SRE Holdings

Consolidated Financial Results for the three months of the FYE March 31, 2025 (JGAAP)

August 6, 2024

Company name: SRE Holdings Corporation Stock exchange listing: Tokyo
Stock code: 2980 URL: https://sre-group.co.jp/
Representative: Kazuo Nishiyama, President & Chief Executive Officer
Contact: Osamu Mashiko, CFO, Senior Managing Executive Officer, Division Director, Corporate Strategy Headquarters
TEL: +81-3-6274-6550

Scheduled date of dividend payment: -
Earnings Supplementary Explanatory Documents: Yes
Holding of financial results presentation meeting: -

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

1. Consolidated Results for the three months of the FYE March 31, 2025 (April 1, 2024 – June 30, 2024)

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

	Net sales		Operating profit		Ordinary profit		Quarterly Profit attributable to owners of parent	
Three months ended	Million yen	%	Million yen	%	Million yen	%	Million yen	%
June 30, 2024	5,067	18.1	851	320.6	815	387.8	497	271.4
June 30, 2023	4,290	46.8	202	(12.1)	167	(16.8)	133	101.0

(Note) Comprehensive income: Three months ended June 30, 2024: ¥535 million 282.2%
Three months ended June 30, 2023: ¥140 million 111.1%

	Basic quarterly profit per share	Diluted quarterly profit per share
Three months ended	Yen	Yen
June 30, 2024	30.92	30.53
June 30, 2023	8.28	8.18

(2) Consolidated financial condition

	Total assets	Net assets	Equity ratio
As of	Million yen	Million yen	%
June 30, 2024	31,105	12,919	39.6
March 31, 2024	24,017	12,460	50.6

(Reference) Equity capital: As of June 30, 2024: ¥12,332 million As of March 31, 2023: ¥12,147 million

2. Dividends

	Annual dividend per share				
	End of first quarter	End of second quarter	End of third quarter	Year end	Total
	Yen	Yen	Yen	Yen	Yen
FYE March 31, 2024	–	0.00	–	0.00	0.00
FYE March 31, 2025	–				
FYE March 31, 2025 (forecast)		0.00	–	0.00	0.00

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

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

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

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

* Notes

(1) Significant changes in the scope of consolidation during the three months of FYE March 31, 2025: Yes
New 1 company (Company name) Medix Corporation

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

(3) Changes in accounting principles, changes in accounting estimates, and retrospective restatements
(i) Changes in accounting principles accompanying the amendment of accounting standards: Yes
(ii) Changes in accounting policies other than (i): None
(iii) Changes in accounting estimates: None
(iv) Restatement: None
* For details, please refer to “1. Quarterly consolidated Financial Statements (3) Notes to Quarterly Consolidated Financial Statements (Notes to Changes in Accounting Policies)” on page 5 of the attached document.

(4) Number of issued shares (common shares)

(i) Number of shares outstanding at end of the period (including treasury shares)	
As of June 30, 2024:	16,197,595 shares
As of March 31, 2024:	16,194,895 shares
(ii) Number of treasury shares at end of the period	
As of June 30, 2024:	121,696 shares
As of March 31, 2024:	48,205 shares
(iii) Average number of shares during the period	
The three months of FYE March 2025:	16,079,290 shares
The three months of FYE March 2024:	16,160,161 shares

* Review of the quarterly consolidated financial statements by a certified public accountant or an auditing firm: None

* 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.

○ Index for Supplementary Information

1. Quarterly consolidated Financial Statements and Important Notes 2
(1) Quarterly consolidated balance sheets 2
(2) Quarterly consolidated statements of income and consolidated statements of comprehensive income 3
(Quarterly consolidated statements of income) 3
(Quarterly consolidated statements of comprehensive income) 4
(3) Notes to Quarterly Consolidated Financial Statements 5
(Notes to Changes in Accounting Policies) 5
(Segment information, etc.) 5

1. Quarterly Consolidated Financial Statements and Important Notes

(1) Quarterly Consolidated balance sheets

(Unit: Thousand yen)

	As of March 31, 2024	As of June 30, 2024
ASSETS		
Current assets:		
Cash and deposits	3,359,547	2,923,644
Accounts receivable – trade and contract assets	1,003,529	2,142,458
Operating investments in capital	1,300,770	2,752,113
Inventories	13,939,584	16,910,149
Others	1,005,292	1,006,094
Less - allowance for doubtful accounts	(1,882)	(1,612)
Total current assets	20,606,841	25,732,848
Non-current assets:		
Property, plant and equipment	694,276	727,764
Intangible assets:		
Software	775,007	852,601
Goodwill	749,836	2,565,186
Others	10,451	10,433
Total intangible assets	1,535,296	3,428,221
Investments and other assets	1,180,666	1,216,324
Total non-current assets	3,410,239	5,372,310
Total assets	24,017,080	31,105,159
LIABILITIES		
Current liabilities:		
Accounts payable – trade	628,946	281,448
Short-term borrowings	1,145,467	3,790,689
Accounts payable - other	169,066	339,329
Accrued expenses	700,940	619,487
Income taxes payable	563,734	278,835
Accrued compensation	216,535	142,828
Others	464,693	609,398
Total current liabilities	3,889,384	6,062,016
Non-current liabilities:		
Long-term borrowings	7,275,347	11,699,827
Liability for retirement benefits	49,397	49,822
Others	342,486	374,251
Total non-current liabilities	7,667,231	12,123,901
Total liabilities	11,556,615	18,185,918
NET ASSETS		
Shareholders' equity		
Capital stock	4,185,621	4,186,585
Capital surplus	4,058,673	4,059,637
Retained earnings	4,091,647	4,588,807
Treasury stock, at cost	(192,677)	(502,315)
Total shareholders' equity	12,143,265	12,332,715
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	3,930	–
Total accumulated other comprehensive income	3,930	–
Stock acquisition rights	122,677	133,259
Non-controlling shareholder equity	190,591	453,266
Total net assets	12,460,464	12,919,240
Total liabilities and net assets	24,017,080	31,105,159

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

(Quarterly Consolidated statements of income)

(Unit: Thousand yen)

	For the three months ended June 30, 2023	For the three months ended June 30, 2024
Net sales	4,290,148	5,067,177
Cost of sales	2,875,661	2,616,603
Gross profit	1,414,487	2,450,574
Selling, general and administrative expenses	1,212,169	1,599,555
Operating income	202,317	851,018
Non-operating income:		
Interest income	1	1
Dividend income	2	347
Other non-operating income	156	285
Total non-operating income	159	635
Non-operating expenses:		
Interest expenses	17,795	31,089
Share of loss of entities accounted for using equity method	2,213	-
Offering expenses	12,903	-
Other non-operating expenses	2,424	5,321
Total non-operating expenses	35,337	36,411
Ordinary income	167,139	815,243
Extraordinary income		
Gain on sales of investment securities	-	6,237
Total extraordinary income	-	6,237
Extraordinary losses		
Loss on sale of fixed assets	9,139	-
Total extraordinary losses	9,139	-
Income before income taxes	158,000	821,480
Income taxes		
Current	12,331	153,997
Deferred	7,171	128,383
Total income taxes	19,503	282,380
Net income	138,497	539,099
Net income attributable to non-controlling interests	4,618	41,940
Net income attributable to owners of the parent	133,878	497,159

(Quarterly Consolidated statements of comprehensive income)

(Unit: Thousand yen)

	For the three months ended June 30, 2023	For the three months ended June 30, 2024
Net income	138,497	539,099
Other comprehensive income:		
Unrealized holding losses on securities	1,512	(3,930)
Total accumulated other comprehensive losses	1,512	(3,930)
Comprehensive income	140,009	535,169
Comprehensive income attributable to:		
Owners of the parent	135,390	493,229
Non-controlling interests	4,618	41,940

(3) Notes to Quarterly Consolidated Financial Statements

(Notes to Changes in Accounting Policies)

(Application of “Accounting Standard for Current Income Taxes”, etc.)

The “Accounting Standard for Current Income Taxes” (ASBJ Statement No. 27, October 28, 2022; hereafter referred to as the “Revised Accounting Standard 2022”) and others are applied from the beginning of the three months of the FYE March 31, 2025.

With respect to the revision concerning the classification of income taxes (taxation on other comprehensive income), the transitional treatment stipulated in the proviso of Paragraph 20-3 of the Revised Accounting Standard 2022 and the transitional treatment stipulated in the proviso of Paragraph 65-2 (2) of the “Implementation Guidance on Tax Effect Accounting” (ASBJ Guidance No. 28, October 28, 2022; hereinafter referred to as “Revised Implementation Guidance in 2022”) were applied. There is no effect of this change in accounting policy on the quarterly consolidated financial statements.

In addition, the Company has adopted the revised implementation guidance effective from the beginning of the three months of the FYE March 31, 2025, regarding the revision related to the treatment in the consolidated financial statements of the deferral for tax purposes of gains or losses on sales of subsidiaries' stock and other securities arising from sales between consolidated companies. The change in accounting policy has been applied retrospectively, and the quarterly consolidated financial statements and consolidated financial statements for the previous year's quarter and the previous fiscal year have been prepared on a retrospective basis. There is no effect of this change in accounting policy on the quarterly consolidated financial statements and previous year's consolidated financial statements.

(Segment information, etc.)

[Segment information]

I. For the three months ended June 30, 2023

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	Life & Property Solutions	Other	Total		
Net sales						
Sales to third parties	862,131	3,420,471	7,545	4,290,148	—	4,290,148
Inter-segment sales and transfers	168,965	30	—	168,995	(168,995)	—
Total	1,031,096	3,420,501	7,545	4,459,144	(168,995)	4,290,148
Segment profit	351,474	(53,227)	(43,986)	254,259	(51,941)	202,317

(Notes) 1. The adjustment to segment profit of (51,941) thousand yen represents the elimination of intersegment transactions.

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

II. For the three months ended June 30, 2024

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	Life & Property Solutions	Other	Total		
Net sales						
Sales to third parties	1,417,199	3,629,234	20,743	5,067,177	—	5,067,177
Inter-segment sales and transfers	198,674	5,322	—	203,997	(203,997)	—
Total	1,615,874	3,634,556	20,743	5,271,174	(203,997)	5,067,177
Segment profit	432,463	490,516	(50,416)	872,563	(21,545)	851,018

(Notes) 1. The adjustment to segment profit of (21,545) 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.

2. Information on assets by reportable segment

In the three months of the FYE March 31, 2025, the Company acquired shares of Medix Corporation, etc. and other companies, which were newly included in the scope of consolidation. As a result, the amount of assets in the reporting segment ”AI Cloud & Consulting” increased by 4,226,628 thousand yen in the three months of the FYE March 31, 2025, compared to the end of the previous consolidated fiscal year.

In addition, the amount of assets in the reporting segment “Life & Property Solutions” increased by 3,614,591 thousand yen in the three months of the FYE March 31, 2025 compared to the end of the previous consolidated fiscal year due to an increase in inventories and other factors.

3. Information on Impairment Loss on Noncurrent Assets or Goodwill, etc. by Reportable Segment

(Significant changes in the amount of goodwill)

In the ”AI Cloud & Consulting” segment, the amount of goodwill increased by 1,816,876 thousand yen due to the Company's acquisition of shares of Medix Corporation, etc. and their inclusion in the scope of consolidation. The amount of goodwill is tentatively calculated since the allocation of acquisition cost has not been completed as of the end of the three months of the FYE March 31, 2025.