Financial Results, Corporate Information

Chapter 8

Chapter 8 Financial Results, Corporate Information

Management's Discussion and Analysis of Financial Position and Results of Operations

[MD&A summary]

Note: This section analyzes the financial position and results of operations during the six fiscal years from fiscal 2018 to fiscal 2023. For the list of financial data, see "Financial Highlights" on pages 113 and 114.

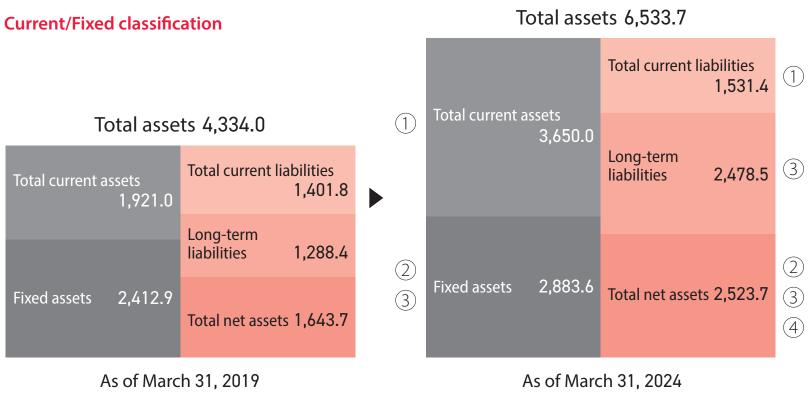
Financial position

Financial condition

Total assets as of the end of fiscal 2023 increased by ¥391.6 billion from the end of fiscal 2022 to ¥6,533.7 billion. This was mainly due to strengthened purchases of real estate for sales to promote built-for-sale business in each of the businesses and the increase in inventories, in particular for the Single-Family Houses and Commercial Facilities Businesses. Total liabilities increased by ¥256.8 billion from the end of fiscal 2022 to ¥4,009.9 billion. This was mainly due to fund raising through bond issuance and borrowing for the purpose of acquiring real estate for sale and investment properties. Total net assets increased by ¥134.8 billion from the end of fiscal 2022 to ¥2,523.7 billion. This was mainly because net income attributable to owners of the parent of ¥298.7 billion was recorded, which offset shareholder returns, including the ¥87.5 billion in dividends paid to shareholders and ¥87.1 billion in share buybacks. The balance of interest-bearing debt (excluding lease obligations) increased by ¥238.3 billion from the end of fiscal 2022 to ¥2,087.8 billion. The debt-equity (D/E) ratio came to 0.77*[1], higher than the target of around 0.6 for financial discipline. However, this owes to active investments in growth, and we are considering capital policies so as to adhere to financial discipline set out for the final fiscal year of the 7th Plan. At ¥2,287.7 billion, inventories account for the largest proportion of assets. As assets are expected to grow in the future due to the acquisition of inventories and investment properties, we will seek to maintain financial health by verifying the optimal capital structure.

Figure 1 **Comparison of balance sheets** (¥ billion)

Current/Fixed classification



Figures are compared with the final year of our Fifth Medium-Term Management Plan (fiscal 2018).

①The current ratio increased from 137% to 238%.

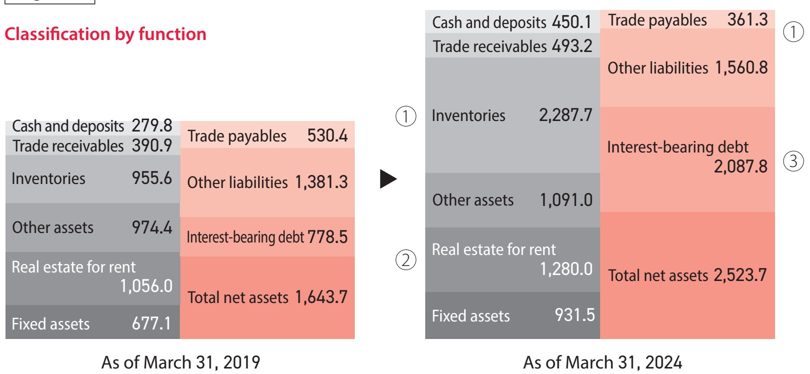
②The fixed ratio dropped from 151% to 118%.

③The ratio of fixed assets to long-term capital dropped from 84% to 59%.

④Net assets excluding non-controlling interests grew from ¥1,595.9 billion to ¥2,437.8 billion.

Figure 2

Classification by function



①Inventories increased from ¥955.6 billion to ¥2,287.7 billion (see **Figure 3**).

②Real estate for rent increased from ¥1,056.0 billion to ¥1,280.0 billion.

③Interest-bearing debt (excluding lease obligations) increased from ¥778.5 billion to ¥2,087.8 billion. As a result, the debt-equity ratio increased from 0.49 to 0.77 (after taking the hybrid financing into account).

*1 Calculated by taking into account the 50% equity credit in the hybrid financing (¥150 billion in hybrid bonds (subordinated bonds) issued in September 2019 and ¥100 billion in hybrid loans (subordinated loans) taken out in October 2020).

I Financial position

Analysis of asset increases

Inventories as of the end of fiscal 2023 amounted to ¥2,287.7 billion, an increase of 139% compared to fiscal 2018. Major contributing factors include an increase in purchases of real estate for sale for customers considering buying investment properties in each business. The purchases increased, especially in the Rental Housing and Commercial Facilities Businesses, as we strengthened our "capacity to offer comprehensive business ideas on optimally leveraging a land property," one of our strengths. The rise in inventories is also the result of steady expansion of areas in the US housing market where our three US single-family housing companies (Stanley Martin, Trumark, and CastleRock) operate. Looking by segment, the Single-Family Houses Business, which is focused on actively developing built-for-sale business overseas, and the Logistics, Business and Corporate Facilities Businesses, which is selling off logistics facilities and other assets developed in Japan, accounted for a large proportion of inventories.

Investment properties totaled ¥1,595.0 billion, an increase of 48% over fiscal 2018. This includes ¥1,235.0 billion in real estate available for sale*[2], up 68%, and ¥360.0 billion in profit-earning real estate*[3], up 6%, indicating that the increase in real estate available for sale led to a rise in investment properties. This increase was chiefly due to our expanded investment in the development of logistics facilities, which is a profit driver.

The increase in assets is largely attributable to an increase in inventories and investment properties, which is a result of our aggressive investments for growth. Investment decisions are made based on the internal rate of return (IRR) as an important indicator, thus we believe these properties should help us recoup funds and yield profits when sold. In an effort to improve capital efficiency, we intend to continue selling properties at optimal times based on market conditions and other factors.

*2 Real estate available for sale refers to real estate that becomes readily salable after investment to earn profit from price rise.
*3 Profit-earning real estate means real estate that we developed to earn rental income.

Figure 3 Inventories

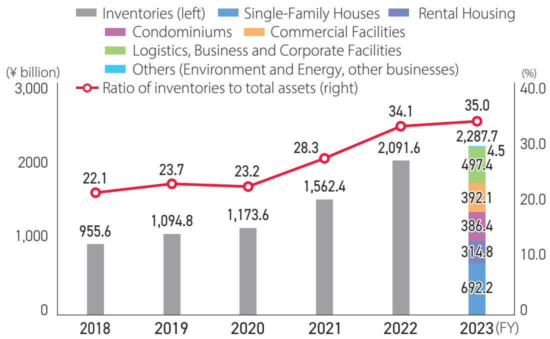
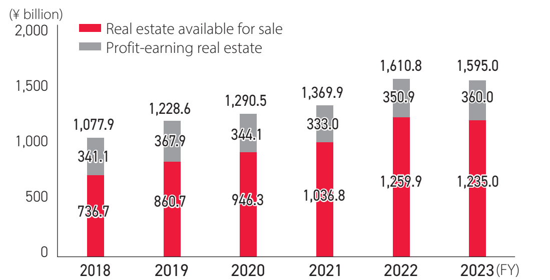


Figure 4 Balance of real estate development



II Cash flows

Basic approach

The basic approach to cash management is to invest in line with the amount of cash generated by business operations. While our 7th Plan sets a D/E ratio of about 0.6 as a criterion for financial discipline, we may exceed it temporarily due to frontloaded investment in growth as we must actively invest in attractive opportunities. To control the level of interest-bearing debt at around 0.6 in the medium to long term, we have set internal investment benchmark and apply them strictly, thereby balancing investment in growth with financial soundness.

Cash flow condition

Cash flows from operating activities during fiscal 2023 (adjusted for bank holidays) increased by ¥62.5 billion from fiscal 2022 to ¥292.8 billion. The ratio of cash flows from operating activities to net assets excluding non-controlling interests, assuming equity capital to be 1.0, was 0.12, up 0.02 points from 0.10 in fiscal 2022. This was mainly due to ¥455.8 billion recorded in income before income taxes, despite payment of corporate income tax and the purchase of real estate for sale. Cash flows from investing activities were - ¥310.4 billion, due to the acquisition of real estate for rent, etc. and the implementation of the ¥248.6 billion investment into the real estate development business based on the investment plan under the 7th Plan. As a result, free cash flows (cash flows from operating activities + cash flows from investing activities) were -¥17.6 billion. For cash flows from financing activities, despite progress with shareholder returns by way of dividend payments and share buybacks, we raised funds through bond issuances and borrowings for the purpose of acquiring inventories and investment properties. As a result, cash flows from financing activities come to ¥97.3 billion.

II Cash flows

As a result of the above, the balance of cash and cash equivalents at the end of fiscal 2023 was ¥439.5 billion, an increase of ¥93.4 billion from the end of the previous fiscal year.

Figure 5 Cash flows

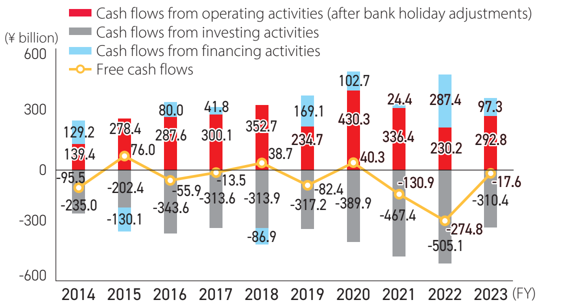
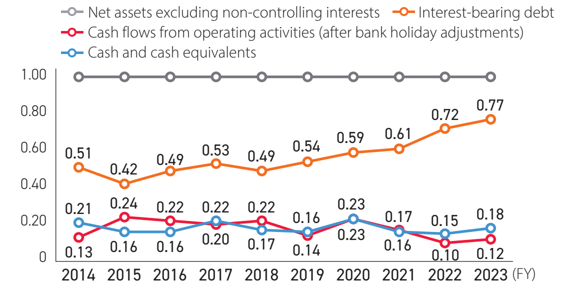


Figure 6 Indices to net assets excluding non-controlling interests (as a ratio where net assets excluding non-controlling interests is equal to 1)



Note: Since FY 2019, interest-bearing debt has been shown as an index after taking the equity of hybrid financing into account.

III Profits and losses

Return on equity (ROE)

Return on equity (ROE) came to 12.7%. In the 7th Plan, we have set a management target of ROE of 13% or higher. In fiscal 2023, we sold the resort hotels business and removed listed subsidiary Cosmos Initia from consolidated accounts, but we will continue with efforts to improve capital efficiency from various perspectives, including optimization of the business portfolio and reductions in inefficient assets, achieving the target on the back of both profit growth and shareholder returns.

(Breakdown of ROE) Ratio of net income to net sales

Net income attributable to owners of the parent amounted to ¥298.7 billion and the average annual growth rate for the period of six years starting from fiscal 2018 was 4.7%. Net income margin was 5.7% and trending toward recovery, even excluding the impact from amortization of actuarial differences in retirement benefits. Despite escalating material prices and fuel costs still having an impact, the improvement in earnings for the hotels and other businesses that had been hurt considerably by the pandemic, led to an improved profit margin.

Figure 7 ROE

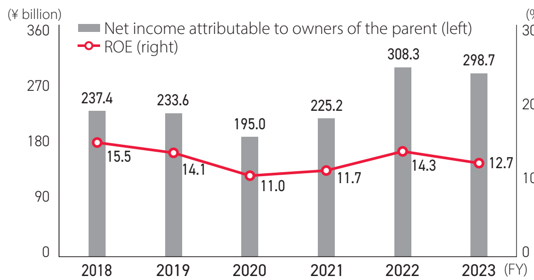
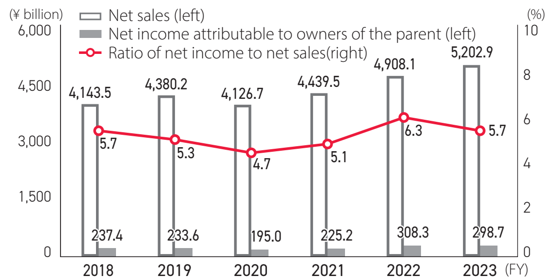


Figure 8 Ratio of net income to net sales



Cost of shareholders' equity < Return on equity (ROE) = Ratio of net income to net sales × Total asset turnover ratio × Financial leverage

(Our shareholders' equity cost: 7.0%)

Profits and losses

(Breakdown of ROE) Total asset turnover ratio

Net sales amounted to ¥5,202.9 billion and the average annual growth rate for the period of six years starting from fiscal 2018 was 4.7%. Total asset turnover ratio*4 was 0.82, declining 0.02 from the previous fiscal year. The Group's business used to be primarily construction contracting, but areas that require upfront investment such as real estate development are increasing their share of the overall total. In line with this, the proportion of sales from investment properties in net sales is rising (see Figure 10). We are also strengthening our built-for-sale business selling land and buildings. The inventory turnover ratio is likely to fall due to the change in our business model, but we will continuously seek to ensure and improve the effective utilization of assets through measures that may include encouraging the sale of inventories and also selling investment properties and cross-shareholdings while maintaining a balance between the stock business and the flow business.

*4 Average during the fiscal year.

Figure 9 Total asset turnover ratio

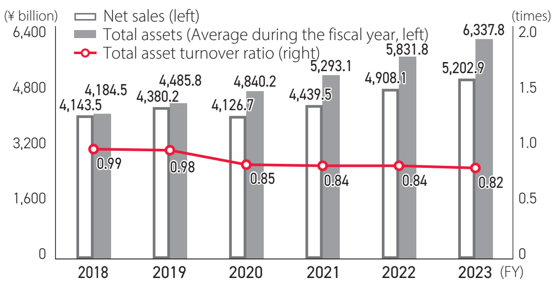
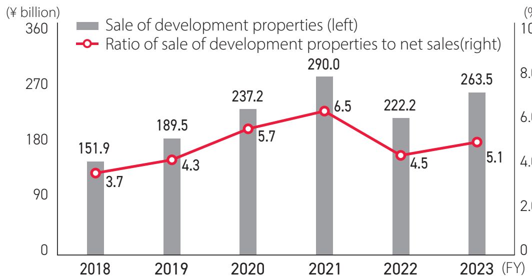


Figure 10 Sale of development properties

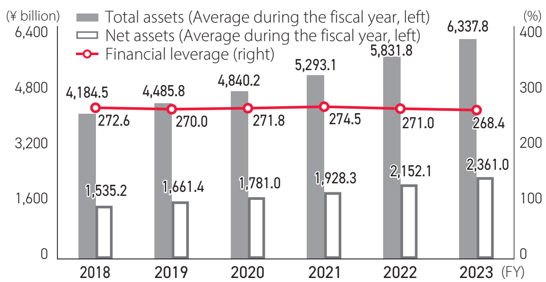


(Breakdown of ROE) Financial leverage

Net assets excluding non-controlling interests amounted to ¥2,437.8 billion and the average annual growth rate for the period of six years starting from fiscal 2018 was 8.8%. Our financial leverage*5 was 268.4%, down 2.6 percentage points from the previous fiscal year. By setting a D/E ratio as a financial benchmark, we strive to secure funds for growth investments and solidify our financial base while controlling the financial leverage.

*5 Total assets and net assets excluding non-controlling interests are calculated as averages during the fiscal year.

Figure 11 Financial leverage

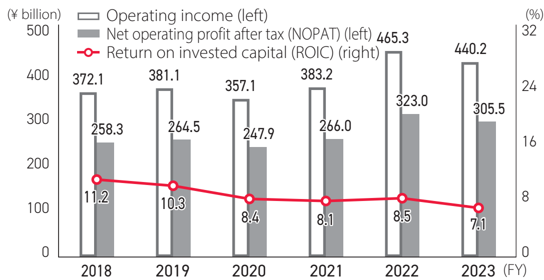


Return on invested capital (ROIC)

Net operating profit after tax (NOPAT)*6 was ¥305.5 billion and return on invested capital (ROIC), a ratio of NOPAT to the invested capital (= Net assets excluding non-controlling interests + Interest-bearing debt)*7 of ¥4,329.6 billion, was 7.1%. To realize return on invested capital with capital efficiency that exceeds the cost of shareholders' equity, we strive to improve ROIC at the frontline of business, with an attitude of "being complete in small things" as illustrated in Figure 13.

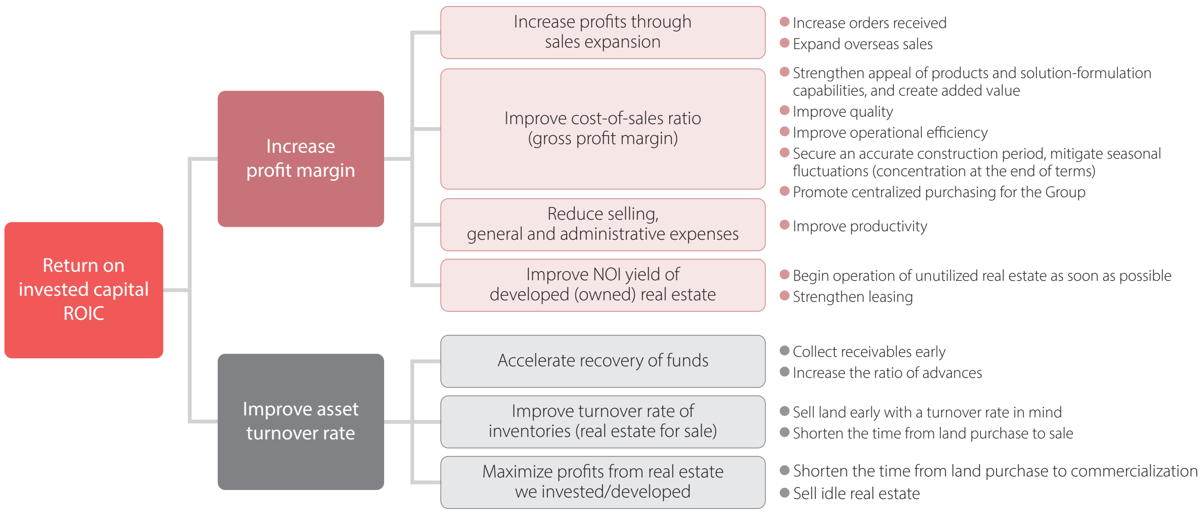
*6 Net operating profit after tax (NOPAT):
Operating income × (1 - Effective corporate income tax rate)
*7 Average during the fiscal year.

Figure 12 Return on invested capital (ROIC)



Profits and losses

Figure 13 Efforts to Improve Return on Invested Capital (ROIC) at Sites



Overseas business performance

Net sales and operating income from the overseas business amounted to ¥705.9 billion and ¥30.4 billion, respectively. The average annual growth rate for the period of six years starting from fiscal 2018 was 20.4% for net sales and 18.8% for operating income. The overseas business's weighting in our earnings is on an uptrend and has constantly exceeded 10% of total net sales. The Company is actively engaged in businesses overseas such as M&A of housing companies in the US and overseas real estate development. In the 7th Plan, we have set accelerating growth of community-based overseas business as one of the focal themes, and are targeting overseas net sales of ¥1 trillion and operating income of ¥100 billion in the final year of the 7th Plan.

Figure 14 Sales

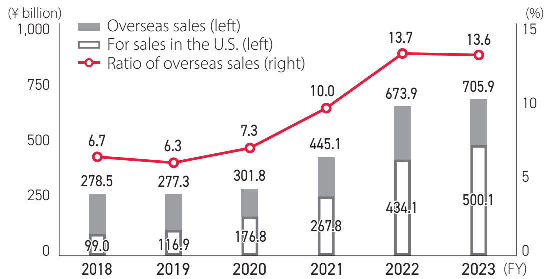
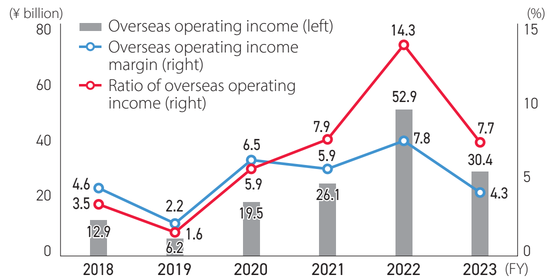


Figure 15 Operating income



IV Business results by segment

Profitability analysis

More than 85% of operating income is accounted for by the three segments of Rental Housing, Commercial Facilities, and Logistics, Business and Corporate Facilities.

Although the Environment and Energy Business constituted only 2% of net sales, the Company is working actively to contribute to the spread of renewable energy to realize a carbon-free society.

For the Single-Family Houses Business, we expect a decline in the number of new housing starts but are striving to improve profit margin by pursuing managerial reform, centered on strengthened built-for-sale business.

Operating income margin to segment assets

Inventory balance is increasing due to the promotion of built-for-sale business, but the Rental Housing Business showed higher operating income margins to segment-specific assets, thanks to contribution from the contracting business and rental management business.

In the Logistics, Business and Corporate Facilities Business, we are aggressively investing in long-term large-scale developments to address the growing markets of logistics facilities and data centers. The current return on assets is at a low level because construction investment is currently underway in the land we acquired, but is expected to significantly contribute to cash flows at the time of payback in the future.

Investments in businesses

With regard to investments in businesses, we are working to maintain aggressive investment with a view to sustainable growth. Our investment is expanding in the Logistics, Business and Corporate Facilities Business centered on logistics facilities as a profit driver, and in the Commercial Facilities Business which brings out the potential of regions and contribute to job creation and prosperity. In addition, investments in new businesses and overseas businesses, etc. will be made to develop new revenue streams through the use of funds generated by the above-mentioned segments.

[Business segments]
Single-Family Houses | Rental Housing | Condominiums | Commercial Facilities | Logistics, Business and Corporate Facilities | Environment and Energy | Other

Figure 16 [Business segments] Operating income margin/ Net sales ratio by segment (FY2023)

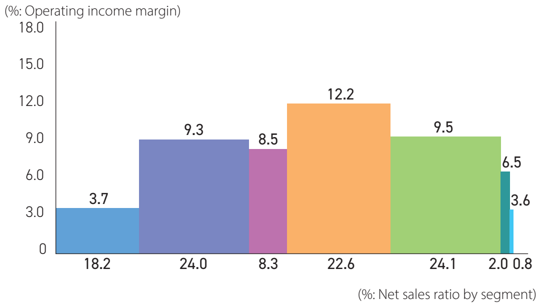
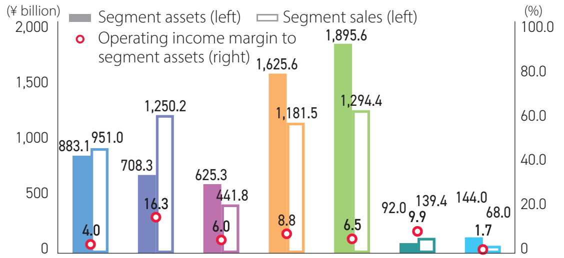
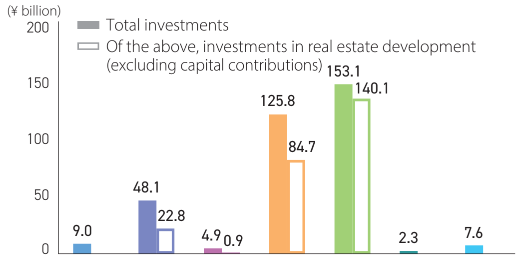


Figure 17 Operating income margin to segment assets (FY2023)



Note: Segment assets are averages during the fiscal year.

Figure 18 [Business segments] Total investments (FY2023)



V Investments

Returns to employees

One of the essential elements for sustaining growth is to maintain and improve the living environment of employees. Employee salaries in fiscal 2023 on a non-consolidated basis increased by ¥11.4 billion from fiscal 2018 (an average increase of 6.3% or ¥572,000 per employee).

The ratio of employee salaries to operating income*8 was 39%, showing no significant change in fiscal 2023. For the third consecutive year, we increased base pays in April 2024 and will actively promote investments in human resources, which are the important source for growth.

*8 Employee salaries/(Operating income + Employee salaries)
Employee salaries include bonuses and non-standard wages.

IT-related investments and research and development (R&D)

IT-related investments in fiscal 2023 were ¥28.7 billion, an increase of 137% over fiscal 2018. IT-related investments are positioned as key for promoting new value proposals and business model changes by improving the quality of services for customers, strengthening supply chains, and back office digitalization. Therefore, we will continue actively investing funds in this area.

R&D expenditures in fiscal 2023 were ¥10.9 billion, of which ¥4.4 billion was for the housing field, and ¥6.4 billion for the business field and other businesses. Our research and development activities range from basic and applied research to the development of new technologies and new products, and further to utilization and verification of these new technologies in architectural structures and community development.

Capital investments

Capital investments (excluding investments in real estate development) were ¥107.1 billion. We are working to upgrade factories in Europe and Japan and improve production lines. We opened a new factory in Germany for modular construction in September 2023. Modular construction is a method of construction where building units are made in factories for assembly on work sites. It not only shortens construction times but also contributes to the circular economy by enabling recycling of waste in factories and disassembled steel frame units. The German factory has the production capacity to meet diverse needs, including for seniors facilities, for which demand is likely to be considerable, as well as for apartments and school dormitories. Additionally, to tackle the construction industry's challenge of a decrease in the number of engineers and technicians, we are also aggressively investing in digital transformation (DX) to advance the digitalization of the construction process.

Figure 19 Ratio of employee salaries to operating income (non-consolidated)

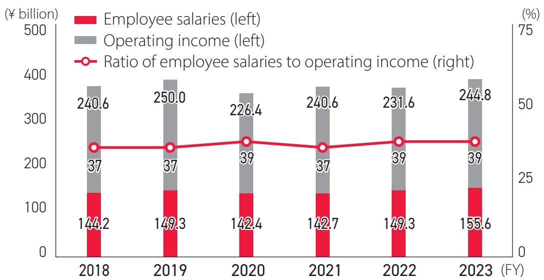


Figure 20 IT-related investments/ Research and development expenditures

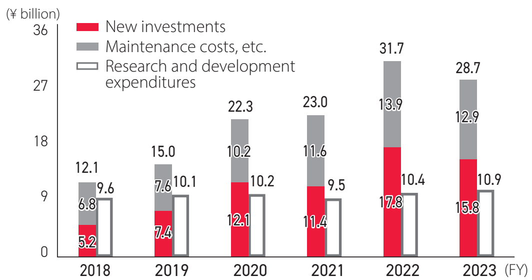
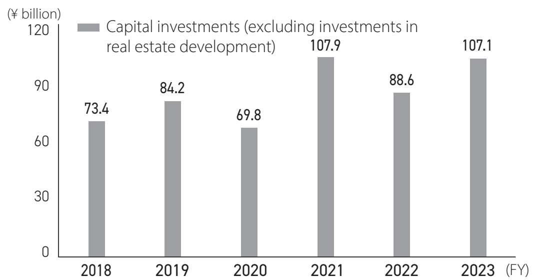


Figure 21 Capital investments (excluding investments in real estate development)



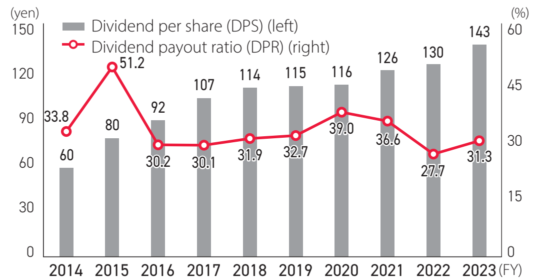
VI Shareholder returns and stock prices

Shareholder returns

In fiscal 2023, our annual dividend was ¥143 per share, for a dividend payout ratio of 31.3%, achieving dividend increases for 14 consecutive periods. The dividend payout ratio was 31.3%, which would be 35.1% when excluding amortization of actuarial differences in retirement benefits. Our 7th Plan increased the target payout ratio to 35% or more, up 5 percentage points from the previous 30%. We return profits to shareholders in line with business performance, and from fiscal 2024, we have revised our minimum annual dividend from ¥130 to ¥145 as we work to maintain even greater stability with dividends.

In addition, 7 million shares of the Company's own stock were cancelled in May 2023, and a buyback of 17.18 million shares (at a total acquisition cost of ¥79.9 billion) was carried out in January 2024.

Figure 22 Shareholder returns



Note: The changes in the dividend payout ratio for fiscal 2015 and fiscal 2022 are mainly due to the revision of discount rates used to calculate retirement benefit obligations.

Price to book-value ratio (PBR)

Book value per share (BPS) amounted to ¥3,810.21 and the average annual growth rate for the period of six years starting from fiscal 2018 was 9.6%. Price to book-value ratio (PBR) came to 1.19 times, marking an improvement from the year-earlier PBR of below 1.00 times. However, we are not satisfied with the current share price and will work to improve capital efficiency through continuous ROE improvement and optimization of the business portfolio. Furthermore, we work to enhance our financial soundness and governance and optimize corporate value through dialogue with investors through our IR activities.

Figure 23 BPS/ PBR

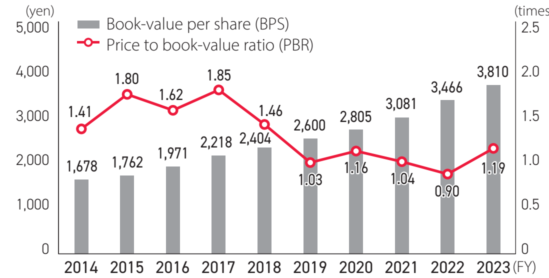
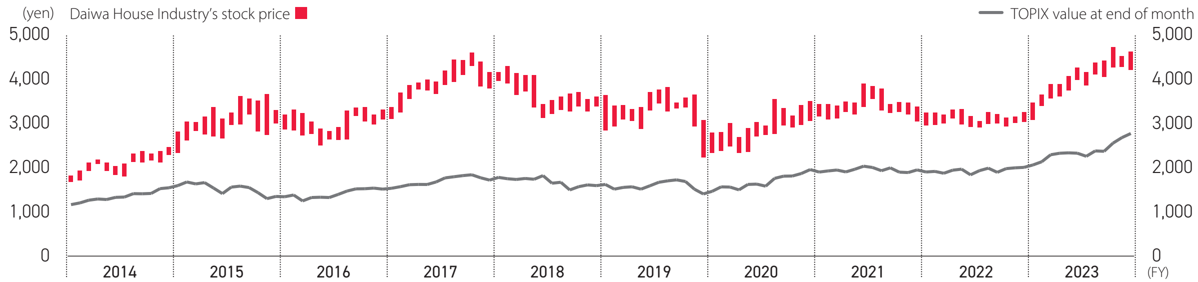


Figure 24 Trends in stock price of Daiwa House Industry and TOPIX



	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Market capitalization (¥ billion)	1,562.0	2,101.6	2,120.6	2,725.4	2,335.9	1,777.9	2,120.3	2,098.7	2,051.7	2,897.1
Highest stock price (yen)	2,467.5	3,654	3,367	4,594	4,293	3,819	3,552	3,900	3,320	4,718
Lowest stock price (yen)	1,673	2,326	2,500.5	3,096	3,119	2,230.5	2,332	3,037	2,907.5	3,080

Note: The highest and lowest stock prices are those quoted on the First Section of the Tokyo Stock Exchange before April 3, 2022, and on the Prime Market of the Tokyo Stock Exchange after April 4, 2022. Market capitalization is calculated as end-fiscal year close price x end-fiscal year total issued shares (excluding treasury shares).

Financial Highlights

(¥ million)

Fiscal Year	2015	2016	2017	2018	2019	2020	2021	2022	2023
Net sales	3,192,900	3,512,909	3,795,992	4,143,505	4,380,209	4,126,769	4,439,536	4,908,199	5,202,919
Gross profit	632,417	721,312	793,832	842,767	870,206	826,883	864,682	955,194	992,407
Selling, general and administrative expenses	389,316	411,220	446,690	470,571	489,091	469,761	481,425	489,824	552,197
Operating income	243,100	310,092	347,141	372,195	381,114	357,121	383,256	465,370	440,210
Operating income excluded amortization of actuarial differences	—	293,573	336,264	369,178	378,245	329,472	332,267	368,714	393,694
Operating income margin (%)	7.6	8.8	9.1	9.0	8.7	8.7	8.6	9.5	8.5
Net income attributable to owners of the parent	103,577	201,700	236,357	237,439	233,603	195,076	225,272	308,399	298,752
Return on equity (ROE) (%)	9.1	16.3	17.0	15.5	14.1	11.0	11.7	14.3	12.7
Total assets	3,257,805	3,555,885	4,035,059	4,334,037	4,627,388	5,053,052	5,521,662	6,142,067	6,533,721
Net assets	1,181,986	1,329,901	1,513,585	1,643,717	1,773,388	1,893,504	2,111,385	2,388,914	2,523,762
Net assets ratio (%)	35.9	36.8	36.5	36.8	37.3	36.3	36.6	37.2	37.3
Interest-bearing debt	491,964	640,671	780,574	778,546	1,043,478	1,274,886	1,425,407	1,849,481	2,087,838
Debt-equity ratio*1 (times)	0.42	0.49	0.53	0.49	0.54	0.59	0.61	0.72	0.77
Net cash provided by operating activities	278,497	287,691	382,365	355,599	149,651	430,314	336,436	230,298	302,294
Net cash used in investing activities	△202,447	△343,643	△313,664	△313,989	△317,273	△389,980	△467,423	△505,181	△310,419
Net cash provided by (used in) financing activities	△130,185	80,086	41,804	△86,979	169,128	102,731	24,427	287,452	97,399
Market capitalization (¥100 million)	21,016	21,206	27,254	23,359	17,779	21,203	20,987	20,517	28,971
Stock prices (FYE) (yen)	3,166	3,196	4,100	3,519	2,677	3,241	3,201	3,114	4,528
Per share of common stock (yen):									
Earnings per share (EPS)	156.40	304.14	355.87	357.29	351.84	297.18	343.82	469.12	457.16
Book-value per share (BPS)	1,762	1,971	2,218	2,404	2,600	2,805	3,081	3,466	3,810
Cash dividends*2	80	92	107	114	115	116	126	130	143
Dividend payout ratio (%)	51.2	30.2	30.1	31.9	32.7	39.0	36.6	27.7	31.3
Price earnings ratio (PER) (times)	20.24	10.51	11.52	9.85	7.61	10.91	9.31	6.64	9.90
Price to book-value ratio (PBR) (times)	1.80	1.62	1.85	1.46	1.03	1.16	1.04	0.90	1.19
Number of employees*3 (FYE)	37,191	39,770	42,460	44,947	47,133	48,807	48,831	49,768	48,483
Number of group companies	172	196	317	387	360	444	480	488	497

*1 Since fiscal 2019, debt-equity ratio has been shown after taking the hybrid financing into account.
*2 Cash dividends for fiscal 2015 include a commemorative dividend of ¥10 to mark the 60th anniversary of the Company's foundation. Cash dividends of ¥126 for fiscal 2021 include a commemorative dividend of ¥10 to mark the 100th birthday of founder Nobuo Ishibashi. *3 Regular employees only.

Fiscal Year	2015	2016	2017	2018	2019	2020	2021	2022	2023
Sales by segments (consolidated)*4 (¥100 million)									
Single-Family Houses	3,783	3,903	3,853	3,838	4,978	5,161	7,848	9,100	9,510
Rental Housing	8,801	9,772	10,308	10,613	10,059	9,827	10,525	11,494	12,502
Condominiums	2,793	2,628	2,850	2,805	3,727	3,397	3,799	4,843	4,418
Existing Homes	955	1,055	1,121	1,145	1,456	1,247	—	—	—
Commercial Facilities	4,955	5,697	6,208	6,939	8,067	8,083	10,385	10,921	11,815
Logistics, Business and Corporate Facilities	7,363	8,284	8,502	10,223	11,523	9,899	10,792	11,302	12,944
Environment and Energy	—	—	—	—	—	—	1,610	1,886	1,394
Other Businesses	4,588	5,135	6,371	7,161	5,300	5,073	630	818	680
Adjustment	(1,311)	(1,349)	(1,256)	(1,293)	(1,311)	(1,423)	(1,197)	(1,285)	(1,238)
Total	31,929	35,129	37,959	41,435	43,802	41,267	44,395	49,081	52,029
Operating income by segments (consolidated)*4 (¥100 million)									
Single-Family Houses	165	192	215	199	180	218	383	466	351
Rental Housing	819	942	1,066	1,022	985	908	966	1,097	1,157
Condominiums	157	134	133	135	158	53	97	408	373
Existing Homes	112	130	132	159	167	104	—	—	—
Commercial Facilities	803	1,007	1,141	1,377	1,406	1,228	1,241	1,329	1,436
Logistics, Business and Corporate Facilities	680	789	889	989	1,206	1,159	1,255	996	1,232
Environment and Energy	—	—	—	—	—	—	52	62	91
Other Businesses	95	168	230	325	192	107	(59)	54	24
Adjustment	(403)	(265)	(337)	(486)	(487)	(209)	(105)	237	(265)
Total	2,431	3,100	3,471	3,721	3,811	3,571	3,832	4,653	4,402
Housing starts*5 (thousands of units)									
Housing starts	921	974	946	952	883	812	865	860	800
Number of houses sold in Japan (non-consolidated) (units)									
Number of houses sold	51,207	54,925	51,641	48,410	43,703	38,991	40,758	40,562	37,453
Custom-built houses	6,999	7,106	6,907	6,524	5,917	5,178	5,164	4,191	3,424
Built-for-sale houses	2,333	2,180	2,320	2,192	2,066	1,841	1,596	1,571	1,760
Reference: Sales of houses (overseas)	—	—	973	2,621	2,875	4,184	4,857	6,332	6,971
Rental housing	38,903	43,428	40,254	37,905	33,502	29,488	31,202	32,224	29,841
Condominiums	2,972	2,211	2,160	1,789	2,218	2,484	2,796	2,576	2,428
Average sales per unit (¥ million)									
Custom-built houses	33.7	34.3	35.9	37.3	39.6	39.6	41.0	45.1	49.0
Built-for-sale houses	24.5	25.3	24.0	24.3	22.4	23.1	24.2	24.6	24.7
Rental Housing Business									
Rental housing units managed	471,342	510,208	543,124	572,238	595,182	611,874	630,555	649,891	684,460
Occupancy rates (%)	97.4	97.1	97.3	96.9	97.6	98.2	98.2	97.8	97.2
Commercial Facilities Business									
Average orders received per building (¥ million)	222	281	324	381	466	512	513	563	736
Subleasing floor space of commercial facilities									
Total leasing floor space (m^2)	5,441,604	5,736,312	6,157,287	6,375,278	6,765,150	6,871,560	6,964,194	7,163,733	7,272,122
Occupancy rates*6 (%)	99.2	99.1	99.1	99.0	98.8	98.5	98.6	98.9	98.9

*4 Including intersegment transactions. *5 Statistics for housing starts are from Housing Starts Survey by Ministry of Land, Infrastructure, Transport and Tourism. *6 Leasing floor space occupied/ Total leasing floor space.

Non-Financial Highlights

Carbon neutral indicators

Key indicators			Achievements (FY) 2022	Achievements (FY) 2023	Targets (FY) 2026	Targets (FY) 2030
Achieving carbon neutrality	Entire value chain	GHG emissions reduction rate (%)*1	23.5	35.6	35	40
	Business Activities: Scope 1 + 2	GHG emissions reduction rate (%)*1	33.5	-26.3	55	70
		Renewable energy utilization rate (purchased electricity only) (%)*2	41.5	95.9	100	100
		Renewable energy utilization rate (all electricity used) (%)	41.5	81.8	100	100
	Building use: Scope 3 (Category 11)*6	GHG emissions reduction rate (%)*1	39.3	52.2	58	63
		ZEH rate (%)*2	86	97	90	100
		Rental housing ZEH-M rate (%)*3	14.2	48.7	50	100
		Condominiums ZEH-M rate (%)*4	67.5	90.5	100	100
		ZEB rate (%)*5	65.7	68.5	80	100
	Renewable energy supply facilities constructed	Renewable energy generation equipment constructed (EPC) (MW)*6	2,706	3,075	4,200	5,000
		Renewable energy power plants developed and operated (IPP) (MW)*7	602	700	1,550	2,500
	Solar panel installation rate (non-residential)	Commercial Facilities Business (non-consolidated) (%)*8	32.2	40.1	Principles 100	
		Logistics, Business & Corporate Facilities Business (non-consolidated) (%)*8	61.8	62.2		

*1 vs FY2015
*2 Contracting and the subdivision development (built-for-sale) operated by Daiwa House Industry(non-consolidated) (in Japan excluding Hokkaido). Construction start basis.
*3 Contracting and the subdivision development (built-for-sale) and development real estate operated by Daiwa House Industry(non-consolidated) (domestic only). Construction start basis.
*4 Total of Daiwa House Industry (non-consolidated) and Cosmos Initia (results through February 2024 for consolidated companies), excluding joint ventures managed by other companies (domestic only). Construction start basis.
*5 Total of Daiwa House Industry, Daiwa Lease, and Fujita. Only in Japan, construction start basis, percentage of land area.
*6 Cumulative total since FY2011
*7 In-house consumption is excluded
*8 Results for FY2022 (second half of the fiscal year). Construction start basis, percentage of facilities.

Human Capital Indicators

Key indicators			Achievements (FY) 2021	Achievements (FY) 2022	Achievements (FY) 2023	Targets
Increase the value of our human capital	Recruitment	Ratio of newly employed females to total new employees (%)	25.8 (April 1, 2022)	24.9 (April 1, 2023)	27.6 (April 1, 2024)	30
		Number of career hires	64	145	182	—
	Diversity	Ratio of female employees in management (%)	4.9 (April 1, 2022)	5.2 (April 1, 2023)	5.8 (April 1, 2024)	8 (April 1, 2027)
		Ratio of female section chiefs (%)	19.2 (April 1, 2022)	21.3 (April 1, 2023)	23.4 (April 1, 2024)	25 (April 1, 2027)
		Ratio of employment of persons with disabilities (%)	2.46 (April 1, 2022)	2.50 (April 1, 2023)	2.48 (April 1, 2024)	2.70 (April 1, 2026)
		Ratio of retention of young employees (three years after joining the Company) (%)*1	76.6 (April 1, 2022)	76.6 (April 1, 2023)	77.6 (April 1, 2024)	85
		Ratio of seniors who continue to be employed at age 65 (%)	60.9 (April 1, 2022)	49.4 (April 1, 2023)	55.2 (April 1, 2024)	—
	Health management	Percentage of employees receiving periodic medical examinations (%)	100	100	100	Early achievement of 100%
		Percentage of follow-up testing of patients who were required to receive detailed tests or medical treatment (%)	91.0	95.3	89.5	Early achievement of 100%
	Childbirth and childcare	Ratio of male employees taking childcare leave (%)*2	41.9	62.2	66.5	80
		Lump-sum payment program for fostering the next generation (number of recipients/ amounts: ¥ million.)*3	636/636	643/643	609/609	—
	Employment	Percentage of paid leave taken (%)	57.3	56.4	65.5	—
	Equity	Gender wage gap (ratio of average income of female to male employees) (%)*4	60.7	61.5	61.6	—
	Career support	Number of Multi-Experiential Career Support Program users*5	—	58	78	—

Note: The figures in human capital indicators are for Daiwa House Industry (non-consolidated) only.

*1 Retention rate of regular recruits three years after joining the Company in each fiscal year
*2 In an in-house questionnaire conducted in 2020 and 2024, 80% of male employees said that they wanted to take childcare leave. Therefore, the target for the end of the 7th Medium-Term Management Plan (FY 2026) was set at 80%.
*3 Cumulative total since the introduction of the system Payments in 2005 : ¥12,471 million
*4 Percentage of full-time employees
*5 Career support program focusing on internal and external side jobs

Corporate Data (as of June 27, 2024)

Corporate name	Daiwa House Industry Co., Ltd.
Foundation	April 5, 1955 (Established: March 4, 1947)
Paid-in capital	¥161,957,152,677
Employees (consolidated)	48,483 (as of March 31, 2024)
Securities traded	Prime Market of the Tokyo Stock Exchange
Securities code	1925
Head office	3-3-5 Umeda, Kita-ku, Osaka 530-8241, Japan Phone: +81-6-6346-2111
Tokyo Head office	3-13-1 Iidabashi, Chiyoda-ku, Tokyo 102-8112, Japan Phone: +81-3-5214-2111
Offices (9)	Kita-Nihon, Kita-Kanto, Higashi-Kanto, Minami-Kanto, Hokuriku, Chubu, Chugoku, Shikoku, Kyushu
Branches	43
Factories	9
Research center	Central Research Laboratory (Nara)
Training center	Daiwa House Group MIRAI KACHI KYOSO Center (Nara)
Countries and regions with overseas operations	25 countries, 50 cities
Contact	Daiwa House Industry Co., Ltd. IR Department, Management Administration Headquarters Phone: +81-6-6225-7804 e-mail: dh.ir.communications@daiwahouse.jp
Website	https://www.daiwahouse.com/English/

Board of Directors, Audit & Supervisory Board and Executive Officers (as of June 27, 2024)

Board of Directors (14)

Representative Director and President, CEO	Keiichi Yoshii
Representative Director and Executive Vice President, CFO	Takeshi Kosokabe
Representative Director and Executive Vice President	Yoshiyuki Murata
Director and Senior Managing Executive Officers	Keisuke Shimonishi Hirotsugu Otomo
Director and Managing Executive Officers	Kazuhito Dekura Yoshinori Ariyoshi Toshiya Nagase
Outside Directors	Yukinori Kuwano Miwa Seki Kazuhiro Yoshizawa Yujiro Ito Tomokazu Nanbu Tomomi Fukumoto

Audit & Supervisory Board (6)

Audit & Supervisory Board Members	Tomoyuki Nakazato Tadatoshi Maeda Yoshinori Hashimoto
Outside Audit & Supervisory Board Members	Akihisa Watanabe Tatsuji Kishimoto Takashi Maruyama

Managing Executive Officers (8)

Tatsuya Urakawa
Koji Harano
Eiichi Shibata
Yukikazu Kataoka
Yuji Yamada
Moritaka Noumura
Tetsuya Tamura
Junko Ishizaki

Senior Executive Officers (15)

Nobuhito Ishibashi
Katsuyuki Murai
Tetsuro Wada
Masafumi Sugimoto
Hiroshi Kono
Norio Togashi
Takafumi Nakao
Kenichi Yoshioka
Hirotaka Najima
Kazumi Suwa
Shigeki Ochiai
Hideto Tamiya
Yuichi Sugiura
Yoshimune Morizumi
Ryuichi Oyaide

Executive Officers (32)

Taro Kawamura
Takehiro Uchiyama
Masataka Kanai
Masaaki Kikuchi
Yoshinori Iwabuchi
Shingo Suzuki
Masatoshi Hatta
Akihiko Wada
Keisuke Izumoto
Toshiyuki Suminaga
Katsunori Nobe
Toshiki Tanaka
Ryuzo Matsuyama
Shinichi Yamazaki
Masao Kita
Naoya Honda
Tadahiro Takayoshi
Noboru Higuchi
Kazuya Mukai
Yoshimitsu Kojima
Akira Matsuba
Shinji Tanioku
Tetsuo Hatta
Takeshi Wakita
Akira Kitamura
Yoichi Shimoyama
Eiji Saito
Takahiro Zaitsu
Masao Noshi
Masayuki Kanda
Masatoshi Sarashina
Soei Iwamoto

Share Information (as of March 31, 2024)

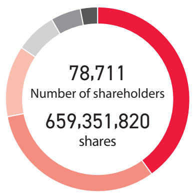
Authorized .... 1,900,000,000 shares
Issued .... 659,351,820 shares
Number of shareholders 78,711

Principal shareholders

Name of shareholders	Thousands of shares	Equity stake (%)
The Master Trust Bank of Japan, Ltd. (trust account)	100,083	15.64
Custody Bank of Japan, Ltd. (trust account)	43,891	6.86
Daiwa House Industry Employee Shareholders Association	14,465	2.26
STATE STREET BANK WEST CLIENT - TREATY 505234	13,348	2.09
Sumitomo Mitsui Banking Corporation	12,893	2.02
Nippon Life Insurance Company	11,944	1.87
JPMorgan Securities Japan Co., Ltd.	10,120	1.58
SSBTC CLIENT OMNIBUS ACCOUNT	8,858	1.38
JP MORGAN CHASE BANK 385781	8,390	1.31
National Mutual Insurance Federation of Agricultural Cooperatives	7,689	1.20

Note1: The Company holds 19,529 thousand shares as treasury stock, but it is not included in the above list.
Note 2: The ratio of the number of shares held to the total number of issued shares (excluding treasury shares) is rounded down to the three decimal places.

Shareholdings by shareholders



	Number of shareholders	Shares	Equity stake (%)
Financial institutions	180	264,202,766	40.1
Foreign investors	1,167	211,318,626	32.0
Individuals and others	75,825	82,143,229	12.5
Other corporations	1,493	48,253,908	7.3
Securities companies	45	33,904,238	5.1
Treasury stock	1	19,529,053	3.0

Note: Equity stake shows the percentages of the total outstanding shares.

Editorial Postscript

Targeting the next ¥5 trillion to make Our Hopes for the Future happen

Yuji Yamada
Managing Executive Officer
In charge of Finance and IR

This year, Daiwa House Group attained net sales of ¥5 trillion ahead of the 70th anniversary of our founding in 2025. I would like to express my heartfelt gratitude to the support of our shareholders, institutional investors, and all other stakeholders.

"Our Hopes for the Future (Our Future Landscape: Celebrating the Joys of Life)" is our compass as we implement our sustainability strategy for business and infrastructure in the journey to our centennial in 2055. It was adopted in May 2022 after a series of discussions about the future society we want to create, incorporating the views of diverse stakeholders. We aim to achieve sustainable growth by performing the role of creating social infrastructure and lifestyle culture rooted in regeneration and circularity, converting the joy we create for people into economic value to the tune of ¥10 trillion in net sales.

We are putting into practice management with an awareness of cost of capital and our share price. Our PBR was 1.1 times at the end of May 2024; we are aware that we have challenges, including the improvement of profitability. Although Japan has had a zero interest-rate policy for many years, we will once again become a country with positive interest rates. To ensure that employees were aware of interest rates' importance, Daiwa House's founder used to tell them that interest works for us even while we sleep. We need to make sure all employees are conscious of interest rates, and to deliver the message internally and to the public that our capital efficiency is improving, because our recent growth investments have exceeded the cost of capital. We intend to make solid progress by optimizing our business portfolio while preserving the uniqueness of Daiwa House and accelerating our investment in people and digital transformation, in preparation for the next stage of growth.

In closing, we would like to express our appreciation to all who have taken the time to read this report. We hope stakeholders will continue to deepen their understanding of the Group's business activities and provide even greater support as we move forward.

Our Communications at a Glance

Financial information | Coordination | Non-financial information

Dialogue

- Release of financial results
- Teleconferencing with securities analysts and institutional investors
- Business briefing / Guided tours of building sites, plants, etc.
- Online company information sessions for individual investors
- General Meeting of Shareholders
- Presentation on Management Policies
- Experts' dialogue
- Stakeholders' meeting
- ESG small meetings

Reports

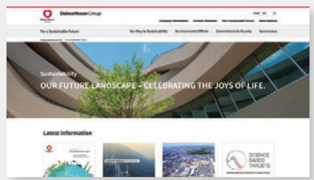
- Securities report
- Business result report
- Corporate governance report

Integrated Report

Sustainability Report
(incl. Data Section / Third-Party Assurance)

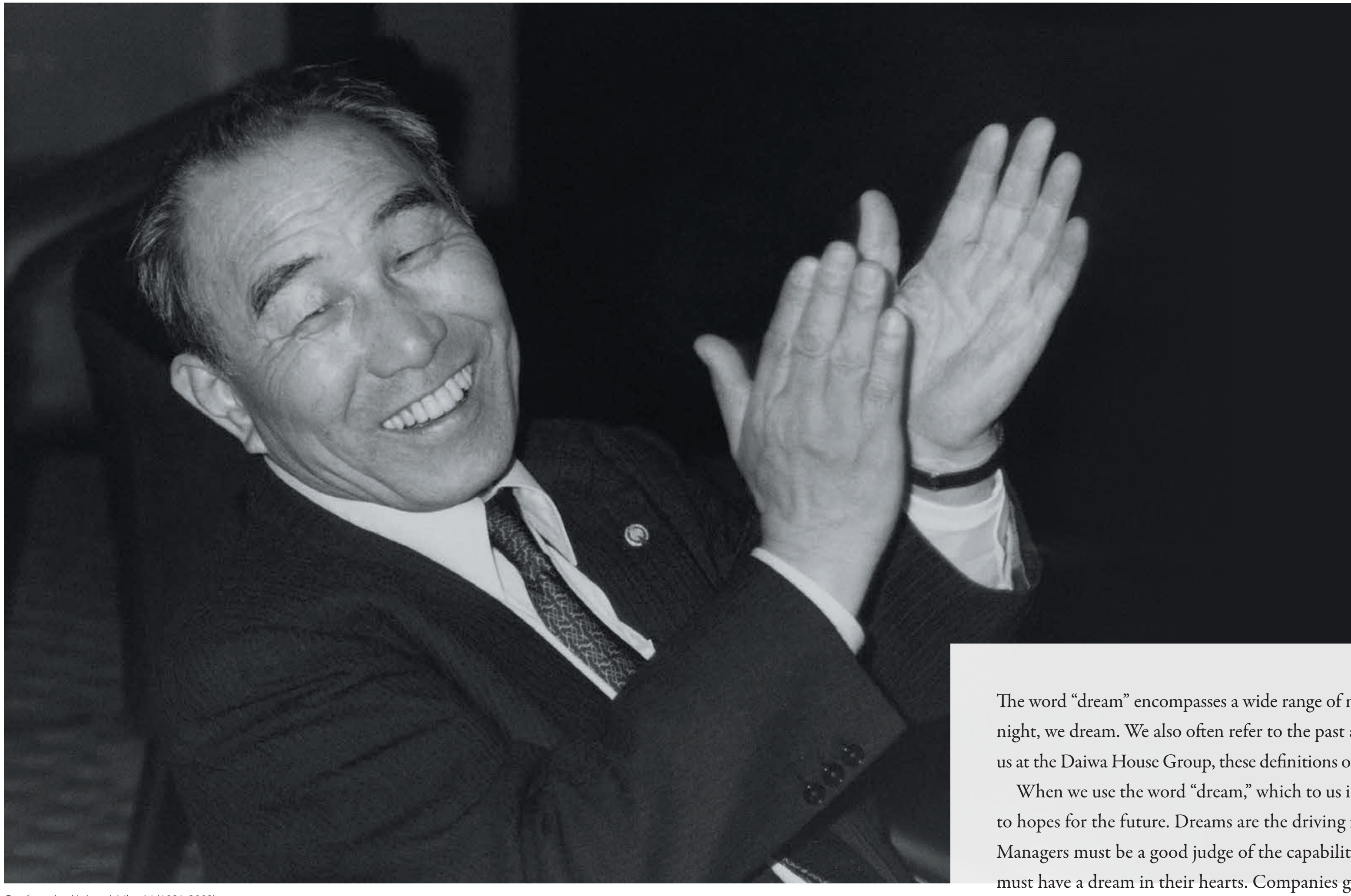
WEB

Investor Relations
https://www.daiwahouse.com/English/ir/



Sustainability
https://www.daiwahouse.com/English/sustainable/

- DX Annual report



Our founder, Nobuo Ishibashi (1921-2003)

The word “dream” encompasses a wide range of meanings. When we go to sleep at night, we dream. We also often refer to the past as “seeming like a dream.” But for us at the Daiwa House Group, these definitions of the word can be put to one side.

When we use the word “dream,” which to us is very important, we are referring to hopes for the future. Dreams are the driving force behind great achievements. Managers must be a good judge of the capabilities of their staff. Employees, too, must have a dream in their hearts. Companies grow along with the realization of such dreams. A company’s management and staff must all keep on trying to make their dream reality, and must never give up.

Our founder, Nobuo Ishibashi

Daiwa House Industry Co., Ltd.

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Tokyo Head Office	3-13-1 Iidabashi, Chiyoda-ku, Tokyo 102-8112, Japan Phone +81-3-5214-2111