



News Release (Translation only)

June 3, 2019

Company: Daiwa House Industry Co., Ltd.
(Code number:1925,
First Section of the Tokyo Stock Exchange)
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Daiwa House Industry Announces Performance Stock Unit Remuneration Plan

The Board of Directors at Daiwa House Industry (“the Company”), having reviewed the Company’s executive compensation programs, today resolved to initiate a performance-linked, restricted shares (performance stock unit (PSU)) remuneration plan (“the Plan”) for its inside directors (“Eligible Employees”). The Board will submit the proposed Plan for approval at the 80th Ordinary General Meeting of Shareholders scheduled for 25 June 2019, as outlined below.

1. Rationale

Under the Plan, Daiwa House Industry will award common shares in the Company to Eligible Employees in line with performance measures during a Performance Cycle to coincide with the 6th Medium-Term Management Plan (fiscal years 2019–2021). This move is intended to provide an incentive for Eligible Employees to sustainably enhance the Company’s enterprise value and align their interests more closely with those of shareholders.

The Plan is separate from the scheme for fixed compensation and annual bonuses for directors (monthly maximum of ¥70 million) approved at the 57th Ordinary General Meeting of Shareholders on 27 June 1996 and the Stock Delivery Trust approved at the 77th Ordinary General Meeting of Shareholders on 28 June 2016 (maximum of ¥600 million over three years). Under the proposed Plan, monetary receivables (“monetary compensation receivables”) will be provided to Eligible Employees for the purpose of awarding shares in the Company; shareholder approval at the Ordinary General Meeting is needed to implement the Plan.

2. Description

a. Summary

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

The value of monetary compensation receivables awarded during the Performance Cycle will not exceed ¥180 million, and the number of shares to be granted during the Performance Cycle will not exceed 40,000 (less than 0.01% of the 666,238,205 issued as of 31 March 2019). The Board of Directors will determine the amount of actual payouts at its discretion and subject to relevant limits. Note also that the Board of Directors may approve a continuation of this plan within limitations approved by the Shareholders Meeting after the current Performance Cycle.

The Company and Eligible Employees will agree to the following conditions regarding the issuance and disposal of Company shares: 1) Under no circumstances will there be any disposal of the shares, including transfer to third parties or their use in establishing security interests; this embargo begins on the date of share payment and remains in effect until Eligible Employees* separate from their post. 2) A Restricted Share Allocation Agreement will be entered into stipulating that the Company retains the right to acquire the shares without compensation in certain circumstances. The Company intends for Eligible Employees' shares to be held in escrow at Nomura Securities Co., Ltd. to prevent their transfer, use in establishing a security interest, or other disposal during the restricted-transfer period.

b. How monetary compensation receivables and final number of shares granted are calculated

i. Monetary compensation receivables

Under the Plan, the monetary compensation receivables to be awarded to Eligible Employees will be calculated by using the final number of shares to be granted multiplied by the payout per share.

Payout per share will be set by the Board of Directors based on the closing price of the Company's common shares in regular trading on the Tokyo Stock Exchange on the trading day prior to the date of the board resolution. (If trading does not occur on that date, the closing price on prior trading day, providing that this does not unduly advantage the Eligible Employee.)

* "Eligible Employee" refers to persons with the rank of Director or executive director of the Company or its subsidiaries or officer or employee, including executive officers, auditors, employees, advisors, or counselors who do not concurrently serve as director or in an equivalent position.

ii. Final number of shares granted and final cash payout

The final number of shares to be granted will be a standard number of shares (“standard number of shares granted”) multiplied by a coefficient based on the achievement of performance measures (“performance measure achievement coefficient”).

However, if the Eligible Employee resigns or retires due to the expiration of their term of office or other legitimate reason (excluding death) between the end of the final fiscal year in the Performance Cycle and the first day of the next ordinary shareholders’ meeting (vesting date), they will receive a cash payout (“final cash payout”) equivalent to the value of the number of shares to be granted. This will be calculated by multiplying their coefficient set according to their office tenure (“tenure coefficient”) during the Performance Cycle by the standard number of shares granted (however, amounts less than one share will be rounded down) based on the closing price of the Company’s shares in regular trading on the Tokyo Stock Exchange on the day of their resignation or retirement (if trading does not occur on that date, the closing price on prior trading day).

How the final number of shares granted and final cash payout are calculated

- Final number of shares granted = A (standard number of shares granted) × B (performance measure achievement coefficient)
- Final cash payout = A (standard number of shares granted) × C (tenure 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) Standard number of shares granted

Each Eligible Employee will be granted a standard parcel of 3,000 shares. However, should circumstances necessitate reduction of the standard number of shares granted in light of the maximum limit on remuneration with shares, or there is a stock split or reverse stock split of the Company’s shares after this Plan has been approved, the total number of shares to be allocated or disposed of under the Plan will be adjusted within reason as necessary.

B) Performance measure achievement coefficient

The performance measure achievement coefficient will be the sum of the coefficients in Column 1 in the table below as determined each fiscal year during the Performance Cycle.

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
Fiscal 2019	0.3	378.0 billion yen
Fiscal 2020	0.3	390.0 billion yen
Fiscal 2021	0.4	405.0 billion yen

C) Tenure coefficient

The tenure coefficient is calculated according to the schedule below according to an Eligible Employee's length of tenure (period to separation from post). If an Eligible Employee resigns or retires in the middle of a month, calculations will assume that the office was held for the entire month.

	FY coefficient
Tenure to end of FY19:	0
Tenure to end of FY20:	0.3
Tenure to end of FY21:	0.6
Tenure to end of FY21 with separation before vesting date:	0.6

The Company foresees having the Plan apply not only to eligible directors, but to other Eligible Employees including executive officers who do not concurrently serve as directors as well as branch managers and other senior managers of the Company and directors of wholly owned subsidiaries.

3. Stockholding guidelines

Also at today's board meeting, the Company established stockholding guidelines for its directors and executive officers and Group company directors.

The guidelines are intended to encourage minimum holdings of the Company's shares by its directors and executive officers and Group directors. The Company hopes this will further align the interests of Eligible Employees and the Company's shareholders and improve the effectiveness of the Plan—important elements in improving the Group's enterprise value.

Guidelines

- a. Company directors (applies only to inside directors)

In principle, to own at least 6,000 shares in the Company within three years of appointment

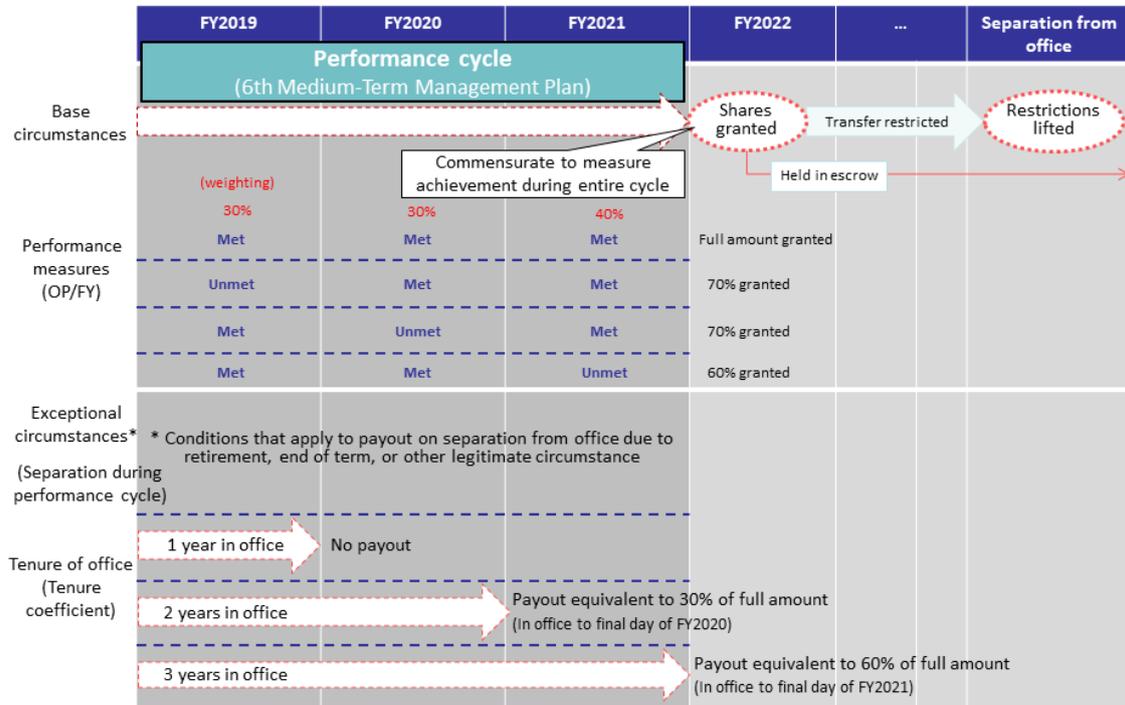
- b. Executive officers

In principle, to own at least 3,000 shares in the Company within three years of appointment

c. Group company directors

In principle, to own at least 2,000 shares in the Company within three years of appointment

Reference: Plan schematic



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.