

Sportsfield (TYO: 7080)

A good start in 1Q of FY 12/2023 (Jan-Mar 2023)

Summary

Company profile

◇ **Sportsfield Corporation Ltd.** provides placement-related services to sports human capital nationwide. It is listed on the TSE Growth Market. FY12/2022 results were sales of 2.87 billion yen and a recurring profit of 0.63 billion yen. The current medium-term management plan aims to achieve sales of 3.60 billion yen and a recurring profit of 0.77 billion yen in FY12/2024.

◇ **Specialised in recruiting sports talents and leading the market with a distinctive sales style:** Sportsfield's primary business is placement-related services for newly graduating sports students, particularly those belonging to college athletic teams. The market is estimated to be around 50,000 people nationwide per academic year. The company has established a system of analogue support provided by sales employees, most of whom have sports experience. The number of registered job seekers has grown to over 20,000 every year. The company also operates a well-established business with companies that wish to recruit sports human capital and is believed to be securing a leading position in a specific market.

◇ **Main business:** Sales comprise (FY12/2022) 39% of New Graduate Events for new graduates belonging to college athletic teams (fees are received from exhibiting companies), 30% of New Graduate Placement Support business for newly graduating athletic students and students with other sports experience (provides employment counselling to students, introduces them to employing companies and receives a recruitment consulting fee from companies after a job offer is accepted), and Graduate Placement Support business (provides employment counselling to sports graduates, introduces them to employers and receives a placement fee from companies as a performance reward).

1Q of FY2023 update

◇ **1Q results have endorsed high growth:** FY12/2023 results confirmed the continuation of the business expansion trend that began in the previous year. Net sales were 920 million yen (+19% YoY), operating profit was 320 million yen (+36% YoY), ordinary profit was 310 million yen (+36% YoY). Net profit attributable to owners of the parent company was 210 million yen (+38% YoY). The results showed strong top-line growth and improved profit margins on sales. This is steady progress compared to the company's full-year forecast.

◇ **Share price continues to reassess growth potential :** The company's share price began to rebound from May 2022 on the expectations of an earnings recovery and has since been keeping an upward momentum in line with the earnings progress. The share price is expected to be in a phase where it will rise if the company's performance expands further.

◇ Points of interest:

First, whether there is room for upside or upward revision to the company's full-year forecasts. The recruitment market environment is seen as a tailwind for the company. Will the company's performance continue to be strong, even after considering the increase in personnel and other costs planned from 2Q onwards?

Secondly, how athletics students graduating in March 2025, who will form the basis of next year's company performance, stack up in the number of students registered for Sponavi.

Thirdly, will the company make progress in generating revenue from Spochalle, a job placement service for students with sports experience, the graduate recruitment business, and Spojoba, a recruitment website specialising in sports-related companies, and begin to play a new medium-term role in driving performance?

1Q results update

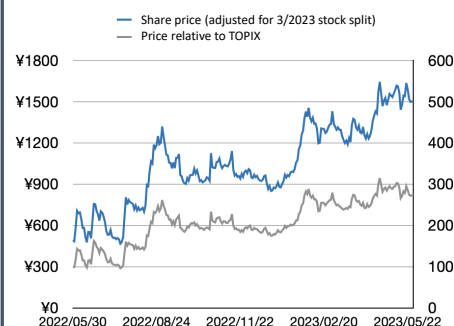
Service

As of 13, June, 2023

Share price (6/12) 1,510 Yen

52weeks high/low	¥1,690/458.5
Avg Vol (3 month)	38 thou shrs
Market Cap	¥5.4 bn
Enterprise Value	¥4.7 bn
PER (23/12 CE)	12.4 X
PBR (22/12 act)	7.0 X
Dividend Yield (23/12 CE)	0 %
ROE (22/12)	71.8 %
Operating margin (22/12)	22.1 %
Beta (5Y Monthly)	N/A
Shares Outstanding	3.6 mn shrs
Listed market	TSE Growth section

Share price performance



% of	1mo.	3mo.	12mo.
Share prices	2	12	205
Relative share price	-4	4	173

Points of interest

Deepening of the placement support business for athletics students and students with sports experience. Development of business diversification. Maintaining and improving high operating profit margins and high ROE. When shareholder returns will start. Step-up from the TSE Growth Market. Improving the liquidity of the shares and releasing shares held by owners and other principals.

This report (financial update) has been prepared at the request of Sportsfield. For details, please refer to the Disclaimer on the last page.



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Key financial data

(Unit: Thousand yen)

Fiscal Year		2017/12	2018/12	2019/12	2020/12	2021/12	2022/12
Net sales		1,106,727	1,516,370	1,917,813	1,883,269	2,130,256	2,866,214
Ordinary profit		60,171	113,916	192,045	32,016	-35,298	634,239
Net income		41,031	72,809	132,965	17,055	-79,133	412,318
Capital stock		10,300	10,300	92,680	92,712	92,869	93,079
Total number of shares issued	Ordinary shares (shares)	20,000	20,400	881,600	882,560	897,400	1,808,080
	Class A shares (shares)	400	-	-	-	-	-
Net asset		59,396	132,205	429,932	446,826	368,007	780,524
Total asset		418,961	735,377	1,106,275	1,488,182	1,540,544	2,127,327
Book value per share*1 (Yen)		18.20	40.50	121.92	126.58	102.53	215.87
EPS*1 (Yen)		12.57	22.31	40.68	4.83	-22.21	114.44
Equity to asset (%)		14.2	18.0	38.9	30.0	23.9	36.7
ROE (%)		100.6	76.0	47.3	3.9	-19.4	71.8
Cash flow from operating activities		108,208	82,994	198,181	-88,974	53,789	609,537
Cash flow from investing activities		-32,962	-75,085	-24,984	-32,077	-67,943	-7,100
Cash flow from financing activities		-82,366	191,526	149,891	396,399	18,139	-120,077
Cash and cash equivalents at end of period		163,792	363,227	686,315	961,663	965,648	1,448,007
Number of employees		118	164	201	233	266	242

*1 : A 40-for-1 split of ordinary shares was carried out on 4 October 2019, a 2-for-1 split of ordinary shares on 1 July 2022 and a 2-for-1 split of ordinary shares on 1 April 2023. Book value per share and EPS in the table are calculated assuming such splits were carried out at the beginning of the year ended 31 December 2017.

Source: Omega Investment from company materials.

Financial results for 1Q of FY2023

Sportsfield Corporation announced its financial results for 1Q (Jan-Mar) FY2023 after the close of trading on 12 May 2023. The results showed a good start and better progress against the company's full-year plan than in the same period of the previous year, which is expected to lead to further growth in performance.

Strong financial results with record highs

Net sales were 920 million yen (+19% YoY), operating profit was 320 million yen (+36% YoY), ordinary profit was 310 million yen (+36% YoY), and net profit attributable to owner of parent was 210 million yen (+38% YoY). Sales, operating profit and ordinary profit registered record highs in 1Q, as did net profit attributable to owner of parent. The results are excellent, with a sales increase of approximately 20% and further expansion of operating profit margins.

In a nutshell, the strong performance directly reflects the recovery in demand for jobs since entering the post-COVID period, which the company has been able to translate into sales while holding down cost increases steadily.

Summary of 1Q results for FY2023

(million yen)	1Q of FY2023		YoY	
	FY12/2023	FY12/2022	Amount	%
Net sales	919	774	+ 144	+ 18.7%
New Graduate Events	578	507	+ 71	+ 14.0%
New Graduate Placement Support	92	79	+ 13	+ 16.6%
Graduate Placement Support	213	158	+ 54	+ 34.5%
Other	34	28	+ 5	+ 19.9%
Operating profit	315	232	+ 82	+ 35.5%
Operating margin	34.3%	30.1%		+ 4.3PP
Ordinary profit	314	231	+ 83	+ 36.0%
Ordinary margin	34.3%	29.9%		+ 4.4PP
Net profit attributable to owners of the parent	205	148	+ 56	38.3%

- Sales recorded an all-time high in all three major businesses.
- Operating profit and recurring profit both reached record highs. Operating profit margin and ordinary profit margin were significantly higher YoY and recorded historic highs.

Source: company materials

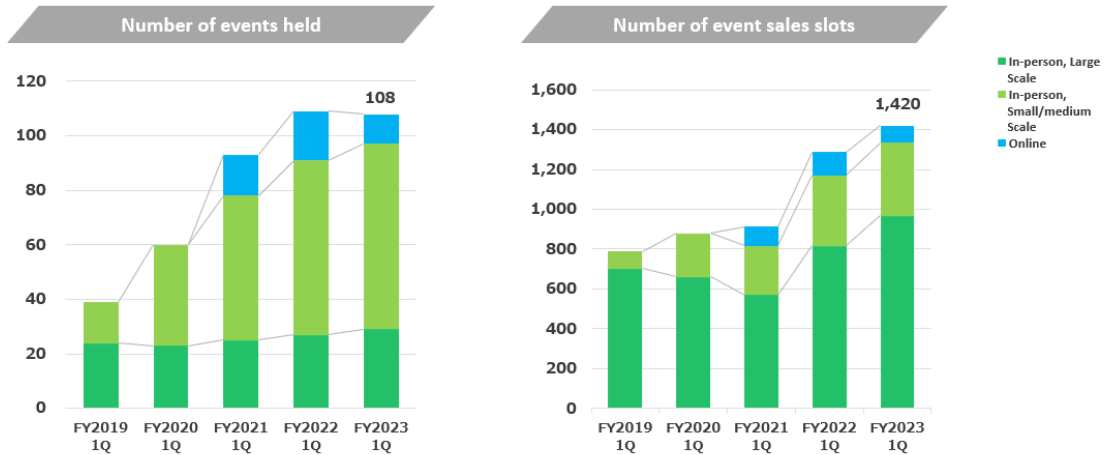
By sector, the three main businesses, i.e., New Graduate Events, New Graduate Placement Support, and Graduate Placement Support, all saw an increase in revenue.



Financial results for 1Q of FY2023

New Graduate Events

Although the number of events remained at the same level as in the same period of the previous year, the shift from online events to in-person and large-scale events was a driver of orders and sales. The demand from companies to exhibit at events for graduates of 2024 is strong and the progress of orders received has exceeded that for graduates of 2023, and will mainly be recorded as sales in 2Q to 3Q of the current financial year.



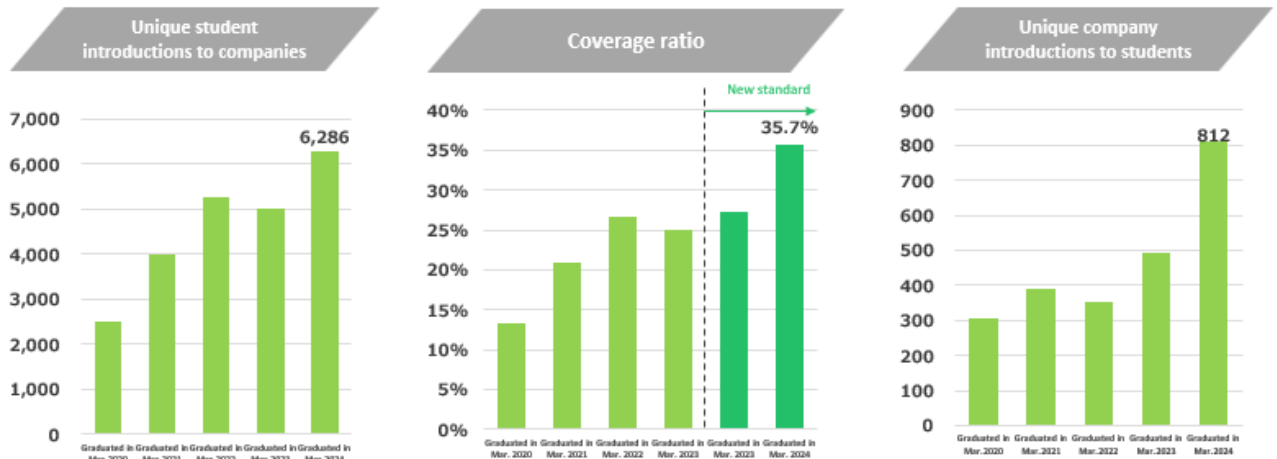
2019 results: for 2020 and 2021 graduates | 2020 results: for 2021 and 2022 graduates | 2021 results: for 2022 and 2023 graduates
2022 results: for 2023 and 2024 graduates | 2023 results: for 2024 and 2025 graduates
Sponavi only, not including Snochalle events.



Source: company materials

The number of students registered on Sponavi, which indicates the number of registered athletics students, was 17,631 at end-March 2023 in correspondence to students graduating in March 2024, a decrease from the number of registered students at end-March 2022 for students who graduated in March 2023. This is presumably due to a slight reduction in the company's employees in FY2022.

However, the number of unique student introductions and the number of unique companies introductions have increased significantly, as the company provided support to registered students in response to earlier job searches and raised the coverage ratio, and as it captured the graduate recruitment needs of companies well. As a result, the sales for the quarter were solid.



*KPI as of the first quarter (end of March of the year before graduation) includes only Sponavi (excluding Snochalle)
*Unique student introductions: The number of non-duplicated students introduced to companies | Unique company introductions: The number of non-duplicated companies.
*Coverage ratio: The ratio of registrants who have built an analogue relationship through interviews (calculation: unique student introductions/Sponavi registrants)
*The definition of the number of registered Sponavi students was changed from the number of all registered Sponavi 2024 students to only the number of registered Sponavi 2024 students graduating in FY12/2023.



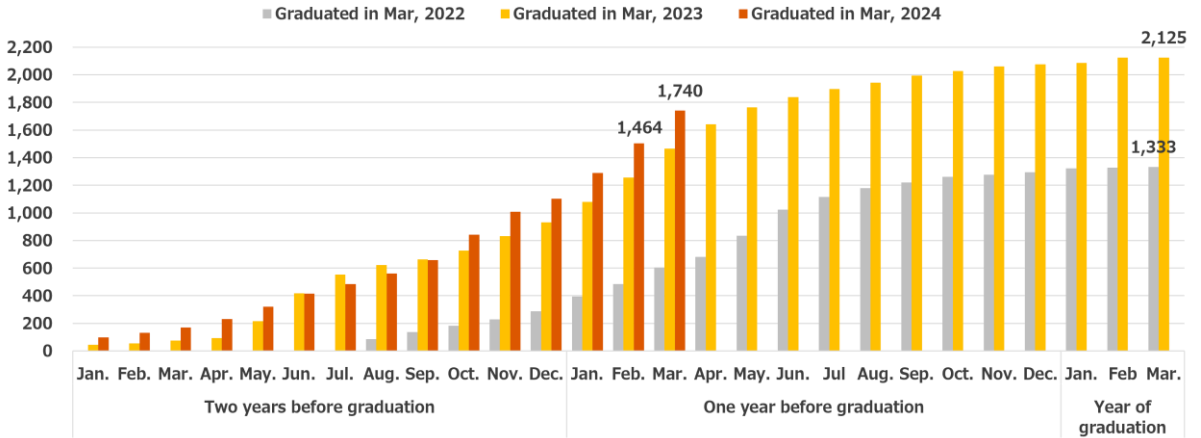
Source: company materials



Financial results for 1Q of FY2023

Furthermore, the number of registrants and unique student introductions on Spochalle, a placement support service for people with sports experience, grew significantly, with sales increasing by 89% YoY to 27 million yen. It is growing to become a new driving force for the new graduate placement business.

Spochalle cumulative number of registered users



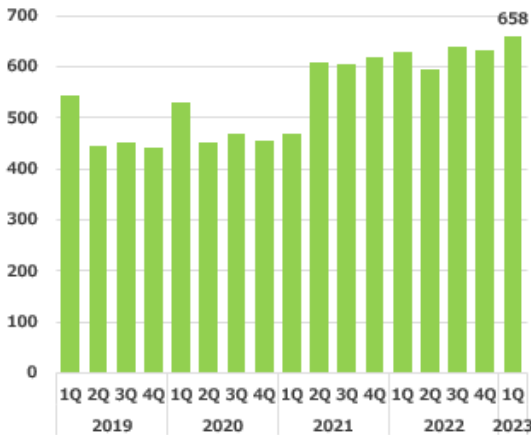
Source: company materials

Graduate Placement Support

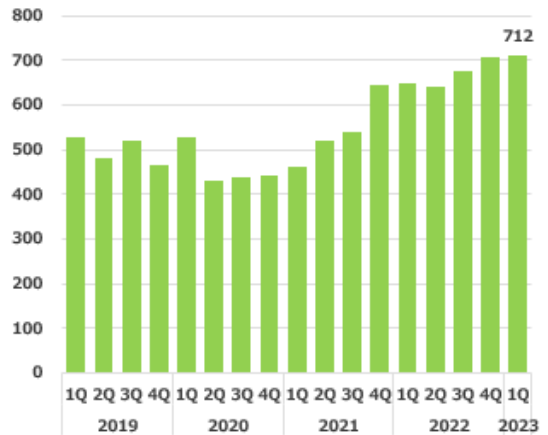
Against a backdrop of strong corporate demand for recruitment, the number of registered users of Sponavi Career and Spochalle Jobchange increased YoY, as did the number of unique personnel introductions and unique company introductions, resulting in high revenue growth.

In addition, the cumulative number of registered members and site PV of one of the new businesses, Spojoba (a recruitment website specialising in sports-related companies and mainly offering online matching), has also increased. Its contribution to sales of Graduate Support business was approximately 15% in 1Q.

Unique personnel introductions to companies



Unique company introductions to personnel



*Number of unique personnel introductions: number of non-duplicated personnel introduced to companies | Number of unique company introductions: number of non-duplicated companies introduced to job seekers



Source: company materials



Financial results for 1Q of FY2023

Progress against full-year forecasts

1Q result progress was fast compared to the full-year forecasts.

The progress ratios of sales, operating profit and ordinary profit were 28.9% (27.0% in 1H 2022), 46.4% (36.6% in 1H 2022) and 46.5% (36.5% in 1H 2022), respectively. There is no indication of whether progress to date against the company's plan is above forecasts, but it is unlikely to be below.

Progress against full-year forecasts

(million yen)	FY12/2023			FY12/2022		
	Full-year forecasts	1Q results	Progress ratio	Full-year results	1Q results	Progress ratio
Net sales	3,186	919	28.9%	2,866	774	27.0%
New Graduate Events	1,246	578	46.4%	1,129	507	45.0%
New Graduate Placement Support	977	92	9.5%	844	79	9.4%
Graduate Placement Support	825	213	25.9%	777	158	20.4%
Other	136	34	25.0%	115	28	24.6%
Operating profit	680	315	46.4%	637	232	36.6%
Operating margin	21.3%	34.3%	-	22.2%	30.1%	-
Ordinary profit	677	314	46.5%	634	231	36.5%
Ordinary margin	21.3%	34.3%	-	22.1%	29.9%	-

Source: company materials

Healthy balance sheet

Although cash and cash equivalents have decreased since the end of FY2022, they remain high. Interest-bearing debt has decreased in line with the decrease in cash and cash equivalents, maintaining a net cash position.

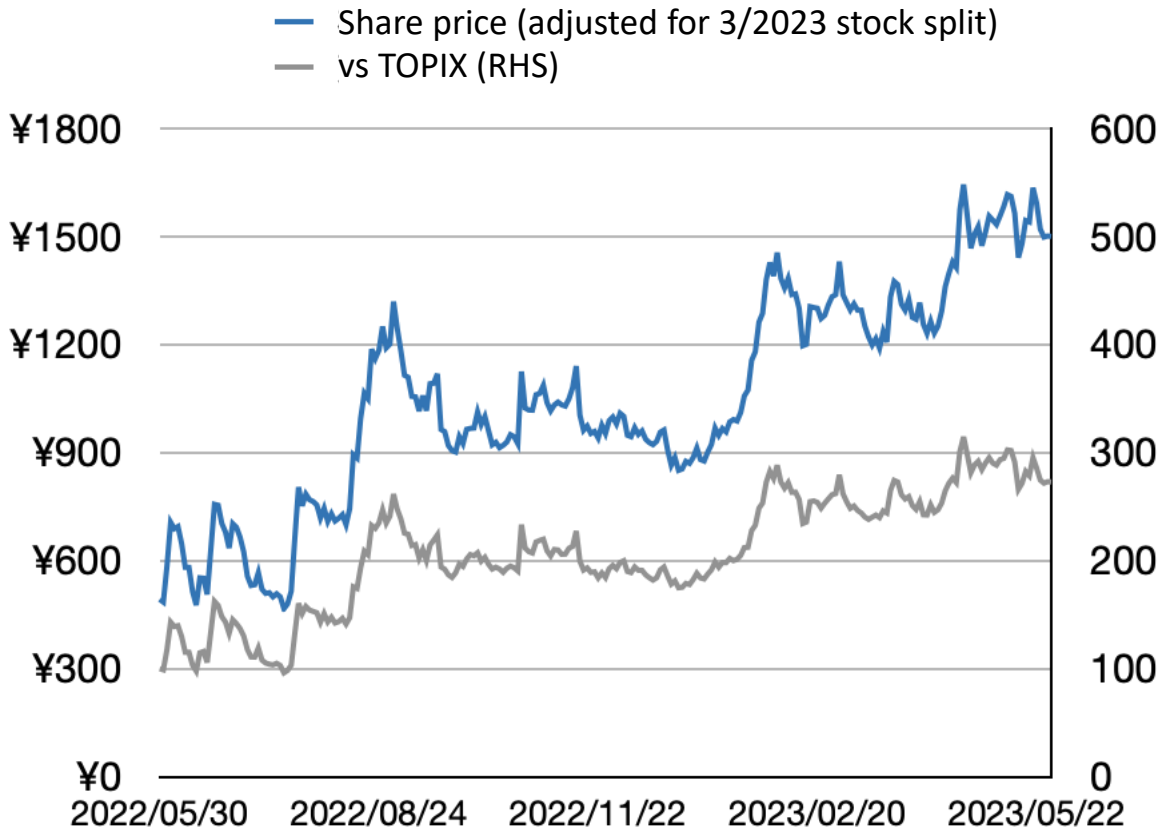


Share price trend

The company's share price began to rebound in May 2022 on the expectations of business recovery and has since been keeping an upward momentum as the financial results progress.

However, the share price since the announcement of the 1Q results has generally remained flat. This is seen as a slow reaction to the recent strong quarterly results, as the share price over the past year had soared following the bottoming out of the earnings and the sharp recovery and the upward revision to the medium-term management plan. As mentioned above, investors may have been worried about the sluggish growth in the number of registered Sponavi students graduating in March 2024.

Regarding valuations, the shares are trading on 12.3x FY2023 EPS, and PBR is 7.0x. Considering the high ROE, the share price does not look overheated, and there should be a significant upside to the share price as the company's business performance grows.





Points of interest

Three points of immediate interest are worth mentioning.

First, whether the earnings are likely to exceed the company's full-year forecast or whether there is scope for the company to revise up its forecasts.

The current environment in the recruitment market is a tailwind for the company. It plans to increase its workforce from 2Q onwards and will likely spend aggressively developing new businesses. Still, the strong possibility is that the earnings will grow steadily, and the progress ratio vis-a-vis the full-year forecast will remain high. Investors are likely to be more interested in the scope for earnings to beat company forecasts or the likelihood of an upward revision by the company.

Needless to say, the possibility of headwinds in the recruitment market should always be borne in mind.

Second, how athletics students graduating in March 2025, who will form the basis of next year's company performance, stack up in the number of students registered for Sponavi.

The number of Sponavi registrants is the foundation of New Graduate Events and New Graduate Placement Support, the company's current primary sources of revenue. However, as pointed out, the number of registered students graduating in March 2024 was slightly lower than the apple-to-apple number of graduates in March 2023.

The build-up in the number of registered students graduating in March 2025 is a critical KPI for the company's performance in the coming year, likely affecting the share price significantly. According to company data, it is currently above the comparable number of March 2024 graduates. It remains to be seen whether this improving trend will take hold.

Third, will the company make progress in generating revenue from Spochalle, a job placement service for students with sports experience, the graduate recruitment business, and Spojoba, a recruitment website specialising in sports-related companies, and begin to play a new medium-term role in driving performance?

Financial results

Full-year financial results

(Unit: million yen)

Financial period	FY12/2019	FY12/2020	FY12/2021	FY12/2022	FY12/2023	FY12/2024
Consolidated, Japanese GAAP	(IPO)				Company forecast	Medium-term management plan (revised)
[Statements of income]						
Net sales	1,918	1,883	2,130	2,866	3,186	3,600
Operating profit	194	16	-32	637	680	768
Ordinary profit	192	32	-35	634	677	767
Net profit before income taxes	192	32	-81	634		
Net profit attributable to owners of the parent	133	17	-79	412	440	
[Balance Sheets]						
Total assets	1,106	1,488	1,541	2,127		
Total liabilities	676	1,041	1,173	1,347		
Total net assets	430	447	368	781		
Total borrowings	334	731	749	630		
[Statements of cash flows]						
Cash flow from operating activities	198	-89	54	610		
Cash flow from investing activities	-25	-32	-68	-7		
Cash flow from financing activities	150	396	18	-120		
Free cash flow	173	-121	-14	602		
Cash and cash equivalents at end of period	686	962	966	1,448		
[Efficiency]						
Ratio of ordinary profit to sales	10.0%	1.7%	-1.7%	22.1%	21.2%	21.3%
ROA	14.4%	1.3%	-5.2%	22.5%		
ROE	47.3%	3.9%	-19.4%	71.8%		
[Per-share] Unit : Yen						
EPS (Adjusted for stock splits, etc.)	41	5	-22	114	122	
BPS (Adjusted for stock splits, etc.)	122	127	103	216		
DPS (Adjusted for stock splits, etc.)	0	0	0	0	0	
[Number of employees]						
Number of consolidated employees	201	233	266	242		

Source: Omega Investment from company materials.

The per-share indicators EPS and BPS are adjusted for the 1:2 share split carried out in April 2023.

Financial results

Quarterly results

(Unit: million yen)

	2022Q1	2022Q2	2022Q3	2022Q4	2023Q1
Net sales	774	862	609	619	919
New Graduate Events	507	267	61	292	578
New Graduate Placement support	79	290	354	119	92
Graduate Placement Support	158	277	164	176	213
Other	28	26	29	31	34
Operating profit	232	301	69	32	315
Ordinary profit	231	301	68	31	314
Net profit attributable to owners of the parent	148	196	45	23	205

Source: Prepared by Omega Investment from the company's IR material.

The per-share indicators EPS and BPS are calculated retrospectively, adjusting for the 1:2 share split implemented in April 2023.



Useful information

Company profile

Company name	Sportsfield Corporation, Ltd.	
Representative	Representative director: Katsushi Shinozaki	
Date of establishment	Jan 2010	
Head office location	4F FORECAST Ichigaya, 3-29 Ichigaya-Honmuracho, Shinjuku-ku, Tokyo	
Capital stock	93,079 thousand yen (as at 31 December 2022)	
Board of directors and executive officers	Representative director: Katsushi Shinozaki Executive vice president: Kazuyoshi Ijichi Senior managing director: Tadashi Kaji Senior managing director: Shota Morimoto	Director (Outside): Akihiko Kobayashi Director (Outside): Naoto Kawamura Full-time auditor (Outside): Yasuro Osumi Auditor (Outside): Kenji Yamamoto Auditor (Outside): Junichiro Tajima
Business activities	New graduate business section: events business, human resources placement business Mid-career business section: human resources placement business	
Sales	2,866,214 (thousand yen) [FY12/2022]	
Number of employees	242 (consolidated basis, end-December 2022)	
Location	12 offices(Tokyo HQ, Osaka, Tokai, Kyushu, Chiba, Sendai, Sapporo, Kyoto, Kobe, Yokohama, Hiroshima, Okayama)+7 satellite office	
Total assets	2,127,327 (thousand yen) [end-December 2022]	



Useful information

Principal shareholders

Name	Number of shares owned	Ratio of the number of shares owned to the total number of issued shares (%)
Katsushi Shinozaki	409,000	22.62
Kazuyoshi Ijichi	209,600	11.59
Tadashi Kaji	209,600	11.59
Shota Morimoto	209,600	11.59
Rakuten Securities, Inc.	27,400	1.51
Sportsfield Employee Stock Ownership Plan	25,200	1.39
Nomura Securities Co., Ltd.	19,700	1.08
Toyotaro Shigemori	16,800	0.92
NOMURA PB NOMINEES (Standing proxy: Nomura Securities Co., Ltd.)	16,200	0.89
Medical Corporation Takemura Medical Nephro Clinic	16,000	0.88
Katsumi Takemura	16,000	0.88
Total	1,175,100	64.99

Shareholder composition

(As of 31 December, 2022)

Classification	Shares (100 shares per unit)							Shares less than one unit (shares)	
	Government and local authorities	Financial institutions	Financial instruments business operator	Other legal entities	Foreign corporations etc.		Individuals and others		Total
					Non-individual	Individual			
Number of shareholders	—	2	22	14	12	2	971	1,023	—
Number of shares held (units)	—	118	1,313	253	535	2	15,840	18,061	1,980
Percentage of shares held (%)	—	0.65	7.26	1.40	2.96	0.01	87.70	100.00	—

Note: 196 treasury shares are included in 1 unit in 'Individuals and others' and 96 shares in 'Shares less than one unit'.



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