



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

February 8, 2019

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: February 13, 2019
 Scheduled Date of Commencement of Dividend Payment: —
 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, 2018 (From April 1, 2018 to December 31, 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	%
Nine months ended:								
December 31, 2018	2,951,587	9.5	267,908	6.2	270,877	6.6	184,343	5.1
December 31, 2017	2,695,882	7.2	252,191	20.4	254,097	20.8	175,412	23.4

(Note) Comprehensive income: Nine months ended December 31, 2018: 154,718 million yen (-16.6%)
 Nine months ended December 31, 2017: 185,498 million yen (50.6%)

	Basic net income per share	Diluted net income per share
Nine months ended:	Yen	Yen
December 31, 2018	277.29	277.13
December 31, 2017	264.17	264.16

(2) Consolidated Financial Conditions

	Total assets	Net assets	Net assets ratio
As of	Millions of yen	Millions of yen	%
December 31, 2018	4,276,418	1,597,217	36.2
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. December 31, 2018: 1,547,199 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: 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	4,050,000	6.7	354,000	2.0	352,000	2.1	240,000	1.5	361.15

(Note) Revised forecast for the period 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 December 31, 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 December 31, 2018	2,548,720 shares	As of March 31, 2018	1,482,493 shares
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3) Average number of shares during the period

As of December 31, 2018	664,792,243 shares	As of December 31, 2017	664,009,771 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 February 8, 2019. 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 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 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. New housing construction starts in the Owned house and Built-for-Sale dwelling categories and condominiums, recorded year-on-year increase while Rented house dwelling category turned downward. 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.

We also leveraged the Group's wide-ranging operational resources to press ahead with multi-use development projects in Japan's three major metropolitan areas as well as major regional cities. These projects included the Hiroshima Futaba-no-Sato (tentative name) Project in Hiroshima Prefecture, where we have been developing a multi-use complex that includes commercial facilities, offices, and a business hotel.

As a result, the Daiwa House Group recorded consolidated net sales of 2,951,587 million yen (+9.5% year on year) for the first nine months of the fiscal year ending March 2019. Operating income came to 267,908 million yen (+6.2% year on year), ordinary income came to 270,877 million yen (+6.6% year on year), while net income attributable to owners of the parent amounted to 184,343 million yen (+5.1% year on year).

(2) Financial Conditions

Total assets as of the end of the consolidated nine-month reporting period amounted to 4,276,418 million yen, an increase of 241,358 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 nine-month reporting period amounted to 2,679,200 million yen, an increase of 157,726 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 via the issuance of commercial paper and borrowing.

Total net assets as of the end of the consolidated nine-month reporting period amounted to 1,597,217 million yen, an increase of 83,632 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 184,343 million yen, which more than offset the payment of dividends to shareholders for the previous fiscal year. At the end of the third quarter under review, these results were 1,006,242 million yen in interest-bearing liabilities excluding lease obligations, and a debt-equity ratio of 0.65 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

Regarding consolidated business performance forecasts for the term ending March 31, 2019, the forecasts issued on November 8, 2018 in the Group’s “Announcement of Revision of Earnings and Dividend Forecast for the Fiscal Year Ending March 2019” remain unchanged.

2. Consolidated Financial Statements and Main Notes

(1) Consolidated Balance Sheets

(Millions of yen)

	As of March 31, 2018	As of December 31, 2018
Assets		
Current assets		
Cash and deposits	330,806	261,876
Notes and accounts receivable from completed construction contracts and other	360,395	398,668
Mortgage notes receivable held for sale	12,429	10,673
Short-term investment securities	2,040	888
Costs on uncompleted construction contracts	58,627	83,374
Real estate for sale	556,056	612,747
Real estate for sale in process	140,049	218,124
Land for development	647	647
Merchandise and finished goods	16,284	17,409
Work in process	5,922	7,503
Raw materials and supplies	6,667	8,043
Other	248,918	269,664
Allowance for doubtful accounts	-8,836	-8,465
Total current assets	1,730,010	1,881,157
Noncurrent assets		
Property, plant and equipment		
Buildings and structures	970,762	1,023,113
Accumulated depreciation	-424,425	-440,232
Buildings and structures, net	546,337	582,880
Land	776,342	816,428
Other	309,905	340,276
Accumulated depreciation	-131,085	-136,966
Other, net	178,819	203,309
Total property, plant and equipment	1,501,499	1,602,619
Intangible assets		
Goodwill	60,916	83,347
Other	42,852	46,793
Total intangible assets	103,768	130,141
Investments and other assets		
Investment securities	250,522	215,722
Lease and guarantee deposits	222,053	226,775
Other	230,010	222,671
Allowance for doubtful accounts	-2,806	-2,668
Total investments and other assets	699,780	662,500
Total noncurrent assets	2,305,048	2,395,260
Total assets	4,035,059	4,276,418

(Millions of yen)

	As of March 31, 2018	As of December 31, 2018
Liabilities		
Current liabilities		
Notes and accounts payable for construction contracts and other	479,451	397,438
Short-term loans payable	93,843	157,861
Current portion of bonds payable	20,110	45,029
Current portion of long-term loans payable	61,574	58,630
Commercial papers	–	159,000
Income taxes payable	61,826	19,595
Advances received	61,597	70,169
Advances received on uncompleted construction contracts	124,571	160,182
Provision for bonuses	53,145	29,549
Provision for warranties for completed construction	8,232	7,516
Asset retirement obligations	2,092	2,051
Other	231,902	252,906
Total current liabilities	1,198,349	1,359,930
Noncurrent liabilities		
Bonds payable	287,342	242,337
Long-term loans payable	317,702	340,483
Long-term lease and guarantee deposited	270,011	274,028
Net defined benefit liability	258,581	265,805
Asset retirement obligations	41,027	43,414
Other	148,460	153,200
Total noncurrent liabilities	1,323,124	1,319,270
Total liabilities	2,521,474	2,679,200
Net assets		
Shareholders' equity		
Capital stock	161,699	161,699
Capital surplus	311,910	311,490
Retained earnings	903,550	1,013,107
Treasury stock	-4,630	-8,681
Total shareholders' equity	1,372,528	1,477,616
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	75,257	49,172
Deferred gains or losses on hedges	-35	-20
Revaluation reserve for land	6,188	6,358
Foreign currency translation adjustment	20,599	14,071
Total accumulated other comprehensive income	102,010	69,582
Subscription rights to shares	115	115
Non-controlling interests	38,929	49,903
Total net assets	1,513,585	1,597,217
Total liabilities and net assets	4,035,059	4,276,418

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

	(Millions of yen)	
	Nine months ended December 31, 2017 (From April 31, 2017 to December 31, 2017)	Nine months ended December 31, 2018 (From April 1, 2018 to December 31, 2018)
Net sales	2,695,882	2,951,587
Cost of sales	2,117,981	2,341,321
Gross profit	577,900	610,266
Selling, general and administrative expenses	325,709	342,358
Operating income	252,191	267,908
Non-operating income		
Interest income	2,466	2,691
Dividends income	3,587	4,644
Equity in earnings of affiliates	763	-
Miscellaneous income	5,532	5,759
Total non-operating income	12,349	13,094
Non-operating expenses		
Interest expenses	3,970	5,488
Taxes and dues	1,147	606
Equity in losses of affiliates	-	106
Miscellaneous expenses	5,324	3,924
Total non-operating expenses	10,442	10,125
Ordinary income	254,097	270,877
Extraordinary income		
Gain on sales of noncurrent assets	726	672
Gain on sales of investment securities	905	1,562
Gain on sales of shares of subsidiaries and associates	-	569
Other	31	-
Total extraordinary income	1,662	2,804
Extraordinary losses		
Loss on sales of noncurrent assets	63	388
Loss on retirement of noncurrent assets	989	630
Impairment loss	485	29
Loss on sales of investment securities	-	5
Loss on valuation of investment securities	13	1,278
Loss on disaster	-	790
Other	4	3
Total extraordinary losses	1,556	3,126
Income before income taxes	254,204	270,554
Income taxes-current	67,129	72,977
Income taxes-deferred	9,879	9,629
Total income taxes	77,008	82,606
Net income	177,196	187,948
Net income attributable to non-controlling interests	1,783	3,605
Net income attributable to owners of the parent	175,412	184,343

(Consolidated Statements of Comprehensive Income)

(Millions of yen)

	Nine months ended December 31, 2017 (From April 31, 2017 to December 31, 2017)	Nine months ended December 31, 2018 (From April 1, 2018 to December 31, 2018)
Net income	177,196	187,948
Other comprehensive income		
Valuation difference on available-for-sale securities	7,569	-26,100
Deferred gains or losses on hedges	18	11
Foreign currency translation adjustment	290	-4,900
Share of other comprehensive income of associates accounted for using equity method	423	-2,240
Total other comprehensive income	8,302	-33,229
Comprehensive income	185,498	154,718
(Comprehensive income attributable to)		
Comprehensive income attributable to owners of the parent	184,057	151,745
Comprehensive income attributable to non-controlling interests	1,441	2,972

(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 February 8, 2019.