

Sportsfield (TYO: 7080)

Business remains solid in 2Q FY12/2023 (Apr-Jun 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 an ordinary 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).

2Q of FY2023 update

◇ **2Q results remain strong:** 2Q (Apr-Jun) 2023 results again confirm the business continues to be on track with fine growth from the previous year. Sales were 970 million (+13% YoY), operating profit 310 million yen (+4% YoY), ordinary profit 310 million yen (+4% YoY) and net profit attributable to owners of the parent was 200 million yen (+3% YoY). This shows that although the growth slowed from 1Q, the underlying growth remains robust, thanks to a strengthened operating base and improvement in the recruitment market. The results are fast compared to the company's full-year forecasts.

◇ **Share price breaks for a pause:** Although the company's share price adjusted once after the 1Q results announcement, it rose steadily from June to mid-July, hitting a yearly high of 1,894 yen on 19 July and then stayed around 1,750 yen. It adjusted to the 1,430 yen level after the 2Q results announcement. However, the uptrend in the share price since May 2022 is continuing, with this short-term adjustment reflecting a lowering of revenue growth and profit margins in 2Q. The share price does not look overheated, trading on a PER of 11.7x for FY12/2023. If the growth outlook for the next fiscal year becomes more visible, the share price should react to that favourably.

Points of interest:

First, whether or not the company will revise up its full-year forecasts.

Second, the likelihood of continued growth in the next financial year. In particular, the number of students graduating in March 2025 registered on Sponavi for student-athletic teams, the number of registrants for Spochalle for students with sporting experience, and the coverage ratio of those registered by the company's sales staff.

Third, the establishment of a new revenue base outside of new graduates, such as the human resources introduction business for graduates and Spojoba, a recruitment website specialising in sports-related companies.

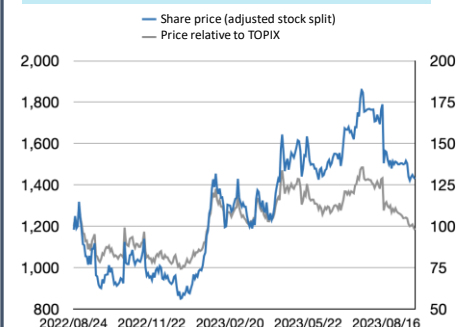
2Q results update

Service

As of 20, September, 2023

Share price (9/15)	1,430 Yen
52weeks high/low	¥1,894/821.5
Avg Vol (3 month)	29 thou shrs
Market Cap	¥5.2 bn
Enterprise Value	¥4.1 bn
PER (23/12 CE)	11.7 X
PBR (23/6 act)	4.4 X
Dividend Yield (23/12 CE)	0 %
ROE (22/12)	71.8 %
Operating margin (22/12)	22.2 %
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	-8	-7	48
Relative share price	-15	-12	18

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 2Q of FY2023

Sportsfield Corporation announced its financial results for 2Q (Apr-Jun) FY2023 after the close of trading on 10 August 2023. Following a fine 1Q, the company is continuing to grow steadily. The progress ratio against the full-year plan is also good YoY, and the KPIs for next year's financial performance are off to a good start.

Strong financial results with another record-high

In the cumulative 2Q results (Jan-Jun), sales were 1.89 billion yen (+16% YoY), operating profit was 0.63 billion yen (+18% YoY), ordinary profit was 0.63 billion yen (+18% YoY), and net profit attributable to owners of the parent was 0.41 billion yen (+18% YoY) - all record highs. Operating and ordinary profit margins were also record highs. A breakdown of sales shows that growth has been broadly consistent, particularly in New Graduate Placement Support. The recovery of demand for jobs under the New Normal provides a tailwind to the company's established operating base.

In the 2Q (Apr-Jun) alone, sales were 970 million yen (+13% YoY), operating profit was 310 million (+4% YoY), ordinary profit was 310 million yen (+4% YoY), and net profit attributable to owners of the parent company was 200 million yen (+3% YoY). Over 1Q result, sales kept growing at a double-digit rate, but profit growth slowed. This is due to an increase in operating expenses. However, it is thought to be an intended increase to increase personnel and advertising costs to drive future business growth. As such, there is little to take this as negative at present.

The company maintains its full-year forecasts. The progress ratio in the first 2Q is better than previous year, with 59% for sales and 92% for operating profit against the full-year estimates. However, the current year is likely to be affected by earlier recruitment and placement activities and the seasonal nature of the company's performance, making it difficult to grow in the second half of the year. Furthermore, as mentioned earlier, the company is also making strategic investments in personnel and advertising costs, so, understandably, it did not alter its full-year forecasts. There are currently no signs that the business environment has turned against the company, so there is no need to be particularly negative about the fact that the company did not revise up.

Summary of 2Q results for FY2023

(million yen)	2Q of FY2023		YoY	
	FY12/2023	FY12/2022	Amount	%
Net sales	1,890	1,636	+253	+15.5%
New Graduate Events	846	775	+71	+9.2%
New Graduate Placement Support	519	370	+148	+40.2%
Graduate Placement Support	460	436	+24	+5.6%
Other	64	55	+9	+16.5%
Operating profit	628	534	+93	+17.5%
Operating margin	33.2%	32.7%		+0.6PP
Ordinary profit	627	533	+94	+17.7%
Ordinary margin	33.2%	32.6%		+0.6PP
Net profit attributable to owners of the parent	407	344	+63	18.4%

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

Source: company materials.

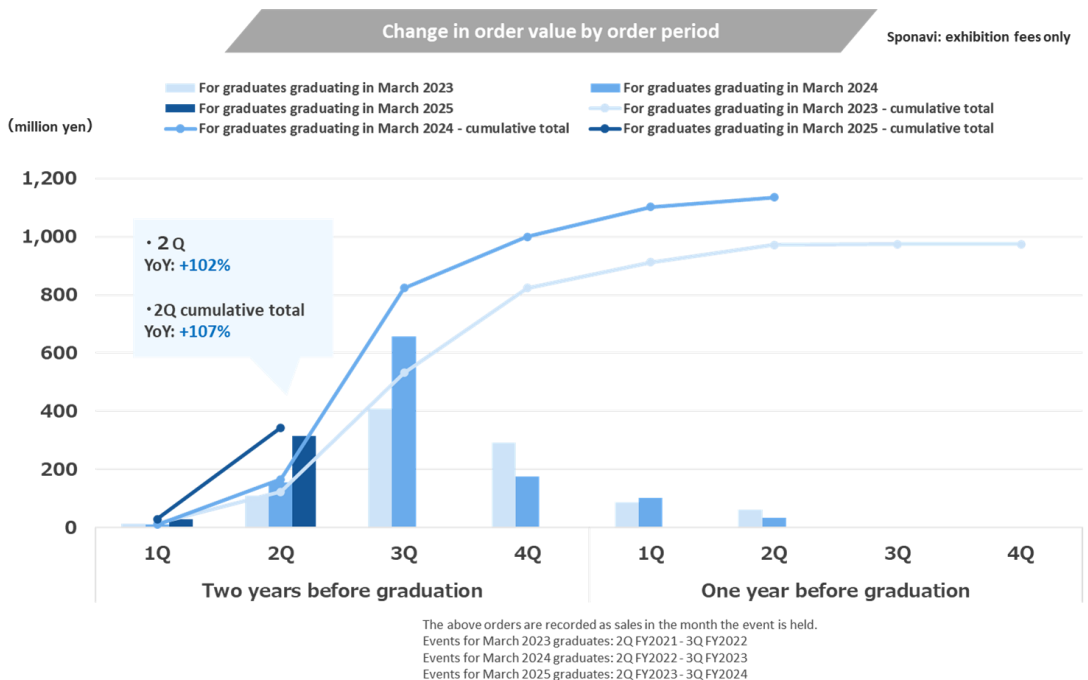
Financial results for 2Q of FY2023

New Graduate Events

Cumulative 2Q sales were 850 million yen (+9% YoY). The number of events held fell slightly YoY, but a shift from online events to in-person and large-scale events drove the number of slots sold and sales.

Orders have been even more robust, with strong demand from companies to exhibit at events for March 2025 graduates, and the cumulative value of orders received appears to be doubling (+107% YoY), far exceeding that for graduates of March 2024. If orders for events are firm, the company can use its sales force to introduce human resources ahead of schedule, increasing the likelihood of growth in the coming year. The company's performance in 3Q, which is usually a seasonal high point for orders, will be of great interest.

(Reference) New Graduate Events business: order value by order period

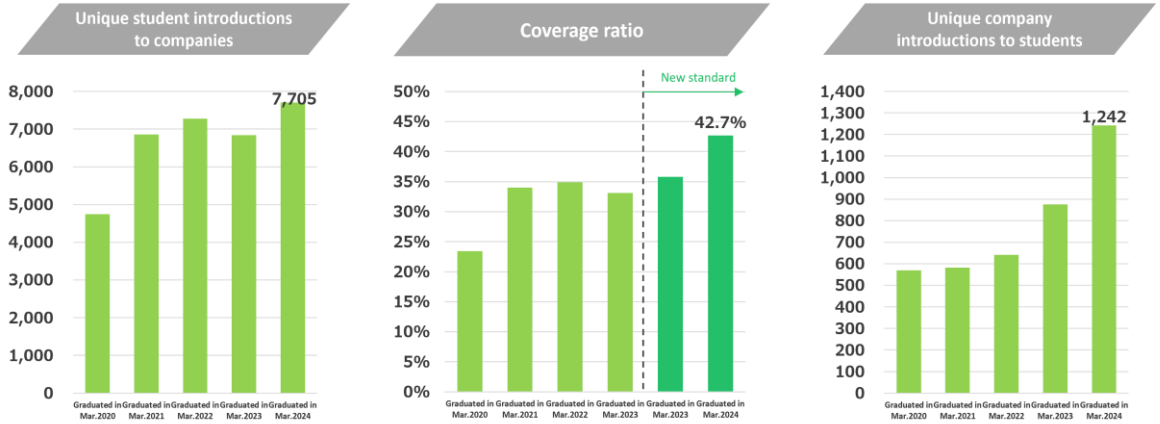


Source: company materials.

Financial results for 2Q of FY2023

New Graduate Placement Support

Cumulative 2Q sales grew significantly to 520 million (+40% YoY). The number of students registered on Sponavi, which indicates the number of student-athletic team members, was lower for students graduating in March 2024 than for those who graduated in March 2023. However, the company was able to raise the coverage ratio of students by its employees in response to earlier placement activity, and the number of unique company introductions increased significantly, leading to a high closing ratio and driving sales growth.

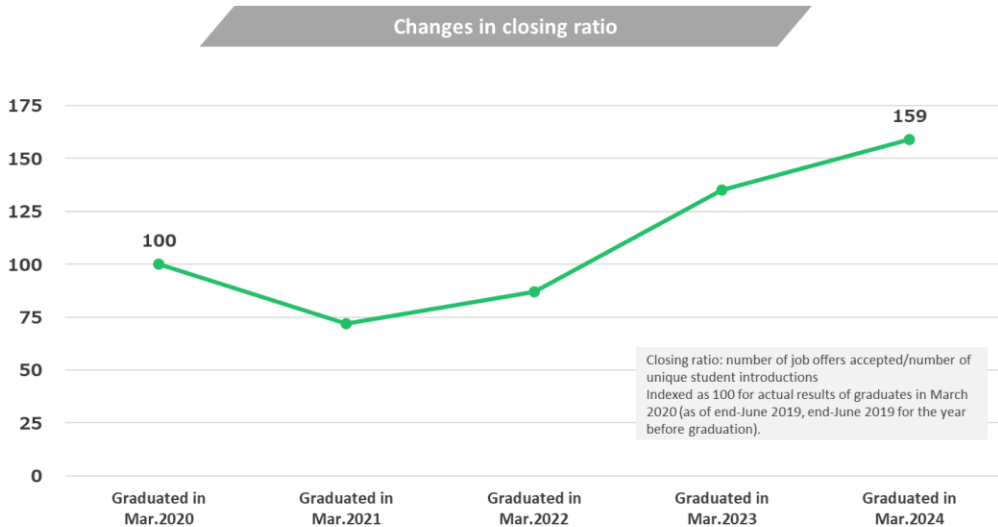


*KPI as of the second quarter (end of June of the year before graduation) includes only Sponavi (excluding Spochalle)
 *Unique student introductions : The number of non-duplicated students introduced to companies | Unique company introductions: The number of non-duplicated companies.
 *Coverage ratio : 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.

(Reference) New Graduate Placement Support business: closing ratio



*KPI: As of 2Q (end of June in the year before graduation), results for Sponavi only (does not include Spochalle).
 *Number of unique student introductions: number of unduplicated students introduced to companies.

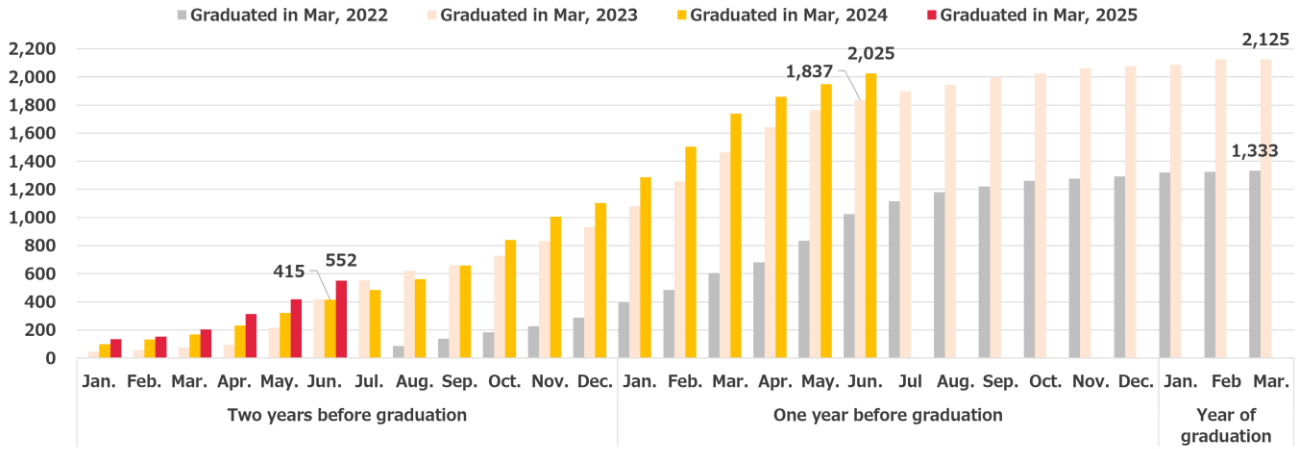
Source: company materials.



Financial results for 2Q of FY2023

In addition to the growth of Sponavi, the contribution of Spochalle, an employment support service for people with sports experience, has become apparent. Cumulative 2Q sales were 90 million yen (+62% YoY). The number of registrants and the unique student introductions have grown significantly, so the company is taking on a new role as a driving force in the graduate recruitment business.

Spochalle cumulative number of registered users



Source: company materials.

Graduate Placement Support

Cumulative 2Q sales grew steadily to a record high of 460 million yen (+6% YoY). Against a backdrop of strong corporate demand for recruitment, the number of registered users of Sponavi Career and Spochalle Jobchange increased YoY, and the number of unique human resources and unique company introductions also remained strong.

The cumulative number of registered members for one of the new businesses, Spojoba (a recruitment website specialising in sports-related companies and mainly offering online matching), continues to increase, and the site's PV is stable at more than 1 million PV per month.

Healthy balance sheet

The balance sheet has changed little since the end of December 2022. Cash and deposits remain high. Interest-bearing debt is decreasing, and the net cash position is maintained. While liabilities have decreased, net assets have increased due to retained earnings, raising the equity ratio to 53.7%. This is positive regarding financial security but could be a negative factor in capital efficiency. Therefore, the question of how to maintain capital efficiency (e.g. ROE) through internal growth, external growth and shareholder returns will be more important than ever going forward.



Share price trend

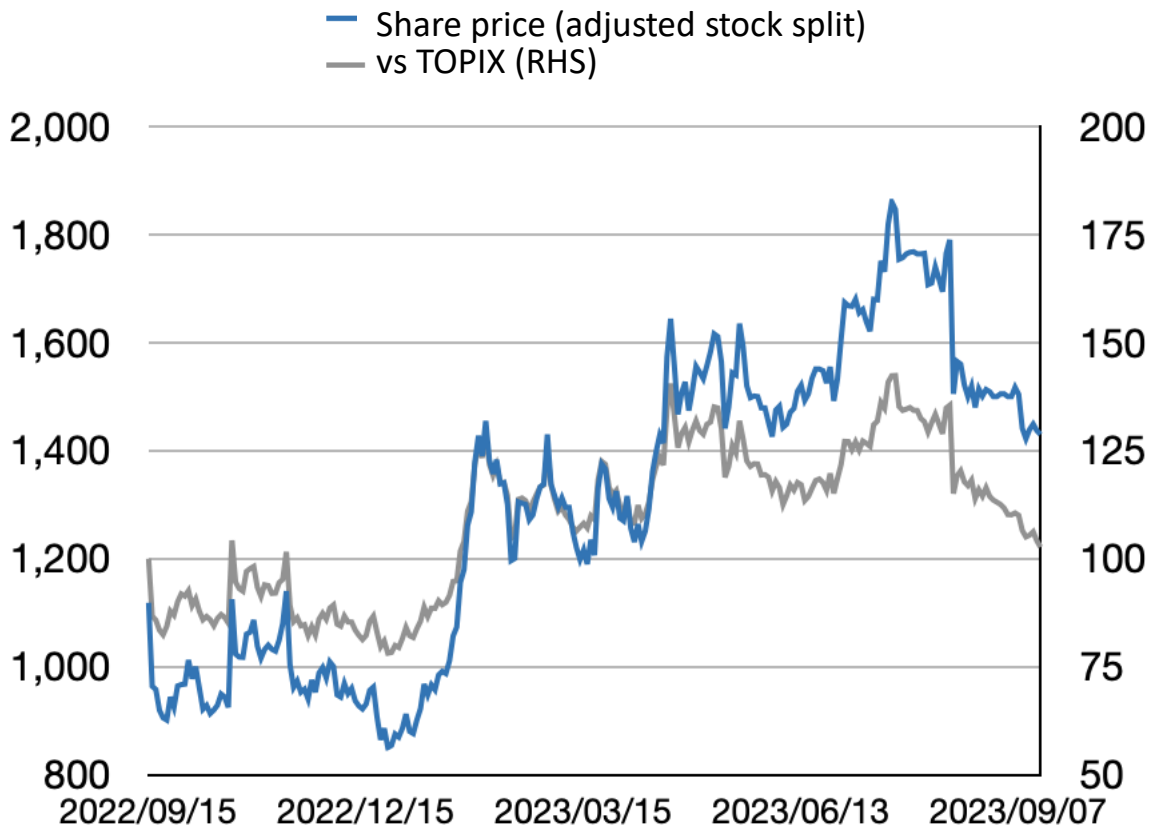
The company's share price once adjusted after the announcement of 1Q results but rose steadily from June to mid-July, reaching a yearly high of 1,894 on 19 July and then staying around the ¥1,750 level.

However, the share price fell to 1,500 yen after the announcement of the Q2 results and has recently adjusted to the 1,430 yen level. This adjustment is thought to have reflected the decline in revenue growth and profitability in 2Q and that not much can be expected in terms of profit growth in 3Q and 4Q, considering the seasonality and the advance of placements.

However, the share price uptrend since May 2022 is continuing. Regarding share price valuations, the share price does not look overheated, trading on a PER of 11.7x for the company's forecast for FY12/2023.

Hence, the share price is expected to rise as the company's growth in FY12/2024 becomes more likely.

Next, we would like to summarise our focus on the share price drivers in the near term.





Points of interest

We would like to highlight three points of immediate interest.

Firstly, whether or not there is scope for an upward revision to the company's full-year forecasts.

As the company's cumulative 2Q results have progressed well against its full-year forecast, and the recruitment market environment appears favorable, it may beat its full-year forecast.

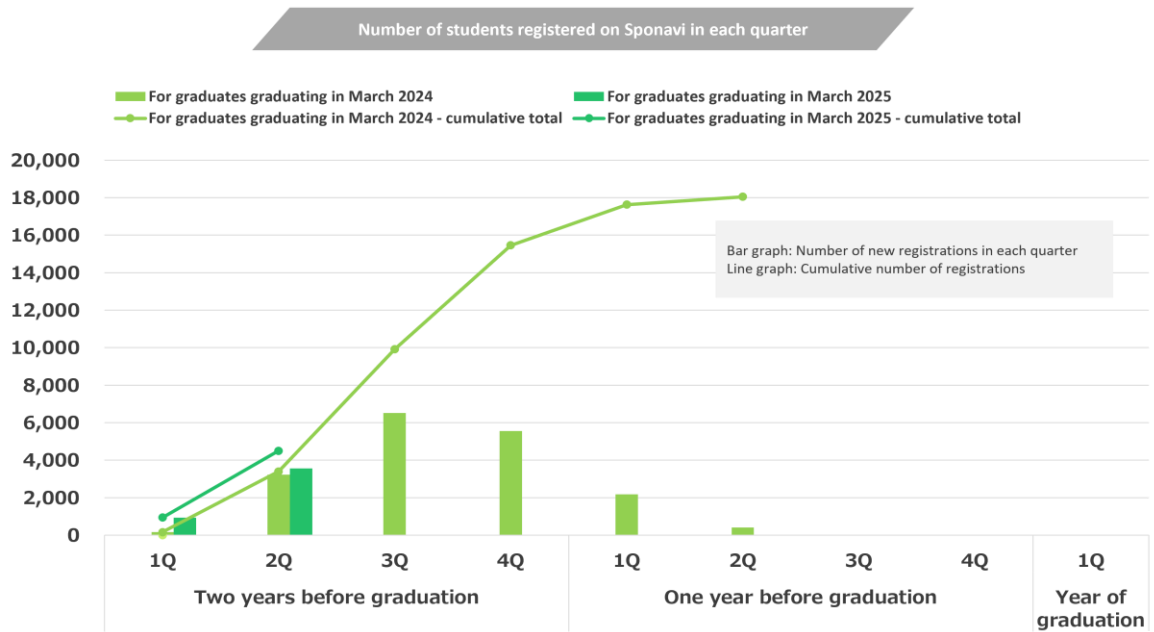
However, it should also be pointed out that there are a number of factors preventing the company from adding to its profit in the 2H of the year, including the seasonality of the company's performance, which makes it difficult to grow in the 2H of the year, the possibility of upfront investment in personnel, advertising and other costs for sustainable growth over the medium term, and the possibility of new graduate placements being brought forward in this year.

Second, the likelihood of continued growth in the next fiscal year. In particular, the results of order booking for events for March 2025 graduates, the number of students registered on Sponavi for students-athletic teams scheduled to graduate in March 2025, the build-up of students registered on Spochalle for students with sports experience, and the coverage ratio of registered students by the company's sales staff.

If these KPIs build up in the coming 3Q and 4Q, the likelihood of earnings growth in FY12/2024 will increase. As the current share price valuations are not overheated, the share price will then move to factor in FY12/2024 earnings. This is seen as the most crucial share price driver at present.

Needless to say, if the recruitment market were to start cooling down, the opposite could happen.

(Reference) Number of students registered on Sponavi in each quarter



Source: company materials.



Thirdly, will the company launch new non-graduate drivers such as the graduate recruitment business and Spojoba, a recruitment website specialising in sports-related companies? This is likely to raise the company's medium-term business potential and is expected to drive the share price when it does.

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	2023Q2
Net sales	774	862	609	619	919	971
New Graduate Events	507	267	61	292	578	267
New Graduate Placement support	79	290	354	119	92	426
Graduate Placement Support	158	277	164	176	213	247
Other	28	26	29	31	34	30
Operating profit	232	301	69	32	315	312
Ordinary profit	231	301	68	31	314	312
Net profit attributable to owners of the parent	148	196	45	23	205	202

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



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, Okayama, Hiroshima) + 7 satellite offices	
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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