

# Nareru Group

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## Third Quarter of Fiscal Year Ending October 2024 Financial Results Briefing

September 11, 2024 ■■■

Nareru Group Inc. | TSE Growth | 9163 |

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## Summary of Financial Results for Q3 FY2024

- Revenue for the Q3 increased by 21.0% YoY. Operating profit increased by 17.7% YoY, and profit attributable to owners of parent increased by 20.9% YoY.

### Revenue

**15,801** million yen

(YoY+21.0%)

### Operating Profit

**2,149** million yen

(YoY+17.7%)

### Profit

Attributable to Owners of Parent

**1,488** million yen

(YoY+20.9%)

## Summary of KPIs : World Corporation

- Steady growth in the number of total engineers and contract unit price compared to the same period of the previous fiscal year due to strong demand for construction personnel.
- Strategic investment in hiring expenses was continued from the second quarter in response to the increasingly severe hiring environment year by year, and the number of new hires also increased year-on-year.
- The turnover rate improved by 0.8 point year-on-year due to the strengthening of the engineer follow-up system and the qualification promotion project, which have been implemented since the beginning of the fiscal year.
- Utilization ratio has been improving since the second quarter.

### Total Engineers

**3,226**

(YoY +21.0%)

### Active Engineers

**2,999**

(YoY +18.7%)

### Utilization Ratio

**93.7%**

(YoY -2.6point)

### Contract Unit Price

**511,000** yen

(YoY +4.1%)

### New Hires

**381**

(YoY +9.5%)

### Turnover Rate<sup>\*1</sup>

**28.5%**

(YoY 0.8 point improvement)

(\*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)

# Q3 FY2024

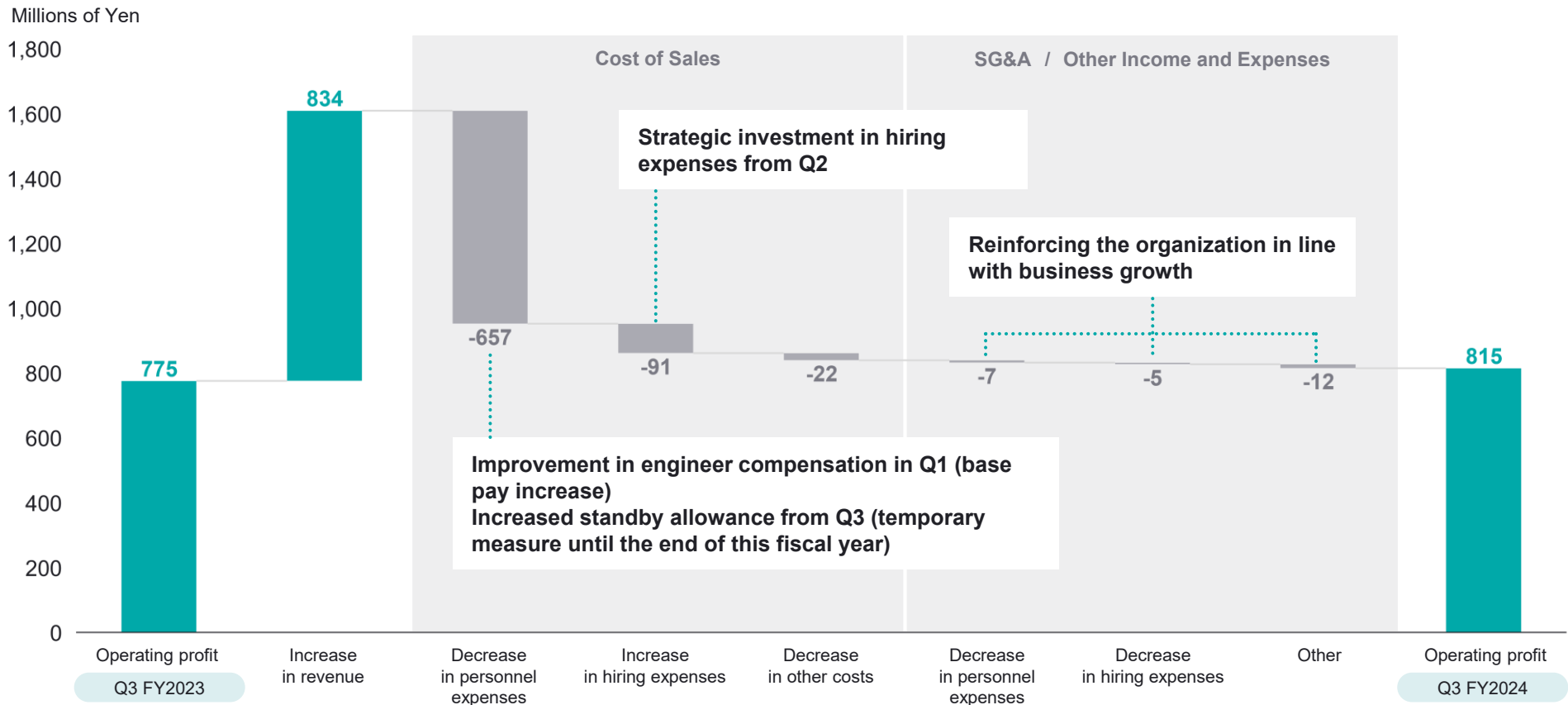
# Financial Results

- Revenue for the current quarter increased by 17.5% YoY, and all profit items increased significantly.
- Revenue increased by 21.0% YoY in the cumulative Q3 (9 months), and all profit items also increased significantly.
- Revenue progress rate is 72.4% compared to full-year forecasts, indicating steady progress including all profit items.

	Q3 (3 months)				Cumulative Q3 (9 months)				Full-year Forecasts	
	FY2023	FY2024	YoY		FY2023	FY2024.	YoY		FY2024	Progress
Millions of Yen										
Revenue	4,765	5,599	834	17.5%	13,064	15,801	2,737	21.0%	21,830	72.4%
Gross Profit	1,481	1,543	61	4.2%	3,756	4,256	500	13.3%	5,920	71.9%
Gross Profit Margin	31.1%	27.6%	(3.5pt)		28.8%	26.9%	(1.9pt)		+27.1%	
Operating Profit	775	815	40	5.2%	1,826	2,149	323	17.7%	2,770	77.6%
Operating Profit Margin	16.3%	14.6%	(1.7pt)		14.0%	13.6%	(0.4pt)		+12.7%	
Profit before Tax	763	801	38	5.1%	1,787	2,112	324	18.2%	2,730	77.4%
Profit Attributable to Owners of Parent	508	565	56	11.1%	1,231	1,488	257	20.9%	1,920	77.5%

- Strong demand for construction personnel led to growth in the number of total engineers and contract unit price (revenue + ¥ 834 million)
- Increase in personnel expenses for engineers due to improvement in engineers compensation and increased standby allowance (cost of sales: - ¥ 657 million)
- As a result, operating profit increased by only ¥ 40 million yen year on year.

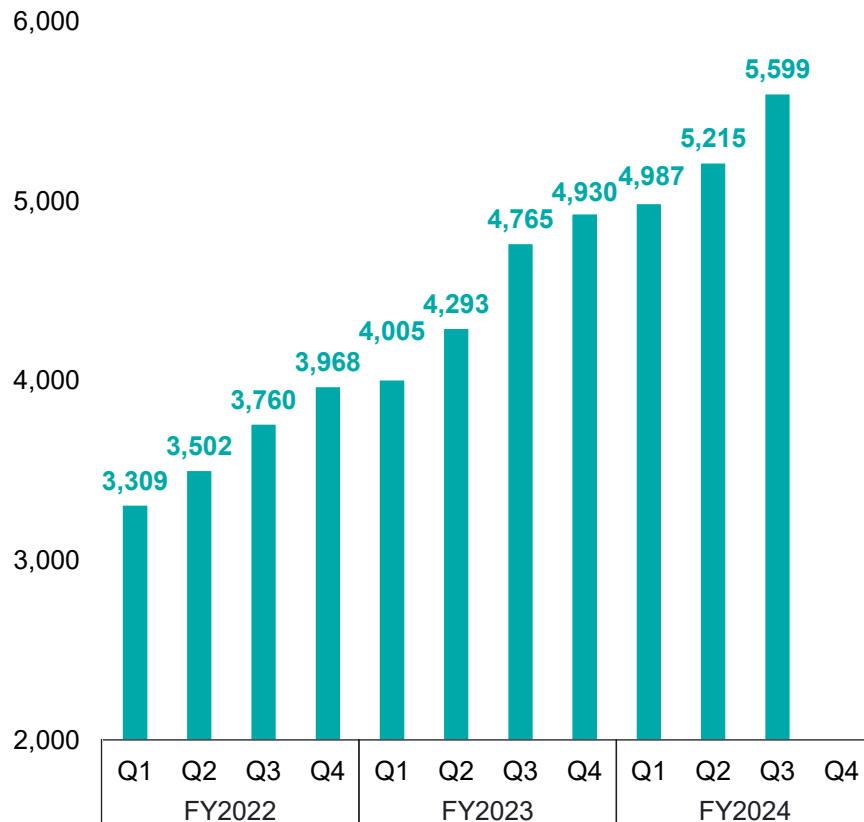
## Comparison of Operating Profit



- Quarterly results achieved year-on-year increases in both revenue and profits.
- Revenue remained strong due to an increase in the number of total engineers.
- All profit items also increased.

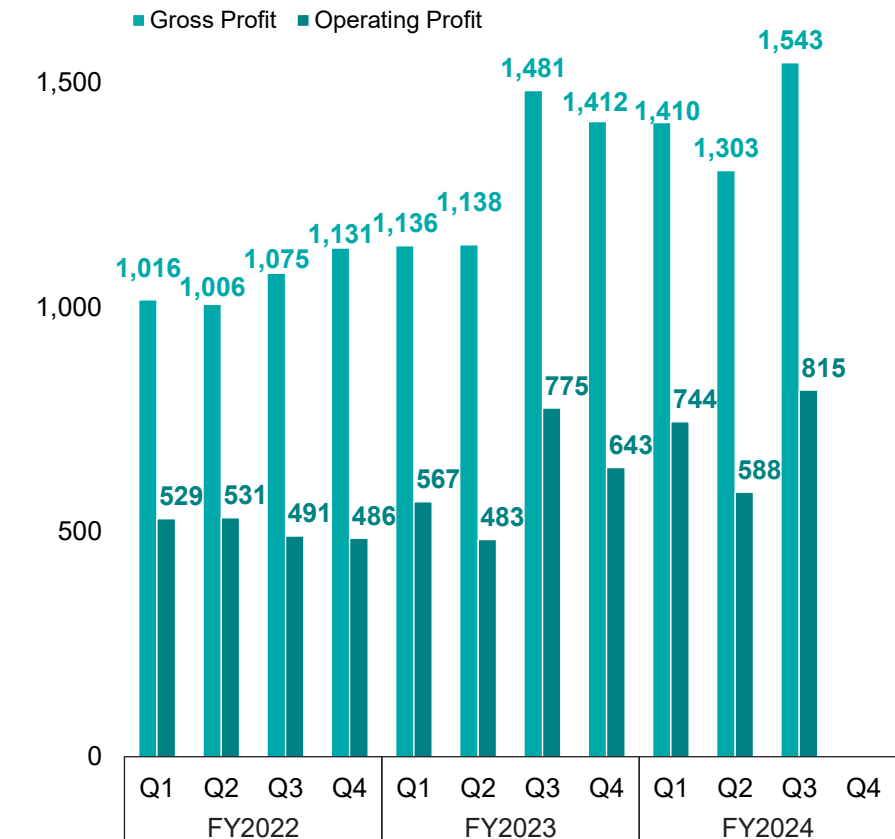
## Quarterly Revenue

Millions of Yen



## Quarterly GP/OP

Millions of Yen



- In the construction solutions business, revenue increased steadily by 21.3% YoY and operating profit increased by 6.7% YoY.
- In the IT solutions business, revenue increased steadily by 17.8% YoY, and operating profit also increased by 52.8% YoY.

	Cumulative Q3 (9 months)			
	Millions of Yen	FY2023	FY2024	YoY
<b>Construction Solution</b>		<b>11,650</b>	<b>14,136</b>	<b>2,485</b> <b>+ 21.3%</b>
<b>IT Solution</b>		<b>1,413</b>	<b>1,665</b>	<b>251</b> <b>+ 17.8%</b>
<b>Total Revenue * 1</b>		<b>13,064</b>	<b>15,801</b>	<b>2,737</b> <b>+ 21.0%</b>
<b>Construction Solution</b>		<b>1,681</b>	<b>1,793</b>	<b>112</b> <b>+ 6.7%</b>
<b>Profit Margin</b>		14.4%	12.7%	(1.7pt)
<b>IT Solution</b>		<b>74</b>	<b>114</b>	<b>39</b> <b>+ 52.8%</b>
<b>Profit Margin</b>		5.3%	6.9%	+ 1.6pt
<b>Adjustments</b>		<b>70</b>	<b>241</b>	<b>171</b> <b>+ 244.6%</b>
<b>Total Operating Profit</b>		<b>1,826</b>	<b>2,149</b>	<b>323</b> <b>+ 17.7%</b>

(\*1) Internal transactions eliminated

- Cash and cash equivalents decreased from the previous fiscal year-end due to the payment of interim dividends and repayment of borrowings.
- Retained earnings increased and the ratio of goodwill decreased due to the steady recording of quarterly profit.

Millions of Yen	As of Oct. 2023	As of Jul. 2024
Cash and Cash Equivalents	4,083	3,422
Trade Receivables	2,766	3,116
Other Current Assets	210	224
<b>Total Current Assets</b>	<b>7,060</b>	<b>6,762</b>
Property, Plant and Equipment	170	166
Right-of-use Assets	357	242
Goodwill	14,074	14,074
Deferred Tax Assets	492	432
Other Non-current Assets	348	334
<b>Total Non-current Assets</b>	<b>15,444</b>	<b>15,250</b>
<b>Total Assets</b>	<b>22,505</b>	<b>22,013</b>

Ratio of Total Equity Attributable to Owners of Parent to Total Assets	54.1%	57.7%
Net Debt*1	2,529	2,547
Ratio of Goodwill*2	1.16times	1.11times

Millions of yen	As of Oct. 2023	As of Jul. 2024
Borrowings	2,714	2,714
Lease Liabilities	201	185
Other Current Liabilities	3,371	2,945
<b>Total Current Liabilities</b>	<b>6,287</b>	<b>5,845</b>
Borrowings	3,571	3,035
Lease Liabilities	125	33
Other Non-current Liabilities	343	390
<b>Total Non-current Liabilities</b>	<b>4,040</b>	<b>3,459</b>
Share Capital, Capital Surplus, etc.	8,857	8,983
Retained Earnings	3,319	3,724
<b>Total Equity</b>	<b>12,177</b>	<b>12,707</b>
<b>Total Liabilities and Equity</b>	<b>22,505</b>	<b>22,013</b>

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

(\*2) Goodwill / Total equity



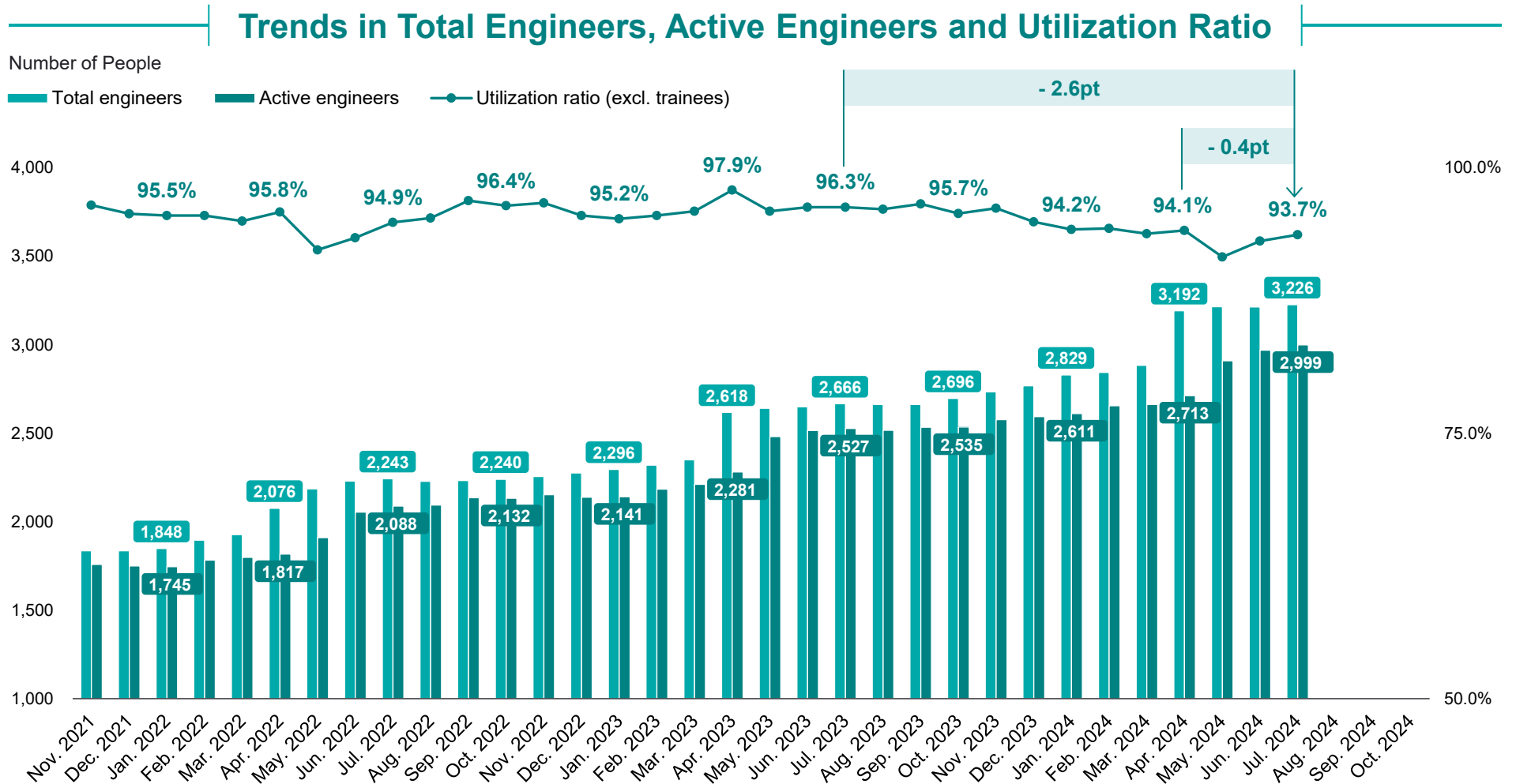
- Due to the payment of interim dividends in Q3, the increase/decrease in cash and cash equivalents was -660 million yen.

Millions of Yen	Q3 FY2023	Q3 FY2024	
<b>Profit before Tax</b>	<b>1,787</b>	<b>2,112</b>	
Depreciation	176	196	Incl. depreciation of right-of-use assets (IFRS)
Decrease (Increase) in Trade Receivables	(396)	(349)	
Increase (Decrease ) in Accrued Expenses	249	207	
Interest Paid	(36)	(36)	
Income Taxes Paid	(768)	(915)	
Other	189	(202)	Winter bonus payment
<b>Cash Flows from Operating Activities</b>	<b>1,200</b>	<b>1,012</b>	
Purchase of Property, Plant and Equipment	(34)	(12)	
(Purchase) Collection of Other Financial Assets	129	7	Cancellation refund of officer life insurance for FY2023
Other	(8)	(1)	
<b>Cash Flows from Investing Activities</b>	<b>86</b>	<b>-6</b>	
<b>Free Cash Flow</b>	<b>1,287</b>	<b>1,005</b>	
Repayments of Long-term Borrowings	(535)	(535)	
Repayments of Lease Liabilities	(151)	(164)	Incl. office rent (IFRS)
Proceeds from Issuance of Shares	373	245	Stock option exercise payment
Dividends Paid	—	(1,211)	Year-end dividend for the previous fiscal year and interim dividend for the current
Other	(7)	—	
<b>Cash Flows from Financing Activities</b>	<b>(321)</b>	<b>(1,666)</b>	
<b>Net Increase (Decrease) in Cash and Cash Equivalents</b>	<b>965</b>	<b>(660)</b>	

**Q3 FY2024**

# **Business Overview**

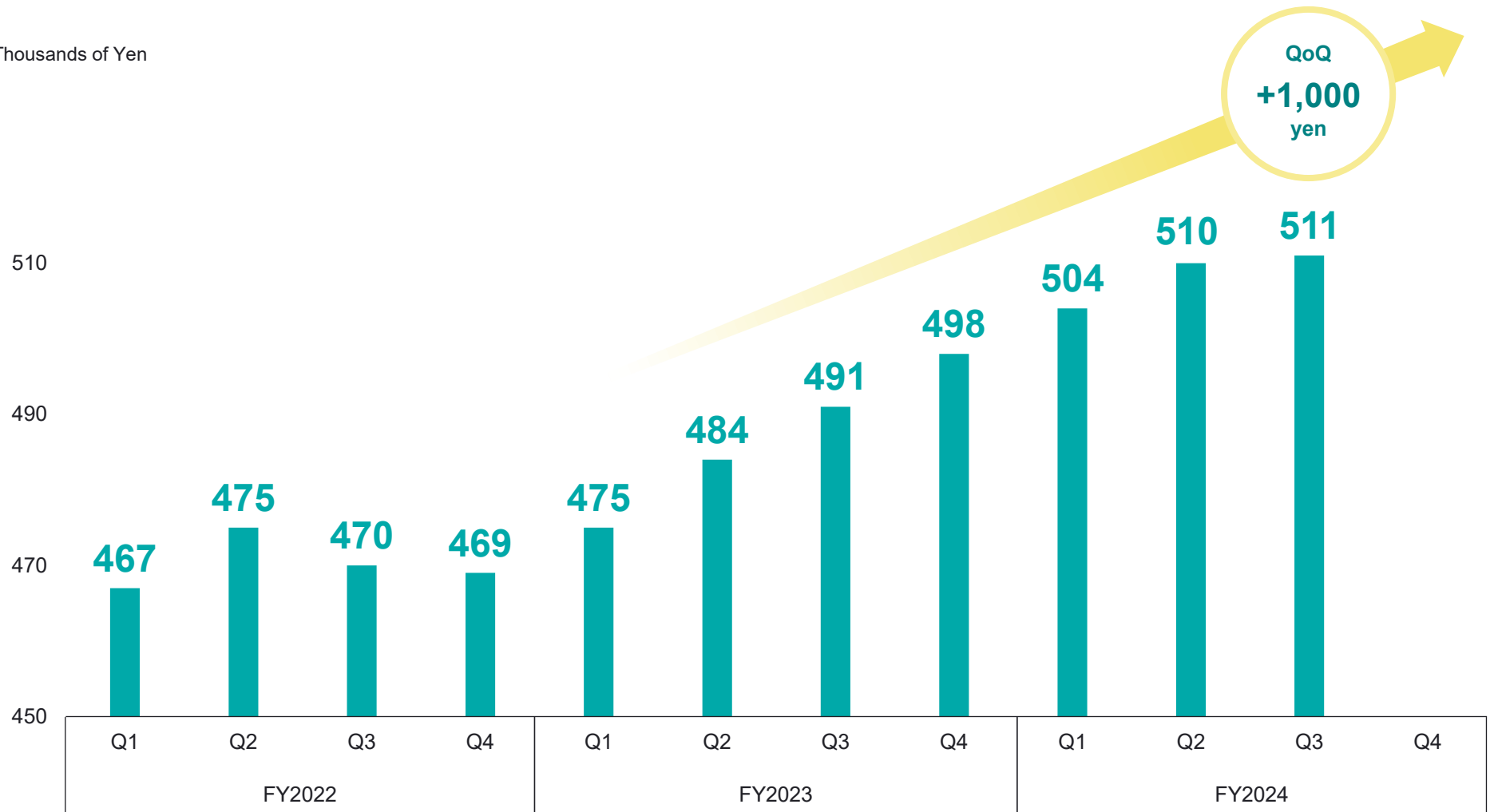
- The number of total engineers has increased by 34 from Q2 to 3,226.
- The number of active engineers has increased by 286 from Q2 to 2,999.
- Utilization ratio decreased by 0.4 pt from Q2 and by 2.6 pt from the same period of the previous year to 93.7%, although it is on an improving trend.



- The contract unit price increased by 1,000 yen QoQ to 511,000 yen.

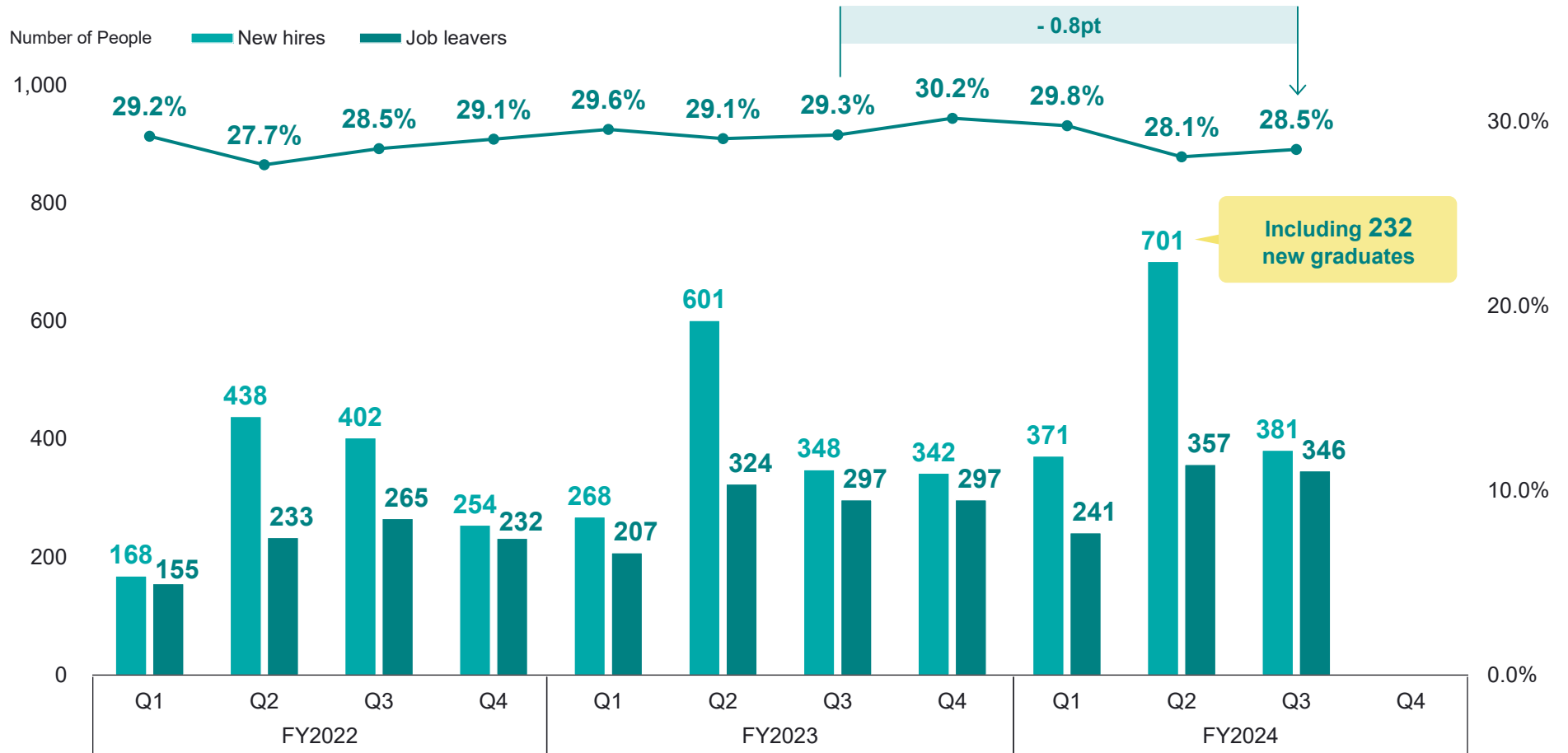
## Trends in Contract Unit Price

Thousands of Yen



- The number of new hires in Q3 was 381, a steady increase of 33 from the same period last year.
- The turnover rate <sup>\*1</sup> improved to 28.5%, a decrease of 0.8 pt year on 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)

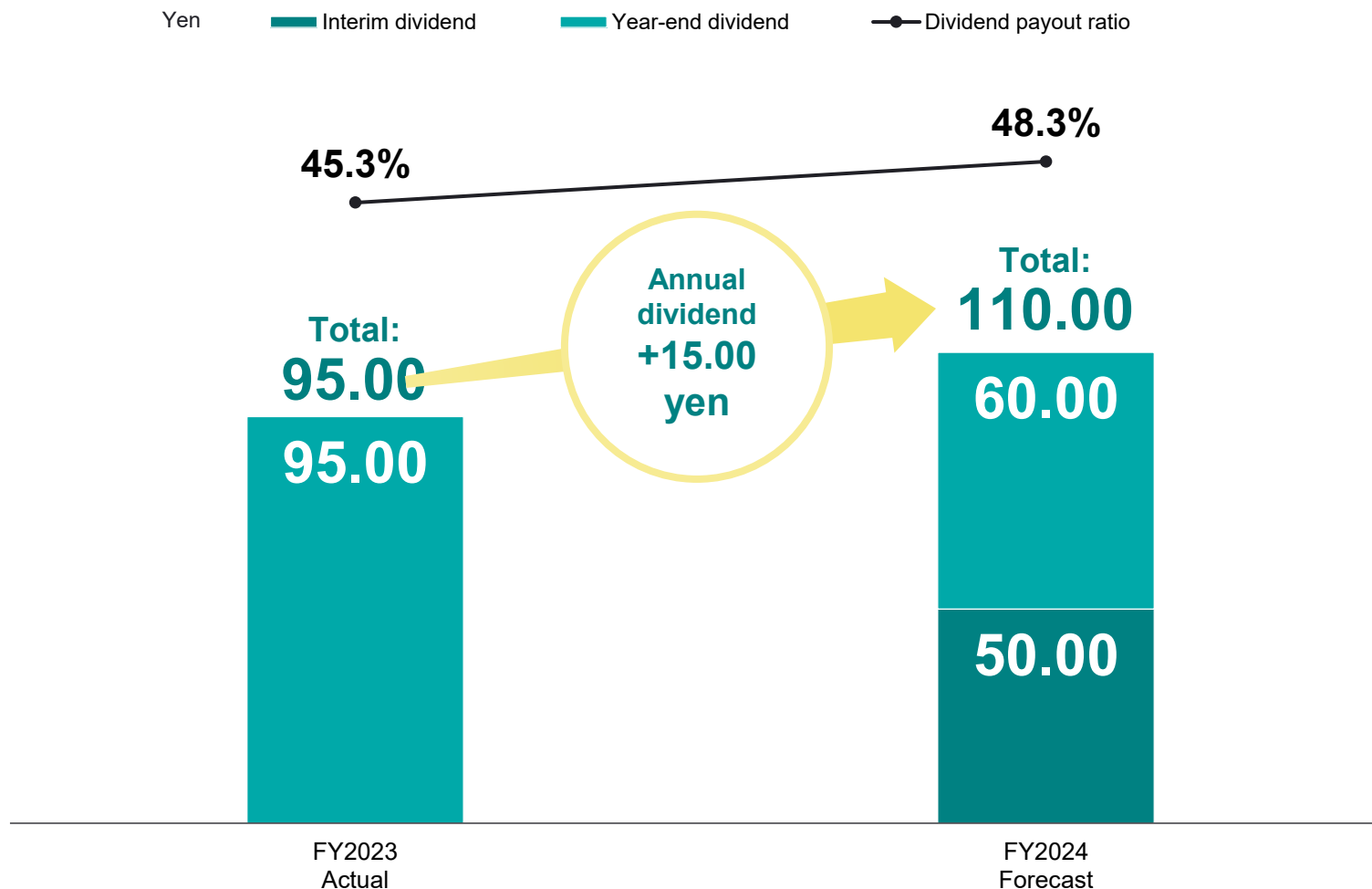
# FY2024

# Earnings Forecasts

- Based on the progress rate of the first nine months, the full-year forecasts will remain unchanged.

	Full Year					
	Millions of Yen	FY2023 Actual	FY2024 Forecast	YoY	Progress in Q3	
Revenue		17,994	21,830	3,835	+21.3%	72.4%
Gross Profit		5,169	5,920	750	+14.5%	71.9%
Gross Profit Margin		28.7%	27.1%	-1.6pt		
Operating Profit		2,469	2,770	300	+12.2%	77.6%
Operating Profit Margin		13.7%	12.7%	-1.0pt		
Profit before Tax		2,475	2,730	254	+10.3%	77.4%
Profit Attributable to Owners of Parent		1,741	1,920	178	+10.3%	77.5%
Basic Earnings per Share		209.88 yen	227.86 yen	17.98 yen	+8.6%	

- Annual dividend for FY2024 is planned to be **110.00** yen per share, including an interim dividend of **50.00** yen and a year-end dividend of **60.00** yen. (+**15.00** yen YoY)
- Dividend payout ratio based on basic earnings per share (on earnings forecasts basis) is 48.3%.





## Appendix 1

# Company Overview

**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 October, 2023  
**3,219** (Consolidated)

## History

- November 2008** : Established World Corporation (For engineer dispatch business of construction industry)
- May 2019** : Established AP64 (now Nareru Group) (For pure investment purpose)
- November 2019** : Made World Corporation a subsidiary
- 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)
- July 2023** : Listed on the Tokyo Stock Exchange Growth Market

(\*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 IFRS for the fiscal years ended October 2021 and October 2022.



Established in May, 2019 • Holding company



Established in Nov. 2008  
 Number of engineers: 2,601  
 (as of the end of May, 2023)  
 • Dispatch of construction engineers<sup>\*1</sup>  
 • Dispatch of CAD operators<sup>\*2</sup>  
 • Preparation of construction drawings

## Group overview



Established in Dec. 2007  
 Number of engineers: 356  
 (as of the end of May, 2023)  
 • Dispatch of IT engineers/SES<sup>\*3</sup>

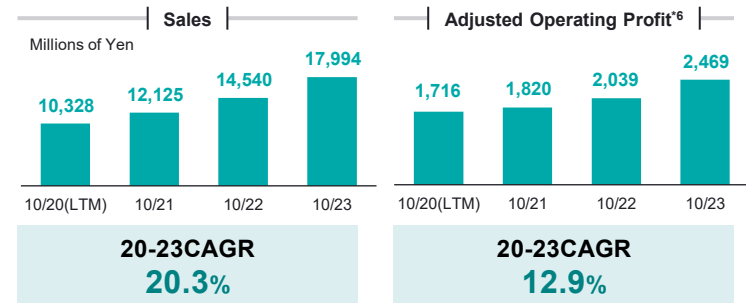


Established in Oct. 2021  
 • Operation of a human resources platform for employment placement of craftsman



Established in Jul. 2013  
 • Employment placement services for craftsman

## Performance<sup>\*4,5</sup>



(\*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.). Refer to page 36 of the "Business Plan and Growth Potential" announced on December 13, 2023.

Holding Company

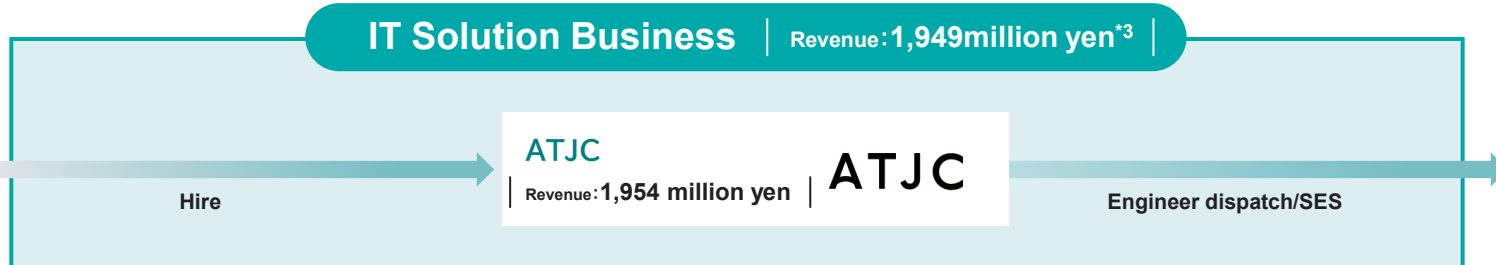
Nareru Group Inc.



Construction Solution Business | Revenue: 16,044 million yen



IT Solution Business | Revenue: 1,949 million yen\*3



(\*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 FY2023.

(\*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.

# Mission

To solve the increasingly severe shortage of skilled professionals\*1 and make Japan an **“advanced problem-solving nation”**

# 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.

## 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



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

- We mainly dispatch construction managers called site supervisors. They play 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**

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

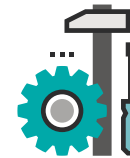


**Craftworker**  
(scaffold worker, plasterer, etc.)

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

## Job Description of Construction Manager

**Quality Check**



**Three Major Managements**

**Process Control**



**Safety Management**



- 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

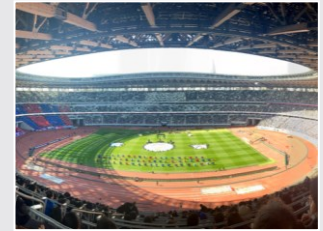
Electrical installation work for high-rise condominiums, commercial facilities, shopping centers, factories, medical and welfare facilities, etc.

## Examples of Dispatching Sites



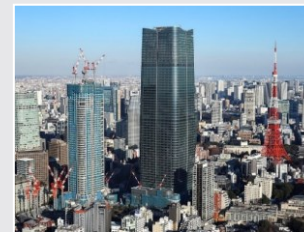
\*1

TSMC's Kumamoto Plant



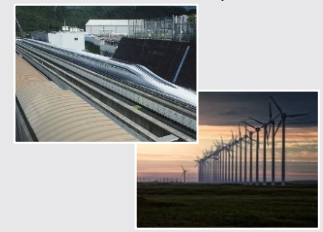
\*2

Tokyo Olympics



\*3

Urban Development



\*4

Maglev and Wind-power generation

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# Nareru Group

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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\*<sup>1</sup>**

\*Architectural, civil, and surveying engineers (part-time and regular positions) in 2022

**5.51 times**

**Demand for dispatching construction engineers\*<sup>2</sup> \* in 2022**

**Approx. 63,000 people shortage**

2

**Industry's top class\*<sup>3</sup> growth rates and profitability backed by our inexperienced worker recruitment strategy**

**Sales growth rate**

\*CAGR for FY2021 through FY2023

**21.8%**

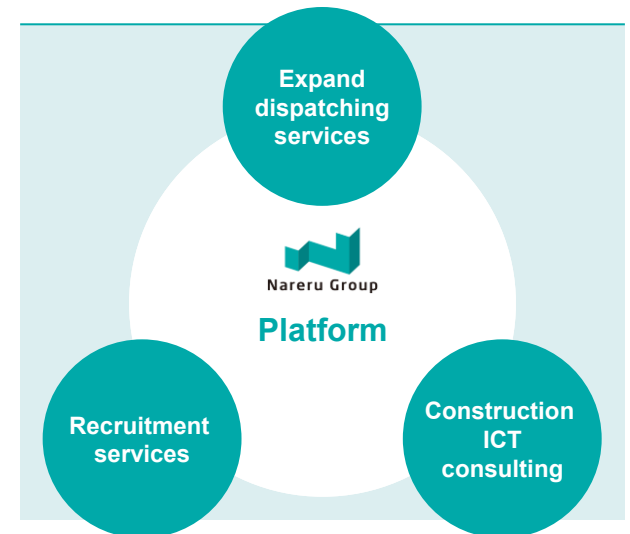
**Operating margin**

\*FY2023

**13.7%**

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) Created by Nareru Group based on Human Touch Research Institute "2030 forecast for construction engineers", 2023

(\*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, Alltech Corporation, Open Up Group (former BeNext-Yumeshin), Forum Engineering, and Copro Holdings. As for comparison of sales growth rate (CAGR in last 3 years) and operating profit margin (most recent fiscal year), refer to page 15 of the "Business Plan and Growth Potential" announced on December 13, 2023.



## Nareru Group

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1

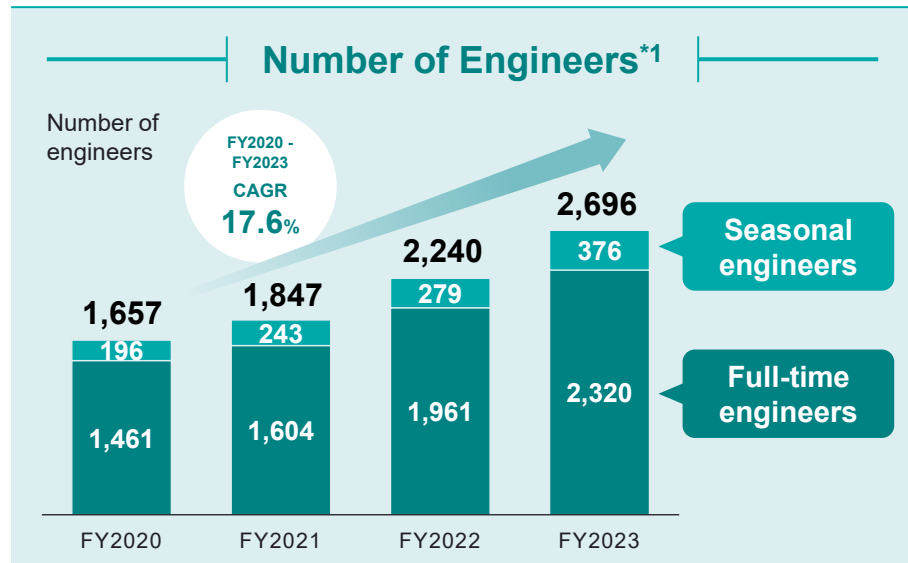
### Recruitment

Increase the number of engineers through inexperienced worker recruitment strategy

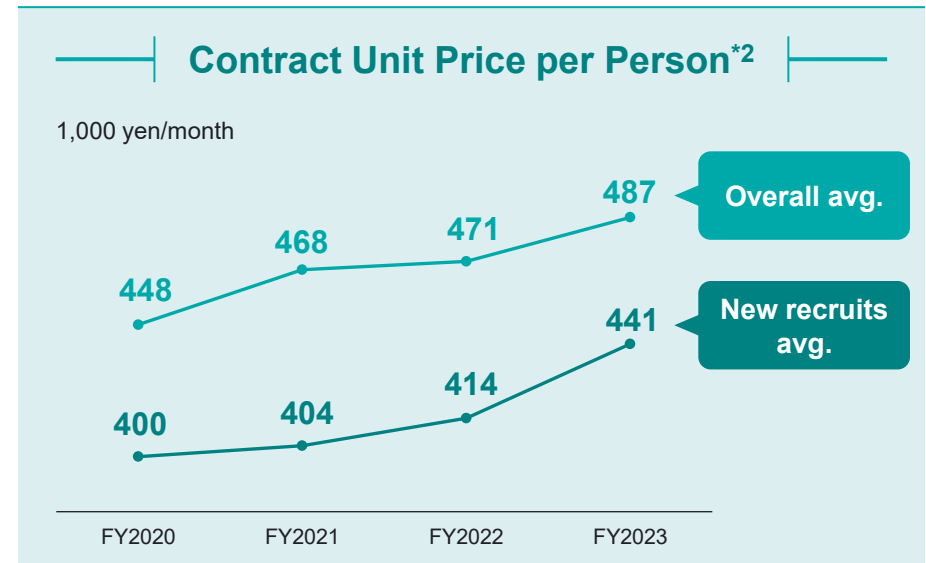
2

### Room for improvement in unit price

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

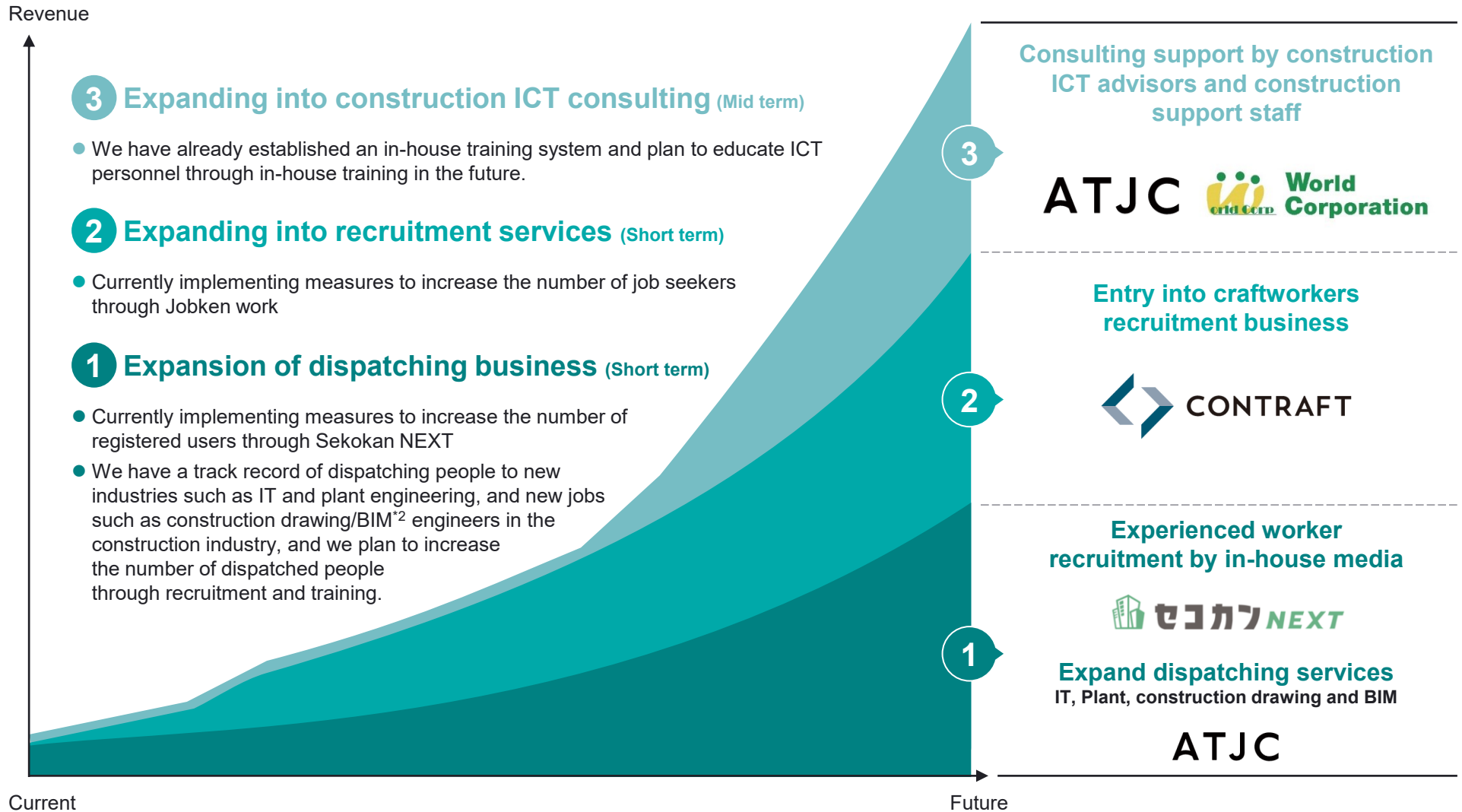


(\*1) Number of engineers who were enrolled for one day or more from the beginning of the month to the end of the month  
 Figures are non-consolidated figures for World Corporation



(\*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.





(\*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.

- Aiming to create an environment in which engineers can continue to grow, we have established "Zero Pro Growth Cycle" as a process for steadily growing into a professional, even if they have no experience.



- Revised qualification allowance and started new exam preparation courses as part of "Zero Pro Growth Cycle. “
- The qualification allowance will be revised in November 2024, and the exam preparation course will be held from July 2024.

### Revise Qualification Allowance to the Highest Level\* 1 in the Industry

(Implemented in November 2024)

We have been giving back to our engineers with the hope that they will take on the challenge of acquiring qualifications, which are one of the signs of growth for each of them, and make it a step toward growth.

#### ● Construction Management Engineer

	Before revision * Monthly amount	After revision * Monthly amount
Class 1 Construction Management Engineer	10,000 yen	50,000 yen (+ ¥ 40,000)
Class 2 Construction Management Engineer	4,000 yen	35,000 yen (+ ¥ 31,000)
Class 1 Assistant Construction Management Engineer	Not subject to payment	20,000 yen (+ ¥ 20,000)
Class 2 Assistant Construction Management Expert	Not subject to payment	15,000 yen (+ ¥ 15,000)

#### ● Architect

	Before revision * Monthly amount	After revision * Monthly amount
Class 1 Registered Architect	10,000 yen	50,000 yen (+ ¥ 40,000)
Class 2 Registered Architect	4,000 yen	30,000 yen (+ ¥ 26,000)

\* If engineers have an architect and a construction management engineer, a maximum of 100,000 yen per month will be paid.

(\* 1) According to World Corporation

### Establishment of Exam Preparation Courses

**Provide study opportunities for engineers who are aiming to acquire qualifications**

- Newly established face-to-face exam preparation courses and e-learning format qualification exam preparation
- The instructors have at least 30 years of experience as a certified construction management engineer at schools for qualifying examinations.

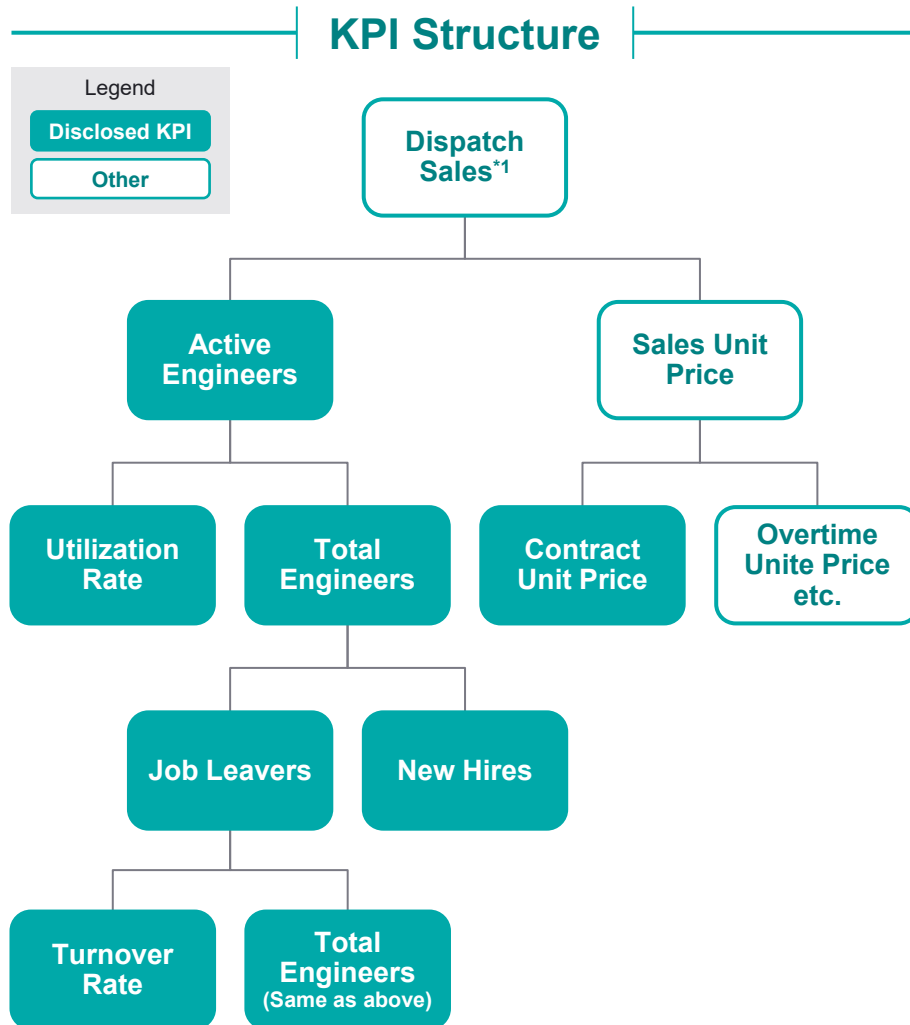


**It is possible to prepare for the examination according to the lifestyle of each engineer and the situation of the place of assignment.**

## Appendix 2

# Other KPIs

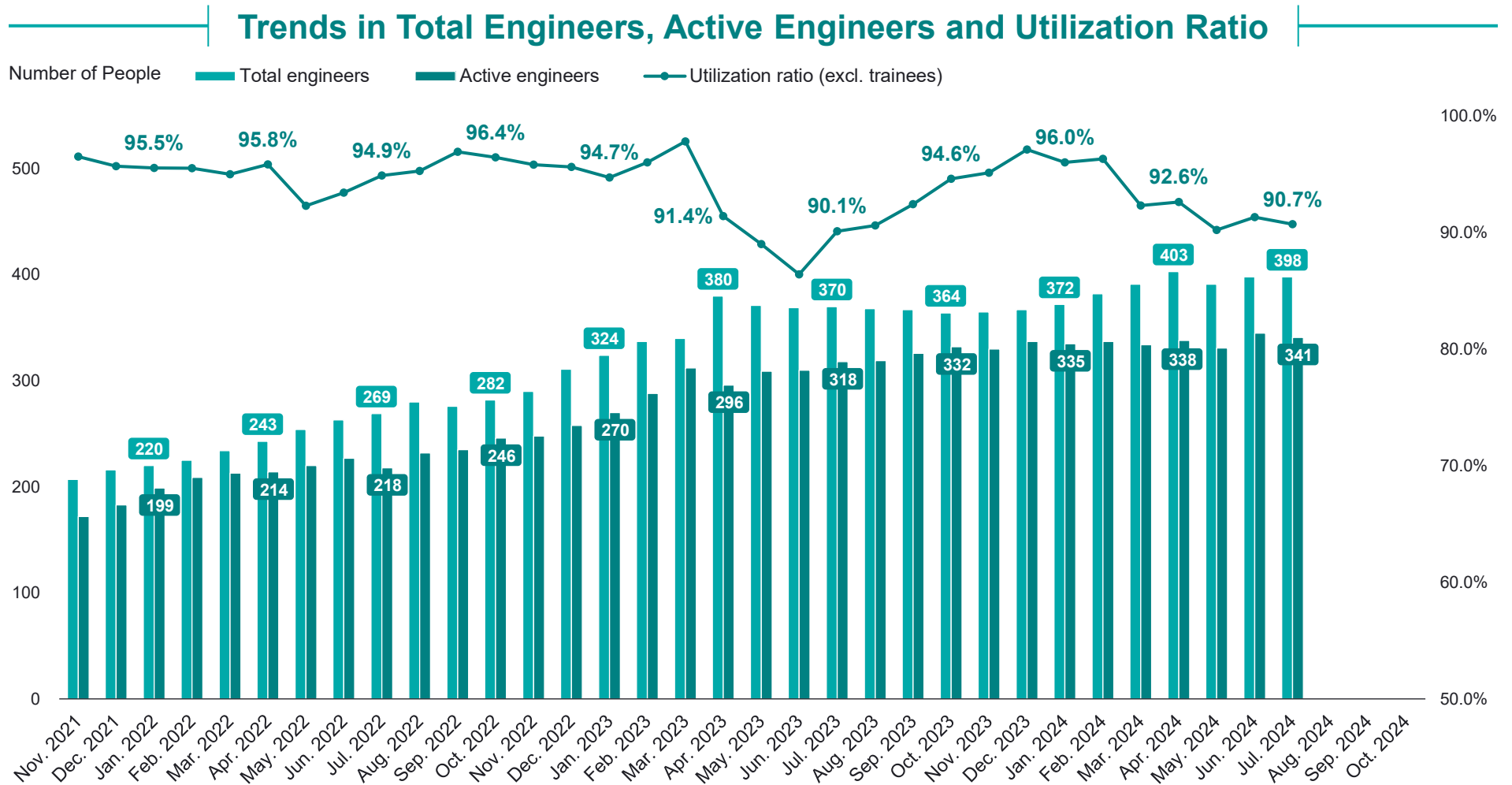
- The Group discloses the following major KPIs related to dispatch sales.



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

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

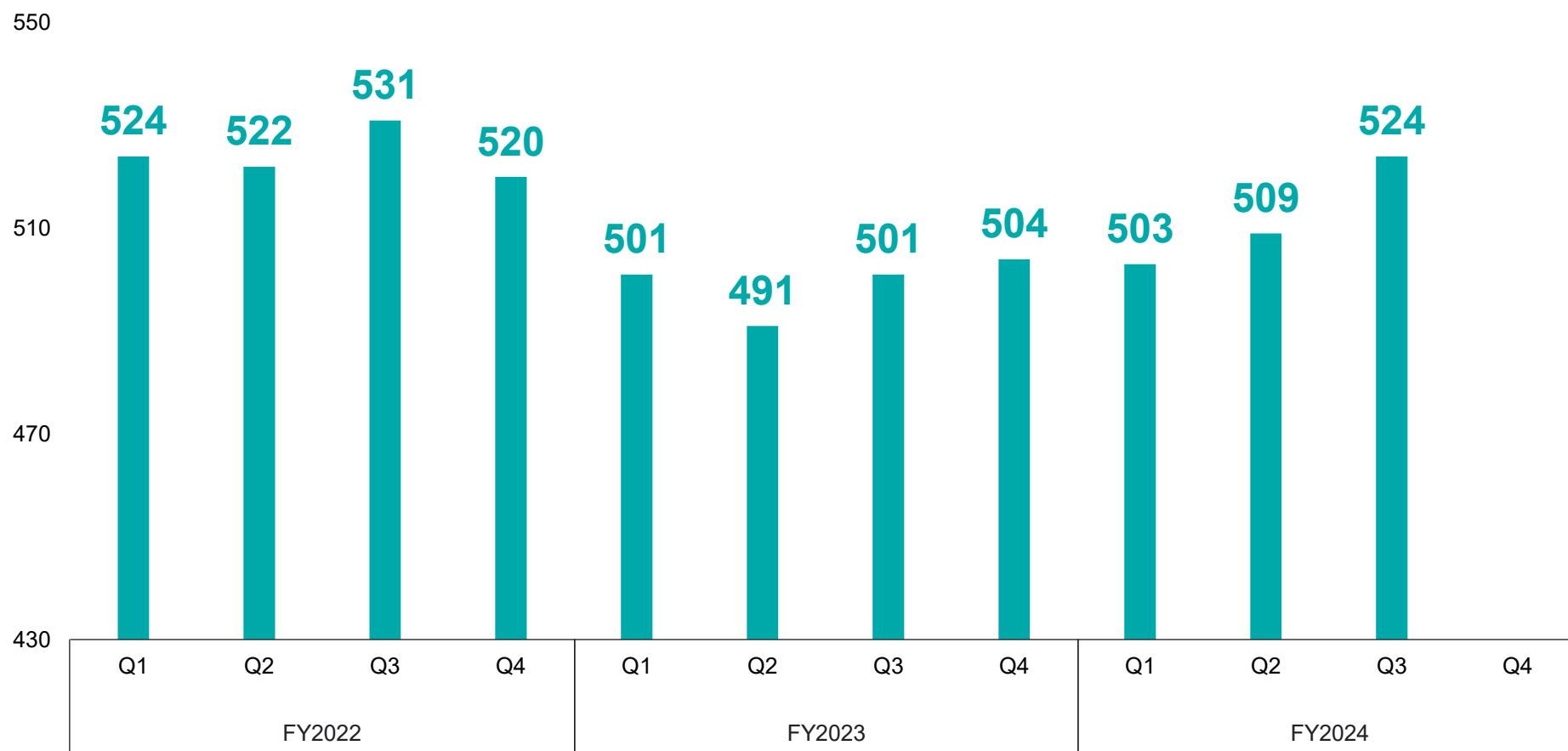
- The number of total engineers decreased by 5 and the number of active engineers increased by 3 from the previous quarter.
- Utilization rate was 90.7%, showing a downward trend from the previous quarter.



- The contract unit price increased by 15,000 yen from the previous quarter and improved.

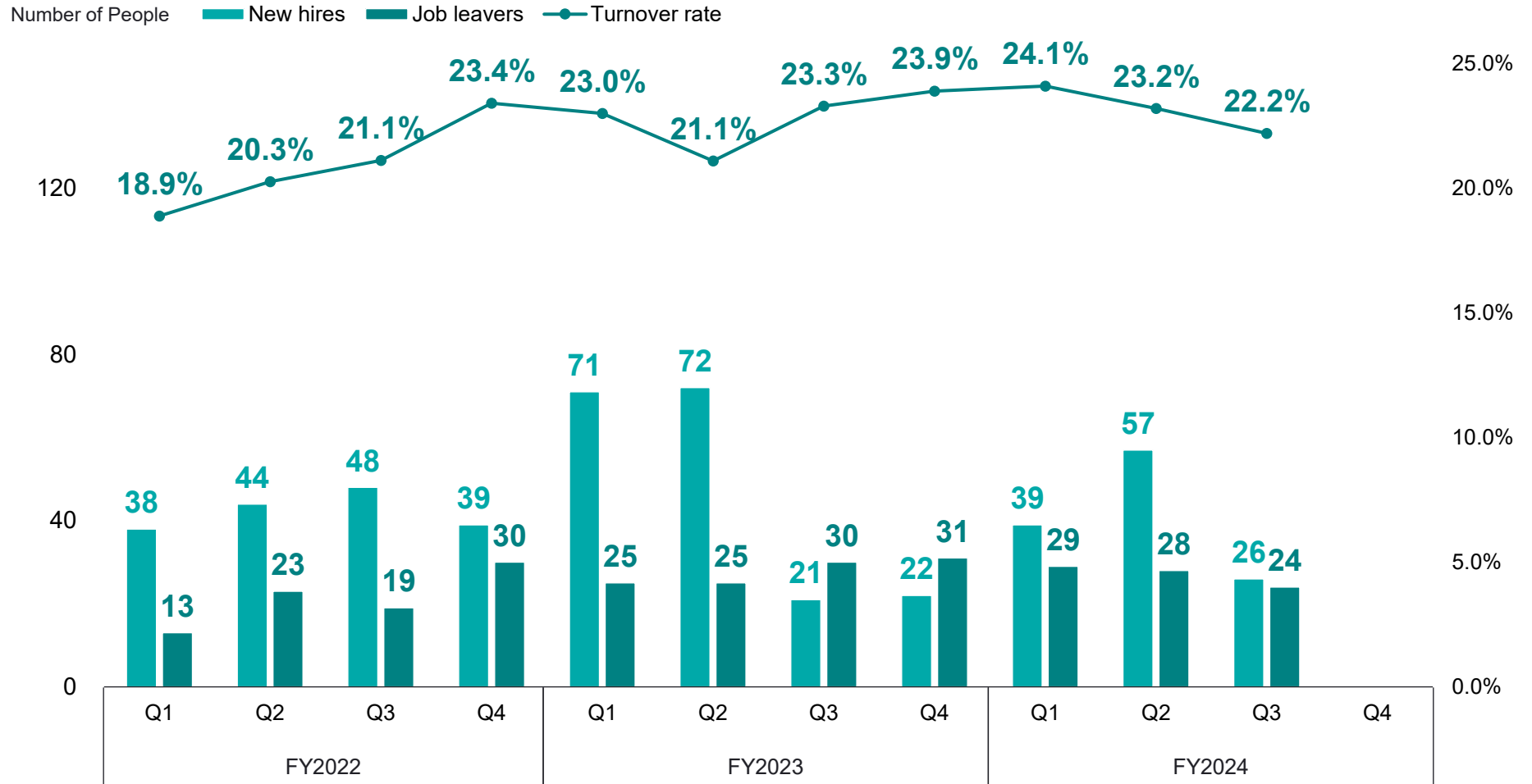
## Trends in Contract Unit Price

Thousands of Yen



- The turnover rate improved in the current quarter compared to the previous quarter.

## Trends by Quarter





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