

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 Second Quarter Ended September 30, 2019 [Based on Japanese GAAP]

May 15, 2019

Company name: **Open House Co., Ltd.**
 Stock exchange listings: Tokyo Stock Exchange, First section
 Code Number: 3288
 URL: <https://openhouse-group.com/ir>
 Representative: Masaaki Arai, President and CEO
 Scheduled date of quarterly securities report filing: May 15, 2019
 Scheduled starting date of dividend payments: June 11, 2019
 Supplementary materials for quarterly financial results: Yes
 Quarterly results briefing meeting: Yes (for institutional investors and analysts, in Japanese)

(Million yen, rounded down)

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

(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	%
Six months ended March 31, 2019	242,846	42.9	23,797	13.0	22,193	10.0	16,132	15.1
March 31, 2018	169,923	14.5	21,056	15.5	20,169	13.1	14,017	20.3

(Note) Comprehensive income: Six months ended March 31, 2019 ¥ 15,836 million [15.3%]
 Six months ended March 31, 2018 ¥ 13,740 million [17.4%]

	EPS	Diluted EPS
	Yen	Yen
Six months ended March 31, 2019	285.67	283.93
March 31, 2018	251.24	249.27

(2) Consolidated Financial Position

	Total assets	Net assets	Equity ratio
	Million yen	Million yen	%
As of March 31, 2019	401,444	123,282	30.0
September 30, 2018	393,367	113,486	27.0

(Reference) Shareholders' equity: As of March 31, 2019 ¥ 122,964 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	—	60.00	—	—	—
FY 2019 (Forecast)	—	—	—	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
Full year	510,000	30.5	54,000	14.2	51,500	11.8	37,000	16.3	655.17

(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)

March 31, 2019: 57,594,800 shares September 30, 2018: 57,512,500 shares

ii) Treasury stock at period-end

March 31, 2019: 1,347,171 shares September 30, 2018: 2,235,080 shares

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

March 31, 2019: 56,474,038 shares March 31, 2018 : 55,796,138 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 2Q (as of March 31, 2019)
Assets		
Current assets		
Cash and deposits	119,053	114,585
Operating accounts receivable	1,291	429
Real estate for sale	47,238	56,821
Real estate for sale in process	186,033	196,788
Operating loans	14,244	19,473
Other	10,127	6,685
Allowance for doubtful accounts	(172)	(173)
Total current assets	377,818	394,609
Non-current assets		
Property, plant and equipment	5,474	5,002
Intangible assets	3,515	3,644
Investments and other assets	6,517	7,152
Total non-current assets	15,508	15,799
Deferred assets	40	35
Total assets	393,367	410,444
Liabilities		
Current liabilities		
Notes payable	4,557	4,039
Operating accounts payable	14,803	16,141
Short-term loans payable	111,583	89,352
Current portion of bonds	532	452
Current portion of long-term loans payable	18,756	17,237
Income taxes payable	9,713	7,969
Provision	2,728	2,913
Other	19,730	17,821
Total current liabilities	182,405	155,927
Non-current liabilities		
Bonds payable	1,461	1,260
Long-term loans payable	95,619	129,580
Net defined benefit liability	300	307
Asset retirement obligations	92	87
Other	0	0
Total non-current liabilities	97,475	131,235
Total liabilities	279,880	287,162
Net assets		
Shareholders' equity		
Capital stock	4,094	4,205
Capital surplus	4,481	8,177
Retained earnings	103,324	114,729
Treasury stock	(6,102)	(4,209)
Total shareholders' equity	105,798	122,902
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	15	9
Foreign currency translation adjustment	342	52
Total accumulated other comprehensive income	358	61
Subscription rights to shares	388	318
Non-controlling interests	6,941	—
Total net assets	113,486	123,282
Total liabilities and net assets	393,367	410,444

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

(Million yen)

	Six months ended September 30, 2018 (From October 1, 2017 to March 31, 2018)	Six months ended September 30, 2019 (From October 1, 2018 to March 31, 2019)
Revenue	169,923	242,846
Cost of revenue	138,196	203,986
Gross profit	31,727	38,859
Selling, general and administrative expenses	10,670	15,062
Operating income	21,056	23,797
Non-operating income		
Interest income	11	36
Dividends income	13	19
House rent income	47	79
Other	45	86
Total non-operating income	118	221
Non-operating expenses		
Interest expenses	529	878
Commission fee	37	737
Other	438	209
Total non-operating expenses	1,005	1,825
Ordinary income	20,169	22,193
Extraordinary income		
Gain on sales of non-current assets	—	772
Total extraordinary income	—	772
Profit before income taxes	20,169	22,966
Income taxes	6,151	6,833
Profit	14,017	16,132
Profit attributable to owners of parent	14,017	16,132

Consolidated Quarterly Statements of Comprehensive Income

(Million yen)

	Six months ended September 30, 2018 (From October 1, 2017 to March 31, 2018)	Six months ended September 30, 2019 (From October 1, 2018 to March 31, 2019)
Profit	14,017	16,132
Other comprehensive income		
Valuation difference on available-for-sale securities	6	(6)
Foreign currency translation adjustment	(284)	(289)
Total other comprehensive income	(277)	(296)
Comprehensive income	13,740	15,836
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	13,740	15,836

3) Consolidated Quarterly Statements of Cash Flows

(Millions of yen)

	Six months ended September 30, 2018 (From October 1, 2017 to March 31, 2018)	Six months ended September 30, 2019 (From October 1, 2018 to March 31, 2019)
Cash flows from operating activities		
Income before income taxes	20,169	22,966
Depreciation and amortization	202	252
Increase (Decrease) in allowance for doubtful accounts	(5)	1
Increase (Decrease) in net defined benefit liability	0	6
Increase (decrease) in provision	111	185
Interest and dividend income	(24)	(56)
Foreign exchange loss (gain)	165	30
Loss (gain) on sales of non-current assets	—	(772)
Interest expense	529	878
Commission for syndicated loans	—	653
Decrease (Increase) in notes and accounts receivable-trade	(91)	(218)
Decrease (Increase) in inventories	(33,887)	(21,452)
Increase (Decrease) in notes and accounts payable-trade	953	820
Decrease (Increase) in operating loans	(2,875)	(5,228)
Increase (Decrease) in advances received	2,762	1,581
Increase (Decrease) in guarantee deposits received	(50)	98
Increase (Decrease) in deposits received	(2,002)	(3,208)
Other	(1,540)	450
Subtotal	(15,581)	(3,011)
Interest and dividend income received	24	52
Interest paid	(539)	(870)
Income taxes paid	(3,774)	(5,818)
Net cash provided by (used in) operating activities	(19,871)	(9,649)
Cash flows from investing activities		
Payments into time deposits	(2,139)	(5,983)
Proceeds from withdrawal of time deposits	2,139	5,507
Purchase of property, plant and equipment	(306)	(619)
Purchase of intangible fixed assets	(6)	(96)
Proceeds from sales of non-current assets	—	1,668
Purchase of investment securities	(150)	(567)
Proceeds from redemption of investment securities	1,001	510
Payments for investments in capital	(100)	(0)
Collection of investments in capital	290	3
Payments for lease and guarantee deposits	(117)	(293)
Proceeds from collection of lease and guarantee deposits	14	22
Other	11	16
Net cash provided by (used in) investing activities	637	169
Cash flows from financing activities		
Increase in short-term loans payable	59,609	82,173
Decrease in short-term loans payable	(44,565)	(104,404)
Proceeds from long-term loans payable	43,946	68,416
Repayment of long-term loans payable	(29,880)	(35,972)
Redemption of bonds	(281)	(281)
Payment for commission for syndicated loans	—	(653)
Proceeds from exercise of stock options	32	112
Purchase of treasury stock	(0)	(1,819)
Cash dividend paid	(1,952)	(2,874)
Net cash provided by (used in) financing activities	26,909	4,696
Effect of exchange rate changes on cash and cash equivalents	(457)	(164)
Net increase (decrease) in cash and cash equivalents	7,217	(4,947)
Cash and cash equivalents at beginning of period	90,910	118,978
Cash and cash equivalents at end of period	98,127	114,031

4) Notes to Consolidated Quarterly Financial Statements

(Notes on Going Concern Assumptions)

Not applicable

(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 ¥193 million each for the second 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 second quarter, operating accounts receivable decreased by ¥1,068 million, and contract liability which was included in "Other" in "Current Liabilities" increased by ¥859 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 second quarter under review.

(Additional Information)

(Application of Partial Amendments to Accounting Standard for Tax Effect Accounting)

In relation to the application of ASBJ Statement No. 28 Partial Amendments to Accounting Standard for Tax Effect Accounting (February 16, 2018) from the beginning of the first quarter of the consolidated fiscal year under review, the method of presentation was changed to the presentation of "deferred tax assets" in the category of "Investment and other assets", and the presentation of "deferred tax liabilities" in "Non-current liabilities".

(Segment and Other Information)

【Segment Information】

I. Six months ended September 30, 2018 (October 1, 2017 to March 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	102,566	11,513	50,889	4,953	169,923	—	169,923
Intersegment revenue and transfers	—	—	13	—	13	(13)	—
Total	102,566	11,513	50,903	4,953	169,937	(13)	169,923
Segment Income (Loss)	13,513	927	6,248	809	21,498	(441)	21,056

(NOTE)

1. Adjustment of ¥(441)million for segment income includes intersegment elimination of ¥15 million and corporate expenses of ¥(457) 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. Six months ended September 30, 2019 (October 1, 2018 to March 31, 2019)

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	164,959	20,768	46,587	10,531	242,846	—	242,846
Intersegment revenue and transfers	—	—	26	—	26	(26)	—
Total	164,959	20,768	46,613	10,531	242,872	(26)	242,846
Segment Income (Loss)	15,008	3,305	4,908	1,070	24,293	(495)	23,797

(NOTE)

1. Adjustment of ¥ (495) million for segment income includes intersegment elimination of ¥78 million and corporate expenses of ¥ (573) 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 ¥204 million increase in revenue of Single family homes related business, a ¥10 million decrease in revenue of other, and a ¥204 million increase in segment profit of Single family homes related business, a ¥10 million decrease in segment profit of other.

(Important Subsequent Events)

The Company resolved at a meeting of its Board of Directors held on March 15, 2019, to issue new shares (the "Issuance of New Shares") as restricted stock compensation, and completed the payment on April 5, 2019.

1. Outline of the Issuance

1) Payment date	April 5, 2019
2) Class and number of shares to be issued	8,100 shares of common stock of the Company
3) Issue price	3,990 yen per share
4) Total issue price of shares to be issued	32,319,000 yen
5) Allocation to capital	1,995 yen per share
6) Total allocation to capital	16,159,500 yen
7) Allottees	3 Executive Officer of the Company 3,300 shares 4 Executive Officer of subsidiaries of the Company 4,800 shares
8) 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 executive officer (hereafter the "Eligible officer"), 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.

Based on the resolution passed at its meeting of the Board of Directors of the Company and its subsidiaries held on March 15, 2019, the Company resolved to allot 8,100 shares of the Company's common stock as restricted stock, by granting the Eligible officers monetary compensation claims of 32,319,000 yen as restricted stock compensation for the business period ending September 2019, and the Eligible officers making in-kind contribution of all such monetary compensation claims.

(Issuance of Stock Acquisition Rights-Stock Options)

The Company resolved at a meeting of its Board of Directors held on April 2, 2019, to issue new shares as stock options to employees of the Company.

1) Name of Stock acquisition rights to be issued	OPEN HOUSE CO., LTD Stock Acquisition Rights No. 7
2) The date of the Board of Directors resolution	April 2, 2019
3) Number of individuals with rights	7 employees of the Company
4) Class of shares for stock acquisition rights	Common stock of OPEN HOUSE
5) Number of shares for stock acquisition rights	14,000 shares
6) Payment on exercise of stock acquisition rights	132,700 yen (1,327 yen per share)
7) The amount to be paid for the exercise of stock acquisition rights	413,100 yen (4,131 yen per share)
7) Period for exercise of stock acquisition rights	April 3, 2021 to April 2, 2029
8) Allocation to capital when shares are issued on the exercise of stock acquisition rights	272,900 yen (2,729yen per share)
9) Conditions for exercise of stock acquisition	<p>1) The grantee shall be Director or employee of the Company or any of its subsidiaries when he or she exercises the rights. However that this clause shall not apply to cases where the Board of Directors finds a justifiable reason for leaving the Company before exercising the stock options, such as retirement due to the end of the individual's duties as a director or auditor.</p> <p>2) In cases of death, the rights may be exercised by the heir only for a prescribed period of time. In this case, the share subscription rights can be exercised only within six months from the date of death.</p> <p>3) The number of the Stock Acquisition Rights that the Right Holder may exercise during the period from (a) to (c) below shall be limited to the number prescribed in these provisions. If there are any fractions less than one unit in the number of the exercisable Stock Acquisition Rights, the number shall be rounded down.</p> <p>a) April 3, 2021 to April 2, 2024 One-thirds of the number of the Stock acquisition Rights allotted</p> <p>b) April 3, 2024 to April 2, 2027 Two-thirds of the number of the Stock acquisition Rights allotted</p> <p>c) April 3, 2027 to April 2, 2029 The rest of the number of the Stock acquisition Rights allotted</p>
10) Matters related transfer of the stock acquisition rights	Any acquisition of Share Options by transfer will require an approval of the Board of Directors of the Company by its resolution.

(Repurchase of Treasury Stock)

The Company resolved the repurchase of its own shares pursuant at the meeting of Board of Directors held on May15, 2019 to Article 156 of the Companies Act of Japan as applied pursuant to Article 165, Paragraph 3.

1. Purpose

To enable us to execute a flexible capital policy in response to changes in the business environment

2. Details

- | | |
|---|---|
| (1) Class of shares to be repurchased: | Common stock of OPEN HOUSE |
| (2) Method of repurchase: | Market purchase |
| (3) Total number of shares to be repurchased: | 1,000,000 shares (maximum) |
| (4) Total repurchase amount: | 50 billion yen (maximum) |
| (5) Repurchase period: | From May 16, 2019 to September 30, 2019 |