

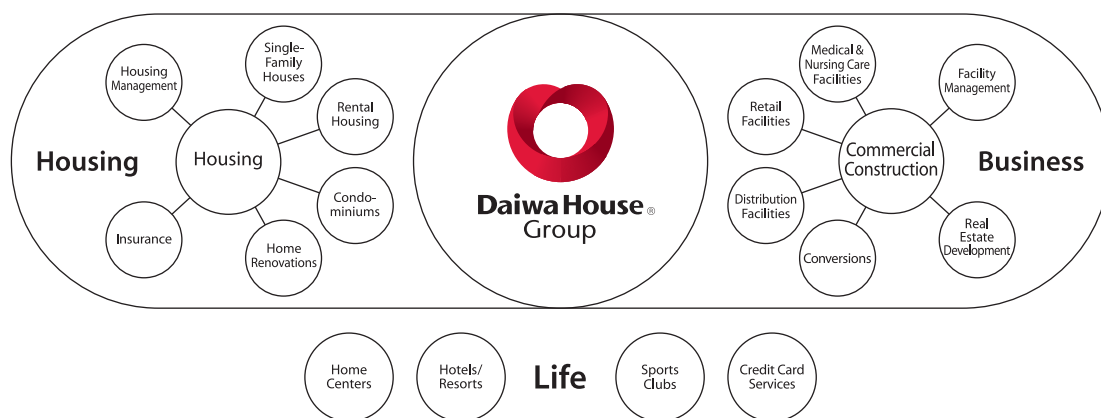
Business Overview

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.”

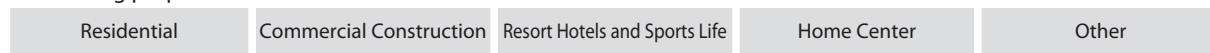
In this Business Overview, we will provide a detailed explanation of our business strategy and the progress of the medium-term management plan by each of the eight business domains.

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

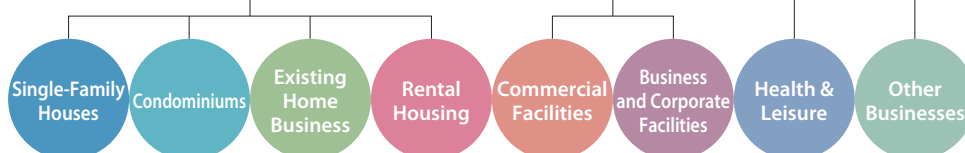
Daiwa House Group —
working to co-create value for individuals, communities and people’s lifestyles



Accounting purpose

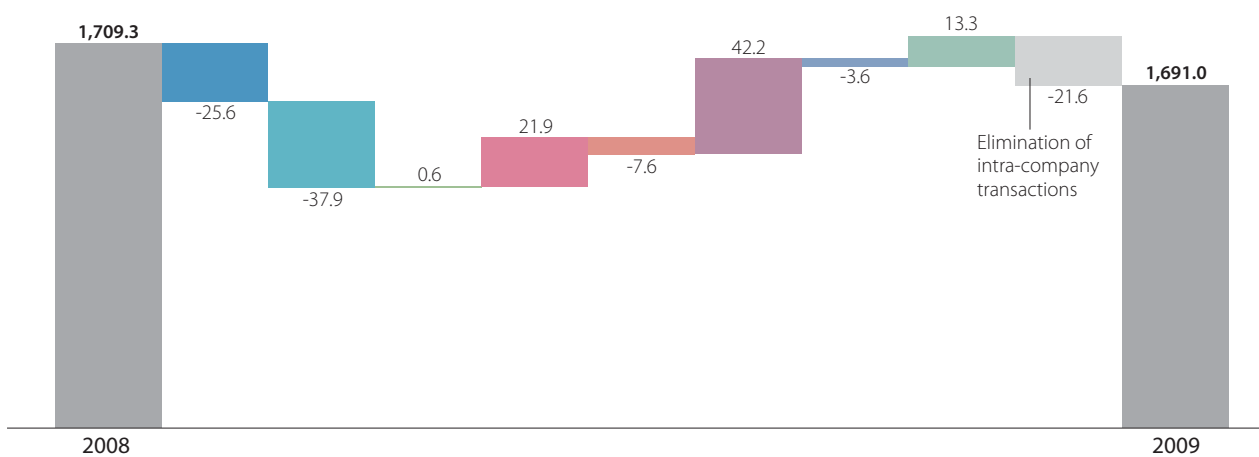


Eight business domains

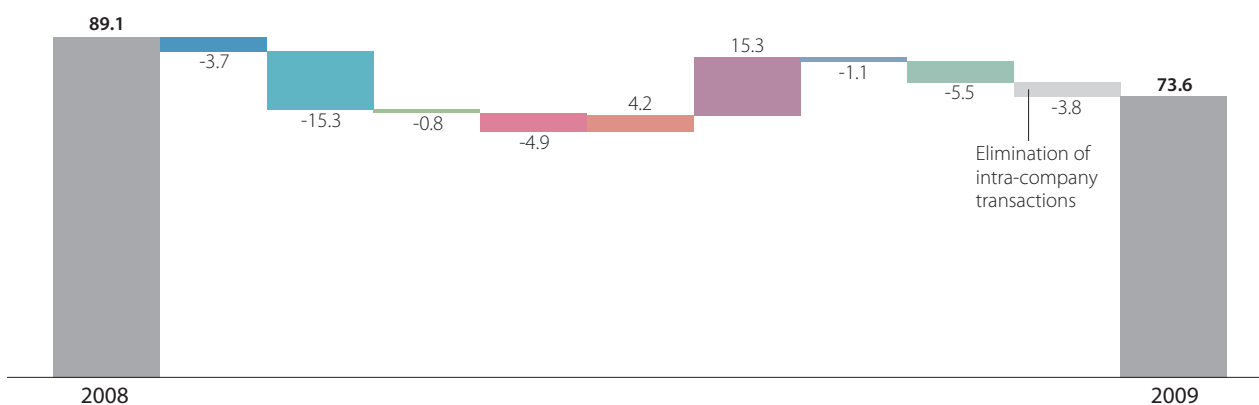


- ● ● Key domains for earnings growth
- ● ● Domains earmarked for improving profit margins
- ● ● Domains earmarked for expanding sales

Sales (¥ billion)



Operating income (¥ billion)



Single-Family Houses

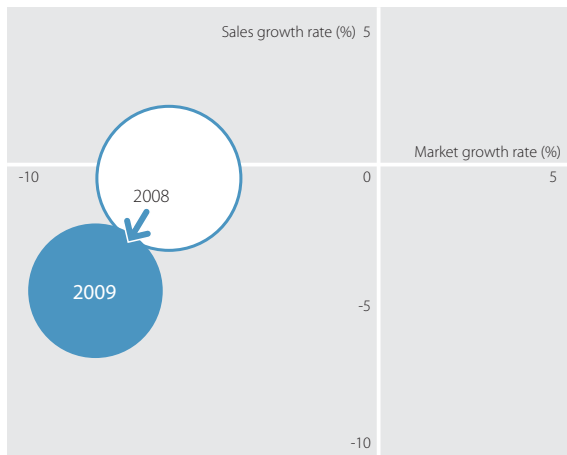
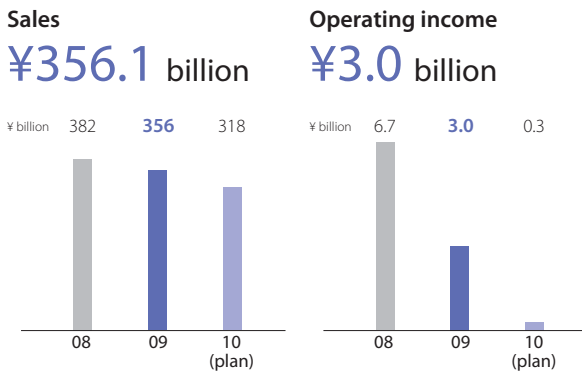
P68

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.



Condominiums

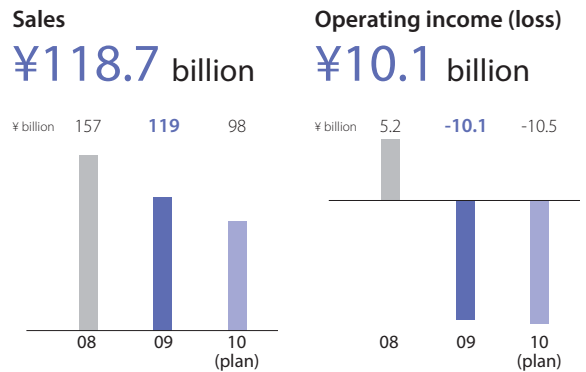
P70

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 CO₂ 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.



Existing Home Business

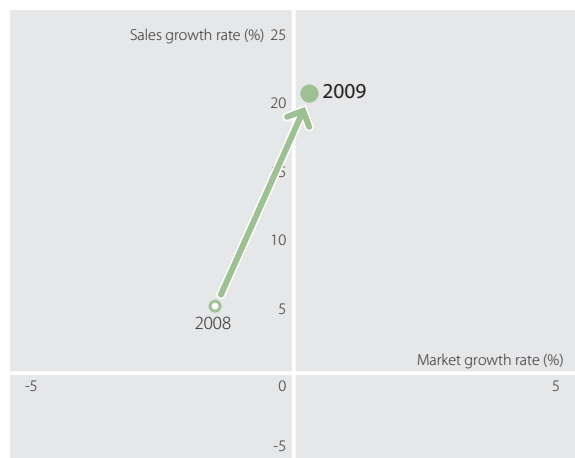
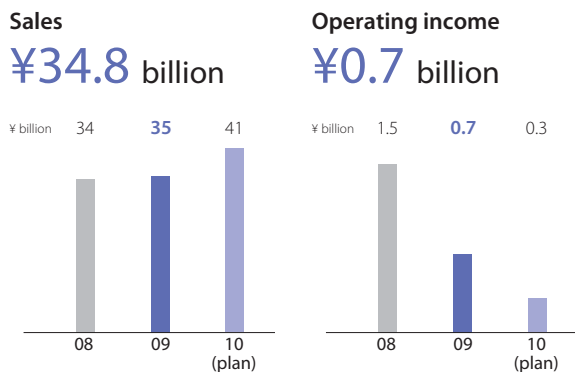
P72

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.



Rental Housing

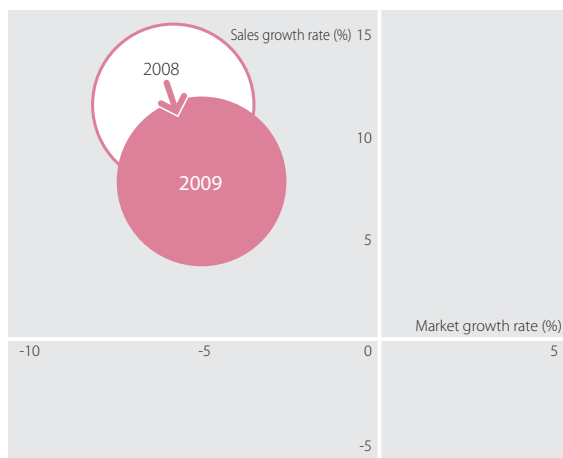
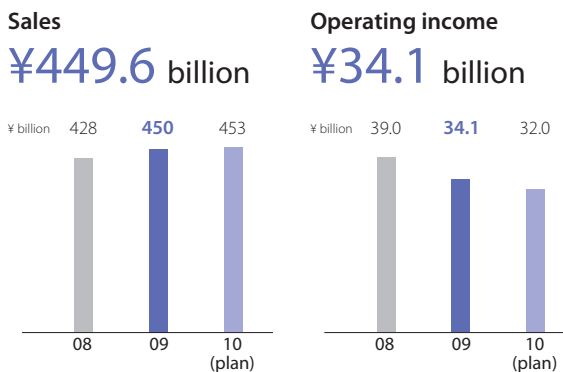
P74

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.



Commercial Facilities

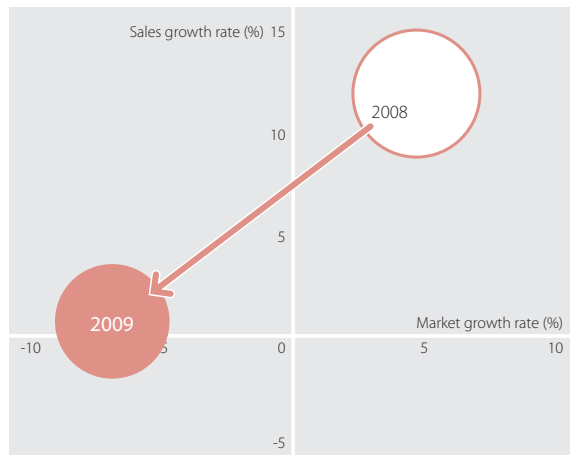
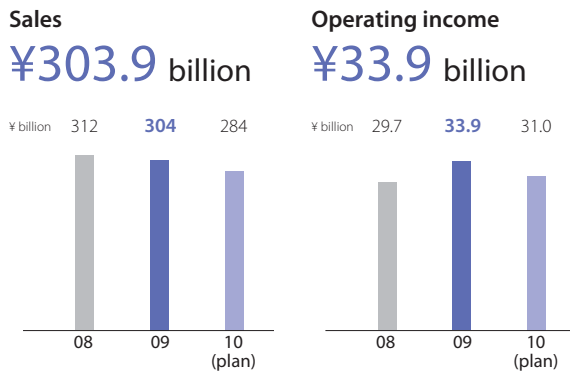
P76

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-Ichiryama, 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.



Business and Corporate Facilities

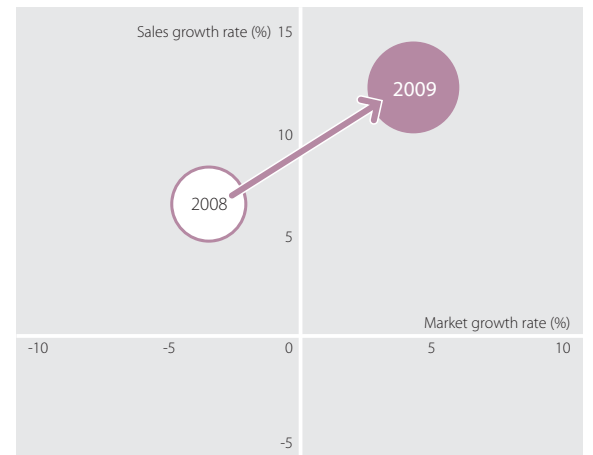
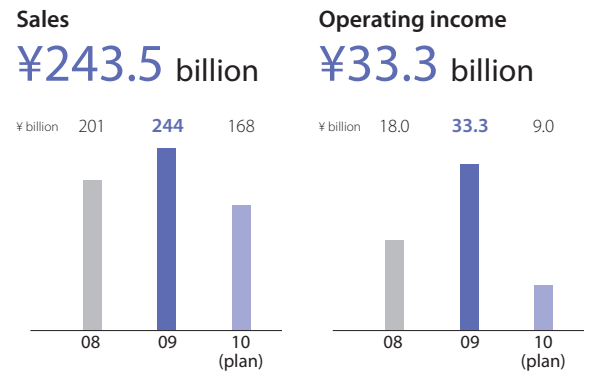
P78

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.



Health & Leisure

P80

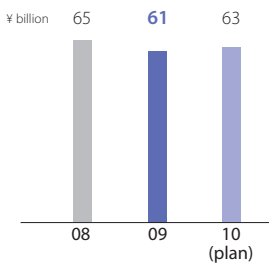
Value Restoration



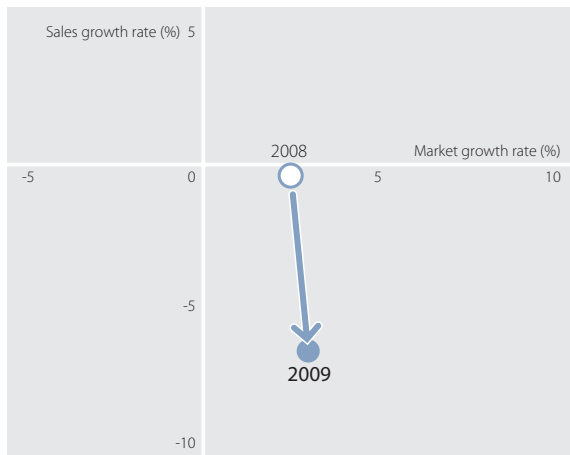
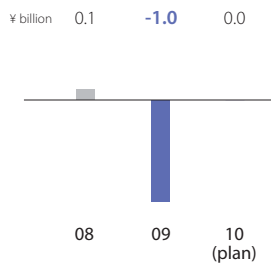
Kishu-Minabe Royal Hotel

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

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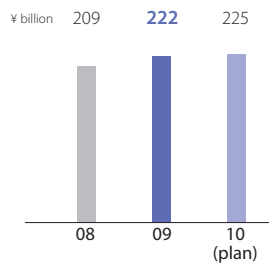
Nurturing Businesses



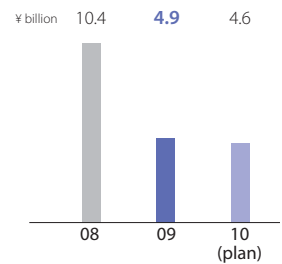
Daiwa Roynet Hotel Tsukuba

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



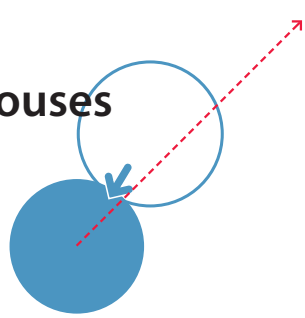
Operating income
¥4.9 billion



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 CO₂ emissions by 20% in comparison with standard residential districts.

Beyond 2010

Thorough cost structure reform for construction of high-profitability system

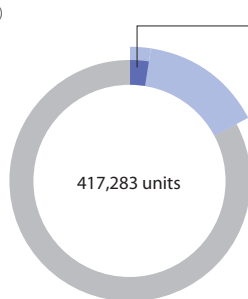
Considering the severe market situation, we plan to implement a fundamental cost structure reform. Simultaneously, we will further strengthen the xevo brand through continuous operations of our Machinaka-xevo showhouses to further expand orders.

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)

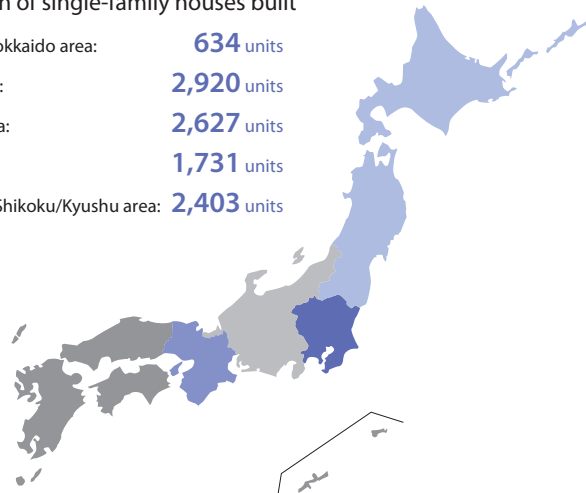


■ Daiwa House Industry (non-consolidated)	2.5%
■ Top seven companies	17.3%
■ Other companies	82.7%

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

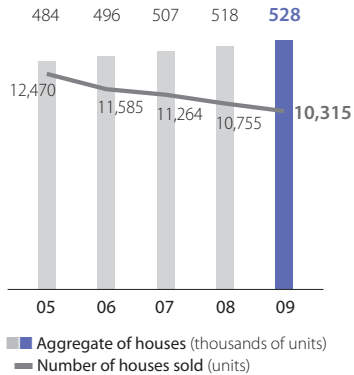


Marketing,
Single-Family Houses

Saori Noda

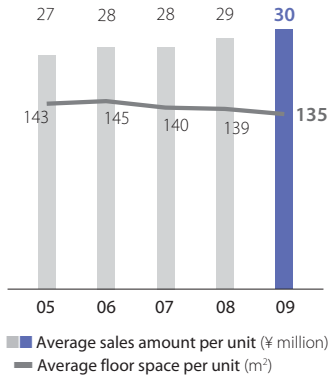
Aggregate of houses and number of houses sold

(Daiwa House Industry, non-consolidated)



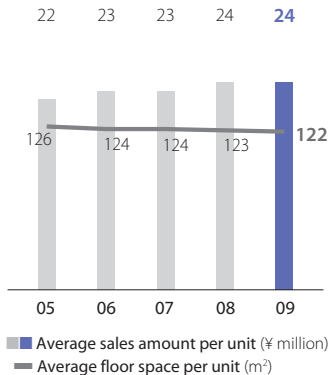
Average sales amount and floor space per unit

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



Average sales amount and floor space per unit

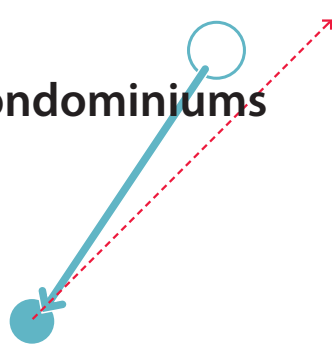
(Subdivisions, Daiwa House Industry, non-consolidated)



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.

One+

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 CO₂ 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

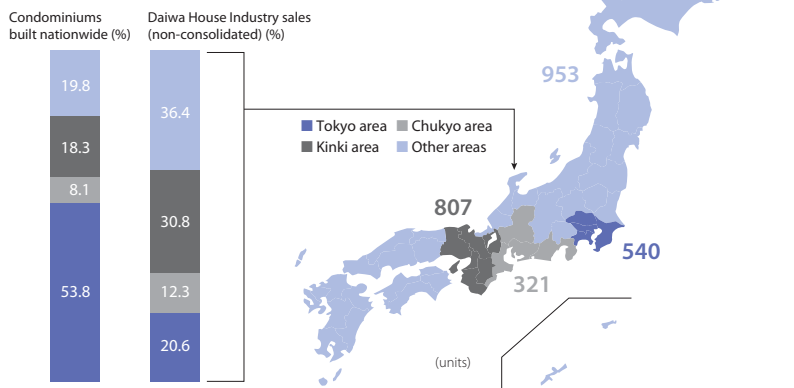
To accelerate structural reform to enhance the Group’s profitability, we plan to strengthen our actions in redevelopment, complex facilities, joint development, and other large-scale development projects, mostly in large city areas such as Tokyo, Nagoya, Osaka, and Fukuoka. At the same time we will seek 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.

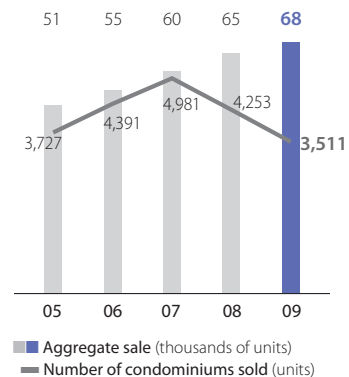
Area breakdown of condominiums

(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

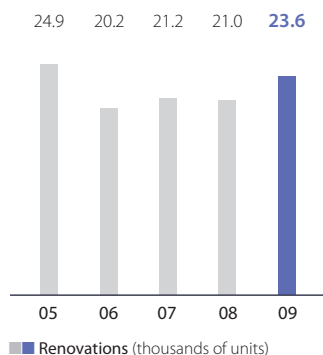
Expanding the business scope of medium- to long-term regular inspection and maintenance to rental housing

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)



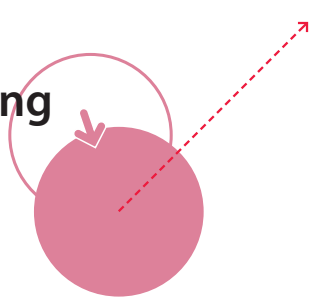
In meeting with the people involved in on-site construction, I also include private topics in our conversations because I think it is important to take a personal interest in the people with whom we work. I believe that if people feel good about their work and their work environment, they'll do a good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

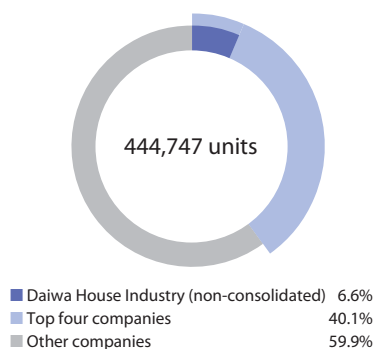
Further strengthening our relationship with rental housing owners, and the management of suitable locations

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.

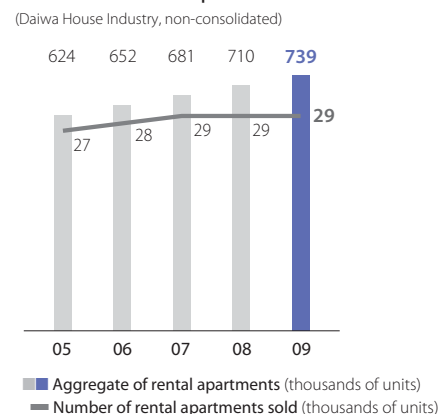
In addition, the properties managed by Daiwa Lease will be transferred to Daiwa Living to integrate rental housing management into a single company, while we strengthen our leasing capacity by increased use of direct offers to potential tenants and by leveraging our network of cooperating real estate 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

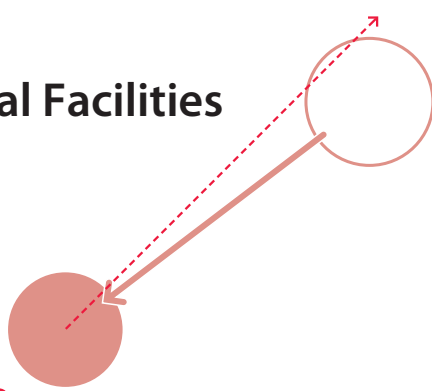
We maintain a cooperative, long-term relationship with our customers and their families lasting 20 or 30 years. We explain to customers that it is not the case that only the Company or the owner will benefit. Rather, we must work together, and move in the same direction to meet the same goal of reliable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

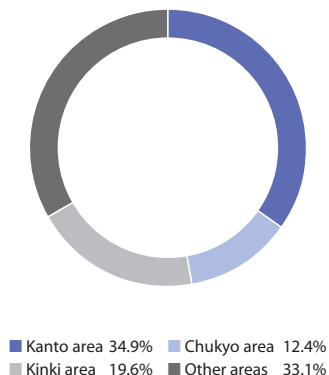
Increased investment in small-scale commercial facilities in which the number of tenant shops are expected to rise

In commercial complexes, we are strengthening development of neighborhood shopping centers (with less than 10,000m² 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.

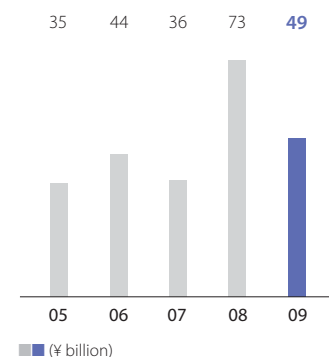
Area breakdown of commercial facilities sales

(Daiwa House Industry, non-consolidated)



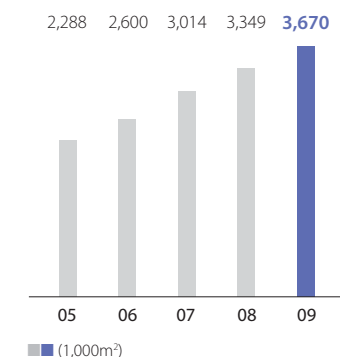
Orders for large commercial facilities*

(Daiwa House Industry, non-consolidated)



* 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



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.

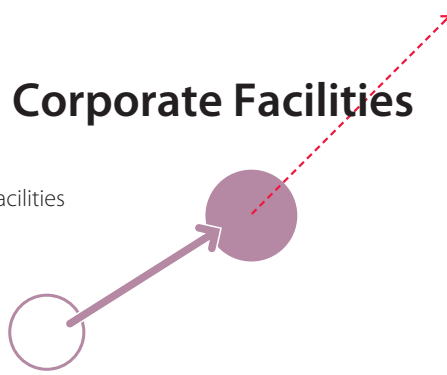
*Tenant leasing,
Commercial Facilities*

Nanae Kawashima

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

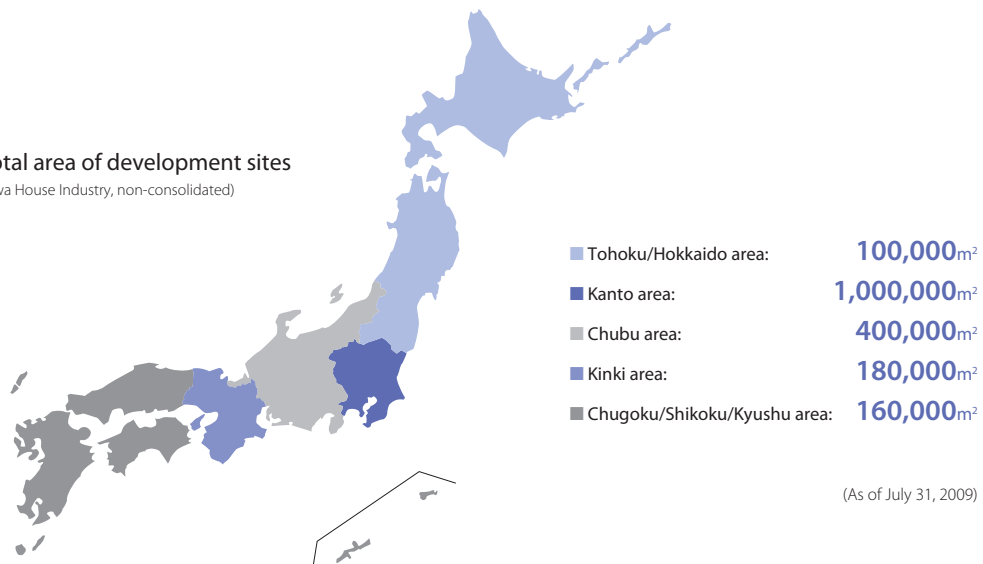
In the Distribution Facilities operations, the Daiwa House Group plans to develop environmentally friendly distribution centers equipped with solar power generation and LED lighting, to strengthen our proposals of eco-friendly plans to customers. Meanwhile, we will concentrate properties for investment 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.

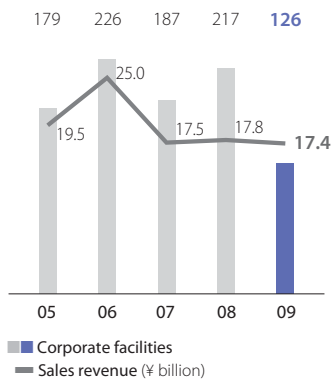
Major logistics projects: Total area of development sites

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

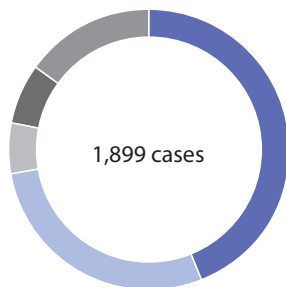


(As of July 31, 2009)

Number of corporate facilities and sales revenue



Projects of the Silver Age Research Center



- Group homes, day care, day service facilities, small-scale, highly functional homes 44.1%
- Hospitals and clinics 28.3%
- Healthcare facilities for senior citizens, special nursing homes, nursing homes for the elderly 5.9%
- Private nursing homes for the aged, rental housing for the elderly 6.7%
- Others 15.0%



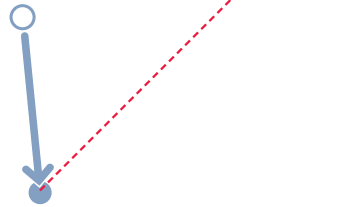
Customers and the employees of architectural design firms frequently visit our construction sites. I have to make sure that they can tour the sites with ease. Thus, the role of construction site management is to take special measures for safety and the environment. All workers involved in on-site construction,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

Construction, Business Facilities

Chiaki Ueda

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.

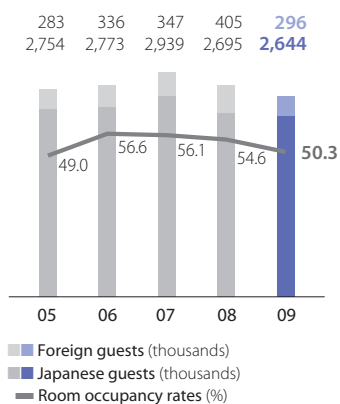
Beyond 2010

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



10 golf courses



(As of July 31, 2009)

53 sports clubs



(As of July 31, 2009)

30 hotels

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 Ohno

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.

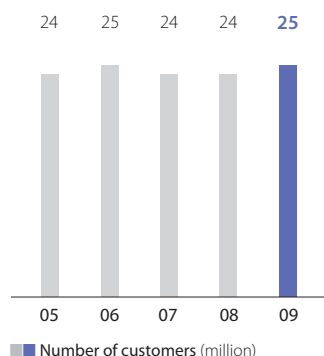
In the Construction Support business, the Daiwa House Group jointly established with CASSINA IXC. Ltd. a high quality furniture store called D&C in Okinawa in the Housing Construction Material Manufacturing and Marketing area. In the Logistics business, we opened three new centers for expansion of the “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).

Royal Home Centers: Number of customers making purchases



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.

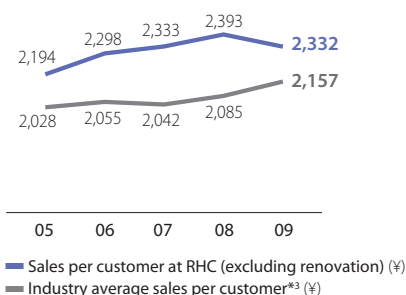
In the Construction Support business, our focus will be developing the ESCO business*2, which utilizes LED lighting systems, as we seek to upgrade the eco leasing business.

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: Average sales per customer



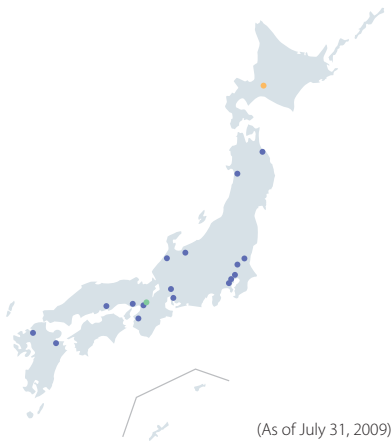
*3 Calendar year basis



Royal Home Center (Kyoto Yoko-oji) Heart One Card

19 business and city hotels

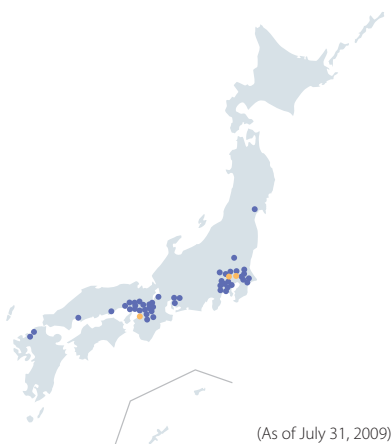
- Daiwa Roynet Hotels
- Royton Sapporo
- Osaka Marubiru (Osaka Daiichi Hotel)



(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.

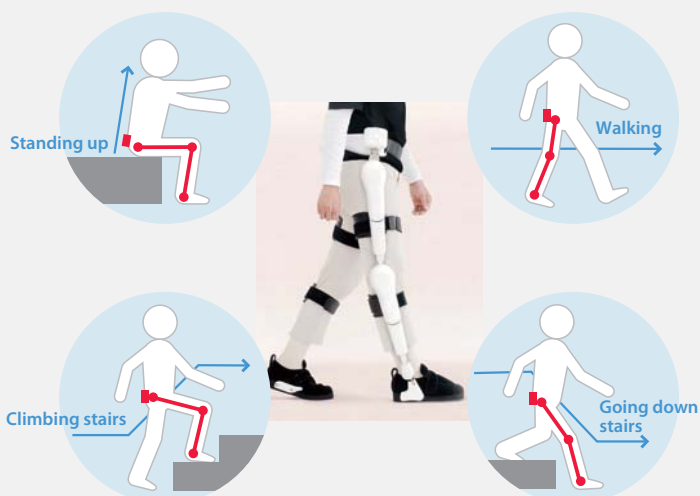
Launch of Robot Suit HAL™ for nursing care purposes

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 63,000m², 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 76,000m² 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 156,000m² 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.

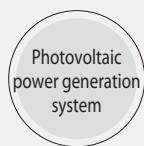
The Daiwa House Group is quickly capturing this growing worldwide environmental awareness and actively developing environmental solutions in its business fields. Harmonization of human activities with the natural environment is the biggest challenge faced by the Group.

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 CO₂ 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 CO₂ 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 CO₂ model business for convenience stores was selected as the 1st housing and building low CO₂ 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 CO₂ 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 CO₂ 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'Grafot 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

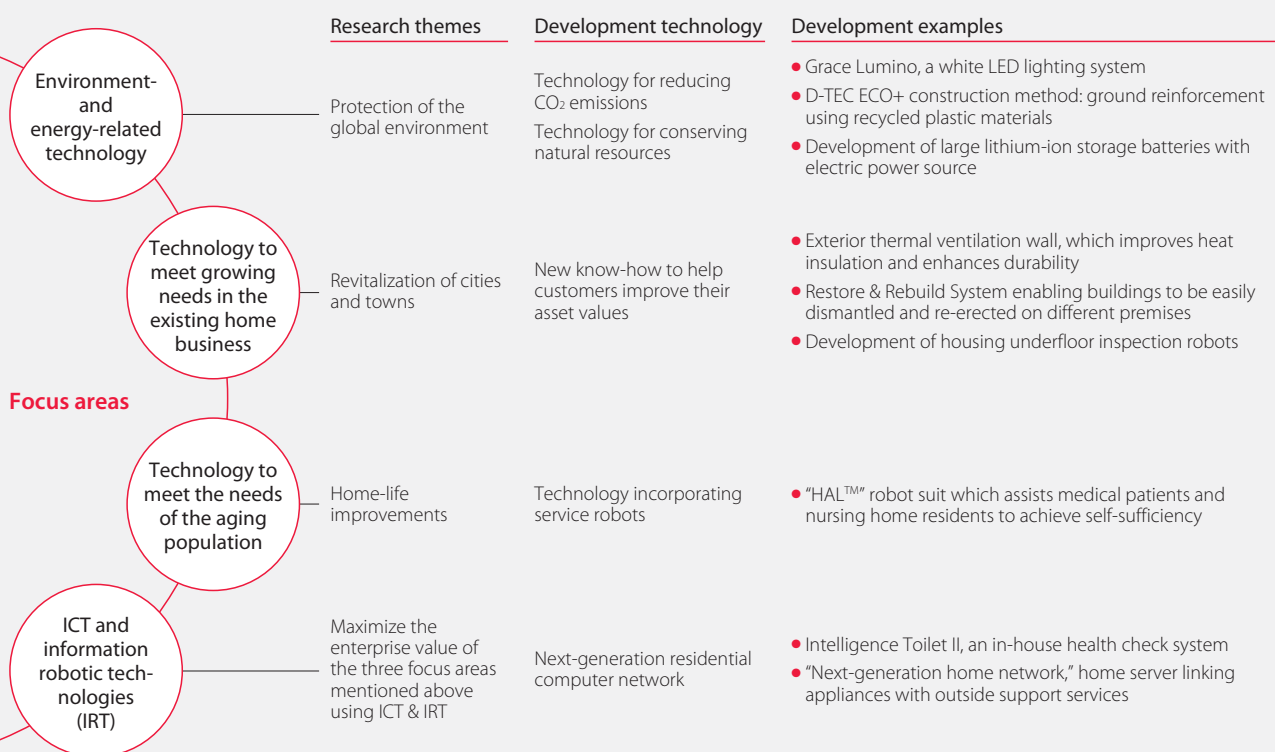
As a Group that co-creates value for individuals, communities, and people's lifestyles, the Daiwa House Group promotes the development of technologies for an aging population with fewer children and a recycling-focused society that lives in harmony with the global environment, and seeks technologies 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 CO₂ 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





Central Research Laboratory

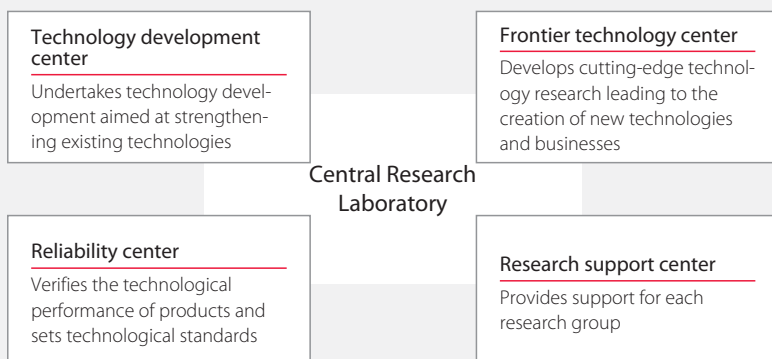
Establishment of a flexible research and development structure

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.

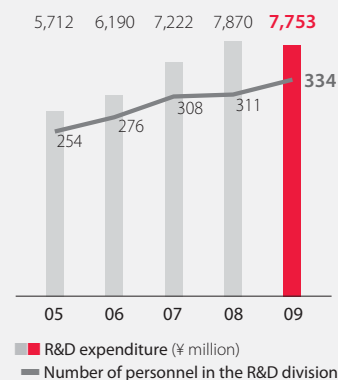
Cultivating diverse specialized human resources

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



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



Patent registrations and patents published

