

Summary of Business Results for the First Quarter Ended September 30, 2023

[Japan GAAP] (Consolidated)

November 13, 2023
Listed on the TSE

Company **&Do Holdings Co., Ltd.**
 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, 2023 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 2023 (July 1, 2023 through September 30, 2023)

(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, 2023	15,389	60.1	970	182.9	847	191.7	558	219.4
Three months ended Sep. 30, 2022	9,612	(13.2)	343	(56.7)	290	(58.8)	174	(57.9)

(Note) Comprehensive income:

Three months ended Sep. 30, 2023: 569 million yen (up 184.6%)

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

	Net income per share	Diluted net income per share
	Yen	Yen
Three months ended Sep. 30, 2023	28.32	28.07
Three months ended Sep. 30, 2022	8.93	8.84

(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, 2023	81,179	15,325	18.8	768.54
As of Jun. 30, 2023	83,027	15,395	18.5	784.67

(Reference) Shareholders' equity:

As of Sep. 30, 2023: 15,285 million yen

As of Jun. 30, 2023: 15,354 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, 2023	-	0.00	-	40.00	40.00
Fiscal year ending Jun. 30, 2024	-				
Fiscal year ending Jun. 30, 2024 (forecast)		0.00	-	43.00	43.00

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

3. Forecast of consolidated business results for the fiscal year ending June 2024 (July 1, 2023 through June 30, 2024)

	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, 2023	28,126	10.6	1,800	2.9	1,800	(2.9)	1,188	4.9	60.70
Fiscal year ending Jun. 30, 2024	57,370	15.8	3,600	13.3	3,600	7.2	2,376	8.2	121.42

(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 | : 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, 2023	19,890,000 shares
As of Jun. 30, 2023	19,569,200 shares

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

As of Sep. 30, 2023	561 shares
As of Jun. 30, 2023	561 shares

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

Three months ended Sep. 30, 2023	19,711,882 shares
Three months ended Sep. 30, 2022	19,565,191 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.

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1. Qualitative Information on Quarterly Consolidated Financial Performance

(1) Explanation of Results of Operations

Business sentiment slowly improved during the first quarter of the current fiscal year as economic activity continued returning to normal and consumer spending and corporate earnings are recovering. The outlook for the economy remains uncertain due to inflation fueled by rising prices of raw materials and worldwide monetary tightening.

In the Japanese real estate industry, where the &Do Holdings Group operates, the business climate was mostly favorable. This was attributed to a robust demand for houses, supported by extremely low interest rates on mortgages—a consequence of the Bank of Japan maintaining its policy of large-scale monetary easing.

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 15,389 million yen (up 60.1% year on year), operating profit of 970 million yen (up 182.9% year on year), ordinary profit of 847 million yen (up 191.7% year on year) and profit attributable to owners of parent of 558 million yen (up 219.4% year on year).

Business segment performance was as follows.

(As of September 30, 2023)

Segment	Net sales (Millions of yen)	Activities
Franchisee Business	777	27 new franchisee contracts, raising total to 696 26 new franchised stores, raising total to 629
House-Leaseback Business	6,250	300 properties purchased, raising holdings to 711; 245 properties sold
Finance Business	111	145 new guarantees for reverse mortgages, raising total to 1,312
Real Estate Buying and Selling Business	7,343	172 transactions
Real Estate Brokerage Business	297	433 brokered properties
Renovation Business	608	391 contracts; 393 renovation completions
Other Business	0	(Europe/US style) real estate agent and overseas business
Total	15,389	-

1) Franchisee Business

In this business, our primary focus was on recruiting new franchisees, primarily in the Tokyo metropolitan area where there is still significant room for growth. The addition of franchisees is supported by rising awareness of our brand as the number of these stores increases and by large expenditures for advertising and personnel. During the first quarter, there were 27 new franchisee contracts. The number of franchisee contracts at the end of September 2023 was 696.

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 26 franchised stores during the first quarter, raising the total to 629 at the end of September 2023.

As a result, segment sales increased 0.6% to 777 million yen and segment profit decreased 5.7% to 490 million yen.

2) House-Leaseback Business

This business is growing due to a large number in inquiries from prospective customers and new house-leaseback contracts. There is a significant need for this method of using real estate to procure funds for retirement income, a business or a variety of other purposes. The addition of 300 house-leaseback properties during the first quarter raised to 711 the number of properties purchased and leased back by this business as of the end of the first quarter. In addition, the large inventory of these properties was used for generating capital gains by reselling selected properties. During the first quarter, there were 245 properties sold to investment funds, real estate purchasing companies and other buyers, resold, and disposed.

As a result, segment sales increased 46.4% to 6,250 million yen and segment profit increased 40.9% to 775 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 the number of guarantee agreements with financial institutions and build stronger ties with these institutions. In the first quarter, the number of reverse mortgage guarantees increased by 145 to 1,312 and guarantees totaled 14,934 million yen. To focus resources on key growth-driving businesses, the finance business using loans secured by real estate is being downsized and loans outstanding totaled 2,289 million yen at the end of the first quarter.

As a result, segment sales decreased 29.9% to 111 million yen and segment profit was down 67.8% to 16 million yen.

4) Real Estate Buying and Selling Business

Cooperation with directly operated real estate brokerage stores and other measures were used to buy more properties and supply properties that match the needs of customers in order to increase sales. Demand for houses in Japan is remaining firm because of extremely low interest rates on mortgages. Due to this favorable business climate, there was a large volume of sales of the substantial inventory of this business. The result was transactions for 172 properties during the first quarter, up 17.8% from one year earlier.

As a result, segment sales increased 108.4% to 7,343 million yen and segment profit increased 185.5% to 763 million yen.

5) Real Estate Brokerage Business

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, the number of brokerage transactions during the first quarter was 433, down 22.3% from one year earlier, because of the redeployment of personnel to key growth-driving businesses.

As a result, segment sales decreased 7.2% to 297 million yen and segment profit decreased 0.6% to 150 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 quarter decreased 5.8% from one year earlier to 391 and the number of renovation completions decreased 8.4% to 393.

As a result, segment sales increased 7.4% to 608 million yen and segment profit increased 48.6% to 52 million yen.

(2) Explanation of Financial Condition

Assets

Total assets amounted to 81,179 million yen at the end of September 2023, a decrease of 1,848 million yen over the end of June 2023.

There was an increase of 4,650 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 was a decrease of 3,280 million yen in property, plant and equipment because of the reclassification of properties owned by the Real Estate Buying and Selling Business from non-current assets to real estate for sale and a decrease of 2,979 million yen in cash and deposits.

Liabilities

Liabilities totaled 65,854 million yen, a decrease of 1,778 million yen over the end of June 2022.

There were increases of 636 million yen in short-term borrowings and 337 million yen in current portion of long-term borrowings.

There were decreases of 2,187 million yen in long-term borrowings and 230 million yen in income taxes payable.

Net assets

Net assets totaled 15,325 million yen, a decrease of 69 million yen over the end of June 2022.

There were increases of 72 million yen each in share capital and capital surplus due to the exercise of share acquisition rights as stock options, and 558 million yen in retained earnings because of the booking of profit attributable to owners of parent.

There was a decrease of 782 million yen in retained earnings due to dividend payments.

(Millions of yen)

	FY2023 (As of Jun. 30, 2023)	First quarter of FY2024 (As of Sep. 30, 2023)	Change
Total assets	83,027	81,179	(1,848)
Liabilities	67,632	65,854	(1,778)
Net assets	15,395	15,325	(69)

(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, 2023 dated August 14, 2023.

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

	(Millions of yen)	
	FY2023 (As of Jun. 30, 2023)	First quarter of FY2024 (As of Sep. 30, 2023)
Assets		
Current assets		
Cash and deposits	10,314	7,334
Notes and accounts receivable-trade, and contract assets	337	155
Real estate for sale	34,680	42,657
Real estate for sale in process	9,240	5,887
Costs on construction contracts in progress	273	298
Operating loans	2,514	2,319
Other	1,528	1,714
Allowance for doubtful accounts	(14)	(15)
Total current assets	58,873	60,354
Non-current assets		
Property, plant and equipment		
Buildings and structures	6,915	5,570
Accumulated depreciation	(1,663)	(1,352)
Buildings and structures, net	5,252	4,217
Land	11,941	9,681
Other	290	307
Accumulated depreciation	(97)	(100)
Other, net	192	207
Total property, plant and equipment	17,386	14,106
Intangible assets		
Goodwill	339	312
Other	1,136	1,167
Total intangible assets	1,476	1,480
Investments and other assets		
Investment securities	3,741	3,792
Long-term prepaid expenses	558	508
Deferred tax assets	391	384
Other	609	565
Allowance for doubtful accounts	(9)	(11)
Total investments and other assets	5,290	5,239
Total non-current assets	24,154	20,825
Total assets	83,027	81,179

(Millions of yen)

	FY2023 (As of Jun. 30, 2023)	First quarter of FY2024 (As of Sep. 30, 2023)
Liabilities		
Current liabilities		
Accounts payable for construction contracts	1,262	1,228
Short-term borrowings	17,520	18,157
Current portion of bonds payable	1,060	1,088
Current portion of long-term borrowings	9,652	9,990
Lease liabilities	4	4
Accounts payable-other	591	627
Accrued expenses	433	457
Income taxes payable	636	405
Accrued consumption taxes	170	187
Contract liabilities	1,404	1,297
Provision for bonuses	181	90
Asset retirement obligations	6	0
Provision for warranties for completed construction	3	3
Other	919	1,003
Total current liabilities	33,849	34,542
Non-current liabilities		
Bonds payable	2,256	2,136
Long-term borrowings	30,162	27,974
Lease liabilities	9	8
Long-term guarantee deposits	846	837
Deferred tax liabilities	386	250
Asset retirement obligations	94	77
Provision for warranties for completed construction	27	27
Total non-current liabilities	33,783	31,311
Total liabilities	67,632	65,854
Net assets		
Shareholders' equity		
Share capital	3,377	3,449
Capital surplus	3,395	3,468
Retained earnings	8,570	8,346
Treasury shares	(0)	(0)
Total shareholders' equity	15,343	15,263
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	(3)	(0)
Foreign currency translation adjustment	14	23
Total accumulated other comprehensive income	11	22
Share acquisition rights	40	39
Total net assets	15,395	15,325
Total liabilities and net assets	83,027	81,179

(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 FY2023 (Jul. 1, 2022 – Sep. 30, 2022)	First three months of FY2024 (Jul. 1, 2023 – Sep. 30, 2023)
Net sales	9,612	15,389
Cost of sales	6,320	11,250
Gross profit	3,292	4,138
Selling, general and administrative expenses	2,948	3,167
Operating profit	343	970
Non-operating income		
Interest and dividend income	1	0
Gain on investments in silent partnerships	10	18
Commission income	5	6
Share of profit of entities accounted for using equity method	31	2
Consumption taxes refund	11	28
Other	17	11
Total non-operating income	77	67
Non-operating expenses		
Interest expenses	112	176
Commission expenses	12	12
Loss on sale of investment securities	2	-
Other	3	2
Total non-operating expenses	130	191
Ordinary profit	290	847
Extraordinary income		
Gain on sale of non-current assets	0	-
Gain on reversal of share acquisition rights	0	0
Gain on sale of shares of subsidiaries and associates	0	-
Total extraordinary income	0	0
Extraordinary losses		
Loss on retirement of non-current assets	3	4
Impairment losses	10	-
Total extraordinary losses	14	4
Profit before income taxes	277	843
Income taxes	102	285
Profit	174	558
Profit attributable to owners of parent	174	558

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

(Millions of yen)

	First three months of FY2023 (Jul. 1, 2022 – Sep. 30, 2022)	First three months of FY2024 (Jul. 1, 2023 – Sep. 30, 2023)
Profit	174	558
Other comprehensive income		
Valuation difference on available-for-sale securities	17	2
Share of other comprehensive income of entities accounted for using equity method	7	8
Total other comprehensive income	25	10
Comprehensive income	199	569
Comprehensive income attributable to Comprehensive income attributable to owners of parent	199	569

(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

&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.

	FY2023 (As of Jun. 30, 2023)	First quarter of FY2024 (As of Sep. 30, 2023)
Number of SPC	13	13
Total assets of SPCs	40,649 million yen	44,452 million yen
Total liabilities of SPCs	37,243 million yen	41,009 million yen

2. Transactions with SPCs

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.

First three months of FY2024 (Jul. 1, 2023 – Sep. 30, 2023)

	Major transactions (Millions of yen)	Sales, expenses, gains	
		Items	Amount (Millions of yen)
Investments in silent partnerships	200	Partnership investment gains	18
Selling price	4,016	Net sales	4,016
Book value	3,252	Cost of sales	3,252

- 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.

Segment Information

I 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

	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.

II First three months of FY2024 (Jul. 1, 2023 – Sep. 30, 2023)

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	777	6,250	111	7,343	297	608	15,388	0	15,389	-	15,389
Inter-segment sales and transfers	20	17	-	9	135	-	182	-	182	(182)	-
Total	798	6,268	111	7,352	432	608	15,571	0	15,571	(182)	15,389
Segment profit (loss)	490	775	16	763	150	52	2,249	(3)	2,246	(1,275)	970

- 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 1,275 million yen to segment profit (loss) includes elimination for inter-segment transactions of negative 0 million yen, corporate expenses of negative 1,287 million yen that are not allocated to any of the reportable segments, and inventory adjustments of 12 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.

Material Subsequent Events

Not applicable.

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