



**Summary of Financial Results (Unaudited)**  
**for the Fiscal Year Ended March 31, 2020 [Consolidated]**  
**(From April 1, 2019 to March 31, 2020)**  
**[Japanese GAAP]**

May 14, 2020

Name of Listed Company: Daiwa House Industry Co., Ltd.  
 Code No.: 1925  
 URL: <https://www.daiwahouse.co.jp/English/>  
 Listed Exchanges: First section of the Tokyo Stock Exchange  
 Representative: Keiichi Yoshii, President, CEO and COO  
 Contact: Yuji Yamada, Managing Executive Officer and General Manager, IR Department  
 E-mail to: dh.ir.communications@daiwahouse.jp

Scheduled Date of Ordinary General Meeting of Shareholders: June 26, 2020  
 Scheduled Date of Filing Securities Report: June 26, 2020  
 Scheduled Date of Commencement of Dividend Payment: June 29, 2020  
 Supplemental documents for the financial results provided: Yes  
 Results briefing for the term under review provided: Yes (for institutional investors and securities analysts)

(Amounts below one million yen are omitted)

**1. Consolidated Results of Operation for the Fiscal Year Ended March 31, 2020 (From April 1, 2019 to March 31, 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	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
Fiscal year ended March 31, 2020	4,380,209	5.7	381,114	2.4	367,669	2.3	233,603	-1.6
Fiscal year ended March 31, 2019	4,143,505	9.2	372,195	7.2	359,462	4.3	237,439	0.5

(Note) Comprehensive income

Fiscal year ended March 31, 2020: 216,940 million yen (6.6%); Fiscal year ended March 31, 2019: 203,528 million yen (-11.4%)

	Basic net income per share	Diluted net income per share	Return on equity (ROE)	Ordinary income to total assets ratio	Operating income to net sales ratio
	Yen	Yen	%	%	%
Fiscal year ended March 31, 2020	351.84	351.76	14.1	8.2	8.7
Fiscal year ended March 31, 2019	357.29	357.09	15.5	8.6	9.0

(Reference) Equity in earnings of affiliates

Fiscal year ended March 31, 2020: -6,972 million yen; Fiscal year ended March 31, 2019: -13,080 million yen

**(2) Consolidated Financial Conditions**

	Total assets	Net assets	Net assets ratio	Net assets per share
	Millions of yen	Millions of yen	%	Yen
March 31, 2020	4,627,388	1,773,388	37.3	2,600.82
March 31, 2019	4,334,037	1,643,717	36.8	2,404.32

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

(Net assets – Non-controlling interests) is as follows. March 31, 2020: 1,726,995 million yen; March 31, 2019: 1,595,991 million yen

### (3) Consolidated Cash Flows

	Cash flows from operating activities	Cash flows from investing activities	Cash flows from financing activities	Cash and cash equivalents, end of the year
	Millions of yen	Millions of yen	Millions of yen	Millions of yen
Fiscal year ended March 31, 2020	149,651	(317,273)	169,128	276,068
Fiscal year ended March 31, 2019	355,599	(313,989)	(86,979)	276,298

### 2. Dividends

	Dividend per share					Total dividends (annual)	Dividend payout ratio (consolidated)	Dividends to net assets ratio (consolidated)
	End of 1 <sup>st</sup> quarter (June 30)	End of 2 <sup>nd</sup> quarter (Sept. 30)	End of 3 <sup>rd</sup> quarter (Dec. 31)	Fiscal year-end (Mar. 31)	Annual			
	Yen	Yen	Yen	Yen	Yen	Millions of yen	%	%
Fiscal year ended March 31, 2019	—	50.00	—	64.00	114.00	75,799	31.9	4.9
Fiscal year ended March 31, 2020	—	55.00	—	60.00	115.00	76,375	32.7	4.6
Fiscal year ending March 31, 2021 (forecasts)	—	40.00	—	50.00	90.00		56.9	

### 3. Consolidated Earnings Forecasts for the Fiscal Year Ending March 31, 2021 (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
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
Fiscal year ending March 31, 2021	3,650,000	-16.7	170,000	-55.4	164,000	-55.4	105,000	-55.1	158.13

(Note) As of the announcement date, we base our business forecasts on the assumption that the impact of the expanding coronavirus (COVID-19) epidemic on operations and results will have mostly tapered off by the end of September 2020, but that some businesses such as hotels will continue to be affected even after the epidemic has abated.

#### 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):** None

(2) **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

(3) **Number of Issued and Outstanding Shares (Common Stock)**

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

As of March 31, 2020	666,238,205 shares	As of March 31, 2019	666,238,205 shares
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2) Number of treasury stock at the end of the fiscal year

As of March 31, 2020	2,218,771 shares	As of March 31, 2019	2,436,961 shares
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3) Average number of shares for the fiscal year

Fiscal year ended March 31, 2020	663,949,008 shares	Fiscal year ended March 31, 2019	664,557,764 shares
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(Note) For the number of shares used as the basis of calculating basic net income per share (consolidated), please refer to “(5) Notes to Consolidated Financial Statements, Per Share Information” on page 25.

## (Reference) Summary of Non-Consolidated Results of Operation

### Non-Consolidated Results of Operation for the Fiscal Year Ended March 31, 2020 (From April 1, 2019 to March 31, 2020)

#### (1) Non-Consolidated Business Results

(% figures represent year-on-year changes)

	Net sales		Operating income		Ordinary income		Net income	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
Fiscal year ended March 31, 2020	1,975,150	2.6	250,053	3.9	275,581	2.7	196,484	7.6
Fiscal year ended March 31, 2019	1,925,518	6.1	240,628	1.1	268,457	2.1	182,528	-7.9

	Basic net income per share	Diluted net income per share
	Yen	Yen
Fiscal year ended March 31, 2020	295.93	295.86
Fiscal year ended March 31, 2019	274.66	274.51

#### (2) Non-Consolidated Financial Conditions

	Total assets	Net assets	Net assets ratio	Net assets per share
	Millions of yen	Millions of yen	%	Yen
March 31, 2020	3,087,824	1,360,805	44.1	2,049.19
March 31, 2019	2,856,636	1,253,846	43.9	1,888.72

(Reference) Net assets: March 31, 2020: 1,360,704 million yen; March 31, 2019: 1,253,731 million yen

\* 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 earnings forecasts)

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 Fiscal Year under Review and others (4) Future Outlook” on page 9 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 May 14, 2020. Relevant financial statements to be handed out at the briefing will be posted on our official website at the same time.

## Contents of the Attached Material

1. Qualitative Information Regarding Consolidated Results for the Fiscal Year under Review .....	4
(1) Earnings Results .....	4
(2) Financial Conditions.....	7
(3) Cash Flow Position.....	8
(4) Future Outlook.....	9
2. Basic Approach to Selection of Accounting Standards .....	9
3. Consolidated Financial Statements and Main Notes .....	10
(1) Consolidated Balance Sheets.....	10
(2) Consolidated Statements of Income and Consolidated Statements of Comprehensive Income.....	13
Consolidated Statements of Income .....	13
Consolidated Statements of Comprehensive Income .....	15
(3) Consolidated Statements of Changes in Net Assets.....	16
(4) Consolidated Statements of Cash Flows.....	18
(5) Notes to Consolidated Financial Statements .....	20
Notes on Premise of Going Concern .....	20
Changes in Accounting Policies .....	20
Segment Information .....	20
Per Share Information.....	25
Significant Subsequent Events.....	25

<Reference Material> Key Performance Indicators

1. Performance Indicators

Fiscal years	Fiscal year ended March 31, 2017	Fiscal year ended March 31, 2018	Fiscal year ended March 31, 2019	Fiscal year ended March 31, 2020	Forecast for the fiscal year ending March 31, 2021
Net sales (millions of yen)	3,512,909	3,795,992	4,143,505	4,380,209	3,650,000
Cost of sales (millions of yen)	2,791,596	3,002,160	3,300,738	3,510,002	—
Selling, general and administrative expenses (millions of yen)	411,220	446,690	470,571	489,091	—
Operating income (millions of yen)	310,092	347,141	372,195	381,114	170,000
Ordinary income (millions of yen)	300,529	344,593	359,462	367,669	164,000
Net income attributable to owners of the parent (millions of yen)	201,700	236,357	237,439	233,603	105,000
Basic net income per share (yen)	304.14	355.87	357.29	351.84	158.13
Return on equity (ROE) (%)	16.3	17.0	15.5	14.1	—
Ordinary income to total assets ratio (%)	8.8	9.1	8.6	8.2	—
Dividend per share (yen) (of which interim dividend per share)	92 (40)	107 (45)	114 (50)	115 (55)	90 (40)
Total annual dividends (millions of yen)	61,285	71,280	75,799	76,375	—
Dividend payout ratio (%)	30.2	30.1	31.9	32.7	56.9
Dividends to net assets ratio (%)	4.9	5.1	4.9	4.6	—
Total assets (millions of yen)	3,555,885	4,035,059	4,334,037	4,627,388	—
Net assets (millions of yen)	1,329,901	1,513,585	1,643,717	1,773,388	—
Net assets ratio (%)	36.8	36.5	36.8	37.3	—
Net assets per share (yen)	1,971.66	2,218.17	2,404.32	2,600.82	—
Depreciation (millions of yen)	59,597	64,163	71,020	75,207	80,000
Net increase in property, plant and equipment and intangible assets (millions of yen)	341,656	284,590	293,151	373,851	390,000
Cash flows from operating activities (millions of yen)	287,691	382,365	355,599	149,651	—
Cash flows from investing activities (millions of yen)	(343,643)	(313,664)	(313,989)	(313,273)	—
Cash flows from financing activities (millions of yen)	80,086	41,804	(86,979)	169,128	—
Cash and cash equivalents, end of year (millions of yen)	213,309	326,130	276,298	276,068	—

## 2. Sales and Operating Income by Segment

(Millions of yen)

Fiscal years		Fiscal year ended March 31, 2017	Fiscal year ended March 31, 2018	Fiscal year ended March 31, 2019	Fiscal year Ended March 31, 2020	Forecast for the fiscal year ending March 31, 2021
Net sales		3,512,909	3,795,992	4,143,505	4,380,209	3,650,000
Sales by segment	Single-Family Houses	390,332	385,369	503,571	497,880	410,000
	Rental Housing	977,215	1,030,834	1,054,789	1,005,902	880,000
	Condominiums	262,867	285,051	343,553	372,731	300,000
	Existing Homes	105,592	112,148	131,786	145,619	110,000
	Commercial Facilities	569,776	620,869	730,529	806,784	710,000
	Logistics, Business & Corporate Facilities	828,478	850,214	1,026,308	1,152,347	880,000
	Other Businesses	513,581	637,123	483,050	530,079	480,000
	Adjustments	(134,937)	(125,617)	(130,083)	(131,136)	(120,000)
Operating income		310,092	347,141	372,195	381,114	170,000
Sales by segment	Single-Family Houses	19,290	21,566	23,899	18,080	1,000
	Rental Housing	94,299	106,683	104,663	98,587	50,000
	Condominiums	13,431	13,328	20,723	15,883	-3,000
	Existing Homes	13,081	13,228	13,702	16,723	5,000
	Commercial Facilities	100,742	114,178	142,577	140,632	100,000
	Logistics, Business & Corporate Facilities	78,967	88,915	100,326	120,636	82,000
	Other Businesses	16,861	23,010	13,540	19,285	-16,000
	Adjustments	(26,582)	(33,770)	(47,237)	(48,714)	(49,000)

(Note) From the reporting fiscal year, we have revised the classification method for the business segments. This includes overseas business previously included in Other Businesses segment is reclassified according to the business content, and other changes. The previous fiscal year results have been recorded using new segment classification method. Also, we have changed the results of some subsidiaries to segments according to the content of their main business.

## 1. Qualitative Information Regarding Consolidated Results for the Fiscal Year under Review

### (1) Earnings Results

In the term under review, the Japanese economy continued to follow a gradual recovery trend until the third quarter of the consolidated fiscal year under review (April to December 2019), with personal consumption continuing to pick up and employment and income conditions continuing to improve.

Meanwhile, uncertainty has increasingly clouded the global economy's prospects, due to factors such as friction relating to trade issues, including between the United States and China. In addition, the outlook is becoming more and more uncertain against the backdrop of the growing 2019-2020 coronavirus pandemic.

In the housing market, a year-on-year increase in new construction starts was seen only in the category of built-for-sale houses, while construction starts posted year-on-year declines in owner-occupied houses, rental housing, and condominiums, 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 in the categories of construction for real estate industry clients, warehouses, and medical/nursing-care facilities.

Amid this business environment, under the Daiwa House Group's Sixth Medium-Term Management Plan (FY2019-2021), we have actively invested in real estate development, and have worked to expand operations in our Business Segment (Commercial Facilities Business, and Logistics, Business & Corporate Facilities Business) and to speed up the pace of our overseas expansion. As a means of strengthening the Group's corporate governance, we have fixed a compulsory retirement age (to be observed in principle, but allowing for exceptions) for directors, and have set up a new organizational unit (the Compliance Promotion Department) to promote legal and ethical compliance in the conduct of business operations. At the same time, we have redefined the Company's roles and responsibilities, as well as reinforcing 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 been redesigning our corporate system to make future growth possible.

As a result, the Daiwa House Group recorded consolidated net sales of 4,380,209 million yen (+5.7% year on year) for the fiscal year ended March 2020. Operating income came to 381,114 million yen (+2.4% year on year), ordinary income came to 367,669 million yen (+2.3% year on year), while net income attributable to owners of the parent amounted to 233,603 million yen (-1.6% year on year).

With respect to the announcement by Daiwa House Industry Co., Ltd. in December 2019 regarding the inadequate work experience criteria for operation and management engineer skills qualification, in January 2020 we set up an external investigation committee. The committee examined the facts of the matter and analyzed the causes, and then submitted a report to the Ministry of Land, Infrastructure, Transport and Tourism in April. Going forward, the Company will take very seriously the external investigatory committee's recommendations, and will work to prevent a recurrence of the problems identified.

Results by business segment were as follows.

From the first quarter of the reporting fiscal year, we have revised the classification method for the business segments. For details, see "a. Segment Information 3. Changes in Business Segment Classification Method" on [Attachments] page 20 "3. Notes to Consolidated Financial Statements and Main Notes (5) Notes to Consolidated Financial Statements (Segment information)". The following comparisons between the previous fiscal year and the reporting fiscal year are made by reclassifying the previous fiscal year figures into the revised segment figures.

### Single-Family Houses Business

In the Single-Family Houses Business segment, during the term under review, we earnestly addressed our role as a home builder and pursued community-based business projects to expand sales.

In our custom-built houses business in Japan, we aim to meet customer needs with a varied product lineup. This includes, most notably, our xevoΣ single-family house, which boasts a strong level of earthquake resistance guaranteed to last for many years, as well as comfort thanks to exterior wall thermal insulation and 2.72-meter-

high ceilings for a spacious living environment. The xevo Gran Wood is another of our top-of-the line wooden-house products, and we also offer our "skye" home in three-, four-, and five-story versions. And since November 2019 we have been offering our "Lifegenic" products, which can be individually designed by the customer employing our simple, user-friendly website. We have also been expanding our range of services with proposals for converting conventional single-family houses into what we call "combination housing," which can function both as a home and various kinds of business premises. Finally, under our Livness brand, we purchase previously-owned single-family houses for resale.

Turning to overseas markets, in the Box Hill Project—in the suburbs of Sydney, Australia—the number of home purchase contract signings has been growing steadily. Meanwhile, in the United States, Group company Stanley-Martin Communities, LLC has been registering favorable business results.

However, as a result, net sales for this segment amounted to 497,880 million yen (-1.1% year on year), while operating income came to 18,080 million yen (-24.3% year on year).

### **Rental Housing Business**

In the Rental Housing Business segment, we make proposals based on a comprehensive balancing of the various factors involved, including the needs of individual land owners, the particular characteristics of each site, and overall market demand. Our land-use proposals are tailored to achieve optimal value, not only for the land owners themselves, but also for the prospective residents and the wider regional community.

On the Japanese market, we are working to expand orders received by making proposals that go beyond the scope of residences. These encompass rental housing properties that include retail outlets, as well as medium- to high-rise properties, in urban locations such as city centers, and facilities for medical care and nursing care.

In overseas activities, our "Aurelian" project in the United States has maintained a roughly 90 percent occupancy rate ever since the start of renting, and 47 percent of real estate equity in the project was sold to Daiwa House Global REIT, Inc.

However, net sales for this segment amounted to 1,005,902 million yen (-4.6% year on year), while operating income came to 98,587 million yen (-5.8% year on year).

### **Condominiums Business**

In the Condominiums Business segment, during the term under review, in addition to constructing condominiums that provide asset value and a high level of added value for both the owners and the community at large, we also strove to improve our condominium building management support service, in which we leverage an integrated and comprehensive system to enable a safe residential experience, with peace of mind.

In the Japanese market, we have received praise for developments that inject future potential, such as commercial facilities adjoining the Premist Ariake Gardens in Tokyo. This project has also been rated highly thanks to its easy access to the city center, as well as other features contributing to convenience in daily life, and sales proceeded smoothly—centered on families and DINK couples—with all residential units being sold.

In addition, at Group member Cosmos Initia Co., Ltd., sales of investment units in both Selesage Omotesando and Selesage Naka-Meguro (Tokyo) — joint-investment type real estate projects that enable investors to acquire excellent city-center properties on a tight budget — have trended favorably, and the total number of units has been sold out.

In overseas activities, all units have been completed at the Flour Mill of Summer Hill development & sale project in Australia.

As a result, net sales for this segment amounted to 372,731 million yen (+8.5% year on year), while operating income came to 15,883 million yen (-23.4% year on year).



## **Existing Homes Business**

In the Existing Homes Business segment, during the term under review, we maintained our policy of mainly strengthening our relationship with the owners of single-family houses and rental housing built by the Company by means of regular inspections. We also strengthened our lineups of renovation proposals for warranty extensions. In addition, we focused on the sale of home storage batteries to owners of single-family houses whose contract for the feed-in tariff for renewable energy was expiring, and on maintenance proposals for business assets owned by corporate customers, in an effort to expand our orders.

In our Livness business, whose goal is to revitalize the market for the resale of high-quality existing homes, we have been conducting a home-sales campaign, targeting owners of single-family houses and condominiums nationwide, in which we understand the sentimental value of the homes to their owners, and help convey this to future buyers, and held seminars.

Additionally, in our Livness Town Project, we revitalize housing developments originally developed by Daiwa House many years ago under the "Neopolis" brand name, where the average age of residents is now very high. This is just one of the ways in which the Group addresses social issues through its business operations.

As a result, net sales for this segment amounted to 145,619 million yen (+10.5% year on year), while operating income came to 16,723 million yen (+22.1% year on year).

## **Commercial Facilities Business**

In the Commercial Facilities Business segment, during the term under review, we made facility-opening proposals that match the business strategies of corporate tenants, as well as a wide variety of proposals that made optimal use of the unique characteristics of each region. We also took a number of measures to expand the scope of our business. In particular, we strengthened our efforts in the field of large-scale projects such as hotels and commercial buildings. Also, for customers looking for options in the purchase of real estate for investment purposes, we took steps to expand our services to encompass land acquisition, construction, and leasing-out to tenants.

In the Japanese market, in front of Hiroshima Station we developed the "GRANODE Hiroshima," a large-scale multipurpose facility incorporating a hotel, shopping mall, and offices. We also constructed the "ias Okinawa Toyosaki," a large-scale shopping mall that includes an aquarium, in Toyosaki, Tomigusuku, Okinawa Prefecture. This facility is scheduled to open in June 2020, and will be the first of its kind in the prefecture. In these ways, we combine and utilize our management assets to develop multipurpose facilities that meet our customers' needs.

In overseas activities, we acquired a commercial facility by the name of "Trade" in California, USA in October 2019, and commenced operating management.

As a result, net sales for this segment amounted to 806,784 million yen (+10.4% year on year), while operating income came to 140,632 million yen (-1.4% year on year).

## **Logistics, Business and Corporate Facilities Business**

In the Logistics, Business and Corporate Facilities Business segment, during the term under review, we worked to enhance the Group's business scope by constructing a variety of facilities to suit the differing business needs of our corporate customers, and by providing total support services that enable customers to most effectively utilize their assets.

In the logistics facilities business, we started the construction of 26 new logistics facilities nationwide, including DPL Urawamisono, a largest logistics facility in Saitama city, to support the logistics strategies of our customers leveraging our extensive experience and know-how.

In the field of medical and nursing care facilities, we targeted hospitals whose existing facilities are showing signs of aging and which do not meet current earthquake resistance standards, making proposals for reconstruction or relocation. We also strengthened our lineup of solutions to meet the management needs of healthcare corporations, such as those operating homes for senior citizens or multipurpose nursing care facilities.

In the field of support for companies wishing to open new offices or factories, we have started work on development

of the Hiroshima Innovation Technoport, which involves the redevelopment of the site of the former Hiroshima-Nishi Airport. We have also stepped up efforts to invite corporations to open places of business in 25 industrial parks developed by the Group.

For food factories, we held seminars for manufacturers and processors of food products for making HACCP\* compulsory, while also enhancing our proposals for the building of facilities adapted to safety certification.

As a result, net sales for this segment amounted to 1,152,347 million yen (+12.3% year on year), while operating income came to 120,636 million yen (+20.2% year on year).

\* Hazard analysis and critical control points (HACCP) is a systematic preventive approach to food safety in production and preparation processes, in which the dangers posed by contamination by microorganisms at each stage of the process are analyzed and managed.

## Other Businesses

In our home centers business, we operate a diverse range of retail outlets to suit the widely differing lifestyles of today's consumers. Group member Royal Home Center Co., Ltd. opened the Royal Home Center Kisela Kawanishi (Hyogo Pref.).

In our accommodation business, Daiwa Resort Co., Ltd. opened three new hotels—in the cities of Kanazawa, Nara—in its D-Premium series, which focuses on incorporating the unique local traditions and culture of each location into the interior design of its premises.

In our logistics business, Daiwa Logistics Co., Ltd. has completed construction of facilities at five new locations, including the Kashiwa Interchange Logistics Center (Chiba Pref.), enabling it to offer logistics networks that fully meet all customer needs.

In the fitness club business, Sports Club NAS Co., Ltd. opened four new facilities, including Sports Club NAS Warabi (Saitama Pref.)

As a result, net sales for this segment amounted to 530,079 million yen (+9.7% year on year), while operating income came to 19,285 million yen (+42.4% year on year).

## (2) Financial Conditions

Total assets as of the end of the consolidated reporting fiscal year amounted to 4,627,388 million yen, an increase of 293,351 million yen compared with 4,334,037 million yen in total assets at the end of the previous consolidated fiscal year. This was principally due to an increase in inventory assets accompanying the overseas business expansion, etc., and an increase in property, plant, and equipment accompanying the acquisition of real estate for investment and other.

Total liabilities as of the end of the consolidated reporting fiscal year amounted to 2,853,999 million yen, an increase of 163,679 million yen compared with 2,690,320 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 hybrid bonds, as well as bank borrowings, 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 reporting fiscal year amounted to 1,773,388 million yen, an increase of 129,671 million yen compared with 1,643,717 million yen in total net assets at the end of the previous consolidated fiscal year. This was principally due to the posting of net income for the fiscal year attributable to owners of the parent in the amount of 233,603 million yen, which more than offset the payment of dividends to shareholders for the previous fiscal year. At the end of the term under review, these results were 1,043,478 million yen in interest-bearing liabilities excluding lease obligations, and a debt-equity ratio of 0.60 times. After taking the issuance of hybrid bonds into account, the D/E ratio came to 0.54 times\*. The net assets ratio as of the end of the fiscal year under review stood at 37.3%, showing little change from the 36.8% at the previous fiscal year end.

\* 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) Cash Flow Position

Cash and cash equivalents for the reporting fiscal year amounted to 276,068 million yen, for a decrease of 230 million yen. Net cash provided by operating activities stood at 149,651 million yen, net cash used in investing activities came to 317,273 million yen, and net cash provided by financing activities came to 169,128 million yen.

#### Cash flows from operating activities

During the reporting fiscal year, net cash provided by operating activities came to 149,651 million yen (-57.9% year on year). This was mainly due to the effect of abolishing most of the payment of bills in conjunction with the revision of the payment schedule for accounts payable related to construction contracts, decrease of accounts payable due to the effect that the end of the previous consolidated fiscal year was a holiday, and payment of income taxes, despite the posting of 349,683 million in income before income taxes and non-controlling shareholders' interests.

#### Cash flows from investing activities

During the reporting fiscal year, net cash used in investing activities came to 317,273 million yen (compared with 313,989 million yen used in the previous fiscal year). This was primarily the result of the acquisition of property, plant and equipment, including large-scale logistics facilities and commercial facilities, among other factors.

#### Cash flows from financing activities

During the reporting fiscal year, net cash provided by financing activities came to 169,128 million yen (compared with 86,979 million yen provided in the previous fiscal year). This was mainly due to the issuance of loans payable and hybrid bonds for the acquisition of inventories and real estate for investment, despite the payment of dividends for the previous fiscal year and interim dividends for the current fiscal year.

#### (Reference) Cash Flow Indicators

	Fiscal year ended March 31, 2018	Fiscal year ended March 31, 2019	Fiscal year ended March 31, 2020
Net assets ratio	36.5%	36.8%	37.3%
Net assets ratio on market-value basis	67.5%	53.9%	38.4%
Repayment years of interest-bearing debt	2.0 years	2.2 years	7.0 years
Interest coverage ratio	122.4	64.6	19.7

\* The standards for the indicators are as follows. All have been computed based on consolidated financial figures.

Net assets ratio: (Net assets – Non-controlling shareholders' interests)/Total assets

Net assets ratio on market-value basis: Total market capitalization/Total assets

Repayment years of interest-bearing debt: Interest-bearing liabilities/Operating cash flows

Interest coverage ratio: Operating cash flows/Interest expenses

Total market capitalization: Closing stock price at the fiscal year-end × Number of shares issued at the fiscal year-end (after deduction of treasury stock)

Operating cash flows: Net cash provided by (used in) operating activities on the Consolidated Statements of Cash Flows

Interest expenses: Interest expenses paid on the Consolidated Statements of Cash Flows

#### **(4) Future Outlook**

Turning to the prospects for Japan's economy in the near future, although an eventual recovery from the slump in consumer spending caused by the coronavirus epidemic is foreseen, and while there are hopes for a resurgence in corporate spending—which has been postponed for the time being—the adverse impact on consumption of the ongoing voluntary "Stay Home" campaign—amid the government's proclamation of a state of emergency—is expected to make business operations very difficult for some time to come. Uncertainty resulting from the epidemic is also increasing in every part of the world, and the future is thus becoming increasingly difficult to forecast.

In the industrial fields where the Group operates, we have some hopes for the efficacy of the measures that are to be put in place to stabilize the country's housing market (benefit payments for home buyers) under the Emergency Economic Measures to Cope with COVID-19, which were decided on by the Cabinet in April. Nonetheless, the short-term outlook is uncertain, and we also anticipate a decline in new housing construction starts over the medium-to-long term, due to the downward trend in the number of households. In the general construction market, with investment in construction projects for the 2021 Tokyo Olympics having run its course, and amid expectations that construction activity will go through a correction phase following the games, hopes are being pinned on the scheduled holding of the Osaka-Kansai Expo 2025 as a factor that may help to stimulate construction demand. However, companies in the industry will continue to face issues such as a shortage of labor resulting from the rising average age of the Japanese population, among other causes, as well as fluctuations in construction materials prices stemming from changes in demand.

Amid this economic environment, we intend to rethink our strategies under the Daiwa House Group Sixth Medium-Term Management Plan, which runs from FY2019 to FY2021. In our Single-Family Houses and Rental Housing Businesses, we will forge ahead with measures to build a base for the resumption of growth once the current epidemic has subsided, while in our Commercial Facilities and Logistics, Business and Corporate Facilities Businesses we will focus efforts on the continued expansion of our operational scale. We aim to expand our business to meet user needs not only in Japan, but also in overseas markets. Additionally, in real estate development, we will go still further along the road of developing multipurpose facilities that fully leverage our expertise in a wide range of business fields, and thereby achieve continuous growth. We will also take steps to improve our corporate governance system, such as appointing more outside directors, realizing greater diversity in hiring practices, and strengthening the integrated management of all Group companies. Going forward, we plan to continuously upgrade our governance system so as to realize optimal governance at each stage of our growth.

In line with the declaration of a state of emergency in response to the COVID-19 epidemic, we have closed business facilities and housing exhibition halls nationwide, and also partially closed commercial facilities, hotels, sports clubs, and other facilities of Group companies. As a result, the receipt of orders, production, and sales activities are being impacted.

However, the impact of the COVID-19 epidemic on society as a whole is expected to tail off by the end of September 2020, and we anticipate that business activities will gradually normalize, even though some businesses, such as hotels, will continue to be impacted.

In view of the foregoing, we forecast net sales for the fiscal year ending March 31, 2021 in the amount of 3 trillion 650 billion yen, with operating income of 170 billion yen, ordinary income of 164 billion yen, and net income attributable to owners of the parent of 105 billion yen. And we expect capital investments of 390 billion yen and depreciation of 80 billion yen.

## **2. Basic Approach to Selection of Accounting Standards**

The Daiwa House Group applies Japanese accounting standards as its selected accounting standards to maintain the comparability of consolidated financial statements between accounting periods and the comparability of performance between companies.

### 3. Consolidated Financial Statements and Main Notes

#### (1) Consolidated Balance Sheets

(Millions of yen)

	Previous fiscal year (as of March 31, 2019)	Reporting fiscal year (as of March 31, 2020)
<b>Assets</b>		
Current assets		
Cash and deposits	279,859	281,434
Notes and accounts receivable from completed construction contracts and other	390,922	433,053
Lease receivables and investment assets	31,834	35,021
Mortgage notes receivable held for sale	14,625	18,579
Short-term investment securities	891	814
Costs on uncompleted construction contracts	79,305	47,861
Real estate for sale	648,291	795,396
Real estate for sale in process	194,750	212,850
Land for development	966	4,443
Merchandise and finished goods	17,046	18,569
Work in process	6,854	6,738
Raw materials and supplies	8,451	8,984
Other	255,910	249,133
Allowance for doubtful accounts	-8,665	-9,016
<b>Total current assets</b>	<b>1,921,043</b>	<b>2,103,866</b>
Noncurrent assets		
Property, plant and equipment		
Buildings and structures	1,024,832	1,044,914
Accumulated depreciation	-443,094	-474,828
Buildings and structures, net	581,738	570,086
Machinery, equipment and vehicles	151,313	155,029
Accumulated depreciation	-81,945	-87,716
Machinery, equipment and vehicles, net	69,367	67,312
Tools, furniture and fixtures	64,461	69,917
Accumulated depreciation	-47,479	-51,080
Tools, furniture and fixtures, net	16,981	18,836
Land	811,205	857,587
Lease assets	50,579	78,190
Accumulated depreciation	-11,055	-13,911
Lease assets, net	39,524	64,278
Construction in progress	89,730	134,361
Other	—	10,239
Accumulated depreciation	—	-986
Other, net	—	9,253
<b>Total property, plant and equipment</b>	<b>1,608,548</b>	<b>1,721,717</b>
Intangible assets		
Goodwill	72,898	63,457
Other	51,740	54,715
<b>Total intangible assets</b>	<b>124,639</b>	<b>118,172</b>

	(Millions of yen)	
	Previous fiscal year (as of March 31, 2019)	Reporting fiscal year (as of March 31, 2020)
Investments and other assets		
Investment securities	224,689	207,219
Long-term loans receivable	3,756	4,053
Lease and guarantee deposits	229,790	241,030
Deferred tax assets	157,498	170,274
Other	66,740	63,370
Allowance for doubtful accounts	-2,669	-2,315
Total investments and other assets	679,804	683,632
Total noncurrent assets	2,412,993	2,523,522
Total assets	4,334,037	4,627,388

(Millions of yen)

	Previous fiscal year (as of March 31, 2019)	Reporting fiscal year (as of March 31, 2020)
<b>Liabilities</b>		
Current liabilities		
Notes and accounts payable for construction contracts and other	530,472	360,338
Short-term loans payable	97,631	110,519
Current portion of bonds payable	95,000	65,000
Current portion of long-term loans payable	40,441	65,669
Commercial papers	—	49,000
Lease obligations	4,719	6,083
Accounts payable-other	117,363	135,690
Income taxes payable	69,944	58,980
Advances received	55,700	77,071
Advances received on uncompleted construction contracts	165,186	130,633
Provision for bonuses	56,288	57,288
Provision for warranties for completed construction	8,003	7,484
Asset retirement obligations	1,985	2,159
Other	159,112	171,334
<b>Total current liabilities</b>	<b>1,401,849</b>	<b>1,297,254</b>
Noncurrent liabilities		
Bonds payable	192,000	277,000
Long-term loans payable	350,573	473,689
Lease obligations	51,062	79,770
Deposits received from members	2,367	1,621
Long-term lease and guarantee deposits	276,590	284,323
Deferred tax liabilities for land revaluation	20,042	20,037
Net defined benefit liability	263,018	267,062
Asset retirement obligations	45,333	49,881
Other	87,482	103,360
<b>Total noncurrent liabilities</b>	<b>1,288,470</b>	<b>1,556,745</b>
<b>Total liabilities</b>	<b>2,690,320</b>	<b>2,853,999</b>
<b>Net assets</b>		
Shareholders' equity		
Capital stock	161,699	161,699
Capital surplus	310,879	307,154
Retained earnings	1,066,705	1,217,407
Treasury stock	-8,316	-7,588
<b>Total shareholders' equity</b>	<b>1,530,968</b>	<b>1,678,671</b>
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	51,016	36,996
Deferred gains or losses on hedges	-21	-10
Revaluation reserve for land	6,453	10,251
Foreign currency translation adjustment	7,574	1,087
<b>Total accumulated other comprehensive income</b>	<b>65,023</b>	<b>48,323</b>
Subscription rights to shares	114	101
Non-controlling interests	47,610	46,292
<b>Total net assets</b>	<b>1,643,717</b>	<b>1,773,388</b>
<b>Total liabilities and net assets</b>	<b>4,334,037</b>	<b>4,627,388</b>

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

	(Millions of yen)	
	Previous fiscal year (From April 1, 2018 to March 31, 2019)	Reporting fiscal year (From April 1, 2019 to March 31, 2020)
Net sales	4,143,505	4,380,209
Cost of sales	3,300,738	3,510,002
Gross profit	842,767	870,206
Selling, general and administrative expenses		
Sales commission	19,741	19,864
Advertising expenses	35,511	32,733
Promotion expenses	6,983	7,037
Provision of allowance for doubtful accounts	1,027	1,541
Directors' compensations	4,261	4,192
Employees' salaries and allowances	165,037	172,478
Provision for bonuses	34,116	35,213
Retirement benefit expenses	21,458	22,626
Legal welfare expenses	25,216	27,122
Stationery expenses	13,975	14,686
Correspondence and transportation expenses	21,433	21,977
Rents	19,210	21,157
Depreciation	9,888	10,808
Tax and dues	30,602	31,777
Other	62,106	65,873
Total selling, general and administrative expenses	470,571	489,091
Operating income	372,195	381,114
Non-operating income		
Interest income	3,764	3,046
Dividends income	4,679	4,540
Insurance income	2,057	2,871
Miscellaneous income	5,546	6,271
Total non-operating income	16,047	16,730
Non-operating expenses		
Interest expenses	7,504	8,982
Tax and dues	1,095	1,662
Equity in losses of affiliates	13,080	6,972
Miscellaneous expenses	7,099	12,558
Total non-operating expenses	28,780	30,175
Ordinary income	359,462	367,669
Extraordinary income		
Gain on sales of noncurrent assets	1,207	1,285
Gain on sales of investment securities	2,617	454
Gain on liquidation of subsidiaries and affiliates	–	1,512
Gain on sales of shares of subsidiaries and associates	530	–
Gain on change in equity	677	32
Other	–	0
Total extraordinary income	5,033	3,285



(Millions of yen)

	Previous fiscal year (From April 1, 2018 to March 31, 2019)	Reporting fiscal year (From April 1, 2019 to March 31, 2020)
Extraordinary losses		
Loss on sales of noncurrent assets	560	164
Loss on retirement of noncurrent assets	784	2,408
Impairment loss	6,328	17,062
Loss on sales of investment securities	6	3
Loss on valuation of investment securities	3,784	1,630
Loss on disaster	798	—
Other	3	1
Total extraordinary losses	12,265	21,271
Income before income taxes and non-controlling interests	352,230	349,683
Income taxes-current	121,676	119,516
Income taxes-deferred	-11,477	-7,189
Total income taxes	110,198	112,327
Net income	242,031	237,356
Net income attributable to non-controlling interests	4,592	3,753
Net income attributable to owners of the parent	237,439	233,603

**(Consolidated Statements of Comprehensive Income)**

	(Millions of yen)	
	Previous fiscal year (From April 1, 2018 to March 31, 2019)	Reporting fiscal year (From April 1, 2019 to March 31, 2020)
Net income	242,031	237,356
Other comprehensive income		
Valuation difference on available-for-sale securities	-24,293	-14,309
Deferred gains or losses on hedges	10	10
Revaluation reserve for land	-	0
Foreign currency translation adjustment	-10,543	-5,220
Share of other comprehensive income of associates accounted for using equity method	-3,677	-1,166
Total other comprehensive income	-38,503	-20,415
Comprehensive income	203,528	216,940
(Comprehensive income attributable to)		
Comprehensive income attributable to owners of the parent	200,187	213,106
Comprehensive income attributable to non-controlling interests	3,341	3,834

### (3) Consolidated Statements of Changes in Net Assets

Previous fiscal year (From April 1, 2018 to March 31, 2019)

(Millions of yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
Balance at beginning of the period	161,699	311,910	903,550	(4,630)	1,372,528
Changes of items during the period					
Dividends from surplus	—	—	(74,612)	—	(74,612)
Net income attributable to owners of the parent	—	—	237,439	—	237,439
Change of scope of equity method	—	(1,030)	—	—	(1,030)
Change in treasury shares of parent arising from transactions with non-controlling shareholders	—	—	648	—	648
Reversal of revaluation reserve for land	—	—	(264)	—	(264)
Purchase of treasury stock	—	—	—	(7,982)	(7,982)
Disposal of treasury stock	—	—	(55)	4,296	4,241
Net changes of items other than shareholders' equity	—	—	—	—	—
Total changes of items during the period	—	(1,030)	163,155	(3,685)	158,439
Balance at end of the period	161,699	310,879	1,066,705	(8,316)	1,530,968

	Accumulated other comprehensive income					Subscription rights to shares	Non-controlling shareholders' interests	Total net assets
	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Revaluation reserve for land	Foreign currency translation adjustment	Total accumulated other comprehensive income			
Balance at beginning of the period	75,257	(35)	6,188	20,599	102,010	115	38,929	1,513,585
Changes of items during the period								
Dividends from surplus	—	—	—	—	—	—	—	(74,612)
Net income attributable to owners of the parent	—	—	—	—	—	—	—	237,439
Change of scope of equity method	—	—	—	—	—	—	—	(1,030)
Change in treasury shares of parent arising from transactions with non-controlling shareholders	—	—	—	—	—	—	—	648
Reversal of revaluation reserve for land	—	—	—	—	—	—	—	(264)
Purchase of treasury stock	—	—	—	—	—	—	—	(7,982)
Disposal of treasury stock	—	—	—	—	—	—	—	4,241
Net changes of items other than shareholders' equity	(24,241)	14	264	(13,025)	(36,987)	(0)	8,680	(28,307)
Total changes of items during the period	(24,241)	14	264	(13,025)	(36,987)	(0)	8,680	130,132
Balance at end of the period	51,016	(21)	6,453	7,574	65,023	114	47,610	1,643,717

**Reporting fiscal year (From April 1, 2019 to March 31, 2020)**

(Millions of yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
Balance at beginning of the period	161,699	310,879	1,066,705	(8,316)	1,530,968
Changes of items during the period					
Dividends from surplus	—	—	(79,016)	—	(79,016)
Net income attributable to owners of the parent	—	—	233,603	—	233,603
Change of scope of equity method	—	(3,725)	—	—	(3,725)
Reversal of revaluation reserve for land	—	—	(3,796)	—	(3,796)
Purchase of treasury stock	—	—	—	(244)	(244)
Disposal of treasury stock	—	—	(88)	972	883
Net changes of items other than shareholders' equity	—	—	—	—	—
Total changes of items during the period	—	(3,725)	150,701	727	147,703
Balance at end of the period	161,699	307,154	1,217,407	(7,588)	1,678,671

	Accumulated other comprehensive income					Subscription rights to shares	Non-controlling shareholders' interests	Total net assets
	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Revaluation reserve for land	Foreign currency translation adjustment	Total accumulated other comprehensive income			
Balance at beginning of the period	51,016	(21)	6,453	7,574	65,023	114	47,610	1,643,717
Changes of items during the period								
Dividends from surplus	—	—	—	—	—	—	—	(79,016)
Net income attributable to owners of the parent	—	—	—	—	—	—	—	233,603
Change of scope of equity method	—	—	—	—	—	—	—	(3,725)
Reversal of revaluation reserve for land	—	—	—	—	—	—	—	(3,796)
Purchase of treasury stock	—	—	—	—	—	—	—	(244)
Disposal of treasury stock	—	—	—	—	—	—	—	883
Net changes of items other than shareholders' equity	(14,019)	10	3,797	(6,487)	(16,699)	(13)	(1,318)	(18,031)
Total changes of items during the period	(14,019)	10	3,797	(6,487)	(16,699)	(13)	(1,318)	129,671
Balance at end of the period	36,996	(10)	10,251	1,087	48,323	101	46,292	1,773,388

**(4) Consolidated Statements of Cash Flows**

	(Millions of yen)	
	Previous fiscal year (From April 1, 2018 to March 31, 2019)	Reporting fiscal year (From April 1, 2019 to March 31, 2020)
<b>Net cash provided by (used in) operating activities</b>		
Income before income taxes and non-controlling interests	352,230	349,683
Depreciation and amortization	71,020	75,207
Increase (decrease) in net defined benefit liability	4,437	4,043
Interest and dividends income	-8,444	-7,587
Interest expenses	7,504	8,982
Equity in (earnings) losses of affiliates	13,080	6,972
Loss (gain) on sales and retirement of noncurrent assets	136	1,287
Impairment loss	6,328	17,062
Loss (gain) on valuation of investment securities	3,784	1,630
Decrease (increase) in notes and accounts receivable-trade	-28,075	-42,234
Decrease (increase) in inventories	-71,573	-37,157
Increase (decrease) in advances received	-5,620	21,389
Increase (decrease) in advances received on uncompleted construction contracts	37,062	-34,427
Increase (decrease) in notes and accounts payable-trade	49,758	-188,431
Other, net	36,301	105,262
<b>Subtotal</b>	<b>467,933</b>	<b>281,683</b>
Interest and dividends income received	7,482	6,218
Interest expenses paid	-5,505	-7,608
Income taxes paid	-114,310	-130,641
<b>Net cash provided by (used in) operating activities</b>	<b>355,599</b>	<b>149,651</b>
<b>Net cash provided by (used in) investing activities</b>		
Purchase of property, plant and equipment and intangible assets	-255,940	-291,468
Proceeds from sales of property, plant and equipment	9,496	12,059
Purchase of investment securities	-19,424	-19,059
Proceeds from sales and redemption of investment securities	12,632	7,649
Purchase of investments in subsidiaries resulting in change in scope of consolidation	-39,369	-4,731
Proceeds from purchase of investments in subsidiaries resulting in change in scope of consolidation	267	—
Purchase of investments in capital of subsidiaries resulting in change in scope of consolidation	-963	-563
Proceeds from sales of shares of subsidiaries resulting in change in scope of consolidation	1,744	—
Payments for transfer of business	-8,000	-348
Payments for acquisition of business	-6,048	-9,618
Other, net	-8,383	-11,192
<b>Net cash provided by (used in) investing activities</b>	<b>-313,989</b>	<b>-317,273</b>

(Millions of yen)

	Previous fiscal year (From April 1, 2018 to March 31, 2019)	Reporting fiscal year (From April 1, 2019 to March 31, 2020)
Net cash provided by (used in) financing activities		
Net increase (decrease) in short-term loans payable	5,070	13,656
Net increase (decrease) in commercial papers	—	49,000
Proceeds from long-term loans payable	85,919	275,988
Repayment of long-term loans payable	-80,583	-129,617
Proceeds from issuance of bonds	—	150,000
Redemption of bonds	-20,100	-95,000
Repayments of finance lease obligations	-5,552	-6,493
Proceeds from share issuance to non-controlling shareholders	7,337	3,767
Repayments to non-controlling shareholders	-1,068	-1,686
Purchase of treasury stock	-7,982	-244
Proceeds from sales of treasury stock	4,240	870
Cash dividends paid	-74,612	-79,016
Dividends paid to non-controlling interests	-2,039	-2,342
Payments from changes in ownership interests in subsidiaries that do not result in change in scope of consolidation	-1,469	-964
Purchase of investments in capital of subsidiaries without change in scope of consolidation	—	-9,096
Net increase (decrease) in payables under fluidity	2,900	—
Other, net	960	307
Net cash provided by (used in) financing activities	-86,979	169,128
Effect of exchange rate change on cash and cash equivalents	-4,463	-1,737
Net increase (decrease) in cash and cash equivalents	-49,832	-230
Cash and cash equivalents at the beginning of the period	326,130	276,298
Cash and cash equivalents at the end of the period	276,298	276,068

## (5) Notes to Consolidated Financial Statements

### Notes on Premise of Going Concern

No items to report.

### Changes in Accounting Policies

The adoption of IFRS 16 Leases

For subsidiaries located outside Japan that have adopted the International Financial Reporting Standards (IFRS), IFRS 16 Leases (hereinafter "IFRS 16") is applicable to consolidated financial reporting with effect from the reporting fiscal year.

As a result of the application of IFRS 16, in principle, lessees shall recognize all assets and liabilities for all leases. Daiwa House has applied IFRS 16 in accordance with the transitional provisions set forth in IFRS 16.

This change will have a minimal effect on the consolidated financial statement for the fiscal year under review.

### Segment Information

#### a. Segment Information

##### 1. Outline of reportable business segments

The reportable business segments of the Group consist of those for which separate financial information is available within the Group's structural units. Segments are also subject to regular reviews as the management determines the allocation of management resources and assesses the business performance.

The Daiwa House Group engages in a comprehensive business across a broad range of fields, including the construction of residential housing and commercial buildings. The Group established seven business segments, set up a comprehensive strategy for each business segment and operates to enhance competitiveness with prompt decision-making and sophisticated expertise, integrating its value chain and sharing its customer base.

Accordingly, our business segments consist of different products and services, based on their business domains. Excluding the Other Businesses segment, there are six reportable business segments as core business domains: Single-Family Houses Business, Rental Housing Business, Condominiums Business, Existing Homes Business, Commercial Facilities Business, and Logistics, Business and Corporate Facilities Business.

In the Single-Family Houses Business segment, we engage in construction by order of single-family houses and the sale of a package of new house and land. In the Rental Housing Business segment, the Group conducts rental housing development, construction, management, operation, and real estate agency services. In the Condominium Business segment, we develop, sell, and manage condominiums. In the Existing Homes Business segment, the Group engages in renovation and real estate agency services. The Commercial Facilities Business segment develops, builds, manages, and operates commercial facilities. The Logistics, Business and Corporate Facilities Business segment develops and builds logistics and manufacturing facilities, and medical and nursing-care facilities, and builds, manages, and operates temporary facilities.

##### 2. Method of calculating sales and operating income, assets and others by reportable business segment

The accounting method applied to business segments reported herein, and the monetary amounts shown, are based on the accounting standard used for the preparation of consolidated financial statements.

The reported segment income figures at those at the operating income stage.

Inter-segment income and transfers are based on the prevailing market price.

### **3. Changes in business segment classification method**

From the reporting fiscal year, we have revised the classification method for the business segments in line with "Daiwa House Group Sixth Medium-Term Management Plan" announced on May 13, 2019. This includes overseas business previously included in Other Businesses segment is reclassified according to the business content, and other changes.

Furthermore, the previous fiscal year results have been recorded using new segment classification method.



### 3. Sales and operating income, assets and others by reportable business segment

Previous fiscal year (From April 1, 2018 to March 31, 2019)

(Millions of yen)

	Reportable Business Segments						Total
	Single-Family Houses	Rental Housing	Condominiums	Existing Homes	Commercial Facilities	Logistics, Business & Corporate Facilities	
Sales							
(1) Sales to customers	500,815	1,053,345	332,604	127,025	725,026	1,023,493	3,762,310
(2) Inter-segment sales or transfers	2,756	1,443	10,948	4,760	5,503	2,815	28,228
Total	503,571	1,054,789	343,553	131,786	730,529	1,026,308	3,790,539
Operating income	23,899	104,663	20,723	13,702	142,577	100,326	405,892
Assets	375,884	328,545	583,515	27,498	790,957	1,423,032	3,529,433
Others							
Depreciation	5,165	9,199	2,350	218	25,626	14,053	56,614
Net increase in property, plant and equipment, and intangible assets	5,048	46,329	10,743	341	82,227	108,195	252,886

	Other Businesses (Note: 1)	Subtotal	Adjustment (Note: 2)	Amounts on the consolidated financial statements
Sales				
(1) Sales to customers	381,194	4,143,505	—	4,143,505
(2) Inter-segment sales or transfers	101,855	130,083	(130,083)	—
Total	483,050	4,273,589	(130,083)	4,143,505
Operating income	13,540	419,432	(47,237)	372,195
Assets	561,717	4,091,151	242,885	4,334,037
Others				
Depreciation	13,047	69,662	1,358	71,020
Net increase in property, plant and equipment, and intangible assets	40,957	293,843	(691)	293,151

- Notes:
- Other Businesses include construction-support related, resort hotels and sports life business and others.
  - Adjustment:
    - 47,237 million yen in adjustments to operating income by business segment includes -2,638 million yen in elimination within business segments, 712 million yen in amortization of goodwill, and -45,310 million yen in corporate expenses not allocated to each business segment. Corporate expenses mainly consist of general and administrative expenses and experiment and research expenses not attributable to reportable business segments.
    - 242,885 million yen in adjustments to assets by business segment includes -143,118 million yen in elimination within business segments, and 386,004 million yen in the Group assets. Group assets mainly consist of the Company's surplus funds (cash and deposits), the Company's long-term investment funds (investment securities), and the assets associated with Administration Headquarters of the Company.
    - 1,358 million yen in adjustments to depreciation by business segment includes -457 million yen in elimination within business segments, and 1,816 million yen in the depreciation attributable to Group assets.
    - 691 million yen in adjustments to net increase in property, plant and equipment, and intangible assets by business segment includes -2,628 million yen in elimination within business segments, and 1,936 million yen in Headquarters' capital investment of the Company, such as properties and equipment.
  - Operating income by business segment is adjusted to correspond to operating income in the consolidated statements of income.

**Reporting fiscal year (From April 1, 2019 to March 31, 2020)**

(Millions of yen)

	Reportable Business Segments						
	Single-Family Houses	Rental Housing	Condominiums	Existing Homes	Commercial Facilities	Logistics, Business & Corporate Facilities	Total
Sales							
(1) Sales to customers	495,415	1,004,781	364,017	142,193	799,232	1,143,301	3,948,942
(2) Inter-segment sales or transfers	2,464	1,121	8,714	3,425	7,551	9,046	32,323
Total	497,880	1,005,902	372,731	145,619	806,784	1,152,347	3,981,266
Operating income	18,080	98,587	15,883	16,723	140,632	120,636	410,544
Assets	378,685	329,309	607,998	31,762	922,884	1,582,230	3,852,871
Others							
Depreciation	5,671	9,609	2,012	188	29,035	14,047	60,565
Net increase in property, plant and equipment, and intangible assets	5,835	30,585	15,469	642	113,440	173,765	339,739

	Other Businesses (Note: 1)	Subtotal	Adjustment (Note: 2)	Amounts on the consolidated financial statements
Sales				
(1) Sales to customers	431,267	4,380,209	—	4,380,209
(2) Inter-segment sales or transfers	98,812	131,136	(131,136)	—
Total	530,079	4,511,345	(131,136)	4,380,209
Operating income	19,285	429,829	(48,714)	381,114
Assets	645,438	4,498,310	129,078	4,627,388
Others				
Depreciation	13,532	74,098	1,109	75,207
Net increase in property, plant and equipment, and intangible assets	34,121	373,861	(9)	373,851

- Notes:
- Other Businesses include construction-support related, resort hotels and sports life business and others.
  - Adjustment:
    - 48,714 million yen in adjustments to operating income by business segment includes -658 million yen in elimination within business segments, 699 million yen in amortization of goodwill, and -48,756 million yen in corporate expenses not allocated to each business segment. Corporate expenses mainly consist of general and administrative expenses and experiment and research expenses not attributable to reportable business segments.
    - 129,078 million yen in adjustments to assets by business segment includes -165,040 million yen in elimination within business segments, and 294,118 million yen in the Group assets. Group assets mainly consist of the Company's surplus funds (cash and deposits), the Company's long-term investment funds (investment securities), and the assets associated with Administration Headquarters of the Company.
    - 1,109 million yen in adjustments to depreciation by business segment includes -665 million yen in elimination within business segments, and 1,775 million yen in the depreciation attributable to Group assets.
    - 9 million yen in adjustments to net increase in property, plant and equipment, and intangible assets by business segment includes -3,546 million yen in elimination within business segments, and 3,537 million yen in Headquarters' capital investment of the Company, such as properties and equipment.
  - Operating income by business segment is adjusted to correspond to operating income in the consolidated statements of income.

**b. Information regarding impairment loss on noncurrent assets, by reportable business segment**

**Previous fiscal year (from April 1, 2018 to March 31, 2019)**

(Millions of yen)

	Single-Family Houses	Rental Housing	Condo-miniums	Existing Homes	Commercial Facilities	Logistics, Business & Corporate Facilities	Other Businesses (*)	Eliminations/Corporate	Total
Impairment loss	1,377	592	4	17	3,443	18	875	—	6,328

(\*) Amounts are resort hotels and sports life business, among others.

**Reporting fiscal year (from April 1, 2019 to March 31, 2020)**

(Millions of yen)

	Single-Family Houses	Rental Housing	Condo-miniums	Existing Homes	Commercial Facilities	Logistics, Business & Corporate Facilities	Other Businesses (*)	Eliminations/Corporate	Total
Impairment loss	9,920	3,128	157	9	2,381	279	1,186	—	17,062

(\*) Amounts are construction support business and resort hotels and sports life business, among others.

**c. Information regarding amortization of goodwill, and unamortized balances of goodwill, by reportable business segment**

**Previous fiscal year (from April 1, 2018 to March 31, 2019)**

(Millions of yen)

	Single-Family Houses	Rental Housing	Condo-miniums	Existing Homes	Commercial Facilities	Logistics, Business & Corporate Facilities	Other Businesses (*)	Eliminations/Corporate	Total
Amortization of goodwill	1,175	95	1,256	(8)	485	2,537	1,610	—	7,150
Fiscal year-end unamortized balance of goodwill	21,008	1,100	12,245	(70)	3,121	30,204	5,286	—	72,898

(\*) Amounts are construction support business, among others.

**Reporting fiscal year (from April 1, 2019 to March 31, 2020)**

(Millions of yen)

	Single-Family Houses	Rental Housing	Condo-miniums	Existing Homes	Commercial Facilities	Logistics, Business & Corporate Facilities	Other Businesses (*)	Eliminations/Corporate	Total
Amortization of goodwill	1,095	542	1,051	(8)	444	2,086	332	—	5,545
Fiscal year-end unamortized balance of goodwill	9,780	1,018	11,193	(61)	2,677	28,118	10,731	—	63,457

(\*) Amounts are construction support business, among others.

**d. Information regarding gain on negative goodwill, by reportable business segment**

**Previous fiscal year (from April 1, 2018 to March 31, 2019)**

No items to report.

**Reporting fiscal year (from April 1, 2019 to March 31, 2020)**

No items to report.

**Per Share Information**

	<b>Previous fiscal year (From April 1, 2018 to March 31, 2019)</b>	<b>Reporting fiscal year (From April 1, 2019 to March 31, 2020)</b>
Net assets per share	2,404.32 yen	2,600.82 yen
Basic net income per share	357.29 yen	351.84 yen
Diluted net income per share	357.09 yen	351.76 yen

(Note) The basis of calculation for basic net income per share and diluted net income per share is as follows.

	<b>Previous fiscal year (From April 1, 2018 to March 31, 2019)</b>	<b>Reporting fiscal year (From April 1, 2019 to March 31, 2020)</b>
Basic net income per share		
Net income attributable to the parent (millions of yen)	237,439	233,603
Amount not belonging to general shareholders (millions of yen)	—	—
Basic net income attributable to owners of the parent related to common stock (millions of yen)	237,439	233,603
Average amount of common stock during the year (thousands of shares)	664,557	663,949
Diluted net income per share		
Net income attributable to owners of the parent (millions of yen)	—	—
Net increase of number of shares of common stock (thousands of shares)	373	157
(in which, subscription rights to shares (thousands of shares))	373	157
Number of shares not dilutive as the Company does not include in the computation of net income per share after full dilution (thousands of shares)	—	—

(Note) In calculating net assets per share, the shares held by the Directors Stock Delivery Trust (re-trustee Japan Trustee Services Bank, Ltd.) are included in treasury stock, which is excluded from the total number of shares at the end of the period (112 thousand shares for the previous fiscal year, 131 thousand shares for the fiscal year in question).

Additionally, in calculating basic net income per share and diluted net income per share, the shares held by the Directors Stock Delivery Trust are included in treasury stock, which is excluded from the average number of shares during the term (741 thousand shares for the previous fiscal year, 95 thousand shares for the fiscal year in question).

**Significant Subsequent Events**

No items to report.

**Disclaimer:**

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