



News Release (Translation)

October 23, 2020

Company: Daiwa House Industry Co., Ltd.
(Code number: 1925,
First Section of the Tokyo Stock Exchange)
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Notice of Funding through Hybrid Loan (Subordinated Term Loan)

Daiwa House Industry Co., Ltd. hereby announces today that we have signed a contract for financing the hybrid loan (hereinafter “the Loan”) as follows.

1. Purpose and background of funding

The Daiwa House Group positions the Sixth Medium-Term Management Plan started in April 2019 as a three-year period during which we will strengthen Group governance and aim for sustainable growth by utilizing the Daiwa House Group’s broad range of business domains. To achieve these goals, we will engage aggressively in real estate development investments.

As specific numerical goals related to our stated capital policy of maintaining capital efficiency and financial stability, we will aim for ROE of 13% or higher to ensure earnings surpass capital costs sufficiently enough to increase shareholder value. We also will aim for a D/E ratio of around 0.5 to ensure we maintain financial stability.

Based on the above policy, we will secure funding through the Loan as a method of capital procurement that will contribute to increasing our shareholder value and maintaining financial stability.

2. Loan characteristics

The Loan in question is a type of hybrid financing that is characteristically positioned between capital and debt. As the Loan constitutes debt, issuance does not result in the dilution of our per-share stock price. At the same time, the Loan qualitatively resembles capital due to features such as the discretionary deferral of interest, super long-term repayment schedules, and subordination in the case of liquidation or bankruptcy procedures. As such, we anticipate receiving capital certification on 50% of the capital procurement amount from Rating and Investment Information Inc. (R&I) and from the Japan Credit Rating Agency, Ltd.(JCR).

3. Loan Overview

(1) Amount to be borrowed	100 billion yen
(2) Date of agreement	October 23, 2020
(3) Drawdown date	October 30, 2020
(4) Maturity date	October 29, 2055 However, the Company may prepay all or part of the principal of the Loan on each interest payment date on or after October 31, 2025.
(5) Use of proceeds	The funds will be used for capital investment, investment/lending, commercial paper redemption, corporate bond redemption, debt repayment, and working capital.
(6) Replacement restrictions	The Company intends to raise funds that credit rating agencies have approved the same or higher equity credit as the Loan, within 12 months before the date of prepayment. However, if certain financial conditions are met at the time of prepayment, the Company may not raise funds that the credit rating agencies have approved the same or higher equity credit as the Loan.
(7) Interest payment	The Company may defer interest payments on the Loan.
(8) Subordination	The right to request payment under the Loan is subordinated to all senior creditors in the Company's liquidation proceedings, bankruptcy proceedings, corporate reorganization proceedings, and civil rehabilitation proceedings. Any provision of the Loan agreement shall not in any sense be amended if such an amendment would bring any disadvantage to all the senior creditors.
(9) Evaluation of equity credit (expected)	Class 3, 50% (Rating and Investment Information, Inc.) Middle Level, 50% (Japan Credit Rating Agency, Ltd.)

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 October 23, 2020.