



## News Release (Translation)

April 15, 2020

Company: Daiwa House Industry Co., Ltd.  
(Code number: 1925,  
First Section of the Tokyo Stock Exchange)  
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### **Notice Concerning Dissolution and Liquidation of Equity-Method Affiliate**

Daiwa House Industry Co., Ltd. (“Daiwa House”) announces that it has filed a petition for compulsory liquidation of Dalian Daiwa Zhongsheng Real Estate Co., Ltd. (“the Company”), an affiliate of Daiwa House Industry Co., Ltd., and that the Company will be liquidated pursuant to the Company Law of the People's Republic of China.

#### **1. Reason for liquidation**

Daiwa House has an 83.65% shareholding in the Company, but under an agreement with its joint venture partner, four of the eight directors on the Board of Directors, the highest decision-making body within the Company, were dispatched by Daiwa House, which thus held 50.00% of the voting rights.

The Company held a board meeting on December 30, 2019, at which motions to allocate voting rights according to shareholding ratios and to extend the business deadline were put forward. However, the joint venture partner did not understand and the relevant motions were not adopted, so the business deadline was reached on December 31, 2019, and the Company will be dissolved pursuant to the Company Law of the People's Republic of China.

Under the Company Law of the People's Republic of China, it is necessary to form a liquidation committee by board resolution within 15 days of company dissolution, but it was not possible to form a liquidation committee via board resolution. As a shareholder of the Company, Daiwa House filed a petition for compulsory liquidation of the Company, which the courts formally accepted on April 14, 2020.

## 2. Overview of company to be liquidated (Dalian Daiwa Zhongsheng Real Estate Co., Ltd.)

Company name		Dalian Daiwa Zhongsheng Real Estate Co., Ltd.		
Location		Dalian, PRC		
Name and title of representative		Yoshinori Maeda, Chairman		
Lines of Business		Development and sale of housing		
Capital		3.3 billion yuan (As of the end of September 2019)		
Incorporated		July 12, 2005		
(1) Major shareholders and ownership ratios		Capital contribution ratio	Share of voting rights*	
	Daiwa House Industry Co., Ltd.	83.65%	50.00%	
	Dalian Zhongsheng Group Co., Ltd.	16.35%	50.00%	
(2) Relationship between listed company and the Company	Capital relationship	Daiwa House holds 83.65% of the Company's shares.		
	Personnel relationships	Four Daiwa House executives and staff serve concurrently as directors of the Company. Daiwa House has also dispatched employees to the Company.		
	Business relationship	There is no noteworthy business relationship between Daiwa House and the Company.		
(3) Company's financial performance and balance sheet over latest three years				
Fiscal year end	December 2016	December 2017	December 2018	
Net assets (thousand yuan)	3,432,958	3,487,803	1,891,118	
Total assets (thousand yuan)	3,709,681	3,768,808	2,402,568	
Net sales (thousand yuan)	551,795	487,251	180,013	
Operating income (thousand yuan)	56,220	73,366	-163,839	
Ordinary income (thousand yuan)	49,244	77,195	-1,560,294	
Net income (thousand yuan)	42,965	54,845	-1,596,685	
Note: Exchange rate at balance date	¥16.76 per yuan	¥17.29 per yuan	¥16.16 per yuan	

\* The Board of Directors is the Company's highest decision-making body. Decisions are made by the execution of one voting right per director on the board, so the share of voting rights depends on the number of directors dispatched by the investor companies.

## 3. Schedule

Liquidation procedures will begin on completion of the court-prescribed procedures.

#### **4. Outlook**

There will be a negligible impact on Daiwa House's consolidated results this fiscal year.

End

Disclaimer:

This English translation has been prepared for general reference purposes only. The Company shall not be responsible for any consequence resulting from the use of the English translation in place of the original Japanese text. In any legal matter, readers should refer to and rely upon the original Japanese text of the press release dated April 15, 2020.