



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

November 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: November 11, 2016
 Scheduled Date of Commencement of Dividend Payment: December 5, 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 Six Months Ended September 30, 2016 (From April 1, 2016 to September 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	%
Six months ended:								
September 30, 2016	1,698,788	10.6	145,615	11.6	143,400	11.1	96,046	3.6
September 30, 2015	1,535,590	15.9	130,482	62.8	129,121	56.8	92,722	50.4

Note: Comprehensive income: Six months ended September 30, 2016: 73,638 million yen (-9.3%)
 Six months ended September 30, 2015: 81,146 million yen (3.9%)

	Basic net income per share		Diluted net income per share	
	Yen	Yen	Yen	Yen
Six months ended:				
September 30, 2016	144.84		144.77	
September 30, 2015	140.39		140.08	

(2) Consolidated Financial Conditions

	Total assets	Net assets	Net assets ratio
	Millions of yen	Millions of yen	%
As of			
September 30, 2016	3,286,720	1,222,340	36.8
March 31, 2016	3,257,805	1,181,986	35.9

(Reference) Net assets ratio = (Net assets – (Non-controlling interests + Subscription rights to shares))/Total assets × 100
 (Net assets – (Non-controlling interests + Subscription rights to shares)) is as follows. September 30, 2016: 1,208,634 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	—	40.00			
Fiscal year ending March 31, 2017 (forecasts)			—	45.00	85.00

Note: Revision made to the dividend forecast announcement on May 13, 2016: Yes
 Cash dividends 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	3,460,000	8.4	280,000	15.2	272,000	16.4	182,000	75.7	274.51

Note: Revision made to business forecast announcement on May 13, 2016: 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 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 September 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 September 30, 2016	3,394,503 shares	As of March 31, 2016	2,429,422 shares
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3) Average number of shares during the period

Six months ended September 30, 2016	663,123,584 shares	Six months ended September 30, 2015	660,461,695 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 Six 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 November 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 Six Months under Review

(1) Earnings Results

During the first six-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. New housing construction starts in the Owned, Rented and Built for Sale dwellings categories recorded year-on-year increases, while Condominiums turned downward on a year-on-year comparison. Overall demand remained firm in the general construction market, with the value of public works orders holding firm against the backdrop of demand for large-scale projects related to the upcoming Tokyo Olympics and Paralympics, and private works orders also holding firm thanks to vigorous capital investment by the real estate industry.

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

As a result, the Daiwa House Group recorded consolidated net sales of 1,698,788 million yen (+10.6% year on year) for the first six months of the fiscal year ending March 2017. Ordinary income came to 143,400 million yen (+11.1% year on year), while net income attributable to owners of the parent amounted to 96,046 million yen (+3.6% year on year).

(2) Financial Conditions

Total assets on a consolidated basis as of the end of the first six months of the fiscal year ending March 2017 amounted to 3,286,720 million yen, an increase of 28,915 million yen over the 3,257,805 million yen recorded at the previous fiscal year end. This was principally due to an increase in property, plant and equipment accompanying the acquisition of real estate for investment, in addition to an increase in notes and accounts receivable from completed construction contracts and other, which more than offset a decline in inventory assets accompanying the sale of real estate for sale.

Total liabilities at the end of the six-month period under review amounted to 2,064,380 million yen, for a decrease of 11,438 million yen compared with the 2,075,818 million yen recorded at the previous fiscal year end. This was principally due to a decline in notes and accounts payable for construction contracts and other, which more than offset fund procurement via loans and the issuance of bonds.

Total net assets at the end of the six-month period under review were 1,222,340 million yen, for an increase of 40,353 million yen over the 1,181,986 million yen recorded at the previous fiscal year end. This was principally due to the posting of net income for the period attributable to owners of the parent in the amount of 96,046 million yen, which more than offset the payment of dividends to shareholders for the previous fiscal year and a decrease in the value of foreign currency translation adjustment account.

(3) Earnings Forecasts

Based on recent order trends and second-quarter earnings, the Company has revised consolidated earnings forecasts for the full year. Refer to Announcement of a Revision of Earnings and Dividend Forecasts for the Fiscal Year Ending March 2017, announced on November 9, 2016, regarding matters related to the revision of these forecasts.

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 six-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 September 30, 2016
Assets		
Current assets		
Cash and deposits	192,571	189,349
Notes and accounts receivable from completed construction contracts and other	281,755	319,756
Short-term investment securities	16	2,006
Costs on uncompleted construction contracts	36,753	45,022
Real estate for sale	461,763	385,830
Real estate for sale in process	112,854	120,645
Land for development	647	647
Merchandise and finished goods	15,194	14,421
Work in process	7,081	7,228
Raw materials and supplies	5,870	5,806
Other	216,923	236,500
Allowance for doubtful accounts	(2,583)	(2,931)
Total current assets	1,328,849	1,324,284
Noncurrent assets		
Property, plant and equipment		
Buildings and structures	819,612	845,666
Accumulated depreciation	(391,565)	(403,682)
Buildings and structures, net	428,046	441,983
Land	652,043	643,178
Other	226,562	264,528
Accumulated depreciation	(115,947)	(117,953)
Other, net	110,614	146,574
Total property, plant and equipment	1,190,704	1,231,737
Intangible assets		
Goodwill	54,413	54,869
Other	32,793	31,555
Total intangible assets	87,206	86,425
Investments and other assets		
Investment securities	265,870	262,943
Lease and guarantee deposits	205,659	208,296
Other	182,493	175,763
Allowance for doubtful accounts	(2,978)	(2,729)
Total investments and other assets	651,045	644,273
Total noncurrent assets	1,928,955	1,962,436
Total assets	3,257,805	3,286,720

(Millions of yen)

	As of March 31, 2016	As of September 30, 2016
Liabilities		
Current liabilities		
Notes and accounts payable for construction contracts and other	368,494	334,147
Short-term loans payable	54,291	92,822
Current portion of bonds payable	10,085	10,054
Current portion of long-term loans payable	31,748	78,687
Income taxes payable	60,429	42,185
Advances received	49,418	53,997
Advances received on uncompleted construction contracts	107,531	105,605
Provision for bonuses	46,662	46,278
Provision for warranties for completed construction	7,098	6,374
Asset retirement obligations	1,718	1,823
Other	236,310	185,073
Total current liabilities	973,790	957,050
Noncurrent liabilities		
Bonds payable	100,010	130,000
Long-term loans payable	295,828	256,311
Long-term lease and guarantee deposited	249,949	253,675
Net defined benefit liability	280,228	281,630
Asset retirement obligations	32,998	34,943
Other	143,012	150,768
Total noncurrent liabilities	1,102,028	1,107,330
Total liabilities	2,075,818	2,064,380
Net assets		
Shareholders' equity		
Capital stock	161,699	161,699
Capital surplus	311,226	311,404
Retained earnings	591,850	657,864
Treasury stock	(4,617)	(10,645)
Total shareholders' equity	1,060,158	1,120,322
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	84,983	80,772
Deferred gains or losses on hedges	35	(23)
Revaluation reserve for land	702	863
Foreign currency translation adjustment	24,399	6,698
Total accumulated other comprehensive income	110,119	88,311
Subscription rights to shares	38	116
Non-controlling interests	11,669	13,589
Total net assets	1,181,986	1,222,340
Total liabilities and net assets	3,257,805	3,286,720

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

	(Millions of yen)	
	Six months ended September 30, 2015 (From April 1, 2015 to September 30, 2015)	Six months ended September 30, 2016 (From April 1, 2016 to September 30, 2016)
Net sales	1,535,590	1,698,788
Cost of sales	1,213,970	1,348,712
Gross profit	321,619	350,076
Selling, general and administrative expenses	191,136	204,460
Operating income	130,482	145,615
Non-operating income		
Interest income	1,866	1,458
Dividends income	1,647	2,287
Miscellaneous income	2,500	3,489
Total non-operating income	6,014	7,235
Non-operating expenses		
Interest expenses	2,494	2,503
Taxes and dues	1,150	364
Foreign exchange losses	1,025	2,997
Equity in losses of affiliates	415	336
Miscellaneous expenses	2,290	3,249
Total non-operating expenses	7,376	9,450
Ordinary income	129,121	143,400
Extraordinary income		
Gain on sales of noncurrent assets	360	45
Gain on sales of investment securities	4,309	431
Gain on step acquisitions	4,147	—
Other	—	21
Total extraordinary income	8,817	498
Extraordinary losses		
Loss on sales of noncurrent assets	36	10
Loss on retirement of noncurrent assets	457	450
Impairment loss	346	—
Loss on sales of investment securities	116	2
Merger expenses	700	—
Loss on disaster	—	724
Other	15	5
Total extraordinary losses	1,673	1,192
Income before income taxes	136,266	142,706
Income taxes-current	45,561	44,303
Income taxes-deferred	(2,192)	2,172
Total income taxes	43,368	46,476
Net income	92,897	96,229
Net income attributable to non-controlling interests	174	183
Net income attributable to owners of the parent	92,722	96,046

(Consolidated Statements of Comprehensive Income)

	(Millions of yen)	
	Six months ended September 30, 2015 (From April 1, 2015 to September 30, 2015)	Six months ended September 30, 2016 (From April 1, 2016 to September 30, 2016)
Net income	92,897	96,229
Other comprehensive income		
Valuation difference on available-for-sale securities	(13,726)	(4,168)
Deferred gains or losses on hedges	(102)	(58)
Foreign currency translation adjustment	1,331	(9,276)
Share of other comprehensive income of associates accounted for using equity method	747	(9,087)
Total other comprehensive income	(11,750)	(22,591)
Comprehensive income	81,146	73,638
(Comprehensive income attributable to)		
Comprehensive income attributable to owners of the parent	80,958	74,077
Comprehensive income attributable to non-controlling interests	188	(438)

(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 9, 2016.