

Note: Please note that this document is a Japanese-English translation of the summary of the official announcement in Japanese "Kessan Tanshin" for reference purposes only.

Summary of Consolidated Financial Results for the First Quarter Ended September 30, 2019 [Based on Japanese GAAP]

February 14, 2019

Company name: Stock exchange listings: Code Number: URL: Representative: Scheduled date of quarterly securities report filing: Supplementary materials for quarterly financial results: Quarterly results briefing meeting :	Open House Co., Ltd. Tokyo Stock Exchange, First section 3288 https://openhouse-group.com/ir Masaaki Arai, President and CEO February 14, 2019 Yes No
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(Million yen, rounded down)

1. Consolidated Financial Results for the First Quarter Ended September 30, 2019 (October 1, 2018 to December 31, 2018)

(1) Consolidated operating results (Cumulative)

(% figures indicate year-on-year change)

	Revenue		Operating income		Ordinary income		Profit attributable to owners of parent	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
Three months ended December 31, 2018	105,029	37.4	9,305	(3.4)	8,155	(13.2)	5,742	(11.9)
December 31, 2017	76,461	9.0	9,633	11.3	9,391	7.0	6,517	13.6

(Note) Comprehensive income: Three months ended December 31, 2018 ¥ 5,308 million [(18.6)%]
 Three months ended December 31, 2017 ¥ 6,522 million [12.2%]

	EPS	Diluted EPS
	Yen	Yen
Three months ended December 31, 2018	101.50	100.86
December 31, 2017	116.82	115.95

(2) Consolidated Financial Position

	Total assets	Net assets	Equity ratio
	Million yen	Million yen	%
As of December 31, 2018	401,266	113,489	28.2
September 30, 2018	393,367	113,486	27.0

(Reference) Shareholders' equity: As of December 31, 2018 ¥ 113,154 million
 As of September 30, 2018 ¥ 106,156 million

2. Dividends

	Annual dividends per share				
	1Q-end	2Q-end	3Q-end	Year-end	Total
	Yen	Yen	Yen	Yen	Yen
FY 2018	—	46.00	—	52.00	98.00
FY 2019	—	—	—	—	—
FY 2019 (Forecast)	—	60.00	—	61.00	121.00

(Note) Revision of the latest dividend forecast: No

3. Forecast of Consolidated Operating Results for FY2019 (October 1, 2018 to September 30, 2019)

(% figures indicate year-on-year change)

	Revenue		Operating income		Ordinary income		Profit attributable to owners of parent		EPS
	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Yen
2Q (Cumulative)	225,000	32.4	22,000	4.5	20,500	1.6	15,000	7.0	265.12
Full year	510,000	30.5	54,000	14.2	51,500	11.8	37,000	16.3	653.96

(Note) Revision of the latest consolidated results forecast: No

***Notes:**

(1) Significant changes in consolidated subsidiaries during the period

(Changes in specific subsidiaries resulting in a change in the scope of consolidation): None

(2) Adoptions of special accounting methods in presentation of quarterly financial statements: Yes

(3) Changes in accounting policies, changes of accounting estimates, and revisions and restatements

i) Changes in accounting policies in accordance with changes in accounting principles: None

ii) Changes in accounting policies other than the above: Yes

iii) Changes in accounting estimates: None

iv) Revisions and restatements: None

(4) Number of shares issued and outstanding (common stock)

i) Number of shares issued at period-end (including treasury stock)

December 31, 2018: 57,552,500 shares September 30, 2018: 57,512,500 shares

ii) Treasury stock at period-end

December 31, 2018: 1,138,771 shares September 30, 2018: 2,235,080 shares

iii) Average number of shares issued during the period (quarterly consolidated cumulative basis)

December 31, 2018: 56,578,444 shares December 31, 2017 : 55,790,393 shares

** This quarterly financial results report is not subject to quarterly review procedure based on the Financial Instruments and Exchange Act.*

** Notes regarding forward-looking statements:*

Consolidated business forecasts are based on assumptions from information available to management at the time of disclosure and those deemed to be reasonable.

Actual results may differ significantly from forecast due to various unpredictable reasons.

Consolidated Quarterly Financial Statements

1) Consolidated Quarterly Balance Sheets

(Million yen)

	End of FY 2018 (as of September 30, 2018)	End of FY 2019 1Q (as of December 31, 2018)
Assets		
Current assets		
Cash and deposits	119,053	100,069
Operating accounts receivable	1,291	117
Real estate for sale	47,238	64,730
Real estate for sale in process	186,033	191,961
Operating loans	14,244	17,613
Other	10,127	10,299
Allowance for doubtful accounts	(172)	(170)
Total current assets	377,818	384,621
Non-current assets		
Property, plant and equipment	5,474	5,745
Intangible assets	3,515	3,730
Investments and other assets	6,517	7,131
Total non-current assets	15,508	16,606
Deferred assets	40	38
Total assets	393,367	401,266
Liabilities		
Current liabilities		
Notes payable	4,557	4,297
Operating accounts payable	14,803	15,502
Short-term loans payable	111,583	87,953
Current portion of bonds	532	482
Current portion of long-term loans payable	18,756	20,459
Income taxes payable	9,713	3,165
Provision	2,728	1,700
Other	19,730	19,252
Total current liabilities	182,405	152,812
Non-current liabilities		
Bonds payable	1,461	1,381
Long-term loans payable	95,619	133,188
Net defined benefit liability	300	306
Asset retirement obligations	92	88
Other	0	0
Total non-current liabilities	97,475	134,964
Total liabilities	279,880	287,777
Net assets		
Shareholders' equity		
Capital stock	4,094	4,158
Capital surplus	4,481	8,130
Retained earnings	103,324	104,339
Treasury shares	(6,102)	(3,398)
Total shareholders' equity	105,798	113,229
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	15	12
Foreign currency translation adjustment	342	(87)
Total accumulated other comprehensive income	358	(75)
Subscription rights to shares	388	334
Non-controlling interests	6,941	—
Total net assets	113,486	113,489
Total liabilities and net assets	393,367	401,266

2) Consolidated Quarterly Statements of Income and Consolidated Quarterly Statements of Comprehensive Income
Consolidated Quarterly Statements of Income

(Million yen)

	Three months ended September 30, 2018 (From October 1, 2017 to December 31, 2017)	Three months ended September 30, 2019 (From October 1, 2018 to December 31, 2018)
Revenue	76,461	105,029
Cost of revenue	61,799	88,556
Gross profit	14,661	16,473
Selling, general and administrative expenses	5,027	7,167
Operating income	9,633	9,305
Non-operating income		
Interest income	0	16
Dividends income	0	1
House rent income	23	44
Other	29	30
Total non-operating income	53	93
Non-operating expenses		
Interest expenses	258	409
Commission fee	1	670
Other	36	163
Total non-operating expenses	296	1,243
Ordinary income	9,391	8,155
Income before income taxes	9,391	8,155
Income taxes	2,873	2,412
Profit	6,517	5,742
Profit attributable to owners of parent	6,517	5,742

Consolidated Quarterly Statements of Comprehensive Income

(Million yen)

	Three months ended September 30, 2018 (From October 1, 2017 to December 31, 2017)	Three months ended September 30, 2019 (From October 1, 2018 to December 31, 2018)
Profit	6,517	5,742
Other comprehensive income		
Valuation difference on available-for-sale securities	1	(3)
Foreign currency translation adjustment	2	(430)
Total other comprehensive income	4	(433)
Comprehensive income	6,522	5,308
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	6,522	5,308

3) Notes to Consolidated Quarterly Financial Statements

(Notes on Going Concern Assumptions)

Not applicable

(Notes on significant changes in the amount of shareholders' equity)

The company delivered 1,357,909 shares in treasury stock thorough the share exchange by which the Company became the sole parent company of Hawk One and Hawk One became the wholly-owned subsidiary of the Company effective October 1, 2018. As a result, capital surplus increased by ¥3,585 million and treasury stock decreased by ¥3,707 million at the end of the current consolidated first quarter,

The Company also bought back shares based on the resolution at the Board of Directors meeting held on November 20, 2018. As a result, treasury stock increased by ¥1,003 million at the end of the current consolidated first quarter.

(Changes in significant subsidiaries during the period)

Not applicable

(Changes in Accounting policies)

(Application of the Accounting Standard for Revenue Recognition)

As ASBJ Statement No. 29 Accounting Standard for Revenue Recognition (March 30, 2018) (hereinafter referred to as the "Accounting Standard for Revenue Recognition") and ASBJ Guidance No. 30 Implementation Guidance on Accounting Standard for Revenue Recognition (March 30, 2018) became applicable from the beginning of the consolidated fiscal year starting on and after April 1, 2018, the Accounting Standard for Revenue Recognition and other related standards have been applied from the beginning of the first quarter under review. And the Company satisfies a performance obligation and, hence, recognizes revenue when it transfers a promised asset (such as a good or a service) to the customer.

By the adoption of this accounting policy, the commission recognized when the property purchase agreement has been formed is recognized as revenue when the property is delivered. The brokerage commission recorded as advanced received, and it is recognized as contract liability.

As a result, compared with the method used in the previous fiscal year, the introduction of the new method had the effect of increasing revenue, operating income, ordinary income, and net income before income taxes by ¥8 million each for the first quarter of the current fiscal year under review. And retained earnings decreased by ¥1,853 million at the beginning of the period.

At the end of the current consolidated first quarter, operating accounts receivable decreased by ¥1,271 million, and contract liability which was included in "Other" in "Current Liabilities" increased by ¥927 million.

(Adoption of Special Accounting Methods for Preparation of Quarterly Consolidated Financial Statements)

Tax expenses is calculated by multiplying income before income taxes by an effective tax rate that was reasonably estimated by applying tax effect accounting to estimated income before income taxes for the fiscal year ended September 2019 including the first quarter under review.

(Segment and Other Information)

【Segment Information】

I. Three months ended September 30, 2018 (October 1, 2017 to December 31, 2017)

Information on revenue, income or loss, and other items by reportable segment

	Reportable Segment					Adjustments (Note 1)	(Million yen) Amount Recorded on Consolidated Quarterly Statements of Income (Note 2)
	Single-family homes related	Condominiums	Property resales	Others	Total		
Revenue							
Revenue from Outside Customers	44,341	4,487	25,285	2,347	76,461	—	76,461
Intersegment revenue and transfers	—	—	5	—	5	(5)	—
Total	44,341	4,487	25,291	2,347	76,466	(5)	76,461
Segment Income (Loss)	5,603	121	3,737	389	9,852	(218)	9,633

(NOTE)

1. Adjustment of ¥(218)million for segment income includes intersegment elimination of ¥5 million and corporate expenses of ¥(224) million that is not distributed to the reportable segments. Corporate expenses are primarily general and administrative expenses that do not belong to the reportable segments.
2. Segment income has been adjusted to operating income described in consolidated quarterly statements of income.

II. Three months ended September 30, 2019 (October 1, 2018 to December 31, 2018)

Information on revenue, income or loss, and other items by reportable segment

(Million yen)

	Reportable Segment					Adjustments (Note 1)	Amount Recorded on Consolidated Quarterly Statements of Income (Note 2)
	Single-family homes related	Condominiums	Property resales	Others	Total		
Revenue							
Revenue from Outside Customers	78,995	6,504	13,029	6,498	105,029	—	105,029
Intersegment revenue and transfers	—	—	10	—	10	(10)	—
Total	78,995	6,504	13,040	6,498	105,040	(10)	105,029
Segment Income (Loss)	7,189	620	915	841	9,567	(261)	9,305

(NOTE)

1. Adjustment of ¥ (261) million for segment income includes intersegment elimination of ¥42 million and corporate expenses of ¥ (304) million that is not distributed to the reportable segments. Corporate expenses are primarily general and administrative expenses that do not belong to the reportable segments.
2. Segment income has been adjusted to operating income described in consolidated quarterly statements of income.

2. Notes relating to changes in reportable segments etc.

As the Company has applied the Accounting Standard for Revenue Recognition, and changed the methods of accounting procedures from for Revenue Recognition the first quarter of the current fiscal year, the method of calculating income or loss by reportable segment has been changed as same.

Compared with prior accounting methods, this application has resulted in a ¥33 million decrease in revenue of Single family homes related business, a ¥24 million increase in revenue of other, and a ¥33 million decrease in segment profit of Single family homes related business, a ¥24 million increase in segment profit of other.

(Important Subsequent Events)

The Company resolved at a meeting of its Board of Directors held on January 18, 2019, to issue new shares (the “Issuance of New Shares”) as restricted stock compensation, and completed the payment on February 14, 2019.

1. Outline of the Issuance

(1) Payment date	February 14, 2019
(2) Class and number of shares to be issued	9,100 shares of common stock of the Company
(3) Issue price	4,265 yen per share
(4) Total issue price of shares to be issued	38,811,500 yen
(5) Allottees	3 Directors, Member of Board (excluding Outside Directors) 9,100 shares
(6) Other	Issuance of New Shares to be allotted is conditioned on the securities registration statement taking effect in accordance with the Financial Instruments and Exchange Act.

2. Purpose and Reasons for the Issuance

At a meeting of the Board of Directors held on November 14, 2017, the Company has resolved to introduce a restricted stock compensation plan (hereafter the “Plan”) as a new compensation plan for the Company’s directors (excluding outside directors), for the purpose of providing further incentive to them to increase the stock price and the corporate value of the Company by further sharing the benefits and risks of stock price fluctuations with shareholders. Moreover, at the 21st Ordinary General Meeting of Shareholders held on December 20, 2017, approval was given for the total amount of monetary compensation

claims to be paid as remuneration in connection with the restricted shares to the Company's directors (excluding outside directors) based on the Plan to be set at no more than 200 million yen per year, and for the maximum amount of the total number of restricted shares to be allocated to the Company's directors (excluding outside directors) in each fiscal year to be set at 70,000 shares. Approval was also given for setting the restricted period for the restricted shares at a period between 3 years and 5 years.