



Summary of Financial Results (Unaudited)
for the First Three Months of the Fiscal Year Ending March 31, 2021 [Consolidated]
(From April 1, 2020 to June 30, 2020)
[Japanese GAAP]

August 7, 2020

Name of Listed Company: Daiwa House Industry Co., Ltd.
Code No.: 1925
URL: <https://www.daiwahouse.com/English/>
Listed Exchanges: First section of the Tokyo Stock Exchange
Representative: Keiichi Yoshii, President, CEO and COO
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Scheduled Date of Filing Quarterly Securities Report: August 11, 2020
Supplemental documents for the financial results provided: Yes
Results briefing for the period under review provided: Yes (for institutional investors and securities analysts)

(Amounts below one million yen are omitted)

1. Consolidated Results of Operation for the First Three Months Ended June 30, 2020
(From April 1, 2020 to June 30, 2020)

(1) Consolidated Earnings Results

(% figures represent year-on-year change)

	Net sales		Operating income		Ordinary income		Net income attributable to owners of the parent	
Three months ended: June 30, 2020	Millions of yen 892,981	% -12.3	Millions of yen 61,468	% -33.5	Millions of yen 61,415	% -34.3	Millions of yen 32,933	% -49.4
June 30, 2019	1,017,936	12.8	92,399	22.7	93,429	21.2	65,068	24.2

Note: Comprehensive income: Three months ended June 30, 2020: 28,276 million yen (-57.5%)
Three months ended June 30, 2019: 66,471 million yen (66.8%)

	Basic net income per share	Diluted net income per share
Three months ended: June 30, 2020	Yen 49.81	Yen -
June 30, 2019	98.02	98.00

(2) Consolidated Financial Conditions

	Total assets	Net assets	Net assets ratio
As of June 30, 2020	Millions of yen 4,824,760	Millions of yen 1,748,683	% 35.3
March 31, 2020	4,627,388	1,773,388	37.3

(Reference) Net assets ratio = (Net assets - Non-controlling interests)/Total assets×100

(Net assets - Non-controlling interests) is as follows. June 30, 2020: 1,700,895 million yen; March 31, 2020: 1,726,995 million yen

2. Dividends

	Dividend per share				
	End of 1st quarter (June 30)	End of 2nd quarter (Sept. 30)	End of 3rd quarter (Dec. 31)	Fiscal year-end (March 31)	Annual
Fiscal year ended March 31, 2020	Yen —	Yen 55.00	Yen —	Yen 60.00	Yen 115.00
Fiscal year ending March 31, 2021	—				
Fiscal year ending March 31, 2021 (forecasts)		40.00	—	50.00	90.00

(Note) Revised dividend forecast for the quarter under review: None

**3. Consolidated Earnings Forecasts for the Fiscal Year Ending March 31, 2020
(From April 1, 2020 to March 31, 2021)**

(% figures represent year-on-year change)

	Net sales		Operating income		Ordinary income		Net income attributable to owners of the parent		Basic net income per share
Fiscal year ending March 31, 2021	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen

(Note) Revised forecast for the quarter under review: None

Notes:

- (1) Changes in Significant Subsidiaries during the Period under Review (This refers to changes in specified subsidiaries associated with changes in the scope of consolidation): None**
- (2) Application of Accounting Methods Unique to the Preparation of the Quarterly Consolidated Financial Statements: None**
- (3) Changes in Accounting Policies Applied, Changes in Accounting Estimates and Retrospective Restatement**
 - 1) Changes in accounting policies applied due to amendment of accounting standards: None
 - 2) Changes in accounting policies due to reasons other than 1): None
 - 3) Changes in accounting estimates: None
 - 4) Retrospective restatement: None
- (4) Number of Issued and Outstanding Shares (Common Stock)**

1) Number of shares at the end of the period (including treasury stock)

As of June 30, 2020	666,238,205 shares	As of March 31, 2020	666,238,205 shares
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2) Number of treasury stock at the end of the period

As of June 30, 2020	7,683,377 shares	As of March 31, 2020	2,218,771 shares
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3) Average number of shares during the period

Three months ended June 30, 2020	661,224,443 shares	Three months ended June 30, 2019	663,812,367 shares
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* This financial results report is not required to be audited by certified public accountants or audit corporations

*** Remarks on appropriate use of forecasted results of operation and other special matters**

(Notes regarding forward-looking statements)

Consolidated earnings forecasts are based on assumptions in light of the information available as of the date of announcement of this material and the factors of uncertainty that may possibly impact the future results of operation. These statements do not mean that the Company pledges to realize such statements. Actual results may differ significantly from those presented herein as a consequence of numerous factors such as the financial market, economic conditions, competitor situations and fluctuations in land prices.

Please refer to the section of “1. Qualitative Information Regarding Consolidated Results for the Period under Review (3) Earnings Forecasts” of “the Attached Material” on page 5 for the suppositions that form the assumptions for earnings forecasts.

(Obtaining supplementary explanatory materials)

The Company plans to hold a briefing for institutional investors and securities analysts on August 7, 2020. Relevant financial statements to be handed out at the briefing will be posted on our official website at the same time.

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1. Qualitative Information Regarding Consolidated Results for the Period under Review

(1) Earnings Results

Reviewing the Japanese economy during the first quarter of the fiscal year under review, as a result of the government's announcement in April 2020 of a state of emergency in response to the ongoing COVID-19 pandemic—and the associated strong government requests to the public to refrain from non-essential travel and to stay at home—sharp drops occurred in both consumer spending and corporate capital investment. Although there have recently been signs of a rally in consumer spending following the ending of the state of emergency, the number of new COVID-19 infections is on the rise again, and the economy has remained in a difficult condition, with numerous negative indicators, including a deterioration in the employment and income situation. In addition, the outlook for the global economy is as bleak as ever amid the current pandemic, and future prospects remain unclear.

In the housing market, a year-on-year increase in new construction starts was seen only in the category of condominiums, while construction starts posted year-on-year declines in owner-occupied houses, built for-sale houses, and rental housing, bringing the total to a year-on-year minus figure. In the general construction market, too, the total floor area of new construction starts was down from the previous year, despite year-on-year gains only in the categories of construction warehouses.

Amid this operating environment, we reviewed our strategies for each business, while continuing to base our actions on the Group's Sixth Medium-Term Management Plan (which commenced in fiscal 2019), and took the appropriate measures to deal with the impact of the COVID-19 pandemic.

Moreover, we have appointed more outside directors to strengthen the Group's governance and realize greater diversity in hiring practices. In addition, we have worked to transfer authority to officers directly involved in operational execution and to redefine responsibilities, and have reinforced our organizational capability to respond to risks that differ depending on the sphere of business or geographical region in which the Group operates. In such ways, we have redesigned our corporate system to make future growth possible.

However, due to the impact of COVID-19, the Daiwa House Group recorded consolidated net sales of 892,981 million yen (-12.3% year on year) for the first three months of the fiscal year ending March 2021. Operating income came to 61,468 million yen (-33.5% year on year), ordinary income came to 61,415 million yen (-34.3% year on year), while net income attributable to owners of the parent amounted to 32,933 million yen (-49.4% year on year).

(2) Financial Conditions

Total assets as of the end of the consolidated three-month reporting period amounted to 4,824,760 million yen, an increase of 197,372 million yen compared with 4,627,388 million yen in total assets at the end of the previous consolidated fiscal year. This was mainly due to an increase in property, plant and equipment accompanying the acquisition of real estate for investment, an increase in inventory assets accompanying the acquisition of real estate for sale and other.

Total liabilities as of the end of the consolidated three-month reporting period amounted to 3,076,077 million yen, an increase of 222,077 million yen compared with 2,853,999 million yen in total liabilities at the end of the previous consolidated fiscal year. The principal reason for this, in spite of the payment of notes and accounts payable for construction contracts, was the issuance of bank borrowings, as well as commercial papers, to raise funds for the acquisition of inventory assets and real estate for investment and other purposes.

Total net assets as of the end of the consolidated three-month reporting period amounted to 1,748,683 million yen, a decrease of 24,705 million yen compared with 1,773,388 million yen in total net assets

at the end of the previous consolidated fiscal year. This was mainly due to the acquisition of treasury stock and the payment of dividends to shareholders for the previous fiscal year, despite the recording of a net income attributable to owners of the parent in the amount of 32,933 million yen. At the end of the term under review, these results were 1,374,803 million yen in interest-bearing liabilities excluding lease obligations among others, and a debt-equity ratio of 0.81 times. After taking the issuance of hybrid bonds into account, the D/E ratio came to 0.73 times*.

* The amount of 150 billion yen shown for the September 2019 public offering of hybrid bonds (Subordinated Bonds) has been calculated taking into account the equity credit of 50 percent employed in establishing the Company's credit rating.

(3) Earnings Forecasts

Regarding consolidated business performance forecasts for the term ending March 31, 2021, the forecasts issued on May 14, 2020 remain unchanged.

2. Consolidated Financial Statements and Main Notes

(1) Consolidated Balance Sheets

	(Millions of yen)	
	As of March 31, 2020	As of June 30, 2020
Assets		
Current assets		
Cash and deposits	281,434	340,534
Notes and accounts receivable from completed construction contracts and other	433,053	396,613
Mortgage notes receivable held for sale	18,579	22,998
Short-term investment securities	814	816
Costs on uncompleted construction contracts	47,861	55,619
Real estate for sale	795,396	811,245
Real estate for sale in process	212,850	255,961
Land for development	4,443	4,443
Merchandise and finished goods	18,569	20,043
Work in process	6,738	7,647
Raw materials and supplies	8,984	8,848
Other	284,155	294,318
Allowance for doubtful accounts	-9,016	-8,975
Total current assets	<hr/> 2,103,866	<hr/> 2,210,115
Noncurrent assets		
Property, plant and equipment		
Buildings and structures	1,044,914	1,098,541
Accumulated depreciation	-474,828	-479,459
Buildings and structures, net	<hr/> 570,086	<hr/> 619,081
Land	857,587	903,178
Other	447,739	436,813
Accumulated depreciation	-153,696	-157,622
Other, net	<hr/> 294,042	<hr/> 279,190
Total property, plant and equipment	<hr/> 1,721,717	<hr/> 1,801,451
Intangible assets		
Goodwill	63,457	68,467
Other	54,715	55,443
Total intangible assets	<hr/> 118,172	<hr/> 123,911
Investments and other assets		
Investment securities	207,219	216,228
Lease and guarantee deposits	241,030	247,068
Other	237,699	228,409
Allowance for doubtful accounts	-2,315	-2,423
Total investments and other assets	<hr/> 683,632	<hr/> 689,283
Total noncurrent assets	<hr/> 2,523,522	<hr/> 2,614,645
Total assets	<hr/> 4,627,388	<hr/> 4,824,760

	(Millions of yen)	
	As of March 31, 2020	As of June 30, 2020
Liabilities		
Current liabilities		
Notes and accounts payable for construction contracts and other	360,338	272,045
Short-term loans payable	110,519	217,853
Current portion of bonds payable	65,000	105,000
Current portion of long-term loans payable	65,669	73,095
Commercial papers	49,000	176,000
Income taxes payable	58,980	11,978
Advances received	77,071	96,041
Advances received on uncompleted construction contracts	130,633	126,978
Provision for bonuses	57,288	24,617
Provision for warranties for completed construction	7,484	7,340
Asset retirement obligations	2,159	2,198
Other	313,108	355,376
Total current liabilities	1,297,254	1,468,527
Noncurrent liabilities		
Bonds payable	277,000	303,000
Long-term loans payable	473,689	496,953
Long-term lease and guarantee deposited	284,323	286,527
Net defined benefit liability	267,062	266,763
Asset retirement obligations	49,881	50,836
Other	204,789	203,467
Total noncurrent liabilities	1,556,745	1,607,549
Total liabilities	2,853,999	3,076,077
Net assets		
Shareholders' equity		
Capital stock	161,699	161,699
Capital surplus	307,154	305,636
Retained earnings	1,217,407	1,210,249
Treasury stock	-7,588	-22,113
Total shareholders' equity	1,678,671	1,655,471
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	36,996	44,354
Deferred gains or losses on hedges	-10	-18
Revaluation reserve for land	10,251	10,493
Foreign currency translation adjustment	1,087	-9,405
Total accumulated other comprehensive income	48,323	45,424
Subscription rights to shares	101	101
Non-controlling interests	46,292	47,686
Total net assets	1,773,388	1,748,683
Total liabilities and net assets	4,627,388	4,824,760

**(2) Consolidated Statements of Income and Consolidated Statements of Comprehensive Income
(Consolidated Statements of Income)**

	(Millions of yen)	
	Three months ended June 30, 2019 (From April 1, 2019 to June 30, 2019)	Three months ended June 30, 2020 (From April 1, 2020 to June 30, 2020)
Net sales	1,017,936	892,981
Cost of sales	809,444	721,218
Gross profit	208,492	171,763
Selling, general and administrative expenses	116,092	110,295
Operating income	92,399	61,468
Non-operating income		
Interest income	948	518
Dividends income	2,134	2,140
Equity in earnings of affiliates	194	15
Miscellaneous income	1,756	2,106
Total non-operating income	5,034	4,781
Non-operating expenses		
Interest expenses	2,306	2,368
Taxes and dues	304	481
Miscellaneous expenses	1,393	1,983
Total non-operating expenses	4,004	4,833
Ordinary income	93,429	61,415
Extraordinary income		
Gain on sales of noncurrent assets	421	200
Gain on sales of investment securities	168	38
Gain on change in equity	32	—
Other	0	—
Total extraordinary income	622	238
Extraordinary losses		
Loss on sales of noncurrent assets	15	33
Loss on retirement of noncurrent assets	147	194
Impairment loss	—	7
Loss on sales of investment securities	0	—
Loss on valuation of investment securities	11	262
Loss on COVID-19	—	7,561
Total extraordinary losses	174	8,058
Income before income taxes	93,877	53,595
Income taxes-current	15,467	12,034
Income taxes-deferred	11,987	8,270
Total income taxes	27,454	20,304
Net income	66,422	33,290
Net income attributable to non-controlling interests	1,353	356
Net income attributable to owners of the parent	65,068	32,933

(Consolidated Statements of Comprehensive Income)

	(Millions of yen)	
	Three months ended June 30, 2019 (From April 1, 2019 to June 30, 2019)	Three months ended June 30, 2020 (From April 1, 2020 to June 30, 2020)
Net income	66,422	33,290
Other comprehensive income		
Valuation difference on available-for-sale securities	-2,673	7,357
Deferred gains or losses on hedges	-34	-7
Foreign currency translation adjustment	2,086	-11,615
Share of other comprehensive income of associates accounted for using equity method	670	-747
Total other comprehensive income	48	-5,013
Comprehensive income	66,471	28,276
(Comprehensive income attributable to)		
Comprehensive income attributable to owners of the parent	64,961	29,792
Comprehensive income attributable to non-controlling interests	1,510	-1,515

(3) Notes

Notes on Premise of Going Concern

No items to report.

Notes on Significant Changes in the Amount of Shareholders' Equity

No items to report.

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 released on August 7, 2020.