

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, 2018 [Based on Japanese GAAP]

May 15, 2018

Company name:	Open House Co., Ltd.
Stock exchange listings:	Tokyo Stock Exchange, First section
Code Number:	3288
URL:	http://openhouse-group.com/ir
Representative:	Masaaki Arai, President and CEO
Scheduled date of quarterly securities report filing:	May 15, 2018
Scheduled date of dividends:	June 12, 2018
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, 2018 (October 1, 2017 to March 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	%
Six months ended								
March 31, 2018	169,923	14.5	21,056	15.5	20,169	13.1	14,017	20.3
March 31, 2017	148,368	26.6	18,237	20.3	17,829	21.3	11,651	23.6

(Note) Comprehensive income: Six months ended March 31, 2018 ¥ 13,740 million (17.4%)
Six months ended March 31, 2017 ¥ 11,705 million (24.1%)

	EPS	Diluted EPS
Six months ended	Yen	Yen
March 31, 2018	251.24	249.27
March 31, 2017	207.80	206.67

(2) Consolidated Financial Position

	Total assets	Net assets	Equity ratio
As of	Million yen	Million yen	%
March 31, 2018	299,893	95,258	31.6
September 30, 2017	256,736	83,379	32.3

(Reference) Shareholders' equity: As of March 31, 2018 ¥ 94,864 million
As of September 30, 2017 ¥ 82,970 million

2. Dividends

	Annual dividends per share				
	1Q-end	2Q-end	3Q-end	Year-end	Total
	Yen	Yen	Yen	Yen	Yen
FY 2017	—	30.00	—	35.00	65.00
FY 2018	—	46.00	—	—	—
FY 2018 (Forecast)	—	—	—	52.00	98.00

(Note) Revision of the latest dividend forecast: Yes

3. Forecast of Consolidated Operating Results for FY2018 (October 1, 2017 to September 30, 2018)

(% 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	380,000	24.7	47,500	26.3	46,000	27.3	31,700	27.8	568.14

(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: None

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, 2018: 57,502,300 shares September 30, 2017: 57,463,600 shares

ii) Treasury stock at period-end

March 31, 2018: 1,673,240 shares September 30, 2017: 1,673,194 shares

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

March 31, 2018: 55,796,138 shares March 31, 2017: 56,072,765 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 2017 (as of September 30, 2017)	End of FY 2018 2Q (as of March 31, 2018)
Assets		
Current assets		
Cash and deposits	90,910	98,127
Operating accounts receivable	925	1,014
Real estate for sale	19,542	29,684
Real estate for sale in process	125,351	148,461
Operating loans	6,056	8,932
Other	5,820	6,249
Allowance for doubtful accounts	(178)	(173)
Total current assets	248,429	292,297
Non-current assets		
Property, plant and equipment	3,113	3,461
Intangible assets	1,299	1,201
Investments and other assets	3,841	2,886
Total non-current assets	8,255	7,550
Deferred assets	51	46
Total assets	256,736	299,893
Liabilities		
Current liabilities		
Operating accounts payable	10,652	11,606
Short-term loans payable	41,854	56,899
Current portion of bonds	562	562
Current portion of long-term loans payable	8,696	21,196
Income taxes payable	5,205	6,813
Provision	2,113	2,224
Other	13,529	13,308
Total current liabilities	82,613	112,610
Non-current liabilities		
Bonds payable	1,993	1,712
Long-term loans payable	88,641	90,203
Net defined benefit liability	12	13
Asset retirement obligations	79	73
Other	17	21
Total non-current liabilities	90,743	92,023
Total liabilities	173,357	204,634
Net assets		
Shareholders' equity		
Capital stock	4,032	4,085
Capital surplus	5,934	5,986
Retained earnings	76,038	88,103
Treasury shares	(3,102)	(3,102)
Total shareholders' equity	82,902	95,072
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	8	15
Foreign currency translation adjustment	60	(223)
Total accumulated other comprehensive income	68	(208)
Subscription rights to shares	408	394
Total net assets	83,379	95,258
Total liabilities and net assets	256,736	299,893

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, 2017 (From October 1, 2016 to March 31, 2017)	Six months ended September 30, 2018 (From October 1, 2017 to March 31, 2018)
Revenue	148,368	169,923
Cost of revenue	121,535	138,196
Gross profit	26,832	31,727
Selling, general and administrative expenses	8,595	10,670
Operating income	18,237	21,056
Non-operating income		
Interest income	4	11
Dividends income	2	13
House rent income	23	47
Foreign exchange gains	205	—
Other	96	45
Total non-operating income	330	118
Non-operating expenses		
Interest expenses	421	529
Commission fee	107	37
Foreign exchange losses	—	355
Other	209	82
Total non-operating expenses	738	1,005
Ordinary income	17,829	20,169
Income before income taxes	17,829	20,169
Income taxes-current	6,178	6,151
Profit	11,651	14,017
Profit attributable to owners of parent	11,651	14,017

Consolidated Quarterly Statements of Comprehensive Income

(Million yen)

	Six months ended September 30, 2017 (From October 1, 2016 to March 31, 2017)	Six months ended September 30, 2018 (From October 1, 2017 to March 31, 2018)
Profit	11,651	14,017
Other comprehensive income		
Valuation difference on available-for-sale securities	2	6
Foreign currency translation adjustment	51	(284)
Total other comprehensive income	53	(277)
Comprehensive income	11,705	13,740
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	11,705	13,740

3) Consolidated Quarterly Statements of Cash Flows

(Millions of yen)

	Six months ended September 30, 2017 (From October 1, 2016 to March 31, 2017)	Six months ended September 30, 2018 (From October 1, 2017 to March 31, 2018)
Cash flows from operating activities		
Income before income taxes	17,829	20,169
Depreciation and amortization	173	202
Increase (Decrease) in allowance for doubtful accounts	(16)	(5)
Increase (Decrease) in net defined benefit liability	0	0
Increase (decrease) in provision	65	111
Interest and dividend income	(6)	(24)
Foreign exchange loss (gain)	(125)	165
Interest expense	421	529
Decrease (Increase) in notes and accounts receivable-trade	(97)	(91)
Decrease (Increase) in inventories	(7,866)	(33,887)
Increase (Decrease) in notes and accounts payable-trade	727	953
Decrease (Increase) in operating loans	252	(2,875)
Increase (Decrease) in advances received	148	2,762
Increase (Decrease) in guarantee deposits received	(840)	(50)
Increase (Decrease) in deposits received	(871)	(2,002)
Other	(1,050)	(1,540)
Subtotal	8,743	(15,581)
Interest and dividend income received	6	24
Interest expenses paid	(424)	(539)
Income taxes paid	(6,067)	(3,774)
Net cash provided by (used in) operating activities	2,257	(19,871)
Cash flows from investing activities		
Payments into time deposits	—	(2,139)
Proceeds from withdrawal of time deposits	—	2,139
Purchase of Purchase of property, plant and equipment	(496)	(306)
Purchase of intangible fixed assets	(89)	(6)
Purchase of investment securities	—	(150)
Proceeds from redemption of investment securities	—	1,001
Payments of loans receivable from subsidiaries and associates	(949)	—
Payments for investments in capital	—	(100)
Collection of investments in capital	1	290
Payments for lease and guarantee deposits	(173)	(117)
Proceeds from collection of lease and guarantee deposits	14	14
Other	41	11
Net cash provided by (used in) investing activities	(1,652)	637
Cash flows from financing activities		
Increase in short-term loans payable	49,324	59,609
Decrease in short-term loans payable	(40,163)	(44,565)
Proceeds from long-term loans payable	37,481	43,946
Repayment of long-term loans payable	(35,173)	(29,880)
Redemption of bonds	(301)	(281)
Proceeds from exercise of share options	52	32
Purchase of treasury shares	(1,256)	(0)
Cash dividend paid	(2,809)	(1,952)
Other	(7)	—
Net cash provided by (used in) financing activities	7,147	26,909
Effect of exchange rate changes on cash and cash equivalents	281	(457)
Net increase (decrease) in cash and cash equivalents	8,034	7,217
Cash and cash equivalents at beginning of period	67,508	90,910
Cash and cash equivalents at end of period	75,543	98,127

4) 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 2018 including the second quarter under review.

(Change in scope of consolidation and application of the equity method)

From the first quarter for FY2018, Open House Texas Property Management LLC and Open House Ohio Realty & Investments LLC, which were non-consolidated subsidiaries of the Company, have been included in the scope of consolidation as those importances have increased.

(Segment and Other Information)

【Segment Information】

I. Six months ended September 30, 2017 (October 1, 2016 to March 31, 2017)

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	90,026	7,713	50,437	191	148,368	—	148,368
Intersegment revenue and transfers	—	—	8	—	8	(8)	—
Total	90,026	7,713	50,446	191	148,377	(8)	148,368
Segment Income (Loss)	11,289	863	6,495	15	18,663	(426)	18,237

(NOTE)

1. Adjustment of ¥(426)million for segment income includes intersegment elimination of ¥0 million and corporate expenses of ¥(426) 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, 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 (loss) has been adjusted to operating income described in consolidated quarterly statements of income.

2. Notes relating to changes in reportable segments etc.

The Group has changed its reportable segments from this first quarter. The brokerage business, single-family homes business, and Open House Architect has be consolidated to establish a new segment, the single-family homes related business with the aim of strengthening the business model - a comprehensive system from purchase and construction to intermediacy. The Group designated four segments: single-family related business, condominiums business, property resales business and others as reportable segments.

Segment information for the six months ended September 2017 on a consolidated basis was prepared based on the reportable segments applied for the six months ended September 2018.