Daiwa House®
Group

How Many Hearts?

2009 Annual Report

The Year in Review

2008

April

■ Changes the paper used for product catalogs, business cards, and company envelopes to Forest Cultivation Paper based on own standards, contributing to sustainable development of forest resources.

May

■ Draws up the Second Medium-Term Management Plan "Challenge 2010" (fiscal 2008 to fiscal 2010). The main themes of the plan are improving the profit structure and nurturing new drivers of future earnings.

June

■ Listing of Daiwa House REIT Investment Corporation postponed.

July

■ SumStock is founded by nine major housing companies to boost sales and create a proper market for existing high-quality housing stock.

■ Concludes a sole agency contract on the robot suit business with CYBERDYNE Inc., the world's most advanced company in human assistive Cybernics* technology.

* Cybernics: fusion of human, machine, and information systems

■ Draws up Medium-Term Environmental Action Plan, Endless Green Program 2010, aiming to "help bring about a society in which the lives of more people can be harmonized with the natural environment, enabling them to live truly fulfilling lives."

■ Launches the Séjour OTT's Limited, a semi-fireproof, three-story rental housing product.

■ Eneserve, a listed subsidiary, becomes a wholly owned subsidiary through a takeover bid.

We seek even better synergy within the Group while improving the decision-making process and management efficiency of Eneserve, carrying out comprehensive business strategies through even closer collaboration than in the past.

August

■ Becomes overall No.1 in environmentally-friendly houses in fiscal 2007.

This marks the first certification for a large multi-purpose building in the individual supply type. In addition, certification of D'Grafort Senrichuo (Toyonaka City in Osaka Prefecture) marks the first such recognition for a condominium building. This marks the third overall No.1 of the Daiwa House Group, following fiscal 2004 and fiscal 2005.

September

■ Launches the xevo C, in which the family themselves help with architectural design, expanding our single-family housing product lineup.

October

■ iias Tsukuba, a large commercial complex operated by the Daiwa House Group, opens, becoming one of the largest in the northern Kanto region.

iias Tsukuba is a large commercial complex located in front of Kenkyu Gakuen station on the Tsukuba Express Line (Tsukuba City, Ibaraki Prefecture), housing 10 core tenants and 211 specialty stores in the mall for a total of 221 stores. It also accommodates medical institutions, a bank, an adult education school, and a wedding center. It is equipped with features to function as a semi-autonomous community.

■ Leasing begins for Robot Suit HAL™.

The new company building (Tsukuba City, Ibaraki Prefecture) of CYBERDYNE Inc. was opened in October 2008, becoming an R&D and production base for HAL™, a self-support assistive robotic suit. Production of HAL™ began as its first product for commercial use (for nursing care purposes). Accordingly, Daiwa House Group began leasing of this product as the sole distributor.

February

■ Launches the xevo WW, which is well-adapted to the Japanese climate, expanding the wooden, single-family housing product lineup.

■ Activities for creating a community in harmony with nature and reducing CO_2 for an entire community win the 18th Global Environmental Award.

Highly praised for activities such as creating a community in harmony with the natural environment, reducing CO_2 for an entire town block for Koshigaya Lake Town and overall activities for the environment related to housing construction, the Daiwa House Group was awarded the 18th Global Environmental Award Grand Prix, hosted by the Fujisankei Communications Group.

Courtesy of The Sankei Shimbun Co., Ltd.

2009

November

■ Opening of iias Sapporo and Foleo Otsu-Ichiriyama; large commercial complexes operated by the Daiwa House Group.

December

■ Morimoto Asset Management Co., Ltd., an asset management company of BLife Investment Corporation, becomes a subsidiary, and changes its name to Daiwa House Morimoto Asset Management (February 2009).

Daiwa Morimoto Asset Management
Daiwa House Group

■ Launches Intelligence Toilet Ⅱ, an in-home health check system jointly developed with TOTO Ltd.

January

■ Launches Séjour MODERN COURT J, two-story rental housing product — a multi-layered town house with modern design.

April

■ Commences sales of Grace Lumino, a white LED lighting system for commercial facilities, which significantly reduces power consumption and CO_2 emissions.

The Daiwa House Group and Nabesho Corporation, in cooperation with Kyocera Corporation, developed Grace Lumino, a white LED lighting system, which can significantly reduce power consumption and CO_2 emissions, and began sales for commercial facilities, hotels, and offices. Beginning with convenience stores that have a business relationship with the Daiwa House Group, the Group is making proposals for its adoption for new construction or renovation.

未来を、つなごう We Build ECO

■ Daiwa Lease transfers its management business for rental apartment buildings to Daiwa Living as part of the reorganization of the Group to avoid duplication of business.

Key Data for 2009

As of March 31, 2009

Net sales ¥1,691.0 billion

down 1.1%

Residential	56.6%
Commercial Construction	31.3%
Resort Hotels and Sports Life	3.6%
Home Center	3.7%
Other	4.8%

Single-Family Houses	19.9%
Condominiums	6.6%
Existing Home Business	1.9%
Rental Housing	25.1%
Commercial Facilities	17.0%
Business and Corporate Facilities	13.6%
Health & Leisure	3.4%
Other Businesses	12.4%

The descriptions of the Daiwa House Group's business activities in this annual report employ two different classifications. For accounting purposes, business operations are divided into five segments, while in non-accounting sections of the report business operations are divided into eight domains to facilitate easier understanding of the Group.

Operating income ¥73.6 billion

down 17.4%

Net income ¥4.2 billion

down 68.1%

ROE 0.7%

down 1.3points

Total assets ¥1,810.6 billion

up 1.1%

CO_2 savings through products and services

1,087 thousand t-CO_2

Total CO_2 emissions reduction attributable to use of environmentally-friendly residential and commercial facilities built by the Daiwa House Group

Number of new environmentally-friendly houses on the market

1,992 units

House models designed to help preserve the global environment, meeting the certification standards of the Institute for Building Environment and Energy Conservation

How Many Hearts?

How Many Hearts?

Heart.

It all starts here.
By caring enough about someone
you can make that person happy.
By wishing strongly enough for something
you can even create the future.

Have you noticed this?

In your heart, and the hearts around you,
something is starting —
change is underway.


One +


One


+ One +


One + One


TITANIUM TENNIS
+ One +


One +
One +
+ One +
One +
One +

In Housing… in Business… and in Life…
Our role is to connect hearts, as many as there are.

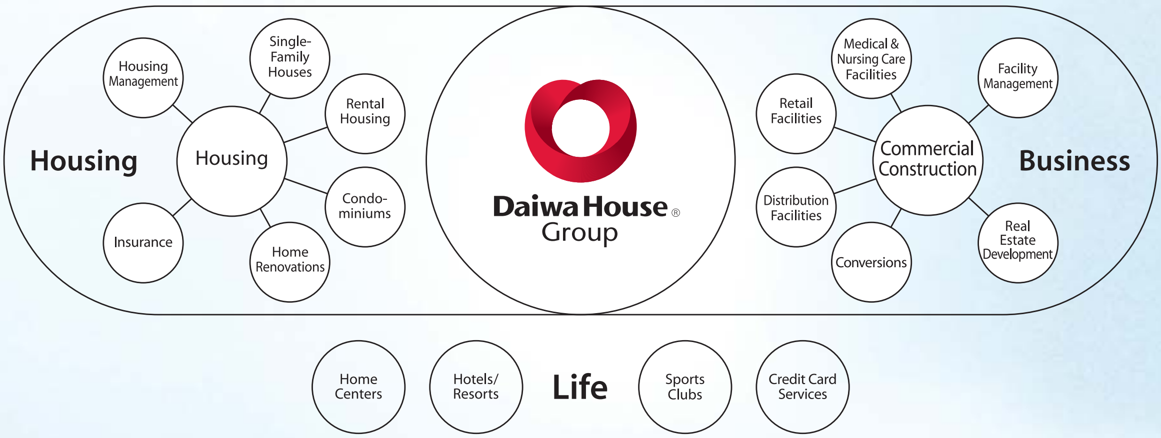
You

Creating Dreams, + Building Hearts

The Daiwa House Group works to create new value.
Under our management vision "Connecting Hearts,"
we cultivate ties with each and every customer in all our business activities.
With the "Endless Heart" as our Group symbol, and in the spirit of
co-creating a brighter future, we foster a sense of community,
while striving constantly to enrich people's lives.

Daiwa House ®
Group

The Daiwa House Group, as a group that co-creates value for individuals, communities, and people's lifestyles, is working to create new value for society as a whole through the development of wide-ranging businesses in the three areas of Housing, Business and Life.



Single-Family Houses

The Group leverages its superior development capabilities to design and offer single-family house models across Japan that meet the needs of each customer. We operate a contracting business for construction of made-to-order houses, and a subdivision business for built-for-sale houses that places a strong focus on creating attractive neighborhoods.

Condominiums

We develop safe and comfortable condominiums, carry out subdivision sales, and provide after-sales management services as well as unique asset-enhancement support services. We are leveraging the comprehensive capabilities of the Group to provide services renowned for their high-level reliability.

Existing Home Business

Our home renovation services help make home life even easier and more comfortable. Our real estate agency service, meanwhile, helps house-seekers find the home of their dreams by tapping into our large stock of existing homes. In this way, we facilitate the succession to the next generation of housing stock, which is one of the country's most important social assets.

Rental Housing

We offer a wide range of rental housing products carefully designed to meet the needs and harmonize with the unique characteristics of each type of environment. For the residents we offer a comfortable living environment, and for the owners we offer all-round support to realize a reliable cash flow from rental property operations.

Housing

Our customer base

As of March 31, 2009

Units completed by the Residential Business

Approx. **1,330,000** units

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

Number of facilities operated by the Daiwa House Group

157 facilities

Total of resort hotels, golf courses, city hotels, home centers and fitness clubs operated by the Daiwa House Group

Annual total of guests at our resort hotels

Approx. **3,610,000** guests

Total number of resort hotel guests, including non-stay customers (meetings, weddings etc.)

Number of households that have moved into our homes

Approx. **1,070,000** households

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

Number of structures completed by the Commercial Construction Business

Approx. **30,000** facilities

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

Commercial Facilities

Our Commercial Facilities business serves as a link between landowners and tenant enterprises in the design, development, and management of shopping malls and specialist retailer facilities. These business operations help to revitalize towns and wider communities by making effective use of land.

Business and Corporate Facilities

The Daiwa House Group acts as a valuable partner for companies in many industrial fields, leveraging its comprehensive database on land for sale or for rent, as well as extensive specialist knowledge in certain target industry fields. We design and construct distribution, medical and nursing care, and corporate welfare facilities.

Health & Leisure

We operate a nationwide network of leisure and sports facilities including resort hotels, golf courses, and sports clubs, catering to people's need to communicate with nature as well as to relax and enjoy their free time. These services are the Group's contribution to helping the citizens of Japan live longer, healthier lives.

Other Businesses

We also effectively utilize the Group's comprehensive expertise to carry out operations in a wide range of other fields, including a home center business, a construction support business, a credit card business, and a chain of city hotels. In this way, we are widening our business scope to better meet our customers' lifestyle needs.

Business

Life

Editorial comments concerning this annual report

At the Daiwa House Group, we regard this annual report as a very important tool for communicating with our stakeholders, and for this reason we have included a considerable amount of contents regarding the Group's management policies as well as its business activities and actions in the field of corporate citizenship.

Under our management vision of Connecting Hearts, symbolized by our Endless Heart design, Daiwa House has become a multi-business enterprise focused on housing and lifestyle-related services as well as the construction and management of commercial facilities. Our mission is to be a group that co-creates value for individuals, communities, and people's lifestyles, and we have created this report principally to convey our activities clearly to our stakeholders.

To enable more detailed explanations of the Group's business activities in this annual report, we employ two different classifications. For accounting purposes, business operations are divided into five segments, while in non-accounting sections of the report, business operations are divided into eight domains to facilitate easier understanding of the Group.

Please note the following points with regard to financial reporting and the presentation of graphs.

1. Unless otherwise specified, annual figures in the graphs are for years ending March 31.
2. Figures for sales, operating income, and operating income margin for each segment in this Annual Report include intersegment transactions.
3. 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.

Contents

Daiwa House Industry Co., Ltd.

Takeo Higuchi (left)
Chairman & CEO

Kenji Murakami (center)
President & COO

Tetsuji Ogawa (right)
Executive Vice President & CFO


One

Dear Stakeholders

Building a New Era with Heart

At the Daiwa House Group, we have been striving to expand our operations as a group that co-creates value for individuals, communities, and people's lifestyles, with the basic stance of "Creating Dreams, Building Hearts," and under our "Endless Heart" Group symbol. Aiming for further growth, in April 2008 we formulated our Second Medium-Term Management Plan "Challenge 2010." This plan contains two priority issues as our main management themes: 1) improve the profit structure, and 2) nurture new future earnings drivers. Unfortunately, the global recession dealt a heavy blow to the Japanese economy, with the Nikkei Stock Average declining by 35.3% year-on-year at the end of fiscal 2008. The Japanese economy recorded negative GDP growth in fiscal 2008. As our businesses rely primarily on domestic demand, the business environment for the reporting period was extremely tough and challenging.

On a consolidated basis, sales were down 1.1% year-on-year, at ¥1,691.0 billion, and operating income was down 17.4% at ¥73.6 billion. This is partly attributable to our decision to postpone the planned listing of the stock of Daiwa House REIT Investment, and partly to the sluggish new housing starts due to weakening home-buyer sentiment amid the uncertainty stemming from the economic recession and against the backdrop of severe employment and income conditions. The ordinary income of the Group came to ¥39.9 billion (down 35.0% year-on-year), due partially to the amortization of actuarial loss on employees' retirement benefits posted under non-operating expenses. Net income was ¥4.2 billion (down 68.1% year-on-year), due primarily to posting an impairment loss. The Company's ROE stood at a mere 0.7%, compared with our target of 9.0%, and we recorded poor financial results against the backdrop of sharp declines in share prices worldwide. However, we have kept our annual dividend for fiscal 2008 at ¥24 per share, as originally planned.

Corresponding to rapid changes in our operating circumstances, we have always worked to develop new markets by creating value for each new age through a "Construction Revolution," a "Housing Revolution," and a "Lifestyle Revolution." We are determined to once again boost our strength and utilize the lessons we have learned in the management of the Group in the immediate future.

We will reexamine the conditions of the Japanese economy, which is undergoing significant changes. In fiscal 2009, to successfully address two management issues, we will fully develop our marketing systems for the existing home business and environment and energy business — for both of which the market scale is expected to grow to between ¥7 trillion and ¥9 trillion by 2020 — so as to expand our sales in these new markets. We will also deploy the know-how in the field of cost-cutting measures that we have acquired from our experiences amid the current economic downturn to improve our profit structure and make it strong enough to absorb the impact of changes in the market.

Our goal is to achieve sales of ¥10 trillion in 2055, the year when we will celebrate our centennial anniversary. We at the Daiwa House Group will renew our commitment to realizing this ambitious vision and boldly take up challenges amid ever-changing business conditions, fully leveraging the Group's strengths.

Takeo Higuchi

Takeo Higuchi, *Chairman and CEO*

Group Performance

As of March 31, 2009

Consolidated financial highlights

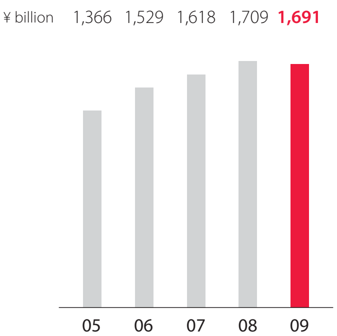
Daiwa House Industry Co., Ltd. and Subsidiaries
Years Ended March 31,

	Millions of Yen			YoY increase (decrease)	Thousands of U.S. Dollars
	2009	2008	2007	2009/2008	2009
Net sales	1,690,956	1,709,254	1,618,450	(1.1%)	17,254,653
Operating income	73,580	89,121	85,679	(17.4%)	750,816
Net other expenses	(59,859)	(64,259)	(9,230)	6.8%	(610,806)
Net income	4,170	13,080	46,394	(68.1%)	42,551
Total assets	1,810,573	1,791,052	1,630,022	1.1%	18,475,235
Equity	607,428	649,441	661,145	(6.5%)	6,198,245
Per share of common stock (in yen and dollars)					
Basic net income	7.20	22.46	81.15	(67.9%)	0.07
Equity	1,047.50	1,092.04	1,122.88	(4.1%)	10.69
Cash dividends applicable to the year	24.00	24.00	20.00	0.0%	0.24
Dividend payout ratio (%)	333.4	106.8	24.6	226.6 points	
Return on equity (%)	0.7	2.0	7.5	(1.3 points)	
Return on assets (%)	0.2	0.8	3.0	(0.6 point)	
Equity to total assets (%)	33.5	35.3	40.4	(1.8 points)	

Note: The U.S. dollar amounts represent translations of Japanese yen for convenience only at the approximate exchange rate on March 31, 2009 of ¥98 = U.S.$1.

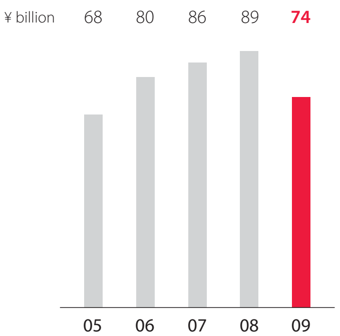
Net sales

¥1,691.0 billion



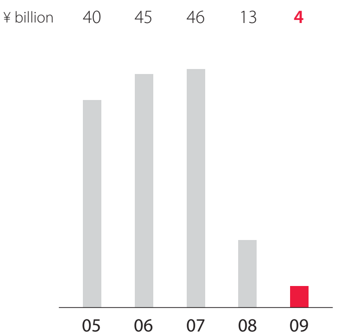
Operating income

¥73.6 billion



Net income

¥4.2 billion



Net sales — down 1.1%

Net sales declined, albeit slightly, for the first time in six terms. While sales from the commercial construction business were up 6.3% year-on-year, sales from our residential business were down 4.5% due to worsened buying sentiment, attributable to the severe employment and income conditions.

Operating income — down 17.4%

Operating income declined for the first time in six terms. While operating income of the commercial construction business rose 31.0% year-on-year, that of the residential business posted a significant decline, down 46.9% year-on-year, due to weak sales of single-family houses and condominiums.

ROE — down 1.3 percentage points

Net income was down 68.1% year-on-year. This is primarily attributable to the following factors: losses on valuation of investments in securities, impairment losses on property, plant and equipment, and losses resulting from an accident, in addition to a decrease in operating income.

Total assets — up ¥19.5 billion

Total property, plant and equipment increased by 1.1% year-on-year. We acquired land for development purposes, mainly for distribution facilities. In addition, construction of three large-scale commercial complexes for our direct operations was completed.

In JAPAN

Negative factors in fiscal 2008

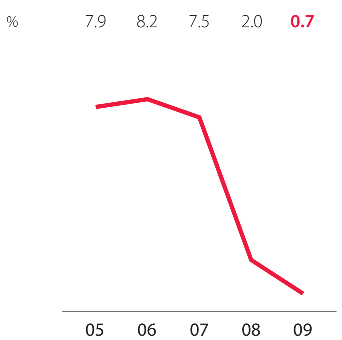
- The gross domestic product (GDP) was down 3.2% year-on-year in real terms and down 3.5% in nominal terms, both of which mark the largest decline during the whole post-war period. It was the first negative growth in seven years in real GDP, and in six years in nominal GDP.
- Exports decreased by 16.4%, mainly due to declines in exports of automobiles, semiconductors, and other electronic components. It was the first decline in exports in seven years, attributable to the global recession and rapid appreciation of the yen against the other major currencies.
- The national average for land prices was down 3.5%, which was the first year-on-year decline in three years. A decline in price was seen in all categories of land use. The price of land for residential use was down 3.2%, and that of land for commercial use was down 4.7%.
- The number of new housing starts was 1,039,180, up 0.3% from the previous year, when the corresponding number significantly declined due to the changes in the Building Standards Law. Except for an exceptional figure for the previous term, however, it would be the lowest figure in 41 years.

Positive factors in fiscal 2008

- The government compiled the first supplementary budget (economic stimulus package) focusing on measures to prevent rising prices in line with a steep rise in crude oil prices, and the second supplementary budget (measures for living) with the fixed-sum cash handouts as the pillar.

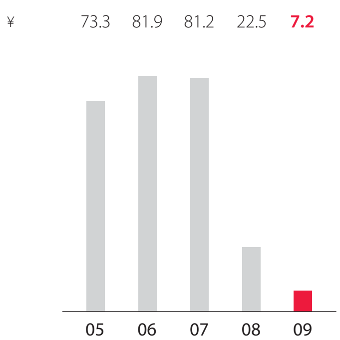
ROE (Return on equity)

0.7 %



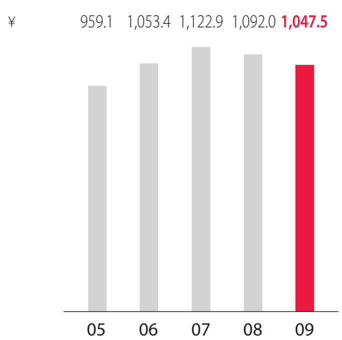
Net income per share

¥7.20



Equity per share

¥1,047.50

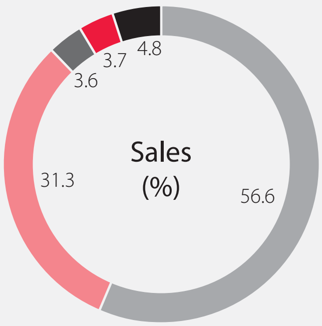


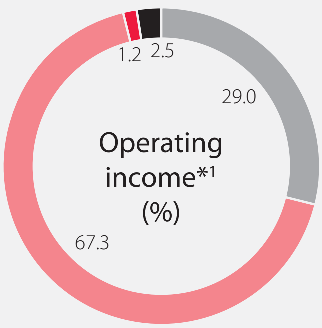
Business Outline

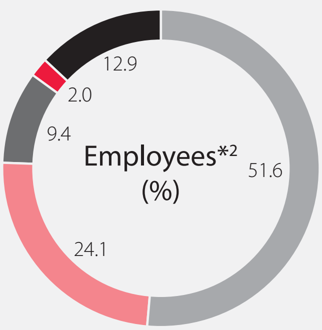
As of March 31, 2009

Sales, operating income and employees by business segment

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







*1 The graph shows the breakdown of each business segment as a percentage of the total amount of the four business segments excluding the operating losses (¥1.1 billion) posted by the Resort Hotels and Sports Life Business.

*2 The number of employees not allocable to each segment and the number of employees working on a fixed-term contracts have not been included.

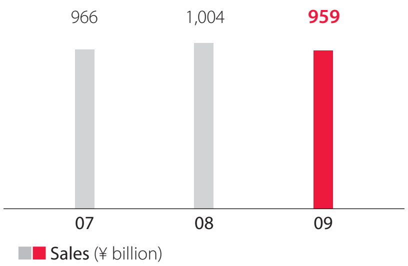
Residential Business

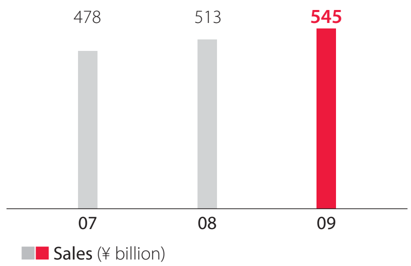
The Daiwa House Group continued to develop housing as its core business, a comprehensive range of enterprises related to residences, from construction and lot-subdivision for sale of single-family houses, condominiums, and rental housing, to renovations, real estate agency and property management operations. These businesses accounted for 56.6% of total sales for the reporting period. Sales declined by 4.5% year-on-year, to ¥959.0 billion. Operating income fell, by a significant 46.9%, to ¥28.5 billion. The operating income margin was 3.0%, a decrease of 2.4 percentage points.

Commercial Construction Business

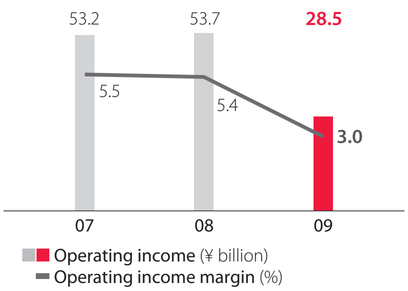
The Group's No. 2 leading business is divided into two subdivisions. One is the construction and management of commercial facilities, and the other comprises the planning, design and construction of distribution, medical and nursing care facilities and miscellaneous corporate facilities. Sales in this segment, which accounted for 31.3% of total sales, rose 6.3% to ¥545.1 billion. Operating income significantly increased by 31.0%, to ¥66.2 billion. The operating income margin was up by 2.2 percentage points, to 12.1%. The growth is mainly due to an increase in sales of properties, primarily to real estate funds.

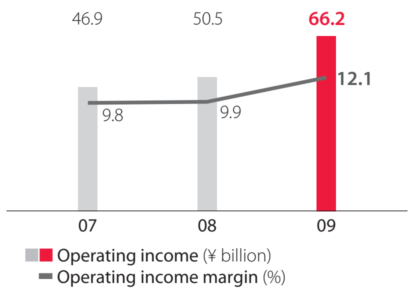
Sales





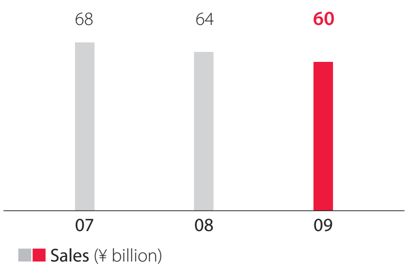
Operating income (loss)/Operating income margin

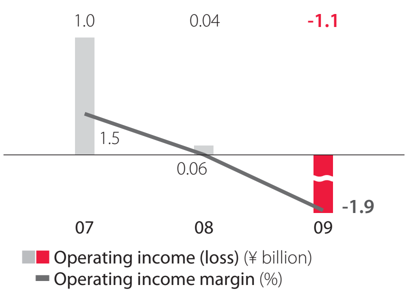




Resort Hotels and Sports Life Business

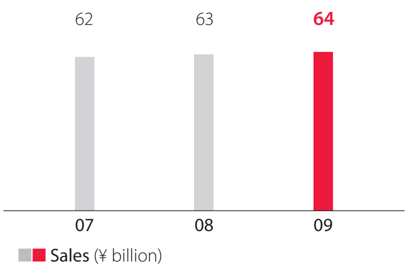
This business operates resort hotels, golf courses and sports facilities throughout Japan, proposing healthy and fulfilled life through enjoyment of leisure time. Sales in this segment, which accounted for 3.6% of total sales, were down 5.6% from the previous period, to ¥60.1 billion. Operating losses were ¥1.1 billion (operating income for the previous fiscal year was ¥40 million). These deteriorations are attributable to the significant decrease in the number of tourists from overseas due to the rapid appreciation of the yen and the increase of operational costs due to the opening of new sports facilities.

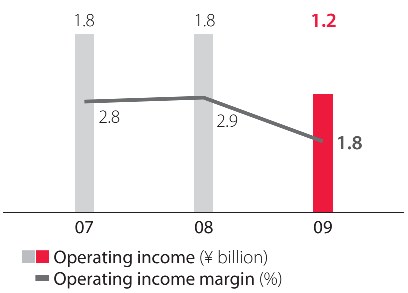




Home Center Business

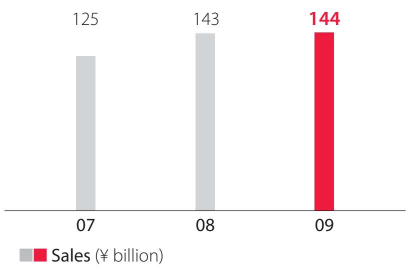
The Group operates Royal Home Centers nationwide that carry high-quality products centering on home-related items, responding to the needs of various customers, ranging from contractors and other professionals to general consumers. Sales in this segment, which accounted for 3.7% of the total sales for the reporting period, were up 1.4% from the previous term, at ¥63.5 billion. Operating income decreased by 36.2% year-on-year, to ¥1.2 billion. The operating income margin was 1.8%, down 1.1 percentage points.

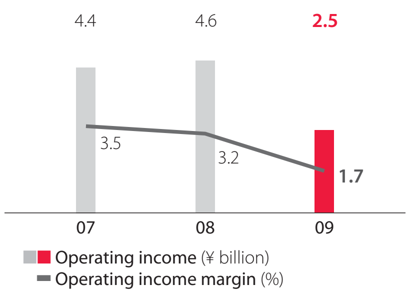




Other Businesses

Other businesses offer a wide range of activities in such fields as the manufacture and sale of housing construction materials, distribution and related logistics services, automobile leasing, credit cards, city hotels, and others, expanding and strengthening the Group's overall performance. These businesses accounted for 4.8% of the total sales for the reporting period. Sales rose 0.4% year-on-year, to ¥144.0 billion. Operating income decreased by 45.1% year-on-year, to ¥2.5 billion. The operating income margin was 1.7%, down 1.5 percentage points from the previous fiscal year.





Share Information

As of March 31, 2009

Common stock

¥110,120 million
(US$1,123,674 thousand)

Shares

Authorized	1,900,000,000
Issued	599,921,851
Number of shareholders	35,998

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

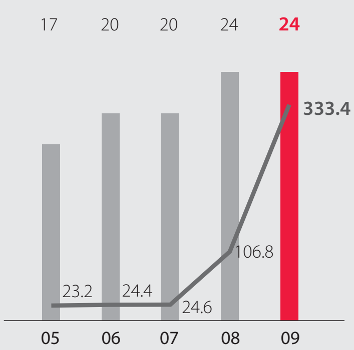
Securities traded

Tokyo and Osaka stock exchanges

Securities code

1925

Cash dividends per share and dividend payout ratio



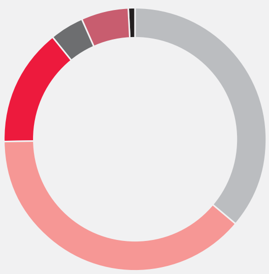
Cash dividends per share (¥)
Dividend payout ratio (%)

Principal shareholders

	Thousands of shares	Equity stake*1 (%)
Japan Trustee Services Bank, Ltd. (trust account)	36,977	6.2
The Master Trust Bank of Japan, Ltd. (trust account)	34,663	5.8
Japan Trustee Services Bank, Ltd. (trust account 4G)	29,457	4.9
Moxley & Co.	18,935	3.2
The Bank of Tokyo-Mitsubishi UFJ, Ltd.	15,470	2.6
Nippon Life Insurance Company	14,930	2.5
Sumitomo Mitsui Banking Corporation	12,117	2.0
The Dai-ichi Mutual Life Insurance Company	11,501	1.9
Mizuho Corporate Bank, Ltd.	11,261	1.9
The Chuo Mitsui Trust and Banking Company, Limited	9,521	1.6

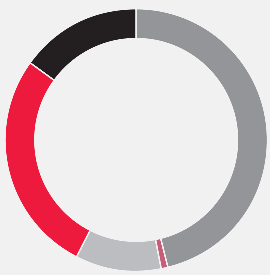
*1 % of issued shares.

Shareholdings by scale



	Shares	%
10 million or more	216,646,242	36.1
1 million or more	232,856,299	38.8
100 thousand or more	85,973,364	14.3
10 thousand or more	25,994,385	4.3
1 thousand or more	34,774,562	5.8
Less than 1 thousand	3,676,999	0.6

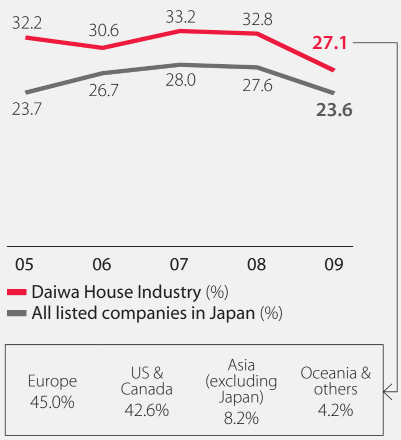
Shareholdings by shareholders*2



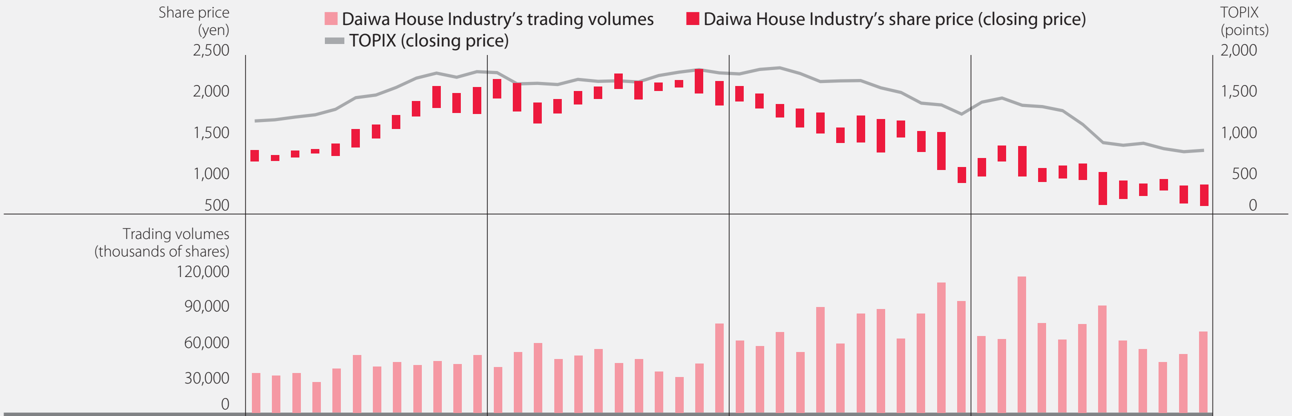
Financial institutions	46.2%
Securities companies	0.9%
Other corporations	10.6%
Foreign investors	27.3%
Individuals and others	15.0%

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

Foreign shareholdings



Daiwa House Industry's share price and trading volumes and TOPIX on the Tokyo Stock Exchange



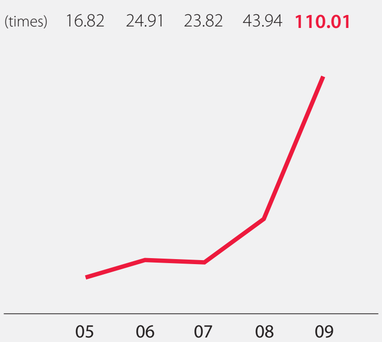
	FY2005	FY2006	FY2007	FY2008
Share price high (yen)	2,055	2,260	2,055	1,330
Share price low (yen)	1,141	1,601	881	603
Share price at term-end (yen)	2,040	1,933	987	792
Cumulative trading volume (thousands)	467,867	564,518	899,185	814,713

Share price movements in fiscal 2008

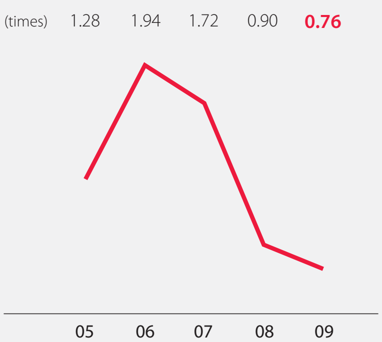
At the beginning of fiscal 2008, the Japanese stock market enjoyed a positive response to the firm US stock market and continuous depreciation of the yen. The TOPIX (Tokyo Stock Exchange Stock Price Index) rose to 1,449.14 points in June, up 236.18 from the previous term-end. In the same period, the Company's share price rose to ¥1,330. This was a ¥343 increase from the end of the previous fiscal year.

From the summer, however, the market turned soft due to the turmoil in the global financial markets triggered by the US sub-prime mortgage crisis. The bankruptcy of Lehman Brothers in September led to a bigger point loss. The TOPIX slid below 1,000 in October for the first time since December 2003. After this, the global recession and rapid appreciation of the yen became negative factors, and in March 2009 the TOPIX dropped to 698.46 — a record low since the collapse of the Japan's bubble economy. At the end of fiscal 2008, the TOPIX ended at 773.66 points, down 439.30 from the figure at the end of the previous fiscal year. The Company's share price at the end of fiscal 2008 was ¥792, which was ¥195 lower than at the end of the previous fiscal year.

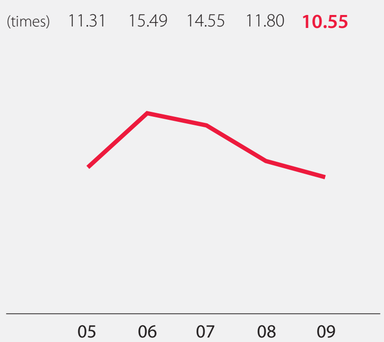
Price earnings ratio



Price to book value ratio



Price cash-flow ratio



Message from the CEO

Heart Makes All the Difference

The world is at a turning point, facing a global economic recession and difficult environmental issues. In Japan, we are facing challenges posed by rapid changes in the nation's social structure, including a declining population, low birthrates, and an overall aging population. The demands of the new age are forcing us to change our approach to how we live.

At Daiwa House, we are forging a new future together with our customers, business partners, and other stakeholders. We have incorporated this idea of co-creating a brighter future into our "Endless Heart" Group symbol, always tackling social issues head on. The role of "heart" (sincerity) has always been an important one in every age. No matter how the times may change, the unchanging truth is that a true heart and a willingness to help enrich our society, building a brighter future. "People" are the true rebuilders of society; the desire of the "heart" is to make society a better place. Since our inception, we have fully embraced the "heart" handed down to us from prior generations. In the spirit that we have cultivated through a Construction Revolution, a Housing Revolution, and a Lifestyle Revolution, we have done our utmost to help bring about a new society that enriches the lives of all.


One

Putting the focus back on people

The breakdown of hyper-capitalism and the rise of protectionism have shaken the econocentric value system that has emphasized money and goods above all. The impact has had repercussions on the economy of Japan, causing a deterioration in the employment environment and acting as a drag on consumer spending. The number of new housing starts, a leading indicator of consumer purchasing power, will likely fall below the current 1 million annual unit level and eventually fall below the 900,000-level, as Japan's society experiences declining birth rates and the population ages further. Our society is in a maturation phase, experiencing negative population growth since 2005. We have become the most elderly population in the world. We have seen a huge shift in our society, the likes of which no other country has ever experienced. With the global economic recession, we have learned that the economic growth of capitalist societies that rely heavily on financial engineering and limited natural resources will fail sooner or later. Rather than cling to money and goods, we must create a new set of values, breaking through the current obstructions, and forging our way into a new era.

Major world events 2007 – 2009

2007

Oct.	Economic slowdown in the U.S. triggered by the subprime mortgage crisis.

2008

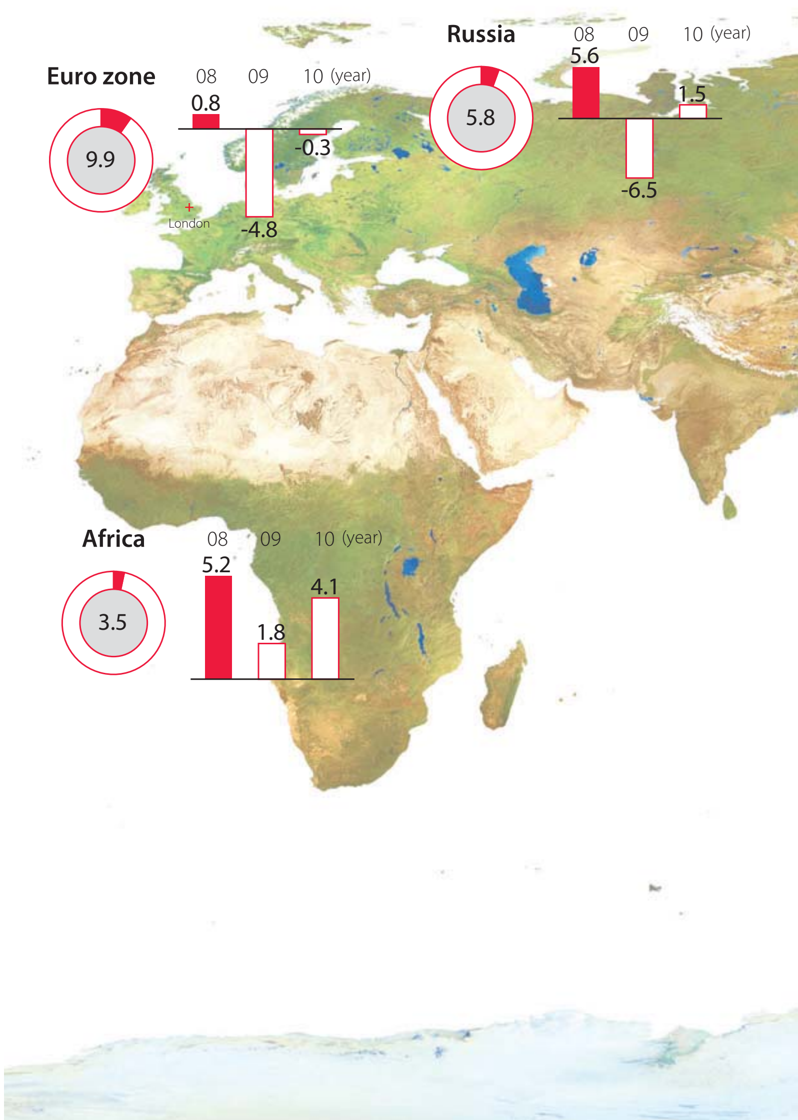
June	First "Food Summit" held in response to the food crisis. Approximately 150 countries participated.
July	Crude oil hits a record high of $147.27 per barrel in New York.
	At the Hokkaido Toyako Summit, specific long-term targets set for reducing greenhouse gas emissions.
Sep.	Lehman Brothers declares bankruptcy, and the U.S. financial crisis spreads to world markets.

2009

Jan.	Barack Obama takes office as U.S. President.

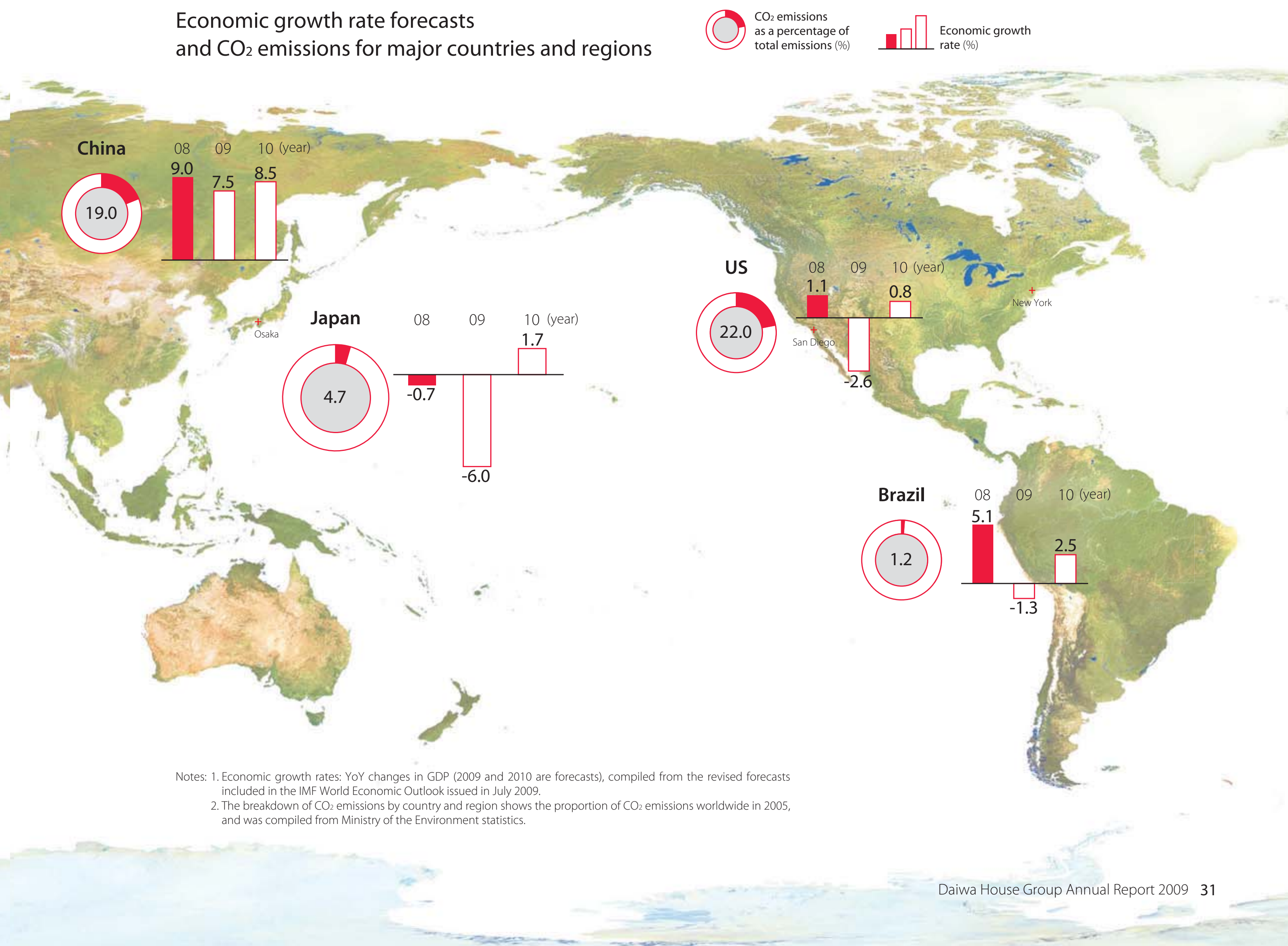
Year-on-year stock price declines as of March 31, 2009

Daiwa House Industry	Down 19.8%	↘
TOPIX	Down 36.2%	↓
DJIA	Down 38.0%	↓
FTSE	Down 27.0%	↓
DAX	Down 30.4%	↓
CAC 40	Down 44.0%	↓
SSEC	Down 30.9%	↓



Based on the concept of the industrialization of construction, the Daiwa House Group has grown into a collection of 70 companies (as of August 1, 2009) with consolidated sales of ¥1.7 trillion. We fulfill our responsibilities to society through the provision of construction services, and we serve our customers and business partners through the act of providing lifestyle services. The spirit underlying this concept of co-creating a brighter future has been the foundation for growth that has allowed the Daiwa House Group to survive the 1973 oil crisis, as well as the collapse of the Japanese economic bubble in the early 1990s. At the same time, it is this exact spirit that we believe to be the compass that guides us toward a community-oriented value set, and away from an econocentric mindset. Japan is in a significant time of transition. We must return to the basics under the concept of co-creating a brighter future and putting the social focus back on people. This is where the Daiwa House Group will demonstrate its true core strengths.

Economic growth rate forecasts and CO_2 emissions for major countries and regions



Notes: 1. Economic growth rates: YoY changes in GDP (2009 and 2010 are forecasts), compiled from the revised forecasts included in the IMF World Economic Outlook issued in July 2009.
2. The breakdown of CO_2 emissions by country and region shows the proportion of CO_2 emissions worldwide in 2005, and was compiled from Ministry of the Environment statistics.

Housing

The home is the basis of modern living; it is also the foundation of our business. The Daiwa House Group is proud to be the creator of an industry, having introduced the prefabricated house that made the mass production of industrialized housing possible in Japan. We believe the residential business will always be the core business of our Group, enabling us to carry out our social mission. However, the decline in housing starts associated with changes in demographics means that the market in Japan for new houses will continue to contract, likely falling to 800,000 units annually. At the same time, the national stock of existing houses in Japan is nearly 57.6 million units, with an average lifespan of 30 years for a house in Japan. To reach a level on par with the West (44 years in the U.S., 75 years in the U.K.), the industry has proposed measures to emphasize higher quality. The Law Concerning the Promotion of High-Quality, Long-Term Housing came into effect in 2009, reflecting a housing policy that emphasizes the maintenance of high-quality stock (existing housing) in society. In addition to the development of technologies to support longer-lived house construction, we are putting a system into place that will establish the renovation business as a growth market leader, looking toward the expansion of the existing home market in the future. We are creating systems for the development of a high-quality existing home resale market, as well as for the long-term support of our customers. We are creating a new business model that links the new house and existing house markets to cover all aspects — from new construction to maintenance and reutilization — taking the lead in the revolution toward a housing industry that supports residents from the long-term perspective.

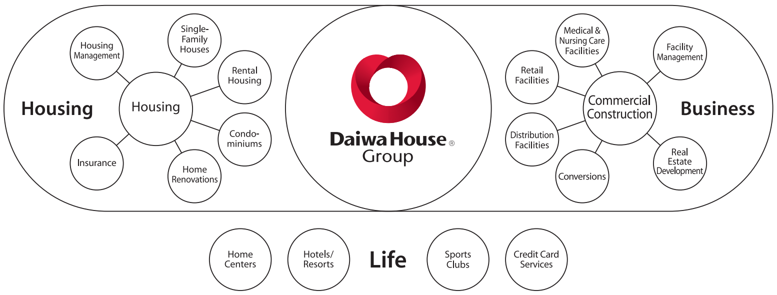
Business

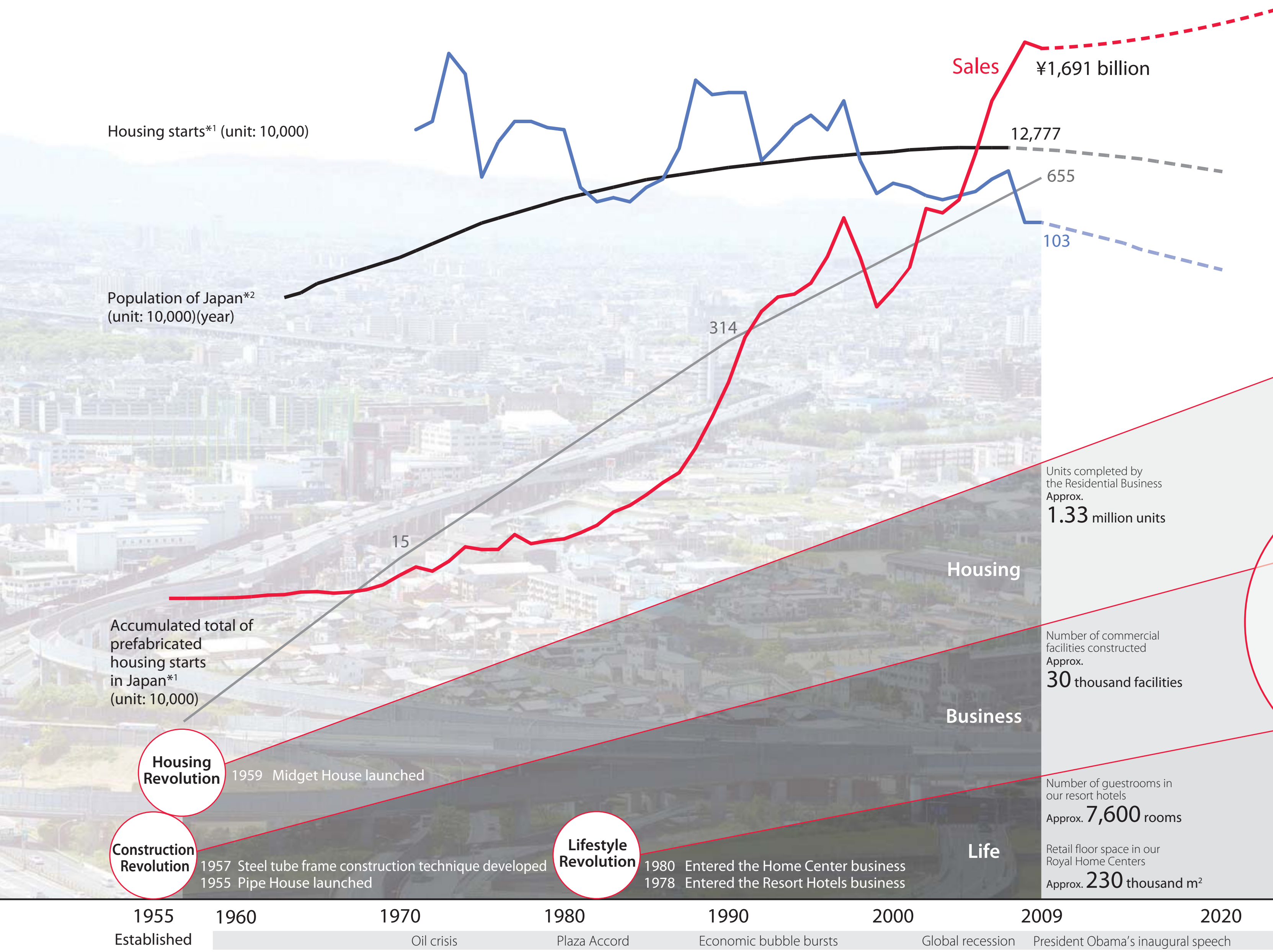
Together with our Residential Business, our efforts in this segment form a central part of our management strategy. Beginning with the “Pipe House” that we produced at our inception as a company, we were the first in Japan to incorporate steel pipe construction into general construction projects. We have continued in this approach to consolidating an unassailable position through innovative business practices. We contribute to the growth of our clients’ businesses by making the most of our extensive experience and high value-added consulting services for the construction of commercial facilities and logistics facilities to support their corporate strategies. We have also developed facilities for the elderly, utilizing ideas primarily developed by our Silver Age Research Center. The total floorspace of our commercial buildings for rental use now exceeds 3.6 million square meters, with an occupancy rate of 98% on a Groupwide basis. As a commercial facilities developer, we are unrivaled in the market. We are involved in the development of large-scale commercial complexes and logistics centers which are operated by ourselves, differentiating us from general contractors and real estate developers. As a unified group, we have successfully solidified our position in the market, building an asset management chain linking potential customers and businesses, from facilities management and operations to solutions that meet the needs of the market, as that marketing continues to become more complex, more diversified, and more specialized.

Life

The Daiwa House Group was one of the first in Japan to introduce a members-only resort hotel, and we have built this business segment into a major line within our Group growth strategy. We will produce greater profitability in this segment by improving services in our Health & Leisure Business (resort hotels, golf courses and our fitness club management business), and our Home Center Business, in which we are having success at integrating into local communities. We are opening new properties under the banner of our City Hotels Business (upscale urban hotels), proactively serving the needs of the market, and cultivating new revenue sources. As a multi-faceted business entity capable of supporting all aspects of personal living — including insurance and financial services (mainly credit card services) — the Daiwa House Group practices close coordination among our various segments in the housing and business services fields. By creating new value in these businesses, we can enrich our customers’ lives and achieve further growth as a corporate group.

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



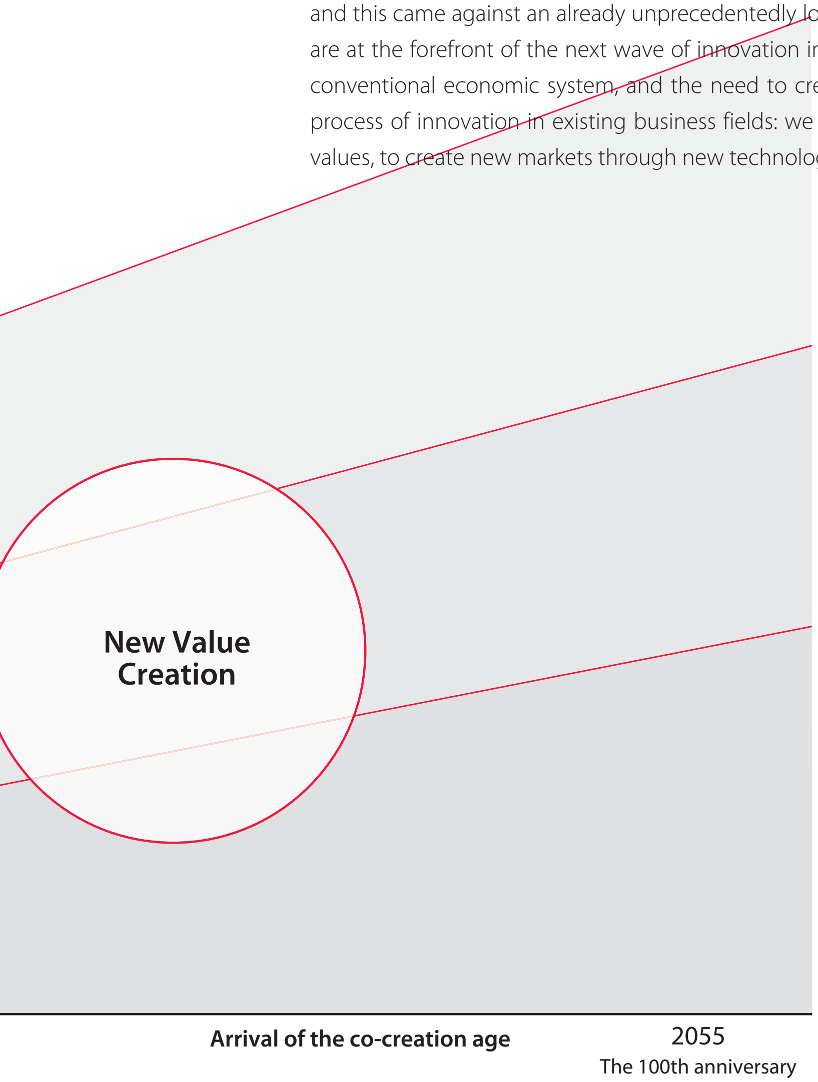


*1 Taken from Housing Starts Statistics, the Ministry of Land, Infrastructure, Transport and Tourism, Medium and Long-Term Forecast for Construction Investments — Outlook for the Period FY2010 – FY2020, the Research Institute of Construction and Economy.
*2 Compiled from official national statistics for 2009 issued by the Ministry of Internal Affairs and Communications.

Radical change is needed to create a truly caring society

Since the establishment of Daiwa House Industry during the reconstruction period following World War II, Japanese society has continued to face difficult hurdles, including the Oil Crisis of the 1970s, the Plaza Accord of the 1980s, the collapse of the economic bubble during the 1990s, and now the global economic recession of the 2000s. How has the Daiwa House Group been able to continue expanding through such turbulent times? The driving force has been nothing more than our spirit of innovation — to accept the challenge to create new value for society, no matter what the circumstances or times. In 1955, we developed the Pipe House, setting the stage for the industrialization of construction in the Japanese market. In 1959, we introduced the Midget House, which served as the prototype for the subsequent prefabricated houses, as we led the way toward the mass production of housing units. In 1978, we introduced a members-only resort hotel in Japan, taking the lead in the Japanese resort industry. These three innovations served as a driver behind the advancement of new lifestyle options for people in Japan.

The Baby Boomer generation was the catalyst for our launching of the Midget House on the market. Now this generation is on the verge of senior citizenship status. In 2013, Japan will become a "super-aging" society in which one out of four people is a senior citizen. The obstacle before us appeared in 2009 in the form of global economic stagnation, and this came against an already unprecedentedly low birth rate and advanced aging of the population in Japan. We are at the forefront of the next wave of innovation in our businesses. We must review the issues associated with the conventional economic system, and the need to create true abundance. We are doing more than engaging in the process of innovation in existing business fields: we are taking on the challenge to create a new direction for social values, to create new markets through new technologies.



Calligraphy by Takeo Higuchi

The Chinese character shown above means "dream," and is pronounced "*yume*" in Japanese.

One such example is our work in the field of robotics. We have entered into a cooperative venture with CYBERDYNE Inc. to contribute to a solution for the critical shortage of caregivers for senior citizens through the wider adoption of the Robot Suit HAL™. We are making our mark in environmental energy technologies with further advancements in energy conservation and power generation technologies. We are developing practical applications in energy storage technologies and energy management, positioning these areas as new business segments as we maximize the benefits to society.

The Daiwa House Group is also carrying out research into the industrialization of agriculture to introduce a transformation in the current agricultural structure of Japan, wherein the food self-sufficiency ratio has fallen below 40% (as of fiscal 2007). We are anticipating changes in economic methods and lifestyles and creating value demanded by the times. It is this spirit that has been a major motivating force behind the Daiwa House Group for the past half-century. Having added new value to Japan in the form of buildings, we are now creating new value in robotics, green energy, and agricultural technology, among other fields on which the hopes of people around the world rest. The Daiwa House Group will continue to boldly undertake new challenges.

Building the foundation of the future — our people

For his entire life, our founder Nobuo Ishibashi dreamed of developing businesses that contributed to the betterment of society. Guided by our Company Philosophy ("the cultivation of people through our businesses"), and in response to the demands of the individuals who make up the community, he devoted himself to developing employees capable of fulfilling their social responsibilities.

Fifty years later, we look back on the road we have travelled, discovering therein hope for the future. To always be a company that exists for the benefit of its customers, business partners, and other stakeholders, we continue to extend our roots into fields that are intimately connected to our customers' lifestyles, helping develop human resources who will become important assets for the future. It is this dream that we have inherited from our founder. This is both the pride and the foundation of the Daiwa House Group — past, present and future. To realize our dream of a better future for society, we continue to create new value through our business operations. In the spirit of co-creating a brighter future, the Daiwa House Group joins you in pursuit of the dream that unites individuals, communities and lifestyles in shared values.

Takeo Higuchi

Takeo Higuchi, *Chairman and CEO*


One

Message from the COO

Let’s Move Hearts!

— our three priority initiatives

Against the backdrop of the global economic recession that originated with the slowdown of the U.S. economy during fiscal 2008, the management of the Daiwa House Group put their full efforts into coping with the severe market realities of soaring oil and materials prices as well as the steep drop in Japanese share prices. Still, this was a very challenging year for us. Our new three-year plan (Second Medium-Term Management Plan “Challenge 2010”) reflects the major changes in Japan as we face a declining and aging population. The two pillars of this plan are (1) improvement of profit structure, and (2) development of new future earnings drivers. I believe that we have accurately identified the two essential issues in this tumultuous period. Now is our best opportunity to reinvent ourselves in preparation for major growth in the future. We will be pursuing three new priorities as we use this continuing harsh business environment to our maximum advantage. It is my desire to take a leadership role in these initiatives, restructuring the foundation underpinning our Group management. Without further ado, please allow me to discuss our three priorities for this fiscal year.

Second Medium-Term Management Plan "Challenge 2010"

Main themes

Improvement of profit structure

Development of new future earnings drivers

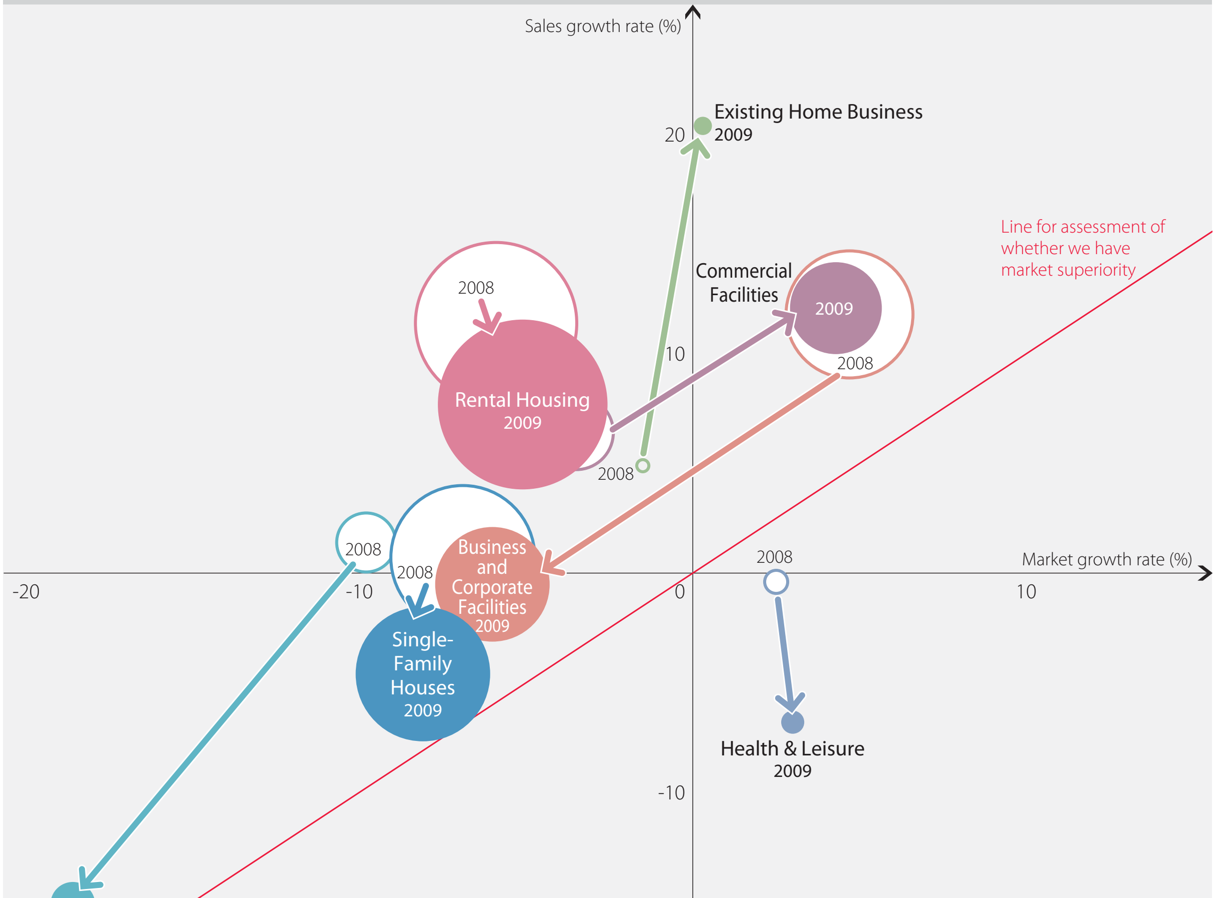
Basic policies

- Realize further growth through closer collaboration within the Group
- Nurture new future earnings drivers
- Conduct R&D into growing renovation market and nursing care business, and take steps to help prevent global warming
- Reinforcing our business base

Priority initiatives in FY2009

1. Greater business productivity in our single-family house and condominium businesses
2. Full-scale entry into new growth businesses: renovation and environment/energy businesses
3. Revised real estate investment plans and Groupwide cost/expense restructuring

Daiwa House Group's 2009 business portfolio



Sales growth rate is a compound annual growth rate (CAGR), with size of circles indicating scale of sales.
2008: FY2005 to FY2007
2009: FY2006 to FY2008
Market growth rate is based on Daiwa House Industry's own calculation.

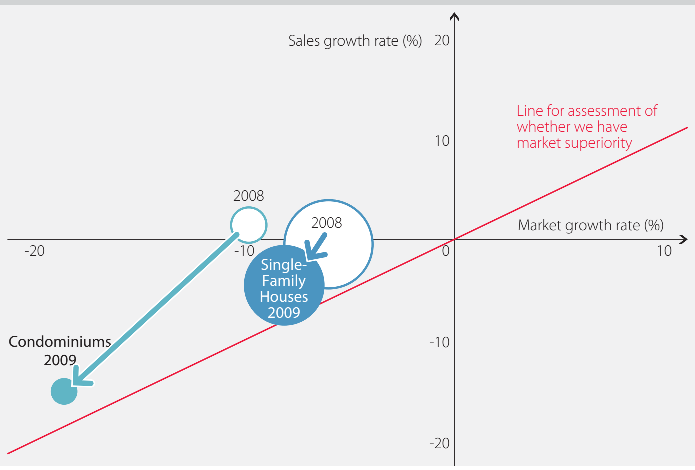
Priority initiative 1

Greater business productivity in our single-family house and condominium businesses

The Japanese economy has fallen into a vicious cycle in a relatively short period, affected by the global recession that has resulted in deteriorating corporate earnings (45 listed companies declared bankruptcy during the reporting period, the largest number in the post-war era) and stagnant share prices (the Nikkei average fell 35.3% year-on-year). The housing market has seen a significant decline in demand for newly constructed homes. Further changes are predicted to occur in the Japanese social structure as the population contracts (a decrease to fewer than 120 million people by 2025) and ages (by 2013, 25% of the population will be elderly). The number of housing starts during the reporting period was 1.03 million, representing a 45% decrease from the all-time high. In response to this market environment, we have acted in our position as the leader in the housing industry to successfully lobby for two housing stimulus programs to be officially codified. One program is the expansion of tax reductions related to mortgage loans (from a maximum of ¥1.6 million to a maximum of ¥5.0 million). The other is a tax break for high-quality, long-term housing (reduction in tax rates on fixed assets). These programs will be favorable factors in bringing greater activity to the new home construction market, and we expect them to lead to an upturn in home-buying demand.

In light of these developments, we will be implementing the following measures toward the improvement of total business efficiency in our single-family house and condominium businesses. Cost restructuring is the key to improved business productivity in our single-family house business. The average price of a newly constructed house in Japan is greater than five times the purchaser's average annual income. As the company that introduced the concept of industrialized housing to Japan, we believe that it is our mission to bring about a revolution in housing prices. Beginning this fiscal year, we will reexamine all of our assumptions, with a structural overhaul including overseas materials procurement, joint materials deliveries, and the expansion of construction project territories, and a cut of 10% in sales expenses, seeking business productivity improvements in total business efficiency that meet the new pricing expectations in the market. The driver of total business efficiency improvement in our condominium business is operational efficiency. Japan's population continues to concentrate in the three largest metropolitan regions, as well as in other leading regional cities with a population of over one million, such as Sapporo, Sendai and Fukuoka. The Daiwa House Group has traditionally operated businesses throughout the entire country, allocating personnel, materials and funding resources accordingly. However, we have reviewed this approach, instituting a structure of focus and specialization that prioritizes market needs. By focusing management resources on priority areas and specializing in large-scale development projects representing highly valuable market assets, we hope to generate a ratio of large-scale projects of 75% or greater by the end of fiscal 2011. In pursuit of greater efficiencies from a flexible, opportunistic approach dictated by the shape of the market, the Daiwa House Group will continue to strive for highly profitable business productivity.

1 Greater business productivity in our single-family house and condominium businesses



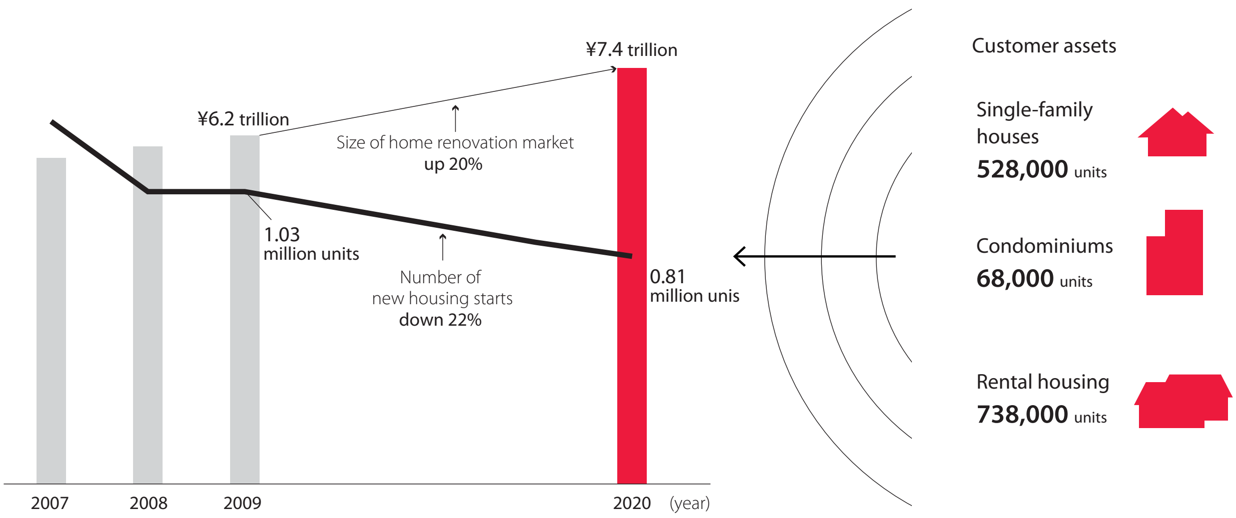
Priority initiative 2

Full-scale entry into new growth businesses: the renovation and environment/energy businesses

As the mature Japanese market experiences major changes, the Daiwa House Group has identified two significant advantages in new growth markets. One is the renovation business, which is estimated to grow into a ¥7.4 trillion industry by 2020. The other is the environment and energy business, expected to become a market worth ¥9.4 trillion by 2020.

As I am sure you know, the Daiwa House Group has grown over the past half-century into a business with customer assets approaching 1.3 million units in single-family houses, rental housing and condominiums, as well as 30,000 commercial property-holdings. As a group of companies boasting many customer assets and expertise in meeting diverse customer needs, the Daiwa House Group can be expected to take the lead in the full-scale development of these two markets, which require new business models for the creation of market value. The renovation business is a lead-in business developed from the existing home market, while the environment and energy business is a value-creation model with the aim of "green" construction in the pursuit of energy conservation and high levels of CO_2 reduction in commercial construction. We intend to focus on the expansion of these two areas as new growth fields that will serve as core business segments supporting ongoing growth in Group revenues.

Home renovation market size*1, and number of new housing starts*2



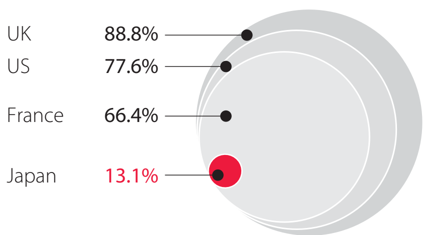
*1 Taken from: "Survey of Home Renovation Market, 2008" published by Yano Economics Research Institute, Ltd.
*2 Taken from Housing Starts Statistics, the Ministry of Land, Infrastructure, Transport and Tourism, Medium and Long-Term Forecast for Construction Investments — Outlook for the Period FY2010 – FY2020, the Research Institute of Construction and Economy.

The renovation business

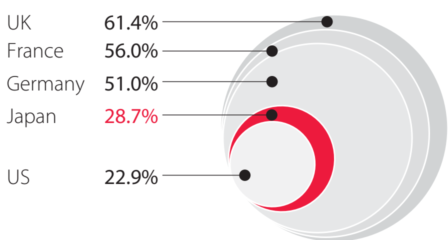
Next, I will address the strategy behind approaching the renovation business as a new growth business for the Daiwa House Group. The central role in Japan's housing market is shifting from new house providers to the existing home renovation business. According to an international market comparison of sales of existing homes, the percentage of existing homes put on the market each year is 77.6% in the U.S., but only 13.1% in Japan. In Japan, the existing home market is still undeveloped. As stated previously, laws and tax provisions have been amended to favor high-quality, long-term housing. The times are calling for the incorporation of durable technologies in the construction of new houses, as well as for a new framework encompassing long-term residency (from maintenance/management to recycling/repurposing). The utilization of existing homes is a new priority from the perspective of protection of the global environment, where consumers want to see the reutilization of resources and a contribution to the creation of a zero-waste society.

Making the most of this trend in the market environment, as well as our tremendous advantage in terms of customer assets, we have made the decision that the current fiscal year is the time to commit to a full-scale investment of Group management resources into the renovation business as a new growth business. One of our strengths is that we have customer assets located throughout Japan in the form of single-family houses, rental housing and condominiums. This gives us the opportunity to integrate our renovation business closely with the local community, regardless of the type of residence in question. Another strength is the fact that our renovation business can respond to the housing needs of any resident, whether they own their home, are renting or subleasing, or whether they are moving into a new residence. Armed with these two strengths, we see our renovation business as a "lifetime housing value creation business," accepting the challenge to develop this new growth business in order to build a future society that makes the most of the existing homes in the community.

Percentage of existing houses on the market (international comparison)*3

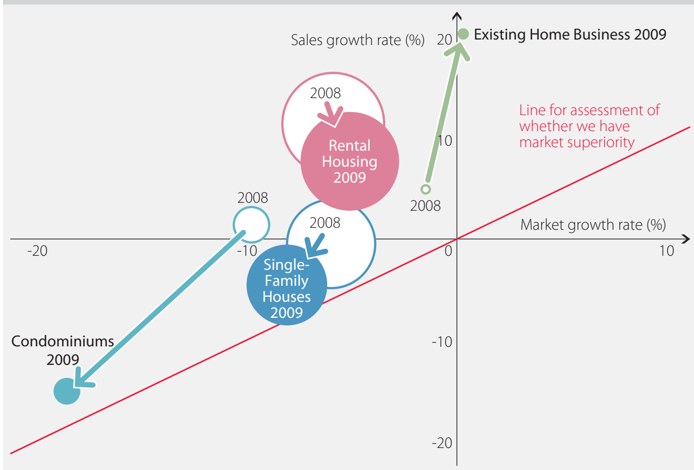


Renovation work as percentage of total housing investment (international comparison)*3



*3 Taken from the Ministry of Land, Infrastructure, Transport and Tourism: Report by the Council for Overseeing Creation of Social Capital, the Subcommittee on Existing Homes and Renovation.

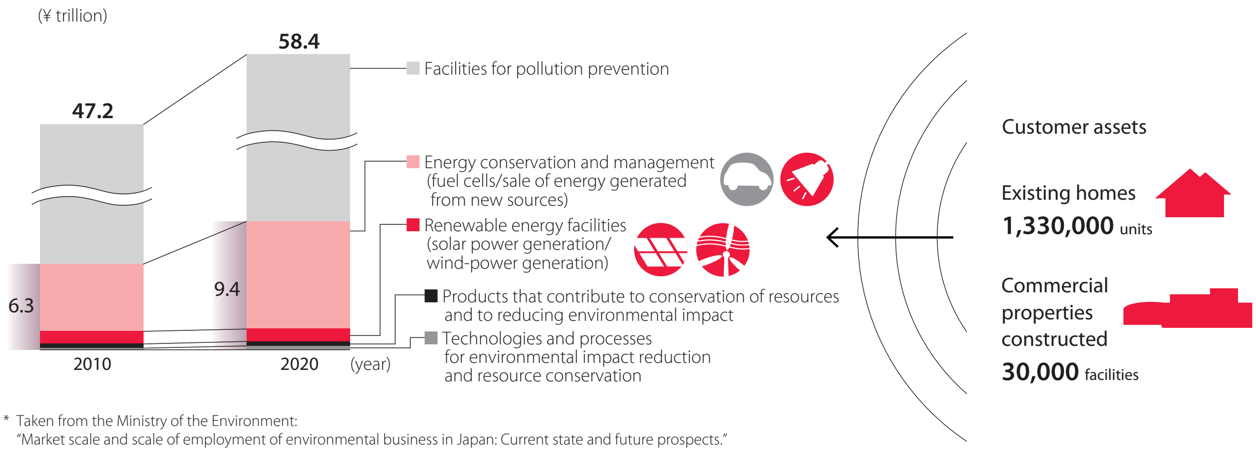
2 Full-scale entry into new growth businesses: the renovation business



The environment and energy business

Next, let's take a look at the strategy behind identifying the environment and energy business as a new growth business. As indicated by the *Green New Deal* policy proposals recently unveiled in the United States, the world is beginning the transition from a society heavily dependent on fossil fuels to one using clean and green energy sources. In Japan, the automotive industry has already embraced hybrid cars and other new technological developments, and a Japanese version of the *Green New Deal* proposals has been published, which incorporate the idea of concentrated investment in the effective utilization of new energy sources, demonstrating an increasing social awareness. The enforcement of amendments to the Energy Saving Law has led to initiatives for the greater reduction of CO_2 emissions in businesses and homes. Up to now, we have addressed individual needs through the individual efforts of group companies or business divisions, such as with the development of large-scale wind power generation, lithium-ion batteries, and LED lights for commercial applications, as well as the development of insulation technologies and the incorporation of solar power generation systems into houses. Beginning with the current fiscal year, however, you will see a major expansion in the global environmental market. Now is the time for us to consolidate individual technologies and expertise, investing our management resources into a full-scale commitment behind the creation of an environment and energy business under the banner of "green construction." Our goal is to grow this segment into a business that helps preserve the environment for future generations, as we create new value for the construction business in which we excel, keeping a close watch on trends in the global markets.

Forecasts of scale of Japanese environmental business market*



* Taken from the Ministry of the Environment: "Market scale and scale of employment of environmental business in Japan: Current state and future prospects."

Priority initiative 3

Revised real estate investment plans and Groupwide cost/expense restructuring

In Japan, the number of large-scale real estate development projects had been continuously increasing up to last autumn. The Daiwa House Group has made deliberate and considered investments in large-scale development projects in the three areas of our expertise: large-scale commercial facilities, logistics facilities, and high-rise rental apartments. Our real estate development business has differentiated itself from that of general contractors and construction companies, backed by the strength of our land information network, our asset management capacity, and our technological capacity for industrialized construction. Our business was highly competitive and our unique strategies were highly regarded in the market year-by-year. However, the degree of stagnation of the real estate market caused by the global recession has been worse than we could have imagined, forcing us to review our second medium-term management plan. Since our inception, we have always valued the practice of debt-free management, and therefore carefully examined the details of our investment plans. We have thus made the decision to reduce our initial three-year plan of ¥460 billion in investments to ¥340 billion. We will maintain the highest priority on sound cash flow management, making an effort in collection of investment funds, and limiting increases in interest-bearing debt during the current fiscal year. Meanwhile, we will make progress as planned with real estate development investment, primarily in the Chinese market, which continues to be strong, including investment in the development of a multi-purpose complex project in Dalian, the largest ever undertaken by a Japanese company in China.

Groupwide cost/expense restructuring is a priority management issue. It is precisely because of the difficulty of the current management environment that we have the opportunity to challenge all of our assumptions in efforts to (1) reduce costs, (2) change business operation systems, and (3) consolidate functions, as we work to reduce costs by ¥20 billion overall for the current period. We are restructuring our management finances into a revenue structure that will be immune to the fluctuations in the market, reinforcing our Group management foundation to help all our business segments to become more competitive in their respective markets.

Stronger bonds, limitless growth

I hope now that you have a better understanding of our strategic initiatives in our three priority areas. One of the basic policies defined in the Second Medium-Term Management Plan "Challenge 2010" that we inaugurated in fiscal 2008 is greater growth through stronger Groupwide collaboration. During fiscal 2009, the second year of this plan, we will be engaged in three priority initiatives: 1) greater business productivity in our single-family home and condominium businesses; 2) full-scale entry into the renovation and environment/energy businesses; and 3) redesigning our real estate development business through new planning and cost reform. The customer base and cost competitiveness that we have established and nurtured as a complex business entity are indispensable for the Daiwa House Group to quickly and surely accomplish these goals. At the Daiwa House Group, we believe that times of crisis offer true opportunities for growth. From the long-term perspective on Japan's future, we have continued the pursuit of the betterment of society to enrich the life of the individual. Once again, we have come to a crossroads in which we can offer new value to society, bringing to bear the synergistic effects to be found in our Group companies and business divisions. We have already made our strategic opening gambit toward the future. Now, as a group working to co-create value for individuals, communities and lifestyles, it is our job to connect hearts, create stronger bonds, and work toward limitless growth for society.

Kenji Murakami

Kenji Murakami, *President and COO*

Message from the CFO

Our Sources of Strength

In fiscal 2008, the first fiscal year of the second medium-term management plan, the Daiwa House Group reported disappointing operating results. Sales and operating income fell year-on-year for the first time in six years, largely owing to the sudden deterioration in the domestic economy from the second half. Meanwhile, the steep slump in the real estate market and other factors made it difficult to recover investments as planned, and in response we took out long-term loans amounting to around ¥130 billion. Through this, we procured the funds necessary to nurture new future earnings drivers, one of the main themes of the medium-term management plan, while at the same time achieving stable funding.


One

Operating results for fiscal 2008

Curbed rise in debt-to-equity ratio by reducing inventories

At the end of fiscal 2008, interest-bearing debt stood at ¥344.5 billion, up 50.9% from the end of the preceding fiscal year due to the execution of long-term borrowing of around ¥130 billion. As a result, the debt-to-equity ratio rose from 0.36 at the previous term-end to 0.57, which was above our target of 0.5 under the second medium-term management plan. However, in its medium-term management plan, the Daiwa House Group positions investment in real estate development operations

Cash flow in fiscal 2008

Summary of consolidated statements of income	Millions of yen	YoY change
Net sales	1,690,956	(18,298)
Cost of sales	1,357,821	(2,527)
Gross profit	333,135	(15,771)
Selling, general and administrative expenses	259,555	(230)
Operating income	73,580	(15,541)
Other expenses — net	(59,859)	4,400
Net income	4,170	(8,910)

Summary of consolidated balance sheets	Millions of yen	YoY change
Assets:		
Current assets	661,188	(100,689)
Property, plant and equipment	728,953	86,137
Investments and other assets	420,432	34,073
Total assets	1,810,573	19,521
Liabilities and Equity:		
Current liabilities	372,636	(111,687)
Long-term liabilities	830,509	173,221
Equity	607,428	(42,013)
Total liabilities and equity	1,810,573	19,521

1 We posted one-time expenses totaling ¥59.9 billion, consisting mainly of a ¥14.9 billion loss on the impairment of property, plant and equipment due to declines in real estate prices and aggravated profitability, and a ¥7.5 billion valuation loss on investment securities, resulting from a sharp fall in the value of our equity holdings.

2 Net cash provided by operating activities exceeded ¥100 billion for the first time in two years, due to a reduction in inventories, primarily through the sale of single-family houses and condominiums under "land, buildings and structures."

3 An increase in property, plant and equipment is attributable to the acquisition of high-rise rental housing and commercial facilities. The funds required for these purposes were raised mainly through long-term loans and the sale of inventories.

4 Total interest-bearing debt increased ¥116.1 billion year-on-year in line with our fund procurement through long-term borrowing, with the aim of procuring stable funds in response to the deterioration in financial markets and to secure investment funds for real estate development operations.

Other expenses — net		Millions of yen	YoY change
Impairment loss on property, plant and equipment		(14,892)	(13,237)
Long-lived assets:			
Hotels	(4,880)		
Golf courses	(3,497)		
Assets used under sublease agreements	(5,391)		
Idle assets	(48)		
Home centers	(83)		
Fitness clubs	(609)		
Offices, factories and others	(384)		
Write-down of investment securities		(7,534)	325
Loss on disaster		(2,015)	(2,015)
Other — net		(35,418)	19,327
Other expenses — net		(59,859)	4,400

Inventories	Millions of yen	YoY change
Finished residential homes and condominiums	41,645	3,325
Construction projects in progress	57,445	(15,157)
Residential homes and condominiums in process	43,660	(16,204)
Land held:		
For resale	221,800	(65,772)
Under development	12,032	(4,611)
Undeveloped	3,789	(53)
Merchandise, construction materials and others	16,073	(697)
Total	396,444	(99,169)

Property, plant and equipment	Millions of yen	YoY change
Land	356,002	14,594
Buildings and structures	315,674	78,218
Other — net	57,277	(6,675)
Net property, plant and equipment	728,953	86,137

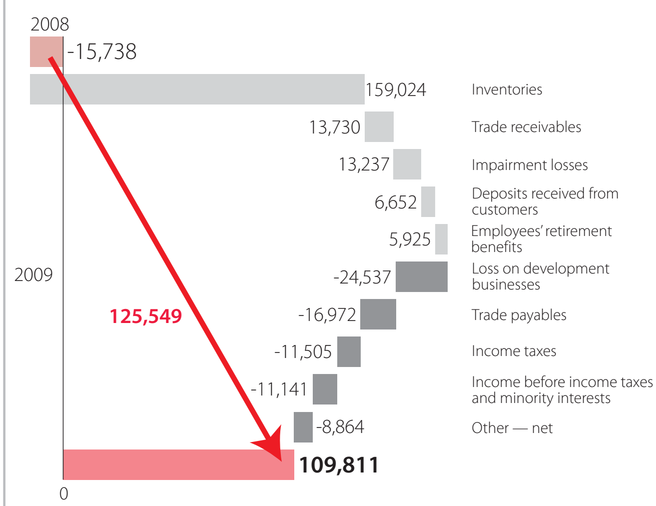
Interest-bearing debt	Millions of yen	YoY change
Short-term bank loans	16,408	4,490
Commercial paper	—	(20,000)
Current portion of long-term debt	5,610	4,015
Current portion of long-term lease obligations	432	432
Long-term debt	319,957	126,580
Long-term lease obligations	2,128	2,128
Other	—	(1,500)
Total interest-bearing debt	344,535	116,145

as a new growth driver. Accordingly, a debt-to-equity ratio that temporarily exceeded the 0.5 mark is within the scope of our expectations. Due to the postponement of the listing of Daiwa House REIT Investment Corporation, we believe, the interest-bearing debt amount reached a peak slightly earlier than we had initially anticipated.

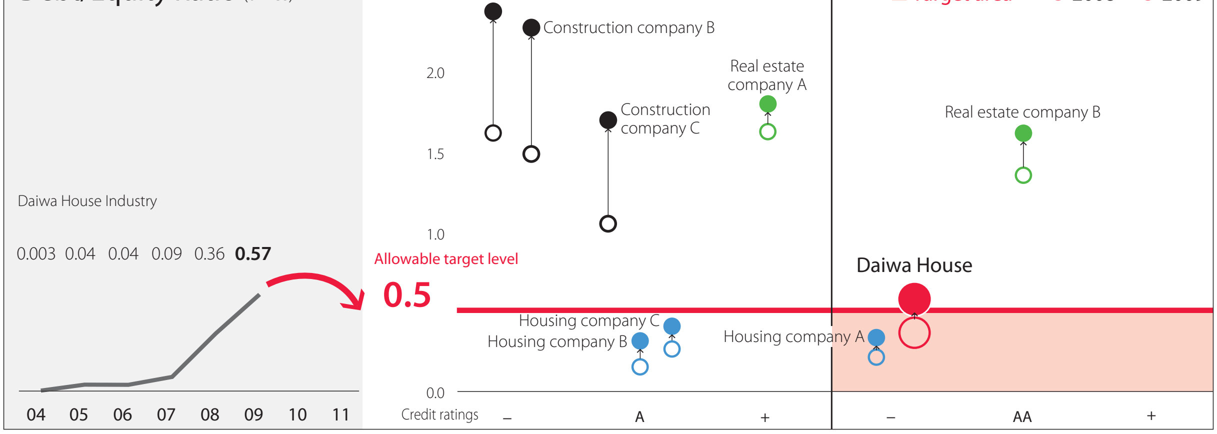
It is our understanding that we succeeded, to some extent, in curbing the rise of the debt-to-equity ratio by focusing on the sale of properties with the aim of investment recovery as our top priority, in anticipation of a deterioration in real estate market conditions. This led to a reduction in inventories of around ¥100 billion. At the same time, we took measures to curtail borrowing by using recovered funds for reinvestment.

	Summary of consolidated statements of cash flows	Millions of yen	YoY change
1	Net cash provided by operating activities	109,811	125,549
	Income before income taxes and minority interests	13,721	(11,141)
	Depreciation	39,318	3,696
2	Write-down of investment securities	7,534	(325)
	Impairment loss on property, plant and equipment	14,892	13,237
	Provision for employees' retirement benefits, net of payments	36,033	5,925
	Loss on development businesses	—	(24,537)
	Decrease in inventories	71,622	159,024
	Increase in deposits received from customers	2,410	6,652
	Decrease in payables — trade	(65,520)	(16,972)
3	Net cash used in investing activities	(199,679)	(76,382)
	Purchases of property, plant and equipment	(153,737)	(60,699)
	Purchases of marketable and investment securities	(20,271)	(5,653)
	Purchases of investments in subsidiaries	(12,443)	(12,054)
4	Net cash provided by financing activities	96,503	(39,294)
	Net increase in short-term bank loans	3,740	2,755
	Proceeds from long-term debt	132,850	(20,841)
	Net decrease in commercial paper	(20,000)	(40,000)
	Cash and cash equivalents, end of year	105,381	6,492

Factors behind changes in cash flows from operating activities (¥ million)



Debt/Equity Ratio (times)



Revision of medium-term management plan for fiscal 2009

Taking a cautious stance on full-year business forecasts

In our full-year business forecasts for fiscal 2009, in light of the challenging business environment, we have taken a cautious stance on sales, operating income and net income. We will work to improve profitability and maintain the financial soundness of the Group by concentrating our efforts on the structural reform of core businesses, the concentration of management resources on growth markets, and the adoption of stringent investment criteria and further cost reductions.

Also, as part of measures to improve profitability in response to the deteriorating business environment, we aim to reduce costs by ¥20 billion over the one-year period by eliminating business function duplication, cutting costs and improving business efficiency.

Aiming to reduce interest-bearing debt to zero in fiscal 2012

The debt-to-equity ratio of 0.5 targeted under the medium-term plan is extremely low compared with other companies in the real estate industry. Nevertheless, to maintain the financial soundness of the Group, we have no intention of expanding investment in real estate development operations to the point where the debt-to-equity ratio is considerably higher than 0.5. Moving forward, we intend to formulate investment plans on the basis of funds recovered through the sale or securitization of property holdings. We will also strictly manage cash flows, with the aim of reducing interest-bearing debt to zero by the end of fiscal 2012.

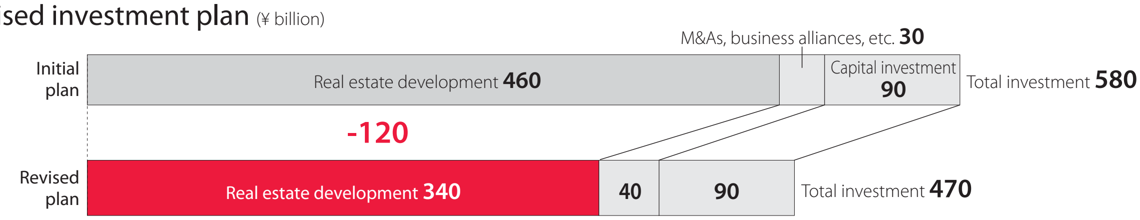
Meanwhile, although we have procured stable funding for the time being through the execution of long-term borrowing in fiscal 2008, we are still examining the diversification of procurement methods as one means of developing a funding structure that will enable flexible fundraising.

Reducing investments earmarked for real estate development operations to curb rise in interest-bearing debt

Initially, we planned capital investment of ¥580 billion over the three-year plan period to March 2011, but in light of the real estate market slump and the increase in interest-bearing debt, we revised our initial plan, reducing total capital investment to ¥470 billion.

We plan to reduce investment in real estate development operations to ¥340 billion from an initially planned sum of ¥460 billion. Moving forward, we will emphasize investment recovery and carefully select projects, focusing on projects where investments can reasonably be expected to be recovered by the end of fiscal 2012. We are also revising our plans for projects in process, including aborting unprofitable projects and those where there is little possibility of the recovery of investment. In addition, we will adopt stringent investment criteria, making it a condition that projects meet the internal criteria of generating a yield of at least 7.0% on a net operating income (NOI) basis and at least 8.5% on an internal rate of return (IRR) basis. At the same time, we will make it a general rule to pursue development within the scope of the current level of borrowing. Conversely, we increased investment in new business development, primarily in the form of M&As and business alliances, to ¥40 billion from the initially planned amount of ¥30 billion, in the light of actual investment of around ¥20 billion from our internal cash flow in fiscal 2008.

Revised investment plan (¥ billion)



Our REIT strategy

Planning listing of three J-REITs — one specializing in distribution facilities, one focusing on residential facilities, and one for investments in commercial facilities

Although our plan for the listing of Daiwa House REIT Investment Corporation was postponed, the J-REIT market is an indispensable element of the social infrastructure in the real estate market, and we still intend to aim for listing. We are currently planning the listing of three J-REITS, one specializing in distribution facilities, one focusing on residential facilities, and one specializing in investment in commercial facilities.

The Daiwa House Group currently holds ten of the 15 properties which Daiwa House REIT Investment Corporation planned to acquire, and has sold the remaining five. Recently we established an investment fund through private placement with the intention of selling our distribution facilities to the fund. We are examining the possibility of establishing another fund through private placement for distribution facilities in fiscal 2009. In the future we plan to use these properties as a basis for the listing of a J-REIT that invests in distribution facilities. In December 2008 we made Morimoto Asset Management Co., Ltd. into a consolidated subsidiary with the aim of strengthening relations with BLife Investment Corporation, a company with which we have had cooperative relations for some time. On February 1, 2009 Morimoto Asset Management changed its name to Daiwa House Morimoto Asset Management. The subsidiary will invest primarily in residential properties as a J-REIT, and will not take on the role expected of the Daiwa House REIT Investment Corporation. In addition, we aim to list a J-REIT that specializes in commercial facilities by exploring business alliances with other companies that own and operate commercial facilities or by acquiring (including through merger) listed J-REITs.

Initiatives to maximize Group enterprise value

Acceleration of business selection and concentration with nothing off-limits

Since its foundation, the Daiwa House Group has expanded its operations, branching out from the housing industry into commercial facilities, hotels, home centers and distribution, and has achieved growth into a business conglomerate that currently boasts consolidated sales of ¥1.7 trillion. However, looking at the Group's operations as a whole, there are still several aspects of our operations that overlap and are inefficient. Further structural reform is therefore a crucial management issue.

The business environment surrounding the Daiwa House Group is expected to remain challenging for the foreseeable future. While making cost reductions and other adjustments in response to the deteriorating environment, we will also accelerate business selection and concentration in which nothing is off-limits, guided by the demands of the new age with an emphasis on adaptation to Japan' current situation of an aging population with a low birth rate, as well as global environmental issues. In addition, we will trim away any unnecessary elements of our management structure and significantly expand our core businesses to maximize the enterprise value of the Daiwa House Group.

Tetsuji Ogawa, *Executive Vice President and CFO*

Group Companies

As of July 1, 2009

Daiwa House Group

Single-Family Houses

Daiwa House Industry Co., Ltd.

Condominiums

Daiwa House Industry Co., Ltd.

Daiwa Service Co., Ltd.
100%

Nihon Jyutaku Ryutu Co., Ltd.
100%

Existing Home Business

Daiwa House Industry Co., Ltd.

Daiwa Service Co., Ltd.
100%

Nihon Jyutaku Ryutu Co., Ltd.
100%

Daiwa House Renew Co., Ltd.
100%

Rental Housing

Daiwa House Industry Co., Ltd.

Daiwa Living Co., Ltd.
100%

Nihon Jyutaku Ryutu Co., Ltd.
100%

Daiwa Estate Co., Ltd.
100%

Daiwa Monthly Co., Ltd.
100%

Commercial Facilities

Daiwa House Industry Co., Ltd.

Daiwa Lease Co., Ltd.
100%

Daiwa Service Co., Ltd.
100%

Daiwa Information Service Co., Ltd.
100%

Daiwa Royal Co., Ltd.
100%

Group companies and equity stake held by the parent company.

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.

Business and Corporate Facilities

Daiwa House Industry Co., Ltd.

Daiwa Lease Co., Ltd.
100%

Higashi-Fuji Co., Ltd.
75%

Health & Leisure

Daiwa Resort Co., Ltd.
(Daiwa Royal Hotels)
100%

Daiwa Royal Golf Co., Ltd.
100%

Jukeikai Co., Ltd.
(Neo Summit Yugawara)
100%

Nippon Athletic Service Co., Ltd.
(Sports Club NAS)
99.6%

Shinwa Agency Co., Ltd.
100%

Other Businesses

Daiwa House Industry Co., Ltd.

Daiwa Lease Co., Ltd.
100%

Daiwa Rakuda Industry Co., Ltd.
100%

Daiwa Logistics Co., Ltd.
100%

Daiwa Service Co., Ltd.
100%

Daiwa Royal Co., Ltd.
100%

Royal Home Center Co., Ltd.
100%

Daiwa Energy Co., Ltd.
100%

Daiwa Lantec Higashinihon Co., Ltd.
100%

Daiwa Lantec Nishinihon Co., Ltd.
100%

Osaka Marubiru Co., Ltd.
95.3%

Daiwa House REIT Management Co., Ltd.
100%

Daiwa House Morimoto Asset Management Co., Ltd.
73.5%

Daiwa House Financial Co., Ltd.
60%

Daiwa House Insurance Co., Ltd.
100%

Synchroller Co., Ltd.
100%

Shinwa Agency Co., Ltd.
100%

Media Tech Inc.
100%

Eneserve Corporation
100%

Daiwa Odakyu Construction Co., Ltd.
33%

Presidents of Principal Subsidiaries

As of July 1, 2009

Daiwa Lease Co., Ltd.

Building & vehicle leasing/
Land utilization

Shunsaku Morita

Born in 1955
1979: Joins Daiwa Kosho Lease
2008: President of Daiwa Lease

During the current term, we will celebrate the company's fiftieth anniversary. We will develop solution businesses with high growth potential by creating new business models while adapting our business models for our core building and automobile lease business to respond to the changing environment.

Daiwa Rakuda Industry Co., Ltd.

Housing equipment/
Layout for offices and stores/
Leasing

Katsumi Masumura

Born in 1948
1967: Joins Daiwa House Industry
2006: President of Daiwa Rakuda Industry

As a team of interior design professionals with expertise in design for housing, offices and commercial facilities, we contribute to the creation of environments for pleasant and comfortable lifestyles. We aim to further improve our key strengths in planning, design, and technical expertise.

Daiwa Logistics Co., Ltd.

Transportation/
Warehouse & storage

Katsuyoshi Tateno

Born in 1946
1969: Joins Daiwa House Industry
2001: President of Daiwa Logistics

Since the company was founded fifty years ago we have specialized in logistics for both residential dwellings and for construction and building materials. We aim to be a reliable company that supports customers' business growth from the logistics perspective, working to create logistics services with high value-added, based on extensive expertise and experience.

Daiwa Living Co., Ltd.

Management/
Operation of rental housing

Atsushi Kanakubo

Born in 1952
1976: Joins Daiwa House Industry
2006: President of Daiwa Living, Daiwa Estate

Our company contributes to the promotion of Group businesses and the expansion of operations by taking primary responsibility for the management of existing housing stock. We do this by providing tenants with a safe and pleasant environment on an ongoing basis, and by helping owners manage their rental housing properties from a long-term perspective.

Daiwa Service Co., Ltd.

Management of buildings & condominiums/
Manpower dispatching/
Moving services

Hiromi Yamane

Born in 1955
1989: Joins Daiwa Total Service
2005: President of Daiwa Service

We pass on valuable assets to the next generation by maintaining and managing condominiums, office buildings and commercial facilities. At the same time, we also aim to be a company that will earn the gratitude of people in a hundred years time, by expanding our new business operations of environmentally-friendly renovations and repairs.

Daiwa Info.Service
Daiwa House Group

Daiwa Information Service Co., Ltd.

Land utilization/
Maintenance & operation of commercial facilities

Osao Fukushima

Born in 1946
1973: Joins Daiwa House Industry
2008: President of Daiwa Information Service

We contribute to society via a lease business centering on commercial facilities, and by operating and managing large-scale shopping centers. In the twenty-fifth year since our company was founded, we are working to develop and provide facilities and services based on our motto, "Improvement in quality starts with improving ourselves."

Nihon Jyutaku Ryutu
Daiwa House Group

Nihon Jyutaku Ryutu Co., Ltd.

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

Minoru Fujita

Born in 1948
1967: Joins Daiwa House Industry
2004: President of Nihon Jyutaku Ryutu

We aim to be a comprehensive real estate company that always delivers reliable services and property evaluations. We are actively engaged in purchasing and selling existing properties, in addition to our core businesses of real estate agency services, property management services, and real estate appraisals.

Daiwa Royal
Daiwa House Group

Daiwa Royal Co., Ltd.

Rental of commercial facilities/
Daiwa Roynet Hotels

Tsuyoshi Ochi

Born in 1945
1969: Joins Daiwa House Industry
2003: President of Daiwa Royal

We contribute to regional revitalization through our core businesses of developing, operating and managing commercial facilities and city hotels. We will continue to take advantage of our accumulated expertise and experience to develop and operate lively facilities that are sensitive to the needs of both people and the environment.

Daiwa Renew
Daiwa House Group

Daiwa House Renew Co., Ltd.

Renovation work

Junichi Sugiura

Born in 1950
1973: Joins Daiwa House Industry
2006: President of Daiwa House Renew

We specialize in home renovations, aiming to satisfy our customers through the design, renovation work, managing and inspection of renovations. We also respond to changes in society by actively working to make renovations that take environmental considerations into account.

Daiwa Energy
Daiwa House Group

Daiwa Energy Co., Ltd.

ESCO business/
Environmental equipment/
Facility installation

Hidekazu Matsushima

Born in 1949
1973: Joins Daiwa House Industry
2003: President of Daiwa Energy

We use the experience that we have cultivated in a wide range of business areas as an energy service company (in wind power, renewable energy, environmental devices, facilities and products) to provide value-added products and services that deliver three types of savings to our customers: energy savings, resource savings and cost savings.

Daiwa Monthly
Daiwa House Group

Daiwa Monthly Co., Ltd.

Real estate rental & management

Masaaki Tsuboshima

Born in 1946
1970: Joins Daiwa House Industry
2006: President of Daiwa Monthly

Our company has established a brand by operating furnished rental condominiums that offer a new style of city living, mainly in Tokyo and Osaka. In the future we will stimulate demand through the provision of rental housing with high value-added, meeting new market trends.

Daiwa Lantec
Daiwa House Group

Daiwa Lantec Higashinihon Co., Ltd.

Foundation assessment & reinforcement

Katsuaki Handa

Born in 1944
1963: Joins Daiwa House Industry
2001: President of Daiwa House Kanto*1

As a technology-driven company, we aim to be the kind of company that our customers trust completely and are glad to have done business with. In business, we aim always to do the right thing, and to create a workplace where everything is transparent.

Daiwa Lantec
Daiwa House Group

Daiwa Lantec Nishinihon Co., Ltd.

Foundation assessment & reinforcement

Osamu Takimoto

Born in 1948
1967: Joins Daiwa House Industry
2008: President of Daiwa Lantec Nishinihon

As a team of technical professionals in areas such as geological surveys, soil improvement, the exterior structures of buildings, and landscaping, we strive to present proposals with added-value. We are aiming to be a company that earns the trust of its customers by developing products that are environmentally friendly, to meet the needs of the age.

Daiwa REIT
Daiwa House Group

Daiwa House REIT Management Co., Ltd.

Asset management

Kenjiro Matsutake

Born in 1959
1983: Joins Daiwa House Industry
2009: President of Daiwa House REIT Management

Our company aims to create a more stable revenue base for the Daiwa House REIT Investment Corporation by maximizing collaboration with other companies in the Daiwa House Group.

Daiwa Insurance
Daiwa House Group

Daiwa House Insurance Co., Ltd.

Non-life insurance agency

Shigeru Sasashita

Born in 1954
1976: Joins Daiwa House Industry
2008: President of Daiwa House Insurance

We aim to be an excellent agency that can contribute to society by delivering insurance solutions that meet the needs of customers who have relationships with the Group, as well as delivering insurance solutions that upgrade the risk management strategies of each Group company and enhance benefit programs for employees.

Royal Home Center Co., Ltd.

DIY/Gardening/Interior items

Shinsei Yoshimori

Born in 1947
1972: Joins Daiwa House Industry
2007: President of Royal Home Center

We provide information about home improvements and home solutions by taking advantage of the wealth of knowledge and experience that Daiwa House Group has built up. We aim to be a leader in our industry based on our customer-first management philosophy.

Daiwa Resort Co., Ltd.

(Daiwa Royal Hotels)

Resort hotels

Seiji Kushida

Born in 1949
1972: Joins Daiwa House Industry
2009: President of Daiwa Resort

We aim to be a hotel chain that enjoys a growing number of repeat guests, by paying attention to each and every guest to be fully aware of customers' expectations, and by showing sincerity and sensitivity in providing customers with an emotional experience that goes beyond mere satisfaction.

Daiwa Royal Golf Co., Ltd.

Golf course operation

Seishu Umaoka

Born in 1949
1973: Joins Daiwa Danchi
2007: President of Daiwa Royal Golf

We aim to create golf courses that customers can genuinely enjoy, and we work to provide services that can satisfy our customers – flawless course management, polite reception and high-level caddy services, and delicious food.

Jukeikai Co., Ltd.

(Neo Summit Yugawara)

Operator of homes for the aged

Toshinori Inaguchi

Born in 1948
1972: Joins Daiwa Danchi
2004: President of Jukeikai

As a leader in the area of welfare for the aged, we will fulfill our social mission by promoting our care services for senior citizens to meet the needs of a rapidly aging population. In our facility operations, we work to provide high quality service, following our philosophy of improving the satisfaction of our residents.

Osaka Marubiru Co., Ltd.

Management of hotels/
Rental of commercial facilities

Haruyuki Yoshimoto

Born in 1949
1978: Joins Osaka Marubiru
1998: President of Osaka Marubiru

Osaka Marubiru is well-known for the landmark circular high-rise building in front of JR Osaka station. Our company is actively working to raise customer satisfaction and reduce energy consumption through our management of the Osaka Dai-ichi Hotel.

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

Yoshinari Shibayama

Born in 1960
1984: Joins Daiwa Danchi
2009: President of Nippon Athletic Service

Our motto is "paradigm shift," and we try to think outside the box and be open to new ideas of what a fitness club should be as we work together to provide the highest quality fitness clubs in Japan – fitness clubs that reinvigorate people's spirits as well as their bodies.

Daiwa Morimoto Asset Management
Daiwa House Group

Daiwa House Morimoto Asset Management Co., Ltd.

Asset management

Takeshi Fujita

Born in 1963
1986: Joins the Mitsui Trust and Banking
2008: President of Morimoto Asset Management*2

We have been entrusted with the task of asset management for the BLife Investment Corporation, which invests in residential and commercial facilities. We take full advantage of the Group's experience in developing and operating real estate properties in order to focus our energies on the growth of funds in trust and the development of the J-REIT market.

大和ハウスフィナンシャル
Daiwa House Group

Daiwa House Financial Co., Ltd.

Credit card operations

Osami Nishikawa

Born in 1945
1971: Joins Daiwa House Industry
2006: President of Daiwa House Financial

Our company is the Group's first finance and loan subsidiary to be in charge of credit card and lending operations. We seek to expand our business and meet the demands of a new age by connecting customers and the Group, and by contributing to society with our Heart One Card.

シンクローラー
Daiwa House Group

Synchroller Co., Ltd.

Manufacture of housing parts & materials

Masaru Izuoka

Born in 1949
1967: Joins Daiwa House Industry
2007: President of Synchroller

As well as working to cultivate talented human resources through production activities in our factories, we will also continue to respond to our customers' needs by actively manufacturing and delivering parts and materials that support the progress of new technologies, without being stuck in outmoded ways of doing things.

伸和エージェンシー
Daiwa House Group

Shinwa Agency Co., Ltd.

Advertising & travel agency

Michio Aritomo

Born in 1946
1965: Joins Daiwa House Industry
2005: President of Shinwa Agency

The foundation of our businesses is to view things from the consumer's perspective. We place great value on this consumer perspective to convey messages about companies or products, so that we can create a positive encounter between the product and the end-user, enabling the generation of a deeper emotional response.

Eneserve Corporation

Comprehensive energy services

Yoshio Kinoshita

Born in 1944
1999: Joins Eneserve
2007: President of Eneserve

We contribute to society in many ways, as electricity specialists who provide critical protection to corporations, through solution-oriented comprehensive energy services. We do this by guaranteeing the security of electrical facilities, reducing energy costs, and contributing to the protection of the global environment.

Higashi-Fuji Co., Ltd.

Real estate development, sale of commercial real estate

Masafumi Iwami

Born in 1948
1970: Joins Daiwa House Industry
2007: President of Higashi-Fuji

We aim to be a company that is trusted by the local community. It is essential to have marketing skills that can precisely grasp customers' requirements and technical skills that can respond to these requirements, from residential housing to commercial construction and medical and nursing facilities as well as logistics and industrial facilities.

Daiwa Odakyu Construction Co., Ltd.

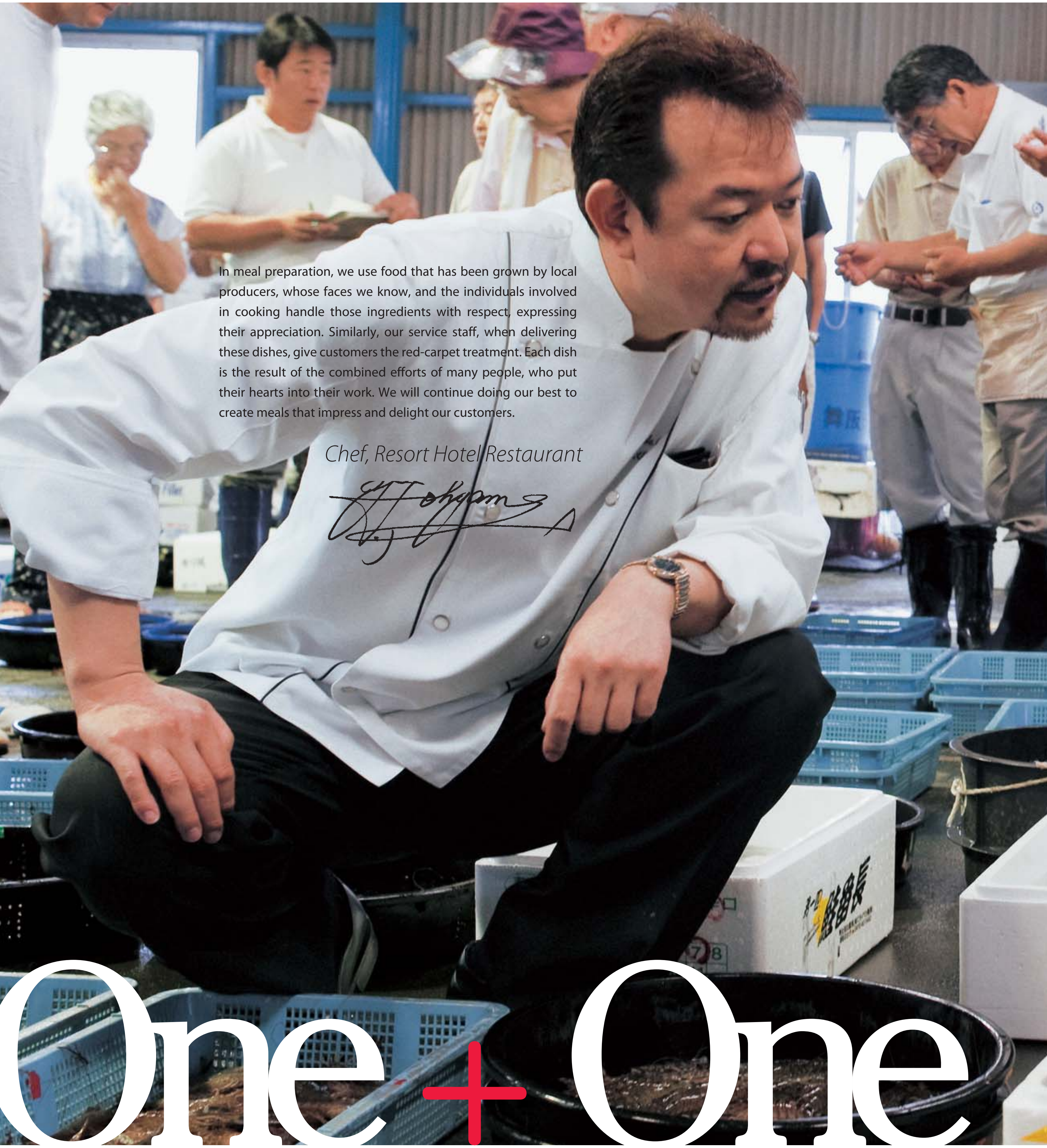
General construction/ Real estate

Yoshiaki Takamura

Born in 1942
1965: Joins Daiwa Danchi
2008: President of Odakyu Construction*3

We are working to enhance our enterprise value by transforming into a comprehensive construction business that relies on its own development and proposal capabilities. We hope to raise the brand power of both the Daiwa House Group and the Odakyu Group. Taking the opportunity of our celebration of the company's anniversary, we will contribute to people's rich and fulfilling lives.

*1 Currently Daiwa Lantec Higashinihon
*2 Currently Daiwa House Morimoto Asset Management
*3 Currently Daiwa Odakyu Construction



In meal preparation, we use food that has been grown by local producers, whose faces we know, and the individuals involved in cooking handle those ingredients with respect, expressing their appreciation. Similarly, our service staff, when delivering these dishes, give customers the red-carpet treatment. Each dish is the result of the combined efforts of many people, who put their hearts into their work. We will continue doing our best to create meals that impress and delight our customers.

Chef, Resort Hotel Restaurant

One+One


+One+

When a patient puts on a HAL™ robot suit, and is able to move his or her legs for the first time, in that moment the joy shared by the patient, family members, and the nursing home staff is wonderful to see. That moment is when new possibilities for the future start to unfold. This product, which is attached to the user's body, requires delicacy. The user must be able to trust both the product and my explanations of its features. I will continue working to cultivate "heart" (sensitivity), with the hope of giving the joy of mobility to as many people as possible.

Sales

Yukinori Sengoku

One + One

Robot Suit HAL® — for use in nursing homes and other welfare facilities
Development & production: CYBERDYNE Inc.
Sales agent: Daiwa House Industry Co., Ltd.

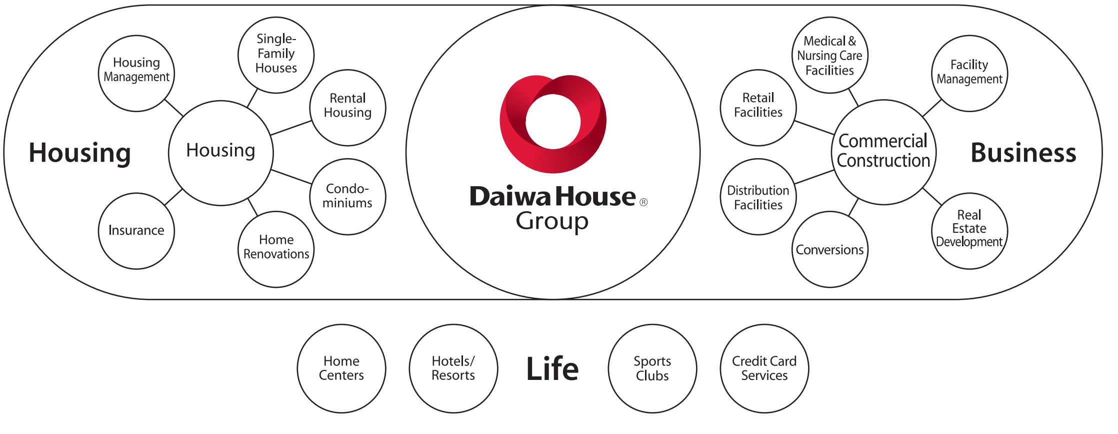
Business Overview

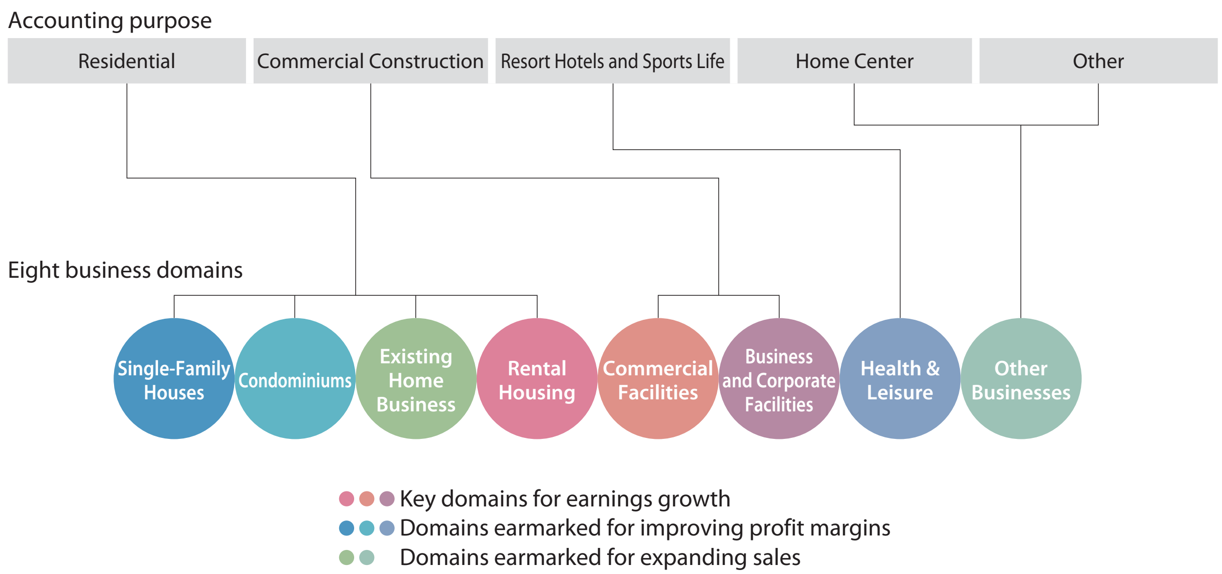
The businesses of the Daiwa House Group are divided into five segments for accounting purposes. We have also established eight business domains, and are now working towards the goals set out in our Second Medium-Term Management Plan "Challenge 2010."

In this Business Overview, we will provide a detailed explanation of our business strategy and the progress of the medium-term management plan by each of the eight business domains.

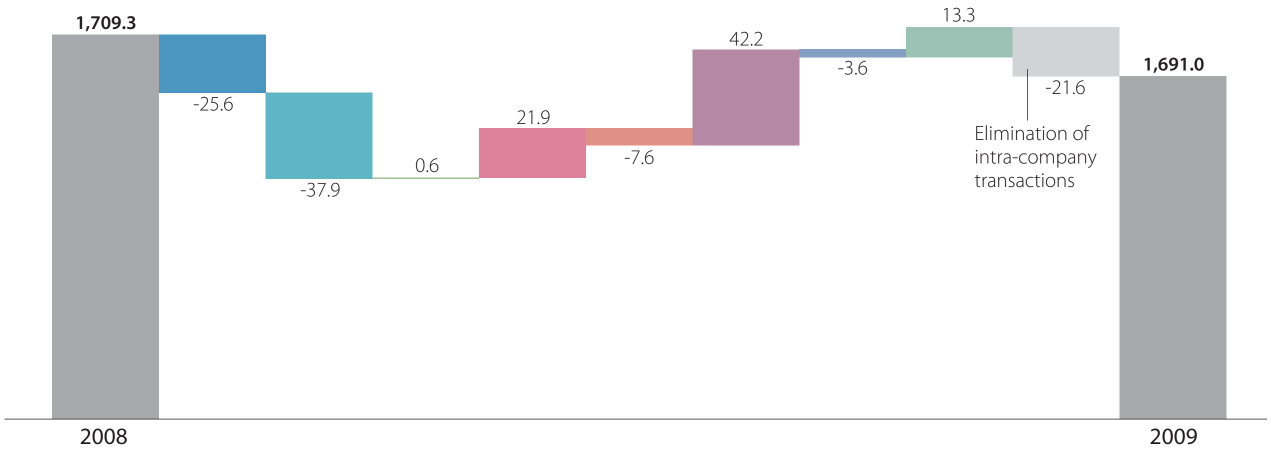
The Daiwa House Group is responding enthusiastically to a new era with faster decision-making, deeper specialization, and greater competitiveness.

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

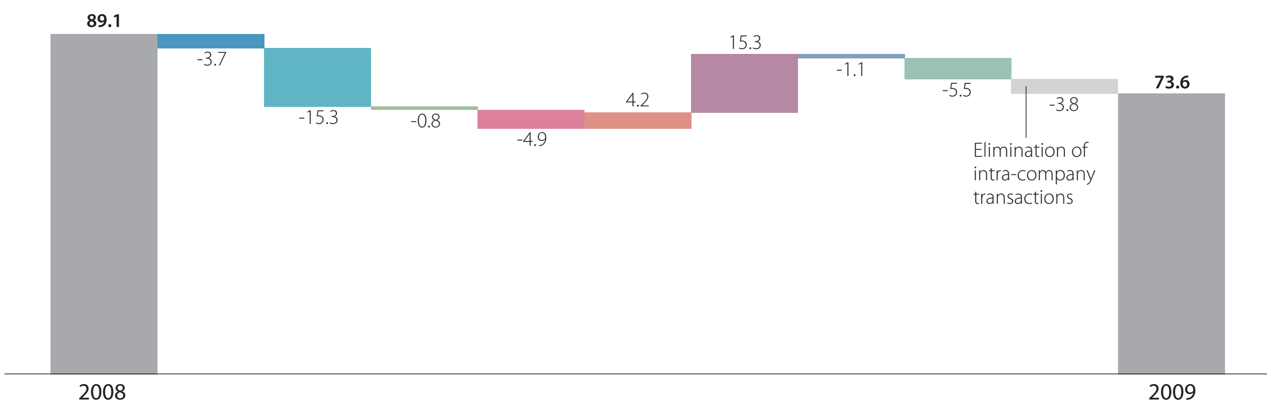




Sales (¥ billion)



Operating income (¥ billion)



Single-Family Houses

P68

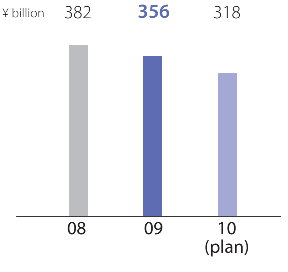
Value Restoration


Hannan Sky Town

In the Single-Family Houses Domain, Daiwa House Industry has expanded the product lineup of its mainstay xevo series, and strengthened initiatives in high-quality, long-term housing and cost-cutting. Despite this, the difficulties of the business environment, primarily the decline in new housing starts, were significant, and orders for the Contracting and the Subdivision businesses both remained sluggish. As a result, both sales and operating income for the reporting fiscal year decreased from the previous period.

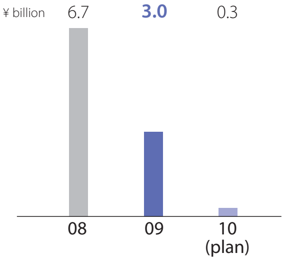
Sales

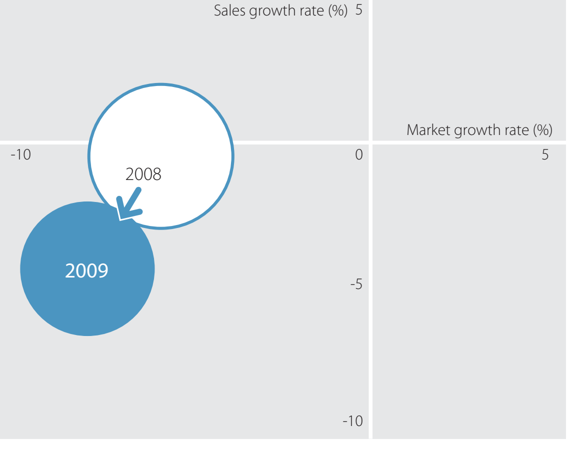
¥356.1 billion



Operating income

¥3.0 billion





Condominiums

P70

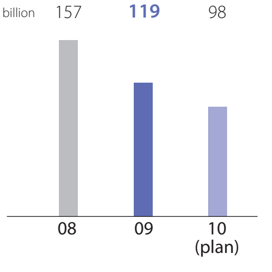
Value Restoration


D'Grafort Senrichuo

In the Condominiums Domain, we sought to offer condominiums for sale that harmonize with local environments, such as the D'Grafort Lake Town, which was certified to be capable of reducing CO_2 emissions from its condominium district by 20% in comparison with standard condominium districts. In addition, we stepped up actions to maintain condominium value and appeal to customers on post-purchase safety and comfort. However, the number of units sold remained low, mainly because of a deterioration in the condominium market, and the Group recorded a sharp decline in sales.

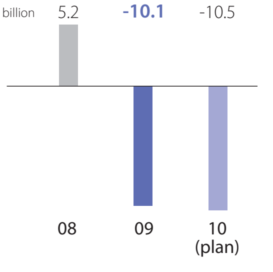
Sales

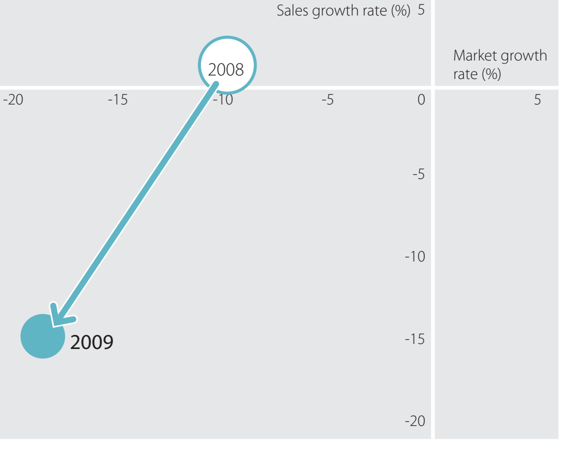
¥118.7 billion



Operating income (loss)

¥10.1 billion





Existing Home Business

P72

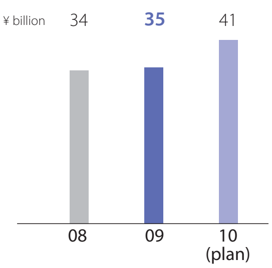
Nurturing Businesses

In the Existing Home Business Domain, we have optimized our design and construction system in the area of Home Renovation by expanding the role of Daiwa House Renew. We have strengthened our ability to propose home renovations that enhance the value of homes and improve eco-friendliness. As a result, we received more orders and increased sales.

In our Real Estate Agency Service operations, we established a framework for the handling of SumStock houses built by the Company, and increased our handling of condominiums. As a result of these measures, sales in the Existing Home Business Domain rose, but operating income decreased.

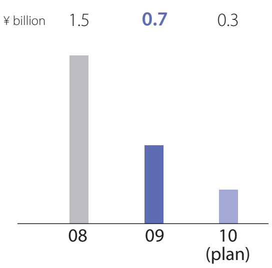
Sales

¥34.8 billion



Operating income

¥0.7 billion



Rental Housing

P74

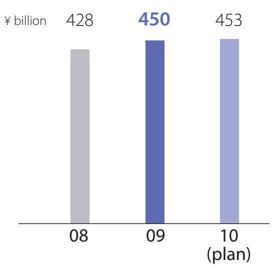
Expansion

Living Gate City Ageo

In the Rental Housing Domain, we stepped up sales activities for rental houses in city-center areas, and expanded the marketing of three-story rental housing products, mostly Séjour OTT's models, in convenient locations for a comfortable life. In addition, sales of Séjour Granmore Z II, a limited time-only product, were solid, and this resulted in growth in sales in this domain, against the backdrop of a business environment where demand for rental housing has remained sluggish. In contrast, operating income declined with the decrease in gains on sale, associated with the postponement of the sell-off of a large-scale rental property.

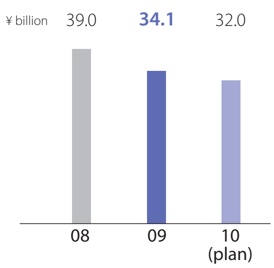
Sales

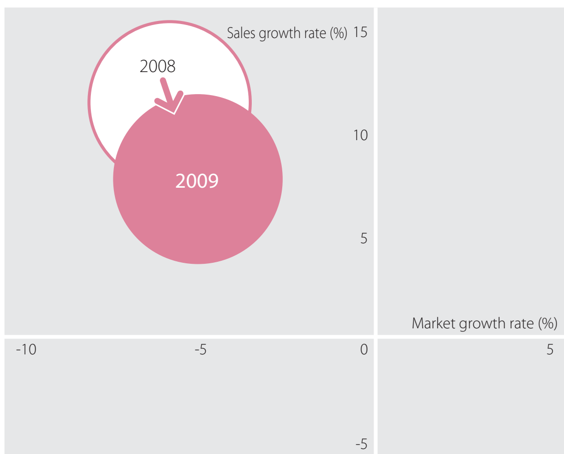
¥449.6 billion



Operating income

¥34.1 billion





Commercial Facilities

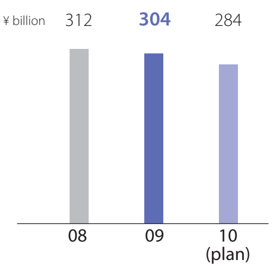
P76

Expansion

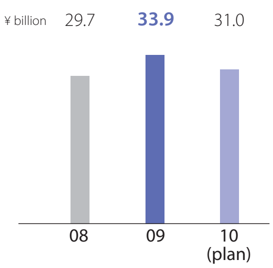
iias Tsukuba

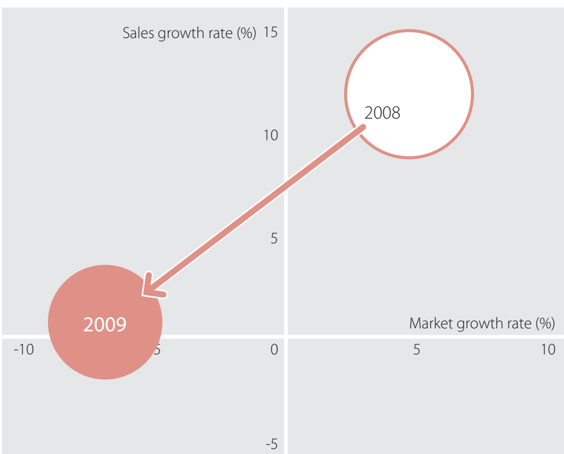
In the Commercial Facilities Domain, we focused on the development of large-scale commercial complexes, and opened three directly-operated facilities, namely the iias Tsukuba, the iias Sapporo, and the Foleo Otsu-Ichiriyama, in addition to making use of planning and proposal-driven sales centered on road-side shop developments. As a result, sales remained roughly on a par with the previous fiscal year. In addition, with the posting of gains on the sale of certain properties to real estate investment funds, we were able to achieve an approximately 14% year-on-year growth in operating income.

Sales
¥303.9 billion



Operating income
¥33.9 billion





Business and Corporate Facilities

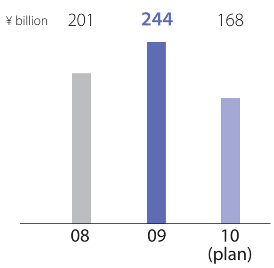
P78

Expansion

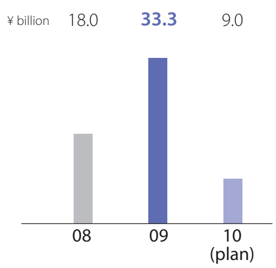
Umi Project "Fukuoka Minami Center"

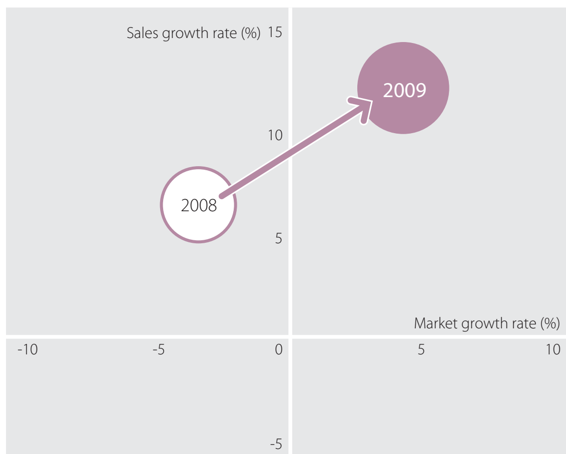
In the distribution facilities business, we built large-scale distribution centers and logistics facilities for food processing companies. In the medical and nursing care facilities business, we made proposals, mostly to healthcare corporation customers, for housing for the elderly, such as private housing-type homes. In the corporate facilities business, we constructed showrooms, offices, and other structures for corporations operating nationwide. An improved performance in distribution facilities, which benefited from the sale of properties to real estate investment funds, drove a robust increase in both sales revenues and operating income.

Sales
¥243.5 billion



Operating income
¥33.3 billion





Health & Leisure

P80

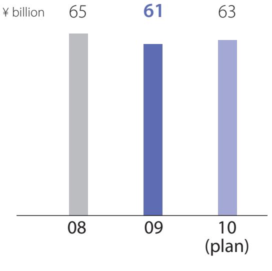
Value Restoration

Kishu-Minabe Royal Hotel

In the Health & Leisure Domain, we sought to attract repeat visitors in the resort hotels business through hotel operations that put top priority on safety, security, and service. In the sports life business, meanwhile, we took steps to increase membership by opening new branches and revitalizing existing branches. Despite these measures, however, as a result of the large negative impact of the plunge in the number of overseas travelers following the appreciation of the yen, and with rising expenses for the opening of new sports club facilities, both revenues and profitability deteriorated from year-earlier levels.

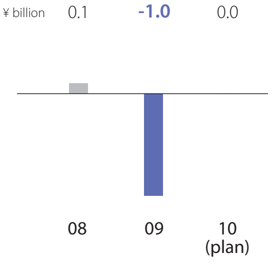
Sales

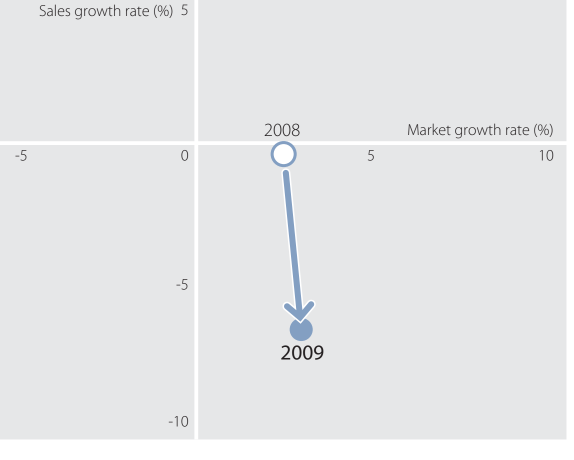
¥61.2 billion



Operating income (loss)

¥1.0 billion





Other Businesses

P82

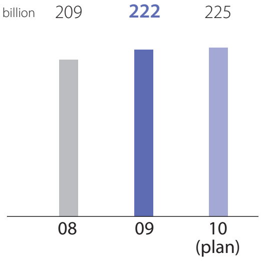
Nurturing Businesses

Daiwa Roynet Hotel Tsukuba

In the Other Businesses Domain, revenues increased year-on-year in the home center business, largely because of the full-year contributions of the five shops, which were acquired by the Group in the previous fiscal year, as well as the positive effects from the new openings of city hotels, distribution centers, and other facilities. On the other hand, profitability for the Other Businesses Domain as a whole deteriorated sharply because of a fall in profits in the home center business, and increased selling, general, and administrative expenses in new businesses.

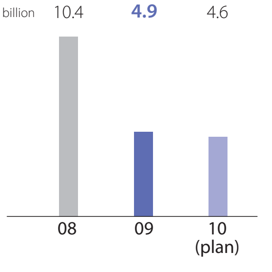
Sales

¥222.3 billion



Operating income

¥4.9 billion



The sales growth rate is a compound annual growth rate (CAGR), with size of circles indicating scale of sales.
2008: FY2005 to FY2007
2009: FY2006 to FY2008
The market growth rate is based on Daiwa House Industry's own calculation.

Single-Family Houses

Contracting Business
Subdivisions

xevo E '09

Year 2009

Continuous promotion of "Ultra-Long-Term Housing Model Project" and other projects

Across Japan the Company has set up Machinaka-xevo ("middle-of-the-town") showhouses in addition to traditional showhouses for the sale of models in the xevo series of single-family houses. The xevo series was adopted by the Ministry of Land, Infrastructure, Transport and Tourism in its 2008 Pioneering Model Project For Ultra-Long-Term Housing. We took steps to make construction drawings, building history, energy-saving efficiency, and other information visible to show potential customers that xevo can serve several generations and be used as assets. For the second project of fiscal 2008, we demonstrated a simulation of semiannual renovation of the showhouses to show potential customers how xevo houses can be renovated over time. Meanwhile, as the first project of fiscal 2009, among other actions we actively took steps to popularize high-quality, long-term houses with the theme of "savoring time," by adopting the proposal for a new idea of having customers save on future maintenance and renovation fees in a planned way.

In addition to our Koshigaya Lake Town development which has attracted attention as a model "environmental harmony" city, we have begun planning for multiple districts with single-family houses for sale, aiming to be certified by the Ministry of the Environment as districts capable of reducing CO_2 emissions by 20% in comparison with standard residential districts.

Beyond 2010

Thorough cost structure reform for construction of high-profitability system

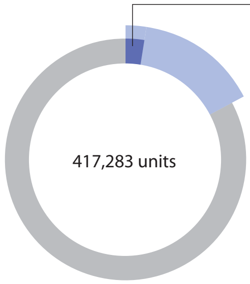
Considering the severe market situation, we plan to implement a fundamental cost structure reform. Simultaneously, we will further strengthen the xevo brand through continuous operations of our Machinaka-xevo showhouses to further expand orders.

We plan to promote the following measures as priority tasks for the next three years. The first is the development of the New Material-Stocking Model Construction Method, a new product designed to construct a recycling model that focuses on material stocking. This will be a new project, with the core element of houses that use reusable parts and materials designed for easy disassembly, renovation, and expansion. We guarantee the purchase of reusable parts and materials belonging to these houses at the time customers change residence, while reusing and reselling the purchased parts and materials.

The second is a revival of Neopolis, our large-scale residential properties, where the residents are growing older and the buildings are becoming superannuated. We plan to propose to our customers a variety of solutions such as renovation, use of vacant lots and vacant house assets, among others, while taking steps to create neighborhoods marked by positive characteristics, such as the use of solar power generation and other eco-friendly energy technologies.

Share of single-family house market

(FY2008)

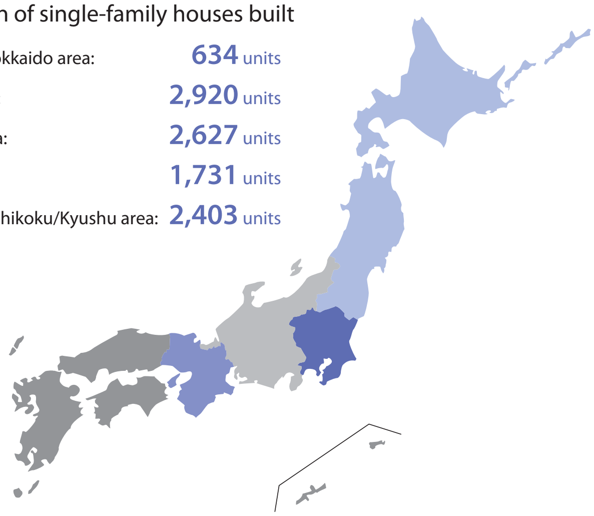


Daiwa House Industry (non-consolidated)	2.5%
Top seven companies	17.3%
Other companies	82.7%

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

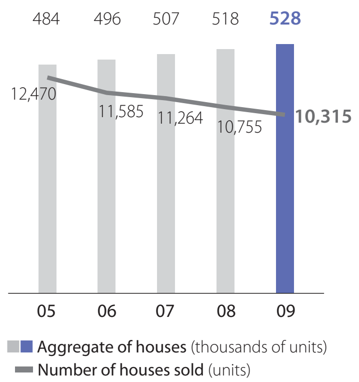
Breakdown of single-family houses built

Tohoku/Hokkaido area:	634 units
Kanto area:	2,920 units
Chubu area:	2,627 units
Kinki area:	1,731 units
Chugoku/Shikoku/Kyushu area:	2,403 units



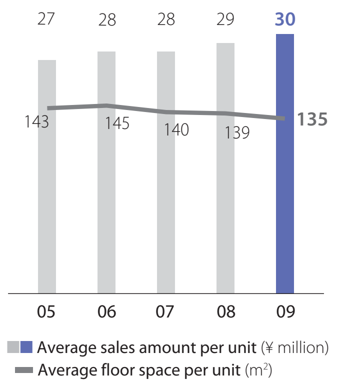
Aggregate of houses and number of houses sold

(Daiwa House Industry, non-consolidated)



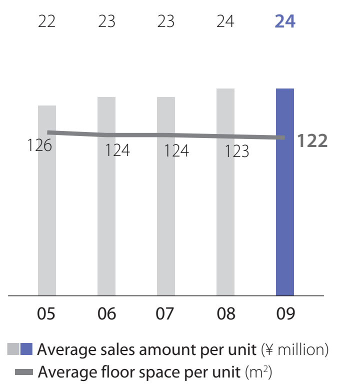
Average sales amount and floor space per unit

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



Average sales amount and floor space per unit

(Subdivisions, Daiwa House Industry, non-consolidated)



Marketing,
Single-Family Houses

Saori Noda

It is our customers' dream to own their own homes. That's why I make it a priority to listen carefully to their requests. I also do my best to realize a cost performance that matches the customer's budget. My goal is to create proposals that will surprise and delight our customers.

Condominiums

D'Grafort Nagasaki

Year 2009

"Proactive sales" campaigns through visits to potential customers in target areas

We have conducted nationwide campaigns and strengthened our online sales activities, while shifting the focus of our sales approach from waiting for customers, mostly at showhouses, to a proactive sales approach in which our salespeople visit potential customers in target areas. In addition, with growing public distrust in condominium marketers as a result of the successive bankruptcies of real estate companies, we have adopted the approach of communicating to customers the concepts of post-purchase safety and comfort by thoroughly explaining about the Group's financial soundness and the superiority of its properties. As a result of these initiatives, signs of recovery began to appear in the second half of the fiscal year under review, but the number of condominiums sold throughout the fiscal year (Daiwa House Industry on a non-consolidated basis) remained at 3,511, a year-on-year decrease of 17.4%.

We also took eco-friendly actions, such as the construction of the D'Grafort Lake Town, which is equipped with Japan's largest solar energy utilization system. This has been certified by the Ministry of the Environment as the first condominium district capable of reducing CO_2 emissions by 20% in comparison with standard condominium districts. We also developed the D'Grafort Senrichuo, which received the Second Superior Greening of Osaka Award.

Beyond 2010

Focusing on business development of large-scale properties in large cities

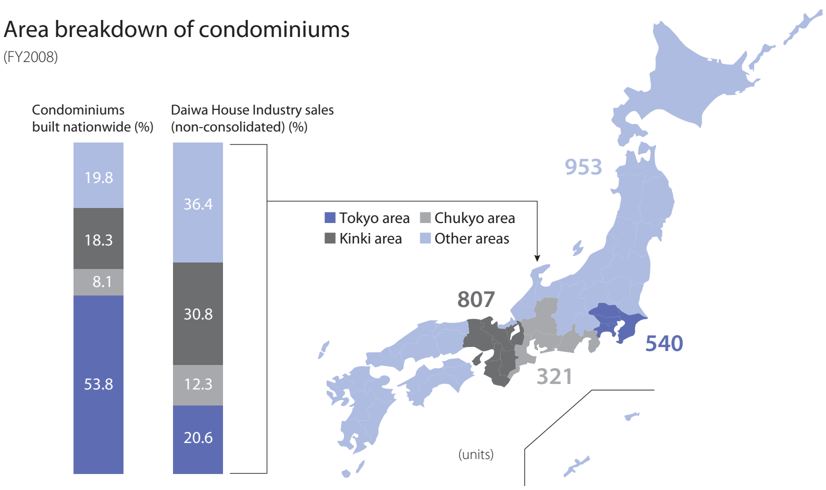
To accelerate structural reform to enhance the Group's profitability, we plan to strengthen our actions in redevelopment, complex facilities, joint development, and other large-scale development projects, mostly in large city areas such as Tokyo, Nagoya, Osaka, and Fukuoka. At the same time we will seek to reduce fixed costs by optimizing staff assignment and introducing the large-area marketing system, as well as improving the efficiency of operations.

In addition, starting in the second half of the fiscal year ending on March 31, 2010, we will change our system to one that places greater emphasis on project profitability on an individual basis, to expand profits and optimize cash flows.

With respect to the purchase of land in the near future, we will, in principle, limit land acquisition to convenient locations within five minutes' walk from the nearest railway stations, in addition to further expanding large-scale redevelopment and joint development projects.

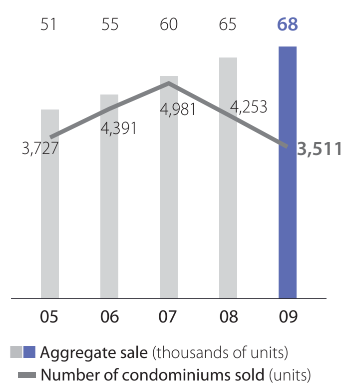
Area breakdown of condominiums

(FY2008)



Number of condominium units sold

(Daiwa House Industry, non-consolidated)



Before turning over a newly-built condominium,
I check the quality together with the customer.
I speak with customers beforehand to find out their questions
and secure the necessary information. In this way,
I respond directly and with careful attention
to the specific needs of individual customers.

*Technical,
Condominiums*
Ryohei Fuchihara

One+

Existing Home Business

Home Renovation
Real Estate Agency Services

Year 2009

Strengthening the home renovation business by expanding the role of Daiwa House Renew

In the home renovation business, we have turned Daiwa House Renew, a Group company, into a firm exclusively dedicated to home renovation. The objective of this is to strengthen our business foundations in the home renovation market, which is expected to grow in the near future, so as to expand business in the contracting of design, construction, and construction management. In addition, we have strengthened our home renovation business by transferring staff from other divisions, while also increasing the number of Renovation Fureai advisors, who communicate with customers to boost orders, mostly for energy-saving and eco-friendly renovations.

In the real estate agency service business, we sought to expand the handling of SumStock houses built by the Company as well as D's Bridge condominium asset valuation system*. SumStock is the brand of high-quality stock housing certified by the SumStock Housing Promotion Council, an organization launched in fiscal 2008 by nine major housing manufacturers, including Daiwa House Industry. At present, we are strengthening the development of SumStock housing salespeople who are expert in the Company's products, in order to expand the SumStock Business.

* D's Bridge: An asset valuation system developed by Daiwa House Industry and its Group companies Daiwa Service and Nihon Jyutaku Ryutu.

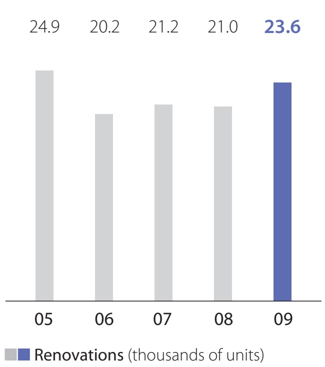
Beyond 2010

Expanding the business scope of medium- to long-term regular inspection and maintenance to rental housing

In the home renovation business, we plan to increase our staffing, while expanding the business scope of medium- to long-term regular inspection and maintenance services — which had been limited to single-family houses — to rental housing. With regard to the renovation of rental housing, we will strive to turn the business into a profitable one at an early stage by upgrading our relationship with tenants and building owners by conducting regular and general facility inspection as well as strengthening collaboration with property management companies. We also plan to promote the sale of solar power generation equipment and full-electrification renovation to meet energy-saving and eco-friendly needs, in addition to striving to expand orders for single-family houses through customer relations activities that focus on inspections over the medium and long terms. Further, we will enter the general market (buildings not built by the Group) in the future, including condominiums for sale and housing stock manufactured by competitors, to establish a system with a total of a little more than 1,600 staff and ¥100,000 million in annual sales at an early stage.

In the real estate agency service business, we will continue to make efforts to expand the number of all stock housing handled, focusing mostly on SumStock houses constructed by the Company as well as D's Bridge condominiums.

Number of renovations
(Daiwa House Industry, non-consolidated)



In meeting with the people involved in on-site construction, I also include private topics in our conversions because I think it is important to take a personal interest in the people with whom we work. I believe that if people feel good about their work and their work environment, they'll do a good job.

Construction, Renovations

kei kusuda

One+

Rental Housing

Royal Parks Ogikubo

Year 2009

Stronger sales of three-story rental housing in urban areas

In the Rental Housing Domain, we bolstered sales of three-story rental housing, such as Séjour OTT's built in the city center areas of the Tokyo metropolitan area, the Kinki area, and the Chubu area, in addition to multi-story, townhouse-type products and URBANWEL DIZZO, multi-story housing that houses both tenants and the landlord. Sales of medium- and high-rise properties developed in cities were also robust, and we took steps to bolster our performance by refocusing on selected optimal locations, as well as marketing inexpensive products.

We also focused on consulting services. In this area, we leveraged our proprietary personal database (PDB) system, which is designed to assist in the planning of specific asset inheritance measures. The PDB system is designed to facilitate proposals to customers of attentive and comprehensive solutions by analyzing the overall conditions of assets subject to inheritance tax. It also enables the offering, planning and implementation of comprehensive asset plans by certified tax accountants, as well as confirmation of the plans' effects.

In the area of product strategy, we sought to thoroughly cut costs through a review of purchasing and adjustments of construction prices by avoiding a concentrated wave of orders, including existing products. In February 2009, we started marketing our new product Séjour MODERN COURT J, a two-story rental townhouse. Orders for this product have exceeded its annual sales target.

Beyond 2010

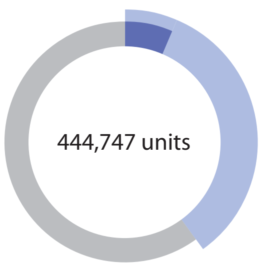
Further strengthening our relationship with rental housing owners, and the management of suitable locations

We plan to expand our sales capacity in the three major metropolitan areas of Japan, while bolstering our relationship with PDB members and managing suitable locations. We also aim to continue expanding sales of medium- and high-rise properties in major cities, three-story rental housing products in city centers, and multi-story and townhouse products. At the same time, we will look to cut costs even further, and take steps to develop three-story rental housing and eco-friendly products, among other offerings.

Meanwhile, we will form teams of specialists in rental housing renovation to provide attentive service for rental housing owners with whom we have not yet been able to establish relationships. In this way, we will strive to uncover potential demand for rebuilding, renovations, and referrals for renovation orders.

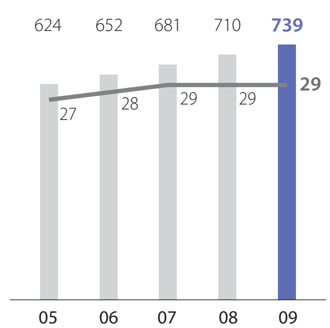
In addition, the properties managed by Daiwa Lease will be transferred to Daiwa Living to integrate rental housing management into a single company, while we strengthen our leasing capacity by increased use of direct offers to potential tenants and by leveraging our network of cooperating real estate brokers. We also plan to integrate our websites for potential tenants and improve our brand power by airing commercials of the Group, so as to strengthen post-purchase service for rental housing owners and expand orders.

Share of rental housing market
(FY2008)



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

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



Property management, Rental Housing

Takatsune Yata

We maintain a cooperative, long-term relationship with our customers and their families lasting 20 or 30 years. We explain to customers that it is not the case that only the Company or the owner will benefit. Rather, we must work together, and move in the same direction to meet the same goal of reliable rental housing operations over the long term.

One+

Commercial Facilities


iias Tsukuba

Year 2009

Establishing the Shopping Center Division to facilitate entry into the operation and management business

To respond to the increase in the number of directly-operated facilities following the opening of iias Tsukuba, iias Sapporo, and Foleo Otsu-Ichiriyama, the Daiwa House Group has established the Shopping Center Division, an organization specializing in facility operation and management. By undertaking these tasks ourselves, we aim to accumulate expertise to enhance competitiveness, streamline operations, and generate consistent profits in the Stock Business.

In addition, we strengthened marketing for Daiwa Frest, an eco-friendly service that employs the Restore & Rebuild System. Daiwa Frest can sharply cut waste materials at the time of building relocation, by transferring and reusing the majority of the building's parts and materials. The system also reduces construction periods and shortens the time required for the collection of funds employed. We have achieved greater cost efficiency for full-scale application, and strengthened marketing to companies that operate a number of stores nationwide.

Beyond 2010

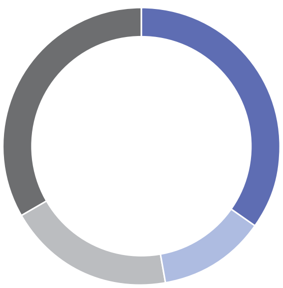
Increased investment in small-scale commercial facilities in which the number of tenant shops are expected to rise

In commercial complexes, we are strengthening development of neighborhood shopping centers (with less than 10,000m^2 in floor space), a promising field in terms of new-opening opportunities. We aim at expanding orders by attracting multiple shops, such as well-performing local supermarkets and drug stores, to the same location, and encouraging the deployment of popular brand shops in multiple commercial complexes. Also, as suburban areas become increasingly saturated with stores, we will actively respond to the needs of tenant companies seeking to open shops in metropolitan and other city center areas, tapping our extensive data on the land market.

In the Commercial Facilities Domain, which has constructed about 30,000 buildings up to the present, leasing contracts for about 800 properties expire each year. By continuously following up on properties whose contracts are due to expire soon, as well as making additional proposals to tenants, we will strive to win orders for renovation and conversion. We also look to receive comprehensive orders that encompass accessory equipment, such as lighting and air conditioning/heating, and, by collaborating with the Environment and Energy Business Division, to develop plans for the installment of white LED lighting systems.

Area breakdown of commercial facilities sales

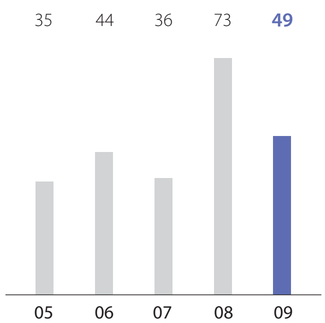
(Daiwa House Industry, non-consolidated)



Kanto area 34.9% Chukyo area 12.4%
Kinki area 19.6% Other areas 33.1%

Orders for large commercial facilities*

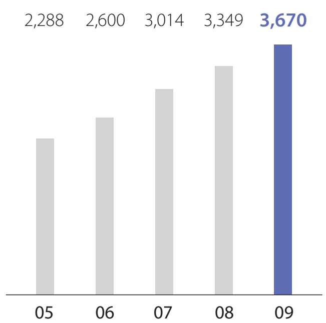
(Daiwa House Industry, non-consolidated)



(¥ billion)

* 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



(1,000m^2)

The success of a commercial facility depends not only on the skills and efforts of the tenant, but also upon the cultivation of a good relationship with the customers. To create the kind of prosperous shopping center that would attract other tenants, it is necessary to accommodate as many of the customers' needs and preferences as possible. We hope to make our shopping centers enjoyable for customers, with the aim of being the top shopping center in each area and eventually in the whole of Japan.

Tenant leasing, Commercial Facilities

One+

Business and Corporate Facilities

Distribution Facilities
Medical and Nursing Care Facilities
Corporate Facilities

D Project Hachioji

Year 2009

Strengthening our proposal capabilities to better meet customer needs

In the Distribution Facilities operations, with facility integration in regional areas expected to gather momentum, we took steps to cultivate ties with well-performing local tenants. We also stepped up the collection of data on logistics companies and mail-order companies, who are developing private brand products, which grow even in economic downturns. We also cultivated new corporate tenants mainly through our collaboration with logistics consulting firms.

In the Medical and Nursing Care Facilities field, we strengthened our proposals to medical institutions with a high potentiality to enter the housing business for senior citizens. Our proposals focused on areas such as fee-charging private housing-type homes and rental housing for the aged.

In the Corporate Facilities operations, the Daiwa House Group established a new organization that specializes in dealing with companies operating in the rapidly growing environmental energy sector. By augmenting our expertise to meet the needs of the environmental energy industry in the short period, we aim to win more orders for corporate facilities. We also conducted marketing, targeting 68 companies that operate business facilities nationwide, as well as 155 merged companies, marketing proposals for the streamlining of facilities.

Beyond 2010

Looking to orders for environmentally friendly plans

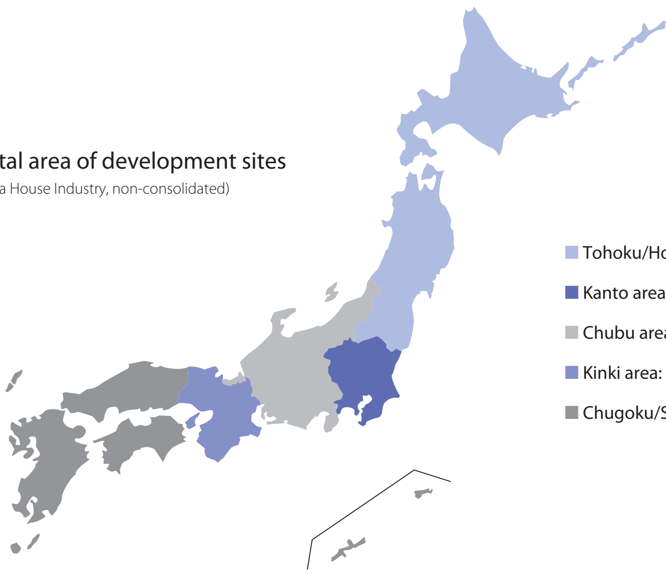
In the Distribution Facilities operations, the Daiwa House Group plans to develop environmentally friendly distribution centers equipped with solar power generation and LED lighting, to strengthen our proposals of eco-friendly plans to customers. Meanwhile, we will concentrate properties for investment purposes in metropolitan areas. To recover invested funds, we will consider the sale of facilities to tenant companies and shippers, in addition to the traditional method of selling to real estate investment funds.

In the Medical and Nursing Care Facilities operations, the Daiwa House Group will actively participate in tenders for group nursing care facilities and fee-charging nursing care facilities for the elderly, publicly offered in accordance with the Fourth Nursing Care Insurance Business Plan launched in April 2009, as a strategy for boosting orders. In urban areas, we plan to strengthen marketing of complexes that include medical and nursing care facilities and housing for the elderly, while focusing in rural areas on housing for senior citizens.

In the Corporate Facilities operations, we will target companies operating nationally and carry out reviews of facility operations due to aging, contract expiration, and suburban relocation. We will also focus on the merger and closure plans of merged companies.

Major logistics projects: Total area of development sites

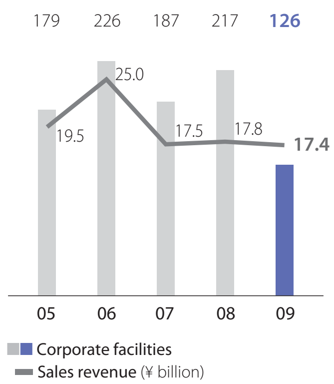
(Includes projects at planning stage; Daiwa House Industry, non-consolidated)



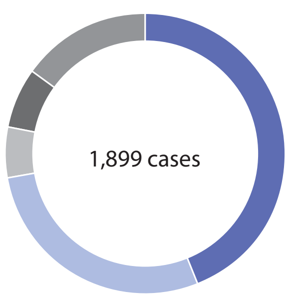
Tohoku/Hokkaido area:	100,000m²
Kanto area:	1,000,000m²
Chubu area:	400,000m²
Kinki area:	180,000m²
Chugoku/Shikoku/Kyushu area:	160,000m²

(As of July 31, 2009)

Number of corporate facilities and sales revenue



Projects of the Silver Age Research Center



Customers and the employees of architectural design firms frequently visit our construction sites. I have to make sure that they can tour the sites with ease. Thus, the role of construction site management is to take special measures for safety and the environment. All workers involved in on-site construction, including partners, make a special effort to greet visitors and make them feel welcome.

Construction, Business Facilities

Chiaki Ikeda

One+

Health & Leisure


Ise Shima Country Club


Sports club NAS

Year 2009

Winning repeat visitors with hotel management focused on comfort, safety, and hospitality

In our Resort Hotels operations, room occupancy and room unit prices have fallen in line with declines in spending by individuals and corporate customers amid a rapidly deteriorating economy. We have sought to offset this by attracting repeat visitors with hotel management featuring "comfort, safety, and hospitality" as our top priority. Meanwhile, we have adopted management reforms aimed at enhancing profitability, through the Hotel Improvement Proposal Committee's inspection of non-performing hotels, and the holding of hotel management education programs tailored to each hotel.

In Sports Life operations, we rebuilt the existing NAS Sunmarche (Aichi) and opened new branches including the NAS Niigata (Niigata), NAS Wellness & Spa Club Shibaura Island (Tokyo), NAS Higashi Sapporo (Hokkaido) and NAS Otsu-Ichiriyama (Shiga). At existing branches, we took action to attract new customers by offering courses targeting particular demand niches, such as memberships in which sportswear, shoes and towels are provided by the health club, so that members do not have to lug heavy bags around, special memberships for women only, and special short-term courses for adults. As a result, the number of NAS branches increased by four from the previous fiscal year, to 53, and membership at the end of the fiscal year under review increased by 3,653 on a year-on-year basis, to 96,687.

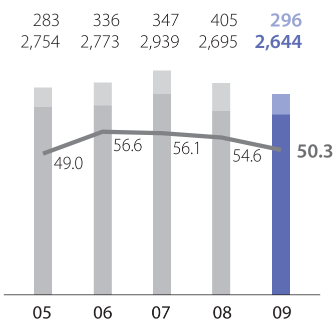
Beyond 2010

Fundamental reform of hotel operations

In our Resort Hotels operations, we plan to review our hotel operation format based on the number of visitors and the occupancy rate, so as to execute fundamental reforms of the hotel operation systems, including streamlining of the hotel work force. Also, with government guidelines encouraging the conversion of hotels from resorts designed for single-night stays into those encouraging stays over a number of nights, twelve Daiwa Royal Hotels have already become candidates awaiting official certification as hotels covered by the Law on Provision of Infrastructure in Tourist Areas. As such, we will take steps to collaborate with local authorities and enterprises in the near future. We will also upgrade breakfast menus at all accommodations by including local produce, and convert the existing marketing strategy focusing on travel agents to direct marketing. We will also encourage online reservations, while renovating aging hotels, aiming to improve the ratings of our hotels and win repeat visitors.

In Sports Life operations, we will strive to improve profitability by closing or cutting costs at loss-making branches. In addition, the Group will undertake structural reforms to bolster profit, while expanding income from customers other than existing members, who account for 90% of revenues by opening new fee-based schools for adults. Also, we will seek to secure stable membership. In fiscal 2009, we plan to open three branches.

Daiwa Royal Hotels: Number of guests and room occupancy rates



(As of July 31, 2009)

(As of July 31, 2009)

The faces of the staff at a hotel's reception desk
become associated with the hotel.
For this reason, I always make sure
to greet our guests with a big smile.
I want them to be able to leave
with smiles on their faces,
so I always make a special effort
during check-in and check-out time.
I also try to impress customers
by looking at things from their perspective,
particularly their desire to spend time
in an environment that is a bit out of the ordinary.

Receptionist, Resort Hotels

Ayumi Ohiro

One+

Other Businesses

Home Center
Construction Support
Credit Card
City Hotels

Daiwa Logistics

Daiwa Roynet Hotel Shin-Yokohama

Year 2009

Opening the first branch of a new type of a store focused on hardware for builders

In the Home Center business, we strengthened the conversion of supplies to “Everyday Same Low Price” products, and the development of private brand products in a number of fields to meet consumer needs in both price and quality terms. Also, as a new differentiation strategy, we opened the first branch of Royal Kanamono, specializing in hardware for builders.

In the Construction Support business, the Daiwa House Group jointly established with CASSINA IXC. Ltd. a high quality furniture store called D&C in Okinawa in the Housing Construction Material Manufacturing and Marketing area. In the Logistics business, we opened three new centers for expansion of the “Asset-Type Third Party Logistics” businesses*[1], and established two joint logistics centers for construction materials in the Kanto and Hokuriku districts.

In the Credit Card business, the number of holders of the Heart One Card as of March 31, 2009 exceeded 300,000. This was primarily thanks to the positive effects of collaboration, primarily with the Home Center business.

In our City Hotel operations, the Daiwa House Group opened Daiwa Roynet Hotel in four locations. As a result, the number of operated hotels came to a total of 16, including Osaka Daiichi Hotel and Royton Sapporo.

*1 Asset-Type Third Party Logistics: A service in which logistics assets, such as warehouses and transportation vehicles, are held in-house to provide a comprehensive outsourcing solution for the general distribution businesses of shippers (including transportation, storage, distribution processing, and data management).

Beyond 2010

Strengthening product development capacity and private brand products

In the Home Center business, we intend to move forward with the chain-store deployment of Royal Kanamono, and strengthen our product development capacity with the aim of raising private brand products as a percentage of total sales of the business to 15%. At the same time, we will strive to improve customer satisfaction and attract more customers by improving our services, such as product installation and electric bulb changes, as well as issuing new cash discount cards that are not associated with award points. Moreover, by strengthening our collaboration with the Home Renovation Business Division on renovation projects that involve building frame constructions, we will pursue Group synergies.

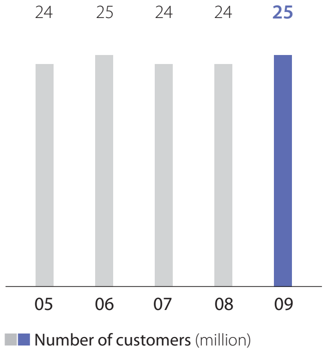
In the Construction Support business, our focus will be developing the ESCO business*[2], which utilizes LED lighting systems, as we seek to upgrade the eco leasing business.

In the Credit Card business, we will be work to attract even more new cardholders, while deploying measures to encourage card use, such as offering award points.

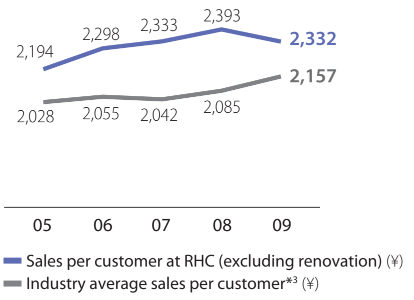
In the City Hotel business, we plan to increase the number of hotels under our management to 22 by 2010, and will continue to expand our hotel operation in the future.

*2 ESCO business: An abbreviation for Energy Service Company. This refers to a business in which a company provides a comprehensive service, including proposals for energy-saving, provision of facilities, maintenance, and management.

Royal Home Centers: Number of customers making purchases



Royal Home Centers: Average sales per customer



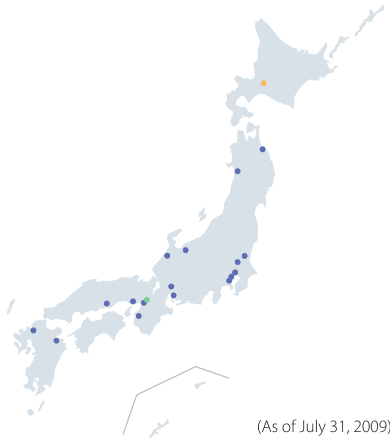
*3 Calendar year basis

Royal Home Center (Kyoto Yoko-oji)

Heart One Card

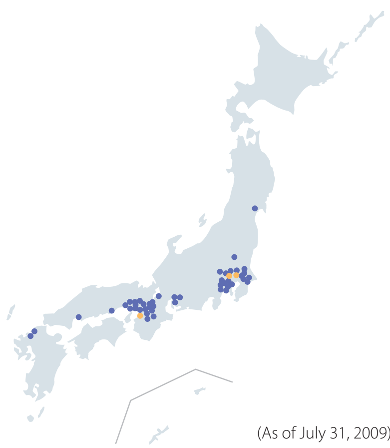
19 business and city hotels

- Daiwa Roynet Hotels
- Royton Sapporo
- Osaka Marubiru (Osaka Daiichi Hotel)


(As of July 31, 2009)

49 home centers

- Royal Home Center
- Royal Kanamono


(As of July 31, 2009)

Always remember to be polite and smile, and be friendly to the customer and show an appreciation for the merchandise. These are my mottos. I try to understand what the customer really wants, and I also study on a daily basis to be able to come up with proposals for interior items.

Marketing coordinator,
Interior Accessories

Yukari Miyara

One+

New Businesses

The Daiwa House Group is taking the first major step in the robot business and overseas business towards nurturing new future earnings drivers.

Robot Business

Promotion of the robot business, which has potential synergy with existing business fields

Japan is about to undergo major changes with respect to its demographic makeup due to a decrease in its total population and labor force, a rise in the average age of the population, and an increase in the number of people requiring nursing care. The contribution of robotic technologies is expected to increase in the future by providing support or assistance in fields such as nursing care, welfare, security and maintenance, assisting with self-support in daily life and improving quality of life.

The Group has the expertise of the Silver Age Research Center, and is a leader in terms of creating medical and nursing care facilities, with a history of constructing 1.3 million single-family houses and condominiums and over 2,400 medical and nursing care facilities. The Group intends to gain an accurate understanding of the needs of customers from such business activities to develop robotic technologies that can carry out everyday tasks, providing assistance with housekeeping, saving energy, managing health, and so on. The Group aims to expand its robot business in collaboration with existing businesses within the Group.

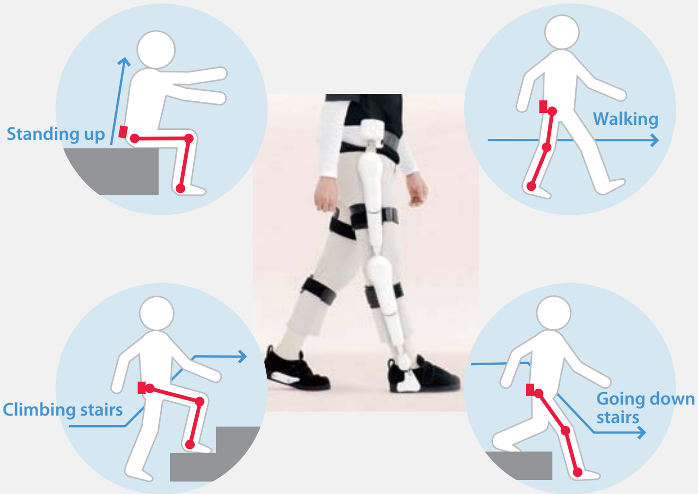
Launch of Robot Suit HAL™ for nursing care purposes

In February 2007, Daiwa House Industry formed a business alliance with CYBERDYNE Inc., the world's most advanced company in the field of robotic suits, and concluded a sole agency agreement* for the HAL™ welfare-use assistive robotic suit in July 2008. The sale of the suit is being undertaken by the medical and nursing care facilities division in the business and corporate facilities domain, and lease sales commenced in April, 2009 throughout Japan. Currently, demonstrations are being given in hospitals and nursing care facilities to increase orders.

HAL™ is the world's first wearable cyborg-type robot for extending and/or amplifying bodily functions. The lower leg type currently available for sale supports the movements of disabled and/or elderly people. Going forward, it is expected that HAL™ will not only be used for nursing care and welfare, but will also be applied in a wide range of areas including disaster relief, heavy work and entertainment.

* The HAL™ welfare-use wearable self-support assistive robotic suit is purchased in bulk and leased exclusively within Japan.

Ways in which Robot Suit HAL™ assists users



CYBERDYNE Inc. (Headquarters/R&D Center)

Yihe Champs-Elysees

Suzhou Industrial Park Project

Former site of the Dalian Medical University

Overseas Business

Daiwa House Group's first condominiums completed in China

In 1983, the Group began exporting prefabricated housing units to China. From 1985, the business developed in tandem with China's development, as the Group began constructing and operating rental housing for foreigners (mainly Japanese) in Shanghai. Today, the Group works in the real estate development business, having established new local subsidiaries in two locations in Dalian and Suzhou for real estate development.

In June 2009, the Yihe Champs-Elysees condominiums in Dalian, China were completed. These were the first for the Daiwa House Group in China. They were developed in collaboration with local general contractors, selling an area of 63,000m^2, 28 buildings and 975 condominium units comprising housing and commercial premises. Against the backdrop of deregulation and preferential tax policies on housing acquisition introduced by the Chinese government and an economic situation showing signs of recovery, the Group is boosting unit sales. In July of the same year, construction began on the Suzhou Industrial Park Project condominiums. This is the first wholly owned* condominium development by a Japanese company in China.

* A subsidiary wholly owned by Daiwa House Industry.

Improving brand value through wholly owned project

Suzhou Industrial Park Project is an extensive project with an area of 76,000m^2 and a total of 902 condominium units. They are high-quality condominiums that target Chinese customers in the high-income bracket. The advantage of developing wholly owned* condominiums in China is not only the fact that the Group can increase its expertise, but, above all, that it can take full advantage of its proprietary expertise and technologies in the creation of residential environments. The exterior thermal ventilation wall is used to save energy, and building materials and equipment produced by Japanese companies that excel in safety and take the environment into consideration are used as much as possible to provide even higher-quality installation. The Group hopes that the results of this project will lead to the increased brand value of the Group. In addition, in July 2009, construction began in Dalian on a major project with an area of over 156,000m^2 in collaboration with local general contractors — an extensive development project on the former site of the Dalian Medical University. Going forward, the Group will continue to collect real estate information and further the condominium development business, mainly in Shanghai. Furthermore, the Group is considering entering such emerging countries as India and Vietnam, while watching for economic recovery from the global downturn.

Suzhou Industrial Park groundbreaking ceremony

Environmental Solutions

Activities for the preservation of the global environment are gaining speed in the world, as represented by the Green New Deal policy proposals published in the United States. In Japan, too, in April 2009, the Japanese Green New Deal vision "Green Economy and Social Transformation" was made public, and the development of new technologies and products with the theme of environmental conservation is gaining momentum in each industrial field.

The Daiwa House Group is quickly capturing this growing worldwide environmental awareness and actively developing environmental solutions in its business fields. Harmonization of human activities with the natural environment is the biggest challenge faced by the Group.

Single-family dwelling

"xevo"

High energy savings and durability achieved with the Exterior Thermal Ventilation Wall

The xevo series, a new single-family home brand, uses a construction method that was renewed for the first time in 25 years. Equipped with the Group's unique exterior wall system, the exterior thermal ventilation wall, which excels in durability and energy-saving properties, xevo achieves high energy savings and high durability. xevo also uses the XE Coat exterior wall coating, which retains its appearance for a long period of time, and the photovoltaic power generation system, which has high energy-saving effects, reducing the home's running costs.

From June 2009, the Government has reduced income taxes for buyers of houses in the xevo series, which has been certified as "high-quality, long-term housing." The basic xevo house model (without additional modification) meets the criteria for certification.

Eco-friendly city

"Koshigaya Lake Town"

Development of a pioneering model of a city in harmony with nature

Daiwa House Group developed 132 single-family housing units and 500 condominiums in an integrated manner for Koshigaya Lake Town (Saitama Prefecture), and the project was opened in March, 2008. This development is a pioneering model for creating a city in harmony with nature as promoted by the Group. In addition to devices incorporated to take advantage of natural wind, sun and water, a solar heating system, one of the largest in Japan for rental apartments, is used to heat the water and air in the condominiums. The D'Grafort Lake Town condominiums were selected by the Ministry of the Environment as the first model business for creating a community in harmony with nature, reducing CO_2 by 20% for an entire community. In addition, Lake Town Miwa-no-Mori was selected for the first time as a single-family housing city block in fiscal 2008.

Koshigaya Lake Town

Environment and Energy Business

Development of new businesses using the total power of the Group

Companies are being asked to further reduce CO_2 emissions based on the enactment of the Law Concerning the Rational Use of Energy*1. In light of this, the Group established the Environment and Energy Business Division in April 2009 to bring out the total power of the features of various subsidiaries of the Group that work on the environmental energy business. The Environmental Energy Business Division, which is charged with product service business planning and development design, acts as the head office for 25 environmental energy sales offices in Japan, mainly in metropolitan areas. Members of the Daiwa House Group, including Daiwa Energy and Eneserve, are involved at the head office, creating synergy with existing businesses supported by the Group. The key products of various subsidiaries of the Group, such as LED lighting and lithium ion batteries, are brought together to provide products and services that create, store and save energy. In addition, the Group as a whole possesses enormous existing customer and building stocks, and that is the Group's strength. The Group seeks to differentiate itself from other companies by targeting companies that require energy management on a company-wide basis, such as convenience stores, offices and plants, and by providing those customers with a complete consulting service on products and/or services that are best suited to them.

Through these activities, the Group aims to achieve sales of ¥50 billion in its first year of operations, pioneering a new market associated with existing businesses and nurturing the market to become a key source of earnings for future generations.

*1 Law Concerning the Rational Use of Energy: The obligation of energy management, which had hitherto been imposed on large plants above a certain size, was extended to business owners effective April 2009.

Products and services of the environmental energy business

● Related to ESCO/ facilities sales	Sale/installation of photovoltaic power generation systems Sale/installation of LED lighting/high-efficiency lighting Sale/installation of lithium ion batteries
● Related to electric power sales/ environment	Wind power Power retailing Bulk power receipt Green power certification sales
● Related to energy-saving services and/ or security	Energy doctor services Energy monitoring/information services Power equipment maintenance management

Our next generation low CO_2 model business for convenience stores was selected as the 1st housing and building low CO_2 emission model business by the Ministry of Land, Infrastructure, Transport and Tourism. This model utilizes a photovoltaic power generation system, a white LED lighting system, and batteries as well as an energy management system that permits the centralized management of the energy usage status of various stores and can reduce the CO_2 emitted from store operations by up to around 17%.

History of environmental awards for the Group

Certified for environmentally-friendly houses*2

- No.1 for construction results in fiscal 2007 (August, 2008)
- No.1 for construction results in fiscal 2008 (August, 2009)

Grand Prize for the Global Environment Award*3

Our activities for creating a community in harmony with nature and reducing CO_2 by 20% across an entire community were awarded a Grand Prize at the 18th Global Environment Awards (February 2009).

CASBEE*4 — Town creation

The Lake Town Miwa-no-Mori and D'Grafort Lake Town city blocks, developed in an integrated manner within Koshigaya Lake Town, obtained 1st S-ranked evaluation certification (July 2009).

*2 Certification system operated by the Institute for Building Environment and Energy Conservation.
*3 Organized by the Fujisankei Communications Group; established in 1992 with the collaboration of the WWF (World Wide Fund for Nature) Japan.
*4 CASBEE stands for the "Comprehensive Assessment System for Building Environmental Efficiency" developed by the Institute for Building Environment and Energy Conservation.

Research & Development

As a Group that co-creates value for individuals, communities, and people's lifestyles, the Daiwa House Group promotes the development of technologies for an aging population with fewer children and a recycling-focused society that lives in harmony with the global environment, and seeks technologies for creating a prosperous future.

Steady progress of four priority fields

The Daiwa House Group has defined the following as the basic policies of its medium-term management plan: Environment and energy-related technology; Technology to meet growing needs in the existing home business; Technology to meet the needs of the aging population; and information and communication technology (ICT) and information robotic technologies (IRT). These are the four priority fields for the development of advanced technologies, and the Group is providing them with management resources. In one of the major achievements of fiscal 2008 for environment and energy-related technology, the Group and Nabesho Corporation, in cooperation with Kyocera Corporation, developed Grace Lumino, a white LED lighting system for commercial facilities that can significantly reduce power consumption and CO_2 emissions. For technology to meet growing needs in the existing home business, the xevo single-family dwelling, whose concept is a property that can be passed down from generation to generation, was selected as a Pioneering Model Project for High-Quality, Long-Term Housing by the Ministry of Land, Infrastructure, Transport and Tourism. In the category of technology to meet the needs of the aging population, the Intelligence Toilet II, which provides in-house health management, was jointly developed and launched with TOTO Ltd., bearing the fruits of the Group's accumulated technologies as a high value-added product.

The focus areas of technology research and related initiatives

Focus areas	Research themes	Development technology	Development examples
Environment- and energy-related technology	Protection of the global environment	Technology for reducing CO_2 emissions Technology for conserving natural resources	• Grace Lumino, a white LED lighting system • D-TEC ECO+ construction method: ground reinforcement using recycled plastic materials • Development of large lithium-ion storage batteries with electric power source
Technology to meet growing needs in the existing home business	Revitalization of cities and towns	New know-how to help customers improve their asset values	• Exterior thermal ventilation wall, which improves heat insulation and enhances durability • Restore & Rebuild System enabling buildings to be easily dismantled and re-erected on different premises • Development of housing underfloor inspection robots
Technology to meet the needs of the aging population	Home-life improvements	Technology incorporating service robots	• "HAL™" robot suit which assists medical patients and nursing home residents to achieve self-sufficiency
ICT and information robotic technologies (IRT)	Maximize the enterprise value of the three focus areas mentioned above using ICT & IRT	Next-generation residential computer network	• Intelligence Toilet II, an in-house health check system • "Next-generation home network," home server linking appliances with outside support services


Central Research Laboratory

Establishment of a flexible research and development structure

In April 2008 the Central Research Laboratory was reorganized into four centers with clear directions and functions regarding research and development. In addition, from April 2009, activities at each center were closely linked to activities at other centers, thereby stimulating medium- to long-term research in the future. Furthermore, the Central Research Laboratory, as the principal axis, works with the product development and design departments, the business execution departments, the Silver Age Research Center, companies from different industries and public research institutions, undertaking research and development from a multi-dimensional perspective.

Cultivating diverse specialized human resources

By expanding business areas through collaboration within the Group and strengthening activities for next-generation businesses such as energy and the environment, the Central Research Laboratory is recruiting and cultivating diverse specialized human resources, not just in the area of construction technologies. As a Group that co-creates value for individuals, communities and people's lifestyles, and that can adapt to changes in society and meet a wide range of needs, the Daiwa House Group will continue to generate technologies that create a prosperous future.

Roles and functions of the Central Research Laboratory

Central Research Laboratory

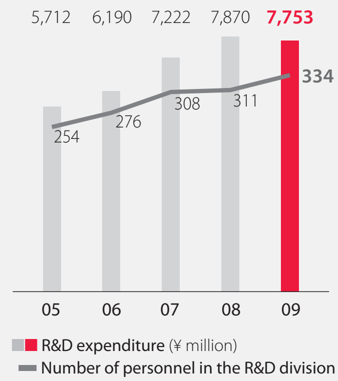
Technology development center
Undertakes technology development aimed at strengthening existing technologies

Frontier technology center
Develops cutting-edge technology research leading to the creation of new technologies and businesses

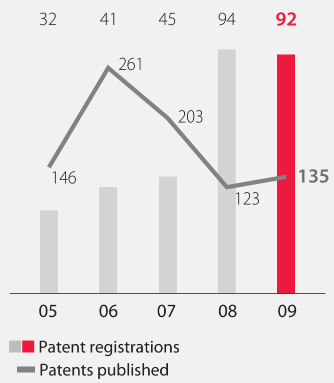
Reliability center
Verifies the technological performance of products and sets technological standards

Research support center
Provides support for each research group

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



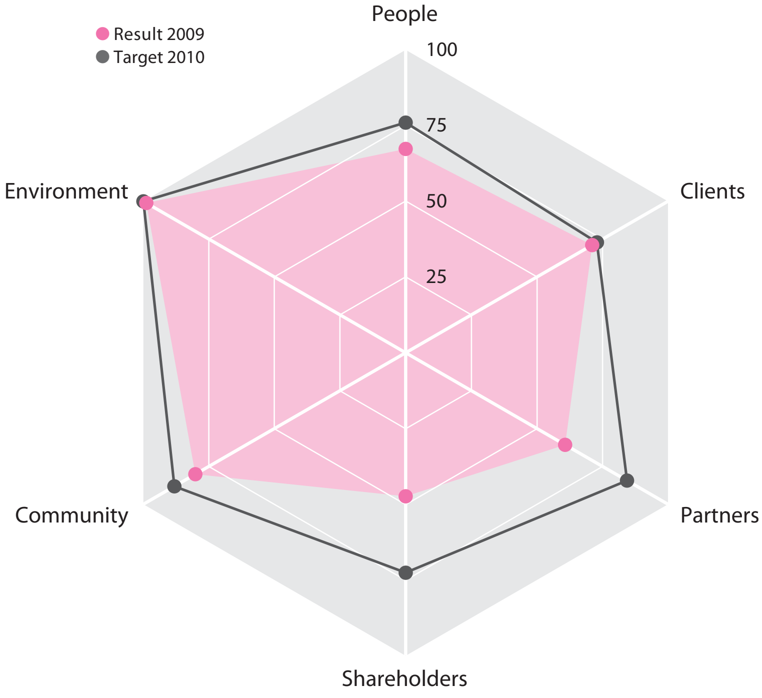
Patent registrations and patents published



Corporate Citizenship

As a responsible corporate citizen the Daiwa House Group fully recognizes its social mission to provide solutions to social issues through its business activities. We will take up the challenge of creating new social value, which we believe to be indispensable for business development.

Self-assessment of CSR activities by stakeholder category*

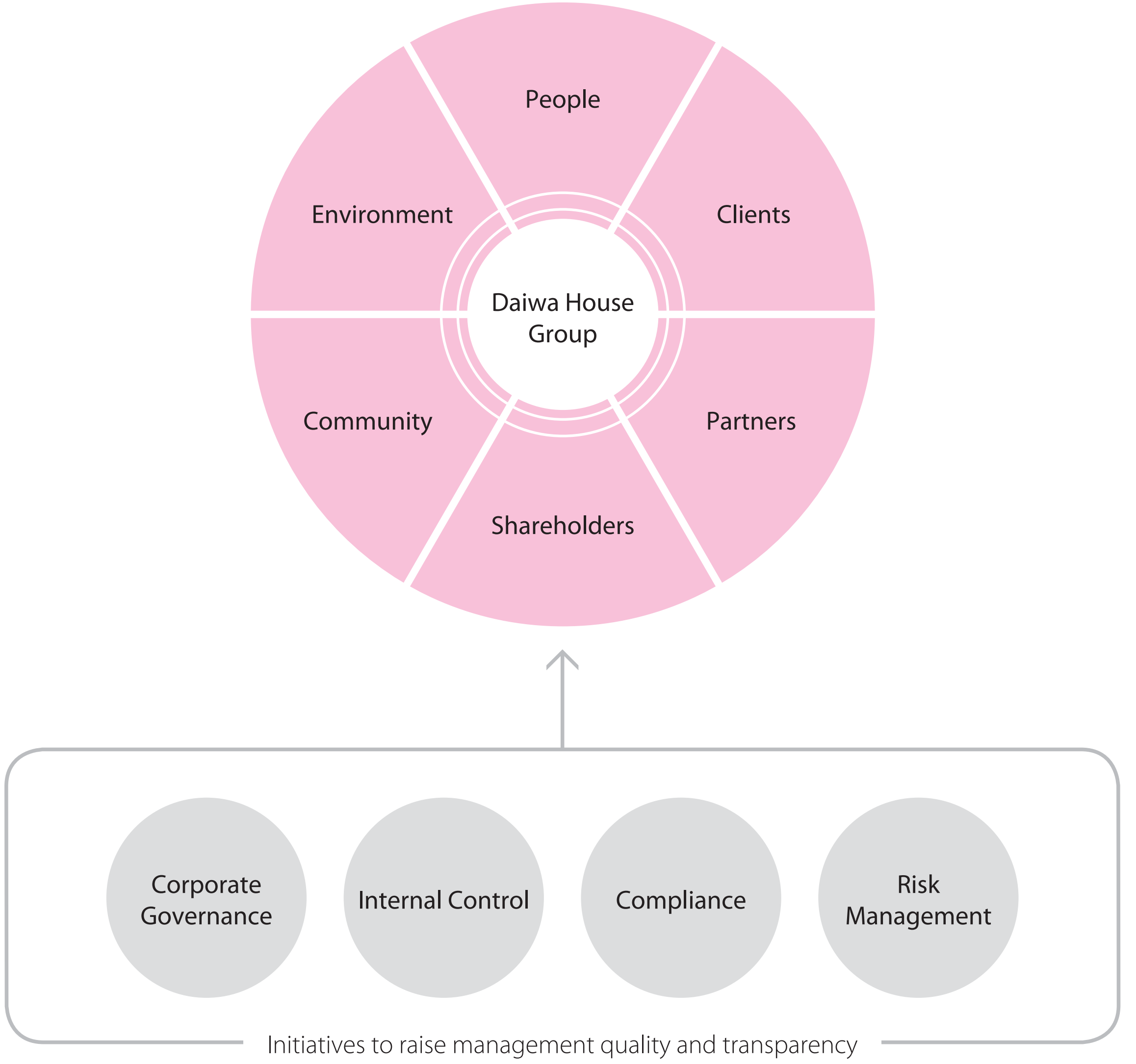


* Full mark = 100 points

Indicators for self-assessment of CSR activities

From fiscal 2006, we conducted self-assessment of our CSR activities to measure our results on a quantitative basis. We set specific numerical targets for each stakeholder category, which enabled us to evaluate our CSR activities in terms of our progress in meeting social issues from an objective perspective. We do not aim to achieve full marks for each indicator. Instead, we intend to make effective use of these scores to obtain a more accurate grasp of current status, identify issues, and upgrade our activities.

Initiatives to address social issues



Creating Dreams, Building Hearts

People

P94

Social Issues	Specific Indicators (★: Core Performance Indicators)	Full Score	Result (Score) 2009	Target 2010
Promotion of diversity	Percentage of physically disabled people hired*1★	100	1.84% (20)	1.80% (20)
Human resource training	Percentage of attendance at employee human rights training	60	96.3% (58)	100.0% (60)
	Number of employees holding certifications★ (first-class architects and similarly qualified persons)*2	100	a) 1,820 b) 2,245 c) 4,584 (85)	a) 1,900 b) 2,300 c) 4,700 (85)
Promotion of work-life balance	Percentage of paid vacation days taken★	100	34.3% (60)	38.0% (80)
Improved benefits (Support for employees' home acquisition)	Percentage of employees over age 30 who own homes	60	55.4% (50)	56.0% (60)
Objective evaluations of business activities	Surveys on employees' satisfaction with the workplace*3	60	78.8% (50)	80.0% (60)

*1 We have set the legally mandated rate of 1.80% as the minimum standard for physically disabled employees in our workforce.
*2 Allocate points in the proportion of actual qualified workers to required qualified workers (full mark of 30 points each for a) first-class architect, b) first-class building operation and management engineer, c) real-estate transaction specialist). In the case of full-mark scores for all three qualifications, an additional 10 points are given (100 points).
*3 Result compiled from survey on employees' CSR awareness.

Clients

P96

Social Issues	Specific Indicators (★: Core Performance Indicators)	Full Score	Result (Score) 2009	Target 2010
Improved home quality	Number of units sold*1 (Residential/Rental Housing/ Condominiums)★ (YoY % change)	100	–1.8% (40)	–8.4% (20)
	Owner (tenant) satisfaction★ (Based on questionnaire analysis)	100	95.6% (96)	100% (100)
	Percentage of referral sales from owners (tenants) (Residential/Rental Housing) (YoY % change)	60	+4.3% (40)	+4.2% (40)
Safe/Worry-free homes	Earthquake resistance (Residential)*2 (ratio of highest class certification)	60	90.4% (54)	95.0% (57)
Long-term home occupancy	Renovation business orders (YoY % change)	60	+2.2% (40)	+57.9% (60)

*1 Due to earthquake resistance and other superior features of our mainstay housing products.
*2 Depending on requirements of residents, equipment for the highest class certification may not be installed.

Partners

P97

Social Issues	Specific Indicators (★: Core Performance Indicators)	Full Score	Result (Score) 2009	Target 2010
Supply chain (Improved occupational health and safety)	Number of work-related accidents (construction sites)★ (YoY % change)	100	–12.1% (40)	–20% (80)
	Number of work-related accidents (factories)★ (YoY % change)	100	–58.1% (80)	–20% (80)
Supply chain (Environmental initiatives)	Percentage of environmental management system adoption in factories	60	100% (60)	100% (60)
Fair business practices	Response to "Partners Hotline" reports*1 (resolution rate)	60	(36)	more than 80% (60)
Business continuity in times of emergency	BCM (business continuity management) initiatives*1 (Use of a system for confirming the survival)	60	(36)	100% (60)
Objective evaluation of business activities	Partner surveys regarding company employee actions★ (Assign points to survey results)*2	100	a) 42.0% b) 62.5% (40)	a) 50% b) 70% (65)

*1 Due to actual data being unavailable for the year ended March 31, 2009, a theoretical score (60% of the full mark) is provisionally given.
*2 a) Response rates, b) Answers of "no problem" as a percentage of total partner surveys.

Shareholders

P98

Social Issues	Specific Indicators (★: Core Performance Indicators)	Full Score	Result (Score) 2009	Target 2010
Financial profitability	Profitability★ (Assign points to operating income margin calculations)	100	60 (60)	70 (70)
Financial growth	Growth★ (Assign points to net sales and growth rate of operating cash flow)	100	45 (45)	55 (55)
Financial soundness	Stability or safety★ (Assign points to interest burden capacity)	100	60 (60)	65 (65)
Financial soundness/efficiency	ROE*★ (Return on equity)	100	0.7% (10)	9.0% (100)
Objective evaluations of business activities	Assign points to the scores of surveys conducted by external organizations	60	72.0/100 (43)	73.0/100 (44)

* The ROE goal for the last fiscal year (FY2010) of the Daiwa House Group second medium-term management plan is 9.0%.

Community

P99

Social Issues	Specific Indicators (★: Core Performance Indicators)	Full Score	Result (Score) 2009	Target 2010
Contribute to the local/ international community	Community service activities, cooperation with NPOs/NGOs, community service expenses*1★	100	a) head: 37 cases, other: 79.2% b) head 13 cases, other: 3.1% c) 1.3% (93)	a) head: 40 cases, other: 80% b) head 15 cases, other: 5% c) 1.0% (96)
	Percentage of paid leave taken for volunteer activities	60	16.2% (45)	17% (45)
	Donation, collection activities (employee participation rate)	60	37.2% (30)	50% (60)
Information security (Protect personal information)	Year-on-year percentage change in number of incidents of possible leakage of customer information (theft/lost)★	100	–40.7% (80)	75% or less (80)
Response to risk	Response to company ethics helpline reports (resolution rate)	60	80% or more (60)	80% or more (60)
More information disclosure/ opportunities for interchange	Stakeholder meetings (satisfaction as measured through survey evaluations)*2	60	a) 66.7% b) 83.3% (45)	a) 70% b) 85% (47)

*1 a) Community service activities: head office activities/ other activities carried out by other offices/ plants (as a percentage of total offices/ plants), b) Cooperation with NPO/NGO: head office activities/ other activities carried out by other offices/ plants (as a percentage of total offices/ plants), c) Community service expenses: as a percentage of recurring income (5-year average up to the previous period).
*2 Questionnaire survey results a) As a percentage of "atmosphere encouraging active discussion" to total participants b) As a percentage of "easy -to-understand explanation" to total participants.

Environment

P100

Social Issues	Specific Indicators (★: Core Performance Indicators)	Full Score	Result (Score) 2009	Target 2010
Prevention of global warming	Contribution to CO_2 emissions reduction★	100	117.1% (100)	100% (100)
Reduction in waste output	Construction materials waste output★	100	349.9% (100)	100% (100)
Reduction in harmful substance use	Volume of PRTR harmful chemical substances used	60	284.3% (60)	100% (60)
Harmony with natural environment	Ratio of certification for environmentally-friendly houses (subdivisions)	60	92.7% (56)	100% (60)
Widening the scope of environmental protection	Green purchasing ratio (major six items)	60	100.7% (60)	100% (60)

Basic policies on setting indicators for self-assessment of CSR activities

To meet current social needs*, indicators and measurement methods are revised when necessary. In selecting indicators, we bear in mind the following four points. 1. To choose well-known indicators. 2. Results are available on a yearly basis. 3. Indicators will be improved through our efforts. 4. Economic performance is incorporated in addition to social or environmental performance.

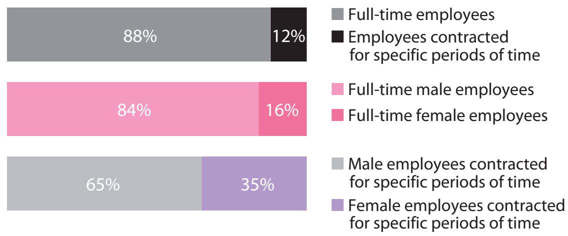
A full mark of 60 points is, in principle, given to each indicator. An exceptional 100-point full mark is given to priority indicators.

* To reflect social needs appropriately, we discussed the selection of indicators at meetings with outside experts and other stakeholders. Accordingly, for the fiscal 2008 report, indicators were substantially revised after close negotiations with related departments of the Company.

People

We continue to build a framework underpinning respect for employee individuality, personnel training and support for a better balanced work and home life.

Employee breakdown (As of April 1, 2009)



Developing future leaders

As the labor force in Japan continues to decline due to an aging population combined with a low birthrate, Daiwa House Industry has set goals of fostering human resources development, promoting a good work-life balance, and supporting career design options for each of our employees. Under the heading of human resource development, Daiwa House Industry has created three training programs for employees to gain a thorough understanding of corporate ethics, further their professional skill development and enhance their management capabilities. The first stage of this training program provides an education in corporate ethics to new hires. The second stage offers professional development for experienced employees to further enhance their job skills. And in the third stage of this program, managers and future managers are provided with training and tools in management. The Daiwa House Juku (management skills development course) has been designed to foster the next generation of Daiwa House managers. Launched in 2008 with 58 participants from the Daiwa House Group, 24 employees received recommendations to participate in the course during FY2009. These individuals have been cultivating polishing the resources and skills they require as future managers, researching, discussing and proposing strategic initiatives. Several graduates of the first Daiwa House Juku course have been promoted as new business division heads and Group company executives, demonstrating superior skills that translate immediately to an ability to contribute to the success of their respective organizations. We have also established several other human resources development programs for ambitious employees. Manager development programs include our Management Skills Development Training and the recently introduced New Manager Training programs. We have developed other programs that employees can take advantage of for their own motivation and growth, such as Team Leader Training (self-directed learning) and the Di-Q Examination certification (practical skills development) program for younger employees.

Employee training programs

Three themes	Candidates	Main programs
Enhancement of management capabilities	Managers (including junior section chief-level managers)	• Daiwa House Juku • Management skills development training • New manager training
Professional skill development	Experienced employees	• Team leader training • Di-Q examination (sales)
Through understanding of corporate ethics	Newly hired employees	• New hire training

Status of human rights education

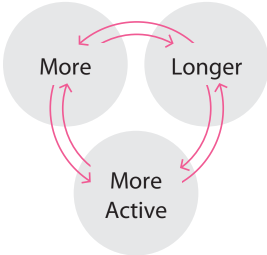
Education program	Candidates	Number of times	Total number of participants
Education at each business location	All employees	423	25,424
Education by rank/ objective	Manager/Senior staff/ Assistant managers/ New hires	28	1,211
Promotion leader training	Promotion staff	8	344
Group companies (support)	Group company employees	16	595

Three-pronged effort for women to flourish

Goals for female employees

Proactive/Strategic recruitment plan
- Increase ratio of female hires to 30%
- Increase ratio of female employees to 30% by 2015 (full-time staff)

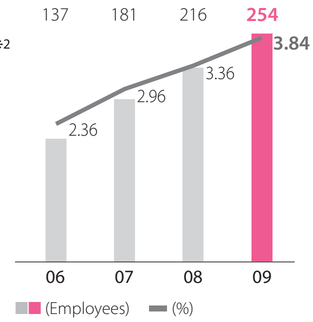
More promotions of female employees
- Increase percentage of female leaders to 5%*1 by 2010 (full-time staff)



*1 Female employees as a percentage of total middle management staff

Refers to general manager, manager (section chief), and *kakaricho* and *shunin* classes.*2

*2 Figures for April each year. Percentages of female staff at *shunin*, *kakaricho*, manager, and general manager levels.



Promoting work-life balance

The Company introduced several work-life balance programs in 2007, coordinated through the Wave Heart Promotion Office. Since then, the number of employees taking advantage of child care leave options for fathers, nursing care leave, and other programs has continued to increase. In April 2009 we adjusted working time-bands by job type and division to make better use of statutory working hours and begin to reduce overall working hours. To maximize the benefits of a diverse workforce, Daiwa House Industry began a program in FY2005 to increase the number of female employees assigned to traditionally male-dominated areas (sales, design, construction), while continuing to promote a female-friendly work environment. As a result of these various efforts, a total of 153 individuals took advantage of child care leave during FY2008, representing an increase of 36 individuals compared to the previous fiscal year. We have also seen a notable decrease in the number of female employees who quit work due to marriage or childbirth. Besides child and nursing care programs, we have developed other ways to encourage a better work-life balance for greater numbers of employees. Such programs include Home Holiday*6 and paid leave for employees to participate in volunteer activities.

Utilization of work-life balance programs

Program	Number of users	Change
Child care leave program	153	+36
Reduced work hours for childbirth/ Child care program	115	+26
Nursing care leave program	555	+70
Hello Papa program*5	191	+21
Home Holiday program*6	13,309	+908
Lump sum payment for development of the next generation	(Number of births) 724	+41

*5 This program allows a male employee whose spouse has given birth to take a leave of five (5) consecutive business days.
*6 This program is part of the work-life balance program and allows an employee to take a planned paid leave of one (1) day each quarter to spend with family or in community activities.

Creating a friendlier workplace

The Daiwa House Group takes the opportunity to periodically gauge employee sentiment and workplace conditions through our CSR Awareness Survey*3 and View Research 100*4 survey. The objective of these surveys is to help the Company provide a friendly work environment for our personnel. Feedback/requests received at our human rights education office and internal reporting desk are also used as a way to improve our systems.

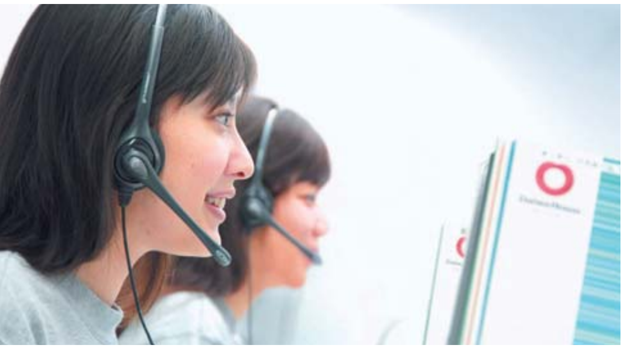
*3 An internal survey consisting of 48 questions, covering topics such as human rights awareness, legal compliance, etc. This survey is conducted on an annual basis.
*4 An internal survey consisting of 100 questions, covering topics such as workplace environment, human resources, labor issues, etc. This survey is conducted once every four years.

Daiwa House Juku
The Daiwa House Juku is a next-generation management development course first held in May 2008. The course consists of basic courses in management skills, including strategic thinking, marketing and finance, as well as research and discussions related to future strategy based on data collected from in-house analyses.

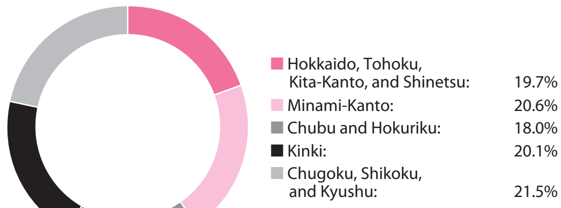
Wave Heart Promotion Office
The Wave Heart Promotion Office was established within the human resources department in May 2007 as an organization to promote the activity of our female employees. In addition to expanding the number and workplace assignments of our female employees, the office is tasked with developing the next generation and creating programs to support work-life balance initiatives.

Clients

We always keep the client's perspective foremost in our approach. We work to reflect client feedback in our products and business activities.



Distribution of customers* by Area



* Single-family houses, rental apartment buildings, condominiums

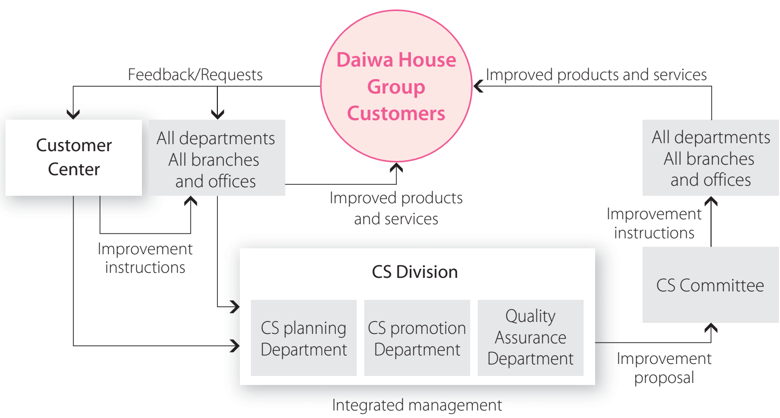
A new aftersales service coordination program

During FY2008, we focused efforts to create even higher levels of customer satisfaction by building stronger long-term relationships. As one such initiative, we reorganized the aftersales service program in our residential business in April 2009. We established a system to enhance coordination between the construction department in each branch and Renovation Business sales offices, with our Customer Center serving as the main contact point. This new program calls for the representatives of the relevant department to conduct client visits based on the date of home construction, performing inspection and repair work. As part of this program, we will analyze customer needs, and use this data to propose future activities. Every Customer Center in Japan has been assigned dedicated staff members to improve product/service quality assurance activities. We believe this will lead directly to stronger long-term enterprise value.

Comprehensive implementation of CS activities based on customer feedback

The CS (customer satisfaction) divisions are responsible for the integrated management of feedback and requests that are received by the Customer Center. During FY2008, we worked to quickly pass on feedback to frontline offices on the same day as it is received. In addition to a mandatory monthly CS Committee meeting at the head office and at each business location, the Company also requires that meeting minutes are submitted to the CS Planning Department as a means to ensure that meetings are effectively conducted at individual business locations. In October 2008, we instituted Groupwide improvement activities within each business location to ensure the involvement of all employees in CS activities based on customer feedback. Owing much to these initiatives, responses in customer questionnaires have indicated a greater than 95% satisfaction level. The Daiwa House Group will continue to focus on improving product and service quality, incorporating the valuable feedback that we receive from our customers.

Improvement activities based on customer feedback



Partners

Our goal is to always approach interactions with our business partners equitably and fairly, working constantly to build stronger partner relations.

Our shared transportation system*1

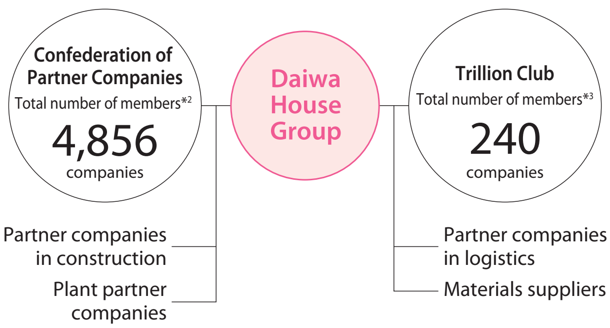
Number of vehicles: 53.3% down

CO_2 emissions: 58.2% down

*1 Comparison with pre-introduction of the system (fiscal 1997)

Promoting improvement among partner companies

Daiwa House Industry has created a supply chain network consisting of materials suppliers, partner companies in construction, construction equipment suppliers, and suppliers of office consumables and equipment. We have established a list of priority issues with each partner, and are tackling these issues together with them. The basic direction for our Confederation of Partner Companies during FY2008 was “trust and challenge.” We have established eight task forces to take the lead in addressing separate issues, and have created a list of management control areas to focus on in the pursuit of various goals. To ensure top-notch construction quality, we have engaged in on-site improvement activities, emphasizing the “4Ms” (man, machine, materials, and methods) activities. With respect to physical products in particular, the Company sponsors a conference to report case studies of improvements twice annually. Best practices are adopted into products and systems, and used to promote greater motivation for improvement across our organization. The Trillion Club continues to pursue fuel consumption and CO_2 emission control mainly through our shared transportation system, publicizing the results of measurements, promoting best practices, and engaging in other efforts to reduce our impact on the environment.



*2 As of the end of March 2009

*3 As of the end of May 2009

Forming better partnerships

The Group has defined respect for human rights, legal compliance, and environmental preservation as the three fundamental principles underlying our Conduct Guidelines for Partner Companies. We set up a Partners Hotline in July 2009, establishing a mechanism to respond promptly to partner feedback as we work to practice fair and highly transparent business transactions. To ensure worker health and safety at the work site, we continue to operate safety patrols and safety training. The number of construction site work-related accidents in FY2008 decreased by 12% from the previous fiscal year, while factory accidents decreased by 58%. As one part of our BCM (Business Continuity Management) program, we have structured a stronger communications system with our partners in the event of a disaster. Meanwhile, we have examined the feasibility of implementing leveling-off in our ordering patterns to facilitate mutual benefits with our partners during this time of severe economic downturn.

Health and Safety Conference
The Daiwa House Group ensures that any unsafe conditions or practices discovered as a result of the work of safety patrols are communicated throughout the organization.

Practical application of special training
The Daiwa House Group sponsors special training among partner companies as part of obtaining legal certification.

Shareholders

We value communications with our shareholders and other stakeholders as a means to improve management quality and build long-term relationships of trust.

Rating information (As of July 1, 2009)

Long-term credit ratings

AA-
Rating and Investment Information (R&I)

AA
Japan Credit Rating Agency (JCR)

Short-term rating

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

Responding to diverse investor needs

As a new program launched during FY2008, the Daiwa House Group sponsored on-site tours for institutional investors and analysts, to give them a deeper understanding of the breadth of the Group's business portfolio, including housing, commercial facilities, distribution facilities and hotel operations.

After our financial briefing for FY2008, we sponsored a small group meeting with top Daiwa House Group officers for institutional investors. This special meeting was held to meet investor requests, and a subsequent participant survey revealed that investors were satisfied, having been able to "directly confirm ideas on management and business activities and the Company's vision for the future." Through such activities, the Group is planning to continue direct interaction initiatives with investors, and reflect the valuable opinions learnt at such meetings in management policy.

More robust IR activities

We also offer data through our corporate website. In FY2008, in addition to adding financial highlights presenting results information in a visually easy-to-understand way, we included video and supplemental materials for earnings meetings. We also expanded English-language information on orders received and took measures to narrow the update gap between Japan and overseas through measures such as simultaneous reporting of financial and management information in Japanese and English.

We are committed to keeping shareholders and investors informed after accurately evaluating what they want to know and updating them through flexible and prompt disclosure and briefings on changes in the business environment and business diversification. We aim to build up long-term relationships of trust by fostering accurate understanding of the Company's situation.

The Group's investor relations calendar

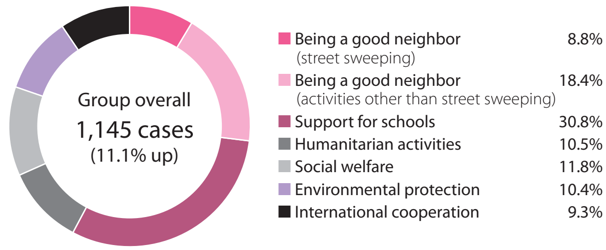
Events	2009									2010				
	Apr.	May	Jun.	Jul.	Aug.	Sep.	Oct.	Nov.	Dec.	Jan.	Feb.	Mar.	Apr.	May
Announcement of FY2008 accounts settlement meeting		›												
Annual General Meeting of Shareholders			›											
Announcement of accounts settlement for FY2009 Q1					›									
Publication of Annual Report						›								
Announcement of accounts settlement meeting for FY2009 Q2								›						
Announcement of accounts settlement for FY2009 Q3											›			
Announcement of FY2009 accounts settlement meeting														›

Note: The schedule is subject to change without notice.

Community

As a corporate citizen, we continue to participate in a variety of community service activities, contributing to the greater development and lifestyle environment of society as a whole.

Community support activities



Groupwide programs

At the Daiwa House Group, each employee working at business locations throughout Japan is encouraged to get involved in social contribution activities. Toward this end, Community Service Promotion Committee members from each business location/company are nominated to be part of a local Community Service Promotion Committee. Twice yearly, Community Service Promotion Committee members from around Japan gather together to learn more about Groupwide policies, as well as to report on activities conducted in their respective locations. In FY2007, the President's Award Program for Community Service was established to provide incentives for employees to actively engage in community service activities in each business location.

A total of 1,145 community service activities were conducted during FY2008 Groupwide, and the number is growing every year. The Daiwa House Group is considering further initiatives to broaden the scope of activities in which employees can participate.

Contribution to the environment, to welfare, and to education in local communities

Our community service activities focus on three main areas: the environment, welfare, and education. Our D's School teaching program capitalizes on our main line of expertise, sending employees to local elementary and junior high schools, educating students about our homes, construction and the environment. During FY2008, 20 schools were visited with a total of 1,677 students participating in the lectures. We also contributed to educational support in other forms, in joint initiatives with local schools and not-for-profit organizations to promote educational activities such as work-experience programs. Under the heading of welfare activities, Group employees volunteered to visit senior citizen centers built by the Group. Our support for environmental preservation activities includes volunteer tree thinning and ground-leveling in untended woodland near cities.

The Group has contributed a total of ¥25,710,253 in connection with donations and collections in support of education, welfare and the environment, as well as to areas stricken by natural disasters.

Loggerhead turtle release project

Employees and families of the Hamamatsu branch in Shizuoka Prefecture worked together with cooperating companies and local citizens to conduct a "Loggerhead Turtle Release Project," reintroducing the creatures back into the ocean.

D's school teaching program

The Sendai branch in Miyagi Prefecture conducted classes about the importance of soil quality surveys in building construction titled, "Learn More about the Properties of the Earth's Soil."

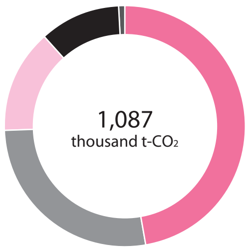
AED (automated external defibrillator)

The Group is working to ensure that each branch, sales office, hotel, commercial facility, home center, sports club and other offices/facilities within the Daiwa House Group is equipped with an AED, fostering a stronger corporate culture of respect for human life.

Environment

We are promoting environmental activities throughout the Company by strengthening the foundations of the Group's environmental management.

CO₂ savings through products and services



Residential (single-family houses, condominiums, rental housing and renovation)	47.2%
Commercial Facilities (new buildings)	27.1%
General-purpose buildings (new buildings)	13.9%
Energy saving improvements (existing buildings)	10.8%
Other	0.8%

Strengthening the foundations of the Group's environmental management

The Daiwa House Group has strengthened its environmental management foundations by expanding the scope of the "Endless Green Program 2010" medium-term environmental action plan to apply to thirteen principal subsidiaries. This program, which was first established in 2008, originally only applied to some subsidiaries, in addition to the parent company Daiwa House Industry. Specific measures include the establishment of a system for collecting Group environmental data, the appointment of a Chief Environmental Officer for each subsidiary, and the creation of a Group Environmental Management System that will undertake environmental actions throughout the Group. Also, since 2008, eleven specialist subcommittees have been established as subordinate organizations to the committee, to make improvements based on the PDCA cycle. Furthermore, from fiscal 2009 we have started operating a Group Environmental Management Evaluation System, whereby the environmental activities of each subsidiary are monitored as important items in the evaluation of the subsidiary's performance results.

Steady results for the "Endless Green Program 2010"

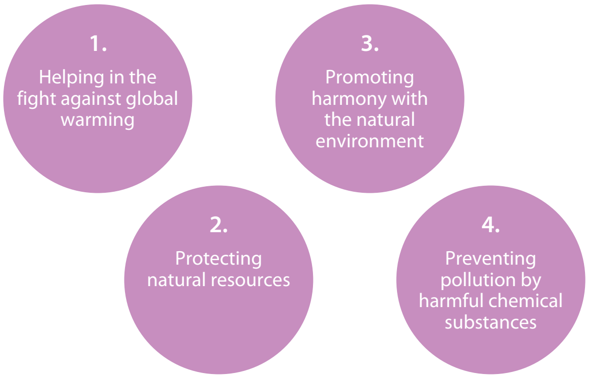
The most important issue in the "Endless Green Program 2010" is to help in the fight against global warming, and we are working on initiatives to meet the key goal of reducing CO_2 emission intensity to the extent of two units of CO_2 reduced at a cost of an additional one generated through the utilization of an alternative production method. In fiscal 2008, CO_2 savings in the delivery of products and services increased by 23.2% year-on-year to reach 1,087 thousand tons. This result was achieved through such measures as the popularization of high-efficiency hot water heaters in single-family housing, improving the level of energy savings in retail stores, and adopting high-efficiency lighting in factories and warehouses in our construction operations. As a result, CO_2 savings on our operations were 2.53 times CO_2 emissions, and the goal for fiscal 2009 was met ahead of schedule.

Main targets of "Endless Green Program 2010"

Reduction in CO_2 emissions	
Products/services in all business fields	Decrease CO_2 emissions resulting from the use of our products more than twice of CO_2 emissions generated from our business activities
Clerical and construction	Decrease 9%*1 (total CO_2 emissions)
Services	Decrease 12.5%*1 (CO_2 emissions per sales)
Reduction in waste output	
Factories and construction sites	Decrease 13%*1 (total construction waste output excluding demolition)
Reduction in volume of PRTR*5 harmful chemical substances used	
Factories	Decrease 13%*1 (total volume of PRTR harmful chemical substances used)
Harmony with the natural environment	
Single-Family House (subdivision)	Ratio of our houses certified as environmentally-friendly houses*6: 100%

*1 Comparison with FY2007

Environmental preservation: Priority themes



"Green" Paper

In April 2008, Daiwa House Industry switched to Certified Forest Paper*2 for all of its catalogs, business cards and envelopes. Switching to Forest Cultivation Paper from the recycled paper that we had been using previously makes it possible to reduce CO_2 emissions during paper processing. In fiscal 2008, CO_2 emissions per sheet of paper were reduced by 18.1% compared with the paper used previously.

*2 Certified Forest Paper is the name given to printing paper that meets purchasing criteria that the Company has voluntarily established, meeting the criteria for certified forest paper produced from forests that have been certified by independent organizations.

External evaluations

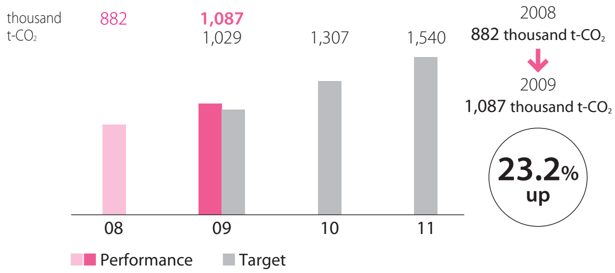
Daiwa House Industry has been highly evaluated for its IR programs and continued involvement in CSR activities. These have been incorporated into our SRI (socially responsible investments)*3 as noted below. (As of August 1, 2009)

Morningstar Socially Responsible Investment Index

FTSE4Good Index Series

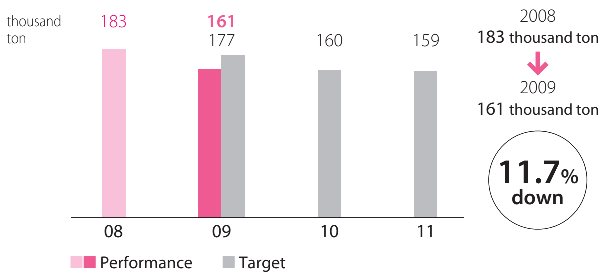
*3 Socially Responsible Investments (SRI): These are investments in which the Company not only pursues profit, but socially responsible activities with environmental considerations as well.

CO_2 savings through products and services*4

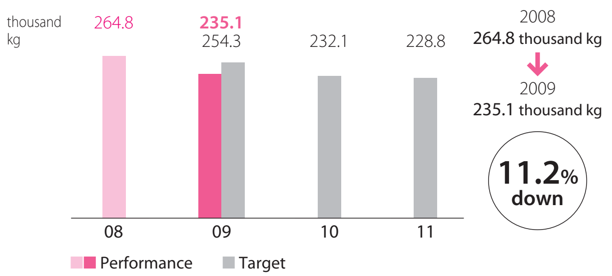


*4 CO_2 reduction volume compared with base year of 1990.

Waste output (construction)

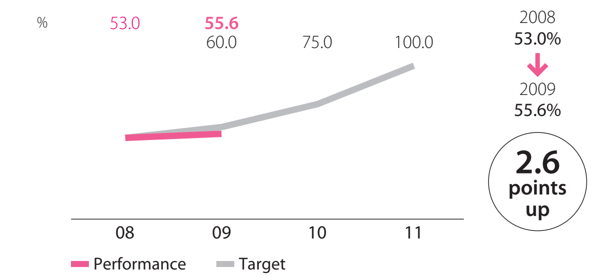


Volume of PRTR*5 harmful chemical substances used



*5 PRTR (Pollutant Release and Transfer Register): Emissions of chemical substances are reported annually by business operators, and national statistics are published based on these data.

Ratio of our houses certified as environmentally-friendly houses*6



*6 Environmentally-friendly houses: Certification program by the Institute of Building Environment and Energy Conservation.

Corporate Governance

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 and transparency, through swift and accurate decision-making and execution of decisions made, together with an effective system for overseeing the conduct of management.

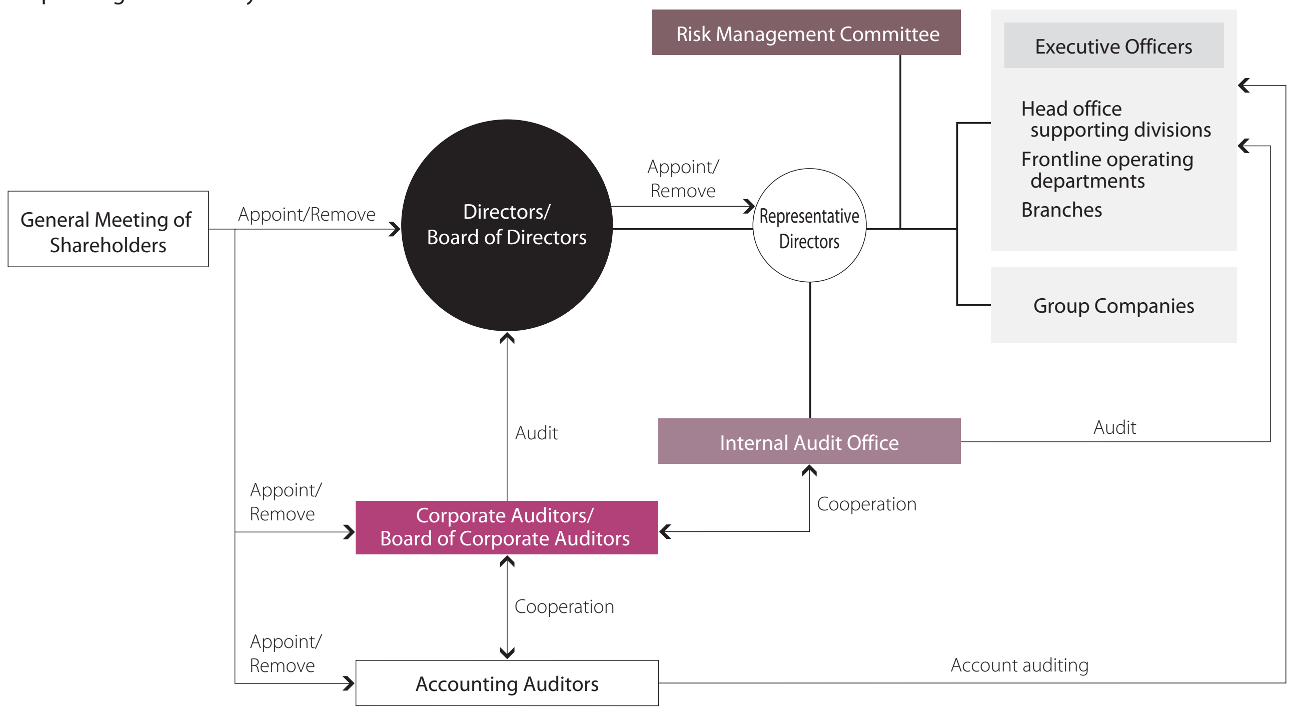
We are also working to reinforce corporate governance through the establishment and implementation of our Basic Policies with Regard to the Creation of an Internal Control System, formulated in May 2006, and rules compiled in 2008 for internal controls with regard to financial reporting.

Basic structure

We employ a corporate auditor system. Our Board of Directors, which consists of 18 members and is headed by the Company's chairman, reports to the General Meeting of Shareholders, the Company's top decision-making body. We also have a Board of Auditors consisting of six members and an Internal Audit Office that reports directly to the Company's representative directors. Together, these bodies form the core of our corporate governance system. In an effort to further reinforce this system, we also hold regular meetings of the Joint Management Council, which is made up of the Company's directors, executive officers and corporate auditors, and the Risk Management Committee, which is chaired by the head of Management Administration.

We do not appoint outside directors. We do however have a number of outside auditors and continue to reinforce the capabilities of all of our corporate auditors in order to improve management transparency. Rather than switching to a committee system for our corporate governance, we intend to continually strengthen and improve our corporate auditor system in the future, in the spirit of the Companies Act, drawing on extensive experience built up over the course of many years.

Corporate governance system



Organizations and committees: their roles and members

(As of the end of June 2009)

Directors/Board of Directors	Members
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 offices. 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. The Board of Directors met 21 times during fiscal 2008, with an average rate of attendance at board meetings of 97.2% amongst directors and 97.9% amongst corporate auditors.	Directors: 18 Corporate auditors: 3 Corporate auditors (external): 3

Corporate Auditors/Board of Corporate Auditors	Members
Corporate auditors attend meetings of the Board of Directors and other important management meetings as deemed necessary, and receive reports from the Board of Directors and other high-level management bodies. 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 management of Company subsidiaries as deemed necessary. Furthermore, the auditors check that 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. Audits are carried out independently and objectively, with outside opinion solicited where necessary. The Board of Auditors met 17 times during fiscal 2008, with an average rate of attendance of 96.3%. Our external auditors have no special interests in the Company. Their responsibility is simply to audit the Company from an independent, objective perspective and express outside opinions as and when necessary. Our external auditors do, however, hold shares in the Company (Kazuhiro Ida: 13,000 shares, Kiichiro Iwasaki: 7,000 shares, Yukinori Kuwano: 3,000 shares). **(Coordination with accounting auditors)** Our corporate auditors meet with the Company's accounting auditor on a regular basis for briefings and discussion sessions regarding matters such as financial audit plans for the relevant fiscal year (outline of auditing system and methods) and end of year financial audits (details of offices subject to auditing, audit procedure, etc.). Meetings regarding other specific matters are also held as and when necessary, along with briefings and discussion sessions regarding changes to auditing systems and other alterations. **(Coordination with internal audit departments)** Our corporate auditors work in close cooperation with internal audit departments and receive additional briefings whenever an audit is carried out, via channels such as written or verbal audit reports. In addition to carefully examining audit report findings and making supplementary suggestions as necessary, our corporate auditors also evaluate audit systems and submit review requests to the Company's directors.	Corporate auditors (internal): 3 Corporate auditors (external): 3 (Support staff for auditors: 4)

Joint Management Council	Members
Reports are made regarding major decisions by a meeting of the Board of Directors on issues relating to the business of the Company, as well as implementation, promotion and follow-up activities. Activity reports are also drafted for each business and discussed once a month based on the main report. During the term, the Joint Management Council met 11 times.	Directors: 18 Executive officers: 37 (total includes 13 executive officers with Director functions) Corporate auditors: 3 Corporate auditors (external): 3

Risk Management Committee	Members
With the head of Management Administration as chair, the Risk Management Committee comprises the heads of other principal divisions of the Head Office responsible for business promotion, management administration, technology, production and purchasing. It meets once a month to advance the creation and maintenance of a risk management system for the Company and takes measures to prevent recurrence of risk. In addition, it assures functional flexibility through means such as appropriate and effective committees and subcommittees, which devise risk management projects. In an effort to reinforce the Risk Management Committee's capabilities, we introduced a new framework in fiscal 2008, including the establishment of a Standing Committee consisting of roughly half of the members of the Risk Management Committee (see p.111 for further details).	Executive vice president (chairman and vice-chairman) Heads of all business units: 57

Internal Audit Office	Members
The Company has set up an internal audit office with the responsibility of checking whether the Company's administrative processes and systems are working correctly, and proposing remedial action when deemed necessary. The office gives instructions to audited divisions or departments for improvements on the basis of the audit results, and requests status reports on measures taken after the audit to ensure that the auditing process is conducted correctly and efficiently.	Regular employees: 12

Major initiatives undertaken during fiscal 2008

- J-SOX Law Project Department upgraded into J-SOX Department
- IR Department established within Management Administration Headquarters
- Recruitment of one external auditor
- Promotion of employee education in areas such as risk management, compliance and internal control (J-SOX Act)
- Establishment of legal affairs sections at Group companies and promotion of risk management activities (in fiscal 2008, Daiwa Logistics, Daiwa Living)

Compensation for directors and corporate auditors and remuneration for auditing services

Directors are paid in accordance with compensation standards approved by the Board of Directors, up to a maximum limit agreed by the General Meeting of Shareholders. Compensation paid out to directors of group companies for fiscal 2008 is outlined below. We have already abolished our retirement benefit scheme for executives, which focused heavily on seniority and deferred payments, and are currently looking into switching to a comprehensive performance-linked policy. Directors are not provided with incentive bonuses.

Payments made to directors and corporate auditors

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

19 Directors: ¥793 million (previous year: 21 Directors, ¥873 million)
7 Corporate Auditors: ¥144 million (previous year: 6 Corporate Auditors, ¥151 million)

Notes: 1. As of June 26, 2009, the Company employed 18 directors and six corporate auditors.
2. Maximum compensation amounts (not including bonuses paid to directors and auditors, and salaries paid to directors simultaneously serving as employees for their services as employees)
Directors: Total annual amount = ¥840 million
Corporate Auditors: Total annual amount = ¥144 million

Wages paid to salaried directors (including bonuses)
- ¥162 million (previous year ¥165 million)

Accounting auditors

Our appointed accounting auditor is the auditing firm Tohmatsu, which conducts accounting audits as and when necessary in accordance with the law and other regulations. Tohmatsu oversees financial audits via three designated executive staff members, along with a team of 25 assistants (five certified public accountants and 20 assistant accountants and others).

Details of executive staff members and their continuous auditing experience are as follows.

Hirofumi Kawasaki (continuous auditing experience: one year)
Akihisa Watanabe (continuous auditing experience: two years)
Takashige Ikeda (continuous auditing experience: one year)

Breakdown of compensation for auditing services

- Compensation for services in the preparation of the audit report: ¥212 million
- Compensation for non-auditing services: ¥2 million

Disclosure

The Daiwa House Group is committed to disclosing information quickly, appropriately and fairly to all of its shareholders, investors and other stakeholders, both in Japan and overseas, and to promoting improved management transparency. We actively engage in the voluntary disclosure of information, above and beyond statutory disclosure requirements, and make every effort to improve the contents of the information that we disclose so as to give people a better understanding of the Group's business activities and ensure that the Company is appropriately evaluated (see p.98 for further details).

Facilitating the General Meeting of Shareholders

To make it easier for shareholders to exercise their voting rights, we have introduced a system that enables shareholders to vote electronically as well as using a conventional paper ballot system. We have also introduced a voting platform for institutional investors, operated by Investor Communication Japan (ICJ) Inc., so that institutional investors in Japan and overseas have sufficient time to consider matters before exercising their voting rights. In addition to posting notices to convene meetings in both Japanese (full text) and English (abridged version) on our website the same day they are issued, we post similar notices on information sites run by Chuo Mitsui Trust and Banking and Sumitomo Trust and Banking. We also use video technology to add visual elements to business reports during meetings.

Takeover defense measures

We do not have any takeover defense measures in place. Instead, we aim to enhance corporate value through measures such as establishing management practices with a greater emphasis on shareholders and fulfilling our corporate social responsibilities.

Internal Control

We have systems in place to ensure that directors perform their duties in accordance with the law, as stipulated under the Companies Act and the Financial Instruments and Exchange Act (J-SOX Act), and the Company's articles of incorporation and to ensure the legitimacy of other corporate operations. Our Basic Policies with Regard to the Creation of an Internal Control System and Management Guidelines for Internal Controls in Relation to Financial Reporting are both approved by the Board of Directors as part of our ongoing efforts to further reinforce corporate governance and ensure compliance.

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 to 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

We have put in place the following systems for employees assigned to assist corporate auditors.

(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.

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.

Ensuring accurate accounting

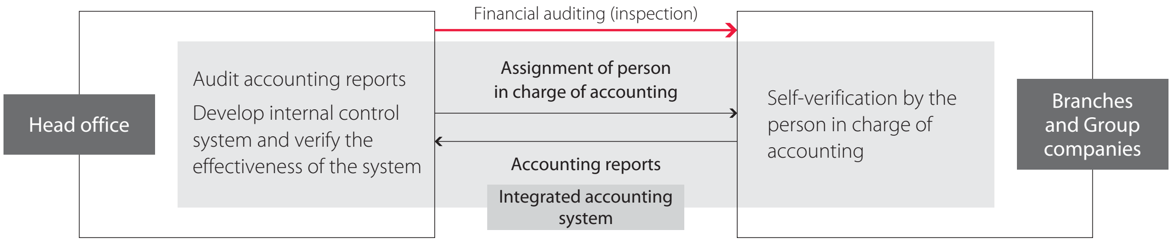
The Company settles its accounts at the end of every fiscal year, under a unified accounting system for its offices and Group companies. In addition to verifying operations at Head Office and conducting financial audits, officers are sent by the accounts department of Head Office under a rigorous system of self-inspection before reports are drafted, with subsequent auditing of all submitted accounting reports. This ensures Companywide integrated system for accounting purposes.

In response to requirements set out in the Financial Instruments and Exchange Act (J-SOX Act), we established the J-SOX Compliance Project Office in October 2006 and have since introduced a set of Internal Control Rules, established a remote auditing network to monitor subsidiary accounts from head office and put in place internal controls as part of financial reporting. Since fiscal 2008, the first year in which the J-SOX Act came into effect, we have been working to rigorously implement such measures via the renamed J-SOX Office.

Over the course of the first year, we stepped up improvement measures aimed at resolving issues identified during each quarter so as to ensure that internal controls function as effectively as possible. As a result, the Internal Control Report compiled at the end of the year was approved by an independent auditor.

We will continue to monitor the implementation of internal controls with regard to key risks in the future and make every effort to respond to changes in accounting standards and carry out improvements quickly and effectively.

Accounting system (summary)



Message from the Corporate Auditor

Kiyoshi Arase

Kiyoshi Arase
Corporate Auditor (standing)

Further enhancing the Group's enterprise value

As a result of the global recession triggered by last year's worldwide financial crisis, the Japanese economy has taken a serious turn for the worse, and conditions are likely to remain difficult for the time being. In addition to consolidating capabilities and increasing operational efficiency in order to cut costs, as one of our top priorities, and reviewing operational processes, we have also been focusing on breaking into new markets and expanding our environmental and energy operations in an effort to create new revenue streams for the future. From my perspective as a corporate auditor, the scope of activities that need to be audited is now broader than ever before. Given the current environment, it is absolutely crucial for companies to ensure sound management and gain the public's trust in order to continually enhance corporate value over the long term. Corporate auditors therefore need to carry out auditing operations with an eye to establishing and improving the effectiveness of corporate governance and internal control systems.

If we notice any major changes in business figures at head office or any of the Company's branch offices, it is our role as corporate auditors to check the relevant business activities from a different angle, independently from the department responsible. For example, we have to make sure that there are no issues that could pose risks to the Company and that there are no aspects of ongoing major projects that could have a detrimental impact on the Company in the future.

We also maintain communication and exchange information with corporate auditors at individual subsidiaries, through channels such as committee meetings, and work in close cooperation with subsidiaries in an effort to reinforce the Group's overall auditing structure, through measures such as establishing a shared awareness of issues faced by individual auditing departments.

We start by identifying the underlying causes of any issues based on negative input, including complaints and letters addressed to management from stakeholders, internal reports and various other incidents. We then give specific advice to the department responsible and instruct them to make the necessary improvements, resulting in positive output. We also follow up on improvements to make sure that they are implemented effectively. I believe that all of our efforts based on this unique auditing policy, revolving around turning negative input into positive output, genuinely help to improve practices on a Groupwide basis and enhance the Group's enterprise value.

Compliance

Reinforcing compliance

We formulated the Daiwa House Group Code of Ethics and a more detailed set of supplementary Behavioral Guidelines with the aim of clearly specifying principles of conduct in order to put our corporate philosophy and policy into practice. In April 2008, we published the third edition of our Daiwa House Group Case Book educational booklet and distributed copies to all Group employees including executives. We also ask all of our employees to sign a pledge stating that they will carry out their duties in accordance with the Code of Ethics whenever we distribute revised copies of the booklet, in an effort to ensure a shared awareness.

We are committed to compliance education for our employees, through training programs set up by the Personnel Division, and seminars on compliance, CSR and corporate ethics centered on training programs organized by individual departments.

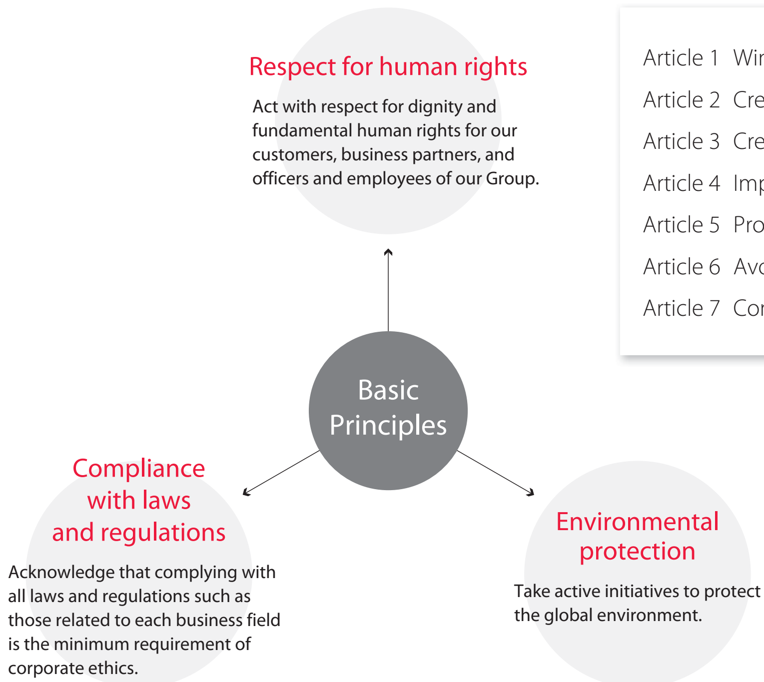
Internal Reporting System

We established the Daiwa House Group Corporate Ethics Hotline in April 2004 to act as an internal reporting system accessible to all Group employees, including part-time and temporary staff. We also devised and operate a set of Corporate Ethics Hotline User Protection Regulations to prevent reporting parties from being disadvantaged in any way as a result of filing a report. We were able to obtain information from a total of 191 inquiries and reports over the course of fiscal 2008, mainly relating to working environments and interpersonal issues.

To respond to reports and make the necessary improvements in the workplace as quickly as possible, we have set ourselves the target of resolving 80% of issues within one month. Thanks to our efforts during fiscal 2008, we achieved a resolution rate of 80.7%. We intend to work on identifying priority issues more quickly in the future by improving the standard of hotline personnel and encouraging cooperation from related departments.

In July 2009 we also set up the Partners Hotline for reports from partner companies, including those belonging to the Confederation of Partner Companies (member companies: approx. 5,000), in an effort to ensure fair and equal relationships between our employees and partner companies.

Daiwa House Group Code of Ethics



Article 1 Win the trust of customers through our conduct
Article 2 Create good relationships with suppliers
Article 3 Create an ideal working environment
Article 4 Improve ethics
Article 5 Promote fair competition
Article 6 Avoid involvement with antisocial elements
Article 7 Commit to environmental issues

Risk Management

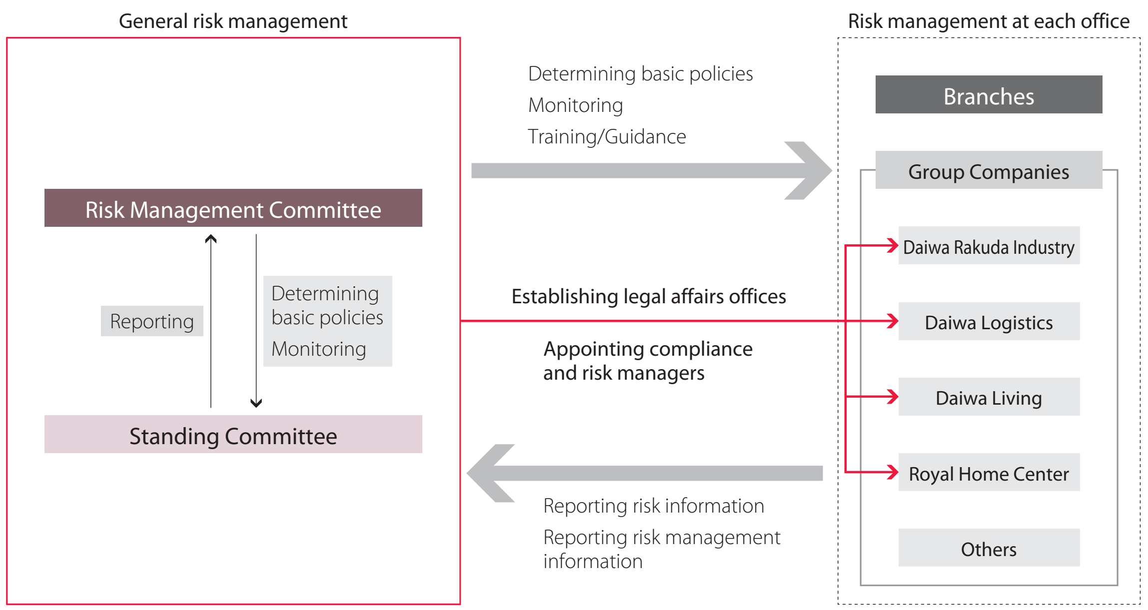
Risk Management

With the aim of swiftly addressing complaints from customers and drawing up plans to improve our business processes and prevent recurrence of problems, the Company set up the Risk Management Committee as an administrative office of the Legal Department in September 1999. In April 2002, this committee released a set of Risk Management Guidelines. Based on these guidelines, the Risk Management Committee, chaired by the head of the Management Administration, is tasked with documenting past cases of risk materialization, devising specific countermeasures and improving the risk situation in problem areas during operations. In April 2007, we enhanced the scope of the risk management guidelines and renamed them the Daiwa House Group Risk Management Guidelines. Through them, we are taking measures to prevent risk through a cross-sectional risk management infrastructure for the entire Daiwa House Group.

As our operations continue to expand, the accompanying risks become increasingly diverse and complex. The second medium-term management plan (for fiscal 2008 to fiscal 2010) positions risk management and compliance as priority matters for management, and we have been creating the necessary infrastructure for Groupwide risk control. One of these measures was the creation (in fiscal 2008) of an organizational structure as an initiative to expand the scope of authority of the Risk Management Committee.

To stimulate discussion, roughly half of the members of the Risk Management Committee have been made permanent members, and a standing committee has been established as a new core institution. Risks are managed systematically, through measures such as establishing subcommittees as necessary for individual cases that require immediate attention. This means that the Risk Management Committee acts as a supervising body, and meets twice a year to receive activity reports for each six-month period, analyze trends and determine policies for the entire Company that are appropriate to the external business environment and the state of our business processes. In addition, a Real Estate Investment Committee was established in April 2008 as a new deliberative institution for management strategies. For real estate investment projects that exceed a predetermined amount, a thorough discussion relating to risk is conducted with executives from the initiating department, representative directors, corporate auditors, and representatives from departments such as the Environment Department, and other managing departments, such as the Legal Affairs Department.

An overview of the system linking risk management departments (As of August 1, 2009)



Collecting and responding to risk information

Risk information relating to accidents, incidents and major problems arising at the Group are reported to the Risk Management Committee Secretariat (within the Legal Affairs Department) by each department and Group company.

Based on the results of appraisal of the collected risk information, the Secretariat sets risk management targets for the Group, gives its support in risk management activities and monitors progress.

When major risk incidents occur, the Secretariat prevents secondary losses by reporting promptly to the Risk Management Committee chairman and providing appraisals and instructions, and by deciding on emergency measures after analyzing incident causes and notifying departments and Group companies.

Mechanisms for entrenching risk management practices

We organize training programs and other initiatives to ensure that all members of the Group from executives down are aware of the importance and necessity of risk management.

The Company and Group companies present monthly reports on the status of risk management activities, outlining measures to set up a risk management system, proceedings of risk management committee meetings, and training courses for executives and employees.

In addition, we promote risk management activities and ensure a proper response to risk situations by establishing legal affairs departments with risk managers at each major Group company.

Risk information trends

In fiscal 2008, there were a total of 335 risk incidents at the Company's business bases and Group companies (190 cases at the Company and 145 at Group companies). As a result of analysis and appraisal of each case, we were able to identify as primary risk areas facing the Company compliance risk, product risk, risk of natural disasters and accidents, procurement risk, and environmental risk.

Based on these findings, the Company and Group companies are working to manage risk more effectively through establishment of a risk management policy at an early date.

Category*	Some major cases of risk
Compliance risk	Deviation from working standards, violation of law, employee misconduct, etc.
Product risk	Product defects, defective work/design, etc.
Risk of natural disasters and accidents	Natural disasters (earthquakes, flooding), criminal cases such as theft and violence
Procurement risk	Defective parts, raw material flaws (resulting from supplier errors)
Environmental risk	Environmental pollution, soil contamination, health impairment, etc.

* Major risk categories.

BCM*1 (Business Continuity Management)

As part of its risk management activities, the Daiwa House Group has refined its previous disaster prevention plan into a business continuity plan. A Business Continuity Management (BCM) Committee has been set up, comprised of members from all Company departments. The committee meets once a month, and the General Affairs Department at the Company's head office serves as the secretariat for the implementation of BCM. From fiscal 2008 a Group BCM Committee has been established to supervise business continuity management at 15 of the Group's principal member companies. This committee, which meets in May and November of each year, plans and promotes BCM activities Groupwide, and in fiscal 2009 it is monitoring the progress made by individual Group companies in the drafting of business continuity plans.

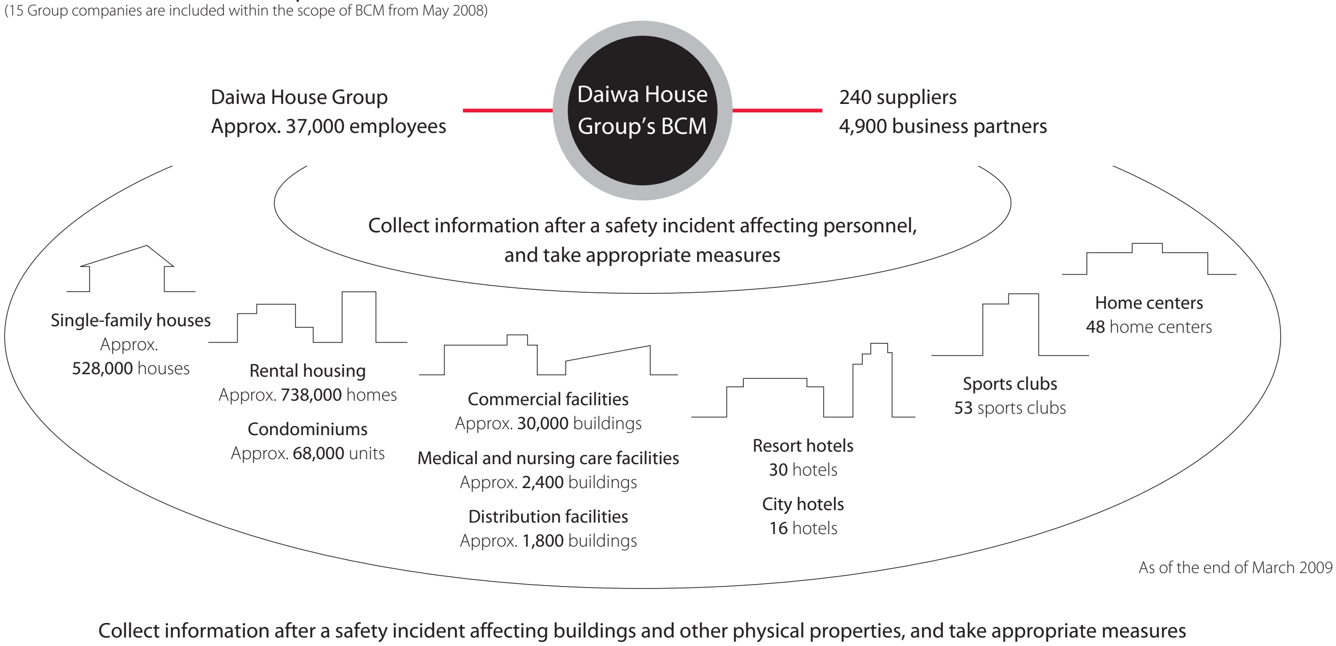
*1 BCM (Business Continuity Management): A management system that drafts, operates and reviews the plan (Business Continuity Plan) that stipulates what actions need to be taken in the event of an emergency in order to sustain core operations or allow early recovery while minimizing damage to business assets when the Company faces an emergency situation such as a natural disaster, major fire or a terrorist attack.

Major activities (Daiwa House Industry)

Fiscal 2008
Create basic rules for a system for confirming the degree of damage to buildings built by the Company (including those under construction) in disaster-hit areas; Switch the Head Office main server network facilities over to an outside facility; Establish an earthquake early warning system; Provide training in safety confirmation systems; Establish a system for dispersing production bases; Stock emergency provisions and items to assist employees to return home; Strengthen collaboration with major Group companies; etc.

From fiscal 2009 and beyond
Finalize (formalize) and distribute manuals for separate business units in the event of a major disaster; Establish measures to combat new strains of pandemic influenza (draft manuals, stockpile masks, etc.); Implement training and education programs.

Outline of Daiwa House Group's BCM
(15 Group companies are included within the scope of BCM from May 2008)



Board of Directors

As of July 1, 2009

* 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
2005: Vice Chairman of The Osaka Chamber of Commerce and Industry
2006: Chairman of The Osaka Symphoniker Society
2009: Chairman of Japan Federation of Housing Organizations

Kenji Murakami*

President and COO

Born in 1947
1970: Joins Daiwa House Industry
1997: Director
2004: President and COO
2009: President The Machinami Foundation

Tetsuji Ogawa*

Executive Vice President and CFO
Head of Management Administration

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

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

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
Head of Marketing Support Department
Head of TKC Promotion Department
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
2008: Director and Senior 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

Takashi Hama

Director and Managing Executive Officer
Head of Central Research Laboratory, Technology
Head of Environment and Energy Business

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 Construction Department (Housing/East Japan), Technology Headquarters

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

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

Kazuto Tsuchida

Director and Senior Executive Officer
Head of Construction Department (Buildings), Technology Headquarters
Head of Safety

Born in 1952
1976: Joins Daiwa House Industry
2009: Director and Senior Executive Officer

Corporate Auditors

As of July 1, 2009

Kiyoshi Arase

Corporate Auditor (standing)

Born in 1949
1972: Joins Daiwa House Industry
2006: Corporate Auditor (standing) (currently serving)

Ryozo Terada

Corporate Auditor (standing)

Born in 1946
1970: Joins Daiwa House Industry
2008: Director and Senior Executive Officer
2009: Corporate Auditor (standing) (currently serving)

Kenji Hirata

Corporate Auditor (standing)

Born in 1951
1974: Joins Daiwa House Industry
2009: Corporate Auditor (standing) (currently serving)

Kazuhiro Iida

Corporate Auditor

Born in 1960
1986: Member attorney of the Osaka Bar Association (currently serving)
2005: Corporate Auditor (currently serving)

Kiichiro Iwasaki

Corporate Auditor

Born in 1937
1961: Joins Nomura Securities Co., Ltd.
1985: Director of Nomura Securities Co., Ltd.
1987: Managing Director of Nomura Securities Co., Ltd.
1989: Senior Managing Director of Nomura Securities Co., Ltd.
1993: Deputy President of Nomura Securities Co., Ltd.
1997: Corporate Auditor of Nomura Securities Co., Ltd.
Corporate Auditor of Nomura Research Institute, Ltd.
2000: President of Executive Partners Inc.
2003: Chairman of Executive Partners Inc.
2005: Corporate Auditor (currently serving)
Outside Director of the Sankei Building Co., Ltd. (currently serving)
Special Counselor of Executive Partners Inc. (currently serving)
2006: Outside Corporate auditor of Matsumoto Yushi-Seiyaku Co., Ltd. (currently serving)

Yukinori Kuwano

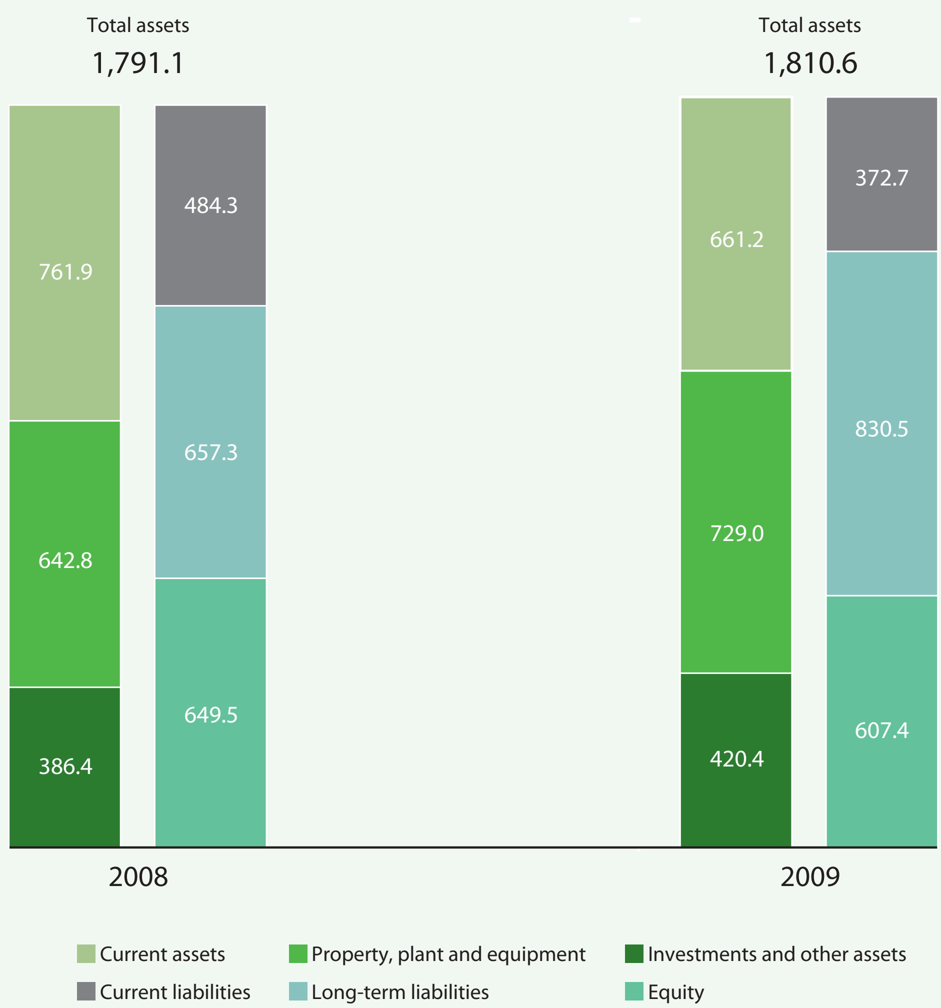
Corporate Auditor

Born in 1941
1963: Joins Sanyo Electric Co., Ltd.
1993: Director of Sanyo Electric Co., Ltd.
Head of R&D Division of Sanyo Electric Co., Ltd.
1994: Outside Corporate Auditor of Optex Co., Ltd.
1996: Managing Director of Sanyo Electric Co., Ltd.
1999: Director and Senior Managing Officer of Sanyo Electric Co., Ltd.
2000: President and COO of Sanyo Electric Co., Ltd.
2004: President & CEO and COO of Sanyo Electric Co., Ltd.
President of Photovoltaic Power Generation Technology Research Association (PVTEC) (currently serving)
2005: Director and Advisor of Sanyo Electric Co., Ltd.
Advisor of Sanyo Electric Co., Ltd.
2006: Outside Director of Optex Co., Ltd. (currently serving) Senior Counselor of Sanyo Electric Co., Ltd.
2008: Outside Corporate Auditor (currently serving)

Financial Information

Summary of consolidated balance sheets

(¥ billion)



Consolidated Seven-Year Summary

Daiwa House Industry Co., Ltd. and Consolidated Subsidiaries
Years Ended March 31, 2003 to 2009

	Millions of Yen						
	2009	2008	2007	2006	2005	2004	2003
Net sales	¥1,690,956	¥1,709,254	¥1,618,450	¥1,528,983	¥1,365,914	¥1,224,648	¥1,184,544
Cost of sales	1,357,821	1,360,348	1,283,587	1,213,644	1,082,133	963,457	936,861
Selling, general and administrative expenses	259,555	259,785	249,184	235,267	215,932	201,530	202,411
Operating income	73,580	89,121	85,679	80,072	67,849	59,661	45,272
Operating income margin (%)	4.4	5.2	5.3	5.2	5.0	4.9	3.8
Income (loss) before income taxes and minority interests	13,721	24,862	76,449	82,155	63,108	67,897	(155,157)
Net income (loss)	4,170	13,080	46,394	45,184	40,262	37,257	(91,388)
Total assets	1,810,573	1,791,052	1,630,022	1,475,197	1,358,807	1,087,658	1,094,441
Equity*1	607,428	649,441	661,145	576,534	524,110	493,050	483,684
Property, plant and equipment, less accumulated depreciation	728,953	642,816	602,260	505,471	441,388	344,268	349,646
Capital investments	160,601	103,856	136,171	110,144	56,696	20,108	24,711
Depreciation	39,318	35,622	29,536	26,815	19,243	15,165	21,386
Net cash provided by (used in) operating activities	109,811	(15,738)	136,061	90,482	56,095	69,659	40,459
Net cash used in investing activities	(199,679)	(123,297)	(172,074)	(107,857)	(53,069)	(25,937)	(27,316)
Net cash provided by (used in) financing activities	96,503	135,797	14,318	(9,264)	5,889	(6,126)	(57,713)
Issued and outstanding (thousands)	579,171	579,256	587,158	546,916	546,223	546,426	546,816
Stock prices at the end of term (in yen)	792	987	1,933	2,040	1,232	1,328	683
Per share of common stock (in yen):							
Basic net income (loss)	7.20	22.46	81.15	81.88	73.26	68.16	(167.06)
Equity	1,047.50	1,092.04	1,122.88	1,053.37	959.08	902.32	884.55
Price earnings ratio (PER) (times)	110.01	43.94	23.82	24.91	16.82	19.48	—
Price to book value ratio (PBR) (times)	0.76	0.90	1.72	1.94	1.28	1.47	0.77
Return on equity (ROE) (%)	0.7	2.0	7.5	8.2	7.9	7.6	(17.1)
Equity to total assets (%)	33.5	35.3	40.4	39.1	38.6	45.3	44.2
Current ratio (%)	177.4	157.3	136.1	145.1	159.0	177.6	174.2
Fixed ratio (%)	189.2	158.5	145.8	148.3	142.4	119.0	129.5
Number of employees*2	23,985	23,421	22,240	21,016	19,770	17,814	18,454
Consolidated to non-consolidated net sales ratio (times)	1.47	1.48	1.37	1.34	1.25	1.13	1.14
Consolidated to non-consolidated net income ratio (times)	0.75	1.76	1.21	1.28	1.17	1.15	—

*1 Beginning with the fiscal year ended March 31, 2007 minority interests are included in equity.
*2 Regular employees only.

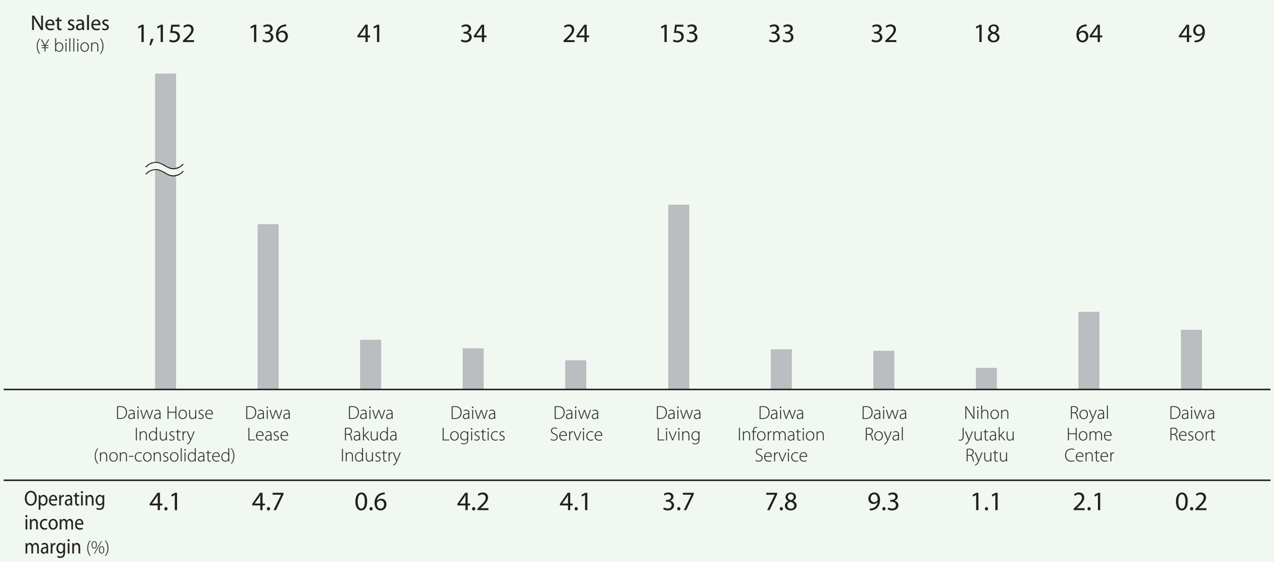
Performance Indicators of Major Companies

(¥ million)

	Capital / Voting rights		Net sales	Operating income	Net income	Total assets	Equity	Interest-bearing debt
Daiwa Lease	21,768	08/03	137,038	7,431	1,915	268,739	103,413	4,500
	100%	09/03	136,282	6,413	(1,351)	306,701	101,260	37,109
Daiwa Rakuda Industry	450	08/03	43,068	325	29	38,941	24,093	—
	100%	09/03	41,477	233	88	35,957	20,253	—
Daiwa Logistics	3,764	08/03	34,919	1,549	859	25,008	15,273	3,680
	100%	09/03	33,814	1,418	722	26,483	15,670	5,307
Daiwa Service	130	08/03	24,902	947	382	10,484	5,127	—
	50% (100%)*	09/03	24,107	998	514	11,246	5,529	—
Daiwa Living	140	08/03	129,950	4,717	2,975	53,461	15,228	—
	100%	09/03	152,868	5,729	3,296	58,263	17,632	—
Daiwa Information Service	200	08/03	33,599	2,199	1,181	58,753	6,478	—
	100%	09/03	32,691	2,535	669	68,649	6,793	3,448
Daiwa Royal	500	08/03	36,323	3,333	1,955	60,818	6,824	1,400
	100%	09/03	32,316	3,020	1,931	70,097	8,168	6,787
Nihon Jyutaku Ryutu	730	08/03	17,658	602	243	10,525	3,391	—
	100%	09/03	18,319	205	9	14,614	3,327	3,909
Royal Home Center	100	08/03	62,623	1,864	910	44,956	33,796	2,500
	100%	09/03	63,505	1,341	429	45,208	33,953	3,517
Daiwa Resort	10,084	08/03	53,531	697	(1,654)	75,526	18,975	—
	100%	09/03	49,383	95	(5,052)	67,187	13,923	35

* The figure in parentheses is the equity stake held by the Group as a whole.

Sales and operating income margin of major Daiwa House Group companies in 2009



Management's Discussion and Analysis

(on a consolidated basis)

Year Ended March 31, 2009

Fiscal 2008 Overview

During the fiscal year ended March 31, 2009, the Japanese economy was impacted by a global economic downturn sparked by the financial crisis that originated in the United States. Corporate earnings deteriorated, and in particular, the latter half of the fiscal year was marked by sharp declines in production and cutbacks in capital investments. In addition, employment figures turned rapidly for the worse, and the general business situation became extremely severe. In the housing industry, too, the number of new housing starts remained at a low level, which meant that the business environment continued to be challenging, as potential customers were reluctant to commit themselves to buying a house due to uncertainty about the future, against the backdrop of the economic downturn as well as deteriorating employment and income conditions.

Amid this business environment, the Daiwa House Group took initiatives to improve the performance of each of its businesses under the main themes of improving profit structures and nurturing new future earnings drivers. This was in accordance with the basic strategies outlined in the Daiwa House Group Second Medium-Term Management Plan "Challenge 2010," which started from the fiscal year under review.

In the Daiwa House Group's Residential Business, we took further steps to expand the product lineup in our mainstay xevo series of single-family houses, and participated in the Ultra-Long-Term Housing Model Project organized by the Ministry of Land, Infrastructure, Transport, and Tourism to popularize and promote ultra-long-term housing. This project was renamed the Pioneering Model Project for High-Quality, Long-Term Housing in fiscal 2009.

In addition, as part of our initiative to strengthen our real estate business, one of the basic policies of the medium-term management plan, we undertook measures to secure income sources by taking advantage of our comprehensive capabilities, including the development of high-rise rental housing, commercial facilities and logistics facilities, among others.

In the areas of corporate social responsibility and eco-friendliness, we undertook various social contribution initiatives in Japan and overseas, developed new products whose manufacture imposes a lower environmental burden, and involved ourselves in eco-friendly town planning projects.

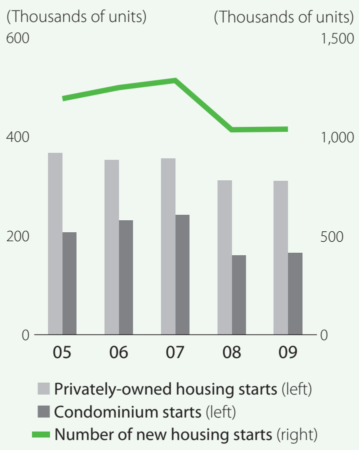
As can be seen from the above, the Daiwa House Group was involved in a variety of initiatives. In spite of these efforts, however, the rapid downturn in the domestic economy had a significant impact, leading to net sales of ¥1,691.0 billion (US$17,255 million), a 1.1% year-on-year decrease, and operating income of ¥73.6 billion (US$751 million), a 17.4% year-on-year decrease on a consolidated basis, which were extremely poor results.

Results of Operation

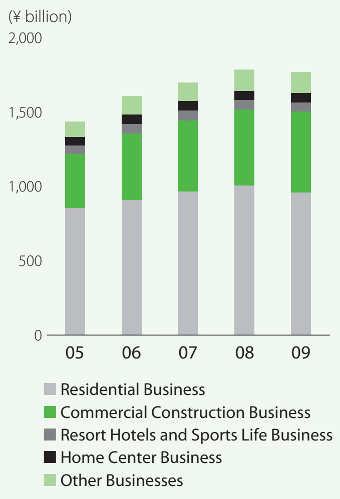
Sales

Sales for the fiscal year under review decreased ¥18.3 billion from the previous year, to ¥1,691.0 billion (US$17,255 million), representing a

New housing starts



Sales



Note: Prior to consolidation adjustments

1.1% year-on-year decline. Looking at sales by segment (prior to consolidation adjustments), sales in the Residential Business fell by ¥45,339 million to ¥959.0 billion (US$9,786 million), a 4.5% year-on-year decrease, while sales by the Commercial Construction Business increased by ¥32,407 million to ¥545.1 billion (US$5,563 million), a 6.3% increase from the previous fiscal year. Sales by the Resort Hotels and Sports Life Business decreased by ¥3,595 million to ¥60.1 billion (US$613 million), a year-on-year decline of 5.6%, while sales by the Home Center Business increased by ¥883 million to ¥63.5 billion (US$648 million), a 1.4% increase on a year-on-year basis, and sales of Other Businesses rose by ¥631 million to ¥144.0 billion (US$1,469 million), a year-on-year increase of 0.4%. These results show that the decrease in sales in the mainstay Residential Business was offset by the Commercial Construction Business and Other Businesses. Note, however, that sales by the Resort Hotels and Sports Life Business dropped sharply due to the negative effects of the economic downturn.

Cost of sales, and selling, general and administrative expenses

During the year under review, despite the increase in the cost of completed work, mainly due to soaring material prices, the cost of sales declined ¥2.5 billion from a year earlier, to ¥1,357.8 billion (US$13,855 million), a 0.2% year-on-year decrease. Meanwhile, the ratio of cost of goods sold increased by 0.7 of a percentage point from 79.6% a year earlier, to 80.3%. As a result, gross profit declined ¥15.8 billion to ¥333.1 billion (US$3,399 million), a 4.5% year-on-year decrease.

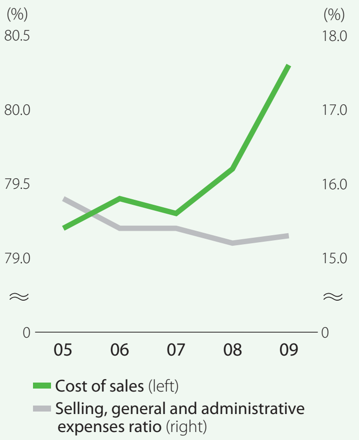
Selling, general, and administrative expenses decreased ¥230 million compared with the previous fiscal year, to ¥259.6 billion (US$2,649 million), a year-on-year decline of 0.1%. This was because labor expenses, advertising/sales promotion expenses, and sales commissions decreased, despite the rise in retirement benefit expenses. Note, however, that the ratio of selling, general, and administrative expenses to sales rose 0.1 point from a year earlier, from 15.2% to 15.3%.

Formerly, inventory assets were stated at cost using the specific-identification method, but from the fiscal year under review we have adopted the Accounting Standard for Measurement of Inventories (Accounting Standards Board of Japan, Statement No. 9 issued on July 5, 2006). Although we have maintained the method for the measurement of inventories for the calculation of book value, we have written down balance sheet values of inventories in accordance with a decline in profitability. This move has reduced operating income, and income before income taxes and minority interests by ¥7,882 million.

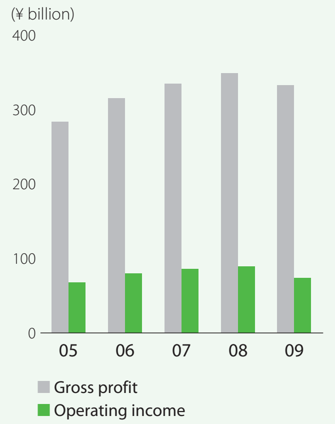
Operating income

Operating income for the fiscal year under review declined ¥15.5 billion to ¥73.6 billion (US$751 million), a year-on-year decrease of 17.4%. The primary reason for the drop is the decline in sales, while the ratios of cost of sales and of selling, general, and administrative expenses to sales increased, among others. As a result, the operating income margin declined 0.8 of a percentage point year-on-year, from 5.2% to 4.4%.

Cost of sales, and selling, general and administrative expenses ratios



Gross profit and operating income



Operating income and operating income margin

Business overview by segment

Residential Business

In the Residential Business, sales declined ¥45,339 million to ¥959.0 billion (US$9,786 million), a year-on-year decrease of 4.5%, due to the negative effects of the sluggish domestic economy induced by the financial crisis and the weakened condominium market conditions. Operating income for this business fell by ¥25,205 million to ¥28,533 million (US$291 million), a 46.9% decrease from a year earlier. The operating income margin dropped 2.4 percentage points from the previous fiscal year, falling from 5.4% to 3.0%.

Reflecting the adoption from the fiscal year under review of the Accounting Standard for Measurement of Inventories (Accounting Standards Board of Japan, Statement No. 9 issued on July 5, 2006), operating income is ¥7,587 million lower than its level had the former method been applied.

Single-Family House Division

In the mainstay Single-Family House Division, we launched a new model in our xevo series, the xevo C, in which the family themselves help with architectural design. We also began to market another new model, the xevo WW, a wooden-structure house that offers considerable freedom of design for customers who want to tailor the house's external appearance to their own tastes. Meanwhile, we targeted new customer demographics by expanding our lineup of home planning proposals by launching home plans that fit diverse customer lifestyles, including the "Happy Hug Model" for couples raising children, and the "Edible Garden" model, which features space for growing vegetables on balconies and the roof. We also have announced Ultra-Long-Term Housing models, which can serve as properties that will be lived in over several generations, and can be utilized as assets. We used our initiative regarding more durable house construction by building showhouses on the actual plot where the houses for sale are being built, as part of our

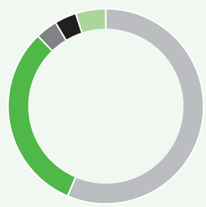
Sales by segment*1

(¥ million)

	2009	2008	2007	YoY increase (decrease)(%) 09/08	08/07
Residential Business	959,026	1,004,365	965,898	(4.5)	4.0
Commercial Construction Business	545,141	512,734	477,692	6.3	7.3
Resort Hotels and Sports Life Business	60,107	63,702	67,762	(5.6)	(6.0)
Home Center Business	63,506	62,623	62,241	1.4	0.6
Other Businesses	143,978	143,347	124,647	0.4	15.0
Eliminations/corporate	(80,802)	(77,517)	(79,790)	—	—
Consolidated	1,690,956	1,709,254	1,618,450	(1.1)	5.6

*1: Segment sales are shown prior to consolidation adjustments.
*2: Percentages refer to sales to outside customers.

Breakdown*2



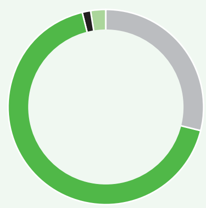
- Residential Business 56.6%
- Commercial Construction Business 31.3%
- Resort Hotels and Sports Life Business 3.6%
- Home Center Business 3.7%
- Other Businesses 4.8%

Operating income (loss) by segment*3

(¥ million)

	2009	2008	2007	YoY increase (decrease)(%) 09/08	08/07
Residential Business	28,533	53,738	53,167	(46.9)	1.1
Commercial Construction Business	66,182	50,508	46,933	31.0	7.6
Resort Hotels and Sports Life Business	(1,116)	40	1,014	—	(96.0)
Home Center Business	1,154	1,808	1,772	(36.2)	2.0
Other Businesses	2,504	4,560	4,373	(45.1)	4.3
Eliminations/corporate	(23,677)	(21,533)	(21,580)	—	—
Consolidated	73,580	89,121	85,679	(17.4)	4.0

Breakdown*4, 5



- Residential Business 29.0%
- Commercial Construction Business 67.3%
- Home Center Business 1.2%
- Other Businesses 2.5%

*3: Segment operating income is shown prior to consolidation adjustments.
*4: Percentages refer to operating income including intercompany transactions.
*5: The graph shows the breakdown of each business segment as a percentage of the total amount of the four business segments excluding the operating losses (¥1.1 billion) posted by the Resort Hotels and Sports Life Business.

nationwide sales campaign promoting these types of houses. Our proposals with respect to Ultra-Long-Term Housing were adopted by the Ministry of Land, Infrastructure, Transport and Tourism as a model entitled "2008 Ultra-Long-Term Housing Model Project (First in a Series)."

Nevertheless, the number of single-family houses sold, including houses built for sale, decreased by 440 units, to 10,315 units. Sales in this business segment decreased by ¥7.3 billion (or 2.4%) from a year earlier to ¥295.9 billion on a non-consolidated basis, excluding sales of land.

Condominium Division

In the Condominium Division, faced with an increasingly difficult market, we took steps to ensure post-sale safety and security for buyers, and promoted a framework enabling condominium buyers to maintain the asset value of their properties. We also designed and developed lot-subdivision projects incorporating extensive greenery to harmonize with their local environments.

The negative effects of the deteriorating market were significant, however. As a result, the number of condominiums sold decreased by 742 to 3,511 units. Sales in this business segment decreased by ¥33.7 billion from a year earlier, to ¥109.4 billion on a non-consolidated basis, excluding sales of land, for a year-on-year decrease of 23.5%.

Rental Housing Division

In the Rental Housing Division, the Group further strengthened its sales activities in city-center areas and expanded the marketing of three-story rental housing in convenient locations. Meanwhile, we pursued large-scale developments in major cities. As a new product, we put on the market during the reporting term the Séjour Modern Court J two-story rental townhouse, which allows buyers to choose from a wide range of modern exterior designs.

As a result, the number of rental houses sold increased by 392 units to 29,413 units. Sales in this business segment increased by ¥1.4 billion from a year earlier, to ¥285.7 billion on a non-consolidated basis (a year-on-year increase of 0.5%).

Renovation Division

In the Home Renovation Division, we focused on services offering customers more attractive living environments by improving and strengthening our marketing system, and made renovation proposals to maintain/increase the value of customers' buildings.

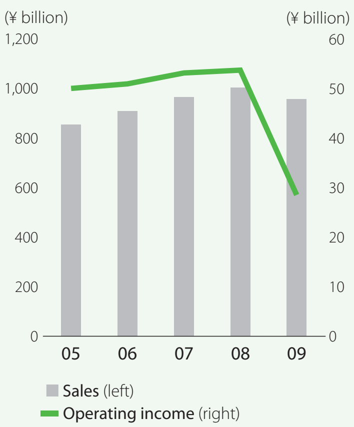
As a result, home renovation sales increased ¥1.4 billion from a year earlier, to ¥27.7 billion on a non-consolidated basis (a year-on-year increase of 5.3%).

Commercial Construction Business

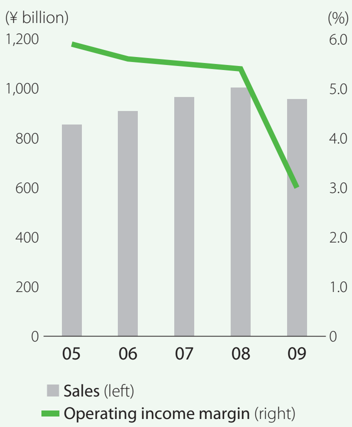
In the Commercial Construction Business, sales increased ¥32,407 million from the previous year, to ¥545.1 billion (US$5,563 million) a year-on-year increase of 6.3%, largely due to favorable sales in the Distribution Facilities Division, and operating income rose ¥15,674 million, to ¥66,182 million (US$675 million), a year-on-year increase of 31.0%. The operating income margin increased 2.2 percentage points from the previous fiscal year, rising from 9.9% to 12.1%.

Residential Business

Sales and operating income

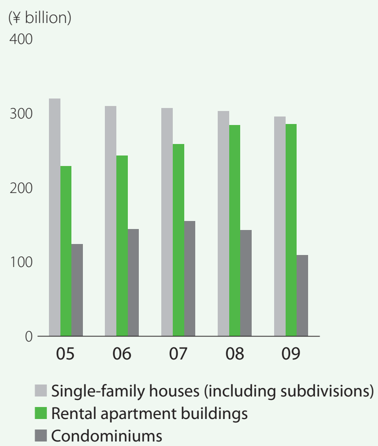


Sales and operating income margin



Divisional sales breakdown

(Daiwa House Industry, non-consolidated)



Commercial Facilities Division

In the Commercial Facilities Division, the Group made use of planning and proposal-driven sales centered on road-side shop developments, leveraging its abundant land-related data and store-opening support know-how for tenant businesses. We also focused on developing our large-scale commercial complexes. In particular, we opened iias Tsukuba (an Ibaraki Prefecture property with a total floor area of 125,000m^2), iias Sapporo (a Hokkaido property with a total floor area of 59,000m^2), and Foleo Otsu-Ichiriyama (a Shiga Prefecture property with a total floor area of 65,000m^2), for which we developed an operation/management and support system.

As a result, the tenant-occupied rented area increased 9.1% from a year earlier, to 3,595,000m^2, while the number of corporate tenants exceeded 5,700.

Distribution, Medical/Nursing Care and Corporate Facilities Division

In the Distribution, Medical/Nursing Care and Corporate Facilities Division, we undertook construction of large-scale logistics centers, production sites and foodstuff logistics facilities. We also developed solutions for distribution and real estate management, involving undertaking the entire process from design and construction to quality control management and maintenance tasks for the facilities of logistics companies. Major results in fiscal 2008 include contract work for the D Project Ibaraki Tsuchiura (an Ibaraki Prefecture facility with a total floor space of 18,000m^2), the development of the D Project Urayasu D Wing (a Chiba Prefecture facility with a total floor space of 73,000m^2) and the D Project Hachioji (a Tokyo facility with a total floor space of 69,000m^2). In the field of medical and nursing care facilities, we made proposals — mainly to health-care corporations — concerning housing for the elderly, such as private fee-charging housing-type homes and rental housing for the elderly. In the field of corporate facilities, we provided support for the development of sales hubs by constructing showrooms, offices and other structures for corporate customers operating nationwide.

Resort Hotels and Sports Life Business

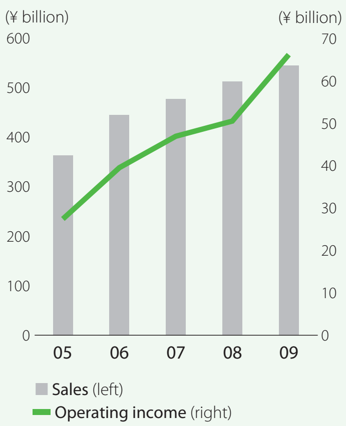
In the Resort Hotels and Sports Life Business, as a result of the significant negative impact of the plunge in the number of overseas travelers in the Resort Hotels Division owing to the appreciation of the yen, and increased expenses for opening new sports club facilities in the Sports Life Division, sales decreased by ¥3,595 million to ¥60.1 billion (US$613 million), a year-on-year decline of 5.6%. An operating loss of ¥1,116 million (US$11 million) was recorded, compared to operating income of ¥40 million for the previous fiscal year.

Resort Hotels Business

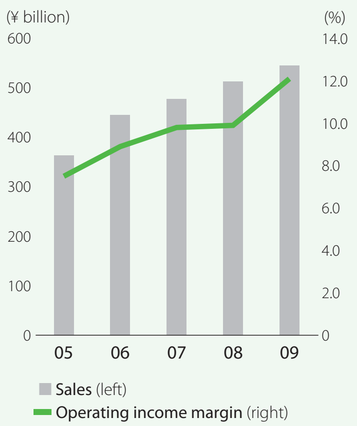
In the Resort Hotels Business, although some hotels were affected by the Iwate-Miyagi Nairiku Earthquake of June 2008, the Noto Royal Hotel, which suffered immense damage due to the impact of the Noto Peninsula Earthquake of March 2007, was reopened, and a large number of customers, mostly families, stayed there during the summer season. Due to the sudden economic downturn since the latter half of September, however, both individuals and

Commercial Construction Business

Sales and operating income

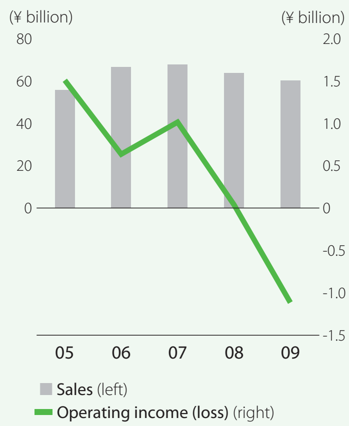


Sales and operating income margin



Resort Hotels and Sports Life Business

Sales and operating income (loss)



companies have been cutting back sharply on expenditures, and the number of customers has decreased in turn. Nevertheless, we did our best to encourage repeat stays at our hotels by putting a strong focus on safety, security, and hospitality so as to realize customer satisfaction.

As a result, the room occupancy rate in the first half of the fiscal year under review recovered to 53.7%, a 0.3 percentage point increase from the second half of the previous fiscal year, but decreased again to 46.9% in the second half. Although the number of customers who stayed at our resort hotels declined 5.2% from a year earlier to 2.94 million, the number of players who used our golf courses in the fiscal year increased.

Sports Facilities Operations

In Sports Facilities operations, we rebuilt an existing NAS branch and opened a number of new branches, including the NAS Niigata (Niigata Prefecture) and NAS Wellness & Spa Club Shibaura Island (Tokyo). As a result, there were 53 NAS branches at the end of the fiscal year under review. At the existing branches, we strived to attract more members by developing membership formats exploiting particular demand niches, as well as attracting customers to our special short-term courses for adults. As a result, membership grew 3.9% from a year earlier, to 96,687.

Home Center Business

In the Home Center Business, we refurbished a total of seven branches including the Royal Pro Ikawadani (Hyogo) and Royal Home Center Kishiwada (Osaka) to revitalize business at our existing outlets. In February 2009, we opened Royal Kanamono Matsudo Minoridai (Chiba), a new type of a store, especially for products and hardware for builders.

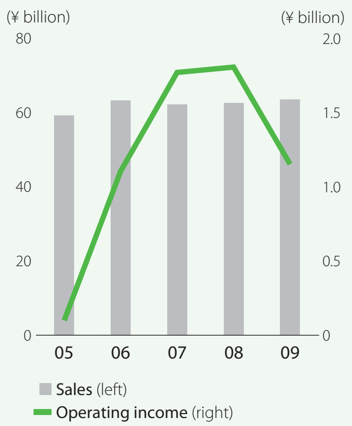
As a result, there were 48 branches at the end of the fiscal year under review. The total shop floor area increased only 0.4% from a year earlier, to 234,000m², because we focused mainly on refurbishing existing branches during the fiscal year. On the other hand, the annual number of purchasing customers increased 3.8% year-on-year, to 24,666.

As a result, sales in this business segment increased by ¥883 million, to ¥63.5 billion (US$648 million), a year-on-year increase of 1.4%, but the sharp rise in the price of crude oil and raw materials during the first half of the fiscal year under review caused operating income to drop by ¥654 million to ¥1,154 million (US$12 million), for a 36.2% year-on-year decrease. Meanwhile, the operating income margin decreased 1.1 percentage points from a year earlier, dropping from 2.9% to 1.8%.

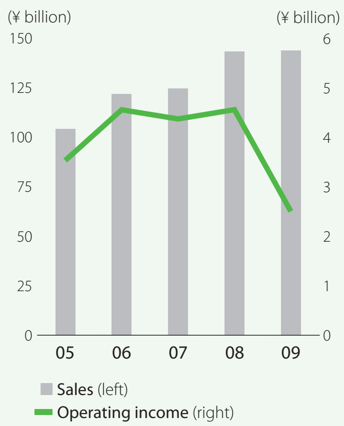
Other Businesses

In Other Businesses, sales increased by ¥631 million to ¥144.0 billion (US$1,469 million), a 0.4% year-on-year increase. Operating income, however, declined by ¥2,056 million to ¥2,504 million (US$26 million), a year-on-year decrease of 45.1%, due to the costs of opening city hotels and establishing new businesses. Operating income margin in this business segment dropped by 1.5 percentage points, from 3.2% in the previous fiscal year to 1.7%.

Home Center Business
Sales and operating income



Other Businesses
Sales and operating income



Housing Construction Material Manufacturing and Marketing Division

In the Housing Construction Material Manufacturing and Marketing Division, we enhanced the lineup of building materials and interior products offered to housing manufacturers and regional house builders. Specifically, we introduced the Shimaigokochi Storage Unit, a new idea for residents' convenience in the area of closets, and a "semi-fire resistant unit corridor" for three-story apartment buildings which offers fire resistance for up to 60 minutes. In addition, to increase home-buyers' lifestyle choices, we launched products and services such as novel types of lighting fittings and a new brand of order-made furniture called the Smart Furniture System to strengthen sales. We also launched a new plan that enables customers to lease high-quality furniture. In addition, we expanded our business in such planning/proposal-based areas as interior renovation of large-scale commercial facilities and hotels, renovation work on commercial exteriors, including signs, and made-to-order furniture.

Logistics Division

In the Logistics Division, we upgraded our logistics centers to expand our Asset-Type Third Party Logistics business. These were the Osaka Minato Logistics Center II (Osaka), opened in August 2008 to serve new customers, and the No. 3 Ota Logistics Center (Gunma) and No. 2 Chubu Logistics Center (Aichi), both of which were opened in September 2008 to serve existing customers. In addition, construction of the Machida Logistics Center (Tokyo, completed in May 2009), which will serve new customers, was begun during the term under review. We also opened two satellite centers for the transportation of joint construction materials — one in Kanagawa and one in Toyama.

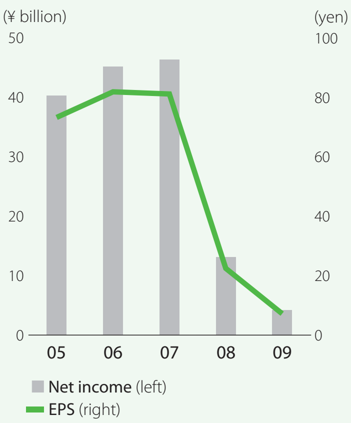
Business Hotels Division

In the Business Hotels Division, we opened four new hotels, including the Daiwa Roynet Hotel Nagoya-Ekimae (Aichi) and the Daiwa Roynet Hotel Shin-Yokohama (Kanagawa), and accordingly, total sales also increased. This brought the number of our Daiwa Roynet city hotels to 14 in total. Combined with the Osaka Daiichi Hotel (Osaka) and Royton Sapporo (Hokkaido), we now operate a total of 16 city hotels nationwide.

Other income and expenses

The Company posted net other expenses of ¥59,859 million (US$611 million), an improvement of ¥4,400 million over the previous term. This is principally attributable to the non-repetition of the previous term's large losses on development projects. On the other hand, almost all other expense categories recorded a year-on-year increase. The Company applied impairment accounting to real estate assets, and recognized an impairment loss of ¥14,892 million (US$152 million), a major increase over the previous term. In addition, there was a large increase in the amortization of actuarial loss for employees' retirement benefits attributable to the deterioration in the operating environment faced by the Company's pension fund. Interest payments increased in line with a rise in bank borrowings, and losses on the sale of assets (on a net account basis) also increased. The loss on valuation of investment securities

Net income and EPS



Inventories

(¥ billion)

	2009	2008	09/08
Construction projects in progress	57.4	72.6	(15.2)
Land for sale	237.6	308.0	(70.4)
Single-family houses	100.4	120.4	(20.0)
Condominiums	96.3	127.8	(31.5)
Buildings for sale	76.6	87.7	(11.1)
Single-family houses	15.0	16.4	(1.4)
Condominiums	57.0	66.8	(9.8)
Other	24.8	27.3	(2.5)
Total	396.4	495.6	(99.2)

decreased slightly from the previous term, but still amounted to more than ¥7,500 million. In addition, ¥2,015 million (US$21 million) in expenses was posted, mainly for cleanup work following a heavy oil spillage accident at the closed Sapporo Plant.

Income before income taxes and minority interests

Income before income taxes and minority interests decreased by ¥11,141 million to ¥13.7 billion (US$140 million), a year-on-year decrease of 44.8%. The primary factors in the decrease included the fall in operating income and the increase in expenses for the amortization of actuarial loss for employees' retirement benefits, and the loss on impairment of property, plant and equipment.

Net income

As a result of the above, net income for the fiscal year under review decreased by ¥8,910 million to ¥4.2 billion (US$43 million), a year-on-year decrease of 68.1%, and net income to sales declined by 0.6 of a percentage point, from 0.8% in the previous fiscal year to 0.2%. In addition, earnings per share decreased by ¥15.26 from the previous fiscal year, to ¥7.20 (US$0.07), down 67.9%.

Financial Position and Cash Flows

Assets

Total assets on a consolidated basis at the end of the fiscal year under review stood at ¥1,810.6 billion (US$18,475 million), an increase of ¥19,521 million from the end of the previous fiscal year (a year-on-year increase of 1.1%). This is mainly attributable to increases in property, plant and equipment, especially for acquisition of high-rise rental apartment buildings and commercial facilities, and investments in real estate development projects.

Current assets decreased by ¥100,689 million from a year earlier, to ¥661.2 billion (US$6,747 million), a year-on-year decrease of 13.2%. This was primarily due to the sharp reduction in inventory assets, primarily land and buildings for sale for the purpose of selling single-family houses and condominiums. Non-current assets increased by ¥120,210 million to ¥1,149.4 billion (US$11,728 million), a year-on-year increase of 11.7%. Of this, property, plant and equipment increased by ¥86,137 million to ¥729.0 billion (US$7,438 million), a year-on-year increase of 13.4%, mainly due to the increase in buildings and structures upon the completion of Group-owned large-scale commercial facilities and condominiums for rent, in addition to the acquisition of land, mainly for the development of logistics facilities. Investments and other assets increased by ¥34,073 million to ¥420.4 billion (US$4,290 million), a year-on-year increase of 8.9%. Although the Company posted a ¥7,534 million loss on valuation of investment securities in the fiscal year under review, investment securities rose slightly, mainly due to the increased acquisition of securities through mergers and acquisitions, as well as corporate alliances.

Liabilities

Total liabilities as of the end of the fiscal year under review increased by ¥61,534 million from the end of the previous fiscal

Property, plant and equipment

(¥ billion)

	2009	2008	09/08
Buildings and structures	315.7	237.4	78.3
Land	356.0	341.4	14.6
Other	57.3	64.0	(6.7)
Total	729.0	642.8	86.2

year, to ¥1,203.1 billion (US$12,277 million), a year-on-year increase of 5.4%. The primary reasons for this included fund procurement through long-term bank loans to assure sufficient funds amid a deteriorating market environment, as well as a sharp increase in long-term liabilities on the back of the rise in provisions for employees' retirement benefits.

Current liabilities at the end of the fiscal year under review decreased by ¥111,687 million from the end of the previous fiscal year, to ¥372.6 billion (US$3,802 million), a year-on-year decline of 23.1%. Trade notes and accounts payable decreased sharply due to the rapid deterioration of the real estate market. In addition, while the entire amount of commercial paper was redeemed, short-term bank loans increased.

Long-term liabilities at the end of the fiscal year under review increased by ¥173,221 million from the end of the previous fiscal year (a year-on-year increase of 26.4%) to ¥830.5 billion (US$8,475 million). With the increased number of investment projects in the background, long-term debt increased by ¥126,580 million to ¥320.0 billion (US$3,265 million), a year-on-year increase of 65.5%.

As a result, total interest-bearing debt increased by ¥116,145 million to ¥344.5 billion (US$3,516 million), a year-on-year increase of 50.9%, while the D/E ratio increased by 0.21 of a percentage point, from 0.36 for the previous fiscal year to 0.57.

Equity

Equity at the end of the fiscal year under review decreased by ¥42,013 million from a year earlier, to ¥607.4 billion (US$6,198 million), a year-on-year decline of 6.5%. This was mainly attributable to the decrease in retained earnings caused by the prior-year dividend payments, in addition to the ¥11,397 million decrease in net unrealized gain on securities available for sale in the fiscal year, to ¥2,035 million (US$21 million), a year-on-year decrease of 84.9%, and the deterioration in the foreign currency translation adjustment account to a negative amount of ¥5,106 million (US$52 million) due to the strong yen. Meanwhile, minority interests decreased by ¥16,125 million from the end of the previous term, to ¥745 million (US$8 million), a year-on-year decrease of 95.6%, due to the conversion of Eneserve Corporation into a wholly owned subsidiary.

As a result, the equity ratio at the end of the fiscal year under review declined by 1.8 percentage points, from 35.3% at the end of the previous fiscal year to 33.5%. In addition, the return on equity (ROE) declined by 1.3 points, from 2.0% in the previous fiscal year to 0.7%, in line with the decrease in net income.

Working capital

Working capital (current assets minus current liabilities) in the fiscal year under review increased by ¥10,998 million to ¥288,552 million (US$2,944 million), a year-on-year rise of 4.0%, due to a reduction in accounts payable. The ratio of current assets to current liabilities rose from 157.3% in the previous fiscal year to 177.4%, securing sufficient financial liquidity.

Funding plan

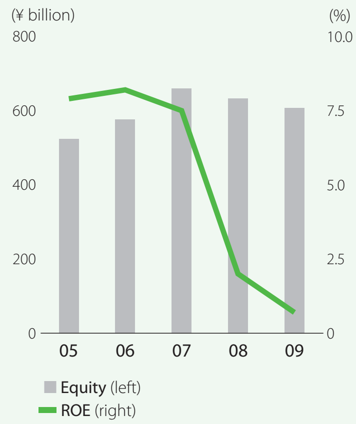
At the beginning of fiscal 2009 we reviewed our investment plan in the Daiwa House Group Second Medium-Term Management

Interest-bearing debt

(¥ billion)

	2009	2008	09/08
Short-term bank loans	16.4	11.9	4.5
Current portion of long-term debt	5.6	1.6	4.0
Commercial paper	—	20.0	(20.0)
Current portion of long-term lease obligations	0.5	—	0.5
Long-term debt	319.9	193.4	126.5
Long-term lease obligations	2.1	—	2.1
Other	—	1.5	(1.5)
Total	344.5	228.4	116.1

Equity and ROE



Plan. Although in the initial plan we had intended to invest a total of ¥580 billion during the three-year-period of the plan (¥460 billion in property development, ¥90 billion in capital investment, and ¥30 billion in mergers and acquisitions as well as corporate alliances), considering the recent deterioration of real estate prices, we have reduced the amount of planned property development by ¥120 billion to ¥340 billion. In addition, we have kept the capital investment amount unchanged at ¥90 billion, while increasing the amount for M&A and corporate alliances by ¥10 billion to ¥40 billion. As a result, the cumulative investment for the three-year period was revised to ¥470 billion, a decrease of ¥110 billion.

The major source of funding for this investment plan is cash flow from operating activities and recovery of property investments to minimize any increase in interest-bearing liabilities.

Although we aimed to keep the D/E ratio at 0.5 or lower in the Daiwa House Group Second Medium-Term Management Plan, it increased to 0.57 at the end of fiscal 2008 due to the increase in long-term debt. In the near future, we plan to tighten our investment standards for property development, and with a policy of limiting the increase on interest-bearing debt, we plan to implement measures for lowering the D/E ratio to 0.5 as soon as possible.

Capital investment

Capital investment in the fiscal year under review increased by ¥56,745 million from a year earlier, to ¥160.6 billion (US$1,639 million), a year-on-year rise of 54.6%.

By business segment, capital investment in the Residential Business increased by ¥39,629 million to ¥50.1 billion (US$511 million), a year-on-year increase of 378%; capital spending in the Commercial Construction Business increased by ¥18,198 million to ¥89.3 billion (US$911 million), a year-on-year increase of 25.6%; capital outlay in the Resort Hotels and Sports Life Business decreased by ¥416 million to ¥2.4 billion (US$24 million), a year-on-year decrease of 14.9%; capital investment in the Home Center Business increased by ¥340 million to ¥1.1 billion (US$11 million), a year-on-year increase of 46.4%, and capital spending in Other Businesses increased by ¥706 million to ¥19.4 billion (US$198 million), a year-on-year increase of 3.8%.

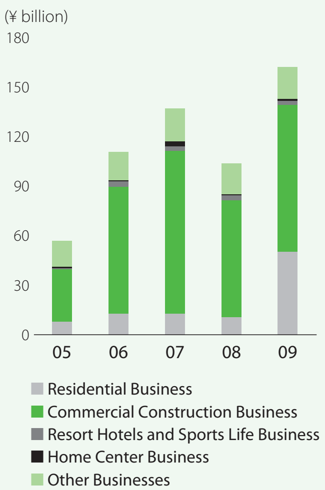
In fiscal 2009, we plan to spend a total of ¥121.0 billion on capital investments, predominantly in the area of the Commercial Construction Business.

Cash flows

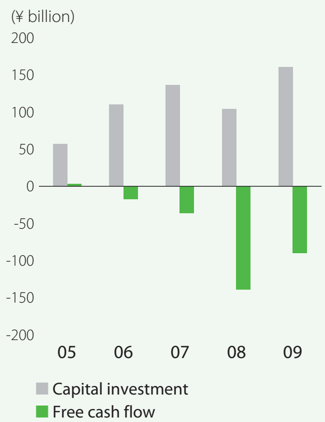
Cash and cash equivalents at the end of the fiscal year under review increased by ¥6,492 million from a year earlier, to ¥105.4 billion (US$1,075 million), a year-on-year increase of 6.6%, reflecting cash inflows from operating and financing activities that exceeded a significant outflow from investing activities.

Net cash provided by operating activities improved by ¥125,549 million, from ¥15,738 million net cash used for the previous fiscal year to a net inflow of ¥109.8 billion (US$1,121 million). This is attributable primarily to the decline in inventories, mostly due to disposal of real estate for sale, the increase in depreciation resulting

Capital investment by segment



Capital investment and free cash flow



from the expansion of capital investments, and the decrease in receivables and increase in deposits received from customers, which more than offset the increase in expenditures due to the decrease in trade payables.

During the fiscal year under review, net cash used in investing activities increased by ¥76,382 million to ¥199.7 billion (US$2,038 million), a year-on-year increase of 62.0%. This came as a result of purchases of property, plant and equipment, including real estate for large-scale commercial facilities and rental housing and commercial facilities, in addition to increased investments in real estate development. Other factors contributing to the increase in expenditures included the stock acquisition involving the conversion of Eneserve Corporation into a wholly owned subsidiary, the stock acquisition of Morimoto Asset Management Co., Ltd. (whose corporate name was changed on February 1, 2009 to Daiwa House Morimoto Asset Management Co., Ltd.), and the stock acquisition of CYBERDYNE Inc., one of our corporate allies.

Net cash provided by financing activities decreased by ¥39,294 million to ¥96.5 billion (US$985 million), a year-on-year decrease of 28.9%. This was primarily due to the redemption of commercial paper at maturity, and the decrease in cash inflow from long-term debt.

As a result, free cash flow, which is the sum of cash flows from operating and investment activities, improved by ¥49,167 million, from a net outflow ¥139,035 million in the previous fiscal year to net cash used of ¥89,868 million in the fiscal year under review.

Basic Policies Regarding Profit Distribution

In determining its dividend payments, the Daiwa House Group takes into account the need to maintain a good balance between the appropriation of profits to shareholders on the one hand, and the necessity of securing sufficient retained earnings for future business expansion and the reinforcement of the business base on the other. With the goal of strengthening our fundamentals with a view to broadening our basis of operations by investing in research and development and production facilities and expanding our business premises to raise our competitiveness and improve profitability, we will continue endeavoring to strengthen our financial soundness. Taking into account these factors, we have set a dividend payout ratio of at least 30%.

Simultaneously, by pursuing acquisition of own shares for inclusion in treasury stock as necessary, we will make efforts to optimize total shareholder returns. In appropriating profits for the fiscal year ended March 31, 2009, we plan to offer an annual dividend of ¥24.00 per share, which is the same as the annual dividend paid for the previous fiscal year. For the fiscal year ending March 31, 2010, owing to the expected continuation of difficult operating conditions, we plan to offer an annual dividend of ¥17.00 per share.

Second Medium-Term Management Plan "Challenge 2010"

	FY2008 (plan) (announced in May 2008)	FY2008 (results)	Achievement ratio (%)	FY2009 (plan)	FY2010 (target) (announced in May 2008)
Sales (¥ billion)	1,750.0	1,691.0	96.6	1,565.0	1,850.0
Operating income (¥ billion)	95.0	73.6	77.5	45.0	115.0
Operating income margin (%)	5.4	4.4	—	2.9	6.2
ROE (%)	—	0.7	—	—	9.0

Management Policy and Outlook for Fiscal 2009

Management policy for fiscal 2009

For fiscal 2009, which is the second year of the Daiwa House Group Second Medium-Term Management Plan "Challenge 2010," we decided on a plan with conservative sales and operating income targets, given that our most urgent task is to upgrade our profitability by further streamlining management, in light of the greater-than-expected deterioration of the business environment.

With regard to our management policy for fiscal 2009, we plan to implement the following three actions as a matter of priority:

In the mainstay Single-Family Housing and Condominium businesses, we plan to accelerate cost structure reform and implement a large-scale shift in our management resources, including staff, to the growing markets of the Renovation and Environmental Energy businesses. In the real estate development business, in which we had initially planned to invest a total of ¥460 billion over the three-year period of the second medium-term management plan, sluggishness in real estate prices is expected to continue in the near future. For this reason, we have slashed the amount of investment in this area by around ¥120 billion, while tightening investment standards. In addition, with respect to cost-cutting, we aim to save ¥20 billion over the one-year period by focusing on integrating functions across all areas, while cutting directors' bonuses to zero and reducing directors' compensation.

With the management policy outlined above established for fiscal 2009, the Daiwa House Group aims to take steps along a new path for growth by implementing these measures promptly and thoroughly.

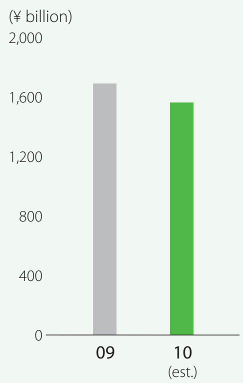
Outlook for fiscal 2009

With respect to the outlook for fiscal 2009, we expect the difficult conditions for the Japanese economy to continue for the foreseeable future. In our industry as well, despite the expectations of positive effects from the expanded mortgage loan tax cuts, no immediate improvement in unemployment and income conditions is likely. For these reasons, the severe business environment is expected to persist.

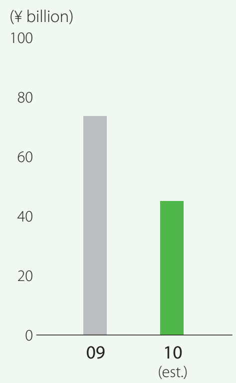
Amidst this environment, we expect a decrease in sales and income in the mainstay Residential and Commercial Construction businesses. Meanwhile, based on its management policy for fiscal 2009, the Daiwa House Group will implement Company-wide cost cuts and cash-flow-focused management to strengthen corporate profitability and enhance financial strength.

With the above measures, in terms of the performance outlook for fiscal 2009, we are aiming for sales of ¥1,565 billion, operating income of ¥45 billion, a ratio of operating income to sales of 2.9%, and net income of ¥21 billion on a consolidated basis.

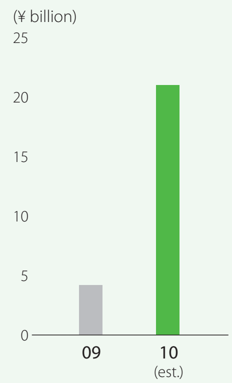
Sales



Operating income



Net income



Business Risks

There are risks associated with the businesses of the Daiwa House Group that may possibly have a material impact on the decisions of investors as indicated below. The future risks described herein have been identified as of March 31, 2009.

1) Risks associated with changes in the business environment

Businesses operated by the Daiwa House Group are exposed to a possible impact from the uncertain nature of external factors such as the prices of raw and construction materials and the volatility of land prices and interest rates, which could result in an adverse effect on business performance and financial conditions.

2) Risks associated with declined values of real estate and fixed assets

The Daiwa House Group is engaged in acquisition, development and sales of real estate in all parts of the country. Deterioration in the real estate market may have an adverse effect on the Group's business performance and financial conditions.

In case there is a drop in land and rental prices, the Group may be required to apply impairment accounting for the losses on revaluation of real estate owned by the Group.

In addition to real estate, fixed assets owned by the Group are also exposed to the risk of impairment loss, which could have an adverse effect on Group's business performance and financial conditions.

3) Risks concerning retirement allowance expenses

In the event the stock market makes a turn for the worse in the future, the value of the Group's pension plan assets may decline. As a result, possible rise in costs related to pensions or additional accumulation of pension assets may have an adverse effect on the Group's business performance and financial conditions.

4) Risks associated with foreign businesses

The Daiwa House Group is engaged in foreign businesses primarily in China and is exposed to the risk of a delay or suspension in the execution of business or the collection of proceeds due to political and economic situation in each country or region.

5) Risks associated with guarantees for product quality

In its residential businesses, the Daiwa House Group has committed to offering a long-term guarantee system to ensure a higher level of customer satisfaction and maintaining effective quality management. During a long period of support, however, an unpredictable major issue on quality may arise and adversely impact the business performance of the Group.

6) Risks associated with legal regulations

The Daiwa House Group is engaged not only in construction and real estate-related businesses in the country, but is also aggressively pursuing a wide range of businesses including foreign businesses.

Hence, these businesses are subject to a number of applicable laws and regulations. Specifically in Japan, we are subject to the Corporate Law, the Financial Instruments and Exchange Law, environment-related laws, construction and real estate-related laws and various other laws and regulations. In addition, our businesses are subject to applicable laws and regulations of each country or region in which we operate. To ensure that the Group complies with these laws and regulations, 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.

7) 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 though 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.

8) Risks associated with workplace safety and environmental protection

The Group places a high priority on both safety and consideration for the natural environment in the course of conduct of business operations in its manufacturing plants, as well as at construction sites, and therefore takes appropriate measures to realize workplace safety and environmental protection. In spite of these measures, however, there is a possibility that accidents at construction sites and/or incidents of pollution may occur. Such accidents or incidents could have an adverse effect on the business performance of the Group, as a result of harm to personnel and/or material damage, such as in the form of pollution of the environment.

Consolidated Financial Statements

Consolidated Balance Sheets

Daiwa House Industry Co., Ltd. and Consolidated Subsidiaries
March 31, 2009 and 2008

Assets

Note		Millions of Yen		Thousands of U.S. Dollars (1)
		2009	2008	2009
	Current assets:			
7	Cash and cash equivalents	¥ 105,381	¥ 98,889	$ 1,075,316
3	Marketable securities		20	
15	Investments in lease	5,627		57,418
2e	Short-term investments	459	1,466	4,684
7	Receivables:			
	Trade notes	6,166	10,834	62,918
	Trade accounts	45,279	52,503	462,031
	Allowance for doubtful receivables	(1,342)	(898)	(13,694)
2f 4	Inventories	396,444	495,613	4,045,347
13	Deferred tax assets	35,718	40,769	364,469
7	Prepaid expenses and other current assets	67,456	62,681	688,327
	Total current assets	661,188	761,877	6,746,816
	Property, plant and equipment:			
5 6 7	Land	356,002	341,408	3,632,673
6 7	Buildings and structures	553,390	460,762	5,646,837
	Accumulated depreciation	(237,716)	(223,306)	(2,425,673)
6 7	Machinery and equipment	93,672	92,877	955,837
	Accumulated depreciation	(57,911)	(56,756)	(590,929)
6 7	Furniture and fixtures	35,341	33,760	360,622
	Accumulated depreciation	(24,637)	(23,601)	(251,398)
6	Lease assets	1,645		16,786
	Accumulated depreciation	(185)		(1,888)
	Construction in progress	9,352	17,672	95,429
	Net property, plant and equipment	728,953	642,816	7,438,296
	Investments and other assets:			
2d 3	Investment securities	84,996	90,622	867,306
2d	Investments in and advances to unconsolidated subsidiaries and associated companies	33,894	10,472	345,857
2d	Long-term loans receivable	6,810	8,478	69,490
7	Lease deposits	170,682	164,957	1,741,653
13	Deferred tax assets	104,947	77,159	1,070,888
6	Other assets	27,828	43,453	283,959
	Allowance for doubtful accounts	(8,725)	(8,782)	(89,030)
	Total investments and other assets	420,432	386,359	4,290,123
	Total	¥1,810,573	¥1,791,052	$18,475,235

See notes to consolidated financial statements.

Liabilities and equity

Note		Millions of Yen		Thousands of U.S. Dollars (1)
		2009	2008	2009
	Current liabilities:			
7	Short-term bank loans	¥ 16,408	¥ 11,918	$ 167,429
7	Commercial paper		20,000	
7	Current portion of long-term debt	5,610	1,595	57,245
	Payables:			
	Trade notes	29,915	28,781	305,255
	Trade accounts	99,929	161,079	1,019,684
	Other accounts	70,174	92,430	716,061
15	Current portion of long-term lease obligations	432		4,408
	Deposits received from customers	61,054	58,628	623,000
	Income taxes payable	6,962	23,163	71,041
	Accrued bonuses	17,856	21,168	182,204
	Provision for product warranties	6,895	6,573	70,357
	Accrued expenses and other current liabilities	57,401	58,988	585,724
	Total current liabilities	372,636	484,323	3,802,408
	Long-term liabilities:			
7	Long-term debt	319,957	193,377	3,264,867
15	Long-term lease obligations	2,128		21,714
8	Liability for employees' retirement benefits	160,203	124,170	1,634,725
5	Deferred tax liabilities on land revaluation	28,433	27,902	290,133
	Long-term deposits received from the Company's club members	43,094	45,793	439,735
	Lease deposits received	217,860	204,288	2,223,061
	Other long-term liabilities	58,834	61,758	600,347
	Total long-term liabilities	830,509	657,288	8,474,582
2k 9	**Equity:**			
	Common stock, authorized, 1,900,000,000 shares; issued, 599,921,851 shares in both 2009 and 2008	110,120	110,120	1,123,674
	Capital surplus	226,825	226,825	2,314,541
18	Retained earnings	370,241	381,480	3,777,969
2d	Net unrealized gain on available-for-sale securities	2,035	13,432	20,765
5	Land revaluation difference	(77,878)	(79,195)	(794,673)
2p	Foreign currency translation adjustments	(5,106)	(557)	(52,102)
	Treasury stock — at cost, 20,750,714 shares in 2009 and 20,665,458 shares in 2008	(19,554)	(19,534)	(199,531)
	Total	606,683	632,571	6,190,643
	Minority interests	745	16,870	7,602
	Total equity	607,428	649,441	6,198,245
	Total	¥1,810,573	¥1,791,052	$18,475,235

Consolidated Statements of Income

Daiwa House Industry Co., Ltd. and Consolidated Subsidiaries
Years Ended March 31, 2009, 2008 and 2007

	Millions of Yen			Thousands of U.S. Dollars (1)
	2009	2008	2007	2009
Net sales	¥1,690,956	¥1,709,254	¥1,618,450	$17,254,653
Cost of sales	1,357,821	1,360,348	1,283,587	13,855,316
Gross profit	333,135	348,906	334,863	3,399,337
14 Selling, general and administrative expenses	259,555	259,785	249,184	2,648,521
Operating income	73,580	89,121	85,679	750,816
Other income (expenses):				
Interest income and dividends	2,841	2,602	2,143	28,990
Interest expense	(5,161)	(3,371)	(1,750)	(52,663)
Write-down of investment securities	(7,534)	(7,859)	(1,808)	(76,878)
Write-down of inventories		(1,632)	(222)	
Loss on sales and disposal of property, plant and equipment	(1,493)	(1,273)	(2,231)	(15,235)
Gain on valuation of derivatives	2,143	1,146		21,867
8 Gain on amortization of prior service cost		500	324	
8 Amortization of actuarial gain (loss) for employees' retirement benefits	(31,495)	(26,411)	3,164	(321,377)
Loss on valuation of derivatives	(2,794)	(1,540)		(28,510)
6 Impairment loss on property, plant and equipment	(14,892)	(1,655)	(5,042)	(151,959)
Loss on disaster	(2,015)			(20,561)
Loss on sublease agreements		(210)		
Loss on business restructuring			(4,527)	
12 Loss on development businesses		(24,537)		
11 Other — net	541	(19)	719	5,520
Other expenses — net	(59,859)	(64,259)	(9,230)	(610,806)
Income before income taxes and minority interests	13,721	24,862	76,449	140,010
13 Income taxes:				
Current	24,892	37,190	24,369	254,000
Deferred	(14,862)	(25,122)	5,613	(151,653)
Total	10,030	12,068	29,982	102,347
Minority interests in net (income) loss of subsidiaries	479	286	(73)	4,888
Net income	¥ 4,170	¥ 13,080	¥ 46,394	$ 42,551

	Yen			U.S. Dollars
	2009	2008	2007	2009
2r Per share of common stock:				
Basic net income	¥ 7.20	¥22.46	¥81.15	$0.07
Cash dividends applicable to the year	24.00	24.00	20.00	0.24

See notes to consolidated financial statements.

Consolidated Statements of Changes in Equity

Daiwa House Industry Co., Ltd. and Consolidated Subsidiaries
Years Ended March 31, 2009, 2008 and 2007

	Thousands	Millions of Yen									
	Number of Shares of Common Stock Outstanding	Common Stock	Capital Surplus	Retained Earnings	Net Unrealized Gain on Available-for-Sale Securities	Land Revaluation Difference	Foreign Currency Translation Adjustments	Treasury Stock	Total	Minority Interests	Total Equity
Balance, April 1, 2006	546,916	¥110,120	¥148,019	¥355,495	¥30,746	¥(63,392)	¥ (883)	¥ (3,571)	¥576,534		¥576,534
2 k Reclassified balance as of March 31, 2006										¥74,656	74,656
Net income				46,394					46,394		46,394
Net increase (decrease) in relation to share exchange	40,522		80,707					(3,558)	77,149	(72,471)	4,678
Net decrease in relation to intercompany transaction of treasury stock			(1,895)						(1,895)		(1,895)
Cash dividends, ¥20.0 per share				(10,868)					(10,868)		(10,868)
Bonuses to directors and corporate auditors				(407)					(407)		(407)
Change in scope of consolidation				26					26		26
Transfer due to sales of land				(2,798)		2,798					
Net increase in land revaluation difference						(26,253)			(26,253)		(26,253)
Purchase of treasury stock	(303)							(607)	(607)		(607)
Disposal of treasury stock	23		3					43	46		46
Net change in the year					(872)		61		(811)	(348)	(1,159)
Balance, March 31, 2007	587,158	110,120	226,834	387,842	29,874	(86,847)	(822)	(7,693)	659,308	1,837	661,145
Net income				13,080					13,080		13,080
Cash dividends, ¥20.0 per share				(11,743)					(11,743)		(11,743)
Transfer due to sales of land				(7,693)		7,693					
Net increase in land revaluation difference						(41)			(41)		(41)
Purchase of treasury stock	(7,939)							(11,909)	(11,909)		(11,909)
Disposal of treasury stock	37		(9)	(6)				68	53		53
Net change in the year					(16,442)		265		(16,177)	15,033	(1,144)
Balance, March 31, 2008	579,256	110,120	226,825	381,480	13,432	(79,195)	(557)	(19,534)	632,571	16,870	649,441
2 b Adjustment of retained earnings due to an adoption of PITF No. 18				42					42		42
Net income				4,170					4,170		4,170
Cash dividends, ¥24.0 per share				(13,902)					(13,902)		(13,902)
Change in scope of consolidation				(142)					(142)		(142)
Transfer due to sales and impairment of land				(1,346)		1,346					
Net increase in land revaluation difference						(29)			(29)		(29)
Purchase of treasury stock	(152)							(139)	(139)		(139)
Disposal of treasury stock	67			(61)				119	58		58
Net change in the year					(11,397)		(4,549)		(15,946)	(16,125)	(32,071)
Balance, March 31, 2009	579,171	¥110,120	¥226,825	¥370,241	¥ 2,035	¥(77,878)	¥(5,106)	¥(19,554)	¥606,683	¥ 745	¥607,428

	Thousands of U.S. Dollars 1									
	Common Stock	Capital Surplus	Retained Earnings	Net Unrealized Gain on Available-for-Sale Securities	Land Revaluation Difference	Foreign Currency Translation Adjustments	Treasury Stock	Total	Minority Interests	Total Equity
Balance, March 31, 2008	$1,123,674	$2,314,541	$3,892,653	$137,061	$(808,112)	$ (5,684)	$(199,327)	$6,454,806	$172,143	$6,626,949
2 b Adjustment of retained earnings due to an adoption of PITF No. 18			428					428		428
Net income			42,551					42,551		42,551
Cash dividends, $0.24 per share			(141,857)					(141,857)		(141,857)
Change in scope of consolidation			(1,449)					(1,449)		(1,449)
Transfer due to sales and impairment of land			(13,735)		13,735					
Net increase in land revaluation difference					(296)			(296)		(296)
Purchase of treasury stock							(1,418)	(1,418)		(1,418)
Disposal of treasury stock			(622)				1,214	592		592
Net change in the year				(116,296)		(46,418)		(162,714)	(164,541)	(327,255)
Balance, March 31, 2009	$1,123,674	$2,314,541	$3,777,969	$ 20,765	$(794,673)	$(52,102)	$(199,531)	$6,190,643	$ 7,602	$6,198,245

See notes to consolidated financial statements.

Consolidated Statements of Cash Flows

Daiwa House Industry Co., Ltd. and Consolidated Subsidiaries
Years Ended March 31, 2009, 2008 and 2007

	Millions of Yen			Thousands of U.S. Dollars (Note 1)
	2009	2008	2007	2009
Operating activities:				
Income before income taxes and minority interests	¥ 13,721	¥ 24,862	¥ 76,449	$ 140,010
Adjustments to reconcile income before income taxes and minority interests to net cash provided by operating activities:				
Income taxes — paid	(41,799)	(30,294)	(26,759)	(426,521)
Depreciation	39,318	35,622	29,536	401,204
Write-down of investment securities	7,534	7,859	1,808	76,878
Write-down of golf club membership	97	53	75	990
Loss on sales and disposal of property, plant and equipment	1,493	1,273	2,231	15,235
Impairment loss on property, plant and equipment	14,892	1,655	5,042	151,959
Equity in earnings of associated companies	(542)	(316)	(289)	(5,531)
Provision for employees' retirement benefits, net of payments	36,033	30,108	4,059	367,684
Loss on development businesses		24,537		
Loss on sublease agreements		210		
Changes in certain assets and liabilities, net of consolidation:				
Decrease (increase) in receivables	11,579	(2,151)	289	118,153
Decrease (increase) in inventories	71,622	(87,402)	(63,528)	730,837
Increase (decrease) in payables — trade	(65,520)	(48,548)	69,767	(668,572)
Increase (decrease) in deposits received from customers	2,410	(4,242)	(2,553)	24,592
Other — net	18,973	31,036	39,934	193,602
Total adjustments	96,090	(40,600)	59,612	980,510
Net cash provided by (used in) operating activities	109,811	(15,738)	136,061	1,120,520
Investing activities:				
Purchases of property, plant and equipment	(153,737)	(93,038)	(150,653)	(1,568,745)
Purchases of marketable and investment securities	(20,271)	(14,618)	(12,722)	(206,847)
Increase in investments in and advances to unconsolidated subsidiaries and associated companies	(10,654)	(3,600)	(7,780)	(108,714)
Proceeds from sales and redemption of investment securities	377	2,895	4,162	3,847
Proceeds from sales of property, plant and equipment	2,488	1,522	1,478	25,388
Purchases of investments in subsidiaries	(12,443)	(389)	(330)	(126,970)
Net increase from sales of shares of the former consolidated subsidiaries			157	
Payments for purchases of shares of the newly consolidated subsidiaries	(158)	(1,760)	(16)	(1,612)
Proceeds from purchases of shares of the newly consolidated subsidiaries	596	11,818		6,082
Increase in lease deposits	(5,882)	(8,231)	(3,760)	(60,021)
Net decrease (increase) in other assets	5	(17,896)	(2,610)	51
Net cash used in investing activities	(199,679)	(123,297)	(172,074)	(2,037,541)

(Continued)

	Millions of Yen			Thousands of U.S. Dollars (1)
	2009	2008	2007	2009
Financing activities:				
Net increase in short-term bank loans	¥ 3,740	¥ 985	¥ 495	$ 38,163
Proceeds from long-term debt	132,850	153,691	34,015	1,355,612
Repayments of long-term debt	(2,255)	(13,119)	(6,928)	(23,010)
Net increase (decrease) in commercial paper	(20,000)	20,000		(204,082)
Repayments of finance lease obligations	(208)			(2,122)
Proceeds from issue of new stock to minority shareholders			1,200	
Repayments of purchase of treasury stock	(139)	(11,909)	(607)	(1,418)
Proceeds from disposal of treasury stock	58	53	46	592
Dividends paid to shareholders	(13,902)	(11,743)	(10,868)	(141,857)
Dividends paid to minority shareholders of subsidiaries			(740)	
Proceeds from receivables sold to trust	3,004	5,001	5,010	30,653
Remittance to trust of receivables collected	(6,645)	(7,162)	(7,305)	(67,806)
Net cash provided by financing activities	96,503	135,797	14,318	984,725
Foreign currency translation adjustments on cash and cash equivalents	(143)			(1,459)
Net increase (decrease) in cash and cash equivalents	6,492	(3,238)	(21,695)	66,245
Cash and cash equivalents, beginning of year	98,889	102,127	123,822	1,009,071
Cash and cash equivalents, end of year	¥105,381	¥ 98,889	¥102,127	$1,075,316
Non-cash investing and financing activities:				
Increase in capital surplus of share exchange			¥ 80,707	

See notes to consolidated financial statements.

(Concluded)

Notes to Consolidated Financial Statements

Daiwa House Industry Co., Ltd. and Consolidated Subsidiaries

1 Basis of presenting consolidated financial statements

The accompanying consolidated financial statements have been prepared from the consolidated financial statements issued for domestic reporting purposes in accordance with the provisions set forth in the Japanese Financial Instruments and Exchange Act. Daiwa House Industry Co., Ltd. (the "Company") and its domestic subsidiaries maintain their accounts and records in accordance with the provisions set forth in the Companies Act of Japan (the "Companies Act") and in conformity with generally accepted accounting principles in Japan ("Japanese GAAP"), which are different in certain respects as to application and disclosure requirements of International Financial Reporting Standards, and its foreign subsidiaries in conformity with those of their countries of domicile.

In preparing these consolidated financial statements, certain reclassifications and rearrangements have been made to the consolidated financial statements issued domestically in order to present them in a form which is more familiar to readers outside Japan.

The consolidated financial statements are stated in Japanese yen, the currency of the country in which the Company is incorporated and operates. The translations of Japanese yen amounts into U.S. dollar amounts are included solely for the convenience of readers outside Japan and have been made at the rate of ¥98 to $1, the approximate rate of exchange at March 31, 2009. Such translations should not be construed as representations that the Japanese yen amounts could be converted into U.S. dollars at that or any other rate.

2 Summary of significant accounting policies

a. Consolidation

The consolidated financial statements as of March 31, 2009 include the accounts of the Company and its 59 significant (55 in 2008, 50 in 2007) subsidiaries (together, the "Group").

Under the control or influence concept, those companies in which the Company, directly or indirectly, is able to exercise control over operations are fully consolidated, and those companies over which the Group has the ability to exercise significant influence are accounted for by the equity method.

Investments in 13 (13 in 2008, 12 in 2007) associated companies are accounted for by the equity method.

Investments in the remaining unconsolidated subsidiaries are stated at cost. If the equity method of accounting had been applied to the investments in these companies, the effect on the accompanying consolidated financial statements would not be material.

Goodwill represents the excess of the cost of an acquisition over the fair value of the net assets of the acquired subsidiary at the date of acquisition.

Goodwill is reported in the consolidated balance sheet as other long-term liabilities and is amortized using the straight-line method principally over 20 years.

All significant intercompany balances and transactions have been eliminated in consolidation. All material unrealized profit included in assets resulting from transactions within the Group is eliminated.

During the year ended March 31, 2007, Daiwa House Financial Co., Ltd. and eleven subsidiaries, have been included in the consolidation as a result of new formation or acquisition and three subsidiaries have been excluded from the consolidation as a result of the sale of their shares or liquidation.

During the year ended March 31, 2008, Eneserve Corporation, which was an associated company at March 31, 2007, and six subsidiaries have been included in the consolidation as a result of new formation or acquisition and two subsidiaries have been excluded from the consolidation as a result of the sale of their shares or liquidation.

During the year ended March 31, 2009, DAIWA HOUSE MORIMOTO ASSET MANAGEMENT Co., Ltd. and eight subsidiaries, have been included in the consolidation as a result of new formation or acquisition and five subsidiaries have been excluded from the consolidation as a result of merger.

In March 2007, the Accounting Standards Board of Japan (the "ASBJ") issued ASBJ Implementation Guidance No. 15, "Implementation Guidance on Disclosures about Certain Special Purpose Entities." This standard permits companies to avoid consolidation of certain special purpose entities which were established and are being operated for the purpose of securitization of receivables. The accounts between the Company and the special purpose entities are insignificant and not disclosed.

b. Unification of accounting policies applied to foreign subsidiaries for the consolidated financial statements

In May 2006, the ASBJ issued ASBJ Practical Issues Task Force (PITF) No. 18, "Practical Solution on Unification of Accounting Policies Applied to Foreign Subsidiaries for the Consolidated Financial Statements." PITF No. 18 prescribes: (1) the accounting policies and procedures applied to a parent company and its subsidiaries for similar transactions and events under similar circumstances should in principle be unified for the preparation of the consolidated financial statements, (2) financial statements prepared by foreign subsidiaries in accordance with either International Financial Reporting Standards or the generally accepted accounting principles in the United States of America tentatively may be used for the consolidation process, (3) however, the following items should be adjusted in the consolidation process so that net income is accounted for in accordance with Japanese GAAP unless they are not material: 1) amortization of goodwill; 2) scheduled amortization of actuarial gain or loss of pensions that has been directly recorded in the equity; 3) expensing capitalized development costs of R&D; 4) cancellation of the fair value model accounting for property, plant, and equipment and investment properties and incorporation of the cost model accounting; 5) recording the prior years' effects of changes in accounting policies in the income statement where retrospective adjustments to financial statements have been incorporated; and 6) exclusion of minority interests from net income, if contained. PITF No. 18 was effective for fiscal years beginning on or after April 1, 2008 with early adoption permitted.

The Group applied this accounting standard effective April 1, 2008. The impact to the consolidated statement of income for the year ended March 31, 2009 from the adoption was not material. In addition, the Group adjusted the beginning balance of retained earnings at April 1, 2008 as if this accounting standard had been retrospectively applied.

c. Cash and cash equivalents

Cash equivalents are short-term investments that are readily convertible into cash and that are exposed to insignificant risk of changes in value. Cash equivalents include time deposits, all of which mature or become due within three months of the date of acquisition.

d. Marketable and investment securities

Marketable and investment securities are classified and accounted for, depending on management's intent, as follows: i) held-to-maturity debt securities, which are expected to be held to maturity with the positive intent and ability to hold to maturity are reported at amortized cost and ii) available-for-sale securities, which are not classified as held-to-maturity.

Marketable available-for-sale securities are stated at fair value estimated by using the average market prices during last month of the fiscal year, with unrealized gains and losses, net of applicable taxes, reported in a separate component of equity. The costs of their sales are determined by the moving average method.

Non-marketable available-for-sale securities are stated at cost, determined by the moving-average method. For other than temporary declines in fair value, investment securities are reduced to net realizable value by a charge to income.

Investment securities, investment in and advances to unconsolidated subsidiaries and associated companies and long-term loans receivable pledged as collateral for an associated company and other were ¥5 million ($51 thousand), ¥28 million ($286 thousand) and ¥19 million ($194 thousand) as of March 31, 2009.

e. Short-term investments

Short-term investments are time deposits, all of which mature or become due later than three months after the date of acquisition. Time deposits pledged as collateral as substitutes of deposits for certain construction and advertisement contracts were ¥49 million ($500 thousand) as of March 31, 2009.

f. Inventories

Prior to April 1, 2008, inventories were stated at cost. Inventories of land, residential homes and condominiums, and construction projects in progress include all costs of land, land development and construction. The cost of construction materials and supplies was determined by the average method. However, appropriate write-downs were recorded for inventories with values considered to have been permanently or substantially impaired.

In July 2006, the ASBJ issued ASBJ Statement No. 9, "Accounting Standard for Measurement of Inventories." This standard requires that inventories held for sale in the ordinary course of business be measured at the lower of cost or net selling value, which is defined as the selling price less additional estimated manufacturing costs and estimated direct selling expenses. The replacement cost may be used in place of the net selling value, if appropriate. The standard also requires that inventories held for trading purposes be measured at the market price. The standard was effective for fiscal years beginning on or after April 1, 2008 with early adoption permitted.

The Group applied this new accounting standard for measurement of inventories effective April 1, 2008. The effect of this change was to decrease operating income and income before income taxes and minority interests by ¥7,882 million ($80,429 thousand).

g. Property, plant and equipment

Property, plant and equipment are stated at cost. Depreciation is computed substantially by the declining-balance method while the straight-line method is applied to buildings acquired after April 1, 1998. Lease assets are depreciated by the straight-line method over the respective lease periods. The range of useful lives is principally from 15 to 50 years for buildings and structures, from 10 to 13 years for machinery and equipment, from 5 to 15 years for furniture and fixtures and from 3 to 20 years for lease assets.

h. Long-lived assets

The Group reviews its long-lived assets for impairment whenever events or changes in circumstance indicate the carrying amount of an asset or asset group may not be recoverable. An impairment loss would be recognized if the carrying amount of an asset or asset group exceeds the sum of the undiscounted future cash flows expected to result from the continued use and eventual disposition of the asset or asset group. The impairment loss would be measured as the amount by which the carrying amount of the asset exceeds its recoverable amount, which is the higher of the discounted cash flows from the continued use and eventual disposition of the asset or the net selling price at disposition.

i. Leases

In March 2007, the ASBJ issued ASBJ Statement No. 13, "Accounting Standard for Lease Transactions," which revised the previous accounting standard for lease transactions issued in June 1993. The revised accounting standard for lease transactions is effective for fiscal years beginning on or after April 1, 2008 with early adoption permitted for fiscal years beginning on or after April 1, 2007.

ASBJ Guidance No. 16, "Guidance on Accounting Standard for Lease Transactions," clarifies the accounting treatment for lease transactions involving real estate. The Company adopted the guidance on April 1, 2008, and therefore, lease transactions commencing on or after April 1, 2008 are accounted for in accordance with ASBJ Guidance No. 16. In preparing the note to the financial statements as of March 31, 2009, the Company applied ASBJ Guidance No. 16 to leases involving real estate which commenced before April 1, 2008 to determine whether they are considered finance lease transactions or operating lease transactions. Regarding a lease of real estate in which both land and buildings are leased together, the Company reconsidered the portion attributable to the land and the portion attributable to the buildings in accordance with ASBJ Guidance No. 16, and as a result, certain lease transactions involving real estate which had been accounted for and disclosed as operating lease transactions are disclosed as finance lease transactions as of March 31, 2009.

Lessee

Under the previous accounting standard, finance leases that were deemed to transfer ownership of the leased property to the lessee were capitalized. However, other finance leases were permitted to be accounted for as operating lease transactions if certain "as if capitalized" information was disclosed in the note to the lessee's financial statements. The revised accounting standard requires that all finance lease transactions should be capitalized to recognize lease assets and lease obligations in the balance sheet. In addition, the revised accounting standard permits leases which existed at the transition date and do not transfer ownership of the leased property to the lessee to be accounted for as operating lease transactions.

The Group applied the revised accounting standard effective April 1, 2008. In addition, the Group accounted for leases which existed at the transition date and do not transfer ownership of the leased property to the lessee as operating lease transactions.

Lessor

Under the previous accounting standard, finance leases that were deemed to transfer ownership of the leased property to the lessee were treated as sales. However, other finance leases were permitted to be accounted for as operating lease transactions if certain "as if sold" information was disclosed in the note to the lessor's financial statements. The revised accounting standard requires that all finance leases that are deemed to transfer ownership of the leased property to the lessee should be recognized as lease receivables, and all finance leases that are not deemed to transfer ownership of the leased property to the lessee should be recognized as investments in lease.

The Group applied the revised accounting standard effective April 1, 2008. The effect of this change was not material.

j. Retirement and pension plans

The Company and its certain subsidiaries have unfunded retirement benefit plans and non-contributory funded pension plans.

Liability for employees' retirement benefits are provided based on the projected benefit obligations and plan assets at the balance sheet date.

k. Presentation of equity

On December 9, 2005, the ASBJ published a new accounting standard for presentation of equity. Under this accounting standard, certain items which were previously presented as liabilities are now presented as components of equity. Such items include stock acquisition rights, minority interests, and any deferred gain or loss on derivatives accounted for under hedge accounting. This standard was effective for fiscal years ending on or after May 1, 2006. The balances of such items as of March 31, 2006 were reclassified as separate components of equity as of April 1, 2006 in the consolidated statement of changes in equity.

l. Revenue and profit recognition

Sales and related profits are generally recorded when sales contracts are completed and customers have satisfied the down payment and other requirements stipulated by the contracts. Land and land development costs are allocated to units sold based upon relative area. The Group recognizes revenues and cost of sales from finance lease transactions at the time of receiving lease payments.

m. Income taxes

The provision for income taxes is computed based on the pretax income included in the consolidated statements of income. The asset and liability approach is used to recognize deferred tax assets and liabilities for the expected future tax consequences of temporary differences between the carrying amounts and the tax bases of assets and liabilities. Deferred taxes are measured by applying currently enacted tax laws to the temporary differences.

n. Appropriations of retained earnings

Appropriations of retained earnings at each year end are reflected in the financial statements of the following year after shareholders' approval has been obtained.

o. Foreign currency transactions

All short-term and long-term monetary receivables and payables denominated in foreign currencies are translated into Japanese yen at the exchange rates at the balance sheet date. The foreign exchange gains and losses from translation are recognized in the statements of income.

p. Foreign currency financial statements

The balance sheet accounts of the consolidated foreign subsidiaries and associated companies are translated into Japanese yen at the current exchange rate as of the balance sheet date except for equity, which is translated at the historical exchange rate. Revenue and expense accounts of the consolidated foreign subsidiaries and associated companies are translated into yen at the current exchange rate.

Differences arising from such translation are shown as "Foreign currency translation adjustments" as a separate component of equity in the consolidated balance sheet.

q. Derivatives and hedging activities

The Group uses derivative financial instruments to manage its exposures to fluctuations in foreign exchange interest rates and commodity prices. Interest rate swaps are utilized by the Group to reduce interest rate risk. Commodity swaps are utilized by the certain subsidiaries to reduce fuel price risk. The Group does not enter into derivatives for trading or speculative purposes.

The interest rate swaps which qualify for hedge accounting and meet specific matching criteria are not remeasured at market value but the differential paid or received under the swap agreements are recognized and included in interest expenses or income.

r. Per share information

Basic net income per share is computed by dividing net income available to common shareholders, by the weighted-average number of common shares outstanding for the year.

The weighted-average number of common shares outstanding for the years ended March 31, 2009, 2008 and 2007 were 579,216 thousand, 582,292 thousand and 571,724 thousand, respectively.

Diluted net income per share of common stock for the years ended March 31, 2009, 2008 and 2007 are not disclosed due to the absence of dilutive securities.

Cash dividends per share presented in the accompanying consolidated statements of income are dividends applicable to the respective years including dividends to be paid after the end of the year.

s. New accounting pronouncements

Business combinations

On December 26, 2008, the ASBJ issued a revised accounting standard for business combinations, ASBJ Statement No. 21, "Accounting Standard for Business Combinations." Major accounting changes under the revised accounting standard are as follows;

(1) The current accounting standard for business combinations allows companies to apply the pooling of interests method of accounting when certain specific criteria are met such that the business combination is essentially regarded as a uniting-of-interests. The revised standard requires to account for such business combination by the purchase method and the pooling of interests method of accounting is no longer allowed.

(2) The current accounting standard accounts for the research and development costs to be charged to income as incurred. Under the revised standard, an in-process research and development (IPR&D) acquired by the business combination is capitalized as an intangible asset.

(3) The current accounting standard accounts for a bargain purchase gain (negative goodwill) to be systematically amortized within 20 years. Under the revised standard, the acquirer recognizes a bargain purchase gain in profit or loss on the acquisition date after reassessing whether it has correctly identified all of the assets acquired and all of the liabilities assumed with a review of such procedures used.

This standard is applicable to business combinations undertaken on or after April 1, 2010 with early adoption permitted for fiscal years beginning on or after April 1, 2009.

Unification of accounting policies applied to foreign associated companies for the equity method

The current accounting standard requires unification of accounting policies within the consolidation group. However, the current guidance allows application of the equity method for the financial statements of its foreign associated company which have been prepared in accordance with generally accepted accounting principles in their respective jurisdictions without unification of accounting policies.

On December 26, 2008, the ASBJ issued ASBJ Statement No. 16 (Revised 2008), "Revised Accounting Standard for Equity Method of Accounting for Investments." The new standard requires adjustments to be made to conform the associate's accounting policies for similar transactions and events under similar circumstances to those of the parent company when the associate's financial statements are used in applying the equity method unless it is impracticable to determine adjustments. In addition, financial statements prepared by foreign associated companies in accordance with either International Financial Reporting Standards or the generally accepted accounting principles in the United States tentatively may be used in applying the equity method if the following items are adjusted so that net income is accounted for in accordance with Japanese GAAP unless they are not material: 1) amortization of goodwill; 2) scheduled amortization of actuarial gain or loss of pensions that has been directly recorded in the equity; 3) expensing capitalized development costs of R&D; 4) cancellation of the fair value model accounting for property, plant, and equipment and investment properties and incorporation of the cost model accounting; 5) recording the prior years' effects of changes in accounting policies in the income statement where retrospective adjustments to the financial statements have been incorporated; and 6) exclusion of minority interests from net income, if contained.

This standard is applicable to equity method of accounting for investments effective on or after April 1, 2010 with early adoption permitted for fiscal years beginning on or after April 1, 2009.

Asset retirement obligations

On March 31, 2008, the ASBJ published a new accounting standard for asset retirement obligations, ASBJ Statement No. 18 "Accounting Standard for Asset Retirement Obligations" and ASBJ Guidance No. 21 "Guidance on Accounting Standard for Asset Retirement Obligations." Under this accounting standard, an asset retirement obligation is defined as a legal obligation imposed either by law or contract that results from the acquisition, construction, development and the normal operation of a tangible fixed asset and is associated with the retirement of such tangible fixed asset.

The asset retirement obligation is recognized as the sum of the discounted cash flows required for the future asset retirement and is recorded in the period in which the obligation is incurred if a reasonable estimate can be made. If a reasonable estimate of the asset retirement obligation cannot be made in the period the asset retirement obligation is incurred, the liability should be recognized when a reasonable estimate of asset retirement obligation can be made. Upon initial recognition of a liability for an asset retirement obligation, an asset retirement cost is capitalized by increasing the carrying amount of the related fixed asset by the amount of the liability. The asset retirement cost is subsequently allocated to expense through depreciation over the remaining useful life of the asset. Over time, the liability is accreted to its present value each period. Any subsequent revisions to the timing or the amount of the original estimate of undiscounted cash flows are reflected as an increase or a decrease in the carrying amount of the liability and the capitalized amount of the related asset retirement cost. This standard is effective for fiscal years beginning on or after April 1, 2010 with early adoption permitted for fiscal years beginning on or before March 31, 2010.

Construction contracts

Under the current Japanese GAAP, either the completed-contract method or the percentage-of-completion method is permitted to account for construction contracts. In December 2007, the ASBJ issued a new accounting standard for construction contracts. Under this new accounting standard, the construction revenue and construction costs should be recognized by the percentage-of-completion method, if the outcome of a construction contract can be estimated reliably. When total construction revenue, total construction costs and the stage of completion of the contract at the balance sheet date can be reliably measured, the outcome of a construction contract can be estimated reliably. If the outcome of a construction contract cannot be reliably estimated, the completed-contract method shall be applied. When it is probable that total construction costs will exceed total construction revenue, an estimated loss on the contract should be immediately recognized by providing for loss on construction contracts. This standard is applicable to construction contracts and software development contracts and effective for fiscal years beginning on or after April 1, 2009 with early adoption permitted for fiscal years beginning on or before March 31, 2009 but after December 27, 2007.

t. Reclassifications

Certain reclassifications have been made in the 2008 and 2007 financial statements to conform to the classifications used in 2009.

3 Marketable and investment securities

Marketable and investment securities as of March 31, 2009 and 2008 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2009	2008	2009
Current:			
Government and corporate bonds		¥ 20	
Non-current:			
Equity securities	¥49,898	¥72,082	$509,163
Government and corporate bonds	751	700	7,663
Investments in limited liability partnership	7,718	3,115	78,755
Preferred fund certificates	26,502	14,533	270,429
Other	127	192	1,296
Total	¥84,996	¥90,622	$867,306

The carrying amounts and aggregate fair values of marketable and investment securities at March 31, 2009 and 2008 were as follows:

	Millions of Yen			
	2009			
	Cost	Unrealized Gains	Unrealized Losses	Fair Value
Securities classified as:				
Available-for-sale:				
Equity securities	¥37,267	¥9,061	¥3,319	¥43,009
Debt securities	500		24	476
Other	119	8		127
Held-to-maturity	5			5

	Millions of Yen			
	2008			
	Cost	Unrealized Gains	Unrealized Losses	Fair Value
Securities classified as:				
Available-for-sale:				
Equity securities	¥43,312	¥26,286	¥1,804	¥67,794
Debt securities	720		32	688
Other	136	62	6	192
Held-to-maturity	32	1	1	32

	Thousands of U.S. Dollars			
	2009			
	Cost	Unrealized Gains	Unrealized Losses	Fair Value
Securities classified as:				
Available-for-sale:				
Equity securities	$380,275	$92,460	$33,868	$438,867
Debt securities	5,102		245	4,857
Other	1,214	82		1,296
Held-to-maturity	51			51

Available-for-sale securities whose fair value is not readily determinable as of March 31, 2009 and 2008 were as follows:

	Carrying Amount		
	Millions of Yen		Thousands of U.S. Dollars
	2009	2008	2009
Available-for-sale:			
Equity securities	¥ 6,889	¥ 4,288	$ 70,296
Preferred fund certificates	26,502	14,533	270,429
Investments in limited liability partnership	7,718	3,115	78,755
Debt securities	270		2,755
Total	¥41,379	¥21,936	$422,235

The carrying values of debt securities by contractual maturities for securities classified as available-for-sale and held-to-maturity at March 31, 2009 are as follows:

	Held to Maturity	
	Millions of Yen	Thousands of U.S. Dollars
Due in one to five years	¥245	$2,500
Due in five to ten years	25	255
Due after ten years	481	4,908
Total	¥751	$7,663

4 Inventories

Inventories at March 31, 2009 and 2008 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2009	2008	2009
Finished residential homes and condominiums	¥ 41,645	¥ 38,320	$ 424,949
Construction projects in progress	57,445	72,602	586,174
Residential homes and condominiums in process	43,660	59,864	445,510
Land held:			
For resale	221,800	287,572	2,263,265
Under development	12,032	16,643	122,776
Undeveloped	3,789	3,842	38,663
Merchandise, construction materials and others	16,073	16,770	164,010
Total	¥396,444	¥495,613	$4,045,347

The Group engages in two principal business activities. The Group companies manufacture and construct prefabricated houses and structures and also engage in various contracted construction projects, primarily for the construction of large-scale commercial and residential buildings. To further the business, the Group purchases land for development and resale.

5 Land revaluation

Under the "Law of Land Revaluation," the Company and certain subsidiaries elected a one-time revaluation of their own-use land to a value based on real estate appraisal information as of March 31, 2002.

The resulting land revaluation difference represents unrealized depreciation of land and is stated, net of income taxes, as a component of equity. There was no effect on the consolidated statement of income. Continuous readjustment is not permitted unless the land value subsequently declines significantly such that the amount of the decline in value should be removed from the land revaluation difference account and related deferred tax liabilities.

As at March 31, 2009, the carrying amount of the land after the above one-time revaluation exceeded the market value by ¥22,715 million ($231,786 thousand).

As to significant change in the land revaluation difference, see the consolidated statements of changes in equity.

❻ Long-lived assets

The Group recognized an impairment loss on property, plant and equipment for the following group of assets in the years ended March 31, 2009, 2008 and 2007, respectively.

2009				
Classification of Group	Type of Assets	Location	Millions of Yen	Thousands of U.S. Dollars
Hotel	Buildings and structures, machinery and equipment, furniture and fixtures, land and lease assets	Fukuoka Prefecture and others	¥ 4,880	$ 49,796
Golf course	Buildings and structures, machinery and equipment, furniture and fixtures, and land	Miyagi Prefecture and others	3,497	35,684
Assets used under sublease agreements	Buildings and structures, furniture and fixtures, land, lease assets and other assets	Chiba Prefecture and others	5,391	55,010
Idle assets	Land	Niigata Prefecture and others	48	490
Home center	Buildings and structures, furniture and fixtures, and lease assets	Chiba Prefecture and others	83	847
Fitness clubs	Buildings and structures, furniture and fixtures, lease assets and other assets	Tokyo Prefecture and others	609	6,214
Offices, factories and others	Buildings and structures, machinery and equipment, furniture and fixtures, land and lease assets	Ishikawa Prefecture and others	384	3,918
Total			¥14,892	$151,959

2008			
Classification of Group	Type of Assets	Location	Millions of Yen
Hotel	Buildings and structures, machinery and equipment, furniture and fixtures, and land	Tochigi Prefecture and others	¥ 744
Golf course	Buildings and structures, machinery and equipment, furniture and fixtures, and land	Hokkaido Prefecture	115
Assets used under sublease agreements	Buildings and structures, and land	Wakayama Prefecture and others	220
Idle assets	Buildings and structures, and land	Shizuoka Prefecture and others	254
Home center	Buildings and structures, furniture and fixtures, and leased property under finance leases	Osaka Prefecture and others	133
Other	Buildings and structures, machinery and equipment, furniture and fixtures, and leased property under finance leases	Chiba Prefecture and others	189
Total			¥1,655

2007			
Classification of Group	Type of Assets	Location	Millions of Yen
Assets used under sublease agreements	Buildings and structures and furniture and fixtures	Fukuoka Prefecture and others	¥5,001
Fitness clubs	Buildings and structures, furniture and fixtures and leased property under finance leases	Kyoto Prefecture and others	41
Total			¥5,042

The Group classified the fixed assets by business control unit such as branch office, plant, and each property leased, which controls its revenue and expenditure continuously.

Book values of the above assets were written down to the recoverable amounts due to decreases in the land prices and significant declines in profitability caused by severe competition.

The recoverable amount of assets was mainly measured by its discounted cash flow in use and its net selling price based on real estate appraisal standards. The discount rate that is used in 2007 is approximately 2.5%.

7 Short-term bank loans, commercial paper and long-term debt

The annual interest rates for the short-term bank loans ranged from 0.76% to 1.50% and ranged from 0.98% to 1.60% at March 31, 2009 and 2008, respectively.

The annual interest rates for the commercial paper ranged from 0.68% to 0.69% at March 31, 2008.

Long-term debt at March 31, 2009 and 2008 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2009	2008	2009
Loans from banks, 0.77% to 3.08% (0.77% to 3.08% in 2008), due on various dates through 2042:			
Collateralized	¥ 47,304	¥ 25,273	$ 482,694
Unsecured	278,263	169,699	2,839,418
Total	325,567	194,972	3,322,112
Less current portion	5,610	1,595	57,245
Long-term debt, net of current portion	¥319,957	¥193,377	$3,264,867

Annual maturities of long-term debt at March 31, 2009, were as follows:

Year Ending March 31	Millions of Yen	Thousands of U.S. Dollars
2010	¥ 5,610	$ 57,245
2011	2,920	29,796
2012	27,930	285,000
2013	148,940	1,519,796
2014	127,292	1,298,898
2015 and thereafter	12,875	131,377
Total	¥325,567	$3,322,112

At March 31, 2009, assets pledged as collateral for secured long-term debt were as follows:

	Millions of Yen	Thousands of U.S. Dollars
Cash and cash equivalents	¥ 524	$ 5,347
Receivables	5,450	55,612
Buildings and structures	21,736	221,796
Machinery and equipment	486	4,959
Furniture and fixtures	177	1,806
Land	7,494	76,469
Lease deposits	1,281	13,072
Accrued income (Other current assets)	56	572
Total	¥37,204	$379,633

As is customary in Japan, a company maintains substantial deposit balances with banks with which it has borrowings. Such deposit balances are not legally or contractually restricted as to withdrawal. In addition, collateral must be provided if requested by the lending banks and certain banks have the right to offset cash deposited with them against any bank loan or obligation that becomes due and, in case of default and certain other specified events, against all other debt payable to the bank concerned. The Group has never received any such request.

8 Retirement and pension plans

Under the unfunded employees' retirement benefit plan, employees of the Company and certain subsidiaries terminating their employment are entitled, in most circumstances, to lump-sum severance payments determined by reference to wage rates at the time of termination and years of service. In addition, the Company, together with certain subsidiaries and associated companies, has adopted non-contributory funded defined benefit pension plans covering most of their employees. The liability for employees' retirement benefits at March 31, 2009 and 2008 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2009	2008	2009
Projected benefit obligation	¥315,784	¥291,038	$3,222,286
Fair value of plan assets	(155,581)	(166,868)	(1,587,561)
Net liability	160,203	124,170	1,634,725
Liability for employees' retirement benefits	¥160,203	¥124,170	$1,634,725

The components of net periodic benefit costs are as follows:

	Millions of Yen			Thousands of U.S. Dollars
	2009	2008	2007	2009
Service cost	¥17,167	¥15,762	¥14,573	$175,174
Interest cost	7,262	6,765	6,375	74,102
Expected return on plan assets	(4,120)	(4,350)		(42,041)
Gain on amortization of prior service cost		(500)	(324)	
Recognized actuarial loss (gain)	31,495	26,411	(3,164)	321,377
Net periodic benefit costs	¥51,804	¥44,088	¥17,460	$528,612

Gain on amortization of prior service cost for the years ended March 31, 2008 and 2007 represents a decrease in the benefit obligation of ¥500 million and ¥324 million from the adoption of the revised benefit plan concerning the lump-sum severance payments of certain subsidiaries.

Assumptions used for the years ended March 31, 2009 and 2008 are set forth as follows:

	2009	2008
Discount rate	Principally 2.5%	Principally 2.5%
Expected rate of return on plan assets	Principally 2.5%	Principally 2.5%
Recognition period of actuarial gain/loss	1 year	1 year

9 Equity

Since May 1, 2006, Japanese companies have been subject to the Companies Act. The significant provisions in the Companies Act that affect financial and accounting matters are summarized below:

a. Dividends

Under the Companies Act, companies can pay dividends at any time during the fiscal year in addition to the year-end dividend upon resolution at the shareholders meeting. For companies that meet certain criteria such as; (1) having the Board of Directors, (2) having independent auditors, (3) having the Board of Corporate Auditors, and (4) the term of service of the directors is prescribed as one year rather than two years of normal term by its articles of incorporation, the Board of Directors may declare dividends (except for dividends in kind) at any time during the fiscal year if the Company has prescribed so in its articles of incorporation. The Company meets all the above criteria.

The Companies Act permits companies to distribute dividends-in-kind (non-cash assets) to shareholders subject to a certain limitation and additional requirements.

Semiannual interim dividends may also be paid once a year upon resolution by the Board of Directors if the articles of incorporation of the Company so stipulate. The Companies Act provides certain limitations on the amounts available for dividends or the purchase of treasury stock. The limitation is defined as the amount available for distribution to the shareholders, but the amount of net assets after dividends must be maintained at no less than ¥3 million.

b. Increases/decreases and transfer of common stock, reserve and surplus

The Companies Act requires that an amount equal to 10% of dividends must be appropriated as a legal reserve (a component of retained earnings) or as additional paid-in capital (a component of capital surplus) depending on the equity account charged upon the payment of such dividends until the total of aggregate amount of legal reserve and additional paid-in capital equals 25% of the common stock. Under the Companies Act, the total amount of additional paid-in capital and legal reserve may be reversed without limitation. The Companies Act also provides that common stock, legal reserve, additional paid-in capital, other capital surplus and retained earnings can be transferred among the accounts under certain conditions upon resolution of the shareholders.

c. Treasury stock and treasury stock acquisition rights

The Companies Act also provides for companies to purchase treasury stock and dispose of such treasury stock by resolution of the Board of Directors. The amount of treasury stock purchased cannot exceed the amount available for distribution to the shareholders which is determined by specific formula.

Under the Companies Act, stock acquisition rights are presented as a separate component of equity.

The Companies Act also provides that companies can purchase both treasury stock acquisition rights and treasury stock. Such treasury stock acquisition rights are presented as a separate component of equity or deducted directly from stock acquisition rights.

⑩ Segment information

Information about operations in different industry segments of the Group for the years ended March 31, 2009, 2008 and 2007 is as follows:

Sales and operating income

	Millions of Yen						
	2009						
	Residential	Commercial	Resort and Sports	Home Center	Other	Eliminations/ Corporate	Consolidated
Sales to customers	¥957,188	¥530,108	¥60,078	¥61,745	¥ 81,837		¥1,690,956
Intersegment sales	1,838	15,033	29	1,761	62,141	¥(80,802)	
Total sales	959,026	545,141	60,107	63,506	143,978	(80,802)	1,690,956
Operating expenses	930,493	478,959	61,223	62,352	141,474	(57,125)	1,617,376
Operating income (loss)	¥ 28,533	¥ 66,182	¥ (1,116)	¥ 1,154	¥ 2,504	¥(23,677)	¥ 73,580

	Millions of Yen						
	2008						
	Residential	Commercial	Resort and Sports	Home Center	Other	Eliminations/ Corporate	Consolidated
Sales to customers	¥1,001,156	¥503,718	¥63,676	¥60,878	¥ 79,826		¥1,709,254
Intersegment sales	3,209	9,016	26	1,745	63,521	¥(77,517)	
Total sales	1,004,365	512,734	63,702	62,623	143,347	(77,517)	1,709,254
Operating expenses	950,627	462,226	63,662	60,815	138,787	(55,984)	1,620,133
Operating income	¥ 53,738	¥ 50,508	¥ 40	¥ 1,808	¥ 4,560	¥(21,533)	¥ 89,121

	Millions of Yen						
	2007						
	Residential	Commercial	Resort and Sports	Home Center	Other	Eliminations/ Corporate	Consolidated
Sales to customers	¥961,490	¥466,267	¥67,762	¥60,636	¥ 62,295		¥1,618,450
Intersegment sales	4,408	11,425		1,605	62,352	¥(79,790)	
Total sales	965,898	477,692	67,762	62,241	124,647	(79,790)	1,618,450
Operating expenses	912,731	430,759	66,748	60,469	120,274	(58,210)	1,532,771
Operating income	¥ 53,167	¥ 46,933	¥ 1,014	¥ 1,772	¥ 4,373	¥(21,580)	¥ 85,679

	Thousands of U.S. Dollars						
	2009						
	Residential	Commercial	Resort and Sports	Home Center	Other	Eliminations/ Corporate	Consolidated
Sales to customers	$9,767,225	$5,409,265	$613,041	$630,051	$ 835,071		$17,254,653
Intersegment sales	18,755	153,398	296	17,969	634,092	$(824,510)	
Total sales	9,785,980	5,562,663	613,337	648,020	1,469,163	(824,510)	17,254,653
Operating expenses	9,494,827	4,887,336	624,725	636,245	1,443,612	(582,908)	16,503,837
Operating income (loss)	$ 291,153	$ 675,327	$ (11,388)	$ 11,775	$ 25,551	$(241,602)	$ 750,816

Segment information for the year ended March 31, 2007 was corrected on the basis of the report reissued domestically on January 22, 2008.

Total assets, depreciation, impairment loss and capital investments

	Millions of Yen						
	2009						
	Residential	Commercial	Resort and Sports	Home Center	Other	Eliminations/ Corporate	Consolidated
Total assets	¥607,233	¥705,606	¥91,825	¥44,896	¥201,082	¥159,931	¥1,810,573
Depreciation	7,249	13,980	2,859	981	13,190	1,059	39,318
Impairment loss	199	5,507	8,986	83	10	107	14,892
Capital investments	50,113	89,259	2,379	1,074	19,425	(1,649)	160,601

Millions of Yen

2008							
	Residential	Commercial	Resort and Sports	Home Center	Other	Eliminations/ Corporate	Consolidated
Total assets	¥656,479	¥616,757	¥101,561	¥45,319	¥192,465	¥178,471	¥1,791,052
Depreciation	6,956	10,924	2,580	876	13,086	1,200	35,622
Capital investments	10,484	71,061	2,795	734	18,719	63	103,856

Millions of Yen

2007							
	Residential	Commercial	Resort and Sports	Home Center	Other	Eliminations/ Corporate	Consolidated
Total assets	¥567,650	¥545,408	¥104,161	¥44,828	¥163,097	¥204,878	¥1,630,022
Depreciation	5,516	8,971	1,916	736	11,097	1,300	29,536
Capital investments	12,600	98,813	2,677	3,120	19,907	(946)	136,171

Thousands of U.S. Dollars

2009							
	Residential	Commercial	Resort and Sports	Home Center	Other	Eliminations/ Corporate	Consolidated
Total assets	$6,196,255	$7,200,061	$936,990	$458,123	$2,051,857	$1,631,949	$18,475,235
Depreciation	73,969	142,653	29,174	10,010	134,592	10,806	401,204
Impairment loss	2,030	56,194	91,694	847	102	1,092	151,959
Capital investments	511,357	910,806	24,276	10,959	198,214	(16,826)	1,638,786

The industry segments consisted of the following:

	Industry Segment				
Components of Net Sales	Residential	Commercial	Resort and Sports	Home Center	Other
Construction	Construction of single/multi-family houses and condominiums	Construction of commercial buildings			
Real estate	Sales of real estate for residential use Real estate commissions Rental of residential complexes	Sales and rental of real estate for commercial use			
Other	Care of condominiums	Care of commercial buildings	Operation of resort type hotels, golf courses and fitness clubs	Operation of “do-it-yourself” hardware centers	Manufacture and sales of building materials Physical distribution Operation of city type hotels

As discussed in Note 2-f, effective April 1, 2008, the Group applied ASBJ Statement No. 9, “Accounting Standard for Measurement of Inventories.” The effect of this change was to decrease operating income of Industry Residential by ¥7,587 million ($77,418 thousand), operating income of Industry Commercial by ¥107 million ($1,092 thousand), operating income of Industry Home Center by ¥179 million ($1,827 thousand) and operating income of Industry Other by ¥9 million ($92 thousand) for the year ended March 31, 2009.

Eliminations/Corporate include unallocated operating expenses, principally consisting of general corporate expenses incurred by the administration headquarters of the Company.

Corporate assets are principally cash and cash equivalents, marketable securities and investment securities.

⓫ Other income (expenses): Other — net

"Other income (expenses): Other — net" for the years ended March 31, 2009, 2008 and 2007 consisted of the following:

	Millions of Yen			Thousands of U.S. Dollars
	2009	2008	2007	2009
Real estate acquisition tax and other taxes	¥(1,161)	¥(1,197)	¥ (506)	$(11,847)
Provision for retirement benefits for directors of subsidiaries		(379)	(61)	
Reversal of accounts payable for retirement benefits for directors of subsidiaries	473			4,827
Gain on sales of investment securities	4	899	1,352	41
Allowance for doubtful accounts	(414)	(239)		(4,225)
Equity in earnings of associated companies	542	316	289	5,531
Write-down of golf club membership	(97)	(53)	(75)	(990)
Loss on sales of golf club membership		(3)		
Expenses in relation to earthquake			(617)	
Interest on commercial paper	(662)	(704)		(6,755)
Salaries and allowance for prior periods	(248)	(226)		(2,531)
Gain on settlement of derivatives	856	722		8,735
Loss on settlement of derivatives	(355)	(222)		(3,622)
Loss on liquidation of subsidiaries and affiliates	(22)			(225)
Bad debt expenses	(312)			(3,184)
Other — net	1,937	1,067	337	19,765
Total	¥ 541	¥ (19)	¥ 719	$ 5,520

⓬ Loss on development businesses

Loss on development businesses is write-down of certain land inventories due to suspension of long-term developments of large-scale residential areas and forest residential areas, which the Company does not expect to be realized promptly as a result of reassessing the profitability, speed and efficiency of the business plan.

⓭ Income taxes

The Company and its domestic subsidiaries are subject to Japanese national and local income taxes which, in the aggregate, resulted in a normal effective statutory tax rates of approximately 40.6% for the years ended March 31, 2009, 2008 and 2007.

The tax effects of significant temporary differences and tax loss carryforwards which resulted in deferred tax assets and liabilities at March 31, 2009 and 2008 are as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2009	2008	2009
Current:			
Deferred tax assets:			
Write-down of land held for resale	¥ 20,749	¥ 21,956	$ 211,724
Accrued bonuses	7,250	8,033	73,980
Accrued enterprise tax	771	1,967	7,867
Other	7,006	8,813	71,490
Less valuation allowance	(58)		(592)
Deferred tax assets	¥ 35,718	¥ 40,769	$ 364,469
Deferred tax liabilities:			
Other		¥ (49)	
Net deferred tax assets	¥ 35,718	¥ 40,720	$ 364,469
Non-current:			
Deferred tax assets:			
Employees' retirement benefits	¥ 64,982	¥ 50,569	$ 663,082
Unrealized gains on sales of property, plant and equipment	8,937	8,162	91,194
Extraordinary depreciation for property, plant and equipment	6,708	7,622	68,449
Loss carryforwards	7,698	5,754	78,551
Other	32,613	25,215	332,786
Less valuation allowance	(11,719)	(8,483)	(119,582)
Deferred tax assets	¥109,219	¥ 88,839	$1,114,480
Deferred tax liabilities:			
Retained earnings appropriated for tax allowable reserves	¥ (1,988)	¥ (1,997)	$ (20,286)
Net unrealized gain on available-for-sale securities	(2,319)	(9,919)	(23,664)
Other	(192)	(250)	(1,959)
Deferred tax liabilities	¥ (4,499)	¥(12,166)	$ (45,909)
Net deferred tax assets	¥104,720	¥ 76,673	$1,068,571

Deferred tax assets for the year ended March 31, 2008 was corrected on the basis of the report reissued domestically on December 19, 2008.

A reconciliation between the normal effective statutory tax rates and the actual effective tax rates reflected in the accompanying consolidated statements of income for the years ended March 31, 2009 and 2008 is as follows:

	2009	2008
Normal effective statutory tax rates	40.6%	40.6%
Increase (decrease) in tax rates due to:		
Permanently non-deductible expenses	9.3	4.7
Non-taxable dividend income	(0.3)	(1.0)
Per capita levy	7.4	3.7
Equity in earnings of associated companies	(1.6)	(0.5)
Unrealized gain on inventories		(4.3)
Increase in valuation allowance	23.1	7.9
Tax credit for corporate tax	(1.5)	(1.1)
Reversal of land revaluation difference	(3.8)	(0.4)
Other — net	(0.1)	(1.1)
Actual effective tax rates	73.1%	48.5%

A reconciliation between the normal effective statutory tax rates and the actual effective tax rates for the year ended March 31, 2007 was insignificant and not disclosed.

At March 31, 2009, certain subsidiaries have tax loss carryforwards aggregating approximately ¥20,210 million ($206,224 thousand) which are available to be offset against taxable income of such subsidiaries in future years. These tax loss carryforwards, if not utilized, will expire as follows:

Year Ending March 31	Millions of Yen	Thousands of U.S. Dollars
2011	¥ 65	$ 663
2012	108	1,102
2013	239	2,439
2014	722	7,367
2015 and thereafter	19,076	194,653
Total	¥20,210	$206,224

⑭ Research and development costs

Research and development costs charged to income were ¥7,753 million ($79,112 thousand), ¥7,870 million and ¥7,223 million for the years ended March 31, 2009, 2008 and 2007, respectively.

⑮ Leases

As discussed in Note 2-i, the Group accounts for leases which existed at the transition date and do not transfer ownership of the leased property to the lessee as operating lease transaction. For real estate lease transaction, the information for the year ended March 31, 2009 were prepared based on the revised accounting standard.

Finance leases:

(Lessee)

Total lease payments under finance leases that are not deemed to transfer ownership of the leased property to the lessee were ¥29,330 million ($299,286 thousand), ¥2,947 million, and ¥3,829 million for the years ended March 31, 2009, 2008 and 2007, respectively.

The amount of the imputed interest expense portion included in the above lease payments, which is computed using the interest method, was ¥12,438 million ($126,918 thousand) for the year ended March 31, 2009.

Pro forma information of leased property under finance leases that do not transfer ownership of the leased property to the lessee on an "as if capitalized" basis for the years ended March 31, 2009 and 2008 were as follows:

	Millions of Yen			
	2009			
	Buildings and Structures	Machinery and Equipment	Furniture and Fixtures	Total
Acquisition cost	¥341,233	¥3,238	¥4,741	¥349,212
Accumulated depreciation	108,311	1,035	2,845	112,191
Accumulated impairment loss	2,840		23	2,863
Net leased property	¥230,082	¥2,203	¥1,873	¥234,158

	Millions of Yen			
	2008			
	Buildings and Structures	Machinery and Equipment	Furniture and Fixtures	Total
Acquisition cost	¥2,269	¥3,779	¥7,607	¥13,655
Accumulated depreciation	977	959	4,441	6,377
Accumulated impairment loss			6	6
Net leased property	¥1,292	¥2,820	¥3,160	¥ 7,272

	Thousands of U.S. Dollars			
	2009			
	Buildings and Structures	Machinery and Equipment	Furniture and Fixtures	Total
Acquisition cost	$3,481,969	$33,041	$48,378	$3,563,388
Accumulated depreciation	1,105,214	10,561	29,031	1,144,806
Accumulated impairment loss	28,980		235	29,215
Net leased property	$2,347,775	$22,480	$19,112	$2,389,367

Obligations under finance leases as of March 31, 2009 and 2008 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2009	2008	2009
Due within one year	¥ 18,275	¥2,251	$ 186,480
Due after one year	240,921	5,027	2,458,377
Total	¥259,196	¥7,278	$2,644,857

Allowance for impairment loss on leased property of ¥2,860 million ($29,184 thousand) and ¥6 million as of March 31, 2009 and 2008, respectively, is not included in obligation under finance leases.

Reversals of allowance for impairment loss on leased properties were ¥4 million ($41 thousand) and ¥2 million for the years ended March 31, 2009 and 2008, respectively.

Depreciation expenses relating to the leased assets under finance lease arrangements mentioned above were ¥18,787 million ($191,704 thousand), ¥2,945 million and ¥3,829 million for the years ended March 31, 2009, 2008 and 2007, respectively.

The Group recorded an impairment loss of ¥430 million ($4,388 thousand) and ¥3 million on certain leased property held under finance leases for the years ended March 31, 2009 and 2008, respectively.

The amount of acquisition cost and obligations under finance leases includes the imputed interest expense portion.

Depreciation expenses, which are not reflected in the accompanying statements of income, are computed by the straight-line method.

(Lessor)

The net investment in lease is summarized as follows:

	Millions of Yen	Thousands of U.S. Dollars
	2009	2009
Gross lease receivables	¥6,449	$65,806
Unguaranteed residual values	266	2,714
Unearned interest income	(1,088)	(11,102)
Investments in lease, current	¥5,627	$57,418

Maturities of investment in lease for finance leases that deem not to transfer ownership of the leased property to the lessee are as follows:

Year Ending March 31	Millions of Yen	Thousands of U.S. Dollars
2010	¥1,096	$11,184
2011	1,079	11,010
2012	1,048	10,694
2013	995	10,153
2014	600	6,122
2015 and thereafter	1,631	16,643
Total	¥6,449	$65,806

Total rental income under finance leases that are not deemed to transfer ownership of the leased property to the lessee were ¥3,950 million ($40,306 thousand), ¥9,782 million and ¥9,155 million for the years ended March 31, 2009, 2008 and 2007, respectively.

The amount of the imputed interest income portion included in the above rental income, which is computed using the interest method, was ¥585 million ($5,969 thousand), ¥753 million and ¥765 million for the years ended March 31, 2009, 2008 and 2007, respectively.

Property and equipment leased to customers under finance lease arrangements mentioned above consisted of the following at March 31, 2009 and 2008.

	Millions of Yen				Thousands of U.S. Dollars
	2009	2008			2009
	Machinery and Equipment	Buildings and Structures	Machinery and Equipment	Total	Machinery and Equipment
Acquisition cost	¥14,511	¥11,552	¥29,851	¥41,403	$148,072
Accumulated depreciation	7,565	6,929	14,543	21,472	77,194
Net leased property	¥ 6,946	¥ 4,623	¥15,308	¥19,931	$ 70,878

Future rental income under finance leases at March 31, 2009 and 2008 was as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2009	2008	2009
Due within one year	¥2,664	¥ 8,514	$27,184
Due after one year	4,716	15,847	48,122
Total	¥7,380	¥24,361	$75,306

The imputed interest income portion is excluded from the amount of rental income under finance leases.

Depreciation expense relating to the leased assets under finance lease arrangements mentioned above was ¥2,626 million ($26,796 thousand), ¥6,919 million and ¥6,261 million for the years ended March 31, 2009, 2008 and 2007, respectively.

Operating leases:

Obligations and future rental income under non-cancellable operating leases as of March 31, 2009 and 2008 were as follows:

(Lessee)

	Millions of Yen		Thousands of U.S. Dollars
	2009	2008	2009
Due within one year	¥ 38,934	¥ 52,383	$ 397,286
Due after one year	473,066	585,183	4,827,204
Total	¥512,000	¥637,566	$5,224,490

(Lessor)

	Millions of Yen		Thousands of U.S. Dollars
	2009	2008	2009
Due within one year	¥ 2,051	¥ 49,649	$ 20,928
Due after one year	161,115	603,197	1,644,031
Total	¥163,166	¥652,846	$1,664,959

⑯ Derivatives

The Group enters into interest rate and commodity swaps to hedge fluctuation risks of foreign exchange or interest rate or fuel price.

It is the Group's policy to use derivatives only for the purpose of reducing market risks associated with assets and liabilities.

Derivatives are subject to market risk and credit risk. Because the counterparties to those derivatives are limited to major international financial institutions, the Group does not anticipate any losses arising from credit risk.

The Group implemented a risk control system for derivatives primarily to control the purpose, limitation and selection of counterparties. The system's primary function is to avoid excess risks associated with derivatives. Each derivative transaction, which is based on these internal policies, is reported to the Director of the Financing Department, and the execution and control of derivatives are managed by the Finance Section of the Group.

The outstanding balance of derivatives contracts at March 31, 2009 and 2008 were as follows:

		Thousands of Barrel				Millions of Yen				Thousands of U.S. Dollars	
		2009		2008		2009		2008		2009	
Classification	Type of Transaction	Contract Amount	Due over One Year	Contract Amount	Due over One Year	Fair Value	Unrealized Gain (Loss)	Fair Value	Unrealized Gain (Loss)	Fair Value	Unrealized Gain (Loss)
Non-market transactions	Commodity swap:										
	Receive floating pay fixed	600	480	720	600	¥1,999	¥1,999	¥4,793	¥1,146	$20,398	$20,398
	Receive fixed pay floating	600	480	720	600	433	433	(1,710)	(1,540)	4,418	4,418
	Total	1,200	960	1,440	1,200	¥2,432	¥2,432	¥3,083	¥ (394)	$24,816	$24,816

⑰ Contingencies

At March 31, 2009, contingent liabilities for notes endorsed with recourse and loans guaranteed in the ordinary course of business amounted to ¥1,385 million ($14,133 thousand) and ¥48,282 million ($492,673 thousand), respectively. Included in loans guaranteed were customers' housing loans from banks in the amount of ¥23,719 million ($242,031 thousand).

⑱ Subsequent event

Appropriation of retained earnings

The following appropriation of retained earnings at March 31, 2009 was approved at the Company's shareholders' meeting held on June 26, 2009:

	Millions of Yen	Thousands of U.S. Dollars
Year-end cash dividends, ¥24.0 ($0.24) per share	¥13,900	$141,837

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors of Daiwa House Industry Co., Ltd.:

We have audited the accompanying consolidated balance sheets of Daiwa House Industry Co., Ltd. and consolidated subsidiaries as of March 31, 2009 and 2008, and the related consolidated statements of income, changes in equity, and cash flows for each of the three years in the period ended March 31, 2009, all expressed in Japanese yen. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in Japan. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Daiwa House Industry Co., Ltd. and consolidated subsidiaries as of March 31, 2009 and 2008, and the consolidated results of their operations and their cash flows for each of the three years in the period ended March 31, 2009, in conformity with accounting principles generally accepted in Japan.

Our audits also comprehended the translation of Japanese yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made in conformity with the basis stated in Note 1. Such U.S. dollar amounts are presented solely for the convenience of readers outside Japan.

Deloitte Touche Tohmatsu

June 26, 2009

Member of
Deloitte Touche Tohmatsu

Principal Subsidiaries and Affiliates

As of July 1, 2009

Japan

Daiwa House Industry Co., Ltd.
Housing/Commercial facilities/
Urban development, etc.
www.daiwahouse.co.jp

Daiwa Lease Co., Ltd.
Building & vehicle leasing/Land utilization
www.daiwalease.co.jp

Daiwa Rakuda Industry Co., Ltd.
Housing equipment/
Layout for offices and stores/Leasing
www.daiwarakuda.co.jp

Daiwa Logistics Co., Ltd.
Transportation/Warehouse & storage
www.daiwabutsuryu.co.jp

Daiwa Living Co., Ltd.
Management/Operation of rental housing
www.daiwaliving.co.jp

Daiwa Service Co., Ltd.
Management of buildings & condominiums/
Manpower dispatching/Moving services
www.daiwaservice.co.jp

Daiwa Information Service Co., Ltd.
Land utilization/Maintenance & operation of commercial facilities
www.dis-net.jp

Nihon Jyutaku Ryutu Co., Ltd.
Real estate agency & property management services/
Appraisals/Renovation work
www.jyutaku.co.jp

Daiwa Royal Co., Ltd.
Rental of commercial facilities/
Daiwa Roynet Hotels
www.daiwaroyal.com

Royal Home Center Co., Ltd.
DIY/Gardening/Interior items
www.royal-hc.co.jp

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

Daiwa Royal Golf Co., Ltd.
Golf course operation
www.daiwaroyalgolf.jp

Daiwa House Renew Co., Ltd.
Renovation work
www.daiwahouse-renew.co.jp

Daiwa Energy Co., Ltd.
ESCO business/Environmental equipment/
Facility installation
www.daiwa-energy.com

Daiwa Estate Co., Ltd.
Real estate agency
www.daiwaestate.jp

Daiwa Monthly Co., Ltd.
Real estate rental & management
www.daiwamonthly.co.jp

Daiwa Lantec Higashinihon Co., Ltd.
Foundation assessment & reinforcement
www.daiwalantec-east.jp

Daiwa Lantec Nishinihon Co., Ltd.
Foundation assessment & reinforcement
www.daiwalantec-west.jp

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

Osaka Marubiru Co., Ltd.
Management of hotels/
Rental of commercial facilities
www.marubiru.com

Nippon Athletic Service Co., Ltd. (Sports Club NAS)
Fitness clubs
www.nas-club.co.jp

Daiwa House REIT Management Co., Ltd.
Asset management

Daiwa House Morimoto Asset Management Co., Ltd.
Asset management
www.dh-am.com

Daiwa House Financial Co., Ltd.
Credit card operations
www.daiwasaisoncard.com

Daiwa House Insurance Co., Ltd.
Non-life insurance agency
www.daiwahouse-ins.jp

Synchroller Co., Ltd.
Manufacture of housing parts & materials

Shinwa Agency Co., Ltd.
Advertising & travel agency
www.go-to-s.com

Media Tech Inc.
Data systems/Data services
www.mediatech.jp

Eneserve Corporation
Comprehensive energy services
www.eneserve.co.jp

Higashi-Fuji Co., Ltd.
Real estate development,
sale of commercial real estate

Daiwa Odakyu Construction Co., Ltd.
General construction/Real estate
www.daiwaodakyu.co.jp

LOC Development Co., Ltd.
Development and management of shopping centers
www.loc-kaihatsu.co.jp

Overseas

DH (Dalian) Administrative Management Consulting Center Co., Ltd.
Provision of outsourced administrative work

Dalian Fujiazhuang International Villa Co., Ltd.
Management of rental housing

Dalian Acacia Town Villa Co., Ltd.
Management of rental housing

Dalian Civil Aviation Hotel Co., Ltd.
Management of Royal Hotel at Dalian

Dalian Dahezhongsheng Estate Co., Ltd.
Development and marketing of condominiums

Dalian Yihe Property Management Co., Ltd.
Management of condominiums

Beijing East Palace Apartment Co., Ltd.
Management of rental housing

Tianjin Jiuhe International Villa Co., Ltd.
Management of rental housing

Shanghai International Realty Co., Ltd.
Management of rental housing

Daiwa House (Suzhou) Real Estate Development Co., Ltd.
Development and marketing of condominiums

Tewoo Daiwa House (Tianjin) Real Estate Development Co., Ltd.
Real estate consulting

Corporate Data

As of April 1, 2009

Corporate name:	Daiwa House Industry Co., Ltd.
Founding:	April 5, 1955 (Established: March 4, 1947)
Paid-in capital:	¥110,120,483,981
Employees:	14,127
Head office:	3-3-5 Umeda, Kita-ku, Osaka 530-8241, Japan Phone: +81-6-6346-2111
Tokyo office:	3-13-1 Iidabashi, Chiyoda-ku, Tokyo 102-8112, Japan Phone: +81-3-5214-2111
Nagoya office:	1-20-22 Aoi, Naka-ku, Nagoya 460-8491, Japan Phone: +81-52-933-2703
Branches:	82
Factories:	11
Research center:	Central Research Laboratory (Nara)
Training centers:	Osaka, Tokyo and Nara
Overseas offices:	Shanghai, Hanoi
Contact:	Daiwa House Industry Co., Ltd. IR Department, Management Administration Headquarters Phone: +81-6-6342-1400 Fax: +81-6-6342-1419 e-mail: dh.ir.communications@daiwahouse.jp
Daiwa House website:	Daiwa House Group: http://www.daiwahouse.com/English Daiwa House Industry Co., Ltd.: http://www.daiwahouse.co.jp/English
Securities traded:	Tokyo and Osaka stock exchanges
Securities code:	1925

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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.   Operator • Kohji Abe/D & Join Inc.
Photographer • Kazumasa Kondo   Assistant photographer • Ken Furusyo/Daiwa House
Japanese writers • Kazutaka Morimoto/Daiwa House; Yumi Minobe, Junko Takabe
Editors • Kazutaka Morimoto/Daiwa House; Kenji Murai • Noriko Suzuki/D & Join Inc.
English translators & editors • Stephen Lloyd • Laura Rauchwarg/D & Join Inc.   Director & coordinator • Katsuya Iwado /D & Join Inc.
Assistant directors • Atsumi Kimura • Nao Kishigami • Tetsuo Kubo • Yusuke Fukuda/Daiwa House


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“Think far ahead.”

—Nobuo Ishibashi, founder of Daiwa House

The Daiwa House Group’s dedication
to pioneering the future can be traced back
to these famous words of our founder.
We must ask what is needed by people,
by society, in this current age,
as well as what will be required
in the years to come.
We must think of how we can help
to improve people’s lives.
In the spirit of these words,
we remain committed to identifying
the latent needs of the coming age,
and will continue cultivating
new business fields.

The late Nobuo Ishibashi,
founder of Daiwa House Industry

The Story of the Daiwa House Group

50's

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

70's

1971
Daiwa Jutakukiki (current Daiwa Rakuda Industry) established

1975
Opening of the Daiwa House Group's first golf course at the Shikabe Country Club

1976
Full-scale start of retail and wholesale facilities business

1977
Condominium Business started

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

60's

1961
Daiwa Danchi established (merged with Daiwa House Industry in April 2001)

Stock listed on Osaka, Tokyo and Nagoya stock exchanges

1962
Daiwa Danchi developed, Habikino Neopolis our first housing complex

1965
Nara Factory constructed, Japan's first specialist plant for production of prefabricated houses

80's

1980
First Royal Home Center opened in Nara City

1982
Full-scale start of rental housing business

1983
Manufacture of high-end prefabricated houses for export to China (a first for Japan)

Tentakubin (current Daiwa Service) established

1986
Daiwa Information Service established

1989
Daiwa Living established

Silver Age Research Center established

World Events

1956
Japanese government announced it is "no longer the postwar era" (nation returns to normal economic activities)

1964
Tokyo Olympic Games

1971
End of Breton Woods system caused the U.S. dollar to collapse

1978
Second oil crisis

1989
Berlin Wall collapsed

Tiananmen Square incident

90's

1994
Daiwa House Central Research Laboratory opened in Kansai Science City

00's

2000
Full-scale start of renovation business

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

Osaka Marubiru became consolidated subsidiary

Daiwa House® Group

2005
The Daiwa House Group drew up new management vision and Employee Charter to mark 50th anniversary

New Group symbol — the "Endless Heart" — introduced

NAS (Nippon Athletic Service) became consolidated subsidiary

2006
Group management integration through share exchange transactions between Daiwa House Industry and Daiwa Kosho Lease (current Daiwa Lease), Daiwa Rakuda Industry, and Daiwa Logistics, by which the subsidiaries became wholly owned subsidiaries of Daiwa House Industry

Daiwa House Financial, Daiwa House Insurance, and Daiwa House REIT Management founded

2007
Daiwa Royal Golf founded

The resort hotel business is split off from Daiwa House Industry

Nobuo Ishibashi Memorial Museum opened

Eneserve became consolidated subsidiary

2008
Daiwa House Industry formed capital alliance with Odakyu Construction Co., Ltd. (current Daiwa Odakyu Construction)

Eneserve became wholly owned subsidiary

Morimoto Asset Management Co., Ltd. became consolidated subsidiary in December, and changed corporate name to Daiwa House Morimoto Asset Management in February, 2009

1991
Soviet Union collapsed

1999
Single European currency, the euro born

2001
9/11 terrorist attacks

2008
Lehman Brothers collapsed, triggering worldwide financial crisis

2009
Barack Obama becomes President of the United States

www.daiwahouse.com/English

Supporting forest care — "green" papermaking
Creating Dreams, Building Hearts —
Because we need forests to make our dreams come true, we have primarily used paper made from forest thinnings for this publication, to express our commitment to sustainable forest care.