

# Summary of Business Results for the Fiscal Year Ended June 30, 2020

## [Japan GAAP] (Consolidated)

August 12, 2020

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

Expected date of annual shareholders' meeting: Sep. 24, 2020 Expected starting date of dividend payment: Sep. 25, 2020  
 Expected date of filing of annual securities report: Sep. 25, 2020  
 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 2020 (July 1, 2019 through June 30, 2020)

(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, 2020	32,878	4.2	1,893	(40.0)	1,716	(42.8)	1,030	(48.6)
Fiscal year ended Jun. 30, 2019	31,546	40.1	3,156	49.2	3,003	57.3	2,006	56.8

(Note) Comprehensive income:

Year ended Jun. 30, 2020: 1,015 million yen (down 48.7%) Year ended Jun. 30, 2019: 1,977 million yen (up 55.1%)

	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, 2020	52.94	51.87	9.1	3.6	5.8
Fiscal year ended Jun. 30, 2019	103.38	100.03	19.2	8.5	10.0

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

Year ended Jun. 30, 2020: (27) million yen Year ended Jun. 30, 2019: (0) million yen

(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, 2020	54,243	11,578	21.3	592.27
As of Jun. 30, 2019	40,386	11,263	27.8	577.84

(Reference) Shareholders' equity:

As of Jun. 30, 2020: 11,543 million yen As of Jun. 30, 2019: 11,230 million yen

(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, 2020	5,021	(11,433)	12,745	18,768
Fiscal year ended Jun. 30, 2019	9,296	(7,805)	7,258	12,435

### 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			
	Yen	Yen	Yen	Yen	Yen	Million yen	%	%
Fiscal year ended Jun. 30, 2019	-	0.00	-	37.00	37.00	719	35.8	6.9
Fiscal year ended Jun. 30, 2020	-	0.00	-	19.00	19.00	370	35.9	3.2
Fiscal year ending Jun. 30, 2021 (forecasts)	-	-	-	-	-		-	

(Note) The dividend forecast for the fiscal year ending June 30, 2021 will be announced later and will be based on the policy of maintaining a payout ratio of at least 30%. Please refer to the section "1. Overview of Results of Operations, etc. (3) Profit Allocation Policy and Dividend Payment Plan for the Current and Next Fiscal Years" on page 6 of the attachments for further information.

### 3. Forecast of consolidated business results for the fiscal year ending June 2021

(July 1, 2020 through June 30, 2021) (% 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, 2021	33,976- 37,532	3.3- 14.2	2,713- 3,512	43.3- 85.5	2,500- 3,300	45.7- 92.2	1,650- 2,178	60.1- 111.3	84.68- 111.75

(Note) Ranges for the consolidated earnings forecast for the fiscal year ending June 30, 2021 have been announced. Please refer to the section "1. Overview of Results of Operations, etc. (1) Results of Operations, 2) Outlook for the Next Fiscal Year" on page 4 of the attachments for further information.

**\* 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 “3. Consolidated Financial Statements and Notes, (5) Notes to Consolidated Financial Statements (Changes in Significant Subsidiaries during the Fiscal Year)” on page 15 of the attachments.

(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, 2020	19,490,800 shares
As of Jun. 30, 2019	19,436,400 shares

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

As of Jun. 30, 2020	514 shares
As of Jun. 30, 2019	466 shares

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

Fiscal year ended Jun. 30, 2020	19,470,473 shares
Fiscal year ended Jun. 30, 2019	19,407,065 shares

**Reference: Summary of non-consolidated business results**

**Non-consolidated business results for the fiscal year ended June 2020 (July 1, 2019 through June 30, 2020)**

(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, 2020	27,596	(3.9)	1,311	(49.4)	1,233	(50.2)	759	(53.6)
Fiscal year ended Jun. 30, 2019	28,714	42.7	2,593	51.8	2,477	62.1	1,637	53.3

	Net income per share	Diluted net income per share
	Yen	Yen
Fiscal year ended Jun. 30, 2020	39.00	38.22
Fiscal year ended Jun. 30, 2019	84.38	81.65

(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, 2020	36,634	10,372	28.2	530.37
As of Jun. 30, 2019	27,642	10,324	37.2	529.51

(Reference) Shareholders' equity:

As of Jun. 30, 2020: 10,337 million yen                      As of Jun. 30, 2019: 10,291 million yen

**\* The current financial report is not subject to audit 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. Overview of Results of Operations, etc. (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.

### (1) Results of Operations

#### 1) Summary of the fiscal year

In the fiscal year that ended on June 30, 2020, the Japanese economy recovered slowly with the support of an extremely accommodative monetary policy and large government expenditures. However, the October 2019 consumption tax hike had a negative effect on consumer sentiment and the global COVID-19 pandemic paralyzed economic activity. The result was a steep economic downturn in Japan and overseas and an increasingly uncertain outlook for the economy.

In the Japanese real estate industry, where the HOUSEDO Group operates, 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. However, group companies had to limit sales activities due to COVID-19 and the need to stay home as much as possible following the declaration of a state of emergency.

In this challenging business climate, the HOUSEDO Group continued to make substantial investments in growth enhancement businesses in accordance with the current three-year medium-term plan, which will end in the fiscal year ending in June 2022. We have made progress with transitioning to a business model that can achieve sustained growth while utilizing the HOUSEDO Group's sound foundation for business operations. 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.

With the Real Estate Brokerage Business serving as the foundation, we continued to be a one-stop source of housing services that are backed by synergies created by our unified three-part business model encompassing real estate brokerage, buying and renovation. We also increased purchases of real estate for sale, mainly in locations served by directly operated stores in the Real Estate Buying and Selling Business. Another activity is packaging sales of existing homes with orders for renovations. All these activities are making us even better able to meet the needs of our customers.

The HOUSEDO Group reported net sales of 32,878 million yen (up 4.2% year on year), operating profit of 1,893 million yen (down 40.0% year on year), ordinary profit of 1,716 million yen (down 42.8% year on year) and profit attributable to owners of parent of 1,030 million yen (down 48.6% year on year).

Results by business segment were as follows.

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 fiscal year that ended on June 30, 2020, 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.

(As of June 30, 2020)

Segment	Net sales (Millions of yen)	Activities
Franchisee Business	2,877	133 new franchisee contracts, raising total to 643 140 new franchised stores, raising total to 556
House-Leaseback Business	15,201	634 properties purchased, raising holdings to 217; 729 properties sold
Finance Business	980	207 real estate secured loans; 145 guarantees for reverse mortgages
Real Estate Buying and Selling Business	7,099	334 transactions
Real Estate Brokerage Business	2,002	3,094 brokered properties
Renovation Business	2,631	1,679 contracts; 1,750 renovation completions
Koyama Construction Group	2,072	Residences managed: 5,800
Other	13	(Europe/US style) real estate agent and overseas business expenses
Total	32,878	-

#### a. Franchisee Business

The number of companies contacting us about signing franchising agreements increased steadily during the fiscal year. Aggressive 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. Although COVID-19 caused the cancelation of trade shows where we had planned to participate in order to attract new franchisees and affected this business in other ways, the efficiency and productivity of business operations increased due to using online activities to attract customers and focusing resources on sales activities. During the fiscal year, there were 133 new franchisee contracts, raising the total to 643 at the end of June 2020.

We have reinforced a franchisee follow-up system using supervisors and upgraded a variety of new services. Due to these actions, we opened 140 stores during the fiscal year, raising the total to 556 at the end of June 2020.

As a result, the segment recorded sales of 2,877 million yen (up 4.2% year on year) and segment profit of 1,801 million yen (up 7.4%).

#### b. House-Leaseback Business

The number of inquiries from prospective customers is increasing steadily because of a large volume of advertising and marketing activities, including television and radio commercials. For the growth of sales and earnings, there were many activities for responding to a variety of customer needs, including for the effective use of real estate to generate income for retirement or a business. However, COVID-19 restricted sales activities. This business purchased 634 properties and resold or sold to investment funds, real estate purchasing companies and other buyers a total of 729 properties in order to earn capital gains that contribute to earnings growth. The number of residential properties owned by this business was 217 at the end of June 2020. All of these properties are generating leasing income.

As a result, the segment recorded sales of 15,201 million yen (up 8.7% year on year) and segment profit of 1,968 million yen (down 5.2%).

#### c. Finance Business

This business uses the HOUSEDO Group's nationwide network of real estate assessment expertise, one of the group's core strengths, to combine real estate and financing services for the use of real estate to meet customers' financing requirements. During the fiscal year, there were 207 new loans secured by real estate. Although COVID-19 caused some delays, there were 145 reverse mortgage guarantees during the fiscal year by using alliances with financial institutions to increase demand and forming 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 980 million yen (up 29.4% year on year) and segment profit of 29 million yen (up 75.9%).

#### d. Real Estate Buying and Selling Business

This business utilizes synergies within the HOUSEDO Group to focus on acquisition of properties that match the requirements of brokerage customers in areas served by directly operated stores. The performance of this business was negatively affected by a temporary downturn in consumer sentiment following the October 2019 consumption tax hike and by the COVID-19 outbreak, which caused delays in deliveries of housing equipment and construction materials and in the closing of real estate transactions. For these reasons, the number of transactions was 334 (down 16.7% year on year).

As a result, the segment recorded sales of 7,099 million yen (down 21.5% year on year) and segment profit of 336 million yen (down 56.8%).

#### e. Real Estate Brokerage Business

There is strong demand in Japan for houses as interest rates on mortgages remain 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. Although the need to stay home following the declaration of a state of emergency restricted sales activities, the number of brokerage transactions was 3,094 (up 3.4% year on year) as new stores performed well and the productivity of this business improved.

As a result, the segment recorded sales of 2,002 million yen (up 7.3% year on year) and segment profit of 574 million yen (up 16.9%).

#### f. Renovation Business

This business used a collaboration with the Real Estate Buying and Selling 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. On the other hand, consumer sentiment weakened temporarily due to the recent consumption tax hike. Following the start of the COVID-19 outbreak, we canceled events to attract customers as people were asked to stay home. This crisis also increased time required for construction projects by delaying deliveries of housing equipment and construction materials. During the fiscal year, 1,679 renovation contracts were signed, down 23.5% from one year earlier, and the number of renovation completions was 1,750, down 16.9%.

As a result, the segment recorded sales of 2,631 million yen (down 15.1% year on year) and segment profit of 115 million yen (down 62.7%).

#### g. 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 Koyama Construction Group has considerable expertise at gathering real estate information.

As a result, the segment recorded sales of 2,072 million yen and segment profit of 104 million yen.

#### 2) Outlook for the Next Fiscal Year

The Japanese economy is expected to slowly recover following the temporary suspension of many economic activities caused by the need to stay home and other effects of the state of emergency due to COVID-19. Nevertheless, there is still a risk of an economic downturn because of the possibility of a second wave of infections, slower growth of the global economy or other events.

The HOUSEDO Group is currently implementing a medium-term plan that covers the three-year period ending in June 2022. The central goal of this plan is more earnings growth by continuing to make substantial investments in growth enhancement businesses. There are many activities for transitioning to a business model capable of

sustained growth that utilizes the group's strong foundation for business operations. Major activities include increasing the number of stores 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. All these measures are aimed at achieving steady growth along with consistent profitability. Another objective of the plan is strengthening the Real Estate Buying and Selling Business, Real Estate Brokerage Business and Renovation Business in order to become a one-stop source of housing services. Through all of these activities, we want to continue to grow while benefiting from synergies among our business operations.

We are using ranges of sales and earnings for the forecasts for the fiscal year ending in June 2021 because of the uncertain outlook even though we expect the negative impact of COVID-19 to slowly decline. The lower end of these ranges is the base line and the upper end uses the premise that the impact of COVID-19 will decline, business operations will return to normal quickly, and sales and earnings will benefit from numerous initiatives for growth and profitability.

## (2) Financial Condition

### 1) Assets, liabilities and net assets

#### Assets

Total assets amounted to 54,243 million yen at the end of June 2020, an increase of 13,856 million yen over the end of June 2019.

This was mainly attributable to increases of 6,830 million yen in cash and deposits, 4,431 million yen in real estate for sale, 2,753 million yen in operating loans and 521 million yen in investment securities.

There was a decrease of 988 million yen in property, plant and equipment due to sales of non-current assets in the House-Leaseback Business.

#### Liabilities

Liabilities totaled 42,664 million yen, an increase of 13,541 million yen over the end of June 2019.

There were increases of 2,385 million yen in short-term borrowings, 647 million yen in current portion of long-term borrowings and 10,507 million yen in long-term borrowings.

There were decreases of 555 million yen in income taxes payable and 729 million yen in long-term guarantee deposits.

#### Net assets

Net assets totaled 11,578 million yen, an increase of 314 million yen over the end of June 2019.

Retained earnings increased 1,030 million yen because of the booking of profit attributable to owners of parent for 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)	FY2020 (As of Jun. 30, 2020)	Change
Total assets	40,386	54,243	13,856
Liabilities	29,123	42,664	13,541
Net assets	11,263	11,578	314

### 2) Cash Flows

Cash and cash equivalents (hereinafter "net cash") as of the end of June 2020 amounted to 18,768 million yen, an increase of 6,332 million yen over the end of June 2019.

#### Cash flows from operating activities

Net cash provided by operating activities totaled 5,021 million yen (compared with net cash provided of 9,296 million yen in the previous fiscal year).

Positive factors include the booking of profit before income taxes of 1,624 million yen and a decrease in inventories of 8,633 million yen.

Negative factors include an increase in operating loans receivable of 2,923 million yen and a decrease in guarantee deposits received of 834 million yen.

#### Cash flows from investing activities

Net cash used in investing activities totaled 11,433 million yen (compared with net cash used of 7,805 million yen in the previous fiscal year).

Negative factors include the payments for the purchase of property, plant and equipment of 9,721 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 12,745 million yen (compared with net cash provided of 7,258 million yen in the previous fiscal year).

Positive factors include a net increase in short-term borrowings of 1,556 million yen, proceeds from long-term borrowings of 19,383 million yen and proceeds from issuance of bonds of 1,000 million yen.

Negative factors include repayments of long-term borrowings of 8,367 million yen and cash dividends paid of 717 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, along with the goal of increasing corporate value through the steady expansion of business operations and higher profitability. Based on this stance, our fundamental policy is to pay stable and continuous dividends. The basic guideline for dividends is a payout ratio of at least 30% while taking into consideration the need to maintain the proper balance between distributing earnings to shareholders and increasing retained earnings to fund investments for more growth. The dividend for each fiscal year is determined in accordance with this policy while taking into account cash flows, the outlook for earnings and all other applicable factors.

For the fiscal year that ended on June 30, 2020, there was an ordinary dividend of 19 yen per share, resulting in a payout ratio of 35.9%.

As was explained in “Outlook for the Next Fiscal Year,” a range of sales and earnings forecasts has been announced for the fiscal year ending on June 30, 2021. The dividend for this fiscal year will be determined later by using this dividend policy and the guideline of a payout ratio of at least 30%.

## **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)	
	FY2019 (As of Jun. 30, 2019)	FY2020 (As of Jun. 30, 2020)
Assets		
Current assets		
Cash and deposits	12,444,184	19,274,618
Accounts receivable from completed construction contracts	90,091	102,221
Accounts receivable-trade	96,923	57,324
Real estate for sale	3,954,818	8,386,363
Real estate for sale in process	3,139,993	2,138,309
Costs on construction contracts in progress	54,196	160,328
Operating loans	8,196,839	10,950,358
Other	398,159	448,869
Allowance for doubtful accounts	(23,423)	(13,137)
Total current assets	28,351,783	41,505,256
Non-current assets		
Property, plant and equipment		
Buildings and structures	4,688,414	4,717,828
Accumulated depreciation	(987,176)	(1,304,424)
Buildings and structures, net	3,701,237	3,413,403
Land	6,411,521	5,731,605
Other	164,201	169,692
Accumulated depreciation	(103,713)	(130,247)
Other, net	60,487	39,444
Total property, plant and equipment	10,173,246	9,184,454
Intangible assets		
Goodwill	14,182	681,195
Other	107,420	216,359
Total intangible assets	121,603	897,554
Investments and other assets		
Investment securities	620,424	1,142,376
Deferred tax assets	246,215	343,531
Other	875,269	1,202,804
Allowance for doubtful accounts	(1,771)	(32,934)
Total investments and other assets	1,740,137	2,655,777
Total non-current assets	12,034,987	12,737,785
Total assets	40,386,770	54,243,042

	(Thousands of yen)	
	FY2019	FY2020
	(As of Jun. 30, 2019)	(As of Jun. 30, 2020)
<b>Liabilities</b>		
<b>Current liabilities</b>		
Accounts payable for construction contracts	696,571	473,564
Short-term borrowings	10,628,250	13,013,500
Current portion of bonds payable	-	184,000
Current portion of long-term borrowings	4,485,851	5,133,513
Lease obligations	2,938	-
Accounts payable-other	279,901	581,038
Accrued expenses	470,814	405,249
Income taxes payable	700,056	144,800
Accrued consumption taxes	160,166	106,115
Advances received on construction contracts in progress	325,797	229,882
Advances received	416,844	471,492
Provision for bonuses	-	110,620
Provision for warranties for completed construction	4,684	4,960
Provision for sales promotion expenses	6,922	7,132
Other	263,164	566,202
<b>Total current liabilities</b>	<b>18,441,962</b>	<b>21,432,072</b>
<b>Non-current liabilities</b>		
Bonds payable	-	786,000
Long-term borrowings	8,167,134	18,674,517
Long-term guarantee deposits	1,868,750	1,138,828
Deferred tax liabilities	514,353	491,932
Asset retirement obligations	95,026	104,013
Provision for warranties for completed construction	23,784	27,180
Retirement benefit liability	-	9,836
Other	12,037	-
<b>Total non-current liabilities</b>	<b>10,681,087</b>	<b>21,232,309</b>
<b>Total liabilities</b>	<b>29,123,050</b>	<b>42,664,381</b>
<b>Net assets</b>		
<b>Shareholders' equity</b>		
Share capital	3,347,247	3,359,831
Capital surplus	3,365,742	3,378,326
Retained earnings	4,551,173	4,862,747
Treasury shares	(410)	(461)
<b>Total shareholders' equity</b>	<b>11,263,753</b>	<b>11,600,442</b>
<b>Accumulated other comprehensive income</b>		
Valuation difference on available-for-sale securities	(33,008)	(52,684)
Foreign currency translation adjustment	30	(4,240)
<b>Total accumulated other comprehensive income</b>	<b>(32,978)</b>	<b>(56,925)</b>
Share acquisition rights	32,945	35,143
<b>Total net assets</b>	<b>11,263,720</b>	<b>11,578,660</b>
<b>Total liabilities and net assets</b>	<b>40,386,770</b>	<b>54,243,042</b>

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

	(Thousands of yen)	
	FY2019 (Jul. 1, 2018 – Jun. 30, 2019)	FY2020 (Jul. 1, 2019 – Jun. 30, 2020)
Net sales	31,546,107	32,878,618
Cost of sales	20,388,641	21,232,615
Gross profit	11,157,465	11,646,003
Selling, general and administrative expenses		
Total selling, general and administrative expenses	8,000,847	9,752,515
Operating profit	3,156,618	1,893,487
Non-operating income		
Interest and dividend income	5,051	4,989
Gain on investments in silent partnerships	-	108,342
Gain on sales of investment securities	-	26
Subsidy income	5,284	-
Commission income	17,174	15,535
Insurance claim income	29,680	11,947
Penalty income	12,890	11,898
Other	20,691	42,602
Total non-operating income	90,772	195,342
Non-operating expenses		
Interest expenses	191,147	252,697
Commission expenses	18,641	63,066
Share of loss of entities accounted for using equity method	42	27,220
Other	34,355	29,003
Total non-operating expenses	244,187	371,988
Ordinary profit	3,003,203	1,716,841
Extraordinary income		
Gain on sales of non-current assets	3,965	172
Gain on reversal of share acquisition rights	1,618	941
Total extraordinary income	5,584	1,113
Extraordinary losses		
Loss on sales of non-current assets	175	65
Loss on retirement of non-current assets	830	21,808
Loss on valuation of investment securities	153,386	40,830
Impairment loss	-	30,570
Total extraordinary losses	154,392	93,275
Profit before income taxes	2,854,395	1,624,680
Income taxes-current	978,378	584,438
Income taxes-deferred	(130,242)	9,539
Total income taxes	848,136	593,977
Profit	2,006,259	1,030,703
Profit attributable to owners of parent	2,006,259	1,030,703

**Consolidated Statement of Comprehensive Income**

	(Thousands of yen)	
	FY2019	FY2020
	(Jul. 1, 2018 – Jun. 30, 2019)	(Jul. 1, 2019 – Jun. 30, 2020)
Profit	2,006,259	1,030,703
Other comprehensive income		
Valuation difference on available-for-sale securities	(28,364)	(19,676)
Share of other comprehensive income of entities accounted for using equity method	30	4,180
Total other comprehensive income	(28,333)	(15,496)
Comprehensive income	1,977,925	1,015,206
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	1,977,925	1,015,206
Comprehensive income attributable to non-controlling interests	-	-

**(3) Consolidated Statement of Changes in Net Assets**

FY2019 (Jul. 1, 2018 – Jun. 30, 2019)

(Thousands of yen)

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

	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 period	(4,644)	-	(4,644)	21,817	9,686,283
Changes during period					
Issuance of new shares					24,576
Dividends of surplus					(436,192)
Profit attributable to owners of parent					2,006,259
Purchase of treasury shares					-
Net changes in items other than shareholders' equity	(28,364)	30	(28,333)	11,127	(17,206)
Total changes during period	(28,364)	30	(28,333)	11,127	1,577,436
Balance at end of period	(33,008)	30	(32,978)	32,945	11,263,720

FY2020 (Jul. 1, 2019 – Jun. 30, 2020)

(Thousands of yen)

	Shareholders' equity				
	Share capital	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of period	3,347,247	3,365,742	4,551,173	(410)	11,263,753
Changes during period					
Issuance of new shares	12,583	12,583			25,166
Dividends of surplus			(719,129)		(719,129)
Profit attributable to owners of parent			1,030,703		1,030,703
Purchase of treasury shares				(50)	(50)
Net changes in items other than shareholders' equity					
Total changes during period	12,583	12,583	311,573	(50)	336,689
Balance at end of period	3,359,831	3,378,326	4,862,747	(461)	11,600,442

	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 period	(33,008)	30	(32,978)	32,945	11,263,720
Changes during period					
Issuance of new shares					25,166
Dividends of surplus					(719,129)
Profit attributable to owners of parent					1,030,703
Purchase of treasury shares					(50)
Net changes in items other than shareholders' equity	(19,676)	(4,271)	(23,947)	2,197	(21,749)
Total changes during period	(19,676)	(4,271)	(23,947)	2,197	314,939
Balance at end of period	(52,684)	(4,240)	(56,925)	35,143	11,578,660

**(4) Consolidated Statement of Cash Flows**

	(Thousands of yen)	
	FY2019	FY2020
	(Jul. 1, 2018 – Jun. 30, 2019)	(Jul. 1, 2019 – Jun. 30, 2020)
Cash flows from operating activities		
Profit before income taxes	2,854,395	1,624,680
Depreciation	440,704	403,566
Loss (gain) on valuation of investment securities	153,386	40,830
Loss (gain) on investments in silent partnerships	-	(108,342)
Amortization of goodwill	5,807	104,860
Amortization of long-term prepaid expenses	77,518	68,642
Increase (decrease) in allowance for doubtful accounts	15,494	20,877
Increase (decrease) in provision for bonuses	-	103,706
Interest and dividend income	(5,051)	(4,989)
Interest expenses	191,147	252,697
Loss (gain) on sales of non-current assets	(3,789)	(107)
Loss on retirement of non-current assets	830	21,808
Foreign exchange losses (gains)	(1,885)	(1)
Gain on reversal of share acquisition rights	(1,618)	(941)
Decrease (increase) in trade receivables	(1,534)	42,617
Decrease (increase) in inventories	9,370,719	8,633,245
Increase (decrease) in trade payables	51,557	(375,654)
Decrease (increase) in operating loans receivable	(2,609,685)	(2,923,937)
Increase (decrease) in advances received	95,481	(39,212)
Decrease (increase) in prepaid expenses	(89,256)	(26,930)
Decrease (increase) in accounts payable-other	35,444	185,983
Increase (decrease) in accrued consumption taxes	7,141	(79,293)
Increase (decrease) in accrued expenses	40,737	(75,907)
Increase (decrease) in guarantee deposits received	(65,498)	(834,803)
Increase (decrease) in deposits received	16,941	137,697
Decrease (increase) in deposit for mortgage	-	(500,000)
Other, net	(190,293)	(226,953)
Subtotal	10,388,695	6,444,138
Interest and dividends received	4,865	5,191
Interest paid	(193,233)	(256,545)
Income taxes paid	(903,887)	(1,171,670)
Net cash provided by (used in) operating activities	9,296,439	5,021,113
Cash flows from investing activities		
Purchase of property, plant and equipment	(7,256,372)	(9,721,532)
Proceeds from sales of property, plant and equipment	6,400	361
Purchase of intangible assets	(68,341)	(172,115)
Payments of guarantee deposits	(37,049)	(29,589)
Proceeds from refund of guarantee deposits	5,641	5,085
Purchase of shares of subsidiaries resulting in change in scope of consolidation	-	(1,756,855)
Purchase of investment securities	(332,840)	(479,730)
Proceeds from sales of investment securities	-	41,587
Proceeds from withdrawal of time deposits	-	682,132
Decrease (increase) in deposit for mortgage	-	(6,000)
Other, net	(123,312)	3,114
Net cash provided by (used in) investing activities	(7,805,874)	(11,433,541)

	(Thousands of yen)	
	FY2019	FY2020
	(Jul. 1, 2018 – Jun. 30, 2019)	(Jul. 1, 2019 – Jun. 30, 2020)
Cash flows from financing activities		
Net increase (decrease) in short-term borrowings	5,264,510	1,556,250
Proceeds from long-term borrowings	7,603,000	19,383,000
Repayments of long-term borrowings	(5,193,290)	(8,367,793)
Proceeds from issuance of bonds	-	1,000,000
Redemption of bonds	-	(130,000)
Repayments of lease obligations	(6,263)	(2,938)
Purchase of treasury shares	-	(50)
Dividends paid	(434,465)	(717,902)
Proceeds from issuance of shares resulting from exercise of share acquisition rights	24,576	24,595
Net cash provided by (used in) financing activities	7,258,066	12,745,160
Effect of exchange rate change on cash and cash equivalents	1,885	1
Net increase (decrease) in cash and cash equivalents	8,750,517	6,332,734
Cash and cash equivalents at beginning of period	3,685,366	12,435,884
Cash and cash equivalents at end of period	12,435,884	18,768,618



**(5) Notes to Consolidated Financial Statements****Going Concern Assumption**

Not applicable.

**Changes in Significant Subsidiaries during the Fiscal Year**

During the current fiscal year, 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.

**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)	FY2020 (As of Jun. 30, 2020)
Number of SPC	3	6
Total assets of SPCs	4,086,235 thousand yen	17,742,967 thousand yen
Total liabilities of SPCs	3,520,754 thousand yen	16,570,301 thousand yen

## 2. Transactions with special purpose companies

FY2019 (Jul. 1, 2018 – Jun. 30, 2019)

	Major transactions (Thousands of yen)	Sales, expenses, gains	
		Items	Amount (Thousands of yen)
Investments in silent partnerships	331,640	Partnership investment gains	-
Selling price	6,640,358	Net sales	6,640,358
Book value	4,973,391	Cost of sales	4,973,391

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

FY2020 (Jul. 1, 2019 – Jun. 30, 2020)

	Major transactions (Thousands of yen)	Sales, expenses, gains	
		Items	Amount (Thousands of yen)
Investments in silent partnerships	478,500	Partnership investment gains	108,342
Selling price	9,610,772	Net sales	9,610,772
Book value	7,428,851	Cost of sales	7,428,851

(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.

## Provision for bonuses

In the fiscal year that ended in June 2019, confirmed bonuses for employees had been recorded as accrued expenses. In 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 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 reportable segments for different categories of products and services.

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 fiscal year that ended on June 30, 2020, 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.

The Franchisee Business is engaged mainly in franchised operations for real estate brokerage and leasing brokerage. The House-Leaseback Business primarily provides sale-and-leaseback services for 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. The Koyama Construction Group primarily buys and sells real estate, provides brokerage services for rental properties and performs other operations involving these activities of the Koyama Construction Group.

#### 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.

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

FY2019 (Jul. 1, 2018 – Jun. 30, 2019)

(Thousands of yen)

	Reportable segment							
	Franchisee	House-Leaseback	Finance	Real Estate Buying and Selling	Real Estate Brokerage	Renovation	Koyama Construction Group	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
Inter-segment sales and transfers	70,922	12,741	53,733	-	191,981	171	-	329,548
Total	2,833,217	14,001,947	810,858	9,040,040	2,059,266	3,099,515	-	31,844,845
Segment profit (loss)	1,677,838	2,074,968	16,910	778,855	491,663	309,963	-	5,350,200
Segment assets	197,759	10,804,192	9,891,024	7,039,149	643,477	612,546	-	29,188,151
Other items								
Depreciation	9,215	365,835	1,334	10,337	11,546	16,292	-	414,562
Share of loss of entities accounted for using equity method	-	-	-	-	-	-	-	-
Investment in equity-method affiliates	-	-	-	-	-	-	-	-
Increase in property, plant and equipment and intangible assets	15,420	7,209,893	4,623	37,684	22,391	5,875	-	7,295,888

(Thousands of yen)

	Other (Note 1)	Total	Adjustment (Notes 2, 4, 5, 6)	Amounts shown on consolidated financial statements (Note 3)
Net sales				
External sales	30,811	31,546,107	-	31,546,107
Inter-segment sales and transfers	-	329,548	(329,548)	-
Total	30,811	31,875,656	(329,548)	31,546,107
Segment profit (loss)	(27,281)	5,322,918	(2,166,300)	3,156,618
Segment assets	398	29,188,549	11,198,221	40,386,770
Other items				
Depreciation	-	414,562	26,142	440,704
Share of loss of entities accounted for using equity method	(42)	(42)	-	(42)
Investment in equity-method affiliates	1,647	1,647	-	1,647
Increase in property, plant and equipment and intangible assets	-	7,295,888	91,608	7,387,496

- 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 that are not allocated to any of the reportable segments and inventory adjustments of 1.323 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 in the consolidated financial statements.
  4. The 11,198.221 million yen adjustment to segment assets includes corporate assets that are not allocated to any of the reportable segments of 11,340.496 million yen and elimination for inter-segment transactions of negative 142.275 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 91.608 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.

FY2020 (Jul. 1, 2019 – Jun. 30, 2020)

(Thousands of yen)

	Reportable segment							
	Franchisee	House-Leaseback	Finance	Real Estate Buying and Selling	Real Estate Brokerage	Renovation	Koyama Construction Group	Subtotal
Net sales								
External sales	2,877,130	15,201,382	980,040	7,099,411	2,002,769	2,631,343	2,072,757	32,864,834
Inter-segment sales and transfers	88,222	12,399	97,657	-	249,841	194	353	448,669
Total	2,965,352	15,213,782	1,077,697	7,099,411	2,252,610	2,631,537	2,073,110	33,313,504
Segment profit (loss)	1,801,224	1,968,050	29,739	336,591	574,902	115,668	104,197	4,930,374
Segment assets	395,500	9,209,510	13,208,383	10,579,300	978,559	795,363	3,996,323	39,162,941
Other items								
Depreciation	10,160	274,488	2,081	17,367	9,399	10,744	38,666	362,907
Share of loss of entities accounted for using equity method	-	-	-	-	-	-	-	-
Investment in equity-method affiliates	-	-	-	-	-	-	-	-
Increase in property, plant and equipment and intangible assets	7,160	9,186,540	15,229	209,521	21,842	994	1,011,556	10,452,843

(Thousands of yen)

	Other (Note 1)	Total	Adjustment (Notes 2, 4, 5, 6)	Amounts shown on consolidated financial statements (Note 3)
Net sales				
External sales	13,783	32,878,618	-	32,878,618
Inter-segment sales and transfers	-	448,669	(448,669)	-
Total	13,783	33,327,288	(448,669)	32,878,618
Segment profit (loss)	(10,520)	4,919,854	(3,026,366)	1,893,487
Segment assets	87	39,163,029	15,080,012	54,243,042
Other items				
Depreciation	-	362,907	40,658	403,566
Share of loss of entities accounted for using equity method	(27,220)	(27,220)	-	(27,220)
Investment in equity-method affiliates	90,800	90,800	-	90,800
Increase in property, plant and equipment and intangible assets	-	10,452,843	224,958	10,677,801

- 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 3,026.366 million yen to segment profit (loss) includes an elimination for inter-segment transactions of 17.942 million yen, acquisition-related costs for purchase of shares of subsidiary of negative 110.291 million yen, corporate expenses of negative 2,918.190 million yen that are not allocated to any of the reportable segments and inventory adjustments of negative 15.827 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 in the consolidated financial statements.
  4. The 15,080.012 million yen adjustment to segment assets includes corporate assets that are not allocated to any of the reportable segments of 20,225.999 million yen and elimination for inter-segment transactions of negative 5,145.986 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 40.658 million yen adjustment to depreciation includes corporate assets that are not allocated to any of the reportable segments.
  6. The 224.958 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

FY2019 (Jul. 1, 2018 – Jun. 30, 2019)

Not applicable.

FY2020 (Jul. 1, 2019 – Jun. 30, 2020)

(Millions of yen)

Name	Sales	Related segment
HLB Fund No.6 LLP	3,919	House-Leaseback Business

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

FY2019 (Jul. 1, 2018 – Jun. 30, 2019)

Not applicable.

FY2020 (Jul. 1, 2019 – Jun. 30, 2020)

(Millions of yen)

	Reportable segment								Other	Elimination or Corporate	Total
	Franchisee	House-Leaseback	Finance	Real Estate Buying and Selling	Real Estate Brokerage	Renovation	Koyama Construction Group	Subtotal			
Impairment loss	-	21	3	-	1	-	4	30	23	-	54

Note: "Other" is the equity-method share of loss resulting from the impairment of the goodwill of Capital Link Asset Management Limited, which is owned by HOUSED O equity-method affiliate H-DO (THAILAND) Limited.

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

FY2019 (Jul. 1, 2018 – Jun. 30, 2019)

(Millions of yen)

	Reportable segment								Other	Elimination or Corporate	Total
	Franchisee	House-Leaseback	Finance	Real Estate Buying and Selling	Real Estate Brokerage	Renovation	Koyama Construction Group	Subtotal			
Amortization for the period	-	3	-	-	-	-	-	3	-	2	5
Balance at end of period	-	14	-	-	-	-	-	14	-	0	14

FY2020 (Jul. 1, 2019 – Jun. 30, 2020)

(Millions of yen)

	Reportable segment								Other	Elimination or Corporate	Total
	Franchisee	House-Leaseback	Finance	Real Estate Buying and Selling	Real Estate Brokerage	Renovation	Koyama Construction Group	Subtotal			
Amortization for the period	-	3	-	-	-	-	101	104	-	-	104
Balance at end of period	-	10	-	-	-	-	670	681	-	0	681

Information related to gain on bargain purchase for each reportable segment

Not applicable.

### Per-share Information

(Yen)

	FY2019 (Jul. 1, 2018 – Jun. 30, 2019)	FY2020 (Jul. 1, 2019 – Jun. 30, 2020)
Net assets per share	577.84	592.27
Net income per share	103.38	52.94
Diluted net income per share	100.03	51.87

Note: The following is a reconciliation of net income per share and diluted net income per share.

(Thousands of yen)

	FY2019 (Jul. 1, 2018 – Jun. 30, 2019)	FY2020 (Jul. 1, 2019 – Jun. 30, 2020)
Net income per share		
Profit attributable to owners of parent	2,006,259	1,030,703
Amount not attributable to common shareholders	-	-
Profit attributable to common shareholders of parent	2,006,259	1,030,703
Average number of shares of common stock during the fiscal year (shares)	19,407,065	19,470,473
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)	649,466	399,747
[Of which, share acquisition rights (shares)]	[649,466]	[399,747]
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.	The 6th series of stock options (equivalent to 728,000 shares of stock) and 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

Not applicable.

*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.*