

Consolidated Financial Results for the nine months of the FYE March 31, 2023 (JGAAP)

January 31, 2023

Company name: SRE Holdings Corporation

Stock exchange listing: Tokyo

Stock code: 2980

URL: <https://sre-group.co.jp/>

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Scheduled date of dividend payment: -

Scheduled date to submit the Quarterly Report: February 14, 2023

Earnings Supplementary Explanatory Documents: Yes

Holding of financial results presentation meeting: -

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

1. Consolidated Results for the nine months of the FYE March 31, 2023 (April 1, 2022 – December 31, 2022)

(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, 2022	10,210	38.8	1,067	9.2	961	1.5	790	23.5
December 31, 2021	7,355	145.7	977	159.0	947	159.1	640	176.1

(Note) Comprehensive income: Nine months ended December 31, 2022: ¥821 million 28.5%

Nine months ended December 31, 2021: ¥639 million 175.7%

	Basic quarterly profit per share	Diluted quarterly profit per share
Nine months ended	Yen	Yen
December 31, 2022	49.00	48.58
December 31, 2021	41.23	40.19

(2) Consolidated financial condition

	Total assets	Net assets	Equity ratio
As of	Million yen	Million yen	%
December 31, 2022	23,568	10,930	45.1
March 31, 2022	23,018	9,798	42.3

(Reference) Equity capital: As of December 31, 2022: ¥10,631 million As of March 31, 2022: ¥9,729 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, 2022	–	0.00	–	0.00	0.00
FYE March 31, 2023	–	0.00	–		
FYE March 31, 2023 (forecast)				0.00	0.00

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

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 profit		Ordinary profit		Profit attributable to owners of parent		Basic profit 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

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

* Notes

(1) Changes in significant subsidiaries during the nine months of FYE March 31, 2023 (changes of specified subsidiaries with change of the scope of consolidation): No
(Note1) This does not correspond to a specified subsidiary, but from the July 1st of the FYE March 31, 2023, gig sales Co.,Ltd. has been included in the scope of consolidation. Effective January 1, 2023, gig sales Co.,Ltd, changed its name to DORIRU Co.,Ltd.

(2) Adoption of accounting methods specific to the preparation of quarterly consolidated financial statements: None

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

(i) Changes in accounting principles accompanying the amendment of accounting standards: None

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

(iii) Changes in accounting estimates: None

(iv) Restatement: None

(4) Number of issued shares (common shares)

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

As of December 31, 2022: 16,155,995 shares

As of March 31, 2022: 15,937,237 shares

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

As of December 31, 2022: 297 shares

As of March 31, 2022: 173 shares

(iii) Average number of shares during the period

The nine months of FYE March 2023: 16,142,143 shares

The nine months of FYE March 2022: 15,532,668 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, 2022	As of December 31, 2022
ASSETS		
Current assets:		
Cash and deposits	2,999,148	2,872,071
Accounts receivable – trade and contract assets	411,868	535,391
Operating investments in capital	649,696	638,210
Inventories	15,813,956	15,592,430
Others	390,538	568,058
Less - allowance for doubtful accounts	(1,196)	(1,196)
Total current assets	20,264,011	20,204,965
Non-current assets:		
Property, plant and equipment	615,358	701,648
Intangible assets:		
Software	605,052	660,121
Goodwill	151,339	745,272
Others	29,536	17,952
Total intangible assets	785,929	1,423,345
Investments and other assets	1,250,805	1,174,126
Total non-current assets	2,652,093	3,299,120
Deferred Asset		
Offering expenses	102,798	64,519
Total deferred Assets	102,798	64,519
Total assets	23,018,904	23,568,605
LIABILITIES		
Current liabilities:		
Accounts payable – trade	119,348	106,040
Short-term borrowings	3,797,090	4,632,449
Accounts payable - other	74,182	139,080
Accrued expenses	398,500	422,293
Income taxes payable	249,743	182,551
Accrued compensation	169,632	73,443
Others	332,827	433,001
Total current liabilities	5,141,325	5,988,860
Non-current liabilities:		
Long-term borrowings	7,844,000	6,397,081
Liability for retirement benefits	60,688	65,269
Others	174,557	187,199
Total non-current liabilities	8,079,246	6,649,549
Total liabilities	13,220,571	12,638,410
NET ASSETS		
Shareholders' equity:		
Capital stock	4,088,600	4,143,996
Capital surplus	4,088,600	4,143,996
Retained earnings	1,554,424	2,345,343
Treasury stock, at cost	(1,233)	(1,733)
Total shareholders' equity	9,730,392	10,631,603
Unrealized holding losses on securities	(686)	81
Total accumulated other comprehensive losses	(686)	81
Stock acquisition rights	68,626	91,468
Non-controlling shareholder equity	-	207,043
Total net assets	9,798,332	10,930,195
Total liabilities and net assets	23,018,904	23,568,605

(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, 2021	For the nine months ended December 31, 2022
Net sales	7,355,389	10,210,363
Cost of sales	4,490,522	6,322,391
Gross profit	2,864,866	3,887,971
Selling, general and administrative expenses	1,887,242	2,820,639
Operating income	977,624	1,067,332
Non-operating income:		
Interest income	3	4
Share of profit of entities accounted for using equity method	435	940
Insurance income	-	3,418
Dividend income	305	363
Other non-operating income	2,768	394
Total non-operating income	3,513	5,120
Non-operating expenses:		
Interest expenses	31,887	65,766
Offering expenses	-	38,729
Other non-operating expenses	1,937	6,349
Total non-operating expenses	33,824	110,845
Ordinary income	947,312	961,606
Extraordinary income:		
Gain on step acquisitions	-	280,841
Total extraordinary income	-	280,841
Extraordinary losses:		
Losses on disposals of fixed assets	-	63,851
Office relocation related losses	-	104,266
Total extraordinary losses	-	168,118
Income before income taxes	947,312	1,074,328
Income taxes:		
Current	265,979	303,507
Deferred	40,942	(50,238)
Total income taxes	306,922	253,269
Net income	640,390	821,059
Net income attributable to non-controlling interests	-	30,140
Net income attributable to owners of the parent	640,390	790,918

(Quarterly Consolidated statements of comprehensive income)

(Unit: Thousand yen)

	For the nine months ended December 31, 2021	For the nine months ended December 31, 2022
Net income	640,390	821,059
Other comprehensive income:		
Unrealized holding losses on securities	(1,006)	767
Total accumulated other comprehensive losses	(1,006)	767
Comprehensive income	639,383	821,826
Comprehensive income attributable to:		
Owners of the parent	639,383	791,686
Non-controlling interests	-	30,140

(3) Notes to Quarterly Consolidated Financial Statements

(Note to going concern assumptions)

Not applicable.

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

Not applicable.

(Segment information, etc.)

[Segment information]

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

II. For the nine months ended December 31, 2022

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	1,641,749	8,568,613	10,210,363	-	10,210,363
Inter-segment sales and transfers	468,479	32,232	500,711	(500,711)	-
Total	2,110,229	8,600,845	10,711,075	(500,711)	10,210,363
Segment profit	878,433	312,747	1,191,180	(123,848)	1,067,332

(Notes) 1. The adjustment to segment profit of (123,848) 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.