

**Open House Group Co.,Ltd.**  
**Financial Results for the Period Ending in September 2023**  
**Conference Call and Financial Briefing Summary**

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- In the fiscal year ending September 2023, we significantly exceeded the goals set in our medium-term management plan “Ikouze 1 cho, 2023!”, with sales of 1,148.4 billion yen, and increases in sales, operating income, and profits in all segments.
- Established the basic three-year policy (Sept 2024~Sept 2026).
  - Established financial policy, growth investment policy, and shareholder return policy based on three-year profit assumptions.
- The forecast for the fiscal year ending September 2024, is net sales of 1.3 trillion yen and net profit of 92.5 billion yen.
  - Consolidation of Sanei Architectural Design Co.,Ltd. (hereinafter referred to as Sanei Architectural Design”) began, profit increased.
  - Net profit increased, including gains on negative goodwill.
- Annual dividend per share increased by 2 yen to 166 yen.
  - Also announced the acquisition of treasury stock totaling 10 billion yen.
- This year, we will focus on normalizing Sanei Architectural Design’s management, company-wide governance and compliance, customer satisfaction, and human resources recruitment.

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**Conference call for analysts and institutional investors**

**Date and time: November 14, 2023, 17:30**

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

**Q&A:**

**[Q.1]** What are the forecasts for the single-family home business for this fiscal year by area?

**[A.1]** Sales are flat in the metropolitan areas, but not good in rural areas and rental houses.

Gross profit margin	full year: 15%	First half: approx. 15%	Second half: approx. 14%
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(Reference)

4Q sales contract	Overall: -13.5%	Metropolitan area: -5%	Rental house: -50%	Kansai: ± 0
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**【Q.2】** Will the inventory of single-family homes decrease in the future, or will it still increase?

**【A.2】** Inventory is expected to decrease in the future. We are keeping a strict eye on things, so we have not increased procurement.

**【Q.3】** Local companies who deal with single-family homes, seem to be purchasing land even though they are not in a situation where it can be procured for cheap. So, I don't think you will ever be able to buy it for cheap.

**【A.3】** Depending on the circumstances of individual companies, they may purchase at low profit margins, but we think this will normalize over time.

**【Q.4】** Will you sell single-family homes as rental housing, other than funds under Kenedix, perhaps to your own funds? Will you transfer these to fixed assets to use as rental housing?

**【A.4】** Not particularly. There are also no sales to the Group's funds.

**【Q.5】** Will inbound contribute as a growth factor for property resale this year?

**【A.5】** One of the key points is the overseas sales department that sells to inbound.

**【Q.6】** Will the rise in U.S. mortgage interest rates have an impact on sales of U.S. real estate?

**【A.6】** There is not impact. Some Japanese investors have cash on hand, but about half of them purchased using our domestic financing.

**【Q.7】** What are the possible downside risks regarding profit assumption of net income of 250 billion yen (total of 3 years)?

**【A.7】** If interest rates were to rise sharply, things would become tougher. But it is important to be able to recover quickly, such as speeding up inventory turnover, and we have been able to maintain the current situation.

**【Q.8】** If the equity ratio based on financial policy is likely to fall below 35%, which should be prioritized: retained earnings or dividends?

**【A.8】** Although it would be a case-by-case basis, we do not believe that maintaining the capital adequacy ratio is at a level that is so unreasonable that we would be forced to make a choice.

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## Consolidated Financial Highlights Briefing

Date: November 15<sup>th</sup>, 2023 (Wednesday) 10:00

Speakers: Masaaki Arai, President & CEO

Kotaro Wakatabi, Senior Managing Director, CFO

### < Management Policy and Environmental Awareness

#### ■ Achieved Sales of ¥1 Trillion

- "Ikoze 1 cho! 2023" and the slogan "Hop Step 5,000" from three years ago have been the driving force behind the company's growth.
- Over the past decade, the real estate industry has continued to soar, but the future environment remains uncertain.
- We considered what we should do now to aim for a continued growth and further improve our position in the industry.
- We have concluded that we will use the next three years to solidify our footing for the next leap forward.

#### ■ Basic Three-year Policy

- As environment changes in the future, financial institutions' attitude toward the real estate industry may become stricter.
- In the acquisition of Sanei Architectural Design, the quick decision-making and the financial structure enabled its success.
- We provide stable dividends (payout ratio of 20% or more) and return profit to shareholders through flexible share buybacks.

<Indicators>

(Note) Amounts are cumulative from FY 2024.9 to FY 2026.9

Net Income Assumption	250 billion yen (≒ 80 billion yen x 3 years + negative goodwill 12.5 billion yen)	
Financial Policy	Equity Ratio	35%, net D/E ratio up to 1x
Growth Investment Policy	Investment Amount	500 billion yen (M&A 350 billion yen + existing business investment 150 billion yen)
Shareholder Return Policy	Shareholders' Return Amount	100 billion yen (dividend 60 billion yen, share buyback 40 billion yen)

### ■ **Current Status and Outlook for the Single-family Home Business**

- In the three years of the pandemic, the desire to purchase housing had increased, preempting future demand.
- The supply exceeds demand, resulting in increased markdowns and lower margins to dispose of current supply. Major players in the industry can lower prices and attract customers.
- In the future, the market share of major companies may increase, and some mid to smaller ranging companies may be weeded out as a result.

### ■ **Impact of Financial Policy Changes on Investment Real Estate**

- We're looking at a rather tough financial environment due to the rise in long-term interest rates and the uptrend on housing loans.
- Financial assets of high-net-worth individuals are increasing year by year and are currently looking to invest.
- For the high-net-worth individuals, U.S. real estate and investment real estate are selling well and there is little competition.

### ■ **M&A of Sanei Architectural Design**

- As a peer in the same industry, our company was able to acquire Sanei Architectural Design at a low cost due to our strength in information gathering, and quick decision-making.
- The former president of Hawk One Corp. has been appointed president at Sanei Architectural Design. Hawk One's sales doubled compared to before M&A.
- We plan to strengthen the executive structure, etc., and prioritize the recovery in credit with financial institutions and normalize management.

### < **Q&A** >

**[Q.1]** Why do you think the oversupply of single-family homes will subside within the next year or so?

**[A.1]** Inventories of single-family homes generally run their course in about one year. Even if there is a surplus of supply, developers can always sell at a discount, but the total number of products purchased remains the same, so companies cut back on purchases to reduce inventory. By the time inventory levels normalize and procurement resumes, purchasing cost will likely have fallen.

**【Q.2】** Is there a secret strategy for sales in this harsh environment? Will incentives change?

**【A.2】** Although we do not aim to be a particularly elegant company, we strive to conduct sales with a sense of fighting spirit, politeness, and an awareness of compliance and customer satisfaction. Incentives have changed; we increased the proportion of fixed salaries last year.

**【Q.3】** Is thorough governance and compliance acting as a brake in sales?

**【A.3】** We are giving strict guidance, but this is not causing a constrain. In the past, the company implemented mindset changes such as work style reforms, but the changes did not cause a decline in sales.

**【Q.4】** What was the reason for the sluggish growth in sales contracts for rental houses in the fourth quarter of the previous fiscal year? What are the prospects for this year?

**【A.4】** It seems that the buyer, Kenedix, had some timing in investing. It is important for us to have single-family houses available for rent in a rising interest rate environment. In the United States, due to the rise in interest rates, there is a shift to rental leasing instead of purchasing homes. Although we do not expect rapid growth this fiscal year, from the time we purchase these properties, we have made it possible to sell to both general customers and fund investors buying rental purpose properties. So even if the number of rental properties declines, the impact on the entire single-family home business will be minimal.

**【Q.5】** What was the reason for the Kansai region's sluggish growth in sales contracts in the 4Q of the previous fiscal year? Are there any factors unique to Kansai?

**【A.5】** In a market with oversupply, the procurement costs were set too leniently due to the rush to expand in the Kansai region, but this was temporary and has been corrected. There are no factors unique to Kansai. The desire of customers to buy affordable and quality housing remains unchanged in the Kansai region.

**【Q.6】** What is the reason for the decline in the gross profit margin of condominiums this fiscal year?

**【A.6】** Unlike wooden single-family homes, condominiums are costly to construct not only in terms of RC, but also in terms of land.

**【Q.7】** A subsidiary of Sanei Architectural Design is Meldia DC, which has RC construction capabilities, but what will happen to M&A with general contractors in the future?

**【A.7】** Meldia DC's RC division, which includes Kansai-based general contractors, and open house architects, has annual sales of around 40 billion yen. Since there are no factors that will lower condominium construction costs, having an RC function within the group will give an advantage. Although there are many M&A deals with general contractors that do not match the cost, we will continue to monitor them closely.

**【Q.8】** How will development projects and M&A in the U.S. develop in the future?

**【A.8】** Because the U.S. has a growing population and high demand for housing, we are investing in rental housing development projects. The M&A targets builders of single-family homes, with the intention of selling to Americans, and high net-worth Japanese clients as investment properties.

**【Q.9】** Even megabanks have investment products that charge 5% foreign currency deposits, but are your clients losing interest in U.S. real estate investment?

**【A.9】** High-net-worth individuals have the financial resources to deposit in foreign currencies or buy real estate. Real estate investment is more suitable for Japanese people.

**【Q.10】** How will your portfolio change over the next three years?

**【A.10】** We do not have any clear plans for our future portfolio. As we want to provide Japanese investors with safe and secure U.S. real estate, so the ratio of overseas investments may be increasing as a result.

**【Q.11】** If there is no growth for the next three years, why not raise the dividend to 200 yen?

**【A.11】** Our intention is to grow. I don't think any company in the past 10 years has kept its promises to this extent. Our stance is to do what needs to be done now, to move towards the next level of growth.

Note\* profit refers to profit attributable to owners of parent.