

Summary of Business Results for the First Quarter Ended September 30, 2017

[Japan GAAP] (Consolidated)

November 6, 2017

Company **HOUSE DO Co., Ltd.** Listed on the TSE
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Expected date of filing of quarterly report: November 13, 2017

Expected starting date of dividend payment: -

Preparation of quarterly supplementary financial document: Yes

Holding of quarterly results briefing: None

(Rounded down to million yen)

1. Consolidated business results for the three months ended September 2017 (July 1, 2017 through September 30, 2017)

(1) Consolidated results of operations (% change from the previous corresponding period)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
Three months ended Sep. 30, 2017	4,659	15.5	436	80.9	398	90.6	254	77.8
Three months ended Sep. 30, 2016	4,034	0.5	241	(20.9)	209	(24.9)	143	(23.2)

(Note) Comprehensive income:

Three months ended Sep. 30, 2017: 255 million yen (up 77.7%)

Three months ended Sep. 30, 2016: 143 million yen (down 23.0%)

	Net income per share	Diluted net income per share
	Yen	Yen
Three months ended Sep. 30, 2017	29.99	29.38
Three months ended Sep. 30, 2016	16.92	16.57

(2) Consolidated financial position

	Total assets	Net assets	Shareholder's equity ratio	Net assets per share
	Million yen	Million yen	%	Yen
As of Sep. 30, 2017	19,946	2,864	14.3	336.72
As of Jun. 30, 2017	20,273	2,779	13.7	326.70

(Reference) Shareholders' equity:

As of Sep. 30, 2017: 2,861 million yen

As of Jun. 30, 2017: 2,776 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, 2017	-	0.00	-	20.00	20.00
Fiscal year ending Jun. 30, 2018	-				
Fiscal year ending Jun. 30, 2018 (forecast)		0.00	-	27.00	27.00

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

3. Forecast of consolidated business results for the fiscal year ending June 2018 (July 1, 2017 through June 30, 2018)

(% 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
Six months ending Dec. 31, 2017	8,583	0.0	707	10.5	577	4.4	377	5.5
Fiscal year ending Jun. 30, 2018	17,146	1.8	1,603	28.4	1,400	27.0	920	24.7
								108.29

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

*** 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. (3) Notes to Quarterly Consolidated Financial Statements” on page 9 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) Restatement | : None |

(4) Number of shares issued (common stock)

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

As of Sep. 30, 2017	8,498,000 shares
As of Jun. 30, 2017	8,498,000 shares

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

As of Sep. 30, 2017	191 shares
As of Jun. 30, 2017	144 shares

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

Three months ended Sep. 30, 2017	8,497,841 shares
Three months ended Sep. 30, 2016	8,474,541 shares

*** The current quarterly financial report is not subject to quarterly review procedures.**

*** 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 4 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 quarter of the fiscal year ending in June 2018, the Japanese economy continued to recover despite concerns about the impact of U.S. political events and geopolitical risk involving North Korea and other regions on financial and capital markets. The economy is benefiting from an extremely accommodative monetary policy and the government's large expenditures to support economy. Improvements continued in corporate earnings, jobs and personal income and consumer spending is recovering slowly. However, there is a risk of an economic downturn in Japan due to events in eastern Asia, political actions in Europe and the United States, and other factors.

In the Japanese real estate industry, where the HOUSED O Group operates, there are concerns about rising prices of properties as cost of land continues to climb. But real demand for real estate is firm because of monetary easing by the Bank of Japan. As a result, the business environment is generally favorable.

The HOUSED O Group is currently implementing a medium-term plan that will end in June 2019. One goal is achieving sustained growth by increasing the share of sales derived from operations in our business portfolio that generate steady income. To accomplish this goal, the Franchisee Business increased the number of franchised stores, the House-Leaseback Business purchased income-producing properties and the Real Estate Finance Business strengthened the provision of loans secured by real estate. In the Real Estate Buying and Selling Business, we increased purchases of real estate for sale, mainly in locations served by our directly operated stores. With the Real Estate Brokerage Business serving as the foundation for all operations, our aim is to capture synergies by using a unified three-part business scheme encompassing real estate brokerage, buying and renovation. By leveraging these synergies while continuing to function as a one-stop source of housing services, we concentrated on meeting our customers' needs.

The HOUSED O Group reported net sales of 4,659 million yen (up 15.5% year on year), operating profit of 436 million yen (up 80.9% year on year), ordinary profit of 398 million yen (up 90.6% year on year) and profit attributable to owners of parent of 254 million yen (up 77.8% year on year).

Results by business segment were as follows.

(As of Sep 30, 2017)

Segment	Net sales (Millions of yen)	Activities
Franchisee Business	595	34 new franchisee contracts, raising total to 483 35 new franchised stores, raising total to 394
House-Leaseback Business	473	63 properties purchased, raising holdings to 564 13 properties sold
Real Estate Finance Business	89	34 real estate secured loans
Real Estate Buying and Selling Business	2,383	84 transactions
Real Estate Brokerage Business	482	804 brokered properties
Renovation Business	636	548 contracts 480 renovation completions
Total	4,659	-

1) Franchisee Business

The performance of this business was supported by measures to encourage real estate companies in urban areas to become franchisees and by advertising and promotion activities using television and radio commercials and other channels. Increases in HOUSED O's reputation for reliability resulting from the Tokyo Stock Exchange first section listing and in the value of the corporate brand are helping to attract an increasing number of prominent regional franchise partners and companies that are considering a franchise agreement. The increasing levels of store openings and marketing activities are raising public awareness of HOUSED O. Moreover, there is a need for the establishment of dual stores that are both satellite stores and stores specializing in buying houses and other real estate in order to raise profitability by combining real estate brokerage and buying. During the first three

months of the current fiscal year, there were 34 new franchisee contracts, raising the total to 483 at the end of September 2017.

The establishment of a franchisee follow-up system using supervisors and upgrades to a variety of services further contributed to the performance of this business. Due in part to these actions, we opened 35 stores during the first three months of the current fiscal year, raising the total to 394 at the end of September 2017.

As a result, the segment recorded sales of 595 million yen (up 23.0% year on year) and segment profit of 382 million yen (up 32.3%).

2) House-Leaseback Business

The number of inquiries and properties handled both increased because of marketing activities, including television and radio commercials, and the enhanced public trust in HOUSED O following the Tokyo Stock Exchange first section listing. In addition, a new service for the purchase and lease back of newly constructed houses was started. By taking numerous actions to meet the need to effectively use real estate and convert real estate into a source of cash flows, this business purchased 63 properties and sold 13 during the first three months of the current fiscal year. As of September 30, 2017, this business owned 564 properties, all of which are generating leasing income.

As a result, the segment recorded sales of 473 million yen (down 33.5% year on year) and segment profit of 35 million yen (down 68.4%).

3) Real Estate Finance Business

The Real Estate Finance Business uses the HOUSED O Group's real estate assessment skill, a core strength of the group, primarily to provide loans secured by real estate. By using flexibility to meet a diverse array of customers' financial requirements, this business helps create new sales channels for the group. Other priorities of this business are synergies with the House-Leaseback Business and other group businesses, and collaboration with franchised stores. During the first three months of the current fiscal year, there were 34 new loans secured by real estate.

As a result, the segment recorded sales of 89 million yen (up 329.9% year on year) and segment profit of 29 million yen (up 195.9%).

4) Real Estate Buying and Selling Business

There is strong demand in Japan for existing properties with low prices but high quality because of the extremely low interest rates on mortgages. To meet this demand, we are purchasing properties that match the requirements of brokerage customers. The number of properties purchased and sold increased in the first quarter as sales of inventory properties in areas served by directly operated stores were strong. These stores started making substantial purchases of properties in the second half of the previous fiscal year.

As a result, the segment recorded sales of 2,383 million yen (up 42.5% year on year) and segment profit of 254 million yen (up 238.4%).

5) Real Estate Brokerage Business

Real demand for houses has been consistently strong in part because interest rates on mortgages are still extremely low. We focused on many activities to bring more people into directly operated stores, such as using the Company's website and other websites for advertisements, placing inserts in newspapers, and using television and radio commercials and other channels. Directly operated stores also distributed real estate information to local residents individually to conduct marketing that is closely tied to a specific region.

As a result, the segment recorded sales of 482 million yen (up 12.8% year on year) and segment profit of 139 million yen (up 28.8%).

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 in collaboration with housing

equipment manufacturers to attract customers. During the first three months of the current fiscal year, 548 renovation orders were received, up 10.5% from one year earlier, and the number of renovation completions was 480, up 9.8%.

As a result, the segment recorded sales of 636 million yen (down 11.5% year on year) and segment profit of 32 million yen (up 3.0%).

(2) Explanation of Financial Condition

Assets

Total assets amounted to 19,946 million yen at the end of the first quarter under review, a decrease of 326 million yen over the end of the previous fiscal year.

The main reasons were decreases of 1,172 million yen in cash and deposits and 148 million yen in real estate for sale, and an increase of 718 million yen in property, plant and equipment associated with an increase in the number of properties in the House-Leaseback Business.

Liabilities

Liabilities totaled 17,082 million yen, a decrease of 412 million yen over the end of the previous fiscal year.

There were decreases of 319 million yen in short-term loans payable and 440 million yen in long-term loans payable, and increases of 167 million yen in long-term guarantee deposited associated with the growing number of franchised stores in the Franchisee Business and properties in the House-Leaseback Business, and 122 million yen in advances received on uncompleted construction contracts associated with the growing number of contracts in the Renovation Business.

Net assets

Net assets totaled 2,864 million yen, an increase of 85 million yen over the end of the previous fiscal year.

Retained earnings increased 254 million yen because of the booking of profit attributable to owners of parent for the first quarter, while there was a 169 million yen decrease due to dividend payments.

(Millions of yen)

	FY6/17 (As of Jun. 30, 2017)	First quarter of FY6/18 (As of Sep. 30, 2017)	Change
Total assets	20,273	19,946	(326)
Liabilities	17,494	17,082	(412)
Net assets	2,779	2,864	85

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

The Company maintains the first-half and full-year consolidated business forecast that was announced in the “Summary of Business Results for the Fiscal Year Ended June 30, 2017” dated August 14, 2017 (Japanese version only).

(4) Plan for Use of Proceeds from IPO and Other Sources and Actual Use

Plan for Use of Proceeds and Actual Use

Proceeds from the Company’s initial public offering, which was completed on March 24, 2015, are being used as follows.

In the current fiscal year, we plan to spend 5 million yen for openings of new stores and renovations and relocations of other stores at subsidiary House Do Residential Sales Co., Ltd. As of the end of September 2017, 9.026 million yen of this amount had been spent.

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

(Thousands of yen)

	FY6/17 (As of Jun. 30, 2017)	First quarter of FY6/18 (As of Sep. 30, 2017)
Assets		
Current assets		
Cash and deposits	3,129,678	1,957,618
Accounts receivable from completed construction contracts	53,354	55,509
Accounts receivable-trade	90,977	85,528
Real estate for sale	4,566,949	4,418,836
Real estate for sale in process	1,184,076	1,228,730
Costs on uncompleted construction contracts	53,273	78,950
Operating loans	2,865,545	2,913,851
Deferred tax assets	69,531	68,125
Other	206,961	348,539
Allowance for doubtful accounts	(7,741)	(5,696)
Total current assets	12,212,606	11,149,994
Non-current assets		
Property, plant and equipment		
Buildings and structures	2,482,745	2,675,013
Accumulated depreciation	(387,644)	(436,296)
Buildings and structures, net	2,095,101	2,238,717
Land	5,615,396	6,191,668
Other	111,920	112,772
Accumulated depreciation	(92,467)	(94,445)
Other, net	19,453	18,327
Total property, plant and equipment	7,729,951	8,448,713
Intangible assets		
Goodwill	5,652	4,640
Other	50,928	51,594
Total intangible assets	56,581	56,235
Investments and other assets		
Investment securities	7,569	8,353
Deferred tax assets	5,027	1,425
Other	261,759	282,089
Allowance for doubtful accounts	(113)	(145)
Total investments and other assets	274,243	291,723
Total non-current assets	8,060,776	8,796,671
Total assets	20,273,383	19,946,666

	(Thousands of yen)	
	FY6/17 (As of Jun. 30, 2017)	First quarter of FY6/18 (As of Sep. 30, 2017)
Liabilities		
Current liabilities		
Accounts payable for construction contracts	373,986	397,074
Short-term loans payable	6,895,839	6,576,290
Current portion of bonds	50,600	34,000
Current portion of long-term loans payable	1,300,888	1,262,100
Lease obligations	8,243	7,442
Asset retirement obligations	5,338	1,312
Accounts payable-other	214,179	232,779
Accrued expenses	288,724	251,821
Income taxes payable	153,566	145,715
Accrued consumption taxes	50,042	47,201
Advances received on uncompleted construction contracts	283,439	405,662
Advances received	258,128	266,525
Provision for bonuses	-	33,528
Provision for warranties for completed construction	4,368	4,472
Other	184,142	254,123
Total current liabilities	10,071,487	9,920,050
Non-current liabilities		
Long-term loans payable	6,020,586	5,580,416
Lease obligations	9,201	7,474
Long-term guarantee deposited	1,360,281	1,527,666
Deferred tax liabilities	621	930
Asset retirement obligations	10,184	22,648
Provision for warranties for completed construction	21,998	22,908
Total non-current liabilities	7,422,874	7,162,045
Total liabilities	17,494,362	17,082,095
Net assets		
Shareholders' equity		
Capital stock	361,387	361,387
Capital surplus	498,409	498,409
Retained earnings	1,916,538	2,001,458
Treasury shares	(158)	(236)
Total shareholders' equity	2,776,177	2,861,019
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	49	384
Total accumulated other comprehensive income	49	384
Subscription rights to shares	2,794	3,167
Total net assets	2,779,021	2,864,570
Total liabilities and net assets	20,273,383	19,946,666

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

	(Thousands of yen)	
	First three months of FY6/17 (Jul. 1, 2016 – Sep. 30, 2016)	First three months of FY6/18 (Jul. 1, 2017 – Sep. 30, 2017)
Net sales	4,034,773	4,659,868
Cost of sales	2,500,712	2,769,210
Gross profit	1,534,061	1,890,658
Selling, general and administrative expenses	1,292,933	1,454,489
Operating profit	241,127	436,168
Non-operating income		
Interest and dividend income	38	433
Commission fee	10,275	7,052
Insurance income	786	-
Penalty income	490	3,500
Other	2,088	4,292
Total non-operating income	13,678	15,278
Non-operating expenses		
Interest expenses	42,663	49,168
Other	2,997	3,579
Total non-operating expenses	45,661	52,747
Ordinary profit	209,144	398,699
Extraordinary losses		
Loss on retirement of non-current assets	-	2,261
Total extraordinary losses	-	2,261
Profit before income taxes	209,144	396,438
Income taxes	65,776	141,561
Profit	143,367	254,876
Profit attributable to owners of parent	143,367	254,876

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

(Thousands of yen)

	First three months of FY6/17 (Jul. 1, 2016 – Sep. 30, 2016)	First three months of FY6/18 (Jul. 1, 2017 – Sep. 30, 2017)
Profit	143,367	254,876
Other comprehensive income		
Valuation difference on available-for-sale securities	286	335
Total other comprehensive income	286	335
Comprehensive income	143,654	255,211
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	143,654	255,211

(3) Notes to Quarterly Consolidated Financial Statements**Going Concern Assumption**

Not applicable.

Significant Changes in Shareholders' Equity

Not applicable.

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

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

Segment and Other Information**Segment Information**

I First three months of FY6/17 (Jul. 1, 2016 – Sep. 30, 2016)

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	Real Estate Finance	Real Estate Buying and Selling	Real Estate Brokerage	Renovation	Subtotal				
Net sales											
External sales	484,056	711,643	20,880	1,672,410	427,369	718,412	4,034,773	-	4,034,773	-	4,034,773
Inter-segment sales and transfers	17,903	1,086	8,005	-	45,950	-	72,945	1,935	74,880	(74,880)	-
Total	501,959	712,729	28,885	1,672,410	473,320	718,412	4,107,718	1,935	4,109,653	(74,880)	4,034,773
Segment profit (loss)	289,399	111,803	9,967	75,091	108,227	31,316	625,805	(2,290)	623,515	(382,388)	241,127

- Notes:
1. Other represents the businesses which are not included in any of the reportable segments and mainly consists of education businesses. However, this business was terminated in April 2017.
 2. The negative adjustment of 382.388 million yen to segment profit includes an elimination for inter-segment transactions of 6.488 million yen and corporate expenses of negative 388.876 million yen that are not allocated to any of the reportable segments. Corporate expenses mainly consist of general and administrative expenses that are not attributable to any of the reportable segments.
 3. Segment profit is adjusted to be consistent with operating profit recorded in the quarterly consolidated statement of income.

II First three months of FY6/18 (Jul. 1, 2017 – Sep. 30, 2017)

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	Real Estate Finance	Real Estate Buying and Selling	Real Estate Brokerage	Renovation	Subtotal				
Net sales											
External sales	595,240	473,210	89,771	2,383,275	482,240	636,130	4,659,868	-	4,659,868	-	4,659,868
Inter-segment sales and transfers	19,317	510	7,900	-	43,971	-	71,698	-	71,698	(71,698)	-
Total	614,557	473,720	97,671	2,383,275	526,211	636,130	4,731,567	-	4,731,567	(71,698)	4,659,868
Segment profit	382,958	35,290	29,494	254,124	139,430	32,264	873,562	-	873,562	(437,393)	436,168

- Notes:
1. Other represents the businesses which are not included in any of the reportable segments and mainly consists of education businesses. However, this business was terminated in April 2017.
 2. The negative adjustment of 437.393 million yen to segment profit includes an elimination for inter-segment transactions of 10.959 million yen and corporate expenses of negative 448.353 million yen that are not allocated to any of the reportable segments. Corporate expenses mainly consist of general and administrative expenses that are not attributable to any of the reportable segments.
 3. Segment profit is adjusted to be consistent with operating profit recorded in the quarterly consolidated statement of income.

2. Information related to revisions of reportable segments

The Real Estate Finance segment, previously included in Other, is restated as a separate reporting segment from the third quarter of FY6/17 for the reason that the aggregate of assets of all segments exceeded 10% of total assets.

Moreover, the “Housing and Renovation Business” has been renamed as the “Renovation Business” from the first quarter of FY6/18. This change has no effect on segment information.

Accordingly, there are six reportable segments in the current fiscal year: Franchisee, House-Leaseback, Real Estate Finance, Real Estate Buying and Selling, Real Estate Brokerage, and Renovation segments.

Segment information for the first three months of FY6/17 has been restated based on the revised reportable segments.

Material Subsequent Events

Issuance of Preferred Stock Using a Third-party Allotment, Amendments to Articles of Incorporation, and Reductions in Capital Stock and Capital Surplus

The Company signed an equity investment contract on August 14, 2017 with UDS Corporate Mezzanine No. 4 Limited Partnership (hereinafter, the “allottee”). In accordance with this contract, the allottee purchased 3,000 million yen of Class A preferred stock through a third-party allotment on October 17, 2017. In addition, capital stock and capital surplus were reduced for the purpose of improving financial soundness and facilitating speedy and flexible equity-related actions.

Details are as follows.

1. Issuance of Class A preferred stock through a third-party allotment

- | | |
|---|--|
| (1) Payment date (issue date): | October 17, 2017 |
| (2) Class and number of shares offered: | Class A preferred stock 300 shares |
| (3) Issue price (payment amount): | 10,000,000 yen per share |
| (4) Total amount paid: | 3,000,000,000 yen |
| (5) Amount of capital stock and capital surplus increased | |
| Capital stock: | 1,500,000,000 yen (5,000,000 yen per share) |
| Capital surplus: | 1,500,000,000 yen (5,000,000 yen per share) |
| (6) Dividend: | Dividend yield of 8.0% per annum
800,000 yen per share |
| (7) Method of offering or allotment (allottee): | Third-party allotment to UDS Corporate Mezzanine No. 4 Limited Partnership |
| (8) Use of proceeds: | Real estate purchases in the House-Leaseback and other businesses and an increase in capital at the real estate finance subsidiary due to the favorable business climate and outlook for growth in demand in the House-Leaseback Business, Real Estate Finance Business and other businesses that are sources of steady income |

2. Reductions in capital stock and capital surplus

- | | |
|----------------------|---|
| (1) Purpose: | Reductions are for the purpose of improving financial soundness and facilitating speedy and flexible equity-related actions |
| (2) Capital stock: | Transfer of 1,500,000,000 yen to other capital surplus |
| (3) Capital surplus: | Transfer of 1,500,000,000 yen to other capital surplus |
| (4) Effective date: | October 17, 2017 |

Issuance of Stock Options

The Company's Board of Directors approved a resolution on October 16, 2017 for the terms of stock options to be issued to HOUSE DO directors (except representative directors and outside directors, same hereafter) and employees and directors of its subsidiaries in accordance with the Articles 236, 238 and 239 of the Companies Act. A proposal to issue stock options was approved at the ninth ordinary general meeting of shareholders that was held on September 26, 2017. The stock options were distributed on October 26, 2017.

1. Reason for issuing subscription rights to shares (stock options) with advantageous terms

The Company has issued stock options without compensation for the purpose of enhancing the motivation of executives and employees to increase the Group's sales and earnings and to increase the solidarity of the HOUSEDO Group. The growth of corporate value and prevention of the loss of valuable personnel are two more reasons. Stock options are distributed to HOUSE DO directors and employees and directors of its subsidiaries.

2. Terms that can be determined for the issuance of subscription rights to shares

(1) Total number of subscription rights to shares

The Company will issue 500 subscription rights to shares, the sum of 250 for the fourth issue of subscription rights to shares and 250 for the fifth issue of subscription rights to shares as stated in item (5) below.

(Each subscription right to shares can be used to purchase 100 shares of common stock unless an adjustment has been made as explained in the following item (2).)

(2) Class and number of shares to be issued upon the exercise of the subscription rights to shares

A maximum of 50,000 shares of common stock can be issued upon the exercise of the subscription rights to shares, the sum of 25,000 for the fourth issue of subscription rights to shares and 25,000 for the fifth issue of subscription rights to shares as stated in item (5) below.

The number of shares will be adjusted by using the following formula if there is a split or consolidation of the Company's stock. However, this adjustment will be performed only for shares applicable to subscription rights to shares that have not been exercised at the time of the split or consolidation. Any fraction of one share resulting from the adjustment is discarded.

Number of shares after adjustment = Number of shares before adjustment x Ratio of the split or consolidation

(3) Payment of cash in exchange for the subscription rights to shares

Payment of cash is not required in exchange for the subscription rights to shares.

(4) Value of the assets to be contributed upon the exercise of subscription rights to shares

The value of the assets to be granted upon exercise of each subscription right to shares shall be the amount calculated by multiplying the amount to be paid per share granted upon the exercise of each subscription right to shares (the "exercise price") by the number of shares granted.

The exercise price is the average closing price of the Company's common stock on the Tokyo Stock Exchange on each day of the month (except days when there was no trading of the Company's stock) prior to the month in which the applicable subscription rights to shares were allotted multiplied by 1.025, with any fraction of one yen rounded up. However, if this amount is lower than the closing price (if there is no closing price, the most recent closing price prior to this date) of the Company's common stock on the Tokyo Stock Exchange on the date of allotment of the subscription rights to shares, the closing price on this date shall apply.

If there is a split or a consolidation of the Company's common stock, the amount to be paid per share will be adjusted using the following formula and any fraction of one yen resulting from the adjustment is rounded up.

$$\text{Exercise price after adjustment} = \text{Exercise price before adjustment} \times \frac{1}{\text{Ratio of split or consolidation}}$$

If the Company issues new common stock or disposes of treasury shares at a price below market price (excluding stock issued upon the exercise of subscription rights to shares), the amount to be paid per share will be adjusted using the following formula and any fraction of one yen resulting from the adjustment is rounded up.

$$\text{Exercise price after adjustment} = \text{Exercise price before adjustment} \times \frac{\frac{\text{Number of issued shares} + \frac{\text{Number of newly issued shares} \times \text{Amount to be paid per share}}{\text{Share price before new issuance}}}{\text{Number of issued shares} + \text{Number of newly issued shares}}}$$

In the above formula, “number of issued shares” is defined as the total number of shares of the Company’ common stock less the number of treasury shares. In case that the Company disposes its treasury shares, “newly issued shares” shall be replaced by “treasury shares disposed,” and “amount to be paid per share” shall be replaced by “disposal amount per share.”

(5) Exercise period of subscription rights to shares

- 1) Subscription rights to shares can be exercised after three years and within six years from the date of resolution for granting the fourth subscription rights to shares
- 2) Subscription rights to shares can be exercised after five years and within eight years from the date of resolution for granting the fifth subscription rights to shares

(6) Capital stock and capital surplus to be increased when stock will be issued upon exercise of subscription rights to shares

The amount of capital by issuing shares upon exercise of subscription rights to shares shall be equal to the payment amount multiplied by 0.5, and any fraction of one yen resulting from this calculation shall be rounded up. The remainder shall be credited to the capital surplus.

(7) Restriction on acquisition of subscription rights to shares through transfer

Acquisition of subscription rights to shares through transfer requires the approval of the Board of Directors.

(8) Reasons and conditions to acquire subscription rights to shares

- 1) In the event of a merger through absorption in which the Company is dissolved, absorption-type company splits, incorporation-type company splits, or share exchanges or share transfers in which the Company becomes a wholly owned subsidiary is approved at the general meeting of shareholders and the Board of Directors’ meeting, the Company can acquire the applicable subscription rights to shares without compensation.
- 2) In the event that an individual who has received subscription rights to shares no longer fulfills the conditions for exercising rights or has had the rights cancelled as prescribed in item (10), the Company can acquire the applicable subscription rights to shares without compensation.

(9) Discarding fractions of shares resulting from exercise of subscription rights to shares

Any fraction of one share that is to be delivered to a rights holder who has exercised subscription rights to shares shall be discarded.

(10) Conditions for exercise of subscription rights to shares

- 1) An individual who received subscription rights to shares must still be a director or employee of the Company or its subsidiaries when exercising the rights.
- 2) The subscription rights to shares may not be exercised by an heir to a holder thereof.
- 3) Other conditions shall be based on the “Agreement for subscription rights to shares” signed between the Company and recipients of subscription rights to shares.

(11) Allotment date of subscription rights to shares

October 26, 2017

(12) Treatment of subscription rights to shares at the corporate reorganization

At mergers (limited to cases where the Company is dissolved as a result of the merger), absorption-type company splits, incorporation-type company splits, share exchanges or share transfers of the Company (hereinafter

collectively the “corporate reorganization”), the subscription rights to shares of companies specified in Article 236, Paragraph 1, Item 8, (1) to (5), of the Companies Act (the “reorganized corporations”) will be granted, respectively, to the rights holders on the effective date of the corporate reorganization in accordance with the following conditions. Provided, however, that this shall be limited to the cases in which absorption-type merger agreements, incorporation-type merger agreements, absorption-type company split agreements, incorporation-type company split plans, share exchange contracts or share transfer plans stipulate that the subscription rights to shares of reorganized corporations will be issued under the following terms and conditions:

- 1) Number of the subscription rights to shares of reorganized corporations to be granted
The same number as the subscription rights to shares held by each rights holder shall be granted.
- 2) Type of shares of reorganized corporations to be issued under the subscription rights to shares
Common stock of the reorganized corporations shall be issued.
- 3) Number of shares of reorganized corporations to be issued under the subscription rights to shares
To be determined in accordance with item (2) above, upon taking into account the terms and conditions of the corporate reorganization.
- 4) Value of assets to be contributed upon the exercise of the subscription rights to shares
The value of assets to be contributed upon the exercise of each subscription right to shares to be granted shall be the amount obtained by multiplying the amount to be paid in after the corporate reorganization through adjustment of the exercise price as prescribed in item (4) above by the number of the subscription rights to shares of reorganized corporations determined in accordance with item (2) above, considering the terms and conditions of the corporate reorganization.
- 5) Period during which the subscription rights to shares can be exercised
The period shall be from the later date of either the first day of the exercise period as prescribed in item (5) above or the effective date of the corporate reorganization to the last day of the exercise period.
- 6) Matters regarding the amount of capital stock and capital surplus to be increased as a result of the issuance of shares upon the exercise of subscription rights to shares
To be determined in accordance with item (6) above.
- 7) Restrictions on the acquisition of subscription rights to shares through transfer
The restrictions on the acquisition of subscription rights to shares through transfer shall require the approval of the Board of Directors of the reorganized corporation.
- 8) Reasons and conditions for acquiring subscription rights to shares
To be determined in accordance with item (8) above.
- 9) Other conditions for exercising subscription rights to shares
To be determined in accordance with item (10) above.

(13) Matters regarding certificates for the subscription rights to shares

The Company shall not issue certificates for the subscription rights to shares.

(14) Allottees of the subscription rights to shares and the number of subscription rights to shares to be allotted

Subscription rights to shares No. 4

3 directors of the Company (100 units)

4 employees of the Company (100 units)

2 directors of subsidiaries of the Company (50 units)

Subscription rights to shares No. 5

3 directors of the Company (100 units)

4 employees of the Company (100 units)

2 directors of subsidiaries of the Company (50 units)

Capital increase in a consolidated subsidiary

The Company made an additional investment in its subsidiary Financial Do Co., Ltd. on October 20, 2017.

1. Reason for capital increase

The capital increase gives Financial Do a sound foundation in order to benefit from opportunities for growth.

2. Overview of the subsidiary

(1) Company name:	Financial Do Co., Ltd.
(2) Representative:	Tsuyoshi Suzuki, President
(3) Location:	3-3 Komatsubara-cho, Kita-ku, Osaka
(4) Established:	February 2012
(5) Capital stock before additional investment:	50,000,000 yen
(6) The Company's investment ratio:	100.0%

3. Overview of capital increase

(1) Amount of capital increase:	999,000,000 yen
(2) Amount incorporated into capital stock:	499,500,000 yen
(3) Amount incorporated into legal capital surplus:	499,500,000 yen
(4) Capital stock after additional investment:	549,500,000 yen
(5) Payment date:	October 20, 2017
(6) The Company's investment ratio after capital increase:	100.0%

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.