

# Summary of Business Results for the Second Quarter Ended December 31, 2020

## [Japan GAAP] (Consolidated)

February 10, 2021

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

Expected date of filing of quarterly report: February 15, 2021 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 2020 (July 1, 2020 through December 31, 2020)

(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, 2020	18,734	29.1	1,241	135.3	1,189	157.6	784	173.2
Six months ended Dec. 31, 2019	14,514	14.5	527	(51.6)	461	(55.1)	287	(60.4)

(Note) Comprehensive income:

Six months ended Dec. 31, 2020: 781 million yen (up 159.4%)  
 Six months ended Dec. 31, 2019: 301 million yen (down 56.4%)

	Net income per share		Diluted net income per share	
	Yen		Yen	
Six months ended Dec. 31, 2020	40.25		39.60	
Six months ended Dec. 31, 2019	14.76		14.34	

(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, 2020	53,642		12,000		22.3	613.23		
As of Jun. 30, 2020	54,243		11,578		21.3	592.27		

(Reference) Shareholders' equity:

As of Dec. 31, 2020: 11,961 million yen As of Jun. 30, 2020: 11,543 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, 2020	-	0.00	-	19.00	19.00
Fiscal year ending Jun. 30, 2021	-	0.00	-	-	-
Fiscal year ending Jun. 30, 2021 (forecast)	-	-	-	-	-

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

The dividend forecast for the fiscal year ending June 30, 2021 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 2021 (July 1, 2020 through June 30, 2021)

(% 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, 2021	33,976-	3.3-	2,713-	43.3-	2,500-	45.7-	1,650-	60.1-	84.68-	
	37,532	14.2	3,512	85.5	3,300	92.2	2,178	111.3	111.75	

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

Ranges for the consolidated earnings forecast for the fiscal year ending June 30, 2021 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, (4) Notes to Quarterly Consolidated Financial Statements (Application of Accounting Procedures Specific to Preparation of the Quarterly Consolidated Financial Statements)” on page 12 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, 2020 19,505,600 shares

As of Jun. 30, 2020 19,490,800 shares

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

As of Dec. 31, 2020 514 shares

As of Jun. 30, 2020 514 shares

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

Six months ended Dec. 31, 2020 19,496,514 shares

Six months ended Dec. 31, 2019 19,461,867 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

In the first half of the fiscal year ending in June 2021, the Japanese economy recovered slowly after the end of the state of emergency, with the support of government economic stimulus measures, despite continuing worries about COVID-19. However, the economic outlook remains uncertain because a new wave of infections that began early in the winter creates the risk of shift in the business climate.

In the Japanese real estate industry, where the HOUSEDO Group operates, there are concerns about the negative effect of the COVID-19 crisis on consumer sentiment. Despite these concerns, demand for houses has remained firm due to a change in how people view housing because of the need to stay home for safety and to the consistent monetary easing by the Bank of Japan.

In this challenging business climate, the HOUSEDO Group continued to make substantial investments in growth-driving 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. The Franchisee Business is taking actions aimed at increasing number of franchised stores and offering a larger selection of services. The House-Leaseback Business is purchasing rental properties to build a base for steady income and increasing earnings by selling properties to real estate funds and other buyers in order to earn capital gains. In the Finance Business, we are continuing to strengthen operations that combine real estate and financing by providing loans secured by real estate and using alliances with financial institutions to guarantee reverse mortgages.

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.

The HOUSEDO Group reported net sales of 18,734 million yen (up 29.1% year on year), operating profit of 1,241 million yen (up 135.3% year on year), ordinary profit of 1,189 million yen (up 157.6% year on year) and profit attributable to owners of parent of 784 million yen (up 173.2% year on year).

Results by business segment were as follows.

(As of December 31, 2020)

Segment	Net sales (Millions of yen)	Activities
Franchisee Business	1,585	75 new franchisee contracts, raising total to 674 62 new franchised stores, raising total to 575
House-Leaseback Business	5,968	372 properties purchased, raising holdings to 285; 311 properties sold
Finance Business	558	78 real estate secured loans; 76 guarantees for reverse mortgages
Real Estate Buying and Selling Business	7,033	348 transactions
Real Estate Brokerage Business	960	1,596 brokered properties
Renovation Business	1,399	953 contracts; 951 renovation completions
Koyama Construction Group	1,226	Residences managed: 5,868
Other Business	1	(Europe/US style) real estate agent and overseas business expenses
Total	18,734	-

#### 1) Franchisee Business

The number of companies contacting us about signing franchising agreements increased steadily during the first half of the fiscal year. Aggressive advertising and promotional activities using television and radio commercials and other media promotions contributed to this growth. In addition, the increasing number of franchised stores is raising public awareness and the value of the corporate brand as well as public trust in HOUSEDO. The efficiency and productivity of business activities increased during the first half due to the extensive use of the internet for attracting customers and sales activities. During the first half of the fiscal year, there were 75 new

franchisee contracts, raising the total to 674 at the end of December 2020.

We have reinforced a franchisee follow-up system using supervisors and upgraded a variety of new services. Due to these actions, we opened 62 stores during the first half, raising the total to 575 at the end of December 2020.

As a result, the segment recorded sales of 1,585 million yen (up 12.0% year on year) and segment profit of 1,081 million yen (up 27.9%).

## 2) House-Leaseback Business

This business allows people to use real estate to generate retirement income or to fund business operations. We are expanding activities to more areas to meet the demand for house-leaseback services throughout Japan and conducting many promotional activities. As a result, the number of calls from prospective customers is increasing steadily. This business purchased 372 properties and resold or sold to investment funds, real estate purchasing companies and other buyers a total of 311 properties in order to earn capital gains that contribute to earnings growth. The number of residential properties owned by this business was 285 at the end of December 2020. All of these properties are generating leasing income.

As a result, the segment recorded sales of 5,968 million yen (up 0.6% year on year) and segment profit of 749 million yen (up 10.4%).

## 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. During the first half of the fiscal year, there were 78 new loans secured by real estate. Activities involving alliances with financial institutions, including new alliances that were postponed and activities to seek more alliance partners, resumed after a suspension caused by COVID-19. Due to these activities, there were 76 reverse mortgage guarantees during the first half.

As a result, the segment recorded sales of 558 million yen (up 25.4% year on year) and segment profit of 55 million yen (an improvement of 122 million yen).

## 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. In the first half, the number of transactions was 348 (up 112.2% year on year) because of the ability of this business to maintain an inventory of properties capable of meeting the needs of people seeking a home as interest rates on mortgages remain extremely low.

As a result, the segment recorded sales of 7,033 million yen (up 114.3% year on year) and segment profit of 525 million yen (up 226.4%).

## 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 our own website advertisements, newspaper inserts, television and radio commercials and other media promotions, and the distribution of local real estate information individually to people living near stores. Even as the shift of people to growth-driving businesses continues, the number of brokerage transactions was 1,596 (up 4.7% year on year) because of the strong demand for houses.

As a result, the segment recorded sales of 960 million yen (down 2.7% year on year) and segment profit of 244 million yen (up 1.6%).

## 6) Renovation Business

This business used a collaboration with the Real Estate Buying and Selling 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 renovations completed during the first half was down 8.0% from one year earlier to 951 because of the decline in orders late in the previous fiscal year caused by COVID-19. Demand is currently recovering slowly and the number of renovation contracts signed during the first half was 953 (up 2.6% year on year).

As a result, the segment recorded sales of 1,399 million yen (down 7.9% year on year) and segment profit of 92 million yen (down 22.3%).

#### 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 1,226 million yen (up 32.8% year on year) and segment profit of 131 million yen (up 56.5%).

## (2) Explanation of Financial Condition

### 1) Assets, liabilities and net assets

#### Assets

Total assets amounted to 53,642 million yen at the end of December 2020, a decrease of 600 million yen over the end of June 2020.

This was mainly attributable to an increase of 881 million yen in property, plant and equipment, the result of the increasing number of properties in the House-Leaseback Business.

There was a decrease of 1,190 million yen in inventories.

#### Liabilities

Liabilities totaled 41,642 million yen, a decrease of 1,021 million yen over the end of June 2020.

There were increases of 248 million yen in current portion of bonds payable, 199 million yen in current portion of long-term borrowings, 278 million yen in income taxes payable and 660 million yen in bonds payable.

There were decreases of 2,731 million yen in short-term borrowings and 182 million yen in long-term borrowings.

#### Net assets

Net assets totaled 12,000 million yen, an increase of 421 million yen over the end of June 2020.

Retained earnings increased 784 million yen because of the booking of profit attributable to owners of parent for the first half of the current fiscal year, while there was a decrease of 370 million yen in retained earnings due to dividend payments.

(Millions of yen)

	FY2020 (As of Jun. 30, 2020)	Second quarter of FY2021 (As of Dec. 31, 2020)	Change
Total assets	54,243	53,642	(600)
Liabilities	42,664	41,642	(1,021)
Net assets	11,578	12,000	421

### 2) Cash Flows

Cash and cash equivalents (hereinafter “net cash”) as of the end of December 2020 amounted to 18,890 million yen, an increase of 121 million yen over the end of June 2020.

Cash flows from operating activities

Net cash provided by operating activities totaled 7,981 million yen (compared with net cash provided of 251 million yen in the same period of the previous fiscal year).

Positive factors include the booking of profit before income taxes of 1,183 million yen and decreases in inventories of 5,419 million yen and operating loans receivable of 688 million yen.

Cash flows from investing activities

Net cash used in investing activities totaled 5,688 million yen (compared with net cash used of 6,068 million yen in the same period of the previous fiscal year).

Negative factors include the payment for the purchase of property, plant and equipment of 5,406 million yen.

Cash flows from financing activities

Net cash used in financing activities totaled 2,168 million yen (compared with net cash provided of 6,760 million yen in the same period of the previous fiscal year).

Positive factors include proceeds from long-term borrowings of 2,700 million yen and proceeds from issuance of bonds of 1,000 million yen.

Negative factors include a net decrease in short-term borrowings of 2,731 million yen, repayments of long-term borrowings of 2,683 million yen and cash dividends paid of 369 million yen.

**(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, 2020 dated August 12, 2020.

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

	(Thousands of yen)	
	FY2020 (As of Jun. 30, 2020)	Second quarter of FY2021 (As of Dec. 31, 2020)
Assets		
Current assets		
Cash and deposits	19,274,618	19,396,405
Accounts receivable from completed construction contracts	102,221	73,401
Accounts receivable-trade	57,324	55,294
Real estate for sale	8,386,363	6,753,712
Real estate for sale in process	2,138,309	2,638,643
Costs on construction contracts in progress	160,328	101,827
Operating loans	10,950,358	10,313,239
Other	448,869	448,775
Allowance for doubtful accounts	(13,137)	(24,711)
Total current assets	41,505,256	39,756,587
Non-current assets		
Property, plant and equipment		
Buildings and structures	4,546,878	4,919,017
Accumulated depreciation	(1,133,475)	(1,221,828)
Buildings and structures, net	3,413,403	3,697,189
Land	5,731,605	6,289,767
Other	167,878	197,373
Accumulated depreciation	(128,433)	(117,907)
Other, net	39,444	79,465
Total property, plant and equipment	9,184,454	10,066,422
Intangible assets		
Goodwill	681,195	624,170
Other	216,359	299,027
Total intangible assets	897,554	923,197
Investments and other assets		
Investment securities	1,142,376	1,369,818
Deferred tax assets	343,531	311,353
Other	1,202,804	1,252,643
Allowance for doubtful accounts	(32,934)	(37,358)
Total investments and other assets	2,655,777	2,896,457
Total non-current assets	12,737,785	13,886,077
Total assets	54,243,042	53,642,665



	(Thousands of yen)	
	FY2020 (As of Jun. 30, 2020)	Second quarter of FY2021 (As of Dec. 31, 2020)
<b>Liabilities</b>		
<b>Current liabilities</b>		
Accounts payable for construction contracts	473,564	494,160
Short-term borrowings	13,013,500	10,282,498
Current portion of bonds payable	184,000	432,000
Current portion of long-term borrowings	5,133,513	5,332,704
Accounts payable-other	581,038	696,052
Accrued expenses	405,249	455,972
Income taxes payable	144,800	423,641
Accrued consumption taxes	106,115	203,542
Advances received on construction contracts in progress	229,882	276,536
Advances received	471,492	507,872
Provision for bonuses	110,620	102,126
Provision for warranties for completed construction	4,960	4,853
Provision for sales promotion expenses	7,132	6,710
Other	566,202	618,618
<b>Total current liabilities</b>	<b>21,432,072</b>	<b>19,837,291</b>
<b>Non-current liabilities</b>		
Bonds payable	786,000	1,446,000
Long-term borrowings	18,674,517	18,492,165
Long-term guarantee deposits	1,138,828	1,241,992
Deferred tax liabilities	491,932	485,620
Asset retirement obligations	104,013	105,569
Provision for warranties for completed construction	27,180	25,471
Retirement benefit liability	9,836	8,291
<b>Total non-current liabilities</b>	<b>21,232,309</b>	<b>21,805,110</b>
<b>Total liabilities</b>	<b>42,664,381</b>	<b>41,642,401</b>
<b>Net assets</b>		
<b>Shareholders' equity</b>		
Share capital	3,359,831	3,363,162
Capital surplus	3,378,326	3,381,658
Retained earnings	4,862,747	5,277,158
Treasury shares	(461)	(461)
<b>Total shareholders' equity</b>	<b>11,600,442</b>	<b>12,021,518</b>
<b>Accumulated other comprehensive income</b>		
Valuation difference on available-for-sale securities	(52,684)	(56,221)
Foreign currency translation adjustment	(4,240)	(4,217)
<b>Total accumulated other comprehensive income</b>	<b>(56,925)</b>	<b>(60,438)</b>
Share acquisition rights	35,143	39,183
<b>Total net assets</b>	<b>11,578,660</b>	<b>12,000,263</b>
<b>Total liabilities and net assets</b>	<b>54,243,042</b>	<b>53,642,665</b>

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

(Thousands of yen)

	First six months of FY2020 (Jul. 1, 2019 – Dec. 31, 2019)	First six months of FY2021 (Jul. 1, 2020 – Dec. 31, 2020)
Net sales	14,514,194	18,734,552
Cost of sales	9,106,703	12,413,156
Gross profit	5,407,491	6,321,395
Selling, general and administrative expenses	4,880,036	5,080,358
Operating profit	527,454	1,241,037
Non-operating income		
Interest and dividend income	565	106
Gain on investments in silent partnerships	33,781	73,483
Gain on sales of investment securities	26	-
Commission income	7,886	8,296
Insurance claim income	7,675	7,358
Penalty income	8,058	5,178
Share of profit of entities accounted for using equity method	-	107
Other	32,073	37,562
Total non-operating income	90,067	132,093
Non-operating expenses		
Interest expenses	119,851	144,758
Share of loss of entities accounted for using equity method	1,012	-
Other	34,881	38,780
Total non-operating expenses	155,746	183,538
Ordinary profit	461,775	1,189,592
Extraordinary income		
Gain on sales of non-current assets	46	9
Gain on reversal of share acquisition rights	151	257
Total extraordinary income	198	266
Extraordinary losses		
Loss on retirement of non-current assets	-	686
Loss on valuation of investment securities	-	5,282
Impairment loss	3,400	-
Other	300	-
Total extraordinary losses	3,700	5,969
Profit before income taxes	458,273	1,183,888
Income taxes	171,026	399,161
Profit	287,247	784,727
Profit attributable to owners of parent	287,247	784,727

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

	(Thousands of yen)	
	First six months of FY2020 (Jul. 1, 2019 – Dec. 31, 2019)	First six months of FY2021 (Jul. 1, 2020 – Dec. 31, 2020)
Profit	287,247	784,727
Other comprehensive income		
Valuation difference on available-for-sale securities	12,775	(3,536)
Share of other comprehensive income of entities accounted for using equity method	1,084	23
Total other comprehensive income	13,860	(3,512)
Comprehensive income	301,107	781,214
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	301,107	781,214

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

(Thousands of yen)

	First six months of FY2020 (Jul. 1, 2019 – Dec. 31, 2019)	First six months of FY2021 (Jul. 1, 2020 – Dec. 31, 2020)
Cash flows from operating activities		
Profit before income taxes	458,273	1,183,888
Depreciation	199,480	192,898
Loss (gain) on valuation of investment securities	-	5,282
Loss (gain) on investments in silent partnerships	(33,781)	(73,483)
Amortization of goodwill	45,802	57,024
Amortization of long-term prepaid expenses	62,883	64,730
Increase (decrease) in allowance for doubtful accounts	(5,466)	15,997
Increase (decrease) in provision for warranties for completed construction	(325)	(1,816)
Increase (decrease) in provision for bonuses	95,469	(8,493)
Interest and dividend income	(565)	(106)
Interest expenses	119,851	144,758
Loss (gain) on sales of non-current assets	(46)	(9)
Foreign exchange losses (gains)	(1,163)	2,818
Decrease (increase) in trade receivables	20,246	30,850
Decrease (increase) in inventories	2,783,700	5,419,907
Increase (decrease) in trade payables	(331,974)	20,596
Decrease (increase) in operating loans receivable	(1,862,373)	688,056
Increase (decrease) in advances received on construction contracts in progress	(14,055)	46,654
Increase (decrease) in advances received	(15,920)	36,380
Decrease (increase) in advance payments-trade	(9,583)	(31,117)
Decrease (increase) in prepaid expenses	(30,749)	(35,561)
Decrease (increase) in accounts receivable-other	3,451	5,304
Increase (decrease) in accrued consumption taxes	(118,806)	97,427
Increase (decrease) in accrued expenses	(60,304)	51,397
Increase (decrease) in guarantee deposits received	(66,477)	103,163
Increase (decrease) in deposits received	5,630	49,350
Other, net	(75,184)	125,543
Subtotal	1,168,010	8,191,444
Interest and dividends received	437	140
Interest paid	(122,670)	(146,013)
Income taxes (paid) refund	(794,128)	(64,129)
Net cash provided by (used in) operating activities	251,648	7,981,442
Cash flows from investing activities		
Purchase of property, plant and equipment	(4,788,193)	(5,406,700)
Proceeds from sales of property, plant and equipment	47	9
Purchase of intangible assets	(96,642)	(98,848)
Payments of guarantee deposits	(7,063)	(10,203)
Proceeds from refund of guarantee deposits	1,054	2,745
Purchase of shares of subsidiaries resulting in change in scope of consolidation	(1,756,855)	-
Purchase of investment securities	(147,130)	(172,600)
Proceeds from sales of investment securities	41,587	-
Proceeds from withdrawal of time deposits	678,982	-
Other, net	5,721	(2,499)
Net cash provided by (used in) investing activities	(6,068,491)	(5,688,097)

(Thousands of yen)

	First six months of FY2020 (Jul. 1, 2019 – Dec. 31, 2019)	First six months of FY2021 (Jul. 1, 2020 – Dec. 31, 2020)
Cash flows from financing activities		
Net increase (decrease) in short-term borrowings	103,250	(2,731,002)
Proceeds from long-term borrowings	9,300,000	2,700,000
Repayments of long-term borrowings	(2,142,256)	(2,683,161)
Proceeds from issuance of bonds	300,000	1,000,000
Redemption of bonds	(100,000)	(92,000)
Repayments of lease obligations	(2,680)	-
Proceeds from issuance of shares resulting from exercise of share acquisition rights	19,545	6,660
Dividends paid	(717,502)	(369,269)
Net cash provided by (used in) financing activities	6,760,356	(2,168,773)
Effect of exchange rate change on cash and cash equivalents	1,163	(2,784)
Net increase (decrease) in cash and cash equivalents	944,676	121,786
Cash and cash equivalents at beginning of period	12,435,884	18,768,618
Cash and cash equivalents at end of period	13,380,560	18,890,405

**(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

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.

	FY2020 (As of Jun. 30, 2020)	Second quarter of FY2021 (As of Dec. 31, 2020)
Number of SPC	6	7
Total assets of SPCs	17,742,967 thousand yen	20,812,801 thousand yen
Total liabilities of SPCs	16,570,301 thousand yen	19,240,660 thousand yen

## 2. Transactions with SPCs

First six months of FY2020 (Jul. 1, 2019 – Dec. 31, 2019)

	Major transactions (Thousands of yen)	Sales, expenses, gains	
		Items	Amount (Thousands of yen)
Investments in silent partnerships	146,500	Gain on investments in silent partnerships	27,904
Selling price	2,936,027	Net sales	2,936,027
Book value	2,211,148	Cost of sales	2,247,392

(Note) The selling price of assets is classified as sales and the book value of assets is classified as cost of sales.

(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.

(Note) HOUSEDO 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 FY2021 (Jul. 1, 2020 – Dec. 31, 2020)

	Major transactions (Thousands of yen)	Sales, expenses, gains	
		Items	Amount (Thousands of yen)
Investments in silent partnerships	172,000	Gain on investments in silent partnerships	73,483
Selling price	3,453,978	Net sales	3,453,978
Book value	2,694,896	Cost of sales	2,694,896

(Note) The selling price of assets is classified as sales and the book value of assets is classified as cost of sales.

(Note) SPCs outsource to PM Do Co., Ltd. the management of the properties purchased from HOUSED0. 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 HOUSED0, in the supplementary information section of the Securities Report for the fiscal year that ended on June 30, 2020.

### Segment Information

I First six months of FY2020 (Jul. 1, 2019 – Dec. 31, 2019)

#### 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	Koyama Construction Group	Subtotal				
Net sales												
External sales	1,415,578	5,932,558	445,697	3,281,766	987,588	1,519,296	923,980	14,506,467	7,726	14,514,194	-	14,514,194
Inter-segment sales and transfers	41,560	4,776	375	-	108,550	127	-	155,391	-	155,391	(155,391)	-
Total	1,457,139	5,937,335	446,072	3,281,766	1,096,139	1,519,424	923,980	14,661,858	7,726	14,669,585	(155,391)	14,514,194
Segment profit (loss)	846,096	678,793	(67,262)	160,930	240,654	119,566	83,748	2,062,526	(6,681)	2,055,844	(1,528,390)	527,454

- Notes:
1. Other represents the businesses which are not included in any of the reportable segments and mainly consists of the Europe/US style real estate agent and overseas business expenses.
  2. The negative adjustment of 1,528,390 thousand yen to segment profit (loss) includes elimination for inter-segment transactions of 5,449 thousand yen, acquisition-related costs for purchase of shares of subsidiary of negative 110,291 thousand yen, corporate expenses of negative 1,413,302 thousand yen that are not allocated to any of the reportable segments, and inventory adjustments of negative 10,245 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 six months of FY2021 (Jul. 1, 2020 – Dec. 31, 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	1,585,863	5,968,386	558,943	7,033,693	960,458	1,399,344	1,226,696	18,733,386	1,166	18,734,552	-	18,734,552
Inter-segment sales and transfers	45,639	18,209	2,436	-	143,376	297	1,343	211,302	-	211,302	(211,302)	-
Total	1,631,502	5,986,595	561,379	7,033,693	1,103,835	1,399,641	1,228,040	18,944,689	1,166	18,945,855	(211,302)	18,734,552
Segment profit (loss)	1,081,902	749,441	55,229	525,219	244,523	92,902	131,078	2,880,298	(7,396)	2,872,901	(1,631,864)	1,241,037

- Notes:
1. Other represents the businesses which are not included in any of the reportable segments and mainly consists of the Europe/US style real estate agent and overseas business expenses.
  2. The negative adjustment of 1,631,864 thousand yen to segment profit (loss) includes elimination for inter-segment transactions of 13,298 thousand yen, corporate expenses of negative 1,650,095 thousand yen that are not allocated to any of the reportable segments, and inventory adjustments of 4,933 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

## Changes in the classification of operating segments

1. Beginning in the first quarter of FY2021, HOUSEDO Japan Co., Ltd. (formerly Soka Matsubara Juken Co., Ltd.), which was previously included in the Koyama Construction Group, has been moved to the Real Estate Buying and Selling segment in association with the change in this company's name and the start of a real estate buying and selling business at this company.

The effect of this change on the segment information for the first six months of FY2020 is insignificant.

2. Beginning in the first quarter of FY2021, income at subsidiary PM Do Co., Ltd. from property assessments and from outsourced services provided for HOUSEDO Group managed properties, which was previously included in the Finance segment and Franchisee segment, has been included in sales of the House-Leaseback segment for the purpose of more appropriately reflecting the activities of each segment.

In prior years, the expenses of PM Do were divided among the House-Leaseback, Finance and Franchisee segments in proportion to the sales of these segments. Due to the change in the segment classification of income of this company, all expenses are now included only in the House-Leaseback segment.

Segment information for the first six months of FY2020 has been restated to reflect these changes.

3. Beginning in the first quarter of FY2021, expenses of the HOUSEDO Construction Design Division, which were previously included in the Real Estate Buying and Selling segment, are divided among the House-Leaseback and Real Estate Buying and Selling segments and adjustment in proportion to the scale of business operations for the purpose of more appropriately reflecting the activities of each segment.

Segment information for the first six months of FY2020 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 Real Estate Buying and Selling segment in that period.



**Material Subsequent Events**

## Conclusion of an important contract

1. On January 14, 2021, the HOUSEDO Board of Directors approved a resolution to purchase a real estate property. The real estate purchase agreement was concluded on January 29, 2021.

Details are as follows.

## (1) Purpose of the purchase

The property is to be purchased for sale.

## (2) Details of the property to be purchased

1) Location	Tokyo
2) Description of the property	Land
3) Transaction closing date	June 2021 (tentative)
4) Acquisition cost	3,000 million yen
5) Funding	Borrowings (tentative)

2. On February 2, 2021, the HOUSEDO Board of Directors approved a resolution to purchase a real estate property. The real estate purchase agreement was concluded on February 2, 2021.

Details are as follows.

## (1) Purpose of the purchase

The property is to be purchased as an income-generating property.

## (2) Details of the property to be purchased

1) Location	Osaka
2) Description of the property	Income-generating building
3) Transaction closing date	March 2021 (tentative)
4) Acquisition cost	2,800 million yen
5) Funding	Borrowings (tentative)

*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.*