

[For translation purposes only]

**Open House Group Co., Ltd.**  
**Financial Results for the Period Ending in September 2024**  
**Conference Call and Financial Briefing Summary**

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- For the single-family homes business, we saw a recovery in sales. Sales in Q4 were up 34% yoy (on sales contract basis).  
Inventory adjustment was completed in the previous fiscal year, and gross profit margin is expected to improve in the current fiscal year.
- For the condominium business, we expect an increase in gross profit margin this fiscal year due to a higher ratio in the Tokyo metropolitan area.  
Additionally, we have secured land aimed at returning 100 billion yen in sales for the next fiscal year.
- For the property resale business, the gross profit margin decreased in the previous fiscal year due to the disposal of a large-scale-project, etc., however, we expect an increase in gross profit margin this fiscal year, as average-scale properties remain steady and demand from overseas investors is strong.
- For the U.S. business, investment appetite among wealthy domestic individuals remains high, with a particular increase in handling of properties in Hawaii.
- Pressance Corporation saw revenue and profit increase due to steady demand for condominiums in the Kansai area in the previous fiscal year.  
This fiscal year, we expect a decrease in the gross profit margin due to rising land and construction costs.
- For Meldia, although revenue and profit decreased due to disposal of large-scale projects and transfer of Meldia DC, the single-family home business performed as expected. From this fiscal year, this segment will be broken down and aggregated into single-family homes, property resale, and other segments.
- The first year of the three-year financial, investment, and shareholder return policy (2024.9-2026.9) has ended.  
The net profit target has been revised upward to 250 billion yen ~ 260 billion yen.  
With an equity ratio of 36.2%, a financial structure capable of responding to interest rate increases has been established through long-term funding.  
The company continues to maintain 500 billion yen for growth investments (including M&A) and 100 billion yen for shareholder returns (dividends and share buybacks).

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**Conference Call for Analysts & Institutional Investors****Date and Time: November 14, 2024, 4:00 PM****Speaker: Kotaro Wakatabi, Senior Managing Director, CFO****Q&A:**

**[Q. 1]** What is the reason for revising the 3-year cumulative net profit upward to 250 billion yen ~ 260 billion yen?

**[A.1]** The original plan was conservative but based on the previous fiscal year's results and this fiscal year's plan, the probability of exceeding 250 billion yen in total over the three years has increased. This is particularly due to the improvement in the gross profit margin of the single-family home business and the smooth progress in land acquisition for condominiums to be completed next fiscal year.

**[Q.2]** What is the current procurement policy for the single-family homes business, as well as land and building costs?

**[A.2]** We have been selective in land acquisition due to inventory adjustment, but going forward, we plan to actively acquire land. Regarding land costs, while they remain high in urban areas, some suburban areas have become more affordable for purchasing. In terms of building costs, lumber prices have decreased, although there are requests for price increases in housing equipment, overall cost remains flat.

**[Q.3]** What is the performance outlook for Q1 this fiscal year?

**[A.3]** For single-family homes, we plan to deliver properties with high gross profit margins and expect to perform as planned.

**[Q.4]** On page 9 of the Consolidated financial highlights presentation, recent contract unit prices are shown to be increasing, but on page 54, the average price of OHD's ready-built homes shows a downward trend. What accounts for this difference in unit prices?

**[A.4]** This is due to differences in regions and companies. Page 9 only shows the unit prices for ready-built houses in the Tokyo metropolitan area, which is to display the price trends of these properties that are of high interest and frequently inquired about by investors.

The OHD ready-built houses on page 54 include the Kansai area, where unit prices are lower, but the number of units is increasing.

**[Q.5]** OHD's gross profit margin is expected to recover from 14.3% in the previous fiscal year to 17.0% this fiscal year. Is recovery expected from Q1?

**[A.5]** Inventory adjustment was completed in the previous fiscal year, and recovery is expected from Q1.

**[Q.6]** What were the factors behind the decline in OHD's gross profit margin in Q4 of the previous fiscal year and the decrease in sales for this fiscal year?

**[A.6]** The factors were shortages in acquiring and sales personnel. As countermeasures, we are actively purchasing and have significantly increased new graduate recruitment for April next year compared to the previous fiscal year.

**[Q.7]** What are the sales trends by area?

**[A.7]** The Kansai area has recovered significantly since the latter half of the previous fiscal year, achieving double digit growth.

**[Q.8]** Why did OHA's gross profit margin decline in Q4 of the previous fiscal year?

**[A.8]** OHA mainly develops contract businesses for other companies, rather than selling directly to individual consumers. While there was a slight decline in Q4, it is expected to improve and remain stable this fiscal year.

**[Q.9]** Why did the gross profit of the property resale business fall short of the plan in the previous fiscal year?

**[A.9]** This was due to the processing of a large stagnant project and the carryover of newly constructed rental apartments for REITs under development for this fiscal year.

**[Q.10]** What is the outlook for Meldia this fiscal year?

**[A.10]** For single-family homes, sales are expected to be 73.4 billion yen with a gross profit margin of 13.9%. We are using Hawk One as a benchmark, and with the disposal of poor inventory from before our acquisition, we expect operations to normalize. We also want to expand the wooden apartment business for investors.

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## **Consolidated Financial Highlights Briefing**

**Date and Time: November 20, 2024, 10:10 AM**

**Speakers: Masaaki Arai, President & CEO**

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

### **Management Policy and Environmental Awareness**

#### ■ **Three-Year Positioning from September 2024 to September 2026**

This three-year period is positioned as a time to work on strengthening internal systems and foundations for further growth.

The strengthening of the organization is progressing steadily, and we continue to aim for growth.

#### ■ **Profit Improvement in the Single-Family Homes Business.**

The single-family homes business has been selective in purchasing with a focus on profit margins, but inventory adjustment has ended, and we are now focusing on active purchasing.

Sales are improving as wage increases have led to higher mortgage loan limits, and business is strong in both the Tokyo metropolitan area and the Kansai area. Areas without wage increases are struggling.

As condominium prices soar, the demand for relatively affordable single-family homes is increasing.

#### ■ **Trends in Investment Real Estate**

Polarization is progressing, with wealthy individuals purchasing real estate with their increased assets, and this business is performing well.

The decline in profit margins for Property Resale business in the previous fiscal year was due to individual factors of a large-scale property and is expected to recover this fiscal year.

Despite the weak yen, demand for U.S. real estate remains strong.

#### ■ **Nurturing of Peripheral Businesses**

We are also focusing on non-asset businesses as peripheral businesses, which generated 5.8 billion yen in operating profit last fiscal year. This is expected to grow further and become a differentiating factor from other companies.

■ **Status of Personnel Recruitment**

Labor shortage is a nationwide issue, and securing sales personnel is an important challenge for our company as well.

New graduate hires for next April will be 750 people on a consolidated basis (539 last year). This number has doubled for Open House and Open House Development. Sales capabilities are expected to improve significantly with these new hires.

■ **Appointment of Directors and Audit & Supervisory Board Member**

Both appointments are internal promotions, indicating that internal talent is developing well.

Director candidate Kenta Kikuchi joined the company as a new graduate and has 18 years of experience. He is an excellent talent who has served as the head of the construction business division and as president of Hawk One and Meldia.

Auditor candidate Megumi Koyama has 15 years of experience with the company and currently serves as the general manager of the accounting department. With experience working in the U.S., she is well-suited for the role of auditor.

<Q&A>

**[Q.1]** Calculating backwards, it seems next fiscal year's net income would be about 85 billion yen. Is this correct?

**[A.1]** Our company believes in keeping its promises and publishing "solid numbers". We view the current fiscal year as a positive year in the midst of a V-shaped recovery.

**[Q.2]** What is the outlook for profit margins going forward?

**[A.2]** We expect improvements in the single-family homes, condominiums, property resale, and other segments.

**[Q.3]** What is your ideal growth scenario?

**[A.3]** In the not-too-distant future, we aim to double our sales and profits. We plan to accelerate growth by leveraging the strength of an owner-operated company - quick decision-making.

**[Q.4]** What caused the decline in gross profit margin for the single-family homes business in Q4 of the previous fiscal year?

**[A.4]** In Q4 of the previous fiscal year, there were fewer deliveries of high gross profit margin properties. However, contracts have been steadily accumulating and are scheduled to be delivered in Q1 of this fiscal year.

**[Q.5]** What is the future of the single-family homes business?

**[A.5]** For the single-family homes business, we first want to increase our current 14% market share to 20%. There is particularly large room for growth in the Kansai area. We will raise the overall profit margin of the business by growing not only the housing sales but also the high-margin peripheral businesses.

**[Q.6]** What is the future for the condominium business?

**[A.6]** In the current environment, making condominiums the center of the group would be risky. If the environment changes in the future, our approach will change accordingly.

**[Q.7]** How about the processing of the large stagnant project in property resale?

**[A.7]** As a management policy, we prioritized improving turnover and lightening the balance sheet, which led to the sales.

**[Q.8]** What is the sales structure for property resale properties aimed at Asian investors?

**[A.8]** We have a specialized team within our group that works in collaboration with real estate brokers, and we expect further growth in this area.

**[Q.9]** what are the future developments for the wealthy clientele businesses.

**[A.9]** For the US real estate business, we plan to continue with the current style. On the other hand, for the property resale business, while it's currently mainly conducted through brokerage companies (business-to-business transactions), the proportion of direct sales has increased to 20-30%. In the future, we want to establish and strengthen a specialized team for direct sales.

**[Q.10]** What is Meldia's contribution to revenue?

**[A.10]** Meldia aims to achieve performance similar to Hawk One in the future, targeting an early recovery to 2019 levels (sales of 121 billion yen, operating profit of 10.5 billion yen).

**[Q.11]** What is the outlook for non-asset business going forward?

**[A.11]** Non-asset business have high profit margins (as they are mainly fee-based businesses).

We want to continue expanding this business, as this is a differentiating factor from our competitors.

**[Q.12]** How do you feel about M&A opportunities?

**[A.12]** Domestically, there are many discussions related to single-family homes businesses. Rather than rescue-type deals, we're seeing more proposals driven by concerns about future growth and labor shortages. We are selectively considering these based on business synergies and valuations. We're also looking at acquiring U.S. homes builders, but synergies with our wealthy clientele businesses in Japan are important.

**[Q.13]** What is the progress and what are the challenges in structural reforms?

**[A.13]** As one example, by separating sales activities and contract activities, we've halved the cancellation rate. This has also led to a significant decrease in the number of complaints, contributing to improved customer satisfaction.