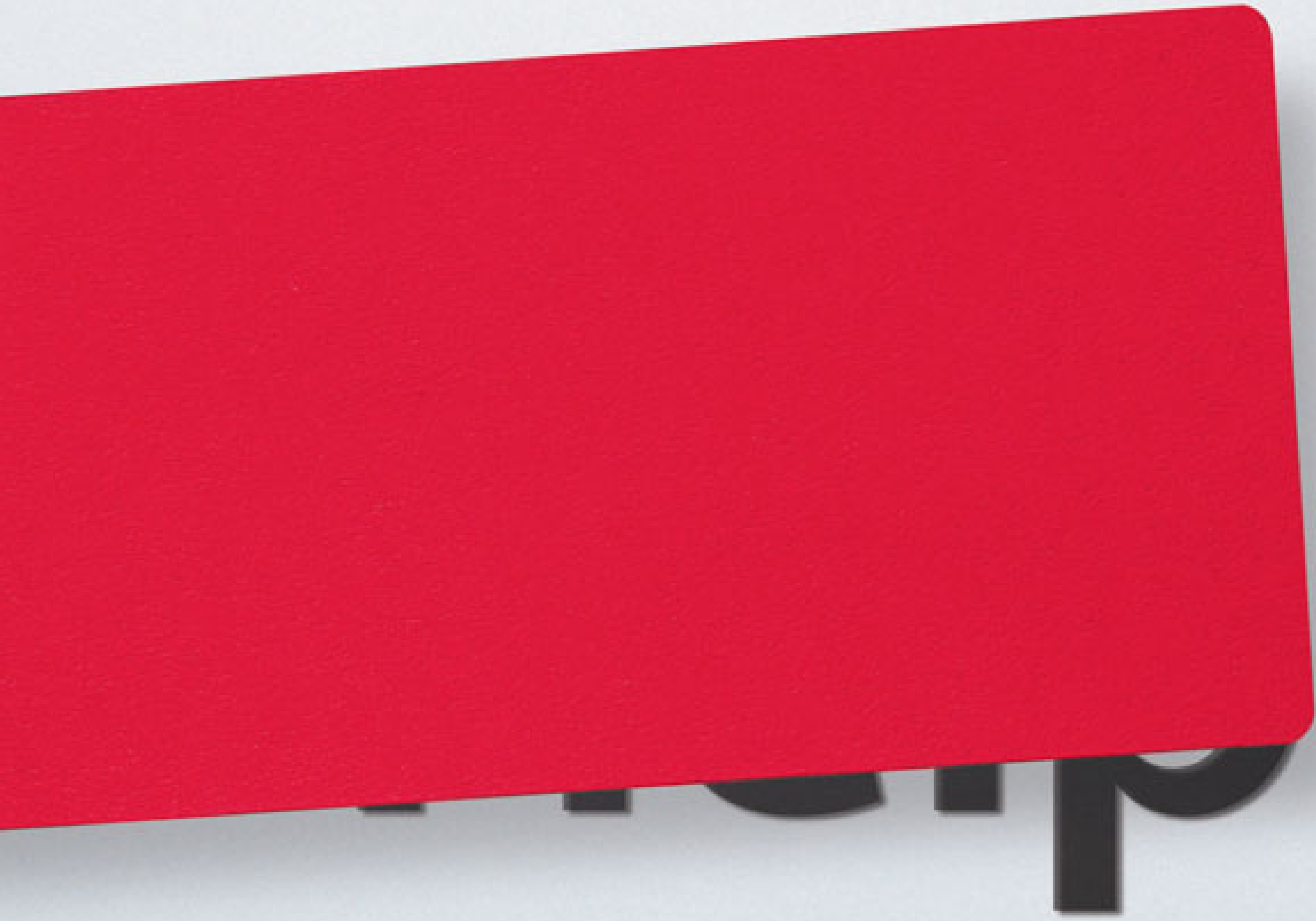
Daiwa House®
Group

May I

2010 Annual Report



You?

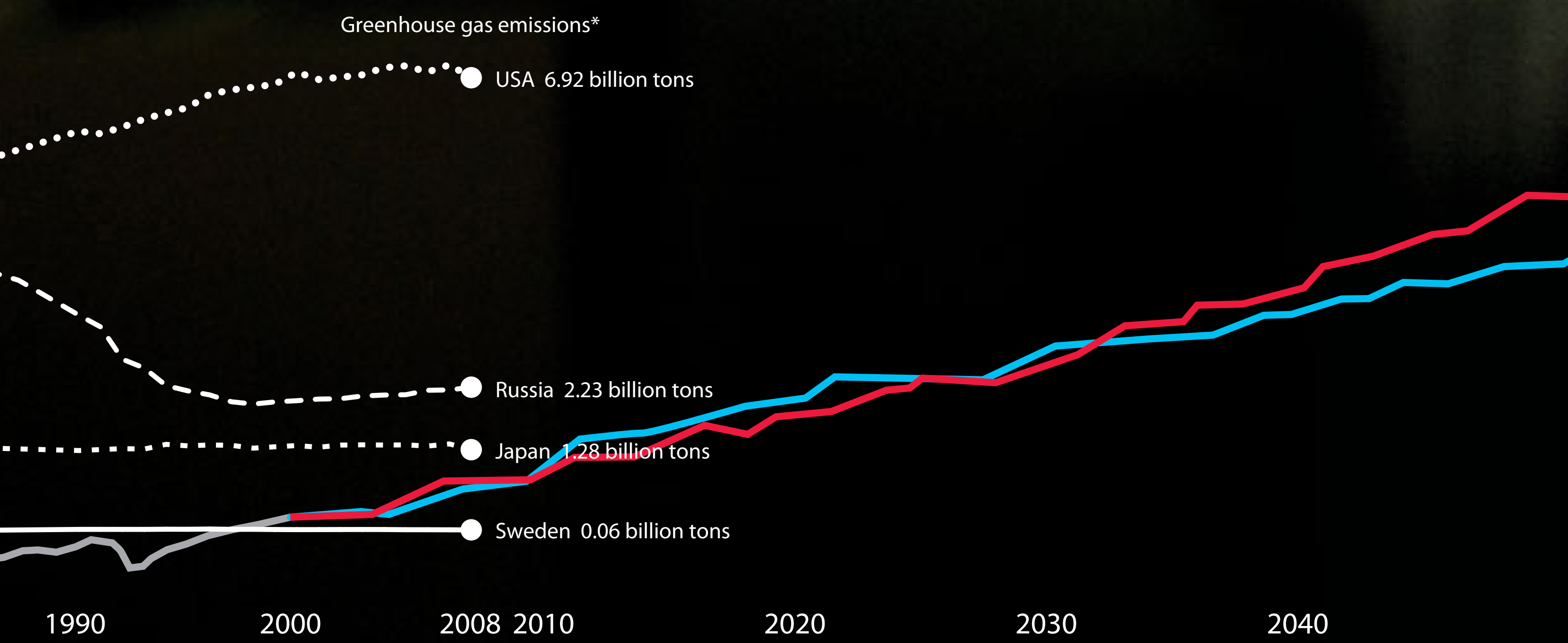
An Aging World

By 2050, seniors will account for 40% of Japan's population.
The aging of society is a transformation the whole world will need to face.

* Africa, Asia (ex-Japan), Latin America, Pacific island states.

Trouble Ahead

**Even with the lights out, greenhouse gas emissions continue to increase.
Exactly how much more energy must be saved? How much more needs to be created?**

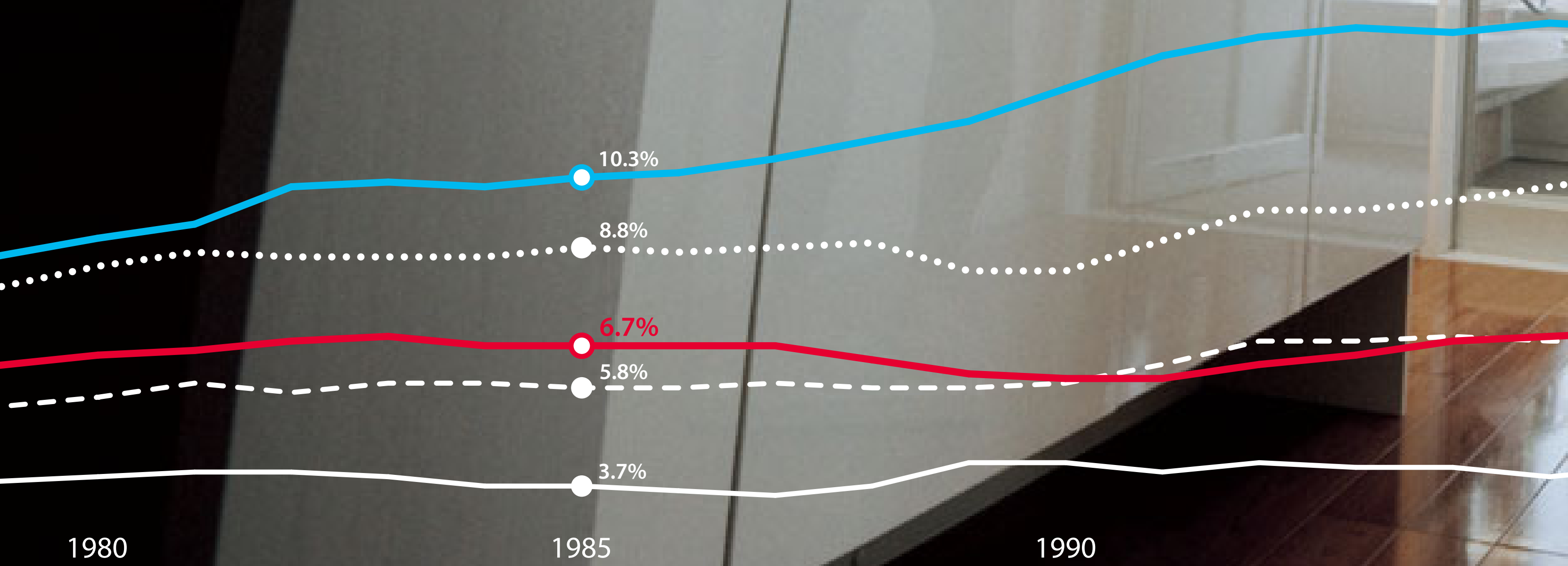


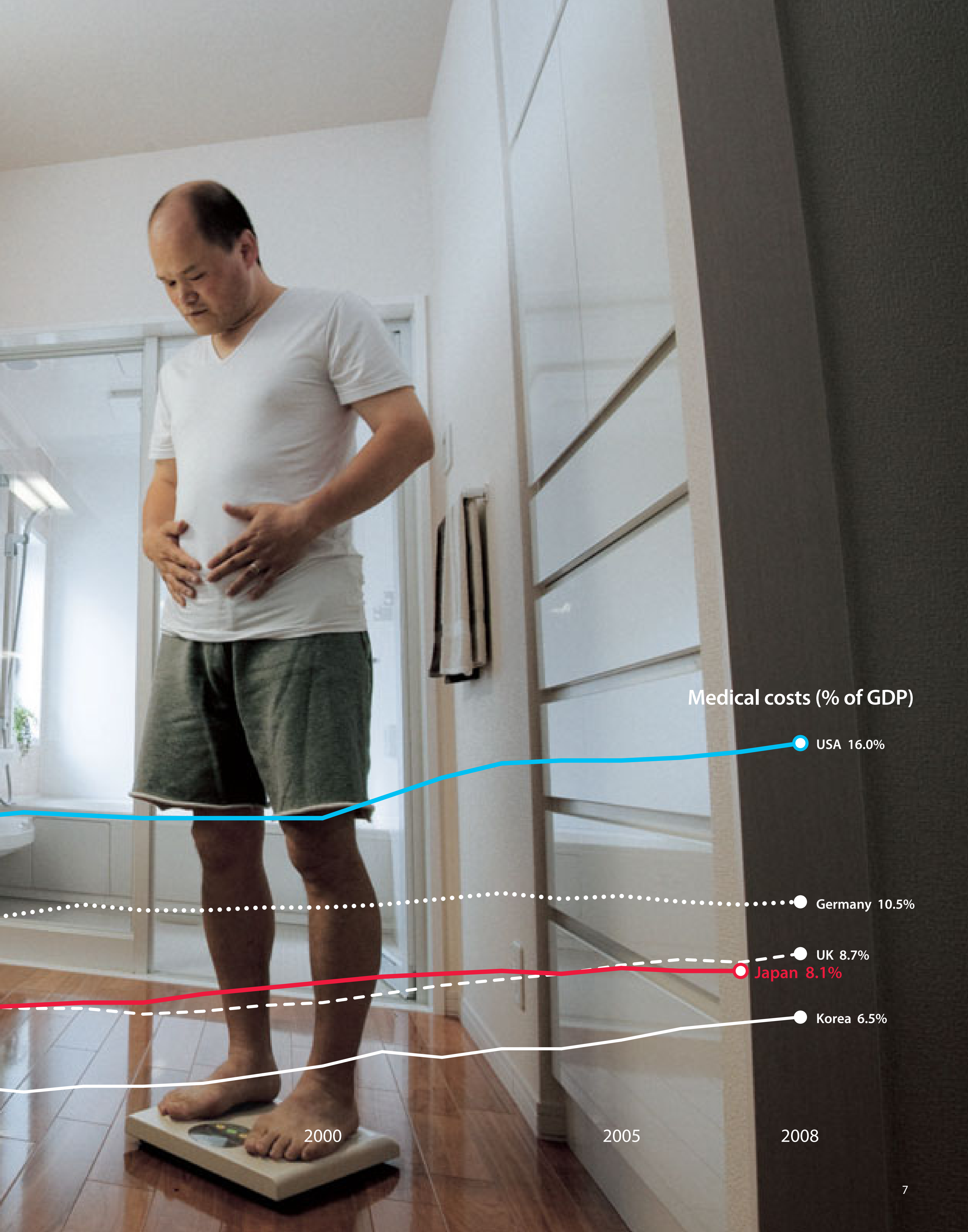
* excluding Land Use, Land-Use Change and Forestry, in ton CO_2 equivalent.


Rising temperatures
(Average temperature increases by comparison with the period 1980 – 1999)
Worst-case temperature increase scenario Approx. 4.0°C (range 2.4 – 6.4°C)
Best-case temperature increase scenario Approx. 1.8°C (range 1.1 – 2.9°C)
2060
2070
2080
2090
2100

Live with Less

Sickness caused by obesity and other "lifestyle diseases" is pushing up the cost of medical care in industrialized countries. Choosing to live healthily can help lessen this economic burden.




Medical costs (% of GDP)
USA 16.0%
Germany 10.5%
UK 8.7%
Japan 8.1%
Korea 6.5%
2000
2005
2008

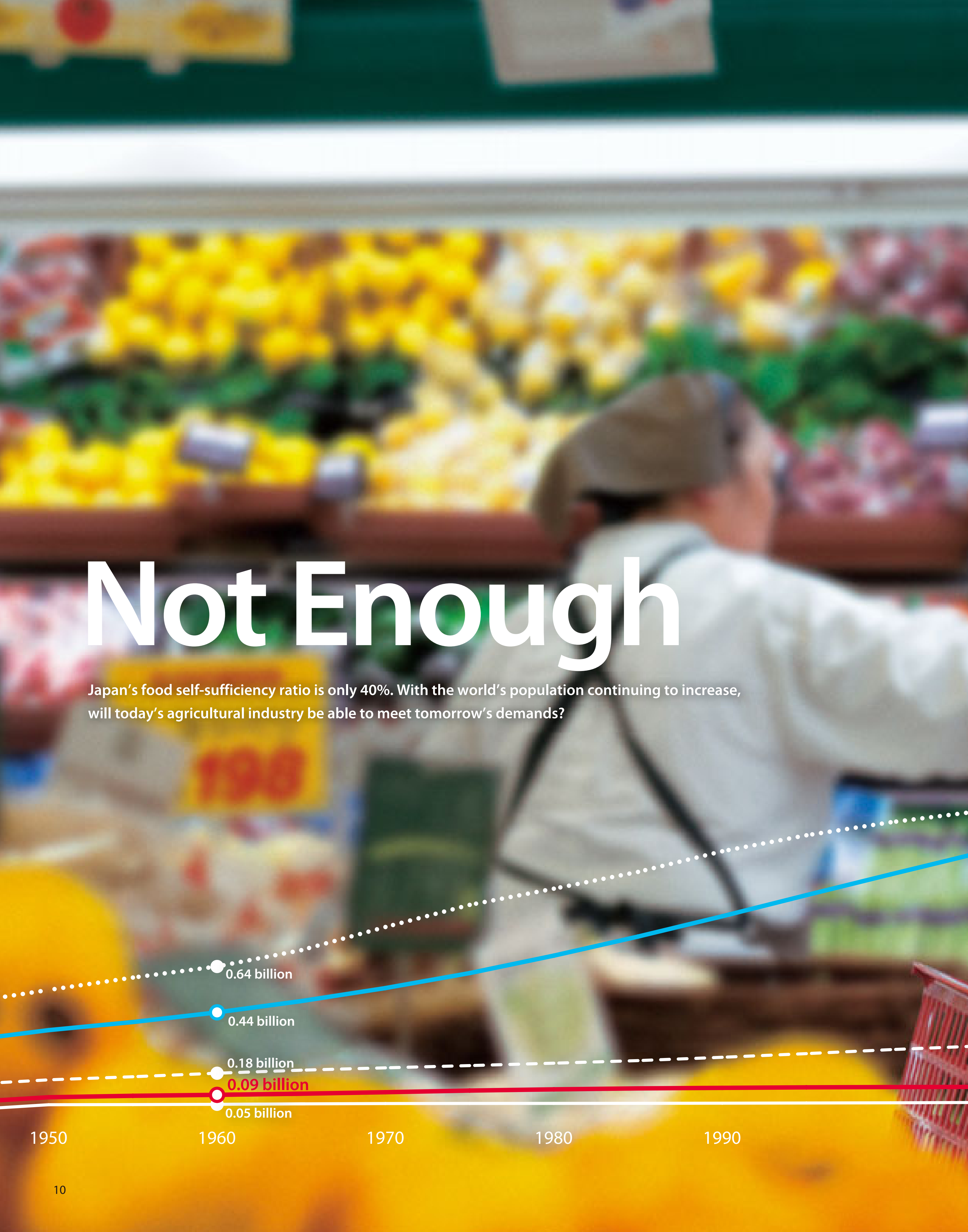
Too Much

Rapidly increasing mobile phone and personal computer usage has led to information overload.
We need to find a way to effectively use, not be used by, advances in information technology.


Global cell phone penetration
Russia 163.6%
Italy 151.4%
Singapore 140.4%
USA 94.8%
Japan 90.4%
China 55.5%
2005
2006
2007
2008
2009

Not Enough

Japan's food self-sufficiency ratio is only 40%. With the world's population continuing to increase, will today's agricultural industry be able to meet tomorrow's demands?




World population trends
India 1.61 billion
China 1.41 billion
1.35 billion
1.21 billion
USA 0.4 billion
0.31 billion
0.12 billion
Japan 0.1 billion
UK 0.07 billion
0.06 billion
2010
2020
2030
2040
2050


Heart

You?

Regardless of whether we are seeking to help an individual, a nation, or even a planet, with a "Heart" committed to working in harmony with others, there is no limit to what can be achieved.

May I Heart You?

We want to do more than "help," by putting our "heart" into everything we do. Won't you join with us in creating a society rich in "heart?"

We're Ready

We are opening up our hearts in order to contribute to
the creation of an even better society.
Please allow us to share with you our vision of a grander tomorrow.

CEO Dreams

COO Innovates

CFO Ensures

Group Presidents Achieve

Daiwa House®
Group

Editorial comments concerning this Annual Report

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 and operating income 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.

Dear Stakeholders

Takeo Higuchi (left), Kenji Murakami (center), Tetsuji Ogawa (right)

Nobuo Ishibashi, the founder of the Daiwa House Group, insisted that one should always "think far ahead." He took up the challenge of creating new businesses amid a changing society, and in so doing helped to achieve three revolutions — the construction revolution, the housing revolution, and the lifestyle revolution. In this way, our founder contributed significantly to the growth of Japanese society while laying the foundations of today's Daiwa House Group. We have adopted this positive attitude as our starting point, and under our "Endless Heart" Group symbol, which represents our fundamental policy of "co-creating a brighter future," we are striving to become a Group that co-creates value for individuals, communities, and people's lifestyles. On the basis of this philosophy, we are working to expand the scope of the Daiwa House Group's business operations with an eye always on the changing times.

The business environment remained unfavorable during fiscal 2009. The economy recorded negative GDP growth for the second successive year, and new housing starts, an important engine of domestic demand, fell sharply below the one million mark to 775,277 units. This was a decrease of 25.4% from the previous fiscal year, and the lowest level since fiscal 1964.

Amid this severe market environment, the Group's fiscal 2009 settlement of accounts saw net sales decline 4.8% year on year, to ¥1,609.9 billion, and operating income fall 14.8% year on year, to ¥62.7 billion. Regrettably, the Group posted year-on-year decreases in both sales and operating income for the second consecutive year. However, net income rose 358.3% year on year to ¥19.1 billion. We plan to pay an annual dividend for the current term of ¥17 per share, unchanged from our initial forecast.

How fast will Japanese society change over the coming years, and in what direction? At the Daiwa House Group, taking the phrase "Asu Fukaketsuno" (indispensable for tomorrow) as a compass to guide us, we are planning the start-up of new businesses with a focus on growth areas such as welfare, the environment, health, information-communication technology, and agriculture, with an eye on the global market.

Fiscal 2010 is the third and final year of our Second Medium-Term Management Plan "Challenge 2010." Under this plan, we are working to introduce more efficient management methods and adapt our core new home construction businesses to changes in the business environment even more aggressively. We plan to optimally leverage the large customer asset base in our existing home business, which is our greatest strength, by enhancing coordination within the Group to speedily open up new markets and expand our earnings.

The year 2055 will mark the 100th anniversary of our founding, and our target for that year is to achieve annual sales of ¥10 trillion. In pursuit of this ambitious dream, we will devote ourselves wholeheartedly to helping realize the hopes and dreams of all members of society. The Group's business operations will continue to evolve within a changing society. Working together, all members of the Daiwa House Group will boldly meet the challenge of creating a society in which everyone can enjoy a prosperous and fulfilling life.

Takeo Higuchi
Chairman and CEO

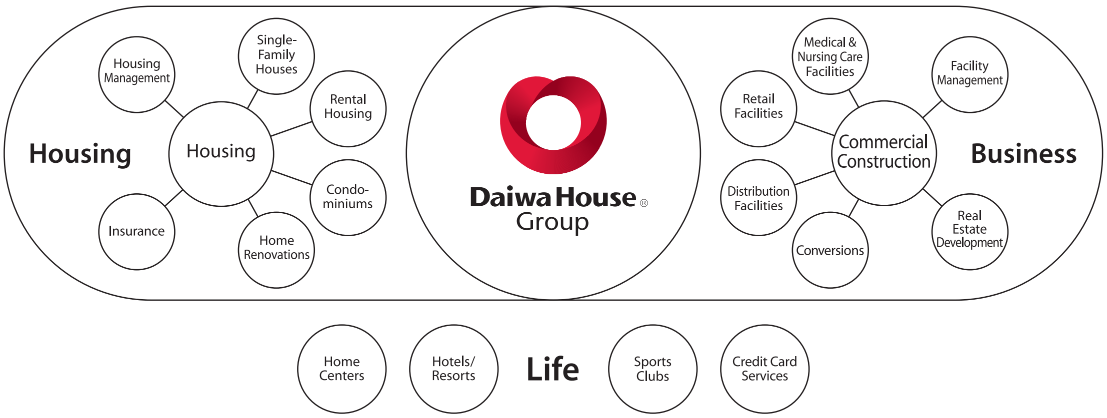
Kenji Murakami
President and COO

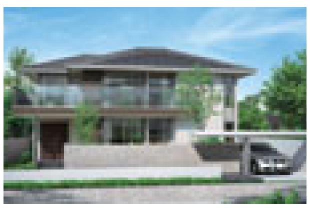
Tetsuji Ogawa
Executive Vice President and CFO

About the Daiwa House Group

Creating Dreams,

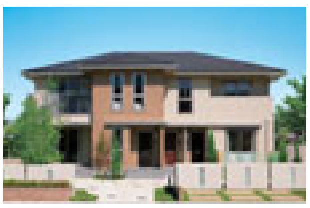
Daiwa House Group —
working to co-create value for individuals, communities and people's lifestyles





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.



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.

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.

Building Hearts

Our customer base

(As of March 31, 2010)

Units completed by the Residential Business

Approx. **1,370,000** units

Total of single-family houses, rental housing and condominiums built by the Daiwa House Group. Figures for condominiums refer to the total of subdivisions

Number of households that have moved into our homes

Approx. **1,098,000** households

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

Annual total of guests at our resort hotels

Approx. **3,431,000** guests

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

Number of structures completed by the Commercial Construction Business

Approx. **36,000** buildings

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

Number of facilities operated by the Daiwa House Group

162 buildings

Total of resort hotels, golf courses, city hotels, home centers and sports clubs operated 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.

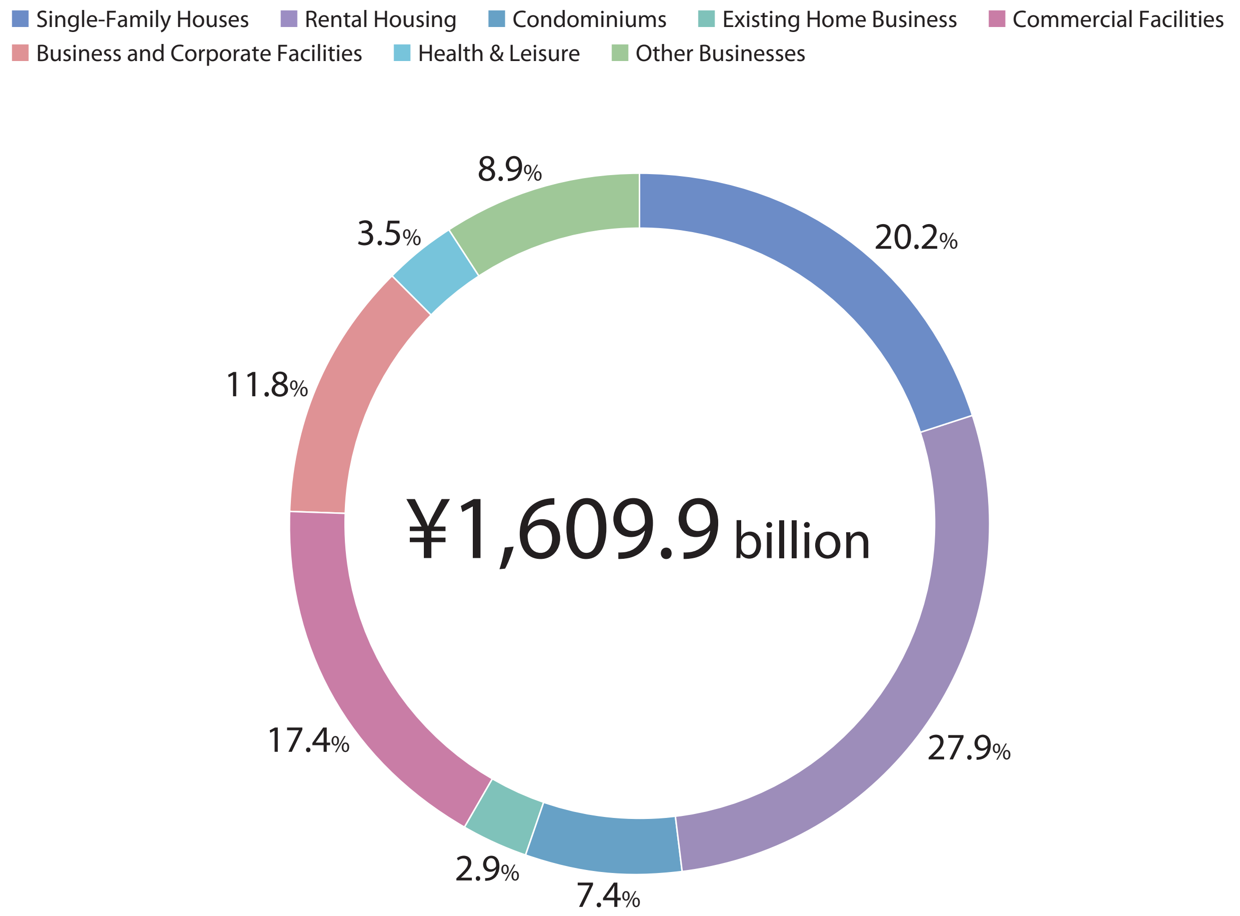
Other Businesses

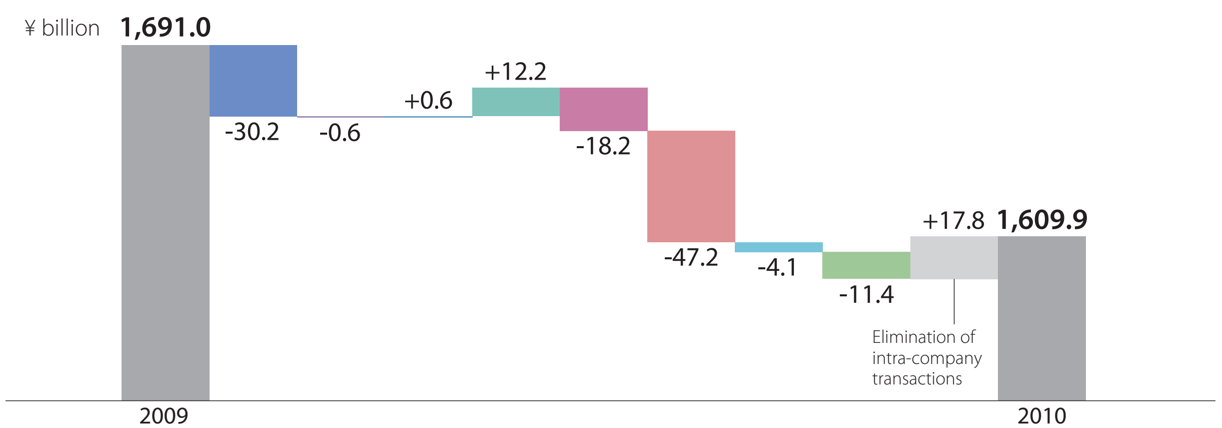
We also effectively utilize the Group's comprehensive expertise to carry out operations in a wide range of other fields, including a home center business, a construction support business, a credit card business, and a chain of city hotels. In this way, we are widening our business scope to better meet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

Financial Highlights

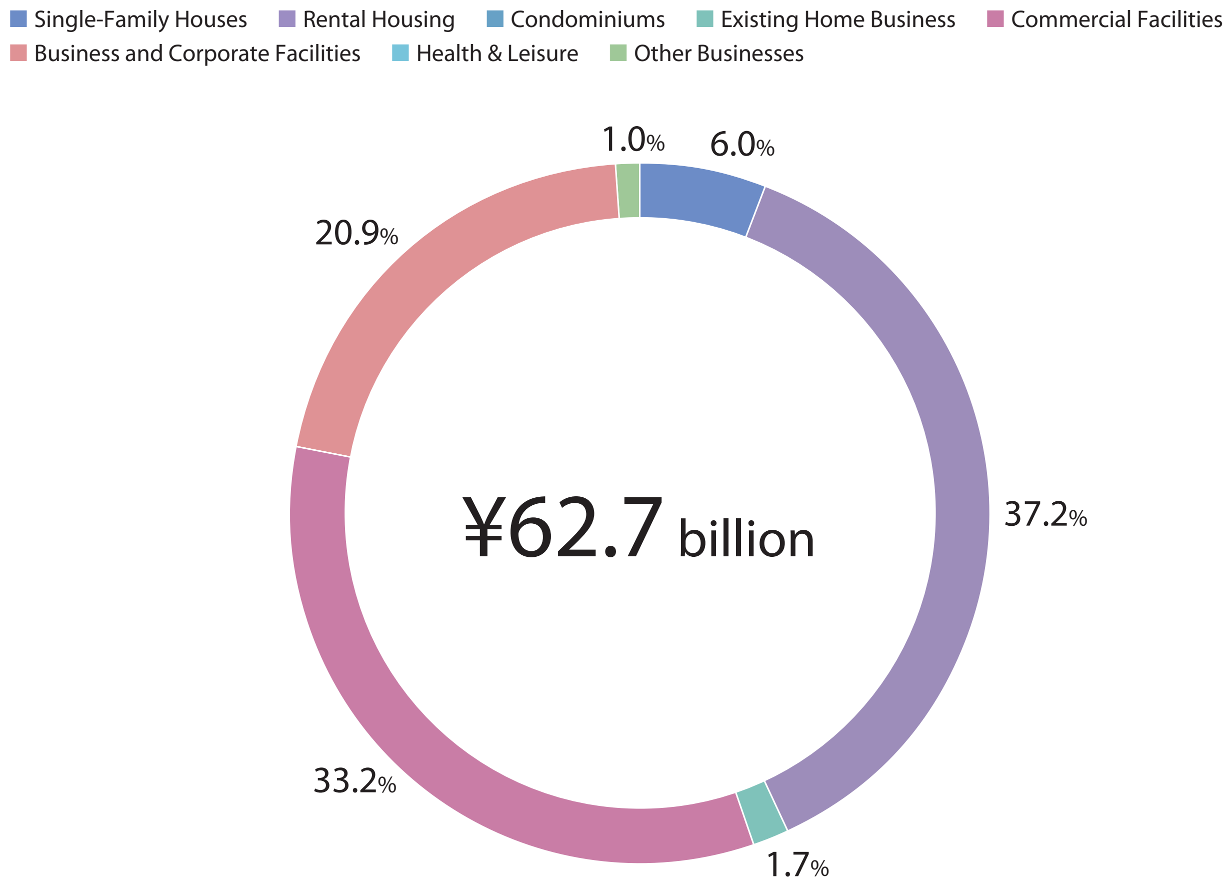
As of March 31, 2010

Net sales

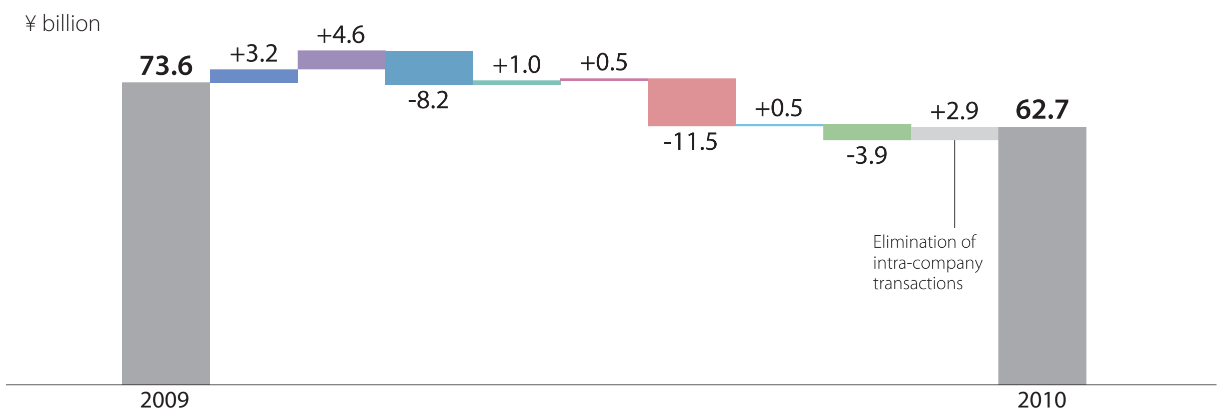




Operating income



* Operating income percentages include intra-company transactions with regard to totals for six segments excluding Condominiums and Health & Leisure, which posted losses of ¥18.3 and ¥0.5 billion respectively.



Consolidated financial highlights

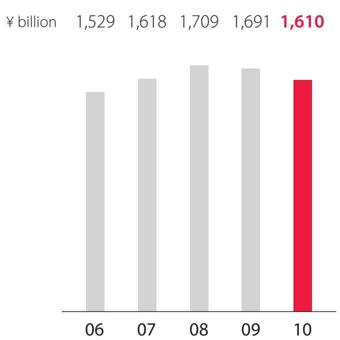
Daiwa House Industry Co., Ltd. and Subsidiaries
Years Ended March 31

	Millions of Yen 2010	Millions of Yen 2009	Millions of Yen 2008	YoY change 2010/2009	Thousands of U.S. Dollars 2010
Net sales	1,609,884	1,690,956	1,709,254	-4.8%	17,310,581
Operating income	62,714	73,580	89,121	-14.8%	674,344
Net other expenses	(24,645)	(59,859)	(64,259)	-58.8%	(265,000)
Net income	19,113	4,170	13,080	+358.3%	205,516
Total assets	1,916,928	1,810,573	1,791,052	+5.9%	20,612,129
Equity	617,770	607,428	649,441	+1.7%	6,642,688
Per share of common stock (in yen and dollars)					
Basic net income	33.00	7.20	22.46	+358.3%	0.35
Equity	1,065.15	1,047.50	1,092.04	+1.7%	11.45
Cash dividends applicable to the year	17.00	24.00	24.00	-29.2%	0.18
Dividend payout ratio (%)	51.5	333.4	106.8	-281.9 points	—
Return on equity (%)	3.1	0.7	2.0	+2.4 points	—
Return on assets (%)	1.0	0.2	0.8	+0.8 point	—
Equity to total assets (%)	32.2	33.5	35.3	-1.3 points	—

Note: The U.S. dollar amounts represent translations of Japanese yen for convenience only at the approximate exchange rate on March 31, 2010 of ¥93 = U.S.$1.

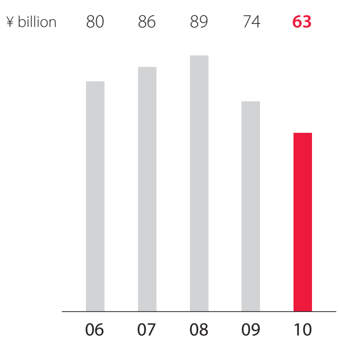
Net sales

¥1,609.9 billion



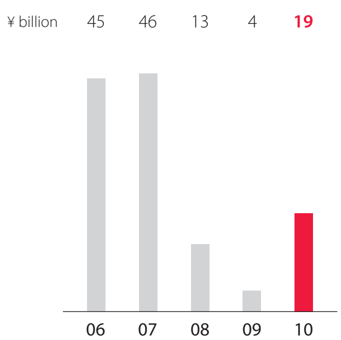
Operating income

¥62.7 billion



Net income

¥19.1 billion



Net sales — down 4.8%

Net sales of the Group's home renovation business posted a 34.8% year-on-year increase thanks to a favorable level of existing housing, but sales declined for the Single-Family Houses, Commercial Facilities, and Health & Leisure segments. As a result, total net sales decreased for the second consecutive year.

Operating income — down 14.8%

Efforts to reduce expenses resulted in a ¥16.3 billion decrease in selling, general and administrative expenses, but due to lower sales and a ¥16.1 billion write-down of inventory assets (land for development and condominiums), operating income declined for the second straight term.

ROE — up 2.4 percentage points

Equity rose slightly, but an improvement was recorded in amortization of actuarial gain (loss) for employees' retirement benefits thanks to improved results from the investment of pension fund assets, while impairment loss on property, plant and equipment decreased. As a result of these and other factors, net income for the term rose 358.3% year on year.

Total assets — up ¥106.4 billion

The value of property for sale decreased ¥49.1 billion, but cash and deposits rose ¥74.0 billion, while property, plant and equipment increased ¥49.7 billion due to the acquisition of land and buildings for real estate development.

In JAPAN

Negative factors in FY2009

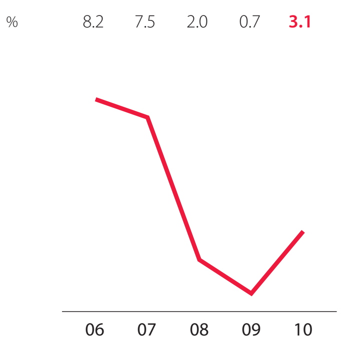
- According to the second official preliminary GDP report (Year 2010 1Q), the nation's GDP declined 2.0% year on year in real terms while the nominal GDP was down 3.7%, marking the second consecutive year of negative growth.
- The number of new housing starts was down 25.4% year on year, at 775,277 units, the first decline in two years. This is the first time the figure has fallen below the 800,000 level in the 45 years since 1964.
- The number of cases of H1N1 influenza in Japan increased during the term, exerting a major dampening effect on economic activity.

Positive factors in FY2009

- Signs of a recovery were seen in owner-occupied house construction starts, thanks to the expansion of the scope of tax-rate reductions on housing loans and an extension of the time-frame, as well as tax-rate reductions on home renovation and on the construction of housing under the High Quality, Long-Term Housing Models program.
- We began accepting applications from customer for the receipt of eco-points for the purchase of housing, in which points acquired are exchangeable for products or services in the areas of eco-friendly renovations and new house construction.
- Most emerging countries continued to post high growth. As a result, our business operations in China and other emerging countries recorded a good performance.

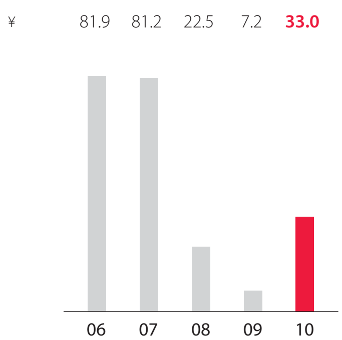
ROE (Return on equity)

3.1 %



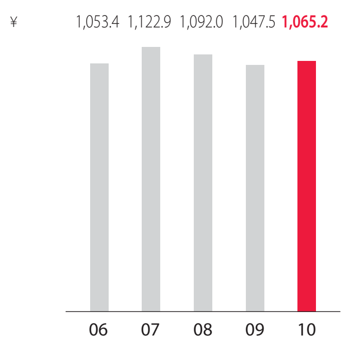
Net income per share

¥33.00



Equity per share

¥1,065.15



The Year in Review

2009

6

■ The "information collection on existing condominiums and employment of said information at the time of sale" obtained through our planned website "Dwelling Performance Evaluation and Comparison.com" will be used by the Ministry of Land, Infrastructure, Transport and Tourism in its 2009 Pioneering Model Project For Ultra-Long-Term Housing (Maintenance, Sales & Management Category).

■ Start of sale of D-TEC ECO+ Method for ground reinforcement using recycled plastics

In the D-TEC ECO+ construction method, a proprietary technology of Daiwa House Industry, recycled plastic reinforcement material is injected into soft ground to improve its ability to support structures. The method lowers environmental impact, shortens construction time, saves space, reduces waste earth volume, and cuts costs.

■ Outline decided for JT factory site project in Sendai

The basic outline has been decided for the Sendai Miya-no-Mori project to build single-family houses and commercial facilities on the site of a former JT factory in Sendai, Miyagi Pref. The Company will utilize its comprehensive capabilities to develop this combined housing/commercial project.

7

■ The Grace Residence in Suzhou (to be developed by a Daiwa House wholly-owned subsidiary) is to be the first condominium development in China fully financed by a Japanese enterprise.

■ Two development blocks within Koshigaya Lake Town receive 1st S-ranked evaluation certification under CASBEE system.

The Group's Lake Town Miwa-no-Mori (single-family house block) and D'Grafort Lake Town (condominium block), both within the Koshigaya Lake Town development in Saitama Pref., have been awarded the 1st S-ranked evaluation certification by the Institute for Building Environment and Energy Conservation, the foundation that manages the CASBEE Community Development certification system (see page 96).

■ No.1 in environment-friendly homes in fiscal 2008

The Group focused efforts on construction and marketing of eco-friendly and healthy housing. In fiscal 2008 a total of 1,992 housing units received certification, putting the Group in the No.1 position for all categories for the fourth time and the second straight year.

■ The combined condominium and commercial facilities development Yihe Xinghai, recently commenced in Dalian, will be the largest development project by a Japanese company in China.

8

■ xevo FU and xevo KU eco-friendly house models launched

We have launched the new house models xevo FU and xevo KU, which make optimum use of natural ventilation and sunlight. These houses feature exterior thermal ventilation walls and photovoltaic power generation as standard, producing dramatic savings on heating and lighting costs, and a sharp reduction in CO_2 emissions.

9

■ The comprehensive condominium management services company Cosmos Life was made into a wholly-owned subsidiary of Daiwa House Industry, and the trade name was changed to Daiwa LifeNext as of April 2010.

Daiwa LifeNext
Daiwa House Group

■ A basic agreement was reached for the merger of BLife Investment Corporation, which is managed by Daiwa House Morimoto Asset Management and New City Residence Investment Corp. (the merger took place on April 1, 2010).

10

■ 50th anniversary celebrated of launch of Midget House prototype prefabricated house

In October 1959 we launched the Midget House, developed as a safe and inexpensive stand-alone structure for use as a study. Employing the panel construction method, the Midget House was lightweight, enabling erection in as little as three hours, and was affordable for the average family. It was very well-received on the market.

* Currently not for sale.

11

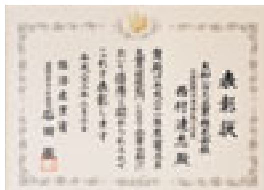
■ The Séjour ECOHA eco-friendly rental housing model was launched, featuring photovoltaic power generation as standard and the incorporation of natural ventilation and sunlight.

■ The Séjour WIT, featuring a freely customized design system, was launched as our core two-story rental housing unit.

12

■ Daiwa House received the Fiscal 2009 Minister of the Environment's Award for Contributions to the Prevention of Global Warming, in recognition of its contribution to reducing CO_2 emissions by rental housing.

2010



2

■ The Daiwa House Group received the Agency for Natural Resources and Energy Director-General's Award (CGO*[1] and corporate category) at the fiscal 2009 Energy Conservation Awards (organization category) held by the Ministry of Economy, Trade and Industry (METI), in recognition of the energy conservation efforts of the Group as a whole.

This award was presented in recognition of integrated energy conservation activities by 13 Group companies*[2]. It also highly evaluated the setting and exceeding of the "CO_2 Double Score" (a target for reduction in CO_2 emissions from the production and use of products and services at double or higher than CO_2 levels emitted by all business operation processes) — a major achievement.

*1 CGO = Chief Green Officer (chief environmental commitment officer). The role of the CGO is to oversee the company's energy conservation and environmental management activities across the whole range of its business operations from the management perspective.

*2 As of Jan. 27, 2010 the Daiwa House Group comprised 72 companies, including Daiwa House Industry.

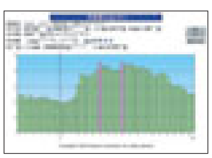
■ Capital and business tie-up with Yukiguni Maitake Co., Ltd.

The Company acquired 1,794,500 shares (4.6% of all issued shares) of common stock of Yukiguni Maitake Co., Ltd. (a company involved in the production and sale of mushrooms) through private placement, and concluded a capital and business collaboration tie-up between the two sides.

3

■ Sales were commenced, together with Group company Eneserve, of the D-Power Monitor energy consumption measurement and electric equipment monitoring system for factories and commercial facilities.

The D-Power Monitor system not only allows companies to monitor and control their energy usage as mandated in the Law Concerning the Rational Use of Energy, but also makes energy conservation improvement proposals based on the data accumulated.



Share Information

As of March 31, 2010

Common stock

¥110,120 million

(US$1,184,086 thousand)

Shares

Authorized	1,900,000,000
Issued	599,921,851
Number of shareholders	34,886

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

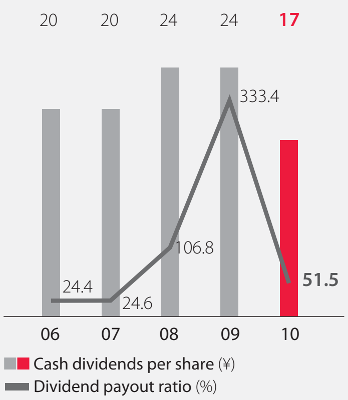
Securities traded

Tokyo and Osaka stock exchanges

Securities code

1925

Cash dividends per share and dividend payout ratio

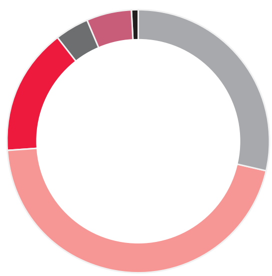


Principal shareholders

	Thousands of shares	Equity stake* (%)
The Master Trust Bank of Japan, Ltd. (trust account)	34,563	6.0
Japan Trustee Services Bank, Ltd. (trust account)	30,601	5.3
Moxley & Co.	16,158	2.8
Sumitomo Mitsui Banking Corporation	16,117	2.8
The Bank of Tokyo-Mitsubishi UFJ, Ltd.	15,470	2.7
Nippon Life Insurance Company	14,930	2.6
Daiwa House Industry Employee Shareholders Association	11,636	2.0
The Dai-ichi Mutual Life Insurance Company, Limited	11,501	2.0
Japan Trustee Services Bank, Ltd. (trust account 9)	9,643	1.7
The Chuo Mitsui Trust and Banking Company, Limited	9,521	1.6

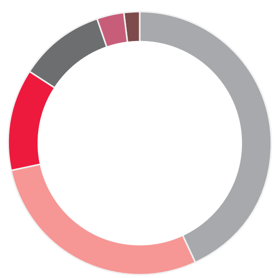
* Notes: 1. Number of shares held is rounded down to the nearest thousand.
2. The Company holds 20,829 thousand shares of treasury stock.
3. Shareholding computations exclude treasury stock.
4. The Dai-ichi Mutual Life Insurance Company was reorganized as of April 1, 2010, into a joint stock corporation, The Dai-ichi Life Insurance Company.

Shareholdings by scale



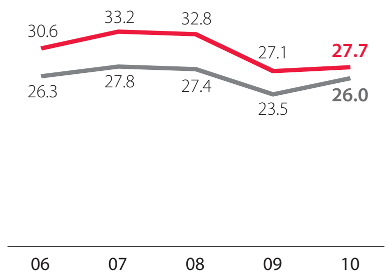
	Shares	%
10 million or more	171,808,508	28.6
1 million or more	272,118,293	45.4
100 thousand or more	94,187,524	15.7
10 thousand or more	24,449,792	4.1
1 thousand or more	33,864,252	5.6
Less than 1 thousand	3,493,482	0.6

Shareholdings by shareholders



Financial institutions	43.3%
Foreign investors	28.6%
Individuals and others	12.3%
Other corporations	10.5%
Treasury stock	3.5%
Securities companies	1.8%
National and local governments	0.0%

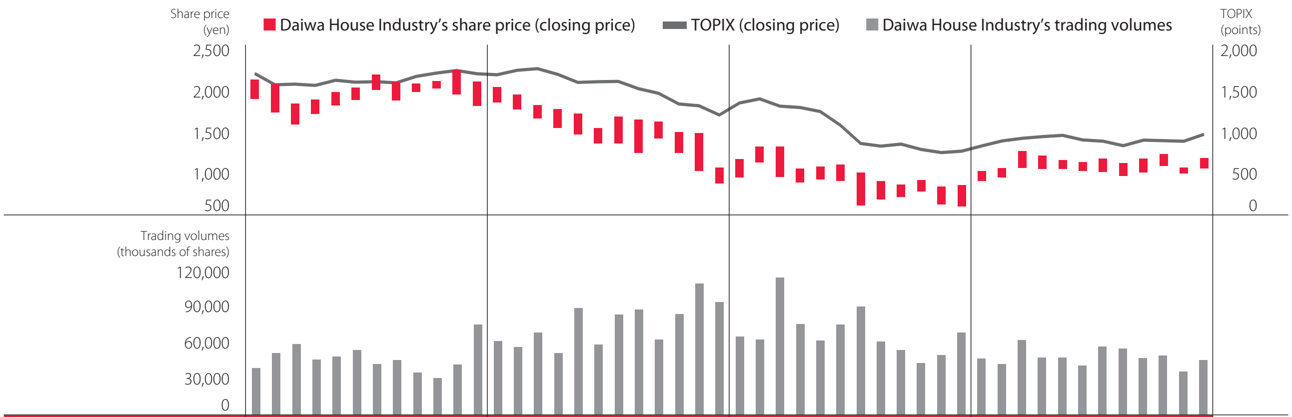
Foreign shareholdings



Europe 43.7% | US & Canada 42.5% | Asia (excluding Japan) 9.2% | Oceania & others 4.6%

* The JASDAQ and NEO markets were folded into and are operated by the Osaka Stock Exchange as of April 2009. Calculations for companies listed on both defunct markets are simple tallies, including retroactive data.

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



	FY2006	FY2007	FY2008	FY2009
Share price high (yen)	2,260	2,055	1,330	1,092
Share price low (yen)	1,601	881	603	790
Share price at term-end (yen)	1,933	987	792	1,055
Cumulative trading volume (thousands)	564,518	899,185	814,713	572,724

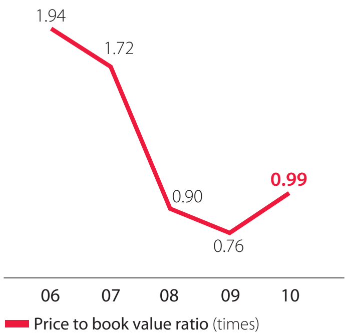
Stock price movements in fiscal 2009

Japanese stock prices began fiscal 2009 with a rise in the support level amid expectations of a receding worldwide financial crisis and a bottoming-out of the Japanese economy. In May, the TOPIX returned to the 900 points level for the first time since November 2008, rising over the 970 points mark in August. During this period, the stock price of Daiwa House Industry recovered to the ¥1,000 level in June, for the first time since September 2008.

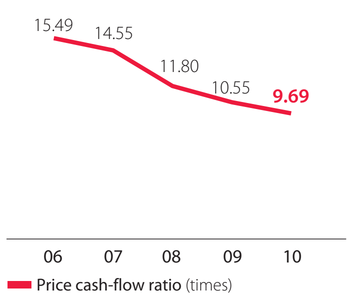
Subsequently, the appreciation of the yen and fears of fallout from the Dubai debt crisis pushed the TOPIX back down below the 800 points mark by year-end. In response, the Bank of Japan took additional easing measures, putting the brakes on the yen's appreciation, and there were increasing moves to readjust export-related share prices, principally by foreign investors. At the beginning of 2010, in spite of a cautious stance by market players in the face of the Greek financial crisis and other factors, hopes rose for an earnings recovery by Japanese enterprises. Both the TOPIX and Daiwa House's share price ended fiscal 2009 on a high note, with the key index reaching 978.81 points for a sharp 205.15 points year-on-year increase. The price of Daiwa House stock was up ¥263 at ¥1,055.

Price earnings ratio

Price to book value ratio



Price cash-flow ratio



CEO

Dreams

Message from the CEO

Heart Today, Heart Tomorrow

The time has come when all “hearts” will be joined together.

At Daiwa House, we are forging a new future for the community together with our customers, business partners, and other stakeholders. This idea of co-creating a brighter future symbolizes our efforts over the years to resolutely face the issues that have surfaced amid a changing society, and to create thriving new businesses. No matter what changes the years may bring, or how the structure of society may change, we must possess the sort of “heart” (sincerity) that dreams of creating a better society, a reliable compass pointing the way to the next era. Amid these fast-changing times, our aim at Daiwa House is to unite the hearts of all those who aspire to build a better future, so that together we can create true value that matches the needs of the coming era, and sow the seeds of new growth.

In the course of its history thus far, the Daiwa House Group has accomplished three revolutions — the Construction Revolution, the Housing Revolution, and the Lifestyle Revolution — and has continuously created new value for a society in which people seek a truly fulfilling lifestyle. Today, all the separate markets that make up the Japanese economy are mature and have reached saturation point. We now need a type of value-creation that has never been seen before. We must find a way out of this impasse and create a compass that will guide society to a bright future.

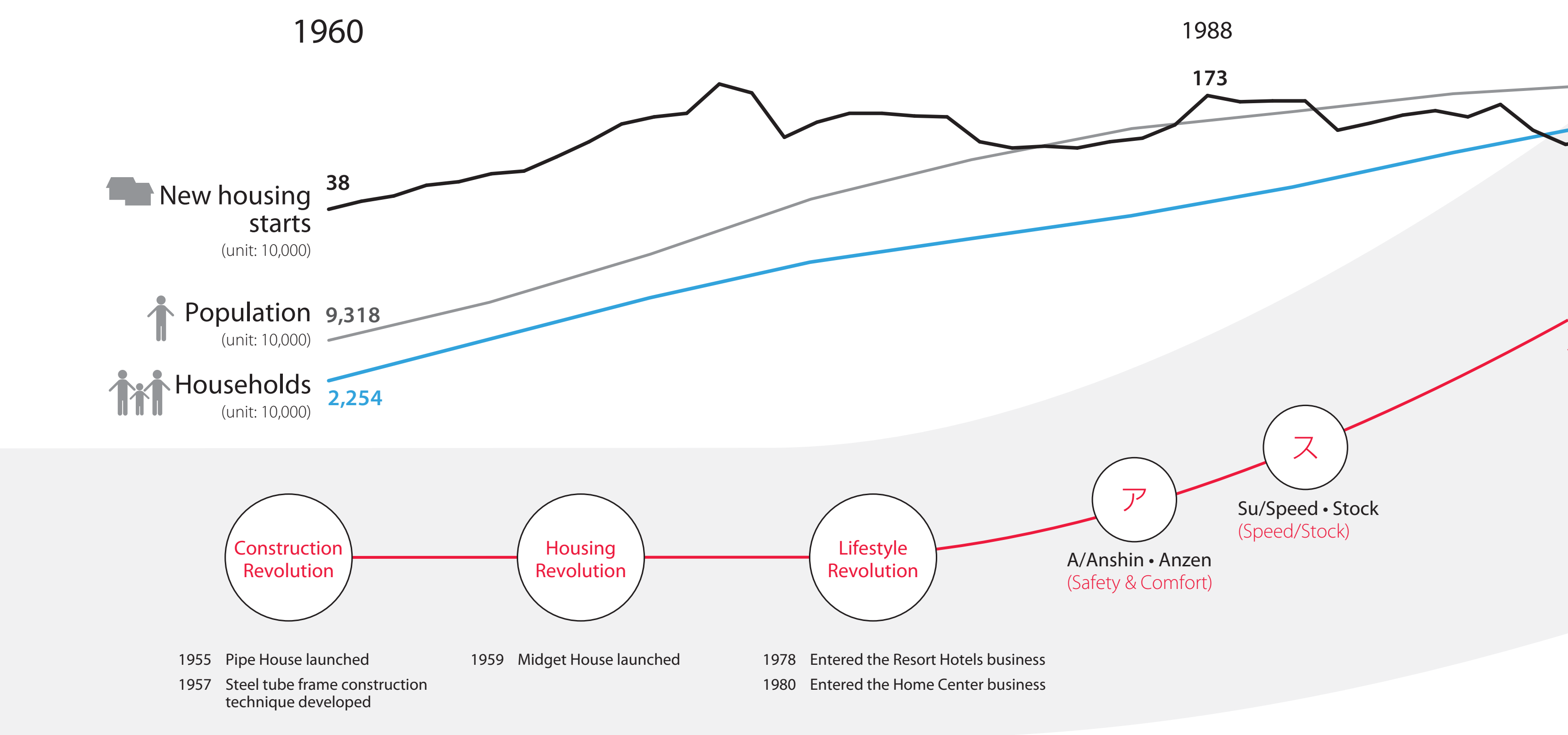
The following sections describe the “compass” that we will use to lead the way into that bright future.

Indispensable for Tomorrow

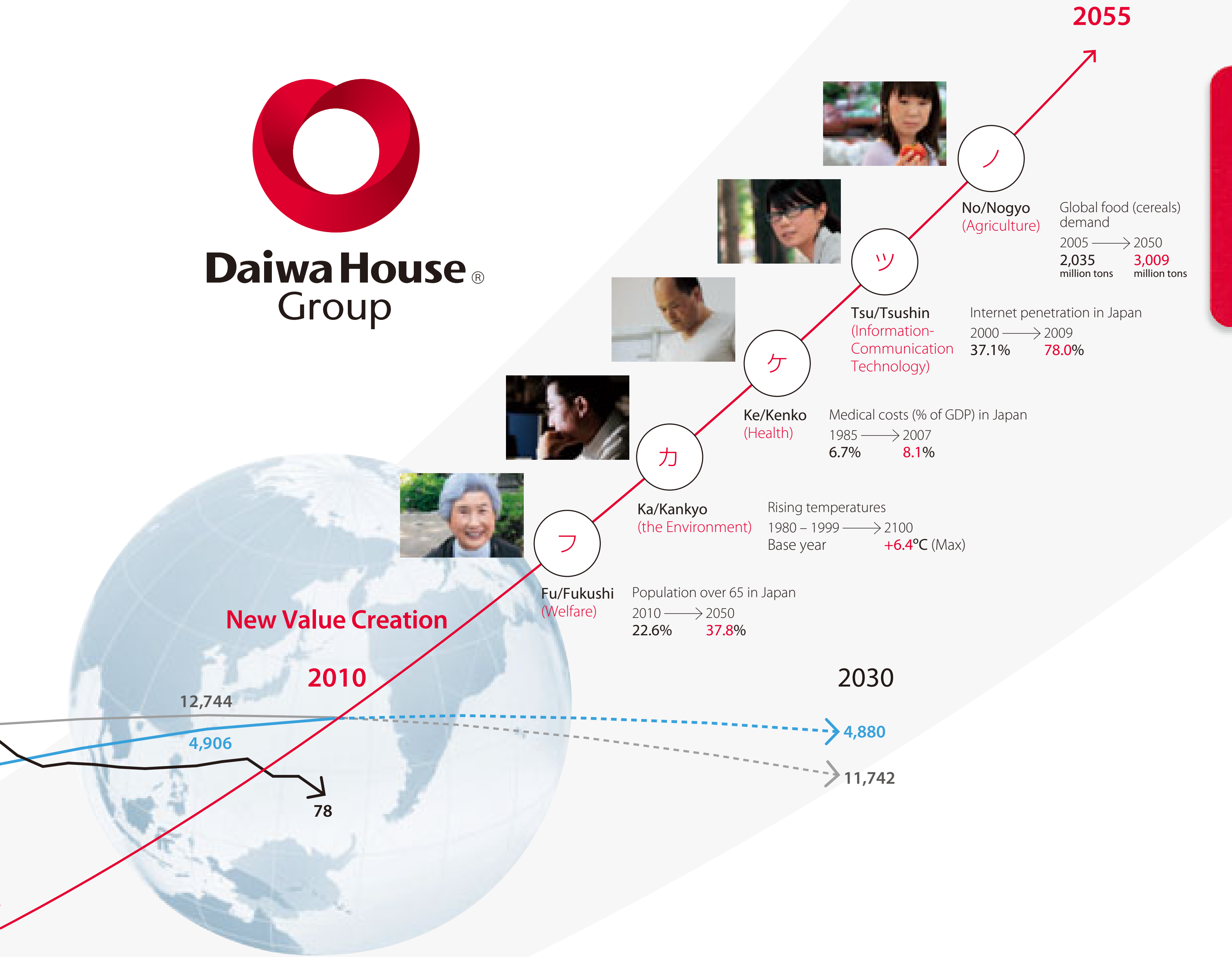
At Daiwa House, we believe that five business fields — welfare, the environment, health, information-communication technology, and agriculture — will constitute the "compass" to point society's way to the next era.

The Japanese population is forecast to fall below 90 million by 2055. We will see the arrival of an extremely aging society in which people 65 and over will constitute 40% of the population. Social security expenditure already accounts for 18.6% of GDP (20th highest in the world in 2005), while the number of doctors per thousand people is only 2.1 (27th in the world in 2007). The inadequacy of the nation's social security services has also become a major issue. In the environmental field, global warming is the principal theme, and Japan is committed to sharply reducing its emissions of greenhouse gases (approx. 1.3 billion tons in 2007) by 25% in 2020 compared with 1990. Meanwhile, although Internet access in Japan has made great strides, the invention and commercialization of Internet access technology that people of all ages can use easily is a task that must be addressed. With the population of the world estimated to reach 9.3 billion by 2055, there is a serious threat of global food shortages. For Japan, whose food self-sufficiency ratio is low (40% in fiscal 2009), this means that reform of the agricultural industry's structure is vital.

We have selected the above five business fields, whose scope covers all these social issues, and have chosen the Japanese phrase "Asu Fukaketsuno" (Indispensable for Tomorrow) to be our "compass." (The syllables of "Fukaketsuno" are the first syllables of the Japanese terms for these business fields.) Based on our established business areas, we are committed to opening new markets that will yield new earnings. We are targeting not only Japan, but also world markets as we address the challenge of creating new value.



Daiwa House® Group



Welfare spending (% of GDP, 2005)

(30 OECD countries)

		(%)
1	Sweden	29.4
2	France	29.2
3	Austria	27.2
4	Denmark	27.1
5	Germany	26.7
20	**Japan**	**18.6**
25	Slovakia	16.6
26	Canada	16.5
27	United States	15.9
28	Turkey	13.7
29	Mexico	7.4
30	Korea	6.9

CO_2 emissions from fossil fuel (2007)

(30 OECD countries)

		(million tons)
1	Iceland	2
2	Luxembourg	11
3	New Zealand	35
4	Slovakia	37
4	Norway	37
25	Korea	489
26	United Kingdom	523
27	Canada	573
28	Germany	798
29	**Japan**	**1,236**
30	United States	5,769

Food self-sufficiency in major developed nations (2007)

		(%)
1	Australia	173
2	Canada	168
3	United States	124
4	France	111
5	Spain	82
6	Germany	80
7	Sweden	78
8	Netherlands	75
9	United Kingdom	65
10	Italy	63
11	Switzerland	52
12	Korea	44
13	**Japan**	**40**

“Keep hold of the compass and don’t miss social changes”

フ Fu/Fukushi
(Welfare)

Supporting individuals and the community with both physical products (buildings) and services (nursing care robotics)

As a society with a high proportion of senior citizens, Japan is faced with the need to provide a secure living environment for the elderly. The solution to this requires a harmonious and high-level fusion of products and services. It is up to Japan, as the first country to tackle the problems of an aging population, to set a precedent for other societies.

To do these things requires both physical infrastructure and services. The Daiwa House Group has already built 2,600 medical care and nursing care facilities, employing the services of our Silver Age Research Center, which we established as a specialist survey and analysis organization in this field. We will make full use of the experience we have accumulated to build high value-added facilities, leading the way in realizing a rich and fulfilling lifestyle model for senior citizens. This will include facilities that meet present and future needs by combining medical care and nursing care functions, which we will work to popularize.

The counterpart to physical infrastructure is services, which effectively means human resources. The number of elderly people in need of nursing care is expected to grow to 5.3 million in Japan by 2025, but the country’s labor force is decreasing, and welfare facilities will suffer an even more serious shortage of caregivers. Some years ago we realized robotics technology could solve this problem by assisting in nursing tasks. In a venture with CYBERDYNE Inc., we developed the Robot Suit HAL®, a self-support assistive robotic suit. We launched leasing operations all over Japan in April 2009.

We believe that a combination of physical infrastructure (buildings) and robotics will provide invaluable support for individuals and society as a whole, and will foster strong emotional ties between elderly persons and the community at large. By facilitating this process, we expect to open up a welfare market with unprecedented potential.

カ Ka/Kankyo (the Environment)

The rebirth of construction on an eco-friendly basis

The prefix “eco” comes from the Ancient Greek word “oikos,” “house.” As housing construction is our core business area, we feel even more strongly that we have a mission to use our construction operations for the benefit of the environment.

Global CO_2 emissions have now reached 29 billion tons per annum, but the ability of natural processes to remove CO_2 from the atmosphere is limited to 11.4 billion tons per annum. The 17.6 billion ton difference in this output inevitably has a serious global warming impact. Under the Kyoto Protocol, Japan agreed to reduce its CO_2 emissions in the year 2012 by 6% compared with the 1990 level. The CO_2 emitted by houses and other residential buildings, from construction through occupancy (the average “lifespan” of Japanese housing is 30 years) to demolition accounts for one-third of all CO_2 emissions.

The role we must play in reducing CO_2 emissions is thus clear, and we have renewed our recognition of the important social mission that we bear. Over the years, we have introduced an impressive list of environment-related technologies into our construction activities. Led by our Central Research Laboratory, we have combined know-how in energy conservation and new energy sources to realize innovations in thermal insulation methods for housing, aggressively promote the widespread use of photovoltaic power generation systems, and propose wind-power generation and the use of LED lighting systems.

We have also put considerable effort into developing power storage systems (batteries). ELIIY Power, in which we have a capital stake, has developed and launched large lithium ion batteries on the market, and will now be making full-scale efforts to develop demand for these batteries with a view to the start of mass-production. We plan to further develop environmental technology and to foster a comprehensive energy solutions service with an eye on the global market, centered on the construction of housing, office buildings, commercial facilities, hotels and so on.

ケ Ke/Kenko
(Health)

Focus of healthcare to switch to the home

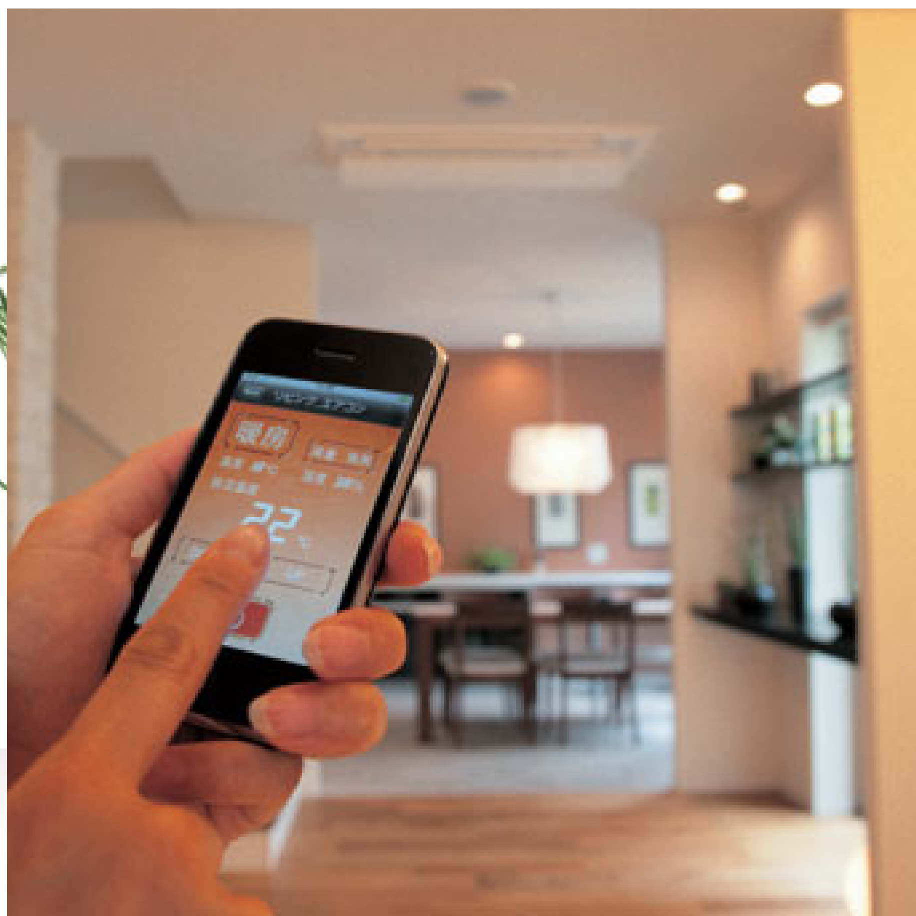
Japan's medical care expenditure in fiscal 2008 was ¥34 trillion, or 8.1% of the national income. As the number of elderly people increases, medical expenditure is showing a marked rise in terms both of absolute value and percentage of GDP. Hitherto, healthcare has been provided mainly by medical institutions, but in a society where the stock of existing homes has overtaken the number of households, we think people should be taking more responsibility for health management at home.

Based on the idea of daily health management at home, we developed the Intelligence Toilet, an in-home health check system, which is currently offered in our mainline housing products. Thus, we are helping people understand the need for changes in lifestyle, to place a greater emphasis on health management. We aim also to build a collaborative network with medical institutions in the future to help create a healthcare system for local communities incorporating daily health checks. We will continue our efforts to create new value and expand the healthcare market as an essential element in the social infrastructure.

ツ Tsu/Tsushin
(Information-Communication Technology)

Making home life easier with information technology

Internet usage has spread rapidly in Japan, with 94.08 million (78%) users as of the end of 2009. Information technology (IT) in general is already an integral part of the lives of most Japanese citizens. We believe that IT should be available in the home and easily usable by anyone. As members of the housing construction industry, we have a duty to make this a reality. One example would be the development of an IT system enabling centralized management of all computerized systems, including family health monitoring, home security, home electric appliances, remotely-operated electric lighting, and energy management. We



need to develop housing that incorporates IT in a way that brings convenience and lets all family members use the technology without worry. The smart grid concept is being tackled jointly by the public and private sectors. We are working to create new added value for Japan's stock of existing homes, ahead of realization of such a grid by developing home-use IT. Through repeated research, experiment, and verification, we must work to establish such systems as the housing standard.

ノ No/Nogyo (Agriculture)

The industrialization of agriculture — a global theme

The world's population is estimated to grow by roughly 36% by 2055, from 6.8 billion at present to 9.3 billion. Japan's population, meanwhile, is forecast to decline by 25%, from 120 million to under 90 million. Meanwhile, the number of people in Japan engaged in agriculture, who numbered 2.89 million in 2009, is decreasing by several hundred thousand per year.

At the same time, Japan's food self-sufficiency ratio is low, at 40% (fiscal 2009). Considering the possibility of global food shortages resulting from worldwide population growth, the conventional policy of depending on food imports is a major source of anxiety for the future. Ways must be found to raise Japan's food self-sufficiency ratio despite the shrinking of the nation's agricultural labor force.

At Daiwa House, we are applying the industrialization technology that we developed for the construction industry. We are conducting research into agricultural industrialization through the experimental operation of a "farming factory" that employs the "container method" (space-saving, urban crop cultivation in converted containers). Since food security is the bedrock of our daily lives, we will boldly take on the challenge of realizing the industrialization of agriculture, first in Japan, and then spreading out to China and the rest of the world.

Next Age

アスフカケツノ

A-Su-Fu-Ka-Ke-Tsu-No

Housing

From flow (new housing) to stock (existing housing)

Longer-lasting housing
From avg. 30 years to 100 years

Expansion of renovation market
To ¥7.4 trillion by 2020

Re-energizing used-home market
Improve home resale ratio
13% (2003) ⟶ 23% (2015)

Business

Multi-purpose buildings, high value-added, securitization

Revised Act Concerning the Rational Use of Energy

Expanding environment-related market
To ¥9.4 trillion market value in 2020

Expanding seniors' market
Baby Boomers (6.8 million) to pass 65

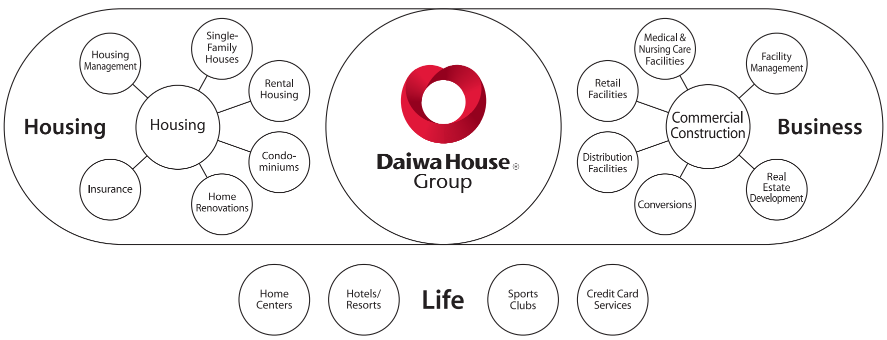
Revitalization of REIT market

Life

Globalization & lifestyle diversification

Globalization
Japan eases visa conditions for PRC tourists/10-fold increase seen in number of eligible PRC households

Ways people spend their time changing
Work hours decline
2,031 hours/year (1990)
⟶1,772 hours/year (2008)



Approx. 537,000 units
Single-family houses

Approx. 765,000 units
Rental housing

Approx. 70,000 units
Condominiums

Approx. 30,800 buildings
Commercial facilities

Approx. 2,600 buildings
Construction of medical care facilities

Approx. 3.43 million guests per year
Resort hotels

Approx. 98,000 members
Sports clubs

Approx. 364,000 visitors per year
Golf courses

Approx. 24.5 million customers per year
Home centers

Approx. 1 million guests per year
City hotels

Approx. 38,000
Daiwa House Group employees

Approx. 4,800
Business partners

Approx. 240
Suppliers

Our 85,000,000 Hearts

Connecting hearts, in Japan and the whole world

This is the compass that will point our way into the future.

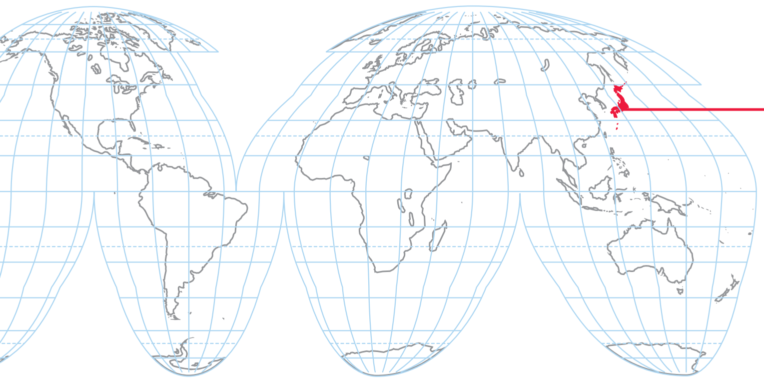
Daiwa House Industry began life in 1955 with only 18 managers and employees. The Company and Group have experienced the postwar recovery period, the years of high economic growth, the bubble economy and the aftereffects of the bubble's collapse, and finally, the global recession of the late 2000s, and have come out of all these social upheavals stronger than ever. We have done business with a huge number of customers throughout Japan, and today the Daiwa House Group comprises 73 companies which operate in our three principal fields of Housing, Business, and Life. As of April 1, 2010, the Group has grown into a complex business entity with over 38,000 employees, posting annual sales of ¥1.6 trillion.

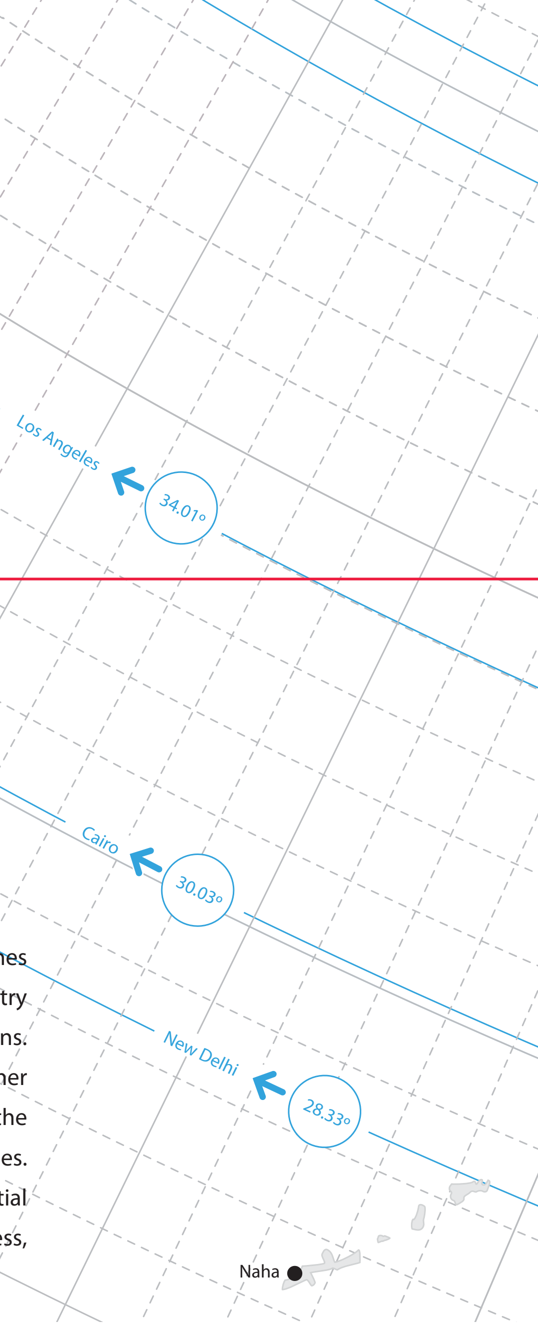
Customer assets built by the Group thus far amount to roughly 1.37 million housing units and about 36,000 commercial properties. A breakdown of the number of customer visits to facilities operated by the Group each year gives 52 million customers at our shopping centers, 24.5 million customers at our home centers, 3.43 million guests at our resort hotels, 1 million guests at our city hotels, 364,000 visitors to our golf courses, and 98,000 members of our sports clubs. If we add up all these, together with our employees and business partners, we obtain a total of 85 million "hearts" linked together through our business activities over the course of a year. The curtain has risen on a new era in which all "hearts" will be joined together.

Just as we have done up to now, we intend to continue creating and offering new value through our business operations, building a truly rich and fulfilling society where all people's hearts will be joined together. We will communicate to the people of the world the spirit of co-creating a brighter future, which is incorporated into our "Endless Heart" Group symbol, and will continue our journey into a future that is truly endless.

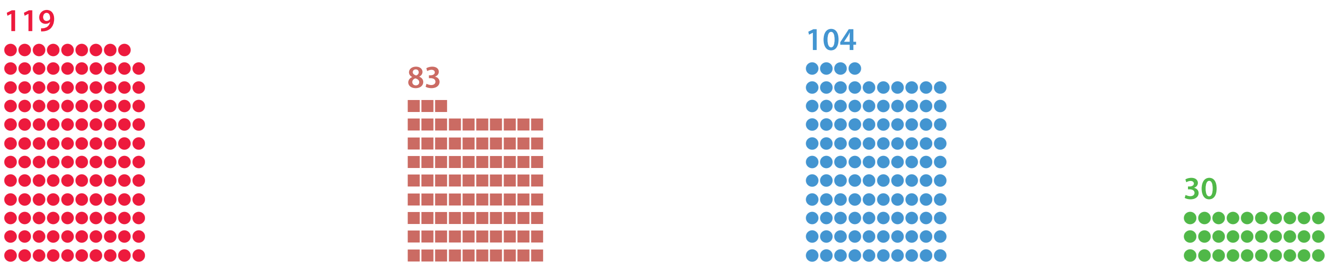
TaKeo Higuchi, *Chairman and CEO*

Inside Japan





Situated off the easternmost coast of the Eurasian continent, Japan is an archipelago that stretches 3,000 kilometers from north to south, with a total land area of 380,000 square kilometers. The country is blessed with a temperate maritime climate characterized by ample rainfall and four distinct seasons. There are major differences between the climates of the north and south of Japan, and the weather also often differs sharply between the coast and the interior. In view of these climatic differences, the Daiwa House Group has divided up the country into six separate regions for marketing purposes. Through eight "Living Salon" showrooms across the nation, which enable us to connect with potential customers, we are able to tailor operations in our three principal business fields of Housing, Business, and Life to differing customer needs in each part of Japan.

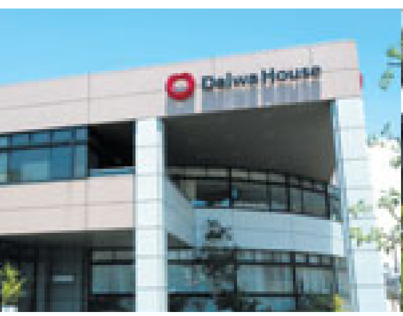


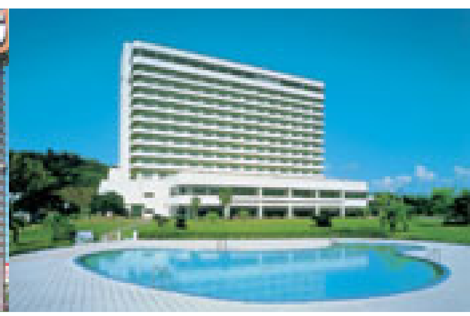
Living Salons

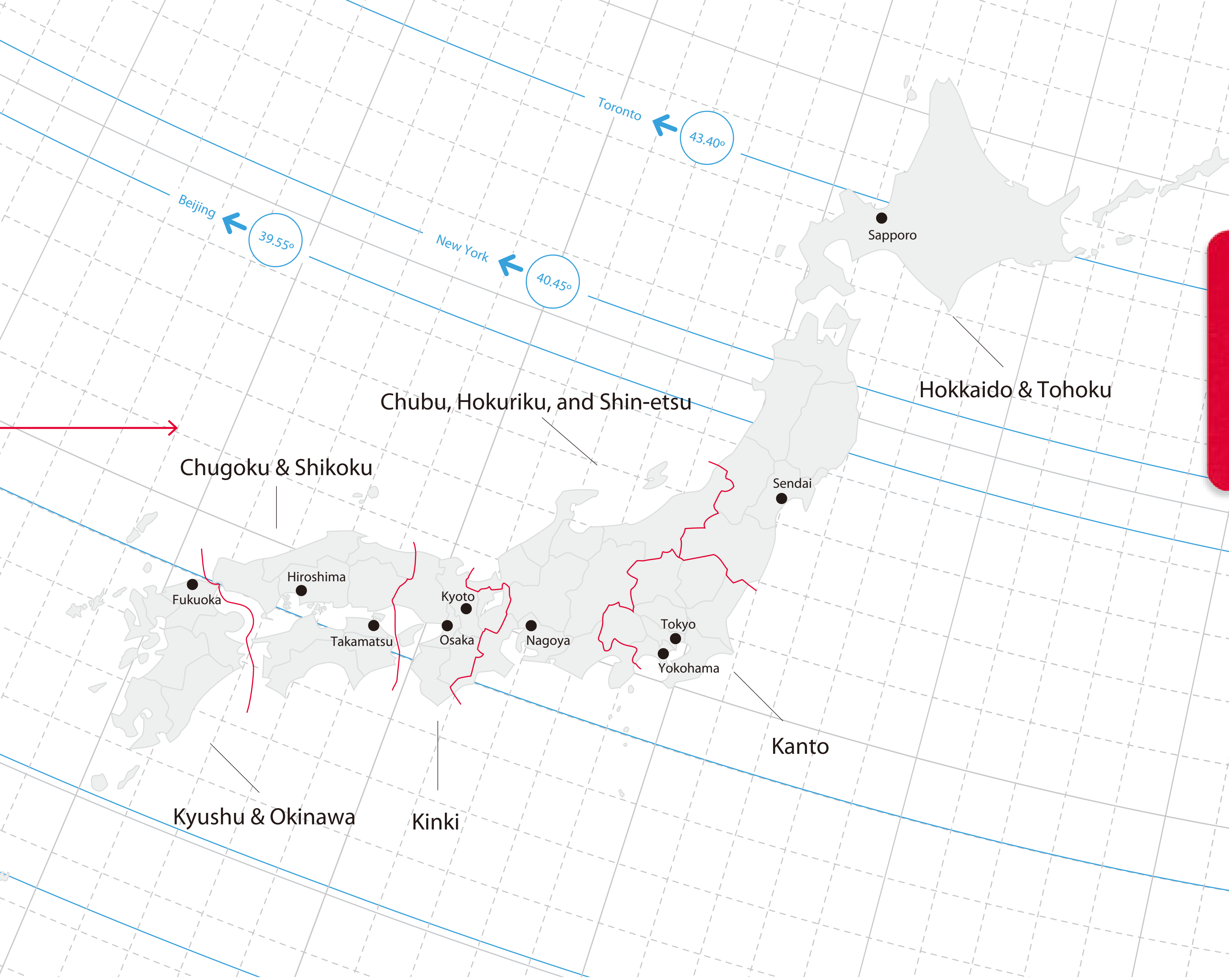
Property Developments

Commercial Facilities

Resort Hotels







(As of March 31, 2010)

10 Golf Courses

53 Sports Clubs

47 Home Centers

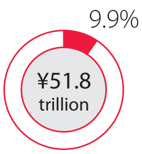
22 City Hotels

Hokkaido & Tohoku

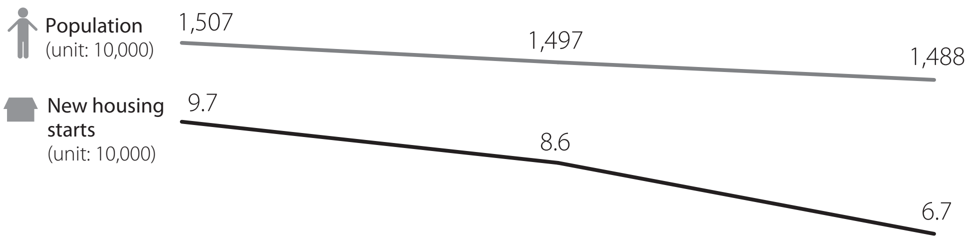
Occupying the northernmost third of Japan, this region includes extensive areas of natural scenic beauty with tremendous tourism potential. There are ample leisure facilities such as ski resorts and golf courses, which attract large numbers of visitors from overseas as well as Japan.

Regional Markets and Daiwa House Group Performance

GDP*1



*1 Total Regional Value for FY2007.



Housing

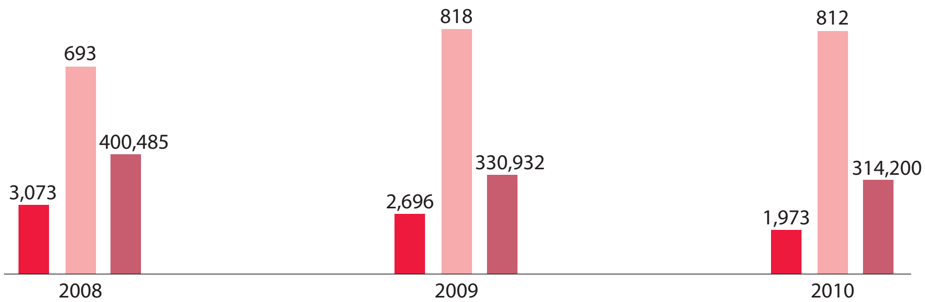
New housing starts (units)
(total including single-family houses, condominiums, and rental housing)

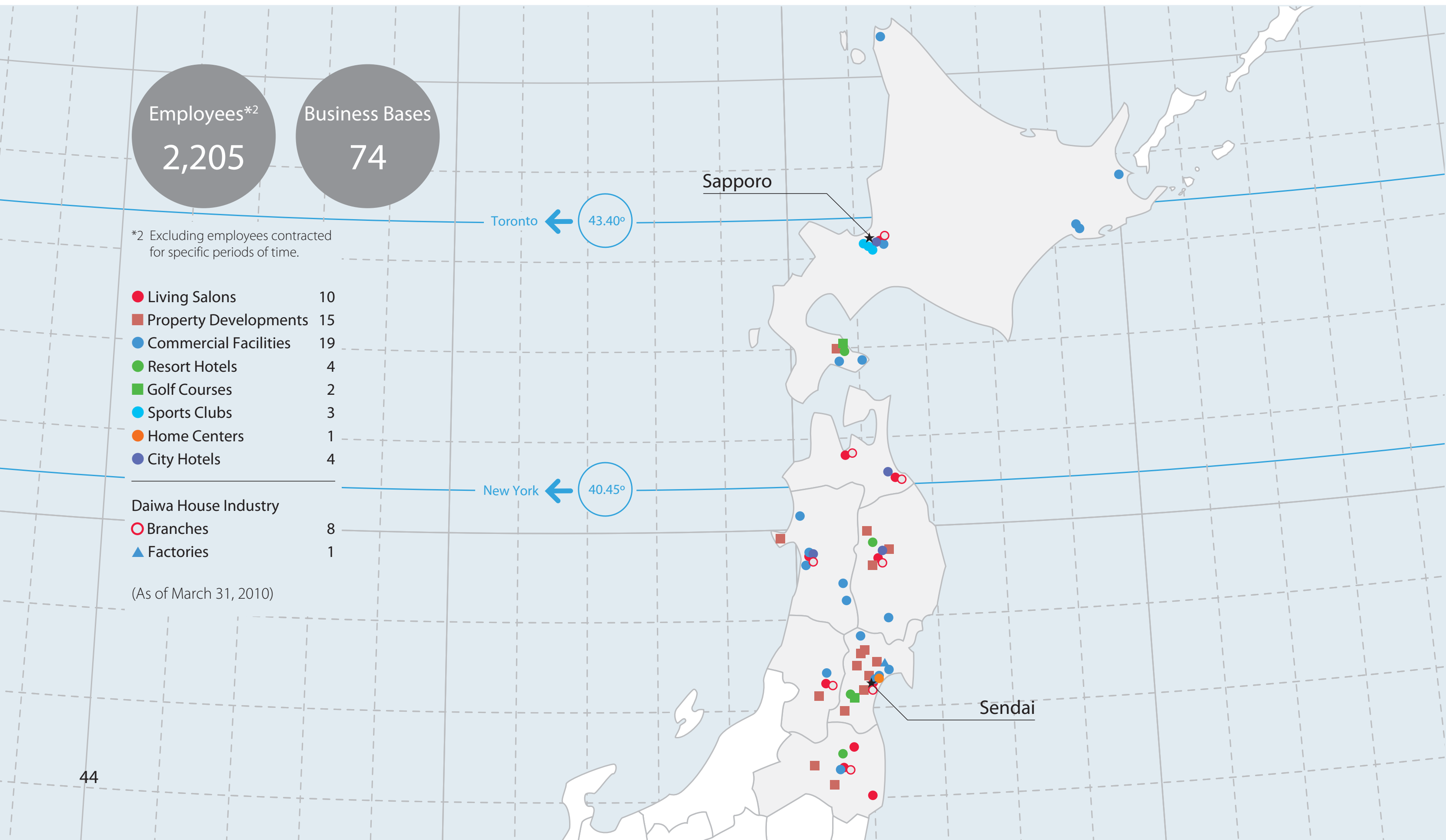
Business

Total leasing floor space in commercial construction business
(1,000m²)

Life

Number of resort hotel guests
(Including both day and overnight usage)





From Iwate

Clearing away snow in the grounds of a forest housing

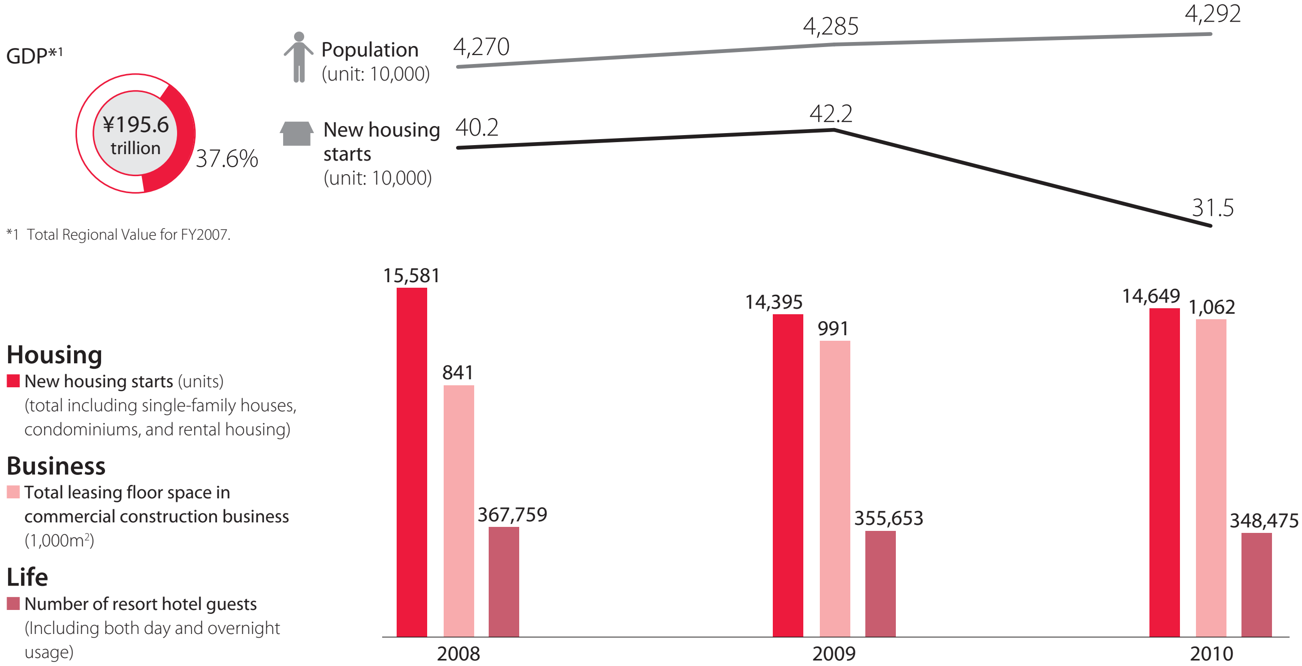
"I have recently been helping a client landowner who lives near the volcano Mt. Iwate (the 'Mount Fuji of Iwate Prefecture'). One day, after I cleared away snowfall, he greeted me, saying: 'That's a good job you've done there!' This gives me a great sense of accomplishment. I can make a human connection based on trust, and the customer will enjoy a feeling of security."

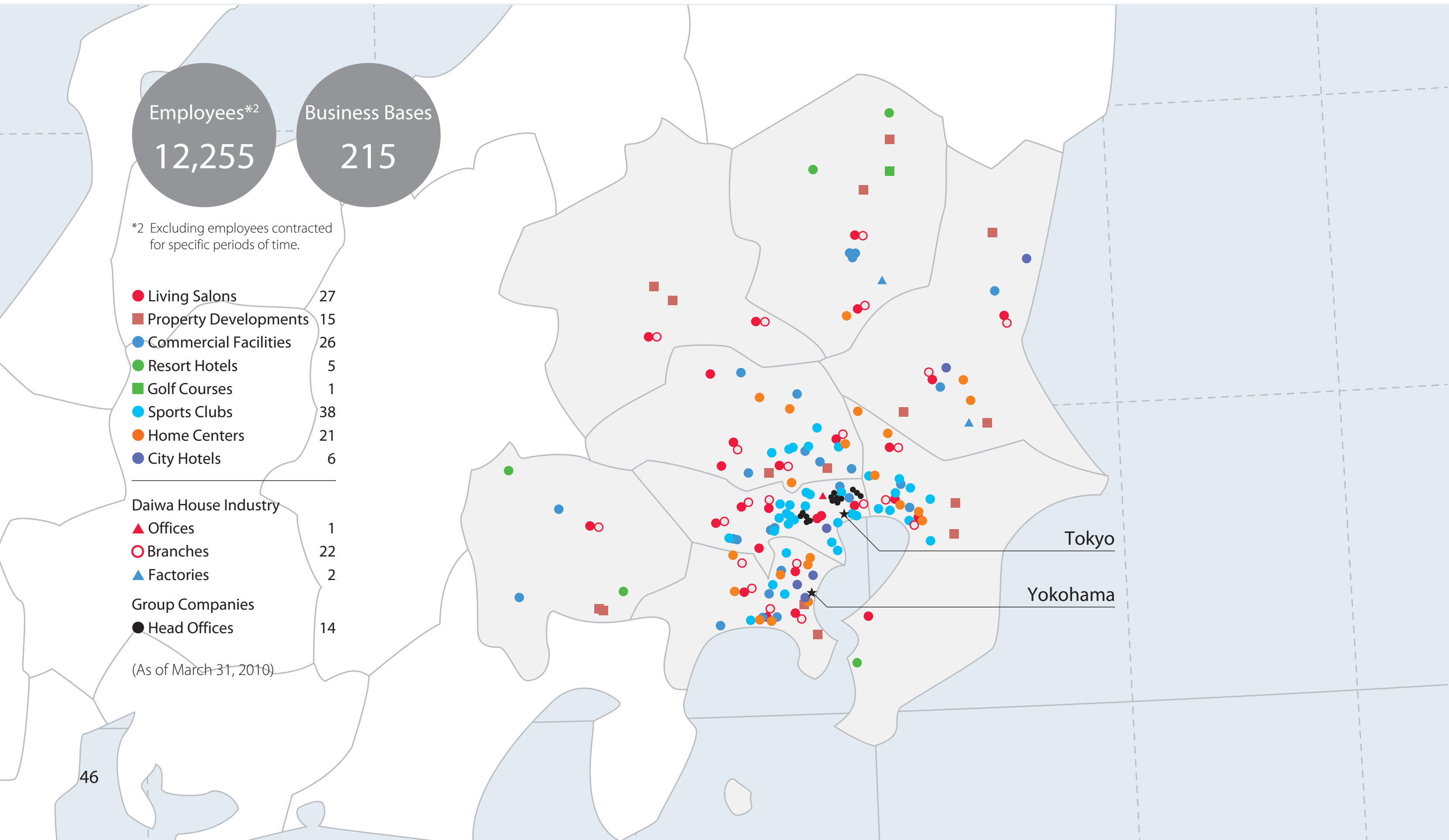
Building management staff
Mitsuhiro Nakamura

Kanto

The Kanto region, centered on Tokyo, comprises around one-third of Japan's total population and accounts for about 40% of its total GDP. The region is a vibrant political, economic, and cultural center whose population continues to grow.

Regional Markets and Daiwa House Group Performance





From Tokyo

Checking construction site progress

"I try to incorporate many perspectives in the proposals I make to corporate clients, so that the resulting business facilities will be the most beneficial for their strategy. I aim for talks that are genuinely friendly but also serious and honest. I hope the client company will agree they were right to choose Daiwa House. Meeting customers on a daily basis gives me great pleasure."

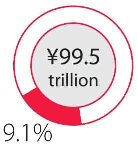
Marketing staff, Business and Corporate Facilities
Yasunori Murakami

Chubu, Hokuriku, and Shin-etsu

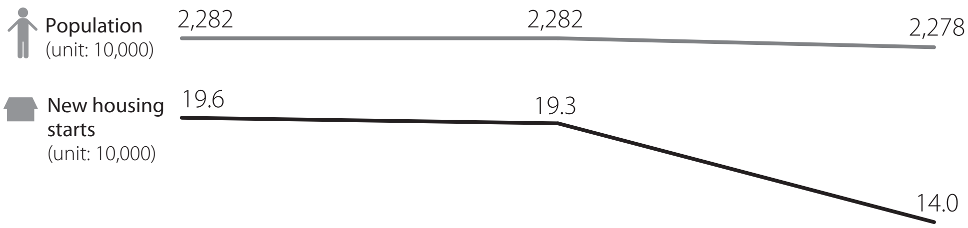
These three adjacent regions occupy the central part of the Japanese archipelago. The Chubu region is one of Japan's most important economic powerhouses, centered on the bustling industrial city of Nagoya. The Hokuriku and Shin-etsu regions are enjoying growth thanks to good communications with the adjacent Kinki and Kanto regions, respectively.

Regional Markets and Daiwa House Group Performance

GDP*1



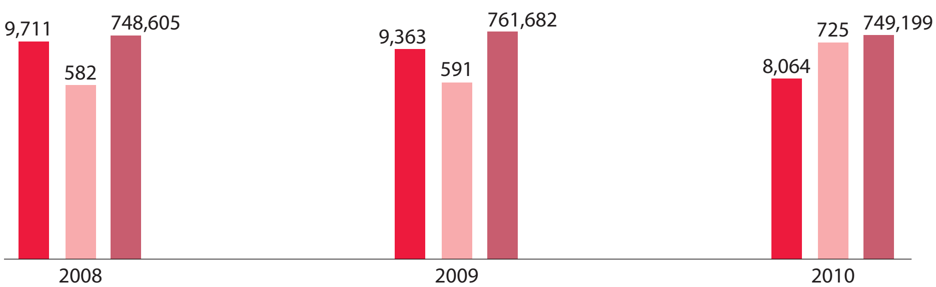
*1 Total Regional Value for FY2007.

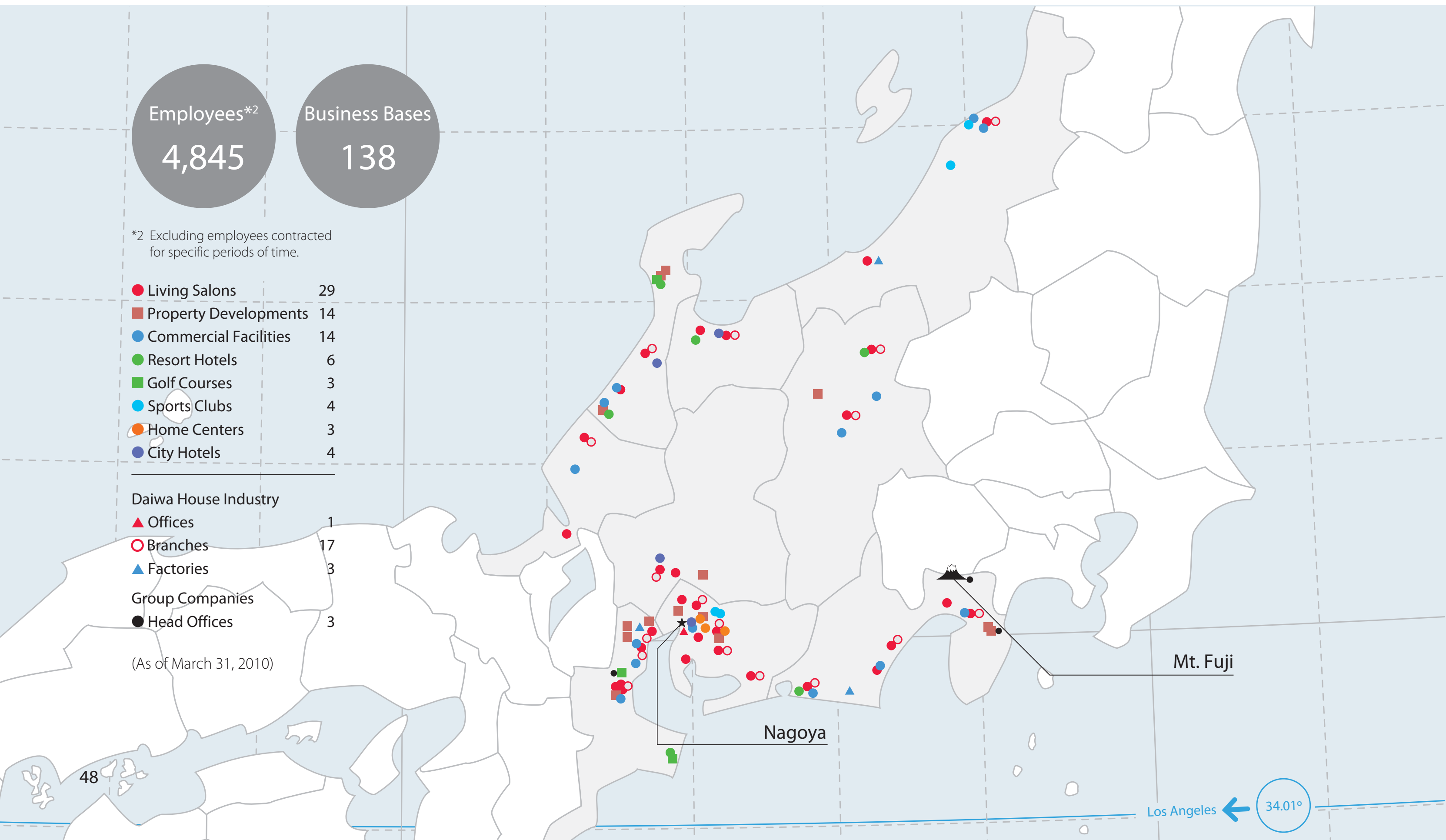


Housing
New housing starts (units)
(total including single-family houses, condominiums, and rental housing)

Business
Total leasing floor space in commercial construction business
(1,000m²)

Life
Number of resort hotel guests
(Including both day and overnight usage)





*2 Excluding employees contracted for specific periods of time.

Living Salons	29
Property Developments	14
Commercial Facilities	14
Resort Hotels	6
Golf Courses	3
Sports Clubs	4
Home Centers	3
City Hotels	4

Daiwa House Industry

Offices	1
Branches	17
Factories	3

Group Companies

Head Offices	3

(As of March 31, 2010)

From Shizuoka

Visiting a customer

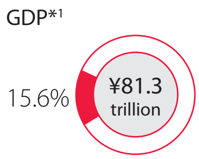
"I try always to understand what our customers want most right now, so that I can accurately cater to their needs. And as a female member of the marketing staff, I try to offer marketing proposal support based on my insight into our female customers' priorities."

Marketing staff, Single-Family Houses
Chieko Shinma

Kinki

The Kinki region boasts a number of cities with a high international profile, including the commercial hub of Osaka and the historic cultural centers of Kyoto and Nara. The region is second only to Kanto in terms of population and GDP per prefecture, and is a major driver of Japan's economic growth.

Regional Markets and Daiwa House Group Performance



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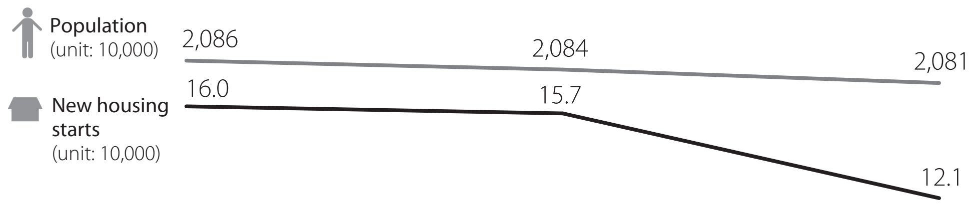
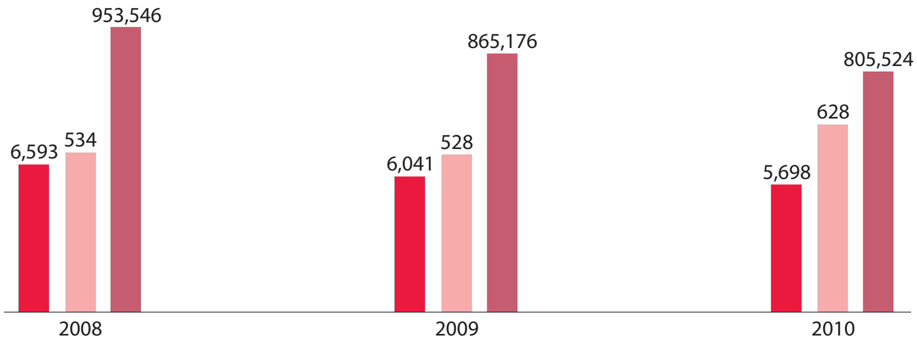
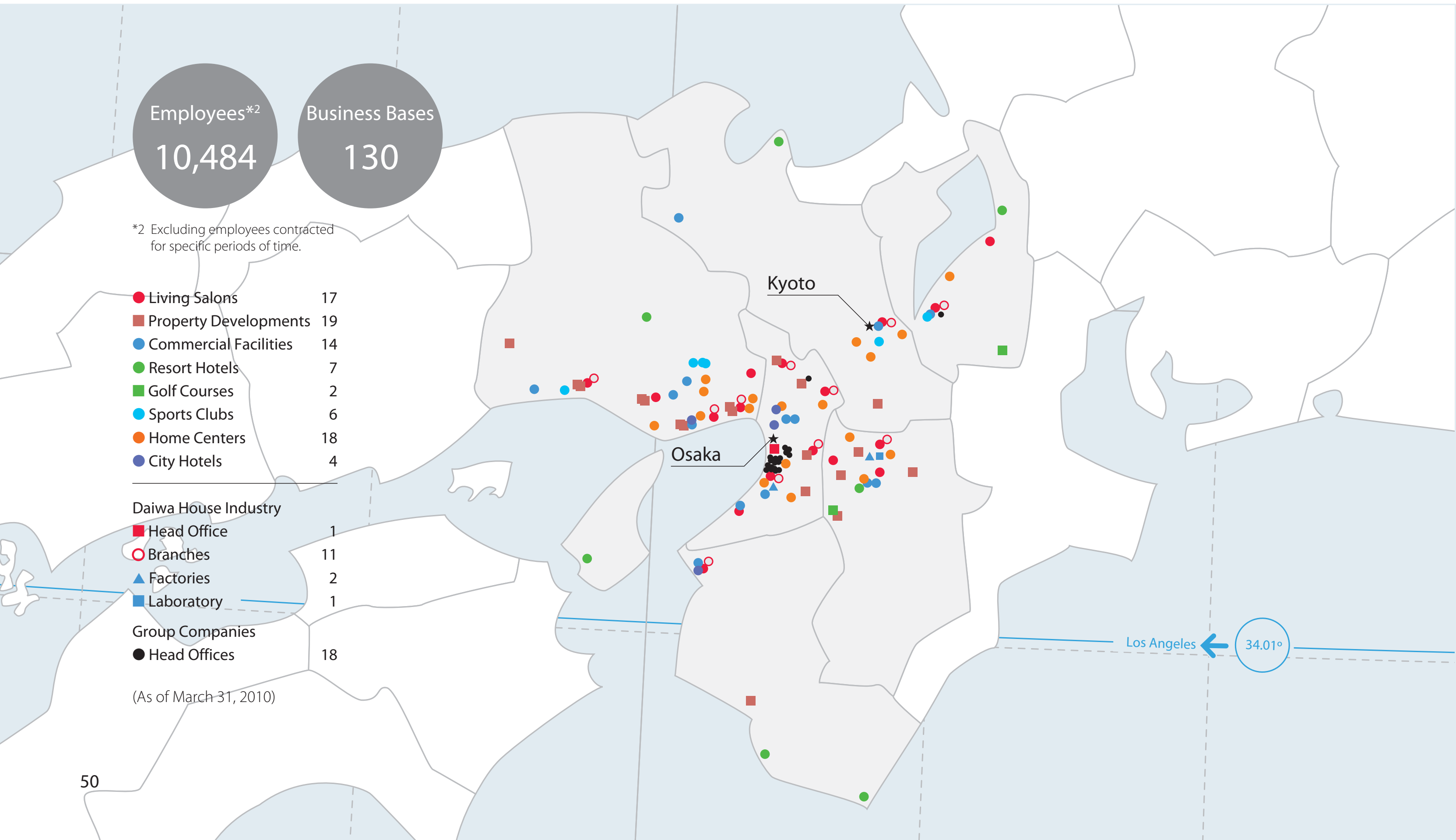


Housing
New housing starts (units)
(total including single-family houses, condominiums, and rental housing)

Business
Total leasing floor space in commercial construction business
(1,000m²)

Life
Number of resort hotel guests
(Including both day and overnight usage)





From Kyoto

Supervising training

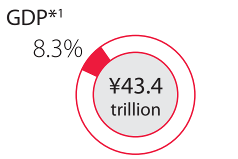
"For the sake of their health, I think people should enjoy their exercise. Of course, everyone's idea of enjoyment is different. That's why I always try to incorporate something special into my training and sports proposals to give everyone a bit of fun. I aim to help as many customers as I can become healthier in both mind and body."

Sports instructor
Satoshi Tajima

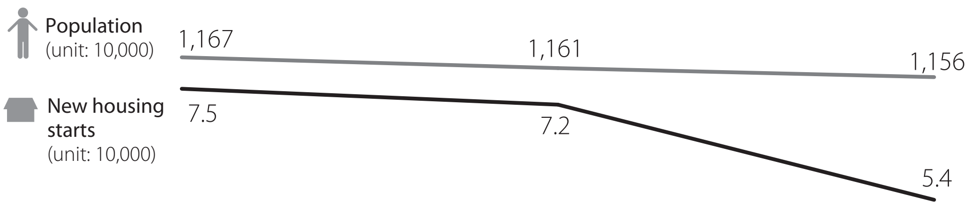
Chugoku & Shikoku

These two regions lie to the north and south of the Seto Inland Sea, known for its many islands. Enjoying a temperate climate and blessed with extensive natural scenic beauty, the region is also renowned for its historical and cultural attractions, and a number of unique tourism projects are under development.

Regional Markets and Daiwa House Group Performance



*1 Total Regional Value for FY2007.



Housing

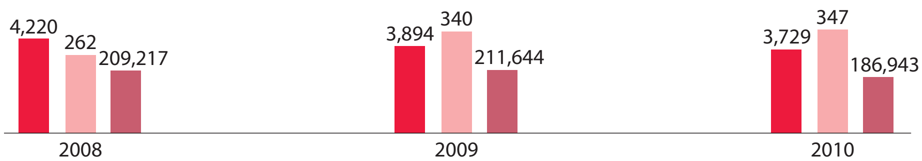
■ **New housing starts** (units)
(total including single-family houses, condominiums, and rental housing)

Business

■ **Total leasing floor space in commercial construction business** (1,000m²)

Life

■ **Number of resort hotel guests**
(Including both day and overnight usage)



Employees*2
2,158

Business Bases
83

*2 Excluding employees contracted for specific periods of time.

● Living Salons	23
■ Property Developments	9
● Commercial Facilities	14
● Resort Hotels	2
● Home Centers	2
● City Hotels	2

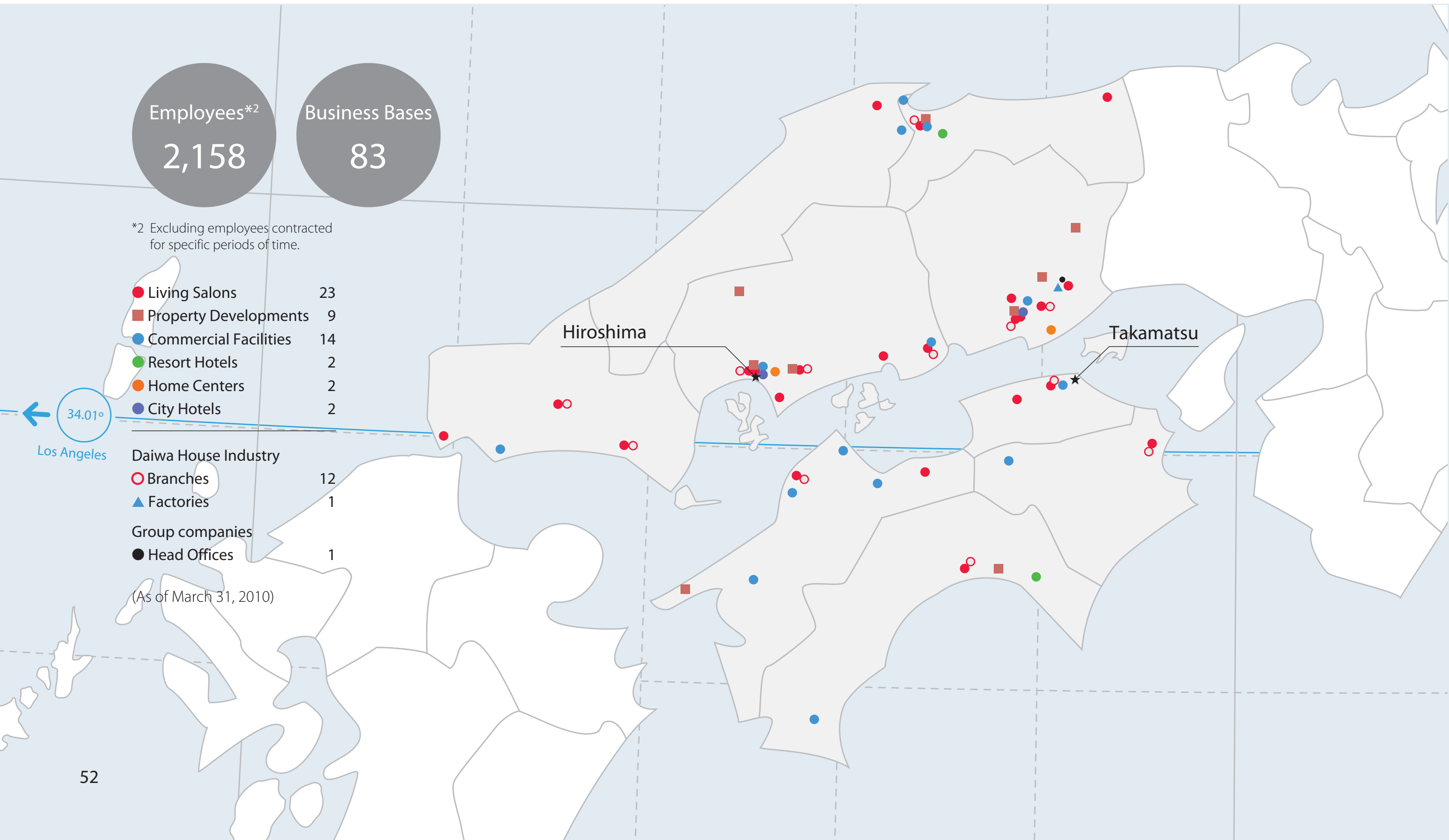
Daiwa House Industry

○ Branches	12
▲ Factories	1

Group companies

● Head Offices	1

(As of March 31, 2010)



From Okayama

Checking product quality

"Because I put top priority on delivering products that achieve full customer satisfaction, I aim for precise manufacturing control so as to deliver products and materials that our customers can trust. I aim to help the Group deliver unique and high-quality housing that will truly please our customers."

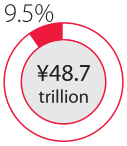
Factory production control staff
Koji Matsumoto

Kyushu & Okinawa

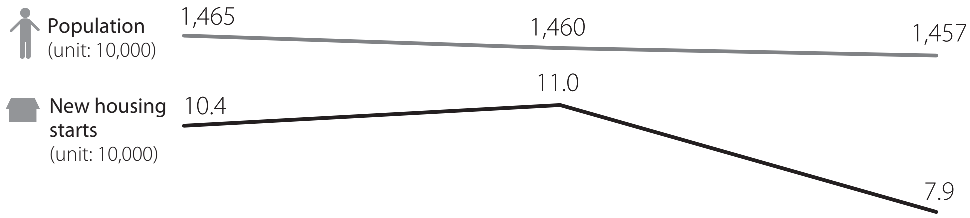
This region occupies the extreme southwest of Japan. Kyushu is increasingly under the spotlight as a gateway to trade with Asia, while Okinawa, with its unique culture, features a thriving tourism industry that is capitalizing on the area's traditional cultural attractions, its history, and its unrivalled natural beauty.

Regional Markets and Daiwa House Group Performance

GDP*1



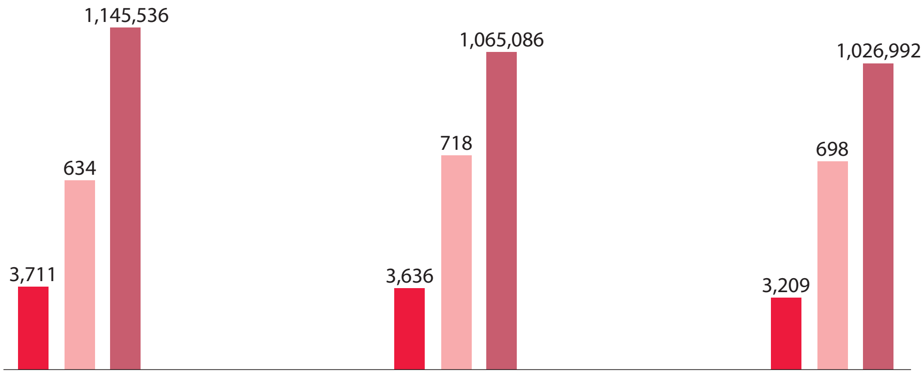
*1 Total Regional Value for FY2007.



Housing
New housing starts (units)
(total including single-family houses, condominiums, and rental housing)

Business
Total leasing floor space in commercial construction business (1,000m²)

Life
Number of resort hotel guests
(Including both day and overnight usage)



Employees*2
3,001

Business Bases
76

*2 Excluding employees contracted for specific periods of time.

Living Salons	13
Property Developments	11
Commercial Facilities	17
Resort Hotels	6
Golf Courses	2
Sports Clubs	2
Home Centers	2
City Hotels	2

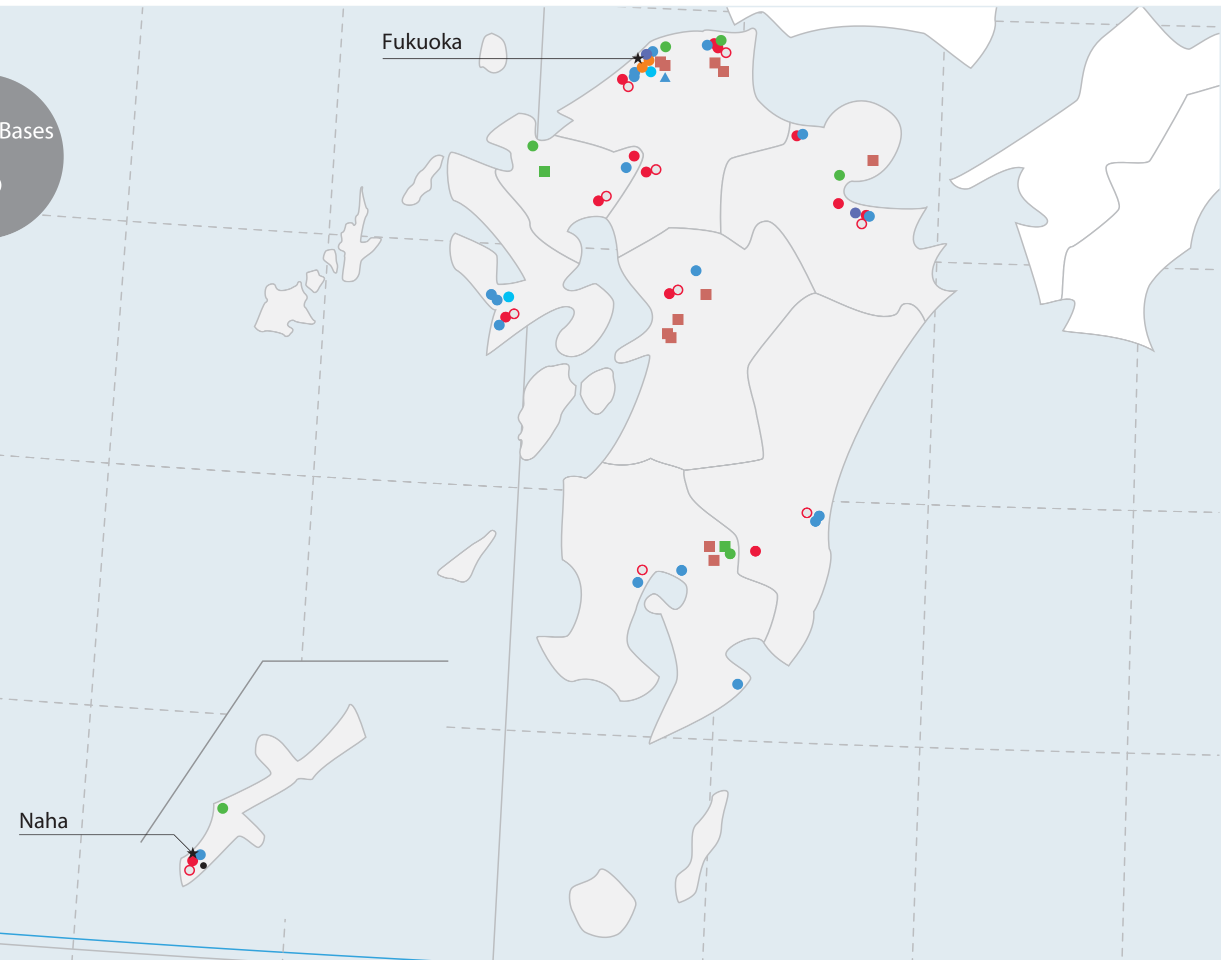
Daiwa House Industry

Branches	10
Factories	1

Group companies

Head Offices	1

(As of March 31, 2010)



Cairo 30.03°

From Okinawa

Helping out on the beach

"As well as ensuring that our guests feel secure at all times, I aim always to create a pleasant working environment for our employees. This ensures that both staff and guests are happy, enabling our guests to fully enjoy the fun marine leisure activities we offer."

Resort hotel, leisure support staff
Takemitsu Nakazato

Outside Japan

The Daiwa House Group's overseas operations began in 1960, long before the present age of globalization. Starting in Southeast Asia, we widened our sphere of activities to Brazil, the United States, and Europe. We commenced business operations in China shortly after the normalization of relations between Japan and China in 1972, and the four decades since have seen a remarkable expansion in business scale as well as an improvement in quality. We continue to pursue operations in China through close collaboration with local partners.

China

We are currently managing large-scale condominium development projects in Dalian and Suzhou. In our Chinese operations, we take advantage of our extensive technological expertise and other know-how, acquired over many years in the Japanese housing market, to offer our customers high-quality, environmentally friendly housing that contributes to a happier, healthier life.

Vietnam

We have opened a representative office in the Vietnamese capital of Hanoi, where strong economic development is projected. A survey of the local conditions is currently underway.

The Daiwa House Group — Overseas Business Bases

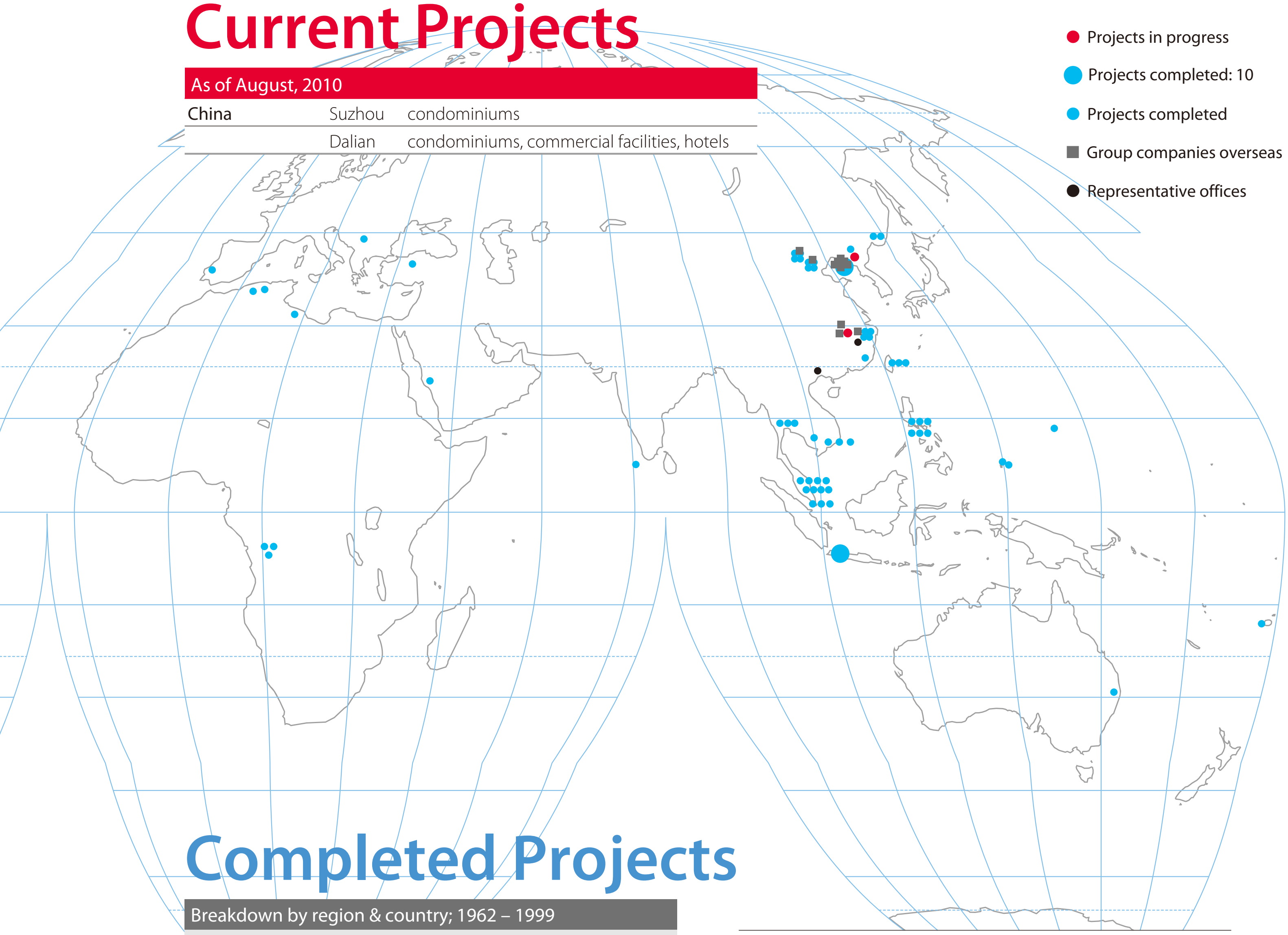
14
Companies & Offices
Overseas subsidiaries
Affiliates
Representative offices
(As of July 1, 2010)

803
Employees
Regular employees only
(As of April 1, 2010)

¥13.7 billion
Sales
Total for all companies
(As of Dec. 31, 2009)

Current Projects

As of August, 2010		
China	Suzhou	condominiums
	Dalian	condominiums, commercial facilities, hotels



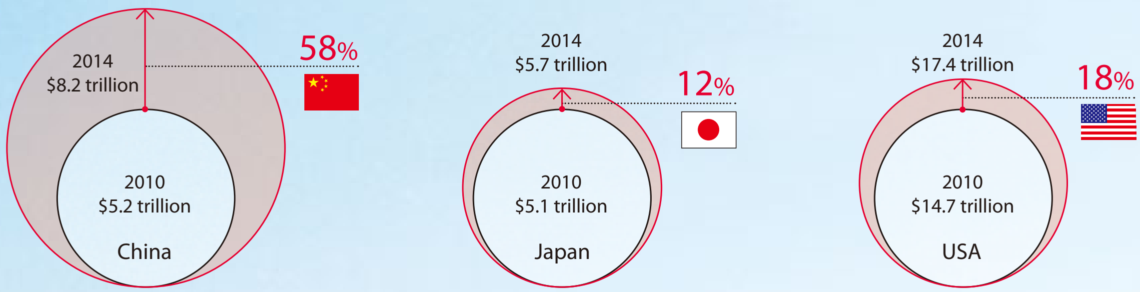
Completed Projects

Breakdown by region & country; 1962 – 1999	
Asia-Pacific	
Australia	condominiums
Cambodia	hospitals
China	housing units, restaurants, hotels, offices, airport lounges, factories, warehouses
Fiji	factories
Guam	employee dormitories, warehouses
Indonesia	factories, warehouses, employee dormitories, offices
Malaysia	factories, gymnasiums
Maldives	showrooms
Palau	housing units, warehouses
Philippines	housing units, factories, schools, warehouses, offices
Saudi Arabia	employee dormitories
Singapore	factories
Taiwan	housing units
Thailand	factories, warehouses
Vietnam	housing units, medical clinics
The Americas	
Brazil	housing units, condominiums, factories, retail outlets, hotels
United States	housing units, condominiums
Europe	
Portugal	housing units
Russia	warehouses, port facilities
Serbia	housing units
Turkey	housing units
Africa	
Algeria	factories, employee dormitories
Republic of the Congo	factories
Liberia	warehouses

China

The Daiwa House Group began exporting houses to China and erecting them on site in 1983. In 1985 we commenced the construction and management of rental housing for expat tenants (mostly Japanese) in Shanghai. Since then, we have been involved in five rental housing projects in the cities of Shanghai, Beijing, Tianjin, and Dalian. Currently we have local subsidiaries in Dalian and Suzhou engaged in the real estate development and real estate investment businesses. We are focusing our efforts in China particularly on real estate development centered on condominiums to meet the needs of the country's growing population of high-income individuals.

World economic outlook (comparison of GDP): 2010 → 2014



Property price trends in Chinese cities (YoY)

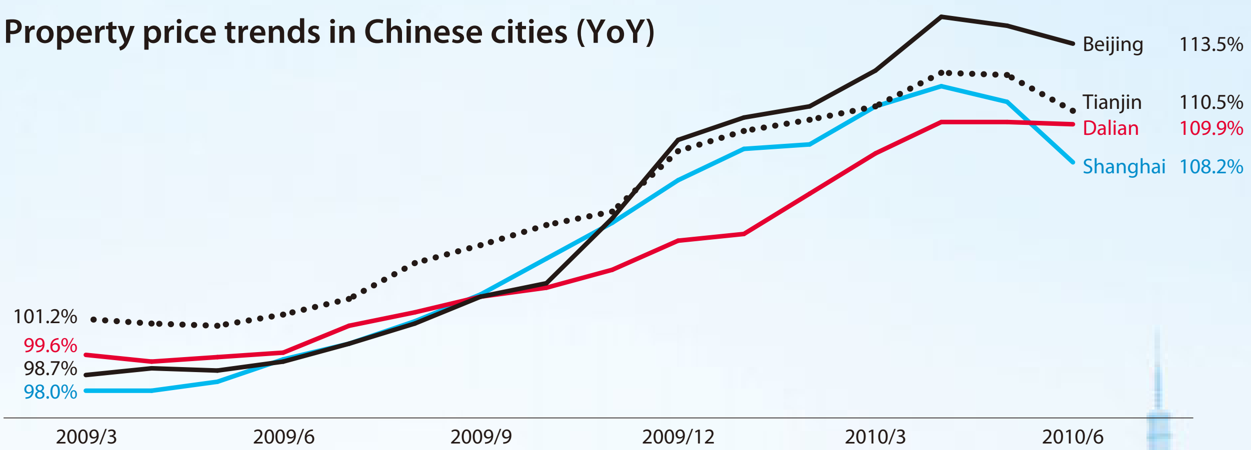


Photo: Yihe Champs-Elysees/Dalian

The Chinese market and its prospects

First condominiums in China post brisk sales

Yihe Champs-Elysees, a combined condominium and commercial facility, was completed in Dalian in June 2009. This was the Daiwa House Group's first such development in China, and the project was accomplished through a joint venture with a local company. In this, the first condominium development in Dalian by a Japanese-owned enterprise, 852 condominium units and 111 commercial units (shops, restaurants, etc.) were put up for sale. As of May 2010, all the condominium units had been sold, and the commercial units are also selling well.

First condominium development in China fully financed by a Japanese company

In July 2009, via a wholly-owned subsidiary, we commenced construction in Suzhou of The Grace Residence, a condominium development that is the first to be financed entirely by a Japanese company. In Dalian in the same month, we commenced construction of Yihe Xinghai, a combined condominium and commercial facility development, which will be the largest such development by a Japanese company in China. We have adopted Japanese standards for the construction methods used in these two projects, and are also using products supplied by Japanese construction materials makers (manufactured at their Chinese subsidiaries) for the fittings, such as toilets and aluminum window frames.

In China, the standard practice is to sell a condominium without interior decoration or fittings, which are chosen and purchased separately by the owner. In contrast, all the units at The Grace Residence will be sold fully fitted with interior furnishings. This is a new move to take advantage of the reputation for high quality and trustworthiness enjoyed in China by Japanese manufacturers' products. We plan to expand our business in China through further such development projects conforming to Japanese quality standards.

To streamline our real estate operations in China, we have established Daiwa House (China) Investment Co., Ltd., a wholly-owned subsidiary, in Suzhou. This subsidiary will handle the accumulation of funds required for new development projects as well as existing real estate projects in the local area. This will enable more efficient fund management and firmly establish the Daiwa House brand name in the local market. We are planning real estate development projects on the scale of ¥300 billion over the next 10 years.

Units in China

Beijing

Affiliate
Beijing East Palace Apartment Co., Ltd.
Rental housing operations

Dalian

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

Affiliate
Dalian Dahezhongsheng Estate Co., Ltd.
(Development and sales of condominiums), with 4 other companies

Tianjin

Subsidiary
Tianjin Jiuhe International Villa Co., Ltd.
Rental housing operations

Tewoo Daiwa House (Tianjin) Real Estate Development Co., Ltd.
Real estate consulting

Shanghai

Parent company
Daiwa House Industry Co., Ltd., Shanghai Office

Affiliate
Shanghai International Realty Co., Ltd.
Rental housing operations

Suzhou

Subsidiary
Daiwa House (Suzhou) Real Estate Development Co., Ltd.
Development and sales of condominiums

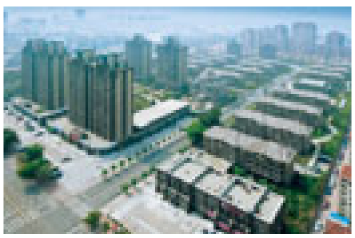
Daiwa House (China) Investment Co., Ltd.
Real estate investment

(As of March 31, 2010)

Market surveys and research commenced in Vietnam and other Asian countries

In addition, in 2006 we signed a technical agreement with Baoye Group Co., Ltd., a major Chinese business group listed in Hong Kong, regarding industrialized methods of housing construction. This has opened up the way to the development of industrialized housing construction in China, and we are currently building a trial production plant. Meanwhile, we are conducting full-scale market surveys and research in Vietnam, Indonesia, India, and other countries in the Asia-Pacific region, with a view to further expanding our overseas operations through entry into the real estate development business in these markets.

Yihe Champs-Elysees/Dalian



Yihe Champs-Elysees/Dalian

Completion	In June 2009
Developers	Dalian Dahezhongsheng Estate Co., Ltd. * Daiwa House Industry; 50% stake
Facilities	Residential facilities and commercial facilities
Number of units sold	963 Residential facilities 852 Commercial facilities 111

The Grace Residence/Suzhou

Completion	In 2011
Developers	Daiwa House (Suzhou) Real Estate Development Co., Ltd. * Daiwa House Industry; 100% stake
Facilities	Residential facilities
Number of units sold	902

Yihe Xinghai/Dalian

Completion	In 2011 & 2014
Developers	Dalian Dahezhongsheng Estate Co., Ltd. * Daiwa House Industry; 50% stake
Facilities	Residential facilities, retail facilities and hotels
Number of units sold	2,190 (Residential facilities)

COO

Innovates

Message from the COO

Heart, in Everything We Do

In fiscal 2009, we pursued the two main themes of our Second Medium-Term Management Plan "Challenge 2010" — 1) improvement of profit structure, and 2) nurturing of new future earnings drivers. Unfortunately, in fiscal 2009 we recorded our second consecutive year of decreases in both revenues and earnings.

Nevertheless, the management reinvention process bore fruit. Improved operational efficiency and the consolidation of functions realized a cost reduction of ¥16.2 billion, while reforms to our single-family house business yielded a ¥6.4 billion reduction in costs. We steadily shifted the focus of our human resources to growth businesses, and progress was seen in the creation of a stronger earnings structure. We are confident that developments during fiscal 2009 constituted an important step toward our Third Medium-Term Management Plan, which will commence in early fiscal 2011.

Fiscal 2010 is the final year under our current three-year plan. To enable further progress toward realizing the two main themes of the plan — improvement of profit structure and nurturing of new future earnings drivers — we intend to make steady progress in implementing the year's priority initiatives. The four priority initiatives are: ❶ reform of the new home and amenity construction businesses, ❷ expansion of our existing home business through closer coordination among Group companies, ❸ proactive globalization, and ❹ implementation of sound cash-flow management to strengthen our financial position. We are determined to harness the Group's full power toward the goal of achieving growth in both revenues and earnings for the current business term.

Now let us move on to a detailed examination of this year's four priority initiatives.

Second Medium-Term Management Plan "Challenge 2010"

FY2009

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

FY2009 Priority Initiatives and Results

1 Enhancing productivity of single-family house and condominium operations

Single-family houses

- Strengthening structure by switching staff to growth businesses:
  390 staff → 280 staff
  → 110 staff
- Improved operating income margin: 0.8% → 1.9%
- Cost reduction: ¥6.4 billion

Condominiums

- System of four wide marketing areas introduced:
  Eastern Japan, Central Japan, Western Japan, Kyushu
- Thanks to entry into Group of Daiwa LifeNext
- Number of units managed grows to 197,882

2 Full-scale entry into new growth fields of renovation and environmental energy

Renovation

- Expanding workforce: 676 → 1,048 staff
  (sales, design, construction)
- Expanding business network: 69 → 81 offices

Environmental energy

- New marketing centers: 28 throughout Japan
- New products launched:
  reFbo Factory, LED street lamps

3 Amended real estate investment plan and company-wide cost reforms

- Cost-cutting through higher operational efficiency and consolidation of functions: ¥16.3 billion
- Stricter standards enforced through Investment Committee

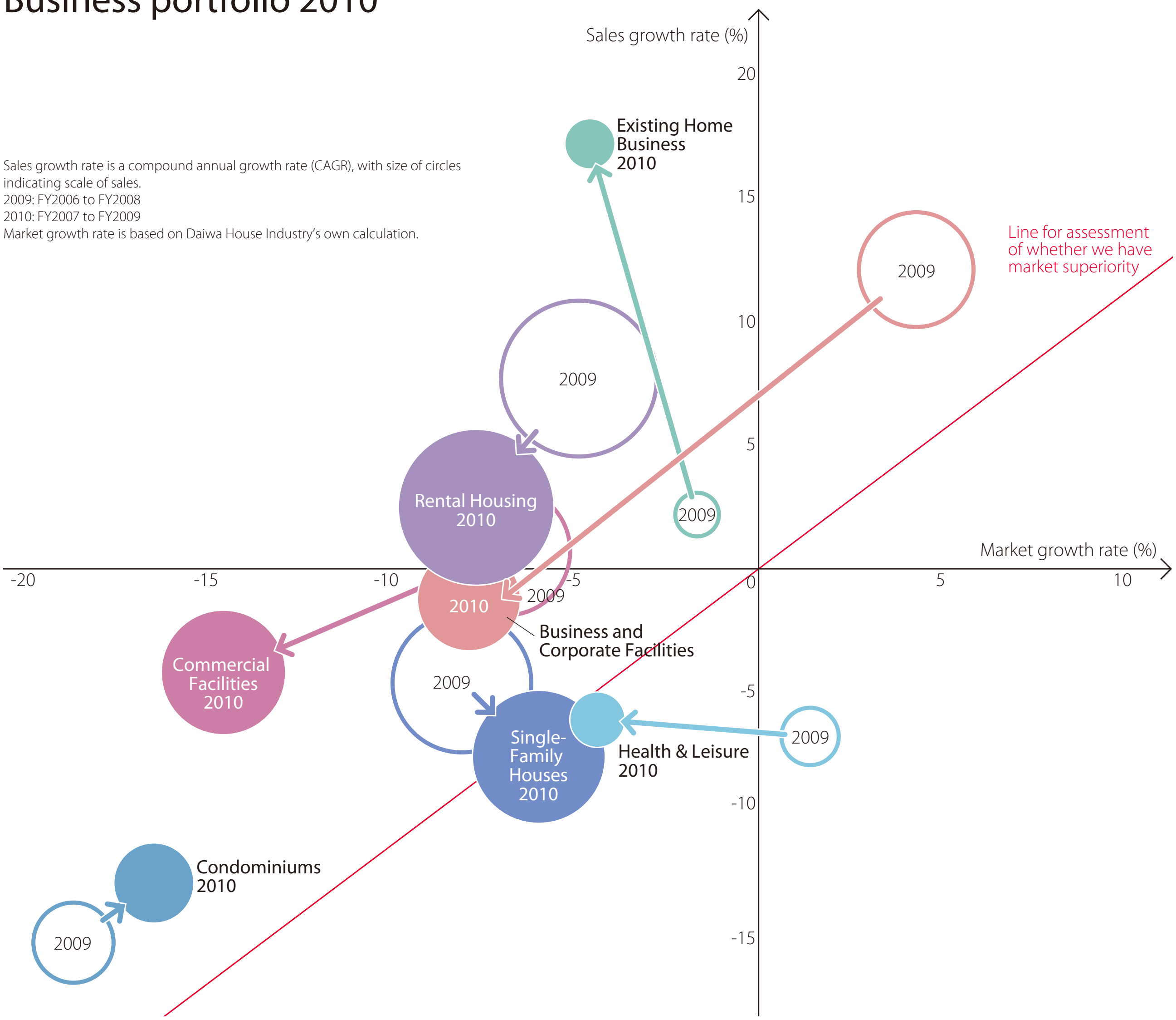
Investment results:
FY2008 ¥153.6 billion FY2009 ¥99.8 billion

FY2010 Priority Initiatives

1. Reform of the new home and amenity construction businesses
2. Expansion of our existing home business through closer coordination among Group companies
3. Proactive globalization
4. Implementation of sound cash-flow management to strengthen our financial position

Business portfolio 2010

Sales growth rate is a compound annual growth rate (CAGR), with size of circles indicating scale of sales.
2009: FY2006 to FY2008
2010: FY2007 to FY2009
Market growth rate is based on Daiwa House Industry's own calculation.



Priority Initiative **1** Reform of the new home and amenity construction businesses

Creating new value by solving two reform issues

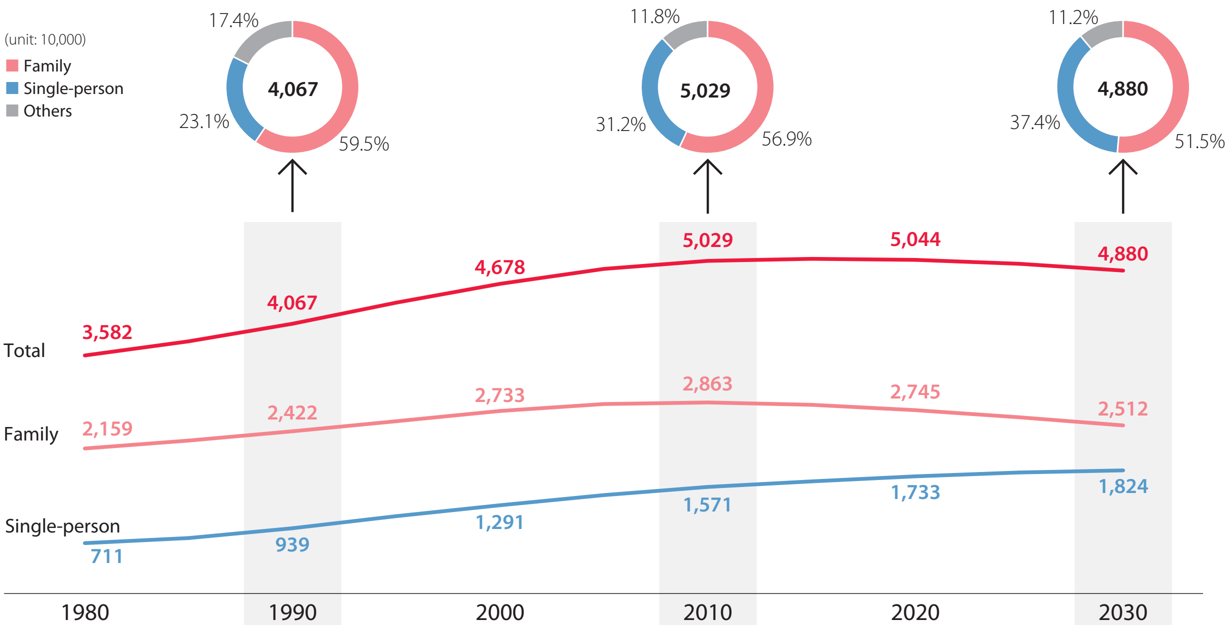
At the core of the Daiwa House Group's business lie our operations in the fields of single-family houses, rental housing, condominiums, and commercial facilities, all involving the construction of new houses or buildings. As a result of social changes such as a shrinking population, a declining birthrate, and a growing proportion of senior citizens, the number of households in Japan is predicted to peak out in 2015 and decrease slowly thereafter. Elderly people and unmarried younger persons living alone are expected to account for an increasingly large part of all households. Average household income, too, is already following a decreasing trend in line with the shrinkage of the working population and the growing number of retirees.

In view of these anticipated changes, there are two issues we must tackle with respect to the restructuring of our new home construction business. These are 1) how to market our product and service lineup to appeal to varied types of household with different sets of values, and 2) how to design a pricing strategy that incorporates environmentally friendly technology and IT, realizes lower running costs, and takes the different scales of household income into account.

Specifically, in our housing operations, we conducted aggressive marketing activities, targeting couples with children, with a focus on photovoltaic power generation systems. As a result of these efforts, the percentage of our houses sold with photovoltaic generation equipment fitted rose more than 100% in only one year. We expect further expansion over the coming years.

Over the longer term, we plan to combine photovoltaic systems with lithium ion batteries, and to develop energy-self-sufficient homes by 2020. We will also be incorporating environmental technologies, notably photovoltaic generation, into our products in the rental housing and condominium markets. Moreover, we will develop interior layouts targeting the two different single-person household categories (unmarried younger singles and senior citizens living alone).

Number of households



In our business operations, too, we are harnessing the competitive power of our commercial facility relocation services and our multi-purpose commercial complex design business. In our relocation service, we employ the high-value-added Restore & Rebuild System, which enables the re-use of around 70% of construction materials from the original building. This is an ideal solution for tenant companies that operate multi-store chains, as it allows a significant reduction in construction costs. Regarding the design of multi-purpose commercial complexes, this encompasses not only developments that combine commercial space and housing, such as shopping centers with attached rental housing units, but also facilities for the elderly combined with health clubs. We are combining types of product that have been built separately up to now.

By reforming our new home construction business in this way, we will be able to restructure our housing and building value plans to meet the particular needs of all types of households. We plan to nurture this business field into a powerful earnings driver.

Priority Initiative 2 Expansion of our existing home business through closer coordination among Group companies

Using customer asset base to develop three markets

Japan's total housing stock as of 2008 stood at 57.59 million dwellings. This is 7.60 million more than the number of households (49.99 million), and shows that the quantity of housing is more than sufficient. However, the average lifespan of a Japanese home is only 30 years or so, and to extend the lifespan of existing homes requires renovation work to upgrade their quality. The Daiwa House Group has over the years built up a massive customer asset base through its new home construction operations, and we can now look forward to building on this base to expand our operations in the existing home business.

Assets owned by the Group's customers, including single-family houses, rental housing, and condominiums, total approximately 1.37 million units. This gives us excellent prospects of expanding our sales in the fields of home renovation and condominium management. We also have customer assets of over 36,000 commercial property-holdings in the forms of retail outlets, offices, warehouses, etc., spread out across the whole of Japan as proof of our track record. We look forward to unearthing new market opportunities through our energy solutions business, within the Business and Corporate Facilities segment, in which we can make proposals for improved management efficiency. In both housing and business facilities, we expect existing stock to yield vast new markets, which we aim to develop as a future core business.

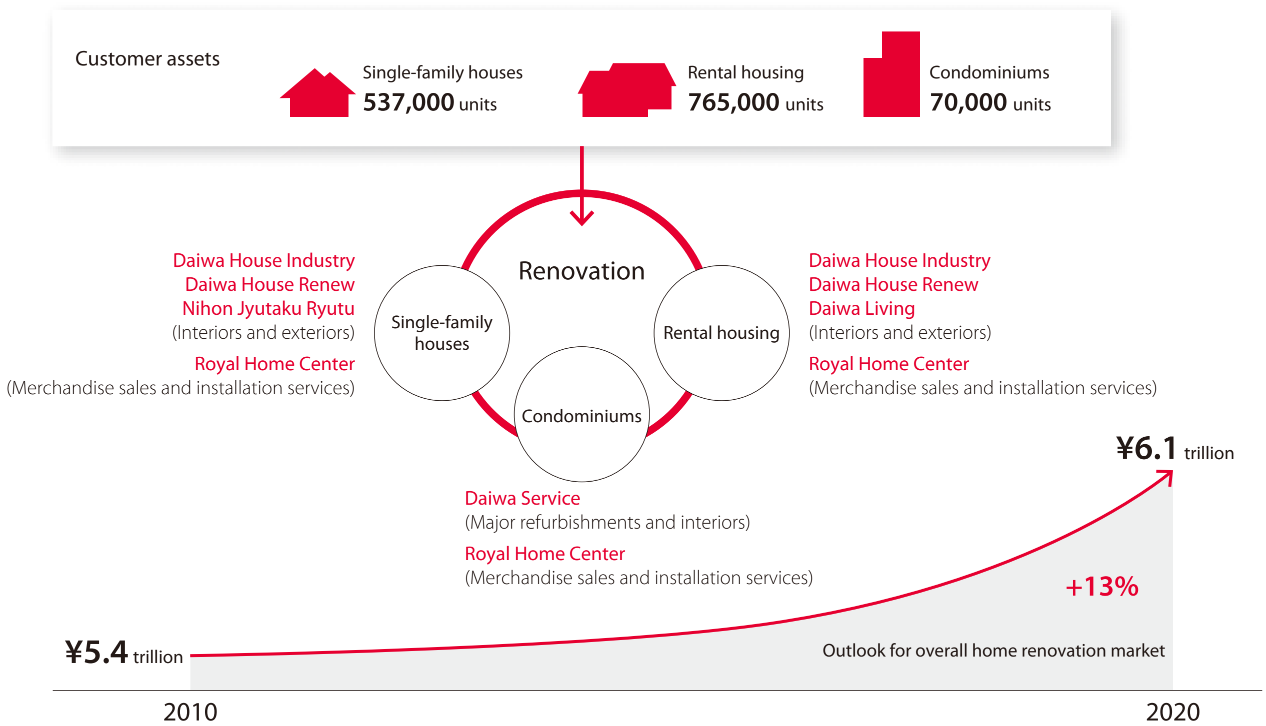
The Home Renovation Market

In fiscal 2009 we strengthened our home renovation organization by actively allocating more management resources to this business, increasing the number of renovation service marketing offices in Japan from 69 to 81 and expanding the number of staff from 676 to 1,048. At the same time, we took steps to reinforce coordination among Group companies that play a central role in our home renovation business. Thanks to these measures, sales of this business posted growth of 34.8% over the previous fiscal year, while operating income was up sharply, by 163.9%. This growth in both revenues and earnings made a substantial contribution to the Group's overall performance.

We expect the home renovation business to remain a growth market. Under our next three-year Medium-Term Management Plan, we envisage an expansion of this business to sales of around ¥100 billion, and we intend to steadily and surely nurture it into a core engine of growth for the entire Group.

The Condominium Management Market

Condominium units under management in Japan numbered approximately 5.05 million in 2006. Condominiums have been increasing at a faster pace than single-family houses for a number of years, and thus the condominium management business

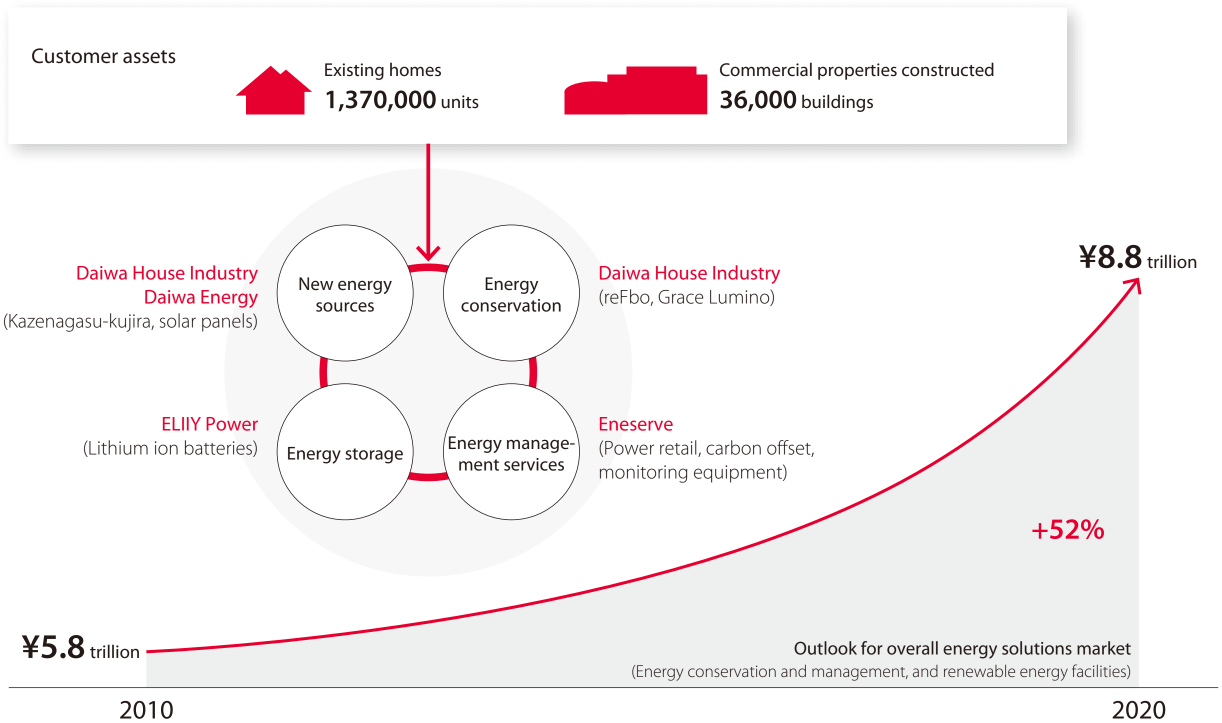


is a very promising segment of the overall existing home market. Additionally, the Daiwa House Group put 9,500 new condominium units onto the market over the past three years, putting us in fifth place in the industry. We believe we have good prospects of gaining a firm footing in the condominium management market, and are taking steps to expand our business in this field.

In fiscal 2009 we acquired Cosmos Life, a company placed at No.10 in the condominium management industry, and made it into a subsidiary under the name Daiwa LifeNext. The acquisition of the approximately 130,000 condominium units managed by the former Cosmos Life, in addition to the roughly 68,000 units managed by Group company Daiwa Service, gives us a total of 198,000 units under management. This has pushed the Group into fifth place in the industry. Regarding the geographic distribution of our condominiums under management, Daiwa LifeNext operates mainly in the Tokyo area, whereas Daiwa Service operates principally in other parts of Japan. We will ensure that the unique know-how and technologies of the two companies complement one another and enable us to offer a more competitive, high-quality service. In this way, we aim to build up our position in the condominium management industry.

Business and Corporate Facilities, Energy Solutions Market

The environmental business is expanding on a global scale, but for the Daiwa House Group, whose operations are based on houses and buildings, environmental business activities principally revolve around two approaches: 1) adopting environmental technology in construction methods, and 2) switching to more efficient methods of energy use, particularly for electric power. With respect to the use of environmental technologies in construction, Daiwa House Industry has introduced technology to exploit new energy sources, in the form of photovoltaic generation systems, and energy conservation technology, in the form of lighting systems employing LEDs. Meanwhile, ELIIY Power in which we have an equity stake, has addressed the need for energy storage by developing lithium ion storage batteries for use in commercial and other facilities. These three technologies have become an important weapon in enhancing the Group's competitive power.



Regarding the switch to more efficient ways of using energy, Group member Eneserve Corporation has developed an energy consumption improvement solutions service employing its proprietary energy monitoring system. This, too, promises to become a major weapon in our competitive arsenal.

By carefully combining the above-described proprietary environmental energy technologies with the extensive customer database that we have built up over the years, we aim to establish a solutions business that will take the lead in the field of eco-friendly construction.

Priority Initiative 3 Proactive globalization

Bringing Japanese quality standards to the Chinese real estate market

Amid today's ubiquitous globalization, at Daiwa House we, too, must widen our field of vision from Japan to the global market. Compared with the highly industrialized societies of Europe and America, which appear to be still incapable of recovering from the worldwide recession through their own efforts, the real estate market in China continues to expand, driven by the country's sustained high economic growth rate. At Daiwa House we took the decision to leverage the construction capabilities we had built up in the Japanese market to enter the global market, beginning with China, and we are currently pursuing a number of real estate development projects there, mainly condominiums and commercial facility development.

The competitive power of the Daiwa House Group rests on our capabilities in the three areas of design, industrialization technology, and construction quality control.

Priority Initiative 4 Implementation of sound cash-flow management to strengthen our financial position

Holding down increases in interest-bearing debt

In fiscal 2009 we introduced stricter standards for real estate investment in consideration of the need to ensure the soundness of collateral held, and in view of the sluggish state of the real estate market. We also succeeded in sharply reducing costs over the year (by ¥16.3 billion) through improvements in operational efficiency. However, to reduce financial risk amid the worldwide financial stagnation, we issued a total of ¥100 billion in corporate bonds (parent only) to assure ourselves of a stable, long-term source of funds. As a result, the balance of interest-bearing debt increased by ¥121 billion to ¥465.5 billion.

In fiscal 2010 we will be introducing still stricter real estate investment standards. We plan to hold down interest-bearing debt by: 1) promoting improved investment recovery, 2) promoting real estate development with a focus on profitability, 3) enhancing the earning power of rental real estate properties, and 4) strengthening our REIT strategy.

To strengthen the Group's financial position and facilitate sustained growth and development, we will focus on sound cash-flow management and a high level of efficiency in fund utilization. We will be putting effort into restructuring our business base in preparation for the Group's Third Medium-Term Management Plan.

4 strategies

Full speed ahead

Moving hearts — in Japan and all over the world

In fiscal 2010, which is the final year under the Group's current three-year management plan, we are pursuing the two main themes of the plan: 1) improvement of profit structure, and 2) nurturing of new future earnings drivers. In the foregoing, I have described the four priority initiatives that we are implementing under my leadership to achieve these themes. All executives and employees of the Group are united in their efforts to realize these initiatives and restructure the Group's business base into one appropriate to the present age of globalization, as we prepare the groundwork for our next three-year plan, the Third Medium-Term Management Plan.

Ever since the establishment of the Daiwa House Group, we have worked to nurture our human resources, and our success in this is reflected in the growth of the Group to this day. A company is a group of people, and precisely because they are human beings, they are the prime, invaluable asset for any company that seeks to realize a richer society. With "co-creating a brighter future" as our fundamental stance, we aim to achieve harmony with society, and to move the hearts of all people. As a group working to co-create value for individuals, communities and lifestyles in Japan and the wider world, we are building the foundations of a brighter tomorrow.

Kenji Murakami

Kenji Murakami, *President and COO*

MD&A

Management's Discussion and Analysis

The business operations of the Daiwa House Group are divided into five accounting segments, but the Daiwa House Group Second Medium-Term Management Plan "Challenge 2010" is being pursued via eight operational segments. In the Business Overview, we employ these eight operational segments for explanatory purposes, to enable our readers to more easily understand the Group's business strategies and the progress being made under the "Challenge 2010" plan.

With effect from fiscal 2010, the "Accounting Standards for Disclosures about Segments of an Enterprise and Related Information" apply to Group's business operations. In line with the principal intent of these regulations, the information formerly included in the five accounting segments has been reorganized into the aforementioned eight operational segments.

Residential

Commercial Construction

Resort Hotels and Sports Life

Home Center

Other Businesses

2010 2011

Business Overview

P80

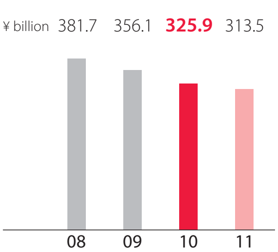
Single-Family Houses

Value restoration

During fiscal 2009 we actively marketed single-family house products to take advantage of government programs such as a certification system for high-quality long-term housing, photovoltaic power generation subsidies, and tax reductions on mortgages. In our mainstay xevo series we took steps to strengthen sales, such as the launch of new eco-friendly house models. However, a deterioration in the business environment caused sales for this domain to fall 8.5% year on year. Operating income, however, more than doubled, rising 107.1%, thanks to our efforts to reduce fixed costs through restructuring, as well as success in lowering other costs.

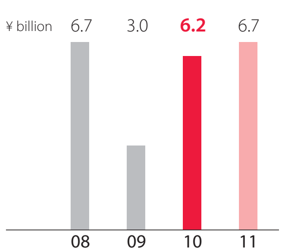
Sales

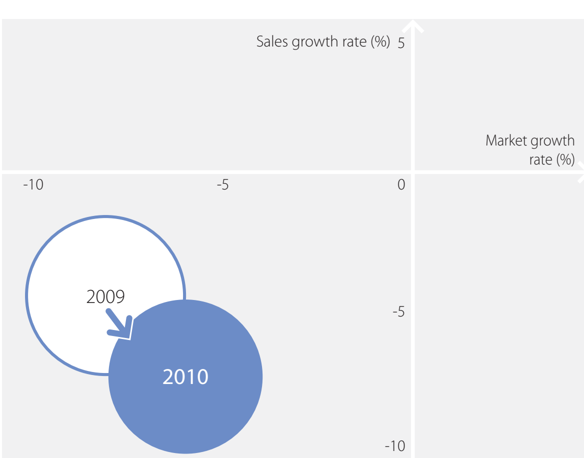
¥325.9 billion



Operating income

¥6.2 billion





P82

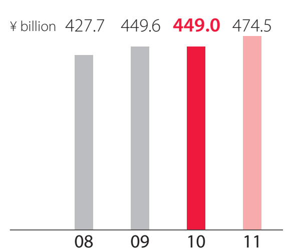
Rental Housing

Expansion

We strengthened our product lineup in three-story rental housing and medium- to high-rise rental properties, and worked to expand sales through such measures as holding tours of construction sites nationwide for our customers. In addition, we launched Séjour ECOHA, an eco-friendly two-story rental housing model, and Séjour WIT, a two-story rental housing model that allows customers to freely choose from among many design elements. As a result of this and other efforts, sales of the Rental Housing Domain stayed level with the previous fiscal year, while operating income rose 13.4% thanks to cost-cutting measures.

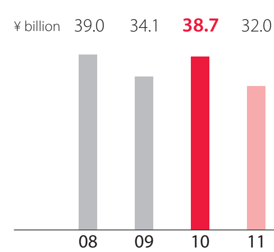
Sales

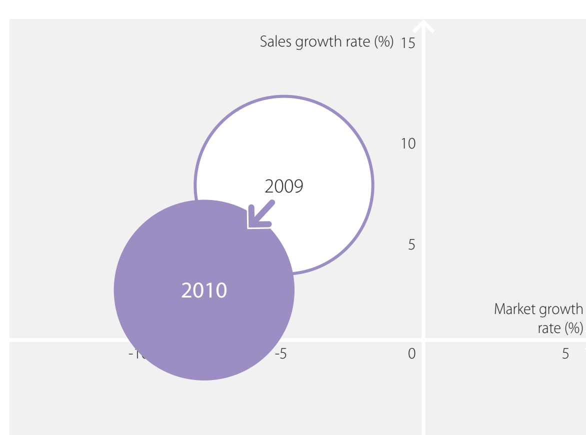
¥449.0 billion



Operating income

¥38.7 billion





P84

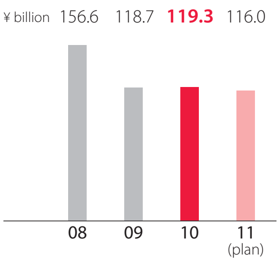
Condominiums

Value restoration

We developed condominium properties to take advantage of demand in certain areas of the country, and strengthened our system for putting customers' minds at rest following a home purchase. In addition, we introduced a large-area marketing system that divides Japan up into four blocs. We also took active steps to sell our completed product inventories, thanks to which we were able to maintain the same level of condominium sales as the previous fiscal year. However, inventory write-downs widened the operating loss to ¥18.3 billion from ¥10.1 billion for the previous fiscal year.

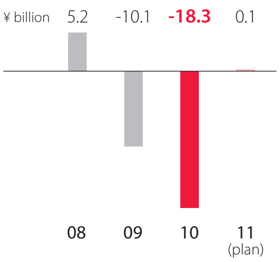
Sales

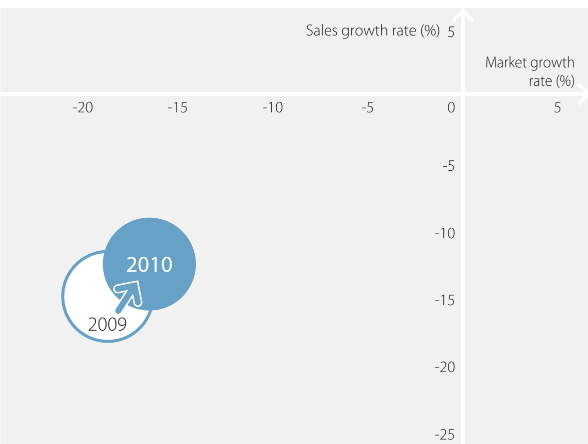
¥119.3 billion



Operating income (loss)

- ¥18.3 billion





P86

Existing Home Business

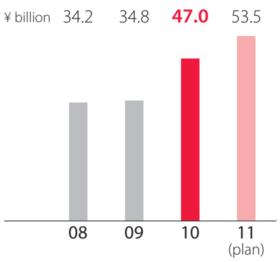
Nurturing businesses

In the field of Home Renovation, we made renovation proposals featuring energy conservation and eco-friendliness. We revamped marketing, design, and construction through major increases in hiring, and expanded our home renovation activities into the rental housing field.

In our Real Estate Agency Service operations, we concentrated on the acquisition and sale of real estate, as well as on expanding our stock of existing homes. As a result, sales rose 34.8% year on year, and operating income grew sharply, by 163.9%.

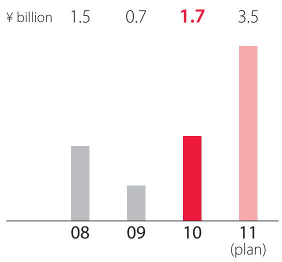
Sales

¥47.0 billion



Operating income

¥1.7 billion



P88

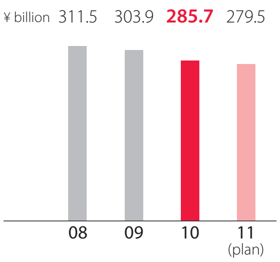
Commercial Facilities

Expansion

In the Commercial Facilities Domain, we made optimum use of our extensive fund of information relating to land availability and our know-how in support of new store openings by tenant companies, to aggressively pursue planning- and proposal-driven marketing centered on roadside store developments. We also opened three Company-managed open-mall-type commercial facilities, including Foleo Sendai Miyanomori (Miyagi Pref.). Due to cutbacks in large-scale shopping centers and tenant-operated stores, sales of this domain posted a year-on-year decline of 6.0%, but operating income was up 1.6% thanks to success in lowering costs.

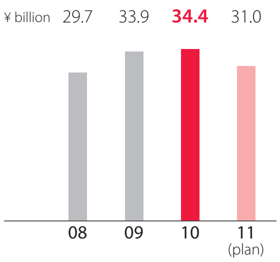
Sales

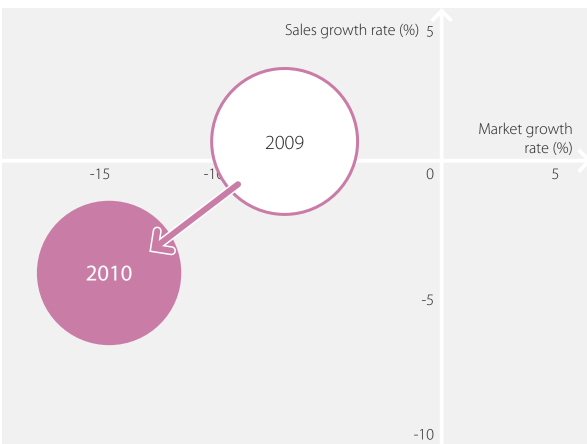
¥285.7 billion



Operating income

¥34.4 billion





P90

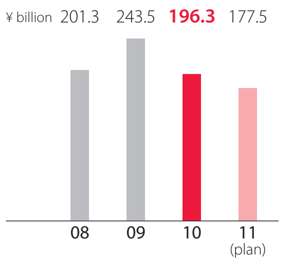
Business and Corporate Facilities

Expansion

In fiscal 2009 we constructed large-scale distribution and production facilities, as well as distribution facilities for food-processing companies. We also made proposals in the area of housing for senior citizens, such as private housing-type nursing homes and rental housing for the elderly. We also strengthened our support services for corporations looking to open new business bases. Despite our efforts, sales posted a year-on-year decrease of 19.4%, while operating income was down by 34.6%. This was mainly due to corporate cutbacks in capital investment and a decrease in the number of investment properties for sale.

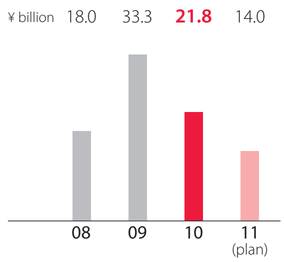
Sales

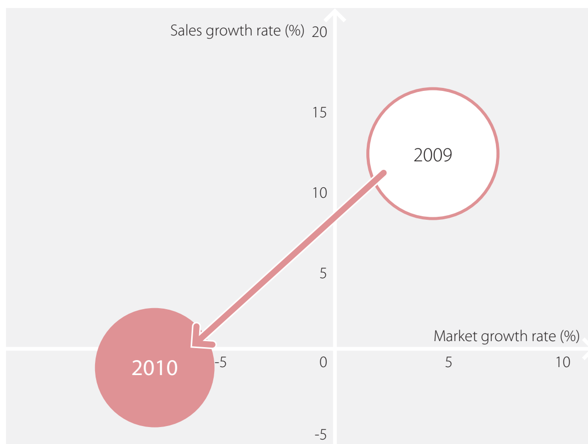
¥196.3 billion



Operating income

¥21.8 billion





P92

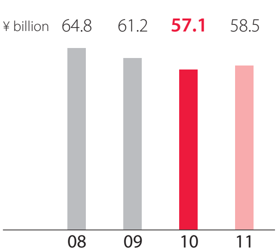
Health & Leisure

Value restoration

In our Resort Hotels operations, the number of guests at our hotels declined in fiscal 2009 due to the H1N1 influenza epidemic, as well as a smaller number of overseas visitors against the backdrop of the strong yen. In response, we restructured our marketing system and focused on reducing expenses and raising profitability. In our Sports Life operations, we opened three new branches while closing four, and took steps to improve profitability through planning that meets customer needs. As a result, sales of the Health & Leisure Domain fell 6.6% year on year, while the operating loss improved to ¥0.5 billion from ¥1.0 billion for the previous fiscal year.

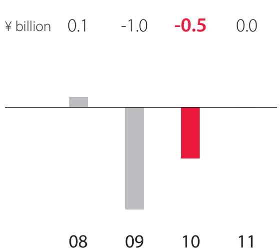
Sales

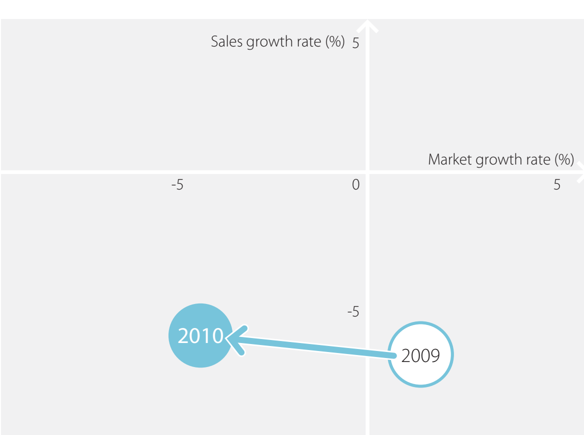
¥57.1 billion



Operating income (loss)

- ¥0.5 billion





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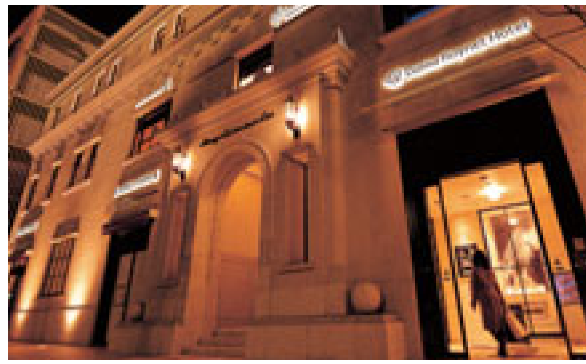
Other Businesses

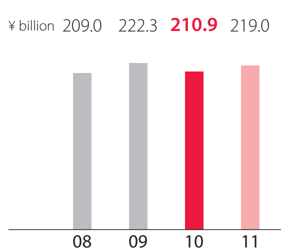
Nurturing businesses



In our Home Center business we aggressively promoted our RoyValue private-brand products, which offer high quality at low prices. In the Construction Support business we made proposals for products for home builders, and put extra effort into interior work for commercial facilities and hotels. In the Logistics business we established a new dedicated Environment & Energy Logistics Department, while in our City Hotels operations we opened six new hotels. In spite of these efforts, sales of the Other Businesses Domain posted a year-on-year decline of 5.1%, while operating income was down by 78.8%.

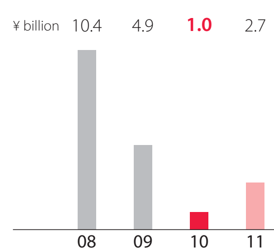
Sales

¥210.9 billion



Operating income

¥1.0 billion



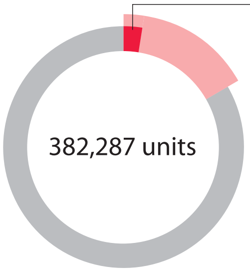
The sales growth rate is a compound annual growth rate (CAGR), with size of circles indicating scale of sales.
2009: FY2006 to FY2008
2010: FY2007 to FY2009
The market growth rate is based on Daiwa House Industry's own calculation.

Single-Family Houses

Contracting Business
Subdivisions

Share of single-family house market

(FY2009)

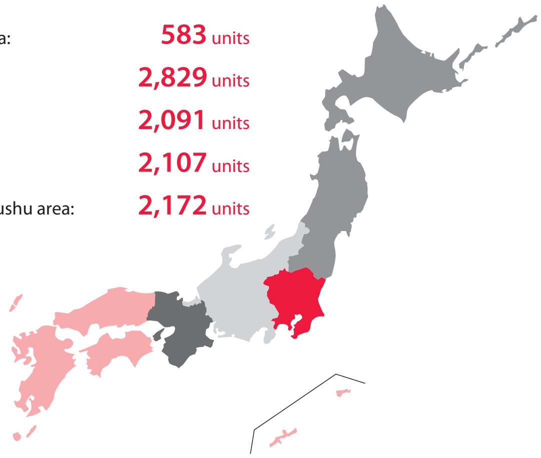


- Daiwa House Industry (non-consolidated) 2.6%
- Top seven companies 16.8%
- Other companies 83.2%

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 is based on our estimates.

Breakdown of single-family houses built

Tohoku/Hokkaido area:	583 units
Kanto area:	2,829 units
Chubu area:	2,091 units
Kinki area:	2,107 units
Chugoku/Shikoku/Kyushu area:	2,172 units



Year 2010

New marketing strategy in response to government's housing-market stimulus measures

The business environment in fiscal 2009 was extremely severe, with the number of new housing construction starts falling below 800,000 for the first time in 45 years. Against this backdrop, we conducted marketing campaigns to take advantage of special measures by the Japanese government to stimulate the housing market. Specifically, we marketed models in our xevo series featuring extra durability, earthquake resistance, and energy conservation. We also made active efforts to acquire certification as high-quality, long-term housing eligible for the government's special preferential taxation measures.

In addition to promoting the use of an eco-points system for housing, as well as photovoltaic power generation systems taking advantage of government subsidies, we also expanded our lineup of eco-friendly houses with the launch of new models such as the xevo FU (lightweight steel framework) and xevo KU (wooden framework). At the same time, we fully rolled out our AQ ASSET single-family home owner support service (see page 87), in which we propose solutions for maintaining customers' asset value. This service is a valuable way of strengthening our relationship with owners of Daiwa House-built houses. As part of an overall reorganization, we took steps to reduce fixed costs and other costs, deploy qualified staff in growth markets, and reorganize our product development system. These measures were all aimed at reinforcing our market competitiveness and improving the operating income margin.

Beyond 2011

Increased focus on marketing of eco-friendly houses

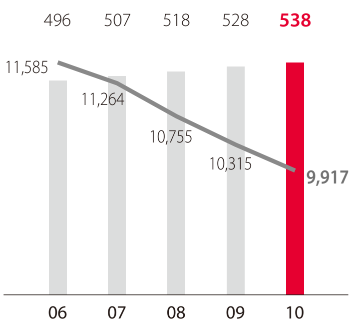
We plan to continue marketing initiatives that take advantage of the government's housing market stimulus measures, with emphasis on eco-friendly houses, and this is expected to help increase the Group's earnings. We will continue active marketing to take advantage of the eco-points system for housing, and will conduct special bargain-price campaigns to promote sales of photovoltaic power generation systems so as to mark the 55th anniversary of the Group's founding.

We hope to raise the percentage of our newly-constructed homes fitted with photovoltaic generation systems from 30% in fiscal 2009 to 50%. This summer, we opened a new model house to public viewing featuring the full spectrum of cutting-edge environmental protection technology, including a photovoltaic power system, lithium-ion batteries, and an energy monitoring system. We aim to expand our sales of eco-friendly houses by clearly demonstrating the advanced performance of our eco-house models.

In addition, in urban areas, where there are hopes for an early recovery in the housing market, in February 2010 we launched the xevo +R, which is targeted at the house rebuilding market and is the first xevo series eco-friendly house model including rental apartment space. We will be putting additional effort into marketing this product, and will also be developing new products for the urban market.

Aggregate of houses and number of houses sold

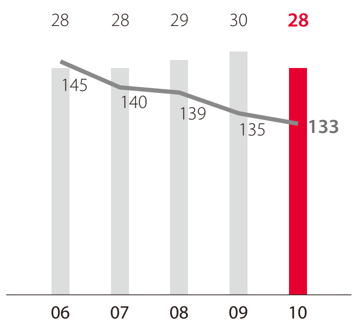
(Daiwa House Industry, non-consolidated)



Aggregate of houses (thousands of units)
Number of houses sold (units)

Average sales amount and floor space per unit

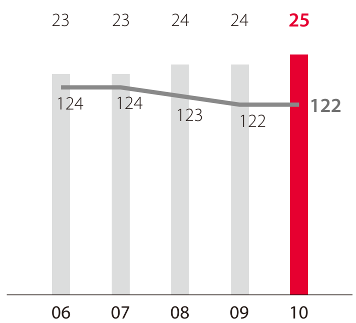
(Contracting business, Daiwa House Industry, non-consolidated)



Average sales amount per unit (¥ million)
Average floor space per unit (m^2)

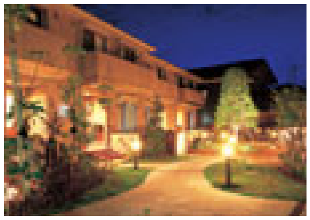
Average sales amount and floor space per unit

(Subdivisions, Daiwa House Industry, non-consolidated)



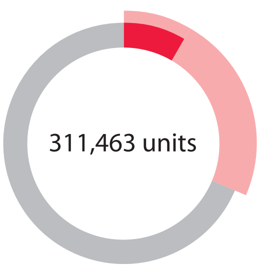
Average sales amount per unit (¥ million)
Average floor space per unit (m^2)

Rental Housing



Share of rental housing market

(FY2009)

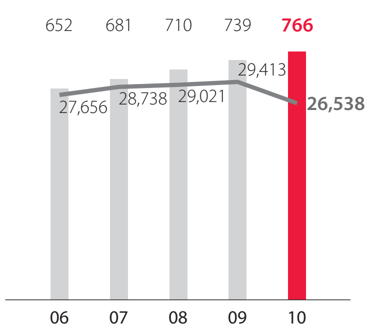


Daiwa House Industry (non-consolidated)	8.5%
Top four companies	31.6%
Other companies	68.4%

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 is based on our estimates.

Aggregate of rental housing and number of rental housing sold

(Daiwa House Industry, non-consolidated)



Aggregate of rental housing (thousands of units)

Number of rental housing sold (units)

Year 2010

Reinforcing sales in urban areas

While the number of rental housing construction starts is declining in Japan as a whole, the focus on urban areas is sharpening, and the market shows a widening gap in construction starts between the metropolises and the regions. In the face of these market trends, fiscal 2009 saw strengthened marketing of three-story rental housing as well as medium- and high-rise rental properties in urban areas. At the same time, we took a number of steps to expand sales channels and attract more tenants to rental properties built by the Group, such as holding tours of housing construction sites nationwide and making active use of TV commercials.

Our product development strategies are focused on rental housing units with energy conservation features, including the launch of Séjour ECOHA, a two-story eco-friendly rental house model designed to make optimum use of natural breezes and sunlight, with photovoltaic power generation a standard feature.

In the term under review we launched Séjour WIT, a two-story rental housing model that allows property owners to freely choose from among many design elements including construction method, external appearance, interior design, and fittings & specifications. Séjour WIT combines existing best-selling two-story models in the Séjour series — such as Séjour WILLMORE and Séjour MODERN COURT J — and this enabled us to realize cost reductions through more efficient development.

Beyond 2011

Acquiring new orders through higher occupancy rates

We plan to increase the number of our marketing staff in the three major metropolitan areas — the Tokyo, Kinki and Chubu regions — which are our priority marketing areas. We intend to strengthen marketing for three-story and medium-to-high-rise rental housing and eco-friendly rental housing models, which come under the housing eco-points system.

We will also conduct construction-site tours for all new property construction, and will take steps to acquire the latest market information and raise occupancy rates. For owners of existing rental housing properties built by Daiwa House, we will utilize our proprietary personal database (PDB) system to facilitate comprehensive asset management consulting services, enabling us to make effective proposals in areas such as asset use and inheritance issues. This will allow us to strengthen our relationships with such customers, leading to repeat orders. This system should enable us to tap into the latent demand for rebuilding of aging properties. We plan to develop more products specifically for particular regions of Japan, following the success of our Séjour WIT (Hokkaido Specifications) model, which was launched in January 2010, and we will be focusing marketing efforts on single-building condominiums that are sold to owners of existing Daiwa House-built properties and to other potential buyers, who then rent out the individual units.

Séjour ECOHA — eco-friendly two-story rental housing

CO_2 emissions simulation

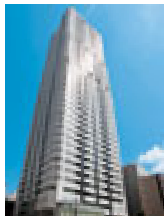
2,357kg of CO_2/year
Approx. 63% annual reduction

Daiwa House rental housing products in 1990	Current Daiwa House rental housing products in 2009	Séjour ECOHA
3,690kg of CO_2/year	**3,163kg of CO_2/year**	**1,333kg of CO_2/year**
(Specifications incorporate previous energy conservation standards; combined gas & electricity use)	(Specifications meet new energy conservation standards; combined gas & electricity use)	(Specifications to meet next-generation energy saving standards, plus EcoCute hot-water system and photovoltaic power generation)

Note: The above figures were obtained from a Daiwa House simulation assuming a three-person family living in a maisonette with a floor area (excl. common space) of 98.30m^2. Figures will differ depending on tenant lifestyle and other factors.

Séjour ECOHA is an eco-friendly rental housing product featuring reduced CO_2 emissions. It includes photovoltaic power generation, the EcoCute high-efficiency hot-water supply system, and IH (induction heating) cooking heaters as standard. In addition, all interior lighting is provided by fluorescent lamps. This product's standard window specifications have been revised from single-pane glass to double-or triple-glazing for improved thermal insulation. As a result, the standard specifications for Séjour ECOHA meet the government's "next-generation energy saving standards" (region IV).

Condominiums

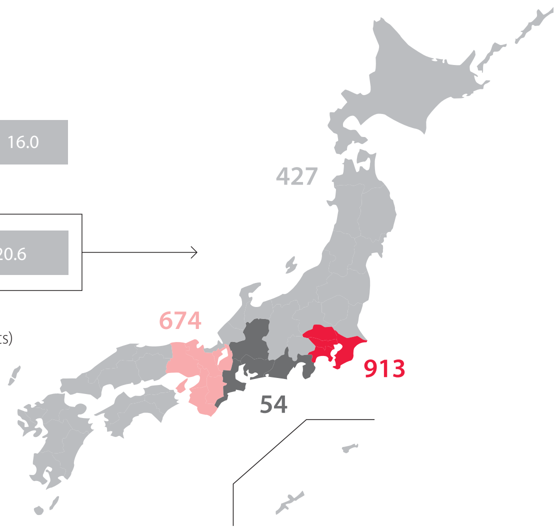


Area breakdown of condominiums

(FY2009)

	Tokyo area	Chukyo area	Kinki area	Other areas
Condominiums built nationwide (%)	51.2	8.0	24.8	16.0
Daiwa House Industry sales (non-consolidated) (%)	44.2	2.6	32.6	20.6

■ Tokyo area (units) ■ Chukyo area (units)
■ Kinki area (units) ■ Other areas (units)



Year 2010

Proactive sales approach, with focus on the sale of completed condominiums

In fiscal 2009 the number of condominiums put on the market in Japan fell below the 80,000 level for the first time in 17 years*. Amid this difficult business environment, we put top marketing priority on selling our inventory of completed condominium units, and took a number of measures to attract buyers. The number of units sold during the term was down 18.5% from the previous fiscal year, at 2,863, but we took active steps to enhance the quality of our showhouses and introduce our products to more prospective buyers, including proactive visits by our salespeople to potential customers in target areas. Thanks to these efforts, we managed to reduce the inventory of completed condominium units to 834 by the end of fiscal 2009 (compared with approximately 1,146 at the end of the fiscal 2008 first half). This success in reducing the completed condominium inventory enabled us to resume purchases of land, which had been temporarily halted, in the latter half of the business term.

We also introduced a system in which the country is divided up into four blocs for marketing purposes. This has created a more efficient organizational structure, and allows us to respond more flexibly to market changes. Through the purchase of Cosmos Life, which was renamed Daiwa LifeNext, we were able to expand our activities in the field of condominium building management.

Beyond 2011

Shifting the sales focus from completed inventory to new properties

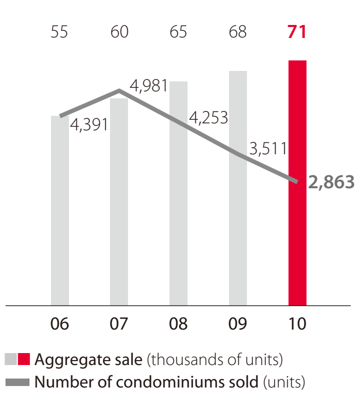
We plan to shift the focus of our sales activities from completed inventory to new properties to enhance the Group's earnings structure. In particular, in growth areas such as the Tokyo and Kinki regions, where signs of a market recovery are being seen, we will be acquiring more land for construction, and will continue to take a proactive approach to property development, centered on large-scale developments and redevelopment projects. We will also place greater emphasis on rebuilding projects for public housing, such as Premist Minami Senri and Gran First Senri Momoyama as a way of differentiating the Group.

In regions of Japan outside the major metropolitan areas, the Group will focus efforts on having the best single property development in each area. We will also put efforts into the development of eco-friendly condominiums, condominiums specially designed to appeal to senior citizens who want to lead an active life, compact condominiums for small households, and other properties to meet changing social needs and appeal to diverse lifestyles. In the field of condominium management operations, carried out by Group members Daiwa Service and Daiwa LifeNext, we aim to acquire an expanded number of units under management by winning such business from units currently under other companies, as well as through expanded orders for large-scale repair and renovation work.

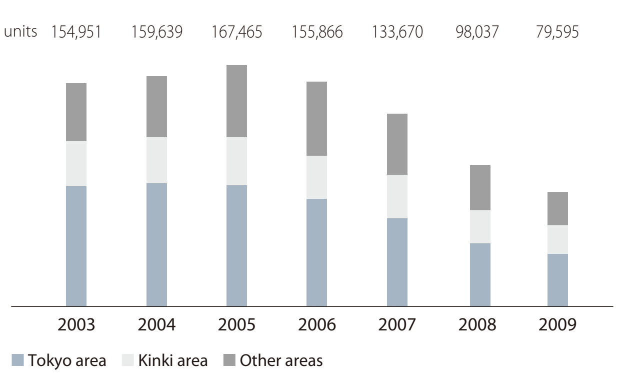
* Source: *Condominium Market Trends in Japan in 2009*: Real Estate Economic Institute Co., Ltd.

Number of condominium units sold

(Daiwa House Industry, non-consolidated)



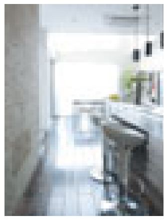
Number of condominiums sold in Japan*



* Calender year basis.

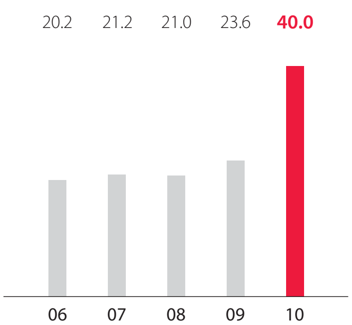
Existing Home Business

Home Renovation
Real Estate Agency Services



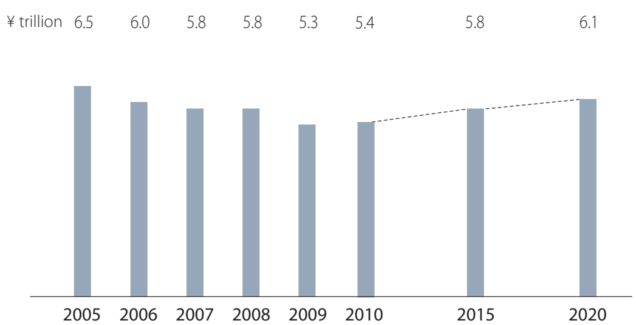
Number of renovations

(Daiwa House Industry, non-consolidated)



Renovations (thousands of units)

Outlook for home renovation market (overall size) in Japan*



* Calender year basis.

Year 2010

Expanding home renovation business to housing complexes

In our home renovation business, we increased the number of staff by around 280 and expanded the number of dedicated renovation offices to 81 from 69 at the previous fiscal year-end. In addition to the single-family home renovation business, which we have been operating for a number of years, we commenced renovation services for rental apartment buildings. During the period under review, we worked together with Group member Daiwa Living, which manages rental housing built and sold by the Company, to expand our renovation business into the field of rental apartment buildings. In the field of single-family houses, we were successful in sharply increasing the number of renovation contracts concluded, thanks to our offering of photovoltaic generation systems, high-efficiency water-heating systems, and full-electrification renovation. We also set up renovation service counters in Royal Home Center as part of an initiative to develop new customers.

Turning to the Real Estate Agency Services business, in the single-family home field we expanded our purchasing of land for construction of SumStock*[1] houses and increased the handling of SumStock houses built by the Company. In the condominium field, we made greater use of our proprietary D's Bridge*[2] condominium asset valuation system. In our real estate purchasing business, we focused on discount-price condominiums, as well as the resale of existing homes.

*1 SumStock is a brand name for high-quality stock housing certified by the SumStock Housing Promotion Council, an organization launched by nine major housing manufacturers, including Daiwa House Industry.

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

Beyond 2011

Enhanced integration with operations of Daiwa House Renew and other Group companies

In the home renovation business, we will deepen the integration of our operations with those of Daiwa House Industry and other Group companies, notably Daiwa House Renew, which is exclusively dedicated to the design, construction, and inspection of home renovation projects. We expect this to lead to an increase in orders.

For single-family houses, we will offer renovation plans focusing on energy conservation and eco-friendliness, taking advantage of the housing eco-points system. For housing complexes, Daiwa House Industry will be working in close collaboration with building management companies in the Group to help customers maintain and enhance their asset values through the renovation business.

We also plan to increase the number of home renovation service counters in our Royal Home Center, with the aim of cultivating more new customers.

In the Real Estate Agency Services business, we will continue to strengthen our property purchasing operations as well as the refurbishment and resale of existing homes. We also plan to utilize the AQ Re-Support Agency System*[3], part of our AQ ASSET service, to differentiate our marketing methods from those of our competitors and expand the amount of SumStock housing handled.

*3 The AQ Re-Support Agency System enables homes whose warranty period has expired to be re-guaranteed for necessary inspection and maintenance work. The system also enables certification (using proprietary standards) as SumStock housing.

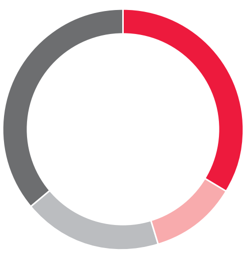
"AQ ASSET"

The Daiwa House Group's AQ ASSET service is a lifelong support system that helps owners of single-family houses maintain their homes' asset value. In this proprietary service, we provide home-owners with all the solutions they need for asset value maintenance and management, from construction through maintenance, property sale and purchase, funding for preventive repair work, and renewal of warranty. Full-scale operation of this system commenced in February 2010. It is divided into three categories: 1) Maintenance, including the TAMENTE fund to finance maintenance work; 2) Renewal, or warranty renewal and renovation work; and 3) Life, or special reward services (home centers, interior products, travel packages and hotels) for use of products and services of Group companies.

Commercial Facilities

Area breakdown of commercial facilities sales

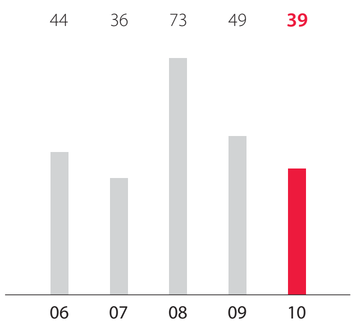
(Daiwa House Industry, non-consolidated)



Kanto area 33.7% Chukyo area 11.6%
Kinki area 18.8% Other areas 35.9%

Orders for large commercial facilities*1

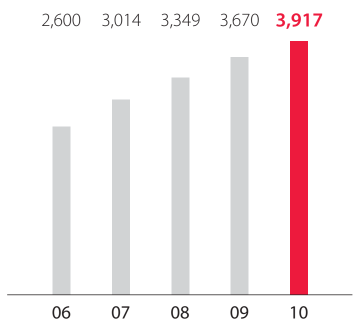
(Daiwa House Industry, non-consolidated)



Orders for large commercial facilities (¥ billion)

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

Rental floor space of commercial buildings*2



Rental floor space of commercial buildings (1,000m^2)

*2 Total of Daiwa Lease, Daiwa Information Service and Daiwa Royal.

Year 2010

Pushing ahead with proposal-based marketing, centered on roadside stores

The prolonged consumer spending slump dampened enthusiasm for new store openings among tenant corporations. Amid this situation, we focused our efforts on proposal-based marketing, principally of roadside stores, taking advantage of our extensive fund of data on land availability and prices, as well as our know-how in the area of support services for tenants opening new outlets.

Thanks to this strategy, we enjoyed a sharp increase in orders from the convenience store industry, which is making active use of the scrap & build approach. Daiwa Frest, an eco-friendly store relocation service that employs the Restore & Rebuild System, recorded good sales.

During fiscal 2009 we also focused efforts on acquiring orders from tenant corporations operating price-competitive clothing store chains and household goods chains, which are opening new stores at an accelerated pace to take advantage of the present consumer tendency toward bargain-hunting. Regarding commercial facilities operated by the Group, we opened three new outlet-type shopping malls: Foleo Sendai Miyanomori (Miyagi Pref.), Foleo Hiroshima-Higashi (Hiroshima Pref.), and Foleo Shobu (Saitama Pref.). We also carried out renovation work and reshuffled tenants at existing commercial facilities that have had difficulty in expanding sales, to revitalize these facilities.

Beyond 2011

Developing neighborhood shopping centers

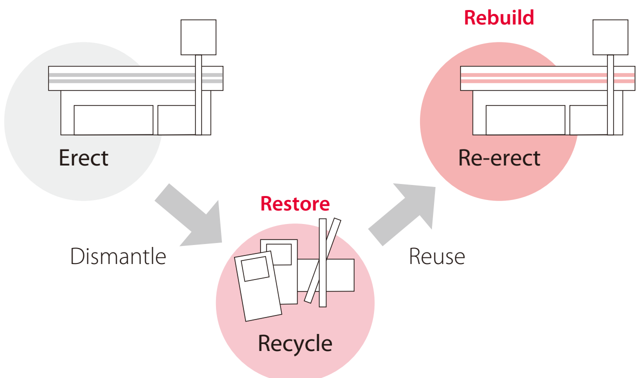
In the field of commercial facilities operated by the Group, while the number of large-scale shopping centers being opened is declining, medium- to small-scale commercial facilities incorporating specialist food supermarkets are holding steady. In response to this market trend, we plan to develop neighborhood shopping centers (NSCs) with less than 10,000m^2 in floor space. Specifically, we plan to forge stronger ties with leading operators of food-only supermarkets, who will constitute the core tenants in our commercial complexes. We will also put efforts into attracting major tenant companies such as retailers of electronics, sports goods, and household goods.

At the same time, we plan to seek improved cost performance through a rethinking of our methods of developing commercial facilities as a whole, as well as construction systems, specifications, and so on, and by introducing new and more attractive features into our facility management. In our roadside store developments, we plan to closely monitor the store opening and closure trends of tenant companies operating chains of outlets such as clothing stores, drugstores, convenience stores, and fast food restaurants. This will enable us to propose solutions that perfectly meet our tenants' needs.

While seeking to attract new tenants from among companies in retail sectors that are posting sales growth despite the consumer spending slowdown, we will also take steps to ensure that our existing landowner clients place repeat orders with us or introduce us to other landowners.

Daiwa Frest and the Restore & Rebuild System

The Restore & Rebuild System employs the Company's eco-friendly Daiwa Frest service, which enables the effective reuse of materials and thereby avoids having to demolish buildings that are no longer in use but are still usable and not superannuated. This service is targeted at retail stores and restaurants, and enables the division of a building's parts and materials into three categories — for dismantling, for recycling, and for reuse. This facilitates the relocation of the building and the reuse of most of the material. Because the most important parts and materials are factory-made, this helps reduce the volume of waste at the construction site.

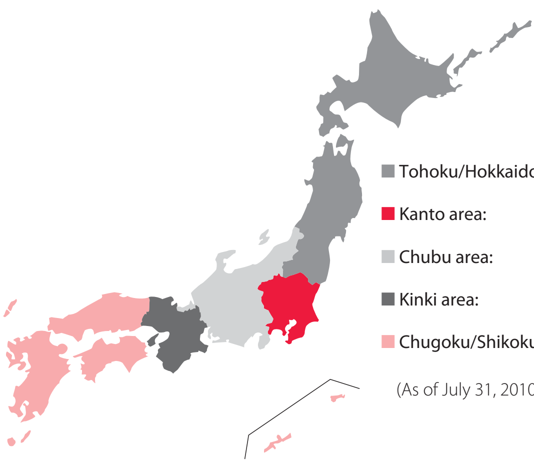


Business and Corporate Facilities

Distribution Facilities
Medical and Nursing Care Facilities
Corporate Facilities

Major logistics projects: Total area of development sites

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

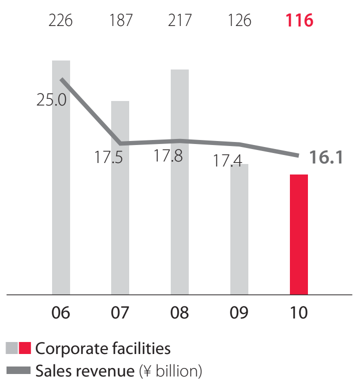


- Tohoku/Hokkaido area: approx. 107,000m²
- Kanto area: approx. 1,047,000m²
- Chubu area: approx. 403,000m²
- Kinki area: approx. 181,000m²
- Chugoku/Shikoku/Kyushu area: approx. 161,000m²

(As of July 31, 2010)

Number of corporate facilities and sales revenue

(Daiwa House Industry, non-consolidated)



Year 2010

Dedicated group formed to cater to facility investment needs of food industry companies

In our Distribution Facilities operations, we invested in the acquisition of promising sites, particularly in the Tokyo region. We aggressively marketed our D Project business plan, under which we propose and construct dedicated distribution facilities for shippers. We also enhanced our marketing approaches to companies involved in environment-related products and services, which is a growing market, as well as those in the food industry, which are largely recession-resistant.

Against the background of an overall manufacturing-sector slump in capital investment, the food processing industry has recently seen an increase in investment in facilities to increase processing capacity or to concentrate capacity in larger units. We responded to this market trend by forming a special Food-Processing Facility Support Group.

In the Medical and Nursing Care Facilities field we reinforced our sales approaches to healthcare corporations, nursing care enterprises, and governmental organizations with the aim of acquiring increased orders for fee-based homes for the aged, housing specially designed for senior citizens, and other products. The Daiwa House Group achieved some success in tenders for group nursing care facilities and fee-charging nursing care facilities under the Fourth Nursing Care Insurance Business Plan, launched in April 2009.

In the Corporate Facilities operations, we made efforts to acquire orders for facility rationalization amid integration and closure of business bases due to corporate mergers.

Beyond 2011

Preparations begun for start of distribution facility operations overseas

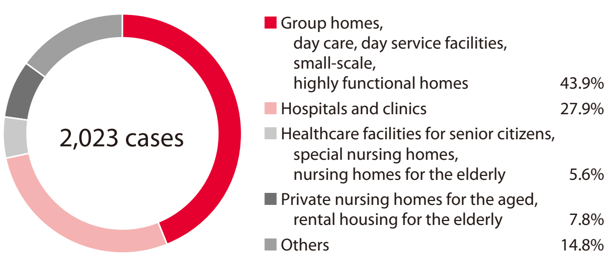
In the Distribution Facilities operations, we plan to aggressively market our services to companies posting growth, and to recession-resistant enterprises, such as those in the environment sector and the food industry, as well as mail-order firms. In particular, we will strengthen our total solutions offerings (covering everything from land acquisition through facility construction to third-party logistics*), as well as proposals for eco-friendly facilities. To take advantage of growing international distribution activity, we have started preparations for setting up distribution facility operations overseas, particularly in China and other Asian countries.

In the Food-Processing Facilities operations, we will take steps to collect more data on food companies, and carry out proposal-based localized marketing to food-processing firms, with emphasis on energy-saving and eco-friendly facilities.

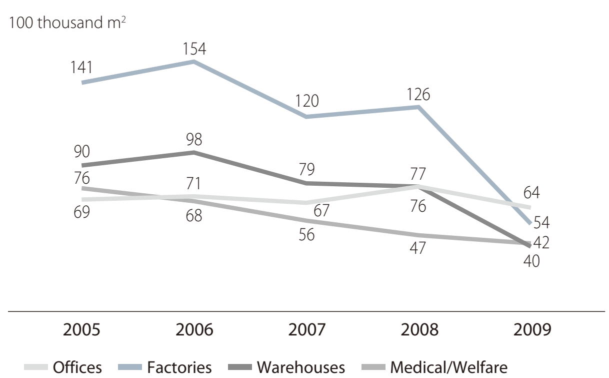
In the Medical and Nursing Care Facilities operations, the Group will actively collect information on tenders for group nursing-care facilities and fee-based homes for the aged so as to raise the order receipt rate. We will also put increased effort into proposal-based marketing of fee-based homes for the aged, as well as housing designed for senior citizens. In the field of support services for corporate facilities, we will focus efforts on developing demand for new facilities among companies that are integrating and closing existing facilities under mergers or business restructuring.

* "Third-party logistics" refers to the provision of outsourced logistics services for a shipper by a "third-party" logistics provider, often referred to as "3PL."

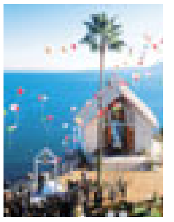
Projects by the Silver Age Research Center



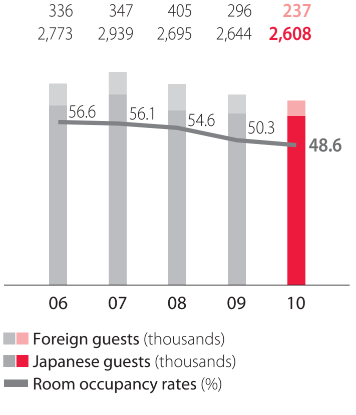
Floor space of construction starts by facility type in Japan



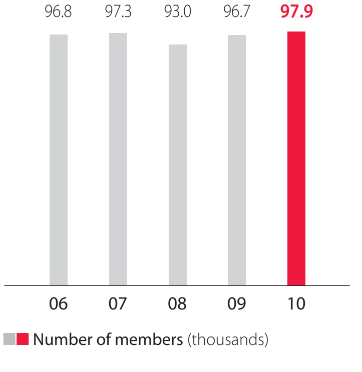
Health & Leisure



Daiwa Royal Hotels: Number of guests and room occupancy rates



Sports club NAS: Number of members



Year 2010

Further measures to improve earnings of Resort and Sports Life operations

Our Resort operations suffered sluggish earnings due to a sharp fall in the number of overseas guests against the backdrop of the yen's appreciation, as well as major cancellations of group bookings amid fears of an H1N1 influenza epidemic, while deflation pulled down the average guest room unit price. In response to the pressure on sales, we boosted our direct sales activities by hiring extra marketing staff, and made more extensive use of online sales channels. To attract guests, we also conducted renovation work on our facilities and designed more attractive menus, among other measures.

We also set up a specialist unit to develop new demand in the bridal field, and adopted a rigorous approach to cost control, including reducing expenses and employing staff more efficiently.

In our Sports Life operations, we pursued a scrap-and-build policy to improve earning power, as part of which we opened three health-club facilities, including NAS Wakabadai (Tokyo) and NAS Fushimi-Momoyama (Kyoto), while closing four. We took a number of measures to improve earnings and revitalize business at our health clubs. These included improving the earning power of existing facilities, introducing a varied menu of health-club usage plans to meet customers' diverse needs, reinforcing the marketing of our health clubs to companies for use by their employees, and further promoting the sale of sportswear, towels and so on.

Beyond 2011

Hotels to attract overseas guests; new-type health clubs to be opened

In our Resort operations, we plan to increase the number of our marketing staff and open new sales offices to strengthen our direct sales system, and to start up a variety of new websites for online marketing. We will also focus on attracting more guests from Asian countries, which continue to post high economic growth rates, as a way of expanding our total guest numbers. In particular, we have positioned China as a priority market, and aim to make use of the Group's network of offices and contacts in China to strengthen collaboration with local travel agencies. To win a higher ratio of repeat visitors, we will continue to pursue customer satisfaction through improved customer management, hotel renovation projects, and the design of new and more attractive restaurant menus.

In our Sports Life operations, we will continue to strengthen earning power by closing unprofitable facilities while opening new ones. Among our new facilities, to be opened in city-center locations, will be innovative types that diverge from the conventional health club concept. NAS Ginza (Tokyo), for instance, will be equipped with golf simulation facilities and an esthetic salon, while NAS Roppongi (Tokyo) will be a high-class facility with a casual ambience. We also plan to strengthen our sales of sporting goods by promoting private-brand products, and to enhance our offerings of fee-based schools for children. In these ways, we aim to expand earnings from sources other than membership fees.

30 hotels

10 golf courses

(As of July 31, 2010)

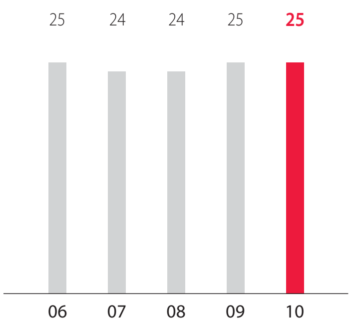
54 sports clubs

(As of July 31, 2010)

Other Businesses

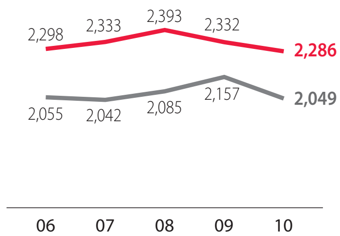
Home Centers
Construction Support
Credit Cards
City Hotels

Royal Home Center (RHC): Number of customers making purchases



Number of customers (million)

Royal Home Center (RHC): Average sales per customer



Sales per customer at RHC (excluding renovation) (¥)
Industry average sales per customer* (¥)

* Calendar year basis.

Year 2010

Aggressively marketed RoyValue private-brand products at our home centers

In our Home Center business, we worked to boost sales by strengthening our RoyValue private consumer-goods brand. We also opened the second branch in our new Royal Kanamono chain, which specializes in hardware for builders, and set up a sales website under the name RoyMall.

In the Construction Support business, we focused on proposal-based marketing of products for house builders, and on interior finish work for large-scale commercial complexes and hotels. We also reinforced marketing by introducing "total interior solutions" made by qualified interior coordinators.

In the Logistics business we established a dedicated Environment & Energy Logistics Department and began creating an environmentally friendly logistics service. For example, we reduced the number of trucks in operation through joint distribution with construction materials manufacturers, employing an optimized delivery system.

In the Credit Card business, we expanded the functions of our Heart One Card, and began handling applications for loans for home renovation.

In our City Hotel operations, we expanded the benefits available to individual users to attract more guests. We also opened six more hotels in the Daiwa Roynet Hotel chain, bringing the total number of hotels in operation to 22, including Osaka Daiichi Hotel and Royton Sapporo.

Beyond 2011

More than 10 new hotels to be opened in the Daiwa Roynet Hotel chain

In the Home Center business, we will also expand our lineup in the RoyValue private brand with the goal of raising the proportion of RoyValue goods to total sales from around 10% at present to around 15%. The staff of our newly established Out-of-Store Sales Division will work to strengthen direct sales to business enterprises and online sales via our RoyMall website.

In the Construction Support business, we plan to once again actively hold furniture, interior goods, and other fairs, which we commenced in fiscal 2009, with the aim of expanding orders for interior refurbishment.

In our Logistics business, we will work to enhance the reliability of construction management through unification of our housing construction, purchasing, and logistics operations, and will take further measures to reduce costs. We will also begin examining concrete plans for the creation of an international logistics network together with Chinese companies.

In the Credit Card business, we will introduce payment by credit card of rents for our D-Room apartments and other rental housing, and for our sports club NAS membership fees. In these ways, we aim to expand the possibilities of our credit cards.

In the City Hotel business, we plan to open at least 10 new hotels in the Daiwa Roynet Hotel chain in major regional cities over the fiscal 2010 – 2011 period.

24 business and city hotels

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

(As of July 31, 2010)

47 home centers

● Royal Home Center
● Royal Kanamono

(As of July 31, 2010)

Environmental Energy

The Group is pursuing various environmental energy projects, in the fields of energy conservation, new energy sources, and energy storage technologies. We aim to make comprehensive energy proposals that will differentiate the Group, and nurture this business field into a new revenue stream to support future growth.

Comprehensive energy solutions born from unique technology

In line with the projected growth of the environmental energy market, in April 2009 Daiwa House Industry established the Environment and Energy Business Division and opened 28 environmental energy sales offices around the country with the goal of expanding its operations in this field.

At the same time, we stepped up coordination between the Company and its subsidiaries and affiliates, notably Group members Daiwa Energy and Eneserve, and affiliated company ELIIY Power. We are pushing forward with efforts to realize comprehensive proposals making full use of our proprietary technological know-how in the fields of energy conservation, new energy sources, energy storage technologies, and energy management services. We aim to combine various products and services, particularly in areas where demand is high, such as LED lighting and air-conditioning, photovoltaic power generation systems, lithium ion batteries, and services that make energy usage volumes more easily identifiable.

Capital investment was sluggish in fiscal 2009 amid a stagnant overall economy. Against this backdrop, we proposed energy solutions to a wide range of clients, including owners of office buildings, factories, and stores, as well as local governments. Rather than relying only on existing clients, we succeeded in cultivating many new users through our product and service proposals.

In the near future, we hope to benefit from the tightening of regulations on CO_2 emissions, as well as the signs of an economic recovery, to make comprehensive energy solution proposals covering the fields of conservation, new source creation and storage. We also plan to harness our strengths as a construction industry enterprise by stimulating demand for building renovation, with the aim of expanding this business field still further.

Products and services of the environmental energy business

Environmental awards received by the Group

Certified environmentally-friendly housing[*1]

- No.1 in total units built in fiscal 2007 (Aug. 2008)
- No.1 in total units built in fiscal 2008 (Aug. 2009)
- No.1 in total units built in fiscal 2009 (Aug. 2010)

CASBEE Community Development[*2]

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).

Minister of the Environment Fiscal 2009 Award for Contributions to the Prevention of Global Warming

The Group received this award in December 2009 for its efforts to reduce CO_2 emissions from rental housing.

Agency for Natural Resources and Energy Director-General's Award (CGO[*3] and corporate category)

This award was received in February 2010 at the fiscal 2009 Energy Conservation Awards (organization category) held by the Ministry of Economy, Trade and Industry (METI), in recognition of the energy conservation efforts of the Daiwa House Group as a whole.

*1 Certified environmentally-friendly housing: Certification system operated by the Institute for Building Environment and Energy Conservation.

*2 CASBEE ("Comprehensive Assessment System for Building Environmental Efficiency") was developed by the Institute for Building Environment and Energy Conservation.

*3 CGO = Chief Green Officer (chief environmental commitment officer). The role of the CGO is to oversee the company's energy conservation and environmental management activities across the whole range of its business operations from the management perspective.

Human Care

The Daiwa House Group is in the process of creating a unified organization to handle both the construction of medical care and nursing care facilities and the nursing care robotics business, with the goal of capturing the No.1 market position in both fields.

Human Care

Reinforcing our services for senior citizens through establishment of the Human Care Division

In November 2009 we upgraded our Silver Age Research Center, which was a unit dedicated to research into the construction of nursing care facilities, establishing the new Human Care Division. This new organization will enable the cross-department sharing of know-how relating to the construction of medical and nursing care facilities and customer information possessed by our units involved in construction, retail store operation, and the management of condominiums and rental apartment buildings. This will enable us to implement more effective proposal-based marketing.

A Medical/Nursing Care Support Unit has been newly established within the Human Care Division, and a Robotics Business Promotion Unit has also been included. The Department is pursuing cross-segmental business in a more integrated manner, through close coordination with other divisions.

In the expectation of steady growth in the number of healthy and active seniors over the coming years, we will be strengthening our focus on housing for seniors, including private fee-charging housing-type nursing homes and rental housing for the elderly. We plan to create a business structure dedicated to meeting all the needs of society's more elderly members.

Robotics

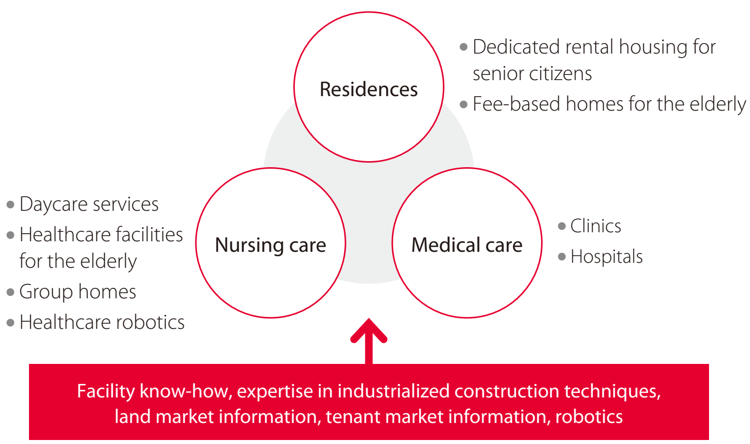
Driving market growth as the pioneer in nursing care robotics

The scale of Japan's robotics market is forecast to reach ¥5.3 trillion in 2025, of which robotics products for use in nursing care are estimated to account for ¥1.2 trillion.

In a cooperative venture with CYBERDYNE Inc., we developed the Robot Suit HAL®, a self-support assistive robotic suit. We signed a sole distributor contract with CYBERDYNE, and began leasing HAL® units in April 2009. The Robotics Business Promotion Unit conducted demonstrations of HAL® units with the focus on areas where the number of medical care and nursing care facilities was particularly high. These are just some of the aggressive marketing activities carried out for this product.

As a result, we received orders from medical and nursing care facilities and local governments in Japan, as well as inquiries from Denmark, Sweden, the United States, and other countries. Moreover, in collaboration with CYBERDYNE, as the sole manufacturer of robotic suits, we also participated in the Policy Research robotics meeting held by METI, which aims to draw up safety standards for robots. As a pioneering enterprise in the field of medical/nursing care robotics, we intend to secure our lead in the robotics market.

Human care products and services



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

Research & Development

At the Central Research Laboratory, research and development is carried out under our theme of "Asu Fukaketsuno," Japanese syllables meaning "indispensable for tomorrow" that can also be read as abbreviations for safety & comfort, speed/stock, welfare, the environment, health, information-communication technology, and agriculture. Our aim is to develop technologies that will enable a harmonious coexistence with the global environment.

Leading-edge products expected to emerge from four priority fields

In fiscal 2009, which was the second year of our current medium-term management plan, we conducted continued research and development into four priority fields — 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).

Combining the two fields of environment and energy-related technology and ICT & robotics technology, we developed software for use in "smart houses." These incorporate central control of all energy use, including domestic electric appliances and household equipment such as hot water heaters and air-conditioners. We completed experiments on this system as part of a government technology verification project, and are currently pursuing independent development in preparation for commercialization.

In the field of technology to meet growing needs in the existing home business, which we expect to contribute to urban revitalization, we are conducting practical tests on a crawling underfloor inspection robot for home maintenance use.

In addition to the four above-listed priority R&D fields, in line with our corporate philosophy since the foundation of Daiwa House, under which we have striven to realize a better home environment through the industrialization of construction methods, we are now moving forward to realize a similar improvement in the food supply process through the industrialization of agriculture.

We will continue our R&D efforts into cutting-edge technologies, and seek to invest efficiently in development, aiming to launch advanced products on the market that provide new value for individuals, communities, and people's lifestyles.

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

The industrialization of agriculture

Industrializing agriculture through use of containers for crop-growing

The possibility of global food shortages, the rising average age of Japan's farmers, and fears that the nation's food self-sufficiency ratio will decline still further are all causes of concern. To address them, Daiwa House has developed the concept of "vegetable growers," in which farm produce is grown inside buildings using converted containers. In the same way that Daiwa House played a pioneering role in the industrialization of construction methods in Japan, we expect this to mark the start of the Group's next-generation project for agriculture.

Such vegetable growers would feature sophisticated internal environment-control technologies, including lighting by LEDs and controlled humidity levels. This would free the crop-growing process from the effects of climate, enabling the stable supply of organic vegetables with high nutritional value. With the aim of starting full-scale activities to popularize this method of crop-growing from fiscal 2010, the method has been introduced at some of the Group's hotels, and displays have been held at shopping centers and public facilities.

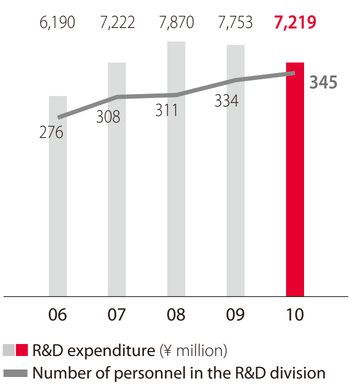
In the future, we plan to introduce such vegetable-growing methods in restaurants, housing, and nursing facilities, among others, and to expand the idea to vacant office buildings, disused schools, or farming land that has fallen idle. In this way, we will be able to create new value for the country's existing-home and real estate markets.

Panel-type "vegetable growers" for indoor installation are the size of a single parking space. There are also a smaller showcase type and a prefabricated type for outdoors.

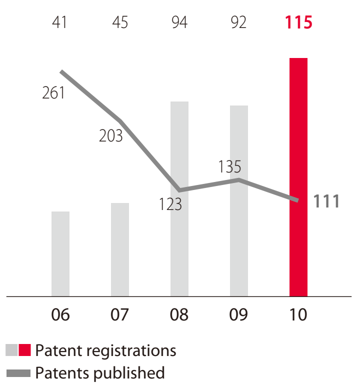
Leafy vegetables such as lettuce and herbs are particularly suited to this method. In the case of leaf lettuce, for instance, while only one or two crops a year can be obtained with the open-culture method, the indoor grower method can yield about 10 crops a year. If grown from seedlings, as many as 20 crops a year can be obtained. As the method allows precise control of light, water, and nutrients, the taste can be easily adjusted for sweetness or bitterness, enabling the production of vegetables with high nutritive value.

Panel-type vegetable grower for indoor installation

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



Patent registrations and patents published



Financial Overview

Consolidated seven-year summary

Daiwa House Industry Co., Ltd. and Consolidated Subsidiaries
Years Ended March 31, 2004 to 2010

(Millions of Yen)

	2010	2009	2008	2007	2006	2005	2004
Net sales	¥1,609,884	¥1,690,956	¥1,709,254	¥1,618,450	¥1,528,983	¥1,365,914	¥1,224,648
Cost of sales	1,303,881	1,357,821	1,360,348	1,283,587	1,213,644	1,082,133	963,457
Selling, general and administrative expenses	243,289	259,555	259,785	249,184	235,267	215,932	201,530
Operating income	62,714	73,580	89,121	85,679	80,072	67,849	59,661
Operating income margin (%)	3.9	4.4	5.2	5.3	5.2	5.0	4.9
Income before income taxes and minority interests	38,069	13,721	24,862	76,449	82,155	63,108	67,897
Net income	19,113	4,170	13,080	46,394	45,184	40,262	37,257
Total assets	1,916,928	1,810,573	1,791,052	1,630,022	1,475,197	1,358,807	1,087,658
Equity*1	617,770	607,428	649,441	661,145	576,534	524,110	493,050
Property, plant and equipment	778,610	728,953	642,816	602,260	505,471	441,388	344,268
Capital investments	99,786	160,601	103,856	136,171	110,144	56,696	20,108
Depreciation	43,917	39,318	35,622	29,536	26,815	19,243	15,165
Net cash provided by (used in) operating activities	133,315	109,811	(15,738)	136,061	90,482	56,095	69,659
Net cash used in investing activities	(138,237)	(199,679)	(123,297)	(172,074)	(107,857)	(53,069)	(25,937)
Net cash provided by (used in) financing activities	79,269	96,503	135,797	14,318	(9,264)	5,889	(6,126)
Issued and outstanding (thousands)	579,092	579,171	579,256	587,158	546,916	546,223	546,426
Stock prices at the end of term (in yen)	1,055	792	987	1,933	2,040	1,232	1,328
Per share of common stock (in yen):							
Basic net income	33.00	7.20	22.46	81.15	81.88	73.26	68.16
Equity	1,065.15	1,047.50	1,092.04	1,122.88	1,053.37	959.08	902.32
Price earnings ratio (PER) (times)	31.97	110.01	43.94	23.82	24.91	16.82	19.48
Price to book value ratio (PBR) (times)	0.99	0.76	0.90	1.72	1.94	1.28	1.47
Return on equity (ROE) (%)	3.1	0.7	2.0	7.5	8.2	7.9	7.6
Equity to total assets (%)	32.2	33.5	35.3	40.4	39.1	38.6	45.3
Current ratio (%)	197.0	177.4	157.3	136.1	145.1	159.0	177.6
Fixed ratio (%)	200.4	189.2	158.5	145.8	148.3	142.4	119.0
Number of employees*2	26,542	23,985	23,421	22,240	21,016	19,770	17,814
Consolidated to non-consolidated net sales ratio (times)	1.56	1.47	1.48	1.37	1.34	1.25	1.13
Consolidated to non-consolidated net income ratio (times)	1.47	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.

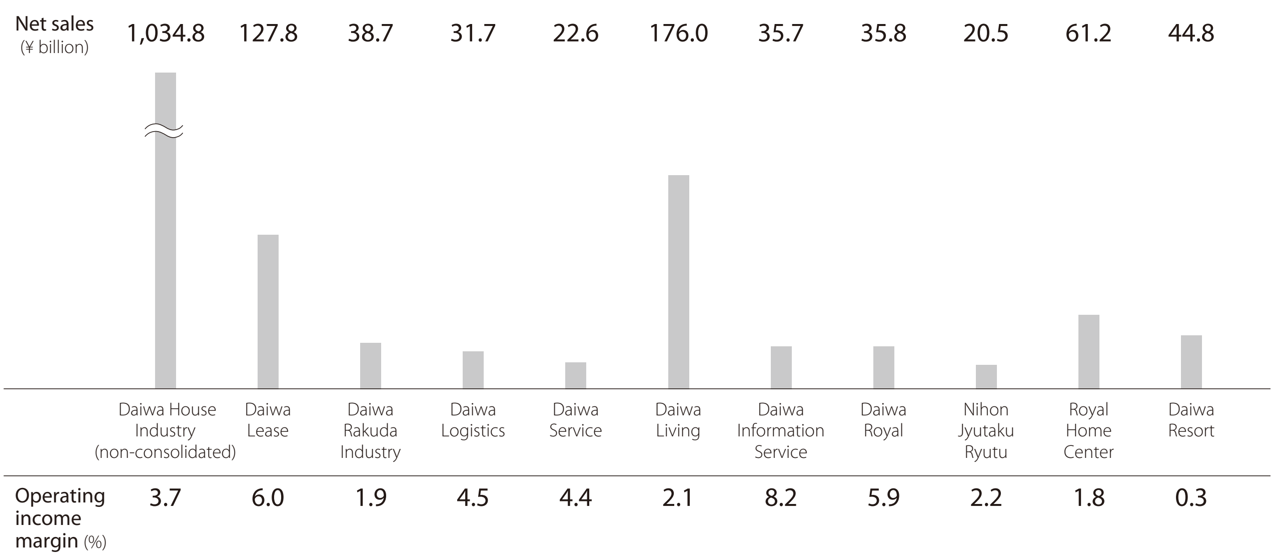
Performance indicators of major companies

(Millions of Yen)

Company name (Voting rights)	Capital		Net sales	Operating income	Net income	Total assets	Equity	Interest-bearing debt
Daiwa Lease (100%)	¥21,768	09/03	¥136,282	¥6,413	¥(1,351)	¥306,701	¥101,260	¥37,109
		10/03	**127,797**	**7,628**	**3,070**	**307,007**	**104,371**	**42,012**
Daiwa Rakuda Industry (100%)	¥450	09/03	41,477	233	88	35,957	20,253	—
		10/03	**38,672**	**746**	**437**	**35,694**	**20,662**	**4**
Daiwa Logistics (100%)	¥3,764	09/03	33,814	1,418	722	26,483	15,670	5,307
		10/03	**31,707**	**1,442**	**747**	**30,476**	**16,200**	**8,498**
Daiwa Service (50%*)	¥130	09/03	24,107	998	514	11,246	5,529	—
		10/03	**22,631**	**1,000**	**976**	**11,618**	**6,351**	**—**
Daiwa Living (100%)	¥140	09/03	152,868	5,729	3,296	58,263	17,632	—
		10/03	**176,050**	**3,766**	**2,789**	**60,078**	**18,315**	**—**
Daiwa Information Service (100%)	¥200	09/03	32,691	2,535	669	68,649	6,793	3,448
		10/03	**35,711**	**2,943**	**1,515**	**72,102**	**8,108**	**2,964**
Daiwa Royal (100%)	¥500	09/03	32,316	3,020	1,931	70,097	8,168	6,787
		10/03	**35,811**	**2,127**	**1,102**	**79,555**	**8,691**	**13,461**
Nihon Jyutaku Ryutu (100%)	¥730	09/03	18,319	205	9	14,614	3,327	3,909
		10/03	**20,453**	**440**	**220**	**15,182**	**3,544**	**3,841**
Royal Home Center (100%)	¥100	09/03	63,505	1,341	429	45,208	33,953	3,517
		10/03	**61,211**	**1,095**	**(483)**	**42,890**	**33,341**	**1,573**
Daiwa Resort (100%)	¥10,084	09/03	49,383	95	(5,052)	67,187	13,923	35
		10/03	**44,811**	**136**	**(3,665)**	**61,520**	**10,258**	**57**

* Figures in parentheses are equity stake held by the Group as a whole.

Net sales and operating income margin of major Daiwa House Group companies in 2010



Results 2010

Group outline

As of the fiscal 2009 year-end (March 31, 2010), the Daiwa House Group comprised Daiwa House Industry, 59 consolidated subsidiaries (up by two from the previous fiscal year-end), 13 associated companies (unchanged), and one unconsolidated subsidiary, for a total of 74 companies (an increase of two).

Subsidiaries newly included in the scope of consolidation included: 1) Hachioji Shisetsu Kaihatsu Special-Purpose Company (distribution facilities development; wholly-owned by the Company); 2) Daiwa LifeNext (formerly Cosmos Life), a wholly-owned condominium building management company; 3) Life Clean Service (building cleaning services; a wholly-owned subsidiary of Daiwa LifeNext); and 4) Daiwa House (China) Investment (a wholly-owned unit in China).

Companies excluded from the scope of consolidation included the special-purpose company Shin-misato Development One Special Purpose Company (distribution facilities development; business discontinued); Daiwa Monthly (housing rentals; merged with Daiwa Living); and Higashi Matsuyama Shisetsu Kaihatsu Limited Liability Company (distribution facilities development; liquidation).

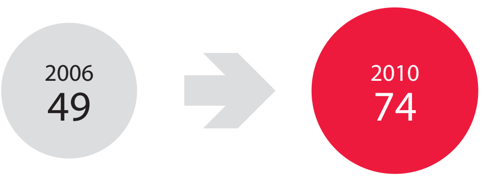
Summary of business operations

The Japanese economy during fiscal 2009 benefited from recoveries in exports and industrial output, thanks to improvements in overseas economies, principally in Asia, and the government's economic stimulus measures. However, corporate earnings, capital investment and consumer spending were all lackluster, and the overall business situation remained severe. In the housing industry, signs of a rally were seen in owner-occupied house construction starts, following revision of the housing tax system, but new housing construction starts as a whole remained weak amid a deteriorating employment and income situation.

In these circumstances, the Daiwa House Group positioned the improvement of management efficiency as an issue to be addressed urgently. The Group therefore took measures to enhance business performance under the three themes of: structural reform of core businesses; shifting management resources to growth markets; and maintaining financial soundness while strengthening earnings capability.

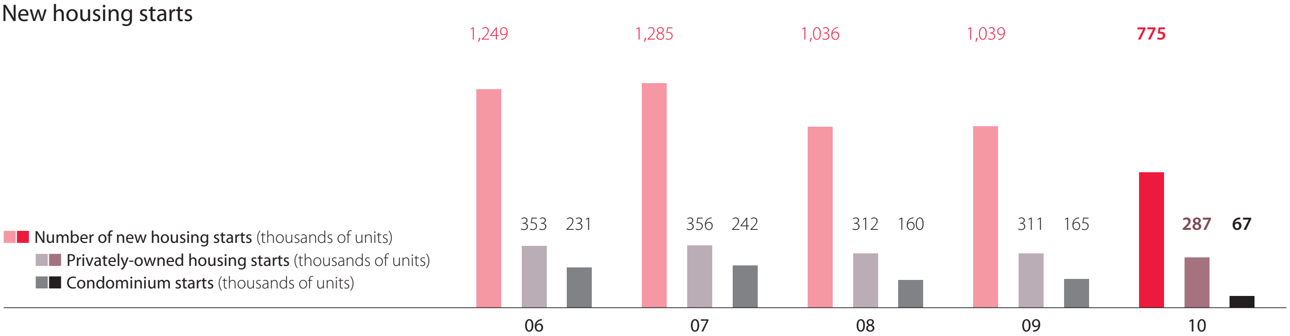
Most notably, in the Daiwa House Group's Residential Business, we launched new eco-friendly models in our mainstay xevo series of single-family houses. In addition to expanding our production lineup in this way, we actively sought to acquire

Group companies



	2006	2007	2008	2009	2010
Daiwa House Industry Co., Ltd.	1	1	1	1	1
Consolidated subsidiaries	38	48	55	57	59
Associated companies	10	11	13	13	13
Unconsolidated subsidiaries	—	—	1	1	1
Total	49	60	70	72	74

New housing starts



certification under the government's Project for High-Quality, Long-Term Housing, and put a number of house models on the market boasting environmental preservation features and high asset value. We also strengthened our relationships with owners of single-family houses through the full-scale roll-out of our AQ ASSET owner support service (see page 87).

As a global warming countermeasure, we set up a new Environment and Energy Business Division, with 28 sales offices throughout Japan. This new unit worked to expand its operations by offering eco-friendly products such as lighting sets combining high-efficiency reflector panels with fluorescent lamps. Such products help both to conserve energy and reduce CO_2 emissions.

In these ways, the Daiwa House Group pursued a number of initiatives aimed at improving business performance despite the difficult business environment. Nevertheless, the impact of the economic downturn was severe, and as a result, net sales for fiscal 2009 came to ¥1,609.9 billion (US$17,311 million), a year-on-year decrease of 4.8%, while operating income was ¥62.7 billion (US$674 million), a year-on-year decrease of 14.8%.

Changes in accounting standards

The Daiwa House Group has up to now employed the completed-contract method for the posting of earnings from construction contracts undertaken for outside parties. However, with effect from fiscal 2009 the Group has applied the provisions of Japanese GAAP with regard to accounting for construction contracts, under which accounting for construction contracts commenced in fiscal 2009 (excepting contracts with extremely short completion periods) will apply the Percentage of Completion (PoC) method, whereby the proportion of the contract that can be confirmed as completed by the fiscal year-end is accounted for within the same fiscal year (estimate is based on the proportion of direct costs). For all other construction work, the completed-contract method will continue to be applied.

As a result of the application of the PoC method, sales increased by ¥38.6 billion (US$415 million), while operating income, income before income taxes and minority interests all increased by ¥7.6 billion (US$82 million).

Impact of percentage of completion method

(Billions of Yen)

	2009	2010		
		Prior to adoption	Impact	Result
Net sales	1,691.0	1,571.3	38.6	1,609.9
Cost of sales	1,357.8	1,273.0	30.9	1,303.9
Gross profit	333.1	298.4	7.6	306.0
Selling, general and administrative expenses	259.6	243.3	—	243.3
Operating income	73.6	55.1	7.6	62.7
Income before income taxes and minority interests	13.7	30.5	7.6	38.1
Net income	4.2	—	—	19.1

Net sales

Sales for the fiscal year under review decreased ¥81.1 billion from the previous fiscal year, to ¥1,609.9 billion (US$17,311 million), representing a 4.8% year-on-year decline. Looking at sales by the Group's eight new segments, sales in the Existing Home Business segment rose strongly, while sales in the Condominiums segment were in line with the previous year. The remaining six segments — Single-Family Houses, Rental Housing, Commercial Facilities, Business and Corporate Facilities, Health & Leisure, and Other Businesses — all recorded year-on-year decreases in sales revenues.

The year-on-year increases in sales for each of the eight segments resulting from the application of the Percentage of Completion (PoC) method were: Single-Family Houses, ¥5.3 billion; Rental Housing, ¥8.8 billion; Condominiums, ¥0.1 billion; Existing Home Business, ¥0.2 billion; Commercial Facilities, ¥8.3 billion; Business and Corporate Facilities, ¥15.6 billion; and Other Businesses, ¥0.2 billion.

Cost of sales, and selling, general and administrative expenses

Cost of sales for the year under review declined by ¥53.9 billion from the previous fiscal year to ¥1,303.9 billion (US$14,020 million), a 4.0% year-on-year decrease thanks to measures taken in every business segment to achieve reductions in this area. However, a deteriorating cost-of-sales ratio in Single-Family Houses and Condominiums operations caused the ratio of cost of sales to rise 0.7 percentage points, to 81.0%. Gross profit accordingly declined by ¥27.1 billion to ¥306.0 billion (US$3,290 million), a year-on-year decrease of 8.1%.

Net sales by segment

Five Segments

(Billions of Yen)

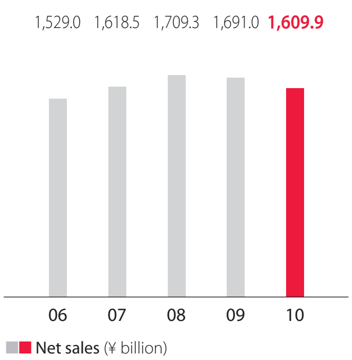
	2009	2010
Net sales	1,691.0	1,609.9
Residential Business	959.0	941.5
Commercial Construction Business	545.2	480.5
Resort Hotels and Sports Life Business	60.1	56.1
Home Center Business	63.5	61.2
Other Businesses	144.0	138.0
Eliminations/corporate	(80.8)	(67.4)

Eight New Segments

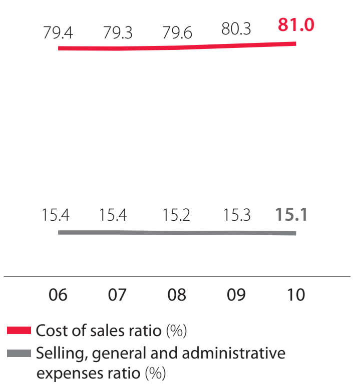
(Billions of Yen)

	2010
Net sales	1,609.9
Single-Family Houses	325.9
Rental Housing	449.0
Condominiums	119.3
Existing Home Business	47.0
Commercial Facilities	285.7
Business and Corporate Facilities	196.3
Health & Leisure	57.1
Other Businesses	210.9
Eliminations/corporate	(81.3)

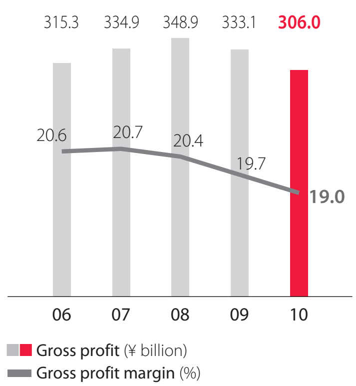
Net sales



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



Gross profit and gross profit margin



Selling, general and administrative expenses decreased by ¥16.3 billion from the previous fiscal year, to ¥243.3 billion (US$2,616 million), a year-on-year decline of 6.3%. The main factors behind this were decreases in labor expenses, advertising/sales promotion expenses, and communication and transport expenses. As a result, the ratio of selling, general, and administrative expenses to sales declined 0.2 percentage point, to 15.1%.

Operating income

Operating income for the fiscal year under review declined ¥10.9 billion to ¥62.7 billion (US$674 million), a year-on-year decrease of 14.8%. Positive factors included a profit boost from application of the Percentage of Completion (PoC) method (increase of ¥7.6 billion), a reduction in selling, general, and administrative expenses (¥16.3 billion), and improved cost-of-sales ratio on contracting (¥4.9 billion). However, these factors were more than offset by the decline in sales (a decrease of ¥23.7 billion) and a worsening cost of sales ratio for land for Single-Family Houses and Condominiums (down ¥16.0 billion). As a result, the operating income margin declined 0.5 percentage point year on year, to 3.9%.

Increases in operating income as a result of the application of the PoC method were recorded by four of the Group's eight new segments: ¥1.4 billion for the Single-Family Houses segment, ¥2.1 billion for Rental Housing, ¥2.1 billion for Commercial Facilities, and ¥2.0 billion for Business and Corporate Facilities.

Operating income by segment

Five Segments

(Billions of Yen)

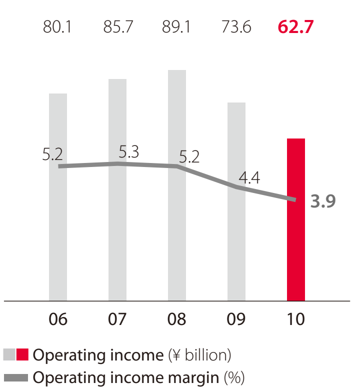
	2009	2010
Operating income	**73.6**	**62.7**
Residential Business	28.5	29.1
Commercial Construction Business	66.2	55.3
Resort Hotels and Sports Life Business	(1.1)	(0.5)
Home Center Business	1.2	0.8
Other Businesses	2.5	(0.3)
Eliminations/corporate	(23.7)	(21.7)

Eight New Segments

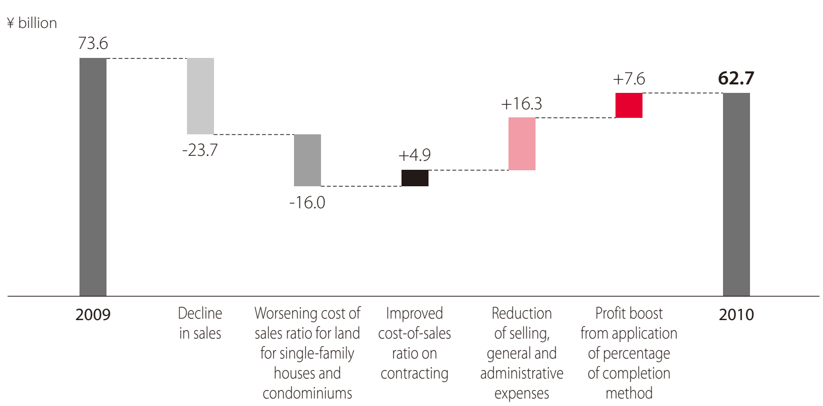
(Billions of Yen)

	2010
Operating income	**62.7**
Single-Family Houses	6.2
Rental Housing	38.7
Condominiums	(18.3)
Existing Home Business	1.7
Commercial Facilities	34.4
Business and Corporate Facilities	21.8
Health & Leisure	(0.5)
Other Businesses	1.0
Eliminations/corporate	(22.3)

Operating income and operating income margin



Changes in operating income



Other income and expenses

The Company posted net other expenses of ¥24.6 billion (US$265 million), an improvement of ¥35.2 billion from the previous term. This is principally attributable to the posting of ¥0.5 billion in amortization of actuarial gain (loss) for employees' retirement benefits (which compares with the posting of a loss in the amount of ¥31.5 billion for the previous term) thanks to improved investment performance by the Group's pension fund. Other contributory factors included the recognition of an impairment loss on property, plant and equipment of ¥10.9 billion, a reduction of ¥4 billion from the previous term, and a decrease in loss on valuation of derivative transactions.

Principal expenses were ¥6.9 billion in interest expenses, a ¥9.7 billion loss on write-down of investment securities, and a ¥1.6 billion loss on sales and disposal of property, plant and equipment.

Income before income taxes and minority interests

Income before income taxes and minority interests rose ¥24.3 billion to ¥38.1 billion (US$409 million), a year-on-year increase of 177.5%. The main factors behind this were the major decrease in other expenses and a decrease in impairment loss on property, plant and equipment, which more than offset the decrease in operating income.

Net income

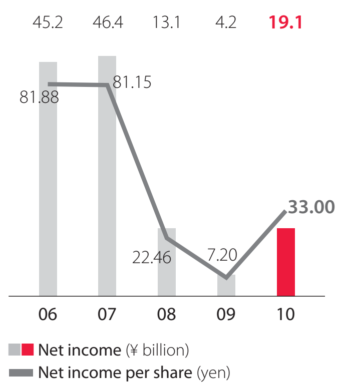
As a result of the above, the net income of the Daiwa House Group rose ¥14.9 billion, to ¥19.1 billion (US$206 million), a year-on-year increase of 358.3%, while the ratio of net income to sales rose by 1.0 percentage point, to 1.2%. Net income per share rose by ¥25.80 over the previous fiscal year, to ¥33.00 (US$0.35), for a year-on-year increase of 358.3%.

Impairment loss on property, plant and equipment

(Billions of Yen)

	2009	2010	YoY change
Hotels	4.9	3.7	-1.2
Golf courses	3.5	—	-3.5
Assets used under sublease agreements	5.4	4.7	-0.7
Idle assets	0.0	0.3	0.3
Home centers	0.1	1.0	0.9
Fitness clubs	0.6	0.0	-0.6
Offices, factories and others	0.4	1.1	0.7

Net income and net income per share



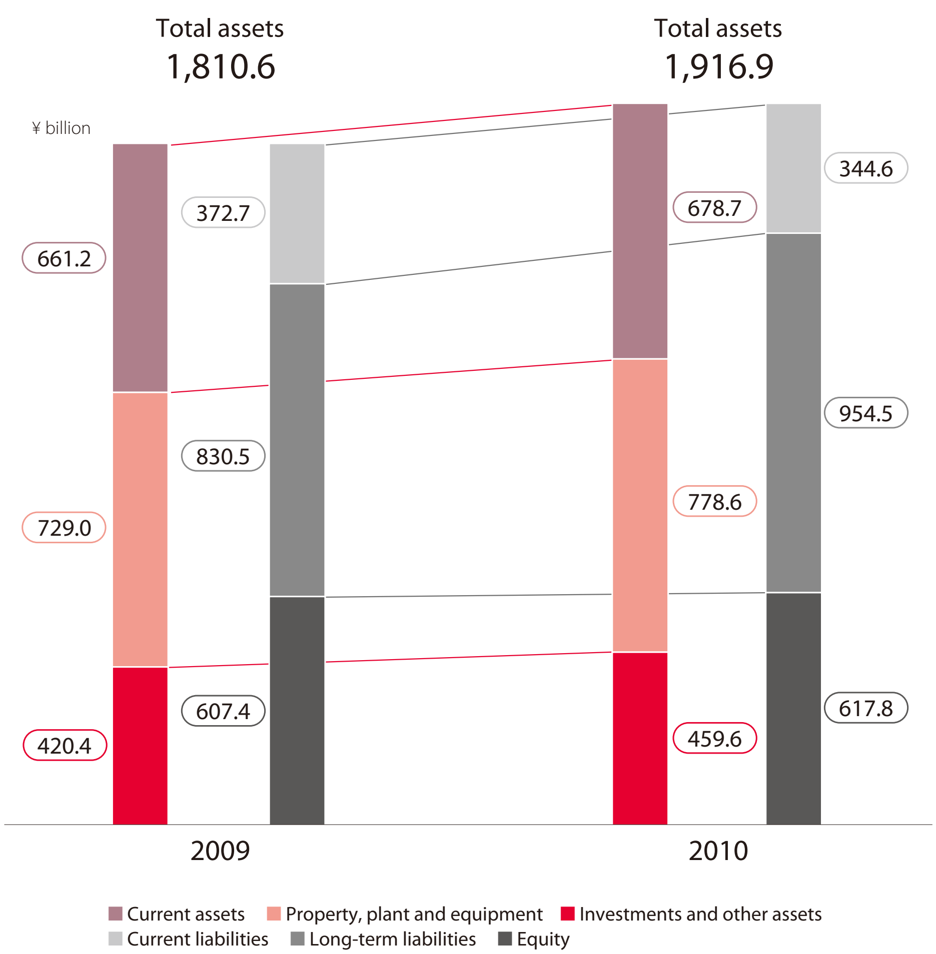
Assets

Total assets at the end of the fiscal year under review stood at ¥1,916.9 billion (US$20,612 million), an increase of ¥106.4 billion from the previous fiscal year-end (a year-on-year increase of 5.9%). This is mainly attributable to: an increase in current assets of ¥17.6 billion, or 2.7%, to ¥678.7 billion (US$7,298 million); an increase in property, plant and equipment of ¥49.7 billion, or 6.8% from the previous fiscal year-end, to ¥778.6 billion (US$8,372 million); and an increase of ¥39.1 billion, or 9.3%, in investments and other assets, to ¥459.6 billion (US$4,942 million).

In current assets, cash and cash equivalents increased by ¥74.4 billion, or 70.6%, due to the issuance of corporate bonds. Inventory assets decreased by ¥96.4 billion, or 24.3%, as a result of the disposal of land and buildings for sale for the purpose of selling single-family houses and condominiums, as well as a decline in expenditure for unfinished construction due to the application of the percentage-of-completion method of accounting.

Within the category of property, plant and equipment, land posted a year-on-year increase of ¥33.6 billion, or 9.4%, to ¥389.6 billion, while buildings and structures increased by

Summary of consolidated balance sheets (2009/2010)



¥18.0 billion, or 5.7%, to ¥333.7 billion. Principal factors were an increase in buildings and structures following the completion of a number of high-rise rental properties and large-scale commercial complexes, as well as the acquisition of land, mainly for the development of logistics facilities.

In investments and other assets, investment securities posted an increase of ¥4.6 billion, or 5.4%, over the previous term, to ¥89.6 billion, as a result of the conversion of Cosmos Life into a wholly-owned subsidiary under the name of Daiwa LifeNext.

Liabilities

Total liabilities as of the end of the fiscal year under review increased by ¥96.0 billion from the end of the previous fiscal year, to ¥1,299.2 billion (US$13,969 million), a year-on-year increase of 8.0%. The principal cause was the fact that a year-on-year decline in current liabilities of ¥28.0 billion, or 7.5%, to ¥344.6 billion (US$3,705 million) was more than offset by an increase in long-term liabilities of ¥124.0 billion, or 14.9%, to ¥954.5 billion (US$10,264 million).

In current liabilities, income taxes payable increased, but a decrease was recorded in accounts payable such as payments for construction work, and in payments received on construction in process.

Regarding long-term liabilities, as a result of the issue of corporate bonds (parent only) in the amount of ¥100 billion and the procurement of funds through long-term debt, corporate bonds increased by ¥105.3 billion, or 100%, over the previous fiscal year-end, while long-term debt increased by ¥15.4 billion, or 4.8% year on year.

As a result, total interest-bearing debt increased by ¥121 billion year on year, or 35.1%, to ¥465.5 billion (US$5,005 million), while the D/E ratio rose 0.18 percentage point, to 0.75 and the net D/E ratio was up by 0.07 of a percentage point, at 0.46.

Inventories

(Billions of Yen)

	2009	2010	YoY change
Finished residential homes and condominiums	41.6	30.1	-11.5
Construction projects in progress	57.4	15.1	-42.3
Residential homes and condominiums in process	43.7	24.2	-19.5
Land held:			
For resale	221.8	197.7	-24.1
Under development	12.0	12.0	0.0
Undeveloped	3.8	3.7	-0.1
Merchandise, construction materials and others	16.1	17.2	1.1
Total	396.4	300.0	-96.4

Property, plant and equipment

(Billions of Yen)

	2009	2010	YoY change
Land	356.0	389.6	33.6
Buildings and structures	315.7	333.7	18.0
Other — net	57.3	55.3	-2.0
Total	729.0	778.6	49.6

Interest-bearing debt

(Billions of Yen)

	2009	2010	YoY change
Short-term bank loans	16.4	14.8	-1.6
Current portion of long-term debt	5.6	2.9	-2.7
Current portion of long-term lease obligations	0.4	1.1	0.7
Bonds	—	105.3	105.3
Long-term debt	320.0	335.4	15.4
Long-term lease obligations	2.1	6.0	3.9
Total interest-bearing debt	344.5	465.5	121.0
Debt/Equity ratio	0.57	0.75	0.18
Net Debt/Equity ratio	0.39	0.46	0.07

Equity

Equity at the end of the fiscal year under review rose ¥10.3 billion to ¥617.8 billion (US$6,643 million), a year-on-year increase of 1.7%. This was mainly attributable to the fact that prior-year dividend payments in the amount of ¥13.9 billion were more than offset by the posting of ¥19.1 billion in net income and an increase of ¥4.7 billion, or 229.1%, in net unrealized gain on available-for-sale securities.

As a result, the equity ratio at the end of the fiscal year under review declined by 1.3 percentage points, to 32.2%, showing no significant change from the previous fiscal year-end. The return on equity (ROE) rose by 2.4 points, to 3.1% as a result of the substantial increase in net income.

Working capital

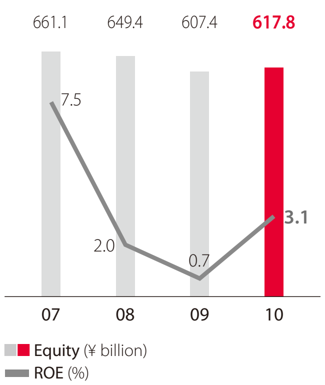
Working capital (current assets minus current liabilities) in the fiscal year under review rose ¥45.6 billion, to ¥334.2 billion, a year-on-year increase of 15.8%, due to an increase in cash and cash equivalents from the issuance of corporate bonds. The ratio of current assets to current liabilities rose from 177.4% for the previous fiscal year to 197.0%, securing adequate financial liquidity.

Capital investments

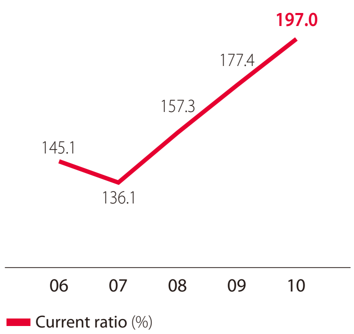
Capital investments in the fiscal year under review decreased by ¥60.8 billion from the previous fiscal year, to ¥99.8 billion (US$1,073 million), a year-on-year decline of 37.9%. By business segment (the Group's eight new segments), capital investments (including inter-segment transactions) amounted to ¥4.3 billion for the Single-Family Houses segment, ¥26.3 billion for the Rental Housing segment, ¥2.4 billion for the Condominium segment, ¥0.6 billion for the Existing Home Business segment, ¥19.6 billion for the Commercial Facilities segment, ¥26.5 billion for the Business and Corporate Facilities segment, ¥2.6 billion for the Health & Leisure segment, and ¥17.9 billion for the Other Businesses segment.

In fiscal 2010, we plan to make capital investments in the amount of ¥68.5 billion, a year-on-year decrease of ¥31.3 billion, or 31.4%. By business segment (the Group's eight new segments), capital investments (including inter-segment transactions) is planned at ¥2.9 billion for the Single-Family Houses segment (down 33.2% year on year), ¥14.4 billion for the Rental Housing segment (down 45.3%), ¥3.2 billion for the Condominium segment (up 32.4%), ¥0.5 billion for the Existing Home Business segment (down 21.3%), ¥18.3 billion for the Commercial Facilities segment (down 6.8%), ¥9.2 billion for the Business and Corporate Facilities segment (down 65.3%), ¥5.4 billion for the Health & Leisure segment (up 108.9%), and ¥15.8 billion for the Other Businesses segment (down 11.6%).

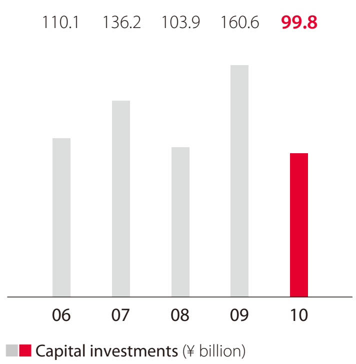
Equity and ROE



Current ratio



Capital investments



Cash flows

Cash and cash equivalents at the end of the fiscal year under review increased by ¥74.4 billion from a year earlier to ¥179.7 billion (US$1,933 million), an increase of 70.6%.

Net cash provided by operating activities amounted to ¥133.3 billion (US$1,433 million), an increase of 21.4% year on year. This was due to the disposal of real estate for sale, as well as a smaller amount of income taxes paid.

Net cash used in investing activities amounted to ¥138.2 billion (US$1,486 million), a year-on-year decrease of 30.8%. This was due to the purchase of property, plant and equipment in the form of large-scale commercial facilities and real estate for rental purposes, as well as expenditure for the acquisition of shares in Cosmos Life (now Daiwa LifeNext) with the inclusion of the company in the scope of consolidation.

Net cash provided by financing activities amounted to ¥79.3 billion (US$852 million), a year-on-year decrease of 17.9%. This was due to the issuance of corporate bonds and the procurement of funds through long-term debt.

As a result, free cash flow, which is the sum of cash flows from operating and investing activities, decreased to negative ¥4.9 billion. This was a much smaller decline than the ¥89.9 billion year-on-year decrease recorded in the previous fiscal year.

Basic policies regarding profit distribution

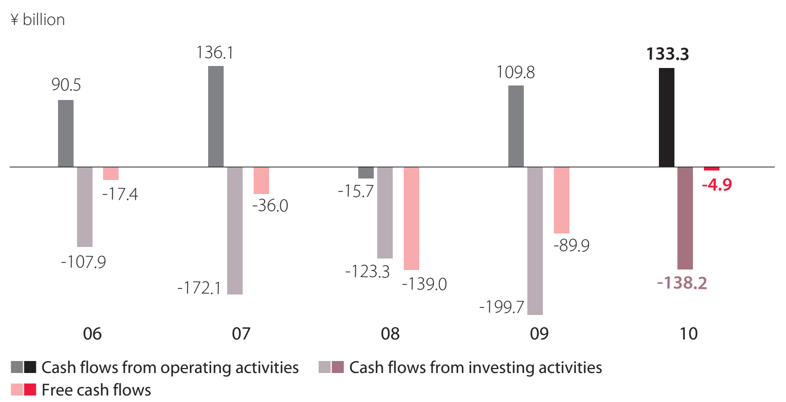
In determining its dividend payments, the Daiwa House Group takes into account the need to maintain a good balance between the appropriation of profits to shareholders on the one hand, and the necessity of securing sufficient retained earnings for future business expansion and the reinforcement of the Group's business base on the other.

We will continue endeavoring to strengthen our financial soundness, broaden our base of operations by investing in research and development and production facilities, and expand our business premises to raise our competitiveness and improve profitability. Taking these factors into account, we have set a dividend payout ratio target of 30%, and will adopt a flexible stance on shareholder returns by pursuing acquisition of our own shares for inclusion in treasury stock as appropriate.

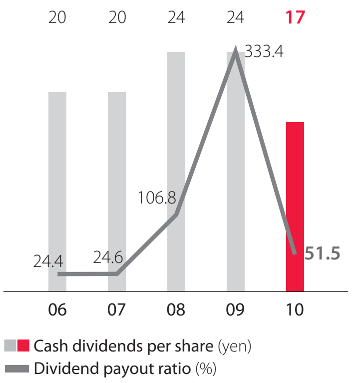
On this basis, in appropriating profits for the fiscal year ended March 31, 2010, we plan to offer an annual dividend of ¥17 per share (US$0.18), compared with ¥24 per share for the previous fiscal year. The total dividend value will be ¥9.8 billion.

For the fiscal year ending March 31, 2011, we plan to offer an annual dividend of ¥17 per share.

Free cash flows



Cash dividends per share and dividend payout ratio



Outlook 2011

Management policy and outlook for fiscal 2010

During fiscal 2010, the final year of the "Challenge 2010" plan, increased activity is expected in the housing industry, partly due to the expansion of the scope of tax exemption on gifts and the government's housing eco-points system. However, there seems little hope of a substantial improvement in the employment and income situation, and the Group's operating environment is forecast to remain severe.

At the same time, a number of markets show strong potential. These include home renovation, centered on eco-friendly renovation; sustainable energy, in which companies from every industrial sector are participating; and the "active seniors" market, centered on the Baby Boomers. Continued growth is also projected in overseas markets, particularly China, where GDP growth rates remain high.

The Daiwa House Group Second Medium-Term Management Plan "Challenge 2010" comprises four Basic Policies: 1) Realize further growth through closer collaboration within the Group; 2) Nurture new future earnings drivers; 3) Conduct R&D into the growing renovation market and nursing care business, and take steps to prevent global warming; and 4) Reinforce our business base. In light of the current business environment, the Group has decided to additionally place strategic emphasis on four themes in combination with the Basic Policies. These themes are indicated by the keywords "Renovation," "Sustainable Energy," "Population Aging," and "Overseas."

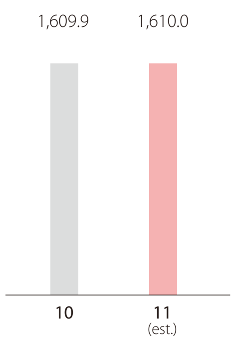
Specifically, we will first take steps to reinforce our capabilities in proposal-based marketing in our core business operations, focusing on environmentally friendly solutions and the needs of senior citizens. Secondly, we will expand our scale of operations in businesses involved with Japan's existing housing stock, including renovation services, condominium management, and energy conservation solutions. Thirdly, we will aggressively promote real estate development projects overseas, particularly China. Fourthly, we will ensure even more rigorous management cash flow management, so as to reinforce our business base.

Through the pursuit of these key strategies, in fiscal 2010 we expect to achieve net sales of ¥1,610.0 billion, operating income of ¥66.0 billion, a ratio of operating income to sales of 4.1%, and net income of ¥24.0 billion on a consolidated basis.

Second Medium-Term Management Plan "Challenge 2010"

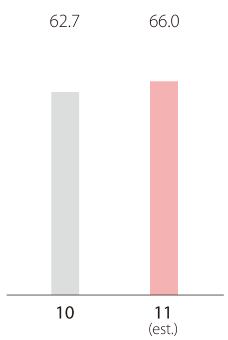
	FY2009 (plan) (announced in May 2009)	FY2009 (results)	Achievement ratio (%)	FY2010 (target) (announced in May 2010)
Net sales (¥ billion)	1,565.0	1,609.9	102.9	1,610.0
Operating income (¥ billion)	45.0	62.7	139.4	66.0
Operating income margin (%)	2.9	3.9	+1.0pt	4.1
ROE (%)	—	3.1	—	—

Net sales



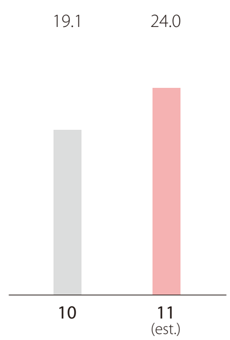
Net sales (¥ billion)

Operating income



Operating income (¥ billion)

Net income



Net income (¥ billion)

CFO


Ensures

Our Platform for Growth

Under the Second Medium-Term Management Plan “Challenge 2010,” which commenced in fiscal 2008, we originally drew up a program for investments in the amount of ¥580 billion over the three-year plan period, focused on three categories — investment in real estate development, investment in M&As and new businesses, and capital investment. However, the sluggishness of the real estate market and the deterioration in the financial markets caused us to revise this figure at the start of fiscal 2009, the second year under the medium-term plan, to ¥470 billion over the three-year period. At the same time, to slow down the increase in interest-bearing debt, we took steps to strengthen our recovery of investments through the quicker sale of property developments and a reduction in inventory assets.

During fiscal 2009 we took a number of measures to strengthen our business base. We implemented the Company’s first-ever issuance of corporate bonds with the aim of diversifying our fund procurement methods, acquired Cosmos Life (now Daiwa LifeNext), which was made into a consolidated subsidiary, merged two J-REITs involved in residential facilities, and established a real estate development investment company in China.

Cash flows in fiscal 2009

1 We recognized a loss on valuation of investment securities in the amount of ¥9.2 billion relating to investments in a special-purpose company. However, losses on impairment of property, plant and equipment decreased by ¥4.0 billion from the previous business term.

2 Inventories posted a decrease of ¥96.4 billion compared with the previous term-end, due to sales of land and buildings for the purpose of selling single-family houses and condominiums. However, an increase of ¥74.4 billion in cash and cash equivalents pushed up the value of current assets by ¥17.6 billion.

3 Property, plant and equipment increased by ¥49.7 billion year on year due to acquisitions of land for real estate development centered on logistics centers combined with an increase in buildings and structures following completion of high-rise rental housing and large-scale multifunctional commercial facilities.

4 Interest-bearing debt increased ¥121 billion year on year following fund procurement through issue of corporate bonds and long-term borrowing. At the same time, declines in trade payables, including on accounts payable for construction contracts, as well as in deposits received from customers, caused total liabilities to increase by ¥96.0 billion.

Consolidated statements of income	Millions of Yen	YoY change
Net sales	1,609,884	(81,072)
Cost of sales	1,303,881	(53,940)
Gross profit	306,003	(27,132)
Selling, general and administrative expenses	243,289	(16,266)
Operating income	62,714	(10,866)
Other expenses — net	(24,645)	35,214
Net income	19,113	14,943

Consolidated balance sheets	Millions of Yen	YoY change
Assets:		
Current assets	678,758	17,570
Property, plant and equipment	778,610	49,657
Investments and other assets	459,560	39,128
Total assets	1,916,928	106,355
Liabilities and equity:		
Current liabilities	344,602	(28,034)
Long-term liabilities	954,556	124,047
Equity	617,770	10,342
Total liabilities and equity	1,916,928	106,355

1

Other expenses	Millions of Yen	YoY change
Impairment loss on property, plant and equipment	(10,905)	3,987
Write-down of investment securities	(9,650)	(2,116)
Other — net	(4,090)	33,343
Other expenses — net	(24,645)	35,214

2

Inventories	Millions of Yen	YoY change
Finished residential homes and condominiums	30,123	(11,522)
Construction projects in progress	15,098	(42,347)
Residential homes and condominiums in process	24,163	(19,497)
Land held:		
For resale	197,720	(24,080)
Under development	11,976	(56)
Undeveloped	3,761	(28)
Merchandise, construction materials and others	17,162	1,089
Total	300,003	(96,441)

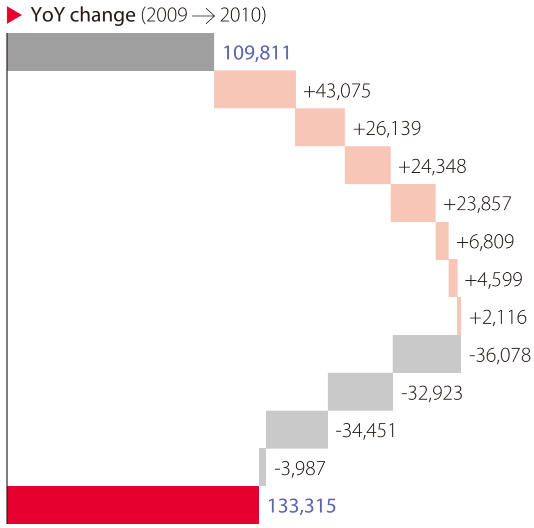
3

Property, plant and equipment	Millions of Yen	YoY change
Land	389,587	33,585
Buildings and structures	333,731	18,057
Other — net	55,292	(1,985)
Net property, plant and equipment	778,610	49,657

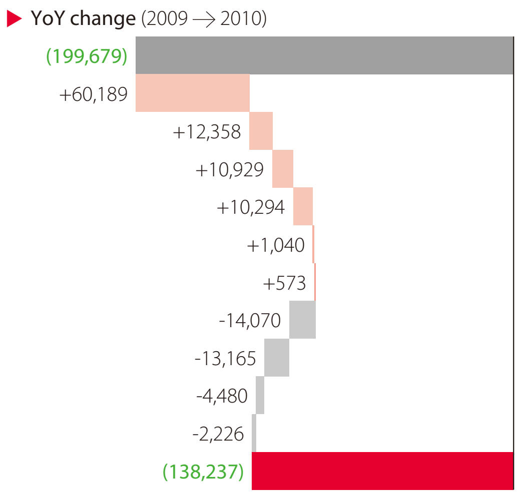
4

Interest-bearing debt	Millions of Yen	YoY change
Short-term bank loans	14,771	(1,637)
Current portion of long-term debt	2,902	(2,708)
Current portion of long-term lease obligations	1,113	681
Bonds	105,300	105,300
Long-term debt	335,388	15,431
Long-term lease obligations	5,994	3,866
Total interest-bearing debt	465,468	120,933

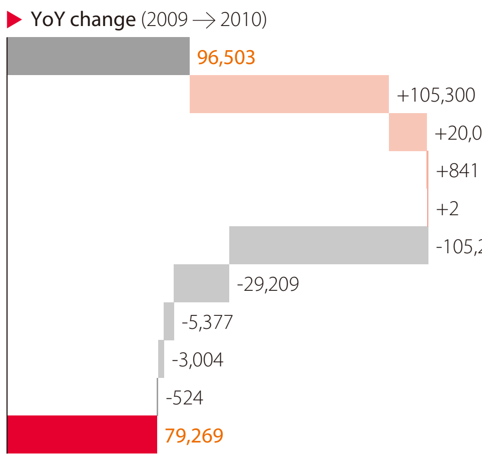
Cash flows from operating activities	Millions of Yen	YoY change
2009	109,811	
Decrease in payables — trade	(22,445)	43,075
Decrease (increase) in inventories	97,761	26,139
Income before income taxes and minority interests	38,069	24,348
Income taxes — paid	(17,942)	23,857
Other — net	26,830	6,809
Depreciation	43,917	4,599
Write-down of investment securities	9,650	2,116
Increase (decrease) in deposits received from customers	(33,668)	(36,078)
Provision for employees' retirement benefits, net of payments	3,110	(32,923)
Decrease (increase) in receivables	(22,872)	(34,451)
Impairment loss on property, plant and equipment	10,905	(3,987)
2010	133,315	23,504



Cash flows from investing activities	Millions of Yen	YoY change
2009	(199,679)	
Purchases of property, plant and equipment	(93,548)	60,189
Purchases of investments in subsidiaries	(85)	12,358
Purchases of investment securities	(9,342)	10,929
Increase in investments in and advances to unconsolidated subsidiaries and associated companies	(360)	10,294
Proceeds from purchases of shares of the newly consolidated subsidiaries	1,636	1,040
Proceeds from sales and redemption of investment securities	950	573
Increase in lease deposits	(19,952)	(14,070)
Payments for purchases of shares of the newly consolidated subsidiaries	(13,323)	(13,165)
Net decrease (increase) in other assets	(4,475)	(4,480)
Proceeds from sales of property, plant and equipment	262	(2,226)
2010	(138,237)	61,442



Cash flows from financing activities	Millions of Yen	YoY change
2009	96,503	
Proceeds from issuance of bonds	105,300	105,300
Net increase (decrease) in commercial paper	—	20,000
Remittance to trust of receivables collected	(5,804)	841
Dividends paid to shareholders	(13,900)	2
Proceeds from long-term debt	27,587	(105,263)
Repayments of long-term debt	(31,464)	(29,209)
Net increase (decrease) in short-term bank loans	(1,637)	(5,377)
Proceeds from receivables sold to trust	—	(3,004)
Other — net	(813)	(524)
2010	79,269	(17,234)



Investment performance

(1) Investment in real estate development

At the beginning of fiscal 2009, which was the second year under the Group's current three-year Second Medium-Term Management Plan, we revised our plans for real estate investment over the three-year period from the initial ¥460 billion to ¥340 billion. We then followed a policy of selecting only those projects where recovery of investment was deemed possible in fiscal 2012, centered on the major urban areas of Japan, where market conditions were seen to be recovering.

Regarding real estate development projects underway at the moment, we have revised our development plans to put a stronger emphasis on realizable investment returns, and we have aborted unprofitable projects. With regard to profitability, we have adopted 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. As a result, aggregate investments in the fiscal 2008 – 2009 period amounted to ¥253.4 billion.

(2) Investment in M&As and new businesses

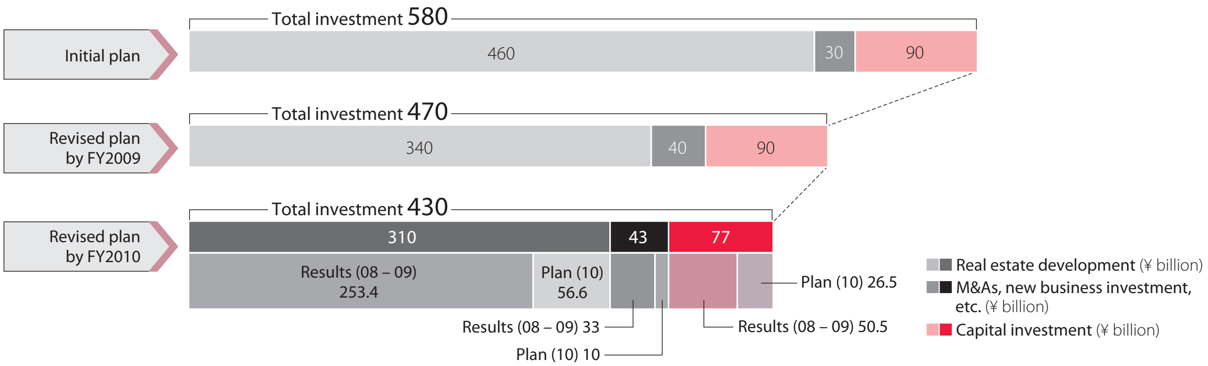
For M&As and investment in new businesses over the three-year plan period, we have set a level of ¥40.0 billion. These investments include the acquisition of Cosmos Life (now Daiwa LifeNext) in September 2009 and the conclusion of a capital and business tie-up with mushroom grower Yukiguni Maitake Co., Ltd. in February 2010. Total investments in the fiscal 2008-2009 period came to ¥33.0 billion.

We acquired all issued shares (1.32 million) of Cosmos Life from its parent Cosmos Initia Co., Ltd., which was undergoing rehabilitation. Cosmos Life was thereby made into a consolidated subsidiary of Daiwa House Industry. This was done in order to expand the number of our condominium units under management in the Tokyo area, to strengthen the Group's brand in the condominium management market, and to accelerate the expansion of our business scale in the existing homes market.

The combined number of condominium units currently under management by Daiwa Service and Cosmos Life is approximately 200,000, putting the Group in fifth position in this industry. We plan to combine the know-how and technologies of the two companies with the goal of achieving the No.3 position in the condominium management industry.

The purpose of the capital and business tie-up with Yukiguni Maitake is to establish a joint undertaking that will effectively combine the management resources of this mushroom processor, which aims to grow into a comprehensive foodstuffs company, with the management resources of the Daiwa House Group, which is pursuing plans for a more technologically industrialized approach to agriculture. To reinforce the cooperative relationship between the two sides, we acquired approximately 1.79 million shares of common stock of Yukiguni Maitake (4.6% of all issued shares), which had been held in treasury. In the near future, we plan to jointly establish a mushroom production and marketing enterprise in China. In these ways, we aim to expand our business scale in this market and create new business formats.

Investment plan (¥ billion)



Our investment policy

We have adopted still more stringent criteria in our investment plans for fiscal 2010, which is the third and final year of our Second Medium-Term Management Plan. The total three-year investment plan, which we revised downward to ¥470 billion in fiscal 2009, has been further pared to ¥430 billion. We have reduced the figure for total investment in real estate development over the three-year period from ¥340 billion to ¥310 billion, and have adopted a policy of favoring those projects with a greater certainty of investment return and higher profitability, centered on the major urban areas of Japan. The upper limit on investment in fiscal 2010 has been set at ¥56.6 billion. We have held down our procurement of lot-subdivision land for building single-family houses over the past few years, but we will now be increasing our purchases, as inventories have fallen to a fairly low level. Regarding the purchase of land for condominium development, we will continue making adjustments to projects whose profitability is in doubt. This may involve the scrapping of some land procurement plans.

We plan to increase investment in M&As and new businesses. Although the upper limit on investment in this category for fiscal 2010 is ¥10 billion, if we find an opportunity to carry out a particularly promising M&A or business alliance that is likely to speed up the "nurturing of new future earnings drivers" (one of the two main themes of our medium-term management plan), we will examine it with a positive, forward-looking attitude.

Our overseas business strategy

We are actively engaged in real estate development projects in China as part of our efforts to nurture new future earnings drivers under the present medium-term management plan. In July 2009 we established Daiwa House (China) Investment Co., Ltd. as a wholly-owned subsidiary in Suzhou. This company will enable us to centralize our capital and fund procurement operations in China for existing real estate projects and the development of new businesses, and will both increase our investment capabilities and enhance fund management efficiency. We aim to strengthen our brand power and raise our creditworthiness in China, with the goal of accumulating a portfolio of real estate development in China worth ¥300 billion over ten years.

We are also conducting market surveys and other research in several countries in the Asia-Pacific region, most notably Vietnam, to lay the groundwork for full-scale entry into the real estate development market in those countries. This is just one of the initiatives we are pursuing to expand the scale of our overseas operations.

Our REIT strategy

In line with our commitment to sound cash-flow management, we have drawn up a plan to coordinate our operations more closely with the REIT market. Under this plan, in April 2010 we implemented a merger between the investment corporations New City Residence Investment Corporation (which was undergoing civil rehabilitation proceedings) and BLife Investment Corporation. This was aimed at strengthening our J-REIT specializing in residential facilities. Total assets of BLife, the surviving company from the merger, amounted to ¥200 billion (129 properties held), putting it in third place in terms of asset value among residential facility J-REITs.

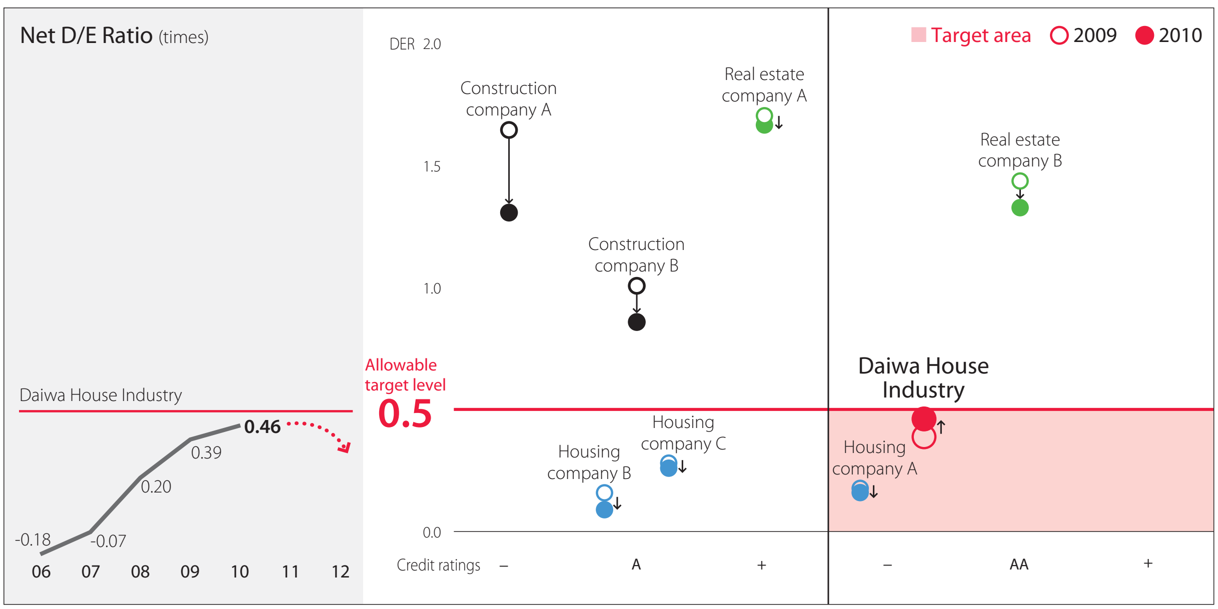
Additionally, through private placement we have established a number of REITs and investment funds that specialize in investment in distribution and commercial facilities, with the aim of listing a J-REIT for each specialized market. From here onward we intend to leverage the Group's development capabilities to create a large number of properties that will attract investors, with the goal of an early listing on the market.

Interest-bearing debt and the net debt-to-equity ratio

In fiscal 2009 we raised funds through the issuance of corporate bonds and through long-term borrowing, as safe procurement methods amid the deteriorating financial market situation since the bankruptcy of Lehman Brothers in September 2008. As a result, interest-bearing debt at term-end rose by ¥121 billion over the previous term-end, to ¥465.5 billion. The net debt-to-equity ratio also rose by 0.07 point from 0.39 at the previous term-end to 0.46. The Daiwa House Group regards a net debt-to-equity ratio of 0.46 as quite a low level among real estate companies involved in investment in large-scale real estate development projects. Moreover, although investment is essential to expand our business scale further, we have no intention of expanding investments to the point where interest-bearing debt rises, pushing the net debt-to-equity ratio (an indicator of leeway for borrowing) significantly over the 0.50 level. The Daiwa House Group maintains a prime focus on financial soundness. We believe that our fiscal 2009 net debt-to-equity ratio represents the peak, and intend to strictly manage cash flows with a high level of funding efficiency. At the same time, investments in real estate development over the near future will, in principle, be made using investment funds recovered from the sale or securitization of developed properties. By these means, we aim to reduce interest-bearing debt.

Diversifying fund procurement

Daiwa House Industry made its first-ever issuance of corporate bonds (parent only) in January 2010. The term to maturity was five years and the coupon rate was 0.733%, with a total issue value of ¥100 billion. We chose to raise funds through the issuance of corporate bonds as part of our policy of diversifying the Group's fund procurement methods, enabling us to respond flexibly to changes in the financial environment and also to reduce procurement costs. From here onward, we will be working still harder to strengthen the Company's financial position so as to maintain and if possible improve our credit ratings. At the same time, we will give consideration to fund-raising using the best available method if our needs warrant it and the market environment is favorable.



Toward further growth

At the Daiwa House Group, we have set ourselves the target of attaining annual sales of ¥10 trillion in 2055, when we will celebrate the 100th anniversary of the founding of Daiwa House Industry. We have chosen the phrase "Asu Fukaketsuno," which is Japanese for "indispensable for tomorrow," as the key words in our drive toward further growth, and are expanding our operations in the five fields of welfare, the environment, health, information-communication technology, and agriculture — all of which are vital to society. However, given the current demographic situation in Japan, where the population and the birthrate are declining while the proportion of elderly citizens rises, we are bound to admit that our ¥10 trillion sales target will be very difficult to achieve with the current structure of the Group, which is heavily focused on operations in the Japanese domestic market.

In view of this, we believe that the further globalization of the Group's operations is indispensable to its future success. We have already begun serious efforts to expand our business in other Asian countries, especially China, and from here on we plan to invest even more management resources in our overseas operations.

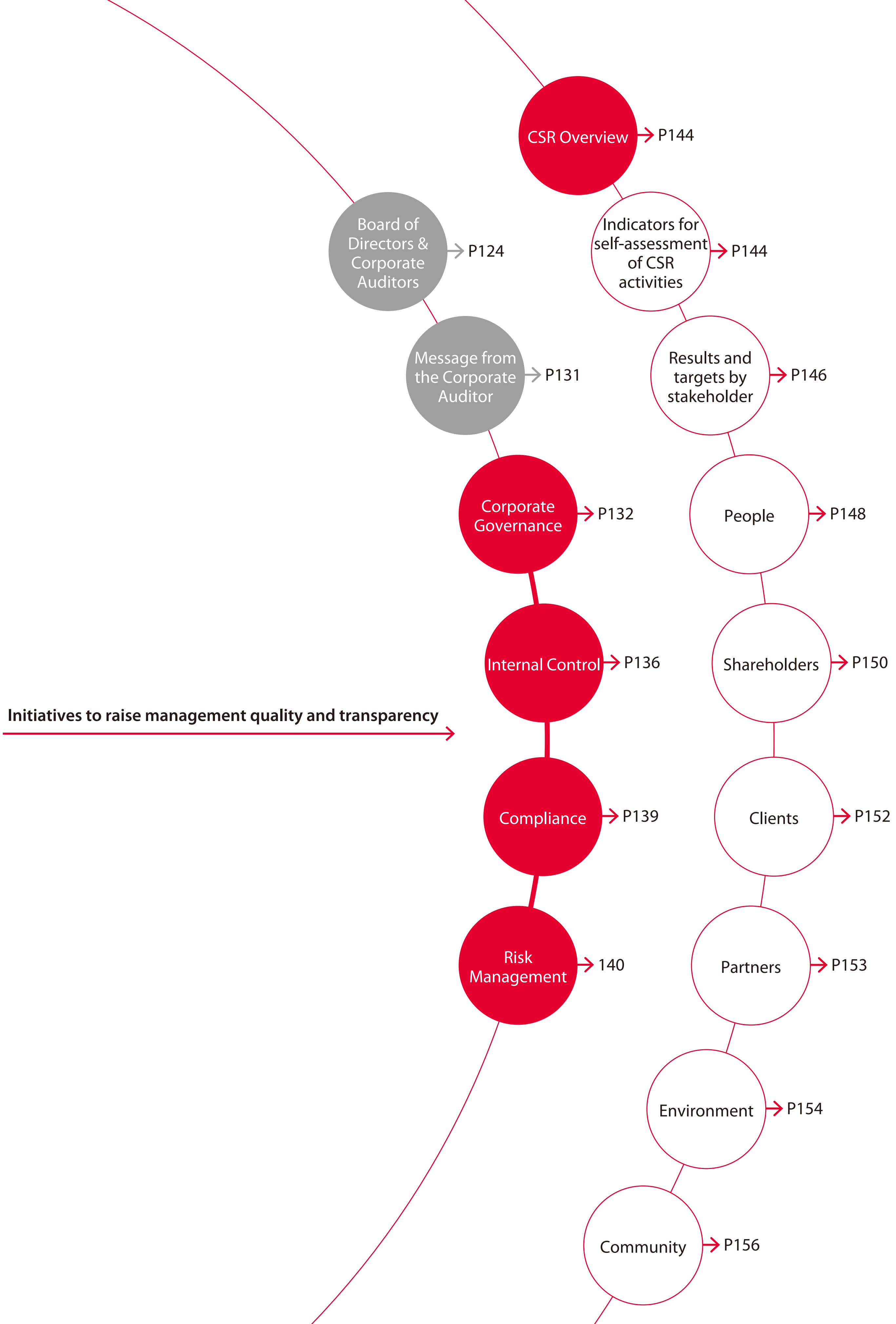
For that reason, too, we are also providing the necessary financial support for bold efforts to nurture new businesses in line with our key words "indispensable for tomorrow." While realizing a smooth transition to International Financial Reporting Standards (IFRS), we will create a system enabling the flexible procurement of funds in the global marketplace and aim at expansion of our overseas operations.

Over the medium-to-long term we intend to maintain the soundness of the Group's financial position, which is recognized in the world's markets, while establishing the Group as a global player engaged in a diverse range of business operations contributing to the healthy functioning of the international community. In this way, we will make steady progress toward reaching our long-term goal of ¥10 trillion annual sales.

Tetsuji Ogawa, *Executive Vice President and CFO*

Corporate Citizenship

The mission of the Daiwa House Group as a corporate citizen is to "foster a sense of community, while striving constantly to enrich people's lives." We aim to exist in harmony with society at large through our business operations and to be an invaluable partner for each member of the public through our products and services. To achieve these goals, we have taken on the challenge of creating the new value that society demands.



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Board of Directors

As of July 1, 2010

* Representative Director

Takeo Higuchi*

Age 72

Chairman and CEO

As the Chief Executive Officer of the Daiwa House Group, Mr. Higuchi is committed to building a management base that will ensure the Group's growth in the future, to exercising leadership in nurturing our human resources, and to leading the Group in reforming business operations and developing new markets. Additionally, in his capacity as Chairman of the Japan Federation of Housing Organizations, he is committed to contributing to the growth and expansion of the Japanese housing industry as a whole.

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*

Age 62

President and COO

As President and Chief Operating Officer of Daiwa House Industry, Mr. Murakami is in charge of the overall management of the Company and the Daiwa House Group. His policy is to maintain a good balance between the aggressive and defensive approaches, and to base management of the Group on maintaining customers' trust by putting himself in their place. He is committed to a management vision that is closely informed by both social and economic trends, and to taking the lead in realizing that vision.

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

Tetsuji Ogawa*

Age 68

Executive Vice President and CFO

Head of Management Administration

Mr. Ogawa is Vice President and Head of Management Administration Headquarters. In his capacity as the Chief Financial Officer of the Daiwa House Group, he is committed to building a strong financial basis for Group operations through a program of financial reengineering. Mr. Ogawa is also responsible for overseeing the Group's overall financial strategy to enable future development and business expansion.

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

Naotake Ohno*

Age 61

Executive Vice President

Head of Marketing Division

As Executive Vice President and Head of the Marketing Division of Daiwa House Industry, Mr. Ohno is in charge of a wide range of business operations from housing to the construction of commercial facilities, and is also responsible for expanding the Company's operations into fields such as real estate business development and investment in growth markets. He also works to create new value by nurturing new businesses such as environment-related operations, while ensuring coordination with existing businesses.

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

Tamio Ishibashi*

Age 54

Executive Vice President

Head of Information Systems
Head of CSR Office
Joint Head of Marketing Support Department
Head of TKC Promotion Department

As a Representative Director of Daiwa House Industry, Mr. Ishibashi is the Head of Information Systems and oversees the CSR Office and Marketing Support Department. As the CIO of the Daiwa House Group, he is responsible for creating an IT platform to support the Group's management, for further enhancing the Group's IT governance and ensuring effective utilization of strategic data, and for drawing up an overall Group IT strategy to realize future growth and development.

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

Tatsushi Nishimura*

Age 60

Director and Senior Managing Executive Officer

Head of Technology
Deputy Head of Information Systems
Head of urban and residential area development businesses

As a Director and Senior Managing Executive Officer of Daiwa House Industry, Mr. Nishimura serves as Head of Technology, and as Head of the urban and residential area development businesses. In addition, in his role as the Deputy Head of Information Systems, he helps draw up IT strategies to enable efficient management. Mr. Nishimura also gives guidance and support in reinforcing the Group's technological base, and is responsible for creating an overall technological strategy to facilitate future business expansion.

Born in 1949
1972: Joins Daiwa House Industry
2003: Director
2008: Director and Senior Managing Executive Officer

Takuya Ishibashi

Age 56

Director and
Senior Managing Executive Officer

Head of Production and Procurement

As Head of Production and Procurement for Daiwa House Industry, Mr. Ishibashi works to restructure the Company's factory production system with a view to future needs, and also implements measures to improve efficiency. Through his direction of production operations, he works to strengthen the Company's earnings structure through cost reductions, and to open up new avenues for overseas procurement.

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

Hiroshi Azuma

Age 63

Director and
Senior Managing Executive Officer

Head of Overseas Business

Mr. Azuma is responsible for overseeing the Company's Overseas Business operations and its overseas subsidiaries. He is committed to taking the view of employees on the front line carefully into account, and vigorously pursues various business initiatives, particularly the discovery of new real estate development opportunities in China. Mr. Azuma is also drawing up medium-term business development strategies in overseas markets other than China.

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

Takashi Uzui

Age 62

Director and
Senior Managing Executive Officer

Head of General Housing Operations
Head of Osaka Honten Branch

Mr. Uzui is responsible for all the Company's single-family house operations. While developing the high-tech xevo brand, Mr. Uzui has also presided over the start-up of the AQ ASSET owner support service, which maintains the asset value of houses and guarantees owners the lifestyle they seek. These are some of the ways in which the Company improves its products and services by rigorously adopting the customer's viewpoint.

Born in 1947
1970: Joins Daiwa House Industry
2001: Director
2010: Director and Senior Managing Executive Officer

Takashi Hama

Age 56

Director and Managing Executive Officer

Head of Central Research Laboratory, Technology
Head of Environment and Energy Business

In addition to being a Director and Managing Executive Officer of Daiwa House Industry, Mr. Hama also serves as Head of the Central Research Laboratory, Technology. In this capacity, he works to develop new technologies and business fields. As Head of the Environment and Energy Business, he is in charge of businesses that will be indispensable to the Group in the future. Mr. Hama constantly works to use new technology for the creation of new business opportunities.

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

Katsutomo Kawai

Age 61

Director and Managing Executive Officer

Head of Strategic Division,
Management Administration
Deputy Head of CSR Office

Mr. Kawai serves as Head of the Strategic Division within Daiwa House Industry, overseeing the Personnel, Corporate Planning and Advertising departments, as well as the CSR Promotion Office, the Public Relations Planning Office, and the Secretariat Office. Mr. Kawai oversees the drawing up of the Group's vision and management plans. He has prime responsibility for realizing our strategies in the fields of human resources, brands, and CSR.

Born in 1948
1972: Joins Daiwa House Industry
2006: Director
2010: Director and Managing Executive Officer

Shigeru Numata

Age 60

Director and Managing Executive Officer

Head of Housing Operations (East Japan)
Head of Tokyo Branch

As Head of the Tokyo Branch, Mr. Numata creates marketing strategies in line with our overall strategy for the market in the Tokyo region. He is also in charge of our Residential Business (East Japan). Mr. Numata works to offer our customers high-value, worry-free housing assets, and to realize homes and communities designed according to our customers' preferences.

Born in 1950
1974: Joins Daiwa House Industry
2007: Director and Senior Executive Officer
2010: Director and Managing Executive Officer

Kazuto Tsuchida
Age 58

Director and Managing Executive Officer

Deputy Head of Technology Headquarters
Head of Safety

As a Director and Managing Executive Officer of Daiwa House Industry, Mr. Tsuchida is Deputy Head of the Technology Department and Head of Safety Administration Department. He nurtures a staff of technical experts who realize the Technology Department policy (Quality is our undertaking to our customers; safety is our undertaking to society). Mr. Tsuchida is also responsible for drawing up technology strategies employed in overseas operations, such as condominium development in China.

Born in 1952
1976: Joins Daiwa House Industry
2009: Director and Senior Executive Officer
2010: Director and Managing Executive Officer

Yoshiharu Noto
Age 61

Director and Senior Executive Officer

General Manager, General Affairs Department, Tokyo Branch
Deputy Head of Safety

As an assistant to the top management of Daiwa House Industry, Mr. Noto is responsible for external activities. To play a role in the effort by the entire housing industry to improve Japan's housing environment, Mr. Noto works to promote tax system and other reforms, and to enhance the Company's enterprise value.

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

Isamu Ogata
Age 61

Director and Senior Executive Officer

Head of Nagoya Branch
Head of Retail and Wholesale Facilities Division

Mr. Ogata is responsible for the Retail and Wholesale Facilities Division, which aims to generate revenue and earnings by facilitating effective land use, mainly via the LOC (Land Owner and Company) System, and by supporting client corporations' store-opening efforts. The Division also manages commercial facilities and works to expand the Group's business activities relating to our existing homes business.

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

Fukujiro Hori

Age 59

Director and Senior Executive Officer

General Manager, Rental Apartment Building Operations, Marketing Division (East Japan)
Head of Rental Apartment Building Operations

Mr. Hori is Head of the Company's Rental Apartment Building operations in East Japan. His responsibility covers making effective land-use proposals to landowners (individuals), engaging in proposal competitions and PFIs, developing programs for realizing liquidity in the real estate market, and supervising the construction of high-quality rental housing for Group companies.

Born in 1950
1969: Joins Daiwa House Industry
2010: Director and Senior Executive Officer

Makoto Yamamoto

Age 56

Director and Senior Executive Officer

General Manager, Advertising Department, Management Administration
Joint Head of Marketing Support Department

Mr. Yamamoto is responsible for devising and implementing brand communication strategies. The prime mission of the Advertising Department is to employ advertising as well as sports and cultural events to make the Daiwa House Group even more widely known and trusted. These communications activities lay the groundwork for the Group's future growth and prosperity.

Born in 1954
1976: Joins Daiwa House Industry
2010: Director and Senior Executive Officer

Takeshi Kousokabe

Age 53

Director and Senior Executive Officer

General Manager, Accounting Department, Management Administration

Mr. Kousokabe, who holds the post of Director and Senior Executive Officer, is Head of the Accounting Department, Management Administration at Daiwa House Industry. He is responsible for the overall internal control of the Daiwa House Group, in addition to constantly ensuring that the Group's management support system functions properly. He works to realize efficient management utilizing the Group's assets, including real estate, and to manage its funds effectively.

Born in 1957
1980: Joins Daiwa House Industry
2010: Director and Senior Executive Officer

Corporate Auditors

As of July 1, 2010

Kiyoshi Arase

Corporate Auditor

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

Ryozo Terada

Corporate Auditor

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

Kenji Hirata

Corporate Auditor

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

Kazuhiro Iida

Corporate Auditor (external)

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

Kiichiro Iwasaki

Corporate Auditor (external)

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: External Corporate Auditor (currently serving)
External Director of the Sankei Building Co., Ltd. (currently serving)
Special Counselor of Executive Partners Inc. (currently serving)
2006: External Corporate Auditor of Matsumoto Yushi-Seiyaku Co., Ltd. (currently serving)

Yukinori Kuwano

Corporate Auditor (external)

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: External 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: External Director of Optex Co., Ltd. (currently serving)
Senior Counselor of Sanyo Electric Co., Ltd.
2008: External Corporate Auditor (currently serving)

Message from the Corporate Auditor

Kiyoshi Arase

Kiyoshi Arase, *Corporate Auditor*

Enhancing the effectiveness of internal controls

At the Daiwa House Group, we are currently pursuing the target of achieving annual sales of ¥10 trillion by our 100th anniversary. To this end, we are working both to expand our existing business operations and enter new business fields. To enable us to attain this target, each Group company must be fully aware of its positioning within the Group and be able to maximize the synergy between its business operations and those of other Group members. Moreover, to realize the kind of business growth and success we are seeking, it is of paramount importance to ensure sound management and maintain public trust.

When we receive a report on a problem, complaint, or other negative input, it is our role as corporate auditors not merely to ascertain the facts, but also to inquire into the underlying reasons and thoroughly investigate the matter, on the basis of the Company's auditing policy. Having discovered the cause, we make recommendations to the department concerned to prevent a recurrence. By these means, issues requiring improvement are clarified, and as a result, negative input is transformed into positive output by enabling us to implement business solutions. I believe that the repetition of this process leads to enhanced enterprise value. If we notice any major changes in business figures, it is our duty as corporate auditors to make sure that there are no issues that could pose risks to the Company, and that there are no aspects of current operations that could have a detrimental impact on the Company in the future. We also maintain communication and exchange information on a daily basis with corporate auditors at other Group companies. We likewise hold regular workshops for the corporate auditors at individual subsidiaries to establish a common awareness regarding high-priority auditing themes, as well as issues likely to be faced in the future.

The International Financial Reporting Standards (IFRS) are expected to be adopted in Japan in the near future, and as part of the convergence between Japanese GAAP and the IFRS, the application of the percentage-of-completion method of accounting was made mandatory for construction contracts, with effect from fiscal 2009. We have held regular meeting with the Company's accounting auditors regarding this change in accounting standards, and the two sides have remained in close contact on this matter, including the exchange of reports on points requiring consideration from the practical aspect. The adoption of the IFRS is expected to have an impact on the Company's internal control system, but it will undoubtedly help overseas investors to understand the Company's business results, thereby facilitating fair decisions.

The Daiwa House Group Code of Ethics sets out three fundamental principles — respect for human rights, compliance with laws and regulations, and environmental protection. With respect to legal compliance, we specify that all Group members must acknowledge that complying with all laws and regulations such as those related to each business field is the minimum requirement of corporate ethics. Going forward, the corporate auditors — through their auditing duties — will continue to enhance the effectiveness of the corporate governance and internal control systems.

Corporate Governance

Basic policies

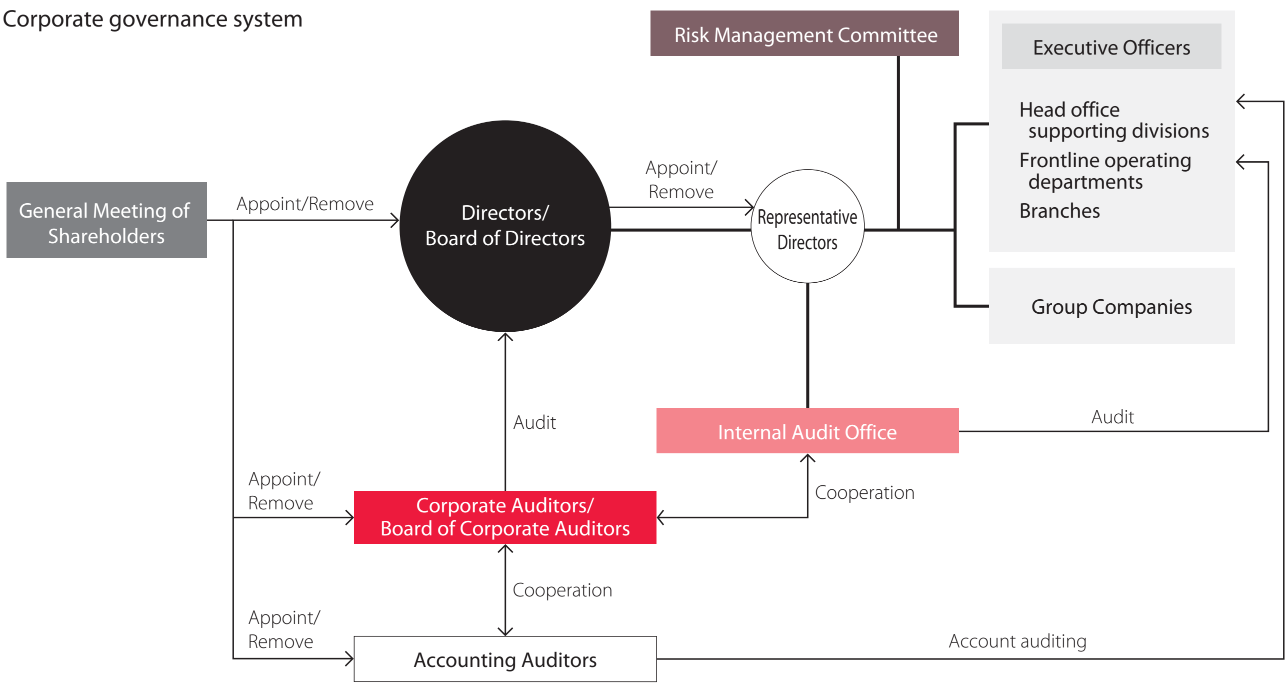
The management of the Daiwa House Group put a high priority on corporate governance as a management issue that is vital to the Group's aims of effecting a continuous increase in its enterprise value and of maintaining the trust of its shareholders and other stakeholders. The Group's overriding objective 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 monitoring the conduct of management. We are also working to reinforce corporate governance and realize legal compliance 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

The Company has determined that the strengthening of its auditing system, in which auditing is performed by Corporate auditors and external auditors, is an effective means of ensuring monitoring of the Company's management. For this reason, we adopted a corporate auditor system that is based on the Japanese Companies Act. Within that framework, 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 Corporate 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 addition, to clarify the roles, functions, and duties of the Company's directors and executive officers, we have adopted an executive officer system, and 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 external directors. Regarding the role normally played by external directors (monitoring of management from an external perspective), we are strengthening the functions of the corporate auditors, including external auditors, to ensure the required objectivity and neutrality in the process of management monitoring. From here onward, too, we will make optimal use of the present corporate auditor system, which has been perfected over many years, and of the experience that the Company's corporate auditors have acquired, to reinforce corporate governance and ensure conformity with the provisions of the Japanese Companies Act.

Corporate governance system



Compensation for directors and corporate auditors and remuneration for auditing services

Compensation for directors and corporate auditors of the Company is divided into two categories — basic compensation and lump-sum payments (bonuses). Directors and corporate auditors are paid up to a maximum limit agreed by the General Meeting of Shareholders. Our policy for the determination of basic compensation and lump-sum payments for directors and corporate auditors, as well as compensation paid for fiscal 2009, is described 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.

Basic Compensation

A fixed salary shall be paid to directors and corporate auditors, which shall be decided on the basis of the particular role and scope of responsibilities of each director or corporate auditor, taking into account the Company's business and financial condition and the salary levels of the Company's employees.

Lump-sum Payments (Bonuses)

The Company shall decide on whether or not to pay a bonus to a particular director or corporate auditor, and shall determine the amount of bonus, if any, to be paid, after considering all relevant matters, employing certain high-priority items (such as quantitative elements including sales and earnings, and qualitative elements including the strengthening of the Company's business base) as guidelines.

Payments made to directors and corporate auditors

Post Held	Basic Compensation		Bonus		Total Compensation
	Number of persons	Amount paid	Number of persons	Amount paid	
Directors	19	¥556 million	18	¥134 million	¥690 million
Corporate Auditors (excl. external auditors)	5	¥70 million	3	¥15 million	¥85 million
External directors and corporate auditors (external auditors)	3	¥28 million	3	¥6 million	¥35 million

Notes: 1. The above figures for the number of persons receiving basic compensation and the amounts paid include one director and two corporate auditors who retired as of the conclusion of the Company's 70th Ordinary General Meeting of Shareholders, held on June 26, 2009. As of the end of March 2010, the Company had 18 directors and six corporate auditors.

2. Maximum compensation amounts (not including bonuses paid to directors and corporate auditors, and salaries paid to directors simultaneously serving as employees for their services as employees)
Directors: Total monthly amount = ¥70 million
Corporate Auditors: Total monthly amount = ¥12 million

3. Salaries paid to directors simultaneously serving as employees for their services as employees
Salaries paid to factory and office managers, etc. and heads of departments at the Company's head office: ¥144 million (seven persons)

Accounting auditors

Our appointed accounting auditor is the limited liability 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 18 assistants (six certified public accountants and 12 assistant accountants and others). Details of executive staff are as follows.

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

Breakdown of compensation for auditing services

Compensation for services in the preparation of the audit report:
¥182 million (¥212 million for fiscal 2008)

Compensation for non-auditing services:
¥10 million (¥2 million for fiscal 2008)

Disclosure

The Daiwa House Group is committed to disclosing information quickly, appropriately and fairly to all stakeholders, in Japan and overseas, and to promoting improved management transparency. We actively engage in the voluntary disclosure of information, beyond statutory disclosure requirements, and make every effort to improve the information that we disclose to give people a better understanding of the Group's business activities and ensure that the Company is appropriately evaluated (see page150).

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 in Japan and overseas to give them sufficient time to consider matters before exercising their voting rights. We post notices to convene meetings in English (abridged) on our website the day they are issued, and we employ video technology.

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.

Organizations and committees: their roles and members

(As of June 30, 2010)

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 17 times during fiscal 2009, with an average rate of attendance at board meetings of 96.59% amongst directors and 86.54% amongst corporate auditors.	Directors: 18 Corporate auditors (internal): 3 Corporate auditors (external): 3

Corporate Auditors/Board of Corporate Auditors	Members
In line with the Company's auditing policies and allocation of auditing tasks, corporate auditors attend meetings of the Board of Directors and other important management meetings as deemed necessary, receive reports from directors, and 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. The Board of Auditors met 14 times during fiscal 2009, with an average rate of attendance of 100%. **1. Relationship between the Company and External Auditors** Our external auditors have no special interests in the Company. External corporate auditors attend meetings of the Board of Directors and question and advise the management as necessary regarding agenda items and deliberations from an independent and objective perspective. They also ask pertinent questions at meetings of the Board of Corporate Auditors in response to audits conducted by other corporate auditors, and where deemed necessary express opinions from an external perspective. Our external auditors do, however, hold shares in the Company (Kazuhiro Iida: 15,000 shares, Kiichiro Iwasaki: 9,000 shares, Yukinori Kuwano: 4,000 shares; figures as of June 29, 2010). As External Corporate Auditor Yukinori Kuwano holds the most neutral position in relation to the management of the Company of all the external auditors, and as the management judges that he is capable of effective management monitoring and can offer appropriate advice, we have designated Mr. Kuwano as an "independent director" as provided for in the securities listing regulations issued by the Tokyo Stock Exchange and Osaka Securities Exchange. **2. 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.	Corporate auditors (internal): 3 Corporate auditors (external): 3

3. 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.

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: 23 Corporate auditors (internal): 3 Corporate auditors (external): 3

Risk Management Committee	Members
With the head of Management Administration as chair, and as committee members the heads of other principal divisions of the Head Office, this Committee meets once a month to discuss creation, maintenance, and management of a risk management system covering all the Company's business operations. In April and October, all Risk Management Committee members attend meetings, and at other times, Standing Committee members and other Risk Management Committee members attend. The Risk Management Committee met 12 times in fiscal 2009.	Risk Management Committee members: 54 (Standing Committee members: 28)

Internal Audit Office	Members
The Company has set up an Internal Audit Office under the direct control of the President, 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: 13

Corporate Auditors' Office	Members
We have set up a Corporate Auditors' Office with specialist staff to support the corporate auditors in their work. Such staff are responsible for gathering and organizing company information as needed and giving support in tasks such as explaining draft resolutions for meetings of the Board of Auditors and Board of Directors.	Regular employees: 4

Internal Control

We have systems in place to ensure that directors perform their duties in accordance with the law, as stipulated under the Japanese Companies Act and the Financial Instruments and Exchange Act (J-SOX Act), as well as 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), the employee 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.

Internal Controls in Relation to Financial Reporting

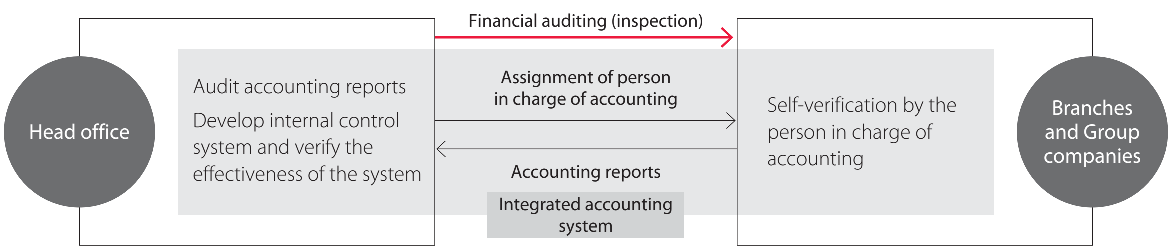
To conform to the standards relating to the evaluation and auditing of internal control over financial reporting as laid down in the Financial Instruments and Exchange Law (J-SOX), we have set up and are operating an internal control system, centered on the J-SOX Department, employing generally-accepted evaluation standards.

Regarding the evaluation of internal controls, after analyzing a particular business process, key points in the control system are identified that could exert a significant effect on the reliability of financial reporting, and the functioning of these key points is evaluated. The scope of evaluation covers important items that may affect the reliability of financial reporting at the parent company, consolidated subsidiaries, and affiliates accounted for by the equity method. Regarding the scope of evaluation of business processes, evaluation is conducted on business processes relating to such account titles as Sales, Accounts receivable from completed construction contracts, and Inventory assets, all of which are closely tied to the achievement of the Group's business objectives, at important business premises. As an indicator, this method covers two-thirds of consolidated sales.

In fiscal 2009 the two Group companies Daiwa Living and Daiwa Lease were included within the scope of evaluation. As a result, the scope now covers the three Group companies (including the parent company) that head the list in terms of sales. In view of the adoption of the percentage-of-completion method of accounting for construction contracts, we conducted even more effective evaluation.

We will continue to monitor our internal controls with regard to material risks, and will amend the Company's accounting standards as and when necessary and take all other appropriate improvement measures to realize smooth and effective implementation of internal control.

Accounting system (summary)



Compliance

Reinforcing compliance

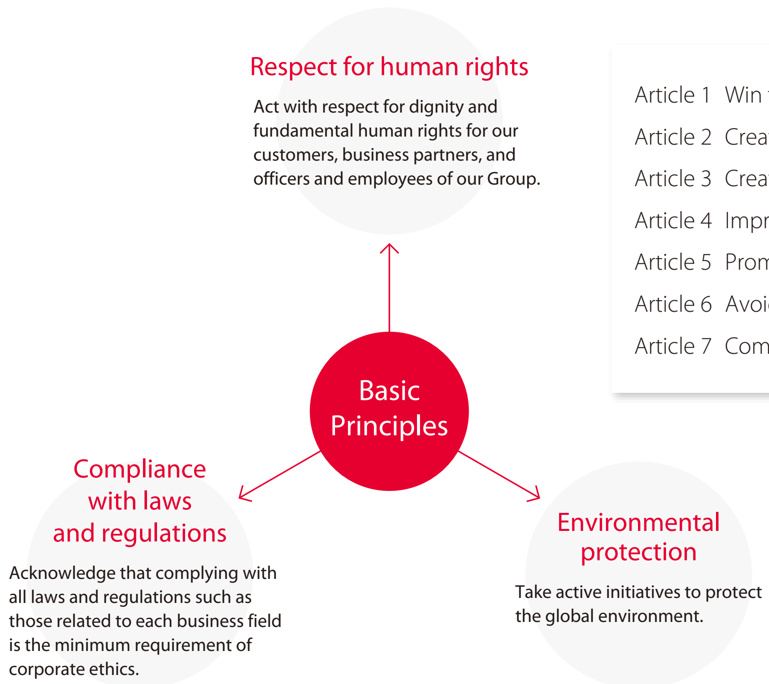
We formulated the Daiwa House Group Code of Ethics and a more detailed set of supplementary Behavioral Guidelines with the aim of clearly specifying principles of conduct in order to put our corporate philosophy and policy into practice. In April 2010, we published the 4th edition of our Daiwa House Group Casebook 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.

To promote a mindset among the Group that will prevent the occurrence of scandals, since 2006 we have been conducting educational courses for our employees in corporate social responsibility and corporate ethics. At present, we are holding training sessions on the theme of creating a pleasant working environment. In fiscal 2009, a total of 65 training sessions were held by Group companies, with the attendance of 2,795 employees. In a survey, 80.3% of employees who had completed such courses reported that their understanding of these subjects had improved substantially, and we plan to continue these training courses with the aim of maintaining a comprehension rating of 80% or more.

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 120 inquiries and reports over the course of fiscal 2009, 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 2009, we achieved a resolution rate of 93.3%. We intend to work on identifying priority issues more quickly in the future by improving the standard of training of Hotline personnel and encouraging cooperation from related departments. In July 2009 we also set up the Partners Hotline for reporting of issues by partner companies, including those belonging to the Confederation of Partner Companies (approx. 4,800 member companies), in an effort to ensure fair and equal relationships with partner companies. In fiscal 2009, we received 11 reports via the Hotline.

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

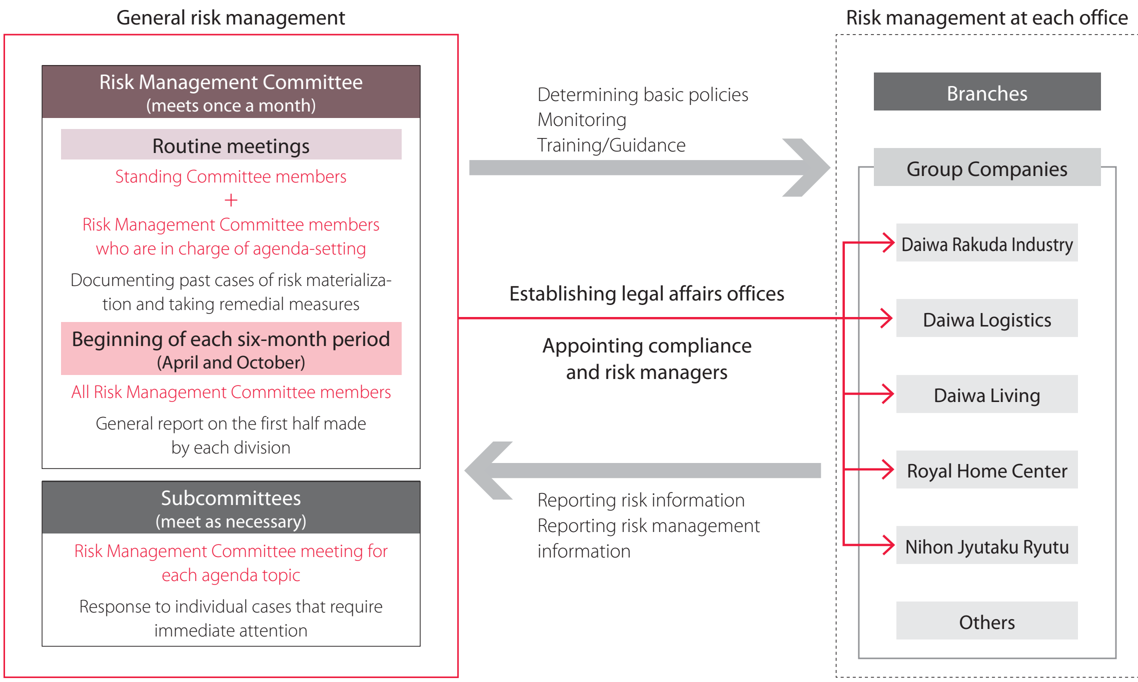
Risk Management

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.

At the Risk Management Committee, which is held once a month, all participants have been made Risk Management Committee members. However, since fiscal 2008, members were limited to Standing Committee members who comprise core members participating in 10 out of 12 meetings a year, as well as Risk Management Committee members in charge of agenda-setting. Risk management is being reinforced to meet whatever needs may arise 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,

An overview of the system linking risk management departments (As of August 1, 2010)



corporate auditors, and representatives from departments such as the Environment Department, and other managing departments, such as the Legal Affairs Department. In fiscal 2009 the Real Estate Investment Committee met 12 times to discuss 18 separate matters.

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. In fiscal 2009 we introduced a standardized format for such reports to improve the convenience of the reporting process and facilitate the collection of sufficient information.

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. Additionally, details of the incidents being investigated by the Risk Management Committee or the Standing Committee are published on the Group's intranet to help realize a unified understanding of risk avoidance and mitigation.

Mechanisms for entrenching risk management practices

We organize training programs and other initiatives to ensure that all members of the Group, from new hires to executives, are aware of the importance and necessity of risk management. Separate courses are conducted for each employee rank. In fiscal 2009, 89 such study sessions were held, with the attendance of 4,519 employees. We have made it mandatory for the parent company's offices and factories and the Group companies, to issue reports on a monthly basis, on such risk management activities as meetings of the Risk Management Committee and employee training sessions. The average ratio of submission of these reports in fiscal 2009 was over 90%.

Legal affairs departments have been established within the five principal Group companies. In addition, risk managers are appointed by the parent company's head office to promote risk management activities and submit prompt and accurate reports upon the materialization of a risk. With effect from fiscal 2009, the Group companies will be required to include risk management as one of the items evaluated in their business performance reports. In these and other ways, we are working to raise the level of risk management at all Group companies.

Risk information trends

In fiscal 2009, there were a total of 405 risk incidents at the Company's business bases and Group companies (224 cases at the Company and 181 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* (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. From fiscal 2008 a Group BCM Committee has been established to supervise business continuity management at 14 of the Group's principal member companies. This Committee meets twice a year to monitor the progress being made in the drafting of business continuity plans and provide support for this work. In fiscal 2009 two more Group companies introduced a system for confirming the safety of employees in the event of a disaster, bringing the total number of companies with such systems to nine of the 14 Group companies.

* 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 2009

a) Drafting of Disaster Response Manual for use in the event of a natural disaster: Distributed to head office, regional offices, branches, and factories

b) Drills conducted in use of employee safety confirmation report system: drills conducted in response to scenario of emergency earthquake warning system: Installation of emergency earthquake warning devices at head office, regional offices, branches, and factories

c) Response to new-strain influenza pandemic: Stockpiling and distribution of masks: countermeasures by branches in event of infection

d) Support for drafting of business continuity plans by Group companies, and training courses (for Group companies)

Fiscal 2010 and beyond

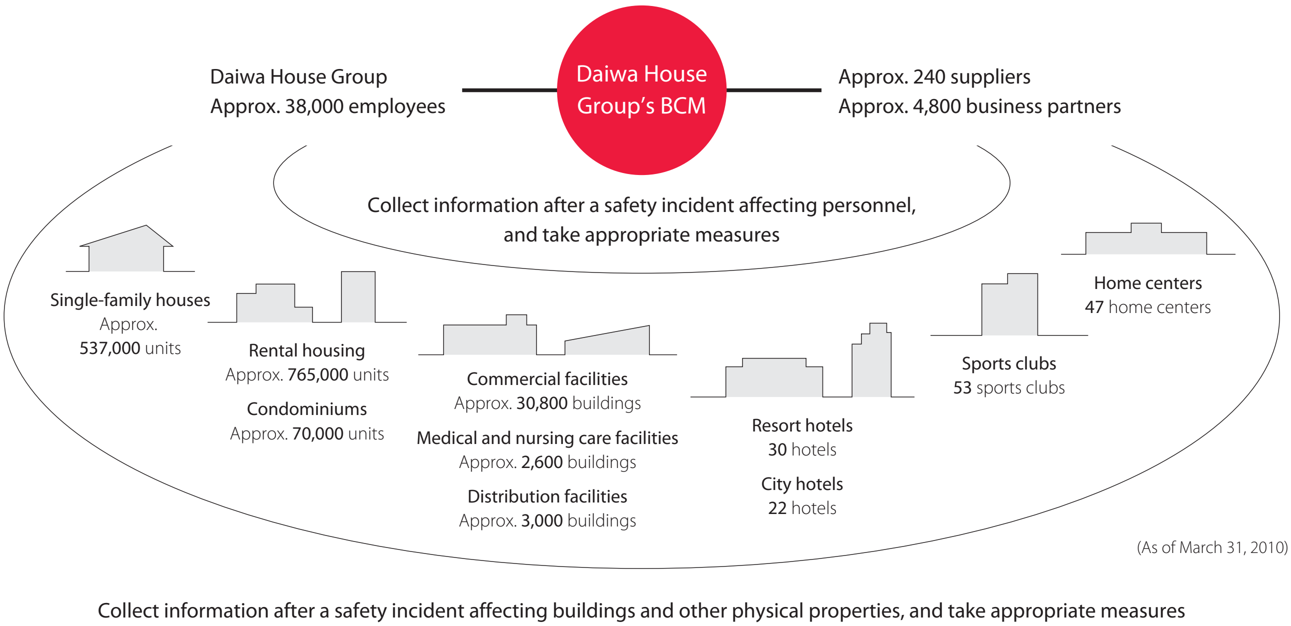
a) Promote preparations for disaster countermeasures: Ensure adequate disaster-response equipment; stockpile emergency provisions to enable employees to return home

b) Implement disaster-response drills: Practice setting up disaster-response headquarters, conduct drills on employees' return home

c) In-house education: Provide education in basic disaster-response knowledge

Outline of Daiwa House Group's BCM

(14 Group companies are included)



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 the 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 not only engaged in construction and real estate-related businesses in Japan, 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

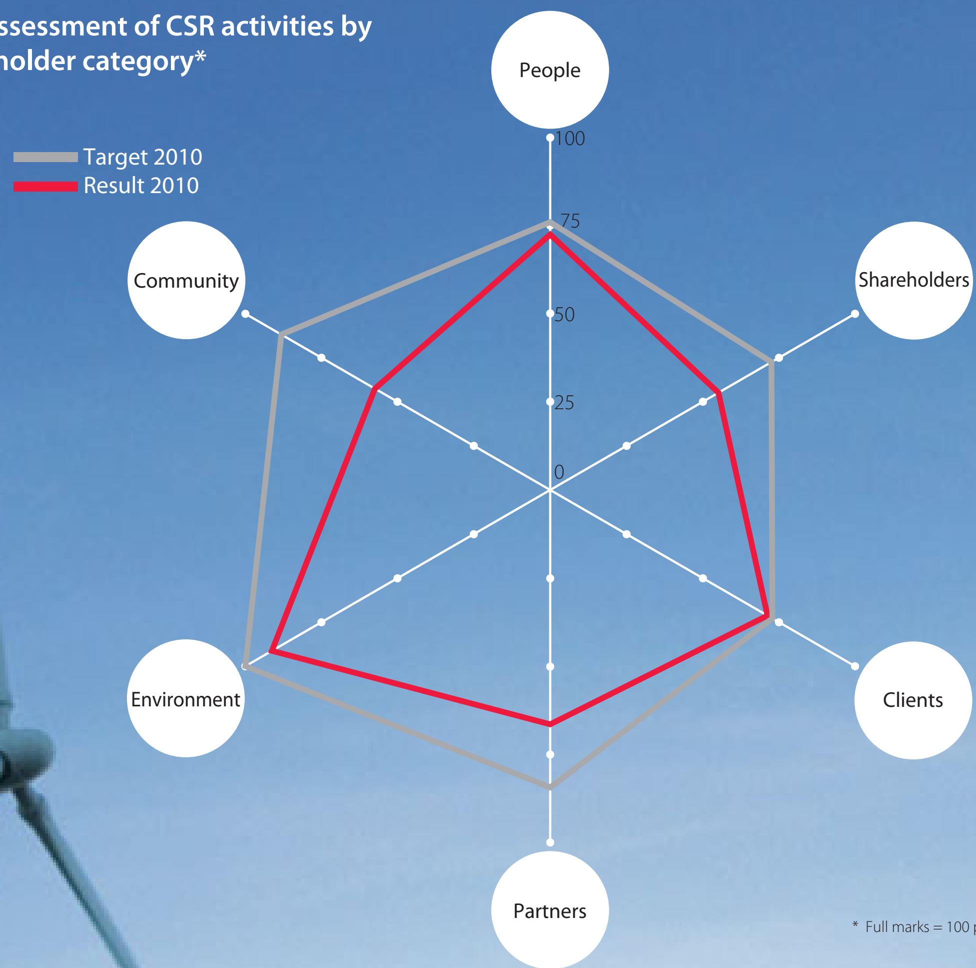
The Group places a high priority on both safety and consideration for the natural environment in the course of conduct of business operations in its manufacturing plants, as well as at construction sites, and therefore takes appropriate measures to realize workplace safety and environmental protection. 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.

CSR Overview

Indicators for self-assessment of CSR activities

To enable us to quantitatively assess the success of our efforts to satisfy our stakeholders, we have created an index that allows us to evaluate our own performance. This index shows whether or not our business operations are being carried out in a balanced manner, and lets us evaluate our success in addressing social issues. We are not fixated on earning full marks. Instead, we aim to use the evaluation results to accurately comprehend the present situation, identify issues requiring attention, and take remedial action.

Self-assessment of CSR activities by stakeholder category*



* Full marks = 100 points

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

To allow us to respond to the demands of a society that is changing constantly due to diverse factors, we proactively create varied opportunities to discuss issues with our stakeholders, such as meetings with stakeholders inside and outside the Group. We identify priority issues from the proceedings of these meetings, and revise the elements in the evaluation index as appropriate.

1. To choose well-known indicators.
2. To make results available on a yearly basis.
3. To make efforts to improve indicators.
4. To incorporate economic performance in addition to social or environmental performance.

Stakeholder Meetings

Summary of 6th Stakeholder Meeting

Date held: October 27, 2009
Facilitator: Yoshinari Koyama
(Associate Professor, Kanto Gakuin University of Economics)
Participating stakeholders: 24
(10 company representatives, 1 business partner, 3 NPOs/NGOs, 6 students, 1 government body, 1 research/educational institution, 2 employees of Daiwa House)

Theme
1. Designing and supplying high-quality, long-term housing
2. Realizing sustainable urban infrastructures
3. Realizing employee work-life balance
4. Co-creating a brighter future with society

We hold stakeholder meetings every year. This is just one of the measures we take to fulfill the Daiwa House Group's mission as a corporate citizen, to foster a sense of community, while striving constantly to enrich people's lives. At these meetings, we report to our stakeholders on the Group's day-to-day business operations as well as our CSR activities, so that we can advantageously incorporate our stakeholders' frank opinions in our future activities. At the 6th Stakeholder Meeting we presented reports on four themes and received a considerable number of opinions and questions from the 24 participants. Below, we present a selection of those questions, together with our answers.

Theme No.1

Q Will not the Group's measures to develop and market long-term housing lead to a decreased number of opportunities for new single-family house construction?

A Taking into account the current demographic situation in Japan, the number of new housing construction starts will inevitably decline from here onward. Against this backdrop, the Daiwa House Group has chosen to focus on the existing housing (stock) market*1, through such businesses as home renovation and real estate intermediation, while simultaneously working to popularize high-quality, long-term housing designed with the needs of the environment in mind.

*1 For further details, please see page 86.

Theme No.2

Q Would it not be a good idea for Daiwa House to make proposals to the owners of commercial facilities for cost-reduction strategies, including life-cycle costs?

A We are currently working to popularize the concept of the reuse and recycling of building resources through our Restore & Rebuild System*2 environmentally friendly store dismantling and re-erection service. In the future, we intend to propose long-term building maintenance and repair plans that will clarify for our customers the need for repairs corresponding to each stage of the building's life cycle, and the attendant costs.

*2 For further details, please see page 89.

Theme No.3

Q Have you given consideration to introducing programs to improve the ability of your younger employees to handle stress?

A We have positioned measures to train younger employees in handling stress as one of our priorities in the field of staff education. In addition to reinforcing our efforts in the area of educational programs*3, we are also examining plans to create an organizational structure to improve human relationships through on-the-job training.

*3 For further details, please see page 148.

Theme No.4

Q Would it not be a good idea to make preparations for a major earthquake or other such emergency?

A As part of our risk management strategy at the Daiwa House Group, we are drawing up a BCM (Business Continuity Management) plan*4 in preparation for the occurrence of a major natural disaster. We are also working to ensure that we are fully prepared to undertake recovery work in areas badly hit by a disaster, and to provide recovery support through activities and monetary donations.

*4 For further details, please see page 142.

Results and targets by stakeholder

People

		2010			2011
Social issues	Specific indicators	Target	Result	Rating	Target
Promotion of diversity	Percentage of physically disabled people hired*	1.80%	**1.85%**	●	1.85%
Human resource training	Percentage of attendance at employee human rights training	100%	**89%**	◐	100.0%
	Number of employees holding certifications: a) first-class architects, b) first-class building operation and management engineer and c) registered real-estate transaction manager	a) 1,900 b) 2,300 c) 4,700	**a) 1,871 b) 2,305 c) 4,791**	◐	a) 1,930 b) 2,370 c) 5,000
Promotion of work-life balance	Percentage of paid vacation days taken	38.0%	**34.5%**	◐	38.0%
Improved benefits (Support for employees' home acquisition)	Percentage of employees over age 30 who own homes	56.0%	**56.3%**	●	56.0%
Objective evaluations of business activities	Surveys on employees' satisfaction with the workplace	80.0%	**78.7%**	◐	80.0%

* We have set the legally mandated rate of 1.80% as the minimum standard for physically disabled employees in our workforce.

Shareholders

		2010			2011
Social issues	Specific indicators	Target	Result	Rating	Target
Financial profitability	Profitability (Assign points to operating income margin calculations)	score: 70	**score: 60**	◐	score: 70
Financial growth	Growth (Assign points to net sales and growth rate of operating cash flow)	score: 55	**score: 65**	●	score: 70
Financial soundness	Stability or safety (Assign points to interest burden capacity)	score: 65	**score: 80**	●	score: 80
Financial soundness/efficiency	ROE* (Return on equity)	9.0%	**3.1%**	○	9.0%
Objective evaluations of business activities	Assign points to the scores of surveys conducted by external organizations	score: 73	**score: 64.6**	◐	score: 67

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

Clients

		2010			2011
Social issues	Specific indicators	Target	Result	Rating	Target
Marketing the optimal number of housing units	Number of units sold*1 (Residential/Rental Housing/ Condominiums) (YoY % change)	-8.4%	**-9.1%**	◐	-0.9%
Improved home quality	Owner (tenant) satisfaction (Based on questionnaire analysis)	100%	**96.6%**	◐	100%
	Percentage of referral sales from owners (tenants) (Residential/Rental Housing) (YoY % change)	4.2%	**2.1%**	○	2.0%
Safe/Worry-free homes	Earthquake resistance (Residential)*2 (Ratio of highest class certification)	95.0%	**90.8%**	◐	95.0%
Long-term home occupancy	Renovation business orders (YoY % change)	57.9%	**41.8%**	○	36.1%

*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.

Rating*
In the column "Rating," ● indicates that target in the preceding Target column was reached or surpassed; a ◐ indicates that we achieved between 80% – 99% of the target, and a ○ indicates that we fell short of our target by 20% or more.

* When multiple targets were set, ratings reflect minimal achievement levels.

Partners

Social issues	Specific indicators	2010			2011
		Target	Result	Rating	Target
Supply chain (Improved occupational health and safety)	Number of work-related accidents (construction sites) (YoY % change)	-20%	-10.6%	○	-30%
	Number of work-related accidents (factories) (YoY % change)	-20%	-30.8%	●	-30%
Supply chain (Environmental initiatives)	Percentage of environmental management system adoption in factories	100%	100%	●	100%
Fair business practices	Percentage of cases resulting in settlement (resolution rate) after partner made complaints under the Act against Delay in Payment of Subcontract Proceeds, etc. to Subcontractors	80% or more	100%	●	80% or more
Business continuity in times of emergency	BCM (business continuity management) initiatives (Use of a system for confirming the survival)	100%	65%	○	80%
Objective evaluation of business activities	Partner surveys regarding company employee actions (Assign points to survey results)*	a) 50% b) 70%	a) 47.2% b) 69.5%	◐	a) 50% b) 70%

* a) Response rates, b) Answers of "no problem" as a percentage of total partner surveys.

Environment

Social issues	Specific indicators	2010			2011
		Target	Result	Rating	Target
Prevention of global warming	Contribution to CO_2 emissions reduction	100%	93.4%	◐	100%
Reduction in waste output	Construction materials waste output	100%	244.9%	●	100%
Reduction in harmful substance use	Volume of PRTR harmful chemical substances used	100%	207.1%	●	100%
Harmony with natural environment	Ratio of certification for environmentally-friendly houses (subdivisions)	100%	63.8%	○	100%
Widening the scope of environmental protection	Green purchasing ratio (major six items)	100%	93.3%	◐	100%

Community

Social issues	Specific indicators	2010			2011
		Target	Result	Rating	Target
Contribute to the local/ international community	Community service activities, cooperation with NPOs/ NGOs, community service expenses*1	a) head: 40 cases, other: 80.0% b) head: 15 cases, other: 5.0% c) 1.0%	a) head: 28 cases, other: 90.5% b) head: 9 cases, other: 11.6% c) 1.7%	◐	a) head: 30 cases, other: 92.0% b) head: 10 cases, other: 15.0% c) 1.0%
	Percentage of paid leave taken for volunteer activities	17%	16.3%	◐	20%
	Donation, collection activities (employee participation rate)	50%	36.9%	○	50%
Information security (Protect personal information)	Year-on-year percentage change in number of incidents of possible leakage of customer information (theft/lost)	75% or less	96% or less	○	75% or less
Response to risk	Response to company ethics helpline reports (resolution rate)	80% or more	99.0%	●	80% or more
More information disclosure/ opportunities for interchange	Stakeholder meetings (satisfaction as measured through survey evaluations)*2	a) 70% b) 85%	a) 83% b) 58%	○	a) 85% b) 65%

*1 a) Community service activities: Number of head office activities; Percentage of other offices that are implementing activities, b) Cooperation with NPO/NGO: Number of head office activities; Percentage of other offices that are implementing activities, 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.

People

To nurture human resources capable of opening up a new future, we are working to foster a corporate culture in which our employees will help cultivate one another's abilities, and to create a workplace where each employee can realize his or her full potential.

"I'm still working in a front-line sales post even though I've given birth twice. It's easy to take time off work, thanks to the Company's excellent leave system. The attitude of employees to achieving a work-life balance has also changed."

Marketing Staff, Rental Housing
Minori Taniguchi

Nurturing employees for the next generation as the foundation of our management strategy

In line with our Company Philosophy "the cultivation of people through our businesses," we are building a personnel system that will raise motivation and help staff realize their potential.

Daiwa House Industry has three training programs for employees, in corporate ethics, professional skill development, and management capabilities. The first is meant for new hires. In FY2010 we stopped using younger employees to educate new hires, and introduced the "OJT Veteran-Guidance System" using teams of employees led by older staff. The necessary training is provided to the designated "Veterans" themselves through "OJT Veteran Instruction Courses." In the second program, we offer professional development for experienced employees. In the third, in 2008 we established the Daiwa House Juku (management skills development course) to foster the next generation of managers. It has produced 12 directors and executive officers in its two years of operation, and in FY2010, 47 staff members are participating. Participants research and discuss various themes, including those for the next medium-term management plan.

We also train self-reliant decision-makers: programs include the "In-House Open Application System," the Job Selection ("Free Agent") System," and the "Branch Manager Application and Training System."

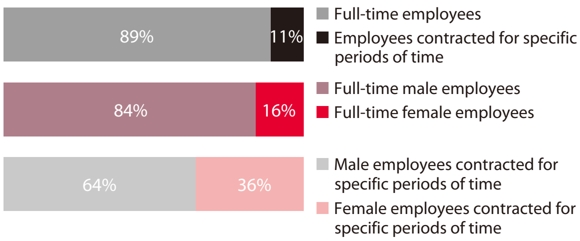
Employee training programs

Three themes	Candidates	Main programs
Enhancement of management capabilities	Managers (including junior section chief-level managers)	• Daiwa House Juku • Branch managers application and training system • Management skills development training
Professional skill development	Experienced employees	• Di-Q examination (sales) • Special training programs tailored to each segment
Thorough understanding of corporate ethics	Newly hired employees	• New hire training • OJT veteran-guidance system

Status of human rights education (Result FY2009)

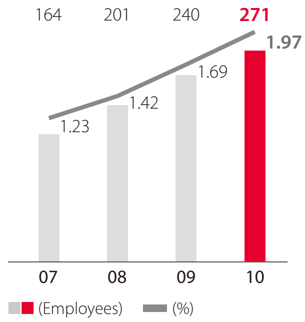
Education program	Candidates	Number of times	Total number of participants
Education at each business location	All employees	463	27,311
Education by rank/ objective	Manager/Senior staff/ Assistant managers/ New hires	24	1,150
Promotion leader training	Promotion staff	7	264
Group companies (support)	Group company employees	36	1,986

Employee breakdown (As of April 1, 2010)



Percentage and number of women serving as managers or junior managers, compared with total workforce*1

*1 Data collected each April; covers all employees.



Proactive implementation of work-life balance programs

To enable a good work-life balance, the Company is reexamining procedures to ensure that employees do not work excessively long hours. In FY2009, we revised our working time-band system to allow different time-bands by job type and division, to make more effective use of the statutory eight working hours per day. We are upgrading work-life balance support programs and making them more convenient. In particular, more female employees are using various support programs, including those for child-care leave, reduced work hours for childbirth and child care, and for nursing care leave. However, male usage rates are still low. We continue to address this issue.

In May 2010 we began allowing employees to take paid leave in multiples of one-hour units. In June, following the revision of the state Nursing Care Support System, we revised our own programs in this area, abolishing maximum limits on the length of time for a single period of nursing care leave, as well as on the number of times such leave may be taken. In these ways, we are working to improve work quality and employees' overall quality of life.

Creating a pleasant working environment

We are increasing the number of female employees in middle-management positions, and also promoting the employment of older persons and persons with disabilities.

At Daiwa House Industry, we set policies and work to raise employee awareness regarding human rights through educational courses for all Company personnel conducted twice a year, as well as training tailored to specific ranks and goals including the Company's executive and managerial personnel, team leaders and others. We are also making human rights-related information available on the Company's intranet bimonthly. To create a pleasant working environment, we have made consultation services available to our employees at the Human Rights Education Office and all business premises.

Additionally, in line with our commitment to mental health care, staff holding management positions are required to take courses on recognizing and managing stress among subordinates. We also utilize an Employee Assistance Program to address employees' mental health care issues.

Utilization of work-life balance programs (Result FY2009)

Program	Number of users	YoY change
Child care leave program	179	+26
Reduced work hours for childbirth/child care program	156	+41
Leave for nursing sick child	412	+103
Nursing care leave program	699	+144
Hello Papa program*2	142	-49
Home Holiday program*3	13,172	-137
Lump sum payment for development of the next generation*4	(Number of birth) 631	-93

*2 This program allows a male employee whose spouse has given birth to take a leave of five (5) consecutive business days.

*3 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.

*4 The Company pays out ¥1 million per child to any employee who gives birth.

Daiwa House Juku

The Daiwa House Juku is a management development course available to all members of the Daiwa House Group. The course develops the talents and abilities needed for management posts, helping nurture the Group's future leaders.

Shareholders

We keep our shareholders and other investors closely informed via thorough IR activities. We believe that this will enhance the Company's management quality and thereby raise its enterprise value and shareholder value.

"I intend to listen attentively to the opinions of our shareholders and other investors and to reflect these views in our management operations. At the same time, I will do my best to help our shareholders and investors understand why the Daiwa House Group is an attractive investment."

IR staff, Management Administration
Saori Seki

Enhancing two-way communication

To build a long-term relationship of trust with our shareholders and investors, we ensure close coordination among all IR-related units of the Company to provide accurate and impartial disclosure of business information as well as prompt replies to questions submitted. Up to FY2008, we had held a results briefing for analysts on the day following our announcement of the settlement of accounts. In FY2009 we introduced a new initiative in the form of a brief summary of our financial statements issued on the same day, as well as an "accounts settlement telephone conference," also on the same day. On the following day, we held a management policy briefing, at which we explained our future strategies for growth.

The telephone conference format has been adopted to speed up the disclosure of important information. Around 70 analysts and others participated in the telephone conference held in March 2010 on the date of announcement of our FY2009 accounts settlement. At the management policy briefing, held the next day with the attendance of roughly 120 analysts and investors, top-level Group management staff made presentations on the Group's business direction and growth strategies in the medium- and long-term. In addition, since last year we have also held small group meetings with shareholders and institutional investors where we answer specific questions and respond to specific requests. In these ways, we are taking advantage of the particular features of these different disclosure

The Group's investor relations calendar

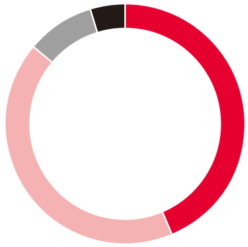
	2010									2011				
Events	Apr.	May	Jun.	Jul.	Aug.	Sep.	Oct.	Nov.	Dec.	Jan.	Feb.	Mar.	Apr.	May
Announcement of accounts settlement for FY2009 and management policy briefing		●												
Annual General Meeting of Shareholders			●											
Announcement of accounts settlement for FY2010 Q1					●									
Publication of Annual Report						●								
Announcement of accounts settlement for FY 2010 Q2 and management policy briefing								●						
Announcement of accounts settlement for FY2010 Q3											●			
Announcement of accounts settlement for FY2010 and management policy briefing														●

Note: The schedule is subject to change without notice.

Rating information (As of July 1, 2010)

Long-term credit ratings	**AA-** Rating and Investment Information (R&I)
	AA Japan Credit Rating Agency (JCR)
Short-term credit rating	**a-1+** Rating and Investment Information (R&I)

Percentage of investors abroad by region* (As of March 31, 2010)



* Odd lots are not included in calculations of total shares.

formats to improve the entire spectrum of our communications with shareholders and investors.

We also offer tours on an ad hoc basis of our shopping centers and distribution facilities in Japan, and of our condominium developments in China, to give institutional investors a more detailed picture of our business operations.

Vigorous IR activities

In April 2010 we held our first company information session for individual investors. This first meeting was attended by approximately 270 persons. Chairman and CEO Takeo Higuchi discussed the Group's long-term direction with the aim of widening the circle of "Daiwa House Fans" and encouraging a more positive stance on investment in the Company. The attendees subsequently reported that the session had stimulated their interest in the Company as an investment target. We have positioned the production of easy-to-understand disclosure materials regarding detailed aspects of the Company's business operations and its financial position as an issue for improvement. We plan to ensure that future meetings meet investors' disclosure needs even more fully, and will seek a wider range of IR opportunities to shine the spotlight of investor interest on the Company and the Daiwa House Group. In overseas IR activities, in June 2010 we focused on the UK. We have visited institutional investors (currently holding our shares) for one-on-one meetings. The response has been encouraging. In the near future we intend to continue our overseas IR activities with the goal of cultivating new investors.

We are working to further enhance the convenience of the various tools we employ in the disclosure of information. In FY2009 we redesigned the IR information pages on our Japanese-language website to enable investors to find the materials they want more conveniently. We are currently carrying out similar changes to the English-language website. We intend to improve our IR tools to enable investors to more quickly obtain a clear picture of the diverse range of business fields of the Daiwa House Group.

Number of institutional investors (companies) attending our IR activities

FY2008	FY2009
380	432

Management policy briefing
At the management policy briefing held in May 2010, President & COO Kenji Murakami gave a presentation about the future directions of Group companies' business development and growth strategies.

Company information session for individual investors
In April 2010 we held our first company information session for individual investors, with the attendance of around 270 investors, and were successful in generating deeper interest in the Daiwa House Group.

Clients

We are working to enhance our aftersales support to ensure client feedback is reflected in our products and services. We aim to build a good relationship with each client that will last for many years to come.

"I am very satisfied with aftersales support services at Daiwa House, including the courteous attitude of employees, at the time of regular inspections. Daiwa House also provides a 24/7 advice service via its Customer Center, so I never need to worry."

Owner of xevo E single-family house
Nobuhiko Nakajima

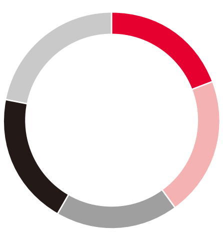
Creating stronger relationships with customers through enhanced inter-departmental coordination

To help maintain good customer relations after home handover, in April 2009 we reorganized aftersales services in our residential business by improving coordination between the construction departments in each branch, our Customer Center, and Renovation Business sales offices. To ensure a common understanding of the importance of long-term inspection programs, the Customer Center and construction departments conduct joint study sessions, while the CS (Customer Satisfaction) Promotion Department, which is in overall charge, conducts etiquette training. CS Committees have been set up at the Company's head office and all business locations to enable a Companywide approach to reflecting customer feedback in products and services. Responses in customer questionnaires in FY2009 indicated a satisfaction level of 96.6%.

AQ ASSET single-family house owner support service launched

In FY2009 we launched our AQ ASSET (see page 87) long-term support service for owners of single-family houses from construction through to maintenance and contract of sale (first phase). Daiwa House Industry also enables extension of the guarantee period and offers a range of services to support house-owners' lifestyles, including maintenance services, home renovation, and intermediary services for home sales and purchases. With our Customer Center as the main contact point, all the companies in the Group work together to protect the asset value of our customers' homes. We are also working to create a full range of aftersales services for buyers of a Daiwa House condominium, as well as for owners of rental housing, commercial facilities and business and corporate facilities.

Distribution of customers* by area (As of April 30, 2010)



Hokkaido, Tohoku, Kita-Kanto, and Shinetsu:	19.4%
Minami-Kanto	20.8%
Chubu and Hokuriku	18.3%
Kinki	19.8%
Chugoku, Shikoku, and Kyushu	21.7%

* Single-family houses, rental housing, condominiums.

Etiquette training for employees
The Customer Satisfaction Promotion Department conducts etiquette training at all our business premises.

Customer Center
All customer inquiries and requests are handled by specialist operators at our Customer Center.

Partners

We aim constantly to build stronger relationships with our business partners in the spirit of harmony and mutual benefit. Efforts are ongoing to further improve our partner relations, enabling us to offer high-quality products and services.

"We ensure that our employees always remember that each of them is a representative of the Company on the front line, and that they should always greet customers and other local residents with a smile."

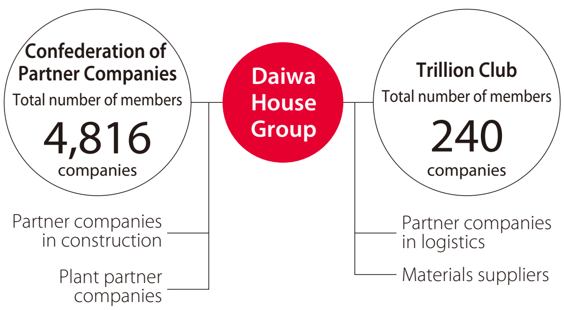
President, Shinei Komuten
Eiji Yamamoto

Continuous safety improvement and environmental preservation

Daiwa House Industry has created a supply chain network consisting of materials suppliers, partner companies in construction, and construction equipment suppliers. We have established a list of priority issues with each partner. Main themes for our Confederation of Partner Companies in FY2009 were: promotion of our policy of "Making Safety Visible," by insisting that all site workers wear a band on their helmets with a tag showing the company and/or department they belong to, and main professional qualifications; showcasing improvements, by holding an event for the Group's plants all over Japan; and reducing the environmental impact of our construction activities. In addition, we have been cutting waste such as construction material packaging.

Seeking mutual growth through equitable and fair relationships with our business partners

The Group has defined human rights, legal compliance, and environmental preservation as the three fundamental principles underlying our Conduct Guidelines for Partner Companies. In FY2009 we expanded to 460 firms the number of partner companies required to apply our system of employee safety confirmation after a natural disaster. We also conducted disaster drills twice during the year, and our system for reporting on employee safety within 24 hours of a disaster achieved a success rate of 75%. We continue to promote the Partners Hotline, as a means of bringing problems to light at an early stage through reports from our partners. Work-site related accidents decreased by 11% year on year in FY2009, and by 31% at factories. In August 2009, the Confederation of Partner Companies donated ¥7 million following flooding in western Japan.



(As of March 31, 2010)

Invention receives Daiwa House's Gold Prize
The winner of this Gold Prize invented metal supports to improve worker safety on construction scaffolding.

Making Safety Visible
Colored bands on helmets enable immediate identification of position and place of deployment. Job qualifications are also listed.

Environment

The Daiwa House Group is working together to expand the scope of environmental activities to all business operations and products. We are pursuing a style of environmental management that seeks to harmonize environmental and business considerations.

"I'm happy with the design and installation of the environmental facilities. By selling off surplus electricity and giving tenants a share of the profit, I am adding value to my rental housing units."

Owner of Séjour ECOHA rental housing units
Mutsuo Kitajima

Expanding scope of Groupwide environmental management evaluation & improvement system

To achieve the targets of the Group's "Endless Green Program 2010" medium-term environmental action plan, which was drawn up in 2008, in FY2009 we added the new category of "environmental management" to the list of items for evaluation of performance results at all Group companies under the Group Environmental Management Evaluation System.

We work to raise the environmental awareness of Group staff through general education in environmental matters for all employees, as well as specialist training with a focus on specific environmental risks. At all ten of our factories we conduct audits once every six months to check the proper functioning of environmental management systems. Audits are also performed on all the major Group companies as part of our commitment to proactive and sustained environmental activities.

Maintaining high standard of environmental activities relating to all business operations and products

The most important issue in the "Endless Green Program 2010" is to help in the fight against global warming, and we are pursuing initiatives — relating to both our business operations and our products and services — to meet the goal of reducing CO_2 emission intensity to the extent of two units of CO_2 reduced at a cost of an additional one unit generated through the use of an alternative production method. Emissions of CO_2 as a result of our business operations in FY2009 were 15.1% lower than in FY2007. CO_2 emissions generated by the provision of products and services failed to meet the target we had set for FY2009, rising by 8.4% compared with FY2007. As a result, we succeeded in meeting the goals of the program, with CO_2 savings on our operations*[1] at 2.43 times CO_2 emissions. This result was achieved thanks to Groupwide energy conservation

Environmental preservation: Priority themes

1. Helping in the fight against global warming
2. Protecting natural resources
3. Promoting harmony with the natural environment
4. Preventing pollution by harmful chemical substances

Forest preservation on Mount Rokko
Since 2008 employees have been helping conserve forestry on Mount Rokko, planting saplings and rooting up weeds.

Kids' eco-workshop
We held eco-workshops at 38 locations in FY2009, with 2,771 children. This event was much bigger than last year.

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, 2010)

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.

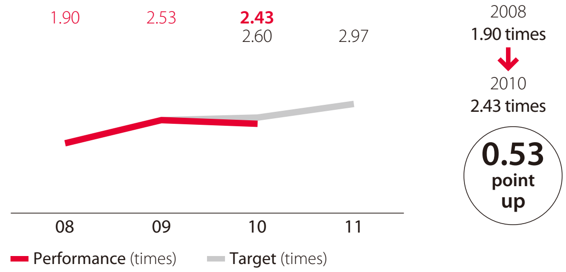
activities, and as a result, the Daiwa House Group was awarded the FY2009 Energy Conservation Grand Prize (Organization category) by the Ministry of Economy, Trade and Industry (METI), and the Agency for Natural Resources and Energy Director-General's Award (CGO*2, Corporate category).

In addition, the Group received the Minister of the Environment's Commendation for Contributions to Global Warming Countermeasures in FY2009. This was awarded in recognition of our efforts to reduce CO_2 emissions in our Rental Housing operations, as well as the development and popularization of eco-friendly rental housing units such as our Séjour ECOHA. We will continue to pursue our unique environmental activities with the goal of further reducing the CO_2 emissions of all business operations by the Daiwa House Group.

*1 This figure represents savings of CO_2 emissions on the delivery of products and services as a ratio of CO_2 emissions from business operations.

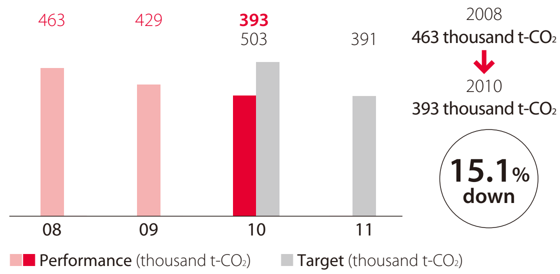
*2 CGO stands for Chief Green Officer. Holders of this post are responsible for directing all energy conservation activities across the entire range of business operations.

CO_2 savings on operations*1

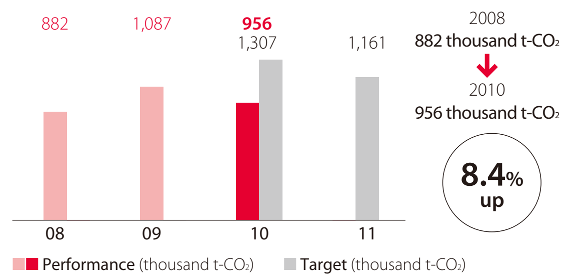


CO_2 savings on operations*1 = b / a

a: CO_2 emissions from business operations



b: CO_2 savings from delivery of products & services



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 CO_2 emissions generated from our business activities
Clerical and construction	Decrease 20%*4 (total CO_2 emissions)
Services	Decrease 30%*4 (CO_2 emissions per sales)
Reduction in waste output	
Factories and construction sites	Decrease 40%*4 (total construction waste output excluding demolition)
Reduction in volume of PRTR harmful chemical substances used	
Factories	Decrease 27%*4 (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: 100%

*4 Comparison with FY2007

Principal CO_2 emission reduction measures through delivery of products & services

Business	Principal measures	Related designs & equipment
Single-Family Houses	Sale of house models fitted with equipment to reduce CO_2 emissions, such as the xevo series; eco-friendly lifestyle proposals	Photovoltaic power generation system, Exterior Thermal Ventilation Wall, high-efficiency hot-water systems
Rental Housing	Sale of Séjour ECOHA eco-friendly two-story rental housing	Photovoltaic power generation system, environmentally sound design incorporating natural ventilation and heat insulation, etc.
Commercial Facilities	Sale of low-cost, fast-erection construction systems; marketing of Restore & Rebuild System*5 in collaboration with the Environment and Energy Business Division	Photovoltaic power generation system; LED lights; highly efficient reflective panels; air-conditioning system that disperses heat given off by machinery, etc.

*5 For further details, please see page 89.

Community

As a corporate citizen, we engage in a variety of community service activities to foster harmony between our activities and the needs of the community and environment. In this way, we contribute to the greater development of society as a whole.

"Children's eyes light up the first time they see the picture books. We have high hopes of the Delivering Picture-Books to Children campaign you have helped with."

Shanti Volunteer Association (SVA)
Nobuko Sato

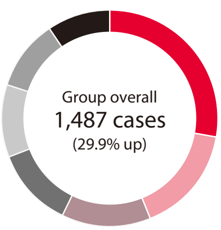
Expanding activities as a regional community member

The Daiwa House Group actively engages in the kind of environmental contributions that regional communities and society as a whole expect from us. We are also working to facilitate personal growth by all of our employees through such activities. The number of individual social contribution activities engaged in by the Company in FY2009 was 554, for an increase of 7.4% over the previous year. For the Group as a whole the figure rose 29.9% year on year to 1,487. For FY2010 and onward, we have placed priority on the following three goals. The first goal — in the environmental field — is to expand activities aimed at preserving biodiversity. The second is to support children's education through the core business activities of all Group companies. And the third goal is to get more employees to do voluntary activity based on working paid holidays, with the entire staff of individual business units participating.

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

Our community activities are focused on the environment, welfare, and education. In the environmental area, we helped plant cherry trees on the slopes of Mount Yoshino in Nara Prefecture, a World Heritage site. We also held a fishing tournament to help rid Lake Biwa (Shiga Prefecture) of non-indigenous fish species. In welfare, we helped organize the First Shikoku "Ladybug" Marathon (Takamatsu Meet), in which persons with and without disabilities run together, and we also produced textbooks with enlarged print for partially-sighted children. In education, we held events to give school students an idea of the world of work, and under our D's School teaching program, employees visited schools to talk about homes, construction, and the environment. The Group contributed ¥38,758,797 in these three areas, as well as for relief efforts after natural disasters.

Community support activities



Support for schools	28.0%
Being a good neighbor (activities other than street sweeping)	16.1%
International cooperation	13.2%
Social welfare	12.1%
Humanitarian activities	10.8%
Being a good neighbor (street sweeping)	10.6%
Environmental protection	9.2%

Dorikamu work-experience education
In collaboration with NPOs, local businesses, and community organizations, we conduct work-experience education at schools.

Delivering picture-books to children
At our Saitama Branch, volunteers paste translations of picture books to be sent to refugee children in Cambodia, Laos, and Myanmar.

Financial Statements

Consolidated Balance Sheets

Daiwa House Industry Co., Ltd. and Consolidated Subsidiaries
March 31, 2010 and 2009

Assets

Notes		Millions of Yen		Thousands of U.S. Dollars (1)
		2010	2009	2010
	Current assets:			
2c 8 18	Cash and cash equivalents	¥ 179,744	¥ 105,381	$ 1,932,731
2d 3 18	Marketable securities	6		65
2i 17 18	Investments in lease	9,741	5,627	104,742
2e 18	Short-term investments	49	459	527
8 18	Receivables:			
	Trade notes	6,157	6,126	66,204
	Trade accounts	69,372	44,875	745,936
	Unconsolidated subsidiaries and associated companies	286	444	3,075
	Allowance for doubtful receivables	(2,690)	(1,342)	(28,925)
2f 4	Inventories	300,003	396,444	3,225,839
2m 14	Deferred tax assets	46,681	35,718	501,946
8	Prepaid expenses and other current assets	69,409	67,456	746,333
	Total current assets	678,758	661,188	7,298,473
7	**Property, plant and equipment:**			
5 6 8	Land	389,587	356,002	4,189,108
6 8	Buildings and structures	594,317	553,390	6,390,505
	Accumulated depreciation	(260,586)	(237,716)	(2,802,000)
6 8	Machinery and equipment	93,242	93,672	1,002,602
	Accumulated depreciation	(59,922)	(57,911)	(644,323)
6	Furniture and fixtures	36,611	35,341	393,667
	Accumulated depreciation	(27,413)	(24,637)	(294,763)
6	Lease assets	4,587	1,645	49,323
	Accumulated depreciation	(745)	(185)	(8,011)
	Construction in progress	8,932	9,352	96,043
	Net property, plant and equipment	778,610	728,953	8,372,151
	Investments and other assets:			
2d 3 18	Investment securities	89,568	84,996	963,097
2d 18	Investments in unconsolidated subsidiaries and associated companies	35,990	33,726	386,989
	Advances to unconsolidated subsidiaries and associated companies	158	168	1,699
2d	Long-term loans receivable	7,006	6,810	75,333
8 18	Lease deposits	190,024	170,682	2,043,269
2m 14	Deferred tax assets	109,605	104,947	1,178,548
6	Other assets	35,842	27,828	385,398
	Allowance for doubtful accounts	(8,633)	(8,725)	(92,828)
	Total investments and other assets	459,560	420,432	4,941,505
	Total	¥1,916,928	¥1,810,573	$20,612,129

See notes to consolidated financial statements.

Liabilities and equity

		Millions of Yen		Thousands of U.S. Dollars (1)
		2010	2009	2010
	Current liabilities:			
8 18	Short-term bank loans	¥ 14,771	¥ 16,408	$ 158,828
8 18	Current portion of long-term debt	2,902	5,610	31,204
18	Payables:			
	Trade notes	21,213	29,915	228,097
	Trade accounts	90,355	99,710	971,559
	Unconsolidated subsidiaries and associated companies	2,240	218	24,086
	Other accounts	71,849	70,174	772,570
17	Current portion of long-term lease obligations	1,113	432	11,968
	Deposits received from customers	27,404	61,054	294,667
18	Income taxes payable	24,037	6,962	258,462
	Accrued bonuses	21,161	17,856	227,537
	Provision for product warranties	6,770	6,896	72,796
	Accrued expenses and other current liabilities	60,787	57,401	653,624
	Total current liabilities	344,602	372,636	3,705,398
	Long-term liabilities:			
8 18	Bonds	105,300		1,132,258
8 18	Long-term debt	335,388	319,957	3,606,323
17	Long-term lease obligations	5,994	2,128	64,452
2j 9	Liability for employees' retirement benefits	163,711	160,203	1,760,333
5	Deferred tax liabilities on land revaluation	28,540	28,433	306,882
	Long-term deposits received from the Company's club members	40,749	43,094	438,161
18	Lease deposits received	226,322	217,860	2,433,570
	Other long-term liabilities	48,552	58,834	522,064
	Total long-term liabilities	954,556	830,509	10,264,043
10	Equity:			
	Common stock, authorized, 1,900,000,000 shares; issued, 599,921,851 shares in both 2010 and 2009	110,120	110,120	1,184,086
	Capital surplus	226,825	226,825	2,438,978
21	Retained earnings	375,155	370,241	4,033,925
2d	Net unrealized gain on available-for-sale securities	6,696	2,035	72,000
5	Land revaluation difference	(77,593)	(77,878)	(834,333)
2o	Foreign currency translation adjustments	(4,766)	(5,106)	(51,247)
	Treasury stock — at cost, 20,829,959 shares in 2010 and 20,750,714 shares in 2009	(19,616)	(19,554)	(210,925)
	Total	616,821	606,683	6,632,484
	Minority interests	949	745	10,204
	Total equity	617,770	607,428	6,642,688
	Total	¥1,916,928	¥1,810,573	$20,612,129

Consolidated Statements of Income

Daiwa House Industry Co., Ltd. and Consolidated Subsidiaries
Years Ended March 31, 2010, 2009 and 2008

	Millions of Yen			Thousands of U.S. Dollars (1)
	2010	2009	2008	2010
Net sales	¥1,609,884	¥1,690,956	¥1,709,254	$17,310,581
Cost of sales	1,303,881	1,357,821	1,360,348	14,020,226
Gross profit	306,003	333,135	348,906	3,290,355
15 Selling, general and administrative expenses	243,289	259,555	259,785	2,616,011
Operating income	62,714	73,580	89,121	674,344
Other income (expenses):				
Interest income and dividends	3,104	2,841	2,602	33,377
Interest expense	(6,869)	(5,161)	(3,371)	(73,860)
Write-down of investment securities	(9,650)	(7,534)	(7,859)	(103,763)
Write-down of inventories			(1,632)	
Loss on sales and disposal of property, plant and equipment	(1,599)	(1,493)	(1,273)	(17,194)
Gain on valuation of derivatives	360	2,143	1,146	3,871
9 Gain on amortization of prior service cost	205		500	2,204
9 Amortization of actuarial gain (loss) for employees' retirement benefits	473	(31,495)	(26,411)	5,086
Loss on valuation of derivatives	(830)	(2,794)	(1,540)	(8,925)
6 Impairment loss on property, plant and equipment	(10,905)	(14,892)	(1,655)	(117,258)
Loss on disaster		(2,015)		
Loss on sublease agreements			(210)	
13 Loss on development businesses			(24,537)	
12 Other — net	1,066	541	(19)	11,462
Other expenses — net	(24,645)	(59,859)	(64,259)	(265,000)
Income before income taxes and minority interests	38,069	13,721	24,862	409,344
2m 14 Income taxes:				
Current	35,492	24,892	37,190	381,635
Deferred	(16,559)	(14,862)	(25,122)	(178,054)
Total	18,933	10,030	12,068	203,581
Minority interests in net (income) loss of subsidiaries	(23)	479	286	(247)
Net income	¥ 19,113	¥ 4,170	¥ 13,080	$ 205,516

	Yen			U.S. Dollars (1)
	2010	2009	2008	2010
2r Per share of common stock:				
Basic net income	¥33.00	¥ 7.20	¥22.46	$0.35
Cash dividends applicable to the year	17.00	24.00	24.00	0.18

See notes to consolidated financial statements.

Consolidated Statements of Changes in Equity

Daiwa House Industry Co., Ltd. and Consolidated Subsidiaries
Years Ended March 31, 2010, 2009 and 2008

	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, 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
2b 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
Net income				19,113					19,113		19,113
Cash dividends, ¥24.0 per share				(13,900)					(13,900)		(13,900)
Transfer due to sales and impairment of land				(285)		285					
Purchase of treasury stock	(97)							(93)	(93)		(93)
Disposal of treasury stock	18			(14)				31	17		17
Net change in the year					4,661		340		5,001	204	5,205
Balance, March 31, 2010	579,092	¥110,120	¥226,825	¥375,155	¥ 6,696	¥(77,593)	¥(4,766)	¥(19,616)	¥616,821	¥ 949	¥617,770

	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, 2009	$1,184,086	$2,438,978	$3,981,086	$21,882	$(837,398)	$(54,903)	$(210,258)	$6,523,473	$ 8,011	$6,531,484
Net income			205,516					205,516		205,516
Cash dividends, $0.26 per share			(149,462)					(149,462)		(149,462)
Transfer due to sales and impairment of land			(3,065)		3,065					
Purchase of treasury stock							(1,000)	(1,000)		(1,000)
Disposal of treasury stock			(150)				333	183		183
Net change in the year				50,118		3,656		53,774	2,193	55,967
Balance, March 31, 2010	$1,184,086	$2,438,978	$4,033,925	$72,000	$(834,333)	$(51,247)	$(210,925)	$6,632,484	$10,204	$6,642,688

See notes to consolidated financial statements.

Consolidated Statements of Cash Flows

Daiwa House Industry Co., Ltd. and Consolidated Subsidiaries
Years Ended March 31, 2010, 2009 and 2008

	Millions of Yen			Thousands of U.S. Dollars 1
	2010	2009	2008	2010
Operating activities:				
Income before income taxes and minority interests	¥ 38,069	¥ 13,721	¥ 24,862	$ 409,344
Adjustments to reconcile income before income taxes and minority interests to net cash provided by operating activities:				
Income taxes — paid	(17,942)	(41,799)	(30,294)	(192,925)
Depreciation	43,917	39,318	35,622	472,226
Write-down of investment securities	9,650	7,534	7,859	103,763
Write-down of golf club membership	17	97	53	183
Loss on sales and disposal of property, plant and equipment	1,599	1,493	1,273	17,194
Impairment loss on property, plant and equipment	10,905	14,892	1,655	117,258
Equity in earnings of associated companies	(1,242)	(542)	(316)	(13,355)
Provision for employees' retirement benefits, net of payments	3,110	36,033	30,108	33,441
Loss on development businesses			24,537	
Loss on sublease agreements			210	
Changes in certain assets and liabilities, net of consolidation:				
Decrease (increase) in receivables	(22,872)	11,579	(2,151)	(245,935)
Decrease (increase) in inventories	97,761	71,622	(87,402)	1,051,194
Decrease in payables — trade	(22,445)	(65,520)	(48,548)	(241,344)
Increase (decrease) in deposits received from customers	(33,668)	2,410	(4,242)	(362,022)
Other — net	26,456	18,973	31,036	284,473
Total adjustments	95,246	96,090	(40,600)	1,024,151
Net cash provided by (used in) operating activities	133,315	109,811	(15,738)	1,433,495
Investing activities:				
Purchases of property, plant and equipment	(93,548)	(153,737)	(93,038)	(1,005,892)
Purchases of investment securities	(9,342)	(20,271)	(14,618)	(100,452)
Increase in investments in and advances to unconsolidated subsidiaries and associated companies	(360)	(10,654)	(3,600)	(3,871)
Proceeds from sales and redemption of investment securities	950	377	2,895	10,215
Proceeds from sales of property, plant and equipment	262	2,488	1,522	2,817
Purchases of investments in subsidiaries	(85)	(12,443)	(389)	(914)
16 Payments for purchases of shares of the newly consolidated subsidiaries	(13,323)	(158)	(1,760)	(143,258)
Proceeds from purchases of shares of the newly consolidated subsidiaries	1,636	596	11,818	17,591
Increase in lease deposits	(19,952)	(5,882)	(8,231)	(214,538)
Net decrease (increase) in other assets	(4,475)	5	(17,896)	(48,118)
Net cash used in investing activities	(138,237)	(199,679)	(123,297)	(1,486,420)

(Continued)

	Millions of Yen			Thousands of U.S. Dollars (1)
	2010	2009	2008	2010
Financing activities:				
Net increase (decrease) in short-term bank loans	¥ (1,637)	¥ 3,740	¥ 985	$ (17,602)
Proceeds from long-term debt	27,587	132,850	153,691	296,635
Repayments of long-term debt	(31,464)	(2,255)	(13,119)	(338,323)
Proceeds from issuance of bonds	105,300			1,132,258
Net increase (decrease) in commercial paper		(20,000)	20,000	
Repayments of finance lease obligations	(737)	(208)		(7,925)
Repayments of purchase of treasury stock	(93)	(139)	(11,909)	(1,000)
Proceeds from disposal of treasury stock	17	58	53	183
Dividends paid to shareholders	(13,900)	(13,902)	(11,743)	(149,462)
Proceeds from receivables sold to trust		3,004	5,001	
Remittance to trust of receivables collected	(5,804)	(6,645)	(7,162)	(62,409)
Net cash provided by financing activities	79,269	96,503	135,797	852,355
Foreign currency translation adjustments on cash and cash equivalents	16	(143)		172
Net increase (decrease) in cash and cash equivalents	74,363	6,492	(3,238)	799,602
Cash and cash equivalents, beginning of year	105,381	98,889	102,127	1,133,129
Cash and cash equivalents, end of year	¥179,744	¥105,381	¥ 98,889	$1,932,731

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 "parent 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 parent 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 ¥93 to $1, the approximate rate of exchange at March 31, 2010. 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, 2010 include the accounts of the parent company and its 63 significant (59 in 2009, 55 in 2008) subsidiaries (together, the "Company").

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

Investments in 13 (13 in 2009 and 2008) 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 Company is eliminated.

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.

During the year ended March 31, 2010, DAIWA LIFENEXT CO., LTD. (formerly COSMOS LIFE CO., LTD.) and five 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.

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 parent 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 Company 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 Company 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 unconsolidated subsidiaries and associated companies and long-term loans receivable pledged as collateral for an associated company and other were ¥5 million ($54 thousand), ¥30 million ($323 thousand) and ¥19 million ($204 thousand) as of March 31, 2010.

Investment securities deposited in accordance with Act on Assurance of Performance of Specified Housing Defect Warranty was ¥797 million ($8,570 thousand) as of March 31, 2010.

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 ($527 thousand) as of March 31, 2010.

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 Company 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 for the year ended March 31, 2009.

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

j. Retirement and pension plans

The parent 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. Construction contracts

In December 2007, the ASBJ issued ASBJ Statement No.15 "Accounting Standard for Construction Contracts" and ASBJ Guidance No.18 "Guidance on Accounting Standard for Construction Contracts." Under the previous Japanese GAAP, either the completed-contract method or the percentage-of-completion method was permitted to account 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 should be applied. When it is probable that the total construction costs will exceed total construction revenue, an estimated loss on the contract should be immediately recognized by providing for a 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. The Company applied the new accounting standard effective April 1, 2009. The effect of this change was to increase net sales by ¥38,574 million ($414,774 thousand), operating income and income before income taxes by ¥7,633 million ($82,075 thousand), respectively, for the year ended March 31, 2010.

l. Revenue and profit recognition derived from finance lease transaction

The Company 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 Company 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 Company to reduce interest rate risks. Commodity swaps are utilized by the certain subsidiaries to reduce fuel price risk. The Company 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, 2010, 2009 and 2008 were 579,134 thousand, 579,216 thousand and 582,292 thousand, respectively.

Diluted net income per share of common stock for the years ended March 31, 2010, 2009 and 2008 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

In December 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.

In December 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

In March 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.

Accounting changes and error corrections

In December 2009, ASBJ issued ASBJ Statement No.24 "Accounting Standard for Accounting Changes and Error Corrections" and ASBJ Guidance No.24 "Guidance on Accounting Standard for Accounting Changes and Error Corrections." Accounting treatments under this standard and guidance are as follows:

(1) Changes in accounting policies

When a new accounting policy is applied with revision of accounting standards, a new policy is applied retrospectively unless the revised accounting standards include specific transitional provisions. When the revised accounting standards include specific transitional provisions, an entity shall comply with the specific transitional provisions.

(2) Changes in presentations

When the presentation of financial statements is changed, prior period financial statements are reclassified in accordance with the new presentation.

(3) Changes in accounting estimates

A change in an accounting estimate is accounted for in the period of the change if the change affects that period only, and is accounted for prospectively if the change affects both the period of the change and future periods.

(4) Corrections of prior period errors

When an error in prior period financial statements is discovered, those statements are restated.

This accounting standard and the guidance are applicable to accounting changes and corrections of prior period errors which are made from the beginning of the fiscal year that begins on or after April 1, 2011.

Segment information disclosures

In March 2008, the ASBJ revised ASBJ Statement No.17 "Accounting Standard for Segment Information Disclosures" and issued ASBJ Guidance No.20 "Guidance on Accounting Standard for Segment Information Disclosures." Under the standard and guidance, an entity is required to report financial and descriptive information about its reportable segments. Reportable segments are operating segments or aggregations of operating segments that meet specified criteria. Operating segments are components of an entity about which separate financial information is available and such information is evaluated regularly by the chief operating decision maker in deciding how to allocate resources and in assessing performance. Generally, segment information is required to be reported on the same basis as is used internally for evaluating operating segment performance and deciding how to allocate resources to operating segments. This accounting standard and the guidance are applicable to segment information disclosures for the fiscal years beginning on or after April 1, 2010.

t. Reclassifications

Certain reclassifications have been made in the 2009 and 2008 financial statements to conform to the classifications used in 2010.

❸ Marketable and investment securities

Marketable and investment securities as of March 31, 2010 and 2009 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2010	2009	2010
Current:			
Government and corporate bonds	¥ 6		$ 65
Non-current:			
Equity securities	¥62,994	¥49,898	$677,355
Government and corporate bonds	1,296	751	13,936
Investments in limited liability partnership	7,378	7,718	79,333
Preferred fund certificates	17,737	26,502	190,720
Other	163	127	1,753
Total	¥89,568	¥84,996	$963,097

The costs and aggregate fair values of marketable and investment securities at March 31, 2010 and 2009 were as follows:

	Millions of Yen			
	2010			
	Cost	Unrealized Gains	Unrealized Losses	Fair Value
Securities classified as:				
Available-for-sale:				
Equity securities	¥38,415	¥14,680	¥1,720	¥51,375
Debt securities	500		44	456
Other	119	44		163
Held-to-maturity	797		5	792

	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

	Thousands of U.S. Dollars			
	2010			
	Cost	Unrealized Gains	Unrealized Losses	Fair Value
Securities classified as:				
Available-for-sale:				
Equity securities	$413,065	$157,849	$18,495	$552,419
Debt securities	5,376		473	4,903
Other	1,280	473		1,753
Held-to-maturity	8,570		54	8,516

Available-for-sale securities whose fair value was not readily determinable as of March 31, 2009 were as follows. The similar information for 2010 is disclosed in Note 18.

	Carrying Amount
	Millions of Yen
	2009
Available-for-sale:	
Equity securities	¥ 6,889
Preferred fund certificates	26,502
Investments in limited liability partnership	7,718
Debt securities	270
Total	¥41,379

The impairment losses on available-for-sale equity securities for the years ended March 31, 2010 and 2009 were ¥9,650 million ($103,763 thousand) and ¥7,534 million, respectively.

❹ Inventories

Inventories at March 31, 2010 and 2009 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2010	2009	2010
Finished residential homes and condominiums	¥ 30,123	¥ 41,645	$ 323,903
Construction projects in progress	15,098	57,445	162,344
Residential homes and condominiums in process	24,163	43,660	259,817
Land held:			
For resale	197,720	221,800	2,126,022
Under development	11,976	12,032	128,774
Undeveloped	3,761	3,789	40,441
Merchandise, construction materials and others	17,162	16,073	184,538
Total	¥300,003	¥396,444	$3,225,839

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

5 Land revaluation

Under the "Law of Land Revaluation," the parent 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, 2010, the carrying amount of the land after the above one-time revaluation exceeded the market value by ¥22,288 million ($239,656 thousand).

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

6 Long-lived assets

The Company recognized an impairment loss on property, plant and equipment for the following group of assets in the years ended March 31, 2010, 2009 and 2008, respectively.

2010				
Classification of Company	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	Kyoto Prefecture and others	¥ 3,746	$ 40,280
Assets used under sublease agreements	Buildings and structures, machinery and equipment, furniture and fixtures, land and lease assets	Osaka Prefecture and others	4,737	50,936
Idle assets	Buildings and structures, machinery and equipment, furniture and fixtures, and land	Shizuoka Prefecture and others	322	3,462
Home center	Buildings and structures, machinery and equipment, furniture and fixtures, lease assets and other assets	Kanagawa Prefecture and others	982	10,559
Fitness clubs	Buildings and structures, furniture and fixtures, and lease assets	Kanagawa Prefecture	3	32
Offices, factories and others	Buildings and structures, machinery and equipment, furniture and fixtures, land and other assets	Osaka Prefecture and others	1,115	11,989
Total			¥10,905	$117,258

2009			
Classification of Company	Type of Assets	Location	Millions of Yen
Hotel	Buildings and structures, machinery and equipment, furniture and fixtures, land and lease assets	Fukuoka Prefecture and others	¥ 4,880
Golf course	Buildings and structures, machinery and equipment, furniture and fixtures, and land	Miyagi Prefecture and others	3,497
Assets used under sublease agreements	Buildings and structures, furniture and fixtures, land, lease assets and other assets	Chiba Prefecture and others	5,391
Idle assets	Land	Niigata Prefecture and others	48
Home center	Buildings and structures, furniture and fixtures, and lease assets	Chiba Prefecture and others	83
Fitness clubs	Buildings and structures, furniture and fixtures, lease assets and other assets	Tokyo Prefecture and others	609
Offices, factories and others	Buildings and structures, machinery and equipment, furniture and fixtures, land and lease assets	Ishikawa Prefecture and others	384
Total			¥14,892

2008			
Classification of Company	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

The Company 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 was measured at its net selling price determined by quotation from a third-party vendor.

7 Investment property

In November, 2008, the ASBJ issued ASBJ Statement No.20 “Accounting Standard for Investment Property and Related Disclosures” and issued ASBJ Guidance No.23 “Guidance on Accounting Standard for Investment Property and Related Disclosures.” This accounting standard and the guidance are applicable to investment property and related disclosures at the end of the fiscal years ending on or after March 31, 2010. The Company applied the new accounting standard and guidance effective March 31, 2010.

The Company holds some rental properties such as rental housing, commercial facilities and business facilities in Tokyo and other areas. Rental income, net of operating expenses, loss on sales and disposal and impairment loss for those rental properties were ¥9,879 million ($106,226 thousand), ¥219 million ($2,355 thousand) and ¥4,323 million ($46,484 thousand) for the fiscal year ended March 31, 2010.

In addition, the carrying amounts, changes in such balances and market prices of such properties are as follows.

Millions of Yen

Carrying Amount			Fair Value
April 1, 2009	Increase/Decrease	March 31, 2010	March 31, 2010
¥374,760	¥52,724	¥427,484	¥419,832

Thousands of U.S. Dollars

Carrying Amount			Fair Value
April 1, 2009	Increase/Decrease	March 31, 2010	March 31, 2010
$4,029,677	$566,925	$4,596,602	$4,514,323

Notes:
1) Carrying amount recognized in the balance sheet is net of accumulated depreciation and accumulated impairment losses, if any.
2) Increase during the fiscal year ended March 31, 2010 primarily represents the acquisition of certain properties of ¥63,489 million ($682,677 thousand), and decrease primarily represents the depreciation of ¥16,441 million ($176,785 thousand).
3) Fair value of properties as of March 31, 2010 is primarily measured by the Company in accordance with its Real-estate Appraisal Standard.

8 Short-term bank loans, bonds and long-term debt

The annual interest rates for the short-term bank loans ranged from 0.42% to 1.65% and ranged from 0.76% to 1.50% at March 31, 2010 and 2009, respectively.

Bonds at March 31, 2010 consisted of the following:

	Millions of Yen	Thousands of U.S. Dollars
	2010	2010
1.24% bonds, due 2011	¥ 4,500	$ 48,387
0.68% bonds, due 2013	800	8,602
0.73% bonds, due 2015	100,000	1,075,269
Total	¥105,300	$1,132,258

Long-term debt at March 31, 2010 and 2009 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2010	2009	2010
Loans from banks, 0.72% to 4.86% (0.77% to 3.08% in 2009), due on various dates through 2040:			
Collateralized	¥ 18,770	¥ 47,304	$ 201,828
Unsecured	319,520	278,263	3,435,699
Total	338,290	325,567	3,637,527
Less current portion	2,902	5,610	31,204
Long-term debt, net of current portion	¥335,388	¥319,957	$3,606,323

Annual maturities of bonds at March 31, 2010, were as follows:

Years Ending March 31	Millions of Yen	Thousands of U.S. Dollars
2012	¥ 4,500	$ 48,387
2013	800	8,602
2015	100,000	1,075,269
Total	¥105,300	$1,132,258

Annual maturities of long-term debt at March 31, 2010, were as follows:

Years Ending March 31	Millions of Yen	Thousands of U.S. Dollars
2011	¥ 2,902	$ 31,204
2012	28,028	301,376
2013	157,829	1,697,086
2014	132,798	1,427,936
2015	9,900	106,452
2016 and thereafter	6,833	73,473
Total	¥338,290	$3,637,527

At March 31, 2010, assets pledged as collateral for secured long-term debt were as follows:

	Millions of Yen	Thousands of U.S. Dollars
Cash and cash equivalents	¥ 734	$ 7,892
Receivables	8,566	92,108
Buildings and structures	8,600	92,473
Machinery and equipment	90	968
Land	7,511	80,763
Lease deposits	684	7,355
Accrued income (Other current assets)	70	753
Total	¥26,255	$282,312

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 Company has never received any such request.

9 Retirement and pension plans

Under the unfunded employees' retirement benefit plan, employees of the parent 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 parent 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, 2010 and 2009 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2010	2009	2010
Projected benefit obligation	¥337,160	¥315,784	$3,625,376
Fair value of plan assets	(173,449)	(155,581)	(1,865,043)
Net liability	163,711	160,203	1,760,333
Liability for employees' retirement benefits	¥163,711	¥160,203	$1,760,333

The components of net periodic benefit costs are as follows:

	Millions of Yen			Thousands of U.S. Dollars
	2010	2009	2008	2010
Service cost	¥17,842	¥17,167	¥15,762	$191,850
Interest cost	7,861	7,262	6,765	84,527
Expected return on plan assets	(3,867)	(4,120)	(4,350)	(41,581)
Gain on amortization of prior service cost	(205)		(500)	(2,204)
Recognized actuarial loss (gain)	(473)	31,495	26,411	(5,086)
Other	27			290
Net periodic benefit costs	¥21,185	¥51,804	¥44,088	$227,796

Gain on amortization of prior service cost for the years ended March 31, 2010 and 2008 represents a decrease in the benefit obligation of ¥205 million ($2,204 thousand) and ¥500 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, 2010 and 2009 are set forth as follows:

	2010	2009
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

⑩ Equity

Japanese companies are 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 a Board of Directors, (2) having independent auditors, (3) having a Board of Corporate Auditors, and (4) having the term of service of the directors 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 parent 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.

⓫ Segment information

Information about operations in different industry segments of the Company for the years ended March 31, 2010, 2009 and 2008 is as follows:

Sales and operating income

Millions of Yen

2010	Residential	Commercial	Resort and Sports	Home Center	Other	Eliminations/ Corporate	Consolidated
Sales to customers	¥939,771	¥471,288	¥56,044	¥59,910	¥ 82,871		¥1,609,884
Intersegment sales	1,757	9,232	35	1,301	55,127	¥(67,452)	
Total sales	941,528	480,520	56,079	61,211	137,998	(67,452)	1,609,884
Operating expenses	912,417	425,229	56,611	60,431	138,260	(45,778)	1,547,170
Operating income (loss)	¥ 29,111	¥ 55,291	¥ (532)	¥ 780	¥ (262)	¥(21,674)	¥ 62,714

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

Thousands of U.S. Dollars

2010	Residential	Commercial	Resort and Sports	Home Center	Other	Eliminations/ Corporate	Consolidated
Sales to customers	$10,105,064	$5,067,613	$602,624	$644,194	$ 891,086		$17,310,581
Intersegment sales	18,893	99,269	376	13,989	592,763	$(725,290)	
Total sales	10,123,957	5,166,882	603,000	658,183	1,483,849	(725,290)	17,310,581
Operating expenses	9,810,935	4,572,355	608,720	649,796	1,486,667	(492,236)	16,636,237
Operating income (loss)	$ 313,022	$ 594,527	$ (5,720)	$ 8,387	$ (2,818)	$(233,054)	$ 674,344

Total assets, depreciation, impairment loss and capital investments

Millions of Yen

2010	Residential	Commercial	Resort and Sports	Home Center	Other	Eliminations/ Corporate	Consolidated
Total assets	¥585,291	¥713,175	¥87,781	¥42,581	¥212,473	¥275,627	¥1,916,928
Depreciation	9,917	16,716	2,524	1,010	12,827	923	43,917
Impairment loss	556	5,003	3,749	982	615		10,905
Capital investments	33,784	46,159	2,565	524	17,311	(557)	99,786

	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

	Thousands of U.S. Dollars						
	2010						
	Residential	Commercial	Resort and Sports	Home Center	Other	Eliminations/ Corporate	Consolidated
Total assets	$6,293,452	$7,668,548	$943,882	$457,860	$2,284,656	$2,963,731	$20,612,129
Depreciation	106,634	179,742	27,140	10,860	137,925	9,925	472,226
Impairment loss	5,978	53,796	40,312	10,559	6,613		117,258
Capital investments	363,269	496,333	27,581	5,634	186,140	(5,989)	1,072,968

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-k, effective April 1, 2009, the Company applied ASBJ Statement No.15, "Accounting Standard for Construction Contracts" and ASBJ Guidance No.18 "Guidance on Accounting Standard for Construction Contracts." The effect of this change was to increase net sales of Residential by ¥14,444 million ($155,312 thousand), net sales of Commercial by ¥23,940 million ($257,419 thousand), net sales of Other by ¥190 million ($2,043 thousand), operating income of Residential by ¥3,467 million ($37,279 thousand), operating income of Commercial by ¥4,146 million ($44,581 thousand), and operating income of Other by ¥20 million ($215 thousand) for the year ended March 31, 2010.

As discussed in Note 2-f, effective April 1, 2008, the Company applied ASBJ Statement No.9, "Accounting Standard for Measurement of Inventories." The effect of this change was to decrease operating income of Residential by ¥7,587 million, operating income of Commercial by ¥107 million, operating income of Home Center by ¥179 million and operating income of Other by ¥9 million 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.

⓬ Other income (expenses): Other — net

"Other income (expenses): Other — net" for the years ended March 31, 2010, 2009 and 2008 consisted of the following:

	Millions of Yen			Thousands of U.S. Dollars
	2010	2009	2008	2010
Real estate acquisition tax and other taxes	¥(1,859)	¥(1,161)	¥(1,197)	$(19,989)
Provision for retirement benefits for directors of subsidiaries			(379)	
Reversal of accounts payable for retirement benefits for directors of subsidiaries		473		
Gain on sales of investment securities		4	899	
Allowance for doubtful accounts	(949)	(414)	(239)	(10,204)
Equity in earnings of associated companies	1,242	542	316	13,355
Write-down of golf club membership	(17)	(97)	(53)	(183)
Loss on sales of golf club membership	(1)		(3)	(11)
Interest on commercial paper	(86)	(662)	(704)	(925)
Salaries and allowance for prior periods		(248)	(226)	
Gain on settlement of derivatives	501	856	722	5,387
Loss on settlement of derivatives		(355)	(222)	
Loss on liquidation of subsidiaries and affiliates		(22)		
Bad debt expenses		(312)		
Amortization of negative goodwill	181			1,946
Other — net	2,054	1,937	1,067	22,086
Total	¥ 1,066	¥ 541	¥ (19)	$ 11,462

⓭ 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.

⓮ Income taxes

The parent 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 rate of approximately 40.6% for the years ended March 31, 2010, 2009 and 2008.

The tax effects of significant temporary differences and tax loss carryforwards which resulted in deferred tax assets and liabilities at March 31, 2010 and 2009 are as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2010	2009	2010
Current:			
Deferred tax assets:			
Write-down of land held for resale	¥ 24,629	¥ 20,749	$ 264,828
Accrued bonuses	8,360	7,250	89,892
Accrued enterprise tax	2,025	771	21,774
Other	11,855	7,006	127,473
Less valuation allowance	(188)	(58)	(2,021)
Deferred tax assets	¥ 46,681	¥ 35,718	$ 501,946
Deferred tax liabilities:			
Other	¥ (1)		$ (11)
Deferred tax liabilities	¥ (1)		$ (11)
Net deferred tax assets	¥ 46,680	¥ 35,718	$ 501,935
Non-current:			
Deferred tax assets:			
Employees' retirement benefits	¥ 66,494	¥ 64,982	$ 714,989
Unrealized gains on sales of property, plant and equipment	9,177	8,937	98,678
Excess of depreciation of property, plant and equipment	21,289	16,051	228,914
Loss carryforwards	7,546	7,698	81,140
Other	23,774	23,270	255,634
Less valuation allowance	(12,765)	(11,719)	(137,258)
Deferred tax assets	¥115,515	¥109,219	$1,242,097
Deferred tax liabilities:			
Retained earnings appropriated for tax allowable reserves	¥ (1,974)	¥ (1,988)	$ (21,226)
Net unrealized gain on available-for-sale securities	(3,977)	(2,319)	(42,763)
Other	(267)	(192)	(2,871)
Deferred tax liabilities	¥ (6,218)	¥ (4,499)	$ (66,860)
Net deferred tax assets	¥109,297	¥104,720	$1,175,237

A reconciliation between the normal effective statutory tax rate and the actual effective tax rate reflected in the accompanying consolidated statements of income for the years ended March 31, 2010, 2009 and 2008 is as follows:

	2010	2009	2008
Normal effective statutory tax rates	40.6%	40.6%	40.6%
Increase (decrease) in tax rates due to:			
Permanently non-deductible expenses	3.3	9.3	4.7
Non-taxable dividend income	(0.5)	(0.3)	(1.0)
Per capita levy	2.7	7.4	3.7
Equity in earnings of associated companies	(1.3)	(1.6)	(0.5)
Unrealized gain on inventories			(4.3)
Increase in valuation allowance	3.9	23.1	7.9
Tax credit for corporate tax	(0.5)	(1.5)	(1.1)
Reversal of land revaluation difference	(0.4)	(3.8)	(0.4)
Other — net	1.9	(0.1)	(1.1)
Actual effective tax rates	49.7%	73.1%	48.5%

At March 31, 2010, certain subsidiaries have tax loss carryforwards aggregating approximately ¥20,643 million ($221,968 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:

Years Ending March 31	Millions of Yen	Thousands of U.S. Dollars
2013	¥ 192	$ 2,065
2014	560	6,021
2015	14,217	152,871
2016 and thereafter	5,674	61,011
Total	¥20,643	$221,968

⑮ Research and development costs

Research and development costs charged to income were ¥7,219 million ($77,624 thousand), ¥7,753 million and ¥7,870 million for the years ended March 31, 2010, 2009 and 2008, respectively.

⑯ Supplemental cash flow information

For the year ended March 31, 2010, DAIWA LIFENEXT CO., LTD. (formerly COSMOS LIFE CO., LTD.) and LIFE CLEAN SERVICE CO., LTD. were acquired. Assets and liabilities of these companies at the time of consolidation, cash paid for the capital and cash paid in conjunction with the purchases of consolidated subsidiaries were as follows:

	Millions of Yen	Thousands of U.S. Dollars
	2010	2010
Assets	¥12,352	$132,817
Goodwill	11,175	120,162
Liabilities	(7,506)	(80,710)
Cash paid for the capital	16,021	172,269
Cash and cash equivalents of consolidated subsidiaries	2,698	29,011
Payments for purchases of shares of the newly consolidated subsidiaries	¥13,323	$143,258

17 Leases

Finance leases:

(Lessee)

Total lease payments under finance leases that are not deemed to transfer ownership of the leased property to the lessee were ¥28,872 million ($310,452 thousand), ¥29,330 million, and ¥2,947 million for the years ended March 31, 2010, 2009 and 2008, respectively.

The amount of the imputed interest expense portion included in the above lease payments, which is computed using the interest method, was ¥12,416 million ($133,505 thousand) and ¥12,438 million for the year ended March 31, 2010 and 2009, respectively.

Pro forma information of leased property whose lease inception was before March 31, 2008

ASBJ Statement No.13, "Accounting Standard for Lease Transactions" requires that all finance lease transactions should be capitalized to recognize lease assets and lease obligations in the balance sheet. However, the ASBJ Statement No.13 permits leases without ownership transfer of the leased property to the lessee whose lease inception was before March 31, 2008 to be accounted for as operating lease transactions if certain "as if capitalized" information is disclosed in the notes to the financial statements. The Company applied the ASBJ Statement No.13 effective April 1, 2008 and accounted for such leases as operating lease transactions. Pro forma information of leased property whose lease inception was before March 31, 2008 such as acquisition cost, accumulated depreciation, accumulated impairment loss, obligations under finance leases, depreciation expense, interest expense and other information of finance leases that do not transfer ownership of the leased property to the lessee on an "as if capitalized" basis was as follows:

	Millions of Yen			
	2010			
	Buildings and Structures	Machinery and Equipment	Furniture and Fixtures	Total
Acquisition cost	¥334,422	¥2,425	¥3,680	¥340,527
Accumulated depreciation	117,203	1,024	2,374	120,601
Accumulated impairment loss	3,564	8	33	3,605
Net leased property	¥213,655	¥1,393	¥1,273	¥216,321

	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

	Thousands of U.S. Dollars			
	2010			
	Buildings and Structures	Machinery and Equipment	Furniture and Fixtures	Total
Acquisition cost	$3,595,936	$26,075	$39,570	$3,661,581
Accumulated depreciation	1,260,247	11,011	25,527	1,296,785
Accumulated impairment loss	38,323	86	355	38,764
Net leased property	$2,297,366	$14,978	$13,688	$2,326,032

Obligations under finance leases as of March 31, 2010 and 2009 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2010	2009	2010
Due within one year	¥ 22,210	¥ 18,275	$ 238,817
Due after one year	220,955	240,921	2,375,860
Total	¥243,165	¥259,196	$2,614,677

Allowance for impairment loss on leased property of ¥3,261 million ($35,065 thousand) and ¥2,860 million as of March 31, 2010 and 2009, respectively, is not included in obligation under finance leases.

Reversals of allowance for impairment loss on leased properties were ¥454 million ($4,882 thousand), ¥4 million and ¥2 million for the years ended March 31, 2010, 2009 and 2008, respectively.

Depreciation expense relating to the leased assets under finance lease arrangements mentioned above was ¥17,995 million ($193,495 thousand), ¥18,787 million and ¥2,945 million for the years ended March 31, 2010, 2009 and 2008, respectively.

The Company recorded an impairment loss of ¥856 million ($9,204 thousand), ¥430 million and ¥3 million on certain leased property held under finance leases for the years ended March 31, 2010, 2009 and 2008, respectively.

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

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

(Lessor)

The net investments in lease is summarized as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2010	2009	2010
Gross lease receivables	¥11,551	¥6,449	$124,204
Unguaranteed residual values	689	266	7,409
Unearned interest income	(2,499)	(1,088)	(26,871)
Investments in lease, current	¥ 9,741	¥5,627	$104,742

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

Years Ending March 31	Millions of Yen	Thousands of U.S. Dollars
2011	¥ 2,262	$ 24,323
2012	2,214	23,806
2013	2,120	22,796
2014	1,660	17,849
2015	968	10,409
2016 and thereafter	2,327	25,021
Total	¥11,551	$124,204

Total rental income under finance leases that are not deemed to transfer ownership of the leased property to the lessee were ¥2,993 million ($32,183 thousand), ¥3,950 million and ¥9,782 million for the years ended March 31, 2010, 2009 and 2008, respectively.

The amounts of the imputed interest income portion included in the above rental income, which is computed using the interest method, were ¥360 million ($3,871 thousand), ¥585 million and ¥753 million for the years ended March 31, 2010, 2009 and 2008, respectively.

Property and equipment leased to customers under finance lease arrangements mentioned above consisted of the following at March 31, 2010 and 2009.

	Machinery and Equipment		
	Millions of Yen		Thousands of U.S. Dollars
	2010	2009	2010
Acquisition cost	¥11,593	¥14,511	$124,656
Accumulated depreciation	7,268	7,565	78,151
Net leased property	¥ 4,325	¥ 6,946	$ 46,505

Future rental income under finance leases at March 31, 2010 and 2009 was as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2010	2009	2010
Due within one year	¥2,119	¥2,664	$22,785
Due after one year	2,517	4,716	27,064
Total	¥4,636	¥7,380	$49,849

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 ¥2,397 million ($25,774 thousand), ¥2,626 million and ¥6,919 million for the years ended March 31, 2010, 2009 and 2008, respectively.

Operating leases:

Obligations and future rental income under non-cancellable operating leases as of March 31, 2010 and 2009 were as follows:

(Lessee)

	Millions of Yen		Thousands of U.S. Dollars
	2010	2009	2010
Due within one year	¥ 39,874	¥ 38,934	$ 428,753
Due after one year	455,377	473,066	4,896,527
Total	¥495,251	¥512,000	$5,325,280

(Lessor)

	Millions of Yen		Thousands of U.S. Dollars
	2010	2009	2010
Due within one year	¥ 2,237	¥ 2,051	$ 24,054
Due after one year	168,984	161,115	1,817,032
Total	¥171,221	¥163,166	$1,841,086

18 Financial instruments and related disclosures

In March, 2008, the ASBJ revised ASBJ Statement No.10 "Accounting Standard for Financial Instruments" and issued ASBJ Guidance No.19 "Guidance on Accounting Standard for Financial Instruments and Related Disclosures." This accounting standard and the guidance are applicable to financial instruments and related disclosures at the end of the fiscal years ending on or after March 31, 2010 with early adoption permitted from the beginning of the fiscal years ending before March 31, 2010. The Company applied the revised accounting standard and the new guidance effective March 31, 2010.

(1) Company policy for financial instruments

The Company uses financial instruments, mainly long-term debt, bonds and commercial paper based on its capital financing plan. Cash surpluses, if any, are invested in low risk financial assets. Derivatives are used, not for speculative purposes, but to manage exposure to financial risks as described in (2) below.

(2) Nature and extent of risks arising from financial instruments, and risk management for financial instruments

Receivables such as trade notes and trade accounts and lease deposits are exposed to customer credit risk. The Company manages its credit risk by monitoring of payment term and balances of customers to identify the default risk of customers in an early stage.

Marketable and investment securities such as stock, certificates of deposit, debt securities, investment trusts and investments in capital of partnership are exposed to issuers' credit risk, interest rate risk and price fluctuation risk. The Company manages its credit risk and price fluctuation risk by monitoring market values and financial position of issuers on a regular basis.

Payment terms of payables, such as trade notes and trade accounts, are mainly less than one year. Lease deposits consist mainly of the deposits of a real estate business. The long-term debt and bonds are used mainly for investment in plant, equipment and lease property. Maturities of bank loans and bonds are mainly less than five years after the balance sheet date. A part of such bank loans and payables are exposed to liquidity risk. The Company manages its liquidity risk by holding adequate volumes of liquid assets, along with adequate financial planning by the financial department.

For the part of floating-rate long-term debt, the Company enters into interest rate swap contracts to hedge interest rate fluctuations.

Based on the internal guidelines, the Company enters into interest rate and commodity swaps to hedge fluctuation risks of interest rate or fuel price. It is the Company's policy to use derivatives only for the purpose of reducing market risks associated with assets and liabilities. Because the counterparties to those derivatives are limited to major international financial institutions, the Company does not anticipate any losses arising from credit risk.

(3) Fair values of financial instruments

Fair values of financial instruments are based on quoted price in active markets. If quoted price is not available, other rational valuation techniques are used instead. Also please see Note 19 for the detail of fair value for derivatives. Also please see Note 19 for more detail about derivatives risk.

(a) Fair value of financial instruments

	Millions of Yen		
	2010		
	Carrying Amount	Fair Value	Unrealized Gain/Loss
Cash and cash equivalents	¥179,744	¥179,744	
Investments in lease	9,741		
Allowance for doubtful receivables	(11)		
	9,730	9,730	
Short-term investments	49	49	
Receivables	75,815		
Allowance for doubtful receivables	(1,275)		
	74,540	73,697	¥ (843)
Marketable and investment securities:			
Held-to-maturity	797	792	(5)
Investments in unconsolidated subsidiaries and associated companies	2,396	1,986	(410)
Available-for-sale	51,994	51,994	
Lease deposits	190,024		
Allowance for doubtful accounts	(325)		
	189,699	174,071	(15,628)
Total	¥508,949	¥492,063	¥(16,886)
Short-term bank loans	¥ 14,771	¥ 14,771	
Payables	185,657	185,657	
Income taxes payable	24,037	24,037	
Bonds	105,300	105,354	¥ 54
Long-term debt	338,290	344,417	6,127
Lease deposits received	226,322	206,827	(19,495)
Total	¥894,377	¥881,063	¥(13,314)
Derivatives	¥ 1,963	¥ 1,963	

	Thousands of U.S. Dollars		
	2010		
	Carrying Amount	Fair Value	Unrealized Gain/Loss
Cash and cash equivalents	$1,932,731	$1,932,731	
Investments in lease	104,742		
Allowance for doubtful receivables	(118)		
	104,624	104,624	
Short-term investments	527	527	
Receivables	815,215		
Allowance for doubtful receivables	(13,710)		
	801,505	792,441	$ (9,064)
Marketable and investment securities:			
Held-to-maturity	8,570	8,516	(54)
Investments in unconsolidated subsidiaries and associated companies	25,764	21,355	(4,409)
Available-for-sale	559,075	559,075	
Lease deposits	2,043,269		
Allowance for doubtful accounts	(3,495)		
	2,039,774	1,871,731	(168,043)
Total	$5,472,570	$5,291,000	$(181,570)
Short-term bank loans	$ 158,828	$ 158,828	
Payables	1,996,312	1,996,312	
Income taxes payable	258,462	258,462	
Bonds	1,132,258	1,132,839	$ 581
Long-term debt	3,637,527	3,703,409	65,882
Lease deposits received	2,433,570	2,223,946	(209,624)
Total	$9,616,957	$9,473,796	$(143,161)
Derivatives	$ 21,108	$ 21,108	

Cash and cash equivalents and short-term investments

The carrying values of cash and cash equivalents and short-term investments approximate fair value because of their short maturities.

Investments in lease

The carrying amounts of investments in lease approximate fair value because the carrying amounts are discounted at the Company's assumed corporate discount rate.

Receivables

The fair values of receivables are measured at the amount to be received at maturity discounted at the Company's assumed corporate discount rate.

Marketable and investment securities

The fair values of marketable and investment securities are measured at the quoted market price of the stock exchange for equity instruments, and at the quoted price obtained from the financial institution for certain debt instruments. The information of the fair value for the marketable and investment securities by classification is included in Note 3.

Lease deposits

The fair values of lease deposits are measured at the amount to be received at maturity discounted at the Company's assumed corporate discount rate.

Short-term bank loans, payables and income taxes payable

The carrying values of short-term bank loans, payables and income taxes payable approximate fair value because of their short maturities.

Bonds and long-term debt

The fair values of bonds and long-term debt are determined by discounting the cash flows related to the debt at the Company's assumed corporate discount rate.

Lease deposits received

The fair values of lease deposits received are measured at the amount to be paid at maturity discounted at the Company's assumed corporate discount rate.

Derivatives

The information of the fair value for derivatives is included in Note 19.

(b) Financial instruments whose fair value cannot be reliably determined

	Carrying Amount	
	Millions of Yen	Thousands of U.S. Dollars
	2010	2010
Equity securities	¥45,212	$486,151
Preferred fund certificates	17,737	190,720
Investments in limited liability partnership and other	7,428	79,871

(4) Maturity analysis for financial assets and securities with contractual maturities

	Millions of Yen			
	2010			
	Due in One Year or Less	Due after One Year through Five Years	Due after Five Years through Ten Years	Due after Ten Years
Cash and cash equivalents	¥179,744			
Investments in lease	2,262	¥ 6,962	¥ 2,327	
Short-term investments	49			
Receivables	65,688	3,238	3,185	¥ 3,704
Marketable and investment securities:				
Held-to-maturity			900	10
Available-for-sale securities with contractual maturities	6	25	19	500
Lease deposits	13,321	53,676	56,422	72,967
Total	¥261,070	¥63,901	¥62,853	¥77,181

	Thousands of U.S. Dollars			
	2010			
	Due in One Year or Less	Due after One Year through Five Years	Due after Five Years through Ten Years	Due after Ten Years
Cash and cash equivalents	$1,932,731			
Investments in lease	24,323	$ 74,860	$ 25,021	
Short-term investments	527			
Receivables	706,322	34,817	34,248	$ 39,828
Marketable and investment securities:				
Held-to-maturity			9,678	108
Available-for-sale securities with contractual maturities	65	269	204	5,376
Lease deposits	143,236	577,162	606,688	784,591
Total	$2,807,204	$687,108	$675,839	$829,903

Please see Note 8 for annual maturities of bonds and long-term debt.

⑲ Derivatives

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

It is the Company'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 Company does not anticipate any losses arising from credit risk.

The Company 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 Company.

As noted in Note 18, the Company applied ASBJ Statement No.10 "Accounting Standard for Financial Instruments" and ASBJ Guidance No.19 "Guidance on Accounting Standard for Financial Instruments and Related Disclosures." The accounting standard and the guidance are applicable to financial instruments and related disclosures at the end of the fiscal years ending on or after March 31, 2010; therefore, the required information is disclosed only for 2010.

Derivative transactions to which hedge accounting is not applied at March 31, 2010 and 2009 were as follows:

	Thousands of Barrels				Millions of Yen				Thousands of U.S. Dollars	
	2010		2009		2010		2009		2010	
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)
Commodity swap:										
Receive floating pay fixed	480	360	600	480	¥2,359	¥2,359	¥1,999	¥1,999	$25,366	$25,366
Receive fixed pay floating	480	360	600	480	(396)	(396)	433	433	(4,258)	(4,258)
Total	960	720	1,200	960	¥1,963	¥1,963	¥2,432	¥2,432	$21,108	$21,108

Derivative transactions to which hedge accounting is applied at March 31, 2010 were as follows:

		Millions of Yen			Thousands of U.S. Dollars		
		2010			2010		
	Hedged Item	Contract Amount	Contract Amount Due after One Year	Fair Value	Contract Amount	Contract Amount Due after One Year	Fair Value
Interest rate swaps:							
(fixed rate payment, floating rate receipt)	Long-term debt	¥190,065	¥189,153	—	$2,043,710	$2,033,903	—

The above interest rate swaps which qualify for hedge accounting and meet specific matching criteria are not remeasured at market value but the differentials paid or received under the swap agreements are recognized and included in interest expense or income. In addition, the fair value of such interest rate swaps in Note 18 is included in that of hedged items (i.e. long-term debt).

⑳ Contingencies

At March 31, 2010, contingent liabilities for notes endorsed with recourse and loans guaranteed in the ordinary course of business amounted to ¥1,267 million ($13,624 thousand) and ¥34,913 million ($375,409 thousand), respectively. Included in loans guaranteed were customers' housing loans from banks in the amount of ¥20,512 million ($220,559 thousand).

㉑ Subsequent event

Appropriations of retained earnings

The following appropriation of retained earnings at March 31, 2010 was approved at the parent company's shareholders' meeting held on June 29, 2010:

	Millions of Yen	Thousands of U.S. Dollars
Year-end cash dividends, ¥17.0 ($0.18) per share	¥9,845	$105,860

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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 (the "Company") as of March 31, 2010 and 2009, 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, 2010, 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, 2010 and 2009, and the consolidated results of their operations and their cash flows for each of the three years in the period ended March 31, 2010, 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 LLC

June 29, 2010

Member of
Deloitte Touche Tohmatsu

Group Presidents


Achieve

Group Companies

As of July 1, 2010

Daiwa House® Group

Single-Family Houses

Daiwa House Industry Co., Ltd.

Rental Housing

Daiwa House Industry Co., Ltd.

Daiwa Living Co., Ltd.
100%

Nihon Jyutaku Ryutu Co., Ltd.
100%

Daiwa Estate Co., Ltd.
100%

Condominiums

Daiwa House Industry Co., Ltd.

Daiwa Service Co., Ltd.
100%

Nihon Jyutaku Ryutu Co., Ltd.
100%

Daiwa LifeNext 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%

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%

During the more than half century 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 Co., Ltd.
100%

Osaka Marubiru Co., Ltd.
96.7%

Daiwa House REIT Management Co., Ltd.
100%

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

Daiwa House Financial Co., Ltd.
70%

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 and Affiliates

As of July 1, 2010

Daiwa Lease
Daiwa House Group

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 celebrated 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
Daiwa House Group

Daiwa Rakuda Industry Co., Ltd.

Housing equipment/
Layout for offices and stores/
Leasing

Takao Miyakogawa

Born in 1950
1973: Joins Daiwa House Industry
2010: 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
Daiwa House Group

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
Daiwa House Group

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
Daiwa House Group

Daiwa Service Co., Ltd.

Management of
condominiums & buildings/
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 LifeNext
Daiwa House Group

Daiwa LifeNext Co., Ltd.

Management of condominiums & buildings

Yoshinori Watanabe

Born in 1956
1979: Joins Japan Recruit Center (Currently Recruit)
2005: Becomes President of Cosmos Life*1

We support individuals, communities, and people's lifestyles through our management services for condominiums, dormitories, company housing, schools, office buildings, and others. We are dedicated to raising the value of our customers' precious assets. Our aim is to go that extra mile to provide customers with an unsurpassed level of product quality and service throughout their lives.

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

Ken Harada

Born in 1953
1982: Joins Daiwa House Industry
2010: President of Daiwa Royal

With a focus on community-building with our customers, we develop and operate commercial facilities that are valued by local people and city hotels with an accent on hospitality. At the same time, we nurture new businesses to meet the needs of changing times.

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 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 Lantec Co., Ltd.

Foundation assessment &
reinforcement

Chiyohiro Aoyagi

Born in 1950
1969: Joins Daiwa House Industry
2010: President of Daiwa Lantec

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 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 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

Tetsuya Tamura

Born in 1962
1986: Joins Daiwa House Industry
2009: 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 the 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.

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

Nobuyuki Otsuji

Born in 1954
1986: Joins Shinwa Agency
2010: President of Shinwa Agency

Through our advertising and travel agency businesses we aim to reach our customers' hearts and give them a truly enjoyable time that will remain in their memories forever. Our mission is to help people discover new possibilities in their lives. Shinwa Agency is ready to help.

MEDIA TECH INC.
Daiwa House Group

Media Tech Inc.

Data systems/Data services

Mitsuyoshi Koga

Born in 1950
1972: Joins Daiwa House Industry
2010: President of Media Tech

Media Tech Inc. is the sole dedicated IT company in the Daiwa House Group. Our role is to further develop the Group's expertise in information technology to help Group companies serve as valuable partners for our customers.

Daiwa House Group

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.

東富士
Daiwa House Group

Higashi-Fuji Co., Ltd.

Real estate development, sale of commercial real estate

Masamichi Yagita

Born in 1959
1983: Joins Daiwa House Industry
2010: 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.

大和小田急建設
Daiwa House Group

Daiwa Odakyu Construction Co., Ltd.

General construction/ Real estate

Yoshiaki Takamura

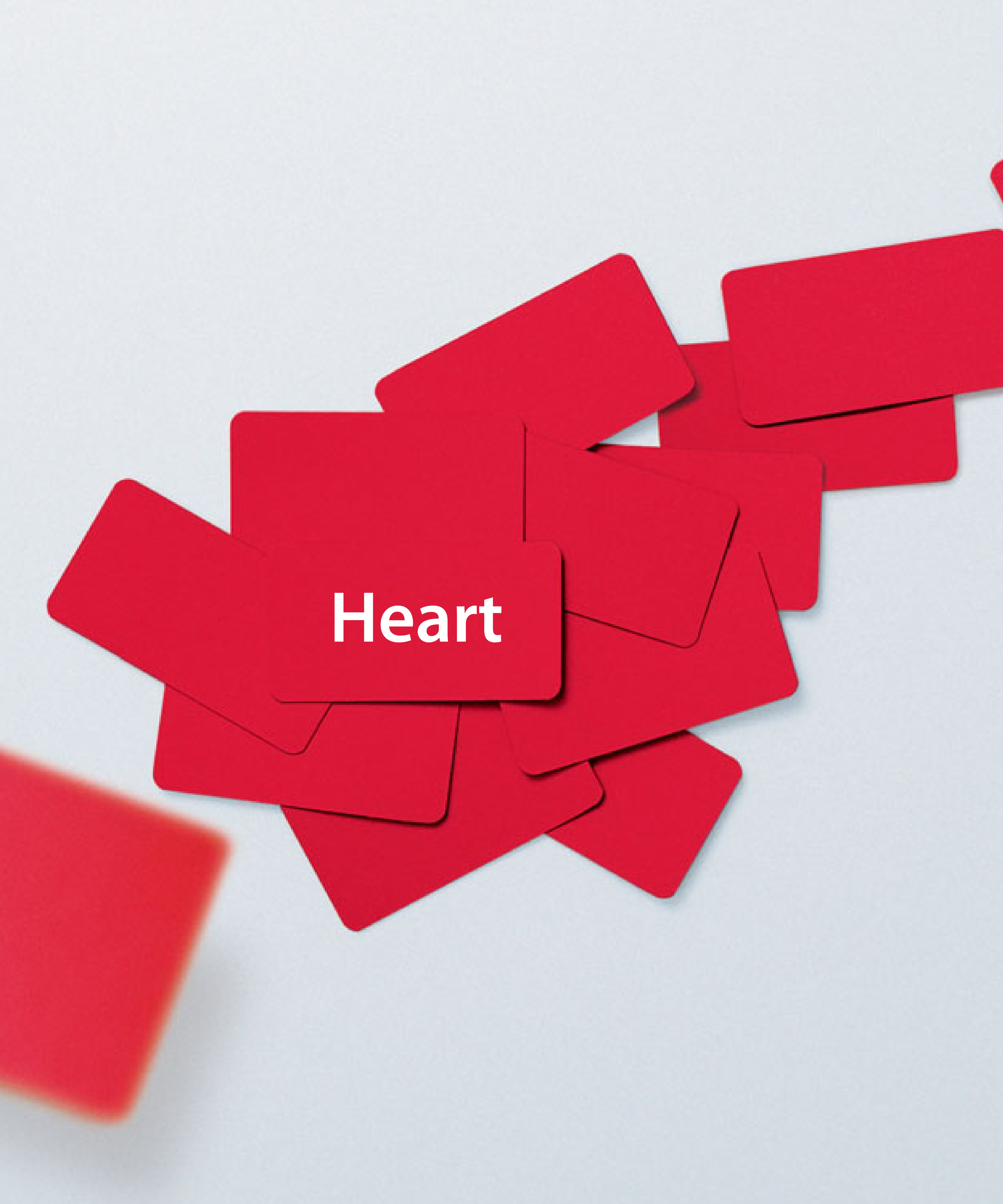
Born in 1942
1965: Joins Daiwa Danchi
2008: President of Odakyu Construction*3

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. We will foster new core competences and enrich people's lives.

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

We’re

Daiwa House Group



Heart

What is needed by the state, society and individual citizens?

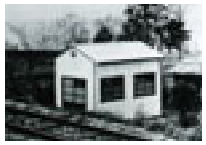
Nobuo Ishibashi, founder of Daiwa House Group, believed that a company’s raison d’être lies in finding solutions to the problems faced by the world as a whole, and that the company’s future depends on its success in addressing this task.
We have inherited this belief, and will continue to create products and services of benefit to society as a whole.

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

60's

1961
Daiwa Danchi established (merged with Daiwa House Industry in April 2001)

Stock listed on Osaka, Tokyo and Nagoya stock exchanges

1965
Nara Factory constructed, Japan's first specialist plant for production of prefabricated houses

1962
Daiwa Danchi developed Habikino Neopolis, our first housing complex

70's

1971
Daiwa Jutakukiki (current Daiwa Rakuda Industry) established

1977
Condominium Business started

1975
Opening of the Daiwa House Group's first golf course at the Shikabe Country Club

1978
Resort hotels business started with opening of Noto Royal Hotel, the first Daiwa Royal Hotel

1976
Full-scale start of retail and wholesale facilities business

1979
Real Estate Information centers set up within each of the Company's offices as first step in developing the used housing market

80's

1980
First Royal Home Center opened in Nara City

1986
Daiwa Information Service established

1982
Full-scale start of rental housing business

1989
Daiwa Living established

Silver Age Research Center established

1983
Manufacture of high-end prefabricated houses for export to China (a first for Japan)

Tentakubin (current Daiwa Service) 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 Bretton Woods system caused the U.S. dollar to collapse

1978
Second oil crisis

1989
Berlin Wall collapsed

Tiananmen Square incident

Daiwa House® Group

90's

1994
Daiwa House Central Research Laboratory opened in Kansai Science City

00's

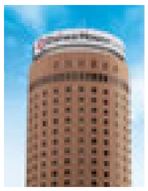
2000
Full-scale start of renovation business

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



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 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 (current Daiwa Odakyu Construction)

Eneserve became wholly owned subsidiary

Morimoto Asset Management became consolidated subsidiary (current Daiwa House Morimoto Asset Management)

2009
Cosmos Life became consolidated subsidiary (with registered trade name changed to Daiwa LifeNext in April 2010)

Full-scale start of real estate development operations in China

1991
Soviet Union collapsed

1999
Single European currency, the euro born

2001
9/11 terrorist attacks

2008
Lehman Brothers collapsed, triggering worldwide financial crisis

2010
Greek government debt crisis affects all Europe, casting doubt on global economic prospects

Principal Subsidiaries and Affiliates

As of July 1, 2010

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 condominiums & buildings/
Moving services
www.daiwaservice.co.jp

Daiwa LifeNext Co., Ltd.
Management of condominiums & buildings
www.daiwalifenext.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 Lantec Co., Ltd.
Foundation assessment & reinforcement
www.daiwalantec.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 hotels, condominiums & office buildings

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

Daiwa House (China) Investment Co., Ltd.
Real estate investment

Corporate Data

As of April 1, 2010

Corporate name:	Daiwa House Industry Co., Ltd.
Founding:	April 5, 1955 (Established: March 4, 1947)
Paid-in capital:	¥110,120,483,981
Employees:	13,723
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:	81
Factories:	10
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

Sources

P2 – 3	Population over 65: United Nations, World Population Prospects, The 2008 Revision
P4 – 5	Greenhouse gas emissions: Website of the United Nations Framework Convention on Climate Change
	Rising temperatures: Ministry of the Environment, STOP THE ONDANKA 2008
P6 – 7	Medical costs (% of GDP): OECD Health Data 2010
P8 – 9	Global cell phone penetration: International Telecommunication Union
P10 – 11	World population trends: United Nations, World Population Prospects, The 2008 Revision
P28	Foreign shareholdings in listed companies in Japan: Securities exchanges in Japan, Survey into distribution of shares in fiscal 2009
P34 – 35	New housing starts: Ministry of Land, Infrastructure, Transport and Tourism, housing start statistics
	Population: United Nations, World Population Prospects, The 2008 Revision
	Households: Census by Ministry of Internal Affairs and Communications/ National Institute of Population and Social Security Research, Projection of future number of households in Japan, estimated as of March 2008
	Welfare spending (% of GDP): OECD Factbook 2010
	CO_2 emissions from fossil fuel: OECD Factbook 2010
	Food self-sufficiency in major developed nations: Ministry of Agriculture, Forestry and Fisheries, study on global food self-sufficiency
	Population over 65 in Japan: United Nations, World Population Prospects, The 2008 Revision
	Rising temperatures: Ministry of the Environment, STOP THE ONDANKA 2008
	Medical costs (% of GDP) in Japan: OECD Health Data 2010
	Internet penetration in Japan: Ministry of Internal Affairs and Communications, Study into telecommunications usage trends in fiscal 2009
	Global food (cereals) demand: Ministry of Agriculture, Forestry and Fisheries, Strategy council on future food supplies
P44 – 54	GDP: Cabinet Office, Government of Japan, Economic statistics by prefecture (population-based)
	Population: Ministry of Internal Affairs and Communications, Census
	New housing starts: Ministry of Land, Infrastructure, Transport and Tourism, housing start statistics
P59	World economic outlook (Comparison of GDP): IMF World Economic Outlook
	Property price trends in Chinese cities: National Bureau of Statistics of China
P68	Number of households: Ministry of Internal Affairs and Communications, Census
P70	Outlook for overall home renovation market: Yano Research Institute Ltd., Home Renovation Market 2010
P71	Outlook for overall energy solutions market: Ministry of the Environment, Estimated current market and workforce size in the environmental sector in Japan, and future projections
P85	Number of condominiums sold in Japan: Real Estate Economic Institute Co., Ltd, Condominium Market Trends in Japan
P86	Outlook for home renovation market (overall size) in Japan: Yano Research Institute Ltd., Home Renovation Market 2010
P91	Floor space of construction starts by facility type in Japan: Ministry of Land, Infrastructure, Transport and Tourism, Construction starts (by floor space)
P102	New housing starts: Ministry of Land, Infrastructure, Transport and Tourism, Housing start statistics
P120	Net D/E ratio: Compiled by Daiwa House Industry based on the flash report of each company, and Rating and Investment Information (R&I) (as of June 30, 2010)

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 • John Stuart/D & Join Inc.; Stephen Lloyd   English editor • Ian Channing/D & Join Inc.
Director & coordinator • Katsuya Iwado /D & Join Inc.   Assistant directors • Atsumi Kimura • Mariko Marui • Nao Kishigami • Tetsuo Kubo/Daiwa House

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.