SRE Holdings

Consolidated Financial Results for the Fiscal Year Ended March 31, 2021 (JGAAP)

May 14, 2021

Company name: SRE Holdings Corporation
Stock exchange listing: Tokyo
Stock code: 2980
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Scheduled date of Annual General Meeting of Shareholders: June 14, 2021
Scheduled date of dividend payment –
Scheduled date to submit the Securities Report (*Yukashoken Hokokusho*): June 15, 2021
Earnings 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 Fiscal Year Ended March 31, 2021 (April 1, 2020 – March 31, 2021)

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

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent	
Year ended	Million yen	%	Million yen	%	Million yen	%	Million yen	%
March 31, 2021	7,339	90.6	1,056	41.5	1,023	42.6	667	40.9
March 31, 2020	3,850	32.9	746	75.2	717	64.9	473	82.4

(Note) Comprehensive income: Year ended March 31, 2021: ¥667 million (40.9%)
Year ended March 31, 2020: ¥473 million (82.4%)

	Basic profit per share	Diluted profit per share	Return on equity	Ratio of ordinary profit to total assets	Operating profit margin
Year ended	Yen	Yen	%	%	%
March 31, 2021	43.81	42.16	8.9	10.0	14.4
March 31, 2020	33.50	32.10	9.2	11.8	19.4

(Reference) Share of profit (loss) of entities accounted for using equity method
Year ended March 31, 2021: ¥5 million Year ended March 31, 2020: ¥15 million

(Notes) 1. The Company conducted a 3-for-1 share split on August 20, 2019. “Basic profit per share” and “Diluted profit per share” have, therefore, been calculated on the assumption that the share split was conducted at the beginning of the fiscal year ended March 31, 2020.
2. Since the Company listed its shares on the Mothers market of the Tokyo Stock Exchange on December 19, 2019, “Diluted profit per share” for the fiscal year ended March 31, 2020 is calculated by deeming the average share price from the date of initial listing to March 31, 2020 as the average share price during the period.

(2) Consolidated financial condition

	Total assets	Net assets	Equity ratio	Net assets per share
As of	Million yen	Million yen	%	Yen
March 31, 2021	12,341	7,879	63.5	510.95
March 31, 2020	8,054	7,090	88.0	468.06

(Reference) Equity capital: As of March 31, 2021: ¥7,842 million As of March 31, 2020: ¥7,085 million

(Note) The Company conducted a 3-for-1 share split on August 20, 2019. “Basic profit per share” and “Net assets per share” have, therefore, been calculated on the assumption that the share split was conducted at the beginning of the fiscal year ended March 31, 2020.

(3) Consolidated cash flow position

	Cash flows from operating activities	Cash flows from investing activities	Cash flows from financing activities	Ending balance of cash and cash equivalents
Year ended	Million yen	Million yen	Million yen	Million yen
March 31, 2021	(3,566)	(253)	3,275	2,637
March 31, 2020	(2,348)	(351)	3,398	3,182

2. Dividends

	Annual dividend per share					Total dividends (Annual)	Payout ratio (Consolidated)	Ratio of dividends to net assets (Consolidated)
	End of first quarter	End of second quarter	End of third quarter	Year end	Total			
Year ended	Yen	Yen	Yen	Yen	Yen	Million yen	%	%
March 31, 2020	–	0.00	–	0.00	0.00	–	–	–
March 31, 2021	–	0.00	–	0.00	0.00	–	–	–
Year ending March 31, 2022 (forecast)	–	0.00	–	0.00	0.00		–	

3. Consolidated Financial Forecasts for the Fiscal Year Ending March 31, 2022 (April 1, 2021 to March 31, 2022)

(% shows the year-on-year change)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent		Basic profit per share
	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Yen
Full year	11,800	60.8	1,350	27.8	1,280	25.1	835	25.2	54.40

(Note) For details, please refer to “1. Overview of Operating Results and Financial Condition (4) Outlook” on page 7 of the Accompanying Materials.

* Notes

(1) Changes in significant subsidiaries during the fiscal year ended March 31, 2021 (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)
Year ended March 31, 2021 15,348,151 shares Year ended March 31, 2020 15,138,200 shares
(ii) Number of treasury shares at end of the period
Year ended March 31, 2021 31 shares Year ended March 31, 2020 – shares
(iii) Average number of shares during the period
Year ended March 31, 2021 15,224,158 shares Year ended March 31, 2020 14,131,614 shares
(Note) The Company conducted a 3-for-1 share split on August 20, 2019. “Number of shares outstanding at end of the period (including treasury shares)” and “Average number of shares during the period” have, therefore, been calculated on the assumption that the share split was conducted at the beginning of the fiscal year ended March 31, 2020.

(Reference) Overview of non-consolidated financial results

Non-consolidated results for the fiscal year ended March 31, 2021 (April 1, 2020 - March 31, 2021)

(1) Non-consolidated operating results

(% shows the year-on-year change)

	Net sales		Operating profit		Ordinary profit		Profit	
Year ended	Million yen	%	Million yen	%	Million yen	%	Million yen	%
March 31, 2021	6,926	98.9	705	63.5	666	72.6	420	66.2
March 31, 2020	3,482	22.0	431	13.2	386	1.6	252	14.5

	Basic profit per share	Diluted profit per share
Year ended	Yen	Yen
March 31, 2021	27.59	26.55
March 31, 2020	17.88	17.13

(Note) 1. The Company conducted a 3-for-1 share split on August 20, 2019. “Basic profit per share” and “Diluted profit per share” have, therefore, been calculated on the assumption that the share split was conducted at the beginning of the fiscal year ended March 31, 2020.

(2) Non-consolidated financial position

	Total assets	Net assets	Equity ratio	Net assets per share
As of	Million yen	Million yen	%	Yen
March 31, 2021	11,700	7,351	62.5	476.49
March 31, 2020	7,609	6,809	89.4	449.44

(Reference) Equity capital: As of March 31, 2021: ¥7,313 million As of March 31, 2020: ¥6,803 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 their achievement. A variety of factors could cause actual results to differ materially from forecasts. For details about the assumptions in the financial forecasts and other related matters, please see “1. Overview of Operating Results and Financial Condition (4) Outlook” on page 7 of the Accompanying Materials.

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

The Company plans to hold a briefing on financial results (online conference) for institutional investors and analysts on May 17, 2021 (Monday). The Company plans to disclose the supplementary explanatory documents used on the day of the financial results briefing via TDnet on May 14 (Friday) as well as publishing them on the Company’s website.

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1. Overview of Operating Results and Financial Condition

(1) Overview of operating results

In the fiscal year under review, consumer spending and corporate activities substantially fell due to the COVID-19 pandemic which seriously affected the Japanese economy. The resumption of economic activity was observed in certain sectors following the declaration of the ending of the state of emergency. However, the real GDP declined 4.8% in 2020, reflecting the continuing difficult conditions. Meanwhile, industry reacted to the pandemic, with various sectors beginning initiatives to accelerate growth or recover from the difficult conditions, with the digital transformation (DX) trend growing across industries.

In these conditions, SRE Holdings Corporation and its consolidated subsidiaries (the “Group”) undertook two main businesses under its stated mission: A decade ahead – today's cutting edge technology to shape the future. 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 advanced technologies to improve operations in many industries centered on the real estate industry. The Group’s second business is the Real Estate business. This business consists of real estate distribution operations, including the real estate brokerage business that has been advanced and streamlined through the aggressive introduction of technology by a group of real estate professionals, and smart home services developing and selling high added-value condominiums applying IoT technologies.

SRE Holdings Corporation (the “Company”) is identifying potential applications for machine learning and other advanced technologies in its real estate business where it encounters operational inefficiencies and problems. The Company is working to increase its efficiency and competitiveness by introducing these technologies in its internal operations. At the same time, the Company is creating tools that promote and streamline the industry. These tools, born out of digital innovation in the real estate business and polished by the feedback of internal use in the Company, are provided to other customers in the real estate and financial industry. The Company is also developing a distinct business model to provide differentiated consulting services to customers in a wide range of industries, by applying the modules, which are the basis of the tools.

The Company's close involvement in its own real estate business practices help effectively the Company provide very useful AI solutions and cloud tools. The Company contributes to the DX and expansion of businesses in many industries, including real estate and finance, by maximizing customer value through the hybridization of technology and its "real business".

In regards to the operating conditions surrounding the Group’s AI Cloud & Consulting business, there have been visible efforts to speed up digitalization in a bid to address Japan's delayed digitalization which has been highlighted by the COVID-19 pandemic, including the Yoshihide Suga cabinet's decision to seek the establishment of a Digital Agency after Suga became Prime Minister in September 2020. Those efforts have also been a tailwind for the Company’s businesses.

Turning to the operating conditions surrounding the Group’s Real Estate business, demand has been firm for rental condominiums for individuals, which the Company is developing and selling under the AIFLAT brand name. A rise in demand for residential real estate investments has also been observed. Further, the brokerage business is seeing a gradual recovery in the housing market for individual owners, even though the business stayed sluggish in April and May 2020 due to COVID-19. The longer hours spent at home have given rise to new demand, including demand triggered by the reconsideration of housing conditions. However, the end of the COVID-19 pandemic remains impossible to predict. Uncertainty is growing under these conditions.

In this operating environment, the Group aggressively offered cloud services, such as its Contract Creation Cloud Service, which makes the online preparation of the contracts possible, to real estate and financial business operators, and provided a wide range of consulting services enabling customers in other industries to apply proprietary AI modules. The Company has also advanced data alliances toward its goal of developing AI modules for diverse industries beyond real estate, including its alliance for the verification of power generation and demand forecasts with Nihon Unisys, Ltd., and its alliances to participate in the planning of Grid Databank Laboratories, based on a hard look at its medium- and long-term growth. At the same time, the Company smoothly developed systems through the employment of a greater number of excellent engineers and consultants than it had planned.

As a result, consolidated revenues and profits for the fiscal year under review rose sharply, reflecting the substantial increase in the number of contracts acquired for both its cloud and consulting services, the steady expansion of annual recurring revenue (ARR), the recovery of its real estate brokerage services from the effects of temporarily stagnant demand in the first half due to COVID-19, and the improved profitability of smart home services. Net sales amounted to 7,339,626 thousand yen (up 3,489,273 thousand yen or 90.6% from the previous fiscal year). Operating profit came to 1,056,663 thousand yen (up 309,916 thousand yen. Ordinary profit reached 1,023,205 thousand yen (up 305,738 thousand yen or 42.6% year on year). Profit attributable to owners of parent was 667,021 thousand yen (up 193,579 thousand yen or 40.9% year on year).

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

The Company changed reportable segments in the fiscal year under review as stated in (5) Notes to consolidated financial

statements (Segment information, etc.) under 3. Consolidated Financial Statements and Important Notes. Comparisons with the previous fiscal year are made using figures after they have been reclassified by segment.
Additionally, from this point on, the Company renames its Real Estate Segment, where it seeks to improve operations using AI and IT and develop and refine AI solutions and tools that are highly useful for customers, to the Real Estate Tech Segment in consideration of the nature of this segment, which is inseparable from technology.

<AI Cloud & Consulting Segment>
The effects of COVID-19 combined with the Suga cabinet's move to advancing digitalization was a tailwind for cloud services (packaged AI-based cloud services, the core of which are deep learning technologies such as the real estate valuation engine) and the real estate brokerage support service provided through the Ouchi Direct real estate transaction platform. In addition, the Company steadily increased the number of contracts and maintained an extremely low churn rate by providing absolute product advantages and strengthening its sales structure.
In the fiscal year under review, the Company steadily expanded consulting services (services providing solutions or systems for corporate customers' business issues, such as marketing and sales activities in their industries, including real estate and finance, using forecasting and analysis tools) by increasing the number of consultants, developing a customer acquisition flow, applying successful examples in other clients, and other measures, in spite of voluntarily refraining from sales activities and delays in business negotiations that occurred in the first half due to COVID-19.
The Company advanced data alliances toward its goal of developing AI modules for a broad range of industries beyond real estate, including its alliance with Nihon Unisys, Ltd. for the verification of power generation and demand forecasts and alliances for participating in the planning of Grid Databank Laboratories, based on a hard look at its medium- and long-term growth. These alliances have enabled the Company to build a foundation for itself as an AI software as a service (SaaS) provider for many industries.
As a result of steady increases in the numbers of contracts won for both cloud and consulting services, and solid ARR expansion, net sales for the AI Cloud & Consulting Segment amounted to 1,135,135 thousand yen (up 336,502 thousand yen or 42.1% from the previous fiscal year) and operating profit for the segment was 726,895 thousand yen (up 117,870 thousand yen or 19.4% year on year).

<Real Estate Tech Segment>
For its real estate brokerage services, the Company is offering new brokerage services that apply its technologies, including AI real estate valuation tools, in traditional brokerage operations. As for our smart home services, applying multi-function lights, smart locks and other IoT technologies, we developed AIFLAT rental condominiums for individuals, and sold those condominiums to investors and wealthy consumers according to its plan. The Company also sold properties to private funds in the fiscal year under review according to its plan aiming to remove them from balance sheet based on a hard look at the future of its asset management fee business. The Group is advancing DX by applying technology in all of its 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.
Net sales for the Real Estate Tech Segment amounted to 6,512,114 thousand yen (up 3,307,453 thousand yen or 103.2% from the previous fiscal year), reflecting a recovery achieved by the real estate brokerage services and the improved profitability of AIFLAT rental condominiums. Operating profit for the segment came to 380,744 thousand yen (up 243,022 thousand yen or 176.5% year on year).

(2) Overview of financial condition

Assets, liabilities and net assets

(Assets)

Total assets at the end of the consolidated fiscal year under review totaled 12,341,523 thousand yen, an increase of 4,286,829 thousand yen from the end of the previous consolidated fiscal year.

Current assets increased 4,174,717 thousand yen from the end of the previous consolidated fiscal year, to 11,183,308 thousand yen. This was mainly attributable to increases of 84,779 thousand yen in accounts receivable - trade, 62,502 thousand yen in operating investments in capital, and 4,591,223 thousand yen in inventories, offsetting a decrease of 545,188 thousand yen in cash and deposits.

Non-current assets increased 112,112 thousand yen from the end of the previous consolidated fiscal year, to 1,158,214 thousand yen. This is mainly attributable to increases of 53,240 thousand yen in intangible assets and 67,821 thousand yen in investments and other assets.

(Liabilities)

Total liabilities at the end of the consolidated fiscal year under review totaled 4,461,635 thousand yen, an increase of 3,497,893 thousand yen from the end of the previous consolidated fiscal year.

Current liabilities increased 1,022,840 thousand yen from the end of the previous consolidated fiscal year, to 1,843,595 thousand yen. This is mainly attributable to an increase of 722,000 thousand yen in short-term loans payable.

Non-current liabilities increased 2,475,053 thousand yen from the end of the previous consolidated fiscal year, to 2,618,040 thousand yen. This is mainly attributable to an increase of 2,470,000 thousand yen in long-term loans payable.

(Net assets)

Net assets at the end of the consolidated fiscal year under review totaled 7,879,887 thousand yen, an increase of 788,935 thousand yen from the end of the previous consolidated fiscal year. This was mainly attributable to increases of 44,843 thousand yen in capital stock and 44,843 thousand yen in capital surplus due to the exercise of stock acquisition rights and the introduction of a stock-based compensation plan. In addition, retained earnings increased 667,021 thousand yen due to the posting of profit attributable to owners of parent.

The equity ratio stood at 63.5%.

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

Cash and cash equivalents (“cash”) at the end of the fiscal year under review were 2,637,195 thousand yen, a decrease of 545,188 thousand yen from the end of the previous fiscal year.

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

(Cash flows from operating activities)

Net cash used in operating activities was 3,566,962 thousand yen. This is mainly because cash inflows, such as profit before income taxes of 1,023,205 thousand yen and depreciation of 221,240 thousand yen, were smaller than cash outflows, such as increase in notes and accounts receivable - trade of 84,779 thousand yen, increase in inventories of 4,591,223 thousand yen and income taxes paid of 366,271 thousand yen.

(Cash flows from investing activities)

Net cash used in investing activities was 253,796 thousand yen. This is mainly attributable to the purchase of intangible assets of 244,575 thousand yen.

(Cash flows from financing activities)

Net cash provided by financing activities was 3,275,569 thousand yen. This was mainly because cash inflows such as increase in short-term loans payable of 261,000 thousand yen and proceeds from long-term loans payable of 3,411,000 thousand yen were larger than cash outflows such as repayment of long-term loans payable of 480,000 thousand yen.

(4) Outlook

The outlook is as follows.

<AI Cloud & Consulting Segment>

According to Fuji Chimera Research Institute, Inc., the Japanese artificial intelligence (AI) market is expected to grow to 1.9357 trillion yen by FY2025, doubling in size from FY2019 (2020 Artificial Intelligence Business Survey published October 12, 2020). The Company believes that the strengths and business moat of the Group's AI Cloud & Consulting Segment are excised through (1) the high quality big data that the Group can accumulate through its own real estate business operations and the provision of AI cloud services to real estate companies and financial institutions, (2) the in-depth knowledge and insight about customer and industry needs and areas for improvement that the Group has developed through its involvement in the real estate industry, which is its "real business", and (3) the technological advantage and knowledge derived from the Sony Group which has a software core library that will serve as a framework for deep learning

programs.

Despite the uncertainty over the future caused by the prolongation of the COVID-19 pandemic, the Company forecasts that the market environment surrounding the AI Cloud & Consulting Segment in the following consolidated fiscal year will remain favorable for the Company's business due to the continued impetus for cross-industry digitalization created by the effects of the COVID-19 crisis combined with government moves to promote digitalization. In this environment, the Group will work to transform itself into a group of AI SaaS providers for many industries through initiatives including (1) the continuous enhancement of added value through the expansion of data ecosystems in the real estate domain, (2) the development of AI modules for a broad range of industries beyond real estate through data alliances with external partners, and (3) the acquisition of more contracts and the strengthening of cross-selling with aggressive investment in marketing and sales. The Company expects these initiatives to expand ARR and substantially increase revenues and profits.

<Real Estate Tech Segment>

In the market for pre-owned condominiums in Greater Tokyo, which is where most of the transactions handled by the Group in its real estate brokerage services in the Real Estate Tech Segment take place, the number of contracts concluded in the period January to December 2020 was 35,825, falling 6% year on year due to the effects of the COVID-19 pandemic ("Pre-owned condominium market trends (Greater Tokyo area)" issued by Real Estate Information Network for East Japan (2020)). In smart home services, demand for AIFLAT rental condominiums which are characterized by the use of the IoT in prime midtown locations is expected to stay strong.

Our real estate brokerage service and brokerage service utilizing the Ouchi Direct service for individuals are gradually showing signs of recovery despite the uncertainty about the future caused by prolongation of the COVID-19 pandemic. In addition, through the aggressive trial introduction of a new module in AI Cloud & Consulting segment, we are working on the continuous improvement of our productivity. The Company forecasts that results will recover in the following consolidated fiscal year.

The Company forecasts that in the following consolidated fiscal year the Smart Home service will post gains in net sales and profits, reflecting careful control of the balance sheet through utilization of the off-balance sheet vehicle, and the development of competitive properties applying IoT technologies. Further, the Company will pursue the hybridization of real estate and technology under new requirements, focusing on research and development, and pursue technological alliances in Japan and overseas to create useful operational tools for real estate other than condominiums and asset management tools for businesses in the future.

As a result of the above initiatives, the consolidated forecasts for the following consolidated fiscal year are net sales of 11,800,000 thousand yen (up 60.8% year on year), operating profit of 1,350,000 thousand yen (up 27.8%), ordinary profit of 1,280,000 thousand yen (up 25.1%), and profit attributable to owners of parent of 835,000 thousand yen (up 25.2%).

(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, 2020	As of March 31, 2021
Assets		
Current assets		
Cash and deposits	3,182,384	2,637,195
Accounts receivable - trade	79,440	164,220
Operating investments in capital	767,511	830,013
Inventories	2,677,685	7,268,908
Other	303,252	284,166
Allowance for doubtful accounts	(1,682)	(1,196)
Total current assets	7,008,590	11,183,308
Non-current assets		
Property, plant and equipment		
Buildings	158,848	158,848
Accumulated depreciation	(27,772)	(38,578)
Buildings, net	131,075	120,269
Other	53,946	62,441
Accumulated depreciation	(23,102)	(29,742)
Other, net	30,844	32,699
Total property, plant and equipment	161,919	152,969
Intangible assets		
Software	395,243	473,975
Other	78,805	53,315
Total intangible assets	474,049	527,290
Investments and other assets		
Investment securities	80,000	80,000
Shares of subsidiaries and associates	114,997	120,132
Deferred tax assets	114,932	168,736
Other	100,203	109,086
Total investments and other assets	410,133	477,955
Total non-current assets	1,046,102	1,158,214
Total assets	8,054,693	12,341,523

(Unit: Thousand yen)

	As of March 31, 2020	As of March 31, 2021
Liabilities		
Current liabilities		
Accounts payable - trade	9,453	58,368
Short-term loans payable	–	722,000
Accounts payable - other	75,447	102,360
Accrued expenses	154,810	284,572
Income taxes payable	270,533	309,734
Provision for bonuses	93,909	127,060
Other	216,601	239,499
Total current liabilities	820,754	1,843,595
Non-current liabilities		
Long-term loans payable	–	2,470,000
Other	142,986	148,040
Total non-current liabilities	142,986	2,618,040
Total liabilities	963,741	4,461,635
Net assets		
Shareholders' equity		
Capital stock	3,539,855	3,584,698
Capital surplus	3,539,855	3,584,698
Retained earnings	5,855	672,877
Treasury shares	–	(122)
Total shareholders' equity	7,085,565	7,842,152
Stock acquisition rights	5,386	37,735
Total net assets	7,090,951	7,879,887
Total liabilities and net assets	8,054,693	12,341,523

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

(Consolidated statements of income)

(Unit: Thousand yen)

	Previous consolidated fiscal year (from April 1, 2019 to March 31, 2020)	Consolidated fiscal year under review (from April 1, 2020 to March 31, 2021)
Net sales	3,850,353	7,339,626
Cost of sales	1,320,947	4,318,347
Gross profit	2,529,405	3,021,279
Selling, general and administrative expenses	1,782,658	1,964,616
Operating profit	746,746	1,056,663
Non-operating income		
Interest income	289	5
Share of profit of entities accounted for using equity method	15,537	5,134
Other	270	56
Total non-operating income	16,097	5,196
Non-operating expenses		
Interest expenses	2,950	18,812
Going public expenses	42,416	18,165
Other	10	1,676
Total non-operating expenses	45,376	38,653
Ordinary profit	717,467	1,023,205
Extraordinary losses		
Loss on retirement of non-current assets	11,419	–
Total extraordinary losses	11,419	–
Profit before income taxes	706,047	1,023,205
Income taxes - current	261,735	409,987
Income taxes - deferred	(29,130)	(53,803)
Total income taxes	232,605	356,183
Profit	473,442	667,021
Profit attributable to owners of parent	473,442	667,021

(Consolidated statements of comprehensive income)

(Unit: Thousand yen)

	Previous consolidated fiscal year (from April 1, 2019 to March 31, 2020)	Consolidated fiscal year under review (from April 1, 2020 to March 31, 2021)
Profit	473,442	667,021
Comprehensive income	473,442	667,021
Comprehensive income attributable to		
Owners of parent	473,442	667,021
Non-controlling interests	–	–

(3) Consolidated statements of changes in net assets

Previous consolidated fiscal year (from April 1, 2019 to March 31, 2020)

(Unit: Thousand yen)

	Shareholders' equity				Stock acquisition rights	Total net assets
	Capital stock	Capital surplus	Retained earnings	Total shareholders' equity		
Balance at the beginning of period	1,822,450	1,822,450	(467,586)	3,177,313	2,173	3,179,486
Changes of items during period						
Issuance of new shares	1,717,405	1,717,405		3,434,810		3,434,810
Profit attributable to owners of parent			473,442	473,442		473,442
Net changes of items other than shareholders' equity					3,213	3,213
Total changes of items during period	1,717,405	1,717,405	473,442	3,908,252	3,213	3,911,465
Balance at the end of the year	3,539,855	3,539,855	5,855	7,085,565	5,386	7,090,951

Consolidated fiscal year under review (from April 1, 2020 to March 31, 2021)

(Unit: Thousand yen)

	Shareholders' equity					Stock acquisition rights	Total net assets
	Capital stock	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity		
Balance at the beginning of period	3,539,855	3,539,855	5,855	–	7,085,565	5,386	7,090,951
Changes of items during period							
Issuance of new shares	44,843	44,843			89,687		89,687
Profit attributable to owners of parent			667,021		667,021		667,021
Purchase of treasury shares				(122)	(122)		(122)
Net changes of items other than shareholders' equity						32,349	32,349
Total changes of items during period	44,843	44,843	667,021	(122)	756,586	32,349	788,935
Balance at the end of the year	3,584,698	3,584,698	672,877	(122)	7,842,152	37,735	7,879,887

(4) Consolidated statements of cash flows

(Unit: Thousand yen)

	Previous consolidated fiscal year (from April 1, 2019 to March 31, 2020)	Consolidated fiscal year under review (from April 1, 2020 to March 31, 2021)
Cash flows from operating activities		
Profit before income taxes	706,047	1,023,205
Depreciation	188,923	221,240
Increase (decrease) in provision for bonuses	5,820	33,151
Increase (decrease) in allowance for doubtful accounts	1,682	(486)
Going public expenses	42,416	18,165
Interest and dividend income	(394)	(5)
Interest expenses	3,055	18,812
Share of (profit) loss of entities accounted for using equity method	(15,537)	(5,134)
Loss on retirement of non-current assets	11,419	–
Decrease (increase) in notes and accounts receivable - trade	(22,871)	(84,779)
Decrease (increase) in operating investments in capital	(767,511)	(62,502)
Decrease (increase) in inventories	(2,077,660)	(4,591,223)
Increase (decrease) in notes and accounts payable - trade	(188,767)	48,914
Increase (decrease) in accounts payable - other and accrued expenses	(926)	138,517
Other, net	(183,670)	60,240
Subtotal	(2,297,974)	(3,181,884)
Interest and dividend income received	465	5
Interest expenses paid	(3,055)	(18,812)
Income taxes paid	(47,582)	(366,271)
Net cash provided by (used in) operating activities	(2,348,146)	(3,566,962)
Cash flows from investing activities		
Purchase of property, plant and equipment	(107,659)	(8,495)
Purchase of intangible assets	(197,471)	(244,575)
Payments for asset retirement obligations	(10,293)	–
Purchase of securities	(80,000)	–
Proceeds from collection of lease and guarantee deposits	43,382	–
Other, net	600	(725)
Net cash provided by (used in) investing activities	(351,441)	(253,796)
Cash flows from financing activities		
Proceeds from issuance of common shares	3,434,810	69,500
Proceeds from issuance of stock acquisition rights	3,213	1,475
Payments for going public expenses	(39,098)	(16,983)
Increase (decrease) in short-term loans payable	–	261,000
Proceeds from long-term loans payable	–	3,411,000
Repayment of long-term loans payable	–	(480,000)
Other, net	(442)	29,577
Net cash provided by (used in) financing activities	3,398,482	3,275,569
Net increase (decrease) in cash and cash equivalents	698,894	(545,188)
Cash and cash equivalents at the beginning of period	2,483,489	3,182,384
Cash and cash equivalents at the end of period	3,182,384	2,637,195

(5) Notes to consolidated financial statements

(Note to going concern assumptions)

Not applicable.

(Additional information)

(Accounting treatment for consumption tax, etc.)

Previously, the Company had processed non-deductible consumption tax and the like related to inventories as expenses. As a result of deliberation on the importance of non-deductible consumption tax and the like related to the inventories of our Group, the Company changed its processing method and included non-deductible consumption tax and the like related to inventories in the acquisition cost of the individual inventory items from the fiscal year under review. As a result of this change, operating profit and ordinary profit and profit before income taxes for the fiscal year under review increased 139,324 thousand yen, respectively.

(Segment information, etc.)

[Segment information]

I. Previous consolidated fiscal year (from April 1, 2019 to March 31, 2020)

1. Information on net sales and profit or loss amounts by reportable segment

(Unit: Thousand yen)

	Reportable segment			Adjustment (Note 1)	Amount on consolidated statement of income (Note 2)
	AI Cloud & Consulting	Real Estate Tech	Total		
Net sales					
Sales to external customers	645,692	3,204,661	3,850,353	–	3,850,353
Intersegment net sales or transfers	152,941	–	152,941	(152,941)	–
Total	798,633	3,204,661	4,003,294	(152,941)	3,850,353
Segment profit	609,024	137,721	746,746	–	746,746

(Notes) 1. The adjustment refers to the elimination of intersegment transactions.

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

II. Consolidated fiscal year under review (from April 1, 2020 to March 31, 2021)

1. Information on net sales and profit or loss amounts by reportable segment

(Unit: Thousand yen)

	Reportable segment			Adjustment (Note 1)	Amount on consolidated statement of income (Note 2)
	AI Cloud & Consulting	Real Estate Tech	Total		
Net sales					
Sales to external customers	827,511	6,512,114	7,339,626	–	7,339,626
Intersegment net sales or transfers	307,623	–	307,623	(307,623)	–
Total	1,135,135	6,512,114	7,647,250	(307,623)	7,339,626
Segment profit	726,895	380,744	1,107,639	(50,976)	1,056,663

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

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

2. Matters related to changes in reportable segments

The Group previously had the "AI × Real" Solutions business as its only segment but, starting from the consolidated fiscal year under review, the Group began operating under two segments: the AI Cloud & Consulting Segment and the Real Estate Tech Segment.

This is because the Company judged, based on an examination of the structure most suited to the realization of its future business strategies, that the aforementioned organizational structure of two segments was the optimal structure for demonstrating product development capability and speed and changed the unit for internal monitoring of the Group's operations.

Segment information for the previous consolidated fiscal year that was prepared based on the classification of reportable segments after the change.

(Per share information)

	Previous consolidated fiscal year (from April 1, 2019 to March 31, 2020)	Consolidated fiscal year under review (from April 1, 2020 to March 31, 2021)
Net assets per share	468.06 yen	510.95 yen
Basic profit per share	33.50 yen	43.81 yen
Diluted profit per share	32.10 yen	42.16 yen

(Notes) 1. The Company conducted a 3-for-1 share split on August 20, 2019. "Net assets per share," "Basic profit per share" and "Diluted profit per share" have, therefore, been calculated on the assumption that the share split was conducted at the beginning of the fiscal year ended March 31, 2020.

2. Since the Company listed its shares on the Mothers market of the Tokyo Stock Exchange on December 19, 2019, "Diluted profit per share" is calculated by deeming the average share price from the date of initial listing to the last day of the previous consolidated fiscal year as the average share price during the period.

3. The basis for calculating "Basic profit per share" and "Diluted profit per share" is as follows.

	Previous consolidated fiscal year (from April 1, 2019 to March 31, 2020)	Consolidated fiscal year under review (from April 1, 2020 to March 31, 2021)
(i) Basic profit per share		
Profit attributable to owners of parent (thousand yen)	473,442	667,021
Amount not attributable to common shareholders (thousand yen)	–	–
Profit attributable to owners of parent related to common shares (thousand yen)	473,442	667,021
Average number of common shares during the period (shares)	14,131,614	15,224,158
(ii) Diluted profit per share		
Adjustment of profit attributable to owners of parent (thousand yen)	–	–
Increase in the number of common shares (shares)	619,281	598,047
[Share acquisition rights in the above (shares)]	[619,281]	[598,047]
Overview of dilutive shares not included in the calculation of diluted profit per share due to absence of dilutive effect	–	–

(Significant subsequent events)

(Making it a subsidiary by acquisition of its shares)

Based on a resolution of its Board of Directors at a meeting held on March 31, 2021, the Company concluded a share transfer agreement on the same date to acquire all the shares of Kyushu C&C Systems Inc. (hereinafter "QCCS"), and made QCCS a wholly owned subsidiary of the Company through receipt of the transfer of all shares of QCCS on April 1, 2021.

1. Purposes of the acquisition of shares

The Company made QCCS into a subsidiary for the purposes described below.

(1) To sell the Group's cloud tools for financial institutions and other market players to QCCS's wide range of customers.

(2) To harness QCCS's engineering expertise to strengthen the Group's development capabilities (reduce outsourcing expenses through nearshore outsourcing and prevent the drain of development knowhow) and to strengthen the Group's system development proposals to its clients.

(3)To combine "QCCS's in-depth knowledge of the sector and its ability to grasp client needs" and "the Group's technologies" to improve QCCS's existing products, develop new products, and provide AI consulting

2. Outline of the company whose shares were acquired

(1) Name: Kyushu C&C Systems Inc.

(2) Location: 1 -5-11 Akasaka, Chuo-ku, Fukuoka City, Fukuoka

(3) Title and name of representative: Representative Director and President Koji Nagano

(4) Business description: Development and sale of HR solution tools and sales support systems

(5) Capital: 80 million yen (Note)

(Note) Amount of capital at time of acquisition of shares.

(6) Date of establishment: April 1, 1987

3. Timing of acquisition of shares

(1) Date of execution of basic agreement: January 29, 2021

(2) Date of execution of share transfer agreement: March 31, 2021

(3) Effective date of share transfer: April 1, 2021

4. Number of shares to be acquired and the state of share ownership before and after the acquisition

(1) Number of shares owned before transfer: 0 shares (Number of voting rights: 0 rights) (Ownership ratio: 0%)

(2) Number of shares acquired: 702 shares (Number of voting rights: 702 rights)

(3) Number of shares owned after transfer: 702 shares (Number of voting rights: 702 rights) (Ownership ratio: 100.0%)

5 Details and amount of major acquisition-related costs

Advisory fees, etc. 31 million yen

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

It has not been finalized at this time.

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

It has not been finalized at this time.

The acquisition price is not disclosed because the counterparty to the share acquisition is an individual. However, the acquisition price was determined and agreed upon as a reasonable price calculated by the Company based on objective criteria.