

Summary of Business Results for the Second Quarter Ended December 31, 2023

[Japan GAAP] (Consolidated)

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Listed on the TSE

Company **&Do Holdings Co., Ltd.**
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Expected date of filing of quarterly report: February 14, 2024 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 2023

(July 1, 2023 through December 31, 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	%
Six months ended Dec. 31, 2023	35,372	39.1	2,158	23.4	2,095	13.1	1,403	23.9
Six months ended Dec. 31, 2022	25,436	14.1	1,749	(2.3)	1,853	6.0	1,132	(3.1)

(Note) Comprehensive income:

Six months ended Dec. 31, 2023: 1,410 million yen (up 21.6%)

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

	Net income per share	Diluted net income per share
	Yen	Yen
Six months ended Dec. 31, 2023	70.88	70.46
Six months ended Dec. 31, 2022	57.91	57.29

(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, 2023	80,880	16,169	20.0	811.10
As of Jun. 30, 2023	83,027	15,395	18.5	784.67

(Reference) Shareholders' equity:

As of Dec. 31, 2023: 16,139 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	-	0.00	-	-	-
Fiscal year ending Jun. 30, 2024 (forecast)	-	-	-	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)

(% 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, 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, (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 | : 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 Dec. 31, 2023	19,898,400 shares
As of Jun. 30, 2023	19,569,200 shares

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

As of Dec. 31, 2023	561 shares
As of Jun. 30, 2023	561 shares

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

Six months ended Dec. 31, 2023	19,803,993 shares
Six months ended Dec. 31, 2022	19,565,404 shares

*** The current quarterly financial report is not subject to quarterly reviews by certified public accountants or auditing firms.**

*** Explanation regarding appropriate use of business forecasts and other special instructions**

(Caution concerning forward-looking statements)

Forecasts regarding future performance in this material are based on information currently available to the Company and certain assumptions that the Company deems to be reasonable at the time this report was prepared. The Company does not make promises about the achievements. Actual results may differ significantly from the forecasts due to various factors. Please refer to the section “1. Qualitative Information on Quarterly Consolidated Financial Performance, (3) Explanation of Consolidated Forecast and Other Forward-looking Statements” on page 5 of the attachments regarding preconditions or other related matters for the forecasts.

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1. Qualitative Information on Quarterly Consolidated Financial Performance

(1) Explanation of Results of Operations

During the first half of the current fiscal year, the Japanese economy was negatively affected by a slowing pace of recovery in overseas economy but corporate earnings, labor market and personal income are slowing recovery. However, the outlook for the economy remains highly uncertain due to the impact of the price situation and worldwide interest rate trends.

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 35,372 million yen (up 39.1% year on year), operating profit of 2,158 million yen (up 23.4% year on year), ordinary profit of 2,095 million yen (up 13.1% year on year) and profit attributable to owners of parent of 1,403 million yen (up 23.9% year on year).

Business segment performance was as follows.

(As of December 31, 2023)

Segment	Net sales (Millions of yen)	Activities
Franchisee Business	1,594	58 new franchisee contracts, raising total to 708 46 new franchised stores, raising total to 632
House-Leaseback Business	12,811	608 properties purchased, raising holdings to 712; 555 properties sold
Finance Business	219	272 new guarantees for reverse mortgages, raising total to 1,415
Real Estate Buying and Selling Business	18,929	428 transactions
Real Estate Brokerage Business	561	884 brokered properties
Renovation Business	1,254	770 contracts; 855 renovation completions
Other Business	1	(Europe/US style) real estate agent and overseas business
Total	35,372	-

1) Franchisee Business

In this business, our primary focus was on recruiting new franchisees, primarily in the Tokyo metropolitan area and other urban areas 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 human resources. During the first half, there were 58 new franchisee contracts. The number of franchisee contracts at the end of December 2023 was 708 as the number of franchised stores which ended contracts, temporarily increased during the pandemic, returned to normal.

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 46 franchised stores during the first half, raising the total to 632 at the end of December 2023.

As a result, segment sales increased 0.7% to 1,594 million yen and segment profit decreased 5.2% to 991 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 608 House-Leaseback properties during the first half raised to 712 the number of properties purchased and leased back by this business as of the end of the second quarter. In addition, the large inventory of these properties was used for generating capital gains by reselling selected properties. During the first half, there were 555 properties sold to investment funds, real estate purchasing companies and other buyers, resold, and disposed.

As a result, segment sales increased 23.5% to 12,811 million yen and segment profit increased 16.2% to 1,569 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 half, the number of reverse mortgage guarantees increased by 272 to 1,415 and guarantees totaled 16,356 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 2,008 million yen at the end of the second quarter.

As a result, segment sales decreased 23.0% to 219 million yen and segment profit was down 67.9% to 28 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. Sales of inventory built up through aggressive real estate purchases went smoothly. The result was transactions for 428 properties during the first half, up 46.1% from one year earlier.

As a result, segment sales increased 69.4% to 18,929 million yen and segment profit increased 42.1% to 1,700 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 half was 884, down 18.8% from one year earlier, due to the integration of stores undertaken to redeploy personnel to key growth-driving businesses.

As a result, segment sales decreased 16.4% to 561 million yen and segment profit decreased 10.2% to 272 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 8.4% from one year earlier to 770 and the number of renovation completions decreased 10.8% to 855.

As a result, segment sales decreased 7.2% to 1,254 million yen and segment profit decreased 11.2% to 117 million yen.

(2) Explanation of Financial Condition

1) Assets, liabilities and net assets

Assets

Total assets amounted to 80,880 million yen at the end of December 2023, a decrease of 2,147 million yen over the end of June 2023.

There were increases of 1,255 million yen in cash and deposits and 2,104 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 4,736 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.

Liabilities

Liabilities totaled 64,711 million yen, a decrease of 2,921 million yen over the end of June 2023.

There were increases of 1,035 million yen in current portion of long-term borrowings and 227 million yen in income taxes payable.

There were decreases of 575 million yen in short-term borrowings and 2,948 million yen in long-term borrowings.

Net assets

Net assets totaled 16,169 million yen, an increase of 773 million yen over the end of June 2023..

There were increases of 77 million yen each in share capital and capital surplus due to the exercise of share acquisition rights as stock options, and 1,403 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)	Second quarter of FY2024 (As of Dec. 31, 2023)	Change
Total assets	83,027	80,880	(2,147)
Liabilities	67,632	64,711	(2,921)
Net assets	15,395	16,169	773

2) Cash flows

Cash and cash equivalents (hereinafter “net cash”) as of the end of December 2023 amounted to 10,660 million yen, an increase of 1,255 million yen over the end of June 2023.

Cash flows from operating activities

Net cash provided by operating activities totaled 5,401 million yen (compared with net cash used of 4,087 million yen in the same period of the previous fiscal year).

Positive factors include the booking of profit before income taxes of 2,095 million yen and a decrease in inventories of 2,609 million yen.

Cash flows from investing activities

Net cash used in investing activities totaled 756 million yen (compared with net cash used of 1,683 million yen in the same period of the previous fiscal year).

Negative factors include purchase of property, plant and equipment of 297 million yen and purchase of investment securities of 420 million yen.

Cash flows from financing activities

Net cash used in financing activities totaled 3,390 million yen (compared with net cash provided of 1,634 million yen in the same period of the previous fiscal year).

Positive factors include proceeds from long-term borrowings of 6,577 million yen and proceeds from issuance of bonds of 300 million yen.

Negative factors include repayments of long-term borrowings of 8,490 million yen and cash dividends paid of 781 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, 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)	Second quarter of FY2024 (As of Dec. 31, 2023)
Assets		
Current assets		
Cash and deposits	10,314	11,570
Notes and accounts receivable-trade, and contract assets	337	141
Real estate for sale	34,680	38,734
Real estate for sale in process	9,240	7,247
Costs on construction contracts in progress	273	316
Operating loans	2,514	2,033
Other	1,528	1,083
Allowance for doubtful accounts	(14)	(13)
Total current assets	58,873	61,113
Non-current assets		
Property, plant and equipment		
Buildings and structures	6,915	5,863
Accumulated depreciation	(1,663)	(1,362)
Buildings and structures, net	5,252	4,501
Land	11,941	8,111
Other	290	141
Accumulated depreciation	(97)	(104)
Other, net	192	37
Total property, plant and equipment	17,386	12,650
Intangible assets		
Goodwill	339	284
Other	1,136	1,189
Total intangible assets	1,476	1,473
Investments and other assets		
Investment securities	3,741	4,193
Long-term prepaid expenses	558	462
Deferred tax assets	391	386
Other	609	611
Allowance for doubtful accounts	(9)	(11)
Total investments and other assets	5,290	5,642
Total non-current assets	24,154	19,766
Total assets	83,027	80,880

(Millions of yen)

	FY2023 (As of Jun. 30, 2023)	Second quarter of FY2024 (As of Dec. 31, 2023)
Liabilities		
Current liabilities		
Accounts payable for construction contracts	1,262	1,113
Short-term borrowings	17,520	16,944
Current portion of bonds payable	1,060	1,028
Current portion of long-term borrowings	9,652	10,687
Lease liabilities	4	4
Accounts payable-other	591	486
Accrued expenses	433	462
Income taxes payable	636	864
Accrued consumption taxes	170	328
Contract liabilities	1,404	1,224
Provision for bonuses	181	170
Asset retirement obligations	6	0
Provision for warranties for completed construction	3	3
Other	919	969
Total current liabilities	33,849	34,289
Non-current liabilities		
Bonds payable	2,256	2,018
Long-term borrowings	30,162	27,213
Lease liabilities	9	7
Long-term guarantee deposits	846	818
Deferred tax liabilities	386	237
Asset retirement obligations	94	99
Provision for warranties for completed construction	27	27
Total non-current liabilities	33,783	30,421
Total liabilities	67,632	64,711
Net assets		
Shareholders' equity		
Share capital	3,377	3,455
Capital surplus	3,395	3,473
Retained earnings	8,570	9,191
Treasury shares	(0)	(0)
Total shareholders' equity	15,343	16,120
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	(3)	(2)
Foreign currency translation adjustment	14	21
Total accumulated other comprehensive income	11	18
Share acquisition rights	40	30
Total net assets	15,395	16,169
Total liabilities and net assets	83,027	80,880

(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 FY2023 (Jul. 1, 2022 – Dec. 31, 2022)	First six months of FY2024 (Jul. 1, 2023 – Dec. 31, 2023)
Net sales	25,436	35,372
Cost of sales	17,646	26,724
Gross profit	7,789	8,647
Selling, general and administrative expenses	6,039	6,488
Operating profit	1,749	2,158
Non-operating income		
Interest and dividend income	1	0
Gain on investments in silent partnerships	241	205
Share of profit of entities accounted for using equity method	30	0
Consumption taxes refund	53	78
Other	51	43
Total non-operating income	377	328
Non-operating expenses		
Interest expenses	231	351
Loss on sale of investment securities	4	-
Other	38	40
Total non-operating expenses	274	392
Ordinary profit	1,853	2,095
Extraordinary income		
Gain on sale of non-current assets	0	-
Gain on reversal of share acquisition rights	0	6
Gain on sale of shares of subsidiaries and associates	0	-
Total extraordinary income	0	6
Extraordinary losses		
Loss on retirement of non-current assets	5	5
Impairment losses	10	-
Total extraordinary losses	16	5
Profit before income taxes	1,838	2,095
Income taxes	705	692
Profit	1,132	1,403
Profit attributable to owners of parent	1,132	1,403

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

(Millions of yen)

	First six months of FY2023 (Jul. 1, 2022 – Dec. 31, 2022)	First six months of FY2024 (Jul. 1, 2023 – Dec. 31, 2023)
Profit	1,132	1,403
Other comprehensive income		
Valuation difference on available-for-sale securities	21	0
Share of other comprehensive income of entities accounted for using equity method	5	6
Total other comprehensive income	27	7
Comprehensive income	1,160	1,410
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	1,160	1,410

(3) Quarterly Consolidated Statement of Cash Flows

(Millions of yen)

	First six months of FY2023 (Jul. 1, 2022 – Dec. 31, 2022)	First six months of FY2024 (Jul. 1, 2023 – Dec. 31, 2023)
Cash flows from operating activities		
Profit before income taxes	1,838	2,095
Depreciation	404	453
Loss (gain) on investments in silent partnerships	(241)	(205)
Amortization of goodwill	57	55
Interest and dividend income	(1)	(0)
Interest expenses	231	351
Decrease (increase) in trade receivables	(5)	195
Decrease (increase) in inventories	(7,570)	2,609
Increase (decrease) in trade payables	431	(148)
Decrease (increase) in operating loans receivable	1,782	496
Increase (decrease) in contract liabilities	(14)	(180)
Decrease (increase) in advance payments to suppliers	(159)	66
Increase (decrease) in guarantee deposits received	(80)	(28)
Other, net	143	489
Subtotal	(3,185)	6,250
Interest and dividends received	1	0
Interest paid	(244)	(355)
Income taxes refund (paid)	(660)	(493)
Net cash provided by (used in) operating activities	(4,087)	5,401
Cash flows from investing activities		
Purchase of property, plant and equipment	(1,051)	(297)
Purchase of intangible assets	(235)	(205)
Payments of guarantee deposits	(17)	(33)
Purchase of investment securities	(409)	(420)
Decrease (increase) in restricted deposits	(118)	-
Other, net	149	200
Net cash provided by (used in) investing activities	(1,683)	(756)
Cash flows from financing activities		
Net increase (decrease) in short-term borrowings	348	(575)
Proceeds from long-term borrowings	8,765	6,577
Repayments of long-term borrowings	(6,963)	(8,490)
Proceeds from issuance of bonds	700	300
Redemption of bonds	(512)	(570)
Dividends paid	(702)	(781)
Other, net	(1)	149
Net cash provided by (used in) financing activities	1,634	(3,390)
Effect of exchange rate change on cash and cash equivalents	(1)	1
Net increase (decrease) in cash and cash equivalents	(4,138)	1,255
Cash and cash equivalents at beginning of period	13,513	9,404
Cash and cash equivalents at end of period	9,375	10,660

(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.

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)	Second quarter of FY2024 (As of Dec. 31, 2023)
Number of SPC	13	15
Total assets of SPCs	40,649 million yen	46,703 million yen
Total liabilities of SPCs	37,243 million yen	42,853 million yen

2. Transactions with SPCs

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.

First six months of FY2024 (Jul. 1, 2023 – Dec. 31, 2023)

	Major transactions (Millions of yen)	Sales, expenses, gains	
		Items	Amount (Millions of yen)
Investments in silent partnerships	420	Partnership investment gains	205
Selling price	8,453	Net sales	8,453
Book value	6,822	Cost of sales	6,822

- 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

During the first six months of FY2024, the following income-generating properties and other properties previously classified as non-current assets were reclassified to real estate for sale because the holding purpose was changed to sales: buildings and structures of 1,029 million yen, land of 3,847 million yen and other of 0 million yen in property, plant and equipment; and other of 1 million yen in intangible assets.

Segment Information

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

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	1,582	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.

II First six months of FY2024 (Jul. 1, 2023 – Dec. 31, 2023)

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	1,594	12,811	219	18,929	561	1,254	35,370	1	35,372	-	35,372
Inter-segment sales and transfers	43	39	1	17	266	0	368	-	368	(368)	-
Total	1,637	12,851	220	18,946	828	1,254	35,738	1	35,740	(368)	35,372
Segment profit (loss)	991	1,569	28	1,700	272	117	4,678	(4)	4,674	(2,515)	2,158

- 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 2,515 million yen to segment profit (loss) includes elimination for inter-segment transactions of negative 0 million yen, corporate expenses of negative 2,524 million yen that are not allocated to any of the reportable segments, and inventory adjustments of 9 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.