Summary of Financial Results for the Fiscal Year Ended March 31, 2014 [Consolidated]
(From April 1, 2013 to March 31, 2014)
[Japanese GAAP]

May 9, 2014

Name of Listed Company: Daiwa House Industry Co., Ltd.
Code No.: 1925
URL: http://www.daiwahouse.co.jp/
Listed Exchanges: First section of the Tokyo Stock Exchange;
Representative: Naotake Ono, President and COO
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Scheduled Date of Ordinary General Meeting of Shareholders: June 27, 2014
Scheduled Date of Commencement of Dividend Payment: June 30, 2014
Scheduled Date of Filing Securities Report: June 27, 2014
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 Fiscal Year Ended March 31, 2014 (From April 1, 2013 to March 31, 2014)

(1) Consolidated Business Results

(% figures represent year-on-year change)

	Net sales		Operating income		Ordinary income		Net income	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
Fiscal year ended March 31, 2014	2,700,318	34.5	163,576	27.8	176,366	21.3	102,095	54.1
Fiscal year ended March 31, 2013	2,007,989	8.6	128,024	11.4	145,395	34.0	66,274	99.6

Note: Comprehensive income
Fiscal year ended March 31, 2014: 148,601 million yen (63.4%); Fiscal year ended March 31, 2013: 90,929 million yen (162.9%)

	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
	Yen	Yen	%	%	%
Fiscal year ended March 31, 2014	161.08	—	11.9	7.0	6.1
Fiscal year ended March 31, 2013	114.52	—	9.5	6.5	6.4

(Reference) Equity in earnings of affiliates
Fiscal year ended March 31, 2014: 1,453 million yen; Fiscal year ended March 31, 2013: 500 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, 2014	2,665,946	992,686	37.0	1,496.72
March 31, 2013	2,371,238	734,883	30.9	1,267.77

(Reference) Net assets ratio = (Net assets – Minority interests)/Total assets
(Net assets – Minority interests) is as follows. March 31, 2014: 986,518 million yen; March 31, 2013: 733,623 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
	Millions of yen	Millions of yen	Millions of yen	Millions of yen
Fiscal year ended March 31, 2014	78,451	(240,439)	110,131	198,733
Fiscal year ended March 31, 2013	164,247	(140,736)	(28,633)	245,037

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 (March 31)	Annual			
	Yen	Yen	Yen	Yen	Yen	Millions of yen	%	%
Fiscal year ended March 31, 2013	—	0.00	—	35.00	35.00	20,253	30.6	2.9
Fiscal year ended March 31, 2014	—	20.00	—	30.00	50.00	32,956	31.0	3.6
Fiscal year ending March 31, 2015 (forecasts)	—	25.00	—	25.00	50.00		31.4	

3. Consolidated Business Forecasts for the Fiscal Year Ending March 31, 2015 (From April 1, 2014 to March 31, 2015)

(% figures represent year-on-year change)

	Net sales		Operating income		Ordinary income		Net income		Basic net income per share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
Fiscal year ending March 31, 2015	2,800,000	3.7	170,000	3.9	169,000	(4.2)	105,000	2.8	159.30

Notes:

(1) Changes in Significant Subsidiaries during the Fiscal Year (Changes in specified subsidiaries associated with changes in the scope of consolidation): None

(2) Changes of Accounting Policies Applied, Changes in Accounting Estimates and Retrospective Restatement

1) Changes of accounting policies applied due to amendment of accounting standards: Yes

2) Changes of accounting policies due to reasons other than 1): None

3) Changes in accounting estimates: None

4) Retrospective restatement: None

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

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

As of March 31, 2014	660,421,851 shares	As of March 31, 2013	599,921,851 shares

2) Number of treasury stock at the end of the period

As of March 31, 2014	1,300,280 shares	As of March 31, 2013	21,248,944 shares

3) Average number of shares during the period

Fiscal year ended March 31, 2014	633,810,272 shares	Fiscal year ended March 31, 2013	578,694,864 shares

Note: For the number of shares used as the basis of calculating basic net income per share (consolidated), please refer to “(5) Notes to Consolidated Financial Statements (Per Share Information)” in “3. Consolidated Financial Statements” of “the Attached Material” on page 29.

(Reference) Summary of Non-Consolidated Results of Operation

Non-Consolidated Results of Operation for the Fiscal Year Ended March 31, 2014 (From April 1, 2013 to March 31, 2014)

(1) Non-Consolidated Business Results

(% figures represent year-on-year changes)

	Net sales		Operating income		Ordinary income		Net income	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
Fiscal year ended March 31, 2014	1,429,886	15.4	104,030	29.6	126,306	22.7	80,881	65.2
Fiscal year ended March 31, 2013	1,238,811	10.9	80,273	23.8	102,921	58.1	48,951	170.8

	Basic net income per share	Diluted net income per share
	Yen	Yen
Fiscal year ended March 31, 2014	127.61	—
Fiscal year ended March 31, 2013	84.59	—

(2) Non-Consolidated Financial Conditions

	Total assets	Net assets	Net assets ratio	Net assets per share
	Millions of yen	Millions of yen	%	Yen
March 31, 2014	1,798,797	820,683	45.6	1,245.06
March 31, 2013	1,634,124	609,016	37.3	1,052.44

(Reference) Net assets: March 31, 2014: 820,644 million yen; March 31, 2013: 609,016 million yen

*** Status of auditing procedures**

As of the time when the financial results for the period under review are disclosed, the Group had not completed auditing procedures for the consolidated financial statements as laid down by the Financial Instruments and Exchange Law.

*** Remarks on appropriate use of forecasted results of operation and other special matters**

(Notes regarding forward-looking statements)

Consolidated business 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 financial markets, economic conditions, competitor situations and fluctuations in land prices.

Please refer to the section of “(1) Analysis on Business Results” in “1. Analysis on Business Results and Financial Conditions” of “the Attached Material” on page 7 for the suppositions that form the assumptions for business forecasts.

(Obtaining supplementary explanatory materials)

The Company plans to hold a briefing for institutional investors and securities analysts on May 9, 2014. Relevant financial statements to be handed out at the briefing will be posted on the Company’s 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, 2011	Fiscal year ended March 31, 2012	Fiscal year ended March 31, 2013	Fiscal year ended March 31, 2014	Forecast for the fiscal year ending March 31, 2015
Net sales (millions of yen)	1,690,151	1,848,797	2,007,989	2,700,318	2,800,000
Cost of sales (millions of yen)	1,352,937	1,468,844	1,592,218	2,192,414	2,264,500
Selling, general and administrative expenses (millions of yen)	249,516	264,996	287,746	344,326	365,500
Operating income (millions of yen)	87,697	114,955	128,024	163,576	170,000
Ordinary income (millions of yen)	79,049	108,506	145,395	176,366	169,000
Net income (millions of yen)	27,267	33,200	66,274	102,095	105,000
Basic net income per share (yen)	47.09	57.36	114.52	161.08	159.30
Return on equity (ROE) (%)	4.4	5.1	9.5	11.9	—
Ordinary income to total assets ratio (%)	4.1	5.4	6.5	7.0	—
Dividend per share (yen) (of which interim dividend per share)	20 (—)	25 (—)	35 (—)	50 (20)	50 (25)
Total annual dividends (millions of yen)	11,576	14,467	20,253	32,956	—
Dividend payout ratio (%)	42.5	43.6	30.6	31.0	31.4
Dividends to net assets ratio (%)	1.9	2.2	2.9	3.6	—
Total assets (millions of yen)	1,934,236	2,086,097	2,371,238	2,665,946	—
Net assets (millions of yen)	635,186	657,891	734,883	992,686	—
Net assets ratio (%)	32.8	31.5	30.9	37.0	—
Net assets per share (yen)	1,095.62	1,135.46	1,267.77	1,496.72	—
Depreciation (millions of yen)	44,613	43,790	45,836	48,533	55,000
Net increase in property, plant and equipment and intangible assets (millions of yen)	93,874	103,604	121,383	217,358	220,000
Cash flows from operating activities (millions of yen)	127,957	248,771	164,247	78,451	—
Cash flows from investing activities (millions of yen)	(83,594)	(117,226)	(140,736)	(240,439)	—
Cash flows from financing activities (millions of yen)	(77,834)	(28,766)	(28,633)	110,131	—
Cash and cash equivalents, end of year (millions of yen)	146,243	248,712	245,037	198,733	—

2. Sales and Operating Income by Segment

(Millions of yen)

Fiscal years		Fiscal year ended March 31, 2011	Fiscal year ended March 31, 2012	Fiscal year ended March 31, 2013	Fiscal year ended March 31, 2014	Forecast for the fiscal year ending March 31, 2015
Net sales		1,690,151	1,848,797	2,007,989	2,700,318	2,800,000
Sales by segment*	Single-Family Houses	322,479	336,364	351,157	394,481	365,000
	Rental Housing	496,158	526,755	592,568	688,756	777,000
	Condominiums	140,933	128,872	156,795	242,792	235,500
	Existing Home Business	60,781	68,140	76,473	86,702	95,000
	Commercial Facilities	274,066	306,934	347,234	421,981	436,000
	Logistics, Business & Corporate Facilities	194,306	257,000	251,463	592,190	593,000
	Other Businesses	280,040	312,928	335,386	393,944	423,000
	Adjustments	(78,616)	(88,198)	(103,089)	(120,531)	(124,500)
Operating income		87,697	114,955	128,024	163,576	170,000
Operating income by segment*	Single-Family Houses	7,210	11,010	12,587	13,389	4,000
	Rental Housing	46,999	52,997	52,278	64,279	73,000
	Condominiums	5,370	3,770	9,968	10,705	6,000
	Existing Home Business	4,237	4,536	6,134	9,311	9,500
	Commercial Facilities	33,564	33,163	45,946	60,764	62,000
	Logistics, Business & Corporate Facilities	11,516	25,895	20,689	26,934	35,000
	Other Businesses	2,798	8,265	9,607	14,082	15,000
	Adjustments	(23,999)	(24,684)	(29,187)	(35,891)	(34,500)

Note: The Health & Leisure Business, which was a reportable business segment in the previous fiscal year, is included in the Other Businesses segment beginning from the reporting fiscal year.

1. Analysis of Business Results and Financial Conditions

(1) Analysis of Business Results

(Business results for the reporting fiscal year)

During fiscal 2013 (the year ended March 31, 2014), the Japanese economy continued to recover moderately on the back of domestic demand, bolstered mainly by a last-minute demand surge ahead of the consumption tax increase in addition to the positive effects of *Abenomics* and disaster-related reconstruction demand. However, uncertainties about the future remained, primarily due to concerns over reduced exports as a greater number of companies shift production overseas and consumer reaction following the consumption tax increase.

In the housing industry, new housing starts for every month of the period under review were higher than the year-ago level, realizing 18-consecutive months of year-on-year growth (from September 2012 through February 2014). This reflected a rebound in consumer confidence based on improved economic sentiment, anticipated high interest rates, and a last-minute demand surge before the consumption tax increase, among other factors. However, the effect of consumer reaction following the consumption tax increase also gradually began to emerge, giving rise to concerns over stagnation.

Under these conditions, the Daiwa House Group launched the 4th Medium-Term Management Plan, “3G&3S” for the Next Step, which covers the three years beginning from fiscal 2013. The plan was formulated based on future growth strategies in order to enable the Group to grow and develop even further in the years ahead.

In the 3rd Medium-Term Management Plan, “3Gs for New Growth,” the Daiwa House Group took on the challenge of implementing its 3G strategy (the three Gs are the initial letters of Group, Global, and Great, the three key words that define this strategy) of sustaining growth across the entire Group, accelerating its global development, and becoming an excellent company. In its 4th Medium-Term Management Plan, the Group added the basic 3S approach of Speed, Safety, and Sustainability that forms the basis of its implementation of the 3G strategy. Using both “3G & 3S,” the Group will ensure growth into the future.

In its three-year investment plan totaling 650 billion yen (breakdown: 400 billion yen for real-estate development, 50 billion yen for overseas investment, 50 billion yen for M&A, and 150 billion yen for capital investment), the Daiwa House Group decided on a policy to invest in real-estate development in its three priority investment fields: the Rental Housing Business; the Commercial Facilities Business; and the Logistics, Business and Corporate Facilities Business. To build a stable financial base, the Group issued new shares of common stock in a public offering, undertook the retirement of treasury stock, and issued new shares through third-party allotment. As a result, the Group raised a total of 138,228 million yen in new funds.

In June 2013, the Daiwa House Group converted Cosmos Initia Co., Ltd. into a subsidiary as a measure to strengthen and expand the Condominiums Business, and converted Daiyoshi Trust Co., Ltd. into a subsidiary in preparation for full-scale entry into the parking business.

As a result of the above, the Daiwa House Group posted consolidated net sales in the reporting fiscal year of 2,700,318 million yen, up 34.5% year-on-year. Operating income was 163,576 million yen, up 27.8% year-on-year. Ordinary income was 176,366 million yen, up 21.3% year-on-year. Net income amounted to 102,095 million yen, up 54.1% year-on-year.

Results by business segment are as follows.

The Health & Leisure Business, which was a reportable business segment in the previous fiscal year, is included in the Other Businesses segment beginning from the reporting fiscal year. For year-on-year comparisons below, prior year amounts have been reclassified in accordance with the changed segmentations.

Single-Family Houses Business

In the Single-Family Houses Business, we built up businesses and developed products that meet the needs of local communities and focused on expanding sales of our xevo single-family house models. In April 2013, we strengthened our community-based products by launching skye homes, our first-ever five-story house models designed to effectively use small plots and meet demand for medium-rise housing, in the Tokyo metropolitan area (Tokyo, Kanagawa, Chiba and Saitama). Then, in January 2014, we launched xevo Σ homes, high-end single-family house models using new construction methods including energy-absorbing resistant walls capable of retaining their initial performance despite repeated exposure to large earthquakes.

In the same month, we also opened Sumai Marugoto Experience Museum, our largest facility for hands-on experience of a single-family house, in the Nara Plant, where customers considering purchasing a single-family house can have fun getting to know the technology and appeal of our single-family houses.

In the town planning field, we developed SMAxEco Town throughout Japan, starting with Harumidai SMAxEco Town (Osaka), which opened in June 2013, followed by Tsukuba Science SMAxEco City (Ibaraki) and Sagamihara Hikarigaoka SMAxEco City (Kanagawa). In November 2013, these SMAxEco projects, undertaken as new urban planning initiatives for a low-carbon society, received the Eco-Products Award from the Ministry of Land, Infrastructure, Transport and Tourism in the 10th Eco-Products Awards, supported by the Ministry of Finance, the Ministry of Health, Labor and Welfare, the Ministry of Agriculture, Forestry and Fisheries, the Ministry of Economy, Trade and Industry, the Ministry of Land, Infrastructure, Transport and Tourism, and the Ministry of the Environment.

As a result, sales in this segment amounted to 394,481 million yen, up 12.3% year-on-year, and operating income was 13,389 million yen, up 6.4% year-on-year.

Rental Housing Business

In the Rental Housing Business, we established 10 new sales offices as of April 1, 2013, chiefly in the Tokyo metropolitan area, and focused on sales activities tailored to the needs of local communities and expansion in orders. In rental housing with high security standards, which is a core product, we developed the new Safety Again Room, an original product having both an air shower room that blows off pollen, dust, PM2.5 and other contaminants, and a security function for the dispatch of a security guard in emergencies. We began selling the Safety Again Room in June 2013. Furthermore, in October 2013, we opened the D-room Plaza Hall Yume for rental housing in Tochigi-Ninomiya Plant, where customers can see and experience for themselves the security, anti-seismic design, sound insulation and other specifications that land owners attach importance to when they build rental housing.

As a result, sales in this segment amounted to 688,756 million yen, up 16.2% year-on-year, and operating income was 64,279 million yen, up 23.0% year-on-year.

Condominiums Business

In the Condominiums Business, Daiwa House sought to supply customers with higher-value-added condominiums. At the PREMIST Kita-Senri Classy (Osaka)[*1] condominium building, which we began constructing in April 2013, we introduced a Mansion Energy Management System (MEMS) for the first time and, in the same month, this building was approved by the Ministry of Economy, Trade and Industry as one of its FY2012 projects to accelerate the introduction of "smart mansions"[*2]. Meanwhile, units at PREMIST Minami Aoyama (Tokyo), offered as high-end city-center condominiums, sold out and, results for redevelopment projects in major cities throughout Japan were also good, with units at The Gofukucho Tower (Shizuoka)[*3] selling out, and with the 150 units of the first phase of The Tower Yokosuka Chuo (Kanagawa)[*4] also selling out immediately.

Moreover, in June 2013, the Daiwa House Group was allocated shares in Cosmos Initia Co. Ltd. by way of private placement and converted Cosmos Initia into a subsidiary as a measure to further strengthen the

Condominiums Business in the Tokyo metropolitan area.

As a result, sales in this segment amounted to 242,792 million yen, up 54.8% year-on-year, and operating income was 10,705 million yen, up 7.4% year-on-year.

*1. Joint project with Sumitomo Corporation.

*2. Project to popularize and promote *smart mansions* with MEMS that realize efficient use of energy, control of energy demand and effortless energy saving. Wings A to E of PREMIST Kita-Senri Classy were selected.

*3. Joint project with Fuji Urban Development Co., Ltd. and Tokai Corporation.

*4. Joint project with Keikyu Corporation.

Existing Home Business

In the Existing Home Business, with a view to increasing the efficiency of the Group's management resources and expanding business in the general renovation market, Daiwa House Industry integrated its home renovation business into Daiwa House Renew, which it then spun off to create Daiwa House Reform Co., Ltd. on April 1, 2013. We also further strengthened our relationship with owners of Daiwa House's single-family homes and rental houses and proposed finely tailored solutions to these customers featuring earthquake resistance diagnosis and seismic retrofitting to maintain asset value and enable customers to enjoy their cherished homes for longer.

As a result, sales in this segment amounted to 86,702 million yen, up 13.4% year-on-year, and operating income was 9,311 million yen, up 51.8% year-on-year.

Commercial Facilities Business

The Commercial Facilities Business continued to pursue finely tailored proposal-driven sales, targeting large tenant businesses with stores nationwide and local tenant businesses with a strong foothold in their respective regions, leveraging its abundant land-related data and expertise in store-opening support for tenant businesses. We also developed and operated neighborhood shopping centers that form the hub of the community.

After celebrating their fifth anniversaries, Iias Tsukuba (Ibaraki) and FOLEO Otsu-Ichiriyama (Shiga), which had a renovation, held their grand openings in March 2014.

As a result, sales in this segment amounted to 421,981 million yen, up 21.5% year-on-year, and operating income was 60,764 million yen, up 32.3% year-on-year.

Logistics, Business and Corporate Facilities Business

The Logistics, Business and Corporate Facilities Business increased its involvement in each of its specialized fields by leveraging its know-how of logistics, medical and nursing care, and corporate facilities.

In logistics, we worked to expand orders by starting to develop multi-tenant logistics properties for an unspecified number of tenants in locations with convenient access to transportation and in close proximity to consumers and producing areas, among other initiatives, to respond to the changing market, in addition to our existing BTS[*1] logistics properties, custom-made distribution warehouses for specified companies. We also began an operation test of D's SMART LOGISTICS, a next-generation eco-friendly logistics facility which reduces CO_2 emissions by around 25% (compared with our existing facilities) at DPL Sagamihara (Kanagawa), a multi-tenant logistics facility operated by Daiwa House completed in December 2013.

In medical and nursing care facilities, we strengthened proposals using funding to meet customer demand for rebuilding.

As a result, sales in this segment amounted to 592,190 million yen, up 135.5% year-on-year, and operating income was 26,934 million yen, up 30.2% year-on-year, partly due to the addition of the results of Fujita Corporation, which became a subsidiary in January 2013.

Other Businesses

The Environment and Energy Business Division proposed comprehensive environment and energy solutions, centering on improvements to save and create energy, to local governments and enterprises endeavoring to save and sell electricity. We especially focused on contracts for the construction of mega-solar facilities which are increasing throughout Japan.

The Daiwa House Group rolled out its one-stop service from construction to operation of photovoltaic power plants nationally under the brand name "DREAM Solar." In the reporting fiscal year, we put the plants that generate over 500kW into operation at 23 sites throughout Japan, including DREAM Solar Hachinohe Kikyono (Aomori), bringing the total number of DREAM Solar plants in operation to 25.

The Home Center Business increased its total number of stores to 52 with the opening of Royal Home Center Higashinada Uozaki (Hyogo), Royal Home Center Chiba-Minato and Royal Home Center Kawagoe (Saitama), all of which are community-based home centers with environmentally-friendly designs and extensive functions and products to meet the everyday needs of customers, including free delivery and installation services.

The City Hotels Division increased its total number of hotels to 38 with the opening of the Daiwa Roynet Hotel Osaka Kitahama in May 2013. For the safety and security of our customers, we also equipped all our hotels with equipment so that people with disabilities and people with reduced mobility can evacuate the building safely and quickly in emergencies when elevators, etc. are out of use.

In the Resort Business Division, we worked to enhance services for customers with the development of facilities at our 10 resort hotels throughout Japan, including the renovation of the Ise-Shima Royal Hotel (Mie) in July 2013 to coincide with the ceremonial rebuilding of Ise Jingu Shrine (Shikinen Sengu).

In the Fitness Club Division, we opened three large sports complexes and five gym & fitness studios acquired in April 2013, bringing the total number of facilities to 67. We also attempted to provide new services, opening an integrated educational childcare facility focused on teaching English and hot yoga studios for women.

As a result, sales in this segment amounted to 393,944 million yen, up 17.5% year-on-year, and operating income was 14,082 million yen, up 46.6% year-on-year.

Business Prospects for Fiscal 2014

The Japanese economy is expected to be propped up by increased public spending as part of government's economic stimulus and domestic demand created through tax cuts for businesses and household assistance. However, there are concerns over downside risks to the Japanese economy from the slowdown of overseas economies and consumer reaction following the consumption tax increase is likely to be unavoidable.

The housing industry will also inevitably be affected by consumer reaction following the consumption tax increase and the future is expected to remain uncertain.

Against this backdrop, the Daiwa House Group will seek to increase profits by implementing basic strategies under the newly launched 4th Medium-Term Management Plan in each core business domain (Single-Family Houses Business, Rental Housing Business, Condominiums Business, Existing Home Business, Commercial Facilities Business and Logistics, Business and Corporate Facilities Business), including augmenting business cycles (value chains), such as the cycle from development to construction, sale, management and operation of real estate properties, and creating stronger products and services that are compatible with changes in society such as aging population and rising safety and environmental consciousness. We will also pursue business expansion in Diversified Businesses (Health & Leisure, Environment & Energy, etc.) through stronger collaboration between core businesses.

In terms of overseas expansion, we will generate synergistic effects with Fujita Corporation, which we turned into a subsidiary last fiscal year and accelerate expansion in emerging markets, focusing on China and ASEAN countries. We will also conduct real estate development business in the United States.

At the same time we intend to further develop our management foundations, promoting efficiency by redeveloping production, logistics and procurement capabilities, and strengthening systems and human resources in line with business expansion.

Under the plan outlined above, we aim to accelerate growth by responding to changes in society and markets and utilizing diverse revenue sources in a broad range of business areas.

As a result, for fiscal 2014, we expect sales of 2,800 billion yen, operating income of 170 billion yen, ordinary income of 169 billion yen and net income of 105 billion yen.

(2) Analysis on Financial Conditions

1. Financial Position

Total assets at the end of the reporting fiscal year increased by 294,708 million yen from 2,371,238 million yen at the end of the previous fiscal year, to 2,665,946 million yen. This was mainly attributable to an increase in inventories from the conversion of Cosmos Initia Co., Ltd. into a subsidiary and the purchase of property, plant and equipment mainly in the Logistics, Business and Corporate Facilities Business.

Total liabilities at the end of the reporting fiscal year increased by 36,906 million yen from 1,636,354 million yen at the end of the previous fiscal year, to 1,673,260 million yen. This was mainly attributable to increases in interest-bearing debt and long-term lease and guarantee deposits, despite the decrease in notes and accounts payable for construction contracts and other.

Total net assets at the end of the reporting fiscal year increased by 257,802 million yen from 734,883 million yen at the end of the previous fiscal year, to 992,686 million yen. This was mainly attributable to the recording of net income for the reporting period of 102,095 million yen and the raising of funds from its issuance of new shares and the retirement of treasury stock.

The net assets ratio as of March 31, 2014 was 37.0% up 6.1 percentage points from 30.9% at the end of the previous fiscal year, primarily reflecting the issuance of new shares.

2. Cash Flows During the Reporting Fiscal Year

With regard to cash and cash equivalents (“cash”) for the reporting fiscal year, net cash provided by operating activities stood at 78,451 million yen, while net cash used in investing activities came to 240,439 million yen, and net cash provided by financing activities was 110,131 million yen. In total, the net decrease in cash and cash equivalents was 46,304 million yen. Consequently, cash and cash equivalents at the end of the reporting fiscal year amounted to 198,733 million yen.

(Cash flows from operating activities)

During the reporting fiscal year, net cash provided by operating activities stood at 78,451million yen, down 52.2% year-on-year. This was mainly the result of a decrease in notes and accounts payable-trade, including accounts payable for construction contracts, with the fiscal year end falling on a holiday in the previous fiscal year, despite the posting of income before income taxes and minority interests for the reporting period of 168,509 million yen.

(Cash flows from investing activities)

During the reporting fiscal year, net cash used in investing activities was 240,439 million yen (compared with 140,736 million yen used in the previous fiscal year). This was primarily the result of purchases of property, plant and equipment, including real estate for rent.

(Cash flows from financing activities)

During the reporting fiscal year, net cash provided by financing activities was 110,131 million yen (compared with 28,633 million yen used in the previous fiscal year). This was primarily the result of raising funds from its issuance of new shares and the retirement of treasury stock.

3. Cash Flow Indicators

	Fiscal year ended March 31, 2012	Fiscal year ended March 31, 2013	Fiscal year ended March 31, 2014
Net assets ratio	31.5%	30.9%	37.0%
Net assets ratio on market-value basis	30.3%	44.4%	43.3%
Repayment years of interest-bearing debt	1.5 (year)	2.3 (year)	5.0(year)
Interest coverage ratio	56.0	46.2	27.9

* The standards for the indicators are as follows. All have been computed based on consolidated financial figures.

Net assets ratio: (Net assets – Minority 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. Outlook on Financial Conditions for the Fiscal Year Ending March 31, 2015 (Consolidated)

For the full fiscal year ending March 31, 2015, we expect capital investments of 220 billion yen and depreciation of 55 billion yen.

2. Management policy

(1) Basic Management Policy of the Group

The Company was founded in 1955 under the principle of the "industrialization of construction," and since then has continued to grow as a prefabricated housing manufacturer in line with the expansion of demand for housing. We have promoted business diversification to meet our customers' needs, and have expanded the size of our corporate group as a "comprehensive lifestyle industry."

In fiscal 2005, we launched a new Group management vision called "Connecting Hearts" to mark our 50th anniversary and created a new group symbol, the "Endless Heart." Under this vision, we clarified our corporate mission as a multi-business enterprise that co-creates, enhances and makes use of new value with customers to help realize a society in which people can enjoy more enriched lives, and made a fresh start toward our 100th anniversary under the slogan "Creating Together, Supporting Each Other."

The Daiwa House Group is engaged in a range of businesses which can be classified under the headings HOUSING, which consists primarily in single-family houses, rental housing and condominiums; BUSINESS, which covers commercial, logistics and medical and nursing care facilities; and LIFE, which includes the operation of resort facilities and home centers. By pursuing these various business activities, the Group, working as one, is committed to honoring its relationship with each and every customer, and to promoting partnerships with customers to share joy throughout our customers' whole lives and build long-lasting ties of trust.

As described above, our management vision "Connecting Hearts" and our Group symbol "Endless Heart" signify enduring ties with our stakeholders, including our customers, shareholders, business partners, employees and local communities. As a "Group that co-creates value for individuals, communities and people's lifestyles," we will continue to offer the products and services people need.

(2) Medium to Long-Term Management Strategy of the Group

The Daiwa House Group formulated its 4th Medium-Term Management Plan, "3G&3S" for the Next Step, covering fiscal 2013 through fiscal 2015. "3G&3S" means the 3G strategy, which brought us growth under the 3rd Medium-Term Management Plan, "3Gs" for New Growth (the three Gs are the initial letters of Group, Global, and Great, the three key words that define this strategy) of sustaining growth across the entire Group, accelerating its global development, and becoming an excellent company plus the basic 3S approach of Speed, Safety, and Sustainability that forms the basis of implementation of the 3G strategy.

The new plan aims to "accelerate growth" by focusing on five basic policies: "Increase profits by augmenting value chains for each core business domain," "Create stronger products and services that are compatible with changes in society such as aging population and rising safety and environmental consciousness," "Expand Diversified Businesses by boosting partnerships in core businesses," "Develop and identify new products and services that contribute to global society," and "Expand overseas, mainly in emerging countries;" and two policies to enhance the management foundations: "Promote efficiency by redeveloping monozukuri (manufacturing) capabilities" and "Strengthen systems and human resources in line with business expansion," and also by responding to the rising tide of change in society and markets and utilizing diverse revenue sources from a range of business areas.

(3) Issues Facing the Group

The Japanese economy is expected to be propped up by increased public spending as part of the government's economic stimulus and domestic demand created through tax cuts for businesses and household assistance. However, there are concerns over downside risks to the Japanese economy from the slowdown of overseas economies and consumer reaction following the consumption tax increase is likely to be unavoidable.

The housing industry will also inevitably be affected by consumer reaction following the consumption tax increase. Against this backdrop, Daiwa House Group will assess changing market conditions, utilize diverse revenue sources that are less susceptible to the effects of the consumption tax increase, and aim for steady growth, in accordance with the newly launched 4th Medium-Term Management Plan.

3. Consolidated Financial Statements

(1) Consolidated Balance Sheets

(Millions of yen)

	Previous fiscal year (as of March 31, 2013)	Reporting fiscal year (as of March 31, 2014)
Assets		
Current assets		
Cash and deposits	248,799	212,114
Notes and accounts receivable from completed construction contracts and other	189,770	227,276
Lease receivables and investment assets	18,657	23,726
Short-term investment securities	8	18
Costs on uncompleted construction contracts	21,712	23,818
Real estate for sale	302,635	322,365
Real estate for sale in process	47,752	80,499
Land for development	1,332	647
Merchandise and finished goods	14,035	13,930
Work in process	5,435	7,960
Raw materials and supplies	5,680	6,355
Deferred tax assets	29,109	32,743
Other	99,565	127,657
Allowance for doubtful accounts	(2,949)	(3,382)
Total current assets	981,546	1,075,731
Noncurrent assets		
Property, plant and equipment		
Buildings and structures	671,508	728,101
Accumulated depreciation	(326,507)	(343,635)
Buildings and structures, net	345,000	384,466
Machinery, equipment and vehicles	95,240	99,741
Accumulated depreciation	(70,539)	(67,432)
Machinery, equipment and vehicles, net	24,700	32,308
Tools, furniture and fixtures	43,282	46,204
Accumulated depreciation	(35,424)	(36,468)
Tools, furniture and fixtures, net	7,857	9,736
Land	396,353	485,813
Lease assets	18,484	19,568
Accumulated depreciation	(4,497)	(6,016)
Lease assets, net	13,987	13,551
Construction in progress	14,735	18,009
Total property, plant and equipment	802,634	943,886
Intangible assets		
Goodwill	49,652	49,910
Other	30,605	32,263
Total intangible assets	80,258	82,173
Investments and other assets		
Investment securities	153,599	199,026
Long-term loans receivable	5,084	13,714
Lease and guarantee deposits	190,543	198,995
Deferred tax assets	101,027	84,785
Other	60,379	71,473
Allowance for doubtful accounts	(3,835)	(3,840)
Total investments and other assets	506,799	564,154
Total noncurrent assets	1,389,691	1,590,215
Total assets	2,371,238	2,665,946

(Millions of yen)

	Previous fiscal year (as of March 31, 2013)	Reporting fiscal year (as of March 31, 2014)
Liabilities		
Current liabilities		
Notes and accounts payable for construction contracts and other	337,767	274,776
Short-term loans payable	7,495	22,302
Current portion of bonds payable	53	100,053
Current portion of long-term loans payable	38,987	60,442
Lease obligations	2,591	2,958
Accounts payable-other	90,126	100,895
Income taxes payable	33,051	46,796
Advances received	37,581	39,933
Advances received on uncompleted construction contracts	60,166	70,238
Provision for bonuses	30,038	36,524
Provision for warranties for completed construction	6,695	7,419
Asset retirement obligations	1,585	1,581
Other	71,411	81,550
Total current liabilities	717,551	845,474
Noncurrent liabilities		
Bonds payable	130,667	30,614
Long-term loans payable	197,585	180,156
Lease obligations	22,009	26,040
Deposits received from members	35,105	34,174
Long-term lease and guarantee deposits	226,683	241,897
Deferred tax liabilities for land revaluation	24,056	23,909
Provision for retirement benefits	210,341	—
Net defined benefit liability	—	204,801
Asset retirement obligations	24,777	27,414
Other	47,576	58,776
Total noncurrent liabilities	918,803	827,786
Total liabilities	1,636,354	1,673,260
Net assets		
Shareholders' equity		
Capital stock	110,120	161,699
Capital surplus	226,824	294,632
Retained earnings	404,979	465,719
Treasury stock	(19,998)	(1,256)
Total shareholders' equity	721,926	920,794
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	24,326	50,498
Deferred gains or losses on hedges	—	10
Revaluation reserve for land	(13,160)	(5,241)
Foreign currency translation adjustment	531	20,456
Total accumulated other comprehensive income	11,697	65,723
Subscription rights to shares	—	38
Minority interests	1,259	6,129
Total net assets	734,883	992,686
Total liabilities and net assets	2,371,238	2,665,946

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

(Consolidated Statements of Income)

(Millions of yen)

	Previous fiscal year (From April 1, 2012 to March 31, 2013)	Reporting fiscal year (From April 1, 2013 to March 31, 2014)
Net sales	2,007,989	2,700,318
Cost of sales	1,592,218	2,192,414
Gross profit	415,771	507,903
Selling, general and administrative expenses		
Sales commission	13,628	16,500
Advertising expenses	24,443	29,838
Promotion expenses	5,304	5,758
Provision of allowance for doubtful accounts	4,259	2,895
Directors' compensations	2,901	3,532
Employees' salaries and allowances	105,832	125,030
Provision for bonuses	18,418	21,809
Retirement benefit expenses	17,633	18,558
Legal welfare expenses	16,304	19,555
Stationery expenses	9,760	10,588
Correspondence and transportation expenses	14,711	17,304
Rents	10,807	12,656
Depreciation	7,106	7,539
Tax and dues	11,560	14,429
Other	25,072	38,327
Total selling, general and administrative expenses	287,746	344,326
Operating income	128,024	163,576
Non-operating income		
Interest income	3,191	3,918
Dividends income	1,850	2,438
Equity in earnings of affiliates	500	1,453
Amortization of actuarial gain for employees' retirement benefits	16,281	14,221
Miscellaneous income	6,164	4,959
Total non-operating income	27,988	26,991
Non-operating expenses		
Interest expenses	5,278	4,620
Tax and dues	1,001	1,748
Provision of allowance for doubtful accounts	95	652
Miscellaneous expenses	4,241	7,179
Total non-operating expenses	10,616	14,201
Ordinary income	145,395	176,366
Extraordinary income		
Gain on sales of noncurrent assets	73	1,160
Gain on sales of investment securities	909	78
Gain on revision of retirement benefit plan	31,331	—
Gain on step acquisitions	122	93
Other	—	0
Total extraordinary income	32,436	1,332

(Millions of yen)

	Previous fiscal year (From April 1, 2012 to March 31, 2013)	Reporting fiscal year (From April 1, 2013 to March 31, 2014)
Extraordinary losses		
Loss on sales of noncurrent assets	261	622
Loss on retirement of noncurrent assets	1,188	1,153
Impairment loss	10,727	5,610
Loss on sales of investment securities	—	1
Loss on valuation of investment securities	7,112	1,800
Actuarial loss due to a change of discount rate	45,228	—
Other	51	0
Total extraordinary losses	64,569	9,189
Income before income taxes and minority interests	113,262	168,509
Income taxes-current	47,595	68,235
Income taxes-deferred	(503)	(2,234)
Total income taxes	47,092	66,000
Income before minority interests	66,170	102,509
Minority interests in income (loss)	(103)	413
Net income	66,274	102,095

(Consolidated Statements of Comprehensive Income)

(Millions of yen)

	Previous fiscal year (From April 1, 2012 to March 31, 2013)	Reporting fiscal year (From April 1, 2013 to March 31, 2014)
Income before minority interests	66,170	102,509
Other comprehensive income		
Valuation difference on available-for-sale securities	16,632	26,106
Deferred gains or losses on hedges	—	10
Foreign currency translation adjustment	3,796	9,775
Share of other comprehensive income of associates accounted for using equity method	4,329	10,199
Total other comprehensive income	24,758	46,091
Comprehensive income	90,929	148,601
(Comprehensive income attributable to)		
Comprehensive income attributable to shareholders of the parent	91,035	148,202
Comprehensive income attributable to minority interests	(105)	398

(3) Consolidated Statements of Changes in Net Assets
Previous fiscal year (From April 1, 2012 to March 31, 2013)

(Millions of yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
Balance at beginning of the period	110,120	226,824	380,751	(19,944)	697,751
Changes of items during the period					
Issuance of new shares	－	－	－	－	－
Dividends from surplus	－	－	(14,467)	－	(14,467)
Net income	－	－	66,274	－	66,274
Reversal of revaluation reserve for land	－	－	(27,577)	－	(27,577)
Purchase of treasury stock	－	－	－	(55)	(55)
Disposal of treasury stock	－	－	(0)	1	1
Net changes of items other than shareholders' equity	－	－	－	－	－
Total changes of items during the period	－	－	24,228	(53)	24,174
Balance at end of the period	110,120	226,824	404,979	(19,998)	721,926

	Accumulated other comprehensive income					Subscription rights to shares	Minority 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	7,566	－	(40,738)	(7,469)	(40,640)	－	779	657,891
Changes of items during the period								
Issuance of new shares	－	－	－	－	－	－	－	－
Dividends from surplus	－	－	－	－	－	－	－	(14,467)
Net income	－	－	－	－	－	－	－	66,274
Reversal of revaluation reserve for land	－	－	－	－	－	－	－	(27,577)
Purchase of treasury stock	－	－	－	－	－	－	－	(55)
Disposal of treasury stock	－	－	－	－	－	－	－	1
Net changes of items other than shareholders' equity	16,759	－	27,577	8,001	52,338	－	479	52,818
Total changes of items during the period	16,759	－	27,577	8,001	52,338	－	479	76,992
Balance at end of the period	24,326	－	(13,160)	531	11,697	－	1,259	734,883

Reporting fiscal year (From April 1, 2013 to March 31, 2014)

(Millions of yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
Balance at beginning of the period	110,120	226,824	404,979	(19,998)	721,926
Changes of items during the period					
Issuance of new shares	51,578	51,578	–	–	103,157
Dividends from surplus	–	–	(33,436)	–	(33,436)
Net income	–	–	102,095	–	102,095
Reversal of revaluation reserve for land	–	–	(7,919)	–	(7,919)
Purchase of treasury stock	–	–	–	(104)	(104)
Disposal of treasury stock	–	16,228	–	18,846	35,075
Net changes of items other than shareholders' equity	–	–	–	–	–
Total changes of items during the period	51,578	67,807	60,739	18,742	198,868
Balance at end of the period	161,699	294,632	465,719	(1,256)	920,794

	Accumulated other comprehensive income					Subscription rights to shares	Minority 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	24,326	–	(13,160)	531	11,697	–	1,259	734,883
Changes of items during the period								
Issuance of new shares	–	–	–	–	–	–	–	103,157
Dividends from surplus	–	–	–	–	–	–	–	(33,436)
Net income	–	–	–	–	–	–	–	102,095
Reversal of revaluation reserve for land	–	–	–	–	–	–	–	(7,919)
Purchase of treasury stock	–	–	–	–	–	–	–	(104)
Disposal of treasury stock	–	–	–	–	–	–	–	35,075
Net changes of items other than shareholders' equity	26,171	10	7,919	19,924	54,025	38	4,869	58,934
Total changes of items during the period	26,171	10	7,919	19,924	54,025	38	4,869	257,802
Balance at end of the period	50,498	10	(5,241)	20,456	65,723	38	6,129	992,686

(4) Consolidated Statements of Cash Flows

(Millions of yen)

	Previous fiscal year (From April 1, 2012 to March 31, 2013)	Reporting fiscal year (From April 1, 2013 to March 31, 2014)
Net cash provided by (used in) operating activities		
Income before income taxes and minority interests	113,262	168,509
Depreciation and amortization	45,836	48,533
Increase (decrease) in provision for retirement benefits	3,854	(210,341)
Increase (decrease) in net defined benefit liability	—	204,801
Interest and dividends income	(5,041)	(6,357)
Interest expenses	5,278	4,620
Equity in (earnings) losses of affiliates	(500)	(1,453)
Loss (gain) on sales and retirement of noncurrent assets	1,376	615
Impairment loss	10,727	5,610
Loss (gain) on valuation of investment securities	7,112	1,800
Decrease (increase) in notes and accounts receivable-trade	(21,232)	(36,674)
Decrease (increase) in inventories	(17,734)	(36,435)
Increase (decrease) in advances received	7,064	(699)
Increase (decrease) in advances received on uncompleted construction contracts	7,394	9,470
Increase (decrease) in notes and accounts payable-trade	43,086	(50,944)
Other, net	5,573	31,626
Subtotal	206,058	132,681
Interest and dividends income received	2,592	3,756
Interest expenses paid	(3,556)	(2,809)
Income taxes paid	(40,847)	(55,177)
Net cash provided by (used in) operating activities	164,247	78,451
Net cash provided by (used in) investing activities		
Purchase of property, plant and equipment and intangible assets	(109,156)	(217,295)
Proceeds from sales of property, plant and equipment	520	4,202
Purchase of investment securities	(22,514)	(10,413)
Proceeds from sales and redemption of investment securities	11,582	3,241
Purchase of investments in subsidiaries	(547)	(170)
Purchase of investments in subsidiaries resulting in change in scope of consolidation	(10,101)	(7,119)
Payments for acquisition of business	(1,096)	—
Proceeds from collection of lease and guarantee deposits	(484)	(4,513)
Other, net	(8,939)	(8,371)
Net cash provided by (used in) investing activities	(140,736)	(240,439)

(Millions of yen)

	Previous fiscal year (From April 1, 2012 to March 31, 2013)	Reporting fiscal year (From April 1, 2013 to March 31, 2014)
Net cash provided by (used in) financing activities		
Net increase (decrease) in short-term loans payable	4,809	13,540
Proceeds from long-term loans payable	105,465	40,568
Repayment of long-term loans payable	(150,041)	(45,443)
Proceeds from issuance of bonds	30,000	—
Redemption of bonds	(1,353)	(363)
Repayments of finance lease obligations	(2,441)	(2,841)
Proceeds from issuance of common shares	—	103,885
Proceeds from stock issuance to minority shareholders	403	35
Purchase of treasury stock	(55)	(104)
Proceeds from sales of treasury stock	1	34,347
Proceeds from issuance of subscription rights to shares	—	38
Cash dividends paid	(14,467)	(33,436)
Repayments of payables under fluidity lease receivables	(952)	(95)
Net cash provided by (used in) financing activities	(28,633)	110,131
Effect of exchange rate change on cash and cash equivalents	1,448	5,551
Net increase (decrease) in cash and cash equivalents	(3,674)	(46,304)
Cash and cash equivalents at the beginning of the period	248,712	245,037
Cash and cash equivalents at the end of the period	245,037	198,733

(5) Notes to Consolidated Financial Statements

(Notes on premise of going concern)

Not applicable.

(Change of Accounting Policies)

(Application of Accounting Standard for Retirement Benefits)

From the fiscal year under review, the Company began applying (however, this excludes the provisions contained in the text of paragraph 35 of Accounting Standard for Retirement Benefits and the text of paragraph 67 of Application Guidelines for Retirement Benefits) "Accounting Standard for Retirement Benefits" (Accounting Standards Board of Japan (ASBJ) Statement No. 26, May 17, 2012) and "Application Guidelines of Accounting Standard for Retirement Benefits" (ASBJ Guidance No. 25, May 17, 2012) and has changed to a method of recording the amount obtained after deducting the amount of pension assets from the retirement benefit obligations as net defined benefit liabilities.

This change has no impact on accumulated other comprehensive income at the end of the consolidated fiscal year under review.

(New Accounting Standards Not Yet Adopted)

1. **Accounting Standard for Retirement Benefits (ASBJ Statement No. 26, May 17, 2012) and Application Guidelines of Accounting Standard for Retirement Benefits (ASBJ Guidance No. 25, May 17, 2012)**

   (1) Overview

   The accounting method for unrecognized actuarial gains and losses and unrecognized prior service costs as well as the calculation method for retirement benefit obligations and service costs and the enhancement of disclosure have been revised.

   (2) Application date

   The revision of the calculation method for retirement benefit obligations and service costs is scheduled to be applied from the beginning of the consolidated fiscal year on or after April 1, 2014.

   Since transitional handling has been specified in said accounting standard, the standard will not be applied retroactively to the consolidated financial statements of prior periods.

   (3) Effect of Applying Said Accounting Standard

   The effect on the consolidated financial statements was being reviewed at the time of the preparation of those statements.

2. **Accounting Standard for Business Combination (ASBJ Statement No. 21, September 13, 2013) and Other Relevant Revised Accounting Standards**

   (1) Overview

   As a result of repeated deliberation on issues brought up primarily at the joint project (Phase 2) on business combination of the International Accounting Standards Board (IASB) and the Financial Accounting Standards Board (FASB) of the U.S., the primary revisions made to this accounting standard were the handling of non-controlling interests (minority interests) (presentation of changes of parent company's equity and net income in subsidiary when control is ongoing), the handling of acquisition-related costs, and the handling of the establishment of interim accounting procedures.

   (2) Application date

   The standard is scheduled to be applied from the beginning of the consolidated fiscal year on or after April 1, 2015.

(3) Effect of Applying Said Accounting Standard

The effect on the consolidated financial statements was being reviewed at the time of the preparation of those statements.

(Change of Presentation Method)

(Consolidated balance sheets)

In the previous fiscal year, “Advances received” related with mainly real estate business had been contained in “Advances received on uncompleted construction contracts” and “Other” under “Current liabilities,” but is presented separately beginning from this fiscal due to its increased importance of the real estate business since Cosmos Initia was converted into a consolidated subsidiary. To reflect this change in presentation method, the consolidated balance sheets of the previous fiscal year have been reclassified.

As a result, in the consolidated balance sheets of the previous fiscal year, 76,072 million yen that had been presented as “Advances received on uncompleted construction contracts” and 93,087 million yen that had been presented as “Other” under “Current liabilities” have been reclassified as “Advances received” 37,581 million yen, “Advances received on uncompleted construction contracts” 60,166 million yen, and “Other” 71,411 million yen.

(Consolidated Statements of Cash Flows)

In the previous fiscal year, “Increase (decrease) in advances received” had been contained in “Increase (decrease) in advances received on uncompleted construction contracts” and “Other” under “Net cash provided by (used in) operating activities,” but is presented separately beginning from this fiscal due to the change of presentation method in the balance sheets.

As a result, in the consolidated statements of cash flows of the previous fiscal year, 12,988 million yen that had been presented as “Increase (decrease) in advances received on uncompleted construction contracts” and 7,043 million yen that had been presented as “Other” under “net cash provided by (used in) operating activities” have been reclassified as “Increase (decrease) in advances received” 7,064 million yen, “Increase (decrease) in advances received on uncompleted construction contracts” 7,394 million yen, and “Other” 5,573 million yen.

(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 Daiwa House 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, Rental Housing Business, Condominiums Business, Existing Home Business, Commercial Facilities Business, and Logistics, Business and Corporate Facilities Business.

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. In the Existing Home Business segment, the Group engages in renovation and real estate agency services. The Commercial Facilities Business segment develops, builds, manages, and operates commercial facilities. The Logistics, Business and Corporate Facilities Business segment develops and builds logistics and manufacturing facilities, and medical and nursing-care facilities, and builds, manages, and operates temporary facilities.

The Health & Leisure Business, which was a reportable business segment in the previous fiscal year, is included in the Other Businesses segment beginning from the reporting fiscal year, as a result of the revision according to the 4th Medium-Term Management Plan “3G&3S for the Next Step” released in November 8, 2013. The segment information for the prior year is represented in accordance with the changed reportable segmentations.

2. Method of calculating sales and operating income (losses), assets and others by reportable business segment

The method of accounting by reportable business segment has been to state the amount based on the accounting standard used for the presentation of consolidated financial statements. Reportable segment income is a figure that is based on operating income. Inter-segment income and transfers are based on the prevailing market price.

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

Previous fiscal year (From April 1, 2012 to March 31, 2013)

(Millions of yen)

	Reportable Business Segments						
	Single-Family Houses	Rental Housing	Condominiums	Existing Home Business	Commercial Facilities	Logistics, Business & Corporate Facilities	Total
Sales (1) Sales to customers	349,932	589,673	156,751	75,529	339,605	240,387	1,751,879
(2)Inter-segment sales or transfers	1,225	2,894	43	943	7,629	11,076	23,812
Total	351,157	592,568	156,795	76,473	347,234	251,463	1,775,692
Operating income	12,587	52,278	9,968	6,134	45,946	20,689	147,603
Assets	199,556	208,010	206,254	20,265	430,050	577,749	1,641,886
Others Depreciation	2,495	6,509	1,331	459	13,263	5,487	29,547
Net increase in property, plant and equipment, and intangible assets	4,312	10,479	4,321	828	22,465	45,612	88,019

	Other Businesses (Note: 1)	Subtotal	Adjustment (Note: 2)	Amounts on the consolidated financial statements
Sales (1) Sales to customers	256,109	2,007,989	—	2,007,989
(2)Inter-segment sales or transfers	79,276	103,089	(103,089)	—
Total	335,386	2,111,078	(103,089)	2,007,989
Operating income	9,607	157,211	(29,187)	128,024
Assets	474,866	2,116,752	254,485	2,371,238
Others Depreciation	15,534	45,081	755	45,836
Net increase in property, plant and equipment, and intangible assets	33,222	121,242	141	121,383

Notes: 1. Other Businesses include construction support, health and leisure business, city hotels, overseas businesses and others.

2. Adjustment:

(1) 29,187 million yen in adjustments to operating income by business segment includes 1,329 million yen in elimination within business segments, 716 million yen in amortization of goodwill, and 28,574 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) 254,485 million yen in adjustments to assets by business segment includes 140,734 million yen in elimination within business segments, and 395,219 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) 755 million yen in adjustments to depreciation by business segment includes 385 million yen in elimination within business segments, and 1,140 million yen in the depreciation attributable to Group assets.

(4) 141 million yen in adjustments to net increase in property, plant and equipment, and intangible assets by business segment includes 868 million yen in elimination within business segments, and 1,009 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.

Reporting fiscal year (From April 1, 2013 to March 31, 2014)

(Millions of yen)

	Reportable Business Segments						
	Single-Family Houses	Rental Housing	Condominiums	Existing Home Business	Commercial Facilities	Logistics, Business & Corporate Facilities	Total
Sales							
(1) Sales to customers	392,761	686,424	242,309	84,666	409,397	585,096	2,400,655
(2)Inter-segment sales or transfers	1,720	2,332	483	2,035	12,583	7,093	26,249
Total	394,481	688,756	242,792	86,702	421,981	592,190	2,426,905
Operating income	13,389	64,279	10,705	9,311	60,764	26,934	185,385
Assets	220,155	245,015	267,644	11,837	450,564	690,342	1,885,559
Others							
Depreciation	3,026	6,701	1,842	149	14,200	6,357	32,278
Net increase in property, plant and equipment, and intangible assets	6,370	13,450	5,365	403	44,043	113,188	182,822

	Other Businesses (Note: 1)	Subtotal	Adjustment (Note: 2)	Amounts on the consolidated financial statements
Sales				
(1) Sales to customers	299,662	2,700,318	—	2,700,318
(2)Inter-segment sales or transfers	94,281	120,531	(120,531)	—
Total	393,944	2,820,849	(120,531)	2,700,318
Operating income	14,082	199,467	(35,891)	163,576
Assets	562,090	2,447,649	218,296	2,665,946
Others				
Depreciation	15,516	47,794	738	48,533
Net increase in property, plant and equipment, and intangible assets	34,155	216,977	381	217,358

Notes: 1. Other Businesses include construction support, health and leisure business, city hotels, overseas businesses and others.

2. Adjustment:

(1) 35,891 million yen in adjustments to operating income by business segment includes 1,075 million yen in elimination within business segments, 717 million yen in amortization of goodwill, and 35,533 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) 218,296 million yen in adjustments to assets by business segment includes 199,693 million yen in elimination within business segments, and 417,990 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) 738 million yen in adjustments to depreciation by business segment includes 376 million yen in elimination within business segments, and 1,115 million yen in the depreciation attributable to Group assets.

(4) 381 million yen in adjustments to net increase in property, plant and equipment, and intangible assets by business segment includes 715 million yen in elimination within business segments, and 1,096 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, 2012 to March 31, 2013)

(Millions of yen)

	Single-Family Houses	Rental Housing	Condo-miniums	Existing Home Business	Commercial Facilities	Logistics, Business & Corporate Facilities	Other Businesses (*)	Eliminations/ Corporate	Total
Impairment loss	74	419	12	7	1,432	21	8,758	—	10,727

(*) Amounts are construction-support related.

Reporting fiscal year (from April 1, 2013 to March 31, 2014)

(Millions of yen)

	Single-Family Houses	Rental Housing	Condo-miniums	Existing Home Business	Commercial Facilities	Logistics, Business & Corporate Facilities	Other Businesses (*)	Eliminations/ Corporate	Total
Impairment loss	137	601	517	6	742	997	2,607	—	5,610

(*) Amounts are construction-support related.

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

Previous fiscal year (from April 1, 2012 to March 31, 2013)

(Millions of yen)

	Single-Family Houses	Rental Housing	Condo-miniums	Existing Home Business	Commercial Facilities	Logistics, Business & Corporate Facilities	Other Businesses (*)	Eliminations/ Corporate	Total
Amortization of goodwill	—	(8)	1,002	—	450	(0)	(169)	—	1,274
Fiscal year-end unamortized balance of goodwill	—	(120)	16,246	—	5,847	32,939	(5,260)	—	49,652

(*) Amounts are construction-support related.

Reporting fiscal year (from April 1, 2013 to March 31, 2014)

(Millions of yen)

	Single-Family Houses	Rental Housing	Condo-miniums	Existing Home Business	Commercial Facilities	Logistics, Business & Corporate Facilities	Other Businesses (*)	Eliminations/ Corporate	Total
Amortization of goodwill	—	(8)	1,036	—	525	1,646	(245)	—	2,955
Fiscal year-end unamortized balance of goodwill	—	(111)	17,975	—	5,465	31,292	(4,710)	—	49,910

(*) Amounts are construction-support related.

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

Previous fiscal year (from April 1, 2012 to March 31, 2013)

Not applicable.

Reporting fiscal year (from April 1, 2013 to March 31, 2014)

Not applicable.

(Per Share Information)

	Previous fiscal year (From April 1, 2012 to March 31, 2013)	Reporting fiscal year (From April 1, 2013 to March 31, 2014)
Net assets per share	1,267.77 yen	1,496.72 yen
Basic net income per share	114.52 yen	161.08 yen
Diluted net income per share	— yen	— yen

Notes: 1. Diluted net income per share is not disclosed because the Company does not issue warrants with dilutive effects.

2. The basis of calculation for basic net income per share is as follows.

	Previous fiscal year (From April 1, 2012 to March 31, 2013)	Reporting fiscal year (From April 1, 2013 to March 31, 2014)
Basic net income per share		
Net income (millions of yen)	66,274	102,095
Amount not belonging to general shareholders (millions of yen)	—	—
Basic net income related to common stock (millions of yen)	66,274	102,095
Average amount of common stock during the year (thousand shares)	578,694	633,810

(Significant Subsequent Events)

The Company and some of its subsidiaries established a corporate pension fund plan as a defined benefit plan. However, some subsidiaries have moved to a defined contribution pension plan as of April 1, 2014 and have applied “Accounting for Transfers between Retirement Benefit Plans” (ASBJ Guidance No. 1).

The impact that this move will have on profit and loss and financial standing for the fiscal year, ending March 31, 2015 is currently being evaluated.