

Daiwa House Industry Co., Ltd.

Q&A Session at Presentation on Management Policies (Summary)

Date and time: From 4:00 p.m. to 5:00 p.m., Monday, November 17, 2025

Speakers: Keiichi Yoshii, Chairman and CEO

Hirotsugu Otomo, President and COO

Takeshi Kosokabe, Executive Vice President, CFO

Yuji Yamada, Managing Executive Officer

【Q1】

What is your ROE target? The current medium-term plan has set a financial target of 13% ROE for the final year, but is that achievable? Furthermore, looking ahead to the next medium-term plan, what key policies will you focus on, and what ROE level are you aiming for?

【A】

- Though the 7th Medium-Term Management Plan was to run for five years, it will be terminated a year ahead of schedule, at the end of the fiscal year to March 2026, its fourth year. We intend to announce our next Medium-Term Management Plan, the 8th, after May 2026.
- We are on course to meet the 7th Plan's final-year, ¥500 billion operating-income target a year ahead of schedule. While maintaining awareness of our ROE goals, we believe we should give priority to focusing on sales and profit growth and use the cash for shoring up finances to ensure dividends and invest in growth opportunities.
- We are now working out the keynote policies of our next medium-term management plan, including ROE, the D/E ratio, and other financial targets.

【Q2】

What is your stance on the current level of Daiwa House Industry's share price?

【A】

- In the year ended March 2025, our operating income excluding the impact of actuarial differences in retirement benefits was the highest on record, yet despite earnings forecasts for this year exceeding them, our share price fell after the second-quarter results announcement. While numerous factors influence share prices, we are not satisfied with the current level and will remain committed to improving our share price going forward.

- We believe that share buybacks could be an option if the share price falls below a certain level and is considered undervalued.

【Q3】

Bearing in mind what you hope to achieve during the run of the next medium-term management plan, what business areas do you see as driving profit growth going forward?

【A】

- Our domestic businesses accounted for more than 80% of sales in the year ended March 2025. Thus, the ups and downs of the market notwithstanding, fundamentally increasing individual segments' profit margin is what will drive profit growth. In particular, Rental Housing Business's profit margin is improving; but at Commercial Facilities Business, profit-margin recovery, while on the way, is still incomplete. Here, sluggish real personal consumption and soaring labor costs are weighing heavy on our attempts to raise rents.

- In our Logistics, Business & Corporate Facilities Business, we aim to operate more of the logistics facilities we develop rather than selling them immediately, retaining them for a certain period as a recurring-revenue asset to build a stronger track record of operations. Although this may impact ROE somewhat, stable growth in recurring-revenue assets will work to allay employee fears about future job security. Further, in the data-center business, a growth area, we are currently focusing on the contract business and are working to increase their profitability.

- In our overseas businesses, we believe that growth at our three US housing subsidiaries and profitability improvement at our Australian housing subsidiary will contribute to profits going forward.

【Q4】

Describe for us your strategy for the data-center business. I think it would help us get a deeper understanding if you could explain your vision in a way that would give us an overall sense of how you want to develop the business, such as shifting from a contract-based to an own-development model and siting locations you're considering.

【A】

- Due to the nature of data centers as an asset class, confidentiality agreements limit what we can say about specific projects; in general, though, we can tell you that we want to raise the qualitative level of our technical expertise by accumulating know-how for installing the needed equipment, which is important for data center development, and addressing key issues like power supply for remotely located data centers. We have initiated the process of acquiring Sumitomo Densetsu via TOB and, if we are able to turn it into wholly-owned subsidiary, we expect the thus-won synergies to substantially bolster our technological capabilities.

【Q5】

You revised up your earnings guidance for the current fiscal year, but the bump in earnings was mainly due to a large-scale land sale at a US subsidiary; so we are concerned that this could lead to a decline in profits in next fiscal year. Are you really going to be able to achieve the ¥500 billion operating-income target originally envisioned for the final year of your 7th Plan, and then continue to build on top of it moving forward?

(Reference) Presentation on Management Policies:

P.3 “The Progress of the 7th Medium-Term Management Plan”

【A】

- In light of the contribution from large-scale land sales to this year's results, we have reviewed the real estate sales schedule for each segments, including the sale of a rental-housing development property in the US and the timing of Fujita's real estate sales. We have also decelerated sales of logistics facility we have built to allow ourselves to further strengthen our track record. In this way,

we want to use the current fiscal year as a sort of landing on the way up the stairs to sustainable growth and achieving our ¥500 billion operating-income target for the next fiscal year, and setting the stage for building on top of it moving forward.

【Q6】

In the chairman's explanation, he talked about prioritizing growth investment with a view to achieving the founder's dream of ¥10 trillion in sales by Daiwa House's centennial. The markets, though, are concerned that performance will suffer as investment is given precedence in the short term. To assuage this fear, fill us in on your long-term vision for profits beyond the next medium-term plan.

【A】

- Of course, sales are not the only thing we are thinking about: operating income margins and management efficiency are also at the front of our mind. It is worth noting here that Sumitomo Densetsu enjoys high margins, and we believe we will be acquiring much valuable new expertise from it post-acquisition.

【Q7】

Daiwa House Group is seeing orders increase steadily at its single-family houses business in the US despite a softening market there. Could you tell us why orders are so robust?

(Reference) Presentation on Management Policies:

P.8 "Progress and Expansion Strategy of U.S. Single-Family Houses Business"

【A】

- When we were acquiring our three US house-maker subsidiaries, we thoroughly examined their inventories of procured land and the growth potential of the geographic areas they serve. We were also very, perhaps most, careful about ensuring that they would be a good fit with our corporate culture, things like how much they valued their customers over the long term and whether the benefits of their growth fed through to their employees. At the time, Stanley Martin's CEO, Alloy, reviewed customer

surveys and sometimes called customers directly when their evaluations were bad. This mindset is apparent at all three. In addition, the three learn from one another and inspire each other to do better, like by improving profit margins. We share with their management teams a desire to bolster fiscal performance, not mainly through M&A to boost earnings, but by continuing to grow, which they have done since joining the Group. I consider this to be a factor that will help drive our sustainable growth moving forward.

- Shifting the conversation to market conditions: When interest rates are falling, first-time buyers often hold back on buying to see if they will come down any further. Thus, sales conditions are challenging. Meanwhile, high-end buyers—such as those acquiring a third or fourth property in places like California and Washington—along with customers who have funds from selling their previous homes, are supporting the market, as their mortgages usually account for a lower proportion of the prices they pay.

【Q8】

The announcement of your tender for Sumitomo Densetsu, gave me the feeling that, in addition to your overseas businesses, your Logistics, Business & Corporate Facilities Business could also become a growth driver. How do you view this?

(Reference)

“Notice Regarding Commencement of the Tender Offer for Shares of Sumitomo Densetsu Co., Ltd.”

Presentation on Management Policies:

P.7 “How the Group Grows through M&A”

P.8 “Progress and Expansion Strategy of U.S. Single-Family Houses Business”

【A】

- If the company becomes a wholly-owned subsidiary, what we do to be able to grow together will be key. Rather than simply having the company take over our facilities’ construction, we will hold meetings between engineers as we did when Fujita joined the Group and we will work out how to create synergies spanning the Housing Solutions Headquarters, Business Solutions Headquarters, and Management Strategy Division among others. Further, the company has a long track record in

Southeast Asia, so there is a possibility that we will consider expanding our overseas businesses together. But these ideas will come under consideration after the TOB concludes.

- In these circumstances, I believe that Business Solutions Headquarters, including Logistics, Business & Corporate Facilities Business, will play a part in driving growth.

【Q9】

The Company previously claimed that it could balance the ups and downs of the US markets for single-family and multiple-family housing by making Alliance Residential Company an equity-method subsidiary. Is this attempt to spread risk working?

【A】

- We are looking into the possibilities of minority-investor involvement in Alliance's projects as long as rental-housing sales in the US remain weak.

- One of our housing subsidiaries in the US is also weighing investments in Alliance's projects. In addition, we recently completed our first large-scale logistics facility in the US, and we see plenty of room for expanding such the area of Business Solutions Headquarters to our housing subsidiaries. From various perspectives, we have set portfolio diversification in motion to "create a mini Daiwa House."

【Q10】

Most recently, it was announced that CastleRock would acquire WrEn's single-family housing business. Meanwhile, given the huge size of your tender offer for Sumitomo Densetsu, will you be throttling your M&A activity in the short term?

【A】

- We believe the opportunities and risks of M&A are different from those of real estate investment. We will take care not to overstretch ourselves financially, but we also do not want to miss opportunities, for example ones found by subsidiaries in the midst of a growth phase.

【Q11】

Operating cash flow is increasing, but so are shareholder returns and growth investments. This raises concerns about the efficiency of investment returns from an ROE perspective. Tell us how you intend to address this in the next medium-term management plan with respect to planned and actual investment returns. Also, in the capital allocation of the next plan, will you be giving investment precedence over shareholder returns if a good deal appears?

【A】

- Policies to be worked into our next medium-term plan are still being formulated, but with regard to your comment, I understand and appreciate what you are saying. Raising profit margins is indeed critical, and we want to further capitalize on the scale advantages that ¥5 trillion in sales offers us. In addition, we intend to staunchly maintain dividends to benefit shareholders.

【Q12】

What is the background to your policy of hiring fewer new recruits? Also, please tell us what you would like to convey to the talent you plan to hire in the future, as well as to your current employees.

【A】

- The situation that led to our hiring fewer new hires is that we have been able to secure sufficient human capital thanks to better efficiency in our organizational structure and an expansion of our program for allowing senior (older-aged) human capital to continue as active participants in the workforce.

- What I want to convey to current employees is that I don't want them to be rut-stuck conformists who won't think for themselves, take initiative, or look outside the box. Drawing on your personal strengths and aptitudes, and turning the lessons from blunders and mistakes into successes, lead to employee's personal growth and ultimately to that of the Company. The Group will continue to create fields where employees can blossom, and I hope they will demonstrate their strengths in them.

【President and COO Hirotsugu Otomo's closing message】

- Thank you very much for joining us today.
- We are now in the process of formulating our next medium-term plan. We want to message the Group's sustainable growth potential as a whole, while keeping in mind the element for developing it: the balance between growing sales and improving profit margins, ROE, D/E ratio, and capital allocation.
- We plan to reach ¥1 trillion in sales this fiscal year at our overseas businesses, and they will continue to be a driver of growth. In our domestic business, we see considerable room for growth, from construction and sales to development and general contracting. We also see scope, also at Group companies, for creating further synergies and developing human capital.
- In particular, I'd like to emphasize that our recurring-revenue business, "Livness business"—which renovates, repurposes, and reutilizes existing properties—is on a growth trajectory. The business's sales are projected to reach ¥450 billion this fiscal year, and we hope to eventually turn it into a business generating revenues in the region of ¥1 trillion a year. Remarkable among Livness's activities is growth in its non-residential segment, represented by the BIZ Livness business, which I believe will continue growing against the backdrop of soaring construction costs and structural changes in Japan. Going forward, we are committed to contributing to society, not by simply buying and reselling properties, but by renovating them to enhance their value and creating circularity and regeneration.

End

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