



June 14, 2024

News Release

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Notice Regarding Financing by Subordinated Sustainability-Linked Loan

Daiwa House Industry Co., Ltd. (hereinafter “the Company”) hereby announces that it today has signed a contract for financing Subordinated Sustainability-Linked Loan (hereinafter “the Loan”) as follows.

1. Characteristics of the Loan

The Loan is a form of hybrid financing with an intermediate nature between equity and debt, and while it does not cause dilution of the value of shares per share due to its indebtedness, it has characteristics similar to equity, such as voluntary deferral of interest, extremely long maturity, and subordinability in liquidation and insolvency proceedings. Therefore, the Loan is expected to be evaluated for equity credit on 50% of the financing amount from Rating and Investment Information Inc. (R&I) and from the Japan Credit Rating Agency, Ltd.(JCR).

In addition, similar to the Sustainability-Linked Hybrid Bond issued in April 2024, the Loan is a Sustainability-Linked Hybrid Loan with a subordinated clause in order to achieve a "Decarbonized society" and " Strike a balance between environmental sustainability and corporate profits" and realize capital policy. The reduction rate of greenhouse gas emissions in "business activities" and "community development" set forth in the 7th Medium Term Management Plan will be used as a key performance indicator (KPI), and fiscal 2027 targets (SPTs) will be used to measure the degree of contribution.

The Company will allocate a certain percentage of the financing amount to donations to organizations aiming at environmental conservation activities and the purchase of emission rights, depending on the items that have not been achieved as of the assessment date (the end of August, 2028).

2. Loan Overview

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| (1) Amount to be borrowed | 40 billion yen |
| (2) Date of agreement | June 14, 2024 |

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| (3) Drawdown date | September 25, 2024 |
| (4) Maturity date | September 25, 2059 However, the Company may prepay all or part of the principal of the Loan on each interest payment date on or after September 25, 2029. |
| (5) Use of proceeds | The funds will be used for early repayment of Daiwa House Industry Co., Ltd. First Unsecured Bond (Subordinated Bond) with Interest Payment Deferral and Pre-term Redemption Conditions. |
| (6) Refinancing restrictions | In the case of early repayment of the Loan, the Company is intended that the Loan will be refinanced with funding approved by a rating agency with an equity credit equal to or higher than the Loan during the 12 months prior to the date of early repayment. However, if a certain financial level is met at the time of early repayment, the Loan may not be refinanced with funding approved by a rating agency with an equity credit equal to or higher than 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 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.) |
| (10) Key Performance Indicator (KPI) | Reduction rate of greenhouse gas emissions (Scope 1 + 2) in business activities (compared to FY2015) Reduction rate of greenhouse gas emissions (Scope 3, Category 11) in community planning (compared to FY2015) |
| (11) Sustainability Performance Targets (SPTs) | SPT 1 is 59% of the reduction rate of greenhouse gas emissions (Scope 1+2) in business activities in FY2027 (compared to FY2015). SPT 2 is 56% of the reduction rate of greenhouse gas emissions (Scope 3, Category 11) in community planning in FY2027 (compared to FY2015). |

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| <p>(12) Characteristics of the Loan (Note 1)</p> | <p>In case that SPTs are not achieved on the assessment date (the end of August, 2028), the Company shall donate to public interest incorporated associations, public interest incorporated foundations, international organizations, NPOs approved by local governments, local governments or similar organizations for the purpose of environmental conservation activities, or shall purchase an amount of emission credits (CO2 reduction value converted into credits or certificates).</p> <p>In case that SPT 1 is not achieved; 0.05% of the amount raised through the Loan.</p> <p>In case that SPT 2 is not achieved; 0.05% of the amount raised through the Loan.</p> |
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(Note 1) In case that it is not possible to confirm the status of achievement of SPTs on the assessment date for some reason or other, these SPTs shall be treated as not having been achieved. If SPTs are changed after the implementation of the Loan, SPTs for the Loan that has been already implemented will not be changed.

However, if it has to change the measurement method of KPI, setting of SPTs, assumptions or the scope of KPI due to certain circumstances that could have an unforeseeable at the time of establishment of the Sustainability-Linked Finance Framework (hereinafter, “the Framework”) and significant impact on the Framework, such as M&A, changes in local regulations, abnormal events, etc., or if it re-establishes SPTs according to the term of financing after the passage of the deadline for achievement of SPTs, the Company will disclose changes, including the reasons for the changes and the recalculation method, in a timely manner and obtain an assessment from an external reviewer after discussing with relevant parties the establishment of SPTs reflecting these changes that are deemed to have the level of ambitiousness equal to or greater than that in the previous assessment.

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 June 14, 2024. Furthermore, this announcement is for the purpose of making public the financing of the Company's subordinated sustainability-linked loan and is not intended as a solicitation of any investment or any similar action.