

Summary of Business Results for the Second Quarter Ended December 31, 2018

[Japan GAAP] (Consolidated)

February 4, 2019

Company **HOUSE DO Co., Ltd.**
 Stock code 3457 URL: <https://www.housedo.co.jp/en/>
 Representative Masahiro Ando, President and CEO
 Contact Kazuaki Tomita, Senior Managing Director and CFO
 TEL: +81-3-5220-7230

Listed on the TSE

Expected date of filing of quarterly report: February 13, 2019 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 2018 (July 1, 2018 through December 31, 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	%
Six months ended Dec. 31, 2018	12,671	32.9	1,089	22.6	1,027	32.0	725	44.6
Six months ended Dec. 31, 2017	9,532	11.1	888	38.7	778	40.9	501	40.3

(Note) Comprehensive income:

Six months ended Dec. 31, 2018: 689 million yen (up 37.6%)

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

	Net income per share	Diluted net income per share
	Yen	Yen
Six months ended Dec. 31, 2018	37.39	35.94
Six months ended Dec. 31, 2017	26.57	25.94

(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 Dec. 31, 2018	35,010	9,961	28.4	511.59
As of Jun. 30, 2018	30,621	9,686	31.6	498.52

(Reference) Shareholders' equity:

As of Dec. 31, 2018: 9,934 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	-	0.00	-	-	-
Fiscal year ending Jun. 30, 2019 (forecast)	-	-	-	31.00	31.00

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

2. 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
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. (4) Notes to Quarterly Consolidated Financial Statements” on page 12 of the attachments for further information.

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

- 1) Changes in accounting policies associated with revision of accounting standards : 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, 2018	19,419,200 shares
As of Jun. 30, 2018	19,386,800 shares

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

As of Dec. 31, 2018	466 shares
As of Jun. 30, 2018	466 shares

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

Six months ended Dec. 31, 2018	19,392,991 shares
Six months ended Dec. 31, 2017	16,996,454 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.

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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 half of the fiscal year ending on June 30, 2019, Japan’s economy was affected by uncertainty about the global economy due to trade protectionism and volatility in financial markets. But corporate earnings, the labor market and personal income continued to improve and consumer spending increased slowly due to the Japanese government’s economic stimulus measures and an extremely accommodative monetary policy. Nevertheless, there is a risk of an economic downturn because of U.S. economic policies, concerns about slowing economic growth in Asian emerging countries and resource-rich countries, Japan’s planned consumption tax hike and other events.

In the Japanese real estate industry, where the HOUSEDO Group operates, there are concerns about the upward pressure on prices of properties as the cost of land continues to climb and the cost of raw materials moves up. But demand for housing is remaining firm with the support of improvements in the labor market and personal income, tax deductions that lower the cost of buying residences, and the continuation of monetary easing by the Bank of Japan.

The HOUSEDO Group is currently implementing a medium-term plan that will end on June 30, 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 12,671 million yen (up 32.9% year on year), operating profit of 1,089 million yen (up 22.6% year on year), ordinary profit of 1,027 million yen (up 32.0% year on year) and profit attributable to owners of parent of 725 million yen (up 44.6% year on year).

Results by business segment were as follows.

(As of December 31, 2018)

Segment	Net sales (Millions of yen)	Activities
Franchisee Business	1,376	70 new franchisee contracts, raising total to 569 62 new franchised stores, raising total to 462
House-Leaseback Business	3,967	283 signed purchase agreements, 266 properties purchased, raising holdings to 674; 160 properties sold
Real Estate Finance Business	436	92 real estate secured loans; 76 guarantees for reverse mortgages
Real Estate Buying and Selling Business	4,395	201 transactions
Real Estate Brokerage Business	856	1,477 brokered properties
Renovation Business	1,619	1,244 contracts; 1,154 renovation completions
Other Business	18	(Europe/US style) real estate agent business
Total	12,671	-

a. Franchisee Business

The number of companies contacting us about signing franchising agreements increased steadily during the first half 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 and the value of the corporate brand of and public trust in HOUSED O. 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 half of the current fiscal year, there were 70 new franchisee contracts, raising the total to 569 at the end of December 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 62 stores during the first half of the current fiscal year, raising the total to 462 at the end of December 2018.

As a result, the segment recorded sales of 1,376 million yen (up 15.0% year on year) and segment profit of 828 million yen (up 12.4%).

b. House-Leaseback Business

Television, radio and other advertising and marketing activities raised public awareness of this business and enhanced public trust in HOUSED O. 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 half of the current fiscal year. This business signed purchase agreements for 283 properties and completed the purchase of 266 new properties, and the number of residential properties owned by this business, which are a source of steady income, was 674 at the end of the first half of the current fiscal year. All of these properties are generating leasing income. In addition, this business resold, sold to real estate companies or sold in other ways a total of 160 properties in order to earn capital gains that contribute to earnings growth.

As a result, the segment recorded sales of 3,967 million yen (up 287.3% year on year) and segment profit of 470 million yen (up 298.7%).

c. Real Estate Finance Business

This business provides loans secured by real estate and reverse mortgage guarantees by using the HOUSED O 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 half of the current fiscal year, there were 92 new loans secured by real estate and 76 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 436 million yen (up 113.0% year on year) and segment profit of 96 million yen (up 92.8%).

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 second quarter with selling real estate for sale. There were 201 transactions (up 11.0% year on year) during the first half.

As a result, the segment recorded sales of 4,395 million yen (down 4.2% year on year) and segment profit of 363 million yen (down 23.2%).

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 our stores.

Activities include our own website 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. To shift more people to our core business operations, one directly operated store was closed and a franchised store is instead serving this area. Due to this change, the number of brokerage transactions was 1,477 (down 4.5% year on year).

As a result, the segment recorded sales of 856 million yen (down 6.5% year on year) and segment profit of 187 million yen (down 16.4%).

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 half of the current fiscal year, 1,244 renovation contracts were made, up 11.9% from one year earlier, and the number of renovation completions was 1,154, down 0.2%.

As a result, the segment recorded sales of 1,619 million yen (up 1.2% year on year) and segment profit of 184 million yen (up 3.9%).

(2) Explanation of Financial Condition

1) Assets, Liabilities and Net Assets

Assets

Total assets amounted to 35,010 million yen at the end of the second quarter under review, an increase of 4,389 million yen over the end of the previous fiscal year.

This was mainly attributable to increases of 2,314 million yen in cash and deposits, 1,231 million yen in property, plant and equipment, the result of the increasing number of properties in the House-Leaseback Business, and 772 million yen in operating loans associated with an increase in the number of real estate secured loans.

Liabilities

Liabilities totaled 25,049 million yen, an increase of 4,114 million yen over the end of the previous fiscal year.

There were increases of 5,512 million yen in short-term loans payable and 145 million yen in current portion of long-term loans payable, while there was a decrease of 1,475 million yen in long-term loans payable.

Net assets

Net assets totaled 9,961 million yen, an increase of 274 million yen over the end of the previous fiscal year.

Retained earnings increased 725 million yen because of the booking of profit attributable to owners of parent for the first half, 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)	Second quarter of FY2019 (As of Dec. 31, 2018)	Change
Total assets	30,621	35,010	4,389
Liabilities	20,934	25,049	4,114
Net assets	9,686	9,961	274

2) Cash Flows

Cash and cash equivalents (hereinafter “net cash”) as of the end of the second quarter under review amounted to 5,999 million yen, an increase of 2,314 million yen over the end of the previous fiscal year.

Cash flows from operating activities

Net cash provided by operating activities totaled 2,506 million yen (compared with net cash provided of 1,455 million yen in the same period of the previous fiscal year).

Positive factors include the booking of profit before income taxes of 1,027 million yen, and a decrease of 2,516 million yen in inventories.

Negative factors include an increase of 772 million yen in operating loans receivable, a decrease of 119 million yen in accrued consumption taxes, and interest expenses paid of 110 million yen.

Cash flows from investing activities

Net cash used in investing activities totaled 3,953 million yen (compared with net cash used of 2,507 million yen in the same period of the previous fiscal year).

Negative factors include the payments for the purchase of property, plant and equipment of 3,886 million yen.

Cash flows from financing activities

Net cash provided by financing activities totaled 3,760 million yen (compared with net cash provided of 1,139 million yen in the same period of the previous fiscal year).

Positive factors include a net increase in short-term loans payable of 5,512 million yen and proceeds from long-term loans payable of 2,453 million yen.

Negative factors include repayments of long-term loans payable of 3,783 million yen and cash dividends paid of 434 million yen.

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

The sale of House-Leaseback assets to a fund that was planned for the second quarter of the current fiscal year has been pushed back because it takes some time to establish new scheme that is different from the scheme used for the sale of properties to the HLB Fund No. 1 in the previous fiscal year. We have established the scheme for the purpose of increasing earnings due to lower expenses. We expect to complete as planned the sale of properties to a fund that is scheduled for the second half of the current fiscal year.

HOUSEDO is making no revisions to the full-year consolidated forecasts that were announced in the Summary of Business Results for the Fiscal Year Ended June 30, 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)	Second quarter of FY2019 (As of Dec. 31, 2018)
Assets		
Current assets		
Cash and deposits	3,694,496	6,008,984
Accounts receivable from completed construction contracts	95,612	70,456
Accounts receivable-trade	89,868	90,514
Real estate for sale	4,859,001	4,063,349
Real estate for sale in process	1,686,378	2,481,687
Costs on uncompleted construction contracts	54,497	51,441
Operating loans	5,587,154	6,359,213
Other	280,848	398,735
Allowance for doubtful accounts	(9,544)	(16,265)
Total current assets	16,338,314	19,508,117
Non-current assets		
Property, plant and equipment		
Buildings and structures	5,487,939	5,864,242
Accumulated depreciation	(1,026,847)	(1,147,072)
Buildings and structures, net	4,461,091	4,717,170
Land	8,584,424	9,432,332
Other	137,562	266,476
Accumulated depreciation	(102,361)	(103,444)
Other, net	35,200	163,031
Total property, plant and equipment	13,080,716	14,312,534
Intangible assets		
Goodwill	19,989	16,579
Other	76,236	105,954
Total intangible assets	96,226	122,533
Investments and other assets		
Investment securities	475,689	425,624
Deferred tax assets	110,229	157,723
Other	520,104	484,199
Allowance for doubtful accounts	(155)	(255)
Total investments and other assets	1,105,868	1,067,291
Total non-current assets	14,282,811	15,502,359
Total assets	30,621,125	35,010,477

	(Thousands of yen)	
	FY2018 (As of Jun. 30, 2018)	Second quarter of FY2019 (As of Dec. 31, 2018)
Liabilities		
Current liabilities		
Accounts payable for construction contracts	547,143	455,521
Short-term loans payable	5,426,740	10,939,350
Current portion of long-term loans payable	1,825,386	1,970,665
Lease obligations	6,263	5,489
Accounts payable-other	245,480	232,383
Accrued expenses	428,348	438,348
Income taxes payable	400,862	336,079
Accrued consumption taxes	153,025	33,931
Advances received on uncompleted construction contracts	321,753	327,701
Advances received	321,362	438,396
Provision for warranties for completed construction	4,790	4,945
Other	378,883	238,645
Total current liabilities	10,060,040	15,421,458
Non-current liabilities		
Long-term loans payable	8,354,890	6,879,029
Lease obligations	2,938	258
Long-term guarantee deposits	1,934,248	2,094,308
Deferred tax liabilities	521,081	523,907
Asset retirement obligations	35,486	94,723
Provision for warranties for completed construction	26,156	24,030
Other	-	11,753
Total non-current liabilities	10,874,801	9,628,010
Total liabilities	20,934,841	25,049,468
Net assets		
Shareholders' equity		
Capital stock	3,334,959	3,343,038
Capital surplus	3,353,454	3,361,534
Retained earnings	2,981,106	3,270,097
Treasury shares	(410)	(410)
Total shareholders' equity	9,669,110	9,974,259
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	(4,644)	(39,835)
Total accumulated other comprehensive income	(4,644)	(39,835)
Share acquisition rights	21,817	26,584
Total net assets	9,686,283	9,961,008
Total liabilities and net assets	30,621,125	35,010,477

(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 FY2018 (Jul. 1, 2017 – Dec. 31, 2017)	First six months of FY2019 (Jul. 1, 2018 – Dec. 31, 2018)
Net sales	9,532,840	12,671,288
Cost of sales	5,617,408	7,902,068
Gross profit	3,915,432	4,769,219
Selling, general and administrative expenses	3,026,699	3,679,836
Operating profit	888,732	1,089,383
Non-operating income		
Interest and dividend income	587	459
Commission fee	17,294	8,041
Insurance income	-	28,232
Penalty income	7,180	1,500
Other	7,425	9,385
Total non-operating income	32,487	47,619
Non-operating expenses		
Interest expenses	91,251	96,897
Share issuance cost	40,500	-
Other	10,722	12,277
Total non-operating expenses	142,474	109,175
Ordinary profit	778,746	1,027,827
Extraordinary income		
Gain on sales of non-current assets	107	904
Total extraordinary income	107	904
Extraordinary losses		
Loss on sales of non-current assets	0	-
Loss on retirement of non-current assets	4,190	830
Total extraordinary losses	4,190	830
Profit before income taxes	774,662	1,027,902
Income taxes	273,168	302,718
Profit	501,493	725,183
Profit attributable to owners of parent	501,493	725,183

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

	(Thousands of yen)	
	First six months of FY2018 (Jul. 1, 2017 – Dec. 31, 2017)	First six months of FY2019 (Jul. 1, 2018 – Dec. 31, 2018)
Profit	501,493	725,183
Other comprehensive income		
Valuation difference on available-for-sale securities	(35)	(35,191)
Total other comprehensive income	(35)	(35,191)
Comprehensive income	501,458	689,991
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	501,458	689,991

(3) Quarterly Consolidated Statement of Cash Flows

(Thousands of yen)

	First six months of FY2018 (Jul. 1, 2017 – Dec. 31, 2017)	First six months of FY2019 (Jul. 1, 2018 – Dec. 31, 2018)
Cash flows from operating activities		
Profit before income taxes	774,662	1,027,902
Depreciation	139,780	224,942
Amortization of goodwill	2,023	3,410
Amortization of long-term prepaid expenses	12,466	42,751
Increase (decrease) in allowance for doubtful accounts	782	9,121
Increase (decrease) in provision for warranties for completed construction	2,735	(1,970)
Interest and dividend income	(587)	(459)
Interest expenses	91,251	96,897
Loss (gain) on sales of non-current assets	(107)	(904)
Foreign exchange losses (gains)	(288)	(413)
Loss on retirement of non-current assets	4,190	830
Decrease (increase) in notes and accounts receivable-trade	(39,525)	24,509
Decrease (increase) in inventories	594,914	2,516,035
Increase (decrease) in notes and accounts payable-trade	75,290	(91,622)
Decrease (increase) in operating loans receivable	(392,506)	(772,059)
Increase (decrease) in advances received on uncompleted construction contracts	(6,621)	5,947
Increase (decrease) in advances received	(2,108)	117,034
Decrease (increase) in advance payments	(83,907)	(6,014)
Decrease (increase) in prepaid expenses	(23,726)	(46,063)
Decrease (increase) in accounts receivable-other	(26,230)	(28,115)
Increase (decrease) in accrued consumption taxes	(17,743)	(119,093)
Increase (decrease) in accrued expenses	74,815	9,892
Increase (decrease) in guarantee deposits received	474,968	160,060
Increase (decrease) in deposits received	23,821	(66,068)
Other, net	12,380	59,889
Subtotal	1,690,731	3,166,438
Interest and dividend income received	587	332
Interest expenses paid	(88,703)	(110,056)
Income taxes paid	(149,972)	(549,866)
Income taxes refund	3,095	-
Net cash provided by (used in) operating activities	1,455,739	2,506,848
Cash flows from investing activities		
Purchase of property, plant and equipment	(2,520,732)	(3,886,844)
Proceeds from sales of property, plant and equipment	320	3,124
Collection of loans receivable	234	-
Payments for guarantee deposits	(26,390)	(10,909)
Proceeds from collection of guarantee deposits	6,758	5,437
Other, net	32,290	(64,519)
Net cash provided by (used in) investing activities	(2,507,520)	(3,953,711)

	(Thousands of yen)	
	First six months of FY2018 (Jul. 1, 2017 – Dec. 31, 2017)	First six months of FY2019 (Jul. 1, 2018 – Dec. 31, 2018)
Cash flows from financing activities		
Net increase (decrease) in short-term loans payable	(447,269)	5,512,610
Proceeds from long-term loans payable	683,350	2,453,000
Repayments of long-term loans payable	(1,897,096)	(3,783,582)
Redemption of bonds	(25,100)	-
Repayments of lease obligations	(4,789)	(3,454)
Proceeds from issuance of common shares	3,000,000	-
Proceeds from issuance of shares resulting from exercise of share acquisition rights	438	16,158
Purchase of treasury shares	(77)	-
Cash dividends paid	(169,957)	(434,065)
Net cash provided by (used in) financing activities	1,139,497	3,760,666
Effect of exchange rate change on cash and cash equivalents	288	413
Net increase (decrease) in cash and cash equivalents	88,005	2,314,217
Cash and cash equivalents at beginning of period	3,061,878	3,685,366
Cash and cash equivalents at end of period	3,149,884	5,999,584

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

Not applicable.

Significant Changes in Shareholders' Equity

Not applicable.

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

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

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 Information

I 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.

II First six months of FY2019 (Jul. 1, 2018 – Dec. 31, 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	1,376,294	3,967,615	436,701	4,395,890	856,736	1,619,829	12,653,067	18,220	12,671,288	-	12,671,288
Inter-segment sales and transfers	36,328	2,091	-	-	107,197	-	145,616	-	145,616	(145,616)	-
Total	1,412,622	3,969,706	436,701	4,395,890	963,934	1,619,829	12,798,684	18,220	12,816,905	(145,616)	12,671,288
Segment profit	828,257	470,318	96,904	363,505	187,891	184,539	2,131,417	9,529	2,140,947	(1,051,564)	1,089,383

- 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 1,051.564 million yen to segment profit includes elimination for inter-segment transactions of 19.429 million yen, corporate expenses of negative 1,072.174 million yen that are not allocated to any of the reportable segments, and inventory adjustments of 1.180 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.

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.