

**OPEN  
HOUSE**

# **Consolidated Financial Highlights**

**for the First Quarter Ended September 30, 2019**

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**OPEN HOUSE CO., LTD.**  
**[3288 TSE]**



**JPX-NIKKEI 400**

2017-2018



# FY2019 1Q Topics

## Business performance <FY2019 1Q>

### ■ Business has been moving forward in line with the full-year forecast.

Revenue:	¥ 105.0 billion [ 37.4% YOY ]
Operating income:	¥ 9.3 billion [ (3.4)% YOY ]
Profit attributable to owners of parent :	¥ 5.7 billion [ (11.9)% YOY ]

- Single-family homes related business:  
Performance was steady including Hawk One with high demand in urban areas.
- Condominium business:  
Performance was strong and contract rate for units to be delivered in this fiscal term achieved 85%.
- Property resales business:  
Units to be delivered concentrate from January to March in the first half of the fiscal year.
- U.S. Real Estate business:  
Demand to purchase U.S. properties remained high among wealthy class of customers.

## Performance forecasts <FY2019>

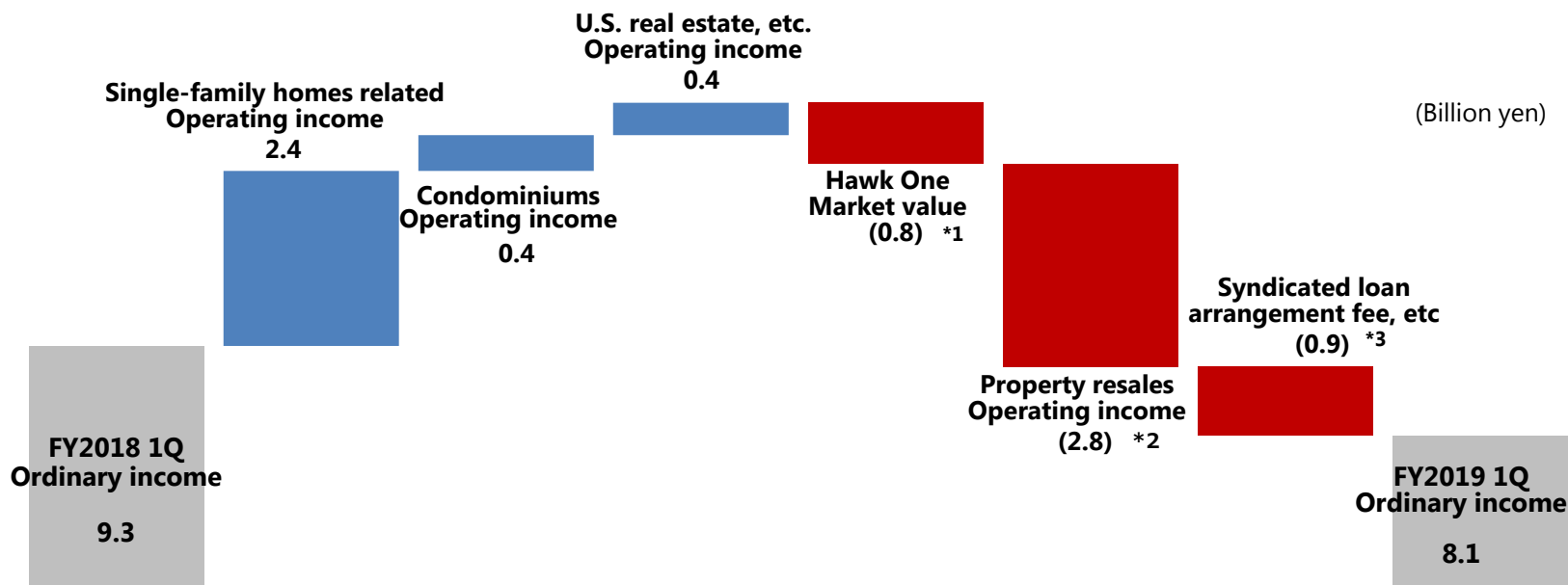
### ■ Our goal is to achieve record highs both in revenue and income for the seventh consecutive year.

Revenue:	¥ 510.0 billion [ 30.5% YOY ]
Ordinary income:	¥ 51.5 billion [ 11.8% YOY ]
Profit attributable to owners of parent :	¥ 37.0 billion [ 16.3% YOY ]



# FY2019 1Q Topics Factors of Fluctuation in Ordinary Income

- ☑ Performance in single-family homes related, condominiums, and U.S. real estate businesses steadily expanded.
- ☑ Decrease in profit is mainly due to temporary factors and has been taken into consideration in the full-year forecast since the beginning of the fiscal year.



### \*1. Hawk One Market value

When consolidating Hawk One at the end of the previous fiscal year, contracted inventories were valued at market value according to sales value. Since the amount equivalent to the gain on valuation of such was directly recorded under net assets, it is not recorded under gross profit for the first quarter.

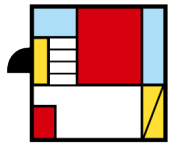
### \*2 Property resales

Segment income decreased since the number and price per unit of units to be delivered in the first quarter was below the year-on-year performance (as delivery of units concentrate from January to March in the first half of the fiscal year).

### \*3 Syndicate loan arrangement fee, etc.

Commission fee *4	(0.66)	*4 Syndicate loan arrangement fee (December 2018, 37.2 billion yen), etc.
Interest expenses	(0.15)	
Foreign exchange loss, etc	(0.13)	

[Assumption] \*1 Market value of Hawk One (0.85billion yen) is included in the above "Single-family homes related operating income +2.4"



**OPEN  
HOUSE**

## **FY2019 1Q Consolidated Summary**

# Overview of Consolidated Income Statement

- ☑ Revenue significantly increased due to consolidation of Hawk One Corporation, etc.
- ☑ Although profit decreased in the first quarter due to temporary factors, it is moving forward in line with the full-year forecast.

(Million yen)

	FY2018 1Q <2017/10-2017/12>		FY2019 1Q <2018/10-2018/12>		Inc.(Dec.)
	Actual	% of revenue	Actual	% of revenue	
<b>Revenue</b>	76,461	—	<b>105,029</b>	—	37.4%
<b>Operating income</b>	9,633	12.6%	<b>9,305</b>	8.9%	(3.4)%
<b>Ordinary income</b>	9,391	12.3%	<b>8,155</b>	7.8%	(13.2)%
<b>Profit attributable to owners of parent</b>	6,517	8.5%	<b>5,742</b>	5.5%	(11.9)%

# Performance by segment (revenue/operating income)

- ☑ Revenue and profit in single-family homes related, condominiums, and U.S. real estate businesses significantly increased.
- ☑ Even under an environment in which revenue decreased in property resales, continued growth is seen from utilizing the advantages of portfolio management.

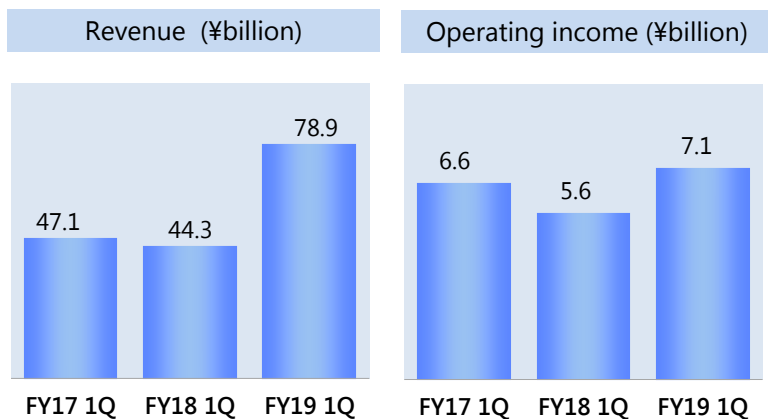
(Million yen)

	FY2018 1Q <2017/10-2017/12>		FY2019 1Q <2018/10-2018/12>		Inc.(Dec.)
	Actual	Ratio	Actual	Ratio	
<b>Revenue</b>	76,461	100.0%	<b>105,029</b>	100.0%	37.4%
Single-family homes related business *	44,341	58.0%	<b>78,995</b>	75.2%	78.2%
Condominiums	4,487	5.9%	<b>6,504</b>	6.2%	45.0%
Property resales	25,291	33.1%	<b>13,040</b>	12.4%	(48.4)%
Others (including U.S. real estate business)	2,347	3.1%	<b>6,498</b>	6.2%	176.9%
Adjustments	(5)	—	<b>(10)</b>	—	
	Actual	% of revenue	Actual	% of revenue	Inc.(Dec.)
<b>Operating Income</b>	9,633	12.6%	<b>9,305</b>	8.9%	(3.4)%
Single-family homes related business *	5,603	12.6%	<b>7,189</b>	9.1%	28.3%
Condominiums	121	2.7%	<b>620</b>	9.5%	412.5%
Property resales	3,737	14.8%	<b>915</b>	7.0%	(75.5)%
Others (including U.S. real estate business)	389	16.6%	<b>841</b>	12.9%	115.7%
Adjustments	(218)	—	<b>(261)</b>	—	—

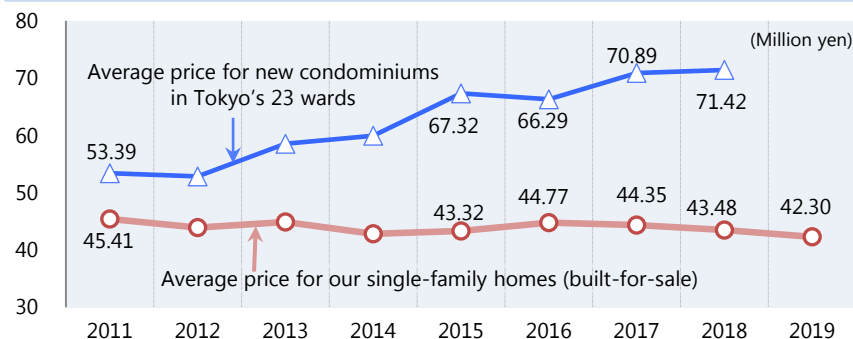
\* Earnings of Hawk One are included in the single-family homes related business sector from October–December period of FY2019.

# Single-family homes related business as a whole

- ☑ Revenue significantly increased due to consolidation of Hawk One.
- ☑ The number of brokerage transactions has been moving in line with the plan.

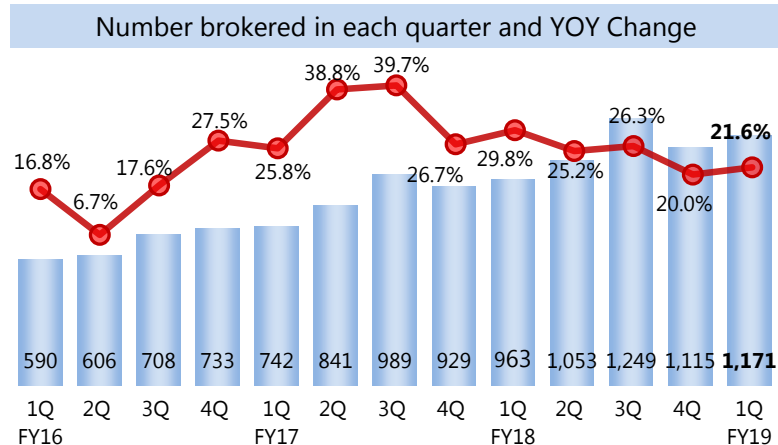


Changes in the average price for new condominiums in Tokyo's 23 wards and average price for our single-family homes (built-for-sale)



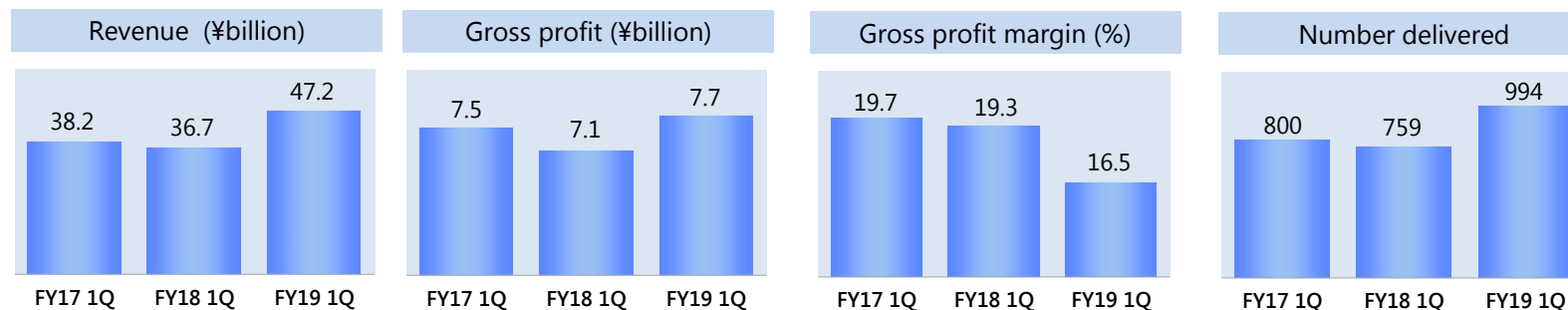
Source: MLIT, "Monthly marketing report of lands"  
 Fiscal years: Condominium prices are on a calendar-year basis. Prices for our homes are for the period October – September. Condominium prices for 2018 are for the January – December period. Prices of our homes are for the October 2018- December 2018 period.

	FY2017 1Q 16/10-16/12	FY2018 1Q 17/10-17/12	FY2019 1Q 18/10-18/12	Inc. (Dec.)
Revenue (¥million)	47,136	44,341	<b>78,995</b>	78.2%
Gross profit (¥million)	9,160	8,436	<b>11,848</b>	40.4%
Gross profit margin	19.4%	19.0%	<b>15.0%</b>	(4.0)pt
Operating income (¥million)	6,615	5,603	<b>7,189</b>	28.3%
Operating income margin	14.0%	12.6%	<b>9.1%</b>	(3.5)pt



# Single-family homes related business (1. Open House Development)

- Business performance steadily expanded with high demand for single-family homes in urban areas.
- Gross profit margin declined, but is expected to improve in the second half of the fiscal year with greater accuracy in the purchase and sales plan.

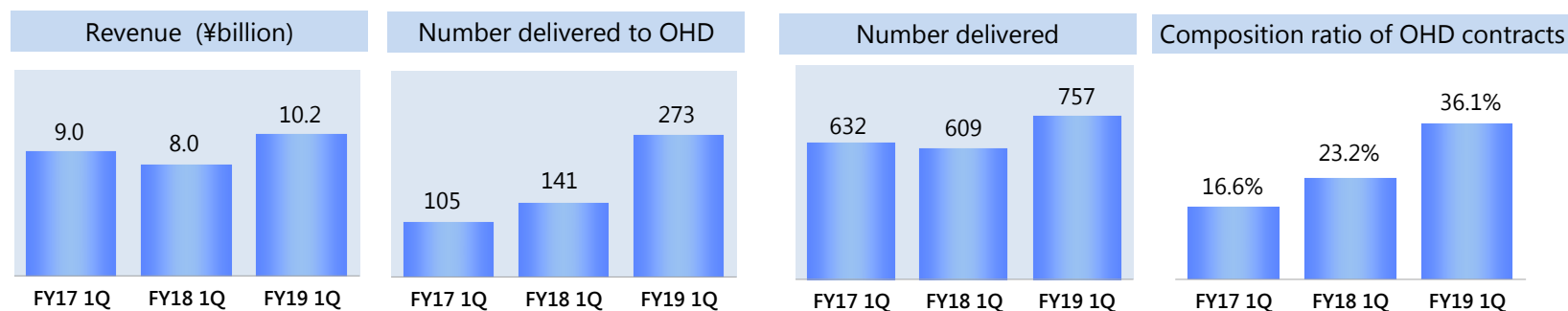


By type of sale		FY2017 1Q 16/10-16/12	FY2018 1Q 17/10-17/12	FY2019 1Q 18/10-18/12	Inc. (Dec.)
Built-for-sale houses	Revenue (¥million)	15,595	11,666	<b>18,599</b>	59.4%
	Number delivered	357	267	<b>440</b>	173
	Unit Price(¥million)	43.7	43.7	<b>42.3</b>	(1.4)
Lands	Revenue (¥million)	19,437	21,147	<b>23,547</b>	11.3%
	Number delivered	443	492	<b>554</b>	62
	Unit Price(¥million)	43.9	43.0	<b>42.5</b>	(0.5)
Built-to-order houses	Revenue (¥million)	3,074	3,780	<b>4,987</b>	31.9%
	Number delivered	202	262	<b>357</b>	95
	Unit Price(¥million)	15.2	14.4	<b>14.0</b>	(0.5)
Others	Revenue (¥million)	108	138	<b>89</b>	(35.6)%
Total	Revenue (¥million)	38,215	36,733	<b>47,223</b>	28.6%
	Gross profit (¥million)	7,515	7,101	<b>7,791</b>	9.7%
	Gross profit margin	19.7%	19.3%	<b>16.5%</b>	(2.8)pt
	Number delivered (built-for-sale houses + lands)	800	759	<b>994</b>	235

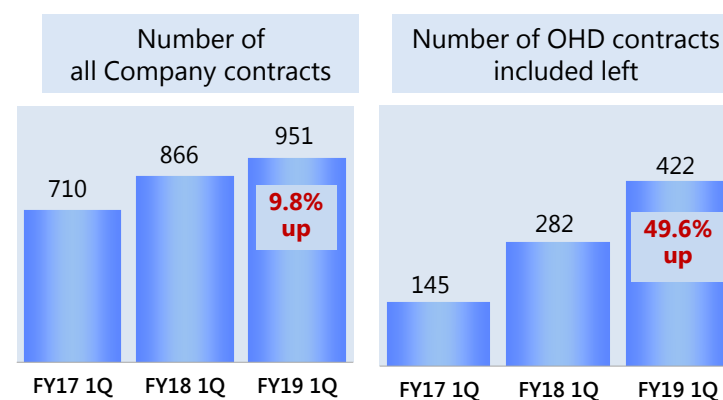


# Single-family homes related business (2. Construction work)

- ☑ The number of construction contracts for OHD increased, and this contributed to the Group's single-family homes construction capacity.
- ☑ Gross profit margin declined as expected, due to an increase in the number of houses delivered under OHD contracts that do not incur operating expenses.



	FY2017 16/10-16/12	FY2018 17/10-17/12	FY2019 18/10-18/12	Inc.(Dec.)
Revenue (¥million)	9,093	8,080	<b>10,277</b>	27.2%
Gross profit (¥million)	1,265	955	<b>1,127</b>	18.0%
Gross profit margin	13.9%	11.8%	<b>11.0%</b>	(0.9)pt
Number delivered <sup>*1</sup>	632 105	609 141	<b>757</b> <b>273</b>	148 132



\*1 Number delivered refers to the number of properties delivered under single-family homes construction contracts to corporations.  
Number delivered to OHD on the lower line

The above represents the number of contracts for construction orders received during the respective fiscal year.



# Single-Family Homes Related Business (3. Hawk One)

- ☑ Sales of single-family homes business launched in Tokyo metropolitan district and Nagoya region, quasi-urban areas, are favorable.
- ☑ The number of brokerage transactions in regard to Hawk One's units by Open House also showed steady increase.

Purposes
<p><b>1. Expanding share in the Tokyo metropolitan district and the Nagoya region</b></p> <p>Companies can complement each other in regard to areas and price ranges.</p> <ul style="list-style-type: none"> <li>■ HAWK ONE: Quasi-urban areas; average price: ¥38 million</li> <li>● OHD: Urban areas; average price: ¥44 million</li> </ul>
<p><b>2. Strengthening construction performance by leveraging advantage of scale</b></p> <p>Group-wide supply of single-family homes would amount to 7,900 homes per year.</p> <ul style="list-style-type: none"> <li>■ HAWK ONE: 2,100 homes</li> <li>● OHD,OHA: 5,800 homes</li> </ul>
<p><b>3. Improving management efficiency by leveraging the brokerage function</b></p> <p>Sales of HAWK ONE properties through the Company's brokerage</p> <ul style="list-style-type: none"> <li>■ HAWK ONE: Sales of homes through local brokers</li> <li>● OPEN HOUSE: Proactive sales of Hawk One properties</li> </ul>

## Outline of performance

		FY2019 1Q (2018/10-12)	
Revenue (¥million)		23,347	<b>* After adjusting for effects of market value</b>
Gross profit (¥million)		2,620	<b>3,472</b>
Gross profit margin		11.2%	<b>14.9%</b>
Number delivered		574	
<small>*including land (18 units), built-to-order houses (17 units)</small>			
Number of brokerage	<small>*contract basis</small>	82	

When consolidating Hawk One at the end of the previous fiscal year, contacted inventories were valued at market value according to sales value. Since the amount equivalent to the gain on valuation of such was directly recorded under net assets and not under gross profit for the first quarter, gross profit was adjusted.

## Outline of share acquisition and share exchange

### Acquisition cost:

Approx. ¥27.3 billion (shareholding ratio acquired: 100%)  
(Cash of approx. ¥20 billion + Simplified share exchange worth ¥7.3 billion)

### Events:

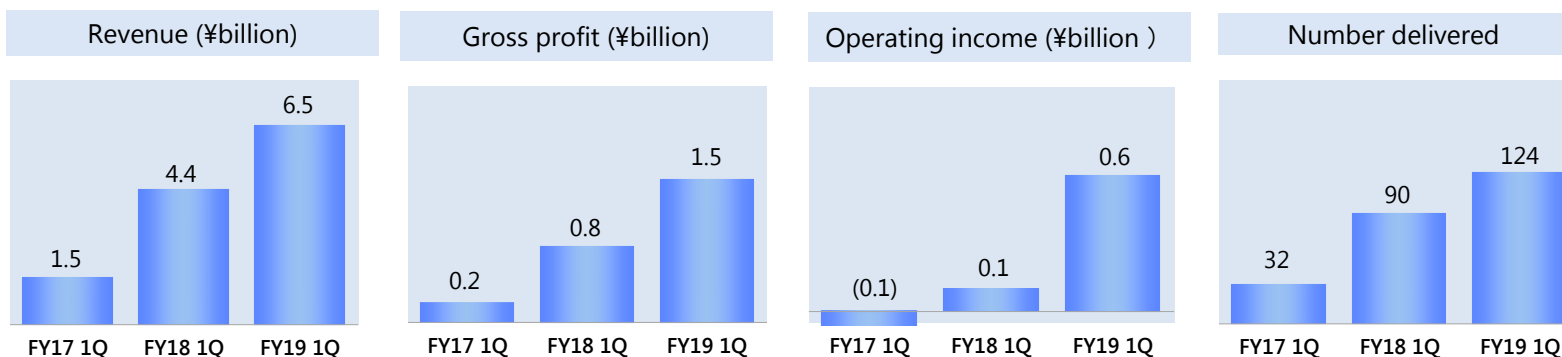
July 31, 2018 : Shares acquired. Share exchange agreement concluded.  
Oct 1, 2018 : Conversion to a wholly-owned subsidiary of the Company .  
(Effective date of share exchange)

### Goodwill:

Balance as of the beginning for the period is ¥2,655 million.  
Amortized on a straight-line basis over a 10-year period

# Condominiums Business

- ☑ Sales were strong for compact condominiums, targeting single- and two-person households whose occupants prefer living close to work.
- ☑ Performance grew with the commencement of delivery of units in Nagoya City.



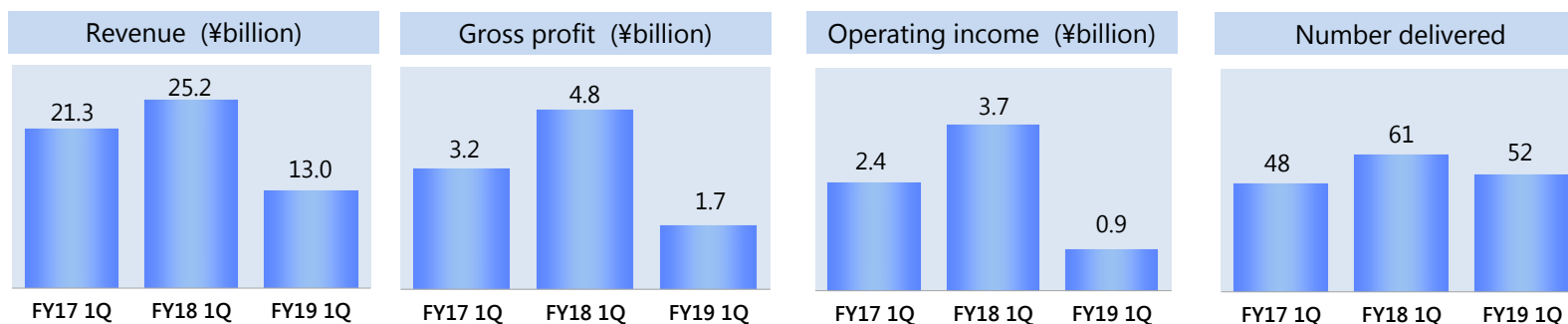
	FY2017 16/10-16/12	FY2018 17/10-17/12	FY2019 18/10-18/12	Inc. (Dec.)
Revenue (¥million)	1,570	4,487	<b>6,504</b>	45.0%
Gross profit (¥million)	233	842	<b>1,503</b>	78.4%
Gross profit margin	14.9%	18.8%	<b>23.1%</b>	4.3pt
Operating income (¥million)	(184)	121	<b>620</b>	412.5%
Operating income margin	(11.8)%	2.7%	<b>9.5%</b>	6.8pt
Number delivered	32	90	<b>124</b>	34
Unit price (¥million)	49.1	49.9	<b>52.5</b>	2.6

## — Major condominiums delivered in FY2019 —

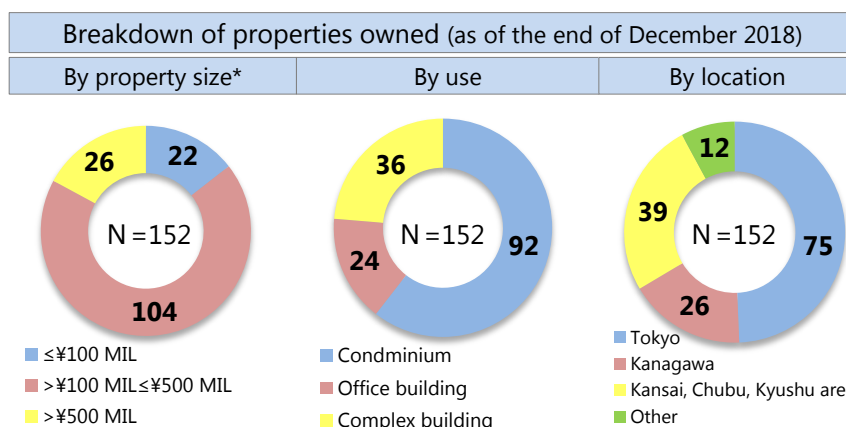
Name	Units	Average price
Open Residencia Aoi	32	¥40million
Open Residencia Nagoya Sakae est	20	¥30million
Open Residencia Sendagi Hills	28	¥60million
Open Residencia Daikanyama the House	22	¥90million

# Property Resales Business

- ☑ The main customers of the property resales business are business corporations and the wealthy class of customers, and the impact of tightening loan standards for real estate investment is limited.
- ☑ In the first half of FY2019, sales contracts for units to be delivered that concentrate in the second quarter (January to March) are favorable.

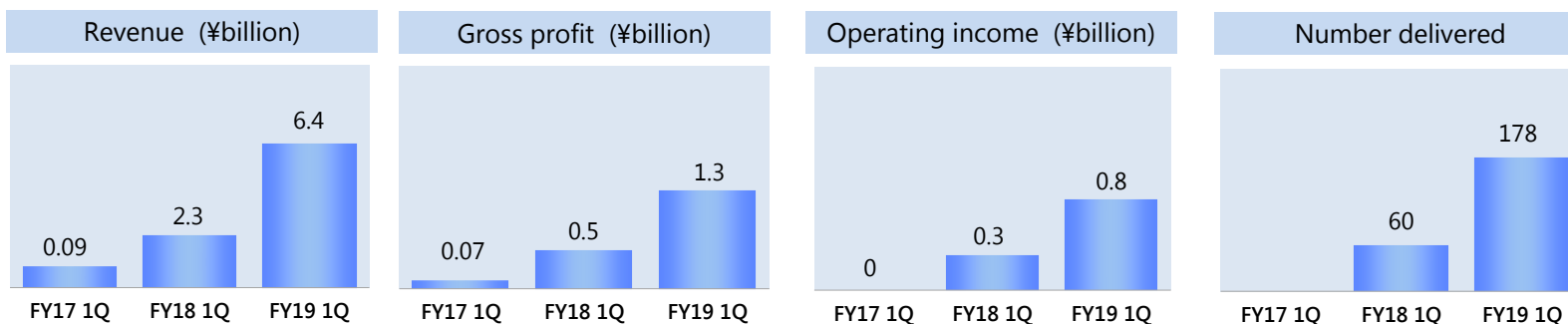


	FY2017 16/10-16/12	FY2018 17/10-17/12	FY2019 18/10-18/12	Inc. (Dec.)
Revenue (¥million)	21,336	25,291	<b>13,040</b>	(48.4)%
Gross profit (¥million)	3,262	4,811	<b>1,739</b>	(63.9)%
Gross profit margin	15.3%	19.0%	<b>13.3%</b>	(5.7)pt
Operating income (¥million)	2,442	3,737	<b>915</b>	(75.5)%
Operating income margin	11.4%	14.8%	<b>7.0%</b>	(7.8)pt
Number delivered	48	61	<b>52</b>	(9)
Unit Price(¥million)	432	407	<b>239</b>	(168)

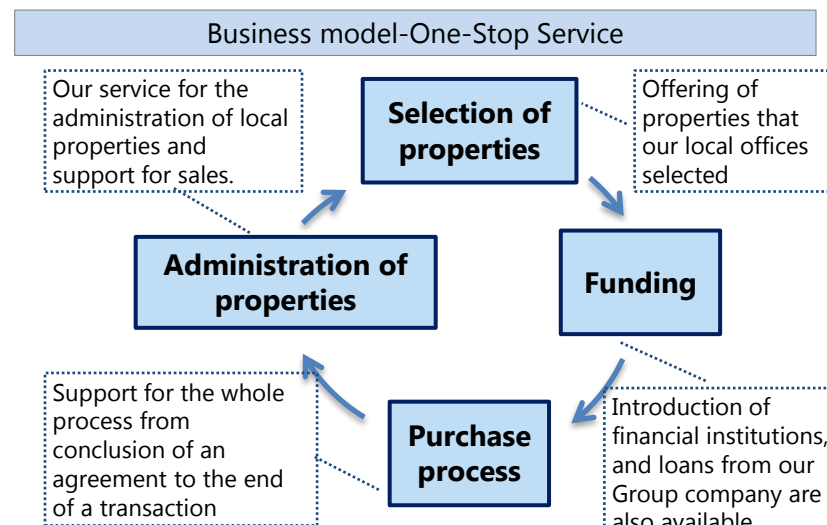


# Other Segment (U.S. Real Estate Business)

- ☑ Demand for purchasing U.S. properties is strong among the wealthy class of customers.
- ☑ Without competitors who provide a one-stop service, the business performance of the U.S. real estate business improved rapidly.



	FY2017 16/10-16/12	FY2018 17/10-17/12	FY2019 18/10-18/12	Inc. (Dec.)
Revenue (¥million)	95	2,347	<b>6,498</b>	176.9%
Gross profit (¥million)	75	572	<b>1,350</b>	135.8%
Gross profit margin	78.9%	24.4%	<b>20.8%</b>	(3.6)pt
Operating income (¥million)	0.9	389	<b>841</b>	452
Operating income margin	0.7%	16.6%	<b>12.9%</b>	(3.7)pt
Number delivered	—	60	<b>178</b>	122



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

(Million yen)

	FY2018 1Q 2017/10-2017/12		FY2019 1Q 2018/10-2018/12		Inc. (Dec.)
	Actual	% of revenue	Actual	% of revenue	
<b>SG&amp;A expenses</b>	5,027	6.6%	<b>7,167</b>	6.8%	2,140
Personnel expenses	1,310	1.7%	2,085	2.0%	774
Sales commissions	768	1.0%	<b>1,107</b>	1.1%	339
Office expenses	667	0.9%	<b>835</b>	0.8%	168
Advertising expenses	356	0.5%	<b>415</b>	0.4%	59
Promotion expenses	302	0.4%	<b>378</b>	0.4%	76
Others	1,622	2.1%	<b>2,344</b>	2.2%	722

	FY2018 1Q 2017/10-2017/12		FY2019 1Q 2018/10-2018/12		Inc. (Dec.)
	Actual	% of revenue	Actual	% of revenue	
<b>Non-operating income</b>	53	0.1%	<b>84</b>	0.1%	30
<b>Non-operating expenses</b>	296	0.4%	<b>1,243</b>	1.2%	947
Interest expenses	258	0.3%	<b>409</b>	0.4%	151
Commission fee	1	0.0%	<b>670</b>	0.6%	669
Foreign exchange loss	5	0.0%	<b>99</b>	0.1%	93
Other	30	0.0%	<b>64</b>	0.1%	33

# Consolidated Balance Sheet

(Million yen)

	Sep 30, 2018	Dec 31, 2018	Inc. (Dec.)
<b>Current assets</b>	377,818	<b>384,621</b>	6,803
Cash and deposits	119,053	<b>100,069</b>	(18,984)
Inventories	233,272	<b>256,692</b>	23,419
Others	25,492	<b>27,859</b>	2,367
<b>Non-current assets</b>	15,508	<b>16,606</b>	1,098
Property, plant and equipment	5,474	<b>5,745</b>	270
Intangible assets	3,515	<b>3,730</b>	214
Investments and other assets	6,517	<b>7,131</b>	613
<b>Deferred assets</b>	40	<b>38</b>	(2)
<b>Total assets</b>	393,367	<b>401,226</b>	7,899

	Sep 30, 2018	Dec 31, 2018	Inc. (Dec.)
<b>Liabilities</b>	279,880	<b>287,777</b>	7,896
Current liabilities	182,405	<b>152,812</b>	(29,592)
Non-current liabilities	97,475	<b>134,964</b>	37,489
<b>Net Assets</b>	113,486	<b>113,489</b>	2
Shareholders' equity	105,798	<b>113,229</b>	7,431
Valuation and translation adjustments	7,688	<b>259</b>	(7,428)
<b>Total liabilities and net assets</b>	393,367	<b>401,266</b>	7,899

<Safety index>	Sep 30, 2018	Dec 31, 2018	Inc. (Dec.)
Equity ratio	27.2%	<b>28.2%</b>	1.2%



# Switching from Short-Term Loans to Long-Term Loans

- ☑ Considering the favorable funding environment, short-term loans were switched to stable long-term loans.
- ☑ Financial stability will improve by increasing percentage of long-term funds.

## Funding of long-term funds (syndicated loan, etc.)

### Purpose:

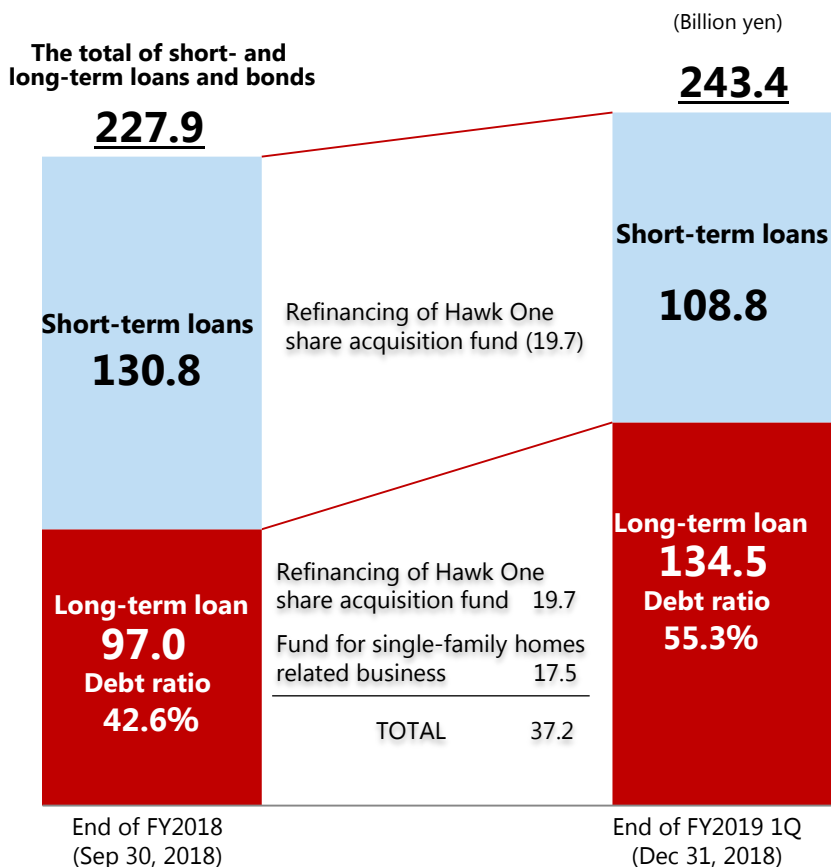
Implementation of measures in response to change in business environment

### Terms:

10-year loan period, fixed interest rate

Time of funding / Amount	Arranger / Borrower Use of funds
December 2018 <b>¥17.5billion</b>	<b>Sumitomo Mitsui Banking Corporation, etc. (total of 10 banks)</b>  <b>Fund for single-family homes related business</b>
December 2018 <b>¥19.7billion</b>	<b>Sumitomo Mitsui Banking Corporation, Mizuho Bank, Ltd., MUFG Bank, Ltd.</b>  <b>Fund for Hawk One share acquisition</b> Refinance from short-term to long-term fund

## Change in short term loans, long-term loans and breakdown of change



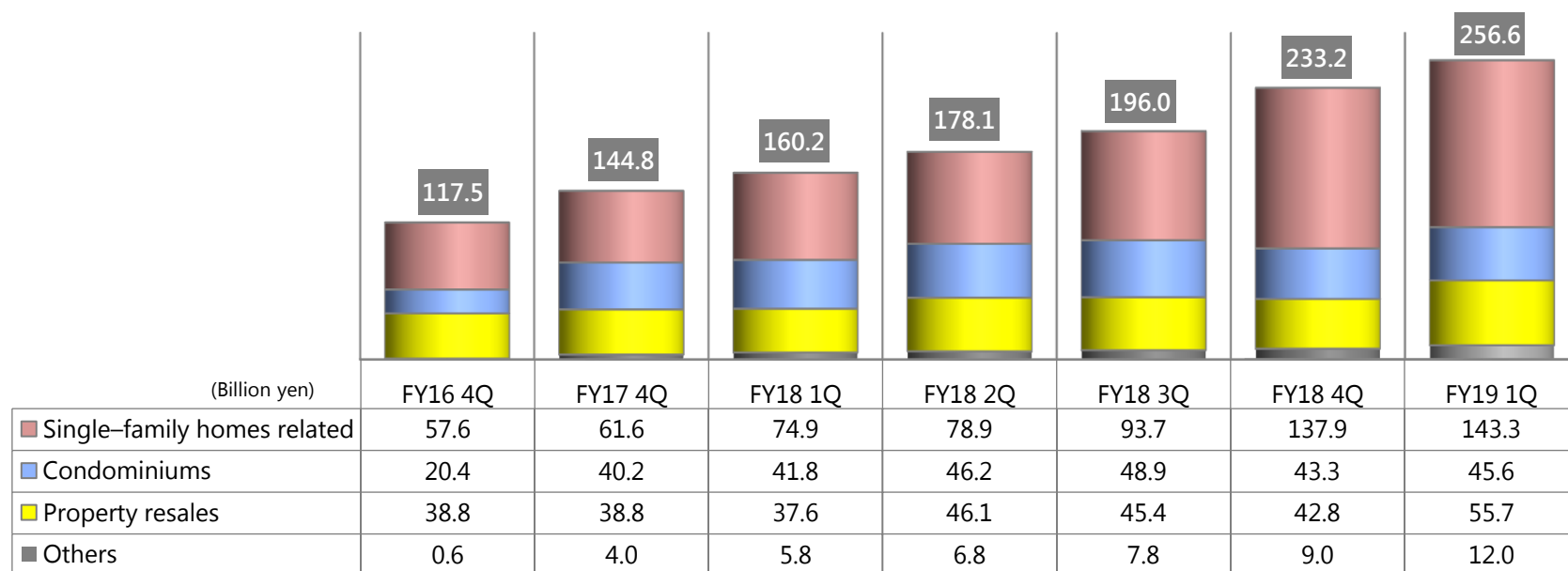


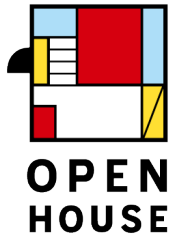


# Inventory Details

(Million yen)

	End of FY2016 (Sep 30, 2016)	End of FY2017 (Sep 30, 2017)	End of FY2018 (Sep 30, 2018)	End of FY2019 1Q (Dec 31, 2018)	(Ratio)	Inc. (Dec.)
Single-family homes related	57,633	61,667	137,991	<b>143,320</b>	55.8%	5,329
Condominiums	20,422	40,291	43,322	<b>45,659</b>	17.8%	2,336
Property resales	38,838	38,871	42,873	<b>55,707</b>	21.7%	12,833
Others	651	4,064	9,084	<b>12,004</b>	4.7%	2,919
<b>Total</b>	<b>117,546</b>	<b>144,894</b>	<b>233,272</b>	<b>256,692</b>	<b>100.0%</b>	<b>23,419</b>





# **Consolidated Business Performance Forecasts for FY2019**



# Business Performance Forecasts

- ☑ The Company aims to achieve record highs in revenue and income for seven consecutive fiscal years.
- ☑ The Company aims to become one with revenue of 500 billion yen with a business portfolio based mainly on actual demand.

(Million yen)

	FY2017 (2016/10-2017/9)	FY2018 (2017/10-2018/9)		FY2019 (2018/10-2019/9)	
	Actual	Actual	Inc. (Dec.)	Forecast	Inc. (Dec.)
Revenue	304,651	390,735	28.3%	<b>510,000</b>	30.5%
Operating income	37,617	47,304	25.8%	<b>54,000</b>	14.2%
Ordinary income	36,131	46,052	27.5%	<b>51,500</b>	11.8%
Profit attributable to owners of parent	24,797	31,806	28.3%	<b>37,000</b>	16.3%
EPS (yen)	443.41	570.17	—	<b>653.96</b>	—
Annual dividends per share (yen)	65.00	98.00	33.00	<b>121.00</b>	23.00
Payout ratio	14.7%	17.2%	—	<b>18.5%</b>	—



# Consolidated Business Performance Forecasts (Revenue by Business Segment)

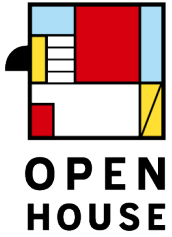
- ☑ With the addition of Hawk One, more than 7,000 single-family homes will be delivered by the Group as a whole.
- ☑ The forecast incorporates further growth in the U.S. real estate business.

(Million yen)

	FY2017 (2016/10-2017/9)	FY2018 (2017/10-2018/9)		FY2019 (2018/10-2019/9)	
	Actual	Actual	Inc. (Dec.)	Forecast	Inc. (Dec.)
<b>Revenue</b>	304,651	390,735	28.3%	<b>510,000</b>	30.5%
<b>Single-family homes related business*</b>	187,949	218,540	16.3%	<b>340,000</b>	55.6%
<b>Condominiums</b>	26,480	49,385	86.5%	<b>57,000</b>	15.4%
<b>Property resales</b>	88,976	107,430	20.7%	<b>87,000</b>	(19.0)%
<b>Others (including U.S. real estate business)</b>	1,825	15,409	744.2%	<b>26,000</b>	68.7%
<b>Adjustments</b>	(580)	(31)	—	<b>0</b>	—

• To further strengthen the business model — a comprehensive system from purchase and construction to intermediary and sales— the brokerage business, single-family homes business, and Open House Architect will be consolidated to establish a new segment, the single-family homes related business.

• Hawk One will be consolidated from FY 2019 as a new subsidiary.



## Current Initiatives

# Single-Family Homes Related Business (1. Brokerage)

- ☑ Sales centers including Musashiurawa, Kawaguchi and Kanayama in October and Noborito in November 2018 were opened.
- ☑ Tenjin Sales Center was opened in Chuo-ku, Fukuoka City, Fukuoka Prefecture in January 2019. Total of 37 sales centers are in operation.

## Tenjin Sales Center

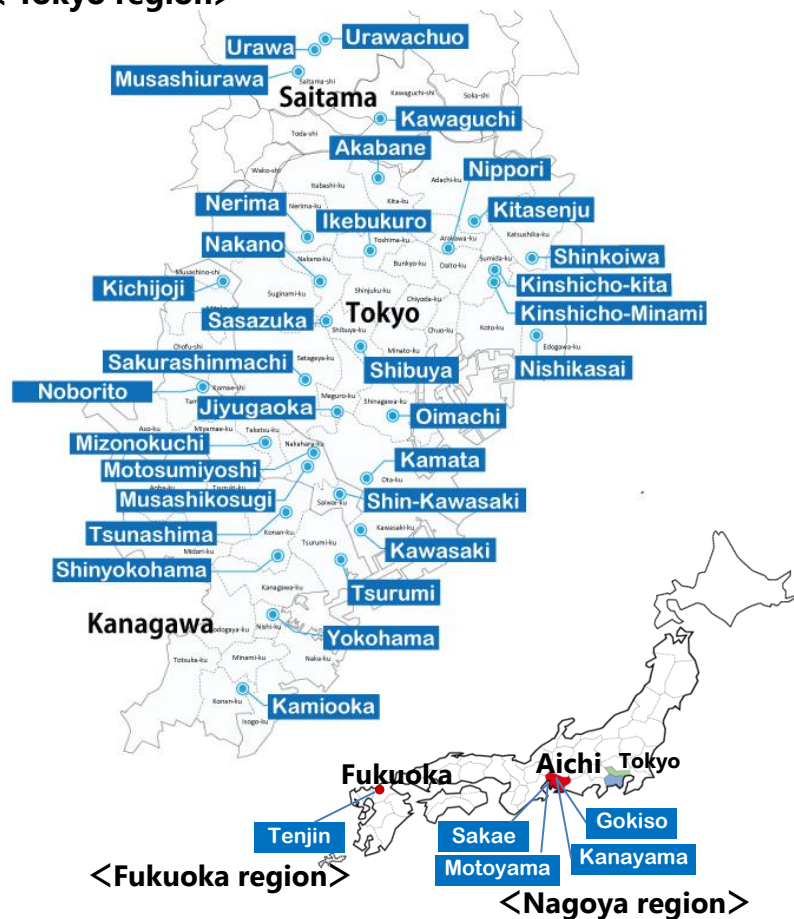


\* showroom (adjacent to the sales center)

## No. of sales centers of each area

	FY2016 15/10-16/9	FY2017 16/10-17/9	FY2018 17/10-18/9	As of 2019.2.14
Tokyo	13	16	17	<b>17</b>
Kanagawa Prefecture	5	7	10	<b>11</b>
Aichi Prefecture	—	2	3	<b>4</b>
Saitama Prefecture	—	—	2	<b>4</b>
Fukuoka Prefecture	—	—	—	<b>1</b>
Total	18	25	32	<b>37</b>

## < Tokyo region >

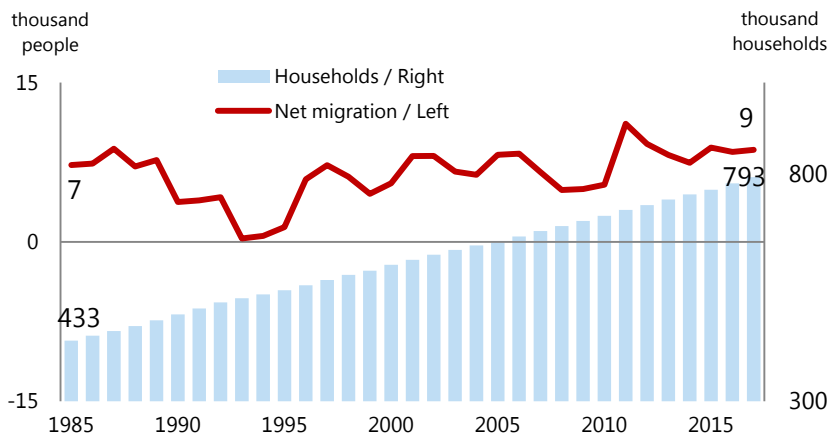




# Business development to be launched in the Fukuoka region

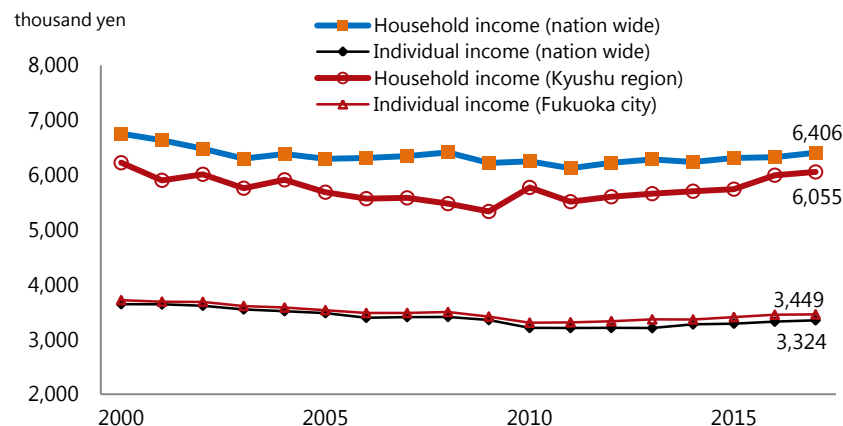
- Business activities in the Fukuoka region, where there is potential for continued high growth, are planned to be implemented in FY 2019.
- Following the opening of Tenjin Sales Center for single-family homes, sales of condominiums are planned to be launched from late February.

No. of households and net migration in Fukuoka City



Source: "Report on Internal Migration in Japan based on Basic Resident Register" published by the Ministry of Internal Affairs and Communications

Household income and individual income of residents of Fukuoka City



Source: Annualized based on the actual monthly income of households (working families) with two-or-more person household, obtained from the report "Family Income and Expenditure Survey," the Ministry of Internal Affairs and Communications. Calculated by dividing taxable income by the number of taxpayers, based on data obtained from the report "Survey of Taxation of Municipal Inhabitant Taxes, etc." by the Ministry of Internal Affairs and Communications

## <Reference> Social structure of Fukuoka City (in comparison with other ordinance-designated cities)

Ranking	Population growth rate (2010-2015) (thousand people)		Population (thousand people)		Proportion of people in 20-30 age group (20-30 age group to all age groups)		Ranking of potential-growth cities (general evaluation)
	City	Rate	City	Population	City	Proportion	
1	<b>Fukuoka</b>	<b>5.1%</b>	Yokohama	3,725	Tokyo Ku-area	28.2%	Tokyo Ku-area
2	Tokyo Ku-area	3.7%	Osaka	2,691	Kawasaki	28.0%	<b>Fukuoka</b>
3	Kawasaki	3.5%	Nagoya	2,296	<b>Fukuoka</b>	<b>26.9%</b>	Kyoto
4	Sendai	3.5%	Sapporo	1,952	Osaka	25.6%	Osaka
5	Saitama	3.4%	<b>Fukuoka</b>	<b>1,539</b>	Sendai	24.9%	Kagoshima *Not an ordinance-designated city
Reference	Whole nation	(0.8)%	Tokyo Ku-area	9,273	Average	22.0%	Fukuoka city is ranked first in the Potential Group
Source	2010-2015 Population Census Statistics Bureau		2015 Population Census Statistics Bureau		2015 Population Census Statistics Bureau		2017 Potential-growth cities Nomura Research Institute



# Shareholder returns

- ☑ We purchased treasury stock to enable us to execute a flexible capital policy in response to changes in the business environment.
- ☑ We provide a shareholder benefit program to foster an understanding of the Open House Group's businesses.

## Purchase of treasury stock

Purchase period	November 21, 2018 to March 31, 2019
Aggregate number of shares to be purchased	1,000,000 shares (upper limit) (1.77% of the total issued shares (excluding treasury stock))
Aggregate value of shares to be purchased	¥4,000 million (upper limit)

(For reference) Purchase period	September 11, 2018 to September 20, 2018
Aggregate number of shares purchased	561,800 shares (1.01% of the total issued shares (excluding treasury stock))
Aggregate value of shares purchased	¥2,999 million

The Company disposed of 1,357,909 shares of its treasury stock to be appropriated for a share exchange with Hawk One's shareholders on October 1, 2018. The number of treasury stock held by the Company as of January 31, 2019 is 1,155,971 shares.

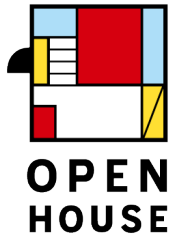
## Shareholder Benefits Program

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 yen cash back	300,000 yen cash back
Quo Card	3000-yen card	5000-yen card

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. Continued holding represents shareholders who have retained one unit (100 shares) or more of the Company's common shares for not less than 3 years, with the initial day of reckoning of September 30, 2015.

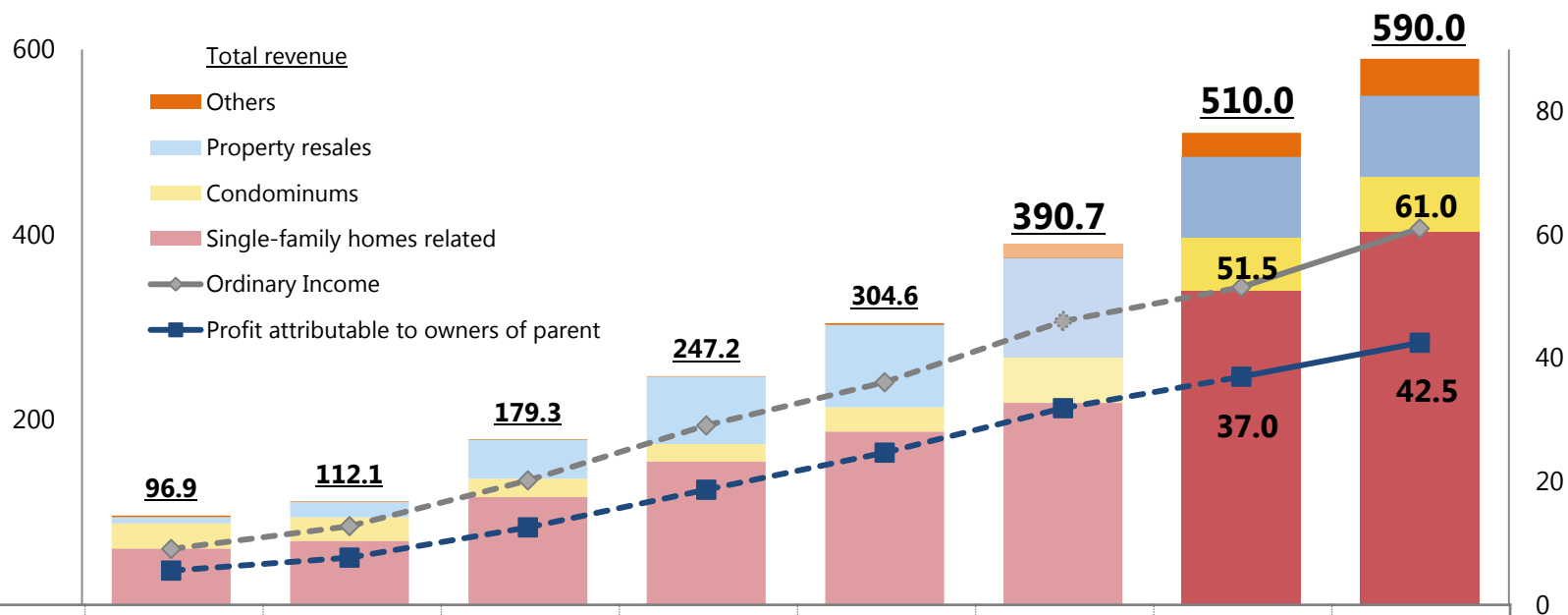




# Mid-Term Business Plan



# Mid-Term Business Plan : Hop Step 5000 Updated



(¥ billion)	FY2013	FY2014	FY2015	FY2016	FY2017	FY2018	FY2019 forecast	FY2020 plan
Single-family homes related	61.1	69.2	116.7	155.0	187.3	<b>218.5</b>	<b>340.0</b>	<b>403.0</b>
Condominiums	27.1	25.7	20.0	19.0	26.4	<b>49.3</b>	<b>57.0</b>	<b>60.0</b>
Property resales	6.9	16.5	41.7	72.8	88.9	<b>107.4</b>	<b>87.0</b>	<b>87.0</b>
Others	1.7	0.6	0.7	0.4	1.8	<b>15.4</b>	<b>26.0</b>	<b>40.0</b>
<b>Total revenue</b>	<b>96.9</b>	<b>112.1</b>	<b>179.3</b>	<b>247.2</b>	<b>304.6</b>	<b>390.7</b>	<b>510.0</b>	<b>590.0</b>
Ordinary income	9.1	12.8	20.2	29.1	36.1	<b>46.0</b>	<b>51.5</b>	<b>61.0</b>
Profit attributable to owners of parent	5.6	7.7	12.6	18.7	24.7	<b>31.9</b>	<b>37.0</b>	<b>42.5</b>

2013.9-2017.9  
Revenue  
**CAGR:33.1%**

2017.9-2020.9  
Revenue  
**CAGR:24.6%**

# Formulation of the Mid-Term Business Plan

## Basic policies

- We strive to become a real estate company that is needed by society by achieving sound operating performance and business expansion through the continued offering of products that customers demand.
- We aim to further raise the corporate value by optimizing business portfolios focused on the single-family homes related business.

## Initiatives

### (1) Bolstering of competitiveness of the single-family homes related business as the Company's mainstay

- **Expansion of business development areas** (Acceleration of business development into new areas including Aichi and Saitama prefectures, in addition to existing areas) ⇒ ① **Expanded the business area to Fukuoka Prefecture**
- **Strengthening of functions for development and construction** (Shortening of a project period, reduction of construction costs, improvement in productivity by leveraging IT, etc.)
- **Enhancement of the Group management** (Further improvement in a comprehensive system from purchase and construction to intermediary and sales as the Company's advantage) ⇒ ② **Expanded market share through acquisition of Hawk One**

### (2) Formation of business portfolios reflecting changes in external environment

- **Bolstering of the condominiums business** (Development focused on promising compact condominiums located in very convenient urban centers) ⇒ ③ **Driven by robust business in the Nagoya area**
- **Sustainable growth of property resales business** (Retention of customers, development of new property portfolios, etc.) ⇒ ④ **Implement a cautious management approach under conservative plans**
- **New business development** (Full-fledged operation of the U.S. property investment services for the wealthy class of customers, M&A enhancement, etc.) ⇒ ⑤ **Expansion of the U.S. real estate business**

### (3) Strengthening of the management base to underpin corporate growth

- **Recruitment of resources** (proactive investment in people, goods and money, set as the top priority for management) ⇒ ⑥ **Planning to hire 300 new graduates in April 2019**
- **Development of human resources for business management** (Reinforced fostering of next-generation management group)
- **Innovation on work style and enhancement of diversity** (Appropriate management of labor hours, support for child-care and nursing-care, and recruitment of non-Japanese or disabled people, etc.)

## Capital policies

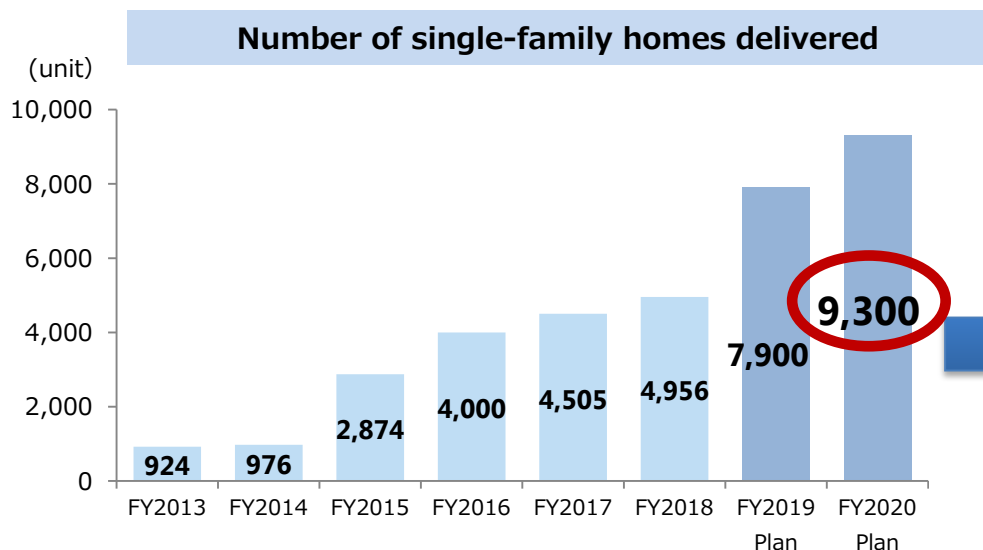
### Establishment of both capital efficiency and financial soundness

- **Maintenance of high capital efficiency** (Targeting the level of 30% ROE)
- **Maintenance of sound financial strength to assure financial safety** (Maintaining the capital adequacy ratio at or above 30%)
- **Strengthening of shareholders return** (Gradual increase in the dividend payout ratio, targeting the level of 20% for the fiscal year ending September 30, 2020)



# Position of the Single-Family Homes Related Business

- ☑ The Open House Group's presence in the housing industry improved with the increase in the number of single-family homes delivered.
- ☑ Cumulative total number of single-family homes sold by the Open House Group has exceeded 60,000 units mainly in Tokyo metropolitan area.



Note: Calculated by totaling the results and projections of single-family homes delivered by Open House Development, Open House Architect and Hawk One (after offsetting internal transactions and excluding the results before conversion to consolidated subsidiaries)

**Cumulative total number of single-family homes sold by the Open House Group: Approx. 60,000 units**

**Our housing stocks are mainly in the Tokyo metropolitan area where the number of households is expected to increase.**

Note: Calculated by totaling the results of single-family homes sold by Open House Development, Open House Architect and Hawk One (after offsetting internal transactions and including the results before conversion to consolidated subsidiaries)

## Ranking of single-family home sales

Rank	Company name	No. of sales	Ratio
1	Company IG	44,763	10.6%
2	Company SH	13,294	3.1%
3	Company IK	12,492	3.0%
4	Company SK	9,880	2.3%
5	Company A	9,792	2.3%
6	Company D	9,227	2.2%
7	Company T	8,310	2.0%
8	Company SR	7,864	1.9%
9	Company M	6,885	1.6%
10	Company P	5,747	1.4%

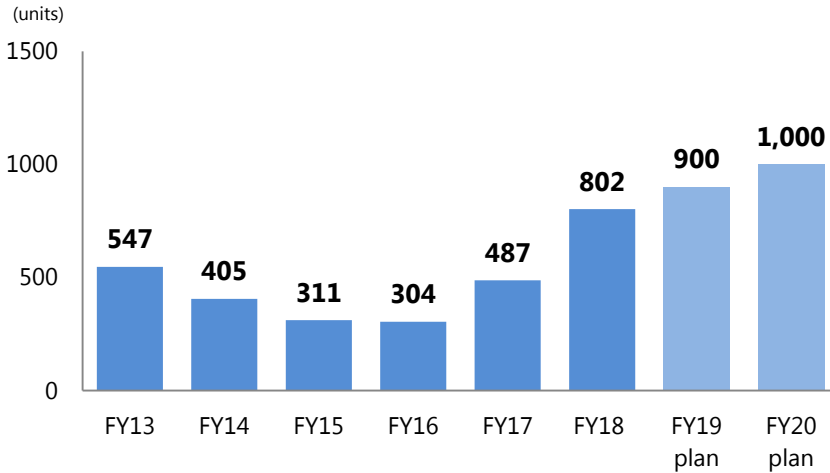
Number of housing starts : 422,472

Compiled by the Company based on the most recent financial figures disclosed by each company  
 (For 2017 (partly for 2016), total of the number of contracts and the number of single-family homes sold (partly the number of homes ordered for construction))  
 "Building Starts / Housing Starts" by Ministry of Land, Infrastructure, Transport and Tourism  
 (Number of newly built houses in 2017 (total of possessed houses and houses built for sale))

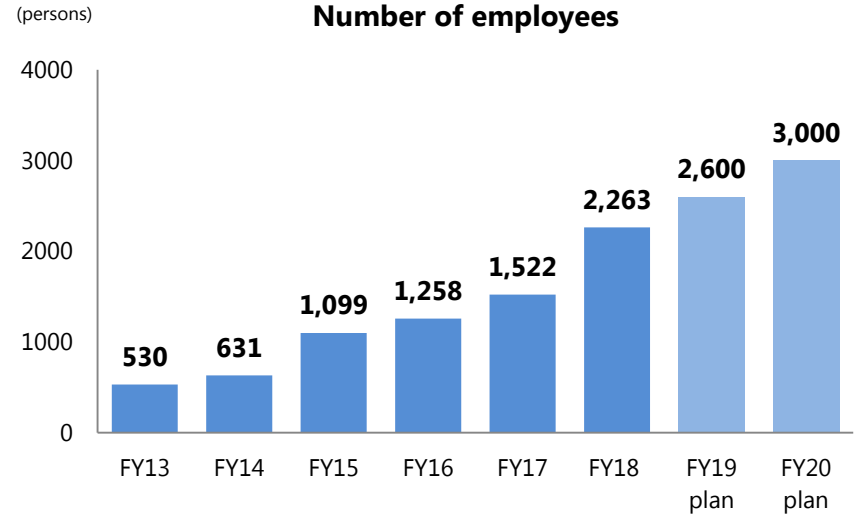


# Reference: Quantitative Goals

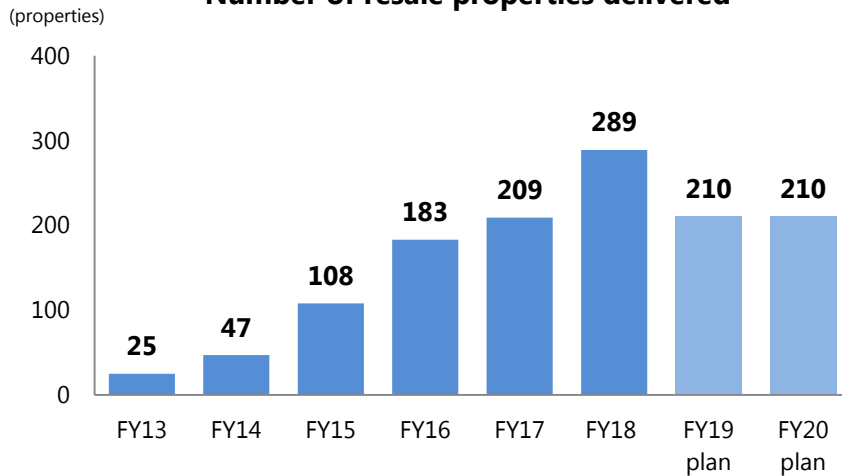
### Number of units of condominiums delivered



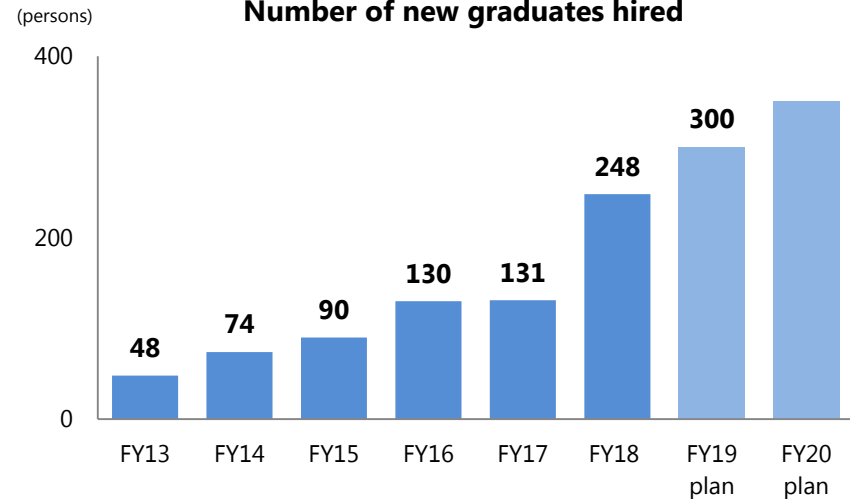
### Number of employees



### Number of resale properties delivered

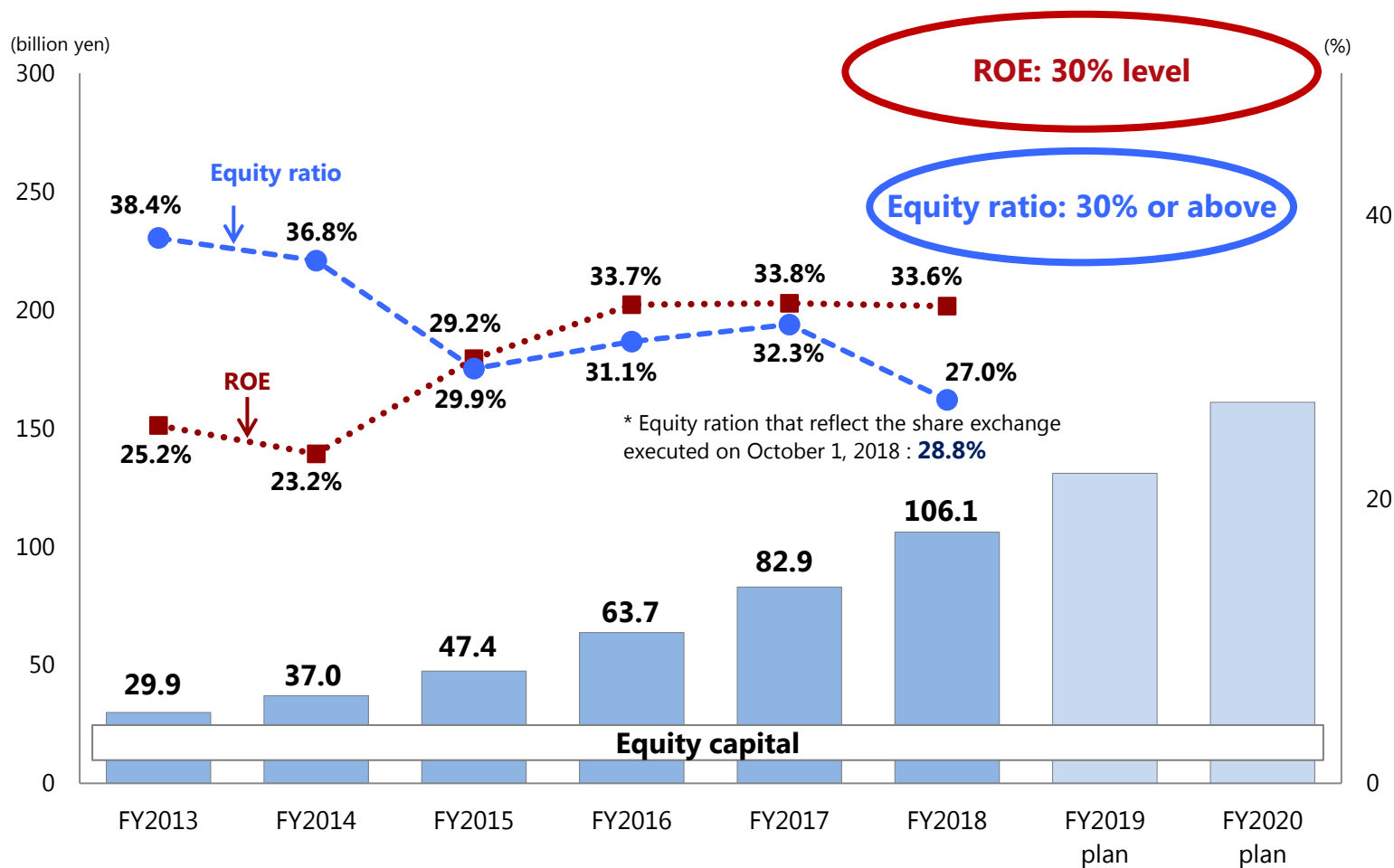


### Number of new graduates hired



# Capital policy Assurance of both high capital efficiency and sound financial condition

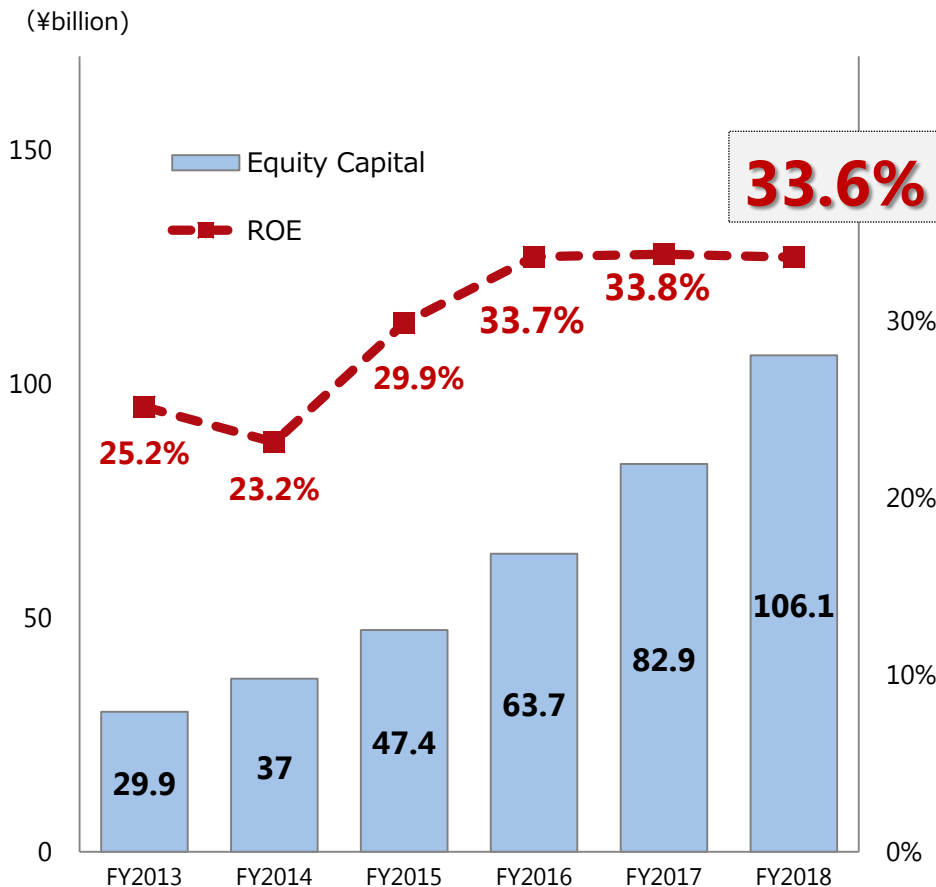
- ☑ Sustaining high capital efficiency (ROE: 30% level)
- ☑ Maintaining strong financial condition to ensure the safety of financial aspects (Equity ratio: 30% or above)





# Capital policy Capital efficiency and comparison with other companies in FY2018

- ☑ Sustaining high capital efficiency, with equity capital standing at 106.1 billion yen and ROE at 33.6%, while enhancing shareholders' equity.
- ☑ Only four companies in Japan have equity capital exceeding 100 billion yen with ROE of 30%.



## ROE Ranking

No.	Company name	Equity Capital (¥billion)	ROE
1	Resource company C	238.6	36.1%
<b>2</b>	<b>OPEN HOUSE</b>	<b>106.1</b>	<b>33.6%</b>
3	Software company N	131.1	32.8%
4	Construction company D	294.0	31.0%
5	Food company K	957.8	29.5%
6	Semiconductor manufacturer A	147.5	29.2%
7	Semiconductor manufacturer T	767.1	29.0%
8	Construction company H	295.9	27.1%
9	Communications company M	169.8	26.1%
10	Communications company S	5,184.1	23.7%

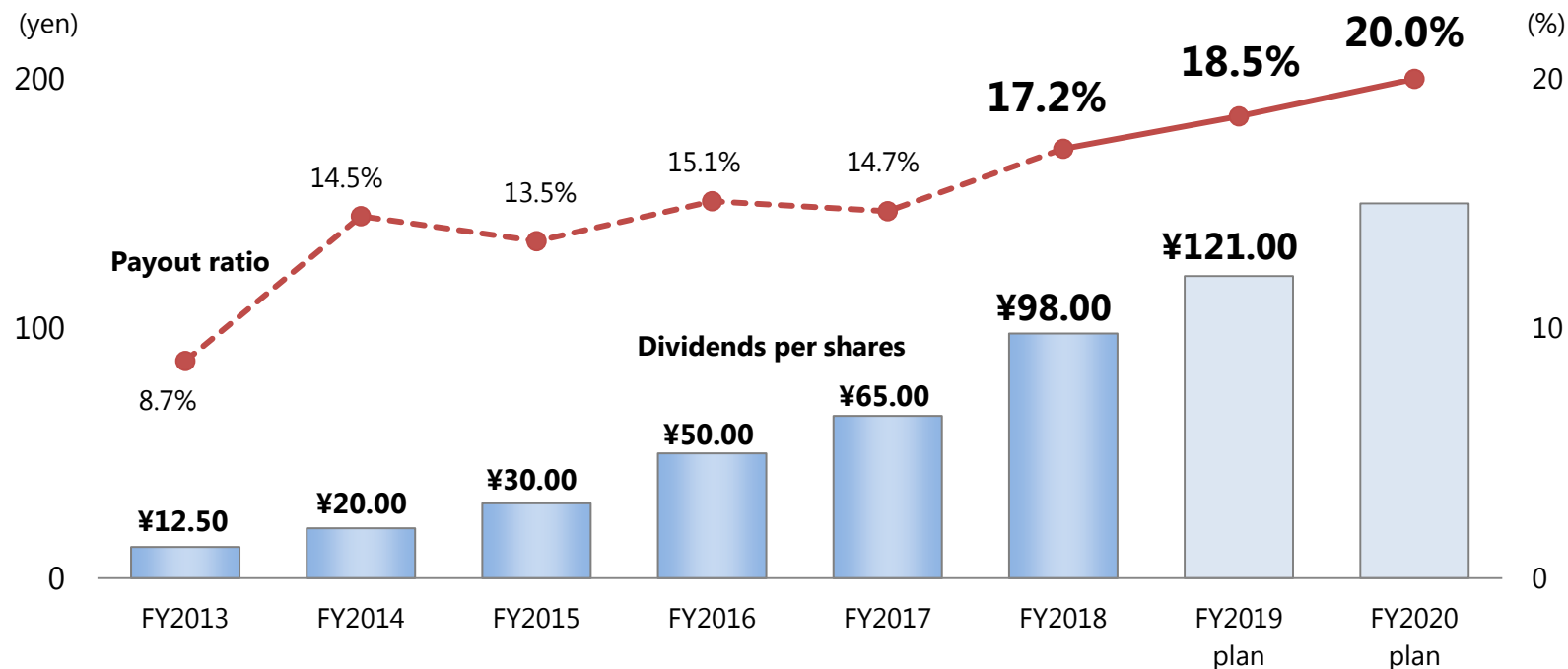
Target: Top 10 listed companies with equity capital exceeding 100 billion yen ranked by ROE, excluding companies which had seemingly abnormal value, such as those showing large fluctuations from the previous year.

Assumption: ROE=Profit attributable to owners of parent/Average equity capital

Source: Compiled by the Company based on the most recent financial figures disclosed by each company.

# Capital policy **Strengthening of Shareholder Return (Raising Dividend Payout Ratio)**

- ☑ We plan to gradually increase the dividend payout ratio, targeting 20% in the fiscal year ending September 30, 2020.
- ☑ We will flexibly buy back shares with comprehensive consideration given to financial strength, business performance, stock prices, etc.



<Assumptions made in calculating indicator per share>

1. The stock splits (1,000-for-one stock split on June 28, 2013 and two-for-one stock split on July 1, 2015) are assumed to have been executed in the beginning of the fiscal year ended September 30, 2013.
2. Figures in and after the fiscal year ending September 30, 2019 are calculated based on the number of shares (total number of shares issued – treasury shares) as of September 30, 2018.





Refer to Presentation material for the Second Quarter Ended September 30, 2014 (P27)

# Comparison of impacts of the consumption tax hike

- Purchasers of single-family homes supplied by Open House can gain greater benefits from the housing loan tax credit (increase in the maximum amount eligible for tax deduction) than purchasers of homes supplied by other real estate companies.
- Open House has a business structure with which demand is little affected by consumption tax hikes.

Outline of property	(thousand yen)	Amount of consumption tax	Amount of tax credit (10-year cumulative amount)
<b>Open House</b> <b>Single-family home in Tokyo's 23 wards home:</b> <b>Price: 43,000</b> Land: 30,000 Building: 13,000	Before the tax hike (5%) ①	650	2,000
	After the tax hike (8%) ②	1,040	3,745
	Difference (①-②)	▲ 390	+ 1,745
	Total balance		<b>+ 1,355</b>

→ The maximum amount eligible for tax deduction of 20 million yen × 1% × 10 years  
 → The above maximum amount was increased to 40 million yen, resulting in a significant increase in the amount of tax credit.  
 → It will be beneficial to purchase homes after a tax hike.

## <Reference>

Power builder	<b>Single-family home in suburban area</b> <b>Price: 25,000</b> Land: 15,000 Building: 10,000	Difference	▲ 300	+ 205
		Total balance		<b>▲ 95</b>
Custom-home builder	<b>Custom-built home</b> <b>Price: 25,000</b> Land: 0 Building: 25,000	Difference	▲ 750	+ 205
		Total balance		<b>▲ 545</b>

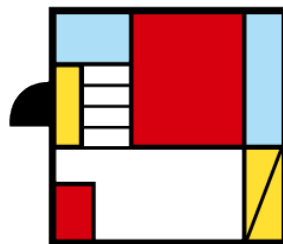
→ The negative impact of a tax hike will be large even in terms of 10-year cumulative impact.

→ Purchasing after a tax hike will be money-losing.

— Assumptions of the above trial calculations —

- Consumption tax will be paid in cash, and the entire purchase price of a property will be covered by a housing loan, without taking other miscellaneous expenses into account.
- Payment method: Monthly principal and interest equal payment for 35 years; 12 times a year with no additional payment; interest rates: (Flat 35) Loan-to-value (LTV) ratio of 90% or less: 1.73%, LTV ratio of more than 90%: 2.17%.
- Assuming that eligibility requirements for maximum tax deduction for a housing loan of 40 million yen (for general housing) applicable from April 1, 2014 are met.
- The trial calculations are conducted by applying general prices for each of the above business categories and do not relate to all properties actually distributed in the market.

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