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FY2024 Q3 Consolidated Financial Results [Japanese GAAP]

February 12, 2025

Listed company name Solasto Corporation

Listing: Tokyo Stock Exchange

Code No. 6197 URL: <https://www.solasto.co.jp/en/ir/>

Representative Title: President and Representative Director CEO Name: Toru Noda

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Scheduled date of commencement of dividend payment -

Preparation of supplementary material on financial results : Yes

Holding of presentation meeting for financial results : Yes (For institutional investors and analysts)

(Amounts are less than one million yen have been rounded down)

1. FY2024 Q3 Consolidated Financial Results (April 1, 2024 — December 31, 2024)

(1) Consolidated Results of Operations

(% : Changes from the previous period)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
Nine months ended December 31, 2024	102,939	1.9	5,618	38.4	5,352	31.1	3,293	-25.3
December 31, 2023	101,038	2.6	4,060	-17.6	4,081	-22.0	4,406	64.7

NOTE: Comprehensive income Nine months ended December 31, 2024 3,275 Million yen, -25.4%
 Nine months ended December 31, 2023 4,391 Million yen, 60.9%

	Basic earnings per Share	Diluted earnings per share
	Yen	Yen
Nine months ended December 31, 2024	35.70	—
December 31, 2023	46.82	46.82

(2) Consolidated Financial Position

	Total assets	Net assets	Capital adequacy ratio
	Million yen	Million yen	%
December 31, 2024	70,570	21,958	31.1
March 31, 2024	75,199	20,485	27.2

Reference: Shareholders' equity December 31, 2024 21,952 Million yen March 31, 2024 20,477 Million yen

2.Dividends

	Dividend per share				
	End of first quarter	End of second quarter	End of the third quarter	Year end	Total
	Yen	Yen	Yen	Yen	Yen
Year ended March 31, 2024	—	10.00	—	10.00	20.00
Year ended March 31, 2025	—	10.00	—		
Year ended March 31, 2025 (forecast)				10.00	20.00

NOTE: Revisions to the most recently announced dividend forecast: None

3. Forecast of Consolidated Financial Results for FY 2024 (April 1, 2024 — March 31, 2025)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent		Basic earnings per share
	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Yen
Full year	137,000	1.4	6,950	26.0	6,600	18.6	3,860	71.0	41.85

NOTE: Revisions to the most recently announced earnings forecast: Yes

Please refer to the "Notice Concerning Revision of Forecast" released today (February 12, 2025) for details of the revision to the consolidated earnings forecast.

* NOTES

(1) Changes in significant subsidiaries during the period (changes in specific subsidiaries resulting in changes in the scope of consolidation): None

(2) Adoption of special accounting methods for preparation of consolidated statements: Yes

NOTE: Please refer to "2. Consolidated Financial Statements and Supplementary Notes (4) Notes to Consolidated Financial Statements (Notes on Special Accounting Methods for Preparation of Consolidated Statements)" in P.9 of the Attached Material.

(3) Changes in accounting policies and changes or restatement of accounting estimates

(i) Changes in accounting policies due to revision of accounting standards: Yes

(ii) (i) Changes in accounting policies other than the above: None

(iii) Changes in accounting estimates: None

(iv) Restatement of revisions: None

NOTE: Please refer to "2. Consolidated Financial Statements and Supplementary Notes (4) Notes to Consolidated Financial Statements (Notes on Changes in Accounting Policies)" in P.9 of the Attached Material.

(4) Number of shares outstanding (common shares)

(i) Number of shares outstanding at the end of the period, including treasury stock

Nine months ended December 31, 2024	94,741,793	Year ended March 31, 2024	94,741,793
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(ii) Number of treasury stock at the end of the period

Nine months ended December 31, 2024	2,474,233	Year ended March 31, 2024	2,531,133
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(iii) Average number of shares during the period

Nine months ended December 31, 2024	92,233,678	Nine months ended December 31, 2023	94,122,368
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* Review of the accompanying quarterly consolidated financial statements by a certified public accountant or auditing firm: None

* Explanations and other special notes concerning the appropriate use of business performance forecasts

(1) The earnings forecasts and other forward-looking statements herein are based on information currently available to the Company and on certain assumptions deemed to be reasonable, and do not constitute guarantees by the Company of future performance. Actual results may differ materially from the forecast depending on a range of factors. Please refer to "1. Analysis of Operating Results and Financial Position (3) Explanation of Consolidated Earnings Forecasts and Other Forward-Looking Statements" in P.4 of the Attached Materials for the assumptions on which the forecasts are based and notes for using the forecasts.

(2) Supplementary materials for financial results and materials for the financial results briefing (live distribution, language available in Japanese only) for institutional investors and analysts scheduled to be held on February 13, 2025 are scheduled to be posted on our website before the briefing on February 13.

(Company website URL)

<https://www.solasto.co.jp/en/ir/>

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1. Analysis of Operating Results and Financial Position

(1) Analysis of Operating results

In the third quarter consolidated accounting period of the fiscal year (April to December 2024), net sales increased 1.9% year on year to 102,963 million yen, thanks to the strong performance of the medical business, the elderly care business and the children business. Operating profit increased 38.4% year on year to 5,618 million yen due to the increase in profit due to higher sales, improved profitability resulting from the restructuring of the Smart hospital business and the reduction of selling, general and administrative expenses as a result of increased efficiency. Ordinary profit increased 31.1% year on year to 5,352 million yen. Profit attributable to owners of parent for the period amounted to 3,293 million yen. It decreased 25.3% from the same period of the previous year due to the effect of a gain on negative goodwill of 2,828 million yen recorded in the same period of the previous year following the acquisition of subsidiaries Solasto Care Corporation (former name: Mitsui Sumitomo Insurance Care Net Co., Ltd.) and Solasto Care Network Corporation (former name: Sogo Care Network Co., Ltd.) in June 2023.

Results in the third quarter consolidated accounting period of FY2024

(Millions of yen)					
	Nine months ended December 31, 2023	Nine months ended December 31, 2024	Change	YoY	Ref. Prev. FY Apr. 2023— Mar. 2024
Net sales	101,038	102,939	+1,901	+1.9%	135,139
Operating profit Margin	4,060 4.0%	5,618 5.5%	+1,558	+38.4%	5,517 4.1%
Ordinary profit Margin	4,081 4.0%	5,352 5.2%	+1,270	+31.1%	5,564 4.1%
Net income Margin	4,406 4.4%	3,293 3.2%	-1,113	-25.3%	2,257 1.7%

<Results by Business Segment>

As announced in the financial results for FY2023 released on May 10, 2024, the Company has changed the method it uses to measure the sales and profit or loss of its reportable segments beginning in FY2024. In addition, the name of the Medical Outsourcing Business has been changed to the Medical Business, and the Education Business, which was previously included in the "Other" category, has been included in the Medical Business. Additionally, the method used to allocate corporate expenses has been revised to more appropriately show how the performance of the reportable segments is managed. Net sales and operating profit by business segment in the table below are compared with the previous year using reference figures that reflect the FY2023 results and the segment changes in FY2024.

[Medical Business]

Net sales increased by 0.2% year on year to 53,221 million yen, almost the same as the third quarter consolidated accounting period of the previous year, due to the contributions of new orders for contracted services received during the previous fiscal year and the effect of price revisions, despite a decrease of approximately 1,170 million yen in sales due to the end of COVID-19 related services. Operating profit increased by 6.6% year on year to 3,407 million yen, due to the increase in income from the increase in sales of contracted service, the reduction of the higher-than-expected new start-up costs recorded in the previous year due to stabilization of operations, and the decrease in selling, general and administrative expenses due to the improvement in productivity from the transition of next-generation operations that was carried out in the previous year exceeded the negative impact of the decrease in income from COVID-19 related services.

[Elderly Care Business]

Net sales increased by 3.8% year on year to 41,875 million yen due to the continued recovery following the COVID-19 pandemic, as well as the contributions of a total of four companies that became subsidiaries in FY2023, including Possible Medical Science Corporation and Solasto Care Corporation, and newly opened business centers. Operating profit rose 61.0% year on year to 2,049 million yen, a significant increase due to the increase in sales, efficiency improvements including the consolidation and closing of elderly care centers and the impact of lower depreciation expenses following the recording of impairment losses in the previous fiscal year.

[Children Business]

Net sales increased by 3.6% year on year to 7,638 million yen, mainly due to an increase in the number of children attending the company's child-care centers. Operating profit increased significantly year on year to 185 million yen, mainly due to an increase in sales and a decrease in recruiting expenses due to improved employee retention.

[Others]

In the Smart Hospital Business, net sales increased by 19.5% year on year thanks to the steady acquisition of new customers, despite changes in service plans for clinics and private hospitals. In terms of profit and loss, profitability has improved significantly since the business structure reform in October 2023, with the company returning to profitability in the third quarter of the current fiscal year.

As a result of the above, net sales in the Others category increased by 13.8% year on year to 203 million yen, with an operating loss of 23 million yen.

[Net sales]

(Millions of yen)					
	Nine months ended December 31, 2023	Nine months ended December 31, 2024	Change	YoY	Ref. Prev. FY Apr. 2023 – Mar. 2024
Medical Business	53,128	53,221	+93	+0.2%	70,833
Elderly Care Business	40,357	41,875	+1,518	+3.8%	53,895
Children Business	7,373	7,638	+265	+3.6%	10,174
Others	178	203	+24	+13.8%	236
Total	101,038	102,939	+1,901	+1.9%	135,139

[Operating profit and margin]

(Millions of yen; operating profit margin in parentheses)					
	Nine months ended December 31, 2023	Nine months ended December 31, 2024	Change	YoY	Ref. Prev. FY Apr. 2023 – Mar. 2024
Medical Business Margin	3,197 6.0%	3,407 6.4%	+210	+6.6%	4,301 6.1%
Elderly Care Business Margin	1,272 3.2%	2,049 4.9%	+776	+61.0%	1,482 2.8%
Children Business Margin	53 0.7%	185 2.4%	+132	+248.4%	307 3.0%
Others Margin	-463 —	-23 —	+439	—	-575 —
Total Margin	4,060 4.0%	5,618 5.5%	+1,558	+38.4%	5,517 4.1%

NOTE: "Net sales" in "Business Segment Information" above is "Net sales to outside customers" in "2. Consolidated Financial Statements and Main Notes (4) Notes to Consolidated Financial Statements (Segment Information)

[Numbers of Elderly Care Business Centers and Child-care Centers]

	End of December, 2023	End of March, 2024	End of December, 2024
Number of elderly care business centers	727	724	714
Number of childcare centers	68	68	67

NOTE: In addition to the above, there are 24 franchise locations.

(2) Analysis of Financial Position

At the end of the third quarter of FY2024, total assets decreased by 4,629 million yen from the end of FY2023. The main reasons were a decrease in cash deposits due to the repayment of short-term and long-term loans payable and a decrease in investments and other assets due to the cancelation of a lump-sum payment protection trust for fee-based nursing care centers and the switch to financial institution guarantees, etc.

Total liabilities decreased by 6,102 million yen from the end of FY2023. The main reasons were a decrease in short-term loans payable and long-term loans payable, as well as a decrease in provision for bonuses.

Net assets increased by 1,472 million yen from the end of FY2023. This was attributable to profit attributable to owners of the parent for the third quarter of 3,293 million yen, despite the payment of 1,844 million yen in cash dividends paid.

(3) Explanation of Consolidated Earnings Forecasts and Other Forward-Looking Statements

The Company has revised the earnings forecast announced on May 10, 2024, according to recent earnings trends. Please refer to the "Notice Concerning Revision of Forecast" announced on February 12, 2025 for more information.

2. Consolidated Financial Statements and Supplementary Notes

(1) Consolidated Balance Sheet

(Millions of yen)

	As of March 31, 2024	As of December 31, 2024
Assets		
Current assets		
Cash and deposits	15,115	13,293
Accounts receivable	15,017	15,504
Inventory	99	82
Others	2,264	2,018
Allowance for doubtful accounts	-212	-25
Total current assets	32,284	30,873
Fixed assets		
Fixed assets		
Buildings and structures, net	9,252	8,940
Land	5,685	5,685
Other, net	2,565	2,490
Total fixed asset, plant and equipment	17,503	17,117
Intangible assets		
Goodwill	15,377	14,139
Others	1,230	1,187
Total intangible assets	16,608	15,327
Investments and other assets		
Investment and other assets	8,824	7,271
Allowance for doubtful accounts	-21	-19
Total investments and other assets	8,803	7,251
Total noncurrent assets	42,915	39,696
Total assets	75,199	70,570
Liabilities		
Current liabilities		
Short-term borrowings	500	—
Current portion of long-term borrowings	4,782	4,782
Accounts payable-other	10,859	10,666
Income taxes payable	1,359	1,170
Provision for bonuses	2,219	1,280
Provision for directors' bonuses	15	8
Allowance other	22	29
Others	4,821	4,742
Total current liabilities	24,582	22,680
Long-term liabilities		
Long-term debt	19,942	16,231
Provision for loss on compensation for damages	383	377
Obligations for retirement pay	2,083	2,195
Asset retirement obligations	1,467	1,483
Others	6,254	5,642
Total long-term liabilities	30,132	25,930
Total liabilities	54,714	48,611

(Millions of yen)

	As of March 31, 2024	As of December 31, 2024
Net assets		
Shareholders' equity		
Capital	686	686
Capital surplus	5,586	5,575
Retained earnings	15,629	17,078
Treasury Stock	-1,500	-1,444
Total shareholders' equity	20,402	21,895
Other accumulated comprehensive income		
Remeasurements of defined benefit plans	74	56
Total other accumulated comprehensive income	74	56
Stock acquisition rights	8	6
Total net assets	20,485	21,958
Total liabilities and net assets	75,199	70,570

(2) Consolidated Statements of Income and Consolidated Statements of Comprehensive Income
(Consolidated Profit and Loss Statement)

(Millions of yen)

	Nine months ended December 31, 2023	Nine months ended December 31, 2024
Net sales	101,038	102,939
Cost of sales	84,538	85,814
Gross profit	16,499	17,125
Selling, general and administrative expenses	12,438	11,506
Operating profit	4,060	5,618
Non-operating profit		
Subsidy income	222	69
Others	128	60
Total non-operating profit	350	129
Non-operating expenses		
Interest expenses	211	219
Others	117	177
Total non-operating expenses	329	396
Ordinary profit	4,081	5,352
Extraordinary gains		
The gain from negative goodwill	2,828	—
Total extraordinary profit	2,828	—
Extraordinary expenses		
Impairment losses	241	—
Levy for employment of persons with disabilities	181	—
Business restructuring expenses	197	—
Transfer-related expenses	164	—
Total extraordinary expenses	785	—
Income before income taxes	6,124	5,352
Income taxes	1,717	2,059
Net income	4,406	3,293
Profit attributable to owners of parent	4,406	3,293

(Consolidated Statements of Comprehensive Income)

(Millions of yen)

	Nine months ended December 31, 2023	Nine months ended December 31, 2024
Net income	4,406	3,293
Other comprehensive income		
Adjustments for retirement benefits	-15	-18
Total other comprehensive income	-15	-18
Comprehensive income	4,391	3,275
Comprehensive income attributable to		
Comprehensive profit attributable to owners of the parent	4,391	3,275
Comprehensive income attributable to non-controlling interests	—	—

(3) Consolidated Statements of Cash Flows

(Millions of yen)

	Nine months ended December 31, 2023	Nine months ended December 31, 2024
Net cash provided by (used in) operating activities		
Income before income taxes	6,124	5,352
Depreciation and amortization	1,121	1,077
Impairment losses	241	—
Amortization of goodwill	1,357	1,242
Increase (decrease) in accrued bonuses	-989	-939
Increase (decrease) in provision for directors' bonuses	-13	-7
Increase (decrease) in liability for retirement benefits	163	111
Interest expenses	211	219
The gain from negative goodwill	-2,828	—
Restructuring expenditures related to structure	197	—
Transfer-related expenses	164	—
Increase (Decrease) in trade receivables	-344	-487
Increase (decrease) in inventory	-9	16
Increase (decrease) in prepaid expenses	83	139
Increase (decrease) in accounts payable – other	1,011	258
Increase (decrease) in accrued consumption taxes	321	36
Increase (decrease) in deposits received	993	287
Others	-605	-807
Subtotal	7,202	6,502
Interest expenses paid	-216	-222
Subsidy received	298	—
Income taxes paid	-2,489	-2,106
Compensation paid for damages	-121	-6
Payment of levy for employment of persons with disabilities	—	-179
Payments for restructuring charges	-17	-163
Payments for relocation-related expenses	-129	—
Others	29	27
Net cash provided by (used in) operating activities	4,555	3,852
Net cash provided by (used in) investing activities		
Purchase of fixed asset, plant and equipment	-966	-305
Proceeds from sales of fixed asset, plant and equipment	0	0
Purchase of intangible assets	-305	-372
Proceeds from cancellation of monetary held in trust	—	1,107
Payments of lease and guarantee deposits	-58	-50
Proceeds from refund of leasehold and guarantee deposits	288	184
Purchase of shares of subsidiaries	-1,657	—
Proceeds from purchase of shares of subsidiaries	384	—
Others	-31	-33
Net cash provided by (used in) investing activities	-2,346	531
Net cash provided by (used in) financing activities		
Net increase (decrease) in short-term borrowings	480	-500
Proceeds from long-term debt	6,500	—
Repayment of long-term loans payable	-3,643	-3,711
Purchases of treasury stock	-1,327	-0
Increase (decrease) in deposits for share buybacks	-151	—
Dividends paid	-1,885	-1,841
Principal payments under finance lease obligations	-145	-152
Others	-1	-0
Net cash provided by (used in) financing activities	-173	-6,206
Net increase (decrease) in cash and cash equivalents	2,035	-1,822
Cash and cash equivalents, beginning of year	11,857	15,115
Cash and cash equivalents, end of year	13,892	13,293

(4) Notes to Consolidated Financial Statements

(Notes on 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; hereinafter "2022 Revised Accounting Standard") applied from the beginning of the current Q3 consolidated accounting period.

Revisions concerning the recognition classification of income taxes follow the transitional treatment set forth in the proviso of paragraph 20-3 of the 2022 Revised Accounting Standard and in the proviso of paragraph 65-2 (2) of the Guidance on Accounting Standard for Tax Effect Accounting (ASBJ Guidance No. 28; October 28, 2022; hereinafter, "2022 Revised Guidance"). This change in accounting policy has no impact on the quarterly consolidated financial statements.

Regarding the revisions related to the review of treatment in consolidated financial statements when conducting a tax deferral of gains or losses on sale arising from the sale of subsidiary shares, etc. between consolidated companies, the 2022 Revised Guidance has been applied since the beginning of the third-quarter period. This change in accounting policy is applied retrospectively, and the consolidated financial statements for the previous year's quarters and the previous consolidated fiscal year are after retrospective application. This change in accounting policy has no impact on the consolidated financial statements for the previous year's quarters and the previous consolidated fiscal year.

(Notes on Special Accounting Methods for Preparation of Consolidated Statements)

(Calculation of Tax Expense)

Tax expenses are calculated by multiplying income before income taxes by an effective tax rate that was reasonably estimated by applying tax effect accounting to estimated Income before income taxes for the fiscal year ending March 31, 2025, including the period for the nine months ended December 31, 2024.

(Segment Information)

I. Nine months ended December 31, 2023 (April 1, 2023 to December 31, 2023)

1. Information on net sales, income or loss, assets, and other items by reportable segment and breakdown of revenue

(Millions of yen)

	Reportable segments				Others NOTE:1	Carrying value NOTE:2
	Medical Business	Elderly Care Business	Children Business	Total		
Net sales						
Medical: Contracted service	46,435	—	—	46,435	—	46,435
Medical: Worker dispatching	5,653	—	—	5,653	—	5,653
Elderly care	—	40,306	—	40,306	—	40,306
Children	—	—	7,373	7,373	—	7,373
Others	1,039	46	—	1,086	142	1,228
Income from contracts with customers	53,128	40,353	7,373	100,854	142	100,997
Other income	—	4	—	4	36	40
Sales to customers	52,128	40,357	7,373	100,859	178	101,038
Intersegment sales	—	—	—	—	—	—
Total	53,128	40,357	7,373	100,859	178	101,038
Segment profit (loss)	3,197	1,272	53	4,523	-463	4,060

NOTE: 1. The "Others" category includes Smart Hospital Business and, real estate leasing and non-life insurance agency operations that are not included in the reportable segments.

2. Segment profit (loss) is reconciled to operating profit in the Consolidated Profit and Loss Statement.

2. Information on assets by the reportable segment

(Significant increase in assets due to acquisition of subsidiaries)

In the Elderly Care Business, the segment assets as of the end of December 2024 increased by 7,824 million yen from the end of the previous fiscal year due to the acquisition of shares of Solasto Care Inc., Solasto Care Network Co., Ltd. and Possible Medical Science Co., Ltd., and their inclusion in the scope of consolidation.

3. Information on Impairment Loss on Fixed Assets and Goodwill by the reportable segment

(Significant gain on impairment loss on fixed assets)

For company-wide assets, which have not been allocated to each reportable segment, and for the "Others" category, the company has recorded impairment loss on assets that have become idle as a result of decisions such as office relocations etc.

The amount of the impairment loss in question was 236 million yen for company-wide assets and 5 million yen for the "Others" category in the end of third quarter of FY2024.

II Nine months ended December 31, 2024 (April 1, 2024 to December 31, 2024)

1. Information on net sales, income or loss, assets, and other items by reportable segment and breakdown of revenue

(Millions of yen)

	Reportable segments				Others NOTE:1	Carrying value NOTE:2
	Medical Business	Elderly Care Business	Children Business	Total		
Net sales						
Medical: Contracted service	47,147	—	—	47,147	—	47,147
Medical: Worker dispatching	5,080	—	—	5,080	—	5,080
Elderly care	—	41,762	—	41,762	—	41,762
Children	—	—	7,638	7,638	—	7,638
Others	994	106	—	1,100	170	1,271
Income from contracts with customers	53,221	41,869	7,638	102,730	170	102,900
Other income	—	6	—	6	33	39
Sales to customers	53,221	41,875	7,638	102,736	203	102,939
Intersegment sales	—	—	—	—	—	—
Total	53,221	41,875	7,638	102,736	203	102,939
Segment profit (loss)	3,407	2,049	185	5,642	-23	5,618

NOTE: 1. The "Others" category includes Smart Hospital Business and, real estate leasing and non-life insurance agency operations that are not included in the reportable segments.

2. Segment profit (loss) is reconciled to operating profit in the Consolidated Statements.

2. Matters related to changes in the reportable segments, etc.

Due to a change in business management classification effective April 1, 2024, the name of " Medical Outsourcing Business " was changed to "Medical Business" and "Education Business," which was previously included in the "Others", was included in the "Medical Business".

In addition, the Company has also revised the method of allocating corporate expenses in order to more appropriately indicate how it manages the performance of its reportable segments. As a result, the Company has changed its method of measuring net sales and income (loss) by reportable segment, effective from FY2024 Q1 consolidated accounting period. The segment information for the first nine months of the previous year is disclosed based on the measurement method after the change.

3. Information on Impairment Loss on Fixed Assets and Goodwill by the reportable segment

Not applicable.

(Notes in the Event of Significant Changes in the Amount of Shareholders' Equity)

Not applicable.

(Notes on Going Concern Assumptions)

Not applicable.