

Summary of Business Results for the Second Quarter Ended December 31, 2021

[Japan GAAP] (Consolidated)

February 10, 2022

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Expected date of filing of quarterly report: February 14, 2022 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 2021

(July 1, 2021 through December 31, 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	%
Six months ended Dec. 31, 2021	22,290	19.0	1,791	44.4	1,747	46.9	1,169	49.0
Six months ended Dec. 31, 2020	18,734	29.1	1,241	135.3	1,189	157.6	784	173.2

(Note) Comprehensive income:

Six months ended Dec. 31, 2021: 1,155 million yen (up 48.0%)

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

	Net income per share	Diluted net income per share
	Yen	Yen
Six months ended Dec. 31, 2021	59.80	59.04
Six months ended Dec. 31, 2020	40.25	39.60

(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, 2021	59,192	13,046	22.0	665.04
As of Jun. 30, 2021	57,306	12,877	22.4	656.34

(Reference) Shareholders' equity:

As of Dec. 31, 2021: 13,007 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	-	0.00			
Fiscal year ending Jun. 30, 2022 (forecast)			-	-	-

(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, (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 : 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, (4) Notes to Quarterly Consolidated Financial Statements (Changes in Accounting Policies)” on page 12 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 Dec. 31, 2021 19,559,200 shares

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

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

As of Dec. 31, 2021 514 shares

As of Jun. 30, 2021 514 shares

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

Six months ended Dec. 31, 2021 19,557,297 shares

Six months ended Dec. 31, 2020 19,496,514 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 continued to recover as corporate earnings and business sentiment improved overall amid expectations that the COVID-19 pandemic will subside as vaccinations progress. However, the end of the crisis remains uncertain because of the recent increase in infections due to the emergence of mutant strains of the virus and other factors.

In the Japanese real estate industry, where the &Do Holding Group operates, there were concerns over price increases caused by rising raw material prices. Nevertheless, business environment was favorable because 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 &Do Holdings 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 &Do Holdings Group's sound foundation for business operations. In the Franchisee Business we increased the number of franchisees and started offering a larger selection of services. In the House-Leaseback Business we created a stable income stream by purchasing rental properties and increased earnings with capital gains by selling properties to real estate funds. In the Finance Business, we have strengthened operations that combine real estate and financing through real estate mortgage loans and reverse mortgage guarantee business in partnership with financial institutions.

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 &Do Holdings Group reported net sales of 22,290 million yen (up 19.0% year on year), operating profit of 1,791 million yen (up 44.4% year on year), ordinary profit of 1,747 million yen (up 46.9% year on year) and profit attributable to owners of parent of 1,169 million yen (up 49.0% year on year).

&Do Holdings 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, (4) Notes to Quarterly Consolidated Financial Statements, Changes in Accounting Policies."

Results by business segment were as follows.

(As of December 31, 2021)

Segment	Net sales (Millions of yen)	Activities
Franchisee Business	1,691	53 new franchisee contracts, raising total to 692 56 new franchised stores, raising total to 617
House-Leaseback Business	6,273	436 properties purchased, raising holdings to 448; 324 properties sold
Finance Business	441	157 guarantees for reverse mortgages; 62 real estate secured loans
Real Estate Buying and Selling Business	10,933	295 transactions
Real Estate Brokerage Business	917	1,415 brokered properties
Renovation Business	1,352	963 contracts; 947 renovation completions
Koyama Construction Group	678	Residences managed: 5,770
Other Business	2	(Europe/US style) real estate agent and overseas business expenses
Total	22,290	-

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 &Do Holdings as the number of franchised stores climbs, increasing value of the corporate brand, and a further improvement in public trust in &Do Holdings. During the first half of the fiscal year, there were 53 new franchisee contracts. However, due mainly to the departure of member companies with several stores, the number of franchise contracts was 692 at the end of December 2021.

We have reinforced a franchisee follow-up system using supervisors and developed a variety of new services and expanded its partner companies. Due to these actions, we opened 56 stores during the first half, raising the total to 617 at the end of December 2021.

As a result, the segment recorded sales of 1,691 million yen (up 6.6% year on year) and segment profit of 1,183 million yen (up 9.4%).

2) House-Leaseback Business

This business allows people to use real estate to generate retirement income or to fund business operations. During the first half, 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 436 properties and resold or sold to investment funds, real estate purchasing companies and other buyers a total of 324 properties. The number of residential properties owned by this business was 448 at the end of December 2021. All of these properties are generating leasing income.

As a result, the segment recorded sales of 6,273 million yen (up 5.1% year on year) and segment profit of 784 million yen (up 4.7%).

3) Finance Business

This business uses the &Do Holdings 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 157 new guarantees during the first half to 687, as this business increased the number of alliances with financial institutions and strengthened cooperation with financial institutions to create demand for these guarantees. There were 62 new loans secured by real estate.

As a result, the segment recorded sales of 441 million yen (down 21.0% year on year) and segment profit of 91 million yen (up 66.5%).

4) Real Estate Buying and Selling Business

This business utilizes synergies within the &Do Holdings 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 as mortgage interest rates remain extremely low. In the first half, the number of transactions was 295 (down 15.2% year on year).

As a result, the segment recorded sales of 10,933 million yen (up 55.4% year on year) and segment profit of 1,201 million yen (up 128.7%).

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 half of the fiscal year was 1,415 (down 11.3% year on year).

As a result, the segment recorded sales of 917 million yen (down 4.5% year on year) and segment profit of 359 million yen (up 46.8%).

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. Customer trends were fluid due to the effects of the repeated emergency declarations in the COVID-19 situation. The number of renovation contracts signed in the first half rose by 1.0% from the same period in the previous fiscal year to 963 and the number of renovation completions has declined by 0.4% from the same period in the previous fiscal year to 947.

As a result, the segment recorded sales of 1,352 million yen (down 3.3% year on year) and segment profit of 93 million yen (up 0.1%).

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 678 million yen (down 44.7% year on year) and segment loss of 32 million yen (down 163 million yen).

(2) Explanation of Financial Condition

1) Assets, liabilities and net assets

Assets

Total assets amounted to 59,192 million yen at the end of December 2021, an increase of 1,886 million yen over the end of June 2021.

This was mainly attributable to an increase of 5,627 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 4,059 million yen in operating loans.

Liabilities

Liabilities totaled 46,146 million yen, an increase of 1,716 million yen over the end of June 2021.

There were increases of 637 million yen in accounts payable for construction contracts, 802 million yen in current portion of long-term borrowings, 360 million yen in bonds payable and 1,534 million yen in long-term borrowings.

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

Net assets

Net assets totaled 13,046 million yen, an increase of 169 million yen over the end of June 2021.

Retained earnings increased 1,169 million yen because of the booking of profit attributable to owners of parent for the first half, while there was a decrease of 586 million yen in retained earnings due to dividend payments.

(Millions of yen)

	FY2021 (As of Jun. 30, 2021)	Second quarter of FY2022 (As of Dec. 31, 2021)	Change
Total assets	57,306	59,192	1,886
Liabilities	44,429	46,146	1,716
Net assets	12,877	13,046	169

2) Cash flows

Cash and cash equivalents (hereinafter “net cash”) as of the end of December 2021 amounted to 16,567 million yen, an increase of 253 million yen over the end of June 2021.

Cash flows from operating activities

Net cash provided by operating activities totaled 10,739 million yen (compared with net cash provided of 7,981 million yen in the same period of the previous fiscal year).

Positive factors include the booking of profit before income taxes of 1,733 million yen and decreases in inventories of 5,756 million yen and operating loans receivable of 3,919 million yen.

Cash flows from investing activities

Net cash used in investing activities totaled 10,855 million yen (compared with net cash used of 5,688 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 10,205 million yen.

Cash flows from financing activities

Net cash provided by financing activities totaled 366 million yen (compared with net cash used of 2,168 million yen in the same period of the previous fiscal year).

Positive factors include proceeds from long-term borrowings of 8,300 million yen and proceeds from issuance of bonds of 800 million yen.

Negative factors include a net decrease in short-term borrowings of 1,928 million yen, repayments of long-term borrowings of 5,963 million yen and cash dividends paid of 585 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, 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)	Second quarter of FY2022 (As of Dec. 31, 2021)
Assets		
Current assets		
Cash and deposits	16,819,713	17,073,065
Notes and accounts receivable-trade, and contract assets	-	711,744
Accounts receivable from completed construction contracts	116,125	-
Accounts receivable-trade	62,948	-
Real estate for sale	9,000,052	6,289,753
Real estate for sale in process	2,479,165	3,689,584
Costs on construction contracts in progress	138,316	185,280
Short-term loans receivable from subsidiaries and associates	-	102,900
Operating loans	9,751,001	5,691,620
Other	941,237	917,613
Allowance for doubtful accounts	(37,183)	(17,717)
Total current assets	39,271,379	34,643,844
Non-current assets		
Property, plant and equipment		
Buildings and structures	7,214,674	8,693,368
Accumulated depreciation	(1,274,119)	(1,408,597)
Buildings and structures, net	5,940,554	7,284,771
Land	7,766,777	12,032,031
Other	125,087	147,038
Accumulated depreciation	(90,769)	(94,232)
Other, net	34,317	52,806
Total property, plant and equipment	13,741,649	19,369,608
Intangible assets		
Goodwill	567,145	510,120
Other	423,662	720,252
Total intangible assets	990,808	1,230,372
Investments and other assets		
Investment securities	1,658,962	1,951,766
Long-term prepaid expenses	566,294	628,104
Deferred tax assets	355,067	527,048
Other	749,600	889,041
Allowance for doubtful accounts	(27,332)	(47,355)
Total investments and other assets	3,302,591	3,948,604
Total non-current assets	18,035,049	24,548,586
Total assets	57,306,428	59,192,431

	(Thousands of yen)	
	FY2021 (As of Jun. 30, 2021)	Second quarter of FY2022 (As of Dec. 31, 2021)
Liabilities		
Current liabilities		
Accounts payable for construction contracts	551,979	1,189,025
Short-term borrowings	10,351,994	8,423,500
Current portion of bonds payable	512,000	696,000
Current portion of long-term borrowings	5,639,011	6,441,040
Lease obligations	-	4,953
Accounts payable-other	819,073	608,260
Accrued expenses	476,206	461,445
Income taxes payable	663,490	608,179
Accrued consumption taxes	187,302	129,311
Contract liabilities	-	1,358,788
Advances received on construction contracts in progress	269,319	-
Advances received	542,019	-
Provision for bonuses	106,191	122,209
Asset retirement obligations	11,246	7,317
Provision for warranties for completed construction	4,461	4,508
Provision for sales promotion expenses	6,616	-
Other	719,367	761,289
Total current liabilities	20,860,280	20,815,829
Non-current liabilities		
Bonds payable	1,610,000	1,970,000
Long-term borrowings	20,155,195	21,690,117
Lease obligations	-	17,337
Long-term guarantee deposits	1,223,393	1,082,648
Deferred tax liabilities	467,371	460,344
Asset retirement obligations	88,708	85,487
Provision for warranties for completed construction	24,468	24,257
Total non-current liabilities	23,569,137	25,330,193
Total liabilities	44,429,418	46,146,022
Net assets		
Shareholders' equity		
Share capital	3,374,337	3,375,197
Capital surplus	3,392,832	3,393,693
Retained earnings	6,109,309	6,293,545
Treasury shares	(461)	(461)
Total shareholders' equity	12,876,017	13,061,974
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	(42,437)	(49,432)
Foreign currency translation adjustment	1,391	(5,312)
Total accumulated other comprehensive income	(41,046)	(54,745)
Share acquisition rights	42,039	39,179
Total net assets	12,877,010	13,046,408
Total liabilities and net assets	57,306,428	59,192,431

(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 FY2021 (Jul. 1, 2020 – Dec. 31, 2020)	First six months of FY2022 (Jul. 1, 2021 – Dec. 31, 2021)
Net sales	18,734,552	22,290,841
Cost of sales	12,413,156	15,116,563
Gross profit	6,321,395	7,174,277
Selling, general and administrative expenses	5,080,358	5,382,763
Operating profit	1,241,037	1,791,514
Non-operating income		
Interest and dividend income	106	860
Gain on investments in silent partnerships	73,483	100,839
Commission income	8,296	5,945
Insurance claim income	7,358	4,190
Penalty income	5,178	20,690
Share of profit of entities accounted for using equity method	107	-
Other	37,562	47,661
Total non-operating income	132,093	180,189
Non-operating expenses		
Interest expenses	144,758	172,025
Share of loss of entities accounted for using equity method	-	713
Other	38,780	51,501
Total non-operating expenses	183,538	224,240
Ordinary profit	1,189,592	1,747,462
Extraordinary income		
Gain on sale of non-current assets	9	7
Gain on reversal of share acquisition rights	257	3,184
Total extraordinary income	266	3,191
Extraordinary losses		
Loss on retirement of non-current assets	686	16,958
Loss on valuation of investment securities	5,282	-
Total extraordinary losses	5,969	16,958
Profit before income taxes	1,183,888	1,733,696
Income taxes	399,161	564,127
Profit	784,727	1,169,568
Profit attributable to owners of parent	784,727	1,169,568

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

(Thousands of yen)

	First six months of FY2021 (Jul. 1, 2020 – Dec. 31, 2020)	First six months of FY2022 (Jul. 1, 2021 – Dec. 31, 2021)
Profit	784,727	1,169,568
Other comprehensive income		
Valuation difference on available-for-sale securities	(3,536)	(6,995)
Share of other comprehensive income of entities accounted for using equity method	23	(6,704)
Total other comprehensive income	(3,512)	(13,699)
Comprehensive income	781,214	1,155,869
Comprehensive income attributable to Comprehensive income attributable to owners of parent	781,214	1,155,869

(3) Quarterly Consolidated Statement of Cash Flows

(Thousands of yen)

	First six months of FY2021 (Jul. 1, 2020 – Dec. 31, 2020)	First six months of FY2022 (Jul. 1, 2021 – Dec. 31, 2021)
Cash flows from operating activities		
Profit before income taxes	1,183,888	1,733,696
Depreciation	192,898	307,833
Loss (gain) on valuation of investment securities	5,282	-
Loss (gain) on investments in silent partnerships	(73,483)	(100,839)
Amortization of goodwill	57,024	57,024
Amortization of long-term prepaid expenses	64,730	95,036
Increase (decrease) in allowance for doubtful accounts	15,997	556
Increase (decrease) in provision for warranties for completed construction	(1,816)	(164)
Increase (decrease) in provision for bonuses	(8,493)	16,017
Interest and dividend income	(106)	(860)
Interest expenses	144,758	172,025
Loss (gain) on sale of non-current assets	(9)	(7)
Foreign exchange losses (gains)	2,818	(3,813)
Decrease (increase) in trade receivables	30,850	(532,670)
Decrease (increase) in inventories	5,419,907	5,756,048
Increase (decrease) in trade payables	20,596	637,046
Decrease (increase) in operating loans receivable	688,056	3,919,173
Increase (decrease) in advances received on construction contracts in progress	46,654	(269,319)
Increase (decrease) in advances received	36,380	(542,019)
Increase (decrease) in contract liabilities	-	1,358,788
Decrease (increase) in advance payments to suppliers	(31,117)	(13,284)
Decrease (increase) in prepaid expenses	(35,561)	(33,673)
Decrease (increase) in accounts receivable-other	5,304	2,576
Increase (decrease) in accrued consumption taxes	97,427	(57,991)
Increase (decrease) in accrued expenses	51,397	(15,238)
Increase (decrease) in guarantee deposits received	103,163	(140,744)
Increase (decrease) in deposits received	49,350	13,065
Other, net	125,543	(826,220)
Subtotal	8,191,444	11,532,040
Interest and dividends received	140	861
Interest paid	(146,013)	(173,295)
Income taxes refund (paid)	(64,129)	(619,854)
Net cash provided by (used in) operating activities	7,981,442	10,739,752
Cash flows from investing activities		
Purchase of property, plant and equipment	(5,406,700)	(10,205,873)
Proceeds from sale of property, plant and equipment	9	8
Purchase of intangible assets	(98,848)	(330,251)
Payments of guarantee deposits	(10,203)	(90,476)
Proceeds from refund of guarantee deposits	2,745	4,068
Purchase of investment securities	(172,600)	(204,600)
Other, net	(2,499)	(28,211)
Net cash provided by (used in) investing activities	(5,688,097)	(10,855,335)

	(Thousands of yen)	
	First six months of FY2021 (Jul. 1, 2020 – Dec. 31, 2020)	First six months of FY2022 (Jul. 1, 2021 – Dec. 31, 2021)
Cash flows from financing activities		
Net increase (decrease) in short-term borrowings	(2,731,002)	(1,928,494)
Proceeds from long-term borrowings	2,700,000	8,300,000
Repayments of long-term borrowings	(2,683,161)	(5,963,048)
Proceeds from issuance of bonds	1,000,000	800,000
Redemption of bonds	(92,000)	(256,000)
Repayments of lease obligations	-	(2,476)
Proceeds from issuance of shares resulting from exercise of share acquisition rights	6,660	1,488
Dividends paid	(369,269)	(585,446)
Net cash provided by (used in) financing activities	(2,168,773)	366,021
Effect of exchange rate change on cash and cash equivalents	(2,784)	2,913
Net increase (decrease) in cash and cash equivalents	121,786	253,351
Cash and cash equivalents at beginning of period	18,768,618	16,313,713
Cash and cash equivalents at end of period	18,890,405	16,567,065

(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.

Changes in Accounting Policies

Application of the Accounting Standard for Revenue Recognition

&Do Holdings 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 103,524 thousand yen in net sales, an increase of 12,292 thousand yen in cost of sales, and increases of 91,232 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 half 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

&Do Holdings 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. &Do Holdings 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

&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.

	FY2021 (As of Jun. 30, 2021)	Second quarter of FY2022 (As of Dec. 31, 2021)
Number of SPC	8	9
Total assets of SPCs	24,179,795 thousand yen	27,629,590 thousand yen
Total liabilities of SPCs	22,324,105 thousand yen	25,476,191 thousand yen

2. Transactions with SPCs

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	Partnership investment gains	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 &Do Holdings. Property management fees are omitted from this table because they are negligible.

First six months of FY2022 (Jul. 1, 2021 – Dec. 31, 2021)

	Major transactions (Thousands of yen)	Sales, expenses, gains	
		Items	Amount (Thousands of yen)
Investments in silent partnerships	204,000	Partnership investment gains	100,839
Selling price	4,183,950	Net sales	4,183,950
Book value	3,193,208	Cost of sales	3,193,208

(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 &Do Holdings. Property management fees are omitted from this table because they are negligible.

(Note) &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.

Effect of COVID-19

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

Segment Information

I 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

	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 expenses of the Europe/US style real estate agent and overseas business.
 2. The negative adjustment of 1,631,864 thousand yen to segment profit (loss) includes elimination for inter-segment transactions of negative 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.

II First six months of FY2022 (Jul. 1, 2021 – Dec. 31, 2021)

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	1,691,119	6,273,298	441,514	10,933,782	917,316	1,352,935	678,596	22,288,563	2,277	22,290,841	-	22,290,841
Inter-segment sales and transfers	50,019	29,079	5,222	809	237,364	-	14,640	337,135	-	337,135	(337,135)	-
Total	1,741,138	6,302,377	446,736	10,934,591	1,154,681	1,352,935	693,237	22,625,699	2,277	22,627,976	(337,135)	22,290,841
Segment profit (loss)	1,183,201	784,486	91,929	1,201,089	359,016	93,006	(32,275)	3,680,454	(8,067)	3,672,386	(1,880,872)	1,791,514

- Notes:
1. Other represents the businesses which are not included in any of the reportable segments and mainly consists of expenses of the Europe/US style real estate agent business and overseas business.
 2. The negative adjustment of 1,880,872 thousand yen to segment profit (loss) includes elimination for inter-segment transactions of 9,794 thousand yen, corporate expenses of negative 1,885,052 thousand yen that are not allocated to any of the reportable segments, and inventory adjustments of negative 5,614 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, &Do Holdings 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 six months of FY2022 in the Franchisee segment by 83,645 thousand yen and 83,645 thousand yen, respectively. Net sales and segment profit increased 19,879 thousand yen and 7,587 thousand yen, respectively, in the Renovation segment.

Changes in the classification of business segments

Beginning in the first quarter of FY2022, &Do Holdings 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 six 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

Absorption-type company split and merger in connection with the transition to a holding company structure

On August 24, 2021, the &Do Holdings Board of Directors resolved to approve an absorption-type company split agreement between its wholly owned subsidiaries HOUSEDO Japan Co., Ltd. and HOUSE DO Residential Sales Co., Ltd., and an absorption-type merger agreement between its wholly owned subsidiaries Koyama Real Estate Co., Ltd. (the real estate brokerage business) and HOUSE DO Residential Sales Co., Ltd., with an effective date of January 1, 2022. In addition, the &Do Holdings Board of Directors on November 1, 2021, resolved to approve an absorption-type merger agreement between its wholly owned subsidiaries PM Do Co., Ltd. and Koyama Real Estate (excluding the real estate brokerage business). The company-split and merger agreements were concluded on the same date. Based on these agreements, the absorption-type company split and merger were conducted as of January 1, 2022.

(1) Purpose of the absorption-type company split and merger

The brand slogan of the &Do Holdings Group is "making everything about residences smart." All group companies are dedicated to using the real estate business to be a source of confidence and convenience. The group has a network of about 1,000 franchised stores in Japan that distributes real estate information and produces real estate services in order to supply real estate solutions that closely reflect current market conditions. Growth over many years has been backed by the goal of being a company that customers need.

The &Do Holdings Group is committed to more growth of corporate value by achieving more progress with business activities and sustained growth. Optimizing the allocation of the group's resources and strengthening corporate governance will be vital to achieving this growth. In addition, growth will require building an agile and speedy organizational structure and creating the next generation of the group's leaders. To accomplish these goals, &Do Holdings has decided to switch to a holding company structure.

(2) The absorption-type company split agreement between the Company and its wholly owned subsidiaries

i. Date of the absorption-type company split

Board of Directors meeting to approve absorption-type company split agreement	August 24, 2021
Conclusion of absorption-type company split agreement	August 24, 2021
Effective date of the absorption-type company split	January 1, 2022

Note: Since this absorption-type company split is a simplified absorption-type company split as stipulated in Article 784, Paragraph 2 of the Companies Act of Japan, the Company is conducting this absorption-type company split without obtaining approval of the absorption-type company split agreement at a General Meeting of Shareholders of the Company.

ii. Method of the absorption-type company split and details of the allotment

A simplified absorption-type company split between the Company, which will be the splitting company, and the Company's wholly owned subsidiaries HOUSEDO Japan Co., Ltd. and HOUSE DO Residential Sales Co., Ltd., which will be the successor companies.

As the Company owns all of the outstanding shares of each of the successor companies, the successor companies will not receive any consideration for the rights and obligations to be succeeded upon the absorption-type company split.

iii. Basis for calculation of allotment of shares in the absorption-type company split

Not applicable.

iv. Assets and liabilities to be succeeded by the successor companies

As a result of the absorption-type company split, each successor company will succeed to the assets, liabilities, contractual status, and other rights and obligations related to the Franchisee Business, Real Estate Buying and Selling Business, and Renovation Business that belong to the Company as of the effective date, except as otherwise stated in the absorption-type company split agreement.

The liabilities to be assumed by each successor company will be assumed by the method of overlapping debt assumption.

v. Overview of the successor companies after absorption-type company split

Company name	HOUSEDO Japan Co., Ltd.
Head office	670 Tearaimizu-cho, Nishikikoji-agaru, Karasuma-dori, Nakagyo-ku, Kyoto-shi, Kyoto
Representative	Ichida Shinya, President
Capital	3 million yen
Business activities	Real Estate Buying and Selling Business, Renovation Business

Company name	HOUSE DO Residential Sales Co., Ltd.
Head office	267-1 Daigo-cho, Kashihara-shi, Nara
Representative	Masahide Tominaga, President
Capital	5 million yen
Business activities	Franchisee Business, Real Estate Brokerage Business

(3) The absorption-type company split agreement between the Company's wholly owned subsidiaries

i. Date of the absorption-type company split

Board of Directors meeting to approve absorption-type company split agreement August 24, 2021

Conclusion of absorption-type company split agreement August 24, 2021

Effective date of the absorption-type company split January 1, 2022

ii. Method of the absorption-type company split and details of the allotment

A simplified absorption-type company split between Koyama Real Estate Co., Ltd., which will be the splitting company, and the Company's wholly owned subsidiary HOUSE DO Residential Sales Co., Ltd., which will be the successor company.

As the Company owns all of the outstanding shares of the successor company, the successor company will not receive any consideration for the rights and obligations to be succeeded upon the absorption-type company split.

iii. Basis for calculation of allotment of shares in the absorption-type company split

Not applicable.

iv. Assets and liabilities to be succeeded by the successor company

As a result of the absorption-type company split, the successor company will succeed to the assets, liabilities, contractual status, and other rights and obligations related to the Real Estate Brokerage Business that belong to Koyama Real Estate Co., Ltd. as of the effective date, based on the absorption-type company split agreement.

v. Overview of the successor company after absorption-type company split

Company name	HOUSE DO Residential Sales Co., Ltd.
Head office	267-1 Daigo-cho, Kashihara-shi, Nara
Representative	Masahide Tominaga, President
Capital	5 million yen
Business activities	Franchisee Business, Real Estate Brokerage Business

(4) The absorption-type merger agreement between the Company's wholly owned subsidiaries

i. Date of the absorption-type merger

Board of Directors meeting to approve absorption-type merger agreement	November 1, 2021
Conclusion of absorption-type merger agreement	November 1, 2021
Effective date of the absorption-type merger	January 1, 2022

ii. Method of the absorption-type merger and details of the allotment

An absorption-type merger between PM Do Co., Ltd., which will be the surviving company, and Koyama Real Estate Co., Ltd. (excluding the real estate brokerage business), which will be dissolved. There will be no allotment of shares or any other form of consideration as a result of the absorption-type merger.

iii. Basis for calculation of allotment of shares in the absorption-type merger

Not applicable.

iv. Assets and liabilities to be succeeded by the successor company

As a result of the absorption-type merger, the surviving company will succeed to the assets, liabilities, contractual status, and other rights and obligations related to Koyama Real Estate Co., Ltd. (excluding the real estate brokerage business) as of the effective date, based on the absorption-type merger agreement.

v. Overview of the successor company after absorption-type merger

Company name	PM Do Co., Ltd.
Head office	680 Omandokoro-cho, Bukkoji-sagaru, Karasuma-dori, Shimogyo-ku, Kyoto-shi, Kyoto
Representative	Masahide Tominaga, President
Capital	10 million yen
Business activities	Property Management Business

(5) 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.