

Note: This document has been translated from the Japanese original for reference purposes only. In the event of any discrepancy between this translated document and the Japanese original, the original shall prevail.

April 5, 2024

Consolidated Financial Results for the Three Months Ended February 29, 2024 (Under Japanese GAAP)

Company name: SALA Corporation
 Listing: Tokyo Stock Exchange / Nagoya Stock Exchange
 Securities code: 2734
 URL: <https://www.sala.jp/>
 Representative: Goro Kamino, President and Representative Director, Group Representative and CEO
 Inquiries: Shinichi Ichikawa, Manager of General Affairs Group, General Affairs Department
 Telephone: +81-532-51-1182
 Scheduled date to file quarterly securities report: April 9, 2024
 Scheduled date to commence dividend payments: –
 Preparation of supplementary material on quarterly financial results: None
 Holding of quarterly financial results briefing: None

(Yen amounts are rounded down to millions, unless otherwise noted.)

1. Consolidated financial results for the three months ended February 29, 2024 (from December 1, 2023 to February 29, 2024)

(1) Consolidated operating results (cumulative)

(Percentages indicate year-on-year changes.)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
Three months ended February 29, 2024	59,166	(7.8)	2,541	(15.4)	2,900	0.3	1,937	(0.7)
February 28, 2023	64,154	9.7	3,004	(0.6)	2,892	(10.2)	1,951	(13.0)

Note: Comprehensive income For the three months ended February 29, 2024: ¥2,516 million [27.2%]
 For the three months ended February 28, 2023: ¥1,977 million [(17.4)%]

	Basic earnings per share	Diluted earnings per share
Three months ended	Yen	Yen
February 29, 2024	30.30	–
February 28, 2023	30.59	–

(2) Consolidated financial position

	Total assets	Net assets	Equity-to-asset ratio
As of	Millions of yen	Millions of yen	%
February 29, 2024	193,066	80,297	40.8
November 30, 2023	189,267	78,645	40.8

Reference: Equity

As of February 29, 2024: ¥78,784 million
 As of November 30, 2023: ¥77,179 million

2. Cash dividends

	Annual dividends per share				
	First quarter-end	Second quarter-end	Third quarter-end	Fiscal year-end	Total
	Yen	Yen	Yen	Yen	Yen
Fiscal year ended November 30, 2023	–	13.00	–	13.00	26.00
Fiscal year ending November 30, 2024	–				
Fiscal year ending November 30, 2024 (Forecast)		13.00	–	14.00	27.00

Note: Revisions to the forecast of cash dividends most recently announced: None

3. Consolidated earnings forecasts for the fiscal year ending November 30, 2024 (from December 1, 2023 to November 30, 2024)

(Percentages indicate year-on-year changes.)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent		Basic earnings per share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
Six months ending May 31, 2024	127,000	0.8	5,600	11.5	5,900	3.9	4,100	(13.7)	64.12
Fiscal year ending November 30, 2024	255,000	5.3	7,300	20.0	8,200	4.2	5,600	(8.2)	87.57

Note: Revisions to the earnings forecasts most recently announced: None

*** Notes**

- (1) Changes in significant subsidiaries during the period (changes in specified subsidiaries resulting in the change in scope of consolidation): None
- (2) Adoption of accounting treatment specific to the preparation of quarterly consolidated financial statements: None
- (3) Changes in accounting policies, changes in accounting estimates, and restatement
 - (i) Changes in accounting policies due to revisions to accounting standards and other regulations: None
 - (ii) Changes in accounting policies due to other reasons: None
 - (iii) Changes in accounting estimates: None
 - (iv) Restatement: None

(4) Number of issued shares (common shares)

(i) Total number of issued shares at the end of the period (including treasury shares)

As of February 29, 2024	66,041,147 shares
As of November 30, 2023	66,041,147 shares

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

As of February 29, 2024	2,094,088 shares
As of November 30, 2023	2,093,710 shares

(iii) Average number of shares outstanding during the period (cumulative from the beginning of the fiscal year)

Three months ended February 29, 2024	63,947,257 shares
Three months ended February 28, 2023	63,801,715 shares

* Quarterly financial results reports are exempt from quarterly review conducted by certified public accountants or an audit corporation.

* Proper use of earnings forecasts, and other special matters
(Caution concerning forward-looking statements)

The forward-looking statements, including earnings forecasts, contained in these materials are based on information currently available to the Company and on certain assumptions deemed to be reasonable by the Company. Consequently, any statements herein do not constitute assurances regarding actual results by the Company. Actual business and other results may differ significantly due to various unforeseen factors.

○ **Attachment Index**

Index

1. Qualitative information on quarterly consolidated financial results	2
(1) Explanation of operating results	2
(2) Explanation of financial position.....	4
(3) Explanation of consolidated earnings forecasts and other forward-looking statements.....	4
2. Quarterly consolidated financial statements and significant notes thereto	5
(1) Quarterly consolidated balance sheet	5
(2) Quarterly consolidated statement of income and quarterly consolidated statement of comprehensive income	7
Quarterly consolidated statement of income (cumulative).....	7
Quarterly consolidated statement of comprehensive income (cumulative).....	8
(3) Notes to quarterly consolidated financial statements	9
Uncertainties of entity’s ability to continue as going concern	9
Notes on significant changes in the amount of shareholders’ equity.....	9
Segment information	10
Significant events after reporting period	13

1. Qualitative information on quarterly consolidated financial results

(1) Explanation of operating results

During the first three months of the fiscal year ending November 30, 2024, although the Japanese economy saw a move toward normalization of economic activities, the economic outlook remained uncertain because of rising prices placing pressure on household budgets due to the prolonged uncertainty over the situation in Ukraine, depreciation of the yen, etc.

Under these conditions, the SALA Group focused on initiatives on the key strategies of the fifth medium-term management plan, which started from fiscal year ended November 30, 2023. The key strategies are “service and business development in the Life Creative Business Unit* and transformation of the business format,” “enhancing brand value through ‘customer experience’ that exceeds expectations,” “business creation through ‘co-creation’ with parties inside and outside the Group,” “improving profitability in existing business fields,” and “transforming into an organizational culture that attracts people who ‘think and act on their own initiative.’” During the current fiscal year, the second year of the plan, the Company will continue to proactively invest in new growth areas for promoting carbon neutrality and work to fundamentally reform the business structure through digital transformation (DX), and actively promote various measures to achieve the plan.

During the first three months of the current fiscal year, SALA ENERGY CO., LTD., which is the Energy & Solutions business, proceeded with the restructuring of its core system to transform operations traditionally divided by gas type (city gas and LP gas) through the use of digital technology and to provide high-quality services tailored to each individual customer.

The Company has raised funds through a green loan under the Green Finance Framework for the installation of grid storage batteries to be constructed in Hamamatsu City, Shizuoka Prefecture as investment in new growth, by SALA ENERGY CO., LTD.

As collaboration that goes beyond the segment framework, while working to develop the previously owned home transaction business in business areas for daily living, we have started offering solution proposals through carbon neutral diagnoses for BtoB customers.

As for the Toyohashi Ekimae Odori 2-chome District Redevelopment Project in which the SALA Group is involved to create a lively town, following on from the opening of emCAMPUS EAST in November 2021, we have been progressing preparations for the opening of emCAMPUS WEST, scheduled for completion in May 2024.

As for operating results for the first three months of the current fiscal year, net sales decreased by 7.8% year on year to ¥59,166 million due to a significant decrease in revenue in the Energy & Solutions business. As for profit, operating profit decreased by 15.4% year on year to ¥2,541 million due to decreases in profit in the Energy & Solutions business, the Car Life Support business and the Animal Health Care business. On the other hand, ordinary profit increased by 0.3% year on year to ¥2,900 million and profit attributable to owners of parent decreased by 0.7% year on year to ¥1,937 million, due to the recording of a gain on valuation of derivatives on forward exchange contracts of ¥183 million in the first three months of the current fiscal year, while a loss on valuation of derivatives on forward exchange contracts was recorded in non-operating expenses in the same period of the previous fiscal year.

* “Life Creative Business Unit” refers to business areas for daily living other than the energy business.

Operating results of each segment are as follows.

Energy & Solutions business

Net sales ¥33,682 million (down 13.9% year on year)

Operating profit ¥2,415 million (down 15.4% year on year)

The selling price of city gas was downwardly adjusted based on a system to adjust raw material costs, and its sales volume also decreased mainly for home use and commercial use. Consequently,

net sales decreased. As for profit, in addition to the decrease in sales volume of city gas, there was equipment failure at the biomass power plant and a decrease in electricity sales due to output adjustments for approximately one month. Consequently, operating profit decreased.

Engineering & Maintenance business

Net sales ¥6,828 million (down 2.6% year on year)

Operating profit ¥625 million (up 10.6% year on year)

Although the civil engineering department and the maintenance department performed well, net sales decreased due to a decrease in completed projects in the equipment work department and the construction department. As for profit, operating profit increased due to many completed projects with high profit margins in the civil engineering department and the equipment work department as well as efforts of each department to reduce cost of sales by thorough process management.

Housing business

Net sales ¥7,239 million (up 13.7% year on year)

Operating loss ¥190 million (operating loss of ¥342 million for the same period of the previous fiscal year)

In the housing sales department, both the number of lot houses sold and custom-built houses sold increased as orders recovered. On the other hand, in the housing components and materials processing and sales department, orders from clients decreased due to the impact of a decrease in the number of new housing starts in the Hamamatsu and Toyohashi areas. As a result, overall segment net sales increased, and operating loss narrowed due to the increase in the number of houses sold.

Car Life Support business

Net sales ¥3,718 million (down 13.5% year on year)

Operating loss ¥191 million (operating loss of ¥86 million for the same period of the previous fiscal year)

Both Volkswagen, due to the impact of selling price revisions, and Audi, due to a supply shortage for major vehicle lines, experienced a decrease in the number of new cars sold as orders were sluggish. Furthermore, the number of used cars sold fell due to a decrease in the number of trade-in vehicles accompanying the weak new car sales. As a result, net sales decreased, and operating loss was recorded.

Animal Health Care business

Net sales ¥6,183 million (up 5.7% year on year)

Operating profit ¥22 million (down 80.0% year on year)

In the livestock farming department, orders for veterinary medical products, etc. performed well due to the easing of the impact of high feed prices. In the pet-related department, net sales increased due to last-minute surge in demand before the price hike of veterinary medical products, etc. As for profit, operating profit decreased due to higher purchase prices of veterinary medical products, etc. and an increase in selling, general and administrative expenses.

Properties business

Net sales ¥1,024 million (down 0.4% year on year)

Operating loss ¥13 million (operating loss of ¥43 million for the same period of the previous fiscal year)

In the real estate properties department, although sales decreased in the purchase and resale business, there was an increase in the number of guests for banquets, hotel overnight stays, bridal services, etc. in the hospitality department as economic activities normalized. Consequently, net sales were about the same level year on year. As for profit, operating loss narrowed due to the increase in the number of guests in the hospitality department.

(2) Explanation of financial position

Assets

Assets were ¥193,066 million, up ¥3,799 million from November 30, 2023. This was mainly due to increases in “property, plant and equipment” by ¥2,326 million, “merchandise and finished goods” by ¥1,351 million and “notes and accounts receivable - trade, and contract assets” by ¥952 million, despite a decrease in “cash and deposits” by ¥1,166 million.

Liabilities

Liabilities were ¥112,769 million, up ¥2,147 million from November 30, 2023. This was mainly due to an increase in “short-term borrowings” by ¥5,258 million, despite decreases in “other” under current liabilities by ¥1,175 million, “provision for bonuses” by ¥1,060 million and “notes and accounts payable - trade” by ¥712 million.

Net assets

Net assets were ¥80,297 million, up ¥1,651 million from November 30, 2023. This was mainly due to an increase in “retained earnings” of ¥1,079 million (increased by ¥1,937 million due to recording of profit attributable to owners of parent and decreased by ¥858 million due to payment of dividends).

(3) Explanation of consolidated earnings forecasts and other forward-looking statements

There is no change to the consolidated earnings forecasts for the first six months of the fiscal year ending November 30, 2024, nor to the full-year earnings forecasts, both of which were announced on January 12, 2024.

2. Quarterly consolidated financial statements and significant notes thereto

(1) Quarterly consolidated balance sheet

(Millions of yen)

	As of November 30, 2023	As of February 29, 2024
Assets		
Current assets		
Cash and deposits	22,966	21,799
Notes and accounts receivable - trade, and contract assets	32,254	33,206
Electronically recorded monetary claims - operating	1,834	1,669
Merchandise and finished goods	13,988	15,339
Work in process	7,477	7,353
Raw materials and supplies	444	609
Other	5,970	5,898
Allowance for doubtful accounts	(186)	(180)
Total current assets	84,750	85,697
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	20,306	20,168
Machinery, equipment and vehicles, net	7,141	7,096
Gas pipe, net	14,848	15,580
Land	32,431	32,372
Construction in progress	1,760	3,577
Other, net	1,418	1,437
Total property, plant and equipment	77,906	80,233
Intangible assets		
Goodwill	263	260
Other	2,553	2,638
Total intangible assets	2,816	2,899
Investments and other assets		
Investment securities	8,897	9,440
Long-term loans receivable	2,412	2,218
Retirement benefit asset	2,221	2,234
Deferred tax assets	3,848	3,420
Other	6,858	7,350
Allowance for doubtful accounts	(444)	(428)
Total investments and other assets	23,793	24,236
Total non-current assets	104,517	107,369
Total assets	189,267	193,066

(Millions of yen)

	As of November 30, 2023	As of February 29, 2024
Liabilities		
Current liabilities		
Notes and accounts payable - trade	26,225	25,513
Electronically recorded obligations - operating	4,379	4,328
Short-term borrowings	8,579	13,838
Current portion of long-term borrowings	7,273	7,686
Income taxes payable	341	26
Provision for bonuses	2,582	1,521
Provision for bonuses for directors (and other officers)	9	2
Provision for warranties for completed construction	47	47
Provision for loss on construction contracts	55	57
Provision for point card certificates	234	235
Other	10,670	9,494
Total current liabilities	60,399	62,753
Non-current liabilities		
Long-term borrowings	36,989	36,315
Deferred tax liabilities	524	928
Provision for retirement benefits for directors (and other officers)	165	165
Provision for share-based payments	502	534
Provision for repairs	125	131
Retirement benefit liability	8,668	8,705
Other	3,245	3,235
Total non-current liabilities	50,221	50,015
Total liabilities	110,621	112,769
Net assets		
Shareholders' equity		
Share capital	8,025	8,025
Capital surplus	25,300	25,300
Retained earnings	42,326	43,405
Treasury shares	(1,383)	(1,384)
Total shareholders' equity	74,267	75,346
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	985	1,281
Deferred gains or losses on hedges	442	703
Remeasurements of defined benefit plans	1,483	1,453
Total accumulated other comprehensive income	2,911	3,438
Non-controlling interests	1,466	1,512
Total net assets	78,645	80,297
Total liabilities and net assets	189,267	193,066

(2) Quarterly consolidated statement of income and quarterly consolidated statement of comprehensive income**Quarterly consolidated statement of income (cumulative)**

(Millions of yen)

	Three months ended February 28, 2023	Three months ended February 29, 2024
Net sales	64,154	59,166
Cost of sales	48,704	44,291
Gross profit	15,450	14,874
Selling, general and administrative expenses	12,445	12,333
Operating profit	3,004	2,541
Non-operating income		
Interest income	29	10
Dividend income	31	33
Gain on valuation of derivatives	–	183
Share of profit of entities accounted for using equity method	24	87
Other	148	129
Total non-operating income	233	443
Non-operating expenses		
Interest expenses	49	44
Loss on valuation of derivatives	280	–
Other	14	40
Total non-operating expenses	344	84
Ordinary profit	2,892	2,900
Extraordinary income		
Gain on sale of non-current assets	9	39
Total extraordinary income	9	39
Extraordinary losses		
Loss on sale and retirement of non-current assets	26	40
Total extraordinary losses	26	40
Profit before income taxes	2,875	2,899
Income taxes - current	159	274
Income taxes - deferred	728	636
Total income taxes	887	910
Profit	1,987	1,989
Profit attributable to non-controlling interests	36	51
Profit attributable to owners of parent	1,951	1,937

Quarterly consolidated statement of comprehensive income (cumulative)

(Millions of yen)

	Three months ended February 28, 2023	Three months ended February 29, 2024
Profit	1,987	1,989
Other comprehensive income		
Valuation difference on available-for-sale securities	135	296
Deferred gains or losses on hedges	(93)	260
Remeasurements of defined benefit plans, net of tax	(52)	(29)
Total other comprehensive income	(10)	527
Comprehensive income	1,977	2,516
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	1,941	2,463
Comprehensive income attributable to non-controlling interests	36	52

(3) Notes to quarterly consolidated financial statements

Uncertainties of entity's ability to continue as going concern

Not applicable.

Notes on significant changes in the amount of shareholders' equity

Not applicable.

Segment information

I For the three months ended February 28, 2023

1. Disclosure of sales and profit (loss) for each reportable segment and disaggregation of revenue

(Millions of yen)

	Reportable segments				
	Energy & Solutions business	Engineering & Maintenance business	Housing business	Car Life Support business	Animal Health Care business
Net sales					
City gas	17,375	–	–	–	–
LP gas	8,631	–	–	–	–
Electric power	5,143	–	–	–	–
Civil engineering work, construction work, equipment work	–	7,014	–	–	–
Housing, construction materials	–	–	6,367	–	–
Automotive sales and maintenance	–	–	–	4,298	–
Veterinary medical products	–	–	–	–	5,850
Lease, sale and purchase, and brokerage of real estate, hotel	–	–	–	–	–
Other	7,977	–	–	–	–
Revenue from contracts with customers	39,127	7,014	6,367	4,298	5,850
Other revenue (Note 4)	–	–	–	–	–
Sales to external customers	39,127	7,014	6,367	4,298	5,850
Intersegment sales or transfers	484	1,168	2	2	0
Total	39,611	8,182	6,369	4,301	5,850
Segment profit (loss)	2,855	565	(342)	(86)	109

	Reportable segments		Other (Note 1)	Total	Adjustment (Note 2)	Consolidated (Note 3)
	Properties business	Total				
Net sales						
City gas	–	17,375	–	17,375	–	17,375
LP gas	–	8,631	–	8,631	–	8,631
Electric power	–	5,143	–	5,143	–	5,143
Civil engineering work, construction work, equipment work	–	7,014	–	7,014	–	7,014
Housing, construction materials	–	6,367	–	6,367	–	6,367
Automotive sales and maintenance	–	4,298	–	4,298	–	4,298
Veterinary medical products	–	5,850	–	5,850	–	5,850
Lease, sale and purchase, and brokerage of real estate, hotel	1,028	1,028	–	1,028	–	1,028
Other	–	7,977	377	8,355	27	8,382
Revenue from contracts with customers	1,028	63,686	377	64,064	27	64,091
Other revenue (Note 4)	–	–	63	63	–	63
Sales to external customers	1,028	63,686	441	64,127	27	64,154
Intersegment sales or transfers	125	1,782	446	2,228	(2,228)	–
Total	1,153	65,469	887	66,356	(2,201)	64,154
Segment profit (loss)	(43)	3,057	22	3,080	(75)	3,004

- (Notes) 1. The “other” category represents operating segments that are not included in reportable segments, and includes manufacturing auto parts, installment sale and lease.
2. Adjustment to segment profit (loss) of ¥(75) million includes intersegment eliminations of ¥281 million and corporate expenses of ¥(357) million. Corporate expenses are mainly general and administrative expenses, which are not attributable to the reportable segments.
3. Segment profit (loss) was adjusted with operating profit in the quarterly consolidated statement of income.
4. “Other revenue” includes revenue on lease, etc.

2. Disclosure of impairment losses on non-current assets or goodwill for each reportable segment

Not applicable.

II For the three months ended February 29, 2024

1. Disclosure of sales and profit (loss) for each reportable segment and disaggregation of revenue

(Millions of yen)

	Reportable segments				
	Energy & Solutions business	Engineering & Maintenance business	Housing business	Car Life Support business	Animal Health Care business
Net sales					
City gas	12,742	–	–	–	–
LP gas	9,173	–	–	–	–
Electric power	3,951	–	–	–	–
Civil engineering work, construction work, equipment work	–	6,828	–	–	–
Housing, construction materials	–	–	7,239	–	–
Automotive sales and maintenance	–	–	–	3,718	–
Veterinary medical products	–	–	–	–	6,183
Lease, sale and purchase, and brokerage of real estate, hotel	–	–	–	–	–
Other	7,816	–	–	–	–
Revenue from contracts with customers	33,682	6,828	7,239	3,718	6,183
Other revenue (Note 4)	–	–	–	–	–
Sales to external customers	33,682	6,828	7,239	3,718	6,183
Intersegment sales or transfers	520	1,114	1	3	0
Total	34,203	7,943	7,241	3,721	6,183
Segment profit (loss)	2,415	625	(190)	(191)	22

	Reportable segments		Other (Note 1)	Total	Adjustment (Note 2)	Consolidated (Note 3)
	Properties business	Total				
Net sales						
City gas	–	12,742	–	12,742	–	12,742
LP gas	–	9,173	–	9,173	–	9,173
Electric power	–	3,951	–	3,951	–	3,951
Civil engineering work, construction work, equipment work	–	6,828	–	6,828	–	6,828
Housing, construction materials	–	7,239	–	7,239	–	7,239
Automotive sales and maintenance	–	3,718	–	3,718	–	3,718
Veterinary medical products	–	6,183	–	6,183	–	6,183
Lease, sale and purchase, and brokerage of real estate, hotel	1,024	1,024	–	1,024	–	1,024
Other	–	7,816	398	8,214	34	8,248
Revenue from contracts with customers	1,024	58,677	398	59,075	34	59,110
Other revenue (Note 4)	–	–	56	56	–	56
Sales to external customers	1,024	58,677	454	59,131	34	59,166
Intersegment sales or transfers	126	1,766	464	2,231	(2,231)	–
Total	1,150	60,443	919	61,363	(2,196)	59,166
Segment profit (loss)	(13)	2,667	26	2,694	(153)	2,541

(Notes) 1. The “other” category represents operating segments that are not included in reportable segments, and includes manufacturing auto parts, installment sale and lease.

- Adjustment to segment profit (loss) of ¥(153) million includes intersegment eliminations of ¥253 million and corporate expenses of ¥(406) million. Corporate expenses are mainly general and administrative expenses, which are not attributable to the reportable segments.
- Segment profit (loss) was adjusted with operating profit in the quarterly consolidated statement of income.
- “Other revenue” includes revenue on lease, etc.

- Disclosure of impairment losses on non-current assets or goodwill for each reportable segment

Not applicable.

Significant events after reporting period

Not applicable.