News Release (Translation only)

April 19, 2019

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(Code number: 1925,
First Section of the Tokyo Stock Exchange)
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Announcement of Revision of Earnings Forecasts for the Fiscal Year Ending March 2019

Based on recent earnings trends, Daiwa House Industry Co., Ltd. today announced a revision of full-year earnings forecasts for the fiscal year ending March 2019, which were announced on November 8, 2018.

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

	Net sales	Operating income	Ordinary income	Net income attributable to owners of the parent	Net income per share
	Millions of yen	Millions of yen	Millions of yen	Millions of yen	Yen
Previous forecast (A)	4,050,000	354,000	352,000	240,000	360.77
Revised forecast (B)	4,120,000	370,000	356,000	235,000	353.62
Change (B－A)	70,000	16,000	4,000	-5,000	―
Rate of change (%)	1.7%	4.5%	1.1%	-2.1%	―
(Ref.) Previous fiscal year results (Fiscal year ended March 31, 2018)	3,795,992	347,141	344,593	236,357	355.87

2. Reasons for Revision of Earnings Forecasts

Daiwa House has revised its consolidated forecast for the fiscal year ending March 31, 2019, to reflect to robust performance in its Commercial Facilities and Logistics, Business and Corporate Facilities segments and the post-remedial handover to owners of condominiums affected by irregularities[1] at KYB Corporation and Kayaba System Machinery reported in the previous results forecast. The revisions also account for the negative consequences of financial irregularities at a Chinese affiliate (see our March 13, 2019, release titled "Notice Concerning Irregularities in the Accounts of a Daiwa House Affiliate in the People's Republic of China") and of the use of off-specification components in some of its products (see our April 12, 2019, release titled "Off-Specification Components in and Remedial Work on Daiwa House Single-Family Houses and Rental Housing").

Regarding the impact of off-specification components, the Company is addressing the relevant columns and the possibility of insufficient fire safety by evaluating safety of the affected rental housing and undertaking remedial work on a priority basis. It is addressing the issues stemming from the installation of off-specification pad footings by evaluating the safety of buildings concerned but has yet to uncover any whose safety is compromised. The Company will be booking a ¥2 billion cost of sales charge against operating income (loss) to cover the outlays associated with further investigations and remedies to accommodate customer wishes.

Regarding the situation arising from financial irregularities at the PRC affiliate, internal and third-party investigations are still in progress and the Company was forced to review the valuations of a portion of the affiliate's assets. The Company has factored in a loss on affiliate equity of some ¥13 billion (including the impact of the improper cash outflow) into the balance sheet as an ordinary loss.

Due to the impact of tax costs associated with the aforementioned irregularities and the booking of an impairment loss on a portion of its noncurrent assets, the Company foresees lower net income attributable to owners of the parent than in its previous forecast.

The Company notes that actual year-end results could differ significantly from these revisions. It is still taking these incidents under the microscope and therefore cannot yet anticipate their full impact. More precise numbers will have to await the outcome of its investigations into both incidents and the third-party investigation into the PRC affiliate irregularities.

End

[1] The irregularities led to installation of off-specification base-isolation and seismic-mitigation dampers in several Daiwa House condominiums. Work to rectify the issues involved has been completed by the end of March.

Disclaimer:

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