



December 8, 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 of Changes in Consolidated Subsidiaries (Stock Transfer) and the Subsequent Transfer of Receivables and Property, Plant, and Equipment**

At the Board of Directors meeting convened today, we resolved to transfer all shares of our consolidated subsidiary Daiwa Resort Co., Ltd. and all loan receivables our Company holds against Daiwa Resort, Co., Ltd. to Godo Kaisha Ebisu Resort (hereinafter, “Receiving Company”), for which Japan Hotel REIT Advisors Co., Ltd. (hereinafter, “JHRA”) serves as asset manager.

Additionally, we also hereby announce the conversion and transfer of trust beneficiary rights for land and buildings associated with Royton Sapporo, a hotel owned by our Company and operated by Daiwa Resort.

#### 1. Reasons for transfer

In the 7th Medium-Term Management Plan (FY2022 to FY2026) we published on May 13, 2022, we aim to achieve both profit growth and improved capital efficiency through portfolio optimization to build a sustainable growth model. For businesses requiring restructuring, this means reevaluating growth scenarios and identifying the need for business restructuring or reorganization.

Daiwa Resort was established in 1973 and currently operates 24 hotels nationwide. This includes properties for which we consigned management to Daiwa Resort before transferring ownership to Daiwa Resort in 2007. Recent years have seen the hotel industry face difficult management issues, including rapid market environment changes and deteriorating facilities. Furthermore, the impact of COVID-19 resulted in a significant decline in the hotel industry operating environment. And while currently trending towards recovery, the industry continues to face uncertainty.

Amid these conditions, we have been evaluating various solutions for improving Daiwa Resort’s management structure and rebuilding a growth scenario for the company. Ultimately, we reached the decision that utilizing JHRA’s expertise and know-how in hotel asset management and hotel operations, an asset management company that specializes in real estate investment management with a focus on hotels, would maximize the potential of Daiwa Resort’s hotels and contribute to maximizing Daiwa Resort’s value and ensuring sustainable growth. Additionally, to promote business development efficiency, we also decided to

convert all land and buildings associated with Royton Sapporo, a hotel owned by our Company and operated by Daiwa Resort, into trust beneficiary rights and transfer said rights as well.

Through this business transfer, we will maximize our corporate value by improving profit growth and capital efficiency through the reinvestment of Group management resources into growth segments.

## 2. Overview of Subsidiary to be Transferred (as of March 31, 2022)

(1)	Company name	Daiwa Resort Co.,Ltd.		
(2)	Head office location	Marunouchi Trust Tower North 13F, 1-8-1 Marunouchi, Chiyoda-ku, Tokyo		
(3)	Name and title of representative	President and CEO Yoshinari Shibayama		
(4)	Business areas	Operation and management of hotels and other resort facilities		
(5)	Paid-in capital	100 million yen		
(6)	Established	April 20, 1973		
(7)	End of fiscal year	March 31		
(8)	Employees	1,925 (excluding fixed-term employees)		
(9)	Principal shareholders and shareholding ratio	Daiwa House Industry Co., Ltd. 100%		
(10)	Relationship between the listed company and the company	Capital relationship	Our wholly-owned subsidiary	
		Personal relationship	Two of- our employees serve as officers at the company.	
		Business relationship	Our Group and the company in question have a transactional relationship related to the consignment of hotel operations and management and capital lending.	
(11)	Operating results and financial position of the immediately preceding fiscal year			
	Fiscal Year End	FY2019	FY2020	FY2021
	Net assets (million yen)	26,899	11,840	4,853
	Total assets (million yen)	49,384	36,119	32,070
	Net Assets per shares (yen)	239.81	105.56	43.27
	Net sales (million yen)	46,252	17,499	18,820
	Operating income (million yen)	-240	-9,666	-7,532
	Ordinary income (million yen)	-129	-7,721	-5,672
	Net income (million yen)	-1,069	-13,314	-6,990
	Net income per share (yen)	-9.53	-118.70	-62.32

## 3. Overview of the Receiving Company

(1)	Company name	Godo Kaisha Ebisu Resort		
(2)	Location	C/O Mentor Capital Tax Corporation 1-2-9 Nishi-Shimbashi, Minato-ku, Tokyo		
(3)	Name and title of representative	Representative member: ISH Nozomi Executive officer: Shinya Takenouji		
(4)	Business areas	Real estate trust beneficiary interests, acquisition of securities, etc.		
(5)	Paid-in capital	Not disclosed		
(6)	Established	November 7, 2022		
(7)	Relationship between the listed company and the company	Capital relationship	None	
		Personal relationship		
		Business relationship		

#### 4. Details for transfer

##### (1) Outline of the transfer of shares, receivables, and the non-current assets

The transfer of shares		
(1)	Shares held prior to transfer	112,168,000 shares (Percentage of voting rights: 100%)
(2)	Number of shares transferred	112,168,000 shares
(3)	Shares held after transfer	0 shares (Percentage of voting rights: 0%)
The transfer of receivables		
(1)	Assets subject to the transfer of receivables	Our Company's loan receivables against Daiwa Resort
The transfer of non-current assets		
(1)	Asset name	Royton Sapporo (Trust beneficiary rights with land and buildings as trust assets)
(2)	Location	Kita1-jonishi 11-chōme-1, Chūō-ku, Sapporo, Hokkaido
(3)	Surface area	Land area: 11,368.37 m <sup>2</sup> 、 Total floor area: 57,702.04 m <sup>2</sup>
(4)	Book value	2,260 million yen
(5)	Current status	Currently operating as a hotel (294 rooms)

##### (2) The transfer price

55,617 million yen

\* The value of the receivables to be transferred will be the amount obtained by offsetting the receivable from Daiwa Resort by Our Company, and will fluctuate until the date of transfer. The transfer price for the transfer of shares, the transfer of receivables and the transfer of non-current assets was fixed at 55,617 million yen.

#### 5. Schedule

(1)	Date of conclusion of agreement	December 8, 2022
(2)	Date of closing	April 3, 2023 (planned)

#### 6. Outlook

As a result of this transfer, we plan to remove Daiwa Resort from the scope of consolidation. We forecast the impact on consolidated earnings to be minor. We will provide disclosure immediately in the event of any future earnings revisions or occurrence of other matters subject to disclosure.

End

## Appendix

### List of hotels operated by Daiwa Resort

	Hotel	Location
1	Royton Sapporo*	Kita1-jonishi 11-chōme-1, Chūō-ku, Sapporo, Hokkaido
2	Active Resorts MIYAGI ZAO	1-1 Aza-oni-ishihara, Togatta-onsen, Zao-machi, Katta-gun, Miyagi
3	Active Resorts URABANDAI	1093-309 Aza-Kengamine, Oaza-Hibara, Kitashiobara-mura, Yama-gun, Fukushima
4	Royal Hotel NASU	4449-2 Takakuhei, Nasu-machi, Nasu-gun, Tochigi
5	Hotel & Resorts MINAMIBOSO	1212 Tadara, Tomiura-cho, Minamiboso-shi, Chiba
6	Royal Hotel YATSUGATAKE	8240-1039 Nishiide, Oizumi-cho, Hokuto-shi, Yamanashi
7	Royal Hotel NAGANO	1372-1, Matsushiromachi Nishiterao, Nagano Shi, Nagano
8	THE HAMANAKO	4396-1 Yamazaki, Yuto-cho, Nishi-ku, Hamamatsu-shi, Shizuoka
9	Royal Hotel TOYAMA TONAMI	330 Aza-Tenno, Yasukawa, Tonami, Toyama
10	Royal Hotel NOTO	Ra-1 Yaguradani, Shikamachi, Hakui-gun, Ishikawa
11	Hotel & Resorts ISE-SHIMA	939-6 Aza-Kasatori, Matoya, Isobe-cho, Shima-shi, Mie
12	Hotel & Resorts NAGAHAMA	38 Ōshimachō, Nagahama, Shiga
13	Hotel & Resorts KYOTO-MIYAZU	58 Koaza-Iwamoto, Aza-Tai, Miyazu-shi, Kyoto
14	THE KASHIHARA	652-2 Kume-cho, Kashihara, Nara
15	Hotel & Resorts WAKAYAMA-KUSHIMOTO	1184-10 Sangodai, Kushimoto, Higashimuro-gun, Wakayama
16	Hotel & Resorts WAKAYAMA-MINABE	348 Aza-Omezudomari, Yamauchi, Minabe, Hidaka-gun, Wakayama
17	Hotel & Resorts MINAMIWAJI	Hei-317 Fukura, Minamiawaji, Hyogo
18	Royal Hotel DAISEN	1647-13 Maruyama, Hoki-cho, Saihaku-gun, Tottori
19	Royal Hotel TOSA	2995 Ko, Nishibun, Geisei, Aki-gun, Kochi
20	Royal Hotel MUNAKATA	1303 Tano, Munakata-shi, Fukuoka
21	Hotel & Resorts SAGA-KARATSU	4-9-20 Higashikaratsu, Karatsu-shi, Saga
22	Hotel & Resorts BEPPUWAN	1825 Hiramichi, Hiji, Hayami-gun, Oita
23	Active Resorts KIRISHIMA	2703-5 Kirishimataguchi, Kirishima, Kagoshima
24	Royal Hotel OKINAWA ZANPAMISAKI	1575 Uza, Yomitan, Nakagami-gun, Okinawa

\*Royton Sapporo is owned by our Company with operations and management consigned to Daiwa Resort.

#### Disclaimer:

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