



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

February 10, 2023

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: February 13, 2023
 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, 2022
(From April 1, 2022 to December 31, 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	%
Nine months ended:								
December 31, 2022	3,421,681	8.7	222,725	-12.3	218,150	-14.4	166,263	-0.7
December 31, 2021	3,147,185	4.8	253,866	1.1	254,920	3.9	167,494	7.9

Note: Comprehensive income: Nine months ended December 31, 2022: 251,401 million yen (26.0%)
 Nine months ended December 31, 2021: 199,506 million yen (21.3%)

	Basic net income per share		Diluted net income per share	
	Yen	Yen	Yen	Yen
Nine months ended:				
December 31, 2022	253.08	—	—	—
December 31, 2021	255.68	—	255.65	—

(2) Consolidated Financial Conditions

	Total assets	Net assets	Net assets ratio
	Millions of yen	Millions of yen	%
As of			
December 31, 2022	6,292,888	2,291,240	34.7
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): December 31, 2022: 2,181,940 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: None

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 December 31, 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 December 31, 2022	7,418,596 shares	As of March 31, 2022	10,570,077 shares
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3) Average number of shares during the period

Nine months ended December 31, 2022	656,964,408 shares	Nine months ended December 31, 2021	655,090,879 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 February 10, 2023. 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 nine-month period under review, the Japanese economy progressed toward normalization by striking a balance between COVID-19 infection control and normal social and economic activities. In this environment, corporate earnings improved and a pickup was seen in capital investment and employment, while consumer spending also increased moderately. However, the outlook remained increasingly uncertain, reflecting rising prices of raw materials and energy and soaring commodity prices given such factors as the war in Ukraine dragging on, as well as sharp exchange fluctuations and rises in interest rates caused by changes in monetary policies. 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 increased in the category of factories, the figure in the other categories recorded year-on-year decrease. The overall figure also decreased year-on-year.

Amid this operating environment, the Group has pushed forward the 7th Medium-Term Management Plan, a five-year plan launched this fiscal year. Under the three management policies: Evolve revenue model, optimize management efficiency, and strengthen management base, we have worked to strengthen both the business value chain from offensive aspects and the management base from defensive aspects. Specifically, in terms of strengthening the business value chain to realize a sustainable growth model, we have reviewed our revenue structure by taking various measures including further progress of overseas business, promotion of large-scale multi-use development and initiatives to achieve carbon neutrality in addition to our contracting- and development-type businesses. As an effort to strengthen the management base, we made steady progress in preparing systems for managing portfolio optimization. Through these efforts, we have been working to achieve both growth of profits coexisting with capital efficiency, while maximizing corporate value.

As a result, the Daiwa House Group recorded consolidated net sales of 3,421,681 million yen (+8.7% year on year) for the first nine months of the fiscal year ending March 2023. Operating income came to 222,725 million yen (-12.3% year on year), ordinary income came to 218,150 million yen (-14.4% year on year), while net income attributable to owners of the parent amounted to 166,263 million yen (-0.7% year on year).

(2) Financial Conditions

Total assets as of the end of the consolidated nine-month reporting period amounted to 6,292,888 million yen, an increase of 771,225 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 nine-month reporting period amounted to 4,001,647 million yen, an increase of 591,370 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 real estate for sale and investment, and other purposes.

Total net assets as of the end of the consolidated nine-month reporting period amounted to 2,291,240 million yen, an increase of 179,855 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 166,263 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 in the amount of 86,089 million yen. At the end of the term under review, these results were 2,130,501 million yen in interest-bearing liabilities excluding lease obligations among others, and a debt-equity ratio of 0.98 times. After taking the hybrid financing into account, the debt-equity ratio came to 0.87 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

Regarding consolidated business performance forecasts for the term ending March 31, 2023, the forecasts issued on November 10, 2022 remain unchanged.

2. Consolidated Financial Statements and Main Notes

(1) Consolidated Balance Sheets

(Millions of yen)

	As of March 31, 2022	As of December 31, 2022
Assets		
Current assets		
Cash and deposits	337,632	381,300
Notes and accounts receivable from completed construction contracts and other	407,430	453,250
Mortgage notes receivable held for sale	28,473	16,460
Short-term investment securities	7,568	7,801
Costs on uncompleted construction contracts	48,516	51,159
Real estate for sale	1,068,011	1,518,618
Real estate for sale in process	407,869	558,109
Land for development	3,288	2,478
Merchandise and finished goods	17,904	21,037
Work in process	9,073	14,957
Raw materials and supplies	7,746	9,462
Other	367,476	347,314
Allowance for doubtful accounts	-18,195	-6,788
Total current assets	2,692,794	3,375,164
Noncurrent assets		
Property, plant and equipment		
Buildings and structures	1,302,750	1,407,271
Accumulated depreciation	-558,140	-581,406
Buildings and structures, net	744,610	825,864
Land	878,851	915,934
Other	530,331	498,892
Accumulated depreciation	-184,727	-200,042
Other, net	345,603	298,850
Total property, plant and equipment	1,969,066	2,040,650
Intangible assets		
Goodwill	93,895	92,351
Other	77,022	95,143
Total intangible assets	170,917	187,495
Investments and other assets		
Investment securities	228,794	229,754
Lease and guarantee deposits	251,053	252,402
Other	210,741	209,158
Allowance for doubtful accounts	-1,705	-1,736
Total investments and other assets	688,884	689,578
Total noncurrent assets	2,828,868	2,917,724
Total assets	5,521,662	6,292,888

(Millions of yen)

	As of March 31, 2022	As of December 31, 2022
Liabilities		
Current liabilities		
Notes and accounts payable for construction contracts and other	355,936	331,437
Short-term loans payable	151,421	335,926
Current portion of bonds payable	25,000	60,000
Current portion of long-term loans payable	79,589	177,053
Commercial papers liabilities	—	96,000
Income taxes payable	69,170	15,388
Advances received	199,824	196,392
Advances received on uncompleted construction contracts	137,977	155,492
Provision for bonuses	56,759	34,751
Provision for warranties for completed construction	7,680	7,638
Asset retirement obligations	3,140	3,254
Other	358,091	327,724
Total current liabilities	1,444,592	1,741,059
Noncurrent liabilities		
Bonds payable	408,000	559,000
Long-term loans payable	758,496	899,622
Long-term lease and guarantee deposited	296,500	300,454
Net defined benefit liability	193,753	197,952
Asset retirement obligations	55,904	57,675
Other	253,028	245,884
Total noncurrent liabilities	1,965,684	2,260,588
Total liabilities	3,410,277	4,001,647
Net assets		
Shareholders' equity		
Capital stock	161,699	161,845
Capital surplus	301,982	303,896
Retained earnings	1,486,900	1,566,876
Treasury stock	-29,081	-20,323
Total shareholders' equity	1,921,500	2,012,294
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	64,017	58,685
Deferred gains or losses on hedges	-860	1,559
Revaluation reserve for land	10,642	10,847
Foreign currency translation adjustment	24,857	98,552
Total accumulated other comprehensive income	98,657	169,645
Non-controlling interests	91,227	109,300
Total net assets	2,111,385	2,291,240
Total liabilities and net assets	5,521,662	6,292,888

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

	(Millions of yen)	
	Nine months ended December 31, 2021 (From April 1, 2021 to December 31, 2021)	Nine months ended December 31, 2022 (From April 1, 2022 to December 31, 2022)
Net sales	3,147,185	3,421,681
Cost of sales	2,521,849	2,793,614
Gross profit	625,335	628,067
Selling, general and administrative expenses	371,468	405,341
Operating income	253,866	222,725
Non-operating income		
Interest income	2,216	1,780
Dividends income	4,338	4,833
Share of profit of entities accounted for using equity method	2,093	1,148
Miscellaneous income	10,853	8,444
Total non-operating income	19,501	16,206
Non-operating expenses		
Interest expenses	9,494	13,449
Miscellaneous expenses	8,952	7,331
Total non-operating expenses	18,447	20,780
Ordinary income	254,920	218,150
Extraordinary income		
Gain on sales of noncurrent assets	2,123	3,473
Gain on sales of investment securities	1,294	384
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	379	—
Total extraordinary income	7,704	7,798
Extraordinary losses		
Loss on sales of noncurrent assets	383	42
Loss on retirement of noncurrent assets	614	1,061
Impairment loss	858	1,892
Loss on sales of investment securities	—	93
Loss on valuation of investment securities	70	—
Loss on sales of stocks of subsidiaries and affiliates	763	—
Loss on sales of investments in capital of subsidiaries and affiliates	593	191
Loss on COVID-19	1,152	—
Special retirement benefit expenses	2,177	—
Other	0	0
Total extraordinary losses	6,614	3,280
Income before income taxes	256,010	222,669
Income taxes-current	80,546	49,192
Income taxes-deferred	4,875	4,035
Total income taxes	85,421	53,228
Net income	170,589	169,441
Net income attributable to non-controlling interests	3,094	3,177
Net income attributable to owners of the parent	167,494	166,263

(Consolidated Statements of Comprehensive Income)

(Millions of yen)

	Nine months ended December 31, 2021 (From April 1, 2021 to December 31, 2021)	Nine months ended December 31, 2022 (From April 1, 2022 to December 31, 2022)
Net income	170,589	169,441
Other comprehensive income		
Valuation difference on available-for-sale securities	5,767	-5,325
Deferred gains or losses on hedges	-1	2,420
Revaluation reserve for land	15	6
Foreign currency translation adjustment	21,934	89,538
Share of other comprehensive income of associates accounted for using equity method	1,201	-4,680
Total other comprehensive income	28,917	81,959
Comprehensive income	199,506	251,401
(Comprehensive income attributable to)		
Comprehensive income attributable to owners of the parent	193,839	237,053
Comprehensive income attributable to non-controlling interests	5,667	14,347

(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 February 10, 2023.