Sekisui House, Ltd.

Summary of the Q&A Session
FY2026 First Quarter Financial Results Briefing

Date	:	Thursday, June 4, 2026, 4:00 p.m. to 5:00 p.m. (JST)	
Participants	:	Toru Fujita (presenter)	Managing Officer, In Charge of Division of Finance
		Toru Ishii	Director of the Board, Senior Managing Officer
		Hiroyuki Kawabata	Operating Officer, Head of Investor Relations Department

<Summary of Question and Answer Session>

Note: Details already explained in the financial statements or timely disclosure materials have been omitted.

Question

- **Given the worsening situation in the Middle East, there appears to be a risk of higher procurement costs and construction delays caused by supply chain disruption. What is your current view of each of these risks, and what measures would you take if they were to materialize?**

- **What is your outlook for gross profit margin in the U.S. homebuilding business?**

Answer

- The impact of the situation in the Middle East was minimal in the first quarter. For the full year, we expect higher procurement costs and currently estimate the impact at billions of yen, although the amount could increase depending on future developments. We will also implement price pass-through measures, but due to the time lag involved, the benefits are expected to materialize from the next fiscal year onward. At present, there are no delays in construction work or deliveries. We are working closely with suppliers to secure materials and are adjusting construction schedules as necessary to minimize inconvenience to customers. Uncertainty remains high and we need more time to assess the situation, including the potential impact if it becomes prolonged. Still, we believe that any negative impact that does materialize can be absorbed by stronger-than-expected performance in businesses such as the architectural/civil engineering business and the rental housing management business, both of which got off to a strong start in the first quarter. In addition, some domestic property sales, as well as sales of rental housing properties in the United States have been contracted on more favorable terms than initially anticipated, and we expect these upside factors to help offset any adverse effects.

- In the first quarter, sales were centered on our inventory of spec homes* that carry lower profit margins; however, we are gradually shifting toward Built-to-Order (BTO) homes, with higher profit margins. The

BTO ratio has risen from around 10% last year to over 20% currently. The gross profit margin at the time of contract is gradually improving. Since BTO involves a somewhat longer lead time, we expect these contracts to convert to deliveries in the second quarter and beyond, which will contribute to improvement in gross profit margin. While it varies by property, BTO gross profit margins tend to be approximately 5 percentage points higher than spec, and we aim to increase the BTO ratio in order to work toward our full-year gross profit margin target of 17% (before the amortization of goodwill and consolidation adjustments).

* Spec homes: Homes constructed based on predetermined specifications and sold after completion or when nearing completion.

Question

- **What are the main reasons behind the recent improvement in profitability in the U.S. homebuilding business?**

- **Orders for custom detached houses and rental housing businesses in Japan appear weaker year on year. What factors are behind this trend?**

Answer

- Since April, market conditions have remained challenging due to escalating tensions in the Middle East and a renewed increase in mortgage rates. Therefore, we believe the recent improvement in profit margins is driven less by market factors and more by our shift toward BTO homes and our focus on profitability in sales activities. By region, performance is exceeding plans in Texas, California, and the Northwest and Mountain regions, while conditions remain challenging in the Southwest and Eastern regions.

- The decline in both net sales and profit in the domestic custom detached houses business was primarily due to a lower order backlog in the second and third quarters of the previous fiscal year. Although orders were also down year on year, we believe one contributing factor is the increase in inquiries for higher-priced properties, which tend to require more time before orders are booked. Orders improved to 101% of the prior-year level in May, and we aim to recover from the second quarter onward. In the domestic rental housing business, rising interest rates and higher material costs due to the situation in the Middle East may be leading to shifting expectations on yields. As a result, customers may be taking longer to make decisions or adopting a wait-and-see approach. We will continue to analyze these trends closely. As for full-year performance, we believe our targets remain achievable, supported by an ample order backlog.

Question

- **With the outlook for the U.S. homebuilding business unchanged, how do you view the potential downside risks to your plan? In addition, what progress has been made on medium-term initiatives such as technology transfer, and what results have you seen so far?**

- **If the U.S. homebuilding business were to underperform relative to plan, how would you approach recovery measures?**

Answer

- Planned operating profit for the U.S. homebuilding business this fiscal year is $230 million (before the amortization of goodwill and consolidation adjustments). The first quarter loss was within expectations and came in slightly better than plan. Going forward, we intend to improve profit margin through a higher BTO ratio and cost reduction benefits following the One Company integration. As for home deliveries, much will depend on developments in the Middle East. We hope that a ceasefire agreement and stabilization in oil prices will lead to lower mortgage rates and an improvement in market sentiment. At the same time, risks remain, and if conditions deteriorate, we intend to offset any impact through stronger performance in other businesses. In terms of recent sales performance, March was not as weak as expected due in part to the spring selling season, but sales have slowed somewhat since April. Regarding the transfer of Sekisui House technologies, we are taking the time to carefully develop our plans to ensure its effective transfer, focusing first on initiatives such as sales training and improving construction quality. As for integration benefits, the consolidation of personnel and offices in overlapping markets has begun in earnest this year, and we expect the effects of these initiatives to become apparent from the second quarter onward.

Question

- **In the U.S. homebuilding business, orders and profit margins appear relatively weak compared with other U.S. homebuilders. What factors are behind this, and what strategies are you pursuing to strengthen your competitive position in sales?**

- **Could you discuss current market conditions for property sales in the U.S. multifamily business, as well as progress toward this fiscal year's plan of six property sales and operating profit of ¥27.5 billion?**

Answer

- In the U.S. homebuilding business, the decline in gross profit margin is not significantly different from that of our peers. However, the decrease in home deliveries has been larger. One reason for this is that MDC (now SEKISUI HOUSE U.S., Inc.) shifted several years ago to an asset-light, high-turnover business model, resulting in a relatively large proportion of land acquired more recently and therefore carried at higher book values. As a result, when market conditions weaken and competition becomes more price-driven, it can be more difficult to increase sales volume. Going forward, we intend to differentiate ourselves through the transfer of Sekisui House technologies, but this process will take some time. In the meantime, expenses have increased due to such factors as the growing number of expatriate personnel assigned to support these technology transfer initiatives.

- In the U.S. multifamily business, four of the six properties scheduled for sale this fiscal year are expected to be sold on terms that exceed plans. In addition to the remaining two properties, we are also in negotiations regarding one additional property. If these transactions proceed as expected, we anticipate results will exceed our plan.

Question

- **Which businesses in Japan do you believe are most exposed to the impact of the situation in the Middle East, and how does the degree of impact differ among them?**

- **How is the recent rise in interest rates affecting property sales in the domestic condominiums business and urban redevelopment business, and what is your outlook going forward?**

Answer

- In Japan, the impact of developments in the Middle East is expected to extend to the custom detached houses business, rental housing and commercial buildings business, remodeling business, and the architectural/civil engineering business, which includes Konoike Construction. Of these, we currently estimate that the increase in costs affecting the custom detached houses business, rental housing and commercial buildings business, and remodeling business will amount to billions of yen. Although it is difficult to quantify the relative impact on each business, projects in the architectural/civil engineering business tend to be larger in scale and have longer construction periods. For many projects in this business, procurement has already been completed, making them less susceptible to immediate cost impacts. In contrast, the remodeling business, which involves shorter project cycles and more project-specific procurement, may be more vulnerable to cost increases. Taking these risks into account, we are doing everything possible to manage the situation and avoid causing inconvenience to our customers.

- No impact has been observed in either the domestic condominiums business or urban redevelopment business, both of which performed well in the first quarter. Furthermore, the urban redevelopment business is scheduled to complete additional property sales from the second quarter onward, and we view these transactions as a potential source of upside for this fiscal year.

Question

- **Could you explain the factors behind the changes in real estate for sale, particularly in the real estate and brokerage business (+¥45.6 billion) and the urban redevelopment business (+¥18.0 billion)? In the real estate and brokerage business, a rental property was sold during the first quarter. Does the balance also include assets of that nature?**

Answer

- In the real estate and brokerage business, the balance includes land acquired for rental property development, but the majority consists of residential land acquisitions. Approximately 70% of the portfolio is made up of residential real estate, and the balance has increased as the business has expanded while continuing to focus on asset turnover and profit margin in both acquisitions and sales. In the urban redevelopment business, one factor behind the increase was the transfer of properties scheduled for sale from the second quarter onward into real estate for sale.

Question

- **Both in Japan and overseas, rising interest rates and higher construction costs appear to be making it more difficult to reinvest proceeds from property sales and achieve a high internal rate of return (IRR). Rather than going forward with sales to meet earnings targets, have you considered retaining properties over the medium to long term?**

- **What initiatives are being implemented to achieve more stable credit rating and potential rating upgrades?**

Answer

- With respect to property sales, there have been cases in the past where we completed additional sales when performance was tracking below expectations. That said, in the U.S. multifamily business, our plan this fiscal year is to sell six properties, including assets that had been slated for sale in the previous fiscal year, and we already have a clear path toward the sale of four of them. In addition, as explained in our Mid-Term Management Plan, we are rebalancing our business portfolio in the United States. In the U.S. multifamily business, we are proceeding with property sales while shifting resources toward the U.S. homebuilding business and U.S. master-planned community business, where we can target higher IRR. At the same time, within the U.S. multifamily business, we are transforming the business model by shifting the property mix from primarily high-rise developments to low- to mid-rise developments in order to increase asset turnover. We would therefore like to emphasize that these property sales are not being undertaken solely to achieve a single year's earnings targets.

- The main factor behind S&P's decision to revise the outlook on our BBB+ credit rating to negative in March 2026 was the delayed recovery of the U.S. homebuilding business. S&P has specifically noted that the likelihood of a downgrade would increase if we are unable to maintain our Net Debt/EBITDA ratio (debt repayment period) below 3.0 times, which is a key indicator in its assessment. To achieve this, we aim to both expand EBITDA and reduce net debt. Property sales contribute to both objectives, and we therefore intend to continue executing them steadily. While uncertainties remain, including developments in the Middle East, we intend to achieve our plan for this fiscal year and continue improving these metrics in the years ahead. At the same time, we will maintain close communication with the rating agencies in an effort to mitigate the risk of a downgrade.