

# Summary of Business Results for the Second Quarter Ended December 31, 2017

## [Japan GAAP] (Consolidated)

February 5, 2018

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Expected date of filing of quarterly report: February 13, 2018 Expected starting date of dividend payment: -  
 Preparation of quarterly supplementary financial document: Yes  
 Holding of quarterly results briefing: Yes

(Rounded down to million yen)

### 1. Consolidated business results for the six months ended December 2017 (July 1, 2017 through December 31, 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	%
Six months ended Dec. 31, 2017	9,532	11.1	888	38.7	778	40.9	501	40.3
Six months ended Dec. 31, 2016	8,579	(1.1)	640	(9.3)	552	(18.0)	357	(20.0)

(Note) Comprehensive income:

Six months ended Dec. 31, 2017: 501 million yen (up 39.8%)

Six months ended Dec. 31, 2016: 358 million yen (down 19.7%)

	Net income per share	Diluted net income per share
	Yen	Yen
Six months ended Dec. 31, 2017	53.13	51.89
Six months ended Dec. 31, 2016	42.18	41.37

### (2) Consolidated financial position

	Total assets	Net assets	Shareholder's equity ratio
	Million yen	Million yen	%
As of Dec. 31, 2017	22,673	6,114	26.9
As of Jun. 30, 2017	20,273	2,779	13.7

(Reference) Shareholders' equity:

As of Dec. 31, 2017: 6,108 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	-	0.00	-	-	-
Fiscal year ending Jun. 30, 2018 (forecast)	-	-	-	27.00	27.00

(Notes) 1. Revisions to the most recently announced dividend forecast: None

2. The dividend figures above show dividends for common stock. Please refer to "Dividends of classified stock" (after-mentioned) for information on dividends for unlisted classified stock whose rights are different from those of the Company's common stock.

### 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
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. (4) Notes to Quarterly Consolidated Financial Statements” on page 11 of the attachments for further information.

(3) Changes in accounting policies and accounting estimates, and restatements

- |                                                                                    |        |
|------------------------------------------------------------------------------------|--------|
| 1) Changes in accounting policies associated with revision of accounting standards | : None |
| 2) Changes in accounting policies other than 1)                                    | : None |
| 3) Changes in accounting estimates                                                 | : None |
| 4) Restatements                                                                    | : None |

(4) Number of shares issued (common stock)

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

As of Dec. 31, 2017	8,500,000 shares
As of Jun. 30, 2017	8,498,000 shares

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

As of Dec. 31, 2017	191 shares
As of Jun. 30, 2017	144 shares

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

Six months ended Dec. 31, 2017	8,498,227 shares
Six months ended Dec. 31, 2016	8,475,698 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 5 of the attachments regarding preconditions or other related matters for the forecasts.

**Dividends of classified stock**

Breakdown of dividend per share for classified stock whose rights are different from those of common stock is shown below.

Class A preferred stock	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	-	-	-	-	-
Fiscal year ending Jun. 30, 2018	-	0.00			
Fiscal year ending Jun. 30, 2018 (forecast)			-	563,287.67	563,287.67

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## 1. Qualitative Information on Quarterly Consolidated Financial Performance

### (1) Explanation of Results of Operations

In the first half of the fiscal year ending in June 2018, the Japanese economy continued to recover despite concerns about the impact of U.S. political events and geopolitical risk on financial and capital markets. The economy is benefiting from an extremely accommodative monetary policy and the government's large expenditures to support the economy. Improvements continued in corporate earnings, jobs and personal income and consumer spending also continued to show a slow upturn. However, there is a risk of an economic downturn in Japan due to U.S. economic policies, political actions in Europe, events in eastern Asia, and other factors.

In the Japanese real estate industry, where the HOUSEDO 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 HOUSEDO 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 and used alliances with financial institutions to establish a stronger base for growth of the reverse mortgage guarantee business. 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 HOUSEDO Group reported net sales of 9,532 million yen (up 11.1% year on year), operating profit of 888 million yen (up 38.7% year on year), ordinary profit of 778 million yen (up 40.9% year on year) and profit attributable to owners of parent of 501 million yen (up 40.3% year on year).

Results by business segment were as follows.

(As of Dec. 31, 2017)

Segment	Net sales (Millions of yen)	Activities
Franchisee Business	1,196	63 new franchisee contracts, raising total to 501 65 new franchised stores, raising total to 415
House-Leaseback Business	1,024	142 properties purchased, raising holdings to 626 24 properties sold
Real Estate Finance Business	205	88 real estate secured loans/guarantee for reverse mortgages
Real Estate Buying and Selling Business	4,589	181 transactions
Real Estate Brokerage Business	916	1,546 brokered properties
Renovation Business	1,600	1,112 contracts 1,156 renovation completions
Total	9,532	-

#### 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. The enhanced public trust in HOUSEDO and value of the corporate brand along with the increasing number of franchised stores are helping to attract more number of prominent regional franchise partners as well as companies that are considering a franchise agreement. The increasing levels of store openings and marketing activities are raising public awareness of HOUSEDO. 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 half of the current fiscal year, there were 63 new franchisee contracts, raising the total to 501 at the end of December 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 65 stores during the first half of the current fiscal year, raising the total to 415 at the end of December 2017.

As a result, the segment recorded sales of 1,196 million yen (up 16.8% year on year) and segment profit of 736 million yen (up 21.9%).

## 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 HOUSEDO following the Tokyo Stock Exchange first section listing and the expansion of business activities to regional cities other than major metropolitan areas. In addition, there were new services, such as the leaseback of newly constructed houses, that matched market conditions in order to meet the need to effectively use real estate and convert real estate into a source of cash flows. Due to these actions, this business purchased 142 properties and sold 24 during the first half of the current fiscal year. As of December 31, 2017, this business owned 626 properties, all of which are generating leasing income. This segment's sales and profit were lower than one year earlier because of sales in the previous fiscal year of income-producing buildings and high-priced leaseback houses.

As a result, the segment recorded sales of 1,024 million yen (down 18.8% year on year) and segment profit of 117 million yen (down 42.1%).

## 3) Real Estate Finance Business

This business provides loans secured by real estate and helps create new sales channels by using its ability to meet a broad array of customers' financing requirements. A reverse mortgage guarantee service that uses the HOUSEDO Group's real estate assessment expertise was started in the first half of the current fiscal year. Adding this service further strengthened the ability of this business to serve customers by combining real estate and financing. During the first half of the current fiscal year, there were 88 new loans secured by real estate as well as reverse mortgage guarantees.

As a result, the segment recorded sales of 205 million yen (up 247.0% year on year) and segment profit of 50 million yen (up 61.0%).

## 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 half 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 4,589 million yen (up 22.1% year on year) and segment profit of 473 million yen (up 127.3%).

## 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 916 million yen (up 13.4% year on year) and segment profit of 224 million yen (up 28.0%).

## 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. During the first half of the current fiscal year, 1,112 renovation orders were received, up 5.2% from one year earlier, and the number of renovation completions was 1,156, up 7.1%. Despite this increase, sales decreased from one year earlier because of the decision to hold down the volume of orders for new housing.

As a result, the segment recorded sales of 1,600 million yen (down 3.9% year on year) and segment profit of 177 million yen (up 27.0%).

### (2) Explanation of Financial Condition

#### 1) Assets, Liabilities and Net Assets

##### Assets

Total assets amounted to 22,673 million yen at the end of the second quarter under review, an increase of 2,400 million yen over the end of the previous fiscal year.

The main reasons were increases of 392 million yen in operating loans associated with an increase in the number of real estate secured loans and 1,972 million yen in property, plant and equipment associated with an increase in the number of properties in the House-Leaseback Business, and a decrease of 265 million yen in real estate for sale.

##### Liabilities

Liabilities totaled 16,558 million yen, a decrease of 935 million yen over the end of the previous fiscal year.

There were decreases of 447 million yen in short-term loans payable, 212 million yen in current portion of long-term loans payable and 1,000 million yen in long-term loans payable, and increases of 474 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 141 million yen in income taxes payable.

##### Net assets

Net assets totaled 6,114 million yen, an increase of 3,335 million yen over the end of the previous fiscal year.

Capital surplus increased 3,000 million yen due to issuance of preferred stock using a third-party allotment, retained earnings increased 501 million yen because of the booking of profit attributable to owners of parent for the first half, while there was a 169 million yen decrease in retained earnings due to dividend payments.

For more information about capital increase, please refer to the press release dated October 17, 2017 that explains completion of payment for and issuance of preferred stock using a third-party allotment, and reductions in capital stock and capital surplus (Japanese version only).

(Millions of yen)

	FY2017 (As of Jun. 30, 2017)	Second quarter of FY2018 (As of Dec. 31, 2017)	Change
Total assets	20,273	22,673	2,400
Liabilities	17,494	16,558	(935)
Net assets	2,779	6,114	3,335

#### 2) Cash Flows

Cash and cash equivalents (hereinafter “net cash”) as of the end of the second quarter under review amounted to 3,149 million yen, an increase of 88 million yen over the end of the previous fiscal year.

##### Cash flows from operating activities

Net cash provided by operating activities totaled 1,455 million yen (compared with net cash provided of 263 million yen in the same period of the previous fiscal year).

Positive factors include the booking of profit before income taxes of 774 million yen and a decrease in inventories of 594 million yen.

Negative factors include an increase in operating loans receivable of 392 million yen.

#### Cash flows from investing activities

Net cash used in investing activities totaled 2,507 million yen (compared with net cash used of 2,121 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 2,520 million yen.

#### Cash flows from financing activities

Net cash provided by financing activities totaled 1,139 million yen (compared with net cash provided of 2,162 million yen in the same period of the previous fiscal year).

Positive factors include proceeds from long-term loans payable of 683 million yen and proceeds from issuance of common shares of 3,000 million yen.

Negative factors include a net decrease in short-term loans payable of 447 million yen, repayments of long-term loans payable of 1,897 million yen and cash dividends paid of 169 million yen.

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

Based on the current performance trends, the Company has revised its first half consolidated forecast for the fiscal year ending June 30, 2018. For more information, please refer to the press release dated January 31, 2018 about forecast revisions (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 50 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 December 2017, 10.319 million yen of this amount had been spent.



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

(Thousands of yen)

	FY2017 (As of Jun. 30, 2017)	Second quarter of FY2018 (As of Dec. 31, 2017)
<b>Assets</b>		
<b>Current assets</b>		
Cash and deposits	3,129,678	3,157,834
Accounts receivable from completed construction contracts	53,354	87,521
Accounts receivable-trade	90,977	96,335
Real estate for sale	4,566,949	4,300,978
Real estate for sale in process	1,184,076	1,243,190
Costs on uncompleted construction contracts	53,273	69,949
Operating loans	2,865,545	3,258,052
Deferred tax assets	69,531	67,453
Other	206,961	357,420
Allowance for doubtful accounts	(7,741)	(8,465)
<b>Total current assets</b>	<b>12,212,606</b>	<b>12,630,270</b>
<b>Non-current assets</b>		
<b>Property, plant and equipment</b>		
Buildings and structures	2,482,745	2,989,438
Accumulated depreciation	(387,644)	(488,593)
Buildings and structures, net	2,095,101	2,500,844
Land	5,615,396	7,178,106
Other	111,920	119,943
Accumulated depreciation	(92,467)	(95,970)
Other, net	19,453	23,972
<b>Total property, plant and equipment</b>	<b>7,729,951</b>	<b>9,702,924</b>
<b>Intangible assets</b>		
Goodwill	5,652	3,628
Other	50,928	48,064
<b>Total intangible assets</b>	<b>56,581</b>	<b>51,693</b>
<b>Investments and other assets</b>		
Investment securities	7,569	8,117
Deferred tax assets	5,027	-
Other	261,759	280,833
Allowance for doubtful accounts	(113)	(171)
<b>Total investments and other assets</b>	<b>274,243</b>	<b>288,779</b>
<b>Total non-current assets</b>	<b>8,060,776</b>	<b>10,043,397</b>
<b>Total assets</b>	<b>20,273,383</b>	<b>22,673,668</b>

	(Thousands of yen)	
	FY2017 (As of Jun. 30, 2017)	Second quarter of FY2018 (As of Dec. 31, 2017)
<b>Liabilities</b>		
<b>Current liabilities</b>		
Accounts payable for construction contracts	373,986	449,276
Short-term loans payable	6,895,839	6,448,570
Current portion of bonds	50,600	25,500
Current portion of long-term loans payable	1,300,888	1,088,066
Lease obligations	8,243	6,908
Asset retirement obligations	5,338	-
Accounts payable-other	214,179	217,881
Accrued expenses	288,724	363,153
Income taxes payable	153,566	295,415
Accrued consumption taxes	50,042	32,299
Advances received on uncompleted construction contracts	283,439	276,818
Advances received	258,128	256,019
Provision for warranties for completed construction	4,368	4,656
Other	184,142	176,275
<b>Total current liabilities</b>	<b>10,071,487</b>	<b>9,640,842</b>
<b>Non-current liabilities</b>		
Long-term loans payable	6,020,586	5,019,661
Lease obligations	9,201	5,747
Long-term guarantee deposited	1,360,281	1,835,249
Deferred tax liabilities	621	1,922
Asset retirement obligations	10,184	30,868
Provision for warranties for completed construction	21,998	24,446
<b>Total non-current liabilities</b>	<b>7,422,874</b>	<b>6,917,896</b>
<b>Total liabilities</b>	<b>17,494,362</b>	<b>16,558,738</b>
<b>Net assets</b>		
<b>Shareholders' equity</b>		
Capital stock	361,387	361,606
Capital surplus	498,409	3,498,628
Retained earnings	1,916,538	2,248,075
Treasury shares	(158)	(236)
<b>Total shareholders' equity</b>	<b>2,776,177</b>	<b>6,108,074</b>
<b>Accumulated other comprehensive income</b>		
Valuation difference on available-for-sale securities	49	13
<b>Total accumulated other comprehensive income</b>	<b>49</b>	<b>13</b>
Subscription rights to shares	2,794	6,842
<b>Total net assets</b>	<b>2,779,021</b>	<b>6,114,929</b>
<b>Total liabilities and net assets</b>	<b>20,273,383</b>	<b>22,673,668</b>

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

	(Thousands of yen)	
	First six months of FY2017 (Jul. 1, 2016 – Dec. 31, 2016)	First six months of FY2018 (Jul. 1, 2017 – Dec. 31, 2017)
Net sales	8,579,809	9,532,840
Cost of sales	5,331,697	5,617,408
Gross profit	3,248,112	3,915,432
Selling, general and administrative expenses	2,607,578	3,026,699
Operating profit	640,533	888,732
Non-operating income		
Interest and dividend income	104	587
Commission fee	16,029	17,294
Insurance income	786	-
Penalty income	5,236	7,180
Other	8,402	7,425
Total non-operating income	30,558	32,487
Non-operating expenses		
Interest expenses	85,005	91,251
Share issuance cost	-	40,500
Going public expenses	26,527	-
Other	6,771	10,722
Total non-operating expenses	118,303	142,474
Ordinary profit	552,787	778,746
Extraordinary income		
Gain on sales of non-current assets	-	107
Total extraordinary income	-	107
Extraordinary losses		
Loss on sales of non-current assets	-	0
Loss on retirement of non-current assets	-	4,190
Total extraordinary losses	-	4,190
Profit before income taxes	552,787	774,662
Income taxes	195,315	273,168
Profit	357,472	501,493
Profit attributable to owners of parent	357,472	501,493

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

	(Thousands of yen)	
	First six months of FY2017 (Jul. 1, 2016 – Dec. 31, 2016)	First six months of FY2018 (Jul. 1, 2017 – Dec. 31, 2017)
Profit	357,472	501,493
Other comprehensive income		
Valuation difference on available-for-sale securities	1,174	(35)
Total other comprehensive income	1,174	(35)
Comprehensive income	358,647	501,458
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	358,647	501,458

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

(Thousands of yen)

	First six months of FY2017 (Jul. 1, 2016 – Dec. 31, 2016)	First six months of FY2018 (Jul. 1, 2017 – Dec. 31, 2017)
Cash flows from operating activities		
Profit before income taxes	552,787	774,662
Depreciation	101,576	139,780
Amortization of goodwill	2,023	2,023
Amortization of long-term prepaid expenses	7,565	12,466
Increase (decrease) in allowance for doubtful accounts	(2,294)	782
Increase (decrease) in provision for warranties for completed construction	4,681	2,735
Interest and dividend income	(104)	(587)
Interest expenses	85,005	91,251
Loss (gain) on sales of non-current assets	-	(107)
Foreign exchange losses (gains)	-	(288)
Loss on retirement of non-current assets	-	4,190
Decrease (increase) in notes and accounts receivable-trade	32,670	(39,525)
Decrease (increase) in inventories	658,483	594,914
Increase (decrease) in notes and accounts payable-trade	(62,099)	75,290
Decrease (increase) in operating loans receivable	(975,463)	(392,506)
Increase (decrease) in advances received on uncompleted construction contracts	(58,850)	(6,621)
Increase (decrease) in advances received	30,732	(2,108)
Decrease (increase) in advance payments	27,296	(83,907)
Decrease (increase) in prepaid expenses	(54,793)	(23,726)
Decrease (increase) in accounts receivable-other	(19,656)	(26,230)
Increase (decrease) in accrued consumption taxes	4,498	(17,743)
Increase (decrease) in accrued expenses	42,822	74,815
Increase (decrease) in guarantee deposits received	276,220	474,968
Increase (decrease) in deposits received	22,939	23,821
Other, net	36,032	12,380
Subtotal	712,076	1,690,731
Interest and dividend income received	(192)	587
Interest expenses paid	(65,048)	(88,703)
Income taxes paid	(385,706)	(149,972)
Income taxes refund	1,968	3,095
Net cash provided by (used in) operating activities	263,097	1,455,739
Cash flows from investing activities		
Purchase of property, plant and equipment	(2,050,126)	(2,520,732)
Proceeds from sales of property, plant and equipment	-	320
Collection of loans receivable	117	234
Payments for guarantee deposits	(143)	(26,390)
Proceeds from collection of guarantee deposits	239	6,758
Other, net	(71,111)	32,290
Net cash provided by (used in) investing activities	(2,121,024)	(2,507,520)
Cash flows from financing activities		
Net increase (decrease) in short-term loans payable	275,403	(447,269)
Proceeds from long-term loans payable	2,776,688	683,350
Repayments of long-term loans payable	(724,421)	(1,897,096)
Redemption of bonds	(24,850)	(25,100)
Repayments of lease obligations	(5,056)	(4,789)
Proceeds from issuance of common shares	-	3,000,438
Purchase of treasury shares	-	(77)
Cash dividends paid	(135,581)	(169,957)
Proceeds from issuance of subscription rights to shares	657	-
Net cash provided by (used in) financing activities	2,162,839	1,139,497
Effect of exchange rate change on cash and cash equivalents	-	288
Net increase (decrease) in cash and cash equivalents	304,912	88,005
Cash and cash equivalents at beginning of period	1,990,855	3,061,878
Cash and cash equivalents at end of period	2,295,767	3,149,884

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

Not applicable.

**Significant Changes in Shareholders' Equity**

Do to the payment of 3,000 million yen for from the issuance of Class A preferred stock through a third-party allotment on October 17, 2017, capital stock and legal capital surplus increased by 1,500 million yen each to 1,861,387,000 yen and 1,879,883,000 yen, respectively. Based on the Article 447, Paragraph 3 and Article 448, Paragraph 3 of the Companies Act, the Company reduced capital stock and legal capital surplus by 1,500 million yen each, and transferred these amount to other capital surplus on the same day.

**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 six months of FY2017 (Jul. 1, 2016 – Dec. 31, 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	1,024,680	1,262,221	59,088	3,759,569	807,938	1,666,310	8,579,809	-	8,579,809	-	8,579,809
Inter-segment sales and transfers	39,748	3,606	15,605	-	99,092	-	158,051	4,776	162,828	(162,828)	-
Total	1,064,429	1,265,827	74,693	3,759,569	907,031	1,666,310	8,737,860	4,776	8,742,637	(162,828)	8,579,809
Segment profit (loss)	604,195	203,549	31,218	208,332	175,603	139,883	1,362,782	(6,972)	1,355,809	(715,276)	640,533

- 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 715.276 million yen to segment profit includes an elimination for inter-segment transactions of 18.294 million yen and corporate expenses of negative 733.570 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 (loss) is adjusted to be consistent with operating profit recorded in the quarterly consolidated statement of income.

## II First six months of FY2018 (Jul. 1, 2017 – Dec. 31, 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	1,196,817	1,024,492	205,061	4,589,551	916,126	1,600,792	9,532,840	-	9,532,840	-	9,532,840
Inter-segment sales and transfers	40,770	1,635	-	-	110,692	-	153,097	-	153,097	(153,097)	-
Total	1,237,587	1,026,127	205,061	4,589,551	1,026,819	1,600,792	9,685,938	-	9,685,938	(153,097)	9,532,840
Segment profit	736,575	117,953	50,265	473,517	224,691	177,591	1,780,594	-	1,780,594	(891,861)	888,732

- 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 891.861 million yen to segment profit includes an elimination for inter-segment transactions of 19.528 million yen, corporate expenses of negative 914.169 million yen that are not allocated to any of the reportable segments, and inventory adjustments of 2.778 million yen. 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 FY2017 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 FY2018. 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 six months of FY2017 has been restated based on the revised reportable segments.

## **Material Subsequent Events**

### **Issuance of Stock Options**

The Company's Board of Directors approved a resolution on January 29, 2018 to issue subscription rights to shares to directors (including audit and supervisory committee members) and employees of the Company and directors and employees of its subsidiaries pursuant to the provisions of Articles 236, 238 and 240 of the Companies Act.

For more information about this subject, please refer to the press release dated January 29, 2018 that explains the issuance of subscription rights to shares (stock options with charge) (Japanese version only).

### **Conclusion of Contract to Acquire All Shares of Keiyo Build Co., Ltd. and Make it a Subsidiary**

The Company's Board of Directors approved a resolution on January 31, 2018 to sign a contract involving acquisition of all shares of Keiyo Build Co., Ltd.

For more information about this subject, please refer to the press release dated January 31, 2018 (Japanese version only).

*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.*