



## News Release (Translation only)

March 29, 2019

Company: Daiwa House Industry Co., Ltd.  
(Code number: 1925,  
First Section of the Tokyo Stock Exchange)  
Representative: Keiichi Yoshii, President and COO  
Contact: Takahumi Nakao, Executive Officer and  
General Manager, General Affairs Department

### **Announcement of Establishment of an Independent Committee and Dividend Forecast for Fiscal Year Ending March 2019 (Remaining Unchanged)**

Daiwa House Industry Co., Ltd. (the “Company”) announces that it will establish an independent (third-party) committee to elucidate the facts on the irregularities at its affiliate located in the People’s Republic of China, and to offer recommendations on recurrence prevention measures as directed by the resolution of the board of directors meeting held on the above date.

The Company also announces, as detailed below, that it will not change the dividend forecast for the fiscal year ending March 2019, which has been indicated in the Announcement of Revision of Earnings and Dividend Forecasts for the Fiscal Year Ending March 2019 released on November 8, 2018.

#### I. Establishment of an Independent Committee

##### 1. Background to Establishment

As indicated in the Notice Concerning Irregularities in the Accounts of a Daiwa House Affiliate in the People’s Republic of China released on March 13, 2019, Dalian Daiwa Zhongsheng Real Estate Co., Ltd., an affiliate of the Company, found that a portion of its funds amounting to 1.415 billion yuan or approximately 23.4 billion yen (at the rate of 16.6 yen to the yuan as of March 12) had been withdrawn and misappropriated (the “Irregularities”).

In response, on March 12, the affiliate filed with the investigative authorities of the People’s Republic of China a criminal charge against two directors and a treasurer employee of the affiliate, both of whom had been assigned to the affiliate by Dalian Zhongsheng Group Co., Ltd., a joint venture partner of the Company, and had been allegedly involved in the Irregularities. The authorities instituted an investigation into the Irregularities on March 14.

The Company took this situation seriously and resolved at the meeting of its board of directors held on the above date that it would establish an independent committee consisting of only external experts for more thorough fact-finding investigations, causal analysis, and recommendations on improvement and recurrence prevention measures for the future.

## 2. Composition of Independent Committee

The independent committee consists of the members as listed below. In principle, this committee is governed by the Guidelines for Independent Committees in Misconducts including corporate misconduct established by the Japan Federation of Bar Associations. There is no element that may compromise the neutrality and independence of the committee as the individual committee members have no stake in the Company.

In addition, attorneys, certified public accountants and other staff of the organizations to which the committee members belong are expected to assist their investigations.

Role	Name and Qualification	Organizational Affiliation and Title
<b>Chairman</b>	Shiro Kuniya, Attorney at Law	Managing Partner, Oh-Ebashi LPC & Partners
<b>Member</b>	Yu Yada, Attorney at Law	Representative Partner, Hifumi Law
<b>Member</b>	Toshifumi Takaoka, CPA	Representative Partner, Forensic Division, KPMG FAS Co., Ltd.

\* For the profile of each committee member, please refer to page 5.

## 3. Tasks Delegated to the Independent Committee

The following tasks are delegated to the independent committee.

- (1) Fact-finding investigations on the Irregularities.
- (2) Investigations to confirm whether there are any instances similar to the Irregularities.
- (3) Causal analyses in connection with (1) and (2); and recommendations for recurrence prevention measures.
- (4) Any other tasks deemed by the independent committee to be necessary.

## 4. Investigation Period

The period of the investigations by the independent committee will be determined by the committee in view of the progress and other factors in its investigations.

## 5. Future Action

We will fully cooperate with the independent committee in its investigations.

The timing of the completion of the investigations is yet to be determined. Upon receipt of an investigation report, we will notify you immediately. Even in the middle of the investigations, we will forthwith disclose any matters that should be disclosed.

#### 6. Impact on Consolidated Performance

Currently, the Chinese authorities investigate this matter as a criminal case, while Dalian Daiwa Zhongsheng Real Estate Co., Ltd. has taken action including a civil complaint filed to retrieve the illicitly withdrawn funds.

The impact of this matter on the Company's consolidated performance remains unclear because it is likely to fluctuate depending on the progress of the local investigations. Any revision to the earnings forecast and the like will be published as soon as we find out the impact.

Please note that if the affiliate fails to retrieve the full amount of the illicitly withdrawn funds through the Irregularities, the Company expects to record the equity in losses of affiliates (ordinary loss) amounting to approximately 11.7 billion yen (at the rate of 16.6 yen to the yuan).

## II. Dividend Forecast for the Fiscal Year Ending March 2019

As stated above, the impact of this matter on the Company's consolidated performance remains unclear. However, we resolved not to change the amount of the year-end dividend, 60.00 yen (annual dividend amount of 110.00 yen), as indicated in the Announcement of Revision of Earnings and Dividend Forecasts for the Fiscal Year Ending March 2019 released on November 8, 2018, because its business performance has made favorable progress mainly in domestic operations.

Also, to return to shareholders the value it has created through our business activities, the Company's basic policy on shareholder returns is to enhance shareholder value by maximizing corporate value over the medium to long term. To achieve this, the Company invests in growth areas such as real estate development, the expansion of overseas business, M&A, research and development and production facilities in a bid to augment earnings per share (EPS). We seek to return our profits in tandem with our performance and maintain stable dividends by setting our minimum dividend payout ratio at 30%.

In accordance with the basic policy, we will not revise the dividend forecast due to this matter, but the actual dividend amount may vary from the forecast value according to various factors in the future.

	Dividend per share (Yen)		
	End of 2 <sup>nd</sup> quarter (Sept. 30)	Fiscal year-end (March 31)	Total Dividends (Annual)
Previous forecast		60.00	110.00
Current forecast		60.00	110.00
Fiscal year ending March 31, 2019	50.00		
Fiscal year ended March 31, 2018	45.00	62.00	107.00

It is very regrettable that one of our affiliates caused such situation. We deeply apologize for having caused so much trouble and anxiety to our customers, shareholders and other stakeholders.

• **Profile of Independent Committee Members (for reference)**

Name	Month/Year	Background
Shiro Kuniya	03/1980	Graduated from the Faculty of Law at Kyoto University
	1982	Completed the (34 <sup>th</sup> ) legal apprenticeship at the Legal Training and Research Institute, Japan, and registered as an attorney at law (Osaka Bar Association)
	1982	Joined Oh-Ebashi LPC & Partners
	1986	Graduated from the Georgetown University Law Center (LL.M.)
	1986	Underwent on-the-job training at Morgan, Lewis & Bockius LLP.
	1986	Became a partner at Oh-Ebashi LPC & Partners
	2002	Became the managing partner at Oh-Ebashi LPC & Partners
Yu Yada	03/2004	Graduated from the Faculty of Law at the University of Tokyo
	03/2006	Completed the Graduate School of Law at the University of Tokyo
	2007	Joined Mori Hamada & Matsumoto (60 <sup>th</sup> )
	2011	Served as a part-time lecturer at the Graduate School of Law at the University of Tokyo (civil law)
	2012	Loaned to the Securities and Exchange Surveillance Commission
	2014	Loaned to the Securities Business Division of the Supervisory Bureau of the Financial Services Agency
	2014	Loaned to the Credit System Office, the Planning Division, the Planning and Coordination Bureau of the Financial Services Agency
	2014	Returned to Mori Hamada & Matsumoto
	2018	Established, and became the representative partner of, Hifumi Law
Toshifumi Takaoka	03/1988	Graduated from the School of Science and Engineering at Waseda University
	1989	Joined KPMG Minato Audit Corporation (now KPMG AZSA LLC.)
	1993	Registered as a certified public accountant
	2001	Transferred to KPMG FAS Co., Ltd.
	2008	Became the representative partner of the Forensic Division at KPMG FAS 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 March 29, 2019.