



Summary of Financial Results (Unaudited)
for the First Nine Months of the Fiscal Year Ending March 31, 2024 [Consolidated]
(From April 1, 2023 to December 31, 2023)
[Japanese GAAP]

February 9, 2024

Name of Listed Company: Daiwa House Industry Co., Ltd.
Representative: Keiichi Yoshii, President and CEO
Code No.: 1925
URL: <https://www.daiwahouse.com/English/>
Listed Exchanges: Prime Market of the Tokyo Stock Exchange
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Scheduled Date of Filing Quarterly Securities Report: February 13, 2024
Scheduled Date of Commencement of Dividend Payment: —
Supplemental documents for the financial results provided: Yes
Results briefing for the period under review provided: Yes (for institutional investors and securities analysts)

(Amounts below one million yen are omitted)

1. Consolidated Results of Operation for the First Nine Months Ended December 31, 2023
(From April 1, 2023 to December 31, 2023)

(1) Consolidated Earnings Results

(% figures represent year-on-year change)

| | Net sales | | Operating income | | Ordinary income | | Net income attributable to owners of the parent | |
|--------------------|-----------------|-----|------------------|-------|-----------------|-------|---|------|
| | Millions of yen | % | Millions of yen | % | Millions of yen | % | Millions of yen | % |
| Nine months ended: | | | | | | | | |
| December 31, 2023 | 3,756,464 | 9.8 | 284,980 | 28.0 | 277,452 | 27.2 | 216,284 | 30.1 |
| December 31, 2022 | 3,421,681 | 8.7 | 222,725 | -12.3 | 218,150 | -14.4 | 166,263 | -0.7 |

Note: Comprehensive income: Nine months ended December 31, 2023: 272,556 million yen (8.4%)
Nine months ended December 31, 2022: 251,401 million yen (26.0%)

| | Basic net income per share | | Diluted net income per share | |
|--------------------|----------------------------|--|------------------------------|--|
| | Yen | | Yen | |
| Nine months ended: | | | | |
| December 31, 2023 | 328.90 | | — | |
| December 31, 2022 | 253.08 | | — | |

(2) Consolidated Financial Conditions

| | Total assets | Net assets | Net assets ratio |
|-------------------|-----------------|-----------------|------------------|
| | Millions of yen | Millions of yen | % |
| As of | | | |
| December 31, 2023 | 6,541,264 | 2,554,329 | 37.5 |
| March 31, 2023 | 6,142,067 | 2,388,914 | 37.2 |

(Reference) Net assets ratio = (Net assets – Non-controlling interests)/Total assets×100

(Net assets – Non-controlling interests): December 31, 2023: 2,453,923 million yen; March 31, 2023: 2,284,212 million yen

2. Dividends

| | Dividend per share | | | | |
|---|------------------------------|-------------------------------|------------------------------|---------------------------|--------|
| | End of 1st quarter (June 30) | End of 2nd quarter (Sept. 30) | End of 3rd quarter (Dec. 31) | Fiscal year-end (Mar. 31) | Annual |
| | Yen | Yen | Yen | Yen | Yen |
| Fiscal year ended March 31, 2023 | — | 60.00 | — | 70.00 | 130.00 |
| Fiscal year ending March 31, 2024 | — | 63.00 | — | | |
| Fiscal year ending March 31, 2024 (forecasts) | | | | 77.00 | 140.00 |

Note: Revised dividend forecast for the quarter under review: None

3. Consolidated Earnings Forecasts for the Fiscal Year Ending March 31, 2024 (From April 1, 2023 to March 31, 2024)

(% figures represent year-on-year change)

| | Net sales | | Operating income | | Ordinary income | | Net income attributable to owners of the parent | | Basic net income per share |
|-----------------------------------|-----------------|-----|------------------|-------|-----------------|-------|---|-------|----------------------------|
| | Millions of yen | % | Millions of yen | % | Millions of yen | % | Millions of yen | % | Yen |
| Fiscal year ending March 31, 2024 | 5,020,000 | 2.3 | 385,000 | -17.3 | 367,000 | -19.5 | 263,000 | -14.7 | 400.02 |

Notes: 1. Revised forecast for the quarter under review: None

2. In the above consolidated earnings forecasts, the results for the previous fiscal year, which serves as the basis for the percentage figures indicating the year-on-year changes, include the amortization of actuarial differences for retirement benefits, etc. arising in the previous fiscal year (decrease of 96,656 million yen in operating expenses). Excluding this impact, the year-on-year changes are respectively: operating income +4.4%, ordinary income +2.1%, and net income attributable to owners of the parent +9.5%. For details, please refer to the section of “1. Qualitative Information Regarding Consolidated Results for the Period under Review (3) Earnings Forecasts” on page 5 of “the Attached Material.”

Notes:

- (1) **Changes in Significant Subsidiaries during the Period under Review (This refers to changes in specified subsidiaries associated with changes in the scope of consolidation): None**
- (2) **Application of Accounting Methods Unique to the Preparation of the Quarterly Consolidated Financial Statements: None**
- (3) **Changes in Accounting Policies Applied, Changes in Accounting Estimates and Retrospective Restatement**
 - 1) Changes in accounting policies applied due to amendment of accounting standards: None
 - 2) Changes in accounting policies due to reasons other than 1): None
 - 3) Changes in accounting estimates: None
 - 4) Retrospective restatement: None

(4) **Number of Issued and Outstanding Shares (Common Stock)**

1) **Number of shares at the end of the period (including treasury stock)**

| | | | |
|-------------------------|--------------------|----------------------|--------------------|
| As of December 31, 2023 | 659,351,820 shares | As of March 31, 2023 | 666,290,951 shares |
|-------------------------|--------------------|----------------------|--------------------|

2) **Number of treasury stock at the end of the period**

| | | | |
|-------------------------|------------------|----------------------|------------------|
| As of December 31, 2023 | 2,342,273 shares | As of March 31, 2023 | 7,419,650 shares |
|-------------------------|------------------|----------------------|------------------|

3) **Average number of shares during the period**

| | | | |
|-------------------------------------|--------------------|-------------------------------------|--------------------|
| Nine months ended December 31, 2023 | 657,605,291 shares | Nine months ended December 31, 2022 | 656,964,408 shares |
|-------------------------------------|--------------------|-------------------------------------|--------------------|

* **This financial results report is not required to be audited by certified public accountants or audit corporations**

* **Remarks on appropriate use of forecasted results of operation and other special matters**

(Notes regarding forward-looking statements)

Consolidated earnings forecasts are based on assumptions in light of the information available as of the date of announcement of this material and the factors of uncertainty that may possibly impact the future results of operation. These statements do not mean that the Company pledges to realize such statements. Actual results may differ significantly from those presented herein as a consequence of numerous factors such as the financial market, economic conditions, competitor situations and fluctuations in land prices.

Please refer to the section of “1. Qualitative Information Regarding Consolidated Results for the Period under Review (3) Earnings Forecasts” of “the Attached Material” on page 5 for the suppositions that form the assumptions for earnings forecasts.

(Obtaining supplementary explanatory materials)

The Company plans to hold a briefing for institutional investors and securities analysts on February 9, 2024. Relevant financial statements to be handed out at the briefing will be posted on our website at the same time.

Contents of the Attached Material

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1. Qualitative Information Regarding Consolidated Results for the Period under Review

(1) Earnings Results

During the first nine-month period under review, the Japanese economy continued to gradually trend stronger, reflecting improvements in inbound tourism demand backed by the weaker yen and a recovery in consumer spending. However, the economic outlook continues to require careful attention, given the impact of monetary tightening caused by global inflationary pressure, concerns about the future of the Chinese economy, and the impact of geopolitical risks on resource prices, among other factors.

In the domestic housing market, the number of new construction starts for owner-occupied houses, rental housing and built-for-sale houses all decreased year-on-year. In the general construction market as well, the floor area of new construction starts for all uses decreased year-on-year.

Amid this operating environment, the Group has actively pushed forward various high-value-added proposals and measures to realize a sustainable growth model, including expanding its overseas businesses and stock businesses and leveraging digital transformation to enhance the customer experience, under the three management policies: Evolve revenue model, optimize management efficiency, and strengthen management base in the 7th Medium-Term Management Plan, a five-year plan launched fiscal year 2022.

As a result, the Daiwa House Group recorded consolidated net sales of 3,756,464 million yen (+9.8% year on year) for the first nine months of the fiscal year ending March 2024. Operating income came to 284,980 million yen (+28.0% year on year), ordinary income came to 277,452 million yen (+27.2% year on year), while net income attributable to owners of the parent amounted to 216,284 million yen (+30.1% year on year).

(2) Financial Conditions

Total assets as of the end of the consolidated nine-month reporting period amounted to 6,541,264 million yen, an increase of 399,196 million yen compared with 6,142,067 million yen in total assets at the end of the previous consolidated fiscal year. This was mainly due to an increase in inventory assets accompanying the acquisition of real estate for sale in Single-Family Houses Business and Rental Housing Business.

Total liabilities as of the end of the consolidated nine-month reporting period amounted to 3,986,934 million yen, an increase of 233,781 million yen compared with 3,753,153 million yen in total liabilities at the end of the previous consolidated fiscal year. The principal reason for this was the issuance of bank borrowings, as well as commercial papers and corporate bonds, to raise funds for the acquisition of real estate for sale and investment, and other purposes.

Total net assets as of the end of the consolidated nine-month reporting period amounted to 2,554,329 million yen, an increase of 165,414 million yen compared with 2,388,914 million yen in total net assets at the end of the previous consolidated fiscal year. This was mainly due to the recording of a net income attributable to owners of the parent in the amount of 216,284 million yen and the increase in foreign currency translation adjustment due to the impact of the yen depreciation, despite the payment of dividends to shareholders in the amount of 87,520 million yen. At the end of the term under review, these results were 2,242,446 million yen in interest-bearing liabilities excluding lease obligations among others, and a debt-equity ratio of 0.91 times. After taking the hybrid financing into account, the debt-equity ratio came to 0.82 times*.

* The debt-equity ratio was calculated by taking into account the equity credit of 50 percent employed in establishing the Company's credit rating for the 150 billion yen of publicly offered hybrid bonds (subordinated bonds) issued in September 2019 and 100 billion yen of hybrid loans (subordinated loans) procured in October 2020.

(3) Earnings Forecasts

Regarding consolidated business performance forecasts for the term ending March 31, 2024, there is no change to the forecasts in the “Notice Concerning Revisions of Earnings Forecasts and Dividend Forecasts for the Fiscal Year Ending March 2024” announced on November 10, 2023.

In addition, although the 2024 Noto Peninsula Earthquake, which occurred on January 1, 2024, does not have a significant impact on the forecasts, the Company will make every effort to contribute to the earliest possible recovery of people in the affected areas.

(Reference) Comparison with Previous Fiscal Year Results Excluding the Amortization of Actuarial Differences for Retirement Benefits, etc. (% figures represent year-on-year change)

| Fiscal year ending | Net sales | | Operating income | | Ordinary income | | Net income attributable to owners of the parent | |
|--------------------|-----------------|------|------------------|------|-----------------|------|---|------|
| | Millions of yen | % | Millions of yen | % | Millions of yen | % | Millions of yen | % |
| March 31, 2024 | 5,020,000 | 2.3 | 385,000 | 4.4 | 367,000 | 2.1 | 263,000 | 9.5 |
| March 31, 2023 | 4,908,199 | 10.6 | 368,714 | 11.0 | 359,355 | 10.5 | 240,289 | 27.1 |

2. Consolidated Financial Statements and Main Notes

(1) Consolidated Balance Sheets

(Millions of yen)

| | As of March 31, 2023 | As of December 31, 2023 |
|--|----------------------|-------------------------|
| Assets | | |
| Current assets | | |
| Cash and bank deposits | 358,086 | 378,773 |
| Trade notes and accounts receivable | 454,341 | 530,264 |
| Mortgage notes receivable held for sale | 15,771 | 19,946 |
| Securities maturing within one year | 3,570 | 1,115 |
| Construction projects in progress | 49,993 | 61,240 |
| Real estate for sale | 1,511,236 | 1,710,260 |
| Real estate for sale in process | 487,162 | 590,840 |
| Land for undeveloped | 2,348 | 2,214 |
| Merchandise, construction materials and others | 20,341 | 20,444 |
| Work in process | 10,859 | 11,853 |
| Raw materials and supplies | 9,735 | 10,029 |
| Other current assets | 331,685 | 369,147 |
| Allowance for doubtful accounts | (3,145) | (3,732) |
| Total current assets | 3,251,988 | 3,702,397 |
| Fixed assets | | |
| Property, plant and equipment | | |
| Buildings and structures | 1,410,373 | 1,458,492 |
| Accumulated depreciation | (591,582) | (566,042) |
| Buildings and structures, net | 818,791 | 892,450 |
| Land | 916,871 | 824,420 |
| Other tangible assets | 501,753 | 507,615 |
| Accumulated depreciation | (203,786) | (211,316) |
| Other, net | 297,966 | 296,298 |
| Total property, plant and equipment | 2,033,629 | 2,013,170 |
| Intangible assets | | |
| Goodwill | 94,467 | 105,745 |
| Other intangible assets | 99,126 | 102,973 |
| Total intangible assets | 193,594 | 208,719 |
| Investments and other assets | | |
| Investment securities | 218,834 | 201,095 |
| Lease deposits | 256,582 | 260,357 |
| Other assets | 188,949 | 156,922 |
| Allowance for doubtful accounts | (1,510) | (1,399) |
| Total investments and other assets | 662,855 | 616,976 |
| Total fixed assets | 2,890,079 | 2,838,866 |
| Total assets | 6,142,067 | 6,541,264 |

(Millions of yen)

| | As of March 31, 2023 | As of December 31, 2023 |
|---|----------------------|-------------------------|
| Liabilities | | |
| Current liabilities | | |
| Trade notes and accounts payable | 380,004 | 322,768 |
| Short-term bank loans | 133,028 | 347,788 |
| Bonds | 50,000 | - |
| Loans from banks | 159,044 | 162,430 |
| Commercial paper | - | 69,000 |
| Income taxes payable | 57,254 | 29,187 |
| Advances received | 142,950 | 111,389 |
| Advances received on construction projects in progress | 183,273 | 183,835 |
| Accrued bonuses | 60,728 | 36,196 |
| Provision for warranties for completed construction | 7,460 | 7,679 |
| Asset retirement obligations | 4,130 | 2,921 |
| Other current liabilities | 348,973 | 321,911 |
| Total current liabilities | 1,526,847 | 1,595,108 |
| Long-term liabilities | | |
| Bonds | 559,000 | 659,000 |
| Loans from banks | 945,507 | 1,001,328 |
| Lease deposits received | 307,593 | 308,209 |
| Liabilities for employees' retirement benefits | 103,617 | 101,100 |
| Asset retirement obligations | 58,009 | 61,600 |
| Other long-term liabilities | 252,576 | 260,587 |
| Total long-term liabilities | 2,226,305 | 2,391,826 |
| Total liabilities | 3,753,153 | 3,986,934 |
| Net assets | | |
| Shareholders' equity | | |
| Common stock | 161,845 | 161,957 |
| Capital surplus | 303,741 | 301,691 |
| Retained earnings | 1,710,582 | 1,821,610 |
| Treasury stock | (20,327) | (8,316) |
| Total shareholders' equity | 2,155,842 | 2,276,943 |
| Accumulated other comprehensive income | | |
| Unrealized gain (loss) on securities | 54,701 | 50,371 |
| Deferred gain (loss) on hedging instruments | (118) | 1,510 |
| Land revaluation reserve | 9,277 | 9,482 |
| Foreign currency translation adjustments | 64,508 | 115,615 |
| Total accumulated other comprehensive income | 128,369 | 176,979 |
| Non-controlling interests | 104,701 | 100,406 |
| Total net assets | 2,388,914 | 2,554,329 |
| Total liabilities and net assets | 6,142,067 | 6,541,264 |

**(2) Consolidated Statements of Income and Consolidated Statements of Comprehensive Income
(Consolidated Statements of Income)**

| | (Millions of yen) | |
|---|--|--|
| | Nine months ended December 31, 2022 (From April 1, 2022 to December 31, 2022) | Nine months ended December 31, 2023 (From April 1, 2023 to December 31, 2023) |
| Net sales | 3,421,681 | 3,756,464 |
| Cost of sales | 2,793,614 | 3,051,242 |
| Gross profit | 628,067 | 705,221 |
| Selling, general and administrative expenses | 405,341 | 420,241 |
| Operating income | 222,725 | 284,980 |
| Non-operating income | | |
| Interest income | 1,780 | 1,918 |
| Dividend income | 4,833 | 5,098 |
| Equity in earnings of affiliates | 1,148 | 2,054 |
| Miscellaneous income | 8,444 | 13,033 |
| Total non-operating income | 16,206 | 22,104 |
| Non-operating expenses | | |
| Interest expense | 13,449 | 22,765 |
| Miscellaneous expenses | 7,331 | 6,866 |
| Total non-operating expenses | 20,780 | 29,632 |
| Ordinary income | 218,150 | 277,452 |
| Extraordinary income | | |
| Gain on sales of fixed assets | 3,473 | 7,241 |
| Gain on sales of investments in securities | 384 | 15,704 |
| Gain on sales of stocks of a subsidiary | - | 23,189 |
| Gain on sales of investments in capital of an affiliate | 3,464 | - |
| Gain on change in equity interest | 476 | 1,983 |
| Other | - | 0 |
| Total extraordinary income | 7,798 | 48,120 |
| Extraordinary losses | | |
| Loss on sales of fixed assets | 42 | 89 |
| Loss on disposal of fixed assets | 1,061 | 1,919 |
| Impairment loss | 1,892 | 196 |
| Loss on sales of investments in securities | 93 | 17 |
| Loss on revaluation of investments in securities | - | 200 |
| Loss on sales of investments in capital of an affiliate | 191 | - |
| Other | 0 | 0 |
| Total extraordinary losses | 3,280 | 2,423 |
| Profit before income taxes | 222,669 | 323,149 |
| Current | 49,192 | 82,210 |
| Deferred | 4,035 | 23,893 |
| Total income taxes | 53,228 | 106,103 |
| Profit | 169,441 | 217,045 |
| Profit attributable to non-controlling interests | 3,177 | 760 |
| Profit attributable to owners of the parent | 166,263 | 216,284 |

(Consolidated Statements of Comprehensive Income)

(Millions of yen)

| | Nine months ended December 31, 2022 (From April 1, 2022 to December 31, 2022) | Nine months ended December 31, 2023 (From April 1, 2023 to December 31, 2023) |
|--|--|--|
| Profit | 169,441 | 217,045 |
| Other comprehensive income | | |
| Unrealized gain (loss) on securities | (5,325) | (4,333) |
| Deferred gain (loss) on hedging instruments | 2,420 | 1,628 |
| Land revaluation difference | 6 | 37 |
| Foreign currency translation adjustments | 89,538 | 58,160 |
| Share of other comprehensive income (loss) of affiliates accounted for by the equity method | (4,680) | 18 |
| Total other comprehensive income | 81,959 | 55,510 |
| Comprehensive income | 251,401 | 272,556 |
| Total comprehensive income attributable to: | | |
| Owners of the parent | 237,053 | 264,727 |
| Non-controlling interests | 14,347 | 7,829 |

(3) Notes

Notes on Premise of Going Concern

No items to report.

Notes on Significant Changes in the Amount of Shareholders' Equity

No items to report.

Significant Subsequent Events

(Issuance of Zero Coupon Convertible Bonds due 2029 and 2030)

At a meeting of the Board of Directors held on January 11, 2024, the Company resolved to issue Zero Coupon Convertible Bonds with Stock Acquisition Rights due 2029 and Zero Coupon Convertible Bonds with Stock Acquisition Rights due 2030. The payments were closed on January 29, 2024 (London time, hereinafter the same unless otherwise indicated). The following is a summary of the issuance:

1. Matters concerning the Zero Coupon Convertible Bonds with Stock Acquisition Rights due 2029 (hereinafter referred to as the "Bonds with Stock Acquisition Rights" in 1, of which the bonds alone are referred to as the "Bonds" while the stock acquisition rights alone are referred to as the "Stock Acquisition Rights")

(1) Total issue price

The sum of 100 billion yen and the total face value of the Bonds concerned with the alternate bonds with stock acquisition rights (the bonds with stock acquisition rights issued in exchange for proper proof and compensation in the case of the loss, theft or damage of the Bonds with Stock Acquisition Rights)

(2) Issue price

100.0% of the face value of the Bonds (the face value of each Bond is 100 million yen)

(3) Offer price

102.5% of the face value of the Bonds

(4) Payment date

January 29, 2024

(5) Redemption date

To be redeemed at 100% of the face value of the Bonds on March 30, 2029

(6) Interest rate

The Bonds will bear no interest.

(7) Class and number of shares subject to the Stock Acquisition Rights

(i) Class

Common shares of the Company

(ii) Number

The number shall be obtained by dividing the total face value of the Bonds for which the exercise request is made by the conversion price set forth in (9) (ii) below. However, any fraction of less than one share arising from the exercise will be disregarded and no adjustment by cash will be conducted.

(8) Total number of the Stock Acquisition Rights

The sum of 10,000 and the number calculated by dividing the total face value of the Bonds concerned

with the alternate bonds with stock acquisition rights by 10 million yen

(9) Amount of money to be paid in upon exercise of the Stock Acquisition Rights

(i) When exercising each Stock Acquisition Right, the person holding the right is to invest the Bonds concerned with this right. The value of the Bonds will be their face value.

(ii) The conversion price shall be 5,353 yen.

(iii) If, after the issuance of the Bonds with Stock Acquisition Rights, the Company issues common shares at a price lower than the market price of the common shares or disposes of shares held by the Company, the conversion price shall be adjusted in accordance with the formula below. The “number of shares outstanding” in the formula below shall mean the total number of the Company's common shares (excluding those held by the Company).

$$\text{Conversion price after the adjustment} = \text{Conversion price prior to the adjustment} \times \frac{\text{Number of shares outstanding} + \frac{\text{Number of shares issued or disposed of} \times \text{Amount to be paid per share}}{\text{Market Price}}}{\text{Number of shares outstanding} + \text{Number of shares issued or disposed of}}$$

(10) Exercise period of the Stock Acquisition Rights

It will be from February 13, 2024 till March 16, 2029 at the local time of the place where requests for the exercise of the Stock Acquisition Rights are accepted. However, (i) in the case of the early redemption of the Bonds, until the day three business days prior to the redemption date in Tokyo (however, excluding the Stock Acquisition Rights pertaining to Bonds that have been selected as not to be redeemed early in the case of early redemption due to a change in the taxation system); (ii) in the case of acquisition of the Bonds by the Company or retirement by purchase of the Bonds, until the time the Bonds are retired; and (iii) in the case of acceleration of maturity of the Bonds, until the time of acceleration of maturity. In any of the above cases, the Stock Acquisition Rights may not be exercised after March 16, 2029 (local time at the location where exercise requests are accepted).

Notwithstanding the above, in the case of acquisition of the Bonds with Stock Acquisition Rights by the Company, the Stock Acquisition Rights may not be exercised from January 1, 2029 until the second business day from March 9, 2029 in Tokyo (hereinafter referred to as the “Acquisition Date”). In addition, if the Company reasonably determines that it is necessary for carrying out an organizational restructuring, etc. of the Company, the Stock Acquisition Rights may not be exercised during the period designated by the Company within 30 days that will end within 14 days from the day following the effective date of organizational restructuring, etc.

If the effective date of the exercise of the Stock Acquisition Rights (if this day is not a business day in Tokyo, the next business day in Tokyo) falls in the period from the date two business days prior to the record date set by the Company or prior to another date that is set to determine shareholders in connection with Article 151, Paragraph 1 of the Act on Book-Entry Transfer of Company Bonds and Shares (hereinafter collectively referred to as the “Shareholders Determination Date”) (or if the Shareholders Determination Date is not a business day in Tokyo, the date three business days prior to that date in Tokyo) to the Shareholders Determination Date in Tokyo (or if the Shareholders Determination Date is not a business day in Tokyo, the next business day in Tokyo), the Stock Acquisition Rights may not be exercised. However, if the laws or practices regarding the delivery of shares related to the exercise of stock acquisition rights through a book-entry transfer system based on the Act on Book-Entry Transfer of Corporate Bonds and Shares are changed, the Company may amend the limitation of the period during which the Stock Acquisition Rights may be exercised under this paragraph in order to reflect such change.

(11) Conditions for exercise of the Stock Acquisition Rights

No partial exercise of each Stock Acquisition Right will be accepted.

(12) Acquisition of the Bonds with Stock Acquisition Rights by the Company

At any time during the period from April 1, 2028 to December 31, 2028, the Company may give notice to the trustee company, the agent for payment and acceptance of exercise request of the Stock Acquisition Rights, and the holders of the Bonds with Stock Acquisition Rights that the Company will acquire the Bonds with Stock Acquisition Rights remaining as of the acquisition date pertaining to the notice of acquisition of the Bonds with Stock Acquisition Rights (hereinafter referred to as the “Acquisition Selection Notice”) from the holders of the Bonds with Stock Acquisition Rights who have provided the Acquisition Selection Notice by February 23, 2029. In this case, the Company will acquire all of the Bonds with Stock Acquisition Rights on the acquisition date and in exchange will deliver cash and common shares of the Company to the holders with the Bonds with Stock Acquisition Rights.

(13) Security or guarantee for the Bonds

The Bonds will be issued without security or guarantee.

2. Matters concerning the Zero Coupon Convertible Bonds with Stock Acquisition Rights due 2030 (hereinafter referred to as the “Bonds with Stock Acquisition Rights” in 2, of which the bonds alone are referred to as the “Bonds” while the stock acquisition rights alone are referred to as the “Stock Acquisition Rights”)

(1) Total issue price

The sum of 100 billion yen and the total face value of the Bonds concerned with the alternate bonds with stock acquisition rights (the bonds with stock acquisition rights issued in exchange for proper proof and compensation in the case of the loss, theft or damage of the Bonds with Stock Acquisition Rights)

(2) Issue price

100.0% of the face value of the Bonds (the face value of each Bond is 100 million yen)

(3) Offer price

102.5% of the face value of the Bonds

(4) Payment date

January 29, 2024

(5) Redemption date

To be redeemed at 100% of the face value of the Bonds on March 29, 2030

(6) Interest rate

The Bonds will bear no interest.

(7) Class and number of shares subject to the Stock Acquisition Rights

(i) Class

Common shares of the Company

(ii) Number

The number shall be obtained by dividing the total face value of the Bonds for which the exercise request is made by the conversion price set forth in (9) (ii) below. However, any fraction of less than one share arising from the exercise will be disregarded and no adjustment by cash will be conducted.

(8) Total number of the Stock Acquisition Rights

The sum of 10,000 and the number calculated by dividing the total face value of the Bonds concerned with the alternate bonds with stock acquisition rights by 10 million yen

(9) Amount of money to be paid in upon exercise of the Stock Acquisition Rights

(i) When exercising each Stock Acquisition Right, the person holding the right is to invest the Bonds

concerned with this right. The value of the Bonds will be their face value.

(ii) The conversion price shall be 5,260 yen.

(iii) If, after the issuance of the Bonds with Stock Acquisition Rights, the Company issues common shares at a price lower than the market price of the common shares or disposes of shares held by the Company, the conversion price shall be adjusted in accordance with the formula below. The “number of shares outstanding” in the formula below shall mean the total number of the Company's common shares (excluding those held by the Company).

$$\text{Conversion price after the adjustment} = \text{Conversion price prior to the adjustment} \times \frac{\text{Number of shares outstanding} + \frac{\text{Number of shares issued or disposed of} \times \text{Amount to be paid per share}}{\text{Market Price}}}{\text{Number of shares outstanding} + \text{Number of shares issued or disposed of}}$$

(10) Exercise period of the Stock Acquisition Rights

It will be from February 13, 2024 till March 15, 2030 at the local time of the place where requests for the exercise of the Stock Acquisition Rights are accepted. However, (i) in the case of the early redemption of the Bonds, until the day three business days prior to the redemption date in Tokyo (however, excluding the Stock Acquisition Rights pertaining to Bonds that have been selected as not to be redeemed early in the case of early redemption due to a change in the taxation system); (ii) in the case of acquisition of the Bonds by the Company or retirement by purchase of the Bonds, until the time the Bonds are retired; and (iii) in the case of acceleration of maturity of the Bonds, until the time of acceleration of maturity. In any of the above cases, the Stock Acquisition Rights may not be exercised after March 15, 2030 (local time at the location where exercise requests are accepted).

Notwithstanding the above, in the case of acquisition of the Bonds with Stock Acquisition Rights by the Company, the Stock Acquisition Rights may not be exercised from January 1, 2030 until the second business day from March 8, 2030 in Tokyo (hereinafter referred to as the “Acquisition Date”). In addition, if the Company reasonably determines that it is necessary for carrying out an organizational restructuring, etc. of the Company, the Stock Acquisition Rights may not be exercised during the period designated by the Company within 30 days that will end within 14 days from the day following the effective date of organizational restructuring, etc.

If the effective date of the exercise of the Stock Acquisition Rights (if this day is not a business day in Tokyo, the next business day in Tokyo) falls in the period from the date two business days prior to the record date set by the Company or prior to another date that is set to determine shareholders in connection with Article 151, Paragraph 1 of the Act on Book-Entry Transfer of Company Bonds and Shares (hereinafter collectively referred to as the “Shareholders Determination Date”) (or if the Shareholders Determination Date is not a business day in Tokyo, the date three business days prior to that date in Tokyo) to the Shareholders Determination Date in Tokyo (or if the Shareholders Determination Date is not a business day in Tokyo, the next business day in Tokyo), the Stock Acquisition Rights may not be exercised. However, if the laws or practices regarding the delivery of shares related to the exercise of stock acquisition rights through a book-entry transfer system based on the Act on Book-Entry Transfer of Corporate Bonds and Shares are changed, the Company may amend the limitation of the period during which the Stock Acquisition Rights may be exercised under this paragraph in order to reflect such change.

(11) Conditions for exercise of the Stock Acquisition Rights

No partial exercise of each Stock Acquisition Right will be accepted.

(12) Acquisition of the Bonds with Stock Acquisition Rights by the Company

At any time during the period from April 1, 2029 to December 31, 2029, the Company may give notice to the trustee company, the agent for payment and acceptance of exercise request of the Stock Acquisition Rights, and the holders of the Bonds with Stock Acquisition Rights that the Company will acquire the Bonds with Stock Acquisition Rights remaining as of the acquisition date pertaining to the notice of

acquisition of the Bonds with Stock Acquisition Rights (hereinafter referred to as the “Acquisition Selection Notice”) from the holders of the Bonds with Stock Acquisition Rights who have provided the Acquisition Selection Notice by February 22, 2030. In this case, the Company will acquire all of the Bonds with Stock Acquisition Rights on the acquisition date and in exchange will deliver cash and common shares of the Company to the holders with the Bonds with Stock Acquisition Rights.

(13) Security or guarantee for the Bonds

The Bonds will be issued without security or guarantee.

3. Use of Proceeds

(1) Approximately 120 billion yen towards part of the investment in real estate development under the 7th Medium Term Management Plan by March 2025.

(2) Approximately 80 billion yen towards the acquisition of own shares by June 2024.

(Acquisition of Treasury Stock)

The Company resolved at the Board of Directors held on January 11, 2024, to acquire its own shares, pursuant to the provision of Article 156 of the Companies Act, as applied pursuant to the provision of Article 165, Paragraph 3 thereof, and implemented the repurchase.

(1) Reason for Acquisition of Treasury Stock

The Company intends to acquire its own shares in order to increase capital efficiency such as ROE and Earnings Per Share (EPS) as well as to mitigate short-term impact on supply and demand of the Company's shares associated with the issuance of Zero Coupon Convertible Bonds due 2029 and Zero Coupon Convertible Bonds due 2030, and to ensure the smooth execution of financing.

(2) Type of shares to be acquired

Common stock

(3) Total number of shares to be acquired

Up to 20,000,000 shares

(4) Total acquisition price

Up to 80 billion yen

(5) Period of acquisition

From January 12, 2024 to June 28, 2024

(6) Method of acquisition

Market purchase (including an off-auction own share acquisition transaction (ToSTNeT-3)) at the Tokyo Stock Exchange, Inc.

(7) Result of the acquisition of treasury stock

Based on the above resolution, the Company purchased its own shares through the Tokyo Stock Exchange, Inc.'s off-auction own share acquisition transaction (ToSTNeT-3) on January 12, 2024 and completed the repurchase of its own shares based on this resolution. The total number of shares acquired was 17,185,800 shares of the Company's common stock, and the total acquisition price was 79,999 million yen.

(Transfer of subsidiary stock)

The Company resolved at the Board of Directors held on January 11, 2024, 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, Inc. 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, Inc. Hereinafter, “Kyoritsu Maintenance”) and the transfer of 8,480,000 shares out of 21,739,616 shares of Cosmos Initia stock that the Group retains to Kyoritsu Maintenance (to be referred to as the “Stock Transfer”).

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

1. Main reason for the transfer

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 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. Name of the transferee

Kyoritsu Maintenance Co., Ltd.

3. Date of transfer

February 26, 2024 (Schedule)

4. Outline of the subsidiary to be transferred

| | | |
|---|--|--|
| (1) Company name | Cosmos Initia Co., Ltd. | |
| (2) Business profile | Real estate sales, Real estate rental, Real estate brokerage | |
| (3) Relationship between the Company and the relevant company | Capital relationship | The Group owns a 64.17% stake. The rate will be 39.14% 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 equitymethod affiliate company with this Stock Transfer. |

* The above shareholding ratio includes indirect holdings.

5. Number of shares to be transferred, etc.

| | |
|--|--|
| (1) Number of shares owned before the change | 21,739,616 shares (Number of voting rights: 217,396) (Rate of voting rights owned: 64.22%) |
| (2) Number of shares to be transferred | 8,480,000 shares (Number of voting rights: 84,800) |
| (3) Number of shares owned after the change | 13,259,616 shares (Number of voting rights: 132,596) (Rate of voting rights owned: 39.17%) |
| (4) Transfer price | 6,029 million Yen |
| (5) Shareholding ratio after transfer (planned) | 39.14% |
| (6) Other matters relating to the outline of the transaction, including its legal form | Stock transfer in which only cash and other assets are received as compensation received |

* The above shareholding ratio includes indirect holdings.

6. Reporting segment that includes the subsidiary to be transferred

Condominiums Business segment

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 released on February 9, 2024.