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

May 13, 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
Contact:	Yuji Yamada, Managing Executive Officer and General Manager, IR Department Phone No.: 06-6225-7804 E-mail to: dh.ir.communications@daiwahouse.jp

Scheduled Date of Ordinary General Meeting of Shareholders:	June 25, 2019
Scheduled Date of Filing Securities Report:	June 25, 2019
Scheduled Date of Commencement of Dividend Payment:	June 26, 2019
Supplemental documents for the financial results provided:	Yes
Results briefing for the term 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, 2019 (From April 1, 2018 to March 31, 2019)

(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	%
Fiscal year ended March 31, 2019	4,143,505	9.2	372,195	7.2	359,462	4.3	237,439	0.5
Fiscal year ended March 31, 2018	3,795,992	8.1	347,141	11.9	344,593	14.7	236,357	17.2

(Note) Comprehensive income
Fiscal year ended March 31, 2019: 203,528 million yen (-11.4%); Fiscal year ended March 31, 2018: 229,645 million yen (15.3%)

	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, 2019	357.29	357.09	15.5	8.6	9.0
Fiscal year ended March 31, 2018	355.87	355.86	17.0	9.1	9.1

(Reference) Equity in earnings of affiliates
Fiscal year ended March 31, 2019: -13,080 million yen; Fiscal year ended March 31, 2018: -62 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, 2019	4,334,037	1,643,717	36.8	2,404.32
March 31, 2018	4,035,059	1,513,585	36.5	2,218.17

(Reference) Net assets ratio = (Net assets – Non-controlling interests)/Total assets×100
(Net assets – Non-controlling interests) is as follows. March 31, 2019: 1,595,991 million yen; March 31, 2018: 1,474,539 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, 2019	355,599	(313,989)	(86,979)	276,298
Fiscal year ended March 31, 2018	382,365	(313,664)	41,804	326,130

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 (Mar. 31)	Annual			
	Yen	Yen	Yen	Yen	Yen	Millions of yen	%	%
Fiscal year ended March 31, 2018	—	45.00	—	62.00	107.00	71,280	30.1	5.1
Fiscal year ended March 31, 2019	—	50.00	—	64.00	114.00	75,799	31.9	4.9
Fiscal year ending March 31, 2020 (forecasts)	—	55.00	—	60.00	115.00		30.3	

3. Consolidated Earnings Forecasts for the Fiscal Year Ending March 31, 2020 (From April 1, 2019 to March 31, 2020)

(% 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, 2020	4,250,000	2.6	378,000	1.6	376,000	4.6	252,000	6.1	379.63

Notes:

(1) Changes in Significant Subsidiaries for the Fiscal Year 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 fiscal year (including treasury stock)

As of March 31, 2019	666,238,205 shares	As of March 31, 2018	666,238,205 shares

2) Number of treasury stock at the end of the fiscal year

As of March 31, 2019	2,436,961 shares	As of March 31, 2018	1,482,493 shares

3) Average number of shares for the fiscal year

Fiscal year ended March 31, 2019	664,557,764 shares	Fiscal year ended March 31, 2018	664,164,059 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 25.

(Reference) Summary of Non-Consolidated Results of Operation

Non-Consolidated Results of Operation for the Fiscal Year Ended March 31, 2019 (From April 1, 2018 to March 31, 2019)

(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, 2019	1,925,518	6.1	240,628	1.1	268,457	2.1	182,528	-7.9
Fiscal year ended March 31, 2018	1,814,277	5.5	237,990	19.8	263,039	23.9	198,223	34.3

	Basic net income per share	Diluted net income per share
	Yen	Yen
Fiscal year ended March 31, 2019	274.66	274.51
Fiscal year ended March 31, 2018	298.46	298.44

(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, 2019	2,856,636	1,253,846	43.9	1,888.72
March 31, 2018	2,711,058	1,174,649	43.3	1,766.87

(Reference) Net assets: March 31, 2019: 1,253,731 million yen; March 31, 2018: 1,174,534 million yen

*** 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 earnings forecasts)

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 Fiscal Year under Review and others (4) Future Outlook” on page 9 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 13, 2019. 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, 2016	Fiscal year ended March 31, 2017	Fiscal year ended March 31, 2018	Fiscal year ended March 31, 2019	Forecast for the fiscal year ending March 31, 2020
Net sales (millions of yen)	3,192,900	3,512,909	3,795,992	4,143,505	4,250,000
Cost of sales (millions of yen)	2,560,483	2,791,596	3,002,160	3,300,738	3,379,000
Selling, general and administrative expenses (millions of yen)	389,316	411,220	446,690	470,571	493,000
Operating income (millions of yen)	243,100	310,092	347,141	372,195	378,000
Ordinary income (millions of yen)	233,592	300,529	344,593	359,462	376,000
Net income attributable to owners of the parent (millions of yen)	103,577	201,700	236,357	237,439	252,000
Basic net income per share (yen)	156.40	304.14	355.87	357.29	379.63
Return on equity (ROE) (%)	9.1	16.3	17.0	15.5	—
Ordinary income to total assets ratio (%)	7.4	8.8	9.1	8.6	—
Dividend per share (yen) (of which interim dividend per share)	80 (35)	92 (40)	107 (45)	114 (50)	115 (55)
Total annual dividends (millions of yen)	53,132	61,285	71,280	75,799	—
Dividend payout ratio (%)	51.2	30.2	30.1	31.9	30.3
Dividends to net assets ratio (%)	4.6	4.9	5.1	4.9	—
Total assets (millions of yen)	3,257,805	3,555,885	4,035,059	4,334,037	—
Net assets (millions of yen)	1,181,986	1,329,901	1,513,585	1,643,717	—
Net assets ratio (%)	35.9	36.8	36.5	36.8	—
Net assets per share (yen)	1,762.97	1,971.66	2,218.17	2,404.32	—
Depreciation (millions of yen)	56,515	59,597	64,163	71,020	77,000
Net increase in property, plant and equipment and intangible assets (millions of yen)	188,312	341,656	284,590	293,151	340,000
Cash flows from operating activities (millions of yen)	278,497	287,691	382,365	355,599	—
Cash flows from investing activities (millions of yen)	(202,447)	(343,643)	(313,664)	(313,989)	—
Cash flows from financing activities (millions of yen)	(130,185)	80,086	41,804	(86,979)	—
Cash and cash equivalents, end of year (millions of yen)	188,923	213,309	326,130	276,298	—

2. Sales and Operating Income by Segment

(Millions of yen)

Fiscal years		Fiscal year ended March 31, 2016	Fiscal year ended March 31, 2017	Fiscal year ended March 31, 2018	Fiscal year ended March 31, 2019	Forecast for the fiscal year ending March 31, 2020
Net sales		3,192,900	3,512,909	3,795,992	4,143,505	4,250,000
Sales by segment	Single-Family Houses	378,306	390,332	385,369	383,891	490,000
	Rental Housing	880,161	977,215	1,030,834	1,061,390	1,090,000
	Condominiums	279,311	262,867	285,051	280,531	370,000
	Existing Homes	95,508	105,592	112,148	114,556	145,000
	Commercial Facilities	495,533	569,776	620,869	693,954	760,000
	Logistics, Business & Corporate Facilities	736,355	828,478	850,214	1,022,393	1,040,000
	Other Businesses	458,870	513,581	637,123	716,175	500,000
	Adjustments	(131,146)	(134,937)	(125,617)	(129,387)	(145,000)
Operating income		243,100	310,092	347,141	372,195	378,000
Sales by segment	Single-Family Houses	16,515	19,290	21,566	19,920	19,000
	Rental Housing	81,903	94,299	106,683	102,259	112,000
	Condominiums	15,796	13,431	13,328	13,501	14,000
	Existing Homes	11,297	13,081	13,228	15,943	14,000
	Commercial Facilities	80,332	100,742	114,178	137,706	144,000
	Logistics, Business & Corporate Facilities	68,003	78,967	88,915	98,997	102,000
	Other Businesses	9,573	16,861	23,010	32,205	19,000
	Adjustments	(40,322)	(26,582)	(33,770)	(48,638)	(46,000)

(Note) Regards to overseas business included in Other Businesses segment, we will reclassify the segments according to the business content from the fiscal year ending March 31, 2020. Also, we have changed the results of some subsidiaries to segments according to the content of their main business.

1. Qualitative Information Regarding Consolidated Results for the Fiscal Year under Review

(1) Earnings Results

During the term 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 construction industry, the housing market saw a contraction in new construction starts on rented housing but increases in the categories of owned houses, condominiums, and built-for-sale single-family houses. Overall, new construction starts posted a year-on-year increase. In the general construction market, non-housing operations as a whole were down from the previous year, with declines in the total floorspace of new construction starts in the categories of hospitals, warehouses, offices, 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.

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 GRANODE Hiroshima in Hiroshima Prefecture, where we have been developing a multi-use complex that includes commercial facilities, offices, and a business hotel.

On March 13, 2019 we published a news release entitled "Notice Concerning Irregularities in the Accounts of a Daiwa House Affiliate in the People's Republic of China," and on April 12 we published a news release entitled "Off-Specification Components in and Remedial Work on Daiwa House Single-Family Houses and Rental Housing." With regard to the issue of irregularities in the accounts of a Daiwa House affiliate in the People's Republic of China and nonconformity with construction specifications in some of our single-family house and rental housing, Daiwa House wishes to once again recognize its responsibility for this incident and apologize to customers, shareholders and all other stakeholders for the inconvenience and other negative impacts they have incurred.

We have launched full-scale investigations into the causes of both these issues through the establishment of an independent (third-party) committee in the case of the former and an external investigatory committee in the case of the latter issue.

Going forward, we intend to publish the detailed findings of these committees as and when they are uncovered, to take radical preventive measures and strengthen our corporate governance, to ensure that all our executives and employees comply with such measures and with our governance system, and to take all other steps necessary to regain the trust of all our stakeholders.

As a result, the Daiwa House Group recorded consolidated net sales of 4,143,505 million yen (+9.2% year on year) for the fiscal year ended March 2019. Operating income came to 372,195 million yen (+7.2% year on year), ordinary income came to 359,462 million yen (+4.3% year on year), while net income attributable to owners of the parent amounted to 237,439 million yen (+0.5% year on year).

With respect to the abovementioned irregularities in the accounts of a Daiwa House affiliate in the People's Republic of China, to cover the anticipated impact on the allowance for doubtful accounts in question of the monetary amount of funds embezzled from the company that, as of the present moment, appear unlikely to be recovered and on the evaluation of the assets of the affiliate, we have included approximately ¥12.5 billion under the category of a loss on affiliate equity within ordinary loss. In addition, in relation to the issue of nonconformity with construction specifications, we have included ¥1.5 billion as cost of sales within operating loss, to cover anticipated expenses involved in verification of the safety of the residential structures involved and in meeting the wishes of the owners of said homes.

Results by business segment were as follows:

Single-Family Houses Business

In the Single-Family Houses Business segment, during the term 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 responded to customers' diversifying needs with a wide-ranging product lineup, focusing particularly on the marketing of three models: the xevoΣ (zevo sigma), a single-family house that offers resistance against repeated strong earthquakes as well as extra comfort thanks to its external wall thermal insulation system and the spaciousness provided by its 2.72-meter-high ceilings; the xevo GranWood, a wooden house; and the "skye", a single-family house that comes in three-, four-, and five-story versions. We also launched the xevoΣ PREMIUM, which features the industry's highest standard (*) of insulation and earthquake resistance, with a structure and waterproofing that come with a 30-year guarantee. Additionally, we expanded our menu of housing models, ranging from standard single-family houses to combination housing (multi-function housing).

Additionally, our "Kaji Share House" (Chore-Sharing House; a single-family house designed to relieve working couples from some of the time constraints and mental stress of doing housework) won the Grand Prix at the Ikumen Enterprise Award 2018 as well as the Grand Prix and a special prize at the PR Award Grand Prix 2018.

However, as a result, net sales for this segment amounted to 383,891 million yen (-0.4% year on year), while operating income came to 19,920 million yen (-7.6% year on year) due to increasing personnel costs, among other factors.

* Results of a survey conducted by Daiwa House Industry Co., Ltd.

Rental Housing Business

In the Rental Housing Business segment, during the term under review, we worked to strengthen our range of proposals for more effective use of landholdings, making optimal use of our comprehensive services covering everything from initial estimates of site-use potential through planning, design and construction to management support. We took steps to acquire an expanded volume of orders for large-scale projects, including strengthening our efforts in three-story as well as medium- to high-rise rental housing properties.

We launched the Séjour Cube-II and Séjour Ott's Cube-III rental housing building models, which feature a unique zigzag external shape arranged in what we call the Flying Geese pattern, making best use of the configuration of the site. We also began marketing the Du-Smica, a type of rental housing targeting dual-income households, featuring various ingenious ideas to help residents make the most of the space available when tidying up and to cut down on the time required for housework.

Additionally, with a view to giving the residents and owners of our homes greater peace of mind in view of the large number of natural disasters that have occurred in Japan in recent years, we have also expanded our product lineup and menu of specifications, such as fitting homes with lithium-ion storage batteries which have proven popular with customers.

As a result, net sales for this segment amounted to 1,061,390 million yen (+3.0% year on year), while operating income came to 102,259 million yen (-4.1% year on year) due to increasing personnel costs, among other factors.

Condominiums Business

In the Condominiums Business segment, during the term under review, in addition to constructing condominiums that offer a high level of added value to both the owners and the community at large, we have also begun operations in the field of condominium building management, in which we offer support in realizing a safe and enjoyable residential experience.

In the Tokyo metropolitan area, the sale of residential units in our PREMIST Tokyo Oji development proceeded very smoothly, as customers appreciated the multiple lines of access available to central Tokyo as well as the convenience of being next door to shopping facilities.

In the Kinki region, applications under Phase 1 marketing of dwelling units in our PREMIST Umeda (Osaka Pref.) were received for the purchase of all units on the first day. This positive response was due to the rarity value of such condominiums in that area of the city, as well as the design of the units, which are more spacious than usual.

Also, Cosmos Initia Co., Ltd. completed sales of all units of Initia Kohoku New Town (Kanagawa Pref.) at early stage, thanks to its excellent access to central Tokyo and the large number of major commercial facilities easily accessible by residents.

As a result, net sales for this segment amounted to 280,531 million yen (-1.6% year on year), while operating income came to 13,501 million yen (+1.3% year on year).

Existing Homes Business

In the Existing Homes Business segment, during the term under review, we maintained our policy of mainly strengthening our relationship with the owners of single-family houses and rental housing built by the Company by means of regular inspections. We also strengthened our lineups of renovation proposals for warranty extensions, and enhanced our maintenance proposals for business assets of corporate owners of properties. This initiative succeeded in expanding our orders.

We have also rolled out a unified Groupwide brand of renovation proposals under the name “Livness,” with the goal of revitalizing the market for the resale of high-quality existing homes. Under the Livness brand name, we have been conducting a home-sales campaign and seminars, targeting owners of single-family houses and condominiums nationwide, in which we understand the sentimental value of the homes to their owners, and help convey this to future buyers. We have developed a wide range of services that meet users needs in the purchase, sale, and renovation, etc. of existing homes.

As a result, net sales for this segment amounted to 114,556 million yen (+2.1% year on year), while operating income came to 15,943 million yen (+20.5% year on year).

Commercial Facilities Business

In the Commercial Facilities Business segment, during the term under review, we made 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 also took a number of measures to expand the scope of our business. In particular, we strengthened our efforts in the field of large-scale projects such as hotels and commercial buildings. Also, for customers looking for options in the purchase of real estate for investment purposes, we took steps to expand our services to encompass land acquisition, construction, and leasing-out to tenants. Thanks to these moves, our level of order receipts held firm.

We also commenced work on a new development in the Toyosaki district of Okinawa Prefecture, where we have previously undertaken development projects. The tentatively named “Okinawa Toyosaki Town Project” will be a large-scale multi-use commercial facility incorporating an aquarium.

As a result, net sales for this segment amounted to 693,954 million yen (+11.8% year on year), while operating income came to 137,706 million yen (+20.6% year on year).

Logistics, Business and Corporate Facilities Business

In the Logistics, Business and Corporate Facilities Business segment, during the term under review, 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 logistics facilities business, we leverage our extensive experience and know-how to support clients’ logistics strategies. During the term, we began development of new facilities at 28 locations around the country, including the DPL Shin-Fuji II, which will be the largest multi-tenant logistics facility in Shizuoka Prefecture.

In the field of medical and nursing care facilities, we targeted hospitals whose existing facilities are showing signs of aging and which do not meet current earthquake resistance standards, making proposals for reconstruction or relocation. We also strengthened our lineup of solutions to meet the management needs of healthcare corporations, such as those operating homes for senior citizens or multipurpose nursing care facilities.

In our offices and factories business, we offered proposals for building new corporate facilities or relocating existing ones, and stepped up efforts to attract companies to the industrial parks we are developing. For food factories, we held seminars for manufacturers and processors of food products for making HACCP (*1) compulsory, while also enhancing our proposals for the building of facilities adapted to safety certification.

Daiwa House Industry also collaborated with the municipalities of Kawasaki City and Kanagawa Prefecture in the KING SKYFRONT (*2). This project—whose urban development theme is to attract large numbers of companies and talented people, and to facilitate exchange—aims to be an international strategic base which will group together leading-edge companies and research institutions in the life sciences field. The construction of a hotel and two research-use buildings is completed as the primary development stage.

As a result, net sales for this segment amounted to 1,022,393 million yen (+20.3% year on year), while operating income came to 98,997 million yen (+11.3% 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. Daiwa House acquired Section A in June 2014. A hotel and five research-use buildings are to be constructed, with completion scheduled for fiscal 2021.

Other Businesses

In our home centers business, we operate a diverse range of retail outlets to suit the widely differing lifestyles of today’s consumer. Group member Royal Home Center Co., Ltd. opened the Royal Home Center Adachi Shikahama (Tokyo), which features a wide array of products for use at construction sites, as well as a dedicated pet store selling over 240 different types and breeds of pets.

In the accommodation business, Daiwa Resort Co., Ltd. opened DAIWA ROYAL HOTEL D-CITY in two locations in Osaka and one in Nagoya. This is a new style of hotel easy for women and tourists to use and enjoy their stay. Daiwa Resort also opened DAIWA ROYAL HOTEL GRANDE KYOTO as its flagship hotel. Daiwa Royal Co., Ltd. opened six new hotels, including the Daiwa Roynet Hotel TOKYO-ARIAKE—the company’s largest hotel in terms of the number of guest rooms—as part of its strategy of developing hotels that take into account regional characteristics and the unique features of each particular location.

In the logistics business, Daiwa Logistics Co., Ltd. opened two new facilities—the Kumiyama Logistics Center (Kyoto Pref.), and the Ebina Logistics Center (Kanagawa Pref.)—enabling the company to offer its users the very best in logistics services.

In our fitness club business, Sports Club NAS Co., Ltd. opened two new facilities— including the Sports Club NAS Nishi-Kasai (Tokyo), featuring the company’s first women-only floor under the name of BEAUTY AREA.

As a result, net sales for this segment amounted to 716,175 million yen (+12.4% year on year), while operating income came to 32,505 million yen (+41.3% year on year).

(2) Financial Conditions

Total assets as of the end of the consolidated reporting fiscal year amounted to 4,334,037 million yen, an increase of 298,977 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 reporting fiscal year amounted to 2,690,320 million yen, an increase of 168,845 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 an increase in notes and accounts payable for construction contracts, and an increase in advances received on uncompleted construction contracts and other.

Total net assets as of the end of the consolidated reporting fiscal year amounted to 1,643,717 million yen, an increase of 130,132 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 fiscal year attributable to owners of the parent in the amount of 237,439 million yen, which more than offset the payment of dividends to shareholders for the previous fiscal year. At the end of the term under review, these results were 778,546 million yen in interest-bearing liabilities excluding lease obligations, and a debt-equity ratio of 0.49 times. The net assets ratio as of the end of the fiscal year under review stood at 36.8%, showing little change from the 36.5% at the previous fiscal year end.

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 term 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) Cash Flow Position

Cash and cash equivalents for the reporting fiscal year amounted to 276,298 million yen, for a decrease of 49,832 million yen. Net cash provided by operating activities stood at 355,599 million yen, net cash used in investing activities came to 313,989 million yen, and net cash used in financing activities came to 86,979 million yen.

Cash flows from operating activities

During the reporting fiscal year, net cash provided by operating activities came to 355,599 million yen (-7.0% year on year). This is primarily attributable to the posting of 352,230 million in income before income taxes and non-controlling shareholders’ interests, increase in notes and accounts payable for construction contracts, and advances received on uncompleted construction contracts, among other factors.

Cash flows from investing activities

During the reporting fiscal year, net cash used in investing activities came to 313,989 million yen (compared with 313,664 million yen used in the previous fiscal year). This was primarily the result of the acquisition of property, plant and equipment, including large-scale logistics facilities and commercial facilities, among other factors.

Cash flows from financing activities

During the reporting fiscal year, net cash used in financing activities came to 86,979 million yen (compared with 41,804 million yen provided in the previous fiscal year). Although this primarily consists of funds procured in the form of borrowings, it derives from the payment of dividends to shareholders as of the end of the previous fiscal year and payment of interim dividends for the reporting fiscal year, in addition to the redemption of corporate bonds.

(Reference) Cash Flow Indicators

	Fiscal year ended March 31, 2017	Fiscal year ended March 31, 2018	Fiscal year ended March 31, 2019
Net assets ratio	36.8%	36.5%	36.8%
Net assets ratio on market-value basis	59.6%	67.5%	53.9%
Repayment years of interest-bearing debt	2.2 years	2.0 years	2.2 years
Interest coverage ratio	93.3	122.4	64.6

* 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. On the other hand, there remains little room for optimism in view of growing uncertainty surrounding the global economy arising out of trade friction between the United States and China, among other issues, and the fear that a series of natural disasters will adversely impact the Japanese economy.

In the construction industry, prospects for the housing market remain unclear despite an array of measures put in place by the government to assist home buyers once the consumption tax rate is raised in October 2019. Over the medium-to-long term, too, a decrease is foreseen in the number of new housing construction starts, owing to the ongoing decline in the number of households. In the general construction market, with investment in construction projects for the 2020 Tokyo Olympics having run its course, and amid expectations that construction activity will go through a correction phase following the games, hopes are being pinned on the scheduled holding of the Osaka-Kansai Expo 2025 as a factor that may help to stimulate construction demand. However, companies in the industry will continue to face issues such as a shortage of labor resulting from the rising average age of the Japanese population, among other causes, as well as fluctuations in construction materials prices stemming from changes in demand.

Moreover, On March 13, 2019 we published a news release entitled "Notice Concerning Irregularities in the Accounts of a Daiwa House Affiliate in the People's Republic of China," and on April 12 we published a news release entitled "Off-Specification Components in and Remedial Work on Daiwa House Single-Family Houses and Rental Housing." With regard to the issue of irregularities in the accounts of a Daiwa House affiliate in the People's Republic of China and nonconformity with construction specifications in some of our single-family house and rental housing, we fully recognize the urgent need for us to undertake an investigation of the underlying causes and to publish the findings of our investigations. At the same time, we recognize the need to draw up radical measures to prevent the recurrence of such problems, and to strengthen our corporate governance.

In view of the importance of dealing with these issues, in the Daiwa House Group 6th Medium-Term Management Plan (covering the FY2019-FY2021 period), we are giving priority to the reinforcement of our corporate governance system. We intend to press forward with updating the infrastructure of our single-family house and rental housing businesses, aiming at renewed growth, and to focus efforts on expanding our operations in the fields of commercial and business facilities. In these ways, we hope to realize increased orders by meeting the diverse needs of our customers both in Japan and overseas. Moreover, in the real estate development field, we plan to achieve sustained growth driven by the development and proposal of projects that fully leverage our comprehensive capabilities across a wide range of business operations.

In view of the foregoing, we forecast net sales for the fiscal year ending March 31, 2020 in the amount of 4 trillion 250 billion yen, with operating income of 378 billion yen, ordinary income of 376 billion yen, and net income attributable to owners of the parent of 252 billion yen. And we expect capital investments of 340 billion yen and depreciation of 77 billion yen.

2. 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.

3. Consolidated Financial Statements and Main Notes

(1) Consolidated Balance Sheets

(Millions of yen)

	Previous fiscal year (as of March 31, 2018)	Reporting fiscal year (as of March 31, 2019)
Assets		
Current assets		
Cash and deposits	330,806	279,859
Notes and accounts receivable from completed construction contracts and other	360,395	390,922
Lease receivables and investment assets	33,225	31,834
Mortgage notes receivable held for sale	12,429	14,625
Short-term investment securities	2,040	891
Costs on uncompleted construction contracts	58,627	79,305
Real estate for sale	556,056	648,291
Real estate for sale in process	140,049	194,750
Land for development	647	966
Merchandise and finished goods	16,284	17,046
Work in process	5,922	6,854
Raw materials and supplies	6,667	8,451
Other	215,693	255,910
Allowance for doubtful accounts	-8,836	-8,665
Total current assets	1,730,010	1,921,043
Noncurrent assets		
Property, plant and equipment		
Buildings and structures	970,762	1,024,832
Accumulated depreciation	-424,425	-443,094
Buildings and structures, net	546,337	581,738
Machinery, equipment and vehicles	143,149	151,313
Accumulated depreciation	-77,126	-81,945
Machinery, equipment and vehicles, net	66,023	69,367
Tools, furniture and fixtures	61,921	64,461
Accumulated depreciation	-45,672	-47,479
Tools, furniture and fixtures, net	16,249	16,981
Land	776,342	811,205
Lease assets	32,162	50,579
Accumulated depreciation	-8,286	-11,055
Lease assets, net	23,876	39,524
Construction in progress	72,671	89,730
Total property, plant and equipment	1,501,499	1,608,548
Intangible assets		
Goodwill	60,916	72,898
Other	42,852	51,740
Total intangible assets	103,768	124,639
Investments and other assets		
Investment securities	250,522	224,689
Long-term loans receivable	14,172	3,756
Lease and guarantee deposits	222,053	229,790
Deferred tax assets	135,603	157,498
Other	80,235	66,740
Allowance for doubtful accounts	-2,806	-2,669
Total investments and other assets	699,780	679,804
Total noncurrent assets	2,305,048	2,412,993
Total assets	4,035,059	4,334,037

(Millions of yen)

	Previous fiscal year (as of March 31, 2018)	Reporting fiscal year (as of March 31, 2019)
Liabilities		
Current liabilities		
Notes and accounts payable for construction contracts and other	479,451	530,472
Short-term loans payable	93,843	97,631
Current portion of bonds payable	20,110	95,000
Current portion of long-term loans payable	61,574	40,441
Lease obligations	3,474	4,719
Accounts payable-other	95,293	117,363
Income taxes payable	61,826	69,944
Advances received	61,597	55,700
Advances received on uncompleted construction contracts	124,571	165,186
Provision for bonuses	53,145	56,288
Provision for warranties for completed construction	8,232	8,003
Asset retirement obligations	2,092	1,985
Other	133,134	159,112
Total current liabilities	1,198,349	1,401,849
Noncurrent liabilities		
Bonds payable	287,342	192,000
Long-term loans payable	317,702	350,573
Lease obligations	33,572	51,062
Deposits received from members	2,827	2,367
Long-term lease and guarantee deposits	270,011	276,590
Deferred tax liabilities for land revaluation	20,074	20,042
Net defined benefit liability	258,581	263,018
Asset retirement obligations	41,027	45,333
Other	91,986	87,482
Total noncurrent liabilities	1,323,124	1,288,470
Total liabilities	2,521,474	2,690,320
Net assets		
Shareholders' equity		
Capital stock	161,699	161,699
Capital surplus	311,910	310,879
Retained earnings	903,550	1,066,705
Treasury stock	-4,630	-8,316
Total shareholders' equity	1,372,528	1,530,968
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	75,257	51,016
Deferred gains or losses on hedges	-35	-21
Revaluation reserve for land	6,188	6,453
Foreign currency translation adjustment	20,599	7,574
Total accumulated other comprehensive income	102,010	65,023
Subscription rights to shares	115	114
Non-controlling interests	38,929	47,610
Total net assets	1,513,585	1,643,717
Total liabilities and net assets	4,035,059	4,334,037

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

(Millions of yen)

	Previous fiscal year (From April 1, 2017 to March 31, 2018)	Reporting fiscal year (From April 1, 2018 to March 31, 2019)
Net sales	3,795,992	4,143,505
Cost of sales	3,002,160	3,300,738
Gross profit	793,832	842,767
Selling, general and administrative expenses		
Sales commission	19,377	19,741
Advertising expenses	34,753	35,511
Promotion expenses	6,350	6,983
Provision of allowance for doubtful accounts	959	1,027
Directors' compensations	4,017	4,261
Employees' salaries and allowances	157,771	165,037
Provision for bonuses	32,200	34,116
Retirement benefit expenses	16,178	21,458
Legal welfare expenses	24,547	25,216
Stationery expenses	13,429	13,975
Correspondence and transportation expenses	20,205	21,433
Rents	22,467	19,210
Depreciation	8,653	9,888
Tax and dues	29,879	30,602
Other	55,899	62,106
Total selling, general and administrative expenses	446,690	470,571
Operating income	347,141	372,195
Non-operating income		
Interest income	3,429	3,764
Dividends income	3,791	4,679
Insurance income	1,250	2,057
Miscellaneous income	6,161	5,546
Total non-operating income	14,633	16,047
Non-operating expenses		
Interest expenses	5,544	7,504
Tax and dues	1,941	1,095
Provision of allowance for doubtful accounts	989	—
Equity in losses of affiliates	62	13,080
Miscellaneous expenses	8,642	7,099
Total non-operating expenses	17,180	28,780
Ordinary income	344,593	359,462
Extraordinary income		
Gain on sales of noncurrent assets	1,899	1,207
Gain on sales of investment securities	13,288	2,617
Gain on sales of shares of subsidiaries and associates	—	530
Gain on sales of investments in capital of subsidiaries and associates	31	—
Gain on step acquisitions	139	—
Gain on change in equity	—	677
Other	0	—
Total extraordinary income	15,358	5,033

(Millions of yen)

	Previous fiscal year (From April 1, 2017 to March 31, 2018)	Reporting fiscal year (From April 1, 2018 to March 31, 2019)
Extraordinary losses		
Loss on sales of noncurrent assets	69	560
Loss on retirement of noncurrent assets	1,747	784
Impairment loss	11,801	6,328
Loss on sales of investment securities	—	6
Loss on valuation of investment securities	13	3,784
Loss on disaster	—	798
Other	5	3
Total extraordinary losses	13,636	12,265
Income before income taxes and non-controlling interests	346,315	352,230
Income taxes-current	111,016	121,676
Income taxes-deferred	-4,604	-11,477
Total income taxes	106,412	110,198
Net income	239,903	242,031
Net income attributable to non-controlling interests	3,546	4,592
Net income attributable to owners of the parent	236,357	237,439

(Consolidated Statements of Comprehensive Income)

(Millions of yen)

	Previous fiscal year (From April 1, 2017 to March 31, 2018)	Reporting fiscal year (From April 1, 2018 to March 31, 2019)
Net income	239,903	242,031
Other comprehensive income		
Valuation difference on available-for-sale securities	-13,428	-24,293
Deferred gains or losses on hedges	-26	10
Foreign currency translation adjustment	1,856	-10,543
Share of other comprehensive income of associates accounted for using equity method	1,340	-3,677
Total other comprehensive income	-10,258	-38,503
Comprehensive income	229,645	203,528
(Comprehensive income attributable to)		
Comprehensive income attributable to owners of the parent	226,268	200,187
Comprehensive income attributable to non-controlling interests	3,376	3,341

(3) Consolidated Statements of Changes in Net Assets

Previous fiscal year (From April 1, 2017 to March 31, 2018)

(Millions of yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
Balance at beginning of the period	161,699	311,393	734,242	(8,450)	1,198,884
Changes of items during the period					
Dividends from surplus	–	–	(64,618)	–	(64,618)
Net income attributable to owners of the parent	–	–	236,357	–	236,357
Change of scope of equity method	–	–	272	–	272
Change in treasury shares of parent arising from transactions with non-controlling shareholders	–	516	–	–	516
Reversal of revaluation reserve for land	–	–	(2,693)	–	(2,693)
Purchase of treasury stock	–	–	–	(26)	(26)
Disposal of treasury stock	–	–	(10)	3,846	3,836
Net changes of items other than shareholders' equity	–	–	–	–	–
Total changes of items during the period	–	516	169,307	3,820	173,644
Balance at end of the period	161,699	311,910	903,550	(4,630)	1,372,528

	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	88,642	(5)	3,495	17,273	109,405	115	21,495	1,329,901
Changes of items during the period								
Dividends from surplus	–	–	–	–	–	–	–	(64,618)
Net income attributable to owners of the parent	–	–	–	–	–	–	–	236,357
Change of scope of equity method	–	–	–	–	–	–	–	272
Change in treasury shares of parent arising from transactions with non-controlling shareholders	–	–	–	–	–	–	–	516
Reversal of revaluation reserve for land	–	–	–	–	–	–	–	(2,693)
Purchase of treasury stock	–	–	–	–	–	–	–	(26)
Disposal of treasury stock	–	–	–	–	–	–	–	3,836
Net changes of items other than shareholders' equity	(13,384)	(30)	2,693	3,326	(7,394)	(0)	17,434	10,039
Total changes of items during the period	(13,384)	(30)	2,693	3,326	(7,394)	(0)	17,434	183,683
Balance at end of the period	75,257	(35)	6,188	20,599	102,010	115	38,929	1,513,585

Reporting fiscal year (From April 1, 2018 to March 31, 2019)

(Millions of yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
Balance at beginning of the period	161,699	311,910	903,550	(4,630)	1,372,528
Changes of items during the period					
Dividends from surplus	–	–	(74,612)	–	(74,612)
Net income attributable to owners of the parent	–	–	237,439	–	237,439
Change of scope of equity method	–	(1,030)	–	–	(1,030)
Change in treasury shares of parent arising from transactions with non-controlling shareholders	–	–	648	–	648
Reversal of revaluation reserve for land	–	–	(264)	–	(264)
Purchase of treasury stock	–	–	–	(7,982)	(7,982)
Disposal of treasury stock	–	–	(55)	4,296	4,241
Net changes of items other than shareholders' equity	–	–	–	–	–
Total changes of items during the period	–	(1,030)	163,155	(3,685)	158,439
Balance at end of the period	161,699	310,879	1,066,705	(8,316)	1,530,968

	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	75,257	(35)	6,188	20,599	102,010	115	38,929	1,513,585
Changes of items during the period								
Dividends from surplus	–	–	–	–	–	–	–	(74,612)
Net income attributable to owners of the parent	–	–	–	–	–	–	–	237,439
Change of scope of equity method	–	–	–	–	–	–	–	(1,030)
Change in treasury shares of parent arising from transactions with non-controlling shareholders	–	–	–	–	–	–	–	648
Reversal of revaluation reserve for land	–	–	–	–	–	–	–	(264)
Purchase of treasury stock	–	–	–	–	–	–	–	(7,982)
Disposal of treasury stock	–	–	–	–	–	–	–	4,241
Net changes of items other than shareholders' equity	(24,241)	14	264	(13,025)	(36,987)	(0)	8,680	(28,307)
Total changes of items during the period	(24,241)	14	264	(13,025)	(36,987)	(0)	8,680	130,132
Balance at end of the period	51,016	(21)	6,453	7,574	65,023	114	47,610	1,643,717

(4) Consolidated Statements of Cash Flows

(Millions of yen)

	Previous fiscal year (From April 1, 2017 to March 31, 2018)	Reporting fiscal year (From April 1, 2018 to March 31, 2019)
Net cash provided by (used in) operating activities		
Income before income taxes and non-controlling interests	346,315	352,230
Depreciation and amortization	64,163	71,020
Increase (decrease) in net defined benefit liability	-12,986	4,437
Interest and dividends income	-7,221	-8,444
Interest expenses	5,544	7,504
Equity in (earnings) losses of affiliates	62	13,080
Loss (gain) on sales and retirement of noncurrent assets	-82	136
Impairment loss	11,801	6,328
Loss (gain) on valuation of investment securities	13	3,784
Decrease (increase) in notes and accounts receivable-trade	-43,227	-28,075
Decrease (increase) in inventories	-53,320	-71,573
Increase (decrease) in advances received	12,711	-5,620
Increase (decrease) in advances received on uncompleted construction contracts	10,623	37,062
Increase (decrease) in notes and accounts payable-trade	94,328	49,758
Other, net	52,497	36,301
Subtotal	481,223	467,933
Interest and dividends income received	5,170	7,482
Interest expenses paid	-3,124	-5,505
Income taxes paid	-100,903	-114,310
Net cash provided by (used in) operating activities	382,365	355,599
Net cash provided by (used in) investing activities		
Purchase of property, plant and equipment and intangible assets	-276,941	-255,940
Proceeds from sales of property, plant and equipment	10,651	9,496
Purchase of investment securities	-16,324	-19,424
Proceeds from sales and redemption of investment securities	24,834	12,632
Purchase of investments in subsidiaries resulting in change in scope of consolidation	-15,451	-39,369
Proceeds from purchase of investments in subsidiaries resulting in change in scope of consolidation	159	267
Purchase of investments in capital of subsidiaries resulting in change in scope of consolidation	-26,502	-963
Proceeds from sales of shares of subsidiaries resulting in change in scope of consolidation	—	1,744
Payments for transfer of business	—	-8,000
Payments for acquisition of business	-6,226	-6,048
Other, net	-7,862	-8,383
Net cash provided by (used in) investing activities	-313,664	-313,989

(Millions of yen)

	Previous fiscal year (From April 1, 2017 to March 31, 2018)	Reporting fiscal year (From April 1, 2018 to March 31, 2019)
Net cash provided by (used in) financing activities		
Net increase (decrease) in short-term loans payable	-20,726	5,070
Proceeds from long-term loans payable	106,658	85,919
Repayment of long-term loans payable	-94,901	-80,583
Proceeds from issuance of bonds	107,535	—
Redemption of bonds	-85	-20,100
Repayments of finance lease obligations	-3,535	-5,552
Proceeds from share issuance to non-controlling shareholders	6,959	7,337
Repayments to non-controlling shareholders	-2	-1,068
Purchase of treasury stock	-26	-7,982
Proceeds from sales of treasury stock	3,835	4,240
Cash dividends paid	-64,618	-74,612
Dividends paid to non-controlling interests	-1,393	-2,039
Payments from changes in ownership interests in subsidiaries that do not result in change in scope of consolidation	-85	-1,469
Proceeds from changes in ownership interests in subsidiaries that do not result in change in scope of consolidation	2,190	—
Net increase (decrease) in payables under fluidity	—	2,900
Other, net	—	960
Net cash provided by (used in) financing activities	41,804	-86,979
Effect of exchange rate change on cash and cash equivalents	2,316	-4,463
Net increase (decrease) in cash and cash equivalents	112,820	-49,832
Cash and cash equivalents at the beginning of the period	213,309	326,130
Cash and cash equivalents at the end of the period	326,130	276,298

(5) Notes to Consolidated Financial Statements

Notes on Premise of Going Concern

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.

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 Homes 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 Homes 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 accounting method applied to business segments reported herein, and the monetary amounts shown, are based on the accounting standard used for the preparation of consolidated financial statements.

The reported segment income figures at those at the operating income stage.

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, 2017 to March 31, 2018) (Millions of yen)

	Reportable Business Segments						
	Single-Family Houses	Rental Housing	Condominiums	Existing Homes Business	Commercial Facilities	Logistics, Business & Corporate Facilities	Total
Sales (1) Sales to customers	382,884	1,028,811	284,452	109,436	610,469	847,028	3,263,083
(2)Inter-segment sales or transfers	2,484	2,022	599	2,712	10,399	3,185	21,403
Total	385,369	1,030,834	285,051	112,148	620,869	850,214	3,284,486
Operating income	21,566	106,683	13,328	13,228	114,178	88,915	357,901
Assets	204,171	309,691	333,386	16,362	641,570	1,287,915	2,793,098
Others Depreciation	3,494	8,994	1,717	146	19,306	11,057	44,717
Net increase in property, plant and equipment, and intangible assets	7,594	30,025	5,091	143	58,455	131,180	232,490

	Other Businesses (Note: 1)	Subtotal	Adjustment (Note: 2)	Amounts on the consolidated financial statements
Sales (1) Sales to customers	532,909	3,795,992	—	3,795,992
(2) Inter-segment sales or transfers	104,214	125,617	(125,617)	—
Total	637,123	3,921,610	(125,617)	3,795,992
Operating income	23,010	380,911	(33,770)	347,141
Assets	881,450	3,674,549	360,723	4,035,272
Others Depreciation	18,255	62,973	1,190	64,163
Net increase in property, plant and equipment, and intangible assets	52,299	284,790	(199)	284,590

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

2. Adjustment:

(1) -33,770 million yen in adjustments to operating income by business segment includes -890 million yen in elimination within business segments, 716 million yen in amortization of goodwill, and -33,596 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) 360,723 million yen in adjustments to assets by business segment includes -67,142 million yen in elimination within business segments, and 427,865 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) 1,190 million yen in adjustments to depreciation by business segment includes -497 million yen in elimination within business segments, and 1,687 million yen in the depreciation attributable to Group assets.

(4) -199 million yen in adjustments to net increase in property, plant and equipment, and intangible assets by business segment includes -1,479 million yen in elimination within business segments, and 1,280 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, 2018 to March 31, 2019) (Millions of yen)

	Reportable Business Segments						
	Single-Family Houses	Rental Housing	Condominiums	Existing Homes Business	Commercial Facilities	Logistics, Business & Corporate Facilities	Total
Sales (1) Sales to customers	381,135	1,059,600	279,949	110,334	684,285	1,015,640	3,530,946
(2) Inter-segment sales or transfers	2,756	1,789	581	4,222	9,668	6,752	25,771
Total	383,891	1,061,390	280,531	114,556	693,954	1,022,393	3,556,717
Operating income	19,920	102,259	13,501	15,943	137,706	98,997	388,328
Assets	204,573	289,760	406,456	19,973	700,416	1,404,153	3,025,334
Others Depreciation	3,527	8,801	1,947	102	21,031	13,958	49,368
Net increase in property, plant and equipment, and intangible assets	4,353	31,987	5,427	63	79,482	106,272	227,585

	Other Businesses (Note: 1)	Subtotal	Adjustment (Note: 2)	Amounts on the consolidated financial statements
Sales (1) Sales to customers	612,559	4,143,505	—	4,143,505
(2) Inter-segment sales or transfers	103,616	129,387	(129,387)	—
Total	716,175	4,272,893	(129,387)	4,143,505
Operating income	32,505	420,834	(48,638)	372,195
Assets	995,057	4,020,391	313,645	4,334,037
Others Depreciation	20,395	69,764	1,256	71,020
Net increase in property, plant and equipment, and intangible assets	66,474	294,059	(908)	293,151

Notes:
1. Other Businesses include construction-support related, resort hotels and sports life business, city hotels, overseas businesses and others.
2. Adjustment:
(1) -48,638 million yen in adjustments to operating income by business segment includes -5,904 million yen in elimination within business segments, 712 million yen in amortization of goodwill, and -43,446 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) 313,645 million yen in adjustments to assets by business segment includes -72,359 million yen in elimination within business segments, and 386,004 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) 1,256 million yen in adjustments to depreciation by business segment includes -559 million yen in elimination within business segments, and 1,816 million yen in the depreciation attributable to Group assets.
(4) -908 million yen in adjustments to net increase in property, plant and equipment, and intangible assets by business segment includes -2,844 million yen in elimination within business segments, and 1,936 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, 2017 to March 31, 2018)

(Millions of yen)

	Single-Family Houses	Rental Housing	Condo-miniums	Existing Homes Business	Commercial Facilities	Logistics, Business & Corporate Facilities	Other Businesses (*)	Eliminations/ Corporate	Total
Impairment loss	501	1,440	154	―	2,913	338	6,037	414	11,801

(*) Amounts are construction-support related business and resort hotels and sports life business, among others.
The monetary value shown under "Eliminations/Corporate" consists of impairment loss on assets imputed to the entire Company that cannot be imputed to any individual business segment.

Reporting fiscal year (from April 1, 2018 to March 31, 2019)

(Millions of yen)

	Single-Family Houses	Rental Housing	Condo-miniums	Existing Homes Business	Commercial Facilities	Logistics, Business & Corporate Facilities	Other Businesses (*)	Eliminations/ Corporate	Total
Impairment loss	15	592	4	17	3,443	18	2,236	―	6,328

(*) Amounts are resort hotels and sports life business and overseas business, among others.

c. Information regarding amortization of goodwill, and unamortized balances of goodwill, by reportable business segment

Previous fiscal year (from April 1, 2017 to March 31, 2018)

(Millions of yen)

	Single-Family Houses	Rental Housing	Condo-miniums	Existing Homes Business	Commercial Facilities	Logistics, Business & Corporate Facilities	Other Businesses (*)	Eliminations/ Corporate	Total
Amortization of goodwill	―	77	1,292	―	876	2,281	94	―	4,623
Fiscal year-end unamortized balance of goodwill	―	1,886	13,220	―	3,409	34,592	7,806	―	60,916

(*) Amounts are construction-support related business.

Reporting fiscal year (from April 1, 2018 to March 31, 2019)

(Millions of yen)

	Single-Family Houses	Rental Housing	Condo-miniums	Existing Homes Business	Commercial Facilities	Logistics, Business & Corporate Facilities	Other Businesses (*)	Eliminations/ Corporate	Total
Amortization of goodwill	―	86	1,013	―	471	2,549	3,029	―	7,150
Fiscal year-end unamortized balance of goodwill	―	1,030	12,245	―	3,121	30,204	26,295	―	72,898

(*) Amounts are overseas business, among others.

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

Previous fiscal year (from April 1, 2017 to March 31, 2018)

No items to report.

Reporting fiscal year (from April 1, 2018 to March 31, 2019)

No items to report.

Per Share Information

	Previous fiscal year (From April 1, 2017 to March 31, 2018)	Reporting fiscal year (From April 1, 2018 to March 31, 2019)
Net assets per share	2,218.17 yen	2,404.32 yen
Basic net income per share	355.87 yen	357.29 yen
Diluted net income per share	355.86 yen	357.09 yen

(Note) The basis of calculation for basic net income per share and diluted net income per share is as follows.

	Previous fiscal year (From April 1, 2017 to March 31, 2018)	Reporting fiscal year (From April 1, 2018 to March 31, 2019)
Basic net income per share		
Net income attributable to the parent (millions of yen)	236,357	237,439
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)	236,357	237,439
Average amount of common stock during the year (thousands of shares)	664,164	664,557
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)	26	373
(in which, subscription rights to shares (thousands of shares))	26	373
Number of shares not dilutive as the Company does not include in the computation of net income per share after full dilution (thousands of shares)	2,013	—

(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 (1,422 thousand shares for the previous fiscal year, 112 thousand 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 (2,005 thousand shares for the previous fiscal year, 852 thousand shares for the fiscal year in question).

Significant Subsequent Events

No items to report.