



Summary of Financial Results (Unaudited)
for the First Three Months of the Fiscal Year Ending March 31, 2022 [Consolidated]
(From April 1, 2021 to June 30, 2021)
[Japanese GAAP]

August 10, 2021

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 and CEO
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Scheduled Date of Filing Quarterly Securities Report: August 10, 2021
 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, 2021
(From April 1, 2021 to June 30, 2021)

(1) Consolidated Earnings Results

(% figures represent year-on-year change)

	Net sales		Operating income		Ordinary income		Net income attributable to owners of the parent	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
Three months ended:								
June 30, 2021	920,658	3.1	58,440	-4.9	59,338	-3.4	38,585	17.2
June 30, 2020	892,981	-12.3	61,468	-33.5	61,415	-34.3	32,933	-49.4

Note: Comprehensive income: Three months ended June 30, 2021: 64,798 million yen (129.2%)
 Three months ended June 30, 2020: 28,276 million yen (-57.5%)

	Basic net income per share	Diluted net income per share
Three months ended:	Yen	Yen
June 30, 2021	58.94	58.93
June 30, 2020	49.81	—

(2) Consolidated Financial Conditions

	Total assets	Net assets	Net assets ratio
As of	Millions of yen	Millions of yen	%
June 30, 2021	5,178,292	1,918,362	35.9
March 31, 2021	5,053,052	1,893,504	36.3

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

(Net assets – Non-controlling interests) is as follows. June 30, 2021: 1,858,631 million yen; March 31, 2021: 1,835,196 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, 2021	Yen —	Yen 50.00	Yen —	Yen 66.00	Yen 116.00
Fiscal year ending March 31, 2022	—	—	—	—	—
Fiscal year ending March 31, 2022 (forecasts)	—	55.00	—	71.00	126.00

Notes: 1. Revised dividend forecast for the quarter under review: None

2. Breakdown of annual dividend forecast for the fiscal year ending March 2022

Ordinary dividend: 116 yen

Commemorative dividend: 10 yen (For the 100th anniversary of the birth of Nobuo Ishibashi, our founder)

3. Consolidated Earnings Forecasts for the Fiscal Year Ending March 31, 2022 (From April 1, 2021 to March 31, 2022)

(% 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
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
Fiscal year ending March 31, 2022	4,300,000	4.2	320,000	-10.4	316,000	-6.5	215,000	10.2	328.26

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: Yes
 - 2) Changes in accounting policies due to reasons other than 1): None
 - 3) Changes in accounting estimates: None
 - 4) Retrospective restatement: None

Note: Please refer to the section of “2. Consolidated Financial Statements and Main Notes (3) Notes (Changes in Accounting Policies)” of “the Attached Material” on page 10 for the details.

(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, 2021	666,238,205 shares	As of March 31, 2021	666,238,205 shares
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2) Number of treasury stock at the end of the period

As of June 30, 2021	11,139,472 shares	As of March 31, 2021	12,000,589 shares
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3) Average number of shares during the period

Three months ended June 30, 2021	654,663,149 shares	Three months ended June 30, 2020	661,224,443 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 10, 2021. Relevant financial statements to be handed out at the briefing will be posted on our website at the same time.

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

(1) Earnings Results

During the first quarter of the fiscal year under review, the Japanese economy remained in a difficult situation due to the global spread of COVID-19. Although the economy is on a gradual recovery trend due to various support measures by the government and administrative agencies and the start of vaccination, the full-fledged recovery process is expected to take time. In the global economy as well, there are wide variations in the recovery situations due to differences in the infection situation and economic measures among countries and regions, and the future remains uncertain due to the risk of continued suppression of economic activities due to the spread of more infectious variants of COVID-19.

In the housing market, a year-on-year increase in new construction starts was seen in the categories of both owner-occupied houses and rental houses, bringing the total to a year-on-year plus figure for the first time in four years for the first quarter. Along with this sign of pickup, interest in housing acquisition has increased and new needs have emerged against the backdrop of the implementation of housing acquisition support measures and changes in lifestyles. In the general construction market, the total floor area of new construction starts increased year on year in the categories of offices, stores, factories, and warehouses, and the overall figure also increased year on year.

Amid this operating environment, the Group entered the final year of the Group's Six Medium-Term Management Plan, a three-year plan launched in the fiscal year 2019. In order to strengthen our bases for a new stage of growth, we started full-scale operation of a business division-based system and implemented various measures to realize "maintaining a good balance between vigorous growth and stability".

As a result, the Daiwa House Group recorded consolidated net sales of 920,658 million yen (+3.1% year on year) for the first three months of the fiscal year ending March 2022. Operating income came to 58,440 million yen (-4.9% year on year), ordinary income came to 59,338 million yen (-3.4% year on year), while net income attributable to owners of the parent amounted to 38,585 million yen (+17.2% year on year).

(2) Financial Conditions

Total assets as of the end of the consolidated three-month reporting period amounted to 5,178,292 million yen, an increase of 125,239 million yen compared with 5,053,052 million yen in total assets at the end of the previous consolidated fiscal year. This was mainly due to an increase in inventory assets accompanying the acquisition of real estate for sale in Single-Family Houses Business and Condominiums Business.

Total liabilities as of the end of the consolidated three-month reporting period amounted to 3,259,929 million yen, an increase of 100,381 million yen compared with 3,159,548 million yen in total liabilities at the end of the previous consolidated fiscal year. The principal reason for this, despite a decrease in income taxes payable due to the payment of income taxes, was the issuance of bank borrowings, as well as commercial papers and corporate bonds, to raise funds for the acquisition of inventory assets and other purposes.

Total net assets as of the end of the consolidated three-month reporting period amounted to 1,918,362 million yen, an increase of 24,858 million yen compared with 1,893,504 million yen in total net assets at the end of the previous consolidated fiscal year. This was mainly due to the recording of a net income attributable to owners of the parent in the amount of 38,585 million yen and the increase in foreign currency translation adjustment, despite the payment of dividends to shareholders for the previous fiscal year in the amount of 43,185 million yen. At the end of the term under review, these

results were 1,430,667 million yen in interest-bearing liabilities excluding lease obligations among others, and a debt-equity ratio of 0.77 times. After taking the hybrid financing into account, the debt-equity ratio came to 0.66 times*.

* The debt-equity ratio was calculated by taking into account the equity credit of 50 percent employed in establishing the Company's credit rating for the 150 billion yen of publicly offered hybrid bonds (subordinated bonds) issued in September 2019 and 100 billion yen of hybrid loans (subordinated loans) procured in October 2020.

(3) Earnings Forecasts

As announced today in "Notification of Acquisition of Equity Interests in CastleRock Communities, L.P. and Change in Daiwa House's Specified Subsidiary," CastleRock Communities, L.P. will become a consolidated subsidiary of the Company in this fiscal year. There is no significant impact on the consolidated financial results for the year.

Therefore, regarding consolidated business performance forecasts for the term ending March 31, 2022, the forecasts issued on May 14, 2021 remain unchanged.

2. Consolidated Financial Statements and Main Notes

(1) Consolidated Balance Sheets

(Millions of yen)

	As of March 31, 2021	As of June 30, 2021
Assets		
Current assets		
Cash and deposits	425,980	363,558
Notes and accounts receivable from completed construction contracts and other	401,314	409,408
Mortgage notes receivable held for sale	29,088	30,115
Short-term investment securities	550	568
Costs on uncompleted construction contracts	46,866	56,876
Real estate for sale	852,678	1,011,332
Real estate for sale in process	237,659	301,403
Land for development	3,421	2,261
Merchandise and finished goods	17,356	19,112
Work in process	8,073	10,570
Raw materials and supplies	7,557	8,778
Other	337,499	330,613
Allowance for doubtful accounts	-13,682	-13,939
Total current assets	2,354,364	2,530,660
Noncurrent assets		
Property, plant and equipment		
Buildings and structures	1,164,230	1,152,012
Accumulated depreciation	-510,841	-513,833
Buildings and structures, net	653,389	638,178
Land	870,822	854,397
Other	504,170	487,601
Accumulated depreciation	-169,535	-173,827
Other, net	334,635	313,774
Total property, plant and equipment	1,858,847	1,806,350
Intangible assets		
Goodwill	74,046	73,687
Other	61,578	64,037
Total intangible assets	135,625	137,724
Investments and other assets		
Investment securities	231,490	238,391
Lease and guarantee deposits	251,358	255,289
Other	223,191	211,723
Allowance for doubtful accounts	-1,825	-1,848
Total investments and other assets	704,214	703,555
Total noncurrent assets	2,698,687	2,647,631
Total assets	5,053,052	5,178,292

(Millions of yen)

	As of March 31, 2021	As of June 30, 2021
Liabilities		
Current liabilities		
Notes and accounts payable for construction contracts and other	296,165	257,023
Short-term loans payable	124,584	206,596
Current portion of bonds payable	40,000	15,000
Current portion of long-term loans payable	46,700	49,526
Commercial papers	—	19,000
Income taxes payable	57,093	8,485
Advances received	175,978	210,006
Advances received on uncompleted construction contracts	113,186	136,004
Provision for bonuses	53,276	26,676
Provision for warranties for completed construction	7,230	7,167
Asset retirement obligations	2,568	2,299
Other	362,074	359,309
Total current liabilities	1,278,858	1,297,095
Noncurrent liabilities		
Bonds payable	383,000	418,000
Long-term loans payable	677,700	719,644
Long-term lease and guarantee deposited	284,946	289,714
Net defined benefit liability	246,059	239,691
Asset retirement obligations	53,784	54,614
Other	235,197	241,169
Total noncurrent liabilities	1,880,689	1,962,834
Total liabilities	3,159,548	3,259,929
Net assets		
Shareholders' equity		
Capital stock	161,699	161,699
Capital surplus	304,595	304,876
Retained earnings	1,339,558	1,336,918
Treasury stock	-33,019	-30,648
Total shareholders' equity	1,772,834	1,772,846
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	59,404	64,595
Deferred gains or losses on hedges	10	-2
Revaluation reserve for land	10,624	10,483
Foreign currency translation adjustment	-7,677	10,708
Total accumulated other comprehensive income	62,361	85,785
Subscription rights to shares	91	42
Non-controlling interests	58,216	59,688
Total net assets	1,893,504	1,918,362
Total liabilities and net assets	5,053,052	5,178,292

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

	(Millions of yen)	
	Three months ended June 30, 2020 (From April 1, 2020 to June 30, 2020)	Three months ended June 30, 2021 (From April 1, 2021 to June 30, 2021)
Net sales	892,981	920,658
Cost of sales	721,218	741,716
Gross profit	171,763	178,941
Selling, general and administrative expenses	110,295	120,501
Operating income	61,468	58,440
Non-operating income		
Interest income	518	752
Dividends income	2,140	2,018
Equity in earnings of affiliates	15	—
Miscellaneous income	2,106	3,617
Total non-operating income	4,781	6,388
Non-operating expenses		
Interest expenses	2,368	2,910
Taxes and dues	481	607
Equity in losses of affiliates	—	477
Miscellaneous expenses	1,983	1,493
Total non-operating expenses	4,833	5,490
Ordinary income	61,415	59,338
Extraordinary income		
Gain on sales of noncurrent assets	200	1,454
Gain on sales of investment securities	38	743
Subsidy income related to COVID-19	—	138
Total extraordinary income	238	2,336
Extraordinary losses		
Loss on sales of noncurrent assets	33	0
Loss on retirement of noncurrent assets	194	235
Impairment loss	7	0
Loss on valuation of investment securities	262	1
Loss on COVID-19	7,561	954
Other	—	0
Total extraordinary losses	8,058	1,192
Income before income taxes	53,595	60,483
Income taxes-current	12,034	12,058
Income taxes-deferred	8,270	9,451
Total income taxes	20,304	21,509
Net income	33,290	38,973
Net income attributable to non-controlling interests	356	388
Net income attributable to owners of the parent	32,933	38,585

(Consolidated Statements of Comprehensive Income)

(Millions of yen)

	Three months ended June 30, 2020 (From April 1, 2020 to June 30, 2020)	Three months ended June 30, 2021 (From April 1, 2021 to June 30, 2021)
Net income	33,290	38,973
Other comprehensive income		
Valuation difference on available-for-sale securities	7,357	5,190
Deferred gains or losses on hedges	-7	-12
Revaluation reserve for land	—	15
Foreign currency translation adjustment	-11,615	18,751
Share of other comprehensive income of associates accounted for using equity method	-747	1,879
Total other comprehensive income	-5,013	25,824
Comprehensive income	28,276	64,798
(Comprehensive income attributable to)		
Comprehensive income attributable to owners of the parent	29,792	62,165
Comprehensive income attributable to non-controlling interests	-1,515	2,632

(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.

Changes in Accounting Policies

The adoption of the Accounting Standard for Revenue Recognition

The Accounting Standard for Revenue Recognition (ASBJ Statement No.29, March 31, 2020) and other standards have been applied from the beginning of the current first quarter. As a result, revenue is recognized at an amount that we expect to receive in exchange for promised goods or services to a customer when control of the goods or services transfers to the customer.

In the application of the Accounting Standard for Revenue Recognition and other standards, we elected to apply the transitional measures set forth in the proviso of Paragraph 84 of the Accounting Standard for Revenue Recognition, thereby the cumulative effect of retrospectively applying the new accounting standard for the periods prior to the beginning of the current first quarter is added to or subtracted from retained earnings at the beginning of the current first quarter, and the new accounting standard is applied from the beginning balance of the period. However, in accordance with the methods stipulated in Paragraph 86 of the Accounting Standard for Revenue Recognition, the new accounting standard is not retrospectively applied to the contracts if almost all revenue arising from them was recognized prior to the beginning of the current first quarter under the previous accounting methods. In addition, we elected to apply a method stipulated as the alternate (1) in Paragraph 86 of the Accounting Standard for Revenue Recognition, thereby modifications to the contracts that had been made prior to the beginning of the current first quarter were accounted for based on terms and conditions that reflect all the modifications, and the resulting cumulative effect is added to or subtracted from retained earnings at the beginning of the current first quarter.

This change will have a minimal effect on the consolidated financial statement for the first-quarter period in question.

The adoption of the Accounting Standard for Fair Value Measurement

The Accounting Standard for Fair Value Measurement (ASBJ Statement No.30, July 4, 2019) and other standards have been applied from the beginning of the current first quarter. As a result, pursuant to transitional measures set forth in Paragraph 19 of the Accounting Standard for Fair Value Measurement and in Paragraph 44-2 of the Accounting Standard for Financial Instruments (ASBJ Statement No.10, July 4, 2019), new accounting policies stipulated by the Accounting Standard for Fair Value Measurement and other standards are applied prospectively. Due to the application, fair values of available-for-sale securities with market prices at the end of the reporting period are presented in the amounts calculated based on the market prices as of the same date, which were previously calculated based on the average of the market prices for the month before the end of the period.

In addition, for securities other than corporate bonds and other bonds, which had been regarded as financial instruments whose fair value was deemed extremely difficult to ascertain, acquisition cost was stated as the quarterly consolidated balance sheet value. However, even if no observable inputs are available, fair value determined using unobservable inputs based on the best available

information is stated as quarterly consolidated balance sheet value.

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 10, 2021.