Q&A at Earnings Conference for Analysts/Institutional Investors (Summary)
at Announcement of Financial Results for FY2026 1Q
(For the fiscal year from April 1, 2026 to June 30, 2026)

Date & time: From 5:00 p.m. to 6:00 p.m., Thursday, August 6, 2026
Presenters: Takeshi Kosokabe, Executive Vice President, CFO
Eiichi Shibata, Director and Managing Executive Officer, Head of Management Strategy Planning Headquarters
Yuji Yamada, Managing Executive Officer, in charge of Finance and IR
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【Q1】
Looking at the gross margin ratio for construction, you conducted upward revisions to full-year plan for the Rental Housing Business, the Commercial Facilities Business, and the Logistics, Business & Corporate Facilities Business. Amid rising material costs, are customers accepting price adjustments to reflect cost increases? Also, is the improvement in the margin in the Logistics, Business & Corporate Facilities Business attributable to synergies with Sumitomo Densetsu?
(Reference) Financial Highlights
P.25 "Single-Family Houses Business (1)"
P.27 "Rental Housing Business (1) Results"
P. 32, 33 "Commercial Facilities Business (1) Results, (2) Forecasts"
P. 34 "Logistics, Business & Corporate Facilities Business (1) Results"

【A】
-Among construction, the Logistics, Business & Corporate Facilities Business saw the most significant improvement in margin. The improvement in the gross margin ratio of the Logistics, Business & Corporate Facilities Business is attributable less to the effects of joining the Group of Sumitomo Densetsu, and more to the fact that, against the backdrop of a favorable orders received environment, we have thoroughly explained price adjustments to reflect cost increases to customers and gained their understanding.
-The first quarter gross margin ratio of the Commercial Facilities Business deteriorated year on year. This was because, in the built-for-sale business, which accounts for roughly 30% of construction, we actively sold properties with low profitability and for which the sales period had prolonged. As for the full-year plan of the gross margin ratio, we expect improvement moving forward, but we believe it will be necessary to strengthen our efforts to achieve the plan.
-The gross margin ratio of the Single-Family Houses Business in Japan has also improved

somewhat. However, we think that challenges remain in improving profitability, including in the Rental Housing Business. As material costs are expected to continue rising, for products with set prices, such as single-family houses and rental houses, we will proceed with a certain degree of price adjustments to reflect cost increases from July onward.

【Q2】

Has there been any change to full-year plan for the U.S. Single-Family Houses Business? Although the first quarter gross margin ratio deteriorated year on year, it is currently exceeding the initial plan. Please discuss the most recent status of orders received and your future outlook, including this point.

(Reference) Financial Highlights

P.23, 24 “Business Segment Forecasts for FY2026 (1), (2)”

P.26 “Single-Family Houses Business (2) Overseas Business”

【A】

-We have not changed full-year plans for any overseas business segment. However, looking at the current sales status of the U.S. Single-Family Houses Business, we anticipate that the gross margin ratio is trending above the level outperforming the full-year plan.

-In the U.S. Single-Family Houses Business, net sales are trending favorably due to an increase in the number of houses sold. We believe this is the result of our continuation of M&A and strategic land acquisitions. On the other hand, interest rates remain high, so we are offering incentives to promote sales, which is leading to a decline in gross margin ratio.

【Q3】

Please discuss the progress and outlook for the full-year plan for the sale of development properties.

(Reference) Financial Highlights P.19 “Sale of Development Properties: Results and Forecasts”

【A】

-The sale of development properties in the first quarter progressed in line with the plan. The net sales exceeded the plan, and as a result, operating income also exceeded the plan. Looking at the most recent sales environment, we think there is the possibility that results may outperform the full-year plan.

【Q4】

Please discuss your outlook for the contributions to full-year performance from Sumitomo Densetsu and Holiday Builders, Inc., which was acquired by Stanley Martin Homes, LLC.

(Reference) Financial Highlights

P. 26 “Single-Family Houses Business (2) Overseas Business”

P. 34, 35 “Logistics, Business & Corporate Facilities Business (1), (2)”

【A】

-First quarter performance for Sumitomo Densetsu progressed favorably. Operating income was 4.4 billion yen, while operating income after amortization goodwill and other related items was 0.7 billion yen. For the full year, we are forecasting operating income after amortization goodwill and other related items of 11.3 billion yen, and progress is in line with the plan.

-Holiday Builders, Inc. has not been incorporated into the full-year forecast. While we expect a contribution to net sales, the contribution to income is expected to be limited due to the impact of amortization of goodwill and other related items.

【Q5】

In the business performance forecasts released for FY2026 in May 2026, you incorporated downside risk of 100.0 billion yen in operating income as the impact of the Middle East instability. Since you conducted an upward revision of 60.0 billion yen from the initial forecast, what type of impact are you assuming for the remaining difference of 40.0 billion yen?

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

【A】

-The breakdown of the initially assumed downside risk of 100.0 billion yen was 83.0 billion yen for domestic business and 17.0 billion yen for overseas business. In this review, we conducted an upward revision of 60.0 billion yen from the domestic business portion. Since uncertainties remain, including rising material costs, we continue to incorporate risk of 23.0 billion yen for domestic business and 17.0 billion yen for overseas business.

-In conducting the upward revision to the business performance forecasts as of the end of the first quarter, we carefully evaluated the business environment and the most recent performance trends before setting the plan at 460.0 billion yen in operating income. At present, we think this is a level that we can fully aim to achieve.

【Q6】

Please discuss the timing for announcing the next medium-term management plan. Since you are still incorporating uncertainties such as conditions in the Middle East, are you considering announcing the plan once you have made progress in assessing such risks?

【A】

-The timing for announcing the next medium-term management plan has not been determined at present. We are currently considering various options, including whether to announce it as a medium-term management plan or to present a long-term direction and then provide explanations on a single-year basis.

-In November, we would like to present a certain degree of thinking concerning the approach and direction for capital policy, including shareholder return policy and ROE.

【Q7】

First quarter income increased year on year. Please discuss the main factors. Also, were there any temporary factors that boosted performance, such as construction being moved forward due to conditions in the Middle East?

(Reference) Financial Highlights P.5 “Topics (1)”

【A】

-The main factor behind the increase in income in the first quarter was improvement in the gross margin ratio for domestic business. In the Rental Housing Business, in addition to an increase in sales of built-for-sale properties, earnings improvement was driven by an increase in the number of management units and rent revisions while maintaining high occupancy rates.

-Net sales in overseas business increased, but income growth was limited due to a decline in the gross margin ratio. On the other hand, roughly 7.0 billion yen in income from the sale of logistics development properties contributed to the increase in income.

-Performance was not boosted by construction being moved forward due to conditions in the Middle East. Initially, we were concerned about the risk of construction delays, but there has been no significant impact due to the use of alternative products and other measures, and construction is progressing favorably.

-As for concerns moving forward, the main issue relates to future increases in material costs. At present, there has been no significant impact on business, but uncertainties remain, so we have incorporated a certain degree of risk.

【Q8】

Please discuss your outlook for the future performance contribution from Sumitomo Densetsu. Also, please indicate the synergy effects from Sumitomo Densetsu joining the Group.

(Reference) Financial Highlights

P.34, 35 “Logistics, Business & Corporate Facilities Business (1), (2)”

【A】

-Performance of Sumitomo Densetsu is progressing favorably, so we predict that there is the possibility that results may exceed the plan.

-Sumitomo Densetsu has roughly two years' worth of orders received. First, we would like to steadily advance projects for which orders have already been received while expanding collaboration within the Group.

【Q9】

What type of growth and income contribution are you expecting from overseas businesses other than the U.S.? Please discuss the status by region.

(Reference) Financial Highlights P. 36 “Overseas Business”

【A】

-In Australia, interest rates remain high and first quarter results were below initial assumptions. We are advancing efforts to improve profitability in the Single-Family Housing Business, but these have not yet been reflected in performance. On the other hand, the rental housing development underway in Melbourne is progressing favorably, and we expect it to contribute to income when it is sold moving forward.

-In China, we are proceeding with condominium sales, but we are not seeing improvements in the market environment and difficult conditions continue. We are currently proceeding with the sale of two projects and are first prioritizing the recovery of investment capital. As such, at present we are not in a position to expect a significant income contribution.

-In Europe, in the past we incurred significant losses on two projects with low profitability, but existing businesses are securing stable profits. Moving forward, we are also advancing efforts related to demand for reconstruction housing in Europe, and we would like to expand the business.

【Q10】

Amid rising long-term interest rates, capital costs are also increasing, and improvement in capital profitability is being required. The balance sheet is also continuing to expand. How do you plan to recover investment capital moving forward? Please discuss your view over the next two years or so.

【A】

-During the four years of the 7th Medium-Term Management Plan, we actively invested in land for single-family houses in the U.S. and land for built-for-sale single-family houses and rental houses in

Japan. As a result, the balance of real estate holdings increased to a level exceeding the initial plan.
-Over the next three to four years, rather than being in a phase of expanding investments as we have done thus far, we think this will be a period in which we emphasize the balance between investment and recovery. A key theme will be realizing profits and recovering investment capital by steadily selling and handing over the real estate for sale that we have accumulated. Moving forward, we will engage in business management while giving consideration not only to new investments but also to the turnover of assets held and capital efficiency.

【Q11】
Please discuss the reason you increased dividends along with the upward revision of your business performance forecasts and your approach to shareholder returns moving forward. Is there any change to your policy of a dividend payout ratio of 35% or higher?
(Reference) Financial Highlights
P.6 “Topics (2)”
P.22 “Business Performance Forecasts (3) Shareholder Return”

【A】
-Based on the upward revision of 60.0 billion yen to the operating income plan, we determined that it was necessary to meet the expectations of shareholders, and therefore increased the dividend per share by 2 yen.
-The dividend payout ratio for the current fiscal year is above 40%. However, this does not indicate a new target or policy for the dividend payout ratio.
-We plan to present our shareholder return policy around November.

【Q12】
You indicated that you proceed with price adjustments to reflect material cost increases from July. Have you seen any changes in demand for rental housing as a result of these price adjustments?

【A】
-At present, we have not seen any significant negative impact on demand for rental housing from price adjustments to reflect cost increases, and orders received are trending firmly. Although there is an impact from rising interest rates, in addition to being able to present customers with future cash flows that incorporate rent increases, we think we have been able to secure orders received through proposals that utilize long-term loans.
-We believe that strategically selecting areas where rent increases can be expected is also one factor

supporting the favorable orders received environment. While interest rates are rising, rent levels are also trending upward. As such, we think that through proposal activities and sales efforts that reflect this type of market environment, we have been able to maintain the level of orders received.

【Q13】

Moving forward, with interest rates expected to increase in both Japan and the U.S., what is your policy for controlling interest-bearing liabilities and cash flow?

(Reference) Financial Highlights P.15 “Consolidated Balance Sheets (3) Liabilities and Net Assets”

【A】

-Our debt-equity ratio was 1.1 times as of the end of June 2026, which is a high level. As such, we recognize that an important issue is to improve the debt-equity ratio by appropriately managing the balance between real estate investment and fund recovery while generating cash.

-Moving forward, while steadily advancing real estate sales, for new investments we will consider current procurement interest rates and rising construction costs, and more carefully evaluate investment profitability than before.

-Although the balance of real estate for sale has increased, large-scale real estate investments have not reached the levels initially assumed. Moving forward, after carefully selecting assets with high profitability and growth potential that investor demand can be expected, we will also work on developing investment real estate.

【Q14】

Please discuss your outlook for orders received and income contribution from data centers moving forward.

【A】

-Concerning the data center business, on April 1, 2026, we upgraded the Data Center Business Headquarters Preparatory Office to a business headquarters and strengthened our promotion structure. As for the business model, in addition to the model combining land sales and construction used for the Inzai project, we are already developing projects in Tokyo and Osaka in which we serve as the developer. We have also developed and are selling modular type data center products. Moving forward, our policy is to develop the data center business by leveraging the features of Daiwa House, with three business pillars: construction, development, and modular type products.

-Profitability in the data center business differs depending on the business model and individual project, so at present it is difficult to indicate a uniform level.

【Q15】

Please discuss your approach to profit margins for the U.S. Single-Family Houses Business from next fiscal year onward.

(Reference) Financial Highlights P.26 “Single-Family Houses Business (2) Overseas Business”

【A】

-Concerning margin from next fiscal year onward, we think the impact of interest rate trends will be significant. Business conditions will differ greatly depending on whether interest rates remain high or decline, so at present it is difficult to provide a uniform outlook. However, towards future business expansion, we are continuing to actively acquire land, and we believe we can continue to achieve growth through the expansion of communities for sale and the use of M&A opportunities.

-Also, in areas where the ratio of first-time buyers is high, the current interest rate level may limit the use of mortgages. If interest rates decline moving forward, we believe that such latent demand may materialize and that there is the possibility that the business environment will improve significantly.

-As for our sales strategy, our policy is to pursue growth in net sales while securing a certain level of profitability. Rather than focusing only on turnover ratio, we will proceed with sales while achieving a balance with profitability.

End