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August 6, 2024

Consolidated Financial Results for the First Three Months of the Fiscal Year Ending March 31, 2025 <under Japanese GAAP>

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Scheduled date to commence dividend payments: –
Preparation of supplementary material on financial results: Yes
Holding of financial results presentation meeting: Yes (for institutional investors)

(Millions of yen with fractional amounts discarded, unless otherwise noted)

1. Consolidated financial results for the first three months of the fiscal year ending March 31, 2025 (from April 1, 2024 to June 30, 2024)

(1) Consolidated operating results (cumulative) (Percentages indicate year-on-year changes.)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent	
Three months ended	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
June 30, 2024	31,195	(1.3)	3,107	8.6	3,014	7.7	2,049	(3.4)
June 30, 2023	31,613	11.5	2,860	(17.9)	2,798	(18.8)	2,120	(8.9)

Note: Comprehensive income Three months ended June 30, 2024: ¥2,049 million [(3.4)%]
Three months ended June 30, 2023: ¥2,120 million [(8.9)%]

	Basic earnings per share	Diluted earnings per share
Three months ended	Yen	Yen
June 30, 2024	26.27	26.22
June 30, 2023	27.29	27.15

Reference: (Percentages indicate year-on-year changes.)

	Adjusted operating profit		Adjusted ordinary profit		Adjusted profit attributable to owners of parent		Adjusted basic earnings per share	
Three months ended	Millions of yen	%	Millions of Yen	%	Millions of yen	%	Yen	%
June 30, 2024	3,597	5.7	3,503	4.9	2,387	3.1	30.61	2.8
June 30, 2023	3,403	(2.4)	3,340	(3.1)	2,315	(0.4)	29.79	(1.0)

Note: The Company uses adjusted operating profit, adjusted ordinary profit, adjusted profit attributable to owners of parent and adjusted basic earnings per share (hereinafter, "adjusted multi-step profit") as important management indicators. Regarding adjusted multi-step profit, please see the following "* Proper use of earnings forecasts, and other special matters, *Notes regarding "Reference" in summary information*."

(2) Consolidated financial position

	Total assets	Net assets	Equity-to-asset ratio
As of	Millions of yen	Millions of yen	%
June 30, 2024	75,212	40,315	53.6
March 31, 2024	77,366	40,341	52.1

Reference: Equity As of June 30, 2024: ¥40,315 million
As of March 31, 2024: ¥40,289 million

2. Dividends

	Annual dividends per share				
	First quarter-end	Second quarter-end	Third quarter-end	Fiscal year-end	Total
	Yen	Yen	Yen	Yen	Yen
Fiscal year ended March 31, 2024	–	27.00	–	27.00	54.00
Fiscal year ending March 31, 2025	–				
Fiscal year ending March 31, 2025 (Forecast)		28.00	–	28.00	56.00

Note: Revisions to the forecasts of dividends most recently announced: None

3. Consolidated earnings forecasts for the fiscal year ending March 31, 2025 (from April 1, 2024 to March 31, 2025)

(Percentages indicate year-on-year changes.)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent		Basic earnings per share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
Six months ending September 30, 2024	65,100	4.9	6,400	9.4	6,300	10.0	4,300	7.7	55.15
Fiscal year ending March 31, 2025	134,500	6.1	14,000	10.5	13,700	11.2	9,400	10.6	120.56

Note: Revisions to the earnings forecasts most recently announced: None

* Notes

(1) Significant changes in the scope of consolidation during the period: None

(2) Application of special accounting for preparing quarterly consolidated financial statements: None

(3) Changes in accounting policies, changes in accounting estimates, and restatement
- a. Changes in accounting policies in accordance with changes in accounting standards, etc.: None
- b. Changes in accounting policies due to other reasons: None
- c. Changes in accounting estimates: None
- d. Restatement: None

(4) Number of issued shares (common shares)
- a. Total number of issued shares at the end of the period (including treasury shares)
  As of June 30, 2024 78,650,640 shares As of March 31, 2024 78,650,640 shares
- b. Number of treasury shares at the end of the period
  As of June 30, 2024 504,615 shares As of March 31, 2024 681,315 shares
- c. Average number of shares outstanding during the period (cumulative from the beginning of the fiscal year)
  Three months ended June 30, 2024 78,008,160 shares Three months ended June 30, 2023 77,733,724 shares

*** Review of the Japanese-language originals of the attached quarterly consolidated financial statements by certified public accountants or an audit corporation: None**

*** Proper use of earnings forecasts, and other special matters**

Caution regarding forward-looking statements and others

The forward-looking statements, including earnings forecasts, contained in these materials are based on information currently available to the Company and on certain assumptions deemed to be reasonable. Consequently, the statements herein do not constitute assurances regarding the Company's actual results. Actual financial and other results may differ substantially from the statements herein due to various factors. Please refer to "1. Overview of Operating Results, (3) Explanation regarding consolidated earnings forecasts and other forward-looking statements" on page 3 of the attached materials for the suppositions that form the assumptions for the earnings forecasts and cautions regarding the use of the earnings forecasts.

Notes regarding "Reference" in summary information

1. The Company uses adjusted operating profit, adjusted ordinary profit, adjusted profit attributable to owners of parent, and adjusted basic earnings per share (hereinafter, "adjusted multi-step profit") as important management indicators.
   This is because, as stated in the "Notice Regarding Ruling on Lawsuit Filed by the Company for Revocation of Consumption Tax Reassessment Penalty, etc." released on May 25, 2023 and the "Notice Regarding Revision of Earnings Forecasts for the Fiscal Year ending March 31, 2024" released on May 26, 2023, the Company filed a lawsuit against the Regional Taxation Bureau seeking the revocation of the reassessment penalty, etc., and the Tokyo District Court rendered a judgment dismissing the Company's claim for revocation of the reassessment penalty, etc.
   In light of the ruling, the Company has calculated the difference arising from the discrepancies between the conventional accounting treatment of the Group and the calculation method advocated by the Regional Taxation Bureau and recorded it as differences in consumption taxes, etc. in selling, general and administrative expenses, starting from the fiscal year ended March 31, 2024.
2. Adjusted multi-step profit excludes some items that affect any of the steps of profit for the fiscal year ending March 31, 2025, for the purpose of enabling comparison with prior fiscal year financial results, and its utilization as an analysis tool is significantly restricted. Consequently, there is a possibility that the indicator may not be comparable with the same or similar indicator of other companies in the same industry because of differences in calculation method, thereby decreasing the usefulness of the indicator.
3. Adjusted multi-step profit is a reference figure estimated by the Company and is not subject to audit by a certified public accountant or audit corporation.

Means of access to supplementary material on financial results

The Company plans to hold financial results presentation meeting for institutional investors on Tuesday, August 6, 2024.

The supplementary materials used for the quarterly financial results briefing on this date is to be posted on the Company's website promptly after the briefing has concluded.

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1. Overview of operating results

(1) Overview of operating results during the period

During the first three months under review, the Japanese economy showed a gradual recovery trend due to a recovery in business performance by companies that passed on higher raw material and import prices to selling prices, and an increase in inbound demand on the back of the weaker yen. However, the economic outlook remains uncertain, mainly due to concerns about a decline in consumer demand as a result of the aforementioned passed-on prices and rising living costs for consumers.

Under these circumstances, the Group aims to provide a "Fourth Option" as an alternative to newly built, "as-is" pre-owned, and rental houses, mainly targeting the middle- and lower-income market. We deal with older pre-owned single-family detached houses that competitors find challenging to bring to market. We add value by refurbishing properties that are difficult to live in as they are, and sell them to customers.

In terms of sales, families living in rental homes, in particular, have a desire to buy inexpensive, high-quality houses, demand which remains firm, and the number of customer inquiries increased year on year. However, the number of homes sold decreased year on year as this did not reach the point of delivering houses to customers. In addition, net sales decreased year on year due to continued sales policies such as offering houses in a lower price range to address the rising cost of living.

In terms of purchases, the Company's policy is to carefully assess the risks associated with used housing and carefully select properties that can be rehabilitated and that will ensure profitability. Under such circumstances, real estate for sale and real estate for sale in process decreased compared to the end of the previous fiscal year, as the level of activity to secure inventory for growth increased but did not result in purchases because of the lag that occurs until the seller sells the home.

In terms of profit, the gross margin increased 1.2 percentage points year on year as a result of the continued contribution of measures to improve gross profit, including measures to provide houses in a lower price range. Selling, general and administrative expenses increased 1.0% year on year as a result of higher personnel expenses due to investment in human resources for future stable growth.

As a result, in the first three months under review, the number of properties sold was 1,786, down 0.2% year on year, net sales were ¥31,195 million, down 1.3% year on year, operating profit was ¥3,107 million, up 8.6% year on year, ordinary profit was ¥3,014 million, up 7.7% year on year and profit attributable to owners of parent was ¥2,049 million, down 3.4% year on year.

Excluding the impact of the differences in consumption taxes, etc., which is the amount of discrepancy between the Group's conventional accounting treatment and the calculation method claimed by the Regional Taxation Bureau in connection with a court case against the Regional Taxation Bureau over the accounting treatment of consumption taxes, adjusted operating profit was ¥3,597 million, up 5.7% year on year, adjusted ordinary profit was ¥3,503 million, up 4.9% year on year, adjusted profit attributable to owners of parent was ¥2,387 million, up 3.1% year on year.

The Group's sole reportable segment is the "used housing refurbishing and remodeling business." Other businesses have been omitted due to a lack of materiality.

(2) Overview of financial position during the period

(i) Current assets

Current assets as of June 30, 2024 amounted to ¥73,378 million, a decrease of ¥1,956 million compared to ¥75,334 million at the end of the previous fiscal year. This was mainly due to decreases of ¥652 million in cash and deposits and ¥1,108 million in real estate for sale and real estate for sale in process.

(ii) Non-current assets

Non-current assets as of June 30, 2024 amounted to ¥1,834 million, a decrease of ¥197 million compared to ¥2,031 million at the end of the previous fiscal year. This was mainly due to a decrease of ¥196 million in investments and other assets.

(iii) Current liabilities

Current liabilities as of June 30, 2024 amounted to ¥8,314 million, a decrease of ¥2,126 million compared to ¥10,441 million at the end of the previous fiscal year. This was mainly due to decreases of ¥1,301 million in income taxes payable and ¥474 million in accounts payable - trade.

(iv) Non-current liabilities

Non-current liabilities as of June 30, 2024 amounted to ¥26,582 million, a decrease of ¥1 million compared to ¥26,583 million at the end of the previous fiscal year. This was mainly due to a decrease of ¥1 million in other non-current liabilities.

(v) Net assets

Net assets as of June 30, 2024 amounted to ¥40,315 million, a decrease of ¥26 million compared to ¥40,341 million at the end of the previous fiscal year. This was mainly due to the recording of ¥2,049 million in profit attributable to owners of parent while paying out dividends of surplus of ¥2,105 million. As a result, the equity-to-asset ratio was 53.6%.

(3) Explanation regarding consolidated earnings forecasts and other forward-looking statements

There are no changes to the consolidated earnings forecasts for the first half and full year for the fiscal year ending March 31, 2025 announced in the “Consolidated Financial Results for the Fiscal Year Ended March 31, 2024” on May 7, 2024.

2. Quarterly consolidated financial statements and significant notes thereto

(1) Quarterly consolidated balance sheet

(Millions of yen)

	As of March 31, 2024	As of June 30, 2024
Assets		
Current assets		
Cash and deposits	22,027	21,375
Real estate for sale	37,454	35,409
Real estate for sale in process	14,798	15,734
Income taxes refund receivable	448	107
Other	609	754
Allowance for doubtful accounts	(4)	(4)
Total current assets	75,334	73,378
Non-current assets		
Property, plant and equipment	758	754
Intangible assets	151	153
Investments and other assets		
Other	1,124	928
Allowance for doubtful accounts	(2)	(2)
Total investments and other assets	1,122	926
Total non-current assets	2,031	1,834
Total assets	77,366	75,212
Liabilities		
Current liabilities		
Accounts payable - trade	4,723	4,248
Income taxes payable	2,123	822
Accrued consumption taxes	581	325
Provision for bonuses	355	63
Construction warranty reserve	344	332
Provision for loss on litigation	6	5
Provision for loss on disaster	66	62
Other	2,239	2,454
Total current liabilities	10,441	8,314
Non-current liabilities		
Long-term borrowings	26,500	26,500
Provision for retirement benefits for directors (and other officers)	71	71
Other	11	10
Total non-current liabilities	26,583	26,582
Total liabilities	37,025	34,896
Net assets		
Shareholders' equity		
Share capital	3,778	3,778
Capital surplus	3,703	3,699
Retained earnings	33,139	33,083
Treasury shares	(332)	(246)
Total shareholders' equity	40,289	40,315
Share acquisition rights	52	–
Total net assets	40,341	40,315
Total liabilities and net assets	77,366	75,212

(2) Quarterly consolidated statement of income and quarterly consolidated statement of comprehensive income

Quarterly consolidated statement of income (cumulative)

(Millions of yen)

	Three months ended June 30, 2023	Three months ended June 30, 2024
Net sales	31,613	31,195
Cost of sales	24,923	24,220
Gross profit	6,690	6,975
Selling, general and administrative expenses	3,829	3,868
Operating profit	2,860	3,107
Non-operating income		
Commission income	1	1
Discount revenue	2	1
Other	10	4
Total non-operating income	14	7
Non-operating expenses		
Interest expenses	51	68
Other	25	31
Total non-operating expenses	77	100
Ordinary profit	2,798	3,014
Extraordinary income		
Differences in consumption taxes, etc.	175	–
Total extraordinary income	175	–
Profit before income taxes	2,973	3,014
Income taxes - current	722	774
Income taxes - deferred	129	190
Total income taxes	852	964
Profit	2,120	2,049
Profit attributable to owners of parent	2,120	2,049

Quarterly consolidated statement of comprehensive income (cumulative)

(Millions of yen)

	Three months ended June 30, 2023	Three months ended June 30, 2024
Profit	2,120	2,049
Comprehensive income	2,120	2,049
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	2,120	2,049

(3) Notes to quarterly consolidated financial statements

(Notes to segment information, etc.)

Segment information

I. Three months ended June 30, 2023

The Group's sole reportable segment is the "used housing refurbishing and remodeling business." Other businesses have been omitted due to a lack of materiality.

II. Three months ended June 30, 2024

The Group's sole reportable segment is the "used housing refurbishing and remodeling business." Other businesses have been omitted due to a lack of materiality.

(Notes on significant changes in the amount of shareholders' equity)

No items to report.

(Notes on premise of going concern)

No items to report.

(Notes on quarterly consolidated statement of cash flows)

Quarterly consolidated statement of cash flows has not been prepared for the first three months under review. Depreciation for the first three months under review is as follows.

	Three months ended June 30, 2023	Three months ended June 30, 2024
Depreciation	¥10 million	¥16 million

(Additional information)

(Regarding progress of the ruling on the lawsuit seeking the revocation of the reassessment penalty, etc. received from the Regional Taxation Bureau)

The Company filed a lawsuit against the Kanto-Shinetsu Regional Taxation Bureau (hereinafter, the "Regional Taxation Bureau"), seeking the revocation of a Written Notice of Reassessment of Consumption Tax and Local Consumption Tax and a Written Notice of Assessment and Determination Regarding Additional Tax (hereinafter, the "Reassessment Penalty, etc.") the Company received from the Regional Taxation Bureau on April 28, 2020, and the Tokyo High Court rendered a judgment on May 30, 2024 dismissing the Company's claim for revocation of the Reassessment Penalty, etc. (hereinafter, the "Original Judgment").

After closely scrutinizing the court's decision with its counsel, the Company decided that it cannot accept the Original Judgment, and the Board of Directors held on June 11, 2024 resolved to file an appeal to the Supreme Court against the Original Judgment.

With regard to the calculation method of consumption tax, the Company has calculated the amount of difference between the Group's conventional accounting treatment and the calculation method stressed by the Regional Taxation Bureau and recorded it as selling, general and administrative expenses from the previous fiscal year.