SRE Holdings

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

November 11, 2024

Company name: SRE Holdings Corporation
Stock exchange listing: Tokyo
Stock code: 2980
URL: https://sre-group.co.jp/
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Scheduled date of dividend payment: -
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 six months of the FYE March 31, 2025 (April 1, 2024 – September 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	
Six months ended	Million yen	%	Million yen	%	Million yen	%	Million yen	%
September 30, 2024	10,152	35.4	1,289	112.0	1,195	123.6	663	80.2
September 30, 2023	7,500	15.1	608	(20.1)	534	(22.9)	368	(42.5)

(Note) Comprehensive income: Six months ended September 30, 2024: ¥720 million 81.9%
Six months ended September 30, 2023: ¥395 million (40.2%)

	Basic quarterly profit per share	Diluted quarterly profit per share
Six months ended	Yen	Yen
September 30, 2024	41.24	40.71
September 30, 2023	22.76	22.49

(2) Consolidated financial condition

	Total assets	Net assets	Equity ratio
As of	Million yen	Million yen	%
September 30, 2024	30,849	13,197	40.8
March 31, 2024	24,017	12,460	50.6

(Reference) Equity capital: As of September 30, 2024: ¥12,577 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 six 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 September 30, 2024:	16,218,485 shares
As of March 31, 2024:	16,194,895 shares
(ii) Number of treasury shares at end of the period	
As of September 30, 2024:	125,476 shares
As of March 31, 2024:	48,205 shares
(iii) Average number of shares during the period	
The six months of FYE March 2025:	16,085,534 shares
The six months of FYE March 2024:	16,169,387 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.

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1. Quarterly Consolidated Financial Statements and Important Notes

(1) Quarterly Consolidated balance sheets

(Unit: Thousand yen)

	As of March 31, 2024	As of September 30, 2024
ASSETS		
Current assets:		
Cash and deposits	3,359,547	2,605,581
Accounts receivable – trade and contract assets	1,003,529	2,112,734
Operating investments in capital	1,300,770	2,734,361
Inventories	13,939,584	16,323,120
Others	1,005,292	899,950
Less - allowance for doubtful accounts	(1,882)	(1,223)
Total current assets	20,606,841	24,674,524
Non-current assets:		
Property, plant and equipment	694,276	715,611
Intangible assets:		
Software	775,007	904,673
Goodwill	749,836	2,534,171
Others	10,451	11,589
Total intangible assets	1,535,296	3,450,433
Investments and other assets	1,180,666	2,009,170
Total non-current assets	3,410,239	6,175,215
Total assets	24,017,080	30,849,740
LIABILITIES		
Current liabilities:		
Accounts payable – trade	628,946	170,567
Short-term borrowings	1,145,467	3,251,010
Accounts payable - other	169,066	368,499
Accrued expenses	700,940	534,937
Income taxes payable	563,734	358,379
Accrued compensation	216,535	253,151
Others	464,693	651,139
Total current liabilities	3,889,384	5,587,685
Non-current liabilities:		
Long-term borrowings	7,275,347	11,472,129
Liability for retirement benefits	49,397	41,253
Others	342,486	551,555
Total non-current liabilities	7,667,231	12,064,939
Total liabilities	11,556,615	17,652,624
NET ASSETS		
Shareholders' equity		
Capital stock	4,185,621	4,225,755
Capital surplus	4,058,673	4,098,807
Retained earnings	4,091,647	4,755,036
Treasury stock, at cost	(192,677)	(502,315)
Total shareholders' equity	12,143,265	12,577,283
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	143,775
Non-controlling shareholder equity	190,591	476,056
Total net assets	12,460,464	13,197,115
Total liabilities and net assets	24,017,080	30,849,740

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

(Quarterly Consolidated statements of income)

(Unit: Thousand yen)

	For the six months ended September 30, 2023	For the six months ended September 30, 2024
Net sales	7,500,231	10,152,787
Cost of sales	4,486,844	5,695,101
Gross profit	3,013,387	4,457,686
Selling, general and administrative expenses	2,404,825	3,167,731
Operating income	608,561	1,289,955
Non-operating income:		
Interest income	7	2,116
Dividend income	160	347
Insurance income	272	-
Other non-operating income	248	634
Total non-operating income	688	3,098
Non-operating expenses:		
Interest expenses	38,373	67,824
Share of loss of entities accounted for using equity method	6,349	-
Offering expenses	25,807	-
Loss on extinguishment of share-based payment expenses	-	21,228
Other non-operating expenses	3,999	8,587
Total non-operating expenses	74,529	97,639
Ordinary income	534,721	1,195,413
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	1,496
Loss on disposal of fixed assets	-	22,869
Total extraordinary losses	9,139	24,365
Income before income taxes	525,581	1,177,285
Income taxes		
Current	138,164	347,487
Deferred	(4,704)	105,556
Total income taxes	133,459	453,044
Net income	392,122	724,240
Net income attributable to non-controlling interests	24,050	60,851
Net income attributable to owners of the parent	368,072	663,388

(Quarterly Consolidated statements of comprehensive income)

(Unit: Thousand yen)

	For the six months ended September 30, 2023	For the six months ended September 30, 2024
Net income	392,122	724,240
Other comprehensive income:		
Unrealized holding losses on securities	3,859	(3,930)
Total accumulated other comprehensive losses	3,859	(3,930)
Comprehensive income	395,982	720,310
Comprehensive income attributable to:		
Owners of the parent	371,931	659,458
Non-controlling interests	24,050	60,851

(3) Quarterly Consolidated statements of cash flows

(Unit: Thousand yen)

	For the six months ended September 30, 2023	For the six months ended September 30, 2024
Cash flows from operating activities		
Income before income taxes	525,581	1,177,285
Depreciation	149,084	192,334
Amortization of goodwill	31,599	124,893
Increase (decrease) in allowance for doubtful accounts	(743)	(659)
Increase (decrease) in accrued compensation	(703)	18,135
Increase (decrease) in liability for retirement benefits	(12,047)	(8,144)
Loss on extinguishment of share-based payment expenses	-	21,228
Interest income	(7)	(2,116)
Dividend income	(160)	(347)
Insurance income	(272)	-
Interest expenses	38,373	67,824
Share of (profit) loss of entities accounted for using equity method	6,349	-
Offering expenses	25,807	-
Loss on sale of fixed assets	9,139	1,496
Loss on disposal of fixed assets	-	22,869
Gains(losses) on sales of investment securities	-	(6,237)
Decrease (increase) in accounts receivable - trade and contract assets	(34,053)	125,088
Decrease (increase) in operating investments in capital	477,173	(1,433,590)
Decrease (increase) in inventories	(5,506,624)	(2,378,706)
Increase (decrease) in accounts payable - trade	100,483	(458,378)
Increase (decrease) in accounts payable - other and accrued expenses	(559,086)	(994,749)
Other, net	568,353	364,515
Subtotal	(4,181,754)	(3,167,258)
Interest income received	7	3,993
Dividend income received	160	347
Insurance income received	272	-
Interest expenses paid	(38,373)	(69,701)
Income taxes paid	(286,411)	(621,398)
Net cash used in operating activities	(4,506,098)	(3,854,017)
Cash flows from investing activities		
Expenses for fixed-term deposits	-	(50,000)
Income from refunds offixed-term deposits	-	30,000
Purchase of property, plant and equipment	(57,348)	(56,929)
Purchase of intangible assets	(153,993)	(217,212)
Purchase of investment securities	(0)	(14,000)
Proceeds from sales of investment securities	-	23,293
Proceeds from sale of shares of affiliates	-	127,350
Expenditures for the acquisition of shares of a subsidiary with a change in the scope of consolidation	(47,658)	(673,870)
Expenditure on loans	-	(500,000)
Other, net	4,171	2,309
Net cash used in investing activities	(254,829)	(1,329,060)

	For the six months ended September 30, 2023	For the six months ended September 30, 2024
Cash flows from financing activities		
Increase(decrease) in short-term borrowings	104,542	355,413
Proceeds from long-term borrowings	5,202,544	5,468,499
Repayment of long-term borrowings	(2,459,545)	(1,170,564)
Proceeds from issuance of shares	12,261	12,243
Expenditure on acquisition of treasury stock	(167)	(309,637)
Other, net	29,993	53,155
Net cash provided by financing activities	2,889,628	4,409,111
Net increase (decrease) in cash and cash equivalents	(1,871,299)	(773,966)
Cash and cash equivalents at the beginning of the year	3,807,535	3,329,547
Cash and cash equivalents at the end of the year	1,936,235	2,555,581

(4) 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 six 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 six 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 six months ended September 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	1,744,568	5,726,080	29,582	7,500,231	-	7,500,231
Inter-segment sales and transfers	389,451	75	-	389,526	(389,526)	-
Total	2,134,020	5,726,155	29,582	7,889,758	(389,526)	7,500,231
Segment profit	725,078	52,639	(80,040)	697,678	(89,116)	608,561

(Notes) 1. The adjustment to segment profit of (89,116) 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 six months ended September 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	2,869,137	7,242,129	41,521	10,152,787	-	10,152,787
Inter-segment sales and transfers	418,025	5,593	-	423,618	(423,618)	-
Total	3,287,163	7,247,722	41,521	10,576,406	(423,618)	10,152,787
Segment profit	933,522	520,262	(113,181)	1,340,603	(50,648)	1,289,955

(Notes) 1. The adjustment to segment profit of (50,648) 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 six months of the FYE March 31, 2025, the Company acquired shares of Medix Corporation, etc., 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 3,977,224 thousand yen in the six 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 3,136,916 thousand yen in the six 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 1,787,998 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 six months of the FYE March 31, 2025.

(Notes on Substantial Changes in the Amount of Shareholders' Equity)

The Company acquired 73,400 shares of treasury stock based on a resolution of the Board of Directors meeting held on March 14, 2024. As a result, treasury stock increased by 309,637 thousand yen in the six months of the FYE March 31, 2025, and treasury stock at the end of the six months of the FYE March 31, 2025 was 502,315 thousand yen.