



Summary of Consolidated Financial Results for 3rd quarter (interim) of the Year ending March 31, 2025 (Based on Japanese GAAP)

February 14, 2025

Company Name: SAAF Holdings Co., Ltd. Listed Stock Exchange: Tokyo
 Stock code: 1447 URL <https://www.saaf-hd.co.jp/>
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 of Management Headquarters and CFO

Scheduled start date of dividend payment —

Preparation of supplementary material on quarterly financial results: No

Holding quarterly financial results briefing meeting: No

(Amounts less than one million yen are rounded down)

1. Consolidated operating results for the 3rd quarter ended December 31, 2024 of the Year ending March 31, 2025
(from April 1, 2024 to December 31, 2024)

(1) Consolidated operating results (Cumulative total) Percentages indicate changes compared with the 3rd quarter of the previous fiscal year

	Net sales		Operating profit		Ordinary profit		Quarterly net profit attributable to owners of parent	
	JPY million	%	JPY million	%	JPY million	%	JPY million	%
3Q period of FY ending March 2025	21,148	0.4	△91	—	△260	—	△513	—
3Q period of FY ended Marh 2024	21,069	△3.5	102	—	75	—	△367	—

(note) Comprehensive income: 3Q period of FY ending March 2025 JPY △482 million (- %)
3Q period of FY ended Marh 2024 JPY △394 million (- %)

	Earnings per share of quarterly net profit	Diluted earnings per share of quarterly net profit
	JPY	JPY
3Q period of FY ending March 2025	△21.01	—
3Q period of FY ended Marh 2024	△15.24	—

(Note) Regarding “3Q net income per share after adjusting for diluted shares” for the previous 3Q consolidated accounting period and the current 3Q consolidated accounting period, although there are dilutive shares, it is not stated because we reported a net loss per share for 3Q period.

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio
	JPY million	JPY million	%
3Q period of FY ending March 2025	20,261	2,595	11.8
Full fiscal year ended March 2024	18,051	3,120	16.0

(reference) Equity capital 3Q period of FY ending March 2025 JPY 2,387 million
FY ended March 31, 2024 JPY 2,895 million

2. Cash dividends

	Annual dividends per share				
	1st quarter-end	2nd quarter-end	3rd quarter-end	Fiscal year end	Total
	JPY	JPY	JPY	JPY	JPY
Fiscal Year ended Mach 2024	—	0.00	—	0.00	0.00
Fiscal Year ending March 2025	—	0.00	—		
Fiscal Year ending March 2025 (forecast)				0.00	0.00

(Note) Whether there has been any revision from the most recently announced dividend forecast: Yes

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3. Forecast of consolidated financial results for the year ending March 31, 2025 (from April 1, 2024, to March 31, 2025)

(Percentages indicate changes rate compared with the previous fiscal year)

	Net sales		Operating profit		Ordinary profit		Net income attributable to the parent company shareholders		Net income per share
	JPY million	%	JPY million	%	JPY million		JPY million	%	JPY
Full fiscal year	29,000	△0.9	390	△45.4	200	△74.0	△400	—	△16.36

(Note) Whether there has been any revision from the most recently announced dividend forecast: Yes

※ Notes

(1) Significant changes in the scope of consolidation during the current 3Q cumulative period ended December 31, 2024: Yes

New: 1 company (name of company) YUSIN Co., Ltd. excluded: 0 companies (name of company) -

(2) Application of accounting treatments specific to the preparation of 3Q period or consolidated financial statements: Yes

(Note) For details, please see attached document titled “2. Quarterly consolidated financial statements and major notes (3) Notes regarding quarterly consolidated financial statements (application of accounting treatments specific to the preparation of quarterly consolidated financial statements)” on page 9.

(3) Changes in accounting policies, changes in accounting estimates, and changes and revised restatements of accounting estimates

- ① Changes in accounting policies due to revisions to accounting standards and other regulations : Yes
- ② Changes in accounting policies due to other than above ① : Yes
- ③ Changes in accounting estimates : No
- ④ Revised restatement : No

(Note) For details, please see attached document titled “2. Quarterly consolidated financial statements and major notes (3) Notes regarding quarterly consolidated financial statements (changes in accounting policies)” on page 9.

(4) Number of issued shares (common shares)

① Number of shares outstanding at end of fiscal year (including treasury stock)	3Q of FY ending March 2025	24,446,958 shares	FY ended March 2024	24,446,958 shares
② Number of treasury shares at end fiscal year	3Q of FY ending March 2025	4,254 shares	FY ended March 2024	— shares
③ Average number of shares during the period of fiscal year (quarterly cumulative)	3Q of FY ending March 2025	24,445,224 shares	3Q of FY ended March 2024	24,132,923 shares

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

※ Explanation regarding the appropriate use of earnings forecasts and other special notes

Statements regarding the future such as the business performance forecasts contained in this material are based on information currently available to the Company and certain assumptions that the Company deems to be reasonable, and our company does not promise to achieve this goal. Actual results may differ significantly due to a range of factors. Regarding the conditions underlying the performance forecast and notes on using the performance forecast, please refer to the attached document “1. Qualitative information regarding the current quarterly financial results (3) Explanation regarding future forecast information such as consolidated performance forecasts” on page 4.

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1. Overview of business results, etc.

(1) Overview of business results for the current quarterly consolidated cumulative period

During the current the 3rd quarter consolidated cumulative period of the fiscal year ending March 31, 2025, the Japanese economy continued to show a gradual recovery trend, with improvements in corporate profits, employment and capital investment, and the income environment. On the other hand, the global economy continues to require close attention due to factors such as the downside risk of overseas economies, rising prices, US policy trends, the situation in the Middle East, and the effects of fluctuations in financial and capital markets.

In the information services industry, which is one of our group's core businesses, it has continued to move away from legacy systems and shift to social digital transformation, and companies are actively investing in IT such as the growing popularity of cloud computing, expanding the use of big data and AI, and promotion of IoT, etc., where the total sales of the information services industry in October and November 2024 increased by 7.6% compared to the same month of the previous year (Source: "Current Statistics on Specified Service Industries", Ministry of Economy, Trade and Industry). On the other hand, there was a strong sense of a shortage of engineers, and the situation has continued to be difficult in terms of securing human resources.

In the construction industry, another mainstay of our business, although public investment remains steady, due to factors such as housing sales prices rising or remaining high caused by soaring material prices, and a decline in consumer confidence caused by rising prices of goods, etc., new housing starts decreased by 1.3% compared to the same period last year (Source: "Statistical Survey on Construction Starts" Ministry of Land, Infrastructure, Transport and Tourism).

Under such a business environment, our group has promoted business in each segment with the aim of increasing corporate value.

Our group's business results for the current 3rd quarter consolidated cumulative period are as follows:

Sales was JPY 21,148,886,000 (100.4% compared to the corresponding period of previous fiscal year), gross profit was JPY 5,056,530,000 (96.6% compared to the corresponding period of previous fiscal year), selling, general and administrative expenses was JPY 5,148,158,000 (100.3% compared to the corresponding period of previous fiscal year), operating loss was JPY Δ 91,627,000 (operating profit of JPY 102,354,000 in the corresponding period of previous fiscal year), ordinary loss was JPY Δ 260,847,000 (ordinary income was JPY 75,369,000 in the corresponding period of previous fiscal year), and quarterly net loss attributable to parent company shareholders was JPY Δ 513,655,000 (quarterly net loss attributable to parent company shareholders was JPY Δ 367,700,000 for the corresponding period of previous fiscal year).

	3Q of the previous FY (cumulative)	3Q of the current FY (cumulative)	Increase/decrease amount	(Unit: JPY Thousand) Compared to the corresponding period of the previous fiscal year (%)
Sales	21,069,424	21,148,886	79,462	100.4
Gross profit	5,232,995	5,056,530	Δ 176,464	96.6
Selling, general and administrative expenses	5,130,640	5,148,158	17,517	100.3
Operating profit or loss (Δ)	102,354	Δ 91,627	Δ 193,982	—
Ordinary profit or ordinary loss (Δ)	75,369	Δ 260,847	Δ 336,216	—
Interim net loss attributable to parent company shareholders (Δ)	Δ 367,700	Δ 513,655	Δ 145,955	—

The results of each business segment are as follows:

① Consulting Business

In the consulting business, ITbook Co., Ltd. has worked to increase orders for consulting projects from central government agencies, independent administrative agencies, local governments, etc., taking advantage of the trust and knowledge, we have accumulated from customers in the past, such as responding to the My Number system and the MyKey platform.

Mirai inc. is a consulting firm and think tank whose members with various specialized fields combining their knowledge and experience to revitalize and regen regions in Japan and abroad and has worked as a partner for government agencies and companies to propose strategies and plans and receive orders towards fundamental solutions to various social issues in order to solve various social issues.

As a result, sales in the consulting business was JPY 1,052,492,000 (308.4% compared to the corresponding period of previous fiscal year).

Please note that ITbook Co., Ltd. has changed its method of recording IT sales starting from the current 1st quarterly consolidated accounting period. For details, please see attached document titled "2. Quarterly consolidated financial statements and main notes (current 3Q) (3) Notes regarding quarterly consolidated financial statements (current 3Q) (Changes in accounting policy)" on page 9.

② System Development Business

In the system development business, we worked to develop software with the focus on nearshore development business and develop and sell products in the IoT equipment field.

As a result, sales in the system development business was JPY 2,355,425,000 (109.1% compared to the corresponding period of previous fiscal year).

③ Human Resources Business

In the human resources business, we worked to secure human resources and develop companies to which we can dispatch our staffs in the field of dispatching engineers as well as dispatching human resource for the manufacturing industry, distribution industry, and teachers.

As a result, sales for the human resources business was JPY 4,433,466,000 (98.3% compared to the corresponding period of previous fiscal year).

④ Ground Investigation and Improvement Business

In the ground investigation and improvement business, SOMETHING Co., Ltd. has tried to promote sales of the “screw friction pile construction method”, which constructs reinforcements with spiral knots of stable quality.

In addition, we worked hard to promote sales of the Column Z construction method and large-diameter steel pipe piles for small commercial facilities and low-rise condominiums and/or the Ecogeo method uses only natural crushed stone which is also related to the “SDGs”, being positioned as a product to promote sales of the ground improvement method.

EARTH PRIME Co., Ltd., which operates a soil investigation and testing business, worked hard to receive orders from major general contractors for soil testing for large-scale land preparation projects, and for boring surveys from major construction developers.

Tomei Co., Ltd., which specializes in civil engineering foundation work related to railways, has worked hard to focus on orders from major general contractors for “TBH construction method” and “BH construction method” that enable large diameter excavation under construction conditions in narrow and low spaces.

San-ai home Inc. which operates a real estate business, mainly in Kawagoe City, Saitama Prefecture, and along the Tobu Tojo Line, strives to buy and sell real estate by taking advantage of the characteristics of a local company. Please note that all shares of San-Ai Home Co., Ltd. were transferred to Grandes Co., Ltd. on January 6, 2025. For details, please see the attached document “2. Quarterly consolidated financial statements and main notes (current 3Q) (3) Notes regarding quarterly consolidated financial statements (current 3Q) (Important subsequent events)” on page 13.

As a result, sales for the ground investigation and improvement business was JPY 12,355,914,000 (100.1% compared to the corresponding period of previous fiscal year).

⑤ Guarantee Inspection Business

In the guarantee inspection business, in addition to promoting sales of the comprehensive ground guarantee “THE LAND”, we worked to receive orders for second opinion ground guarantees, quality inspections for newly built homes, and home completion guarantees.

As a result, sales in the guarantee inspection business was JPY 192,866,000 (78.7% compared to the corresponding period of previous fiscal year).

⑥ Construction Technology Business

In the construction technology business, we worked hard to sell our main product, the “GeoWeb System” which is used in the basic system of a major house builder, because it can strengthen the recording and management of various business data related to housing construction (fraud/tamper prevention function) and automate operations. We also worked to expand our business by linking with customers' base systems and to develop customization projects.

Furthermore, as a new business, we worked to develop and promote sales of 3D cameras (4D products) for the Japanese market, which can be used in a wide range of fields such as construction, surveying, and entertainment.

As a result, sales in the construction technology business was JPY 302,143,000 (89.4% compared to the corresponding period of previous fiscal year).

⑦ Overseas Business

In our overseas business, we worked to win orders for infrastructure development (embankment, roads, bridges), ground surveys for solar and wind power generation in renewable energy power generation projects, and temporary construction work related to sewerage construction in Vietnam. However, during the current 3rd quarter consolidated cumulative period, there continued to be a shortage of materials (embankment materials) in the region, resulting in construction delays due to soaring material prices and delivery delays.

As a result, overseas business sales was JPY 265,904,000 (37.4% compared to the corresponding period of previous fiscal year).

⑧ Other Business

The total sales of the financial business, M&A advisory business, data analysis business using drones, etc. was JPY 190,672,000 (45.1% compared to the corresponding period of previous fiscal year).

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(Unit: JPY Thousand)

	3Q of the previous FY (cumulative)		3Q of the current FY (cumulative)		Increase/ decrease amount	Compared to the corresponding period of the previous fiscal year (%)
	Sales	Composition ratio (%)	Sales	Composition ratio (%)		
Consulting Business	341,247	1.6	1,052,492	5.0	711,245	308.4
System Development Business	2,159,298	10.2	2,355,425	11.1	196,126	109.1
Human resources business	4,510,895	21.4	4,433,466	21.0	△77,428	98.3
Ground Investigation and Improvement Business	12,341,186	58.6	12,355,914	58.4	14,728	100.1
Guarantee Inspection Business	245,129	1.2	192,866	0.9	△52,262	78.7
Construction Technology Business	338,010	1.6	302,143	1.4	△35,866	89.4
Overseas Business	711,148	3.4	265,904	1.3	△445,244	37.4
Other Business	422,507	2.0	190,672	0.9	△231,835	45.1
Total	21,069,424	100.0	21,148,886	100.0	79,462	100.4

(Note) Regarding segment profit and loss, please refer to “2. Quarterly consolidated financial statements and major notes (current 3Q) (3) Notes regarding quarterly consolidated financial statements (Notes on Segment Information, etc.)” on page 10.

(2) Overview of financial position for the current quarterly consolidated cumulative period

(Assets section)

Total assets at the end of the current 3rd quarter consolidated accounting period was JPY 20,261,152,000, an increase of JPY 2,209,377,000 from the end of the previous consolidated fiscal year. This was mainly due to an increase in goodwill.

(Liabilities section)

Total liabilities at the end of the current 3rd quarter consolidated accounting period was JPY 17,665,323,000, an increase of JPY 2,734,246,000 from the end of the previous consolidated fiscal year. This was mainly due to an increase in long-term loans payable.

(Net asset section)

Total net assets at the end of the current 3rd quarter consolidated accounting period decreased by JPY 524,870,000 from the end of the previous fiscal year to JPY 2,595,828,000. This was mainly due to a decrease in retained earnings caused by the recording of a quarterly net loss attributable to owners of the parent company.

(3) Explanation regarding future forecast information such as consolidated business forecasts

Regarding earnings forecasts and dividend forecasts, we have revised the full-year earnings forecast and dividend forecast for the fiscal year ending March 2025, which were announced on May 15, 2024, based on recent business trends.

For details, please refer to the “Notice regarding revisions to full-year earnings forecasts, revisions to year-end dividend forecasts (no dividends), and reductions in executive compensation” announced today (February 14, 2025).

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2. Quarterly consolidated financial statements and main notes (current 3Q)

(1) Quarterly consolidated balance sheet (current 3Q)

(Unit: JPY Thousand)

	Previous consolidated fiscal year (ended on March 31, 2024)	Current 3 Q consolidated accounting period (ended on December 31, 2024)
Assets section		
Current assets		
Cash and deposits	4,994,190	5,086,111
Notes receivable, accounts receivable and contract assets	5,847,730	5,651,667
Operating loans	18,112	13,000
Goods and products	183,782	173,178
Unfinished construction expenditure	151,433	99,318
Real estate for sale	906,727	947,921
Raw materials and supplies	140,546	130,592
Work in progress	19,996	206,110
Others	1,066,547	1,397,678
Allowance for doubtful accounts	△20,579	△25,009
Total current assets	13,308,488	13,680,568
Fixed asset		
Tangible fixed assets		
Buildings and structures	481,500	593,566
Leased asset	372,034	394,196
Others	1,572,027	1,949,891
Total tangible fixed assets	2,425,562	2,937,654
Intangible fixed assets		
Goodwill	617,132	1,827,195
Others	451,580	487,054
Total intangible fixed assets	1,068,713	2,314,250
Investments and other assets		
Investment securities	123,377	290,720
Deferred tax assets	279,924	252,066
Others	886,543	826,227
Allowance for doubtful accounts	△41,009	△40,379
Total investments and other assets	1,248,836	1,328,635
Total fixed assets	4,743,111	6,580,539
Deferred assets	175	43
Total assets	18,051,775	20,261,152
Liabilities section		
Current liabilities		
Notes payable and accounts payable	1,717,276	1,999,495
Short-term loans	6,922,409	6,459,000
Corporate bonds scheduled to redeem within one year	10,000	5,000
Long-term loans scheduled to redeem within one year	365,460	693,523
Accrued corporate taxes, etc.	210,015	255,680
Accounts payable	961,586	1,055,872
Lease obligation	142,787	155,434
Allowance for bonuses	292,494	217,012
Others	1,226,397	1,571,439
Total current liabilities	11,848,427	12,412,458
Fixed liabilities		
Long-term loans	2,305,286	4,444,100
Lease obligation	324,687	328,834
Reserve for guarantee losses	40,311	58,328
Liabilities related to retirement benefits	52,851	72,905
Others	359,512	348,696
Total fixed liabilities	3,082,649	5,252,865
Total liabilities	14,931,077	17,665,323

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(Unit: JPY Thousand)

	Previous consolidated fiscal year (ended on March 31, 2024)	Current 3 Q consolidated accounting period (ended on December 31, 2024)
Net assets section		
Shareholders' equity		
Capital	1,909,570	1,909,570
Capital surplus	2,991,881	429,741
Retained earnings	△1,881,601	125,893
Treasury stock	—	△123
Total shareholders' equity	3,019,849	2,465,081
Accumulated other comprehensive income		
Valuation difference on other securities	2,410	2,131
Foreign currency translation adjustment account	△127,130	△79,837
Total accumulated other comprehensive income	△124,720	△77,705
Stock acquisition right	6,840	—
Non-controlling interests	218,728	208,452
Total net assets	3,120,698	2,595,828
Total liabilities and net assets	18,051,775	20,261,152

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(2) Quarterly consolidated income statement and quarterly consolidated statement of comprehensive income (current 3Q)
 (Quarterly consolidated statements of income)
 (3rd quarter consolidated cumulative period)

(Unit: JPY Thousand)

	Previous 3Q consolidated cumulative accounting period (From April 1, 2023 to December 31, 2023)	Current 3Q consolidated cumulative accounting period (From April 1, 2024 to December 31, 2024)
Sales	21,069,424	21,148,886
Cost of sales	15,836,428	16,092,356
Gross profit	5,232,995	5,056,530
Selling, general and administrative expenses	5,130,640	5,148,158
Operating profit or Operating loss (Δ)	102,354	Δ 91,627
Non-operating income		
Interest income	2,898	1,947
Dividend income	283	586
Grant income	18,728	5,168
Insurance surrender value	—	6,707
Foreign exchange gain	36,938	—
Investment gain on equity method	956	1,474
Others	17,662	19,283
Total non-operating income	77,467	35,168
Non-operating expenses		
Interest expense	61,574	84,837
Non-deductible consumption tax	10,537	7,145
Foreign exchange loss	—	42,331
Others	32,340	70,073
Total non-operating expenses	104,453	204,388
Ordinary profit or ordinary loss (Δ)	75,369	Δ 260,847
Special profit		
Gain on sale of fixed assets	4,499	4,090
Gain on business transfer	171,788	—
Others	13,651	—
Total special profit	189,939	4,090
Special loss		
Loss on retirement of fixed assets	25,856	11,660
Office relocation costs	3,727	11,341
Loss on store closure	17,360	—
Special investigation costs, etc.	159,079	—
Charges	109,290	—
Others	16,542	3,981
Total special loss	331,856	26,983
Quarterly net loss before taxes, etc. and other adjustments (Δ)	Δ 66,547	Δ 283,739
Corporate tax, resident tax and business tax	267,160	201,588
Corporate tax adjustment amount	43,686	44,017
Total corporate taxes, etc.	310,847	245,605
Quarterly net loss (Δ)	Δ 377,394	Δ 529,345
Quarterly net loss attributable to non-controlling shareholders (Δ)	Δ 9,694	Δ 15,690
Quarterly net loss attributable to parent company shareholders (Δ)	Δ 367,700	Δ 513,655

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(Quarterly consolidated comprehensive income statements)
(3rd quarter consolidated cumulative period)

(Unit: JPY Thousand)

	Previous 3Q consolidated cumulative accounting period (From April 1, 2023 to December 31, 2023)	Current 3Q consolidated cumulative accounting period (From April 1, 2024 to December 31, 2024)
Quarterly net loss (Δ)	$\Delta 377,394$	$\Delta 529,345$
Other comprehensive income		
Valuation difference on other securities	672	$\Delta 290$
Foreign currency translation adjustment account	$\Delta 17,757$	47,293
Total other comprehensive income	$\Delta 17,084$	47,003
Quarterly comprehensive income	$\Delta 394,479$	$\Delta 482,342$
(breakdown)		
Quarterly comprehensive income related to parent company shareholders	$\Delta 384,787$	$\Delta 466,640$
Quarterly comprehensive income related to non- controlling shareholders	$\Delta 9,691$	$\Delta 15,701$

(3) Notes regarding quarterly consolidated financial statements (current 3Q)

(Notes regarding going concern assumption)

No applicable items.

(Notes when there is a significant change in the amount of shareholders' equity)

No applicable items.

(Changes in accounting policy)

(Application of “Accounting Standards for Corporate Tax, Resident Tax, Business Tax” etc.)

“Accounting Standards for Corporation Tax, Resident Tax, Business Tax, etc.” (Corporate Accounting Standards No. 27, October 28, 2022; hereinafter referred to as “2022 Revised Accounting Standards”), etc. has been applied from the beginning of the current first quarter consolidated accounting period.

Regarding revisions to the classification of recording corporate taxes, etc. (taxation on other comprehensive income), we have been subject to the transitional treatment stipulated in the proviso to Paragraph 20-3 of the 2022 Revised Accounting Standards and the transitional treatment stipulated in the proviso to Paragraph 65-2 (2) of the “Guidelines for Application of Accounting Standards for Tax Effect Accounting”(Corporate Accounting Standards Application Guidance No. 28, October 28, 2022; hereinafter referred to as “2022 Revised Application Guidance”). Please note that this change in accounting policy has no impact on the quarterly consolidated financial statements.

In addition, regarding the amendments related to the review of the treatment in consolidated financial statements in the case of deferring gains and losses on sales resulting from the sale of subsidiary stocks, etc. between consolidated companies for tax purposes, we have applied the 2022 revised application guidelines since the beginning of the current first quarter consolidated accounting period.

This change in accounting policy has been applied retrospectively, and the quarterly consolidated financial statements and consolidated financial statements for the previous third quarter consolidated cumulative period and the previous consolidated fiscal year have been retrospectively applied. Please note that this change in accounting policy has no impact on the quarterly consolidated financial statements for the third quarter of the previous fiscal year and the consolidated financial statements for the previous fiscal year.

(Regarding changes in sales recording method)

ITbook Co., Ltd., a consolidated subsidiary of the Company, states that with respect to revenue generated from consulting business, performance obligations that are satisfied over a certain period of time are calculated as a percentage of the total estimated costs (input costs) if the progress can be reasonably estimated. If progress cannot be reasonably estimated, revenue is recognized on a cost recovery basis until a reasonable estimate can be made.

A new system has been in operation since April 2024 with the aim of further rationalizing and increasing efficiency of management and operations. The new system provides information necessary for estimating the progress of all projects, which has enabled us to manage and understand information centrally.

Therefore, from the current first quarter consolidated accounting period, for all projects for which the order amount has been determined, we have changed to a method of recognizing revenue over a certain period of time based on the degree of progress in satisfying the performance obligation to transfer goods or services to the customer.

This change in accounting policy will be applied prospectively from the current consolidated fiscal year forward because the necessary data regarding past years has not been accumulated and it is practically impossible to apply retrospectively.

Furthermore, for the current third quarter consolidated cumulative period, sales increased by JPY 733,600,000, cost of sales increased by JPY 410,894,000, and operating profit, ordinary profit, and quarterly net income before taxes each increased by JPY 322,705,000 respectively.

(Application of accounting treatments specific to the preparation of quarterly consolidated financial statements)

(Calculation method of estimated bad debts for general receivables)

Since it is recognized that there is no significant change in the actual rate of bad debts at the end of the current 3rd quarterly consolidated accounting period compared with that calculated at the end of the previous consolidated fiscal year, we have used the actual rate of bad debts at the end of the previous consolidated fiscal year to estimate bad debts.

(Notes regarding quarterly consolidated cash flow statement)

A quarterly consolidated cash flow statement for the current 3rd quarter consolidated cumulative period has not been prepared. Depreciation expenses (including amortization expenses related to intangible fixed assets other than goodwill) and goodwill amortization amounts for the third quarter consolidated cumulative period are as follows.

	Previous 3 rd quarter consolidated cumulative period (From April 1, 2023 (to December 31, 2023)	Current 3 rd quarter consolidated cumulative period (From April 1, 2024 Until December 31, 2024)
Depreciation expense	JPY 387,444,000	JPY 381,273,000
Amortization of goodwill	JPY 107,788,000	JPY 107,613,000

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(Notes on segment information, etc.)

【Segment information】

I. Previous 3rd quarter consolidated cumulative accounting period (from April 1, 2023 to December 31, 2023)

1. Information regarding the amount of sales and profits or losses for each reportable segment, as well as revenue disaggregation information

(Unit: JPY Thousand)

	Reportable segment								Others	Total
	Consulting Business	System Development Business	Human Resources Business	Ground Investigation & Improvement Business	Guarantee Inspection Business	Construction Technology Business	Overseas Business	Sub-total		
Sales										
Revenue from contracts with customers	341,247	2,159,298	4,510,895	12,341,186	245,129	338,010	711,148	20,646,916	422,507	21,069,424
Sales to external customers	341,247	2,159,298	4,510,895	12,341,186	245,129	338,010	711,148	20,646,916	422,507	21,069,424
Internal sales or transfers between segments	483	43,605	30,695	9,780	102,968	49,958	22,818	260,310	23,709	284,020
Total	341,731	2,202,904	4,541,591	12,350,966	348,097	387,969	733,966	20,907,226	446,217	21,353,444
Segment profit or loss (Δ)	Δ311,507	73,901	166,012	495,454	18,575	11,347	1,654	455,438	2,177	457,615

2. Difference between the total amount of profit or loss of reportable segments and the amount recorded in the quarterly consolidated income statement, and the main details of the difference (Matters regarding difference adjustment)

(Unit: JPY Thousand)

Profit	Amount
Reportable segment total	455,438
Loss in "Other" category (Δ)	2,177
Elimination of intersegment transactions	371,995
Amortization of goodwill	Δ104,819
Company-wide expenses (Note)	Δ622,437
Operating loss (Δ) in the quarterly consolidated income statement	102,354

(Note) Company-wide expenses are mainly general and administrative expenses that do not belong to any reportable segment.

3. Information regarding impairment losses on fixed assets or goodwill, etc. for each reportable segment (Significant impairment loss related to fixed assets)

No applicable items.

(Significant changes in the amount of goodwill)

No applicable items.

(Important gain on negative goodwill)

No applicable items.

Notice: This document is a translation of the original Japanese document and is only for reference purposes. In the event of any discrepancy between this translated document and the original Japanese document, the latter shall prevail.

II. Current quarterly consolidated cumulative accounting period (from April 1, 2024 to December 31, 2024)

1. Information regarding the amount of sales and profits or losses for each reportable segment, as well as revenue disaggregation information

(Unit: JPY Thousand)

	Reportable segment								Others	Total
	Consulting Business	System Development Business	Human Resources Business	Ground Investigation & Improvement Business	Guarantee Inspection Business	Construction Technology Business	Overseas Business	Sub-total		
Sales										
Revenue from contracts with customers	1,052,492	2,355,425	4,433,466	12,355,914	192,866	302,143	265,904	20,958,214	190,672	21,148,886
Sales to external customers	1,052,492	2,355,425	4,433,466	12,355,914	192,866	302,143	265,904	20,958,214	190,672	21,148,886
Internal sales or transfers between segments	8,451	49,840	28,127	16,342	106,049	57,470	33,984	300,265	2,827	303,092
Total	1,060,943	2,405,266	4,461,594	12,372,257	298,916	359,613	299,888	21,258,480	193,499	21,451,979
Segment profit or loss (Δ)	Δ109,114	134,423	46,192	350,203	77,615	3,459	Δ121,601	381,179	Δ68,775	312,403

2. Difference between the total amount of profit or loss of reportable segments and the amount recorded in the quarterly consolidated income statement, and the main details of the difference (Matters regarding difference adjustment)

(Unit: JPY Thousand)

Profit	Amount
Reportable segment total	381,179
Loss in "Other" category (Δ)	Δ68,775
Elimination of intersegment transactions	492,167
Amortization of goodwill	Δ104,819
Company-wide expenses (Note)	Δ791,378
Operating loss (Δ) in the quarterly consolidated income statement	Δ91,627

(Note) Company-wide expenses are mainly general and administrative expenses that do not belong to any reportable segment.

3. Information regarding impairment losses on fixed assets or goodwill, etc. for each reportable segment

Due to the inclusion of YUSIN Co., Ltd. within the scope of consolidation in the current third quarter consolidated accounting period, the amount of assets in the reportable segment for the current third quarter consolidated accounting period has increased by JPY 2,830,536,000 in the "Ground Investigation and Improvement Business" compared to the end of the previous consolidated fiscal year.

The amount of the segment assets is a provisionally calculated amount based on reasonably available information, as the acquisition cost has not yet been determined, and the allocation of the acquisition cost has not been completed.

4. Information regarding impairment losses on fixed assets or goodwill, etc. for each reportable segment

(Significant impairment loss related to fixed assets)

No applicable items

(Significant changes in the amount of goodwill)

In the "Ground Investigation and Improvement Business" segment, we have acquired the shares of YUSIN Co., Ltd. and included it in the scope of consolidation. As a result, goodwill increased by JPY 1,317,917,000 during the current 3rd quarter consolidated cumulative period.

Please note that the acquisition cost has not yet been determined and the allocation of the acquisition cost has not been completed

as of the end of the current third quarter consolidated accounting period, therefore the amount of goodwill is a provisionally calculated amount based on reasonable information available at that time.

(Important gain on negative goodwill)
No applicable items.

(Related to business combinations, etc.)

(Business combination through acquisition)

At the board of directors meeting held on November 26, 2024, the Company resolved to acquire the shares of YUSIN Co., Ltd. (hereinafter referred to as “YUSIN”) and make it a subsidiary, and concluded a stock transfer agreement with an effective date of December 20, 2024.

1. Overview of business combination

(1) Name and business content of the acquired company

Name of the acquired company: YUSIN Co., Ltd.

Content of business: Cast-in-place concrete pile construction, etc.

(2) Main reasons for the business combination

Our ground investigation and improvement business is centered around our consolidated subsidiary SOMETHING Co., Ltd. (hereinafter referred to as “SOMETHING”), and we provide a variety of ground-related services, including ground investigation, improvement, and soil testing for single-family homes, apartment complexes, commercial facilities, etc., as well as civil engineering work and foundation piling methods specializing in railway-related fields, ground guarantees, and construction technology.

On the other hand, YUSIN is engaged in cast-in-place concrete pile construction mainly in the Kanto region and specializes in areas that SOMETHING is planning to expand into as a business expansion. In addition, we are not only able to carry out highly difficult construction work, but also have a flexible construction system, which has earned us the trust of our business partners, and we have been certified as a specialized construction company by several major client companies. Furthermore, we have high technological capabilities, such as holding patents for construction jigs and construction methods and being a certified company for the “T-EAGLE pile construction method,” which is one of only eight companies in Japan to perform construction.

With the addition of YUSIN, which has such high technological capabilities, to our group, we aim to utilize the company’s know-how to expand SOMETHING’s cast-in-place concrete pile construction business.

In addition, we aim to expand our business in the cast-in-place concrete pile construction field by leveraging synergies with our group, such as developing new services in collaboration with our construction technology business, acquiring foundation pile construction projects in Southeast Asia, where urbanization is progressing, particularly in Vietnam, where we have a business base, and expanding into other regions.

Based on the above, we have decided to acquire YUSIN’s shares, believing that we can further expand our ground-related services and expand our business through group synergies.

(3) Date of business combination

December 20, 2024

(4) Legal form of business combination

Stock acquisition for cash consideration

(5) Name of the combined company

YUSIN Co., Ltd.

(6) Percentage of voting rights acquired

100%

(7) Main grounds for selecting to decide the acquired company

This was due to the acquisition of shares by the Company for cash consideration.

2. Breakdown of acquisition cost and consideration by type of acquired company

The stock acquisition price will not be disclosed based on the confidentiality agreement.

3. Details and amounts of major acquisition-related costs

Remuneration/fees for advisory services, etc. JPY 100,000,000

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

It is not confirmed at this point in time.

5. Amounts of assets and liabilities assumed on the date of business combination and their main breakdown

It is not confirmed at this point in time.

(Important subsequent events)

(Transfer of shares of consolidated subsidiary)

At the board of directors meeting held on December 17, 2024, the Company resolved to transfer all shares of San-Ai Home Co., Ltd. (hereinafter referred to as "San-Ai Home"), a consolidated subsidiary of the Company, to Grandes Co., Ltd. (hereinafter referred to as "Grandes"), and the transfer was made on January 6, 2025.

As a result of this stock transfer, San-Ai Home will be excluded from the scope of consolidation of the Company.

1. Reason for stock transfer

Our group has changed our management policy to a "social problem-solving company" and "selection and concentration," as announced in the timely disclosure "Notice of changes to medium-term management plan" dated May 16, 2022. Since the change in policy, we have placed top priority on increasing our group's profits and improving our corporate value. In fiscal 2024, we will continue to rebuild our group's earnings structure by consolidating group companies, enhancing our strategic portfolio with a focus on core businesses, and strengthening group governance. Under these circumstances, after carefully considering the position of San-ai home as part of our "selection and concentration" efforts, we have decided to transfer all of the company's shares to new shareholders.

The transferee, Grandes, is expanding its business based on the concept of "Your ideals and aspirations at an affordable price," and its strength is the sale of "low-priced, high-performance, and simple-design" condominiums. Currently, Grandes is developing its business mainly in western Japan, but as part of its business expansion, it has a group company in Saitama Prefecture. Grandes is planning to further expand its business in eastern Japan, starting with the acquisition of shares in San-ai home, a real estate company. Therefore, the Company has determined that transferring San-ai home shares to Grandes, whose main business is the sale of ready-built homes, will lead to the expansion of the company's business.

2. Name of the party to whom the shares will be transferred

Grandes Co., Ltd.

3. Stock transfer date

January 6, 2025

4. Name and business content of the consolidated subsidiary

(1) Name of subsidiary: San-ai home inc.

(2) Business content: Sales of land and pre-built houses, contracted construction of custom-built houses, real estate rental and brokerage, etc.

(3) Content of the transaction: The Company was entrusted with business management operations by the subsidiary.

5. Number of shares transferred, transfer price, and number of shares owned after transfer

(1) Number of shares transferred: 200 common shares (voting rights ownership ratio: 100%)

(2) Transfer price: JPY 455 million

(3) Number of shares held after transfer: 0 shares (voting rights ownership ratio: 0%)

6. Impact on consolidated results for the next consolidated fiscal year

The impact of this transaction on the consolidated results for the next consolidated fiscal year is currently being calculated.

7. Name of the reportable segment in which the subsidiary is included

地盤Ground Investigation and Improvement Business