

Sekisui House, Ltd.

Summary of the Q&A Session FY2025 Financial Results and the 7th Mid-Term Management Plan Briefing

Date	: Thursday, March 5, 2026, 4:00 p.m. to 6:00 p.m. (JST)
Participants	: Yoshihiro Nakai Representative Director of the Board, CEO, President, Executive Officer
	Satoshi Tanaka Representative Director of the Board, Executive Vice President, Executive Officer
	Toru Ishii Director of the Board, Senior Managing Officer
	Toru Fujita Managing Officer, In Charge of Division of Finance
	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

- **Factors behind the increase in profit for the U.S. homebuilding business in FY2026 are thought to include a rebound from the ¥13.5 billion valuation losses on real estate for sale in FY2025, in addition to a decrease in the portion of investment differences at the time of acquisition that is recognized as inventory costs. What kind of profit projections do you expect in the current fiscal year?**
- **There is a substantial three-year growth plan in place for the U.S. homebuilding business, but if recovery is slower than anticipated, does the plan factor in the possibility of offsetting this to some extent with the urban redevelopment business pipeline?**

Answer

- We expect the operating profit (excluding amortization of goodwill, etc., and consolidation adjustments) for FY2026 in the U.S. homebuilding business to remain unchanged at \$230 million, the same as the previous year. As FY2025 figures included valuation losses, this could be a positive factor for the current fiscal year. Negative factors include the expected decline in the in-house capture rate in financial services due to reduced rate buydowns, as well as the loss of gains from land sales in the previous fiscal year. On top of that, there are some additional expenses, such as increasing the number of staff dispatched to overseas locations for technology transfer. In terms of the amortization of investment differences associated with acquisitions, inventory cost assets including MDC and Chesmar was approximately ¥21 billion in FY2025, but this is expected to decrease to approximately ¥8 billion in FY2026. Goodwill amortization is periodic so that amount will not change, although there may be exchange rate fluctuations.

- In the urban redevelopment business, although our ideal asset balance would be around ¥300 billion, it is currently trending somewhat lower than that. Meanwhile, we still have a substantial portfolio of around ¥200 billion, so we would like to flexibly utilize these assets by bringing them in or out as needed.

Question

- **In the U.S. homebuilding business, MDC seems to have struggled in FY2025, while the existing builders pushed toward recovery in the second half and maintained the same level as last year, which is a stark contrast. Are there any other factors besides the higher exposure to entry buyers that contributed to MDC's weak performance? Also, the third year of the Seventh Mid-Term Management Plan shows a V-shaped recovery planned for gross profit margins, so what changes can we expect to see in the current business structure?**
- **Also in the U.S. homebuilding business, the Company is making aggressive investment to capture demand from population growth over the medium to long term and the chronic housing shortage, but what about the risk of structural changes in the market that could undermine this scenario? What strategies or approaches will be implemented to ensure competitiveness even if structural changes occur?**

Answer

- For MDC, there were two factors putting pressure on the profit margin in FY2025: a high proportion of land geared toward the entry-level segment, and the high prices of land acquired recently in anticipation of a recovery to 15,000 units. However, this is only one part of the portfolio, and we will continue selling those properties steadily while gradually shifting the land portfolio toward the mid- to high-end segment. Currently, we own approximately 52,000 lots (including options), and over the course of the next three years, we intend to transform the land portfolio mix from the current ratio of 40-45-15 (40% entry, 45% move-up, 15% elite) back to the intended 20-60-20 (20% entry, 60% move-up, 20% elite) balance.

- The big question of whether the U.S. will see an end to the housing-ladder structure, like that seen in Japan's postwar economic miracle, is difficult to say. However, even if such structural changes occur, we are pursuing a strategy that focuses on providing high-quality homes that will retain their value over the long term. In the U.S., land tends to be emphasized and the value of the building itself is not given much weight, but we are preparing now to be a position to win if the market shifts to placing more importance on the value of the building quality itself.

Even amidst recent market fluctuations, it has already been proven that high-quality homes in Japan will sell to affluent buyers regardless of market conditions, so over the next three years, we will prepare carefully to be able to sell homes that are less affected by changes in the market environment. As shown on page 34 of the Seventh Mid-Term Management Plan, we believe that the gross profit margin of 16.5% in FY2025 is the bottom. Orders in January and February have been strong compared to the plans—despite the fact that incentives have been somewhat restrained—and we believe that gross profit margins

should be able to improve naturally as long as we continue on this path.

Question

- **In the U.S. homebuilding business, how do you assess order trends from October–December last year, and what are the current order conditions?**
- **In the final year of the Seventh Mid-Term Management Plan, what will be the impacts of bringing operating lease assets onto the balance sheet on such metrics as the D/E ratio and the debt repayment term? Will this affect repurchases of Company stock?**

Answer

- Orders in the fourth quarter of 2025 were not very strong. Although orders in January and February 2026 exceeded the plan by about 10%, they have not exceeded the level of the previous year. In terms of sales peaks this year, we are targeting May and October to move volume and increase sales.
- Regarding the accounting of lease assets, we are still in discussions with our auditors, and any impacts have yet to be finalized. Although bringing these items onto the balance sheet will negatively affect financial indicators, metrics like the debt repayment period (=net debt/EBITDA)—used by rating agencies as a key indicator of financial soundness—also depend on factors such as EBITDA and whether lease liabilities are included in net interest-bearing debt, so it is unclear what the actual impact will be. The accounting balance sheet will of course expand, but this does not actually change underlying risk, and so we will continue discussing how this will be evaluated with our auditors and the rating agencies. The key point is that it will depend on how the debt repayment period is calculated by the rating agencies. Since the underlying risk remains unchanged, it should not have any impact on our credit rating. As for repurchases of Company stock, whether before or after the new lease accounting rules, we will respond flexibly based on the financial soundness of the Company at that time.

Question

- **In the U.S. homebuilding business, how is the actual gross profit margin trending relative to the planned 17% growth profit margin on sales in January and February 2026? Also, do you expect margins to remain stable at around 17% over the full year, or will there be some seasonal fluctuation?**
- **What are the specifics behind the planned decrease in profit for FY2026 due to a one-off factor?**

Answer

- The gross profit margin for January and February 2026 are still under detailed review, so we will refrain from giving a specific answer at this stage. However, there was a mismatch between MDC's spec home

sales strategy and market demand, and as a result we are entering the year with a relatively high level of completed inventory. Because of that, we expect margins to be somewhat tight in the first half of FY2026. However, as we change the strategy and new contracts come through in the second half of the year, we believe margins will improve.

- In FY2025, we recorded a fairly large amount of equity in earnings of affiliated companies related to domestic property sales, and that will drop out this year, which is the main factor behind the decline in profit.

Question

- **Could you elaborate on what you mean when you say that Sekisui House intends to become a game changer in the U.S. homebuilding industry? What role will New 2×4 play in changing the game?**
- **What is the background behind that assumption that the U.S. multifamily business investment balance will decline from ¥0.7 trillion in FY2025 to ¥0.4 trillion in FY2028?**

Answer

- The biggest factor behind becoming a game changer is the product itself. Specifically, we want to distinguish our New 2×4 from the old 2×4. The first point is construction quality, and we deliver what is essentially a fully finished product with completion inspections conducted to Japanese standards. This is quite rare in the U.S., so we believe that this gives us an overwhelming advantage. Because the U.S. is a litigious society, we need to consider very carefully, but in the future it may be possible to move toward something closer to the long-term warranty systems we have in Japan. The U.S. has a very active existing-home market, so providing homes whose quality can be maintained over the long term can also create advantages in the resale market.

The second point is design quality. Detailed design techniques cultivated in Japan—such as our thoughtful approaches to floor plans and universal design—are rather lacking in U.S. housing, so this could become a major advantage.

The third point is the quality of materials. For example, for timber that is hidden inside walls, C- or D-grade wood is commonly used in the U.S., unlike the A-grade wood used in SHAWOOD, which gives us space to differentiate ourselves with the quality of our materials.

The fourth point is high-durability and low-maintenance technologies. Japan's high-durability technologies are significantly more advanced than those of the U.S., including that of exterior wall and roofing materials, giving us another substantial advantage.

In broad terms, Japanese homebuilding technology has reached a much higher level than that of the U.S., so we believe that we can become a substantial game changer by simply transferring that technology.

- As for the U.S. multifamily business, we currently have quite a number of completed properties, making

this a very good time to sell, so we intend to proceed with sales while keeping financial soundness in mind. At the same time, if we come across attractive properties, we will leverage the know-how we have cultivated and acquire them. However, as a reflection from the Sixth Mid-Term Management Plan, having a well-functioning exit strategy is extremely important, and we will proceed while carefully considering the balance between our exit capabilities and new investments.

Question

- **What are the factors driving the increase in home deliveries and the significant improvement of the operating profit margin from 4.4% in FY2027 to 8.2% in FY2028 in the U.S. homebuilding business, other than higher value-added products? Also, what are the assumptions about the market environment, such as interest rates, for the period of the Seventh Mid-Term Management Plan?**
- **What is your view on the outlook under the Seventh Mid-Term Management Plan for the architectural/civil engineering business in Japan? Also, what is your outlook on medium- to long-term profitability and the market environment?**

Answer

- We assume that there will not be any particular new events that will affect the operating margin. We expect gross profit margin to improve by steadily selling lower-margin inventory, increasing the share of the build-to-order model, and raising the unit price per home. We also anticipate a gradual single-digit recovery track in terms of unit sales, and we are not assuming a sharp V-shaped recovery. We also expect a similar path in the market.
- Konoike Construction's operating profit appears somewhat high at ¥22 billion for FY2025, but this is due to such factors as the delivery of large-scale projects and price escalation adjustments. While there can be some volatility depending on the size of certain projects, long construction timelines and current orders mean that we have a structure in place to generate around ¥17 billion in operating profit on a stable basis. Given the balance with our construction capacity, we are not assuming rapid growth.

Question

- **Assuming that performance in the U.S. homebuilding business will grow significantly in the third year of the Seventh Mid-Term Management Plan, when will New 2×4 begin contributing to profit? Also, will New 2×4 demonstrate high profit margins thanks to its distinctive high quality and efficiency?**
- **What circumstances would increase the likelihood of repurchases of Company stock? The figure of ¥300 billion presented in cash allocation seems as though it could largely be absorbed through dividends based on the profit plan and dividend payout ratio.**

Answer

- The model homes using New 2×4 will have only just opened in FY2028, so at this point the extent to which sales will be achieved and what contributions will be made to performance is unclear. Because construction quality is the key to New 2×4, it will depend in part on how quickly we can develop onsite supervisors capable of carrying out inspections, which we expect to take another one to two years. Therefore, we are not assuming New 2×4 to rapidly contribute to sales, but if human resource development turns out faster than expected, sales of New 2×4 could accelerate accordingly.
- Our policy is to flexibly execute repurchases of Company stock, so we have intentionally not incorporated this into the cash allocation framework. At the same time, because overseas operations now account for roughly 30% to 40% of our business, our results are more likely to fluctuate than in the past. Although we believe it is unlikely that we will conduct repurchases of Company stock, there is no need to rule out the possibility in the event of a significant deviation from the plan, and we will consider this option based on market conditions and investor reactions.