

# House Do Co., Ltd.

**3457**

Tokyo Stock Exchange First Section

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## ■ Index

<b>■ Summary</b>	<b>01</b>
1. Looking to revitalize the Japanese economy through better utilization of real estate	01
2. 1H results finish above its initial plan but the Company maintains conservative forecast for the full year	01
3. Rolling out a steady stream of useful and reliable services	01
<b>■ Company profile</b>	<b>02</b>
1. History	02
2. Company profile	03
3. Group companies	03
<b>■ Business overview</b>	<b>03</b>
1. Business portfolio	03
2. Franchisee Business	05
3. Problems of an aging society	07
4. House-Leaseback Business	10
5. Real Estate Finance Business: Adding a new business “reverse mortgage guarantee service”	12
6. Real Estate Buying and Selling Business	13
7. Real Estate Brokerage Business	13
8. Renovation Business	13
9. New businesses: RENT Do! real estate rental business and Time Room Cloud, a time-share business for unused properties	14
10. New system: Europe/US Style Real Estate Agent Program	14
<b>■ Results trends</b>	<b>15</b>
1. 1H FY6/18 results	15
2. Financial position and management indicators	17
<b>■ Business outlook</b>	<b>18</b>
<b>■ Medium- to-long-term growth strategy</b>	<b>21</b>
<b>■ Shareholder return policy</b>	<b>22</b>
1. Dividend policy	22
2. Shareholder benefit program	22
<b>■ Information security policy</b>	<b>23</b>

## ■ Summary

### Finding business opportunities in solving the problems of an aging society

House Do Co., Ltd. <3457> (hereafter, also “the Company”) has grown at a rapid pace over the last five years, nearly doubling the number of its franchised stores to over 500 as of the end of December 2017. Backed by its strong local sales skills, assessment skills, credibility, and nationwide coverage, HOUSEDO is working to change the real estate industry by rolling out a steady stream of useful and reliable services.

#### 1. Looking to revitalize the Japanese economy through better utilization of real estate

In Japan, most personal property is owned by the elderly, who are reluctant to sell or otherwise monetize those assets. So even though more than 90% of seniors are homeowners, it is difficult to say they are leading full lives after retiring from the workforce because the low level of their cash income leaves little money for consumption spending. HOUSEDO is working to address this problem of an aging society by offering a variety of options to help meet the income needs of elderly homeowners. HOUSEDO moved ahead of competitors to establish a House-Leaseback Business and would allow elderly homeowners to sell their homes but continue living there under a lease agreement. And for those whose financial needs are only temporary and not big enough to warrant selling their house, HOUSEDO also has a Real Estate Finance Business that offers real estate secured loans. In providing its reverse mortgage guarantee service, HOUSEDO combines its strengths with those of regional financial institutions to provide loan guarantees on reverse mortgages (with the borrower’s house serving as collateral), with the aim of revitalizing the use of such financial products by reducing the risk involved.

#### 2. 1H results finish above its initial plan but the Company maintains conservative forecast for the full year

For 1H FY6/18, the Company reported net sales of ¥9,532mn (+11.1% YoY) and an ordinary profit of ¥778mn (+40.9%). This was well ahead of the Company’s initial forecast of an 11.1% increase in net sales and 34.9% increase in ordinary profit, and also a new record high, but the Company made no changes to its full-year forecast. It is still forecasting net sales of ¥17,146mn (+1.8% YoY) and ordinary profit of ¥1,400mn (+27.0%). Because the Company’s Steady-income businesses are still expanding and there do not appear to be any particular risks HOUSEDO is facing this fiscal year, we believe it is fair to say that its full-year forecast is conservative.

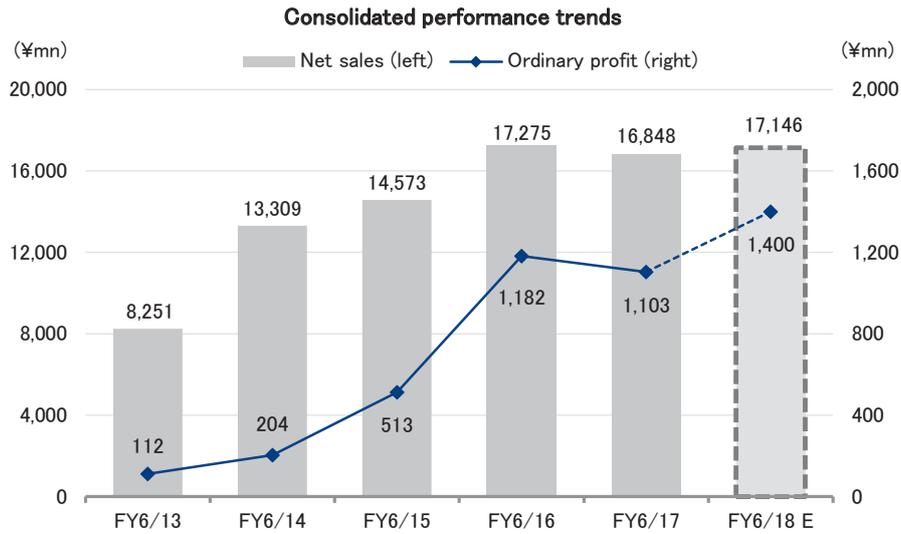
#### 3. Rolling out a steady stream of useful and reliable services

The HOUSEDO Group moved ahead of competitors to start a reverse mortgage guarantee service in October 2017. This was followed in January 2018 by the startup of a real estate rental business, RENT Do!, and a full-scale recruitment effort to sign up franchisee. Then in February 2018, the Company started up Time Room Cloud, a time-share business structured to rent out the space for use by others on an hourly basis to solve the problem of unused properties. In December 2017, the Company also began recruiting sales professionals under the Europe/US Style Real Estate Agent Program. HOUSEDO is ultimately looking to build up the RENT Do! franchise chain to 1,000 franchisees, which would match the scale of its franchise chain. For its Europe/US Style Real Estate Agent Program, the Company has set a goal of recruiting 100 agents in the first year. As none of these new services had taken shape at the time the Company put together its current medium-term plan, the revenues and earnings from these new services are not reflected in the plan’s performance targets.

Summary

**Key Points**

- Aiming to revitalize the Japanese economy by providing solutions for real estate distribution
- Looking to change the real estate industry by introducing a steady stream of innovative services
- 1H FY6/18 results surpassed initial Company forecast



Source: Prepared by FISCO from the Company's financial results

## ■ Company profile

### Aiming to revitalize the Japanese economy by providing solutions for real estate distribution

#### 1. History

Established in Kyoto in 1991, the Company started the Franchisee Business based on its extensive expertise in the Real Estate Brokerage Business in 2006. As of the end of December 2017, HOUSEDO had 501 franchisee contracts with a cumulative total of 415 franchised stores opened. The Company also has 17 directly operated stores, including 5 housing information malls, 7 satellite stores, and 5 stores specializing in buying houses and other real estate. It also operates three renovation showrooms. The housing information malls are large roadside stores that are essentially a one-stop shop for all real estate-related services, offering everything from agency services to real estate buying to renovations.

## Company profile

## 2. Company profile

The Company describes its corporate mission as “Innovate the Industry! -To reform the real estate field for customers- ,” and in keeping with this, the philosophy of the HOUSEDO brand calls for activities that create an open housing market in Japan and a commitment to building a new residential information system for enabling customers to move to the best possible housing for each stage of their lives. To establish a market presence and provide the real estate information needed to bring about changes in the industry to the public, the Company is aiming to establish a domestic network of 1,000 franchised stores by the end of 2025.

The Franchisee Business’s HOUSEDO chain that specializes in the real estate brokerage business is the largest franchise chain in the industry. The Company has also been the first in the industry to introduce innovative new formats, such as its housing information malls and stores specializing in buying houses and other real estate, and also first to offer innovative new services including House-Leaseback agreements and reverse mortgage guarantees. By providing solutions to problems with real estate distribution that affect the real estate industry and Japanese society as a whole, the Company aims to help revitalize the Japanese economy.

## 3. Group companies

The HOUSEDO Group is comprised of the Company and its three consolidated subsidiaries. The Company runs the Franchisee Business, House-Leaseback Business, Real Estate Buying and Selling Business, and Renovation Business. Subsidiary HOUSEDO Residential Sales Co., Ltd. runs the Group’s Real Estate Brokerage Business, subsidiary Financial Do Co., Ltd. runs its Real Estate Finance Business, and subsidiary PM Do Co., Ltd. runs its Property Management Business.

# Business overview

## Transforming to create a business portfolio capable of sustaining steady growth

### 1. Business portfolio

HOUSEDO has continued to launch the industry’s first services and businesses to address customer needs, from buying a home to renovations, leasing, real estate secured loans, home sales and repurchases, and outright sales.

## Business overview

**Customer needs & HOUSEDO businesses and services**

Customer need/action		HOUSEDO business or service (launch date)
Purchase	New housings	Construct housing for sales and brokerage business
	Existing housing	Sales and brokerage business (April 1991)
Renovation		Renovation Business (July 1998)
Hourly rental	By the hour	Time Room Cloud (February 2018)
Leasing	By the month	Franchise headquarters and directly operated stores
		RENT Do! real estate rental business (January 2018)
Loans		Real estate secured loans (July 2016)
		Reverse mortgage guarantee service (October 2017)
Sell/repurchase		House-Leaseback Business (October 2013)
Sell		Real Estate Brokerage Business (April 1991)
		Franchise headquarters and directly operated stores
		HOUSEDO real estate brokerage business (February 2006)
		Stores specializing in buying houses and other real estate (October 2013)
		Real Estate Buying and Selling Business (September 2009)

Source: Prepared by FISCO from Company materials

As of 1H FY6/18, the Franchisee Business accounted for 12.8% of consolidated net sales, the House-Leaseback Business 10.6%, and the Real Estate Finance Business 2.1%. Together, these three Steady-income businesses accounted for 25.5% of consolidated net sales. The Real Estate Buying and Selling Business accounted for 47.4% of consolidated net sales, Real Estate Brokerage Business 10.6%, and the Renovation Business 16.5%. Segment profit margins (before adjustments) were 59.5% for the Franchisee Business, 11.5% for the House-Leaseback Business, 24.5% for the Real Estate Finance Business, 10.3% for the Real Estate Buying and Selling Business, 21.9% for the Real Estate Brokerage Business, and 11.1% for the Renovation Business. A large proportion of Group earnings, 50.8%, come from Steady-income businesses.

Driven by the low interest rates resulting from the Bank of Japan's negative interest rate policy and massive quantitative easing, with additional help from an influx of money from overseas investors, property prices in Tokyo are on the rise and in some locales have even shown signs of overheating. Adding to the pressure, the hike in inheritance taxes implemented in January 2015 has pushed more money into investments in rental properties. Recognizing the growing risk to the real estate market from the increase in property speculation and the declining returns on real estate investments as property prices rise, HOUSEDO revised its previous medium-term plan after only the first year, making FY6/17 the first year of a new three-year medium-term plan. The new plan represents a transition in management resources from the labor-intensive businesses Real Estate Brokerage, Renovation, and Real Estate Buying and Selling to concentrate more on businesses where there is a steady flow of recurring income, Steady-income businesses, namely the Franchisee, House-Leaseback, and Real Estate Finance businesses. Even if the real estate market conditions change, the Company will continue working rapidly to transition to an all-weather business model that will support sustained growth.

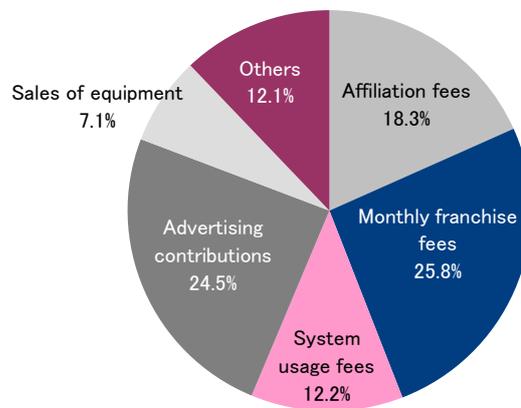
Business overview

2. Franchisee Business

(1) Franchisee Business: Sales composition

As of 1H FY6/18, affiliation fees accounted for 18.3% of segment sales, monthly franchise fees 25.8%, system usage fees 12.2%, advertising contributions 24.5%, sales of equipment 7.1%, and others 12.1%. During 1H, HOUSEDO signed 63 new franchisee contracts. Operating profit in the Franchisee Business rose 21.9% YoY to ¥736mn, giving the segment a 59.5% operating profit margin before adjustments.

**Breakdown of Franchisee Sales composition**  
 (1H FY6/18 sales of ¥1,237mn)



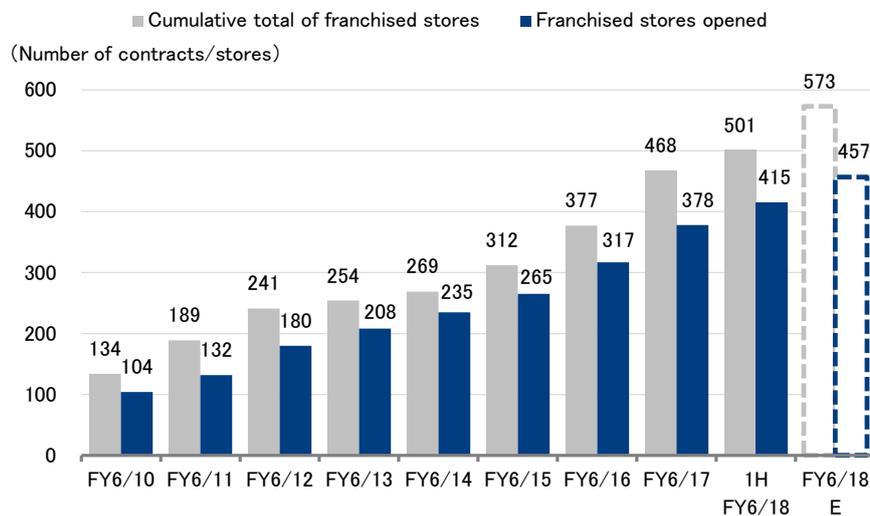
Source: Prepared by FISCO from the Company's results briefing materials

Advertising contributions account for about one-quarter of segment sales, but the Company is only collecting the costs for the collective advertising. As part of its brand strategy, HOUSEDO hired Atsuya Furuta, a former professional baseball player/coach and current baseball commentator, to serve as its brand spokesperson in 2013. Listing on the Tokyo Stock Exchange's Mothers market elevated its image from a small Kyoto-based company to a national company. Its subsequent move to the First Section of the Tokyo Stock Exchange further enhanced its image and quickly led to an increase in inquiries for franchising.

(2) Growth in the franchise chain

As of the end of 1H FY6/18, HOUSEDO had a total of 501 franchisee contracts for a net increase of 33 over the six months since the end of FY6/17. Plans call for getting this number up to 573 by the end of FY6/18 for an increase of 105. The cumulative number of franchised stores opened at the end of Q2 was 415, an increase of 37 over the end of FY6/17. Plans call for getting this number up to 457 by the end of FY6/18 for an increase of 79.

## Business overview

**Total number of Franchised Stores**


Source: Prepared by FISCO from the Company's results briefing materials

**(3) Geographic reach**

Excluding stores specializing in buying houses and other real estate, as of the end of 1H FY6/18, the Tokai region accounted for the largest proportion of franchised stores by region with 29.1%, easily surpassing the 14.7% of franchised stores located in the Kinki region where HOUSEDO originated. The 79 franchised stores in the Kanto region (with a market 2.5 times larger than the Kinki region) accounted for 20.7% of franchised stores and also easily outnumbered the 56 stores in the Kinki region. In the Tokai region, HOUSEDO has already reached 111 stores, 88.8% of its goal of 125 franchised stores in that region. The Company saw its name recognition go up in the Tokai region once franchised store openings surpassed 50% of its target figure. In contrast, progress rates toward targets remained at 18.4% and 32.0% for the Kanto and Kinki regions, respectively. For there to be the same kind of qualitative change in the Kanto and Kinki regions as there was in the Tokai region, management believes the number of franchised stores will have to top 100 in both regions. Backed by its strong local sales force, HOUSEDO has set a target of 1,000 franchised stores by the end of 2025.

**Franchised store targets by region and progress toward target**

Region	Store target		Actual		% of target
	(stores)	% of total	(stores)	% of total	
Hokkaido	40	4.0%	21	5.5%	52.5%
Tohoku	40	4.0%	14	3.7%	35.0%
Kanto	430	43.0%	79	20.7%	18.4%
Koshinetsu	20	2.0%	9	2.4%	45.0%
Hokuriku	20	2.0%	5	1.3%	25.0%
Tokai	125	12.5%	111	29.1%	88.8%
Kinki	175	17.5%	56	14.7%	32.0%
Chugoku/Shikoku	60	6.0%	53	13.9%	88.3%
Kyushu	80	8.0%	28	7.3%	35.0%
Okinawa	10	1.0%	5	1.3%	50.0%
<b>Total</b>	<b>1,000</b>	<b>100.0%</b>	<b>381</b>	<b>100.0%</b>	<b>38.1%</b>

Source: Prepared by FISCO from the Company's results briefing materials

## Business overview

**(4) HOUSEDO aims to be the SPA of the real estate sector**

The Company's strength lies in its ability to develop and launch a steady stream of new services and businesses ahead of competitors as a specialty store of private label apparel (SPA) does. As a franchisor, HOUSEDO provides training and guidance to franchisees based on its operating experience gained at its headquarters and directly operated stores. By passing on its expertise in customer solicitation and other aspects of the business, HOUSEDO makes it possible for even those with no experience in the real estate brokerage business to set up shop as a franchisee. In fact, as of the end of FY6/17, HOUSEDO reported that about 70% of its franchisees were new to the industry.

The Company's new services and systems introduced ahead of competitors include: the Franchisee Business's stores specializing in buying houses and other real estate; the House-Leaseback Business launched in October 2013 that allows homeowners to sell their home while continuing to live there under a lease agreement; real estate secured loans, a financial service launched in July 2016; a reverse mortgage guarantee service launched in October 2017; the Europe/US Style Real Estate Agent Program launched in December 2017; Time Room Cloud, a time-share business structured to solve the problem of unused properties launched in February 2018.

**(5) Changes at franchised stores**

As of the end of 1H FY6/18, HOUSEDO's franchised store operations consisted of 369 satellite stores that operate as real estate brokers and 115 stores that specialize in buying houses and other real estate. It also included 17 directly operated stores.

Stores specializing in buying houses and other real estate object for experienced real estate agents. Industry peers now recognize the value of HOUSEDO's franchise chain and have come to appreciate its brand strength and ability to develop new business ideas. In the case of franchisees who are new to the industry, HOUSEDO has always shared its expertise in the Real Estate Brokerage Business (customer solicitation strategies, IT strategies, employee training, motivational strategies, etc.). In recent years, there has been a growing number of small- and medium-sized entrepreneurs in need of a trustworthy image, advertising and branding, and a network. By developing multiple business formats, the Company has raised both its name recognition and the level of trust among the public, and HOUSEDO's Franchisee Business is expanding both the number of franchised stores and its geographic reach.

## Finding business opportunities in solving the problems of an aging society

### 3. Problems of an aging society

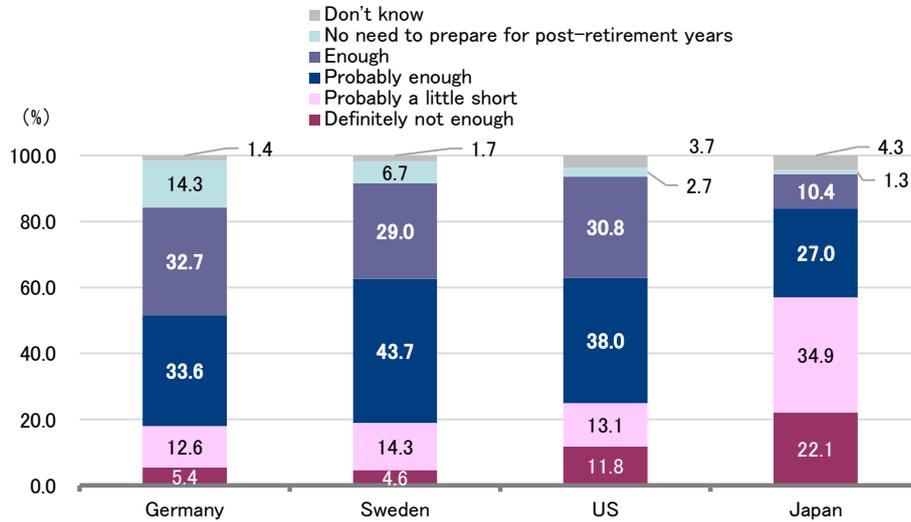
**(1) Preparing for retirement years and cash income**

In Japan, the elderly tend to have most of their wealth in the form of financial assets (net) and property. While most of Japan's elderly own their homes, with generally limited cash incomes, it is difficult to say they are leading full lives after retiring from the workforce.

According to the Cabinet Office's recent International Comparison Survey on the Daily Life and Attitudes of Elderly Persons, Japan's elderly are not sufficiently prepared for their retirement years compared with their counterparts in other developed nations. With regard to the sufficiency of savings and other assets to sustain them in retirement, among the elderly surveyed in Japan, 22.1% answered "definitely not enough," 34.9% "probably a little short," 27.0% "probably enough," and only 10.4% "enough." In contrast, among the elderly surveyed in Germany, only 5.4% said "definitely not enough" and 12.6% "probably a little short," while in the US, only 11.8% said "definitely not enough" and only 13.1% "probably a little short."

Business overview

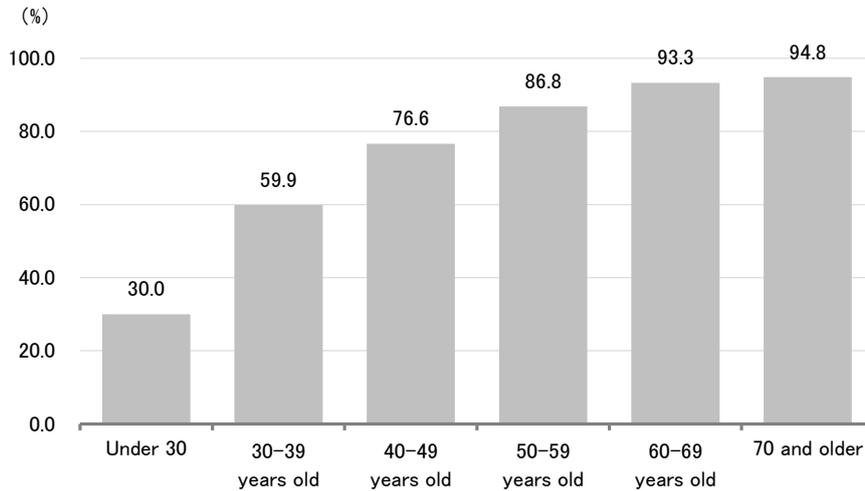
Sufficiency of savings and other assets to sustain in retirement



Source: Prepared by FISCO based on the Cabinet Office's International Comparison Survey on the Daily Life and Attitudes of Elderly Persons (FY2015)

In Japan, the majority of net financial assets are owned by households aged 60 and older, with much of this concentrated in the hands of wealthy households. Home ownership among the elderly in Japan is also extremely high, at 93.3% for households aged 60 and above and 94.8% for households aged 70 and above.

Home ownership among Japanese households



Source: Prepared by FISCO based on Ministry of Internal Affairs and Communications' Family Income and Expenditure Survey (2016)

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Business overview

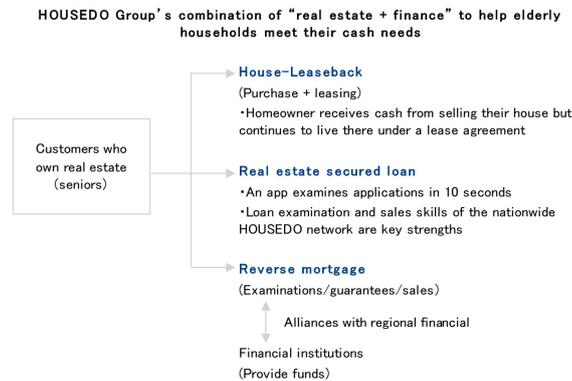
In 2016, the average annual income for households aged 30–39 was ¥5.62mn, 40–49 ¥6.71mn, and 50–59 ¥7.44mn. In contrast the average annual income for households aged 60–69 was only ¥5.31mn and households aged 70 and above only ¥4.05mn. Trends in monthly consumption spending by these same households mirror the level of household income, with households aged 30–39 spending an average of ¥243,000 a month, 40–49 ¥290,000, 50–59 ¥296,000, 60–69 ¥247,000, and 70 and above only ¥202,000. In short, Japan’s elderly households may own their own homes but both their incomes and consumption spending are lower than younger households.

**(2) Increasing mortality and inheritance**

With a total of 1.34mn recorded deaths in 2017, Japan is now seeing a growing number of deaths each year and the problem is only expected to get worse. By the year 2030, it is estimated that more than 1.60mn of the baby boomer generation will be 80 years old or older. Of the estates being passed down as inheritance, smaller estates outnumber large estate by a wide margin. More precisely, 43.0% of the inheritable estates are valued at ¥50mn or less, and 31.0% are valued at ¥10mn or less; together, this accounts for three-fourths of inheritable estates. Disputes among heirs are common when the largest asset happens to be the decedent’s home as it is naturally difficult to split among multiple heirs. House-Leaseback agreements that allow elderly homeowners to monetize their asset before they die while continuing to live in the same house are an easy way to help avoid such disputes.

In October 2013, HOUSEDO began its House-Leaseback Business where it allows elderly homeowners to sell their homes but continue living there under a lease agreement. This was followed by the launch of real estate secured loans in July 2016 to meet the needs of those whose financial needs are only temporary and not big enough to warrant selling their house. Then in October 2017, the Company launched its reverse mortgage guarantee service, to provide loan guarantees on reverse mortgages (where the house serves as collateral) partnering with regional financial institutions.

**HOUSEDO Group’s combination of “real estate + finance” to help elderly households meet their cash needs**



Source: Prepared by FISCO from Company materials

By giving property owners an easy way to sell their property holdings and get the cash they need, HOUSEDO is increasing liquidity in the market and providing a boost to the economy. At the same time, by providing the funds elderly households need to live out their retirement years while continuing to live in the same home, HOUSEDO also improves their quality of life.

Business overview

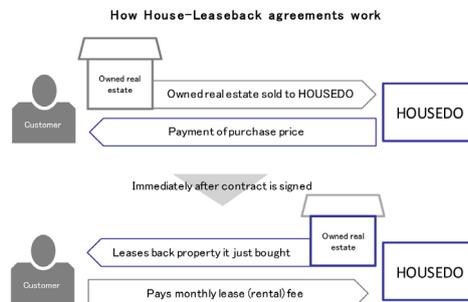
As childbirths decrease, the population ages, and the number households consisting of only nuclear families increases, the number of Japanese elderly living on their own has increased. As of the end of 2015, the number of elderly (65 and above) living alone topped 6.0mn people. For those in this situation that have entered into a House-Leaseback contract with HOUSEDO, the Company offers its Telephone Reassurance Service that calls every day (instead of family members having to do so). The Company also initiated a periodic home-visit service under the name Mimamori Do! in November 2017. The free home-visit service includes 1) about 30 minutes of conversation/communication time, 2) help with various personal chores, and 3) a home-delivery service for necessities. The home-helper service includes chores that can be accomplished within an hour or so, including such tasks as moving or setting up home furnishings and appliances, cleaning bathtubs, doing laundry, filling out applications, and accompanying the elderly person on trips to the hospital. For those aged 65 to 74, home visits are made about once every two months while those aged 75 and above can receive a visit every month.

4. House-Leaseback Business

(1) How House-Leaseback agreements work

The Company’s House-Leaseback plan proposes a new form of real estate utilization where homeowners are able continue living in their house and neighborhood they have come to love even after receiving the money from the sale of their home. By buying the house from the homeowner and then leasing it back under a lease agreement, HOUSEDO is effectively providing homeowners a new way to utilize their real estate assets. HOUSEDO applied for a trademark under the name “House-Leaseback” in 2013 and received approval of the trademark in July 2015. Having received more than 7,000 inquiries about its House-Leaseback service in 2017, HOUSEDO is aiming to make its House-Leaseback Business the dominant No. 1 player in this field.

How House-Leaseback agreements work



Source: Prepared by FISCO from Company materials

The Company believes there is a huge amount of latent demand for House-Leaseback schemes among homeowners in need of cash because House-Leaseback agreements are much easier to implement than the reverse mortgages offered by financial institutions, which come with many restrictions. Not only do its House-Leaseback agreements have no restrictions on the use of the money received; the age, income, or type of homeowner; or the type of property, they also do not require someone else to serve as a guarantor in the leasing contract. Moreover, because HOUSEDO already has all the requisite expertise in the real estate market (from real estate assessment and sales to financial services), it has the additional advantage of being able to do House-Leasebacks entirely with internal resources.

## Business overview

**(2) House-Leaseback Business: Geographic reach**

The main targetable markets for the Company's House-Leaseback Business are Japan's three major metropolitan areas of Tokyo, Osaka (the Kinki region), and Nagoya (the Chubu region). This is because properties covered by House-Leaseback agreements will need to be sold after the lease agreements end, therefore the real estate market in that area needs to be liquid. In addition to standalone homes, the House-Leaseback agreements offered by HOUSEDO also cover individual units in condominiums. Japan's three major metropolitan areas currently account for more than 90% of the properties covered by the Company's House-Leaseback agreements. As of the end of 1H FY6/18, the Tokyo metropolitan area accounted for 44.2% of House-Leaseback agreements, the Kinki region 30.4%, and the Chubu region 16.0%. The growth in these three metropolitan areas is attributable in part to the intensive advertising campaigns run by HOUSEDO. The Company opened a sales office in the Kyushu region (in the Hakata Ward of Fukuoka City) in October 2017, following a good response confirming sufficient demand.

**Number of properties under House-Leaseback agreements covered by region**

Region	Number of owned properties		Total value of properties owned (¥mn)	Unit price (¥mn)
	(properties)	% of total		
Hokkaido/Tohoku	15	2.4%	169.3	11.3
Koshinetsu	2	0.3%	12.1	6.0
Kitakanto	13	2.1%	116.3	8.9
Tokyo metropolitan area	277	44.2%	4,740.7	17.1
Chubu	100	16.0%	1,146.8	11.5
Hokuriku	1	0.2%	23.1	23.1
Kinki	190	30.4%	2,661.3	14.0
Chugoku/Shikoku	14	2.2%	108.6	7.8
Kyushu/Okinawa	14	2.2%	131.3	9.4
<b>Total</b>	<b>626</b>	<b>100.0%</b>	<b>9,109.6</b>	<b>14.6</b>

Source: Prepared by FISCO from the Company's results briefing materials

**(3) House-Leaseback Business: Profitability**

The Company's House-Leaseback Business has three different ways of generating income: the first from administrative fees at the time it purchases the property from the owner, the second from monthly rent income, and the third from capital gains at the time the property is sold. Because HOUSEDO purchases almost all properties directly from the owner, it collects an administrative fee of approximately 3% at the time its purchases the property. With the income earned from monthly rent income, which begins the month after the property is acquired, HOUSEDO earns an annual return of 8-10%. At the time of sale, HOUSEDO plans on a capital gain of about 15% over its original purchase price excluding various expenses and other fees. If the selling price is higher than originally projected, HOUSEDO returns the excess proceeds to the customer. The Company's capital gains sharing scheme has won the support of customers, who also agree that there is no set time limit on when the property must be resold.

For 1H FY6/18, the House-Leaseback Business reported ¥1,012mn in sales, of which 35.8% was monthly rent income, 8.3% administrative fees, and 55.9% income from sales. During 1H, the Company sold 24 properties for an average price of about ¥23mn.

## Business overview

Based on past experience, the House-Leaseback Business expects to sell about 1% of the properties it owns every month. It has also found that a certain number of households reduce the burden of everyday housework and rental expense by downsizing their home to a property that is better suited to the current size of their household. This can of course be easily accommodated within the HOUSEDO Group, which also offers real estate brokerage services for those looking to either buy or lease a new house. Unlike the Company, industry peers that have entered the House-Leaseback market have limited opportunities for generating income as they do not have the internal ability to buy or sell properties or serve as a leasing agent.

As of the end of 1H FY6/18, the House-Leaseback Business owned a total of 626 properties, an increase of 57.7% YoY. Because this is a Steady-income business, growth in the number of properties owned will lead to a growing stream of stable income in the future. However, all of the capital needs for this business are up front, and it does require a great deal of capital. If the Company manages to finance these expenses through funds, which is currently under consideration, then it will almost certainly aid the expansion of the business in the years ahead.

#### 5. Real Estate Finance Business: Adding a new business “reverse mortgage guarantee service”

HOUSEDO offers real estate secured loans for those whose financial needs are only temporary and not big enough to warrant selling their house. The interest rate and other fees that HOUSEDO charges on these loan is not much different than other loan providers. What is different is HOUSEDO’s main business as a real estate broker, which gives it a decisive advantage over competitors when it comes to both the speed and accuracy of its assessment of property values.

In terms of the number of registered companies in the money lending business, there were a total of 47,504 at the peak in 1986 in Japan and in 2013, this was down to only 2,217, or about one-twentieth of its former size. Consumer loan companies were hit hard by the national outcry against the growing problem of consumers who were heavily in debt and the Supreme Court ruling in 2006 that effectively outlawed the payment of so-called “grey zone” interest. Many small- and medium-sized consumer loan companies were also shut down by government order for violating regulations prohibiting the use of coercive tactics when collecting loans from debtors. With many money lenders closing shop and the industry undergoing a full-scale restructuring, the number of money lenders plummeted and the government imposed further quantitative restrictions on lending by the remaining lenders that were subject to the Money Lending Business Act. There appears to be a large amount of latent demand for the Company’s Real Estate Finance Business.

For 1H FY6/18, the Real Estate Finance Business reported sales of ¥205mn, a 2.8-fold increase YoY, and operating profit of ¥50mn, up 61%. Real estate secured loans outstanding was ¥3.2bn at the end of 1H FY6/18. During 1H, the Company recorded a combined total of 88 transactions for real estate secured loans and reverse mortgage guarantees. The Company plans to record sales from the reverse mortgage guarantee service separately starting in 2H.

Financial Do began offering a reverse mortgage guarantee service in October 2017. Partnering with Osaka Shinkin Bank, Financial Do will provide real estate assessment services (assessing the value of property offered as collateral) and loan guarantees for “YU-YUJITEKI”, meaning is Leisurely Life, reverse mortgages being offered by Osaka Shinkin Bank.

#### Business overview

A reverse mortgage is a type of financial product that allows homeowners to use their house as collateral when taking out a loan. It was introduced in Japan in 1981 as a financing alternative for seniors who owned their home but did not have enough cash income. Up until today, reverse mortgages are not yet fully widespread as only a limited number of banks provide such financial products. Reverse mortgages entail risks including falling real estate prices, rising land prices, and the aging of property; however, subsidiary Financial Do helps facilitate the product by mitigating the risk with a loan guarantee. In return, Financial Do collects a portion of the interest received by the bank as its fee for guaranteeing the loan. Because the reverse mortgage guarantee service makes use of existing Group resources and plays to its expertise in real estate, growing this business will not require much capital. Expansion plans call for expanding the geographic area served by establishing similar partnerships with regional banks, and other regional financial institutions.

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

When the real estate market in the Tokyo metropolitan area started to show signs of overheating in some locales, the Company temporarily adopted a much more cautious stance on real estate buying. At present, without excessively tightening the operation in the area, the Company has returned to its standard protocol and is proceeding with caution. The Company has worked even more closely with the Group's directly operated stores in the selection of properties, and is focusing not on building up inventory but rather on increasing inventory turnover while keeping its total property inventory flat around ¥5.0bn. In FY6/16, the Real Estate Buying and Selling Business saw operating profit double, driven by the sale of a single property valued at more than ¥200mn as well as sales of other properties that had been expected to close in the prior year but were delayed and pushed into FY6/16. This set the stage for a sales decrease of 20.5% YoY in FY6/17 and a decrease of 53.2% in operating profit. The Company expects sales and earnings to pick up in FY6/18 in response to strong demand and is projecting a 3.7% increase in full-year sales and a 14.0% rise in operating profit.

#### 7. Real Estate Brokerage Business

The Company is aiming to maintain and expand sales and earnings by combining the real estate brokerage run by its directly operated stores and real estate buying and renovations to create additional business opportunities such as renovation work, housing loans, and fire insurance. The Company shifted employees out of its Real Estate Brokerage Business into its Franchisee and House-Leaseback businesses, which are Steady-income businesses. But it trained a new batch of young employees and during 1H FY6/18, the Company managed to handle 1,546 brokered properties (+9.9% YoY), and sales increased 13.2% YoY with operating profit up 28.0%. The Company attributed the strong growth in part to the jump in its reputation and brand image following its listing on the First Section of the Tokyo Stock Exchange.

#### 8. Renovation Business

The Renovation Business posted ¥757mn in new housing contracts in FY6/16 but expects none for FY6/18 or FY6/19 as it focuses instead on renovation work. In 1H FY6/18, the segment reported a 3.9% YoY decrease in sales but with improved profitability, operating profit increased 27.0%. The Renovation Business works closely with the Real Estate Buying and Selling, Real Estate Brokerage and House-Leaseback businesses.

## Looking to change the real estate industry by introducing a steady stream of innovative services

### 9. New businesses: RENT Do! real estate rental business and Time Room Cloud, a time-share business for unused properties

In January 2018 the Company started up RENT Do!, a real estate agency specializing in property rentals, and began recruitment to sign up franchisee. With the major property leasing agencies already having the market well covered, RENT Do! will admittedly be hard-pressed to establish a new franchise chain. But with the demand from existing franchised stores in the Real Estate Brokerage Business, the Company went ahead and launched a new Franchisee Business for real estate rental business. For existing franchised stores, the additional franchise fee is offered at half price. Management of franchised stores are supported by the reputational boost provided by the Company's listing on the First Section of the Tokyo Stock Exchange, the branding and billboard advertising for HOUSEDO and an intensive advertising campaign. The Company's HOUSEDO franchise chain already has more than 500 franchised stores and is aiming to eventually get this to 1,000. The Company has set a similar goal of 1,000 franchised stores for its new RENT Do! chain.

One way the Company is looking to differentiate itself from competitors as a property leasing agent is by doing things that increase the satisfaction of the property owner. One of ideas it came up with was how to solve the problem of vacant rooms or vacant properties. Towards this end, the Company started up Time Room Cloud, a time-share business structured to rent out the space for use by others on an hourly basis. The list of potential users of such spaces include parties, conferences, events, and even telework. HOUSEDO is currently in the process of developing an app that would allow users to do everything from their smartphone, including unlock the door to gain access to the rented space and paying by credit card. There is the potential of Time Room Cloud eventually leading to other businesses such as the real estate rental and brokerage businesses.

### 10. New system: Europe/US Style Real Estate Agent Program

Starting in December 2017, HOUSEDO introduced Europe/US Style Real Estate Agent Program, and began a full-scale push to recruit registered agents. The Company held presentations in both Tokyo and Osaka to explain the program and is looking to sign up 100 agents (mainly in the Tokyo metropolitan area) in the first year.

In the US, real estate agents are affiliated with a real estate company that is licensed to do business as a real estate broker but the agents are not employees, they are independent contractors engaged in the real estate business. Using this same arrangement, HOUSEDO is looking to recruit independent contractors that register with its directly operated stores or one of its franchised stores. Under the program, agents are able to focus on pursuing real estate sales and brokerage operation as an independent businessperson without having to bear the initial costs of setting up their own store, and will also benefit from the brand strength, the customer drawing-power, the trustworthy reputation, the customer and property management systems, the national chain of more than 500 franchised stores, and other management resources of HOUSEDO. If the same person were to operate a real estate brokerage business entirely own, they would have much less time to devote to sales because they would have to deal with all the other tasks involved in running a standalone business, such as attracting customers, hiring salespeople, training employees, and accounting. Under its Europe/US Style Real Estate Agent Program, HOUSEDO will provide a strong support network to assist registered agents with tasks such as attracting customers, researching properties, and document preparation-related work, and will even provide assistants for top-producing agents.

#### Business overview

After registering as an agent, individual agents will receive a fixed salary for the first six months as compensation for their work in sales plus incentive payments of between 48% and 90% of the operating profit earned when a real estate sales or purchase contract is signed. And, because these agents are free to set their own working, they are also free to work at another job, run a side business, and otherwise find the right work-life balance for themselves.

In the US, job tasks are clearly spelled out in an employment contract and there is generally no difference in pay based on the sex or age of workers performing the same tasks. In contrast, under the membership-type employment system commonly used by Japanese companies, employees are hired after graduation from school and are given training by the company, and the workforce is comprised of employees with no special restrictions on working hours, job content, and job location. This means even if an employee were to have a real talent for sales, as the years pass they would be given more and more administrative tasks, asked to help train new employees, and other duties and this would ultimately become the basis of their value to their employer rather than their original talent for sales. If HOUSEDO can find people who really want to focus on sales and get them to come on board as registered agents, it should greatly aid its expansion efforts.

In contrast to a job-centric employment system where employers assign people to certain jobs, under the membership-type employment system employers assign jobs to people. As this means the employer under membership-type employment system will end up evaluating employees more as individuals than for their actual performance on the job, it will not end up providing equal pay for equal work. The difference in the compensation paid by Japanese companies to regular employees and non-regular employees is larger than it is in either the US or Europe. Membership-type employment system was introduced in Japan during WWII and the high-growth years after the war even though Japanese labor law actually mandates a job-centric system. Japan's membership-type employment is now under review as the concept of equal pay for equal work placed at the top of the government's action plan for changing the way people work. Under a membership-type employment system, employees are destined to aim for management positions but will have to spend a lot of time being hospitable toward their superiors. For individuals who are not satisfied with this type of employment situation, but have confidence in their sales ability, and are looking to enter a field where they can hone their professional skills and make a career, the registered agent system would seem to be an attractive alternative.

## ■ Results trends

### 1H FY6/18 results surpassed initial Company forecast

#### 1. 1H FY6/18 results

Consolidated results for 1H FY6/18 came in well ahead of the Company's initial forecast and also set a new record high. Net sales of ¥9,532mn were up 11.1% YoY (versus initial forecast of +11.1%), operating profit of ¥888mn was up 38.7% (versus forecast of +25.5%), ordinary profit of ¥778mn was up 40.9% (versus forecast of +34.9%) and profit attributable to owners of parent of ¥501mn was up 40.3% (versus initial forecast of +33.0%).

**House Do Co., Ltd.** | **8-Mar.-2018**  
 3457 Tokyo Stock Exchange First Section | <https://www.housedo.co.jp/en/>

Results trends

1H FY6/18 consolidated sales and earnings: breakdown by segment

	1H FY6/17		1H FY6/18		YoY		Versus forecast	
	Results	% of net sales	Initial forecast	Results	% of net sales	Change		% change
(¥mn)								
<b>Net sales</b>								
Steady-income businesses	2,404	28.0%	-	2,468	25.9%	63	2.7%	-
Franchisee Business	1,064	12.4%	-	1,237	13.0%	173	16.3%	-
House-Leaseback Business	1,265	14.7%	-	1,026	10.8%	-239	-18.9%	-
Real Estate Finance Business	74	0.9%	-	205	2.2%	130	174.5%	-
Flow-type income businesses	6,337	73.9%	-	7,217	75.7%	879	13.9%	-
Real Estate Buying and Selling Business	3,759	43.8%	-	4,589	48.1%	829	22.1%	-
Real Estate Brokerage Business	907	10.6%	-	1,026	10.8%	119	13.2%	-
Renovation Business	1,666	19.4%	-	1,600	16.8%	-65	-3.9%	-
Other	4	0.1%	-	-	-	-	-	-
Adjustment	-162	-1.9%	-	-153	-1.6%	9	-	-
<b>Net sales total</b>	<b>8,579</b>	<b>100.0%</b>	<b>8,583</b>	<b>9,532</b>	<b>100.0%</b>	<b>953</b>	<b>11.1%</b>	<b>11.1%</b>
<b>Gross profit</b>	<b>3,248</b>	<b>37.9%</b>	<b>-</b>	<b>3,915</b>	<b>41.1%</b>	<b>667</b>	<b>20.5%</b>	<b>-</b>
<b>SG&amp;A expenses</b>	<b>2,607</b>	<b>30.3%</b>	<b>-</b>	<b>3,026</b>	<b>31.8%</b>	<b>419</b>	<b>16.1%</b>	<b>-</b>
<b>Operating profit</b>								
Steady-income businesses	838	34.9%	-	904	36.6%	65	7.8%	-
Franchisee Business	604	56.8%	-	736	59.5%	132	21.9%	-
House-Leaseback Business	203	16.1%	-	117	11.5%	-85	-42.1%	-
Real Estate Finance Business	31	41.8%	-	50	24.5%	19	61.0%	-
Flow-type income businesses	516	8.2%	-	875	12.1%	358	69.5%	-
Real Estate Buying and Selling Business	208	5.5%	-	473	10.3%	265	127.3%	-
Real Estate Brokerage Business	175	19.4%	-	224	21.9%	49	28.0%	-
Renovation Business	139	8.4%	-	177	11.1%	37	27.0%	-
Other	-6	-146.0%	-	-	-	-	-	-
Adjustment	-715	-	-	-891	-	-176	-	-
<b>Operating profit total</b>	<b>640</b>	<b>7.5%</b>	<b>707</b>	<b>888</b>	<b>9.3%</b>	<b>248</b>	<b>38.7%</b>	<b>25.5%</b>
<b>Ordinary profit</b>	<b>552</b>	<b>6.4%</b>	<b>577</b>	<b>778</b>	<b>8.2%</b>	<b>225</b>	<b>40.9%</b>	<b>34.9%</b>
<b>Profit attributable to owners of parent</b>	<b>357</b>	<b>4.2%</b>	<b>377</b>	<b>501</b>	<b>5.3%</b>	<b>144</b>	<b>40.3%</b>	<b>33.0%</b>

Source: Prepared by FISCO from the Company's financial results and results briefing materials

Note: Operating profit margin for individual segments calculated based on sales for that segment

Under its medium-term plan, a top priority for HOUSEDO is shifting more resources into Steady-income businesses that will sustain growth in the future. For 1H FY6/18, the Franchisee Business reported a 16.3% YoY rise in sales to ¥1,237mn and a 21.9% rise in operating profit to ¥736mn. Steady growth was underpinned by rising franchisee contracts, which as of the end of 1H had surpassed the 500-store milestone, totaling 501 stores with a cumulative total of 415 franchised stores opened. The House-Leaseback Business reported 1H sales of ¥1,026mn (-18.9% YoY) and operating profit of ¥117mn (-42.1%). This was due to the irregular large properties sales posted in previous fiscal year totaling ¥484mn, which compose an income-property of ¥307mn and high-price properties of ¥117mn, and ¥124mn in operating profit, which was ¥90mn for an income-property and ¥34mn for high-price properties. Accordingly, the Company had initially projected a 22.8% decrease in full-year sales and flat operating profit. Excluding the special factor, the House-Leaseback Business would have posted increases of 31.3% YoY in sales and 51.0% in operating profit in 1H FY6/18, meaning no change in the Company's medium-term growth outlook. The number of properties owned by the House-Leaseback Business at the end of 1H was 626, representing a YoY increase of 57.7%. The Company maintained an average increase in the number of contract of 25.2 per month. The Real Estate Finance Business reported 1H sales of ¥205mn, a 2.8-fold increase YoY, and operating profit of ¥50mn, a 1.6-fold increase. The strong growth reflected synergies with the House-Leaseback Business, which complements the Real Estate Finance Business. While total sales from Steady-income businesses in 1H FY6/18 came to less half of the full-year target, continued steady growth is expected considering additions to the revenue-producing asset base tend to be made more in 2H than in 1H.

#### Results trends

Turning now to the segments that are flow-type income businesses, we find the Real Estate Buying and Selling Business reporting a 22.1% YoY rise in sales, to ¥4,589mn, and a 2.3-fold rise in operating profit to ¥473mn. This reflects the segment's return to its standard protocol after adopting a more cautious stance at this time last year amid signs that some parts of the real estate market were overheating. That said, the Company is still keeping its inventory (real estate for sale, real estate for sale in process and costs on uncompleted construction contracts) steady around ¥5.0bn and focusing on inventory turnover. Against the full-year target, Real Estate Buying and Selling Business progressed 62.2% for sales and 98.3% for operating profit. The Real Estate Brokerage Business operated at directly operated stores posted sales of ¥1,026mn (+13.2% YoY) and an operating profit of ¥224mn (+28.0%), making 54.0% against the full-year forecast for sales and 88.7% for operating profit. During 1H FY6/18, the Real Estate Brokerage Business opened two new stores, one in Okinawa Prefecture and one in Aichi Prefecture. The training of young employees went smoothly as the Real Estate Brokerage Business itself serves as a role model for franchised stores and franchise headquarters is tasked with the job of employee training. At the Renovation Business, where HOUSEDO was simply looking to keep sales and earnings basically flat, 1H sales slipped 3.9% YoY to ¥1,600mn, though this was due in part to the absence of ¥232mn in new housing contracts booked during 1H FY6/17. In contrast, operating profit rose 27.0% to ¥177mn. Against the full-year forecast, the Renovation Business made up 53.8% for sales and 88.0% for operating profit.

## Equity ratio improved sharply after Financial arrangement

### 2. Financial position and management indicators

At the end of 1H FY6/18, total assets were ¥22,673mn, an increase of ¥2,400mn from the end of FY6/17. Current assets increased ¥417mn to ¥12,630mn as inventory decreased by ¥190mn to ¥5,614mn from selling real estate for sale. Reflecting an increase in the number of properties owned by the House-Leaseback Business, property, plant and equipment rose by ¥1,972mn to ¥9,702mn. While total assets increased, current liabilities came down by ¥430mn and non-current liabilities fell by ¥504mn. Liabilities with interest was reduced by ¥1,686mn to ¥12,581. Shareholders' equity increased by ¥3,331mn following the issuance of preferred stock in October 2017. As a result, the shareholders' equity ratio jumped from 13.7% at the end of FY6/17 to 26.9% at the end of 1H FY6/18.

## Results trends

## Consolidated balance sheet

	As of Jun. 30, 2015	As of Jun. 30, 2016	As of Jun. 30, 2017	As of Dec. 31, 2017	Change
(¥mn)					
<b>Current assets</b>	5,590	7,393	12,212	12,630	417
Cash and deposits	1,001	2,001	3,129	3,157	28
Inventory	4,265	4,915	5,804	5,614	-190
<b>Non-current assets</b>	2,611	5,501	8,060	10,043	1,982
Property, plant and equipment	2,353	5,207	7,729	9,702	1,972
Intangible assets	75	72	56	51	-4
Investments and other assets	182	220	274	288	14
<b>Total assets</b>	8,201	12,895	20,273	22,673	2,400
<b>Current liabilities</b>	4,365	6,003	10,071	9,640	-430
Short-term loans payable	2,571	4,168	8,255	7,569	-686
Other current liabilities	1,793	1,834	1,815	2,071	255
<b>Non-current liabilities</b>	2,396	4,722	7,422	6,917	-504
Bonds, long-term loans payable, etc.	2,077	3,843	6,029	5,025	-1,004
Other non-current liabilities	319	879	1,393	1,892	499
<b>Total liabilities</b>	6,762	10,725	17,494	16,558	-935
Liabilities with interest	4,621	7,994	14,267	12,581	-1,686
<b>Total net assets</b>	1,439	2,169	2,779	6,114	3,335
<b>Total liabilities and net assets</b>	8,201	12,895	20,273	22,673	2,400
[Stability]					
Current ratio	128.0%	123.2%	121.3%	131.0%	-
Shareholder's equity ratio	17.6%	16.8%	13.7%	26.9%	-

Source: Prepared by FISCO from the Company's financial results

## Business outlook

### Company implies full-year forecast will be raised

Having made no changes to its initial forecast for the full year, HOUSEDO is still forecasting net sales of ¥17,146mn (+1.8% YoY), operating profit of ¥1,603mn (+28.4%), ordinary profit of ¥1,400mn (+27.0%), and profit attributable to owners of parent of ¥920mn (+24.7%). The Company is looking to get firmly back on the growth track in FY6/18 after finishing with lower sales and earnings in FY6/17 as a result of favorable results beyond the Company's expectations brought by special factors.

As the winter months of December, January, and February are normally the slow season for the real estate industry, the Company says it will wait to decide whether to revise its full-year forecast until after it sees how the market is holding up in March which is the end of the fiscal for most Japanese companies.

**House Do Co., Ltd.** | **8-Mar.-2018**  
 3457 Tokyo Stock Exchange First Section | <https://www.housedo.co.jp/en/>

Business outlook

As for Steady-income businesses, following the steady growth in the number of franchised stores and properties owned during 1H, the Company expects to book higher sales and earnings in 2H than in 1H. In the Franchisee Business, the Company is forecasting a 15.1% YoY increase in segment sales and a 19.4% increase in operating profit. In the Real Estate Finance Business, sales and operating profit are expected to nearly double. In the House-Leaseback Business, the absence of the special factor of properties sales (an income property and a high-price property) has the Company projecting a 22.8% YoY decrease in sales and flat operating profit, though excluding this special factor the underlying trends at the segment show solid growth.

The Company is projecting a modest 2.8% YoY rise in sales and 5.7% decrease in operating profit as for a clear reflection of its decision to shift from Labor-intensive businesses and put more resources in Steady-income businesses. In the case of its Real Estate Buying and Selling Business, the Company is still playing it safe with respect to the level of its inventory but is otherwise moving away from its previously cautious stance and back to its standard protocols and, with the help of younger employees who have matured, is running ahead of the Company's initial forecast as of the end of 1H.

**FY6/18 forecast**

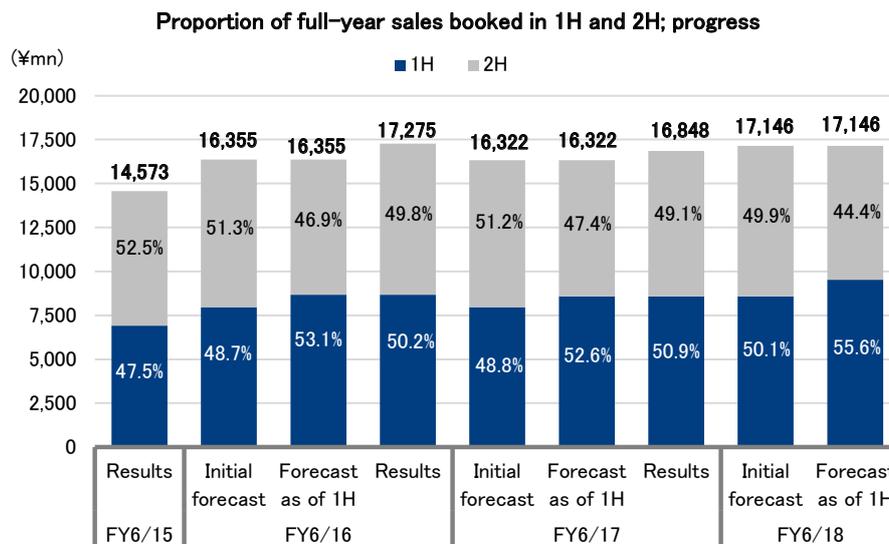
	FY6/17		FY6/18 forecast		YoY	
	Amount	% of net sales	Amount	% of net sales	Change	% change
(¥mn)						
<b>Net sales</b>						
Steady-income businesses	5,249	31.2%	5,212	30.4%	-37	-0.7%
Franchisee Business	2,220	13.2%	2,556	14.9%	335	15.1%
House-Leaseback Business	2,807	16.7%	2,166	12.6%	-641	-22.8%
Real Estate Finance Business	221	1.3%	490	2.9%	268	121.3%
Flow-type income businesses	11,925	70.8%	12,254	71.5%	328	2.8%
Real Estate Buying and Selling Business	7,111	42.2%	7,375	43.0%	263	3.7%
Real Estate Brokerage Business	1,859	11.0%	1,901	11.1%	41	2.2%
Renovation Business	2,945	17.5%	2,978	17.4%	33	1.2%
Other	10	0.1%	-	-	-	-
Adjustment	-326	-1.9%	-323	-1.9%	3	-
<b>Net sales total</b>	<b>16,848</b>	<b>100.0%</b>	<b>17,146</b>	<b>100.0%</b>	<b>297</b>	<b>1.8%</b>
Gross profit	6,572	39.0%	-	-	-	-
SG&A expenses	5,323	31.6%	-	-	-	-
<b>Operating profit</b>						
Steady-income businesses	1,708	32.5%	2,049	39.3%	340	19.9%
Franchisee Business	1,304	58.7%	1,558	61.0%	253	19.4%
House-Leaseback Business	330	11.8%	331	15.3%	1	0.0%
Real Estate Finance Business	72	32.9%	160	32.7%	87	119.5%
Flow-type income businesses	991	8.3%	935	7.6%	-56	-5.7%
Real Estate Buying and Selling Business	422	5.9%	481	6.5%	58	13.8%
Real Estate Brokerage Business	373	20.1%	253	13.3%	-120	-32.2%
Renovation Business	212	7.2%	201	6.7%	-11	-5.5%
Other	-17	-170.6%	-	-	-	-
Adjustment	-1,450	-	-1,382	-	68	-
<b>Operating profit total</b>	<b>1,249</b>	<b>7.4%</b>	<b>1,603</b>	<b>9.3%</b>	<b>353</b>	<b>28.3%</b>
Ordinary profit	1,103	6.5%	1,400	8.2%	296	26.9%
Profit attributable to owners of parent	737	4.4%	920	5.4%	182	24.7%

Source: Prepared by FISCO from the Company's financial results and results briefing materials

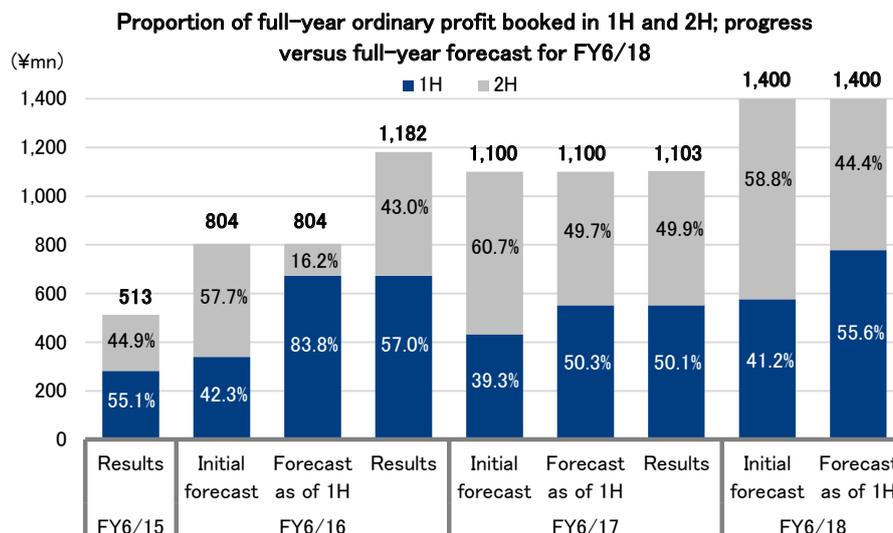
Note: Operating profit margin for individual segments calculated based on sales for that segment

Business outlook

Looking at the proportion of full-year results booked in 1H and 2H during the past two years, we do not see much seasonality in either sales or earnings. The Company's initial forecast for FY6/18 assumes 50.1% of sales will be booked in 1H and 49.9% in 2H, while 41.2% of ordinary profit will be booked in 1H and 58.8% in 2H. As actual results for 1H left the Company with 55.5% of its initial full-year forecast for sales and 44.4% for ordinary profit, the different between the actual and forecasted results in 1H will bring down the proportion the Company needs to generate in 2H.



Source: Prepared by FISCO from the Company's financial results



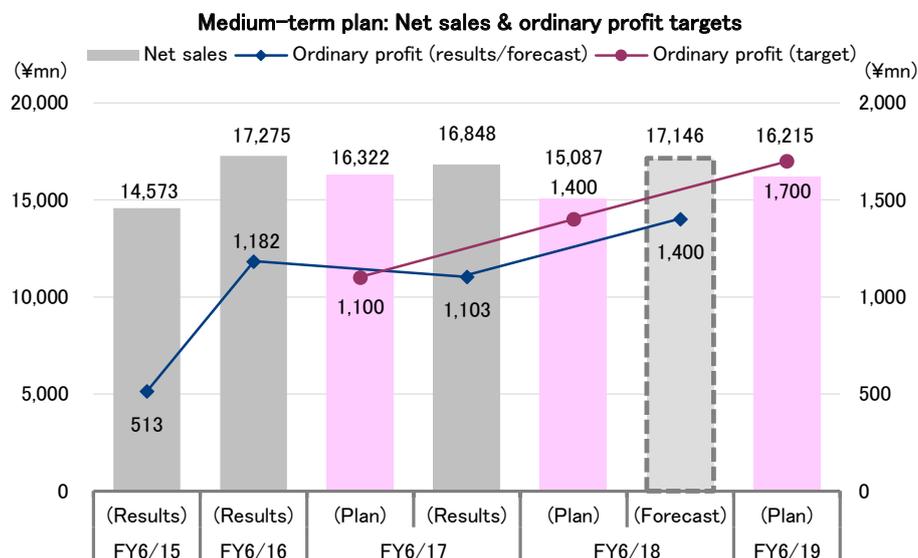
Source: Prepared by FISCO from the Company's financial results

## ■ Medium- to-long-term growth strategy

### Looking to grow earnings at more than 20% per annum

After seeing results at both its Real Estate Buying and Selling Business and its Renovation Business finish well above plan in FY6/16, the Company started worrying about the direction of the real estate market in the future and, prompted by these concerns, ended up going back and revising its previous medium-term plan and announcing a new three-year plan in August 2016. Under its previous three-year plan the Company was looking to move away from Labor-intensive business such as Real Estate Brokerage, Renovation, and Real Estate Buying and Selling businesses, and put more resource into Steady-income businesses such as Franchisee, House-Leaseback, and Real Estate Finance businesses. Under the current three-year plan the Company is accelerating the changes to its earnings structure with the aim of creating an all-weather business model that will permit sustained growth even if the real estate market conditions should change.

Under the current medium-term plan, which runs through FY6/19, the Company is looking to grow ordinary profit at an average annual growth rate of 12.9%. Reflecting the effect from the significant growth posted in FY6/16 and the heavy up-front investment for House-Leaseback Business, the Company forecasted about a 7% decrease in ordinary profit in FY6/17 and ended up finishing in line with that figure. As HOUSEDO has been steadily expanding its Steady-income businesses since then, management sees earnings getting firmly back on the growth track from this fiscal year with forecasts calling for a 27.0% rise in ordinary profit in FY6/18 followed by 21.4% increase in FY6/19.



Source: Prepared by FISCO from the Company's results briefing materials

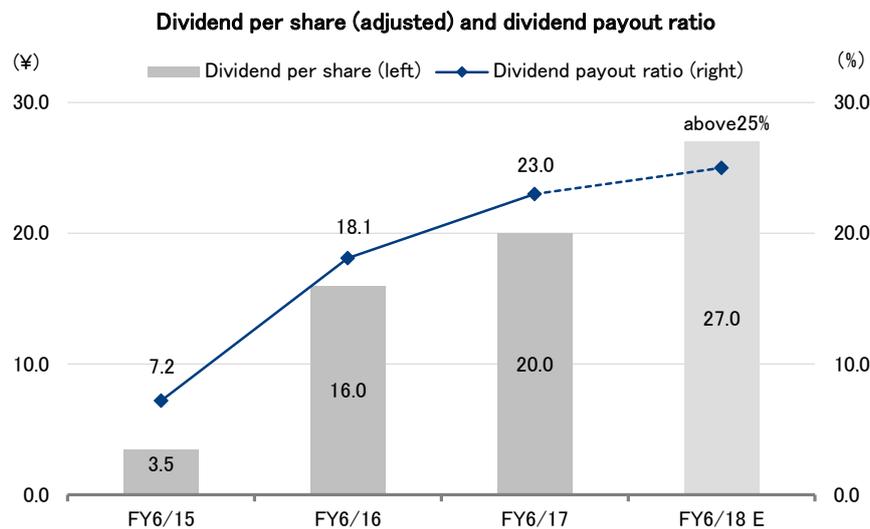
At the time HOUSEDO put together its current medium-term plan, new businesses such as its reverse mortgage guarantee service and RENT Do! real estate rental business had not taken shape, nor had plans for hiring sales people using the Europe/US Style Real Estate Agent Program. Accordingly, revenues and earnings from these new businesses and program are not reflected in the current plan's performance targets.

## Shareholder return policy

### Company looking to steadily increase dividend

#### 1. Dividend policy

The Company's primary means of making returns to shareholders will be through dividends. HOUSEDO had originally planned to boost its dividend payment by ¥1.0 to ¥17.0 per share in FY6/17 but, after attaining a listing on the First Section of the Tokyo Stock Exchange in December 2016, decided to add a commemorative dividend of ¥3.0 per share, bringing the total dividend payment in FY6/17 to ¥20.0 per share. The Company had planned on raising the dividend payout ratio from 18.1% in FY6/16 to 20.1% in FY6/17, but the payment of the commemorative dividend brought the payout ratio up to 23.0%. In FY6/18 HOUSEDO is looking to boost the dividend payout ratio above 25% and, in keeping with this, plans to pay a dividend of ¥27.0 per share.



Source: Prepared by FISCO from the Company's financial results

#### 2. Shareholder benefit program

To increase the attractiveness of its shares as an investment, in FY6/16 the Company introduced a shareholder rewards system as part of its overall program for rewarding medium and long-term shareholders. Under this reward system, the Company will give reward points to shareholders every year based on the number of shares held as of June 30. For shareholders with 100 shares, the Company will award 1,500 points the first year. After two years, the point award goes up to 1,650 points. Points are awarded in seven different levels depending on the number of shares held. 1 point is worth about ¥1, and shareholders can exchange the points for various items (including food products, electronics, gifts, and QUO Cards) through the Company's dedicated website. The points can also be used to make donations for social contribution activities.

## ■ Information security policy

As one of its data security measures, in February 2018, HOUSEDO switched to “always-on SSL” that will encrypt the signals sent from all the pages of its website. The change will reduce the danger of third-parties (i.e., hackers) intercepting, spoofing, or altering any of the Company’s data. Due in part to the formation of a business alliance with a financial institution in fall last year, the Company is focusing on its information security measures. The Company has also appointed a CTO (Chief Technical Officer/Chief Technology Officer) with the aim of further strengthening its information security measures going forward.



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