



Summary of Financial Results (Unaudited)
for the First Six Months of the Fiscal Year Ending March 31, 2015 [Consolidated]
(From April 1, 2014 to September 30, 2014)
[Japanese GAAP]

November 7, 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 Filing Quarterly Securities Report: November 11, 2014
Scheduled Date of Commencement of Dividend Payment: December 2, 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 First Six Months Ended September 30, 2014 (From April 1, 2014 to September 30, 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 | % |
| Six months ended: | | | | | | | | |
| September 30, 2014 | 1,324,847 | 6.6 | 80,127 | 14.4 | 82,332 | 17.5 | 61,668 | 54.0 |
| September 30, 2013 | 1,242,631 | 29.2 | 70,027 | 10.4 | 70,051 | 8.0 | 40,052 | 11.5 |

Note: Comprehensive income: Six months ended September 30, 2014: 78,107 million yen (46.3%)
Six months ended September 30, 2013: 53,379 million yen (53.9%)

| | Basic net income per share | Diluted net income per share |
|--------------------|----------------------------|------------------------------|
| Six months ended: | Yen | Yen |
| September 30, 2014 | 93.56 | |
| September 30, 2013 | 65.43 | |

(2) Consolidated Financial Conditions

| | Total assets | Net assets | Net assets ratio |
|--------------------|-----------------|-----------------|------------------|
| As of | Millions of yen | Millions of yen | % |
| September 30, 2014 | 2,779,179 | 1,041,638 | 37.3 |
| March 31, 2014 | 2,665,946 | 992,686 | 37.0 |

(Reference) Net assets ratio = (Net assets – Minority interests)/Total assets × 100
(Net assets – Minority interests) is as follows. September 30, 2014: 1,035,571 million yen; March 31, 2014: 986,518 million yen

2. Dividends

| | Dividend per share | | | | |
|---|--|---|--|----------------------------|--------|
| | End of 1 st quarter (June 30) | End of 2 nd quarter (Sept. 30) | End of 3 rd quarter (Dec. 31) | Fiscal year-end (March 31) | Annual |
| Fiscal year ended March 31, 2014 | Yen | Yen | Yen | Yen | Yen |
| | — | 20.00 | — | 30.00 | 50.00 |
| Fiscal year ending March 31, 2015 | — | 25.00 | | | |
| Fiscal year ending March 31, 2015 (forecasts) | | | — | 25.00 | 50.00 |

Note: Revision made to the dividend forecast announcement on May 9, 2014: None

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 | 173,000 | 5.8 | 172,000 | (2.5) | 108,000 | 5.8 | 163.86 |

Note: Revision made to business forecast announcement on May 9, 2014: Yes

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

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

| | | | |
|--------------------------|--------------------|----------------------|--------------------|
| As of September 30, 2014 | 660,421,851 shares | As of March 31, 2014 | 660,421,851 shares |
|--------------------------|--------------------|----------------------|--------------------|

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

| | | | |
|--------------------------|------------------|----------------------|------------------|
| As of September 30, 2014 | 1,320,331 shares | As of March 31, 2014 | 1,300,280 shares |
|--------------------------|------------------|----------------------|------------------|

3) Average number of shares during the period

| | | | |
|-------------------------------------|--------------------|-------------------------------------|--------------------|
| Six months ended September 30, 2014 | 659,112,315 shares | Six months ended September 30, 2013 | 612,107,574 shares |
|-------------------------------------|--------------------|-------------------------------------|--------------------|

* Presentation of implementing the quarterly review procedures

As of the time when the quarterly financial results are disclosed, the Group have not completed the reviewing (checking) procedures for quarterly 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 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 First Six Months under Review (3) Business Forecasts" of "the Attached Material" on page 5 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 November 7, 2014. 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 First Six Months under Review

(1) Business Results

During the first six months of fiscal 2014 ending March 31, 2015, the Japanese economy showed a modest trend towards recovery. However, the economy continues to feel the reverse effects of last-minute consumer demand prior to the consumption tax rate increase. With certain segments such as consumer spending and production continuing to face stagnant conditions, the Japanese economy has yet to move towards a complete recovery.

The housing industry saw the government take steps to counteract losses resulting from the reverse effects of the consumption tax rate increase by expanding tax decreases for housing loan and through the establishment of new housing subsidy in April 2014. However, the negative impact of the tax rate hike has continued as new housing starts fell below previous year volume for seven consecutive months since March 2014. And despite 16 consecutive months of growth dating back to March 2013, the continuous rise in new housing starts for rental houses came to an end with volume now recording three consecutive months of decline since July 2014.

Amid such conditions, the Daiwa House Group has worked to expand business with a focus on “accelerate growth”; an initiative outlined in the “4th Medium-Term Management Plan, ‘3G&3S’ for the Next Step,” the final year of which concludes in FY2015. 3G&3S refers to our ongoing 3G Strategy for growth (Group (expand market share through Group growth), Global (accelerate expansion into global markets), and Great (developing an excellent company)) combined with 3S (Speed, Safety, and Sustainability), our basic philosophy for the implementation of this growth strategy.

In June 2014, TOMO Co., Ltd., a parking company mainly active in the large Kanto and Kinki markets, became a subsidiary of the Group. This move will help us achieve further expansion and efficiency in our parking business.

In September 2014, we renovated the “D-Room Plaza Hall,” a rental housing showroom inside our Central Research Laboratory (Nara Prefecture), and opened a new Technology Hall. These initiatives will help understanding about the performance of our rental properties for land owners and tenants.

As a result, for the reporting six-month period, on a consolidated basis, the Daiwa House Group recorded net sales of 1,324,847 million yen, up 6.6% year on year. Ordinary income came to 82,332 million yen, up 17.5%, and net income was 61,668 million yen, up 54.0%.

(2) Financial Conditions

Total assets at the end of the reporting six-month period totaled 2,779,179 million yen, an increase of 113,232 million yen over the 2,665,946 million yen at the end of the previous consolidated fiscal year. Notes and accounts receivable from completed construction contracts and other decreased by 28,756 million yen as a result of collections, etc. However, inventories increased by 47,689 million yen due to real estate for sale acquisitions, property, plant and equipment increased by 69,205 million yen due to the acquisition of real estate for investment, and investment securities increased 37,056 million yen due to a rise in market prices.

Total liabilities at the end of the reporting six-month period totaled 1,737,540 million yen, an increase of 64,279 million yen over the 1,673,260 million yen at the end of the previous consolidated fiscal year. Current liabilities decreased by 8,846 million yen due to payments made, including income taxes payable and notes and accounts payable for construction contracts and other. On the other hand, noncurrent liabilities increased by 73,126 million yen due to capital procurement through the issuance of corporate bonds.

Total net assets at the end of the reporting six-month period totaled 1,041,638 million yen. Although we paid shareholder dividends related to the previous consolidated fiscal year, we recorded 61,668 million yen in net income and valuation difference on available-for-sale securities increased. As a result of these and other factors, total net assets increased by 48,952 million yen over the 992,686 million yen at the end of the previous consolidated fiscal year.

(3) Business Forecasts

The consolidated business forecast for operating income, ordinary income and net income for the fiscal year ending March 31, 2015, has been revised following recent order-received trends and the first six-month results.

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

| | Net sales | Operating income | Ordinary income | Net income | Net income per share |
|--|-----------------|------------------|-----------------|-----------------|----------------------|
| | Millions of yen | Millions of yen | Millions of yen | Millions of yen | Yen |
| Previous forecast (A) | 2,800,000 | 170,000 | 169,000 | 105,000 | 159.30 |
| Revised forecast (B) | 2,800,000 | 173,000 | 172,000 | 108,000 | 163.86 |
| Change (B - A) | - | 3,000 | 3,000 | 3,000 | - |
| Rate of change (%) | - | 1.8 | 1.8 | 2.9 | - |
| (Ref.) Previous fiscal year results (Fiscal year ended March 31, 2014) | 2,700,318 | 163,576 | 176,366 | 102,095 | 161.08 |

2. Summary Information (Notes)

(1) Changes of Accounting Policies Applied, Changes in Accounting Estimates and Retrospective Restatement Changes of Accounting Policies (Application of Accounting Standard for Retirement Benefits)

From the first three months of the fiscal year ending March 31, 2015, the Company began applying Accounting Standards for Retirement Benefits (Accounting Standards Board of Japan (ASBJ) Statement No. 26, May 17, 2012) and Application Guidelines for Accounting Standards for Retirement Benefits (ASBJ Guidance No. 25, May 17, 2012) and the provisions contained in the text of Paragraph 35 of Accounting Standards for Retirement Benefits and the text of Paragraph 67 of Application Guidelines for Accounting Standards for Retirement Benefits. The Company has reviewed its method of calculating retirement benefit obligations and service costs, and has changed its attribution method for projected retirement benefits from the straight-line attribution method and point method to the benefit formula, and changed its method for determining the discount rate to a single-weighted average discount rate that reflects the estimated payment period of the retirement benefit and the expected payment at the time of each retirement benefit.

The Application of Accounting Standards for Retirement Benefits follows the transitional treatment set forth in Paragraph 37 of Accounting Standards for Retirement Benefits and the effect of the change in the method of calculating retirement benefit obligations and service costs at the beginning of the first six months of the fiscal year under review was recorded retained earnings.

As a result, net defined benefit liabilities at the beginning of the first six months of the fiscal year under review increased by 14,418 million yen and retained earnings decreased by 9,428 million yen. In addition, the effect of this change had no material impact on operating income, ordinary income, and income before income taxes and minority interests for the reporting period.

3. Consolidated Financial Statements
(1) Consolidated Balance Sheets

| | (Millions of yen) | |
|---|----------------------|--------------------------|
| | As of March 31, 2014 | As of September 30, 2014 |
| Assets | | |
| Current assets | | |
| Cash and deposits | 212,114 | 219,649 |
| Notes and accounts receivable from completed construction contracts and other | 227,276 | 198,520 |
| Short-term investment securities | 18 | 218 |
| Costs on uncompleted construction contracts | 23,818 | 27,087 |
| Real estate for sale | 322,365 | 329,273 |
| Real estate for sale in process | 80,499 | 118,708 |
| Land for development | 647 | 647 |
| Merchandise and finished goods | 13,930 | 13,885 |
| Work in process | 7,960 | 7,785 |
| Raw materials and supplies | 6,355 | 5,881 |
| Other | 184,126 | 183,708 |
| Allowance for doubtful accounts | (3,382) | (3,264) |
| Total current assets | 1,075,731 | 1,102,099 |
| Noncurrent assets | | |
| Property, plant and equipment | | |
| Buildings and structures | 728,101 | 755,105 |
| Accumulated depreciation | (343,635) | (355,539) |
| Buildings and structures, net | 384,466 | 399,566 |
| Land | 485,813 | 537,857 |
| Other | 183,524 | 187,038 |
| Accumulated depreciation | (109,916) | (111,369) |
| Other, net | 73,607 | 75,668 |
| Total property, plant and equipment | 943,886 | 1,013,092 |
| Intangible assets | | |
| Goodwill | 49,910 | 49,688 |
| Other | 32,263 | 32,729 |
| Total intangible assets | 82,173 | 82,417 |
| Investments and other assets | | |
| Investment securities | 199,026 | 236,082 |
| Lease and guarantee deposits | 198,995 | 196,043 |
| Other | 169,973 | 152,923 |
| Allowance for doubtful accounts | (3,840) | (3,479) |
| Total investments and other assets | 564,154 | 581,569 |
| Total noncurrent assets | 1,590,215 | 1,677,079 |
| Total assets | 2,665,946 | 2,779,179 |

(Millions of yen)

| | As of March 31, 2014 | As of September 30, 2014 |
|---|----------------------|--------------------------|
| Liabilities | | |
| Current liabilities | | |
| Notes and accounts payable for construction contracts and other | 274,776 | 262,264 |
| Short-term loans payable | 22,302 | 41,921 |
| Current portion of bonds payable | 100,053 | 100,141 |
| Current portion of long-term loans payable | 60,442 | 49,080 |
| Income taxes payable | 46,796 | 22,550 |
| Advances received | 39,933 | 41,055 |
| Advances received on uncompleted construction contracts | 70,238 | 73,781 |
| Provision for bonuses | 36,524 | 36,435 |
| Provision for warranties for completed construction | 7,419 | 7,059 |
| Asset retirement obligations | 1,581 | 1,621 |
| Other | 185,404 | 200,716 |
| Total current liabilities | 845,474 | 836,627 |
| Noncurrent liabilities | | |
| Bonds payable | 30,614 | 95,637 |
| Long-term loans payable | 180,156 | 187,135 |
| Long-term lease and guarantee deposited | 241,897 | 233,104 |
| Net defined benefit liabilities | 204,801 | 197,409 |
| Asset retirement obligations | 27,414 | 28,632 |
| Other | 142,901 | 158,993 |
| Total noncurrent liabilities | 827,786 | 900,912 |
| Total liabilities | 1,673,260 | 1,737,540 |
| Net assets | | |
| Shareholders' equity | | |
| Capital stock | 161,699 | 161,699 |
| Capital surplus | 294,632 | 294,632 |
| Retained earnings | 465,719 | 495,717 |
| Treasury stock | (1,256) | (1,296) |
| Total shareholders' equity | 920,794 | 950,752 |
| Accumulated other comprehensive income | | |
| Valuation difference on available-for-sale securities | 50,498 | 73,392 |
| Deferred gains or losses on hedges | 10 | - |
| Revaluation reserve for land | (5,241) | (2,766) |
| Foreign currency translation adjustment | 20,456 | 14,193 |
| Total accumulated other comprehensive income | 65,723 | 84,819 |
| Subscription rights to shares | 38 | 38 |
| Minority interests | 6,129 | 6,028 |
| Total net assets | 992,686 | 1,041,638 |
| Total liabilities and net assets | 2,665,946 | 2,779,179 |

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

| | (Millions of yen) | |
|---|---|---|
| | Six months ended September 30, 2013 (From April 1, 2013 to September 30, 2013) | Six months ended September 30, 2014 (From April 1, 2014 to September 30, 2014) |
| Net sales | 1,242,631 | 1,324,847 |
| Cost of sales | 1,004,651 | 1,068,854 |
| Gross profit | 237,980 | 255,992 |
| Selling, general and administrative expenses | 167,953 | 175,865 |
| Operating income | 70,027 | 80,127 |
| Non-operating income | | |
| Interest income | 1,894 | 1,985 |
| Dividends income | 1,193 | 1,325 |
| Equity in earnings of affiliates | 593 | 518 |
| Miscellaneous income | 2,868 | 3,714 |
| Total non-operating income | 6,549 | 7,543 |
| Non-operating expenses | | |
| Interest expenses | 2,302 | 2,535 |
| Miscellaneous expenses | 4,224 | 2,802 |
| Total non-operating expenses | 6,526 | 5,337 |
| Ordinary income | 70,051 | 82,332 |
| Extraordinary income | | |
| Gain on sales of noncurrent assets | 1,086 | 1,202 |
| Gain on sales of investment securities | 23 | 3,348 |
| Gain on revision of retirement benefit plan | - | 9,394 |
| Gain on step acquisitions | 93 | 5 |
| Other | 0 | - |
| Total extraordinary income | 1,203 | 13,949 |
| Extraordinary losses | | |
| Loss on sales of noncurrent assets | 557 | 55 |
| Loss on retirement of noncurrent assets | 491 | 1,460 |
| Impairment loss | 134 | 3 |
| Loss on valuation of investment securities | - | 4 |
| Other | - | 60 |
| Total extraordinary losses | 1,184 | 1,585 |
| Income before income taxes and minority interests | 70,070 | 94,697 |
| Income taxes-current | 29,366 | 23,550 |
| Income taxes-deferred | 1,037 | 9,670 |
| Total income taxes | 30,404 | 33,220 |
| Income before minority interests | 39,666 | 61,476 |
| Minority interests in loss | (385) | (191) |
| Net income | 40,052 | 61,668 |

(Consolidated Statements of Comprehensive Income)

| | (Millions of yen) | |
|--|---|---|
| | Six months ended September 30, 2013 (From April 1, 2013 to September 30, 2013) | Six months ended September 30, 2014 (From April 1, 2014 to September 30, 2014) |
| Income before minority interests | 39,666 | 61,476 |
| Other comprehensive income | | |
| Valuation difference on available-for-sale securities | 973 | 22,739 |
| Deferred gains or losses on hedges | - | (10) |
| Foreign currency translation adjustment | 6,465 | (3,331) |
| Share of other comprehensive income of associates accounted for using equity method | 6,274 | (2,767) |
| Total other comprehensive income | 13,713 | 16,630 |
| Comprehensive income | 53,379 | 78,107 |
| (Comprehensive income attributable to) | | |
| Comprehensive income attributable to shareholders of the parent | 53,596 | 78,289 |
| Comprehensive income attributable to minority interests | (216) | (182) |

(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.

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 November 7, 2014.