December 26, 2008

Daiwa House Industry Co., Ltd.

Revisions to the English-language version of the Daiwa House Annual Report released in 2008 (Report on performance in fiscal 2007)

Daiwa House Industry Co., Ltd. has recently released revisions to the Notes to the Consolidated Financial Statement for fiscal 2007 (ended March 2008), and in line with this, the present document contains revisions to certain figures appearing in the relevant section of the English-language version of its annual report on fiscal 2007 (ended March 2008), released under the title of 2008 Annual Report.

Please note that the revisions in question have no effect on the consolidated and non-consolidated Balance Sheets and Income Statements of Daiwa House.

■ Notes to Consolidated Financial Statements (P152) — Note 13 Income taxes

Before correction

⓭ Income taxes

The Company and its domestic subsidiaries are subject to Japanese national and local income taxes which, in the aggregate, resulted in a normal effective statutory tax rates of approximately 40.6% for the years ended March 31, 2008, 2007 and 2006.

The tax effects of significant temporary differences and loss carryforwards which resulted in deferred tax assets and liabilities at March 31, 2008 and 2007 are as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2008	2007	2008
Current:			
Deferred tax assets:			
Write-down of land held for resale	¥ 21,956	¥ 11,145	$ 219,560
Accrued bonuses	8,033	8,098	80,330
Accrued enterprise tax	1,968	1,391	19,680
Other	8,812	7,051	88,120
Deferred tax assets	¥ 40,769	¥ 27,685	$ 407,690
Deferred tax liabilities:			
Other	¥ (49)		$ (490)
Deferred tax liabilities	¥ (49)		$ (490)
Net deferred tax assets	¥ 40,720	¥ 27,685	$ 407,200
Non-current:			
Deferred tax assets:			
Employees' retirement benefits	¥ 50,569	¥ 39,635	$ 505,690
Unrealized gains on sales of property, plant and equipment	8,162	7,827	81,620
Extraordinary depreciation for property, plant and equipment	7,622	11,380	76,220
Other	26,276	18,859	262,760
Less valuation allowance	(3,790)	(1,110)	(37,900)
Deferred tax assets	¥ 88,839	¥ 76,591	$ 888,390
Deferred tax liabilities:			
Retained earnings appropriated for tax allowable reserves	¥ (1,997)	¥ (2,073)	$ (19,970)
Net unrealized gain on available-for-sale securities	(9,919)	(21,129)	(99,190)
Other	(250)	(32)	(2,500)
Deferred tax liabilities	¥(12,166)	¥(23,234)	$(121,660)
Net deferred tax assets	¥ 76,673	¥ 53,357	$ 766,730

After correction

⓭ Income taxes

The Company and its domestic subsidiaries are subject to Japanese national and local income taxes which, in the aggregate, resulted in a normal effective statutory tax rates of approximately 40.6% for the years ended March 31, 2008, 2007 and 2006.

The tax effects of significant temporary differences and loss carryforwards which resulted in deferred tax assets and liabilities at March 31, 2008 and 2007 are as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2008	2007	2008
Current:			
Deferred tax assets:			
Write-down of land held for resale	¥ 21,956	¥ 11,145	$ 219,560
Accrued bonuses	8,033	8,098	80,330
Accrued enterprise tax	1,967	1,391	19,670
Other	8,813	7,051	88,130
Deferred tax assets	¥ 40,769	¥ 27,685	$ 407,690
Deferred tax liabilities:			
Other	¥ (49)		$ (490)
Deferred tax liabilities	¥ (49)		$ (490)
Net deferred tax assets	¥ 40,720	¥ 27,685	$ 407,200
Non-current:			
Deferred tax assets:			
Employees' retirement benefits	¥ 50,569	¥ 39,635	$ 505,690
Unrealized gains on sales of property, plant and equipment	8,162	7,827	81,620
Extraordinary depreciation for property, plant and equipment	7,622	11,380	76,220
Loss carryforwards	5,754		57,540
Other	25,215	18,859	252,150
Less valuation allowance	(8,483)	(1,110)	(84,830)
Deferred tax assets	¥ 88,839	¥ 76,591	$ 888,390
Deferred tax liabilities:			
Retained earnings appropriated for tax allowable reserves	¥ (1,997)	¥ (2,073)	$ (19,970)
Net unrealized gain on available-for-sale securities	(9,919)	(21,129)	(99,190)
Other	(250)	(32)	(2,500)
Deferred tax liabilities	¥(12,166)	¥(23,234)	$(121,660)
Net deferred tax assets	¥ 76,673	¥ 53,357	$ 766,730

Notes to Consolidated Financial Statements (P153) — Note 13 Income taxes

Before correction

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

Normal effective statutory tax rates	40.6%
Increase (decrease) in tax rates due to:	
Permanently non-deductible expenses	4.7
Non-taxable dividend income	(1.0)
Per capita levy	3.7
Equity in earnings of associated companies	(0.5)
Unrealized gain on inventories	(4.3)
Increase in valuation allowance	8.0
Tax credit for corporate tax	(1.1)
Reversal of land revaluation difference	(0.4)
Other — net	(1.2)
Actual effective tax rate	48.5%

A reconciliation between the normal effective statutory tax rate and the actual effective tax rates for the years ended March 31, 2007 and 2006 was insignificant and not disclosed.

After correction

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

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

A reconciliation between the normal effective statutory tax rate and the actual effective tax rates for the years ended March 31, 2007 and 2006 was insignificant and not disclosed.