Nareru Group

First Half of Fiscal Year Ending October 2025 Financial Results Briefing

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

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Executive Summary of Financial Results for H1 FY2025

- As a result of sales activities in urban areas where there is a high demand for engineers and progress in contract unit price negotiations, interim revenue reached a record high. On the other hand, sales activity at regional areas was sluggish, and revenue targets were not met.
- The hiring and sales process reforms undertaken in H1 are progressing smoothly, and results are beginning to appear.
- In H2, we aim to produce even better results and achieve our full-year plan by establishing and improving our measures.

Earnings Summary for H1 FY2025

Revenue
11.7 billion yen
(YoY+15.6%)
(Compared to Plan -1.6%)

Operating Profit
1.53 billion yen
(YoY +15.2%)
(Compared to Plan +24.8%)

Profit before Tax
1.50 billion yen
(YoY +14.5%)
(Compared to Plan +25.1%)

Profit Attributable to Owners of Parent
1.08 billion yen
(YoY +17.7%)
(Compared to Plan +25.0%)

Summary of KPIs : World Corporation

Total Engineers *1
3,494
(YoY +9.5%)
(Compared to Plan -5.8%)

Active Engineers*2
3,049
(YoY +15.7%)
(Compared to Plan -2.7%)

Utilization Ratio *3
94.5%
(YoY -0.1pt)
(Compared to Plan -0.8pt)

Contract Unit Price *4
519 thousand yen
(YoY+12 thousand yen)
(Compared to Plan ±0 thousand yen)

New Hires
956
(YoY -10.8%)
(Compared to Plan -16.8%)

Turnover Rate*5
29.5%
(YoY +1.4pt)
(Compared to Plan +1.7pt)

(*1) Total Engineers : Number of total engineers as of April 2025 (*2) Active Engineers : Monthly average number of active engineers during H1 FY2025.
(*3) Utilization Ratio : Number of active engineers during H1 FY2025/ Number of total engineers during H1 FY2025 (excluding engineers undergoing training).
(*4) Contract unit price: Monthly average contract price (excluding overtime pay) during H1 FY2025.
(*5) Turnover rate : Turnover rate as of April 2025 (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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H1 FY2025
Financial Results

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Financial Results for H1 FY2025

- Revenue exceeded the same period last year (**+15.6% YoY**) due to a steady increase in the number of active engineers and an increase in contract unit price against the backdrop of strong demand.
- On the other hand, hiring and utilization targets were not achieved, and revenue fell short of the plan (**-1.6% YoY**).
- Gross profit and operating profit far exceeded the plan due to factors including reduction in hiring expenses due to failure to achieve our hiring targets and postponement of investments.

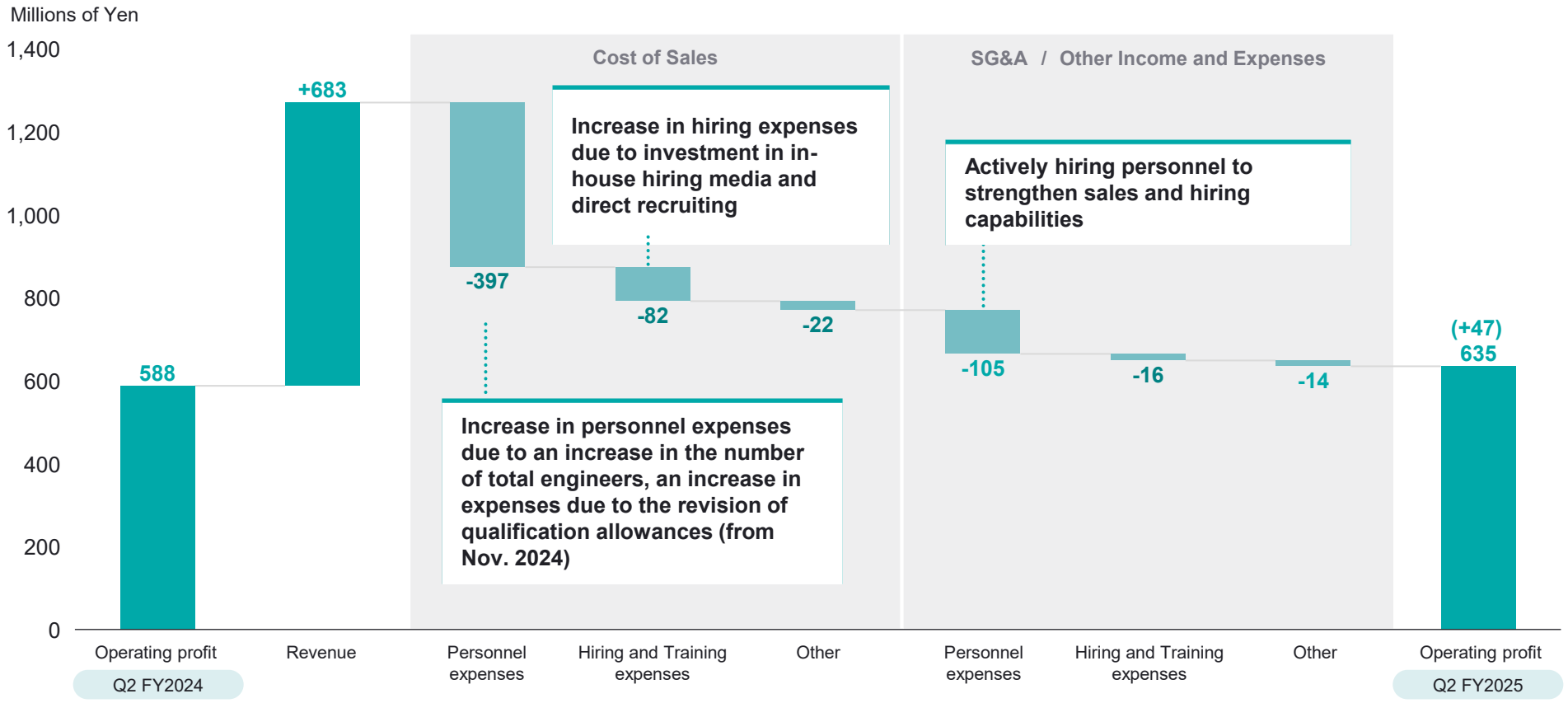
Millions of Yen	Q2 (3 months)			H1 (6 months)			H1 Forecasts		Full-year Forecasts	
	FY2024 Q2	FY2025 Q2	YoY	FY2024 H1	FY2025 H1	YoY	FY2025 H1	Achievement	FY2025	Progress
Revenue	**5,215**	**5,898**	+13.1%	**10,202**	**11,790**	+15.6%	**11,980**	-1.6%	**25,650**	46.0%
Gross Profit	**1,303**	**1,484**	+14.0%	**2,713**	**3,173**	+17.0%	**2,990**	+6.1%	**6,860**	46.3%
Gross Profit Margin	25.0%	25.2%	—	26.6%	26.9%	—	25.0%	—	26.7%	—
Operating Profit	**588**	**635**	+7.8%	**1,333**	**1,535**	+15.2%	**1,230**	+24.8%	**3,310**	46.4%
Operating Profit Margin	11.3%	10.8%	—	13.1%	13.0%	—	10.3%	—	12.9%	—
Profit before Tax	**578**	**617**	+6.8%	**1,310**	**1,501**	+14.5%	**1,200**	+25.1%	**3,220**	46.6%
Profit Attributable to Owners of Parent	**407**	**437**	+7.3%	**923**	**1,087**	+17.7%	**870**	+25.0%	**2,330**	46.7%

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Comparison of Q2 (3 months) FY2024 and Q2 (3 months) FY2025

- Due to a steady increase in the number of active engineers, revenue increased by **683 million yen** (**+13.1%**).
- In addition to the new hiring of engineers, labor costs increased due to progress in hiring personnel to strengthen sales and hiring capabilities. In addition, hiring-related expenses also increased due to investment in in-house hiring media and strengthening direct sourcing service.
- As a result of the above, operating profit for the Q2 increased by **47 million yen**.

Comparison of Operating Profit



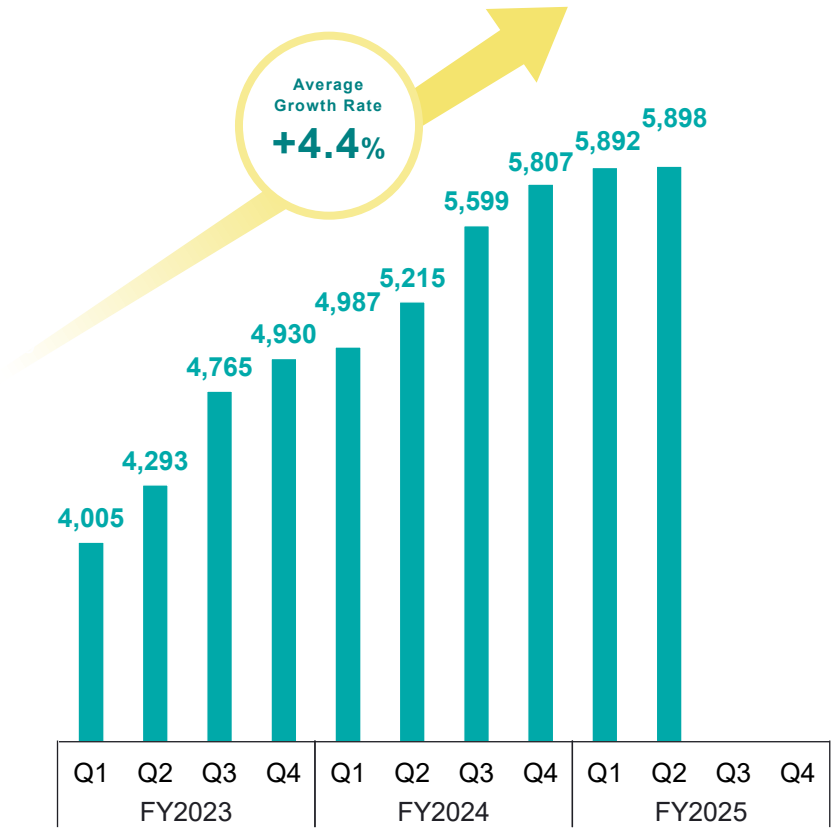
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Trends in Quarterly Results

- Although Q2 sales revenue reached a new record high, it was only slightly higher than Q1 due to sluggish growth in the number of total engineers.

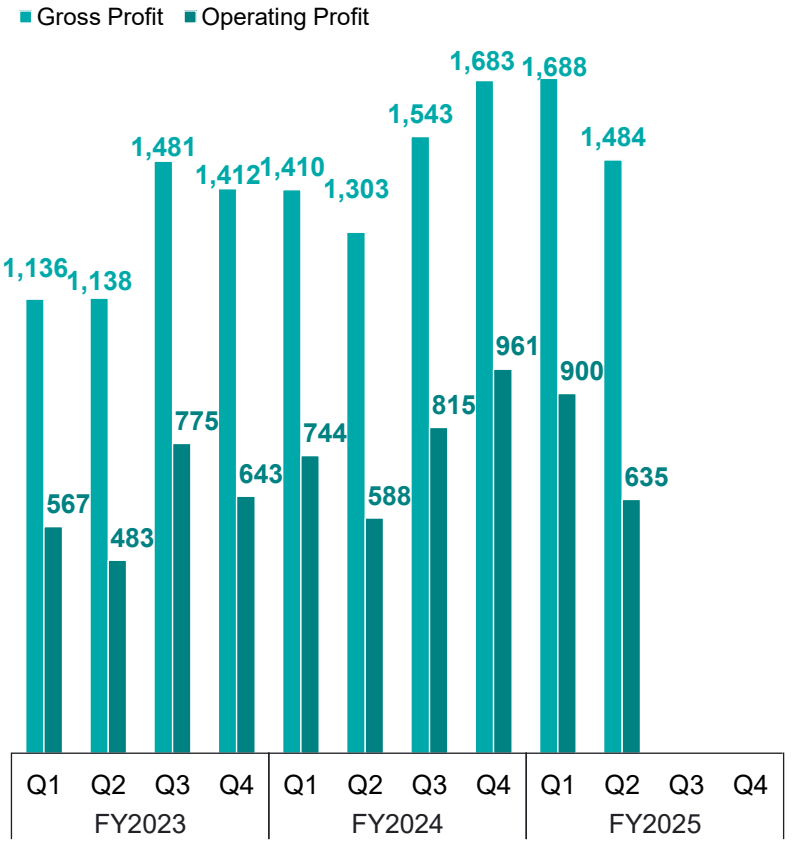
Quarterly Revenue

Millions of Yen



Quarterly GP/OP

Millions of Yen



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Results by Segment

- In both the construction and IT solutions businesses, the number of active engineers increased, and the contract unit price for engineers also increased.
- Revenue: Construction Solutions **+15.9%,** IT Solutions Business **+13.0%**.
- Operating profit: IT Solutions Business **+12.9%,** segment profit **+7.5%**.

Millions of Yen	H1 (6 months) FY2024 H1	FY2025 H1	YoY	
Construction Solutions	9,102	10,548	+1,446	+15.9%
IT Solutions	1,099	1,242	+142	+13.0%
Total Revenue *1	10,202	11,790	+1,588	+15.6%
Construction Solutions	1,095	1,236	+140	+12.9%
Profit Margin	12.0%	11.7%	-0.3pt	—
IT Solutions	75	80	+5	+7.5%
Profit Margin	6.8%	6.5%	-0.3pt	—
Adjustments*2	162	218	+55	+34.2%
Total Operating Profit	1,333	1,535	+202	+15.2%

(*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

- Due to an increase in cash and cash equivalents, net interest-bearing debt decreased by **910 million yen** to **140 million yen**.
- Due to an increase in retained earnings, the goodwill ratio also decreased (**-0.04 pt**) to **1.01 times**.

* An explanation of our Group's "goodwill" is provided on page 8.

Millions of Yen	As of the end of October 2024	As of the end of April 2025
Cash and Cash Equivalents	4,516	5,074
Trade Receivables	3,204	2,926
Other Current Assets, etc.	205	194
Total Current Assets	7,926	8,196
Property, Plant and Equipment	178	214
Right-of-use Assets	597	476
Goodwill	14,074	14,074
Deferred Tax Assets	508	518
Other Non-current Assets, etc.	332	248
Total Non-current Assets	15,690	15,532
Total Assets	23,617	23,728

Ratio of Total Equity Attributable to Owners of Parent to Total Assets	56.9%	58.9%
Net Debt*1	1,054	139
Ratio of Goodwill*2	1.05 times	1.01 times

Millions of Yen	As of the end of October 2024	As of the end of April 2025
Borrowings	2,714	2,714
Lease Liabilities	227	216
Other Current Liabilities, etc.	3,574	3,585
Total Current Liabilities	6,516	6,516
Borrowings	2,857	2,500
Lease Liabilities	348	244
Other Non-current Liabilities, etc.	453	500
Total Non-current Liabilities	3,659	3,245
Total Liabilities	10,176	9,761
Share Capital, Capital Surplus, etc.	9,008	9,019
Retained Earnings	4,431	4,947
Total Equity	13,440	13,967
Total Liabilities and Equity	23,617	23,728

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

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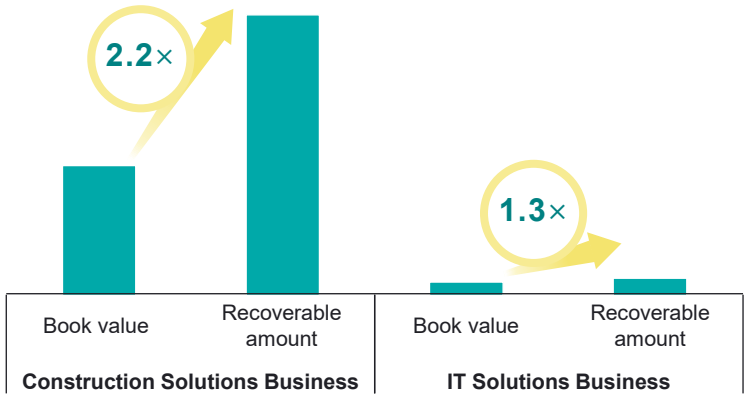
Reference: About Goodwill

- The Group's goodwill was primarily generated as a result of the acquisition of World Corporation shares in November 2019.
- In accordance with IFRS, impairment tests are performed each fiscal year to compare the book value with the recoverable amount.
- As of the end of the previous consolidated fiscal year, the recoverable amount was well above the book value, and there were no indications of impairment.

Breakdown of Goodwill

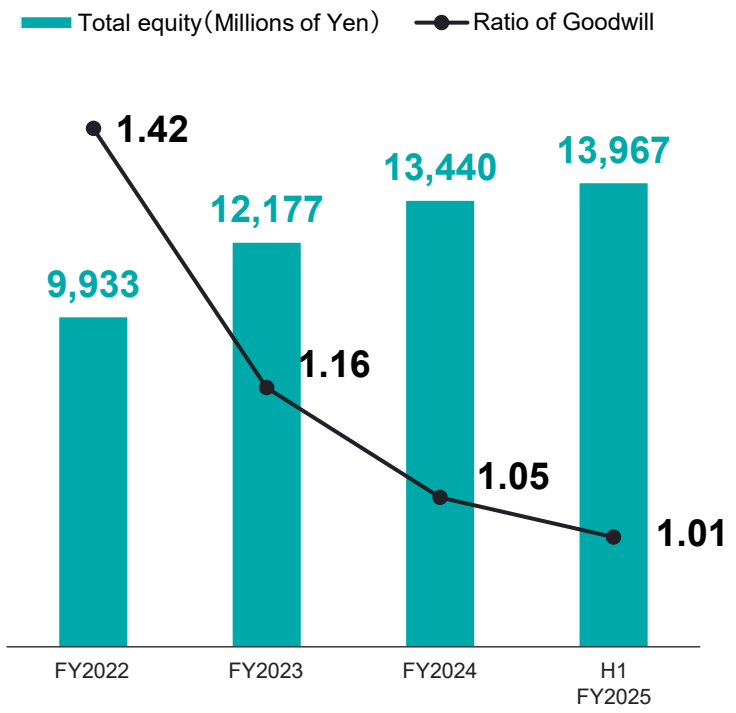
Million of Yen	Book Value of Goodwill
Construction Solutions Business	12,988
IT Solutions Business	1,086
Total Goodwill	14,074

Impairment Test*1



*1) This shows the results of impairment tests with a reference date of the end of October 2024.
Compare the book value (including amounts other than goodwill) and recoverable amount of each cash-generating unit.

Trends in Total Equity and Ratio of Goodwill *2



*2) Goodwill / Total equity

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Consolidated Cash Flows

- Due to the increase in quarterly profit, cash flow from operating activities was **+1.46 billion yen**.
- Cash flow from financing activities was **-970 million yen** due to repayment of long-term borrowings and year-end dividends (paid in January).

Millions of Yen	FY2024 H1	FY2025 H1
Profit before Tax	1,310	1,501
Depreciation	130	140
Decrease (Increase) in Trade Receivables	122	284
Increase (Decrease) in Accrued Expenses	87	85
Interest Paid	-22	-35
Income Taxes Paid	-492	-455
Other	-246	-54
Cash Flows from Operating Activities	889	1,466
Purchase of Property, Plant and Equipment	-4	-52
(Purchase) Collection of Other Financial Assets	21	0
Other	1	-10
Cash Flows from Investing Activities	18	-62
Free Cash Flow	908	1,403
Repayments of Long-term Borrowings	-357	-357
Repayments of Lease Liabilities	-109	-114
Proceeds from Issuance of Shares	164	21
Dividends Paid	-799	-523
Other	-	-0
Cash Flows from Financing Activities	-1,101	-973
Net Increase (Decrease) in Cash and Cash Equivalents	-193	430

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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H1 FY2025

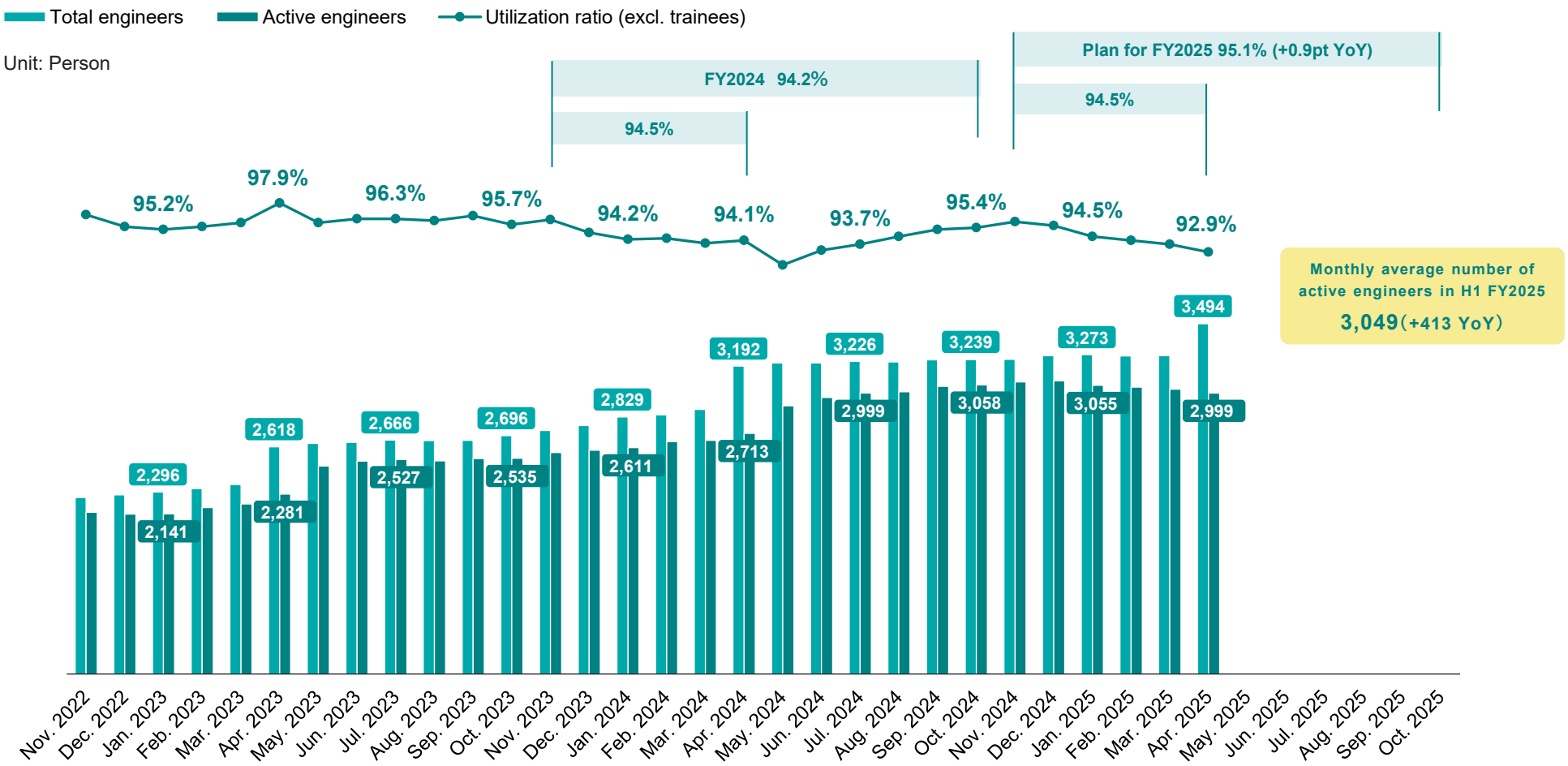
Trends in Major KPIs

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Trends in Engineers and Utilization Ratio (World Corporation)

- The number of total engineers in April 2025 was **3,494**, and the monthly average number of active engineers in H1 was **3,049** (**+413 YoY**).
- Utilization ratio in H1 FY2025 (excl. trainees) was **94.5%** (**-0.1% YoY**).
- **The number of active engineers and the utilization ratio were lower than expected** due to the need for employees to wait when switching construction projects.

Trends in Total Engineers, Active Engineers and Utilization Ratio



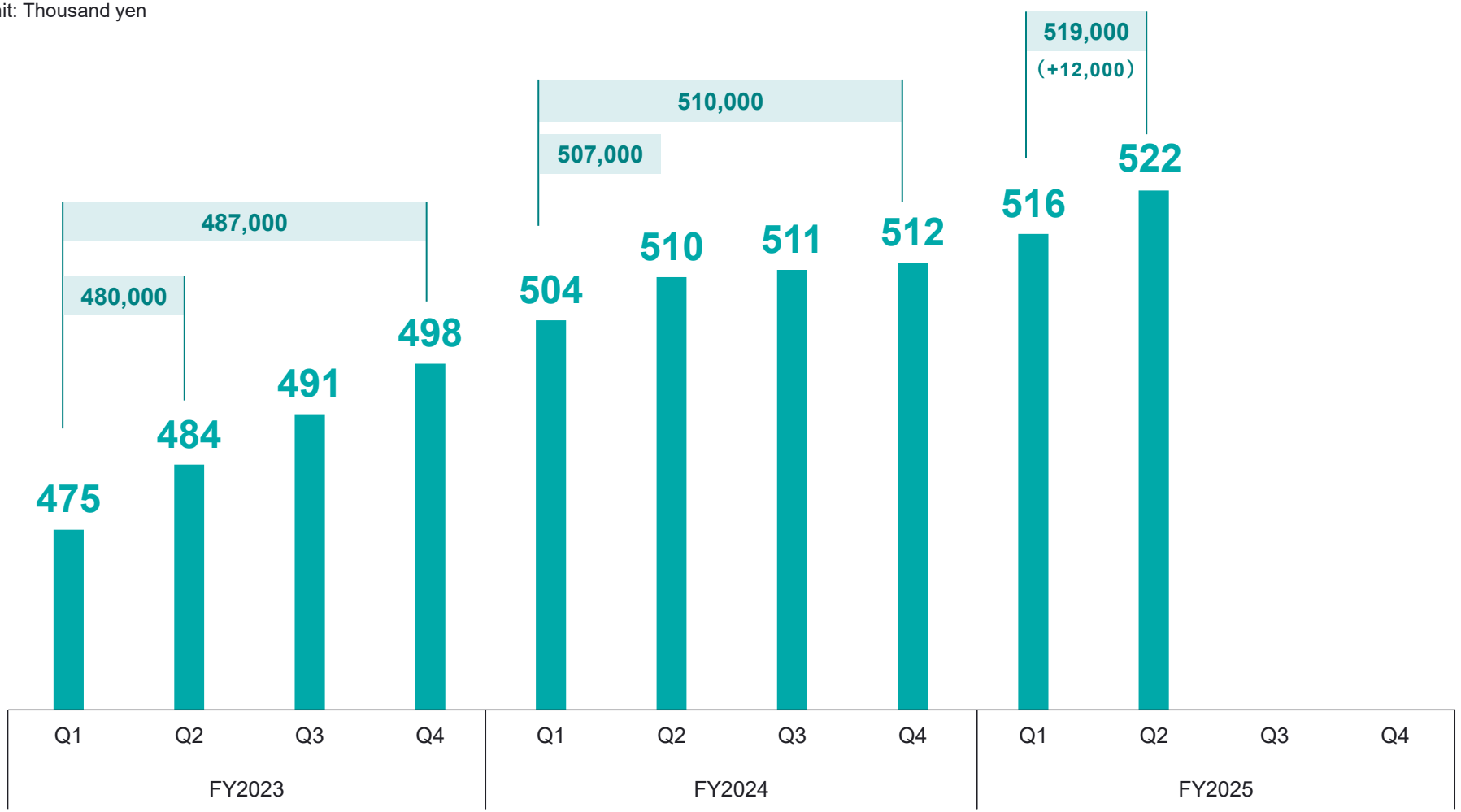
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Trend in Contract Unit Price (World Corporation)

- Due to ongoing negotiations on contract unit price, the average contract unit price for H1 rose to the planned level of **519,000 yen** (**+12,000 yen YoY**).

Trends in Contract Unit Price

Unit: Thousand yen

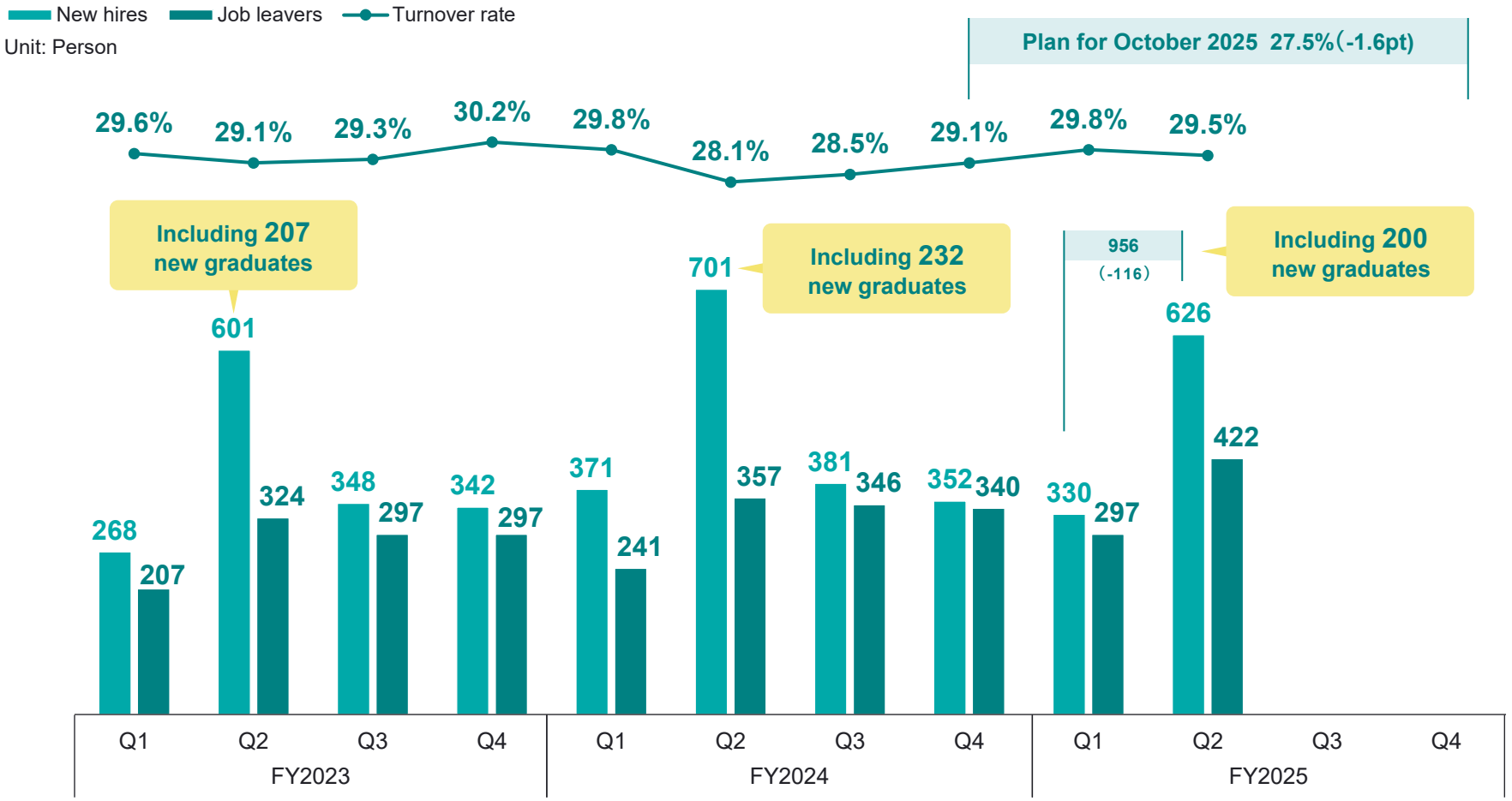


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Trends in New Hires, Job Leavers and Turnover (World Corporation)

- Number of new hires in H1: **956** (**including 200 new graduates**), a **decrease of 116 people** compared to H1 FY2024.
- The number of new hires fell short of H1 FY2024 due to an increase in the number of people who declined job offers after accepting them and difficulties in recruiting at regional offices.
- Due to an increase in number of job leavers and sluggish growth of number of total engineers, the turnover rate [*1] **remained high at 29.5%**.

Trends by Quarter

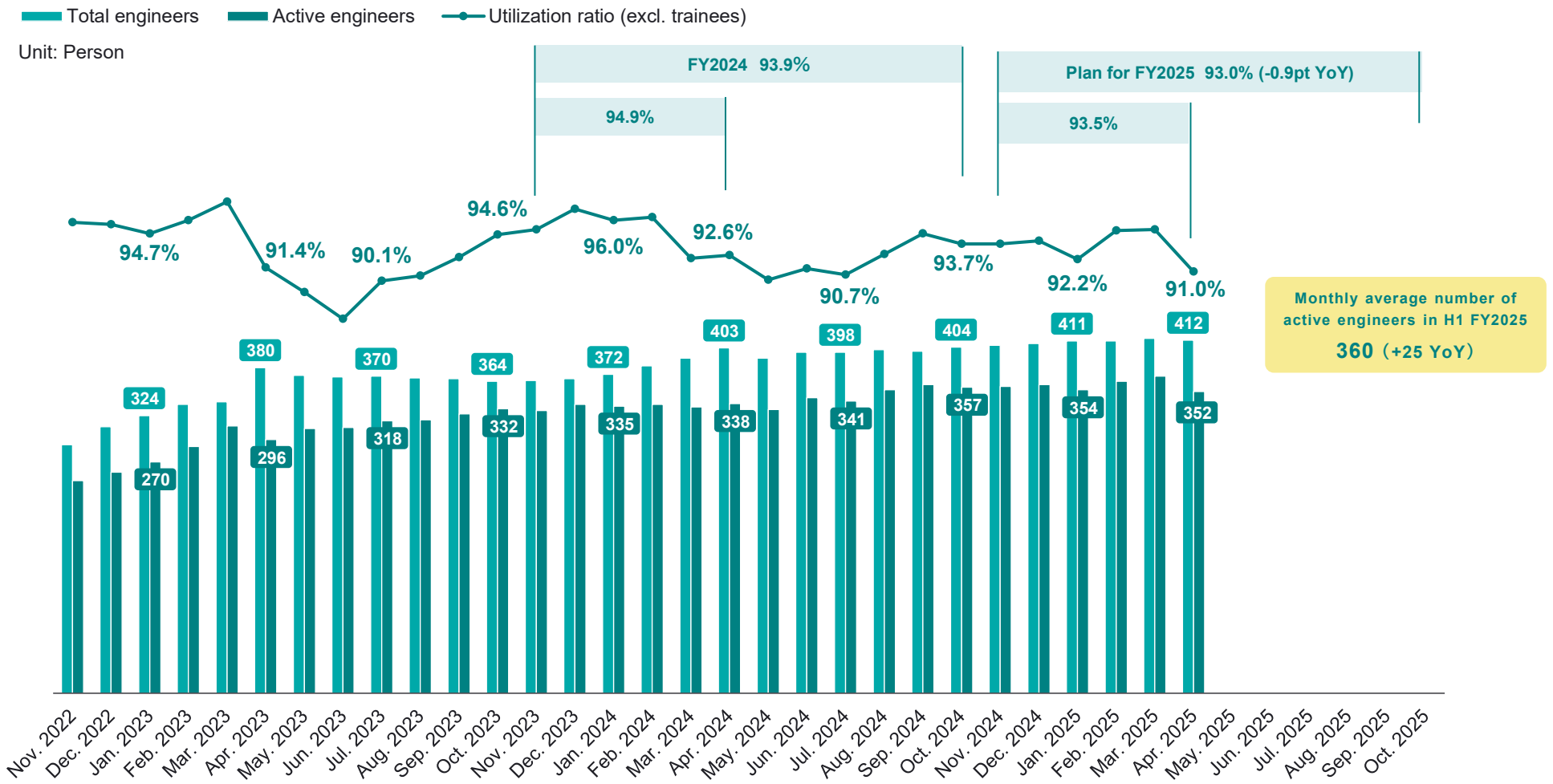


(*1) Turnover rate =Job leavers during past 12 months /(Total engineers at the end of the month 12 months prior + New hires during past 12 months)

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- The number of total engineers in April 2025 was **412**, and the average number of active engineers in H1 was **360** (**+25 YoY**).

Trends in Total Engineers, Active Engineers and Utilization Ratio

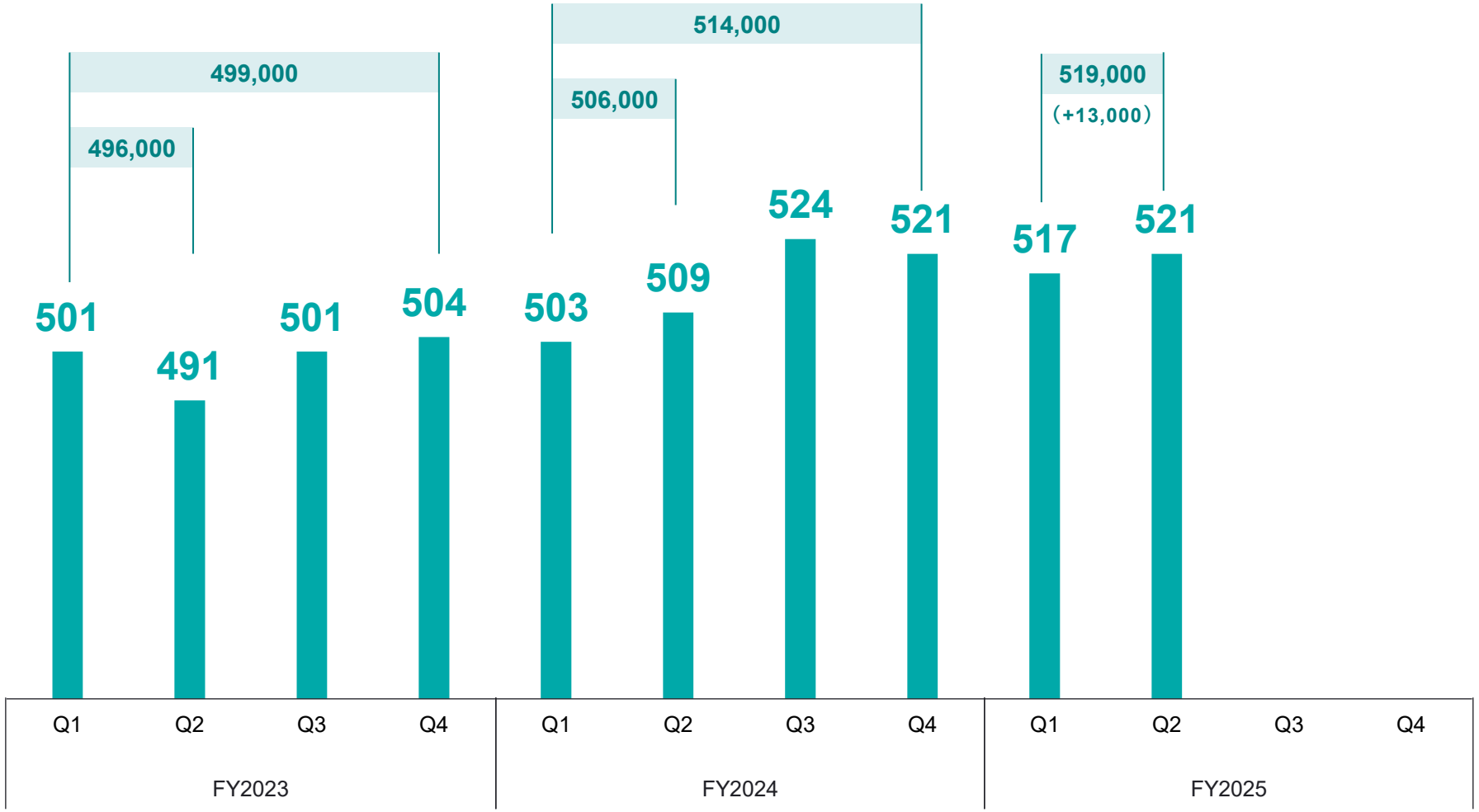


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- Contract unit price rose due to the acquisition of upstream process projects in system development.

Trends in Contract Unit Price

Unit: Thousand yen

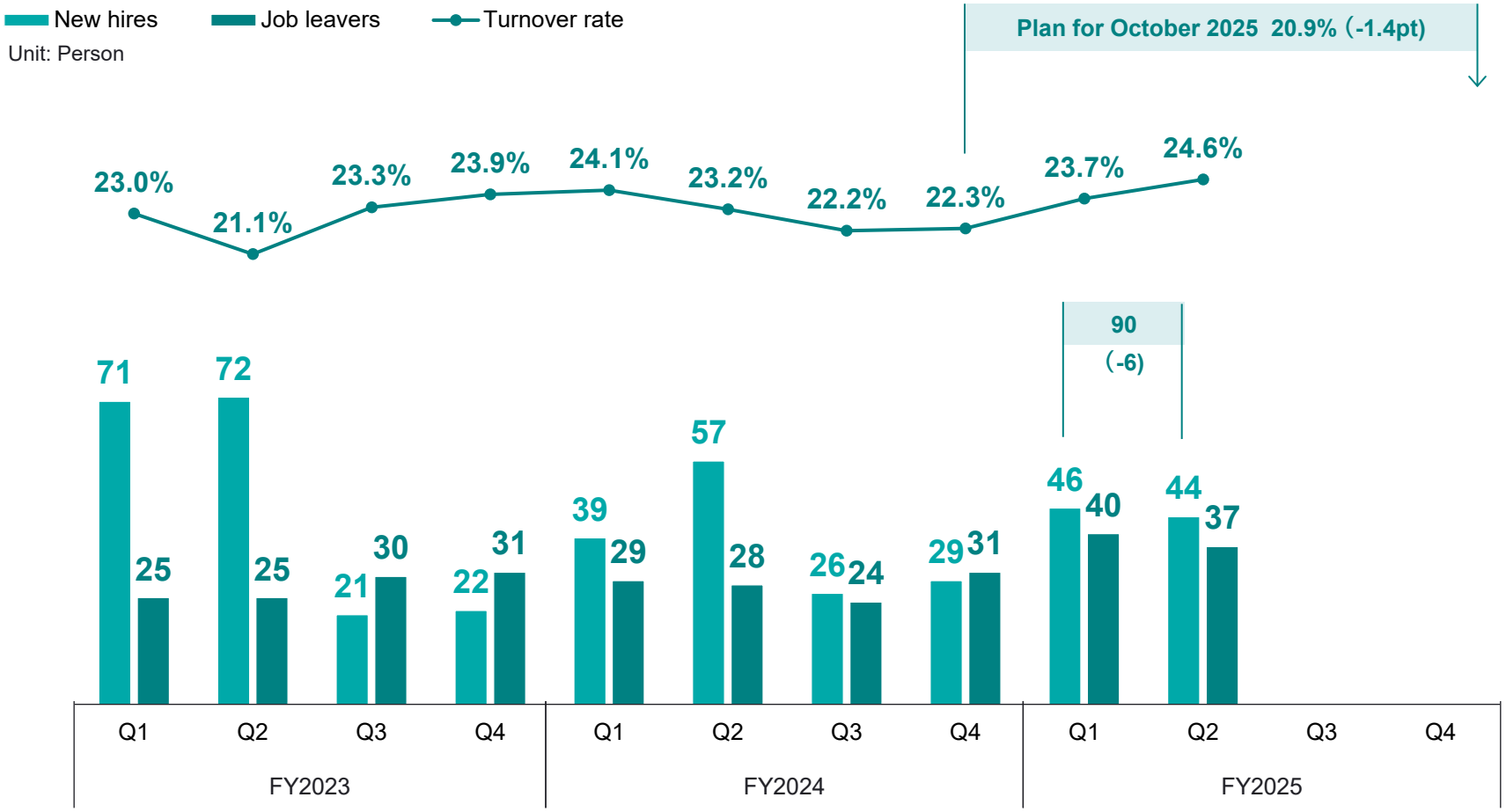


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Trends in New Hires, Job Leavers and Turnover (ATJC)

- The number of new hires in H1 FY2025 was **90** (**-6 YoY**).
- The turnover rate [*1] rose due to an increase in the number of job leavers.

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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H1 FY2025

Results of H1 and Initiatives for H2

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- The management strategy and key initiatives were disclosed on December 13, 2024.

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"

Sales Functions Enhancement

In H1, in response to issues such as regional differences and variations in sales skills, the company began working to standardize and raise the level of sales capabilities by reviewing its organizational structure, providing educational support, and getting top management involved in the field.

In H2, we aim to improve our ability to generate new projects and expand our customer base by diversifying our customer approaches, strengthening our information gathering capabilities, and utilizing our regional bases.

Situation

Progress in sales to urban areas where the need for human resources is increasing and in negotiations on contract unit prices.

- As there were differences in the situation regarding project acquisition between regions, follow-up measures were implemented.
- The skills gap among salespeople became clear, and we began to standardize and raise the standard of our sales capabilities.

Specific Initiatives

Develop concrete measures to strengthen sales structure and establish a foundation for their implementation.

- Promote change in awareness and behavioral improvement through close involvement of top management in the sales field.
- Develop middle management and establish a monitoring system for local bases.
- In order to strengthen sales capabilities, we are implementing measures to improve skills, such as strengthening education for young sales personnel.

Results

Revitalize the sales organization through organizational review and strengthening training.

- Leadership has taken root, and spontaneous behavioral changes and improved awareness have progressed in the sales field.
- Results are gradually beginning to emerge, with the number of contracts in April reaching a record high.

Initiatives for H2

Improve project creation capabilities by diversifying customer approaches and strengthening information gathering capabilities.

- Focus on diversifying the customer base and strengthening customer base for sustainable growth.
- By improving sales skills, we can increase our information gathering capabilities and generate a stable number of potential projects.
- Improve project creation capabilities by utilizing regional bases.

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

Recruitment Functions Enhancements

In H1, the company fell short of its target number of new hires due to the tough hiring environment, and issues such as the selection of hiring methods and channels, and follow-up systems after job offers became apparent. As a result of efforts such as reviewing hiring methods and strengthening training for interviewers, there are currently signs of improvement.

In H2, we will build a flexible and sustainable recruiting base in conjunction with the full-scale operation of mid-career recruits, aiming to maximize hiring results.

Situation

Due to the harsh hiring environment, the number of new hires fell short of the target. Several improvement issues identified.

- Multiple bottlenecks have become apparent, including hiring methods, channel selection, and interviewer training.
- Issues remain in building relationships before joining the company, such as follow-up systems after receiving a job offer.

Specific Initiatives

Reorganize hiring methods and channels while expanding contact points with more diverse talent.

- To strengthen hiring capabilities, provide ongoing support for inexperienced interviewers to improve their skills.
- Started collaboration with external human resources services.
- Expanding hiring of experienced and ready-to-work members.

Results

Hiring numbers are showing signs of improvement.

- Reorganization of hiring methods and channels implemented in H1 and expansion of contact points with job seekers have given some positive results.

Initiatives for H2

Further deepening efforts in H1 to build a flexible and sustainable hiring base.

- Full-scale operation of newly hired members who can contribute immediately and strengthening interview skills through support for skill development.
- Diversify hiring methods and build a flexible hiring system to build a pool of candidates and improve hiring rates.

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

Career Design Functions Enhancements

In H1, there was a certain amount of promise in the results of the "Zero Pro Growth Cycle," with an increase in the number of engineers obtaining national qualifications. On the other hand, due to an increase in the number of job leavers, the turnover rate remains high. In response to this, we have identified engineers who need support and reviewed our training programs.

In H2, we will promote the creation of a stable human resources base by, for example, increasing the effectiveness of early follow-up through the use of a visualization system.

Situation

Widespread awareness of the qualification support system.

- Increase in participants in national qualification exam preparation courses.
- On the other hand, the turnover rate remains high due to an increase in resignations in March.

Specific Initiatives

To realize early follow-up, we will build an operational system that can visualize engineers who need support.

- In order to improve the work efficiency and results of support members, a system was established to identify engineers who need support.
- Early identification of engineers who need follow-up and improvement of the quantity and quality of communication.
- Review of training programs during waiting periods.

Results

The "Zero Pro Growth Cycle" has shown positive results, such as an increase in the number of people obtaining national qualifications.

- The scope of exam preparation courses has been expanded to include electrical engineering, civil engineering, plumbing, and other fields in addition to the architectural field, and the areas in which participants can participate have also been expanded.
- Qualified employees tend to have a lower turnover rate than the overall average.

Initiatives for H2

Establish a growth support system as a competitive advantage and contribute to promoting recruitment and retention of talent.

- Enhance individualized support by providing early follow-up effectively for engineers.
- Redefining the Zero Pro Growth Cycle as added value in talent acquisition and retention, and translating it into results.

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

Promoting the ZeroPro growth cycle

We continue to implement the "Zero Pro Growth Cycle" to support the skill development and career advancement of each technical employee. In addition to conducting exam preparation courses for the Construction Management Technology Certification Examination held in December 2024, we have also started exam preparation courses for the June 2025 exam.

Providing study opportunities for inexperienced engineers

Provide opportunities for further challenges



Advice and support for career advancement

Objectively evaluate the efforts of engineers

Exam preparation course progress

- Accelerate the development of talent from inexperienced individuals with our unique prep courses and industry-leading qualification allowances (according to our research)
- The scope of exam preparation courses has been expanded to include electrical, civil and plumbing work in addition to the construction field, and engineers from across the country can now participate.

Construction Management Skills Examination in December 2024

154 people passed the exam.

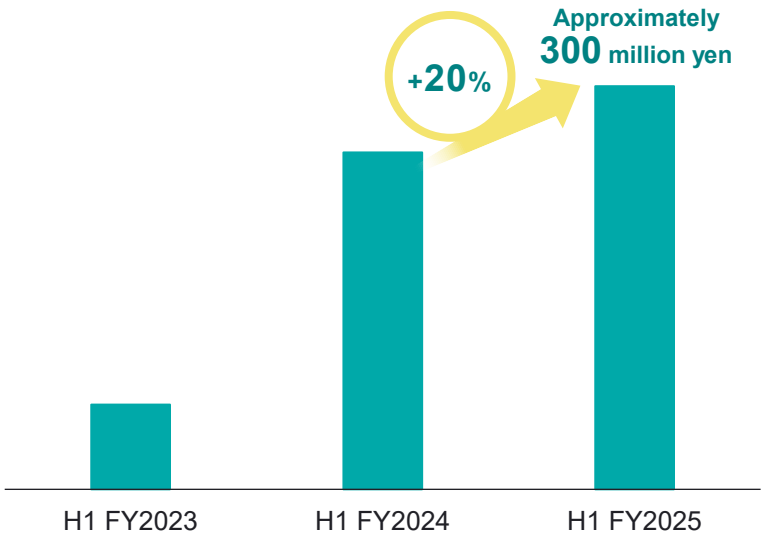
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3 Accelerating the rollout of new services such as construction DX support

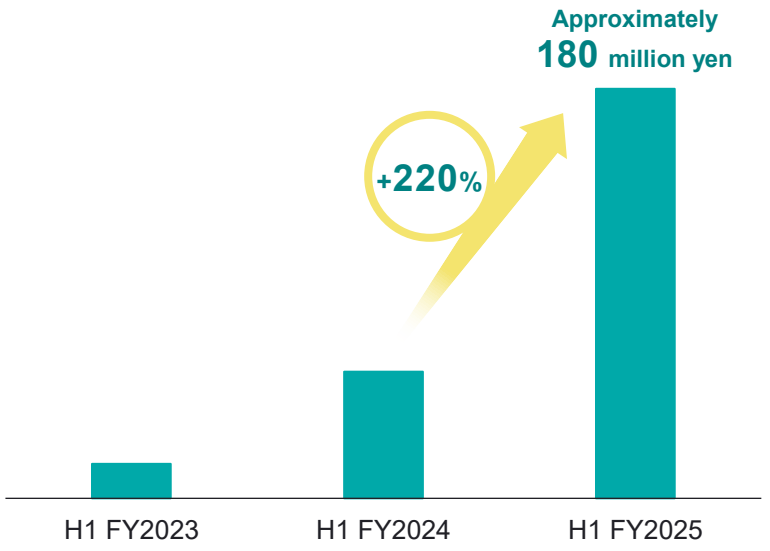
Progress of New Businesses

- **Dispatch to Plant Engineering:** Launch of new services in the plant O&M (operation and maintenance) field.
- **Growth of construction DX support business:** Aiming to spread digital transformation in the construction industry, we are promoting business collaboration with multiple companies that provide construction digital transformation services.
- **Craftsman introduction business:** Strengthening sales and training of career advisors contributed to an increase in the number of successful deals. As customer needs are strong due to the aging of craftsmen, we will continue to strengthen interviews with job seekers and aim to increase the number of successful contracts.

Plant Business Sales *1



Construction DX Support Business Sales *1



*1 Sales figures for each business are based on internal management data.

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4 Formulation of medium-term management plan

The medium-term management plan is scheduled to be disclosed together with the announcement of the consolidated financial results for the fiscal year ending October 2025 (mid-December 2025).

Discussion Details of the Medium-term Management Plan

Business	Human capital	Finance/Investment
Strengthening Markets Developing Markets	Retention and growth support for engineers	Capital allocation, including shareholder returns
New services New business	In-house employee engagement	M&A Business investment
Business reform	Organizational development	Business portfolio

Strengthening the management base

Corporate Governance	Sustainability

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H1 FY2025

Full-year Earnings Forecast and Dividend Forecast

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FY2025 Full-year Earnings Forecast

- **There is no change to the full-year earnings forecast and dividend forecast disclosed on December 13, 2024.**
- Aim to achieve full-year plan by thoroughly reviewing recruitment and sales processes and improving their effectiveness.

Millions of Yen	Full Year				
	FY2024 Actual	FY2025 Forecast	YoY		H1 FY2025 Progress
Revenue	21,608	25,650	+4,041	+18.7%	46.0%
Gross Profit	5,940	6,860	+919	+15.5%	46.3%
Gross Profit Margin	27.5%	26.7%	-0.8pt	—	—
Operating Profit	3,110	3,310	+199	+6.4%	46.4%
Operating Profit Margin	14.4%	12.9%	-1.5pt	—	—
Profit before Tax	3,059	3,220	+160	+5.2%	46.6%
Profit Attributable to Owners of Parent	2,187	2,330	+142	+6.5%	46.7%
Basic Earnings per Share (yen)	255.16	267.15	+11.99	+4.7%	—

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- Our basic policy is to prioritize returns to shareholders, strengthen our earning power to secure dividend resources, and pay continuous and stable dividends.
- The interim dividend for the fiscal year ending October 2025 will be **55 yen per share** (an **increase of 5 yen**), as initially planned.



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