



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

February 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: February 10, 2021
 Scheduled Date of Commencement of Dividend Payment: —
 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 Nine Months Ended December 31, 2020
(From April 1, 2020 to December 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	%
Nine months ended:								
December 31, 2020	3,004,181	-5.0	251,082	-13.3	245,264	-14.9	155,272	-20.7
December 31, 2019	3,163,355	7.2	289,697	8.1	288,295	6.4	195,695	6.2

Note: Comprehensive income: Nine months ended December 31, 2020: 164,414 million yen (-12.8%)
 Nine months ended December 31, 2019: 188,522 million yen (21.8%)

	Basic net income per share	Diluted net income per share
Nine months ended:	Yen	Yen
December 31, 2020	236.29	—
December 31, 2019	294.76	294.68

(2) Consolidated Financial Conditions

	Total assets	Net assets	Net assets ratio
As of	Millions of yen	Millions of yen	%
December 31, 2020	4,988,473	1,842,883	35.9
March 31, 2020	4,627,388	1,773,388	37.3

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

(Net assets – Non-controlling interests) is as follows. December 31, 2020: 1,789,421 million yen;
 March 31, 2020: 1,726,995 million yen

2. Dividends

	Dividend per share				
	End of 1st quarter (June 30)	End of 2nd quarter (Sept. 30)	End of 3rd quarter (Dec. 31)	Fiscal year-end (March 31)	Annual
	Yen	Yen	Yen	Yen	Yen
Fiscal year ended March 31, 2020	—	55.00	—	60.00	115.00
Fiscal year ending March 31, 2021	—	50.00			
Fiscal year ending March 31, 2021 (forecasts)			—	60.00	110.00

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

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	4,000,000	-8.7	258,000	-32.3	243,000	-33.9	130,000	-44.4	198.05

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

Notes:

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

(4) Number of Issued and Outstanding Shares (Common Stock)

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

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

As of December 31, 2020	12,158,417 shares	As of March 31, 2020	2,218,771 shares
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3) Average number of shares during the period

Nine months ended December 31, 2020	657,116,248 shares	Nine months ended December 31, 2019	663,922,282 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) Explanation regarding forecasts, such as of future business performance figures” of “the Attached Material” on page 5 for the suppositions that form the assumptions for earnings forecasts.

(Obtaining supplementary explanatory materials)

The Company plans to hold a briefing for institutional investors and securities analysts on February 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 nine-month period under review, the Japanese economy continued on a recovery trend, supported by improvements in consumer spending and tourist industry as a result of the “Go To” Campaign by the Japanese government and a recovery in automobile production and sales. However, since November 2020, there has been a significant increase in the number of people newly infected with COVID-19, raising concerns about its adverse impact on the economy.

In the housing market, the number of new housing starts declined year on year for owner-occupied houses, built-for-sale houses, and rental housing. In the general construction market, while the total floor space of construction starts increased for warehouses, other uses decreased, and the overall decrease was compared with the previous year.

Amid this operating environment, we reviewed our strategies for each business, while continuing to base our actions on the Group's Sixth Medium-Term Management Plan (which commenced in fiscal 2019). We also took appropriate measures such as launching products that match the “new normal” environment to live with COVID-19.

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

However, due to the impact of COVID-19, the Daiwa House Group recorded consolidated net sales of 3,004,181 million yen (-5.0% year on year) for the first nine months of the fiscal year ending March 2021. Operating income came to 251,082 million yen (-13.3% year on year), ordinary income came to 245,264 million yen (-14.9% year on year), while net income attributable to owners of the parent amounted to 155,272 million yen (-20.7% year on year).

(2) Financial Conditions

Total assets as of the end of the consolidated nine-month reporting period amounted to 4,988,473 million yen, an increase of 361,084 million yen compared with 4,627,388 million yen in total assets at the end of the previous consolidated fiscal year. This was principally due to an increase in inventory assets from the purchase of real estate for sale.

Total liabilities as of the end of the consolidated nine-month reporting period amounted to 3,145,589 million yen, an increase of 291,589 million yen compared with 2,853,999 million yen in total liabilities at the end of the previous consolidated fiscal year. This was principally due to bank borrowings, as well as the issuance of bonds, 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 nine-month reporting period amounted to 1,842,883 million yen, an increase of 69,494 million yen compared with 1,773,388 million yen in total net assets at the end of the previous consolidated fiscal year. This was mainly due to the posting of net income for the period attributable to owners of the parent in the amount of 155,272 million yen, which more than offset the payment of dividends to shareholders for the previous fiscal year and the acquisition of treasury stock. At the end of the term under review, these results were 1,405,509 million yen in interest-bearing liabilities excluding lease obligations among others, and a debt-equity ratio of 0.79 times. After taking the hybrid financing into account, the D/E ratio came to 0.67 times*.

* The D/E 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) Explanation regarding forecasts, such as of future business performance figures

At the end of the second quarter of the fiscal year under review, we determined that, although we continue to be impacted by COVID-19, the impact on our Group subsided earlier than expected and has been less than our original assumptions. Consolidated financial results for the third quarter progressed steadily relative to our full-year earnings forecast announced on November 11, 2020 and exceeded ordinary income and net income attributable to owners of the parent. This was mainly due to smooth progress of construction already ordered and firm performance in the US housing business, we saw increasing needs for logistics facility development in response to growing in-home consumption. We also benefited from government policies such as the “Go To” Campaign.

However, due to the declaration of a state of emergency issued on January 7, 2021 in response to the re-spread of COVID-19, it becomes difficult to forecast the impact on our Group operations such as hotels and sports clubs. Furthermore, these conditions may also require measures including recording an impairment loss. As such, we have not changed our earnings full-year forecast in the “Notice Concerning Surplus Dividends (Interim Dividends) and Revisions to Earnings and Dividend Forecasts for the Fiscal Year Ending March 2021”, announced on November 11, 2020.

We will continue to carefully monitor our business performance and promptly announce the financial forecasts if any revisions are necessary.

2. Consolidated Financial Statements and Main Notes

(1) Consolidated Balance Sheets

(Millions of yen)

	As of March 31, 2020	As of December 31, 2020
Assets		
Current assets		
Cash and deposits	281,434	383,611
Notes and accounts receivable from completed construction contracts and other	433,053	408,726
Mortgage notes receivable held for sale	18,579	46,590
Short-term investment securities	814	661
Costs on uncompleted construction contracts	47,861	55,607
Real estate for sale	795,396	821,755
Real estate for sale in process	212,850	271,066
Land for development	4,443	4,973
Merchandise and finished goods	18,569	18,820
Work in process	6,738	7,644
Raw materials and supplies	8,984	8,457
Other	284,155	315,319
Allowance for doubtful accounts	-9,016	-12,845
Total current assets	2,103,866	2,330,388
Noncurrent assets		
Property, plant and equipment		
Buildings and structures	1,044,914	1,119,173
Accumulated depreciation	-474,828	-493,280
Buildings and structures, net	570,086	625,892
Land	857,587	868,041
Other	447,739	501,496
Accumulated depreciation	-153,696	-164,615
Other, net	294,042	336,880
Total property, plant and equipment	1,721,717	1,830,813
Intangible assets		
Goodwill	63,457	67,039
Other	54,715	59,874
Total intangible assets	118,172	126,914
Investments and other assets		
Investment securities	207,219	228,657
Lease and guarantee deposits	241,030	246,533
Other	237,699	227,554
Allowance for doubtful accounts	-2,315	-2,388
Total investments and other assets	683,632	700,356
Total noncurrent assets	2,523,522	2,658,084
Total assets	4,627,388	4,988,473

(Millions of yen)

	As of March 31, 2020	As of December 31, 2020
Liabilities		
Current liabilities		
Notes and accounts payable for construction contracts and other	360,338	239,066
Short-term loans payable	110,519	236,929
Current portion of bonds payable	65,000	40,000
Current portion of long-term loans payable	65,669	64,082
Commercial papers	49,000	—
Income taxes payable	58,980	30,624
Advances received	77,071	160,950
Advances received on uncompleted construction contracts	130,633	124,358
Provision for bonuses	57,288	28,397
Provision for warranties for completed construction	7,484	7,505
Asset retirement obligations	2,159	2,071
Other	313,108	314,456
Total current liabilities	1,297,254	1,248,445
Noncurrent liabilities		
Bonds payable	277,000	383,000
Long-term loans payable	473,689	678,596
Long-term lease and guarantee deposited	284,323	283,681
Net defined benefit liability	267,062	272,724
Asset retirement obligations	49,881	54,113
Other	204,789	225,027
Total noncurrent liabilities	1,556,745	1,897,144
Total liabilities	2,853,999	3,145,589
Net assets		
Shareholders' equity		
Capital stock	161,699	161,699
Capital surplus	307,154	304,551
Retained earnings	1,217,407	1,299,656
Treasury stock	-7,588	-33,452
Total shareholders' equity	1,678,671	1,732,453
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	36,996	53,193
Deferred gains or losses on hedges	-10	-59
Revaluation reserve for land	10,251	10,717
Foreign currency translation adjustment	1,087	-6,883
Total accumulated other comprehensive income	48,323	56,967
Subscription rights to shares	101	100
Non-controlling interests	46,292	53,362
Total net assets	1,773,388	1,842,883
Total liabilities and net assets	4,627,388	4,988,473

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

	(Millions of yen)	
	Nine months ended December 31, 2019 (From April 1, 2019 to December 31, 2019)	Nine months ended December 31, 2020 (From April 1, 2020 to December 31, 2020)
Net sales	3,163,355	3,004,181
Cost of sales	2,516,893	2,399,780
Gross profit	646,462	604,401
Selling, general and administrative expenses	356,764	353,318
Operating income	289,697	251,082
Non-operating income		
Interest income	2,609	1,787
Dividends income	4,365	4,124
Equity in earnings of affiliates	63	—
Miscellaneous income	5,218	8,004
Total non-operating income	12,256	13,915
Non-operating expenses		
Interest expenses	6,510	7,381
Taxes and dues	1,502	1,084
Equity in losses of affiliates	—	427
Provision of allowance for doubtful accounts	—	3,915
Miscellaneous expenses	5,645	6,924
Total non-operating expenses	13,658	19,733
Ordinary income	288,295	245,264
Extraordinary income		
Gain on sales of noncurrent assets	1,081	586
Gain on sales of investment securities	386	338
Gain on liquidation of subsidiaries and affiliates	1,514	—
Gain on change in equity	32	428
Subsidy income related to COVID-19	—	1,871
Other	0	—
Total extraordinary income	3,015	3,225
Extraordinary losses		
Loss on sales of noncurrent assets	43	145
Loss on retirement of noncurrent assets	2,070	784
Impairment loss	8	360
Loss on sales of investment securities	3	0
Loss on valuation of investment securities	171	425
Loss on COVID-19	—	7,561
Other	1	—
Total extraordinary losses	2,299	9,278
Income before income taxes	289,011	239,212
Income taxes-current	78,910	71,612
Income taxes-deferred	11,916	10,090
Total income taxes	90,826	81,702
Net income	198,185	157,509
Net income attributable to non-controlling interests	2,489	2,236
Net income attributable to owners of the parent	195,695	155,272

(Consolidated Statements of Comprehensive Income)

(Millions of yen)

	Nine months ended December 31, 2019 (From April 1, 2019 to December 31, 2019)	Nine months ended December 31, 2020 (From April 1, 2020 to December 31, 2020)
Net income	198,185	157,509
Other comprehensive income		
Valuation difference on available-for-sale securities	5,504	16,216
Deferred gains or losses on hedges	11	-50
Revaluation reserve for land	0	-0
Foreign currency translation adjustment	-12,646	-8,308
Share of other comprehensive income of associates accounted for using equity method	-2,533	-952
Total other comprehensive income	-9,662	6,905
Comprehensive income	188,522	164,414
(Comprehensive income attributable to)		
Comprehensive income attributable to owners of the parent	187,097	163,448
Comprehensive income attributable to non-controlling interests	1,425	965

(3) Notes

Notes on Premise of Going Concern

No items to report.

Notes on Significant Changes in the Amount of Shareholders' Equity

No items to report.

Disclaimer:

This English translation has been prepared for general reference purposes only. The Company shall not be responsible for any consequence resulting from the use of the English translation in place of the original Japanese text. In any legal matter, readers should refer to and rely upon the original Japanese text released on February 9, 2021.