

# Summary of Business Results for the First Quarter Ended September 30, 2020

## [Japan GAAP] (Consolidated)

November 10, 2020

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

Expected date of filing of quarterly report: November 13, 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 three months ended September 2020 (July 1, 2020 through September 30, 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	%
Three months ended Sep. 30, 2020	7,523	24.1	315	741.0	257	634.5	152	-
Three months ended Sep. 30, 2019	6,061	(0.3)	37	(92.0)	35	(91.8)	0	(99.8)

(Note) Comprehensive income:

Three months ended Sep. 30, 2020: 166 million yen (-%)

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

	Net income per share		Diluted net income per share	
	Yen		Yen	
Three months ended Sep. 30, 2020	7.80		7.69	
Three months ended Sep. 30, 2019	0.04		0.04	

(2) Consolidated financial position

	Total assets		Net assets		Shareholder's equity ratio		Net assets per share	
	Million yen		Million yen		%		Yen	
As of Sep. 30, 2020	53,007		11,379		21.4		581.75	
As of Jun. 30, 2020	54,243		11,578		21.3		592.27	

(Reference) Shareholders' equity:

As of Sep. 30, 2020: 11,341 million yen

As of Jun. 30, 2020: 11,543 million yen

### 2. Dividends

	Annual dividend				
	End of 1Q	End of 2Q	End of 3Q	Year-end	Total
Fiscal year ended Jun. 30, 2020	Yen -	Yen 0.00	Yen -	Yen 19.00	Yen 19.00
Fiscal year ending Jun. 30, 2021	-				
Fiscal year ending Jun. 30, 2021 (forecast)		0.00	-	-	-

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

The dividend forecast for the fiscal year ending June 30, 2021 will be announced later and will be based on the policy of maintaining a payout ratio of at least 30%.

### 3. Forecast of consolidated business results for the fiscal year ending June 2021 (July 1, 2020 through June 30, 2021)

(% 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, 2021	33,976-	3.3-	2,713-	43.3-	2,500-	45.7-	1,650-	60.1-	84.68-	
	37,532	14.2	3,512	85.5	3,300	92.2	2,178	111.3	111.75	

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

Ranges for the consolidated earnings forecast for the fiscal year ending June 30, 2021 have been announced.

**\* Notes**

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

(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, 2020 19,496,000 shares

As of Jun. 30, 2020 19,490,800 shares

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

As of Sep. 30, 2020 514 shares

As of Jun. 30, 2020 514 shares

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

Three months ended Sep. 30, 2020 19,492,890 shares

Three months ended Sep. 30, 2019 19,448,686 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 2021, economic activity slowly resumed although the impact of COVID-19 continued to weigh on the Japanese economy. However, corporate earnings and business sentiment declined and there was weakness in the labor market and personal income. As a result, the economic outlook remains extremely unclear.

In the Japanese real estate industry, where the HOUSEDO Group operates, there are concerns about the negative effects of the COVID-19 crisis, with no end in sight, on the demand for housing. Nevertheless, demand for housing as a residence rather than solely as an investment has remained firm, including a recovery in demand backed by the restart of economic activity.

In this challenging business climate, the HOUSEDO Group continued to make substantial investments in growth-driving businesses in accordance with the current three-year medium-term plan, which will end in the fiscal year ending in June 2022. We have made progress with transitioning to a business model that can achieve sustained growth while utilizing the HOUSEDO Group's sound foundation for business operations. 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.

With the Real Estate Brokerage Business serving as the foundation, we continued to be a one-stop source of housing services that are backed by synergies created by our unified three-part business model encompassing real estate brokerage, buying and renovation. We also increased purchases of real estate for sale, mainly in locations served by directly operated stores in the Real Estate Buying and Selling Business. Another activity is packaging sales of existing homes with orders for renovations. All these activities are making us even better able to meet the needs of our customers.

The HOUSEDO Group reported net sales of 7,523 million yen (up 24.1% year on year), operating profit of 315 million yen (up 741.0% year on year), ordinary profit of 257 million yen (up 634.5% year on year) and profit attributable to owners of parent of 152 million yen (up 151 million yen year on year).

Results by business segment were as follows.

(As of September 30, 2020)

Segment	Net sales (Millions of yen)	Activities
Franchisee Business	795	39 new franchisee contracts, raising total to 659 36 new franchised stores, raising total to 570
House-Leaseback Business	1,099	158 properties purchased, raising holdings to 338; 40 properties sold
Finance Business	274	30 real estate secured loans; 27 guarantees for reverse mortgages
Real Estate Buying and Selling Business	3,543	175 transactions
Real Estate Brokerage Business	482	800 brokered properties
Renovation Business	570	488 contracts; 417 renovation completions
Koyama Construction Group	756	Residences managed: 5,922
Other Business	0	(Europe/US style) real estate agent and overseas business expenses
Total	7,523	-

HOUSE DO revised its reportable segments beginning with the first quarter of the fiscal year ending on June 30, 2021. Please refer to the section "2. Quarterly Consolidated Financial Statements and Notes, (3) Notes to Quarterly Consolidated Financial Statements, Segment Information" for further information.

### 1) Franchisee Business

The number of companies contacting us about signing franchising agreements increased steadily during the first quarter of the fiscal year. Aggressive advertising and promotional activities using television and radio commercials and other media promotions and the growth of the franchised store network to all 47 prefectures of Japan 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. The efficiency and productivity of business operations increased due to using online activities to attract customers and focusing resources on sales activities. During the first quarter of the fiscal year, there were 39 new franchisee contracts, raising the total to 659 at the end of September 2020.

We have reinforced a franchisee follow-up system using supervisors and upgraded a variety of new services. Due to these actions, we opened 36 stores during the first quarter of the fiscal year, raising the total to 570 at the end of September 2020.

As a result, the segment recorded sales of 795 million yen (up 20.2% year on year) and segment profit of 556 million yen (up 39.7%).

### 2) House-Leaseback Business

The number of inquiries from people and companies interested in using real estate to procure funds increased steadily during the first quarter because of aggressive promotional activities, including television and radio commercials, and investments in personnel. We have expanded activities to more areas in order to meet the demand for house-leaseback services throughout Japan. The goal is to increase the number of properties purchased and earnings by responding to a variety of customer needs, including the effective use of real estate to generate retirement income or to fund business operations. This business purchased 158 properties and resold or sold to investment funds, real estate purchasing companies and other buyers a total of 40 properties. The number of residential properties owned by this business was 338 at the end of September 2020. All of these properties are generating leasing income.

As a result, the segment recorded sales of 1,099 million yen (down 41.5% year on year) and segment loss of 14 million yen (down 176 million yen).

### 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 for the use of real estate to meet customers' financing requirements. During the first quarter of the fiscal year, there were 30 new loans secured by real estate. Although COVID-19 caused some delays, there were 27 reverse mortgage guarantees during the first quarter of the fiscal year by using alliances with financial institutions to increase demand 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 274 million yen (up 34.3% year on year) and segment profit of 24 million yen (up 93 million yen).

### 4) Real Estate Buying and Selling Business

This business utilizes synergies within the HOUSEDO Group to focus on acquisition of properties that match the requirements of brokerage customers in areas served by directly operated stores. We continued to purchase properties during the COVID-19 crisis to build up a substantial inventory and then used the restart of economic activity as an opportunity to sell these properties. For these reasons, the number of transactions was 175 (up 101.1% year on year).

As a result, the segment recorded sales of 3,543 million yen (up 110.5% year on year) and segment profit of 278 million yen (up 197.4%).

### 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. Another priority is strengthening the workforces of growth-driving businesses with measures that include the strategic shift of people to these businesses. Due to the firm demand for houses for use as residences rather than investments, the number of brokerage transactions was 800 (down 2.3% year on year).

As a result, the segment recorded sales of 482 million yen (down 13.4% year on year) and segment profit of 154 million yen (down 20.7%).

### 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. The number of renovations completed was down 27.6% from one year earlier to 417 because of the decline in orders late in the previous fiscal year caused by COVID-19. Demand is currently recovering slowly and the number of renovation contracts signed during the first quarter was 488, down only 1.4% from one year earlier.

As a result, the segment recorded sales of 570 million yen (down 31.8% year on year) and segment profit of 16 million yen (down 82.2%).

### 7) Koyama Construction Group

The Koyama Construction Group has a rental property management business and leasing operations, which generate stable income, and a real estate brokerage business and a business that buys and sells real estate. 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 Koyama Construction Group has considerable expertise at gathering real estate information.

As a result, the segment recorded sales of 756 million yen (up 225.5% year on year) and segment profit of 126 million yen (up 133 million yen).

## (2) Explanation of Financial Condition

### Assets

Total assets amounted to 53,007 million yen at the end of September 2020, a decrease of 1,235 million yen over the end of June 2020.

This was mainly attributable to increases of 1,450 million yen in property, plant and equipment, the result of the increasing number of properties in the House-Leaseback Business and 71 million yen in operating loans due to an increase in real estate-secured loans.

There were decreases of 2,133 million yen in cash and deposits and 667 million yen in inventories.

### Liabilities

Liabilities totaled 41,627 million yen, a decrease of 1,036 million yen over the end of June 2020.

There were increases of 171 million yen in current portion of long-term borrowings and 409 million yen in long-term borrowings.

There was a decrease of 2,110 million yen in short-term borrowings.

### Net assets

Net assets totaled 11,379 million yen, a decrease of 199 million yen over the end of June 2020.

There was a decrease of 370 million yen due to dividend payments.

(Millions of yen)

	FY2020 (As of Jun. 30, 2020)	First quarter of FY2021 (As of Sep. 30, 2020)	Change
Total assets	54,243	53,007	(1,235)
Liabilities	42,664	41,627	(1,036)
Net assets	11,578	11,379	(199)

### (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, 2020 dated August 12, 2020.

**2. Quarterly Consolidated Financial Statements and Notes****(1) Quarterly Consolidated Balance Sheet**

	(Thousands of yen)	
	FY2020 (As of Jun. 30, 2020)	First quarter of FY2021 (As of Sep. 30, 2020)
Assets		
Current assets		
Cash and deposits	19,274,618	17,141,061
Accounts receivable from completed construction contracts	102,221	107,098
Accounts receivable-trade	57,324	62,293
Real estate for sale	8,386,363	8,360,362
Real estate for sale in process	2,138,309	1,578,034
Costs on construction contracts in progress	160,328	78,670
Operating loans	10,950,358	11,021,613
Other	448,869	519,281
Allowance for doubtful accounts	(13,137)	(21,654)
Total current assets	41,505,256	38,846,760
Non-current assets		
Property, plant and equipment		
Buildings and structures	4,546,878	5,057,551
Accumulated depreciation	(1,133,475)	(1,185,609)
Buildings and structures, net	3,413,403	3,871,942
Land	5,731,605	6,715,162
Other	167,878	180,126
Accumulated depreciation	(128,433)	(132,619)
Other, net	39,444	47,507
Total property, plant and equipment	9,184,454	10,634,611
Intangible assets		
Goodwill	681,195	652,682
Other	216,359	248,658
Total intangible assets	897,554	901,341
Investments and other assets		
Investment securities	1,142,376	1,164,601
Deferred tax assets	343,531	294,389
Other	1,202,804	1,192,546
Allowance for doubtful accounts	(32,934)	(27,207)
Total investments and other assets	2,655,777	2,624,330
Total non-current assets	12,737,785	14,160,283
Total assets	54,243,042	53,007,044



	(Thousands of yen)	
	FY2020 (As of Jun. 30, 2020)	First quarter of FY2021 (As of Sep. 30, 2020)
<b>Liabilities</b>		
<b>Current liabilities</b>		
Accounts payable for construction contracts	473,564	513,484
Short-term borrowings	13,013,500	10,903,300
Current portion of bonds payable	184,000	224,000
Current portion of long-term borrowings	5,133,513	5,305,154
Accounts payable-other	581,038	757,956
Accrued expenses	405,249	378,046
Income taxes payable	144,800	77,167
Accrued consumption taxes	106,115	107,670
Advances received on construction contracts in progress	229,882	370,218
Advances received	471,492	480,567
Provision for bonuses	110,620	56,873
Provision for warranties for completed construction	4,960	4,782
Provision for sales promotion expenses	7,132	6,732
Other	566,202	614,336
<b>Total current liabilities</b>	<b>21,432,072</b>	<b>19,800,291</b>
<b>Non-current liabilities</b>		
Bonds payable	786,000	906,000
Long-term borrowings	18,674,517	19,084,040
Long-term guarantee deposits	1,138,828	1,209,407
Deferred tax liabilities	491,932	488,741
Asset retirement obligations	104,013	105,491
Provision for warranties for completed construction	27,180	25,801
Retirement benefit liability	9,836	7,786
<b>Total non-current liabilities</b>	<b>21,232,309</b>	<b>21,827,268</b>
<b>Total liabilities</b>	<b>42,664,381</b>	<b>41,627,560</b>
<b>Net assets</b>		
<b>Shareholders' equity</b>		
Share capital	3,359,831	3,361,001
Capital surplus	3,378,326	3,379,496
Retained earnings	4,862,747	4,644,552
Treasury shares	(461)	(461)
<b>Total shareholders' equity</b>	<b>11,600,442</b>	<b>11,384,589</b>
<b>Accumulated other comprehensive income</b>		
Valuation difference on available-for-sale securities	(52,684)	(42,615)
Foreign currency translation adjustment	(4,240)	(391)
<b>Total accumulated other comprehensive income</b>	<b>(56,925)</b>	<b>(43,007)</b>
Share acquisition rights	35,143	37,902
<b>Total net assets</b>	<b>11,578,660</b>	<b>11,379,484</b>
<b>Total liabilities and net assets</b>	<b>54,243,042</b>	<b>53,007,044</b>

**(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 FY2020 (Jul. 1, 2019 – Sep. 30, 2019)	First three months of FY2021 (Jul. 1, 2020 – Sep. 30, 2020)
Net sales	6,061,518	7,523,981
Cost of sales	3,578,440	4,768,514
Gross profit	2,483,078	2,755,466
Selling, general and administrative expenses	2,445,508	2,439,503
Operating profit	37,569	315,963
Non-operating income		
Interest and dividend income	587	40
Gain on investments in silent partnerships	33,781	10,727
Foreign exchange gains	86	-
Commission income	3,650	3,632
Other	23,170	15,266
Total non-operating income	61,277	29,667
Non-operating expenses		
Interest expenses	56,218	71,773
Share of loss of entities accounted for using equity method	406	919
Other	7,218	15,848
Total non-operating expenses	63,843	88,541
Ordinary profit	35,003	257,090
Extraordinary income		
Gain on sales of non-current assets	11	-
Gain on reversal of share acquisition rights	38	12
Total extraordinary income	50	12
Extraordinary losses		
Loss on valuation of investment securities	-	5,282
Total extraordinary losses	-	5,282
Profit before income taxes	35,053	251,819
Income taxes	34,274	99,698
Profit	779	152,121
Profit attributable to owners of parent	779	152,121

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

	(Thousands of yen)	
	First three months of FY2020 (Jul. 1, 2019 – Sep. 30, 2019)	First three months of FY2021 (Jul. 1, 2020 – Sep. 30, 2020)
Profit	779	152,121
Other comprehensive income		
Valuation difference on available-for-sale securities	(2,918)	10,069
Share of other comprehensive income of entities accounted for using equity method	71	3,848
Total other comprehensive income	(2,846)	13,917
Comprehensive income	(2,067)	166,039
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	(2,067)	166,039

**(3) Notes to Quarterly Consolidated Financial Statements****Going Concern Assumption**

Not applicable.

**Significant Changes in Shareholders' Equity**

Not applicable.

**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.

	FY2020 (As of Jun. 30, 2020)	First quarter of FY2021 (As of Sep. 30, 2020)
Number of SPC	6	6
Total assets of SPCs	17,742,967 thousand yen	17,491,964 thousand yen
Total liabilities of SPCs	16,570,301 thousand yen	16,312,798 thousand yen

## 2. Transactions with special purpose companies

In the first quarters of the FY2020 and FY2021, there were no sales of House-Leaseback assets (trust beneficiary rights and other assets) to an SPC or any investments in an SPC.

Major gains other than those listed above are as follows.

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

	Major transaction (Thousands of yen)
Partnership investment gains	33,781

(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 three months of FY2021 (Jul. 1, 2020 – Sep. 30, 2020)

	Major transaction (Thousands of yen)
Partnership investment gains	10,727

(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.

## Effect of COVID-19

There are no significant changes in the assumptions about the effect of COVID-19 on the performance of HOUSED0, in the supplementary information section of the Securities Report for the fiscal year that ended on June 30, 2020.

## Segment Information

I 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	-	-	65,440	-	-	86,071	-	86,071	(86,071)	-
Total	680,602	1,883,016	204,448	1,683,454	622,614	837,234	232,300	6,143,670	3,919	6,147,590	(86,071)	6,061,518
Segment profit (loss)	398,468	162,254	(68,387)	93,703	194,229	94,227	(7,308)	867,188	296	867,484	(829,915)	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 829,915 thousand yen to segment profit (loss) includes elimination for inter-segment transactions of 164 thousand yen, acquisition-related costs for purchase of shares of subsidiary of negative 110,291 thousand yen, corporate expenses of negative 709,776 thousand yen that are not allocated to any of the reportable segments, and inventory adjustments of negative 10,012 thousand 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.

II First three months of FY2021 (Jul. 1, 2020 – Sep. 30, 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	795,995	1,099,856	274,570	3,543,673	482,578	570,784	756,048	7,523,507	473	7,523,981	-	7,523,981
Inter-segment sales and transfers	24,138	8,876	1,650	-	76,250	-	457	111,373	-	111,373	(111,373)	-
Total	820,134	1,108,733	276,220	3,543,673	558,828	570,784	756,505	7,634,880	473	7,635,354	(111,373)	7,523,981
Segment profit (loss)	556,624	(14,087)	24,987	278,697	154,041	16,775	126,234	1,143,271	(4,079)	1,139,192	(823,229)	315,963

- 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 823,229 thousand yen to segment profit (loss) includes elimination for inter-segment transactions of negative 478 thousand yen, corporate expenses of negative 825,533 thousand yen that are not allocated to any of the reportable segments, and inventory adjustments of 2,783 thousand 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 revisions for reportable segments

### Changes in the classification of operating segments

1. Beginning in the first quarter of FY2021, HOUSEDO Japan Co., Ltd. (formerly Soka Matsubara Juken Co., Ltd.), which was previously included in the Koyama Construction Group, has been moved to the Real Estate Buying and Selling segment in association with the change in this company's name and the start of a real estate buying and selling business at this company.

The effect of this change on the segment information for the first quarter of FY2020 is insignificant.

2. Beginning in the first quarter of FY2021, income at subsidiary PM Do Co., Ltd. from property assessments and from outsourced services provided for HOUSEDO Group managed properties, which was previously included in the Finance segment and Franchisee segment, has been included in sales of the House-Leaseback segment for the purpose of more appropriately reflecting the activities of each segment.

In prior years, the expenses of PM Do were divided among the House-Leaseback, Finance and Franchisee segments in proportion to the sales of these segments. Due to the change in the segment classification of income of this company, all expenses are now included only in the House-Leaseback segment.

Segment information for the first quarter of FY2020 has been restated to reflect these changes.

3. Beginning in the first quarter of FY2021, expenses of the HOUSEDO Construction Design Division, which were previously included in the Real Estate Buying and Selling segment, are divided among the House-Leaseback and Real Estate Buying and Selling segments and adjustment in proportion to the scale of business operations for the purpose of more appropriately reflecting the activities of each segment.

Segment information for the first quarter of FY2020 has not been restated to reflect this change because it is impossible to determine the amount of expenses of this division that was included in the Real Estate Buying and Selling segment in that quarter.

## Material Subsequent Events

### Capital increase in a consolidated subsidiary

On October 19, 2020, the HOUSEDO Board of Directors approved a resolution to make an additional investment in subsidiary Financial Do Co., Ltd. for the purpose of increasing the financial soundness of this company. The payment was completed on October 30, 2020.

### Overview of capital increase

- (1) Amount of capital increase: 2,000,000 thousand yen
- (2) Payment date: October 30, 2020
- (3) Capital stock after additional investment: 1,799,250 thousand yen  
Legal capital surplus after additional investment: 1,794,250 thousand yen
- (4) HOUSEDO's investment ratio after additional investment: 85.24% (14.76% indirectly owned)

*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.*