

Consolidated Financial Results for FYE March 31, 2024 (JGAAP)

May 14, 2024

Company name: SRE Holdings Corporation
 Stock code: 2980
 Representative: Kazuo Nishiyama, President & Chief Executive Officer
 Contact: Osamu Mashiko, CFO, Senior Managing Executive Officer, 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 26, 2024

Scheduled date to submit the Securities Report (Yukashoken Hokokusho): June 27, 2024

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, 2024 (April 1, 2023 - March 31, 2024)

(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, 2024	24,218	30.6	2,212	31.2	2,058	33.7	1,388	20.9
March 31, 2023	18,541	36.6	1,686	21.1	1,540	18.4	1,148	28.7

(Note) Comprehensive income: FYE March 31, 2024: ¥1,458 million 24.7% FYE March 31, 2023: ¥1,168 million 31.1%

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, 2024	85.83	84.87	12.0	9.0	9.1
March 31, 2023	71.12	70.50	11.1	6.8	9.1

 (Note) Share of income(loss) of entities accounted for using equity method: FYE March 31, 2024: (¥8) million
 FYE March 31, 2023: (¥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, 2024	24,017	12,460	50.6	752.30
March 31, 2023	21,956	11,316	50.1	680.41

(Reference) Equity capital: As of March 31, 2024: ¥12,147 million As of March 31, 2023: ¥10,995 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, 2024	452	(376)	(554)	3,329
March 31, 2023	4,360	(427)	(3,125)	3,807

2. Dividends

	Annual dividend per share				
	1Q	2Q	3Q	Year end	Total
FYE	Yen	Yen	Yen	Yen	Yen
March 31, 2023	-	0.00	-	0.00	0.00
March 31, 2024	-	0.00	-	0.00	0.00
March 31, 2025 (forecast)	-	0.00	-	0.00	0.00

3. Consolidated Financial Forecasts for the FYE March 31, 2025 (April 1, 2024 to March 31, 2025)

(% 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
	27,000	11.5	3,050	37.9	2,900	40.9	1,850	33.2	114.57

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

* Notes

(1) Changes in significant subsidiaries during the FYE March 31, 2024 (changes of specified subsidiaries with change of the scope of consolidation): No

(2) 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

(3) Number of issued shares (common shares)

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

As of March 31, 2024: 16,194,895 shares

As of March 31, 2023: 16,160,015 shares

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

As of March 31, 2024: 48,205 shares

As of March 31, 2023: 297 shares

(iii) Average number of shares during the period

The FYE March 2024: 16,177,143 shares

The FYE March 2023: 16,145,648 shares

(Reference) Overview of non-consolidated financial results

Non-consolidated results for the FYE March 31, 2024 (April 1, 2023 - March 31, 2024)

(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, 2024	20,880	28.0	959	(0.0)	1,314	17.8	1,070	57.7
March 31, 2023	16,318	30.0	959	3.9	1,115	34.7	678	19.0

Year ended	Basic income per share		Diluted income per share	
	Yen		Yen	
March 31, 2024	66.16		65.42	
March 31, 2023	42.04		41.68	

(2) Non-consolidated financial position

As of	Total assets		Net assets		Equity ratio		Net assets per share	
	Million yen		Million yen		%		Yen	
March 31, 2024	21,449		10,761		49.6		658.88	
March 31, 2023	19,647		9,782		49.3		599.24	

(Reference) Equity capital: As of March 31, 2024: ¥10,638 million As of March 31, 2023: ¥9,683 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, (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 15, 2024 (Wednesday). The Company plans to disclose the supplementary explanatory documents used on the day of the financial results briefing via TDnet on May 14, 2024 (Tuesday) as well as publishing them on the Company's website.

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1. Overview of Operating Results

(1) Overview of operating results

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 Life & Property Solutions business. This business consists of asset management, real estate brokerage 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, IT and healthcare sectors as real business. 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. In addition, the Group leverages this track record to pursue collaboration with various other companies in an effort to jointly develop solutions.

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, social and economic activity has become increasingly normalized following the COVID-19 pandemic, and issues including the shortage of specialized personnel have become increasingly serious. This is why cross-industry DX has maintained high momentum everywhere through the use of technology as part of efforts to reduce labor and expand profits, and this represents a tailwind for the Company’s business to provide highly practical DX solutions. Turning to the operating conditions surrounding the Group’s Life & Property Solutions business, demand for investment in various asset types has been firm, while uncertainty over interest rate trends has persisted, the number of transaction in pre-owned condominium in Greater Tokyo has picked up compared with the previous year, reflecting increase in high interest in pre-owned condominiums amid the rising price of new condominium units.

In this business environment, the Group made steady advance in the finance, IT and healthcare sectors in addition to its traditional focus in the real estate sector, and has been providing DX solutions based on the Company’s own AI modules to customers in other industries. Specifically, in the real estate sector the Company has developed an industry-first AI chatbot with built-in real estate valuation capabilities, incorporating generative AI that has been trained on the Group’s own primary data. Meanwhile in the healthcare sector, the Company has launched a DX solution tailored to the management issues faced by clinics, such as attracting and nurturing patients. In this way, the Company has steadily made progress in earning revenue from multiple businesses. In addition, the Company has pursued the joint development of solutions and platform services in the logistics and food & beverage sectors with major companies including Kasumigaseki Capital Co., Ltd., ROYAL HOLDINGS Co., Ltd. and Sojitz Corporation, steadily driving a broad expansion of “Real x Technology”.

As a result, consolidated revenues and profits for the fiscal year under review increased, with net sales amounting to 24,218,849 thousand yen (up 5,676,918 thousand yen or 30.6% from the previous fiscal year), operating profit standing at 2,212,504 thousand yen (up 526,192 thousand yen or 31.2% year on year), ordinary profit reaching 2,058,616 thousand yen (up 518,365 thousand yen or 33.7% year on year, and profit attributable to owners of parent coming to 1,388,514 thousand yen (up 240,301 thousand yen or 20.9% year on year. These results reflect steady advancements in the acquisition of customers in Cloud Solutions (CS) and Analytics and Transformation (A&T), cumulative growth in annual recurring revenue (ARR) and expected progress in the Asset Management & Consulting business.

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

Note that changes have been made to the classification and names of reportable segments starting in the fiscal year under review. Details are listed under 3. Consolidated Financial Statements and Important Notes (5) Notes to consolidated financial statements (Segment information).

<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 continued to strengthen its development and sales structures and expanded its customer base while steadily building up recurring revenue and maintaining an extremely low churn rate. The Group also pursued the development and external sales of an AI chatbot specifically designed for the real estate sector and DX solutions for clinics, made progress in further accumulating ARR with a focus on sectors generating high

ARPC, namely finance, IT and healthcare, while driving multiple efforts to additionally develop and implement new products and functions.

In Analytics and Transformation (A&T), which are services offering solutions, systems or engage in joint business development using forecasting and analyzing tools for different management issues faced by corporate customers across a range of industries, the Group provided consulting services that differentiate it from the competition through the participation of consultants and data scientists with various industrial knowledge in addition to leveraging its proprietary AI modules. As a result, the Group managed to win orders for joint development projects for solutions and platform services with major industry players including Kasumigaseki Capital Co., Ltd., ROYAL HOLDINGS Co., Ltd. and Sojitz Corporation, leading to progress in the preparation of new cloud solutions. The Group also expanded repeat orders from some loyal customers, leading to a steady expansion of business.

As a result, the customer acquisition steadily progressed for CS and A&T both, and ARR based on fourth-quarter revenue amounting to 4,280 million yen. Consequently, net sales in the AI Cloud & Consulting Segment amounted to 4,874,088 thousand yen (up 1,848,976 thousand yen or 61.1% YoY) and the segment's operating profit was 1,705,553 thousand yen (up 497,781 thousand yen or 41.2% YoY).

<Life & Property Solutions Segment>

In this segment the Group has utilized its technologies to provide asset management and brokerage consulting. The Company has also developed and invested in condominiums, offices, shopping malls, hotels and nursing care welfare facilities leveraging IoT technologies and ESG credentials, which it then sold to investors as smart properties in accordance with the plan. Additionally, to expand its asset management business the Company has been continuously selling properties it has developed to funds and acquiring properties externally from the market, in an effort to change 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 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, assets under management (AUM) for managed funds in the asset management business grew significantly, amounting to 64.8 billion yen as of the end of the fiscal year under review. Meanwhile net sales of the Life & Property Solutions segment in the fiscal year under review totaled 20,170,950 thousand yen (up 3,927,926 thousand yen or 24.2% YoY), while operating profit came to 866,246 thousand yen (up 222,603 thousand yen or 34.6% YoY).

<Other Segment>

In this segment, the Group is handling real business on a trial basis and developing new products for medium to long-term sustainable growth, working towards the creation of "highly practical technologies backed by real business".

As a result, net sales of the Other Segment in the fiscal year under review amounted to 75,408 thousand yen, driven by the operation of real business. Due to investment in new product development, a segment loss of 171,606 thousand yen was recorded.

(2) Outlook

The outlook is as follows.

<AI Cloud & Consulting Segment>

As a Life Tech company that sees business opportunities in responding to the social issues that Japan faces, such as the aging population with fewer children, in the AI Cloud & Consulting Segment the Group creates and delivers highly practical AI and IT solutions, primarily targeting the real estate, finance, IT and healthcare sectors. Specifically, the Group develops business streamlining cloud services and labor-saving solutions to address worker shortages caused by the declining worker population, and is working to respond to increases in the elderly population with the creation of cloud-based support services for the management and operation of medical institutions, as well as telemedicine and preventive medicine solutions. The approachable markets through these businesses are as follows. The financial DX market is 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 is expected to grow to approx. 3 trillion yen, according to the Group's estimate based on the 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 Group believes that the strength and robustness of the business are due to highly practical solutions which are 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. Specifically, by utilizing various closed data as proprietary learning data to improve the accuracy of AI prediction and estimation in real estate valuation and other areas, the Group continually improves the customer value it in ways that competitors cannot easily emulate. 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.

The operating environment surrounding the AI Cloud & Consulting Segment in the following consolidated fiscal year is expected to represent continued favorable conditions for the Group's business with demands for innovation in business models that utilize AI and IT across industries. Operating under these conditions, the Group will strive to improve the revenue mix by increasing the composition ratio of the same sector in the revenue of the AI Cloud & Consulting segment, by prioritizing resources to the high unit price and profitability in the healthcare/IT sector. The Group aims to achieve a high top-line growth of 54% compared to the previous fiscal year and a 41% increase in operating profit growth as a player in the increasing profit and high growth SaaS space. Furthermore, the Group will enhance the model mix of total revenue and continue to increase profits with the exponential growth of the hi-profit segment.

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, 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- to long-term sustainable growth.

<Life & Property Solutions Segment>

In the Life & Property Solutions 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, offices, commercial facilities, hotels, and nursing care facilities. It is also endeavoring to create value in life spaces to enrich lifestyles. As a market concerned with this segment, the size of the real estate private fund market was 35.0 trillion yen as of the end of December 2023, up 5.3 trillion yen or 18% from the previous year according to Sumitomo Mitsui Trust Research Institute's Fact-Finding Survey on Real Estate Private Funds in January 2024. In the market for pre-owned condominiums in Greater Tokyo, where a large number of transactions are handled in the real estate brokerage business, despite rising transaction prices for pre-owned properties the number of contracts concluded in the period from April 2023 to March 2024 was 36,595, an increase of 3.4% year on year (according to East Japan Real Estate Distribution Organization's Tokyo Metropolitan Area Real Estate Distribution Market Trends (2023)). In the smart property business, 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 Solutions Segment in the following consolidated fiscal year is uncertain given domestic and overseas interest rate trends and the real estate market. 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 expects to maintain revenue, and grow to 10% YoY of operating profit. Also, the Group will endeavor to expand recurring earnings through a 70% increase in AUM in 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 27,000,000 thousand yen (up 11.5% year on year), operating profit of 3,050,000 thousand yen (up 37.9%), ordinary profit of 2,900,000 thousand yen (up 40.9%), and profit attributable to owners of parent of 1,850,000 thousand yen (up 33.2%).

(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, 2023	As of March 31, 2024
ASSETS		
Current assets:		
Cash and deposits	3,837,535	3,359,547
Accounts receivable – trade and contract assets	636,267	1,003,529
Operating investments in capital	1,395,931	1,300,770
Inventories	12,200,552	13,939,584
Others	542,240	1,005,292
Less - allowance for doubtful accounts	(1,196)	(1,882)
Total current assets	18,611,330	20,606,841
Non-current assets:		
Property, plant and equipment		
Buildings	233,994	294,511
Accumulated depreciation	(27,272)	(45,726)
Buildings, net	206,722	248,784
Machinery and equipment	340,527	340,527
Accumulated depreciation	(28,604)	(53,122)
Machinery and equipment, net	311,923	287,405
Other	214,355	230,823
Accumulated depreciation	(46,816)	(72,736)
Other, net	167,539	158,086
Total property, plant and equipment	686,184	694,276
Intangible assets:		
Software	697,434	775,007
Goodwill	726,372	749,836
Others	15,853	10,451
Total intangible assets	1,439,661	1,535,296
Investments and other assets		
Investment securities	279,669	289,477
Shares of affiliates	236,188	–
Deferred tax assets	275,421	388,780
Other	376,358	502,409
Total investments and other assets	1,167,638	1,180,666
Total non-current assets	3,293,484	3,410,239
Deferred Assets		
Offering expenses	51,615	–
Total deferred Assets	51,615	–
Total assets	21,956,430	24,017,080

(Unit: Thousand yen)

	As of March 31, 2023	As of March 31, 2024
LIABILITIES		
Current liabilities:		
Accounts payable - trade	94,322	628,946
Short-term borrowings	4,281,440	1,145,467
Accounts payable - other	243,431	169,066
Accrued expenses	557,008	700,940
Income taxes payable	324,588	563,734
Accrued compensation	177,184	216,535
Others	284,743	464,693
Total current liabilities	5,962,719	3,889,384
Non-current liabilities:		
Long-term borrowings	4,389,671	7,275,347
Liability for retirement benefits	66,782	49,397
Others	220,994	342,486
Total non-current liabilities	4,677,447	7,667,231
Total liabilities	10,640,167	11,556,615
NET ASSETS		
Shareholders' equity:		
Capital stock	4,147,654	4,185,621
Capital surplus	4,147,654	4,058,673
Retained earnings	2,702,637	4,091,647
Treasury stock, at cost	(1,733)	(192,677)
Total shareholders' equity	10,996,213	12,143,265
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	(989)	3,930
Total accumulated other comprehensive income	(989)	3,930
Stock acquisition rights	99,226	122,677
Non-controlling shareholder equity	221,811	190,591
Total net assets	11,316,263	12,460,464
Total liabilities and net assets	21,956,430	24,017,080

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

(Unit: Thousand yen)

	For the Year ended March 31, 2023	For the Year ended March 31, 2024
Net sales	18,541,931	24,218,849
Cost of sales	12,763,833	16,758,542
Gross income	5,778,097	7,460,307
Selling, general and administrative expenses	4,091,785	5,247,803
Operating income	1,686,311	2,212,504
Non-operating income:		
Interest income	8	13
Dividend income	363	324
Insurance income	3,418	272
Other non-operating income	716	1,411
Total non-operating income	4,506	2,023
Non-operating expenses:		
Interest expenses	88,577	83,253
Share of losses of entities accounted for using equity method	657	8,316
Offering expenses	51,633	51,615
Early repayment charges	423	—
Other non-operating expenses	9,275	12,724
Total non-operating expenses	150,567	155,910
Ordinary income	1,540,251	2,058,616
Extraordinary income		
Gain on step acquisitions	280,841	—
Gain on sales of shares of affiliates	—	7,650
Total extraordinary income	280,841	7,650
Extraordinary losses:		
Losses on sales of fixed assets	—	9,139
Losses on disposals of fixed assets	89,328	260
Office relocation related losses	112,667	—
Total extraordinary losses	201,996	9,399
Income before income taxes	1,619,095	2,056,867
Income taxes:		
Current	485,182	717,728
Deferred	(35,209)	(113,969)
Total income taxes	449,973	603,759
Net income	1,169,122	1,453,108
Net income attributable to non-controlling interests	20,909	64,593
Net income attributable to owners of the parent	1,148,213	1,388,514

(Consolidated statements of comprehensive income)

(Unit: Thousand yen)

	For the Year ended March 31, 2023	For the Year ended March 31, 2024
Net income	1,169,122	1,453,108
Other comprehensive income:		
Unrealized holding losses on securities	(303)	4,919
Total accumulated other comprehensive losses	(303)	4,919
Comprehensive income	1,168,819	1,458,027
Comprehensive income attributable to:		
Owners of the parent	1,147,910	1,393,433
Non-controlling interests	20,909	64,593

(3) Consolidated statements of changes in net assets

Previous 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	
Balance as of April 1, 2022	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
Balance as of March 31, 2023	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			
Balance as of April 1, 2022	(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
Balance as of March 31, 2023	(989)	(989)	99,226	221,811	11,316,263

Consolidated fiscal year (from April 1, 2023 to March 31, 2024)

(Unit: Thousand yen)

	Shareholders' equity				Total shareholders' equity
	Capital stock	Capital surplus	Retained earnings	Treasury stock, at cost	
Balance as of April 1, 2023	4,147,654	4,147,654	2,702,637	(1,733)	10,996,213
Changes during the year:					
Issuance of new shares	37,966	37,966			75,933
Net income attributable to owners of the parent			1,388,514		1,388,514
Purchases of treasury stock				(190,944)	(190,944)
Changes in ownership interest of parent due to transactions with non-controlling interests		(126,947)			(126,947)
Other			496		496
Net changes in items other than those in shareholders' equity					
Total changes during the year	37,966	(88,981)	1,389,010	(190,944)	1,147,051
Balance as of March 31, 2024	4,185,621	4,058,673	4,091,647	(192,677)	12,143,265

	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			
Balance as of April 1, 2023	(989)	(989)	99,226	221,811	11,316,263
Changes during the year:					
Issuance of new shares					75,933
Net income attributable to owners of the parent					1,388,514
Purchases of treasury stock					(190,944)
Changes in ownership interest of parent due to transactions with non-controlling interests					(126,947)
Other					496
Net changes in items other than those in shareholders' equity	4,919	4,919	23,451	(31,220)	(2,849)
Total changes during the year	4,919	4,919	23,451	(31,220)	1,144,201
Balance as of March 31, 2024	3,930	3,930	122,677	190,591	12,460,464

(4) Consolidated statements of cash flows

(Unit: Thousand yen)

	Previous Consolidated fiscal year (from April 1, 2021 to March 31, 2023)	Consolidated fiscal year under review (from April 1, 2023 to March 31, 2024)
Cash flows from operating activities		
Income before income taxes	1,619,095	2,056,867
Depreciation	271,274	310,021
Amortization of goodwill	46,531	64,459
Increase (decrease) in allowance for doubtful accounts	—	(1,990)
Increase (decrease) in accrued compensation	7,552	38,399
Increase (decrease) in liability for retirement benefits	6,094	(17,385)
Interest income	(8)	(13)
Dividend income	(363)	(324)
Insurance income	(3,418)	(272)
Interest expenses	88,577	83,253
Share of (profit) loss of entities accounted for using equity method	657	8,316
Offering expenses	51,633	51,615
Gain on step acquisitions	(280,841)	—
Losses (gains) on sales of shares of affiliates	—	(7,650)
Losses on sales of fixed assets	—	9,139
Losses on disposal of fixed assets	89,328	260
Office relocation related losses	112,667	—
Decrease (increase) in accounts receivable - trade and contract assets	(29,570)	(194,348)
Decrease (increase) in operating investments in capital	(746,234)	95,161
Decrease (increase) in inventories	3,613,404	(1,739,032)
Increase (decrease) in accounts payable - trade	(117,947)	474,802
Increase (decrease) in accounts payable - other and accrued expenses	253,744	(276,692)
Other, net	(126,348)	69,628
Subtotal	4,855,828	1,024,213
Interest income received	8	13
Dividend income received	363	324
Insurance income received	3,418	272
Interest expenses paid	(88,577)	(83,253)
Income taxes paid	(410,580)	(488,932)
Net cash used in operating activities	4,360,461	452,638
Cash flows from investing activities		
Purchase of property, plant and equipment	(174,528)	(50,234)
Purchase of intangible assets	(404,684)	(328,573)
Expenditures for fulfillment of asset retirement obligations	(14,100)	—
Purchase of investment securities	(30,001)	(2,501)
Purchase of shares of affiliates	(58,500)	—
Proceeds from sales of shares of affiliates	—	108,172
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	—	(47,658)
Other, net	(120,623)	(55,568)
Net cash used in investing activities	(427,073)	(376,364)

(Unit: Thousand yen)

	Previous Consolidated fiscal year (from April 1, 2021 to March 31, 2023)	Consolidated fiscal year under review (from April 1, 2023 to March 31, 2024)
Cash flows from financing activities		
Increase(decrease) in short-term borrowings	(358,270)	(106,762)
Proceeds from long-term borrowings	4,747,864	9,228,485
Repayment of long-term borrowings	(7,605,318)	(9,419,860)
Proceeds from issuance of shares	76,364	18,606
Proceeds from issuance of stock acquisition rights	—	2,439
Purchases of treasury stock	(499)	(190,944)
Purchases of subsidiary's treasury stock	—	(102,026)
Expenditures for the acquisition of shares of a subsidiary without a change in the scope of consolidation	—	(9,987)
Other, net	14,857	25,789
Net cash provided by financing activities	(3,125,001)	(554,262)
Net increase (decrease) in cash and cash equivalents	808,386	(477,987)
Cash and cash equivalents at the beginning of the year	2,999,148	3,807,535
Cash and cash equivalents at the end of the year	3,807,535	3,329,547

(5) Notes to consolidated financial statements

(Note to going concern assumptions)

Not applicable.

(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 regarding the allocation of management resources and evaluates their performance.

Effective from the current fiscal year, the Company has changed its reportable segments from two segments, "AI Cloud & Consulting Business" and "Real Estate Tech Business," to three segments with the addition of "Other Businesses," in order to separate new business development in adjacent areas from each segment and to improve the resolution between existing businesses and new business development.

In addition, the name of the reportable segment that was previously "Real Estate Tech Business" was changed to "Life & Property Solutions Business" due to a change in the name of the organization, effective from the first quarter of the current fiscal year. This change is only a change in the name of the reportable segment and has no impact on segment information.

The segment information for the previous fiscal year is disclosed based on the reporting segment classification and name after the change.

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, 2023

(Unit: Thousand yen)

	Reportable segment				Adjustment (Note 1)	Amount on consolidated statement of income (Note 2)
	AI Cloud & Consulting	Life & Property Solutions	Other	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 profit	1,207,771	643,642	—	1,851,413	(165,101)	1,686,311

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

For FYE March 31, 2024

(Unit: Thousand yen)

	Reportable segment				Adjustment (Note 1)	Amount on consolidated statement of income (Note 2)
	AI Cloud & Consulting	Life & Property Solutions	Other	Total		
Net sales						
Sales to third parties	3,975,174	20,168,266	75,408	24,218,849	—	24,218,849
Inter-segment sales and transfers	898,913	2,683	—	901,597	(901,597)	—
Total	4,874,088	20,170,950	75,408	25,120,447	(901,597)	24,218,849
Segment profit or loss	1,705,553	866,246	(171,606)	2,400,192	(187,688)	2,212,504

(Notes) 1. The adjustment to segment profit or loss of (187,688) 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.

(Per share information)

	Previous consolidated fiscal year (from April 1, 2022 to March 31, 2023)	Consolidated fiscal year under review (from April 1, 2023 to March 31, 2024)
Net assets per share	680.41 yen	752.30 yen
Basic profit per share	71.12 yen	85.83 yen
Diluted profit per share	70.50 yen	84.87 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, 2022 to March 31, 2023)	Consolidated fiscal year under review (from April 1, 2023 to March 31, 2024)
(i) Basic profit per share		
Profit attributable to owners of parent (thousand yen)	1,148,213	1,388,514
Amount not attributable to common shareholders (thousand yen)	—	—
Profit attributable to owners of parent related to common shares (thousand yen)	1,148,213	1,388,514
Average number of common shares during the period (shares)	16,145,648	16,177,143
(ii) Diluted profit per share		
Adjustment of profit attributable to owners of parent (thousand yen)	—	—
Increase in the number of common shares (shares)	140,617	183,366
[Share acquisition rights in the above (shares)]	[140,617]	[183,366]
Overview of dilutive shares not included in the calculation of diluted profit per share due to absence of dilutive effect	-	-

(Significant subsequent event)

(Subsidiary acquisition through share purchase)

Directors meeting held on March 7, 2024, the Company has executed a share transfer agreement to acquire all shares of MEDIX Co, Ltd. on the same date, and as of April 1, 2024, the Company has acquired all shares, making MEDIX a wholly-owned subsidiary.

1. Outline of the company whose shares were acquired

(1) Name: MEDIX Co, Ltd.

Business description: Provision of cloud-based medical billing computers, support for billing operation, etc

(2) Purpose of the acquisition: To enhance and expand sales of existing products utilizing predictive AI and image analysis AI

(3) Date of acquisition: April 1, 2024

(4) Legal form of the business combination: Share acquisition

(5) Name of MEDIX after the acquisition: No change

(6) Number of shares to be acquired: 100%

(7) Main basis for deciding on the acquired company : The acquisition was made in exchange for cash

2. Acquisition Cost of the Acquired Company and Breakdown by Type of Consideration

Consideration for acquisition: Cash 2,834,495 thousand yen

Acquisition cost: 2,834,495 thousand yen

3. Details and amount of major acquisition-related costs

Advisory fee: 12,000 thousand yen

Due diligence fee: 5,850 thousand yen

4. Amount of goodwill generated, cause of occurrence, amortization method and amortization period

Not determined at this point

5. Amount of assets accepted, and liabilities assumed on the business combination date and their main breakdown

Not determined at this point