Q&A at Earnings Conference for Analysts/Institutional Investors (Summary)
at Announcement of Financial Results for FY2024
(For the fiscal year from April 1, 2024 to March 31, 2025)

Date & time: From 4:00 p.m. to 5:00 p.m., Tuesday, May 13, 2025
Presenters:
Takeshi Kosokabe, Executive Vice President, CFO
Eiichi Shibata, Managing Executive Officer, Head of Management Strategy Planning Headquarters
Yuji Yamada, Managing Executive Officer, in charge of Finance and IR
Saori Seki, General Manager, IR Department

【Q1】
Looking at your forecast for the sale of development properties, is there any possibility of an additional upward tick in sales during the fiscal year? Also, please indicate your planned timing for the sale of properties for which transactions are near execution.
(Reference) Financial Highlights
P.21 “Sale of Development Properties: Results and Forecasts”

【A】
-We have a list of properties for sales but it is not the case that we have finalized buyers for all of them. For some properties, we have yet to enter negotiations.
-Looking at past fiscal years, there is a trend of performance for the sale of development properties ticking upward due to the sale of properties not reflected in forecasts and sales for amounts that exceeded expectations. However, as it concerns our forecast for this fiscal year, at this point we will refrain from any explicit statements on the possibility of higher-than-expected sales.
-The sale of development properties tends to be concentrated towards the first half of the year. While this fiscal year may not be on par with previous fiscal year, we do anticipate realizing a certain level of sales during the first quarter.

【Q2】
Please indicate your outlook for gross margin ratio for the FY2025.

【A】
-During FY2024, performance varied depending on the segment but we achieved our target gross margin ratio.

-Regarding our forecast for FY2025, with Commercial Facilities Business, it is taking some time for tenant rents to be raised. However, conditions are favorable for Single-Family Houses Business, for which we implemented price revisions, Rental Housing Business, for which orders received have been firm, and Logistics, Business & Corporate Facilities Business, including performance at Fujita. In light of these conditions, we are projecting a 0.9pt improvement overall (excluding the impact of the sale of development properties and actuarial differences). We have entered a position cycle in which projects ordered under favorable conditions are contributing to performance.
-With material expenses, we are seeing both increases and decreases in costs depending on the material but, overall, costs remain at high levels. As for labor costs, there are concerns of personnel shortages so we are monitoring market conditions.

【Q3】
The debt-equity ratio at the end of March 2025 was 0.8 times. For FY2025, considering your forecast for a year-on-year decline in the sale of development properties and a roughly ¥100 billion increase in capital investments, there seems to be concern that the debt-equity ratio will rise higher. With that in mind, what is your outlook for FY2025? Also, please discuss the state of evaluations concerning share buybacks.
(Reference) Financial Highlights
P.17 “Consolidated Balance Sheets (3) Liabilities and Net Assets”
P.21 “Sale of Development Properties: Results and Forecasts”
P.42 “Capital Investments”

【A】
-This fiscal year, net sales from the sale of development properties will decrease but we will limit increases in interest-bear debt through measures such as moving forward with sales of real estate for sale, which has increased by roughly ¥990 billion since FY2022, when we launched the Medium-Term Management Plan. We believe this will enable us to maintain debt-equity ratio levels. The increase in the real estate for sale is the result of having secured favorable housing lots for sale in Japan and overseas, as well as due to the built-for-sale business, which has seen growth on favorable performance in recent years in Rental Housing and Commercial Facilities.
-Staying focused on achieving an ROE of 13%, the target outlined for the final year of the Medium-Term Management Plan, we will evaluate increasing shareholder returns, including the possibility of share buybacks.

【Q4】

Compared to a typical year, your company recorded various losses in FY2024, including project construction losses, a provision for valuation losses, and impairment losses on held facilities. Please discuss the reasons for these losses and the possibility of future risks.

(Reference) Summary of Financial Results

P.25 "b. Information regarding impairment loss on noncurrent assets, by reportable business segment"

【A】

-In FY2024, we recorded the provision in light of conditions where costs exceeded assumptions on a large-scale construction project for the Rental Housing Business in Europe. With the Condominiums Business, we recorded a provision mainly to address projects in China in light of real estate market conditions and the status of sales. These decisions reflect special factors for each project. We have no plans to record additional provisions and we intend to reduce the occurrence of such losses in the future.

【Q5】

On the subject of Single-Family Houses in the US, please indicate the most recent status for orders received and explain why in the FY2025 forecast you expect income to decline.

(Reference) Financial Highlights

P.29 "Single-Family Houses Business (2) Overseas Business"

【A】

-While results vary depending on the area, orders received are currently at +5% YoY for the month of April. This is despite some customers taking a position of waiting to see how the market develops due to various factors, including housing loan interest rates remaining high and a lack of transparency concerning government policy. During the first half of April, there were customers waiting to evaluate trends with the Trump administration but the number of units sold grew during the fourth week of the month and is growing in line with full-year forecasts for orders received.

-This fiscal year our forecast is for decreased income but this is impacted by the fact that the conversion rate for the previous fiscal year was ¥151.44 relative to a forecast rate of ¥140 for this fiscal year. As such, based on local currency, our forecast calls for increased net sales and income.

【Q6】

FY2024 SG&A expenses excluding the impact of actuarial differences increased by ¥54.8 billion YoY and FY2025 forecasts outline a ¥36.5 billion YoY increase from FY2024. Can you provide a breakdown of both the actual and forecast increases in expenses?

【A】

-The breakdown for the ¥54.8 billion YoY increase is as outlined on P12 but the biggest factor is personnel costs (+¥26.4 billion).

-As a breakdown of the forecast 36.5 billion increase, again the majority is attributable to personnel costs. Daiwa House (nonconsolidated) implemented an annual wage increase of roughly 10%, so this forecast reflects the impact of that increase.

(Reference) Financial Highlights

P.12 “Summary of Profits (3)”

【Q7】

Your forecast for the Single-Family Houses Business in Japan calls for improved income. Please discuss the background behind this.

(Reference) Financial Highlights

P.28 “Single-Family Houses Business (1)”

【A】

-Looking at custom-built houses, we increased sales of Smart Selection (SS) and Smart Design (SD), which are the result of reforms to how we sell homes. We are planning to increase the number of custom-built house units, which has a higher gross margin ratio than built-for-sale houses, which we project will increase the gross margin ratio.

-For built-for-sale houses, we will aim to improve the operating margin by controlling designs and sales costs while increasing the number of units sold.

【Q8】

For the Single-Family Houses Business in the US, what is the current status of incentives and what are your thoughts on margin ratio?

(Reference) Financial Highlights

P.29 “Single-Family Houses Business (2) Overseas Business”

【A】

-This fiscal year, we assumed measures such as incentives to partially reduce housing loan interest would be necessary based on the assumption that housing loan interest rates would remain high. In the Eastern and Western regions, conditions are on par with assumptions. On the other hand, Texas, which

is in the Southern region of the country, has been highly sensitive to interest rates so we are aggressively adding incentives. As such, we are carefully watching trends in our margin ratio.
-As for the profitability of orders received, based on the status of orders received for January through April, we do not believe there has been any significant deviation from forecasts.

【Q9】

Please discuss your thoughts on net sales projections for construction and built-for-sale in the Rental Housing, Commercial Facilities, and Logistics, Business & Corporate Facilities businesses in FY2025.
(Reference) Financial Highlights
P.31 “Rental Housing Business (2) Forecasts”
P.36 “Commercial Facilities Business (2) Forecasts”
P.38 “Logistics, Business & Corporate Facilities Business (2) Forecasts”

【A】

-For the previous fiscal year, forecasts were initially conservative due in part to the issue of restrictions on work hours. For FY2025, we are forecasting increased net sales for all three businesses. We have set aggressive target figures but we will pour every effort into achieving targets.

【Q10】

The performance forecast for this fiscal year indicates that non-operating revenues and expenses combined will be down roughly ¥10 billion YoY. Please discuss the background behind this decrease.
(Reference) Financial Highlights
P.22 “Business Performance Forecasts for FY2025 (1)”

【A】

-This fiscal year, we are projecting an increase of roughly ¥10 billion yen interest paid.

【Q11】

Within the Commercial Facilities Business, please discuss the urban hotel business. Excluding the impact of the one urban hotel sold that was indicated in the financial highlights, how do you expect performance to trend from year to year?
(Reference) Financial Highlights
P.35-36 “Commercial Facilities Business”

【A】

-For the urban hotel business, the previous fiscal year's net sales of ¥97.7 billion and operating income of ¥15.9 billion included the sale of one hotel. Excluding that impact, we are forecasting increased net sales and income for the current fiscal year.
-The FY2024 occupancy rate for Daiwa Roynet Hotels in Japan was 88.5% and the ADR was ¥13,196. The most recent occupancy rates and ADR from April have been incredibly high, exceeding those figures. As such, we anticipate being able to look forward to the urban hotel business outperforming forecasts.

【Q12】

Looking at business-specific orders received for Daiwa House on a nonconsolidated basis, please discuss factors behind the YoY change for Commercial Facilities Business and Logistics, Business & Corporate Facilities Business and indicate favorable asset types.
(Reference) Financial Highlights
P.41 "Orders Received by Business Segment (Non-consolidated)"

【A】

-In the Commercial Facilities Business, orders received were strong for hotels and nursing care facilities.
-The Logistics, Business & Corporate Facilities Business was impacted by the soaring construction costs but we continue to receive inquiries for logistics facilities and BIZ Livness, for which we purchase, renovate and then resell factories and other facilities, also recorded favorable performance. Please note that the amount of orders received for the Logistics, Business & Corporate Facilities Business decrease YoY due to the decision to prioritize orders received with a focus on profitability.

【Q13】

You are forecasting a 1.4pt YoY improvement in the gross margin ratio for construction and built-for-sale in the Logistics, Business & Corporate Facilities Business. Please discuss the reasons for improvement and trends in profitability at the time of construction orders received.
(Reference) Financial Highlights
P.38 "Logistics, Business & Corporate Facilities Business (2) Forecasts"

【A】

-Daiwa House is also projected to record improvements but we are forecasting a particular improvement in the margin ratio for Fujita construction projects thanks to a strong market for orders received.

-Looking at profitability at the time of orders received, FY2024 performance improved compared to FY2023, and we expect that this improvement in profitability in the previous fiscal year will contribute to the gross margin in this fiscal year as well.

【Q14】

Among real estate available for sale, there is ¥286.7 billion in operation under the category of logistics, business, and corporate facilities. Looking at the market, Tokyo Metro area logistics facilities are seeing rising vacancy rates. Can you provide an update on the current status of leasing in preparation for the sale of properties?

(Reference) Financial Highlights

P.18 “Breakdown of Investment Real Estate (1)”

【A】

-The market environment saw an increase in the supply volume for logistics facilities in recent years, creating a situation where leasing is now more difficult than in the past. However, currently performance is improving. In terms of achieving our sales plans, we do not view the current state of leasing as being unfavorable.

【Q15】

Please indicate your foreign currency sensitivity relative to the US dollar in FY2025.

【A】

-Current sensitivity is ¥1 equates to roughly ¥0.4 billion in operating income.

End