



## News Release (Translation)

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Company: Daiwa House Industry Co., Ltd.  
(Code number:1925,  
First Section of the Tokyo Stock Exchange)  
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### Notification of Acquisition of Equity Interests in CastleRock Communities, L.P. and Change in Daiwa House's Specified Subsidiary

Daiwa House Industry Co., Ltd. (hereafter, the “Company”) hereby announces that it has resolved at its board of directors’ meeting held on August 10, 2021 that Daiwa House USA Holdings Inc., its wholly owned subsidiary, will enter into an equity interest purchase agreement with the owners of CastleRock Communities L.P. (“CastleRock”), which is engaged in the single-family housing business in the United States, and will make CastleRock its subsidiary.

Furthermore, the Company also announces that CastleRock will become its specified subsidiary because the amount of investment in CastleRock at the time of our acquisition of equity interests in CastleRock will be equal to or more than 10% of the Company’s capital. Details are as follows.

#### 1. Reasons for the Acquisition of Equity Interests

The Daiwa House Group aims to achieve a society in which everyone can live spiritually enriched lives by creating new value, using it and refining it with its customers. As a “Group that is co-creating value for individuals, communities, and people’s lifestyles,” the Daiwa House Group has engaged in a wide range of business areas, including business relating to single-family houses, rental housing, condominiums, existing home business, commercial facilities, business and corporate facilities and environmental energy.

In the “Daiwa House Group’s Sixth Medium-Term Management Plan,” which will conclude in the fiscal year ending March 2022, the Daiwa House Group aims to achieve sales of 400 billion yen in its overseas business by making continuous business investments while strengthening its management system.

In the U.S. market, where strong housing demand is expected due to population growth, the Daiwa House Group has been developing its single-family housing business in a “smile zone”, joining the eastern, southern and western parts of the United States, which have particularly robust economies. In 2017, the Company welcomed Stanley Martin Homes, LLC (currently known as Stanley Martin Holdings, LLC), which is engaged in a single-family home business mainly in Virginia. The Company subsequently acquired, through such entity, FD Communities, LLC in 2018 and Essex Homes Southeast, Inc. in 2020, respectively, expanding its franchise in the eastern United States.

Furthermore, in 2020, Trumark Companies, LLC, which is engaged in development of the building of master planned communities, single-family houses sales, condominiums sales, development of complex facilities, etc. and attached housing, urban and mixed-use development, mainly in California, joined the Daiwa House Group. The Company has been continuing to expand our business in the western United States.

In recent years, as the demand for single-family houses has been expanding in the United States, especially in the suburbs, and there has been a need to expand the functions and value of housing, due to changes in people's lifestyles in connection with the Covid-19 pandemic, the Daiwa House Group has been considering strengthening and expanding its detached house business, where further business opportunities are expected.

Given this background, the Company has decided to acquire 80.0% of equity interests in CastleRock, which operates a single-family housing business in Texas, the United States, subject to certain conditions to closing set forth in the equity interest purchase agreement.

Texas is one of the largest housing markets in the United States, and will be an important market in the context of the Daiwa House Group's focus on the "smile zone". Particularly in recent years, due to factors such as its attractive tax system and low cost of living as a backdrop, companies, including those in high-tech industries, have been relocating and creating jobs, in addition to traditional oil and energy industries. Migration from other states to Texas has been active, and the housing market is expected to continue to expand.

CastleRock is a privately held company engaged in the development of residential land and the development and sale of single-family houses in Texas, where the housing market is expected to expand, delivering 1,628 homes in 2020. In addition, CastleRock's growth-oriented, customer-centric, and employee-oriented management approach of developing talent internally is similar to Daiwa House Group's culture. Through numerous conversations with CastleRock's management, we learned that CastleRock has similar values to those of the Daiwa House Group, and have determined that CastleRock is an appropriate partner for the development of our business in Texas. Even after our acquisition of equity interests, the current management team will continue to lead the management of CastleRock, and retain a portion of CastleRock's equity interests, and the Daiwa House Group and CastleRock will establish a strong partnership.

By sharing and mutually utilizing their respective know-how and experience, the Daiwa House Group and CastleRock aim to expand their franchise in the southern United States and collaborate in a wide range of housing-related businesses.

## 2. Overview of Specified Subsidiary

① Company name (Note 1)	CastleRock Communities, L.P.
② Head Office	2401 Fountain View, Suite 215 Houston, Texas 77057, USA
③ Representative	Gregory A. Yakim (President), Robert L. Wright (Executive Vice President)
④ Business lines	Single-family housing business, and residential land sales and development business.
⑤ Amount of investment (Note 2)	Approximately US\$158,163,000 (truncated to nearest whole number)
⑥ Established	March 3, 2004
⑦ Principal holders of equity interests and percentage of equity interests held	Co-founders and officers (Gregory A. Yakim, Robert L. Wright, Kirk T. Breitenwischer) 100.0%

⑧ Relationships between the Company and CastleRock	Capital relationship	None	
	Personal relationship		
	Business relationship		
⑨ Operating results and financial position of CastleRock for the past three fiscal years (consolidated, US\$ in thousands, truncated to nearest whole number)			
Fiscal year end	December 2018	December 2019	December 2020
Net assets	8,147	15,581	41,332
Total assets	203,030	231,419	271,872
Net assets per share (Note 3)	–	–	–
Net sales	277,579	301,054	484,930
Operating income (Note 4)	40,210	39,017	75,419
Ordinary income (Note 5)	–	–	–
Net income attributable to owners of the parent	36,724	34,976	74,672
Net income per share (Note 3)	–	–	–
Dividend per share (Note 3)	–	–	–

(Note 1) CastleRock is currently a limited partnership (L.P.), but will be converted to an limited liability company (LLC). Daiwa House USA Holdings Inc. will acquire the equity interests in CastleRock after such conversion to LLC.

(Note 2) The amount of investment represents the aggregate amount of each interests holder's investment following the conversion of certain subordinated loans to CastleRock made by them (totaling US\$155,000,000 (as of December 31, 2020)) into equity interests in CastleRock.

(Note 3) Since CastleRock is a limited partnership, and the equity of each equity interests holder is based on each amount of investment, there is no financial information per share.

(Note 4) Consolidated operating income represents gross profit less selling, general and administrative expenses, based on the audited financial statements of CastleRock.

(Note 5) The figures for the consolidated operating results and consolidated financial position of CastleRock for the past three years have been prepared based on the audited financial statements of CastleRock. These audited financial statements do not contain any information on consolidated ordinary income.

### 3. Overview of Individuals from Which Equity Interests are Acquired

(1) Name	Gregory A. Yakim, Robert L. Wright, Kirk T. Breitenwischer
(2) Address	Houston, Texas, USA
(3) Relationship with the Company	There is nothing to note in relation to capital, personal or business relationship between the Company and each of these individuals

### 4. Ratio of Equity Interests to be Acquired, Acquisition Price and State of Ownership of Equity Interests Before and After Acquisition

(1) Ratio of equity interests held before acquisition	-%
(2) Ratio of equity interests to be acquired	80.0%

(3) Acquisition price	Value of equity interests: Approx. US\$402 million (¥44.1 billion) Advisory and other expenses: Approx. US\$6 million (¥0.7 billion) Sum: Approx. US\$408 million (¥44.8 billion)
(4) Ratio of equity interests held after acquisition	80.0%

(Note) The amount in JPY is calculated by the currency rate on August 5, 2021 (US\$1 = ¥109.7). The acquisition price assumed at present is stated, but the definitive acquisition price may vary depending on the amount of price adjustment.

#### 5. Schedule

(1) Date of resolution of the board of directors' meeting	August 10, 2021
(2) Date of conclusion of agreement	August 12, 2021 (planned)
(3) Date of acquisition of equity interests	August 2021 (planned)

(Note) The date of acquisition of the equity interests is scheduled to be in August 2021, but this date is subject to change as it is conditional upon the fulfillment of certain conditions stipulated in the equity interest purchase agreement. On the date of acquisition of equity interests, CastleRock will become a specified subsidiary of the Company.

#### 6. Outlook

After the closing, CastleRock will become a consolidated subsidiary of the Company during the current fiscal year ending March 2022. However, the effect on consolidated financial results for such fiscal year will be immaterial.

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 August 10, 2021.