



Summary of Financial Results (Unaudited)
for the First Three Months of the Fiscal Year Ending March 31, 2017 [Consolidated]
(From April 1, 2016 to June 30, 2016)
[Japanese GAAP]

August 9, 2016

Name of Listed Company: Daiwa House Industry Co., Ltd.
 Code No.: 1925
 URL: <http://www.daiwahouse.co.jp/English/>
 Listed Exchanges: First section of the Tokyo Stock Exchange
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Scheduled Date of Filing Quarterly Securities Report: August 10, 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 First Three Months Ended June 30, 2016 (From April 1, 2016 to June 30, 2016)

(1) Consolidated Earnings Results

(% figures represent year-on-year change)

	Net sales		Operating income		Ordinary income		Net income attributable to owners of the parent	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
Three months ended:								
June 30, 2016	798,470	15.1	61,708	4.3	60,023	0.7	39,761	(6.0)
June 30, 2015	693,689	14.7	59,175	77.2	59,578	72.9	42,298	37.9

Note: Comprehensive income: Three months ended June 30, 2016: 46,587 million yen (5.6%)
 Three months ended June 30, 2015: 44,103 million yen (57.8%)

	Basic net income per share		Diluted net income per share	
	Yen	Yen	Yen	Yen
Three months ended:				
June 30, 2016	59.94	—	59.89	—
June 30, 2015	64.21	—	—	—

(2) Consolidated Financial Conditions

	Total assets	Net assets	Net assets ratio
	Millions of yen	Millions of yen	%
As of			
June 30, 2016	3,198,293	1,193,936	36.9
March 31, 2016	3,257,805	1,181,986	35.9

(Reference) Net assets ratio = (Net assets – Non-controlling interests)/Total assets × 100
 (Net assets – Non-controlling interests) is as follows. June 30, 2016: 1,179,872 million yen; March 31, 2016: 1,170,278 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
	Yen	Yen	Yen	Yen	Yen
Fiscal year ended March 31, 2016	—	35.00	—	45.00	80.00
Fiscal year ending March 31, 2017	—				
Fiscal year ending March 31, 2017 (forecasts)		40.00	—	40.00	80.00

Note: Revision made to the dividend forecast announcement on May 13, 2016: None

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	248.97

Note: Revision made to business forecast announcement on May 13, 2016: None

Notes:

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

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

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

As of June 30, 2016	666,238,205 shares	As of March 31, 2016	666,238,205 shares
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2) Number of treasury stock at the end of the period

As of June 30, 2016	3,798,228 shares	As of March 31, 2016	2,429,422 shares
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3) Average number of shares during the period

Three months ended June 30, 2016	663,367,107 shares	Three months ended June 30, 2015	658,801,242 shares
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* 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 earnings forecasts are based on assumptions in light of the information available as of the date of announcement of this material and the factors of uncertainty that may possibly impact the future results of operation. These statements do not mean that the Company pledges to realize such statements. Actual results may differ significantly from those presented herein as a consequence of numerous factors such as the financial market, economic conditions, competitor situations and fluctuations in land prices.

Please refer to the section of “1. Qualitative Information Regarding Consolidated Results for the First Three Months under Review (3) Earnings Forecasts” of “the Attached Material” on page 4 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 August 9, 2016. 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 Three Months under Review

(1) Earnings Results

During the first three-month period under review, the Japanese economy overall continued to follow a gradual recovery trend amid a continued improvement in employment and income, although consumer spending and corporate earnings failed to show further progress.

In the housing industry, the market has been showing a firm trend overall. Although new housing construction starts as a whole turned downward on a year-on-year comparison in June 2016, the categories of Owned and Rented dwellings recorded three consecutive months of year-on-year increases in April–June. In the general construction market, the value of public works orders turned upward on a year-on-year comparison in April 2016, but has subsequently once again fallen below the previous year's level, and overall market demand is weak. By contrast, private works construction orders have been moving strongly, reflecting vigorous capital investment trends, principally in real estate sector.

Amid these circumstances, and in accordance with its Fifth Medium-Term Management Plan (FY2016–2018), the Daiwa House Group is following a policy of aggressive investment in real estate development while working to expand its core business operations to capture vigorous demand in the domestic market.

As a result, the Daiwa House Group recorded consolidated net sales of 798,470 million yen (+15.1% year on year) for the first three months of the fiscal year ending March 2017. Ordinary income came to 60,023 million yen (+0.7% year on year), while net income attributable to owners of the parent amounted to 39,761 million yen (-6.0% year on year).

(2) Financial Conditions

Total assets as of the end of the consolidated three-month reporting period amounted to 3,198,293 million yen, a decrease of 59,511 million yen compared with the 3,257,805 million yen in total assets at the end of the previous consolidated fiscal year. This decrease was due mainly to a decline in inventories accompanying the sale of real estate for sale, which more than offset an increase in investment securities accompanying a rise in market prices.

Total liabilities as of the end of the consolidated three-month reporting period amounted to 2,004,356 million yen, a decrease of 71,461 million yen compared with 2,075,818 million yen in total liabilities at the end of the previous consolidated fiscal year. This was principally due to a decline in notes and accounts payable for construction contract and other.

Total net assets as of the end of the consolidated three-month reporting period amounted to 1,193,936 million yen, an increase of 11,950 million yen compared with 1,181,986 million yen in total net assets at the end of the previous consolidated fiscal year. This increase was principally due to the posting of net income attributable to owners of the parent in the amount of 39,761 million yen and an increase in valuation difference on available-for-sale securities. These factors more than offset the payment of dividends to shareholders for the previous fiscal year as well as an increase in treasury stock accompanying the adoption of the "E-Ship®" Employee Stockholding Incentive Plan.

(3) Earnings Forecasts

Regarding consolidated business performance forecasts for the term ending March 31, 2017, the forecasts issued on May 13, 2016 in the Group's "Summary of Financial Results for the Fiscal Year Ended March, 31 2016" remain unchanged.

2. Summary Information (Notes)

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

Change in Accounting Policies

(Application of Practical Solution on a change in depreciation method due to Tax Reform 2016)

In accordance with the revision to the Corporation Tax Act, with effect from the first three-month period of the fiscal year, in its consolidated accounts the Company has applied the "Practical Solution on a change in depreciation method due to Tax Reform 2016" (ASBJ Practical Issues Task Force (PITF) Solution No. 32, June 17, 2016). Accordingly, the Company has changed the depreciation method for facilities attached to buildings and structures acquired on and after April 1, 2016 from the declining-balance method to the straight-line method.

The effect of this change on the Company's consolidated financial statements for the first three-month period of the fiscal year is immaterial.

3. Consolidated Financial Statements
(1) Consolidated Balance Sheets

(Millions of yen)

	As of March 31, 2016	As of June 30, 2016
Assets		
Current assets		
Cash and deposits	192,571	172,274
Notes and accounts receivable from completed construction contracts and other	281,755	280,190
Short-term investment securities	16	16
Costs on uncompleted construction contracts	36,753	43,504
Real estate for sale	461,763	394,203
Real estate for sale in process	112,854	114,811
Land for development	647	647
Merchandise and finished goods	15,194	15,518
Work in process	7,081	7,985
Raw materials and supplies	5,870	6,858
Other	216,923	220,972
Allowance for doubtful accounts	(2,583)	(2,554)
Total current assets	1,328,849	1,254,428
Noncurrent assets		
Property, plant and equipment		
Buildings and structures	819,612	830,622
Accumulated depreciation	(391,565)	(397,755)
Buildings and structures, net	428,046	432,867
Land	652,043	636,601
Other	226,562	238,481
Accumulated depreciation	(115,947)	(117,018)
Other, net	110,614	121,462
Total property, plant and equipment	1,190,704	1,190,931
Intangible assets		
Goodwill	54,413	55,406
Other	32,793	32,056
Total intangible assets	87,206	87,463
Investments and other assets		
Investment securities	265,870	286,043
Lease and guarantee deposits	205,659	208,328
Other	182,493	173,916
Allowance for doubtful accounts	(2,978)	(2,818)
Total investments and other assets	651,045	665,470
Total noncurrent assets	1,928,955	1,943,865
Total assets	3,257,805	3,198,293

	(Millions of yen)	
	As of March 31, 2016	As of June 30, 2016
Liabilities		
Current liabilities		
Notes and accounts payable for construction contracts and other	368,494	283,364
Short-term loans payable	54,291	69,763
Current portion of bonds payable	10,085	10,085
Current portion of long-term loans payable	31,748	81,172
Commercial papers	—	51,000
Income taxes payable	60,429	4,211
Advances received	49,418	52,326
Advances received on uncompleted construction contracts	107,531	111,335
Provision for bonuses	46,662	22,564
Provision for warranties for completed construction	7,098	6,753
Asset retirement obligations	1,718	1,755
Other	236,310	227,513
Total current liabilities	<u>973,790</u>	<u>921,846</u>
Noncurrent liabilities		
Bonds payable	100,010	130,010
Long-term loans payable	295,828	242,309
Long-term lease and guarantee deposited	249,949	250,347
Net defined benefit liability	280,228	277,323
Asset retirement obligations	32,998	33,881
Other	143,012	148,638
Total noncurrent liabilities	<u>1,102,028</u>	<u>1,082,509</u>
Total liabilities	<u>2,075,818</u>	<u>2,004,356</u>
Net assets		
Shareholders' equity		
Capital stock	161,699	161,699
Capital surplus	311,226	311,460
Retained earnings	591,850	601,661
Treasury stock	(4,617)	(11,925)
Total shareholders' equity	<u>1,060,158</u>	<u>1,062,895</u>
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	84,983	97,685
Deferred gains or losses on hedges	35	(12)
Revaluation reserve for land	702	782
Foreign currency translation adjustment	24,399	18,521
Total accumulated other comprehensive income	<u>110,119</u>	<u>116,976</u>
Subscription rights to shares	38	3
Non-controlling interests	11,669	14,061
Total net assets	<u>1,181,986</u>	<u>1,193,936</u>
Total liabilities and net assets	<u>3,257,805</u>	<u>3,198,293</u>

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

(Millions of yen)

	Three months ended June 30, 2015 (From April 1, 2015 to June 30, 2015)	Three months ended June 30, 2016 (From April 1, 2016 to June 30, 2016)
Net sales	693,689	798,470
Cost of sales	543,260	639,153
Gross profit	150,429	159,316
Selling, general and administrative expenses	91,253	97,608
Operating income	59,175	61,708
Non-operating income		
Interest income	922	724
Dividends income	1,465	1,613
Miscellaneous income	1,306	1,126
Total non-operating income	3,693	3,465
Non-operating expenses		
Interest expenses	1,257	1,268
Taxes and dues	926	232
Foreign exchange losses	—	2,537
Equity in losses of affiliates	230	122
Miscellaneous expenses	877	988
Total non-operating expenses	3,291	5,149
Ordinary income	59,578	60,023
Extraordinary income		
Gain on sales of noncurrent assets	282	17
Gain on sales of investment securities	4,063	90
Total extraordinary income	4,345	107
Extraordinary losses		
Loss on sales of noncurrent assets	15	4
Loss on retirement of noncurrent assets	217	241
Impairment loss	346	—
Loss on sales of investment securities	114	—
Merger expenses	300	—
Loss on disaster	—	561
Other	10	5
Total extraordinary losses	1,004	812
Income before income taxes	62,919	59,319
Income taxes-current	11,332	3,653
Income taxes-deferred	9,613	15,690
Total income taxes	20,946	19,344
Net income	41,972	39,974
Net income attributable to non-controlling interests	(326)	212
Net income attributable to owners of the parent	42,298	39,761

(Consolidated Statements of Comprehensive Income)

	(Millions of yen)	
	Three months ended June 30, 2015 (From April 1, 2015 to June 30, 2015)	Three months ended June 30, 2016 (From April 1, 2016 to June 30, 2016)
Net income	41,972	39,974
Other comprehensive income		
Valuation difference on available-for-sale securities	2,105	12,704
Deferred gains or losses on hedges	(99)	(47)
Foreign currency translation adjustment	(88)	(3,002)
Share of other comprehensive income of associates accounted for using equity method	213	(3,040)
Total other comprehensive income	2,130	6,613
Comprehensive income	44,103	46,587
(Comprehensive income attributable to)		
Comprehensive income attributable to owners of the parent	44,465	46,538
Comprehensive income attributable to non-controlling interests	(361)	48

(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 August 9, 2016.