

## **Open House Group Co., Ltd.**

### **Financial Results for the Third Quarter of the Fiscal year Ending September 2024**

#### **Conference Call for Analysts & Institutional Investors**

**Date and Time: Aug13, 2024, 4:30PM**

**Speaker: Kotaro Wakatabi, Senior Managing Director, CFO**

#### **Conference Call Summary**

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■ In the single-family homes business, sales have bottomed out and an improvement in the gross profit margin is expected in the next fiscal year.

■ In the condominiums business, high sales prices persist in both the Tokyo metropolitan and Kansai regions, while sales remain strong.

■ In the property resale business, the average selling price increased in Q3, and strong demand from overseas investors persists.

■ In the U.S. real estate business, sales remain robust, and the number of managed properties has surpassed 5,000.

¥13.7 billion in U.S. real estate loan receivables have been securitized to improve asset efficiency.

■ To improve EPS, ¥20 billion in share acquisitions are being executed this fiscal year, with an additional ¥20 billion planned for the next fiscal year on an accelerated timeline.

■ Following improvements in ESG ratings, the company has also been added to new ESG indices.

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#### **Q&A:**

**[Q.1]** Why has the gross profit margin improved in the subdivided business of OHD and Hawk One, but decreased in the single-family homes business in Q3?

**[A.1]** The decrease in the gross profit margin in the single-family homes business was mainly due to increased personnel costs from hiring new graduates in the brokerage division for OH.

For the next fiscal year, based on the current contracts, a profit margin improvement of about 2 percentage points compared to Q3 PL results.

**[Q.2]** Is the recovery in gross profit margins the same for OHD and Hawk One? What is the background for the decline in OHA's margin?

**[A.2]** OHD and Hawk One are showing similar trends in margin recovery, but OHD in urban areas is recovering faster. Although OHA's margin decreased in Q3 compared to Q2, it has improved overall and continues to show good performance in the single-family homes business.

**[Q.3]** Is the anticipated 2-point improvement in gross profit margin next fiscal year due to reduced discounts, and are land acquisition prices decreasing?

**[A.3]** The reduction in discounts is a significant factor in improving the margin. While there are cases of acquiring high-margin properties, land acquisition prices have not broadly decreased and remain mixed.

**[Q.4]** The increase rate in the number of single-family homes sales contracts, excluding Meldia, is about 2%. Is the demand environment not favorable? Will the number of contracts return to double-digit growth next year?

**[A.4]** The number of sales contracts has improved compared to before, and the demand environment is good. While immediate double-digit growth is challenging, there is steady improvement.

**[Q.5]** What are the forecasts for net sales, number of units, and profit margins for the condominium business next fiscal year?

**[A.5]** For OHD's condominiums, as previously stated, the number of units and net sales will decrease compared to this fiscal year, but profit margins are expected to be maintained due to higher sales prices in urban areas.

**[Q.6]** The progress rate in the property resale business is low compared to the full-year plan. Will the targets be achieved?

**[A.6]** Significant progress is expected in Q4 with many property handovers including large properties. However, there might be a slight shortfall from the full-year sales target of ¥205 billion. Overall, progress is being made towards achieving the full-year plan.

**[Q.7]** What happens if the large property resale project is sold for more than the previously projected amount.

**[A.7]** Any portion sold for more than the book value after accounting for impairment losses will be recognized as gross profit.

**[Q.8]** Regarding the ¥13.7 billion securitization of U.S. real estate business, will similar schemes continue, and will there be any gains from the transfer of receivables?

**[A.8]** Securitization improves asset efficiency by moving loans off-the balance-sheet of the financial subsidiary. Similar schemes will be used in the future. No temporary gains from receivables transfer are expected.

**[Q.9]** Is the improvement in Meldia's profit margin due to the sale of previously acquired properties? Will margins improve next fiscal year with Group procurements?

**[A.9]** The properties delivered up to Q3 were procured before Meldia joined the Group. Due to project timelines, sales in the first half of the next fiscal year will primarily be from past procurements.

**[Q.10]** What is the background for the abolishment of the Group Transformation Promotion Headquarters?

**[A.10]** Based on the risk assessments conducted by a third-party organization (Nagasima, Ohno & Tsunematsu Law Offices), improvements have been made to the system and operations. Consequently, the special project has concluded, and going forward, each business units and department will manage their own improvement efforts.

**[Q.11]** With the increased emphasis on compliance and the separation of sales and contracts, has the previously aggressive sales approach been eliminated due to the safer conduct of business activities?

**[A.11]** Sales activities are now subject to stricter rules and enhanced labor hour management compared to before. However, the separation of sales and contracts has also contributed to ensuring appropriate working hours.