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February 6, 2020

Consolidated Financial Results for the First Nine Months of the Fiscal Year Ending March 31, 2020 <under Japanese GAAP>

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 Scheduled date to file quarterly securities report: February 13, 2020
 Scheduled date to commence dividend payments: —
 Preparation of supplementary material on quarterly financial results: Yes
 Holding of quarterly financial results presentation meeting: None

(Millions of yen with fractional amounts discarded, unless otherwise noted)

1. Consolidated financial results for the first nine months of the fiscal year ending March 31, 2020 (from April 1, 2019 to December 31, 2019)

(1) Consolidated operating results (cumulative) (Percentages indicate year-on-year changes.)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent	
Nine months ended	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
December 31, 2019	66,599	8.8	7,612	5.5	7,451	5.6	5,014	4.7
December 31, 2018	61,213	18.0	7,217	27.5	7,057	37.3	4,787	39.1

Note: Comprehensive income Nine months ended December 31, 2019: ¥5,014 million [4.7%]
 Nine months ended December 31, 2018: ¥4,787 million [39.1%]

	Basic earnings per share	Diluted earnings per share
Nine months ended	Yen	Yen
December 31, 2019	131.44	128.64
December 31, 2018	127.61	122.93

(2) Consolidated financial position

	Total assets	Net assets	Equity-to-asset ratio
As of	Millions of yen	Millions of yen	%
December 31, 2019	49,807	22,467	44.9
March 31, 2019	47,406	19,348	40.7

Reference: Equity As of December 31, 2019: ¥22,363 million
 As of March 31, 2019: ¥19,273 million

2. Dividends

	Annual dividends per share				
	First quarter-end	Second quarter-end	Third quarter-end	Fiscal year-end	Total
	Yen	Yen	Yen	Yen	Yen
Fiscal year ended March 31, 2019	—	26.00	—	26.00	52.00
Fiscal year ending March 31, 2020	—	27.00	—		
Fiscal year ending March 31, 2020 (Forecast)				27.00	54.00

Note: Revisions to the forecasts of dividends most recently announced: None

3. Consolidated earnings forecasts for the fiscal year ending March 31, 2020**(from April 1, 2019 to March 31, 2020)**

(Percentages indicate year-on-year changes.)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent		Basic earnings per share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
Fiscal year ending March 31, 2020	89,872	10.5	10,356	13.7	10,094	15.5	6,805	14.8	178.79

Note: Revisions to the earnings forecasts most recently announced: None

*** Notes**

(1) Changes in significant subsidiaries during the period (changes in specified subsidiaries resulting in the change in scope of consolidation): None

(2) Application of special accounting for preparing quarterly consolidated financial statements: None

(3) Changes in accounting policies, changes in accounting estimates, and restatement

- a. Changes in accounting policies in accordance with changes in accounting standards, etc.: None
- b. Changes in accounting policies due to other reasons: None
- c. Changes in accounting estimates: None
- d. Restatement: None

(4) Number of issued shares (common shares)

a. Total number of issued shares at the end of the period (including treasury shares)

As of December 31, 2019	39,325,320 shares
As of March 31, 2019	39,325,320 shares

b. Number of treasury shares at the end of the period

As of December 31, 2019	1,127,066 shares
As of March 31, 2019	1,261,981 shares

c. Average number of shares outstanding during the period (cumulative from the beginning of the fiscal year)

Nine months ended December 31, 2019	38,146,904 shares
Nine months ended December 31, 2018	37,516,204 shares

*** Quarterly financial results reports are exempt from quarterly reviews conducted by certified public accountants or an audit corporation.***** Proper use of earnings forecasts, and other special matters***Caution regarding forward-looking statements and others*

The forward-looking statements, including earnings forecasts, contained in these materials are based on information currently available to the Company and on certain assumptions deemed to be reasonable. Consequently, the statements herein do not constitute assurances regarding the Company's actual results. Actual financial and other results may differ substantially from the statements herein due to various factors. Please refer to "1. Qualitative information regarding financial results for the first nine months, (3) Explanation regarding consolidated earnings forecasts and other forward-looking statements" on page 3 of the attached materials for the suppositions that form the assumptions for the earnings forecasts and cautions regarding the use of the earnings forecasts.

Means of access to supplementary material on quarterly financial results

The supplementary materials are to be posted on the Company's website.

Attached Materials

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1. Qualitative information regarding financial results for the first nine months

(1) Explanation regarding operating results

In the first nine months under review, the Japanese economy maintained a gradual recovery in private consumption thanks to improvements in the employment and income environment. However, the outlook is uncertain due to weak levels of corporate earnings on the back of a low level of industrial production, declining consumer confidence after the consumption tax hike in October 2019, and the effects of a string of natural disasters, including the occurrence of large typhoons.

The Group aims to provide a “Fourth Option” as an alternative to newly built, “as-is” pre-owned, and rental houses, mainly targeting the middle- and lower- income market in regional cities and rural areas. We sell pre-owned single-family houses that competitors find challenging to bring to market after refurbishing and adding value to them.

In terms of sales, the number of properties sold decreased significantly in the third quarter of the fiscal year under review because sales activities slowed down following the backlash to frontloaded deliveries in September before the consumption tax hike, declining consumer confidence and the successive cancellation of property viewing and sales fairs because of the occurrence of Typhoons No. 19 and No. 21. However, net sales for the first nine months under review increased 8.8% year on year partly thanks to favorable results for the first half. Regarding real estate for sale and real estate for sale in process, inventories are secured for the selling season in February and March.

In terms of profit, the gross profit margin declined 0.6 percentage point year on year due to the promotion of long-term inventory sales, and selling, general and administrative expenses continued to be operated with high cost consciousness.

As a result, in the first nine months under review, the number of properties sold was 4,315, up 7.2% year on year, net sales were ¥66,599 million, up 8.8% year on year, operating profit was ¥7,612 million, up 5.5% year on year, ordinary profit was ¥7,451 million, up 5.6% year on year and profit attributable to owners of parent was ¥5,014 million, up 4.7% year on year.

The Group’s sole reportable segment is the “used housing refurbishing and remodeling business.” Other businesses have been omitted due to a lack of materiality.

(2) Explanation regarding financial position

(i) Current assets

Current assets as of December 31, 2019 amounted to ¥47,712 million, an increase of ¥2,654 million compared to ¥45,058 million at the end of the previous fiscal year. This is mainly due to an increase of ¥4,668 million in real estate for sale and real estate for sale in process, offsetting a decrease of ¥2,062 million in cash and deposits.

(ii) Non-current assets

Non-current assets as of December 31, 2019 amounted to ¥2,095 million, a decrease of ¥253 million compared to ¥2,348 million at the end of the previous fiscal year. This is mainly due to decreases of ¥13 million in property, plant and equipment, ¥146 million in intangible assets and ¥93 million in investments and other assets.

(iii) Current liabilities

Current liabilities as of December 31, 2019 amounted to ¥7,606 million, a decrease of ¥358 million compared to ¥7,964 million at the end of the previous fiscal year. This is mainly due to decreases of ¥107 million in accounts payable – trade, ¥1,135 million in income taxes payable and ¥217 million in provision for bonuses, despite an increase of ¥1,200 million in short-term loans payable.

(iv) Non-current liabilities

Non-current liabilities as of December 31, 2019 amounted to ¥19,733 million, a decrease of ¥359 million compared to ¥20,093 million at the end of the previous fiscal year. This is mainly due to a decrease of ¥375

million in long-term borrowings, offsetting an increase of ¥14 million in provision for retirement benefits for directors (and other officers).

(v) Net assets

Net assets as of December 31, 2019 amounted to ¥22,467 million, an increase of ¥3,118 million compared to ¥19,348 million at the end of the previous fiscal year. This is mainly due to the recording of ¥5,014 million in profit attributable to owners of parent and payment of dividends of surplus of ¥2,020 million. As a result, the equity-to-asset ratio was 44.9%.

(3) Explanation regarding consolidated earnings forecasts and other forward-looking statements

In regard to the consolidated earnings forecast, there has been no change to the earnings forecast for the full year for the fiscal year ending March 31, 2020 announced on May 10, 2019 in the “Consolidated Financial Results for the Fiscal Year Ended March 31, 2019.”

2. Quarterly consolidated financial statements and significant notes thereto

(1) Quarterly consolidated balance sheet

(Millions of yen)

	As of March 31, 2019	As of December 31, 2019
Assets		
Current assets		
Cash and deposits	7,395	5,332
Real estate for sale	25,652	28,372
Real estate for sale in process	11,164	13,113
Other	846	895
Allowance for doubtful accounts	(1)	(1)
Total current assets	45,058	47,712
Non-current assets		
Property, plant and equipment	729	715
Intangible assets		
Goodwill	793	644
Other	29	31
Total intangible assets	822	676
Investments and other assets		
Other	810	716
Allowance for doubtful accounts	(14)	(13)
Total investments and other assets	796	703
Total non-current assets	2,348	2,095
Total assets	47,406	49,807
Liabilities		
Current liabilities		
Accounts payable - trade	3,105	2,997
Short-term loans payable	—	1,200
Current portion of long-term borrowings	750	750
Income taxes payable	1,995	859
Provision for bonuses	262	45
Construction warranty reserve	255	269
Provision for loss on litigation	1	0
Provision for loss on disaster	—	1
Other	1,593	1,482
Total current liabilities	7,964	7,606
Non-current liabilities		
Long-term borrowings	20,000	19,625
Provision for retirement benefits for directors (and other officers)	62	76
Other	31	32
Total non-current liabilities	20,093	19,733
Total liabilities	28,057	27,340
Net assets		
Shareholders' equity		
Share capital	3,778	3,778
Capital surplus	3,640	3,640
Retained earnings	13,088	16,045
Treasury shares	(1,233)	(1,101)
Total shareholders' equity	19,273	22,363
Share acquisition rights	74	103
Total net assets	19,348	22,467
Total liabilities and net assets	47,406	49,807

(2) Quarterly consolidated statement of income and quarterly consolidated statement of comprehensive income
Quarterly consolidated statement of income (cumulative)

(Millions of yen)

	Nine months ended December 31, 2018	Nine months ended December 31, 2019
Net sales	61,213	66,599
Cost of sales	47,194	51,714
Gross profit	14,018	14,884
Selling, general and administrative expenses	6,801	7,271
Operating profit	7,217	7,612
Non-operating income		
Commission income	8	7
Insurance claim income	10	2
Other	8	11
Total non-operating income	27	21
Non-operating expenses		
Interest expenses	145	140
Other	41	41
Total non-operating expenses	186	181
Ordinary profit	7,057	7,451
Extraordinary income		
Gain on sales of non-current assets	0	6
Total extraordinary income	0	6
Extraordinary losses		
Loss on retirement of non-current assets	4	0
Loss on disaster	16	4
Total extraordinary losses	20	4
Profit before income taxes	7,037	7,454
Income taxes - current	2,330	2,321
Income taxes - deferred	(79)	118
Total income taxes	2,250	2,440
Profit	4,787	5,014
Profit attributable to owners of parent	4,787	5,014

Quarterly consolidated statement of comprehensive income (cumulative)

(Millions of yen)

	Nine months ended December 31, 2018	Nine months ended December 31, 2019
Profit	4,787	5,014
Comprehensive income	4,787	5,014
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	4,787	5,014

(3) Notes to quarterly consolidated financial statements

(Notes on premise of going concern)

No items to report.

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

No items to report.

(Segment information, etc.)

Segment information

I. Nine months ended December 31, 2018

The Group's sole reportable segment is the "used housing refurbishing and remodeling business." Other businesses have been omitted due to a lack of materiality.

II. Nine months ended December 31, 2019

The Group's sole reportable segment is the "used housing refurbishing and remodeling business." Other businesses have been omitted due to a lack of materiality.