

Consolidated Financial Highlights

For the Third Quarter Ended September 30, 2016

OPEN HOUSE CO., LTD.
[3288 TSE]



FY2016 3Q Topics

Business performance

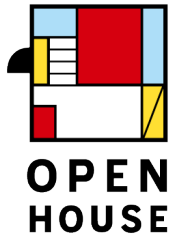
- Revenue and operating income for FY2016 3Q set new record highs
 - Revenue: **¥180.4 billion (+48.2% YOY)**
 - Operating income: **¥ 22.6 billion (+77.3% YOY)**
 - Profit attributable to owners of parent **¥ 13.9 billion (+84.6% YOY)**
- ➡ The single-family homes business was steady in performance, in part due to price advantages generated by rising prices for condominiums.
- ➡ Backed by the BOJ's monetary easing policies, the property resale business posted significant performance growth.
- ➡ The condominium business marked strong performance both in sales of properties and acquisition of land in high-demand urban locations.
- ➡ Contracts awarded to Asakawa Home Co., Ltd. were strong.

Business expansion

- Launch of urban-type residence business in the Nagoya area .
 - ➡ We will start brokerage, single-family homes and condominiums businesses in October 2016.

Funds for growth

- Ten-year unsecured long-term loans payable totaling ¥20 billion were taken out in July 2016.
 - ➡ These borrowings will be used as growth funds for performing flexible operations.



FY2016 3Q Consolidated Summary



Overview of Consolidated Income Statement

(Million yen)

	FY2015 3Q		FY2016 3Q		YOY%	[Reference] FY2015
	Actual	% of revenue	Actual	% of revenue		Actual
Revenue	121,733	—	180,434	—	48.2%	179,317
Gross profit	21,423	17.6%	33,695	18.7%	57.3%	33,316
SG&A expenses	8,673	7.1%	11,087	6.1%	27.8%	12,015
Operating income	12,749	10.5%	22,607	12.5%	77.3%	21,300
Non-operating income	232	0.2%	154	0.1%	(33.7%)	310
Non-operating expenses	861	0.7%	947	0.5%	10.0%	1,315
Ordinary income	12,121	10.0%	21,814	12.1%	80.0%	20,294
Profit attributable to owners of parent	7,571	6.2%	13,974	7.7%	84.6%	12,637

- Revenue and income for FY2016 3Q set record highs.
- In addition, FY2016 3Q results surpassed FY2015 full-year results.



Performance by segment (revenue, operating income)

- All segments posted an increase in both revenue and operating income.
(Asakawa Home and Others were excluded.) *Segments were revised from FY2016 1Q to reflect growth in business scales.
- The property resale business achieved outstanding growth, while the single-family homes business stayed on a solid upward trend, and the condominiums business returned to profitability.

	FY2015 3Q		FY2016 3Q		(Million yen)
	Actual	Ratio	Actual	Ratio	YOY%
Revenue	121,733	100.0%	180,434	100.0%	48.2%
Brokerage	5,338	4.4%	6,219	3.4%	16.5%
Single-family homes	67,002	55.0%	89,862	49.8%	34.1%
Asakawa Home	14,720	12.1%	25,653	14.2%	* 2 —
Condominiums	4,988	4.1%	9,660	5.4%	93.7%
Property resales	32,394	26.6%	55,880	31.0%	72.5%
Others	714	0.6%	343	0.2%	(51.9%)
Adjustments	(3,424)	—	(7,185)	—	—
	Actual	% of revenue	Actual	% of revenue	YOY%
Operating income	12,749	10.5%	22,607	12.5%	77.3%
Brokerage	1,861	34.9%	2,180	35.1%	17.1%
Single-family homes	5,638	8.4%	9,766	10.9%	73.2%
Asakawa Home	396	2.7%	*3 1,083	4.2%	* 2 —
Condominiums	(72)	—	1,003	10.4%	—
Property resales	4,911	15.2%	8,606	15.4%	75.2%
Others	116	16.4%	108	31.5%	(7.4%)
Adjustments	(102)	—	(140)	—	—

*1 FY2015 3Q results were revised to reflect the restructuring of business segments in FY2016 1Q.

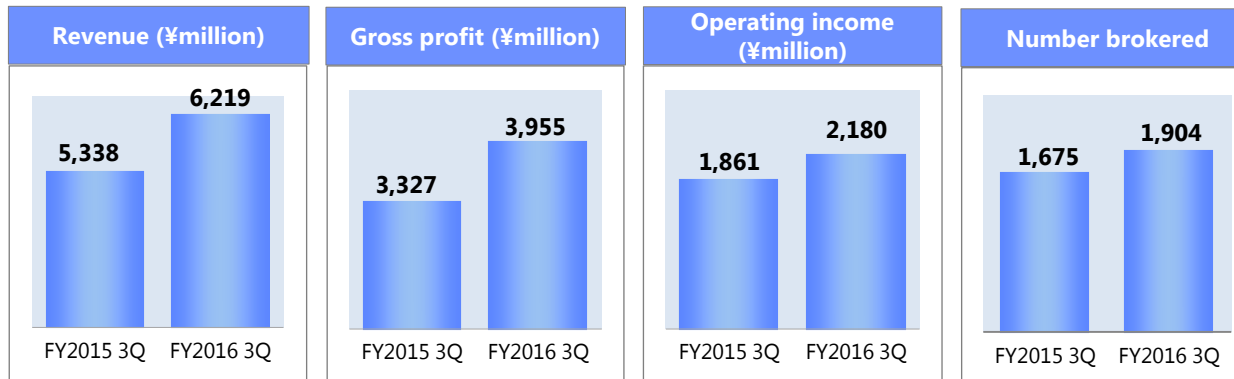
*2 Increase (decrease) in YOY for Asakawa Home is not shown because Asakawa Home was made a consolidated subsidiary in January 2015.

*3 Operating income for Asakawa Home reflects a deduction of amortization of goodwill recorded on the acquisition of Asakawa Home equity.

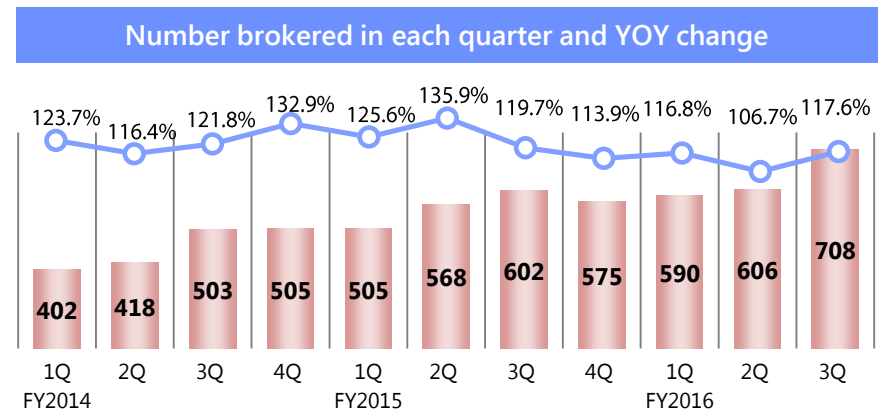


Brokerage Business

- The Nerima Sales Center opened in April 2016, bringing the total number of sales centers to eighteen to expand the brokerage business.
- Numbers brokered in each quarter continued to grow from the previous year.



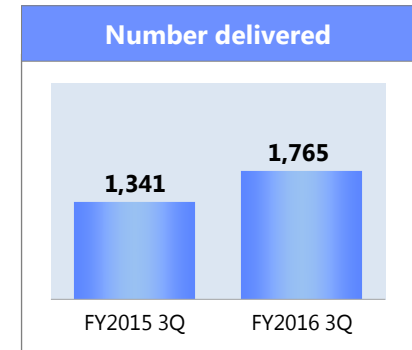
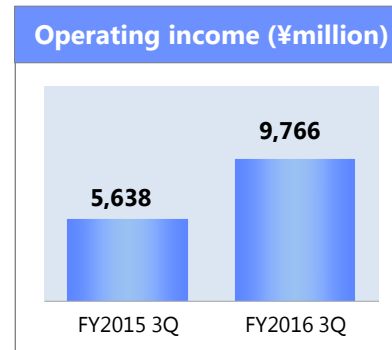
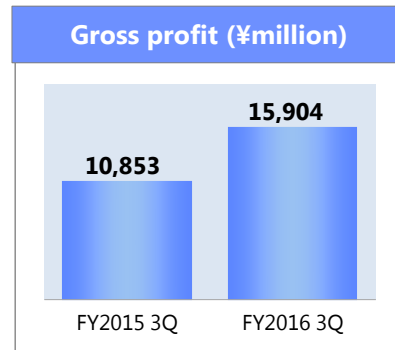
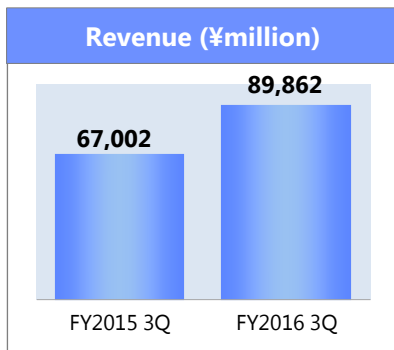
	FY2015 3Q	FY2016 3Q	Inc.(Dec.)
Revenue (¥ million)	5,338	6,219	16.5%
Gross profit (¥ million)	3,327	3,955	18.9%
Gross profit margin	62.3%	63.6%	1.3%
Operating income (¥ million)	1,861	2,180	17.1%
Operating income margin	34.9%	35.1%	0.2%
Number brokered	1,675	1,904	229





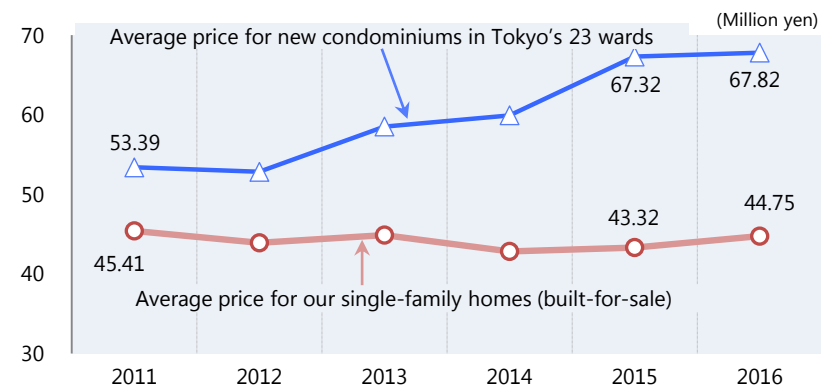
Single-Family Homes Business

- The price advantage due to rising prices of new condominiums has contributed to the steady performance of single-family homes.
- The number of deliveries of built-for-sale housing substantially increased, attributable to the strengthening of construction functions through collative work with Asakawa Home, etc.



By type of sale		FY2015 3Q	FY2016 3Q	Inc.(Dec.)
Built-for-sale houses	Revenue (¥million)	26,264	40,231	53.2%
	Number delivered	608	899	291
Lands	Revenue (¥million)	34,002	40,912	20.3%
	Number delivered	733	866	133
Built-to-order houses	Revenue (¥million)	6,590	8,548	29.7%
	Number delivered	449	554	105
Others	Revenue (¥million)	146	169	16.3%
Total	Revenue (¥million)	67,002	89,862	34.1%
	Gross profit (¥million)	10,853	15,904	46.5%
	Gross profit margin	16.2%	17.7%	1.5%
	Operating income (¥million)	5,638	9,766	73.2%
	Operating income margin	8.4%	10.9%	2.5%
	Number delivered (built-for-sale houses + lands)	1,341	1,765	424

Changes in the average price for new condominiums in Tokyo's 23 wards of Tokyo and average price for our single-family homes (built-for-sale)



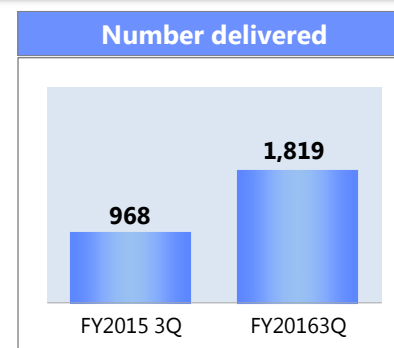
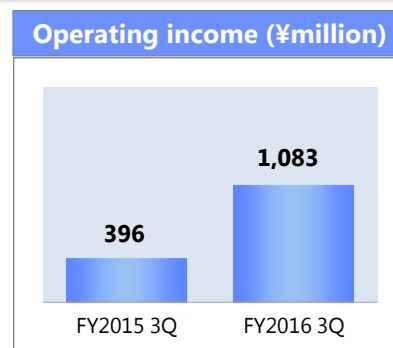
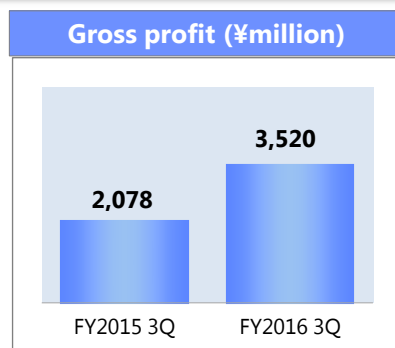
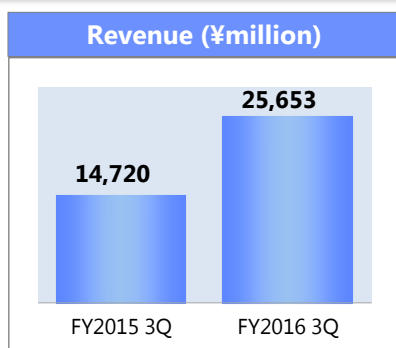
Source: MLIT, "Monthly marketing report of lands"
 Fiscal years: Condominium prices are on a calendar-year basis. Prices for our homes are for the period October – September.
 * Condominium prices for 2016 are for the January - June period.
 Company results shown for 2016 are for October 2015-June 2016.



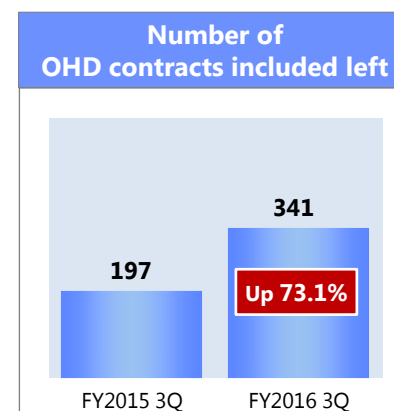
Asakawa Home

- Deliveries on construction contracts have been carried out smoothly as scheduled, and the number of construction contracts is growing steadily. (Number of contracts for apartment construction: 104 (as of July 31, 2016).)
- Asakawa Home Co., Ltd. is to change its company name to Open House Architect Co., Ltd. in October 2016.

This change is intended to improve people's recognition of the company as well as to clarify its position as a member of Open House Group companies.



	FY2015 3Q *1	FY2016 3Q
Revenue (¥ million)	14,720	25,653
Gross profit (¥ million)	2,078	3,520
Gross profit margin	14.1%	13.7%
Operating income (¥ million) *2	396	1,083
Operating income margin	2.7%	4.2%
Number delivered *3	968	1,811



*1 Increase (decrease) in YOY for Asakawa Home is omitted because Asakawa Home was made a consolidated subsidiary in January 2015.

*2 Operating income for Asakawa Home reflects a deduction of amortization of goodwill for Asakawa Home.

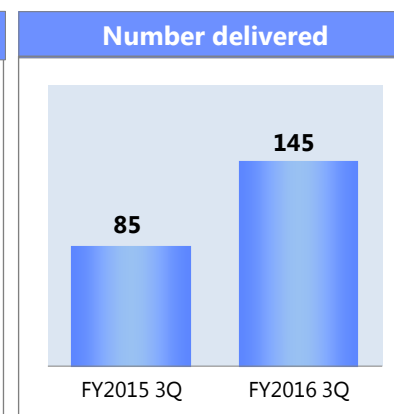
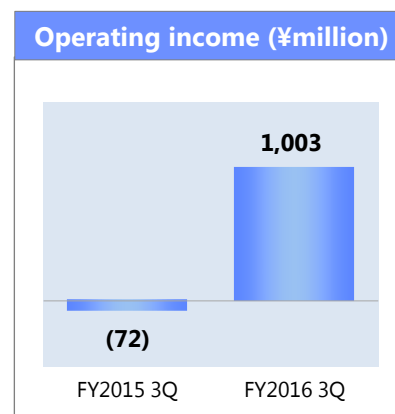
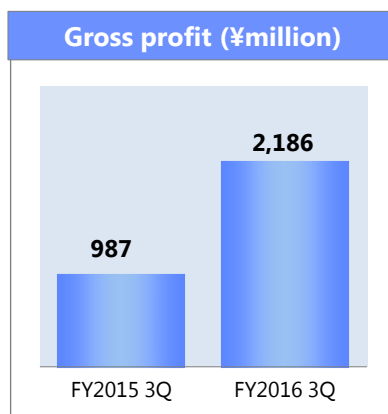
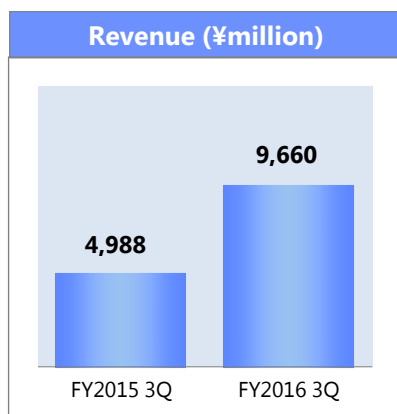
*3 Number delivered refers to the number of properties delivered under single-family homes construction contracts.

Shows total numbers of construction contracts awarded through 3Q (October–June) for each term.



Condominiums Business

- Strong demand for condominiums in prime urban locations generated favorable sales. (Contracts for 300 condominiums scheduled to be delivered by the end of this fiscal year were already concluded.)
- We will accelerate the development of condominiums with the leverage of our Group's abundant information on real estate in prime urban areas.



	FY2015 3Q	FY2016 3Q	Inc. (Dec.)
Revenue (¥ million)	4,988	9,660	93.7%
Gross profit (¥ million)	987	2,186	121.4%
Gross profit margin	19.8%	22.6%	2.8%
Operating income (¥ million)	(72)	1,003	—
Operating income margin	—	10.4%	—
Number delivered	85	145	60

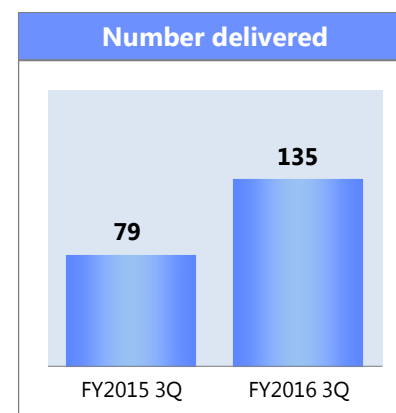
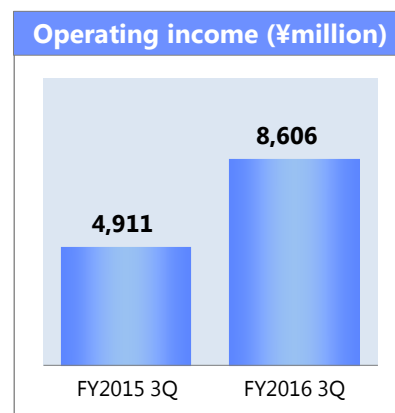
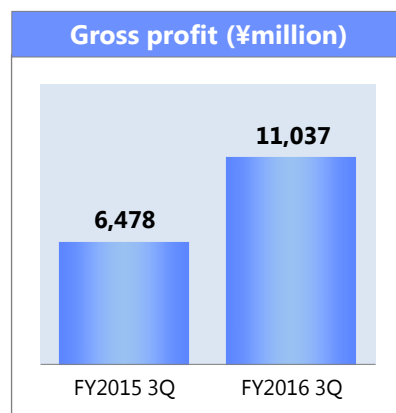
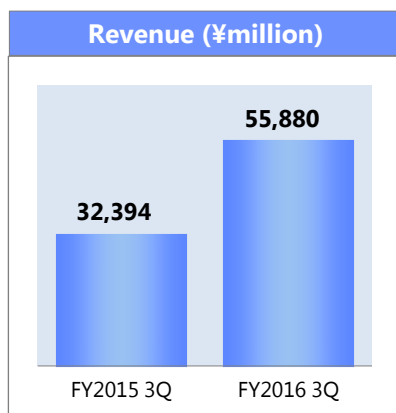
Major condominiums delivered in FY2016

Name	Units	Average price
Open Residencia Nakameguro-Besshozaka	15	¥70million
Open Residencia Ebisu The House	25	¥90million
Open Residencia Nihonbashi-Mitsukoshimae	19	¥50million
Open Residencia Ikejiri-Ohashi	45	¥40million

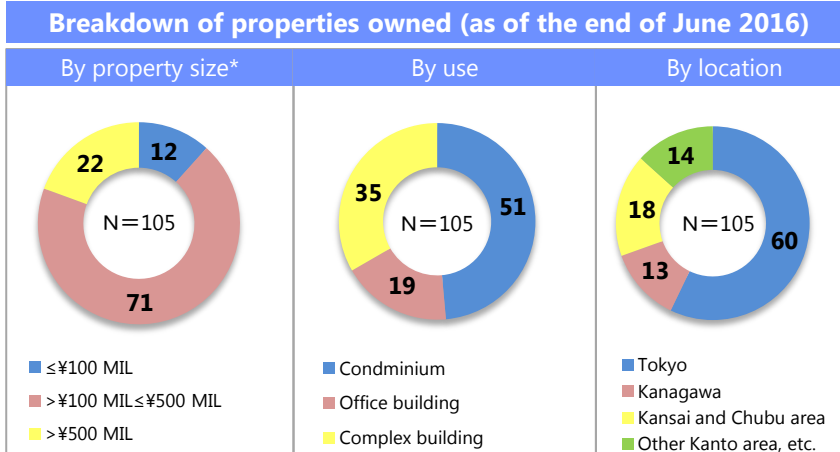


Property Resale Business

- On the back of the BOJ's monetary easing policies, the property resale business is seeing strong demand for revenue-generating properties and its operating results achieved significant growth.
- We will step up the personnel structure, aiming to become a top independent player in the property resale business.



	FY2015 3Q	FY2016 3Q	Inc. (Dec.)
Revenue (¥ million)	32,394	55,880	72.5%
Gross profit (¥ million)	6,478	11,037	70.4%
Gross profit margin	20.0%	19.8%	(0.2%)
Operating income (¥ million)	4,911	8,606	75.2%
Operating income margin	15.2%	15.4%	0.2%
Number delivered	79	135	56



(* Based on book values at the end of June 2016)



Breakdown of SG&A Expenses, Non-Operating Income / Expenses

(Million yen)

	FY2015 3Q		FY2016 3Q		Inc. (Dec.)		FY2015 3Q		FY2016 3Q		Inc. (Dec.)
		% of revenue		% of revenue				% of revenue		% of revenue	
SG&A expenses	8,673	7.1%	11,087	6.1%	2,413	Non-operating income	232	0.2%	154	0.1%	(78)
Personnel expenses	2,531	2.1%	3,208	1.8%	676	Foreign exchange gain	135	0.1%	—	—	(135)
Sales commissions	1,177	1.0%	1,885	1.0%	708	Others	97	0.1%	154	0.1%	57
General expenses	1,117	0.9%	1,332	0.7%	214	Non-operating expenses	861	0.7%	947	0.5%	86
Advertising expenses	788	0.6%	939	0.5%	150	Interest expenses	678	0.6%	593	0.3%	(85)
Promotion expenses	345	0.3%	476	0.3%	131	Commissions	111	0.1%	24	0.0%	(86)
Others	2,713	2.2%	3,245	1.8%	532	Foreign exchange loss	—	—	224	0.1%	224
						Others	71	0.1%	104	0.1%	33

Factors contributing to higher SG&A expenses:

- The percentage of SG&A expenses to revenue declined by ensuring the increased ratio of SG&A expenses will become lower than the increased ratio of revenue.

Factors contributing to lower non-operating expenses:

- Interest expenses declined due to an improvement in our credibility and lower market interest rates in spite of rising interest-bearing debts.



Consolidated Balance Sheet

(Million yen)

	Sep 30, 2015	Jun 30, 2016	Inc. (Dec.)
Current assets	156,535	168,716	12,180
Cash and cash equivalents	43,330	44,800	1,469
Inventories	102,614	113,235	10,620
Others	10,590	10,680	90
Fixed assets	5,834	7,985	2,150
Tangible fixed assets	2,799	2,833	33
Intangible fixed assets	1,490	1,409	(80)
Investments and other assets	1,544	3,742	2,197
Deferred assets	76	66	(10)
Total assets	162,447	176,767	14,320

- Assets increased mainly due to rising cash and cash equivalents and investments and other assets, in addition to increased inventories resulting from forward-looking purchases of land and properties.

	Sep 30, 2015	Jun 30, 2016	Inc. (Dec.)
Liabilities	114,837	117,475	2,638
Current liabilities	67,037	71,801	4,763
Long-term liabilities	47,799	45,674	(2,125)
Net assets	47,609	59,291	11,682
Shareholders' equity	47,505	59,001	11,496
Other accumulated comprehensive income	104	290	185
Total liabilities and net assets	162,447	176,767	14,320

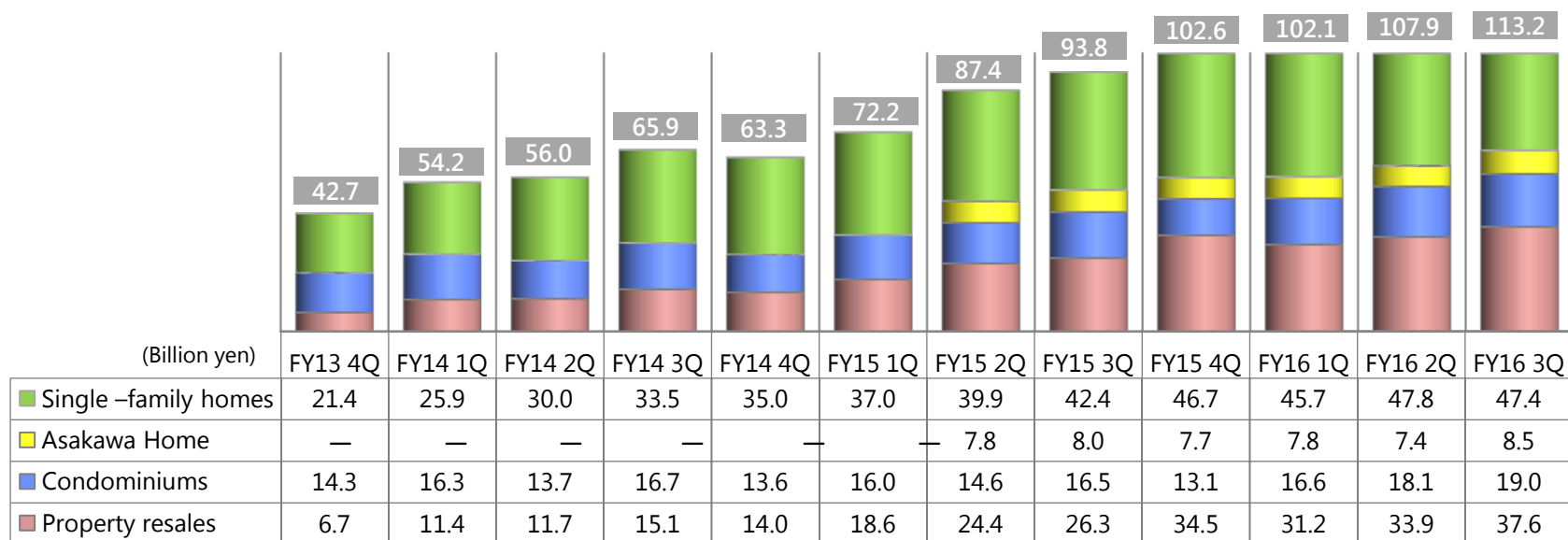
- Liabilities increased due to increasing loans payable and other factors.
- Shareholder equity increased due to various factors, among them the accumulation of net assets based on the recording of profit attributable to owners of parent .

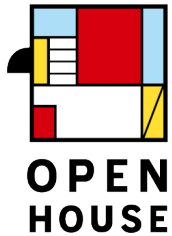


Inventory Details

(Million yen)

	End of FY2013	End of FY2014	End of FY2015 <A>	End of FY2016 3Q 	(Ratio)	Inc. (Dec.) -<A>
Single-family homes	21,476	35,080	46,741	47,467	41.9%	725
Asakawa Home	—	—	7,756	8,522	7.5%	766
Condominiums	14,309	13,683	13,101	19,027	16.8 %	5,926
Property resales	6,741	14,090	34,586	37,663	33.3%	3,077
Others	203	513	428	553	0.5%	124
Total	42,730	63,368	102,614	113,235	100.0%	10,620





Consolidated Business Performance Forecasts for FY2016



Business Performance Forecasts

- The full-year performance and dividend forecasts revised in May 2016 will remain unchanged.
- We will strive to set record highs in revenue and operating income for the fourth consecutive year.

(Million yen)

	FY2015	FY2016	Inc. (Dec.)
	Actual results	Revised forecast	
Revenue	179,317	245,000	36.6%
Operating income	21,300	29,000	36.1%
Ordinary income	20,294	28,000	38.0%
Profit attributable to owners of parent	12,637	18,000	42.4%
EPS (yen)	222.07	319.19	—
Annual dividends per share (yen)	30.00	50.00	20.00
Payout ratio	13.5%	15.7%	—



Business Performance Forecasts (revenue by segment)

- Our goal is to achieve continuing revenue growth exceeding 20% in the Brokerage, Single-family Homes, Asakawa home, and property resales segments.
- Management resources are allocated in accordance with market conditions. The single-family home related business represents the central business pillar.

(Million yen)

	FY2015 ^{*1}	FY2016	Inc. (Dec.)
	Actual results	Revised forecast	
Revenue	179,317	245,000	36.6%
Brokerage	7,255	9,000	24.0%
Single-family homes	91,644	119,000	29.9%
Asakawa Home	23,122	36,800	^{*2} —
Condominiums	20,095	18,400	(8.4%)
Property resales	41,719	71,000	70.2%
Others	825	700	(15.2%)
Adjustments	(5,344)	(9,900)	—

^{*1} FY2015 results have been revised to reflect the restructuring of business segments in FY2016.

^{*2} Increase (decrease) YOY for Asakawa Home is not shown because Asakawa Home was made a consolidated subsidiary in January 2015.



Target Indicators

- Ordinary income ratio: 10%; ROE: 20%; equity ratio: 30%
- We continue to maintain a course of strategic investment that targets growth while maintaining a balance between financial soundness and capital efficiency.

(Million yen)

	FY2014	FY2015	FY2016
	Actual Results	Actual Results	Forecast
Revenue	112,145	179,317	245,000
Ordinary income	12,882	20,294	28,000
Profit attributable to owners of parent	7,763	12,637	18,000
Total assets	100,577	162,447	—
Net worth	37,047	47,453	—
Ordinary income ratio	11.5%	11.3%	11.4%
ROE	23.2%	29.9%	—
Equity ratio	36.8%	29.2%	—



Shareholder returns

- We plan to distribute annual dividends of ¥50.00 per share for FY2016 (+¥20.00 YOY)
- We will continue to provide the shareholder benefits program which was adopted with a record date of September 30, 2015.

Annual dividends per share

	FY2014 Actual	FY2015 Actual	FY2016 Forecast
Annual dividends per share (yen)	20.00	30.00	50.00
Payout ratio	14.5%	13.5%	15.7%

(1) Dividend policy

While recognizing profit distribution to shareholders as a critical management task, we will ensure we maintain stable dividends with consideration given to future business development and strengthening our financial standing.

(2) Increase in dividends

In May 2016, we revised the forecast for annual dividends to ¥50.00 from ¥40.00 (increased dividends) in conjunction with the upward revision of profit attributable to owners of parent.

* Annual dividends per share is calculated by assuming that the common stock split on a one-to-two basis effective July 1, 2015 was executed at the beginning of FY2014.

Shareholder Benefits Program

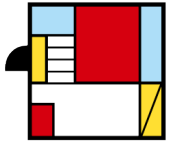
Details of benefits	Less than 3 years' continuous holding	3 or more years' continuous holding
Benefits when purchasing homes brokered by the company or sold by the group	¥100,000 cash back	¥300,000 cash back
Quo Card	¥3000-yen card	¥5000-yen card

(1) Purposes

To express gratitude for continued shareholder support for the company and to provide shareholders with opportunities to more broadly understand the group's businesses

(2) Eligible shareholders

Those owning one or more trading units (100 shares) of company stock as recorded on the shareholders' register as of September 30 of each year



**OPEN
HOUSE**

TOPICS



New business expansion in the Nagoya area

- We will launch the urban-type residence business including single-family homes and condominiums businesses in the Nagoya area.
- The scope for the business expansion is set at the group level, including the already operated property resale business and a tie-up with Asakawa Home.

Rationale for business expansion in the Nagoya area:

Given the stable trend of the current economy and the outlook for future growth including a launch of Linear Chuo Shinkansen trains, etc., the Nagoya region is expected to have potential for generating strong demand for housing in the central districts.

Newly opened offices:

New offices—the Sakae Sales Center of Open House Co., Ltd., and Nagoya Branch of Open House Development Co., Ltd.—will start operations in October 2016.

Activities in the Nagoya area:

July 2013: Established Nagoya Branch of Asakawa Home Co., Ltd. and undertook the construction of single-family homes, and other businesses.

October 2015: Opened Nagoya Office of Open House Development Co., Ltd. and launched property resale business.

[Reference: Aichi Prefecture's economic indicators, etc.]

Ranking	manufacturing workers (thousand people)		Unemployment rate *by area (%)		Annual income (million yen)		Increase in the number of households Annual average (thousand people)		two-income households (thousand household)	
1	Aichi	913	Tokai	2.6	Tokyo	6.235	Tokyo	60	Tokyo	1,212
2	Tokyo	714	Hokuriku	2.7	Kanagawa	5.443	Kanagawa	27	Kanagawa	873
3	Osaka	653	Kitakanto · Koshinetsu	3.2	Aichi	5.406	Saitama	25	Aichi	803
4	Kanagawa	479	Chugoku	3.2	Osaka	5.281	Aichi	25	Osaka	789
5	Saitama	477	Shikoku	3.2	Chiba	4.877	Chiba	18	Saitama	743
Whole Japan	Total	9,188	Average	3.4	Average	4.892	Total	291	Total	12,970
Source	2014 Economic Census – Statistics Bureau		2015 Labor Force Survey – Statistics Bureau		2015 Basic Survey on Wage Structure – MHLW		2010-2015 Population Census – Statistics Bureau		2012 Employment Status Survey – Statistics Bureau	



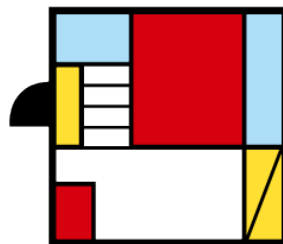
Funding by long-term loans payable

- Took out 10-year unsecured long-term loans payable totaling ¥20 billion in July 2016
- The said funds will be used as growth funds for performing flexible operations.

Overview of the long-term loans payable	The syndicate loan payable	The term loan payable
Aggregate amount	¥17.9billion	¥2.1billion
Borrowing period	Ten years (July 2016-July 2026)	Ten years (July 2016-July 2026)
Arranger and Agent	Sumitomo Mitsui Banking Corporation	—
Participating Financial institutions /Lenders	Total of 17 financial institutions including Sumitomo Mitsui Banking Corporation	Resona Bank, Limited

Features of the long-term loans payable	Details
Term, condition, repayment method, etc.	10 years, fixed interest rates, lump-sum repayments at maturity
Security	Unsecured
Use of funds	Business funds (entire business)

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