



August 9, 2022

News Release (Translation)

Company: Daiwa House Industry Co., Ltd.
(Code number: 1925,
Prime Market of the Tokyo Stock Exchange)
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Notice Concerning a Simplified Share Exchange
to Establish KOUYAMAUNYU Co., Ltd. and KOUYAMA Transport Co., Ltd.
as Wholly Owned Subsidiaries

At a Board of Directors Meeting held on August 9, 2022, Daiwa House Industry Co., Ltd. (the “Company”) decided to conduct share exchanges (the “Share Exchanges”) with KOUYAMAUNYU Co., Ltd. (“KOUYAMAUNYU”) and KOUYAMA Transport Co., Ltd. (“KOUYAMA Transport”) to make them wholly owned subsidiaries of the Company. (KOUYAMAUNYU and KOUYAMA Transport are referred to individually or collectively as the “Target Companies.”) Share exchange agreements (the “Share Exchange Agreements”) were also signed on the same date by the Company and the Target Companies.

Based on the provisions of Article 796, paragraph (2) of the Companies Act, the Company plans to execute the Share Exchanges using a simplified procedure that does not require the approval of the general meeting of shareholders.

The total assets for the Target Companies on the last day of their most recent fiscal year were less than 10% of the Company’s net assets on the last day of its most recent fiscal year. Moreover, since the sales of the Target Companies in the most recent fiscal year were less than 3% of the Company’s sales for the most recent fiscal year, some information disclosure steps are not required.

1. Purpose of the Share Exchanges

The Company—a pioneer in the industrialization of construction—has developed more than 3,000 logistics facilities. In 2002, the Company started its proprietary D-Project logistics service and expanded its activities in the logistics facility field from the simple design and construction of facilities to become a dedicated overall coordinator in the logistics business. With D-Project, we offer clients a one stop service specifically tailored to each client's business model, encompassing everything from the proposal of prime-location logistics facility sites to post-completion maintenance and management. In collaboration with partners in related fields such as real estate and finance, we offer comprehensive logistics real estate solutions including both in-house asset-based and non-asset-based schemes, and real estate liquidation.

KOUYAMAUNYU is a low-temperature logistics company based in Shikoku region that delivers products at all three temperature levels: ambient, chilled, and frozen. It has advanced expertise in low-temperature logistics and is expanding into small-lot mixed transportation of frozen foods nationwide. Moreover, with the ability to handle everything from ordering to transport, KOUYAMAUNYU has its own quality control facilities. This includes a temperature-controlled sorting and distribution center with freezer and cold rooms, plus warehouses. As its sister company, KOUYAMA Transport handles long-distance trunk-route transport for KOUYAMAUNYU.

Based on the Share Exchanges, the Company will work to expand its low-temperature and other logistics businesses through collaboration between the Target Companies and the logistics companies in the Daiwa House Group.

2. Overview of the Share Exchanges

(1) Schedule for the Share Exchanges

Date of Board of Directors resolution for signing the Share Exchange Agreements (the Company)	August 9, 2022
Date of directors' decisions to sign the Share Exchange Agreements (KOUYAMAUNYU and KOUYAMA Transport)	August 9, 2022
Signing date for the Share Exchange Agreements (the Company, KOUYAMAUNYU and KOUYAMA Transport)	August 9, 2022
Date of Extraordinary General Shareholders Meetings to approve the Share Exchange Agreements (KOUYAMAUNYU and KOUYAMA Transport)	August 24, 2022 (scheduled)
Effective date of the Share Exchanges	September 12, 2022 (scheduled)

(Note.1) The Share Exchanges do not require approval of the Company's General Meeting of Shareholders, based on the provisions of Article 796, paragraph (2) of the Companies Act.

(Note.2) The schedule above may be modified if necessary based on agreement between the companies concerned. The reasons may include proceedings required for the Share Exchanges.

(2) Method for Share Exchanges

The Share Exchanges will be conducted so that the Target Companies become wholly owned subsidiaries of the Company.

Based on the provisions of Article 796, paragraph (2) of the Companies Act, the Share Exchanges will be conducted using a simplified procedure that does not require the approval of the general meeting of shareholders.

(3) Share allocation method for the Share Exchanges

(i) Share Exchange between the Company and KOUYAMAUNYU

	Daiwa House Industry (Parent company with 100% ownership after the Share Exchange)	KOUYAMAUNYU (Wholly owned subsidiary after the Share Exchange)
Allocation ratio for the Share Exchange	1	28.15
Number of shares to be delivered through the Share Exchange (Note)	Common stock of the Company : 2,983,900 shares (scheduled)	

(Note.1) Share allocation ratios

In exchange for each common share of KOUYAMAUNYU, the Company will allocate and deliver 28.15 shares of its common stock. In the event of a significant change in the conditions that form the basis of its calculation, the Share Exchange allocation ratio in the above table may be revised based on discussion and agreement between the Company and KOUYAMAUNYU.

(Note.2) Number of the Company's shares to be delivered through the Share Exchange

Immediately prior to the Company's acquisition of all of the issued shares of KOUYAMAUNYU under the Share Exchange, in exchange for the KOUYAMAUNYU shares to be received, the Company will allocate and deliver to the shareholders of KOUYAMAUNYU the number of the Company's shares calculated based on the Share Exchange allocation ratio in the above table.

To prepare the Company's shares to be delivered under the Share Exchange, all of the Company's allocation will come from of its treasury stock (10,508,782 shares as of March 31, 2022), and the Company does not plan to issue new shares.

(ii) Share Exchange between the Company and KOUYAMA Transport

	Daiwa House Industry (Parent company with 100% ownership after the Share Exchange)	KOUYAMA Transport (Wholly owned subsidiary after the Share Exchange)
Allocation ratio for the Share Exchange	1	541.23
Number of shares to be delivered through the Share Exchange (Note)	Common stock of the Company : 108,246 shares (scheduled)	

(Note. 1) Share allocation ratios

In exchange for each common share of KOUYAMA Transport, the Company will allocate and deliver 541.23 shares of its common stock. In the event of a significant change in the conditions that form the basis of its calculation, the Share Exchange allocation ratio in the above table may be revised based on discussion and agreement between the Company and KOUYAMA Transport.

(Note. 2) Number of the Company's shares to be delivered through the Share Exchange

Immediately prior to the Company's acquisition of all of the issued shares of KOUYAMA Transport under the Share Exchange, in exchange for the KOUYAMA Transport shares to be received, the

Company will allocate and deliver to the shareholders of KOUYAMA Transport the number of the Company's shares calculated based on the Share Exchange allocation ratio in the above table.

To prepare the Company's shares to be delivered under the Share Exchange, all of the Company's allocation will come from of its treasury stock (10,508,782 shares as of March 31, 2022), and the Company does not plan to issue new shares.

(4) Handling of stock acquisition rights and bonds with stock acquisition rights related to the Share Exchanges

This is not applicable as the Target Companies have not issued stock acquisition rights or bonds with stock acquisition rights.

3. Basis of allocation method for the Share Exchanges

(1) Basis and rationale for the allocation method

In order to ensure fairness and validity when investigating the share exchange ratios (the "Share Exchange Ratios") described under "(3) Share allocation method for the Share Exchanges" in the above section "2. Overview of the Share Exchanges," the Company selected Daiwa Securities Co. Ltd. ("Daiwa Securities") as an independent third-party institution to calculate the Share Exchange Ratios. Careful negotiations and discussions were conducted concerning the Share Exchange Ratios calculated and provided by Daiwa Securities, based mainly on the financial situations and future prospects of the Target Companies. As a result, it was decided that the received Share Exchange Ratios are appropriate and are not unfavorable to the respective shareholders. Based on a resolution of the Company's Board of Directors and decisions by the directors of the Target Companies, signing of the Share Exchange Agreements was agreed between the companies concerned.

The Share Exchange Ratios may be revised based on discussions between the companies concerned in the event of a significant change in the conditions that form the basis of ratio calculation.

(2) Valuation Methods

Since the Company is listed on the Prime Market of the Tokyo Stock Exchange, Daiwa Securities calculated the Company's stock value using the market price method. (With August 5, 2022 as the reference date, the value was calculated using the Company's closing stock price on the reference date, as well as using simple averages of the same closing stock prices during three periods: the most recent month, the most recent three months, and the most recent six months prior to the reference date.)

Since both Target Companies are unlisted companies, the market price method was not applicable. Instead, the discounted cash flow (DCF) method was used to value their stocks, in order to reflect their future business prospects. Comparable company analysis was also used for their valuation, due to the existence of similar listed companies. No significant performance fluctuations are anticipated by the Target Company management plans used for the DCF analysis.

The following shows the valuation results and ranges when the value per share of the Company's common stock is set at 1.

KOUYAMAUNYU

Methods used	Calculation results using the Share Exchange Ratios
DCF method	24.01~35.80
Comparable company analysis	14.21~20.77

KOUYAMA Transport

Methods used	Calculation results using the Share Exchange Ratios
DCF method	507.32~674.52
Comparable company analysis	605.19~925.50

4. Overviews of the Share Exchange participants (As of March 31, 2022)

1) The Company (Parent company with 100% ownership)

(1) Company Name	Daiwa House Industry Co., Ltd.	
(2) Head Office Location	3-3-5 Umeda, Kita-ku, Osaka	
(3) Name and Title of Representative	Keiichi Yoshii, President and CEO	
(4) Business Areas	Single-Family Houses Business Rental Housing Business Condominiums Business Existing Homes Business Commercial Facilities Business Logistics, Business and Corporate Facilities Business Other Businesses	
(5) Paid-in Capital	161,699 million yen	
(6) Established	March 4, 1947 (Start of Operation: April 5, 1955)	
(7) Issued Number of Shares	666,238,205 shares	
(8) End of Fiscal Year	March 31	
(9) Principal Shareholders and Shareholding Ratio	The Master Trust Bank of Japan, Ltd. (Trust Account)	18.28%
	Custody Bank of Japan, Ltd. (Trust Account)	6.27%
	Sumitomo Mitsui Banking Corporation	2.45%
	Daiwa House Industry Employees Shareholders Association	2.07%
	Nippon Life Insurance Company	1.82%

(10) Operating results and financial position of the immediately preceding fiscal year	
Fiscal Year End	March 2022 (Consolidated)
Net Assets	2,111,385 million yen
Total Assets	5,521,662 million yen
Net Assets Per Share	3,081.07 yen
Net Sales	4,439,536 million yen
Operating Income	383,256 million yen
Ordinary Income	376,246 million yen
Net Income Attributable to Owners of the Parent	225,272 million yen
Net Income Per Share	343.82 yen

(Note) Shareholding ratio is calculated by subtracting the number of treasury stock from the number of shares issued.

2) KOUYAMAUNYU (Wholly owned subsidiaries of the Company)

(1) Company Name	KOUYAMAUNYU Co., Ltd.
(2) Head Office Location	2061, Shioya-Nishi, Kita-Gawara, Masaki Town, Iyo County, Ehime Prefecture
(3) Name and Title of Representative	Osamu Kouyama, President and COO
(4) Business Areas	General freight trucking business, and freight handling business
(5) Paid-in Capital	60 million yen
(6) Established	September 7, 1967 (Start of Operation: March 6, 1962)
(7) Issued Number of Shares	106,000 shares
(8) End of Fiscal Year	December 31
(9) Principal Shareholders and Shareholding Ratio	Osamu Kouyama 100%
(10) Operating results and financial position of the immediately preceding fiscal year	
Fiscal Year End	December 2021 (Non-consolidated)
Net Assets	4,379 million yen
Total Assets	6,124 million yen
Net Assets Per Share	41,318.54 yen
Net Sales	7,745 million yen
Operating Income	553 million yen
Ordinary Income	632 million yen
Net Income	474 million yen
Net Income Per Share	4,479.10 yen

3) KOUYAMA Transport (Wholly owned subsidiaries of the Company)

(1) Company Name	KOUYAMA Transport Co., Ltd.
(2) Head Office Location	2054, Shioya-Nishi, Kita-Gawara, Masaki Town, Iyo County, Ehime Prefecture
(3) Name and Title of Representative	Satoshi Toyota, President and COO
(4) Business Areas	General freight trucking business, and freight handling business
(5) Paid-in Capital	10 million yen
(6) Established	July 7, 2009
(7) Issued Number of Shares	200 shares
(8) End of Fiscal Year	December 31
(9) Principal Shareholders and Shareholding Ratio	Osamu Kouyama 100%
(10) Operating results and financial position of the immediately preceding fiscal year	
Fiscal Year End	December 2021 (Non-consolidated)
Net Assets	106 million yen
Total Assets	225 million yen
Net Assets Per Share	534,601.36 yen
Net Sales	1,366 million yen
Operating Income	12 million yen
Ordinary Income	15 million yen
Net Income	16 million yen
Net Income Per Share	84,140.69 yen

5. Status after the Share Exchanges

No changes are expected with respect to the company name, head office location, representative's name and title, business areas, paid-in capital, and fiscal year end for the Company after it acquires 100% ownership of the Target Companies based on the Share Exchanges.

6. Future Outlook

Through the Share Exchanges, the Target Companies will become consolidated subsidiaries of the Company. The impact on the consolidated business results of the Company is expected to be minimal. Going forward, the Company will promptly release any information that should be disclosed, such as revised earnings forecasts.

Reference: Consolidated financial forecast for the current fiscal year and consolidated financial results for the previous fiscal year

(million yen)

	Net Sales	Operating Income	Ordinary Income	Net Income Attributable to Owners of the Parent
FY2022 Forecasts	4,580,000	350,000	337,000	218,000
FY2021 Results	4,439,536	383,256	376,246	225,272

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 9, 2022.