Financial Results, Corporate Information

Chapter 9

Chapter 9 Financial Results, Corporate Information

Management's Discussion and Analysis of Financial Position and Results of Operations

[MD&A summary]

Note: This section analyzes the financial position and results of operations during the five fiscal years from fiscal 2018 to fiscal 2022. For the list of financial data, see "Financial Highlights" on pages 115 and 116.

I. Financial position

Financial condition

Total assets as of the end of fiscal 2022 increased by ¥620.4 billion from the end of fiscal 2021 to ¥6,142.0 billion. This was mainly due to the increase in inventories following the purchase of real estate for sale, and the increase in property, plant and equipment resulting from the acquisition of investment properties in the Single-Family Houses segment.

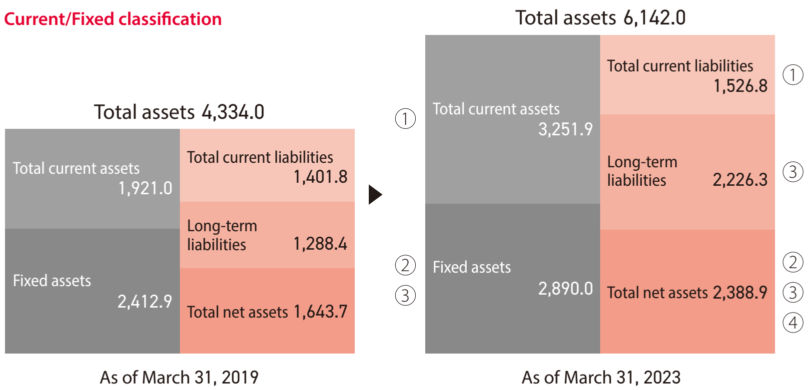
Total liabilities increased by ¥342.8 billion from the end of fiscal 2021 to ¥3,753.1 billion. This was mainly due to fund raising through borrowing and bond issuance for the purpose of acquiring real estate for sale and investment properties.

Total net assets increased by ¥277.5 billion from the end of fiscal 2021 to ¥2,388.9 billion. This was mainly because a net income attributable to owners of the parent of ¥308.3 billion was recorded and foreign currency translation adjustments increased due to a weaker yen, which offset the ¥86.0 billion in dividends paid to shareholders.

The balance of interest-bearing debt (excluding lease obligations) increased by ¥424.0 billion from the end of fiscal 2021 to ¥1,849.4 billion. The debt-equity (D/E) ratio came to 0.72*[1], which exceeded our financial benchmark of about 0.6, due to aggressive upfront investments for growth. At ¥2,091.6 billion, inventories account for the largest proportion of assets. As assets are expected to grow in the future due to the acquisition of inventories and investment properties, we will seek to maintain financial health by verifying the optimal capital structure.

Figure 1 **Comparison of balance sheets** (¥ billion)

Current/Fixed classification



Figures are compared with the final year of our Fifth Medium-Term Management Plan (fiscal 2018).

①The current ratio increased from 137% to 213%.

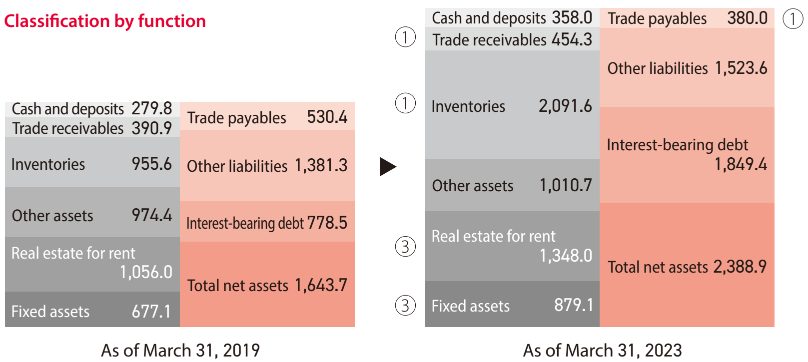
②The fixed ratio dropped from 151% to 127%.

③The ratio of fixed assets to long-term capital dropped from 84% to 64%.

④Net assets excluding non-controlling interests grew from ¥1,595.9 billion to ¥2,284.2 billion.

Figure 2

Classification by function



①Inventories increased from ¥955.6 billion to ¥2,091.6 billion (see **Figure 3**).

②Real estate for rent increased from ¥1,056.0 billion to ¥1,348.0 billion (see **Figure 4**).

③Interest-bearing debt (excluding lease obligations) increased from ¥778.5 billion to ¥1,849.4 billion. As a result, the debt-equity ratio increased from 0.49 to 0.72 (after taking the hybrid financing into account).

*1 Calculated by taking into account the 50% equity credit in the hybrid financing (¥150 billion in hybrid bonds (subordinated bonds) issued in September 2019 and ¥100 billion in hybrid loans (subordinated loans) taken out in October 2020).

I. Financial position

Analysis of asset increases

Inventories as of the end of fiscal 2022 amounted to ¥2,091.6 billion, an increase of 119% compared to fiscal 2018. Major contributing factors include an increase in purchases of real estate for sale for customers considering buying investment properties. The purchases increased as we strengthened "capacity to offer comprehensive business ideas on optimally leveraging a land property," one of our strengths, and promoted built-for-sale business, especially in the Rental Housing and Commercial Facilities Businesses. The increase in inventories was also due to our business expansion in the U.S. housing market and the development of condominiums for sale in China. Looking by segment, the Single-Family Houses and Condominiums Businesses, which operate built-for-sale business overseas, and the Logistics, Business and Corporate Facilities Business, which is selling off logistics facilities and other assets developed in Japan, accounted for a large proportion of inventories.

Investment properties totaled ¥1,610.8 billion, an increase of 49% over fiscal 2018. This includes ¥1,259.9 billion in real estate available for sale*[2], up 71%, and ¥350.9 billion in profit-earning real estate*[3], up 2.9%, indicating that the increase in real estate available for sale led to a rise in investment properties. This increase was chiefly due to our expanded investment in the development of logistics facilities, which is a profit driver.

The increase in assets is largely attributable to an increase in inventories and investment properties, which is a result of our aggressive investment for growth. Investment decisions are made based on the internal rate of return (IRR) as an important indicator, thus we believe these properties should help us recoup funds and yield profits when sold. In an effort to improve capital efficiency, we intend to continue selling properties at optimal times based on market conditions and other factors.

*2 Real estate available for sale refers to real estate that becomes readily salable after investment to earn profit from price rise.
*3 Profit-earning real estate means real estate that we developed to earn rental income.

Figure 3 Inventories

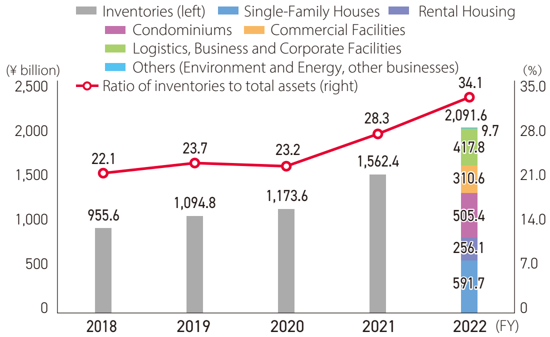
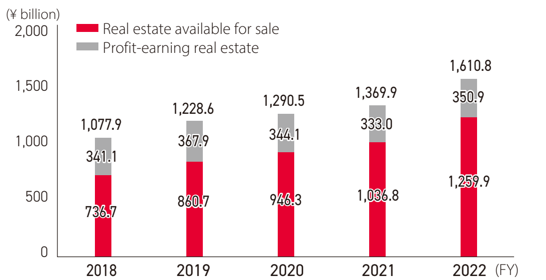


Figure 4 Balance of real estate development



II. Cash flows

Basic approach

The basic approach to cash management is to invest in line with the amount of cash generated by business operations. While our Seventh Medium-Term Management Plan sets a D/E ratio of about 0.6 as a criterion for financial discipline, we may exceed it temporarily due to frontloaded investment in growth as we must actively invest in attractive opportunities. To control the level of interest-bearing debt at around 0.6 In the medium to long term, we raised the hurdle rates for the internal rate of return (IRR), which we use as investment criteria, from 8.5% to 10%, thereby balancing investment in growth with financial soundness.

Cash flow condition

Cash flows from operating activities during fiscal 2022 decreased by ¥106.1 billion from fiscal 2021 to ¥230.2 billion. The ratio of cash flows from operating activities to net assets excluding non-controlling interests, assuming equity capital to be 1.0, was 0.10, down 0.07 points from 0.17 in fiscal 2021. This was mainly due to the purchase of real estate for sale and the payment of corporate income tax, which offset the ¥440.4 billion recorded in income before income taxes.

Cash flows from investment activities were - ¥505.1 billion, due to the acquisition of real estate for rent, etc. and the implementation of the ¥429.4 billion investment into the real estate development business based on the investment plan under the Seventh Medium-Term Management Plan. As a result, free cash flows (cash flows from operating activities + cash flows from investment activities) were - ¥274.8 billion, while cash flows from financial activities were ¥287.4 billion due to fund raising through borrowing and bond issuance for the purpose of acquiring inventories and investment properties.

II. Cash flows

As a result of the above, the balance of cash and cash equivalents at the end of fiscal 2022 was ¥346.1 billion, an increase of ¥19.9 billion from the end of the previous fiscal year.

Figure 5 Cash flows

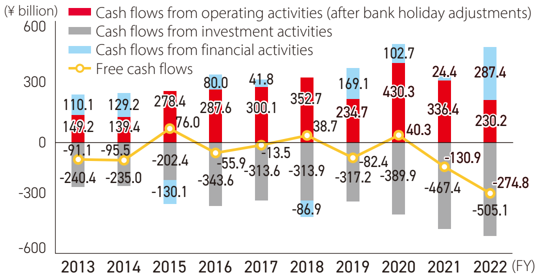
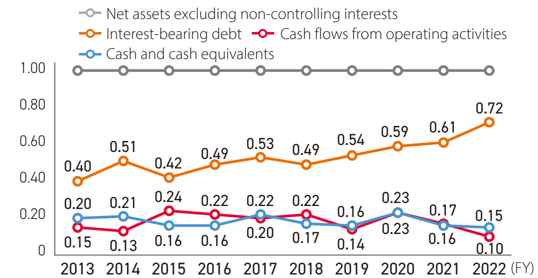


Figure 6 Indices to net assets excluding non-controlling interests (as a ratio where net assets excluding non-controlling interests is equal to 1)



Note: Since FY 2019, interest-bearing debt has been shown as an index after taking the equity of hybrid financing into account.

III. Profits and losses

Return on equity (ROE)

Return on equity (ROE) was 14.3%, approximately 3 percentage points of which were attributable to a gain of ¥96.6 billion from amortization of actuarial differences in retirement benefits recorded as operating income. Under the Company's Seventh Medium-Term Management Plan, our business objective is to earn an ROE of 13% or more. We will seek to improve capital efficiency through various means, such as optimizing business portfolios and reducing inefficient assets.

(Breakdown of ROE) Ratio of net income to net sales

Net income attributable to owners of the parent amounted to ¥308.3 billion and the average annual growth rate for the period of five years starting from fiscal 2018 was 6.8%. Net income margin was 6.3% and trending toward recovery, even excluding the impact from amortization of actuarial differences in retirement benefits. Despite a rise in material prices and fuel costs, the recovery from the impact of COVID-19 led to an improvement in profit margins.

Figure 7 ROE

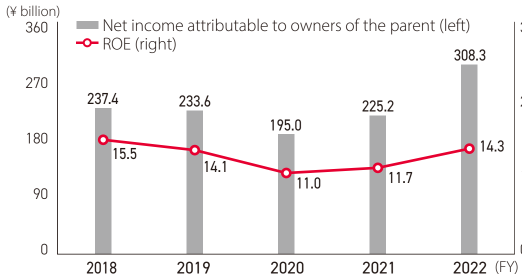
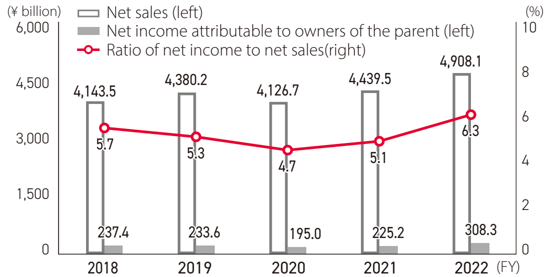


Figure 8 Ratio of net income to net sales



Cost of shareholders' equity	<	Return on equity (ROE)	=	Ratio of net income to net sales	×	Total asset turnover ratio	×	Financial leverage

(Our shareholders' equity cost: 5.3%)

III. Profits and losses

(Breakdown of ROE) Total asset turnover ratio

Net sales amounted to ¥4,908.1 billion and the average annual growth rate for the period of five years starting from fiscal 2018 was 4.3%. Total asset turnover ratio*4 was 0.84, unchanged from the previous fiscal year. The Group's business used to be primarily construction contracting, which did not entail investment, but areas that require upfront investment such as real estate development are increasing their share of the overall total. In line with this, the proportion of sales from investment properties in net sales is rising (see Figure 10). To improve the turnover ratio, which may fall due to this change in our business model, we will continuously seek to ensure the effective utilization of assets through measures that may include encouraging the sale of inventories and also selling investment properties and cross-shareholdings while maintaining a balance between the stock business and the flow business.

*4 Average during the fiscal year.

Figure 9 Total asset turnover ratio

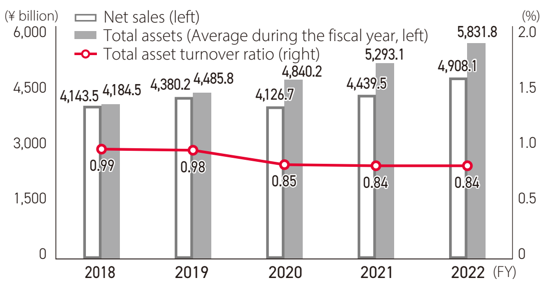


Figure 10 Sale of development properties

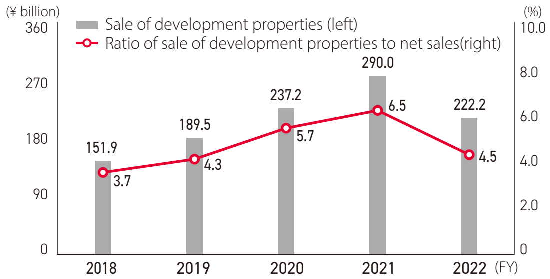
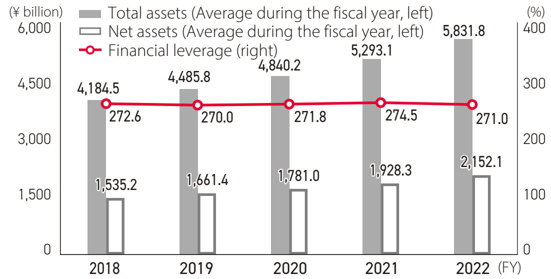


Figure 11 Financial leverage



(Breakdown of ROE) Financial leverage

Net assets excluding non-controlling interests amounted to ¥2,284.2 billion and the average annual growth rate for the period of five years starting from fiscal 2018 was 9.4%. Our financial leverage*5 was 271.0%, down 3.5 percentage points from the previous fiscal year. By setting a D/E ratio as a financial benchmark, we strive to secure funds for growth investments and solidify our financial base while controlling the financial leverage.

*5 Total assets and net assets excluding non-controlling interests are calculated as averages during the fiscal year.

III. Profits and losses

Return on invested capital (ROIC)

Net operating profit after tax (NOPAT)*6 was ¥323.0 billion and return on invested capital (ROIC), a ratio of NOPAT to the invested capital (= Net assets excluding non-controlling interests + Interest-bearing debt)*7 of ¥4,133.6 billion, was 8.5%.

To realize return on invested capital with capital efficiency that exceeds the cost of shareholders' equity, we strive to improve ROIC at the frontline of business, with an attitude of "being complete in small things" as illustrated in Figure 13 .

*6 Net operating profit after tax (NOPAT):
Operating income × (1 - Effective corporate income tax rate)
*7 Average during the fiscal year.

Figure 12 **Return on invested capital (ROIC)**

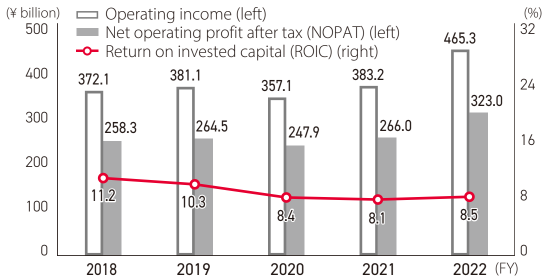
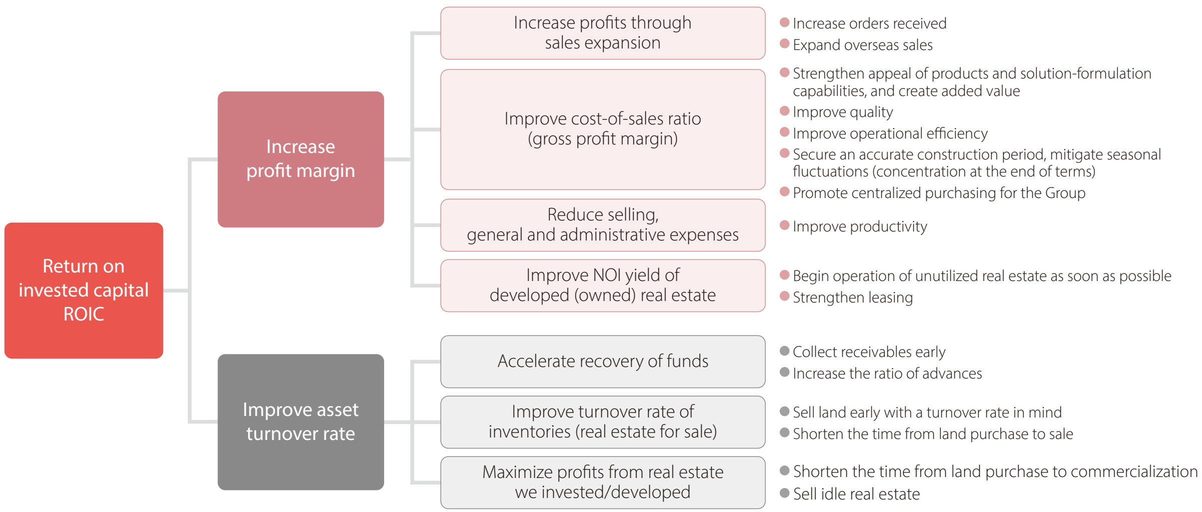


Figure 13 **Efforts to Improve Return on Invested Capital (ROIC) at Sites**



Overseas business performance

Sales and operating income from the overseas business amounted to ¥673.9 billion and ¥52.9 billion, respectively. The average annual growth rate for the period of five years starting from fiscal 2018 was 24.7% for sales and 42.3% for operating income, showing a greater proportion in our entire business. We aim for overseas sales of ¥1 trillion and operating income of ¥100 billion in the final year of the plan by accelerating growth of community-based overseas business.

Figure 14 **Sales**

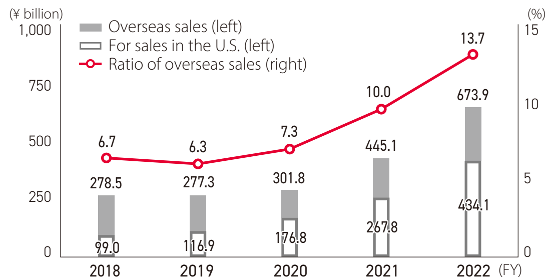
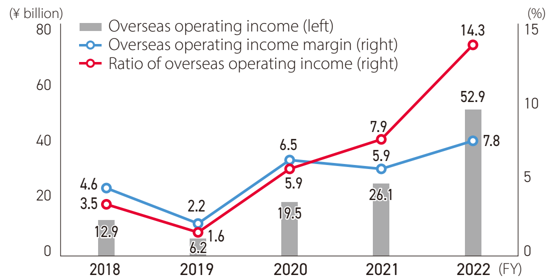


Figure 15 **Operating income**



IV. Business results by segment

Profitability analysis

More than 70% of operating income is accounted for by the three segments positioned as growth drivers, Rental Housing, Commercial Facilities, and Logistics, Business and Corporate Facilities. Looking by operating income margin, these three segments and the Condominiums Business exceed the 7.5% of operating income margin for the entire company, excluding actuarial differences.

Although the Environment and Energy Business constituted only 2.9% of net sales, the Company is working actively to contribute to the spread of renewable energy to realize a carbon-free society.

In terms of Single-Family Houses Business, we will seek to improve profit margin by selecting optimal areas and clarifying targets to cope with the decline in new housing starts due to falling population in Japan.

Operating income margin to segment assets

Inventory balance is increasing due to the promotion of built-for-sale business, but the Rental Housing Business showed higher operating income margins to segment-specific assets, thanks to contribution from the contracting business and rental management business.

In the Logistics, Business and Corporate Facilities Business, we are aggressively investing in long-term large-scale developments to address the growing markets of logistics facilities and data centers. The current return on assets is at a low level because construction investment is currently underway in the land we acquired, but is expected to significantly contribute to cash flows at the time of payback in the future.

Investments in businesses

With regard to investments in businesses, we are working to maintain aggressive investment with a view to sustainable growth. Our investment is expanding in the Logistics, Business and Corporate Facilities Business centered on logistics facilities as a profit driver, and in the Commercial Facilities Business which brings out the potential of regions and contribute to job creation and prosperity. In addition, investments in new businesses and overseas businesses, etc. will be made to develop new revenue streams through the use of funds generated by the above-mentioned segments.

[Business segments]
Single-Family Houses | Rental Housing | Condominiums | Commercial Facilities | Logistics, Business and Corporate Facilities | Environment and Energy | Other

Figure 16 [Business segments] Operating income margin/ Net sales ratio by segment (FY2022)

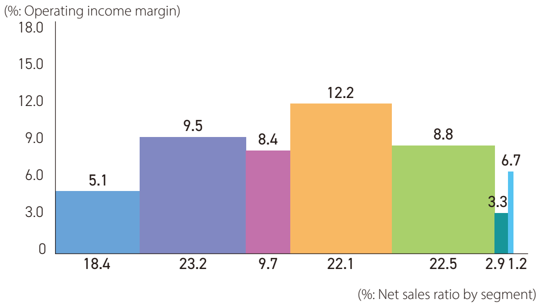
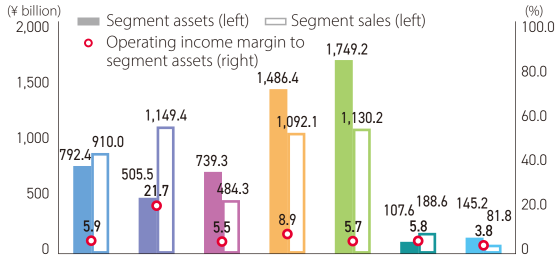
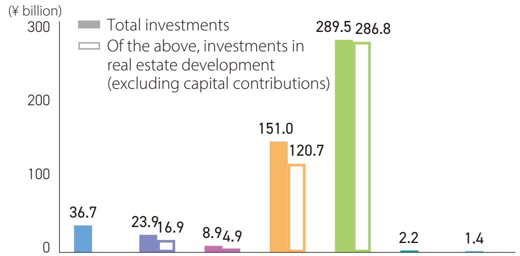


Figure 17 Operating income margin to segment assets (FY2022)



Note: Segment assets are averages during the fiscal year.

Figure 18 [Business segments] Total investments (FY2022)



V. Investments

Returns to employees

One of the essential elements for sustaining growth is to maintain and improve the living environment of employees. Employee salaries in fiscal 2022 on a non-consolidated basis increased by ¥5.1 billion from fiscal 2018 (an average increase of 2.3% or ¥209,000 per employee).

The ratio of employee salaries to operating income*8 was 39%, showing no significant change in fiscal 2022. We are also working to increase the base salary, including a ¥20,000 increase in the starting salary for new employees joining the Company in April 2023. We will actively promote investments in human resources, which are the important source for growth.

*8 Employee salaries/(Operating income + Employee salaries)

IT-related investments and research and development (R&D)

IT-related investments in fiscal 2022 were ¥31.7 billion, an increase of 162% over fiscal 2018. These investments involve significant elements that may lead to revenue increases and cost reductions in the future, such as through the enhancement of added value in products and services, through utilization in marketing, and through the achievement of higher efficiency in production processes and operations. Therefore, we will continue investing more funds in this area.

R&D expenditures in fiscal 2022 were ¥10.4 billion, of which ¥4.3 billion was for the housing field, and ¥6.0 billion for the business field and other businesses. Our research and development activities range from basic and applied research to the development of new technologies and new products, and further to utilization and verification of these new technologies in architectural structures and urban development.

Capital investments

Capital investments (excluding investments in real estate development) were ¥88.6 billion. We have worked on the renovation and opening of factories, upgrading of production lines and installation of new facilities at sites in Japan and Europe. Well-planned investments in production lines are carried out based on market trends, order trends, and other factors. With regard to major assembly processes in particular, which are a significant element affecting the cost-of-sales ratio and quality improvement, we will work to further increase the rate of automation. To tackle the construction industry's challenge of a decrease in the number of engineers and technicians, we are also aggressively investing in Digital transformation (DX) to advance the digitalization of the construction process.

Figure 19 Ratio of employee salaries to operating income (non-consolidated)

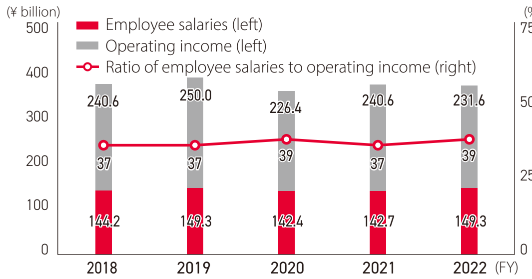


Figure 20 IT-related investments/ Research and development expenditures

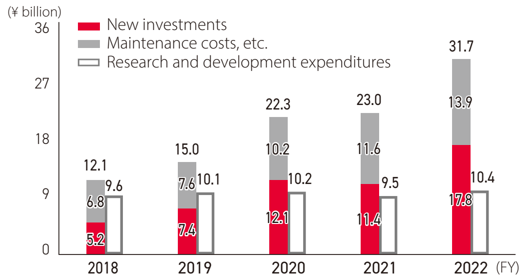
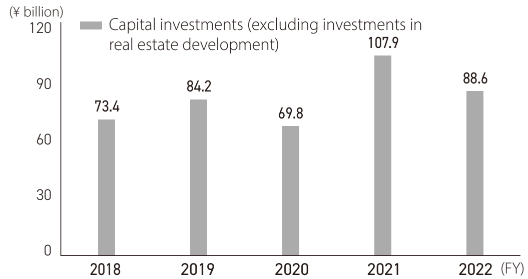


Figure 21 Capital investments (excluding investments in real estate development)



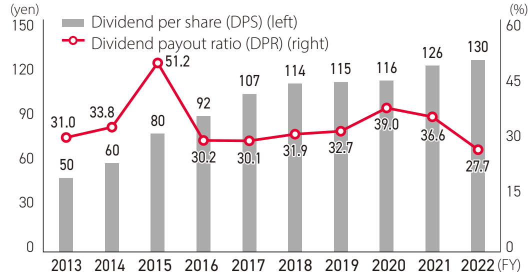
VI. Shareholder returns and stock prices

Shareholder returns

In fiscal 2022, our annual dividend was ¥130 per share, achieving dividend increases for 13 consecutive periods. The dividend payout ratio was 27.7%, which would be 35.6% when excluding amortization of actuarial differences in retirement benefits. Our Seventh Medium-Term Management Plan increased the target payout ratio to 35% or more, up 5 percentage points from the previous 30%. We aim to maintain stable dividends and return profits to shareholders in line with business performance with a minimum annual dividend of ¥130.

In addition, 7 million shares of the company's own stock were cancelled in May 2023, and a buyback of up to 10 million shares (at a total acquisition cost of ¥35.0 billion) will be carried out by March 2024.

Figure 22 **Shareholder returns**



Note: The changes in the dividend payout ratio for fiscal 2015 and fiscal 2022 are mainly due to the revision of discount rates used to calculate retirement benefit obligations.

Price to book-value ratio (PBR)

Book value per share (BPS) amounted to ¥3,466.86 and the average annual growth rate for the period of five years starting from fiscal 2018 was 9.6%. Price to book-value ratio (PBR) was 0.90 times, falling below 1.00 times. In order to gain recognition from the stock market, we believe it is necessary to improve capital efficiency by increasing ROE and optimizing the business portfolio. While advancing these efforts forward, we work to enhance our financial soundness and governance, and through dialogue with investors, we intend to continue maximizing our corporate value.

Figure 23 **BPS/ PBR**

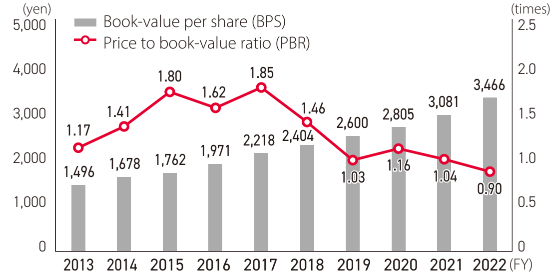
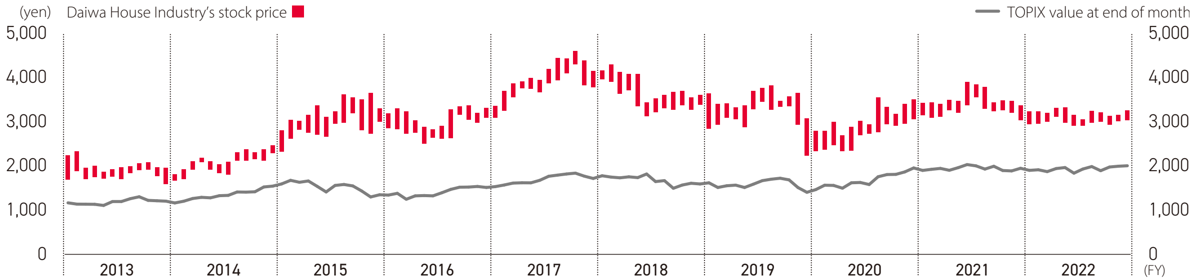


Figure 24 **Trends in stock price of Daiwa House Industry and TOPIX**



	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
Market capitalization (¥ billion)	1,156.3	1,565.8	2,109.3	2,129.2	2,731.5	2,344.4	1,783.8	2,159.2	2,132.6	2,074.8
Highest stock price (yen)	2,330.0	2,467.5	3,654	3,367	4,594	4,293	3,819	3,552	3,900	3,320
Lowest stock price (yen)	1,592.0	1,673.0	2,326.0	2,500.5	3,096	3,119	2,230.5	2,332.0	3,037	2,907.5

Note: The highest and lowest stock prices are those quoted on the First Section of the Tokyo Stock Exchange before April 3, 2022, and on the Prime Market of the Tokyo Stock Exchange after April 4, 2022.

Financial Highlights

(¥ million)

Fiscal Year	2014	2015	2016	2017	2018	2019	2020	2021	2022
Net sales	2,810,714	3,192,900	3,512,909	3,795,992	4,143,505	4,380,209	4,126,769	4,439,536	4,908,199
Gross profit	540,868	632,417	721,312	793,832	842,767	870,206	826,883	864,682	955,194
Selling, general and administrative expenses	360,516	389,316	411,220	446,690	470,571	489,091	469,761	481,425	489,824
Operating income	180,352	243,100	310,092	347,141	372,195	381,114	357,121	383,256	465,370
Operating income excluded amortization of actuarial differences	—	—	293,573	336,264	369,178	378,245	329,472	332,267	368,714
Operating income margin (%)	6.4	7.6	8.8	9.1	9.0	8.7	8.7	8.6	9.5
Net income attributable to owners of the parent	117,133	103,577	201,700	236,357	237,439	233,603	195,076	225,272	308,399
Return on equity (ROE) (%)	11.2	9.1	16.3	17.0	15.5	14.1	11.0	11.7	14.3
Total assets	3,021,007	3,257,805	3,555,885	4,035,059	4,334,037	4,627,388	5,053,052	5,521,662	6,142,067
Net assets	1,112,817	1,181,986	1,329,901	1,513,585	1,643,717	1,773,388	1,893,504	2,111,385	2,388,914
Net assets ratio (%)	36.6	35.9	36.8	36.5	36.8	37.3	36.3	36.6	37.2
Interest-bearing debt	563,530	491,964	640,671	780,574	778,546	1,043,478	1,274,886	1,425,407	1,849,481
Debt-equity ratio (times)	0.51	0.42	0.49	0.53	0.49	0.60	0.69	0.71	0.81
Net cash provided by operating activities	139,465	278,497	287,691	382,365	355,599	149,651	430,314	336,436	230,298
Net cash used in investing activities	(235,027)	(202,447)	(343,643)	(313,664)	(313,989)	(317,273)	(389,980)	(467,423)	(505,181)
Net cash provided by (used in) financing activities	129,202	(130,185)	80,086	41,804	(86,979)	169,128	102,731	24,427	287,452
Market capitalization	1,565,858	2,109,310	2,129,297	2,731,576	2,344,492	1,783,852	2,159,278	2,132,628	2,074,830
Stock prices (FYE) (yen)	2,371	3,166	3,196	4,100	3,519	2,677	3,241	3,201	3,114
Per share of common stock (yen):									
Earnings per share (EPS)	177.74	156.40	304.14	355.87	357.29	351.84	297.18	343.82	469.12
Book-value per share (BPS)	1,678	1,762	1,971	2,218	2,404	2,600	2,805	3,081	3,466
Cash dividends*1	60	80	92	107	114	115	116	126	130
Dividend payout ratio (%)	33.8	51.2	30.2	30.1	31.9	32.7	39.0	36.6	27.7
Price earnings ratio (PER) (times)	13.34	20.24	10.51	11.52	9.85	7.61	10.91	9.31	6.64
Price to book-value ratio (PBR) (times)	1.41	1.80	1.62	1.85	1.46	1.03	1.16	1.04	0.90
Number of employees (FYE)*2	34,903	37,191	39,770	42,460	44,947	47,133	48,807	48,831	49,768
Number of group companies	145	172	196	317	387	360	444	480	488

*1 Cash dividends for fiscal 2015 include a commemorative dividend of ¥10 to mark the 60th anniversary of the Company's foundation. Cash dividends of ¥126 for fiscal 2021 include a commemorative dividend of ¥10 to mark the 100th birthday of founder Nobuo Ishibashi.
*2 Regular employees only.

Fiscal Year	2014	2015	2016	2017	2018	2019	2020	2021	2022
Sales by segments (consolidated)*3 (¥100 million)									
Single-Family Houses	3,753	3,783	3,903	3,853	3,838	4,978	5,161	7,848	9,100
Rental Housing	7,729	8,801	9,772	10,308	10,613	10,059	9,827	10,525	11,494
Condominiums	2,313	2,793	2,628	2,850	2,805	3,727	3,397	3,799	4,843
Existing Homes	916	955	1,055	1,121	1,145	1,456	1,247	—	—
Commercial Facilities	4,562	4,955	5,697	6,208	6,939	8,067	8,083	10,385	10,921
Logistics, Business and Corporate Facilities	5,815	7,363	8,284	8,502	10,223	11,523	9,899	10,792	11,302
Environment and Energy	—	—	—	—	—	—	—	1,610	1,886
Other Businesses	4,265	4,588	5,135	6,371	7,161	5,300	5,073	630	818
Adjustment	(1,248)	(1,311)	(1,349)	(1,256)	(1,293)	(1,311)	(1,423)	(1,197)	(1,285)
Total	28,107	31,929	35,129	37,959	41,435	43,802	41,267	44,395	49,081
Operating income by segments (consolidated)*3 (¥100 million)									
Single-Family Houses	88	165	192	215	199	180	218	383	466
Rental Housing	695	819	942	1,066	1,022	985	908	966	1,097
Condominiums	108	157	134	133	135	158	53	97	408
Existing Homes	99	112	130	132	159	167	104	—	—
Commercial Facilities	672	803	1,007	1,141	1,377	1,406	1,228	1,241	1,329
Logistics, Business and Corporate Facilities	384	680	789	889	989	1,206	1,159	1,255	996
Environment and Energy	—	—	—	—	—	—	—	52	62
Other Businesses	102	95	168	230	325	192	107	(59)	54
Adjustment	(348)	(403)	(265)	(337)	(486)	(487)	(209)	(105)	237
Total	1,803	2,431	3,100	3,471	3,721	3,811	3,571	3,832	4,653
Housing starts*4 (thousands of units)									
Housing starts	880	921	974	946	952	883	812	865	860
Number of houses sold in Japan (non-consolidated) (units)									
Number of houses sold	49,087	51,207	54,925	51,641	48,410	43,703	38,991	40,758	40,562
Custom-built houses	7,280	6,999	7,106	6,907	6,524	5,917	5,178	5,164	4,191
Built-for-sale houses	2,614	2,333	2,180	2,320	2,192	2,066	1,841	1,596	1,571
Reference: Sales of houses (overseas)	—	—	—	973	2,621	2,875	4,184	4,857	6,332
Rental housing	36,757	38,903	43,428	40,254	37,905	33,502	29,488	31,202	32,224
Condominiums	2,436	2,972	2,211	2,160	1,789	2,218	2,484	2,796	2,576
Average sales per unit (¥ million)									
Custom-built houses	32.7	33.7	34.3	35.9	37.3	39.6	39.6	41.0	45.1
Built-for-sale houses	24.0	24.5	25.3	24.0	24.3	22.4	23.1	24.2	24.6
Rental Housing Business									
Rental housing units managed	435,515	471,342	510,208	543,124	572,238	595,182	611,874	630,555	649,891
Occupancy rates (%)	97.5	97.4	97.1	97.3	96.9	97.6	98.2	98.2	97.8
Commercial Facilities Business									
Average orders received per building (¥ million)	160	222	281	324	381	466	512	513	563
Subleasing floor space of commercial facilities									
Total leasing floor space (m^2)	5,134,274	5,441,604	5,736,312	6,157,287	6,375,278	6,765,150	6,871,560	6,964,194	7,163,733
Occupancy rates*5 (%)	99.1	99.2	99.1	99.1	99.0	98.8	98.5	98.6	98.9

*3 Including intersegment transactions. *4 Statistics for housing starts are from Housing Starts Survey by Ministry of Land, Infrastructure, Transport and Tourism.
*5 Leasing floor space occupied/ Total leasing floor space.

Non-Financial Highlights

Carbon neutral indicators

Key indicators			Achievements (FY)		Targets (FY)	
			2021	2022	2026	2030
Achieving carbon neutrality	Entire value chain	GHG emissions reduction rate (%)*1	16.1	23.5	—	40
	Business Activities: Scope 1 + 2	GHG emissions reduction rate (%)*1	20.8	33.5	55	70
		Renewable energy utilization rate (non-consolidated) (%)*2	54	100	100	100
		Renewable energy utilization rate (consolidated) (%)	18.2	41.5	100	100
	Building use: Scope 3 (Category 11)*6	GHG emissions reduction rate (%)*1	29.4	39.3	54	63
		ZEH rate (%)*3	53	86	90	100
		Rental housing ZEH-M rate (%)*4	3	14.2	50	100
		Condominiums ZEH-M rate (%)*5	35	67.5	100	100
		ZEB rate (%)*6	38	65.7	80	100
	Renewable energy supply facilities constructed	Renewable energy generation equipment constructed (EPC) (MW)*7	2,526	2,706	4,200	5,000
		Renewable energy power plants developed and operated (IPP) (MW)*8	561	602	1,550	2,500
	Solar panel installation rate (non-residential)	Commercial Facilities Business (non-consolidated) (%)*9	—	32	Principles 100	
		Logistics, Business & Corporate Facilities Business (non-consolidated) (%)*9	—	62		

*1 vs FY2015
*2 Figures for FY2022 are for electric power purchased in Japan
*3 Contracting and subdivision development operated by Daiwa House Industry (non-consolidated; excluding Hokkaido). Figures for FY2021 are based on orders received, and figures for FY2022 are based on construction starts.
*4 Contracting and subdivision development operated by Daiwa House Industry (non-consolidated). (Construction start basis)
*5 Total of Daiwa House Industry (non-consolidated) and Cosmos Initia (excluding joint ventures managed by other companies, only in Japan; construction start basis)
*6 Total of Daiwa House Industry, Daiwa Lease, and Fujita. Only in Japan, construction start basis, percentage of land area.
*7 Cumulative total since FY2011
*8 In-house consumption is excluded
*9 Results for FY2022 are for Daiwa House Industry (non-consolidated). Target values are the total for the three companies: Daiwa House Industry, Daiwa Lease, and Fujita. Construction start basis, percentage of facilities.

Human Capital Indicators

Key indicators			Achievements (FY)			Targets
			2020	2021	2022	
Increase the value of our human capital	Recruitment	Ratio of new female career hires (%)	23.5 (April 1, 2021)	25.8 (April 1, 2022)	24.9 (April 1, 2023)	30
		Number of career hires	80	64	145	—
	Diversity	Ratio of female employees in management (%)	4.5 (April 1, 2021)	4.9 (April 1, 2022)	5.2 (April 1, 2023)	8 (April 1, 2027)
		Ratio of female section chiefs (%)	17.9 (April 1, 2021)	19.2 (April 1, 2022)	21.3 (April 1, 2023)	25 (April 1, 2027)
		Ratio of employment of persons with disabilities (%)	2.50 (April 1, 2021)	2.46 (April 1, 2022)	2.50 (April 1, 2023)	2.70 (April 1, 2026)
		Ratio of retention of young employees (three years after joining the Company) (%)*1	78.6 (April 1, 2021)	76.6 (April 1, 2022)	76.6 (April 1, 2023)	85
		Ratio of seniors who continue to be employed at age 65 (%)	60.0 (April 1, 2021)	60.9 (April 1, 2022)	49.4 (April 1, 2023)	—
	Health management	Percentage of employees receiving periodic medical examinations (%)	100	100	100	—
		Percentage of follow-up testing of patients who were required to receive detailed tests or medical treatment (%)	99.0	91.0	95.3	—
	Childbirth and childcare	Ratio of male employees taking childcare leave (%)*2	42.4	41.9	62.2	80 (FY2026)
		Lump-sum payment program for fostering the next generation (number of recipients/amounts: ¥ million.)*3	637/637	636/636	643/643	—
	Employment	Percentage of paid leave taken (%)	59.6	57.3	56.4	—
	Equity	Gender wage gap (ratio of average income of female to male employees) (%)*4	—	60.7	61.5	—
	Career support	Multi-Experiential Career support Program*5	—	—	23	—

*1 Retention rate of regular recruits three years after joining the Company in each fiscal year
*2 In an in-house questionnaire conducted in 2020, 80% of male employees said that they wanted to take child care leave. Therefore, the target for the end of the 7th Medium-Term Management Plan (FY 2026) was set at 80%.
*3 Cumulative total since the introduction of the system Payments: ¥11,862 million
*4 Percentage of full-time employees
*5 Career support program focusing on internal and external side jobs

Corporate Data (as of June 29, 2023)

Corporate name	Daiwa House Industry Co., Ltd.
Foundation	April 5, 1955 (Established: March 4, 1947)
Paid-in capital	¥161,845,184,151
Employees (consolidated)	49,768 (as of March 31, 2023)
Securities traded	Tokyo stock exchange
Securities code	1925
Head office	3-3-5 Umeda, Kita-ku, Osaka 530-8241, Japan Phone: +81-6-6346-2111
Tokyo Head office	3-13-1 Iidabashi, Chiyoda-ku, Tokyo 102-8112, Japan Phone: +81-3-5214-2111
Offices (9)	Kita-Nihon, Kita-Kanto, Higashi-Kanto Minami-Kanto, Hokuriku, Chubu Chugoku, Shikoku, Kyushu
Branches	45
Factories	9
Research center	Central Research Laboratory (Nara)
Training center	Daiwa House Group MIRAI KACHI KYOSO Center (Nara)
Countries and regions with overseas operations	25 countries, 50 cities
Contact	Daiwa House Industry Co., Ltd. IR Department, Management Administration Headquarters Phone: +81-6-6225-7804 e-mail: dh.ir.communications@daiwahouse.jp
Website	https://www.daiwahouse.com/English/

Board of Directors, Audit & Supervisory Board and Executive Officers (as of June 29, 2023)

Board of Directors (13)

Representative Director and President, CEO	Keiichi Yoshii
Representative Director and Executive Vice President, CFO	Takeshi Kosokabe
Representative Director and Executive Vice President	Yoshiyuki Murata
Director and Senior Managing Executive Officer	Keisuke Shimonishi
Director and Managing Executive Officers	Hirotsugu Otomo Kazuhito Dekura Yoshinori Ariyoshi Toshiya Nagase
Outside Directors	Yukiko Yabu Yukinori Kuwano Miwa Seki Kazuhiro Yoshizawa Yujiro Ito

Audit & Supervisory Board (6)

Audit & Supervisory Board Members	Tomoyuki Nakazato Tadatoshi Maeda Yoshinori Hashimoto
Outside Audit & Supervisory Board Members	Akihisa Watanabe Tatsuji Kishimoto Takashi Maruyama

Managing Executive Officers (8)

Tatsuya Urakawa	Koji Harano
Eiichi Shibata	Yukikazu Kataoka
Yuji Yamada	Moritaka Noumura
Tetsuya Tamura	Junko Ishizaki

Senior Executive Officers (10)

Nobuhito Ishibashi	Shigeki Ochiai
Tetsuro Wada	Yuichi Sugiura
Hiroshi Kono	Ryuichi Oyaide
Takafumi Nakao	Katsuyuki Murai
Hirotaka Najima	Masafumi Sugimoto

Executive Officers (34)

Taro Kawamura	Akira Matsuba
Norio Togashi	Tetsuo Hatta
Masataka Kanai	Akira Kitamura
Yoshinori Iwabuchi	Eiji Saito
Masatoshi Hatta	Katsuhiro Sugiyama
Keisuke Izumoto	Masao Noshi
Kenichi Yoshioka	Masatoshi Sarashina
Katsunori Nobe	Takehiro Uchiyama
Kazumi Suwa	Masaaki Kikuchi
Ryuzo Matsuyama	Shingo Suzuki
Masao Kita	Akihiko Wada
Keiichi Moteki	Toshiyuki Suminaga
Nobuhiko Watanabe	Toshiki Tanaka
Hideto Tamiya	Shinichi Yamazaki
Tadahiro Takayoshi	Naoya Honda
Kazuya Mukai	Noboru Higuchi
Yoshimune Morizumi	Yoshimitsu Kojima

Share Information (as of March 31, 2023)

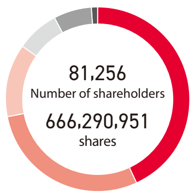
Authorized .... 1,900,000,000 shares
Issued .... 666,290,951 shares
Number of shareholders 81,256

Principal shareholders

Name of shareholders	Thousands of shares	Equity stake (%)
The Master Trust Bank of Japan, Ltd. (trust account)	110,324	16.74
Custody Bank of Japan, Ltd. (trust account)	49,193	7.46
JPMorgan Securities Japan Co., Ltd.	14,720	2.23
Sumitomo Mitsui Banking Corporation	14,505	2.20
Daiwa House Industry Employee Shareholders Association	14,366	2.18
Nippon Life Insurance Company	11,944	1.81
STATE STREET BANK WEST CLIENT - TREATY 505234	11,416	1.73
SSBTC CLIENT OMNIBUS ACCOUNT	9,381	1.42
JP MORGAN CHASE BANK 385781	8,582	1.30
MUFG Bank, Ltd.	8,531	1.29

Note: The ratio of the number of shares held to the total number of issued shares (excluding treasury shares) is rounded down to the three decimal places.

Shareholdings by shareholders



	Number of shareholders	Shares	Equity stake (%)
Financial institutions	196	287,282,966	43.1
Foreign investors	1,056	191,944,190	28.8
Individuals and others	78,375	86,771,361	13.0
Other corporations	1,587	50,033,776	7.5
Securities companies	41	42,839,008	6.4
Treasury stock	1	7,419,650	1.1

Note: Equity stake shows the percentages of the total outstanding shares.

Editorial Postscript

Making solid progress on our Seventh Medium-Term Management Plan as we advance toward fulfilling our Purpose

Yuji Yamada
Managing Executive Officer
General Manager, Finance Department and IR Department

With our 2022 adoption of Our Hopes for the Future, Daiwa House Industry defined its role in the world as creating fundamental societal infrastructure and lifestyle culture rooted in regeneration . And to fulfill those hopes—our Purpose , we have been pursuing three management policies in line with our Seventh Medium-Term Management Plan, which got underway in fiscal 2022: evolving our revenue model, optimizing management efficiency, and strengthening our management base.

During the plan's initial year, management—with an eye on achieving its final-year targets—was focused on showing shareholders, investors, and other stakeholders that growth at our overseas businesses is real, that our business-portfolio overhaul is delivering, and that centralized Group purchasing has shored up our business foundations. Looking back over the year, we believe we have amply demonstrated that we are making progress. Further, mainly through the integrated report project this year we were able to make progress in identifying KGIs and KPIs for the materialities we defined last year; so I'm confident that readers will be able to see how much progress we've made on materialities as well as in achieving Seventh Medium-Term Management Plan goals.

Daiwa House's founder said, "Don't do things because they will make a profit, but because they will be of service to society"; and in this spirit that we have always addressed societal issues. Our history, I'm proud to say, is full of instances where we have had positive impact on society. A recent example is how our development of logistics centers has helped make life easier for countless consumers and created jobs by contributing to greater uptake of online shopping. Another one I find worthy of mention is how our Environment and Energy Businesses have prompted lifestyle changes by giving a boost to renewable-energy uptake. If one were to measure these impacts quantitatively, I think they would clearly show how important the Daiwa House Group is to society.

In closing , we would like to express our appreciation to all who have taken an interest in and the time to read this report, as well as to those without whose involvement it would not have seen the light of day. We hope stakeholders, deepening their understanding of the Group's business activities, will provide the Daiwa House Group with even greater support as we move forward.

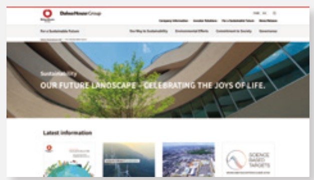
Our Communications at a Glance

	Financial information	Coordination	Non-financial information
Dialogue	• Release of financial results • Presentation on Management Policy • Business briefing / Guided tours of building sites, plants, etc. • Teleconferencing with securities analysts and institutional investors • General Meeting of Shareholders		• Experts' dialogue • Stakeholders' meeting • ESG small meetings
Reports	• Securities report • Business result report		• Corporate governance report
WEB			

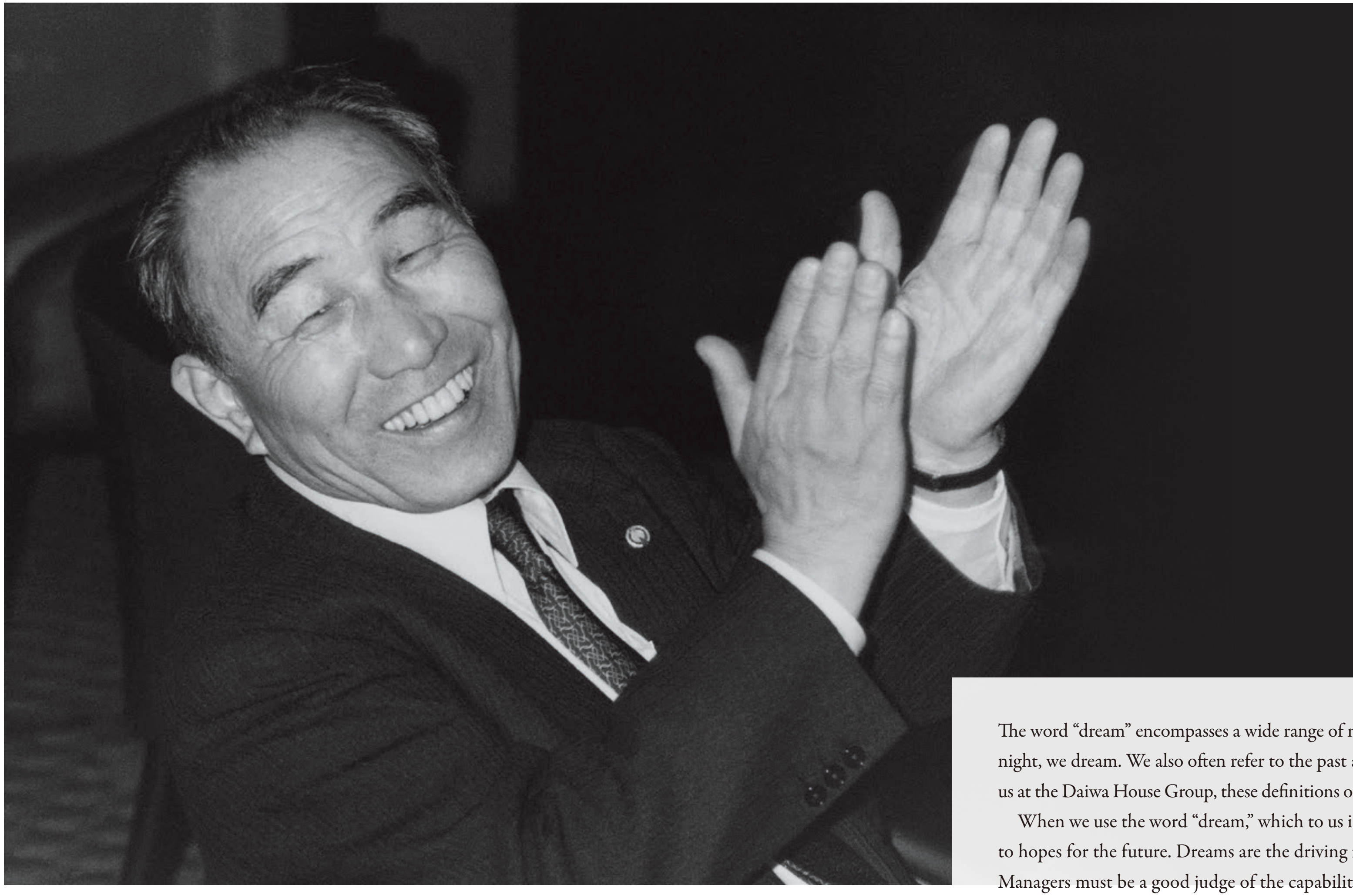
Integrated Report
Integrated report on selected financial and non-financial information judged to be material

Sustainability Report
(incl. Data Section / Third-Party Assurance)

Investor Relations
https://www.daiwahouse.com/English/ir/



Sustainability
https://www.daiwahouse.com/English/sustainable/



Our founder, Nobuo Ishibashi (1921-2003)

The word "dream" encompasses a wide range of meanings. When we go to sleep at night, we dream. We also often refer to the past as "seeming like a dream." But for us at the Daiwa House Group, these definitions of the word can be put to one side.

When we use the word "dream," which to us is very important, we are referring to hopes for the future. Dreams are the driving force behind great achievements. Managers must be a good judge of the capabilities of their staff. Employees, too, must have a dream in their hearts. Companies grow along with the realization of such dreams. A company's management and staff must all keep on trying to make their dream reality, and must never give up.

Our founder, Nobuo Ishibashi

Daiwa House Industry Co., Ltd.

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