



Summary of Financial Results (Unaudited)
for the First Three Months of the Fiscal Year Ending March 31, 2020 [Consolidated]
(From April 1, 2019 to June 30, 2019)
[Japanese GAAP]

August 8, 2019

Name of Listed Company: Daiwa House Industry Co., Ltd.
 Code No.: 1925
 URL: <https://www.daiwahouse.co.jp/English/>
 Listed Exchanges: First section of the Tokyo Stock Exchange
 Representative: Keiichi Yoshii, President, CEO 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 Filing Quarterly Securities Report: August 9, 2019
 Supplemental documents for the financial results provided: Yes
 Results briefing for the period under review provided: Yes (for institutional investors and securities analysts)

(Amounts below one million yen are omitted)

1. Consolidated Results of Operation for the First Three Months Ended June 30, 2019 (From April 1, 2019 to June 30, 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	%
Three months ended:								
June 30, 2019	1,017,936	12.8	92,399	22.7	93,429	21.2	65,068	24.2
June 30, 2018	902,396	10.4	75,332	3.4	77,059	3.7	52,410	3.5

Note: Comprehensive income: Three months ended June 30, 2019: 66,471 million yen (66.8%)
 Three months ended June 30, 2018: 39,853 million yen (-9.8%)

	Basic net income per share		Diluted net income per share	
	Yen	Yen	Yen	Yen
Three months ended:				
June 30, 2019	98.02	98.00	98.00	98.00
June 30, 2018	78.83	78.83	78.83	78.83

(2) Consolidated Financial Conditions

	Total assets	Net assets	Net assets ratio
	Millions of yen	Millions of yen	%
As of			
June 30, 2019	4,321,463	1,662,668	37.4
March 31, 2019	4,334,037	1,643,717	36.8

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

(Net assets – Non-controlling interests) is as follows. June 30, 2019: 1,618,124 million yen; March 31, 2019: 1,595,991 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, 2019	Yen —	Yen 50.00	Yen —	Yen 64.00	Yen 114.00
Fiscal year ending March 31, 2020	—				
Fiscal year ending March 31, 2020 (forecasts)		55.00	—	60.00	115.00

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

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	379.62

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

Notes:

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

(4) Number of Issued and Outstanding Shares (Common Stock)

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

As of June 30, 2019	666,238,205 shares	As of March 31, 2018	666,238,205 shares
---------------------	--------------------	----------------------	--------------------

2) Number of treasury stock at the end of the period

As of June 30, 2019	2,407,295 shares	As of March 31, 2018	2,436,961 shares
---------------------	------------------	----------------------	------------------

3) Average number of shares during the period

Three months ended June 30, 2019	663,812,367 shares	Three months ended June 30, 2018	664,819,854 shares
----------------------------------	--------------------	----------------------------------	--------------------

* **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 August 8, 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

1. Qualitative Information Regarding Consolidated Results for the Period under Review	4
(1) Earnings Results	4
(2) Financial Conditions	4
(3) Earnings Forecasts	5
2. Consolidated Financial Statements and Main Notes	6
(1) Consolidated Balance Sheets	6
(2) Consolidated Statements of Income and Consolidated Statements of Comprehensive Income	8
Consolidated Statements of Income	8
Consolidated Statements of Comprehensive Income	9
(3) Notes	10
Notes on Premise of Going Concern	10
Notes on Significant Changes in the Amount of Shareholders' Equity	10
Changes in Accounting Policies	10

1. Qualitative Information Regarding Consolidated Results for the Period under Review

(1) Earnings Results

During the first three-month period under review, the Japanese economy continued to follow a gradual recovery trend, against the background of a pickup in consumer spending and an ongoing 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, recorded year-on-year increase while Rented house dwelling category and condominiums figures declined significantly. In the general construction market, non-housing operations as a whole were also down from the previous year. In the total floorspace of new construction starts in the categories of hospitals, warehouses, and retail outlets, among others, recorded year-on-year increase while declines in the categories of factories, offices, and schools, among others turned downward.

Amid this business environment, at the Daiwa House Group, we have actively invested in real estate development, and have worked to expand operations in our Business Segment (Commercial Facilities, and Logistics, Business & Corporate Facilities Businesses) and to speed up the pace of our overseas expansion. Under the Daiwa House Group's Sixth Medium-Term Management Plan (FY2019-2021), we are aiming to leverage the extensive scope of the Group's business operations to realize sustained growth.

At the same time, in response to the reports that we have received from the Third-Party Committee and the External Investigative Committee, respectively, regarding irregularities in the accounts of an affiliate in the People's Republic of China and regarding off-specification components in single-family houses and rental housing, we have drawn up preventive policies and are working to ensure their steady implementation. We are also tackling the revision of our governance system for the entire corporate group. We plan to reveal above details at the announcement of financial statements for the first two quarters of fiscal 2019, scheduled in November.

As a result, the Daiwa House Group recorded consolidated net sales of 1,017,936 million yen (+12.8% year on year) for the first three months of the fiscal year ending March 2020. Operating income came to 92,399 million yen (+22.7% year on year), ordinary income came to 93,429 million yen (+21.2% year on year), while net income attributable to owners of the parent amounted to 65,068 million yen (+24.2% year on year).

(2) Financial Conditions

Total assets as of the end of the consolidated three-month reporting period amounted to 4,321,463 million yen, a decrease of 12,573 million yen compared with 4,334,037 million yen in total assets at the end of the previous consolidated fiscal year. This was mainly because of a decrease in cash deposits as a result of payments of construction costs, corporate income taxes and others.

Total liabilities as of the end of the consolidated three-month reporting period amounted to 2,658,795 million yen, a decrease of 31,524 million yen compared with 2,690,320 million yen in total liabilities at the end of the previous consolidated fiscal year. This was mainly because of a decrease in notes and accounts payable for construction contracts, and a decrease in income taxes payable and others as a result of payments of corporate income taxes and others.

Total net assets as of the end of the consolidated three-month reporting period amounted to 1,662,668 million yen, an increase of 18,951 million yen compared with 1,643,717 million yen in total net assets at the end of the previous consolidated fiscal year. This was mainly due to the posting of net income for the period attributable to owners of the parent in the amount of 65,068 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 955,816 million yen in interest-bearing liabilities excluding lease obligations among others, and a debt-equity ratio of 0.59 times.

(3) Earnings Forecasts

Regarding consolidated business performance forecasts for the term ending March 31, 2020, the forecasts issued on May 13, 2019 remain unchanged.

2. Consolidated Financial Statements and Main Notes

(1) Consolidated Balance Sheets

(Millions of yen)

	As of March 31, 2019	As of June 30, 2019
Assets		
Current assets		
Cash and deposits	279,859	227,553
Notes and accounts receivable from completed construction contracts and other	390,922	375,816
Mortgage notes receivable held for sale	14,625	10,383
Short-term investment securities	891	8,894
Costs on uncompleted construction contracts	79,305	69,310
Real estate for sale	648,291	654,900
Real estate for sale in process	194,750	207,771
Land for development	966	2,206
Merchandise and finished goods	17,046	18,153
Work in process	6,854	8,261
Raw materials and supplies	8,451	8,679
Other	287,744	274,815
Allowance for doubtful accounts	-8,665	-8,461
Total current assets	1,921,043	1,858,284
Noncurrent assets		
Property, plant and equipment		
Buildings and structures	1,024,832	1,064,465
Accumulated depreciation	-443,094	-466,090
Buildings and structures, net	581,738	598,374
Land	811,205	832,928
Other	356,085	387,930
Accumulated depreciation	-140,480	-143,715
Other, net	215,604	244,214
Total property, plant and equipment	1,608,548	1,675,517
Intangible assets		
Goodwill	72,898	71,718
Other	51,740	52,572
Total intangible assets	124,639	124,290
Investments and other assets		
Investment securities	224,689	214,751
Lease and guarantee deposits	229,790	232,551
Other	227,994	218,714
Allowance for doubtful accounts	-2,669	-2,646
Total investments and other assets	679,804	663,370
Total noncurrent assets	2,412,993	2,463,178
Total assets	4,334,037	4,321,463

(Millions of yen)

	As of March 31, 2019	As of June 30, 2019
Liabilities		
Current liabilities		
Notes and accounts payable for construction contracts and other	530,472	360,943
Short-term loans payable	97,631	143,106
Current portion of bonds payable	95,000	50,000
Current portion of long-term loans payable	40,441	36,359
Commercial papers	–	60,000
Income taxes payable	69,944	13,298
Advances received	55,700	57,369
Advances received on uncompleted construction contracts	165,186	144,771
Provision for bonuses	56,288	28,440
Provision for warranties for completed construction	8,003	7,965
Asset retirement obligations	1,985	2,053
Other	281,195	319,822
Total current liabilities	1,401,849	1,224,129
Noncurrent liabilities		
Bonds payable	192,000	192,000
Long-term loans payable	350,573	471,450
Long-term lease and guarantee deposited	276,590	282,573
Net defined benefit liability	263,018	264,935
Asset retirement obligations	45,333	46,760
Other	160,953	176,946
Total noncurrent liabilities	1,288,470	1,434,665
Total liabilities	2,690,320	2,658,795
Net assets		
Shareholders' equity		
Capital stock	161,699	161,699
Capital surplus	310,879	310,450
Retained earnings	1,066,705	1,085,535
Treasury stock	-8,316	-8,214
Total shareholders' equity	1,530,968	1,549,470
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	51,016	48,343
Deferred gains or losses on hedges	-21	-55
Revaluation reserve for land	6,453	10,191
Foreign currency translation adjustment	7,574	10,174
Total accumulated other comprehensive income	65,023	68,653
Subscription rights to shares	114	113
Non-controlling interests	47,610	44,431
Total net assets	1,643,717	1,662,668
Total liabilities and net assets	4,334,037	4,321,463

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

	(Millions of yen)	
	Three months ended June 30, 2018 (From April 1, 2018 to June 30, 2018)	Three months ended June 30, 2019 (From April 1, 2019 to June 30, 2019)
Net sales	902,396	1,017,936
Cost of sales	716,134	809,444
Gross profit	186,261	208,492
Selling, general and administrative expenses	110,929	116,092
Operating income	75,332	92,399
Non-operating income		
Interest income	901	948
Dividends income	2,166	2,134
Equity in earnings of affiliates	—	194
Miscellaneous income	1,662	1,756
Total non-operating income	4,731	5,034
Non-operating expenses		
Interest expenses	1,696	2,306
Taxes and dues	362	304
Equity in losses of affiliates	23	—
Miscellaneous expenses	920	1,393
Total non-operating expenses	3,003	4,004
Ordinary income	77,059	93,429
Extraordinary income		
Gain on sales of noncurrent assets	29	421
Gain on sales of investment securities	0	168
Gain on sales of shares of subsidiaries and associates	523	—
Gain on change in equity	—	32
Other	—	0
Total extraordinary income	553	622
Extraordinary losses		
Loss on sales of noncurrent assets	6	15
Loss on retirement of noncurrent assets	144	147
Loss on sales of investment securities	5	0
Loss on valuation of investment securities	255	11
Other	0	—
Total extraordinary losses	414	174
Income before income taxes	77,199	93,877
Income taxes-current	12,871	15,467
Income taxes-deferred	11,741	11,987
Total income taxes	24,613	27,454
Net income	52,585	66,422
Net income attributable to non-controlling interests	174	1,353
Net income attributable to owners of the parent	52,410	65,068

(Consolidated Statements of Comprehensive Income)

(Millions of yen)

	Three months ended June 30, 2018 (From April 1, 2018 to June 30, 2018)	Three months ended June 30, 2019 (From April 1, 2019 to June 30, 2019)
Net income	52,585	66,422
Other comprehensive income		
Valuation difference on available-for-sale securities	-1,014	-2,673
Deferred gains or losses on hedges	17	-34
Foreign currency translation adjustment	-10,215	2,086
Share of other comprehensive income of associates accounted for using equity method	-1,519	670
Total other comprehensive income	-12,732	48
Comprehensive income	39,853	66,471
(Comprehensive income attributable to)		
Comprehensive income attributable to owners of the parent	40,768	64,961
Comprehensive income attributable to non-controlling interests	-914	1,510

(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

The adoption of IFRS 16 Leases

For subsidiaries located outside Japan that have adopted the International Financial Reporting Standards (IFRS), IFRS 16 Leases (January 13, 2016: hereinafter "IFRS 16") is applicable to consolidated financial reporting with effect from the reporting first-quarter period.

As a result of the application of IFRS 16, in principle, lessees shall recognize all assets and liabilities for all leases. Daiwa House has applied IFRS 16 in accordance with the transitional provisions set forth in IFRS 16.

This change will have a minimal effect on the consolidated financial statement for the first-quarter period in question.

Disclaimer:

This English translation has been prepared for general reference purposes only. The Company shall not be responsible for any consequence resulting from the use of the English translation in place of the original Japanese text. In any legal matter, readers should refer to and rely upon the original Japanese text released on August 8, 2019.