Summary of Financial Results (Unaudited)
for the Fiscal Year Ended March 31, 2023 [Consolidated]
(From April 1, 2022 to March 31, 2023)
[Japanese GAAP]

May 12, 2023

Name of Listed Company: Daiwa House Industry Co., Ltd.
Representative: Keiichi Yoshii, President and CEO
Code No.: 1925
URL: https://www.daiwahouse.com/English/
Listed Exchanges: Prime Market of the Tokyo Stock Exchange
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Scheduled Date of Ordinary General Meeting of Shareholders: June 29, 2023
Scheduled Date of Filing Securities Report: June 29, 2023
Scheduled Date of Commencement of Dividend Payment: June 30, 2023
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, 2023 (From April 1, 2022 to March 31, 2023)

(1) Consolidated Earnings Results

(% figures represent year-on-year change)

	Net sales		Operating income		Ordinary income		Net income attributable to owners of the parent	
Fiscal year ended:	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
March 31, 2023	4,908,199	10.6	465,370	21.4	456,012	21.2	308,399	36.9
March 31, 2022	4,439,536	7.6	383,256	7.3	376,246	11.4	225,272	15.5

Note: Comprehensive income: Fiscal year ended March 31, 2023: 352,742 million yen (31.1%)
Fiscal year ended March 31, 2022: 269,148 million yen (25.9%)

	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
Fiscal year ended:	Yen	Yen	%	%	%
March 31, 2023	469.12	—	14.3	7.8	9.5
March 31, 2022	343.82	—	11.7	7.1	8.6

(Reference) Equity in earnings of affiliates
Fiscal year ended March 31, 2023: 844 million yen; Fiscal year ended March 31, 2022: -6,810 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, 2023	6,142,067	2,388,914	37.2	3,466.86
March 31, 2022	5,521,662	2,111,385	36.6	3,081.07

(Reference) Net assets ratio = (Net assets – Non-controlling interests)/Total assets×100
(Net assets – Non-controlling interests): March 31, 2023: 2,284,212 million yen; March 31, 2022: 2,020,157 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
Fiscal year ended:	Millions of yen	Millions of yen	Millions of yen	Millions of yen
March 31, 2023	230,298	(505,181)	287,452	346,154
March 31, 2022	336,436	(467,423)	24,427	326,250

2. Dividends

	Dividend per share					Total dividends (annual)	Dividend payout ratio (consolidated)	Dividends to net assets ratio (consolidated)
	End of 1st quarter (June 30)	End of 2nd quarter (Sept. 30)	End of 3rd quarter (Dec. 31)	Fiscal year-end (Mar. 31)	Annual			
Fiscal year:	Yen	Yen	Yen	Yen	Yen	Millions of yen	%	%
ended March 31, 2022	—	55.00	—	71.00	126.00	82,611	36.6	4.3
ended March 31, 2023	—	60.00	—	70.00	130.00	85,653	27.7	4.0
ending March 31, 2024 (forecasts)	—	63.00	—	72.00	135.00		35.6	

Note: Breakdown of annual dividend forecast for the fiscal year ended 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, 2024 (From April 1, 2023 to March 31, 2024)

(% 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, 2024	4,920,000	0.2	380,000	-18.3	354,000	-22.4	250,000	-18.9	379.44

Note: Amortization of actuarial differences for retirement benefits is not expected in the above operating income.

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

Note: Please refer to the section of “3. Consolidated Financial Statements and Main Notes (5) Notes (Changes in Accounting Policies)” of “the Attached Material” on page 20 for the details.

(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, 2023	666,290,951 shares	As of March 31, 2022	666,238,205 shares

2) Number of treasury stock at the end of the fiscal year

As of March 31, 2023	7,419,650 shares	As of March 31, 2022	10,570,077 shares

3) Average number of shares for the fiscal year

Fiscal year ended March 31, 2023	657,404,560 shares	Fiscal year ended March 31, 2022	655,199,010 shares

Note: For the number of shares used as the basis of calculating basic net income per share (consolidated), please refer to the section of "3. Consolidated Financial Statements and Main Notes (5) Notes to Consolidated Financial Statements, Per Share Information" of “the Attached Material” on page 25 for the details.

(Reference) Summary of Non-Consolidated Results of Operation

Non-Consolidated Results of Operation for the Fiscal Year Ended March 31, 2023
(From April 1, 2022 to March 31, 2023)

(1) Non-Consolidated Business Results

(% figures represent year-on-year changes)

	Net sales		Operating income		Ordinary income		Net income	
Fiscal year ended:	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
March 31, 2023	2,006,066	1.5	231,631	-3.8	261,696	2.7	205,293	24.1
March 31, 2022	1,976,165	6.0	240,657	6.3	254,870	-11.6	165,381	-9.4

	Basic net income per share	Diluted net income per share
Fiscal year ended:	Yen	Yen
March 31, 2023	312.28	—
March 31, 2022	252.41	—

(2) Non-Consolidated Financial Conditions

	Total assets	Net assets	Net assets ratio	Net assets per share
Fiscal year ended:	Millions of yen	Millions of yen	%	Yen
March 31, 2023	3,876,635	1,677,463	43.3	2,545.97
March 31, 2022	3,464,449	1,560,626	45.0	2,380.21

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

(Net assets – Non-controlling interests): March 31, 2023: 1,677,463 million yen; March 31, 2022: 1,560,626 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.

For the suppositions that form the assumptions for earnings forecasts, please refer to the section of "1. Qualitative Information Regarding Consolidated Results for the Fiscal Year under Review (4) Future Outlook" on page 10 of “the Attached Material.”

(Obtaining supplementary explanatory materials)

The Company plans to hold a briefing for institutional investors and securities analysts on May 12, 2023. 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

<Reference Material> Key Performance Indicators

1. Performance Indicators

Fiscal years	Fiscal year ended March 31, 2020	Fiscal year ended March 31, 2021	Fiscal year ended March 31, 2022	Fiscal year ended March 31, 2023	Forecasts for fiscal year ending March 31, 2024
Net sales (millions of yen)	4,380,209	4,126,769	4,439,536	4,908,199	4,920,000
Cost of sales (millions of yen)	3,510,002	3,299,886	3,574,853	3,953,004	—
Selling, general and administrative expenses (millions of yen)	489,091	469,761	481,425	489,824	—
Operating income (millions of yen)	381,114	357,121	383,256	465,370	380,000
Ordinary income (millions of yen)	367,669	337,830	376,246	456,012	354,000
Net income attributable to owners of the parent (millions of yen)	233,603	195,076	225,272	308,399	250,000
Basic net income per share (yen)	351.84	297.18	343.82	469.12	379.44
Return on equity (ROE) (%)	14.1	11.0	11.7	14.3	—
Ordinary income to total assets ratio (%)	8.2	7.0	7.1	7.8	—
Dividend per share (yen) (of which interim dividend per share)	115 (55)	116 (50)	126 (55)	130 (60)	135 (63)
Total annual dividends (millions of yen)	76,375	75,892	82,611	85,653	—
Dividend payout ratio (%)	32.7	39.0	36.6	27.7	35.6
Dividends to net assets ratio (%)	4.6	4.3	4.3	4.0	—
Total assets (millions of yen)	4,627,388	5,053,052	5,521,662	6,142,067	—
Net assets (millions of yen)	1,773,388	1,893,504	2,111,385	2,388,914	—
Net assets ratio (%)	37.3	36.3	36.6	37.2	—
Net assets per share (yen)	2,600.82	2,805.09	3,081.07	3,466.86	—
Depreciation (millions of yen)	75,207	78,403	100,328	113,464	116,000
Net increase in property, plant and equipment and intangible assets (millions of yen)	373,851	372,904	425,807	518,143	480,000
Cash flows from operating activities (millions of yen)	149,651	430,314	336,436	230,298	—
Cash flows from investing activities (millions of yen)	(317,273)	(389,980)	(467,423)	(505,181)	—
Cash flows from financing activities (millions of yen)	169,128	102,731	24,427	287,452	—
Cash and cash equivalents, end of year (millions of yen)	276, 068	416,321	326,250	346,154	—

2. Sales and Operating Income by Segment

(Millions of yen)

Fiscal years		Fiscal year ended March 31, 2020	Fiscal year ended March 31, 2021	Fiscal year ended March 31, 2022	Fiscal year ended March 31, 2023	Forecasts for fiscal year ending March 31, 2024
Net sales		4,380,209	4,126,769	4,439,536	4,908,199	4,920,000
Sales by segment	Single-Family Houses	497,880	516,109	784,887	910,076	840,000
	Rental Housing	1,005,902	982,785	1,052,558	1,149,424	1,220,000
	Condominiums	372,731	339,790	379,942	484,382	430,000
	Existing Homes	145,619	124,718	—	—	—
	Commercial Facilities	806,784	808,395	1,038,576	1,092,167	1,150,000
	Logistics, Business & Corporate Facilities	1,152,347	989,984	1,079,253	1,130,230	1,190,000
	Environment and Energy	—	—	161,002	188,611	140,000
	Other Businesses	530,079	507,359	63,046	81,849	60,000
	Adjustments	(131,136)	(142,376)	(119,731)	(128,541)	(110,000)
Operating income		381,114	357,121	383,256	465,370	380,000
Operating income by segment	Single-Family Houses	18,080	21,818	38,365	46,666	34,000
	Rental Housing	98,587	90,832	96,641	109,710	117,000
	Condominiums	15,883	5,397	9,752	40,879	21,000
	Existing Homes	16,723	10,438	—	—	—
	Commercial Facilities	140,632	122,898	124,151	132,984	143,000
	Logistics, Business & Corporate Facilities	120,636	115,910	125,531	99,630	124,000
	Environment and Energy	—	—	5,270	6,285	6,300
	Other Businesses	19,285	10,771	-5,922	5,497	2,000
	Adjustments	(48,714)	(20,946)	(10,534)	23,716	(67,300)

Note: From the consolidated fiscal year under review, in line with the Daiwa House Group 7th Medium-Term Management Plan announced on May 13, 2022, Existing Homes segment, which was the reportable segment until the fiscal year ended March 2022, had been abolished. In addition, environmental energy business, which was included in Other Businesses segment, had been changed to the reportable Environment and Energy Business segment. Segment information for the previous fiscal year is shown under the classification after the change. In addition, from the fiscal year ending March 2024, our subsidiary Daiwa House Modular Europe B.V. changes its segment from Single-Family Houses Business to Rental Housing Business due to a change in the management structure.

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

(1) Earnings Results

In the consolidated fiscal year under review, the impact of COVID-19 on the Japanese economy continued to weaken and economic activity continued to normalize. However, the situation remained uncertain, reflecting the impact of rising raw material and energy resource prices and the disruption of supply chains due in large part to the war in Ukraine, the impact of the fluctuating financial and capital markets and other factors. The deterioration of consumer confidence due to higher prices may slow the recovery of the economy, despite the improvement of corporate earnings, the recovery in capital investment and employment and the moderate recovery in consumer spending. Therefore, the situation continues to require close attention.

The number of new construction starts in the domestic housing market increased year-on-year for built-for-sale houses and rental housing, however, decreased for owner-occupied houses, resulting in a slight year-on-year decrease in the overall figure. In the general construction market, as well, the total floor area of new construction starts recorded year-on-year decrease in the categorie of offices, resulting in a slight year-on-year decrease in the overall figure.

Amid this operating environment, the Group has pushed forward various measures to realize a sustainable growth model, including further progress of overseas business, promotion of multi-use redevelopment projects to revitalize local communities, and initiatives to achieve carbon neutrality, under the three management policies: Evolve revenue model, optimize management efficiency, and strengthen management base in the 7th Medium-Term Management Plan, a five-year plan launched fiscal year 2022.

As a result, the Daiwa House Group recorded consolidated net sales of 4,908,199 million yen (+10.6% year on year) for the fiscal year ended March 2023. Operating income came to 465,370 million yen (+21.4% year on year), ordinary income came to 456,012 million yen (+21.2% year on year), while net income attributable to owners of the parent amounted to 308,399 million yen (+36.9% year on year).

Operating income above includes 96,656 million yen gain on amortization of actuarial differences for retirement benefits, etc., and operating income excluding actuarial differences, etc. resulted in 368,714 million yen (+11.0% year on year).

Results by business segment are as follows.

From the reporting fiscal year, we have revised the classification method for the business segments. For details, please refer to the section of "a. Segment Information 3. Changes in Business Segment Classification Method" in "3. Notes to Consolidated Financial Statements and Main Notes (5) Notes to Consolidated Financial Statements (Segment information)" on page 21 of “the Attached Material.”

Single-Family Houses Business

In the Single-Family Houses Business segment, we stayed close to the life of each customer and pursued community-based business expansion based on our business mission “Create ‘lasting happiness’ through housing" and a business vision “LiveStyle Design―Transforming home from a place to return to a place to ‘live’―.”

In the domestic housing business, the Company took advantage of its extensive product lineup primarily consisting of the mainstay “xevo Σ” steel-framed housing product, the “xevo Granwood” wooden housing product, “Skye” which is a three- four- or five-storied house, “Lifegenic” which enables the user design houses online and its most luxurious “Wood Residence Ma-Re” housing product. In addition, regarding custom-built houses and houses in housing development projects, it sought to provide solutions to customer issues while also proposing new value to address changes in society by proposing the Company's unique telework style and “Kaji Share House” that helps facilitate sharing of household chores among family members.

From January 2023, the Company worked to leverage digital technologies to strengthen its proposal-making capabilities, and it launched new initiatives, such as 3D plans when making initial proposals and the introduction of “LiveStyle Diagnosis” communication tool online. It also developed the industry's first single-family house-specific delivery box equipped with an intercom with 24-hour security camera functionality to provide products that improve security and address social issues.

Overseas, the Company has been expanding the Single-Family Houses Business in the “smile zone” which encompasses the eastern, southern and western United States, where housing demand is expected grow due to a rise in employment. During the second half of FY2022, the growth in orders received slowed due to a series of policy interest rate increases. Nevertheless, given solid demand, the Company continued to engage in sales activities without resorting to price adjustments. With housing loan interest rates apparently reaching a plateau, orders received have been trending toward a recovery recently.

As a result, net sales for this segment amounted to 910,076 million yen (+15.9% year on year), while operating income came to 46,666 million yen (+21.6% year on year).

Rental Housing Business

In the Rental Housing Business segment, we have been proposing and supporting rental housing management that leads to the maximization of the asset value for owners through the provision of homes of choice for residents where they may want to continue living in for a long time. In the course of initiatives promoting eco-friendly rental housings that support energy saving and energy generation, the Company sought to popularize and promote ZEH-M (net Zero Energy House Mansion) properties by launching the “TORISIA” rental housing product that offers higher thermal insulation performance in October 2022.

Daiwa Living Co., Ltd. offered properties with specifications that meet residents' needs, such as the introduction of Internet access and home delivery boxes to the properties it manages as standard fixtures, in response to changing lifestyles. By doing this, it succeeded in maintaining high occupancy rates while also increasing the number of units under management regarding properties built by the Company.

Daiwa House Chintai Reform Co., Ltd. worked to strengthen relationships with the owners of rental housings constructed by the Company by conducting building inspections and diagnoses periodically, while also continuing to promote work to extend warranty periods and submit renovation proposals.

In addition, the Company, Daiwa Living Co., Ltd. and Daiwa House Chintai Reform Co., Ltd. jointly established the “Daiwa House Group D-room Regional Symbiosis Fund” for the creation of a new circular business model centered on D-room with a view toward addressing social issues that have become increasingly diverse and complicated in recent years such as poverty, the aging of the population and the low birth rate. The first round of donations was made in March 2023 to 10 organizations selected by the Fund in recognition of their support for and contribution to the safety and security of communities, efforts to preserve regional events and cultures, and the raising of children mainly by single-parent families.

Overseas, in the United States where the Company is operating its rental housing development business, the “Rockville Town Center” rental housing developed in the State of Maryland was sold quickly due to favorable evaluations of its profitability. Although the market for revenue-generating properties, where the interest rates that have been increasing on and off have been affecting the financing activities of many buyers such as institutional investors, continues to require close monitoring, the Company will continue to focus on improving occupancy rates and profitability of leasing, while keeping a close eye on the market trends when the best time is to sell the properties it developed.

As a result, net sales for this segment amounted to 1,149,424 million yen (+9.2% year on year), while operating income came to 109,710 million yen (+13.5% year on year).

Condominiums Business

In the Condominium Business segment, we sought to provide basic housing performance essential for a long housing life, comfort, safety and a management structure, drawing on our knowhow as a home builder to meet the diverse lifestyle needs of potential residents. We are also striving to create high added-value condominiums which, in addition to asset value for the customer, also consider the environment and society and aim to contribute to local communities.

At “PREMIST Honkugenuma” (Kanagawa Prefecture), steady progress is being made in sales which started in March 2023, reflecting high evaluations of its quiet location and well-developed living environment which features convenient facilities for daily life and education facilities located within a 10-minute walk, as well as excellent convenience in terms of access to major cities.

Regarding PREMIST condominium series developed by the Company, the ZEH-M specifications will be adopted for all projects to be constructed in and after FY2024. With the development of condominiums with the ZEH-M specifications starting in FY2018 and the development and sales systems being established on a nationwide basis, the initial target is now two years ahead of schedule.

Cosmos Initia Co., Ltd. succeeded in selling all units of the “Initia Machida” (Tokyo), reflecting steady progress in sales due to high evaluations of the location's open atmosphere which faces roads on three sides in a sun-flooded environment, as well as convenient access. Specifically, it is a four-minute walk from Machida Station on the JR Yokohama Line. It is convenient in residents' daily lives because of the nearby shopping facilities and streets.

With a view toward enhancing corporate clients’ competitiveness in recruitment through excellent welfare programs, Daiwa LifeNext Co., Ltd. offers the “L-Place Series” of high-quality residential facilities for companies (company dormitories) in 61 locations nationwide to address a range of issues, such as demand for company dormitories and company-owned housing, a lack of communication partly due to an increase in the number people working from home, and the risk of employees being out of contact when they are in poor health. In March 2023, it newly opened “L-Place Kiyosumi Shirakawa” (Tokyo).

As a result, net sales for this segment amounted to 484,382 million yen (+27.5% year on year), while operating income came to 40,879 million yen (+319.2% year on year).

Commercial Facilities Business

In the Commercial Facilities Business segment, we offered various plans that meet the needs of tenant corporations, taking advantage of their business strategies and the characteristics of each region. In particular, we strengthened our efforts in the field of large-scale properties and in built-for-sale business in which we sell to investors properties for which we have acquired land, planned development, designed and constructed, and conducted leasing-out to tenants.

In urban hotels business, against the backdrop of strong pent-up demand and robust demand from foreigners for travel to Japan, the earnings of Daiwa House Realty Mgt. Co., Ltd. are expected to increase to a level that is higher than before the COVID-19 pandemic in line with the recovery of inbound tourism-related demand, which is also aided by the lifting of immigration restrictions for foreign tourists implemented in October 2022 and the yen's historic depreciation. The average occupancy rate of the Daiwa Roynet Hotels from January to March 2023 improved to 85.1%, showing steady performance.

In the fitness club business, Sports Club NAS Co., Ltd. saw memberships to its schools recovering to pre-COVID-19 levels. However, tough business conditions are continuing due to the impact of the recent increase in utilities expenses, so it continued to improve efficiency by reviewing operations and took every possible measure to reduce costs.

As a result, net sales for this segment amounted to 1,092,167 million yen (+5.2% year on year), while operating income came to 132,984 million yen (+7.1% year on year).

Logistics, Business & Corporate Facilities Business

In the Logistics, Business & Corporate Facilities Business segment, 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 utilize their assets most effectively.

Regarding logistics facilities, “DPL Urayasu IV” (Chiba Prefecture) began operating at full capacity immediately after its completion. As this indicates, the Company steadily moved forward with development. It started construction of “DPL Niigata Makigata Higashi,” the first multi-tenant logistics facility to be built in Niigata Prefecture. Leveraging bases in regional areas, the Company's strength, it has accelerated the development of logistics warehouses in regional areas targeting manufacturing industry, productions of which are returning to the domestic locations. In FY2022, the Company commenced the construction of new logistics facilities in 41 locations nationwide and leveraged its extensive experience and expertise to support customers' logistics strategies.

Daiwa House Property Management Co., Ltd., a company that mainly manages and operates logistics facilities developed by the Company, concluded new property management agreements for 30 logistics facilities including “DPL Sakado II” (Saitama Prefecture) that was completed in January 2023, increasing the number of facilities and the area under management to 238 facilities and approximately 9.38 million square meters.

Daiwa Logistics Co., Ltd. completed the construction of the "Hiroshima Kan-on Logistics Center" in January 2023 and the "Marugame Logistics Center" (Kagawa Prefecture) in March 2023. By enhancing its logistic infrastructure, it has been actively implementing logistics center-based 3PL (third party logistics) operations.

Fujita Corporation received orders for large-scale construction projects such as cleaning plants (reconstruction), logistics warehouses and university facilities, as well as complex facilities/production facilities in an urban area redevelopment project, and orders in its civil engineering business including an order related to energy business. Reflecting these orders, the amount of orders received remained solid. In addition, the company's net sales increased significantly year on year, reflecting steady progress in carryover construction at the beginning of the fiscal year and an increase in the sales of development properties.

Overseas, progress was made in the easing of regulations regarding measures to prevent COVID-19 infections in ASEAN, the main area for this segment. However, the logistics warehouse business that the Company is promoting in Indonesia, Vietnam, Malaysia and Thailand was affected because the depreciation of the yen made Japanese companies less willing to continue making capital investments. The Company will engage in business operations with a focus on foreign companies, while simultaneously paying close attention to Japanese companies expanding into the ASEAN region or resuming their business expansion going forward.

As a result, net sales for this segment amounted to 1,130,230 million yen (+4.7% year on year), while operating income came to 99,630 million yen (-20.6% year on year).

Environment and Energy business

In the Environment and Energy business, amid the current acceleration of transition toward decarbonization and the growing demand for renewable energy, the Group promoted three businesses, the EPC business (design and construction of power plants for renewable energy), the PPS business (electric power retail business) and the IPP business (electric power generation business).

To facilitate initiatives in the EPC business with the termination of Japan's FIT program (the feed-in tariff scheme for renewable energy), the Group is working to expand two PPA-related businesses, on-site PPA (Power Purchase Agreement) with the goal of supplying renewable energy directly from a solar power generation facility installed on a roof or in an adjacent area and off-site PPA with the goal of supplying renewable energy to a purchaser far from a solar power generation facility. The number of projects is rising.

In the PPS business, the business environment continues to be difficult, reflecting surging power purchase prices due to the prolonged war in Ukraine and rising resource prices attributable to the depreciation of the yen. The Group has been working to improve profitability through a range of measures such as the elimination of an upper limit on fuel adjustment expenses for low-voltage power, the launch of market-linked plans regarding high-voltage power, the supply of power according to the amount of power procured and the reduction of the ratio of procurement from the wholesale power market. With wholesale power market spot prices stabilizing recently, profitability is expected to improve.

In the IPP business, the Company engages in the operation of wind power generation and hydroelectric power generation, as well as solar power generation, which is its main business, at 480 locations nationwide. Going forward, as part of efforts to facilitate the three management policies set out in the 7th Medium-Term Management Plan, the Company will accelerate, on a Group-wide basis, its initiative installing solar power generation equipment on the roofs of all newly constructed facilities in principle. By doing so, it aims to continue to expand the renewable energy-based power generation business.

As a result, net sales for this segment amounted to 188,611 million yen (+17.1% year on year), while operating income came to 6,285 million yen (+19.3% year on year).

Other Businesses

In the accommodation business, Daiwa Resort Co., Ltd. achieved an occupancy rate that surpassed the year-ago level, reflecting a rise in domestic accommodation demand due to the implementation of nationwide travel assistance programs and discounts for local residents.

On January 26, 2023, the Company acquired the right to manage Hibikinada Thermal Power Station Co., Ltd. and made it a Group company. The Group included “realize carbon neutrality” as a theme in the 7th Medium-Term Management Plan, its five-year plan started in FY2022. As a part of its efforts, it established the goal of increasing the supply of renewable energy. It aims to provide society as a whole with clean energy by directly operating renewable energy supply facilities that generate a total of at least 1,550 MW in FY2026 and at least 2,500 MW in FY2030. In doing so, it acquired the Hibikinada thermal power station with a rated output of 112 MW to more actively increase the number of directly operated facilities. The Hibikinada thermal power station which the company operates has been generating power through the co-firing of coal and biomass fuel (wood pellet). The company will convert it to a biomass-fired power station that uses only biomass fuel and aims to start operations in April 2026.

As a result, net sales for this segment amounted to 81,849 million yen (+29.8% year on year), while operating income came to 5,497 million yen (compared to 5,922 million yen in operating loss in the previous fiscal year).

(2) Financial Conditions

Total assets as of the end of the consolidated reporting fiscal year amounted to 6,142,067 million yen, an increase of 620,404 million yen compared with 5,521,662 million yen 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 an increase in property, plant and equipment accompanying the acquisition of real estate for investment.

Total liabilities as of the end of the consolidated reporting fiscal year amounted to 3,753,153 million yen, an increase of 342,876 million yen compared with 3,410,277 million yen 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 real estate for sale and investment and other purposes.

Total net assets as of the end of the consolidated reporting fiscal year amounted to 2,388,914 million yen, an increase of 277,528 million yen compared with 2,111,385 million yen at the end of the previous consolidated fiscal year. This was mainly due to the posting of net income attributable to owners of the parent in the amount of 308,399 million yen and the increase in foreign currency translation adjustment due to the impact of the yen depreciation and other factors, despite the payment of dividends to shareholders in the amount of 86,089 million yen. At the end of the term under review, these results were 1,849,481 million yen in interest-bearing liabilities excluding lease obligations among others, and a debt-equity ratio of 0.81 times. After taking the hybrid financing into account, the debt-equity ratio came to 0.72 times*. The net assets ratio as of the end of the fiscal year under review stood at 37.2%, showing little change from the 36.6% at the previous fiscal year end.

* 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) Cash Flow Position

Cash and cash equivalents for the reporting fiscal year amounted to 346,154 million yen, for a increase of 19,903 million yen. Net cash provided by operating activities stood at 230,298 million yen, net cash used in investing activities came to 505,181 million yen, and net cash provided by financing activities came to 287,452 million yen.

Cash flows from operating activities

During the reporting fiscal year, net cash provided by operating activities came to 230,298 million yen (-31.5% year on year). This was mainly due to the posting of 440,496 million yen in income before income taxes and non-controlling interests, despite the acquisition of inventory assets and the payment of income taxes.

Cash flows from investing activities

During the reporting fiscal year, net cash used in investing activities came to 505,181 million yen (compared with 467,423 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 287,452 million yen (compared with 24,427 million yen provided in the previous 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, despite the payment of dividends.

(Reference) Cash Flow Indicators

	Fiscal year ended March 31, 2021	Fiscal year ended March 31, 2022	Fiscal year ended March 31, 2023
Net assets ratio	36.3%	36.6%	37.2%
Net assets ratio on market-value basis	42.0%	38.0%	33.4%
Repayment years of interest-bearing debt	3.0 years	4.2 years	8.0 years
Interest coverage ratio	51.3	28.3	13.9

* 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

Looking ahead to the future social and economic environment, progress is being made in the normalization of economic activity, mainly consumer spending and capital investment, reflecting the easing of COVID-19 related movement restrictions. However, attention should be paid to price increases and other effects of the rapid depreciation of the yen and increased resource prices. Globally, there are concerns about the slowing of the global economy partly due to the prolonged war in Ukraine and the energy crisis occurring mainly in Europe. Against this background, the International Monetary Fund (IMF) has downgraded the World Economic Outlook that it announced in April 2023, pointing out that this financial uncertainty will become a downside risk impacting the global economy. Attention should continue to be paid to the risk of a downturn in economic conditions due to rising interest rates and prices and other factors.

In light of such business conditions, the Group started the Daiwa House Group 7th Medium-Term Management Plan covering five years with 2022 as the first fiscal year. Now, to maximize corporate value while looking ahead to continued growth during and after the 8th medium-term management plan, the Group is continuing to work on priority measures under three management policies: "Evolve revenue model," "Optimize management efficiency," and "Strengthen management base." Through these efforts, the Group will aim to further accelerate a virtuous cycle of developing its businesses and strengthening its management base. In developing its businesses, it will maintain the contracting- and development-type businesses and expand its overseas businesses and stock businesses. In addition, it will advance businesses that feature regeneration and circularity as key concepts, thereby evolving its revenue model into one that enables the Group to achieve sustainable growth. To strengthen its management base, the Group will strive to increase the value of its human capital, leverage digital transformation to enhance the customer experience and strengthen technology and manufacturing base, and further strengthen corporate governance. In parallel with these efforts, the Group will achieve corporate profitability and reduce its environmental impact by advancing its environmentally conscious management with a new plan to achieve carbon neutrality by fiscal 2030.

In view of the foregoing, we forecast net sales for the fiscal year ending March 31, 2024 in the amount of 4 trillion 920 billion yen, with operating income of 380 billion yen, ordinary income of 354 billion yen, and net income attributable to owners of the parent of 250 billion yen. Amortization of actuarial differences for retirement benefits is not expected in the above operating income. And we expect capital investments of 480 billion yen and depreciation of 116 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, 2022)	Reporting fiscal year (as of March 31, 2023)
Assets		
Current assets		
Cash and deposits	337,632	358,086
Notes and accounts receivable from completed construction contracts and other	407,430	454,341
Lease receivables and investment assets	89,875	98,809
Mortgage notes receivable held for sale	28,473	15,771
Short-term investment securities	7,568	3,570
Costs on uncompleted construction contracts	48,516	49,993
Real estate for sale	1,068,011	1,511,236
Real estate for sale in process	407,869	487,162
Land for development	3,288	2,348
Merchandise and finished goods	17,904	20,341
Work in process	9,073	10,859
Raw materials and supplies	7,746	9,735
Other	277,601	232,876
Allowance for doubtful accounts	-18,195	-3,145
Total current assets	2,692,794	3,251,988
Noncurrent assets		
Property, plant and equipment		
Buildings and structures	1,302,750	1,410,373
Accumulated depreciation	-558,140	-591,582
Buildings and structures, net	744,610	818,791
Machinery, equipment and vehicles	160,254	166,189
Accumulated depreciation	-99,058	-106,115
Machinery, equipment and vehicles, net	61,196	60,074
Tools, furniture and fixtures	79,847	86,869
Accumulated depreciation	-59,773	-64,903
Tools, furniture and fixtures, net	20,074	21,966
Land	878,851	916,871
Lease assets	105,714	105,361
Accumulated depreciation	-23,721	-29,318
Lease assets, net	81,993	76,042
Construction in progress	174,780	128,381
Other	9,733	14,951
Accumulated depreciation	-2,174	-3,449
Other, net	7,559	11,502
Total property, plant and equipment	1,969,066	2,033,629
Intangible assets		
Goodwill	93,895	94,467
Other	77,022	99,126
Total intangible assets	170,917	193,594
Investments and other assets		
Investment securities	228,794	218,834
Long-term loans receivable	2,255	4,560
Lease and guarantee deposits	251,053	256,582
Deferred tax assets	159,203	141,265
Other	49,282	43,124
Allowance for doubtful accounts	-1,705	-1,510
Total investments and other assets	688,884	662,855
Total noncurrent assets	2,828,868	2,890,079
Total assets	5,521,662	6,142,067

(Millions of yen)

	Previous fiscal year (as of March 31, 2022)	Reporting fiscal year (as of March 31, 2023)
Liabilities		
Current liabilities		
Notes and accounts payable for construction contracts and other	355,936	380,004
Short-term loans payable	151,421	133,028
Current portion of bonds payable	25,000	50,000
Current portion of long-term loans payable	79,589	159,044
Lease obligations	8,810	8,074
Accounts payable-other	121,051	125,732
Income taxes payable	69,170	57,254
Advances received	199,824	142,950
Advances received on uncompleted construction contracts	137,977	183,273
Provision for bonuses	56,759	60,728
Provision for warranties for completed construction	7,680	7,460
Asset retirement obligations	3,140	4,130
Other	228,229	215,166
Total current liabilities	1,444,592	1,526,847
Noncurrent liabilities		
Bonds payable	408,000	559,000
Long-term loans payable	758,496	945,507
Lease obligations	102,731	97,420
Deposits received from members	1,332	1,146
Long-term lease and guarantee deposits	296,500	307,593
Deferred tax liabilities for land revaluation	19,117	18,405
Provision for retirement benefits	193,753	103,617
Asset retirement obligations	55,904	58,009
Other	129,848	135,605
Total noncurrent liabilities	1,965,684	2,226,305
Total liabilities	3,410,277	3,753,153
Net assets		
Shareholders' equity		
Capital stock	161,699	161,845
Capital surplus	301,982	303,741
Retained earnings	1,486,900	1,710,582
Treasury stock	-29,081	-20,327
Total shareholders' equity	1,921,500	2,155,842
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	64,017	54,701
Deferred gains or losses on hedges	-860	-118
Revaluation reserve for land	10,642	9,277
Foreign currency translation adjustment	24,857	64,508
Total accumulated other comprehensive income	98,657	128,369
Non-controlling interests	91,227	104,701
Total net assets	2,111,385	2,388,914
Total liabilities and net assets	5,521,662	6,142,067

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

(Millions of yen)

	Previous fiscal year (From April 1, 2021 to March 31, 2022)	Reporting fiscal year (From April 1, 2022 to March 31, 2023)
Net sales	4,439,536	4,908,199
Cost of sales	3,574,853	3,953,004
Gross profit	864,682	955,194
Selling, general and administrative expenses		
Sales commission	23,551	21,512
Advertising expenses	25,820	27,132
Promotion expenses	5,702	5,180
Provision of allowance for doubtful accounts	3,984	2,176
Directors' compensations	4,124	4,398
Employees' salaries and allowances	186,936	197,060
Provision for bonuses	33,745	36,191
Retirement benefit expenses	-4,246	-29,410
Legal welfare expenses	27,508	29,415
Stationery expenses	19,721	26,303
Correspondence and transportation expenses	16,942	19,762
Rents	19,689	20,265
Depreciation	12,881	16,931
Tax and dues	39,187	39,068
Other	65,876	73,837
Total selling, general and administrative expenses	481,425	489,824
Operating income	383,256	465,370
Non-operating income		
Interest income	2,901	2,390
Dividends income	4,431	5,146
Share of profit of entities accounted for using equity method	―	844
Insurance income	2,277	1,836
Subsidies income	3,041	677
Miscellaneous income	13,611	10,162
Total non-operating income	26,263	21,058
Non-operating expenses		
Interest expenses	13,033	18,836
Provision of allowance for doubtful accounts	1,635	849
Equity in losses of affiliates	6,810	―
Miscellaneous expenses	11,793	10,730
Total non-operating expenses	33,273	30,416
Ordinary income	376,246	456,012
Extraordinary income		
Gain on sales of noncurrent assets	2,167	3,935
Gain on sales of investment securities	1,635	1,662
Gain on sales of stocks of subsidiaries and affiliates	―	301
Gain on sales of investments in capital of subsidiaries and associates	―	3,651
Gain on step acquisitions	3,907	―
Gain on change in equity	788	476
Subsidy income related to COVID-19	379	―
Gain on reversal of subscription rights to shares	10	―
Total extraordinary income	8,888	10,027

(Millions of yen)

	Previous fiscal year (From April 1, 2021 to March 31, 2022)	Reporting fiscal year (From April 1, 2022 to March 31, 2023)
Extraordinary losses		
Loss on sales of noncurrent assets	466	223
Loss on retirement of noncurrent assets	1,383	3,879
Impairment loss	24,147	11,271
Loss on sales of investment securities	880	218
Loss on valuation of investment securities	174	498
Loss on sales of stocks of subsidiaries and affiliates	763	4,066
Loss on sales of investments in capital of subsidiaries and affiliates	593	194
Leaving tenants-related expenses	－	5,191
Special retirement benefit expenses	2,207	－
Loss on COVID-19	1,208	－
Other	8	0
Total extraordinary losses	31,834	25,543
Income before income taxes and non-controlling interests	353,300	440,496
Income taxes-current	123,917	96,806
Income taxes-deferred	423	28,012
Total income taxes	124,341	124,819
Net income	228,958	315,677
Net income attributable to non-controlling interests	3,686	7,277
Net income attributable to owners of the parent	225,272	308,399

(Consolidated Statements of Comprehensive Income)

(Millions of yen)

	Previous fiscal year (From April 1, 2021 to March 31, 2022)	Reporting fiscal year (From April 1, 2022 to March 31, 2023)
Net income	228,958	315,677
Other comprehensive income		
Valuation difference on available-for-sale securities	4,631	-9,317
Deferred gains or losses on hedges	-870	742
Revaluation reserve for land	15	6
Foreign currency translation adjustment	34,163	50,068
Share of other comprehensive income of associates accounted for using equity method	2,249	-4,434
Total other comprehensive income	40,190	37,065
Comprehensive income	269,148	352,742
(Comprehensive income attributable to)		
Comprehensive income attributable to owners of the parent	261,565	339,484
Comprehensive income attributable to non-controlling interests	7,583	13,258

(3) Consolidated Statements of Changes in Net Assets

Previous fiscal year (From April 1, 2021 to March 31,2022)

(Millions of yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
Balance at beginning of the period	161,699	304,595	1,339,558	(33,019)	1,772,834
Cumulative effects of changes in accounting policies	–	–	1,311	–	1,311
Balance at the beginning of the period reflecting changes in accounting policies	161,699	304,595	1,340,870	(33,019)	1,774,146
Changes of items during the period					
Dividends from surplus	–	–	(79,239)	–	(79,239)
Net income attributable to owners of the parent	–	–	225,272	–	225,272
Change of scope of equity method	–	(3,072)	–	–	(3,072)
Reversal of revaluation reserve for land	–	–	(2)	–	(2)
Purchase of treasury stock	–	–	–	(12)	(12)
Disposal of treasury stock	–	458	–	3,950	4,408
Net changes of items other than shareholders' equity	–	–	–	–	–
Total changes of items during the period	–	(2,613)	146,029	3,937	147,353
Balance at end of the period	161,699	301,982	1,486,900	(29,081)	1,921,500

	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	59,404	10	10,624	(7,677)	62,361	91	58,216	1,893,504
Cumulative effects of changes in accounting policies	–	–	–	–	–	–	–	1,311
Balance at the beginning of the period reflecting changes in accounting policies	59,404	10	10,624	(7,677)	62,361	91	58,216	1,894,816
Changes of items during the period								
Dividends from surplus	–	–	–	–	–	–	–	(79,239)
Net income attributable to owners of the parent	–	–	–	–	–	–	–	225,272
Change of scope of equity method	–	–	–	–	–	–	–	(3,072)
Reversal of revaluation reserve for land	–	–	–	–	–	–	–	(2)
Purchase of treasury stock	–	–	–	–	–	–	–	(12)
Disposal of treasury stock	–	–	–	–	–	–	–	4,408
Net changes of items other than shareholders' equity	4,613	(870)	18	32,535	36,295	(91)	33,010	69,215
Total changes of items during the period	4,613	(870)	18	32,535	36,295	(91)	33,010	216,569
Balance at end of the period	64,017	(860)	10,642	24,857	98,657	–	91,227	2,111,385

Reporting fiscal year (From April 1, 2022 to March 31, 2023)

(Millions of yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
Balance at beginning of the period	161,699	301,982	1,486,900	(29,081)	1,921,500
Changes of items during the period					
Issuance of new shares	145	145	—	—	291
Dividends from surplus	—	—	(86,089)	—	(86,089)
Net income attributable to owners of the parent	—	—	308,399	—	308,399
Change of scope of equity method	—	520	—	—	520
Reversal of revaluation reserve for land	—	—	1,371	—	1,371
Purchase of treasury stock	—	—	—	(10)	(10)
Disposal of treasury stock	—	1,198	—	189	1,387
Cancellation of treasury Stock	—	(104)	—	104	—
Changes by share exchanges	—	—	—	8,471	8,471
Net changes of items other than shareholders' equity	—	—	—	—	—
Total changes of items during the period	145	1,759	223,682	8,754	234,342
Balance at end of the period	161,845	303,741	1,710,582	(20,327)	2,155,842

	Accumulated other comprehensive income					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	64,017	(860)	10,642	24,857	98,657	91,227	2,111,385
Changes of items during the period							
Issuance of new shares	—	—	—	—	—	—	291
Dividends from surplus	—	—	—	—	—	—	(86,089)
Net income attributable to owners of the parent	—	—	—	—	—	—	308,399
Change of scope of equity method	—	—	—	—	—	—	520
Reversal of revaluation reserve for land	—	—	—	—	—	—	1,371
Purchase of treasury stock	—	—	—	—	—	—	(10)
Disposal of treasury stock	—	—	—	—	—	—	1,387
Cancellation of treasury Stock	—	—	—	—	—	—	—
Changes by share exchanges	—	—	—	—	—	—	8,471
Net changes of items other than shareholders' equity	(9,315)	742	(1,364)	39,650	29,712	13,474	43,186
Total changes of items during the period	(9,315)	742	(1,364)	39,650	29,712	13,474	277,528
Balance at end of the period	54,701	(118)	9,277	64,508	128,369	104,701	2,388,914

(4) Consolidated Statements of Cash Flows

(Millions of yen)

	Previous fiscal year (From April 1, 2021 to March 31, 2022)	Reporting fiscal year (From April 1, 2022 to March 31, 2023)
Net cash provided by (used in) operating activities		
Income before income taxes and non-controlling interests	353,300	440,496
Depreciation and amortization	100,328	113,464
Increase (decrease) in net defined benefit liability	-52,308	-90,260
Interest and dividends income	-7,332	-7,537
Interest expenses	13,033	18,836
Equity in (earnings) losses of affiliates	6,810	-844
Loss (gain) on sales and retirement of noncurrent assets	-316	167
Impairment loss	24,147	11,271
Loss (gain) on valuation of investment securities	174	498
Decrease (increase) in notes and accounts receivable-trade	13,988	-43,375
Decrease (increase) in inventories	-228,299	-230,373
Increase (decrease) in advances received	-3,609	-61,274
Increase (decrease) in advances received on uncompleted construction contracts	22,999	44,637
Increase (decrease) in notes and accounts payable-trade	59,472	19,370
Other, net	148,572	134,875
Subtotal	450,962	349,951
Interest and dividends income received	9,496	10,718
Interest expenses paid	-11,884	-16,625
Income taxes paid	-112,138	-113,745
Net cash provided by (used in) operating activities	336,436	230,298
Net cash provided by (used in) investing activities		
Purchase of property, plant and equipment and intangible assets	-410,981	-486,516
Proceeds from sales of property, plant and equipment	14,673	7,894
Purchase of investment securities	-13,064	-11,845
Proceeds from sales and redemption of investment securities	8,010	14,743
Purchase of shares etc of subsidiaries resulting in change in scope of consolidation	-53,118	-17,230
Payments for sales of shares etc of subsidiaries resulting in change in scope of consolidation	-98	-2,313
Payments for transfer of business	-12,213	—
Net proceeds from refund of leasehold and guarantee deposits	26,039	22,432
Net payments of leasehold and guarantee deposits	-22,810	-24,190
Other, net	-3,860	-8,156
Net cash provided by (used in) investing activities	-467,423	-505,181

(Millions of yen)

	Previous fiscal year (From April 1, 2021 to March 31, 2022)	Reporting fiscal year (From April 1, 2022 to March 31, 2023)
Net cash provided by (used in) financing activities		
Net increase (decrease) in short-term loans payable	19,012	-23,372
Proceeds from long-term loans payable	181,281	433,846
Repayment of long-term loans payable	-115,838	-201,940
Proceeds from issuance of bonds	50,000	201,000
Redemption of bonds	-40,000	-25,000
Repayments of finance lease obligations	-9,763	-8,350
Proceeds from share issuance to non-controlling shareholders	26,508	1,858
Purchase of treasury stock	-12	-10
Proceeds from sales of treasury stock	4,328	189
Cash dividends paid	-79,239	-86,089
Dividends paid to non-controlling interests	-5,381	-7,028
Purchase of shares etc of subsidiaries not resulting in change in scope of consolidation	-7,876	-2,939
Other, net	1,407	5,289
Net cash provided by (used in) financing activities	24,427	287,452
Effect of exchange rate change on cash and cash equivalents	16,283	5,809
Net increase (decrease) in cash and cash equivalents	-90,276	18,379
Cash and cash equivalents at the beginning of the period	416,321	326,250
Increase in cash and cash equivalents from newly consolidated subsidiary	205	1,524
Cash and cash equivalents at the end of the period	326,250	346,154

(5) Notes to Consolidated Financial Statements

Notes on Premise of Going Concern

No items to report.

Changes in Accounting Policies

The adoption of Implementation Guidance on Accounting Standard for Fair Value Measurement

Implementation Guidance on Accounting Standard for Fair Value Measurement (ASBJ Guidance No.31, June 17, 2021) has been applied from the beginning of the first quarter. As a result, pursuant to transitional measures set forth in Paragraph 27-2 of Implementation Guidance on Accounting Standard for Fair Value Measurement, new accounting policies stipulated by Implementation Guidance on Accounting Standard for Fair Value Measurement are applied prospectively. Due to the application, for some investment trusts acquisition cost of which was stated as the consolidated balance sheet value as shares, etc. with no market price, fair value is now stated as the consolidated balance sheet value.

The adoption of the ASC (Accounting Standards Codification) Topic 842, Leases

Certain consolidated overseas subsidiaries that adopted US-GAAP began implementing the ASC Topic 842, Leases in the fiscal year under review. Following the adoption of the ASC Topic 842, all leases at lessees are, in principle, recognized as lease assets and lease liabilities on the consolidated balance sheet. On adopting the Topic 842, a method of recognizing the cumulative effects of applying the topic at the date of initial application, which is accepted as a transitional measure, was applied.

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 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 segment, Rental Housing Business segment, Condominiums Business segment, Commercial Facilities Business segment, Logistics, Business & Corporate Facilities Business segment, and Environment and Energy Business segment.

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. The Commercial Facilities Business segment develops, builds, manages, and operates commercial facilities. The Logistics, Business & Corporate Facilities Business segment develops, constructs, manages, and operates logistics, manufacturing, medical and nursing-care, and other facilities. In the Environment and Energy Business segment, we are engaged in the development and construction of renewable energy power plants, renewable energy generation, and electricity retailing.

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 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 consolidated fiscal year under review, in line with the Daiwa House Group 7th Medium-Term Management Plan announced on May 13, 2022, Existing Homes segment, which was the reportable segment until the fiscal year ended March 2022, had been abolished. In addition, environmental energy business, which was included in Other Businesses segment, had been changed to the reportable Environment and Energy Business segment.

Segment information for the previous fiscal year is shown under the classification after the change.

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

Previous fiscal year (From April 1, 2021 to March 31, 2022)

(Millions of yen)

	Reportable Business Segments						
	Single-Family Houses	Rental Housing	Condominiums	Commercial Facilities	Logistics, Business & Corporate Facilities	Environment and Energy	Total
Sales (1) Sales to customers	777,656	1,049,930	373,109	1,023,483	1,048,809	126,555	4,399,544
(2) Inter-segment sales or transfers	7,231	2,628	6,832	15,092	30,444	34,446	96,676
Total	784,887	1,052,558	379,942	1,038,576	1,079,253	161,002	4,496,220
Operating income (Operating loss)	38,365	96,641	9,752	124,151	125,531	5,270	399,713
Assets	718,037	447,516	775,994	1,425,896	1,633,062	117,815	5,118,321
Others Depreciation	10,312	10,619	2,794	53,357	15,987	3,591	96,662
Net increase in property, plant and equipment, and intangible assets	20,689	29,283	12,048	131,257	220,301	4,670	418,252

	Other Businesses (Note: 1)	Subtotal	Adjustment (Note: 2)	Amounts on the consolidated financial statements
Sales (1) Sales to customers	39,991	4,439,536	—	4,439,536
(2) Inter-segment sales or transfers	23,054	119,731	(119,731)	—
Total	63,046	4,559,267	(119,731)	4,439,536
Operating income (Operating loss)	(5,922)	393,790	(10,534)	383,256
Assets	136,213	5,254,535	267,127	5,521,662
Others Depreciation	1,872	98,534	1,793	100,328
Net increase in property, plant and equipment, and intangible assets	1,109	419,361	6,445	425,807

Notes:
1. Other Businesses include resort hotels business and others.
2. Adjustment:
   (1) -10,534 million yen in adjustments to operating income (loss) by business segment includes 306 million yen in elimination within business segments, 954 million yen in amortization of goodwill and others, and -11,795 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.

   (2) 267,127 million yen in adjustments to assets by business segment includes -62,196 million yen in elimination within business segments, and 329,323 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.

   (3) 1,793 million yen in adjustments to depreciation by business segment includes -514 million yen in elimination within business segments, and 2,308 million yen in the depreciation attributable to Group assets.

   (4) 6,445 million yen in adjustments to net increase in property, plant and equipment, and intangible assets by business segment includes 223 million yen in elimination within business segments, and 6,222 million yen in Headquarters' capital investment of the Company, such as properties and equipment.
3. Operating income (loss) by business segment is adjusted to correspond to operating income in the consolidated statements of income.

Reporting fiscal year (From April 1, 2022 to March 31, 2023)

(Millions of yen)

	Reportable Business Segments						
	Single-Family Houses	Rental Housing	Condominiums	Commercial Facilities	Logistics, Business & Corporate Facilities	Environment and Energy	Total
Sales							
(1) Sales to customers	903,101	1,143,863	475,631	1,083,151	1,101,964	143,386	4,851,098
(2) Inter-segment sales or transfers	6,974	5,560	8,750	9,016	28,265	45,224	103,793
Total	910,076	1,149,424	484,382	1,092,167	1,130,230	188,611	4,954,891
Operating income	46,666	109,710	40,879	132,984	99,630	6,285	436,156
Assets	866,782	563,554	702,674	1,547,036	1,865,499	97,517	5,643,064
Others							
Depreciation	15,201	11,415	3,194	54,820	22,118	3,048	109,798
Net increase in property, plant and equipment, and intangible assets	36,759	23,980	8,988	151,009	289,527	2,227	512,493

	Other Businesses (Note: 1)	Subtotal	Adjustment (Note: 2)	Amounts on the consolidated financial statements
Sales				
(1) Sales to customers	57,100	4,908,199	—	4,908,199
(2) Inter-segment sales or transfers	24,748	128,541	(128,541)	—
Total	81,849	5,036,740	(128,541)	4,908,199
Operating income	5,497	441,654	23,716	465,370
Assets	154,188	5,797,253	344,814	6,142,067
Others				
Depreciation	1,730	111,528	1,935	113,464
Net increase in property, plant and equipment, and intangible assets	1,427	513,920	4,222	518,143

Notes:
1. Other Businesses include resort hotels business and others.
2. Adjustment:
   (1) 23,716 million yen in adjustments to operating income by business segment includes -1,374 million yen in elimination within business segments, 831 million yen in amortization of goodwill and others, and 24,258 million yen in corporate expenses not allocated to each business segment. Corporate expenses mainly consist of amortization of actuarial differences on retirement benefits (a decrease in operating expenses), general and administrative expenses and experiment and research expenses not attributable to reportable business segments.
   (2) 344,814 million yen in adjustments to assets by business segment include -20,194 million yen in elimination within business segments, and 365,009 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.
   (3) 1,935 million yen in adjustments to depreciation by business segment includes -532 million yen in elimination within business segments, and 2,468 million yen in the depreciation attributable to Group assets.
   (4) 4,222 million yen in adjustments to net increase in property, plant and equipment, and intangible assets by business segment includes 856 million yen in elimination within business segments, and 3,366 million yen in Headquarters' capital investment of the Company, such as properties and equipment.
3. 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, 2021 to March 31, 2022)

(Millions of yen)

	Single-Family Houses	Rental Housing	Condo-miniums	Commercial Facilities	Logistics, Business & Corporate Facilities	Environment and Energy	Other Businesses (*1)	Eliminations/ Corporate (*2)	Total
Impairment loss	389	461	5,331	6,231	507	6	11,181	38	24,147

(*1) Amounts are resort hotel and golf business, among others.
(*2) Amounts are group assets that are not attributable to reportable business segments.

Reporting fiscal year (from April 1, 2022 to March 31, 2023)

(Millions of yen)

	Single-Family Houses	Rental Housing	Condo-miniums	Commercial Facilities	Logistics, Business & Corporate Facilities	Environment and Energy	Other Businesses (*1)	Eliminations/ Corporate (*2)	Total
Impairment loss	1,204	786	2,029	6,211	715	149	73	100	11,271

(*1) Amounts are resort hotel and golf business.
(*2) Amounts are group assets that are not attributable to reportable business segments.

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

Previous fiscal year (from April 1, 2021 to March 31, 2022)

(Millions of yen)

	Single-Family Houses	Rental Housing	Condo-miniums	Commercial Facilities	Logistics, Business & Corporate Facilities	Environment and Energy	Other Businesses (*)	Eliminations/ Corporate	Total
Amortization of goodwill	1,600	64	1,013	771	2,593	(490)	19	—	5,573
Fiscal year-end unamortized balance of goodwill	47,638	980	9,166	7,593	30,949	(2,663)	229	—	93,895

(*) Amounts are financial business, among others.

Reporting fiscal year (from April 1, 2022 to March 31, 2023)

(Millions of yen)

	Single-Family Houses	Rental Housing	Condo-miniums	Commercial Facilities	Logistics, Business & Corporate Facilities	Environment and Energy	Other Businesses (*)	Eliminations/ Corporate	Total
Amortization of goodwill	2,178	69	655	772	2,519	(490)	19	—	5,724
Fiscal year-end unamortized balance of goodwill	40,874	983	8,153	6,820	30,666	(2,173)	9,142	—	94,467

(*) Amounts are electric power generation business, among others.

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

Previous fiscal year (from April 1, 2021 to March 31, 2022)

No items to report.

Reporting fiscal year (from April 1, 2022 to March 31, 2023)

No items to report.

Per Share Information

	Previous fiscal year (From April 1, 2021 to March 31, 2022)	Reporting fiscal year (From April 1, 2022 to March 31, 2023)
Net assets per share	3,081.07 yen	3,466.86 yen
Basic net income per share	343.82 yen	469.12 yen

Notes: 1. Diluted net income per share is not presented because there are no potential shares.
2. The basis of calculating for basic net income per share is as follows:

	Previous fiscal year (From April 1, 2021 to March 31, 2022)	Reporting fiscal year (From April 1, 2022 to March 31, 2023)
Basic net income per share		
Net income attributable to the parent (millions of yen)	225,272	308,399
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)	225,272	308,399
Average amount of common stock during the year (thousands of shares)	655,199	657,404

Note: In calculating net assets per share, the shares held by the Directors Stock Delivery Trust (re-trustee Custody Bank of Japan, Ltd.) are included in treasury stock, which is excluded from the total number of shares at the end of the period (61 thousand shares for the previous fiscal year).
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 (68 thousand shares for the previous fiscal year, 23 thousand shares for the fiscal year in question). The Directors Stock Delivery Trust was terminated in August 2022.

Significant Subsequent Events

Cancellation of Treasury Stock

At a meeting held May 12, 2023, the Daiwa House Industry Co., Ltd. Board of Directors resolved to cancel treasury stock under the provisions of Article 178 of the Companies Act.

1. Reason for the cancellation of treasury stock

   For part of shareholders return under the policy in 7th Medium-Term Management Plan announced on May 13, 2022

2. Method of cancellation

   Reduction in Capital surplus and Retained earnings

3. Type of shares to be cancelled

   Common shares of Daiwa House Industry Co., Ltd. stock

4. Total number of shares to be cancelled

   7,000,000 shares

   (1.06% of total shares outstanding before cancellation (excluding treasury stock))

5. Scheduled date of cancellation

   May 31, 2023

6. Total shares outstanding after cancellation (excluding treasury stock)

   658,871,130 shares

Acquisition of Treasury Stock

At a meeting held May 12, 2023, the Daiwa House Industry Co., Ltd. Board of Directors resolved to acquire treasury stock pursuant to the provisions of Article 156 of the Companies Act applied mutatis mutandis pursuant to Article 165 Par.3 of the same act.

1. Reason for the acquisition of treasury stock

   For part of shareholders return under the policy in 7th Medium-Term Management Plan announced on May 13, 2022

2. Type of shares to be acquired

   Common shares of Daiwa House Industry Co., Ltd. stock

3. Total number of shares to be acquired

   10,000,000 shares (maximum)

4. Total acquisition price

   35,000 million yen (maximum)

5. Period of acquisition

   From June 1, 2023 to March 29, 2024

6. Method of acquisition

   Open market purchase on the Tokyo Stock Exchange