



Company: Daiwa House Industry Co., Ltd.  
(Code number:1925,  
First Section of the Tokyo Stock Exchange)  
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**Announcement Concerning the Adoption of Employee Incentive Plan (E-Ship®)  
at Daiwa House Industry and for Subsidiary Employees**

At a meeting held May 13, 2016, the Daiwa House Industry Board of Directors resolved to adopt an employee Incentive Plan (E-Ship®) (“Incentive Plan”) as an incentive to Daiwa House Group employees to improve corporate value over the medium and long term.

1. Background

The Daiwa House Group has formulated the Daiwa House Group 5<sup>th</sup> Medium-Term Management Plan covering the three years from FY2016 through FY2018. This Incentive Plan is one component of a stock incentive plan adopted for Daiwa House Group employees to achieve the earnings targets outlined in the 5<sup>th</sup> Medium-Term Management Plan and sustained corporate value improvements.

2. Objective

The Incentive Plan grants incentives for employees to improve corporate value over the medium and long term. At the same time, the Incentive Plan is intended to support employee asset accumulation by promoting employee acquisition and holdings of stock via an expanded Employee Shareholders Association serving as a means of enhanced employee benefits. The Incentive Plan is also intended to interact with the earnings-linked stock-based compensation plan for Daiwa House Industry board directors and stock acquisition rights (stock options with charge) for Daiwa House Group management personnel announced today. These plans are intended to raise the motivation of all Daiwa Group employees (from top management to new hires) to help grow the Daiwa House Group business by fulfilling their duties. The Daiwa House Group expects that rewarding success in this manner will contribute to sustained expansion and serve as an investment in human resources who will bear the responsibility for future corporate growth.

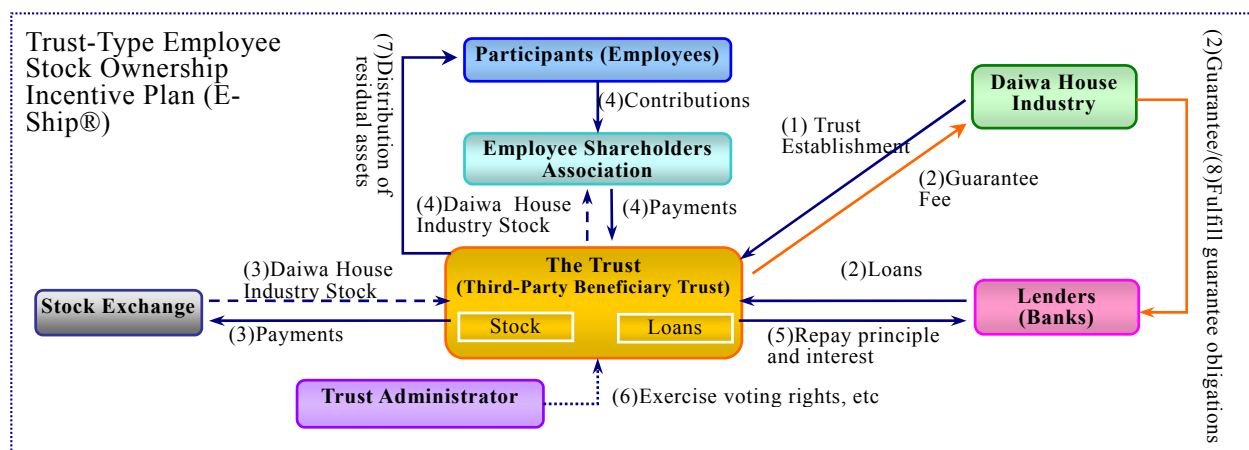
3. Incentive Plan Overview

The Incentive Plan is available for all employees participating in the Daiwa House Industry Employee Shareholders Association and Daiwa House Group Employee Shareholders Association (“Employee Shareholders Association”). The Company has established the Daiwa House Group Employee Shareholders Association Trust (“the Trust”) to serve as the trust bank. The Trust will make advanced

purchases of Daiwa House Industry shares in an amount expected to be acquired by the Employee Shareholders Association over the next three years. Over that time, the Trust will make ongoing sales of Daiwa House Industry shares to the Employee Shareholders Association. Upon the conclusion of the trust, any accumulated gains on sale of stock within the Trust will be allocated as residual assets to individuals meeting requirements as eligible beneficiaries.

Daiwa House Industry will guarantee loans undertaken by the Trust to acquire Daiwa House Industry shares. According to its guarantee obligations, Daiwa House Industry will pay any remaining loan amounts stemming from loss on sales of stock as of the conclusion of the Trust.

#### 4. Incentive Plan Framework



- (1) Daiwa House Industry will establish the Trust (third-party beneficiary trust) naming qualified members of the Employee Shareholders Association as beneficiaries.
- (2) The Trust will borrow funds necessary for acquiring Daiwa House Industry stock from lender banks, and Daiwa House Industry will provide a guarantee of loan amounts. Daiwa House Industry will receive guarantee fees in payment from the Trust for this guarantee. Lender banks will be financial institutions having no equity interest in Daiwa House Industry.
- (3) The Trust will acquire Daiwa House Industry stock from stock exchanges in number projected to be purchased by the Employee Shareholders Association during the trust period.
- (4) Throughout the trust period, the Trust will follow a certain prescribed plan (terms and methods) to sell Daiwa House Industry stock to the Employee Shareholders Association at market prices on an ongoing basis pursuant to the terms described in (3) above.
- (5) The Trust will use proceeds from the sale of stock to the Employee Shareholders Association and dividends received for shares of stock held to repay loan principal and interest.
- (6) A trust administrator appointed by the beneficiaries will exercise voting rights for shares held by the Trust as directed.
- (7) Upon conclusion of the trust period, any residual assets in the Trust will be allocated to eligible beneficiaries.
- (8) Daiwa House Industry will repay any outstanding loan balances remaining in the Trust in accordance with the guarantee obligations described in (2) above.

## 5. Overview of the Trust

- (1)Name: Daiwa House Group Employee Shareholders Association Trust
- (2)Trustor: Daiwa House Industry
- (3)Trustee: Nomura Trust and Banking Co., Ltd.
- (4)Beneficiaries: Individuals meeting requirements to be eligible beneficiaries (after completing certain procedures once eligibility has been determined)
- (5)Trust contract date: May 16, 2016
- (6)Trust period: May 16, 2016 to May 15, 2019
- (7)Trust objective: Stable, sustained provision of stock to the Employee Shareholders Association and the issuance of trust assets to eligible beneficiaries

## 6. Stock to be Acquired by the Trust

- (1) Type of stock to be acquired: Daiwa House Industry common stock
- (2) Total price of stock to be acquired: Maximum of ¥11,600 million
- (3) Stock acquisition period: May 19, 2016 to June 21, 2016
- (4) Stock acquisition method: Purchase from stock exchanges

### (Reference)

E-Ship® is a registered trademark of Nomura Securities Co., Ltd.

E-Ship® (acronym for an employee stock ownership incentive plan) is an employee stock ownership plan (ESOP) modeled after plans commonly used in the United States. E-Ship® is an employee stock ownership incentive plan developed by Nomura Securities Co., Ltd. and the Nomura Trust and Banking Co., Ltd.

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.