

# Summary of Business Results for the Second Quarter Ended December 31, 2019

## [Japan GAAP] (Consolidated)

February 12, 2020

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Listed on the TSE

Expected date of filing of quarterly report: February 13, 2020 Expected starting date of dividend payment: -  
 Preparation of quarterly supplementary financial document: Yes  
 Holding of quarterly results briefing: Yes (for securities analysts and institutional investors)

*(Rounded down to million yen)*

### 1. Consolidated business results for the six months ended December 2019 (July 1, 2019 through December 31, 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	%
Six months ended Dec. 31, 2019	14,514	14.5	527	(51.6)	461	(55.1)	287	(60.4)
Six months ended Dec. 31, 2018	12,671	32.9	1,089	22.6	1,027	32.0	725	44.6

(Note) Comprehensive income:

Six months ended Dec. 31, 2019: 301 million yen (down 56.4%)

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

	Net income per share		Diluted net income per share	
	Yen	Yen	Yen	Yen
Six months ended Dec. 31, 2019	14.76	14.34	14.34	14.34
Six months ended Dec. 31, 2018	37.39	35.94	35.94	35.94

(2) Consolidated financial position

	Total assets		Net assets		Shareholder's equity ratio		Net assets per share	
	Million yen	Million yen	Million yen	Million yen	%	Yen	Yen	
As of Dec. 31, 2019	48,316	10,871	10,871	22.4	556.12	556.12	556.12	
As of Jun. 30, 2019	40,386	11,263	11,263	27.8	577.84	577.84	577.84	

(Reference) Shareholders' equity:

As of Dec. 31, 2019: 10,832 million yen

As of Jun. 30, 2019: 11,230 million yen

### 2. Dividends

	Annual dividend				
	End of 1Q	End of 2Q	End of 3Q	Year-end	Total
Fiscal year ended Jun. 30, 2019	Yen -	Yen 0.00	Yen -	Yen 37.00	Yen 37.00
Fiscal year ending Jun. 30, 2020	-	0.00	-	37.00	37.00
Fiscal year ending Jun. 30, 2020 (forecast)	-	-	-	34.00	34.00

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

2. 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	
Fiscal year ending Jun. 30, 2020	37,221	18.0	3,521	11.5	3,300	9.9	2,178	8.6	112.08	

(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

(Note) For more details regarding changes in subsidiaries that do not subject to specified subsidiaries, please refer to the section “2. Quarterly Consolidated Financial Statements and Notes, (4) Notes to Quarterly Consolidated Financial Statements (Changes in Significant Subsidiaries during the Period)” on page 12.

(2) Application of accounting procedures specific to preparation of the quarterly consolidated financial statements: Yes

(Note) Please refer to the section “2. Quarterly Consolidated Financial Statements and Notes, (4) Notes to Quarterly Consolidated Financial Statements (Application of Accounting Procedures Specific to Preparation of the 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, 2019 19,479,600 shares

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

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

As of Dec. 31, 2019 466 shares

As of Jun. 30, 2019 466 shares

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

Six months ended Dec. 31, 2019 19,461,867 shares

Six months ended Dec. 31, 2018 19,392,991 shares

**\* 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

### (1) Explanation of Results of Operations

In the first half of the fiscal year ending in June 2020, there were concerns about slowing global economic growth caused by the prolonged U.S.-China trade war and other events. Nevertheless, the Japanese economy expanded slowly with the support of an extremely accommodative monetary policy and large government expenditures. However, there is still a risk of an economic downturn caused by a change in the U.S. economy, economic weakness in China, emerging countries or resource-rich countries, or some other reason.

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. But demand for housing is remaining firm with the support of improvements in the labor market and personal income, measures to help people purchase residences, and the continuation of monetary easing by the Bank of Japan.

The HOUSEDO Group has started a new three-year medium-term plan that will end in the fiscal year ending in June 2022. The plan's goal is to utilize the Group's sound foundation for business operations in order to build a business model that can achieve sustained growth. Based on the medium-term plan, we are making significant investments for the growth of business activities that generate steady income in order to achieve more earnings growth. The Franchisee Business is taking actions aimed at increasing number of franchised stores and offering a larger selection of services. The House-Leaseback Business is purchasing rental properties to build a base for steady income and increasing earnings by selling properties to real estate funds and other buyers in order to earn capital gains. In the Finance Business, we are continuing 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 be a one-stop source of housing services, we are concentrating on meeting our customers' needs.

The HOUSEDO Group reported net sales of 14,514 million yen (up 14.5% year on year), operating profit of 527 million yen (down 51.6% year on year), ordinary profit of 461 million yen (down 55.1% year on year) and profit attributable to owners of parent of 287 million yen (down 60.4% year on year).

Results by business segment were as follows.

(As of Dec. 31, 2019)

Segment	Net sales (Millions of yen)	Activities
Franchisee Business	1,415	68 new franchisee contracts, raising total to 630 77 new franchised stores, raising total to 540
House-Leaseback Business	5,932	320 properties purchased, raising holdings to 343; 300 properties sold
Finance Business	445	95 real estate secured loans; 61 guarantees for reverse mortgages
Real Estate Buying and Selling Business	3,281	164 transactions
Real Estate Brokerage Business	987	1,524 brokered properties
Renovation Business	1,519	929 contracts; 1,034 renovation completions
Koyama Construction Group	923	Residences managed: 5,842
Other Business	7	(Europe/US style) real estate agent and overseas business expenses
Total	14,514	-

#### 1) Franchisee Business

The number of companies contacting us about signing franchising agreements increased steadily during the first half. 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. We operate 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. We are using these dual stores as well as the RENT Do! real estate rental brand for enlarging the scope of this business along with a broad range of other initiatives for growth. During the first half of the current fiscal year, there were 68 new franchisee contracts, raising the total to 630 at the end of December 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 77 stores during the first half of the current fiscal year, raising the total to 540 at the end of December 2019.

As a result, the segment recorded sales of 1,415 million yen (up 2.9% year on year) and segment profit of 846 million yen (up 2.5%).

## 2) 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 1,600 inquiries from prospective customers per 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 purchased 320 properties and resold or sold to investment funds, real estate purchasing companies and other buyers a total of 300 properties in order to earn capital gains that contribute to earnings growth. The number of residential properties owned by this business was 343 at the end of December 2019. All of these properties are generating leasing income.

As a result, the segment recorded sales of 5,932 million yen (up 49.6% year on year) and segment profit of 670 million yen (up 39.3%).

## 3) 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 first half of the current fiscal year, there were 95 new loans secured by real estate and 61 reverse mortgage guarantee as this business met a broad array of customers' financing requirements and formed alliances with more financial institutions. Selling, general and administrative expenses in this segment increased because of investments in personnel and expenditures for marketing and other activities aimed at increasing the volume of business.

As a result, the segment recorded sales of 445 million yen (up 8.8% year on year) and segment loss decreased 139 million yen year on year to 58 million yen.

## 4) Real Estate Buying and Selling Business

There is strong demand 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. In the first half of the current fiscal year, the number of transactions was 164 (down 18.4% year on year) due to a temporary decline in the number of inventory properties available for sale caused by the large number of sales in the previous fiscal year.

As a result, the segment recorded sales of 3,281 million yen (down 25.3% year on year) and segment profit of 160 million yen (down 55.5%).

## 5) 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. Due to

the measures to improve productivity as we shift more people to our core business operations, the number of brokerage transactions was 1,524 (up 3.2% year on year).

As a result, the segment recorded sales of 987 million yen (up 11.4% year on year) and segment profit of 240 million yen (up 28.1%).

#### 6) Renovation Business

This business used a collaboration with the Real Estate Brokerage Business to sell existing homes with renovation orders as a single package. Moreover, we held many joint renovation fairs with housing equipment manufacturers to attract customers. However, the October 2019 consumption tax hike caused demand to decline temporarily. As a result, 929 renovation contracts were signed, down 25.3% from one year earlier, and the number of renovation completions was 1,034, down 10.4% during the first half of the current fiscal year.

As a result, the segment recorded sales of 1,519 million yen (down 6.2% year on year) and segment profit of 119 million yen (down 34.3%).

#### 7) Koyama Construction Group

The Koyama Construction Group buys and sells real estate, provides real estate brokerage services, and has a property management and brokerage business for rental properties. All of these operations are backed by a network of offices located near railway stations primarily in and around the city of Soka in Saitama prefecture, where the group is based and has deep roots. The group has considerable expertise at gathering real estate information.

As a result, the segment recorded sales of 923 million yen and segment profit of 83 million yen.

## (2) Explanation of Financial Condition

### 1) Assets, liabilities and net assets

#### Assets

Total assets amounted to 48,316 million yen at the end of December 2019, an increase of 7,929 million yen over the end of June 2019.

There were increases of 936 million yen in cash and deposits, 1,651 million yen in inventories, 2,065 million yen in property, plant and equipment and 786 million yen in intangible assets, all mainly because of the acquisition of the Koyama Construction Group. In addition, operating loans increased 1,773 million yen due to an increase in real estate-secured loans.

#### Liabilities

Liabilities totaled 37,444 million yen, an increase of 8,321 million yen over the end of June 2019.

There were increases of 932 million yen in short-term borrowings, 1,863 million yen in current portion of long-term borrowings and 5,434 million yen in long-term borrowings.

#### Net assets

Net assets totaled 10,871 million yen, a decrease of 391 million yen over the end of June 2019.

Retained earnings increased 287 million yen because of the booking of profit attributable to owners of parent for the first half of the current fiscal year, while there was a decrease of 719 million yen in retained earnings due to dividend payments.

(Millions of yen)

	FY2019 (As of Jun. 30, 2019)	Second quarter of FY2020 (As of Dec. 31, 2019)	Change
Total assets	40,386	48,316	7,929
Liabilities	29,123	37,444	8,321
Net assets	11,263	10,871	(391)

## 2) Cash Flows

Cash and cash equivalents (hereinafter “net cash”) as of the end of December 2019 amounted to 13,380 million yen, an increase of 944 million yen over the end of June 2019. Operating activities provided net cash of 251 million yen, investing activities used net cash of 6,068 million yen, and financing activities provided net cash of 6,760 million yen.

The cash flow components and the main reasons for changes are as described below.

### Cash flows from operating activities

Net cash provided by operating activities totaled 251 million yen (compared with net cash provided of 2,506 million yen in the same period of the previous fiscal year).

Positive factors include the booking of profit before income taxes of 458 million yen and a decrease in inventories of 2,783 million yen.

Negative factors include an increase in operating loans receivable of 1,862 million yen, income taxes paid of 794 million yen and a decrease in trade payables of 331 million yen.

### Cash flows from investing activities

Net cash used in investing activities totaled 6,068 million yen (compared with net cash used of 3,953 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 4,788 million yen and purchase of shares of subsidiaries resulting in change in scope of consolidation of 1,756 million yen.

### Cash flows from financing activities

Net cash provided by financing activities totaled 6,760 million yen (compared with net cash provided of 3,760 million yen in the same period of the previous fiscal year).

Positive factors include proceeds from long-term borrowings of 9,300 million yen.

Negative factors include repayments of long-term borrowings of 2,142 million yen and cash dividends paid of 717 million yen.

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

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, 2019 dated August 13, 2019.

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

	(Thousands of yen)	
	FY2019 (As of Jun. 30, 2019)	Second quarter of FY2020 (As of Dec. 31, 2019)
<b>Assets</b>		
Current assets		
Cash and deposits	12,444,184	13,380,560
Accounts receivable from completed construction contracts	90,091	102,924
Accounts receivable-trade	96,923	78,992
Real estate for sale	3,954,818	6,123,461
Real estate for sale in process	3,139,993	2,584,640
Costs on construction contracts in progress	54,196	92,251
Operating loans	8,196,839	9,970,003
Other	398,159	691,074
Allowance for doubtful accounts	(23,423)	(12,556)
Total current assets	28,351,783	33,011,353
Non-current assets		
Property, plant and equipment		
Buildings and structures	4,688,414	5,243,496
Accumulated depreciation	(987,176)	(1,231,310)
Buildings and structures, net	3,701,237	4,012,186
Land	6,411,521	8,129,208
Other	164,201	234,396
Accumulated depreciation	(103,713)	(137,460)
Other, net	60,487	96,935
Total property, plant and equipment	10,173,246	12,238,329
Intangible assets		
Goodwill	14,182	706,096
Other	107,420	202,141
Total intangible assets	121,603	908,238
Investments and other assets		
Investment securities	620,424	876,119
Deferred tax assets	246,215	393,676
Other	875,269	896,012
Allowance for doubtful accounts	(1,771)	(7,171)
Total investments and other assets	1,740,137	2,158,636
Total non-current assets	12,034,987	15,305,204
Total assets	40,386,770	48,316,558



	(Thousands of yen)	
	FY2019 (As of Jun. 30, 2019)	Second quarter of FY2020 (As of Dec. 31, 2019)
<b>Liabilities</b>		
<b>Current liabilities</b>		
Notes payable-trade	-	60,900
Accounts payable for construction contracts	696,571	456,344
Short-term borrowings	10,628,250	11,560,500
Current portion of bonds	-	60,000
Current portion of long-term borrowings	4,485,851	6,349,025
Lease obligations	2,938	258
Accounts payable-other	279,901	498,498
Accrued expenses	470,814	417,594
Income taxes payable	700,056	232,150
Accrued consumption taxes	160,166	66,498
Advances received on construction contracts in progress	325,797	311,741
Advances received	416,844	467,201
Provision for bonuses	-	102,383
Provision for warranties for completed construction	4,684	4,859
Provision for sales promotion expenses	6,922	6,954
Other	263,164	445,665
<b>Total current liabilities</b>	<b>18,441,962</b>	<b>21,040,577</b>
<b>Non-current liabilities</b>		
Bonds payable	-	240,000
Long-term borrowings	8,167,134	13,601,542
Long-term guarantee deposits	1,868,750	1,907,487
Deferred tax liabilities	514,353	508,436
Asset retirement obligations	95,026	110,479
Provision for warranties for completed construction	23,784	23,283
Retirement benefit liability	-	9,673
Other	12,037	3,135
<b>Total non-current liabilities</b>	<b>10,681,087</b>	<b>16,404,037</b>
<b>Total liabilities</b>	<b>29,123,050</b>	<b>37,444,614</b>
<b>Net assets</b>		
<b>Shareholders' equity</b>		
Share capital	3,347,247	3,357,281
Capital surplus	3,365,742	3,375,776
Retained earnings	4,551,173	4,119,290
Treasury shares	(410)	(410)
<b>Total shareholders' equity</b>	<b>11,263,753</b>	<b>10,851,938</b>
<b>Accumulated other comprehensive income</b>		
Valuation difference on available-for-sale securities	(33,008)	(20,232)
Foreign currency translation adjustment	30	1,115
<b>Total accumulated other comprehensive income</b>	<b>(32,978)</b>	<b>(19,117)</b>
Share acquisition rights	32,945	39,122
<b>Total net assets</b>	<b>11,263,720</b>	<b>10,871,943</b>
<b>Total liabilities and net assets</b>	<b>40,386,770</b>	<b>48,316,558</b>

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

(Thousands of yen)

	First six months of FY2019 (Jul. 1, 2018 – Dec. 31, 2018)	First six months of FY2020 (Jul. 1, 2019 – Dec. 31, 2019)
Net sales	12,671,288	14,514,194
Cost of sales	7,902,068	9,106,703
Gross profit	4,769,219	5,407,491
Selling, general and administrative expenses	3,679,836	4,880,036
Operating profit	1,089,383	527,454
Non-operating income		
Interest and dividend income	459	565
Gain on investments in silent partnerships	-	33,781
Gain on sales of investment securities	-	26
Commission income	8,041	7,886
Insurance claim income	28,232	7,675
Penalty income	1,500	8,058
Other	9,385	32,073
Total non-operating income	47,619	90,067
Non-operating expenses		
Interest expenses	96,897	119,851
Share of loss of entities accounted for using equity method	-	1,012
Other	12,277	34,881
Total non-operating expenses	109,175	155,746
Ordinary profit	1,027,827	461,775
Extraordinary income		
Gain on sales of non-current assets	904	46
Gain on reversal of share acquisition rights	-	151
Total extraordinary income	904	198
Extraordinary losses		
Loss on retirement of non-current assets	830	-
Impairment loss	-	3,400
Other	-	300
Total extraordinary losses	830	3,700
Profit before income taxes	1,027,902	458,273
Income taxes	302,718	171,026
Profit	725,183	287,247
Profit attributable to owners of parent	725,183	287,247

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

	(Thousands of yen)	
	First six months of FY2019 (Jul. 1, 2018 – Dec. 31, 2018)	First six months of FY2020 (Jul. 1, 2019 – Dec. 31, 2019)
Profit	725,183	287,247
Other comprehensive income		
Valuation difference on available-for-sale securities	(35,191)	12,775
Foreign currency translation adjustment	-	1,084
Total other comprehensive income	(35,191)	13,860
Comprehensive income	689,991	301,107
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	689,991	301,107

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

(Thousands of yen)

	First six months of FY2019 (Jul. 1, 2018 – Dec. 31, 2018)	First six months of FY2020 (Jul. 1, 2019 – Dec. 31, 2019)
Cash flows from operating activities		
Profit before income taxes	1,027,902	458,273
Depreciation	224,942	199,480
Amortization of goodwill	3,410	45,802
Amortization of long-term prepaid expenses	42,751	62,883
Increase (decrease) in allowance for doubtful accounts	9,121	(5,466)
Increase (decrease) in provision for warranties for completed construction	(1,970)	(325)
Increase (decrease) in provision for bonuses	-	95,469
Interest and dividend income	(459)	(565)
Interest expenses	96,897	119,851
Loss (gain) on sales of non-current assets	(904)	(46)
Foreign exchange losses (gains)	(413)	(1,163)
Loss on retirement of non-current assets	830	-
Decrease (increase) in trade receivables	24,509	20,246
Decrease (increase) in inventories	2,516,035	2,783,700
Increase (decrease) in trade payables	(91,622)	(331,974)
Decrease (increase) in operating loans receivable	(772,059)	(1,862,373)
Increase (decrease) in advances received on construction contracts in progress	5,947	(14,055)
Increase (decrease) in advances received	117,034	(15,920)
Decrease (increase) in advance payments-trade	(6,014)	(9,583)
Decrease (increase) in prepaid expenses	(46,063)	(30,749)
Decrease (increase) in accounts receivable-other	(28,115)	3,451
Increase (decrease) in accrued consumption taxes	(119,093)	(118,806)
Increase (decrease) in accrued expenses	9,892	(60,304)
Increase (decrease) in guarantee deposits received	160,060	(66,477)
Increase (decrease) in deposits received	(66,068)	5,630
Other, net	59,889	(108,966)
Subtotal	3,166,438	1,168,010
Interest and dividends received	332	437
Interest paid	(110,056)	(122,670)
Income taxes paid	(549,866)	(794,128)
Net cash provided by (used in) operating activities	2,506,848	251,648
Cash flows from investing activities		
Purchase of property, plant and equipment	(3,886,844)	(4,788,193)
Proceeds from sales of property, plant and equipment	3,124	47
Purchase of intangible assets	(62,049)	(96,642)
Payments of guarantee deposits	(10,909)	(7,063)
Proceeds from refund of guarantee deposits	5,437	1,054
Purchase of shares of subsidiaries resulting in change in scope of consolidation	-	(1,756,855)
Purchase of investment securities	(600)	(147,130)
Proceeds from sales of investment securities	-	41,587
Proceeds from withdrawal of time deposits	600	678,982
Other, net	(2,470)	5,721
Net cash provided by (used in) investing activities	(3,953,711)	(6,068,491)

	(Thousands of yen)	
	First six months of FY2019 (Jul. 1, 2018 – Dec. 31, 2018)	First six months of FY2020 (Jul. 1, 2019 – Dec. 31, 2019)
Cash flows from financing activities		
Net increase (decrease) in short-term borrowings	5,512,610	103,250
Proceeds from long-term borrowings	2,453,000	9,300,000
Repayments of long-term borrowings	(3,783,582)	(2,142,256)
Proceeds from issuance of bonds	-	300,000
Redemption of bonds	-	(100,000)
Repayments of lease obligations	(3,454)	(2,680)
Proceeds from issuance of shares resulting from exercise of share acquisition rights	16,158	19,545
Dividends paid	(434,065)	(717,502)
Net cash provided by (used in) financing activities	3,760,666	6,760,356
Effect of exchange rate change on cash and cash equivalents	413	1,163
Net increase (decrease) in cash and cash equivalents	2,314,217	944,676
Cash and cash equivalents at beginning of period	3,685,366	12,435,884
Cash and cash equivalents at end of period	5,999,584	13,380,560

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

Not applicable.

**Significant Changes in Shareholders' Equity**

Not applicable.

**Changes in Significant Subsidiaries during the Period**

During the first quarter, HOUSEDO purchased the stock of Koyama Construction Co., Ltd., Koyama Real Estate Co., Ltd. and Soka Matsubara Juken Co., Ltd., making all three companies consolidated subsidiaries. These acquisitions are not classified as a change in a specified subsidiary.

**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****Sale of House-Leaseback Assets**

## 1. Summary of special purpose company (SPC) and transactions using this company

HOUSEDO sells assets of the House-Leaseback Business as one way to diversify sources of funding.

For the sale of these assets, HOUSEDO first sells House-Leaseback assets (trust beneficiary rights and other assets) to a SPC (which is structured as a godo kaisha (limited liability company)). The SPC then uses these assets as collateral for loans and other sources of funds in order to pay HOUSEDO for these assets. HOUSEDO has a tokumei kumiai (silent partnership) contract with each SPC and makes investments in accordance with this contract.

The following table presents information concerning the SPCs used for the sale of House-Leaseback assets.

HOUSEDO has made no investments with voting rights in any SPC and has not supplied any SPC with directors or other executives.

	FY2019 (As of Jun. 30, 2019)	Second quarter of FY2020 (As of Dec. 31, 2019)
Number of SPC	3	4
Total assets of SPCs	4,086,235 thousand yen	8,228,317 thousand yen
Total liabilities SPCs	3,520,754 thousand yen	7,467,633 thousand yen

## 2. Transactions with special purpose companies

First six months of FY2019 (Jul. 1, 2018 – Dec. 31, 2018)

	Major transactions (Thousands of yen)	Sales, expenses, gains	
		Items	Amount (Thousands of yen)
Investments in silent partnerships	-	Partnership investment gains	-
Selling price	-	Net sales	-
Book value	-	Cost of sales	-

(Note) PM Do Co., Ltd. is the broker for properties and it buys and sells and receives commissions for this service. These commissions are omitted from this table because they are negligible.

(Note) SPCs outsource to PM Do Co., Ltd. the management of the properties purchased from HOUSEDO. Property management fees are omitted from this table because they are negligible.

First six months of FY2020 (Jul. 1, 2019 – Dec. 31, 2019)

	Major transactions (Thousands of yen)	Sales, expenses, gains	
		Items	Amount (Thousands of yen)
Investments in silent partnerships	146,500	Partnership investment gains	27,904
Selling price	2,936,027	Net sales	2,936,027
Book value	2,211,148	Cost of sales	2,247,392

(Note) The selling price of assets is classified as sales and the book value of assets is classified as cost of sales.

(Note) SPCs outsource to PM Do Co., Ltd. the management of the properties purchased from HOUSEDO. Property management fees are omitted from this table because they are negligible.

(Note) HOUSEDO and PM Do Co., Ltd. perform renovation work at properties that have been sold to a special purpose company. Renovations are omitted from this table because the monetary value is negligible.

**Provision for bonuses**

In the fiscal year that ended in June 2019, confirmed bonuses for employees had been recorded as accrued expenses. In the first half of the current fiscal year, the expected amount of bonuses for employees is recorded as the provision for bonuses because the amount of bonuses has not yet been confirmed.

**Segment Information**

I 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

	Reportable segment								Other (Note 1)	Total	Adjustment (Note 2)	Amounts shown on quarterly consolidated statement of income (Note 3)
	Franchisee	House-Leaseback	Finance	Real Estate Buying and Selling	Real Estate Brokerage	Renovation	Koyama Construction Group	Subtotal				
Net sales												
External sales	1,376,294	3,964,615	409,768	4,395,890	886,669	1,619,829	-	12,653,067	18,220	12,671,288	-	12,671,288
Inter-segment sales and transfers	36,328	5,091	26,933	-	77,264	-	-	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	825,353	481,364	81,013	361,663	187,894	181,935	-	2,119,224	9,529	2,128,754	(1,039,371)	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 1,039.371 million yen to segment profit includes elimination for inter-segment transactions of 0.579 million yen, corporate expenses of negative 1,041.131 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.

## II First six months of FY2020 (Jul. 1, 2019 – Dec. 31, 2019)

## 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	Finance	Real Estate Buying and Selling	Real Estate Brokerage	Renovation	Koyama Construction Group	Subtotal				
Net sales												
External sales	1,415,578	5,932,558	445,697	3,281,766	987,588	1,519,296	923,980	14,506,467	7,726	14,514,194	-	14,514,194
Inter-segment sales and transfers	41,560	4,776	34,575	-	108,550	127	-	189,591	-	189,591	(189,591)	-
Total	1,457,139	5,937,335	480,272	3,281,766	1,096,139	1,519,424	923,980	14,696,058	7,726	14,703,785	(189,591)	14,514,194
Segment profit (loss)	846,096	670,507	(58,977)	160,930	240,654	119,566	83,748	2,062,526	(6,681)	2,055,844	(1,528,390)	527,454

- 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 1,528.390 million yen to segment profit (loss) includes elimination for inter-segment transactions of 5.449 million yen, acquisition-related costs for purchase of shares of subsidiary of negative 110.291 million yen, corporate expenses of negative 1,413.302 million yen that are not allocated to any of the reportable segments, and inventory adjustments of negative 10.245 million yen. Corporate expenses mainly consist of general and administrative expenses that are not attributable to any of the reportable segments.
  3. Segment profit (loss) is adjusted to be consistent with operating profit recorded in the quarterly consolidated statement of income.

## 2. Information related to impairment of non-current assets or goodwill, etc. for each reportable segment

## Significant impairment losses related to non-current assets

In the Finance segment, an extraordinary loss of 3 million yen was recorded for the impairment of the previous loan management system due to its replacement with an updated loan management system for the purpose of strengthening internal controls.

## Significant change in goodwill

In the Koyama Construction Group segment, HOUSEDO posted goodwill of 737.716 million yen in the first quarter of FY2020 due to the acquisition of Koyama Construction Co., Ltd., Koyama Real Estate Co., Ltd. and Soka Matsubara Juken Co., Ltd.

## 3. Information related to revisions for reportable segments

## Changes in the classification of operating segments

Reportable segments were revised in the fiscal year that ended on June 30, 2019 by renaming the Real Estate Finance segment the Finance segment.

In the previous fiscal year, HOUSEDO had six reportable segments: Franchisee Business, House-Leaseback Business, Finance Business, Real Estate Buying and Selling Business, Real Estate Brokerage Business, and Renovation Business. In the first quarter of FY2020, HOUSEDO added a seventh reportable segment called Koyama Construction Group because of the acquisition of Koyama Construction Co., Ltd., Koyama Real Estate Co., Ltd. and Soka Matsubara Juken Co., Ltd.

Reportable segment information for the first six months of FY2019 has been restated to conform with the new reportable segments.

## Change in Classification of Subsidiaries

Beginning in FY2019, 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 first six months of FY2019 has been restated to reflect these changes.

### Material Subsequent Events

#### Acquisition of Shares by Equity-method Affiliate

On January 15, 2020, H-DO (THAILAND) Limited, an equity-method affiliate of HOUSEDO, acquired shares of Capital Link Asset Management Limited, which was a subsidiary of Capital Link Holding Limited and was owned jointly by this company and H-DO (THAILAND). Due to this acquisition, Capital Link Asset Management became a subsidiary of H-DO (THAILAND).

#### (1) Objectives of acquisition

This investment was made for the purposes of increasing the corporate value of the HOUSEDO Group and strengthening business operations in Thailand.

#### (2) Name of sellers

Capital Link Holding Limited

#### (3) Overview of the company acquired by H-DO (THAILAND) Limited

- |              |  |
|--------------|--|
| 1) Name:     | Capital Link Asset Management Limited    |
| 2) Business: | Claim management and collection business |
| 3) Capital:  | 25 million Thai baht                     |

#### (4) Date of acquisition

January 15, 2020

#### (5) Number of shares acquired, acquisition cost and share ownership after acquisition

- |                                       |  |
|---------------------------------------|--|
| 1) Number of shares acquired:         | 249,997 shares (Number of issued shares: 250,000 shares) |
| 2) Acquisition cost:                  | 38 million Thai baht                                     |
| 3) Share ownership after acquisition: | 100%   |

#### (6) Methods for procuring funds and of payments

Internal funds

*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.*