

# Summary of Business Results for the Second Quarter Ended December 31, 2022

## [Japan GAAP] (Consolidated)

February 13, 2023

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: February 14, 2023 Expected starting date of dividend payment: -

Preparation of quarterly supplementary financial document: Yes

Holding of quarterly results briefing: Yes (for securities analysts and institutional investors)

(Rounded down to million yen)

### 1. Consolidated business results for the six months ended December 2022

(July 1, 2022 through December 31, 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	%
Six months ended Dec. 31, 2022	25,436	14.1	1,749	(2.3)	1,853	6.0	1,132	(3.1)
Six months ended Dec. 31, 2021	22,290	19.0	1,791	44.4	1,747	46.9	1,169	49.0

(Note) Comprehensive income:

Six months ended Dec. 31, 2022: 1,160 million yen (up 0.4%)

Six months ended Dec. 31, 2021: 1,155 million yen (up 48.0%)

	Net income per share	Diluted net income per share
	Yen	Yen
Six months ended Dec. 31, 2022	57.91	57.29
Six months ended Dec. 31, 2021	59.80	59.04

(2) Consolidated financial position

	Total assets	Net assets	Shareholder's equity ratio	Net assets per share
	Million yen	Million yen	%	Yen
As of Dec. 31, 2022	68,489	14,311	20.8	729.38
As of Jun. 30, 2022	65,495	13,852	21.1	706.07

(Reference) Shareholders' equity:

As of Dec. 31, 2022: 14,270 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	-	0.00	-	-	-
Fiscal year ending Jun. 30, 2023 (forecast)	-	-	-	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
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, (4) Notes to Quarterly Consolidated Financial Statements (Application of Accounting Procedures Specific to Preparation of the Quarterly Consolidated Financial Statements)” on page 11 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, (4) Notes to Quarterly Consolidated Financial Statements (Changes in Accounting Policies)” on page 11 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 Dec. 31, 2022                                                            | 19,566,400 shares |
| As of Jun. 30, 2022                                                            | 19,564,800 shares |
| 2) Number of treasury shares at the end of the period                          |                   |
| As of Dec. 31, 2022                                                            | 561 shares        |
| As of Jun. 30, 2022                                                            | 561 shares        |
| 3) Average number of shares during the period (cumulative)                     |                   |
| Six months ended Dec. 31, 2022                                                 | 19,565,404 shares |
| Six months ended Dec. 31, 2021                                                 | 19,557,297 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 Six-month Period	8
Quarterly Consolidated Statement of Comprehensive Income	
For the Six-month Period	9
(3) Quarterly Consolidated Statement of Cash Flows	10
(4) Notes to Quarterly Consolidated Financial Statements	11
Going Concern Assumption	11
Significant Changes in Shareholders' Equity	11
Application of Accounting Procedures Specific to Preparation of the Quarterly Consolidated Financial Statements	11
Changes in Accounting Policies	11
Reclassifications	11
Additional Information	12
Segment Information	13
Material Subsequent Events	14

## 1. Qualitative Information on Quarterly Consolidated Financial Performance

### (1) Explanation of Results of Operations

The Japanese economy began to recover during the first half of the current fiscal year as the number of COVID-19 cases declined and economic activity increased. The outlook is uncertain because of the risk of an economic downturn due to rising interest rates in the United States and other countries, high prices of resources and other reasons.

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 25,436 million yen (up 14.1% year on year), operating profit of 1,749 million yen (down 2.3% year on year), ordinary profit of 1,853 million yen (up 6.0% year on year) and profit attributable to owners of parent of 1,132 million yen (down 3.1 % 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 December 31, 2022)

Segment	Net sales (Millions of yen)	Activities
Franchisee Business	1,582	57 new franchisee contracts, raising total to 688 70 new franchised stores, raising total to 621
House-Leaseback Business	10,370	561 properties purchased, raising holdings to 658; 518 properties sold
Finance Business	285	174 guarantees for reverse mortgages; 48 real estate secured loans
Real Estate Buying and Selling Business	11,174	293 transactions
Real Estate Brokerage Business	671	1,088 brokered properties
Renovation Business	1,351	841 contracts; 959 renovation completions
Other Business	0	(Europe/US style) real estate agent and overseas business
Total	25,436	-

#### 1) 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 were 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 half, there were 57 new franchisee contracts. The number of franchisee contracts at the end of the December 2022 was 688.

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 70 franchised stores during the first half, raising the total to 621 at the end of December 2022.

As a result, segment sales decreased 6.4% to 1,582 million yen and segment profit decreased 11.7% to 1,044 million yen.

## 2) 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 half, this business purchased 561 properties. The large inventory of properties in this business was used for monetizing selected holdings. There were sales of 518 properties to investment funds, real estate purchasing companies and other buyers, resales of properties, and sales to other buyers. The number of residential properties owned by this business was 658 at the end of December 2022. All of these properties are generating leasing income.

As a result, segment sales increased 60.1% to 10,370 million yen and segment profit increased 64.5% to 1,350 million yen.

## 3) 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 174 during the first half to 978 and guarantees totaled 10,879 million yen. There were 48 new loans secured by real estate during the first half.

As a result, segment sales decreased 35.4% to 285 million yen and segment profit was down 4.7% to 87 million yen.

## 4) Real Estate Buying and Selling Business

Demand among consumers for buying a residence remained strong during the first half 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. There were a large number of transactions in the second quarter because of the timing of the closing of these transactions. The result was transactions for 293 properties during the first half, down 3.3% from one year earlier and sales and earnings that were about the same as in the first half of the previous fiscal year, when there were many large transactions.

As a result, segment sales decreased 1.6% to 11,174 million yen and segment profit increased 1.1% to 1,196 million yen.

## 5) Real Estate Brokerage Business

This business uses 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 half was 1,088, down 27.5% from one year earlier. Although transactions decreased, earnings were about the same as one year earlier because of an improvement in productivity.

As a result, segment sales decreased 30.9% to 671 million yen and segment profit decreased 8.8% to 303 million yen.

## 6) Renovation Business

This business used a collaboration with the Real Estate Brokerage Business to sell existing homes with renovation orders as a single package. Moreover, we held many joint renovation fairs with housing equipment manufacturers to attract customers. The number of renovation contracts signed in the first half decreased 12.7% from the same period of the previous fiscal year to 841 and the number of renovation completions increased 1.3% to 959 as work on renovation projects was finished as planned.

As a result, segment sales decreased 0.1% to 1,351 million yen and segment profit increased 42.0% to 132 million yen.

### (2) Explanation of Financial Condition

#### 1) Assets, liabilities and net assets

##### Assets

Total assets amounted to 68,489 million yen at the end of December 2022, an increase of 2,993 million yen over the end of June 2022.

This was mainly attributable to increases of 7,562 million yen in inventories, the result of the increasing number of properties in the House-Leaseback Business and Real Estate Buying and Selling Business and 583 million yen in property, plant and equipment and an increase of 596 million yen in investment securities as a result of liquidation of inventories and gain on investments in silent partnerships.

There were decreases of 4,019 million yen in cash and deposits and 1,679 million yen in operating loans.

##### Liabilities

Liabilities totaled 54,177 million yen, an increase of 2,534 million yen over the end of June 2022.

There were increases of 431 million yen in accounts payable for construction contracts, 348 million yen in short-term borrowings, 700 million yen in current portion of long-term borrowings and 1,101 million yen in long-term borrowings.

##### Net assets

Net assets totaled 14,311 million yen, an increase of 458 million yen over the end of June 2022.

Retained earnings increased 1,132 million yen because of the booking of profit attributable to owners of parent for the first half, 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)	Second quarter of FY2023 (As of Dec. 31, 2022)	Change
Total assets	65,495	68,489	2,993
Liabilities	51,643	54,177	2,534
Net assets	13,852	14,311	458

#### 2) Cash flows

Cash and cash equivalents (hereinafter “net cash”) as of the end of December 2022 amounted to 9,375 million yen, a decrease of 4,138 million yen over the end of June 2022.

##### Cash flows from operating activities

Net cash used in operating activities totaled 4,087 million yen (compared with net cash provided of 10,739 million yen in the same period of the previous fiscal year).

Positive factors include the booking of profit before income taxes of 1,838 million yen and a decrease in operating loans receivable of 1,782 million yen.

Negative factors include an increase of 7,570 million yen in inventories, the result of the increasing number of properties in the House-Leaseback Business and Real Estate Buying and Selling Business.

#### Cash flows from investing activities

Net cash used in investing activities totaled 1,683 million yen (compared with net cash used of 10,855 million yen in the same period of the previous fiscal year).

Negative factors include the payment for the purchase of property, plant and equipment of 1,051 million yen and purchase of investment securities of 409 million yen.

#### Cash flows from financing activities

Net cash provided by financing activities totaled 1,634 million yen (compared with net cash provided of 366 million yen in the same period of the previous fiscal year).

Positive factors include proceeds from long-term borrowings of 8,765 million yen and proceeds from issuance of bonds of 700 million yen.

Negative factors include repayments of long-term borrowings of 6,963 million yen and cash dividends paid of 702 million yen.

### **(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)	Second quarter of FY2023 (As of Dec. 31, 2022)
<b>Assets</b>		
Current assets		
Cash and deposits	14,319	10,300
Notes and accounts receivable-trade, and contract assets	316	322
Real estate for sale	11,668	25,479
Real estate for sale in process	4,180	6,965
Costs on construction contracts in progress	282	190
Short-term loans receivable from subsidiaries and associates	115	-
Operating loans	4,792	3,112
Other	1,226	1,398
Allowance for doubtful accounts	(26)	(13)
Total current assets	36,875	47,756
Non-current assets		
Property, plant and equipment		
Buildings and structures	9,590	6,986
Accumulated depreciation	(1,584)	(1,536)
Buildings and structures, net	8,005	5,449
Land	14,784	8,982
Other	136	167
Accumulated depreciation	(88)	(92)
Other, net	47	75
Total property, plant and equipment	22,838	14,506
Intangible assets		
Goodwill	453	396
Other	919	1,019
Total intangible assets	1,372	1,415
Investments and other assets		
Investment securities	2,564	3,160
Long-term prepaid expenses	728	643
Deferred tax assets	464	447
Other	692	579
Allowance for doubtful accounts	(40)	(20)
Total investments and other assets	4,408	4,810
Total non-current assets	28,619	20,733
Total assets	65,495	68,489



(Millions of yen)

	FY2022 (As of Jun. 30, 2022)	Second quarter of FY2023 (As of Dec. 31, 2022)
<b>Liabilities</b>		
Current liabilities		
Accounts payable for construction contracts	838	1,270
Short-term borrowings	9,446	9,795
Current portion of bonds payable	1,152	1,256
Current portion of long-term borrowings	7,047	7,747
Lease liabilities	4	4
Accounts payable-other	842	515
Accrued expenses	416	454
Income taxes payable	519	565
Accrued consumption taxes	188	157
Contract liabilities	1,359	1,344
Provision for bonuses	126	190
Asset retirement obligations	1	7
Provision for warranties for completed construction	4	4
Other	859	940
Total current liabilities	22,807	24,254
Non-current liabilities		
Bonds payable	2,266	2,350
Long-term borrowings	25,027	26,129
Lease liabilities	14	12
Long-term guarantee deposits	969	888
Deferred tax liabilities	453	446
Asset retirement obligations	76	68
Provision for warranties for completed construction	28	28
Total non-current liabilities	28,835	29,923
Total liabilities	51,643	54,177
Net assets		
Shareholders' equity		
Share capital	3,376	3,376
Capital surplus	3,394	3,395
Retained earnings	7,079	7,508
Treasury shares	(0)	(0)
Total shareholders' equity	13,850	14,280
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	(42)	(20)
Foreign currency translation adjustment	5	10
Total accumulated other comprehensive income	(37)	(9)
Share acquisition rights	38	40
Total net assets	13,852	14,311
Total liabilities and net assets	65,495	68,489

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

(Millions of yen)

	First six months of FY2022 (Jul. 1, 2021 – Dec. 31, 2021)	First six months of FY2023 (Jul. 1, 2022 – Dec. 31, 2022)
Net sales	22,290	25,436
Cost of sales	15,116	17,646
Gross profit	7,174	7,789
Selling, general and administrative expenses	5,382	6,039
Operating profit	1,791	1,749
Non-operating income		
Interest and dividend income	0	1
Gain on investments in silent partnerships	100	241
Commission income	5	7
Insurance claim income	4	3
Penalty income	20	18
Share of profit of entities accounted for using equity method	-	30
Other	47	75
Total non-operating income	180	377
Non-operating expenses		
Interest expenses	172	231
Share of loss of entities accounted for using equity method	0	-
Loss on sales of investment securities	-	4
Other	51	38
Total non-operating expenses	224	274
Ordinary profit	1,747	1,853
Extraordinary income		
Gain on sale of non-current assets	0	0
Gain on reversal of share acquisition rights	3	0
Gain on sales of shares of subsidiaries and associates	-	0
Total extraordinary income	3	0
Extraordinary losses		
Loss on retirement of non-current assets	16	5
Impairment losses	-	10
Total extraordinary losses	16	16
Profit before income taxes	1,733	1,838
Income taxes	564	705
Profit	1,169	1,132
Profit attributable to owners of parent	1,169	1,132

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

(Millions of yen)

	First six months of FY2022 (Jul. 1, 2021 – Dec. 31, 2021)	First six months of FY2023 (Jul. 1, 2022 – Dec. 31, 2022)
Profit	1,169	1,132
Other comprehensive income		
Valuation difference on available-for-sale securities	(6)	21
Share of other comprehensive income of entities accounted for using equity method	(6)	5
Total other comprehensive income	(13)	27
Comprehensive income	1,155	1,160
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	1,155	1,160

**(3) Quarterly Consolidated Statement of Cash Flows**

(Millions of yen)

	First six months of FY2022 (Jul. 1, 2021 – Dec. 31, 2021)	First six months of FY2023 (Jul. 1, 2022 – Dec. 31, 2022)
Cash flows from operating activities		
Profit before income taxes	1,733	1,838
Depreciation	307	404
Loss (gain) on investments in silent partnerships	(100)	(241)
Amortization of goodwill	57	57
Interest and dividend income	(0)	(1)
Interest expenses	172	231
Decrease (increase) in trade receivables	(532)	(5)
Decrease (increase) in inventories	5,756	(7,570)
Increase (decrease) in trade payables	637	431
Decrease (increase) in operating loans receivable	3,919	1,782
Increase (decrease) in advances received on construction contracts in progress	(269)	-
Increase (decrease) in advances received	(542)	-
Increase (decrease) in contract liabilities	1,358	(14)
Decrease (increase) in advance payments to suppliers	(13)	(159)
Increase (decrease) in guarantee deposits received	(140)	(80)
Other, net	(809)	143
Subtotal	11,532	(3,185)
Interest and dividends received	0	1
Interest paid	(173)	(244)
Income taxes refund (paid)	(619)	(660)
Net cash provided by (used in) operating activities	10,739	(4,087)
Cash flows from investing activities		
Purchase of property, plant and equipment	(10,205)	(1,051)
Purchase of intangible assets	(330)	(235)
Payments of guarantee deposits	(90)	(17)
Purchase of investment securities	(204)	(409)
Decrease (increase) in restricted deposits	(0)	(118)
Other, net	(24)	149
Net cash provided by (used in) investing activities	(10,855)	(1,683)
Cash flows from financing activities		
Net increase (decrease) in short-term borrowings	(1,928)	348
Proceeds from long-term borrowings	8,300	8,765
Repayments of long-term borrowings	(5,963)	(6,963)
Proceeds from issuance of bonds	800	700
Redemption of bonds	(256)	(512)
Dividends paid	(585)	(702)
Other, net	(0)	(1)
Net cash provided by (used in) financing activities	366	1,634
Effect of exchange rate change on cash and cash equivalents	2	(1)
Net increase (decrease) in cash and cash equivalents	253	(4,138)
Cash and cash equivalents at beginning of period	16,313	13,513
Cash and cash equivalents at end of period	16,567	9,375

#### **(4) 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 half of the current fiscal year.

###### **Quarterly Consolidated Statement of Cash Flows**

"Amortization of long-term prepaid expenses" of 95 million yen, "Increase (decrease) in allowance for doubtful accounts" of 0 million yen, "Increase (decrease) in provision for warranties for completed construction" of -0 million yen, "Increase (decrease) in provision for bonuses" of 16 million yen, "Loss (gain) on sales of non-current assets" of -0 million yen, "Foreign exchange losses (gains)" of -3 million yen, "Decrease (increase) in prepaid expenses" of -33 million yen, "Decrease (increase) in accounts receivable-other" of 2 million yen, "Increase (decrease) in accrued consumption taxes" of -57 million yen, "Increase (decrease) in accrued expenses" of -15 million yen and "Increase (decrease) in deposits received" of 13 million yen, presented under cash flows from operating activities in the first six months of FY2022, are included in "Other" from the first six months of FY2023 due to a decrease in its monetary materiality. To conform to this change, the quarterly consolidated statement of cash flows for the first six months of FY2022 are reclassified.

As a result, a total of 16 million yen of the above items under cash flows from operating activities shown in the quarterly consolidated statement of cash flows for the first six months of FY2022 is reclassified as "Other, net."

"Proceeds from sales of property, plant and equipment" of 0 million yen and "Proceeds from refund of guarantee deposits" of 4 million yen, presented under cash flows from investing activities in the first six months of FY2022, are included in "Other" from the first six months of FY2023 due to a decrease in its monetary materiality. To conform to this change, the quarterly consolidated statement of cash flows for the first six months of FY2022 are reclassified.

As a result, a total of 4 million yen of the above items under cash flows from investing activities shown in the quarterly consolidated statement of cash flows for the first six months of FY2022 is reclassified as "Other, net."

"Repayments of lease obligations" of -2 million yen and "Proceeds from issuance of shares resulting from exercise of share acquisition rights" of 1 million yen, presented under cash flows from financing activities in the

first six months of FY2022, are included in “Other” from the first six months of FY2023 due to a decrease in its monetary materiality. To conform to this change, the quarterly consolidated statement of cash flows for the first six months of FY2022 are reclassified.

As a result, a total of -0 million yen of the above items under cash flows from financing activities shown in the quarterly consolidated statement of cash flows for the first six months of FY2022 is reclassified as “Other, net.”

## 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)	Second quarter of FY2023 (As of Dec. 31, 2022)
Number of SPC	9	11
Total assets of SPCs	29,991 million yen	35,905 million yen
Total liabilities of SPCs	27,870 million yen	33,183 million yen

#### 2. Transactions with SPCs

First six months of FY2022 (Jul. 1, 2021 – Dec. 31, 2021)

	Major transactions (Millions of yen)	Sales, expenses, gains	
		Items	Amount (Millions of yen)
Investments in silent partnerships	204	Partnership investment gains	100
Selling price	4,183	Net sales	4,183
Book value	3,193	Cost of sales	3,193

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.

First six months of FY2023 (Jul. 1, 2022 – Dec. 31, 2022)

	Major transactions (Millions of yen)	Sales, expenses, gains	
		Items	Amount (Millions of yen)
Investments in silent partnerships	359	Partnership investment gains	241
Selling price	7,201	Net sales	7,201
Book value	5,701	Cost of sales	5,701

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 six months of FY2022 (Jul. 1, 2021 – Dec. 31, 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	1,691	6,477	441	11,353	971	1,352	22,288	2	22,290	-	22,290
Inter-segment sales and transfers	50	29	5	1	239	-	325	-	325	(325)	-
Total	1,741	6,507	446	11,355	1,210	1,352	22,614	2	22,616	(325)	22,290
Segment profit (loss)	1,183	820	91	1,184	332	93	3,706	(13)	3,693	(1,901)	1,791

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 1,901 million yen to segment profit (loss) includes elimination for inter-segment transactions of 9 million yen, corporate expenses of negative 1,905 million yen that are not allocated to any of the reportable segments, and inventory adjustments of negative 5 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 six months of FY2023 (Jul. 1, 2022 – Dec. 31, 2022)

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

	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	1,582	10,370	285	11,174	671	1,351	25,435	0	25,436	-	25,436
Inter-segment sales and transfers	37	42	11	11	294	0	398	-	398	(398)	-
Total	1,620	10,413	296	11,186	966	1,351	25,833	0	25,834	(398)	25,436
Segment profit (loss)	1,044	1,350	87	1,196	303	132	4,115	(18)	4,096	(2,346)	1,749

- 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 2,346 million yen to segment profit (loss) includes elimination for inter-segment transactions of 2 million yen, corporate expenses of negative 2,327 million yen that are not allocated to any of the reportable segments, and inventory adjustments of negative 21 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 six 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 six months of FY2022 has been restated to reflect these changes.

### Material Subsequent Events

#### 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 Koyama Construction Co., Ltd. and HOUSEDO Japan Co., Ltd., which are wholly owned subsidiaries, effective January 1, 2023. The contract was signed the same day and the merger took place on January 1, 2023.

#### (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) Absorption and merger of wholly owned subsidiaries

1) Timetable

Approval of contract by the Board of Directors of the two companies: October 17, 2022  
 Contract signing: October 17, 2022  
 Date of merger: January 1, 2023

2) Merger method and allocations

This is an absorption-type merger between HOUSEDO Japan, which is the surviving company, and Koyama Construction, which is dissolved.

There will be no allocation of stock or other payments in association with this merger.

3) Basis for calculation of allocations associated with this merger

Not applicable.

4) Assets and liabilities of surviving company

In accordance with the contract for this absorption-type merger, HOUSEDO Japan, which is the surviving company, will receive all assets, liabilities, contractual positions, and other rights and obligations of Koyama Construction on the merger date.

5) Summary of HOUSEDO Japan following the merger

Name	HOUSEDO Japan Co., Ltd.
Headquarters	670 Tearaimizu-cho, Nakagyo-ku, Kyoto-shi, Kyoto
Representative	Shinya Ichida, President
Capital	3 million yen
Business	Real estate buying and selling business and renovation business

(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 (ASJ) 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.*