



**Summary of Financial Results for the Fiscal Year Ended March 31, 2015 [Consolidated]  
(From April 1, 2014 to March 31, 2015)  
[Japanese GAAP]**

May 13, 2015

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  
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Scheduled Date of Ordinary General Meeting of Shareholders: June 26, 2015  
Scheduled Date of Filing Securities Report: June 26, 2015  
Scheduled Date of Commencement of Dividend Payment: June 29, 2015  
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, 2015 (From April 1, 2014 to March 31, 2015)**

**(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, 2015	2,810,714	4.1	180,352	10.3	202,628	14.9	117,133	14.7
Fiscal year ended March 31, 2014	2,700,318	34.5	163,576	27.8	176,366	21.3	102,095	54.1

Note: Comprehensive income

Fiscal year ended March 31, 2015: 165,935 million yen (11.7%); Fiscal year ended March 31, 2014: 148,601 million yen (63.4%)

	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, 2015	177.74	—	11.2	7.1	6.4
Fiscal year ended March 31, 2014	161.08	—	11.9	7.0	6.1

(Reference) Equity in earnings of affiliates

Fiscal year ended March 31, 2015: 11 million yen; Fiscal year ended March 31, 2014: 1,453 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, 2015	3,021,007	1,112,817	36.6	1,678.24
March 31, 2014	2,665,946	992,686	37.0	1,496.72

(Reference) Net assets ratio = (Net assets – Minority interests)/Total assets

(Net assets – Minority interests) is as follows. March 31, 2015: 1,105,628 million yen; March 31, 2014: 986,518 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, 2015	139,465	(235,027)	129,202	234,544
Fiscal year ended March 31, 2014	78,451	(240,439)	110,131	198,733

## 2. Dividends

	Dividend per share					Total dividends (annual)	Dividend payout ratio (consolidated)	Dividends to net assets ratio (consolidated)
	End of 1 <sup>st</sup> quarter (June 30)	End of 2 <sup>nd</sup> quarter (Sept. 30)	End of 3 <sup>rd</sup> quarter (Dec. 31)	Fiscal year-end (March 31)	Annual			
	Yen	Yen	Yen	Yen	Yen	Millions of yen	%	%
Fiscal year ended March 31, 2014	—	20.00	—	30.00	50.00	32,956	31.0	3.6
Fiscal year ended March 31, 2015	—	25.00	—	35.00	60.00	39,535	33.8	3.8
Fiscal year ending March 31, 2016 (forecasts)	—	30.00	—	40.00	70.00		36.9	

Note: Cash dividends for the fiscal year ended March 31, 2016 comprise: ¥30.00 per share as an ordinary dividend, and ¥10.00 per share as the 60<sup>th</sup> anniversary commemorative dividend.

## 3. Consolidated Business Forecasts for the Fiscal Year Ending March 31, 2016 (From April 1, 2015 to March 31, 2016)

(% figures represent year-on-year change)

	Net sales		Operating income		Ordinary income		Net income attributable to owners of the parent		Basic net income per share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
Fiscal year ending March 31, 2016	3,000,000	6.7	200,000	10.9	192,000	(5.2)	125,000	6.7	189.74

### 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, 2015	660,421,851 shares	As of March 31, 2014	660,421,851 shares
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#### 2) Number of treasury stock at the end of the period

As of March 31, 2015	1,619,741 shares	As of March 31, 2014	1,300,280 shares
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#### 3) Average number of shares during the period

Fiscal year ended March 31, 2015	659,015,430 shares	Fiscal year ended March 31, 2014	633,810,272 shares
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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 “4. 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, 2015 (From April 1, 2014 to March 31, 2015)**

**(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, 2015	1,470,975	2.9	118,665	14.1	150,675	19.3	96,956	19.9
Fiscal year ended March 31, 2014	1,429,886	15.4	104,030	29.6	126,306	22.7	80,881	65.2

	Basic net income per share	Diluted net income per share
	Yen	Yen
Fiscal year ended March 31, 2015	147.12	—
Fiscal year ended March 31, 2014	127.61	—

**(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, 2015	2,069,958	908,137	43.9	1,378.41
March 31, 2014	1,798,797	820,683	45.6	1,245.06

(Reference) Net assets: March 31, 2015: 908,098 million yen; March 31, 2014: 820,644 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 13, 2015. Relevant financial statements to be handed out at the briefing will be posted on the Company’s official website at the same time.

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<Reference Material> Key Performance Indicators

1. Performance Indicators

Fiscal years	Fiscal year ended March 31, 2012	Fiscal year ended March 31, 2013	Fiscal year ended March 31, 2014	Fiscal year ended March 31, 2015	Forecast for the fiscal year ending March 31, 2016
Net sales (millions of yen)	1,848,797	2,007,989	2,700,318	2,810,714	3,000,000
Cost of sales (millions of yen)	1,468,844	1,592,218	2,192,414	2,269,846	2,405,000
Selling, general and administrative expenses (millions of yen)	264,996	287,746	344,326	360,516	395,000
Operating income (millions of yen)	114,955	128,024	163,576	180,352	200,000
Ordinary income (millions of yen)	108,506	145,395	176,366	202,628	192,000
Net income (millions of yen)	33,200	66,274	102,095	117,133	—
Net income attributable to owners of the parent (millions of yen)	—	—	—	—	125,000
Basic net income per share (yen)	57.36	114.52	161.08	177.74	189.74
Return on equity (ROE) (%)	5.1	9.5	11.9	11.2	—
Ordinary income to total assets ratio (%)	5.4	6.5	7.0	7.1	—
Dividend per share (yen)	25	35	50	60	70
(of which interim dividend per share)	(—)	(—)	(20)	(25)	(30)
Total annual dividends (millions of yen)	14,467	20,253	32,956	39,535	—
Dividend payout ratio (%)	43.6	30.6	31.0	33.8	36.9
Dividends to net assets ratio (%)	2.2	2.9	3.6	3.8	—
Total assets (millions of yen)	2,086,097	2,371,238	2,665,946	3,021,007	—
Net assets (millions of yen)	657,891	734,883	992,686	1,112,817	—
Net assets ratio (%)	31.5	30.9	37.0	36.6	—
Net assets per share (yen)	1,135.46	1,267.77	1,496.72	1,678.24	—
Depreciation (millions of yen)	43,790	45,836	48,533	53,283	61,000
Net increase in property, plant and equipment and intangible assets (millions of yen)	103,604	121,383	217,358	274,990	200,000
Cash flows from operating activities (millions of yen)	248,771	164,247	78,451	139,465	—
Cash flows from investing activities (millions of yen)	(117,226)	(140,736)	(240,439)	(235,027)	—
Cash flows from financing activities (millions of yen)	(28,766)	(28,633)	110,131	129,202	—
Cash and cash equivalents, end of year (millions of yen)	248,712	245,037	198,733	234,544	—

## 2. Sales and Operating Income by Segment

(Millions of yen)

Fiscal years		Fiscal year ended March 31, 2012	Fiscal year ended March 31, 2013	Fiscal year ended March 31, 2014	Fiscal year ended March 31, 2015	Forecast for the fiscal year ending March 31, 2016
Net sales		1,848,797	2,007,989	2,700,318	2,810,714	3,000,000
Sales by segment	Single-Family Houses	336,364	351,157	394,481	375,343	376,000
	Rental Housing	526,755	592,568	688,756	772,955	850,000
	Condominiums	128,872	156,795	242,792	231,344	255,000
	Existing Home Business	68,140	76,473	86,702	91,664	95,000
	Commercial Facilities	306,934	347,234	421,981	456,218	475,000
	Logistics, Business & Corporate Facilities	257,000	251,463	592,190	581,569	670,000
	Other Businesses	312,928	335,386	393,944	426,512	430,000
	Adjustments	(88,198)	(103,089)	(120,531)	(124,893)	(151,000)
Operating income		114,955	128,024	163,576	180,352	200,000
Operating income by segment	Single-Family Houses	11,010	12,587	13,389	8,841	9,000
	Rental Housing	52,997	52,278	64,279	69,597	76,000
	Condominiums	3,770	9,968	10,705	10,819	14,000
	Existing Home Business	4,536	6,134	9,311	9,976	10,000
	Commercial Facilities	33,163	45,946	60,764	67,279	68,000
	Logistics, Business & Corporate Facilities	25,895	20,689	26,934	38,444	48,000
	Other Businesses	8,265	9,607	14,082	10,288	11,000
	Adjustments	(24,684)	(29,187)	(35,891)	(34,894)	(36,000)

## **1. Analysis on Business Results and Financial Conditions**

### **(1) Analysis on Business Results**

#### **(Business results for the reporting fiscal year)**

The Japanese economy continued to follow a course of gradual recovery through the fiscal year ended March 2015. Consumer spending, housing construction, and other indicators remained sluggish due to the increase in consumption tax rates in Japan. However, other government policies spurred improvements in hiring and payrolls, while the devaluation of the yen and lower crude oil prices helped improve corporate earnings.

In April 2014, Japan's government enacted two policies to help the housing industry recover from the effects of the consumption tax increase. The first policy was the introduction of higher tax credits on home loans, while the second policy was to establish a new housing subsidy. Despite these two policies, the industry was unable to avoid the impact of the consumption tax increase, resulting in a year-on-year decrease in new housing starts from April 2014 to February 2015.

In light of these circumstances, the Daiwa House Group has been engaged in strategies to accelerate growth for our domestic core businesses, including active investments in real estate development projects. We have based these efforts on 3G&3S for the Next Step (\*), the Daiwa House Group's Fourth Medium-Term Management Plan, which will conclude in March 2016.

The Group has looked to grow its revenue base overseas with the May 2014 launch of the Berkeley Project in Tarrant County, Texas, U.S.A. This business is a joint venture with Lincoln Property Company, a major real-estate company. During November 2014, the Group launched the Water's Edge Project in Dallas, Texas, U.S.A.—another joint venture with Lincoln.

The Group has taken measures to diversify our business. In March 2015, we merged Daiyoshi Trust Co., Ltd. and Tomo Co., Ltd., naming this new company Daiwa House Parking Co., Ltd. This move should further strengthen our ability to compete in the parking business, as well as lead further growth through the focus of management resources.

As a result, the Daiwa House Group recorded consolidated net sales of 2,810,714 million yen, (+4.1% year on year) for the fiscal year under review. Operating income was 180,352 million yen (+10.3 % year on year), while ordinary income amounted to 202,628 million yen (+14.9% year on year). The Group posted net income of 117,133 million yen (+14.7% year on year).

\*3G&3S consists of the 3G Strategies that have driven growth to date: Group (sustain growth across the entire group), Global (accelerate global development), and Great (improve management foundation to become an excellent company). The 3S part of this plan serves as our basic stance for executing these strategies, namely, Speed (speed is the ultimate service), Safety (offer products that provide safety and comfort to customers), and Sustainability (seriously address the environment and aging population in preparation for a sustainable society).

Results by business segment were as follows:

#### **Single-Family Houses Business**

During the fiscal year, we took an intensive approach to creating customer living spaces and expanding our lineup of attractive products. At the same time, we pursued a course of community-centric business as another element designed to increase revenues in our Single-Family Houses Business.

In April 2014, we introduced the TRYe Lab on the grounds of our Tokyo Headquarters. This initiative provides

customers a space to learn more and become more excited about home technologies and trends. The TRYe Lab is a new concept that enables consumers to “try on” a custom-ordered home by using virtual technologies that allow customers a chance to experience their new living spaces. TRYe Lab has been a success in attracting large number of customers.

We continued to expand our lineup of offerings and improve existing products to generate more orders. We focused on our high-end single-family xevo  $\Sigma$  (xevo sigma) product, while also selling xevo TILE (complete tile exterior single-family home), xevo GranWood One-Story Living (a one-story product extension of our wood-constructed houses), and xevo GranWood Urban Living (three-story wood-constructed home).

During February 2015, our xevo  $\Sigma$  product won the Most Outstanding Award at the 2014 Nikkei Superior Products & Services Awards. These awards are sponsored by the Nikkei Inc. in recognition of technological excellence and innovation in products and services.

In our town planning projects, we have promoted the development of smart cities such as SMAxECO City Yoshikawa Minami (Saitama), SMAxECO City Sagamihara Hikarigaoka (Kanagawa), and SMAxECO City Tsukuba Science (Ibaraki).

However, the negative impact of Japan’s consumption tax increase in the period after front-loaded purchases in advance of the rate change and other factors led to segment net sales of 375,343 million yen (-4.9% year on year). Operating income amounted to 8,841 million yen (-34.0% year on year).

### **Rental Housing Business**

After setting up 15 new operational bases in the fiscal year under review, our Rental Housing Business activities extend to a total of 151 locations, tied to local communities and interests.

In January 2015, we sponsored tax planning seminars addressing the increase in inheritance taxes and the use of rental property management and asset inheritance tax-planning vehicles. These seminars were conducted throughout Japan, received as valuable information by land owners and their families.

During September 2014, we remodeled the D-room Plaza Hall, a rental property experience facility set up within our General Research Institute in Nara Prefecture. This facility was reopened with a new technology hall. In addition to traditional experience facility, we are introducing detailed technologies by means of which we are promoting greater understanding on the part of owners and residents of the functionality of the Daiwa House rental houses, working to expand our earnings in this segment.

As a result, net sales amounted to 772,955 million yen (+12.2% year on year), while operating income amounted to 69,597 million yen (+8.3% year on year).

### **Condominium Business**

In our Condominium Business, we are working to offer condominiums with high asset value for the benefit of our customers and local communities. In pursuit of this mission, we have incorporated more local community relationships into our business strategies.

In July 2014, we experienced a sellout in one day of entire 144 units at our Hibarigaoka Fields Ichibancho (Tokyo)\* condominiums. This was the first 2014 project in excess of 100 units in the Tokyo metropolitan area that had a same-day sellout when all units were offered at once.

Prior to the March 2015 opening of the Hokuriku Shinkansen (bullet train) rail line, we completed construction



of the PREMIST Kanazawa Station West and PREMIST Kanazawa Station West II projects. Both projects experienced same-day sellouts when made open to the public.

However, owing to year-on-year declines in the number of units in construction completions, net sales were 231,344 million yen (-4.7 % year on year). However, operating income amounted to 10,819 million yen (+1.1 % year on year).

\* Joint project between Daiwa House Industry Co., Ltd., Cosmos Initia Co. Ltd., and Orix Real Estate Corporation.

### **Existing Home Business**

In our Existing Home Business, we worked to strengthen relations with single-family and rental property owners by offering property inspection and examination services.

We also provided regular opportunities to offer expert advice from employees in inspection, design, construction fields, and other technical departments as part of our promotional activities in each region.

Regarding unoccupied houses, we opened the Reform Salon Matsudo (Chiba) and Reform Salon Kawanishi (Hyogo) in February 2015 as specialty remodeling showrooms. We also remodeled our Reform Salon Konandai in Kanagawa. These activities have provided us with a chance to work more closely aligned to local needs. These facilities have proven to be popular in their locales, and we have been using them to reinvigorate the multi-unit housing and existing home markets in these areas.

As a result, net sales for the Existing Home Business segment amounted to 91,664 million yen (+5.7% year on year). The segment recorded operating income in the amount of 9,976 million yen (+7.1% year on year).

### **Commercial Facilities Business**

During the fiscal year under review, this segment worked to create stronger relationships with owners, improve the build quality and details for large-scale developments, and offer more ideas that leverage the unique local features of each facility to increase orders.

Daiwa Lease Co., Ltd. began construction on urban shopping mall BiVi projects, including BiVi Senriyama (Osaka), BiVi Tsukuba (Ibaraki), and BiVi Hiji (Oita). We also began work on Frespo suburban shopping mall projects, including Frespo Megumino (Hokkaido), Frespo Shibata (Niigata), and Frespo Rokuchonome-minamimachi (Miyagi). In such ways, we are expanding our commercial facilities throughout Japan.

As a result, Commercial Facilities Business segment net sales amounted to 456,218 million yen (+8.1% year on year). The segment recorded operating income in the amount of 67,279 million yen (+10.7% year on year).

### **Logistics, Business and Corporate Facilities Business**

In this segment, we have been working to leverage our expertise in logistics facilities, medical and nursing facilities, food facilities, and other fields to offer clients proposals for valuable projects.

We continue to work to increase orders for large-scale properties, particularly those in large metropolitan areas. During fiscal 2013, we launched a new logistics facilities brand, DPL (D-Project Logistics), actively engaging in the development of multi-tenant logistics facilities and producing new concepts to grow our business.

During October 2014, we entered into a joint logistics business with Fast Retailing Co., Ltd., beginning construction of a dedicated logistics warehouse for that company in November 2014. We are engaged in a number of projects to generate more efficient logistics, including forming our first-ever private REIT to operate

a logistics business together with Fast Retailing. We are also working on projects to support new logistics schemes capable of responding to diverse customer needs.

As a result, net sales for this segment amounted to 581,569 million yen (-1.8% year on year). Operating income, however, amounted to 38,444 million yen (+42.7% year on year).

### **Other Businesses**

Our Environment and Energy Business Division launched operations of solar power generation facilities at 36 locations during the fiscal year under review, including the DREAM Solar Fukuoka Wakamiya I and DREAM Solar Natsumidai I & II (Nara) and the DREAM Solar Tosa Royal Hotel (Kochi). Up to date, the Daiwa House Group is operating a total of 86 solar power generating facilities throughout Japan.

In the Fitness Club Division, we opened NAS KIDS UNIVERSITY MITAKA in Tokyo, our second such specialized educational childcare facility. Including the new Sports Club NAS Park Place Oita, the Daiwa House Group opened five large sports complexes during the fiscal year under review, reaching a total 68 locations throughout Japan.

Our City Hotels Division operates 39 locations in Japan, including the newly opened Daiwa Roynet Hotel Numazu (Shizuoka) in April 2014, part of the Plaza Verde integrated convention facility managed by Shizuoka Prefecture and Numazu City.

As a result, net sales for this segment amounted to 426,512 million yen (+8.3% year on year). Operating income was 10,288 million yen (-26.9% year on year).

### **(Business Prospects for Fiscal 2015)**

The Japanese economy is expected to enter a gradually improving cycle of business growth, led by reduced manufacturing costs resulting from lower oil prices, and steady consumer demand owing to improving employment and personal incomes. Meanwhile, there are some concerns with the risk that economic recession overseas will make an impact on Japanese domestic business.

The future trend of the housing industry, meanwhile, remains difficult to forecast. On one hand, the increase in consumption tax rates to 10% originally scheduled for October 2015 has been delayed until April 2017. At the same time, Japan's government is enacting policies to stimulate the housing market, including eco points for energy efficient homes and expanded tax exemptions and deferrals for gift taxes. While these factors point to a recovery in housing starts, mortgage interest rate trends and other factors have clouded the picture.

In the face of these economic conditions, the Daiwa House Group plans to improve its earnings power through two initiatives under the growth strategies in the Group's Fourth Medium-Term Management Plan. The first strategy is strengthening and expanding our presence in the value chain that encompasses the business cycle of development, construction, sales, management and operations. The second is strengthening products and services that respond to social changes, including Japan's aging population and concerns for safety and the environment. We intend to do this in each of our core businesses: Single-family houses, rental housing, condominiums, existing home business, commercial facilities, logistics, business and corporate facilities. We also plan to enhance businesses by tying to our core businesses with the diversified businesses such as resort hotels and sports life business and environment and energy business.

In overseas businesses, we plan to accelerate our expansion in newly emerging economies, including ASEAN, while at the same time to develop our real estate business in the United States and other countries and areas.

Given the preceding, we forecast fiscal 2015 net sales in the amount of 3,000 billion yen, with operating income of 200 billion yen, ordinary income of 192 billion yen, and net income attributable to owners of the parent of 125 billion yen.

## **(2) Analysis on Financial Conditions**

### **1. Financial Position**

Total assets as of the end of the consolidated reporting fiscal year amounted to 3,021,007 million yen, an increase of 355,060 million yen compared to 2,665,946 million yen in total assets at the end of the prior consolidated fiscal year. This increase was mainly due to an increase of 143,111 million yen in inventories due to purchases of real estate for sale (in process), an increase of 126,234 million yen in property, plant and equipment, due to acquisitions of real estate for investment, and a 53,956 million yen increase in investment securities, owing to market price increases.

Total liabilities as of the end of the consolidated reporting fiscal year amounted to 1,908,190 million yen, representing a 234,929 million yen increase compared to 1,673,260 million yen in total liabilities at the end of the prior consolidated fiscal year. The main factor behind this increase was a fund procurement by loans and issuances of commercial paper.

Total net assets as of the end of consolidated reporting fiscal year amounted to 1,112,817 million yen, an increase of 120,130 million yen compared to 992,686 million yen in total net assets at the end of the prior consolidated fiscal year. This increase was mainly due to 117,133 million yen in net income and increases in valuation difference on available-for-sale securities.

The net assets ratio as of March 31, 2015 was 36.6%, virtually unchanged from 37.0% at the end of the previous fiscal year.

### **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 139,465 million yen, while net cash used in investing activities came to 235,027 million yen, and net cash provided by financing activities was 129,202 million yen. In total, the net increase in cash and cash equivalents was 35,810 million yen. Consequently, cash and cash equivalents at the end of the reporting fiscal year amounted to 234,544 million yen.

#### **(Cash flows from operating activities)**

During the reporting fiscal year, net cash provided by operating activities stood at 139,465 million yen (+77.8% year on year). This was mainly the result of the posting of income before income taxes and minority interests for the reporting period of 201,091 million yen and an increase in notes and accounts payable-trade, including accounts payable for construction contracts and advance received on uncompleted construction.

#### **(Cash flows from investing activities)**

During the reporting fiscal year, net cash used in investing activities was 235,027 million yen (compared with 240,439 million yen used in the previous fiscal year). This was primarily the result of acquisition of property, plant and equipment, including rental real estates, and investments in real estate development.

### (Cash flows from financing activities)

During the reporting fiscal year, net cash provided by financing activities was 129,202 million yen (+17.3% year on year). This was primarily the result of procurement by loans payable and issuance of commercial papers.

### 3. Cash Flow Indicators

	Fiscal year ended March 31, 2013	Fiscal year ended March 31, 2014	Fiscal year ended March 31, 2015
Net assets ratio	30.9%	37.0%	36.6%
Net assets ratio on market- value basis	44.4%	43.3%	51.7%
Repayment years of interest-bearing debt	2.3 years	5.0 years	4.0 years
Interest coverage ratio	46.2	27.9	46.2

\* 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, 2016 (Consolidated)

For the full fiscal year ending March 31, 2016, we expect capital investments of 200 billion yen and depreciation of 61 billion yen.

## **2. Management policy**

### **(1) Basic Management Policy of the Group**

The Daiwa House Industry was founded in 1955, pursuing a concept called industrialization of construction. Since that time, we have grown as a prefabricated housing manufacturer, tracking the historical growth curve for housing demand. Over the years, we have diversified our business in response to consumer needs, growing in scale and scope as a corporate group in the comprehensive lifestyle industry.

To mark our 50<sup>th</sup> anniversary in fiscal 2005, we launched a new Group management vision we called Connecting Hearts. In conjunction with this vision, we created a new Group symbol, the Endless Heart. We took this opportunity to clearly define our corporate mission as a multi-business enterprise that works together with our customers to create new value and to leverage this value into the creation of a more bountiful society. As we look forward to our 100<sup>th</sup> anniversary, working under the slogan Creating Together, Supporting Each Other.

The Daiwa House Group operates in a number of business fields, classified as Housing (single-family houses, rental housing and condominiums), Business (commercial, logistics and medical and nursing care facilities), and Life (resort facilities and home centers). The Daiwa House Group works as one entity, committed to honoring our relationship and working in partnership with our customers, building bonds of trust that last throughout all stages of their lives.

Our Connecting Hearts management vision and Endless Heart Group symbol represent our enduring ties with stakeholders such as our customers, our shareholders, our business partners, our employees, and the local communities we serve. We will continue to offer products and services that meet market needs as a company that works with our partners to create value for customers, communities, and lifestyles.

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

From the beginning of fiscal 2013, the Daiwa House Group has been conducting business based on the 3G&3S for the Next Step Fourth Medium-Term Management Plan. This plan has defined five growth strategies: (1) Increase profits by augmenting value chains for each core business domain; (2) Create stronger products and services that are compatible with changes in society such as aging population and rising safety and environmental consciousness; (3) Expand business by boosting partnerships in core businesses; (4) Develop and identify new products and services that contribute to global society; and (5) Expand overseas, mainly in emerging countries. In addition, this medium-term management plan identifies two policies that underscore our management decisions: (1) Promote efficiency by redeveloping monozukuri (manufacturing) capabilities and (2) Strengthen systems and human resources in line with business expansion. We plan to accelerate growth by responding to social and market changes, leveraging diverse revenue streams from a wide range of business sectors.

Fiscal 2015 is the final year of this Fourth Medium-Term Management Plan. We intend to make an upward revision in our earnings forecast as we continue to work toward accelerating growth.

### **(3) Issues Facing the Group**

The Japanese economy is expected to enter a gradually improving cycle of business growth, led by reduced manufacturing costs resulting from lower oil prices, and steady consumer demand owing to improving employment and personal incomes. Meanwhile, there are some concerns with the risk that economic recession overseas will make an impact on Japanese domestic business.

The future trend of the housing industry, meanwhile, remains difficult to forecast. On one hand, the increase in consumption tax rates to 10% originally scheduled for October 2015 has been delayed until April 2017. At the same time, Japan's government is enacting policies to stimulate the housing market, including eco points for energy efficient homes and expanded tax exemptions and deferrals for gift taxes. While these factors point to a recovery in housing starts, mortgage interest rate trends and other factors have clouded the picture.

Given these economic conditions, the Daiwa House Group intends to follow the growth policies outlined in its Fourth Medium-Term Management Plan, which concludes this following fiscal year. We will work to discern the conditions of our changing market, leveraging a diverse range of revenue sources for steady growth.

### **3. Basic Approach to Selection of Accounting Standards**

The Daiwa House Group applies Japanese accounting standards as its selected accounting standards to maintain the comparability of consolidated financial statements between accounting periods and the comparability of performance between companies.

## 4. Consolidated Financial Statements

### (1) Consolidated Balance Sheets

	(Millions of yen)	
	Previous fiscal year (as of March 31, 2014)	Reporting fiscal year (as of March 31, 2015)
<b>Assets</b>		
Current assets		
Cash and deposits	212,114	238,776
Notes and accounts receivable from completed construction contracts and other	227,276	244,045
Lease receivables and investment assets	23,726	25,969
Short-term investment securities	18	16
Costs on uncompleted construction contracts	23,818	31,778
Real estate for sale	322,365	423,869
Real estate for sale in process	80,499	114,915
Land for development	647	647
Merchandise and finished goods	13,930	14,984
Work in process	7,960	6,709
Raw materials and supplies	6,355	5,785
Deferred tax assets	32,743	32,836
Other	127,657	133,261
Allowance for doubtful accounts	(3,382)	(3,347)
Total current assets	1,075,731	1,270,247
Noncurrent assets		
Property, plant and equipment		
Buildings and structures	728,101	782,817
Accumulated depreciation	(343,635)	(365,178)
Buildings and structures, net	384,466	417,638
Machinery, equipment and vehicles	99,741	105,240
Accumulated depreciation	(67,432)	(67,126)
Machinery, equipment and vehicles, net	32,308	38,114
Tools, furniture and fixtures	46,204	51,041
Accumulated depreciation	(36,468)	(39,528)
Tools, furniture and fixtures, net	9,736	11,513
Land	485,813	566,139
Lease assets	19,568	20,137
Accumulated depreciation	(6,016)	(6,306)
Lease assets, net	13,551	13,831
Construction in progress	18,009	22,884
Total property, plant and equipment	943,886	1,070,121
Intangible assets		
Goodwill	49,910	48,136
Other	32,263	32,441
Total intangible assets	82,173	80,578
Investments and other assets		
Investment securities	199,026	252,982
Long-term loans receivable	13,714	14,102
Lease and guarantee deposits	198,995	199,562
Deferred tax assets	84,785	52,744
Other	71,473	84,097
Allowance for doubtful accounts	(3,840)	(3,430)
Total investments and other assets	564,154	600,059
Total noncurrent assets	1,590,215	1,750,759
Total assets	2,665,946	3,021,007

	(Millions of yen)	
	Previous fiscal year (as of March 31, 2014)	Reporting fiscal year (as of March 31, 2015)
<b>Liabilities</b>		
Current liabilities		
Notes and accounts payable for construction contracts and other	274,776	309,261
Short-term loans payable	22,302	70,892
Current portion of bonds payable	100,053	110
Current portion of long-term loans payable	60,442	34,803
Commercial papers	—	72,000
Lease obligations	2,958	2,973
Accounts payable-other	100,895	137,489
Income taxes payable	46,796	27,415
Advances received	39,933	39,732
Advances received on uncompleted construction contracts	70,238	90,487
Provision for bonuses	36,524	39,249
Provision for warranties for completed construction	7,419	6,819
Asset retirement obligations	1,581	1,617
Other	81,550	83,251
<b>Total current liabilities</b>	<b>845,474</b>	<b>916,104</b>
Noncurrent liabilities		
Bonds payable	30,614	110,595
Long-term loans payable	180,156	275,128
Lease obligations	26,040	27,415
Deposits received from members	34,174	32,833
Long-term lease and guarantee deposits	241,897	241,355
Deferred tax liabilities for land revaluation	23,909	21,329
Net defined benefit liability	204,801	179,470
Asset retirement obligations	27,414	29,434
Other	58,776	74,522
<b>Total noncurrent liabilities</b>	<b>827,786</b>	<b>992,085</b>
<b>Total liabilities</b>	<b>1,673,260</b>	<b>1,908,190</b>
Net assets		
Shareholders' equity		
Capital stock	161,699	161,699
Capital surplus	294,632	294,632
Retained earnings	465,719	534,639
Treasury stock	(1,256)	(1,965)
<b>Total shareholders' equity</b>	<b>920,794</b>	<b>989,005</b>
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	50,498	84,678
Deferred gains or losses on hedges	10	84
Revaluation reserve for land	(5,241)	(457)
Foreign currency translation adjustment	20,456	32,318
<b>Total accumulated other comprehensive income</b>	<b>65,723</b>	<b>116,623</b>
Subscription rights to shares	38	38
Minority interests	6,129	7,149
<b>Total net assets</b>	<b>992,686</b>	<b>1,112,817</b>
<b>Total liabilities and net assets</b>	<b>2,665,946</b>	<b>3,021,007</b>



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

	(Millions of yen)	
	Previous fiscal year (From April 1, 2013 to March 31, 2014)	Reporting fiscal year (From April 1, 2014 to March 31, 2015)
Net sales	2,700,318	2,810,714
Cost of sales	2,192,414	2,269,846
Gross profit	507,903	540,868
Selling, general and administrative expenses		
Sales commission	16,500	17,729
Advertising expenses	29,838	30,516
Promotion expenses	5,758	5,843
Provision of allowance for doubtful accounts	2,895	2,654
Directors' compensations	3,532	3,547
Employees' salaries and allowances	125,030	132,892
Provision for bonuses	21,809	23,790
Retirement benefit expenses	18,558	19,059
Legal welfare expenses	19,555	20,484
Stationery expenses	10,588	11,653
Correspondence and transportation expenses	17,304	18,407
Rents	12,656	13,333
Depreciation	7,539	8,047
Tax and dues	14,429	17,264
Other	38,327	35,291
Total selling, general and administrative expenses	344,326	360,516
Operating income	163,576	180,352
Non-operating income		
Interest income	3,918	3,997
Dividends income	2,438	2,578
Equity in earnings of affiliates	1,453	11
Amortization of actuarial gain for employees' retirement benefits	14,221	21,046
Miscellaneous income	4,959	7,706
Total non-operating income	26,991	35,340
Non-operating expenses		
Interest expenses	4,620	5,129
Tax and dues	1,748	1,094
Provision of allowance for doubtful accounts	652	318
Miscellaneous expenses	7,179	6,522
Total non-operating expenses	14,201	13,064
Ordinary income	176,366	202,628
Extraordinary income		
Gain on sales of noncurrent assets	1,160	1,359
Gain on sales of investment securities	78	3,365
Gain on sales of investments in capital of subsidiaries and associates	—	273
Gain on revision of retirement benefit plan	—	9,394
Gain on step acquisitions	93	5
Other	0	—
Total extraordinary income	1,332	14,397

	(Millions of yen)	
	Previous fiscal year (From April 1, 2013 to March 31, 2014)	Reporting fiscal year (From April 1, 2014 to March 31, 2015)
Extraordinary losses		
Loss on sales of noncurrent assets	622	76
Loss on retirement of noncurrent assets	1,153	1,807
Impairment loss	5,610	11,182
Loss on sales of investment securities	1	93
Loss on valuation of investment securities	1,800	920
Loss on sales of investments in capital of subsidiaries and associates	—	9
Merger expenses	—	1,779
Other	0	64
Total extraordinary losses	9,189	15,934
Income before income taxes and minority interests	168,509	201,091
Income taxes-current	68,235	58,451
Income taxes-deferred	(2,234)	25,100
Total income taxes	66,000	83,552
Income before minority interests	102,509	117,539
Minority interests in income	413	406
Net income	102,095	117,133

**(Consolidated Statements of Comprehensive Income)**

	(Millions of yen)	
	Previous fiscal year (From April 1, 2013 to March 31, 2014)	Reporting fiscal year (From April 1, 2014 to March 31, 2015)
Income before minority interests	102,509	117,539
Other comprehensive income		
Valuation difference on available-for-sale securities	26,106	33,819
Deferred gains or losses on hedges	10	74
Revaluation reserve for land	—	2,221
Foreign currency translation adjustment	9,775	5,551
Share of other comprehensive income of associates accounted for using equity method	10,199	6,729
Total other comprehensive income	46,091	48,396
Comprehensive income	148,601	165,935
(Comprehensive income attributable to)		
Comprehensive income attributable to owners of the parent	148,202	165,492
Comprehensive income attributable to minority interests	398	443

**(3) Consolidated Statements of Changes in Net Assets**  
**Previous 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
Cumulative effect of changes in accounting policies	—	—	—	—	—
Restated balances	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
Cumulative effect of changes in accounting policies	—	—	—	—	—	—	—	—
Restated balances	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

**Reporting fiscal year (From April 1, 2014 to March 31, 2015)**

(Millions of yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
Balance at beginning of the period	161,699	294,632	465,719	(1,256)	920,794
Cumulative effect of changes in accounting policies	—	—	(9,428)	—	(9,428)
Restated balances	161,699	294,632	456,290	(1,256)	911,366
Changes of items during the period					
Dividends from surplus	—	—	(36,251)	—	(36,251)
Net income	—	—	117,133	—	117,133
Change of scope of consolidation	—	—	7	—	7
Reversal of revaluation reserve for land	—	—	(2,540)	—	(2,540)
Purchase of treasury stock	—	—	—	(710)	(710)
Disposal of treasury stock	—	0	—	0	0
Net changes of items other than shareholders' equity	—	—	—	—	—
Total changes of items during the period	—	0	78,348	(709)	77,639
Balance at end of the period	161,699	294,632	534,639	(1,965)	989,005

	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	50,498	10	(5,241)	20,456	65,723	38	6,129	992,686
Cumulative effect of changes in accounting policies	—	—	—	—	—	—	(0)	(9,428)
Restated balances	50,498	10	(5,241)	20,456	65,723	38	6,129	983,257
Changes of items during the period								
Dividends from surplus	—	—	—	—	—	—	—	(36,251)
Net income	—	—	—	—	—	—	—	117,133
Change of scope of consolidation	—	—	—	—	—	—	—	7
Reversal of revaluation reserve for land	—	—	—	—	—	—	—	(2,540)
Purchase of treasury stock	—	—	—	—	—	—	—	(710)
Disposal of treasury stock	—	—	—	—	—	—	—	0
Net changes of items other than shareholders' equity	34,180	74	4,784	11,861	50,900	—	1,019	51,920
Total changes of items during the period	34,180	74	4,784	11,861	50,900	—	1,019	129,559
Balance at end of the period	84,678	84	(457)	32,318	116,623	38	7,149	1,112,817

**(4) Consolidated Statements of Cash Flows**

	(Millions of yen)	
	Previous fiscal year (From April 1, 2013 to March 31, 2014)	Reporting fiscal year (From April 1, 2014 to March 31, 2015)
<b>Net cash provided by (used in) operating activities</b>		
Income before income taxes and minority interests	168,509	201,091
Depreciation and amortization	48,533	53,283
Increase (decrease) in provision for retirement benefits	(210,341)	—
Increase (decrease) in net defined benefit liability	204,801	(39,765)
Interest and dividends income	(6,357)	(6,576)
Interest expenses	4,620	5,129
Equity in (earnings) losses of affiliates	(1,453)	(11)
Loss (gain) on sales and retirement of noncurrent assets	615	524
Impairment loss	5,610	11,182
Loss (gain) on valuation of investment securities	1,800	920
Decrease (increase) in notes and accounts receivable-trade	(36,674)	(16,193)
Decrease (increase) in inventories	(36,435)	(80,286)
Increase (decrease) in advances received	(699)	(410)
Increase (decrease) in advances received on uncompleted construction contracts	9,470	19,946
Increase (decrease) in notes and accounts payable-trade	(50,944)	39,102
Other, net	31,626	28,084
Subtotal	132,681	216,021
Interest and dividends income received	3,756	3,646
Interest expenses paid	(2,809)	(3,017)
Income taxes paid	(55,177)	(77,185)
Net cash provided by (used in) operating activities	78,451	139,465
<b>Net cash provided by (used in) investing activities</b>		
Purchase of property, plant and equipment and intangible assets	(217,295)	(232,211)
Proceeds from sales of property, plant and equipment	4,202	2,604
Purchase of investment securities	(10,413)	(16,645)
Proceeds from sales and redemption of investment securities	3,241	11,720
Purchase of investments in subsidiaries	(170)	(138)
Purchase of investments in subsidiaries resulting in change in scope of consolidation	(7,119)	(1,206)
Payments for acquisition of business	—	(405)
Payments for collection of lease and guarantee deposits	(4,513)	(6,546)
Other, net	(8,371)	7,801
Net cash provided by (used in) investing activities	(240,439)	(235,027)

	(Millions of yen)	
	Previous fiscal year (as of March 31, 2014)	Reporting fiscal year (as of March 31, 2015)
Net cash provided by (used in) financing activities		
Net increase (decrease) in short-term loans payable	13,540	48,670
Net increase (decrease) in commercial papers	—	72,000
Proceeds from long-term loans payable	40,568	134,083
Repayment of long-term loans payable	(45,443)	(66,234)
Proceeds from issuance of bonds	—	80,000
Redemption of bonds	(363)	(100,135)
Repayments of finance lease obligations	(2,841)	(3,137)
Proceeds from issuance of common shares	103,885	—
Proceeds from stock issuance to minority shareholders	35	258
Purchase of treasury stock	(104)	(51)
Proceeds from sales of treasury stock	34,347	0
Proceeds from issuance of subscription rights to shares	38	—
Cash dividends paid	(33,436)	(36,251)
Repayments of payables under fluidity lease receivables	(95)	—
Net cash provided by (used in) financing activities	110,131	129,202
Effect of exchange rate change on cash and cash equivalents	5,551	2,137
Net increase (decrease) in cash and cash equivalents	(46,304)	35,778
Cash and cash equivalents at the beginning of the period	245,037	198,733
Increase in cash and cash equivalents from newly consolidated subsidiary	—	31
Cash and cash equivalents at the end of the period	198,733	234,544

## **(5) Notes to Consolidated Financial Statements**

### **(Notes on Premise of Going Concern)**

Not applicable.

### **(Changes of Accounting Policies)**

#### **(Application of Accounting Standard for Retirement Benefits)**

Beginning with the fiscal year under review, the Company has applied the Accounting Standard for Retirement Benefits (ASBJ Statement No.26; May 17, 2012; "Retirement Benefits Accounting Standard," below) and Guidance on Accounting Standard for Retirement Benefits (ASBJ Guidance No.25; March 26, 2015; "Retirement Benefits Accounting Guidance," below). This application of accounting standards conforms to the provisions of Paragraph 35 of the Retirement Benefits Accounting Standard and Paragraph 67 of the Retirement Benefits Accounting Guidance. As a result, the Company has revised its method for calculating retirement benefit obligations and services costs, changing the period attribution method for expected benefit payments from straight-line attribution and point basis to a benefit formula basis. The Company has also changed the method for determining discount rates to a single weighted average discount rate reflecting the retirement benefit projected payment period and amount for each projected payment period.

In accordance with the provisions set forth in Paragraph 37 of the Retirement Benefits Accounting Standard with respect to transitional treatment of the accounting standard, the Company has recorded the effect of the change in calculation methods for retirement benefit obligation and service costs calculation as an increase or decrease in retained earnings at the beginning of the consolidated fiscal year under review.

As a result, net defined benefit liability at the beginning of the consolidated fiscal year under review increased 14,418 million yen, with a 9,428 million yen reduction in retained earnings. This accounting change did not have a material effect on consolidated operating income, ordinary income, and net income before taxes for the fiscal year under review.

### **(Supplementary Information)**

#### **(Revision of Deferred Tax Asset and Deferred Tax Liability Amounts due to Changes in Corporate Tax Rates)**

On March 31, 2015, the government of Japan promulgated the Act for Partial Revision of the Income Tax Act, Etc. (Act No.9, 2015) and the Act for Partial Revision of the Local Tax Act (Act No.2, 2015). These acts reduce corporate tax rates for consolidated fiscal years beginning on or after April 1, 2015. In conjunction with these new laws, effective statutory tax rate used for calculating deferred tax assets and deferred tax liabilities will be reduced from the current 35.6% to 33.0% for temporary differences expected to be reversed during consolidated fiscal years beginning on April 1, 2015. The effective statutory tax rate shall be further reduced to 32.2% for temporary differences expected to be reversed during consolidated fiscal years beginning April 1, 2016.

As a result of this change in tax rates, deferred tax assets (amount after deducting deferred tax liabilities) decreased by 6,089 million yen, while income taxes-deferred and valuation differences on available-for-sale securities increased by 10,344 million yen and 4,250 million yen, respectively. The deferred tax liabilities for land revaluation decreased by 2,221 million yen, with the same amount transferred to revaluation reserve for land. Accordingly, revaluation reserve for land (a component of other comprehensive income) increased by 2,221 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.

#### **2. Method of calculating sales and operating income, 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, 2013 to March 31, 2014)

(Millions of yen)

	Reportable Business Segments						Total
	Single-Family Houses	Rental Housing	Condominiums	Existing Home Business	Commercial Facilities	Logistics, Business & Corporate Facilities	
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, resort hotels and sports life 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.

**Reporting fiscal year (From April 1, 2014 to March 31, 2015)**

(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	371,978	770,508	230,662	89,992	444,603	578,666	2,486,412
(2) Inter-segment sales or transfers	3,364	2,447	682	1,671	11,614	2,902	22,683
Total	375,343	772,955	231,344	91,664	456,218	581,569	2,509,096
Operating income	8,841	69,597	10,819	9,976	67,279	38,444	204,957
Assets	209,548	263,607	306,218	9,870	509,017	831,798	2,130,060
Others							
Depreciation	3,529	7,042	2,023	174	15,168	7,963	35,902
Net increase in property, plant and equipment, and intangible assets	5,030	33,258	4,572	194	46,873	121,763	211,692

	Other Businesses (Note: 1)	Subtotal	Adjustment (Note: 2)	Amounts on the consolidated financial statements
Sales				
(1) Sales to customers	324,302	2,810,714	—	2,810,714
(2) Inter-segment sales or transfers	102,209	124,893	(124,893)	—
Total	426,512	2,935,608	(124,893)	2,810,714
Operating income	10,288	215,246	(34,894)	180,352
Assets	612,381	2,742,442	278,564	3,021,007
Others				
Depreciation	16,510	52,413	870	53,283
Net increase in property, plant and equipment, and intangible assets	42,126	253,818	21,171	274,990

Notes: 1. Other Businesses include construction support, resort hotels and sports life business, city hotels, overseas businesses and others.

2. Adjustment:

- (1) 34,894 million yen in adjustments to operating income by business segment includes 446 million yen in elimination within business segments, 716 million yen in amortization of goodwill, and 35,164 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) 278,564 million yen in adjustments to assets by business segment includes 237,311 million yen in elimination within business segments, and 515,875 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) 870 million yen in adjustments to depreciation by business segment includes 401 million yen in elimination within business segments, and 1,272 million yen in the depreciation attributable to Group assets.
- (4) 21,171 million yen in adjustments to net increase in property, plant and equipment, and intangible assets by business segment includes 1,345 million yen in elimination within business segments, and 22,517 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, 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 business and resort hotels and sports life business.

**Reporting fiscal year (from April 1, 2014 to March 31, 2015)**

(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	289	285	361	—	1,106	159	8,979	—	11,182

(\*) Amounts are construction-support related business and resort hotels and sports life business.

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

**Previous 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.

**Reporting fiscal year (from April 1, 2014 to March 31, 2015)**

(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)	1,308	—	534	1,646	(249)	—	3,232
Fiscal year-end unamortized balance of goodwill	—	(103)	17,069	—	4,654	29,645	(3,129)	—	48,136

(\*) Amounts are construction-support related.

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

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

Not applicable.

**Reporting fiscal year (from April 1, 2014 to March 31, 2015)**

Not applicable.

**(Per Share Information)**

	<b>Previous fiscal year (From April 1, 2013 to March 31, 2014)</b>	<b>Reporting fiscal year (From April 1, 2014 to March 31, 2015)</b>
Net assets per share	1,496.72 yen	1,678.24 yen
Basic net income per share	161.08 yen	177.74 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.

	<b>Previous fiscal year (From April 1, 2013 to March 31, 2014)</b>	<b>Reporting fiscal year (From April 1, 2014 to March 31, 2015)</b>
Basic net income per share		
Net income (millions of yen)	102,095	117,133
Amount not belonging to general shareholders (millions of yen)	—	—
Basic net income related to common stock (millions of yen)	102,095	117,133
Average amount of common stock during the year (thousand shares)	633,810	659,015

**Disclaimer:**

This English translation has been prepared for general reference purposes only. The Company shall not be responsible for any consequence resulting from the use of the English translation in place of the original Japanese text. In any legal matter, readers should refer to and rely upon the original Japanese text released on May 13, 2015.