Hoosiers Holdings Co., Ltd. (3284)

Second Quarter
Fiscal Year Ending March 2024
Explanatory Materials on Financial Results

November 9, 2023

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1. Executive summary

Executive summary

■ 2Q of FY3/24 overview of results

- Both net sales and profit increased YoY mainly due to increases in delivery of condominiums and sales of income-producing property
- Finished inventory steadily decreased and procurement is carefully selected in consideration of environmental changes

Acquisition of development sites for future projects is progressing according to plan (Maintain optimum balance sheet while preparing for the future growth)

■ FY3/24 full-year performance forecasts and shareholder return policy

- Steady progress is made toward full-year performance forecasts

No change in full-year performance forecasts and annual dividend forecast announced at the beginning of the year

- Scheduled completion of condominiums and condominiums for seniors is concentrated in 2H (86% in unit-base)

Steady contract progress is made as of September 30, at approx. 80%

■ Business environment and future policy

- Pay attention to events that affect profitability such as rise in interest rates and construction costs, etc.
- Disclose initiatives aimed at realization of management focusing on capital cost and stock price

Promote sustainable growth and proactive dialogue with recognition of the current situation

2. 2Q of FY3/24 overview of results

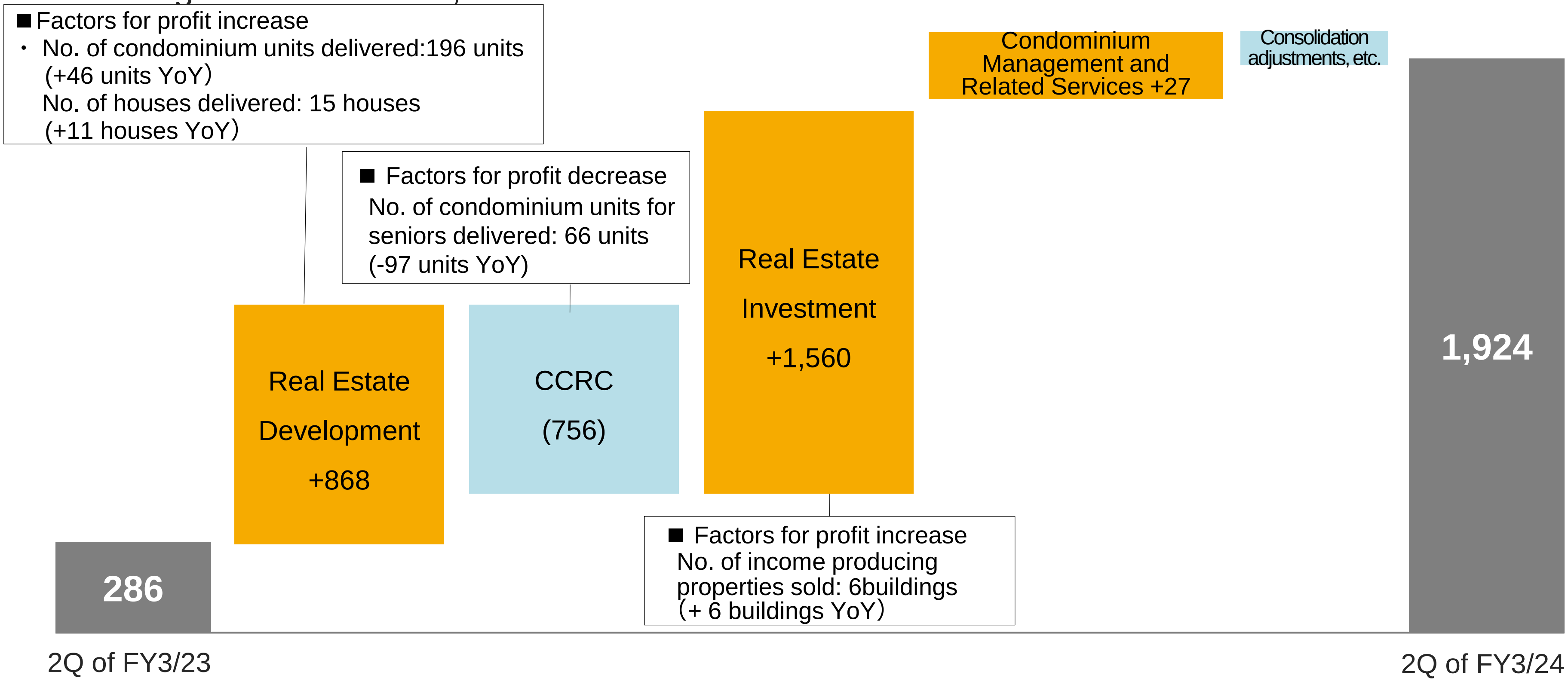
Consolidated income statement

- Net sales, operating income, ordinary income, and profit attributable to owners of parent all increased YoY

(Million yen)	2Q of FY3/23 Results	2Q of FY3/23 Composition ratio	2Q of FY3/24 Results	2Q of FY3/24 Composition ratio	YoY change	Full-year forecasts	Progress vs forecasts
Net sales	**20,102**		**28,762**		8,659	90,000	32%
Gross profit	4,624	23.0%	6,836	23.8%	2,211		
Selling, general and administrative expenses	4,337	21.6%	4,912	17.1%	574		
Operating income	**286**	1.4%	**1,924**	6.7%	1,637	8,600	22%
Non-operating income	308	1.5%	526	1.8%	218		
Non-operating expenses	832	4.1%	944	3.3%	112		
Ordinary income (loss)	**(237)**	(1.2%)	**1,506**	5.2%	1,743	7,500	20%
Extraordinary income	54	0.3%	5	0.0%	(49)		
Extraordinary losses	-	-	20	0.1%	20		
Income (loss) before income taxes	(183)	(0.9%)	1,490	5.2%	1,674		
Income taxes- current	66	0.3%	469	1.6%	402		
Income taxes – deferred	(132)	(0.7%)	55	0.2%	187		
Profit (loss) attributable to owners of parent	**(256)**	(1.3%)	**858**	3.0%	1,115	4,800	18%

Operating income fluctuation analysis by segment

- Real Estate Development: Operating income increased due to increased number of condominiums in regional cities delivered
- CCRC: Operating income decreased due to an absence of new properties completed in 1H resulting in a decrease in the number of units delivered
- Real Estate Investment: Operating income increased due to increased number of building sold, mainly in-house developed new residence for lease
- Condominium Management and Related Services: Operating income increased mainly due to stable growth in the condominium management business and progress in the hotel management business, etc.



Performance by segment

Real Estate Development

(Million yen)	2Q of FY3/23	2Q of FY3/24	YoY change	Full-year forecasts	Progress vs forecasts
Net sales	6,202	12,877	6,674	53,300	24.2%
Condominiums	5,754	9,150	3,395	-	
Houses	391	1,080	688	-	
Other	56	2,646	2,589	-	
Gross profit	1,425	3,104	1,678	-	
Condominiums	1,343	2,135	792	-	
Houses	40	219	178	-	
Other	41	749	707	-	
Gross profit margin	23.0%	24.1%	+1.1pt	-	
Condominiums	23.3%	23.3%	+0.0pt	-	
Houses	10.5%	20.3%	+9.8pt	-	
Operating income (loss)	(649)	218	868	-	
Delivered units	-	-	-	-	
Condominiums	150 units	196 units	46 units	1,118 units	17.6%
Houses	4 units	15 units	11 units	55 units	27.3%

CCRC

(Million yen)	2Q of FY3/23	2Q of FY3/24	YoY change	Full-year forecasts	Progress vs forecasts
Net sales	7,842	3,295	(4,546)	11,000	30.0%
Gross profit	2,005	899	(1,106)	-	-
（Gross profit margin）	25.6%	27.3%	+1.7pt	-	-
Operating income	1,003	247	(756)	-	-
Delivered units	163 units	66 units	(97 units)	242 units	27.3%
No. of units under management	1,942 units	1,942 units	-	-	

*Net sales, gross profit, and operating income (loss) are before elimination of inter segment transactions.

Performance by segment

Real Estate Investment

(Million yen)

	2Q of FY3/23	2Q of FY3/24	YoY change	Full-year forecasts	Progress vs forecasts
Net sales	3,000	9,282	6,281	18,250	50.9%
Gross profit	457	2,066	1,608	-	-
(Gross profit margin)	15.3%	22.3%	+7.0pt	-	-
Operating income (loss)	(274)	1,285	1,560	-	-
Income producing properties sold	-	6 buildings	6 buildings	10 buildings	60.0%
Flats sold	4 buildings	1 building	(3 buildings)	13 buildings	7.7%

Condominium Management and Related Services

(Million yen)

	2Q of FY3/23	2Q of FY3/24	YoY change	Full-year forecasts	Progress vs forecasts
Net sales	3,426	3,875	448	7,450	52.0%
Operating income	100	127	27	-	-

*1: Effective April 1, 2023, we changed our reportable segments from five segments of “Real Estate Development,” “CCRC,” “Real Estate Investment,” “Condominium Management and Related Services” and “Other” to four segments of “Real Estate Development,” “CCRC,” “Real Estate Investment” and “Condominium Management and Related Services.” Figures of prior years are also restated retrospectively to present under the four segments.

*2: Net sales, gross profit, and operating income (loss) are before elimination of inter segment transactions.

Consolidated balance sheet and cashflows

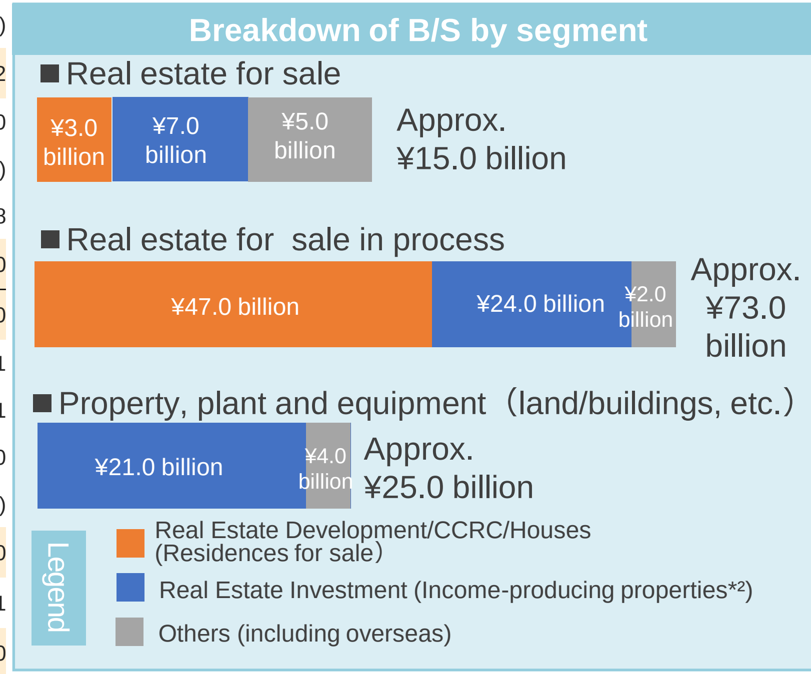
(Million yen)	FY3/22	FY3/23	2Q of FY3/24	YoY Change
Current assets	96,672	117,527	118,754	1,227
Cash and deposits	32,035	30,640	24,274	(6,365)
Real estate for sale	23,659	22,455	15,191	(7,264)
Real estate for sale in process	33,599	55,627	72,827	17,200
Other	7,377	8,804	6,460	(2,343)
Non-current assets	31,233	29,977	32,629	2,652
Land	9,423	9,158	11,128	1,970
Buildings	14,411	14,232	14,137	(95)
Other	7,397	6,586	7,364	778
Total assets	127,905	147,504	151,384	3,880
Liabilities	88,945	104,840	107,800	2,960
Total interest-bearing debt	72,656	85,785	92,327	6,541
Short-term interest-bearing debt	23,874	19,445	23,726	4,281
Long-term interest-bearing debt	48,782	66,340	68,600	2,260
Other	16,288	19,054	15,473	(3,581)
Net assets	38,960	42,663	43,584	920
Equity	31,263	34,794	35,606	811
Total liabilities and net assets	127,905	147,504	151,384	3,880
Equity Ratio	24.4%	23.6%	23.5%	
D/E ratio	1.9 times	2.0 times	2.1 times	
ROA	4.3%	5.3%	-	

Major factors

✓ Progress in sales of income-producing property, decrease in finished inventory of condominiums for seniors*1

✓ Progress in procurement of income-producing property and land procurement for condominiums

*1 FY3/23 2Q of FY3/24 (118 units ⇒ 52 units)



(Million yen)	FY3/20	FY3/21	FY3/22	FY3/23	2Q of FY3/24
Cash flows from operating activities	16,110	10,722	20,259	(7,532)	(9,425)
Cash flows from investing activities	(670)	(3,058)	(4,172)	(178)	(2,249)
Cash flows from financing activities	(10,159)	(15,077)	(9,896)	5,932	5,371

*2 Including flats

Procurement (1)

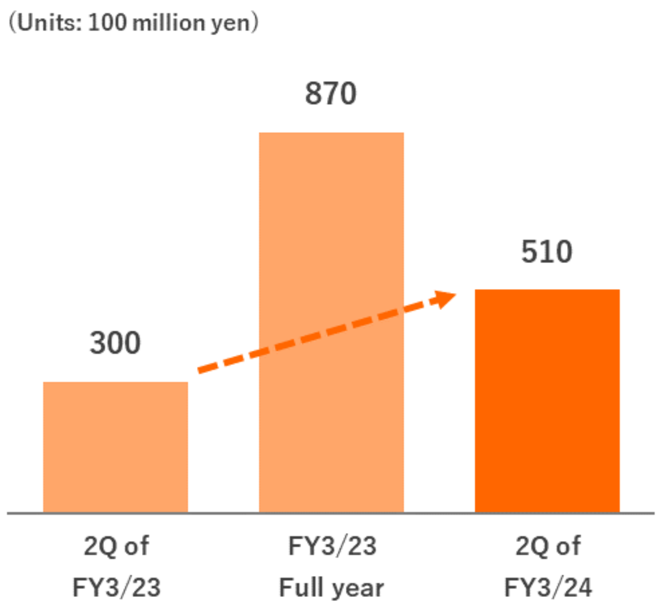
[Overall]

- Acquired property worth approx. ¥51 billion* on total investment basis in the six months ended September 30, 2023 (an increase of ¥21 billion YoY)
- Enhanced procurement with careful selection toward business expansion in future, making steady progress

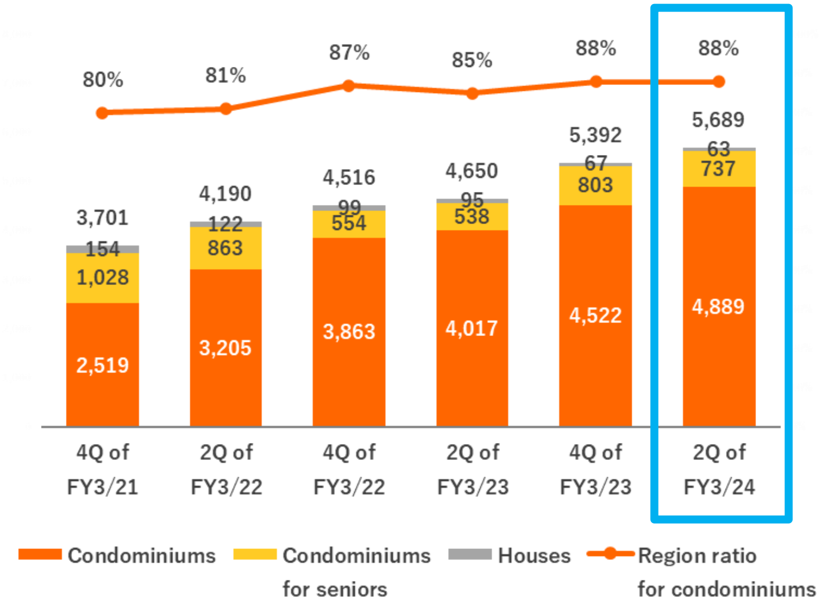
[Condominiums/houses/condominiums for seniors]

- Secured 5,689 units for the residential property sales pipeline

【Overall】Total investment



【Residential sales pipeline】Trends



*Decision-making basis, including properties for which contracts have been signed but not yet settled

Procurement (2)

[Real Estate Investment]

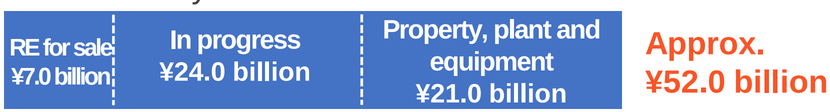
- Approx. ¥52.0 billion on B/S relates to income producing properties*.
  Ratio of "residences" in income producing properties increased due to promotion of new residence development for lease

- Secured land in prime location in the city center such as Hiroo and Ebisu

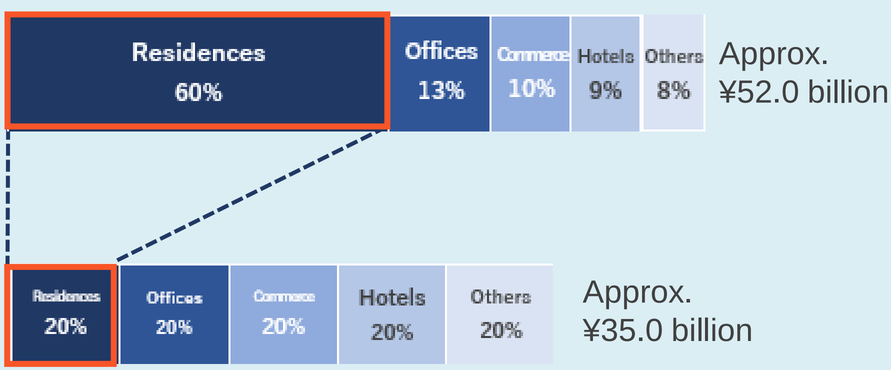
[Recorded on B/S] Breakdown by asset type

✓ Residences account for 60% of Approx. ¥52.0 billion on BS

■ Breakdown by account



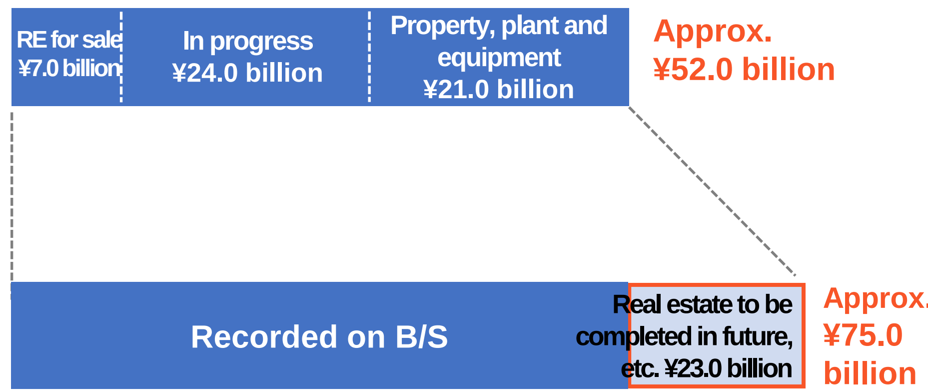
■ Breakdown by asset type



*Reference (as of March 2021)

Estimated carrying amount upon completion (including those not recorded on B/S)

✓ Approx. ¥75.0 billion including real estate for sale in process to be completed in future



* Including flats

Business environment and future policy

- Pay attention to changes in environment surrounding the overall business such as a rise in construction costs and interest rate fluctuations
- Promote the company-wide and segment-specific strategies and aim at sustainable growth by accurately recognizing the external environment

Business environment

■ Rise in construction costs

(1) Property already acquired

- Property whose construction was commenced more than 2 years ago: No impact
- Property whose construction was commenced in the last 18 months: Construction costs increased after land was purchased

  *Focus on cost management to secure profit originally projected

(2) Property to be acquired

- Make investment decision based on the upward trend

■ Concerns over interest rate rise

(1) Funding costs

- The impact is not yet evident, but we will closely monitor the financial institutions' lending stance and rise in funding interest rates

(2) Mortgage rates

- There is no impact as the majority are variable rate mortgages
- While the impact is limited on the business with customers with a high self-funding ratio (low mortgage utilization ratio), such as regional redevelopment property and condominiums for seniors, close attention must be paid to the trend as the business will be affected by a rise in variable rates

Business environment and initiatives by segment

Segment	Business environment and initiatives
Real Estate Development	・Development of condominiums in regional cities accounts for 90% ・Demand remains strong with no signs of a rise in variable mortgage rates at this point ・Focus on development in regional city centers such as redevelopment projects
CCRC	・The majority of the purchase funds are self-funded as target customers are seniors and the wealthy ・While there was a time in the early stages when there was a large excess of inventory, the proper business cycle has been realized ・Considering to increase procurement and expand areas toward the market expansion in future
Real Estate Investment	・Focus on purchase of development lands for residence for lease in prime locations in city centers ・Perceive that investors' demand will continue to be solid ・Differentiate by pursuing manufacturing where there are needs but no supply ・Replace owned properties appropriately by monitoring market changes and focusing on B/S efficiency ・In overseas, carefully monitor market conditions to make decisions
Condominium Management and Related Services	・Business with stable growth such as condominium management ・The hotel and sports club business, whose business activities were affected by the spread of COVID-19, also recovered

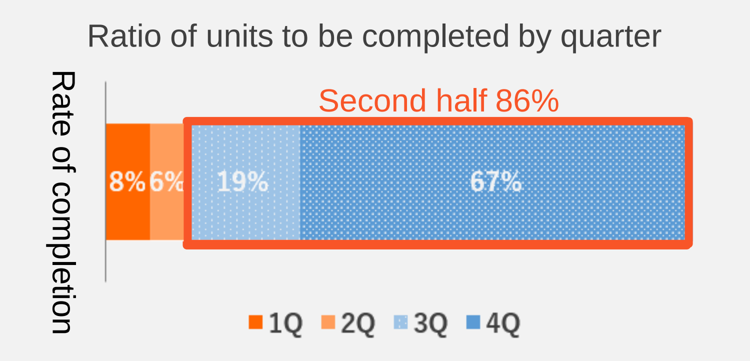
FY3/24 full-year performance forecasts

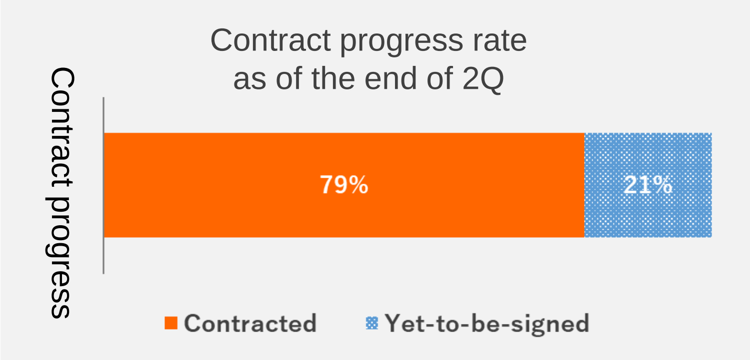
- No change in full-year performance forecasts announced at the beginning of the year
- 86% of condominiums and condominiums for seniors to be delivered in FY3/24 is scheduled to be completed in 2H
  Steady progress is made toward the full-year delivery plan at approx. 80% signed

Full-year performance forecasts

	FY3/23		FY3/24		YoY % change
	Results	Composition ratio	Forecasts	Composition ratio	
Net sales	79,286	-	90,000	-	13.5%
Operating income	8,425	10.6%	8,600	9.6%	2.1%
Ordinary income	7,280	9.2%	7,500	8.3%	3.0%
Profit attributable to owners of parent	4,557	5.7%	4,800	5.3%	5.3%

Condominiums/ condominiums for seniors





All forecasts provided in this page are based on certain reasonable assumptions and beliefs in light of information currently available and, therefore, it is not intended for guaranteeing to meet them. Actual results may differ from our forecasts due to various unforeseen reasons.

Shareholder return policy

- Interim dividend: ¥27 (as forecasted at the beginning of the period)
- Plan dividend of **JPY55 per share (Interim: JPY27, Year-end: JPY28)**

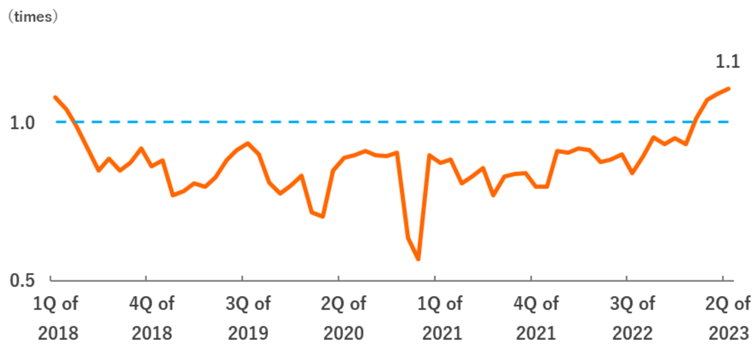
	FY3/19	FY3/20	FY3/21	FY3/22	FY3/23	FY3/24 (plan)
Profit attributable to owners of parent (Million yen)	3,195	276	2,878	3,068	4,557	**4,800**
Dividends per share	¥25	¥35	¥24	¥36	¥52	**¥55**
Total dividends (Million yen)	1,439	2,009	988	1,288	1,865	**1,977**
Payout ratio	44.9%	720.1%	47.1%	41.5%	40.4%	**40.5%**
DOE	3.3%	4.6%	3.1%	4.2%	5.6%	**Approx. 5%**
*Ref. EPS	¥55.68	¥4.86	¥50.98	¥86.74	¥128.83	**¥135.67**

3. Toward realization of management focusing on capital cost and stock price

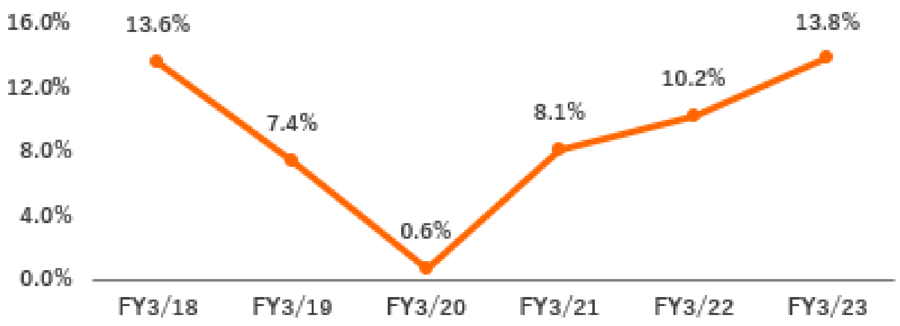
Current status

- Current PBR is around 1
- The latest ROE increased to 13.8%, exceeding cost of equity using CAPM (around 6 to 7%)
- On the other hand, PER is low (around 7~8×), and we recognize it is due to the uncertainty over the expected growth rate among investors.
- We will aim to further increase ROE as well as improve PER by reducing capital cost (reduce uncertainty over the expected growth rate)

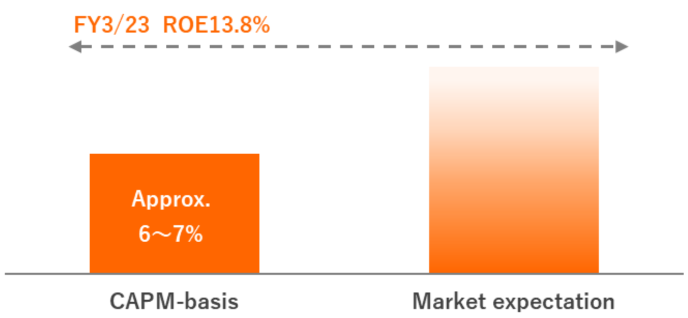
PBR



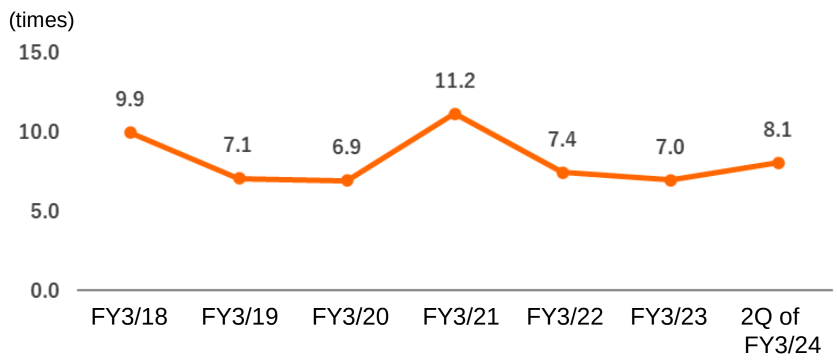
ROE



Cost of equity



PER (forecast basis)



Initiatives toward improvement of corporate value

- Firmly maintain policies on the Medium-Term Management Plan ((1) Grow profit, (2) Improve capital efficiency (3) Maintain financial soundness) and strive to improve ROE
- Further enhance dialogue with stakeholders and information disclosure to reduce capital cost
- Further enhance resilience to changes in market conditions and continue to assess the establishment of business portfolios with potential for sustainable growth

Toward improvement of ROE

■ Improve profitability and capital efficiency

✓ Enhance development through careful land procurement, business cycle and cost management in our mainstay residential property sales

■ Maintain financial soundness and enhance shareholder return

✓ Appropriate leverage control

✓ Stable dividend policy based on payout ratio and DOE criteria

Toward reduction of capital cost

■ Proactive dialogue with stakeholders

✓ Enhance disclosure of strategies and measures toward the medium- to long-term improvement of corporate value

✓ Provide detailed explanation especially on distinctive features of Hoosiers, including the market, advantages, and strategies of regional redevelopment and condominiums for seniors

■ Promote ESG management

✓ Promote climate change measures aligned with the real estate development

✓ Enhance human capital management

✓ Reduce risks through appropriate risk management system

4. 1H of FY3/24 topics

Condominiums under regional redevelopment projects

- All units of "Duo Hills Tawaramoto Ekimae," Tawaramoto Ekinan district, Category 1. urban redevelopment project in Tawaramoto town, Nara, sold out early
- Further focus on redevelopment projects showing steady growth

Duo Hills Tawaramoto Ekimae

■ Property details

- Total units: 80
- Structure and scale: Reinforced concrete structure, 10 stories above ground
- To be completed: late January 2024
- Kintetsu Kashihara line, Tawaramoto, 1-min. walk
  Kintetsu Tawaramoto line, Nishi Tawaramoto, 2-min. walk
- 1 & 2 floor: Commercial facility along with child support facility, etc.

List of regional redevelopment business*
(Partial excerpt)

Name of projects	Prefecture	Delivery
Tawaramoto Ekimae project	Nara	FY3/24
Iwaki Station Namiki Dori project	Fukushima	FY3/25
Hachinohe City project	Aomori	After FY3/26 (TBD)
Kitami City project	Hokkaido	
Mito Ekimae project	Ibaraki	
Fukui Ekimae project	Fukui	
Tokushima City project	Tokushima	
Okayama City project	Okayama	
Sango Ekimae project	Aichi	
Senrioka Station project	Osaka	
Project A	Gifu	
Project B	Shizuoka	
Project C	Hyogo	
Project D	Aomori	
Project E	Tochigi	

*Including development business for excellent buildings, etc.

Condominiums for seniors

- Major features：(1) Ownership, (2) Ample common facilities, (3) Safe and reassuring support

  (24-hour monitoring service by concierge, health consultation*1, etc.)

- Focus on establishment and capturing of the secondary market

Appearance/ common facilities

Duo Scene Omiya

Restaurant

Large bath with artificial hot-spring water

Billiards lounge

Concept

Duo Scene

- ✓Offer comfortable life just like your home
- ✓Have ownership with asset value
- ✓Generous support such as preventive medical care and preventive nursing care

Ownership
Asset value
Freedom in lifestyle

×

Monitoring
Health
Medical care*2
Nursing*3

Concept

Enjoy the life that you dream

Extend healthy life years, and enjoy you own life as long as possible

Differences in the form of ownership*4

	Home	Condominium apartments for seniors	Serviced apartments for seniors	Private nursing home
Form of ownership	Ownership	Ownership	Right of lease	Right to use
Asset value	Yes	Yes	No	No
Freedom in lifestyle	High	High	Medium	Low

*1: Health consultation is handled by day nurse at the condominium *2: In collaboration with nearby cooperating medical institutions *3: Have a nursing office within the building where consultation with home care workers and care managers is available (a separate agreement is required to use services) *4:This chart is prepared based on the standard operation. Conditions of private nursing homes and serviced apartments for seniors vary depending on each facility.

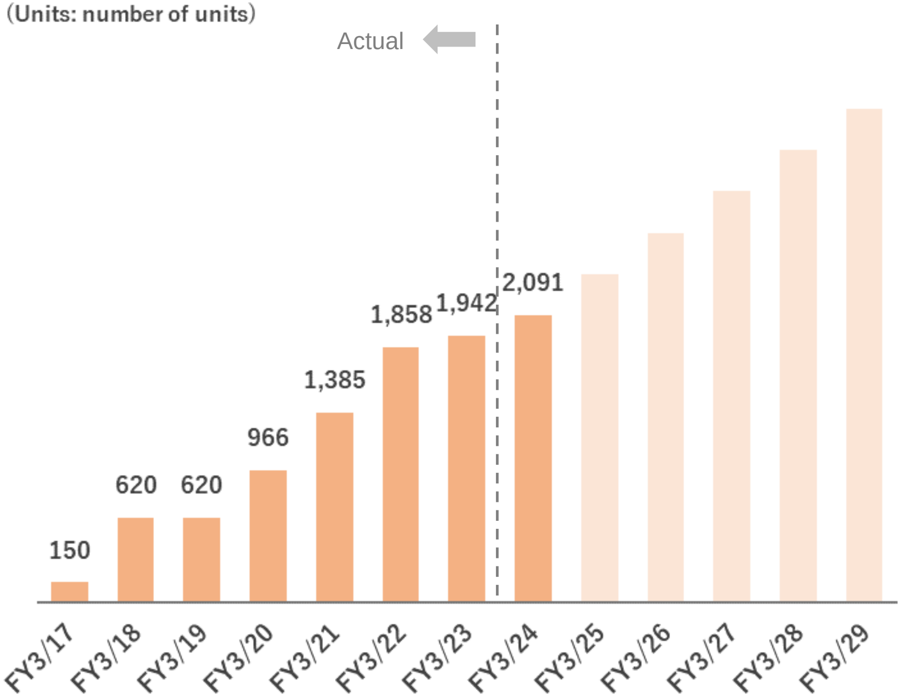
Condominiums for seniors

- All units of DUO SCENE Egota-no-Mori Park were delivered. Sales of DUO SCENE Yokohama Kawawa-cho Garden is making good progress, and the business cycle optimization progressed.
- The number of units under management is expected to increase to 2,091 units by the end of FY3/24

DUO SCENE Egota-no-Mori Park
（Nerima-ku, Tokyo, 84 units）

DUO SCENE Yokohama Kawawa-cho Garden
（Yokohama City, Kanagawa,149 units)

No. of units under operation



Real Estate Investment

- **Enhanced development of new residence for lease** (four out of six properties sold in 1H were new residence for lease)

  ⇒Aim to differentiate from competitors by pursuing manufacturing where there are needs but no supply (room layouts, span, equipment specifications, etc.)

  ⇒Duo Flats Itabashi Honcho, featured with renovated interior design such as tiled kitchen, is completed and entering started

Property sold in 1H（Partial excerpt）

Duo Flats Ueno Matsugaya（Taito-ku, Tokyo, 39 units）

Duo Flats Iidabashi EAST/WEST (Bunkyo-ku, Tokyo, 34 units)

Duo Flats Itabashi Honcho

Duo Flats Itabashi Honcho (Itabashi-ku, Tokyo, 26 units)
* To be sold in FY3/24

Living room (direct ceiling, oversized sash)

Kitchen (tiled)

Good Design Award

● The Group received the award for five consecutive years

● Duo Resta Matsudo Tokiwadaira “Renovated spacious complex housing with a total area of 87m^2/91m^2”

Renovation of common facilities

✓Contributing to creating local community by transforming into a pocket park in the leafy town

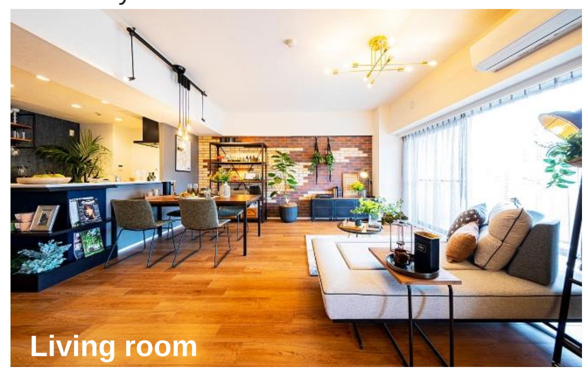

Before


After

Unique room layout

✓Recommend spacious room with unique layouts that are not available in recent new condominiums to families with small children

■“Doma” plan｜“Doma” space that can also be used as a storeroom or hobby room


Living room


Doma

■Big laundry plan｜Bathroom with a laundry countertop


Living room


Laundry countertop

5. Sustainability

Sustainability

- Duo Flats Kawaguchi Namiki acquired “DBJ Green Building Certification (3 stars)”
- Endorsed TCFD and disclosed GHG emission (Scope 1 - 3) and reduction targets (Scope 1 - 2)
- GRESB: Acquired “1 Star and Green Star” for two consecutive years*

GRESB ★☆☆☆☆ 2023

Duo Flats Kawaguchi Namiki

Major evaluation points

1.Energy/resource saving
・Shift to LED lighting
・Adopt water-saving devices, etc.

2.Convenience/comfortableness
・Secure EV charging space
・Install Wi-Fi in common areas, etc.

3.Diversity/partnership
・Offer announcements and signs in English

DBJ Green Building 2023

Reduction targets and actual emission of GHG emissions

TCFD TASK FORCE ON CLIMATE-RELATED FINANCIAL DISCLOSURES

■Reduction targets (Scope 1+2)

・Compared to FY2022 (FY3/23):

Reduce 50% by FY2030 and achieve net zero by FY2050

■GHG emissions (Scope 1 through 3) in FY3/23

Unit : t-CO_2			FY3/22	FY3/23
Scope 1		Direct emissions of greenhouse gases from the business operator	3,485	3,457
Scope 2		Indirect emissions of greenhouse gases resulting from the use of electricity, heat and steam supplied by other companies	5,245	5,786
Scope 3		Indirect emissions other than Scope 1 and 2	-	352,664
	Category 1	Purchased goods and services	-	184,532
	Category 2	Capital goods	-	504
	Category 3	Fuel- and energy-related activities that are not included in Scope 1 and 2	-	1,490
	Category 4	Upstream transportation and distribution	-	-
	Category 5	Waste generated in operations	-	659
	Category 6	Business travel	-	620
	Category 7	Employee commuting	-	105
	Category 8	Upstream leased assets	-	1,780
	Category 9	Downstream transportation and distribution	-	-
	Category 10	Processing of sold products	-	-
	Category 11	Use of sold products	-	158,226
	Category 12	End-of-life treatment of sold products	-	1,276
	Category 13	Downstream leased assets	-	-
	Category 14	Franchises	-	-
	Category 15	Investments	-	-
	-	Other	-	3,472
Total (Scope 1, 2 and 3)			8,731	361,907

*Hoosiers Corporation, non-consolidated

Contact us:

■ IR inquiries ■

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