

Summary of Business Results for the Fiscal Year Ended June 30, 2019

[Japan GAAP] (Consolidated)

August 13, 2019

Company **HOUSE DO Co., Ltd.**
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Listed on the TSE

Expected date of annual shareholders' meeting: Sep. 25, 2019 Expected starting date of dividend payment: Sep. 26, 2019
 Expected date of filing of annual securities report: Sep. 26, 2019
 Preparation of supplementary financial document: Yes
 Holding of results briefing: Yes (for analysts)

(Rounded down to million yen)

1. Consolidated business results for the fiscal year ended June 2019 (July 1, 2018 through June 30, 2019)

(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	%
Fiscal year ended Jun. 30, 2019	31,546	40.1	3,156	49.2	3,003	57.3	2,006	56.8
Fiscal year ended Jun. 30, 2018	22,517	33.7	2,116	69.4	1,908	73.0	1,279	73.4

(Note) Comprehensive income:

Year ended Jun. 30, 2019: 1,977 million yen (up 55.1%) Year ended Jun. 30, 2018: 1,275 million yen (up 72.6%)

	Net income per share	Diluted net income per share	Return on equity	Ratio of ordinary profit to total assets	Ratio of operating profit to net sales
	Yen	Yen	%	%	%
Fiscal year ended Jun. 30, 2019	103.38	100.03	19.2	8.5	10.0
Fiscal year ended Jun. 30, 2018	74.94	72.24	20.6	7.5	9.4

(Reference) Investment earnings/loss on equity-method:

Year ended Jun. 30, 2019: (0) million yen Year ended Jun. 30, 2018: - million yen

(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 Jun. 30, 2019	40,386	11,263	27.8	577.84
As of Jun. 30, 2018	30,621	9,686	31.6	498.52

(Reference) Shareholders' equity:

As of Jun. 30, 2019: 11,230 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 current fiscal year. Figures as of June 30, 2018 have been adjusted retrospectively in accordance with these amendments.

(3) Consolidated results of cash flows

	Cash flows from operating activities	Cash flows from investing activities	Cash flows from financing activities	Cash and cash equivalents at end of the period
	Million yen	Million yen	Million yen	Million yen
Fiscal year ended Jun. 30, 2019	9,484	(7,994)	7,258	12,435
Fiscal year ended Jun. 30, 2018	2,919	(6,368)	4,071	3,685

2. Dividends

	Annual dividend					Total dividends	Dividend payout ratio (Consolidated)	Ratio of total dividend to net assets (Consolidated)
	End of 1Q	End of 2Q	End of 3Q	Year-end	Total			
Fiscal year ended Jun. 30, 2018	-	0.00	-	45.00	45.00	436	30.0	6.8
Fiscal year ended Jun. 30, 2019	-	0.00	-	37.00	37.00	719	35.8	6.9
Fiscal year ending Jun. 30, 2020 (forecasts)	-	0.00	-	34.00	34.00		30.3	

(Notes)1. 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.

2. Regarding revisions to the dividend forecast, please refer to the press release "Announcement of Revision to Dividend Forecast" (Japanese version only) that was announced today (August 13, 2019).

3. Breakdown of the year-end dividend for the fiscal year ended June 30, 2019:

Ordinary dividends: 34.00 yen; Commemorative dividends for the achievement of the medium-term plan: 3.00 yen

3. Forecast of consolidated business results for the fiscal year ending June 2020

(July 1, 2019 through June 30, 2020)

(% 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, 2019	12,098	(4.5)	467	(57.1)	357	(65.3)	235	(67.5)	12.13
Fiscal year ending Jun. 30, 2020	37,221	18.0	3,521	11.5	3,300	9.9	2,178	7.9	112.08

* Notes

(1) Changes in significant subsidiaries during the period (changes in specified subsidiaries accompanying changes in the scope of consolidation): None

(2) 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

(3) Number of shares issued (common stock)

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

As of Jun. 30, 2019 19,436,400 shares

As of Jun. 30, 2018 19,386,800 shares

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

As of Jun. 30, 2019 466 shares

As of Jun. 30, 2018 466 shares

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

Fiscal year ended Jun. 30, 2019 19,407,065 shares

Fiscal year ended Jun. 30, 2018 17,077,659 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.

Reference: Summary of non-consolidated business results

Non-consolidated business results for the fiscal year ended June 2019 (July 1, 2018 through June 30, 2019)

(1) Non-consolidated results of operations

(% change from the previous corresponding period)

	Net sales		Operating profit		Ordinary profit		Profit	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
Fiscal year ended Jun. 30, 2019	28,714	42.7	2,593	51.8	2,477	62.1	1,637	53.3
Fiscal year ended Jun. 30, 2018	20,125	33.3	1,707	84.2	1,528	87.1	1,068	96.4

	Net income per share	Diluted net income per share
	Yen	Yen
Fiscal year ended Jun. 30, 2019	84.38	81.65
Fiscal year ended Jun. 30, 2018	62.57	60.32

(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) Non-consolidated financial condition

	Total assets	Net assets	Shareholder's equity ratio	Net assets per share
	Million yen	Million yen	%	Yen
As of Jun. 30, 2019	27,642	10,324	37.2	529.51
As of Jun. 30, 2018	21,871	9,115	41.6	469.08

(Reference) Shareholders' equity:

As of Jun. 30, 2019: 10,291 million yen As of Jun. 30, 2018: 9,093 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 current financial report is not subject to audit by certified public accountants or auditing firm

* 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. (1) Results of Operations" on page 2 of the attachments regarding preconditions or other related matters for the forecasts.

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1. Overview of Results of Operations, etc.

HOUSEDO has applied “Partial Amendments to Accounting Standard for Tax Effect Accounting” (ASBJ Statement No. 28, February 16, 2018) from the beginning of the fiscal year ended on June 30, 2019. 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) Results of Operations

1) Summary of the fiscal year

In the fiscal year that ended on June 30, 2019, although there were concerns over the effects of a slowing global economy, domestic demand continued to improve due to the Japanese government’s support of an extremely accommodative monetary policy and large expenditures to support the economy. Nevertheless, there are concerns about the economic outlook in Japan and overseas because of U.S. economic policies, trade protectionism and 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 construction 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 fiscal year that ended on June 30, 2019 was the final year of the HOUSEDO Group’s three-year medium-term plan. Increasing the share of sales derived from operations in our business portfolio that generate steady income was 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 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 31,546 million yen (up 40.1% year on year), operating profit of 3,156 million yen (up 49.2% year on year), ordinary profit of 3,003 million yen (up 57.3% year on year) and profit attributable to owners of parent of 2,006 million yen (up 56.8% year on year).

Results by business segment were as follows.

(As of June 30, 2019)

Segment	Net sales (Millions of yen)	Activities
Franchisee Business	2,762	145 new franchisee contracts, raising total to 602 133 new franchised stores, raising total to 497
House-Leaseback Business	13,989	505 properties purchased, raising holdings to 314; 751 properties sold
Finance Business	757	186 real estate secured loans; 129 guarantees for reverse mortgages
Real Estate Buying and Selling Business	9,040	401 transactions
Real Estate Brokerage Business	1,867	2,993 brokered properties
Renovation Business	3,099	2,195 contracts; 2,105 renovation completions
Other Business	30	(Europe/US style) real estate agent and overseas business expenses
Total	31,546	-

a. Franchisee Business

The number of companies contacting us about signing franchising agreements increased steadily during the 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 and public trust in HOUSEDO. 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 RENT Do! brand is generating a steadily increasing volume of calls from potential franchisees. During the fiscal year, there were 145 new franchisee contracts, raising the total to 602 at the end of June 2019.

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 133 stores during the fiscal year, raising the total to 497 at the end of June 2019.

As a result, the segment recorded sales of 2,762 million yen (up 14.5% year on year) and segment profit of 1,677 million yen (up 13.7%).

b. House-Leaseback Business

A large volume of advertising and marketing activities, including television and radio commercials, raised public awareness of this business and enhanced public trust in HOUSEDO. As a result, there are now more than 13,000 inquiries from prospective customers per year. 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 current fiscal year. This business completed the purchase of 505 new properties, and the number of residential properties owned by this business was 314 at the end of June 2019. All of these properties are generating leasing income. In addition, this business resold, sold to funds or sold in other ways a total of 751 properties in order to earn capital gains that contribute to earnings growth.

As a result, the segment recorded sales of 13,989 million yen (up 145.0% year on year) and segment profit of 2,074 million yen (up 163.2%).

c. Finance Business

This business provides loans secured by real estate and reverse mortgage guarantees by using the HOUSEDO Group's nationwide network of 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 fiscal year, there were 186 new loans secured by real estate and 129 reverse mortgage guarantee as this business met a broad array of customers' financing requirements and formed alliances with more financial institutions. In addition, selling, general and administrative expenses increased as we developed our internal system in preparation for an expected increase in financing deals and up-front investments in human resources.

As a result, the segment recorded sales of 757 million yen (up 53.7% year on year) and segment profit of 16 million yen (down 84.8%).

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 with selling real estate for sale, and there were 401 transactions (up 9.3% year on year) during the fiscal year. On the other hand, advertising and promotion expenses increased due to activities to raise the number of transactions, and brokerage fee associated with buying and selling transactions also increased.

As a result, the segment recorded sales of 9,040 million yen (up 1.5% year on year) and segment profit of 778 million yen (down 5.5%).

e. Real Estate Brokerage Business

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. Due to this change, the number of brokerage transactions was 2,993 (down 2.9% year on year). There were also activities to improve productivity as extremely low mortgage interest rates kept real demand for houses strong.

As a result, the segment recorded sales of 1,867 million yen (down 1.9% year on year) and segment profit of 491 million yen (up 8.0%).

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 fiscal year, 2,195 renovation contracts were made, up 3.7% from one year earlier, and the number of renovation completions was 2,105, down 1.9%.

As a result, the segment recorded sales of 3,099 million yen (up 0.3% year on year) and segment profit of 309 million yen (up 9.0%).

2) Outlook for the Next Fiscal Year

In the fiscal year ending in June 2020, there is uncertainty about the economic outlook because of slowing global economic growth and other reasons. Nevertheless, consumer spending in Japan will probably continue to increase as improvements in the labor market and personal income continue with the support of an extremely accommodative monetary policy and government expenditures to support the economy. In this environment, we expect that real demand will remain firm.

In July 2019, we started a new medium-term plan that will end in June 2022. Utilizing the foundation for business operations that we have established in order to transition to a business model capable of sustained growth is the main objective of this plan. During the plan, we consistently make substantial investments for a shift to a steady-income business structure in order to achieve more earnings growth. Our goals are increasing the number of franchisees in the Franchisee Business, further increasing the number of properties we buy in the House-Leaseback Business, and increasing the number of reverse mortgage guarantees in the Finance Business. By accomplishing these goals, we plan to achieve consistent growth along with steady income. Another objective of the new plan is raising productivity by using the benefits of synergies involving the Real Estate Buying and Selling Business, Real Estate Brokerage Business and Renovation Business, while keeping an eye on changes in real demand.

(2) Financial Condition

1) Assets, liabilities and net assets

Assets

Total assets amounted to 40,386 million yen at the end of June 2019, an increase of 9,765 million yen over the end of June 2018.

This was mainly attributable to increases of 8,749 million yen in cash and deposits and 2,609 million yen in operating loans, while there was a decrease of 2,678 million yen in property, plant and equipment due to sales of non-current assets in the House-Leaseback Business.

Liabilities

Liabilities totaled 29,123 million yen, an increase of 8,188 million yen over the end of June 2018.

There were increases of 5,201 million yen in short-term loans payable and 2,660 million yen in current portion of long-term loans payable, while there was a decrease of 187 million yen in long-term loans payable.

Net assets

Net assets totaled 11,263 million yen, an increase of 1,577 million yen over the end of June 2018.

Retained earnings increased 2,006 million yen because of the booking of profit attributable to owners of parent

for the fiscal year, 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)	FY2019 (As of Jun. 30, 2019)	Change
Total assets	30,621	40,386	9,765
Liabilities	20,934	29,123	8,188
Net assets	9,686	11,263	1,577

2) Cash Flows

Cash and cash equivalents (hereinafter “net cash”) as of the end of June 2019 amounted to 12,435 million yen, an increase of 8,750 million yen over the end of June 2018.

Cash flows from operating activities

Net cash provided by operating activities totaled 9,484 million yen (compared with net cash provided of 2,919 million yen in the previous fiscal year)

Positive factors include the booking of profit before income taxes of 2,854 million yen, a decrease in inventories of 9,461 million yen.

Negative factors include an increase in operating loans of 2,609 million yen.

Cash flows from investing activities

Net cash used in investing activities totaled 7,994 million yen (compared with net cash used of 6,368 million yen in the previous fiscal year).

Negative factors include the payments for the purchase of property, plant and equipment of 7,444 million yen and payments for investments in capital of 331 million yen for fund establishment.

Cash flows from financing activities

Net cash provided by financing activities totaled 7,258 million yen (compared with net cash provided of 4,071 million yen in the previous fiscal year).

Positive factors include a net increase in short-term loans payable of 5,264 million yen and proceeds from long-term loans payable of 7,603 million yen.

Negative factors include repayments of long-term loans payable of 5,193 million yen and cash dividends paid of 434 million yen.

(3) Profit Allocation Policy and Dividend Payment Plan for the Current and Next Fiscal Years

Distributing earnings to shareholders is one of the highest priorities of HOUSEDO. Our basic policy is to pay stable and continuous dividends.

We remain committed to increasing retained earnings and continuing the growth of business operations while paying a dividend to shareholders.

The dividends per share for the fiscal year that ended on June 30, 2019 were an ordinary dividend of 34 yen and commemorative dividend for the achievement of the medium-term plan of 3 yen. The dividend payout ratio was 35.8%.

The basic level for the dividend for the fiscal year ending on June 30, 2020 is a dividend payout ratio of 30.0%. The actual amount of the dividend will be determined by taking into account cash flows, the outlook for earnings and all other applicable factors.

2. Basic Approach to the Selection of Accounting Standards

The HOUSEDO Group will continue to prepare consolidated financial statements using Generally Accepted Accounting Principles in Japan to permit comparisons with prior years and with the financial data of other companies.

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

(Thousands of yen)

	FY2018 (As of Jun. 30, 2018)	FY2019 (As of Jun. 30, 2019)
Assets		
Current assets		
Cash and deposits	3,694,496	12,444,184
Accounts receivable from completed construction contracts	95,612	90,091
Accounts receivable-trade	89,868	96,923
Real estate for sale	4,859,001	3,954,818
Real estate for sale in process	1,686,378	2,911,185
Costs on uncompleted construction contracts	54,497	54,196
Operating loans	5,587,154	8,196,839
Other	280,848	398,159
Allowance for doubtful accounts	(9,544)	(23,423)
Total current assets	16,338,314	28,122,975
Non-current assets		
Property, plant and equipment		
Buildings and structures	5,487,939	4,688,414
Accumulated depreciation	(1,026,847)	(987,176)
Buildings and structures, net	4,461,091	3,701,237
Land	8,584,424	6,411,521
Other	137,562	393,009
Accumulated depreciation	(102,361)	(103,713)
Other, net	35,200	289,295
Total property, plant and equipment	13,080,716	10,402,054
Intangible assets		
Goodwill	19,989	14,182
Other	76,236	107,420
Total intangible assets	96,226	121,603
Investments and other assets		
Investment securities	475,689	284,314
Deferred tax assets	110,229	246,215
Other	520,104	1,211,379
Allowance for doubtful accounts	(155)	(1,771)
Total investments and other assets	1,105,868	1,740,137
Total non-current assets	14,282,811	12,263,795
Total assets	30,621,125	40,386,770

	(Thousands of yen)	
	FY2018 (As of Jun. 30, 2018)	FY2019 (As of Jun. 30, 2019)
Liabilities		
Current liabilities		
Accounts payable for construction contracts	547,143	530,661
Short-term loans payable	5,426,740	10,628,250
Current portion of long-term loans payable	1,825,386	4,485,851
Lease obligations	6,263	2,938
Accounts payable-other	245,480	347,941
Accrued expenses	428,348	470,814
Income taxes payable	400,862	700,056
Accrued consumption taxes	153,025	160,166
Advances received on uncompleted construction contracts	321,753	325,797
Advances received	321,362	416,844
Provision for warranties for completed construction	4,790	4,684
Provision for sales promotion expenses	-	6,922
Other	378,883	361,034
Total current liabilities	10,060,040	18,441,962
Non-current liabilities		
Long-term loans payable	8,354,890	8,167,134
Lease obligations	2,938	-
Long-term guarantee deposits	1,934,248	1,868,750
Deferred tax liabilities	521,081	514,353
Asset retirement obligations	35,486	95,026
Provision for warranties for completed construction	26,156	23,784
Other	-	12,037
Total non-current liabilities	10,874,801	10,681,087
Total liabilities	20,934,841	29,123,050
Net assets		
Shareholders' equity		
Capital stock	3,334,959	3,347,247
Capital surplus	3,353,454	3,365,742
Retained earnings	2,981,106	4,551,173
Treasury shares	(410)	(410)
Total shareholders' equity	9,669,110	11,263,753
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	(4,644)	(33,008)
Foreign currency translation adjustment	-	30
Total accumulated other comprehensive income	(4,644)	(32,978)
Share acquisition rights	21,817	32,945
Total net assets	9,686,283	11,263,720
Total liabilities and net assets	30,621,125	40,386,770

(2) Consolidated Statements of Income and Comprehensive Income**Consolidated Statement of Income**

	(Thousands of yen)	
	FY2018	FY2019
	(Jul. 1, 2017 – Jun. 30, 2018)	(Jul. 1, 2018 – Jun. 30, 2019)
Net sales	22,517,730	31,546,107
Cost of sales	13,875,943	20,388,641
Gross profit	8,641,786	11,157,465
Selling, general and administrative expenses		
Total selling, general and administrative expenses	6,525,605	8,000,847
Operating profit	2,116,181	3,156,618
Non-operating income		
Interest and dividend income	2,901	5,051
Gain on sales of investment securities	841	-
Subsidy income	4,160	5,284
Commission income	27,610	17,174
Insurance income	18,226	29,680
Penalty income	8,680	12,890
Other	16,903	20,691
Total non-operating income	79,324	90,772
Non-operating expenses		
Interest expenses	193,757	191,147
Share issuance cost	73,016	-
Commission expenses	-	18,641
Share of loss of entities accounted for using equity method	-	42
Other	20,039	34,355
Total non-operating expenses	286,813	244,187
Ordinary profit	1,908,692	3,003,203
Extraordinary income		
Gain on sales of non-current assets	107	3,965
Gain on reversal of share acquisition rights	-	1,618
Total extraordinary income	107	5,584
Extraordinary losses		
Loss on sales of non-current assets	0	175
Loss on retirement of non-current assets	4,607	830
Loss on valuation of investment securities	-	153,386
Total extraordinary losses	4,607	154,392
Profit before income taxes	1,904,192	2,854,395
Income taxes-current	661,908	978,378
Income taxes-deferred	(37,430)	(130,242)
Total income taxes	624,477	848,136
Profit	1,279,714	2,006,259
Profit attributable to owners of parent	1,279,714	2,006,259

Consolidated Statement of Comprehensive Income

	(Thousands of yen)	
	FY2018	FY2019
	(Jul. 1, 2017 – Jun. 30, 2018)	(Jul. 1, 2018 – Jun. 30, 2019)
Profit	1,279,714	2,006,259
Other comprehensive income		
Valuation difference on available-for-sale securities	(4,693)	(28,364)
Foreign currency translation adjustment	-	30
Total other comprehensive income	(4,693)	(28,333)
Comprehensive income	1,275,021	1,977,925
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	1,275,021	1,977,925
Comprehensive income attributable to non-controlling interests	-	-

(3) Consolidated Statement of Changes in Net Assets

FY2018 (Jul. 1, 2017 – Jun. 30, 2018)

(Thousands of yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of current period	361,387	498,409	1,916,538	(158)	2,776,177
Changes of items during period					
Issuance of new shares	4,473,571	4,473,571			8,947,143
Capital reduction	(1,500,000)	1,500,000			-
Dividends of surplus			(169,957)		(169,957)
Profit attributable to owners of parent			1,279,714		1,279,714
Purchase of treasury shares				(3,163,967)	(3,163,967)
Retirement of treasury shares		(3,163,715)		3,163,715	-
Transfer to capital surplus from retained earnings		45,189	(45,189)		-
Net changes of items other than shareholders' equity					
Total changes of items during period	2,973,571	2,855,045	1,064,568	(252)	6,892,932
Balance at end of current period	3,334,959	3,353,454	2,981,106	(410)	9,669,110

	Accumulated other comprehensive income			Share acquisition rights	Total net assets
	Valuation difference on available-for-sale securities	Foreign currency translation adjustment	Total accumulated other comprehensive income		
Balance at beginning of current period	49	-	49	2,794	2,779,021
Changes of items during period					
Issuance of new shares					8,947,143
Capital reduction					-
Dividends of surplus					(169,957)
Profit attributable to owners of parent					1,279,714
Purchase of treasury shares					(3,163,967)
Retirement of treasury shares					-
Transfer to capital surplus from retained earnings					-
Net changes of items other than shareholders' equity	(4,693)	-	(4,693)	19,023	14,330
Total changes of items during period	(4,693)	-	(4,693)	19,023	6,907,262
Balance at end of current period	(4,644)	-	(4,644)	21,817	9,686,283

FY2019 (Jul. 1, 2018 – Jun. 30, 2019)

(Thousands of yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of current period	3,334,959	3,353,454	2,981,106	(410)	9,669,110
Changes of items during period					
Issuance of new shares	12,288	12,288			24,576
Capital reduction					-
Dividends of surplus			(436,192)		(436,192)
Profit attributable to owners of parent			2,006,259		2,006,259
Purchase of treasury shares					-
Retirement of treasury shares					-
Transfer to capital surplus from retained earnings					-
Net changes of items other than shareholders' equity					
Total changes of items during period	12,288	12,288	1,570,066	-	1,594,642
Balance at end of current period	3,347,247	3,365,742	4,551,173	(410)	11,263,753

	Accumulated other comprehensive income		Total accumulated other comprehensive income	Share acquisition rights	Total net assets
	Valuation difference on available-for-sale securities	Foreign currency translation adjustment			
Balance at beginning of current period	(4,644)	-	(4,644)	21,817	9,686,283
Changes of items during period					
Issuance of new shares					24,576
Capital reduction					-
Dividends of surplus					(436,192)
Profit attributable to owners of parent					2,006,259
Purchase of treasury shares					-
Retirement of treasury shares					-
Transfer to capital surplus from retained earnings					-
Net changes of items other than shareholders' equity	(28,364)	30	(28,333)	11,127	(17,206)
Total changes of items during period	(28,364)	30	(28,333)	11,127	1,577,436
Balance at end of current period	(33,008)	30	(32,978)	32,945	11,263,720

(4) Consolidated Statement of Cash Flows

(Thousands of yen)

	FY2018 (Jul. 1, 2017 – Jun. 30, 2018)	FY2019 (Jul. 1, 2018 – Jun. 30, 2019)
Cash flows from operating activities		
Profit before income taxes	1,904,192	2,854,395
Depreciation	324,921	440,704
Loss (gain) on valuation of investment securities	-	153,386
Amortization of goodwill	4,572	5,807
Amortization of long-term prepaid expenses	26,270	77,518
Increase (decrease) in allowance for doubtful accounts	1,845	15,494
Interest and dividend income	(2,901)	(5,051)
Interest expenses	193,757	191,147
Loss (gain) on sales of non-current assets	(107)	(3,789)
Foreign exchange losses (gains)	(626)	(1,885)
Gain on reversal of share acquisition rights	-	(1,618)
Decrease (increase) in notes and accounts receivable-trade	(40,202)	(1,534)
Decrease (increase) in inventories	2,689,173	9,461,093
Increase (decrease) in notes and accounts payable-trade	173,157	(16,482)
Decrease (increase) in operating loans receivable	(2,721,608)	(2,609,685)
Increase (decrease) in advances received	53,516	95,481
Decrease (increase) in prepaid expenses	6,154	(89,256)
Decrease (increase) in accounts payable-other	27,115	103,484
Increase (decrease) in income taxes payable-factor based tax	21,527	35,692
Increase (decrease) in accrued consumption taxes	102,983	7,141
Increase (decrease) in accrued expenses	137,356	40,737
Increase (decrease) in guarantee deposits received	540,079	(65,498)
Increase (decrease) in deposits received	1,982	114,811
Other, net	(16,532)	(225,155)
Subtotal	3,426,628	10,576,939
Interest and dividend income received	2,901	4,865
Interest expenses paid	(187,987)	(193,233)
Income taxes paid	(324,725)	(903,887)
Income taxes refund	3,095	-
Net cash provided by (used in) operating activities	2,919,912	9,484,683
Cash flows from investing activities		
Purchase of property, plant and equipment	(4,795,308)	(7,444,616)
Proceeds from sales of property, plant and equipment	320	6,400
Purchase of intangible assets	(32,187)	(68,341)
Payments for guarantee deposits	(55,052)	(37,049)
Proceeds from collection of guarantee deposits	15,222	5,641
Purchase of shares of subsidiaries resulting in change in scope of consolidation	(905,841)	-
Purchase of investment securities	(491,946)	-
Payments for investments in capital	(51,500)	(331,740)
Other, net	(52,531)	(124,412)
Net cash provided by (used in) investing activities	(6,368,824)	(7,994,118)

	(Thousands of yen)	
	FY2018	FY2019
	(Jul. 1, 2017 – Jun. 30, 2018)	(Jul. 1, 2018 – Jun. 30, 2019)
Cash flows from financing activities		
Net increase (decrease) in short-term loans payable	(1,687,999)	5,264,510
Proceeds from long-term loans payable	4,431,050	7,603,000
Repayments of long-term loans payable	(4,236,064)	(5,193,290)
Redemption of bonds	(50,600)	-
Repayments of lease obligations	(8,243)	(6,263)
Proceeds from issuance of common shares	8,947,143	-
Purchase of treasury shares	(3,163,967)	-
Cash dividends paid	(169,957)	(434,465)
Proceeds from issuance of share acquisition rights	10,412	24,576
Net cash provided by (used in) financing activities	4,071,774	7,258,066
Effect of exchange rate change on cash and cash equivalents	626	1,885
Net increase (decrease) in cash and cash equivalents	623,488	8,750,517
Cash and cash equivalents at beginning of period	3,061,878	3,685,366
Cash and cash equivalents at end of period	3,685,366	12,435,884

(5) Notes to Consolidated Financial Statements

Going Concern Assumption

Not applicable.

Reclassifications

Changes Caused by the Application of the Partial Amendments to Accounting Standard for Tax Effect Accounting

HOUSEDO has applied “Partial Amendments to Accounting Standard for Tax Effect Accounting” (ASBJ Statement No. 28, February 16, 2018) from the beginning of the fiscal year ended on June 30, 2019. 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.

As a result, “deferred tax assets” under “current assets” in the consolidated balance sheet for the previous fiscal year decreased 95 million yen and “deferred tax assets” under “investments and other assets” increased 93 million yen.

Net figures are used for deferred tax assets and deferred tax liabilities for the same taxing authority. This change reduced total assets by 2 million yen.

Segment and Other Information

Segment Information

1. Overview of reportable segment

Segments used for financial reporting are the Company constituent units for which separate financial information is available and for which the Board of Directors performs periodic studies for the purposes of determining the allocation of resources and evaluating performance.

HOUSEDO establishes comprehensive strategies for the products and services of each business unit and conducts the associated business operations based on these strategies. Consequently, based on these business units, HOUSEDO has the following six reportable segments for different categories of products and services: Franchisee Business, House-Leaseback Business, Finance Business, Real Estate Buying and Selling Business, Real Estate Brokerage Business and Renovation Business.

The Franchisee Business is engaged mainly in franchised operations for real estate brokerage. The House-Leaseback Business primarily buys, sells and leases existing houses and condominium units and performs other operations involving these activities. The Finance Business mainly provides loans secured by real estate and guarantees for reverse mortgages. The Real Estate Buying and Selling Business primarily buys and sells land and existing houses, buildings and condominium units and performs other associated activities. The Real Estate Brokerage Business performs brokerage activities. The Renovation Business primarily serves as a contractor for the renovation of residences.

Reportable segments were revised in the fiscal year that ended on June 30, 2019 by renaming the Real Estate Finance segment the Finance segment and moving the automobile loan business, which was included in Other, to the Finance segment.

Segment information for the fiscal year ended on June 30, 2018 has been restated based on the revised reportable segments.

2. Calculation methods for net sales, profit or loss, assets, and other items for each reportable segment

The accounting methods for reportable segments are the same as the methods used for preparing the consolidated financial statements. Inter-segment sales and transfers use the same transaction terms as those for transactions with external customers.

Change in Classification of Subsidiaries

Beginning in the fiscal year that ended on June 30, 2019, for the purpose of more appropriately reflecting the activities of each segment, the expenses of subsidiary PM Do Co., Ltd., which were previously included in the House-Leaseback segment, are instead divided between the House-Leaseback segment and the Finance segment in proportions based on the sales of these segments.

Goodwill and goodwill amortization expenses resulting from the acquisition of Keiyo Build Co., Ltd. by HOUSEDO, which were previously included in the adjustment, are instead included in the House-Leaseback segment, which is the segment that includes Keio Build.

In addition, some labor expenses that were previously included in the adjustment are instead divided among the reportable segments based on actual payments of salaries and other compensation.

Segment information for the fiscal year that ended on June 30, 2018 has been restated to reflect these changes.

3. Information related to net sales and profit or loss, assets, and other items for each reportable segment

FY2018 (Jul. 1, 2017 – Jun. 30, 2018)

(Thousands of yen)

	Reportable segment							Other (Note 1)	Total	Adjustment (Notes 2, 4, 5, 6)	Amounts shown on consolidated financial statements (Note 3)
	Franchisee	House- Leaseback	Finance	Real Estate Buying and Selling	Real Estate Brokerage	Renovation	Subtotal				
Net sales											
External sales	2,413,286	5,709,787	492,447	8,909,380	1,902,805	3,090,024	22,517,730	-	22,517,730	-	22,517,730
Inter-segment sales and transfers	82,690	8,488	36,600	-	172,588	-	300,367	-	300,367	(300,367)	-
Total	2,495,977	5,718,275	529,047	8,909,380	2,075,393	3,090,024	22,818,097	-	22,818,097	(300,367)	22,517,730
Segment profit	1,476,038	788,373	111,236	823,790	455,073	284,404	3,938,916	-	3,938,916	(1,822,735)	2,116,181
Segment assets	148,623	13,613,588	6,192,481	6,538,103	361,813	562,956	27,417,566	-	27,417,566	3,203,559	30,621,125
Other items											
Depreciation	7,505	274,030	733	6,849	7,601	11,528	308,247	-	308,247	16,674	324,921
Increase in property, plant and equipment and intangible assets	11,310	9,392,080	4,285	142,310	11,557	9,535	9,571,079	-	9,571,079	19,045	9,590,124

- Notes:
1. Other represents the businesses which are not included in any of the reportable segments and mainly consists of education business. However, this business was terminated in April 2017.
 2. The negative adjustment of 1,822.735 million yen to segment profit includes an elimination for inter-segment transactions of 6.563 million yen, corporate expenses of negative 1,830.878 million yen and inventory adjustments of 1.580 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 in the consolidated financial statements.
 4. The 3,203.559 million yen adjustment to segment assets includes corporate assets that are not allocated to any of the reportable segments of 3,346.688 million yen and elimination for inter-segment transactions of negative 143.129 million yen. Corporate assets mainly include excess working capital (cash and deposits) and assets related to the administrative division that cannot be allocated to reportable segments.
 5. The 16.674 million yen adjustment to depreciation includes corporate assets that are not allocated to any of the reportable segments.
 6. The 19.045 million yen adjustment to increase in property, plant and equipment and intangible assets is the sum of corporate assets that are not allocated to reportable segments.

FY2019 (Jul. 1, 2018 – Jun. 30, 2019)

(Thousands of yen)

	Reportable segment							Other (Note 1)	Total	Adjustment (Notes 2, 4, 5, 6)	Amounts shown on consolidated financial statements (Note 3)
	Franchisee	House- Leaseback	Finance	Real Estate Buying and Selling	Real Estate Brokerage	Renovation	Subtotal				
Net sales											
External sales	2,762,295	13,989,206	757,125	9,040,040	1,867,284	3,099,344	31,515,296	30,811	31,546,107	-	31,546,107
Inter-segment sales and transfers	70,922	12,741	53,733	-	191,981	171	329,548	-	329,548	(329,548)	-
Total	2,833,217	14,001,947	810,858	9,040,040	2,059,266	3,099,515	31,844,845	30,811	31,875,656	(329,548)	31,546,107
Segment profit (loss)	1,677,838	2,074,968	16,910	778,855	491,663	309,963	5,350,200	(27,281)	5,322,918	(2,166,300)	3,156,618
Segment assets	197,759	10,680,593	9,888,086	6,812,589	584,438	612,546	28,776,014	398	28,776,413	11,610,357	40,386,770
Other items											
Depreciation	9,215	365,835	1,334	10,337	11,546	16,292	414,562	-	414,562	26,142	440,704
Increase in property, plant and equipment and intangible assets	15,420	7,209,893	4,623	266,492	8,983	5,875	7,511,288	-	7,511,288	105,016	7,616,304

- 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 and overseas business expenses.
 2. The negative adjustment of 2,166.300 million yen to segment profit (loss) includes an elimination for inter-segment transactions of 1.473 million yen, corporate expenses of negative 2,169.098 million yen and inventory adjustments of 1.323 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 in the consolidated financial statements.
 4. The 11,610.357 million yen adjustment to segment assets includes corporate assets that are not allocated to any of the reportable segments of 11,639.170 million yen and elimination for inter-segment transactions of negative 28.813 million yen. Corporate assets mainly include excess working capital (cash and deposits) and assets related to the administrative division that cannot be allocated to reportable segments.
 5. The 26.142 million yen adjustment to depreciation includes corporate assets that are not allocated to any of the reportable segments.
 6. The 105.016 million yen adjustment to increase in property, plant and equipment and intangible assets is the sum of corporate assets that are not allocated to reportable segments.

Related information

1. Information by product or service

This information is omitted because the same information is presented in segment information.

2. Information by region

(1) Net sales

This information is not disclosed because sales to external clients in Japan exceeded 90% of consolidated net sales on the consolidated statement of income.

(2) Property, plant and equipment

Not applicable because there are no property, plant and equipment outside Japan.

3. Information by major client

This information is omitted because no specific external client accounts for 10% or more of consolidated net sales on the consolidated statement of income.

Information related to impairment of non-current assets for each reportable segment

Not applicable.

Information related to goodwill amortization and the unamortized balance for each reportable segment

This information is not disclosed due to the lack of its significance.

Information related to gain on bargain purchase for each reportable segment

Not applicable.

Per-share Information

(Yen)

	FY2018 (Jul. 1, 2017 – Jun. 30, 2018)	FY2019 (Jul. 1, 2018 – Jun. 30, 2019)
Net assets per share	498.52	577.84
Net income per share	74.94	103.38
Diluted net income per share	72.24	100.03

Notes: 1. The Company conducted a 2-for-1 stock split effective July 1, 2018. Net assets per share, 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. The following is a reconciliation of net income per share and diluted net income per share.

(Thousands of yen)

	FY2018 (Jul. 1, 2017 – Jun. 30, 2018)	FY2019 (Jul. 1, 2018 – Jun. 30, 2019)
Net income per share		
Profit attributable to owners of parent	1,279,714	2,006,259
Amount not attributable to common shareholders	-	-
Profit attributable to common shareholders of parent	1,279,714	2,006,259
Average number of shares of common stock during the fiscal year (shares)	17,077,659	19,407,065
Diluted net income per share		
Adjustment to profit attributable to owners of parent	-	-
[Of which, interest expenses (after deducting amount equivalent to tax)]	-	-
Increase in the number of shares of common stock (shares)	637,557	649,466
[Of which, share acquisition rights (shares)]	[637,557]	[649,466]
Summary of potentially dilutive shares not included in the calculation of diluted net income per share due to their anti-dilutive effect	-	The 7th series of stock options (equivalent to 38,000 shares of stock) were not included in the calculation of diluted net income per share because these stock options were not dilutive in this fiscal year.

Material Subsequent Events

Business combination through acquisition

On July 22, 2019, the HOUSEDO Board of Directors approved a resolution to purchase the stock of the companies of the Koyama Corporation Group in order to make these companies subsidiaries. A contract to purchase this stock was signed on the same day and HOUSEDO purchased all of the shares of the Koyama Corporation Group companies on August 9, 2019.

(1) Summary of business combination

1) Acquired companies and their business activities

Name: Koyama Construction Co., Ltd.

Business activities: Real Estate Brokerage, Leasing brokerage and Construction Business

Name: Koyama Real Estate Co., Ltd.

Business activities: Real Estate Brokerage, Leasing brokerage and Management Business

Name: Soka Matsubara Juken Co., Ltd.

Business activities: Real Estate Brokerage and Leasing brokerage Business

2) Reasons for acquisition

Increase the size and the corporate value of the HOUSEDO Group.

3) Acquisition date

August 9, 2019 (stock acquisition date)

4) Legal form of acquisition

Acquisition of shares with cash

5) Company's names after acquisition

There is no change in the company's names.

6) Percentage of voting rights acquired

Koyama Construction Co., Ltd.: 100%

Koyama Real Estate Co., Ltd.: 100% (45.0% indirectly owned)

Soka Matsubara Juken Co., Ltd.: 100%

7) Basis for choosing the company to acquire

HOUSEDO acquired the shares in exchange for cash.

(2) Acquisition cost of acquired companies and breakdown by type of consideration

Koyama Construction Co., Ltd.	Payment for the acquisition:	2,415,347 thousand yen
Koyama Real Estate Co., Ltd.	Payment for the acquisition:	231,000 thousand yen
Soka Matsubara Juken Co., Ltd.	Payment for the acquisition:	5,400 thousand yen

(3) Details of major acquisition-related costs

Remuneration for advisory members and other related fees: Not yet determined.

(4) Goodwill resulting from the acquisition

Not yet determined.

(5) Major assets acquired and liabilities assumed on the acquisition date

Not yet determined.

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.