

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

August 14, 2019

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

(Million yen, rounded down)

1. Consolidated Financial Results for the Third Quarter Ended September 30, 2019 (October 1, 2018 to June 30, 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	%
Nine months ended June 30, 2019	366,608	40.4	36,383	15.2	34,104	11.6	24,483	14.6
June 30, 2018	261,048	23.5	31,588	24.3	30,562	26.1	21,366	35.6

(Note) Comprehensive income: Nine months ended June 30, 2019 ¥ 23,611 million [10.3%]
 Nine months ended June 30, 2018 ¥ 21,397 million [35.2%]

	EPS	Diluted EPS
	Yen	Yen
Nine months ended June 30, 2019	434.56	431.96
June 30, 2018	382.86	379.88

(2) Consolidated Financial Position

	Total assets	Net assets	Equity ratio
	Million yen	Million yen	%
As of June 30, 2019	418,708	125,315	29.9
September 30, 2018	393,367	113,486	27.0

(Reference) Shareholders' equity: As of June 30, 2019 ¥ 124,995 million
 As of September 30, 2018 ¥ 106,156 million

2. Dividends

	Annual dividends per share				
	1Q-end	2Q-end	3Q-end	Year-end	Total
FY 2018	—	46.00	—	52.00	98.00
FY 2019	—	60.00	—	—	—
FY 2019 (Forecast)	—	—	—	66.00	126.00

(Note) Revision of the latest dividend forecast: Yes

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	530,000	35.6	56,500	19.4	53,700	16.6	38,200	20.1	678.01

(Note) Revision of the latest consolidated results forecast: Yes

***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)

June 30, 2019: 57,602,900 shares September 30, 2018: 57,512,500 shares

ii) Treasury stock at period-end

June 30, 2019: 1,876,471 shares September 30, 2018: 2,235,080 shares

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

June 30, 2019: 56,341,585 shares June 30, 2018 : 55,807,111 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 3Q (as of June 30, 2019)
Assets		
Current assets		
Cash and deposits	119,053	105,453
Operating accounts receivable	1,291	324
Real estate for sale	47,238	71,518
Real estate for sale in process	186,033	193,542
Operating loans	14,244	22,962
Other	10,127	7,163
Allowance for doubtful accounts	(172)	(154)
Total current assets	377,818	400,811
Non-current assets		
Property, plant and equipment	5,474	4,864
Intangible assets	3,515	3,532
Investments and other assets	6,517	9,467
Total non-current assets	15,508	17,863
Deferred assets	40	33
Total assets	393,367	418,708
Liabilities		
Current liabilities		
Notes payable	4,557	4,171
Operating accounts payable	14,803	16,195
Short-term loans payable	111,583	90,075
Current portion of bonds	532	372
Current portion of long-term loans payable	18,756	21,372
Income taxes payable	9,713	5,250
Provision	2,728	2,195
Other	19,730	21,300
Total current liabilities	182,405	160,933
Non-current liabilities		
Bonds payable	1,461	1,210
Long-term loans payable	95,619	130,848
Net defined benefit liability	300	312
Asset retirement obligations	92	88
Other	0	0
Total non-current liabilities	97,475	132,459
Total liabilities	279,880	293,392
Net assets		
Shareholders' equity		
Capital stock	4,094	4,221
Capital surplus	4,481	8,193
Retained earnings	103,324	119,705
Treasury stock	(6,102)	(6,610)
Total shareholders' equity	105,798	125,509
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	15	8
Foreign currency translation adjustment	342	(522)
Total accumulated other comprehensive income	358	(513)
Subscription rights to shares	388	320
Non-controlling interests	6,941	—
Total net assets	113,486	125,315
Total liabilities and net assets	393,367	418,708

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

(Million yen)

	Nine months ended September 30, 2018 (From October 1, 2017 to June 30, 2018)	Nine months ended September 30, 2019 (From October 1, 2018 to June 30, 2019)
Revenue	261,048	366,608
Cost of revenue	213,108	307,256
Gross profit	47,940	59,352
Selling, general and administrative expenses	16,351	22,968
Operating income	31,588	36,383
Non-operating income		
Interest income	20	56
Dividends income	14	20
House rent income	78	113
Other	68	129
Total non-operating income	182	320
Non-operating expenses		
Interest expenses	813	1,339
Commission fee	48	764
Other	345	497
Total non-operating expenses	1,207	2,600
Ordinary income	30,562	34,104
Extraordinary income		
Gain on sales of non-current assets	—	773
Total extraordinary income	—	773
Profit before income taxes	30,562	34,877
Income taxes	9,196	10,393
Profit	21,366	24,483
Profit attributable to owners of parent	21,366	24,483

Consolidated Quarterly Statements of Comprehensive Income

(Million yen)

	Nine months ended September 30, 2018 (From October 1, 2017 to June 30, 2018)	Nine months ended September 30, 2019 (From October 1, 2018 to June 30, 2019)
Profit	21,366	24,483
Other comprehensive income		
Valuation difference on available-for-sale securities	6	(6)
Foreign currency translation adjustment	24	(865)
Total other comprehensive income	30	(872)
Comprehensive income	21,397	23,611
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	21,397	23,611

3) Notes to Consolidated Quarterly Financial Statements

(Notes on Going Concern Assumptions)

Not applicable

(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 third quarter under review.

(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 ¥151 million each for the third 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 third quarter, operating accounts receivable decreased by ¥1,897 million, and contract liability which was included in "Other" in "Current Liabilities" increased by ¥792 million.

(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 is changed that "deferred tax assets" is presented in the category of "Investment and other assets", and "deferred tax liabilities" is presented in "Non-current liabilities".

(Segment and Other Information)

【Segment Information】

I. Nine months ended September 30, 2018 (October 1, 2017 to June 30, 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	151,690	21,058	78,550	9,748	261,408	—	261,048
Intersegment revenue and transfers	—	—	22	—	22	(22)	—
Total	151,690	21,058	78,572	9,748	261,070	(22)	261,048
Segment Income	18,848	2,205	9,610	1,570	32,234	(646)	31,588

(NOTE)

1. Adjustment of ¥(646)million for segment income includes intersegment elimination of ¥31 million and corporate expenses of ¥(678) 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. Nine months ended September 30, 2019 (October 1, 2018 to June 30, 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	246,932	26,508	74,851	18,316	366,608	—	366,608
Intersegment revenue and transfers	—	—	41	—	41	(41)	—
Total	246,932	26,508	74,893	18,316	366,650	(41)	366,608
Segment Income	22,835	3,863	8,217	2,197	37,113	(730)	36,383

(NOTE)

1. Adjustment of ¥ (730) million for segment income includes intersegment elimination of ¥136 million and corporate expenses of ¥ (866) 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 ¥203 million increase in revenue of Single family homes related business, a ¥51 million decrease in revenue of other, and a ¥203 million increase in segment profit of Single family homes related business, a ¥51 million decrease in segment profit of other for the current nine-month period.

(Important Subsequent Events)

(Share split)

The Company, at the meeting of the Board of Directors held on August 14, 2019, has resolved to conduct a share split. Details are as follows.

1. Purpose of the share split

Based on recent movements of the Company's share price, the share split will be conducted so that the price of share-trading unit remains the desirable investment unit standard "between JPY 50,000 and JPY 500,000" as prescribed in Article 445 of TSE Listing Rules. And the share split aims to reduce the price of share-trading unit, to improve stock liquidity, and expand our investor base.

2. Outline of the share split

1) Method of the share split

Each share of common stock held by a shareholder of record listed on the final shareholder recorded in the shareholder registry as of Monday, September 30, 2019, will be split into 2 shares.

2) Number of shares to be increased from the share split

Total number of shares issued prior to the share split	57,602,900 shares
Number of shares increased by the share split	57,602,900 shares
Total number of shares issued after the share split	115,205,800 shares
Total number of authorized shares after the share split	325,200,000 shares

3) Schedule (planned)

Public notice of record date	September 12, 2019
Record date	September 30, 2019
Effective date	October 1, 2019
Record date of the increased shares	October 1, 2019

4) Effect on per share information

Per share information of the case given that the stock split had been conducted at the beginning of the prior fiscal year is as follows.

	Nine months ended September 30, 2018 (From October 1, 2017 to June 30, 2018)	Nine months ended September 30, 2019 (From October 1, 2018 to June 30, 2019)
EPS	Yen 191.43	Yen 217.28
Diluted EPS	189.94	215.98