



News Release (Translation only)

May 13, 2016

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(Code number:1925,
First Section of the Tokyo Stock Exchange)
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Announcement Concerning the Introduction of Performance-Based Stock Compensation for Directors

At a meeting held May 13, 2016, the Daiwa House Industry Board of Directors resolved to adopt a performance-based stock compensation plan for company directors (excluding outside directors) utilizing a trust. This performance-based stock compensation plan (“Stock Compensation Plan”) will be proposed at the 77th Ordinary General Meeting of Shareholders, scheduled for June 28, 2016.

1. Background

The Daiwa House Group has formulated the Daiwa House Group 5th Medium-Term Management Plan covering the three years from FY2016 through FY2018. The Stock Compensation Plan is one component of a stock incentive plan adopted for directors at Daiwa House Industry to achieve the earnings targets outlined in the 5th Medium-Term Management Plan and sustained corporate value improvements.

2. Objective

The Company director incentive plan (remuneration and investment plan) currently consists of short-term fixed compensation, annual bonuses, and compensatory stock subscription rights (stock options for value) as an investment plan linked to medium-term business performance and share prices. The introduction of an additional Stock Compensation Plan tied to long-term shareholder values is intended to create an incentive plan that balances management responsibilities over the short-term, medium-term, and long-term.

Specifically, Daiwa House Industry stock will be delivered on an annual basis to Company directors according to their rank and performance for those directors serving during FY2016 through FY2018 coinciding with the term of the 5th Medium-Term Management Plan (“Plan Period”). Directors will hold these shares of stock until the end of their term of service, endeavoring to improve corporate value over the medium and long term.

The introduction of the Stock Compensation Plan is subject to approval at the upcoming Ordinary General Meeting of Shareholders.

3. Stock Compensation Plan Details

(1) Stock Compensation Plan

Under the Stock Compensation Plan, Daiwa House Industry will establish and make financial contributions to a trust (“the Trust”), which will acquire shares of Daiwa House Industry stock. The Trust will deliver shares of stock to directors in amounts corresponding to points assigned to directors according to rank and company return on equity (ROE).

This Stock Compensation Plan consists of both non-performance-based and performance-based components. A portion of the funds for the non-performance-based component of this plan will serve to reduce fixed compensation.

Directors will be delivered shares of Daiwa House Industry stock annually on a fixed date. Each director will be required to sign a special agreement barring them from selling the stock during their term of service.

(2) Point Calculation

At the end of May each year during the Trust Period, directors will be granted points based on the following calculations, according to the stock delivery rules determined by the Board of Directors.

I. Non-Performance-Based Component: Points calculated according to Calculation Method I., below, based on a base amount determined according to rank

II. Performance-Based Component: Points calculated according to Calculation Method II., below, based on base points multiplied by a performance-based factor determined according to the ROE of the fiscal year under review

<Calculation Method>

I. Non-Performance-Based Component

For each director rank, an amount (to be determined at the board of directors meeting following the Ordinary General Shareholders meeting) approximately 10 percent of fixed compensation shall be determined as the base amount. This base amount shall be divided by the closing price of Daiwa House Industry stock as of the last day of each fiscal year, resulting in an equivalent number of points. (Fixed compensation subsequent to the introduction of the Stock Compensation Plan shall be equivalent to an approximate five percent reduction in current fixed compensation.)

II. Performance-Based Component

Base points determined in (1) below × performance-based factor determined in (2) below

① Director base points

Base points for each director will be calculated using a base amount equivalent to approximately

10 percent of FY2015 fixed compensation at each director rank. The final base amount will be determined at board of directors meeting following the next Ordinary General Shareholders meeting. This final base amount will then be divided by the per-share book value of the Daiwa House Industry stock held by the Trust.

② Performance-Based Factor

The Performance-Based Factor will be determined according to the table below, according to the ROE of each fiscal year.

ROE for the Year Under Review	Performance-Based Factor
ROE 10% or Greater (*1)	1.0
ROE 8% to Less Than 10% (*2)	0.5
ROE Less Than 8%	0.0

(Note) 1. Target value as set forth in the Daiwa House Industry 5th Medium-Term Management Plan

2. Minimum target for publicly traded companies as proposed in the “Ito Review.”

However, the annual maximum for total points granted by Daiwa House Industry to an individual director shall be 40,000 points for the non-performance-based component and 40,000 points for the performance-based component.

(3) Maximum Amount of Trust Money Contributed to the Trust for Stock Acquisition

The initial Trust Period will be approximately three years. Daiwa House Industry will establish a Trust for qualifying directors as beneficiaries, providing acquisition capital for purchases of Daiwa House Industry stock necessary for delivering directors stock through the Stock Compensation Plan. Daiwa House Industry will contribute a maximum of ¥600 million during the Trust Period as remuneration for directors for service during the Plan Period. The Trust will use the trust money from the Company to make purchases Daiwa House Industry stock from stock exchanges or acquire stock via disposal of treasury shares.

Note: Money provided by the Daiwa House Industry to the Trust is the combined amount including money for Daiwa House Industry stock purchases as described above and trust remuneration, money projected as requirements for trust administrator remuneration, etc.

Upon the expiration of each Trust Period, the Daiwa House Industry Board of Directors may make the decision to extend the Trust Period by an additional three years, continuing the Stock Compensation Plan (includes cases of substantial extension of the trust agreement via new trust established for the same purpose of the Trust and receiving a transfer of trust assets from the Trust. Same applies hereafter). In this case, Daiwa House Industry will contribute a maximum ¥600 million additionally for each extended Trust Period for additional purchases of stock necessary for delivery under the Stock Compensation Plan. Further, the Plan Period will also be extended in conjunction with the continuation of the Stock Compensation Plan and Trust Period extension. Delivery of points as described in (2) above and stock as described in (4) below will continue during an extended Trust Period.

(4) Delivery of Daiwa House Industry Stock to Directors

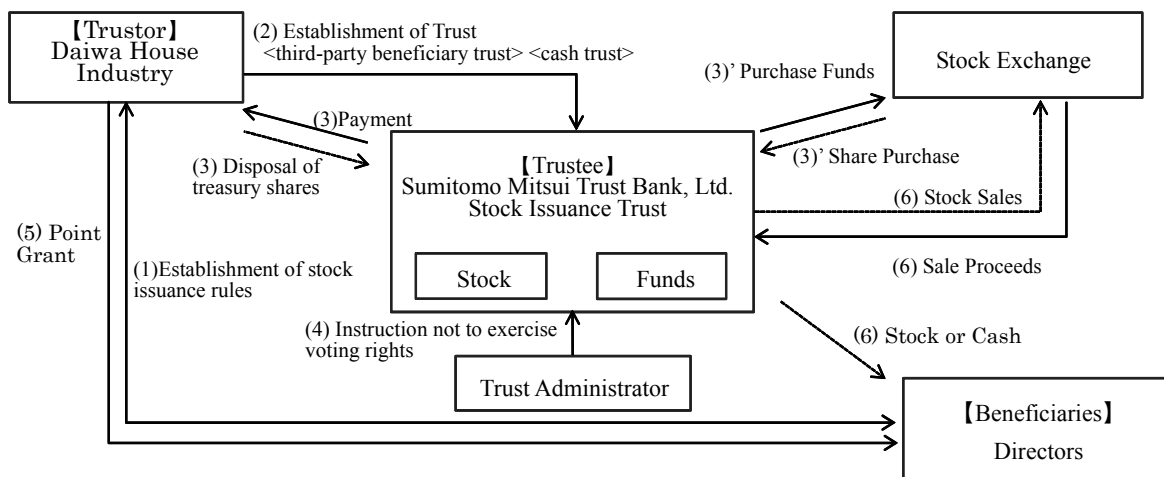
Directors will receive an equivalent of one share of stock per point granted (however, this ratio will be reasonably adjusted to corresponding ratios in the event of a stock split, reverse split, or other occurrence which calls for a reasonable adjustment of the numbers of stock that should be delivered).

The Trust will deliver Daiwa House Industry stock to directors who have completed the prescribed procedures for qualifying as a beneficiary for each year. However, a certain ratio of such Company stock will be delivered in the form of cash after having been sold by the Trust in place of stock. Further, in the event that stock held by the trust is converted into cash, such as in an accepted and settled tender offer, cash may be paid in place of stock.

(5) Overview of the Trust

- (1) Name: Directors Stock delivery Trust
- (2) Trustor: Daiwa House Industry Co., Ltd.
- (3) Trustee: Sumitomo Mitsui Trust Bank, Limited
- (4) Beneficiaries: Eligible Daiwa House Industry directors
- (5) Trust Administrator: Third party with not interests in Daiwa House Industry (tentative)
- (6) Trust Type: Nonmonetary Trust (Third-Party Beneficiary Trust)
- (7) Trust Contract Date: August 10, 2016 (tentative)
- (8) Date on Which Cash will be Entrusted: August 10, 2016 (tentative)
- (9) Trust Period: August 10, 2016 (tentative) to August 31, 2019 (tentative)

a. Trust Framework



- (1) Define rules for delivering stock to Daiwa House Industry directors (excluding outside directors).
- (2) Daiwa House Industry will establish the stock delivery trust (third-party beneficiary trust) naming qualified directors as beneficiaries. At that time, Daiwa House Industry will entrust funds in an amount equivalent to beneficiary stock purchases (however, such funding will be an amount within the scope approved at a general meeting of shareholders).
- (3) The trustee will make a lump purchase of stock in an amount projected to be delivered (purchased from stock exchanges or via treasury share disposal).
- (4) A trust administrator (an individual independent of Daiwa House Industry and directors) will be selected to protect the interest of beneficiaries under stock delivery rules and to supervise the trustee throughout the Trust Period. The trust administrator will be instructed to not exercise voting rights associated with stock held by the Trust throughout the Trust Period.
- (5) Daiwa House Industry will grant points to directors pursuant to stock delivery rules.
- (6) Directors eligible as beneficiaries under stock delivery rules and the trust agreement will receive delivery of stock from the trustee in amounts equivalent to points granted. In some specific cases allowed under the stock delivery rules/trust agreement, the Daiwa House Industry may sell a certain portion of deliverable stock held in the Trust on the stock market, converting such shares to cash.

b. Trust Establishment

Upon approval of the Stock Compensation Plan at the next Ordinary General Meeting of Shareholders, Daiwa House Industry will create a Trust by contributing capital necessary for the Trust to purchase a reasonable amount of stock over a specific period of time as required by the provisions in (4) above related to stock delivery to directors. As provided in d. below, The Trust will acquire Daiwa House Industry stock using the funds contributed by Daiwa House Industry.

c. Trust Period

The Trust Period will run three years, from August 2016 (tentative) through August 2019 (tentative). However, the Trust Period may be extended as provided for in (3) above.

d. Company Stock Purchase Method

The Trust is initially expected to purchase stock within the scope of the stock acquisition funds as provided in (3) above, making such purchases on the stock exchange or via disposal of treasury shares. However, detailed purchase methods will be disclosed after they have been decided in a meeting of the board of directors subsequent to the next Ordinary General Meeting of Shareholders.

An increase in the number of directors during the Trust Period may result in a shortage of stock in the Trust corresponding to points issued to directors during the Trust Period. In this event, Daiwa House Industry may make an additional contribution of money to the Trust (within the maximum trust capital scope approved at the Ordinary General Shareholders Meeting as described in (3) above) for the purchase of more shares.

e. Exercise of Voting Rights

In accordance with instructions from the trust administrator (an individual independent from Daiwa House Industry and directors), no voting rights will be exercised for shares held in the Trust. This will assure the neutrality of the voting shares held in the Trust in Daiwa House Industry management.

f. Dividends

Dividends for shares held by the Trust will be received and applied toward purchases of shares, trustee remuneration, etc.

g. Conclusion of Trust Period

Any residual assets held by the Trust at the conclusion of the Trust Period are scheduled to be acquired by Daiwa House Industry free of charge and retired according to a board of director resolution. A certain portion of cash remaining in residual assets within the Trust at the conclusion of the Trust Period is scheduled to be donated to a specified public-service promotion corporation(s) having no interests in Daiwa House Industry or directors, pursuant to stock delivery rules and the trust agreement.

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 May 13, 2016.