

Q&A at Earnings Conference for Analysts/Institutional Investors (Summary)
at Announcement of Financial Results for FY2025 3Q
(For the fiscal year from April 1, 2025 to December 31, 2025)

Date & time: From 4:00 p.m. to 5:00 p.m., Friday, February 13, 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

Saori Seki, General Manager, IR Department

【Q1】

Looking at construction in both the Rental Housing Business and the Logistics, Business & Corporate Facilities Business, gross profit margin for the first nine months improved year-on-year but declined year-on-year for the three-month period of the third quarter. Please indicate the factors behind this and your outlook for improvement.

(Reference) Financial Highlights P.4 “Topics”

【A】

-We analyze the reason the gross profit margin declined by 0.6pt for construction in the Rental Housing Business as being due to an increase in the net sales composition represented by the built-for-sale business, which has a relatively low margin. Looking at construction and built-for-sale separately, both are on a recovery trend as we have steadily been able to adjust prices to reflect cost increases.

-The gross profit margin for construction in the Logistics, Business & Corporate Facilities Business declined by 0.3pt but profitability at the time of order received is improving steadily. For our full-year plan for construction, we are projecting a decline in the gross profit margin to reflect the possibility of the allocation of provisions at Fujita.

【Q2】

Due in part to the acquisition of Sumitomo Densetsu, the debt-equity ratio is increasing. Are current conditions such that it will be difficult to conduct additional shareholder returns aimed at achieving an ROE of 13%? Also, will you be prioritizing investments or improvements to financial soundness?

(Reference) Financial Highlights P.13 “Consolidated Balance Sheets (3) Liabilities and Net Assets”

【A】

-The debt-equity ratio reached a level that exceeded the initial assumptions outlined in the 7th Medium-Term Management Plan due to the Sumitomo Densetsu TOB of approx. 140.0 billion yen, business expansion in the US, and an increase in real estate for sale attributable to efforts to strengthen the built-for-sale business in Japan. The turnaround for real estate for sale is quick, so we will seek to recover our investment during the period of the 8th Medium-Term Management Plan. However, in March 2026, we are also planning on contributing the remaining capital necessary to make Sumitomo Densetsu a wholly owned subsidiary. As a result, conditions are such that the likelihood of share buybacks is not necessarily high. Our policy going forward will be to continue investing to ensure we do not miss out on growth opportunities.

【Q3】

I would like to confirm your approach to your operating income projection for the fourth quarter. Since you did not revise your full-year business performance forecast, looking at the full-year plan and third quarter performance, there are segments, e.g., the urban hotel business, etc., that appear to have lower income in the fourth quarter. Please discuss the factors influencing these segments.

(Reference) Financial Highlights

P.9, 10 “Business Segment Results”

P.21, 22 “Business Segment Forecasts for FY2025”

P.30 “Commercial Facilities Business (1) Results”

P.31 “Commercial Facilities Business (2) Forecasts”

【A】

-At the time of the first half earnings conference, we revised our full-year operating income projection upward to 510.0 billion yen. However, as of the third quarter, our assessment is that the upswing in performance is not significant enough to warrant additional revisions to our forecast. At present, there are no segments tracking below current targets and performance is firm. As such, we are not predicting any inability to achieve plans.

-As for our projections for the urban hotel business, it may be difficult to maintain similar margin levels achieved through the first nine months. At the time of the first half earnings conference, we conveyed that the impact of the downturn in overall inbound demand was low. This was because inbound guests represented roughly 25% of Daiwa Roynet Hotels’ guests and, of those, tourists from China accounted for roughly 10 to 20%. However, our ADR has been impacted by the lowering of lodging fees by certain competitor hotels that had a high rate of usage by Chinese tourists.

【Q4】

Please indicate the reasons why the US Single-Family Houses Business is performing favorably relative to the market overall.

(Reference) Financial Highlights P.24 “Single-Family Houses Business (2) Overseas Business”

【A】

-We are developing numerous communities in the US and are expanding business domains while also targeting affluent layers, who are relatively less impacted by interest rate hikes. These factors are leading to robust orders received.

-On the other hand, there are regional differences. CastleRock, which operates mainly in the Southern US, continues to face a difficult operating environment.

【Q5】

Regarding regions with difficult orders received environments for single-family houses, mainly Texas, please discuss your future projections in light of trends seen during the spring selling season since late February and the impact of housing-related policies implemented by the Trump administration.

【A】

-Looking at the current orders received environment in the US, the total number of January orders received for the three companies increased by 15% year on year. However, performance in the South decreased by 40% year on year as difficult conditions continue. There is no change in our ongoing policy of adding incentives to promote sales. Other efforts include currently preparing communities for sale with the goal of using the spring sales launched from mid-February as an opportunity to recover orders received. As for to what extent Trump administration housing-related policies will impact current orders received, at present we have not been able to make a clear determination.

【Q6】

I imagine the Sumitomo Densetsu acquisition will enable you to shift from construction-centric operations to also handle electric facilities construction for data center and semiconductor-related construction projects. What level of improvement in margin are you projecting moving forward? Also, it is my understanding that Sumitomo Densetsu has numerous existing orders received. After joining the Group, what approach will you take to information sharing and taking advantage of synergy?

【A】

-We are at the stage of having just begun negotiations with Sumitomo Densetsu, so at present I am

unable to provide any quantitative briefing. However, our sales and construction divisions in charge of data center and semiconductor-related construction projects have a positive view of Sumitomo Densetsu joining the Group, so we are excited about new possibilities moving forward.

-Sumitomo Densetsu has two years' worth of orders received. As such, we may not see any joint projects over the short term. Also, we do not intend to position Sumitomo Densetsu as a subordinate contractor. We believe there will be significant benefit to our continued focus on building construction while also being able to engage in proposals that include electrical facilities construction.

【Q7】

Please discuss the impact the Sumitomo Densetsu acquisition will have on your balance sheet. Also, please indicate any expectations related to future earnings and growth potential as a result of Sumitomo Densetsu joining the Group.

【A】

-As of the end of the first nine months, the only impact on our balance sheet attributable to this acquisition will be that stocks of subsidiaries and affiliates increase by 140.0 billion yen. We are planning to add the company as a consolidated subsidiary at the end of March, at which time Sumitomo Densetsu, including its assets and liabilities, will all be incorporated into our balance sheet.

-In their current medium-term management plan, Sumitomo Densetsu has outlined their targets for FY2028 as 270.0 billion yen in net sales and 23.0 billion yen in ordinary income. Based on current trends, we believe their likelihood of achievement is high.

-We believe there is benefit in being able to engage in comprehensive proposals that include aspects related to facilities, which we were unable to provide in the past. At the same time, Sumitomo Densetsu will be able to leverage its relationship with us to gain new customer proposal opportunities.

【Q8】

Please discuss the status of the Condominiums Business overseas.

(Reference) Financial Highlights

P.28 “Condominiums Business (1) Results”

P.29 “Condominiums Business (2) Forecasts”

【A】

-Concerning the Condominiums Business in China, when we revised the full-year forecast in November of last year, we incorporated valuation losses under the lower of cost or market method. There have been no significant changes in conditions since then. We have properties in London up for

sale but the number of contracts is trending below assumptions. On the other hand, contracts for Vista Pointe, which we newly launched in the US, are trending favorably and are expected to contribute to performance moving forward.

【Q9】

Please discuss the status of orders received for Logistics, Business & Corporate Facilities for Daiwa House (non-consolidated) as well as current property trends.

(Reference) Financial Highlights P.35 “Orders Received by Business Segment (Non-consolidated)”

【A】

-Excluding SPC, which removes the impact of the sale of development properties, performance increased by 17.3% year on year. Currently, inquiries for construction projects, mainly logistics facilities and including offices and semiconductor-related construction, are strong.

【Q10】

Compared to the same period of the previous year, has there been a decrease in newly launched logistics facilities? Also, are you adjusting the development pace in relation to the market, which is seeing high vacancy rates?

(Reference) Financial Highlights P.14 “Breakdown of Investment Real Estate (1)”

【A】

-While there is volatility in the supply and demand environment, our view is that demand will remain high for logistics facilities over the medium- and long-term. Newly launched properties have decreased year on year, but we are proceeding as planned without slowing down our development pace.

【Q11】

Operating income from sales of development properties during the first nine months has already exceeded full-year plans. Do you project any additional income in the fourth quarter?

(Reference) Financial Highlights P.17 “Sale of Development Properties: Results and Forecasts”

【A】

-Results through the first nine months will largely reflect property sales for the current fiscal year. We do anticipate a slight increase during the fourth quarter.

【Q12】

At the management briefing in November of last year, you explained that you would ease the pace of logistics property sales moving forward to increase opportunities for building up your operational track record. Concerning Logistics, Business & Corporate Facilities, please indicate your projections for sales of development properties next fiscal year, the current operational status, and your approach to your investment real estate balance.

(Reference) Financial Highlights

P.14 “Breakdown of Investment Real Estate (1)”

P.17 “Sale of Development Properties: Results and Forecasts”

【A】

-While the scope of development properties to be sold next fiscal year is undetermined, I think increases in net sales and income for the company overall will be considered as a factor in our evaluations.

-At present, supply and demand balance is more stable than in the past and leasing conditions are trending towards improvement.

-Moving forward, we want to ease the pace of sales and focus on earning income by retaining completed properties for a certain period of time. As for how much we will increase the investment real estate balance, I am unable to provide any specific targets at this time.

【Q13】

With there having been a large-scale land sale in the US this fiscal year, please indicate if there are any factors that could contribute to increased income next fiscal year.

【A】

-We are currently formulating our plan for next fiscal year, so I will refrain from commenting.

【Q14】

Please indicate your outlook for ROE moving forward.

【A】

-We anticipate difficulty achieving the ROE of 13% we initially outlined for FY2026. We recommend taking a conservative approach to future projections.

【Q15】

Concerning your response to interest rate hikes in Japan, what types of discussions are you having concerning the balance between growth investments and shareholder returns as it relates to the upcoming medium-term management plan?

(Reference) Financial Highlights P.12 “Consolidated Balance Sheets (2) Assets”

【A】

-In the 8th Medium-Term Management Plan, we intend to keep growth investments as one of our core themes. At the same time, in light of the current increase in inventory assets, we will also position improving asset turnover as an important issue. With assets currently not being utilized in particular, we are instructing teams to rapidly pursue monetization for such assets. Also, to respond to interest rate hikes, we plan to increase our internal interest rates from April 2026. Through this measure, we will ensure that teams engage in project management that gives greater consideration to cash flow.

End

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