



Summary of Financial Results (Unaudited)
for the First Six Months of the Fiscal Year Ending March 31, 2023 [Consolidated]
(From April 1, 2022 to September 30, 2022)
[Japanese GAAP]

November 10, 2022

Name of Listed Company: Daiwa House Industry Co., Ltd.
Code No.: 1925
URL: <https://www.daiwahouse.com/English/>
Listed Exchanges: Prime Market of the Tokyo Stock Exchange
Representative: Keiichi Yoshii, President and CEO
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Scheduled Date of Filing Quarterly Securities Report: November 11, 2022
Scheduled Date of Commencement of Dividend Payment: December 5, 2022
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 Six Months Ended September 30, 2022
(From April 1, 2022 to September 30, 2022)

(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	%
Six months ended:								
September 30, 2022	2,261,329	10.7	154,639	-3.6	153,024	-5.3	105,994	-1.5
September 30, 2021	2,042,182	3.9	160,361	2.8	161,670	7.4	107,582	17.8

Note: Comprehensive income: Six months ended September 30, 2022: 171,383 million yen (26.6%)
Six months ended September 30, 2021: 135,358 million yen (43.3%)

	Basic net income per share		Diluted net income per share	
	Yen	Yen	Yen	Yen
Six months ended:				
September 30, 2022	161.54	—	—	—
September 30, 2021	164.27	—	164.25	—

(2) Consolidated Financial Conditions

	Total assets	Net assets	Net assets ratio
	Millions of yen	Millions of yen	%
As of			
September 30, 2022	5,980,120	2,252,484	35.9
March 31, 2022	5,521,662	2,111,385	36.6

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

(Net assets – Non-controlling interests): September 30, 2022: 2,144,392 million yen; March 31, 2022: 2,020,157 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 (Mar. 31)	Annual
	Yen	Yen	Yen	Yen	Yen
Fiscal year ended March 31, 2022	—	55.00	—	71.00	126.00
Fiscal year ending March 31, 2023	—	60.00			
Fiscal year ending March 31, 2023 (forecasts)			—	70.00	130.00

Notes: 1. Revised dividend forecast for the quarter under review: None

2. Breakdown of annual dividend 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, 2023 (From April 1, 2022 to March 31, 2023)

(% 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, 2023	4,760,000	7.2	360,000	-6.1	347,000	-7.8	226,000	0.3	343.78

Notes: 1. Revised forecast for the quarter under review: Yes

2. Amortization of actuarial differences for retirement benefit is not expected in the above consolidated earnings forecasts.

Notes:

- (1) **Changes in Significant Subsidiaries during the Period under Review (This refers to changes in specified subsidiaries associated with changes in the scope of consolidation): None**
- (2) **Application of Accounting Methods Unique to the Preparation of the Quarterly Consolidated Financial Statements: None**
- (3) **Changes in Accounting Policies Applied, Changes in Accounting Estimates and Retrospective Restatement**
 - 1) Changes in accounting policies applied due to amendment of accounting standards: 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 September 30, 2022	666,290,951 shares	As of March 31, 2022	666,238,205 shares
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2) Number of treasury stock at the end of the period

As of September 30, 2022	7,418,055 shares	As of March 31, 2022	10,570,077 shares
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3) Average number of shares during the period

Six months ended September 30, 2022	656,146,644 shares	Six months ended September 30, 2021	654,917,787 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) Earnings Forecasts” 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 November 10, 2022. Relevant financial statements to be handed out at the briefing will be posted on our 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 six-month period under review, the Japanese economy was normalizing, while striking a balance between COVID-19 infection control and normal social and economic activities, and continued to recover moderately. However, economic trends remained uncertain, reflecting global inflation and monetary tightening in numerous countries, as well as rising prices of raw materials and energy resources chiefly due to the war in Ukraine, which also affected supply chains. The situation continued to require close attention.

The number of new construction starts in the domestic housing market increased year-on-year for rental housing and built-for-sale houses, however, decreased for owner-occupied houses, resulting in an overall decrease year-on-year. In the general construction market, although the total floor area of new construction starts decreased in the category of offices, the figure in the other categories recorded year-on-year increase. The overall figure also increased year on year. In the United States, potential demand for single-family houses remained high, but the number of houses sold was on a downward trend, chiefly due to continuing rises in mortgage rates resulting from repeated increases in the policy interest rate.

Amid this operating environment, the Group has set three management policies based on the 7th Medium-Term Management Plan, a five-year plan launched this fiscal year: Evolve revenue model, optimize management efficiency, and strengthen management base. Toward realizing a sustainable growth model, we have taken various measures including further progress of overseas business, promotion of large-scale multi-use development and initiatives to achieve carbon neutrality.

As a result, the Daiwa House Group recorded consolidated net sales of 2,261,329 million yen (+10.7% year on year) for the first six months of the fiscal year ending March 2023. Operating income came to 154,639 million yen (-3.6% year on year), ordinary income came to 153,024 million yen (-5.3% year on year), while net income attributable to owners of the parent amounted to 105,994 million yen (-1.5% year on year).

(2) Financial Conditions

Total assets as of the end of the consolidated six-month reporting period amounted to 5,980,120 million yen, an increase of 458,457 million yen compared with 5,521,662 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 six-month reporting period amounted to 3,727,635 million yen, an increase of 317,358 million yen compared with 3,410,277 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 corporate bonds and commercial papers, to raise funds for the acquisition of inventory assets, real estate for investment and other purposes.

Total net assets as of the end of the consolidated six-month reporting period amounted to 2,252,484 million yen, an increase of 141,099 million yen compared with 2,111,385 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 105,994 million yen and the increase in foreign currency translation adjustment due to the impact of the yen depreciation, despite the payment of dividends to shareholders for the previous fiscal year in the amount of 46,556 million yen. At the end of the term under review, these results were 1,817,837 million yen in interest-bearing liabilities excluding lease obligations among others, and a debt-equity ratio of 0.85 times. After taking the hybrid financing into account, the debt-equity ratio came to 0.75 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) Earnings Forecasts

Based on business figures for the second quarter, the Company revised forecasts of the consolidated business performance for the fiscal 2022 business year, ending March 31, 2023, which were announced on May 13, 2022.

Consolidated Business Forecasts for the Fiscal Year Ending March 31, 2023
 (April 1, 2022 to March 31, 2023)

	Net sales	Operating income	Ordinary income	Net income attributable to owners of the parent	Net income per share
	Millions of yen	Millions of yen	Millions of yen	Millions of yen	Yen
Previous forecast (A)	4,580,000	350,000	337,000	218,000	332.49
Revised forecast (B)	4,760,000	360,000	347,000	226,000	343.78
Change (B - A)	180,000	10,000	10,000	8,000	—
Rate of change (%)	3.9	2.9	3.0	3.7	—
(Reference) Previous fiscal year results (Fiscal year ended March 31, 2022)	4,439,536	383,256	376,246	225,272	343.82

Note: Amortization of actuarial differences for retirement benefit is not expected in the above consolidated earnings forecasts.

2. Consolidated Financial Statements and Main Notes

(1) Consolidated Balance Sheets

(Millions of yen)

	As of March 31, 2022	As of September 30, 2022
Assets		
Current assets		
Cash and deposits	337,632	310,506
Notes and accounts receivable from completed construction contracts and other	407,430	429,537
Mortgage notes receivable held for sale	28,473	24,486
Short-term investment securities	7,568	7,800
Costs on uncompleted construction contracts	48,516	52,862
Real estate for sale	1,068,011	1,361,016
Real estate for sale in process	407,869	513,458
Land for development	3,288	2,426
Merchandise and finished goods	17,904	19,649
Work in process	9,073	11,832
Raw materials and supplies	7,746	7,888
Other	367,476	345,621
Allowance for doubtful accounts	-18,195	-7,096
Total current assets	2,692,794	3,079,990
Noncurrent assets		
Property, plant and equipment		
Buildings and structures	1,302,750	1,360,338
Accumulated depreciation	-558,140	-571,884
Buildings and structures, net	744,610	788,454
Land	878,851	925,455
Other	530,331	522,133
Accumulated depreciation	-184,727	-196,275
Other, net	345,603	325,858
Total property, plant and equipment	1,969,066	2,039,768
Intangible assets		
Goodwill	93,895	91,982
Other	77,022	93,482
Total intangible assets	170,917	185,465
Investments and other assets		
Investment securities	228,794	229,855
Lease and guarantee deposits	251,053	251,866
Other	210,741	194,912
Allowance for doubtful accounts	-1,705	-1,738
Total investments and other assets	688,884	674,896
Total noncurrent assets	2,828,868	2,900,129
Total assets	5,521,662	5,980,120

(Millions of yen)

	As of March 31, 2022	As of September 30, 2022
Liabilities		
Current liabilities		
Notes and accounts payable for construction contracts and other	355,936	325,471
Short-term loans payable	151,421	302,214
Current portion of bonds payable	25,000	60,000
Current portion of long-term loans payable	79,589	183,535
Commercial papers liabilities	—	49,000
Income taxes payable	69,170	25,215
Advances received	199,824	210,434
Advances received on uncompleted construction contracts	137,977	164,519
Provision for bonuses	56,759	57,286
Provision for warranties for completed construction	7,680	7,881
Asset retirement obligations	3,140	3,364
Other	358,091	312,121
Total current liabilities	1,444,592	1,701,044
Noncurrent liabilities		
Bonds payable	408,000	409,000
Long-term loans payable	758,496	811,187
Long-term lease and guarantee deposited	296,500	298,888
Net defined benefit liability	193,753	194,884
Asset retirement obligations	55,904	56,559
Other	253,028	256,070
Total noncurrent liabilities	1,965,684	2,026,590
Total liabilities	3,410,277	3,727,635
Net assets		
Shareholders' equity		
Capital stock	161,699	161,845
Capital surplus	301,982	303,919
Retained earnings	1,486,900	1,546,333
Treasury stock	-29,081	-20,322
Total shareholders' equity	1,921,500	1,991,776
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	64,017	59,705
Deferred gains or losses on hedges	-860	-965
Revaluation reserve for land	10,642	10,653
Foreign currency translation adjustment	24,857	83,222
Total accumulated other comprehensive income	98,657	152,615
Non-controlling interests	91,227	108,092
Total net assets	2,111,385	2,252,484
Total liabilities and net assets	5,521,662	5,980,120

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

	(Millions of yen)	
	Six months ended September 30, 2021 (From April 1, 2021 to September 30, 2021)	Six months ended September 30, 2022 (From April 1, 2022 to September 30, 2022)
Net sales	2,042,182	2,261,329
Cost of sales	1,637,489	1,843,231
Gross profit	404,692	418,097
Selling, general and administrative expenses	244,331	263,458
Operating income	160,361	154,639
Non-operating income		
Interest income	1,489	1,182
Dividends income	2,300	2,711
Share of profit of entities accounted for using equity method	2,249	1,142
Miscellaneous income	7,286	7,246
Total non-operating income	13,326	12,282
Non-operating expenses		
Interest expenses	6,027	8,310
Equity in losses of affiliates	433	773
Miscellaneous expenses	5,556	4,812
Total non-operating expenses	12,017	13,897
Ordinary income	161,670	153,024
Extraordinary income		
Gain on sales of noncurrent assets	1,884	3,448
Gain on sales of investment securities	1,087	320
Gain on sales of investments in capital of subsidiaries and affiliates	—	3,464
Gain on change in equity	—	476
Gain on step acquisitions	3,907	—
Subsidy income related to COVID-19	262	—
Total extraordinary income	7,142	7,710
Extraordinary losses		
Loss on sales of noncurrent assets	111	37
Loss on retirement of noncurrent assets	395	714
Impairment loss	858	1,716
Loss on sales of investment securities	—	67
Loss on valuation of investment securities	2	—
Loss on sales of investments in capital of subsidiaries and affiliates	593	191
Loss on COVID-19	1,150	—
Special retirement benefit expenses	2,160	—
Other	0	0
Total extraordinary losses	5,273	2,727
Income before income taxes	163,539	158,007
Income taxes-current	55,274	33,063
Income taxes-deferred	-610	16,196
Total income taxes	54,664	49,260
Net income	108,875	108,746
Net income attributable to non-controlling interests	1,292	2,752
Net income attributable to owners of the parent	107,582	105,994

(Consolidated Statements of Comprehensive Income)

(Millions of yen)

	Six months ended September 30, 2021 (From April 1, 2021 to September 30, 2021)	Six months ended September 30, 2022 (From April 1, 2022 to September 30, 2022)
Net income	108,875	108,746
Other comprehensive income		
Valuation difference on available-for-sale securities	6,246	-4,305
Deferred gains or losses on hedges	-7	-104
Revaluation reserve for land	15	6
Foreign currency translation adjustment	19,244	71,178
Share of other comprehensive income of associates accounted for using equity method	984	-4,138
Total other comprehensive income	26,483	62,636
Comprehensive income	135,358	171,383
(Comprehensive income attributable to)		
Comprehensive income attributable to owners of the parent	131,875	159,948
Comprehensive income attributable to non- controlling interests	3,483	11,435

(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 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 quarterly consolidated balance sheet value as shares, etc. with no market price, fair value is now 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 November 10, 2022.