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Consolidated Financial Results for the Three Months Ended January 31, 2025 (IFRS)

March 13, 2025

Company name: Nareru Group Inc.
Listing: Tokyo Stock Exchange
Securities code: 9163
URL: https://nareru-group.co.jp
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Scheduled date to commence dividend payments: –
Preparation of supplementary material on financial results: Yes
Holding of financial results briefing: Yes (for institutional investors and analysts)

(Yen amounts are rounded down to millions, unless otherwise noted.)

1. Consolidated financial results for the three months ended January 31, 2025 (November 1, 2024 to January 31, 2025)

(1) Consolidated operating results (cumulative)

(Percentages indicate year-on-year changes.)

	Revenue		Operating profit		Profit before tax		Profit	
Three months ended	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
January 31, 2025	5,892	18.2	900	20.9	883	20.6	649	25.9
January 31, 2024	4,987	24.5	744	31.2	732	32.2	516	33.2

	Profit attributable to owners of parent		Total comprehensive income		Basic earnings per share	Diluted earnings per share
Three months ended	Millions of yen	%	Millions of yen	%	Yen	Yen
January 31, 2025	649	25.9	649	25.9	74.50	74.05
January 31, 2024	516	33.2	516	33.2	61.14	59.47

(2) Consolidated financial position

	Total assets	Total equity	Total equity attributable to owners of parent	Ratio of equity attributable to owners of parent to total assets
As of	Millions of yen	Millions of yen	Millions of yen	%
January 31, 2025	23,056	13,525	13,525	58.7
October 31, 2024	23,617	13,440	13,440	56.9

2. Cash dividends

	Annual dividends per share				
	First quarter-end	Second quarter-end	Third quarter-end	Fiscal year-end	Total
	Yen	Yen	Yen	Yen	Yen
Fiscal year ended October 31, 2024	-	50.00	-	60.00	110.00
Fiscal year ending October 31, 2025	-				
Fiscal year ending October 31, 2025 (Forecast)		55.00	-	60.00	115.00

(Note) Revisions to the most recently announced dividend forecast: No

3. Forecast of consolidated financial results for the fiscal year ending October 31, 2025 (November 1, 2024 to October 31, 2025)

(Percentages indicate year-on-year changes.)

	Revenue		Gross profit		Operating profit		Profit before tax	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
Six months ending April 30, 2025	11,980	17.4	2,990	10.2	1,230	(7.8)	1,200	(8.4)
Full year	25,650	18.7	6,860	15.5	3,310	6.4	3,220	5.2

	Profit attributable to owners of parent		Basic earnings per share
	Millions of yen	%	Yen
Six months ending April 30, 2025	870	(5.8)	99.75
Full year	2,330	6.5	267.15

(Note) Revisions to the most recently announced earnings forecast: No

*** Notes**

(1) Significant changes in the scope of consolidation during the period: Yes

Newly included: The National Construction Personnel Association, a general incorporated association

Excluded: None

(2) Changes in accounting policies and changes in accounting estimates

(i) Changes in accounting policies required by IFRS: None

(ii) Changes in accounting policies due to other reasons: None

(iii) Changes in accounting estimates: None

(3) Number of issued shares (ordinary shares)

(i) Total number of issued shares at the end of the period (including treasury shares)

As of January 31, 2025	8,740,165 shares
As of October 31, 2024	8,721,665 shares

(ii) Number of treasury shares at the end of the period

As of January 31, 2025	31 shares
As of October 31, 2024	- shares

(iii) Average number of shares outstanding during the period (cumulative from the beginning of the fiscal year)

Three months ended January 31, 2025	8,725,077 shares
Three months ended January 31, 2024	8,446,402 shares

* Review of the attached quarterly financial statements by certified public accountants or an audit corporation: None

* Proper use of earnings forecasts, and other special matters

(Notes on forward-looking statements)

The forward-looking statements, including earnings forecasts, contained in this document are based on information currently available to the Company and certain assumptions that the Company considers reasonable. The forward-looking statements do not guarantee future performance. Actual results may differ materially from those expressed or implied by these forward-looking statements due to a variety of factors. For the assumptions for the forecasts and notes on the use of the forecasts, please refer to “1. Qualitative Information on Financial Results for the Period Under Review (4) Earnings Forecasts and Other Forward-Looking Information” on page 4 of the Appendix.

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1. Qualitative Information on Financial Results for the Period Under Review

(1) Summary of Business Performance

During the first three months (November 1, 2024, to January 31, 2025) of the fiscal year ending October 2025, the Japanese economy continued to show a gradual recovery, supported by improvements in the employment and income environment, although some sectors remained at a standstill due to rising general prices caused by the weak yen, among other factors. Looking ahead, there are risks that the continued high interest rates in the U.S. and Europe could turn down the domestic economy. Moreover, close attention must be paid to the impacts of further general price increases, future U.S. policy trends, the situation in the Middle East, and fluctuations in financial and capital markets.

In the construction industry, where the Group primarily dispatches engineers, demand remained robust due to solid public investment and a recovery trend in private-sector capital investment. Additionally, the labor shortage in the construction industry has become increasingly severe, and the need for engineer dispatch is expected to further rise.

Under such an environment, the Construction Solutions Business, the Group's core business, continued efforts to support training of engineers and reduce their turnover rate in order to meet strong demand from client companies. It also worked to expand the dispatching service areas centering on the plant engineering industry and promoted the development of new services such as construction DX consulting. In the IT Solutions Business, we focused on winning more orders for upstream projects in system development by enhancing both our sales capabilities and engineers' technical skills.

As a result, both the Construction Solutions Business and IT Solutions Business saw an increase in the number of registered and active engineers, as well as a rise in engineers' average contract unit prices. Consequently, revenue for the first three months under review reached 5,892,496 thousand yen (up 18.2% year on year). Operating profit amounted to 900,398 thousand yen (up 20.9% year on year), despite an increase in selling, general, and administrative expenses due to proactive hiring to strengthen sales and recruitment capabilities, as the increase in revenue had a significant positive impact. Profit before tax was 883,656 thousand yen (up 20.6%), and profit attributable to owners of parent was 649,976 thousand yen (up 25.9%), both on a year-on-year basis.

Operating results by segment are as follows.

(Construction Solutions Business)

At World Corporation, which provides construction engineer dispatch services, the number of registered engineers at the end of the first three months under review was 3,074 (an increase of 444 from the end of the previous fiscal year). The monthly average utilization rate (excluding trainees) for the period was 95.4% (a 0.3-point improvement from the year-earlier period). Moreover, through continued negotiations on engineer contract unit prices, the monthly average contract unit price for the first three months under review was 516 thousand yen (an increase of 12 thousand yen year on year). Although the number of registered engineers slightly fell short of the planned figure due to the increasingly challenging recruitment environment, the number of active engineers remained at the planned level, thanks to successful sales activities, including unit price negotiations, and engineer career support measures.

As a result, revenue for this segment was 5,273,530 thousand yen (up 18.8% year on year), and segment profit was 746,467 thousand yen (up 20.8% year on year).

(IT Solutions Business)

At ATJC, which provides IT engineer dispatch services, the number of registered engineers at the end of the first three months under review was 411 (an increase of 39 from the year-earlier period). The monthly average utilization rate for the period was 93.3% (a 2.9-point decrease year on year). Additionally, the monthly average contract unit price for the first three months under review was 517 thousand yen (an increase of 14 thousand yen year on year). While the number of registered and active engineers remained at the planned level, the planned reduction in their turnover rate was not achieved partly due to a temporary increase in resignations. Similar to the Construction Solutions Business, we recognize that optimizing the turnover rate is an important issue.

As a result, revenue for this segment was 618,965 thousand yen (up 13.0% year on year) and the segment profit was 41,239 thousand yen (up 9.1% year on year).

(2) Summary of Financial Position

The financial position at the end of the first three months (January 31, 2025) of the current fiscal year is as follows.

(Assets)

Total current assets at the end of the first three months under review were 7,482,402 thousand yen (down 444,168 thousand yen from the end of the previous fiscal year). This was mainly due to a decrease of 478,531 thousand yen in cash and cash equivalents. Non-current assets totaled 15,574,089 thousand yen (down 116,811 thousand yen from the end of the previous fiscal year). This was mainly due to a decrease of 90,500 thousand yen in foundation funds (other financial assets) as a result of the inclusion of The National Construction Personnel Association, a general incorporated association in the scope of consolidation.

As a result, total assets at the end of the first three months under review were 23,056,492 thousand yen (down 560,979 thousand yen from the end of the previous fiscal year).

(Liabilities)

Total current liabilities at the end of the first three months under review were 6,083,626 thousand yen (down 433,314 thousand yen from the end of the previous fiscal year). This was mainly due to a decrease of 213,173 thousand yen in income taxes payable. Non-current liabilities totaled 3,447,856 thousand yen (down 212,023 thousand yen from the end of the previous fiscal year). This was mainly due to a decrease of 178,571 thousand yen in long-term borrowings.

As a result, total liabilities at the end of the first three months under review were 9,531,483 thousand yen (down 645,338 thousand yen from the end of the previous fiscal year).

(Equity)

Total equity as of the end of the first three months under review was 13,525,009 thousand yen (up 84,358 thousand yen from the end of the previous fiscal year). This was mainly due to an increase of 77,040 thousand yen in retained earnings due to recording of profit attributable to owners of parent, while dividends of surplus were paid.

(3) Summary of Cash Flows

Cash and cash equivalents (hereinafter “net cash”) at the end of the first three months (January 31, 2025) of the current fiscal year stood at 4,038,306 thousand yen (down 478,531 thousand yen from the end of the previous fiscal year), reflecting the increase of 127,879 thousand yen in cash and cash equivalents associated with the new consolidation of Subsidiary.

The status of cash flows and their contributing factors are as follows.

(Cash Flows from Operating Activities)

Net cash provided by operating activities was 148,637 thousand yen (in contrast to net cash used amounting to 70,056 thousand yen in the year-earlier period). This was mainly due to the recording of profit before tax of 883,656 thousand yen, against income tax paid of 454,876 thousand yen and decrease in accounts payable - bonus of 151,168 thousand yen.

(Cash Flows from Investing Activities)

Net cash used in investing activities was 34,479 thousand yen (in contrast to net cash used amounting to 9,535 thousand yen in the year-earlier period). This was mainly due to purchase of property, plant and equipment of 34,626 thousand yen.

(Cash Flows from Financing Activities)

Net cash used in financing activities was 720,569 thousand yen (in contrast to net cash used amounting to 903,000 thousand yen in the year-earlier period). This was mainly due to dividends paid of 499,954 thousand yen and repayments of long-term borrowings of 178,571 thousand yen.

(4) Earnings Forecasts and Other Forward-Looking Information

The Company has made no change to the consolidated earnings forecasts announced on December 13, 2024. The earnings forecast figures are determined based on the information available as of March 13, 2025, and the actual business performance and other results may differ due to a variety of factors. If the necessity of a revision arises, such revision will be disclosed in a timely and appropriate manner.

2. Condensed Quarterly Consolidated Financial Statements and Notes

(1) Condensed Quarterly Consolidated Statement of Financial Position

(Thousands of yen)

	As of October 31, 2024	As of January 31, 2025
Assets		
Current assets		
Cash and cash equivalents	4,516,838	4,038,306
Trade receivables	3,204,459	3,166,676
Other financial assets	53,819	63,942
Other current assets	151,454	213,477
Total current assets	7,926,570	7,482,402
Non-current assets		
Property, plant and equipment	178,592	209,477
Right-of-use assets	597,208	533,911
Goodwill	14,074,688	14,074,688
Intangible assets	20,127	17,831
Other financial assets	310,677	220,140
Deferred tax assets	508,348	516,370
Other non-current assets	1,258	1,670
Total non-current assets	15,690,901	15,574,089
Total assets	23,617,471	23,056,492

(Thousands of yen)

	As of October 31, 2024	As of January 31, 2025
Liabilities and equity		
Liabilities		
Current liabilities		
Trade payables	36,842	30,233
Borrowings	2,714,284	2,714,284
Lease liabilities	227,779	223,960
Income taxes payable	455,042	241,868
Other financial liabilities	130,132	169,245
Other current liabilities	2,952,860	2,704,034
Total current liabilities	6,516,941	6,083,626
Non-current liabilities		
Long-term borrowings	2,857,148	2,678,577
Lease liabilities	348,787	291,916
Retirement benefit liability	324,461	347,752
Provisions	129,483	129,609
Total non-current liabilities	3,659,880	3,447,856
Total liabilities	10,176,821	9,531,483
Equity		
Share capital	403,280	412,530
Capital surplus	8,550,549	8,561,825
Retained earnings	4,431,735	4,508,775
Treasury shares	-	(77)
Other components of equity	55,084	41,954
Total equity attributable to owners of parent	13,440,650	13,525,009
Total equity	13,440,650	13,525,009
Total liabilities and equity	23,617,471	23,056,492

(2) Condensed Quarterly Consolidated Statements of Profit or Loss and Comprehensive Income

Condensed Quarterly Consolidated Statement of Profit or Loss

(Thousands of yen)

	Three months ended January 31, 2024 (November 1, 2023 to January 31, 2024)	Three months ended January 31, 2025 (November 1, 2024 to January 31, 2025)
Revenue	4,987,070	5,892,496
Cost of sales	(3,576,989)	(4,204,059)
Gross profit	1,410,080	1,688,436
Selling, general and administrative expenses	(666,575)	(790,933)
Other income	1,000	3,455
Other expenses	(37)	(559)
Operating profit	744,468	900,398
Finance income	8	0
Finance costs	(11,875)	(16,743)
Profit before tax	732,601	883,656
Income tax expense	(216,223)	(233,680)
Profit	516,378	649,976
Profit attributable to		
Owners of parent	516,378	649,976
Profit	516,378	649,976
Earnings per share		
Basic earnings per share (yen)	61.14	74.50
Diluted earnings per share (yen)	59.47	74.05

Condensed Quarterly Consolidated Statement of Comprehensive Income

(Thousands of yen)

	Three months ended January 31, 2024 (November 1, 2023 to January 31, 2024)	Three months ended January 31, 2025 (November 1, 2024 to January 31, 2025)
Profit	516,378	649,976
Comprehensive income	516,378	649,976
Comprehensive income attributable to		
Owners of parent	516,378	649,976
Comprehensive income	516,378	649,976

(3) Condensed Quarterly Consolidated Statement of Changes in Equity

Three months ended January 31, 2024

(Thousands of yen)

	Equity attributable to owners of parent								
					Other components of equity				
	Share capital	Capital surplus	Retained earnings	Treasury shares	Share acquisition rights	Remeasurements of defined benefit plans	Total	Total	Total equity
Balance on November 1, 2023	248,368	8,397,663	3,319,560	-	211,622	-	211,622	12,177,215	12,177,215
Profit	-	-	516,378	-	-	-	-	516,378	516,378
Comprehensive income	-	-	516,378	-	-	-	-	516,378	516,378
Issuance of common stock upon exercise of share acquisition rights	50,808	50,808	-	-	(4,467)	-	(4,467)	97,149	97,149
Dividends of surplus	-	-	(800,482)	-	-	-	-	(800,482)	(800,482)
Share-based payment transactions	-	-	-	-	12,804	-	12,804	12,804	12,804
Transfer from other components of equity to retained earnings	-	-	60,617	-	(60,617)	-	(60,617)	-	-
Other changes	-	1,500	-	-	-	-	-	1,500	1,500
Total transactions with owners	50,808	52,308	(739,864)	-	(52,281)	-	(52,281)	(689,029)	(689,029)
Balance on January 31, 2024	299,177	8,449,971	3,096,074	-	159,341	-	159,341	12,004,564	12,004,564

Three months ended January 31, 2025

(Thousands of yen)

	Equity attributable to owners of parent								
					Other components of equity				
	Share capital	Capital surplus	Retained earnings	Treasury shares	Share acquisition rights	Remeasurements of defined benefit plans	Total	Total	Total equity
Balance on November 1, 2024	403,280	8,550,549	4,431,735	-	55,084	-	55,084	13,440,650	13,440,650
Profit	-	-	649,976	-	-	-	-	649,976	649,976
Comprehensive income	-	-	649,976	-	-	-	-	649,976	649,976
Issuance of new shares upon exercise of share acquisition rights	9,250	9,250	-	-	-	-	-	18,500	18,500
Purchase of treasury shares	-	-	-	(77)	-	-	-	(77)	(77)
Dividends of surplus	-	-	(523,299)	-	-	-	-	(523,299)	(523,299)
Share-based payment transactions	-	2,025	-	-	-	-	-	2,025	2,025
Change in scope of consolidation	-	-	(62,766)	-	-	-	-	(62,766)	(62,766)
Transfer from other components of equity to retained earnings	-	-	13,130	-	(13,130)	-	(13,130)	-	-
Total transactions with owners	9,250	11,275	(572,936)	(77)	(13,130)	-	(13,130)	(565,617)	(565,617)
Balance on January 31, 2025	412,530	8,561,825	4,508,775	(77)	41,954	-	41,954	13,525,009	13,525,009

(4) Condensed Quarterly Consolidated Statement of Cash Flows

(Thousands of yen)

	Three months ended January 31, 2024 (November 1, 2023 to January 31, 2024)	Three months ended January 31, 2025 (November 1, 2024 to January 31, 2025)
Cash flows from operating activities		
Profit before tax	732,601	883,656
Depreciation and amortization	65,319	73,144
Share-based payment expenses	12,804	2,025
Finance income and finance costs	11,866	16,742
Loss on retirement of property, plant and equipment	-	536
Decrease (increase) in trade receivables	61,012	44,548
Increase (decrease) in trade payables	(4,444)	(20,512)
Increase (decrease) in accrued expenses	(78,657)	(20,828)
Increase (decrease) in accounts payable - bonuses	(295,602)	(151,168)
Increase (decrease) in retirement benefit liability	18,946	23,291
Other	(90,168)	(231,597)
Subtotal	433,679	619,839
Interest and dividends received	8	0
Interest paid	(11,485)	(16,326)
Income taxes paid	(492,259)	(454,876)
Net cash provided by (used in) operating activities	(70,056)	148,637
Cash flows from investing activities		
Purchase of property, plant and equipment	(3,606)	(34,626)
Purchase of intangible assets	(839)	-
Payments for loans receivable	(5,094)	(313)
Collection of loans receivable	446	423
Purchase of other financial assets	(1,098)	(40)
Collection of other financial assets	656	77
Net cash provided by (used in) investing activities	(9,535)	(34,479)
Cash flows from financing activities		
Repayments of long-term borrowings	(178,571)	(178,571)
Repayments of lease liabilities	(55,120)	(60,466)
Proceeds from issuance of shares	97,149	18,500
Dividends paid	(767,958)	(499,954)
Other	1,500	(77)
Net cash provided by (used in) financing activities	(903,000)	(720,569)
Net increase (decrease) in cash and cash equivalents	(982,593)	(606,410)
Cash and cash equivalents at beginning of period	4,083,222	4,516,838
Net increase (decrease) in cash and cash equivalents resulting from change in scope of consolidation	-	127,879
Cash and cash equivalents at end of period	3,100,629	4,038,306

(5) Notes to Condensed Quarterly Consolidated Financial Results

(Note on Assumption about Going Concern)

Not applicable.

(Changes in Accounting Policies)

Not applicable.

(Segment Information)

(1) Overview of Reportable Segments

The reportable segments of the Group are its components for which separate financial information is available and which are regularly reviewed by the Board of Directors to determine the allocation of management resources and evaluate their performance.

In the Group, respective operating companies categorized by service develop comprehensive strategies for the services they provide and conduct their business activities.

Based on the above, the Group's segments are classified by service, with two reportable segments of "Construction Solutions" and "IT Solutions," reflecting their distinct service characteristics and similarity of sales markets.

The main services and business operations of each reportable segment are as follows.

Reportable Segments	Main Services or Business Operations
Construction Solutions	Dispatch of construction management engineers, CAD engineers, etc. to construction companies such as general contractors.
IT Solutions	Provide services through dispatching engineers and system engineering service contracts for development projects and infrastructure management work for system integrators, etc.

(2) Information of Reportable Segments

The accounting policies on the reportable segments are generally the same as those for the condensed quarterly consolidated financial statements.

Information by reportable segment of the Group is as follows. The profit of reportable segments is based on operating profit. Inter-segment transactions are based on prevailing market prices.

Three months ended January 31, 2024 (November 1, 2023 to January 31, 2024)

(Thousands of yen)

	Reportable segments			Adjustments (Note)	Condensed quarterly consolidated Statement
	Construction Solutions	IT Solutions	Total		
Revenue					
Revenue from external customers	4,439,126	547,944	4,987,070	-	4,987,070
Inter-segment revenue	-	-	-	-	-
Total	4,439,126	547,944	4,987,070	-	4,987,070
Segment profit	617,818	37,811	655,630	88,838	744,468
Finance income					8
Finance costs					(11,875)
Profit before tax					732,601

Note: Adjustments of segment profit are the cancellation of inter-segment transactions and corporate expenses that are not allocated to any reportable segment.

Three months ended January 31, 2025 (November 1, 2024 to January 31, 2025)

(Thousands of Yen)

	Reportable segments			Adjustments (Notes 1 and 2)	Condensed quarterly consolidated Statement
	Construction Solutions	IT Solutions	Total		
Revenue					
Revenue from external customers	5,273,530	618,965	5,892,496	-	5,892,496
Inter-segment revenue	-	10,734	10,734	(10,734)	-
Total	5,273,530	629,699	5,903,230	(10,734)	5,892,496
Segment profit	746,467	41,239	787,706	112,692	900,398
Finance income					0
Finance costs					(16,743)
Profit before tax					883,656

Notes: 1. Adjustments of inter-segment revenue are the cancellation of inter-segment transactions.
2. Adjustments of segment profit are the cancellation of inter-segment transactions and corporate expenses that are not allocated to any reportable segment.

(Per Share Information)

(1) Basic Earnings per Share

Basic earnings per share and the basis for calculation are as follows:

(Thousands of yen)

	Three months ended January 31, 2024 (November 1, 2023 to January 31, 2024)	Three months ended January 31, 2025 (November 1, 2024 to January 31, 2025)
Profit attributable to ordinary shareholders of parent		
Profit attributable to owners of parent	516,378	649,976
Profit not attributable to ordinary shareholders of parent	-	-
Profit used for calculating basic earnings per share	516,378	649,976
Average number of common shares outstanding during the period	8,446,402 shares	8,725,077 shares
Basic earnings per share	61.14 yen	74.50 yen

(2) Diluted Earnings per Share

Diluted earnings per share and the basis for calculation are as follows:

(Thousands of yen)

	Three months ended January 31, 2024 (November 1, 2023 to January 31, 2024)	Three months ended January 31, 2025 (November 1, 2024 to January 31, 2025)
Profit attributable to ordinary shareholders (diluted)		
Profit used for calculation of basic earnings per share	516,378	649,976
Adjustments to profit	-	-
Profit used for calculating diluted earnings per share	516,378	649,976
Average number of common shares outstanding during the period	8,446,402 shares	8,725,077 shares
Effect of dilutive potential common shares: stock option	236,272 shares	53,015 shares
After adjustment for dilutive effect	8,682,674 shares	8,778,092 shares
Diluted earnings per share	59.47 yen	74.05 yen

(Important Subsequent Events)

Not applicable.