

# Summary of Business Results for the First Quarter Ended September 30, 2019

## [Japan GAAP] (Consolidated)

November 5, 2019

Company **HOUSE DO Co., Ltd.**  
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Listed on the TSE

Expected date of filing of quarterly report: November 12, 2019 Expected starting date of dividend payment: -  
 Preparation of quarterly supplementary financial document: Yes  
 Holding of quarterly results briefing: None

(Rounded down to million yen)

### 1. Consolidated business results for the three months ended September 2019 (July 1, 2019 through September 30, 2019)

(1) Consolidated results of operations (% change from the previous corresponding period)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
Three months ended Sep. 30, 2019	6,061	(0.3)	37	(92.0)	35	(91.8)	0	(99.8)
Three months ended Sep. 30, 2018	6,078	30.4	471	8.0	429	7.6	314	23.5

(Note) Comprehensive income:

Three months ended Sep. 30, 2019: (2) million yen (-%) Three months ended Sep. 30, 2018: 303 million yen (up 18.8%)

	Net income per share		Diluted net income per share	
	Yen	Yen	Yen	Yen
Three months ended Sep. 30, 2019	0.04	0.04	0.04	0.04
Three months ended Sep. 30, 2018	16.24	15.48	15.48	15.48

(2) Consolidated financial position

	Total assets		Net assets		Shareholder's equity ratio		Net assets per share	
	Million yen	Million yen	Million yen	Million yen	%	Yen	Yen	
As of Sep. 30, 2019	45,945	10,543	10,543	22.9	22.9	539.92	539.92	
As of Jun. 30, 2019	40,386	11,263	11,263	27.8	27.8	577.84	577.84	

(Reference) Shareholders' equity:

As of Sep. 30, 2019: 10,506 million yen As of Jun. 30, 2019: 11,230 million yen

### 2. Dividends

	Annual dividend				
	End of 1Q	End of 2Q	End of 3Q	Year-end	Total
Fiscal year ended Jun. 30, 2019	Yen -	Yen 0.00	Yen -	Yen 37.00	Yen 37.00
Fiscal year ending Jun. 30, 2020	-	-	-	-	-
Fiscal year ending Jun. 30, 2020 (forecast)	-	0.00	-	34.00	34.00

(Note) Revisions to the most recently announced dividend forecast: None

### 3. Forecast of consolidated business results for the fiscal year ending June 2020 (July 1, 2019 through June 30, 2020)

(% change from the previous corresponding period)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent		Net income per share	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Yen	Yen
Six months ending Dec. 31, 2019	12,098	(4.5)	467	(57.1)	357	(65.3)	235	(67.5)	12.13	12.13
Fiscal year ending Jun. 30, 2020	37,221	18.0	3,521	11.5	3,300	9.9	2,178	7.9	112.08	112.08

(Note) Revisions to the most recently announced business forecast: None

**\* Notes**

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

(Note) For more details regarding changes in subsidiaries that do not subject to specified subsidiaries, please refer to “2. Quarterly Consolidated Financial Statements and Notes, (3) Notes to Quarterly Consolidated Financial Statements (Changes in Significant Subsidiaries during the Period)” on page 10.

(2) Application of accounting procedures specific to preparation of the quarterly consolidated financial statements: Yes

(Note) Please refer to the section “2. Quarterly Consolidated Financial Statements and Notes, (3) Notes to Quarterly Consolidated Financial Statements (Application of Accounting Procedures Specific to Preparation of the Quarterly Consolidated Financial Statements)” on page 10 of the attachments for further information.

(3) Changes in accounting policies and accounting estimates, and restatements

- 1) Changes in accounting policies associated with revision of accounting standards : None
- 2) Changes in accounting policies other than 1) : None
- 3) Changes in accounting estimates : None
- 4) Restatements : None

(4) Number of shares issued (common stock)

1) Number of shares issued at the end of the period (treasury shares included)

As of Sep. 30, 2019 19,459,200 shares

As of Jun. 30, 2019 19,436,400 shares

2) Number of treasury shares at the end of the period

As of Sep. 30, 2019 466 shares

As of Jun. 30, 2019 466 shares

3) Average number of shares during the period (cumulative)

Three months ended Sep. 30, 2019 19,448,686 shares

Three months ended Sep. 30, 2018 19,386,334 shares

**\* The current quarterly financial report is not subject to quarterly reviews by certified public accountants or auditing firms.**

**\* Explanation regarding appropriate use of business forecasts and other special instructions**

(Caution Concerning Forward-looking Statements)

Forecasts regarding future performance in this material are based on information currently available to the Company and certain assumptions that the Company deems to be reasonable at the time this report was prepared. The Company does not make promises about the achievements. Actual results may differ significantly from the forecasts due to various factors. Please refer to the section “1. Qualitative Information on Quarterly Consolidated Financial Performance, (3) Explanation of Consolidated Forecast and Other Forward-looking Statements” on page 5 of the attachments regarding preconditions or other related matters for the forecasts.

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## 1. Qualitative Information on Quarterly Consolidated Financial Performance

### (1) Explanation of Results of Operations

In the first quarter of the fiscal year ending in June 2020, although there were concerns over the effects of a slowing global economy, demand in Japan continued to improve due to the Japanese government's backing of an extremely accommodative monetary policy and large expenditures to support the economy. Nevertheless, there are concerns about the economic outlook in Japan and overseas because of uncertainty about U.S. economic, trade protectionism, Japan's consumption tax hike and other reasons.

In the Japanese real estate industry, where the HOUSEDO Group operates, there are concerns about the upward pressure on prices of properties as the cost of land continues to climb and about the rising cost of construction. But demand for housing is remaining firm with the support of improvements in the labor market and personal income, tax deductions that lower the cost of buying residences, and the continuation of monetary easing by the Bank of Japan.

The HOUSEDO Group has started a new three-year medium-term plan that will end in the fiscal year ending in June 2022. The plan's goal is to utilize the Group's sound foundation for business operations in order to build a business model that can achieve sustained growth. To accomplish this goal, we are making significant investments for the growth of business activities that generate steady income. The Franchisee Business is taking actions aimed at increasing number of franchised stores and offering a larger selection of services. The House-Leaseback Business is purchasing rental properties to build a base for steady income and increasing earnings by selling properties to real estate funds and other buyers in order to earn capital gains. In the Finance Business, we are continuing to strengthen operations that combine real estate and financing by providing loans secured by real estate and using alliances with financial institutions to guarantee reverse mortgages.

In the Real Estate Buying and Selling Business, we increased purchases of real estate for sale, mainly in locations served by our directly operated stores. With the Real Estate Brokerage Business serving as the foundation for all operations, our aim is to capture synergies by using a unified three-part business scheme encompassing real estate brokerage, buying and renovation. By leveraging these synergies while continuing to be a one-stop source of housing services, we are concentrating on meeting our customers' needs.

The forecast for the current fiscal year is based on the outlook for substantial contributions to sales and earnings in the second half. In the first quarter, selling, general and administrative expenses were high mainly because of personnel, advertising and other expenditures in our core businesses and expenses associated with the acquisition of all of the stock of the Koyama Construction Group, which is now included in the consolidated financial statements.

The HOUSEDO Group reported net sales of 6,061 million yen (down 0.3% year on year), operating profit of 37 million yen (down 92.0% year on year), ordinary profit of 35 million yen (down 91.8% year on year) and profit attributable to owners of parent of 0 million yen (down 99.8% year on year).

Results by business segment were as follows.

(As of Sep. 30, 2019)

Segment	Net sales (Millions of yen)	Activities
Franchisee Business	661	38 new franchisee contracts, raising total to 618 44 new franchised stores, raising total to 522
House-Leaseback Business	1,881	144 properties purchased, raising holdings to 397; 69 properties sold
Finance Business	204	43 real estate secured loans; 30 guarantees for reverse mortgages
Real Estate Buying and Selling Business	1,683	87 transactions
Real Estate Brokerage Business	557	819 brokered properties
Renovation Business	837	495 contracts; 576 renovation completions
Koyama Construction Group	232	Residences managed: 5,733
Other Business	3	(Europe/US style) real estate agent and overseas business expenses
Total	6,061	-

### 1) Franchisee Business

The number of companies contacting us about signing franchising agreements increased steadily during the first three months. Measures to encourage real estate companies in urban areas to become franchisees and advertising and promotional activities using television, radio and other media contributed to this growth. In addition, the increasing number of franchised stores is raising public awareness and the value of the corporate brand and public trust in HOUSEDO. There is a need for dual stores that are both satellite stores and stores specializing in buying houses and other real estate in order to raise earnings by combining real estate brokerage and buying. Furthermore, the RENT Do! brand is generating a steadily increasing volume of calls from potential franchisees. During the first three months of the current fiscal year, there were 38 new franchisee contracts, raising the total to 618 at the end of September 2019. However, sales involving the development activities of franchisees were lower than one year earlier because the first three months of the previous fiscal year included sales that were initially intended to be recorded in the fiscal year that ended in June 2018.

The establishment of a franchisee follow-up system using supervisors and upgrades to a variety of new services further contributed to the performance of this business. Due in part to these actions, we opened 44 stores during the first three months of the current fiscal year, raising the total to 522 at the end of September 2019.

As a result, the segment recorded sales of 661 million yen (down 5.8% year on year) and segment profit of 398 million yen (down 9.9%).

### 2) House-Leaseback Business

A large volume of advertising and marketing activities, including television and radio commercials, raised public awareness of this business and enhanced public trust in HOUSEDO. As a result, there are now more than 13,000 inquiries from prospective customers per year. The ability of this business to meet needs for the effective use of real estate and the conversion of real estate into a source of cash flows contributed to a strong performance in the first three months of the current fiscal year. This business completed the purchase of 144 properties and the number of residential properties owned by this business was 397 at the end of September 2019. All of these properties are generating leasing income. In addition, this business resold or sold to real estate purchasing companies and other buyers a total of 69 properties in order to earn capital gains that contribute to earnings growth. Selling, general and administrative expenses in this segment increased because of personnel, advertising and other expenditures for increasing the number of properties purchased.

As a result, the segment recorded sales of 1,881 million yen (down 3.0% year on year) and segment profit of 162 million yen (down 35.0%).

### 3) Finance Business

This business provides loans secured by real estate and reverse mortgage guarantees by using the HOUSEDO Group's nationwide network of real estate assessment expertise, one of the Group's core strengths. Both of these businesses combine real estate and financing in order to meet customers' financing requirements through the use of real estate. During the first three months of the current fiscal year, there were 43 new loans secured by real estate and 30 reverse mortgage guarantee as this business met a broad array of customers' financing requirements and formed alliances with more financial institutions. Selling, general and administrative expenses in this segment increased because of investments in personnel and expenditures for marketing and other activities aimed at increasing the volume of business.

As a result, the segment recorded sales of 204 million yen (up 10.8% year on year) and segment loss decreased 71 million yen year on year to 52 million yen.

### 4) Real Estate Buying and Selling Business

There is strong demand in Japan to buy houses as interest rates on mortgages remain extremely low. To meet this demand, we are purchasing properties that match the requirements of brokerage customers in areas served by our directly operated stores. In the first three months of the current fiscal year, the number of transactions was 87 (down 13.9% from year on year) due to a temporary decline in the number of inventory properties caused by the large number of sales in the previous fiscal year.

As a result, the segment recorded sales of 1,683 million yen (down 19.8% year on year) and segment profit of 93 million yen (down 37.1%).

#### 5) Real Estate Brokerage Business

We used a variety of advertising and marketing activities to bring in more people to our stores. Activities include our own website advertisements, newspaper inserts, television and radio commercials and other media promotions, and the distribution of local real estate information individually to people living near stores. Due to the measures to improve productivity as we shift more people to our core business operations, the number of brokerage transactions was 819 (up 9.2% year on year).

As a result, the segment recorded sales of 557 million yen (up 22.5% year on year) and segment profit of 194 million yen (up 100.4%).

#### 6) Renovation Business

This business used a collaboration with the Real Estate Brokerage Business to sell existing homes with renovation orders as a single package. Moreover, we held many joint renovation fairs with housing equipment manufacturers to attract customers. During the first three months of the current fiscal year, 495 renovation contracts were signed, down 18.6% from one year earlier, and the number of renovation completions was 576, up 19.0%.

As a result, the segment recorded sales of 837 million yen (up 20.6% year on year) and segment profit of 94 million yen (up 107.0%).

#### 7) Koyama Construction Group

The Koyama Construction Group buys and sells real estate, provides real estate brokerage services, and has a property management and brokerage business for rental properties. All of these operations are backed by a network of offices located near railway stations primarily in and around the city of Soka in Saitama prefecture, where the group is based and has deep roots. The group has considerable expertise at gathering real estate information.

As a result, the segment recorded sales of 232 million yen and segment loss of 7 million yen.

### **(2) Explanation of Financial Condition**

#### Assets

Total assets amounted to 45,945 million yen at the end of September 2019, an increase of 5,558 million yen over the end of June 2019.

There were increases of 232 million yen in cash and deposits, 1,371 million yen in inventories, 2,359 million yen in property, plant and equipment and 774 million yen in intangible assets, all mainly because of the acquisition of the Koyama Construction Group. In addition, operating loans increased 375 million yen due to an increase in real estate-secured loans.

#### Liabilities

Liabilities totaled 35,402 million yen, an increase of 6,279 million yen over the end of June 2019.

There were increases of 1,966 million yen in short-term borrowings, 851 million yen in current portion of long-term borrowings and 3,275 million yen in long-term borrowings.

#### Net assets

Net assets totaled 10,543 million yen, a decrease of 720 million yen over the end of June 2019.

There was a decrease of 719 million yen due to dividend payments.

(Millions of yen)

	FY2019 (As of Jun. 30, 2019)	First quarter of FY2020 (As of Sep. 30, 2019)	Change
Total assets	40,386	45,945	5,558
Liabilities	29,123	35,402	6,279
Net assets	11,263	10,543	(720)

**(3) Explanation of Consolidated Forecast and Other Forward-looking Statements**

HOUSEDO is making no revisions to the full-year consolidated forecasts that were announced in the Summary of Business Results for the Fiscal Year Ended June 30, 2019 dated August 13, 2019.

## 2. Quarterly Consolidated Financial Statements and Notes

### (1) Quarterly Consolidated Balance Sheet

	(Thousands of yen)	
	FY2019 (As of Jun. 30, 2019)	First quarter of FY2020 (As of Sep. 30, 2019)
Assets		
Current assets		
Cash and deposits	12,444,184	12,676,732
Accounts receivable from completed construction contracts	90,091	108,004
Accounts receivable-trade	96,923	67,603
Real estate for sale	3,954,818	5,149,506
Real estate for sale in process	3,139,993	3,241,426
Costs on uncompleted construction contracts	54,196	129,142
Operating loans	8,196,839	8,572,658
Other	398,159	515,995
Allowance for doubtful accounts	(23,423)	(10,931)
Total current assets	28,351,783	30,450,138
Non-current assets		
Property, plant and equipment		
Buildings and structures	4,688,414	5,375,907
Accumulated depreciation	(987,176)	(1,202,446)
Buildings and structures, net	3,701,237	4,173,460
Land	6,411,521	8,299,891
Other	164,201	193,120
Accumulated depreciation	(103,713)	(134,182)
Other, net	60,487	58,938
Total property, plant and equipment	10,173,246	12,532,291
Intangible assets		
Goodwill	14,182	735,584
Other	107,420	160,261
Total intangible assets	121,603	895,845
Investments and other assets		
Investment securities	620,424	753,726
Deferred tax assets	246,215	416,248
Other	875,269	904,900
Allowance for doubtful accounts	(1,771)	(7,944)
Total investments and other assets	1,740,137	2,066,931
Total non-current assets	12,034,987	15,495,067
Total assets	40,386,770	45,945,206



	(Thousands of yen)	
	FY2019 (As of Jun. 30, 2019)	First quarter of FY2020 (As of Sep. 30, 2019)
<b>Liabilities</b>		
Current liabilities		
Notes payable-trade	-	60,200
Accounts payable for construction contracts	696,571	638,722
Short-term borrowings	10,628,250	12,595,200
Current portion of bonds	-	40,000
Current portion of long-term borrowings	4,485,851	5,336,964
Lease obligations	2,938	1,598
Accounts payable-other	279,901	432,714
Accrued expenses	470,814	350,675
Income taxes payable	700,056	104,992
Accrued consumption taxes	160,166	71,273
Advances received on uncompleted construction contracts	325,797	310,479
Advances received	416,844	553,407
Provision for bonuses	-	64,877
Provision for warranties for completed construction	4,684	4,782
Provision for sales promotion expenses	6,922	6,917
Other	263,164	468,032
Total current liabilities	18,441,962	21,040,838
Non-current liabilities		
Bonds payable	-	260,000
Long-term borrowings	8,167,134	11,442,485
Long-term guarantee deposits	1,868,750	1,978,930
Deferred tax liabilities	514,353	511,627
Asset retirement obligations	95,026	107,518
Provision for warranties for completed construction	23,784	23,814
Retirement benefit liability	-	12,843
Other	12,037	24,051
Total non-current liabilities	10,681,087	14,361,270
Total liabilities	29,123,050	35,402,109
<b>Net assets</b>		
Shareholders' equity		
Share capital	3,347,247	3,352,548
Capital surplus	3,365,742	3,371,043
Retained earnings	4,551,173	3,818,853
Treasury shares	(410)	(410)
Total shareholders' equity	11,263,753	10,542,035
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	(33,008)	(35,926)
Foreign currency translation adjustment	30	71
Total accumulated other comprehensive income	(32,978)	(35,854)
Share acquisition rights	32,945	36,916
Total net assets	11,263,720	10,543,097
Total liabilities and net assets	40,386,770	45,945,206

**(2) Quarterly Consolidated Statements of Income and Comprehensive Income****Quarterly Consolidated Statement of Income****(For the Three-month Period)**

	(Thousands of yen)	
	First three months of FY2019 (Jul. 1, 2018 – Sep. 30, 2018)	First three months of FY2020 (Jul. 1, 2019 – Sep. 30, 2019)
Net sales	6,078,609	6,061,518
Cost of sales	3,777,693	3,578,440
Gross profit	2,300,916	2,483,078
Selling, general and administrative expenses	1,829,856	2,445,508
Operating profit	471,059	37,569
Non-operating income		
Interest and dividend income	238	587
Gain on investments in silent partnerships	-	33,781
Foreign exchange gains	2,483	86
Commission income	3,978	3,650
Other	5,143	23,170
Total non-operating income	11,843	61,277
Non-operating expenses		
Interest expenses	49,262	56,218
Share of loss of entities accounted for using equity method	-	406
Other	4,587	7,218
Total non-operating expenses	53,850	63,843
Ordinary profit	429,052	35,003
Extraordinary income		
Gain on sales of non-current assets	882	11
Gain on reversal of share acquisition rights	-	38
Total extraordinary income	882	50
Profit before income taxes	429,934	35,053
Income taxes	115,138	34,274
Profit	314,795	779
Profit attributable to owners of parent	314,795	779

**Quarterly Consolidated Statement of Comprehensive Income**  
**(For the Three-month Period)**

	(Thousands of yen)	
	First three months of FY2019 (Jul. 1, 2018 – Sep. 30, 2018)	First three months of FY2020 (Jul. 1, 2019 – Sep. 30, 2019)
Profit	314,795	779
Other comprehensive income		
Valuation difference on available-for-sale securities	(11,697)	(2,918)
Foreign currency translation adjustment	-	71
Total other comprehensive income	(11,697)	(2,846)
Comprehensive income	303,097	(2,067)
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	303,097	(2,067)

### **(3) Notes to Quarterly Consolidated Financial Statements**

#### **Going Concern Assumption**

Not applicable.

#### **Significant Changes in Shareholders' Equity**

Not applicable.

#### **Changes in Significant Subsidiaries during the Period**

During the first quarter, HOUSEDO purchased the stock of Koyama Construction Co., Ltd., Koyama Real Estate Co., Ltd. and Soka Matsubara Juken Co., Ltd., making all three companies consolidated subsidiaries. These acquisitions are not classified as a change in a specified subsidiary.

#### **Application of Accounting Procedures Specific to Preparation of the Quarterly Consolidated Financial Statements**

The tax expense was calculated by first reasonably estimating the effective tax rate after the application of tax effect accounting with respect to profit before income taxes during the current fiscal year, and multiplying that rate by the quarterly profit before income taxes.

**Segment Information**

I First three months of FY2019 (Jul. 1, 2018 – Sep. 30, 2018)

## 1. Information related to net sales and profit or loss for each reportable segment

(Thousands of yen)

	Reportable segment								Other (Note 1)	Total	Adjustment (Note 2)	Amounts shown on quarterly consolidated statement of income (Note 3)
	Franchisee	House- Leaseback	Finance	Real Estate Buying and Selling	Real Estate Brokerage	Renovation	Koyama Construction Group	Subtotal				
Net sales												
External sales	702,896	1,939,723	184,511	2,098,445	454,795	694,031	-	6,074,403	4,206	6,078,609	-	6,078,609
Inter-segment sales and transfers	19,457	3,735	14,200	-	38,043	-	-	75,435	-	75,435	(75,435)	-
Total	722,353	1,943,458	198,711	2,098,445	492,838	694,031	-	6,149,838	4,206	6,154,045	(75,435)	6,078,609
Segment profit	442,393	250,590	18,168	149,017	96,929	45,513	-	1,002,611	1,746	1,004,358	(533,299)	471,059

- Notes:
1. Other represents the businesses which are not included in any of the reportable segments and mainly consists of the Europe/US style real estate agent business.
  2. The negative adjustment of 528.256 million yen to segment profit includes elimination for inter-segment transactions of negative 4.900 million yen, corporate expenses of negative 528.256 million yen that are not allocated to any of the reportable segments, and inventory adjustments of negative 142 thousand yen. Corporate expenses mainly consist of general and administrative expenses that are not attributable to any of the reportable segments.
  3. Segment profit is adjusted to be consistent with operating profit recorded in the quarterly consolidated statement of income.

II First three months of FY2020 (Jul. 1, 2019 – Sep. 30, 2019)

## 1. Information related to net sales and profit or loss for each reportable segment

(Thousands of yen)

	Reportable segment								Other (Note 1)	Total	Adjustment (Note 2)	Amounts shown on quarterly consolidated statement of income (Note 3)
	Franchisee	House- Leaseback	Finance	Real Estate Buying and Selling	Real Estate Brokerage	Renovation	Koyama Construction Group	Subtotal				
Net sales												
External sales	661,965	1,881,021	204,448	1,683,454	557,173	837,234	232,300	6,057,599	3,919	6,061,518	-	6,061,518
Inter-segment sales and transfers	18,636	1,995	16,000	-	65,440	-	-	102,071	-	102,071	(102,071)	-
Total	680,602	1,883,016	220,448	1,683,454	622,614	837,234	232,300	6,159,670	3,919	6,163,590	(102,071)	6,061,518
Segment profit (loss)	398,468	162,829	(52,963)	93,703	194,229	94,227	(7,308)	883,188	(2,244)	880,944	(843,374)	37,569

- Notes:
1. Other represents the businesses which are not included in any of the reportable segments and mainly consists of the Europe/US style real estate agent and overseas business expenses.
  2. The negative adjustment of 843.374 million yen to segment profit (loss) includes elimination for inter-segment transactions of negative 13.294 million yen, acquisition-related costs for purchase of shares of subsidiary of negative 110.291 million yen, corporate expenses of negative 709.776 million yen that are not allocated to any of the reportable segments, and inventory adjustments of negative 10.012 million yen. Corporate expenses mainly consist of general and administrative expenses that are not attributable to any of the reportable segments.
  3. Segment profit (loss) is adjusted to be consistent with operating profit recorded in the quarterly consolidated statement of income.

2. Information related to impairment of non-current assets or goodwill, etc. for each reportable segment

Significant change in goodwill

In the Koyama Construction Group segment, HOUSEDO posted goodwill of 737.716 million yen in the first three months of FY2020 due to the acquisition of Koyama Construction Co., Ltd., Koyama Real Estate Co., Ltd. and Soka Matsubara Juken Co., Ltd.

3. Information related to revisions for reportable segments

Changes in the classification of operating segments

Reportable segments were revised in the fiscal year that ended on June 30, 2019 by renaming the Real Estate Finance segment the Finance segment.

In the previous fiscal year, HOUSEDO had six reportable segments: Franchisee Business, House-Leaseback Business, Finance Business, Real Estate Buying and Selling Business, Real Estate Brokerage Business, and Renovation Business. In the first quarter of FY2020, HOUSEDO added a seventh reportable segment called Koyama Construction Group because of the acquisition of Koyama Construction Co., Ltd., Koyama Real Estate Co., Ltd. and Soka Matsubara Juken Co., Ltd.

Reportable segment information for the first three months of FY2019 has been restated to conform with the new reportable segments.

Change in Classification of Subsidiaries

Beginning in FY2019, for the purpose of more appropriately reflecting the activities of each segment, the expenses of subsidiary PM Do Co., Ltd., which were previously included in the House-Leaseback segment, are instead divided between the House-Leaseback segment and the Finance segment in proportions based on the sales of these segments.

Goodwill and goodwill amortization expenses resulting from the acquisition of Keiyo Build Co., Ltd. by HOUSEDO, which were previously included in the adjustment, are instead included in the House-Leaseback segment, which is the segment that includes Keio Build.

In addition, some labor expenses that were previously included in the adjustment are instead divided among the reportable segments based on actual payments of salaries and other compensation.

Segment information for the first three months of FY2019 has been restated to reflect these changes.

**Material Subsequent Events**

Not applicable.

*This financial report is solely a translation of "Kessan Tanshin" (in Japanese, including attachments), which has been prepared in accordance with accounting principles and practices generally accepted in Japan, for the convenience of readers who prefer an English translation.*