

COMPANY RESEARCH AND ANALYSIS REPORT

Nareru Group Inc.

9163

Tokyo Stock Exchange Growth Market

13-Feb.-2026

FISCO Ltd. Analyst

Kentaro Miura



FISCO Ltd.

<https://www.fisco.co.jp>

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■ Summary

Results continue to improve, backed by construction and IT demand. Current medium-term management plan focuses on construction DX and actively returning profits

Nareru Group Inc. <9163> (hereafter, also “the Company”) is an engineer dispatching corporate group which is listed on the Tokyo Stock Exchange (TSE) Growth Market. Centering on World Corporation founded in 2008, it operates a Construction Solutions Business, which recruits and trains young, inexperienced human resources and dispatches them to construction sites, and an IT Solutions Business, which dispatches IT engineers. To address challenges such as labor shortages and improving productivity in the construction industry, it dispatches construction managing engineers and also operates unique businesses such as construction DX, which supports digital transformation at sites, and fee-charging employment placement services for craftworkers (skilled workers), for which it is one of only three licensed organizations in Japan. Under its new medium-term management plan Change and Growth 2030, it is pursuing the creation of high added value by combining training and dispatching of professional human resources with technology.

1. Overview of FY10/25 results

In the FY10/25 results, revenue increased 11.8% year on year (YoY) to ¥24,158mn, operating profit decreased 9.1% to ¥2,827mn, profit before tax declined 9.8% to ¥2,758mn, and profit attributable to owners of parent fell 4.6% to ¥2,086mn. While revenue achieved a new record high as the growth trend continued, profit was down for each profit line. The reason for this was that increased hiring expenses associated with active recruitment of engineers and higher personnel expenses due to increased staffing in the sales and recruitment departments squeezed into profits. Steady progress was made on raising the contract unit price and expanding the size of the business, but these growth investments weighed down profit, leading to higher revenue and lower profit.

2. FY10/26 forecasts

For the FY10/26 consolidated results, the Company expects both revenue and profit to increase, with revenue rising 21.1% YoY to ¥29,250mn, operating profit growing 6.5% to ¥3,010mn, profit before tax going up 6.6% to ¥2,940mn, and profit attributable to owners of parent increasing 0.1% to ¥2,090mn. It will be the first year of the medium-term management plan, during which the Company will prioritize growth investments such as increasing staff in the sales and recruitment departments. Profit growth will therefore be limited in 1H, but in 2H and beyond, profitability is expected to improve. To achieve the forecasts, the Company is working on improving its utilization rate and intends to strengthen its sales structure, broaden its sales area, and enhance construction DX.

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Summary

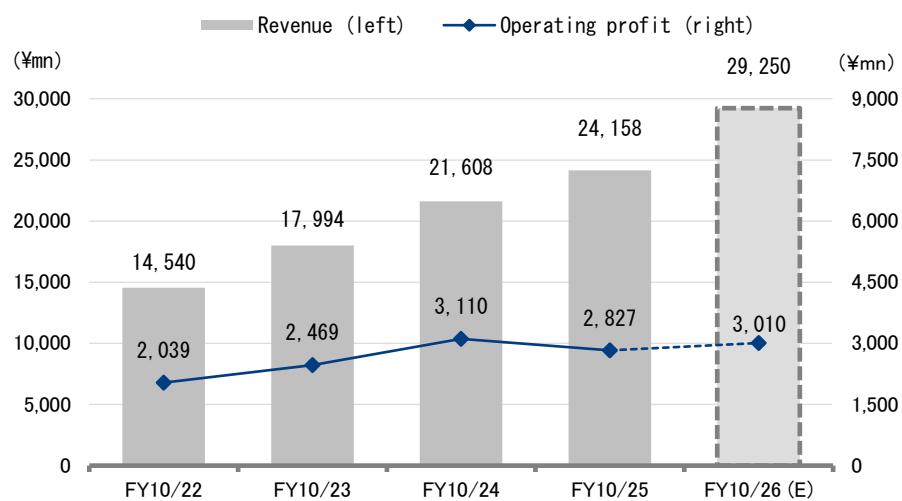
3. Medium-term management plan

The new medium-term management plan, Change and Growth 2030 (FY10/26–FY10/30), states that the Company's basic policy is to "support the future of the construction industry through people and technology." Furthermore, to address challenges in the construction industry such as labor shortages and productivity improvement, besides enhancing its core businesses, the Company plans to promote expansion of its construction DX and craftworkers recruitment businesses. For FY10/30, the final year of the plan, it has set the following quantitative targets: revenue of ¥50,000mn, operating profit of ¥5,000mn, ROE of 20% or more, and 8,000 engineers. In the first half of the plan, which is positioned as a period for establishing the basis for growth, it will prioritize investment. In the second half, it will engage in improving profitability and accelerating growth. The plan has been established based on organic growth only, but the Company will also actively consider M&A and does not intend to lower dividends during the period of the new medium-term management plan, which shows its stance on shareholder returns.

Key Points

- Leveraging its model of recruiting, training, and dispatching inexperienced engineers in the construction and IT fields as a strength
- The Construction Solutions Business, which is the primary source of earnings, is setting new record highs for revenue
- Creating high added value through the craftworkers recruitment business, construction DX, etc.
- The medium-term management plan's targets include revenue of ¥50,000mn in FY10/30
- Positive shareholder return policy of not lowering dividends during the period of the medium-term management plan

Results trends



Source: Prepared by FISCO from the Company's financial results

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Company profile

**Leading dispatcher of construction and IT engineers.
Pursuing solutions to industry challenges by expanding in the
construction DX and craftworkers recruitment fields**

1. Company profile

The Company is an engineer dispatching corporate group which is listed on the TSE Growth Market. Centering on World Corporation founded in 2008, it currently operates a Construction Solutions Business and an IT Solutions Business. The mainstay Construction Solutions Business has established a unique business model that recruits and trains young, inexperienced human resources and dispatches them to construction sites as construction managing engineers or CAD operators. In recent years, in order to address challenges in the construction industry such as labor shortages and productivity improvement, it has been expanding new businesses such as promoting construction DX (e.g., drone surveying) and fee-charging employment placement for craftworkers (skilled workers), for which it is one of only three licensed organizations in Japan.

Its mission is to “solve the increasingly serious shortage of professional human resources and make Japan a problem-solving advanced country.” The term “professional human resources” in particular expresses its intent to narrow down its business area to solving the problem of a lack of human resources with specialized skills. This focus on professional human resources differentiates it from other human resources firms.

Furthermore, it has outlined the following vision: “By combining the two technologies of IT and human resource development, we will provide and realize business transformation to increase productivity and development of stable supply of professional human resources to compensate for the decrease in the number of professional human resources.” This vision is founded on the idea of providing a “system that increases work productivity even if the number of professional human resources decreases” by combining human resources development with IT to scale the number of people who can be trained.

2. History

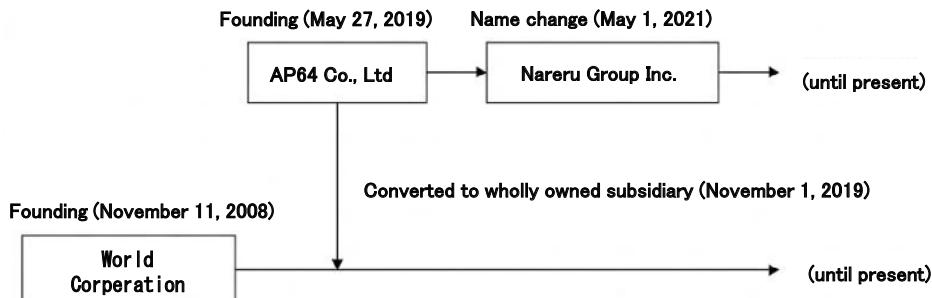
The Company is a holding company that operates and manages a corporate group centering on World Corporation (currently a consolidated subsidiary), which operates engineering dispatching business. The Company's representative director, Ryo Kobayashi, founded World Corporation in November 2008 mainly for the purpose of providing engineering dispatching services to the construction industry.

Subsequently, Advantage Partners, Inc. (AP), a leading Japanese private equity fund, established AP64 Co., Ltd. for pure investment purposes in May 2019. In November 2019, AP64 acquired all shares of World Corporation and made it a wholly owned subsidiary, then in May 2021 changed the name to Nareru Group Inc. and switched to a structure with the Company as a holding company. The Group's actual business operations are carried out by World Corporation.

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Company profile

History of the Company's founding



Source: Prepared by FISCO from the Company's securities reports and website

In the Company's history to date, there have been three notable turning points, as outlined below.

When it was initially founded, the Group's main business, World Corporation, was engaged in the business of dispatching experienced, work-ready construction managing engineers to construction sites. However, the Company deemed that it would be unable to meet market demand with experienced engineers only, so in 2012, it began pursuing a pioneering business model in the industry, which involved recruiting and training young, inexperienced human resources. At the time, dispatching inexperienced engineers was considered difficult, but the Company succeeded in meeting customer needs by carefully training them. The establishment of this business model was a major driver of its subsequent business growth.

Next, with the aim of achieving further growth and enhancing business management, the Company switched to a structure supported by AP. A receiving company (AP64) established by AP made World Corporation a wholly owned subsidiary, and the current Group structure was established under the Nareru Group name. Through this process, the Company purchased ATJC Co., Ltd., which is engaged in IT engineer dispatching, and pursued enhancement of its business management structure with the aim of listing, leading to an IPO.

More recently, the Company has announced that the current Senior Managing Director Naoki Shibata will replace founder Kobayashi as representative director on January 29, 2026. Some time has elapsed since the Company's listing, and in order to pursue sustainable growth and improved corporate value, the next generation of management will take command. The Company has been implementing careful succession planning and will adopt a structure in which Kobayashi continues to support management as chair of the Board of Directors.

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Company profile

History

Month and year	Main events
November 2008	Established World Corporation in Chiyoda Ward, Tokyo, for the purpose of dispatching engineers to the construction industry
May 2019	Advantage Partners, Inc. established AP64 Co., Ltd.
November 2019	AP64 made World Corporation a subsidiary (currently a consolidated subsidiary)
December 2020	World Corporation absorbed Office Arcs Ltd. via a merger for the purpose of offering services in the CAD field and construction drawing outsourcing when dispatching engineers to the construction industry
December 2020	AP64 Co., Ltd. made ATJC Co., Ltd. a subsidiary (currently a consolidated subsidiary) for the purpose of entering human resource dispatching in the IT industry
April 2021	World Corporation acquired employment placement-related business for craftworkers (skilled workers) from Mediotec Co., Ltd.
April 2021	Made the National Construction Contractors Association, which holds a license for fee-charging employment placement in the construction industry, a subsidiary for the purpose of entering the craftworkers recruitment business
May 2021	AP64 changed its name to Nareru Group Inc.
October 2021	Established Contralt Inc. as a subsidiary of World Corporation (currently a consolidated subsidiary) to operate a human resources platform for craftworkers
November 2021	Contralt acquired employment placement-related business from World Corporation
July 2023	Shares listed on the TSE Growth Market
September 2024	Subsidiary National Construction Contractors Association changed its name to the National Construction Personnel Association

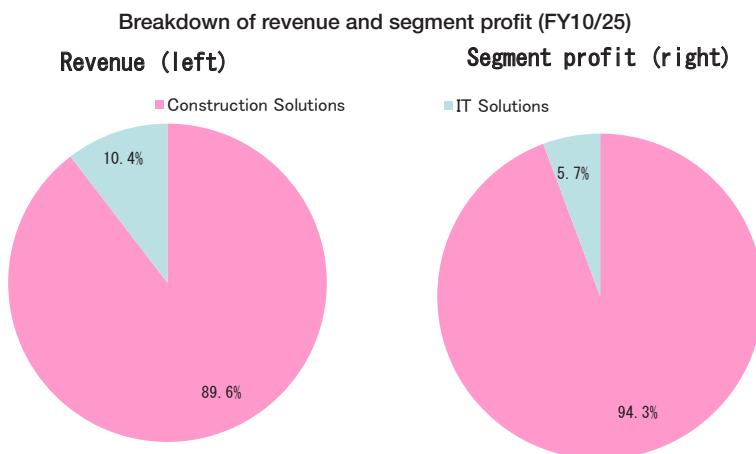
Source: Prepared by FISCO from the Company's securities reports and website

Business overview

Robust construction and DX demand boosts the Construction Solutions Business, which is the primary source of earnings

1. Business portfolio overview

The Company's business is comprised of two segments: the Construction Solutions Business and IT Solutions Business. The proportions of revenue in FY10/25 were 89.6% for the Construction Solutions Business and 10.4% for the IT Solutions Business, with the Construction Solutions Business accounting for 94.3% of segment profit and the IT Solutions Business for 5.7%. The Construction Solutions Business is therefore the primary source of earnings.



Source: Prepared by FISCO from the Company's financial results

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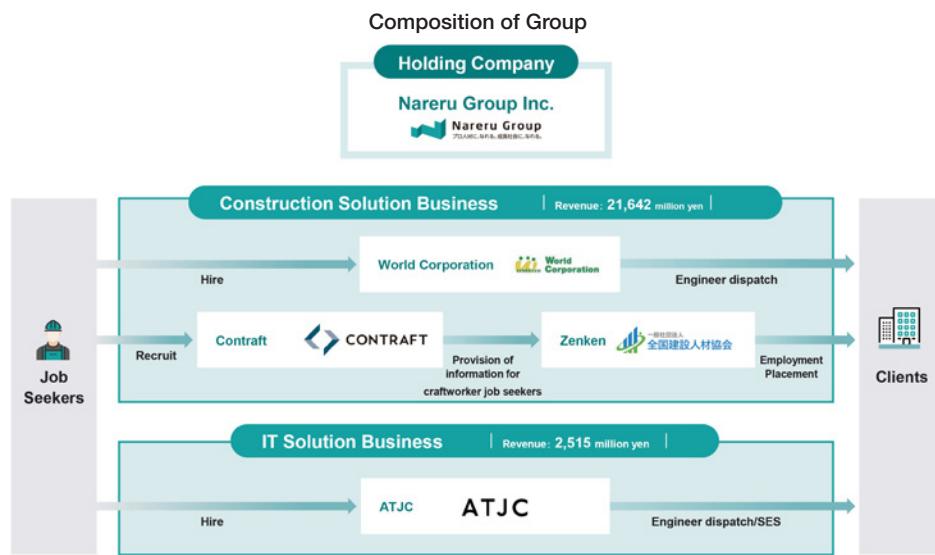
Business overview

The Group is comprised of the Company, which is the holding company, and World Corporation, Contrافت Inc., the National Construction Personnel Association, and ATJC.

The core of the Construction Solutions Business is World Corporation, which recruits and trains young, inexperienced engineers and dispatches them to construction sites as construction managing engineers. They play a role as site supervisors liaising between construction companies and craftworkers and help to resolve the labor shortage in the industry and improve productivity through construction DX. Furthermore, the Construction Solutions Business finds employment for craftworkers seeking jobs in collaboration with Contrافت and the National Construction Personnel Association.

Contrافت has established infrastructure for matching job seekers and companies in the construction industry by operating websites such as Jobken Work, playing a role in attracting customers and providing data by supplying information about job seekers it has acquired. Meanwhile, the National Construction Personnel Association engages in fee-charging employment placement of construction craftworkers (skilled workers) with government approval. It places craftworkers in employment based on information provided by Contrافت. Only three organizations in Japan are able to pursue this kind of craftworkers recruitment business with the permission of the Minister of Health, Labour and Welfare. One of them is the Company, which is a notable feature of its business.

Next, the IT Solutions Business, which centers on ATJC, trains inexperienced engineers and provides IT engineer dispatching and development support (system engineering services [SES]). It mainly focuses on downstream processes in a multi-tiered contracting structure, but lately it has been pursuing the acquisition of upstream process projects to improve profitability. With AI replacement risk in mind, it also aims to enter the construction DX field by leveraging its construction customer base, which is one of the Group's strengths, and to create company-wide synergies.



(*1) The sales revenue for each business is the figure for the fiscal year ending October 2025 (external sales after elimination of internal transactions).

Source: Created by FISCO from the Company's medium-term management plan (materials on business plan and growth potential)

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Business overview

2. Construction Solutions Business

The Construction Solutions Business is the Company's core business, accounting for around 90% of revenue and segment profit. Through human resources dispatching, staffing services, and construction DX, it provides solutions to two major issues facing the construction industry: severe labor shortages and the lag in productivity improvement. The business description is as follows.

(1) Construction engineer dispatching business

The Company's subsidiary World Corporation plays a central role in the business. It dispatches construction managing engineers who handle construction management (process, quality, and safety management) at construction sites to general contractors, etc. A notable feature of the Company's business is that it recruits and trains inexperienced engineers. Given that recruiting young and inexperienced personnel is extremely difficult in the construction human resources dispatching field, the Company has established a system for recruiting large numbers of inexperienced human resources from other industries then rapidly making them work-ready through its in-house training system. Based on this, it has built up a pool of engineers who are mainly in their 20s and established a system enabling it to continuously supply human resources to construction sites as the aging of society advances. Dispatching covers key fields such as construction, civil engineering, air-conditioning and plumbing, and electrical equipment.

(2) Craftworkers recruitment business

In the craftworkers (skilled workers) market, which is regulated by strict laws, the Company provides staffing services via its own unique scheme. At present, dispatching of craftworkers in the construction industry is subject to legal restrictions, so Contralt attracts (recruits) craftworkers seeking work via channels such as the Jobken Work online platform. It also provides information about job seekers that it collects to the National Construction Personnel Association, which is owned by the Company. There are only three organizations in Japan which have received approval from the Minister of Health, Labour and Welfare allowing them to provide fee-charging employment placement services for craftworkers, one of which is this Association. With the Association acting as an intermediary, the Company is able to refer craftworkers to local general contractors and specialized construction firms.

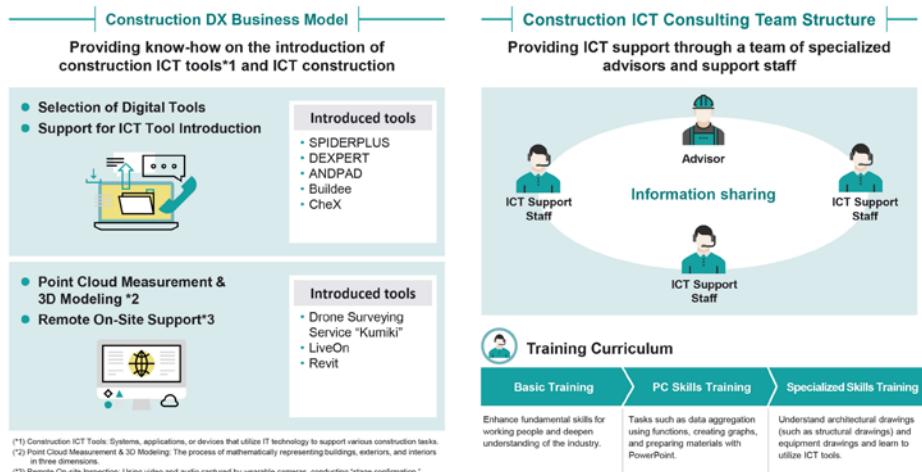
(3) Construction DX business

The Company not only supplies labor—it also pursues construction DX to improve site productivity. Specifically, it trains and dispatches DX human resources with an excellent command of ICT tools like CAD, process management software, and drone surveying, thereby supporting digital transformation at construction sites, where analog tasks are common. Working in collaboration with the IT Solutions Business, it provides accompanied support for everything from system installation to operation, while seeking to simultaneously improve the unit price for engineers and enhance customers' operational efficiency.

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Business overview

Construction DX business



Source: The Company's medium-term management plan (materials related to business plan and growth potential)

The biggest strength of this business is the Company's expertise in recruiting and training young, inexperienced human resources that it has accumulated over more than 13 years. During recruitment, it does not simply present the job; it motivates applicants by carefully explaining about the appeal of acquiring national certification as a construction managing engineer and career-building based on acquiring a trade. By doing this, it has succeeded in acquiring a workforce centered on the younger generation. Furthermore, it has established a model that efficiently builds up the candidate population through collaboration with recruitment media outlets and many employment agencies rather than using mass media, thereby maintaining stable recruitment numbers even when other companies are struggling to hire human resources.

Moreover, when recruiting inexperienced engineers, another earnings-related strength is that the model includes room for unit price improvement. Even if personnel are initially assigned to customers at a low price, they will develop their skills through training and the unit price that the Company charges customers will increase. The Company has established a training method for young human resources and provides training based on engineers' years of experience. Specifically, in their first year, inexperienced engineers receive basic skills training (basic knowledge about the construction industry, specialized terminology, basic social skills, etc.). In their second and third year, engineers receive basic training on specialized skills (training on basic skills preparing them for their next project based on the experience acquired on the first project to which they were assigned). In their fourth to sixth years, they receive practical training on specialized skills (training with acquiring certifications such as first-class architect and construction managing engineer in mind while handling more specialized projects). In their seventh year and beyond, they receive specialized skills training (skills for leading projects as a key figure at construction sites). As they acquire skills, engineers are able to tackle more advanced projects. This approach facilitates the creation of a virtuous cycle in which developing human resources and raising the contract unit price go hand in hand.

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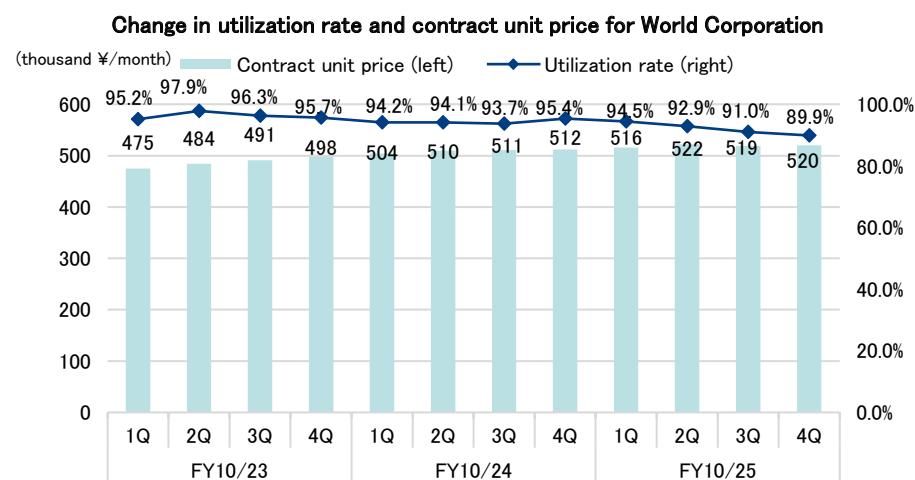
Business overview

In addition, the Company has undertaken construction DX initiatives in recent years. With improvement of productivity at construction sites becoming a pressing issue, the Company is promoting construction DX based on both human resources and technology. Many construction DX tools (e.g., SPIDERPLUS) have appeared on the market, but at present, software development firms do not have the resources to support their introduction at sites. The Company supports the implementation of tools and improvement of productivity at sites by dispatching construction managing engineers who are proficient with DX tools. While there is a risk that general office work and IT-related tasks will be replaced by AI in the future, it is difficult for management tasks at construction sites to be replaced and there is a strong need for human resources with DX skills, so creating high added value in this way will provide a competitive advantage in the future.

The main KPIs for this business are contract unit price, utilization rate, new hires, job leavers, and turnover rate. The contract unit price is rising due to the virtuous cycle based on recruiting and training inexperienced engineers. In 4Q FY10/25, the average annual contract unit price was ¥520,000, an increase of ¥22,000 from ¥498,000 in 4Q FY10/23. Thanks to the impact of inflation and the labor shortage, it is continuing to trend upward.

The utilization rate was 89.9% in 4Q FY10/25, continuing a gradual downward trend from 4Q FY10/23, when it was 95.7%. While demand in the construction industry as a whole is firm, general contractors are being selective about the orders they accept, with a focus on profitability, due to soaring material and personnel costs. There are cases where they are postponing taking orders if the order price does not cover their cost increases or stopping or delaying large redevelopment projects. As a result, demand for dispatching of human resources has dipped temporarily, which is likely having an impact on the utilization rate. The Company views improving the utilization rate as an urgent issue and has recently been working to improve its sales activities.

The turnover rate was 31.1% in 4Q FY10/25, which is a high level compared to other industries, but this is impacted by the fact that the Company recruits inexperienced engineers. On the other hand, based on the level in the previous two fiscal years, which remained broadly in the vicinity of 30%, there has been no major change. The Company may therefore be viewed as maintaining steady recruitment. Furthermore, in the past three years, new hires exceeded job leavers in each quarter, which shows that steady acquisition of human resources is contributing to growth of the business.



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Source: Prepared by FISCO from the Company's results briefing materials

3. IT Solutions Business

The IT Solutions Business dispatches human resources such as IT engineers for development projects or infrastructure management tasks at systems integrators or the like and undertakes work based on SES contracts. It mainly handles web application development using programming languages such as Java and Python and building, operation, and maintenance of IT infrastructure such as AWS.

While pursuing low-cost recruitment and contract unit price improvement by deploying the recruitment expertise and human resources training method established by the Group, the Company is working to strengthen its sales activities and technical capabilities with the aim of acquiring orders for upstream process projects in the system development field and directly undertaking system development contracts.

This business is handled by the Company's subsidiary ATJC. ATJC has developed a business model whereby it hires and trains inexperienced engineers and dispatches them to system development companies as IT engineers as well as providing SES. The basic business structure is the same as the Construction Solutions Business, and its biggest strength is its system for recruiting, training, and dispatching inexperienced engineers. The recruitment expertise accumulated by the Group as a whole has been transplanted to ATJC as well, enabling it to recruit large numbers of engineers at a low cost. Furthermore, while the initial base contract unit price is low because engineers start out inexperienced, they will develop their skills through training, leading to increased contract unit prices. As in the Construction Solutions Business, this room for unit price improvement helps enhance profitability.

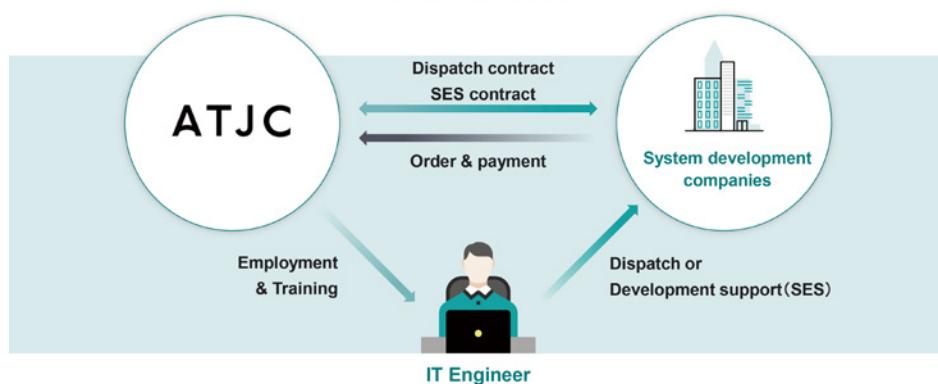
However, the business is currently positioned as handling downstream processes (e.g., testers) in a multi-tiered contracting structure and has not yet reached the high-added value areas of DX demand. With downstream processes alone, there are limits to developing engineers' skills and improving added value, so the Company is currently focusing on acquiring upstream process projects so that it can receive orders directly from systems integrators. Recently, the contract unit price has actually been trending upward in conjunction with human resources training, but in the future, it is expected that the business will create higher added value. The Company therefore plans to pursue company-wide synergy effects by creating high added value and seeking earnings opportunities from a construction DX standpoint.

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Business overview

ATJC's business model

Business Model

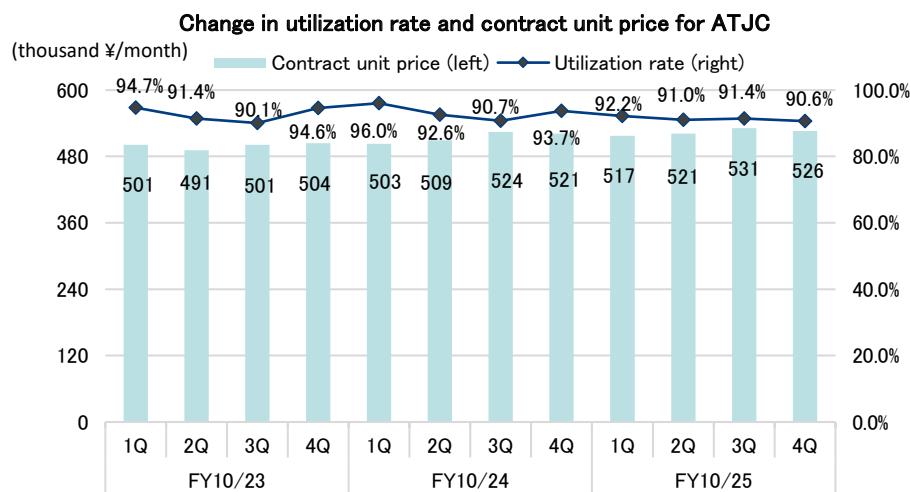


Source: The Company's medium-term management plan (materials related to business plan and growth potential)

In this business as well, the main KPIs are utilization rate, contract unit price, turnover rate, new hires, and job leavers. The contract unit price is rising due to the virtuous cycle based on recruiting and training inexperienced engineers. In 4Q FY10/25, the average annual contract unit price was ¥526,000, an increase of ¥22,000 from ¥504,000 in 4Q FY10/23. Thanks to the impact of inflation and DX demand, it is continuing to trend upward, as in the Construction Solutions Business.

The utilization rate was 90.6% in 4Q FY10/25, which is slightly worse than 4Q FY10/23, when it was 94.6%. With recruitment progressing strongly, utilization has decreased slightly as a result, but as in the Construction Solutions Business, the Company has recently been strengthening its sales activities.

The turnover rate was 23.6% in 4Q FY10/25. This is a relatively low level compared to the Construction Solutions Business. Based on the level remaining broadly around 20% in the previous two fiscal years, there has been no major change, and the Company may be viewed as maintaining steady recruitment.

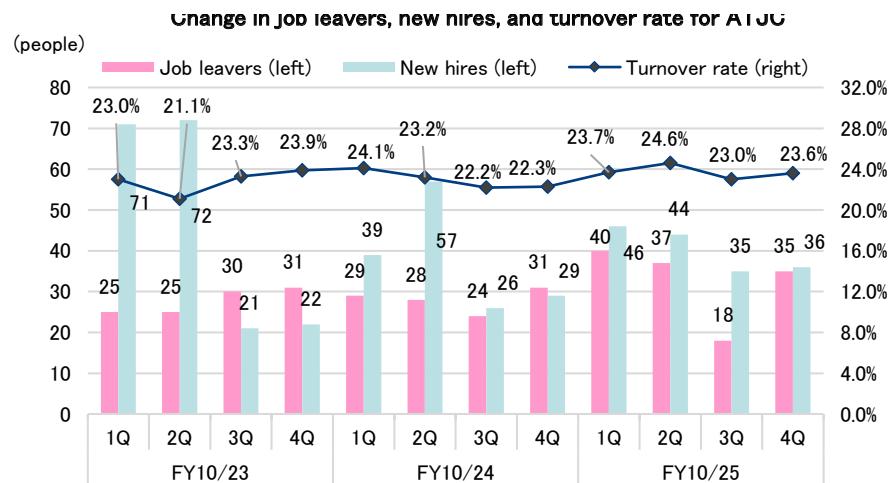


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Results trends

Achieved new record highs for revenue and profit, maintaining growth trend

1. Overview of FY10/25 results

In the FY10/25 results, revenue increased 11.8% YoY to ¥24,158mn, operating profit decreased 9.1% to ¥2,827mn, profit before tax declined 9.8% to ¥2,758mn, and profit attributable to owners of parent fell 4.6% to ¥2,086mn. Revenue achieved a new record high as the growth trend continued. However, operating profit, profit before tax, and profit attributable to owners of parent decreased due to increased hiring expenses associated with active recruitment of engineers as a growth investment and increased staffing in the sales and recruitment departments.

FY10/25 results

	FY10/25 results				(¥mn)	
	FY10/24		FY10/25		Change amount	% change
	Result	% of sales	Result	% of sales		
Revenue	21,608	-	24,158	-	2,550	11.8%
Construction Solutions	19,347	89.5%	21,642	89.6%	2,295	11.9%
IT Solutions	2,261	10.5%	2,515	10.4%	254	11.2%
SG&A expenses	2,845	13.2%	3,369	13.9%	523	18.4%
Operating profit	3,110	14.4%	2,827	11.7%	-283	-9.1%
Construction Solutions	2,607	10.7%	2,247	10.4%	360	-13.8%
IT Solutions	147	6.5%	135	5.4%	-12	-8.4%
Adjustment amount	355	-	444	-	-	-
Profit before tax	3,059	14.2%	2,758	11.4%	-300	-9.8%
Profit attributable to owners of parent	2,187	10.1%	2,086	8.6%	-100	-4.6%

Source: Prepared by FISCO from the Company's financial results

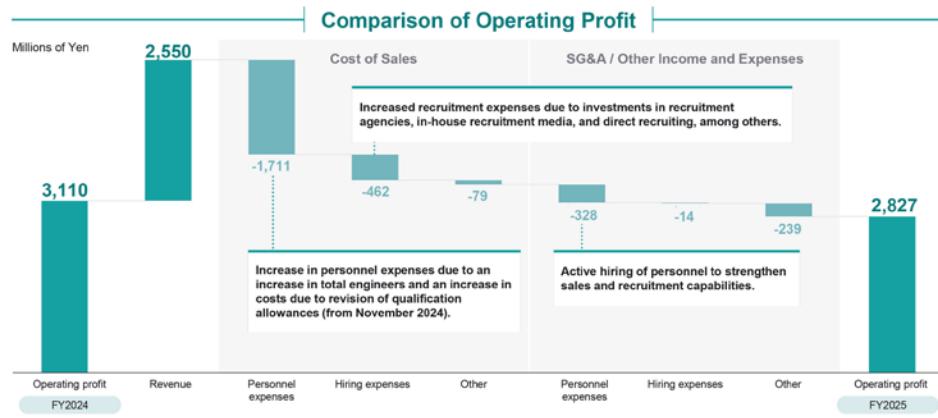
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Results trends

With regard to the change in operating profit, there was a ¥2,550mn increase in revenue but a decrease of ¥2,039mn due to personnel expenses for engineers and sales and recruitment human resources, a ¥476mn decrease due to recruitment expenses, and a ¥318mn decrease due to other costs, etc. This resulted in a ¥283mn decrease in operating profit. While unit prices increased and sales grew overall, recruitment activities aimed at future business growth weighed profits down, leading to higher revenue and lower profit.

Analysis of factors behind change in operating profit



Increased revenue and slight decrease in utilization rate in both Construction Solutions and IT Solutions

2. Trends by segment

(1) Construction Solutions Business

Revenue in this business increased 11.9% YoY to ¥21,642mn and segment profit decreased 13.8% to ¥2,247mn. The average utilization rate during the fiscal year (excluding trainees) was 92.6%, which is 1.6 percentage points (pp) worse than the previous fiscal year. Meanwhile, the annual average contract unit price during the fiscal year was ¥519,000, up ¥9,000 yen from the previous fiscal year. Due to soaring material and personnel costs, general contractors are being selective about the orders they accept, with a focus on profitability. Demand for dispatching of construction engineers is therefore sluggish, leading to a drop in the utilization rate. The Company has been working to enhance sales, including broadening its sales area from its previous focus on urban centers to a wider area.

(2) IT Solutions Business

Revenue rose 11.2% YoY to ¥2,515mn and segment profit fell 8.4% to ¥135mn. The average utilization rate during the fiscal year (excluding trainees) was 92.2%, which is 1.7pp worse than the previous fiscal year, but the annual average contract unit price during the fiscal year was ¥524,000, up ¥9,000 yen from the previous fiscal year. Along with an increase in the contract unit price in light of acquiring upstream process contracts in the system development field, an increase in active engineers contributed to business growth.

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Results trends

3. Financial position and management indicators

Looking at the financial position in FY10/25, total assets grew ¥944mn from the end of the previous fiscal year to ¥24,562mn. Breaking down the main factors in this, for current assets there was a ¥305mn increase in cash and cash equivalents and a ¥162mn increase in trade receivables. Non-current assets were ¥401mn, while right-of-use assets were ¥160mn.

Total liabilities decreased ¥93mn to ¥10,083mn. While borrowings decreased ¥714mn, funds raised when acquiring World Corporation's shares are being repaid on a regular basis. The total balance of borrowings at the end of the fiscal year was ¥4,857mn.

Due to the accumulation of profit, total equity attributable to owners of parent stood at ¥14,478mn, an increase of ¥1,038mn compared to the end of the previous fiscal year. Cash and cash equivalents increased to ¥4,822mn, and when future loan repayments are factored in as well, liquid on hand is at an adequate level.

The ratio of total equity attributable to owners of parent to total assets remained healthy at 58.9%, up 2.0pp YoY. The interest-bearing debt to equity ratio also improved 0.08 times from the end of the previous fiscal year to 0.34 times, as deleveraging following M&A progressed steadily.

However, to understand the Company's finances, it is important to recognize that ¥14,074mn, or around 60%, of the ¥24,562mn in total assets was recorded as goodwill. This mainly derives from making World Corporation a subsidiary in 2019. Due to the adoption of the International Financial Reporting Standards (IFRS), impairment testing is conducted each fiscal year rather than using straight-line depreciation. The breakdown of goodwill is ¥12,988mn for the Construction Solutions Business and ¥1,086mn for the IT Solutions Business. Recently, the recoverable amount has been well above the book value and there are no indications of impairment, but if profitability declines in the future due to not achieving the business plan, interest rates rising, etc., it is possible that impairment loss will occur and impact the Company's financial base.

Specifically, according to a sensitivity analysis included in the securities report for FY10/24, if a significant worsening of the underlying premises occurred in the mainstay Construction Solutions Business, such as the discount rate rising 10.7pp or cash flow decreasing 53.8%, the recoverable amount could become equivalent to the book value. Based on recent conditions, the likelihood of this happening is fairly low, but it should be noted as a downside risk.

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Results trends

Consolidated statement of financial position and key management indicators

	End of FY10/22	End of FY10/23	End of FY10/24	End of FY10/25	(¥mn) Change amount
Current assets	4,877	7,060	7,926	8,469	542
Cash and cash equivalents	2,283	4,083	4,516	4,822	305
Trade receivables	2,297	2,766	3,204	3,366	162
Non-current assets	15,278	15,444	15,690	16,092	401
Plant, property and equipment	165	170	178	211	32
Goodwill	14,074	14,074	14,074	14,074	-
Right-of-use assets	309	357	597	757	160
Total assets	20,155	22,505	23,617	24,562	944
Current liabilities	5,533	6,287	6,516	6,874	357
Borrowings	2,714	2,714	2,714	2,714	-
Other current assets	5,533	6,287	2,952	3,153	200
Non-current liabilities	4,689	4,040	3,659	3,208	-451
Borrowings	4,285	3,571	2,857	2,142	-714
Total liabilities	10,222	10,327	10,176	10,083	-93
Interest-bearing ratio	7,000	6,285	5,571	4,857	-714
Total equity attributable to owners of parent	9,933	12,177	13,440	14,478	1,038
Soundness					
Ratio of total equity attributable to owners of parent to total assets	49.3%	54.1%	56.9%	58.9%	2.0pp
Interest-bearing debt to equity ratio	0.70 times	0.52 times	0.41 times	0.34 times	-0.08 times

Source: Prepared by FISCO from the Company's financial results

Outlook

Higher revenue and profit forecast in FY10/26 with ongoing growth investment

1. FY10/26 forecasts

For the FY10/26 consolidated results, the Company expects both revenue and profit to increase, with revenue rising 21.1% YoY to ¥29,250mn, operating profit growing 6.5% to ¥3,010mn, profit before tax going up 6.6% to ¥2,940mn, and profit attributable to owners of parent increasing 0.1% to ¥2,090mn.

FY10/26 forecasts

	FY10/25		FY10/26		(¥mn)
	Result	% of revenue	Forecast	% of revenue	Change amount
Revenue	24,158	-	29,250	-	21.1%
Operating profit	2,827	11.7%	3,010	10.3%	6.5%
Profit before tax	2,758	11.4%	2,940	10.1%	6.6%
Profit attributable to owners of parent	2,086	8.6%	2,090	7.1%	0.1%
Earnings per share (¥)	238.74		238.88		

Source: Prepared by FISCO from the Company's financial results

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Outlook

With this fiscal year being the first year of the medium-term management plan, the Company will pursue growth investments, including strengthening its structure (e.g., in the sales and recruitment departments). This will weigh down operating profit and other profit lines in 1H, but in 2H and beyond, profitability is expected to trend upward. With regard to revenue, top-line growth is expected to continue due to efforts to improve the number of total engineers and the utilization rate.

In terms of the main KPIs, total engineers at the end of the fiscal year is expected to rise 21.4% YoY to 4,476, active engineers at the end of the fiscal year to increase 30.8% to 4,247, new hires to grow 25.9% to 2,500, the average utilization rate to rise 1.2pp to 93.8%, and the turnover rate to improve 3.2pp to 27.9%.

To achieve the plan for the current fiscal year, the most important factor is improving the utilization rate. General contractors are being selective about the orders they accept, with a focus on profitability, and the Company is working to strengthen its sales structure. It is promoting the construction DX field and broadening its area beyond urban centers, and a substantial recovery in the utilization rate may therefore be expected.

Along with expanding its existing businesses, the Company aims to grow the construction DX and craftworkers recruitment businesses

2. Medium-term management plan

(1) Medium-term management plan Change and Growth 2030

In its medium-term management plan Change and Growth 2030 (FY10/26–FY10/30), the Company states that its basic policy is to “support the future of the construction industry through people and technology.” It will contribute to the sustainable development of the construction industry through initiatives that directly address the labor shortage and lag in improving productivity, which are two major challenges facing the industry, and human resources dispatching, employment placement, and DX solutions. Furthermore, it aims to be a force supporting Japanese society as a whole, not just the construction industry, by encouraging the growth of each employee and giving back to society through the use of their skills.

(2) Growth strategy in medium-term management plan

To achieve the medium-term management plan, the Company will pursue the following four priority items.

1) Improving competitiveness of core business

The Company intends to achieve stable growth of the construction engineer dispatching business by strengthening its recruitment, sales, and retention support functions. Specifically, it will build up its candidate population using various recruitment methods, reform its sales processes, and expand its Zero Pro Growth Cycle training program. In the Zero Pro Growth Cycle, it will support engineers' growth by enhancing the training system, introducing a career change program and in-house assessment, etc.

Improving the utilization rate by enhancing sales activities is currently a pressing issue. While large-scale projects in urban areas are stagnating, there is a lot of demand in suburban areas and the Company seems to be expanding its sales area. By doing this, it will win projects that it was previously unable to take on, which is expected to improve the human resource utilization rate.

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Outlook

2) Promoting construction DX

To support improving productivity at construction sites, the Company intends to collaborate with construction DX companies and create synergies with the IT Solutions Business (ATJC) within the Group. It will train human resources with DX skills, who will support the introduction and operation of ICT tools at construction sites. Construction DX is a field where the Company can easily create high added value that differentiates it from other companies. While sales have already reached a certain level, it is expected to be a driver of growth in the future.

3) Expanding craftworkers recruitment business

The Company will strengthen its matching base and accelerate the market penetration of its existing craftworkers recruitment service while developing new services such as direct recruiting and dispatching for local general contractors. Since demand for craftworkers is stronger than demand for construction managing engineers at construction sites, there is considerable potential for monetizing this field in the future, as new entrants will be limited due to legal restrictions and other factors.

4) Productivity improvement

The Company aims to improve its internal productivity by using digital technology and reforming its business. It will pursue business process transformation through the use of AI and improve matching accuracy by updating its core systems. For example, it will be possible to develop an environment that enables sales personnel to concentrate on essential sales activities through updating the core systems, which will improve productivity.

(3) Financial targets and progress status

For FY10/30, the final year of the plan, the Company has set the following targets: revenue of ¥50,000mn (CAGR of 15% or more), operating profit of ¥5,000mn, operating profit margin of 10.0%, ROE of 20% or more, and 8,000 engineers.

The medium-term management plan was announced in December 2025, outlining ambitious targets for revenue, operating profit, ROE, etc. In terms of the roadmap for growth, the period of the plan is divided into a “Period for building a growth foundation (Change)” in the first half (FY10/26–FY10/27) and a “Period of profitability improvement and accelerated growth (Growth)” in the second half (FY10/28–FY10/30). In the first half, the Company will prioritize growth investments to build a solid foundation for the future, while in the second half, it will accelerate the growth of construction DX and the craftworkers recruitment business with the aim of improving profitability.

The plan is to be achieved through organic growth only and does not include additional effects from investments such as M&A. However, the Company has continued to pursue M&A in the past, and going forward, it seems that it will actively consider it in fields that will contribute to construction solutions and DX.

Quantitative targets in medium-term management plan

	(¥mn))		
	FY10/25 (result)	FY10/26 (forecast)	FY10/30 (target)
Revenue	24,158	29,250	50,000 or more
Operating profit	2,827	3,310	5,000 or more
Operating profit margin	11.7%	11.3%	10% or more
ROE	14.9%	7.6%	20% or more
Number of engineers	3,687	4,476	8,000 or more

Source: Prepared by FISCO from the Company's medium-term management plan (materials related to business plan and growth potential)

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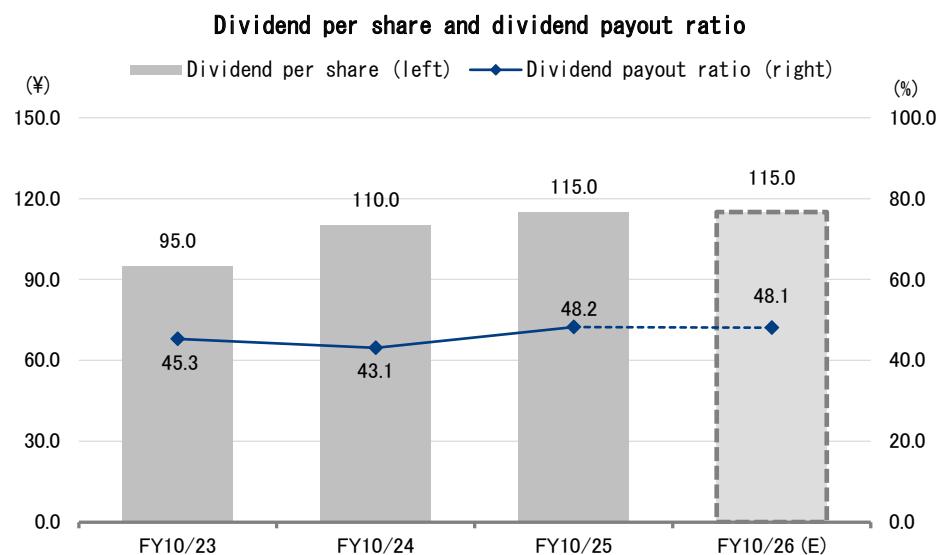
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Shareholder return policy

Maintaining stable dividends with no decreases during the period of the medium-term management plan (FY10/26–FY10/30)

The dividend for FY10/26 is expected to be ¥115.0 (dividend payout ratio of 48.1%), which is the same as the previous fiscal year. The Company will continue to pay stable dividends with no decreases during the period of the medium-term management plan (FY10/26–FY10/30). The stable dividend and forecast dividend payout ratio of 48.1% for the current fiscal year demonstrate that the Company is actively focusing on returning profits to shareholders, which is likely a factor shoring up its share prices.

In addition, the Company has indicated its approach to cash allocation. It will actively invest in growth based on a medium- to long-term perspective with the aim of continuous value improvement. Furthermore, while prioritizing shareholder returns focused on stable dividends, it will strive to decrease interest-bearing ratio for the purpose of enhancing its financial base.



Source: Prepared by FISCO from the Company's financial results

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■ For inquiries, please contact: ■
FISCO Ltd.
5-13-3 Minami Aoyama, Minato-ku, Tokyo, Japan 107-0062
Phone: 03-5774-2443 (IR Consulting Business Division)
Email: support@fisco.co.jp