

Consolidated Financial Results for the nine months of the FYE March 31, 2022 (JGAAP)

Jan 31, 2022

Company name: SRE Holdings Corporation Stock exchange listing: Tokyo
 Stock code: 2980 URL: <https://sre-group.co.jp/>
 Representative: Kazuo Nishiyama, President & Chief Executive Officer
 Contact: Osamu Mashiko, Member of the Board, CFO & Division Director, Corporate Headquarters
TEL: +81-3-6274-6550

Scheduled date of dividend payment –
 Scheduled date to submit the Quarterly Report: February 10, 2022
 Earnings Supplementary Explanatory Documents: Yes
 Holding of financial results presentation meeting: No

(Figures of less than one million are rounded down.)

1. Consolidated Results for the nine months of the FYE March 31, 2022 (April 1, 2021 – December 31, 2021)

(1) Consolidated operating results (% shows the year-on-year change)

	Net sales		Operating profit		Ordinary profit		Quarterly Profit attributable to owners of parent	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
Nine months ended								
December 31, 2021	7,355	145.7	977	159.0	947	159.1	640	176.1
December 31, 2020	2,994	35.0	377	(14.0)	365	(12.3)	231	(13.1)

(Note) Comprehensive income: Nine months ended December 31, 2021: ¥629 million 171.6%
 Nine months ended December 31, 2020: ¥231 million (13.1%)

	Basic quarterly profit per share	Diluted quarterly profit per share
	Yen	Yen
Nine months ended		
December 31, 2021	41.23	40.19
December 31, 2020	15.26	14.68

(2) Consolidated financial condition

	Total assets	Net assets	Equity ratio
	Million yen	Million yen	%
As of			
December 31, 2021	17,945	8,635	47.8
March 31, 2021	12,341	7,879	63.5

(Reference) Equity capital: As of December 31, 2021: ¥8,574 million As of March 31, 2021: ¥7,842 million

2. Dividends

	Annual dividend per share				
	End of first quarter	End of second quarter	End of third quarter	Year end	Total
	Yen	Yen	Yen	Yen	Yen
FYE March 31, 2021	–	0.00	–	0.00	0.00
FYE March 31, 2022	–	0.00	–		
FYE March 31, 2022 (forecast)				0.00	0.00

3. Consolidated Financial Forecasts for the FYE March 31, 2022 (April 1, 2021 to March 31, 2022)

(% shows the year-on-year change)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent		Basic profit per share
	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Yen
Full year	11,800	60.8	1,350	27.8	1,280	25.1	835	25.2	54.40

(Note) Revision of the forecasts most recently announced: No

* Notes

(1) Changes in significant subsidiaries during the first three months of FYE March 31, 2022 (changes of specified subsidiaries with change of the scope of consolidation): No
(Note1) This does not correspond to a specified subsidiary, but from the first three months of the FYE March 31, 2022, Kyushu C & C Systems has been included in the scope of consolidation.
(Note2) Since SRE Asset Management Co., Ltd. was newly established in December 2021, it is included in the scope of consolidation, but it is not a specified subsidiary of the Company.

(2) Changes in accounting principles, changes in accounting estimates, and retrospective restatements

(i) Changes in accounting principles accompanying the amendment of accounting standards: Yes

(ii) Changes in accounting policies other than (i): None

(iii) Changes in accounting estimates: None

(iv) Restatement: None

(3) Number of issued shares (common shares)

(i) Number of shares outstanding at end of the period (including treasury shares)

As of December 31, 2021: 15,550,237 shares

As of March 31, 2021: 15,348,151 shares

(ii) Number of treasury shares at end of the period

As of December 31, 2021: 151 shares

As of March 31, 2021: 31 shares

(iii) Average number of shares during the period

The nine months of FYE March 2022: 15,532,758 shares

The nine months of FYE March 2021: 15,174,671 shares

* The results are not subject to an audit by a certified public accountant or an auditing firm.

* Explanation concerning the appropriate use of financial result forecasts and other special notes

(Note on forward-looking statements)

Forward-looking statements such as results forecasts provided in this document are prepared based on currently available information and assumptions that are deemed reasonable, but the Company does not intend to guarantee its achievement. A variety of factors could cause actual results to differ materially from forecasts.

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1. Quarterly Consolidated Financial Statements and Important Notes

(1) Quarterly Consolidated balance sheets

(Unit: Thousand yen)

	As of March 31, 2021	As of December 31, 2021
ASSETS		
Current assets:		
Cash and deposits	2,637,195	2,876,940
Accounts receivable – trade	164,220	229,770
Operating investments in capital	830,013	673,216
Inventories	7,268,908	11,947,633
Others	284,166	456,466
Less - allowance for doubtful accounts	(1,196)	(1,196)
Total current assets	11,183,308	16,182,831
Non-current assets:		
Property, plant and equipment	152,969	196,241
Intangible assets:		
Software	473,975	602,309
Goodwill	–	154,779
Others	53,315	35,708
Total intangible assets	527,290	792,797
Investments and other assets	477,955	773,222
Total non-current assets	1,158,214	1,762,260
Total assets	12,341,523	17,945,092
LIABILITIES		
Current liabilities:		
Accounts payable - trade	58,368	101,975
Short-term borrowings	722,000	2,269,500
Accounts payable - other	102,360	99,736
Accrued expenses	284,572	260,834
Income taxes payable	309,734	117,297
Accrued compensation	127,060	62,364
Others	239,499	463,266
Total current liabilities	1,843,595	3,374,975
Non-current liabilities:		
Long-term debt	2,470,000	5,702,590
Liability for retirement benefits	–	63,005
Others	148,040	169,360
Total non-current liabilities	2,618,040	5,934,956
Total liabilities	4,461,635	9,309,931
NET ASSETS		
Shareholders' equity:		
Capital stock	3,584,698	3,637,117
Capital surplus	3,584,698	3,637,117
Retained earnings	672,877	1,302,407
Treasury stock, at cost	(122)	(1,233)
Total shareholders' equity	7,842,152	8,575,408
Unrealized holding losses on securities	–	(1,006)
Total accumulated other comprehensive losses	–	(1,006)
Stock acquisition rights	37,735	60,759
Total net assets	7,879,887	8,635,161
Total liabilities and net assets	12,341,523	17,945,092

(2) Quarterly Consolidated statements of income and consolidated statements of comprehensive income
(Quarterly Consolidated statements of income)

(Unit: Thousand yen)

	For the nine months ended December 31, 2020	For the nine months ended December 31, 2021
Net sales	2,994,125	7,355,389
Cost of sales	1,300,034	4,490,522
Gross profit	1,694,091	2,864,866
Selling, general and administrative expenses	1,316,679	1,887,242
Operating income	377,412	977,624
Non-operating income:		
Interest income	0	3
Share of profit of entities accounted for using equity method	8,686	435
Dividend income	—	305
Other non-operating income	56	2,768
Total non-operating income	8,743	3,513
Non-operating expenses:		
Interest expenses	10,487	31,887
Going public expenses	8,500	—
Other non-operating expenses	1,517	1,937
Total non-operating expenses	20,505	33,824
Ordinary income	365,650	947,312
Income before income taxes	365,650	947,312
Income taxes:		
Current	117,889	265,979
Deferred	15,857	40,942
Total income taxes	133,746	306,922
Net income	231,903	640,390
Net income attributable to owners of the parent	231,903	640,390

(Quarterly Consolidated statements of comprehensive income)

(Unit: Thousand yen)

	For the nine months ended December 31, 2020	For the nine months ended December 31, 2021
Net income	231,903	640,390
Other comprehensive income:		
Unrealized holding losses on securities	—	(1,006)
Total accumulated other comprehensive losses	—	(1,006)
Comprehensive income	231,903	639,383
Comprehensive income attributable to:		
Owners of the parent	231,903	639,383
Non-controlling interests	—	—

(3) Notes to consolidated financial statements

(Note to going concern assumptions)

Not applicable.

(Notes on significant fluctuations in the amount of shareholders' equity)

Not applicable.

(Change in accounting policy)

(Application of the Accounting Standard for Revenue Recognition, etc.)

The "Accounting Standards for Revenue Recognition" (ASBJ Statement No. 29, March 31, 2020. Hereinafter, "Accounting Standard for Revenue Recognition"), etc. has been applied since the beginning of the first three months of FYE March 2022. In accordance with this accounting standard, the Company recognizes revenue as the amount expected to be received in exchange for the promised goods or services when the control of the goods or services is transferred to the customer.

The application of the Accounting Standard for Revenue Recognition is pursuant to the transitional treatment stipulated in the proviso of Paragraph 84 of the Accounting Standard for Revenue Recognition. The cumulative effect when applying retrospectively the new accounting policy before the beginning of the three months of FYE March 2022 is added to or subtracted from the retained earnings at the beginning of the three months of FYE March 2022 and the new accounting policy has been applied from the beginning of the fiscal year balance.

The impact of these changes on profit or loss of the nine months of FYE March 2022 or the retained earnings at the beginning of FYE March 2022 is minor.

In accordance with the transitional treatment set forth in paragraph 89-2 of the Accounting Standard for Revenue Recognition, previous consolidated fiscal year has not been reclassified following the new presentation method.

(Segment information, etc.)

[Segment information]

I. For the nine months ended December 31, 2020

1. Information on net sales and profit or loss amounts by reportable segment

(Unit: Thousand yen)

	Reportable segment			Adjustment (Note 1)	Amount on consolidated statement of income (Note 2)
	AI Cloud & Consulting	Real Estate Tech	Total		
Net sales					
Sales to third parties	502,972	2,491,153	2,994,125	—	2,994,125
Inter-segment sales and transfers	174,964	—	174,964	(174,964)	—
Total	677,937	2,491,153	3,169,090	(174,964)	2,994,125
Segment profit or loss	503,306	(76,136)	427,170	(49,758)	377,412

(Notes) 1. The adjustment to segment profit of (49,758) thousand yen represents the elimination of intersegment transactions.

2. The segment profit or loss has been adjusted to the operating profit stated in the quarterly consolidated income statement.

II. For the nine months ended December 31, 2021

1. Information on net sales and profit or loss amounts by reportable segment

(Unit: Thousand yen)

	Reportable segment			Adjustment (Note 1)	Amount on consolidated statement of income (Note 2)
	AI Cloud & Consulting	Real Estate Tech	Total		
Net sales					
Sales to third parties	1,004,196	6,351,193	7,355,389	—	7,355,389
Inter-segment sales and transfers	299,604	—	299,604	(299,604)	—
Total	1,303,801	6,351,193	7,654,994	(299,604)	7,355,389
Segment profit or loss	556,325	474,103	1,030,429	(52,805)	977,624

(Notes) 1. The adjustment to segment profit of (52,805) thousand yen represents the elimination of intersegment transactions.

2. The segment profit has been adjusted to the operating profit stated in the quarterly consolidated income statement.

2. Change in measurement of profit or loss in a reportable segment

From the first three month of the FYE March 2022, to reflect more appropriately the operating results of each reporting segment, the method of allocating expenses of the indirect division has changed based on rational allocation standards that match the actual business conditions of each segment.

The impact of this change on segment profit for the nine months of FYE March 2022 is minor.

3. Significant fluctuations in the amount of goodwill

In the "AI Cloud & Consulting", due to the acquisition of all shares of Kyushu C&C Systems Co., Ltd., and included in the scope of the consolidation, the amount of goodwill has increased by 154,779 thousand yen.