

Summary of Business Results for the Third Quarter Ended March 31, 2020

[Japan GAAP] (Consolidated)

May 12, 2020

Company **HOUSE DO Co., Ltd.**
 Stock code 3457 URL: <https://www.housedo.co.jp/en/>
 Representative Masahiro Ando, President and CEO
 Contact Kazuaki Tomita, Senior Managing Director and CFO
 TEL: +81-3-5220-7230

Listed on the TSE

Expected date of filing of quarterly report: May 14, 2020 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 nine months ended March 2020 (July 1, 2019 through March 31, 2020)

(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	%
Nine months ended Mar. 31, 2020	22,955	6.4	1,142	(40.4)	1,055	(41.2)	643	(48.6)
Nine months ended Mar. 31, 2019	21,567	44.6	1,915	44.1	1,794	50.5	1,251	68.5

(Note) Comprehensive income:

Nine months ended Mar. 31, 2020: 627 million yen (down 48.8%)

Nine months ended Mar. 31, 2019: 1,226 million yen (up 65.6%)

	Net income per share		Diluted net income per share	
	Yen	Yen	Yen	Yen
Nine months ended Mar. 31, 2020	33.06	32.29		
Nine months ended Mar. 31, 2019	64.49	62.25		

(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 Mar. 31, 2020	48,486	11,195			23.0	572.95		
As of Jun. 30, 2019	40,386	11,263			27.8	577.84		

(Reference) Shareholders' equity:

As of Mar. 31, 2020: 11,162 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	-	0.00	-		
Fiscal year ending Jun. 30, 2020 (forecast)				34.00	34.00

(Notes) 1. Revisions to the most recently announced dividend forecast: None

2. Breakdown of the year-end dividend for the fiscal year ended June 30, 2019: Ordinary dividends: 34.00 yen;
 Commemorative dividends for the achievement of the medium-term plan: 3.00 yen

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	
Fiscal year ending Jun. 30, 2020	37,221	18.0	3,521	11.5	3,300	9.9	2,178	8.6	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 the section “2. Quarterly Consolidated Financial Statements and Notes, (3) Notes to Quarterly Consolidated Financial Statements (Changes in Significant Subsidiaries during the Period)” on page 10 of the attachments.

(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 Mar. 31, 2020 19,483,600 shares

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

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

As of Mar. 31, 2020 466 shares

As of Jun. 30, 2019 466 shares

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

Nine months ended Mar. 31, 2020 19,466,004 shares

Nine months ended Mar. 31, 2019 19,401,633 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.

Contents of Attachments

1. Qualitative Information on Quarterly Consolidated Financial Performance	2
(1) Explanation of Results of Operations	2
(2) Explanation of Financial Condition	4
(3) Explanation of Consolidated Forecast and Other Forward-looking Statements	5
2. Quarterly Consolidated Financial Statements and Notes	6
(1) Quarterly Consolidated Balance Sheet	6
(2) Quarterly Consolidated Statements of Income and Comprehensive Income	8
Quarterly Consolidated Statement of Income	
For the Nine-month Period	8
Quarterly Consolidated Statement of Comprehensive Income	
For the Nine-month Period	9
(3) Notes to Quarterly Consolidated Financial Statements	10
Going Concern Assumption	10
Significant Changes in Shareholders' Equity	10
Changes in Significant Subsidiaries during the Period	10
Application of Accounting Procedures Specific to Preparation of the Quarterly Consolidated Financial Statements	10
Additional Information	11
Segment Information	12
Material Subsequent Events	13

1. Qualitative Information on Quarterly Consolidated Financial Performance

(1) Explanation of Results of Operations

In the first nine months of the fiscal year ending in June 2020, the Japanese economy recovered slowly with the support of an extremely accommodative monetary policy and large government expenditures. However, we need to be aware of the downside risk to overseas economies triggered by the prolonged U.S.-China trade war, the economic fallout from the global spread of COVID-19, and other reasons.

In the Japanese real estate industry, where the HOUSEDO Group operates, demand for housing is remaining firm with the support of improvements in the labor market and personal income, measures to help people purchase residences, and the continuation of monetary easing by the Bank of Japan. However, uncertainties about the outlook for the future are increasing due to the spread of the COVID-19 pandemic which makes it necessary to pay close attention to market trends.

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. Based on the medium-term plan, we are making significant investments for the growth of business activities that generate steady income in order to achieve more earnings growth. 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 HOUSEDO Group reported net sales of 22,955 million yen (up 6.4% year on year), operating profit of 1,142 million yen (down 40.4% year on year), ordinary profit of 1,055 million yen (down 41.2% year on year) and profit attributable to owners of parent of 643 million yen (down 48.6% year on year).

Results by business segment were as follows.

(As of March 31, 2020)

Segment	Net sales (Millions of yen)	Activities
Franchisee Business	2,140	100 new franchisee contracts, raising total to 642 99 new franchised stores, raising total to 543
House-Leaseback Business	9,988	492 properties purchased, raising holdings to 330; 493 properties sold
Finance Business	714	151 real estate secured loans; 108 guarantees for reverse mortgages
Real Estate Buying and Selling Business	5,095	240 transactions
Real Estate Brokerage Business	1,497	2,297 brokered properties
Renovation Business	2,037	1,300 contracts; 1,381 renovation completions
Koyama Construction Group	1,469	Residences managed: 5,861
Other Business	10	(Europe/US style) real estate agent and overseas business expenses
Total	22,955	-

1) Franchisee Business

The number of companies contacting us about signing franchising agreements increased steadily during the first nine months of the current fiscal year. Aggressive 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. We operate 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. We are using these dual stores as well as the RENT Do! real estate rental brand for enlarging the scope of this business along with a broad range of other initiatives for growth. During the first nine months of the current fiscal year, there were 100 new franchisee contracts, raising the total to 642 at the end of March 2020.

We have reinforced a franchisee follow-up system using supervisors and upgraded a variety of new services. Due to these actions, we opened 99 stores during the first nine months of the current fiscal year, raising the total to 543 at the end of March 2020.

As a result, the segment recorded sales of 2,140 million yen (up 4.6% year on year) and segment profit of 1,302 million yen (up 6.5%).

2) House-Leaseback Business

The number of inquiries from prospective customers is increasing steadily because of a large volume of advertising and marketing activities, including television and radio commercials. In addition, the number of transactions has increased due to the strengthening of the house leaseback system. We also made effective use of real estate to respond to a variety of customer needs including the conversion of real estate into a source of cash flows for old age and business financing. This business purchased 492 properties and resold or sold to investment funds, real estate purchasing companies and other buyers a total of 493 properties in order to earn capital gains that contribute to earnings growth. The number of residential properties owned by this business was 330 at the end of March 2020. All of these properties are generating leasing income.

As a result, the segment recorded sales of 9,988 million yen (up 19.7% year on year) and segment profit of 1,230 million yen (up 14.3%).

3) Finance Business

This business uses the HOUSEDO Group's nationwide network of real estate assessment expertise, one of the Group's core strengths, to combine real estate and financing services to meet customers' financing requirements through the use of real estate. During the first nine months of the current fiscal year, there were 151 new loans secured by real estate. In addition, this business concluded 108 reverse mortgage guarantee transactions during the period by using of alliances with financial institutions to increase demand for HOUSEDO's reverse mortgage guarantee service and forming 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 714 million yen (up 24.7% year on year) and segment profit of 0.122 million yen (down 99.8%).

4) Real Estate Buying and Selling Business

This business utilizes its group synergies to focus on acquisition of properties that match the requirements of brokerage customers in areas served by directly operated stores. In the first nine months of the current fiscal year, the number of transactions was 240 (down 21.3% year on year) due to the impact of the consumption tax hike and delays in delivery of housing equipment and construction materials caused by and the spread of the COVID-19 pandemic.

As a result, the segment recorded sales of 5,095 million yen (down 26.2% year on year) and segment profit of 227 million yen (down 60.7%).

5) Real Estate Brokerage Business

There is strong demand in Japan for houses as interest rates on mortgages remain extremely low. 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 2,297 (up 2.2% year on year).

As a result, the segment recorded sales of 1,497 million yen (up 7.8% year on year) and segment profit of 389 million yen (up 6.3%).

6) Renovation Business

This business used a collaboration with the Real Estate Buying and Selling 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. On the other hand, consumer sentiment weakened temporarily due to the recent consumption tax hike. In addition, the spread of the COVID-19 caused people to refrain from going out and delays in deliveries of housing equipment and construction materials. As a result, 1,300 renovation contracts were signed, down 24.0% from one year earlier, and the number of renovation completions was 1,381, down 14.9% during the first nine months of the current fiscal year.

As a result, the segment recorded sales of 2,037 million yen (down 10.7% year on year) and segment profit of 102 million yen (down 54.6%).

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 1,469 million yen and segment profit of 116 million yen.

(2) Explanation of Financial Condition

Assets

Total assets amounted to 48,486 million yen at the end of March 2020, an increase of 8,099 million yen over the end of June 2019.

There were increases of 2,508 million yen in inventories, 1,356 million yen in property, plant and equipment and 768 million yen in intangible assets, all mainly because of the acquisition of the Koyama Construction Group. In addition, operating loans increased 2,583 million yen due to an increase in real estate-secured loans at Financial Do Co., Ltd.

Liabilities

Liabilities totaled 37,291 million yen, an increase of 8,168 million yen over the end of June 2019.

There were increases of 199 million yen in short-term borrowings, 2,142 million yen in current portion of long-term borrowings and 6,072 million yen in long-term borrowings.

Net assets

Net assets totaled 11,195 million yen, a decrease of 68 million yen over the end of June 2019.

Retained earnings increased 643 million yen because of the booking of profit attributable to owners of parent for the first nine months of the current fiscal year, while there was a decrease of 719 million yen in retained earnings due to dividend payments.

(Millions of yen)

	FY2019 (As of Jun. 30, 2019)	Third quarter of FY2020 (As of Mar. 31, 2020)	Change
Total assets	40,386	48,486	8,099
Liabilities	29,123	37,291	8,168
Net assets	11,263	11,195	(68)

(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**

	FY2019 (As of Jun. 30, 2019)	(Thousands of yen) Third quarter of FY2020 (As of Mar. 31, 2020)
Assets		
Current assets		
Cash and deposits	12,444,184	12,207,910
Accounts receivable from completed construction contracts	90,091	102,095
Accounts receivable-trade	96,923	60,664
Real estate for sale	3,954,818	7,331,096
Real estate for sale in process	3,139,993	2,230,544
Costs on construction contracts in progress	54,196	95,694
Operating loans	8,196,839	10,779,949
Other	398,159	814,080
Allowance for doubtful accounts	(23,423)	(14,698)
Total current assets	28,351,783	33,607,337
Non-current assets		
Property, plant and equipment		
Buildings and structures	4,688,414	5,105,122
Accumulated depreciation	(987,176)	(1,238,848)
Buildings and structures, net	3,701,237	3,866,273
Land	6,411,521	7,632,686
Other	164,201	168,566
Accumulated depreciation	(103,713)	(137,460)
Other, net	60,487	31,105
Total property, plant and equipment	10,173,246	11,530,065
Intangible assets		
Goodwill	14,182	678,803
Other	107,420	211,456
Total intangible assets	121,603	890,260
Investments and other assets		
Investment securities	620,424	962,930
Deferred tax assets	246,215	399,088
Other	875,269	1,113,902
Allowance for doubtful accounts	(1,771)	(17,221)
Total investments and other assets	1,740,137	2,458,700
Total non-current assets	12,034,987	14,879,025
Total assets	40,386,770	48,486,363

	(Thousands of yen)	
	FY2019 (As of Jun. 30, 2019)	Third quarter of FY2020 (As of Mar. 31, 2020)
Liabilities		
Current liabilities		
Accounts payable for construction contracts	696,571	445,285
Short-term borrowings	10,628,250	10,827,300
Current portion of bonds	-	80,000
Current portion of long-term borrowings	4,485,851	6,628,222
Lease obligations	2,938	-
Accounts payable-other	279,901	503,926
Accrued expenses	470,814	366,861
Income taxes payable	700,056	102,466
Accrued consumption taxes	160,166	90,821
Advances received on construction contracts in progress	325,797	232,952
Advances received	416,844	496,695
Provision for bonuses	-	58,772
Provision for warranties for completed construction	4,684	4,891
Provision for sales promotion expenses	6,922	6,864
Other	263,164	538,178
Total current liabilities	18,441,962	20,383,238
Non-current liabilities		
Bonds payable	-	290,000
Long-term borrowings	8,167,134	14,239,917
Long-term guarantee deposits	1,868,750	1,730,236
Deferred tax liabilities	514,353	505,244
Asset retirement obligations	95,026	109,398
Provision for warranties for completed construction	23,784	22,771
Retirement benefit liability	-	10,271
Other	12,037	-
Total non-current liabilities	10,681,087	16,907,839
Total liabilities	29,123,050	37,291,078
Net assets		
Shareholders' equity		
Share capital	3,347,247	3,358,210
Capital surplus	3,365,742	3,376,705
Retained earnings	4,551,173	4,477,447
Treasury shares	(410)	(410)
Total shareholders' equity	11,263,753	11,211,952
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	(33,008)	(53,727)
Foreign currency translation adjustment	30	4,542
Total accumulated other comprehensive income	(32,978)	(49,184)
Share acquisition rights	32,945	32,517
Total net assets	11,263,720	11,195,285
Total liabilities and net assets	40,386,770	48,486,363

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

	(Thousands of yen)	
	First nine months of FY2019 (Jul. 1, 2018 – Mar. 31, 2019)	First nine months of FY2020 (Jul. 1, 2019 – Mar. 31, 2020)
Net sales	21,567,164	22,955,315
Cost of sales	13,856,347	14,578,141
Gross profit	7,710,816	8,377,173
Selling, general and administrative expenses	5,795,029	7,235,133
Operating profit	1,915,787	1,142,039
Non-operating income		
Interest and dividend income	3,267	3,208
Gain on investments in silent partnerships	-	89,646
Gain on sales of investment securities	-	26
Commission income	12,959	11,503
Insurance claim income	29,206	10,230
Penalty income	3,900	10,898
Other	16,171	37,820
Total non-operating income	65,504	163,333
Non-operating expenses		
Interest expenses	141,978	185,360
Share of loss of entities accounted for using equity method	-	3,183
Other	44,816	61,328
Total non-operating expenses	186,795	249,872
Ordinary profit	1,794,496	1,055,500
Extraordinary income		
Gain on sales of non-current assets	3,955	167
Gain on reversal of share acquisition rights	1,322	843
Total extraordinary income	5,277	1,010
Extraordinary losses		
Loss on retirement of non-current assets	830	9,900
Loss on valuation of investment securities	-	40,830
Impairment loss	-	3,400
Other	-	300
Total extraordinary losses	830	54,431
Profit before income taxes	1,798,944	1,002,080
Income taxes	547,705	358,444
Profit	1,251,238	643,636
Profit attributable to owners of parent	1,251,238	643,636

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

	(Thousands of yen)	
	First nine months of FY2019 (Jul. 1, 2018 – Mar. 31, 2019)	First nine months of FY2020 (Jul. 1, 2019 – Mar. 31, 2020)
Profit	1,251,238	643,636
Other comprehensive income		
Valuation difference on available-for-sale securities	(24,796)	(20,718)
Share of other comprehensive income of entities accounted for using equity method	-	4,512
Total other comprehensive income	(24,796)	(16,206)
Comprehensive income	1,226,441	627,429
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	1,226,441	627,429

(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.

Additional Information

Sale of House-Leaseback Assets

1. Summary of special purpose company (SPC) and transactions using this company

HOUSEDO sells assets of the House-Leaseback Business as one way to diversify sources of funding.

For the sale of these assets, HOUSEDO first sells House-Leaseback assets (trust beneficiary rights and other assets) to a SPC (which is structured as a godo kaisha (limited liability company)). The SPC then uses these assets as collateral for loans and other sources of funds in order to pay HOUSEDO for these assets. HOUSEDO has a tokumei kumiai (silent partnership) contract with each SPC and makes investments in accordance with this contract.

The following table presents information concerning the SPCs used for the sale of House-Leaseback assets.

HOUSEDO has made no investments with voting rights in any SPC and has not supplied any SPC with directors or other executives.

	FY2019 (As of Jun. 30, 2019)	Third quarter of FY2020 (As of Mar. 31, 2020)
Number of SPC	3	5
Total assets of SPCs	4,086,235 thousand yen	13,920,952 thousand yen
Total liabilities of SPCs	3,520,754 thousand yen	12,966,712 thousand yen

2. Transactions with special purpose companies

First nine months of FY2019 (Jul. 1, 2018 – Mar 31, 2019)

	Major transactions (Thousands of yen)	Sales, expenses, gains	
		Items	Amount (Thousands of yen)
Investments in silent partnerships	134,000	Partnership investment gains	-
Selling price	2,687,536	Net sales	2,687,536
Book value	2,026,318	Cost of sales	2,026,318

(Note) The selling price of assets is classified as sales and the book value of assets is classified as cost of sales.

(Note) PM Do Co., Ltd. is the broker for properties and it buys and sells and receives commissions for this service. These commissions are omitted from this table because they are negligible.

(Note) SPCs outsource to PM Do Co., Ltd. the management of the properties purchased from HOUSEDO. Property management fees are omitted from this table because they are negligible.

First nine months of FY2020 (Jul. 1, 2019 – Mar. 31, 2020)

	Major transactions (Thousands of yen)	Sales, expenses, gains	
		Items	Amount (Thousands of yen)
Investments in silent partnerships	283,500	Partnership investment gains	83,769
Selling price	5,690,989	Net sales	5,690,989
Book value	4,343,018	Cost of sales	4,343,018

(Note) The selling price of assets is classified as sales and the book value of assets is classified as cost of sales.

(Note) SPCs outsource to PM Do Co., Ltd. the management of the properties purchased from HOUSEDO. Property management fees are omitted from this table because they are negligible.

(Note) HOUSEDO and PM Do Co., Ltd. perform renovation work at properties that have been sold to a SPC. Renovations are omitted from this table because the monetary value is negligible.

Provision for bonuses

In the fiscal year that ended in June 2019, confirmed bonuses for employees had been recorded as accrued expenses. In the third quarter of the current fiscal year, the expected amount of bonuses for employees is recorded as the provision for bonuses because the amount of bonuses has not yet been confirmed.

Segment Information

I First nine months of FY2019 (Jul. 1, 2018 – Mar. 31, 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	2,046,206	8,344,489	573,368	6,908,502	1,389,566	2,282,515	-	21,544,649	22,515	21,567,164	-	21,567,164
Inter-segment sales and transfers	52,253	10,071	39,333	-	115,275	-	-	216,933	-	216,933	(216,933)	-
Total	2,098,460	8,354,560	612,701	6,908,502	1,504,842	2,282,515	-	21,761,582	22,515	21,784,098	(216,933)	21,567,164
Segment profit	1,222,955	1,077,143	61,326	579,163	366,218	224,884	-	3,531,692	5,065	3,536,757	(1,620,970)	1,915,787

- 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 1,620.970 million yen to segment profit includes elimination for inter-segment transactions of 0.659 million yen, corporate expenses of negative 1,623.216 million yen that are not allocated to any of the reportable segments, and inventory adjustments of 1.585 million 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 nine months of FY2020 (Jul. 1, 2019 – Mar. 31, 2020)

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	2,140,906	9,988,328	714,747	5,095,585	1,497,961	2,037,449	1,469,440	22,944,421	10,894	22,955,315	-	22,955,315
Inter-segment sales and transfers	64,374	8,532	76,005	-	151,110	127	-	300,150	-	300,150	(300,150)	-
Total	2,205,281	9,996,861	790,752	5,095,585	1,649,072	2,037,577	1,469,440	23,244,571	10,894	23,255,466	(300,150)	22,955,315
Segment profit (loss)	1,302,565	1,230,684	122	227,697	389,234	102,062	116,455	3,368,822	(14,098)	3,354,724	(2,212,684)	1,142,039

- 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 2,212.684 million yen to segment profit (loss) includes elimination for inter-segment transactions of 9.194 million yen, acquisition-related costs for purchase of shares of subsidiary of negative 110.291 million yen, corporate expenses of negative 2,097.093 million yen that are not allocated to any of the reportable segments, and inventory adjustments of negative 14.493 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 impairment losses related to non-current assets

In the Finance segment, an extraordinary loss of 3 million yen was recorded for the impairment of the previous loan management system due to its replacement with an updated loan management system for the purpose of strengthening internal controls.

Significant change in goodwill

In the Koyama Construction Group segment, HOUSEDO posted goodwill of 737.716 million yen in the first quarter 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 nine 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 nine 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.