Nareru Group

プロ人材に、なれる。成長社会に、なれる。

First Quarter of Fiscal Year Ending October 2025 Financial Results Briefing

Mar. 13, 2025 Nareru Group Inc. | TSE Growth | 9163 |

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- **Although it was difficult to hire new engineers, revenue exceeded the plan due to an increase in the number of active engineers and the contract unit price.**
- **Operating profit exceeded the plan due to the effect of increased sales and the postponement of growth investments such as hiring and training expenses, despite an increase in personnel expenses to strengthen sales and recruitment capabilities.**

Earnings Summary for FY2025

Revenue
5.89 billion yen
(YoY+18.2%)
(Compared to Plan +0.7%)

Operating Profit
0.90 billion yen
(YoY +20.9%)
(Compared to Plan +34.4%)

Profit before Tax
0.88 billion yen
(YoY +20.6%)
(Compared to Plan +33.9%)

Profit Attributable to Owners of Parent
0.64 billion yen
(YoY +25.9%)
(Compared to Plan +35.4%)

Summary of KPIs : World Corporation

Total Engineers *1
3,273
(YoY +15.7%)
(Compared to Plan -1.1%)

Active Engineers*2
3,074
(YoY +18.5%)
(Compared to Plan -0.6%)

Utilization Ratio *3
95.4%
(YoY +0.3%)
(Compared to Plan ±0%)

Contract Unit Price *4
516 thousand yen
(YoY+12 thousand yen)
(Compared to Plan -1 thousand yen)

New Hires
330
(YoY -11.1%)
(Compared to Plan -13.8%)

Turnover Rate*5
29.8%
(YoY ±0pt)
(Compared to Plan ±0pt)

(*1) Total Engineers : Number of total engineers as of January 2025 (*2) Active Engineers : Monthly average number of active engineers during the target period.
(*3) Utilization Ratio : Number of active engineers during the target period / Number of total engineers during the target period (excluding engineers undergoing training).
(*4) Contract unit price: Monthly average contract price (excluding overtime pay) during the target 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 January 2025.

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Q1 FY2025
Financial Results

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Financial Results for Q1 FY2025.10

- In both the construction solutions segments and IT solutions segments, revenue increased **18.2%** year on year, due to an increase in the number of active engineers and the contract unit price.
- Operating profit increased by **20.9%** year on year, due to the large effect of increased revenue, despite an increase in personnel expenses to strengthen sales and recruitment capabilities.
- Compared to the plan, revenue was at the planned level. Operating profit significantly exceeded the target **(+34.4%)** due in part to the impact of delays in some investments.

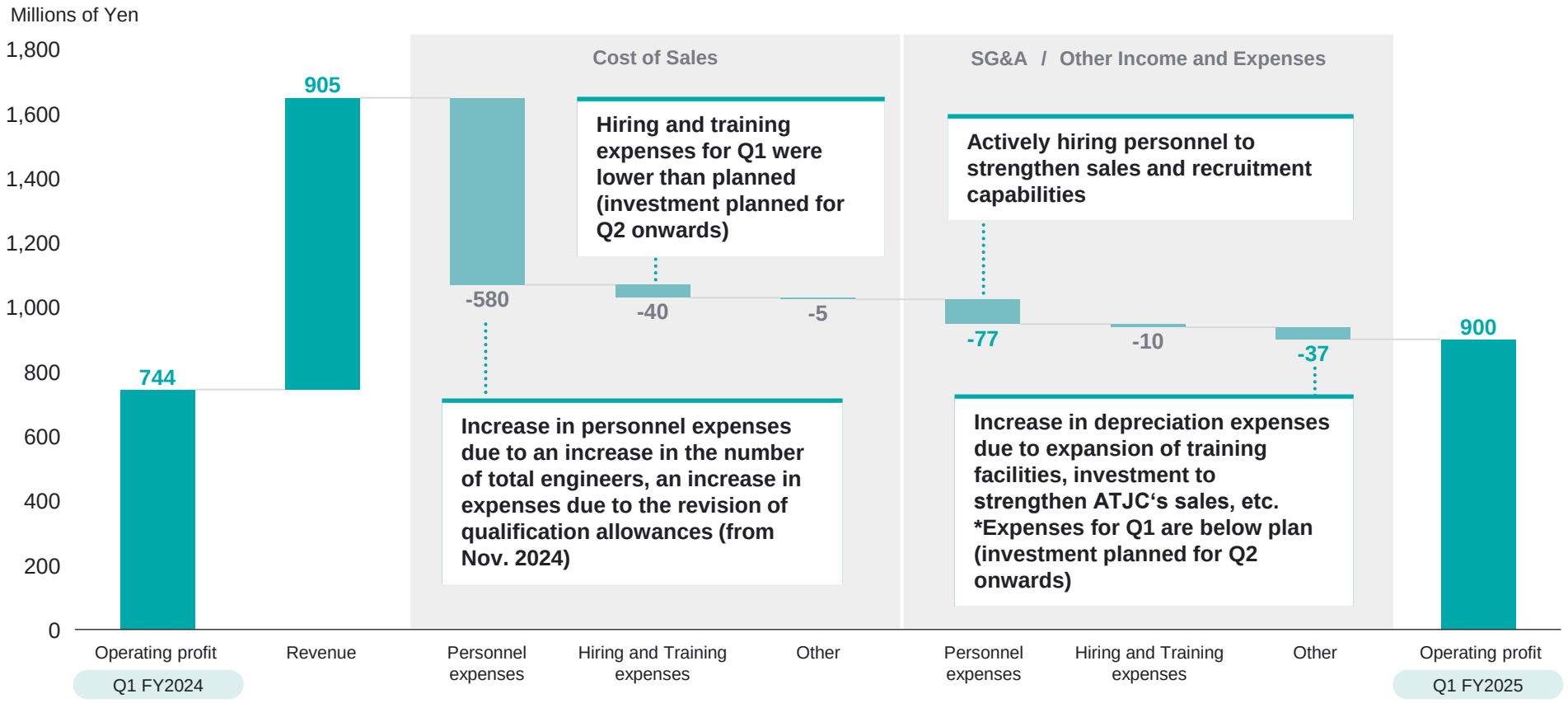
Millions of Yen	Q1（3 months）				Earnings Forecasts Q1		Earnings Forecasts Full Year	
	FY2024 Q1	FY2025 Q1	YoY		FY2025 Q1	Achievement	FY2025 Full Year	Progress
Revenue	**4,987**	**5,892**	**+905**	**+18.2%**	**5,850**	**+0.7%**	**25,650**	**23.0%**
Gross Profit	**1,410**	**1,688**	**+278**	**+19.7%**	**1,540**	**+9.6%**	**6,860**	**24.6%**
Gross Profit Margin	28.3%	28.7%	+0.4pt		26.3%	+2.4pt	26.7%	—
Operating Profit	**744**	**900**	**+155**	**+20.9%**	**670**	**+34.4%**	**3,310**	**27.2%**
Operating Profit Margin	14.9%	15.3%	+0.4pt		11.5%	+3.8pt	12.9%	—
Profit before Tax	**732**	**883**	**+151**	**+20.6%**	**660**	**+33.9%**	**3,220**	**27.4%**
Profit Attributable to Owners of Parent	**516**	**649**	**+133**	**+25.9%**	**480**	**+35.4%**	**2,330**	**27.9%**

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Comparison of Q1 FY2024 and Q1 FY2025

- Due to the strong demand for construction workers, the number of active engineers and the contract price are increasing (revenue **+905** million yen).
- In the Q1, hiring and training expenses and investment to strengthen ATJC's sales were lower than planned (investment planned for the Q2 onwards).
- As a result of the above, operating profit increased by **+156** million yen.

Comparison of Operating Profit

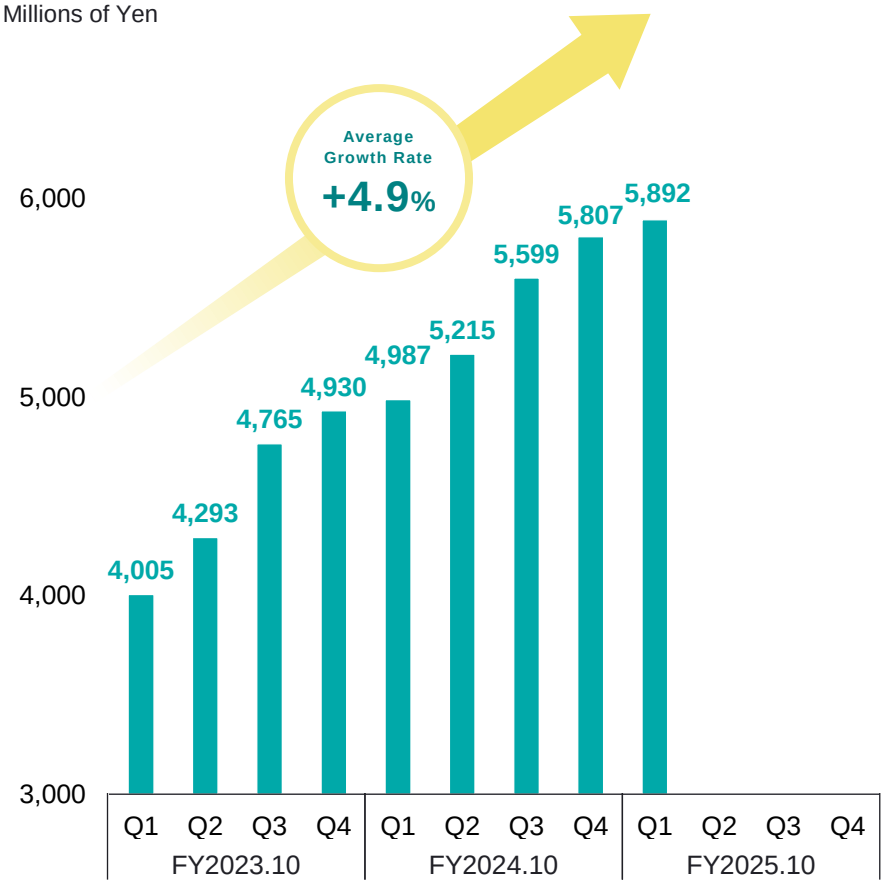


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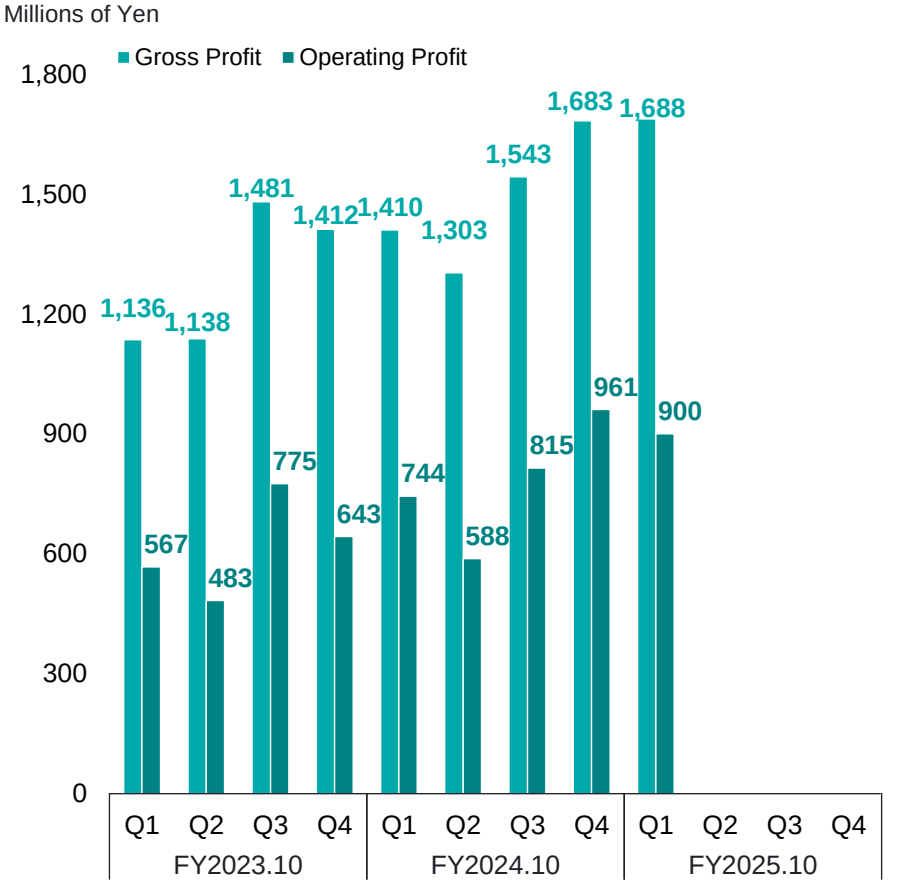
Trends in Quarterly Results

- Quarterly revenue grew steadily, reaching a new record high, driven by an increase in the number of active engineers .
- Average quarterly revenue growth rate over the last 9 quarters: **+4.9%** (FY2023 Q1 to FY2025 Q1)
- Due to the delay in growth investments, quarterly operating profit will remain at a high level.

Quarterly Revenue



Quarterly GP/OP



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Results by Segment

- In the Construction Solutions, the number of total engineers was slightly lower than planned because the planned number of engineers could not be hired. However, sales activities, including price negotiations, and career support measures for engineers were successful, and the number of active engineers remained at the planned level.
- Although reducing turnover remains an issue for IT Solutions, the number of total engineers and active engineers is trending at planned levels.
- As a result of the above, both the construction and IT solutions achieved increased revenue and operating profits.

Millions of Yen	Q1 (3 months) FY2024	FY2025	YoY	
Construction Solution	4,439	5,273	+834	+18.8%
IT Solution	547	618	+71	+13.0%
Total Revenue *1	4,987	5,892	+905	+18.2%
Construction Solution	617	746	+128	+20.8%
Profit Margin	13.9%	14.2%	+0.3pt	—
IT Solution	37	41	+3	+9.1%
Profit Margin	6.9%	6.7%	-0.2pt	—
Adjustments*2	88	112	+23	+26.9%
Total Operating Profit	744	900	+155	+20.9%

(*1) Internal transactions eliminated
(*2) Adjustments include the elimination of inter-segment transactions and management fees from each segment to Nareru Group Co., Ltd.

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Consolidated Financial Position

- Cash and cash equivalents decreased compared to the end of the previous fiscal year because the year-end dividend for the previous fiscal year was paid in this quarter.
- For similar reasons, the increase in retained earnings will be limited to **+77 million yen**. Goodwill ratio improved slightly.

Millions of Yen	As of the end of October 2024	As of the end of January 2025
Cash and Cash Equivalents	4,516	4,038
Trade Receivables	3,204	3,166
Other Current Assets, etc.	205	277
Total Current Assets	7,926	7,482
Property, Plant and Equipment	178	209
Right-of-use Assets	597	533
Goodwill	14,074	14,074
Deferred Tax Assets	508	516
Other Non-current Assets, etc.	332	239
Total Non-current Assets	15,690	15,574
Total Assets	23,617	23,056

Ratio of Total Equity Attributable to Owners of Parent to Total Assets	56.9%	58.7%
Net Debt*1	1,054	1,354
Ratio of Goodwill*2	1.05 times	1.04 times

Millions of Yen	As of the end of October 2024	As of the end of January 2025
Borrowings	2,714	2,714
Lease Liabilities	227	223
Other Current Liabilities, etc.	3,574	3,145
Total Current Liabilities	6,516	6,083
Borrowings	2,857	2,678
Lease Liabilities	348	291
Other Non-current Liabilities, etc.	453	477
Total Non-current Liabilities	3,659	3,447
Total Liabilities	10,176	9,531
Share Capital, Capital Surplus, etc.	9,008	9,016
Retained Earnings	4,431	4,508
Total Equity	13,440	13,525
Total Liabilities and Equity	23,617	23,056

(*1) Borrowings (current) + Borrowings (noncurrent) – Cash and cash equivalents
(*2) Goodwill / Total equity

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Consolidated Cash Flows

- Due to the increase in quarterly profit, cash flow from operating activities was **+150 million yen**.
- Due to the year-end dividend for the previous fiscal year (paid in January), etc., cash flow from financing activities was **-720 million yen**.

Millions of Yen	FY2024.10 Q1	FY2025.10 Q1
Profit before Tax	732	883
Depreciation	65	73
Decrease (Increase) in Trade Receivables	61	44
Increase (Decrease) in Accrued Expenses	-78	-20
Interest Paid	-11	-16
Income Taxes Paid	-492	-454
Other	-346	-360
Cash Flows from Operating Activities	-70	148
Purchase of Property, Plant and Equipment	-3	-34
(Purchase) Collection of Other Financial Assets	-0	0
Other	-5	0
Cash Flows from Investing Activities	-9	-34
Free Cash Flow	-79	114
Repayments of Long-term Borrowings	-178	-178
Repayments of Lease Liabilities	-55	-60
Proceeds from Issuance of Shares	97	18
Dividends Paid	-767	-499
Other	1	-0
Cash Flows from Financing Activities	-903	-720
Net Increase (Decrease) in Cash and Cash Equivalents	-982	-606

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

Acquisition of tangible fixed assets in connection with the expansion of training facilities

Incl. office rent (IFRS)

Year-end dividend for the previous period

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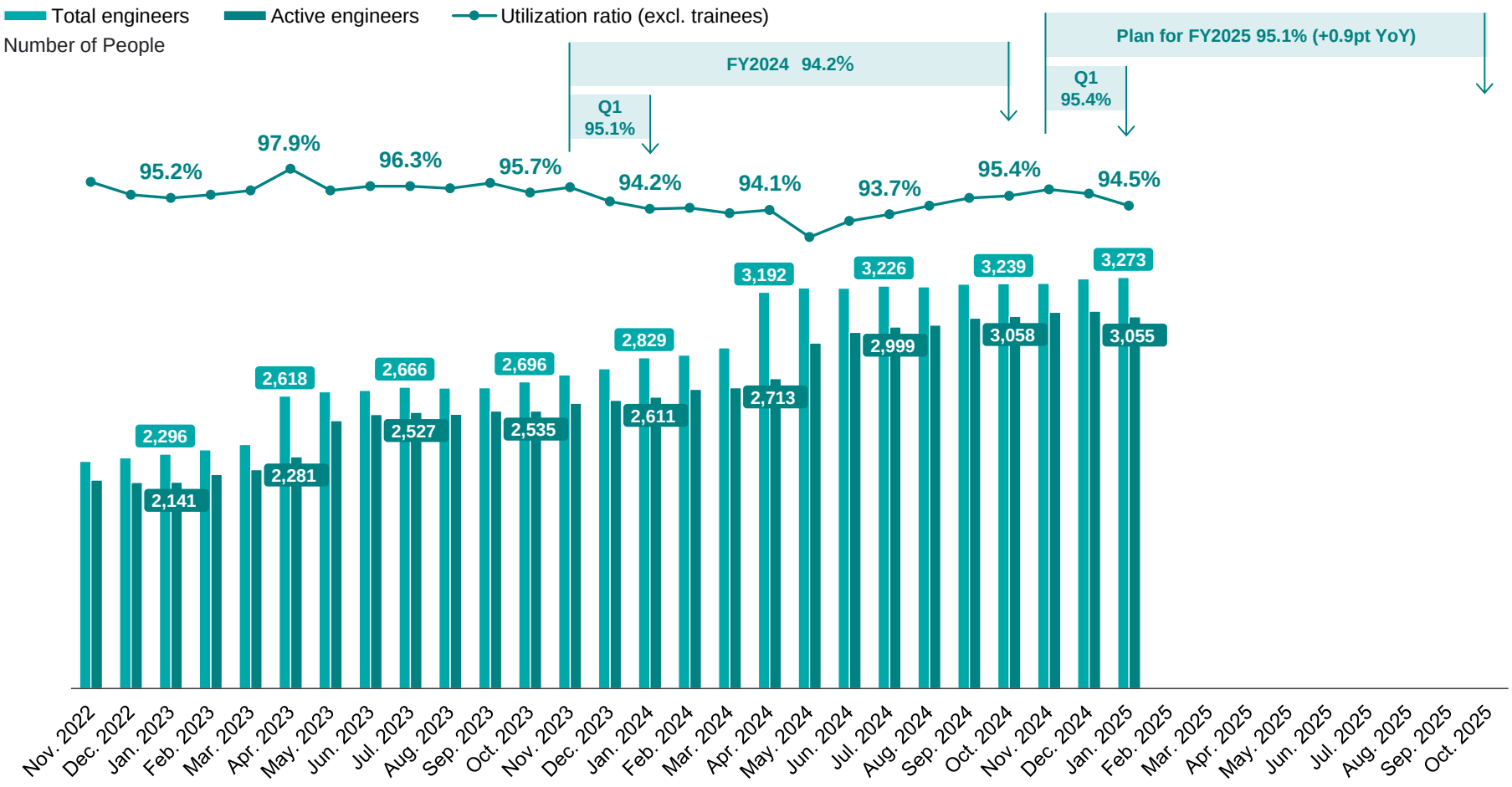
Q1 FY2025.10
Trends in major KPIs

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Trends in Engineers and Utilization Ratio (World Corporation)

- Measures to support the career development of engineers have been successful, and the number of active engineers has remained roughly at the planned level.
- The number of total engineers was **3,273 (+444 YoY)** , and the average number of active engineers was **3,074 (+480 YoY)**.
- Although the utilization ratio remains an issue in regional areas, the overall trend continues to improve **(+0.3 points YoY)**.

Trends in Total Engineers, Active Engineers and Utilization Ratio



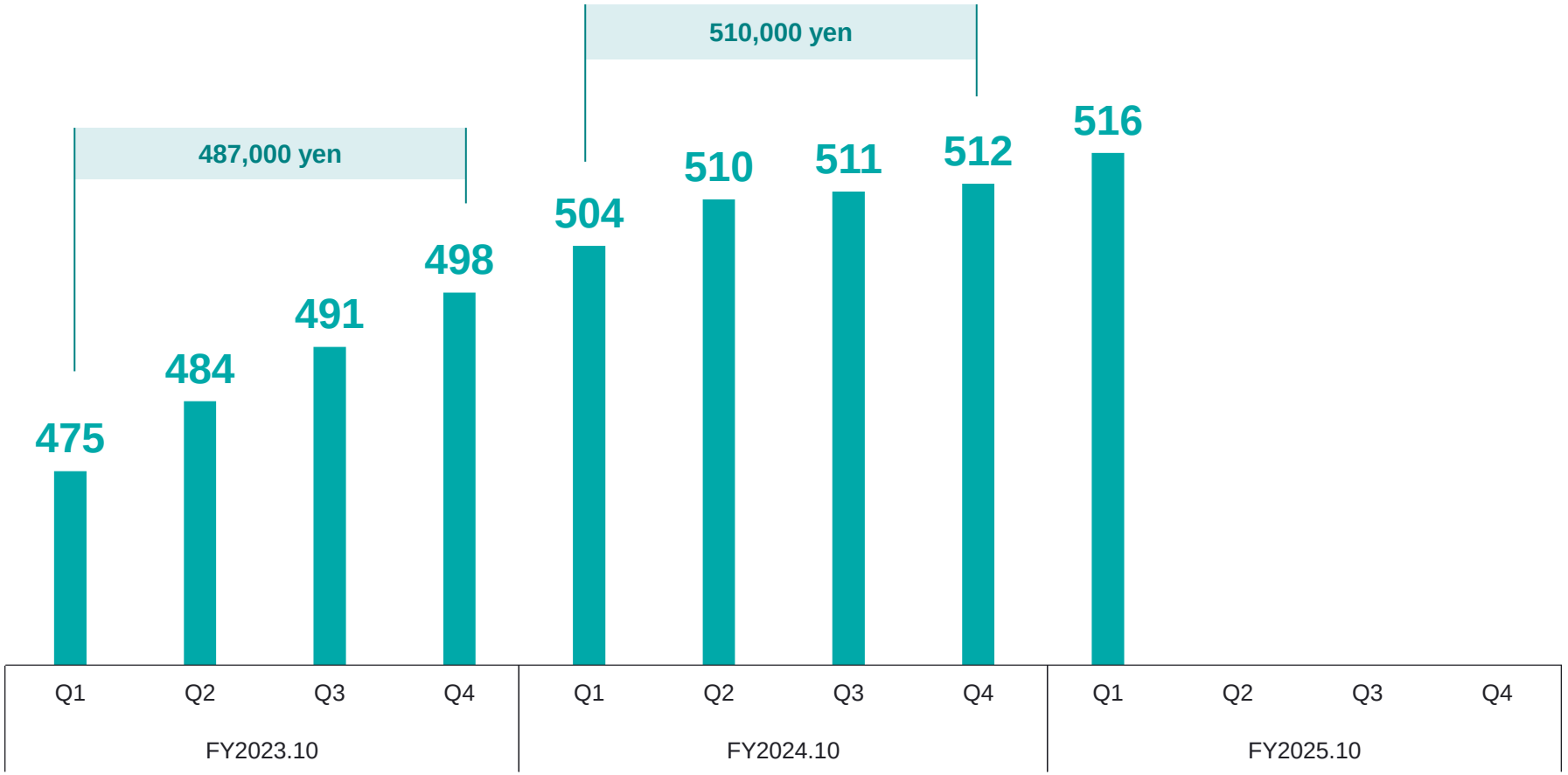
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Trend in Contract Unit Price (World Corporation)

- Due to continued negotiations on contract unit price, the contract unit price for Q1 was **516,000 yen**, an increase of **12,000 yen** from the same period last year.

Trends in Contract Unit Price

Unit: thousand yen

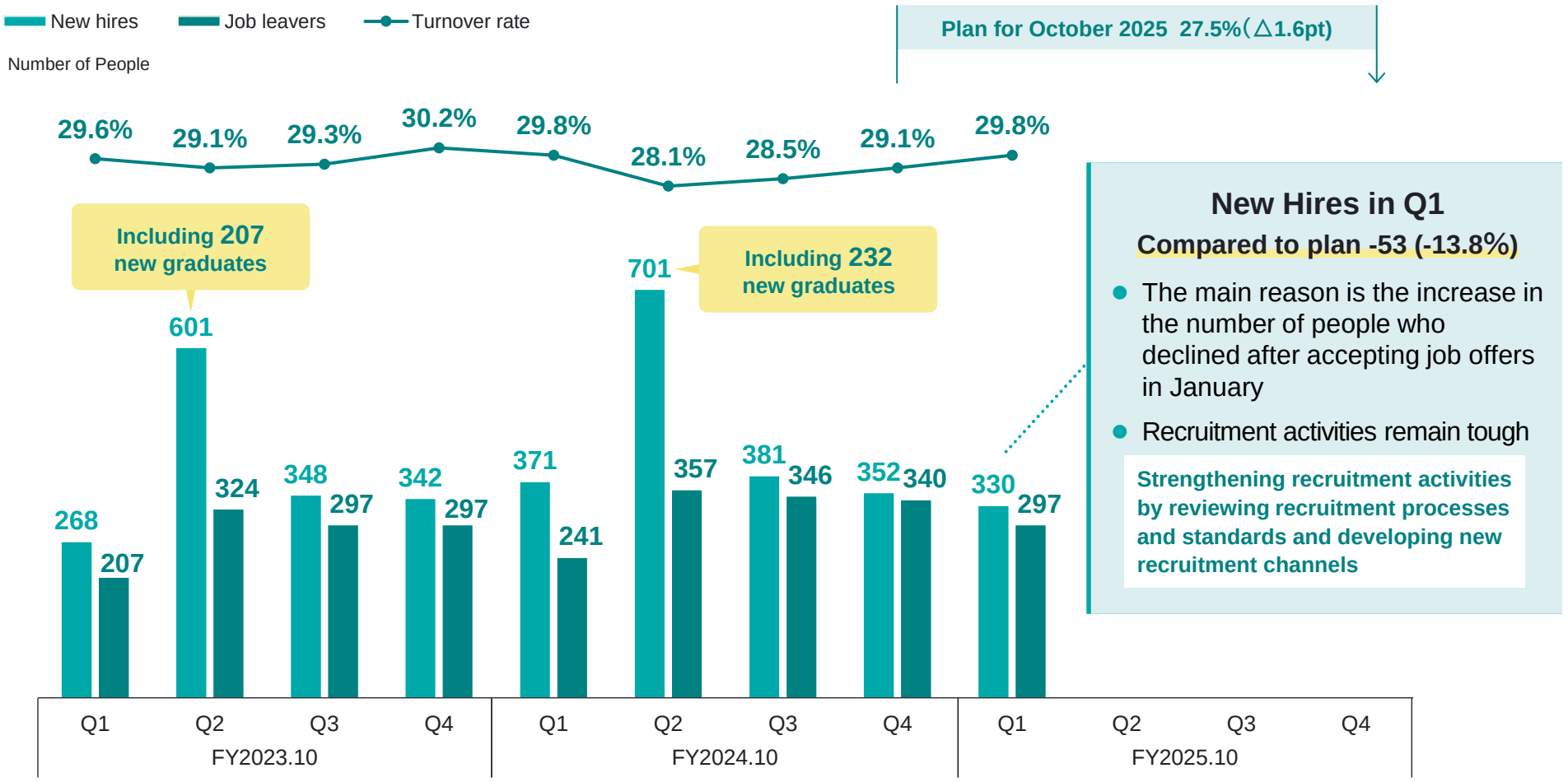


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Trends in New Hires, Job Leavers and Turnover (World Corporation)

- Due to difficulties in hiring, we were unable to hire the number of engineers we had planned. The number of new hires in Q1 will remain at **330 (-41 YoY)**.
- Number of job leavers in Q1 was lower than planned (The turnover rate[*1] was **29.8%**, the same level as planned).

Trends by Quarter



New Hires in Q1

Compared to plan -53 (-13.8%)

- The main reason is the increase in the number of people who declined after accepting job offers in January
- Recruitment activities remain tough

Strengthening recruitment activities by reviewing recruitment processes and standards and developing new recruitment channels

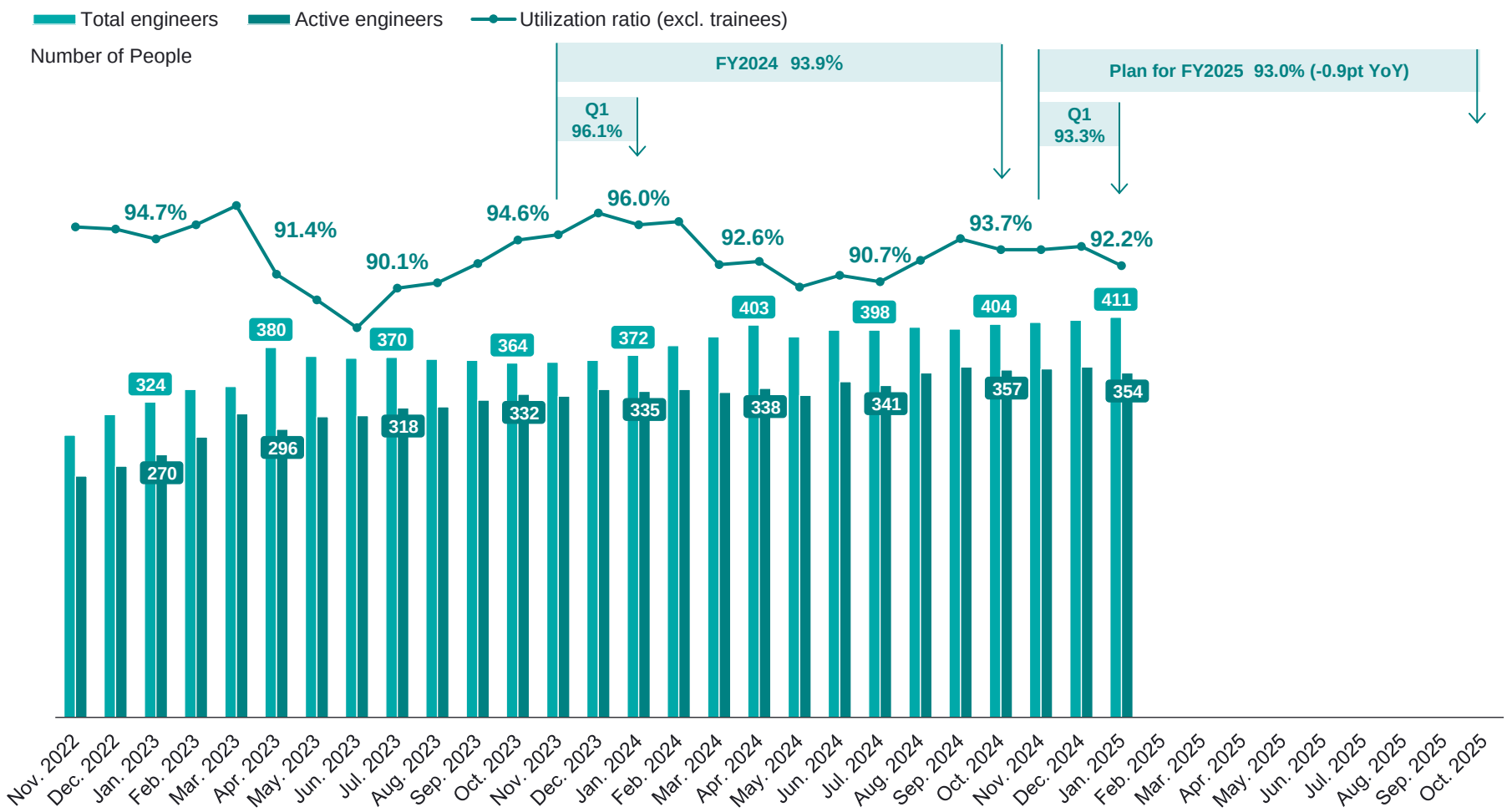
(*1) Turnover rate =Job leavers during past 12 months /(Total engineers at the end of the month 12 months prior + New hires during past 12 months)

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Trends in Engineers and Utilization Ratio (ATJC)

- The number of total engineers and active engineers remains at the planned level.
- The number of total engineers was **411 (+39 YoY)** , and the average number of active engineers was **357 (+23 YoY)**.

Trends in Total Engineers, Active Engineers and Utilization Ratio

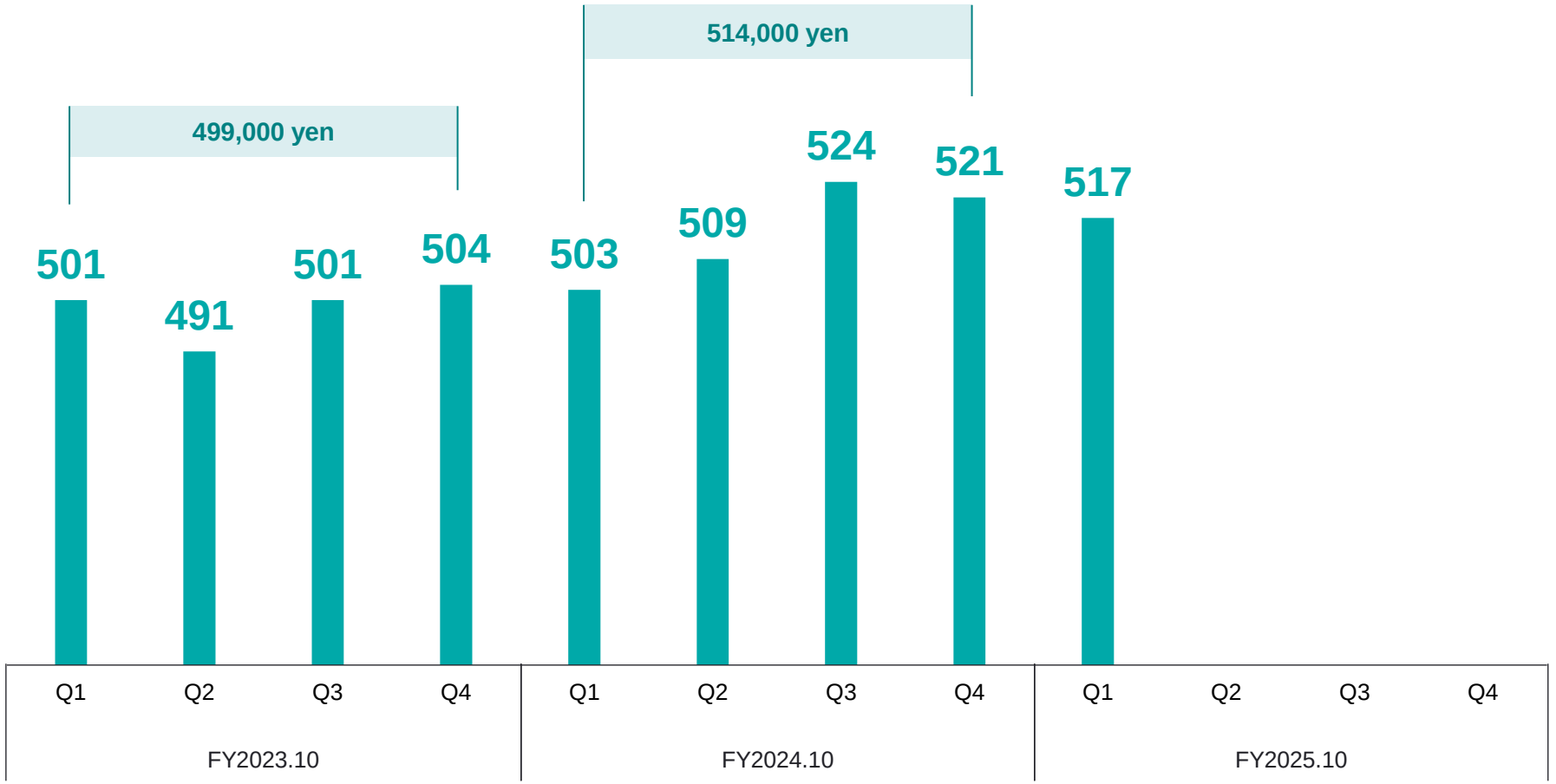


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- The contract price for Q1 was **517,000 yen**, an increase of **14,000 yen** from the same period last year.

Trends in Contract Unit Price

Unit: thousand yen

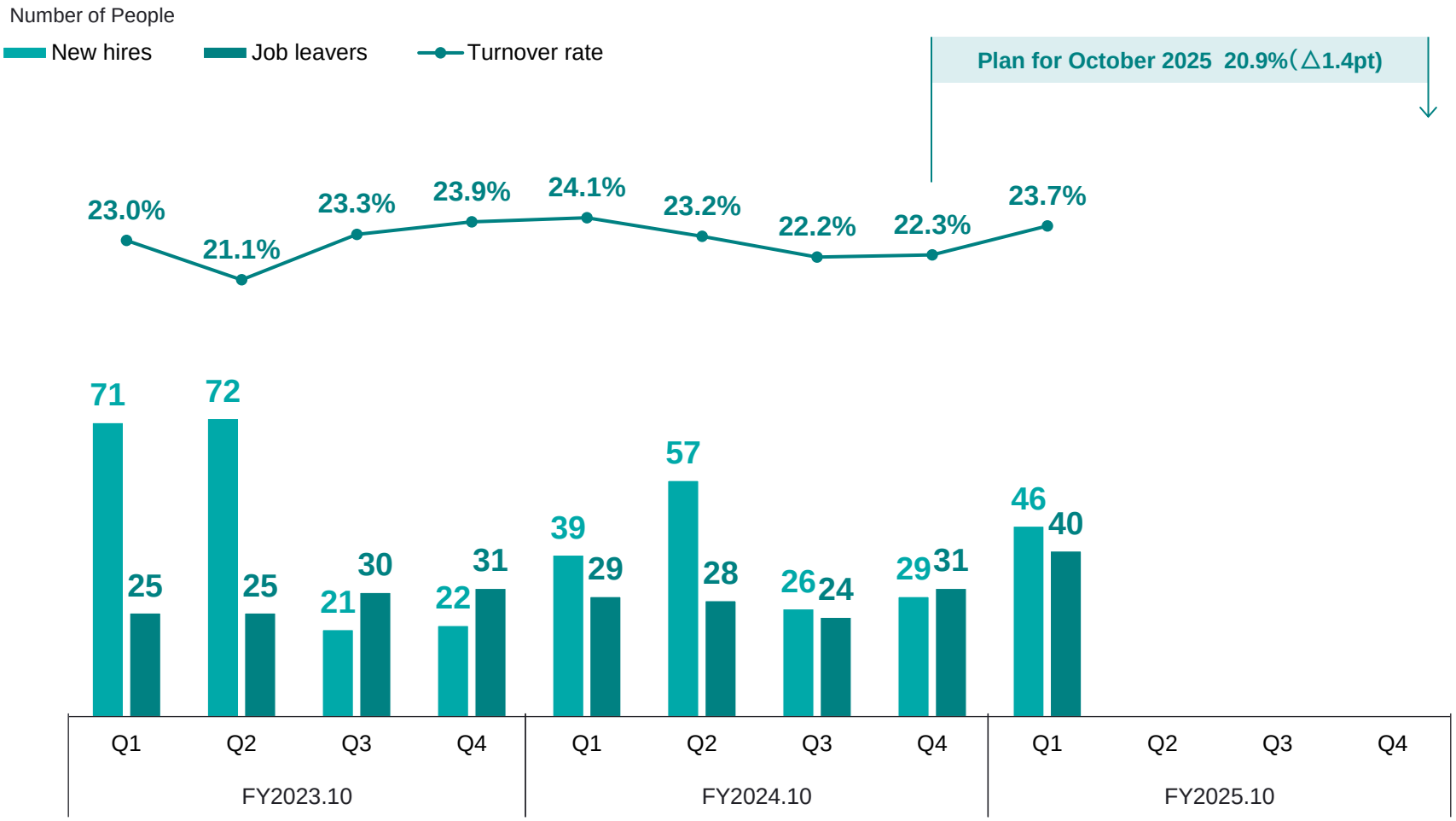


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Trends in New Hires, Job Leavers and Turnover (ATJC)

- The number of new hires in Q1 was **46 (+7 YoY)**, remaining within the planned level.
- Due to a temporary increase in the number of job leavers, the planned reduction in the turnover rate was not achieved (The turnover rate [*1] **improved by 0.4 points** compared to the same period last year.).

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)

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FY2025
Business Plan & Earnings Forecasts (Repost)

*** Excerpt from the "Management Strategy Briefing for the Fiscal Year Ending October 2025" disclosed on December 13, 2024**

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Management Strategy for FY2025

While promoting efforts to support the development of engineers and reduce turnover rates, the company is also investing in its own recruitment media and support for construction DX in order to achieve further growth. At the same time, we will formulate a medium-term management plan to overcome management challenges.

Priority Initiatives for FY2025

1. Enhancement of the functions of each process: "Sales," "Recruitment" and "Career Design"
2. Strengthening development of our in-house recruitment media (Sekokan NEXT)
3. Accelerating the rollout of new services such as construction DX support
4. Formulation of medium-term management plan

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1 Enhancement of the functions of each process: "Sales", "Recruitment" and "Career Design"

Aiming to "improve utilization ratio" and "reduce turnover rate" through strengthening the functionality of each process

Construction Solution segment（World Corporation）

Sales	● **Strengthening sales to ensure stable dispatching of career engineers, female and inexperienced personnel.** ● Establish a sales structure to expand sales in regional areas (Chubu, Kansai, etc.). ● Deepening the BIM[*1] domain and expanding the plant domain.
Recruitment	● **Increase hiring numbers and reduce hiring expenses per hire through in-house recruitment media and strengthening DR[*2].** ● Increase the number of hires through improvements to the hiring process. (2026 new graduates, inexperienced mid-career workers and experienced workers) ● Establishing an internal system to realize various measures and strengthening cooperation with the sales department.
Career Design	● **Establishing a collaborative system for sales, career design, and recruitment to reduce turnover rates.** ● Expanding programs and advisors to support engineers in designing their careers. ● Promote the creation of an environment where inexperienced engineers can get advice on work-related issues and careers.

IT Solution segment（ATJC）

Sales Recruitment	● Acquire upstream process projects by strengthening sales. ● Strengthening recruitment capabilities through various measures and reducing hiring expenses.

(*1)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

(*2)DR: Direct Recruiting

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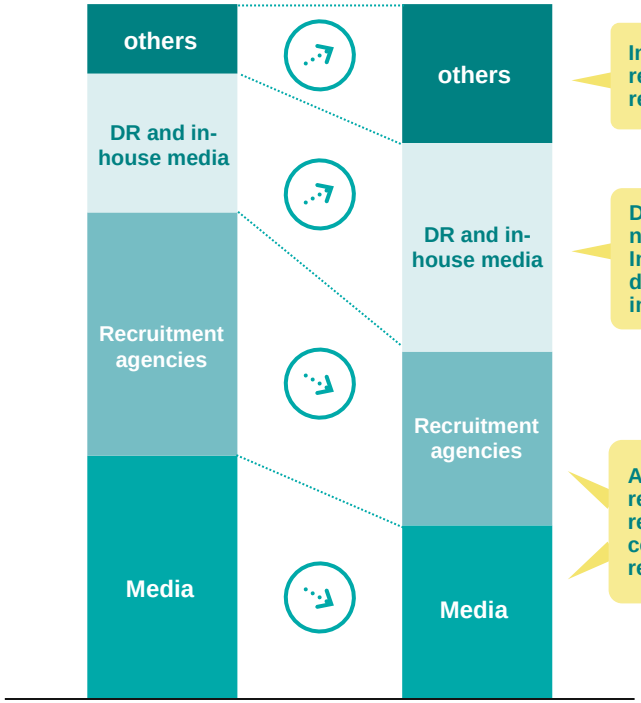
2 Strengthening development of our in-house recruitment media

Aiming to hire 2,000 people through aggressive investment to strengthen the development of our in-house recruitment media (Sekokan NEXT) and the use of DR*1, etc.

Image of recruitment channel composition

（Image of the ratio of recruitment through each recruitment media）

- **Fluent changes to recruitment structure and customer acquisition methods in response to external circumstances**
- **Increased adoption rate of DR* and in-house recruitment media**



Implementing referral recruitment and new recruitment measures

DR: Expanding distribution numbers and areas
In-house media: Strengthening development through active investment

Although there are plans to reduce the weight of recruitment in the future, it will continue to be used as the main recruitment channel.

(*1)DR: Direct Recruiting

In-house Recruitment Media (Sekokan NEXT)

セコカンNEXT

Focusing on Experienced and inexperienced workers

Enabling Low Cost hiring by in-house media

Dispatching experienced workers at a High unit Price



（HP）

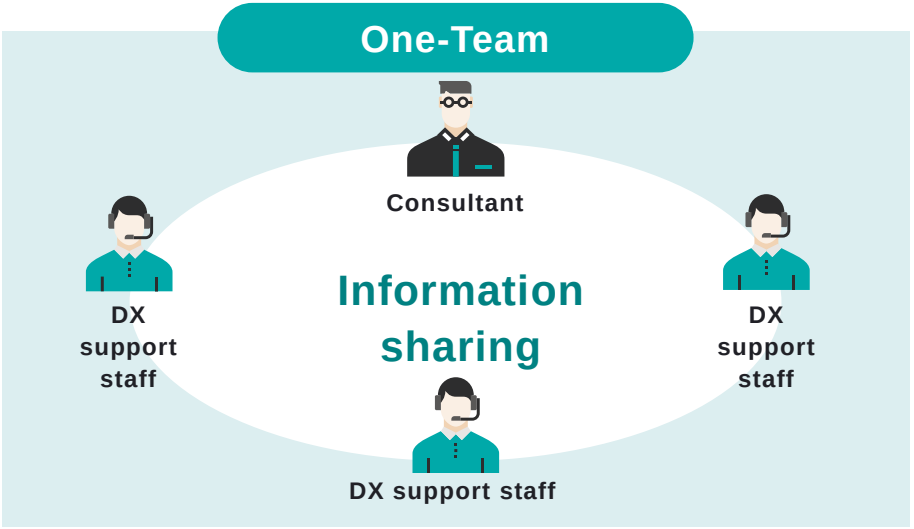
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3 Accelerating the rollout of new services such as DX support

Building on the initiatives undertaken in FY2024, we will accelerate the rollout of construction digital transformation support services. We train consultants and support staff who will provide consulting on the introduction of construction ICT tools, and provide teams of multiple people to be dispatched.

Construction DX Consulting Team

Our construction DX specialists help improve site efficiency.



DX status assessment	Planning and proposal	Service deployment/ dispatching	After-sales support
• Conduct a company-wide survey among companies and work sites we do business with	• Consult • Review solution services • Assign personnel	• Release service • Assign personnel	• Provide support after assigning personnel

FY2024 Results

- **Dispatch of DX support teams to the construction and facility sector**

  Construction company “A”:

  Dispatch DX talent as a team to improve business efficiency and productivity

  Equipment company “B”:

  Establish an inspection team for in-process inspection of facility construction (inserts, duct piping, etc.)

- **Hosting online seminars based on the track record of dispatching digital transformation support teams to promote initiatives**



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4 Formulation of medium-term management plan

Based on the Nareru Group's vision and environmental analysis, we will discuss strengthening our management base, business, human capital, finance/investment, and formulate a medium-term management plan.
(Planned to be disclosed in FY2025)

Discussion themes for formulating the medium-term management plan (draft)

Business

- Strengthening Markets
  Developing Markets
- New services
  New business
- Business reform

Human capital

- Retention and growth support for engineers
- In-house employee engagement
- Organizational development

Finance/Investment

- Capital allocation, including shareholder returns
- M&A
  Business investment
- Business portfolio

Strengthening the management base

- Corporate Governance
- Sustainability

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FY2025 Full-year Earnings Forecast (Repost)

- Prioritize growth investments in the current fiscal year, such as strengthening **our in-house recruitment media, supporting the development of engineers, and strengthening our sales and recruitment departments.**
- In the 1st half, due to investments being made upfront, **profits below operating profit are expected to decline.**
- Full-year revenue is expected to increase **18.7%** YoY due to an increase in total engineers and efforts to improve utilization ratio.
- As profit improvements will contribute from the second half onwards, full-year operating profit is planned to increase **6.4%** YoY.

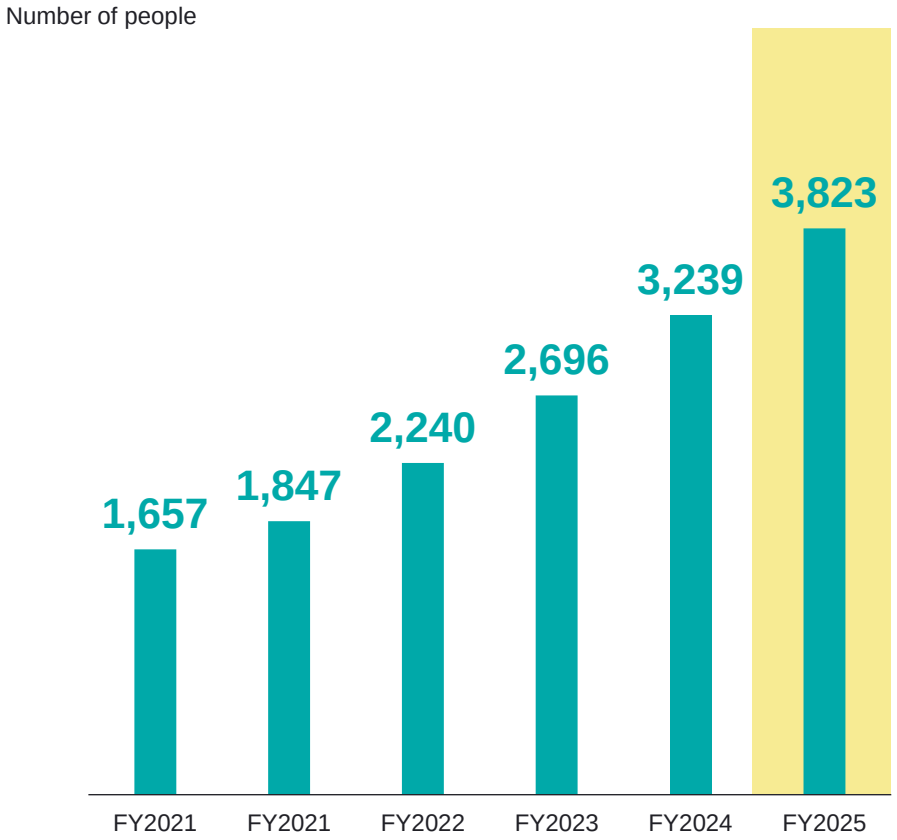
Millions of Yen	First Half				Full Year			
	FY2024 Actual	FY2025 Forecast	YoY		FY2024 Actual	FY2025 Forecast	YoY	
Revenue	10,202	11,980	+1,777	+17.4%	21,608	25,650	+4,041	+18.7%
Gross Profit	2,713	2,990	+276	+10.2%	5,940	6,860	+919	+15.5%
Gross Profit Margin	26.6%	25.0%	-1.6pt		27.5%	26.7%	-0.8pt	
Operating Profit	1,333	1,230	-103	-7.8%	3,110	3,310	+199	+6.4%
Operating Profit Margin	13.1%	10.3%	-2.8pt		14.4%	12.9%	-1.5pt	
Profit before Tax	1,310	1,200	-110	-8.4%	3,059	3,220	+160	+5.2%
Profit Attributable to Owners of Parent	923	870	-53	-5.8%	2,187	2,330	+142	+6.5%
Basic Earnings per Share (yen)	108.68	99.75	-8.93	-8.2%	255.16	267.15	+11.99	+4.7%

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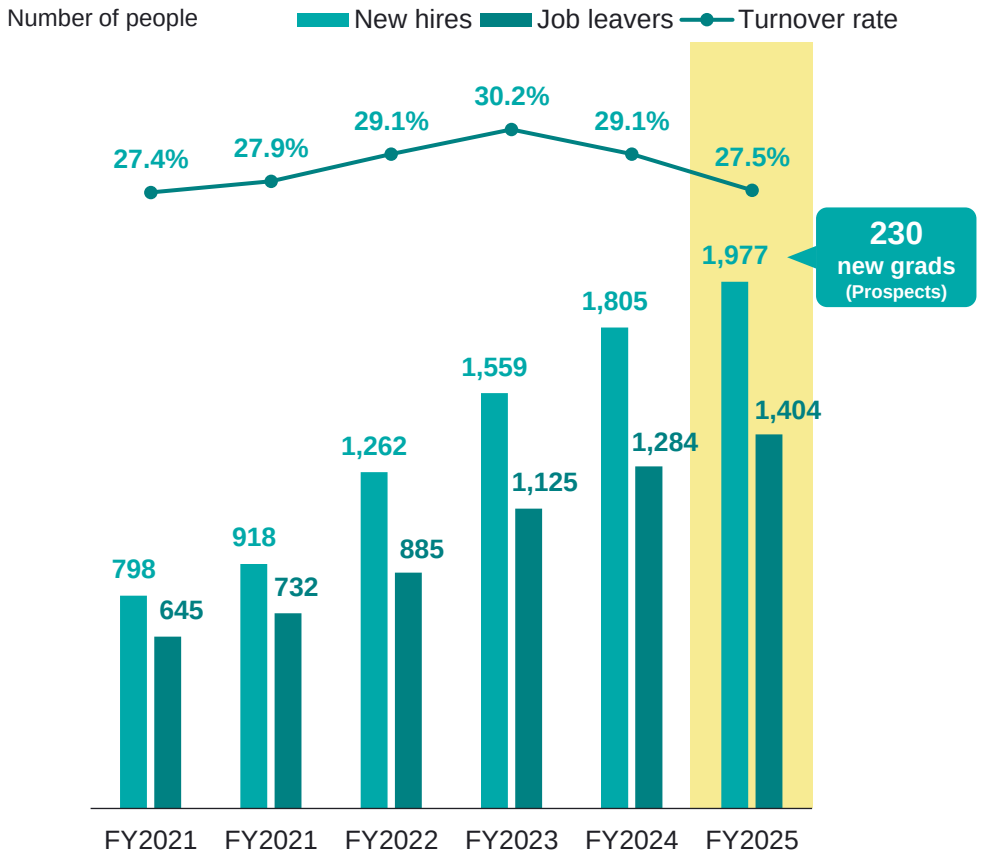
Planned of KPIs : World Corporation (Repost)

- To meet customer demand, we will work to steadily secure technical personnel and reduce turnover rates through various measures.
- The company aims to hire approximately **2,000 new engineers** and to achieve a turnover rate of **27.5%.**

Plans for total engineers



Plans for new hires, job leavers and turnover rate

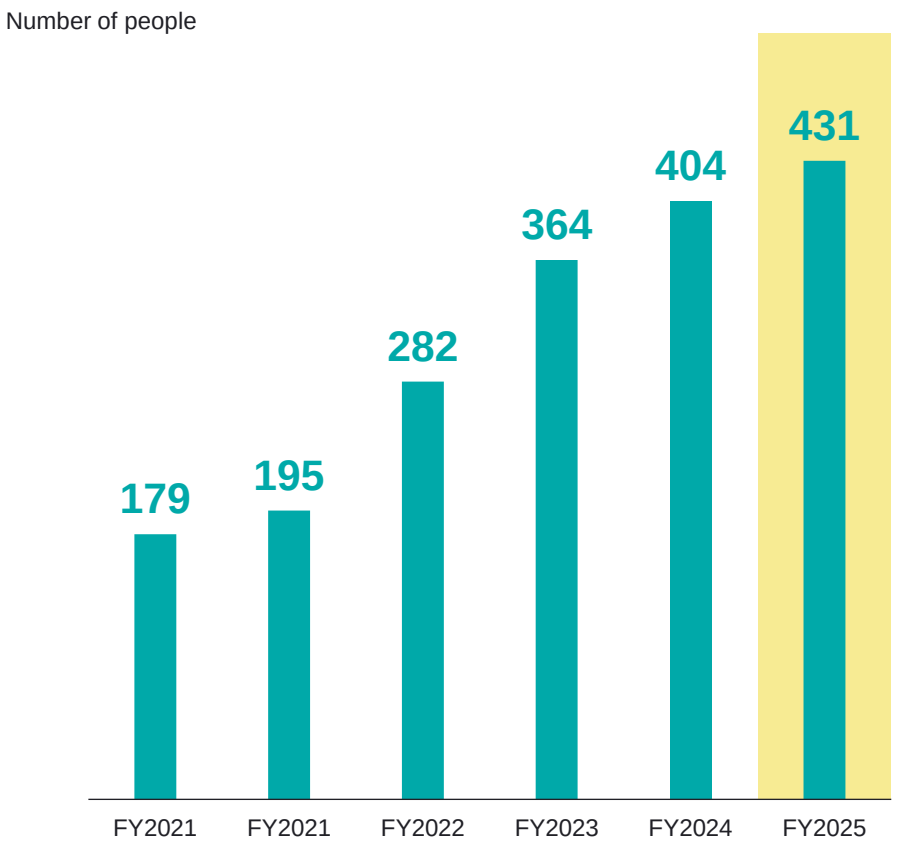


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Planned KPIs : ATJC (Repost)

- Continue to improve training content and strengthen sales to win orders for upstream system development projects.
- Plans call for approximately **160 new hires** and a turnover rate of **20.9%**

Plans for total engineers



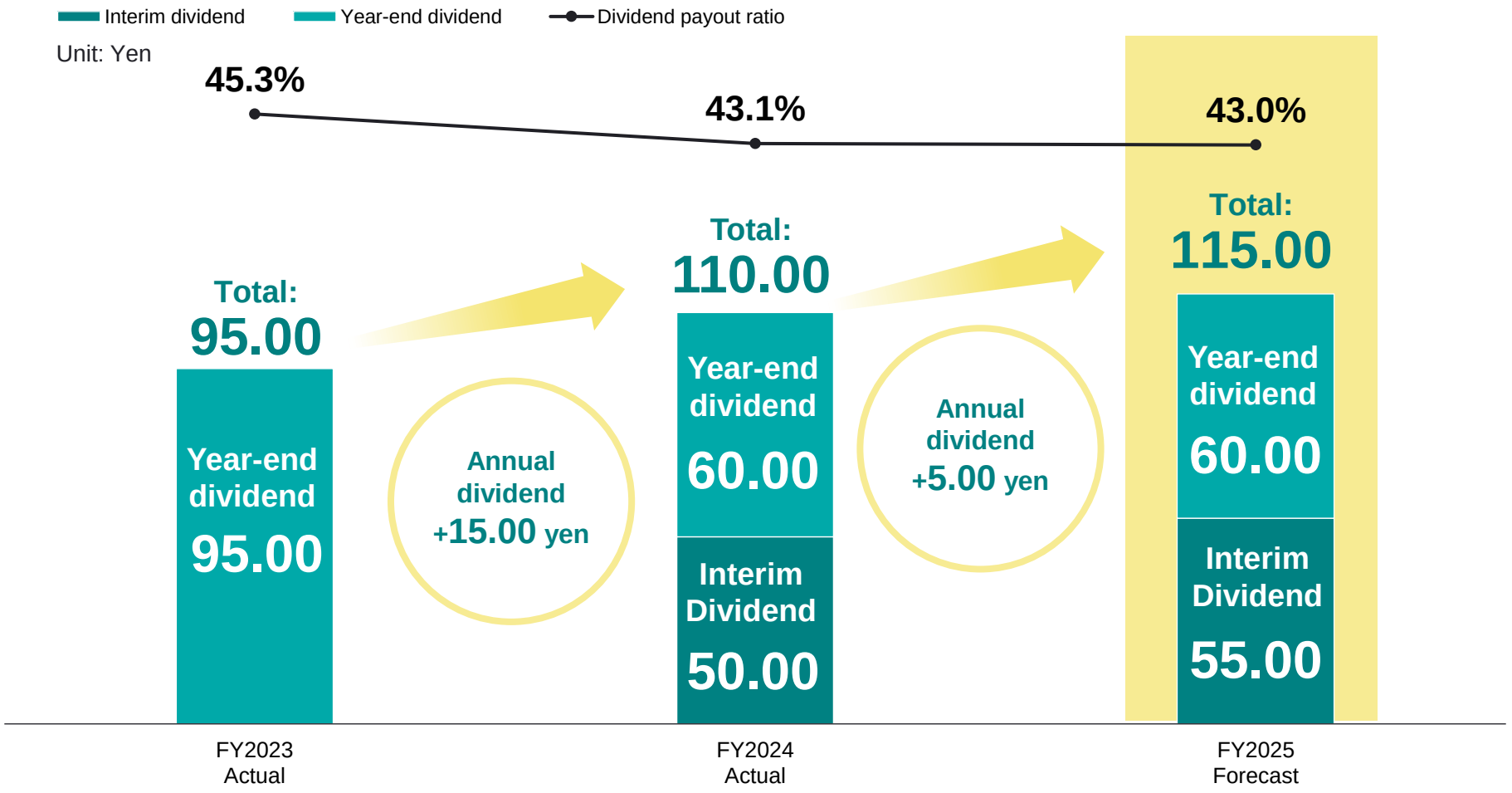
Plans for new hires, job leavers and turnover rate



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Shareholder Returns (Repost)

- The annual dividend for FY2025 is planned to be **115 yen** per share in total, consisting of an interim dividend of **55 yen** and year-end dividend of **60 yen** (an increase of **5 yen** from the previous fiscal year).
- Dividend payout ratio based on basic earnings per share (based on performance plan) is **43.0%.**



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