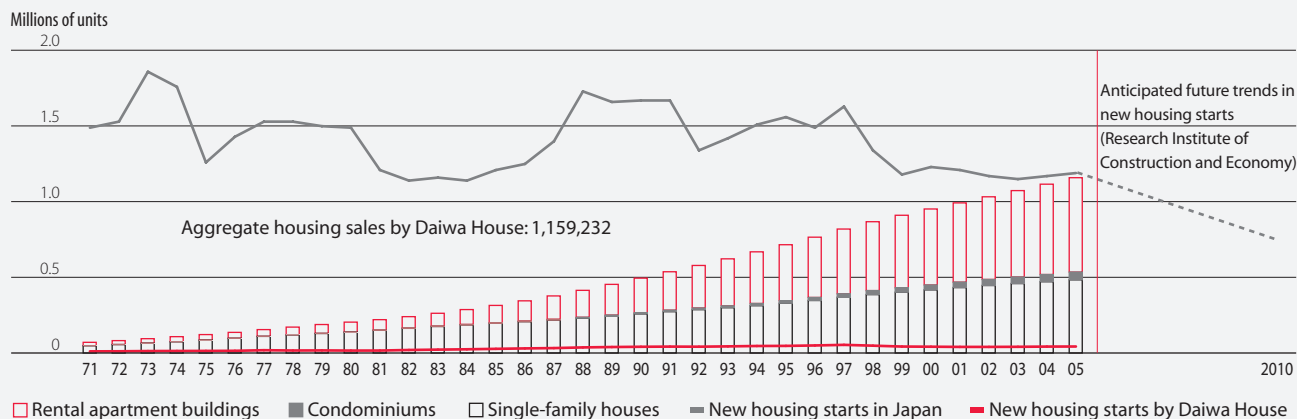


Total housing starts and Daiwa House aggregate sales



Co-creating new value in the housing industry

Daiwa House Industry Co., Ltd. created prefabricated houses based on its concept of the industrialization of construction. It has since been inspiring new values in the Japanese housing industry with its pioneering spirit.

Today, Daiwa House Industry is at the core of the housing business in the Daiwa House Group, and has accumulated 1.16 million units in housing stock since its foundation. The Company supplies some 50,000 units of residential housing, rental apartment buildings and condominiums every year, and has a market share of roughly 3.6% in new housing starts in Japan (ranking it second in the industry in single-family houses and rental apartments).

Although the level of new housing starts in Japan is higher than in Europe and the United States in quantitative terms, with a supply of approximately 1.2 million housing units per year (roughly 1.7 times that of the United States per 1,000 people), the floor space per capita is the smallest of the five leading developed nations, namely Japan, the United Kingdom, Germany, France, and the United States. As such, space is a key issue for the future.

Moreover, with new housing starts in Japan expected to decline, the housing industry needs to possess strategies that are founded on a realistic approach, considering

both the flow (new housing) and stock (used housing) markets accurately. In the housing stock market, responding to customer needs for longer useful lives for their residences, primarily through improvement of hardware, will become an important issue. I believe that our commitment should be to develop and broadly introduce technologies that support the stock, such as earthquake damage mitigation technologies, and upkeep and repair technologies, and to create a society in which housing stock assumes a greater importance thanks to an improvement in the average quality of housing.

Japanese society is experiencing dramatic change. For instance, Japan is the world's most rapidly aging population, with roughly a quarter of the population forecast to be 60 or over by 2015. Moreover, one out of three family units is likely to be a single-person household in 2025 compared with the present average of 2.27 persons per household. Anticipating these changes, the Daiwa House Group will work to create new value in the housing industry by responding seriously to calls for houses in which every one of our customers can spend their entire lives. At the same time, we will continue striving to achieve a harmonious relationship among housing, society and the environment.