



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

February 10, 2022

Name of Listed Company: Daiwa House Industry Co., Ltd.
 Code No.: 1925
 URL: <https://www.daiwahouse.com/English/>
 Listed Exchanges: First section of the Tokyo Stock Exchange
 Representative: Keiichi Yoshii, President and CEO
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Scheduled Date of Filing Quarterly Securities Report: February 14, 2022
 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, 2021
(From April 1, 2021 to December 31, 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	%
Nine months ended:								
December 31, 2021	3,147,185	4.8	253,866	1.1	254,920	3.9	167,494	7.9
December 31, 2020	3,004,181	-5.0	251,082	-13.3	245,264	-14.9	155,272	-20.7

Note: Comprehensive income: Nine months ended December 31, 2021: 199,506 million yen (21.3%)
 Nine months ended December 31, 2020: 164,414 million yen (-12.8%)

	Basic net income per share		Diluted net income per share	
	Yen		Yen	
Nine months ended:				
December 31, 2021	255.68		255.65	
December 31, 2020	236.29		—	

(2) Consolidated Financial Conditions

	Total assets	Net assets	Net assets ratio
	Millions of yen	Millions of yen	%
As of			
December 31, 2021	5,511,468	2,039,523	35.4
March 31, 2021	5,053,052	1,893,504	36.3

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

(Net assets – Non-controlling interests) is as follows. December 31, 2021: 1,952,320 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	328.15

(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 10 for the details.

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

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

As of December 31, 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 December 31, 2021	10,741,658 shares	As of March 31, 2021	12,000,589 shares
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3) Average number of shares during the period

Nine months ended December 31, 2021	655,090,879 shares	Nine months ended December 31, 2020	657,116,248 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 10, 2022. 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 saw some signs of improvement in its environment as foot traffic increased and personal consumption picked up after the government lifted at the end of September 2021 the state of emergency declaration and the priority measures to prevent the spread of disease and other matters that had covered the nation. On the other hand, the number of new positive cases of new infectious variants has increased significantly, and it is expected that the full-fledged recovery process will take time. In the global economy as well, there is a risk of new variants that are posing threats to economic recovery, and the future remains uncertain due to inflationary pressures continuing to rise due to supply chain disruptions and rising raw material prices.

In the domestic housing market, interest in housing acquisition has increased against the backdrop of the implementation of housing acquisition support measures and changes in lifestyles, and a year-on-year increase in new construction starts continued in the categories of both owner-occupied houses and rental houses. In the general construction market, although the total floor area of new construction starts by use decreased in the category of stores, the figure increased year on year in the categories of offices, factories, and warehouses.

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 take a step toward a new stage of growth, we reorganized our structure and adopted a business division-based system in April 2021. Under this system, we handed authority over to division heads and put the Group companies under the control of the division most pertinent to their respective business lines. By doing so, we have set up an organizational structure where we are able to enhance risk management systems suited to the nature of our businesses, while offering value-added services to customers throughout the value chain. With this system in place, we implemented various measures intended to realize "maintaining a good balance between vigorous growth and stability".

As a result, the Daiwa House Group recorded consolidated net sales of 3,147,185 million yen (+4.8% year on year) for the first nine-month of the fiscal year ending March 2022. Operating income came to 253,866 million yen (+1.1% year on year), ordinary income came to 254,920 million yen (+3.9% year on year), while net income attributable to owners of the parent amounted to 167,494 million yen (+7.9% year on year).

It should be noted that, in the press release titled Notice Concerning Inadequate Work Experience Criteria for Qualifications Tests dated December 18, 2019, we announced that some of our employees had taken operation and management engineer skills qualifications (hereinafter "the Qualifications") tests and acquired the Qualifications while lacking the prescribed work experience, and that some employees with off-specification work experience criteria had been assigned as on-site engineers. In relation to this incident, we received instructions under Article 28, paragraph (1) of the Construction Business Act, and business suspension penalties for the electrical construction and the plumbing businesses (for 22 days from December 2, 2021) pursuant to paragraph (3) of the same Article of the said Act, both of which were rendered by Kinki Regional Development Bureau of the Ministry of Land, Infrastructure, Transport and Tourism on November 17, 2021. We have been working intensively to implement the recurrence prevention measures announced in December 2019. Solemnly accepting the orders rendered this time, the entire company will continue its efforts to restore confidence in the company.

(2) Financial Conditions

Total assets as of the end of the consolidated nine-month reporting period amounted to 5,511,468 million yen, an increase of 458,415 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 nine-month reporting period amounted to 3,471,944 million yen, an increase of 312,396 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 commercial papers and corporate bonds, to raise funds for the acquisition of inventory assets and other purposes.

Total net assets as of the end of the consolidated nine-month reporting period amounted to 2,039,523 million yen, an increase of 146,019 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 167,494 million yen, despite the payment of dividends to shareholders in the amount of 79,239 million yen. At the end of the term under review, these results were 1,600,448 million yen in interest-bearing liabilities excluding lease obligations among others, and a debt-equity ratio of 0.82 times. After taking the hybrid financing into account, the debt-equity ratio came to 0.71 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) Explanation Regarding Forecasts, Such as of Future Business Performance Figures

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 December 31, 2021
Assets		
Current assets		
Cash and deposits	425,980	421,249
Notes and accounts receivable from completed construction contracts and other	401,314	448,652
Mortgage notes receivable held for sale	29,088	22,107
Short-term investment securities	550	5,367
Costs on uncompleted construction contracts	46,866	51,129
Real estate for sale	852,678	962,581
Real estate for sale in process	237,659	442,087
Land for development	3,421	2,289
Merchandise and finished goods	17,356	18,670
Work in process	8,073	10,746
Raw materials and supplies	7,557	8,728
Other	337,499	334,594
Allowance for doubtful accounts	-13,682	-15,105
Total current assets	2,354,364	2,713,099
Noncurrent assets		
Property, plant and equipment		
Buildings and structures	1,164,230	1,267,166
Accumulated depreciation	-510,841	-547,670
Buildings and structures, net	653,389	719,496
Land	870,822	855,338
Other	504,170	539,486
Accumulated depreciation	-169,535	-181,797
Other, net	334,635	357,689
Total property, plant and equipment	1,858,847	1,932,524
Intangible assets		
Goodwill	74,046	97,449
Other	61,578	74,276
Total intangible assets	135,625	171,726
Investments and other assets		
Investment securities	231,490	238,345
Lease and guarantee deposits	251,358	251,173
Other	223,191	206,332
Allowance for doubtful accounts	-1,825	-1,734
Total investments and other assets	704,214	694,117
Total noncurrent assets	2,698,687	2,798,368
Total assets	5,053,052	5,511,468

(Millions of yen)

	As of March 31, 2021	As of December 31, 2021
Liabilities		
Current liabilities		
Notes and accounts payable for construction contracts and other	296,165	280,747
Short-term loans payable	124,584	246,147
Current portion of bonds payable	40,000	15,000
Current portion of long-term loans payable	46,700	90,711
Commercial papers liabilities	—	80,000
Income taxes payable	57,093	30,918
Advances received	175,978	219,799
Advances received on uncompleted construction contracts	113,186	135,254
Provision for bonuses	53,276	30,114
Provision for warranties for completed construction	7,230	7,196
Asset retirement obligations	2,568	2,273
Other	362,074	332,801
Total current liabilities	1,278,858	1,470,966
Noncurrent liabilities		
Bonds payable	383,000	418,000
Long-term loans payable	677,700	747,688
Long-term lease and guarantee deposited	284,946	288,196
Net defined benefit liability	246,059	245,490
Asset retirement obligations	53,784	55,750
Other	235,197	245,851
Total noncurrent liabilities	1,880,689	2,000,977
Total liabilities	3,159,548	3,471,944
Net assets		
Shareholders' equity		
Capital stock	161,699	161,699
Capital surplus	304,595	301,860
Retained earnings	1,339,558	1,429,729
Treasury stock	-33,019	-29,552
Total shareholders' equity	1,772,834	1,863,735
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	59,404	65,166
Deferred gains or losses on hedges	10	8
Revaluation reserve for land	10,624	10,517
Foreign currency translation adjustment	-7,677	12,891
Total accumulated other comprehensive income	62,361	88,584
Subscription rights to shares	91	20
Non-controlling interests	58,216	87,182
Total net assets	1,893,504	2,039,523
Total liabilities and net assets	5,053,052	5,511,468

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

	(Millions of yen)	
	Nine months ended December 31, 2020 (From April 1, 2020 to December 31, 2020)	Nine months ended December 31, 2021 (From April 1, 2021 to December 31, 2021)
Net sales	3,004,181	3,147,185
Cost of sales	2,399,780	2,521,849
Gross profit	604,401	625,335
Selling, general and administrative expenses	353,318	371,468
Operating income	251,082	253,866
Non-operating income		
Interest income	1,787	2,216
Dividends income	4,124	4,338
Equity in earnings of affiliates	—	2,093
Miscellaneous income	8,004	10,853
Total non-operating income	13,915	19,501
Non-operating expenses		
Interest expenses	7,381	9,494
Taxes and dues	1,084	1,115
Equity in losses of affiliates	427	—
Provision of allowance for doubtful accounts	3,915	823
Miscellaneous expenses	6,924	7,013
Total non-operating expenses	19,733	18,447
Ordinary income	245,264	254,920
Extraordinary income		
Gain on sales of noncurrent assets	586	2,123
Gain on sales of investment securities	338	1,294
Gain on change in equity	428	—
Gain on step acquisitions	—	3,907
Subsidy income related to COVID-19	1,871	379
Total extraordinary income	3,225	7,704
Extraordinary losses		
Loss on sales of noncurrent assets	145	383
Loss on retirement of noncurrent assets	784	614
Impairment loss	360	858
Loss on sales of investment securities	0	—
Loss on valuation of investment securities	425	70
Loss on sales of stocks of subsidiaries and affiliates	—	763
Loss on sales of investments in capital of subsidiaries and affiliates	—	593
Loss on COVID-19	7,561	1,152
Special retirement benefit expenses	—	2,177
Other	—	0
Total extraordinary losses	9,278	6,614
Income before income taxes	239,212	256,010
Income taxes-current	71,612	80,546
Income taxes-deferred	10,090	4,875
Total income taxes	81,702	85,421
Net income	157,509	170,589
Net income attributable to non-controlling interests	2,236	3,094
Net income attributable to owners of the parent	155,272	167,494

(Consolidated Statements of Comprehensive Income)

(Millions of yen)

	Nine months ended December 31, 2020 (From April 1, 2020 to December 31, 2020)	Nine months ended December 31, 2021 (From April 1, 2021 to December 31, 2021)
Net income	157,509	170,589
Other comprehensive income		
Valuation difference on available-for-sale securities	16,216	5,767
Deferred gains or losses on hedges	-50	-1
Revaluation reserve for land	-0	15
Foreign currency translation adjustment	-8,308	21,934
Share of other comprehensive income of associates accounted for using equity method	-952	1,201
Total other comprehensive income	6,905	28,917
Comprehensive income	164,414	199,506
(Comprehensive income attributable to)		
Comprehensive income attributable to owners of the parent	163,448	193,839
Comprehensive income attributable to non-controlling interests	965	5,667

(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 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 third 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 February 10, 2022.