Nareru Group

プロ人材に、なれる。成長社会に、なれる。

Fiscal Year Ended October 2024
Financial Results Briefing

Dec. 13, 2024 Nareru Group Inc. | TSE Growth | 9163 |

Note: This material has been translated from the Japanese original for reference purposes only. In the event of any discrepancy between this translated document and the Japanese original, the original shall prevail.

© Nareru Group Inc.

- **Steady growth in enrollment numbers and contract unit prices led to significant increases in revenue and profits.**
- **Operating profit and all other profit items exceeded the planned figures due to the reduction in selling and administrative expenses.**
- **The year-end dividend will be 60 yen as originally planned (including the interim dividend of 50 yen, for an annual dividend of 110 yen).**

Earnings Summary for FY2024.10

Revenue
21.6 billion yen
(YoY+20.1%)
(Compared to Plan -1.0%)

Operating Profit
3.1 billion yen
(YoY +26.0%)
(Compared to Plan +12.3%)

Profit Attributable to Owners of Parent
2.1 billion yen
(YoY +25.6%)
(Compared to Plan +14.0%)

Year-end Dividend
60 yen per share
Interim dividend: 50 yen
Annual dividend: 110 yen

Summary of KPIs : World Corporation

Total Engineers *1
3,239
(YoY +20.1%)
(Compared to Plan +0.1%)

Active Engineers*2
2,817
(YoY +19.8%)
(Compared to Plan -1.2%)

Utilization Ratio *3
94.2%
(YoY -2.0pt)
(Compared to Plan -1.8pt)

Contract Unit Price *4
510 thousand yen
(YoY+23 thousand yen)
(Compared to Plan +0.7 thousand yen)

New Hires
1,805
(YoY +15.8%)
(Compared to Plan +4.9%)

Turnover Rate*5
29.1%
(YoY +1.1ptImprovement)
(Compared to Plan -1.6% Not achieved)

(*1) Total Engineers : Number of total engineers as of October 2024 (*2) Active Engineers : Number of active engineers under temporary contract, calculated as the average for the period.
(*3) Utilization Ratio : The ratio of the number of active engineers (excluding employees undergoing training) to the total number of engineers, calculated as the average during the period.
(*4) Contract unit price: Average contract unit price of all engineers (excluding overtime pay) ss the average during the period.
(*5) 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) as of October 2024.

© Nareru Group Inc.

FY2024.10
Financial Results

© Nareru Group Inc.

Financial Results for FY2024.10

- In addition to an increase in the number of employed and active engineers, contract unit price increased due to ongoing price negotiations.
- Revenue increased by **+20.1%** YoY, operating profit increased by **+26.0% YoY**, and net profit increased by **+25.6%** YoY.
- Revenue reached planned levels, and operating profit exceeded plans due to reduced SG&A expenses.

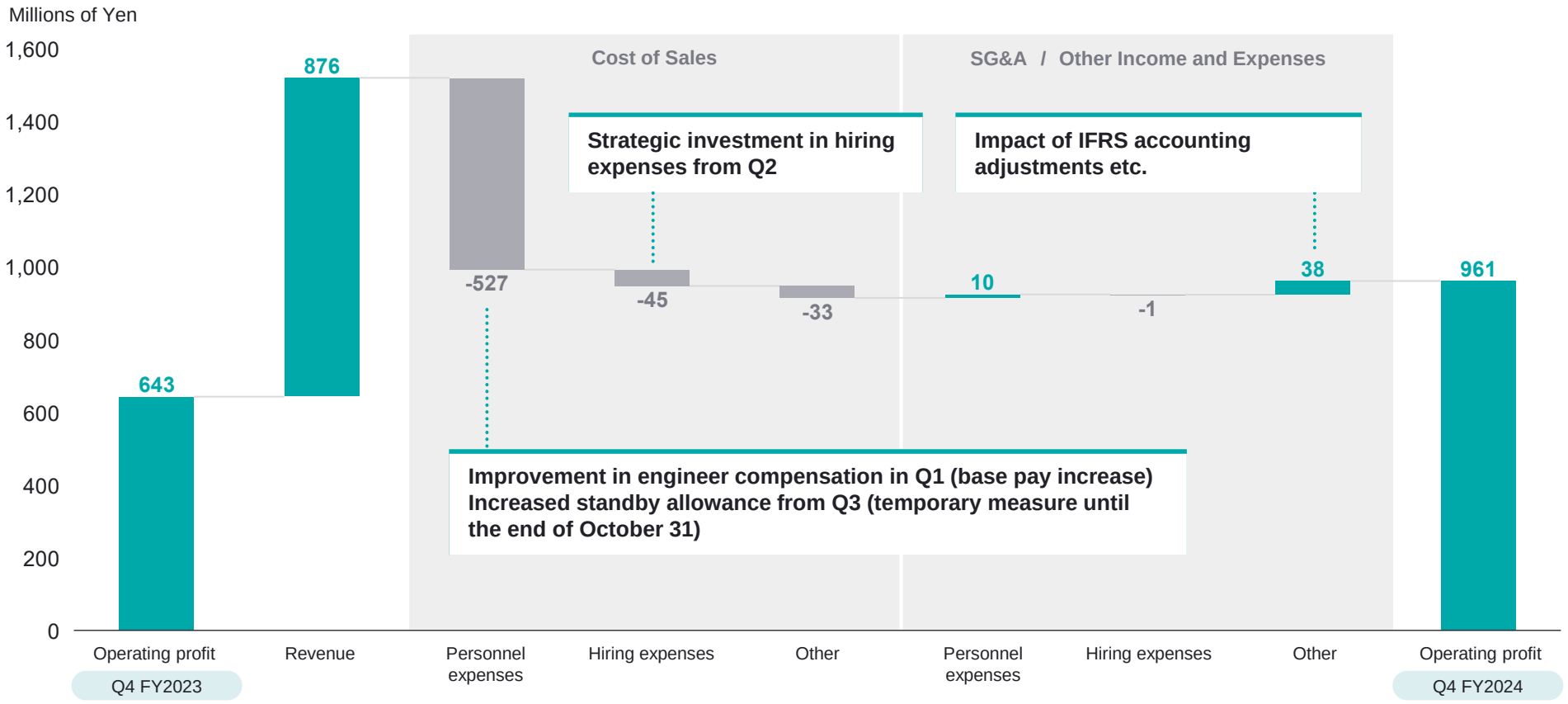
Millions of Yen	Q4				Full Year				Earnings Forecasts	
	FY2023.10	FY2024.10	YoY		FY2023.10	FY2024.10	YoY		FY2024.10	Achievement
Revenue	4,930	5,807	+876	+17.7%	17,994	21,608	+3,613	+20.1%	21,830	99.0%
Gross Profit	1,412	1,683	+271	+19.2%	5,169	5,940	+771	+14.9%	5,920	100.3%
Gross Profit Margin	28.7%	29.0%	+0.3pt		28.7%	27.5%	-1.2pt		27.1%	
Operating Profit	643	961	+318	+49.6%	2,469	3,110	+641	+26.0%	2,770	112.3%
Operating Profit Margin	13.0%	16.6%	+3.6pt		13.7%	14.4%	+0.7pt		12.7%	
Profit before Tax	688	947	+259	+37.7%	2,475	3,059	+583	+23.6%	2,730	112.1%
Profit Attributable to Owners of Parent	510	698	+188	+37.0%	1,741	2,187	+446	+25.6%	1,920	114.0%

© Nareru Group Inc.

Comparison of Q4 FY2023 and Q4 FY2024

- Strong demand for construction workers led to an increase in the number of total engineers and contract unit price (revenue **+876** million yen).
- While there were improvements in working conditions for engineers and an increase in standby allowances, an improvement in the utilization rate contributed to the increase in gross profit
- As a result of the above, operating profit increased by **+318** million yen.

Comparison of Operating Profit

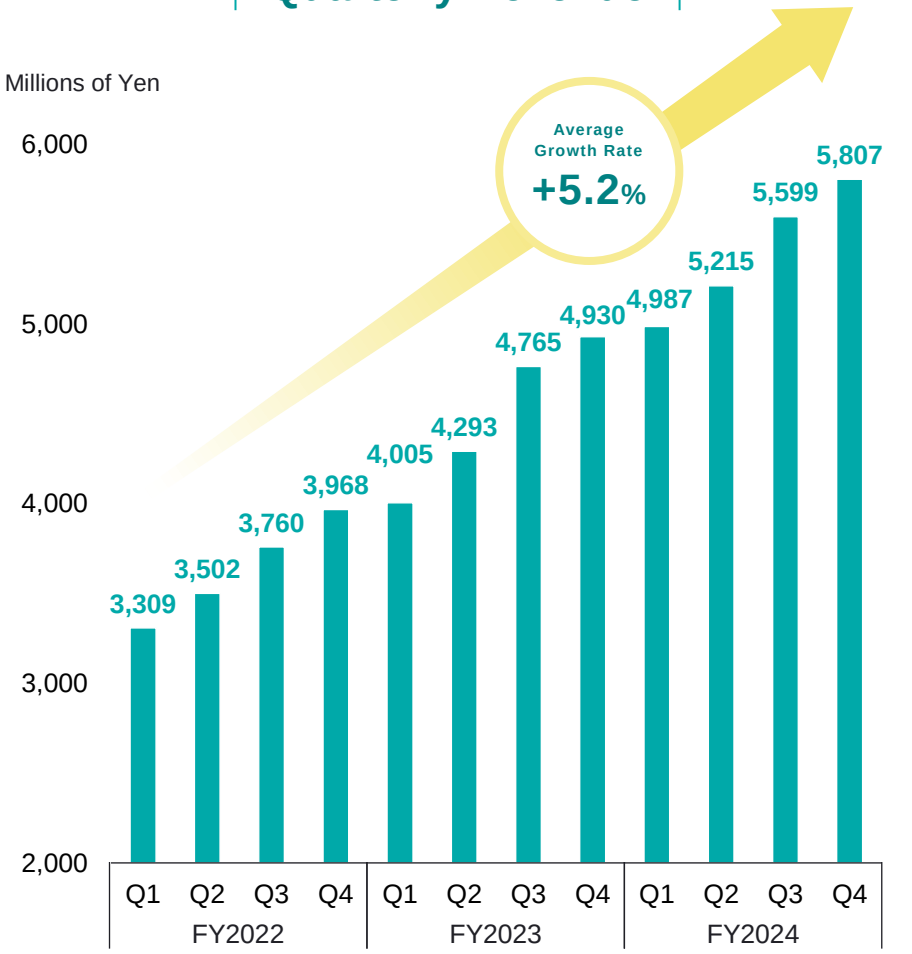


© Nareru Group Inc.

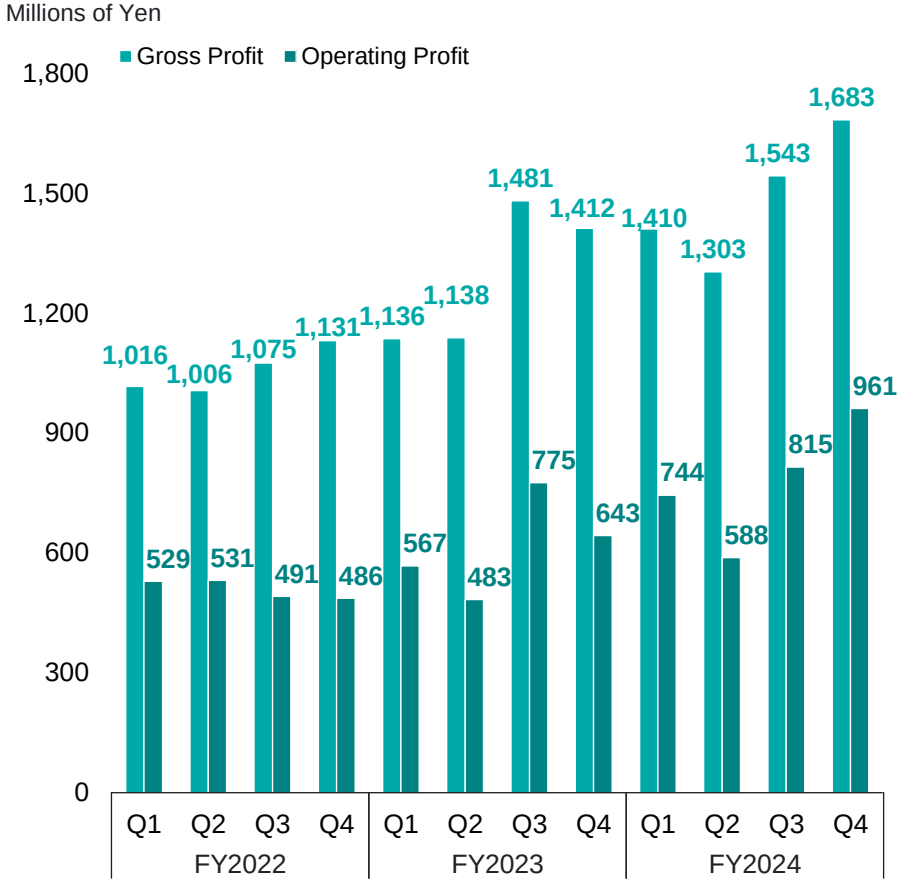
Trends in Quarterly Results

- Quarterly revenues grew steadily and reached a new record high due to an increase in engineers.
- Average quarterly revenue growth rate: **+5.2%** (FY22/10 1Q to FY24/10 4Q).
- Quarterly gross profit and operating profit also reached record highs.

Quarterly Revenue



Quarterly GP/OP



© Nareru Group Inc.

Results by Segment

- In order to meet customer demand, construction solutions is proactively investing in hiring expenses, strengthening sales activities, and promoting career support for engineers.
- In the IT solutions, we will strengthen our sales activities to enhance training and win orders for upstream system development projects.
- As a result of the above, both construction solutions and IT solutions achieved significant increases in revenue and profit.

Millions of Yen	Full Year			
	FY2023.10	FY2024.10	YoY	
Construction Solution	16,044	19,347	+3,302	+20.6%
IT Solution	1,949	2,261	+311	+16.0%
Total Revenue *1	17,994	21,608	+3,613	+20.1%
Construction Solution	2,250	2,607	+356	+15.8%
Profit Margin	14.0%	13.5%	-0.5pt	
IT Solution	113	147	+34	+30.5%
Profit Margin	5.8%	6.5%	+0.7pt	
Adjustments*2	104	355	+250	+238.8%
Total Operating Profit	2,469	3,110	+641	+26.0%

(*1) Internal transactions eliminated
(*2) Adjustments are due to the elimination of inter-segment transactions and partial addition back to the segments of the amount of the management fees, etc. paid by the consolidated subsidiaries to Nareru Group

© Nareru Group Inc.

Consolidated Financial Position

- Net debt decreased by **-1.1 billion yen** due to the recording of net profit and repayment of borrowings.
- As retained earnings increased, the ratio of goodwill also declined steadily.

Millions of Yen	As of the end of October 2023	As of the end of October 2024
Cash and Cash Equivalents	4,083	4,516
Trade Receivables	2,766	3,204
Other Current Assets, etc.	210	205
Total Current Assets	7,060	7,926
Property, Plant and Equipment	170	178
Right-of-use Assets	357	597
Goodwill	14,074	14,074
Deferred Tax Assets	492	508
Other Non-current Assets, etc.	348	332
Total Non-current Assets	15,444	15,690
Total Assets	22,505	23,617

Ratio of Total Equity Attributable to Owners of Parent to Total Assets	54.1%	56.9%
Net Debt*1	2,202	1,054
Ratio of Goodwill*2	1.16times	1.05times

Millions of Yen	As of the end of October 2023	As of the end of October 2024
Borrowings	2,714	2,714
Lease Liabilities	201	227
Other Current Liabilities, etc.	3,371	3,574
Total Current Liabilities	6,287	6,516
Borrowings	3,571	2,857
Lease Liabilities	125	348
Other Non-current Liabilities, etc.	343	453
Total Non-current Liabilities	4,040	3,659
Total Liabilities	10,327	10,176
Share Capital, Capital Surplus, etc.	8,857	9,008
Retained Earnings	3,319	4,431
Total Equity	12,177	13,440
Total Liabilities and Equity	22,505	23,617

(*1) Borrowings (current) +Lease liabilities (current)+ Borrowings (noncurrent) + Lease liabilities (non-current) – Cash and cash equivalents

(*2) Goodwill / Total equity

© Nareru Group Inc.

Consolidated Cash Flows

- Cash flows from financing activities were **-1.9 billion yen** due to the previous term-end dividend (paid in January) and the current term interim dividend (paid in July).
- Increase in cash and cash equivalents was **+400 million yen**.

Millions of Yen	FY2023.10	FY2024.10
Profit before Tax	2,475	3,059
Depreciation	244	261
Decrease (Increase) in Trade Receivables	-468	-437
Increase (Decrease) in Accrued Expenses	320	179
Interest Paid	-48	-50
Income Taxes Paid	-770	-915
Other	560	213
Cash Flows from Operating Activities	2,314	2,310
Purchase of Property, Plant and Equipment	-44	-14
(Purchase) Collection of Other Financial Assets	79	7
Other	-13	-0
Cash Flows from Investing Activities	22	-6
Free Cash Flow	2,336	2,303
Repayments of Long-term Borrowings	-714	-714
Repayments of Lease Liabilities	-206	-219
Proceeds from Issuance of Shares	391	293
Dividends Paid	—	-1,228
Other	-8	-1
Cash Flows from Financing Activities	-536	-1,870
Net Increase (Decrease) in Cash and Cash Equivalents	1,799	433

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

Cancellation refund of officer life insurance for FY2023

Incl. office rent (IFRS)

Stock option exercise payment

Year-end dividend for the previous fiscal year and interim dividend for the current

© Nareru Group Inc.

FY2024.10

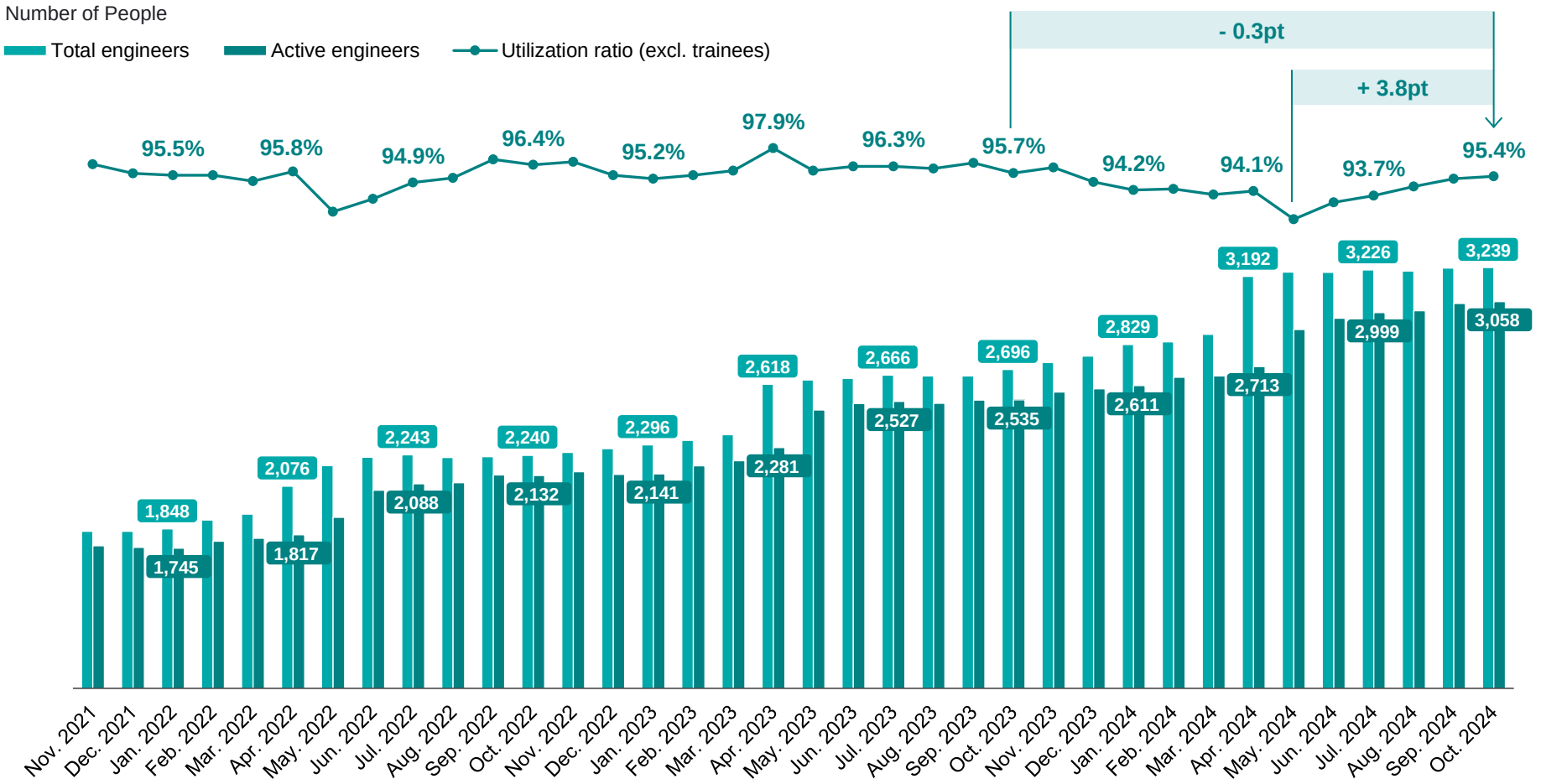
Trends in major KPIs

© Nareru Group Inc.

Trends in Engineers and Utilization Ratio (World Corporation)

- In addition to aggressive investment in hiring expenses, we worked to improve the recruitment process, resulting in an increase in the number of inexperienced engineers we hire.
- The number of engineers increased by **+543** YOY to **3,239**, active engineers increased by **+523** YOY to **3,058**.
- Utilization ratio continue to improve (**-0.3 pt** compared to Oct. 2023, but improved by **+3.8** pt from May 2024(91.6%))

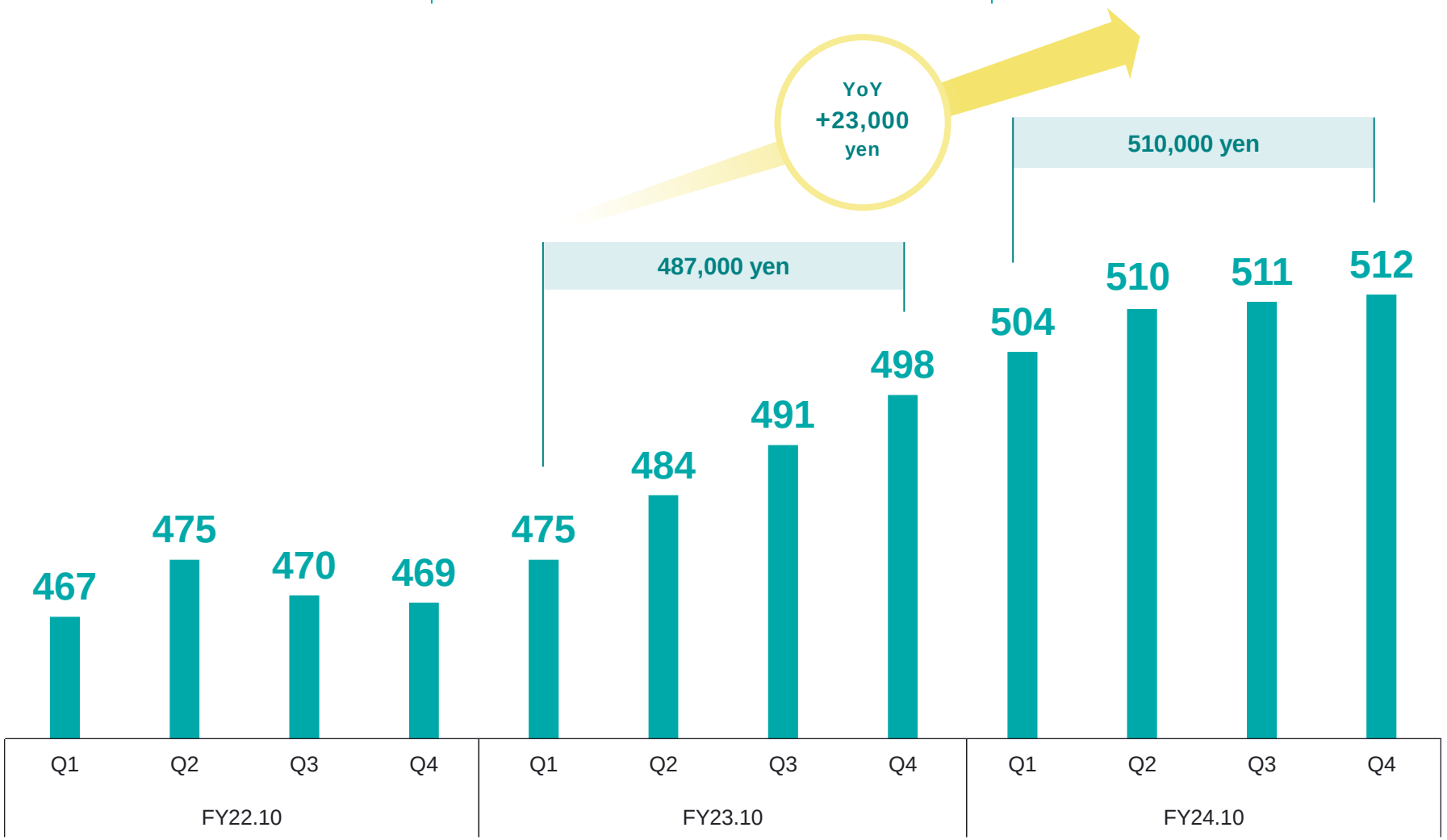
Trends in Total Engineers, Active Engineers and Utilization Ratio



© Nareru Group Inc.

- The average contract unit price during the period was **510,000 yen**, an increase of **23,000 yen** from the previous period.

Trends in Contract Unit Price

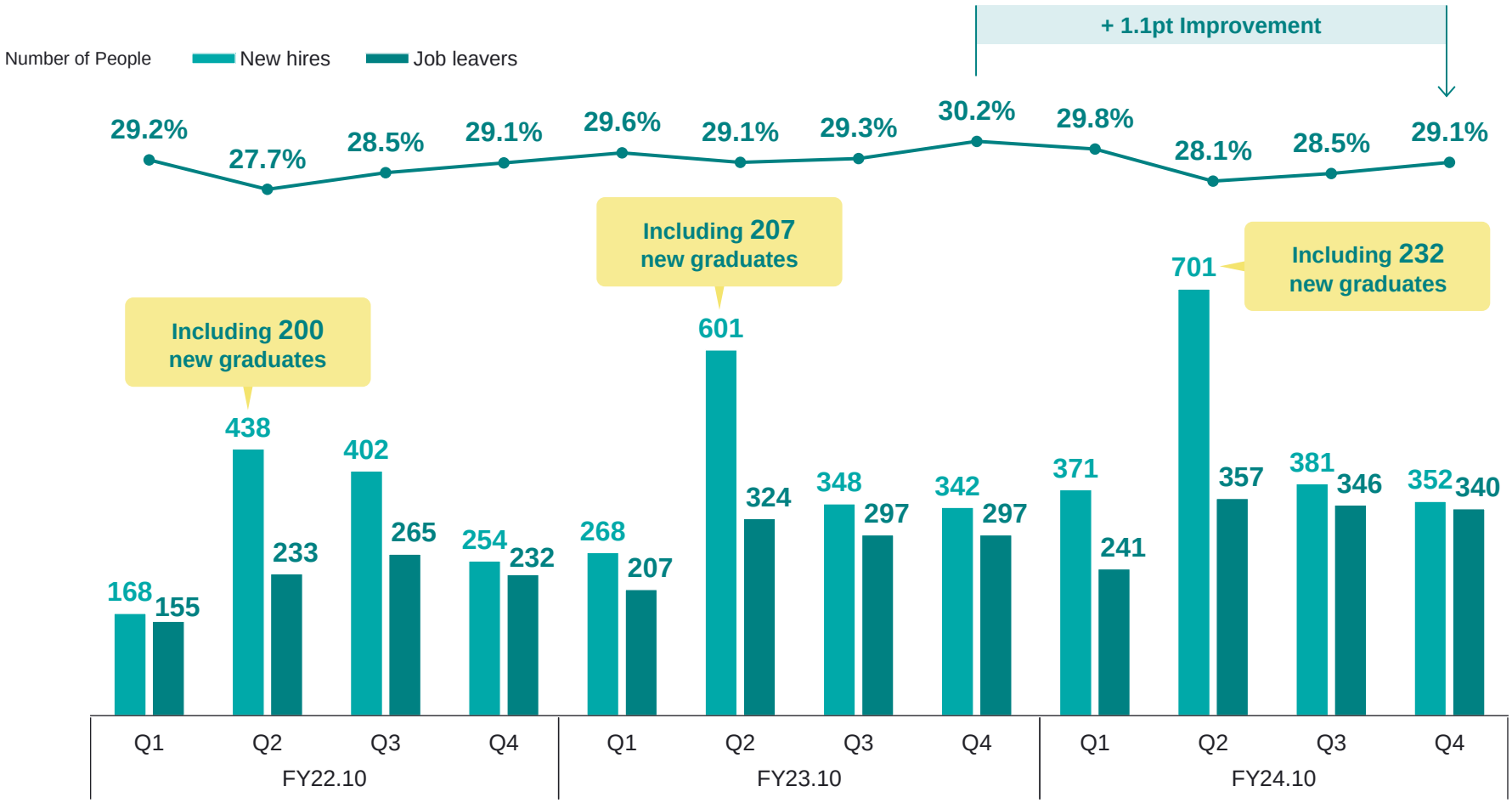


© Nareru Group Inc.

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

- Due to aggressive investment in hiring, the number of recruits in FY24.10 was **1,805** (**+246** from FY23.10).
- The turnover rate[*1] for Q4 of FY24.10 improved by **+1.1 pt** from the same period last year to **29.1%**.

Trends by Quarter

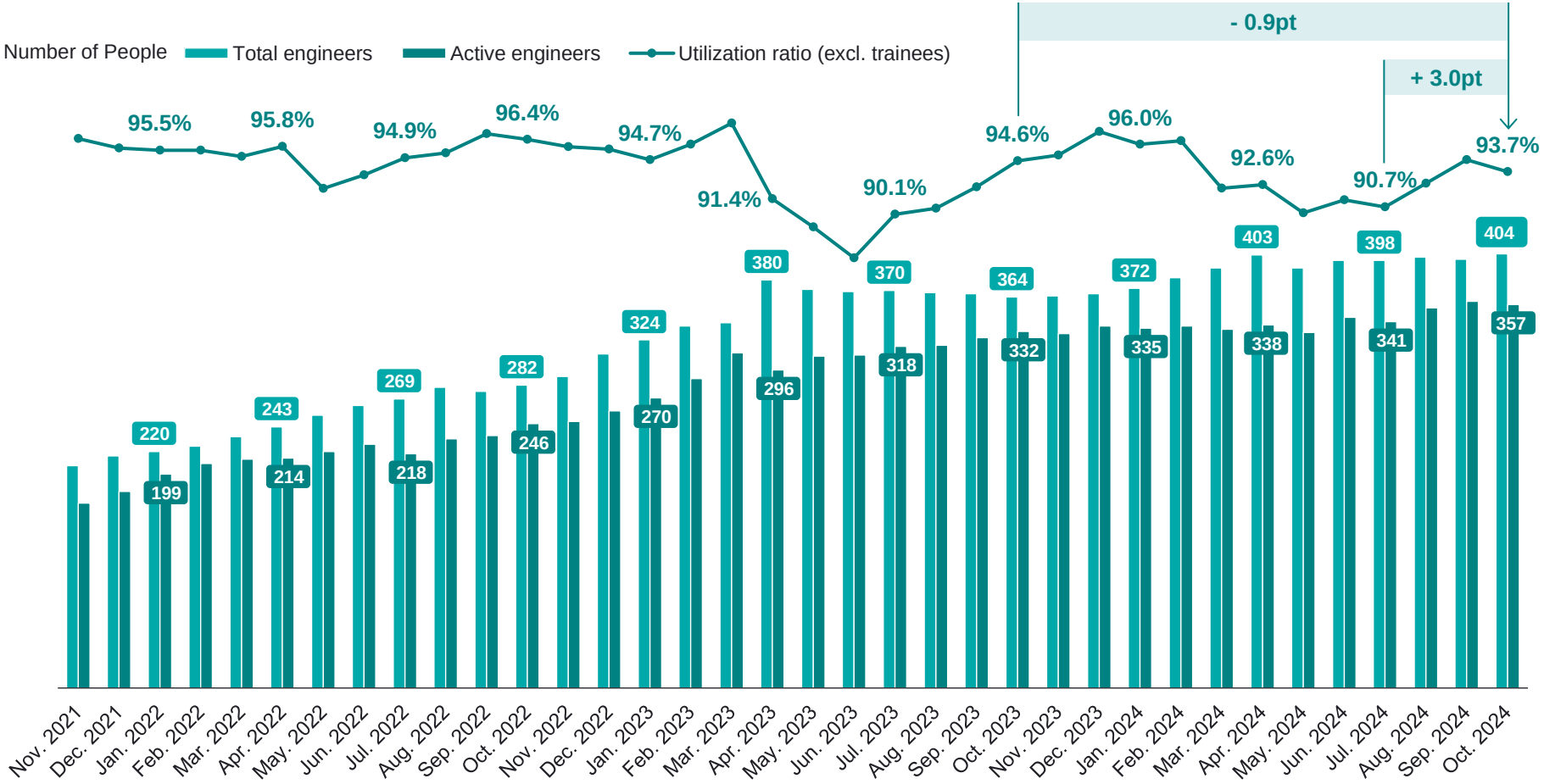


(*1) Turnover rate =Job leavers during past 12 months /(Total engineers at the end of the month 12 months prior + New hires during past 12 months)

© Nareru Group Inc.

- As the number of people on the waiting list increased, we strengthened sales activities to improve utilization ratio while limiting the number of people we hire (improving utilization ratio in Q4).
- The number of engineers increased by **+40** YOY to **404**, active engineers increased by **+25** YOY to **357**.

Trends in Total Engineers, Active Engineers and Utilization Ratio

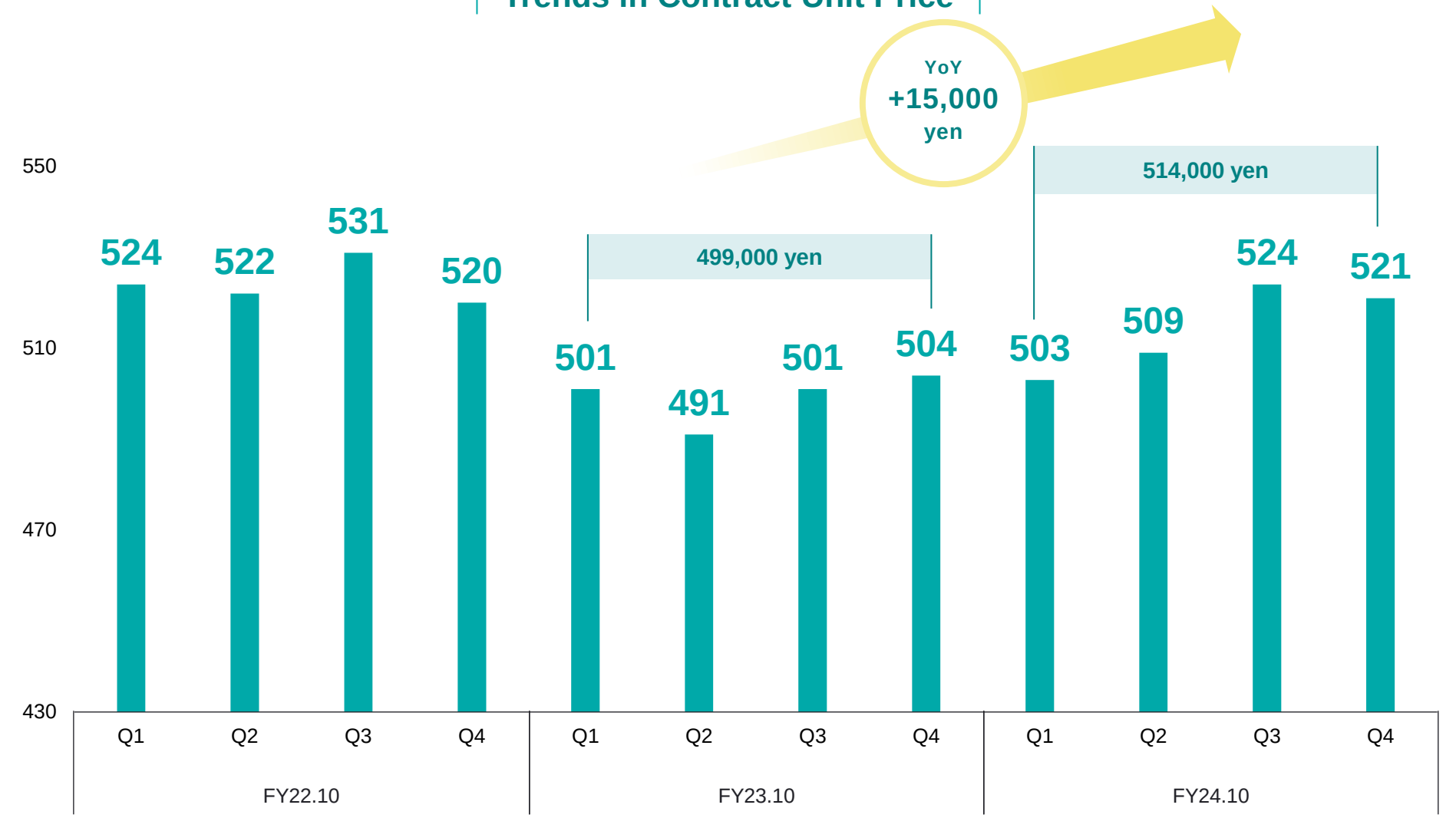


© Nareru Group Inc.

Trends in Contract Unit Price (ATJC)

- The average contract unit price during the period was **514,000 yen**, an increase of **15,000 yen** from the previous period.

Trends in Contract Unit Price

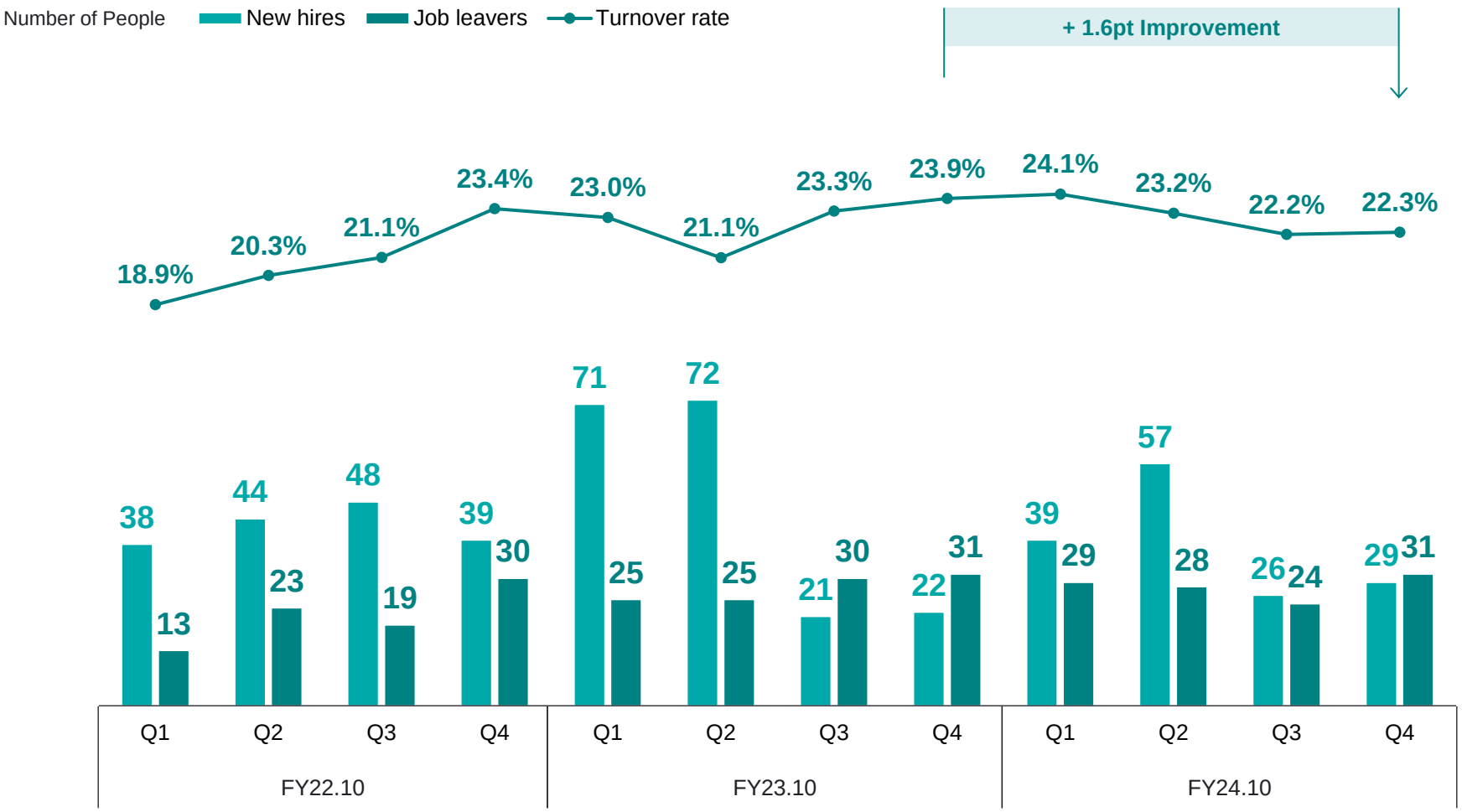


© Nareru Group Inc.

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

- Due to the effect of reduced hiring activities, the number of new hires in FY24.10 was **151 (-35** from FY23.10).
- The turnover rate[*1] for Q4 of FY24.10 improved by **+1.6 pt** from the same period last year to **22.3%.**

Trends by Quarter



(*1) 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)

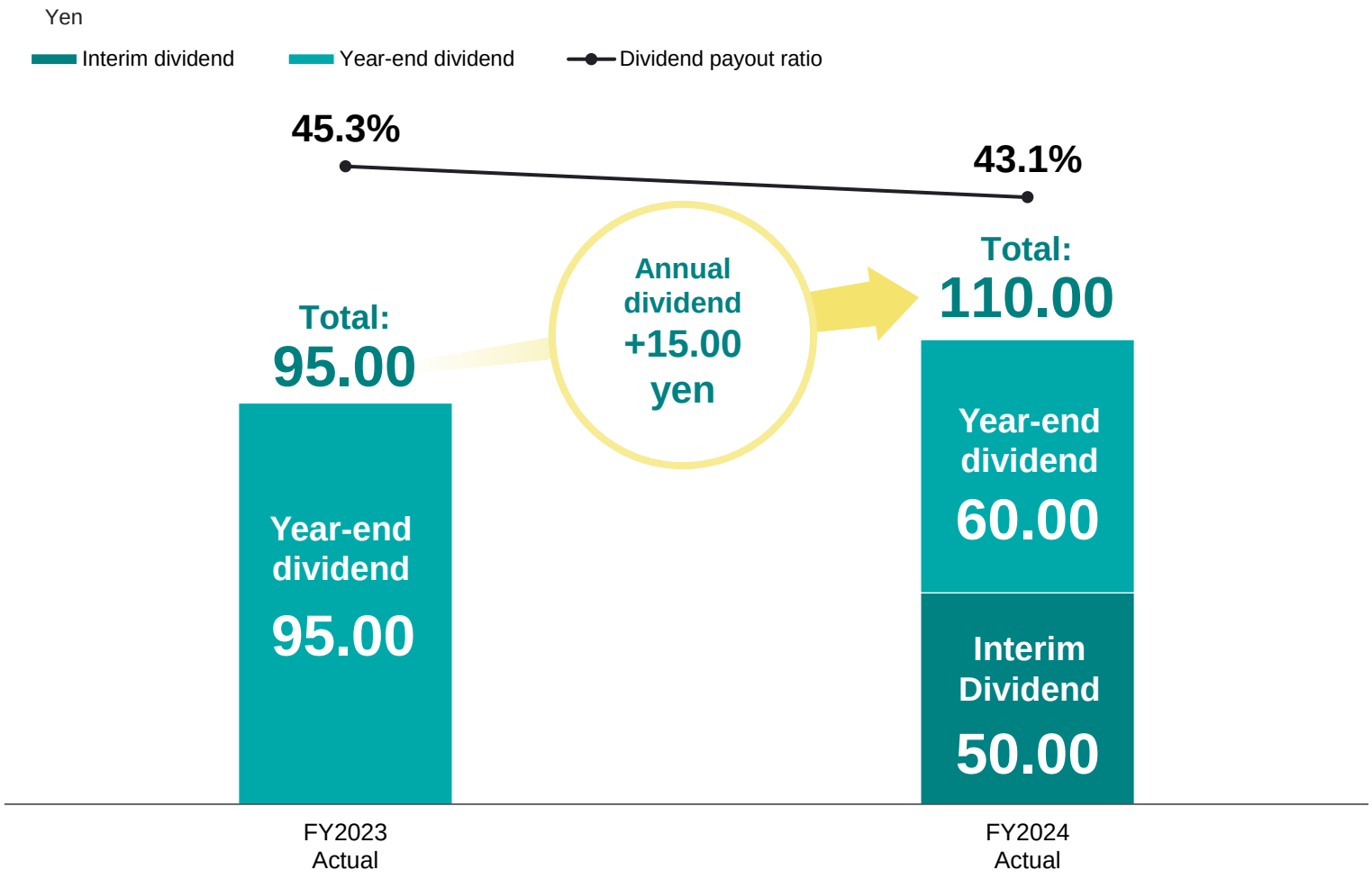
© Nareru Group Inc.

FY2024.10

Shareholder Returns

© Nareru Group Inc.

- Year-end dividend dividend for FY24.10 will be **60.00 yen** as originally planned.
- Combined with the interim dividend of **50.00 yen**, the annual dividend will be **110.00 yen** (**+15.00 yen** YoY)
- Dividend payout ratio based on basic earnings per share is **43.1%**



© Nareru Group Inc.

This material has been prepared by Nareru Group Inc. (the “Company”) solely for information purpose only. This material does not constitute a solicitation of an offer to buy or sell securities in the United States, Japan, or any other jurisdiction.

The information on companies other than the Company and information provided from third parties are based on public information or sources. The Company has not independently verified the accuracy and appropriateness of such data and indicators used herein, nor assume any responsibility for the accuracy and appropriateness of such data and indicators presented in this document.

The information on future business results are forward-looking statements. Forward-looking statements include but not limited to expressions such as "believe", “expect", "plan", "strategic", "expect", "anticipate", "predict" and "possibility", as well as other similar expressions to explain future business activities, achievements, events and future conditions. Forward-looking statements are predictions about the future that reflect management's judgment based on currently available information. As such, these forward-looking statements are subject to various risks and uncertainties that could cause actual results to differ materially from those expressed in or suggested by the forward-looking statements.

Nareru Group

© Nareru Group Inc.