Nareru Group Inc.

Q3 Financial Results Briefing for the Fiscal Year Ending October 2026

September 15, 2026

Event Summary

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[Venue]	Webcast
[Venue Size]	
[Participants]	
[Number of Speakers]	2 Naoki Shibata Representative Director Noriaki Mitsui Director

Presentation

Moderator: We will now begin the earnings presentation for Nareru Group Inc. for Q3 of the fiscal year ending October 2026.

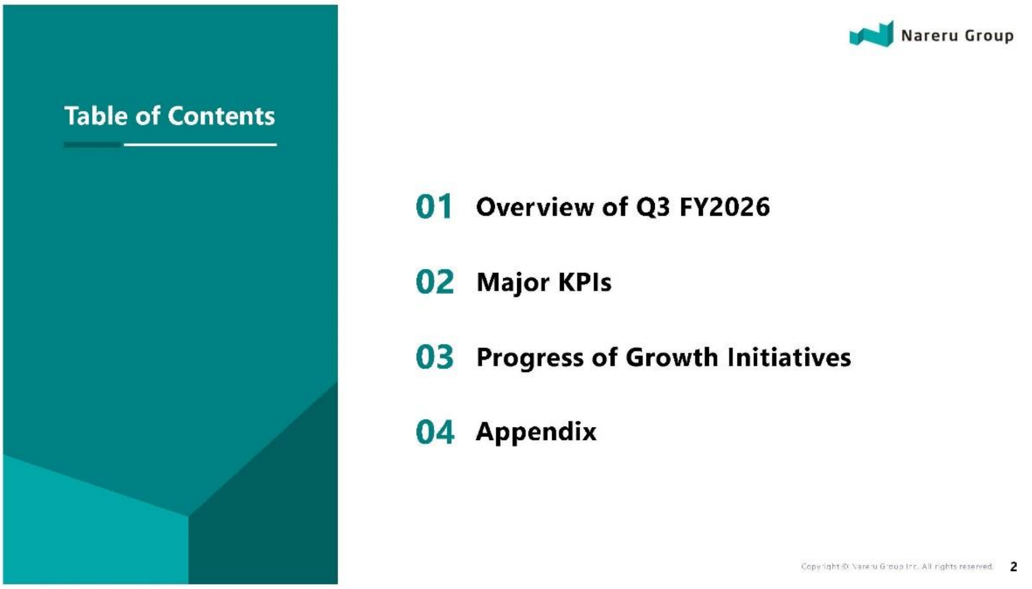
Today, Mr. Naoki Shibata, Representative Director, will give a presentation, followed by a question-and-answer session. To ask a question, please enter your question in the box on the screen and click “Submit.” We will read out the questions you have submitted, and a company representative will provide answers to them. Please note that due to time constraints, we may not be able to answer all your questions. Thank you for your understanding.

The briefing is scheduled to finish at noon. A brief survey will appear once the briefing ends. We kindly ask that you take a moment to complete it.

Representative Director Shibata, please begin.

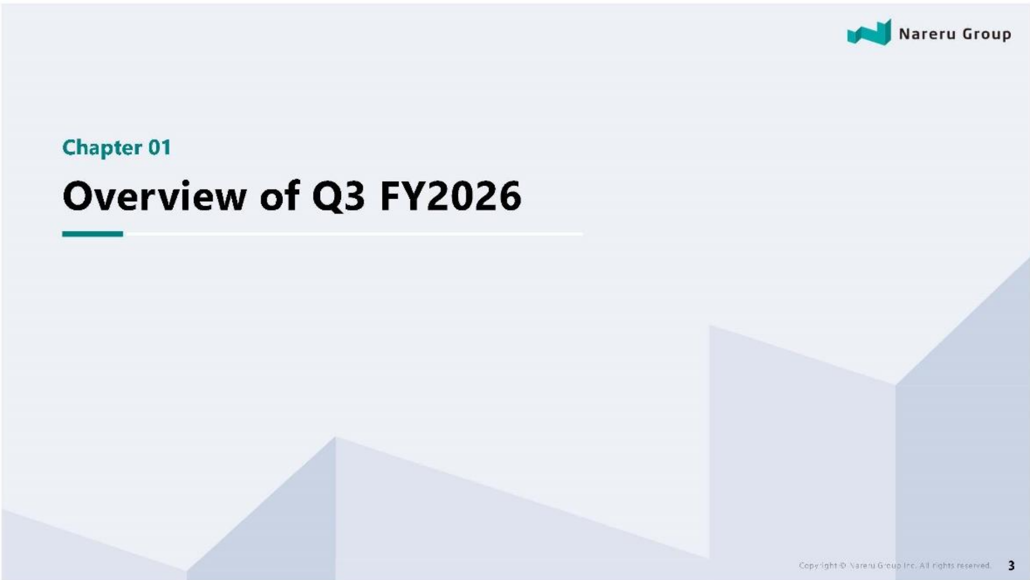
Shibata: I am Shibata, Representative Director of the Nareru Group. Thank you very much for joining us today for our financial results briefing for Q3 of the fiscal year ending October 2026 out of your busy schedule.

Today, we will discuss our financial results through Q3, as well as the progress made on key initiatives during the first nine months of our medium-term management plan, “Change and Growth 2030.”

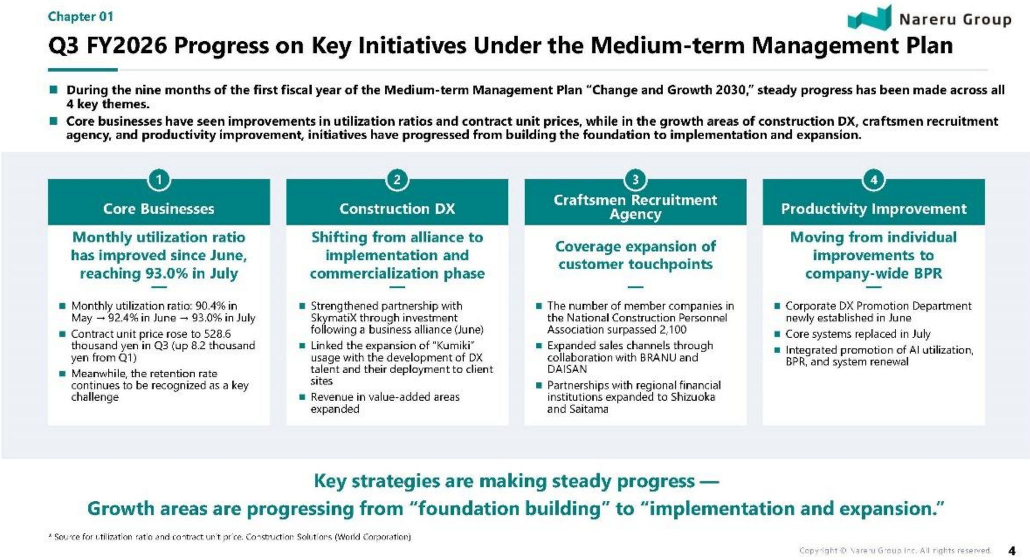


Today, we'll proceed in three main parts.

First, I will explain our consolidated financial results for Q3, followed by the key KPIs for each business segment, and finally, the progress of our priority initiatives under the medium-term management plan.



Let me start with financial results for Q3.



First, I will summarize our performance through Q3 in line with the key themes of our medium-term management plan.

Nine months have now passed since the start of the first year of our medium-term management plan, "Change and Growth 2030," and we are making steady progress on all four of our key themes: our core business, construction digital transformation (DX), craftsman recruitment agency, and productivity improvement.

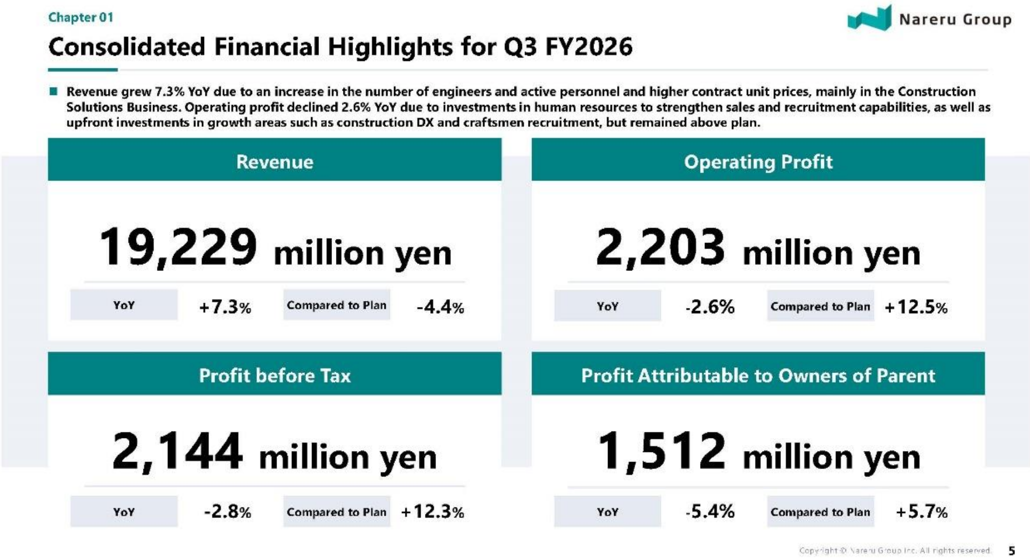
In our core business, while the average utilization ratio for Q3 remained flat compared to the previous quarter, it improved on a monthly basis starting in June and recovered to 93% in July. The contract unit price also rose to JPY528,600 in Q3. On the other hand, the retention rate continues to be recognized as a key challenge.

In the area of construction DX, we are deepening our relationship with SkymatiX, moving from a business partnership to an equity investment, and are advancing initiatives that link the expanded of "Kumiki" usage with the development of DX talent and their deployment to client sites.

In terms of craftsman recruitment agency business, the number of member companies in the National Construction Personnel Association surpassed 2,100, and through partnerships with BRANU, Daisan, and regional financial institutions, our customer reach has expanded significantly.

In addition, to improve productivity, we established a new corporate DX promotion department in June and replaced our core systems in July.

While we previously described the period up to Q2 as the stage where each strategy shifted from preparation and initiation to execution, we view the past nine months, encompassing Q3, as a time when concrete steps were taken toward further implementation and expansion.



I will explain the highlights of our consolidated financial results.

Revenue totaled JPY19,299 million, marking a 7.3% increase YoY. Revenue growth has been driven by an increase in the number of engineers and active personnel and higher contract unit prices, mainly in the construction solutions business.

On the other hand, operating profit totaled JPY2,203 million, representing a 2.6% decrease YoY. This is primarily due to investments in human resources aimed at strengthening sales and recruitment capabilities, an increase in downtime resulting from supply-and-demand adjustments, and upfront investments in growth areas such as construction DX and craftsmen recruitment.

However, operating profit is currently 12.5% ahead of the cumulative Q3 forecast.

Although sales have fallen short of our targets, we have managed to exceed our profit targets while continuing to make investments in growth.

Chapter 01

Nareru Group

Summary of Consolidated Financial Results for Cumulative 3Q

- The full-year earnings forecast remains unchanged at this time. While cumulative revenue through Q3 was below plan, profits remained ahead of plan. We will review the full-year outlook based on business progress in Q4, the implementation of growth investments, and other relevant factors.

	Q3 FY2025		Q3 FY2026		YoY Change	Full-year Forecast	
(Millions of yen)	Actual	Composition	Actual	Composition	% (Amount)	Announced	Progress
Revenue	17,926	100.0%	19,229	100.0%	+7.3% (+1,302)	29,250	65.7%
Gross Profit	4,727	26.4%	5,019	26.1%	+6.2% (+292)	7,400	67.8%
Operating Profit	2,261	12.6%	2,203	11.5%	-2.6% (-58)	3,010	73.2%
Profit before Tax	2,207	12.3%	2,144	11.2%	-2.8% (-63)	2,940	72.9%
Profit Attributable to Owners of Parent	1,598	8.9%	1,512	7.9%	-5.4% (-86)	2,090	72.4%

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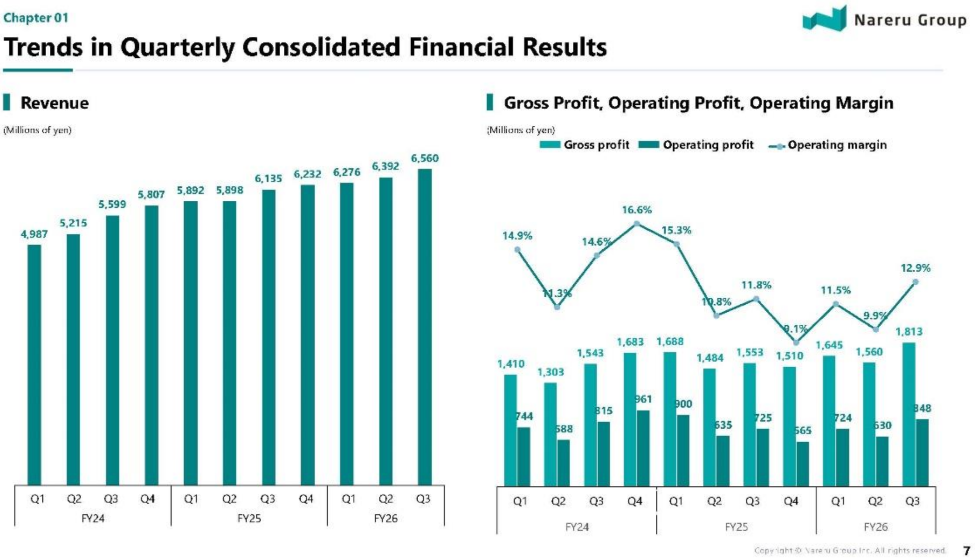
Here is an overview of the income statement.

Revenue totaled JPY19,229 million, up 7.3% YoY, while gross profit totaled JPY5,019 million, up 6.2% YoY.

Operating profit was JPY2,203 million, down 2.6% YoY, while quarterly net income attributable to owners of the parent company was JPY1,512 million, down 5.4% YoY.

Progress toward the full-year earnings forecast stands at 65.7% for revenue and 73.2% for operating profit. While sales are slightly behind schedule, profits are exceeding projections.

Please note that, as of now, there are no changes to our full-year earnings forecast. We will continue to balance improving the profitability of our core businesses with investing in growth areas.



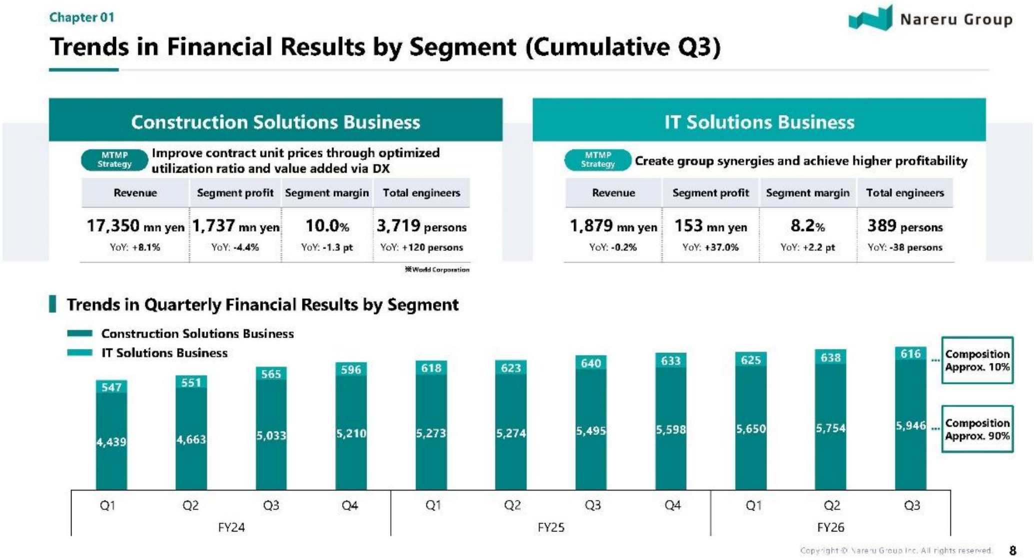
These are the trends in quarterly consolidated financial results.

Revenue for Q3 on a standalone basis totaled JPY6,560 million, marking a record high on a quarterly basis.

Operating profit also came in at JPY848 million, showing an improvement from JPY724 million in Q1 and JPY630 million in Q2.

The operating profit margin also improved from 9.9% in Q2 to 12.9% in Q3.

Even though we continue to invest in growth, we are seeing improvements in the operations of our core business—such as recent improvements in utilization ratio and increases in average contract unit price—and profitability also improved in Q3 on a standalone basis.



Next, trends in financial results by segment.

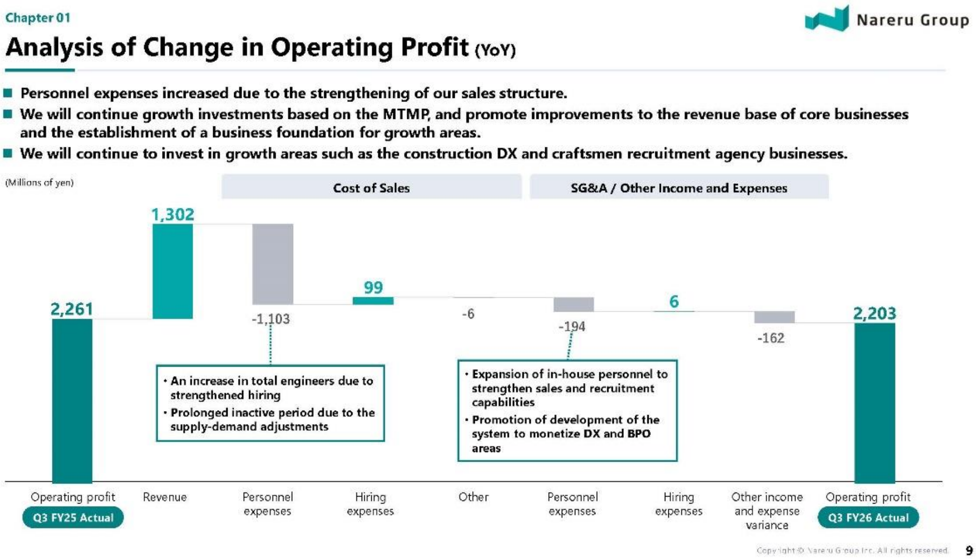
The construction solutions business recorded revenue of JPY17,350 million, an increase of 8.1% YoY.

While revenue increased, driven by a rise in the number of engineers and higher contract unit prices, segment profit fell by 4.4% YoY to 1,737 million, due to factors such as investments in human resources to foster growth.

However, quarterly revenue has been growing steadily, reaching JPY5,650 million in Q1, JPY5,754 million in Q2, and JPY5,946 million in Q3.

In the IT solutions business, revenue was JPY1,879 million, remaining on par with the same period of the previous year. Meanwhile, segment profit stood at JPY153 million, a 37% increase YoY, reflecting an improvement in profitability.

Moving forward, our group will continue to focus on construction solutions as our core business while working to improve the profitability of each of our business units.



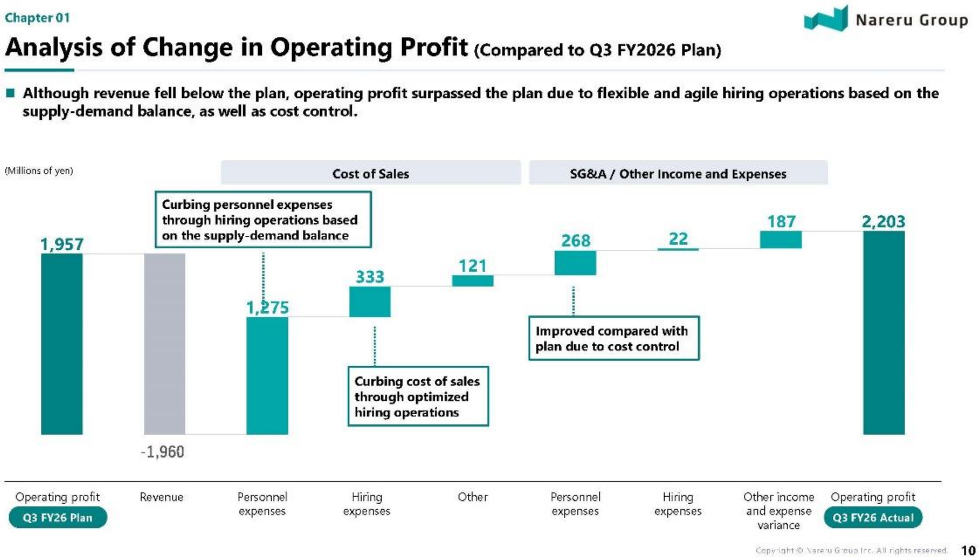
I will now explain the operating profit compared to the same period of the previous year.

While the increase in revenue had a positive impact on profits, the rise in headcount resulting from expanded hiring and the increase in downtime due to supply-and-demand adjustments weighed on profits.

We are also continuing to invest in growth areas, such as expanding our in-house staff to strengthen our sales and recruitment capabilities, as well as in construction DX and craftsman recruitment agency services. These investments are aimed at future growth in accordance with the medium-term business plan.

As a result, operating profit increased from JPY2,261 million in the same period of the previous year to JPPY2,203 million.

We will continue to improve the earnings base of our core businesses and build a solid foundation for our growth areas, while maintaining a balance with short-term profitability.

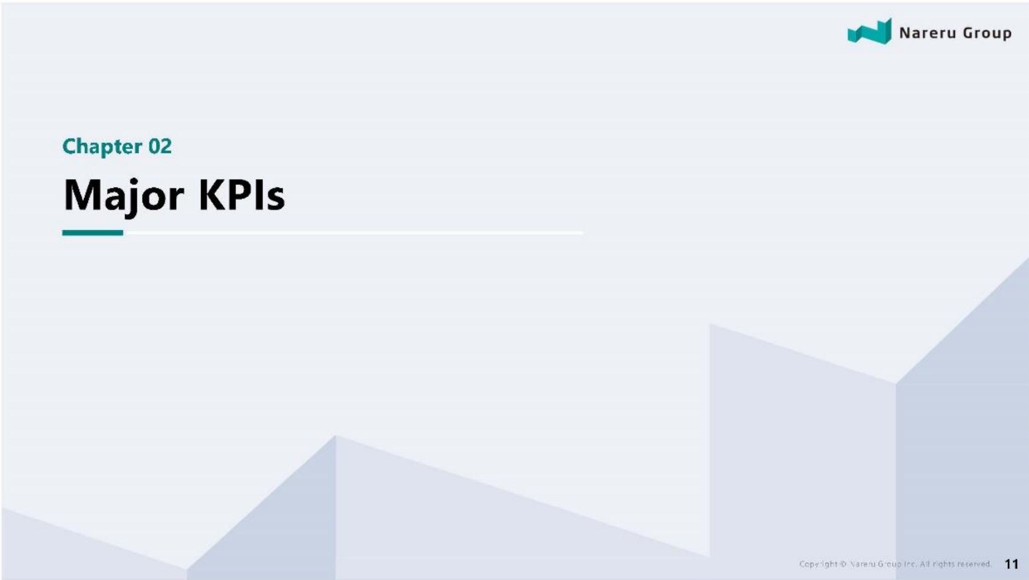


Analysis of change in operating profit compared to Q3 FY2026 plan.

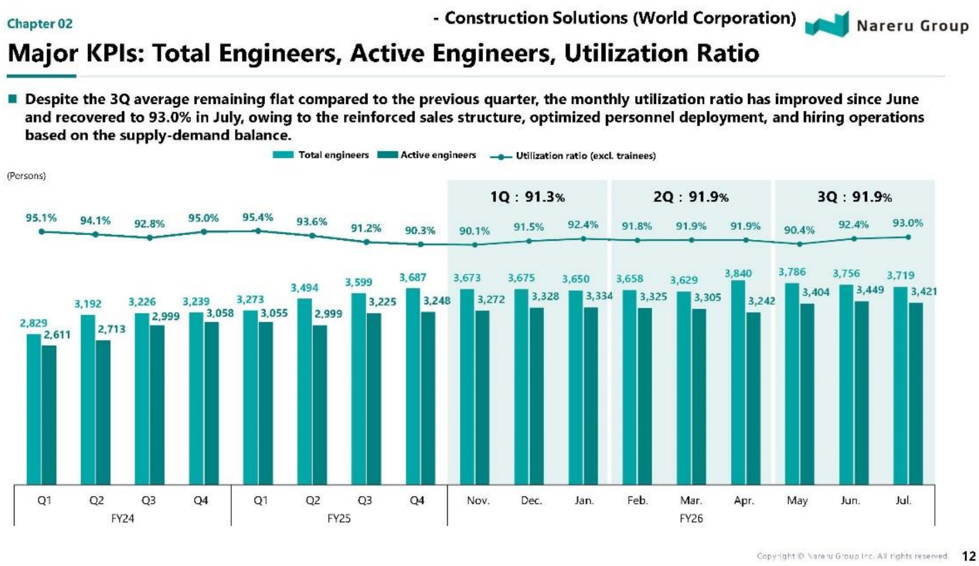
Although revenue fell short of the target, labor costs and recruitment-related expenses came in below budget due to factors such as flexible and agile hiring operations based on the supply-demand balance, as well as effective cost control.

In addition, as a result of our efforts to control expenses, including SG&A expenses, operating profit reached JPY2,203 million, exceeding the planned figure of JPY1,957 million.

Regarding growth investments, we are managing operations to strike a balance with profitability by continuing necessary investments while flexibly controlling hiring and costs in response to the business environment.



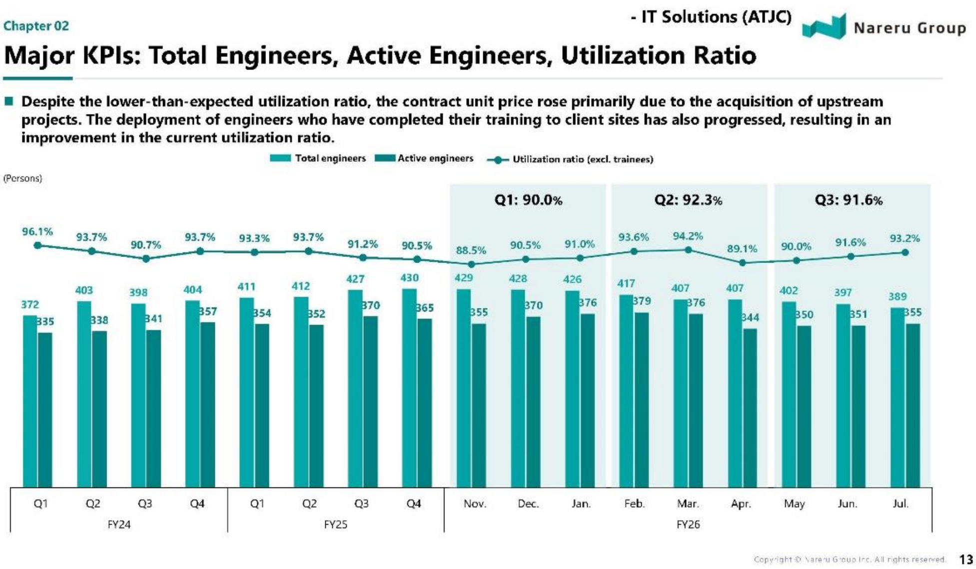
Next, I will explain major KPIs.



First, here is an overview of the construction solutions business, World Corporation.

The average utility ratio for Q3 was 91.9%, which was on par with Q2. We recognize that the effects of the initiatives we have been implementing—such as reinforcing our sales structure, optimizing personnel deployment, and hiring operations based on the supply-demand balance—are beginning to show in our current utilization ratio.

However, compared to 93.8% of the full-year plan, there is still room for improvement. The key focus for Q4 is to ensure that the recent improvements are not merely temporary, but rather to consolidate this level and continue to raise it further.

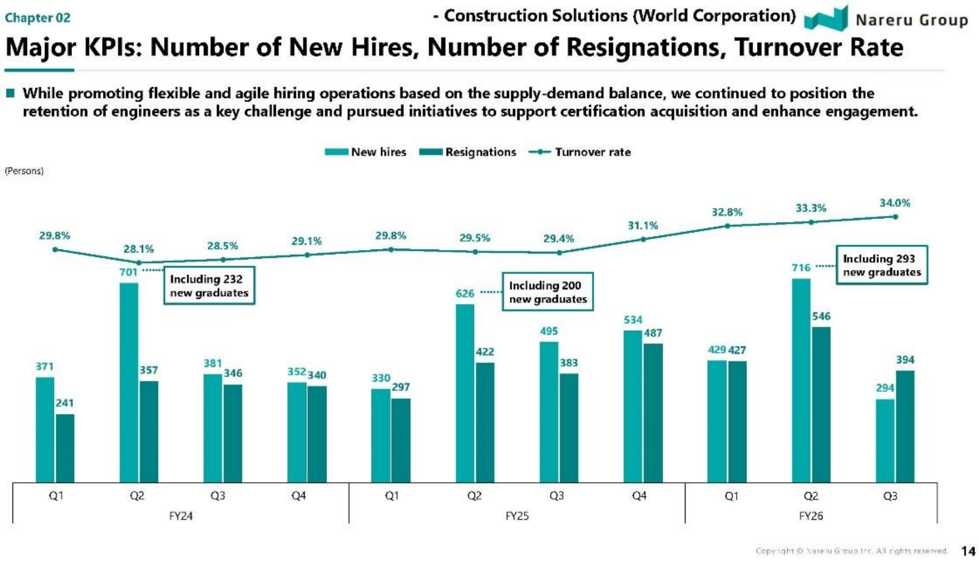


Our IT solutions business, ATJC.

The average utilization ratio for Q3 was 91.6%. Although the quarterly average fell below that of Q2, on a monthly basis, the figure bottomed out at 89.1% in April and then improved to 90% in May, 91.6% in June, and 93.2% in July.

In addition to the deployment of engineers who have completed their training to client sites, the contract unit price rose primarily due to the acquisition of upstream projects.

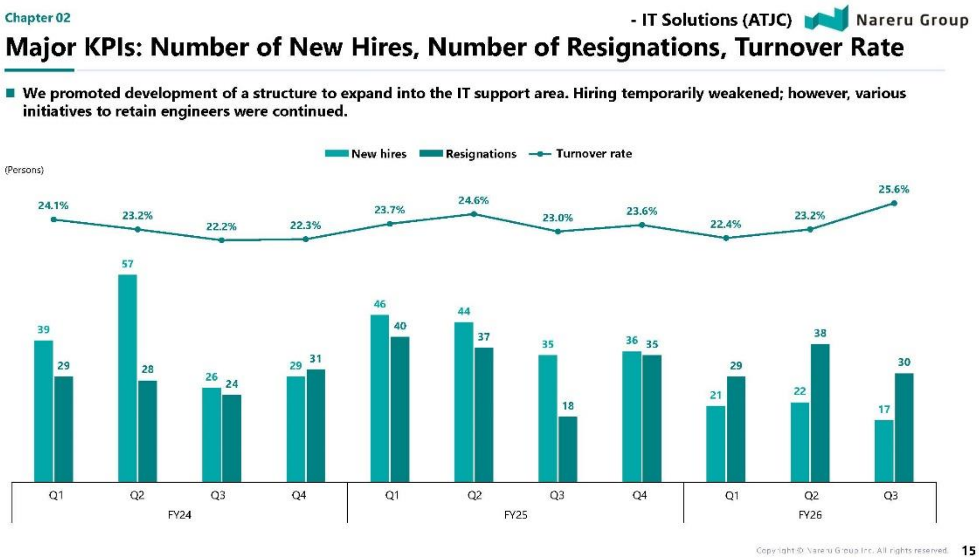
We will continue to improve our utilization ratio and enhance the value of our projects to boost our profitability.



Number of new hires and number of resignations in the construction solutions business.

In Q3, 294 employees were hired and 394 employees left the Company. As for hiring, we manage our recruitment process flexibly, taking into account the balance between capacity utilization and project demand. Meanwhile, the turnover rate rose to 34%, up from 33.3% in Q2.

The retention rate continues to be recognized as a key challenge. In addition to providing support for obtaining professional certifications and strengthening our support system for engineers, we are implementing structural measures to retain employees, such as the new human resources system launched this September. I will explain the details later.



Number of new hires and number of resignations in the IT solutions business.

In Q3, 17 employees were hired and 30 employees left the Company, resulting in a turnover rate of 25.6%.

Recruitment has temporarily slowed as we are reviewing our talent portfolio and hiring policies in preparation for expanding our business into the IT operations support sector. At the same time, we are continuing our efforts to build the organizational structure needed for future business expansion and to retain talent, while prioritizing profitability in our business operations.

Here is the status of contract unit price.

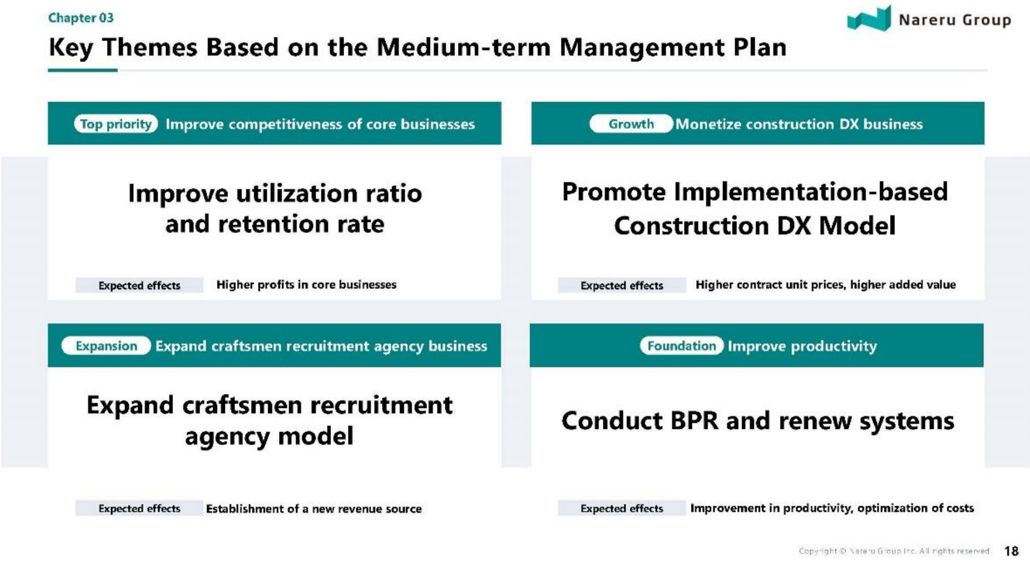
Contract unit prices for both construction and IT solutions are trending upward.

In the construction solutions segment, figures have risen steadily quarter by quarter: JPY520,000 in Q1, JPY525,000 in the second, and JPY528,000 in the third. IT solutions also saw an increase, rising from JPY526,000 in Q1 to JPY531,000 in the second and JPY543,000 in the third.

Amid a tight labor market, we are not only reviewing contract terms but also working to enhance the skills of our engineers, propose personnel that align with client needs, and assign staff to projects that offer higher added value.

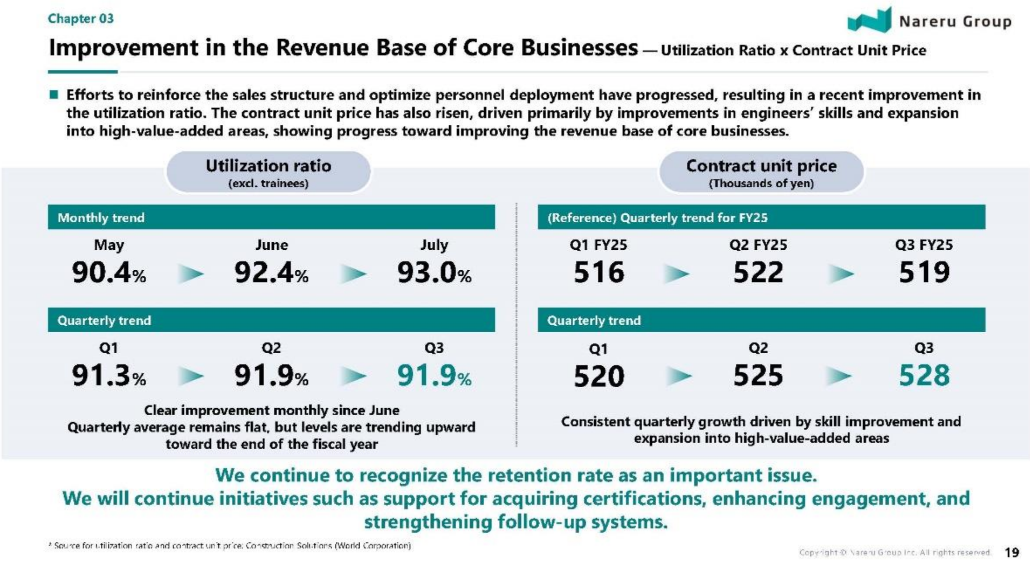
We will continue to prioritize qualitative growth, which is driven by increased unit price, alongside the expansion of our workforce.

Now, I would like to explain the progress of our medium-term management plan, Change and Growth 2030.



These are the growth strategies outlined in our medium-term management plan and the key areas on which we are focusing this term.

From this point on, I would like to explain in detail what progress has been made on these four key themes through Q3.



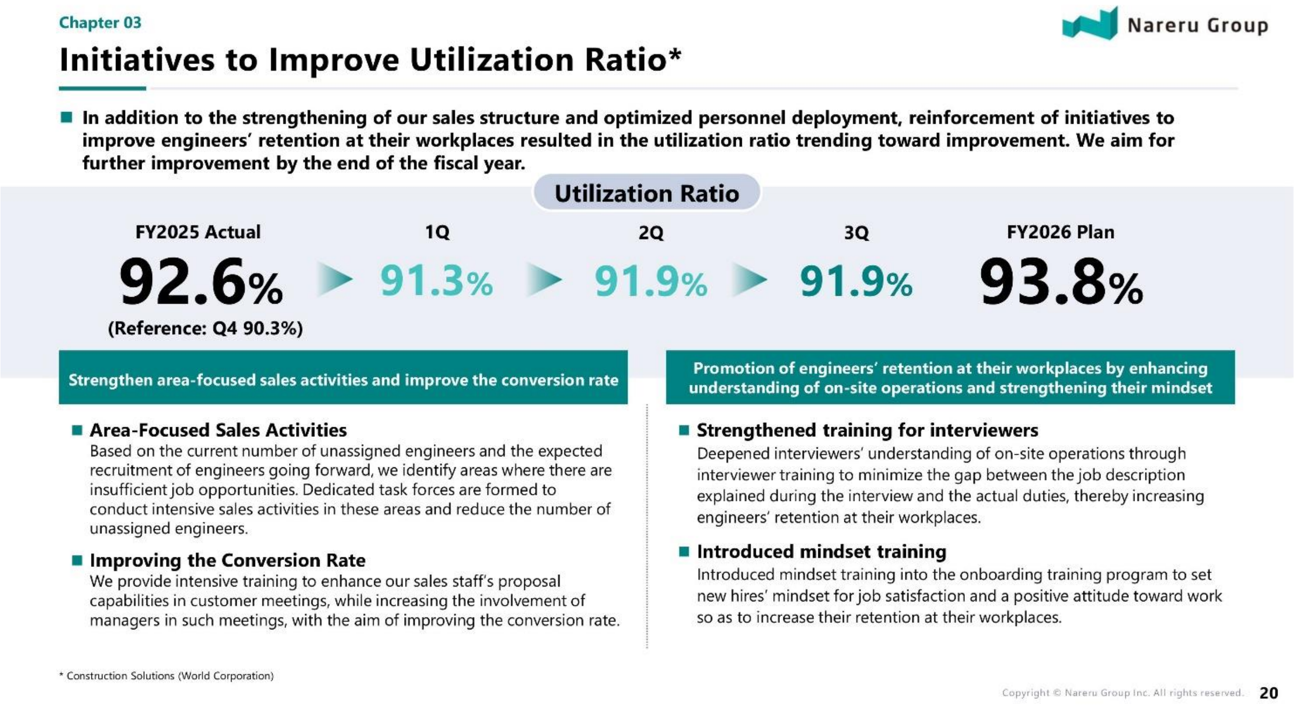
Improvement in the revenue base of our core business. Here, you can see two key KPIs—utilization ratio and average contract unit price—presented side by side.

The utilization ratio for Q3 was 91.9%, remaining flat compared to the previous quarter; however, on a monthly basis, it showed a clear improvement, with May at 90.4%, June at 92.4%, and July at 93%.

Meanwhile, the contract unit price has consistently risen, standing at JPY520,000 in Q1, JPY525,000 in Q2, and JPY528,000 in Q3.

Therefore, at this point, we believe that unit prices are steadily improving and that the current utilization ratio has begun to rise. Going forward, it will be important to continue improving both of these areas simultaneously so that we do not rely solely on simply increasing headcount but rather enhance the profitability of our core business itself.

On the other hand, retention rates remain a challenge. I will explain the detail later.



These are specific initiatives to improve utilization ratio.

Regarding the utilization ratio, we believe that the recent improvement is not the result of any single measure but rather stems from our shift to a management approach that involves more granular control of the supply-and-demand balance through both sales and recruitment efforts.

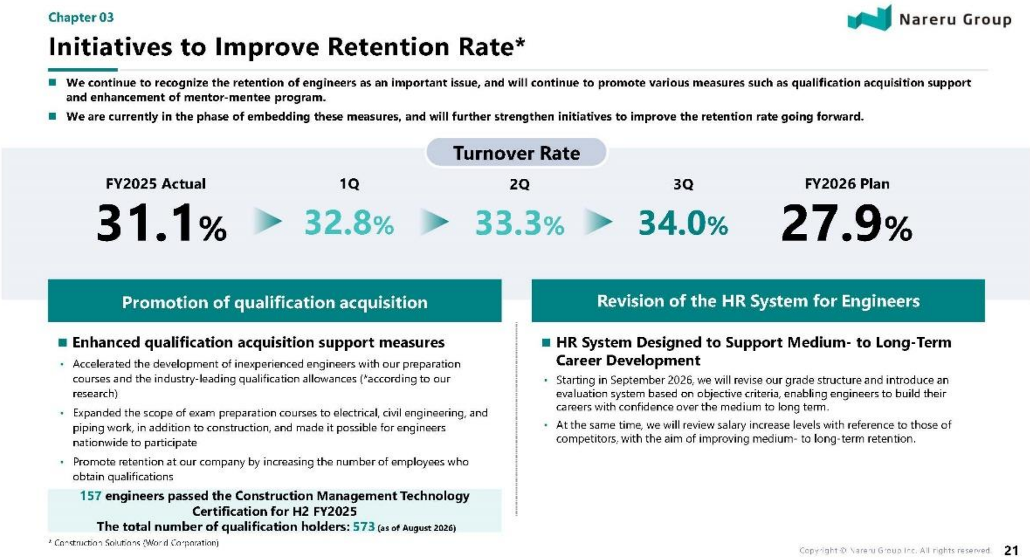
On the sales side, we are visualizing the supply-and-demand situation by taking into account the job roles and experience levels of engineers currently on standby, project demand by region, and future hiring projections. By identifying areas and job roles with project shortages at an early stage, we are managing our operations in a way that allows us to flexibly adjust sales priorities and personnel assignments.

In particular, for areas with significant supply-demand gaps, we are forming task forces to intensively develop new business opportunities. Rather than waiting until a shortage arises to take action, we are working to improve our sales structure so that we can proactively secure projects in advance.

In addition to simply increasing the number of projects, we are also implementing initiatives to improve the accuracy and speed of the process—from proposal to contract signing and assignment—by more effectively matching engineers' experience and aptitudes with our clients' needs.

In terms of hiring, rather than simply pursuing a specific number of hires, we are beginning to shift toward a more flexible approach that allows us to adjust the characteristics and timing of the talent we hire based on project demand and staffing levels by region and job type. Furthermore, we are strengthening our efforts to minimize mismatches after employees join the Company by providing more specific explanations during the hiring process regarding job responsibilities and work arrangements following assignment, with the goal of facilitating early placement and retention.

We believe that our ongoing efforts to manage sales and recruitment as an integrated whole have led to the recent improvement in our utilization ratio. We have not yet reached the level targeted in our full-year plan; therefore, regarding Q4, we intend to ensure that this improvement is not merely temporary, but rather that we solidify the current level and raise it even further.



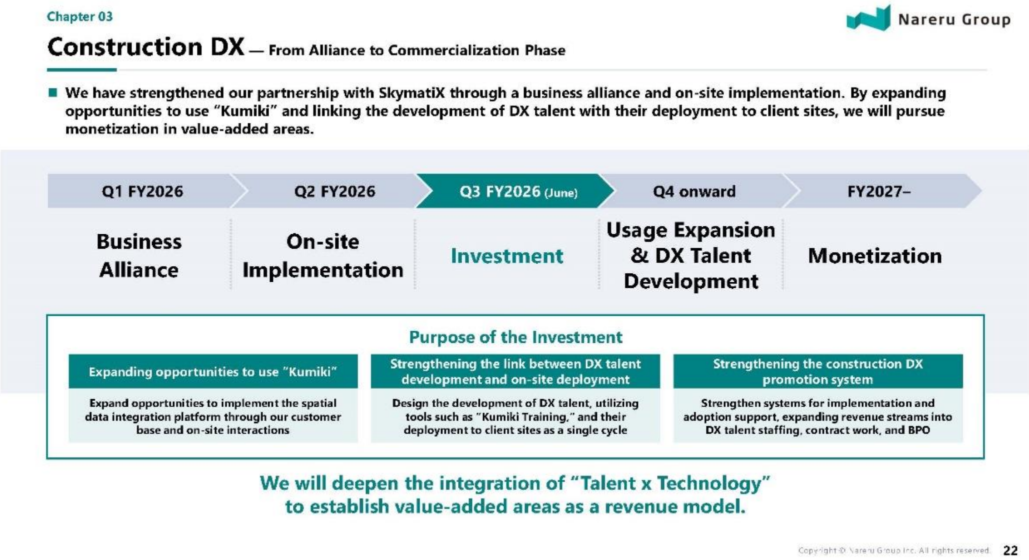
The retention rate continues to be recognized as a key challenge.

The turnover rate stood at 34% in Q3, which is higher than planned. For this reason, we are strengthening our efforts to create an environment where engineers can continue working for the long term, through measures such as support for obtaining professional certifications and revisions to our human resources systems.

Regarding support for obtaining professional certifications, we expanded the scope of exam preparation courses to electrical, civil engineering, and piping work, in addition to construction. As a result, 157 engineers passed the Construction Management Technology Certification for H2 FY2025, bringing the total number of qualification holders to 573 as of August 2026.

In addition, starting this September, we revised the HR system for engineers. To enable employees to build a secure medium- to long-term career with our company, we have revised our job grade classifications and implemented an evaluation system based on objective criteria. In addition, by reviewing salary increases for engineers based on industry standards, we aim to foster long-term retention.

While these measures will not immediately reduce the turnover rate, we are currently in the process of implementing them throughout the organization. By consistently and diligently working on this, we will achieve a significant improvement in retention rates.



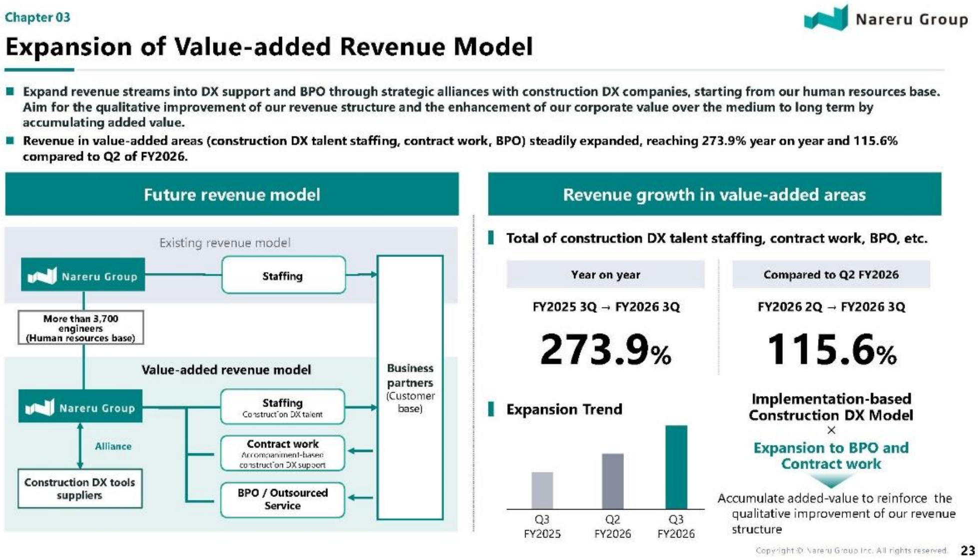
This is our construction DX business, a new business area.

Our partnership with SkymatiX began with a business alliance in Q1; following on-site implementation in Q2, we made an investment in Q3 to further strengthen our partnership.

The purpose of this investment is not merely to acquire a stake in SkymatiX, but to leverage our customer base and connections with construction sites to expand opportunities for using its cloud-based service Kumiki, a spatial data integration platform, while also establishing a circular model for developing our DX talent and assigning them to client sites.

Rather than developing DX tools ourselves, we aim to facilitate their implementation and adoption at construction sites by effectively combining superior technologies—such as those from SkymatiX—with our own on-site personnel and field connections.

Looking ahead, in addition to our current staffing services for construction ICT support, we will expand our revenue streams to include contracting and BPO services specialized for the construction industry, and we will establish these high-value-added areas as our new revenue model.

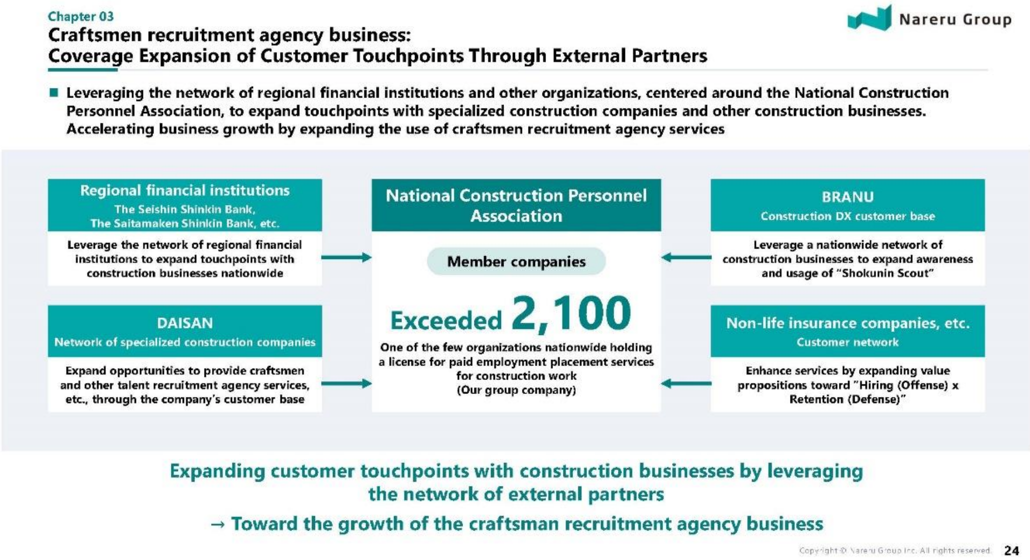


This concerns the progress I have just explained regarding monetizing our new business areas.

Revenue from value-added areas in the construction DX sector—such as staffing, contracting, and BPO—is growing steadily, up 273.9% YoY and 115.6% compared to Q2 of FY2026. Although its contribution to the consolidated financial results as a whole is still limited, what is important is that multiple revenue models—including not only traditional staffing services but also DX staffing, hands-on support, contract work, and BPO—are beginning to take shape.

We are not aiming to be a company that grows simply by increasing the number of temporary workers we place. The goal is to increase the amount of value added generated per person and per company while leveraging our existing workforce and customer base. By combining our talent pool of over 3,700 employees and the customer base we have built over many years with the technological capabilities of external construction DX providers, we will continue to create new value for the construction industry in the future.

We intend to continue increasing the number of projects and our track record, and in the medium to long term, we aim to develop this business area into a new source of added value—second only to our core business—and one of our future pillars of revenue.



Next, I'd like to explain our craftsman recruitment agency business, which is one of our key business areas.

A key area of progress through Q3 has been the expansion of customer touchpoints through external partners.

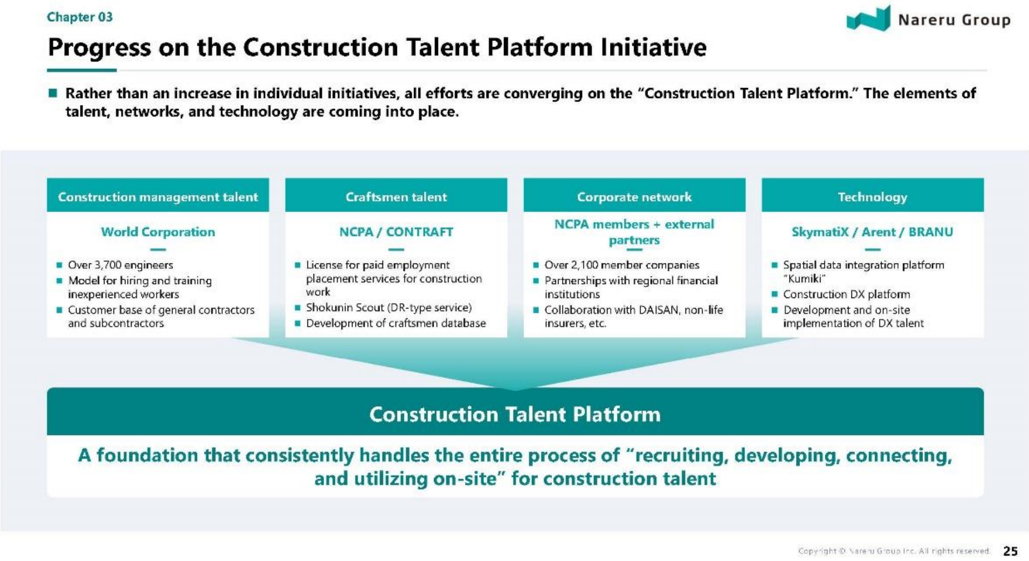
Our group's National Construction Personnel Association is one of the few organizations in Japan to hold a license for paid employment placement services in the construction industry, and its membership has surpassed 2,100 companies.

In addition to our company's proprietary business foundation, we leverage the networks of regional financial institutions—such as Seishin Shinkin Bank and Saitamaken Shinkin Bank—as well as those of companies like BRANU, Daisan, and property and casualty insurance companies, each of which maintains its own network of construction contractors.

Rather than relying solely on our own sales efforts to acquire all customers, we plan to expand our reach to specialized contractors and other businesses through the networks of our partner companies. By doing so, we aim to increase awareness of and expand usage of "Craftsman Scout," our proprietary direct recruitment service designed to match clients with skilled tradespeople.

In other words, we are not aiming for a business model where customer growth depends on continuously increasing our in-house sales force; rather, we are working to create a model that leverages external networks themselves as our customer touchpoints to expand our market more efficiently.

We are currently in the process of transitioning from the phase of building this customer base to the phase of increasing the number of successful matches and boosting revenue.



I will now explain how the initiatives I have described so far fit into our medium- to long-term growth strategy.

The construction DX initiatives, craftsman recruitment agency service, and various partnerships with external companies that our company is pursuing are not being developed as separate new business ventures. Our ultimate goal is to build a broader business foundation that serves the people in the construction industry.

Our company has a workforce of over 3,700 construction management professionals and a customer base built up over many years of business. Added to this are the network of skilled workers through the National Construction Personnel Association, more than 2,100 member companies, and the corporate networks of external partners.

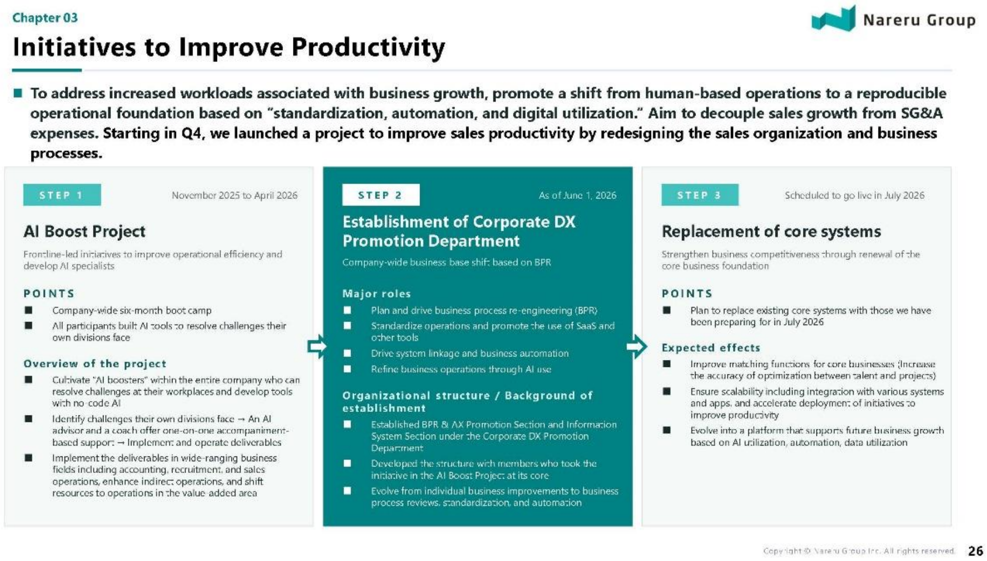
Another important aspect is construction technology developed through partnerships with companies such as SkymatiX, Arent, and BRANU. In other words, the Nareru Group is now beginning to bring together these three pillars: talent, corporate networks, and technology. Rather than letting these remain as isolated points, we will connect them to form a broader, integrated whole in the future. We aim to evolve into a company that provides comprehensive support—from recruiting and training construction professionals to connect them with opportunities and ensuring they are effectively utilized on-site.

This is the construction talent platform we have in mind.

Furthermore, we plan to accumulate and utilize data on employees' experience, skills, certifications, and on-site performance, with the goal of evolving our platform into a foundation that more effectively connects people, companies, and construction sites.

Of course, at this point, it's still work in progress. However, what was once just a concept has, over the past nine months, begun to take shape little by little as concrete business assets—namely, talent, corporate networks, and technology.

We view this as one of the major achievements in the first year of our medium-term management plan.



Here is an explanation of the fourth key theme: improving productivity.

As our company expands its business operations in the future, we need to shift away from a structure where administrative tasks and SG&A expenses increase in proportion to sales growth. For this reason, we are moving toward a business infrastructure based on standardization, automation, and the use of digital technology within the company, shifting away from business operations that rely on manual processes.

First, starting in November 2025, we launched the AI Boost project, in which employees from each department identified business challenges on their own and developed improvement tools using AI.

As the next step, we established the corporate dx promotion department in June of this year and are evolving our initiatives from individual operational improvements to company-wide BPR, standardization, and automation.

In July, we replaced the core systems that support our core business.

In addition, starting in Q4, we have launched a project to improve the productivity of the sales department through the redesign of our sales organization and business processes.

Going forward, we will build a business foundation that ensures SG&A expenses do not continue to rise in tandem with revenue growth by improving the accuracy of matching talent with projects, integrating with various systems, and advancing the use of AI and data.

Chapter 03

Nareru Group

Progress in the First Fiscal Year of the Medium-term Management Plan and Key Themes from Q4 Onward

- The first fiscal year of the Medium-term Management Plan saw progress in improving the revenue base of core businesses and building a business foundation in growth areas
- From Q4 onward, we will further advance the implementation and expansion of each initiative to strengthen the business foundation in growth areas, focusing on construction DX and craftsmen recruitment

Key Themes	Management assets accumulated in the first fiscal year	Priorities for Q4 and beyond
Core Businesses KPI improvement	Revenue base built on improvements in the current utilization ratio and rising contract unit prices	Stabilize the level of utilization ratio and improve retention rates
Construction DX Forming a revenue model	Shift from business alliances to capital alliances / Expansion into value-added areas	Expand sales in value-added areas and establish a revenue model
Craftsmen recruitment agency Building a customer base	Over 2,100 member companies and the network of external partners	Increase the number of successful matches and launch revenue contribution
Productivity improvement Building a management base	BPR promotion system and core system renewal	Decouple revenue growth from increases in SG&A expenses

FY2026: “Foundation Building and Implementation”
→ FY2027: “Expanding Implementation and Strengthening the Business Foundation”
Steadily building the foundation for growth in the second half of the Medium-term Management Plan

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Lastly, I will explain my view on the progress of the medium-term management plan.

Looking back on these past nine months, I don't think everything went exactly as planned.

In our core business, contract unit price is rising steadily, and we are beginning to see signs of improvement in utilization ratio. On the other hand, the retention rate continues to be recognized as a key challenge. Regarding this matter, the Company will continue to address it earnestly from Q4 onwards and further enhance the competitiveness of our core business itself.

Conversely, we believe that our business foundation for future growth has made significant progress over the past nine months, focusing on construction DX, craftsman recruitment agency, strategic partnerships with external companies, and internal BPR and system reforms.

Although these may appear to be different initiatives when viewed individually, we are not pursuing them as separate measures. Our strength lies in our talent, customer networks, technology, and the internal infrastructure that supports them.

Looking ahead to 2030, we believe that the management assets necessary for the Nareru Group to achieve its next phase of growth have gradually taken shape over the past nine months.

In our medium-term management plan, we have designated the current fiscal year as a period for building and implementing a foundation, and the next fiscal year as a period for expanding implementation and strengthening our business foundation. If the past nine months were the “building phase,” then from here on out, we enter the “phase of scaling” what we’ve built into a business and turning it into tangible growth and revenue.

Of course, our core business is the foundation for all of this. We will solidify improvements in our current utilization ratio and directly address the challenge of employee retention, while simultaneously nurturing our next areas of growth: construction DX, craftsman placement, and our construction talent platform.

Strengthening our existing businesses and building the next pillars of growth: We believe that moving forward with both of these at the same time is the most important thing for the Nareru Group right now.

In Q4 and looking ahead to the next fiscal year, we will transform the management assets we have built up over time into concrete results, one by one. We will continue to steadily achieve growth as we move toward 2030.

This concludes my explanation. Thak you for your kind attention today.

Question & Answer

Moderator [M]: We will now move on to the Q&A session. To ask a question, please enter your question in the box on your screen and click "Submit." We will read out the questions you have submitted, and a company representative will provide answers to them.

I will read out the question we have received prior to the Q&A session.

Participant [Q]: In your medium-term business plan, in addition to organic growth, you have identified M&A and partnerships with external companies as growth strategies.

What approach will you take toward M&A going forward? Will the focus be primarily on projects that complement your current businesses—such as construction DX and talent areas—or could projects that lead to the expansion of your existing businesses also be considered? Please explain this in conjunction with the concept of fiscal discipline.

Mitsui [A]: Thank you for your questions.

First, regarding M&A, one key aspect of our approach is that we do not limit our considerations to specific areas. Furthermore, while our core business is the dispatch of construction management engineers, we believe it remains important to further strengthen or expand this very business foundation.

For this reason, we intend to continue exploring opportunities that are highly compatible with our existing businesses and have the potential to expand our customer base and talent pool; we also believe that M&A aimed at scaling up our operations could be a viable option.

At the same time, this medium-term management plan outlines a strategy to drive growth in areas such as construction DX, craftsman recruitment agency, and productivity improvement, in addition to construction management staffing. In these areas, by incorporating capabilities, customer bases, technologies, personnel, or know-how that we do not currently possess—as mentioned earlier, we intend to actively explore opportunities that will enable us to accelerate the development of such a platform, with an eye toward our future vision for a construction talent platform.

Therefore, I believe that M&A does not necessarily have a single objective; rather, there are multiple types of M&A, such as expanding the scale of existing businesses, complementing capabilities in growth areas, or accelerating market entry or business launches.

Ultimately, however, our primary focus will not be on the scale of the project or the business sector itself; rather, we will place great importance on factors such as the potential for synergy with our existing businesses, how the acquisition contributes to enhancing corporate value, and whether the expected return justifies the investment.

While organic growth remains our fundamental approach, we will adopt a flexible stance toward deals that allow us to "buy time" or acquire business foundations—such as infrastructure that would otherwise take us a long time to build independently—provided we maintain financial discipline.

Participant [Q]: Regarding the utilization ratio in the construction solutions business, the average for Q3 was 91.9%, remaining flat compared to Q2; however, on a monthly basis, the rate bottomed out at 90.4% in May and improved to 92.4% in June and 93% in July.

I believe the utilization ratio has been recognized as a key challenge for the Company's performance up to now. How do you assess the recent improvements? Also, can we assume that this improvement will continue in the future? Please explain this in the context of the full-year plan of 93.8%.

Shibata [A]: Thank you for your questions. I, Shibata, will answer the questions.

The average for this Q3 was 91.9%, which remained flat compared to Q2, but a trend toward improvement is beginning to emerge. I feel that our ability to manage sales, recruitment, and engineer assignments as an integrated whole—and to operate with greater precision by closely monitoring demand by region and job type—is now improving, and this is beginning to yield results.

In short, I believe it is crucial to shift toward a proactive approach—actively securing projects ahead of time—rather than simply reacting after a project arises, which would be too late and lead to idle time. This involves understanding the distribution of engineers and future hiring plans across different regions, as well as identifying where construction projects will emerge, all while accounting for supply-demand gaps.

Furthermore, I believe that to take it one step further and increase the utilization ratio itself, we need to ensure that projects and talent are matched effectively and to strengthen the system itself.

In the past, matching projects with engineers relied heavily on the experience and capabilities of individual sales representatives and managers. However, I do believe that simply performing mechanical matching based on the projects currently held by each individual—including less experienced sales staff—does not necessarily lead to optimal resource allocation for the company as a whole.

Going forward, as a department, we plan to establish a new function to oversee the cross-functional matching of projects and personnel, and we intend to thoroughly strengthen this function.

I also believe we need what might be called a “strategic shift” in our matching process. Rather than simply aiming for a perfect alignment of a project's requirements with an engineer's preferences and experience, we need to thoroughly assess the individual's background and aptitude. We must take a flexible approach to factors such as location, project content, and the client's minimum experience requirements, judging the extent to which a match is feasible. Our goal is to move away from leaving these judgments entirely to individual sales representatives and instead ensure this process is executed as a cohesive function of the sales organization. By doing so, we believe there is still plenty of room to connect job opportunities and candidates that have not been matched so far.

As I explained earlier, by balancing supply and demand—specifically, by more accurately matching existing projects with available talent—we intend to further improve our utilization ratio.

Of course, while there is still room for improvement compared to the 93.8% target in our full-year plan, we believe that our goal is not simply to temporarily boost this figure, but to transform our business operations so that we can consistently achieve and maintain high utilization ratio.

Participant [Q]: The turnover rate for Q3 was 34%, up from 33.3% in Q2. This is also a high level relative to the full-year target of 27.9%. I understand you are implementing measures such as support for obtaining professional certifications and revisions to your HR system. When do you expect these measures to begin showing results?

Shibata [A]: Thank you for your question. I understand that your question is about retention rates.

As I mentioned earlier, we continue to recognize employee retention as one of the Company's most critical management challenges. The Q3 turnover rate stood at 34%, and as a manager, I frankly acknowledge that we have not yet been able to improve this situation.

While I don't believe there is a single reason for the resignations, looking back on the first three quarters, I recognize that one factor driving up the resignation rate was the increase in the number of engineers who resigned while on standby during a period of low utilization.

This ties in with what I just explained about utilization ratio, but the first step is to effectively reduce idle time itself. We will need to assign them to a work site that suits them as soon as possible. I recognize that this is very important.

On the other hand, I do not believe that this retention issue can be explained solely by the standby period. Due to the nature of construction management and construction staffing jobs, technicians work on clients' job sites every day. For this reason, I believe that unless we make a conscious effort to create points of contact with the company, a gap is bound to develop between the company and the engineers. We are placing a great deal of emphasis on this right now.

In fact, since the beginning of this year, we have been holding monthly themed networking events in Tokyo to bring engineers together, share important company updates in person, and intentionally create opportunities for engineers to communicate with one another and with office staff.

Of course, not everyone will be participating in this event. However, if we limit the scope to those engineers who do participate, the turnover rate itself tends to be very low. Fortunately, the number of participants is increasing every month.

We view this as a significant insight. In other words, I believe it's incredibly important not just to focus on external factors like salary and benefits, but also to create as many daily opportunities as possible for engineers to feel that they belong at this company and that the company truly values them.

Through this themed networking event, we've seen some encouraging results at our Tokyo headquarters. Starting this month of September, we will begin holding such networking events at our Kansai branch as well.

Of course, I do not believe that retention rates will stabilize or improve solely through networking events and gatherings. In addition to increasing our daily interactions, whether online or offline, I believe it is important to strengthen the structure of the technical support division, which assists engineers. Rather than simply increasing the number of staff in the division, we must focus on improving their ability to listen and respond effectively.

Building on that, the focus is on how to minimize hiring mismatches, ensure rapid assignment to appropriate roles with solid follow-up, and support engineers in obtaining certifications—while also linking these efforts to performance evaluations and compensation through the HR system I mentioned earlier. And this will enable our engineers to chart their own medium- to long-term career paths.

I believe these initiatives are part of the series of measures related to our HR system that I explained earlier. First, we must firmly establish three things: ensuring engineers can work in suitable environments, maintaining a strong connection with the company, and creating an environment where working here fosters growth and allows them to envision their future. I believe it will take some time for these results to be fully reflected in the numbers, but from a management perspective, I intend to make this our top priority and address it thoroughly.

Participant [Q]: While improving productivity is one of the key initiatives in the medium-term management plan, there has been an increase in concrete initiatives such as the establishment of the corporate DX promotion department, the overhaul of core systems, and the promotion of AI utilization and BPR. What kind of impact do you think these measures will have on your company's financial performance going forward? Also, could you tell me how long it may take for the effects to become apparent?

Mitsui [A]: Thank you.

First, regarding the goal of improving productivity, it is important to note that this is not simply about cutting costs. Our goal is to build a scalable business infrastructure that ensures management costs and workload do not increase proportionally as the business expands.

In our business, as the number of engineers increases, the workload associated with functions such as recruitment, sales, HR and labor affairs, and accounting also rises dramatically. If we continue to expand our operations using the same business processes as before, even if sales grow steadily, SG&A expenses will increase at the same rate. I believe that reexamining business processes themselves and shifting toward a business design that incorporates the use of systems and AI will lead to the productivity improvements outlined in this medium-term plan.

Regarding our initiatives through Q3, as previously mentioned, we established a corporate DX promotion department in June and replaced our core systems in July. Furthermore, since entering Q4, we have launched a project to boost sales productivity by redesigning our sales organization and operational processes.

We aim to create an environment where people can devote their time to higher-value-added tasks by standardizing or automating routine operations to boost productivity in sales, recruitment, and back-office functions. We would appreciate it if you could understand that we are currently moving forward in stages with our efforts toward company-wide BPR, taking it a step further than individual operational improvements.

Finally, regarding this timeline, since investments in systems and human resources will take precedence in the short term, I don't expect to see significant results or effects right away. In our medium-term management plan, we have designated the current fiscal year and the next as a phase of upfront investment, so we intend to steadily move forward with initiatives aimed at improving productivity alongside these investments. We expect the results of this investment to become apparent during the profit growth phase starting in the fiscal year after next.

Our ultimate goal is to decouple revenue growth from increases in SG&A expenses and establish a structure that allows us to improve profit margins over the medium to long term, even as we continue to expand our operations.

Participant [Q]: In this financial results presentation, items such as the dispatch of construction management engineers, the craftsman recruitment agency, and construction DX—which had previously been explained separately—have been consolidated into a single concept known as the "Construction Talent Platform." From an investor's perspective, I believe it is important to understand how each business is interconnected and what kind of revenue model and competitive advantage this ultimately leads to. Please tell me how I can assess the overall picture and progress of this project.

Shibata [A]: Thank you for your question.

Regarding the concept of a construction personnel platform that I briefly explained earlier, this is an area I wanted to highlight in these materials as a particularly important theme.

First and foremost, I want to make it clear that our goal is not simply to tack a few new business ventures onto our construction management staffing services to increase or expand our revenue. More broadly speaking, we aim to build a human resources infrastructure that supports the industry, with a focus on those working in the construction sector.

The construction industry is undoubtedly facing a future that demands solutions for labor shortages, an aging workforce, the need for improved productivity, and the transfer of skills—and "construction DX" is entering the picture amidst these challenges. In short, the industry is currently confronting a massive structural transformation.

Yet, ultimately, it is people who actually drive operations at construction sites. It is only when site supervisors, craftsmen, specialized contractors, general contractors, and subcontractors come together at each construction site that a building is actually constructed.

I believe that if we truly want to improve productivity in the construction industry, we need to do more than just introduce new systems; we must also significantly improve the flow of people throughout the industry—including understanding where specific people are located, what kind of experience and skills they possess, and where they can be most effective.

In that regard, I believe that our Nareru Group already possesses a very significant and distinctive asset. First, we have over 3,700 existing construction management engineers. We do business with a wide range of clients, from major general contractors to local general contractors and subcontractors.

Another distinctive feature—and one of our company's strengths—is that we are expanding our network of contacts with skilled craftsmen and specialized construction companies through the National Construction Personnel Association and Contract. As I mentioned earlier, the number of member companies has now exceeded 2,100. In addition, through partnerships with companies such as SkymatiX, Arent, and BRANU, initiatives have begun to support the practical implementation of these technologies in the field.

In short, the Nareru Group is now beginning to bring together these three pillars: talent, corporate networks, and technology. We have no intention of ever ending this as just another business venture. We aim to integrate construction staffing, construction management staffing, craftsman recruitment, DX talent, as well as implementation and onboarding support, and BPO—all under a single customer base and a single talent pool.

I believe it is important for our company to compile data on the career paths of these employees—specifically, what kind of education they have received, what qualifications they hold, and what kind of experience they have gained in various work settings—over the medium to long term.

If that happens, in the future, it won't just be about the traditional model of deciding who to assign to a project; instead, we'll be able to provide more precise support—such as determining where a particular person should be assigned next to foster their growth, which site will allow them to perform at their best, and what kind of person would be the best fit for the client. I believe we'll be able to provide such support with even greater precision in these areas, and I feel that this in itself will become one of our greatest strengths, leading our clients to specifically request our services.

If this becomes a reality, we believe it will be of tremendous value to both our clients and talent, and that partner companies will be able to access the necessary talent and skills more quickly and at the right time. From the workers' perspective, even if they change companies, the experience, qualifications, and skills they have accumulated will be properly recognized as valuable assets and will help them advance in their next career. From the perspective of the industry as a whole, this will enable the dwindling number of construction workers to achieve higher productivity in more suitable positions. That will become the human resources infrastructure that the construction industry needs—and that we are currently striving to build. We intend to develop the company into that kind of organization in the future.

Of course, this isn't something that will be completed overnight. However, we aren't starting this project from scratch. Building on the talent pool and customer base we have built up over many years through construction management staffing, we are now beginning to expand our network to include craftsman and specialized construction companies. As we forge partnerships with technology firms, we are also starting to implement BPO and DX solutions on-site.

I now believe that the individual points we have been accumulating have finally come together to form a line, and the time has come to expand this line into a plane.

To our investors, I would like to transform Nareru Group from a company evaluated merely by the number of engineers it dispatches into one judged by the extent to which we connect people and companies within the construction industry, enhance the value of individuals, and support the industry itself.

I apologize for the somewhat abstract nature of this answer, but one key point is my belief that—as a listed company—it is crucial for us to shift away from being valued based on the valuation multiples typical of construction site management staffing agencies and, instead, elevate our standing by demonstrating the broader value we create. Another key point, I believe, is whether we can create a system that ensures the construction industry itself continues to function—even as the population declines—and whether our company will be the one chosen to play a role in that system.

In terms of KPIs—one of the metrics used for evaluation—for the craftsman recruitment business, these naturally include the number of referrals, the number of direct-recruiting products implemented, and the unit price. Another source of revenue is the recurring revenue generated from onboarding support for personnel at various DX companies—specifically, the number of people onboarding each month and the corresponding revenue that accumulates—as large-scale projects are scheduled to begin in the next fiscal year.

Finally, regarding the BPO sector—a key area of focus—we intend to establish precise internal KPIs tracking metrics such as the number of projects, monthly revenue, and the number of project managers secured. Our goal is to prepare data that can be clearly disclosed as a distinct new business line—separate from our construction management dispatch services—starting next fiscal year.

Starting with our construction management staffing services, we intend to move forward with the goal of becoming a company that meets new industry needs while firmly strengthening our core business. We look forward to your continued support.

Moderator [M]: Since we've run out of time, we'll wrap up the Q&A session here.

Finally, President Shibata will deliver a few remarks. President Shibata, please go ahead.

Shibata [M]: Thank you very much for taking the time to join us today.

As I mentioned today, we still face challenges, and there are certainly areas that need improvement. We are firmly committed to strengthening our core business while also steadily moving forward with initiatives aimed at future growth.

As we look toward 2030, I am personally committed to ensuring that the Nareru Group grows significantly—by one or even two more levels—so that we can become a company that truly lives up to everyone's expectations.

We sincerely appreciate your continued understanding, support, and encouragement for the Nareru Group. Thank you.

[END]

Document Notes

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