Q&A at Earnings Conference for Analysts/Institutional Investors (Summary)
at Announcement of Financial Results for FY2025 1Q
(For the fiscal year from April 1, 2025 to June 30, 2025)

Date & time: From 4:00 p.m. to 5:00 p.m., Wednesday, August 6, 2025
Presenters: Takeshi Kosokabe, Executive Vice President, CFO
Yuji Yamada, Managing Executive Officer, in charge of Finance and IR
Saori Seki, General Manager, IR Department

【Q1】
Gross margin ratio improved year on year for each segment. Please discuss progress relative to the full-year plan and how you evaluate this performance. Also, discuss the background behind the decision to revise your projected full-year dividend to ¥170 from the previous forecast of ¥165.
(Reference) Financial Highlights P.4 “Topics”

【A】
-This fiscal year, despite SG&A expenses increasing by ¥36.5 billion and income from sales of development properties decreasing by ¥30.2 billion, we are aiming for increased operating income of ¥25.0 billion when excluding the amortization of actuarial differences. As of the first quarter of the current fiscal year, the gross margin ratio was trending towards improvement and we think we are making steady progress towards the full-year plan.
-As for improvement in the gross margin ratio for the construction business, with projects B to B in particular, this is the result of seeing the benefits of efforts to focus on margin ratio from the point of order received. The improvement trend was even better than anticipated.
-We decided to increase the projected annual dividend to ¥170 after having confirmed improvement in the gross margin ratio and the fact that we are making steady progress towards the full-year plan.

【Q2】
I would like to hear about your approach to debt-equity ratio. What are your thoughts about next fiscal year and beyond?
(Reference) Financial Highlights P.14 “Consolidated Balance Sheets (3) Liabilities and Net Assets”

【A】
-As of the end of June 2025, the debt-equity ratio was 0.91 times, indicating a divergence from the roughly 0.6 times that we outline as a financial metric. However, next fiscal year, we will increase

sales of development properties and increase our turnover ratio for real estate for sale to reduce our interest-bearing liabilities and get closer to target levels.
-As for beyond that timeframe, we are discussing capital allocation in relation to growth investments and shareholder returns as we prepare to formulate the 8th Medium-Term Management Plan, which we plan to announce next fiscal year. Thus far, we positioned debt-equity ratio as a target metric for securing financial soundness but we are currently discussing which metrics are appropriate for the Group moving forward.

【Q3】
Looking at orders received for single-family houses in the US, the cumulative total for January to March decreased by 6% year on year but trended towards recovery for April to June, increasing by 19%. However, there is an overall impression that the US housing market continues to lack vitality. Please discuss the background behind the recovery in your orders received and your projections moving forward.
(Reference) Financial Highlights P.25 “Single-Family Houses Business (2) Overseas Business”

【A】
-In the US Single-Family Houses Business, Stanley Martin Holdings, LLC had favorable orders received. As a result of continuous aggressive efforts to procure high-quality housing land, the number of communities for sale increased from 85 projects in January 2025 to 111 projects in June. The growth in communities for sale is contributing to the increase in the number of orders received.
-The first quarter gross margin ratio improved for the US Single-Family Houses Business. Looking at the second quarter and beyond, we plan to expand communities for sale so we believe the current improvement trend is sustainable as long as there is no significant downturn in the market environment.

【Q4】
On the subject of real estate investments, some held the view that real estate investments would not increase significantly due to the recent trend of lease-based involvement in development as an alternative to land acquisition. Looking at actual results, it appears that growth was even less than expected. Please indicate if there have been any changes in real estate investment policies or factors driving the lack of investments.
(Reference) Financial Highlights P.17 “Status of Real Estate Development Investment”

【A】
-There are no major changes in our investment policy. We set real estate investment budgets for each

business, and conduct real estate investments while maintaining a balance with sales. We are projecting progress in line with plans for the second quarter onward.

-We are aware of a recent trend towards an increase in large-scale real estate development products for residence-type properties. In the past, increases in condominium prices exceeded rent increases for rental housing, so the number of large-scale projects was limited. However, more recently, rents are rising so we expect to see opportunities for investments in new residence-type real estate developments.

【Q5】

Regarding the full-year plan of achieving ¥470 billion in operating profit, please indicate the status of progress, or lack thereof, for each segment.

(Reference) Financial Highlights

P.10-11 "Business Segment Results" and P.22-23 "Business Segment Forecasts"

【A】

-Progress for the domestic Single-Family Houses Business is off somewhat relative to the plan.

-The Rental Housing Business is seeing improvement in the gross margin ratio for construction and built-for-sale. Rental management has also seen an increase in the number of managed units and efforts to implement appropriate rent hikes are also proceeding favorably. As such, there is the possibility that results may outperform plans.

-The market for the sales of development properties is favorable, and progress is in line with the plan.

【Q6】

Please indicate the status of securing land for the US Single-Family Houses Business.

【A】

-As of the end of March 2025, our three US subsidiaries have secured land for roughly 38,500 subdivisions. Combined with controlled subdivisions, this is a total of roughly 70,900 plots. In particular, land acquisition by Stanley Martin Holdings, LLC is progressing favorably.

【Q7】

Looking at the domestic Single-Family Houses Business, first quarter housing units sold decreased year on year. Please discuss the current status of the built-for-sale business.

(Reference) Financial Highlights P.24 "Single-Family Houses Business (1)"

【A】

-In the domestic Single-Family Houses Business, we have worked to strengthen the built-for-sale business but have not achieved results on par with initial assumptions. A major factor is the relatively high price of our built-for-sale houses. In rural areas, in particular, the divergence from demand exceeded assumptions. In response, we began offering products with a lower price point, which resulted in a decline in margin ratio. Currently, we are prioritizing improving the margin ratio, we are focusing on construction, which achieves a higher per-building unit price, while pursuing business that achieves a balance between construction and built-for-sale.

-In light of a downward trend in the number of new projects for newly constructed houses, we feel that the domestic single-family houses market is facing a difficult period.

【Q8】

What factors are driving favorable performance for the Rental Housing Business? Is this due to the high occupancy rates?

(Reference) Financial Highlights P.26-28 “Rental Housing Business”

【A】

-In the Rental Housing Business, our rate of winning rental management contracts for the buildings we construct has improved annually, and our number of new properties under management is increasing. We are also seeing continued improvement in occupancy rates and we successfully increased rents by 2.1% year on year.

-At the time we formulated the plan, we were forecasting the full-year gross margin ratio for the rental management business to be largely unchanged year on year at 16.3%. However, first quarter results outperformed that forecast and we expect this level of performance to continue moving forward.

【Q9】

Although the gross margin ratio is improving, it appears that progress for operating income is stagnant due to increased SG&A expenses. Please indicate your performance projections.

(Reference) Financial Highlights P.8 “Summary of Profits (1)”

【A】

-SG&A expenses are largely on par with the full-year plan of ¥650 billion.

-Moving forward, while there is the possibility of an interest rate hike in Japan, we have been able to reflect the impact of advancing inflation in selling prices, which we project will contribute to gross margin ratio trending in a favorable direction.

-As for net sales for the Commercial Facilities Business and the Logistics, Business & Corporate Facilities Business, deliveries tend to be concentrated towards the second half of the fiscal year. As such, even though progress appears slow now, progress is advancing steadily in line with the plan. At the current rate of progress, we project that achieving the full-year plan for operating income is sufficiently feasible.

【Q10】

Please indicate the attributes of development property buyers. Are you selling to the Daiwa House REIT?

(Reference) Financial Highlights P.18 “Sale of Development Properties: Results and Forecasts”

【A】

-We made no sales to the Daiwa House REIT during the first quarter. We have sold several logistics facilities, including a multi-tenant DPL, to a private core fund specializing in logistics facilities for which Daiwa House Asset Management serves as the investment advisor. The rest have been sold to external buyers. There is no general trend in terms of attributes, such as domestic and overseas funds or private REITs.

【Q11】

Looking at April through June cumulative results for Daiwa House contracts (non-consolidated), when excluding the sale of development properties, both the Commercial Facilities Business and the Logistics, Business & Corporate Facilities Business performed favorably, up 20% and 25% year on year, respectively. Please indicate which asset types within each segment are particularly seeing demand growth.

(Reference) Monthly Contracts for June 2025

【A】

-In the Commercial Facilities Business, inquiries for industrial offices, hotels, and rental apartments increased. Contracts with used vehicle retailers and car dealerships were also strong. In the Logistics, Business & Corporate Facilities Business, asset types such as logistics facilities, factories, and medical facilities performed favorably.

【Q12】

Looking at the gross margin ratio for construction and built-for-sale, each segment improved year on

year. In particular, 1Q performance for the Single-Family Houses, Rental Housing, and Commercial Facilities Businesses all exceeded the full-year plan. Do you project that the gross margin ratio will outperform the full-year plan?
(Reference) Financial Highlights P.4 “Topics”

【A】
-At present, gross margin ratio is trending above the full-year plan, and we hope to maintain this trend. However, as it relates to construction, contributions from project orders received are calculated based on the percentage of completion method, so the impact on the full-year margin ratio will depend on our orders received environment moving forward.
-As of the first quarter, the gross margin ratio for the Logistics, Business & Corporate Facilities Business has not yet reached levels outlined in the full-year plan but has improved significantly year on year, and we project improvement to levels outlined in the full-year plan.

【Q13】
Looking at area-specific performance for overseas business, the operating margin in the US during the first quarter was below the full-year plan. What is your full-year projection for this operating margin?
(Reference) Financial Highlights P.35 “Overseas Business”

【A】
-There are currently no particular concerns regarding the operating margin outlined in the full-year plan, and we believe we are making steady progress toward the plan. The plan also includes the sale of a multi-family property in the US.

【Q14】
Regarding the US Single-Family Houses Business, what is your outlook for the full-year plan to hand over 8,600 homes in light of the current status of orders and handovers?
(Reference) Financial Highlights P.25 “Single-Family Houses Business (2) Overseas Business”

【A】
-Regarding the plan to hand over 8,600 units, while we currently have not secured sufficient customer base, we do not believe that we will fall significantly below the plan.

【Q15】

Regarding sales of development properties, progress has been steady in the first quarter but what is your projection for achieving your full-year plan? Also, can you indicate if there will be a period from the second quarter onwards when volume for sales of development properties will increase? Additionally, regarding plans to sell one multi-family property in the US this fiscal year, what is your current sales projection?

(Reference) Financial Highlights P.18 "Sale of Development Properties: Results and Forecasts"

【A】

-With regard to properties scheduled for sale this fiscal year, we have largely finalized sales for most of the domestic properties, and we expect that sales will proceed in the third quarter. As for properties in the US, we are currently in negotiations with several potential buyers, and plan to proceed while assessing pricing and other conditions.

【Q16】

In the current environment where construction costs are rising, have you seen any changes in trends for orders received in the Commercial Facilities Business and the Logistics, Business & Corporate Facilities Business?

【A】

-In recent years, we have seen increased inquiries for hotel construction. We are also utilizing our vast land information capabilities to develop apartment hotels with a focus on inbound demand mainly in the Tokyo metropolitan area.

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