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News Release (Translation)

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(Code number: 1925,
Prime Section of the Tokyo Stock Exchange)
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Notice Concerning the Issuance of New Shares as Performance-linked Restricted Stock Compensation

The Board of Directors at Daiwa House Industry (“the Company”) resolved today to issue new shares as performance-linked restricted stock compensation (hereinafter, “New Share Issuance” or “Issuance”).

1. Overview of New Share Issuance

(1) Date of payment	August 26, 2022
(2) Class and number of shares to be issued	The Company’s common share 91,320 shares
(3) Issue price	3,213 yen per share
(4) Total amount of issue	293,411,160 yen
(5) Allottees, the number of the allottees, and the number of shares to be allocated	Directors of the Company (excluding outside directors): 9 persons; 6,900 shares Employees of the Company: 502 persons; 64,470 shares Directors of the Company’s subsidiaries: 83 persons; 14,670 shares Employees of the Company’s subsidiaries: 36 persons; 5,280 shares
(6) Other	The New Share Issuance is subject to the securities registration statement taking effect as stipulated in the Financial Instruments and Exchange Act.

2. Purpose of and reason for New Share Issuance

At the Board of Directors’ meeting held on June 3, 2019, the Company resolved to introduce a performance-linked restricted stock compensation system (hereinafter, “the System”) for directors of the Company (excluding outside directors, hereinafter “Eligible Directors”), executive officers who do not concurrently serve as directors, branch managers and other senior managers of the Company, and directors of wholly owned subsidiaries of the Company (hereinafter, “Eligible Employees”). The purpose of the System introduced as a compensation system for Eligible Employees of the Company is to provide an incentive to them to sustainably enhance the Company’s enterprise value and align their interests more closely with those of shareholders by granting common shares in the Company in line with the performance during the period of the Sixth Medium-Term Management Plan (the three years from FY2019 to FY2021, hereinafter, “Performance Evaluation Period”). Based on the System, at the 80th Ordinary General Meeting of Shareholders held on June 25, 2019, the Company also obtained approval for the payment of monetary compensation claims of no more than 180 million yen per year to the Eligible Directors as compensation to be used as properties contributed for acquiring the Company’s common shares (hereinafter, “Performance-linked Restricted Stock Compensation”).

At the Board of Directors’ meeting held on July 14, 2022, the Company resolved to conduct the New Share Issuance by having 630 Eligible Employees who are the projected allottees (hereinafter, “Allottees”) make contribution in kind from

monetary compensation claims granted to the Allottees as Performance-linked Restricted Stock Compensation.

3. Details of the System

(1) Overview of the System

Eligible Employees will be awarded monetary compensation claims in line with the achievement for performance goals during the Performance Evaluation Period. They will receive the entire amount of monetary compensation claims for deposit as contribution in kind for shares to be issued or transferred to them by the Company upon vesting.

Under the System, Eligible Employees to whom the Company's common shares are to be delivered and the number of shares to be delivered are determined by a Board of Directors meeting to be held after the lapse of the Performance Evaluation Period, and the Eligible Employees shall receive the issuance or disposal of the Company's common shares. At the issuance or disposal, the Eligible Employees will acquire the Company's common shares by making contribution in kind of monetary compensation claims paid by the Company.

(2) Maximum amount of compensation under the System and the total number of the Company's common shares to be issued or disposed of

The Performance-linked Restricted Stock Compensation paid to Eligible Directors as monetary compensation claims shall be no more than 180 million yen per year and the total number of the Company's common shares to be issued or disposed of shall be no more than 40,000 shares per year. However, in the event a stock split or merger (including bonus shares of the Company's common shares) is conducted after the 80th Ordinary General Meeting of Shareholders on June 25, 2019, or if other circumstances require adjustments to the total number of the Company's common shares to be issued or disposed of based on the System, then the total number of shares shall be adjusted within a reasonable range.

(3) Method of calculating the monetary compensation claim amount and final number of allocated shares under the System

1) Method of calculating the monetary compensation claim amount

The amount of monetary compensation claims to be paid to each Eligible Employee shall be the amount calculated by multiplying the final number of shares allocated to the Eligible Employees (hereinafter, "Final Share Allocation") by the per share payment amount based on the System.

The per share payment amount of the Company's common shares to be issued or disposed of shall be determined by the Board of Directors within a range not especially favorable to the Eligible Employees receiving the said shares. This determination shall be made based on the closing price for the Company's common shares on the Tokyo Stock Exchange on the last business day prior to the resolution by the Board of Directors concerning the issuance of the said shares. If no transactions were completed on that date, then the closing price for the most recent date of transactions shall be applied.

2) Method of calculating the Final Share Allocation and final payment amount

The Final Share Allocation shall be the number of shares calculated by multiplying the base number of shares (hereinafter, "Base Share Allocation") by a coefficient that is determined based on the performance goal achievement (hereinafter, "Performance Goal Achievement Coefficient").

However, if an Eligible Employee retires or resigns from the position of a director, executive officer, executive officer who does not concurrently serve as a director, corporate auditor, employee, consultant, advisor, or equivalent position of the Company or its subsidiaries (hereinafter, "Executive Position") due to the expiration of their term of office or other reasonable reason (excluding death) during the Performance Evaluation Period and the period from the end of the final fiscal year of the Performance Evaluation Period until the date of the first Ordinary General Meeting of Shareholders (hereinafter, "Vesting Date"), they shall receive cash payment. The amount of such payment shall be calculated by multiplying the Base Share Allocation by a coefficient that is determined based on the period of service (hereinafter, "Period of Service Coefficient") during the Performance Evaluation Period (however, any fraction of less than one share shall be discarded), which shall be then multiplied by the closing price of the Company's common shares on the Tokyo Stock Exchange on the day of their retirement or resignation (hereinafter, "Final Payment Amount").

(How the final share allocation and final payment amount are calculated)

Final share allocation = A) Base share allocation × B) Performance goal achievement coefficient
 Final payment amount = A) Base share allocation × C) Period of service coefficient × closing Company share price on date of separation from post (closing price on prior trading day if no trading on date of separation)

A) Base Share Allocation

The Base Share Allocation by position based on the role, duties, and job rank of each Eligible Employee shall be determined, and the Base Share Allocation issued to each Eligible Director shall be 3,000 shares across the board. However, this amount shall be adjusted within a reasonable range when necessary to reduce the Base Share Allocation issued to the Eligible Director in light of the maximum amount of stock compensation, or when other circumstances, such as a stock split of the Company’s common shares, require adjustments to the total number of the Company’s common shares to be issued or disposed of based on the System.

B) Performance Goal Achievement Coefficient

The Performance Goal Achievement Coefficient will be the sum of the coefficients in Column 1 in the table below as determined each fiscal year during the Performance Evaluation Period.

The coefficients for individual fiscal years will be included in the total only when the consolidated operating income target in Column 2 is attained.

	1. Coefficient for fiscal year	2. Consolidated operating income target
FY2019	0.3	378.0 billion yen
FY2020	0.3	390.0 billion yen
FY2021	0.4	405.0 billion yen

C) Period of Service Coefficient

The Period of Service Coefficient is calculated as shown below according to the period of service of an Eligible Employee. If the Eligible Employee retires or resigns in the middle of a month, calculations will assume that the office was held for the entire month.

	FY coefficient
Period of Service to end of FY2019:	0
Period of Service to end of FY2020:	0.3
Period of Service to end of FY2021:	0.6
Period of Service to end of FY2021 with separation before vesting date:	0.6

Based on the System, the issuance or disposal of the Company’s common shares and the payment of monetary compensation claims in the form of in-kind contributions shall be subject to a restricted stock allocation agreement concluded between the Company and Eligible Employees. Provisions set forth in the said agreement shall include the following: 1) Restriction on the transfer of the Company’s common shares, the establishment of collateral rights against the said shares, or any other disposal of the said shares during a certain period and 2) Provisions allowing the Company to acquire the said shares free of charge when certain conditions are fulfilled.

In line with the New Share Issuance, the summary of the restricted stock allocation agreement (hereinafter, “Allocation Agreement”) to be concluded between the Company and the Eligible Employees is as shown in (4).

(4) Overview of Allocation Agreement

1) Period of transfer restrictions

The period starting from August 26, 2022 (hereinafter, “Payment Date”) until the time immediately after the retirement or resignation from any of the Executive Positions (hereinafter, “Transfer Restriction Period”).

2) Handling in the event of retirement

If an Allottee retires or resigns from any of the Executive Positions before the expiration of the Transfer Restriction Period, the Company shall duly acquire the Company’s common shares allocated under the Allocation Agreement (hereinafter, “Allocated Stock”) free of charge unless a reasonable reason exists for the retirement or resignation, for example, expiration of term or death. If an Allottee retires or resigns from the positions set forth above due to expiration of term, death, or another reasonable reason, the Company shall lift the transfer restrictions on all of Allocated Stock at the expiry of the Transfer Restriction Period.

3) Acquisition by the Company free of charge

If an Allottee has engaged in actions that contravene laws and regulations or fallen under certain conditions stipulated in the Allocation Agreement during the Transfer Restriction Period, the Company shall duly acquire all of the Allocated Stock at that point in time free of charge.

4) Handling in the event of organizational restructuring

During the Transfer Restriction Period, if a merger agreement resulting in the dissolution of the Company, a stock swap agreement or stock transfer plan resulting in the Company becoming a wholly-owned subsidiary, or any other agenda related to organizational restructuring is approved by the Company’s General Meeting of Shareholders (or Board of Directors for organizational restructuring agenda not requiring approval by the General Meeting of Shareholders), the Company shall lift the transfer restriction on all of the Allocated Stock it holds at that point in time in accordance with the resolution of its Board of Directors at the time immediately preceding the business day prior to the effective date of the organizational restructuring.

5) Management of shares

In order to prevent transfer, the establishment of collateral rights, or any other form of disposal during the Transfer Restriction Period, the Allocated Stock of Allottees shall be managed in a dedicated account opened with Nomura Securities Co., Ltd. For ensuring the effectiveness of the transfer restrictions concerning the Allocated Stock, the Company concluded an agreement with Nomura Securities Co., Ltd. regarding the management of the account of the Allocated Stock held by each of the Allottees. The Allottees shall consent to the details of the management of the said accounts.

(5) Basis for calculation of payment amount and specific details thereof

The New Share Issuance to the projected allottees shall be conducted by having them make contribution from monetary compensation claims granted to them as Performance-linked Restricted Stock Compensation based on the System. To prevent arbitrariness, the issue price was set at 3,213 yen, which was the closing price for common shares of the Company on the Tokyo Stock Exchange on July 13, 2022 (the last business day prior to the resolution passed by the Board of Directors). This is the market price immediately prior to the date of the resolution of the Board of Directors, and the Company believes that the price is reasonable and not especially favorable to the Allottees.

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 July 14, 2022.