



Daiwa House®
Group

Heart me up!

2011 Annual Report






It's true that much has been lost . . .



A photograph of a building at night, possibly a school or community center, with a large cherry blossom tree in the foreground. The building has several windows that are illuminated from within, casting a warm orange glow. The sky is a deep blue, and the overall scene is dimly lit, suggesting dusk or dawn. The text "and all may seem dark, ..." is overlaid on the image.


and all may seem dark, . . .





but this desolation will give birth to a brighter future.



A man in a brown pinstripe suit and glasses stands in a modern glass-walled building. The building has a curved glass entrance and large windows that look out onto a green landscape. The man is standing in the center of the frame, looking directly at the camera. The text "Building the future — with all our heart." is overlaid on the image.

Building the future — with all our heart.

Takeo Higuchi (center)
Chairman and CEO

Naotake Ohno (left)
President and COO

Tetsuji Ogawa (right)
Executive Vice President and CFO

Dear Stakeholders

Firstly, we wish to express our deepest condolences to those who lost loved ones as a result of the earthquake and tsunami of March 11. We also wish, once again, to express our sincere appreciation for the human and material support for the recovery and reconstruction of the devastated region that has been provided by people all over the world, along with many warm words of encouragement. We plan to fulfill our corporate social responsibility by investing the management resources of the Daiwa House Group, with the aim of realizing a speedy recovery by the East Japan region.

During fiscal 2010 a rally was seen in production activity by the Japanese industrial sector as a whole, and the employment figures improved. The economy seemed to be gradually recovering, but it then suffered a double blow from the appreciation of the yen, which undermined export-oriented industries, followed by the Great East Japan Earthquake. Since then, the outlook has remained completely unclear. In the housing industry, the government took measures to stimulate the purchase of homes, including preferential tax and interest rate conditions and an eco-point system for housing. Thanks to this, new housing construction starts registered a slight upswing, rising by 43,000 units over the previous fiscal year, to 819,000 homes.

Amid this economic environment, the Group's fiscal 2010 settlement of accounts saw net sales rise 5.0% year on year, to ¥1,690.2 billion, while operating income was up sharply, by 39.8% year on year, at ¥87.7 billion. This was the first growth in both sales and operating income in three years. We posted amortization of actuarial loss for employees' retirement benefits under non-operating expenses in the amount of ¥8.4 billion, and losses resulting from the Great East Japan Earthquake under extraordinary loss in the amount of ¥8.0 billion. In spite of this, ordinary income posted a sharp year-on-year increase of 31.7%, to ¥79.0 billion, thanks partly to the major increase in operating income, and net income rose by 42.7% over the previous year, to ¥27.3 billion. We plan to pay an annual dividend of ¥20 per share for the current term, consisting of the initially planned dividend of ¥17 per share in addition to a ¥3 commemorative dividend to mark the 55th anniversary of the establishment of Daiwa House Industry.

Looking back on our Second Medium-Term Management Plan "Challenge 2010," under which fiscal 2010 was the third and final year, the Group has been faced with a large number of serious obstacles, beginning with the worldwide stock price crash and subsequent recession set off by the collapse of Lehman Brothers in September 2008, and ending with the devastating earthquake and tsunami in March of this year. Nonetheless, we pursued the goal of improving our profit structure as a priority management theme under the medium-term plan, and thanks to our efforts in this regard we succeeded in overcoming the obstacles in our way, posting increased earnings for the final year of the plan. This success came mainly due to improved profit margins in our new home and amenity construction businesses, and expansion of our existing home business.

We have adopted the words Group (Growth by the Group), Global (Global Development), and Great (Realizing a Great Company) as the keywords for our management policy over the medium and long term. In the Japanese market, we will work to realize closer collaboration among Group members in each operational field, with the target of achieving the No.1 market share in all regions of Japan. To expand our operational scale, we will speed up the process of globalization of the Group's business, and at the same time will focus even more efforts than hitherto on the development of our human resources so as to build a "great" corporate group with the sort of worth and nobility that society demands.

Nobuo Ishibashi, the founder of Daiwa House Industry constantly asked himself "What does society need?" And through the pursuit of business operations based on this concept, the Group has grown to be what it is today. The enormous loss of lives and material damage caused by the earthquake and tsunami of March this year is bringing about a sea change in the values of society. For this reason, we believe that what the Daiwa House Group must do now is what it has always done — respond to society's needs. Under the banner of our "Endless Heart" Group symbol, which represents our fundamental policy of "co-creating a brighter future," we pledge to all our stakeholders that we will work to make that vision of a brighter future come true.




Takeo Higuchi
Chairman and CEO




Naotake Ohno
President and COO



Tetsuji Ogawa
Executive Vice President and CFO

A full-page background image of a starry night sky. In the lower right, there are dark silhouettes of several trees. Along the bottom edge, there are small, bright lights, including a cluster of white and blue lights on the left that appear to be from a boat.

Letter from the CEO



The earthquake and tsunami of March 11, combined with the subsequent nuclear power plant accidents, caused a massive loss of lives and the destruction of homes and workplaces, and people have shed bitter tears amid the darkened streets. But no matter how dark the world may seem, human beings always rise to their feet and seek the light. Those who have survived such a disaster must open their eyes and summon the courage to carry on, so that all those deaths will not have been totally in vain.

The recent disaster has also highlighted a number of previously existing social problems, including the aging of the Japanese population, the reduced role of communities in modern life, and the low levels of self-sufficiency in energy and food supplies, and we can no longer ignore these hard facts. We should take the opportunity offered by the work of reconstructing the devastated region to begin steering Japan in a new direction.

In the future, we will surely look back on March 11, 2011 as Japan's turning point. At the Daiwa House Group, we pledge to help redesign the structure of Japanese society from the bottom upward, and to proclaim a new set of values. We are determined to learn the lessons of this unprecedented tragedy. We will work to hold up a light for this gloom-enshrouded nation, leading it into a new dawn and Japanese society into a hitherto unimaginable future.




To make a comfortable life for themselves, people have exploited the natural world, and have created a society that places priority on economic growth. No matter how many times natural disasters occur, the “experts” always bluster and claim that it was impossible to foresee. And the human race is guilty of a long list of stupidities, including the contamination of precious natural resources. Surely, now, we must all admit that Japan, and the whole world, have been following the wrong path.

Going where there is no path to lead us

Rather than repeat the mistakes of the past, we have chosen to head in a direction where there is no path to lead us. We must rediscover the humility of people in former times, who realized that their society was merely a part of the greater natural world. We must construct a society where people live together with the bounties of nature — light, water, and wind. We will open up a new road toward the timeless, borderless dreams that are universal to humankind.








At this present moment, the exchange rate of the Japanese yen is hitting record highs, while Japan's electric power generation capacity remains insufficient due to the nuclear reactor accidents. These two factors are motivating companies to shift their production overseas, which will further aggravate the hollowing-out of Japan's industrial base. If employment figures worsen, we may suffer a further "disaster" following the tsunami and nuclear accident, this time an economic one. To weather this crisis, what the country needs is innovation that can generate employment in new areas.

Going where the light shines

Many years ago, when Typhoon Jane struck Japan, nearly 20,000 homes were destroyed, and the steel pipe frame houses that were developed by the Company changed the face of Japan's home-building industry and created a market for prefabricated houses. In the same way, we had originally planned to realize the commercial launch of energy self-sufficient homes by 2020, but the current electric power shortage has caused us to speed up our development plans. Products such as "smart houses," and even concepts such as whole "smart cities," will create a new market that will bring jobs to many people. It is precisely at times when everything is stagnating that one should attempt to forecast future developments and needs. In such ways, we should "seek the light." At Daiwa House, we have already begun our journey toward the land where the light shines.




By 2050, people of wage-earning age in Japan will constitute only 50% of the total population, while it is estimated that those aged over 65 will account for 40%. The twin trends of a low birthrate and an aging population will lead to a shortage of labor, and this will impact all aspects of life in Japan. If the government's measures are too late in the fields of nursing care services (needed to support an elderly population) and agriculture (needed to provide the nation's food supplies), both sectors could collapse. We believe that everyone should take action now, without waiting for the authorities to start moving.

Going where the water flows

When a country is stagnating like a stream that enters a backwater, and needs to be galvanized, companies in the private sector must get moving, because it is we who are the backbone of the nation. We should follow the example of water, which moves of itself and also causes other things to move, by pioneering the development of technologies and products that will change society. Examples of such can be found among the Group's products, like specially designed housing and nursing care robots for the elderly, and "vegetable growers" for growing food indoors. No matter what difficulties lie in wait for us, we should be like water, redoubling our energy and determination when we encounter an obstacle: we must boldly face the problems that confront us.








Japan is a country that has suffered an attack with nuclear weapons, and all the more for that reason, we in Japan have sought to promote the peaceful use of nuclear energy for the generation of electricity. Now, however, having suffered terrible damage to our nuclear power infrastructure as a result of the massive earthquake and tsunami in March of this year, it is unarguable that Japan must reduce its reliance on nuclear power and seek to make use of natural, renewable energy sources including solar power, wind power, wave power, and geothermal energy.

Going where the wind blows

Just as the wind changes direction, so societies change as the years pass by. At the Daiwa House Group, we have been developing technologies for energy conservation, the utilization of renewable energy sources, and the storage of energy in rechargeable batteries. If we continue these efforts and expand their scope so as to widely popularize the use of photovoltaic power generation equipment in homes and commercial facilities, together with lithium ion storage batteries, the day may not be too far off when Japan will cease to be a major importer of energy. As the world's major source of energy changes from fossil fuels to renewable forms of energy, this will be a welcome tailwind for Japan, which has great reserves of renewable energy and, moreover, is a powerhouse of technology. This will be a fresh wind of change that will blow away the dark clouds of uncertainty.





Certain social trends in recent years have been eroding the bonds that tie people together. These include the growing concentration of the nation's labor force in the major cities as a result of economic growth, as well as demographic changes such as an increasing number of people living alone due to the declining birthrate and the aging of the population. Not only older people who have lost their family members, but also many middle-aged and even young people are now living lonely lives with little human contact because of unemployment or separation from their families. Every year, more people commit suicide or die a lonely death than perished in the Great East Japan Earthquake. Is this heartless society what previous generations worked to achieve?

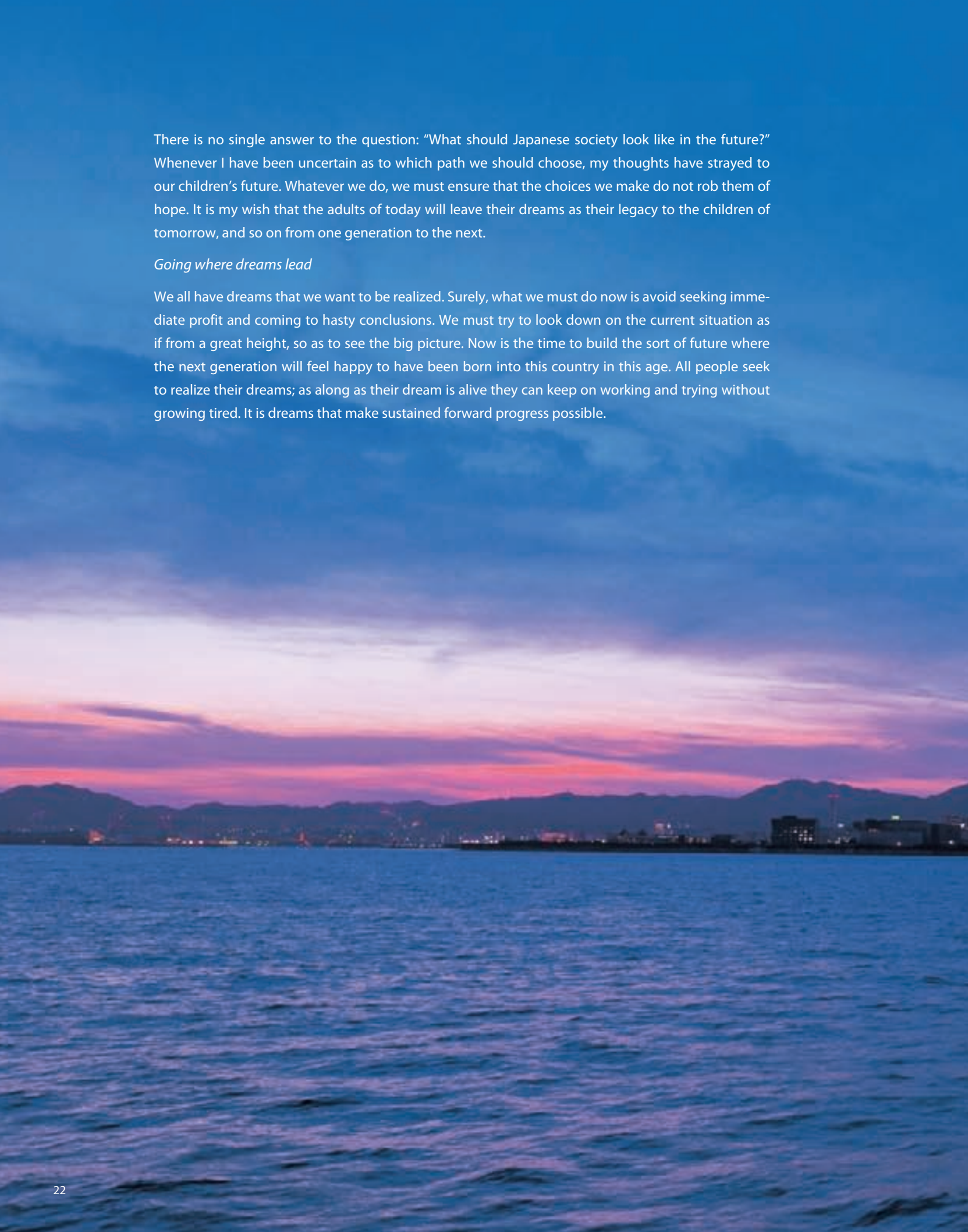
Going where hearts come together

Despite the informatization of society and the fact that it is seemingly possible to live from day to day without contact with other people, one cannot live by the Internet alone. A person can only achieve emotional fulfillment through interaction with others. Even the seemingly materialistic economy was originally a marketplace that functioned through face-to-face contact. The recent disaster has thrown into sharp relief the fact that money and material goods alone cannot serve as indicators of a good standard of living. We have come to realize, once again, that it is the bonds between human beings that constitute the true indicators of a fulfilling life. At Daiwa House, we build facilities and whole communities where hearts can come together.

There is no single answer to the question: “What should Japanese society look like in the future?” Whenever I have been uncertain as to which path we should choose, my thoughts have strayed to our children’s future. Whatever we do, we must ensure that the choices we make do not rob them of hope. It is my wish that the adults of today will leave their dreams as their legacy to the children of tomorrow, and so on from one generation to the next.

Going where dreams lead

We all have dreams that we want to be realized. Surely, what we must do now is avoid seeking immediate profit and coming to hasty conclusions. We must try to look down on the current situation as if from a great height, so as to see the big picture. Now is the time to build the sort of future where the next generation will feel happy to have been born into this country in this age. All people seek to realize their dreams; as long as their dream is alive they can keep on working and trying without growing tired. It is dreams that make sustained forward progress possible.







Japanese society has forgotten the way it used to be: that people had a veneration of nature in their hearts, and gained the courage to face the future by relying on each other. The disaster has reminded us of the importance of these almost forgotten bonds between humankind and nature. This should be part of the new values that will guide us as we seek to build a new Japan.

At the Daiwa House Group, we believe that living together in harmony with nature and with one another is the essence of a spiritually fulfilling society. This belief is embodied in the Group's symbol, our Endless Heart. We constantly question the *raison d'être* of the Group and proudly proclaim our commitment to fulfilling our corporate social responsibilities.

Heart me up!

The actions of all members of the Group are guided by their commitment to “connecting hearts,” by which we mean truly caring about the well-being of our customers and other stakeholders. In our business, we try to communicate our sincerity to everyone involved, so that they will understand our empathy for their position. In the same way that our founder Nobuo Ishibashi put his full efforts into helping Japan's postwar reconstruction, we will work together with our stakeholders — fortified by our belief in all that the Endless Heart symbolizes — to train the people that Japan needs, build the communities it needs, create new livelihoods, and realize a society rich in “heart.”

Raising People's Hearts

The Company's founder, Nobuo Ishibashi, had a grand vision that he expressed in the statement: "A company is a public organ of society." This vision has come down to us, and we have inherited Mr. Ishibashi's purpose and resolution. We have tackled the reconstruction of the region devastated by the earthquake and tsunami through our business operations. As a representative of the Japan Federation of Housing Organizations, I have presented a proposal to the government under the title "Regional Reconstruction and the Creation of a Nation Fully Prepared for Natural Disasters."

This time, the government and the private sector absolutely must collaborate closely to build a country that has all necessary and feasible anti-disaster measures in place; a country whose population can feel safe, and can go about their day-to-day lives without anxiety. An overall vision should be drawn up for the rebuilding of the homes that have been lost, and the communities that have been wiped out or severely crippled. I believe we should draft a "Utopia Concept" for the rebuilding of the devastated region under the strong leadership of the national and local governments.

In the disaster-hit regions, what is required is a reorganization of the locations of residences and industrial facilities. To assist the rebuilding of housing, the authorities should promote the construction of rental housing for those who have lost their homes, and they should also be given preferential treatment with respect to their mortgage loan debts, while steps should be taken to build new housing for elderly people. New concepts for urban development should be put forward, such as homes featuring individual energy conservation systems, and systems for the utilization of renewable energy, including storage batteries. What is needed is the vigorous promotion of energy self-sufficient residences featuring home energy management systems (HEMS) and the use of renewable energy sources, as well as entire "smart cities" leveraging advanced information technology.

From fiscal 2011 we have adopted a management policy that we call "The Three Gs." This refers to the initial G of "Group" in the phrase "Growth by the Group," the G of "Global" in "Global Development," and the G of "Great" in "Realizing a Great Company." Under this Three Gs policy, we have committed ourselves to reconstruction of the disaster-hit regions and assisting in the revitalization of the whole of Japan. In this, we will harness the entire strength of the Group with the aim of becoming a model case for the whole world. Beyond that, we will continue to pursue our dream of attaining annual sales of ¥10 trillion by our 100th anniversary in 2055.

The Daiwa House Group's Endless Heart Group symbol embodies our determination — both as an enterprise that has helped build the society we see around us, and as a leader in opening up a path to the new age — to continue our progress, with renewed speed, toward a better world.



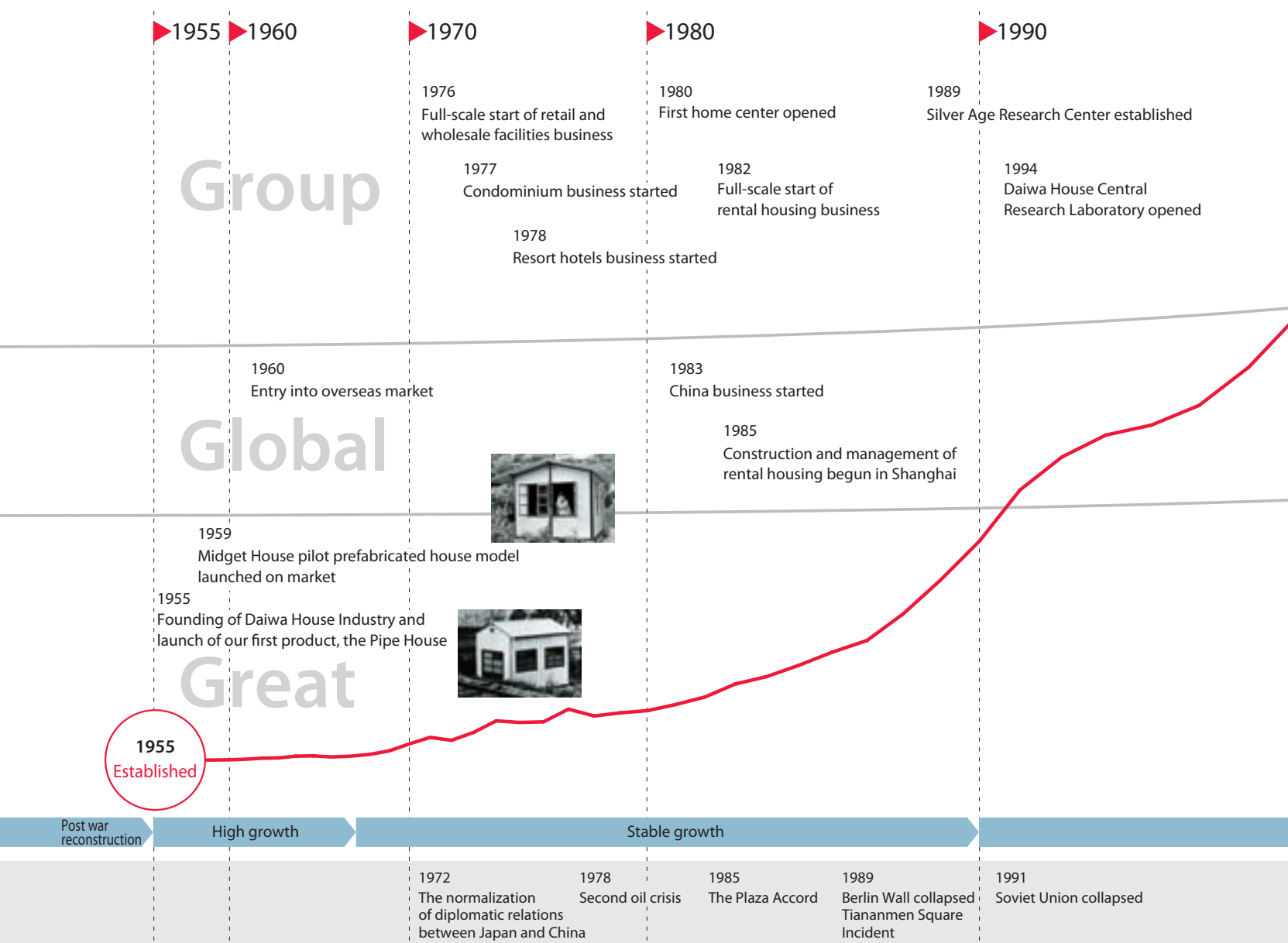
Takeo Higuchi
Chairman and CEO

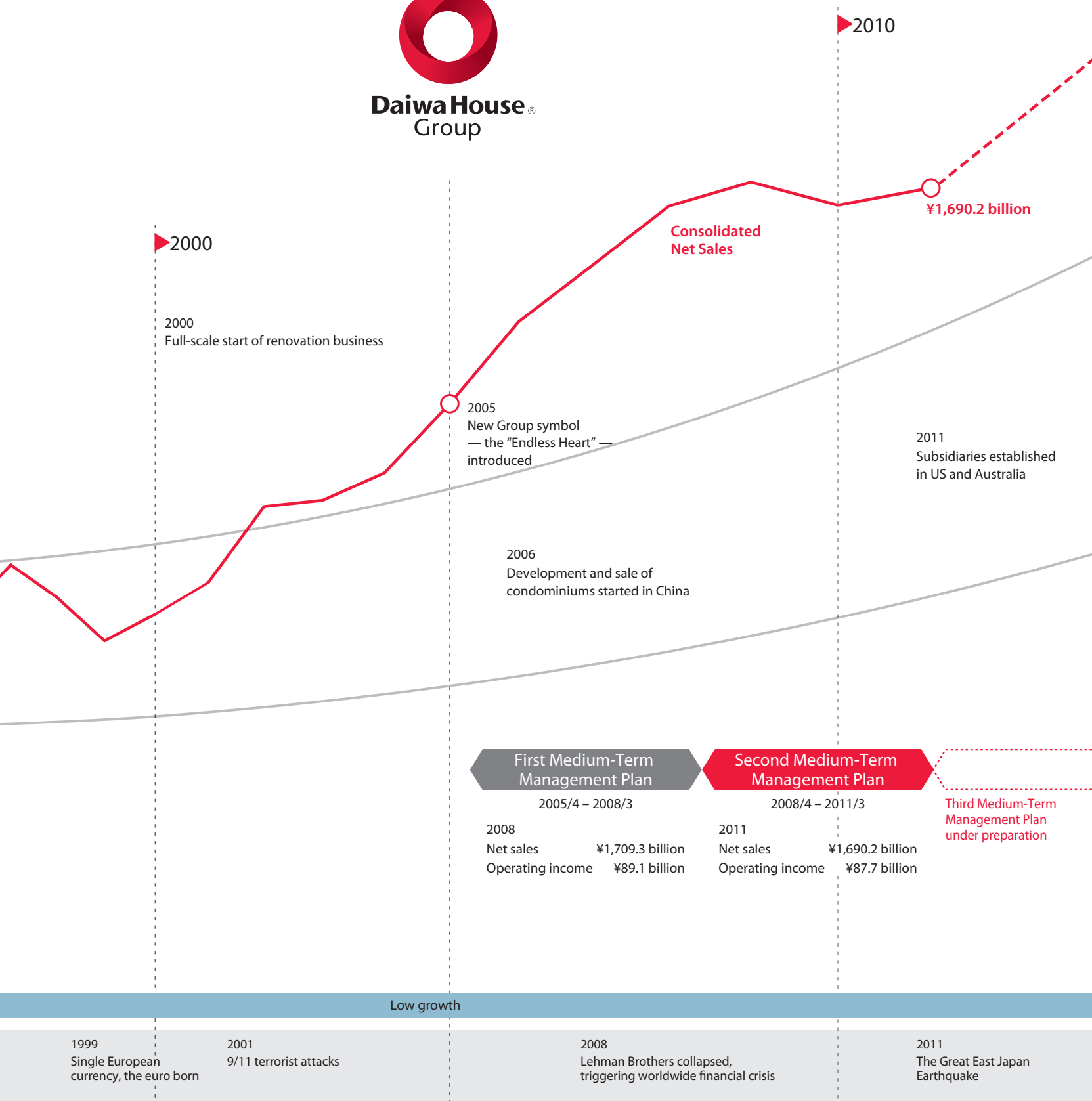


Never Stop Growing

Daiwa House Industry was founded during the reconstruction period following the end of World War II, and immediately made a major contribution to the industrialization of construction in Japan. Since the period of rapid economic growth, the Company has expanded its sphere of operations in response to social changes, and has built up a strong corporate group.

The Group's overseas operations commenced in the 1960s with businesses in Southeast Asia, the United States, and Europe, and in recent years operations have expanded at a faster pace with large-scale condominium development projects in China. From here on, we aim to make our Endless Heart Group symbol — which we adopted to mark the Company's 50th anniversary — known throughout the world, and to become a corporate group characterized by constant growth.







2055
¥10 trillion

Group Strategy

We will endeavor to become a corporate group
that consistently creates new value for the benefit of society.

Global Vision

We aim to make our “Endless Heart” Group symbol, cultivated in Japan,
known throughout the world, and to contribute to the international community.

Great Ambition

We will consistently re-examine our roots while maintaining unflaggingly high aspirations.



Our customer base

(As of March 31, 2011)

Units completed by the Residential Business

Approx. **1,411,000** 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. **1,151,000** households

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

Number of structures completed by the Commercial Construction Business

Approx. **37,000** 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

167 buildings

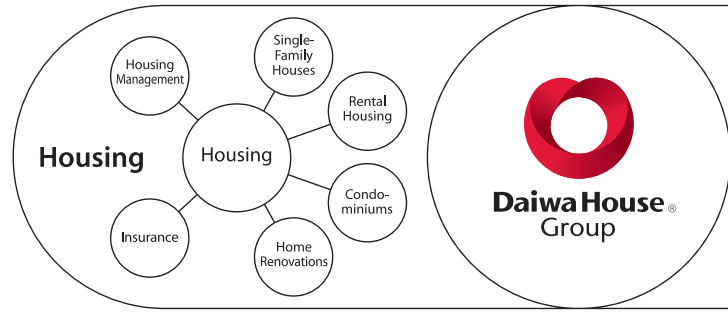
Total of resort hotels, golf courses, city hotels, home centers and sports clubs operated by the Daiwa House Group

Annual total of guests at our resort hotels

Approx. **3,688,000** guests

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

Daiwa House Group —
working to co-create value for individuals, communities



ア
Safety & Comfort

ス
Speed/Stock

フ
Welfare

カ
The Environment

Home Centers
Hotels/ Resorts
Life
Sports Clubs

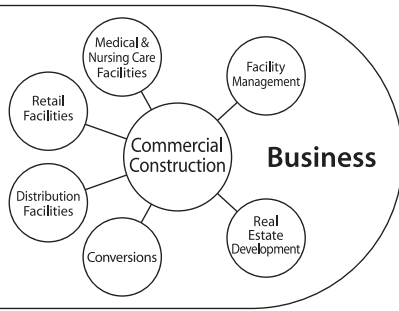


Go West

JAPAN

 Daiwa House <small>大和房屋集團</small> DH (Dalian) Administrative Management Consulting Center Co., Ltd.	 Daiwa House <small>大和房屋集團</small> Daiwa House (Suzhou) Real Estate Development Co., Ltd.	 Daiwa House <small>Daiwa House Group</small> Daiwa House Industry Co., Ltd.	 Daiwa Lease <small>Daiwa House Group</small> Daiwa Lease Co., Ltd.	 Daiwa Rakuda <small>Daiwa House Group</small> Daiwa Rakuda Industry Co., Ltd.	 Daiwa Logistics <small>Daiwa House Group</small> Daiwa Logistics Co., Ltd.	 Daiwa Living <small>Daiwa House Group</small> Daiwa Living Co., Ltd.
 Daiwa House <small>大和房屋集團</small> Daiwa House (China) Investment Co., Ltd.	 Daiwa House <small>大和房屋集團</small> Daiwa House (Wuxi) Real Estate Development Co., Ltd.	 Daiwa Royal <small>Daiwa House Group</small> Daiwa Royal Co., Ltd.	 Daiwa Renew <small>Daiwa House Group</small> Daiwa House Renew Co., Ltd.	 Daiwa Energy <small>Daiwa House Group</small> Daiwa Energy Co., Ltd.	 Daiwa Estate <small>Daiwa House Group</small> Daiwa Estate Co., Ltd.	 Daiwa Lantec <small>Daiwa House Group</small> Daiwa Lantec Co., Ltd.
 Daiwa House <small>大和房屋集團</small> Daiwa House (Changzhou) Real Estate Development Co., Ltd.	 Daiwa Logistics <small>大和房屋集團</small> Daiwa Logistics (Shanghai) Co., Ltd.	 ロイヤルホームセンター <small>Daiwa House Group</small> Royal Home Center Co., Ltd.	 DAIWA ROYAL HOTELS <small>Daiwa House Group</small> Daiwa Resort Co., Ltd. (Daiwa Royal Hotels)	 ダイワロイヤルゴルフ <small>Daiwa House Group</small> Daiwa Royal Golf Co., Ltd.	 ユークアイ <small>介護付有料老人ホーム 湯河原</small> <small>Daiwa House Group</small> Jukeikai Co., Ltd. (Neo Summit Yugawara)	
		 シンクローラー <small>Daiwa House Group</small> Synchroller Co., Ltd.*	 伸和エージェンシー <small>Daiwa House Group</small> Shinwa Agency Co., Ltd.	 MEDIA TECH INC. <small>Daiwa House Group</small> Media Tech Inc.	 eneServe <small>Daiwa House Group</small> Eneserve Corporation	

and people's lifestyles



Agriculture



Health



Information-
Communication
Technology

Go East 



Daiwa Service
Daiwa House Group

Daiwa Service Co., Ltd.



Daiwa LifeNext
Daiwa House Group

Daiwa LifeNext
Co., Ltd.



Daiwa Info.Service
Daiwa House Group

Daiwa Information
Service Co., Ltd.



Nihon Jyutaku Ryutu
Daiwa House Group

Nihon Jyutaku Ryutu
Co., Ltd.



Daiwa House
USA

Daiwa House USA Inc.



Daiwa House
California

Daiwa House
California



Daiwa REIT
Daiwa House Group

Daiwa House REIT
Management Co., Ltd.



Daiwa Asset Mgt.
Daiwa House Group

Daiwa House Asset
Management Co., Ltd.



Daiwa Insurance
Daiwa House Group

Daiwa House
Insurance Co., Ltd.



Daiwa House
Guam

Daiwa House Guam
Co., Ltd.



Daiwa House
Australia

Daiwa House Australia
Pty Ltd

大阪マルビル
 Daiwa House Group

Osaka Marubiru Co., Ltd.

SPORTS CLUB NAS
 Daiwa House Group

Sports Club NAS Co., Ltd.

大和ハウスフィナンシャル
 Daiwa House Group

Daiwa House Financial
Co., Ltd.

東富士
 Daiwa House Group

Higashi-Fuji Co., Ltd.

大和小田急建設
 Daiwa House Group

Daiwa Odakyu
Construction Co., Ltd.

* Changed name on October 1, 2011
to Daiwa Core Factory Co., Ltd.



Think far ahead.

Don't consider what would make money.

Consider what is going to be necessary for society in the future.



Our founder, Nobuo Ishibashi, held the belief
that taking the initiative to pursue opportunities
that society considers essential is the key
to self-perpetuation and a powerful source of growth.
Etching our founder's magnificent vision deep into our hearts,
we at the Daiwa House Group will continue our journey toward
fulfilling our social mission through the distant future of
our 100th anniversary and beyond.

Great

Ambition