

Open House Group Co.,Ltd.
Financial Results for Second Quarter of FY2025
Conference Call and Financial Briefing Summary

- In the second quarter, operating profit increased 32% from the previous year, and profits at all levels exceeded initial forecasts.
- The full-year earnings forecast has been revised upward to a record high, with net profit expected to reach the 100 billion yen level.
- For the single-family homes business, inventory disposal was accelerated early in the previous period, realizing improved profitability in a short period of time. Going forward, against the backdrop of firm demand in major metropolitan areas, we will maintain profitability while expanding sales volume.
- The condominium business will begin selling properties for the next period, and purchases by wealthy buyers in city centers are also increasing.
- The property resale business has seen steady domestic and overseas demand for investment properties, resulting in improved
- In the U.S. real estate business, demand for rental detached houses for actual occupancy remains firm, and there is no impact from Trump's tariffs on used detached houses.
- The tender offer for Presence Corporation has been completed. We will eliminate the parent-subsidary listing structure and aim to maximize group profits going forward.
- With an equity ratio of 37.3% and a net D/E ratio of 0.6 times, our financial position remains sound even after the tender offer. In preparation for rising interest rates, we place importance on the interest coverage ratio, which was 23.0 times in the second quarter.
- The profit forecast and shareholder return policy for the three-year period from FY 2024 to 2026 have been revised upward. Net profit is expected to be 250 billion to 300 billion yen, and shareholder returns are expected to be 100 billion to 120 billion yen.
- The shareholder return policy has been set at a total return ratio of 40% or more, with dividends increased from 168 yen to 178 yen per share, and the total amount of share buybacks increased from 20 billion yen to 25 billion yen.

Conference call for analysts and institutional investors

Date and time: May 14, 2025, 17:30

Speaker: Kotaro Wakatabi, Senior Managing Director, CFO

Q&A:

【Q.1】 Regarding the future profit margin for the single-family homes business, with improvements to 17.0% in Q1 and 17.5% in the second quarter, is the full-year plan of 17.0% conservative?

【A.1】 The outlook for the full-year gross profit margin for single-family homes is 17.0%, which is somewhat conservative.

【Q.2】 According to various statistics, condominium prices have been soaring recently, making single-family homes appear to sell better. Additionally, the inventory of single-family homes in the market has decreased, leading to a decline in supply. The business environment seems to be favorable for our company, but are there any regional differences?

【A.2】 In the central 23 wards of Tokyo, it is difficult to procure land for single-family homes due to high prices. However, in the surrounding areas of the 23 wards, as well as popular areas in Saitama, Kanagawa, and Chiba prefectures, the price gap between condominiums and single-family homes has widened, increasing the advantage of single-family homes.

【Q.3】 Are you raising the level of inventory? And is the procurement for that going well?

【A.3】 To increase sales, we need to build up more inventory as the current level is not enough. Thanks to smooth procurement, inventory has shifted from a decreasing to an increasing trend. This is also contributed by the addition of new graduates, which supplemented the manpower.

【Q.4】 In the second quarter, the gross profit margin was 18.5% for OHD and 15.4% for HO, showing a difference. What is the reason for this difference in gross profit margins between OHD and HO?

【A.4】 OHD has a higher proportion of land sales (where they sell the land and then contract the construction, known as "uritake") compared to HO because it is located closer to the city center. Additionally, the gross profit margin is higher for land sales than for built-for-sale properties. As a result, OHD's gross profit margin is higher due to this difference in sales mix. However, when comparing built-for-sale properties alone, there is no significant difference between the two companies."

【Q.5】 On page 9 of the earnings presentation, is the 3.4% year-on-year increase in sales on a contract basis in line with expectations? While the number of contracted units is down year-on-year, how does it look when broken down between the metropolitan area and regional areas?

【A.5】 The 3.4% year-on-year increase in sales is in line with expectations. Excluding the impact of rental housing units last year, the number of contracted units is roughly flat year-on-year. While Kansai saw an increase, the metropolitan area did not grow as much. However, prudent procurement efforts have paid off, steadily improving gross profit.

【Q.6】 Can you aim for a double-digit increase in the number of houses next fiscal year?

【A.6】 We will increase the number of houses next fiscal year while maintaining the level of gross profit margin of this year. Sales are currently strong, and future purchases are important. Double-digit growth is possible in the Kansai region, but we are aiming for a 5% increase nationwide.

【Q.7】 What is the reason for the improvement in the gross profit margin at Meldia?

【A.7】 The gross profit margin improved in the second quarter due to the steady progress of land replacement, but we will proceed toward 15.3% for the full year.

【Q.8】 I heard that there was a rush to non-listed builders in response to the revision of the Energy Conservation Law starting in April. I think this will be positive for major listed companies, but have there been any changes since April? Also, with regard to the Energy Conservation Law, is the Company in an environment where it is easy to receive orders?

【A.8】 We have heard that building inspectors and designated verification and inspection agencies are busy with building verification procedures, but there has been no major impact on the construction schedule of our group. There has been no particular change in orders.

【Q.9】 With regard to the property resale business, progress in the first half was low, but what is the outlook for the second half?

【A.9】 Property resale business is strong in the second half of the year. The first quarter started slowly, but the pace picked up in the second quarter. By maintaining this trend, we can achieve the full-year target.

【Q.10】 Investor demand for the investment real estate appears to be high, but is inbound demand also strong?

【A.10】 Demand from Asian investors continues to be high. They account for 20-30% of the property resale business.

【Q.11】 The property resale business mainly handles rental housing, but also offices, commercial properties, etc. Will the company start resort properties in the future?

【A.11】 There will be no major changes in the types of assets, with the focus remaining on rental housing.

(The apartment business developed by Meldia will be integrated into this segment from this fiscal year.)

【Q.12】 Has the acquisition of Pressance Corporation as a wholly owned subsidiary absorbed all of the noncontrolling interests in the BS?

Also, what will be the net profit attributable to noncontrolling interests in the PL?

【A.12】 Equity interests, etc. not included in the tender offer but acquired through a demand for sale on April 1 were recorded as 10.1 billion yen in the BS as of the end of the second quarter, and we plan to absorb most of them (excluding noncontrolling interests in other companies) from April onward.

Net profit attributable to noncontrolling interests was 3.5 billion yen in 1H and is expected to be almost zero in 2H.

【Q.13】 The company has raised its three-year cumulative net profit forecast from the original 250 billion yen to 300 billion yen. This fiscal year, the figure was 18 billion yen higher and what do you see as the trend for the next fiscal year?

【A.13】 Subtracting 93 billion yen in the previous year and 100 billion yen in the current year from the cumulative total of 300 billion yen, we arrive at 107 billion yen for the next year. We will work out the breakdown by the end of the current fiscal year, but we believe we can achieve the forecast.

Consolidated Financial Highlights Briefing

Date: May 21th, 2025 (Wednesday) 10:00

Speakers: Masaaki Arai, President & CEO

Kotaro Wakatabi, Senior Managing Director, CFO

< Environmental Awareness and Management Structure >

■ Outlook for real estate such as single-family homes

- Inventory adjustments were completed in the previous fiscal year, and the gross profit margin improved by 2.7 percentage points this fiscal year.
- Sales are strong due to high demand for single-family homes in metropolitan areas.
- Aiming to expand volume in the future, we will strengthen purchasing for the next fiscal year.
- Demand is strong, and it is important to be able to supply at an appropriate price.
- Soaring condominium prices are affecting the increase in demand for single-family homes due to soaring construction costs.

■ Trends in Investment Real Estate

- In the property resale business, gross profit margin declined in the previous fiscal year due to the impact of large properties, but improved in the current fiscal year.
- The results of solid accumulation of small-scale properties are showing.
- There is no competition in the U.S. real estate business, and the company is in a one-man win situation.
- We are also increasing products for the wealthy, such as NOT A HOTEL and MAI apartments.
- With the polarization of both Japan and the U.S., wealthy people are looking for places to invest, and there are great opportunities for business.

■ Change in Management Structure

- Under the new structure starting in April, Mr. Arai, Mr. Kamata, and Mr. Fukuoka will have the right to represent the company during the transition period.

- Mr. Fukuoka, who will assume the position of president, has experience and understanding of the company's growth and is capable of taking charge of future growth.
- Regarding the existing business, we will proceed with the delegation of authority during this six-month period.

■ New Business, Overseas Business and M&A

- I (Mr. Arai) decided that I was the most qualified person to create new business pillars.
- As a director, founder, and major shareholder, I will focus on three areas: new business, overseas business and M&A.
- I have a proven track record in M&A to date. The company will respond to future deals with a sense of speed.

< Strengths of the Single-family home business > Please refer to Strengths of the Single-family home business" in the attached reference material.

■ Single-family home business (Market environment)

- Condominium prices are soaring and average floor space is shrinking.
- Demand for Single-family home is increasing among families in urban areas.

■ Competitive Advantage

- High operating profit margin and fast recovery in urban areas.
- The company's integrated manufacturing and sales operations eliminate intermediary margins and enable high turnover through in-house sales.

■ Process Management System

- The construction process is managed for approximately 3,000 construction sites operating simultaneously.
- Carpenters are assigned and materials are transported in an appropriate manner, even though the front roads are narrow and material storage space is limited.
- This system is based on many years of know-how and experience, and it would be difficult to build it independently even if having the financial resources.

<Q&A>

【Q.1】 Single-family homes related business does not appear to be that strong, with contract-based sales up 3.4% year-on-year, and the number of contracts has remained at just over 3,000 for some time, what do you think?

【A.1】 In the previous fiscal year, the figures looked better due to the effect of Meldia joining the group. In addition, the profit level was low in the previous period due to the effect of inventory disposal, so the actual profit level has improved even though the number of houses is at the same level.

【Q.2】 Even if this pace is good for the current fiscal year, looking ahead to the next fiscal year, it may be necessary to increase the number of houses sold?

【A.2】 For the next fiscal year, we need to increase purchases. Since the business period is short, it is possible to make sales for the next fiscal year even if we purchase now.

【Q.3】 How do you envision the future curve of profit growth? Are you on track to meet the headwinds you have faced thus far, such as inventory adjustments for single-family homes, compliance measures, etc.?

【A.3】 We are not satisfied with the current level of growth. We have become one of the largest independent companies in Japan, which in itself is a competitive advantage.

【Q.4】 How will you respond to the rising construction costs, as single-family homes is also rising, although not to the same extent as condominiums?

【A.4】 The rise in building costs for single-family homes is moderate in comparison to the rise in land prices. Single-family homes has an advantage over condominiums because of the significant rise in construction costs. In addition, for condominiums, MELDIA DC and OHA have the general contractor function, which would be an advantage if they could produce in-house.

【Q.5】 Inventories of condominiums are increasing, but are you now able to track the volume?

【A.5】 Although things are going well until the next fiscal year, the current purchases, which will be delivered in subsequent years, are difficult.

【Q.6】 What is the future position of the condominium business?

【A.6】 In the current environment, there is a risk in making condominiums the core of the group. The position will change according to future changes in the environment.

【Q.7】 Has the renewal of the brand enabled you to add higher value to the product?

【A.7】 Until now, the company has appealed up front for its price advantage in the area, but a change in direction has become necessary as prices have skyrocketed in the market as a whole. While it is no longer unusual to see properties priced in excess of ¥100 million, the company offers a quality product that is on par with the major players in the market.

【Q.8】 The property resale business has had a high turnover so far, but under President Mr. Arai, will the company take new initiatives such as adding higher value?

【A.8】 We do not want to increase inventories. We want to keep the company in a state of management that is growth-oriented, but with an eye on not letting the company go under. We are interested in high value-added business, but we do not want to extend the period of our operations to do so.

【Q.9】 As a group, you seem to be shifting from actual demand to investment and wealthy customers, but the pace of growth seems slower than actual demand. What are your thoughts on accelerating future growth?

【A.9】 Actual demand will not disappear even in a recession, so we will continue to grow based on actual demand. Our strength is in accumulating small details. In investment properties, we are turning over properties worth up to ¥500 million at a high turnover. We will have a chance to win in the wealthy business if we tackle it in the same way.

【Q.10】 How do you view the changes that are taking place now with regard to income levels?

【A.10】 The biggest change is that we have gone from deflation to inflation. Having operated under deflation until now, consumers under the age of 40 have no experience with price crashes, so they take it for granted that they will continue to see inflation in the future. Wealthier consumers will continue to be

the primary target, and real estate is expected to account for a large percentage.

【Q.11】 The U.S. real estate market is weak, so the environment is favorable for acquirers?

【A.11】 The U.S. market is not that bad, and the key to M&A is deciding whether or not to stick to this approach, which is based on the principle of buying at a low price. The U.S. interest rate is high, and operating at 7~8%, so we are aware that our ability to raise funds domestically gives us an advantage and that opportunities are expanding.

【Q.12】 What will be the structure of Pressance Corporation, now that it has become a wholly owned subsidiary?

【A.12】 We have not been significantly involved in the company up to now, and we have no plans to be in the future. Since the management structure is solid to begin with, President Mr. Harada is in charge of it.

【Q.13】 With Pressance Corporation, there was a strong color of independent business operation by each rather than synergy, but is there any acceleration of synergy in the future?

【A.13】 As for synergies, we want to use all of the group's resources in a backward-looking manner. We would like to transfer Meldia DC under the Pressance umbrella and increase the number of clients sent from Wealth Management to Pressance.

【Q.14】 The change to a 40% total shareholder return policy does not seem to change the actual situation from the previous (20% payout ratio + flexible share buybacks), does it? Also, does the bartering of shareholder returns reduce the room for investment in growth?

【A.15】 Since there were many questions from investors about “flexible share buyback,” we have clarified it as a return policy. In addition, the growth investment policy will remain unchanged.

【Q.16】 With other companies in the same industry moving toward generational

change, it is conceivable that you could become chairman, but what is the reason for your decision to return your representative rights? Will it not come to the fore in the future?

【A.16】 Since I am also a major shareholder, my representation does not change the reality of the situation. In order to nurture the next generation, it is necessary for them to make their own decisions. I want to return to being an entrepreneur and put pressure on myself as a director. In addition, after stepping down as representative, I plan to basically stay out of the forefront.

【Q.17】 Do you have any ideas or directions for new businesses that President Mr. Arai is working on?

【A.17】 I would like to work on a business that is expected to reach 50 billion yen in 3 years and 100 billion yen in 5 years.

Strengths of the Single-family Home Business

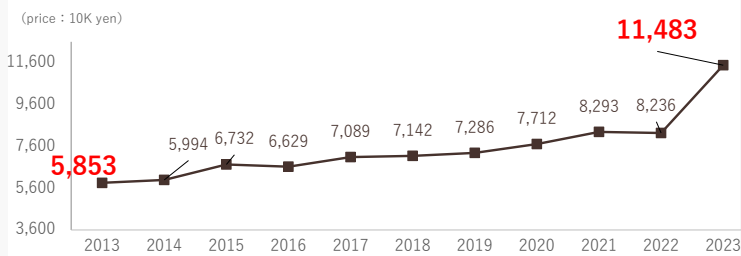
OPEN HOUSE GROUP

Strengths of the Single-family Home Business

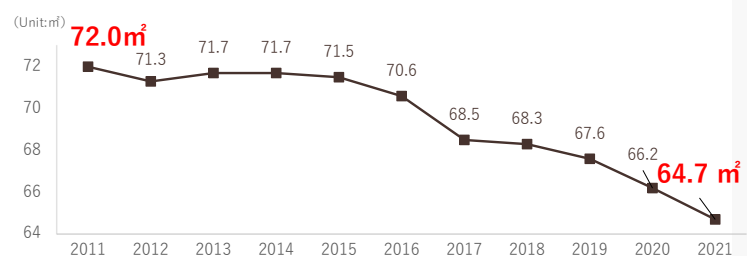
Single-family Home Related Business (Market environment)

- Rising land prices and construction costs have led to soaring condominium price
- The average area of condominiums is shrinking, creating strong demand for Single-family Home that offer living spaces at reasonable prices

Trends in average prices of new condominiums (Tokyo's 23 wards)



Average exclusive area of new condominiums (Nationwide)



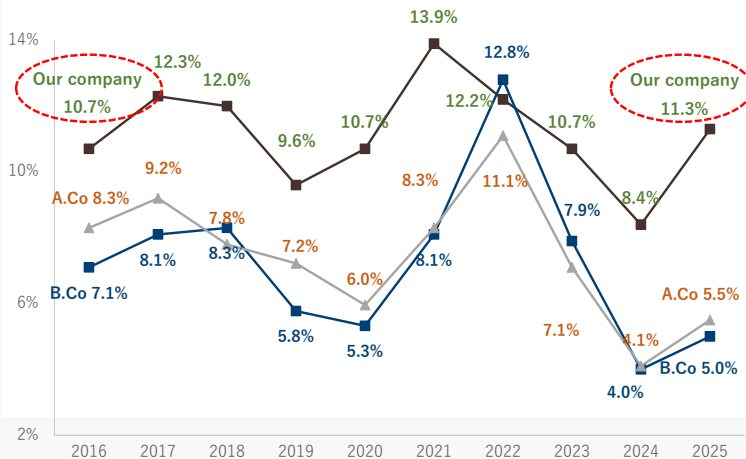
Source: Real Estate Economic Institute Co., Ltd. "Trends in the New Condominium Market in the Metropolitan Area 2023"

Source : Japan Housing Finance Agency 「Survey on Housing Loans」

Competitive advantages

- Recovering profitability ahead of competitors due to recovering demand in urban areas
- Vertically integrated "manufacturing-sales business model" where we handle procurement, construction, and sales in-house

Trends in operating profit margins of our company focused on urban areas vs. other companies focused on regional areas



Source : A.Co · B.Co Disclosure materials

1. Our Group

(Inventory risk: low, Margin: high)

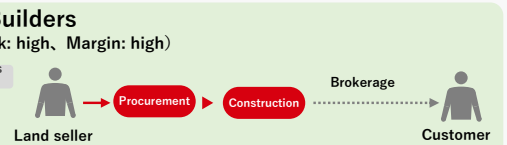
Advantageous in urban areas



2. Power Builders

(Inventory risk: high, Margin: high)

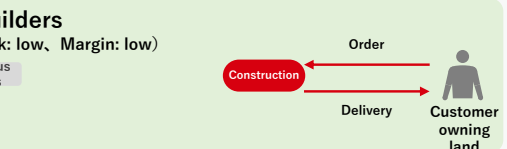
Disadvantageous in urban areas



3. Homebuilders

(Inventory risk: low, Margin: low)

Disadvantageous in urban areas



Construction Process Management System

- Our proprietary construction process management system allows us to allocate materials and workers in a timely manner, enabling us to manage multiple construction sites simultaneously (as of the end of April 2025, we are simultaneously managing 2,397 construction sites and 3,726 buildings).

- Feature① Our proprietary system allows everyone to grasp the situation in a timely manner.
- Feature② Through our proprietary system and app, we can perform critical inspections in a timely manner, strengthening quality control.
- Feature③ The app enables coordination with supervisors, workers, and trading companies, allowing for timely material delivery
- Feature④ The app visualizes the working carpenters and construction progress, enabling an efficient system without joint losses.

