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News Release (Translation)

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Notice of Capital and Business Alliance Agreement with Cosmos Initia Co., Ltd. and Kyoritsu Maintenance Co., Ltd., and the Changes in a Consolidated Subsidiary (Stock Transfer)

Daiwa House Industry Co., Ltd. (hereinafter, “the Company”) hereby announces that, at the Board of Director’s Meeting convened today, the Company resolved to terminate the capital and business alliance agreement concluded between its consolidated subsidiary Cosmos Initia Co., Ltd. (Code: 8844. Listed on the Standard Market of the Tokyo Stock Exchange. Hereinafter, “Cosmos Initia”) on April 16, 2013 (hereinafter, “Former Capital and Business Alliance Agreement”), and conclude a new capital and business alliance agreement (hereinafter, “Capital and Business Alliance Agreement,” with the capital and business alliance in accordance with said Agreement to be referred to as the “Capital and Business Alliance”) between Cosmos Initia and Kyoritsu Maintenance Co., Ltd. (Code: 9616. Listed on the Prime Market of the Tokyo Stock Exchange. Hereinafter, “Kyoritsu Maintenance”) and the transfer of 8,480,000 shares out of 21,428,616 shares of Cosmos Initia stock that the Company retains to Kyoritsu Maintenance (to be referred to as the “Stock Transfer”). Details are as indicated below.

Furthermore, as a result of this Stock Transfer, Cosmos Initia will change from consolidated subsidiary to equity-method affiliate company of the Company.

I. Capital and Business Alliance

1. Reason for the Capital and Business Alliance

The Company concluded the Former Capital and Business Alliance Agreement between Cosmos Initia on April 16, 2013, and Cosmos Initia was made a consolidated subsidiary on June 27, 2013. Since then, Cosmos Initia has participated in human resource exchanges and collaborative projects, using Daiwa House Group (hereinafter, “the Group”) resources and synergy to strengthen its Residential Business, which includes condominium development, and achieve growth by expanding and diversifying its business domains, including Solutions Business and Accommodation Business.

In the 7th Medium-Term Management Plan the Group released on May 13, 2022, it outlined “achieving growth of profits coexisting with capital efficiency through portfolio optimization” as the focal theme towards

“completing a sustainable growth model”. The Company’s subsidiary Cosmos Initia has also engaged in various evaluations towards building a scenario for further growth.

The 7th Medium-Term Management Plan also outlines a policy of “enhancing governance”. While structural conflicts of interest related to listed subsidiaries have been identified as a problem in the Corporate Governance Code and others, the Company recognized the current status of both a parent company and its consolidated subsidiary being listed as an issue.

Under these circumstances, the Company reached the conclusion that it is necessary to realize a three-company alliance involving Kyoritsu Maintenance, which possesses significant knowhow related to the facility management business, in order to fully tap into the potential of Cosmos Initia, helping maximize Cosmos Initia’s value and contributing to its sustainable growth. As such, the Company decided to conclude the Capital and Business Alliance Agreement and conduct the Stock Transfer. Moving forward, in addition to the alliance between the Company and Cosmos Initia, the Company will work with Kyoritsu Maintenance to strengthen new alliances related to dormitory and hotel management operations. At the same time, the Company will maximize its corporate value by balancing Group profit growth with improvements in capital efficiency.

2. Details of Capital and Business Alliance Agreement

(1) Details of capital alliance

The Company holds 21,428,616 shares of Cosmos Initia stock and will transfer 8,480,000 shares to Kyoritsu Maintenance for 6,029 million yen. As a result, the number of shares of Cosmos Initia stock retained by the Company will become 12,948,616 shares (38.25% of voting rights and 38.22% of shareholding) and the number of shares held by Kyoritsu Maintenance will become 8,480,000 shares (25.05% of voting rights and 25.03% of shareholding).

Furthermore, with this Stock Transfer, the status of Cosmos Initia will change from consolidated subsidiary to equity-method affiliate company of the Company.

(2) Details of business alliance

Through this Capital and Business Alliance, the Company, Cosmos Initia, and Kyoritsu Maintenance will conduct the following.

- i. Three-party business alliance
Promote an alliance through which the Group and Cosmos Initia Group proactively engaging in information provision related to the hotel, dormitory and senior life businesses operated by Kyoritsu Maintenance Group, as well as other initiatives such as collaborative business projects and human resource exchanges.
- ii. Two-party business alliance (the Group and Kyoritsu Maintenance Group)
The Group and Kyoritsu Maintenance Group will promote an alliance involving initiatives such as collaborative business projects related to the operations of each Group (for example, Kyoritsu Maintenance Group managing operations for facilities constructed by the Group) and human resource exchanges.
- iii. Two-party business alliance (Kyoritsu Maintenance Group and Cosmos Initia Group)
Kyoritsu Maintenance Group and Cosmos Initia Group will promote an alliance aimed at generating a synergetic effect between the hotel, dormitory and senior life businesses operated by Kyoritsu

Maintenance Group and the real estate development capabilities of Cosmos Initia Group (land information, planning, cost and schedule management, etc.). Additionally, the Group will pursue initiatives such as proactive information sharing aim at securing business opportunities for each company, utilizing business knowhow, promoting collaborative business projects, and human resource exchanges.

iv. Two-party business alliance (the Group and Cosmos Initia Group)

The Group and Cosmos Initia Group will continue to pursue alliances related to the respective businesses of each Group. Furthermore, for the foreseeable future, they will continue the business alliance based on the Former Capital and Business Alliance Agreement (including promoting collaborative business projects, human resource exchanges, partnering with the Group's investment corporation, and matters related to the Group's provision of a line of credit to Cosmos Initia) between the Group and Cosmos Initia Group that pre-existed the date and time of the conclusion of this Capital and Business Alliance Agreement. Also, the Company will continue to have the right to nominate two candidates for directors of Cosmos Initia.

3. Overview of Partners in the Capital and Business Alliance

i. Cosmos Initia

(1) Company name	Cosmos Initia Co., Ltd.	
(2) Location	Shintamachi bldg Shiba 5-34-6, Minato-ku, Tokyo	
(3) Representative	Ryotaro Takachi, President	
(4) Business profile	Real estate sales, Real estate rental, Real estate brokerage	
(5) Capital stock	5,000 million yen	
(6) Date of establishment	June 20, 1969	
(7) Major shareholders and shareholding ratio (as of September 30, 2023)	Daiwa House Industry Co., Ltd.	63.25%
	Akihiko Tokitsu	2.29%
	Hisanao Mitsu	1.29%
	GOLDMAN SACHS INTERNATIONAL	1.20%
	UBS AG LONDN A/C IPB SEFREGATED CLIENT ACCOUNT	1.18%
	Tsutomu Yamaji	0.97%
	Yoichi Enda	0.73%
	BNY GCM CLIENT ACCOUNT JPRD AC ISG (FE-AC)	0.66%
	Takai Kuroda	0.61%
	JPMorgan Securities Japan Co., Ltd.	0.55%
(8) Relationship between the Company and the relevant company	Capital relationship	The Company owns a 63.25% stake. The rate will be 38.22% after the transfer.
	Personal relationship	The Company's two employees serve concurrently as directors of the relevant company. The Company has the right to nominate two candidates for directors of the relevant company.

	Business relationship	Capital and Business Alliance Agreement has been concluded. The Company guarantees the loan of the relevant company.	
	Related party relationship	The relevant company is a consolidated subsidiary of the Company and will become an equity-method affiliate company with this Stock Transfer.	
(9) Consolidated operating results and financial positions of relevant company for the last three years			
Fiscal Year	FY2020	FY2021	FY2022
Net assets	34,981	36,607	41,512
Total assets	143,513	145,210	157,384
Net assets per share	1,016.29 Yen	1,063.23 Yen	1,205.03 Yen
Net sales	107,257	107,349	123,374
Operating income	2,376	3,351	4,924
Ordinary income	2,207	2,610	4,469
Net income attributable to owners of the parent	2,007	1,703	3,524
Basic net income per share	59.25 Yen	50.29 Yen	104.78 Yen
Dividend per share	7.00 Yen	7.00 Yen	14.00 Yen

(Millions of yen, unless otherwise noted)

ii. Kyoritsu Maintenance

(1) Company name	Kyoritsu Maintenance Co., Ltd.	
(2) Location	2-18-8 Sotokanda, Chiyoda-ku, Tokyo	
(3) Representative	Koji Nakamura, President	
(4) Business profile	Dormitory business, Hotel business, Senior Life business	
(5) Capital stock	7,964 million yen	
(6) Date of establishment	September 27, 1979	
(7) Major shareholders and shareholding ratio (as of September 30, 2023)	The Master Trust Bank of Japan, Ltd (Trust Account)	11.79%
	Milestone Co., Ltd.	10.87%
	Custody Bank of Japan, Ltd (Trust Account)	6.75%
	KYORITSU INTERNATIONAL FOUNDATION	5.22%
	Haruhisa Ishizuka	2.69%
	MSIP CLIENT SECURITIES	2.64%
	Sumitomo Mitsui Banking Corporation	2.03%
	Nippon Life Insurance Company	1.40%
	RBC ISB LUX NON RES/DOM RATE-UCIT CLIENTS	1.24%
	ACCOUNTING-MIG	
	NORTHERN TRUST CO. (AVFC) RE TAMESIDE	1.22%
	METROPOLITAN BOROUGH COUNCIL AS THE	

	ADMINISTERING AUTHORITY OF THE GREATER MANCHESTER PENSION FUND		
(8) Relationship between the Company and the relevant company	Capital relationship	None	
	Personal relationship	None	
	Business relationship	None	
	Related party relationship	None	
(9) Consolidated operating results and financial positions of relevant company for the last three years			
Fiscal Year	FY2020	FY2021	FY2022
Net Assets	70,784	70,586	74,579
Total Assets	239,032	241,723	272,308
Net assets per share	1,815.45 Yen	1,810.40 Yen	1,912.28 Yen
Net sales	121,281	173,701	175,630
Operating income	-9,057	1,431	7,326
Ordinary income	-9,116	1,814	7,115
Net income attributable to owners of the parent	-12,164	539	4,241
Basic net income per share	-311.98 Yen	13.83 Yen	108.76 Yen
Dividend per share	20.00 Yen	20.00 Yen	22.00 Yen

(Millions of yen, unless otherwise noted)

4. Schedule

(1) Date of resolution at the meeting of the Board of Directors	January 11, 2024
(2) Date of the conclusion of the Capital and Business Alliance Agreement	January 11, 2024
(3) Date on which the Capital and Business Alliance is commenced following the termination of the Former Capital and Business Alliance Agreement	February 26, 2024 (Schedule)

5. Future Outlook

This Capital and Business Alliance has no significant impact on the consolidated financial results. Any matters that should be disclosed in the future will be promptly announced.

II. Transfer of Shares

1. Reason for the Share Transfer

Refer to “1. Reason for the Capital and Business Alliance” in “I. Capital and Business Alliance” above.

2. Overview of the subsidiary to be transferred

Refer to “3. Overview of Partners in the Capital and Business Alliance i. Cosmos Initia” in “I. Capital and Business Alliance” above.

3. Outline of the counterparty to the Share Transfer

Refer to “3. Overview of Partners in the Capital and Business Alliance ii. Kyoritsu Maintenance” in “I. Capital and Business Alliance” above.

4. Number of shares to be transferred, transfer value and status of shares held before and after transfer

(1) Number of shares owned before the change	21,428,616 shares (Number of voting rights: 214,286) (Rate of voting rights owned: 63.30%)
(2) Number of shares to be transferred	8,480,000 shares (Number of voting rights: 84,800)
(3) Transfer price	6,029 million Yen
(4) Number of shares owned after the change	12,948,616 shares (Number of voting rights: 129,486) (Rate of voting rights owned: 38.25%)

5. Schedule

(1) Date of resolution at the meeting of the Board of Directors	January 11, 2024
(2) Date of the conclusion of the Share Transfer Agreement	January 11, 2024
(3) Date of commencement of share transfer	February 26, 2024 (Schedule)

6. Future Outlook

This Share Transfer has no significant impact on the consolidated financial results. Any matters that should be disclosed in the future will be promptly announced.

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 January 11, 2024.