

Summary of Financial Results (Unaudited)
for the First Nine Months of the Fiscal Year Ending March 31, 2018 [Consolidated]
(From April 1, 2017 to December 31, 2017)
[Japanese GAAP]

February 9, 2018

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: February 13, 2018
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 Nine Months Ended December 31, 2017 (From April 1, 2017 to December 31, 2017)

(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	%
Nine months ended:								
December 31, 2017	2,695,882	7.2	252,191	20.4	254,097	20.8	175,412	23.4
December 31, 2016	2,514,666	12.1	209,405	23.1	210,377	23.2	142,111	18.8

(Note) Comprehensive income: Nine months ended December 31, 2017: 185,498 million yen (50.6%)
Nine months ended December 31, 2016: 123,147 million yen (3.6%)

	Basic net income per share		Diluted net income per share	
	Yen	Yen	Yen	Yen
Nine months ended:				
December 31, 2017	264.17		264.16	
December 31, 2016	214.31		214.23	

(2) Consolidated Financial Conditions

	Total assets	Net assets	Net assets ratio
	Millions of yen	Millions of yen	%
As of			
December 31, 2017	3,952,777	1,463,837	36.2
March 31, 2017	3,555,885	1,329,901	36.8

(Reference) Net assets ratio = (Net assets – Non-controlling interests)/Total assets×100

(Net assets – Non-controlling interests) is as follows. December 31, 2017: 1,431,606 million yen;
March 31, 2017: 1,308,290 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, 2017	—	40.00	—	52.00	92.00
Fiscal year ending March 31, 2018	—	45.00	—		
Fiscal year ending March 31, 2018 (forecasts)				53.00	98.00

(Note) Revised dividend forecast for the quarter under review: None

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	325,000	4.8	323,000	7.5	216,000	7.1	325.23

(Note) Revised forecast for the quarter under review: 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): Yes**

Addition: 1

Company name: Neighborhoods Capital, LLC

- (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: None**
- 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 December 31, 2017	666,238,205 shares	As of March 31, 2017	666,238,205 shares
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- 2) **Number of treasury stock at the end of the period**

As of December 31, 2017	1,642,083 shares	As of March 31, 2017	2,691,551 shares
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- 3) **Average number of shares during the period**

Nine months ended December 31, 2017	664,009,771 shares	Nine months ended December 31, 2016	663,115,963 shares
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* **This quarterly financial results report is not subject to quarterly review procedures**

* **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 Nine 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 February 9, 2018. 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 Nine Months under Review

(1) Earnings Results

During the first nine-month period under review, the Japanese economy continued to follow a gradual recovery trend, against the background of a pickup in consumer spending and an ongoing improvement in both employment and incomes, among other positive factors.

In the housing industry, the market has been showing a sluggish trend overall. New housing construction starts in the Built-for-Sale dwelling category and the Condominiums recorded year-on-year increase while the Owned and Rented dwelling categories turned downward. The general construction market has been showing a firm trend overall. On a year-on-year comparison new construction starts in Factories and Warehouses and other turned upward, whereas Stores turned downward.

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 demand in the domestic market.

As a result, the Daiwa House Group recorded consolidated net sales of 2,695,882 million yen (+7.2% year on year) for the first nine months of the fiscal year ending March 2018. Ordinary income came to 254,097 million yen (+20.8% year on year), while net income attributable to owners of the parent amounted to 175,412 million yen (+23.4% year on year).

(2) Financial Conditions

Total assets as of the end of the consolidated nine-month reporting period amounted to 3,952,777 million yen, an increase of 396,892 million yen compared with 3,555,885 million yen in total assets at the end of the previous consolidated fiscal year. This was principally due to an increase in property, plant and equipment accompanying the acquisition of real estate for investment and other, and an increase in inventory assets accompanying the acquisition of real estate for sale.

Total liabilities as of the end of the consolidated nine-month reporting period amounted to 2,488,940 million yen, an increase of 262,957 million yen compared with 2,225,983 million yen in total liabilities at the end of the previous consolidated fiscal year. This was principally due to fund procurement via commercial papers, the issuance of corporate bonds and borrowing, which more than offset payments made, including income taxes and other.

Total net assets as of the end of the consolidated nine-month reporting period amounted to 1,463,837 million yen, an increase of 133,935 million yen compared with 1,329,901 million yen in total net assets at the end of the previous consolidated fiscal year. This was principally due to the posting of net income for the period attributable to owners of the parent in the amount of 175,412 million yen, which more than offset the payment of dividends to shareholders for the previous fiscal year.

(3) Earnings Forecasts

Regarding consolidated business performance forecasts for the term ending March 31, 2018, the forecasts issued on November 9, 2017 in the Group's "Announcement of Revision of Earnings and Dividend Forecast for the Fiscal Year Ending March 31, 2018" remain unchanged.

2. Consolidated Financial Statements and Main Notes

(1) Consolidated Balance Sheets

(Millions of yen)

	As of March 31, 2017	As of December 31, 2017
Assets		
Current assets		
Cash and deposits	216,749	254,034
Notes and accounts receivable from completed construction contracts and other	315,275	334,333
Mortgage notes receivable held for sale	—	9,374
Short-term investment securities	2,006	2,030
Costs on uncompleted construction contracts	49,484	70,692
Real estate for sale	444,422	531,773
Real estate for sale in process	102,608	134,272
Land for development	647	647
Merchandise and finished goods	14,719	17,176
Work in process	6,583	6,849
Raw materials and supplies	5,818	7,147
Other	254,525	279,768
Allowance for doubtful accounts	-7,653	-8,463
Total current assets	1,405,188	1,639,635
Noncurrent assets		
Property, plant and equipment		
Buildings and structures	892,595	972,231
Accumulated depreciation	-410,518	-429,301
Buildings and structures, net	482,076	542,930
Land	759,813	813,637
Other	286,142	303,896
Accumulated depreciation	-120,652	-127,086
Other, net	165,489	176,810
Total property, plant and equipment	1,407,380	1,533,378
Intangible assets		
Goodwill	52,892	61,999
Other	34,097	38,372
Total intangible assets	86,989	100,371
Investments and other assets		
Investment securities	270,112	285,064
Lease and guarantee deposits	214,740	221,637
Other	174,109	175,532
Allowance for doubtful accounts	-2,635	-2,842
Total investments and other assets	656,326	679,392
Total noncurrent assets	2,150,696	2,313,142
Total assets	3,555,885	3,952,777

(Millions of yen)

	As of March 31, 2017	As of December 31, 2017
Liabilities		
Current liabilities		
Notes and accounts payable for construction contracts and other	383,232	363,245
Short-term loans payable	78,944	133,791
Current portion of bonds payable	10	20,104
Current portion of long-term loans payable	69,401	52,036
Commercial papers	–	111,000
Income taxes payable	52,511	17,310
Advances received	47,802	64,612
Advances received on uncompleted construction contracts	113,850	131,709
Provision for bonuses	50,014	27,751
Provision for warranties for completed construction	7,096	5,811
Asset retirement obligations	1,967	1,911
Other	217,141	221,052
Total current liabilities	1,021,973	1,150,336
Noncurrent liabilities		
Bonds payable	200,000	287,370
Long-term loans payable	292,316	336,420
Long-term lease and guarantee deposited	261,343	268,539
Net defined benefit liability	271,548	270,951
Asset retirement obligations	37,595	40,263
Other	141,205	135,058
Total noncurrent liabilities	1,204,009	1,338,603
Total liabilities	2,225,983	2,488,940
Net assets		
Shareholders' equity		
Capital stock	161,699	161,699
Capital surplus	311,393	311,953
Retained earnings	734,242	840,801
Treasury stock	-8,450	-5,130
Total shareholders' equity	1,198,884	1,309,323
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	88,642	96,229
Deferred gains or losses on hedges	-5	9
Revaluation reserve for land	3,495	7,727
Foreign currency translation adjustment	17,273	18,316
Total accumulated other comprehensive income	109,405	122,282
Subscription rights to shares	115	115
Non-controlling interests	21,495	32,115
Total net assets	1,329,901	1,463,837
Total liabilities and net assets	3,555,885	3,952,777

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

	(Millions of yen)	
	Nine months ended December 31, 2016 (From April 1, 2016 to December 31, 2016)	Nine months ended December 31, 2017 (From April 1, 2017 to December 31, 2017)
Net sales	2,514,666	2,695,882
Cost of sales	2,000,185	2,117,981
Gross profit	514,481	577,900
Selling, general and administrative expenses	305,076	325,709
Operating income	209,405	252,191
Non-operating income		
Interest income	2,249	2,466
Dividends income	3,655	3,587
Equity in earnings of affiliates	–	763
Miscellaneous income	4,685	5,532
Total non-operating income	10,589	12,349
Non-operating expenses		
Interest expenses	3,787	3,970
Taxes and dues	861	1,147
Equity in losses of affiliates	385	–
Miscellaneous expenses	4,582	5,324
Total non-operating expenses	9,617	10,442
Ordinary income	210,377	254,097
Extraordinary income		
Gain on sales of noncurrent assets	218	726
Gain on sales of investment securities	952	905
Other	21	31
Total extraordinary income	1,192	1,662
Extraordinary losses		
Loss on sales of noncurrent assets	37	63
Loss on retirement of noncurrent assets	725	989
Impairment loss	–	485
Loss on sales of investment securities	3	–
Loss on valuation of investment securities	31	13
Loss on disaster	747	–
Other	8	4
Total extraordinary losses	1,553	1,556
Income before income taxes	210,016	254,204
Income taxes-current	57,721	67,129
Income taxes-deferred	9,888	9,879
Total income taxes	67,610	77,008
Net income	142,406	177,196
Net income attributable to non-controlling interests	294	1,783
Net income attributable to owners of the parent	142,111	175,412

(Consolidated Statements of Comprehensive Income)

	(Millions of yen)	
	Nine months ended December 31, 2016 (From April 1, 2016 to December 31, 2016)	Nine months ended December 31, 2017 (From April 1, 2017 to December 31, 2017)
Net income	142,406	177,196
Other comprehensive income		
Valuation difference on available-for-sale securities	312	7,569
Deferred gains or losses on hedges	1,324	18
Foreign currency translation adjustment	-11,001	290
Share of other comprehensive income of associates accounted for using equity method	-9,893	423
Total other comprehensive income	-19,258	8,302
Comprehensive income	123,147	185,498
(Comprehensive income attributable to)		
Comprehensive income attributable to owners of the	123,485	184,057
Comprehensive income attributable to non-controlling interests	-337	1,441

(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.

Changes in Significant Subsidiaries during the Period under Review

Stanley-Martin Communities, LLC, in which an equity interest has been acquired, and its subsidiary Neighborhoods Capital, LLC have been included in the scope of consolidation with effect from the first-quarter period.

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 February 9, 2018.