

Consolidated Financial Results for FYE March 31, 2022 (JGAAP)

May 11, 2022

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Scheduled date of dividend payment -

Scheduled date of Annual General Meeting of Shareholders: June 13, 2022

Scheduled date to submit the Securities Report (Yukashoken Hokokusho): June 14, 2022

Financial results Supplementary Explanatory Documents: Yes

Holding of financial results presentation meeting: Yes (for institutional investors, analysts)

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

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

(1) Consolidated operating results

(% shows the year-on-year change)

	Net sales		Operating income		Ordinary income		Net income attributable to owners of parent	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
Nine months ended								
March 31, 2022	13,572	84.9	1,391	31.7	1,300	27.1	892	33.8
March 31, 2021	7,339	90.6	1,056	41.5	1,023	42.6	667	40.9

(Note) Comprehensive income: FYE March 31, 2022: ¥891 million 33.6% FYE March 31, 2021: ¥667 million 40.9%

	Basic income per share	Diluted income per share	Return on equity	Ratio of ordinary income to total assets	Operating income margin
Year ended	Yen	Yen	%	%	%
March 31, 2022	57.38	56.00	10.2	7.4	10.3
March 31, 2021	43.81	42.16	8.9	10.0	14.4

(2) Consolidated financial condition

	Total assets	Net assets	Equity ratio	Net assets per share
As of	Million yen	Million yen	%	Yen
March 31, 2022	23,018	9,798	42.3	610.51
March 31, 2021	12,341	7,879	63.5	510.95

(Reference) Equity capital: As of March 31, 2022: ¥9,730 million As of March 31, 2021: ¥7,842 million

(3) Consolidated cash flow position

	Cash flows from operating activities	Cash flows from investing activities	Cash flows from financing activities	Ending balance of cash and cash equivalents
Year ended	Million yen	Million yen	Million yen	Million yen
March 31, 2022	(7,305)	(1,637)	9,305	2,999
March 31, 2021	(3,566)	(253)	3,275	2,637

2. Dividends

	Annual dividend per share				
	End of first quarter	End of second quarter	End of third quarter	Year end	Total
FYE	Yen	Yen	Yen	Yen	Yen
March 31, 2021	-	0.00	-	0.00	0.00
March 31, 2022	-	0.00	-		
March 31, 2023 (forecast)				0.00	0.00

3. Consolidated Financial Forecasts for the FYE March 31, 2023 (April 1, 2022 to March 31, 2023)

(% shows the year-on-year change)

	Net sales		Operating income		Ordinary income		Income attributable to owners of parent		Basic income per share
	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Yen
Full year	16,300	20.1	1,650	18.5	1,500	15.3	930	4.2	58.35

* Notes

- (1) Changes in significant subsidiaries during the 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 March 31, 2022: 15,937,237 shares
 As of March 31, 2021: 15,348,151 shares
 (ii) Number of treasury shares at end of the period
 As of March 31, 2022: 173 shares
 As of March 31, 2021: 31 shares
 (iii) Average number of shares during the period
 The FYE March 2022: 15,552,442 shares
 The FYE March 2021: 15,224,158 shares

(Reference) Overview of non-consolidated financial results

Non-consolidated results for the FYE March 31, 2022 (April 1, 2021 - March 31, 2022)

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

Year ended	Net sales		Operating income		Ordinary income		Income	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
March 31, 2022	12,556	81.3	923	31.1	828	24.3	570	35.8
March 31, 2021	6,926	98.9	705	63.5	666	72.6	420	66.2

Year ended	Basic income per share	Diluted income per share
	Yen	Yen
March 31, 2022	36.69	35.80
March 31, 2021	27.59	26.55

(2) Non-consolidated financial position

As of	Total assets	Net assets	Equity ratio	Net assets per share
	Million yen	Million yen	%	Yen
March 31, 2022	21,911	8,955	40.6	557.64
March 31, 2021	11,700	7,351	62.5	476.49

(Reference) Equity capital: As of March 31, 2022: ¥8,887 million As of March 31, 2021: ¥7,313 million

* 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.

(Availability of earnings supplementary explanatory documents and information on earnings results briefings)

The Company plans to hold a briefing on financial results (online conference) for institutional investors and analysts on May 12, 2022 (Thursday). The Company plans to disclose the supplementary explanatory documents used on the day of the financial results briefing via TDnet on May 11, 2022 (Wednesday) as well as publishing them on the Company's website.

○ Index for Supplementary Information	
1. Overview of Operating Results and Financial Condition.....	2
(1) Overview of operating results	2
(2) Overview of financial condition	3
(3) Overview of cash flows for the fiscal year.....	3
(4) Outlook	4
2. Basic Policy for Selecting Accounting Standards	4
3. Consolidated Financial Statements and Important Notes.....	5
(1) Consolidated balance sheets	5
(2) Consolidated statements of income and consolidated statements of comprehensive income	7
(Consolidated statements of income)	7
(Consolidated statements of comprehensive income)	8
(3) Consolidated statements of Changes in Net Assets.....	9
(4) Consolidated statements of Cash Flows	11
(5) Notes to Consolidated financial statements.....	12
(Note to going concern assumptions)	12
(Change in accounting policy).....	12
(Additional information).....	12
(Segment information, etc.)	13
(Per share information)	14
(Significant subsequent events).....	14

1. Overview of Operating Results and Financial Condition

(1) Overview of operating results

In the fiscal year under review, the Japanese economy continued to face difficult conditions, with ground gained through stringent COVID-19 containment measures and vaccine rollout lost through the emergence of variants. Factors such as rising raw materials prices and the volatility of financial and capital markets are also giving rise to a sense of uncertainty. Meanwhile, industry reacted to the pandemic, with various sectors beginning initiatives to accelerate growth or recover from the difficult conditions, with the digital transformation (DX) trend continuing to grow across industries.

In these conditions, SRE Holdings Corporation (the "Company") undertook two main businesses under its stated mission: A decade ahead – today's cutting-edge technology will shape the next 10 years. The first of the Company's businesses is the AI Cloud & Consulting business, through which the Company offers packaged cloud tools and tailor-made algorithms based on modules that leverage machine learning and other advanced technologies to improve operations in many industries centered on the real estate industry. The Company's second business is the Real Estate Tech business. This business consists of real estate distribution operations, including the real estate brokerage business that has been advanced and streamlined through the aggressive introduction of technology by a group of real estate professionals, and smart home services developing and selling high added-value condominiums applying IoT technologies.

The Company is identifying potential applications for machine learning and other advanced technologies in its real estate business where it encounters operational inefficiencies and problems. The Company is working to increase its efficiency and competitiveness by introducing these technologies in the internal operations of the Group. At the same time, the Company is creating tools that promote and streamline business. These tools are born out of digital innovation in the real estate business. After we use the tools ourselves and reflect our own experience with them to make them more useful, we offer them to financial institutions and customers who are other real estate business operators. The Company is also developing a business model that provides differentiated consulting services to customers in a wide range of industries, by applying the modules, which are the basis of the tools.

The Company believes its unique strength that derives from its business model of integrating a real estate operation within a tech business enable to contribute to promote the digital transformation to many industries in centered to the real estate and financial industry.

Looking at the operating conditions surrounding the Group's AI Cloud & Consulting business, there have been visible efforts to speed up digitalization in a bid to address Japan's delayed digitalization which has been highlighted by the COVID-19 pandemic, including the establishment of a Digital Agency in September 2021. Those efforts have also been a tailwind for the Company's businesses. Turning to the operating conditions surrounding the Group's Real Estate Tech business, demand has been firm for rental condominiums for individuals, which the Company is developing and selling under the AIFLAT brand name. A continuous rise in demand for residential real estate investments has also been observed. Further, the brokerage business is seeing a gradual recovery in the housing market for individual owners, driven by total number of sold condominium units in Greater Tokyo.

In this operating environment, the Group aggressively offered cloud services, such as its Contract Creation Cloud Service, which makes the online preparation of real estate sales contracts possible, to real estate and financial business operators, and provided a wide range of consulting services enabling customers in other industries to apply proprietary AI modules. Looking towards growth in the medium and long term, the Company also accelerated initiatives to create AI modules for diverse industries utilizing its knowledge of the real estate domain and highly practical AI/IT technologies, including developing carbon neutral solutions which will help combat climate change in response to increasing global awareness and developing comprehensive wealth management tool covering real estate and insurance.

In June 2021, METI and the TSE presented their DX Stock 2021 and DX Grand Prix 2021 awards to the company, further improving name recognition. The DX Grand Prix 2021 was awarded to only two companies identified as "companies that will lead the digital age" from among all TSE listed companies, which number around 3,700. Leveraging increased name recognition, the Company accelerated its employment of talented engineers and consultants, including recruiting a Chief Digital Officer (CDO) with extensive experience of leading big data platform development and data-based solutions business, developing digital human resources and providing technical direction, and also made progress strengthening its sales structure, including increasing outbound sales partners for cloud services and strengthening inbound marketing measures. The Company also built strategic alliances with outside partners including reviewing its alliance with Yahoo Japan Corporation and forming a capital and business alliance with Gig Sales Co., Ltd. in March 2022.

As a result of groupwide initiatives for business expansion implemented to date, the number of charged contracts for cloud services reached 1,971, vastly exceeding the initial plan, and the number of new contracts won for consulting services also rose steadily, reflecting increased cross selling, whilst the churn rate also remained stable at the low level of 0.5%. Consequently, the Company notched up a high level of annual recurring revenue (ARR) based on fourth-quarter revenue amounting to 1,676,156 thousand yen. In addition, the Company made progress strengthening the structure and improving operations for real estate brokerage services and smart home services. As a result, consolidated revenues and profits for the fiscal year under review rose sharply, with net sales amounting to 13,572,867 thousand yen (up 6,233,241 thousand yen or 84.9% from the previous fiscal year), operating profit standing at 1,391,934 thousand yen (up 335,271 thousand yen or 31.7% year on year), ordinary profit reaching 1,300,502 thousand yen (up 277,296 thousand yen or 27.1% year on year), and profit attributable to owners of parent coming to 892,407 thousand yen (up 225,385 thousand yen or 33.8% year on year).

Operating results by segment for the fiscal year under review are as follows:

<AI Cloud & Consulting Segment>

The impacts of the protracted COVID-19 crisis combined with the government's moves to advance digitalization was a tailwind for cloud services (packaged AI-based cloud services, the core of which are deep learning technologies such as the real estate valuation engine). In addition, the Company strengthened its sales structure, increasing outbound sales partners and expanding inbound marketing, whilst providing absolute product advantages. As a result, the number of

charged contracts reached 1,971, vastly exceeding the initial plan and the Company stepped up cross-selling, whilst maintaining a stable low churn rate of 0.5%.

In consulting services (services providing solutions or systems for corporate customers' business issues, such as marketing and sales activities in a wide range of industries, using forecasting and analysis tools), the Company steadily expanded business by systemizing the application of successful examples at other clients and the creation of project leads, and by differentiating its consulting services from those of its competitors using AI modules.

Looking towards growth in the medium and long term, the Company also accelerated initiatives to create AI modules for diverse industries utilizing its knowledge of the real estate domain and highly practical AI/IT technologies, including developing carbon neutral solutions which will help combat climate change in response to increasing global awareness and developing comprehensive wealth management covering real estate and insurance. The Company also built strategic alliances with outside partners including reviewing its alliance with Yahoo Japan Corporation and forming a capital and business alliance with Gig Sales Co., Ltd. in March 2022.

As a result, the customer base steadily expanded for both cloud services and consulting services, and the Company notched up a high level of stock income, with annual recurring revenue (ARR) based on fourth-quarter revenue amounting to 1,676,156 thousand yen. Consequently, net sales for the AI Cloud & Consulting Segment amounted to 2,021,778 thousand yen (up 886,642 thousand yen or 78.1% from the previous fiscal year) and operating profit for the segment was 874,758 thousand yen (up 147,862 thousand yen or 20.3% year on year).

<Real Estate Tech Segment>

For its real estate brokerage services, the Company is offering new brokerage services that apply its technologies, including AI real estate valuation tools, in traditional brokerage operations. As for our smart home services, applying multi-function lights, smart locks and other IoT technologies, we developed AIFLAT rental condominiums for individuals, and sold those condominiums to investors and wealthy consumers strategically. The Company also established an asset management company and sought to build up seed assets in anticipation of expansion of the asset management fee business from FY2022. The Group is advancing DX by applying technology in all of its Real Estate Tech businesses. At the same time, the Group is reflecting its discoveries in the process of its DX in the AI solutions it provides to a broad range of customers. The Group also intends to utilize seed assets as offset products when implementing carbon neutral solutions. As a result of such efforts combined with progress strengthening the structure and improving operations for real estate brokerage services and smart home services, net sales for the Real Estate Tech Segment amounted to 12,000,406 thousand yen (up 5,488,291 thousand yen or 84.3% from the previous fiscal year) and operating profit came to 571,714 thousand yen (up 190,969 thousand yen or 50.2% year on year).

(2) Overview of financial condition

Assets, liabilities and net assets

(Assets)

Total assets at the end of the consolidated fiscal year under review totaled 23,018,904 thousand yen, an increase of 10,677,380 thousand yen from the end of the previous consolidated fiscal year.

Current assets increased 9,080,703 thousand yen from the end of the previous consolidated fiscal year, to 20,264,011 thousand yen. This was mainly due to increases of 361,952 thousand yen in cash and deposits, 247,647 thousand yen in accounts receivable – trade and contract asset, and 8,545,047 thousand yen in inventories, offsetting a decrease of 180,316 thousand yen in thousand yen in operating investments in capital.

Non-current assets increased 1,493,878 thousand yen from the yen of the previous consolidated fiscal year, to 2,652,093 thousand yen. This is mainly attributable to increases of 462,389 thousand yen in property, plant and equipment, 258,639 thousand yen in intangible assets and 772,850 thousand yen in investments and other assets.

Deferred assets increased 102,798 thousand yen from the yen of the previous consolidated fiscal year, to 102,798 thousand yen. This is due to an increase of 102,798 thousand yen in share issuance costs.

(Liabilities)

Total liabilities at the end of the consolidated fiscal year under review totaled 13,220,571 thousand yen, an increase of 8,758,936 thousand yen from the end of the previous consolidated fiscal year.

Current liabilities grew 3,297,730 thousand yen from the end of the previous consolidated fiscal year, to 5,141,325 thousand yen. This is largely due to an increase of 3,075,090 thousand yen in short-term loans payable.

Non-current liabilities rose 5,461,205 thousand yen from the end of the previous consolidated fiscal year, to 8,079,246 thousand yen. This chiefly reflects an increase of 5,374,000 thousand yen in long-term loans payable.

(Net assets)

Net assets at the end of the consolidated fiscal year under review amounted to 9,798,332 thousand yen, climbing 1,918,444 thousand yen from the end of the previous consolidated fiscal year. This was mainly due to increases of 503,902 thousand yen in capital stock and 503,902 thousand yen in capital surplus due to a new stock offering, the exercise of stock acquisition rights and the introduction of a stock-based compensation plan. In addition, retained earnings increased 881,547 thousand yen due to the posting of profit attributable to owners of parent.

The equity ratio stood at 42.3%.

(3) Overview of cash flows for the fiscal year under review

Cash and cash equivalents ("cash") at the end of the fiscal year under review were 2,999,148 thousand yen, an increase of 361,952 thousand yen from the end of the previous fiscal year.

The cash flows in the consolidated fiscal year under review and factors for changes relating to each are as follows.

(Cash flows from operating activities)

Net cash used in operating activities was 7,305,968 thousand yen. This is mainly because cash inflows, such as profit before income taxes of 1,246,862 thousand yen and depreciation of 258,278 thousand yen, were smaller than cash outflows, such as increase in notes and accounts receivable – trade and contract assets of 215,983 thousand yen, increase in inventories of 8,543,915 thousand yen and income taxes paid of 447,569 thousand yen.

(Cash flows from investing activities)

Net cash used in investing activities was 1,637,907 thousand yen. This is mainly due to the purchase of property, plant and equipment of 481,592 thousand yen, purchase of intangible assets of 368,462 thousand yen, and purchase of shares of subsidiaries and associates of 425,856 thousand yen.

(Cash flows from financing activities)

Net cash provided by financing activities was 9,305,829 thousand yen. This was primarily because cash inflows such as increase in proceeds from issuance of common shares of 887,522 thousand yen, short-term loans payable of 414,000 thousand yen and proceeds from long-term loans payable of 10,588,090 thousand yen were larger than cash outflows such as repayment of long-term loans payable of 2,582,489 thousand yen.

(4) Outlook

The outlook is as follows.

<AI Cloud & Consulting Segment>

According to Fuji Chimera Research Institute, Inc., the Japanese artificial intelligence (AI) market is expected to grow to 1.9357 trillion yen by FY2025, doubling in size from FY2019 (2020 Artificial Intelligence Business Survey published August 21, 2020). Meanwhile, according to Yano Research Institute Ltd., the Japanese real estate tech market is expected to grow to 1.2461 trillion yen by FY2025, doubling in size from FY2020 (Prop Tech Market in Japan: Key Research Findings 2021) published July 28, 2021). The Company sees this huge combined 3.2 trillion yen market as the TAM (Total Addressable Market) of the Group's AI Cloud & Consulting business. In this segment, the Group believes that there is SAM (Serviceable Available Market) of 100 – 200 billion yen in the market that can be developed only by our existing cloud services. In offering cloud services and AI solutions to the market, the Company believes that the strength and robustness of the business are due to high practical solution which is proven in real practice by our own operations and high-quality big data that can be obtained from the customers through the provision of cloud services. Additionally, the high-level LTV (Lifetime Value) due to a low churn rate powered by this competitiveness and the low rate of CAC (Customer Acquisition Cost) due to the development of sales and marketing initiatives effectively enable the Company to achieve high profitability business.

Despite the uncertainty over the future caused by the prolongation of the COVID-19 pandemic, the volatility of financial and capital markets and other factors, the Company forecasts that the market environment surrounding the AI Cloud & Consulting Segment in the following consolidated fiscal year will remain favorable for the Company's business due to the continued impetus for cross-industry digitalization in response to the COVID-19 crisis combined with government moves to promote digitalization. In this environment, the Group expects to achieve high ARR growth of 70% year on year and substantial increases in revenue and profits as a SaaS Player with high ARR growth accompanied by profit increases via focusing on initiatives including (1) expanding new contracts through strengthening the sales and customer success structure, and (2) not only offering multiple bundle package to new contracts, but also improving of ARPC (Average Revenue Per Customer) through paid option development with existing services and up-selling so that the Group aims to accelerate the our business expansion based on high LTV/CAC ratio.

<Real Estate Tech Segment>

In the market for pre-owned condominiums in Greater Tokyo, which is where most of the transactions handled by the Group in its asset management & consulting in the Real Estate Tech Segment take place, the number of contracts concluded in the period January to December 2021 was 39,812, rising 11% year on year due to recovery in real estate transactions thanks to stringent COVID-19 containment measures and vaccine rollout ("Pre-owned condominium market trends (Greater Tokyo area)" issued by Real Estate Information Network for East Japan (2021)). In smart property business, growing investment demand for AIFLAT rental condominiums which are characterized using the IoT in prime midtown locations continues to be observed.

The outlook for the market environment surrounding the real estate tech market in the following consolidated fiscal year is uncertain given the protracted COVID-19 crisis and volatility in financial and capital markets, among factors. Nonetheless, the Group will focus on sustainable improvement in productivity through the creation and active testing of new modules in collaboration with the AI Cloud & Consulting Segment and, therefore, forecasts gain in revenue and profit. The Group also aims to realize a new style of business combining real estate and technology through the launch of the asset management business and the accelerated integration of DX and ESG at managed properties.

As a result of the above initiatives, the consolidated forecasts for the following consolidated fiscal year are net sales of 16,300,000 thousand yen (up 20.1% year on year), operating profit of 1,650,000 thousand yen (up 18.5%), ordinary profit of 1,500,000 thousand yen (up 15.3%), and profit attributable to owners of parent of 930,000 thousand yen (up 4.2%).

(Note) The forecasts are based on information currently available and actual results may differ significantly from these forecasts due to a variety of factors.

2. Basic Policy for Selecting Accounting Standards

The Group uses Japanese accounting standards to facilitate comparison with sector peer companies in Japan.

3. Consolidated Financial Statements and Important Notes

(1) Consolidated balance sheets

(Unit: Thousand yen)

	As of March 31, 2021	As of March 31, 2022
ASSETS		
Current assets:		
Cash and deposits	2,637,195	2,999,148
Accounts receivable – trade	164,220	-
Accounts receivable – trade and contract assets	-	411,868
Operating investments in capital	830,013	649,696
Inventories	7,268,908	15,813,956
Others	284,166	390,538
Less - allowance for doubtful accounts	(1,196)	(1,196)
Total current assets	11,183,308	20,264,011
Non-current assets:		
Property, plant and equipment		
Buildings	158,848	179,434
Accumulated depreciation	(38,578)	(51,573)
Buildings, net	120,269	127,860
Machinery and equipment	-	340,527
Accumulated depreciation	-	(4,086)
Machinery and equipment, net	-	336,441
Other	62,441	191,729
Accumulated depreciation	(29,742)	(40,672)
Other, net	32,699	151,056
Total property, plant and equipment	152,969	615,358
Intangible assets:		
Software	473,975	605,052
Goodwill	-	151,339
Others	53,315	29,536
Total intangible assets	527,290	785,929
Investments and other assets		
Investment securities	80,000	250,118
Shares of affiliates	120,132	545,877
Deferred tax assets	168,736	237,801
Other	109,086	217,008
Total investments and other assets	477,955	1,250,805
Total non-current assets	1,158,214	2,652,093
Deferred Assets		
Offering expenses	-	102,798
Total deferred Assets	-	102,798
Total assets	12,341,523	23,018,904

(Unit: Thousand yen)

	As of March 31, 2021	As of March 31, 2022
LIABILITIES		
Current liabilities:		
Accounts payable - trade	58,368	119,348
Short-term borrowings	722,000	3,797,090
Accounts payable - other	102,360	74,182
Accrued expenses	284,572	398,500
Income taxes payable	309,734	249,743
Accrued compensation	127,060	169,632
Others	239,499	332,827
Total current liabilities	1,843,595	5,141,325
Non-current liabilities:		
Long-term borrowings	2,470,000	7,844,000
Liability for retirement benefits	-	60,688
Others	148,040	174,557
Total non-current liabilities	2,618,040	8,079,246
Total liabilities	4,461,635	13,220,571
NET ASSETS		
Shareholders' equity:		
Capital stock	3,584,698	4,088,600
Capital surplus	3,584,698	4,088,600
Retained earnings	672,877	1,554,424
Treasury stock, at cost	(122)	(1,233)
Total shareholders' equity	7,842,152	9,730,392
Accumulated other comprehensive losses		
Valuation difference on available-for-sale securities	-	(686)
Total accumulated other comprehensive losses	-	(686)
Stock acquisition rights	37,735	68,626
Total net assets	7,879,887	9,798,332
Total liabilities and net assets	12,341,523	23,018,904

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

(Unit: Thousand yen)

	For the Year ended March 31, 2021	For the Year ended March 31, 2022
Net sales	7,339,626	13,572,867
Cost of sales	4,318,347	9,403,057
Gross income	3,021,279	4,169,810
Selling, general and administrative expenses	1,964,616	2,777,875
Operating income	1,056,663	1,391,934
Non-operating income:		
Interest income	5	6
Share of income of entities accounted for using equity method	5,134	-
Dividend income	-	305
Other non-operating income	56	2,966
Total non-operating income	5,196	3,278
Non-operating expenses:		
Interest expenses	18,812	53,863
Going public expenses	18,165	-
Offering expenses	-	15,683
Early repayment charges	-	22,813
Share of losses of entities accounted for using equity method	-	110
Other non-operating expenses	1,676	2,239
Total non-operating expenses	38,653	94,711
Ordinary income	1,023,205	1,300,502
Extraordinary losses:		
Losses on disposals of fixed assets	-	53,639
Total extraordinary losses	-	53,639
Income before income taxes	1,023,205	1,246,862
Income taxes:		
Current	409,987	370,896
Deferred	(53,803)	(16,440)
Total income taxes	356,183	354,455
Net income	667,021	892,407
Net income attributable to owners of the parent	667,021	892,407

(Consolidated statements of comprehensive income)

(Unit: Thousand yen)

	For the Year ended March 31, 2021	For the Year ended March 31, 2022
Net income	667,021	892,407
Other comprehensive income:		
Unrealized holding losses on securities	-	(686)
Total accumulated other comprehensive losses	-	(686)
Comprehensive income	667,021	891,720
Comprehensive income attributable to:		
Owners of the parent	667,021	891,720
Non-controlling interests	-	-

(3) Consolidated statements of changes in net assets

Previous consolidated fiscal year (from April 1, 2020 to March 31, 2021)

(Unit: Thousand yen)

	Shareholders' equity				Total shareholders' equity
	Capital stock	Capital surplus	Retained earnings	Treasury stock, at cost	
Balance as of April 1, 2020	3,539,855	3,539,855	5,855	-	7,085,565
Changes during the year:					
Issuance of new shares	44,843	44,843			89,687
Net income attributable to owners of the parent			667,021		667,021
Purchases of treasury stock				(122)	(122)
Net changes in items other than those in shareholders' equity					
Total changes during the year	44,843	44,843	667,021	(122)	756,586
Balance as of March 31, 2021	3,584,698	3,584,698	672,877	(122)	7,842,152
	Stock acquisition rights	Total net assets			
Balance as of April 1, 2020	5,386	7,090,951			
Changes during the year:					
Issuance of new shares		89,687			
Net income attributable to owners of the parent		667,021			
Purchases of treasury stock		(122)			
Net changes in items other than those in shareholders' equity	32,349	32,349			
Total changes during the year	32,349	788,935			
Balance as of March 31, 2021	37,735	7,879,887			

Consolidated fiscal year (from April 1, 2021 to March 31, 2022)

(Unit: Thousand yen)

	Shareholders' equity				Total shareholders' equity
	Capital stock	Capital surplus	Retained earnings	Treasury stock, at cost	
Balance as of April 1, 2021	3,584,698	3,584,698	672,877	(122)	7,842,152
Cumulative effect of a change in accounting policy			(10,860)		(10,860)
Balance at beginning of current period reflecting change in accounting policy	3,584,698	3,584,698	662,017	(122)	7,831,292
Changes during the year:					
Issuance of new shares	503,902	503,902			1,007,804
Net income attributable to owners of the parent			892,407		892,407
Purchases of treasury stock				(1,111)	(1,111)
Net changes in items other than those in shareholders' equity					
Total changes during the year	503,902	503,902	892,407	(1,111)	1,899,099
Balance as of March 31, 2022	4,088,600	4,088,600	1,554,424	(1,233)	9,730,392

	Valuation difference on available-for-sale securities	Stock acquisition rights	Total net assets
Balance as of April 1, 2021	-	37,735	7,879,887
Cumulative effect of a change in accounting policy			(10,860)
Balance at beginning of current period reflecting change in accounting policy	-	37,735	7,869,027
Changes during the year:			
Issuance of new shares			1,007,804
Net income attributable to owners of the parent			892,407
Purchases of treasury stock			(1,111)
Net changes in items other than those in shareholders' equity	(686)	30,891	30,204
Total changes during the year	(686)	30,891	1,929,304
Balance as of March 31, 2022	(686)	68,626	9,798,332

(4) Consolidated statements of cash flows

(Unit: Thousand yen)

	Previous Consolidated fiscal year (from April 1, 2020 to March 31, 2021)	Consolidated fiscal year under review (from April 1, 2021 to March 31, 2022)
Cash flows from operating activities		
Income before income taxes	1,023,205	1,246,862
Depreciation	221,240	258,278
Amortization of goodwill	-	13,758
Increase (decrease) in accrued compensation	33,151	35,531
Increase (decrease) in liability for retirement benefits	-	(5,605)
Increase (decrease) in allowance for doubtful accounts	(486)	-
Going public expenses	18,165	-
Offering expenses	-	15,683
Interest income	(5)	(6)
Dividend income	-	(305)
Interest expenses	18,812	53,863
Share of (profit) loss of entities accounted for using equity method	(5,134)	110
Losses on disposal of fixed assets	-	53,639
Decrease (increase) in accounts receivable - trade	(84,779)	-
Decrease (increase) in accounts receivable - trade and contract assets	-	(215,983)
Decrease (increase) in operating investments in capital	(62,502)	180,316
Decrease (increase) in inventories	(4,591,223)	(8,543,915)
Increase (decrease) in accounts payable - trade	48,914	45,478
Increase (decrease) in accounts payable - other and accrued expenses	138,517	29,078
Other, net	60,240	28,366
Subtotal	(3,181,884)	(6,804,847)
Interest income received	5	6
Dividend income received	-	305
Interest expenses paid	(18,812)	(53,863)
Income taxes paid	(366,271)	(447,569)
Net cash used in operating activities	(3,566,962)	(7,305,968)
Cash flows from investing activities		
Purchase of property, plant and equipment	(8,495)	(481,592)
Purchase of intangible assets	(244,575)	(368,462)
Purchase of shares of affiliates	-	(425,856)
Purchase of securities	-	(157,970)
Expenditures for the acquisition of shares of a subsidiary with a change in the scope of consolidation	-	(130,545)
Other, net	(725)	(73,481)
Net cash used in investing activities	(253,796)	(1,637,907)
Cash flows from financing activities		
Proceeds from issuance of shares	69,500	887,522
Proceeds from issuance of stock acquisition rights	1,475	-
Going public expenses	(16,983)	-
Increase in short-term borrowings	261,000	414,000
Proceeds from long-term borrowings	3,411,000	10,588,090
Repayment of long-term borrowings	(480,000)	(2,582,489)
Other, net	29,577	(1,294)
Net cash provided by financing activities	3,275,569	9,305,829
Net increase (decrease) in cash and cash equivalents	(545,188)	361,952
Cash and cash equivalents at the beginning of the year	3,182,384	2,637,195
Cash and cash equivalents at the end of the year	2,637,195	2,999,148

(5) Notes to consolidated financial statements
(Note to going concern assumptions)
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 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 FYE March 2022 is added to or subtracted from the retained earnings at the beginning 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 income or loss for FYE March 2022 or the retained earnings at the beginning of FYE March 2022 is minor.

Due to the application of the Accounting Standard for Revenue Recognition, "Accounts receivable - trade" which was presented in "Current assets" in the consolidated balance sheet in the previous fiscal year, is included in "Accounts receivable - trade and contract assets" in the FYE March 2022. And also, in the consolidated statements of cash flows for the previous fiscal year, "Decrease (increase) in accounts receivable - trade" presented in "Cash flows from operating activities" is included in "Decrease (increase) in accounts receivable - trade and contract assets" in FYE March, 2022.

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.

(Application of Accounting Standard for Measurement of Fair Value)

Application of "Accounting Standard for Measurement of Fair Value" (ASBJ Statement No. 30; hereinafter referred to as "Accounting Standard for Measurement of Fair Value") (Application of Accounting Standard for Calculation of Fair Value, etc.) The new accounting policy stipulated in the "Accounting Standard for Measurement of Fair Value" (ASBJ Statement No. 30) is applied from the beginning of FYE March 2022, in accordance with the transitional treatment stipulated in Paragraph 19 of the "Accounting Standard for Measurement of Fair Value" and Paragraph 44-2 of the "Accounting Standard for Financial Instruments" (ASBJ Statement No. 10). The Company has decided to apply the new accounting policies stipulated by the Accounting Standard for Fair Value Calculation, etc. prospectively. The effect of this change on the consolidated financial statements is minor.

(Additional information)

(Impact of the COVID-19 on accounting estimates)

Although it is difficult to predict the future status of infection and the timing of convergence of the disease, the impact of the COVID-19 on the company's business activities during the current consolidated fiscal year was minor, and no significant impact has been observed. Therefore, accounting estimates are based on the assumption that there was no significant impact from the new coronavirus infection in the current consolidated fiscal year. However, the future financial position and business performance of the Company may be affected by changes in the timing of the convergence of the disease and other factors.

(Segment information, etc.)

[Segment information]

I. For FYE March 31, 2021

1. Information on net sales and income 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	827,511	6,512,114	7,339,626	-	7,339,626
Inter-segment sales and transfers	307,623	-	307,623	(307,623)	-
Total	1,135,135	6,512,114	7,647,250	(307,623)	7,339,626
Segment income	726,895	380,744	1,107,639	(50,976)	1,056,663

(Notes) 1. The adjustment to segment income of (50,976) thousand yen represents the elimination of intersegment transactions.

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

II. For FYE March 31, 2022

1. Information on net sales and income 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	1,572,461	12,000,406	13,572,867	-	13,572,867
Inter-segment sales and transfers	449,317	-	449,317	(449,317)	-
Total	2,021,778	12,000,406	14,022,185	(449,317)	13,572,867
Segment income	874,758	571,714	1,446,472	(54,537)	1,391,934

(Notes) 1. The adjustment to segment income of (54,537) thousand yen represents the elimination of intersegment transactions.

2. The segment income has been adjusted to the operating income stated in the Consolidated income statement.

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

From 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 income for 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 151,339 thousand yen.

(Per share information)

	Previous consolidated fiscal year (from April 1, 2020 to March 31, 2021)	Consolidated fiscal year under review (from April 1, 2021 to March 31, 2022)
Net assets per share	510.95 yen	610.51 yen
Basic profit per share	43.81 yen	57.38 yen
Diluted profit per share	42.16 yen	56.00 yen

(Notes) 1. The basis for calculating “Basic profit per share” and “Diluted profit per share” is as follows.

	Previous consolidated fiscal year (from April 1, 2020 to March 31, 2021)	Consolidated fiscal year under review (from April 1, 2021 to March 31, 2022)
(i) Basic profit per share		
Profit attributable to owners of parent (thousand yen)	667,021	892,407
Amount not attributable to common shareholders (thousand yen)	-	-
Profit attributable to owners of parent related to common shares (thousand yen)	667,021	892,407
Average number of common shares during the period (shares)	15,224,158	15,552,442
(ii) Diluted profit per share		
Adjustment of profit attributable to owners of parent (thousand yen)	-	-
Increase in the number of common shares (shares)	598,047	383,571
[Share acquisition rights in the above (shares)]	[598,047]	[383,571]
Overview of dilutive shares not included in the calculation of diluted profit per share due to absence of dilutive effect	-	-

(Significant subsequent event)

(Relocation of Head Office)

At a meeting of the Board of Directors held on April 13, 2022, the Company resolved to relocate its head office.

1. Reason for Relocation of Head Office

To prepare for future business expansion and to consolidate workplace of group companies as much as possible to further improve operational efficiency.

2. Details of matters related to the relocation of the head office

i. Location of new head office: 1-8-1 Akasaka, Minato-ku, Tokyo

(Reference: Current location of head office) 1-2, Kita-Aoyama 3-chome, Minato-ku, Tokyo

ii. Scheduled date of relocation (Scheduled date of commencement of operations) : Mid-November 2022

iii. Impact on performance for FYE March 31, 2023: Expenses to be incurred in connection with the head office relocation are currently under scrutiny, but the forecast for the next fiscal year includes estimated costs as of the end of March 2022.

iv. Other: Since the current and new head office locations are in the same city (Minato-ku), there will be no change in the Articles of Incorporation.