

Sekisui House, Ltd.

Summary of the Q&A Session FY2025 Q2 Financial Results and Management Plan Briefing

Date	:	Thursday, September 4, 2025, 4:00 p.m. to 5:30 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.

Questions

- **What is the current sales situation of the U.S. homebuilding business, and based on that, what is the likelihood of achieving the full-year plan?**
- **What is your outlook for the next fiscal year? If the U.S. market does not improve, will you be able to secure overall consolidated profit growth through property sales and other measures?**

Answers

- The monthly average orders from July to August were slightly below 900 homes, with August recovering by about 20% compared to July. To achieve the full-year plan for orders of 12,800 homes, the monthly average from September to December will need to be around 1,100 homes, the same level as the first half of the fiscal year 2025. Given the current recovery trend, we believe this is achievable. In particular, MDC is accelerating sales of homes for elite buyers. Gross profit margins for these homes are roughly 5% higher than for entry-level homes, supporting overall gross profit margin improvement. While inventory for elite buyers remains limited, we expect to sell about twice as much as in the first half, further contributing to higher gross profit margins.
Visitor numbers remain steady, and while housing demand is strong, uncertainty continues to drive a wait-and-see stance. With mortgage rates having eased slightly, orders showed signs of recovery in August, but it is undeniable that future order trends will remain influenced by mortgage rate movements.

- As for next fiscal year's outlook, details will be announced in the upcoming Mid-Term Management Plan, so we will refrain from elaborating at this time. For the next fiscal year, we have a pipeline of quality development projects in Japan that can serve as a buffer for the future. In addition, as demand from investors is showing signs of recovery in the U.S. multifamily business, we would like to formulate our plans on the assumption of a growth trajectory.

Questions

- **More than a year has passed since the acquisition of MDC; what differences have been observed beyond the customer layer compared with other companies, and what areas require improvement?**
- **What is the outlook for the Net Debt/EBITDA ratio going forward?**

Answers

- MDC has traditionally shifted its strategies dynamically in line with market conditions, but it is undeniable that there is currently a mismatch with the environment. Areas for improvement include:
 - First, the concentration on entry buyers.
 - Second, the heavy reliance on spec homes. MDC's sales of spec homes, which accounted for less than 20% three years ago, rose to around 90% last fiscal year.
 - Third, MDC's land pipeline amounts to roughly 2.5 years, which is limited compared to other listed builders.

Going forward, we aim to strengthen resilience to market fluctuations by increasing lots through option contracts with minimal impact on the balance sheet. In the domestic detached houses business, our strength lies in pursuing a mid- to high-end strategy that is less susceptible to economic conditions. The purpose of our overseas expansion is to make Sekisui House technologies the global de facto standard. By transferring our technology and sales expertise as we shift toward the mid- to high-end segment, we will be able to build a much stronger company. In particular, in terms of quality, we aim to raise construction standards to a level far superior to other builders.

- With regard to the Net Debt/EBITDA ratio, our policy remains unchanged: to bring it to around 2 times in the final year (FY2028) of the next Mid-Term Management Plan. For the current fiscal year, while the initial plan was 3.20 times, progress in selling development properties has offset the downward pressure on EBITDA, resulting in a revised plan of 3.09 times. Looking ahead to the next fiscal year, we expect continued improvement in financial soundness through measures such as sales of U.S. multifamily and EBITDA recovery in the U.S. homebuilding business.

Questions

- **What are your assumptions regarding future mortgage rate levels, and how do you view the underlying**

premises of your plan in light of changes in the macroeconomic environment?

- **What preparations and initiatives are being made in the U.S. homebuilding business for the next fiscal year?**

Answers

- Although there are expectations of a rate cut in September, it is difficult to predict the extent to which a reduction in the policy interest rate would affect mortgage rates. Therefore, at this stage we have formulated our plan without factoring in a decline in mortgage rates. If mortgage rates do decline, it is possible that sales will rebound more than expected.
- With regard to housing construction, we are moderating activity to some extent in response to somewhat slower sales. For land, on the other hand, we intend to pursue acquisitions proactively if attractive lots become available; for example, when other builders refrain from acquisitions. For this fiscal year, given the initial plan for 15,000 deliveries, the land pipeline is already secured. As we shift toward a mid- to high-end strategy, land not aligned with our strategy may be sold without building, but such sales are scarcely incorporated into this year's plan.

Questions

- **For the U.S. homebuilding business, what is the expected situation at the beginning of the next fiscal year if performance is in line with the revised plan?**
- **With regard to the domestic urban redevelopment business, what is the timing for recording additional property sales, as well as the scale and status of such properties?**

Answers

- During the current fiscal year, we plan for 12,800 orders and 12,600 deliveries, with the order backlog expected to increase compared with the beginning of the year. The delivery plan has been revised downward. Should, however, orders fall short of expectations, we will respond by determining the appropriate level of backlog to maintain and by considering conditions in other businesses. Although the backlog is expected to decline from the end of the second quarter, we will work to review our customer layers and adjust our land strategy, while also aiming to improve the gross profit margin.
- While we are unable to comment in detail due to confidentiality agreements with our counterparties, we hold very high-quality properties and have no concerns regarding their sale. Given the uncertain outlook for the U.S. economy, we believe that, if these properties are to be used as a buffer, scheduling the sale in the fourth quarter would make it easier to adjust overall performance.

Questions

- **For the U.S. homebuilding business, what is your outlook for the gross profit margin in the second half, and how are incentives incorporated into the plan?**
- **For the U.S. homebuilding business, what is the breakdown in this fiscal year's plan between the cost of inventory assets and the amortization of goodwill and trademark rights?**

Answers

- In the first half of the fiscal year, gross profit margin was 15.3% for MDC and 21.0% for existing builders. For the second half, we are planning to maintain gross profit margins at a similar level. We do not intend to offer incentives that would reduce the current gross profit margin, and our plan for the second half is based on maintaining this level.
- Regarding the cost of inventory assets, MDC is expected to record approximately ¥20.0 billion in the current fiscal year. As of the end of the second quarter, 66% of the allocated amount has been recorded, and we expect that around ¥6.0 billion will remain in FY2026. Accordingly, the burden for the next fiscal year is expected to be lighter.

Question

- **For the U.S. homebuilding business, aside from lower mortgage rates, what other factors such as housing purchase support measures could contribute to an improvement in market conditions?**

Answer

- As the U.S. midterm elections approach, discussions have emerged regarding measures to support affordable housing. However, placing undue expectations on such measures carries risks, so we have not incorporated them into our plans. The continued wait-and-see stance among customers reflects various underlying concerns, including the situation in Ukraine, tariffs, and immigration issues. Still, mortgage rates remain their most significant concern. Since visitor numbers have not declined, housing demand is still strong, and we believe mortgage rates are the factor with the greatest influence on sales trends.