

Summary of Business Results for the First Quarter Ended September 30, 2022

[Japan GAAP] (Consolidated)

November 11, 2022

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

Expected date of filing of quarterly report: November 14, 2022 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 2022

(July 1, 2022 through September 30, 2022)

(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, 2022	9,612	(13.2)	343	(56.7)	290	(58.8)	174	(57.9)
Three months ended Sep. 30, 2021	11,071	47.1	792	150.8	704	174.2	414	172.7

(Note) Comprehensive income:

Three months ended Sep. 30, 2022: 199 million yen (down 52.2%)

Three months ended Sep. 30, 2021: 418 million yen (up 152.1%)

	Net income per share	Diluted net income per share
	Yen	Yen
Three months ended Sep. 30, 2022	8.93	8.84
Three months ended Sep. 30, 2021	21.21	20.93

(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, 2022	67,181	13,350	19.8	680.27
As of Jun. 30, 2022	65,495	13,852	21.1	706.07

(Reference) Shareholders' equity:

As of Sep. 30, 2022: 13,309 million yen

As of Jun. 30, 2022: 13,813 million yen

2. Dividends

	Annual dividend				
	End of 1Q	End of 2Q	End of 3Q	Year-end	Total
	Yen	Yen	Yen	Yen	Yen
Fiscal year ended Jun. 30, 2022	-	0.00	-	36.00	36.00
Fiscal year ending Jun. 30, 2023	-				
Fiscal year ending Jun. 30, 2023 (forecast)		0.00	-	40.00	40.00

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

3. Forecast of consolidated business results for the fiscal year ending June 2023

(July 1, 2022 through June 30, 2023)

(% 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
Six months ending Dec. 31, 2022	22,904	2.8	1,596	(10.9)	1,500	(14.2)	990	(15.4)	50.60
Fiscal year ending Jun. 30, 2023	46,582	12.5	3,452	20.2	3,300	12.0	2,178	11.4	111.33

(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

(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 9 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 : Yes
- 2) Changes in accounting policies other than 1) : None
- 3) Changes in accounting estimates : None
- 4) Restatements : None

(Note) Please refer to the section “2. Quarterly Consolidated Financial Statements and Notes, (3) Notes to Quarterly Consolidated Financial Statements (Changes in Accounting Policies)” on page 9 of the attachments for further information.

(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, 2022 19,566,000 shares
 - As of Jun. 30, 2022 19,564,800 shares
- 2) Number of treasury shares at the end of the period
 - As of Sep. 30, 2022 561 shares
 - As of Jun. 30, 2022 561 shares
- 3) Average number of shares during the period (cumulative)
 - Three months ended Sep. 30, 2022 19,565,191 shares
 - Three months ended Sep. 30, 2021 19,556,164 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 4 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	4
2. Quarterly Consolidated Financial Statements and Notes	5
(1) Quarterly Consolidated Balance Sheet	5
(2) Quarterly Consolidated Statements of Income and Comprehensive Income	7
Quarterly Consolidated Statement of Income	
For the Three-month Period	7
Quarterly Consolidated Statement of Comprehensive Income	
For the Three-month Period	8
(3) Notes to Quarterly Consolidated Financial Statements	9
Going Concern Assumption	9
Significant Changes in Shareholders' Equity	9
Application of Accounting Procedures Specific to Preparation of the Quarterly Consolidated Financial Statements	9
Changes in Accounting Policies	9
Reclassifications	9
Additional Information	9
Segment Information	11
Material Subsequent Events	12

1. Qualitative Information on Quarterly Consolidated Financial Performance

(1) Explanation of Results of Operations

The Japanese economy recovered during the first quarter as the impact of the pandemic slowly declined along with progress involving pandemic safety measures. Despite this recovery, there is a risk of an economic downturn because of the prolonged Ukraine crisis, worldwide inflation, rising interest rates in the United States and Europe, and other events.

In the Japanese real estate industry, where the &Do Holdings Group operates, mortgage interest rates remain low because the Bank of Japan is retaining its policy of monetary easing. The business climate is generally favorable because of solid demand for houses.

The &Do Holdings Group is taking many actions based on the new three-year medium-term plan that ends in June 2025 with the goal of more growth of business operations and corporate value. Resources are focused on four growth enhancement businesses: Franchisee Business, House-Leaseback Business, Finance Business, and Real Estate Buying and Selling Business. In these businesses, we are making substantial investments for human resources, advertising and marketing, and other activities. By deepening ties among all of our businesses, we are making progress with services that combine real estate and financing as well as with becoming even more profitable.

The &Do Holdings Group reported net sales of 9,612 million yen (down 13.2% year on year), operating profit of 343 million yen (down 56.7% year on year), ordinary profit of 290 million yen (down 58.8% year on year) and profit attributable to owners of parent of 174 million yen (down 57.9 % year on year).

Beginning with the financial statements for the first nine months of the fiscal year that ended in June 2022, Koyama Construction Co., Ltd., which was previously included in the Koyama Construction Group, was moved to the Real Estate Buying and Selling Business. In addition, Koyama Real Estate Co., Ltd. was moved to the House-Leaseback Business and the Real Estate Brokerage Business. Due to this reorganization, there is no longer a Koyama Construction Group segment.

Business segment performance was as follows.

(As of September 30, 2022)

Segment	Net sales (Millions of yen)	Activities
Franchisee Business	773	25 new franchisee contracts, raising total to 682 31 new franchised stores, raising total to 607
House-Leaseback Business	4,269	263 properties purchased, raising holdings to 680; 204 properties sold
Finance Business	159	86 guarantees for reverse mortgages; 23 real estate secured loans
Real Estate Buying and Selling Business	3,522	146 transactions
Real Estate Brokerage Business	320	557 brokered properties
Renovation Business	566	415 contracts; 429 renovation completions
Other Business	0	(Europe/US style) real estate agent and overseas business expenses
Total	9,612	-

a. Franchisee Business

This business conducted a large volume of advertising and promotional activities such as a variety of special events and advertisements using the internet, paper media and other channels. In addition, there was a large number of calls from companies thinking about becoming franchisees due to the higher value of the corporate brand resulting from greater public awareness of &Do Holdings and an increase in public trust. During the first quarter, there were 25 new franchisee contracts. The number of franchisee contracts at the end of the September 2022 was 682.

We have reinforced a franchisee follow-up system using supervisors, added a variety of new services and increased the number of partner companies. Due to these actions, we added 31 franchised stores during the first quarter, raising the total to 607 at the end of September 2022.

As a result, segment sales decreased 8.8% to 773 million yen and segment profit decreased 14.1% to 519 million yen.

b. House-Leaseback Business

This business allows people to use real estate to procure funds by selling a home without remaining in the home. The house-leaseback scheme can be used to generate retirement income, fund business operations and a diverse array of other purposes. The number of people contacting us about this scheme and purchase agreements has remained high because of continuing expenditures for advertising and human resources for more growth in the number of houses purchased and leased back. During the first quarter, this business purchased 263 properties and resold or sold to investment funds, real estate purchasing companies and other buyers a total of 204 properties. The number of residential properties owned by this business was 680 at the end of September 2022. All of these properties are generating leasing income.

As a result, segment sales increased 272.3% to 4,269 million yen and segment profit increased by 556 million yen to 550 million yen.

c. Finance Business

This business uses the &Do Holdings Group's nationwide network of real estate assessment and sales expertise, one of the group's core strengths, for the use of real estate to meet customers' financing requirements. In the reverse mortgage guarantee business, public awareness and the use of reverse mortgages increased due to activities to increase in the number of guarantee agreements with financial institutions and build stronger ties with these institutions. The number of reverse mortgage guarantees increased by 86 during the first quarter to 911 and guarantees totaled 10,002 million yen. There were 23 new loans secured by real estate during the first quarter.

As a result, segment sales decreased 30.1% to 159 million yen and segment profit was up 39.9% to 51 million yen.

d. Real Estate Buying and Selling Business

Demand among consumers for buying a residence remained strong during the first quarter as mortgage interest rates remained extremely low. This business used collaboration with directly operated real estate brokerage stores to purchase and sell a large number of properties. In the first quarter, the number of transactions decreased 6.4% from one year earlier to 146 and sales and earnings decreased. The declines are the result of a large transaction in the first quarter of the previous fiscal year and the large number of transactions expected in the second quarter due to the timing of transactions in the current fiscal year.

As a result, segment sales decreased 54.3% to 3,522 million yen and segment profit decreased 71.3% to 267 million yen.

e. Real Estate Brokerage Business

This business is using a variety of media for advertising activities and distributing local real estate information individually to people living near stores in order to attract customers. Furthermore, there are activities to position stores as a one-stop source of comprehensive services by using synergies with other group businesses in order to increase earnings. Although there is strong demand in Japan for houses because of extremely low interest rates on mortgages, due to the integration of stores undertaken to redeploy personnel to key growth-driving businesses, the number of brokerage transactions during first quarter was 557, down 28.8% from one year earlier.

As a result, segment sales decreased 38.9% to 320 million yen and segment profit decreased 22.9% to 151 million yen.

f. 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. The number of renovation contracts signed in the first quarter decreased 8.2% from the same period of the previous fiscal year to 415 and the number of renovation completions decreased 1.2% to 429.

As a result, segment sales decreased 8.8% to 566 million yen and segment profit increased 39.1% to 35 million yen.

(2) Explanation of Financial Condition

Assets

Total assets amounted to 67,181 million yen at the end of September 2022, an increase of 1,685 million yen over the end of June 2022.

This was mainly attributable to an increase of 6,040 million yen in inventories, the result of the increasing number of properties in the House-Leaseback Business and Real Estate Buying and Selling Business.

There were decreases of 3,876 million yen in cash and deposits and 675 million yen in operating loans.

Liabilities

Liabilities totaled 53,831 million yen, an increase of 2,188 million yen over the end of June 2022.

There were increases of 857 million yen in short-term borrowings, 392 million yen in current portion of long-term borrowings and 1,136 million yen in long-term borrowings.

Net assets

Net assets totaled 13,350 million yen, a decrease of 502 million yen over the end of June 2022.

Retained earnings increased 174 million yen because of the booking of profit attributable to owners of parent for the first quarter, while there was a decrease of 704 million yen in retained earnings due to dividend payments.

(Millions of yen)

	FY2022 (As of Jun. 30, 2022)	First quarter of FY2023 (As of Sep. 30, 2022)	Change
Total assets	65,495	67,181	1,685
Liabilities	51,643	53,831	2,188
Net assets	13,852	13,350	(502)

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

&Do Holdings 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, 2022 dated August 15, 2022.

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

(Millions of yen)

	FY2022 (As of Jun. 30, 2022)	First quarter of FY2023 (As of Sep. 30, 2022)
Assets		
Current assets		
Cash and deposits	14,319	10,443
Notes and accounts receivable-trade, and contract assets	316	327
Real estate for sale	11,668	23,949
Real estate for sale in process	4,180	6,872
Costs on construction contracts in progress	282	291
Short-term loans receivable from subsidiaries and associates	115	114
Operating loans	4,792	4,117
Other	1,226	1,504
Allowance for doubtful accounts	(26)	(27)
Total current assets	36,875	47,593
Non-current assets		
Property, plant and equipment		
Buildings and structures	9,590	6,902
Accumulated depreciation	(1,584)	(1,468)
Buildings and structures, net	8,005	5,433
Land	14,784	8,280
Other	136	149
Accumulated depreciation	(88)	(91)
Other, net	47	58
Total property, plant and equipment	22,838	13,772
Intangible assets		
Goodwill	453	424
Other	919	969
Total intangible assets	1,372	1,394
Investments and other assets		
Investment securities	2,564	2,747
Long-term prepaid expenses	728	682
Deferred tax assets	464	448
Other	692	574
Allowance for doubtful accounts	(40)	(31)
Total investments and other assets	4,408	4,421
Total non-current assets	28,619	19,588
Total assets	65,495	67,181

(Millions of yen)

	FY2022 (As of Jun. 30, 2022)	First quarter of FY2023 (As of Sep. 30, 2022)
Liabilities		
Current liabilities		
Accounts payable for construction contracts	838	1,071
Short-term borrowings	9,446	10,304
Current portion of bonds payable	1,152	1,192
Current portion of long-term borrowings	7,047	7,439
Lease liabilities	4	4
Accounts payable-other	842	711
Accrued expenses	416	370
Income taxes payable	519	83
Accrued consumption taxes	188	124
Contract liabilities	1,359	1,426
Provision for bonuses	126	94
Asset retirement obligations	1	9
Provision for warranties for completed construction	4	4
Other	859	1,118
Total current liabilities	22,807	23,955
Non-current liabilities		
Bonds payable	2,266	2,244
Long-term borrowings	25,027	26,163
Lease liabilities	14	13
Long-term guarantee deposits	969	909
Deferred tax liabilities	453	449
Asset retirement obligations	76	67
Provision for warranties for completed construction	28	28
Total non-current liabilities	28,835	29,875
Total liabilities	51,643	53,831
Net assets		
Shareholders' equity		
Share capital	3,376	3,376
Capital surplus	3,394	3,395
Retained earnings	7,079	6,550
Treasury shares	(0)	(0)
Total shareholders' equity	13,850	13,321
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	(42)	(24)
Foreign currency translation adjustment	5	12
Total accumulated other comprehensive income	(37)	(11)
Share acquisition rights	38	40
Total net assets	13,852	13,350
Total liabilities and net assets	65,495	67,181

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

(Millions of yen)

	First three months of FY2022 (Jul. 1, 2021 – Sep. 30, 2021)	First three months of FY2023 (Jul. 1, 2022 – Sep. 30, 2022)
Net sales	11,071	9,612
Cost of sales	7,594	6,320
Gross profit	3,476	3,292
Selling, general and administrative expenses	2,683	2,948
Operating profit	792	343
Non-operating income		
Interest and dividend income	0	1
Gain on investments in silent partnerships	19	10
Commission income	2	5
Share of profit of entities accounted for using equity method	-	31
Other	22	28
Total non-operating income	45	77
Non-operating expenses		
Interest expenses	85	112
Share of loss of entities accounted for using equity method	2	-
Commission expenses	37	12
Loss on sales of investment securities	-	2
Other	7	3
Total non-operating expenses	132	130
Ordinary profit	704	290
Extraordinary income		
Gain on sale of non-current assets	0	0
Gain on reversal of share acquisition rights	0	0
Gain on sales of shares of subsidiaries and associates	-	0
Total extraordinary income	0	0
Extraordinary losses		
Loss on retirement of non-current assets	10	3
Impairment losses	-	10
Total extraordinary losses	10	14
Profit before income taxes	694	277
Income taxes	279	102
Profit	414	174
Profit attributable to owners of parent	414	174

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

(Millions of yen)

	First three months of FY2022 (Jul. 1, 2021 – Sep. 30, 2021)	First three months of FY2023 (Jul. 1, 2022 – Sep. 30, 2022)
Profit	414	174
Other comprehensive income		
Valuation difference on available-for-sale securities	6	17
Share of other comprehensive income of entities accounted for using equity method	(2)	7
Total other comprehensive income	3	25
Comprehensive income	418	199
Comprehensive income attributable to Comprehensive income attributable to owners of parent	418	199

(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.

Changes in Accounting Policies

Application of the Accounting Standard for Fair Value Measurement

&Do Holdings has applied the Accounting Standard for Fair Value Measurement (ASBJ Statement No. 31, June 17, 2021) from the beginning of the first quarter of the current fiscal year. &Do Holdings has applied the new accounting policies set forth by the Guidance on Accounting Standard for Fair Value Measurement prospectively in accordance with the transitional measures prescribed in Paragraph 27-2 of the Guidance on Accounting Standard for Fair Value Measurement. There is no effect of the application of these standards on the quarterly consolidated financial statements.

Reclassifications

Change in presentation of monetary units

Amounts presented in “thousands of yen” in prior periods, are presented in “millions of yen” effective from the first quarter of the current fiscal year.

Additional Information

Sale of House-Leaseback Assets

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

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

For the sale of these assets, &Do Holdings first sells House-Leaseback assets (trust beneficiary rights and other assets) to an 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 &Do Holdings for these assets. &Do Holdings 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.

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

	FY2022 (As of Jun. 30, 2022)	First quarter of FY2023 (As of Sep. 30, 2022)
Number of SPC	9	10
Total assets of SPCs	29,991 million yen	32,743 million yen
Total liabilities of SPCs	27,870 million yen	30,471 million yen

2. Transactions with SPCs

First three months of FY2022 (Jul. 1, 2021 – Sep. 30, 2021)

	Major transactions (Millions of yen)	Sales, expenses, gains	
		Items	Amount (Millions of yen)
Investments in silent partnerships	-	Partnership investment gains	19
Selling price	-	Net sales	-
Book value	-	Cost of sales	-

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

First three months of FY2023 (Jul. 1, 2022 – Sep. 30, 2022)

	Major transactions (Millions of yen)	Sales, expenses, gains	
		Items	Amount (Millions of yen)
Investments in silent partnerships	141	Partnership investment gains	10
Selling price	2,825	Net sales	2,825
Book value	2,234	Cost of sales	2,234

Notes: 1. The selling price of assets is classified as sales and the book value of assets is classified as cost of sales.

2. SPCs outsource to PM Do Co., Ltd. the management of the properties purchased from &Do Holdings. Property management fees are omitted from this table because they are negligible.

3. &Do Holdings and PM Do Co., Ltd. perform renovation work at properties that have been sold to an SPC. Renovations are omitted from this table because the monetary value is negligible.

Reclassification of real estate from non-current assets to real estate for sale

1. Change of holding purpose

In the previous medium-term plan, the Franchisee Business, House-Leaseback Business and Finance Business were positioned as the priority businesses for achieving even faster growth. Based on this plan, there have been many activities for using the existing foundation for business operations to build a model for sustained growth and for increasing sales and earnings.

The medium-term plan announced on March 31, 2022 has the goal establishing a highly profitable structure for business operations through further growth of the priority businesses and strengthening operations that combine real estate and financing.

The House-Leaseback Business was started in October 2013 and has subsequently grown into one of the core businesses of the &Do Holdings Group. As the number of properties purchased increased over the years, the primary source of sales and earnings in this business has shifted from rent, which is recurring income, to income from sales of trust beneficiary rights of house-leaseback properties. Income from these sales is now far more than income from rent.

Due to this shift in the characteristics of the House-Leaseback Business, house-leaseback properties that were previously classified as non-current assets have been reclassified as real estate for sale beginning with the first quarter of the current fiscal year.

2. Summary of reclassified non-current assets

House-leaseback and house leasing properties

3. Date of reclassification

July 1, 2022

4. Value of reclassified assets

Buildings and structures with a book value of 2,446 million yen and land with a book value of 6,468 million yen, which are included in property, plant and equipment, and other intangible assets of 26 million yen were reclassified as real estate for sale.

5. Outlook

This change will have no effect on results of operations for the fiscal year ending in June 2023.

Segment Information

I First three months of FY2022 (Jul. 1, 2021 – Sep. 30, 2021)

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

(Millions 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	Subtotal				
Net sales											
External sales	847	1,146	227	7,701	524	621	11,069	1	11,071	-	11,071
Inter-segment sales and transfers	23	15	3	0	107	-	150	-	150	(150)	-
Total	871	1,162	230	7,702	632	621	11,220	1	11,221	(150)	11,071
Segment profit (loss)	604	(5)	36	931	196	25	1,789	(4)	1,785	(992)	792

- Notes:
1. Other represents the businesses which are not included in any of the reportable segments and mainly consists of expenses of the Europe/US style real estate agent business and overseas business.
 2. The negative adjustment of 992 million yen to segment profit (loss) includes elimination for inter-segment transactions of 2 million yen, corporate expenses of negative 995 million yen that are not allocated to any of the reportable segments, and inventory adjustments of negative 0 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.

II First three months of FY2023 (Jul. 1, 2022 – Sep. 30, 2022)

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

(Millions 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	Subtotal				
Net sales											
External sales	773	4,269	159	3,522	320	566	9,611	0	9,612	-	9,612
Inter-segment sales and transfers	17	31	6	5	154	0	215	-	215	(215)	-
Total	790	4,301	165	3,528	475	566	9,827	0	9,828	(215)	9,612
Segment profit (loss)	519	550	51	267	151	35	1,576	(2)	1,573	(1,230)	343

- Notes:
1. Other represents the businesses which are not included in any of the reportable segments and mainly consists of expenses of the Europe/US style real estate agent business and overseas business.
 2. The negative adjustment of 1,230 million yen to segment profit (loss) includes elimination for inter-segment transactions of negative 10 million yen, corporate expenses of negative 1,204 million yen that are not allocated to any of the reportable segments, and inventory adjustments of negative 15 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 revisions for reportable segments

Reorganization and deletion of business segments

1. In conjunction with the change to a holding company structure on January 1, 2022, the real estate buying, selling and brokerage business of Koyama Real Estate Co., Ltd. was divested and absorbed by HOUSE DO Residential Sales Co., Ltd. and the rental property management business of Koyama Real Estate was merged with PM Do Co., Ltd. As a result, in the first nine months of FY2022, Koyama Real Estate, which was

previously included in the Koyama Construction Group, has been moved to the Real Estate Brokerage Business and the House-Leaseback Business.

Segment information for the first three months of FY2022 has been restated to reflect these changes.

2. Beginning in the first nine months of FY2022, for the purpose of more appropriately reflecting the activities of each segment, Koyama Construction Co., Ltd., which was previously included in the Koyama Construction Group, has been moved to the Real Estate Buying and Selling Business. Due to this reorganization, there is no longer a Koyama Construction Group segment.

Segment information for the first three months of FY2022 has been restated to reflect these changes.

Material Subsequent Events

Contract for absorption and merger by wholly owned subsidiaries

On October 17, 2022, the &Do Holdings Board of Directors approved a resolution concerning an absorption and merger contract between two wholly owned subsidiaries: Koyama Construction Co., Ltd. and HOUSEDO Japan Co., Ltd. The contract was signed the same day.

(1) Purpose of the merger

During the first nine months of the previous fiscal year, a reorganization took place to change to a holding company structure. The objective is to increase corporate value by further strengthening the foundation for management of business operations and achieve the rapid expansion of business operations along with sustained growth. The holding company structure facilitates the strengthening of the &Do Group's governance, the optimal allocation of the group's resources, the training of people who can become the next generation of managers, and the rapid establishment organizational structures as needed.

The decision to conduct this absorption and merger was made as part of this reorganization process in order to make the management of businesses more streamlined and efficient, capture greater synergies and receive other benefits.

(2) Summary of the Koyama Construction and HOUSEDO Japan absorption and merger

1) Name and business activities of merging companies

Surviving company

Name: HOUSEDO Japan Co., Ltd.

Business: Real Estate Buying and Selling Business and Renovation Business

Dissolved company

Name: Koyama Construction Co., Ltd.,

Business: Real Estate Buying and Selling Business and Construction Business

2) Date of the merger

January 1, 2023 (tentative)

3) Method

An absorption-type merger between HOUSEDO Japan, which will be the surviving company, and Koyama Construction, which is dissolved.

4) Company's name after merger

HOUSEDO Japan Co., Ltd.

(3) Summary of accounting methods

Accounting methods used for this merger as a transaction under common control are based on Accounting Standard for Business Combinations (Accounting Standards Board of Japan (ASBJ) Statement No. 21, January 16, 2019), and Guidance on Accounting Standard for Business Combinations and Accounting Standard for Business Divestitures (Accounting Standards Board of Japan (ASBJ) Guidance No. 10, January 16, 2019).

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.