. 13, 2023)	YoY		Change from Previous Forecasts	
Revenue	14,540	17,482	17,482	2,941	+20.2%	-	-
Gross Profit	4,229	4,768	4,768	538	+12.7%	-	-
Operating Profit	2,039	2,162	2,162	122	+6.0%	-	-
Profit before Tax	1,852	2,111	2,111	258	+14.0%	-	-
Profit Attributable to Owners of Parent	1,242	1,485	1,485	242	+19.5%	-	-
Basic Earnings per Share (Yen)	150.58	179.05	179.05	28.47	+18.9%	-	-

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Shareholder Returns

Annual dividend for FY2023.10 is planned to be JPY90 per share.

Dividend payout ratio based on basic earnings per share (on earnings forecasts basis) is 50.2%.

Basic Policy regarding Shareholder Returns

The Company's basic policy is to provide dividends in a continuous and stable manner by strengthening its earning power in order to secure dividend resources, while giving priority to returning profits to shareholders.
Our basic policy is to pay dividends from surplus twice a year: an interim dividend and a year-end dividend. The decision-making body for dividends is the board of directors for interim dividends, and the general meeting of shareholders for year-end dividends.
Regarding the use of internal reserves, we plan to use them to prepare for future business development, and at the same time, to invest in the growth of the Group through M&A and other means, and to improve our financial position.

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Company Highlights

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1

High growth potential of the market for dispatching construction engineers due to labor shortage

Ratio of job openings to job seekers in the construction industry*1
*Architectural, civil, and surveying engineers (part-time and regular positions) in 2022

5.51x

Rate of increase in the number of dispatched construction workers*2
*CAGR for 2016–2021

6.6%

2

Industry's No.1*3 growth rates and profitability backed by our inexperienced worker recruitment strategy

Sales growth rate
*CAGR for years ended Oct. 2020(LTM)-Oct. 2022*4

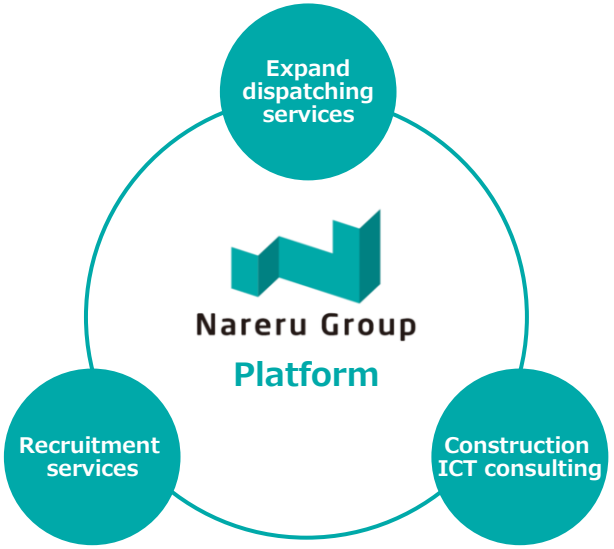
18.7%

Operating margin
*Year ended October 2022

14.0%

3

High growth potential as a construction human resources platform company



(*1) Ministry of Health, Labor and Welfare "General Employment Placement Status (Employment Security Services Statistics)".
(*2) Ministry of Health, Labor and Welfare "Results of worker dispatch business reports (as of June 1)"
(*3) Compared with sales growth rates and operation margins of the "Engineer Dispatch Companies". "Engineer Dispatch Companies" mean, amongst 17 companies listed on "the Sales Ranking of engineer Dispatching Industry" by gyokai-search.com, the following companies that meet the conditions of (i) a listed company, (ii) the annual sales of 10 billion yen or more and (iii) sales from the engineers dispatching business account for the majority of its total sales: TechnoPro Holdings, WDB Group, Meitec, Altech Corporation, Open Up Group (former BeNext-Yumeshin), Forum Engineering, and Copro Holdings. See page 11 for comparison of sales growth rate (CAGR in last 3 years) and operating profit margin (most recent fiscal year)
(*4) After our company was established on May 27, 2019, we changed the fiscal year-end from the end of April to the end of October. As a result, the fiscal year ended October 2020 of our company is the six-month period from May 1, 2020 to October 31, 2020. "Fiscal Year Ended October 2020 (LTM)" is an unaudited figure calculated assuming the 12-month period from November 1, 2019 to October 31, 2020 as one consolidated fiscal year. Results differ from those for the six-month period ended October 2020.

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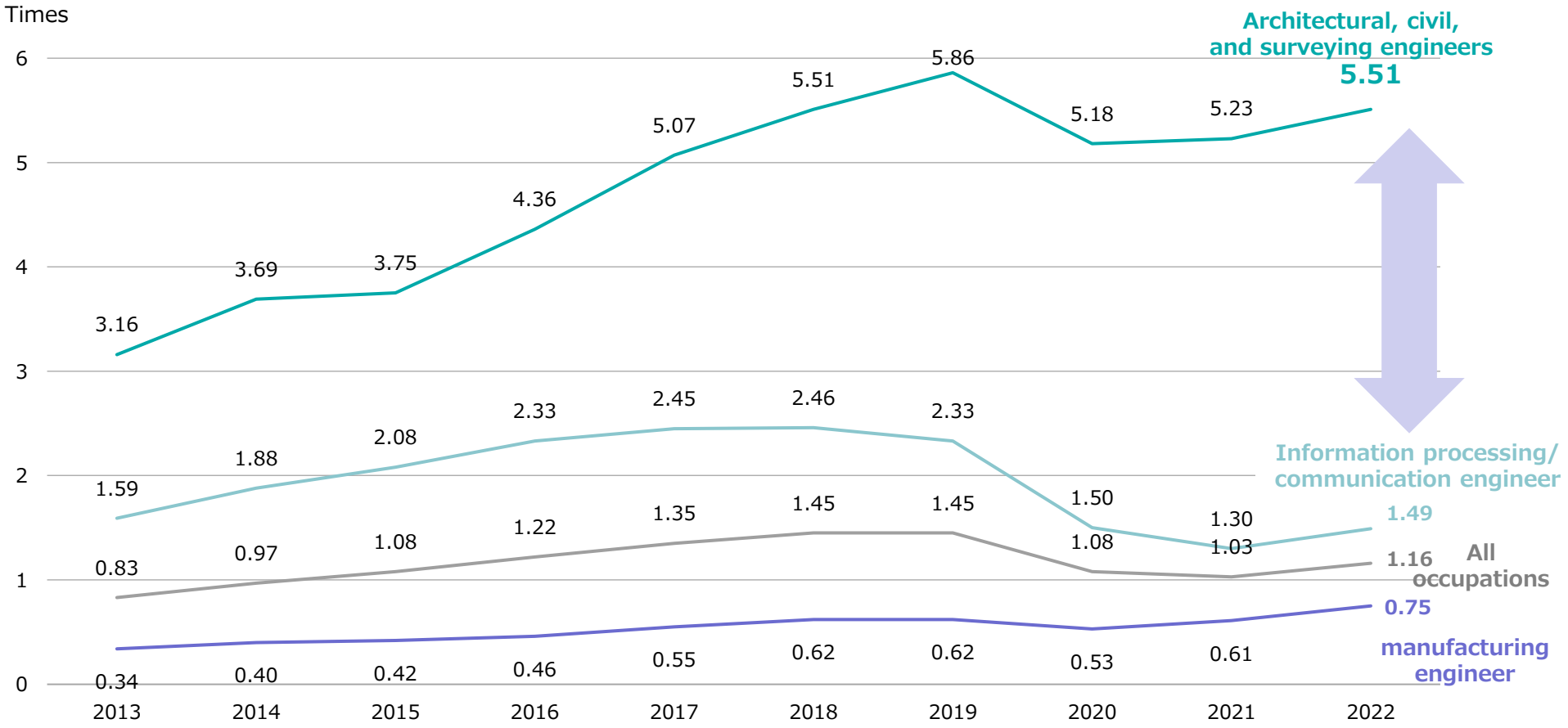
Chronic Shortage of Construction Engineers

The labor shortage in the construction industry is becoming more serious than in other industries.

Ratio of job openings to job seekers in the construction industry



Source: Created by Nareru Group based on Ministry of Health, Labour and Welfare "General Employment Placement Status (Employment Security Service Statistics)"
Part-time and regular positions

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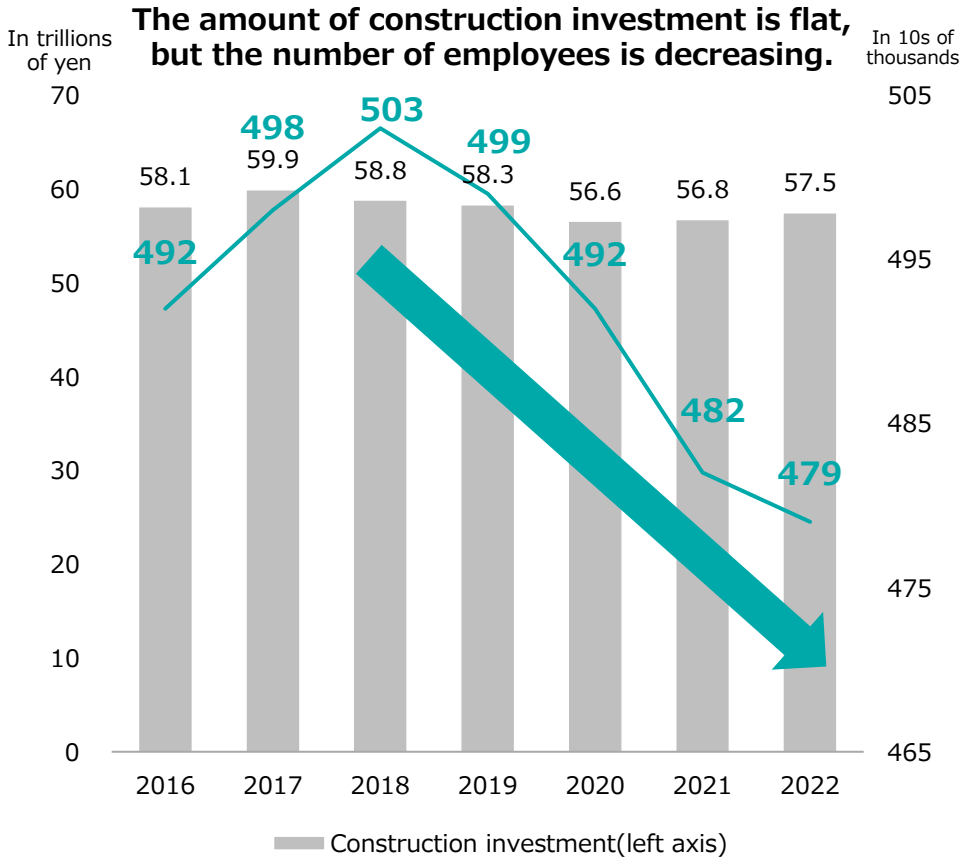
Structure in which construction engineer dispatching underpins the construction market

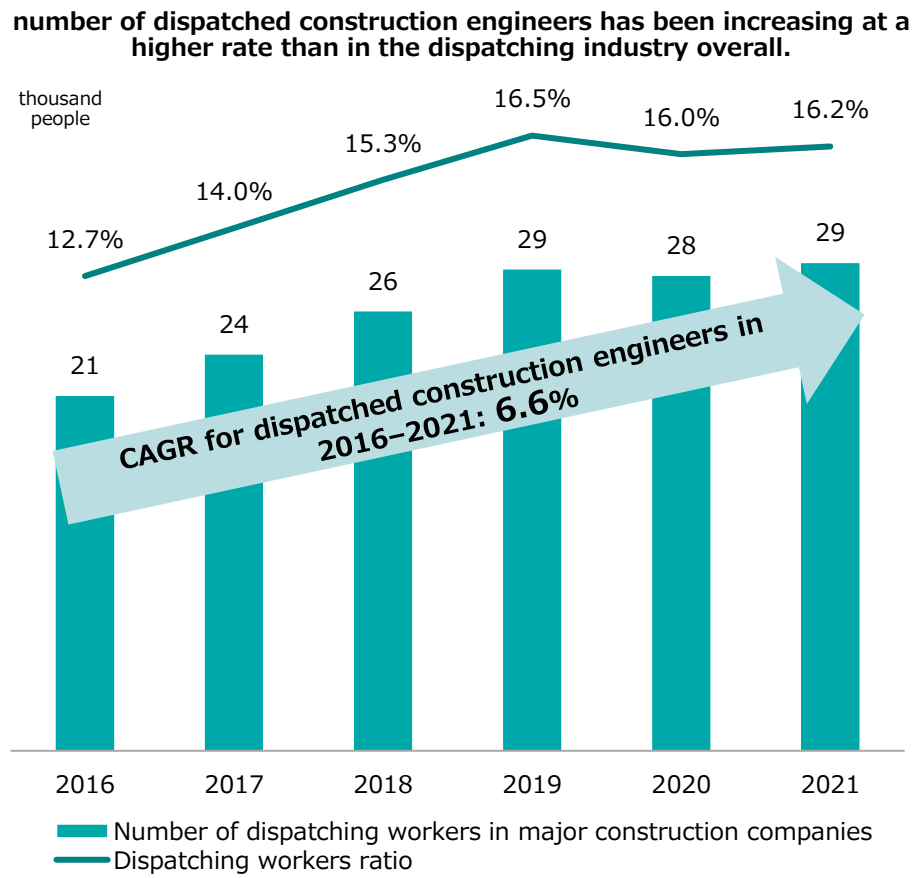
The amount of construction investment remained flat, but the number of workers in the construction industry decreased. As a result, demand for construction dispatch companies is increasing

Construction investment and number of construction workers



(Source) Construction Economics Institute ``NO.74 Construction Economics Report'', Ministry of Land, Infrastructure, Transport and Tourism ``Construction Investment Outlook for FY2021'' until FY2020 Created by our company based on the modJanuary 2022)" Created by our company based on the Ministry of Internal Affairs and Communications "labor force survey" el construction investment outlook (Temporary employees of our company belong to the "worker dispatch business" and are not included in the calculation.)

Number of dispatched construction engineers



(Source) Created by our company based on the Ministry of Land, Infrastructure, Transport and Tourism "Survey of Construction Industry Activities" and the Ministry of Health, Labor and Welfare "Report on Worker Dispatch Business (as of June 1)" Number of dispatched workers and ratio of dispatched workers in the top 53 companies in terms of completed construction): Ministry of Land, Infrastructure, Transport and Tourism "Survey on Construction Business Activities";

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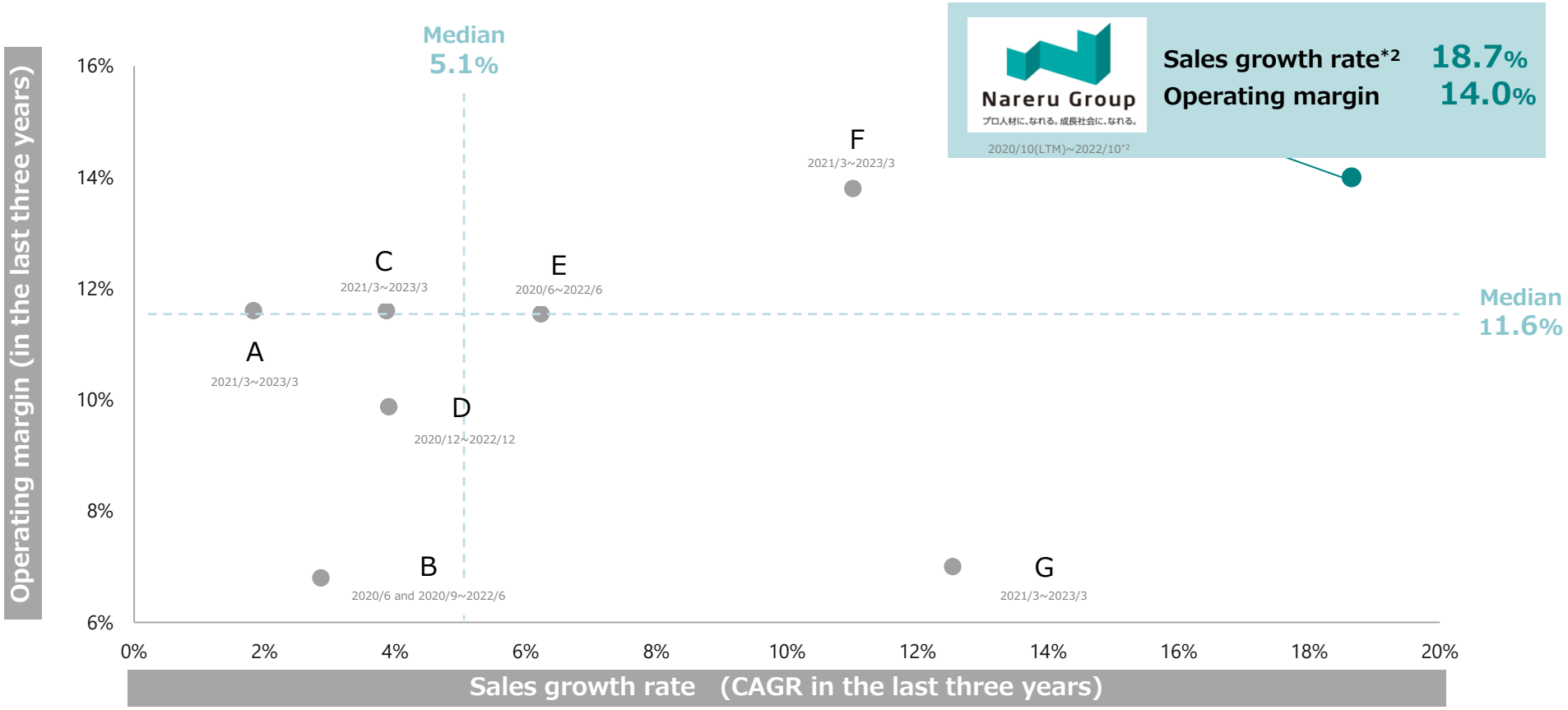
Industry-leading Profitability and Growth Rate

Nareru Group boasts high growth potential and profitability as an engineer dispatch companies*1

Sales Growth Rate and Operating Profit Margin of Engineer Dispatch Companies



(Source) Created by Nareru Group based on the securities reports of each company

(*1) Compared with sales growth rates and operation margins of the "Engineer Dispatch Companies". "Engineer Dispatch Companies" mean, amongst 17 companies listed on "the Sales Ranking of engineer Dispatching Industry" by gyokai-search.com, the following companies that meet the conditions of (i) a listed company, (ii) the annual sales of 10 billion yen or more and (iii) sales from the engineers dispatching business account for the majority of its total sales

(*2) Calculated based on J-GAAP for the fiscal year ended October 2020 (LTM), and based on financial figures prepared based on IFRS for the fiscal years ended October 2021 and October 2022.
After our company was established on May 27, 2019, we changed the fiscal year-end from the end of April to the end of October. As a result, the fiscal year ended October 2020 of our company is the six-month period from May 1, 2020 to October 31, 2020. "Fiscal Year Ended October 2020 (LTM)" is an unaudited figure calculated assuming the 12-month period from November 1, 2019 to October 31, 2020 as one consolidated fiscal year. Results differ from those for the six-month period ended October 2020.

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Nareru's Structure to make High Growth and Profitability

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Recruitment

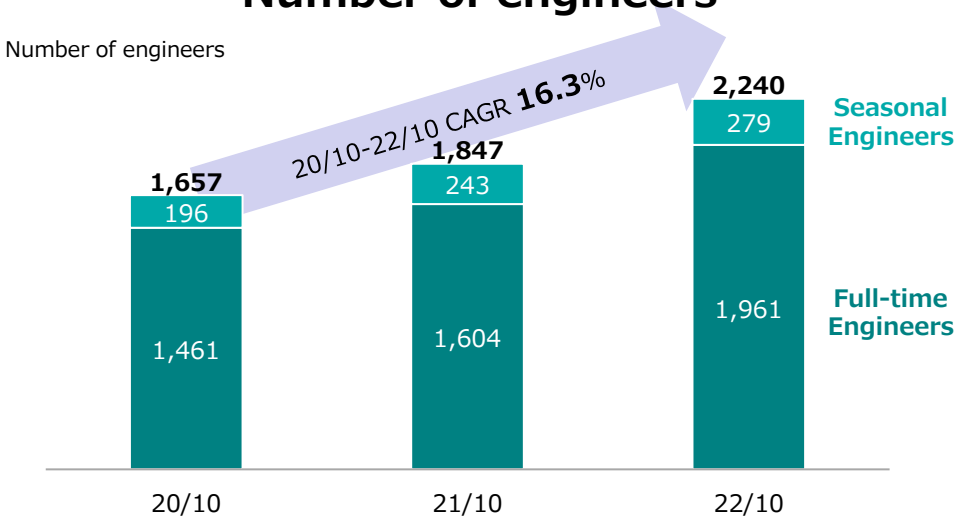
Increase the number of engineers through inexperienced worker recruitment strategy

×

Room for improvement in Unit Price

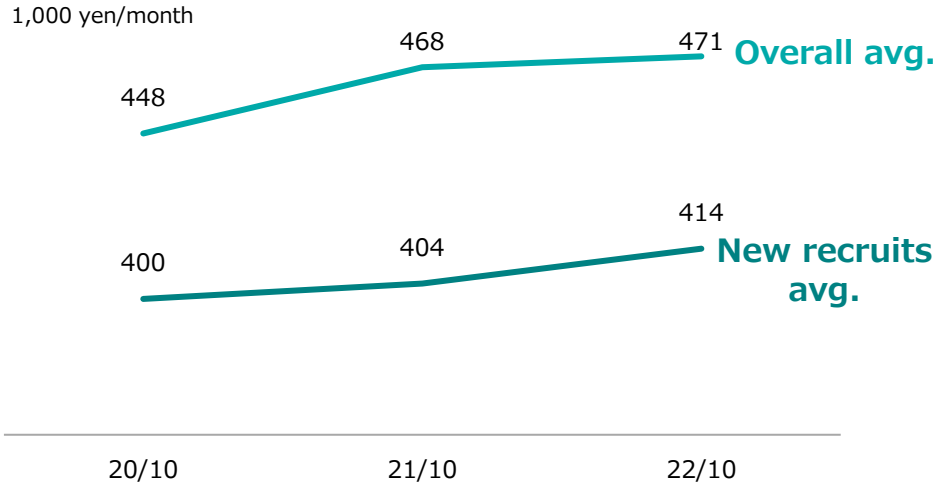
Realized continuous improvement of contract unit price by continuing to supply young engineers who are in high demand

Number of engineers*1



(*1) Number of engineers who were enrolled for one day or more from the beginning of the month to the end of the month
Figures are non-consolidated figures for World Corporation

Contract unit price per person*2



(*2) Figures are non-consolidated figures for World Corporation
The contract unit price per person is the average value of each contract unit price (excluding overtime pay) for all dispatched employees, including experienced and inexperienced employees.

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Nareru's Inexperienced Worker Recruitment Strategy

Focusing on hiring inexperienced workers, the strategy makes growth and profitability.

Nareru Group　World Corporation

		Hiring Inexperienced Worker Model	Hiring Experienced Worker Model
Recruitment	Growth Supply Capacity	**Extremely high** • Number of active job seekers in all industries: **1.92 million**[*1]	**Lower than hiring inexperienced worker model** ・Number of active job seekers in the construction industry: **10 thousand**[*1]
Recruitment	Moat Recruitment know-how	**Difficult** ・Dispel the "3K" image of the construction industry and promote the appeal of other companies. Difficult procedure from application to joining ・Compared to experienced people, recruitment costs can be reduced	**Easy** ・Projects are recruited for each site. The process from application to joining the company is easy ・Recruitment costs are very high due to a shortage of talent across the industry
Education	Growth Room for improvement in Unit Price	**Extremely high** ・There is a lot of room for technological growth, and the contract unit price tends to increase. ・Young employees have low base salaries.	**Limited** ・ High contract unit price, but limited future growth potential ・ The aging of the population is accelerating, and basic salaries are high
Education	Moat Improve Recruitment/ training system	**Difficult** ・About 100 people are hired every month. ・Requires time and cost to develop recruitment and education systems	**Easy** ・Work experience allows immediate dispatch without advanced training

(*) An image diagram showing Nareru Group's analysis of the generally assumed trends for each category when the hiring policy for dispatched workers is broadly divided into the inexperienced type and the experienced type

(*1) Number of active job seekers: Ministry of Health, Labor and Welfare "General Employment Placement Status (Employment Security Service Statistics)" figures are the number of part-time and regular positions in 2022. As to the construction industry, architectural, civil, and surveying engineer positions

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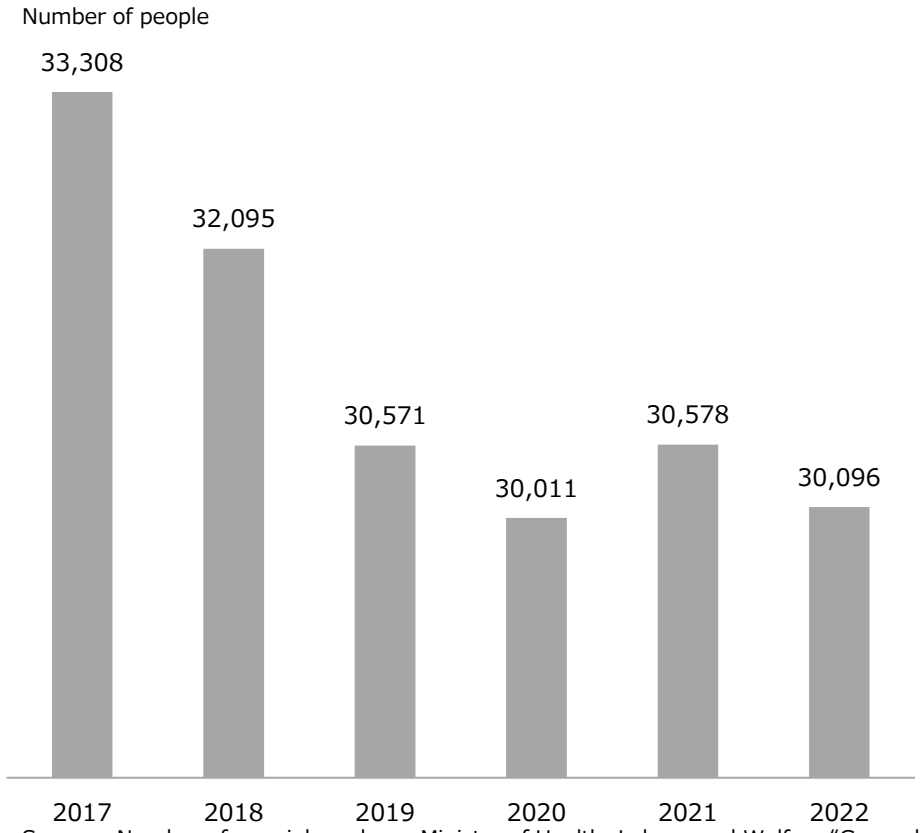
High Recruitment Capability with Inexperienced Worker Recruitment Strategy

Secure human resources stably even in the midst of intensifying recruitment competition

Number of job seekers looking for architectural, civil, and surveying engineer

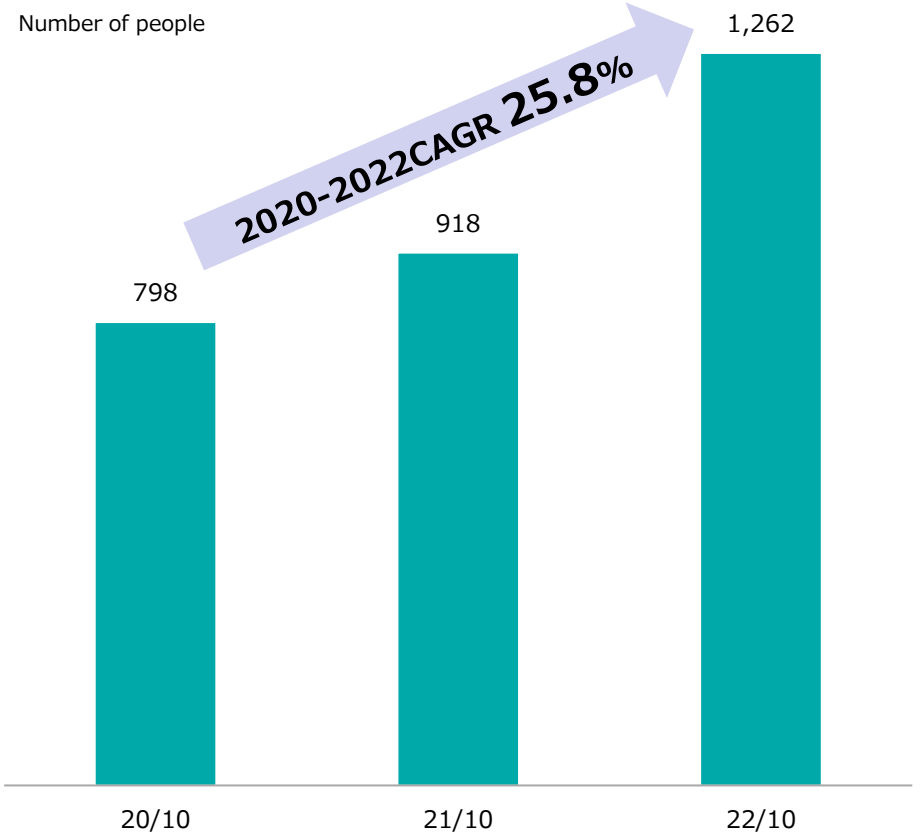
The number of new job seekers for construction engineers is on a downward trend



Source: Number of new job seekers: Ministry of Health, Labour and Welfare "General Employment Placement Status (Employment Security Service Statistics)"
Annual total of job seekers looking for part-time or regular positions

Number of recruits by World Corporation*1

Increasing trend due to efficient recruitment system



(*1) Figures are non-consolidated figures for World Corporation

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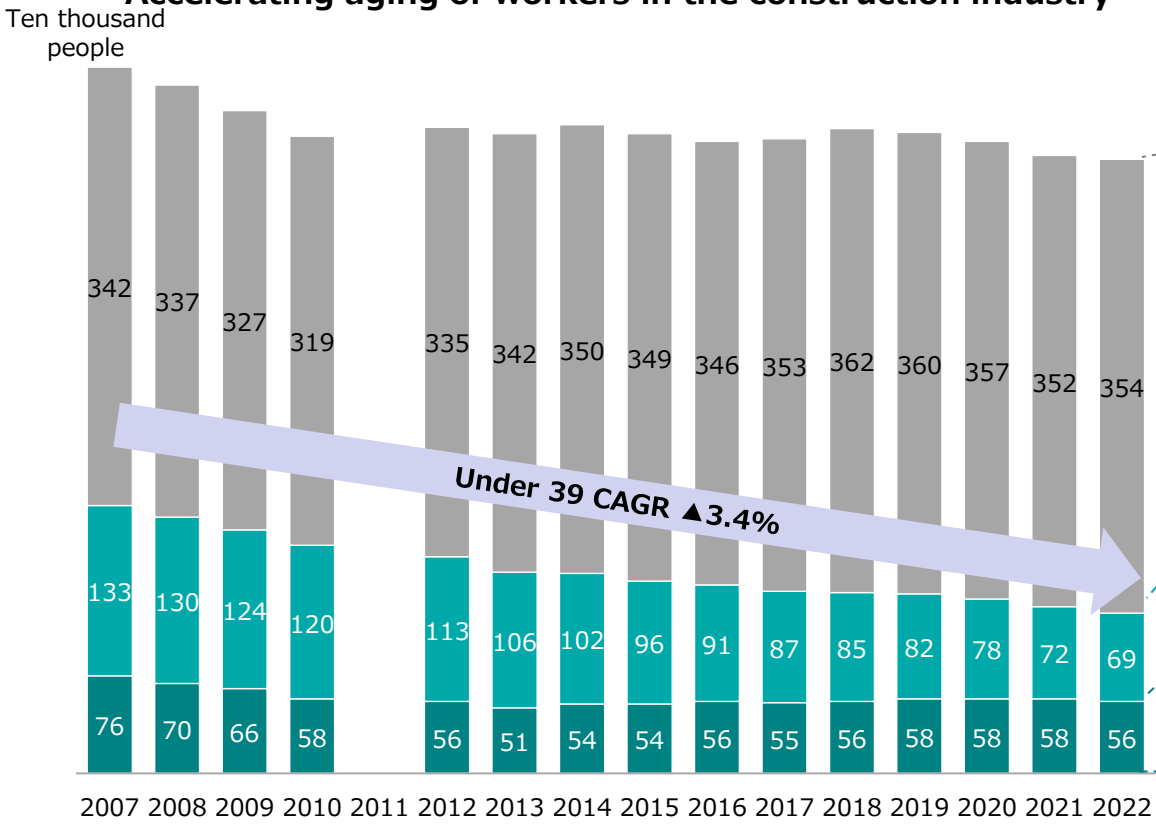
Age Composition Centered On Young Engineers

It is possible to provide a stable supply of young human resources, which is particularly lacking in the construction industry, and has high price bargaining power

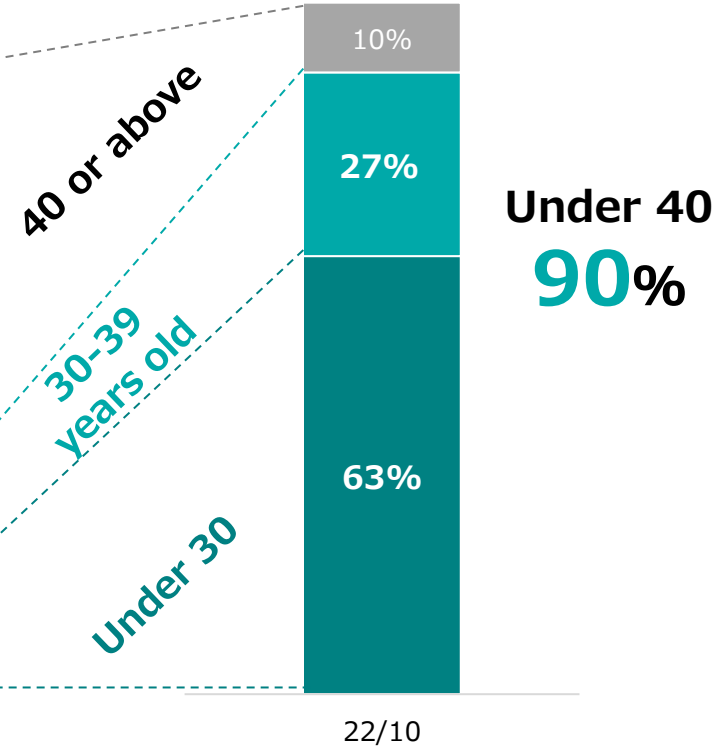
Number of construction workers by age group

Accelerating aging of workers in the construction industry



Age composition of World Corporation*1

The solution provider that puts the brakes on the decline in the number of young construction workers



Under 40

90%

(Source) Created by Nareru Group based on Ministry of Internal Affairs and Communications "Labor Force Survey"
(2011 was not published due to the impact of the Great East Japan Earthquake)

(*1) Figures are non-consolidated figures for World Corporation, as of the end of Oct. 2022, and engineers under dispatch contract

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Nareru's Training Methods

By establishing a training method for young engineers, the number of active engineers having two years or more of experience has increased, and the contract unit price has steadily increased over the last three years

Career plan example for engineers

The number of employees with a year or more on the job is also increasing.

Higher unit prices per person

Skill phases — **Unit prices**

Basic specialized skills training

Inexperienced workers

Training for those with no experience, covering basic construction industry knowledge and technical terms as well as basic skills for working people

¥

Basic specialized skills training

2nd to 3rd years

Gain basic knowledge about the next project based on the experience of working on the first project

¥ ¥

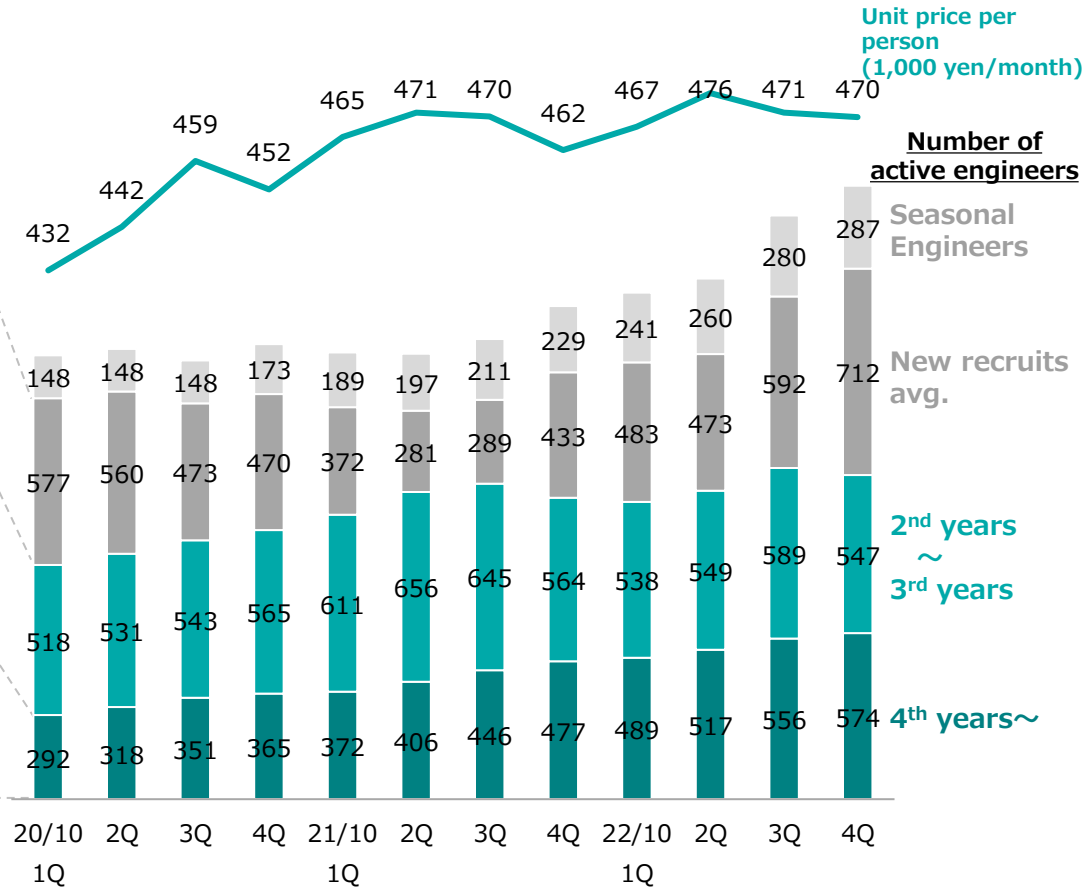
Practical specialized skills training

4th year and later

Work on more complex projects
Aim at acquiring qualifications such as first-class architect and operation and management engineer

¥ ¥ ¥

Unit prices per person & Active engineers by length of service*1



(*1) Figures are non-consolidated figures for World Corporation
unit price per person is the quarterly average contract unit price (excluding overtime pay) for all dispatched engineers, active engineers are quarterly average

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1. Company Profile

2. Financial results for Q3 FY2023.10

3. **Company Highlights**

   1) High growth potential of the market for dispatching construction engineers due to labor shortage

   2) Industry's No.1 growth rates and profitability backed by our inexperienced worker recruitment strategy

   3) High growth potential as a construction human resources platform company

4. Appendix

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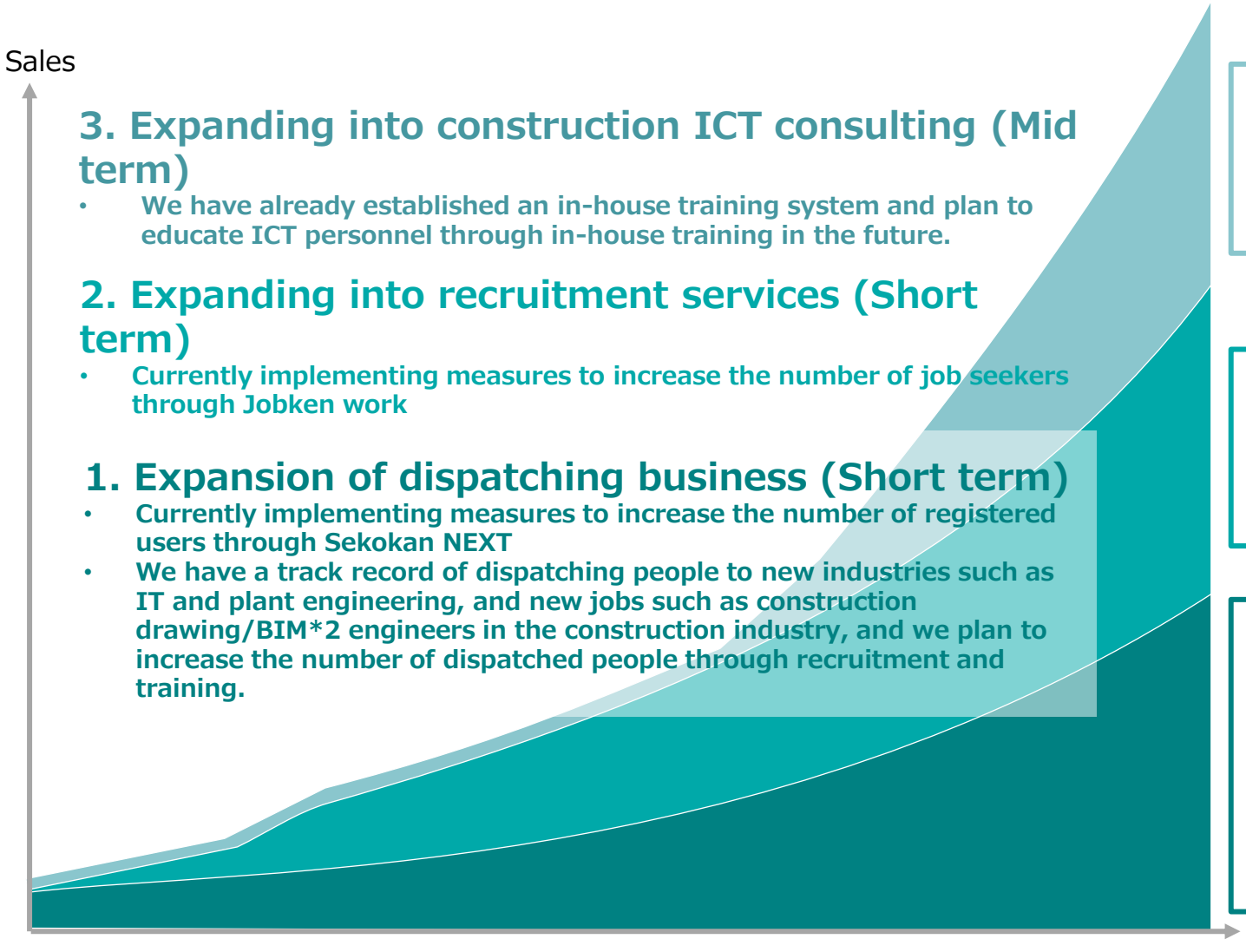
Group Growth Strategy



Consulting support by construction ICT advisors and construction support staff

ATJC World Corporation

Entry into craftworkers recruitment business

CONTRAFT

Experienced worker recruitment by in-house media

セコカンNEXT

Expand dispatching services

IT, Plant,
construction drawing and BIM

ATJC

(*1) Image diagram created by Nareru Group
(*2) BIM(Building Information Modeling): A tool that enables the construction process from design to construction to maintenance management using 3D digital models created on computers in the architectural field.

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Expand Dispatching Services

Expect an increase in the number of engineers by hiring inexperienced and experienced people

	Target Market	Plan	Expected Results
Inexperienced people	**IT** Plant BIM	Transfer of recruitment and training know-how World Corporation ATJC	**Expansion into new dispatching market**
Experienced people	**Construction** Plant BIM	Recruitment activities were previously ineffective Utilizing in-house media reduce recruitment costs セコカンNEXT	**Expansion of construction dispatching service**

(*) Image diagram created by Nareru Group

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Success stories in the IT dispatch field(1/2)

ATJC, an IT engineer dispatch company with major IT companies as clients, joined the group in December 2020. Active investment will support the growth of the Nareru Group

IT Solution Busines :ATJC

■ **ATJC**

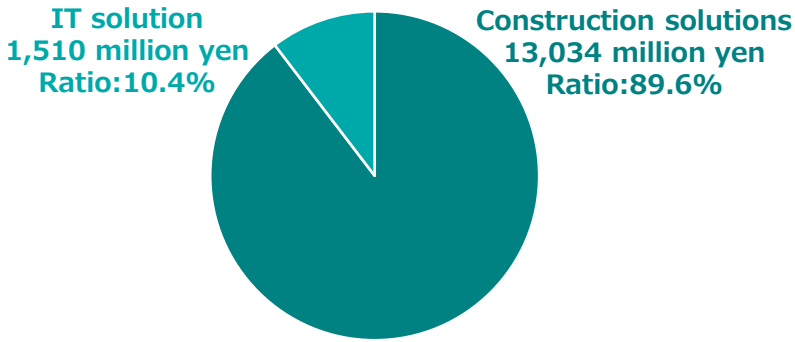
Developing engineer outsourcing business for various system development projects such as financial, public, and communication

■ **Background of participation in the group**

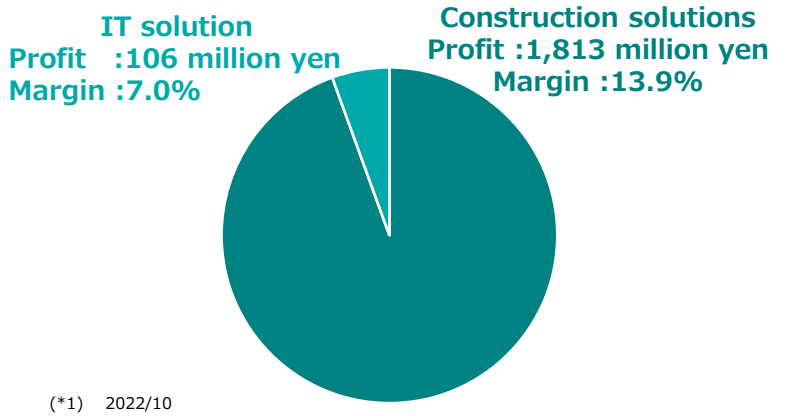
2007 **Established**
Growth slows down due to difficulties in recruiting IT engineers

2020 **Participated in Nareru Group (stock transfer by founder), expecting growth through partnership with recruitment know-how**

Company-wide sales ratio (before adjustment)*1



Segment profit*1



(*1) 2022/10

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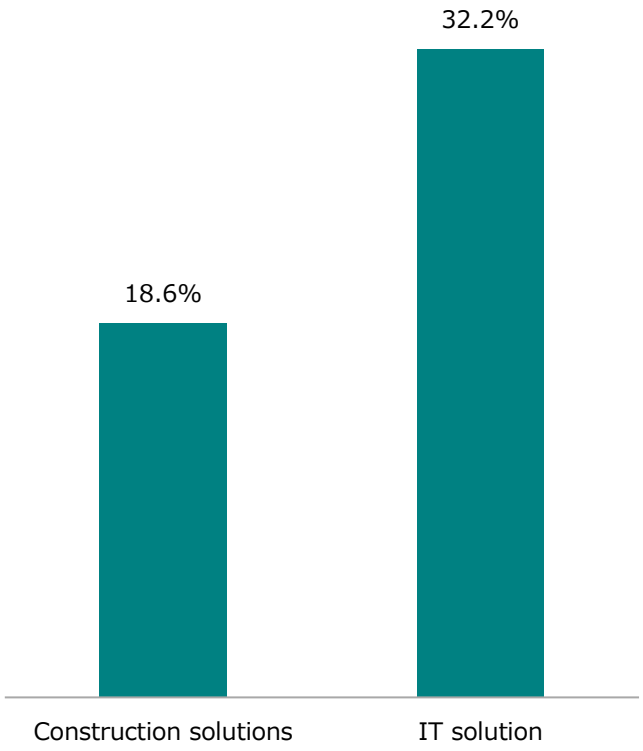
Success stories in the IT dispatch field(2/2)

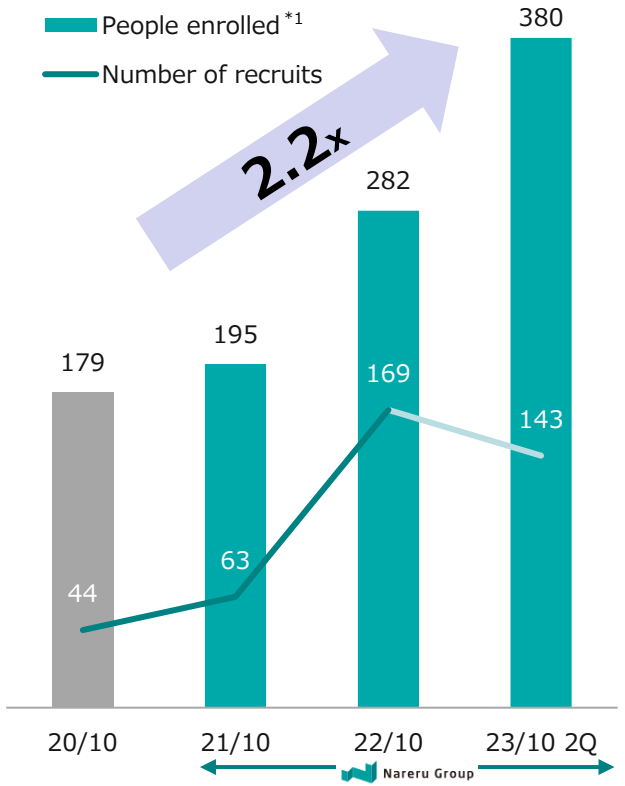
Growth exceeding that of construction solutions due to upfront investment in adoption

Aiming for low-cost hiring and higher unit prices by utilizing know-how in hiring and training inexperienced people

Sales growth rate(21/10-22/10)



ATJC: the number of recruits and people enrolled

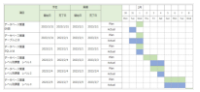


2020/12: After joining the group

Transfer know-how to ATJC

Add Nareru Group know-how to ATJC's human resource development program

Progress management program



Aptitude Test & Proficiency Test



Optimal placement of human resources



Nareru Group

Hiring inexperienced people

Utilize RPM

manual

Human resource development method



New employee training



Post-assignment training



Follow up training

ATJC

Low-cost adoption and unit price improvement

(*1) Number of engineers who have been enrolled for at least 1 day in October each year

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Improving the dispatch unit price by utilizing In-house media

By utilizing in-house media, low-cost hiring of experienced worker recruitment and higher unit prices are expected

Strengths of SEKOKAN Next

セコカンNEXT

Focus on
Experienced workers

Low Cost
hiring by in-house media

Dispatching experienced workers at a High unit Price

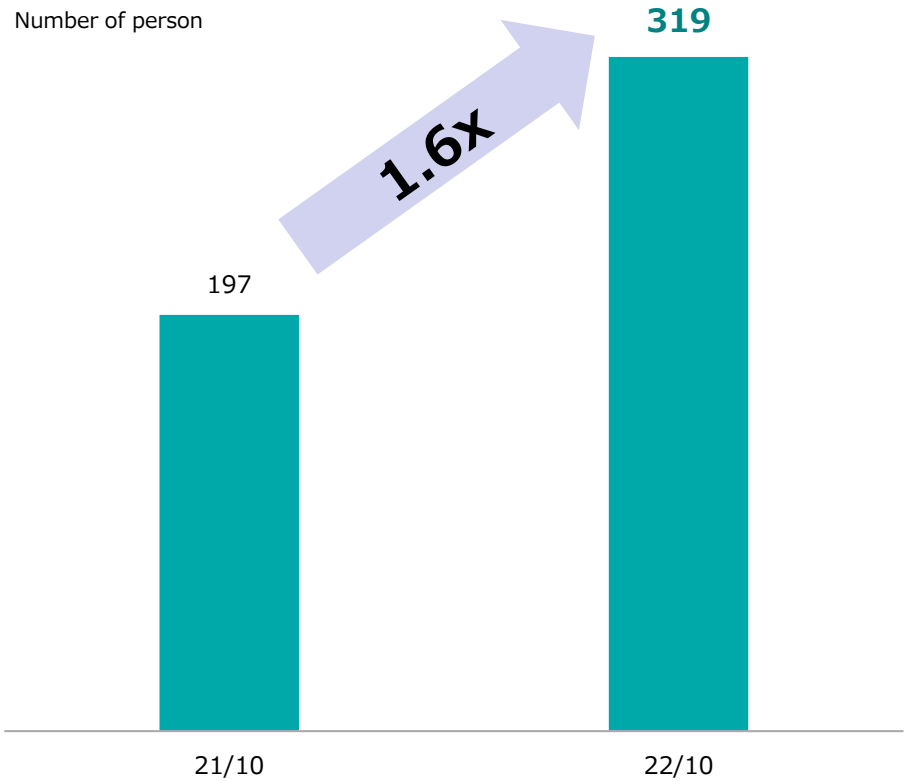
(Sample webpages)





Number of SEKOKAN Next registrants*1

The number of registrants is growing steadily, In-house media is expected to strengthen the ability to recruit experienced engineers



(*1) The calculation period is from November 2020 to October 2021 for fiscal period ended October 2021 and from November 2021 to October 2022 for Fiscal period ended October 2022.

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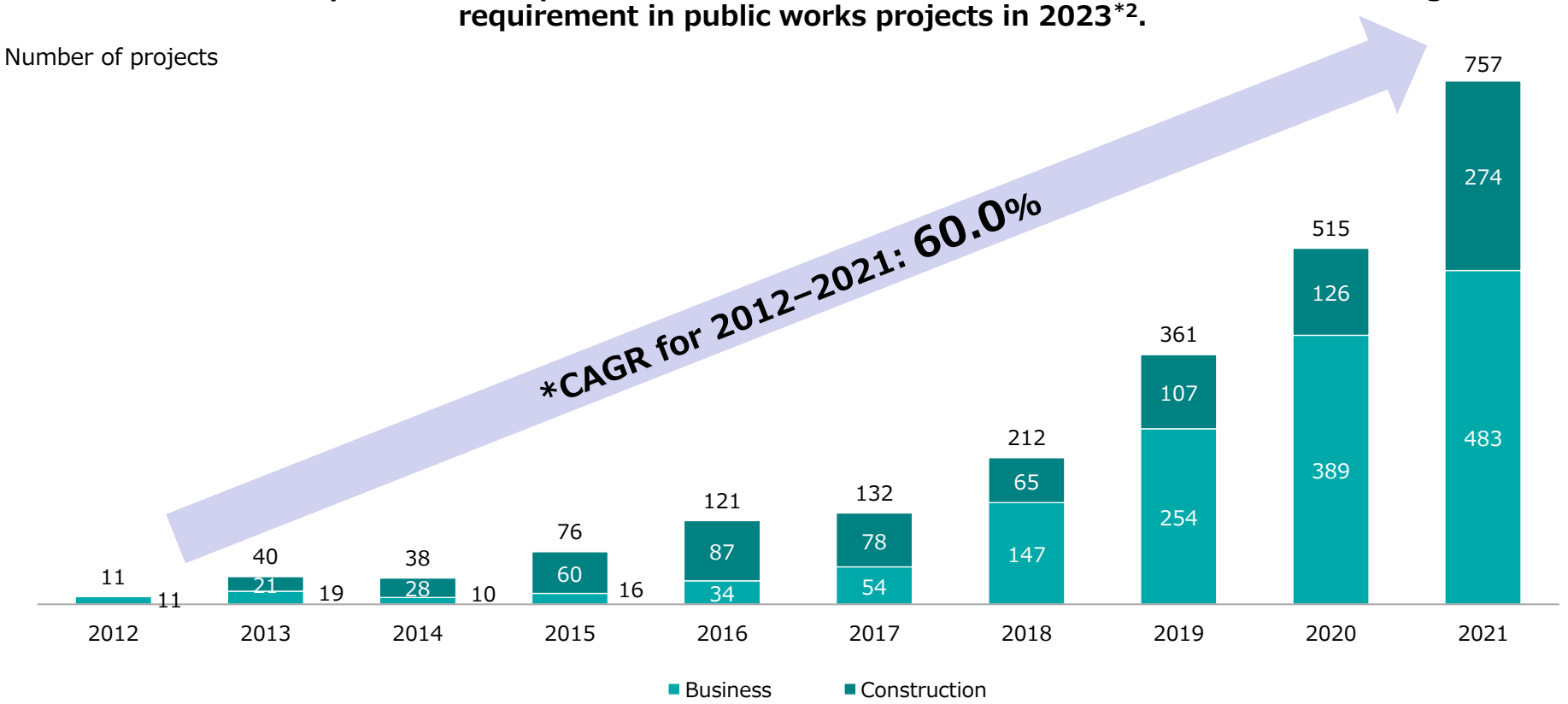
Growing Demand for BIM Specialists at Construction Sites

Demand for BIM specialists is expected to increase as the MLIT promotes BIM/CIM*1

Number of business and construction projects using BIM/CIM

Number of projects using BIM/CIM is dramatically increasing, demand for BIM specialists is expected to further increase as the use of BIM/CIM becomes a general requirement in public works projects in 2023*2.



(Source) Created by Nareru Group based on the 8th BIM/CIM Promotion Committee of the MLIT(Ministry of Land, Infrastructure, Transport and Tourism) (August 30, 2022)
(*1) BIM/CIM: A tool that enables everything from design to construction and maintenance in the construction process using 3D digital models created on a computer.
BIM (Building Information Modeling) is in the field of architecture, and CIM (Construction Information Modeling) is in the field of civil engineering.
(*2) Use of BIM/CIM becomes a general requirement in public works projects in 2023: In April 2020, the Ministry of Land, Infrastructure, Transport and Tourism decided to "apply BIM/CIM in principle to all public projects except for small-scale projects by 2023."

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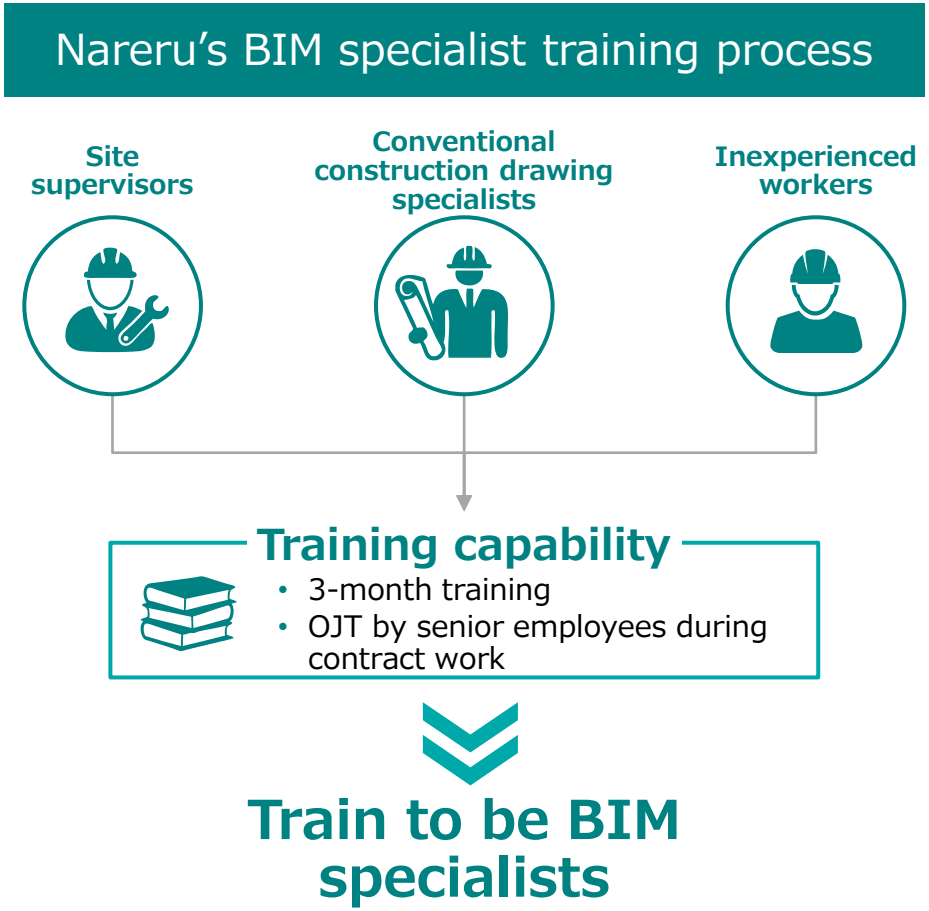
Nareru's Training Policy for Construction Drawing Specialists

Focusing on BIM specialist training with an established training system



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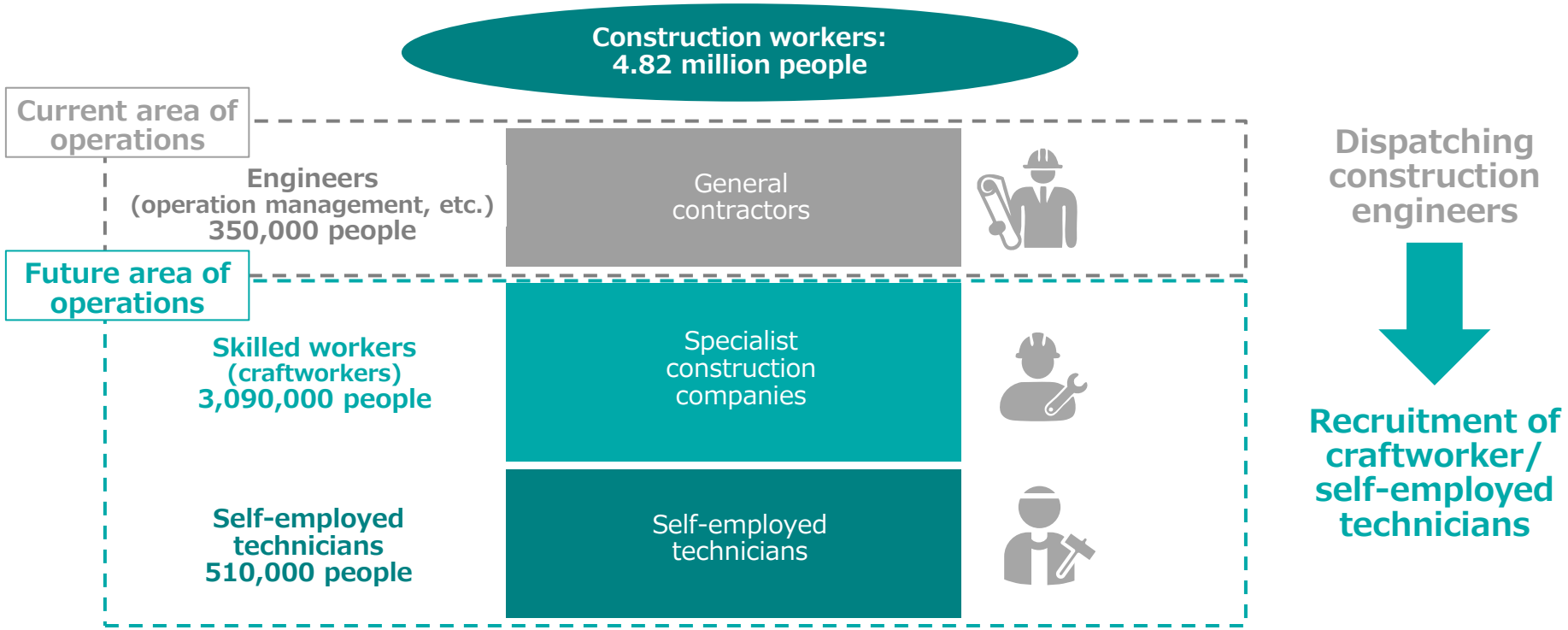
Expanding into recruitment services

Aiming to expand the scope of construction human resources services by expanding into the recruitment services

Size of construction job market

Aiming to be the one and only company that can provide services to all companies suffering from labor shortage in the construction industry through expansion into the recruitment business



Source: Created by Nareru Group based on Ministry of Land, Infrastructure, Transport and Tourism, "Recent Situation of the Construction Industry" (June 15, 2022) and Ministry of Land, Infrastructure, Transport and Tourism, "The First Study Group on the Problem of One Master Masters in the Construction Industry" (June 25, 2020) Engineers, skilled workers: Calculated by the Ministry of Land, Infrastructure, Transport and Tourism based on the Ministry of Internal Affairs and Communications "Labor Force Survey" (2021 average, June 15, 2022)
Self-employed technicians: Estimated number of people in the Ministry of Land, Infrastructure, Transport and Tourism based on the Ministry of Internal Affairs and Communications labor force survey (2019 average, June 25, 2020)

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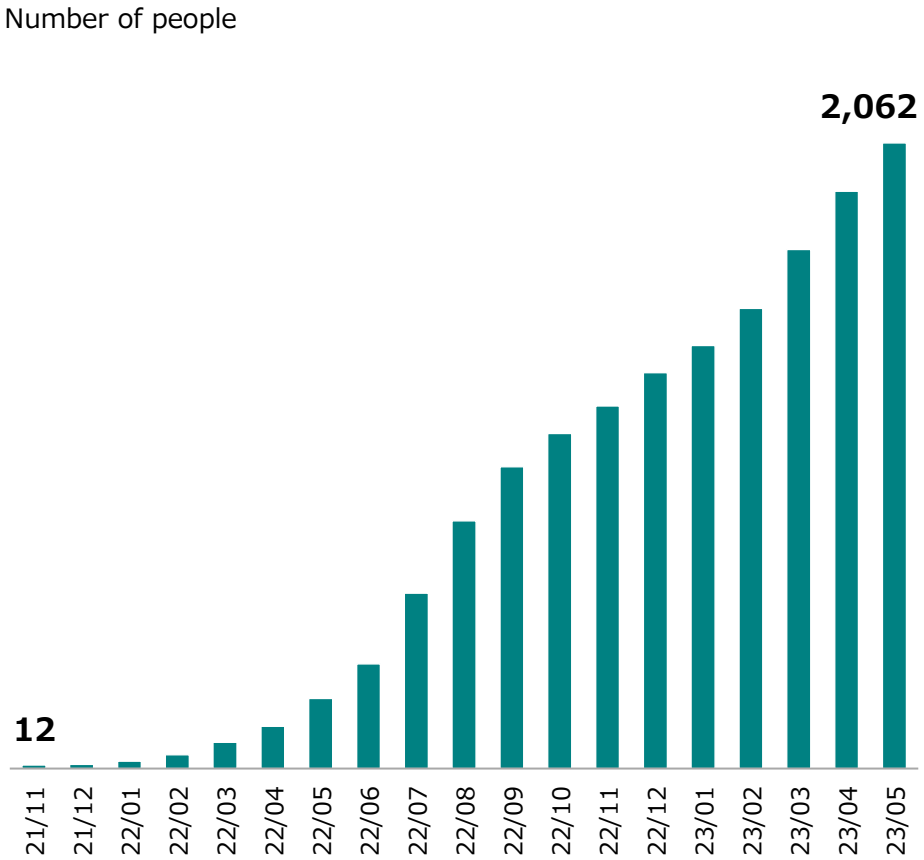
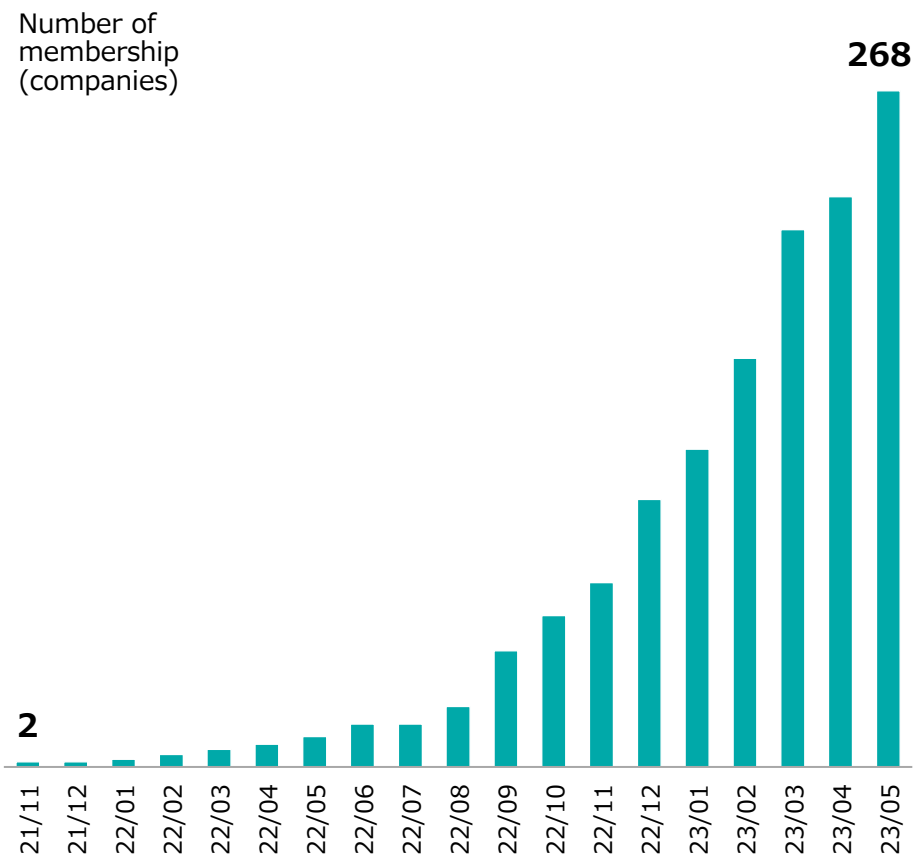
KPI Transition of the Craftsman Platform

Since the establishment of CONTRAFT, the number of job seekers and membership on the platform has increased steadily.

Monthly cumulative number of job seekers on platform



Monthly cumulative number of registered member companies



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1. Company Profile

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1) High growth potential of the market for dispatching construction engineers due to labor shortage

2) Industry’s No.1 growth rates and profitability backed by our inexperienced worker recruitment strategy

3) High growth potential as a construction human resources platform company

4. **Appendix**

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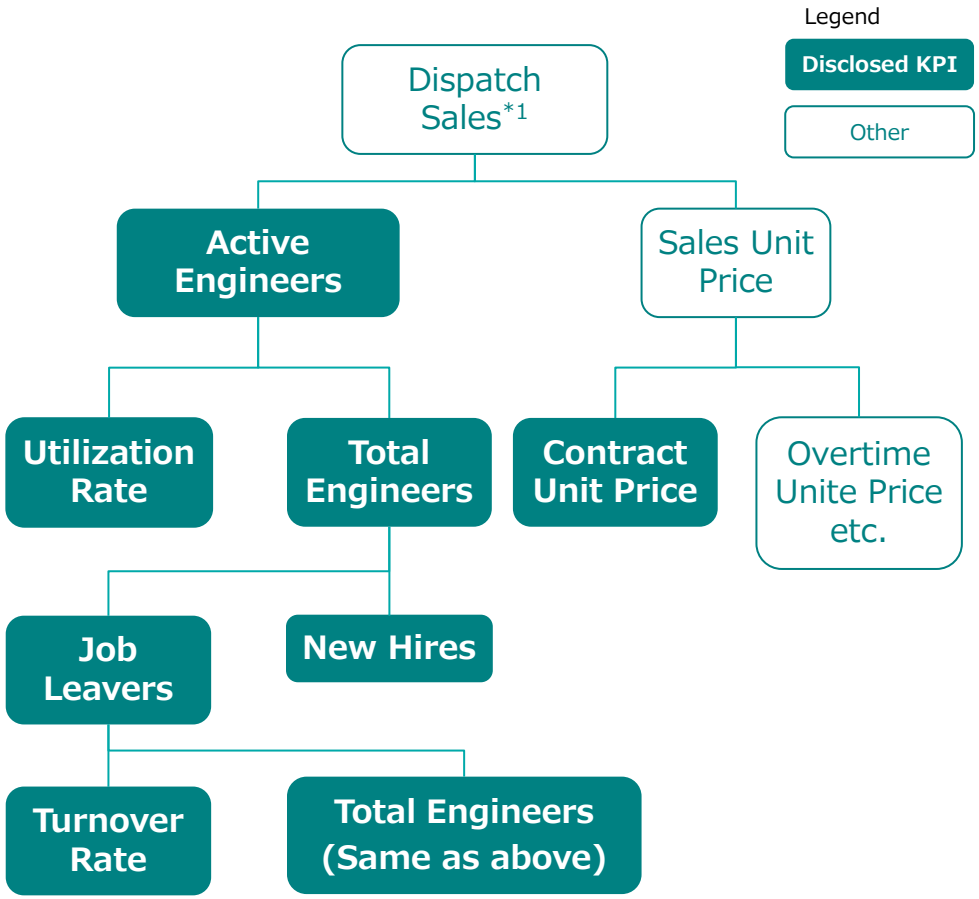
KPI Structure and Definition

The Group discloses the following major KPIs related to dispatch sales.

KPI Structure



*1 At ATJC, sales based on the SES contract is included.

Definition of KPI

Active Engineers	Engineers who were dispatched for at least one day during the month
Total Engineers	Engineers who were employed for at least one day during the month (Engineers at the beginning of the month + Engineers hired in the month)
Utilization Rate	Active Engineers / Total Engineers
New Hires	Engineers who joined the company during the period
Job Leavers	Engineers who left the company during the target period
Turnover Rate	Job leavers during past 12 months / (Total engineers at the end of the month 12 months prior + New hires during past 12 months)
Sales Unit Price	Sales per active engineer
Contract Unit Price	Average of contract unit prices (excluding overtime charges) for all engineers
Overtime Unite Price etc.	Amount per active engineers of total of (i) Additional amount such as overtime charges and (ii) unavailability reduction

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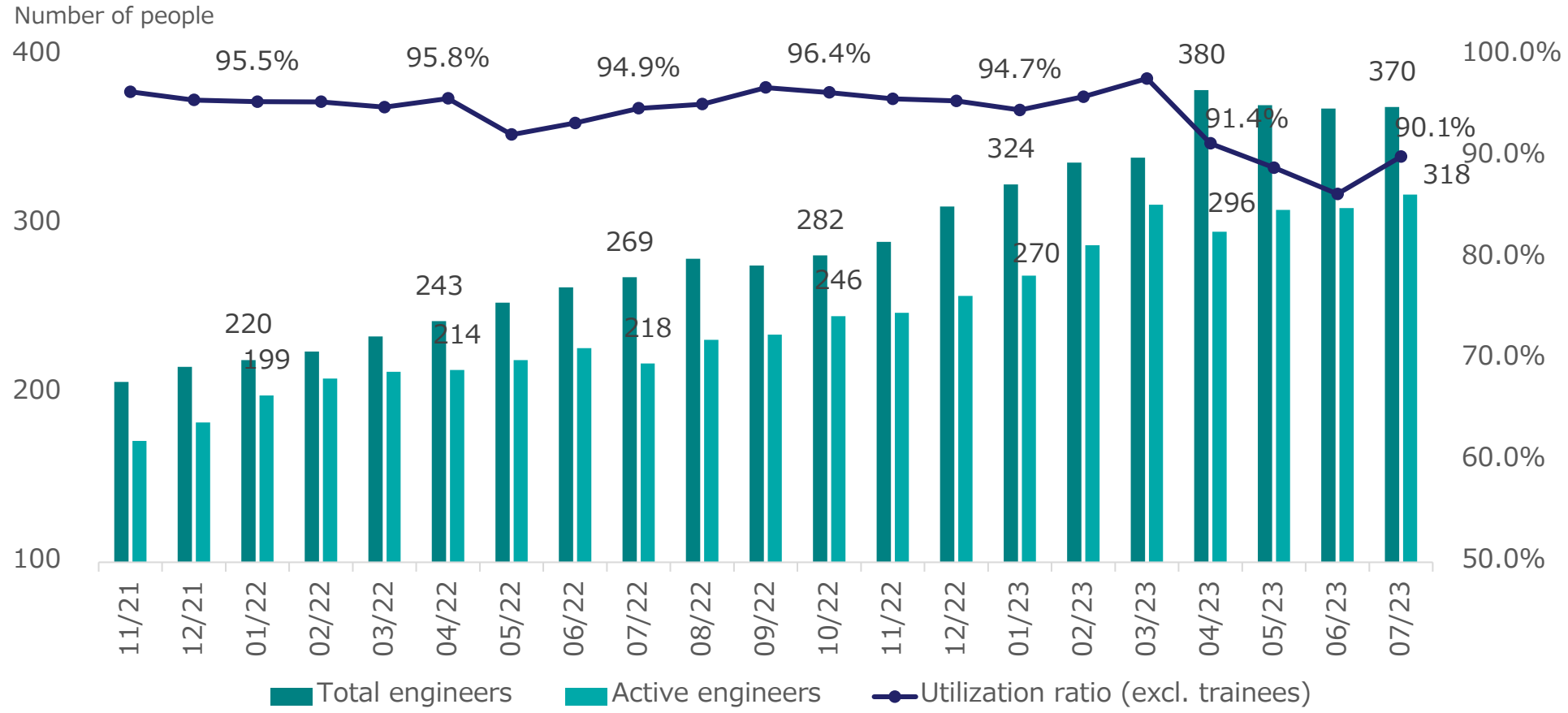
Trends in Engineers and Utilization Ratio (ATJC)

In Q3, the number of active engineers increased by 22 QoQ due to assignments for new grads who joined the company in April 2013.

Trends in total engineers, active engineers and utilization ratio



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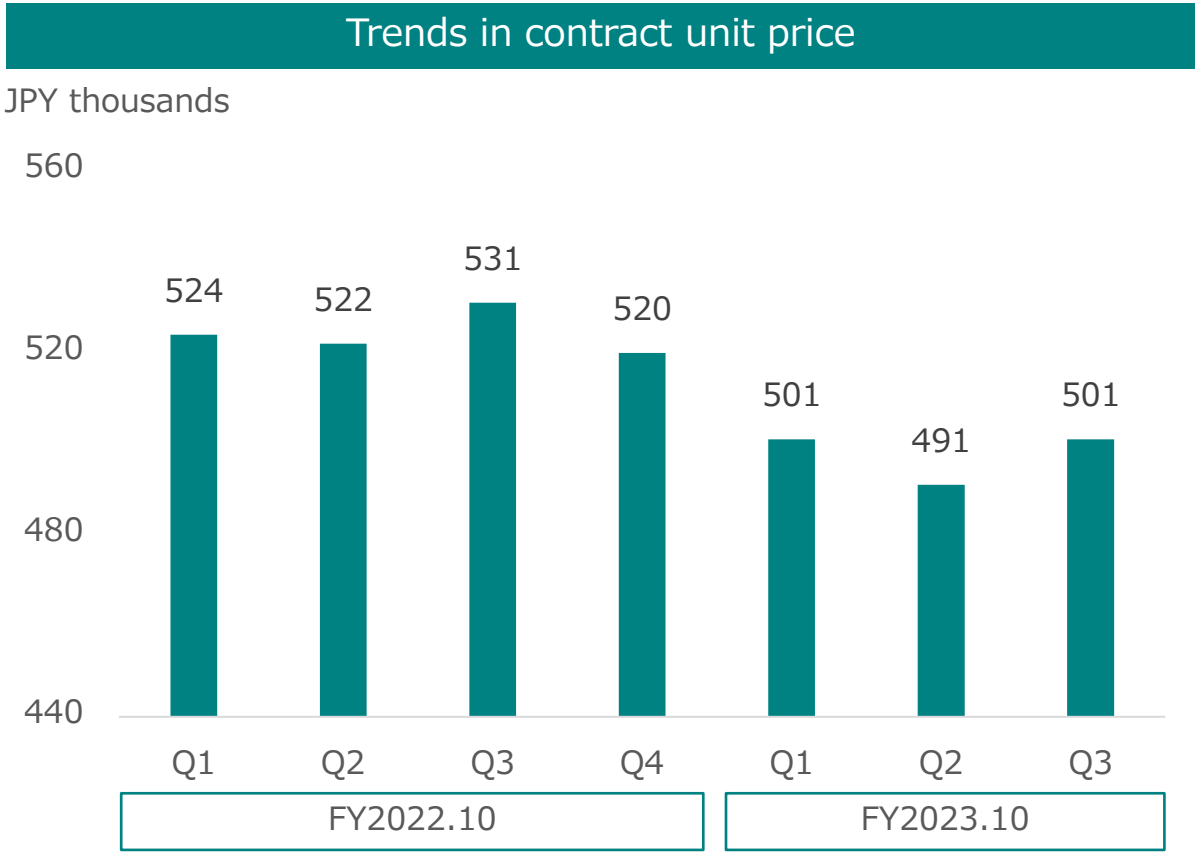
Trends in Contract Unit Price (ATJC)

The contract unit price has been on a downward trend since the company started hiring inexperienced workers, but it seems that the decline in the contract unit price has bottomed out in the current year.



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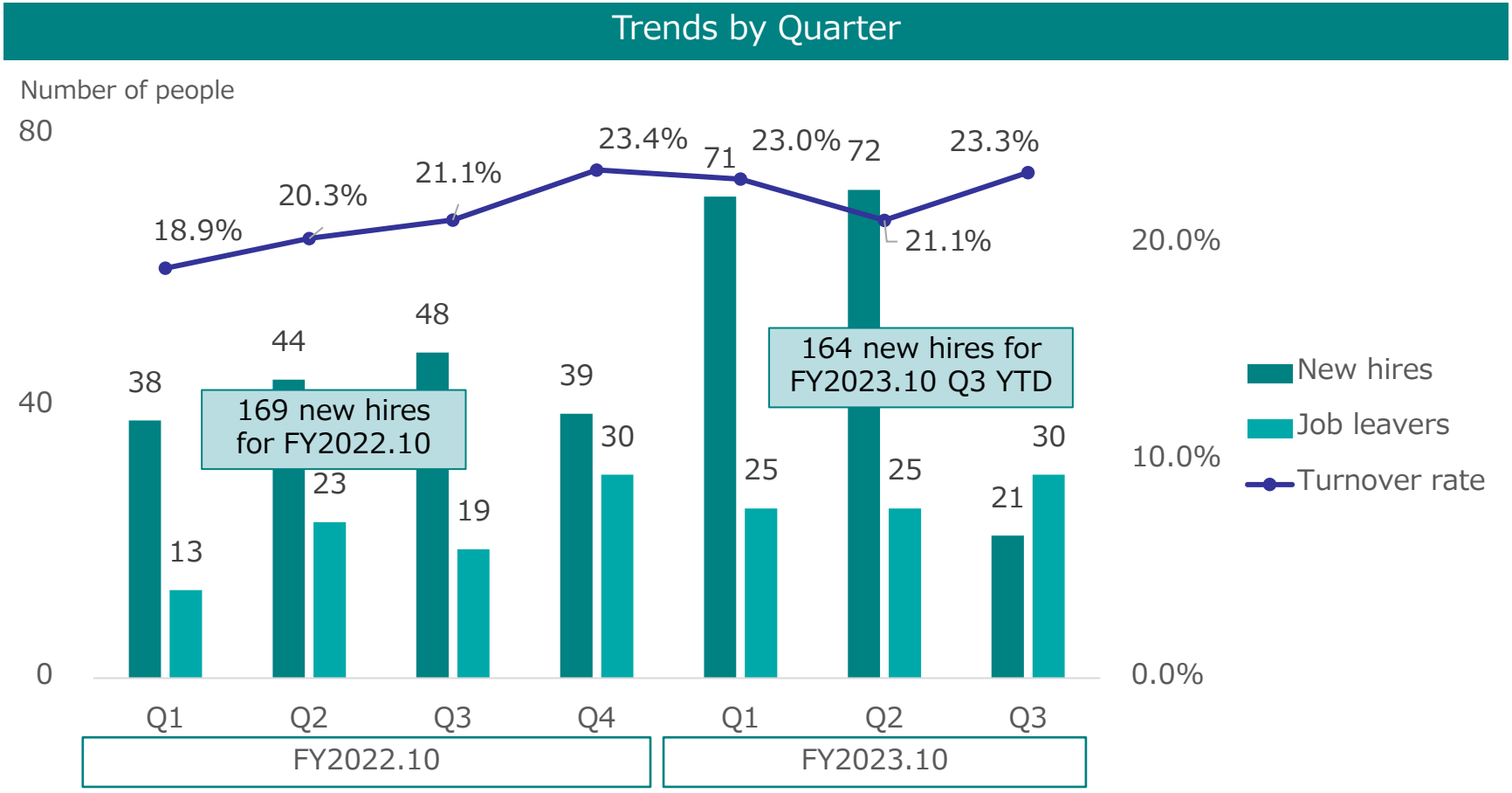
Trends in New Hires, Job Leavers and Turnover (ATJC)

By Q3, we had hired almost the same number of employees as full year in the previous year.

In Q3, the number of job leavers exceeded the number of new hires due to hiring restrictions.



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