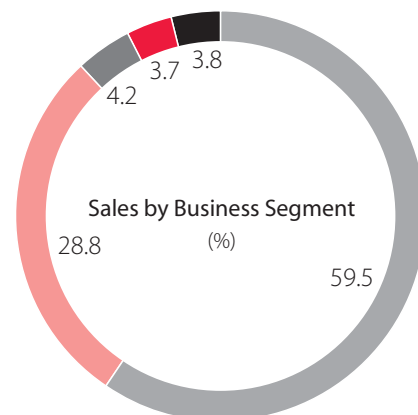


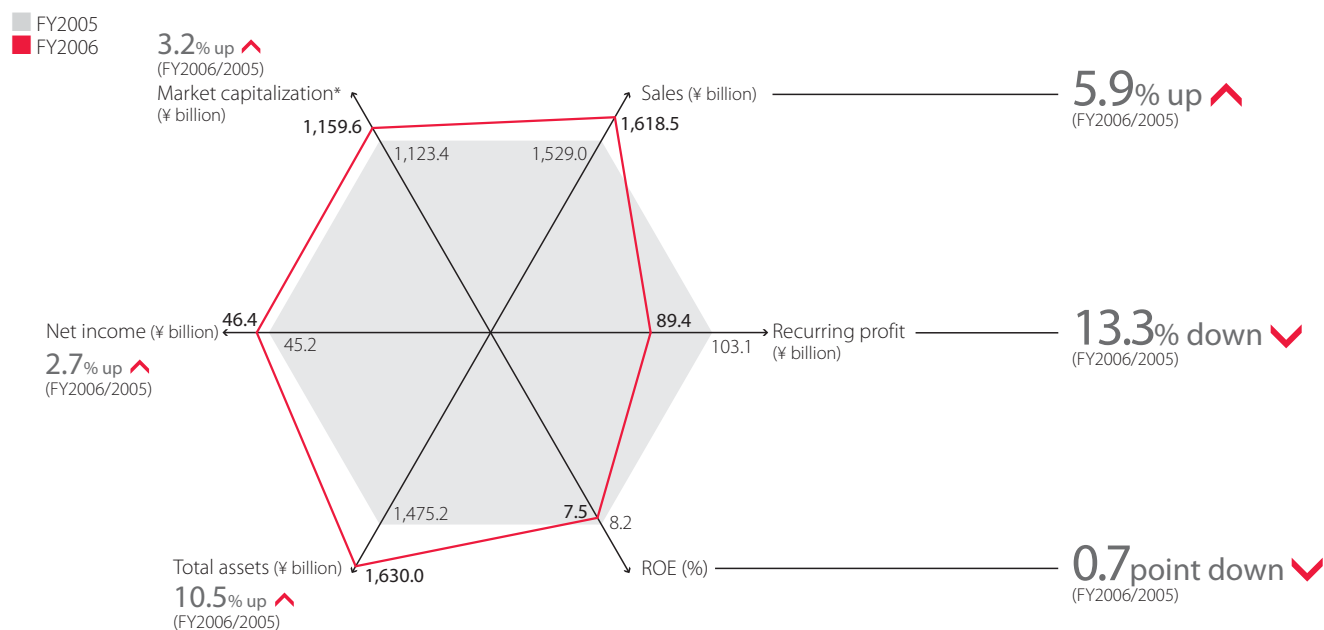
# At a Glance

Based on its five business segments — Residential Business, Commercial Construction Business, Resort Hotels and Sports Life Business, the Home Center Business, and Other Businesses — the Daiwa House Group launched its First Medium-Term Management Plan “Challenge 2005” in fiscal 2005. While strengthening our product development, marketing and service networks, as well as streamlining management, we will continue to take the steps necessary for us to achieve our targets of sales of ¥1,700 billion, recurring profit of ¥100 billion and return on equity of 9.0% on a consolidated basis by FY2007, the final fiscal year of the plan.



## Performance Indicators and Targets (Consolidated)

| Results          | First Medium-Term Management Plan |                  |                         |
|------------------|-----------------------------------|------------------|-------------------------|
|                  | FY2004                            | FY2005           | FY2006                  |
| Sales            | ¥1,365.9 billion                  | ¥1,529.0 billion | <b>¥1,618.5 billion</b> |
| Recurring profit | ¥74.2 billion                     | ¥103.1 billion   | <b>¥89.4 billion</b>    |
| ROE              | 7.9%                              | 8.2%             | <b>7.5%</b>             |



\* Outstanding shares at term-end x share price

#### ■ Residential Business

Construction and lot-subdivision for sale of single-family houses, condominiums, rental housing, renovations, real estate agency and other business related to residences

#### ■ Commercial Construction Business

Commercial facilities, distribution-related facilities and other customized construction of office and industrial buildings

#### ■ Resort Hotels and Sports Life Business

Management of resort hotels, golf courses and sports clubs and others

#### ■ Home Center Business

Management of home centers

#### ■ Other Businesses

Manufacture and sale of housing construction materials, logistics and distribution, automobile leasing, business hotels and others

## Contents

|     |   |
|-----|---|
| 2   | Dear Stakeholders   |
| 4   | Group Results Summary   |
| 6   | Business Outline  |
| 8   | Share Information   |
| 10  | Group Business Structure  |
| 16  | <b>Our Management</b>   |
| 20  | Message from the CEO  |
| 26  | Message from the COO  |
| 32  | Message from the CFO  |
| 36  | Corporate Governance  |
| 38  | Internal Control  |
| 40  | Compliance and Risk Management  |
| 42  | Corporate Management  |
| 44  | Board of Directors, Corporate Auditors,<br>and Presidents of Principal Subsidiaries |
| 52  | <b>Our Business</b>   |
| 55  | Residential Business  |
| 69  | Commercial Construction Business  |
| 79  | Resort Hotels and Sports Life Business  |
| 82  | Home Center Business  |
| 84  | Other Businesses  |
| 86  | Research & Development  |
| 92  | <b>Corporate Citizenship</b>  |
| 94  | Environment   |
| 96  | Clients   |
| 98  | Partners  |
| 100 | Shareholders  |
| 102 | People  |
| 104 | Community   |
| 108 | <b>Financial Information</b>  |
| 110 | Consolidated Seven-Year Summary   |
| 111 | Management's Discussion and Analysis  |
| 120 | Consolidated Financial Statements   |
| 126 | Notes to Consolidated Financial Statements  |
| 142 | Independent Auditors' Report  |
| 143 | A Story of the Daiwa House Group  |
| 144 | Group Network   |
| 151 | Corporate Data  |

## "Challenge 2005"

### Targets FY2007



¥1,700 billion

¥100 billion

9.0%

#### Notes to financial data and graphs

Unless otherwise specified, annual figures in the graphs are for years ending March 31. Sales figures for each segment in this Annual Report include intersegment transactions. Sales percentages for each segment in this Annual Report refer only to sales to outside customers.

#### Forward-looking statements

This Annual Report contains future estimates, targets, plans and strategies by the Company and the Daiwa House Group. They are based on judgments made using information available at the time of writing. For various reasons, actual results may differ substantially from these estimates.



# Dear Stakeholders

## Building a Lasting Bond with All Stakeholders

Having marked its 50th anniversary in April 2005, the Daiwa House Group introduced a new Group management structure for the next 50 years, as a group that co-creates value for individuals, communities, and people's lifestyles under its new Group symbol, "Endless Heart." The reporting fiscal 2006, the year ended March 31, 2007, was the second year for "Challenge 2005," our inaugural First Three-Year Medium-Term Management Plan launched in fiscal 2005. It was an important period for our efforts to attain the targets set out in the three-year plan. In fiscal 2006, these efforts produced consolidated sales of ¥1,618.5 billion, for a 5.9% year-on-year increase. Consolidated recurring profit declined 13.3%, to ¥89.4 billion, attributable to a year-on-year fall in amortization of actuarial gain for employees' retirement benefits. Nevertheless, we achieved record consolidated net income of ¥46.4 billion (a 2.7% increase year on year). We were able to achieve these results only with the support of our shareholders, and we would like to take this opportunity to express our deep appreciation for this support. We have set annual dividends for fiscal 2006 at ¥20 per share.

To expand our Group businesses with vigor and sustain our growth in the future, in fiscal 2006 we carried out management integration with three listed companies — Daiwa Kosho Lease (renamed Daiwa Lease on April 1, 2007), Daiwa Rakuda Industry and Daiwa Logistics — through share exchange transactions. We also invested aggressively to lay the foundations for future growth, for example, by establishing Daiwa House Financial and Daiwa House Insurance. We made capital investments in ELIY Power and formed a business alliance with CYBERDYNE Inc., and in fiscal 2007 we made Eneserve into a consolidated subsidiary. We will make steady progress toward our goals of ¥1,700 billion in sales, ¥100 billion in recurring profit and 9% in ROE on a consolidated basis set out in our First Medium-Term Management Plan, "Challenge 2005."

On April 5, 2007 we opened a memorial museum dedicated to our late founder Nobuo Ishibashi. We are committed to expanding and achieving our dream of ¥10 trillion in sales on our 100th anniversary, with our founding spirit engraved in the hearts of all our directors and employees. Under the new Group management structure, the Daiwa House Group will continue its efforts to bolster the confidence and appreciation of society through sincere corporate activities, further develop its relationship with its customers, and build a lasting bond with all stakeholders.



Takeo Higuchi  
Chairman and CEO

# Group Results Summary

As of March 31, 2007

## Consolidated Financial Highlights

Daiwa House Industry Co., Ltd. and Subsidiaries  
Years Ended March 31,

|  | Millions of yen |           |           | YoY increase<br>(decrease) | Thousands of U.S.<br>dollars |
|--|-----------------|-----------|-----------|----------------------------|------------------------------|
|  | 2007            | 2006      | 2005      | 2007/2006                  | 2007                         |
| Net sales                                      | 1,618,450       | 1,528,983 | 1,365,914 | 5.9%                       | 13,715,678                   |
| Operating income                               | 85,679          | 80,072    | 67,849    | 7.0%                       | 726,093                      |
| Other income (expenses)                        | (9,230)         | 2,083     | (4,741)   | (543.1%)                   | (78,220)                     |
| Net income                                     | 46,394          | 45,184    | 40,262    | 2.7%                       | 393,169                      |
| Per share of common stock (in yen and dollars) |                 |           |           |                            |                              |
| Basic net income                               | 81.15           | 81.88     | 73.26     | (0.9%)                     | 0.69                         |
| Equity   | 1,122.88        | 1,053.37  | 959.08    | 6.6%                       | 9.52                         |
| Cash dividends applicable to the year          | 20.00           | 20.00     | 17.00     | —                          | 0.17                         |
| Total assets                                   | 1,630,022       | 1,475,197 | 1,358,807 | 10.5%                      | 13,813,746                   |
| Equity   | 661,145         | 576,534   | 524,110   | 14.7%                      | 5,602,924                    |
| Dividend payout ratio (%)                      | 24.6            | 24.4      | 23.2      | 0.2 point                  |                              |
| Return on equity (%)                           | 7.5             | 8.2       | 7.9       | (0.7 point)                |                              |
| Return on assets (%)                           | 3.0             | 3.2       | 3.3       | (0.2 point)                |                              |
| Equity ratio (%)                               | 40.4            | 39.1      | 38.6      | 1.3 points                 |                              |

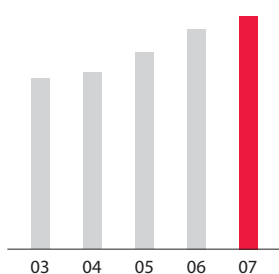
Notes: 1. The U.S. dollar amounts represent translations of Japanese yen for convenience only at the approximate exchange rate on March 31, 2007 of ¥118 = U.S.\$1.

2. Beginning with the fiscal year ended March 31, 2007, minority interests have been included in Equity.

### Net sales

**¥1,618.5 billion**

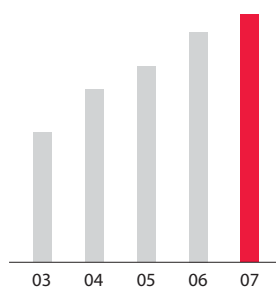
¥ billion 1,185 1,225 1,366 1,529 **1,618**



### Operating income

**¥85.7 billion**

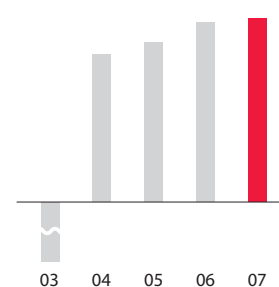
¥ billion 45 60 68 80 **86**



### Net income (loss)

**¥46.4 billion**

¥ billion -91 37 40 45 **46**



## Positive Factors in Fiscal 2006

### Entire society in Japan

- There was a moderate pickup in the economy, with nominal economic growth of 1.4%, thanks to an improved employment and personal income picture on the back of strong corporate earnings.
- New housing starts grew 2.9% year-on-year and owner-occupied housing showed some recovery, due to a bottoming out in land prices and expectations of higher interest rates.

### Daiwa House Group

- Sales in the Residential Business Segment increased 6.2%, and operating income 4.7%, due to strong demand for rental housing and condominiums.
- Operating income in the Commercial Construction Business increased 19.0%, contributing significantly to Group earnings, thanks to aggressive development of commercial facilities.

## Negative Factors in Fiscal 2006

### Entire society in Japan

- Private consumption expenditure was nearly flat year-on-year, edging up only 0.7%, as consumer sentiment has not brightened much despite economic recovery.
- Construction materials in the Japanese market were again affected by soaring prices, with crude oil reaching historical highs and demand for building materials increasing in China.

### Daiwa House Group

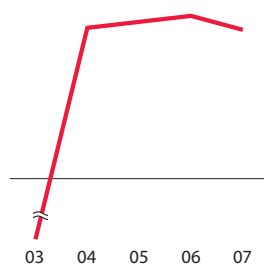
- Recurring profit declined 13.3% year-on-year. Amortization of actuarial gain for employees' retirement benefits amounted to ¥21.7 billion in the previous fiscal year due to a buoyant stock market, but this figure fell to ¥3.2 billion during the year under review.

- Sales and operating income and net income all grew for the fourth consecutive year, reaching **all-time highs**.
- As a result of making three Group companies into wholly-owned subsidiaries, equity increased and the equity ratio rose by 1.3 percentage point year-on-year to **40.4%**.
- Total assets increased by **¥154.8 billion**, due to acquisition of land and buildings for sale and real estate for business purposes.

### ROE (Return on equity)

**7.5%**

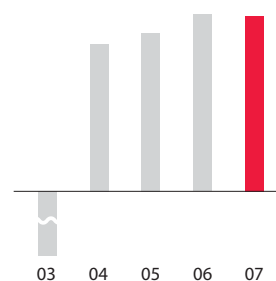
% -17.1 7.6 7.9 8.2 **7.5**



### Net income (loss) per share

**¥81.15**

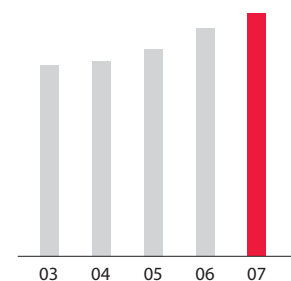
¥ -167.1 68.2 73.3 81.9 **81.2**



### Equity per share\*

**¥1,122.88**

¥ 884.6 902.3 959.1 1,053.4 **1,122.9**



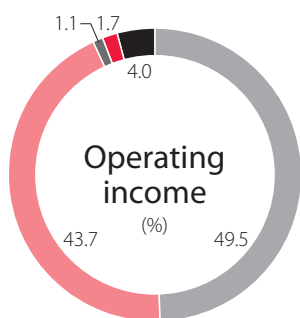
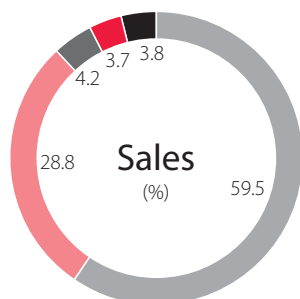
\* See note 2 in the Consolidated Financial Highlights on p.4.

# Business Outline

As of March 31, 2007

## Sales and operating income by business segment

- Residential Business
- Commercial Construction Business
- Resort Hotels and Sports Life Business
- Home Center Business
- Other Businesses

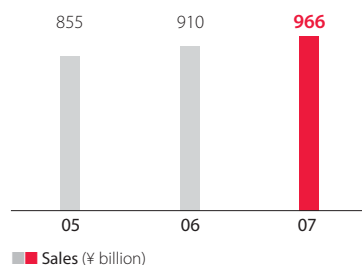


## Residential Business

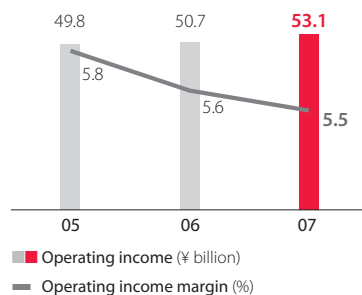


The Daiwa House Group continued to develop housing as its core business, a comprehensive range of enterprises related to residences, from construction and lot-subdivision for sale of single-family houses, condominiums, and rental housing, to renovations, real estate agency and property management operations. These businesses accounted for 59.5% of total sales on a consolidated basis for the period under review. Sales rose 6.2% from the previous fiscal year, to ¥965.9 billion. Operating income was ¥53.1 billion, a 4.7% increase. The ratio of operating income margin was 5.5%, a decrease of 0.1 percentage point.

### Sales



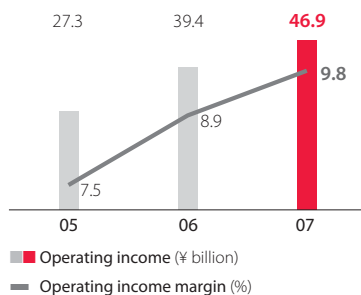
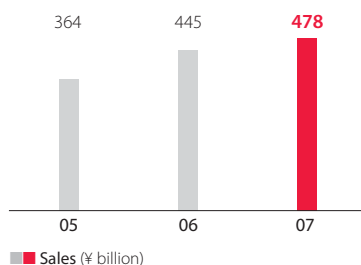
### Operating income/Operating income margin



## Commercial Construction Business



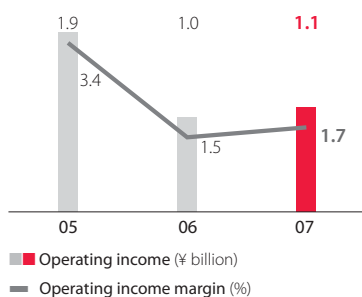
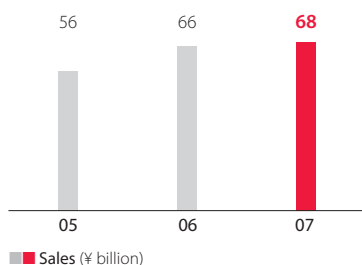
The Group's No. 2 leading business, Commercial Construction, is divided into two sub-divisions. One is the construction and management of commercial facilities such as retail outlets and shopping malls, and the other comprises the planning, design and construction of distribution, medical and nursing care and corporate facilities. Sales in this segment, which accounted for 28.8% of total sales, were ¥477.7 billion, up 7.3% from the previous fiscal year. Operating income jumped 19.0% to ¥46.9 billion. The ratio of operating income margin was 9.8%, an increase of 0.9 percentage point.



## Resort Hotels and Sports Life Business



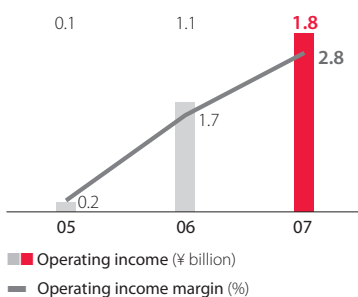
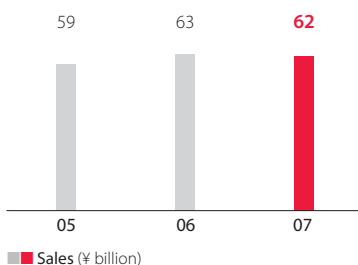
Through the operation of resort hotels, golf courses and sports facilities throughout Japan, we provide facilities for relaxation and the overall enjoyment of life. Sales in this segment, which accounted for 4.2% of Group sales, were ¥67.8 billion, up 1.9% from the previous fiscal year. Operating income was ¥1.1 billion, a 14.6% increase. The ratio of operating income margin was 1.7%, an increase of 0.2 percentage point.



## Home Center Business



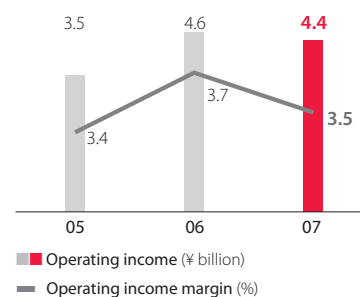
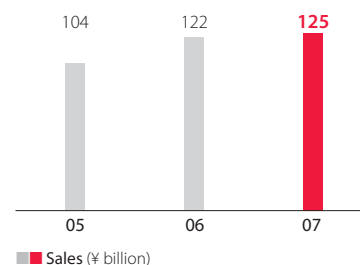
The Group operates home centers that carry an average of over 50,000 items. The centers are used by a wide spectrum of customers, from contractors and other professionals to general consumers. Sales in this segment, which accounted for 3.7% of Group sales, edged downward 1.6% to ¥62.2 billion. Operating income rose dramatically to ¥1.8 billion, an increase of 60.1%. The ratio of operating income margin was 2.8%, an increase of 1.1 percentage points.



## Other Businesses



Other businesses support people, communities and lifestyles through a wide range of activities in such fields as the manufacture and sale of housing construction materials, logistics and distribution, automobile leasing, business hotels, and others. These businesses accounted for 3.8% of total sales for the term. Sales in this segment were ¥124.6 billion, an increase of 2.2%. Operating income declined 4.1% to ¥4.4 billion. The ratio of operating income margin was 3.5%, a 0.2 percentage point decrease.



# Share Information

As of March 31, 2007

## Common stock

¥110,120 million  
(US\$933,220 thousand)

### Shares

|                        |               |
|------------------------|---------------|
| Authorized             | 1,900,000,000 |
| Issued                 | 599,921,851   |
| Number of shareholders | 34,481        |

### Term-end

March 31 every year

### Ordinary general meeting of shareholders

Held in Osaka by the end of June, which is within 3 months from the day following the balance sheet date for each year

### Administrator of shareholders' register

The Chuo Mitsui Trust and Banking Company, Limited  
3-33-1 Shiba, Minato-ku, Tokyo

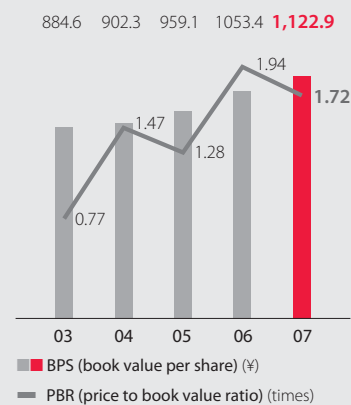
### Securities traded

Tokyo and Osaka stock exchanges

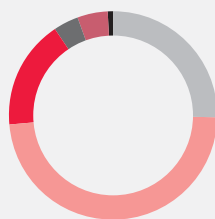
### Securities code

1925

### BPS and PBR



## Shareholdings by scale

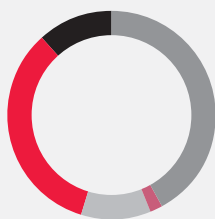


|                      | Shares      | %     |
|----------------------|-------------|-------|
| 10 million or more   | 152,565,807 | 25.43 |
| 1 million or more    | 290,624,526 | 48.44 |
| 100 thousand or more | 100,225,298 | 16.71 |
| 10 thousand or more  | 23,419,415  | 3.90  |
| 1 thousand or more   | 28,818,736  | 4.80  |
| Less than 1 thousand | 4,268,069   | 0.71  |

### Principal shareholders

|  | Thousands of shares | Equity stake (%) | Change YoY (point) |
|--|---------------------|------------------|--------------------|
| The Master Trust Bank of Japan, Ltd. (trust account) | 34,116              | 5.7              | (0.2)              |
| Japan Trustee Services Bank, Ltd. (trust account)    | 30,244              | 5.0              | (4.0)              |
| The Bank of Tokyo-Mitsubishi UFJ, Ltd.               | 15,470              | 2.6              | 0.2                |
| Nippon Life Insurance Company                        | 14,512              | 2.4              | 0.1                |
| Sumitomo Mitsui Banking Corporation                  | 12,117              | 2.0              | 0.2                |
| The Dai-ichi Mutual Life Insurance Company           | 11,501              | 1.9              | (0.1)              |
| Mizuho Corporate Bank, Ltd.                          | 11,261              | 1.9              | 0.2                |
| State Street Bank and Trust Company 505103           | 10,579              | 1.8              | 0.3                |
| The Chuo Mitsui Trust and Banking Company, Limited   | 9,521               | 1.6              | (0.1)              |
| Meiji Yasuda Life Insurance Company                  | 8,786               | 1.5              | (0.0)              |

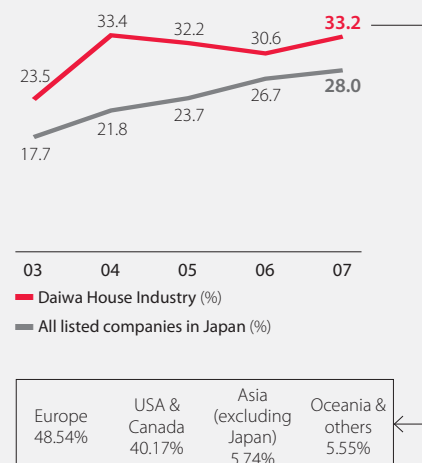
## Shareholdings by shareholders\*



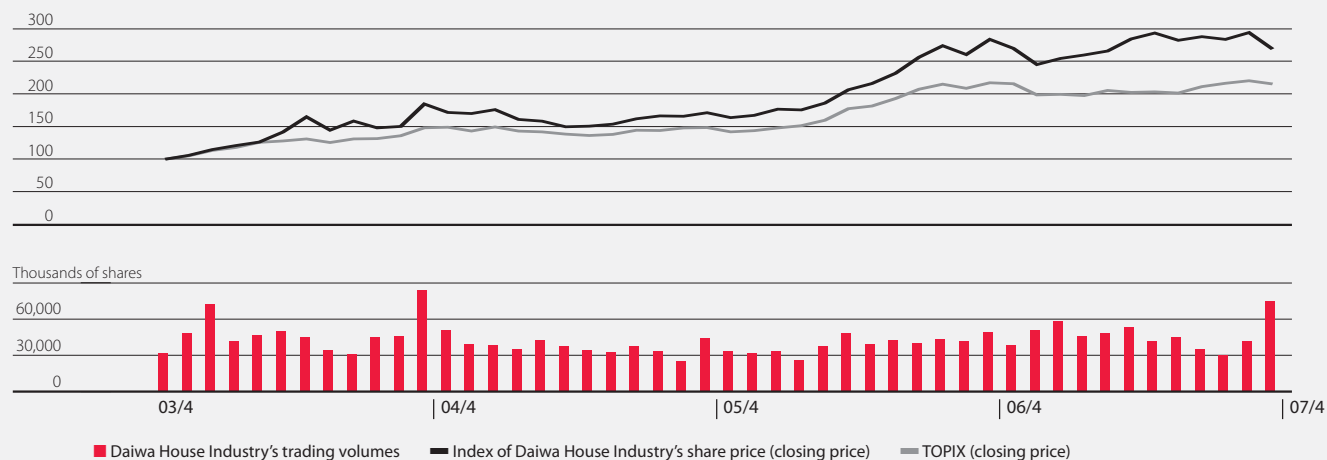
|                        |        |
|------------------------|--------|
| Financial institutions | 42.07% |
| Securities companies   | 1.87%  |
| Other corporations     | 10.95% |
| Foreign investors      | 33.50% |
| Individuals and others | 11.61% |

\* Numbers of shares excluded less than one unit are excluded.

## Foreign shareholdings



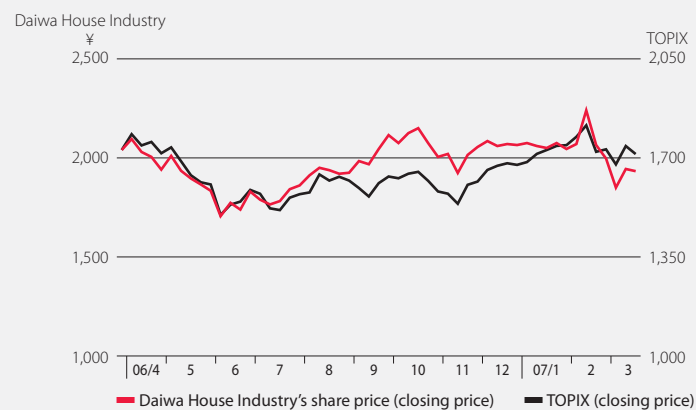
## Indices of Daiwa House Industry's share price and trading volumes on the Tokyo Stock Exchange (Base month: April 2003=100)



## Share prices and volumes

|                                       | 2004    | 2005    | 2006    | 2007    |
|---------------------------------------|---------|---------|---------|---------|
| Share price high (yen)                | 1,434   | 1,366   | 2,055   | 2,260   |
| Share price low (yen)                 | 670     | 1,060   | 1,141   | 1,601   |
| Share price at year-end (yen)         | 1,328   | 1,232   | 2,040   | 1,933   |
| Cumulative trading volume (thousands) | 575,059 | 450,348 | 467,867 | 564,518 |

## Share price movements in fiscal 2006



In fiscal 2006, the year ended March 31, 2007, continuing corporate accounting scandals and other bad news undermined trust in Japan's securities markets, and the Nikkei Stock Average hit a six-month low on June 13. Daiwa House Industry's share price hit a low of ¥1,601 on June 9, 2006, but bounced back to a record high of ¥2,260 on February 26, 2007 before the global slide in share prices at the end of February dragged the stock down to the ¥1,800 level. At the end of the fiscal year it rebounded again and ended the term 5.2% down year-on-year at ¥1,933.

During the 50 years since its founding, the Daiwa House Group has built up a strong track record in business involving a wide range of fields and a large number of people. This track record is a major asset underpinning our management. Looking ahead, we intend to leverage synergies among our Group companies and divisions to further develop this strength and pave the way for further ambitious expansion.

**1,250 thousand units**\*1

Units completed by the Residential Business

\*1 Total of single-family houses, rental apartment buildings and condominiums built by the Daiwa House Group. Figures for condominiums refer to the total of subdivisions.

**1 million households**\*2

Number of households that have moved into our homes

\*2 Total of customers living in single-family houses, rental apartment buildings and condominiums built by the Daiwa House Group.

**30 thousand facilities**\*3

Number of structures completed by the Commercial Construction Business

\*3 Total of commercial facilities, medical and nursing care facilities, and distribution facilities completed by the Daiwa House Group.

**140 facilities**\*4

Number of facilities operated by the Daiwa House Group

\*4 Total of resort hotels, golf courses, city-type hotels, home centers and fitness clubs operated by the Daiwa House Group.

**4.3 million guests**

Annual total of guests at our resort hotels

As of March 31, 2007



**Daiwa House**®  
Group



# Group Business Structure

As of September 1, 2007

Group companies and equity stake held by the parent company.  
Figures in parentheses are equity stake held by the Group as a whole.

|   |   |  |   |   |
|---|---|--|---|---|
| Residential Business                        | Daiwa House Industry Co., Ltd.            | Daiwa Lease Co., Ltd.                                  | Daiwa Living Co., Ltd.  | Daiwa Service Co., Ltd.                             |
|   | 100%                                      | 100%   | 100%  | 50% (100%)  |
|   | Nihon Jyutaku Ryutu Co., Ltd.             | Daiwa House Kitanihon Co., Ltd.                        | Daiwa House Kanto Co., Ltd.                                       | Daiwa House Hokushinetsu Co., Ltd.                  |
|   | 100%                                      | 100%   | 100%  | 100%  |
|   | Daiwa House Chubu Co., Ltd.               | Daiwa House Kansai Co., Ltd.                           | Daiwa House Chushikoku Co., Ltd.                                  | Daiwa House Kyushu Co., Ltd.                        |
| 100%  | 100%                                      | 100%   | 100%  |   |
| Daiwa House Renew Co., Ltd.                 | Daiwa Estate Co., Ltd.                    | Daiwa Monthly Co., Ltd.                                | Synchroller Co., Ltd.   |   |
| 100%  | Daiwa Living Co., Ltd. 100%               | 100%   | 100%  |   |
| Tianjin Jiuhe International Villa Co., Ltd. | Shanghai Happy House Decoration Co., Ltd. | Daiwa House (Suzhou) Real Estate Development Co., Ltd. |   |   |
| 90%   | 75% (96.1%)                               | 100%   |   |   |
| Commercial Construction Business            | Daiwa House Industry Co., Ltd.            | Daiwa Lease Co., Ltd.                                  | Daiwa Information Service Co., Ltd.                               | Daiwa Royal Co., Ltd.                               |
|   |   | 100%   | 100%  | 100%  |
| Higashi-Fuji Co., Ltd.                      | LOC Development Co., Ltd.                 |  |   |   |
| 75%   | 50%                                       |  |   |   |
| Resort Hotels and Sports Life Business      | Daiwa House Industry Co., Ltd.            | Daiwa Resort Co., Ltd. (Daiwa Royal Hotels)            | Daiwa Royal Golf Co., Ltd.  | Nippon Athletic Service Co., Ltd. (Sports Club NAS) |
|   |   | 100%   | 100%  | 99.6%   |
| Home Center Business                        | Royal Home Center Co., Ltd.               |  |   |   |
|   | 100%                                      |  |   |   |
| Other Businesses                            | Daiwa House Industry Co., Ltd.            | Daiwa Lease Co., Ltd.                                  | Daiwa Rakuda Industry Co., Ltd.                                   | Daiwa Logistics Co., Ltd.                           |
|   |   | 100%   | 100%  | 100%  |
|   | Daiwa Service Co., Ltd.                   | Daiwa Royal Co., Ltd.                                  | Daiwa Energy Co., Ltd.  | Jukeikai Co., Ltd. (Neo Summit Yugawara)            |
|   | 50% (100%)                                | 100%   | 100%  | 100%  |
| Osaka Marubiru Co., Ltd.                    | Daiwa House REIT Management Co., Ltd.     | Daiwa House Financial Co., Ltd.                        | Daiwa House Insurance Co., Ltd.                                   |   |
| 93.5%                                       | 100%                                      | 60%  | 100%  |   |
| Shinwa Agency Co., Ltd.                     | Media Tech Inc.                           | Eneserve Corporation                                   | DH (Dalian) Administrative Management Consulting Center Co., Ltd. |   |
| 100%  | 100%                                      | 50.3%  | 100%  |   |

# Endless Heart Companies

As of September 1, 2007



**Daiwa House**<sup>®</sup>  
Daiwa House Group

Daiwa House Industry Co., Ltd.

Housing/Commercial facilities/  
Urban development, etc.



**Daiwa Lease**<sup>®</sup>  
Daiwa House Group

Daiwa Lease Co., Ltd.

Building & vehicle leasing/  
Land utilization



**Daiwa Rakuda**<sup>®</sup>  
Daiwa House Group

Daiwa Rakuda Industry Co., Ltd.

Housing equipment/  
Layout for offices and stores/Rental



**Daiwa Living**<sup>®</sup>  
Daiwa House Group

Daiwa Living Co., Ltd.

Management/  
Operation of rental housing



**Daiwa Service**<sup>®</sup>  
Daiwa House Group

Daiwa Service Co., Ltd.

Management of buildings &  
condominiums/Manpower dispatching/  
Moving services



**Daiwa Info.Service**<sup>™</sup>  
Daiwa House Group

Daiwa Information Service  
Co., Ltd.

Land utilization/Maintenance &  
operation of commercial facilities



**Daiwa Royal**<sup>®</sup>  
Daiwa House Group

Daiwa Royal Co., Ltd.

Rental of commercial facilities/  
Daiwa Roynet Hotels



**Daiwa Renew**<sup>®</sup>  
Daiwa House Group

Daiwa House Renew Co., Ltd.

Renovation work/  
Manpower dispatching



**Daiwa Energy**<sup>®</sup>  
Daiwa House Group

Daiwa Energy Co., Ltd.

ESCO business/  
Environmental equipment/  
Facility installation



**Daiwa Monthly**<sup>™</sup>  
Daiwa House Group

Daiwa Monthly Co., Ltd.

Real estate rental & management



**Daiwa REIT**<sup>™</sup>  
Daiwa House Group

Daiwa House REIT Management  
Co., Ltd.

Asset management



**Daiwa Insurance**<sup>™</sup>  
Daiwa House Group

Daiwa House Insurance Co., Ltd.

Non-life insurance agency



**Daiwa Logistics**™  
Daiwa House Group

Daiwa Logistics Co., Ltd.

Transportation/  
Warehouse & storage



**Nihon Jyutaku Ryutu**®  
Daiwa House Group

Nihon Jyutaku Ryutu Co., Ltd.

Real estate agency &  
property management services/  
Appraisals/Renovation work



**Daiwa Estate**®  
Daiwa House Group

Daiwa Estate Co., Ltd.

Real estate agency



**Daiwa House**™  
大和房屋集團

DH (Dalian) Administrative  
Management Consulting  
Center Co., Ltd.

Provision of outsourced  
administrative work

**ロイヤルホームセンター**

Daiwa House Group®

Royal Home Center Co., Ltd.

DIY/Gardening/Interior items

**ダイワロイヤルゴルフ**

Daiwa House Group®

Daiwa Royal Golf Co., Ltd.

Golf course operation

**大阪マルビル**

Daiwa House Group®

Osaka Marubiru Co., Ltd.

Management of hotels,  
rental premises & parking lot

**大和ハウスフィナンシャル**

Daiwa House Group®

Daiwa House Financial Co., Ltd.

Credit card business

**伸和エージェンシー**

Daiwa House Group®

Shinwa Agency Co., Ltd.

Advertising & travel agency

**eneServe**

Daiwa House Group®

Eneserve Corporation

Comprehensive energy services



**DAIWA ROYAL HOTELS**

Daiwa House Group®

Daiwa Resort Co., Ltd.

(Daiwa Royal Hotels)

Resort hotels

介護付有料老人ホーム



Daiwa House Group®

Jukeikai Co., Ltd.

(Neo Summit Yugawara)

Operator of homes for the aged

余暇の創造を提案します

**スポーツクラブNAS**

Daiwa House Group®

Nippon Athletic Service Co., Ltd.

(Sports Club NAS)

Fitness clubs

**シンクロラー**

Daiwa House Group®

Synchroller Co., Ltd.

Manufacture of housing parts & materials



**MEDIA TECH INC.**

Daiwa House Group®

Media Tech Inc.

Data systems/Data services

**東富士**

Daiwa House Group®

Higashi-Fuji Co., Ltd.

Real estate development/  
Sale of commercial real estate



Japan's birthrate in 2006

# 1.32

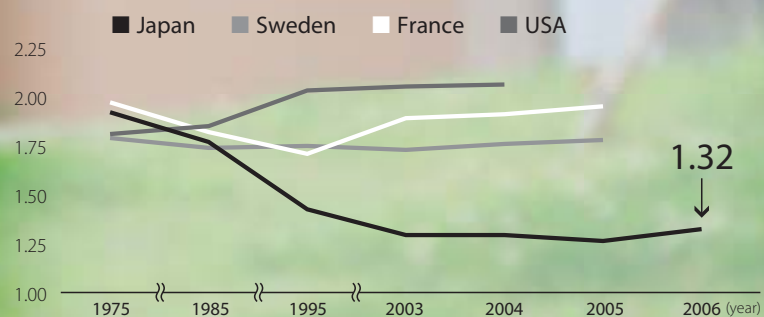
## Enduring dreams

Protecting our future through contributions to society and living environments



In Japan, the population is declining, and the average birthrate has fallen to 1.32. Despite this, children today are the same as ever: facing the future head-on and cherishing their dreams, they grow up big and strong. This child hopes to become a professional baseball player, while that one wants to run a cake shop. Even though the age composition of the population in Japan is changing, the purity of these dreams remains unchanged. The dream of the Daiwa House Group is to create a comfortable lifestyle for children and the adults who raise them, and to contribute to the communities in which they are raised. We are working to create a society and an environment that will continue protecting the future of coming generations: this is our heartfelt mission.

Birth rates in four industrialized nations

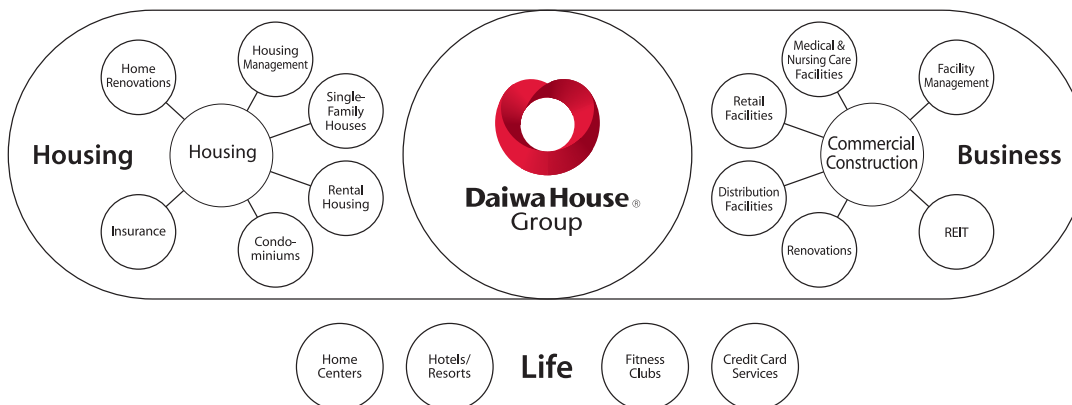


# Our Management

With its commitment to co-creating value for individuals, communities and people's lifestyles, the Daiwa House Group's activities span three domains: Housing (general homebuilding), Business (retail stores, distribution, medical/nursing care and other commercial facilities) and Life (wide-ranging support for daily lifestyles). By working with the customer to create new value, while developing a broad and rich array of businesses, we are helping to build the Japan of the future.



The Daiwa House Group —  
working to co-create value for individuals, communities and people's lifestyles



# Bring on the Future







**Daiwa House Industry Co., Ltd.**

**Takeo Higuchi** (middle)  
Chairman and CEO

**Kenji Murakami** (right)  
President and COO

**Tetsuji Ogawa** (left)  
Executive Vice President and CFO

## Message from the CEO



Takeo Higuchi

# Cultivating Japan's Future

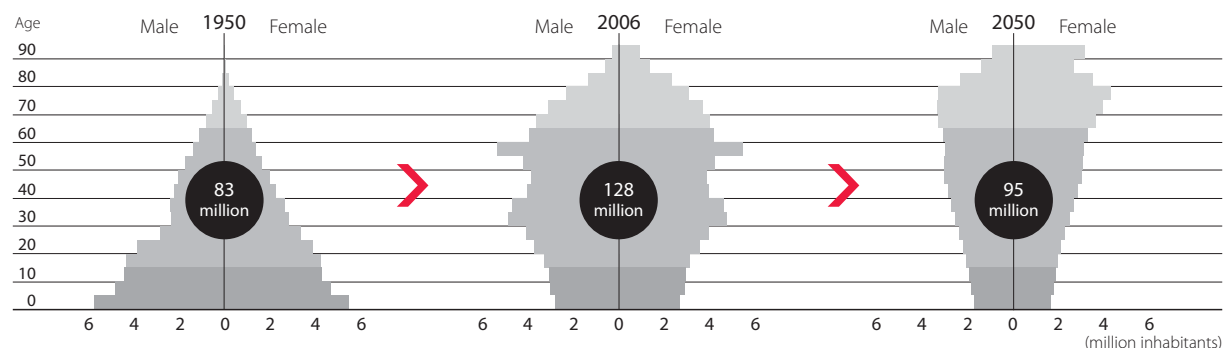
## A new society needs new values

The Daiwa House Group's symbol, the "Endless Heart," represents a big heart that embodies courage and passion and signifies a new future opening up for Japanese society. The "Endless Heart" also symbolizes the Daiwa House Group's spirit of value co-creation to realize our dreams of a prosperous tomorrow together with society, together with our customers, connecting our hearts and deepening our ties.

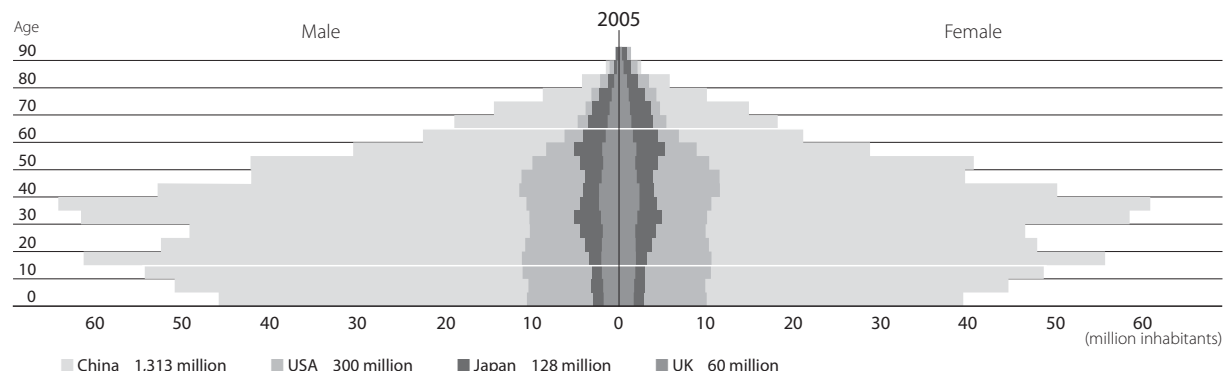
After achieving economic development to the point where it has long been one of the world's advanced industrialized nations, Japan is now a mature society. From 2005 the Japanese population began falling. According to an analysis by the OECD (Organisation for Economic Co-operation and Development), the decline in the working population – those aged between 15 and 64 – is occurring faster than in any other industrialized country. At the same time, in the face of economic globalization, the rise of the massive Chinese market, and worldwide environmental and energy problems, Japanese society is approaching a major turning point. We must now take another look at the value systems we have held up to the present and generate a new society with new values.

We at the Daiwa House Group, in the spirit of co-creating a brighter future, wish to take on the challenge of reforming old value systems and opening paths to create new values, thereby cultivating the future of Japanese society.

Changes in Japan's population by age

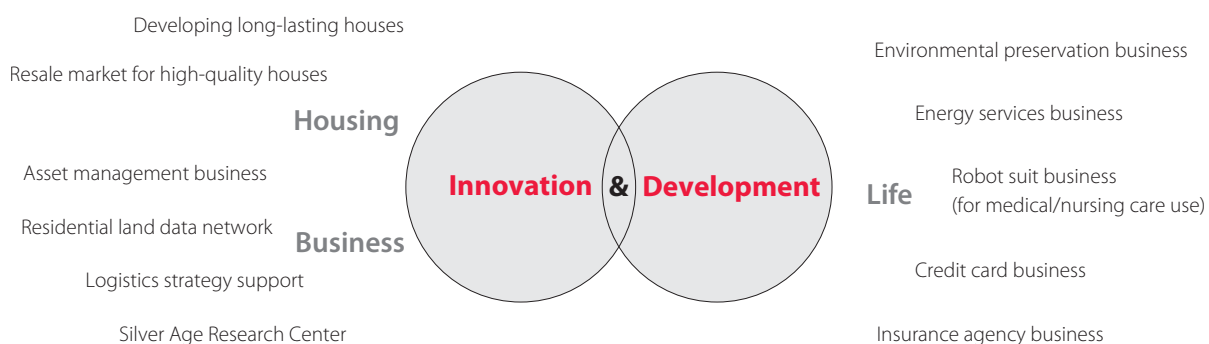


World population by age



# Responding to Change with “Innovation” and “Development”

Since the time of our foundation, we have developed prefabricated housing based on the concept of the industrialization of construction. We have consistently added new value in the Japanese housing industry in a pioneering spirit. This concept of co-creating a brighter future, in our ties to society through the construction business and to people through lifestyle services, is the source of the Daiwa House Group’s strength as we consistently discern the changes of the times and continue to make reforms and pioneer advancements. The Daiwa House Group is committed to working to co-create value for individuals, communities and people’s lifestyles. To achieve this goal, we operate a diverse range of businesses across the three main domains: Housing, Business, and Life.



## Existing businesses: creating an even sounder business base through constant reform

Our mission in the Housing arena is to add new value to Japanese housing from a global perspective. The Basic Housing Act was enacted in 2006, a measure designed to shift the nation’s housing policy from quantity to quality. To create a good stock-oriented society, we aim to provide houses that can endure 100 years. For that purpose, we are developing a number of technologies and features, including vibration-damping, earthquake-absorbing and earthquake-resistant technologies, environmental load reduction, and harmony with the streetscape. It is said that the market value of typical Japanese wooden houses falls to almost zero 20 years after construction. To extend the life of a house, we need to develop a quality housing resale market.

Our reforms in the Business arena involve knowing the land, knowing the communities and knowing the people. This mission is possible because we are the Daiwa House Group. We support our clients’ business through quality asset management services for landowners based on the needs of local communities, and a nationwide land information network that has earned their trust. In addition, we are generating new value through our strong consulting capabilities in adding sophistication and specialization to businesses, by offering logistics solutions to support corporate logistics strategies, contemplating the lifestyles of the elderly at the Silver Age Research Center, and other means. In fiscal 2006 we united our Group strengths to develop projects for real estate investment trusts with the aim of generating new compound value.

## Generating new businesses that tap societal needs

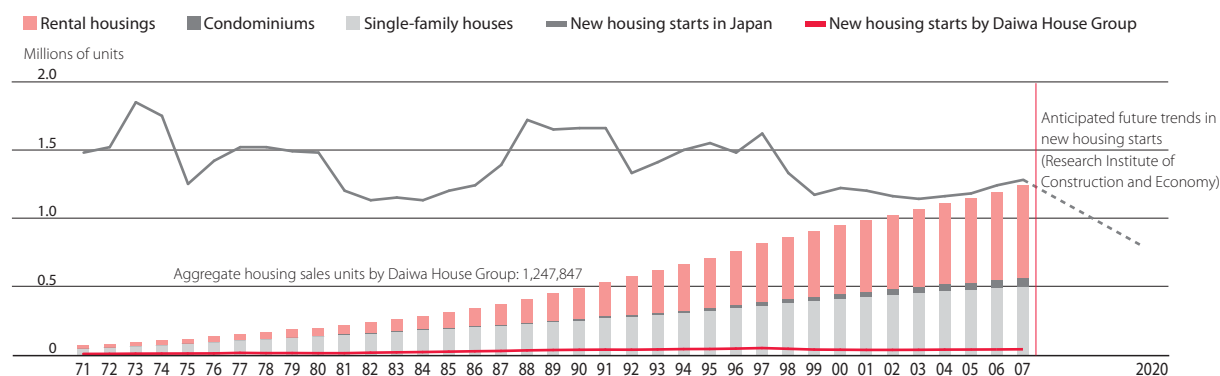
Our developments in major “Life” arena are not only important themes in our Group’s future growth strategy, but are highly significant as a means of opening the door to Japan’s future. Among these developments, Japan must take the lead in implementing measures to counter environmental issues, starting with the Kyoto Protocol. In fiscal 2006, we made additional investments in ELIY Power to develop the lithium ion battery business for houses and large facilities. In addition, Eneserve, which does business in the general energy service industry, including electric power facility management and retail sale of electric power, has newly joined the Group. First, we intend to solidify our foundation by supplying efficient energy to Group facilities, then broadly extend this business to Japanese society.

In addition, orienting ourselves to the inherent nature of an aging society, we have begun implementing new initiatives. Aiming to develop the robotic suit business, we signed an agreement for a business alliance with CYBERDYNE Inc. The robotic suit “HAL” can assist the elderly and physically disabled to lead independent lives at home and at medical and nursing care facilities. Commercializing HAL and popularizing its use will lead to new societal contributions.

We have also established two companies to support our Group customers’ lifestyles, Daiwa House Financial, a credit card business, and Daiwa House Insurance, an insurance agency.

From here onward, we intend to actively develop our growth strategy in order to further solidify our Group management foundation, concentrating our efforts on recruiting human resources from a wide range of fields and furthering R&D collaboration with business communities, academia, governmental bodies, and medical universities and research institutes.

### Total housing starts and Daiwa House Group aggregate sales





## Main Improvements and Group Management Structure

|                    | Up to FY2005  | FY2006 and after  |
|--------------------|---|---|
| Management         | <ul style="list-style-type: none"> <li>• Formulation of new management vision and new symbol named “Endless Heart”</li> <li>• Drafting of First Medium-Term Management Plan “Challenge 2005”</li> <li>• Drafting of environmental vision, “Environment Action Plan 2005”</li> <li>• Development of the Code of Ethics and Behavioral Guidelines of the Daiwa House Group</li> <li>• Abolishing of retirement benefits for directors</li> <li>• Introduction of a branch manager “volunteering” (in-house recruitment) system, a free agent (FA) system, and a workplace selection program</li> </ul>  | <ul style="list-style-type: none"> <li>• Corporate ethics helpline set up in CSR Promotion Office</li> <li>• Basic policies announced on creation of internal control system</li> <li>• Internal Audit Office established</li> <li>• Executive officer system adopted to strengthen the supervisory function of the Company’s directors</li> <li>• New career path programs with a wider selection of specialist posts adopted</li> </ul>   |
| Operations         | <ul style="list-style-type: none"> <li>• Strengthening consulting functions in commercial construction; promotion of development of complex-type and large-scale commercial facilities; strengthening investment in real-estate development</li> <li>• Introduction of condominium asset valuation system, D’s Bridge</li> <li>• Meeting standards in the Revised Building Standards Law to prevent sick-building syndrome</li> <li>• Making Osaka Marubiru a consolidated subsidiary</li> <li>• Making Nippon Athletic Service a consolidated subsidiary</li> <li>• Launch of sales of “Wind-Blown Whale” 10kW wind power generation facilities</li> <li>• Partnership with Baoye Group Co., Ltd. for joint technical development of industrialized housing</li> </ul> | <ul style="list-style-type: none"> <li>• Daiwa House Industry enforced a management integration with Daiwa Koshu Lease (name changed to Daiwa Lease in April 2007), Daiwa Rakuda Industry, and Daiwa Logistics (The three companies have become fully integrated through share exchange transactions)</li> <li>• Achievement of zero-emissions at new-build housing sites</li> <li>• Construction commenced on condominium building in Dalian, China</li> <li>• Nine wind-powered electricity generators erected in Ehime Prefecture as part of the Company’s renewable energy utilization initiative</li> <li>• Development work commenced on the Fuji Gotemba Industrial Park in Shizuoka Prefecture, the Company’s first development of this kind</li> <li>• Resort hotel business spun off</li> <li>• Daiwa House Financial (a credit card company) established</li> <li>• Daiwa House Insurance (a non-life insurance agency) established</li> <li>• Capital participation made in ELIY Power (a lithium ion battery manufacturer)</li> <li>• Signed an agreement for a business alliance concluded with CYBERDYNE Inc. (robot suit business)</li> </ul> |
| Financial position | <ul style="list-style-type: none"> <li>• Plans for total investment of ¥150 billion mainly in real-estate development and M&amp;As over the three years from fiscal 2005</li> <li>• Emphasis on cash flow management</li> </ul>   | <ul style="list-style-type: none"> <li>• Increases both in revenues and earnings for the fourth consecutive year; posting of record sales, operating income, and net income on a consolidated basis</li> <li>• As a result of the change into wholly owned subsidiaries of the three listed companies mentioned above in the Operations section, the Company’s capital surplus increased ¥80.7 billion year-on-year, while the amounts posted under minority interests declined ¥72.5 billion</li> </ul>  |

## Together with Society, Onward into the Future

Future Japanese society must face many issues. Yet at the same time, our endeavors are providing clues to solutions to these societal issues. The late founder of the Daiwa House Group, Nobuo Ishibashi, pioneered industrial construction with the Pipe House, which he conceived after seeing the destruction ravaged on Japanese wooden houses by a typhoon. This kind of inspiration is our starting point, and the series of endeavors that followed are what make the Daiwa House Group the vibrant enterprise it is today. The spirit of challenge is intrinsic in the DNA of the Daiwa House Group, and is the source of our strength.

As Japanese society has come to a crossroads, now is the time to rebuild the dreams of individuals and take on the daunting challenge of making these dreams come true. This will create the momentum to shape the future to come. To continue our growth over the next 50 years, we will maintain and enhance more than before the cultivation of people through our businesses and the building of sincere relationships with all of our stakeholders, so that the Daiwa House Group's symbol, the "Endless Heart," may always shine brightly for us.

Fiscal 2007 represents an important juncture for the new challenges the Daiwa House Group undertook in 2005. We have already begun to take steps forward from this point, looking toward the new future on the horizon. Why not share with us your dreams for the future?

Takeo Higuchi  
*Chairman and CEO*



## Message from the COO



Kenji Murakami

# Realizing a Group that Co-Creates Value for Individuals, Communities and People's Lifestyles

## Developing a new multi-business enterprise through implementation of our First Medium-Term Management Plan, "Challenge 2005"

To realize the Daiwa House Group as a group that co-creates value for individuals, communities and people's lifestyles, we devised our three-year First Medium-Term Management Plan, "Challenge 2005," which began with our launch of a new Group management structure in fiscal 2005. Challenge 2005 specified three basic strategies: 1) Growth strategies that encompass comprehensive portfolio management, 2) Efficiency boosting strategies that correct redundancies and dispersion in procurement, production and distribution, and 3) Strategies for strengthening our management base by ensuring strategic functions and appropriate governance. In the reporting term, the second year of the plan, we had sales of ¥1,618.5 billion, recurring profit of ¥89.4 billion, and ROE of 7.5 percent.

In fiscal 2006, in pursuit of Group synergy we strengthened the management integration between three listed Group companies and Daiwa House Industry, and established Daiwa House Financial and Daiwa House Insurance. Additionally, active investment to strategically achieve growth was undertaken through capital participation in ELIY Power. We also signed an agreement for a business alliance with CYBERDYNE Inc.

We have set targets of ¥1,700 billion in sales, ¥100 billion in recurring profit, and ROE of 9% on a consolidated basis for fiscal 2007, the plan's final year. As signified by our management symbol, the "Endless Heart," the Group intends to achieve further lasting growth amid new market conditions, uniting our efforts to reach our growth targets.

### Performance Indicators and Targets

(Consolidated)

| Results          | FY2004           | FY2005           | FY2006           | Target FY2007  |
|------------------|------------------|------------------|------------------|----------------|
| Sales            | ¥1,365.9 billion | ¥1,529.0 billion | ¥1,618.5 billion | ¥1,700 billion |
| Recurring profit | ¥74.2 billion    | ¥103.1 billion   | ¥89.4 billion    | ¥100 billion   |
| ROE              | 7.9%             | 8.2%             | 7.5%             | 9.0%           |

### First Medium-Term Management Plan "Challenge 2005"

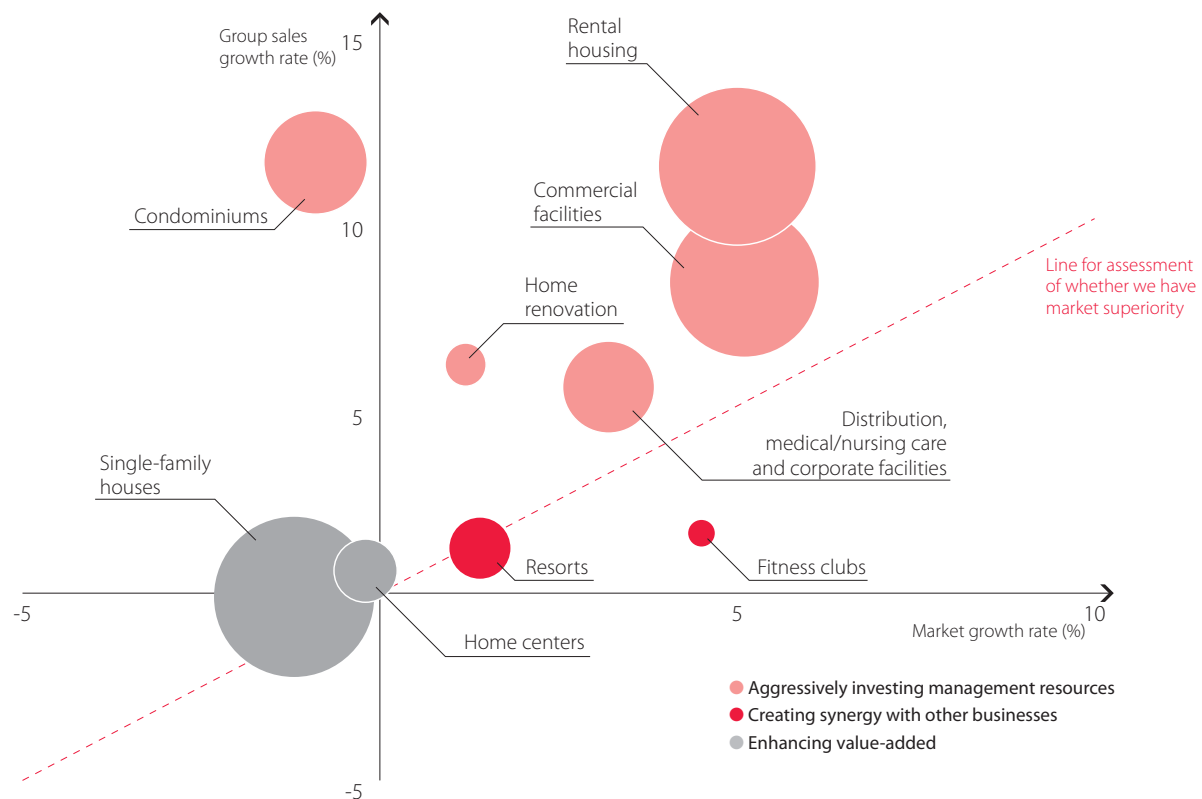
|                                       | Growth strategies  | Efficiency boosting strategies   | Strategies for strengthening our management base  |
|---------------------------------------|--|--|---|
| <b>Basic Strategies</b>               | <ol style="list-style-type: none"> <li>1. Comprehensive portfolio management</li> <li>2. Strengthen group ties in business segments</li> <li>3. Develop core technologies</li> <li>4. Actively invest in future growth</li> </ol>  | <ol style="list-style-type: none"> <li>5. Strengthen the procurement system</li> <li>6. Review the production system</li> <li>7. Rebuild the distribution system</li> </ol>  | <ol style="list-style-type: none"> <li>8. Secure and train personnel</li> <li>9. Strengthen planning functions of management and management systems</li> </ol>  |
|                                       | <b>Management Integration</b>  |  |   |
| <b>Principal Measures Implemented</b> | <ul style="list-style-type: none"> <li>Expanded real estate investments</li> <li>Reinforced real estate investment operations</li> <li>Daiwa House REIT Management established</li> <li>Daiwa Monthly established</li> <li>Daiwa House Financial established</li> <li>Investment in ELIY Power</li> <li>Signed an agreement for a business alliance with CYBERDYNE Inc.</li> <li>Investment in Eneserve</li> </ul> | <ul style="list-style-type: none"> <li>Expanded use of shared transportation system by Group companies</li> <li>Promoted effective utilization of idle production facilities by Group companies</li> <li>Promoted Group-wide cost management system (for housing)</li> <li>Created cash management system</li> </ul> | <ul style="list-style-type: none"> <li>Set up Internal Audit Office; increased staff engaged in auditing work</li> <li>Started project for the establishment of internal control system pursuant to J-SOX legislation</li> <li>Established Daiwa House Insurance</li> <li>Adopted of Group Management Regulations</li> <li>Conducted training course for Daiwa House's next-generation leaders</li> </ul> |

# A New Challenge for a “Group that Co-Creates Value”

## Individual portfolio management to develop respective business strengths

The Daiwa House Group develops its business operations with the Group-wide goal of co-creating value for individuals, communities and people’s lifestyles, including supporting housing by constructing single-family homes, condominiums and rental apartment buildings, supporting other companies by constructing commercial facilities and supporting lifestyles by managing resort hotels and other means. Our Group has two major advantages to achieve growth as a multi-business enterprise that co-creates value. The first advantage is that the Group as a whole can offer value to individual customers throughout their entire life through our wide range of businesses. This can create value from the customer’s perspective and is one of our sources of growth. The other advantage is that the variety of business ensures management stability. Since the risks that accompany market changes are diversified, we can continue to achieve steady growth without being impacted by business cycles. We will therefore promote comprehensive portfolio management, where we distribute management resources based on the marketability and strategy of each segment. Please take a look at the business portfolio chart below.

Daiwa House Group business portfolio (as of end of FY2006)





We are actively investing management resources in the construction of commercial, distribution, medical/nursing care and corporate facilities, rental housing, and condominiums, and the home renovation businesses, all of which are expected to see market growth. Based on our strengths in consulting capabilities and detailed real estate information, we are developing operational support and real estate development, including solutions proposals, for the commercial construction business.

Regarding operations of resort hotels and golf club facilities, we sold the trade rights of the resort hotel business to Daiwa Resort, which had previously engaged in these operations under an outsourcing arrangement. Additionally, we established Daiwa Royal Golf to engage in golf club operations. In this way, we have strengthened our business foundations in these fields. In our NAS sports club operations, we aim to achieve greater synergy by opening NAS facilities within buildings already constructed by the Daiwa House Group.

We are seeking increased profitability in the home center business in a severe mature market, by boosting the efficiency of operations and merchandising as well as meeting local needs and location conditions.

In our Group's core residential business, we have actively expanded sales by positioning our new brand **xevo** as our flagship single-family housing product. **xevo** enables lower lifecycle costs in post-construction maintenance and repairs as well as improved levels of energy savings and durability. We are adding five new major products to the **xevo** brand in fiscal 2007 (three steel-frame products, two wooden-structure products), aiming to further strengthen the brand and improve management efficiency.

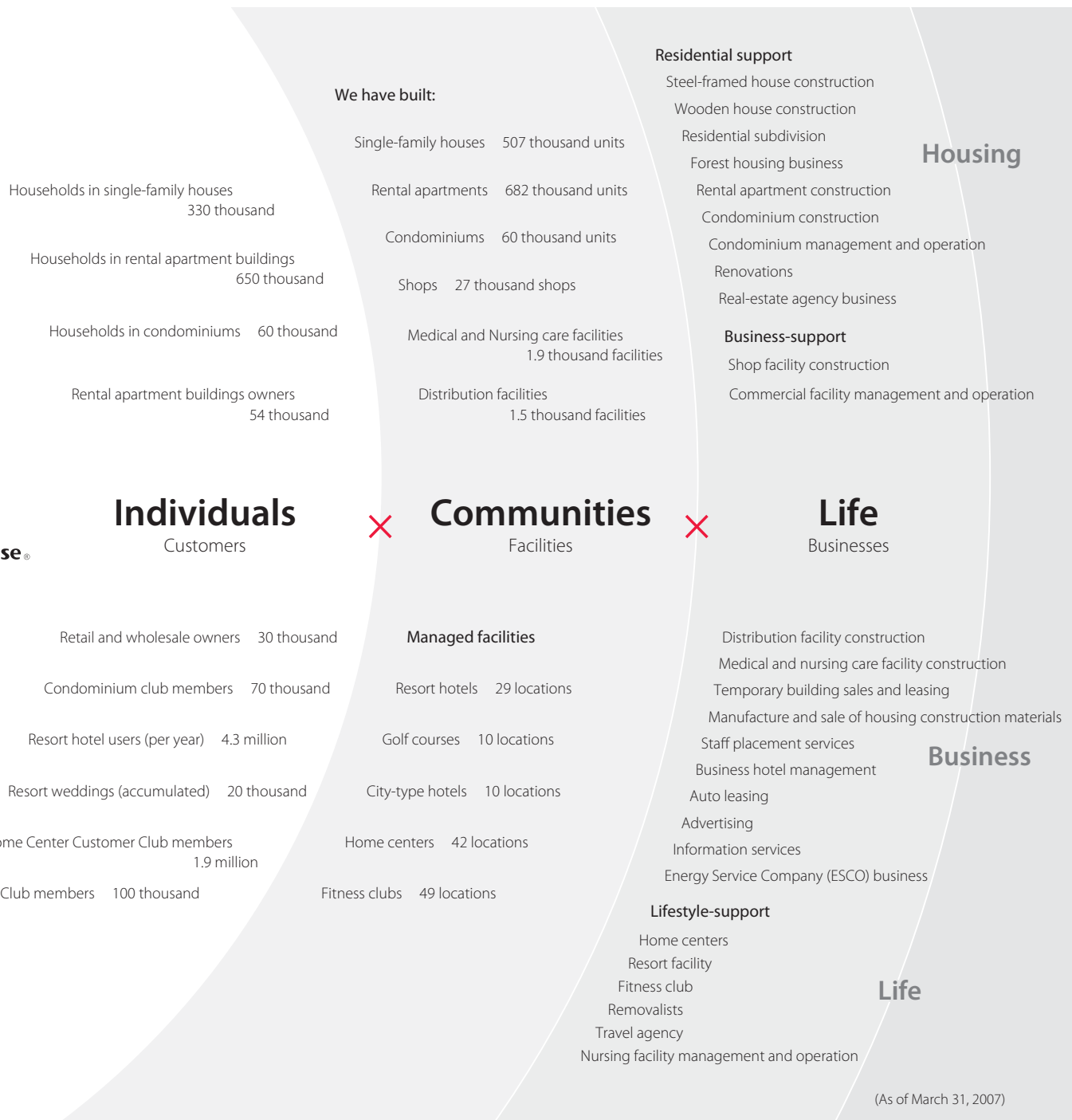
We have begun operation of a new business in the credit card-based retail finance sector, newly establishing Daiwa House Financial with Credit Saison Co., Ltd., and offering the Daiwa Saison Card.

We are also active in overseas operations. During the term, we commenced construction of condominiums in Dalian — the first time for a Japanese company — and opened an overseas office in Hanoi.

#### Sales/sales growth rate/market growth rate by business segment

| Segment   | FY2006<br>Sales (¥ billion) | Group sales growth rate<br>[FY2004-FY2006] | Market growth rate*1<br>[FY2004-FY2006] |
|---|-----------------------------|--|---|
| Single-family houses  | 389.1                       | (0.1%)                                     | (1.2%)                                  |
| Condominiums  | 162.6                       | 11.5%                                      | (0.9%)                                  |
| Rental housing  | 381.4                       | 11.4%                                      | 5.0%                                    |
| Home renovation   | 28.3                        | 6.1%                                       | 1.2%                                    |
| Commercial facilities                                       | 336.8                       | 8.3%                                       | 5.1%                                    |
| Distribution, medical/nursing care and corporate facilities | 129.5                       | 5.5%                                       | 3.2%                                    |
| Resorts   | 57.2                        | 1.2%                                       | 1.4%                                    |
| Fitness club  | 10.6                        | 1.6%                                       | 4.5%                                    |
| Home centers  | 60.6                        | 0.6%                                       | (0.2%)                                  |
| Others  | 62.3                        |  |   |
| Total   | 1,618.5                     |  |   |

## Image of Daiwa House Group customer assets



## Helping People Grow, Building “Endless Heart” Dreams

Holding an ambitious dream and trying hard to achieve it is the starting point for the Group. I call on each of the 35,000 people working for our Group to find their individual dream. Dreams stimulate people to achieve growth. I believe that making individual dreams come true, together with friends and together with society, is the greatest possible experience in cultivating people. You cannot make a dream come true if you fear failure. Daiwa House Industry is enhancing programs and the working environment to support individual employees, through such initiatives as implementing the branch manager in-house recruitment system, commencing a specialized human resources development program, and further improving our in-house entrepreneur system and in-house recruiting system.

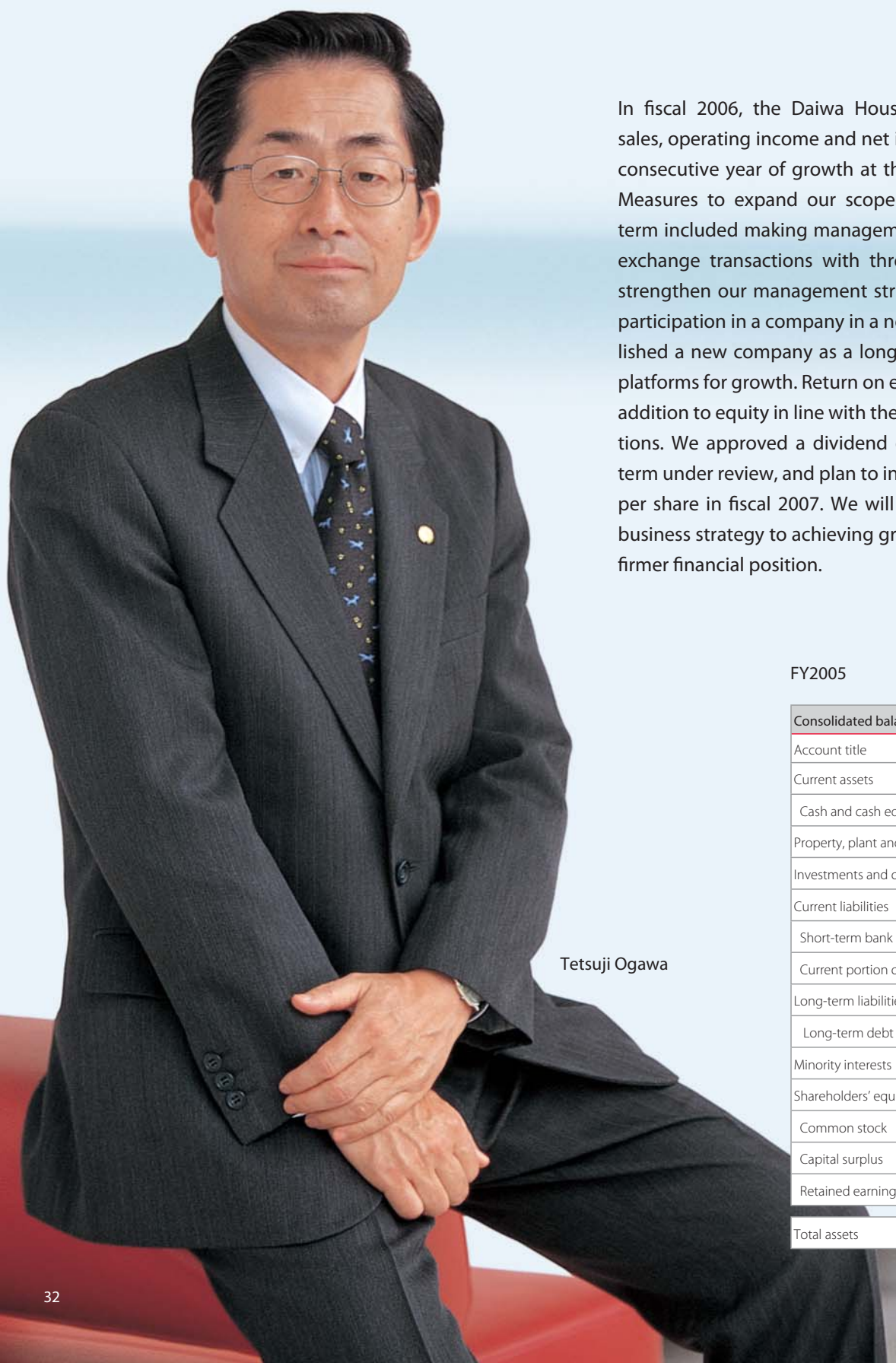
We must be a group that constantly receives the empathy of our stakeholders as well as their expectations. Representing Daiwa House Industry, I will exercise sound and transparent leadership, make compliance with corporate governance my responsibility, and bolster enterprise value through the concerted efforts of all executives and employees.

We at the Daiwa House Group will continue to walk hand-in-hand with our stakeholders and society, to cultivate people and pursue our “Endless Heart” dreams.

Kenji Murakami  
*President and COO*



## Message from the CFO



Tetsuji Ogawa

In fiscal 2006, the Daiwa House Group posted record sales, operating income and net income. It was the fourth consecutive year of growth at the top and bottom lines. Measures to expand our scope of business during the term included making management integration by share exchange transactions with three Group companies to strengthen our management structure, as well as capital participation in a company in a new sector. We also established a new company as a long-term measure to create platforms for growth. Return on equity fell 7.5%, reflecting addition to equity in line with the share exchange transactions. We approved a dividend of ¥20 per share for the term under review, and plan to increase the payout to ¥24 per share in fiscal 2007. We will continue to gear Group business strategy to achieving greater transparency and a firmer financial position.

### FY2005

| Consolidated balance sheets       | Millions of yen |
|-----------------------------------|-----------------|
| Account title                     |                 |
| Current assets                    | 620,019         |
| Cash and cash equivalents         | 123,822         |
| Property, plant and equipment     | 505,471         |
| Investments and other assets      | 349,707         |
| Current liabilities               | 427,369         |
| Short-term bank loans             | 6,183           |
| Current portion of long-term debt | 2,928           |
| Long-term liabilities             | 396,638         |
| Long-term debt                    | 13,528          |
| Minority interests                | 74,656          |
| Shareholders' equity              | 576,534         |
| Common stock                      | 110,120         |
| Capital surplus                   | 148,019         |
| Retained earnings                 | 355,495         |
| Total assets                      | 1,475,197       |

- Funding procurement for investment purposes and related cash flows
- Cash flow from return on investment
- > Linkages between financial statements

### FY2006 Financial Statements

| Consolidated statements of cash flows |  | Millions of yen |          |
|---------------------------------------|--|-----------------|----------|
| Account title                         |  | YoY Change      |          |
| 1                                     | Net cash provided by operating activities    | 136,061         | 45,579   |
| 1                                     | Net cash used in investing activities        | (172,074)       | (64,217) |
| 1                                     | Net cash provided by financing activities    | 14,318          | 23,582   |
|                                       | Net decrease in cash and cash equivalents    | (21,695)        | 4,942    |
|                                       | Cash and cash equivalents, beginning of year | 123,822         |          |
|                                       | Cash and cash equivalents, end of year       | 102,127         |          |

| Consolidated statements of income |   | Millions of yen |          |
|-----------------------------------|---|-----------------|----------|
| Account title                     |   | YoY Change      |          |
| 1                                 | Net sales   | 1,618,450       | 89,467   |
|                                   | Cost of sales                                     | 1,283,587       | 69,943   |
|                                   | Selling, general and administrative expenses      | 249,184         | 13,917   |
|                                   | Operating income                                  | 85,679          | 5,607    |
|                                   | Other expenses-net                                | (9,230)         | (11,313) |
|                                   | Income before income taxes and minority interests | 76,449          | (5,706)  |
|                                   | Income taxes                                      | 29,982          | (3,663)  |
|                                   | Minority interests in net income of subsidiaries  | (73)            | 3,253    |
|                                   | Net income  | 46,394          | 1,210    |

| Consolidated account of changes in equity |  | Millions of yen |  |
|---|--|-----------------|--|
| Account title                             |  | YoY Change      |  |
|   | Retained earnings, beginning of year   | 355,495         |  |
|   | Cash dividends   | (10,868)        |  |
|   | Bonuses to directors and corporate auditors  | (407)           |  |
|   | Net income   | 46,394          |  |
|   | Transfer due to sales of land  | (2,798)         |  |
|   | Increase due to exclusion from equity method accounting of former associated companies | 26              |  |
|   | Retained earnings, end of year   | 387,842         |  |

#### 1 A flexible approach to fund procurement

We diversified and rationalized fund procurement by taking out long-term loans with a view to gaining potential financial leverage, supplementing the net cash provided by operating activities.

#### 2 Aggressive investment as a platform for growth

In addition to investing in real estate for business purposes (land and buildings), we targeted investment funds at energy businesses, which we expect to develop.

#### 1 Expanding earnings by increasing returns on investment

The real estate market is showing signs of picking up again as land prices bottom out amid economic expansion. We plan to grow earnings by bringing our product planning and financial strengths to bear in this market.

#### 2 Improving financial soundness through accumulated retained earnings and newly added capital surplus

Record high net income has expanded our retained earnings. Capital surplus has increased by 14.4% thanks to the capital surplus resulting from share exchange transactions, and the equity ratio has risen by over 1.3 percentage points year-on-year to 40.4%.

| Consolidated balance sheets |                                   | Millions of yen |  |
|-----------------------------|-----------------------------------|-----------------|--|
| Account title               |                                   | YoY Change      |  |
|                             | Current assets                    | 666,334         |  |
|                             | Cash and cash equivalents         | 102,127         |  |
|                             | Property, plant and equipment     | 602,260         |  |
|                             | Investments and other assets      | 361,428         |  |
|                             | Current liabilities               | 489,588         |  |
|                             | Short-term bank loans             | 6,933           |  |
|                             | Current portion of long-term debt | 1,070           |  |
|                             | Long-term liabilities             | 479,289         |  |
|                             | Long-term debt                    | 50,570          |  |
|                             | Equity                            | 661,145         |  |
|                             | Common stock                      | 110,120         |  |
|                             | Capital surplus                   | 226,834         |  |
|                             | Retained earnings                 | 387,842         |  |
|                             | Minority interests                | 1,837           |  |
|                             | Total assets                      | 1,630,022       |  |

# Investing aggressively in platforms for growth and pursuing consistent growth in enterprise value

New housing starts in Japan in fiscal 2006 increased 2.9% year-on-year to 1.28 million units for a fourth consecutive year of growth. Housing starts in the condominium market reached their second-highest level since fiscal 1990, as inner-city condominium living comes back into fashion, while the market for owner-occupied homes and rental accommodation also had a good year. Against this background, Daiwa House Group employees from top management down rallied round the First Medium-Term Management Plan "Challenge 2005." During this second year of the plan, we launched and expanded sales of our new **xevo** home brand, which brings together all our strategic core technologies, and strengthened marketing of three-floor and medium-to-high-rise rental apartment buildings. In addition, we aggressively continued our development, begun in the first year of the plan, of large-scale commercial buildings and large high-performance distribution centers.

Turning to finance, to fund these policies, we took steps to realize aggressive investment in platforms for future growth. As part of a Group overhaul, in August 2006, we carried out management integration with three listed Group companies, Daiwa Lease, Daiwa Rakuda Industry and Daiwa Logistics through share exchange transactions. We aim to further improve profitability by speeding up decision-making at the Group management level and streamlining operations through measures such as upgrading supply chains.

We are also strengthening established businesses and developing new sectors where we can expect benefits of synergy. We are steadily building platforms for future growth, through business alliances with warehousing companies to streamline logistics operations, and with distribution companies acquisition of energy companies to help us streamline energy-related operations in our housing business, and establishment of credit card companies, with the possibility of entering the housing finance business, using M&A and operational tie-ups.

## The three newly-integrated companies: results for year ended March 31, 2007

(¥ million)

|                  | Daiwa Lease | Daiwa Rakuda Industry | Daiwa Logistics |
|------------------|-------------|-----------------------|-----------------|
| Net sales        | 131,082     | 41,896                | 34,396          |
| Operating income | 7,311       | 1,848                 | 1,303           |
| Net income       | 7,977       | 4,885                 | 744             |

## Major M&A and alliance activities

| Companies affected               | Business description   | Scheduled to take effect: | Daiwa House stake* |
|----------------------------------|--|---------------------------|--------------------|
| Nippon Athletic Service          | Sports club management   | April 2005                | 99.6%              |
| The Sumitomo Warehouse Co., Ltd. | Logistics business   | March 2006                | 5.2%               |
| Higashi-Fuji                     | Real estate development/real estate sales (for commercial use) | December 2006             | 75.0%              |
| ELIY Power                       | Development of lithium ion batteries                           | November 2006             | 23.8%              |
| CYBERDYNE Inc.                   | Robotic suit business  | February 2007             | 15.4%              |
| Eneserve                         | General energy services  | March 2007<br>May 2007    | 50.3%              |

\* As of September 1, 2007

In the real estate market, which is picking up dramatically, we are strengthening our business as a developer, investing funds in property development and rental facilities and moving beyond the simple construction of facilities, into the creation of REITs and fund origination. As a result, we have made a large number of acquisitions, which cannot be accommodated by our pre-scheduled capital expenditure budget of ¥150 billion over three years. We have invested over ¥130 billion in fiscal 2006 alone. To meet these financing needs, we took out long-term loans in addition to using retained earnings from cash flows provided by operating activities. With our deep knowledge of the real estate industry, we will build a value chain that spans both property development and REIT creation.

We intend to maintain an optimum balance between the need to make returns to our shareholders and the necessity of putting aside sufficient retained earnings to finance future business expansion and strengthen our financial position. To this end, we will maintain a basic policy of ensuring appropriate shareholder returns, with a commitment to flexibly paying a level of dividend payment commensurate with earnings. While expanding our corporate base by increasing our business locations, we plan to strengthen our competitiveness and earning power by aggressively investing retained earnings in R&D and new production facilities. We plan further capital expenditures of around ¥120 billion in fiscal 2007. We will closely monitor the profitability and synergies generated by individual projects, to ensure that capital investments ultimately increase enterprise value.

While maintaining a firm financial position going forward, we will go on growing, building a corporate operating base and structure that is proof against the vagaries of the business environment and economic trends, and continue to serve as a Group that co-creates value for individuals, communities and people's lifestyles. We will continue our commitment to stronger corporate governance within the Group, and to higher corporate value.

Tetsuji Ogawa

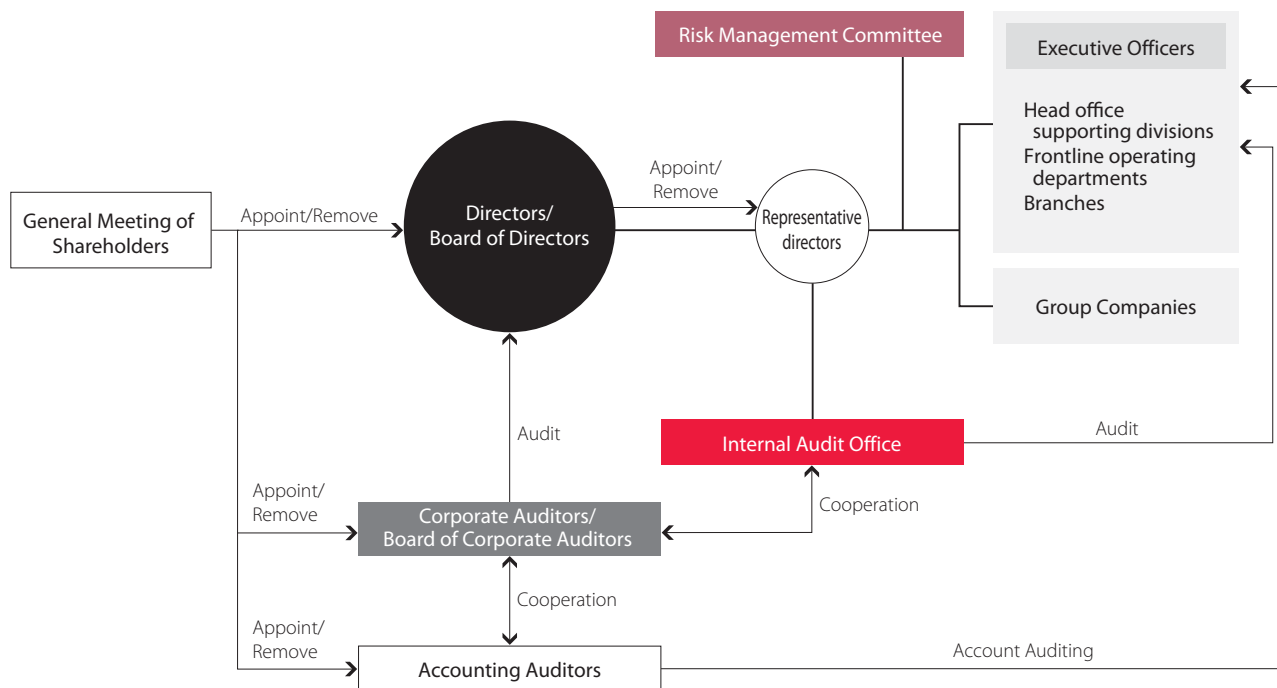
*Executive Vice President and CFO*



# Corporate Governance

The Daiwa House Group is in the process of establishing an internal control system that facilitates management characterized by speedy and appropriate decision-making, transparency, efficiency, and legal and regulatory compliance. This is part of the Group's overall initiative to strengthen its corporate governance.

## Corporate Governance System



### Basic Policies

The management of the Daiwa House Group put a high priority on corporate governance as a management issue that is vital to the Group's aims of effecting a continuous increase in its enterprise value and of maintaining the trust of its shareholders and other stakeholders. The Group's overriding objective is to establish a management system characterized by efficiency,

transparency, through swift and accurate decision-making and execution of decisions made, together with an effective system for overseeing the conduct of management. We are also working to realize a stronger corporate governance system in line with the document *Basic Policies with Regard to the Creation of an Internal Control System*, announced in May 2006.

## Board of Directors

As of the end of June 2007, the Board of Directors of Daiwa House Industry consisted of 18 directors. The Board makes decisions on matters mandated by law, as well as on matters of importance to the management of the Company, and also monitors the execution of business operations by the Company's executive officers. To clarify the management responsibilities of the directors, in June 2001 the term of office of directors was set at one year. In April 2007, the responsibilities, roles and specific duties of directors and executive officers were stipulated, and a new executive officer system was adopted to strengthen the supervisory functions of the directors. During fiscal 2006, the business term under review, the Board of Directors met 17 times.

## Board of Auditors

The Company employs the statutory auditor system. The Company's corporate auditors number six, of whom three are outside auditors (as of the end of June 2007). In accordance with the Company's auditing policy and the Company's system of dividing up responsibilities among the individual auditors, certain auditors attend meetings of the Board of Directors and other important management meetings as deemed necessary, certain auditors receive reports from the Board of Directors and other high-level management bodies, and certain auditors peruse documents relating to significant Board decisions. Additionally, the auditors investigate the administrative processes and properties and other assets under the management of the Company's head office divisions and other major branches and offices. They also receive business reports from the managements of the Company's subsidiaries as deemed necessary. Furthermore, the auditors check that the directors do not engage in any competitive work or possess conflicts of interest. They also audit the gratis provision of warrants and other rights to directors, request reports on the said matters from the directors, and investigate all details of the matter at hand when deemed necessary. There are no conflicts of interest between the Company and its outside auditors. During the term under review, the Board of Auditors met 16 times.

## Joint Management Council

The Joint Management Council, which meets once a month and comprises the Company's directors, executive officers, and auditors, receives reports on important management matters on which resolutions have been made by the Board of Directors. The council also takes action to implement the said resolutions, and subsequently monitors the implementation of the measures on the ground and their effectiveness.

## Internal Auditing

The Company has set up an Internal Audit Office, whose responsibility is to check whether or not the Company's administrative processes and systems are functioning correctly, and to propose remedial action where deemed necessary. The Office gives instructions to the audited divisions or departments for improvements on the basis of the audit results, and requests post-improvement status reports from the business units in question with the aim of ensuring that the entire auditing process is conducted correctly and produces the desired results.

## Risk Management Committee

Chaired by the head of Management Administration, this committee consists of the heads of all other principal divisions at the Head Office, and meets once a month. Its purpose is to create, maintain, and manage all aspects of the Company's risk management system. The Risk Management Committee met 12 times during the reporting period.

## Compensation for Directors and Corporate Auditors, and Payments to the Accounting Auditors under the Corporation Law

### Compensation for Directors and Corporate Auditors

Compensation (including bonuses but excluding lump-sum retirement payments)

|                       |              |
|-----------------------|--------------|
| 23 Directors:         | ¥840 million |
| 7 Corporate Auditors: | ¥145 million |

Notes:

- As of the end of the term under review, the Company employed 19 directors and six corporate auditors
- Maximum compensation amounts (not including bonuses paid to directors and auditors, salaries paid to directors simultaneously serving as employee for their services as employees)  
Directors: Total annual amount = ¥840 million  
Corporate auditors: Total annual amount = ¥144 million

### Payments made to independent auditing company

Payments made by the Company and its consolidated subsidiaries to our accounting auditor, the auditing company Deloitte Touche Tohmatsu, for their services in auditing the financial statements of the Company and its consolidated subsidiaries, in accordance with Clause 1, Article 2 of the Certified Public Accountants Law, and with respect to their audit certification work for the fiscal 2006 business term, amounted to ¥193 million. Payments for other services amounted to ¥6 million.

# Internal Control

## Basic Policies and Developmental Status of Internal Control System

1

**System to ensure that the performance of their duties by the directors and employees of the Company conforms to laws and regulations as well as the Company's own Articles of Incorporation**

We have established the Code of Ethics of the Daiwa House Group as part of our resolve to ensure that all aspects of our corporate activities comply with laws and regulations. Representative directors convey this resolve to Daiwa House Group management and lead by example. The following system has been established.

- (1) From among the directors, one director is assigned responsibility for overall compliance (the Risk Management Committee Chairperson) to orchestrate the compliance system across the Daiwa House Group and identify problem areas.
- (2) One person from each division is assigned responsibility for the analysis of compliance and risk issues particular to that division. Specific response measures are devised, and the necessary compliance education and training related to enacted and revised laws and regulations is conducted.
- (3) In the event that directors, corporate auditors or those responsible for compliance discover compliance-related problems, the problems are immediately reported to the Risk Management Committee Chairperson.
- (4) In order to gather information related to compliance, a Corporate Ethics Hotline has been set up in the CSR Office. The CSR Office investigates the details of reports, and discusses and decides on recurrence prevention measures in conjunction with the respective division. If it is determined that a director or directors are intimately involved or if there is a serious violation of laws or regulations, the problem is reported to the Risk Management Committee, the Board of Directors or the Board of Auditors, depending on the situation.
- (5) The Internal Audit Office has been established to audit various process and work-related matters, identify as well as prevent misconduct, and improve work-related processes.
- (6) The Company's corporate auditors, CSR Office, Internal Audit Office, Consolidated Management Administration Department, and Legal Department routinely collaborate to identify any problems in the compliance system of the Daiwa House Group.
- (7) Disciplinary Guidelines are established to deal with conduct that violates laws and regulations or our Articles of Incorporation. These matters are handled fairly, based on the respective guidelines.

2

**System to store and manage information related to the performance of their duties by the directors of the Company**

From among its directors, one director is assigned responsibility for the storage and management of information related to the performance of their duties by directors and employees. The following system has been established.

- (1) Document Management Guidelines have been drawn up and published. Information that relates to director or employee performance of duties is appropriately recorded and stored in written documents or electronic media (hereafter "documents, etc.").

- (2) Directors and corporate auditors may view these documents, etc. at any time.
- (3) Management of information is handled in accordance with guidelines related to information security and the Company's basic policy on the protection of personal information.

3

**Crisis management system (for minimization of losses)**

From among the Daiwa House Group directors, one director is assigned responsibility for risk management (the Risk Management Committee Chairperson) to orchestrate the risk management organization across the Daiwa House Group, defined as follows, and to take preventive measures against the materialization of risks.

- (1) Risk management for the Daiwa House Group is systematically prescribed in the Risk Management Guidelines.
- (2) Based on the Risk Management Guidelines, the Risk Management Committee Chairperson promptly relays the appropriate information in the event of a contingency corresponding to an assumed risk and organizes the emergency setup. (This includes the establishment of an emergency task force in the event of a large-scale accident, natural disaster or scandal.)
- (3) In addition, the Risk Management Committee has been established: the committee regularly checks the status of system development in (2) as well as makes improvements to the overall system by investigating specific cases.
- (4) The Risk Management Committee Administration Office has been set up within the Legal Department as the administrative division of the Risk Management Committee.
- (5) One staff member responsible for risk management is designated in each division, with the responsibility for continuously monitoring risks in his or her division. In addition, serious scandals or accidents occurring within the Daiwa House Group or at other companies are quickly made public, and the necessary education and training conducted.
- (6) In conjunction with the corporate auditors, the Internal Audit Office routinely monitors the status of risk management in each division.
- (7) Items related to risk management in (3) and (6) are regularly reported to the Board of Directors and Board of Auditors.
- (8) The Risk Information Hotline has been set up to enable employees who discover risks or potential risks at the Company to directly contact the Risk Management Committee.

4

**System to ensure efficient performance of duties by directors**

Through implementation of the following management system, the Daiwa House Group ensures the efficient performance of their duties by the Company's directors.

- (1) Companywide objectives shared among directors and employees are set out and made well known, and a medium-term management plan is formulated based on these objectives.

- (2) To execute the medium-term management plan, the Board of Directors establishes performance objectives and budgets for each business division each term, based on the plan.

In principle, the respective priority levels of R&D, investment in facilities and new businesses are determined on the basis of the estimated degree of contribution to achieving the objectives of the medium-term management plan. At the same time, human resources are efficiently allocated to each business division.

- (3) Directors determine the organization to realize efficient performance of duties, including specific measures to be implemented by respective divisions and the division of authority.
- (4) Actively utilizing IT, performance is quickly turned into management accounting data on a monthly basis and reported to the respective director as well as the Board of Directors.
- (5) The Board of Directors assesses results on a monthly basis. The respective director analyzes the factors that resulted in objectives not being attained, and must report on improvement measures designed to reduce and/or eliminate these factors, revising the objectives as necessary.
- (6) On the basis of the results of the analysis carried out in (5), the director makes improvements to the system or procedures to facilitate the efficient performance of duties, including specific measures to be implemented by the respective division and the division of authority.

## 5 System to ensure fair business practices by the corporate group (Group companies)

From among the directors, one director is assigned responsibility for ensuring that the business practices of the Daiwa House Group are fair. The following system has been established:

- (1) In conjunction with Group companies, related divisions of the Company implement measures to enhance the effectiveness of internal controls at Group companies as well as give instructions and assistance to Group companies as necessary.
- (2) In conjunction with Group companies, related divisions of the Company ascertain the status of internal controls at Group companies and give instructions to make improvements as necessary.
- (3) The Internal Audit Office conducts internal audits of Group companies.
- (4) The staff member holding overall responsibility reports to the Board of Directors on the status of internal controls at the respective Group company on an as-needed basis.

## 6 System for the management of employees requested to assist the corporate auditors, and items related to the independence of the said employees from the Company's directors

The Company has established the following system for employees assigned to assist the corporate auditors, and employees in charge of internal audits.

- (1) The Auditors Office has been set up to serve as a department to assist the corporate auditors. Employees are exclusively assigned to it at the request of corporate auditors.

- (2) The Board of Auditors receives a report in advance from the director in charge of human resources regarding transfers of personnel to the Auditors Office. Accompanied by appropriate reasons, the Board of Auditors can also make requests to the director in charge of human resources for personnel changes on an as-needed basis.
- (3) In the case of disciplinary action against an employee or employees assigned to assist the auditors, the director in charge of human resources must obtain the approval of the Board of Auditors in advance.
- (4) Personnel transfers and disciplinary action with respect to employees in charge of internal audits are also subject to the stipulations in (2) and (3).

## 7 System for the Board of Directors and employees to report to the Board of Auditors and other related systems

1) The Board of Directors reports the following prescribed items to the Board of Auditors.

- (1) Items that may result in significant losses to the Company
- (2) Important items related to monthly management status
- (3) Important items related to status of internal audits and risk management
- (4) Serious violations of laws, regulations and the Articles of Incorporation
- (5) Status and details of Corporate Ethics Hotline and Risk Information Hotline reports
- (6) Other important items related to compliance

2) In the event that an employee discovers incidents related to the aforementioned (1) and (4), they may report directly to corporate auditors.

## 8 Additional system to ensure effective audits by corporate auditors

The Company has established the following system to ensure that the corporate auditors can conduct audits effectively.

- (1) In the case of a request for an interview by a corporate auditor, directors and employees must comply.
- (2) Corporate auditors receive reports on the status of implementation of internal audits, and may request additional audits, formulation of improvement measures or other matters as necessary.
- (3) Corporate auditors attend important meetings, including those of the Board of Directors, the Risk Management Committee and other management meetings, and may request explanations and the presentation of relevant materials as necessary.
- (4) The Board of Auditors and corporate auditors may exchange views with representative directors and auditing firms at any time.
- (5) The Board of Auditors may hire specialist lawyers and accountants as necessary to receive advice related to auditing duties.

# Compliance and Risk Management

The Daiwa House Group has assigned high priority to the management issues of compliance and risk management. We are currently working to construct a Groupwide system for ensuring legal and regulatory compliance, and a system to handle all conceivable categories of business risk across the whole Group.

## Code of Ethics of the Daiwa House Group



## Code of Ethics and Behavioral Guidelines of the Daiwa House Group

In April 2004 the Daiwa House Group released the Code of Ethics and the Behavioral Guidelines of the Daiwa House Group as groupwide regulations, and simultaneously set up an internal reporting system (hotline) regarding company ethics. As the scale of the Group grows, there is all the more need to ensure that all our employees are fully cognizant of the issues involved in and to train staff to yet higher levels of expertise in compliance and risk management.

## Risk Management Committee

In September 1999, we set up the Risk Management Committee, which was charged with the tasks of swiftly addressing complaints from customers, and also with drawing up plans to improve our business processes and prevent the recurrence of the problems. In April 2002 this committee released a set of Risk Management Regulations, in which the committee – chaired by the head of the Management Administration and consisting of the heads of all other divisions at our Head Office — was positioned as the central supervisory body for all risk management operations within the Group. The committee is charged with responsibility for compiling information on all past cases of materialization of risk, for pinpointing problem areas within the Group's operational processes, and for devising specific countermeasures for each category of risk.

## Operational Risks

### Risks involved in the construction of housing and other structures

■ The Daiwa House Group is involved in the business of constructing housing and other buildings, and these business operations are sensitive to the impact of changes in general economic conditions, as well as fluctuations in interest rates and taxation related to home acquisition. In certain circumstances, such changes could have an adverse effect on the business performance of the Group.

### Risks involved in the conduct of real estate business

■ The Daiwa House Group engages in the sale and lease of real estate properties. This business is subject to the impact of changes in land prices and fluctuations in the real estate rental market. In certain circumstances, such changes could have an adverse effect on the business performance of the Group.

### Risks associated with legal regulations

■ The business operations of the Daiwa House Group are subject to the constraints imposed by a wide range of legislation, including the Construction Industry Law, the Real Estate Transaction Law, the Building Standards Law, and the National Land Utilization Planning Law, as well as various legislative statutes concerned with ensuring certain housing quality standards, legislation relating to the disposal of waste material and post-construction clean-up operations, and legislation mandating the use of recycled or reprocessed materials in the construction of houses and other buildings. To ensure that the Group complies with these laws, we enforce strict legal compliance and conduct legal risk management among our executives and other employees. In the event that, in spite of our efforts, it is found that a regulation has not been followed, or in the event that our business situation is drastically changed by the abolition of a law or the enactment of new legislation, this could have an adverse effect on the business performance of the Group.

### Risks relating to guarantees of product quality with respect to housing

■ In the housing construction operations, the Daiwa House Group has adopted a long-term guarantee system called Security Support 21c, which is aimed at ensuring a higher degree of customer satisfaction. We are doing our utmost to ensure the very best product quality management at all times, but in the event of the occurrence of an unforeseeable defect within the period of the long-term guarantee, resulting in a significant quality problem, this could have an adverse effect on the business performance of the Group.

### Risks associated with the leakage of confidential personal information and other sensitive information

■ The Group is not only in possession of personal information relating to a large number of individuals who are our customers, it is also in possession of a large amount of confidential corporate information relating to the Group itself. Each member company in the Group has laid down its own policies and specific procedures for the management of such information, and the Group is constantly working to upgrade its information security level through training courses for executives and other employees, and by ensuring that all staff are fully aware of the importance of properly managing information. Despite these efforts, there is a possibility that important information may be leaked to persons outside the Group. In such an event, the Group would suffer damage to its reputation for trustworthiness among the general public, may suffer considerable financial losses in the form of the costs of remedial action, and may suffer damage to its business performance as a result of the tarnishing of its brand image.

# Corporate Management





# Board of Directors, Corporate Auditors, and Presidents of Principal Subsidiaries

As of August 1, 2007

## Daiwa House Industry Board of Directors

\*Representative Director



**Takeo Higuchi\***

*Chairman and CEO*

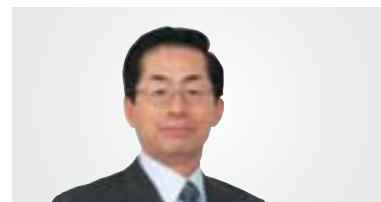
Born in 1938  
1963: Joins Daiwa House Industry  
1984: Director of Daiwa House Industry  
1993: Becomes President of Daiwa Danchi  
2001: President of Daiwa House Industry  
2004: Chairman and CEO



**Kenji Murakami\***

*President and COO*

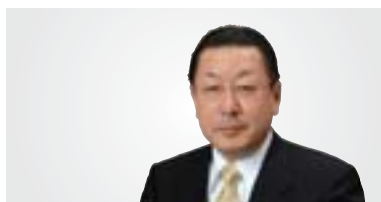
Born in 1947  
1970: Joins Daiwa House Industry  
1997: Director  
2004: President and COO



**Tetsuji Ogawa\***

*Executive Vice President and CFO  
Head of Management Administration  
Concurrently President of Daiwa House Insurance Co., Ltd.*

Born in 1941  
1964: Joins Daiwa House Industry  
2000: Managing Director  
2004: Executive Vice President and CFO



**Takuya Ishibashi**

*Director and Senior Managing Executive Officer  
Head of Osaka Honten Branch*

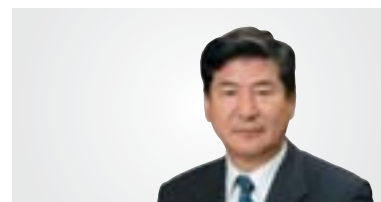
Born in 1953  
1988: Joins Daiwa Danchi  
2001: Managing Director of Daiwa House Industry  
2007: Director and Senior Managing Executive Officer



**Hiroshi Azuma**

*Director and Senior Managing Executive Officer  
Head of Production and Procurement  
Head of Overseas Business*

Born in 1946  
1969: Joins Daiwa House Industry  
1993: Director  
2007: Director and Senior Managing Executive Officer



**Takeshi Kajimoto**

*Director and Managing Executive Officer  
Deputy Head of Technology  
Head of Safety  
Head of Urban Development and  
Civil Engineering Business Division  
Head of Forest and Housing Division*

Born in 1944  
1963: Joins Daiwa House Industry  
1997: Director  
2007: Director and Managing Executive Officer



**Takashi Hama**

*Director and Managing Executive Officer  
Head of Central Research Laboratory, Technology  
Head of Product Development, Technology*

Born in 1954  
1976: Joins Daiwa House Industry  
2005: Director  
2007: Director and Managing Executive Officer



**Chiyohiro Aoyagi**

*Director and Senior Executive Officer  
Head of CS Division  
General Manager, CS Planning Department*

Born in 1950  
1969: Joins Daiwa House Industry  
2004: Director  
2007: Director and Senior Executive Officer



**Yoshiharu Noto**

*Director and Senior Executive Officer  
General Manager, General Affairs Department,  
Tokyo Branch  
Deputy Head of Safety*

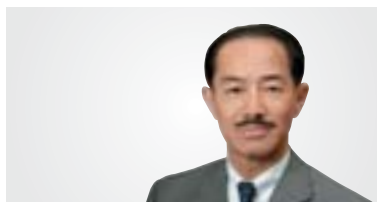
Born in 1949  
1972: Joins Daiwa House Industry  
2005: Director  
2007: Director and Senior Executive Officer



**Naotake Ohno\***

*Executive Vice President  
Head of Marketing Division*

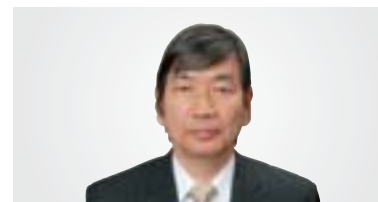
Born in 1948  
1971: Joins Daiwa House Industry  
2000: Director  
2007: Executive Vice President



**Tamio Ishibashi\***

*Executive Vice President  
Head of Information Systems  
Head of CSR Office  
Concurrently President of Media Tech Inc.*

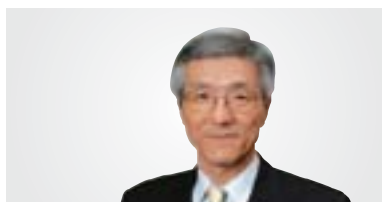
Born in 1956  
1979: Joins Daiwa House Industry  
1989: Director  
2000: Executive Managing Director  
2001: Executive Vice President



**Tatsushi Nishimura**

*Director and Senior Managing Executive Officer  
Head of Technology  
Deputy Head of Information Systems*

Born in 1949  
1972: Joins Daiwa House Industry  
2003: Director  
2007: Director and Senior Managing Executive Officer



**Takashi Uzui**

*Director and Managing Executive Officer  
Head of General Housing Operations*

Born in 1947  
1970: Joins Daiwa House Industry  
2001: Director  
2007: Director and Managing Executive Officer



**Shigeo Otsuka**

*Director and Managing Executive Officer  
Head of Tokyo Branch  
Head of Rental Apartment Building Operations*

Born in 1947  
1971: Joins Daiwa House Industry  
2001: Director  
2007: Director and Managing Executive Officer



**Eiichi Takeda**

*Director and Managing Executive Officer  
Head of Administration Division,  
Management Administration*

Born in 1947  
1970: Joins Daiwa House Industry  
2006: Managing Director  
2007: Director and Managing Executive Officer



**Katsutomo Kawai**

*Director and Senior Executive Officer  
General Manager, Personnel Department,  
Management Administration  
Head of Strategic Division, Management Administration  
Deputy Head of CSR Office*

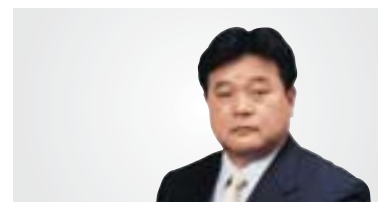
Born in 1948  
1972: Joins Daiwa House Industry  
2006: Director  
2007: Director and Senior Executive Officer



**Isamu Ogata**

*Director and Senior Executive Officer  
Head of Nagoya Branch  
Head of Retail and Wholesale Facilities Division*

Born in 1949  
1972: Joins Daiwa House Industry  
2007: Director and Senior Executive Officer



**Shigeru Numata**

*Director and Senior Executive Officer  
Sendai Branch Manager  
Head of Tohoku Region*

Born in 1950  
1974: Joins Daiwa House Industry  
2007: Director and Senior Executive Officer

## Daiwa House Industry Corporate Auditors



**Toshihiko Emi**  
*Corporate Auditor (standing)*



**Yoshikazu Tano**  
*Corporate Auditor (standing)*

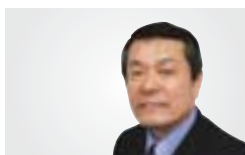


**Kiyoshi Arase**  
*Corporate Auditor (standing)*

## Presidents of Principal Subsidiaries



**Mutsuo Kajimoto**  
*Daiwa Lease Co., Ltd.*



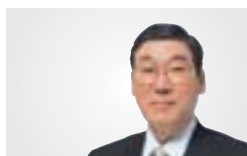
**Katsumi Masumura**  
*Daiwa Rakuda Industry Co., Ltd.*



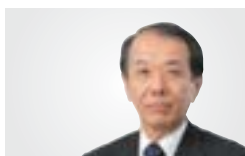
**Katsuyoshi Tateno**  
*Daiwa Logistics Co., Ltd.*



**Atsushi Kanakubo**  
*Daiwa Living Co., Ltd.  
Daiwa Estate Co., Ltd.*



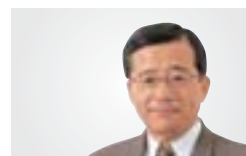
**Masanori Nishio**  
*Royal Home Center Co., Ltd.*



**Keichi Otsuka**  
*Daiwa Resort Co., Ltd.  
(Daiwa Royal Hotels)*



**Seishu Umaoka**  
*Daiwa Royal Golf Co., Ltd.*



**Toshihiko Ikeda**  
*Daiwa House Kitanihon Co., Ltd.*



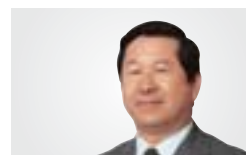
**Tsuyoshi Natsume**  
*Daiwa House Chushikoku Co., Ltd.*



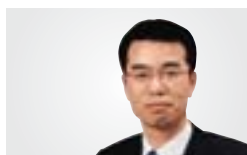
**Yasuhiko Tanaka**  
*Daiwa House Kyushu Co., Ltd.*



**Junichi Sugiura**  
*Daiwa House Renew Co., Ltd.*



**Hidekazu Matsushima**  
*Daiwa Energy Co., Ltd.*



**Takeshi Kousokabe**  
*Daiwa House REIT Management  
Co., Ltd.*



**Osami Nishikawa**  
*Daiwa House Financial Co., Ltd.*



**Masaru Izuoka**  
*Synchroller Co., Ltd.*



**Michio Aritomo**  
*Shinwa Agency Co., Ltd.*



**Hiromi Doi**  
*Corporate Auditor*



**Kazuhiro Iida**  
*Corporate Auditor*



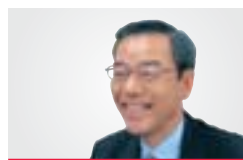
**Kiichiro Iwasaki**  
*Corporate Auditor*



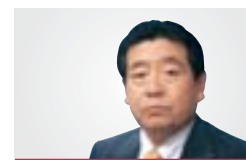
**Hiromi Yamane**  
*Daiwa Service Co., Ltd.*



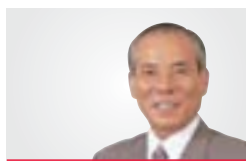
**Masahiro Sakakura**  
*Daiwa Information Service Co., Ltd.*



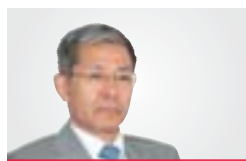
**Minoru Fujita**  
*Nihon Jyutaku Ryutu Co., Ltd.*



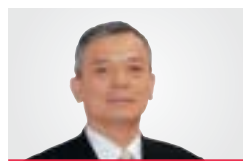
**Tsuyoshi Ochi**  
*Daiwa Royal Co., Ltd.*



**Katsuaki Handa**  
*Daiwa House Kanto Co., Ltd.*



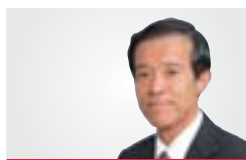
**Toshiyuki Endo**  
*Daiwa House Hokushinetsu Co., Ltd.*



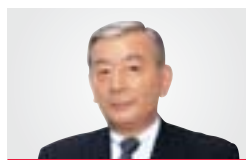
**Osamu Takimoto**  
*Daiwa House Chubu Co., Ltd.*



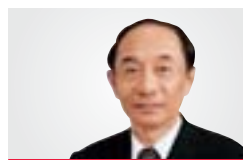
**Shozo Yusa**  
*Daiwa House Kansai Co., Ltd.*



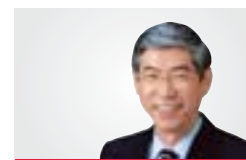
**Masaaki Tsuboshima**  
*Daiwa Monthly Co., Ltd.*



**Toshinori Inaguchi**  
*Jukeikai Co., Ltd.*  
*(Neo Summit Yugawara)*



**Haruyuki Yoshimoto**  
*Osaka Marubiru Co., Ltd.*



**Taisuke Ishibashi**  
*Nippon Athletic Service Co., Ltd.*  
*(Sports Club NAS)*



**Yoshio Kinoshita**  
*Eneserve Corporation*



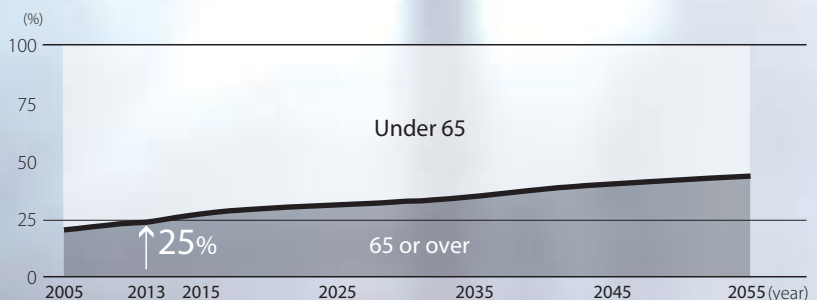
**Masafumi Iwami**  
*Higashi-Fuji Co., Ltd.*

# A Lifetime of Experience

Someone who can show the way and lend support

By 2013, one-quarter of the Japanese population will be over the age of 65. The average lifespan in Japan is 82. Japan holds the worldwide record for longevity, and the country's senior citizens maintain a youthfulness and vibrancy. They draw on a wealth of wisdom and experience, which can be shared with the next generation. They are an irreplaceable source of guidance. The Daiwa House Group wants to learn from senior citizens, and to provide support to this segment. Our Silver Age Research Center researches themes relating to nursing care. Based on the center's findings, we commercialize the most promising ideas through our business operations. In 2013, one out of four people in Japan will be able to serve as advisors to the younger generation. They are invaluable human resources.

Proportion of population aged 65 or over





Percentage of senior  
citizens in Japan

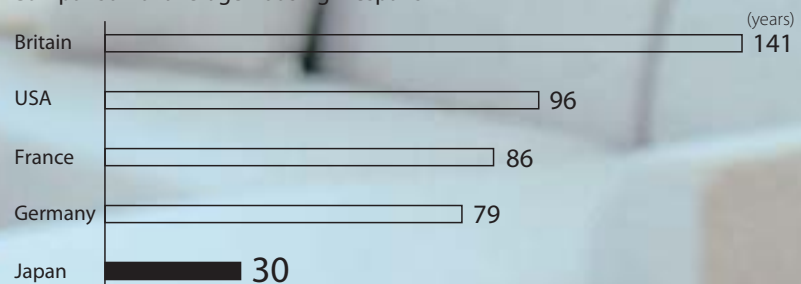
25%


# A home built to last

## Longevity for the nation's houses

Great Britain: 141 years. The United States: 96 years. Japan: 30 years. During the period of high economic growth, when there was a housing shortage in Japan, the priority was on quantity over quality. This practice may, indeed, be left over from that period. But that was the past. It is time for Japan, as a nation known for its longevity, to discontinue this practice of building houses with short lifespans. The Daiwa House Group has succeeded in enhancing the durability of houses through the "industrialization of the construction" process. The extended lifespan of a house results in an increase in its property value, which means it can be passed on to one's children, rented or sold. This is good news not only for the house's current owners, but also for the next generation. The Group endeavors to increase the assets of society as a whole through its efforts to create better living environments.

Comparison of average housing lifespans





The average useful life  
of houses in Japan

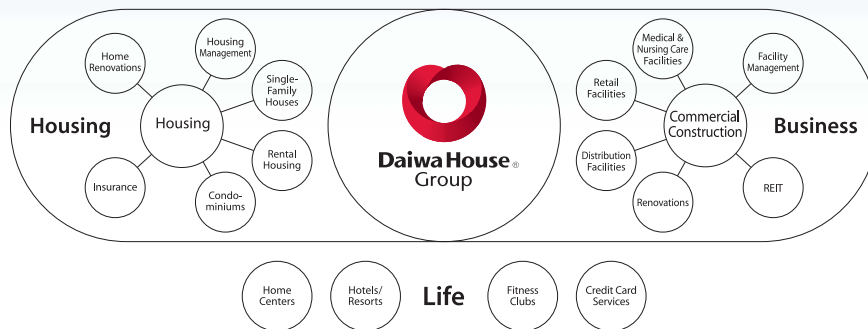
30 years

# Our Business

Spanning the three domains of Housing, Business, and Life, the Daiwa House Group's business consists of five segments: Residential Business, Commercial Construction Business, Resort Hotels and Sports Life Business, Home Center Business, and Other Businesses. Below we detail measures taken and results achieved over the term in each segment, and look at the measures that will take the Daiwa House Group to the next stage.

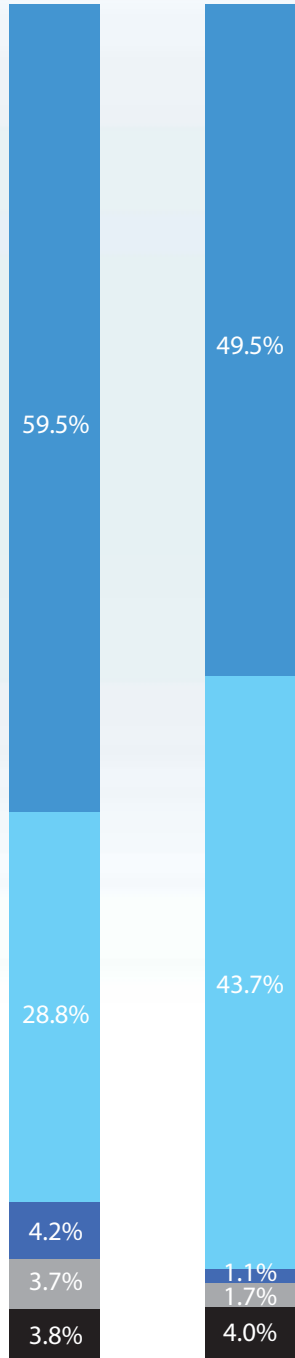


The Daiwa House Group —  
working to co-create value for individuals, communities and people's lifestyles



Business segments

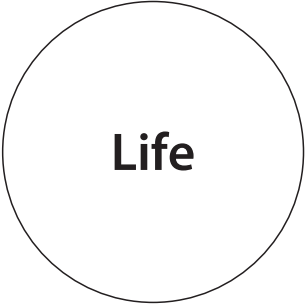
Sales      Operating income



- 55 Residential Business
  - 56 Single-Family Houses Division
  - 60 Condominiums Division
  - 62 Rental Housing Division
  - 64 Home Renovation Division
  - 65 Real Estate Agency Services



- 69 Commercial Construction Business
  - 70 Commercial Facilities Division
  - 73 Distribution, Medical/Nursing Care and Corporate Facilities Division

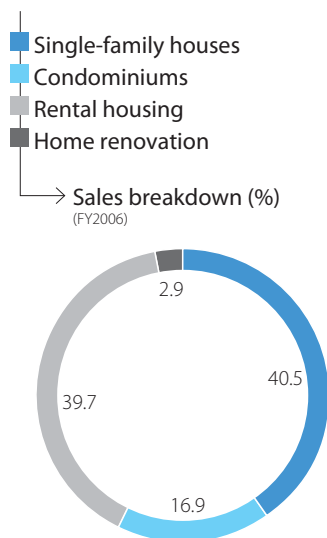


- 79 Resort Hotels and Sports Life Business
- 82 Home Center Business
- 84 Other Businesses




# Housing

# Residential Business



Durable homes for you,  
your children and your grandchildren  
— Leading the revolution in housing in Japan

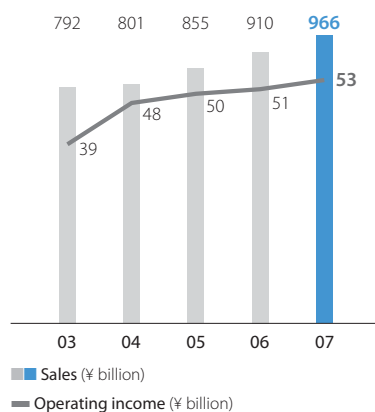
Sales   
**¥965.9** billion  
(year-on-year +6.2%)

Operating income   
**¥53.1** billion  
(year-on-year +4.7%)

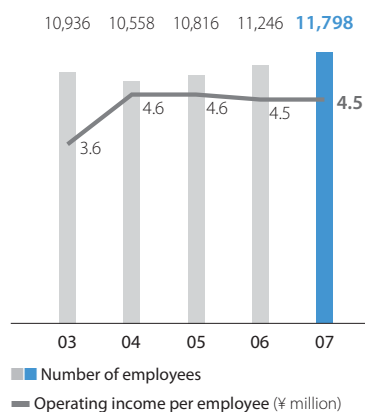
Residential Business is the core business of the Daiwa House Group, accounting for 59.5% of sales on a consolidated basis. It consists of various businesses: single-family houses, condominiums, rental housing, home renovation, real estate agency and others. In partnership with other Group companies, it engages comprehensively in the home-building business from start of construction through post-completion management and maintenance to later reuse, and also offers proposals to land owners for effective rental use.

In fiscal 2006, new housing starts in Japan posted a fourth consecutive year of growth due mainly to the prospect of higher interest rates. The condominium and rental housing businesses showed particularly strong growth. Growth in the market for single-family houses is flattening out overall, but based on clear signs of an official shift, under the Basic Housing Act toward a housing policy that puts emphasis on “quality” and the “stock” of established housing, we launched the **xevo** brand of high-quality, highly-durable and highly energy-efficient homes. **xevo** homes have proved a hit with customers and sold well.

Sales and operating income




Number of employees and operating income per employee



# Single-Family Houses Division



xevo E

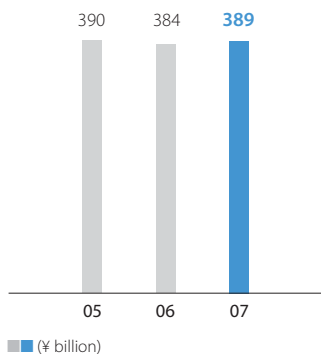
Sales   
**¥389.1 billion\***  
 (year-on-year **+1.3%**)

\* To outside customers

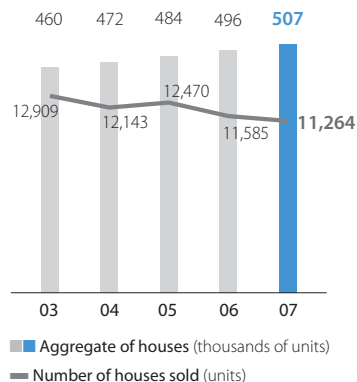
Daiwa House Industry was a pioneer of single-family houses, and has built up a strong track record in the Japanese homebuilding industry. This division markets single-family houses and lot-subdivision houses across Japan based on its capabilities in technology, in services that understand customer preference and in value-added solution proposal.

To consolidate ties with our customers and ensure that our homes can be passed onto their offspring, this division has formed partnerships with other Group companies under the “Endless Partnership” strategy of creating synergies.

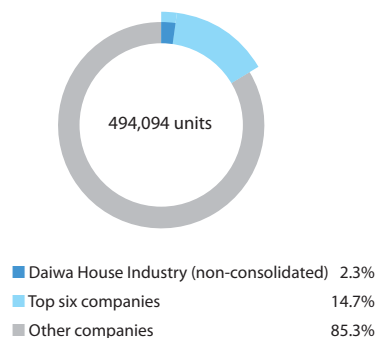
Sales



Aggregate of houses and number of houses sold  
 (Daiwa House Industry, non-consolidated)



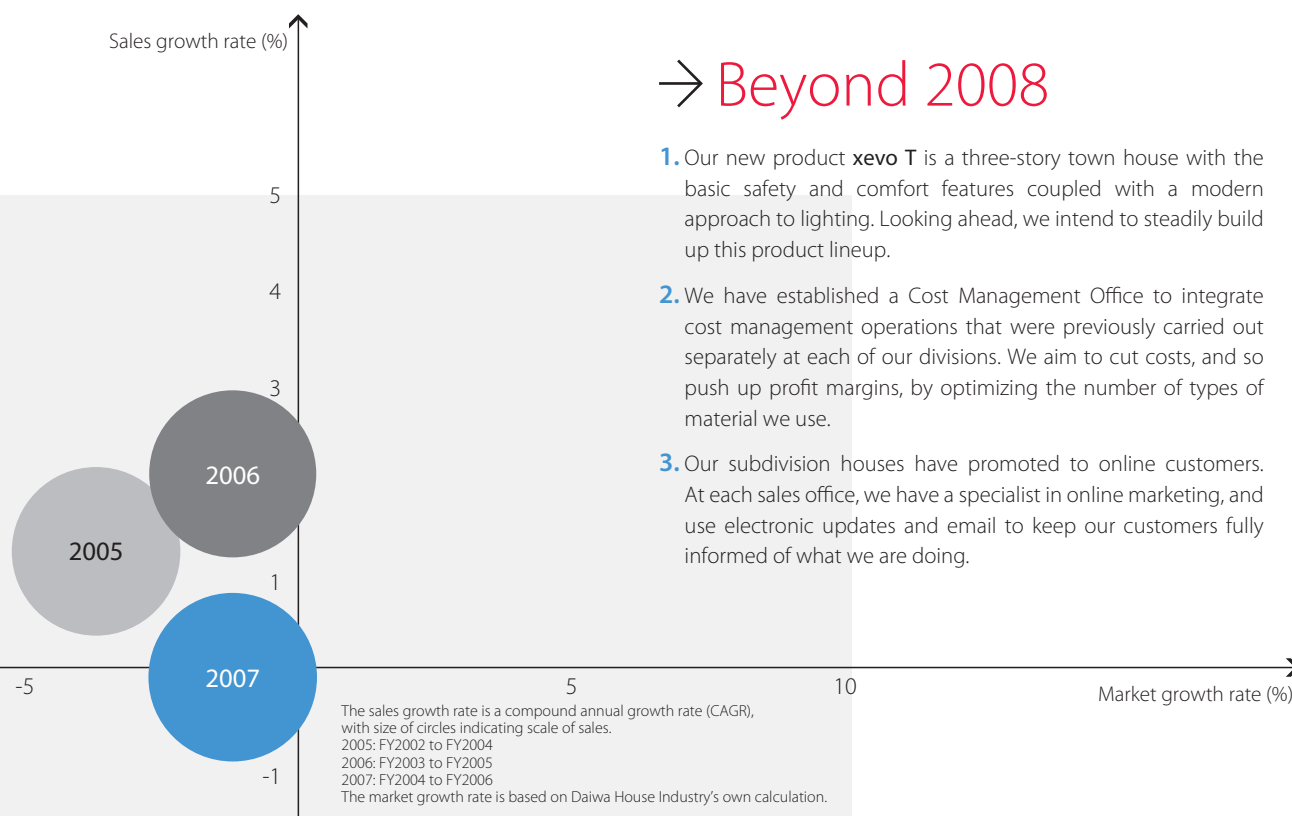
Share of single-family house market  
 (FY2006)



Note: Total shares based on statistics by the Ministry of Land, Infrastructure and Transport. The share for Daiwa House Industry and top six companies based on our estimates.

## → Beyond 2008

1. Our new product **xevo T** is a three-story town house with the basic safety and comfort features coupled with a modern approach to lighting. Looking ahead, we intend to steadily build up this product lineup.
2. We have established a Cost Management Office to integrate cost management operations that were previously carried out separately at each of our divisions. We aim to cut costs, and so push up profit margins, by optimizing the number of types of material we use.
3. Our subdivision houses have promoted to online customers. At each sales office, we have a specialist in online marketing, and use electronic updates and email to keep our customers fully informed of what we are doing.



## Year 2007

### Business integration and expansion under the **xevo** brand

In September 2006, we unveiled our first new brand in 25 years, **xevo**, featuring completely new construction methods. Since then, we have worked to integrate established product lineups under this brand. In April 2007 we launched three **xevo** products, and two more in August. In the new steel-framed house types **xevo E** and **xevo V**, our new construction method has increased wall strength by 30% compared with previous method, enabling freer design (larger spaces and doorways). We have made significant improvements in exteriors, such as standard installation of external breathable insulated walls with excellent energy performance and durability, XE Coat, and a highly energy-efficient photovoltaic power generation system\*. Interior design is enhanced in our **xevo WE** wooden house, a long-lasting structure in which we have created the true feel of wood, with standard installation of the D-COMS anti-earthquake framework featuring high-performance metal pillars and beams.

Our full-scale commitment to **xevo**, a high value-added product with low lifecycle costs, reflects the spirit of the Basic Housing Act, which urges a shift in focus from quantity to quality and from “flow” (new housing) to “stock” (established housing).

\* Photovoltaic power generation systems are standard installations in **xevo E** only.



# Contracting Business



xevo V



xevo WE

## An entirely new marketing strategy, based on LABO exhibition spaces

We have overhauled our marketing strategy for the **xevo** brand. Staff from head office tour sales offices all around Japan explaining the **xevo** concept in depth to sales staff in each locality. We are enhancing our creativity as an organization by introducing knowledge management: having marketing staff compile and share strategies, setting up an internal certification system for training sales staff, and exchanging information using our intranet.

Through our LABO exhibitions within actual residential areas, we enable our customers to experience a typical **xevo** house tailored to their community and the advances it embodies. We are reducing the number of unprofitable exhibition spaces and cutting costs through a strategy of buying the plots, building the model houses on them, and then selling them off.

## Lifestyle proposals in collaboration with experts

In our project, we have combined our expertise in home-building with the relaxing approach of renowned interior-design adviser Noriko Kondo. As part of this initiative, we have set up model houses in three locations around Japan to give people a feel of cosy, comfortable living. We are now realizing the concept of efficient use of space and better freedom of movement within the home, enabling a room arrangement that encourages communication.

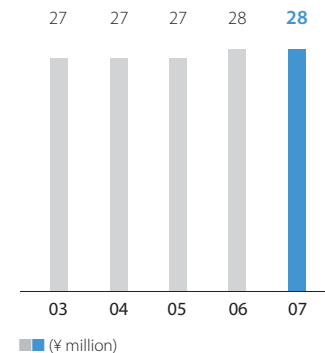
In another project undertaken in cooperation with lighting designer Chiaki Murazumi, lighting is the means by which we suggest ways of enriching the living environment. Through such collaboration with design opinion leaders, we are responding to the most sophisticated needs of our customers.

In the seven months since the launch of the brand, we have received orders for more than 1,700 **xevo** units. In the three months since April, when our brands were integrated, contracts for some 700 units a month have been concluded.



### Average sales per unit

(Contracting business, Daiwa House Industry, non-consolidated)



## Subdivisions



Miraidaira-Yokodai



Herbal Garden Maebashi

### A wealth of experience in creating residential areas in harmony with nature

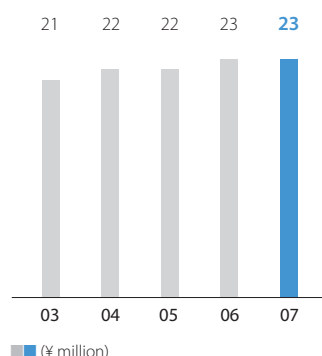
Our subdivision housing business began with the development of the large Neopolis housing complex in 1962. In the nearly 50 years that have passed since then, we have built up a wealth of all-round expertise from land preparation to lifestyle infrastructure, housing, and landscaping around buildings. Now we are developing our original “Floral Avenue” and other subdivision properties in all regions of Japan. In every case, whatever the development, the focus is on achieving fusion with natural surroundings and creating a living environment that is rich in greenery. Our goal is not only the convenience, safety and comfort of residents but also creating local communities by fostering human relationships and creating forums for exchange. We are building communities by supporting events, clubs and other social networking tools.

### New type of subdivision houses developed throughout Japan

At Koshigaya Lake Town, a pioneering experimental project scheduled to open in the spring of 2008 that aims to harmonize homebuilding with the natural environment, we are developing subdivision houses and condominiums in an integrated way. In the site, we have installed a large reservoir for storm-water management and aim to develop a new type of waterside lifestyle. Koshigaya Lake Town obtained official recognition from the Ministry of the Environment under its project for a reduction of 20% in CO<sub>2</sub> emissions for the entire town.

In June 2007, we launched sales of the “Live & Lease” next generation holiday homes for baby boomers and their offspring, in Nara. These are not homes for sale with land lots, but a new experiment in which **xevo** brand homes are built on land with fixed-term leasehold rights. Looking ahead, we will further develop and plan subdivision products for specific regions and age groups.

Average sales per unit  
(Subdivisions, Daiwa House Industry, non-consolidated)



Okayama Neopolis

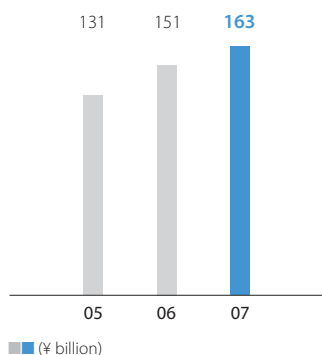
# Condominiums Division



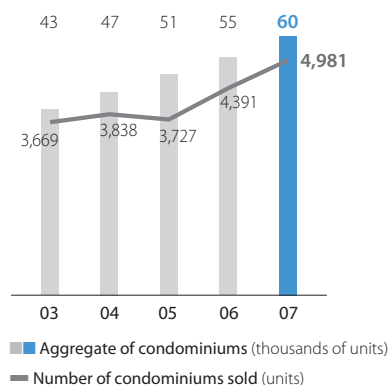
Sales   
**¥162.6 billion\***  
 (year-on-year **+7.7%**)  
\* To outside customers

In this division, we are marketing our “D’ Series” of condominiums coming in four types to cater to differing lifestyle profiles all around Japan. Based on our highly rigorous quality standards, we supply superior condominiums that offer excellence in all areas from functionality and comfort to management and after-sales service. With public interest in asset values rising, we have developed the D’s Bridge condominium asset valuation system — a first in Japan — enabling us to provide information packs on the properties with objective research and inspections for an accurate valuation in preparation for a future sale of a “D’ Series” condominium.

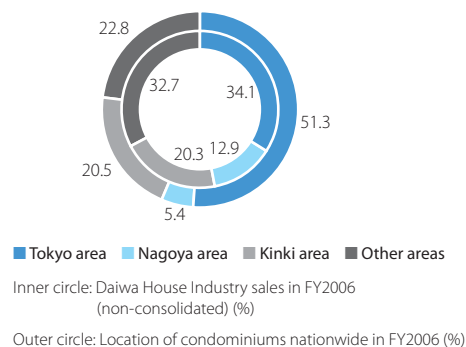
Sales



Aggregate of condominiums and number of condominiums sold  
(Daiwa House Industry, non-consolidated)

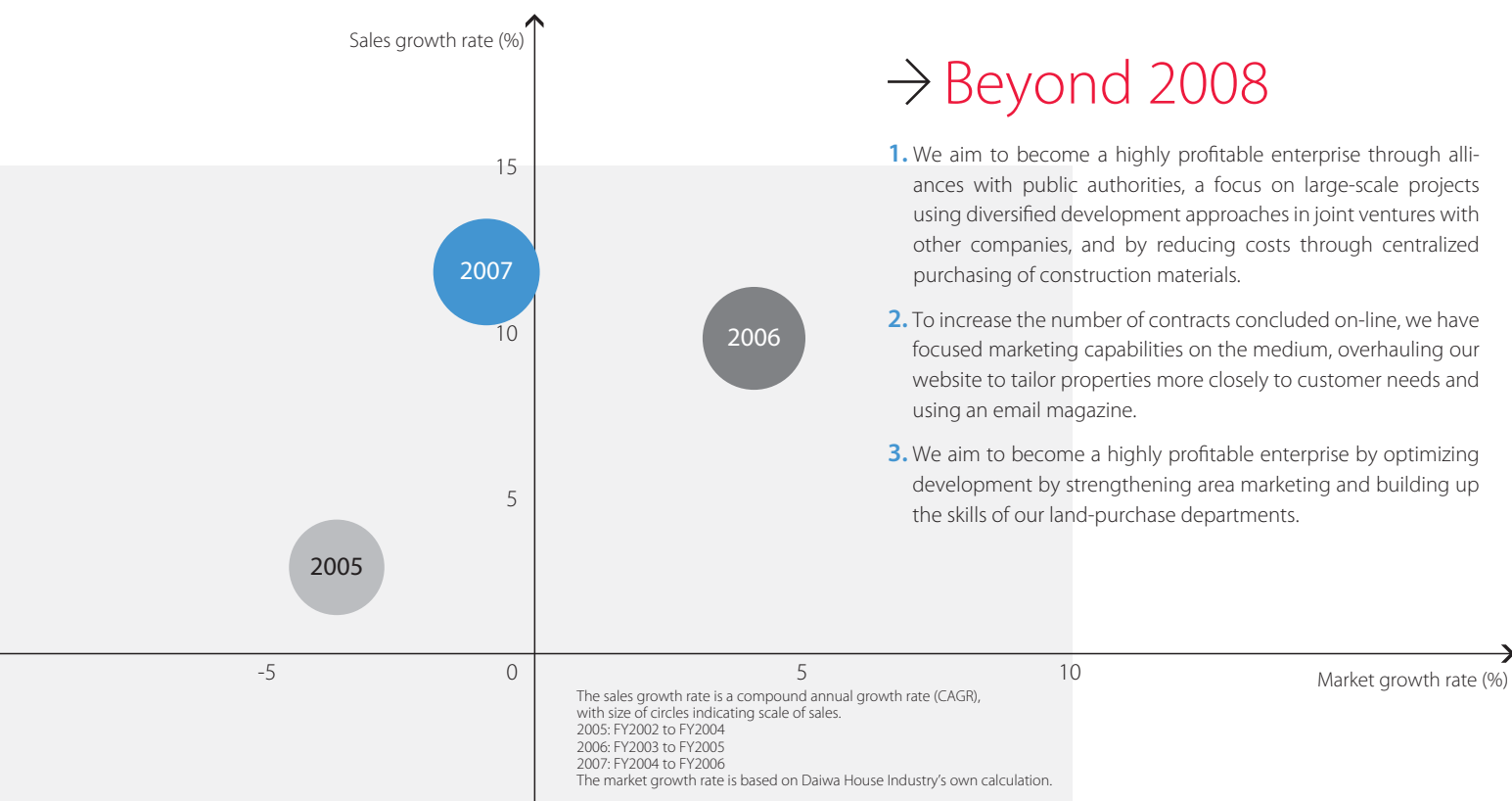


Area breakdown of condominium sales  
(FY2006)



## → Beyond 2008

1. We aim to become a highly profitable enterprise through alliances with public authorities, a focus on large-scale projects using diversified development approaches in joint ventures with other companies, and by reducing costs through centralized purchasing of construction materials.
2. To increase the number of contracts concluded on-line, we have focused marketing capabilities on the medium, overhauling our website to tailor properties more closely to customer needs and using an email magazine.
3. We aim to become a highly profitable enterprise by optimizing development by strengthening area marketing and building up the skills of our land-purchase departments.



## Year 2007

### A focus on large properties in large urban centers

The trend towards large, high-rise developments is spreading out from metropolitan areas to regional city centers. We meet condominium demand all over Japan, mainly through supplying large condominium buildings in the centers of large cities. By drawing on the Daiwa House Group's all-round ability to propose comprehensive solutions including commercial and medical/nursing care facilities, we aim to improve our record in large development projects, in partnership with government organizations when advantageous, as a strategic priority.

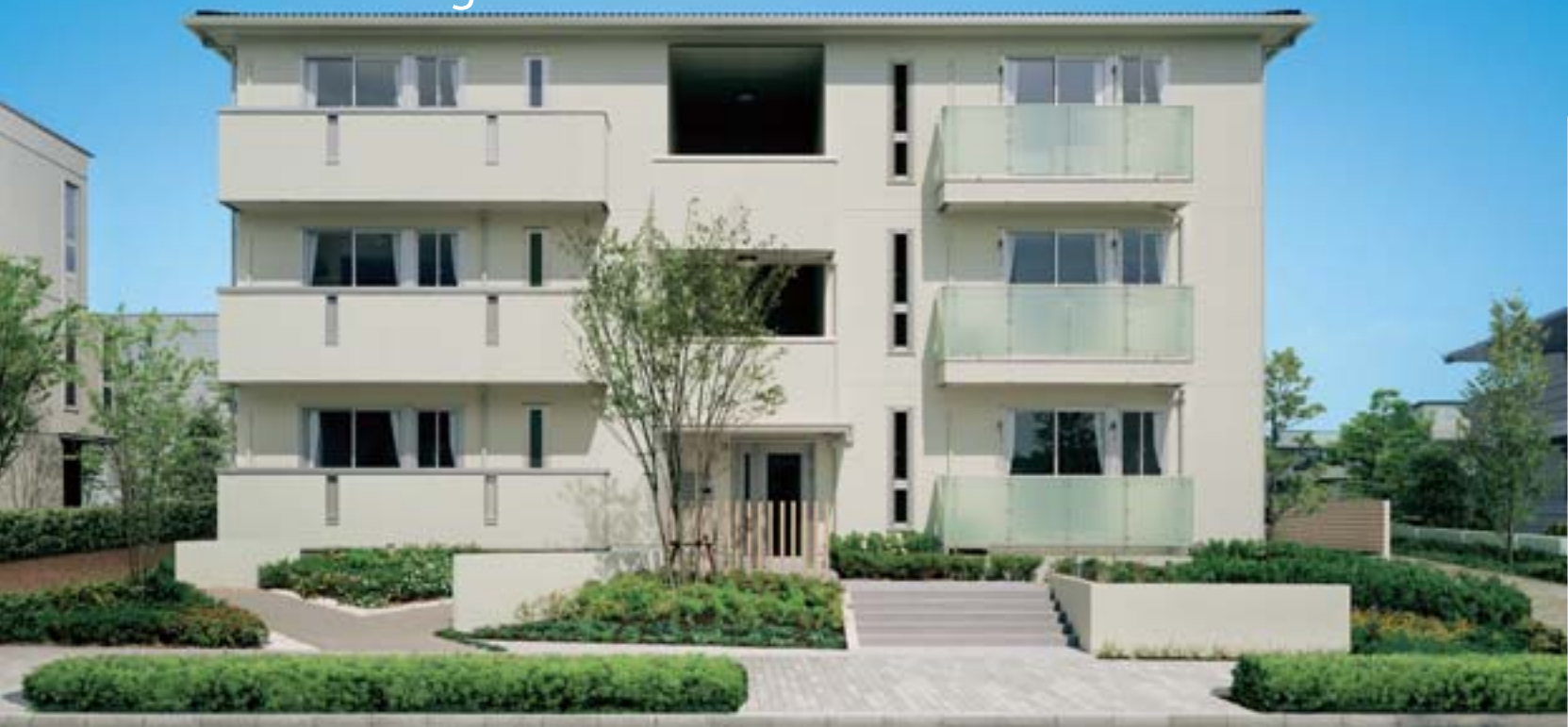
We also participate in large-scale joint ventures with other companies. We will step up our involvement in joint ventures, as they enable greater efficiency in land purchases and personnel deployment. We have also carried out a questionnaire survey on all residents, who are eligible for the D's Bridge condominium asset valuation system over five years. As a result we were able to increase the number of D's Bridge contracts signed, supported by rising interest in real estate asset values.




### Organizational reform to position us for earnings growth

In the Tokyo and Osaka areas, where demand is concentrated, we have aimed to streamline and speed up our purchases of premium sites. We have doubled the number of staff responsible for land buying and created a standalone land-purchase department. To ensure that developments and proposals are more closely in line with our customers' needs, we have strengthened our area marketing by carrying out research through our Condominium Friendship Clubs (for owners and potential buyers) and deploying two marketing specialists at each sales office. When the time is right, we shall continue to overhaul our organizational structure, to position us for earnings growth.

# Rental Housing Division

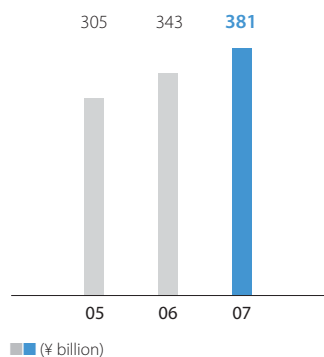


Séjour OTT's

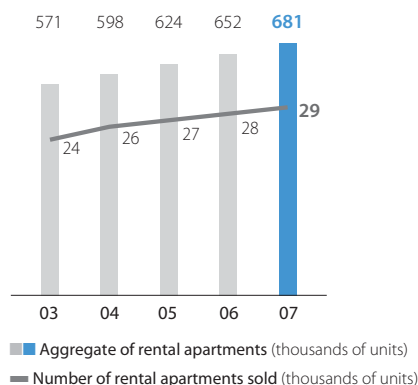
Sales   
**¥381.4 billion\***  
 (year-on-year **+11.2%**)  
\* To outside customers

In our Rental Housing Division, we are promoting the Daiwa House “D-Room” brand nationwide. Our high-quality rental housing proposals are tailored to ensure the best use of landowners’ sites. At the same time, we have helped make life more worry-free and comfortable for tenants by developing a broad array of products that meet their diversifying lifestyle needs with superior basic functionality. We have also established the Daiwa House Apartment house Partnership System (DAPS), to offer landowners continuous support in the management of rental housing.

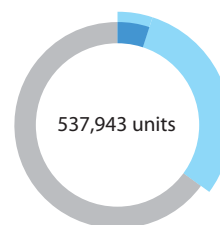
Sales



Aggregate of rental apartments and number of rental apartments sold  
(Daiwa House Industry, non-consolidated)



Share of rental housing market  
(FY2006)

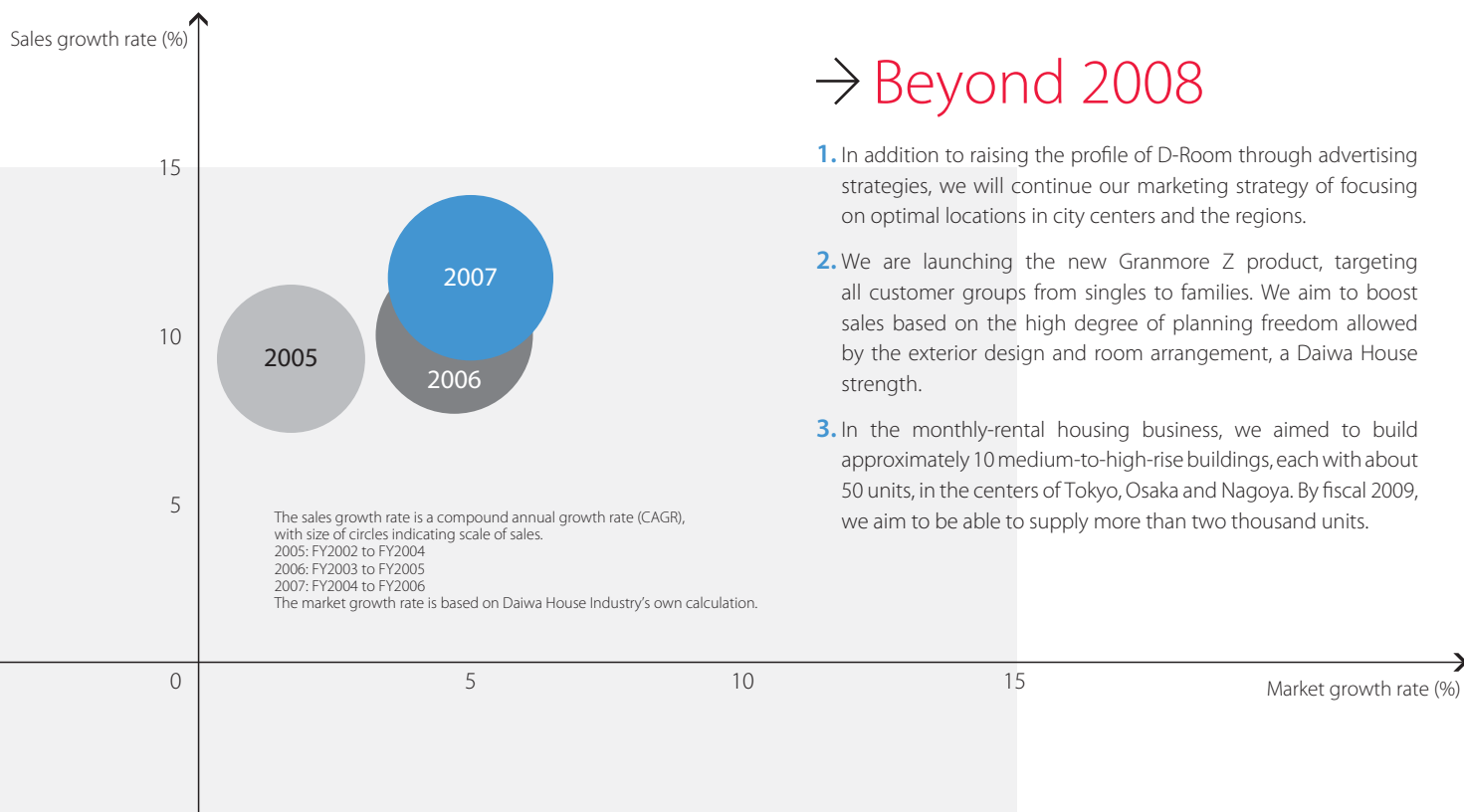


|   |       |
|---|-------|
| ■ Daiwa House Industry (non-consolidated) | 5.3%  |
| ■ Top four companies                      | 31.8% |
| ■ Other companies                         | 68.2% |

Note: Total shares based on statistics by the Ministry of Land, Infrastructure and Transport. The share for Daiwa House Industry and top four companies based on our estimates.

## → Beyond 2008

1. In addition to raising the profile of D-Room through advertising strategies, we will continue our marketing strategy of focusing on optimal locations in city centers and the regions.
2. We are launching the new Granmore Z product, targeting all customer groups from singles to families. We aim to boost sales based on the high degree of planning freedom allowed by the exterior design and room arrangement, a Daiwa House strength.
3. In the monthly-rental housing business, we aimed to build approximately 10 medium-to-high-rise buildings, each with about 50 units, in the centers of Tokyo, Osaka and Nagoya. By fiscal 2009, we aim to be able to supply more than two thousand units.



## Year 2007

### Strategy for optimized site management tailored to urban and suburban areas

With a return to city center living clearly underway in Japan, the Daiwa House Group has developed separate strategies for management of optimized sites in central urban and suburban areas. We have deployed specialist teams in Nagoya as well as Tokyo and Osaka where inner city areas are booming, and have expanded marketing of rental units in popular high-rise and medium high-rise apartment blocks. In regional cities, we have made steady progress in neighborhood development by providing rental housing at large sites. In brand strategy, we have seen steady sales growth for our popular three-story Séjour OTT's launched in December 2006, as this housing model is easily adaptable to a wide range of sites.

We have developed the Daiwa House Owners' Club network across the whole country, to help owners get together and to facilitate the exchange of property management information. By offering training sessions and consultations given by experts in the field, we provide strong support for the operation of the Owners' Club. Apart from the Owners Club, we are working to acquire more members of the Ladies Club and the Junior Club\*, for the wives and children of land owners, to support the owners' families in the stable management of rental properties.



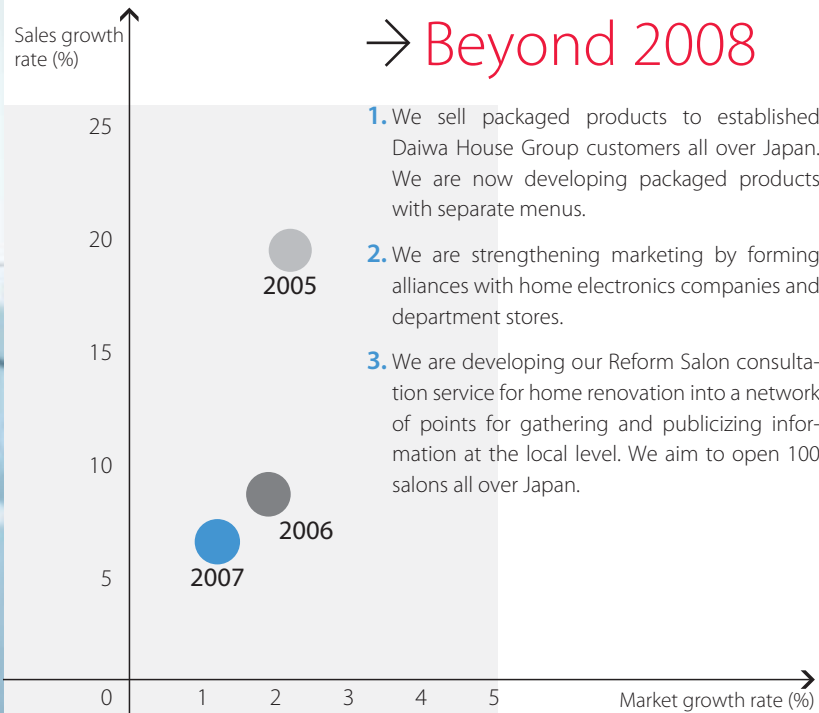
Royal Garden CASAHARA

\* The Ladies and Junior clubs — for the wives and children of land owners — offer forums for the exchange of views, and also impart extensive knowledge useful for the effective utilization of real estate properties.

### Entering the monthly-rental housing business, with strong locations and a reputation for luxury housing

In April 2007, the Daiwa House Group entered the “monthly mansion” sector (renting condominiums on a monthly basis), a new area of the rental business. This will enable us to expand land-use projects in central urban areas and respond more accurately to diversifying residential needs. To differentiate ourselves from the companies that have already entered this business, we have adopted a strategy of building in prime locations favored by business-oriented hotels, and ensuring that room design is spacious with a feeling of luxury. Our new Group company Daiwa Monthly is responsible for tenant recruitment and management, and building maintenance.

# Home Renovation Division



The sales growth rate is a compound annual growth rate (CAGR), with size of circles indicating scale of sales.  
 2005: FY2002 to FY2004  
 2006: FY2003 to FY2005  
 2007: FY2004 to FY2006  
 The market growth rate is based on Daiwa House Industry's own calculation.

## Sales

¥28.3 billion\*

(year-on-year +3.7%)

\* To outside customers

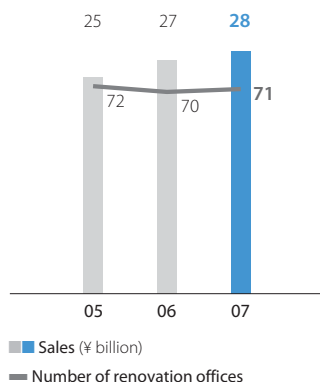
## Year 2007

### Structural improvements to streamline order processing

The home renovation market in Japan will be worth more than ¥7 trillion in 2010. It is expected to exceed ¥9 trillion in 2020. The home renovation division of Daiwa House Industry is developing its "Aichaku Renovation" business for proud owners of long-held properties jointly with a Group company, Daiwa House Renew based on our "house health checkups."

In the past, we assigned one employee to handle each transaction from marketing and estimates to project management and conclusion. In the future, we will separate the marketing and technical functions, and streamline order processing by consolidating and expanding our sales force while ensuring individual sales staff are specialized. In a business where trust and freedom from worry are the most important considerations, we aim to expand sales from established Daiwa House Group customers to general customers, drawing on the strength of the Daiwa House Group brand.

Sales and number of renovation offices





## Real Estate Agency Services

### Good information contacts and strong networks

Nihon Jyutaku Ryutu, one of the Group's main companies in the Real Estate Agency Services business, helps customers mainly in the Kinki and Kanto areas who are moving home. It draws on its strength in information-gathering and its marketing network to help with buying and selling and renting new and used property. In addition to valuation, it offers a full range of support services from financial backing (property purchase guarantees at a certain price, and partnership loans for buyers and sellers) to renovation support.

With a sustained focus on expanding marketing networks and fostering human resources, this business grew its earnings in the Kinki and Kanto areas in fiscal 2006, under the impetus of rising urban land prices. In the Kinki area, it posted solid growth in the value-added business of purchasing and renovating old property for resale. Another success has been the pioneering D's Bridge condominium asset valuation system, developed in partnership with the Daiwa House Group. Customers have shown increasing interest in and demand for this service.

### Building up marketing capabilities, and strengthening links with the Group

With a goal of operating a total of 50 agencies (offices) by 2010, Nihon Jyutaku Ryutu is opening outlets at a rate of two or three a year in the Kinki area and expanding openings in the Kanto area, while strengthening human resources training and marketing capabilities. It has a sales target of ¥2.3 billion in fiscal 2007, and ¥5 billion in fiscal 2010, in the business of renovating and reselling old properties. As with D's Bridge for condominiums, we are now firming our links with the Daiwa House Group, for example by developing ways of maintaining asset values in single-family houses.

### Improvements desired in housing resale system (multiple-choice questionnaire)

|   |       |
|---|-------|
| Structural guarantee & after-sales service    | 44.4% |
| Full data on repairs/renovation work          | 36.1% |
| Better system of tax exemptions, rebates etc. | 34.0% |
| Easier access to public credit                | 18.1% |
| Expanded credit for home renovation           | 17.4% |

Percentage of people who say their  
standard of living has declined

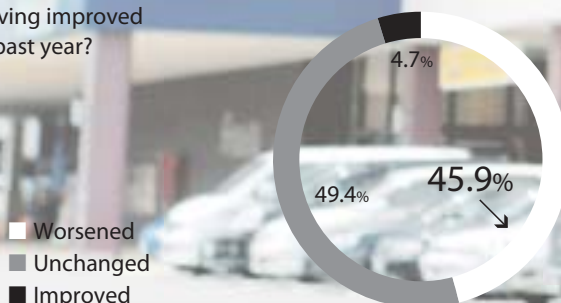
# 45.9%

## A Smart Shopper

Whether shopping or just window-shopping, enjoy your trip

➤ Many people say they have difficulty making ends meet. The consumer spending has remained flat. Is it the case that people are reluctant to spend money? No, it isn't. Although sales have declined at department stores and chain stores, medium-sized and large-scale shopping centers have shown signs of recovery. At large-scale shopping centers featuring specialty stores, people with little time tend to do their shopping all at once, and finish quickly, while others who prefer not to spend money might stay there the whole day. The trend is toward a diversification in the uses of time and money, with people finding ways to lightheartedly enjoy both shopping and window shopping. We intend to be a company that can effectively respond to the needs of the mature consumers of Japan. The Daiwa House Group is always seeking out feedback from individuals and society.

Has your standard of living improved  
or worsened over the past year?  
(March 2007)

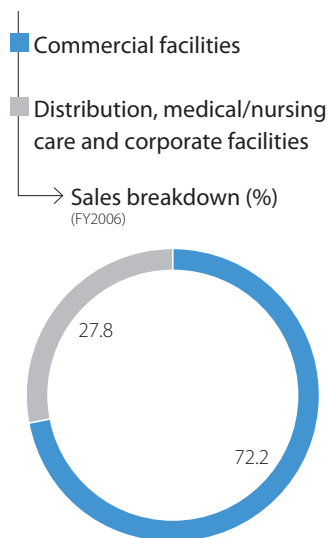






# Business

# Commercial Construction Business



A focus on founding and fostering communities by leveraging our comprehensive expertise in land use

Sales   
**¥477.7** billion  
 (year-on-year +7.3%)

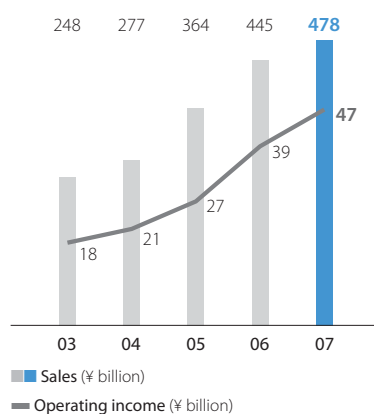
Operating Income   
**¥46.9** billion  
 (year-on-year +19.0%)

Commercial Construction Business, our second leading business segment, accounted for 28.8% of Group sales in fiscal 2006. This business is broadly sub-divided into a commercial facilities division, and a distribution, medical/nursing care and corporate facilities division.

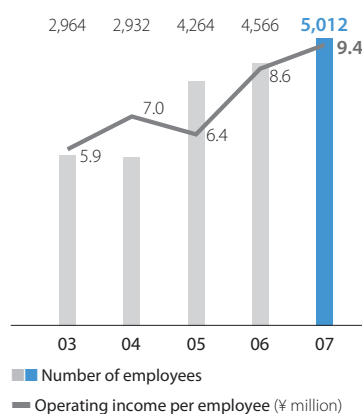
Utilizing ample land information and accumulated consulting expertise, the commercial facilities division contributes to the invigoration of regional communities by building numerous categories of commercial facilities in cities and suburbs, from roadside suburban outlets to large-scale shopping malls. In our distribution, medical/nursing care and corporate facilities division, we study social trends to match business objectives to land characteristics on the basis of our rich experience and track record in a wide range of land utilization projects.

In addition to effective planning and the use of advanced architectural system technology for effective asset management, the Group is able to meet diverse needs for optimal property asset utilization by developing proposals in such areas as land and other property succession and conversions for business improvement.

Sales and operating income



Number of employees and operating income per employee



# Commercial Facilities Division

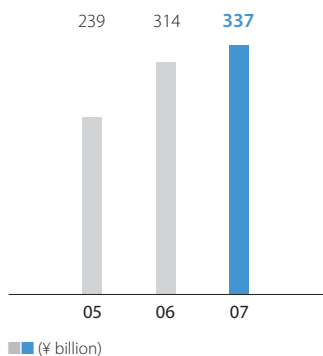


FOLEO Hirakata

Sales   
**¥336.8 billion\***  
 (year-on-year **+7.2%**)  
\* To outside customers

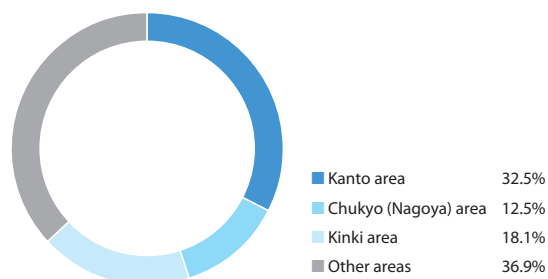
The business of the Commercial Facilities Division centers on our Land Owner Company (LOC) System that facilitates effective land utilization by linking landowners to tenant companies. Under this system, the Daiwa House Group serves as a comprehensive producer, proposing highly profitable land-utilization plans for landowners. At the same time, we provide tenant companies with proposals for optimal sites that fit their business plans. In this way, we are engaging in facilities planning, development, construction and operations. We are making significant social contributions by fully utilizing our capabilities to formulate and implement plans for new community development and regional revitalization.

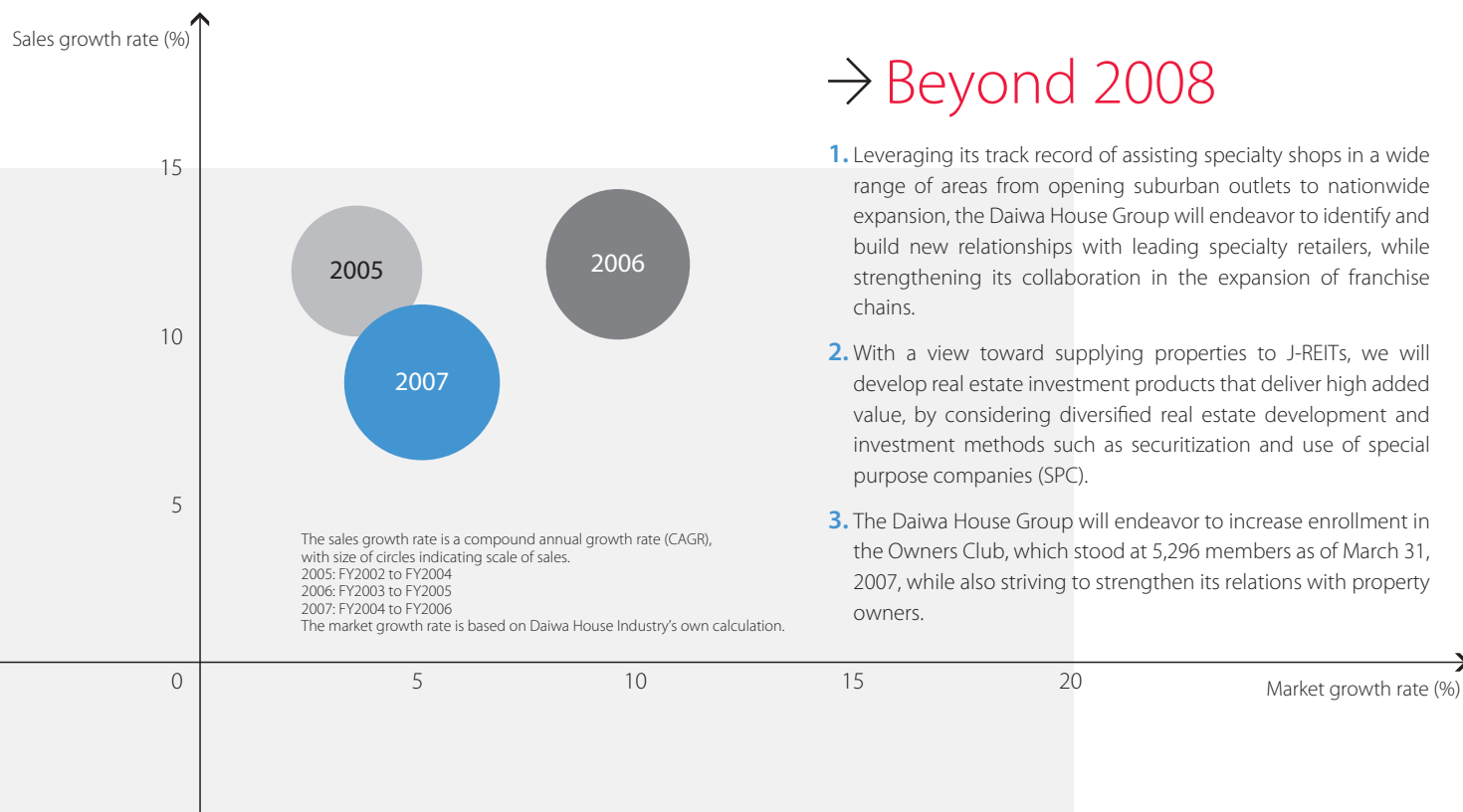
Sales



Area breakdown of commercial facilities sales

(Daiwa House Industry, non-consolidated, FY2006)





## → Beyond 2008

1. Leveraging its track record of assisting specialty shops in a wide range of areas from opening suburban outlets to nationwide expansion, the Daiwa House Group will endeavor to identify and build new relationships with leading specialty retailers, while strengthening its collaboration in the expansion of franchise chains.
2. With a view toward supplying properties to J-REITs, we will develop real estate investment products that deliver high added value, by considering diversified real estate development and investment methods such as securitization and use of special purpose companies (SPC).
3. The Daiwa House Group will endeavor to increase enrollment in the Owners Club, which stood at 5,296 members as of March 31, 2007, while also striving to strengthen its relations with property owners.

## Year 2007

### Leading the way in large-scale suburban retail development

With suburban outlets as the starting point, the Commercial Facilities Division has applied the know-how it has accumulated to expand into large shopping center projects. Against the background of a moderate recovery of the Japanese economy, in fiscal 2006, the division handled many suburban outlet projects, leveraging its wealth of land data and expertise in assisting tenants with retail openings.

In the fall of 2007, Japan will put into effect revisions to its three urban development laws\*<sup>1</sup>, which the Group views as offering potential business opportunities due to its expertise in areas, such as provision of support services for small- and medium-sized shopping centers that reflect local needs, and opening of specialty shops in suburban areas. Moving forward, the Group will conduct extensive marketing to engage in the construction and operation of appealing facilities that offer superior convenience to match the needs of local consumers, while drawing competitive tenant companies to make facilities even more attractive.

\*<sup>1</sup> Japan's three urban development laws are the City Planning Law, Central Urban Area Revitalization Law and Large-Scale Retail Stores Location Law. The forthcoming revisions include new regulations on opening commercial facilities 10,000 m<sup>2</sup> or greater in scale in suburban areas.

### Strengthening ties with business partners

Daiwa House Industry has entered into a business partnership with Uniqlo Co., Ltd., a leading retailer of casual wear, as part of an overall effort to strengthen ties with business partners. The Uniqlo chain plans to open 140 new shops across Japan by 2010, expanding at a rate of 30 large suburban shops (1,600m<sup>2</sup> sales floor area) and 20 standard-sized shops (800m<sup>2</sup>) each year. Daiwa House Industry will provide the highest level of cooperation to help Uniqlo achieve these plans, by engaging in joint research including analysis of store formats. The Group is also collaborating with a wide range of other business partners to develop vibrant commercial facilities.



UNIQLO

Building on 30 years of successful use of the LOC System, we will expand land utilization possibilities.



ACROSSMALL Moriya

### Undertaking development of commercial complexes and projects that give us wide recognition

In response to the diversification of complex-type commercial facilities, the Daiwa House Group engaged in facilities construction, promoting operation and management and support systems adapted from open-mall commercial facilities to in-mall commercial facilities with shops lining pedestrian walkways within buildings, as well as power-center commercial facilities where tenants are arranged around a shared parking area in the middle of the site.

The Group is also moving ahead with the development of numerous giant projects such as a broad-based shopping center in the Kansai Airport Rinku area, which is being built adjacent to a children's amusement park. Others include a broad-based shopping mall in Tsukuba, Ibaraki Prefecture and a lifestyle center\*2 in Hakata, Kyushu. We are also engaged in these projects in such large cities as Sapporo, Hamamatsu, Kanazawa, and Okinawa, and various prefectural capitals.

\*2 Lifestyle center: An outdoor shopping mall of specialty stores. It is located in urban or outlying areas and lacks core tenants such as large department stores.

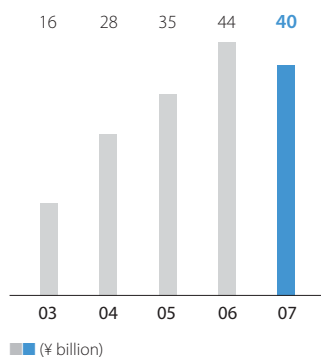
### Strengthening the conversions business, with a focus on the market for stocks of commercial facilities

Trends in the commercial facilities market have become increasingly pronounced. This includes the changes in the utilization of stocks of facilities due to reuse of existing shops or renovation. Suburban and urban shops in particular have started to consolidate and shrink in number, in anticipation of the execution of the revised three urban development laws set for the fall of 2007.

The Daiwa House Group is promoting conversions adapted to market conditions and location, while strengthening its property management capabilities. Dedicated conversion staff use our New Value Creation (NVC) System\*4 to propose solutions that leverage the Group's extensive experience in market analysis and asset valuation.

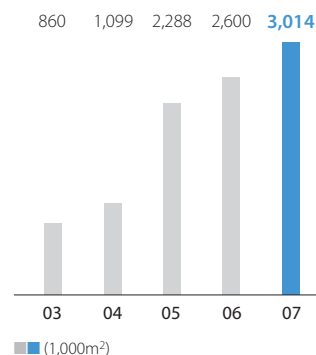
\*4 New Value Creation (NVC): A system used by Daiwa House Industry to propose new solutions for creating value through the use of existing buildings. These solutions are adapted to modern needs and changes in conditions.

### Orders for large commercial facilities\*3

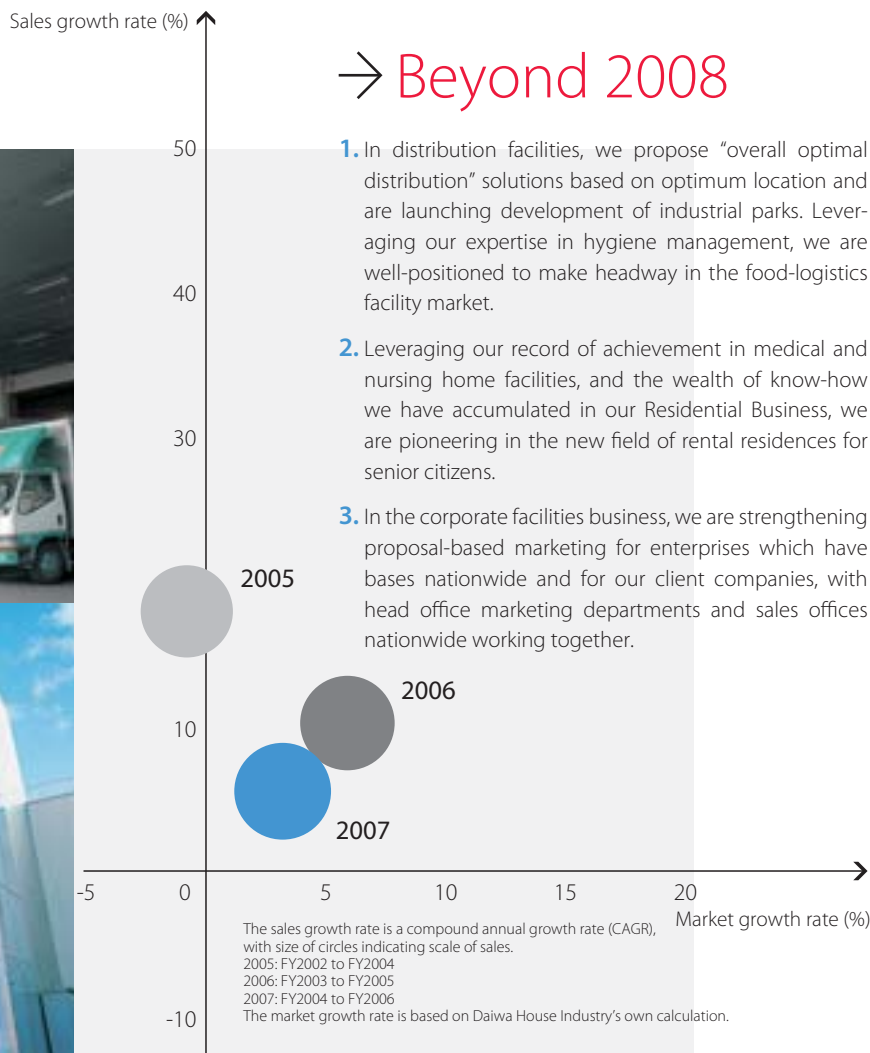


\*3: Large commercial facilities: Refers to single-tenant commercial buildings with a construction amount of ¥500 million or more and multi-tenant commercial facilities with a construction amount of ¥300 million or more.

### Rental floor space of commercial buildings



# Distribution, Medical/Nursing Care and Corporate Facilities Division

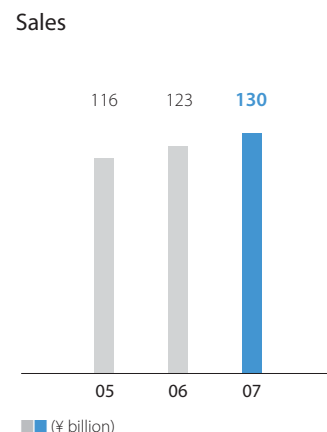


## Sales

¥129.5 billion\* (year-on-year +5.6%)

\* To outside customers

The division consists of three businesses. In distribution facilities business, we provide total optimized logistics solutions, not just construction services. In medical and nursing care facilities business, we provide comprehensive management support, based on our Silver Age Research Center (founded in 1989), from facility planning and development to operation, taking account of the preferences of senior citizens, their care-givers and service providers. Our corporate facilities business helps businesses develop new office buildings and other operational bases.



# Distribution Facilities

## Year 2007

### Comprehensive proposals for large-scale, highly functional distribution centers

With the rapid adoption by major companies of non-asset third-party logistics (3PL: comprehensive outsourcing service for logistics), we are creating large-scale, highly functional distribution centers for not only storage and transportation but also distribution and processing.

While prioritizing firmly localized marketing and area research to tailor site location and land use to customer needs, based on our Partner Coordination System combining logistics providers and shippers, the Group builds a range of facilities from warehouses to distribution centers. Under our proprietary system for planning overall solutions for distribution and real estate management, we provide a full range of services covering fund procurement for land owners, capital investment for logistics companies and logistics system design for manufacturers.

The Daiwa House Group also builds food-logistics facilities, drawing on its long track record in construction of food-production facilities and its expertise in food-hygiene management.



A distribution facility

### A new industrial park developer

In fiscal 2006, Daiwa House Industry launched its first industrial park project at the Fuji Gotemba Industrial Park in Gotemba in Shizuoka Prefecture.

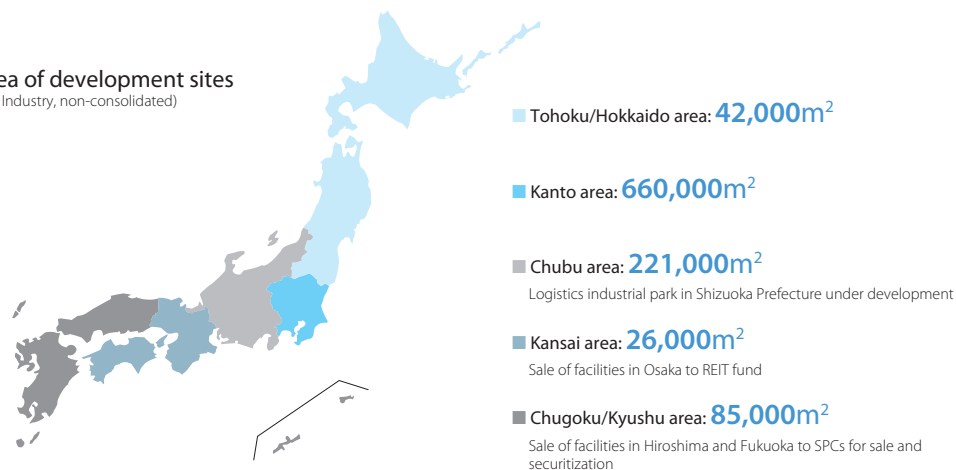
In this project, in cooperation with Group company Higashi-Fuji, we plan a comprehensive development drawing on our long experience in construction methods built up in residential zone development and construction of logistics facilities. In addition to aggressively attracting companies to the park in partnership with local government, we plan to incorporate a real estate investment trust in the project at a later date.

Looking ahead, we will continue to leverage our expertise to create solutions for customer companies in various sectors that optimize their assets without compromising business efficiency. By helping businesses deal with change in their operating environment, we will contribute to the revitalization of local economies.

### Major logistics projects: Total area of development sites

(includes projects at planning stage; Daiwa House Industry, non-consolidated)

(As of July 31, 2007)



## Medical and Nursing Care Facilities

## Corporate Facilities



A showroom

### Year 2007

#### Developing new medical and nursing care facilities for an aging society

In the business of medical and nursing facilities, we offer full-spectrum support from selection of site and basic planning through to construction, based on our pioneering Silver Age Research Center. The Company has developed, and earmarked as a basis for solution proposal, a model plan for small-scale multi-functional facilities offering high-quality care and superior food service and living environments, based on the April 2006 Amendment to the Nursing Care Insurance Act. Our rental housing for the aged falls into two categories: facilities with care provision and home support, and those without these services. For fee-based homes for the aged, we have developed detailed plans tailored to regional and facility operator needs, in light of changes in government policy on the maximum permissible number of facilities.

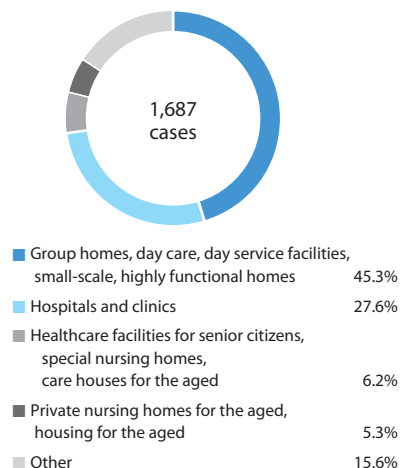
#### Supporting companies building new showrooms and offices

In the corporate facilities business, which was spun off as a standalone business in 2006, we support customers' business expansion throughout Japan by building showrooms and offices/plant, with attached warehousing if needed. This division's services range from customer-tailored site proposal and drafting and negotiation of rental contracts to facility design and construction. Its business includes: new outlets after consolidation due to merger or acquisition, expansion of service and marketing areas, changes of premises due to obsolescence, need for somewhere bigger and lease expiry, and moves to out-of-town locations where car parks can be built. The business is also strengthening measures to win orders from Group partner businesses and increase joint exploitation of business opportunities.



A private nursing home for the aged

#### Projects of the Silver Age Research Center (FY2006)



Our strength is our success in building 1,687 projects around Japan and the store of expertise and know-how that has given us.





The number of babies born  
between 1947 and 1949

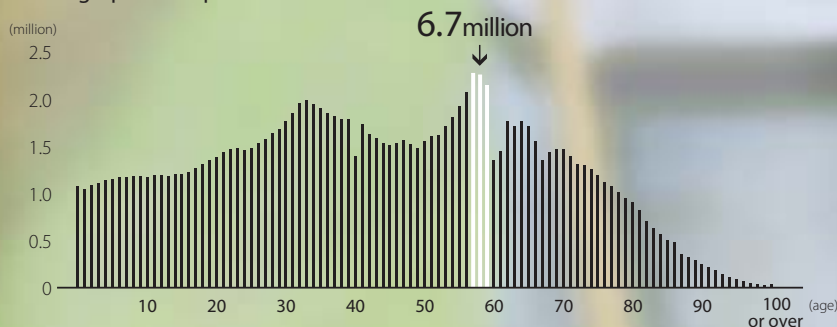
**6.7** million

# Baby boomers, as dynamic as ever

## They know how to enjoy life

The first wave of baby boomers reached the retirement age of 60 in 2007, and over 6.7 million people will be turning 60 over the next few years. This generation of individuals, who helped shape society under the period of high economic growth, will once again be pioneering a new way of living. They have amassed a collection of material possessions, and they will spend their free time as they like, with the things they like. Baby boomers have a keen interest in learning, and are serious about their pastimes. They are taking up those pursuits that were unavailable to them in their youth. More than a retirement, 2007 marks a “restarting” of their lives for these individuals. Through its products and businesses, the Daiwa House Group provides support for baby boomers’ shopping and recreational activities, as well as their living environments.

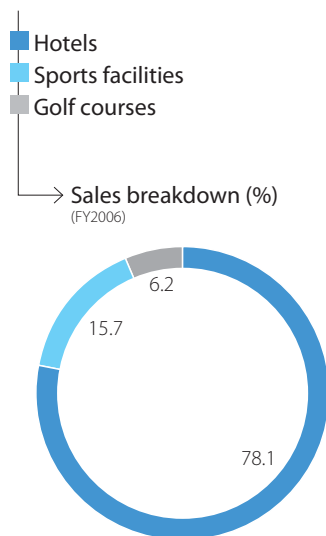
### Demographic composition





**Life**

# Resort Hotels and Sports Life Business



Improving management efficiency to further raise the quality of service

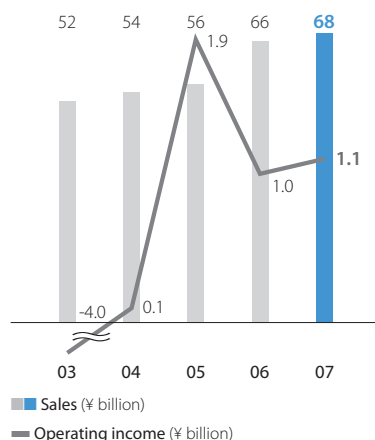
Sales **¥67.8** billion  
(year-on-year +1.9%)

Operating income **¥1.1** billion  
(year-on-year +14.6%)

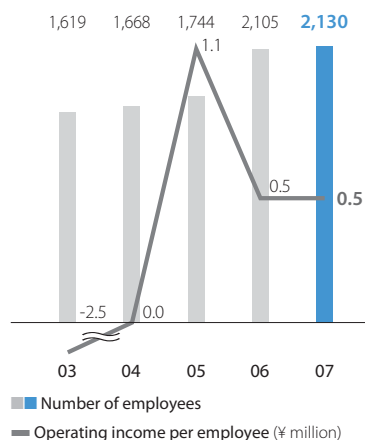
This business accounted for 4.2% of overall sales. As of March 31, 2007, it is conducted through 29 resort hotels nationwide operating under the Daiwa Royal Hotels chain, in addition to 10 golf courses operating under Daiwa Royal Golf name and 49 sports clubs operating under Sports Club NAS name. In these facilities, we endeavor to provide spaces for enrichment of life.

Operational management of resort hotels and golf courses was previously contracted by Daiwa House Industry to Daiwa Resort. As part of a move to clarify business responsibilities and reorganize the system of management for improved speed and efficiency, the resort hotel business was transferred to Daiwa Resort in March 2007, while operational management of all golf courses was contracted to Daiwa Royal Golf in April 2007.

Sales and operating income



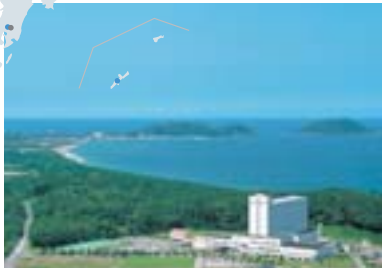
Number of employees and operating income per employee



**10** golf courses

(As of March 31, 2007)

**29** hotels



Genkai Royal Hotel



Comwood Golf Club

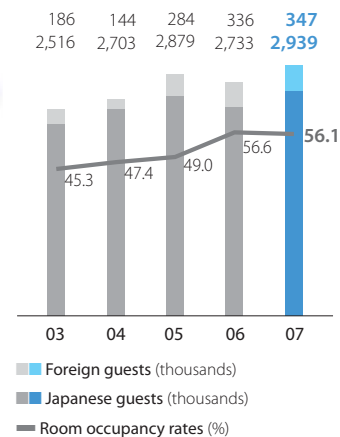


Minamiawaji Royal Hotel

At 29 hotels nationwide from Hokkaido to Okinawa, 3.9 million visitors annually enjoy our hospitality



Daiwa Royal Hotels: Number of guests and room occupancy rates

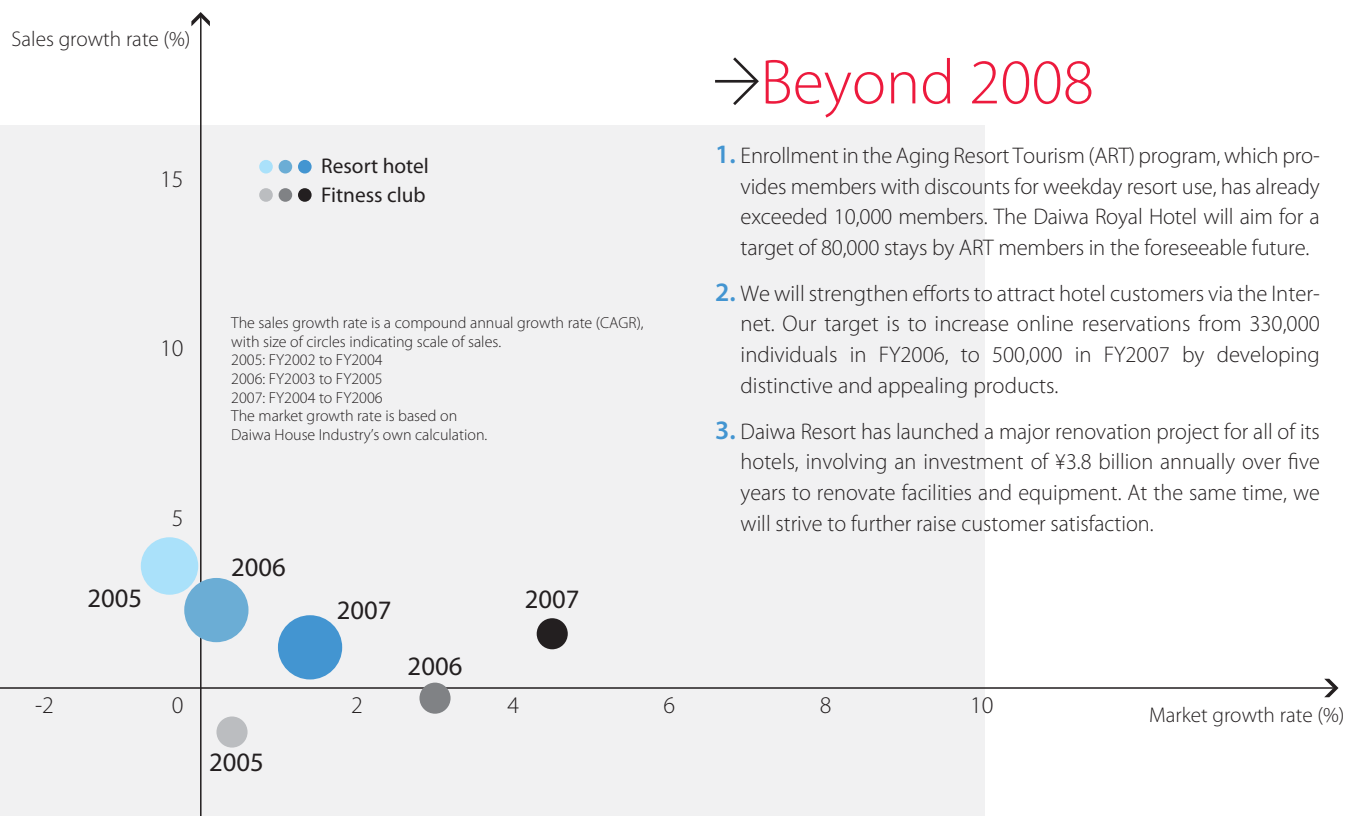


## Year 2007

### Developing products based on regionally distinct foods and culture

In FY2006, to boost our ability to attract customers, we developed services that accommodate individual needs. This included introducing a macrobiotic menu featuring natural foods at Daiwa Royal Hotels nationwide, and a pre-ordering system that enables wedding guests to register menu choices according to individual preference. As a result of these initiatives, the room occupancy ratio was almost unchanged from the previous fiscal year, while the number of guests rose 5.7% to 3.28 million.

In FY2007 we launched an accommodation package including health-oriented dining menus and exercise features. These products have been developed in anticipation of new rules that will require health insurance providers to implement health guidance to metabolic syndrome patients in the 40-and-above age bracket, which will take effect starting in FY2008. In addition, individual hotels are being given greater independence as part of an effort to develop products with a local emphasis, by identifying regionally distinct foods as well as culture, history and arts.



## → Beyond 2008

1. Enrollment in the Aging Resort Tourism (ART) program, which provides members with discounts for weekday resort use, has already exceeded 10,000 members. The Daiwa Royal Hotel will aim for a target of 80,000 stays by ART members in the foreseeable future.
2. We will strengthen efforts to attract hotel customers via the Internet. Our target is to increase online reservations from 330,000 individuals in FY2006, to 500,000 in FY2007 by developing distinctive and appealing products.
3. Daiwa Resort has launched a major renovation project for all of its hotels, involving an investment of ¥3.8 billion annually over five years to renovate facilities and equipment. At the same time, we will strive to further raise customer satisfaction.

### Emphasizing celebratory functions and memorial services to create repeat business

Within 18 months of the launch (in October 2005) of the Aging Resort Tourism (ART) program, which targets seniors for discounts for weekday resort use, a total of 64,019 individuals had stayed at hotels through the program in FY2006.

In the bridal segment, Daiwa Royal Hotel provided greater menu choices and expanded the range of optional unannounced wedding reception proceedings. These initiatives were undertaken amid intensifying competition generated by declining birthrates and the popularity of wedding receptions at facilities such as a Western mansion. The hotel also endeavored to promote other celebratory functions such as traditional 60th birthday celebrations.

### Increasing Group synergy by opening new Sports Club NAS branches

Sports Club NAS is a nationwide fitness club chain operated by subsidiary Nippon Athletic Service. The chain is engaged in efforts to expand its member base by offering a wider selection of fitness programs and events. It is also increasing synergy within the Daiwa House Group by opening branches within Group facilities such as Royton Sapporo Hotel and Across Mall Shin-Kamagaya shopping mall.



Sports Club NAS

49 sports clubs




# Home Center Business



Royal Home Center (Kyoto Yoko-Oji)

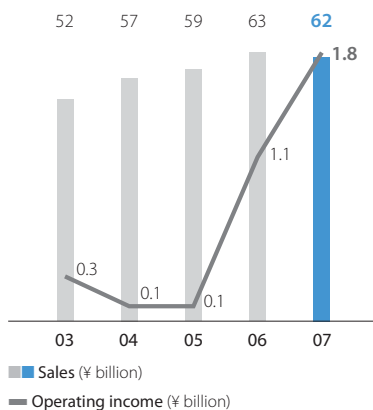
Operating stores meeting local needs, and strengthening our range of products for professionals

Sales   
**¥62.2** billion  
 (year-on-year -1.6%)

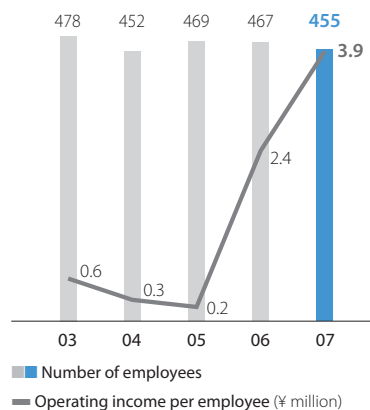
Operating income   
**¥1.8** billion  
 (year-on-year +60.1%)

Royal Home Center is a nationwide chain of stores that accounted for 3.7% of overall sales. As of March 31, 2006, the Group operated 42 stores covering a total floor area of 207,476m<sup>2</sup>, with each store offering anywhere from 50,000 to 100,000 product items. In addition to reducing costs through initiatives such as lowering purchasing costs, we are endeavoring to move beyond the low-pricing competition in the industry by shifting to a product selection strategy that emphasizes products for builders and other professionals.

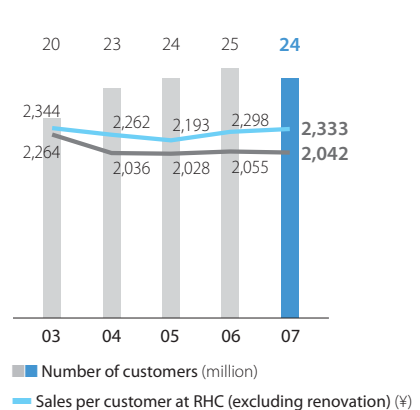
Sales and operating income



Number of employees and operating income per employee



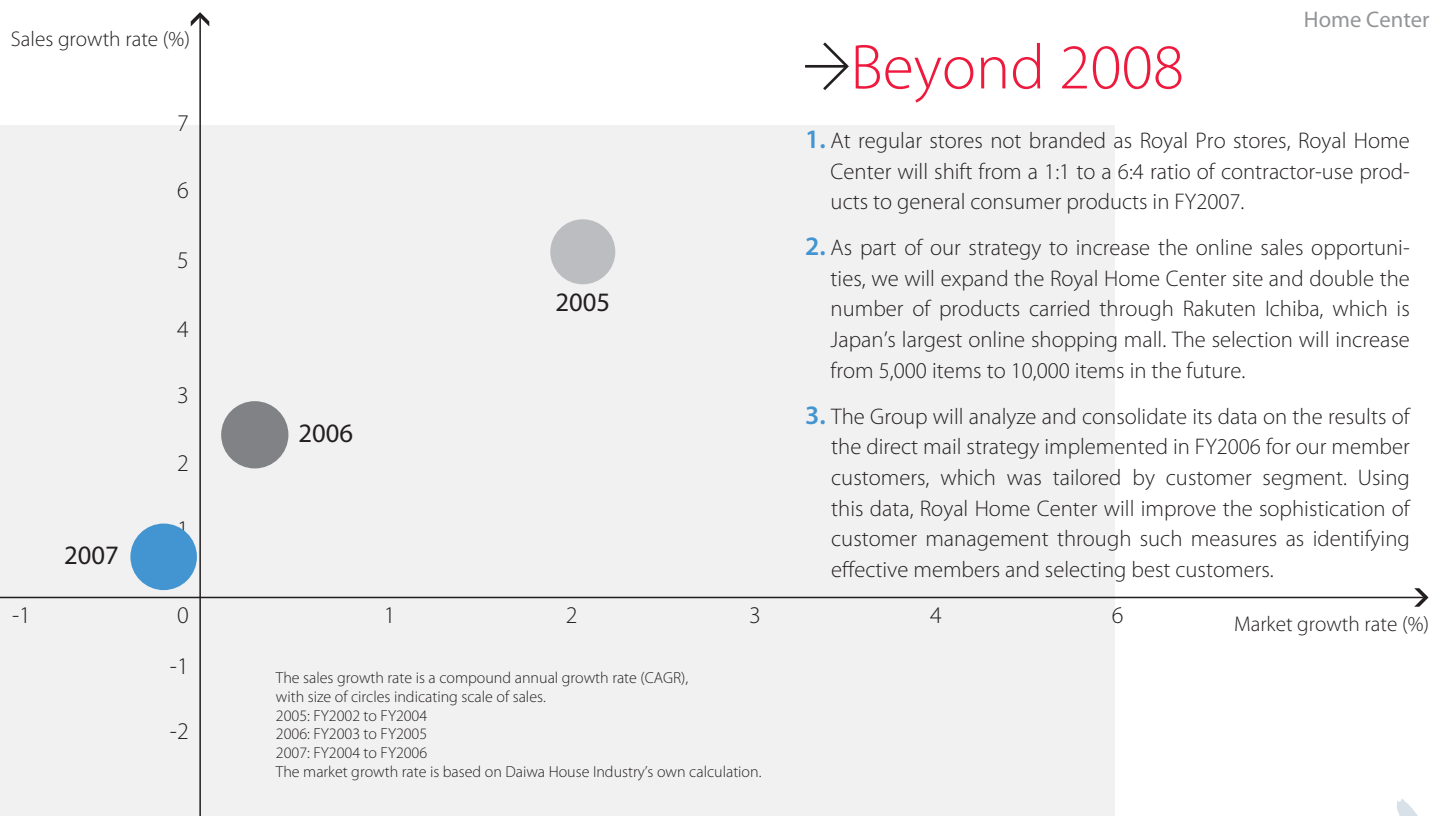
Royal Home Centers: Number of customers and average sales per customer



\* Calendar year basis

## → Beyond 2008

1. At regular stores not branded as Royal Pro stores, Royal Home Center will shift from a 1:1 to a 6:4 ratio of contractor-use products to general consumer products in FY2007.
2. As part of our strategy to increase the online sales opportunities, we will expand the Royal Home Center site and double the number of products carried through Rakuten Ichiba, which is Japan's largest online shopping mall. The selection will increase from 5,000 items to 10,000 items in the future.
3. The Group will analyze and consolidate its data on the results of the direct mail strategy implemented in FY2006 for our member customers, which was tailored by customer segment. Using this data, Royal Home Center will improve the sophistication of customer management through such measures as identifying effective members and selecting best customers.



## Year 2007

### Raising operational efficiency

Targeting the market for builders and other professional contractors, which is estimated at ¥40 trillion, Royal Home Center is expanding its range of products in such categories as hand and power tools as well as materials and hardware. We currently operate two Royal Pro specialty stores, and have set up separate buildings or sales areas for materials in large stores.

In moving to adopt an Everyday Same Low Price (ESLP) strategy for consumables, which is designed to increase the number of repeat customers, the Group has sought to increase the number of ESLP products to further penetrate the market. The number of ESLP products will increase to 5,000 items by the end of September 2007, up from 3,600 items as of March 31, 2006.

Individual stores are also being given greater discretionary powers to focus on operations that reflect local needs, while videoconferencing systems are being adopted to encourage information sharing within the chain. Royal Home Center is also taking steps to ensure that headquarters policies and strategies are swiftly and uniformly implemented, and is engaging in initiatives to improve the management capabilities of store managers and sales floor personnel.

42 home centers

(As of March 31, 2007)



### Making strides in reducing costs and improving service

In product selection, Royal Home Center is taking steps to expand product applications and functions in order to accommodate diverse customer needs, while seeking to lower purchasing costs.


At stores in Hyogo Prefecture, store layouts have been changed to bring back offices onto sales floors. While also improving service by accommodating customers more quickly, stores have lowered operating costs by integrating office functions into cash registers and service counter areas.

# Other Businesses



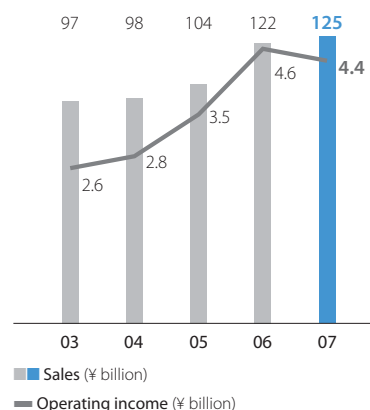
Diversifying services as a Group that co-creates value for people, communities and people's lifestyles

Sales   
**¥124.6** billion  
 (year-on-year +2.2%)

Operating income   
**¥4.4** billion  
 (year-on-year -4.1%)

The Daiwa House Group engages in a wide range of other businesses centering on the businesses of Group companies. This segment accounted for 3.8% of overall sales. In addition to growth businesses such as the manufacture and sale of housing construction materials, business hotels, and logistics operations, the Group commenced credit card services. In this way, the Group is enhancing its comprehensive strengths through diverse services that support individuals, communities and people's lifestyles, focusing on lifestyle services for consumers as well as enterprises.

Sales and operating income



## 10 business and city hotels

(As of March 31, 2007)



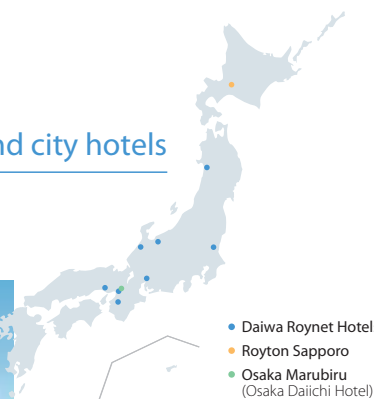
Daiwa Saison Card  
"Heart One"



Daiwa Rakuda Industry's Infill business



Daiwa Roynet Hotel Kanazawa



## Year 2007

### Expanding the infill business and logistics services

Daiwa Rakuda Industry, which engages in manufacturing and sale of housing construction materials, has taken steps to increase the volume of the exterior and interior-related orders it receives, while striving to expand the Infill business of providing comprehensive interior solutions for condominiums. It has also focused its energies on leasing furnishings and equipment for events and government customers.

Daiwa Logistics which operates 14 logistics centers nationwide, has expanded its services for general companies. This was achieved by providing procurement and recycling logistics for a variety of sectors, based on expertise it has acquired in the transportation of housing and building materials.

### Launch of credit card business

Daiwa House Financial was established in November 2006 as Japan's first credit card company owned by a housing industry. The company went into full operation with the issuance of the Daiwa Saison Card "Heart One" in June 2007. Daiwa House Financial will endeavor to increase its cardholder base and volume of transactions by encouraging credit card settlement in the Group's business segments, which include housing-related consumption, leisure and operation of commercial facilities. It will also promote a strategy to share customers within the Daiwa House Group by tying together the multi-faceted businesses of the Group.

Moving forward, Daiwa House Financial will endeavor to offer a wider range of credit card features and services, while engaging in such initiatives as the development of loan products for home renovation. It will set a target of increasing the cardholder base to 500,000 individuals by 2011.

### Brisk expansion of Daiwa Roynet Hotels

In the business hotel operations, the Group opened five new Daiwa Roynet Hotels, expanding the network to eight hotels nationwide. We have emphasized the provision of higher-quality, more comfortable guest rooms, as well as superior service, and this has been well-received. Daiwa Roynet Hotel Kanazawa was the recipient of a coveted Rakuten Travel Award 2006 from Rakuten Travel, the nation's largest hotel booking site, winning first prize in the customer survey category for city/business hotels in the Chubu region. The Group will build 10 new Daiwa Roynet Hotels by March 2009, setting its sights on eventually operating a nationwide network of 30 to 50 hotels.

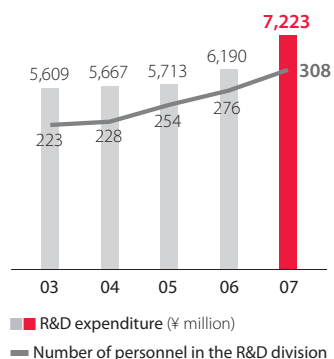
In FY2006 our subsidiary Osaka Marubiru began refurbishing all rooms and lobbies at its hotel as part of a three-year renovation plan designed to raise the tone of the whole establishment. Room rates have already been increased for some renovated rooms. The hotel achieved a 93.4% occupancy rate in FY2006.

# Research & Development

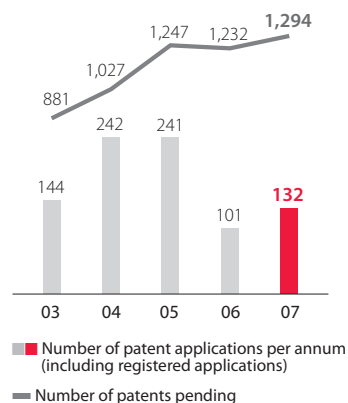


As a Group that co-creates value for individuals, communities and people's lifestyles, we are conducting research and development in conjunction with business communities, academia, government bodies, and medical universities and research institutes, and pioneering advancements in new technological fields.

R&D expenditure, and number of personnel in the R&D division



Patents applied for and pending (including registered applications)

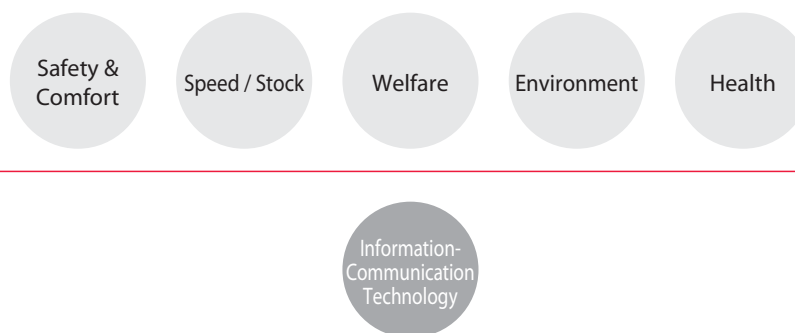


Top companies in Patent Strategy Index (by industry), comprehensive rankings for non-manufacturing sector





### Research and Development Themes



### Developing new technologies to meet the needs of the next generation

The Daiwa House Group is advancing research and development in a wide range of fields, through close collaboration among the Central Research Laboratory, the product development and design divisions, the Silver Age Research Center, and the Group's various business divisions, aiming to develop valuable technologies for our customers and society.

To meet the next generation of needs of customers and society, as the Technology Division it conducts analyses based on objective data of the external environment (macro movements, markets, technologies, competition) to determine our technological directions in the medium-to-long term.

Going forward, we will further intensify collaborations with business communities, academia, government bodies, and medical universities and research institutes, as well as form partnerships with companies in other industries to develop technologies in new fields that can form the core of new businesses. Furthermore, in order to define the directions of research and development, we have reorganized our organizational structure in fiscal 2006.

### Diverse research & development themes

At the Central Research Laboratory, diverse R&D activities are undertaken with the themes of "Safety & Comfort," "Speed / Stock," "Welfare," "Environment," "Health," and "Information-Communication Technology," the last of which forms the base of support for the others. As the R&D organization of the entire Daiwa House Group, it contributes to Group company business development and provides our customers and society with useful technologies.

Our research and development is predicated on the acquisition of patent rights. In the list of leading companies in the Patent Strategy Index published by the Patent Office in April 2007, Daiwa House Industry came 7th in the comprehensive rankings\* for the non-manufacturing sector.

\* The comprehensive rankings are calculated with a weighting of 70% for patent approval and 30% for patent applications overseas. (The average approval rate for the Daiwa House Group in 2005-2007 was 66.7%; the proportion of patent applications by the Daiwa House Group in 2006 also applied for overseas was 3.2%.)

### Safety & Comfort based on comprehensive testing

Daiwa House Industry has developed new methods to improve earthquake resistance and absorbing capabilities. We were the first private company to conduct actual-scale earthquake testing on housing, at the largest 3-D full-scale testing facility in the world (E-Defense)\*1. Testing confirmed that this technology was effective in resisting and absorbing the effects of a large-scale earthquake. The earthquake resistance and absorption technology has been incorporated into our new housing product **xevo**. In addition, “D-Tec Pile,” a steel pipe pile system used to reinforce the ground under a house, has been improved and has received Eco Mark certification\*2.

\*1 At the Hyogo Earthquake Engineering Research Center, National Research Institute for Earth Science and Disaster Prevention

\*2 Certified by Japan Environment Association



### The Speed of industrial technology and Stock of asset value



**xevo** has incorporated an exterior wall surface with both insulating and ventilating properties to enhance the house’s value as an asset. In conjunction with the Chiba Institute of Technology and University of Tsukuba, we are developing a robot to conduct inspections under houses that reduces the number of necessary regular inspections when a structure is used long-term. In the commercial facilities field, we are striving to reuse resource stocks through our “Restore & Rebuild System,” which uses construction materials from demolished commercial sites in rebuilding.

### Environmental preservation through effective use of resources

Daiwa House Industry has capitalized the ELIY Power, a venture capital firm established with Keio University, to conduct research on housing employing large-scale lithium ion batteries and electric power storage systems for buildings.

The Company has achieved zero emissions (100% recycling rate) at new-build housing sites. In addition, wood waste is used in “wood powder recycled balcony material,” a residential housing component, and waste plastic is reused in Daiwa Lease’s folded-plate roof green trays.

### History of Daiwa House Group Technology

| 1950  | 1960  | 1970   | 1980   |
|---|---|--|--|
| <p><b>1955</b> Daiwa House Industry Founded<br/>“Pipe House,” the first house model launched</p> <p><b>1957</b> Tamon Shuzo (sake brewery) warehouse and factory constructed in Nishinomiya, pioneering steel pipe structured construction in Japan</p> <p><b>1959</b> Beginning of prefabricated housing with launch of “Midget House”</p> | <p><b>1962</b> “Type A House,” a panel-type prefabricated house launched</p>  | <p><b>1973</b> Nara Central Testing Facility established (Forerunner of present-day Central Research Laboratory)</p> <p><b>1974</b> “Daiwa House C Series” received industrial housing performance certification from the Ministry of Construction</p> | <p><b>1981</b> Development of Daiwa House G Series, and launch of forerunner of our plan proposal housing, the “Chimney House”</p> <p><b>1989</b> Silver Age Research Center established<br/>A method (DNS) that does not use welding in steel-reinforced construction developed</p> |
|   |  <p style="text-align: center;">Type A House</p> |  <p style="text-align: center;">“Chimney House”</p>  |  |

### Welfare that takes into consideration all users

After signing an agreement for a business partnership with CYBERDYNE Inc., Daiwa House Industry is aiming to mass produce the robotic suit "HAL," which assists in body movement, to be used in the medical, welfare, and nursing care fields as well as the construction field. Based on findings from ergonomic experiments, we are actively incorporating "Friendly Design" into housing and buildings. This concept combines the element of beauty with the basics of universal design, namely making buildings easy to use, easy to understand and safe.



### Fusing housing and information-communication technology

Daiwa House Industry and NTT Communications Corporation are leading the industry with the joint development of home servers compatible with a variety of network environments and accompanying lifestyle services. Bringing together the respective proprietary technologies and know-how of both companies, we intend to develop home servers to manage IT devices and services as well as Internet infrastructure (common platforms) to provide these services safely and simply. This will enable home residents to enjoy a range of low-cost lifestyle services in one stop.

### Housing that maintains and improves health

In conjunction with Osaka City University's Graduate School of Human Life Science, we have conducted joint research on housing for the elderly from October 2005. As part of this collaboration, a contest was held in 2007 to collect ideas from not only experts in the field, but also the users themselves, on ways to improve housing for the elderly. Since April 2006, Nara Medical University has offered a course in housing-related medicine through a donation from Daiwa House Industry, with research results utilized to develop healthy housing technologies.

#### 1990

- 1994** Central Research Laboratory established
- 1998** "Healthy housing specifications" to counter formaldehyde incorporated in all housing products

#### 2000

- 2000** "DSQ Frame System" received Outstanding Performance Award in the Construction Engineering Development Awards for a construction method that does not use welding
- 2001** "Earthquake-absorbing" housing product, a first in the prefabricated housing industry developed
- 2003** Crime prevention specifications adopted for all housing products, an industry first

- 2005** Joint development of the "Intelligence Toilet," which incorporates health-check functions  
10 kW wind power generator "Wind-Blown Whale" launched
- 2006** **xevo** house launched, representing the first new construction method in 25 years



xevo E

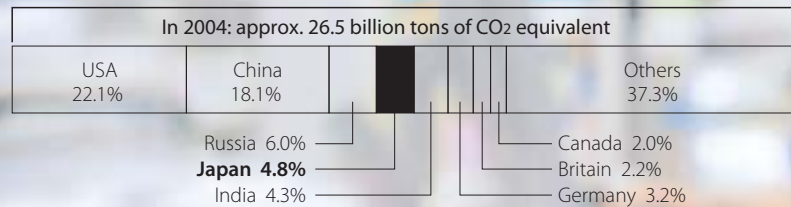
# A commitment to the Earth

## One small contribution, for a cooler world

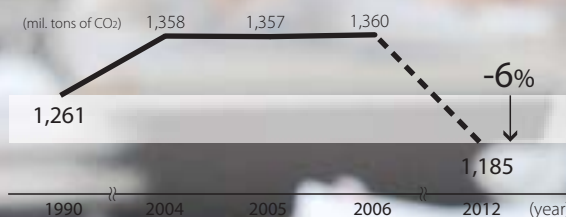
**>** In 1997, Japan promised to achieve a 6% reduction in greenhouse gas emissions by 2012. The reality, though, is that there has been a steady upward trend in the volume of greenhouse gas emissions for which reductions were pledged under the Kyoto Protocol. Signs of climatic change are already being seen, with melting of Antarctic ice causing small islands to vanish as sea levels rise. Japan must take action on behalf of the global environment, and the Daiwa House Group is implementing measures to fulfill its social responsibilities as a corporate citizen. Measures include efforts to encourage widespread use of wind power and solar power generation, and the recycling of building materials. In the summer now, we show our support for the government's "Cool Biz" campaign\* by removing our neckties and wearing light clothing. We hope that the Daiwa House Group's vision and actions will help Japan to meet its commitment to the Earth.

\* The Japanese Ministry of the Environment's "Cool Biz" campaign, started in 2005, encourages office workers to take off jackets and neckties to cut down on air-conditioning.

### Global CO<sub>2</sub> emissions



### Japan's greenhouse gas emissions





**-6%**

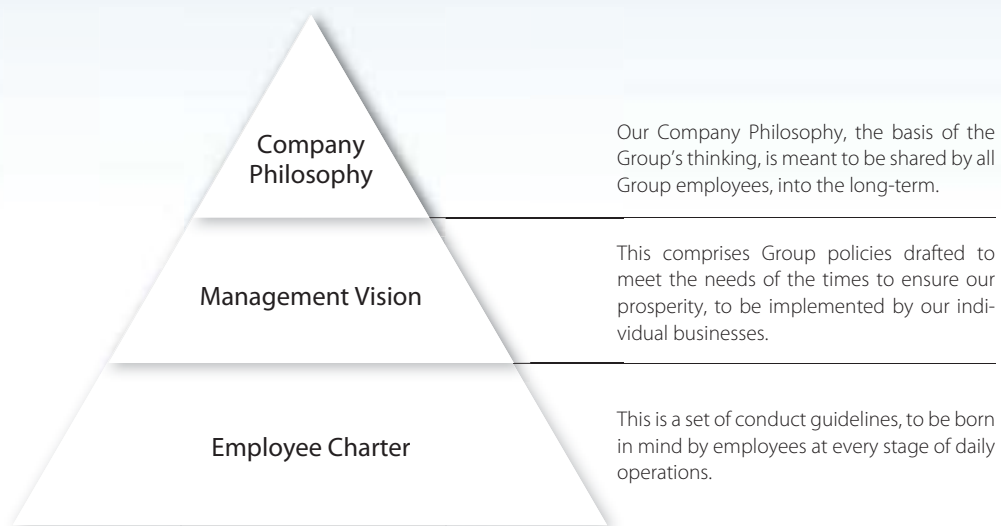
Japan's CO<sub>2</sub> emissions  
reduction target

# Corporate Citizenship

Determined to fulfill its role and responsibilities as a corporate citizen, and driven by the corporate vision of co-creating a brighter future, the Daiwa House Group is building firm relations of trust with customers and other stakeholders in the pursuit of sustainable growth for all. A report on various measures we have taken in our partnerships with stakeholders, and future plans follows.



## Daiwa House Group Principles





# Creating Together    Supporting Each Other

**94** Environment

**96** Clients

**98** Partners

**100** Shareholders

**102** People

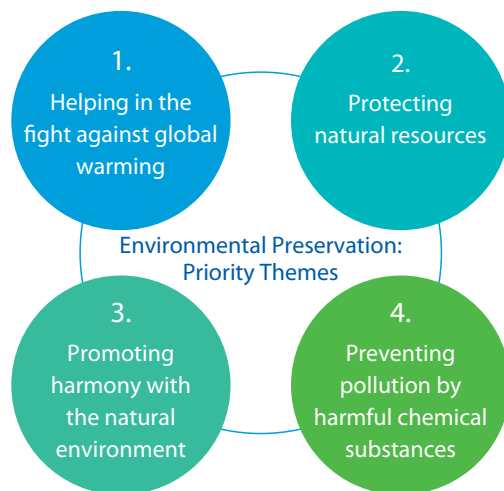
**104** Community



# Environment

## Daiwa House Group Environmental Principles

As a Group that co-creates value for individuals, communities and people's lifestyles, we aim, through our environment-friendly products and services, to foster environmental awareness with a focus on the future, and contribute to the creation of a society in which people lead fulfilling lives in harmony with the environment.



**Plan** A Cleaner Environment through our Environmental Management System

Based on its environmental management system, Daiwa House Industry works for a cleaner environment in every aspect of its business activities, to meet the goals of its Environmental Vision and Environmental Action Plan 2005. Performance statistics under these initiatives are managed through the "ei-system," our intranet-based environment information system, which is continuously upgraded.

→ **Target 2008**

The Daiwa House Group is expanding the scope of its environmental management system to cover major Group companies with a environmental footprint. It is stepping up environmental activities in terms of both business process and product.



Wind-powered electricity generation facilities at Sadamisaki, a promontory at the westernmost end of Shikoku

### Combating global warming

The Daiwa House Group is proactively committed to the use of natural energy, and develops and encourages the spread of other environment-friendly technologies (i.e. energy-saving products). In in-house initiatives, we had set up wind- and solar-power generation systems at 15 of our business bases by March 2007. We have also set up photovoltaic power generation systems in approximately 7% of the single-family houses we sold during fiscal 2006. Approximately 97% of our single-family houses follow next-generation energy-saving standards.

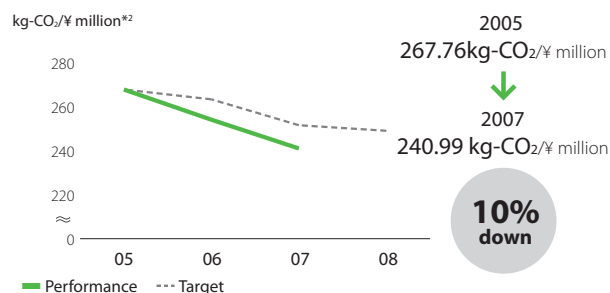
### Initiatives for environment management and quality assurance

Daiwa House Industry remains committed to 100% (zero emission) recycling at building sites for new houses. The number of "zero emission" homes completed in fiscal 2006 rose approximately 80% year-on-year. Within the Group, we are creating 100% resource-recycling systems, converting waste wood and plastic into usable products.

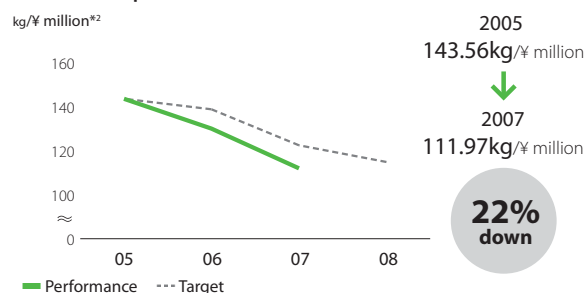
As part of efforts to reduce the number of hazardous chemical substances we use, in May 2006 we completely stopped using dichloromethane, a substance listed in the Pollutant Release and Transfer Register (PRTR)\*1.

\*1 PRTR: Emissions of chemical substances are reported annually by business operators, and national statistics are published based on these data.

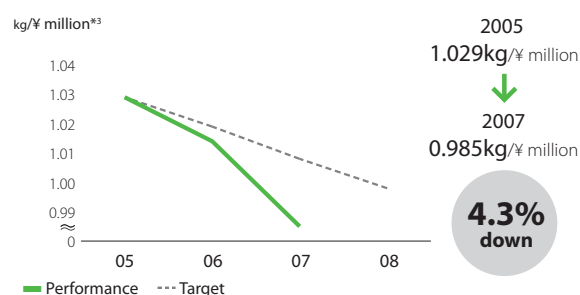
### CO<sub>2</sub> emissions ▼



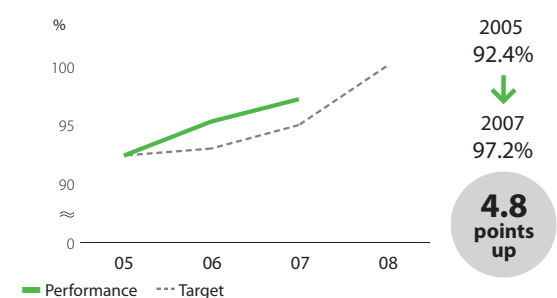
### Waste output ▼



### Volume of PRTR harmful chemical substances used ▼



### Next-generation energy-saving standards ▲ (degree of achievement)



\*2 Figures represent emissions per ¥1 million in sales value at Daiwa House Industry, Royal Home Center, and Daiwa Resort.

\*3 Figures represent emissions per ¥1 million in sales value at Daiwa House Industry's factories.



# Clients

Year-on-year growth rate  
of number of contracted customers\*



\* Year-on-year comparison of number of Daiwa House Industry houses in which construction has begun

## Plan Daiwa House Group CS Philosophy Responding to Customers

### Putting the Customer First

The Daiwa House Group aims to be a company that is held in special esteem and trusted by customers as it conducts its business. To this end, we respond to customer needs quickly and courteously while offering products and services of good value from the customer perspective.

### From "Customer Orientation" to "Individual Orientation"

We go one step beyond "customer orientation," whereby customer satisfaction is often understood from the perspective of enterprise value, to "individual orientation," whereby our actions are modeled on the viewpoint of each individual customer. Based on these actions, we will reflect customer viewpoints in every aspect of business activities.

### A new approach to customer satisfaction

To increase customer satisfaction, the Daiwa House Group believes it necessary for customers' opinions to directly guide its businesses. We have established a new central coordinating office for improving CS Division (comprising CS Planning Department, CS Promotion Department, and Quality Assurance Department), and are taking various measures to ensure that business and product issues and quality improvement are addressed based on customers' views and wishes.

We have also opened a single central Customer Center, replacing regional Customer Advice Centers, to field queries regarding housing inspection and repair work now handled by individual branches.

The Customer Center manages progress in inspection and repair processes from initial query to works completion. It also helps the Daiwa House Group meet the wishes of customers at different stages of their lives.

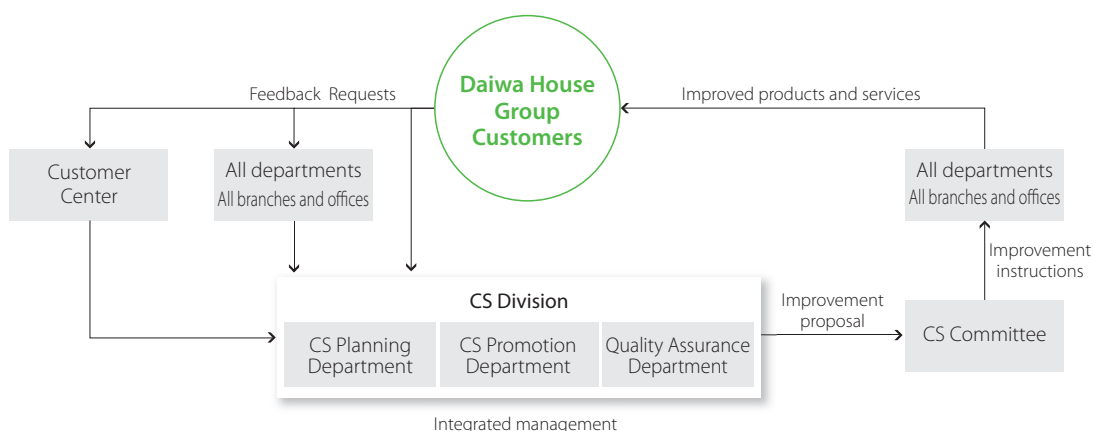
### Product support

In order to further realize quality control measures, from April 2007 Daiwa House Industry has documented construction quality using photographs by implementing an "Independent Verification Photography System for Construction." In addition, to improve after-sales services, we operate a long-term guarantee system called the 21c Secure Support System that guarantees houses' structural framework and water proofing for up to 40 years. Our new product **xevo**, launched in September 2006, includes a guarantee system that expands the scope of the initial guarantee. We have also increased the ratio of full-time regular employees engaged in after-sales services to 80% and are working to improve their skills with a company examination scheme.



Daiwa House Customer Center

### Improvement activities based on customer viewpoints

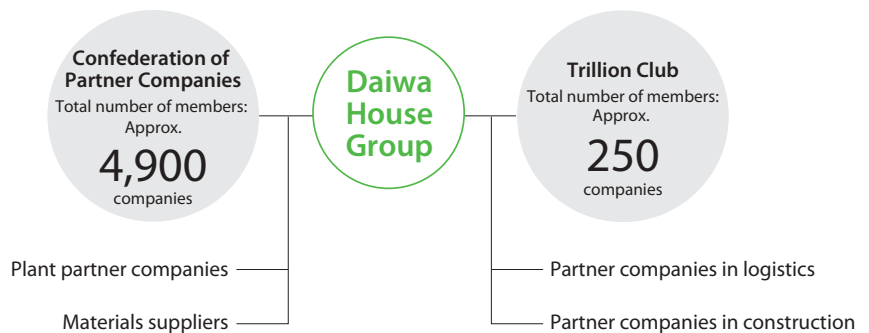


→ Target 2008

The Daiwa House Group values feedback from customers. Through the Customer Center, we are enhancing our organization to quickly respond to customer requests. We are also improving product quality and conducting follow-up activities to ensure that customers can live in security long into the future.



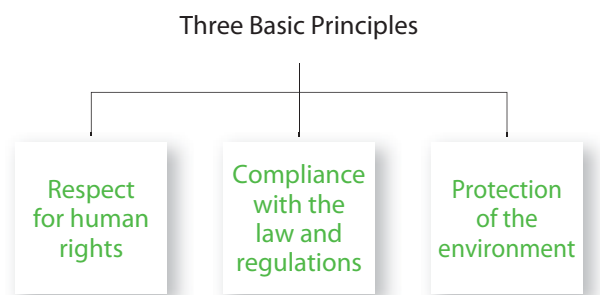
# Partners



## Plan Realize our Vision of Co-creating a Bright Future, by Maintaining and Strengthening Good Relationships with our Business Partners

The Daiwa House Group pursues its vision of co-creating a brighter future by maintaining and strengthening relationships with business partners and by continuing to create high-quality products and services. As a part of this endeavor, we have created networks to support our supply chains. Construction companies with which we partner have been grouped into the Confederation of Partner Companies while materials suppliers form the membership of the Trillion Club. These groups undertake a range of activities.

## Conduct Guidelines for Partner Companies



### Activities of major business and collaboration companies

The Confederation of Partner Companies has 84 branches and eight offices around Japan. Activities in fiscal 2006 were based on the four themes of safety, quality, improvement and marketing promotion. The Daiwa House Group is building relationships in such a way as to ensure access to new skills and effective building techniques developed on an ongoing basis by the companies with which it collaborates.

To ensure the workplace safety of employees from partner companies, we plan to introduce a system of safety checks for outside workers during fiscal 2007, to minimize disaster impact.

The Trillion Club is committed to reduction of environmental footprint and to environmental awareness-raising at each member company. During fiscal 2006, it continued initiatives of the previous fiscal year such as the eco-driving training to improve awareness of the need to reduce carbon dioxide emissions. The Daiwa House Group evaluates suppliers based on strict selection standards for partner companies, to ensure proper business relationships.

## → Target 2008

The Daiwa House Group attaches the highest priority to good relations with business partners, and is determined to work with them for social progress. We are developing a proprietary supply chain management system to position us to deliver high-quality products to the customer.

The Daiwa House Group is committed to building transparent and proper relationships, on an equal and fair footing, as a major partner of companies it does business with, based on the Code of Ethics and Behavioral Guidelines of the Daiwa House Group, the Group's blueprint for generating trust in society at large. The Group has also compiled a set of the Conduct Guidelines for Partner Companies, based on the three basic principles of respect for human rights, compliance with the law and regulations and protection of the environment. It is also taking measures to win support for this from the Confederation of Partner Companies and the Trillion Club, which group major business partners, and to improve morale and instill corporate social responsibility at partner companies too.

### Enhancing morale and promoting corporate social responsibility

Daiwa House Industry has introduced safety patrols and safety training at construction sites to foster a safety-first culture and minimize workplace accidents, in line with its commitment to respect for human rights in its Conduct Guidelines for partner companies. In line with safety and hygiene action program based on the annual safety and hygiene basic plan, we are committed to preventing accidents at the work site and ensuring maximal hygiene management, as well as an appropriate level of on-site discipline.

Based on the basic contract for subcontracting, which is covered by the Construction Industry Law, and Subcontractor Law, we are fulfilling our legal obligations by using more transparent payment terms and formats in dealings with partner companies.

Environmental protection measures taken with our partner companies include reduction of environmental footprint through standardized green purchasing and eco-driving initiatives.

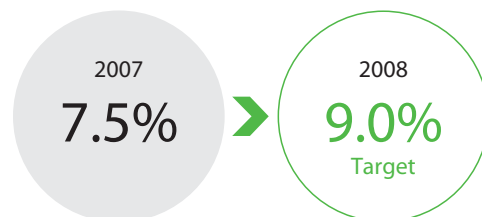


Safety patrol



# Shareholders

ROE (Return on equity)



## Plan Increase Enterprise Value by Increasing Management Transparency

Our basic policy on total shareholder return is to continue offering appropriate dividends while considering the amount of retained earnings required for enhancement of our management foundation as well as future business development.

In addition, we intend to flexibly raise shareholder returns, depending on our earnings situation, while enhancing our financial position in order to expand our business foundation, including expanding the number of sales bases, investing in production facilities, and conducting R&D to increase our competitiveness and revenue.

Rating Information  
(As of July 31, 2007)

### Long-term credit ratings

**AA-**  
Rating and Investment Information (R&I)

**AAp**  
Japan Credit Rating Agency (JCR)

**A2**  
Moody's Japan

### Short-term rating

**a-1+**  
Rating and Investment Information (R&I)

### Disclosure of timely IR information

Led by the Finance Department, we are developing IR activities with the aim of shaping a fair stock price and increasing our enterprise value. Meetings with analysts are held twice a year at the time results of Company's performance are announced. In addition, IR tools, such as financial fact books and annual reports are uploaded on the company website in order to convey our management vision and details of business performance quickly and fairly, to not only institutional investors but also individual investors.

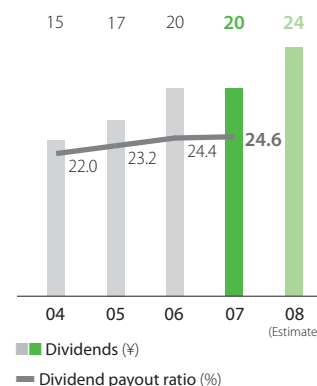
Furthermore, as over 30% of our shares are foreign-owned (33.2% as of March 31, 2007), we are also increasing efforts to expand IR activities for shareholders and investors abroad. In fiscal 2006 we visited a total of 70 companies seven times in Europe, the United States, Asia and Australia. Continuing in fiscal 2007 as well, top executives will visit companies to help deepen their understanding of our business.

In the future as well, we will disclose information in a timely and appropriate manner in cooperation with related divisions, further enhance our range of IR tools, and actively seek to participate in conferences geared toward institutional investors in Japan.

In addition, by accurately assessing and responding to the needs of shareholders and investors through the feedback received in meetings and telephone and Internet inquiries, we will develop increasingly effective IR activities. Opinions received from our stakeholders are carefully considered and reported to the Group's top management, and constitute a valuable form of feedback that we utilize to improve our business operations.

Currently, preparations are underway to distribute IR information through an e-mail service for shareholders to enable more prompt IR activities.

### Dividends and dividend payout ratio



### The Group's Investor Relations Calendar

| Events  | 2007 |     |      |      |      | 2008 |      |      |      |      |      |      |      |     |
|---|------|-----|------|------|------|------|------|------|------|------|------|------|------|-----|
|   | Apr. | May | Jun. | Jul. | Aug. | Sep. | Oct. | Nov. | Dec. | Jan. | Feb. | Mar. | Apr. | May |
| Announcement of FY2006 accounts settlement                            |      | >   |      |      |      |      |      |      |      |      |      |      |      |     |
| Notice of convocation of Annual General Meeting of Shareholders       |      |     | >    |      |      |      |      |      |      |      |      |      |      |     |
| Annual General Meeting of Shareholders                                |      |     | >    |      |      |      |      |      |      |      |      |      |      |     |
| Full-term Business Report and special gifts delivered to shareholders |      |     | >    |      |      |      |      |      |      |      |      |      |      |     |
| Announcement of accounts settlement for FY2007 Q1                     |      |     |      |      | >    |      |      |      |      |      |      |      |      |     |
| Publication of Annual Report  |      |     |      |      |      | >    |      |      |      |      |      |      |      |     |
| Announcement of accounts settlement for FY2007 first half             |      |     |      |      |      |      |      | >    |      |      |      |      |      |     |
| Distribution of business report for FY2007 first half                 |      |     |      |      |      |      |      |      | >    |      |      |      |      |     |
| Announcement of accounts settlement for FY2007 Q3                     |      |     |      |      |      |      |      |      |      |      | >    |      |      |     |
| Announcement of FY2007 accounts settlement                            |      |     |      |      |      |      |      |      |      |      |      |      |      | >   |

\* The schedule is subject to change without notice.

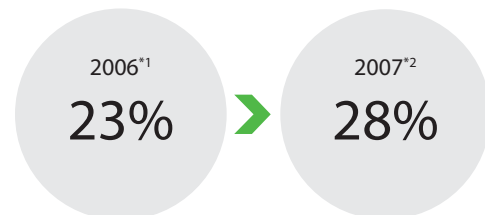
## → Target 2008

Going forward, we will implement disclosure more actively. We will begin an e-mail service to distribute IR information to our shareholders. We remain committed to IR activities at the management level for our investors in Japan and abroad.



# People

Percentage of women among the new hirings



\*1 From April 1, 2005 to March 1, 2006

\*2 From April 1, 2006 to March 1, 2007  
(Daiwa House Industry, non-consolidated)

## Plan Develop Company Culture to Increase the Motivation and Abilities of Human Resources

Motivated employees and increased capabilities are significant drivers of company growth. Based on the principles of freedom of choice and independence, the Daiwa House Group is developing personnel systems that enable individual employees to focus on their own career development. Within these systems, we are encouraging the employment and promotion of women to reflect women's increasing societal advancement. We are also focusing efforts on creation of working environments, human resources training and employment of the elderly and physically disabled to foster a company culture in which everyone may participate.

### Human resources training based on freedom of choice and independence

A program in which motivated employees nominate themselves for the position of branch manager has been further developed to include a training program. From April 2007, nine branch managers have been appointed in this system. In fiscal 2006, 19 employees signed up for the Free Agent (FA) system in which they can select their desired position, while 30 people transferred to their desired position or department as part of an in-house recruitment system.

Moreover, the "Di-Q Examination" was introduced on a trial basis in July 2006. The in-house certification scheme, which certifies and enhances the practical competencies of new and young employees, was fully introduced in July 2007. A number of other training programs, including an optional career development training scheme open to all employees, are being continuously enhanced to respond to employees' spirit of challenge and perseverance.

### Employment and promotion of women

To institutionalize efforts to create suitable workplaces for female employees, Daiwa House Industry set up a women's organization called the Wave Heart Project in November 2004, which became the Wave Heart Promotion Office in May 2007. We launched the Work-Life Balance Support System in April 2007 to conduct activities with the goal of creating a company culture male and female employees can thrive in.

Daiwa House Industry is annually increasing the percentage of women employed. In fiscal 2006 women accounted for 28% of the total number of employees, a five-point increase from fiscal 2005. In addition, there were eight women in management positions as of April 2006 and 13 as of April 2007, indicating the increasing appointment and promotion of women. Going forward, we will continue to actively train employees at the level of chief as candidates for future middle management positions.

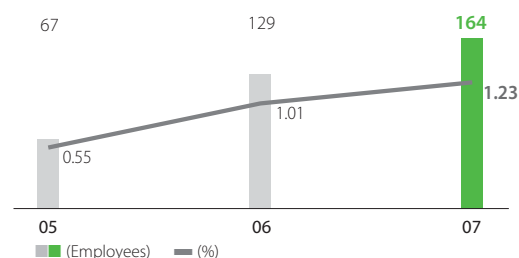
### Development of workplace environments enabling everyone to participate

Daiwa House Industry aims to improve workplace environments, taking into consideration the health of employees along with enhanced support for family life. In addition to initiatives such as the workplace selection program, a half-day paid leave transfer system and a paid leave reserve system, in April 2007 we introduced a Work-Life Balance Support System, which encourages men to participate in childrearing and to take paid leave, in continued efforts to create an environment in which everyone can work and take leave.

### Re-employment of the elderly and employment of the physically disabled

Daiwa House Industry revised the post-retirement re-employment system expanding the system from the management class to general employees as well in April 2006. The uniform compensation system was also modified to a scheme based on individual performance. In addition, the percentage of employees with disabilities was 1.9% as of April 1, 2007, which is higher than the legally stipulated rate of 1.8% for the thirteenth year in a row. We strive to realize rewarding employment and compensation policy for the able-bodied and the disabled, regardless of age.

### Number and percentage of female chiefs and assistant managers\*



\* Figures as of April of each year. Percentages in proportion to the total number of full-time regular employees.

## → Target 2008

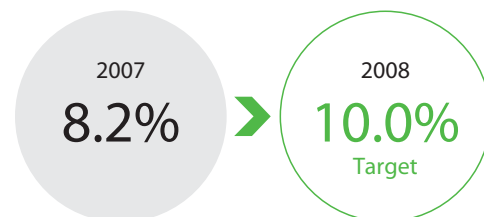
We aim to recruit and professionally develop human resources to build the Daiwa House Group's future and shoulder the company's social responsibility. Without commitment, we cannot expect that the Daiwa House Group and its employees will grow together, or lay the groundwork to win the trust of society for the whole Group and its employees. We will create workplaces where each of our employees can allow their abilities to flower.



Kidzania Tokyo

# Community

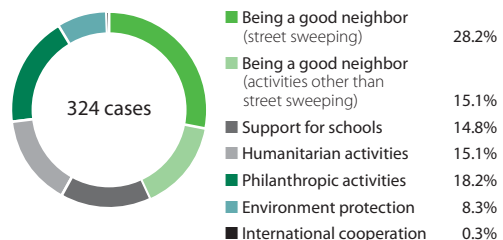
Percentage of paid holidays given over to voluntary activities by each employee over the year  
(Daiwa House Industry, non-consolidated)



## Plan Harmony with the Environment and Society through Community Support Activities

As a corporate citizen operating in harmony with the environment and local communities, the Daiwa House Group is involved in a range of community support activities on an ongoing basis. Through these activities, we contribute to the development of all of society and to a better living environment.

Community support activities in fiscal 2006  
(Daiwa House Industry, non-consolidated)



### Support for local schools

At the local school level, the Daiwa House Group's aim is to get children to start thinking about housing and employment issues. The number of schools we work with has increased from seven in fiscal 2005 to 13 in fiscal 2006. In November 2006, Daiwa House Industry sent guest teachers to an open class under the 43rd Committee on Elementary School Home Economics Education Research. Work experience programs are operated by Daiwa Royal Hotels on an ongoing basis.

Many children have also visited our pavilion at the workplace experience culture lessons at the Kidzania Tokyo since it opened in October 2006.



Kids Eco Workshop

### Cooperation with NPOs and NGOs

The Daiwa House Group works in partnership with many NPOs and NGOs as well as local communities. In fiscal 2006, we were cooperatively involved in the "Dreams Come True School" educational project organized by the Osaka Chamber of Commerce and Industry and the NPO Japan Association for Educational Innovation (JAE), and in graffiti removal activities organized by Yokohama City and the NPO "I Love Tsuzuki."

### Funds and charitable activities

In October 2005, Daiwa House Industry launched a charity fund for employee donations. In fiscal 2006, we raised ¥9,736,878 for disaster relief, and ¥6,828,187 for welfare, environment and education purposes. In fiscal 2006, Daiwa House Industry supported 324 educational support and volunteer activities and other projects.

#### Fiscal 2006 Our major community support initiatives

|   |   |   |
|---|---|---|
| <p>Daiwa Resort</p> <p><b>234 cases</b></p> <p>Ran workplace experience and internship programs and participated in regional events (hotels all over Japan)</p> | <p>Nippon Athletic Service (NAS)</p> <p><b>78 cases</b></p> <p>Ran workplace experience programs and helped stage events designed to promote sports and health at the regional level (sporting facilities all over Japan)</p> | <p>Daiwa Lease</p> <p><b>76 cases</b></p> <p>Took part in street-cleaning activities in areas around branches and offices all over Japan, with individual employees participating in local volunteer activities</p> |
| <p>Royal Home Center</p> <p><b>48 cases</b></p> <p>Ran workplace experience programs for middle-school students (outlets all over Japan)</p>                    | <p>Daiwa Rakuda Industry</p> <p><b>18 cases</b></p> <p>Organized street-cleaning activities around offices and factories, and ran blood-donation points</p>   | <p>Daiwa Royal Golf</p> <p><b>10 cases</b></p> <p>Sponsored local festivals, making available car-parking facilities, and ran a workplace experience program for middle-school students</p>                         |

## → Target 2008

By drawing on its experience and expertise as a corporate player, the Daiwa House Group aims to expand its community support activities in three domains: environment, welfare and education. While participating in community activities that meet local and societal aspirations, we aim to help our employees develop individually at the same time.



Percentage of Japanese companies with high priority on CSR

75%

## Taking responsibility for the future

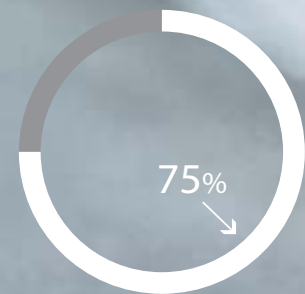
Our choices today determine their lives tomorrow



Promises that are made must be kept, there should be no lying, and one should always work hard. Adults were supposedly taught these things, and yet some disregard these rules. How can they face children and hold up their heads as working members of society? We hear reports of corporate misconduct on a daily basis. Companies must acknowledge their social responsibilities, must exercise appropriate discretion and do what needs to be done, and must shun illegal or unethical behavior. Among the member companies of the Nippon Keidanren (Japan Business Federation), 75.2% indicated that they are making CSR considerations a priority in the conduct of their corporate activities. The Daiwa House Group promises to conduct its business activities with integrity, so as to maintain the respect of both children and adults alike.

Corporate priority on CSR

■ High priority  
■ Others



# A Story of the Daiwa House Group

- 1955** Founding of Daiwa House Industry and launch of our first product, the "Pipe House."
- 1957** Steel pipe structure used for warehouse at sake brewery receives certification from Japan Lightweight Iron Construction Association as first such full-fledged structure in Japan
- 1959** Daiwa Kosho (current Daiwa Lease) and Daiwa Konpo (current Daiwa Logistics) established  
"Midget House" pilot prefabricated house model launched on market
- 1961** Daiwa Danchi established (merged with Daiwa House in April 2001)  
Stock listed on Osaka, Tokyo and Nagoya stock exchanges
- 1965** Nara Factory constructed, Japan's first specialist plant for production of prefabricated houses
- 1968** Network of housing showrooms set up across Japan
- 1969** Fullscale start of new town development business (Midorigaoka Neopolis)
- 1971** Daiwa Jutakukiki (current Daiwa Rakuda Industry) established
- 1975** Opening of the Daiwa House Group's first golf course at the Shikabe Country Club
- 1977** Condominium Business starts
- 1978** Resort hotels business started with opening of Noto Royal Hotel, the first Daiwa Royal Hotel
- 1979** Real Estate Information centers set up within each of the Company's offices as first step in developing the used housing market  
Tentakubin (current Daiwa Service) established
- 1980** First Royal Home Center opened in Nara City
- 1983** Exports and construction of high-end prefabricated houses to China (a first for Japan)
- 1986** Daiwa Information Service established
- 1989** Daiwa Living established  
Silver Age Research Center established
- 1994** Daiwa House Central Research Laboratory opened in Kansai Science City
- 2001** Daiwa House Industry merged with Daiwa Danchi
- 2004** Home center business split off from Daiwa House Industry  
The Daiwa House Group draws up its Corporate Ethics Guidelines and Behavioral Guidelines
- 2005** **50th anniversary**  
The Daiwa House Group draws up a new management vision and an Employee Charter to mark 50th anniversary  
New Group symbol — the "Endless Heart" — introduced
- 2006** Group management integration through share exchange transactions between Daiwa House Industry and Daiwa Kosho Lease, Daiwa Rakuda Industry, and Daiwa Logistics, by which the subsidiaries became wholly owned subsidiaries of Daiwa House Industry  
Daiwa House Financial and Daiwa House Insurance are founded
- 2007** Daiwa Royal Golf is founded  
The resort hotel business is split off from Daiwa House Industry  
Nobuo Ishibashi Memorial Museum opens  
Eneserve becomes a consolidated subsidiary



# Group Network





- Head office
  - Tokyo office
  - Nagoya office
  - Branches: 91 (including Osaka Honten Branch)
  - Factories: 12
- (The above places of business are directly operated by Daiwa House.)

- Golf courses: 10
- Daiwa Royal Hotels: 29
  - Daiwa Resort also manages the Royton Sapporo, and the Lake Yamanaka Fujisan Royal Cottages (marked with ◆).
  - It also operates a branch office in Seoul (marked with ◆).

- Royal Home Centers: 42
- Sports Club NAS: 50
- Daiwa Roynet Hotels: 9
- Osaka Marubiru (Osaka Daiichi Hotel)

As of September 1, 2007

# JAPAN



## Principal Group Companies

### Daiwa House Industry Co., Ltd.

Housing/Commercial facilities/  
Urban development, etc.  
www.daiwahouse.co.jp

### Daiwa Logistics Co., Ltd.

Transportation/Warehouse & storage  
www.daiwabutsuryu.co.jp

### Daiwa Information Service Co., Ltd.

Land utilization/Maintenance &  
operation of commercial facilities  
www.dis-net.jp

### Royal Home Center Co., Ltd.

DIY/Gardening/Interior items  
www.royal-hc.co.jp

### Daiwa House Kitanihon Co., Ltd.

Wooden houses  
www.daiwahousekitanihon.co.jp

### Daiwa House Chubu Co., Ltd.

Wooden houses  
www.daiwahousechubu.co.jp

### Daiwa House Kyushu Co., Ltd.

Wooden houses  
www.daiwahousekyusyu.co.jp

### Daiwa Estate Co., Ltd.

Real estate agency  
www.daiwaestate.jp

### Osaka Marubiru Co., Ltd.

Management of hotels,  
rental premises & parking lot  
www.marubiru.com

### Daiwa House Financial Co., Ltd.

Credit card operations  
www.daiwahousefinancial.co.jp

### Shinwa Agency Co., Ltd.

Advertising & travel agency  
www.go-to-s.com

### Higashi-Fuji Co., Ltd.

Real estate development,  
sale of commercial real estate

### Daiwa Lease Co., Ltd.

Building & vehicle leasing/Land utilization  
www.daiwalease.co.jp

### Daiwa Living Co., Ltd.

Management/Operation of rental housing  
www.daiwaliving.co.jp

### Nihon Jyutaku Ryutu Co., Ltd.

Real estate agency & property management  
services/Appraisals/Renovation work  
www.jyutaku.co.jp

### Daiwa Resort Co., Ltd.

(Daiwa Royal Hotels)  
Resort hotels  
www.daiwaresort.co.jp

### Daiwa House Kanto Co., Ltd.

Wooden houses  
www.dhkanto.co.jp

### Daiwa House Kansai Co., Ltd.

Wooden houses  
www.daiwahousekansai.co.jp

### Daiwa House Renew Co., Ltd.

Renovation work/Manpower dispatching  
www.daiwahouse-renew.co.jp

### Daiwa Monthly Co., Ltd.

Real estate rental & management  
www.daiwamonthly.co.jp

### Nippon Athletic Service Co., Ltd.

(Sports Club NAS)  
Fitness clubs  
www.nas-club.co.jp

### Daiwa House Insurance Co., Ltd.

Non-life insurance agency

### Media Tech Inc.

Data systems/Data services  
www.mediatech.jp

### LOC Development Co., Ltd.

Development and management of  
shopping centers  
www.loc-kaihatsu.co.jp

### Daiwa Rakuda Industry Co., Ltd.

Housing equipment/  
Layout for offices and stores/Rental  
www.daiwarakuda.co.jp

### Daiwa Service Co., Ltd.

Management of buildings & condominiums/  
Manpower dispatching/Moving services  
www.daiwaservice.co.jp

### Daiwa Royal Co., Ltd.

Rental of commercial facilities/  
Daiwa Roynet Hotels  
www.daiwaroyal.com

### Daiwa Royal Golf Co., Ltd.

Golf course operation  
www.daiwaroyalgolf.jp

### Daiwa House Hokushinetsu Co., Ltd.

Wooden houses  
www.daiwahousehokushinetsu.co.jp

### Daiwa House Chushikoku Co., Ltd.

Wooden houses  
www.daiwahousechushikoku.co.jp

### Daiwa Energy Co., Ltd.

ESCO business/Environmental equipment/  
Facility installation  
www.daiwa-energy.com

### Jukeikai Co., Ltd.

(Neo Summit Yugawara)  
Operator of homes for the aged  
www.neo-summit.com

### Daiwa House REIT Management Co., Ltd.

Asset management

### Synchroller Co., Ltd.

Manufacture of housing parts & materials

### Eneserve Corporation

Comprehensive energy services  
www.eneserve.co.jp

### The Mortgage Corporation of Japan, Ltd.

Finance of housing loan  
www.mc-j.co.jp

## Overseas Affiliated Companies

### DH (Dalian) Administrative Management Consulting Center Co., Ltd.

Provision of outsourced administrative work

### Dalian Civil Aviation Hotel Co., Ltd.

Management of Royal Hotel at Dalian

### Tianjin Jiuhe International Villa Co., Ltd.

Management of rental housing

### Daiwa House (Suzhou) Real Estate Development Co., Ltd.

Development and marketing of condominiums

### Dalian Fujiashuang International Villa Co., Ltd.

Management of rental housing

### Dalian Dahezongsheng Estate Co., Ltd.

Development and marketing of  
condominiums

### Shanghai Happy House Decoration Co., Ltd.

Design and installation of housing interiors

### Dalian Acacia Town Villa Co., Ltd.

Management of rental housing

### Beijing East Palace Apartment Co., Ltd.

Management of rental housing

### Shanghai International Realty Co., Ltd.

Management of rental housing





夢

「夢」は、未来への希望と理想を象徴する言葉である。夢を叶えるためには、努力と persistence が不可欠である。我々が目指す未来は、夢を叶えるための道である。我々が目指す未来は、夢を叶えるための道である。我々が目指す未来は、夢を叶えるための道である。

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#### In the Nobuo Ishibashi Memorial Museum

The *kanji* character shown above means “dream,” and is pronounced “*yume*” in Japanese. The enlarged photo on the wall inside the Nobuo Ishibashi Memorial Museum shows Daiwa House Industry founder Nobuo Ishibashi. Pictured in the foreground are Chairman and CEO Takeo Higuchi (left), President and COO Kenji Murakami (middle), and Executive Vice President and CFO Tetsuji Ogawa (right).

In creating prefabricated housing, we pioneered  
a new field for the housing industry,  
furthering economic and social development  
in Japan's post-war period.

The late Nobuo Ishibashi,  
founder of Daiwa House Industry, said,  
"Companies grow by harnessing dreams.  
To live is to dream, and you must never give up  
on your pursuit of your dream."

In this spirit, we aim to achieve great dreams,  
and will keep working to realize  
our vision for the future.

## 石橋信夫記念館

NOBUO ISHIBASHI MEMORIAL MUSEUM

# Corporate Data

As of April 1, 2007

|  |  |
|--|--|
| <b>Corporate name:</b> Daiwa House Industry Co., Ltd.  | <b>Contact:</b> Daiwa House Industry Co., Ltd.   |
| <b>Founding:</b> April 5, 1955 (Established: March 4, 1947)  | Finance Department   |
| <b>Paid-in capital:</b> ¥110,120,483,981   | Phone: +81-6-6342-1400   |
| <b>Employees:</b> 13,288   | Fax: +81-6-6342-1419   |
| <b>Head Office:</b> 3-3-5 Umeda, Kita-ku, Osaka 530-8241, Japan<br>Phone: +81-6-6346-2111          | e-mail: zaimu@daiwahouse.jp  |
| <b>Tokyo Office:</b> 3-13-1 Iidabashi, Chiyoda-ku, Tokyo 102-8112, Japan<br>Phone: +81-3-5214-2111 | <b>Daiwa House website:</b><br>Daiwa House Group:<br><a href="http://www.daiwahouse.com/English">http://www.daiwahouse.com/English</a> |
| <b>Nagoya Office:</b> 1-20-22 Aoi, Naka-ku, Nagoya 460-8491, Japan<br>Phone: +81-52-933-2703       | Daiwa House Industry Co., Ltd.:<br><a href="http://www.daiwahouse.co.jp/English">http://www.daiwahouse.co.jp/English</a>               |
| <b>Branches:</b> 91 (including Osaka Honten Branch)  | <b>Securities traded:</b> Tokyo and Osaka stock exchanges  |
| <b>Factories:</b> 12 (As of July 1, 2007)  | <b>Securities Code:</b> 1925   |
| <b>Research center:</b> Central Research Laboratory (Nara)   |  |
| <b>Training centers:</b> Osaka, Nara and Tokyo   |  |
| <b>Overseas offices:</b> Shanghai, Hanoi   |  |

## Sources

|                  |  |      |   |
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| P15              | National Institute of Population and Social Security Research / Population Statistics of Japan 2007                                      |      | UN / Annual Bulletin of Housing and Building Statistics for Europe UK (1991), USA (1991), France (1990), Germany (1987), Japan (1993) |
| P21              | Statistics Bureau, Ministry of Internal Affairs and Communications / Population Census of Japan (2005) and Population Estimate (10/2006) | P 65 | Association of Real Estate Agents of Japan / Survey on consumer behavior in real estate transaction (FY2006)                          |
|                  | National Institute of Population and Social Security Research / Population Projections for Japan (12/2006)                               | P 66 | Bank of Japan / Opinion Survey on the General Public's Views and Behavior (3/2007)  |
|                  | UN, Statistics Division  | P 77 | Statistics Bureau, Ministry of Internal Affairs and Communications / Population Estimates, Annual Report 2006                         |
| P23, 60, 62, 111 | Ministry of Land, Infrastructure and Transport / Statistics on Building Construction Started 2006  | P 90 | Ministry of the Environment / White Paper, Annual Report on the Environment   |
| P48              | National Institute of Population and Social Security Research / Population Projections for Japan (10/2006)                               | P107 | Japan Business Federation (Nippon Keidanren) / Survey on Corporate Social Responsibility (10/2005)                                    |

*Overall responsibility • Tetsuji Ogawa/Daiwa House Producer & creative director • Keisuke Izumoto/Daiwa House  
Art director • Hiroaki Kitagawa/Nippon Arts Inc. Designer • Mayumi Makino/D & Join Inc. Photographer • Kazumasa Kondo  
Japanese writer • Masaki Kobayashi/Daiwa House; Yumi Minobe, Junko Takabe, Miki Tsuchida Editor • Kazuko Nagai/Daiwa House  
English translator & editor • Stephen Lloyd/D & Join Inc. Director & coordinator • Katsuya Iwado/D & Join Inc.  
Assistant director • Nao Kishigami/Daiwa House*