

COMPANY RESEARCH AND ANALYSIS REPORT

Nareru Group Inc.

9163

Tokyo Stock Exchange Growth Market

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FISCO Ltd. Analyst

Taizo Yamamoto



FISCO Ltd.

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

Nareru Group Inc. Research Memo: Return to profit growth from 3Q in line with expectations; strategic investments to achieve Medium-term Management Plan targets

Nareru Group Inc. <9163> (hereafter, also “the Company”) announced its 3Q FY10/26 results on September 11, 2026. The results were generally in line with previous guidance, showing a decline in profit due to strategic investments aimed at achieving the Medium-term Management Plan, although profit ultimately exceeded the plan. The Company is a corporate group engaged in engineer dispatching. 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 productivity improvement 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 organizations in Japan licensed to provide such services. Under its new Medium-term Management Plan “Change and Growth 2030,” the Company is promoting higher value-added services by integrating the training and dispatching of professional human resources with technology.

Profit decline in line with previous guidance; profitability also improving from 2H onward as expected

1. Overview of 3Q FY10/26 results

In the 3Q results announced on September 11, 2026, revenue increased 7.3% year on year (YoY) to ¥19,229mn, while operating profit decreased 2.6% to ¥2,203mn. Although the decline in profit followed strategic investments in recruitment and sales structure enhancement—in line with previous guidance—operating profit is tracking above plan, according to the Company. These strategic investments are aimed at future unit price increases and DX expansion. Rather than indicating a decline in structural profitability, they represent a phase of building the foundation for medium- to long-term revenue growth. By segment, in the Construction Solutions Business, the Company’s core business, revenue increased 8.1% YoY to ¥17,350mn and segment profit decreased 4.4% to ¥1,737mn, while total engineers increased by 120 persons to 3,719 persons, the utilization ratio was unchanged quarter on quarter (QoQ) at 91.9% (although it has been improving since bottoming out in May, rising to 93.0% in July), and the turnover rate increased 0.7 percentage points (pp) QoQ to 34.0%. Contract unit prices have shown a consistent upward trend on a quarterly basis (¥520,000 in 1Q → ¥525,000 in 2Q → ¥528,000 in 3Q), driven by skill improvements and expansion into high-value-added areas. In the IT Solutions Business, revenue decreased 0.2% YoY to ¥1,879mn while segment profit increased 37.0% to ¥153mn, total engineers decreased by 38 persons to 389 persons, the utilization ratio fell 0.7pp QoQ to 91.6%, and the turnover rate increased 2.4pp QoQ to 25.6%. The Company is also making progress in winning projects in the construction DX and BPO areas, and is advancing a transition from a revenue structure centered on conventional staffing services to a business structure that incorporates high-value-added areas. Meanwhile, in the core business, improving the utilization ratio and retention rate will be key to continued growth.

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 and operating profit growing 6.5% to ¥3,010mn. As FY10/26 is the first fiscal year of the Medium-term Management Plan, the Company has prioritized growth investments such as increasing staff in the sales and recruitment departments. Profit growth was therefore limited in 1H, but revenue growth has started to become evident from 2H onward as the utilization ratio and unit prices improve. To achieve the plan's targets, the Company will improve its utilization ratio, strengthen its sales structure, broaden its sales area, and enhance construction DX, aiming for further improvement toward the fiscal year-end. Although profit through 3Q has been tracking above plan, the forecasts have been left unchanged at this point. The Company states that it will carefully review its full-year outlook based on factors such as business progress in 4Q and the implementation status of growth investments.

Operating profit targeted at ¥5.0bn by FY10/30 following an investment phase through next fiscal year

3. Medium- to long-term growth strategy and shareholder returns

The new Medium-term Management Plan "Change and Growth 2030" (FY10/26–FY10/30) states that the Company's basic policy is "Supporting 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, in addition to strengthening its core businesses, the Company plans to promote expansion of its construction DX and craftworker recruitment business. For FY10/30, the final fiscal year of the plan, it has set the following quantitative targets: revenue of ¥50,000mn, operating profit of ¥5,000mn, ROE of 20% or above, and 8,000 engineers. In the first half of the plan, which is positioned as a phase for building a foundation for growth, it will prioritize investment. In the second half, it will engage in improving profitability and accelerating growth. The plan is based solely on organic growth, but the Company will also actively consider M&A. It intends not to reduce dividends throughout the plan period, with the dividend yield currently above approximately 4.8%, reflecting its stance on shareholder returns. Furthermore, in addition to forming a business alliance with Arent <5254>, a firm primarily engaged in DX consulting for the construction industry, to strategically expand its implementation-based construction DX model, the Company has also strengthened its partnership with SkymatiX, Inc., which provides "Kumiki," a system that automatically generates 3D bird's-eye views and terrain data from images captured by drones and other devices and enables simple surveying and calculations in the cloud, following a business alliance and on-site implementation. In addition to working to alleviate labor shortages and improve productivity at construction sites through a business alliance with BRANU, which operates a construction DX platform business, the Company has established the Corporate DX Promotion Department to drive Company-wide business process reform and digital utilization, with the aim of improving productivity and strengthening its operational foundation toward realizing its Medium-term Management Plan. In these and other ways, the Company is stepping up initiatives to improve productivity.

4. Stock price

The initiatives to achieve the Medium-term Management Plan have only just begun. Future focus will be on monitoring progress in key areas, such as improving the utilization ratio (91.3% in 1Q → 91.9% in 2Q → 91.9% in 3Q → 93.8% for the FY10/26 plan), reducing the turnover rate (32.8% in 1Q → 33.3% in 2Q → 34.0% in 3Q → 27.9% for the FY10/26 plan), and DX- and BPO-related revenue, which is currently in the initial implementation phase and is targeted to account for 20% of revenue in FY10/30. If achievement of the Medium-term Management Plan comes into view, a market capitalization of approximately ¥45.0bn—based on a PER of 15 times applied to earnings in the final fiscal year of the plan—should become achievable (compared with the current ¥21.0bn). The Company's profitability and growth potential, which rank among the highest in the industry, are also likely to be recognized by the market.

Key Points

- Developing multi-faceted DX support focused on the construction industry
- Ensuring profit growth in FY10/26 despite pressure on earnings from upfront investments, supported by a favorable business environment
- Aiming for revenue of ¥50.0bn and operating profit of ¥5.0bn in FY10/30
- Market capitalization is estimated to exceed ¥45.0bn if Medium-term Management Plan targets come into view

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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