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News Release (Translation)

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Notice Concerning the Issuance of a Subsequent Delivery-type Restricted Stock Compensation and a Performance-linked Restricted Stock Compensation

Daiwa House Industry Co., Ltd. (hereinafter "the Company") announces that its Board of Directors have today resolved to issue new shares as a subsequent delivery-type restricted stock compensation and a performance-linked restricted stock compensation (hereinafter, "New Share Issuance" or "Issuance").

1. Overview of New Share Issuance

(1) Date of payment	August 26, 2024
(2) Class and number of shares to be issued	The Company's common share 127,142 shares
(3) Issue price	4,085 yen per share
(4) Total amount of issue	519,375,070 yen
(5) Allottees, the number of the allottees, and the number of shares to be allocated	Directors of the Company (excluding outside directors): 8 persons; 57,702 shares Executive officers who do not serve concurrently as directors of the Company: 49 persons; 66,880 shares An employee of the Company: 1 person; 1,280 shares An executive officer of a subsidiary of the Company who does not serve concurrently as a director of the subsidiary: 1 person; 1,280 shares *An employee of the Company and an executive officer of a subsidiary of the Company who does not serve concurrently as a director of the subsidiary are former executive officers who did not serve concurrently as directors of the Company and who retired as of March 31, 2024.
(6) Other	An Extraordinary Report under the Financial Instruments and Exchange Act has been filed with respect to this issuance of new shares.

2. Purpose of and Reason for New Share Issuance

At a meeting of the Board of Directors held on May 13, 2022, the Company resolved to introduce a subsequent delivery-type restricted stock compensation system (hereinafter, "the System I") and a performance-linked stock compensation system (hereinafter, "the System II"; hereinafter, the System I and the System II are referred to collectively as "the System") as a

compensation system for its Directors (excluding Outside Directors; hereinafter, "Eligible Directors"). The purpose of the System is to provide an incentive to Eligible Directors to sustainably enhance the Company's enterprise value and align their interests more closely with those of shareholders by granting common shares in the Company (hereinafter, "Company Shares") in a number according to the period from the date of the Ordinary General Meeting of Shareholders to the date of the Ordinary General Meeting of Shareholders the following year of Eligible Directors and in a number linked to performance in a single fiscal year (hereinafter "Performance Evaluation Period"). Based on the System, at the 83rd Ordinary General Meeting of Shareholders held on June 29, 2022, the Company also obtained approval to pay to Eligible Directors monetary compensation claims of no more than 900 million yen per year for the System I and the System II respectively, amounting to no more than 1,800 million yen per year in total, as compensation to be used as properties contributed for acquiring Company Shares.

Also, at a meeting of the Board of Directors held on January 11, 2024, the Company resolved to introduce a subsequent delivery-type restricted stock compensation system and a performance-linked stock compensation system for its executive officers who do not serve concurrently as directors of the Company (hereinafter, "Eligible Executive Officers." The Eligible Executive Officers are collectively referred to as the "Eligible Directors, etc." together with the Eligible Directors).

Recently, at the Board of Directors' meeting held on July 11, 2024, the Company resolved to grant monetary compensation claims totalling 519,375,070 yen and Company Shares totalling 127,142 shares as subsequent delivery-type restricted stock compensation and performance-linked stock compensation to 59 Eligible Directors, etc. (including an employee of the Company and an executive officer of a subsidiary of the Company who does not serve concurrently as a director of the subsidiary who retired as executive officers who do not concurrently serve as directors of the Company on March 31, 2024.. Hereinafter referred to as the "Allottees.") under the System. The breakdown is as follows.

- (1) Subsequent delivery-type restricted stock compensation: 324,610,440 yen in monetary compensation claims and 79,464 Company Shares
- (2) Performance-linked stock compensation: 194,764,630 yen in monetary compensation claims and 47,678 Company Shares

An overview of the System is as shown in 3. below.

3. Description of the System

Under the System, the Company will deliver stock compensation under System I after expiration of the period from the date of the Ordinary General Meeting of Shareholders to the date of the Ordinary General Meeting of Shareholders of the following year (However, in the case of Eligible Executive Officers, the term shall be deemed to be the fiscal year during which the Eligible Executive Officers perform their duties. Hereinafter referred to as the "Service Period."), which is the period during which the Eligible Directors perform their duties, and will deliver stock compensation under System II on or after the date of the first Ordinary General Meeting of Shareholders to be convened after the end of the Performance Evaluation Period. The maximum number of Company Shares to be delivered to Eligible Directors shall be 290,000 shares per year for System I and 290,000 shares for System II or 580,000 shares per year in total; provided, however, in the event a stock split or merger (including bonus shares of the Company's common shares) is conducted after the 83rd Ordinary General Meeting of Shareholders on June 29, 2022 or if other circumstances require adjustments to the total number of Company Shares to be issued or disposed of based on the System, then the total number of shares shall be adjusted within a reasonable range.

1. System I summary

System I is a stock compensation system that pays monetary compensation claims to Eligible Directors, etc. based on the condition that Eligible Directors, etc. hold the position of Director (hereinafter, "Position of Director.") (However, in the case of Eligible Executive Officers, the term shall be deemed to be the condition that Eligible Executive Officers hold the position of Executive officers who do not serve concurrently as directors of the Company [hereinafter, "Position of Executive Officer."]) continuously during the Period of Service. Eligible Directors, etc. pay all of those monetary

compensation claims in the form of in-kind contributions to receive the issuance or disposal of Company Stock. The method of calculating the monetary compensation claim amount and the final number of shares delivered under the System I is as follows.

(1) Method of calculating the Monetary Compensation Claim amount

The amount of the monetary compensation claims to be paid to Eligible Directors, etc. shall be the amount calculated by multiplying the final number of shares allocated to Eligible Directors, etc. in accordance with System I (for System I, this shall be referred to as "Final Share Allocation") by the per share payment amount.

(2) 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 Eligible Directors, etc. 1) resign from the Position of Director (However, in the case of Eligible Executive Officers, the term shall be deemed to be the Position of Executive Officer) prior to the Service Period (for System I hereinafter referred to as the "Vesting Date") due to the expiration of term or other just reason (excluding when due to death), or when 2) resign from the Position of Director after the vesting date but prior to the date of issuance or disposal of Company Stock due to the expiration of term or other just reason (including when due to death) (However, in the case of Eligible Executive Officers, the term shall be deemed to be a resignation or retirement from any position of director, executive, executive officer who does not serve concurrently as director, audit & supervisory board member, employee, advisor or other equivalent position [hereinafter, the "Position of Officer or Employee, etc.,"] at the Company or a subsidiary of the Company), the 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 retirement (if no transactions were conducted on that date, then the final price for the most recent date of transactions, for System I hereinafter referred to as "Final Payment Amount") shall be paid within a specified period of time after resignation. However, when said date of 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 × B) Period of Service Coefficient

Final Payment Amount = Final Share Allocation × final price for Company Stock on date of retirement stated in 3. 1. (2) 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 retirement is 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.])

(*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 Eligible Director, etc. However, in light of the maximum amount of stock compensation allowed for System I, this amount shall be adjusted within a reasonable range when necessary to reduce the Base Share Allocation issued to Eligible Directors, etc.

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 the month after the month of the start date of the Service Period until the month of the date on which the Eligible Directors, etc. resigns from the Position of Director (However, in the case of Eligible Executive Officers, the term shall be deemed to be the Position of Executive Officer).

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

2. System II summary

System II is a stock compensation system that pays Monetary Compensation Claims to Eligible Directors, etc. based on the level of achievement for performance goals during the Performance Evaluation Period. Eligible Directors, etc. pay all of those Monetary Compensation Claims in the form of in-kind contributions to receive the issuance or disposal of Company Stock. The method of calculating the monetary compensation claim amount and the final number of shares delivered under the System II is as follows.

(1) Method of calculating the Monetary Compensation Claim amount

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

(2) 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 Eligible Directors, etc. resign from the Position of Director (In the case of Eligible Executive Officers, the term shall be deemed to be a resignation or retirement from any Position of Officer or Employee, etc.) after the date of the first Ordinary General Meeting of Shareholders to be held after the end of the Performance Evaluation Period (However, in the case of Eligible Executive Officers, the term shall be deemed to be the end date of the Performance Evaluation Period. For System II hereinafter referred to as the "Vesting Date") but prior to the date of issuance or disposal of Company Stock due to the expiration of term or other just reason (including when due to death), the 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 retirement (if no transactions were conducted on that date, then the final price for the most recent date of transactions, for System II hereinafter referred to as "Final Payment Amount") shall be paid. However, when said date of retirement is 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)

$\text{Final Share Allocation} = \text{A) Base Share Allocation} \times \text{B) Performance Goal Achievement Coefficient}$ $\text{Final Payment Amount} = \text{Final Share Allocation} \times \text{final price for Company Stock on date of retirement stated in 3. 2. (2) above (if no transactions were conducted on that date, then the final price for the most recent date of transactions [However, when said date of retirement is on or after the date of the Board Stock Option Resolution, then the payment amount shall be an amount based on the Board Stock Option Resolution.]}$

A) Base Share Allocation

The Company Board of Directors shall determine in advance Base Share Allocation issued to each Eligible Directors, etc. However, in light of the maximum amount of stock compensation allowed for System II, this amount shall be adjusted within a reasonable range when necessary to reduce the Base Share Allocation issued to Eligible Directors.

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 (initial period to be the 85th fiscal year: FY2023), 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)

$\text{Performance Goal Achievement Coefficient} = \{(1) \text{ CO2 emissions reductions (business activities *1) + (2) CO2 emissions reductions (building use*2)}\} \times (3) \text{ CDP climate change*3 score}$

(*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 and others.

(1) CO2 emissions reductions (business activities) + (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 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

Furthermore, regarding the issuance or disposal of Company Shares under the System as well as the payment of monetary compensation claims as property to be contributed in kind, the Company and Eligible Directors, etc. will conclude a restricted stock allocation agreement including provisions to the effect that (i) the Eligible Directors, etc. may not transfer, create a security interest on, or otherwise dispose of allocated Company Shares during a certain period and (ii) the Company may make a gratis acquisition of the Shares under certain circumstances.

An overview of the restricted stock allocation agreement (hereinafter, "Allocation Agreement") to be concluded between the Company and the Allottees is as shown in 4. below.

4. Overview of the Allocation Agreement

(1) Transfer restriction period

The period (hereinafter, "Transfer Restriction Period") starting from August 26, 2024 until the time immediately after retirement or resignation from the Position of Officer or Employee, etc.

(2) Handling in the event of retirement

If an Allottee retires or resigns from the Position of Officer or Employee, etc. before the expiration of the Transfer Restriction Period, the Company shall duly acquire the Company Shares allocated under the Allocation Agreement (hereinafter, "the Allocated Stock") free of charge unless a reasonable reason exists for the retirement or resignation, for example, expiration of term or death. If an Allottee retires or resigns from the positions set forth above due to expiration of term, death, or another reasonable reason, the Company shall lift the transfer restrictions on all of the Allocated Stock at the expiry of the Transfer Restriction Period.

(3) Acquisition by the Company without consideration

If an Allottee has engaged in actions that contravene laws and regulations or fallen under certain conditions stipulated in the Allocation Agreement during the Transfer Restriction Period, the Company shall duly acquire all of the Allocated Stock at that point in time without consideration.

(4) Handling in cases of organizational restructuring, etc.

During the Transfer Restriction Period, if 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 other matters related to organizational restructuring is approved by the Company's General Meeting of Shareholders (or the Board of Directors, if there is no need to obtain approval at a General Meeting of Shareholders for the organizational restructuring, etc.), the Company shall lift the transfer restriction on all of the Allocated Stock it holds at that point in time in accordance with the resolution of its Board of Directors at the time immediately preceding the business day prior to the effective date of the organizational restructuring.

(5) Management of shares

In order to prevent transfer, the establishment of collateral rights, or any other form of disposal during the Transfer Restriction Period, the Allocated Stock of Allottees shall be managed in a dedicated account opened with Nomura Securities Co., Ltd. To ensure the effectiveness of the transfer restrictions concerning the Allocated Stock, the Company concluded an agreement with Nomura Securities Co., Ltd. regarding the management of the account of the Allocated Stock held by each of the Allottees. The Allottees shall consent to the details of the management of these accounts.

5. Basis for Calculation of Payment Amount and Specific Details Thereof

The New Share Issuance to the projected allottees shall be conducted using the monetary claims paid as subsequent delivery-type restricted stock compensation and performance-linked stock compensation under the System as the property contributed. To prevent arbitrariness, the issue price was set at 4,085 yen, which was the closing price for common shares of the Company on the Prime Market of the Tokyo Stock Exchange on July 10, 2024 (the last business day prior to the resolution passed by the Board of Directors). This is the market price immediately prior to the date of the resolution of the Board of Directors, and the Company believes that the price is reasonable and not especially favorable to the Allottees.

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 July 11, 2024.