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Open House Group Co., Ltd.
Financial Results for the First Quarter of the Fiscal year Ending September 2025

Conference Call for Analysts & Institutional Investors
Date and Time: Feb13, 2025, 5:45PM
Speaker: Kotaro Wakatabi, Senior Managing Director, CFO

Conference Call Summary

■ The single-family homes business benefited from inventory replacement carried out in the previous period. In 1Q, the gross profit margin improved by 2.0 percentage points y-on-y to 17.0%. The operating profit margin improved by 1.9 points to 11.4%, and operating profit increased by 31.3%.
■ Sales in 1Q (based on sales contracts) increased steadily by 10% y-on-y due to demand recovery in metropolitan areas. The single-family homes business will be the main driver of performance this fiscal year.
■ In the condominiums business, property deliveries are scheduled to be concentrated in 4Q, and sales contracts are progressing as planned. Land acquisition is also proceeding smoothly, securing sites for next fiscal year's sales target of 100 billion yen.
■ Two new condominium brands were announced, including a luxury-oriented one. The aim is to "provide truly valuable condominiums" with "innovation" as the keyword.
■ In the property resale business, investment appetite from overseas investors remains high. Sales contracts for properties to be delivered from 2Q onward are progressing steadily, on track to achieve the full-year plan.
■ The U.S. real estate business is performing well, backed by strong housing demand and expectations for economic growth in the United States.
■ Aim to recover operating profit margin to 10% and continue EPS growth.
■ Financial indicators show a healthy position with an equity ratio of 37.0% and a net D/E ratio of 0.4. the interest coverage ratio, which should be monitored in preparation for future interest rate hikes, maintains at a healthy 22.6 times.
■ 20 billion yen of share acquisitions planned for this fiscal year. Currently executing 10 billion yen buybacks to be completed by April 2025.
■ Dissolve the parent-subsidiary listing and maximize group profits with a tender offer for

Pressance Corporation being implemented. The 60.6 billion yen for tender offer will be entirely financed through borrowings. Financial stability maintained even after this.

Q&A:

[Q.1] The first half's operating profit forecast is 61.6 billion yen. In the previous 2Q, about 5 billion yen in valuation losses were provisioned. Is there any downside risk for this fiscal year?

[A.1] No downside risks to be aware of.

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[Q.2] The gross profit margin for the single-family homes business is 17.0% in 1Q, which is high compared to the full year plan of 15.9%. Can we consider this a very good start? Also, how do you view the current market environment where there is little inventory in the market and no competitors selling at discounts?

[A.2] It's a very smooth start. The gross profit margin is exceeding the full-year plan, and current sales contracts are also favorable. Especially in metropolitan areas where demand has recovered, and profit can be secured.

[Q.3] Regarding gross profit, is it correct to understand that OHD will continue at 17.0% as in Q1, and there are no factors to decrease for HO and Meldia?

[A.3] That is correct.

[Q.4] While it's understandable that OHD's gross profit margin is rising due to high demand in metropolitan areas, isn't it difficult for HO's profit margin to rise in suburban areas where market inventory is high, and the environment makes it hard to increase profit margins?

[A.4] Both OHD and HO are generally doing well. Recently, condominiums in urban areas have become more expensive, and demand is also high in the metropolitan suburban areas where HO operates.

[Q.5] The number of single-family homes sales contracts (page 9) is at the same level as the previous 4Q. The number of units does not look to be increasing, despite claims of high demand.

[A.5] in the previous 4Q, the number of units sold increased due to a focus on inventory replacement. In this 1Q, we are prioritizing the gross profit margin in our sales.

[Q.6] How does the increase of 10% y-on-y (based on sales contracts) of single family homes sales breakdown by area? Also, what's the impact of rental single family homes?

[A.6] The Tokyo metropolitan area is slightly under 10%, while other areas are slightly above 10%. The impact on rental single-family homes is minimal due to their small quantity.

[Q.7] The inventory for single-family homes has decreased compared to the end of the previous period. IS the inventory for sale sufficient? OR is procurement increasing on a contract basis.

[A.7] The temporary decrease in current inventory is due to many deliveries in 1Q, but there's no issue with inventory for sale. Procurement on a contract basis is increasing steadily.

[Q.8] How will the level of single-family homes inventory change going forward?

[A.8] Due to the smooth progress of inventory replacement, we were able to achieve a high gross profit margin in 1Q. Currently, we're prioritizing securing profit margins over increasing sales. As procurement is accumulated on a contract basis, achieving the full-year plan is possible.

[Q.9] Is the increase in land-only sales for single-family homes intended to rotate inventory by selling land in advance?

[A.9] OHD is especially conscious of accelerating turnover.

[Q.10] What is the outlook for the new condominium brands?

[A.10] INNOVAS is scheduled to be sold sequentially. We are launching INNOVACIA as a high-end brand that we haven't worked on before, aiming to provide condominiums that will please wealthy clientele.

[Q.11] 1Q performance progress seems low and slower than usual for the property resales business, is the full-year plan achievable? What is the status of procurement and sales?

[A.11] 1Q progress appears low, but sales contracts are accumulating for 2Q and beyond. 1Q's. gross profit margin is high, and profit margins based on sales contracts are also progressing well, so achieving the full-year plan is possible.

[Q.12] Is there any impact on purchasing and sales due to rising interest rates?

[A.12] Demand remains high, sales contracts are progressing well, and we are able to secure profits. We focus on inventory turnover and control purchasing and sales by quickly replacing inventory.

[Q.13] Sales decreased in 1Q for property resale, but the gross profit margin increased. Are sales to overseas investors high, and is the gross profit margin high?

[A.13] The proportion of overseas investors is increasing. They account for about 30% of contracts and are performing well. We can secure gross profit margins for both domestic and international sales.

[Q.14] The gross profit margin for other businesses has increased. Has the profitability of the US real estate business improved, or is it due to other businesses such as apartments?

[A.14] It's due to improved profitability in US real estate. In addition to improved profit margins from sales, the number of units managed has increased, and local cost management is also being done properly.

[Q.15] Pressance Corporation's profits decreased in 1Q. Is there any decline in motivation?

[A.15] 1Q performance exceeded our plan, and there is no change in the positive outlook as before.