

## Consolidated Financial Results for FYE March 31, 2023 (JGAAP)

May 10, 2023

Company name: SRE Holdings Corporation  
 Stock code: 2980  
 Representative: Kazuo Nishiyama, President & Chief Executive Officer  
 Contact: Osamu Mashiko, Member of the Board, CFO & Division Director, Corporate Strategy Headquarters

Stock exchange listing: Tokyo  
 URL: <https://sre-group.co.jp/>

TEL: +81-3-6274-6550

Scheduled date of dividend payment -

Scheduled date of Annual General Meeting of Shareholders: June 23, 2023

Scheduled date to submit the Securities Report (Yukashoken Hokokusho): June 26, 2023

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, 2023 (April 1, 2022 - March 31, 2023)

(1) Consolidated operating results

(% shows the year-on-year change)

Year ended	Net sales		Operating income		Ordinary income		Net income attributable to owners of parent	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
March 31, 2023	18,541	36.6	1,686	21.1	1,540	18.4	1,148	28.7
March 31, 2022	13,572	84.9	1,391	31.7	1,300	27.1	892	33.8

(Note) Comprehensive income: FYE March 31, 2023: ¥1,168 million 31.1% FYE March 31, 2022: ¥891 million 33.6%

Year ended	Basic income per share	Diluted income per share	Return on equity	Ratio of ordinary income to total assets	Operating income margin
	Yen	Yen	%	%	%
March 31, 2023	71.12	70.50	11.1	6.8	9.1
March 31, 2022	57.38	56.00	10.2	7.4	10.3

(Note) Share of income(loss) of entities accounted for using equity method: FYE March 31, 2023: (¥0) million  
 FYE March 31, 2022: (¥0) million

(2) Consolidated financial condition

As of	Total assets	Net assets	Equity ratio	Net assets per share
	Million yen	Million yen	%	Yen
March 31, 2023	21,956	11,316	50.1	680.41
March 31, 2022	23,018	9,798	42.3	610.51

(Reference) Equity capital: As of March 31, 2023: ¥10,995 million As of March 31, 2022: ¥9,730 million

(3) Consolidated cash flow position

Year ended	Cash flows from operating activities	Cash flows from investing activities	Cash flows from financing activities	Ending balance of cash and cash equivalents
	Million yen	Million yen	Million yen	Million yen
March 31, 2023	4,360	(427)	(3,125)	3,807
March 31, 2022	(7,305)	(1,637)	9,305	2,999

2. Dividends

	Annual dividend per share				
	1Q	2Q	3Q	Year end	Total
FYE	Yen	Yen	Yen	Yen	Yen
March 31, 2022	-	0.00	-	0.00	0.00
March 31, 2023	-	0.00	-	0.00	0.00
March 31, 2024 (forecast)	-	0.00	-	0.00	0.00

3. Consolidated Financial Forecasts for the FYE March 31, 2023 (April 1, 2023 to March 31, 2024)

(% shows the year-on-year change)

Full year	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
	22,300	20.3	2,150	27.5	2,000	29.8	1,430	24.5	88.49

(Note) For details, please refer to "1. Overview of Operating Results and Financial Condition, (2) Outlook" on page 3.

\* Notes

- (1) Changes in significant subsidiaries during the FYE March 31, 2023 (changes of specified subsidiaries with change of the scope of consolidation): No  
 (Note) Although not applicable to changes in specified subsidiaries, gig sales Co.,Ltd. (changed its name to DORIRU Co.,Ltd. on January 1, 2023) and Mole Technologies Co.,Ltd. were included in the scope of consolidation from the current fiscal year.
- (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  
 (Note) For details, please refer to "3. Consolidated Financial Statements and Major Notes (5) Notes to Consolidated Financial Statements (Changes in Accounting Policies)" on page 12 of the attached document.
- (3) Number of issued shares (common shares)  
 (i) Number of shares outstanding at end of the period (including treasury shares)  
 As of March 31, 2023: 16,160,015 shares  
 As of March 31, 2022: 15,937,237 shares  
 (ii) Number of treasury shares at end of the period  
 As of March 31, 2023: 297 shares  
 As of March 31, 2022: 173 shares  
 (iii) Average number of shares during the period  
 The FYE March 2023: 16,145,648 shares  
 The FYE March 2022: 15,552,331 shares

(Reference) Overview of non-consolidated financial results

Non-consolidated results for the FYE March 31, 2023 (April 1, 2022 - March 31, 2023)

(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, 2023	16,318	30.0	959	3.9	1,115	34.7	678	19.0
March 31, 2022	12,556	81.3	923	31.1	828	24.3	570	35.8

Year ended	Basic income per share	Diluted income per share
	Yen	Yen
March 31, 2023	42.04	41.68
March 31, 2022	36.69	35.80

(2) Non-consolidated financial position

As of	Total assets	Net assets	Equity ratio	Net assets per share
	Million yen	Million yen	%	Yen
March 31, 2023	19,647	9,782	49.3	599.24
March 31, 2022	21,911	8,955	40.6	557.64

(Reference) Equity capital: As of March 31, 2023: ¥9,683 million As of March 31, 2022: ¥8,887 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. Please refer to "1. Overview of Operating Results and Financial Condition, (2) Outlook" on page 3 for the assumptions used in forecasting business results and precautions regarding the use of business results forecasts.

(Availability of supplementary financial results materials and the contents of the financial results presentation meeting)

The Company plans to hold a briefing on financial results (online conference) for institutional investors and analysts on May 11, 2023 (Thursday). The Company plans to disclose the supplementary explanatory documents used on the day of the financial results briefing via TDnet on May 10, 2023 (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) Outlook.....	3
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
(Segment information, etc.) .....	12
(Per share information) .....	13
(Significant subsequent event) .....	13

## 1. Overview of Operating Results and Financial Condition

### (1) Overview of operating results

In the fiscal year under review, the Japanese economy showed signs of a recovery, chiefly in consumer spending and capital investment, amid the progress toward the normalization of economic and social activity while measures to control COVID-19 were implemented. In addition, the momentum of the digital transformation (DX) in many industries was sustained, and efforts to accelerate growth or reform businesses were seen in places where the momentum of the digital transformation (DX) is sustained across many industries.

In these conditions, SRE Holdings Corporation and its consolidated subsidiaries (the "Group") undertook two main businesses under its stated mission: Today's cutting edge technology will shape the next 10 years – a decade ahead. The first of the Group's businesses is the AI Cloud & Consulting business, through which the Group offers packaged cloud tools and tailor-made algorithms based on modules that leverage machine learning and other technologies, for the implementation of DX in many different industries ranging from real estate / financial businesses to information technology (IT) / healthcare sectors. The Group's second business is the Real Estate Tech business. This business consists of asset management, real estate consulting, asset development and investment businesses, which are aiming to provide reliable value to customers and actively use technologies.

The Group is identifying potential applications for machine learning and other advanced technologies by addressing operational inefficiencies and problems which have been identified through the direct involvement of the business in the real estate, finance and IT sectors as real businesses. The Group is not only working to increase its efficiency and competitiveness by introducing these technologies in the internal operations of the Group but also creating tools that promote and streamline business. After we use the tools ourselves and incorporate our own experience into them to make them more useful, we offer them to operators in the same sectors. The Group 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 business operation within a tech business enable to contribute to promote the digital transformation to many industries. Looking at the operating conditions surrounding the Group's AI Cloud & Consulting business, the momentum of DX that was increased by the COVID-19 pandemic remained strong across industries. It provided a tailwind for the Group's businesses. Turning to the operating conditions surrounding the Group's Real Estate Tech business, demand have been firm for different types of real estate. Regarding the brokerage business, the total number of transactions in pre-owned condominium in Greater Tokyo was lower than in the previous year due mainly to a rise in condominium prices.

In this operating environment, the Group aggressively offered cloud solutions, such as SRE Contract Creation Cloud, which makes the online preparation of real estate sales contracts possible, to real estate and financial business operators, and provided DX solutions based on the Group's AI modules for customers in other industries. The Group also worked to strengthen profitability by enhancing operations of the development/sales in consideration of profit and increasing the license fees of partial product. With an eye towards medium- and long-term growth, the Group endeavored to broaden the range of its value creation using highly practical technologies backed by real business. For this purpose, the Group expanded the area of real businesses that could be experienced through the operation and management of real assets, such as condominiums, offices, commercial facilities, hotels, nursing care facilities and other assets serving as different places where people live. It thus worked to create new service based on this knowledge.

As a result of the above, there were 3,054 charged contracts for Cloud Solutions (CS) with real estate brokers, exceeding the initial plan, and steady progress in acquisition of customers in Analytics and Transformation (A&T). Consequently, the Group could achieve the growth in annual recurring revenue (ARR) of 2,845 million yen after annualization based on the results in the fourth quarter of the fiscal year. In addition, in asset management and consulting, a private fund formation by SRE Asset Management Corporation was completed, and the Group sold its own properties to the fund. Thus, the smart property business progressed with surpassed the initial plan. As a result, consolidated revenues and profits for the fiscal year under review rose, with net sales amounting to 18,541,931 thousand yen (up 4,969,063 thousand yen or 36.6% year on year (YoY)), operating profit standing at 1,686,311 thousand yen (up 294,377 thousand yen or 21.1% YoY), ordinary profit reaching 1,540,251 thousand yen (up 239,749 thousand yen or 18.4% YoY) and profit attributable to owners of parent coming to 1,148,213 thousand yen (up 255,806 thousand yen or 28.7% YoY).

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

#### <AI Cloud & Consulting Segment>

For cloud solutions (CS), which are packaged AI-based cloud services, the core of which are deep learning technologies such as the real estate valuation engine, the Group, amid a continuing increase in the momentum of DX across industries following the COVID-19 pandemic, strengthened the operation and the structure in the view of development/sales, and steadily increased the number of contracts. The Group also maintained an extremely low churn rate.

In Analytics and Transformation (A&T), which are services offering solutions, systems, or conducting joint business development, using forecasting and analysis tools for different management issues for corporate customers, such as those in marketing, sales and other activities in various industrial sectors. The Group has offered consulting services that are differentiated by the use of AI modules in addition to the participation of consultants and data scientists with various industrial expertise, which enable to increase repeated orders from some loyal customers and achieved the steady expansion of business as a result. Furthermore, the joint development of new cloud solutions is being progressed.

As a result, the customer acquisition steadily progressed for CS and A&T both, and the Group recorded a high level of stock revenue, with annual recurring revenue (ARR) based on fourth-quarter revenue amounting to 2,845 million yen. Consequently, net sales in the AI Cloud & Consulting Segment amounted to 3,025,111 thousand yen (up 1,003,332 thousand yen or 49.6% YoY) and the segment's operating profit was 1,207,771 thousand yen (up 333,013 thousand yen or 38.1% YoY).

#### <Real Estate Tech Segment>

In asset management and consulting, the Group has provided real estate investment management and brokerage businesses utilizing its technologies. The Group also developed and invested in condominiums, offices, commercial facilities, hotels and nursing care welfare facilities leveraging IoT technologies and ESG credentials as smart properties and sold them to investors according to the plan. SRE Asset Management Corporation, a wholly owned subsidiary of the Group, began operating in October 2022, and formed a fund in March 2023. Accordingly, a wide variety of assets owned by the Group was sold to this fund. The Group will continuously sell its properties to funds and selectively acquire properties from the market to expand the scale of its funds. The Group will thus work to build a layered business model in which highly profitable recurring fees are accumulated without an excessive inventory of assets. The Group is advancing DX by applying technology in these real estate 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.

As a result of these efforts, the net sales of the Real Estate Tech Segment amounted to 16,243,023 thousand yen (up 4,242,617 thousand yen or 35.4% YoY) and operating profit came to 643,642 thousand yen (up 71,928 thousand yen or 12.6% YoY).

#### (2) Outlook

The outlook is as follows.

The Real Estate Tech Segment has been renamed the Life & Property Solution Segment (L&P), as the Group is working to diversify the types of assets it holds and to create value-in life space to enrich lifestyles. The new segment name will be used from the next fiscal year onwards.

#### <AI Cloud & Consulting Segment>

The Group is planning to evolve into a Life Tech company. It is expanding its main business targeting areas in the AI Cloud & Consulting Segment to finance, IT and healthcare in addition to real estate. The approachable markets are as follows. The financial DX market will be expected to grow to 3,913.1 billion yen in fiscal year 2025, according to the *Digital Transformation Solution Market for Financial Institutions 2022* published on July 29, 2022 by Yano Research Institute Ltd. In the same fiscal year, the IT and healthcare DX market will be expected to grow to approx. 3 trillion yen, according to the Group's estimate based on of desktop research. In the same fiscal year, the real estate DX market is expected to grow to 1,246.1 billion yen, according to the *Proptech Market 2021* published on July 28, 2021 by Yano Research Institute Ltd. The Group sees business potential in these markets with an approximate total size of 8 trillion yen. 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. Market circumstances surrounding the AI Cloud & Consulting Segment for the next fiscal year will be expected to remain favorable for the Group's business, and various policies are expected to normalize the Japanese economy, however, while there are concerns about economic downside risks arising mainly from monetary policies being tightened globally, the momentum of DX will continue across many different industries. In this environment, the Group will aim to achieve a high ARR growth of 47% YoY and increase operating profit growth rate of 28% YoY as a profitable SaaS player. The Group's initiatives for accelerating the expansion of business include (1) enhancing the product line-up and selling bundles in the existing CS business to increase earnings per customer, (2) expanding its customer base through continued investment in sales and marketing, and (3) achieving steadily growth of stock revenue in financial, IT, healthcare and other adjacent areas, and accelerating M&A activities through specialist organizations. In addition, the Group has established an ecosystem where its unique business model of creating and providing highly practical DX solutions, which attracts a competent workforce leading to enhanced capabilities, it is accelerating the growth of business as a result. The Group will ensure this ecosystem is established across the Group to obtain excellent staff in adjacent areas as well. The Group will thus aim to achieve medium- and long-term sustainable growth.

#### <Life & Property Solution Segment>

In the Life & Property Solution Segment, the Group will work hard to swiftly increase assets under management in its real estate private funds, which have been deducted from the Group's balance sheet through the asset management business. The Group is thus working to expand stable revenue while controlling financial risks. In addition, the Group is striving to diversify the types of assets, including condominiums, office, commercial facilities, hotels, and nursing care facilities. It is also endeavoring to create value in life space to enrich lifestyles. As a market concerned with this segment, the size of the real estate private fund market is 29.7 trillion yen as of the end of December 2022, up 5.6 trillion yen or 23% from the previous year according to *Sumitomo Mitsui Trust Research Institute's Fact-Finding Survey on Real Estate Private Funds* in January 2023 (Results). This was due partly to the anticipation of the normalization of the Japanese economy and to the yield gap staying relatively stable in comparison with that in Europe and the United States where interest rates have continued to be raised. In the market for pre-owned condominiums in Greater Tokyo, where a large number of transactions are handled in the real estate brokerage business, the number of contracts concluded in the period January to December 2022 was 35,429, down 11% YoY, according to East Japan Real Estate Distribution Organization's *Tokyo Metropolitan Area Real Estate Distribution Market Trends (2022)*, due mainly to a rise in transaction prices of pre-owned properties in line with the trends of prices of newly built properties and uncertainties regarding interest rate policies. Regarding smart property, demand remained strong for investments in many different types of assets, not only condominiums but also office buildings, commercial facilities and nursing care facilities.

The outlook for the market environment surrounding the Life & Property Solution Segment in the following consolidated fiscal year is uncertain given tightening monetary policies around the world and the risk of an economic slowdown.

Nonetheless, the Group will work to constantly improve productivity through the creation and active testing of new modules in collaboration with the AI Cloud & Consulting Segment and, therefore, it is expected to increase its revenue and profit. Also, the Group will augment new stock revenue from the asset management business while accelerating the DX and ESG initiatives for a wide variety of managed assets, aiming to realize a new style combining Life and Technology that makes people's lives more fulfilling.

As a result of the above initiatives, the consolidated forecasts for the following consolidated fiscal year are net sales of 22,300,000 thousand yen (up 20.3% YoY), operating profit of 2,150,000 thousand yen (up 27.5% YoY), ordinary profit of 2,000,000 thousand yen (up 29.8% YoY), and profit attributable to owners of parent of 1,430,000 thousand yen (up 24.5% YoY).

(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, 2022	As of March 31, 2023
<b>ASSETS</b>		
<b>Current assets:</b>		
Cash and deposits	2,999,148	3,837,535
Accounts receivable – trade and contract assets	411,868	636,267
Operating investments in capital	649,696	1,395,931
Inventories	15,813,956	12,200,552
Others	390,538	542,240
Less - allowance for doubtful accounts	(1,196)	(1,196)
Total current assets	20,264,011	18,611,330
<b>Non-current assets:</b>		
Property, plant and equipment		
Buildings	179,434	233,994
Accumulated depreciation	(51,573)	(27,272)
Buildings, net	127,860	206,722
Machinery and equipment	340,527	340,527
Accumulated depreciation	(4,086)	(28,604)
Machinery and equipment, net	336,441	311,923
Other	191,729	214,355
Accumulated depreciation	(40,672)	(46,816)
Other, net	151,056	167,539
Total property, plant and equipment	615,358	686,184
Intangible assets:		
Software	605,052	697,434
Goodwill	151,339	726,372
Others	29,536	15,853
Total intangible assets	785,929	1,439,661
Investments and other assets		
Investment securities	250,118	279,669
Shares of affiliates	545,877	236,188
Deferred tax assets	237,801	275,421
Other	217,008	376,358
Total investments and other assets	1,250,805	1,167,638
Total non-current assets	2,652,093	3,293,484
<b>Deferred Assets</b>		
Offering expenses	102,798	51,615
Total deferred Assets	102,798	51,615
<b>Total assets</b>	<b>23,018,904</b>	<b>21,956,430</b>

(Unit: Thousand yen)

	As of March 31, 2022	As of March 31, 2023
<b>LIABILITIES</b>		
<b>Current liabilities:</b>		
Accounts payable - trade	119,348	94,322
Short-term borrowings	3,797,090	4,281,440
Accounts payable - other	74,182	243,431
Accrued expenses	398,500	557,008
Income taxes payable	249,743	324,588
Accrued compensation	169,632	177,184
Others	332,827	284,743
Total current liabilities	5,141,325	5,962,719
<b>Non-current liabilities:</b>		
Long-term borrowings	7,844,000	4,389,671
Liability for retirement benefits	60,688	66,782
Others	174,557	220,994
Total non-current liabilities	8,079,246	4,677,447
Total liabilities	13,220,571	10,640,167
<b>NET ASSETS</b>		
Shareholders' equity:		
Capital stock	4,088,600	4,147,654
Capital surplus	4,088,600	4,147,654
Retained earnings	1,554,424	2,702,637
Treasury stock, at cost	(1,233)	(1,733)
Total shareholders' equity	9,730,392	10,996,213
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	(686)	(989)
Total accumulated other comprehensive income	(686)	(989)
Stock acquisition rights	68,626	99,226
Non-controlling shareholder equity	-	221,811
Total net assets	9,798,332	11,316,263
<b>Total liabilities and net assets</b>	<b>23,018,904</b>	<b>21,956,430</b>



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

(Unit: Thousand yen)

	For the Year ended March 31, 2022	For the Year ended March 31, 2023
Net sales	13,572,867	18,541,931
Cost of sales	9,403,057	12,763,833
Gross income	4,169,810	5,778,097
Selling, general and administrative expenses	2,777,875	4,091,785
Operating income	1,391,934	1,686,311
Non-operating income:		
Interest income	6	8
Dividend income	305	363
Insurance income	-	3,418
Other non-operating income	2,966	716
Total non-operating income	3,278	4,506
Non-operating expenses:		
Interest expenses	53,863	88,577
Share of losses of entities accounted for using equity method	110	657
Offering expenses	15,683	51,633
Early repayment charges	22,813	423
Other non-operating expenses	2,239	9,275
Total non-operating expenses	94,711	150,567
Ordinary income	1,300,502	1,540,251
Extraordinary income		
Gain on step acquisitions	-	280,841
Total extraordinary income	-	280,841
Extraordinary losses:		
Losses on disposals of fixed assets	53,639	89,328
Office relocation related losses	-	112,667
Total extraordinary losses	53,639	201,996
Income before income taxes	1,246,862	1,619,095
Income taxes:		
Current	370,896	485,182
Deferred	(16,440)	(35,209)
Total income taxes	354,455	449,973
Net income	892,407	1,169,122
Net income attributable to non-controlling interests	-	20,909
Net income attributable to owners of the parent	892,407	1,148,213

(Consolidated statements of comprehensive income)

(Unit: Thousand yen)

	For the Year ended March 31, 2022	For the Year ended March 31, 2023
Net income	892,407	1,169,122
Other comprehensive income:		
Unrealized holding losses on securities	(686)	(303)
Total accumulated other comprehensive losses	(686)	(303)
Comprehensive income	891,720	1,168,819
Comprehensive income attributable to:		
Owners of the parent	891,720	1,147,910
Non-controlling interests	-	20,909

(3) Consolidated statements of changes in net assets  
 Previous 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	
<b>Balance as of April 1, 2021</b>	<u>3,584,698</u>	<u>3,584,698</u>	<u>672,877</u>	<u>(122)</u>	<u>7,842,152</u>
Cumulative effect of a change in accounting policy			(10,860)		(10,860)
Balance at beginning of current period reflecting change in accounting policy	<u>3,584,698</u>	<u>3,584,698</u>	<u>662,017</u>	<u>(122)</u>	<u>7,831,292</u>
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	<u>503,902</u>	<u>503,902</u>	<u>892,407</u>	<u>(1,111)</u>	<u>1,899,099</u>
<b>Balance as of March 31, 2022</b>	<u>4,088,600</u>	<u>4,088,600</u>	<u>1,554,424</u>	<u>(1,233)</u>	<u>9,730,392</u>

	Accumulated other comprehensive income		Stock acquisition rights	Total net assets
	Valuation difference on available-for-sale securities	Total accumulated other comprehensive income		
<b>Balance as of April 1, 2021</b>	<u>-</u>	<u>-</u>	<u>37,735</u>	<u>7,879,887</u>
Cumulative effect of a change in accounting policy				(10,860)
Balance at beginning of current period reflecting change in accounting policy	<u>-</u>	<u>-</u>	<u>37,735</u>	<u>7,869,027</u>
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)	(686)	30,891	30,204
Total changes during the year	<u>(686)</u>	<u>(686)</u>	<u>30,891</u>	<u>1,929,304</u>
<b>Balance as of March 31, 2022</b>	<u>(686)</u>	<u>(686)</u>	<u>68,626</u>	<u>9,798,332</u>

Consolidated fiscal year (from April 1, 2022 to March 31, 2023)

(Unit: Thousand yen)

	Shareholders' equity				Total shareholders' equity
	Capital stock	Capital surplus	Retained earnings	Treasury stock, at cost	
<b>Balance as of April 1, 2022</b>	4,088,600	4,088,600	1,554,424	(1,233)	9,730,392
Changes during the year:					
Issuance of new shares	59,053	59,053			118,107
Net income attributable to owners of the parent			1,148,213		1,148,213
Purchases of treasury stock				(499)	(499)
Net changes in items other than those in shareholders' equity					
Total changes during the year	59,053	59,053	1,148,213	(499)	1,265,821
<b>Balance as of March 31, 2023</b>	4,147,654	4,147,654	2,702,637	(1,733)	10,996,213

	Accumulated other comprehensive income		Stock acquisition rights	Non-controlling shareholder equity	Total net assets
	Valuation difference on available-for-sale securities	Total accumulated other comprehensive income			
<b>Balance as of April 1, 2022</b>	(686)	(686)	68,626	-	9,798,332
Changes during the year:					
Issuance of new shares					118,107
Net income attributable to owners of the parent					1,148,213
Purchases of treasury stock					(499)
Net changes in items other than those in shareholders' equity	(303)	(303)	30,600	221,811	252,109
Total changes during the year	(303)	(303)	30,600	221,811	1,517,930
<b>Balance as of March 31, 2023</b>	(989)	(989)	99,226	221,811	11,316,263

## (4) Consolidated statements of cash flows

(Unit: Thousand yen)

	Previous Consolidated fiscal year (from April 1, 2021 to March 31, 2022)	Consolidated fiscal year under review (from April 1, 2022 to March 31, 2023)
<b>Cash flows from operating activities</b>		
Income before income taxes	1,246,862	1,619,095
Depreciation	258,278	271,274
Amortization of goodwill	13,758	46,531
Increase (decrease) in accrued compensation	35,531	7,552
Increase (decrease) in liability for retirement benefits	(5,605)	6,094
Interest income	(6)	(8)
Dividend income	(305)	(363)
Insurance income	-	(3,418)
Interest expenses	53,863	88,577
Share of (profit) loss of entities accounted for using equity method	110	657
Offering expenses	15,683	51,633
Gain on step acquisitions	-	(280,841)
Losses on disposal of fixed assets	53,639	89,328
Office relocation related losses	-	112,667
Decrease (increase) in accounts receivable - trade and contract assets	(215,983)	(29,570)
Decrease (increase) in operating investments in capital	180,316	(746,234)
Decrease (increase) in inventories	(8,543,915)	3,613,404
Increase (decrease) in accounts payable - trade	45,478	(117,947)
Increase (decrease) in accounts payable - other and accrued expenses	29,078	253,744
Other, net	28,366	(126,348)
Subtotal	(6,804,847)	4,855,828
Interest income received	6	8
Dividend income received	305	363
Insurance income received	-	3,418
Interest expenses paid	(53,863)	(88,577)
Income taxes paid	(447,569)	(410,580)
Net cash used in operating activities	(7,305,968)	4,360,461
<b>Cash flows from investing activities</b>		
Purchase of property, plant and equipment	(481,592)	(174,528)
Purchase of intangible assets	(368,462)	(404,684)
Expenditures for fulfillment of asset retirement obligations	-	(14,100)
Purchase of investment securities	(157,970)	(30,001)
Purchase of shares of affiliates	(425,856)	(58,500)
Proceeds for the acquisition of shares of a subsidiary with a change in the scope of consolidation	-	375,364
Expenditures for the acquisition of shares of a subsidiary with a change in the scope of consolidation	(130,545)	-
Other, net	(73,481)	(120,623)
Net cash used in investing activities	(1,637,907)	(427,073)
<b>Cash flows from financing activities</b>		
Increase(decrease) in short-term borrowings	414,000	(358,270)
Proceeds from long-term borrowings	10,588,090	4,747,864
Repayment of long-term borrowings	(2,582,489)	(7,605,318)
Proceeds from issuance of shares	887,522	76,364
Other, net	(1,294)	14,358
Net cash provided by financing activities	9,305,829	(3,125,001)
Net increase (decrease) in cash and cash equivalents	361,952	808,386
Cash and cash equivalents at the beginning of the year	2,637,195	2,999,148
Cash and cash equivalents at the end of the year	2,999,148	3,807,535

(5) Notes to consolidated financial statements  
 (Note to going concern assumptions)  
 Not applicable.

(Change in accounting policy)

Application of the "Guidance on Accounting Standard for Measurement of Fair Value" (ASBJ Guidance No. 31, June 17, 2021. Hereafter "Guidance of Accounting Standard for Measurement of Fair Value") has been applied since the beginning of FYE March 2023, and the new accounting policy prescribed by the "Guidance of Accounting Standard for Measurement of Fair Value" is applied prospectively in accordance with the transitional treatment prescribed in paragraph 27-2 of the "Guidance of Accounting Standard for Measurement of Fair Value".

This change has no impact on the consolidated financial statements.

(Segment information, etc.)

[Segment information]

### 1. Overview of Reportable Segments

The Company's reportable segments are internal monitoring units for which separate financial information is available and for which the Board of Directors makes decisions on the allocation of management resources and evaluates performance. The Group is engaged in the "AI Cloud & Consulting" business, which provides packaged cloud tools and tailor-made algorithms based on modules utilizing advanced technologies such as machine learning to improve operations in various industries, particularly the real estate industry; the "Real Estate Professionals" business, which provides real estate distribution business, which includes real estate brokerage services such as real estate sales and brokerage services that have been made more sophisticated and efficient by actively introducing technology to the group, and the "Real Estate Tech" business, which develops smart home services such as the development and sale of high value-added condominiums using IoT technology.

### 2. Method of calculating sales, profit or loss by reportable segment

The accounting method of the reported business segments is in accordance with the accounting policy adopted to prepare consolidated financial statements.

Intersegment sales or transfers are determined by reference to prevailing market prices and are subject to negotiation on a case-by-case basis.

### 3. Information on net sales and income amounts by reportable segment

For FYE March 31, 2022

(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.

For FYE March 31, 2023

(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	2,350,989	16,190,941	18,541,931	-	18,541,931
Inter-segment sales and transfers	674,121	52,082	726,204	(726,204)	-
Total	3,025,111	16,243,023	19,268,135	(726,204)	18,541,931
Segment income	1,207,771	643,642	1,851,413	(165,101)	1,686,311

(Notes) 1. The adjustment to segment income of (165,101) 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.

(Per share information)

	Previous consolidated fiscal year (from April 1, 2021 to March 31, 2022)	Consolidated fiscal year under review (from April 1, 2022 to March 31, 2023)
Net assets per share	610.51 yen	680.41 yen
Basic profit per share	57.38 yen	71.12 yen
Diluted profit per share	56.00 yen	70.50 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, 2021 to March 31, 2022)	Consolidated fiscal year under review (from April 1, 2022 to March 31, 2023)
(i) Basic profit per share		
Profit attributable to owners of parent (thousand yen)	892,407	1,148,213
Amount not attributable to common shareholders (thousand yen)	—	—
Profit attributable to owners of parent related to common shares (thousand yen)	892,407	1,148,213
Average number of common shares during the period (shares)	15,552,331	16,145,648
(ii) Diluted profit per share		
Adjustment of profit attributable to owners of parent (thousand yen)	—	—
Increase in the number of common shares (shares)	383,571	140,617
[Share acquisition rights in the above (shares)]	[383,571]	[140,617]
Overview of dilutive shares not included in the calculation of diluted profit per share due to absence of dilutive effect	-	-

(Significant subsequent event)

Not applicable.