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February 14, 2022

Summary of Consolidated Financial Results
for the Second Quarter of the Fiscal Year 2022 (FY06/2022)
[Japanese standards] (Consolidated)

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 Stock exchange listing: Tokyo
 Securities code: 3300 URL: <https://am-bition.jp/>
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Scheduled date to file Quarterly Securities Report: February 14, 2022
 Scheduled date to commence dividend payments: N/A
 Preparation of supplementary material on financial results: Yes
 Holding of financial results meeting: Yes (for institutional investors)

(Amounts less than one million yen are rounded down)

1. Consolidated financial results of the second quarter of FY06/2022 (July 1, 2021 – December 31, 2021)**(1) Consolidated operating results (cumulative)**

(Percentages indicate year-on-year changes)

	Net sales		Operating profit (loss)		Ordinary profit (loss)		Net profit (loss) attributable to owners of parent	
	million yen	%	million yen	%	million yen	%	million yen	%
2Q of FY06/2022	14,538	(11.6)	541	13.2	506	17.5	267	35.9
2Q of FY06/2021	16,440	35.8	478	—	431	—	197	—

(Note) Comprehensive profit 2Q of FY06/2022: (19) million yen [—%]
 2Q of FY06/2021: (213) million yen [—%]

	Net profit (loss) per share	Diluted net profit (loss) per share
	yen	yen
2Q of FY06/2022	39.35	38.69
2Q of FY06/2021	28.96	27.77

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio	Net assets per share
	million yen	million yen	%	yen
2Q of FY06/2022	16,430	3,417	20.7	500.40
FY06/2021	17,648	3,852	21.7	564.05

(Reference) Shareholders equity 2Q of FY06/2022: 3,404 million yen
 FY06/2021: 3,838 million yen

2. Cash dividends

	Annual dividends per share				
	1Q-end	2Q-end	3Q-end	Year-end	Total
	yen	yen	yen	yen	yen
FY06/2021	—	0.00	—	13.60	13.60
FY06/2022	—	0.00	—	13.60	13.60
FY06/2022 (forecasts)	—	—	—	14.90	14.90

(Note) Revisions to dividend forecasts published most recently: No

3. Consolidated performance forecasts for FY06/2022 (July 1, 2021 – June 30, 2022)

(Percentages indicate year-on-year changes)

	Net sales		Operating profit (loss)		Ordinary profit (loss)		Net profit (loss) attributable to owners of parent		Net profit (loss) per share
	million yen	%	million yen	%	million yen	%	million yen	%	yen
Full term	30,605	0.2	1,301	33.0	1,165	29.8	646	8.6	94.94

(Note) Revisions to performance forecasts published most recently: No

In the Incubation Business segment, operational investment securities were successfully sold and therefore the above Consolidated Performance Forecasts were revised accordingly. For detail, please refer to “(3) Descriptions regarding future prospects such as consolidated performance forecasts” on page 4.

***Notes**

- (1) Changes in significant subsidiaries during the current quarter consolidated cumulative period (changes in specified subsidiaries resulting in the change in scope of consolidation): No
- (2) Application of special accounting methods to the preparation of quarterly consolidated financial statement: No
- (3) Changes in accounting policies, changes in accounting estimates, and restatement of prior period financial statements
- ① Changes in accounting policies due to revisions to accounting standards and other regulations: Yes
 - ② Changes in accounting policies due to other reasons: No
 - ③ Changes in accounting estimates: No
 - ④ Restatement of prior period financial statements: No

(4) Number of issued shares (common shares)

- ① Total number of issued shares at the end of the period (including treasury stock)

2Q of FY06/2022:	6,804,400 shares	FY06/2021:	6,804,400 shares
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- ② Number of treasury stock at the end of the period

2Q of FY06/2022:	48 shares	FY06/2021:	48 shares
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- ③ Average number of shares during the period (quarterly cumulative)

2Q of FY06/2022:	6,804,352 shares	2Q of FY06/2021:	6,804,352 shares
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* Quarterly summary of financial results is not included in a quarterly review by a certified public accountant or an auditing firm.

* Explanation regarding appropriate use of the earnings forecast and other special notes

Descriptions about the future such as performance forecasts contained in this document are based on information currently available to the Company and certain presumptions considered as reasonable, and those are not intended to indicate the Company should assure that it would realize such forecasts. Meanwhile, actual performance in the future may differ substantially, influenced by a wide variety of factors. For preconditions for performance forecasts and precaution statements in using such forecasts, please see the appendix, page 4, "1. Qualitative Information regarding the Financial Results of the Current Quarter: (3) Descriptions regarding future prospects such as consolidated performance forecasts".

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1. Qualitative Information regarding the Financial Results of the Current Quarter**(1) Descriptions regarding operating results**

During the current second quarter consolidated cumulative period, the environment surrounding the Group once showed some movement towards recovery in economic activities in the context of full lift of State of Emergency Declaration and Stricter Countermeasures. In addition, rising rate of domestically requested vaccination led to relaxing various restrictions on people's activities and the situation appeared to improve. However, emergence of the new mutant strains provoked concerns about repetitive widespread infections and there remains some uncertainty for the future.

In such a situation, the Group aims at its own business reform and industry reform through DX (digital transformation). In August 2021, the Company announced its new vision of "To reform real estate business through DX and become a sole real estate digital platformer which fuses digital and real world together", and in October, changed its name to AMBITION DX HOLDINGS Co., Ltd. (formerly AMBITION Co., Ltd.). Also in August, AMBITION VENTURES Ltd. was established as the Company's consolidated subsidiary to undertake investment business. Besides, Incubation Business segment was newly created and started full-swing operation during the current second quarter consolidated cumulative period, so the way of describing this segment has been revised to present it as one of the reportable segments. Meanwhile, since the current second quarter consolidated fiscal period, names of reportable segments have been changed as follows: from "Property Management Business" to "Leasing DX Property Management Business"; from "Investment Business" to "Sales/Purchase DX Investment Business"; and from "Leasing Brokerage Business" to "Leasing DX Leasing Brokerage Business".

Changes in names of the segments (changed portions are underlined)

Former	Current
Property Management Business	<u>Leasing DX</u> Property Management Business
Investment Business	<u>Sales/Purchase DX</u> Investment Business
Leasing Brokerage Business	<u>Leasing DX</u> Leasing Brokerage Business
	<u>Incubation Business</u>
Other Business	(unchanged)

The Company has its policy for FY06/2022 as "Reform of existing business by promoting DX and growth of Real Estate DX Business". Firstly, the Company seeks to promote DX in its principal Leasing DX Property Management Business segment on a priority basis, and has worked proactively on building up its next-generation management system named "AMBITION Cloud". Sales/Purchase DX Investment Business segment foresees seasonal fluctuations linked to market changes in its target of Tokyo premium area and its results in the current second quarter consolidated cumulative period were as initially planned. On the other hand, because not only Leasing DX Leasing Brokerage Business segment achieved better results as initially predicted but also Incubation Business segment greatly contributed to overall results, the Company could achieve much higher profitability than as planned for the first half of the current term.

Consequently, consolidated performance of the current second quarter consolidated cumulative period was as follows: Net sales of 14,538,812 thousand yen (decrease by 11.6% YoY); Operating profit of 541,940 thousand yen (increase by 13.2% YoY); Ordinary profit of 506,609 thousand yen (increase by 17.5% YoY); and Net profit attributable to owners of parent of 267,733 thousand yen (increase by 35.9% YoY).

Operating results of individual business segments are as follows.

(Leasing DX Property Management Business)

This business segment is the Group's principal one which undertakes mainly subleasing of residential real estates, and has its basic policies as to increase number of houses under its management and to maintain high occupancy rates. During the current term, the Company seeks to promote DX in this business on a priority basis and has put its efforts to building up a next-generation management system named "AMBITION Cloud" which facilitates higher operational efficiency.

Again during current second quarter consolidated cumulative period, as a result of putting efforts strategically to obtaining future profit, number of houses under its management which represents a KPI (Key Performance Indicator) substantially increased to 23,084 (increase by 2,097 [10.0%] YoY), as well as 12,883 subleased houses (increase by 1,378 [12.0%] YoY). Please note that by ongoing measures for improved occupancy rate into which offering cost is put, as well as DX measures, occupancy rate after excluding newly contracted properties has maintained a high level as of the end of the current second quarter consolidated cumulative period. Meanwhile, by proactively obtaining new contracts, overall occupancy rate was 94.4% (in comparison, it was 95.5% at the end of 2Q of the previous FY).

These operations resulted in Net sales of 8,102,664 thousand yen (increase by 7.9% YoY), and Segment profit (Operating profit) of 442,751 thousand yen (decrease by 2.4% YoY).

(Sales/Purchase DX Investment Business)

This business segment is, with its strength of “Good location (Tokyo premium area) by Good design (fashionable designers)”, in collaboration with VERITAS INVESTMENT Co., Ltd., a subsidiary of the Company, which develops its business around selling self-developed studio apartments offered for investment in new building, and by means of its ability to purchase properties from diverse routes, undertaken by Investment Division of the Company which develops its business around selling renovated condominium apartments with emphasis on location. During the current second quarter consolidated cumulative period, 122 properties (decrease by 44 YoY) were sold by VERITAS and 46 properties (decrease by 5 YoY) were sold by Investment Division.

These operations resulted in Net sales of 5,641,631 thousand yen (decrease by 33.2% YoY) and Segment profit (Operating profit) of 656,033 thousand yen (decrease by 28.0% YoY). Despite decrease in revenues and earnings, these results are in line with the plan.

(Leasing DX Leasing Brokerage Business)

This business segment undertakes brokerage business for leased properties, mainly those managed by the Company. AMBITION AGENCY Co., Ltd. (which operates “ROOMPIA”) and VALOR Co., Ltd. (which operates “VALOR”), both of which are subsidiaries, run total 13 shops: 5 in Tokyo, 7 in Kanagawa Pref. and 1 in Saitama Pref. High leasing ability of this segment contributes to the high occupancy rates maintained by the principal Leasing DX Property Management Business segment.

During the current second quarter consolidated cumulative period, by making use of an AIXRPA tool named “RAC·TECH”, the Company succeeded in personnel downsizing for inputting work and substantial increase in the number of response. In addition, attracting guests on the WEB by strengthened advertising strategies is doing well, and measures for attracting guests including enhanced non-face-to-face services such as remote customer services, VR preview, electronic contract, are also successful.

These operations resulted in Net sales of 294,305 thousand yen (increase by 3.9% YoY) and Segment profit (Operating profit) of 15,633 thousand yen (as opposed to Segment loss of 29,231 thousand yen in the same period of the previous year). Improved productivity per shop provided the first black figure for the first quarter which is a off season and further, much higher profit than as predicted could be registered during the current second consolidated cumulative period as well.

(Incubation Business)

Incubation Business segment manages investment in venture companies which carry out businesses highly compatible with those of the Group, capital tie-up, support for invested companies and other operations, which is undertaken by AMBITION VENTURES Ltd., a subsidiary. As of the end of the current second quarter consolidated cumulative period, the Company has invested in 22 venture companies, and four of them have already got listed.

During the current second quarter consolidated cumulative period, some of investment securities of invested companies were sold.

These operations resulted in Net sales of 294,102 thousand yen and Segment Profit (Operating profit) of 288,405 thousand yen.

(Other Business)

Real Estate DX Business, Overseas Systems Business, Small Amount Short-term Insurance Business, and Hotel Business are collectively included in this category.

For Real Estate DX Business, the next-generation management system “AMBITION Cloud” has been developed by the overseas subsidiary, AMBITION VIETNAM Co., Ltd., which is promoted on a priority basis for internal DX. During the current second quarter consolidated cumulative period, the AIXRPA tool named “RAC·TECH” developed by a subsidiary, Re-Tech RaaS Inc. has been functionally enhanced, and a new brand “RAC·TECH Auto-input” was also released in December 2021. In addition, the application for searching for rooms named “Room concierge” which is the Group’s first BtoC matching service has been deployed in full-swing and has increasing number of registered users. Moreover, efforts are put to development of an electronic contract package in which IT explanation of important matters and the electronic contract system named “Cloud Sign” developed by Bengo4.com, Inc., on which test introduction has started since August 2021 for Leasing DX Leasing Brokerage Business segment.

Small Amount Short-term Insurance Business has obtained new contracts smoothly during the current second quarter consolidated cumulative period, along with playing a role in DX in the Group by using the new system named “MONOLITH” introduced during the previous term in which the whole process from application through to payment can be completed on a paperless basis. However, following returning to the black in the previous term and thus change in the funding method for underwriting reserve, lower earnings are expected for the current term.

Hotel Business has still been severely impacted by declined demand from inbound tourists also during the current second quarter consolidated cumulative period, and shrank its business such as termination of a contract with one facility.

These operations resulted in Net sales of 206,107 thousand yen (increase by 1.2% YoY) and Segment loss (Operating loss) of 132,915 thousand yen (in comparison, it was 129,407 thousand yen in the same period of the previous year).

(2) Descriptions regarding financial position

① Assets, liabilities, and net assets

Total assets at the end of the current second quarter consolidated fiscal period was 16,430,964 thousand yen at the end of the current second quarter consolidated fiscal period, i.e. decrease by 1,217,689 thousand yen as compared to the end of previous consolidated fiscal year. This is mainly due to increase in operational investment securities by 535,550 thousand yen, deferred tax assets by 160,922 thousand yen and land by 31,078 thousand yen on one hand, whereas decrease in real estate for sale in process by 899,758 thousand yen, investment securities by 824,165 thousand yen and goodwill by 70,183 thousand yen on the other.

Total liabilities was 13,013,603 thousand yen, i.e. decrease by 782,726 thousand yen as compared to the end of the previous consolidated fiscal year. This is mainly due to increase in current portion of long-term loans payable by 1,020,906 thousand yen, advances received by 480,340 thousand yen and short-term loans payable by 344,858 thousand yen on one hand, whereas decrease in long-term loans payable by 2,363,337 thousand yen, operating accounts payable by 96,734 thousand yen and consumption taxes payable by 62,816 thousand yen on the other.

Total net assets was 3,417,360 thousand yen, i.e. decrease by 434,962 thousand yen since the end of the previous consolidated fiscal year. This is mainly due to decrease in valuation difference on available-for-sale securities by 287,451 thousand yen and retained earnings by 146,348 thousand yen.

② Cash flow status

Cash and cash equivalents at the end of the current second quarter consolidated fiscal period was 3,617,473 thousand yen (decrease by 81,656 thousand yen as compared to the end of the previous consolidated fiscal year).

Cash flow status for each activity category and main factors thereof are as follows.

(Cash flows from operating activities)

Net cash provided by operating activities during the current second quarter consolidated fiscal period was 1,801,223 thousand yen (in comparison, it was 595,862 thousand yen in the same period of the previous year). This is mainly due to allocating revenue of 1,618,982 thousand yen from decrease in real estate for sale, and net profit before income taxes and minority interests of 506,433 thousand yen.

(Cash flows from investing activities)

Net cash used in investing activities during the current second quarter consolidated fiscal period was 731,331 thousand yen (in comparison, it was 333,052 thousand yen in the same period of the previous year). This is mainly due to purchase of property, plant and equipment of 721,804 thousand yen, and purchase of intangible assets of 23,133 thousand yen.

(Cash flows from financing activities)

Net cash provided by financing activities during the current second quarter consolidated fiscal period was 1,152,243 thousand yen (in comparison, it was 744,414 thousand yen in the same period of the previous year). This is mainly due to proceeds from long-term loans payable of 695,900 thousand yen, increase in short-term loans payable by 344,858 thousand yen, and repayments of long-term loans payable of 2,038,331 thousand yen.

(3) Descriptions regarding future prospects such as consolidated performance forecasts

Consolidated performance forecasts for the full term which were published on August 13, 2021 have been revised. For details, please refer to “Notices on revisions to the full term consolidated performance forecasts for FY06/2022 and on dividend forecasts (increase)” published concurrently today.

2. Quarterly Consolidated Financial Statements and Principal Notes

(1) Quarterly Consolidated Balance Sheets

	(thousand yen)	
	Previous consolidated fiscal year (June 30, 2021)	Current second quarter consolidated fiscal period (December 31, 2021)
Assets		
Current assets		
Cash and deposits	3,774,754	3,705,097
Operating accounts receivable	272,627	378,196
Real estate for sale	1,739,256	1,703,547
Real estate for sale in process	7,041,423	6,141,664
Supplies	5,448	6,426
Operational investment securities	—	535,550
Others	315,095	272,556
Allowance for doubtful accounts	(69,542)	(33,200)
Total current assets	13,079,062	12,709,840
Non-current assets		
Property, plant and equipment		
Buildings and structures	425,391	399,670
Land	985,745	1,016,824
Construction in progress	—	2,285
Others	30,638	26,810
Total property, plant and equipment	1,441,775	1,445,590
Intangible assets		
Goodwill	846,626	776,442
Others	135,040	144,291
Total intangible assets	981,667	920,734
Investments and other assets		
Investment securities	846,304	22,139
Guarantee deposits	217,859	201,201
Deferred tax assets	45,240	206,163
Others	1,066,259	980,643
Allowance for doubtful accounts	(34,281)	(59,095)
Total investment and other assets	2,141,382	1,351,051
Total non-current assets	4,564,825	3,717,377
Deferred assets		
Bond issuance cost	4,766	3,746
Total deferred assets	4,766	3,746
Total assets	17,648,653	16,430,964

(thousand yen)

	Previous consolidated fiscal year (June 30, 2021)	Current second quarter consolidated fiscal period (December 31, 2021)
Liabilities		
Current liabilities		
Operating accounts payable	243,477	146,742
Short-term loans payable	612,764	957,622
Current portion of long-term loans payable	1,987,487	3,008,394
Current portion of bonds	123,400	117,100
Accounts payable - other	89,644	93,804
Accrued expenses	265,100	255,695
Income taxes payable	226,219	227,743
Consumption taxes payable	110,248	47,432
Advances received	742,128	1,222,469
Operating deposits received	197,987	209,653
Others	130,042	138,875
Total current liabilities	4,728,501	6,425,533
Non-current liabilities		
Bonds payable	203,000	148,500
Long-term loans payable	8,054,499	5,691,161
Long-term guarantee deposits	575,044	564,523
Deferred tax liabilities	170,014	119,928
Others	65,269	63,957
Total non-current liabilities	9,067,828	6,588,069
Total liabilities	13,796,330	13,013,603
Net assets		
Shareholders' equity		
Capital stock	379,780	379,780
Capital surplus	464,229	464,229
Retained earnings	2,447,105	2,300,757
Treasury stock	(57)	(57)
Total shareholders' equity	3,291,057	3,144,709
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	548,768	261,316
Foreign currency translation adjustment	(1,816)	(1,122)
Total accumulated other comprehensive income	546,951	260,194
Subscription rights to shares	4,328	2,961
Non-controlling interests	9,986	9,495
Total net assets	3,852,323	3,417,360
Total liabilities and net assets	17,648,653	16,430,964

(2) Quarterly Consolidated Statements of Income and Statements of Comprehensive Income

(Quarterly Consolidated Statements of Income)

(For the second quarter consolidated cumulative period)

(thousand yen)

	Previous second quarter consolidated cumulative period (Jul. 1, 2020 – Dec. 31, 2020)	Current second quarter consolidated cumulative period (Jul. 1, 2021 – Dec. 31, 2021)
Net sales	16,440,171	14,538,812
Cost of sales	13,654,204	11,784,263
Gross profit	2,785,966	2,754,548
SG&A expenses	2,307,165	2,212,608
Operating profit (loss)	478,800	541,940
Non-operating profit (loss)		
Interest income	52	40
Dividend income	98	101
Brokerage income	1	0
Foreign exchange gains	36	—
Gain on investments in partnership	—	10,039
Subsidy income	40,427	32,329
Miscellaneous income	2,633	1,339
Total non-operating profit	43,250	43,851
Non-operating expenses		
Interest expenses	48,409	64,030
Amortization of bond issuance cost	816	1,019
Foreign exchange losses	—	928
Commission fee	19,676	11,561
Loss on investments in partnership	18,995	—
Miscellaneous loss	3,045	1,643
Total non-operating expenses	90,943	79,182
Ordinary profit (loss)	431,107	506,609
Extraordinary profit		
Other extraordinary profit	—	664
Total extraordinary profit	—	664
Extraordinary losses		
Loss on retirement of non-current assets	1,643	840
Loss on valuation of investment securities	30,199	—
Total extraordinary losses	31,843	840
Net profit (loss) before income taxes and minority interests	399,263	506,433
Income taxes	224,933	216,886
Income taxes - deferred	(19,684)	22,304
Total income taxes	205,249	239,190
Net profit (loss)	194,014	267,242
Net profit (loss) attributable to non-controlling shareholders	(3,007)	(490)
Net profit (loss) attributable to owners of parent	197,022	267,733

(Quarterly Consolidated Statements of Comprehensive Income)
(For the second quarter consolidated cumulative period)

(Thousand yen)

	Previous second quarter consolidated cumulative period (Jul. 1, 2020 – Dec. 31, 2020)	Current second quarter consolidated cumulative period (Jul. 1, 2021 – Dec. 31, 2021)
Net profit (loss)	194,014	267,242
Other comprehensive income (loss)		
Valuation difference on available-for-sale securities	(406,698)	(287,451)
Foreign currency translation adjustment	(436)	694
Total other comprehensive income (loss)	(407,134)	(286,757)
Comprehensive income (loss)	(213,119)	(19,514)
(detail)		
Comprehensive income (loss) attributable to owners of parent	(210,112)	(19,024)
Comprehensive income (loss) attributable to non-controlling interests	(3,007)	(490)

(3) Quarterly Consolidated Cash Flow Statements

	(thousand yen)	
	Previous second quarter consolidated cumulative period (Jul. 1, 2020 - Dec. 31, 2020)	Current second quarter consolidated cumulative period (Jul. 1, 2020 - Dec. 31, 2020)
Cash flows from operating activities		
Net profit (loss) before income taxes and minority interests	399,263	506,433
Depreciation	55,462	56,364
Amortization of goodwill	70,183	70,183
Increase (decrease) in allowance for doubtful accounts	29,286	(11,529)
Increase (decrease) in reserve for bonuses	18	66
Increase (decrease) in ordinary underwriting reserve	787	12,929
Increase (decrease) in provision for loss on office transfer	—	(7,054)
Increase (decrease) in provision for loss on store closing	(176)	—
Interest and dividends income	(150)	(142)
Amortization of bond issuance cost	816	1,019
Interest expenses	48,409	64,030
Loss on retirement of non-current assets	1,643	840
Loss (gain) on valuation of investment securities	30,199	—
Gain on investments in partnership	—	(10,039)
Decrease (increase) in operational investment securities	—	535,550
Decrease (increase) in notes and accounts receivable - trade	(49,831)	(144,954)
Decrease (increase) in inventories	175	(978)
Decrease (increase) in real estate for sale	557,198	1,618,982
Increase (decrease) in long-term guarantee deposits	(7,306)	(14,333)
Increase (decrease) in operating deposits received	12,691	11,666
Increase (decrease) in advances received	90,859	34,171
Decrease (increase) in prepaid expenses	(17,882)	(11,259)
Increase (decrease) in notes and accounts payable - trade	(301,992)	(96,734)
Increase (decrease) in accrued expenses	(25,242)	(10,864)
Increase (decrease) in accrued consumption taxes	21,324	(61,336)
Others	(25,078)	(578,901)
Subtotal	890,660	1,974,149
Income taxes refund	(249,955)	(115,486)
Interest and dividends income received	150	142
Interest expenses paid	(44,993)	(57,582)
Net cash provided by (used in) operating activities	595,862	1,801,223
Cash flows from investing activities		
Payments into time deposits	(56,612)	(22,000)
Proceeds from withdrawal of time deposits	49,612	12,000
Purchase of property, plant and equipment	(305,473)	(721,804)
Purchase of intangible assets	(10,839)	(23,133)
Purchase of investment securities	(284)	(296)
Payments for investments in capital	(9,121)	(15,100)
Collection of investments in capital	—	23,358
Expense by payment of guarantee deposits	(4,980)	(4,520)
Proceeds from collection of guarantee deposits	210	21,049
Others	4,438	22,473
Net cash provided by (used in) investing activities	(333,052)	(731,331)

	(thousand yen)	
	Previous second quarter consolidated cumulative period (Jul. 1, 2020 - Dec. 31, 2020)	Current second quarter consolidated cumulative period (Jul. 1, 2020 - Dec. 31, 2020)
Cash flows from financing activities		
Net increase (decrease) in short-term loans payable	104,714	344,858
Proceeds from long-term loans payable	2,929,500	695,900
Repayments of long-term loans payable	(2,180,558)	(2,038,331)
Dividends paid	(51,221)	(92,503)
Expense by redemption of bonds	(58,800)	(60,800)
Others	780	(1,366)
Net cash provided by (used in) financing activities	744,414	(1,152,243)
Effect of exchange rate change on cash and cash equivalents	(436)	694
Net increase (decrease) in cash and cash equivalents	1,006,789	(81,656)
Cash and cash equivalents at beginning of period	3,052,741	3,699,130
Cash and cash equivalents at 2Q end	4,059,530	3,617,473

(4) Notes on Quarterly Consolidated Financial Statements

(Going Concern Assumption)

Not applicable.

(Notes in Case of Significant Changes in the Amount of Shareholders' Equity)

The Company has applied the "Accounting Standard for Revenue Recognition" (Accounting Standards Board of Japan Guidance No. 29 of March 31, 2020), etc. since the beginning of the first quarter consolidated fiscal period. Details are as described in "Part 4: Accounting Status; 1: Notes to Quarterly Consolidated Financial Statements (Change in Accounting Principles)".

(Change in Accounting Principles)

(Application of accounting standard for revenue recognition)

The Company has applied the "Accounting Standard for Revenue Recognition" (Accounting Standards Board of Japan Statement No. 29 of March 31, 2020) and "Implementation Guidance on Accounting Standard for Revenue Recognition" (Implementation Guidance of Accounting Standards Board of Japan Statement No. 30 of March 26, 2021) since the beginning of the first quarter consolidated fiscal period, and decided to recognize as its revenue an amount which could be received in exchange of a promised good or service upon transfer of control over such good or service to a customer.

Accordingly, with respect to honorarium, renewal fee, and administrative fees for executing/renewing contracts previously recognized as revenues collectively at the time of executing/renewing lease contracts, the Company decided to recognize them throughout the terms of those lease contracts.

In addition, concerning revenues pertaining to restoration to original state upon vacating, in line with applying the Accounting Standard for Revenue Recognition, the Company decided to investigate into actual transactions, reconsider its administrative structure for debt recovery, and recognize only those highly likely to be collected.

With respect to applying the Accounting Standard for Revenue Recognition, etc., the Company follows the provisional treatment as set forth in the note to Section 84 of the Accounting Standard for Revenue Recognition, and has applied the new accounting policy to the balance at the beginning of the first quarter consolidated fiscal period and onward, where any amount, which could be affected cumulatively by assuming that the new accounting policy was applied retrospectively to the period prior to the beginning of the first quarter consolidated fiscal period, is added to or subtracted from the retained earnings at the beginning of that period.

As a result, in the current second quarter consolidated cumulative period, Net sales decreased by 4,478 thousand yen, SG&A decreased by 12,873 thousand yen, and each of Operating profit, Ordinary profit and Net profit before income taxes and minority interests increased by 8,935 thousand yen. Also, advances received increased by 427,967 thousand yen and balance of retained earnings at the beginning of the current period decreased by 321,542 thousand yen. Meanwhile, in accordance with the provisional treatment as set forth in Section 89-2 of the Accounting Standard for Revenue Recognition, no interchange in line with the new presentation method was done for the previous consolidated fiscal year. Further, in accordance with the transitional treatment as set forth in Section 28-15 of the "Accounting Standard for Quarterly Financial Statements" (Accounting Standards Board of Japan Guidance No. 12 of March 31, 2020), information about breakdown of earnings arising from contracts with customers during the previous second quarter consolidated cumulative period is not presented.

(Application of Accounting Standard for Fair Value Measurement, etc.)

Applying the "Accounting Standard for Fair Value Measurement" (Accounting Standards Board of Japan Guidance No. 30 of July 4, 2019), etc. since the beginning of the first quarter consolidated fiscal period, and in accordance with Section 19 of the Accounting Standard for Fair Value Measurement and Section 44-2 of the "Accounting Standard for Financial Instruments" (Accounting Standards Board of Japan Guidance No. 10 of July 4, 2019), the Company decided to apply the new accounting policies as set forth in the Accounting Standard for Fair Value Measurement, etc. now and in the future. Such application of accounting standard, etc. has no effect on the quarterly consolidated financial statements.

(Segment Information, etc.)

I Previous second quarter consolidated cumulative period (Jul. 1, 2020 – Dec. 31, 2020)

1. Information on net sales and profit/loss of each reportable segment

(thousand yen)

	Reportable segments				Other Business (see Note)	Total
	Property Management Business	Investment Business	Leasing Brokerage Business	Subtotal		
Net sales						
Sales to external customers	7,506,556	8,441,801	283,221	16,231,579	208,591	16,440,171
Inter-segment sales or transfer	18,119	—	55,578	73,698	8,660	82,358
Total	7,524,675	8,441,801	338,800	16,305,277	217,251	16,522,529
Segment profit (loss)	453,738	911,420	(29,231)	1,335,927	(129,407)	1,206,519

Note: The category "Other Business" refers to business segment not included in the reportable segments, which includes Real Estate DX Business, Overseas Systems Business, Small Amount Short-term Insurance Business, and Hotel Business.

2. Difference between the total amount of profit or loss of reportable segments and the amount presented on the Quarterly Consolidated Statements of Income; and main contents of said difference (items in relation to adjustment of difference)

(thousand yen)

Profit	Amount
Reportable segments total	1,335,927
"Other" profit	(129,407)
Corporate expenses (see Note)	(727,718)
Operating profit (loss) on the Quarterly Consolidated Statements of Income	478,800

Note: Corporate expenses comprises of general and administrative expenses not attributable to reportable segments.

3. Information on change of reportable segments, etc.

Not applicable.

II Current second quarter consolidated cumulative period (Jul. 1, 2021 – Dec. 31, 2021)

1. Information on net sales and profit/loss of each reportable segment

	Reportable segments					Other Business (see Note)	Total
	Leasing DX Property Management Business	Sales/Purchase DX Investment Business	Leasing DX Leasing Brokerage Business	Incubation Business	Subtotal		
Net sales							
Sales to external customers	8,102,664	5,641,631	294,305	294,102	14,332,704	206,107	14,538,812
Inter-segment sales or transfer	8,385	—	106,667	—	115,052	8,131	123,184
Total	8,111,050	5,641,631	400,972	294,102	14,447,757	214,239	14,661,997
Segment profit (loss)	442,751	656,033	15,633	288,405	1,402,825	(132,915)	1,269,909

Note: The category "Other Business" refers to business segment not included in the reportable segments, which includes Real Estate DX Business, Overseas Systems Business, Small Amount Short-term Insurance Business, and Hotel Business.

2. Difference between the total amount of profit or loss of reportable segments and the amount presented on the Quarterly Consolidated Statements of Income; and main contents of said difference (items in relation to adjustment of difference)

Profit	Amount
Reportable segments total	1,402,825
"Other" profit	(132,915)
Corporate expenses (see Note)	(729,969)
Operating profit (loss) on the Quarterly Consolidated Statements of Income	541,940

Note: Corporate expenses comprises of general and administrative expenses not attributable to reportable segments.

3. Information on changes in reportable segments, etc.

(Information on changes in names and categories of reportable segments)

Since the current second quarter consolidated fiscal period, names of reportable segments have been changed as follows: from "Property Management Business" to "Leasing DX Property Management Business"; from "Investment Business" to "Sales/Purchase DX Investment Business"; and from "Leasing Brokerage Business" to "Leasing DX Leasing Brokerage Business". In addition, the way of describing "Incubation Business" segment, which was previously included in the category "Other Business", has been revised to present it as one of the reportable segments considering its increased quantitative importance. Accordingly, Net sales of 294,102 thousand yen and Segment profit of 288,405 thousand yen of "Incubation Business" segment are presented for the current second quarter consolidated fiscal period, whereas those of "Other Business" decreased by the same amount.

(Application of accounting standard for revenue recognition, etc.)

As described under "Change in Accounting Principles", because Accounting Standard for Revenue Recognition, etc. have been applied and accounting method regarding revenue recognition has been changed since the beginning of the first quarter consolidated fiscal period, calculation method for profit or loss of reportable segments has been changed accordingly.

With these changes, as compared to the previous methods, for "Leasing DX Property Management Business" segment, Net sales decreased by 4,936 thousand yen and Segment profit increased by 7,937 thousand yen in the current second quarter consolidated fiscal period. There is no impact on "Sales/Purchase DX Investment Business", "Leasing DX Leasing Brokerage Business" and "Other Business" segments.

It should be noted that segment information for the previous second quarter consolidated cumulative period is presented based on the calculation method for profit/loss before such changes.

(Significant Post-Balance Sheet Events)

The Company decided at the board meeting on January 14, 2022, to execute a term loan agreement for a total amount of 1,500 million yen with Resona Bank, Ltd. as the arranger. This is summarized as follows.

① Agreement amount	1,500 million yen
② Execution date	January 20, 2022
③ Borrowing date	January 31, 2022
④ Final repayment date	January 31, 2029
⑤ Interest rate	3 months TIBOR + spread 0.90%
⑥ Repayment method	Equal repayment
⑦ Purpose	Repayment of debts; working capital
⑧ Arranger	Resona Bank, Ltd.
⑨ Participating banks	Resona Bank, Ltd. Kiraboshi Bank, Ltd. Keiyo Bank, Ltd. Yamanashi Chuo Bank, Ltd.