



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

November 9, 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
 Contact: Yuji Yamada, Managing Executive Officer and General Manager, IR Department
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Scheduled Date of Filing Quarterly Securities Report: November 10, 2021
 Scheduled Date of Commencement of Dividend Payment: December 6, 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 Six Months Ended September 30, 2021
(From April 1, 2021 to September 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	%
Six months ended:								
September 30, 2021	2,042,182	3.9	160,361	2.8	161,670	7.4	107,582	17.8
September 30, 2020	1,966,448	-9.8	156,024	-25.5	150,466	-27.6	91,329	-38.0

Note: Comprehensive income: Six months ended September 30, 2021: 135,358 million yen (43.3%)

Six months ended September 30, 2020: 94,482 million yen (-35.1%)

	Basic net income per share		Diluted net income per share	
	Yen		Yen	
Six months ended:				
September 30, 2021	164.27		164.25	
September 30, 2020	138.71		—	

(2) Consolidated Financial Conditions

	Total assets		Net assets		Net assets ratio	
	Millions of yen		Millions of yen		%	
As of						
September 30, 2021	5,339,989		2,013,711		36.1	
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): September 30, 2021: 1,927,137 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
	Yen	Yen	Yen	Yen	Yen
Fiscal year ended March 31, 2021	—	50.00	—	66.00	116.00
Fiscal year ending March 31, 2022	—	55.00			
Fiscal year ending March 31, 2022 (forecasts)			—	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	328.16

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

Notes:

(1) Changes in Significant Subsidiaries for the Fiscal Year under Review (This refers to changes in specified subsidiaries associated with changes in the scope of consolidation): Yes

Addition: 1 Company name: CastleRock Communities LLC

Exclusion: —

(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 11 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 September 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 September 30, 2021	10,763,286 shares	As of March 31, 2021	12,000,589 shares
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3) Average number of shares during the period

Six months ended September 30, 2021	654,917,787 shares	Six months ended September 30, 2020	658,421,197 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 6 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 November 9, 2021. 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

During the first six-month period under review, the Japanese economy remained in a difficult business environment 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 increase in vaccination rates, 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.

On the other hand, in the domestic housing market, a year-on-year increase in new construction starts continued in the categories of both owner-occupied houses and rental houses. 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, although the total floor area of new construction starts decreased in the categories of warehouses and medical/nursing-care facilities, the figure increased year on year in the other categories.

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 2,042,182 million yen (+3.9% year on year) for the first six-months of the fiscal year ending March 2022. Operating income came to 160,361 million yen (+2.8% year on year), ordinary income came to 161,670 million yen (+7.4% year on year), while net income attributable to owners of the parent amounted to 107,582 million yen (+17.8% year on year).

(2) Financial Conditions

Total assets as of the end of the consolidated six-month reporting period amounted to 5,339,989 million yen, an increase of 286,936 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 six-month reporting period amounted to 3,326,277 million yen, an increase of 166,729 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 was the issuance of bank borrowings, as well as corporate bonds, to raise funds for the acquisition of inventory assets and other purposes.

Total net assets as of the end of the consolidated six-month reporting period amounted to 2,013,711 million yen, an increase of 120,207 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 107,582 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 1,433,880 million yen in interest-bearing liabilities excluding lease obligations among others, and a debt-equity ratio of 0.74 times. After taking the hybrid financing into account, the debt-equity ratio came to 0.64 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

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 September 30, 2021
Assets		
Current assets		
Cash and deposits	425,980	377,252
Notes and accounts receivable from completed construction contracts and other	401,314	430,998
Mortgage notes receivable held for sale	29,088	28,589
Short-term investment securities	550	5,370
Costs on uncompleted construction contracts	46,866	54,353
Real estate for sale	852,678	980,895
Real estate for sale in process	237,659	369,176
Land for development	3,421	2,206
Merchandise and finished goods	17,356	17,934
Work in process	8,073	9,154
Raw materials and supplies	7,557	8,174
Other	337,499	324,810
Allowance for doubtful accounts	-13,682	-14,681
Total current assets	2,354,364	2,594,235
Noncurrent assets		
Property, plant and equipment		
Buildings and structures	1,164,230	1,216,788
Accumulated depreciation	-510,841	-539,966
Buildings and structures, net	653,389	676,821
Land	870,822	858,199
Other	504,170	532,138
Accumulated depreciation	-169,535	-178,758
Other, net	334,635	353,380
Total property, plant and equipment	1,858,847	1,888,401
Intangible assets		
Goodwill	74,046	96,521
Other	61,578	66,877
Total intangible assets	135,625	163,398
Investments and other assets		
Investment securities	231,490	231,401
Lease and guarantee deposits	251,358	251,944
Other	223,191	212,415
Allowance for doubtful accounts	-1,825	-1,807
Total investments and other assets	704,214	693,952
Total noncurrent assets	2,698,687	2,745,753
Total assets	5,053,052	5,339,989

(Millions of yen)

	As of March 31, 2021	As of September 30, 2021
Liabilities		
Current liabilities		
Notes and accounts payable for construction contracts and other	296,165	285,719
Short-term loans payable	124,584	186,595
Current portion of bonds payable	40,000	15,000
Current portion of long-term loans payable	46,700	94,970
Income taxes payable	57,093	48,132
Advances received	175,978	214,499
Advances received on uncompleted construction contracts	113,186	154,785
Provision for bonuses	53,276	52,152
Provision for warranties for completed construction	7,230	7,047
Asset retirement obligations	2,568	2,092
Other	362,074	297,194
Total current liabilities	1,278,858	1,358,190
Noncurrent liabilities		
Bonds payable	383,000	418,000
Long-term loans payable	677,700	716,415
Long-term lease and guarantee deposited	284,946	289,005
Net defined benefit liability	246,059	242,731
Asset retirement obligations	53,784	55,429
Other	235,197	246,506
Total noncurrent liabilities	1,880,689	1,968,087
Total liabilities	3,159,548	3,326,277
Net assets		
Shareholders' equity		
Capital stock	161,699	161,699
Capital surplus	304,595	302,636
Retained earnings	1,339,558	1,405,881
Treasury stock	-33,019	-29,610
Total shareholders' equity	1,772,834	1,840,605
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	59,404	65,644
Deferred gains or losses on hedges	10	2
Revaluation reserve for land	10,624	10,517
Foreign currency translation adjustment	-7,677	10,366
Total accumulated other comprehensive income	62,361	86,532
Subscription rights to shares	91	21
Non-controlling interests	58,216	86,552
Total net assets	1,893,504	2,013,711
Total liabilities and net assets	5,053,052	5,339,989

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

(Millions of yen)

	Six months ended September 30, 2020 (From April 1, 2020 to September 30, 2020)	Six months ended September 30, 2021 (From April 1, 2021 to September 30, 2021)
Net sales	1,966,448	2,042,182
Cost of sales	1,577,943	1,637,489
Gross profit	388,504	404,692
Selling, general and administrative expenses	232,480	244,331
Operating income	156,024	160,361
Non-operating income		
Interest income	1,154	1,489
Dividends income	2,350	2,300
Equity in earnings of affiliates	—	2,249
Miscellaneous income	4,954	7,286
Total non-operating income	8,459	13,326
Non-operating expenses		
Interest expenses	4,875	6,027
Taxes and dues	850	416
Equity in losses of affiliates	228	—
Provision of allowance for doubtful accounts	3,465	433
Miscellaneous expenses	4,598	5,140
Total non-operating expenses	14,017	12,017
Ordinary income	150,466	161,670
Extraordinary income		
Gain on sales of noncurrent assets	260	1,884
Gain on sales of investment securities	90	1,087
Gain on step acquisitions	—	3,907
Subsidy income related to COVID-19	1,869	262
Total extraordinary income	2,221	7,142
Extraordinary losses		
Loss on sales of noncurrent assets	40	111
Loss on retirement of noncurrent assets	493	395
Impairment loss	357	858
Loss on sales of investment securities	0	—
Loss on valuation of investment securities	262	2
Loss on sales of investments in capital of subsidiaries and affiliates	—	593
Loss on COVID-19	7,561	1,150
Special retirement benefit expenses	—	2,160
Other	—	0
Total extraordinary losses	8,716	5,273
Income before income taxes	143,971	163,539
Income taxes-current	50,003	55,274
Income taxes-deferred	1,413	-610
Total income taxes	51,417	54,664
Net income	92,554	108,875
Net income attributable to non-controlling interests	1,224	1,292
Net income attributable to owners of the parent	91,329	107,582

(Consolidated Statements of Comprehensive Income)

(Millions of yen)

	Six months ended September 30, 2020 (From April 1, 2020 to September 30, 2020)	Six months ended September 30, 2021 (From April 1, 2021 to September 30, 2021)
Net income	92,554	108,875
Other comprehensive income		
Valuation difference on available-for-sale securities	9,683	6,246
Deferred gains or losses on hedges	-49	-7
Revaluation reserve for land	—	15
Foreign currency translation adjustment	-6,645	19,244
Share of other comprehensive income of associates accounted for using equity method	-1,059	984
Total other comprehensive income	1,928	26,483
Comprehensive income	94,482	135,358
(Comprehensive income attributable to)		
Comprehensive income attributable to owners of the parent	93,999	131,875
Comprehensive income attributable to non-controlling interests	483	3,483

(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 Significant Subsidiaries during the Period under Review

CastleRock Communities LLC, in which we newly acquired an equity interest, has been included in the scope of consolidation with effect from the current second-quarter period.

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 current second 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 November 9, 2021.