Summary of Financial Results for the Fiscal Year Ended March 31, 2017 [Consolidated]
(From April 1, 2016 to March 31, 2017)
[Japanese GAAP]

May 11 2017

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
Representative: Naotake Ohno, President and COO
Contact: Yuji Yamada, Senior Executive Officer and General Manager, IR Department
Phone No.: 06-6342-1400
E-mail to: dh.ir.communications@daiwahouse.jp

Scheduled Date of Ordinary General Meeting of Shareholders: June 29, 2017
Scheduled Date of Filing Securities Report: June 29, 2017
Scheduled Date of Commencement of Dividend Payment: June 30, 2017
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, 2017 (From April 1, 2016 to March 31, 2017)

(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, 2017	3,512,909	10.0	293,573	20.8	300,529	28.7	201,700	94.7
Fiscal year ended March 31, 2016	3,192,900	13.6	243,100	34.8	233,592	15.3	103,577	(11.6)

Note: Comprehensive income
Fiscal year ended March 31, 2017:199,257 million yen (103.5%) ; Fiscal year ended March 31, 2016: 97,936 million yen (-41.0%)

	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, 2017	304.14	304.05	16.3	8.8	8.4
Fiscal year ended March 31, 2016	156.40	155.83	9.1	7.4	7.6

(Reference) Equity in earnings of affiliates
Fiscal year ended March 31, 2017: -1,274 million yen ; Fiscal year ended March 31, 2016: -574 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, 2017	3,555,885	1,329,901	36.8	1,971.66
March 31, 2016	3,257,805	1,181,986	35.9	1,762.97

(Reference) Net assets ratio = (Net assets – Non-controlling shareholders' interests)/Total assets
(Net assets – Non-controlling shareholders' interests) is as follows. March 31, 2017: 1,308,290 million yen;
March 31, 2016: 1,170,278 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, 2017	287,691	(343,643)	80,086	213,309
Fiscal year ended March 31, 2016	278,497	(202,447)	(130,185)	188,923

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, 2016	—	35.00	—	45.00	80.00	53,132	51.2	4.6
Fiscal year ended March 31, 2017	—	40.00	—	52.00	92.00	61,285	30.2	4.9
Fiscal year ending March 31, 2018 (forecasts)	—	45.00	—	50.00	95.00		30.0	

Note: 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, 2018 (From April 1, 2017 to March 31, 2018)

(% 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, 2018	3,750,000	6.7	320,000	9.0	312,000	3.8	210,000	4.1	316.48

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, 2017	666,238,205 shares	As of March 31, 2016	666,238,205 shares

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

As of March 31, 2017	2,691,551 shares	As of March 31, 2016	2,429,422 shares

3) Average number of shares during the period

Fiscal year ended March 31, 2017	663,193,698 shares	Fiscal year ended March 31, 2016	662,253,479 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)" on page 29.

(Reference) Summary of Non-Consolidated Results of Operation

Non-Consolidated Results of Operation for the Fiscal Year Ended March 31, 2017 (From April 1, 2016 to March 31, 2017)

(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, 2017	1,720,394	4.3	186,850	11.5	212,346	15.5	147,582	80.0
Fiscal year ended March 31, 2016	1,649,765	12.2	167,638	41.3	183,863	22.0	81,991	(15.4)

	Basic net income per share	Diluted net income per share
	Yen	Yen
Fiscal year ended March 31, 2017	222.53	222.47
Fiscal year ended March 31, 2016	123.81	123.36

(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, 2017	2,410,655	1,050,139	43.6	1,582.44
March 31, 2016	2,174,782	959,592	44.1	1,445.53

(Reference) Net assets: March 31, 2017: 1,050,023 million yen; March 31, 2016: 959,553 million yen

*** This quarterly financial results report is exempt from quarterly review procedures under Japan's Financial Instruments and Exchange Law**

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

(Notes regarding f quarterly 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. Overview of business results and others (4) Future Outlook” on page13 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 11, 2017. 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, 2014	Fiscal year ended March 31, 2015	Fiscal year ended March 31, 2016	Fiscal year ended March 31, 2017	Forecast for the fiscal year ending March 31, 2018
Net sales (millions of yen)	2,700,318	2,810,714	3,192,900	3,512,909	3,750,000
Cost of sales (millions of yen)	2,192,414	2,269,846	2,560,483	2,798,599	2,983,000
Selling, general and administrative expenses (millions of yen)	344,326	360,516	389,316	420,735	447,000
Operating income (millions of yen)	163,576	180,352	243,100	293,573	320,000
Ordinary income (millions of yen)	176,366	202,628	233,592	300,529	312,000
Net income attributable to owners of the parent (millions of yen)	102,095	117,133	103,577	201,700	210,000
Basic net income per share (yen)	161.08	177.74	156.40	304.14	316.48
Return on equity (ROE) (%)	11.9	11.2	9.1	16.3	—
Ordinary income to total assets ratio (%)	7.0	7.1	7.4	8.8	—
Dividend per share (yen) (of which interim dividend per share)	50 (20)	60 (25)	80 (35)	92 (40)	95 (45)
Total annual dividends (millions of yen)	32,956	39,535	53,132	61,285	—
Dividend payout ratio (%)	31.0	33.8	51.2	30.2	30.0
Dividends to net assets ratio (%)	3.6	3.8	4.6	4.9	—
Total assets (millions of yen)	2,665,946	3,021,007	3,257,805	3,555,885	—
Net assets (millions of yen)	992,686	1,112,817	1,181,986	1,329,901	—
Net assets ratio (%)	37.0	36.6	35.9	36.8	—
Net assets per share (yen)	1,496.72	1,678.24	1,762.97	1,971.66	—
Depreciation (millions of yen)	48,533	53,283	56,515	59,597	65,300
Net increase in property, plant and equipment and intangible assets (millions of yen)	217,358	274,990	188,312	341,656	295,000
Cash flows from operating activities (millions of yen)	78,451	139,465	278,497	287,691	—
Cash flows from investing activities (millions of yen)	(240,439)	(235,027)	(202,447)	(343,643)	—
Cash flows from financing activities (millions of yen)	110,131	129,202	(130,185)	80,086	—
Cash and cash equivalents, end of year (millions of yen)	198,733	234,544	188,923	213,309	—

2. Sales and Operating Income by Segment

(Millions of yen)

Fiscal years		Fiscal year ended March 31, 2014	Fiscal year ended March 31, 2015	Fiscal year ended March 31, 2016	Fiscal year ended March 31, 2017	Forecast for the fiscal year ending March 31, 2018
Net sales		2,700,318	2,810,714	3,192,900	3,512,909	3,750,000
Sales by segment	Single-Family Houses	394,481	375,343	378,306	390,332	391,000
	Rental Housing	688,756	772,955	880,161	977,215	1,032,000
	Condominiums	242,792	231,344	279,311	262,867	288,000
	Existing Home Business	86,702	91,664	95,508	105,592	110,000
	Commercial Facilities	421,981	456,218	495,533	569,776	590,000
	Logistics, Business & Corporate Facilities	592,190	581,569	736,355	828,478	855,000
	Other Businesses	393,944	426,512	458,870	513,581	618,000
	Adjustments	(120,531)	(124,893)	(131,146)	(134,937)	(134,000)
Operating income		163,576	180,352	243,100	293,573	320,000
Operating income by segment	Single-Family Houses	13,389	8,841	16,515	19,290	20,000
	Rental Housing	64,279	69,597	81,903	94,299	105,000
	Condominiums	10,705	10,819	15,796	13,431	12,000
	Existing Home Business	9,311	9,976	11,297	13,081	13,100
	Commercial Facilities	60,764	67,279	80,332	100,742	105,000
	Logistics, Business & Corporate Facilities	26,934	38,444	68,003	78,967	83,000
	Other Businesses	14,082	10,288	9,573	16,861	27,000
	Adjustments	(35,891)	(34,894)	(40,322)	(43,100)	(45,100)

1. Overview of business results and others

(1) Business results for the fiscal year under review

During the fiscal year ended March 2017, the Japanese economy as a whole continued to stage a gradual recovery, thanks to an ongoing improvement in employment and income, among other positive factors. These more than offset such negative factors as a slowdown in the pace of improvement of corporate earnings and the fact that capital investment had come to a standstill.

Looking at the industrial sectors in which the Company operates, the housing market as a whole held firm in spite of a slight weakness in new housing construction starts for condominiums, as year-on-year growth was recorded by the Owned, Rented and Built for Sale housing categories. The general construction market also performed strongly as a whole. Solid growth was seen in private works orders, driven by aggressive capital investment, principally by companies in the real estate development, wholesaling, and retailing industries. Public works orders for the term as a whole also staged a turnaround into the plus column.

Amid these circumstances, and in accordance with the Daiwa House Group's Fifth Medium-Term Management Plan (a three-year plan ending in fiscal 2018), we endeavored to expand our core businesses by taking full advantage of firm demand in the domestic market, and engaged in aggressive investments in real estate development and other fields.

As a result of the foregoing, the Daiwa House Group recorded net sales of 3,512,909 million yen (+10.0% year on year) for the fiscal year under review. Operating income came to 293,573 million yen (+20.8% year on year), ordinary income came to 300,529 million yen (+28.7% year on year), and net income attributable to owners of the parent amounted to 201,700 million yen (+94.7% year on year).

Results by business segment were as follows:

Single-Family Houses Business

In the Single-Family Houses business segment, during the period under review, we earnestly addressed our role as a home builder and pursued community-based business projects to expand sales.

In our custom-built houses business, we continued to focus on expanding sales of our xevoΣ (xevo sigma) product. This single-family house combines the advantages of strong anti-earthquake performance with a spacious interior thanks to its extra-high (2.72 meter) ceilings. It is capable of fully withstanding repeated exposure to powerful earthquakes while maintaining the same seismic resistance as when it was newly built.

We also took steps to strengthen our marketing of dual-purpose houses, notably by developing and offering 3-story, 4-story, and 5-story versions of our "skye" model single-family house. These products meet customers' need for houses that can be used as a residence by the owner while a portion of the structure is either rented out to a tenant or used as a retail outlet or for other purposes.

During the term under review we also launched our For Nature brand of single-family houses, which embodies the concept of living in harmony with the natural environment. In these homes, we aim for zero environmental impact in line with our goal of popularizing "zero-impact housing."

As a result, net sales for this segment amounted to 390,332 million yen (+3.2% year on year), while operating income came to 19,290 million yen (+16.8% year on year).

Rental Housing Business

In the Rental Housing business segment, we opened 11 new operational bases during the period under review, and now operate a network of 173 locations nationwide, from which our staff have been conducting regional community-centered marketing activities and working to expand orders.

During the term, we worked to expand our product lineup. Particularly notable was the launch in July 2016 of the Séjour New Lupina, a rental housing model specially designed to minimize damage and/or inconvenience in the event of natural disasters, which comes with lithium-ion storage batteries installed as standard, a first in the Japanese housing industry.

Moreover, the aggregate number of rental housing units covered by our anti-crime service, in which we offer tenants top-class burglary prevention and other safety features, passed the 200,000 mark. This business operation continues to grow steadily.

In our rental housing management business, Daiwa Living Co., Ltd. opened 11 new offices during the term, enabling them to offer marketing and services even more closely matched to the needs of each operating region. We also worked to further enhance the level of services to our tenants. For instance, we expanded the menu of digital contents available in our D-room+ services, which now includes e-books and online English conversation lessons, among many others.

As a result, net sales for this segment amounted to 977,215 million yen (+11.0% year on year), while operating income came to 94,299 million yen (+15.1% year on year).

Condominium Business

In the Condominium business segment we are working to offer products with higher added value for both our customers and local communities as a whole.

In October 2016, all units of the PREMIST Takao SAKULa City condominium project were sold out on the first day at all seven marketing stages. The popularity of this project – situated in Takao in the suburbs of Tokyo – is attributable to its excellent location – highly convenient for transportation, shopping, etc. – combined with a beautifully green environment.

In March 2017 we completed construction of "PREMIST Shirokanedai," a conveniently-located condominium only one minute's walk from Shirokanedai Station, in a fashionable and chic district of Tokyo's Minato-ku.

We also put great effort into the construction and sale of condominiums in provincial cities across Japan. For example, we commenced the sale of home units in The Ocean Terrace Toyosaki Seaside Terrace, located in the city of Tomigusuku, just outside Okinawa's capital of Naha, where there has recently been a flurry of real estate development activity.

In March 2017, Group member Cosmos Initia Co., Ltd. sold all home units in the GRAND COSMOS Musashiurawa, a newly developed condominium in Saitama Prefecture. This condominium—designed to appeal to active seniors—features common-use facilities such as restaurants, an *onsen*-style common-use large bath, and a lounge.

However, as a result of a decline in the number of construction completions compared with the previous year, net sales for this segment amounted to 262,867 million yen (-5.9% year on year), and operating income came to 13,431 million yen (-15.0% year on year).

Existing Homes Business

In the Existing Homes business, we strengthened our relationships with owners of single-family homes and rental housing by offering property inspection services, and also engaged in marketing campaigns in which we made various renovation proposals.

We have been working to expand the scope of our Existing Homes business. For example, by strengthening our lineup of proposals for renovation services that improve a home's performance, we have been making effective use of the government's project to build a stock of lasting high-quality housing through the promotion of renovation work, for which financial subsidies are available.

As a result, net sales for this segment amounted to 105,592 million yen (+10.6% year on year), while operating income came to 13,081 million yen (+15.8% year on year).

Commercial Facilities Business

In the Commercial Facilities business, we worked to expand our business scope by strengthening our involvement in urban development and large-scale projects, while at the same time making facility-opening proposals that match the business strategies of corporate tenants, as well as a wide variety of proposals that made optimal use of the unique characteristics of each region. We received particularly firm levels of orders for multipurpose complexes centered around grocery supermarkets, automobile showrooms, and business and city hotels, among others.

Among our large-scale development projects, we commenced work on the Hiroshima Futaba-no-Sato Project, which will involve the construction of a complex including a hotel and other commercial facilities in an urban redevelopment area to the north of JR Hiroshima Station.

During the term, we also laid the groundwork for the scheduled opening in June 2017 of iias-Takao, a large-scale shopping mall within Takao SakuLa City (Tokyo), which is a multipurpose complex under development, and which will incorporate both residences (single-family houses and condominiums) and commercial facilities.

As a result, net sales for this segment amounted to 569,776 million yen (+15.0% year on year), while operating income came to 100,742 million yen (+25.4% year on year).

Logistics, Business and Corporate Facilities Business

In the Logistics, Business and Corporate Facilities business segment, 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.

In the field of logistics facilities, just outside the immediate Tokyo area we commenced construction of one (DPL Nagareyama I) of the planned three buildings that will comprise the DPL Nagareyama Logistics Center (Chiba Pref.). This center will have a total floorspace of approximately 387,000 square meters, making it one of the largest logistics facilities in Japan. Elsewhere in Japan,, in Iwate Prefecture we started construction of the DPL Iwate-Kitakami. We also sold the D-Project Ariake I, a facility that we had developed in Tokyo's Koto-ku.

In the field of medical and nursing care facilities, we continued working to strengthen our lineup of proposals, including the reconstruction or relocation of hospitals built prior to the introduction of the present earthquake-resistance standards, and the construction of nursing care facilities for former hospital patients who have been discharged and want to return home.

In the area of production facilities, we held a number of seminars for corporate customers involved in food processing, and designed improved proposals for the construction of facilities capable of obtaining safety certifications such as HACCP (* 1) and FSSC 22000(* 2).

During the term, Fujita Corporation enjoyed a solid performance in both the construction and civil engineering fields. In the Japanese market it received orders for high-rise condominiums, logistics facilities, and railroad facilities. Overseas, the company received orders for an airport-related project as well as work on preparing land for construction of an automotive manufacturing plant, among other large-scale projects.

As a result, net sales for this segment amounted to 828,478 million yen (+12.5% year on year), while operating income came to 78,967 million yen (+16.1% year on year).

*1. Hazard analysis and critical control points (HACCP) is a systematic preventive approach to food safety in production and preparation processes, in which the dangers posed by contamination by microorganisms at each stage of the process are analyzed and managed.

*2. This is a benchmark approval standard established by the Global Food Safety Initiative (GFSI), which is a food safety system that combines the ISO 22000 (Food Safety Management System) and its extension, the ISO/TS 22002-1 or ISO/TS 22002-4.

Other Businesses

In our Home Centers Division, in April 2016 Royal Home Center Co., Ltd. opened the Royal Home Center Tsushima (Aichi), a next-generation eco-friendly home center. The company also opened new home centers in Tokyo as well as the prefectures of Chiba and Hyogo, bringing the total number of home centers operated by the company nationwide to 57.

In our Logistics Division, during the term Daiwa Logistics Co., Ltd. opened the Kafukucho Logistics Center I and the Kafukucho Logistics Center II (Aichi), as well as the Tsukuba Logistics Center (Ibaraki), bringing the number of logistics centers operated by the company to 77 nationwide.

In our City Hotels Division, Daiwa Royal Co., Ltd. opened the Daiwa Roynet Hotel Kyoto-Ekimae, the Daiwa Roynet Hotel Nagoya-Taikodoriguchi, and the Daiwa Roynet Hotel Koriyama-Ekimae (Fukushima), bringing to 47 the number of Roynet hotels operated nationwide.

As a result, net sales for this segment amounted to 513,581 million yen (+11.9% year on year), while operating income came to 16,861 million yen (+76.1% year on year).

(2) Financial position at the fiscal year-end

Total assets as of the end of the consolidated reporting fiscal year amounted to 3,555,885 million yen, an increase of 298,080 million yen compared with 3,257,805 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.

Total consolidated liabilities as of the end of the fiscal year under review amounted to 2,225,983 million yen, representing an increase of 150,164 million yen compared with 2,075,818 million yen for the previous fiscal year-end. This is principally attributable to fund procurement through the issuance of corporate bonds and borrowing.

Total net assets as of the end of the consolidated reporting fiscal year amounted to 1,329,901 million yen, an increase of 147,915 million yen compared with 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 201,700 million yen, which more than offset the payment of dividends to shareholders for the previous fiscal year.

The net assets ratio as of March 31, 2017 was 36.8%, virtually unchanged from 35.9% at the end of the previous fiscal year.

(3) Cash flow position at the fiscal year-end

Cash and cash equivalents for the reporting fiscal year amounted to 213,309 million yen, for an increase of 24,386 million yen. Net cash provided by operating activities stood at 287,691 million yen, net cash used in investing activities came to 343,643 million yen, and net cash used in financing activities came to 80,086 million yen.

Cash flows from operating activities

During the reporting fiscal year, net cash provided by operating activities came to 287,691 million yen (+3.3% year on year). This is primarily attributable to the posting of 294,865 million in income before income taxes and non-controlling shareholders' interests, increase in notes and accounts payable for construction contracts and other, and the sale of real estate for sale, among other factors.

Cash flows from investing activities

During the reporting fiscal year, net cash used in investing activities came to 343,643 million yen (compared with 202,447 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 80,086 million yen (compared with 130,185 million yen used in the previous fiscal year). This is primarily attributable to the issuance of bonds, as well as borrowing from banks and other.

(Reference) Cash Flow Indicators

	Fiscal year ended March 31, 2015	Fiscal year ended March 31, 2016	Fiscal year ended March 31, 2017
Net assets ratio	36.6%	35.9%	36.8%
Net assets ratio on market-value basis	51.7%	64.7%	59.6%
Repayment years of interest-bearing debt	4.0 years	1.8 years	2.2 years
Interest coverage ratio	46.2	97.7	93.3

* 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) Future Outlook

Looking at the future 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, it is feared that the uncertainty surrounding upcoming political developments, financial market developments, and trade policies in the United States and Europe may negatively impact the Japanese domestic economy, and the situation will not warrant optimism for some time to come.

Turning to the Company's field of operations, a sharp slowdown in the housing market has been avoided in the short term, thanks to the fact that the proposed increase in the consumption tax has once again been postponed. However, a decrease in the number of new housing construction starts in Japan is forecast over the medium-to-long term, due to the declining trend of the country's population. In the general construction market, increased demand is anticipated in the run-up to the 2020 Tokyo Summer Olympics and Paralympics, but movements in construction material prices will continue to bear watching.

Amid this business environment, the Daiwa House Group has revised upward its business forecasts under the currently ongoing Fifth Medium-Term Management Plan—a three-year plan ending in fiscal 2018—and has set new targets for the plan that take into account probable future changes in the business environment and make optimal use of the Group's diverse lineup of revenue streams.

In February 2017, Stanley-Martin Communities, LLC (a US company engaged in the single-family homes business) became a subsidiary of Daiwa House USA Inc. Going forward, we aim to further develop the sphere of business operations engaged in by Stanley-Martin Communities, LLC in the United States, and to accelerate the pace of expansion of US business operations by the Daiwa House Group as a whole.

In view of the foregoing, we forecast net sales for the fiscal year ending March 31, 2018 in the amount of 3,750 billion yen, with operating income of 320 billion yen, ordinary income of 312 billion yen, and net income attributable to owners of the parent of 210 billion yen. And we expect capital investments of 295 billion yen and depreciation of 65.3 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. The Company subsequently grew into a "group that co-creates value for individuals, communities, and peoples' lifestyles," under which banner we have pursued diversification to meet our customers' needs.

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 businesses operated by the Daiwa House Group cover a wide spectrum and can be divided into three main categories—Housing (comprising single-family homes, rental housing, condominiums, renovation services, and others; Business (comprising commercial facilities, logistics facilities, medical and nursing care facilities, real estate development, environment and energy, and others; and Life (comprising hotels, home centers, and 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

The Daiwa House Group has revised upward its business forecasts under the currently ongoing Fifth Medium-Term Management Plan, a three-year plan ending in fiscal 2018. 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 eight basic policies set out below, and will target the achievement of 3,950 billion yen in net sales, 340 billion yen in operating income, 224 billion yen in net income attributable to owners of the parent, and an ROE of 10 percent and 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 Tokyo Summer Olympics and Paralympics.

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 250 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. 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 Statement
(1) Consolidated Balance Sheets

(Millions of yen)

	Previous fiscal year (as of March 31, 2016)	Reporting fiscal year (as of March 31, 2017)
Assets		
Current assets		
Cash and deposits	192,571	216,749
Notes and accounts receivable from completed construction contracts and other	281,755	315,275
Lease receivables and investment assets	21,444	25,261
Short-term investment securities	16	2,006
Costs on uncompleted construction contracts	36,753	49,484
Real estate for sale	461,763	444,422
Real estate for sale in process	112,854	102,608
Land for development	647	647
Merchandise and finished goods	15,194	14,719
Work in process	7,081	6,583
Raw materials and supplies	5,870	5,818
Deferred tax assets	35,406	40,729
Other	160,071	188,534
Allowance for doubtful accounts	-2,583	-7,653
Total current assets	1,328,849	1,405,188
Noncurrent assets		
Property, plant and equipment		
Buildings and structures	819,612	892,595
Accumulated depreciation	-391,565	-410,518
Buildings and structures, net	428,046	482,076
Machinery, equipment and vehicles	124,519	130,458
Accumulated depreciation	-68,338	-71,314
Machinery, equipment and vehicles, net	56,181	59,144
Tools, furniture and fixtures	53,632	56,269
Accumulated depreciation	-41,482	-42,634
Tools, furniture and fixtures, net	12,150	13,635
Land	652,043	759,813
Lease assets	20,452	22,546
Accumulated depreciation	-6,126	-6,704
Lease assets, net	14,325	15,841
Construction in progress	27,957	76,868
Total property, plant and equipment	1,190,704	1,407,380
Intangible assets		
Goodwill	54,413	52,892
Other	32,793	34,097
Total intangible assets	87,206	86,989
Investments and other assets		
Investment securities	265,870	270,112
Long-term loans receivable	13,788	13,531
Lease and guarantee deposits	205,659	214,740
Deferred tax assets	88,255	85,357
Other	80,449	75,220
Allowance for doubtful accounts	-2,978	-2,635
Total investments and other assets	651,045	656,326
Total noncurrent assets	1,928,955	2,150,696
Total assets	3,257,805	3,555,885

(Millions of yen)

	Previous fiscal year (as of March 31, 2016)	Reporting fiscal year (as of March 31, 2017)
Liabilities		
Current liabilities		
Notes and accounts payable for construction contracts and other	368,494	383,232
Short-term loans payable	54,291	78,944
Current portion of bonds payable	10,085	10
Current portion of long-term loans payable	31,748	69,401
Lease obligations	2,493	2,698
Accounts payable-other	126,883	93,892
Income taxes payable	60,429	52,511
Advances received	49,418	47,802
Advances received on uncompleted construction contracts	107,531	113,850
Provision for bonuses	46,662	50,014
Provision for warranties for completed construction	7,098	7,096
Asset retirement obligations	1,718	1,967
Other	106,933	120,550
Total current liabilities	973,790	1,021,973
Noncurrent liabilities		
Bonds payable	100,010	200,000
Long-term loans payable	295,828	292,316
Lease obligations	21,598	24,120
Deposits received from members	31,625	17,104
Long-term lease and guarantee deposits	249,949	261,343
Deferred tax liabilities for land revaluation	20,729	20,823
Net defined benefit liability	280,228	271,548
Asset retirement obligations	32,998	37,595
Other	69,058	79,157
Total noncurrent liabilities	1,102,028	1,204,009
Total liabilities	2,075,818	2,225,983
Net assets		
Shareholders' equity		
Capital stock	161,699	161,699
Capital surplus	311,226	311,393
Retained earnings	591,850	734,242
Treasury stock	-4,617	-8,450
Total shareholders' equity	1,060,158	1,198,884
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	84,983	88,642
Deferred gains or losses on hedges	35	-5
Revaluation reserve for land	702	3,495
Foreign currency translation adjustment	24,399	17,273
Total accumulated other comprehensive income	110,119	109,405
Subscription rights to shares	38	115
Non-controlling interests	11,669	21,495
Total net assets	1,181,986	1,329,901
Total liabilities and net assets	3,257,805	3,555,885

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

(Millions of yen)

	Previous fiscal year (From April 1, 2015 to March 31, 2016)	Reporting fiscal year (From April 1, 2016 to March 31, 2017)
Net sales	3,192,900	3,512,909
Cost of sales	2,560,483	2,798,599
Gross profit	632,417	714,309
Selling, general and administrative expenses		
Sales commission	18,093	19,077
Advertising expenses	33,514	34,682
Promotion expenses	5,828	6,230
Provision of allowance for doubtful accounts	1,281	845
Directors' compensations	3,776	3,841
Employees' salaries and allowances	141,477	148,934
Provision for bonuses	28,213	29,775
Retirement benefit expenses	19,410	20,974
Legal welfare expenses	22,010	22,801
Stationery expenses	12,930	14,196
Correspondence and transportation expenses	19,046	18,890
Rents	15,023	16,466
Depreciation	7,761	8,163
Tax and dues	19,998	25,177
Other	40,948	50,679
Total selling, general and administrative expenses	389,316	420,735
Operating income	243,100	293,573
Non-operating income		
Interest income	3,546	3,088
Dividends income	3,469	3,807
Amortization of actuarial gain for employee's retirement benefits	–	16,518
Miscellaneous income	6,636	6,357
Total non-operating income	13,651	29,771
Non-operating expenses		
Interest expenses	5,048	5,143
Tax and dues	1,671	1,744
Provision of allowance for doubtful accounts	959	5,045
Amortization of actuarial loss for employee's retirement benefits	9,182	–
Equity in losses of affiliates	574	1,274
Miscellaneous expenses	5,723	9,608
Total non-operating expenses	23,160	22,815
Ordinary income	233,592	300,529
Extraordinary income		
Gain on sales of noncurrent assets	583	771
Gain on sales of investment securities	10,224	990
Gain on sales of investments in capital of subsidiaries and associates	–	22
Gain on step acquisitions	4,147	–
Total extraordinary income	14,955	1,783

(Millions of yen)

	Previous fiscal year (From April 1, 2015 to March 31, 2016)	Reporting fiscal year (From April 1, 2016 to March 31, 2017)
Extraordinary losses		
Loss on sales of noncurrent assets	63	56
Loss on retirement of noncurrent assets	1,354	2,247
Impairment loss	3,311	4,339
Loss on sales of investment securities	146	3
Loss on valuation of investment securities	1,286	38
Actuarial loss due to a change of discount rate	84,959	—
Merger expenses	1,189	—
Loss on disaster	—	752
Other	20	10
Total extraordinary losses	92,333	7,448
Income before income taxes and non-controlling interests	156,214	294,865
Income taxes-current	89,331	95,904
Income taxes-deferred	-37,786	-3,831
Total income taxes	51,545	92,072
Net income	104,669	202,792
Net income attributable to non-controlling interests	1,091	1,092
Net income attributable to owners of the parent	103,577	201,700

(Consolidated Statements of Comprehensive Income)

(Millions of yen)

	Previous fiscal year (From April 1, 2015 to March 31, 2016)	Reporting fiscal year (From April 1, 2016 to March 31, 2017)
Net income	104,669	202,792
Other comprehensive income		
Valuation difference on available-for-sale securities	633	3,727
Deferred gains or losses on hedges	-48	-40
Revaluation reserve for land	1,111	—
Foreign currency translation adjustment	-4,712	-2,360
Share of other comprehensive income of associates accounted for using equity method	-3,717	-4,861
Total other comprehensive income	-6,732	-3,535
Comprehensive income	97,936	199,257
(Comprehensive income attributable to)		
Comprehensive income attributable to owners of the parent	97,026	198,193
Comprehensive income attributable to non-controlling interests	909	1,063

(3) Consolidated Statements of Changes in Net Assets

Previous 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
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
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

Reporting fiscal year (From April 1, 2016 to March 31, 2017)

(Millions of yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
Balance at beginning of the period	161,699	311,226	591,850	(4,617)	1,060,158
Changes of items during the period					
Dividends from surplus	–	–	(56,515)	–	(56,515)
Net income attributable to owners of the parent	–	–	201,700	–	201,700
Change in treasury shares of parent arising from transactions with non-controlling shareholders	–	126	–	–	126
Reversal of revaluation reserve for land	–	–	(2,792)	–	(2,792)
Purchase of treasury stock	–	–	–	(12,191)	(12,191)
Disposal of treasury stock	–	41	–	8,358	8,399
Net changes of items other than shareholders' equity	–	–	–	–	–
Total changes of items during the period	–	167	142,391	(3,832)	138,726
Balance at end of the period	161,699	311,393	734,242	(8,450)	1,198,884

	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	84,983	35	702	24,399	110,119	38	11,669	1,181,986
Changes of items during the period								
Dividends from surplus	–	–	–	–	–	–	–	(56,515)
Net income attributable to owners of the parent	–	–	–	–	–	–	–	201,700
Change in treasury shares of parent arising from transactions with non-controlling shareholders	–	–	–	–	–	–	–	126
Reversal of revaluation reserve for land	–	–	–	–	–	–	–	(2,792)
Purchase of treasury stock	–	–	–	–	–	–	–	(12,191)
Disposal of treasury stock	–	–	–	–	–	–	–	8,399
Net changes of items other than shareholders' equity	3,659	(40)	2,792	(7,125)	(714)	76	9,825	9,188
Total changes of items during the period	3,659	(40)	2,792	(7,125)	(714)	76	9,825	147,915
Balance at end of the period	88,642	(5)	3,495	17,273	109,405	115	21,495	1,329,901

(4) Consolidated Statements of Cash Flows

(Millions of yen)

	Previous fiscal year (From April 1, 2015 to March 31, 2016)	Reporting fiscal year (From April 1, 2016 to March 31, 2017)
Net cash provided by (used in) operating activities		
Income before income taxes and non-controlling interests	156,214	294,865
Depreciation and amortization	56,515	59,597
Increase (decrease) in net defined benefit liability	97,276	-8,679
Interest and dividends income	-7,015	-6,895
Interest expenses	5,048	5,143
Equity in (earnings) losses of affiliates	574	1,274
Loss (gain) on sales and retirement of noncurrent assets	834	1,532
Impairment loss	3,311	4,339
Loss (gain) on valuation of investment securities	1,286	38
Decrease (increase) in notes and accounts receivable-trade	-23,425	-33,784
Decrease (increase) in inventories	-36,079	8,943
Increase (decrease) in advances received	9,588	-1,010
Increase (decrease) in advances received on uncompleted construction contracts	14,612	6,411
Increase (decrease) in notes and accounts payable-trade	27,198	13,941
Other, net	28,201	46,386
Subtotal	334,144	392,105
Interest and dividends income received	5,350	5,244
Interest expenses paid	-2,850	-3,082
Income taxes paid	-58,147	-106,575
Net cash provided by (used in) operating activities	278,497	287,691
Net cash provided by (used in) investing activities		
Purchase of property, plant and equipment and intangible assets	-178,179	-323,184
Proceeds from sales of property, plant and equipment	2,763	1,740
Purchase of investment securities	-26,177	-22,934
Proceeds from sales and redemption of investment securities	19,042	18,129
Purchase of investments in subsidiaries resulting in change in scope of consolidation	-9,533	-5,476
Payments for acquisition of business	-110	—
Payments from collection of lease and guarantee deposits	-5,282	-7,223
Other, net	-4,969	-4,695
Net cash provided by (used in) investing activities	-202,447	-343,643

(Millions of yen)

	Previous fiscal year (From April 1, 2015 to March 31, 2016)	Reporting fiscal year (From April 1, 2016 to March 31, 2017)
Net cash provided by (used in) financing activities		
Net increase (decrease) in short-term loans payable	-24,302	17,188
Net increase (decrease) in commercial papers	-72,000	—
Proceeds from long-term loans payable	61,703	108,048
Repayment of long-term loans payable	-46,641	-72,844
Proceeds from issuance of bonds	—	100,000
Redemption of bonds	-610	-10,085
Repayments of finance lease obligations	-2,750	-2,992
Proceeds from share issuance to non-controlling shareholders	3,634	2,602
Repayments to non-controlling shareholders	-3	-2
Purchase of treasury stock	-2,652	-12,191
Proceeds from sales of treasury stock	0	8,361
Proceeds from issuance of subscription rights to shares	—	114
Cash dividends paid	-46,319	-56,515
Dividends paid to non-controlling interests	-183	-2,154
Payments from changes in ownership interests in subsidiaries that do not result in change in scope of consolidation	-60	-12
Proceeds from changes in ownership interests in subsidiaries that do not result in change in scope of consolidation	—	826
Other, net	—	-256
Net cash provided by (used in) financing activities	-130,185	80,086
Effect of exchange rate change on cash and cash equivalents	-4,738	252
Net increase (decrease) in cash and cash equivalents	-58,875	24,386
Cash and cash equivalents at the beginning of the period	234,544	188,923
Increase in cash and cash equivalents from newly consolidated subsidiary	14	—
Increase in Cash and Cash Equivalents Resulting from Share Exchange	13,240	—
Cash and cash equivalents at the end of the period	188,923	213,309

(5) Notes to Consolidated Financial Statements

(Notes on Premise of Going Concern)

Not applicable.

(Changes of 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 of the fiscal year ended March 31, 2017, 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 fiscal year ended March 31, 2017 is immaterial.

(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, 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.

Reporting fiscal year (From April 1, 2016 to March 31, 2017)

(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	387,660	975,733	262,211	102,568	561,799	818,226	3,108,200
(2)Inter-segment sales or transfers	2,672	1,482	656	3,023	7,976	10,251	26,063
Total	390,332	977,215	262,867	105,592	569,776	828,478	3,134,264
Operating income	19,290	94,299	13,431	13,081	100,742	78,967	319,813
Assets	197,320	294,285	317,685	16,050	590,433	1,125,517	2,541,292
Others Depreciation	3,860	8,636	2,112	135	17,469	9,348	41,562
Net increase in property, plant and equipment, and intangible assets	8,509	37,554	6,184	146	61,701	164,137	278,233

	Other Businesses (Note: 1)	Subtotal	Adjustment (Note: 2)	Amounts on the consolidated financial statements
Sales (1) Sales to customers	404,708	3,512,909	—	3,512,909
(2)Inter-segment sales or transfers	108,873	134,937	(134,937)	—
Total	513,581	3,647,846	(134,937)	3,512,909
Operating income	16,861	336,674	(43,100)	293,573
Assets	719,063	3,260,356	295,528	3,555,885
Others Depreciation	16,985	58,548	1,049	59,597
Net increase in property, plant and equipment, and intangible assets	62,985	341,219	437	341,656

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

2. Adjustment:

(1) -43,100 million yen in adjustments to operating income by business segment includes -574 million yen in elimination within business segments, 716 million yen in amortization of goodwill, and -43,241 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) 295,528 million yen in adjustments to assets by business segment includes -69,714 million yen in elimination within business segments, and 365,243 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) 1,049 million yen in adjustments to depreciation by business segment includes -470 million yen in elimination within business segments, and 1,519 million yen in the depreciation attributable to Group assets.

(4) 437 million yen in adjustments to net increase in property, plant and equipment, and intangible assets by business segment includes -792 million yen in elimination within business segments, and 1,229 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, 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.

Reporting fiscal year (from April 1, 2016 to March 31, 2017)

(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	55	71	112	—	484	628	2,986	—	4,339

(*)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, 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)	1,118	—	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.

Reporting fiscal year (from April 1, 2016 to March 31, 2017)

(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)	1,169	—	794	2,231	365	—	4,552
Fiscal year-end unamortized balance of goodwill	—	(86)	14,234	—	3,798	36,807	(1,860)	—	52,892

(*) Amounts are construction-support related.

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

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

Not applicable.

Reporting fiscal year (from April 1, 2016 to March 31, 2017)

Not applicable.

(Per Share Information)

	Previous fiscal year (From April 1, 2015 to March 31, 2016)	Reporting fiscal year (From April 1, 2016 to March 31, 2017)
Net assets per share	1,762.97 yen	1,971.66 yen
Basic net income per share	156.40 yen	304.14 yen
Diluted net income per share	155.83 yen	304.05 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, 2015 to March 31, 2016)	Reporting fiscal year (From April 1, 2016 to March 31, 2017)
Basic net income per share		
Net income attributable to the parent (millions of yen)	103,577	201,700
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)	103,577	201,700
Average amount of common stock during the year (thousands of shares)	662,253	663,193
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	190
(in which, subscription rights to shares (thousands of shares))	2,421	190
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.	—	2,013,500 shares

Note: In calculating net assets per share, the shares held by The Employee Incentive Plan (E-Ship®), owned by the Daiwa House Group Employee Shareholders Association Trust (trustee the Nomura Trust and Banking Co., Ltd.) and by the Directors Stock Delivery Trust (re-trustee Japan Trustee Services Bank, Ltd.) are included in treasury stock, which is excluded from the total number of shares at the end of the period (0 shares for the previous fiscal year, 2,619,400 shares for the fiscal year in question).

Additionally, in calculating basic net income per share and diluted net income per share, the shares held by The Employee Incentive Plan (E-Ship®) and the Directors Stock Delivery Trust are included in treasury stock, which is excluded from the average number of shares during the term (0 shares for the previous fiscal year, 2,542,046 shares for the fiscal year in question).

(Significant Subsequent Events)

Acquisition of membership interests by a consolidated subsidiary of Daiwa House Industry

Daiwa House USA Inc., a wholly owned subsidiary of Daiwa House Industry Co., Ltd. (hereafter, “the Company”) resolved at a meeting of its board of directors held on October 26, 2016 (October 25, 2016 USA Eastern Standard Time) to enter into an agreement to acquire membership interests in Stanley-Martin Communities, LLC (hereafter, “Stanley-Martin”), a single-family housing company in the USA, thereby making Stanley-Martin into a subsidiary. The said agreement was entered into as of the same date, and Stanley-Martin thereby became a subsidiary of Daiwa House USA Inc.

As the date of this agreement fell within the 2016 fiscal year of Daiwa House USA Inc. (the year ended December 31, 2016), the agreement is herewith notified as a "significant subsequent event" for the fiscal year in question.

Furthermore, the Company announces that Neighborhoods Capital, LLC (hereafter, “Neighborhoods”), the wholly-owned subsidiary of Stanley-Martin, has become its specified subsidiary by acquiring membership interests of Stanley-Martin, due to the fact that the capital of Neighborhoods exceeds 10% of the Company’s capital.

1. Objective of Acquisition of Membership Interests

The Daiwa House Group aims to realize a society in which everyone can live spiritually enriched lives by creating new value, using it and refining it with its customers. As a “Group that co-creates value for individuals, communities, and people’s lifestyles,” the Daiwa House Group engages in comprehensive business in the life-related infrastructure industry, including businesses relating to single-family houses, rental housing, condominiums, the existing home business, commercial facilities, and logistics, business and corporate facilities.

The Daiwa House Group has successfully completed a series of management plans, from its 1st Medium-Term Management Plan – which commenced in fiscal 2005 – through to its 4th Medium-Term Management Plan. The Group is now about to embark on the first year of its 5th Medium-Term Management Plan, which will commence from the current period (fiscal 2016). As part of its key objectives, this latest plan includes “aggressive investments in real estate development,” and “accelerated expansion of overseas business,” primarily in the USA, Australia, and ASEAN countries.

As part of this initiative, after the satisfaction of all of the conditions to the closing set forth in the securities purchase agreement, Daiwa House USA Inc. acquired 82.0% of the membership interests in Stanley-Martin, a US company involved in the single-family housing business. Stanley-Martin is a private company with its primary strategic base in the eastern USA, particularly the state of Virginia. It has extensive development experience based on customer-oriented management practices and its business is well-established in its community, having been involved in the development and sale of single-family houses for 50 years. With the cooperation of the Daiwa House Group, Stanley-Martin aims to further develop the scope of its business in the region where it operates. Similarly, the Daiwa House Group aims to accelerate the expansion of its US business by acquiring knowledge of the US single-family housing business from Stanley-Martin.

2. Name of company in which membership interests were acquired

As stated above, the Company will acquire 82.0% membership interests of Stanley-Martin from 7 asset management companies acting for the founding family, and from 18 financial investors, but at the request of the companies in question, the details of those companies are not disclosed. The Company has no relevant capital, personal, or business relationships with any of the companies in question.

3. Name, line of business, and corporate scale of company acquired

(1) Name of company: Stanley-Martin Communities, LLC
(2) Business line: Holding membership interests in companies (including Neighborhoods Capital, LLC) which engage in the single family housing business and related businesses
(3) Corporate scale: Net assets: US$207,740,000
Total assets: US$587,107,000 (As of December 31, 2016)

4. Date of acquisition of membership interests

February 14, 2017 (February 13 USA Eastern Standard Time)

5. Number of membership interests acquired, cost of acquisition, and percentage of membership interests held subsequent to acquisition

(1) Number of membership interests acquired: 112,698
(2) Cost of acquisition: US$243,337,000
(3) Percentage of membership interests held subsequent to acquisition: 82.0%

6. Source of funds to be used in financing acquisition

Company's own funds