SRE Holdings

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

February 6, 2025

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: No

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

1. Consolidated Results for the nine months of the FYE March 31, 2025 (April 1, 2024 – December 31, 2024)

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

	Net sales		Operating profit		Ordinary profit		Quarterly Profit attributable to owners of parent	
Nine months ended	Million yen	%	Million yen	%	Million yen	%	Million yen	%
December 31, 2024	14,413	12.6	1,444	(4.4)	1,300	(6.7)	636	(31.7)
December 31, 2023	12,797	25.3	1,510	41.5	1,393	44.9	932	17.8

(Note) Comprehensive income: Nine months ended December 31, 2024: ¥739 million (24.4%)
Nine months ended December 31, 2023: ¥977 million (18.9%)

	Basic quarterly profit per share	Diluted quarterly profit per share
Nine months ended	Yen	Yen
December 31, 2024	39.59	39.10
December 31, 2023	57.64	57.00

(2) Consolidated financial condition

	Total assets	Net assets	Equity ratio
As of	Million yen	Million yen	%
December 31, 2024	33,220	13,240	37.8
March 31, 2024	24,017	12,460	50.6

(Reference) Equity capital: As of December 31, 2024: ¥12,569 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	—	0.00	—		
FYE March 31, 2025 (forecast)				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 nine 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 December 31, 2024:	16,227,785 shares
As of March 31, 2024:	16,194,895 shares
(ii) Number of treasury shares at end of the period	
As of December 31, 2024:	131,716 shares
As of March 31, 2024:	48,205 shares
(iii) Average number of shares during the period	
The nine months of FYE March 2025:	16,088,956 shares
The nine months of FYE March 2024:	16,174,912 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 December 31, 2024
ASSETS		
Current assets:		
Cash and deposits	3,359,547	3,663,496
Accounts receivable – trade and contract assets	1,003,529	2,124,214
Operating investments in capital	1,300,770	2,708,716
Inventories	13,939,584	17,280,295
Others	1,005,292	1,192,819
Less - allowance for doubtful accounts	(1,882)	(4,019)
Total current assets	20,606,841	26,965,523
Non-current assets:		
Property, plant and equipment	694,276	829,985
Intangible assets:		
Software	775,007	895,495
Goodwill	749,836	2,505,316
Others	10,451	10,984
Total intangible assets	1,535,296	3,411,796
Investments and other assets	1,180,666	2,012,929
Total non-current assets	3,410,239	6,254,710
Total assets	24,017,080	33,220,234
LIABILITIES		
Current liabilities:		
Accounts payable – trade	628,946	200,061
Short-term borrowings	1,145,467	3,816,170
Accounts payable - other	169,066	322,948
Accrued expenses	700,940	608,906
Income taxes payable	563,734	242,770
Accrued compensation	216,535	139,394
Others	464,693	716,008
Total current liabilities	3,889,384	6,046,260
Non-current liabilities:		
Long-term borrowings	7,275,347	13,148,896
Liability for retirement benefits	49,397	66,805
Others	342,486	718,228
Total non-current liabilities	7,667,231	13,933,930
Total liabilities	11,556,615	19,980,191
NET ASSETS		
Shareholders' equity		
Capital stock	4,185,621	4,234,846
Capital surplus	4,058,673	4,107,898
Retained earnings	4,091,647	4,728,618
Treasury stock, at cost	(192,677)	(502,315)
Total shareholders' equity	12,143,265	12,569,048
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	149,445
Non-controlling shareholder equity	190,591	521,549
Total net assets	12,460,464	13,240,043
Total liabilities and net assets	24,017,080	33,220,234

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

(Quarterly Consolidated statements of income)

(Unit: Thousand yen)

	For the nine months ended December 31, 2023	For the nine months ended December 31, 2024
Net sales	12,797,783	14,413,018
Cost of sales	7,557,151	8,081,028
Gross profit	5,240,632	6,331,990
Selling, general and administrative expenses	3,730,173	4,887,858
Operating income	1,510,459	1,444,131
Non-operating income:		
Interest income	7	4,446
Dividend income	323	347
Insurance income	272	2,527
Gain on foreign exchange	—	12,957
Other non-operating income	1,300	1,398
Total non-operating income	1,905	21,678
Non-operating expenses:		
Interest expenses	61,288	108,785
Share of loss of entities accounted for using equity method	8,316	—
Offering expenses	38,711	—
Loss on extinguishment of share-based payment expenses	—	44,120
Other non-operating expenses	10,380	12,028
Total non-operating expenses	118,696	164,934
Ordinary income	1,393,667	1,300,874
Extraordinary income		
Gain on sale of property, plant and equipment and intangible assets	—	2,000
Gain on sales of investment securities	—	6,377
Compensation for relocation	—	17,072
Total extraordinary income	—	25,450
Extraordinary losses		
Loss on sale of fixed assets	9,139	1,496
Loss on disposal of fixed assets	—	49,978
Loss on devaluation of investment securities	—	3,999
Total extraordinary losses	9,139	55,475
Income before income taxes	1,384,528	1,270,850
Income taxes		
Current	410,351	471,622
Deferred	(920)	55,912
Total income taxes	409,431	527,534
Net income	975,097	743,315
Net income attributable to non-controlling interests	42,745	106,344
Net income attributable to owners of the parent	932,351	636,970

(Quarterly Consolidated statements of comprehensive income)

(Unit: Thousand yen)

	For the nine months ended December 31, 2023	For the nine months ended December 31, 2024
Net income	975,097	743,315
Other comprehensive income:		
Unrealized holding losses on securities	2,724	(3,930)
Total accumulated other comprehensive losses	2,724	(3,930)
Comprehensive income	977,821	739,384
Comprehensive income attributable to:		
Owners of the parent	935,075	633,040
Non-controlling interests	42,745	106,344

(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 nine 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 nine 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 nine months ended December 31, 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	2,802,021	9,942,634	53,127	12,797,783	—	12,797,783
Inter-segment sales and transfers	654,513	1,528	—	656,042	(656,042)	—
Total	3,456,535	9,944,163	53,127	13,453,826	(656,042)	12,797,783
Segment profit	1,221,242	569,715	(137,444)	1,653,513	(143,054)	1,510,459

(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 nine months ended December 31, 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	4,346,130	9,921,452	145,435	14,413,018	—	14,413,018
Inter-segment sales and transfers	735,361	5,593	—	740,954	(740,954)	—
Total	5,081,491	9,927,045	145,435	15,153,973	(740,954)	14,413,018
Segment profit	1,630,381	117,889	(230,607)	1,517,663	(73,532)	1,444,131

(Notes) 1. The adjustment to segment profit of (73,532) 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 nine 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 3,282,836 thousand yen in the nine 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 4,223,548 thousand yen in the nine 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 1,723,532 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 nine 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 nine months of the FYE March 31, 2025, and treasury stock at the end of the nine months of the FYE March 31, 2025 was 502,315 thousand yen.