Summary of Business Results for the First Quarter Ended September 30, 2018
[Japan GAAP] (Consolidated)

November 5, 2018

Company HOUSE DO Co., Ltd. Listed on the TSE
Stock code 3457 URL: https://www.housedo.co.jp/en/
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Expected date of filing of quarterly report: November 12, 2018 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 2018 (July 1, 2018 through September 30, 2018)

(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, 2018	6,078	30.4	471	8.0	429	7.6	314	23.5
Three months ended Sep. 30, 2017	4,659	15.5	436	80.9	398	90.6	254	77.8

(Note) Comprehensive income:
Three months ended Sep. 30, 2018: 303 million yen (up 18.8%)
Three months ended Sep. 30, 2017: 255 million yen (up 77.7%)

	Net income per share	Diluted net income per share
	Yen	Yen
Three months ended Sep. 30, 2018	16.24	15.48
Three months ended Sep. 30, 2017	15.00	14.69

(Note) The Company conducted a 2-for-1 stock split on July 1, 2018. Net income per share and diluted net income per share are calculated assuming that the stock split was conducted at the beginning of the previous fiscal year.

(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, 2018	31,754	9,556	30.0	491.65
As of Jun. 30, 2018	30,621	9,686	31.6	498.52

(Reference) Shareholders' equity:
As of Sep. 30, 2018: 9,531 million yen As of Jun. 30, 2018: 9,664 million yen

(Note) The Company conducted a 2-for-1 stock split on July 1, 2018. Net assets per share are calculated assuming that the stock split was conducted at the beginning of the previous fiscal year.

* The Company has applied "Partial Amendments to Accounting Standard for Tax Effect Accounting" (Accounting Standards Board of Japan (ASBJ) Statement No. 28, February 16, 2018) from the beginning of the first quarter of the current fiscal year. Figures as of June 30, 2018 have been adjusted retrospectively in accordance with these amendments.

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, 2018	-	0.00	-	45.00	45.00
Fiscal year ending Jun. 30, 2019	-				
Fiscal year ending Jun. 30, 2019 (forecast)		0.00	-	31.00	31.00

(Note) Revisions to the most recently announced dividend forecast: None
The Company conducted a 2-for-1 common stock split on July 1, 2018. Dividends for the fiscal year ended June 30, 2018 are the actual amounts before the stock split.

3. Forecast of consolidated business results for the fiscal year ending June 2019 (July 1, 2018 through June 30, 2019)

(% 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, 2018	13,609	42.8	1,573	77.0	1,450	86.2	959	91.4	49.52
Fiscal year ending Jun. 30, 2019	27,499	22.1	3,246	53.4	3,000	57.2	1,983	55.0	102.32

(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 10 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 Sep. 30, 2018	19,386,800 shares
As of Jun. 30, 2018	19,386,800 shares

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

As of Sep. 30, 2018	466 shares
As of Jun. 30, 2018	466 shares

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

Three months ended Sep. 30, 2018	19,386,334 shares
Three months ended Sep. 30, 2017	16,995,682 shares

(Note) The Company conducted a 2-for-1 stock split on July 1, 2018. The number of shares issued (common stock) is calculated assuming that the stock split was conducted at the beginning of the previous fiscal year.

*** The current quarterly financial report is not subject to quarterly reviews by certified public accountants or auditing firms.**

*** Explanation regarding appropriate use of business forecasts and other special instructions**

(Caution Concerning Forward-looking Statements)

Forecasts regarding future performance in this material are based on information currently available to the Company and certain assumptions that the Company deems to be reasonable at the time this report was prepared. The Company does not make promises about the achievements. Actual results may differ significantly from the forecasts due to various factors. Please refer to the section "1. Qualitative Information on Quarterly Consolidated Financial Performance, (3) Explanation of Consolidated Forecast and Other Forward-looking Statements" on page 5 of the attachments regarding preconditions or other related matters for the forecasts.

Contents of Attachments

1. Qualitative Information on Quarterly Consolidated Financial Performance

HOUSEDO has applied “Partial Amendments to Accounting Standard for Tax Effect Accounting” (ASBJ Statement No. 28, February 16, 2018) from the beginning of the first quarter of the current fiscal year. Financial statements in the prior fiscal year have been adjusted retrospectively in accordance with these amendments in order to facilitate comparisons with performance in the current fiscal year and other analysis.

(1) Explanation of Results of Operations

In the first quarter of the fiscal year ending in June 2019, there were concerns about the effects of U.S. economic and diplomatic policies on the global economy. But consumer spending in Japan continued to climb slowly, although unevenly, as corporate earnings improved with the support of an extremely accommodative monetary policy and large government expenditures. Nevertheless, there is a risk of an economic downturn in Japan and other countries due to increasing trade friction caused by U.S. protectionist policies, U.S. interest rate hikes, Japan’s planned consumption hike and other events.

In the Japanese real estate industry, where the HOUSEDO Group operates, there are concerns about upward pressure on prices of properties as the cost of land continues to climb and the cost of raw materials moves up in response to the higher cost of crude oil. 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. Increasing the share of sales derived from operations in our business portfolio that generate steady income is one goal in order to earn consistent profits and achieve steady growth. In the Franchisee Business, we launched the RENT Do! brand in order to add real estate rental activities to the existing real estate buying and selling franchising business. The aim of this new brand is to increase the number of franchised stores and offer a larger selection of services. The House-Leaseback Business increased its earnings by building a base of steady income by purchasing rental properties and by establishing a scheme for generating capital gains by selling properties to real estate funds, real estate companies and other buyers. In the Real Estate Finance Business, we continued to strengthen operations that combine real estate and financing by providing loans secured by real estate and using alliances with financial institutions to guarantee reverse mortgages.

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 6,078 million yen (up 30.4% year on year), operating profit of 471 million yen (up 8.0% year on year), ordinary profit of 429 million yen (up 7.6% year on year) and profit attributable to owners of parent of 314 million yen (up 23.5% year on year).

Results by business segment were as follows.

(As of Sep. 30, 2018)

Segment	Net sales (Millions of yen)	Activities
Franchisee Business	702	34 new franchisee contracts, raising total to 560 30 new franchised stores, raising total to 455
House-Leaseback Business	1,941	129 properties purchased, raising holdings to 613 79 properties sold
Real Estate Finance Business	198	101 real estate secured loans/guarantee for reverse mortgages
Real Estate Buying and Selling Business	2,098	101 transactions
Real Estate Brokerage Business	438	750 brokered properties
Renovation Business	694	608 contracts; 484 renovation completions
Other Business	4	(Europe/US style) real estate agent business
Total	6,078	-

a. Franchisee Business

The number of companies contacting us about signing franchising agreements increased steadily during the first three months of the current fiscal year. Measures to encourage real estate companies in urban areas to become franchisees and advertising and promotional activities using television, radio and other media contributed to this growth. In addition, the increasing number of franchised stores is raising public awareness of HOUSEDO and boosting the value of the corporate brand. There is a need for dual stores that are both satellite stores and stores specializing in buying houses and other real estate in order to raise earnings by combining real estate brokerage and buying. Furthermore, the recently launched RENT Do! brand is generating a steadily increasing volume of calls from potential franchisees. During the first three months of the current fiscal year, there were 34 new franchisee contracts, raising the total to 560 at the end of September 2018.

The establishment of a franchisee follow-up system using supervisors and upgrades to a variety of new services further contributed to the performance of this business. Due in part to these actions, we opened 30 stores during the first three months of the current fiscal year, raising the total to 455 at the end of September 2018.

As a result, the segment recorded sales of 702 million yen (up 18.1% year on year) and segment profit of 443 million yen (up 15.8%).

b. House-Leaseback Business

Television, radio and other advertising and marketing activities raised public awareness of this business and enhanced public trust in HOUSEDO. As a result, there are now more than 1,000 inquiries from prospective customers every month. The ability of this business to meet needs for the effective use of real estate and the conversion of real estate into a source of cash flows contributed to a strong performance in the first three months of the current fiscal year. This business signed purchase agreements for 144 properties, completed the purchase of 129 properties, and resold, sold to real estate companies or sold in other ways a total of 79 properties in order to earn capital gains that contribute to earnings growth. The number of residential properties owned by this business, which are a source of steady income, was 613 at the end of the first three months of the current fiscal year. All of these properties are generating leasing income.

As a result, the segment recorded sales of 1,941 million yen (up 310.3% year on year) and segment profit of 226 million yen (up 541.9%).

c. Real Estate Finance Business

This business provides loans secured by real estate and reverse mortgage guarantees by using the HOUSEDO Group’s real estate assessment expertise, one of the Group’s core strengths. Both of these businesses combine real estate and financing in order to meet customers’ financing requirements through the use of real estate. During the first three months of the current fiscal year, there were 53 new loans secured by real estate and 48 reverse mortgage guarantee as this business met a broad array of customers’ financing requirements and formed alliances with more financial institutions.

As a result, the segment recorded sales of 198 million yen (up 121.4% year on year) and segment profit of 30 million yen (up 3.2%).

d. Real Estate Buying and Selling Business

There is strong demand among people in Japan to buy houses as interest rates on mortgages remain extremely low. To meet this demand, we are purchasing properties that match the requirements of brokerage customers in areas served by our directly operated stores. Due to these activities, there was steady progress during the first quarter with selling real estate for sale. Although there were 101 transactions (up 20.2% year on year) during the quarter, segment sales and profit decreased from one year earlier because the first quarter of the previous fiscal year includes sales of properties with high prices.

As a result, the segment recorded sales of 2,098 million yen (down 12.0% year on year) and segment profit of 150 million yen (down 40.9%).

e. Real Estate Brokerage Business

Real demand for houses has been consistently strong in part because interest rates on mortgages are still extremely low. We used a variety of advertising and marketing activities to bring in more people to directly operated stores. Activities include our own website and Internet advertisements, newspaper inserts, television and radio commercials and other media promotions, and the distribution of local real estate information individually to people living near stores. The directly operated Housing Information Mall store in Ogaki was closed and a franchised store is instead serving this area. Due to this change, the number of brokerage transactions was 750 (down 6.7% year on year).

As a result, the segment recorded sales of 438 million yen (down 9.0% year on year) and segment profit of 99 million yen (down 28.8%).

f. 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 three months of the current fiscal year, 608 renovation contracts were made, up 10.9% from one year earlier, and the number of renovation completions was 484, up 0.8%.

As a result, the segment recorded sales of 694 million yen (up 9.1% year on year) and segment profit of 46 million yen (up 45.3%).

(2) Explanation of Financial Condition

Assets

Total assets amounted to 31,754 million yen at the end of the first quarter under review, an increase of 1,133 million yen over the end of the previous fiscal year.

This was mainly attributable to increases of 267 million yen in inventories, 482 million yen in property, plant and equipment, the result of the increasing number of properties in the House-Leaseback Business, and 784 million yen in investments and other assets, the result of the reclassification of some operating loans to loans to borrowers in bankruptcy or rehabilitation.

Although the level of operating loans is remaining high, there was a 465 million yen decrease in operating loans compared with the end of the previous fiscal year because of this reclassification.

Liabilities

Liabilities totaled 22,198 million yen, an increase of 1,263 million yen over the end of the previous fiscal year.

There was an increase of 2,515 million yen in short-term loans payable and decreases of 884 million yen in long-term loans payable, 110 million yen in accrued expenses and 261 million yen in income taxes payable.

Net assets

Net assets totaled 9,556 million yen, a decrease of 130 million yen over the end of the previous fiscal year.

Retained earnings increased 314 million yen because of the booking of profit attributable to owners of parent for the first three months, while there was a decrease of 436 million yen in retained earnings due to dividend payments.

(Millions of yen)

	FY2018 (As of Jun. 30, 2018)	First quarter of FY2019 (As of Sep. 30, 2018)	Change
Total assets	30,621	31,754	1,133
Liabilities	20,934	22,198	1,263
Net assets	9,686	9,556	(130)

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

First quarter sales were 22.1% of the fiscal year forecast and operating profit was 14.3% of the fiscal year forecast.

In the Franchisee Business, personnel expenses increased because more salespeople were hired for signing up franchisees for the RENT Do! real estate rental brand, which was launched in the previous fiscal year. In addition, advertising and marketing expenses increased due to activities to raise awareness of this new brand. Personnel expenses also increased in the House-Leaseback Business as more salespeople were hired to increase the number of properties purchased. Collectively, these expenditures for future growth raised selling, general and administrative expenses.

Although expenses were higher, overall the performance of every business segment was generally as planned.

We expect performance in the current fiscal year to benefit from the growth of steady-income businesses and the establishment in the House-Leaseback Business of a scheme for generating capital gains by selling real estate holdings that until now have been accumulated as a potential source of future earnings. We therefore expect earnings to increase. We expect that earnings will be highest in the second and fourth quarters because we plan to make large real estate sales to real estate funds in those two quarters. HOUSEDO is making no revisions to the first-half and full-year consolidated forecasts that were announced in the Summary of Business Results for the Fiscal Year Ended June 30, 2018 dated August 13, 2018.

2. Quarterly Consolidated Financial Statements and Notes

(1) Quarterly Consolidated Balance Sheet

(Thousands of yen)

	FY2018 (As of Jun. 30, 2018)	First quarter of FY2019 (As of Sep. 30, 2018)
Assets		
Current assets		
Cash and deposits	3,694,496	3,665,378
Accounts receivable from completed construction contracts	95,612	83,022
Accounts receivable-trade	89,868	92,858
Real estate for sale	4,859,001	4,699,930
Real estate for sale in process	1,686,378	2,118,763
Costs on uncompleted construction contracts	54,497	48,363
Operating loans	5,587,154	5,121,209
Other	280,848	377,823
Allowance for doubtful accounts	(9,544)	(10,129)
Total current assets	16,338,314	16,197,219
Non-current assets		
Property, plant and equipment		
Buildings and structures	5,487,939	5,706,800
Accumulated depreciation	(1,026,847)	(1,079,807)
Buildings and structures, net	4,461,091	4,626,993
Land	8,584,424	8,904,821
Other	137,562	134,323
Accumulated depreciation	(102,361)	(102,585)
Other, net	35,200	31,737
Total property, plant and equipment	13,080,716	13,563,552
Intangible assets		
Goodwill	19,989	18,284
Other	76,236	84,521
Total intangible assets	96,226	102,806
Investments and other assets		
Investment securities	475,689	459,147
Claims provable in bankruptcy, claims provable in rehabilitation and other	-	784,181
Deferred tax assets	110,229	147,853
Other	520,104	499,780
Allowance for doubtful accounts	(155)	(247)
Total investments and other assets	1,105,868	1,890,715
Total non-current assets	14,282,811	15,557,074
Total assets	30,621,125	31,754,294

(Thousands of yen)

	FY2018 (As of Jun. 30, 2018)	First quarter of FY2019 (As of Sep. 30, 2018)
Liabilities		
Current liabilities		
Accounts payable for construction contracts	547,143	418,788
Short-term loans payable	5,426,740	7,942,350
Current portion of long-term loans payable	1,825,386	1,816,591
Lease obligations	6,263	5,876
Asset retirement obligations	-	615
Accounts payable-other	245,480	272,257
Accrued expenses	428,348	318,245
Income taxes payable	400,862	139,539
Accrued consumption taxes	153,025	56,305
Advances received on uncompleted construction contracts	321,753	377,071
Advances received	321,362	437,950
Provision for bonuses	-	42,710
Provision for warranties for completed construction	4,790	4,775
Other	378,883	311,037
Total current liabilities	10,060,040	12,144,115
Non-current liabilities		
Long-term loans payable	8,354,890	7,470,386
Lease obligations	2,938	1,598
Long-term guarantee deposits	1,934,248	1,937,784
Deferred tax liabilities	521,081	527,098
Asset retirement obligations	35,486	94,598
Provision for warranties for completed construction	26,156	22,611
Total non-current liabilities	10,874,801	10,054,078
Total liabilities	20,934,841	22,198,193
Net assets		
Shareholders’ equity		
Capital stock	3,334,959	3,334,959
Capital surplus	3,353,454	3,353,454
Retained earnings	2,981,106	2,859,710
Treasury shares	(410)	(410)
Total shareholders’ equity	9,669,110	9,547,713
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	(4,644)	(16,341)
Total accumulated other comprehensive income	(4,644)	(16,341)
Share acquisition rights	21,817	24,729
Total net assets	9,686,283	9,556,101
Total liabilities and net assets	30,621,125	31,754,294

(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 FY2018 (Jul. 1, 2017 – Sep. 30, 2017)	First three months of FY2019 (Jul. 1, 2018 – Sep. 30, 2018)
Net sales	4,659,868	6,078,609
Cost of sales	2,769,210	3,777,693
Gross profit	1,890,658	2,300,916
Selling, general and administrative expenses	1,454,489	1,829,856
Operating profit	436,168	471,059
Non-operating income		
Interest and dividend income	433	238
Commission fee	7,052	3,978
Penalty income	3,500	-
Other	4,292	7,626
Total non-operating income	15,278	11,843
Non-operating expenses		
Interest expenses	49,168	49,262
Other	3,579	4,587
Total non-operating expenses	52,747	53,850
Ordinary profit	398,699	429,052
Extraordinary income		
Gain on sales of non-current assets	-	882
Total extraordinary income	-	882
Extraordinary losses		
Loss on retirement of non-current assets	2,261	-
Total extraordinary losses	2,261	-
Profit before income taxes	396,438	429,934
Income taxes	141,561	115,138
Profit	254,876	314,795
Profit attributable to owners of parent	254,876	314,795

Quarterly Consolidated Statement of Comprehensive Income

(For the Three-month Period)

(Thousands of yen)

	First three months of FY2018 (Jul. 1, 2017 – Sep. 30, 2017)	First three months of FY2019 (Jul. 1, 2018 – Sep. 30, 2018)
Profit	254,876	314,795
Other comprehensive income		
Valuation difference on available-for-sale securities	335	(11,697)
Total other comprehensive income	335	(11,697)
Comprehensive income	255,211	303,097
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	255,211	303,097

(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.

Additional Information

The Company has applied "Partial Amendments to Accounting Standard for Tax Effect Accounting" (ASBJ Statement No. 28, February 16, 2018) from the beginning of the first quarter of the current fiscal year. Accordingly, deferred tax assets and deferred tax liabilities have been presented in the investments and other assets section and the non-current liabilities section of the balance sheet, respectively.

Segment and Other Information

Segment Information

I First three months of FY2018 (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.

II First three months of FY2019 (Jul. 1, 2018 – Sep. 30, 2018)

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	702,896	1,941,697	198,711	2,098,445	438,621	694,031	6,074,403	4,206	6,078,609	-	6,078,609
Inter-segment sales and transfers	19,457	1,761	-	-	54,217	-	75,435	-	75,435	(75,435)	-
Total	722,353	1,943,458	198,711	2,098,445	492,838	694,031	6,149,838	4,206	6,154,045	(75,435)	6,078,609
Segment profit	443,647	226,541	30,449	150,071	99,234	46,894	996,837	1,746	998,583	(527,524)	471,059

Notes: 1. Other represents the businesses which are not included in any of the reportable segments and mainly consists of the Europe/US style real estate agent business.

2. The negative adjustment of 527.524 million yen to segment profit includes elimination for inter-segment transactions of 9.299 million yen, corporate expenses of negative 536.681 million yen that are not allocated to any of the reportable segments, and inventory adjustments of negative 142 thousand 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.

Material Subsequent Events

Bankruptcy of Borrower

Kabuchan Nouen Co., Ltd., a customer of consolidated subsidiary Financial Do Co., Ltd., declared bankruptcy on October 1, 2018 at the Tokyo District Court and started bankruptcy proceedings on the same day.

On September 30, 2018, Financial Do had outstanding operating loans of 766.586 million yen to Kabuchan Nouen and was also owed accrued interest of 17.595 million yen. Due to the decision to start bankruptcy proceedings, Financial Do reclassified these operating loans and accrued interest, which total 784.181 million yen, as claims provable in bankruptcy, claims provable in rehabilitation and other. An external real estate appraisal firm has estimated that the value of real estate submitted as collateral for these operating loans is more than the amount owed.

Discussions are under way with the bankruptcy administrator concerning the sale or other action for the purpose of liquidating the collateral real estate. Since Financial Do believes that the entire amount owed can be collected, this bankruptcy will not affect the consolidated financial statements. Furthermore, Financial Do determines the possibility of collecting compensation for late payment losses at an annualized rate of 20%.