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News Release (Translation)

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Notice Concerning the Adoption of a Service-based Restricted Stock Compensation System and a Performance-linked Restricted Stock Compensation System for Executive Officers Not Serving as Company Directors

Daiwa House Industry Co., Ltd. (hereinafter “the Company”) announces that its Board of Directors have today resolved to adopt a service-based restricted stock compensation system (hereinafter, “System I”) and a performance-linked restricted stock compensation system (hereinafter, “System II”, with these systems hereinafter collectively referred to as “System”) for executive officers not serving as Company directors (hereinafter, “Applicable Executive Officers”). Further details follow:

1. Purpose of System adoption

The purpose of this System is to provide incentives for Applicable Executive Officers by allocating an amount of Company common stock (hereinafter, “Company Stock”) to pursue sustainable improvements in its corporate value and to ensure shared value with shareholders.

2. System overview

Through System I, the Company will allocate an amount of Company Stock to Applicable Executive Officers based on the period of the fiscal year (Initial period to be the 85th fiscal year (from April 1, 2023 to March 31, 2024)) in which Applicable Executive Officers execute their duties (hereinafter, “Period of Service”). Through System II, the Company will allocate an amount of Company Stock based on performance during each individual fiscal year (hereinafter, “Performance Evaluation Period.” Initial period to be the 85th fiscal year). However, in the event a stock split or merger (including bonus shares of Company Stock) is conducted on a day prior to the date of issuance or disposal of Company Stock and circumstances require adjustments to the total number of Company Stock to be issued or disposed of based on this System, then the total number of shares shall be adjusted within a reasonable range. Furthermore, the per share payment amount shall be determined by the Board of Directors within a range that does not provide undue monetary advantage to Applicable Executive Officers receiving said Company Stock. This determination shall be made based on the final transaction price for

Company Stock on the Tokyo Stock Exchange on the last business day prior to the resolution passed by the Board of Directors concerning stock allocation (hereinafter, “Board Stock Option Resolution”). If no transactions were completed on the date in question, then the final price from the most recent business day shall be applied.

3. System I summary

System I is a stock compensation system that pays monetary claims (hereinafter, “Monetary Compensation Claims”) to Applicable Executive Officers based on the condition that Applicable Executive Officers hold the position of executive officers (hereinafter, “Position of Executive Officers”) continuously during the Period of Service. Applicable Executive Officers pay all of those Monetary Compensation Claims in the form of in-kind contributions to receive the issuance or disposal of Company Stock.

The issuance or disposal of Company Stock shall be subject to a restricted stock allocation agreement concluded between the Company and the Applicable Executive Officers. Provisions set forth in said agreement shall include the following: 1) Restriction on the transfer of Company Stock to any third party, the establishment of collateral rights against Company Stock, or any other disposal of Company Stock during the period between the Company Stock payment date and the retirement or resignation from the position of Company or subsidiary director, executive officer, executive officer not serving as a director, corporate auditor, employee, consultant, or equivalent position (hereinafter, “Executive Position”). 2) The restricted stock allocation agreement shall include provisions allowing the Company to acquire Company Stock free of charge when certain conditions are fulfilled. Furthermore, to prevent transfer, the establishment of collateral rights, or any other form of disposal during the restriction period, the Company Stock of Applicable Executive Officers shall be managed in a dedicated account opened with Nomura Securities Co., Ltd.

(1) Method of calculating the Monetary Compensation Claim amount and final number of allocated shares for System I

(i) Method of calculating the Monetary Compensation Claim amount

The amount of the Monetary Compensation Claim to be paid to Applicable Executive Officers shall be the amount calculated by multiplying the final number of shares allocated to Applicable Executive Officers in accordance with System I (hereinafter, “Final Share Allocation”) by the per share payment amount.

(ii) Final Share Allocation and final payment amount calculation methods

The Final Share Allocation shall be the number of shares calculated by multiplying the base number of shares (in System I, this shall be referred to as “Base Share Allocation”) by a coefficient that is determined based on the Period of Service (hereinafter, “Period of Service Coefficient”).

However, when 1) an executive officer resigns from the position of executive officer due to retirement age, assumption of office as a Company director or corporate auditor, transfer within the Group, or other just reasons (excluding when due to death) before the end date of the Period of Service (in System I, this shall be referred to as the “Vesting Date”), or when 2) an executive officer resigns or retires from any position as an officer or employee, etc. after the vesting date but prior to the date of issuance or disposal of Company Stock due to retirement age, the expiration of term or other just reason (including when due to death), the amount (hereinafter, “Final Payment Amount”) calculated by multiplying the Final Share Allocation by the final transaction price for common shares of Company Stock on the Tokyo Stock Exchange for said date of resignation or retirement (if

no transactions were conducted on that date, then the final price for the most recent date of transactions) shall be paid within a specified period of time after resignation or retirement. However, when said date of resignation or retirement falls on or after the date of the Board Stock Option Resolution, then the payment amount shall be an amount based on the Board Stock Option Resolution.

(System I Final Share Allocation and Final Payment Amount calculation formulas)

Final Share Allocation

= A) Base Share Allocation x B) Period of Service coefficient

Final Payment Amount

= Final Share Allocation x final price for Company Stock on date of resignation or retirement as set forth in (1) (ii) above (if no transactions were conducted on that date, then the final price for the most recent date of transactions (However, when said date of resignation or retirement is date after the date of the Board Stock Option Resolution, then the payment amount shall be an amount based on the Board Stock Option Resolution.))

(*1) Any fraction of less than one share in the Final Share Allocation shall be rounded down.

(*2) Any fraction of less than one yen in the Final Payment Amount shall be rounded down.

A) Base Share Allocation

The Company Board of Directors shall determine in advance Base Share Allocation issued to each Applicable Executive Officer.

B) Period of Service Coefficient

$\text{Period of Service Coefficient} = \frac{\text{Period of Service (months)}}{\text{Months related to Period of Service (12)}}$
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(*3) The Period of Service (months) is calculated as beginning from April of the fiscal year which is the Period of Service start date, until the month of the date on which the Applicable Executive Officer resigns from the position of executive officer.

(*4) If the Period of Service Coefficient exceeds 1, then the coefficient is set as 1.

(2) Conditions for payments to Applicable Executive Officers

If the Applicable Executive Officer resigns due to death prior to the Vesting Date, then no payment of stock or monetary amounts in accordance with System I is made. Furthermore, executive officers not serving as company directors who assume their position after the start date of the Period of Service are ineligible for payment.

Also, Applicable Executive Officers applicable to the circumstances for loss of rights as set forth in Company regulations, including executive officers who resign from the position of executive officer without just cause, or who commit certain acts of misconduct, prior to the vesting date shall not receive payment of stock or monetary amounts.

(3) Handling in the event of organizational restructuring

If, prior to the date of allocation or disposal of Company Stock in accordance with System I, 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 organization 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), after approval of said organizational restructuring, in exchange for Company Stock, the Company shall pay an amount calculated by multiplying the Base Share Allocation, which shall be adjusted within a reasonable range based on factors such as the period between the start date of the Period of Service and the organizational restructuring approval date, by the final transaction price for Company Stock on the Tokyo Stock Exchange on the business date prior to the organizational restructuring approval date. (However, this shall be limited to when the organizational restructuring date of enforcement is expected to occur on a date prior to the Company Stock issuance or disposal date prescribed for System I.)

4. System II summary

System II is a stock compensation system that pays Monetary Compensation Claims to Applicable Executive Officers based on the level of achievement for performance goals during the Performance Evaluation Period. Applicable Executive Officers pay all of those Monetary Compensation Claims in the form of in-kind contributions to receive the issuance or disposal of Company Stock.

The issuance or disposal of Company Stock shall be subject to a restricted stock allocation agreement concluded between the Company and the Applicable Executive Officer. Provisions set forth in said agreement shall include the following: 1) Restriction on the transfer of Company Stock to any third party, the establishment of collateral rights against Company Stock, or any other disposal of Company Stock during the period between the Company Stock payment date and the retirement or resignation from an Executive Position. 2) The restricted stock allocation agreement shall include provisions allowing the Company to acquire Company Stock free of charge when certain conditions are fulfilled. Furthermore, to prevent transfer, the establishment of collateral rights, or any other form of disposal during the restriction period, the Company Stock of Applicable Executive Officers shall be managed in a dedicated account opened with Nomura Securities Co., Ltd.

(1) Method of calculating the Monetary Compensation Claim amount and final number of allocated shares for System II

(i) Method of calculating the Monetary Compensation Claim amount

The amount of Monetary Compensation Claims paid to Applicable Executive Officers shall be the amount calculated by multiplying the final number of shares allocated to Applicable Executive Officers in accordance with System (for System II, this shall be referred to as "Final Share Allocation") by the per share payment amount.

(ii) Final Share Allocation and final payment amount calculation methods

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

However, when an executive officer resigns or retires from any position as an officer or employee, etc. after the end date of the Performance Evaluation Period (in System II, this shall be referred to as the "Vesting Date.") but

prior to the date of issuance or disposal of Company Stock due to retirement age, the expiration of term or other just reason (including when due to death), the amount (in System II, this shall be referred to as the “Final Payment Amount”) calculated by multiplying the Final Share Allocation by the final transaction price for common shares of Company Stock on the Tokyo Stock Exchange for said date of resignation or retirement (if no transactions were conducted on that date, then the final price for the most recent date of transactions) shall be paid. However, when said date of resignation or retirement falls on or after the date of the Board Stock Option Resolution, then the payment amount shall be an amount based on the Board Stock Option Resolution.

(System II Final Share Allocation and Final Payment Amount calculation formulas)

<p>Final Share Allocation</p> <p>= A) Base Share Allocation x B) Performance Goal Achievement Coefficient</p> <p>Final Payment Amount</p> <p>=Final Share Allocation x final price for Company Stock on date of resignation or retirement as set forth in (1) (ii) above (if no transactions were conducted on that date, then the final price for the most recent date of transactions (However, when said date of resignation or retirement is date after the date of the Board Stock Option Resolution, then the payment amount shall be an amount based on the Board Stock Option Resolution.))</p>

(*5) Any fraction of less than one share in the Final Share Allocation shall be rounded down.

(*6) Any fraction of less than one yen in the Final Payment Amount shall be rounded down.

A) Base Share Allocation

The Company Board of Directors shall determine in advance Base Share Allocation issued to each Applicable Executive Officer.

B) The Performance Goal Achievement Coefficient

The Performance Goal Achievement Coefficient shall be the environmental metrics outlined in the Company’s Seventh Medium-Term Management Plan (CO2 emissions reductions (business activities), CO2 emissions reductions (building use), and CDP climate change score). Using the figures finalized for the Performance Evaluation Period, the Performance Goal Achievement Coefficient calculated based on (1) through (3) in the tables below shall be calculated based on the following formula.

(Calculation formula for Performance Goal Achievement Coefficient)

<p>Performance Goal Achievement Coefficient</p> <p>= {(1) CO2 emissions reductions (business activities *1) + (2) CO2 emissions reductions (building use*2)} x (3) CDP climate change*3 score</p>

*1: CO2 emissions at Group offices, plants, construction sites, and business facilities

*2: CO2 emissions resulting from Group sales and the use of developed residential housing and buildings

*3: An 8-tier evaluation of climate change response and strategy conducted by the International NPO CDP, which surveys over 14,000 companies worldwide and shares evaluation results with institutional investors.

(1) CO2 emissions reductions (business activities) and (2) CO2 emissions reductions (building use)

Performance Goal Achievement	Performance Goal Achievement Coefficient
100% or more	0.5
80% to less than 100%	0.4
60% to less than 80%	0.3
40% to less than 60%	0.2
20% to less than 40%	0.1
Less than 20%	0

(3) CDP climate change score

CDP climate change score	Performance Goal Achievement Coefficient
A	1.20
A-	1.10
B	1.00
B-	0.95
C	0.90
C-	0.85
D	0.80
D-	0.75

(2) Conditions for payments to Applicable Executive Officers

If the Applicable Executive Officer resigns from the Executive Position prior to the Vesting Date, then no payment of stock or monetary amounts in accordance with System II is made regardless of the reason. Furthermore, executive officers not serving as company directors who assume their position after the start date of the Performance Evaluation Period are ineligible for payment.

Also, Applicable Executive Officers applicable to the circumstances for loss of rights as set forth in Company regulations, including executive officers who commit certain acts of misconduct, prior to the Vesting Date shall not receive payment of stock or monetary amounts.

(3) Handling in the event of organizational restructuring

If, prior to the date of the Company's General Meeting of Shareholders for the business year subject to the Performance Evaluation Period, 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 organization 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), then no stock or monetary amount shall be paid. However, this shall be limited to when the date

of enforcement for said Organizational Restructuring is expected to fall occur prior to the date of allocation or disposal of Company Stock in accordance with System II.

Furthermore, if after the date of the Company's General Meeting of Shareholders for the business year subject to the Performance Evaluation Period but prior to the date of allocation or disposal of Company Stock in accordance with System II, 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 organization 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), as a replacement for Company Stock, the Company shall pay the monetary amount derived by multiplying the Final Share Allocation by the final transaction price for Company Stock on the Tokyo Stock Exchange on the date of business prior to the date of approval of said Organizational Restructuring (however, if said date of approval is after the date of Board Stock Option Resolution, then the payment price based on the Board Stock Option Resolution shall be used.). This payment shall be made within a certain period of time after approval for said Organizational Restructuring. However, this shall be limited to when the date of enforcement for said Organizational Restructuring is expected to fall occur prior to the date of issuance or disposal of Company Stock in accordance with System II.

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 January 11, 2024.