



Summary of Financial Results (Unaudited)
for the First Nine Months of the Fiscal Year Ending March 31, 2020 [Consolidated]
(From April 1, 2019 to December 31, 2019)
[Japanese GAAP]

February 13, 2020

Name of Listed Company: Daiwa House Industry Co., Ltd.
 Code No.: 1925
 URL: <https://www.daiwahouse.com/English/>
 Listed Exchanges: First section of the Tokyo Stock Exchange
 Representative: Keiichi Yoshii, President, CEO and COO
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Scheduled Date of Filing Quarterly Securities Report: February 14, 2020
 Scheduled Date of Commencement of Dividend Payment: —
 Supplemental documents for the financial results provided: Yes
 Results briefing for the period under review provided: Yes (for institutional investors and securities analysts)

(Amounts below one million yen are omitted)

1. Consolidated Results of Operation for the First Nine Months Ended December 31, 2019
(From April 1, 2019 to December 31, 2019)

(1) Consolidated Earnings Results

(% figures represent year-on-year change)

	Net sales		Operating income		Ordinary income		Net income attributable to owners of the parent	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
Nine months ended:								
December 31, 2019	3,163,355	7.2	289,697	8.1	288,295	6.4	195,695	6.2
December 31, 2018	2,951,587	9.5	267,908	6.2	270,877	6.6	184,343	5.1

Note: Comprehensive income: Nine months ended December 31, 2019: 188,522 million yen (21.8%)
 Nine months ended December 31, 2018: 154,718 million yen (-16.6%)

	Basic net income per share	Diluted net income per share
Nine months ended:	Yen	Yen
December 31, 2019	294.76	294.68
December 31, 2018	277.29	277.13

(2) Consolidated Financial Conditions

	Total assets	Net assets	Net assets ratio
As of	Millions of yen	Millions of yen	%
December 31, 2019	4,639,073	1,744,958	36.7
March 31, 2019	4,334,037	1,643,717	36.8

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

(Net assets – Non-controlling interests) is as follows. December 31, 2019: 1,701,112 million yen;
 March 31, 2019: 1,595,991 million yen

2. Dividends

	Dividend per share				
	End of 1st quarter (June 30)	End of 2nd quarter (Sept. 30)	End of 3rd quarter (Dec. 31)	Fiscal year-end (March 31)	Annual
Fiscal year ended March 31, 2019	Yen	Yen	Yen	Yen	Yen
	—	50.00	—	64.00	114.00
Fiscal year ending March 31, 2020	—	55.00			
Fiscal year ending March 31, 2020 (forecasts)			—	60.00	115.00

(Note) Revised dividend forecast for the quarter under review: None

3. Consolidated Earnings Forecasts for the Fiscal Year Ending March 31, 2020 (From April 1, 2019 to March 31, 2020)

(% 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, 2020	4,350,000	5.0	383,000	2.9	378,000	5.2	253,000	6.6	381.05

(Note) Revised forecast for the quarter under review: None

Notes:

- (1) **Changes in Significant Subsidiaries during the Period under Review (This refers to changes in specified subsidiaries associated with changes in the scope of consolidation):** None
- (2) **Application of Accounting Methods Unique to the Preparation of the Quarterly Consolidated Financial Statements:** None
- (3) **Changes in Accounting Policies Applied, Changes in Accounting Estimates and Retrospective Restatement**
 - 1) **Changes in accounting policies applied due to amendment of accounting standards:** Yes
 - 2) **Changes in accounting policies due to reasons other than 1):** None
 - 3) **Changes in accounting estimates:** None
 - 4) **Retrospective restatement:** None

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

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

As of December 31, 2019	666,238,205 shares	As of March 31, 2019	666,238,205 shares
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2) Number of treasury stock at the end of the period

As of December 31, 2019	2,164,612 shares	As of March 31, 2019	2,436,961 shares
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3) Average number of shares during the period

Nine months ended December 31, 2019	663,922,282 shares	Nine months ended December 31, 2018	664,792,243 shares
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* **This financial results report is not required to be audited by certified public accountants or audit corporations**

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

(Notes regarding forward-looking statements)

Consolidated earnings forecasts are based on assumptions in light of the information available as of the date of announcement of this material and the factors of uncertainty that may possibly impact the future results of operation. These statements do not mean that the Company pledges to realize such statements. Actual results may differ significantly from those presented herein as a consequence of numerous factors such as the financial market, economic conditions, competitor situations and fluctuations in land prices.

Please refer to the section of “1. Qualitative Information Regarding Consolidated Results for the Period under Review (3) Explanation regarding forecasts, such as of future business performance figures” of “the Attached Material” on page 5 for the suppositions that form the assumptions for earnings forecasts.

(Obtaining supplementary explanatory materials)

The Company plans to hold a briefing for institutional investors and securities analysts on February 13, 2020. Relevant financial statements to be handed out at the briefing will be posted on our official website at the same time.

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1. Qualitative Information Regarding Consolidated Results for the Period under Review

(1) Earnings Results

During the first nine-month period under review, the Japanese economy continued to follow a gradual recovery trend, against the background of a pickup in consumer spending and an ongoing rising capital investment, among other positive factors.

In the housing industry, the market as a whole posting minus figures on a year-on-year comparison. New housing construction starts in the Owned House and Built-for-Sale dwelling categories, recorded year-on-year increase while the Rented House dwelling category and condominiums turned downward. In the general construction market, non-housing operations as a whole were also down from the previous year. In the total floorspace of new construction starts in the categories of warehouses, hospitals, among others, recorded year-on-year increase while factories, retail outlets, among others turned downward.

Amid this business environment, under the Daiwa House Group's Sixth Medium-Term Management Plan (FY2019-2021), we have actively invested in real estate development, and have worked to expand operations in our Business Segment (Commercial Facilities Business, and Logistics, Business & Corporate Facilities Business) and to speed up the pace of our overseas expansion.

In addition, as a means of strengthening measures on the Group's governance, we have been working to transfer authority to officers directly involved in operational execution and to redefine responsibilities, as well as reinforcing our organizational capability to respond to risks that differ depending on the sphere of business or geographical region in which the Group operates. In such ways, we have been redesigning our corporate system to make future growth possible.

As a result, the Daiwa House Group recorded consolidated net sales of 3,163,355 million yen (+7.2% year on year) for the first nine months of the fiscal year ending March 2020. Operating income came to 289,697 million yen (+8.1% year on year), ordinary income came to 288,295 million yen (+6.4% year on year), while net income attributable to owners of the parent amounted to 195,695 million yen (+6.2% year on year).

(2) Financial Conditions

Total assets as of the end of the consolidated nine-month reporting period amounted to 4,639,073 million yen, an increase of 305,036 million yen compared with 4,334,037 million yen in total assets at the end of the previous consolidated fiscal year. This was principally due to an increase in inventory assets accompanying the overseas business expansion, etc., and an increase in property, plant, and equipment accompanying the acquisition of real estate for investment and other.

Total liabilities as of the end of the consolidated nine-month reporting period amounted to 2,894,115 million yen, an increase of 203,795 million yen compared with 2,690,320 million yen in total liabilities at the end of the previous consolidated fiscal year. The principal reason for this, in spite of the payment of notes and accounts payable for construction contracts, was the issuance of hybrid bonds, as well as bank borrowings, to raise funds for the acquisition of inventory assets and real estate for investment and other purposes.

Total net assets as of the end of the consolidated nine-month reporting period amounted to 1,744,958 million yen, an increase of 101,241 million yen compared with 1,643,717 million yen in total net assets at the end of the previous consolidated fiscal year. This was mainly due to the posting of net income for the period attributable to owners of the parent in the amount of 195,695 million yen, which more than offset the payment of dividends to shareholders for the previous fiscal year. At the end of the term under review, these results were 1,249,920 million yen in interest-bearing liabilities excluding lease obligations among others, and a debt-equity ratio of 0.73 times. After taking the

issuance of hybrid bonds into account, the D/E ratio came to 0.66 times*.

* The amount of 150 billion yen shown for the September 2019 public offering of hybrid bonds (Subordinated Bonds) has been calculated taking into account the equity credit of 50 percent employed in establishing the Company's credit rating.

(3) Explanation regarding forecasts, such as of future business performance figures

Regarding consolidated business performance forecasts for the term ending March 31, 2020, the forecasts issued on November 8, 2019 in the “Summary of Financial Results for the First Six Months of Fiscal Year Ending March 31, 2020” remain unchanged.

2. Consolidated Financial Statements and Main Notes

(1) Consolidated Balance Sheets

(Millions of yen)

	As of March 31, 2019	As of December 31, 2019
Assets		
Current assets		
Cash and deposits	279,859	282,928
Notes and accounts receivable from completed construction contracts and other	390,922	430,111
Mortgage notes receivable held for sale	14,625	25,781
Short-term investment securities	891	13,446
Costs on uncompleted construction contracts	79,305	59,151
Real estate for sale	648,291	699,057
Real estate for sale in process	194,750	244,531
Land for development	966	3,583
Merchandise and finished goods	17,046	20,889
Work in process	6,854	9,042
Raw materials and supplies	8,451	9,080
Other	287,744	284,333
Allowance for doubtful accounts	-8,665	-8,751
Total current assets	1,921,043	2,073,187
Noncurrent assets		
Property, plant and equipment		
Buildings and structures	1,024,832	1,096,710
Accumulated depreciation	-443,094	-480,100
Buildings and structures, net	581,738	616,610
Land	811,205	858,538
Other	356,085	432,242
Accumulated depreciation	-140,480	-150,634
Other, net	215,604	281,608
Total property, plant and equipment	1,608,548	1,756,757
Intangible assets		
Goodwill	72,898	73,721
Other	51,740	54,674
Total intangible assets	124,639	128,395
Investments and other assets		
Investment securities	224,689	232,587
Lease and guarantee deposits	229,790	238,928
Other	227,994	211,678
Allowance for doubtful accounts	-2,669	-2,461
Total investments and other assets	679,804	680,733
Total noncurrent assets	2,412,993	2,565,886
Total assets	4,334,037	4,639,073

(Millions of yen)

	As of March 31, 2019	As of December 31, 2019
Liabilities		
Current liabilities		
Notes and accounts payable for construction contracts and other	530,472	309,019
Short-term loans payable	97,631	203,993
Current portion of bonds payable	95,000	115,000
Current portion of long-term loans payable	40,441	47,396
Commercial papers	–	104,000
Income taxes payable	69,944	19,189
Advances received	55,700	60,872
Advances received on uncompleted construction contracts	165,186	136,911
Provision for bonuses	56,288	31,403
Provision for warranties for completed construction	8,003	7,077
Asset retirement obligations	1,985	2,065
Other	281,195	297,805
Total current liabilities	1,401,849	1,334,733
Noncurrent liabilities		
Bonds payable	192,000	277,000
Long-term loans payable	350,573	499,930
Long-term lease and guarantee deposited	276,590	285,817
Net defined benefit liability	263,018	268,735
Asset retirement obligations	45,333	49,265
Other	160,953	178,631
Total noncurrent liabilities	1,288,470	1,559,381
Total liabilities	2,690,320	2,894,115
Net assets		
Shareholders' equity		
Capital stock	161,699	161,699
Capital surplus	310,879	307,097
Retained earnings	1,066,705	1,179,482
Treasury stock	-8,316	-7,412
Total shareholders' equity	1,530,968	1,640,866
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	51,016	56,526
Deferred gains or losses on hedges	-21	-9
Revaluation reserve for land	6,453	10,274
Foreign currency translation adjustment	7,574	-6,546
Total accumulated other comprehensive income	65,023	60,245
Subscription rights to shares	114	102
Non-controlling interests	47,610	43,743
Total net assets	1,643,717	1,744,958
Total liabilities and net assets	4,334,037	4,639,073

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

	(Millions of yen)	
	Nine months ended December 31, 2018 (From April 1, 2018 to December 31, 2018)	Nine months ended December 31, 2019 (From April 1, 2019 to December 31, 2019)
Net sales	2,951,587	3,163,355
Cost of sales	2,341,321	2,516,893
Gross profit	610,266	646,462
Selling, general and administrative expenses	342,358	356,764
Operating income	267,908	289,697
Non-operating income		
Interest income	2,691	2,609
Dividends income	4,644	4,365
Equity in earnings of affiliates	-	63
Miscellaneous income	5,759	5,218
Total non-operating income	13,094	12,256
Non-operating expenses		
Interest expenses	5,488	6,510
Taxes and dues	606	1,502
Equity in losses of affiliates	106	-
Miscellaneous expenses	3,924	5,645
Total non-operating expenses	10,125	13,658
Ordinary income	270,877	288,295
Extraordinary income		
Gain on sales of noncurrent assets	672	1,081
Gain on sales of investment securities	1,562	386
Gain on liquidation of subsidiaries and affiliates	-	1,514
Gain on sales of shares of subsidiaries and associates	569	-
Gain on change in equity	-	32
Other	-	0
Total extraordinary income	2,804	3,015
Extraordinary losses		
Loss on sales of noncurrent assets	388	43
Loss on retirement of noncurrent assets	630	2,070
Impairment loss	29	8
Loss on sales of investment securities	5	3
Loss on valuation of investment securities	1,278	171
Loss on disaster	790	-
Other	3	1
Total extraordinary losses	3,126	2,299
Income before income taxes	270,554	289,011
Income taxes-current	72,977	78,910
Income taxes-deferred	9,629	11,916
Total income taxes	82,606	90,826
Net income	187,948	198,185
Net income attributable to non-controlling interests	3,605	2,489
Net income attributable to owners of the parent	184,343	195,695

(Consolidated Statements of Comprehensive Income)

(Millions of yen)

	Nine months ended December 31, 2018 (From April 1, 2018 to December 31, 2018)	Nine months ended December 31, 2019 (From April 1, 2019 to December 31, 2019)
Net income	187,948	198,185
Other comprehensive income		
Valuation difference on available-for-sale securities	-26,100	5,504
Deferred gains or losses on hedges	11	11
Revaluation reserve for land	—	0
Foreign currency translation adjustment	-4,900	-12,646
Share of other comprehensive income of associates accounted for using equity method	-2,240	-2,533
Total other comprehensive income	-33,229	-9,662
Comprehensive income	154,718	188,522
(Comprehensive income attributable to)		
Comprehensive income attributable to owners of the parent	151,745	187,097
Comprehensive income attributable to non- controlling interests	2,972	1,425

(3) Notes

Notes on Premise of Going Concern

No items to report.

Notes on Significant Changes in the Amount of Shareholders' Equity

No items to report.

Changes in Accounting Policies

The adoption of IFRS 16 Leases

For subsidiaries located outside Japan that have adopted the International Financial Reporting Standards (IFRS), IFRS 16 Leases (hereinafter "IFRS 16") is applicable to consolidated financial reporting with effect from the reporting first-quarter period.

As a result of the application of IFRS 16, in principle, lessees shall recognize all assets and liabilities for all leases. Daiwa House has applied IFRS 16 in accordance with the transitional provisions set forth in IFRS 16.

This change will have a minimal effect on the consolidated financial statement for the first nine-month period in question.

Disclaimer:

This English translation has been prepared for general reference purposes only. The Company shall not be responsible for any consequence resulting from the use of the English translation in place of the original Japanese text. In any legal matter, readers should refer to and rely upon the original Japanese text released on February 13, 2020.