Daiwa House Industry Co., Ltd.

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

Date and time:	**From 3:30 p.m. to 4:30 p.m., Monday, May 18, 2026**
Speakers:	**Keiichi Yoshii, Chairman and CEO**
	Hirotsugu Otomo, President and COO
	Takeshi Kosokabe, Executive Vice President, CFO
	Yuji Yamada, Managing Executive Officer

【Q1】

Please explain once again the positioning and the thinking behind the next medium-term management plan (MTP). Also, with the ROE for the year ending March 2027 (FY3/27) projected at around 8%, will the next MTP revert to the previous 13% target?

(Reference) Presentation on Management Policies:

P.13 "Announcement of the 8th Medium-Term Management Plan"

【A】

- Our business forecasts for FY3/27 are premised on an emergency situation similar to the COVID-19 pandemic. During the pandemic, we were able to achieve results that exceeded guidance by reworking our plans while keeping a sharp eye on performance trends. This fiscal year, too, we are driving profit growth to improve ROE; but right now we are still exploring the ROE target for the next MTP. I should add that so far, no customer handovers or construction work has been delayed.
- As to the next MTP: Although it's nearly impossible to say anything definitive while assumptions are still up in the air, we recognize that in the context of rising interest rates, it is crucial not only to improve turnover in our development-property businesses and set appropriate hurdle rates, but also to expand our construction businesses. We will be reconsidering our business model in light of these factors.

【Q2】

Regarding the Single-Family Houses business in the US, gross profit margins look set to decline and delivery of 10,000 units in FY3/27 looks difficult. Compared to other US home-building majors, your orders remain strong, but profitability seems to be facing challenges. Could you tell us about your current business landscape? Also, how do you view future business expansion, including the possibility of large-scale acquisitions, to achieve your target for units sold?

(Reference) Presentation on Management Policies:

P.7 “Expansion of U.S. Single-Family Houses Business”

Financial Highlights P.27 “Single-Family Houses Business (2) Overseas Business”

【A】

- While our FY3/27 goal remains unchanged at 10,000 units, in areas like Dallas and Houston, Texas, with many first-time buyers, sales are struggling due to rising interest rates; so we are aware that we have to step up our engagement in these areas. Meanwhile, big-ticket sales in California and sales on East Coast, Washington, D.C, and other similar areas continue to be robust. We believe focusing on these areas of robustness will boost earnings capacity.
- For growth, we recognize that each of our three US housing subsidiaries currently has strengths in growth-delivering business models; so our core approach is to put them at the core of our moves to expand business.
- The impact of the Middle East situation has been partially factored into the performance of our US Single-Family Houses business. We do not consider this gross profit margin forecast to be normal; it reflects the risks of sustained high interest rates and business sentiment due to the Middle East situation.

【Q3】

Please confirm for me the real probability of the Middle East situation impact you’ve worked into your forecasts for FY3/27.

(Reference) Financial Highlights P.6 “Topics(2)”

Presentation on Management Policies:

P.7 “Expansion of U.S. Single-Family Houses Business”

【A】

- We worked the anticipated impact of the current Middle East situation into the forecasts we announced for FY3/27. Daiwa House Industry's corporate culture is one of doggedly striving toward targets, and we have gotten rough patches before. By steadily building our efforts against our targets, we have delivered solid results. We therefore hope you will continue to have confidence in our ability to achieve and exceed our targets this term as well.
- Especially regarding our overseas business, the upside potential gives us hope, and we will inform you about progress, with focus on our US Single-Family Houses business, at our first and second quarter earnings announcements.

【Q4】

How do you view the balance between future growth investments, improving your financial position, and shareholder returns?

【A】

- First, we believe that the most important thing is to grow profits and steadily increase dividends. Despite stock prices trending soft across the entire real-estate and construction sector, we intend to continue meeting shareholder expectations through profit growth.
- As far as buybacks are concerned, we believe growth investments should be prioritized at this time, so they are low on our priority list.
- For example, for the growth of overseas business, we are currently facing an increasing need for capital, and in our US Single-Family Houses business, we want to expand our land inventory to the scale of 100,000 lots. We will also consider business acquisitions and M&A deals, should opportunities arise, as part of the next MTP.
- In the capital allocation initially announced in the 7th MTP, we planned to invest ¥2.2 trillion in large-scale real estate developments and achieve a net increase of ¥700 billion in real estate assets through property sales. However, progress over the past four years has fallen short of plan.
- Meanwhile, with regard to strategic investments, against the ¥650 billion plan, actual investments reached ¥1.94 trillion, driven by factors including the acquisition of Sumitomo Densetsu and an

increase in inventory assets in our US Single-Family Houses business. As a result, overall growth investments progressed significantly ahead of expectations.

- Consequently, interest-bearing liabilities over the run of the 7th MTP increased by ¥1.6 trillion, compared to the planned increase of ¥420 billion. In light of above, in the next MTP we intend to present an organized overview of our thinking on interest-bearing liabilities levels, investment recovery, shareholder returns, and other similar items.

【Q5】

In your FY3/27 estimates, you have factored in the impact of the Middle East situation as a ¥100 billion decrease in operating income. Could you give us a breakdown of this figure?

(Reference) Financial Highlights P.6 “Topics (2)”

【A】

- The amount cited as impact is not a mere accumulation of specific factors, but an estimate taking into account rising construction costs and progress in passing increased costs through to buyers.
- Breaking it down, that figure reflects impacts worth about ¥80 billion (comprising about ¥40 billion each at our Housing Solutions and Business Solutions businesses) domestically and overseas impact of about ¥20 billion. We will be able to present a more probable breakdown later as actual costs and delivery schedules become clearer.
- Since sales in both the Housing Solutions and Business Solutions contract-business are recognized based on percentage of completion method, delays in construction or extended project timelines could affect performance going forward. So far this year, though, there has been little impact on construction work in progress during the first quarter. We will continue to monitor the situation and keep an eye on deliveries scheduled for July and beyond.

【Q6】

I would like to ask about Sumitomo Densetsu’s inclusion in the group. How much is it priced into the results forecasts for FY3/27? Also, at the point, what synergies and changes in direction do you envision the acquisition as having?

(Reference) Presentation on Management Policies:

P.15 “Our Key Strategies Going Forward (2)”

Financial Highlights

P.36 “Logistics, Business & Corporate Facilities Business (2) Forecasts”

【A】

- Sumitomo Densetsu is included in our Logistics, Business & Corporate Facilities Business, and figures based on its business plans are incorporated into our results forecasts for FY3/27 (net sales: ¥243.6 billion, amortized profit: ¥11.3 billion).
- In-depth exploration of how and initiatives to realize synergies started as soon as Sumitomo Densetsu joined the Group. We believe it will take a certain amount of time for effects to appear in full, and considering Fujita’s case, we expect it to take about two to three years. Furthermore, Sumitomo Densetsu already has an established business foundation, so going forward, rather than simply being an equipment contractor, the three companies, Daiwa House, Fujita, and Sumitomo Densetsu, will collaborate to create medium- to long-term value via integration of their businesses and technology sets.

【Q7】

I’d like to know some details about your Livness businesses. Could you tell us which is the growth driver, Livness or BIZ Livness? And what areas within the BIZ Livness business are expected to see growth? Also, compared to new construction projects, could you tell us about the Livness business’s ability to deal with rising material prices? Is the impact of rising material prices only minor?

(Reference) Presentation on Management Policies: P.9 “Growth of Livness Business”

【A】

- The 7th MTP originally foresaw Livness businesses’ sales rising to the ¥400 billion level by FY3/27, but since this was achieved ahead of schedule, already in FY3/25, last year we raised the target to ¥500 billion in FY3/27. We will present renewed performance targets in the next MTP.

- The Livness business in our Business Solutions segment, BIZ Livness, is driving our Livness businesses' growth. It saw sales expand significantly, from ¥72.6 billion in FY3/23 to ¥226 billion in FY3/26.

- In a business environment characterized by soaring construction costs, we will advance our Livness businesses for revitalizing existing facilities as our growth engine. Specifically, we purchase old factories and plants, offices, commercial buildings, R&D facilities, and the like and, rather than demolishing them, we will remodel, renovate, or convert them. Having enhanced their value by repurposing them and improving their environmental footprints, we then sell them on. We are seeing increasing customer appreciation for this initiative, and proposals for projects are on the rise, especially in our Logistics, Business & Corporate Facilities and Commercial Facilities segments. Customers are even showing interest in large-scale projects in the ¥5 billion to ¥10 billion range. We foresee continuing steady growth at the Business Solutions' Livness business going forward.

- Regarding rising material costs, the Livness business generally does not require foundation work and focuses mainly on renovations and environmental measures, so we believe we will be able to deal with rising material costs more easily than is possible with new construction.

【Q8】

In this period of rising interest rates, could you once again share your view on management strategies, including initiatives such as the sales of development properties?

【A】

- We believe we need to bolster earnings capacity when interest rates are rising rapidly and intend to do so with focus on recurring-revenue segments like our hotel and property-management businesses.

- Development-property businesses entail the risk of prolonged development periods increasing to our interest burden, so we believe that more cautious decisions are called for in this area. Meanwhile, in Japan, appetite for corporate investments for things like rebuilding facilities remains strong. In this environment, we see shifting from the development-property business to the construction business as an option. At development-property businesses, we will emphasize capital efficiency by setting morerigorous IRR benchmarks for investment decisions and select for investments only in projects that meet the criteria.

- Current guidance incorporates the impact of the situation in the Middle East. We would like to note that during the COVID-19 pandemic, we exceeded our targets. This year, too, we will keep a steady hand on the tiller to fulfill expectations and beat forecasts.

End