



News Release (Translation only)

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(Code number:1925,
First Section of the Tokyo Stock Exchange)
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Daiwa House Industry Announces Continuation and Partial Amendment of the Stock Delivery Trust (Share -Based Remuneration) Plan

Daiwa House Industry (“the Company”) has had a performance-linked stock remuneration plan utilizing a trust (the Stock Delivery Trust, “the Plan”) for its non-outside directors since the 77th Ordinary General Meeting of Shareholders approved it on 28 June 2016. Today, the Board of Directors resolved to continue the Plan with partial amendments and to submit a proposal for partial amendments to the 80th Ordinary General Meeting of Shareholders scheduled for 25 June 2019. The Plan and proposed amendments are outlined below.

1. Overview of Plan

Under the Plan, the Company provided money to establish a trust (“the Trust”) for acquiring shares in the Company. The Company allots shares to individual directors through the Trust according to points. Each director is assigned a number of points commensurate with their role and the return on equity (ROE) they have generated over an applicable period. The maximum allocation from the Company to the Trust to provide funds necessary for the Trust to acquire Company shares for allotment to directors is ¥600 million over the roughly three-year Trust Period.

Points are assigned on the final day of each May of the Trust Period and consist of the aggregate of a non-performance-linked portion and a performance-linked portion, based on share allocation guidelines defined by the Board of Directors; the formula for calculating performance-linked points is outlined below. The maximum number of points that may be assigned to a director in a year is 80,000—40,000 for each portion.

In principle, the number of the Company's shares allotted each director is 1× their assigned points; however, a portion of the allocation may be converted to sales proceeds from the Company's shares within the Trust and provided as cash in lieu of shares.

Note: The Company enters into special concords with individual directors in which they agree not to sell their shares during their directorships.

Formulas for calculating points

- a. Non-performance-linked portion
Standard amount according to rank ÷ Closing price of the Company's shares on the last day of each fiscal year
- b. Performance-linked portion
Basic points¹ × performance-linked coefficient

2. Proposed changes to the Plan

As mentioned above, the Plan consists of a non-performance-linked portion and performance-linked portion. The coefficient for the performance-linked portion was defined according to the ROE target in the Company's 5th Medium-Term Management Plan.

Following the recent formulation of the Company's 6th Medium-Term Management Plan, the Board will submit for approval at the 80th Ordinary General Meeting of Shareholders, its proposal for changing the ROE targets and adjusting the performance-linked coefficients according to ROE by fiscal year. There are no proposed changes to the Plan that was approved at the 77th Ordinary General Meeting of Shareholders other than the performance-linked coefficient.

Performance-linked coefficient

ROE for relevant fiscal year		Performance-linked coefficient
Before change	After change	
ROE ≥ 10% ¹	ROE ≥ 13% ²	1.0
ROE ≥ 8% ³ < 10%	ROE ≥ 8% < 13% ²	0.5
ROE < 8%	No change	0.0

Notes to table

- 1 Target set out in the Company's 5th Medium-Term Management Plan.
- 2 Annual ROE target set for each fiscal year of the current medium-term management plan. 13% is the ROE target set out in the 6th Medium-Term Management Plan.
- 3 Minimum suggested for a listed company in Final Report of the Ito Review "Competitiveness and Incentives for Sustainable Growth: Building Favorable Relationships between Companies and Investors" Project (Ministry of Economy, Trade and Industry: August 2014).

¹ The number of basic points for Director is calculated by dividing the standard amount according to rank, by the book value per share of the Company held by the trust.

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 3, 2019.