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News Release (Translation)

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Notice Concerning Revision of Stock Compensation System

Daiwa House Industry Co., Ltd. (hereinafter “the Company”) announces that, at a meeting of its Board of Directors held today, it resolved to revise the Company’s existing stock compensation system for its directors (excluding outside directors; hereinafter referred to as the “Eligible Directors”) and to submit a proposal regarding such revision (hereinafter referred to as the “Proposal”) to the 87th Ordinary General Meeting of Shareholders scheduled to be held on June 26, 2026 (hereinafter referred to as the “General Meeting of Shareholders”), as outlined below.

1. Details of the Proposal and Purpose of Adopting the Compensation System

The current compensation for Eligible Directors is comprised of monetary compensation, which includes fixed remuneration and an annual incentive bonus, and stock compensation in the form of service-based restricted stock and performance-linked restricted stock.

Recently, following deliberations by Remuneration Advisory Committee, whose members are comprised of a majority of independent outside directors, and which is chaired by an independent outside director, the Company decided to revise its compensation system for executive officers. The objective of these revisions is to better share value with our shareholders, pursue sustainable improvements in corporate value, and create incentive for creating the social value that leads to the realization of the Daiwa House Group Purpose (Our Hopes for the Future): Our Future Landscape, Embracing the Joys of Life.

As part of these revisions, the Company has reevaluated the current stock compensation system and decided to adopt a new stock compensation system that is comprised of two types of stock compensation for Eligible Directors: a Performance Share Unit (PSU) System and a Restricted Stock Unit (RSU) System (hereinafter, collectively referred to as the “Stock Compensation System”).

2. Overview of the Stock Compensation System

I. About the PSU System

(1) System summary

The PSU System is a deferred performance-linked stock compensation system under which shares of Company common stock (hereinafter, “Company Stock”) and funds to be allocated towards tax payment expenses incidental to said allocation (hereinafter, “Funds for Tax Payment”) are delivered after the conclusion of the Performance Evaluation Period as an incentive for pursuing sustainable improvements in corporate value and creating social value. The Performance Evaluation Period shall comprise multiple consecutive fiscal years (a period of three to five years to be specified by the Company).

In principle, the delivery of Company Stock shall be in the form of monetary compensation claims allocated to Eligible Directors after the conclusion of the Performance Evaluation Period, with said allocation to be via contribution in-kind for the full value of said monetary compensation claims at the time of the issuance of shares or the disposal of treasury shares by the Company.

The initial allocation period applicable to the PSU System shall be the one-year period from the date of the General Meeting of Shareholders for FY2025 to the day prior to the General Meeting of Shareholders for FY2026. Furthermore, the initial Performance Evaluation Period shall be the three fiscal years from FY2026 to FY2028. For subsequent years as well, to the extent for which this Proposal is approved, the Company plans to implement a PSU System with an allocation period of one year using the date of the General Meeting of Shareholders as the date of reference and with a Performance Evaluation Period of three to five consecutive years (to be specified by the Company).

(2) Method of calculating the number of shares of Company Stock and monetary amount to be allocated

Under the PSU System, upon a resolution passed by the Board of Directors, which shall be based on the deliberations and recommendations of the Remuneration Advisory Committee, the number of units (1 unit = 1 share of Company Stock; hereinafter, “Base PSU Share Units”) allocated for each year of service and depending on the position of each Eligible Director shall be multiplied by the allocation ratio (fluctuates between a range of 0% and 150%) to determine the number of shares of Company Stock and the monetary amount to be allocated to Eligible Directors. This allocation ratio shall be based on the Company’s total shareholder return (TSR), which uses the TOPIX (Tokyo Stock Price Index) growth rate, including dividends, during the Performance Evaluation Period as a benchmark.

In principle, of the number of units derived by multiplying the allocation ratio determined after the conclusion of the Performance Evaluation Period by the number of Base PSU Share Units allocated to each Eligible Director (hereinafter, “Vested Share Units”), the Company shall issue monetary compensation claims for the allocation of Company Stock for 50% of said units, with the remainder to be issued as Funds for Tax Payment.

The total amount of said monetary compensation claims and said funds shall be the amount derived by multiplying the number of Vested Share Units by the closing price of the Company Stock on the Tokyo Stock Exchange (Prime Market) as of the business day preceding the date of the resolution passed by the Board of Directors regarding the issuance of stock or the disposal of treasury shares in relation to the allocation of Company Stock in accordance with the PSU System after the conclusion of the Performance Evaluation Period (in the event no closing price is published on said date, then the amount shall be calculated by using the most recent date on which a closing price can be obtained, hereinafter to be referred to as the “PSU Share Price at Allocation”).

The total number of Vested Share Units shall be within 840,000 shares per year (*1), the total number of shares of Company Stock delivered to Eligible Directors (hereinafter, “PSU Share Allocation Limit”) shall be within 420,000 shares per year (*1), the total amount limit for monetary compensation claims and Funds for Tax Payment allocated to Eligible Directors within a given year shall be the amount derived by multiplying 420,000 shares per year, the respective total limit for Vested Share Units, by the PSU Share Price at Allocation.

Accordingly, the ratio of the total PSU Share Allocation Limit to the total number of issued shares is effectively less than 0.0637% per fiscal year, and the resulting dilution ratio is immaterial.

The calculation formulas for the number of shares and Funds for Tax Payment to be allocated are as follows.

- (A) Number of shares of Company Stock allocated to each Eligible Directors
The number of Base PSU Share Units (*2) x allocation ratio (*3) x 50%
- (B) Amount of Funds for Tax Payment to be allocated to each Eligible Director
{(Number of Base PSU Share Units x allocation ratio – abovementioned number of shares of Company Stock (A))} x PSU Share Price at Allocation
- (C) Amount of monetary compensation claims allocated to each Eligible Director
Abovementioned number of shares of Company Stock (A) x PSU Share Price at Allocation

*1. The total number of Vested Share Units and the PSU Share Allocation Limit may be adjusted, to a reasonable extent, on or after the date of the resolution approving this Proposal in the event of a stock split (including the free allocation of the Company’s common shares), a share consolidation, or other circumstances requiring an adjustment to the total number of the Company’s common shares to be issued or disposed of.

- *2. To be determined annually pursuant to deliberations by the Remuneration Advisory Committee and based on the position of each Eligible Director.
- *3. The allocation ratio shall be determined based on the rate of achievement of performance metrics, which are outlined via a resolution by the Board of Directors pursuant to deliberations and recommendations by the Remuneration Advisory Committee. Furthermore, the method of determining the initial allocation ratio if this Proposal is approved is as indicated below.

Performance metrics	Evaluation weights	Individual Evaluation Period
i. Relative TSR	80%	3 years
ii. ESG metrics	20%	1 year

- i. The allocation ratio based on the relative TSR evaluation is determined based on our TSR evaluation, which uses the TOPIX growth ratio, including dividends, as a benchmark and is calculated via the following formulas.

- Relative TSR evaluation allocation ratio = Daiwa House TSR / TOPIX growth rate (including dividends)
- Daiwa House TSR = (Average stock closing price for the final month of the final year of the TSR evaluation period + the total amount of dividends based on a reference date during the TSR evaluation period) / Average stock closing price for the month prior to the start of the TSR evaluation period
- TOPIX growth rate (including dividends) = Average TOPIX closing price (including dividends) for the final month of the final year of the TSR evaluation period / Average TOPIX closing price (including dividends) for the month prior to the start of the TSR evaluation period

- ii. The allocation ratio based on ESG metrics shall be determined by the Board of Directors based on core themes outlined in the Company's Medium-Term Management Plan and pursuant to deliberations by the Remuneration Advisory Committee regarding metrics and formulas that enable the evaluation of the Company's initiatives towards generating social value. Furthermore, ESG metrics are to be evaluated each fiscal year to enable assessments of each fiscal year's policies aimed at achieving the Company's medium and long-term targets. However, the allocation of shares shall be after the conclusion of the third fiscal year, which is set as the performance evaluation period.

(3) Handling of organizational restructuring

In the event a proposal related to organizational restructuring is approved by the General Meeting of Shareholders (however, this may be the Board of Directors when approval by the Company's General Meeting of Shareholders is not required for said organizational restructuring) during the Performance Evaluation Period (however, this shall be limited to when the date of efficacy for said organizational restructuring is scheduled to occur on a date prior to the date of allocation of Company Stock based on the PSU System), the Company may allocate funds to said Eligible Directors in the form of an amount calculated via reasonable methods to be determined by the Board of Directors.

(4) Handling of retirements, etc.

For Eligible Directors who resign during the Performance Evaluation Period for just reasons, including the expiration of term, the Company may, in accordance with provisions set forth by the Board of Directors, make reasonable adjustments to the number of shares or the amount of funds allocated to said Eligible Directors or their beneficiaries. When a director resigns, excluding cases of expiration of term, death, or other just reasons as recognized by the Board of Directors, the Company shall confiscate all Base PSU Share Units allocated under the PSU System.

II. About the RSU System

(1) System summary

The RSU System is a deferred restricted stock compensation system that delivers shares of Company Stock and provides Funds for Tax Payment to Eligible Directors after the conclusion of a period comprising multiple consecutive years (a period of three to five years to be specified by the Company, hereinafter, the “Applicable Period”), conditional upon such Eligible Directors having maintained their position as a director of the Company throughout such period.

In principle, the delivery of Company Stock shall be in the form of monetary compensation claims allocated to Eligible Directors after the conclusion of the Applicable Period, with said issuance to be via contribution in-kind for the full value of said monetary compensation claims at the time of the issuance of shares or the disposal of treasury shares by the Company.

The initial allocation period applicable to the RSU System shall be the one-year period from the date of the General Meeting of Shareholders for FY2025 to the day prior to the General Meeting of Shareholders for FY2026. Furthermore, the initial Applicable Period shall be the three years from the date of the General Meeting of Shareholders for FY2025 to the day prior to the General Meeting of Shareholders for FY2028. For subsequent years as well, to the extent for which this Proposal is approved, the Company plans to implement an RSU System with an allocation period of one year using the date of the General Meeting of Shareholders as the date of reference and with an Applicable Period of three to five consecutive years (to be specified by the Company).

(2) Method of calculating the number of shares of Company Stock and monetary amount to be allocated

Under the RSU System, upon a resolution passed by the Board of Directors, which shall be based on the deliberations and recommendations of the Remuneration Advisory Committee, the Company shall allocate a number of units (1 unit = 1 share of Company Stock; hereinafter, “Base RSU Share Units”) each year of service depending on the position of each Eligible Director.

In principle, of the number of Base RSU Share Units allocated to each Eligible Director, the Company shall issue monetary compensation claims for the allocation of Company Stock for 50% of said units, with the remainder to be issued as Funds for Tax Payment.

The amount of said monetary compensation claims shall be the amount derived by multiplying the number of Base RSU Share Units by the closing price of the Company Stock on the Tokyo Stock Exchange (Prime Market) as of the business day preceding the date of the resolution passed by the Board of Directors regarding the issuance of stock or the disposal of treasury shares in relation to the allocation of Company Stock in accordance with the RSU System after the conclusion of the Applicable Period (in the event no closing price is published on said date, then the amount shall be calculated by using the most recent date on which a closing price can be obtained, hereinafter to be referred to as the “RSU Share Price at Allocation”).

The total number of Base RSU Units shall be within 240,000 shares per year (*1), the total number of shares of Company Stock issued to Eligible Directors (hereinafter, “RSU Share Allocation Limit”) shall be within 120,000 shares per year (*1), the total amount limit for monetary compensation claims and Funds for Tax Payment allocated to Eligible Directors within a given year shall be the amount derived by multiplying 120,000 shares per year, the respective total limit for Base RSU Share Units, by the RSU Share Price at Allocation.

Furthermore, the ratio of the total RSU Share Allocation Limit to the total number of issued shares is effectively less than 0.0182% per fiscal year, and the resulting dilution ratio is immaterial.

The calculation formulas for the number of shares and Funds for Tax Payment to be allocated are as follows.

(A) Number of shares of Company Stock allocated to each Eligible Directors

The number of Base RSU Share Units (*2) x 50%

(B) Amount of Funds for Tax Payment to be allocated to each Eligible Director

(Number of Base RSU Share Units – abovementioned number of shares of Company Stock (A)) x RSU Share Price at Allocation

(C) Amount of monetary compensation claims allocated to each Eligible Director
Abovementioned number of shares of Company Stock (A) x RSU Share Price at Allocation

*1. The total number of Base RSU Share Units and the RSU Share Allocation Limit may be adjusted, to a reasonable extent, on or after the date of the resolution approving this Proposal in the event of a stock split (including the free allocation of Company's common shares), a share consolidation, or other circumstances requiring an adjustment to the total number of the Company's common shares to be issued or disposed of.

*2. To be determined annually pursuant to deliberations by the Remuneration Advisory Committee and based on the position of each Eligible Director.

(3) Handling of organizational restructuring

In the event a proposal related to organizational restructuring is approved by the General Meeting of Shareholders (however, this may be the Board of Directors when approval by the Company's General Meeting of Shareholders is not required for said organizational restructuring) during the Applicable Period (however, this shall be limited to when the date of efficacy for said organizational restructuring is scheduled to occur on a date prior to the date of allocation of Company Stock based on the RSU System), the Company may allocate funds to said Eligible Directors in the form of an amount calculated via reasonable methods to be determined by the Board of Directors.

(4) Handling of retirements, etc.

For Eligible Directors who resign during the Applicable Period, including due to the expiration of term, death, or other just reasons, the Company may, in accordance with provisions set forth by the Board of Directors, make reasonable adjustments to the number of shares or the amount of funds allocated to said Eligible Directors or their beneficiaries. When a director resigns, excluding cases of expiration of term, death, or other just reasons as recognized by the Board of Directors, the Company shall confiscate all Base RSU Share Units allocated under the RSU System.

3. Malus and Clawback Clause (Repayment of Compensation, etc.)

From the perspective of ensuring the soundness of our executive compensation system, the Company plans to establish a Malus and Clawback Clause, by which the Company Board of Directors may, at its discretion and after deliberation by the Remuneration Advisory Committee, require the forfeiture or repayment of all or part of the stock compensation paid during the fiscal year in which the incident was discovered and the three fiscal years preceding in the event of certain misconduct or accounting fraud.

(Reference)

If this Proposal is approved as originally submitted at this General Meeting of Shareholders, the Company similarly plans to revise the stock compensation system for executive officers as well as for directors.

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 May 13, 2026.