



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

November 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  
 Representative: Keiichi Yoshii, President and COO  
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Scheduled Date of Filing Quarterly Securities Report: November 9, 2018  
 Scheduled Date of Commencement of Dividend Payment: December 5, 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 Six Months Ended September 30, 2018 (From April 1, 2018 to September 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	%
Six months ended:								
September 30, 2018	1,983,326	9.6	189,586	5.1	191,741	5.9	131,481	6.4
September 30, 2017	1,809,739	6.5	180,467	23.9	181,049	26.3	123,539	28.6

Note: Comprehensive income: Six months ended September 30, 2018: 107,781 million yen (-6.8%)  
 Six months ended September 30, 2017: 115,585 million yen (57.0%)

	Basic net income per share	Diluted net income per share
Six months ended:	Yen	Yen
September 30, 2018	197.70	197.57
September 30, 2017	186.10	186.09

**(2) Consolidated Financial Conditions**

	Total assets	Net assets	Net assets ratio
As of	Millions of yen	Millions of yen	%
September 30, 2018	4,147,925	1,589,271	37.2
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. September 30, 2018: 1,542,727 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	—	50.00			
Fiscal year ending March 31, 2019 (forecasts)			—	60.00	110.00

(Note) Revised dividend forecast for the period under review: Yes

### 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	4,050,000	6.7	354,000	2.0	352,000	2.1	240,000	1.5	360.77

(Note) Revised forecast for the period under review: Yes

#### Notes:

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

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

As of September 30, 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 September 30, 2018	785,982 shares	As of March 31, 2018	1,482,493 shares
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#### 3) Average number of shares during the period

Six months ended September 30, 2018	665,050,891 shares	Six months ended September 30, 2017	663,844,641 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 5 for the suppositions that form the assumptions for earnings forecasts.

#### (Obtaining supplementary explanatory materials)

The Company plans to hold a briefing for institutional investors and securities analysts on November 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 six-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 rising capital investments, 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, warehouses, and retail outlets, 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 1,983,326 million yen (+9.6% year on year) for the first six months of the fiscal year ending March 2019. Operating income came to 189,586 million yen (+5.1% year on year), ordinary income came to 191,741 million yen (+5.9% year on year), while net income attributable to owners of the parent amounted to 131,481 million yen (+6.4% year on year).

### (2) Financial Conditions

Total assets as of the end of the consolidated six-month reporting period amounted to 4,147,925 million yen, an increase of 112,866 million yen compared with 4,035,059 million yen in total assets at the end of the previous consolidated fiscal year. This was principally due to an increase in inventory assets accompanying the overseas business expansion, etc., and an increase in property, plant, and equipment accompanying the acquisition of real estate for investment and other.

Total liabilities as of the end of the consolidated six-month reporting period amounted to 2,558,654 million yen, an increase of 37,180 million yen compared with 2,521,474 million yen in total liabilities at the end of the previous consolidated fiscal year. This was principally due to fund procurement for acquisition of new inventory assets and real estate for investment and other, and an increase in advances received on uncompleted construction contracts.

Total net assets as of the end of the consolidated six-month reporting period amounted to 1,589,271 million yen, an increase of 75,686 million yen compared with 1,513,585 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 131,481 million yen, which more than offset the payment of dividends to shareholders for the previous fiscal year. At the end of the second quarter under review, these results were 815,412 million yen in interest-bearing liabilities excluding lease obligations, and a debt-equity ratio of 0.53 times.

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, so in terms of financial condition, it is making a comparison based on the Company's figures at the end of the previous consolidated fiscal year, after retroactive adjustment.

### **(3) Earnings Forecasts**

Based on recent order trends and second-quarter earnings, the Company has revised consolidated earnings forecasts for the full year. Refer to Announcement of a Revision of Earnings and Dividend Forecasts for the Fiscal Year Ending March 2019, announced on November 8, 2018, regarding matters related to the revision of these forecasts.

## 2. Consolidated Financial Statements and Main Notes

### (1) Consolidated Balance Sheets

(Millions of yen)

	As of March 31, 2018	As of September 30, 2018
<b>Assets</b>		
Current assets		
Cash and deposits	330,806	268,136
Notes and accounts receivable from completed construction contracts and other	360,395	361,556
Mortgage notes receivable held for sale	12,429	13,108
Short-term investment securities	2,040	—
Costs on uncompleted construction contracts	58,627	73,661
Real estate for sale	556,056	600,550
Real estate for sale in process	140,049	180,616
Land for development	647	647
Merchandise and finished goods	16,284	16,451
Work in process	5,922	6,915
Raw materials and supplies	6,667	6,807
Other	248,918	265,541
Allowance for doubtful accounts	-8,836	-8,810
Total current assets	1,730,010	1,785,182
Noncurrent assets		
Property, plant and equipment		
Buildings and structures	970,762	1,004,120
Accumulated depreciation	-424,425	-433,833
Buildings and structures, net	546,337	570,286
Land	776,342	793,707
Other	309,905	321,373
Accumulated depreciation	-131,085	-134,097
Other, net	178,819	187,275
Total property, plant and equipment	1,501,499	1,551,269
Intangible assets		
Goodwill	60,916	86,096
Other	42,852	44,342
Total intangible assets	103,768	130,438
Investments and other assets		
Investment securities	250,522	233,422
Lease and guarantee deposits	222,053	226,227
Other	230,010	224,397
Allowance for doubtful accounts	-2,806	-3,012
Total investments and other assets	699,780	681,035
Total noncurrent assets	2,305,048	2,362,743
Total assets	4,035,059	4,147,925

(Millions of yen)

	As of March 31, 2018	As of September 30, 2018
<b>Liabilities</b>		
Current liabilities		
Notes and accounts payable for construction contracts and other	479,451	476,393
Short-term loans payable	93,843	117,790
Current portion of bonds payable	20,110	65,058
Current portion of long-term loans payable	61,574	57,230
Income taxes payable	61,826	56,019
Advances received	61,597	55,469
Advances received on uncompleted construction contracts	124,571	146,894
Provision for bonuses	53,145	51,703
Provision for warranties for completed construction	8,232	7,688
Asset retirement obligations	2,092	2,048
Other	231,902	224,865
Total current liabilities	1,198,349	1,261,161
Noncurrent liabilities		
Bonds payable	287,342	242,328
Long-term loans payable	317,702	330,104
Long-term lease and guarantee deposited	270,011	271,627
Net defined benefit liability	258,581	264,008
Asset retirement obligations	41,027	42,847
Other	148,460	146,575
Total noncurrent liabilities	1,323,124	1,297,492
Total liabilities	2,521,474	2,558,654
Net assets		
Shareholders' equity		
Capital stock	161,699	161,699
Capital surplus	311,910	311,462
Retained earnings	903,550	993,659
Treasury stock	-4,630	-2,429
Total shareholders' equity	1,372,528	1,464,390
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	75,257	60,756
Deferred gains or losses on hedges	-35	-32
Revaluation reserve for land	6,188	6,253
Foreign currency translation adjustment	20,599	11,359
Total accumulated other comprehensive income	102,010	78,336
Subscription rights to shares	115	115
Non-controlling interests	38,929	46,428
Total net assets	1,513,585	1,589,271
Total liabilities and net assets	4,035,059	4,147,925

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

	(Millions of yen)	
	Six months ended September 30, 2017 (From April 1, 2017 to September 30, 2017)	Six months ended September 30, 2018 (From April 1, 2018 to September 30, 2018)
Net sales	1,809,739	1,983,326
Cost of sales	1,411,628	1,564,540
Gross profit	398,110	418,785
Selling, general and administrative expenses	217,643	229,199
Operating income	180,467	189,586
Non-operating income		
Interest income	1,603	1,764
Dividends income	1,988	2,953
Equity in earnings of affiliates	370	-
Miscellaneous income	3,720	4,029
Total non-operating income	7,683	8,747
Non-operating expenses		
Interest expenses	2,492	3,551
Taxes and dues	821	311
Equity in losses of affiliates	-	136
Miscellaneous expenses	3,788	2,592
Total non-operating expenses	7,102	6,593
Ordinary income	181,049	191,741
Extraordinary income		
Gain on sales of noncurrent assets	702	299
Gain on sales of investment securities	472	909
Gain on sales of shares of subsidiaries and associates	-	562
Other	31	-
Total extraordinary income	1,206	1,771
Extraordinary losses		
Loss on sales of noncurrent assets	26	25
Loss on retirement of noncurrent assets	453	397
Impairment loss	246	-
Loss on sales of investment securities	-	5
Loss on valuation of investment securities	13	1,278
Loss on disaster	-	748
Other	4	3
Total extraordinary losses	744	2,460
Income before income taxes	181,510	191,052
Income taxes-current	54,910	57,889
Income taxes-deferred	2,393	807
Total income taxes	57,304	58,697
Net income	124,205	132,354
Net income attributable to non-controlling interests	665	873
Net income attributable to owners of the parent	123,539	131,481



**(Consolidated Statements of Comprehensive Income)**

(Millions of yen)

	Six months ended September 30, 2017 (From April 1, 2017 to September 30, 2017)	Six months ended September 30, 2018 (From April 1, 2018 to September 30, 2018)
Net income	124,205	132,354
Other comprehensive income		
Valuation difference on available-for-sale securities	-6,237	-14,516
Deferred gains or losses on hedges	17	-0
Foreign currency translation adjustment	-1,309	-7,890
Share of other comprehensive income of associates accounted for using equity method	-1,090	-2,165
Total other comprehensive income	-8,620	-24,573
Comprehensive income	115,585	107,781
(Comprehensive income attributable to)		
Comprehensive income attributable to owners of the parent	115,310	107,741
Comprehensive income attributable to non-controlling interests	275	39

### (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 November 8, 2018.