**Q&A at IR Teleconference for Analysts/Institutional Investors (Summary)**
**at Announcement of Financial Results for FY2023 3Q**
**(For the fiscal year from April 1, 2023 to December 31, 2023)**

**Date & time: From 16:00 to 17:00, Friday, February 9, 2024**
**Presenters: Takeshi Kosokabe, Executive Vice President, CFO**
**Yuji Yamada, Managing Executive Officer and General Manager of Finance and IR Departments**

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【Opening remarks by Takeshi Kosokabe, Executive Vice President, CFO】

Thank you for taking the time to join us here today.
I want to begin by offering my deepest condolences for the people who lost their lives and sympathies to those affected by the Noto Peninsula Earthquake that occurred on January 1.
While we had no employees, offices, or plant facilities incur major damage from the earthquake, on January 2, we established a Disaster Response HQ through which we confirmed the status of damages incurred by our business partners, vendors, and customers. We are also engaged in the construction of emergency temporary housing as we work towards reconstruction and restoring the daily lives of everyone in the affected regions.

Next, I would like to provide further explanation on the issuance of convertible bonds (CB) announced on January 11. Our Company issued CB and conducted an equity buyback as part of our strategic capital policies for enabling aggressive investments in real estate development to promote future growth and to ensure the steady implementation of the 7th Medium-Term Management Plan. In an uncertain capital procurement environment, acquiring capital through zero-coupon bonds enables us to minimize cash-based interest costs. At the same time, conducting 80 billion yen in equity buybacks works to improve capital efficiency metrics such as ROE and EPS.
To address the latent potential of dilution, we added two conditions to these CB. The first is a conversion restriction clause that controls the possibility of conversion until three months prior to redemption. Conversion is not allowed if stock price does not exceed 150% of the conversion price from issue date to one year prior to redemption date, and 130% of the conversion price from one year prior to redemption date to three months prior to redemption date.
The second is a net-share settlement clause. This is an optional right that the Company holds. If exercised, the value of the CB is issued in cash up to the face value, with any portion exceeding face value to be issued as stock. This enables us to control dilution against conversion immediately prior to maturity. Through this product design, during the period of the 7th Medium-Term Management Plan,

conversion will be constrained significantly by the 150% trigger of the conversion restriction clause. From that point up to immediately prior to maturity, we are able to make a decision to exercise the net-share settlement clause based on an assessment of policies outlined for the next medium-term management plan and our financial status.
CB payments were completed on January 29. Procured capital will be applied towards the 80 billion yen in equity buybacks conducted on January 12 and the 120 billion yen in real estate development investments we will conduct as future growth investments. We will continue implementing initiatives towards achieving the ROE and D/E ratio outlined as targets for the final year of the 7th Medium-Term Management Plan. Furthermore, as reference, an accounting overview related to the CB is provided on P.40-43 of the Financial Highlights.

【Q1】
Please discuss the gross profit ratio for Construction and if you have implemented any initiatives to promote improvement.
(Reference) Financial Highlights
P.21-22 “Business Segment Forecasts for FY2023”
P.25 “Rental Housing Business (1) Results”
P.30 “Commercial Facilities Business (1) Results”
P.32 “Logistics, Business & Corporate Facilities Business (1) Results”

【A】
-In the Rental Housing Business, the gross profit ratio improved as the market accepted price revisions to reflect rising costs.
-In the Commercial Facilities Business and the Logistics, Business & Corporate Facilities Business, this has declined since 2Q. We have included sliding clauses in contracts as a side-note that allow us to change construction rates with inflation but negotiations have proved difficult for certain projects. For those projects, we remain steadfast and continue to negotiate. For commercial facilities, we are making a point to be involved in rent negotiations with tenants at the time contract conclusion, so we expect improvements from next fiscal year.
-In addition, as one of the core theme of the 7th Medium-Term Management Plan, we are also continuing with Group centralized purchasing. Also, from April, we are planning to start reevaluating our internal management structure with the goal of improving the profit structure of Group companies.
-Looking at the Company’s overall rate of progress relative to full-year plans, our view is that sales and profit are both progressing favorably. Overseas business, in particular, had a better-than-expected 3Q so we revised profit forecasts upward by 8 billion yen to 28 billion yen. However, we decided not to revise forecasts for the company overall in light of the status of our gross profit ratio.

【Q2】

Please indicate your forecasts for development property sales this year as well as your thoughts on next fiscal year.

(Reference) Financial Highlights

P.13 “Consolidated Balance Sheets (2) Assets”

P.15 “Breakdown of Investment Real Estate (1)”

【A】

-Our full-year target for income from sales of development properties is 87.3 billion yen and all the properties necessary to achieve this target are ready. We are engaged in negotiations regarding the delivery timing for certain properties so there is a possibility that several billion yen could be shifted to next fiscal year. However, our view is that we will sufficiently be able to achieve the overall full-year forecast.

-As for development property sales for next fiscal year, we have accumulated rented real estate available for sale so we expect being able to conduct sales on par with this fiscal year. However, we will evaluate overall balance before announcing plans in May.

-The balance of investment real estate has not increased significantly but real estate for sale indicated under inventory assets on P.13 increased by approximately 300 billion yen since the end of March 2023 to 2.3 trillion yen. For example, single-family houses increased with the expansion of the built-for-sale business in Japan and progress with land acquisitions associated in overseas business. A factor driving increases in rental housing and commercial facilities is that we are focusing on the built-for-sale business, which have a faster turnover than development properties. Built-for-sale business of low-rise rental housing and commercial facilities such as drug stores and offices have been incredibly favorable. We are pursuing projects in real estate development that include land and have a high turnover, and feel that you can look forward to the results of these initiatives.

【Q3】

You did not change overall full-year forecasts but there was a change to the breakdown of domestic and overseas figures for the Single-Family Houses and Condominiums segments. Please discuss the status of each segment and indicate your future outlook for the market.

(Reference) Financial Highlights

P.21-22 “Business Segment Forecasts for FY2023”

P.23-24 “Single-Family Houses Business”

P.28-29 “Condominiums Business”

【A】

-Regarding domestic single-family houses, we do expect to see a certain level of contracts and deliveries for built-for-sale houses over the remaining three months as we engage in efforts to strengthen the built-for-sale business. However, we have taken a conservative stance in light of the current state of the domestic market.

-As for single-family houses in the US, orders received this fiscal year are up by roughly 30% and deliveries are up by around 10% compared to last fiscal year. Current orders received based on figures from January 2024 highlights were 556 units (up 6% YoY), which exceeds targets. A service for taking on a portion of the customer's loan interest burden was a factor that drove down the cost-of-sales ratio but this is on a downward trend and we expect being able to improve the profit ratio moving forward.

-As for overseas condominiums, this term we completed the delivery of all units for products in Changzhou and Nantong in China. After completing construction payments to the contractor, overall costs were below budgets. There was also an unexpected tax reimbursement, which resulted in profits that exceeded plans.

-The forecasts for domestic condominiums are conservative as a hedge.

【Q4】

In February, you are planning to transfer your equity in Cosmos Initia and remove the company from the scope of consolidation. Please indicate your earnings outlook for the Condominiums Business next fiscal year and beyond.

(Reference) Financial Highlights

P.28-29 "Condominiums Business"

【A】

-For Cosmos Initia, we are planning to complete the equity transfer in February, and expect to absorb full-year earnings or losses during the current fiscal year. We plan to remove the company from our B/S at the end of the current fiscal year, with any earnings or losses from the company next fiscal year or beyond to be treated as equity in earnings (losses) of affiliates.

【Q5】

You indicate that allocation of the 200 billion yen procured through the CB announced in January will entail equity buybacks of 80 billion yen and apply 120 billion yen towards real estate development. Can you indicate in which segments you are considering investing?

(Reference) Financial Highlights

P.4 "Topics"

【A】

-Over the five years of the 7th Medium-Term Management Plan, we plan to invest 2.2 trillion yen in real estate development and increase overseas inventories by 400 billion yen while promoting investment and payback. Logistics facilities in Japan and single-family housing sites in the US will be the main areas of investment.

【Q6】

Please share any comments you have concerning profit increase factors for next fiscal year and issuing CB to achieve the Medium-Term Management Plan.

【A】

-One profit increase factor is our US housing business. We think we can record further profits if interest rates drop. In Japan, the Rental Housing Business has been strong due to an increase in the built-for-sale business as well as the rental housing management business, which is seeing an upward trend in profitability. We also think market conditions next fiscal year will be fair for businesses related to condominiums, commercial facilities, and logistics, business & corporate facilities.

-We will engage in aggressive real estate development investments towards achieving the target of 500 billion yen in operating income set for the final year of the 7th Medium-Term Management Plan, and the possibility of achieving the target has increased.

【Q7】

Do you plan to actively acquire local builders in the future to grow your US housing business?

【A】

-The current Medium-Term Management Plan outlines no assumptions for M&A. With the housing business in the United States, our policy is to evaluate M&A opportunities in areas where the housing market is expected to grow in the future with the three US companies taking the lead.

【Q8】

Please tell us about your collaboration with the three US companies, the progress of technology transplantation, and your future plans.

(Reference) Financial Highlights

P.24 “Single-Family Houses Business (2) Overseas Business”

【A】

-With the US Single-Family Houses Business, rather than simply increasing profits through M&A, President Yoshii and the head of business division regularly engage in discussions with the management teams of the three US companies about shortening construction period and the transition to off-site. Stanley Martin Holdings, LLC. has shortened construction period and improved costs by collaborating with external partner companies and advancing off-site construction. We hope to continue expanding the scale of off-site operations in the future. Also, Stanley Martin is taking the lead in ramping up initiatives towards centralized purchasing among the three US single-family housing companies.

【Q9】

There is talk that major cloud service companies are actively investing in data centers in Japan. Do you think competition for land acquisition will intensify? Or, do you think that increasing tenant demand will serve as a tailwind?

【A】

-Competition for land acquisition for domestic logistics facilities and commercial facilities is expected to intensify, especially with the number of large land for sale on the decline.

-However, for our data center development projects in places such as DPDC Inzai Park in Chiba and in West Tokyo, this was land originally purchased for logistics facilities and industrial parks. We still own multiple pieces of land that could be suitable for data centers, so this environment could create good opportunities.

【Q10】

Please tell us how you are considering share buybacks and shareholder returns for the next fiscal year and beyond.

【A】

-Regarding shareholder returns, we will make the best choice at each time, while also keeping in mind ROE and D/E ratios.

【Q11】

What is the outlook for the sale of logistics facilities in the next fiscal year and beyond?

【A】

-Due to growing supply of logistics facilities nationwide, it is taking a little longer to reach full capacity compared to in the past. However, we still have several logistics facilities with high occupancy rates, so we believe we can continue with property sales next fiscal year and beyond.

【Q12】

Please indicate leasing conditions and rent trends for logistics facilities. Also, please discuss the factors behind the decline in the NOI yield of real estate available for sale and your outlook for future improvement.

(Reference) Financial Highlights

P.16 “Breakdown of Investment Real Estate (2) NOI yield”

【A】

-Looking at trends in supply volume for the logistics market, supply volume three or four years ago was 4.5 to 5 million square meters per year, so our logistics facilities were operating at near full capacity at the point of construction completion. However, the supply in 2023 is approximately 7.6 million square meters. While this is not distinctive to our company, it is taking roughly a year to reach full capacity compared to in the past.

-As for our future outlook, the logistics facility market supply in 2024 is expected to be around 6.3 million square meters, and we expect supply levels to return to past levels over the next three to four years. As such, we think the leasing environment will improve.

-The decline in NOI yield was due to the high yield of the properties sold.

-There were no major changes in rent levels.

【Q13】

Please discuss the current state of actuarial differences related to retirement benefits.

【A】

-As of the end of December, this was approximately 16.9 billion yen in investment valuation gains.

【Q14】

The occupancy rate for rental housing is 95.2%, down 1.1 ppt from the same period last year, what were the reasons?

(Reference) Financial Highlights

P.27 “Rental Housing Business (3)”

【A】

-Considering the timing of tenant turnover, we do not view this as low. Additionally, the average rent unit price improved by 1.7%. While maintaining an awareness of occupancy rates, we are also working to raise rents appropriately. We have been successful in this area, resulting in improvements to the profit margin for the Rental Housing Business.

End