Summary of Financial Results for the Fiscal Year Ended March 31, 2016 [Consolidated]
(From April 1, 2015 to March 31, 2016)
[Japanese GAAP]

May 13, 2016

Name of Listed Company: Daiwa House Industry Co., Ltd.
Code No.: 1925
URL: http://www.daiwahouse.com/English/
Listed Exchanges: First section of the Tokyo Stock Exchange
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Scheduled Date of Ordinary General Meeting of Shareholders: June 28, 2016
Scheduled Date of Filing Securities Report: June 28, 2016
Scheduled Date of Commencement of Dividend Payment: June 29, 2016
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, 2016 (From April 1, 2015 to March 31, 2016)

(1) Consolidated Business 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	%
Fiscal year ended March 31, 2016	3,192,900	13.6	243,100	34.8	233,592	15.3	103,577	(11.6)
Fiscal year ended March 31, 2015	2,810,714	4.1	180,352	10.3	202,628	14.9	117,133	14.7

Note: Comprehensive income
Fiscal year ended March 31, 2016: 97,936 million yen (-41.0%); Fiscal year ended March 31, 2015: 165,935 million yen (11.7%)

	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, 2016	156.40	155.83	9.1	7.4	7.6
Fiscal year ended March 31, 2015	177.74	—	11.2	7.1	6.4

(Reference) Equity in earnings of affiliates
Fiscal year ended March 31, 2016: -574 million yen; Fiscal year ended March 31, 2015: 11 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, 2016	3,257,805	1,181,986	35.9	1,762.97
March 31, 2015	3,021,007	1,112,817	36.6	1,678.24

(Reference) Net assets ratio = (Net assets – Non-controlling shareholders' interests)/Total assets
(Net assets – Non-controlling shareholders' interests) is as follows. March 31, 2016: 1,170,278 million yen; March 31, 2015: 1,105,628 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, 2016	278,497	(202,507)	(130,125)	188,923
Fiscal year ended March 31, 2015	139,465	(235,027)	129,202	234,544

2. Dividends

	Dividend per share					Total dividends (annual)	Dividend payout ratio (consolidated)	Dividends to net assets ratio (consolidated)
	End of 1st quarter (June 30)	End of 2nd quarter (Sept. 30)	End of 3rd quarter (Dec. 31)	Fiscal year-end (March 31)	Annual			
	Yen	Yen	Yen	Yen	Yen	Millions of yen	%	%
Fiscal year ended March 31, 2015	—	25.00	—	35.00	60.00	39,535	33.8	3.8
Fiscal year ended March 31, 2016	—	35.00	—	45.00	80.00	53,132	51.2	4.6
Fiscal year ending March 31, 2017 (forecasts)	—	40.00	—	40.00	80.00		32.2	

Note: Cash dividends (forecasts) for the fiscal year ended March 31, 2016 is comprised of ¥35.00 per share as an ordinary dividend and ¥10.00 per share as the 60th anniversary commemorative dividend.

3. Consolidated Earnings Forecasts for the Fiscal Year Ending March 31, 2017 (From April 1, 2016 to March 31, 2017)

(% 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, 2017	3,420,000	7.1	255,000	4.9	250,000	7.0	165,000	59.3	248.57

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) 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

(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, 2016	666,238,205 shares	As of March 31, 2015	660,421,851 shares

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

As of March 31, 2016	2,429,422 shares	As of March 31, 2015	1,619,741 shares

3) Average number of shares during the period

Fiscal year ended March 31, 2016	662,253,479 shares	Fiscal year ended March 31, 2015	659,015,430 shares

Note: For the number of shares used as the basis of calculating basic net income per share (consolidated), please refer to "(5) Notes to Consolidated Financial Statements (Per Share Information)" in "4. Consolidated Financial Statements" of "the Attached Material" on page 30.

(Reference) Summary of Non-Consolidated Results of Operation

Non-Consolidated Results of Operation for the Fiscal Year Ended March 31, 2016 (From April 1, 2015 to March 31, 2016)

(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, 2016	1,649,765	12.2	167,638	41.3	183,863	22.0	81,991	(15.4)
Fiscal year ended March 31, 2015	1,470,975	2.9	118,665	14.1	150,675	19.3	96,956	19.9

	Basic net income per share	Diluted net income per share
	Yen	Yen
Fiscal year ended March 31, 2016	123.81	123.36
Fiscal year ended March 31, 2015	147.12	—

(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, 2016	2,174,782	959,592	44.1	1,445.53
March 31, 2015	2,069,958	908,137	43.9	1,378.41

(Reference) Net assets: March 31, 2016: 959,553 million yen; March 31, 2015: 908,098 million yen

* Presentation of implementing the auditing review procedures

As of the time when the financial results are disclosed, the Group have not completed the reviewing (checking) procedures for 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 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. Analysis on Business Results and Financial Conditions (1) Analysis on Business Results" of "the Attached Material" on page 7 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 May 13, 2016. Relevant financial statements to be handed out at the briefing will be posted on our official website at the same time.

Contents of the Attached Material

<Reference Material> Key Performance Indicators

1. Performance Indicators

Fiscal years	Fiscal year ended March 31, 2013	Fiscal year ended March 31, 2014	Fiscal year ended March 31, 2015	Fiscal year ended March 31, 2016	Forecast for the fiscal year ending March 31, 2017
Net sales (millions of yen)	2,007,989	2,700,318	2,810,714	3,192,900	3,420,000
Cost of sales (millions of yen)	1,592,218	2,192,414	2,269,846	2,560,483	2,745,000
Selling, general and administrative expenses (millions of yen)	287,746	344,326	360,516	389,316	420,000
Operating income (millions of yen)	128,024	163,576	180,352	243,100	255,000
Ordinary income (millions of yen)	145,395	176,366	202,628	233,592	250,000
Net income attributable to owners of the parent (millions of yen)	66,274	102,095	117,133	103,577	165,000
Basic net income per share (yen)	114.52	161.08	177.74	156.40	248.57
Return on equity (ROE) (%)	9.5	11.9	11.2	9.1	—
Ordinary income to total assets ratio (%)	6.5	7.0	7.1	7.4	—
Dividend per share (yen) (of which interim dividend per share)	35 (—)	50 (20)	60 (25)	80 (35)	80 (40)
Total annual dividends (millions of yen)	20,253	32,956	39,535	53,132	—
Dividend payout ratio (%)	30.6	31.0	33.8	51.2	32.2
Dividends to net assets ratio (%)	2.9	3.6	3.8	4.6	—
Total assets (millions of yen)	2,371,238	2,665,946	3,021,007	3,257,805	—
Net assets (millions of yen)	734,883	992,686	1,112,817	1,181,986	—
Net assets ratio (%)	30.9	37.0	36.6	35.9	—
Net assets per share (yen)	1,267.77	1,496.72	1,678.24	1,762.97	—
Depreciation (millions of yen)	45,836	48,533	53,283	56,515	62,000
Net increase in property, plant and equipment and intangible assets (millions of yen)	121,383	217,358	274,990	188,312	270,000
Cash flows from operating activities (millions of yen)	164,247	78,451	139,465	278,497	—
Cash flows from investing activities (millions of yen)	(140,736)	(240,439)	(235,027)	(202,507)	—
Cash flows from financing activities (millions of yen)	(28,633)	110,131	129,202	(130,125)	—
Cash and cash equivalents, end of year (millions of yen)	245,037	198,733	234,544	188,923	—

2. Sales and Operating Income by Segment

(Millions of yen)

Fiscal years		Fiscal year ended March 31, 2013	Fiscal year ended March 31, 2014	Fiscal year ended March 31, 2015	Fiscal year ended March 31, 2016	Forecast for the fiscal year ending March 31, 2017
Net sales		2,007,989	2,700,318	2,810,714	3,192,900	3,420,000
Sales by segment	Single-Family Houses	351,157	394,481	375,343	378,306	383,000
	Rental Housing	592,568	688,756	772,955	880,161	945,000
	Condominiums	156,795	242,792	231,344	279,311	258,000
	Existing Home Business	76,473	86,702	91,664	95,508	101,500
	Commercial Facilities	347,234	421,981	456,218	495,533	525,000
	Logistics, Business & Corporate Facilities	251,463	592,190	581,569	736,355	824,000
	Other Businesses	335,386	393,944	426,512	458,870	520,000
	Adjustments	(103,089)	(120,531)	(124,893)	(131,146)	(136,500)
Operating income		128,024	163,576	180,352	243,100	255,000
Operating income by segment	Single-Family Houses	12,587	13,389	8,841	16,515	17,000
	Rental Housing	52,278	64,279	69,597	81,903	83,000
	Condominiums	9,968	10,705	10,819	15,796	12,000
	Existing Home Business	6,134	9,311	9,976	11,297	11,500
	Commercial Facilities	45,946	60,764	67,279	80,332	84,000
	Logistics, Business & Corporate Facilities	20,689	26,934	38,444	68,003	69,000
	Other Businesses	9,607	14,082	10,288	9,573	22,000
	Adjustments	(29,187)	(35,891)	(34,894)	(40,322)	(43,500)

1. Analysis on Business Results and Financial Conditions

(1) Analysis on Business Results

Business results for the reporting fiscal year

The Japanese economy overall continued to follow a course of gradual recovery during the fiscal year ended March 2016, thanks to the positive impact on corporate earnings and capital investment of weaker oil prices and lower interest rates, among other factors. Meanwhile, a falloff began to be seen in both exports and production, sparked by economic slowdowns in emerging nations, notably China. As a result, consumer spending marked time, and in view of this and other factors, the economy's outlook remained as unclear as ever.

In the housing industry, some signs of instability were seen in the housing market, with new housing starts repeating a cycle of growth and decline on a year-on-year basis from one month to the next. Overall, however, the trend toward recovery in the housing industry persisted. In the general construction market, in March 2016 the value of public works orders recorded its first year-on-year increase in 14 months. The overall trend, however, has been weak, with minus figures persisting on a year-on-year basis for all the months of fiscal 2015 other than March. Private works construction orders, in contrast, have recorded 18 straight months of year-on-year increase since October 2014, reflecting vigorous capital investment trends, principally in the manufacturing sector.

Amid this economic situation, we took steps to expand the operations of the Daiwa House Group – with particular emphasis on its domestic core businesses – including rising the initial investment plan targets under the Group's Fourth Medium-Term Management Plan (ended March 2016), with the aim of more actively investing in real estate development projects.

Additionally, we took measures to create a new growth base as part of an overall plan to strengthen the Group's competitiveness. In April 2015, we merged Daiwa LifeNext Co., Ltd. and Daiwa Service Co., Ltd., both enterprises principally engaged in condominium management. In August 2015, we made Daiwa Odakyu Construction Co., Ltd. into a wholly-owned subsidiary of Daiwa House Industry Co., Ltd. through a share exchange, and in October 2015, we merged Fujita Corporation, – a company engaged principally in construction and civil engineering – with Daiwa Odakyu Construction Co., Ltd.

As a result of the foregoing, the Daiwa House Group recorded consolidated net sales of 3,192,900 million yen (+13.6% year on year) for the fiscal year under review. Operating income came to 243,100 million yen (+34.8% year on year), while ordinary income amounted to 233,592 million yen (+15.3% year on year). As a result of the posting of an extraordinary loss, resulting from a change in the discount rate on the defined benefit obligation for the Group’s employee retirement plan, stemming from trends in the financial markets, net income attributable to owners of the parent amounted to 103,577 million yen (-11.6% year on year).

Results by business segment were as follows:

Single-Family Houses Business

In the Single-Family Houses business segment, during the fiscal year under review, we earnestly addressed our role as a home builder, and pursued community-based business projects approached from the customer's perspective.
In our custom-built houses business, we continued to focus on expanding sales of our xevoΣ (xevo sigma) product. This high-end single-family house combines the advantages of strong anti-earthquake performance (it is capable of fully withstanding repeated exposure to powerful earthquakes while maintaining the same seismic resistance as when it was newly built) with a spacious interior thanks to its extra-high (2.72 meter) ceilings.

In October 2015, we launched on the market our new "skye" range of three- four- and five-story houses employing a new construction method enabling the industry's highest ceilings and widest window-and-door openings, and targeted at buyers who need to make optimum use of building lots with cramped street frontages. With the introduction of this model we have enhanced out lineup of products that cater to expected growing demand in urban areas for products that combine the owner's personal residence with housing units for rental or commercial space for rental, and other such multipurpose homes.

In addition, following our earlier successful opening and operation of TRYe Lab for customers in the Kansai area (in the grounds of our Nara Factory) and the Kanto area (in the grounds of our Tokyo Head Office), we have now opened the TRYe Chubu for customers in the Chubu area (in the grounds of our Mie Factory). The TRYe Lab give prospective buyers of single-family houses a chance to "try on" our products (including seeing and feeling, as well as understanding the products' advantages and the construction principles behind them) before committing themselves to a purchase. Customers who visit these facilities can gain first-hand experience of the basic structures employed in Daiwa House homes, as well as the living environments that we offer and the leading-edge technologies underpinning them. All our TRYe Lab have already welcomed a very large number of visitors.

As a result, net sales for this segment amounted to 378,306 million yen (+0.8 year on year), while operating income came to 16,515 million yen (+86.8% year on year).

Rental Housing Business

In the Rental Housing business segment, we opened 13 new rental housing operational bases during the fiscal year under review, and now operate a network of 163 locations nationwide in total, from which our staff have been conducting regional community-centered marketing activities and working to expand orders.

In May 2015, we launched the KyoWafu-Style Séjour Wit, a two-story product designed to fit in seamlessly with traditional Japanese streetscapes such as are still found in former *jokamachi* (feudal castle towns) and *shukuba-machi* (post towns), and which also conforms to the official town planning restrictions in such areas. Then, in July 2015, we launched the Séjour Wit PLUS, each unit of which contains an extra room (the PLUS Room) that can be customized to suit tenants' hobbies or other lifestyle elements.

In addition, we worked to expand our lineup of three-story rental housing products. In April 2015, we launched the Séjour OTT's αJT, which is a higher-class rental apartment building in which the exterior walls are completely tile-covered and the in-house-developed floors provide superior sound-insulation performance. Then, in September 2015, we put on the market the Séjour OTT's W-ev, which features an emergency shelter on the roof above the building's stairwell to which the residents can escape in the event of a tsunami.

As a result, net sales for this segment amounted to 880,161 million yen (+13.9% year on year), and operating income came to 81,903 million yen (+17.7% year on year).

Condominium Business

In the Condominium business segment, we are working to offer products with higher asset value for both our customers and local communities as a whole.
We commenced the sale of dwelling units in the PREMIST Takao SakuLa City (Tokyo) condominium project (* 1) in June 2015, with units for all stages being sold out. This complex, consisting of residences and commercial facilities, has been carefully designed to simultaneously cater to residents' day-to-day needs while also incorporating the natural environment in the surrounding area and has been accredited by the Ministry of Economy, Trade and Industry's project to accelerate the adoption of "smart" condominiums.

We commenced the sale of dwelling units in the PREMIST Tower Osaka Shinmachi Laurel Court condominium project (*2) in March 2016, and recorded strong sales of these projects. Its attractions include unparalleled access, with five railway stations serving five different lines all within walking distance. Also in March 2016, we also put on sale dwelling units in our PREMIST Rokubancho and PREMIST Shirokanedai condominiums. The former is located in Rokubancho, an area of central Tokyo's Chiyoda-ku which has the highest average official prices for residential land in Japan, while the latter condominium boasts excellent convenience, being only one minute's walk from the nearest station (Shirokanedai), in a very stylish neighborhood. These two projects are part of a larger emphasis we are now placing on the supply of condominiums in the central areas of Tokyo.

To mark the 40th anniversary of its establishment, our subsidiary Cosmos Initia Co., Ltd., put on sale dwelling units in its Musashi-Shinjo House project (Kanagawa), featuring a simple, square design notable for its flat, unobstructed living spaces thanks to the lack of exposed beams and columns. This property also gained a favorable reception, and all units were sold within a short time.

As a result, net sales for this segment amounted to 279,311 million yen (+20.7% year on year), and operating income came to 15,796 million (+46.0% year on year).

*1. Joint project between Daiwa House Industry Co., Ltd. and Cosmos Initia Co., Ltd.
*2. Joint project between Daiwa House Industry Co., Ltd. and Kintetsu Real Estate Development Co., Ltd.

Existing Home Business

In the Existing Home business segment, we worked to strengthen relations with owners of single-family homes and rental housing properties by offering property inspection and examination services.

To open up further market opportunities in the area of renovation work for owners of properties not originally constructed by the Group, in October 2015, we opened our fourth specialty remodeling showroom – the Reform Salon Tokadai (Aichi), to serve the needs of the local region. Since its opening, this specialty remodeling showroom has attracted a large number of visitors.

Following this, in January 2016, we began offering the Happiness Plan – Start-of-the-Year Campaign, in which we propose home security renovation ideas to owners of single-family houses, such as electric-powered window shutters and burglar-proof front doors. For owners of rental housing properties, we made various renovation proposals to expand our business scope in this segment, under our Start-of-the-Year Earnings Boost Campaign as a way of improving apartment vacancy rates and enhancing earnings from rents ahead of the peak season for new tenants moving in.

As a result, net sales for this segment amounted to 95,508 million yen (+4.2% year on year), while operating income was 11,297 million yen (+13.2% year on year).

Commercial Facilities Business

In the Commercial Facilities business segment, we drew up and proposed facility-opening plans to suit prospective tenant companies' particular business strategies, and devised a variety of plans that made optimal use of the particular characteristics of different geographical regions. In these and other ways, we helped the owners of facilities to solve problems involved with inheritance tax and other taxation issues, and in so doing strengthened our long-term relationships with them, as part of a broader approach to expanding orders.

During the the fiscal year under review, we continued working to expand our network of commercial facilities across the whole of Japan. In April 2015, we opened the urban-type commercial facility BiVi Senriyama (Osaka), followed in June by the BiVi Hiji (Oita) and in September by the BiVi Tsukuba (Ibaraki).

As a result, net sales for this segment amounted to 495,533 million yen (+8.6% year on year), while operating income came to 80,332 million yen (+19.4% year on year).

Logistics, Business and Corporate Facilities Business

In the Logistics, Business and Corporate Facilities business segment during the fiscal year under review, we worked to enhance the Group's business scope by constructing a variety of facilities to suit the differing business needs of our corporate customers, and by providing total support services that enable customers to most effectively utilize their assets.

We leveraged our extensive experience in the construction field to provide backup support for our customers' efforts to design and implement logistics systems that most efficiently meet their unique requirements. While developing logistics facilities across the whole of Japan, we also met the diverse logistics needs of our corporate clients in various ways, such as by purchasing and leasing plots of land, and managing them through non-asset schemes.

During the fiscal year under review, we also reinforced our lineup of proposals in the area of manufacturing facilities, including by organizing tours of our D's SMART FACTORY eco-friendly manufacturing facility for corporate customers in the manufacturing sector who are examining their options for investment in new facilities.

We also worked to increase orders received for medical and nursing care facilities by proposing construction of assisted-living homes for the elderly with medical services that are dedicated to former hospital patients who have been discharged and want to return homes, or reconstruction or relocation of hospitals that were built prior to the introduction of the present earthquake-resistance standards.

Fujita Corporation received orders for large-scale projects in both construction and civil engineering during the term. In overseas markets, Fujita received orders for a rail yard for subway rolling stock in Qatar and an automotive production plant in Mexico, among others. Fujita also acquired a number of orders for major projects in Japan, including in the fields of logistics, medical care, and nursing care facilities, expressways, and others.

As a result, net sales for this segment amounted to 736,355 million yen (+26.6% year on year), while operating income came to 68,003 million yen (+76.9% year on year).

Other Businesses

In our Environment and Energy Business Division, we are aggressively rolling out our DREAM Solar power generation service, which offers customers a comprehensive package of services, from construction through operation and management. During the fiscal year under review, we commenced operation of solar power generation facilities at 30 sites, including the DREAM Solar Float No.1 @Kohnoyama (Osaka) – an installation that floats on water – and the DREAM Solar Wakayama City, which is the largest solar power generation facility yet constructed by the Daiwa House Group. This brings the total number of solar power generation facilities in operation nationwide to 116. We have also turned our attention to water power as a new source of renewable energy, and have begun construction of a hydroelectric power plant at Hida City in Gifu Prefecture, which is scheduled to start operation in November 2017.

In our Fitness Club Division, in June 2015, Sports Club NAS Co., Ltd. opened its first large-scale sports complex – the Sports Club NAS Gakuenmae (Nara)– followed by the Sports Club NAS Nakamozu (Osaka) in September 2015, and the Sports Club NAS Ohdaka (Aichi) in October 2015. These new openings bring the total number of fitness facilities to 70 nationwide.

In our City Hotels Division, in August 2015, Daiwa Royal Co., Ltd. opened the Daiwa Roynet Hotel Chiba-Ekimae followed in October 2015 by the Daiwa Roynet Hotel Tokushima-Ekimae and in December 2015 by the Daiwa Roynet Hotel Ginza (Tokyo). This was followed in March 2016 by the opening of the Daiwa Roynet Hotel Matsuyama – the company's first hotel in Ehime Prefecture – and of the Daiwa Roynet Hotel Kokura-Ekimae (Fukuoka), which affords easy access to destinations in the direction of Hakata and Shimonoseki, and is thus ideally suited for use as a base by business people as well as tourists. With this, the company now operates a nationwide chain of 44 hotels.

In our Home Centers Division, in May 2015, Royal Home Center Co., Ltd. opened the Royal Home Center Totsuka-Fukaya (Kanagawa), which incorporates the largest specialist pet goods floor in the city of Yokohama. This was followed in October 2015 by the opening of Royal Home Center Toyonaka (Osaka), which includes a separate Materials Store offering a very extensive lineup of construction materials, tools and so on. These openings were part of a plan to address varying customer needs in different regions, and they bring the total number of home centers operated by the company nationwide to 53.

In our Logistics Division, in April 2015, Daiwa Logistics Co., Ltd. opened two new logistics centers, principally targeting wholesaling enterprises and manufacturers – the Sendaikoh Logistics Center and the Kanagawa Miyashimo Logistics Center. This development gave the company additional capabilities in proposing new logistics strategies to meet the needs of its client companies.

As a result, net sales for this segment amounted to 458,870 million yen (+7.6% year on year), while operating income came to 9,573 million yen (-7.0% year on year).

Business prospects for fiscal 2016

Looking at the near-term outlook for the Japanese economy, a gradual recovery is expected thanks to the impact of various government stimulus measures, against the backdrop of an ongoing improvement in both employment and incomes. At the same time, the domestic economy may be negatively affected by the economic slowdown in China as well as a downswing in the economies of resource-exporting countries, among other factors. In view of this situation, optimism is likely to remain unwarranted for some time to come.

In the housing industry a temporary recovery is foreseen on the back of lower mortgage rates and steps by the government to encourage home buying. Moreover, with the balance of orders received for construction work continuing to follow an upward trend, the construction market as a whole is forecast to become stronger. On the other hand, caution is called for, in view of the probable negative impact on the industry of the planned increase in the consumption tax rate.

Amid these economic circumstances, the Daiwa House Group is pushing ahead with a growth strategy as part of the Group's Fifth Medium-Term Management Plan, which went into effect from April 1, 2016. In each of our core businesses – single-family houses, rental housing, condominiums, the existing home business, commercial facilities, and logistics, business and corporate facilities – we will continue to benefit from the vigorous demand for construction in the domestic market, and to supply our customers with high-value-added products and services, while also expanding our overall business base through aggressive investment in real estate development projects. Meanwhile, we plan to also expand our real estate development operations in overseas markets, particularly in the member-nations of ASEAN – which are expected to record good growth over the medium-to-long term – as well as in advanced industrialized nations such as the United States, where steady economic growth is forecast. At the same time, we will press forward with measures to strengthen our management base, such as the development and fostering of one or even two new fields and future core businesses, and the upgrade of our management system and our human resources foundation in parallel with the growth of our business operations.

In view of the foregoing, we forecast net sales for the fiscal year ending March 31, 2017 in the amount of 3,420 billion yen, with operating income of 255 billion yen, ordinary income of 250 billion yen, and net income attributable to owners of the parent of 165 billion yen.

(2) Analysis on Financial Conditions

1. Financial Position

Total assets as of the end of the consolidated reporting fiscal year amounted to 3,257,805 million yen, an increase of 236,797 million yen compared with 3,021,007 million yen in total assets at the end of the prior fiscal year. This increase was due mainly to an increase in property, plant and equipment resulting from the acquisition of real estate for investment, in addition to an increase in inventories due to the purchase of real estate for sale, in spite of a decrease in cash and deposits.

Total liabilities as of the end of the consolidated reporting fiscal year amounted to 2,075,818 million yen, an increase of 167,628 million yen compared with 1,908,190 million yen in total liabilities at the end of the prior consolidated fiscal year. The main factors behind this increase were increases in provision for net defined benefit liability and in notes and accounts payable for construction contract and other.

Total net assets as of the end of the consolidated reporting fiscal year amounted to 1,181,986 million yen, an increase of 69,169 million yen compared with 1,112,817 million yen in total net assets at the end of the prior consolidated fiscal year. This increase was due to the posting of net income attributable to owners of the parent in the amount of 103,577 million yen, and an increase in the capital surplus accompanying the acquisition of one-hundred percent ownership in Daiwa Odakyu Construction Co., Ltd.

The net asset ratio as of March 31, 2016 was 35.9%, representing only a slight change from the 36.6% at the end of the previous fiscal year.

2. Cash Flows during the Reporting Fiscal Year

Cash and cash equivalents for the reporting fiscal year amounted to 188,923 million yen, for a decrease of 45,620 million yen. Net cash provided by operating activities stood at 278,497 million yen, net cash used in investing activities came to 202,507 million yen, and net cash used in financing activities came to 130,125 million yen.

Cash flows from operating activities

During the reporting fiscal year, net cash provided by operating activities came to 278,497 million yen (+99.7% year on year). This was mainly the result of the posting of 156,214 million yen in income before income taxes and non-controlling shareholders' interests for the reporting period, as well as an increase in net defined benefit liability for employees, resulting from a change in the discount rate applied to the calculation of retirement benefit obligations.

Cash flows from investing activities

During the reporting fiscal year, net cash used in investing activities came to 202,507 million yen (compared with 235,027 million yen used in the previous fiscal year). This was primarily the result of the 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 used in financing activities came to 130,125 million yen (compared with net cash provided in the amount of 129,202 million yen for the previous fiscal year). This was primarily the result of the repayment of interest-bearing debt such as loans payable.

3. Cash Flow Indicators

	Fiscal year ended March 31, 2014	Fiscal year ended March 31, 2015	Fiscal year ended March 31, 2016
Net assets ratio	37.0%	36.6%	35.9%
Net assets ratio on market-value basis	43.3%	51.7%	64.7%
Repayment years of interest-bearing debt	5.0 years	4.0 years	1.8 years
Interest coverage ratio	27.9	46.2	97.7

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

Net assets ratio: (Net assets – Non-controlling shareholders' 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, 2017, we expect capital investments of 270 billion yen and depreciation of 62 billion yen.

2. Management Policy

(1) Basic Management Policy of the Group

Daiwa House Industry was founded in 1955, pursuing the concept of 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 50th anniversary in fiscal 2005, we launched a new Group management vision that we called Connecting Hearts, and 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 its customers to create new value and leverage this value into the creation of a more bountiful society. As we look forward to our 100th anniversary, we are working under the slogan Creating Together, Supporting Each Other.

The Daiwa House Group operates in a number of business fields, classified as three main categories – Housing (single-family houses, rental housing, condominiums, and renovation business), Business (commercial facilities, logistics facilities, real estate development, and medical and nursing care facilities), and Life (hotels, home centers, fitness clubs, and others). Despite its wide-ranging business fields, the Daiwa House Group works as a single entity, and we are committed to honoring our relationship and working in partnership with each individual customer, sharing happiness and creating bonds of trust that last throughout their whole lives.

Nobuo Ishibashi, the founder of Daiwa House Industry, dedicated his whole life to searching for things that he could do for the benefit of Japanese society and the world as a whole. He constantly insisted that the Company should nurture the kind of personnel it needed through the practical pursuit of business operations, and that contributing to the development of society was the very raison d'être of corporate management. From here onward, each of us at Daiwa House Group will work to achieve further growth amid a mature Japanese market, continuing to put our founder's principles into practice, and without losing sight of the Group's original purpose. At the same time, we will open up new avenues in the global market, where infinite possibilities are beginning to unfold, and will devote unceasing efforts to creating a truly sustainable society.

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

At the Daiwa House Group, we have drawn up our Fifth Medium-Term Management Plan, covering the fiscal 2016-2018 three year period. The main theme of this plan is the creation of an operational base that will realize four trillion yen in annual sales by preparing the Group to face the environmental changes that await us in the future. In line with this, we have laid down the seven basic policies set out below, and will target the achievement of 3,700 billion yen in net sales, 280 billion yen in operating income, 180 billion yen in net income attributable to owners of the parent, and an ROE of 10 percent or higher by the fiscal year ending March 31, 2019, the final year of the medium-term plan.

1. Expand core businesses by capturing domestic demand
   We will work to further expand our core businesses by identifying and responding to the anticipated firm demand in the Japanese market for real estate development and construction projects ahead of the 2020 Summer Olympics and Paralympics in Tokyo.

2. Aggressive investments in real estate development
   We will further expand the Group's overall business scale through real estate investments amounting to 700 billion yen, including overseas with a particular focus on the growth drivers rental housing, commercial facilities, and logistics, business and corporate facilities businesses.

3. Accelerate overseas expansion
   We will expand our overseas operations – centered on leading nations with stable growth such as the United States and Australia, as well as the strong-growing countries of ASEAN – aiming to grow overseas net sales to 200 billion yen.

4. Develop Plus 1, Plus 2 businesses

We will develop Plus 1 and Plus 2 businesses by using our client foundation and/or by expanding the base of new clients enjoyed by our core businesses.

5. Foster future core businesses
   We will nurture areas such as the used home renovation business, *human care* business for the elderly, and the accommodation business – which are expected to attract growing social needs – into new core businesses.

6. Strengthen human resource development and manufacturing platform to support business expansion
   We will work to strengthen our human resources by creating an environment in which our diverse workforce can fully realize its potential.

7. Raising productivity by strengthening our *monozukuri* skill set
   We will work to raise productivity through even more efficient utilization of *monozukuri* skills.

8. Maintain management efficiency and financial stability
   We will maintain financial stability while increasing net income per share to achieve sustainable growth of shareholder value.

(3) Issues Facing the Group

Looking at the near-term outlook for the Japanese economy, a gradual recovery is expected thanks to the impact of various government stimulus measures, against the backdrop of ongoing improvement in both employment and incomes. At the same time, the domestic economy may be negatively affected by the economic slowdown in China as well as a downswing in the economies of resource-exporting countries, among other factors. In view of this situation, optimism is likely to remain unwarranted for some time to come.

In the housing industry, the Japanese market is likely to see a decline in construction starts over the medium-to-long term, against the background of a shrinking population, and we can expect a contraction in the housing market, although this will depend on whether or not the increase in the consumption tax rate goes ahead as planned, as well as on other possible government measures. Regarding the general construction market, capital investment – led by private-sector corporations – is likely to follow a firm trend, but construction materials prices will need to be closely watched.

Taking these economic conditions into account, the Daiwa House Group has drawn up its Fifth Medium-Term Management Plan, covering the fiscal 2016-2018 three year period. In line with this plan, we aim to prepare the Group to face the environmental changes that await it in the future while fully leveraging the wide variety of earnings drivers that it possesses across a broad spectrum of business fields. Via five growth strategies and two measures to strengthen our management base, we will work to realize 3,700 billion yen in net sales, 280 billion yen in operating income, 180 billion yen in net income attributable to owners of the parent, and an ROE of 10 percent or higher by fiscal 2018, the final year of the medium-term plan.

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, 2015)	Reporting fiscal year (as of March 31, 2016)
Assets		
Current assets		
Cash and deposits	238,776	192,571
Notes and accounts receivable from completed construction contracts and other	244,045	281,755
Lease receivables and investment assets	25,969	21,444
Short-term investment securities	16	16
Costs on uncompleted construction contracts	31,778	36,753
Real estate for sale	423,869	461,763
Real estate for sale in process	114,915	112,854
Land for development	647	647
Merchandise and finished goods	14,984	15,194
Work in process	6,709	7,081
Raw materials and supplies	5,785	5,870
Deferred tax assets	32,836	35,406
Other	133,261	160,071
Allowance for doubtful accounts	(3,347)	(2,583)
Total current assets	1,270,247	1,328,849
Noncurrent assets		
Property, plant and equipment		
Buildings and structures	782,817	819,612
Accumulated depreciation	(365,178)	(391,565)
Buildings and structures, net	417,638	428,046
Machinery, equipment and vehicles	105,240	124,519
Accumulated depreciation	(67,126)	(68,338)
Machinery, equipment and vehicles, net	38,114	56,181
Tools, furniture and fixtures	51,041	53,632
Accumulated depreciation	(39,528)	(41,482)
Tools, furniture and fixtures, net	11,513	12,150
Land	566,139	652,043
Lease assets	20,137	20,452
Accumulated depreciation	(6,306)	(6,126)
Lease assets, net	13,831	14,325
Construction in progress	22,884	27,957
Total property, plant and equipment	1,070,121	1,190,704
Intangible assets		
Goodwill	48,136	54,413
Other	32,441	32,793
Total intangible assets	80,578	87,206
Investments and other assets		
Investment securities	252,982	265,870
Long-term loans receivable	14,102	13,788
Lease and guarantee deposits	199,562	205,659
Deferred tax assets	52,744	88,255
Other	84,097	80,449
Allowance for doubtful accounts	(3,430)	(2,978)
Total investments and other assets	600,059	651,045
Total noncurrent assets	1,750,759	1,928,955
Total assets	3,021,007	3,257,805

(Millions of yen)

	Previous fiscal year (as of March 31, 2015)	Reporting fiscal year (as of March 31, 2016)
Liabilities		
Current liabilities		
Notes and accounts payable for construction contracts and other	309,261	368,494
Short-term loans payable	70,892	54,291
Current portion of bonds payable	110	10,085
Current portion of long-term loans payable	34,803	31,748
Commercial papers	72,000	–
Lease obligations	2,973	2,493
Accounts payable-other	137,489	126,883
Income taxes payable	27,415	60,429
Advances received	39,732	49,418
Advances received on uncompleted construction contracts	90,487	107,531
Provision for bonuses	39,249	46,662
Provision for warranties for completed construction	6,819	7,098
Asset retirement obligations	1,617	1,718
Other	83,251	106,933
Total current liabilities	916,104	973,790
Noncurrent liabilities		
Bonds payable	110,595	100,010
Long-term loans payable	275,128	295,828
Lease obligations	27,415	21,598
Deposits received from members	32,833	31,625
Long-term lease and guarantee deposits	241,355	249,949
Deferred tax liabilities for land revaluation	21,329	20,729
Net defined benefit liability	179,470	280,228
Asset retirement obligations	29,434	32,998
Other	74,522	69,058
Total noncurrent liabilities	992,085	1,102,028
Total liabilities	1,908,190	2,075,818
Net assets		
Shareholders' equity		
Capital stock	161,699	161,699
Capital surplus	294,632	311,226
Retained earnings	534,639	591,850
Treasury stock	(1,965)	(4,617)
Total shareholders' equity	989,005	1,060,158
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	84,678	84,983
Deferred gains or losses on hedges	84	35
Revaluation reserve for land	(457)	702
Foreign currency translation adjustment	32,318	24,399
Total accumulated other comprehensive income	116,623	110,119
Subscription rights to shares	38	38
Non-controlling interests	7,149	11,669
Total net assets	1,112,817	1,181,986
Total liabilities and net assets	3,021,007	3,257,805

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

(Millions of yen)

	Previous fiscal year (From April 1, 2014 to March 31, 2015)	Reporting fiscal year (From April 1, 2015 to March 31, 2016)
Net sales	2,810,714	3,192,900
Cost of sales	2,269,846	2,560,483
Gross profit	540,868	632,417
Selling, general and administrative expenses		
Sales commission	17,729	18,093
Advertising expenses	30,516	33,514
Promotion expenses	5,843	5,828
Provision of allowance for doubtful accounts	2,654	1,281
Directors' compensations	3,547	3,776
Employees' salaries and allowances	132,892	141,477
Provision for bonuses	23,790	28,213
Retirement benefit expenses	19,059	19,410
Legal welfare expenses	20,484	22,010
Stationery expenses	11,653	12,930
Correspondence and transportation expenses	18,407	19,046
Rents	13,333	15,023
Depreciation	8,047	7,761
Tax and dues	17,264	19,998
Other	35,291	40,948
Total selling, general and administrative expenses	360,516	389,316
Operating income	180,352	243,100
Non-operating income		
Interest income	3,997	3,546
Dividends income	2,578	3,469
Equity in earnings of affiliates	11	—
Amortization of actuarial gain for employee's retirement benefits	21,046	—
Miscellaneous income	7,706	6,636
Total non-operating income	35,340	13,651
Non-operating expenses		
Interest expenses	5,129	5,048
Tax and dues	1,094	1,671
Provision of allowance for doubtful accounts	318	959
Amortization of actuarial loss for employee's retirement benefits	—	9,182
Equity in losses of affiliates	—	574
Miscellaneous expenses	6,522	5,723
Total non-operating expenses	13,064	23,160
Ordinary income	202,628	233,592
Extraordinary income		
Gain on sales of noncurrent assets	1,359	583
Gain on sales of investment securities	3,365	10,224
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	5	4,147
Total extraordinary income	14,397	14,955

(Millions of yen)

	Previous fiscal year (From April 1, 2014 to March 31, 2015)	Reporting fiscal year (From April 1, 2015 to March 31, 2016)
Extraordinary losses		
Loss on sales of noncurrent assets	76	63
Loss on retirement of noncurrent assets	1,807	1,354
Impairment loss	11,182	3,311
Loss on sales of investment securities	93	146
Loss on valuation of investment securities	920	1,286
Actuarial loss due to a change of discount rate	—	84,959
Loss on sales of investments in capital of subsidiaries and associates	9	—
Merger expenses	1,779	1,189
Other	64	20
Total extraordinary losses	15,934	92,333
Income before income taxes and non-controlling shareholders' interests	201,091	156,214
Income taxes-current	58,451	89,331
Income taxes-deferred	25,100	(37,786)
Total income taxes	83,552	51,545
Net income	117,539	104,669
Net income attributable to non-controlling shareholders' interests	406	1,091
Net income attributable to owners of the parent	117,133	103,577

(Consolidated Statements of Comprehensive Income)

(Millions of yen)

	Previous fiscal year (From April 1, 2014 to March 31, 2015)	Reporting fiscal year (From April 1, 2015 to March 31, 2016)
Net income	117,539	104,669
Other comprehensive income		
Valuation difference on available-for-sale securities	33,819	633
Deferred gains or losses on hedges	74	(48)
Revaluation reserve for land	2,221	1,111
Foreign currency translation adjustment	5,551	(4,712)
Share of other comprehensive income of associates accounted for using equity method	6,729	(3,717)
Total other comprehensive income	48,396	(6,732)
Comprehensive income	165,935	97,936
(Comprehensive income attributable to)		
Comprehensive income attributable to owners of the parent	165,492	97,026
Comprehensive income attributable to non-coutrolling interests	443	909

(3) Consolidated Statements of Changes in Net Assets

Previous 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 attributable to owners of the parent	—	—	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	Non-controlling shareholders' 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 attributable to owners of the parent	—	—	—	—	—	—	—	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

Reporting fiscal year (From April 1, 2015 to March 31, 2016)

(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	534,639	(1,965)	989,005
Cumulative effect of changes in accounting policies	−	−	−	−	−
Restated balances	161,699	294,632	534,639	(1,965)	989,005
Changes of items during the period					
Dividends from surplus	−	−	(46,319)	−	(46,319)
Net income attributable to owners of the parent	−	−	103,577	−	103,577
Increase by share exchanges	−	16,594	−	−	16,594
Change in treasury shares of parent arising from transactions with non-controlling shareholders	−	(0)	−	−	(0)
Reversal of revaluation reserve for land	−	−	(47)	−	(47)
Purchase of treasury stock	−	−	−	(2,652)	(2,652)
Disposal of treasury stock	−	0	−	0	0
Net changes of items other than shareholders' equity	−	−	−	−	−
Total changes of items during the period	−	16,594	57,210	(2,652)	71,152
Balance at end of the period	161,699	311,226	591,850	(4,617)	1,060,158

	Accumulated other comprehensive income					Subscription rights to shares	Non-controlling shareholders' 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	84,678	84	(457)	32,318	116,623	38	7,149	1,112,817
Cumulative effect of changes in accounting policies	−	−	−	−	−	−	−	−
Restated balances	84,678	84	(457)	32,318	116,623	38	7,149	1,112,817
Changes of items during the period								
Dividends from surplus	−	−	−	−	−	−	−	(46,319)
Net income attributable to owners of the parent	−	−	−	−	−	−	−	103,577
Increase by share exchange	−	−	−	−	−	−	−	16,594
Change in treasury shares of parent arising from transactions with non-controlling shareholders	−	−	−	−	−	−	−	(0)
Reversal of revaluation reserve for land	−	−	−	−	−	−	−	(47)
Purchase of treasury stock	−	−	−	−	−	−	−	(2,652)
Disposal of treasury stock	−	−	−	−	−	−	−	0
Net changes of items other than shareholders' equity	304	(48)	1,159	(7,919)	(6,503)	−	4,520	(1,983)
Total changes of items during the period	304	(48)	1,159	(7,919)	(6,503)	−	4,520	69,169
Balance at end of the period	84,983	35	702	24,399	110,119	38	11,669	1,181,986

(4) Consolidated Statements of Cash Flows

(Millions of yen)

	Previous fiscal year (From April 1, 2014 to March 31, 2015)	Reporting fiscal year (From April 1, 2015 to March 31, 2016)
Net cash provided by (used in) operating activities		
Income before income taxes and non-controlling shareholders' interests	201,091	156,214
Depreciation and amortization	53,283	56,515
Increase (decrease) in net defined benefit liability	(39,765)	97,276
Interest and dividends income	(6,576)	(7,015)
Interest expenses	5,129	5,048
Equity in (earnings) losses of affiliates	(11)	574
Loss (gain) on sales and retirement of noncurrent assets	524	834
Impairment loss	11,182	3,311
Loss (gain) on valuation of investment securities	920	1,286
Decrease (increase) in notes and accounts receivable-trade	(16,193)	(23,425)
Decrease (increase) in inventories	(80,286)	(36,079)
Increase (decrease) in advances received	(410)	9,588
Increase (decrease) in advances received on uncompleted construction contracts	19,946	14,612
Increase (decrease) in notes and accounts payable-trade	39,102	27,198
Other, net	28,084	28,201
Subtotal	216,021	334,144
Interest and dividends income received	3,646	5,350
Interest expenses paid	(3,017)	(2,850)
Income taxes paid	(77,185)	(58,147)
Net cash provided by (used in) operating activities	139,465	278,497
Net cash provided by (used in) investing activities		
Purchase of property, plant and equipment and intangible assets	(232,211)	(178,179)
Proceeds from sales of property, plant and equipment	2,604	2,763
Purchase of investment securities	(16,645)	(26,177)
Proceeds from sales and redemption of investment securities	11,720	19,042
Purchase of investments in subsidiaries	(138)	(60)
Purchase of investments in subsidiaries resulting in change in scope of consolidation	(1,206)	(9,533)
Payments for acquisition of business	(405)	(110)
Proceeds from collection of lease and guarantee deposits	(6,546)	(5,282)
Other, net	7,801	(4,969)
Net cash provided by (used in) investing activities	(235,027)	(202,507)

(Millions of yen)

	Previous fiscal year (From April 1, 2014 to March 31, 2015)	Reporting fiscal year (From April 1, 2015 to March 31, 2016)
Net cash provided by (used in) financing activities		
Net increase (decrease) in short-term loans payable	48,670	(24,302)
Net increase (decrease) in commercial papers	72,000	(72,000)
Proceeds from long-term loans payable	134,083	61,703
Repayment of long-term loans payable	(66,234)	(46,641)
Proceeds from issuance of bonds	80,000	—
Redemption of bonds	(100,135)	(610)
Repayments of finance lease obligations	(3,137)	(2,750)
Proceeds from share issuance to non-controlling shareholders	258	3,634
Repayments to non-controlling shareholders	—	(3)
Purchase of treasury stock	(51)	(2,652)
Proceeds from sales of treasury stock	0	0
Cash dividends paid	(36,251)	(46,319)
Dividends paid to non-controlling interests	—	(183)
Payments from changes in ownership interests in subsidiaries that do not result in change in scope of consolidation	—	(0)
Net cash provided by (used in) financing activities	129,202	(130,125)
Effect of exchange rate change on cash and cash equivalents	2,137	(4,738)
Net increase (decrease) in cash and cash equivalents	35,778	(58,875)
Cash and cash equivalents at the beginning of the period	198,733	234,544
Increase in cash and cash equivalents from newly consolidated subsidiary	31	14
Increase in cash and cash equivalents resulting from share exchange	—	13,240
Cash and cash equivalents at the end of the period	234,544	188,923

(5) Notes to Consolidated Financial Statements

(Notes on Premise of Going Concern)

Not applicable.

(Changes of Accounting Policies)

(Application of Accounting Standard for Business Combinations)

Beginning with the consolidated fiscal year under review, the Company has adopted the Accounting Standard for Business Combinations (ASBJ Statement No. 21, September 13, 2013), the Accounting Standard for Consolidated Financial Statements (ASBJ Statement No. 22, September 13, 2013), and the Accounting Standard for Business Divestitures (ASBJ Statement No. 7, September 13, 2013). Under these changes, the Company now records differences due to equity changes in subsidiaries subject to ongoing control to capital surplus. In addition, the Company now records acquisition-related costs as costs in the consolidated fiscal year in which they occurred. With respect to business combinations occurring after the beginning of the first three months of the consolidated fiscal year under review, the Company now revises acquisition cost allocation based on provisional accounting estimates, reflecting these costs in the consolidated financial statements for the date on which the business combination occurred.

The Company has changed its presentation with respect to net income, as well as changing the presentation from “minority interests” to “non-controlling shareholders’ interests.” To reflect these changes in presentation, the Company has reclassified its financial statements for the prior consolidated fiscal year and its financial statements for the prior consolidated fiscal year.

In the preparation of the cash flow statement on a consolidated basis for the fiscal year under review, cash flows originating from payments or proceeds from changes in ownership interests in subsidiaries that do not result in changes in the scope of consolidation are stated under "cash flows from financing activities," while cash flows related to costs involved in changes in ownership interests in subsidiaries that result in changes in the scope of consolidation, as well as costs arising from payments or proceeds from changes in ownership interests in subsidiaries that do not result in changes in the scope of consolidation, are stated under "cash flows from operating activities."

In accordance with the transitional treatment based on the provisions of section 58-2 (4) of the Accounting Standard for Business Combinations, section 44-5 (4) of the Accounting Standard for Consolidated Financial Statements, and section 57-4 (4) of the Accounting Standard for Business Divestitures, the effects of the application of these changes have been applied, on a consolidated accounts basis, as of the beginning of the first three months of the fiscal year under review and for periods thereafter.

As a result, the Company does not expect this transaction to have a material impact on operating income, on a consolidated basis, 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 29, 2016, the government of Japan promulgated the Act for Partial Revision of the Income Tax Act, Etc. (Act No.15, 2016) and the Act for Partial Revision of the Local Tax Act (Act No.13, 2016). These acts reduce corporate tax rates for consolidated fiscal years beginning on or after April 1, 2016.

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 33.0% to 30.8% for temporary differences expected to be reversed during consolidated fiscal years beginning on April 1, 2016 and April 1, 2017. The effective statutory tax rate shall be further reduced to 30.6% for temporary differences expected to be reversed during consolidated fiscal year beginning April 1, 2018.

As a result of this change in tax rates, deferred tax assets (amount after deducting deferred tax liabilities) decreased by 5,317 million yen, while income taxes-deferred and valuation differences on available-for-sale securities increased by 7,352 million yen and 2,029 million yen, respectively. The deferred tax liabilities for land revaluation decreased by 1,111 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 1,111 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, 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.

Reporting fiscal year (From April 1, 2015 to March 31, 2016)

(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	376,218	878,617	279,118	92,653	487,483	733,453	2,847,544
(2)Inter-segment sales or transfers	2,088	1,543	192	2,855	8,050	2,902	17,633
Total	378,306	880,161	279,311	95,508	495,533	736,355	2,865,177
Operating income	16,515	81,903	15,796	11,297	80,332	68,003	273,849
Assets	209,765	265,686	310,967	11,940	521,528	1,001,788	2,321,676
Others Depreciation	3,572	7,816	1,789	155	16,407	8,333	38,074
Net increase in property, plant and equipment, and intangible assets	6,216	19,910	3,330	70	31,647	100,246	161,421

	Other Businesses (Note: 1)	Subtotal	Adjustment (Note: 2)	Amounts on the consolidated financial statements
Sales (1) Sales to customers	345,356	3,192,900	—	3,192,900
(2)Inter-segment sales or transfers	113,513	131,146	(131,146)	—
Total	458,870	3,324,047	(131,146)	3,192,900
Operating income	9,573	283,422	(40,322)	243,100
Assets	641,519	2,963,195	294,609	3,257,805
Others Depreciation	17,261	55,335	1,180	56,515
Net increase in property, plant and equipment, and intangible assets	28,307	189,728	(1,416)	188,312

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

2. Adjustment:

(1) -40,322 million yen in adjustments to operating income by business segment includes -1,563 million yen in elimination within business segments, 716 million yen in amortization of goodwill, and -39,475 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) 294,609 million yen in adjustments to assets by business segment includes -217,041 million yen in elimination within business segments, and 511,650 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) 1,180 million yen in adjustments to depreciation by business segment includes -424 million yen in elimination within business segments, and 1,604 million yen in the depreciation attributable to Group assets.

(4) -1,416 million yen in adjustments to net increase in property, plant and equipment, and intangible assets by business segment includes -1,985 million yen in elimination within business segments, and 569 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, 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.

Reporting fiscal year (from April 1, 2015 to March 31, 2016)

(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	131	158	32	—	459	399	2,129	—	3,311

(*)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, 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.

Reporting fiscal year (from April 1, 2015 to March 31, 2016)

(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)	1,188	—	428	2,001	(281)	—	3,257
Fiscal year-end unamortized balance of goodwill	—	(95)	15,404	—	4,226	37,049	(2,171)	—	54,413

(*) Amounts are construction-support related.

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

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

Not applicable.

Reporting fiscal year (from April 1, 2015 to March 31, 2016)

Not applicable.

(Per Share Information)

	Previous fiscal year (From April 1, 2014 to March 31, 2015)	Reporting fiscal year (From April 1, 2015 to March 31, 2016)
Net assets per share	1,678.24 yen	1,762.97 yen
Basic net income per share	177.74 yen	156.40 yen
Diluted net income per share	— yen	155.83 yen

Notes: 1. Diluted net income per share is not disclosed because the Company does not issue warrants with dilutive effects.
2. The basis of calculation for basic net income per share is as follows.

	Previous fiscal year (From April 1, 2014 to March 31, 2015)	Reporting fiscal year (From April 1, 2015 to March 31, 2016)
Basic net income per share		
Net income attributable to the parent (millions of yen)	117,133	103,577
Amount not belonging to general shareholders (millions of yen)	—	—
Basic net income attributable to owners of the parent related to common stock (millions of yen)	117,133	103,577
Average amount of common stock during the year (thousands of shares)	659,015	662,253
Diluted net income per share		
Net income attributable to owners of the parent (millions of yen)	—	—
Net increase of number of shares of common stock (thousands of shares)	—	2,421
(in which, subscription rights to shares (thousands of shares))	—	2,421
Outline of significant changes from the previous fiscal year in issuable warrants that the Company does not include in the computation of net income per share after full dilution, since these securities are not dilutive.	—	—