



March 28, 2025

News Release (Translation)

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Notice Concerning Incurrence of Income Taxes for Prior Periods
and Frauds by Former Employees

Daiwa House Industry Co., Ltd. was subject to a tax audit by the Osaka Regional Taxation Bureau for the taxable fiscal years between FYE March 2020 and FYE March 2024. While there were differences in opinion regarding the results of said audit, the Company also identified issues that needed to be addressed. As such, the Company ultimately chose to accept the indications made by the Regional Taxation Bureau and plan to file an amended tax return.

Additionally, the Company hereby announces that, during the process of the abovementioned tax audit and through its own internal investigation, the Company identified instances of frauds by former employees. The Company takes this opportunity to offer its sincere apologies for this incident and for any concerns and inconvenience the Company has caused its customers, shareholders, investors, and all other stakeholders.

<Concerning the incurrence of income taxes for prior periods>

The main issues indicated by the tax audit were as follows.

- (1) Indication concerning prepaid consumption taxes related to construction fees for properties under construction (amounts paid in accordance with deadlines set forth at the time of contract conclusion, including payments at start of construction and interim payments):
As the amounts in question do not fulfill the requirements for purchase tax credits, they should be deferred until the time of property transfer.
- (2) Indication concerning certain subsidiary in Europe:
As the subsidiary does not meet the standard for exemption from Controlled Foreign Company Rules, income from said subsidiary should be grouped.
- (3) Indication of frauds by construction supervisors (partially subject to heavy additional tax):
Over several years, construction supervisors issued fictitious invoices and inflated orders for the purpose of financial gain.

As a result of this amended filing, the Company plans to revise income by 298 million yen, income taxes by 86 million yen and consumption taxes by 275 million yen. The Company also plans to pay 35 million yen in penalties for additional taxes for understatement as well as 5 million yen in heavy additional taxes.

At a later date, the Company expects to receive a refund of 48 million yen in income taxes based on corrections and claims regarding the application of foreign tax credits.

<Concerning (3) Frauds by former employees>

Over several years, two construction supervisors each conspired with respective business partners to embezzle funds by issuing fictitious invoices and inflated orders. Regarding these two persons, one had already resigned at the time of the investigation and the Company fired the other. Of the approximately 82 million yen that the two persons ordered and paid improperly, approximately 38 million yen was identified as corporate income, of which approximately 27 million yen was subject to heavy additional tax as a result of the tax audit. Incidentally, the Company has already recovered amounts equivalent to damages incurred from two persons.

The Company takes the matters indicated and frauds discovered as a result of the investigation extremely seriously. The Company will work to prevent reoccurrence as well as implement initiatives aimed at further strengthening its tax compliance.

End

Disclaimer:

This English translation has been prepared for general reference purposes only. The Company shall not be responsible for any consequence resulting from the use of the English translation in place of the original Japanese text. In any legal matter, readers should refer to and rely upon the original Japanese text of the press release dated March 28, 2025.