



Summary of Financial Results (Unaudited)
for the First Three Months of the Fiscal Year Ending March 31, 2019 [Consolidated]
(From April 1, 2018 to June 30, 2018)
[Japanese GAAP]

August 8, 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: August 10, 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 Three Months Ended June 30, 2018 (From April 1, 2018 to June 30, 2018)

(1) Consolidated Earnings Results

(% figures represent year-on-year change)

	Net sales		Operating income		Ordinary income		Net income attributable to owners of the parent	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
Three months ended:								
June 30, 2018	902,396	10.4	75,332	3.4	77,059	3.7	52,410	3.5
June 30, 2017	817,439	2.4	72,827	18.0	74,284	23.8	50,642	27.4

Note: Comprehensive income: Three months ended June 30, 2018: 39,853 million yen (-9.8%)
 Three months ended June 30, 2017: 44,187 million yen (-5.2%)

	Basic net income per share		Diluted net income per share	
	Yen	Yen	Yen	Yen
Three months ended:				
June 30, 2018	78.83		78.83	
June 30, 2017	76.31		76.31	

(2) Consolidated Financial Conditions

	Total assets	Net assets	Net assets ratio
	Millions of yen	Millions of yen	%
As of			
June 30, 2018	4,023,746	1,514,900	36.6
March 31, 2018	4,035,059	1,513,585	36.5

(Reference) Net assets ratio = (Net assets – Non-controlling interests)/Total assets×100
 (Net assets – Non-controlling interests) is as follows. June 30, 2018: 1,474,258 million yen;
 March 31, 2018: 1,474,539 million yen

2. Dividends

	Dividend per share				
	End of 1st quarter (June 30)	End of 2nd quarter (Sept. 30)	End of 3rd quarter (Dec. 31)	Fiscal year-end (March 31)	Annual
Fiscal year ended March 31, 2018	Yen —	Yen 45.00	Yen —	Yen 62.00	Yen 107.00
Fiscal year ending March 31, 2019	—				
Fiscal year ending March 31, 2019 (forecasts)		50.00	—	57.00	107.00

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

3. Consolidated Earnings Forecasts for the Fiscal Year Ending March 31, 2019 (From April 1, 2018 to March 31, 2019)

(% 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, 2019	4,000,000	5.4	354,000	2.0	352,000	2.1	237,000	0.3	356.45

(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):** None
- (2) **Application of Accounting Methods Unique to the Preparation of the Quarterly Consolidated Financial Statements:** None
- (3) **Changes in Accounting Policies Applied, Changes in Accounting Estimates and Retrospective Restatement**
 - 1) **Changes in accounting policies applied due to amendment of accounting standards:** Yes
 - 2) **Changes in accounting policies due to reasons other than 1):** None
 - 3) **Changes in accounting estimates:** None
 - 4) **Retrospective restatement:** None
- (4) **Number of Issued and Outstanding Shares (Common Stock)**

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

As of June 30, 2018	666,238,205 shares	As of March 31, 2018	666,238,205 shares
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2) Number of treasury stock at the end of the period

As of June 30, 2018	1,324,659 shares	As of March 31, 2018	1,482,493 shares
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3) Average number of shares during the period

Three months ended June 30, 2018	664,819,854 shares	Three months ended June 30, 2017	663,631,604 shares
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* **This financial results report is not required to be audited by certified public accountants or audit corporations**

* **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 Period under Review (3) Earnings Forecasts” of “the Attached Material” on page 4 for the suppositions that form the assumptions for earnings forecasts.

(Obtaining supplementary explanatory materials)

The Company plans to hold a briefing for institutional investors and securities analysts on August 8, 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 Period under Review

(1) Earnings Results

During the first three-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 as a whole posting minus figures on a year-on-year comparison, with declines in new housing construction starts in the Owned and Rental house categories and condominiums. In the general construction market, non-housing operations as a whole were also down from the previous year, with declines in the total floorspace of new construction starts in the categories of hospitals, retail outlets, and warehouses, among others.

Amid this business environment, in accordance with the Group's Fifth Medium-Term Management Plan (FY2016-18), we worked to achieve growth centered on our three growth-driver business fields of Rental Housing, Commercial Facilities, and Logistics, Business & Corporate Facilities, while at the same time investing aggressively in real estate development.

As a result, the Daiwa House Group recorded consolidated net sales of 902,396 million yen (+10.4% year on year) for the first three months of the fiscal year ending March 2019. Operating income came to 75,332 million yen (+3.4% year on year), ordinary income came to 77,059 million yen (+3.7% year on year), while net income attributable to owners of the parent amounted to 52,410 million yen (+3.5% year on year).

(2) Financial Conditions

Total assets as of the end of the consolidated three-month reporting period amounted to 4,023,746 million yen, a decrease of 11,312 million yen compared with 4,035,059 million yen in total assets at the end of the previous consolidated fiscal year. This was mainly because of a decrease in cash deposits as a result of payments of construction costs, corporate income taxes and others.

Total liabilities as of the end of the consolidated three-month reporting period amounted to 2,508,845 million yen, a decrease of 12,628 million yen compared with 2,521,474 million yen in total liabilities at the end of the previous consolidated fiscal year. This was mainly because of a decrease in notes and accounts payable-trade and payment of income taxes, etc.

Total net assets as of the end of the consolidated three-month reporting period amounted to 1,514,900 million yen, an increase of 1,315 million yen compared with 1,513,585 million yen in total net assets at the end of the previous consolidated fiscal year. This was mainly due to the posting of net income for the period attributable to owners of the parent in the amount of 52,410 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, 2019, the forecasts issued on May 10, 2018 in the Group's "Announcement of Revision of Earnings and Dividend Forecast for the Fiscal Year Ending March 31, 2019" remain unchanged.

2. Consolidated Financial Statements and Main Notes

(1) Consolidated Balance Sheets

(Millions of yen)

	As of March 31, 2018	As of June 30, 2018
Assets		
Current assets		
Cash and deposits	330,806	221,040
Notes and accounts receivable from completed construction contracts and other	360,395	341,198
Mortgage notes receivable held for sale	12,429	8,096
Short-term investment securities	2,040	1,990
Costs on uncompleted construction contracts	58,627	74,010
Real estate for sale	556,056	579,544
Real estate for sale in process	140,049	160,389
Land for development	647	647
Merchandise and finished goods	16,284	17,570
Work in process	5,922	7,495
Raw materials and supplies	6,667	7,248
Other	248,918	255,187
Allowance for doubtful accounts	-8,836	-8,811
Total current assets	1,730,010	1,665,607
Noncurrent assets		
Property, plant and equipment		
Buildings and structures	970,762	992,941
Accumulated depreciation	-424,425	-432,994
Buildings and structures, net	546,337	559,947
Land	776,342	790,976
Other	309,905	325,962
Accumulated depreciation	-131,085	-133,013
Other, net	178,819	192,949
Total property, plant and equipment	1,501,499	1,543,873
Intangible assets		
Goodwill	60,916	84,704
Other	42,852	42,721
Total intangible assets	103,768	127,426
Investments and other assets		
Investment securities	250,522	250,589
Lease and guarantee deposits	222,053	222,247
Other	230,010	216,883
Allowance for doubtful accounts	-2,806	-2,880
Total investments and other assets	699,780	686,838
Total noncurrent assets	2,305,048	2,358,138
Total assets	4,035,059	4,023,746

(Millions of yen)

	As of March 31, 2018	As of June 30, 2018
Liabilities		
Current liabilities		
Notes and accounts payable for construction contracts and other	479,451	427,222
Short-term loans payable	93,843	124,768
Current portion of bonds payable	20,110	65,080
Current portion of long-term loans payable	61,574	68,135
Income taxes payable	61,826	9,977
Advances received	61,597	60,393
Advances received on uncompleted construction contracts	124,571	141,919
Provision for bonuses	53,145	25,923
Provision for warranties for completed construction	8,232	8,005
Asset retirement obligations	2,092	2,017
Other	231,902	277,987
Total current liabilities	1,198,349	1,211,432
Noncurrent liabilities		
Bonds payable	287,342	242,322
Long-term loans payable	317,702	331,012
Long-term lease and guarantee deposited	270,011	270,596
Net defined benefit liability	258,581	261,187
Asset retirement obligations	41,027	41,597
Other	148,460	150,697
Total noncurrent liabilities	1,323,124	1,297,413
Total liabilities	2,521,474	2,508,845
Net assets		
Shareholders' equity		
Capital stock	161,699	161,699
Capital surplus	311,910	311,666
Retained earnings	903,550	914,635
Treasury stock	-4,630	-4,129
Total shareholders' equity	1,372,528	1,383,870
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	75,257	74,253
Deferred gains or losses on hedges	-35	-17
Revaluation reserve for land	6,188	6,208
Foreign currency translation adjustment	20,599	9,943
Total accumulated other comprehensive income	102,010	90,387
Subscription rights to shares	115	115
Non-controlling interests	38,929	40,526
Total net assets	1,513,585	1,514,900
Total liabilities and net assets	4,035,059	4,023,746

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

	(Millions of yen)	
	Three months ended June 30, 2017 (From April 1, 2017 to June 30, 2017)	Three months ended June 30, 2018 (From April 1, 2018 to June 30, 2018)
Net sales	817,439	902,396
Cost of sales	639,546	716,134
Gross profit	177,892	186,261
Selling, general and administrative expenses	105,065	110,929
Operating income	72,827	75,332
Non-operating income		
Interest income	753	901
Dividends income	1,867	2,166
Miscellaneous income	1,802	1,662
Total non-operating income	4,423	4,731
Non-operating expenses		
Interest expenses	1,276	1,696
Taxes and dues	508	362
Equity in losses of affiliates	57	23
Miscellaneous expenses	1,124	920
Total non-operating expenses	2,966	3,003
Ordinary income	74,284	77,059
Extraordinary income		
Gain on sales of noncurrent assets	525	29
Gain on sales of investment securities	103	0
Gain on sales of shares of subsidiaries and associates	-	523
Total extraordinary income	628	553
Extraordinary losses		
Loss on sales of noncurrent assets	11	6
Loss on retirement of noncurrent assets	148	144
Loss on sales of investment securities	-	5
Loss on valuation of investment securities	10	255
Other	0	0
Total extraordinary losses	170	414
Income before income taxes	74,743	77,199
Income taxes-current	11,455	12,871
Income taxes-deferred	12,541	11,741
Total income taxes	23,996	24,613
Net income	50,747	52,585
Net income attributable to non-controlling interests	104	174
Net income attributable to owners of the parent	50,642	52,410

(Consolidated Statements of Comprehensive Income)

(Millions of yen)

	Three months ended June 30, 2017 (From April 1, 2017 to June 30, 2017)	Three months ended June 30, 2018 (From April 1, 2018 to June 30, 2018)
Net income	50,747	52,585
Other comprehensive income		
Valuation difference on available-for-sale securities	-3,334	-1,014
Deferred gains or losses on hedges	14	17
Foreign currency translation adjustment	-1,533	-10,215
Share of other comprehensive income of associates accounted for using equity method	-1,705	-1,519
Total other comprehensive income	-6,559	-12,732
Comprehensive income	44,187	39,853
(Comprehensive income attributable to)		
Comprehensive income attributable to owners of the parent	44,484	40,768
Comprehensive income attributable to non-controlling interests	-297	-914

(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 Accounting Policies

Application of the Practical Solution on Transactions Granting Employees and Others Stock Acquisition Rights, which Involve Considerations, with Vesting Conditions

The Company decided to perform accounting procedures in accordance with the "Accounting Standard for Share-based Payment" (ASBJ Statement No. 8, December 27, 2005) and others for the transactions granting employees and others stock acquisition rights, which involve considerations, with vesting conditions as it started applying the "Practical Solution on Transactions Granting Employees and Others Stock Acquisition Rights, which Involve Considerations, with Vesting Conditions" (ASBJ PITF No.36, January 12, 2018) (hereinafter referred to as "ASBJ PITF No.36") and others on April 1, 2018.

However, such application of the ASBJ PITF No. 36 conforms to the transitional measure set forth in Section 10 (3) of the ASBJ PITF No. 36. In other words, the Company continues applying the previous accounting procedures to the transactions granting employees and others stock acquisition rights, which involve considerations, with vesting conditions prior to the date of the application of the ASBJ PITF No. 36.

Additional information

Application of the "Partial Amendments to Accounting Standard for Tax Effect Accounting" and others

The Company started applying the "Partial Amendments to Accounting Standard for Tax Effect Accounting" (ASBJ Statement No.28, February 16, 2018) at the beginning of the first quarter under review. As a result, deferred tax assets and deferred tax liabilities are listed under investments and other assets and noncurrent liabilities, respectively.

Disclaimer:

This English translation has been prepared for general reference purposes only. The Company shall not be responsible for any consequence resulting from the use of the English translation in place of the original Japanese text. In any legal matter, readers should refer to and rely upon the original Japanese text released on August 8, 2018.