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November 7, 2019

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

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Listing: Tokyo Stock Exchange
Securities code: 8919
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Scheduled date to file quarterly securities report: November 14, 2019
Scheduled date to commence dividend payments: November 26, 2019
Preparation of supplementary material on quarterly financial results: Yes
Holding of quarterly financial results presentation meeting: Yes (for institutional investors)

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

1. Consolidated financial results for the first six months of the fiscal year ending March 31, 2020 (from April 1, 2019 to September 30, 2019)

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

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent	
Six months ended	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
September 30, 2019	47,419	19.1	5,588	24.1	5,479	24.4	3,690	22.8
September 30, 2018	39,818	18.9	4,503	29.9	4,403	31.8	3,005	35.1

Note: Comprehensive income Six months ended September 30, 2019: ¥3,690 million [22.8%]
Six months ended September 30, 2018: ¥3,005 million [35.1%]

	Basic earnings per share	Diluted earnings per share
Six months ended	Yen	Yen
September 30, 2019	96.81	94.72
September 30, 2018	80.27	77.12

(2) Consolidated financial position

	Total assets	Net assets	Equity-to-asset ratio
As of	Millions of yen	Millions of yen	%
September 30, 2019	48,937	22,160	45.1
March 31, 2019	47,406	19,348	40.7

Reference: Equity As of September 30, 2019: ¥22,066 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 September 30, 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 September 30, 2019	1,133,966 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)

Six months ended September 30, 2019	38,121,589 shares
Six months ended September 30, 2018	37,444,170 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 six 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 Company plans to hold financial results presentation meeting for institutional investors on Tuesday, November 12, 2019.

The supplementary materials used for the quarterly financial results briefing on this date is to be posted on the Company's website promptly after the briefing has concluded.

Attached Materials

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

(1) Explanation regarding operating results

In the first six months under review, the Japanese economy showed a gradual track of recovery in private consumption thanks to improvements in the employment and income environment, but the outlook is uncertain due to weakness in corporate earnings amid a low level of industrial production and concerns over a slowdown of economic activity in the wake of the consumption tax hike in October 2019.

The Group aimed 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 refurbished pre-owned single-family houses that competitors find challenging to bring to market, adding value to the properties and then selling them.

Under these conditions, in terms of sales, the Group achieved growth in net sales as a result of a concentration of customers wishing to make deliveries in September before the consumption tax rise, leading to deliveries being pushing forward to September. Regarding real estate for sale and real estate for sale in process as of September 30, 2019, because the original forecast for number of properties sold was exceeded, there is currently an inventory shortage equivalent to the extra number of houses sold.

In terms of profit, we continuously implemented policies to reduce risks by conducting three-party inspections prior to acquisitions and initiatives at the time of sale such as promoting contracts for properties being refurbished and limiting discounts. However, the gross profit margin decreased because of promotion of long-term inventory sales. On the other hand, the operating profit margin grew as a result of continuously high cost consciousness in operations affecting selling, general and administrative expenses and deliveries being pushed forward as mentioned above.

As a result, in the first six months under review, the number of properties sold was 3,062, up 17.5% year on year, net sales were ¥47,419 million, up 19.1% year on year, operating profit was ¥5,588 million, up 24.1% year on year, ordinary profit was ¥5,479 million, up 24.4% year on year and profit attributable to owners of parent was ¥3,690 million, up 22.8% 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) Assets, liabilities and net assets

(Current assets)

Current assets as of September 30, 2019 amounted to ¥46,721 million, an increase of ¥1,663 million compared to ¥45,058 million at the end of the previous fiscal year. This is mainly due to a decrease of ¥207 million in real estate for sale and real estate for sale in process, and an increase of ¥2,044 million in cash and deposits.

(Non-current assets)

Non-current assets as of September 30, 2019 amounted to ¥2,215 million, a decrease of ¥132 million compared to ¥2,348 million at the end of the previous fiscal year. This is mainly due to decreases of ¥6 million in property, plant and equipment, ¥99 million in intangible assets and ¥26 million in investments and other assets.

(Current liabilities)

Current liabilities as of September 30, 2019 amounted to ¥7,044 million, a decrease of ¥919 million compared to ¥7,964 million at the end of the previous fiscal year. This is mainly due to decreases of ¥363 million in accounts payable - trade, ¥173 million in income taxes payable and ¥178 million in provision for bonuses.

(Non-current liabilities)

Non-current liabilities as of September 30, 2019 amounted to ¥19,732 million, a decrease of ¥361 million compared to ¥20,093 million at the end of the previous fiscal year. This is mainly due to repayments of ¥375 million for long-term borrowings.

(Net assets)

Net assets as of September 30, 2019 amounted to ¥22,160 million, an increase of ¥2,812 million compared to ¥19,348 million at the end of the previous fiscal year. This is mainly due to payment of dividends of surplus of ¥989 million, and the recording of ¥3,690 million in profit attributable to owners of parent. As a result, the equity-to-asset ratio was 45.1%.

(ii) Cash flows

The balance of cash and cash equivalents (hereinafter, "cash") as of September 30, 2019 increased by ¥2,044 million from the end of the previous fiscal year to ¥9,440 million.
The situation and factors related to cash flows for the first six months under review are as follows.

(Cash flows from operating activities)

Net cash provided by operating activities was ¥3,374 million during the six months ended September 30, 2019, compared to net cash provided by operating activities of ¥1,220 million in the same period of the previous fiscal year. This was mainly due to having posted ¥5,479 million in profit before income taxes and a decrease of ¥210 million in inventories, against a decrease of ¥363 million in trade payables and payment of ¥1,910 million for income taxes.

(Cash flows from investing activities)

Net cash used in investing activities was ¥26 million during the six months ended September 30, 2019, compared to net cash used in investing activities of ¥0 million in the same period of the previous fiscal year. This was mainly due to proceeds of ¥1 million from sales of property, plant and equipment, against payment of ¥14 million for purchase of property, plant and equipment and ¥10 million for purchase of investment securities.

(Cash flows from financing activities)

Net cash used in financing activities was ¥1,303 million during the six months ended September 30, 2019, compared to net cash used in financing activities of ¥1,220 million in the same period of the previous fiscal year. This was mainly due to repayments of ¥375 million in long-term borrowings and payments of dividends of ¥988 million, against proceeds of ¥63 million from disposal of treasury shares.

(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 September 30, 2019
Assets		
Current assets		
Cash and deposits	7,395	9,440
Real estate for sale	25,652	22,476
Real estate for sale in process	11,164	14,133
Other	846	672
Allowance for doubtful accounts	(1)	(1)
Total current assets	45,058	46,721
Non-current assets		
Property, plant and equipment	729	722
Intangible assets		
Goodwill	793	694
Other	29	28
Total intangible assets	822	722
Investments and other assets		
Other	810	783
Allowance for doubtful accounts	(14)	(13)
Total investments and other assets	796	770
Total non-current assets	2,348	2,215
Total assets	47,406	48,937
Liabilities		
Current liabilities		
Accounts payable - trade	3,105	2,741
Current portion of long-term borrowings	750	750
Income taxes payable	1,995	1,821
Provision for bonuses	262	84
Construction warranty reserve	255	270
Provision for loss on litigation	1	0
Other	1,593	1,375
Total current liabilities	7,964	7,044
Non-current liabilities		
Long-term borrowings	20,000	19,625
Provision for retirement benefits for directors (and other officers)	62	73
Other	31	33
Total non-current liabilities	20,093	19,732
Total liabilities	28,057	26,776
Net assets		
Shareholders' equity		
Share capital	3,778	3,778
Capital surplus	3,640	3,640
Retained earnings	13,088	15,755
Treasury shares	(1,233)	(1,108)
Total shareholders' equity	19,273	22,066
Share acquisition rights	74	94
Total net assets	19,348	22,160
Total liabilities and net assets	47,406	48,937

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

Quarterly consolidated statement of income (cumulative)

(Millions of yen)

	Six months ended September 30, 2018	Six months ended September 30, 2019
Net sales	39,818	47,419
Cost of sales	30,741	36,870
Gross profit	9,077	10,548
Selling, general and administrative expenses	4,574	4,960
Operating profit	4,503	5,588
Non-operating income		
Commission income	5	5
Insurance claim income	5	1
Other	7	6
Total non-operating income	18	13
Non-operating expenses		
Interest expenses	95	93
Other	22	28
Total non-operating expenses	117	122
Ordinary profit	4,403	5,479
Extraordinary income		
Gain on sales of non-current assets	0	0
Total extraordinary income	0	0
Extraordinary losses		
Loss on retirement of non-current assets	–	0
Loss on disaster	16	–
Total extraordinary losses	16	0
Profit before income taxes	4,388	5,479
Income taxes - current	1,497	1,736
Income taxes - deferred	(114)	52
Total income taxes	1,382	1,789
Profit	3,005	3,690
Profit attributable to owners of parent	3,005	3,690

Quarterly consolidated statement of comprehensive income (cumulative)

(Millions of yen)

	Six months ended September 30, 2018	Six months ended September 30, 2019
Profit	3,005	3,690
Comprehensive income	3,005	3,690
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	3,005	3,690

(3) Quarterly consolidated statement of cash flows

(Millions of yen)

	Six months ended September 30, 2018	Six months ended September 30, 2019
Cash flows from operating activities		
Profit before income taxes	4,388	5,479
Depreciation	29	24
Amortization of goodwill	99	99
Increase (decrease) in allowance for doubtful accounts	(0)	(0)
Increase (decrease) in provision for bonuses	(49)	(178)
Increase (decrease) in construction warranty reserve	12	14
Increase (decrease) in provision for retirement benefits for directors (and other officers)	19	10
Increase (decrease) in provision for loss on litigation	5	(0)
Increase (decrease) in provision for loss on disaster	13	–
Interest expenses	95	93
Loss (gain) on sales of property, plant and equipment	(0)	(0)
Share-based remuneration expenses	19	20
Decrease (increase) in inventories	(2,419)	210
Decrease (increase) in trade receivables	0	(2)
Increase (decrease) in trade payables	43	(363)
Other, net	225	(26)
Subtotal	2,481	5,380
Interest paid	(95)	(95)
Income taxes paid	(1,166)	(1,910)
Net cash provided by (used in) operating activities	1,220	3,374
Cash flows from investing activities		
Purchase of property, plant and equipment	(3)	(14)
Proceeds from sales of property, plant and equipment	4	1
Collection of loans receivable	0	0
Purchase of investment securities	–	(10)
Other, net	(0)	(2)
Net cash provided by (used in) investing activities	(0)	(26)
Cash flows from financing activities		
Repayments of long-term borrowings	(375)	(375)
Repayments of finance lease obligations	(3)	(3)
Dividends paid	(970)	(988)
Purchase of treasury shares	–	(0)
Proceeds from disposal of treasury shares	129	63
Net cash provided by (used in) financing activities	(1,220)	(1,303)
Net increase (decrease) in cash and cash equivalents	(0)	2,044
Cash and cash equivalents at beginning of period	4,063	7,395
Cash and cash equivalents at end of period	4,063	9,440

(4) 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. Six months ended September 30, 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. Six months ended September 30, 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.