

Summary of Business Results for the First Quarter Ended September 30, 2021

[Japan GAAP] (Consolidated)

November 11, 2021

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

Expected date of filing of quarterly report: November 15, 2021 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 2021 (July 1, 2021 through September 30, 2021)

(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, 2021	11,071	47.1	792	150.8	704	174.2	414	172.7
Three months ended Sep. 30, 2020	7,523	24.1	315	741.0	257	634.5	152	-

(Note) Comprehensive income:

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

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

	Net income per share	Diluted net income per share
	Yen	Yen
Three months ended Sep. 30, 2021	21.21	20.93
Three months ended Sep. 30, 2020	7.80	7.69

(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, 2021	60,616	12,312	20.2	627.34
As of Jun. 30, 2021	57,306	12,877	22.4	656.34

(Reference) Shareholders' equity:

As of Sep. 30, 2021: 12,268 million yen

As of Jun. 30, 2021: 12,834 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, 2021	-	0.00	-	30.00	30.00
Fiscal year ending Jun. 30, 2022	-				
Fiscal year ending Jun. 30, 2022 (forecast)		0.00	-	-	-

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

The dividend forecast for the fiscal year ending June 30, 2022 will be announced later and will be based on the policy of maintaining a payout ratio of at least 30%.

3. Forecast of consolidated business results for the fiscal year ending June 2022 (July 1, 2021 through June 30, 2022)

(% 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, 2022	39,100-	0.2-	2,973-	14.8-	2,800-	11.4-	1,848-	14.3-	94.50-
	44,438	13.8	3,673	41.9	3,500	39.2	2,310	42.9	118.13

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

Ranges for the consolidated business results forecast for the fiscal year ending June 30, 2022 have been announced.

*** Notes**

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

(2) Application of accounting procedures specific to preparation of the quarterly consolidated financial statements:
Yes

(Note) Please refer to the section “2. Quarterly Consolidated Financial Statements and Notes, (3) Notes to Quarterly Consolidated Financial Statements (Application of Accounting Procedures Specific to Preparation of the Quarterly Consolidated Financial Statements)” on page 10 of the attachments for further information.

(3) Changes in accounting policies and accounting estimates, and restatements

- 1) Changes in accounting policies associated with revision of accounting standards : Yes
- 2) Changes in accounting policies other than 1) : None
- 3) Changes in accounting estimates : None
- 4) Restatements : None

(Note) Please refer to the section “2. Quarterly Consolidated Financial Statements and Notes, (3) Notes to Quarterly Consolidated Financial Statements (Changes in Accounting Policies)” on page 10 of the attachments for further information.

(4) Number of shares issued (common stock)

1) Number of shares issued at the end of the period (treasury shares included)

As of Sep. 30, 2021 19,557,200 shares

As of Jun. 30, 2021 19,556,000 shares

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

As of Sep. 30, 2021 514 shares

As of Jun. 30, 2021 514 shares

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

Three months ended Sep. 30, 2021 19,556,164 shares

Three months ended Sep. 30, 2020 19,492,890 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 quarter of the current fiscal year, the Japanese economy showed signs of a gradual recovery, although conditions remained difficult due to the impact of the COVID-19 pandemic. However, while progress was made with the vaccination program, the emergence of mutant strains resulted in a renewed spread of infections which, combined with other factors, caused the economy to stall. Therefore, considerable caution and close attention still needs to be paid to any changes in the external environment.

In the Japanese real estate industry, where the HOUSEDO Group operates, the business environment was generally firm as, even amid the COVID-19 pandemic, demand for housing remained solid as the market benefited from consistent monetary easing by the Bank of Japan and government programs to help people buy residences.

In this challenging business climate, the HOUSEDO Group continued to make substantial investments in growth enhancement businesses in accordance with the current three-year medium-term plan, which will end in the fiscal year ending in June 2022. We have made progress with transitioning to a business model that can achieve sustained growth while utilizing the HOUSEDO Group's sound foundation for business operations. We are positioning the Franchisee Business, the House-Leaseback Business, and the Finance Business to make them more growth oriented. Simultaneously, we are continuing to invest aggressively in human resources, and sales promotion and advertising to increase the number of franchised stores and offer a larger selection of services. This will further increase the number of purchases of house-leaseback properties and increase earnings with capital gains by selling properties. In the Finance Business, we have strengthened operations that combine real estate and financing to enable people to utilize real estate for procuring funds for a variety of needs. This business uses alliances with financial institutions for increasing the number of reverse mortgage guarantees.

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

The HOUSEDO Group reported net sales of 11,071 million yen (up 47.1% year on year), operating profit of 792 million yen (up 150.8% year on year), ordinary profit of 704 million yen (up 174.2% year on year) and profit attributable to owners of parent of 414 million yen (up 172.7% year on year).

HOUSEDO has applied the Accounting Standard for Revenue Recognition (Accounting Standards Board of Japan (ASBJ) Statement No. 29, March 31, 2020) from the beginning of the first quarter of the current fiscal year. For more information, please refer to "2. Quarterly Consolidated Financial Statements and Notes, (3) Notes to Quarterly Consolidated Financial Statements, Changes in Accounting Policies."

Results by business segment were as follows.

(As of September 30, 2021)

Segment	Net sales (Millions of yen)	Activities
Franchisee Business	847	27 new franchisee contracts, raising total to 698 29 new franchised stores, raising total to 619
House-Leaseback Business	1,046	229 properties purchased, raising holdings to 541; 29 properties sold
Finance Business	227	96 guarantees for reverse mortgages; 30 real estate secured loans
Real Estate Buying and Selling Business	7,571	154 transactions
Real Estate Brokerage Business	489	734 brokered properties
Renovation Business	621	452 contracts; 434 renovation completions

Koyama Construction Group	265	Residences managed: 5,718
Other Business	1	(Europe/US style) real estate agent and overseas business expenses
Total	11,071	-

1) Franchisee Business

In the Franchisee Business, enquiries from prospective franchisees remained steady. The growth reflects aggressive advertising and marketing activities, increasing public awareness of HOUSEDO as the number of franchised stores climbs, increasing value of the corporate brand, and a further improvement in public trust in HOUSEDO. During the first quarter of the fiscal year, there were 27 new franchisee contracts, raising the total to 698 at the end of September 2021.

We have reinforced a franchisee follow-up system using supervisors and increased a variety of new services. Due to these actions, we opened 29 stores during the first quarter, raising the total to 619 at the end of September 2021.

As a result, the segment recorded sales of 847 million yen (up 6.5% year on year) and segment profit of 604 million yen (up 8.7%).

2) House-Leaseback Business

This business allows people to use real estate to generate retirement income or to fund business operations. During the first quarter, the number of calls from prospective customers and the number of properties bought and leased back increased. This growth was attributable to the expansion of areas and the continuation of expenditures for advertising and marketing activities and for human resources. This business purchased 229 properties and resold or sold to real estate purchasing companies and other buyers a total of 29 properties. The number of residential properties owned by this business was 541 at the end of September 2021. All of these properties are generating leasing income.

As a result, the segment recorded sales of 1,046 million yen (down 4.8% year on year) and segment loss of 22 million yen (down 8 million yen).

3) Finance Business

This business uses the HOUSEDO Group's nationwide network of real estate assessment expertise, one of the group's core strengths, to combine real estate and financing services for the use of real estate to meet customers' financing requirements. In the reverse mortgage guarantee business, there were 96 new guarantees during the first quarter, as this business established more alliances with financial institutions and used joint activities with financial institutions to create demand for these guarantees. There were 30 new loans secured by real estate.

As a result, the segment recorded sales of 227 million yen (down 17.1% year on year) and segment profit of 36 million yen (up 46.7%).

4) Real Estate Buying and Selling Business

This business utilizes synergies within the HOUSEDO Group to focus on acquisition of properties that match the requirements of brokerage customers in areas served by directly operated stores. Demand among consumers for buying a home remain firm from the previous fiscal year as mortgage interest rates remain extremely low. In the first quarter, the number of transactions was 154 (down 12.0% year on year).

As a result, the segment recorded sales of 7,571 million yen (up 113.7% year on year) and segment profit of 964 million yen (up 246.0%).

5) Real Estate Brokerage Business

There is strong demand in Japan for houses because of extremely low interest rates on mortgages. We used a variety of advertising and marketing activities to bring in more people to our stores. Activities include advertisements on our own website, newspaper inserts, television and radio commercials and other media

promotions, and the distribution of local real estate information individually to people living near stores. On the other hand, due to the integration of stores undertaken to redeploy personnel to key growth-driving businesses, the number of brokerage transactions in the first quarter of the fiscal year was 734 (down 8.3% year on year). As a result, the segment recorded sales of 489 million yen (up 1.4% year on year) and segment profit of 208 million yen (up 35.6%).

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 completions in the first quarter rose by 4.1% from the same period in the previous fiscal year to 434 as orders, which had fallen due to the impact of the COVID-19 pandemic, began to recover. However, the number of renovation contracts signed has declined by 7.4% from the same period in the previous fiscal year to 452 due to the impact of the repeated emergency declarations and other factors.

As a result, the segment recorded sales of 621 million yen (up 8.8% year on year) and segment profit of 25 million yen (up 51.4%).

7) Koyama Construction Group

The Koyama Construction Group buys and sells real estate, provides real estate brokerage services, and has a property management and brokerage business for rental properties. All of these operations are backed by a network of offices located near railway stations primarily in and around the city of Soka in Saitama prefecture, where the group is based and has deep roots. The Koyama Construction Group has considerable expertise at gathering real estate information.

As a result, the segment recorded sales of 265 million yen (down 64.9% year on year) and segment loss of 27 million yen (down 153 million yen).

(2) Explanation of Financial Condition

Assets

Total assets amounted to 60,616 million yen at the end of September 2021, an increase of 3,310 million yen over the end of June 2021.

This was mainly attributable to an increase of 6,919 million yen in property, plant and equipment, the result of the increasing number of properties in the House-Leaseback Business and Real Estate Buying and Selling Business.

There were decreases of 1,730 million yen in operating loans and 2,705 million yen in inventories.

Liabilities

Liabilities totaled 48,304 million yen, an increase of 3,874 million yen over the end of June 2021.

There were increases of 866 million yen in current portion of long-term borrowings and 3,958 million yen in long-term borrowings.

There was a decrease of 1,928 million yen in short-term borrowings.

Net assets

Net assets totaled 12,312 million yen, a decrease of 564 million yen over the end of June 2021.

Retained earnings increased 414 million yen because of the booking of profit attributable to owners of parent for the first quarter, while there were decreases of 586 million yen in retained earnings due to dividend payments and 398 million yen due to the application of the Accounting Standard for Revenue Recognition.

(Millions of yen)

	FY2021 (As of Jun. 30, 2021)	First quarter of FY2022 (As of Sep. 30, 2021)	Change
Total assets	57,306	60,616	3,310
Liabilities	44,429	48,304	3,874
Net assets	12,877	12,312	(564)

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

HOUSEDO is making no revisions to the full-year consolidated forecasts that were announced in the Summary of Business Results for the Fiscal Year Ended June 30, 2021 dated August 16, 2021.

2. Quarterly Consolidated Financial Statements and Notes

(1) Quarterly Consolidated Balance Sheet

(Thousands of yen)

	FY2021 (As of Jun. 30, 2021)	First quarter of FY2022 (As of Sep. 30, 2021)
Assets		
Current assets		
Cash and deposits	16,819,713	16,828,990
Notes and accounts receivable-trade, and contract assets	-	355,208
Accounts receivable from completed construction contracts	116,125	-
Accounts receivable-trade	62,948	-
Real estate for sale	9,000,052	6,322,939
Real estate for sale in process	2,479,165	2,371,227
Costs on construction contracts in progress	138,316	217,742
Short-term loans receivable from subsidiaries and associates	-	66,000
Operating loans	9,751,001	8,020,913
Other	941,237	956,206
Allowance for doubtful accounts	(37,183)	(19,277)
Total current assets	39,271,379	35,119,951
Non-current assets		
Property, plant and equipment		
Buildings and structures	7,214,674	9,057,278
Accumulated depreciation	(1,274,119)	(1,358,665)
Buildings and structures, net	5,940,554	7,698,612
Land	7,766,777	12,906,197
Other	125,087	147,241
Accumulated depreciation	(90,769)	(91,096)
Other, net	34,317	56,145
Total property, plant and equipment	13,741,649	20,660,954
Intangible assets		
Goodwill	567,145	538,633
Other	423,662	622,788
Total intangible assets	990,808	1,161,422
Investments and other assets		
Investment securities	1,658,962	1,688,092
Long-term prepaid expenses	566,294	607,959
Deferred tax assets	355,067	516,446
Other	749,600	908,354
Allowance for doubtful accounts	(27,332)	(46,478)
Total investments and other assets	3,302,591	3,674,373
Total non-current assets	18,035,049	25,496,750
Total assets	57,306,428	60,616,702

	(Thousands of yen)	
	FY2021 (As of Jun. 30, 2021)	First quarter of FY2022 (As of Sep. 30, 2021)
Liabilities		
Current liabilities		
Accounts payable for construction contracts	551,979	1,130,919
Short-term borrowings	10,351,994	8,423,800
Current portion of bonds payable	512,000	656,000
Current portion of long-term borrowings	5,639,011	6,505,961
Lease obligations	-	4,953
Accounts payable-other	819,073	761,158
Accrued expenses	476,206	398,251
Income taxes payable	663,490	284,584
Accrued consumption taxes	187,302	85,234
Contract liabilities	-	1,169,968
Advances received on construction contracts in progress	269,319	-
Advances received	542,019	-
Provision for bonuses	106,191	70,799
Asset retirement obligations	11,246	7,532
Provision for warranties for completed construction	4,461	4,470
Provision for sales promotion expenses	6,616	-
Other	719,367	789,655
Total current liabilities	20,860,280	20,293,291
Non-current liabilities		
Bonds payable	1,610,000	1,996,000
Long-term borrowings	20,155,195	24,113,659
Lease obligations	-	18,575
Long-term guarantee deposits	1,223,393	1,309,553
Deferred tax liabilities	467,371	463,556
Asset retirement obligations	88,708	85,425
Provision for warranties for completed construction	24,468	24,235
Total non-current liabilities	23,569,137	28,011,005
Total liabilities	44,429,418	48,304,297
Net assets		
Shareholders' equity		
Share capital	3,374,337	3,374,635
Capital surplus	3,392,832	3,393,130
Retained earnings	6,109,309	5,538,787
Treasury shares	(461)	(461)
Total shareholders' equity	12,876,017	12,306,092
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	(42,437)	(35,949)
Foreign currency translation adjustment	1,391	(1,384)
Total accumulated other comprehensive income	(41,046)	(37,334)
Share acquisition rights	42,039	43,646
Total net assets	12,877,010	12,312,404
Total liabilities and net assets	57,306,428	60,616,702

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

	(Thousands of yen)	
	First three months of FY2021 (Jul. 1, 2020 – Sep. 30, 2020)	First three months of FY2022 (Jul. 1, 2021 – Sep. 30, 2021)
Net sales	7,523,981	11,071,137
Cost of sales	4,768,514	7,594,719
Gross profit	2,755,466	3,476,418
Selling, general and administrative expenses	2,439,503	2,683,932
Operating profit	315,963	792,486
Non-operating income		
Interest and dividend income	40	233
Gain on investments in silent partnerships	10,727	19,848
Commission income	3,632	2,630
Other	15,266	22,772
Total non-operating income	29,667	45,486
Non-operating expenses		
Interest expenses	71,773	85,419
Share of loss of entities accounted for using equity method	919	2,968
Commission expenses	6,717	37,254
Other	9,131	7,340
Total non-operating expenses	88,541	132,982
Ordinary profit	257,090	704,990
Extraordinary income		
Gain on sale of non-current assets	-	7
Gain on reversal of share acquisition rights	12	37
Total extraordinary income	12	45
Extraordinary losses		
Loss on retirement of non-current assets	-	10,858
Loss on valuation of investment securities	5,282	-
Total extraordinary losses	5,282	10,858
Profit before income taxes	251,819	694,177
Income taxes	99,698	279,365
Profit	152,121	414,811
Profit attributable to owners of parent	152,121	414,811

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

	(Thousands of yen)	
	First three months of FY2021 (Jul. 1, 2020 – Sep. 30, 2020)	First three months of FY2022 (Jul. 1, 2021 – Sep. 30, 2021)
Profit	152,121	414,811
Other comprehensive income		
Valuation difference on available-for-sale securities	10,069	6,488
Share of other comprehensive income of entities accounted for using equity method	3,848	(2,776)
Total other comprehensive income	13,917	3,712
Comprehensive income	166,039	418,523
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	166,039	418,523

(3) Notes to Quarterly Consolidated Financial Statements

Going Concern Assumption

Not applicable.

Significant Changes in Shareholders' Equity

Not applicable.

Application of Accounting Procedures Specific to Preparation of the Quarterly Consolidated Financial Statements

The tax expense was calculated by first reasonably estimating the effective tax rate after the application of tax effect accounting with respect to profit before income taxes during the current fiscal year, and multiplying that rate by the quarterly profit before income taxes.

Changes in Accounting Policies

Application of the Accounting Standard for Revenue Recognition

HOUSEDO has applied the Accounting Standard for Revenue Recognition (ASBJ Statement No. 29, March 31, 2020) from the beginning of the first quarter of the current fiscal year. Based on this standard, revenue expected to be received in exchange for the provision of promised goods and services is recognized when the control of the goods and services is transferred to customers.

As a result of this change, franchise fees and income from the introduction of IT services in the Franchisee Business will now be recognized over a three-year period, which is the actual average contract period. In prior periods, they were recognized together at the time of the franchise agreement.

Previously, the percentage-of-completion method was applied to construction contracts for which the outcome was deemed certain, while the completed-contract method was applied to other construction contracts. However, for performance obligations that are to be satisfied over a specified period, revenue is recognized over the specified period based on the estimated amount of progress of satisfying the performance obligation, except for very short duration projects. For performance obligations to be satisfied at a certain point, revenue is recognized when construction is completed. The method of estimating the percentage of progress for satisfying performance obligations is based on the ratio of the cost incurred to the estimated total cost (the input method).

For the application of the Accounting Standard for Revenue Recognition, in accordance with the transitional measures prescribed in the proviso to Paragraph 84 of this standard, the cumulative effect of the retrospective application of the new accounting standard, if it is applied prior to the first quarter of the current fiscal year, is added to or subtracted from retained earnings at the beginning of the first quarter of the current fiscal year. The new standard is then applied beginning with this amount of retained earnings.

As a result, the application of the new standard resulted in an increase of 33,185 thousand yen in net sales, reduction of 1,862 thousand yen in cost of sales, and increases of 35,048 thousand yen each in operating profit, ordinary profit and profit before income taxes. In addition, the new standard decreased retained earnings at the beginning of the first quarter by 398,668 thousand yen.

“Accounts receivable from completed construction contracts” and “Accounts receivable-trade” that were presented in the current assets section of the consolidated balance sheet in the previous fiscal year are presented as “Notes and accounts receivable-trade, and contract assets,” and “Advances received on construction contracts in progress,” “Advances received” and “Provision for sales promotion expense” that were presented in the current liabilities section are presented as “Contract liabilities” from the first quarter of the current fiscal year. In accordance with the transitional measures prescribed in Paragraph 89-2 of the Accounting Standard for Revenue Recognition, no reclassification has been made to the prior year’s consolidated financial statements to conform to the new presentation.

Application of the Accounting Standard for Fair Value Measurement

HOUSEDO has applied the Accounting Standard for Fair Value Measurement (ASBJ Statement No. 30, July 4, 2019) from the beginning of the first quarter of the current fiscal year. HOUSEDO has applied the new accounting policies set forth by the Accounting Standard for Fair Value Measurement prospectively in accordance with the transitional measures prescribed in Paragraph 19 of the Accounting Standard for Fair Value Measurement and Paragraph 44-2 of the Accounting Standard for Financial Instruments (ASBJ Statement No. 10, July 4, 2019). There is no effect of the application of these standards on the quarterly consolidated financial statements.

Additional Information

Sale of House-Leaseback Assets

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

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

For the sale of these assets, HOUSEDO first sells House-Leaseback assets (trust beneficiary rights and other assets) to 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 HOUSEDO for these assets. HOUSEDO has a tokumei kumiai (silent partnership) contract with each SPC and makes investments in accordance with this contract.

The following table presents information concerning the SPCs used for the sale of House-Leaseback assets.

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

	FY2021 (As of Jun. 30, 2021)	First quarter of FY2022 (As of Sep. 30, 2021)
Number of SPC	8	8
Total assets of SPCs	24,179,795 thousand yen	24,030,383 thousand yen
Total liabilities of SPCs	22,324,105 thousand yen	22,161,975 thousand yen

2. Transactions with SPCs

In the first quarters of the FY2021 and FY2022, there were no sales of House-Leaseback assets (trust beneficiary rights and other assets) to an SPC or any investments in an SPC.

Major gains other than those listed above are as follows.

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

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

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

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

	Major transactions (Thousands of yen)
Partnership investment gains	19,848

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

Effect of COVID-19

There are no significant changes in the assumptions about the effect of COVID-19 on the performance of HOUSEDO, in the supplementary information section of the Securities Report for the fiscal year that ended on June 30, 2021.

Segment Information

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

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

(Thousands of yen)

	Reportable segment								Other (Note 1)	Total	Adjustment (Note 2)	Amounts shown on quarterly consolidated statement of income (Note 3)
	Franchisee	House- Leaseback	Finance	Real Estate Buying and Selling	Real Estate Brokerage	Renovation	Koyama Construction Group	Subtotal				
Net sales												
External sales	795,995	1,099,856	274,570	3,543,673	482,578	570,784	756,048	7,523,507	473	7,523,981	-	7,523,981
Inter-segment sales and transfers	24,138	8,876	1,650	-	76,250	-	457	111,373	-	111,373	(111,373)	-
Total	820,134	1,108,733	276,220	3,543,673	558,828	570,784	756,505	7,634,880	473	7,635,354	(111,373)	7,523,981
Segment profit (loss)	556,624	(14,087)	24,987	278,697	154,041	16,775	126,234	1,143,271	(4,079)	1,139,192	(823,229)	315,963

- Notes:
1. Other represents the businesses which are not included in any of the reportable segments and mainly consists of expenses of the Europe/US style real estate agent and overseas business.
 2. The negative adjustment of 823,229 thousand yen to segment profit (loss) includes elimination for inter-segment transactions of negative 478 thousand yen, corporate expenses of negative 825,533 thousand yen that are not allocated to any of the reportable segments, and inventory adjustments of 2,783 thousand yen. Corporate expenses mainly consist of general and administrative expenses that are not attributable to any of the reportable segments.
 3. Segment profit (loss) is adjusted to be consistent with operating profit recorded in the quarterly consolidated statement of income.

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

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

(Thousands of yen)

	Reportable segment								Other (Note 1)	Total	Adjustment (Note 2)	Amounts shown on quarterly consolidated statement of income (Note 3)
	Franchisee	House- Leaseback	Finance	Real Estate Buying and Selling	Real Estate Brokerage	Renovation	Koyama Construction Group	Subtotal				
Net sales												
External sales	847,479	1,046,929	227,712	7,571,704	489,422	621,117	265,571	11,069,937	1,200	11,071,137	-	11,071,137
Inter-segment sales and transfers	23,812	15,265	3,006	-	107,700	-	7,988	157,773	-	157,773	(157,773)	-
Total	871,291	1,062,195	230,719	7,571,704	597,122	621,117	273,559	11,227,710	1,200	11,228,911	(157,773)	11,071,137
Segment profit (loss)	604,912	(22,571)	36,654	964,170	208,945	25,395	(27,291)	1,790,215	(4,235)	1,785,979	(993,493)	792,486

- 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 993,493 thousand yen to segment profit (loss) includes elimination for inter-segment transactions of 2,528 thousand yen, corporate expenses of negative 995,558 thousand yen that are not allocated to any of the reportable segments, and inventory adjustments of negative 463 thousand yen. Corporate expenses mainly consist of general and administrative expenses that are not attributable to any of the reportable segments.
 3. Segment profit (loss) is adjusted to be consistent with operating profit recorded in the quarterly consolidated statement of income.

2. Information related to revisions for reportable segments

Application of the Accounting Standard for Revenue Recognition

As described in Changes in Accounting Policies, HOUSEDO has applied the Accounting Standard for Revenue Recognition from the beginning of the first quarter of FY2022 and changed the accounting method for revenue recognition. Accordingly, the method for calculating segment profit (loss) has been changed as well. The effect of this change was to increase net sales and segment profit for the first three months of FY2022 in the Franchisee segment by 36,203 thousand yen and 36,203 thousand yen, respectively. Net sales and segment profit decreased 3,017 thousand yen and 1,155 thousand yen, respectively, in the Renovation segment.

Changes in the classification of business segments

Beginning in the first quarter of FY2022, HOUSEDO Group's subsidiary Financial Do Co., Ltd, which was previously included in the Finance segment, has been moved to the House Leaseback segment in association with the change in the corporate structure of the subsidiary, aimed at improving the efficiency of its survey operations for collateralized real estate.

Segment information for the first three months of FY2021 has not been restated to reflect this change because it is impossible to determine the amount of expenses of this division that was included in the Finance segment in that period.

Material Subsequent Events

Conclusion of an absorption-type merger agreement in connection with the transition to a holding company structure

The Board of Directors on August 24, 2021, resolved to approve an absorption-type merger agreement between the Company's wholly owned subsidiaries Koyama Construction Co., Ltd. and Koyama Real Estate Co., Ltd. (excluding the real estate brokerage business). The merger agreement was concluded on the same date. However, with the aim of further streamlining its management, increasing efficiency, and strengthening synergies, etc., the Board of Directors on November 1, 2021, resolved to cancel the agreement and approve an absorption-type merger agreement between the Company's wholly owned subsidiaries Koyama Real Estate (excluding the real estate brokerage business) and PM Do Co., Ltd. The merger agreement was concluded on the same date.

(1) Summary of merger

- i. Name and business activities of companies involving merger
 - Surviving company
 - Name: PM Do Co., Ltd.
 - Business activities: Real Estate Rental and Management Business
 - Dissolving company
 - Name: Koyama Real Estate Co., Ltd.
 - Business activities: Real Estate Brokerage, Rental and Management Business
- ii. Date of merger
 - January 1, 2022 (tentative)
- iii. Method of merger
 - An absorption-type merger between PM Do Co., Ltd., which will be the surviving company, and Koyama Real Estate Co., Ltd., which will be dissolved.
- iv. Name of the company after merger
 - PM Do Co., Ltd.

(2) Summary of accounting methods applied

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

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