

Corporate Governance

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Board of Directors

As of July 1, 2011

* Representative Director

Takeo Higuchi*

Age 73

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 63

Vice Chairman



As Vice Chairman of the Daiwa House Group, Mr. Murakami is in charge of operations across the Group as a whole. His management policy is to maintain a good balance between the aggressive and defensive approaches and to win the trust of customers based on their desires and preferences. Mr. Murakami puts particular focus on realizing synergy through collaboration between Group members, as well as on developing the human resources needed to expand the scope of the Group's business operations.

Born in 1947

1970: Joins Daiwa House Industry

1997: Director

2004: President and COO

2009: President of The Machinami Foundation

2011: Vice Chairman

Naotake Ohno*

Age 62

President and COO



As President and Chief Operating Officer, Mr. Ohno is in charge of the overall management of the Company and the Daiwa House Group. 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. Mr. Ohno aims to secure the No.1 market share for Daiwa House in each business area by strengthening our community-based marketing, centered on the marketing block system.

Born in 1948

1971: Joins Daiwa House Industry

2000: Director

2007: Executive Vice President

2011: President and COO

Tetsuji Ogawa*

Age 69

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

Tamio Ishibashi*

Age 55

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 61

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

Takashi Uzui*

Age 63

Director and Senior Managing Executive Officer

*Head of Marketing Division
Head of Osaka Honten Branch
Head of Kansai Block
Head of General Housing Operations*



Mr. Uzui is responsible for all the Company's marketing and single-family house operations. His goal is to put the customer first by developing community-based marketing centered on our block system, and to enrich people's living environments so they can live in security and comfort.

Born in 1947
1970: Joins Daiwa House Industry
2001: Director
2011: Director and Senior Managing Executive Officer

Takuya Ishibashi

Age 57

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

Katsutomo Kawai

Age 62

Director and Senior 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
2011: Director and Senior Managing Executive Officer

Takashi Hama

Age 57

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

Shigeru Numata

Age 61

Director and Managing Executive Officer

*Head of Kanto Block
Head of Housing Operations (East Japan)*



As head of the Kanto Block, Mr. Numata devises marketing strategies with the goal of capturing a major share of the market in the Tokyo region. He is also in charge of our Housing Operations (East Japan), and in this capacity he works to offer our customers high-value, worry-free housing assets, and to provide homes and communities that take customer preference carefully into account.

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 the 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

Makoto Yamamoto

Age 57

Director and Managing Executive Officer

*Head of Tokyo Branch
Joint Head of Marketing Support Department
Supervisor, Advertising Department*



Mr. Yamamoto is head of our Tokyo Branch, and is also in charge of the Marketing Support Department, in which capacity he is responsible for devising and implementing brand communication strategies. Mr. Yamamoto's prime mission 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

2011: Director and Managing Executive Officer

Yoshiharu Noto

Age 62

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 62

Director and Senior Executive Officer

*General Manager, Retail and Wholesale Facilities
Operations, Marketing Division (West Japan)
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 home business.

Born in 1949

1972: Joins Daiwa House Industry

2007: Director and Senior Executive Officer

Fukujiro Hori

Age 60

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 PFI, 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

Takeshi Kousokabe

Age 54

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

Keiichi Yoshii

Age 53

Director and Senior Executive Officer

Head of Overseas Business



Mr. Yoshii 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. Yoshii is also drawing up medium-term business development strategies in overseas markets other than China.

Born in 1958

1990: Joins Daiwa House Industry

2011: Director and Senior Executive Officer

Corporate Auditors

As of July 1, 2011



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)



Kiyoshi Arase.

Kiyoshi Arase, Corporate Auditor

Aiming at new growth on a basis of compliance

The Daiwa House Group Code of Ethics stipulates that complying with laws and regulations is the minimum requirement of corporate ethics. We therefore place great importance on educating the Group's executives and other employees in the principles of compliance, but despite this, a number of cases have recently been observed within the Group of actions in violation of the law. In these cases, in addition to a lack of sufficient awareness on the part of the staff involved, I believe that a major contributory factor was the inadequacy of restraint functions built into the system, as a result of which the risks posed by these actions were inadvertently overlooked. As the leading corporate group in its industrial sector, the Daiwa House Group is subject to close scrutiny by society, and we are strongly aware that the very existence of the Group depends on our rigorous pursuit of legal compliance. For this reason, we must strive to enhance the personal capabilities of each individual employee of the Group to raise the quality of our day-to-day business operations. From here onward, we will be reviewing more thoroughly than ever the measures taken by Group companies with respect to risk management and compliance. We will also constantly share information with the directors and corporate auditors at all Group companies to focus attention on the preventive measures in place at each company.

The Daiwa House Group is currently engaged in vigorously developing its operations on a global scale. To successfully expand our overseas operations, it is essential for each department within each Group company to autonomously ensure that necessary measures are taken in the field of legal compliance, which is the foundation on which the Group's activities rest. We must also create systems embedded within our organization that conform to the different legislative environments and common practices of each country in which we operate. To do this, we will need legal and accounting specialists with expert knowledge of those countries, and it will also be important to nurture the sort of human resources who can make an effective contribution to our global business development. In addition, I believe we need to plan the eventual creation of governance systems in each market where we operate, rather than attempting to control all our overseas business operations from Japan.

In our overseas operations, just as we have done in Japan, we must aim to create businesses that make a contribution to society. I believe that by ensuring rigorous legal compliance, paying consideration to environmental issues, and making efforts to satisfy the full range of our customers' requirements, we will realize higher enterprise value by strengthening trust in the Group and enhancing its reputation. The corporate auditors will work to enhance the effectiveness of the Company's internal control system, on which such trust depends.

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.

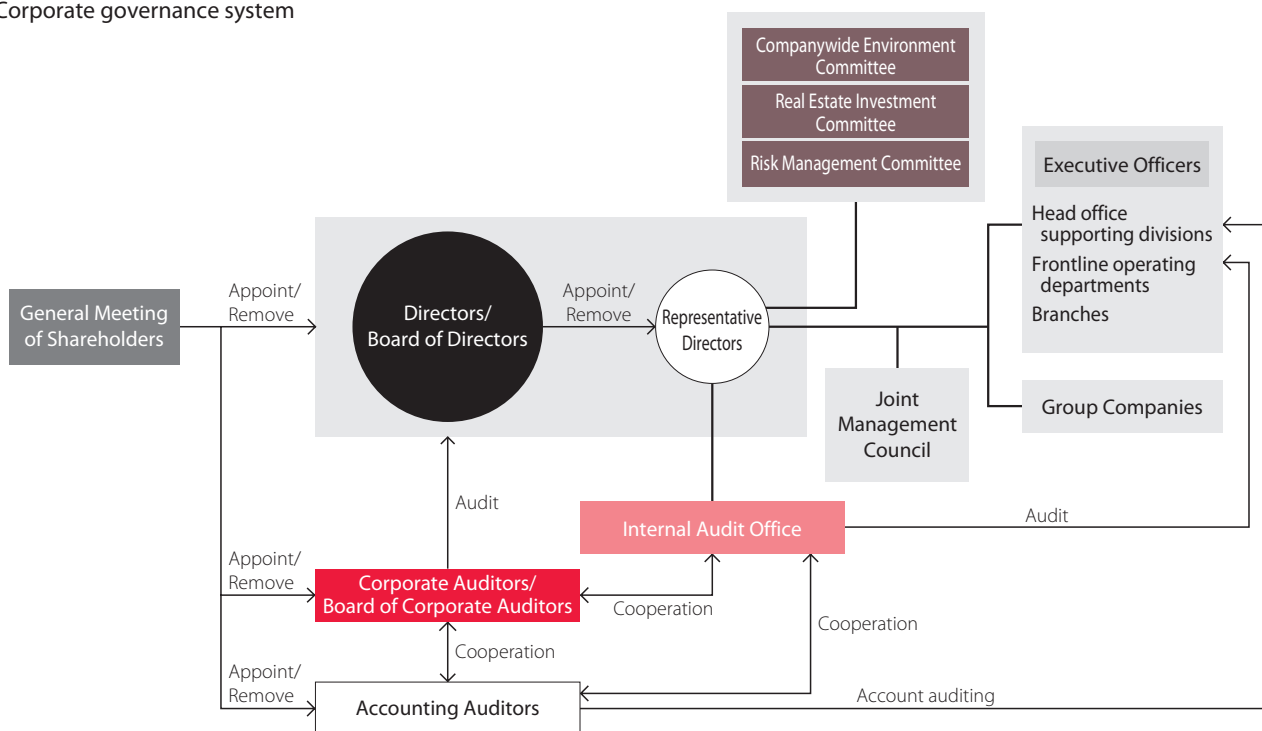
Status of corporate governance system

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 in accordance with 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. 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. Other bodies in the corporate governance system include the Real Estate Investment Committee, which discusses projects involving investments above a certain value, and the Companywide Environment Committee, which examines the strategic direction of environmental activities.

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 2010, is described below.

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. No retirement benefits are paid to executives.

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

(Millions of Yen)

Post held	Basic compensation		Bonus		Total compensation
	Number of persons	Amount paid	Number of persons	Amount paid	
Directors	21	626	18	179	805
Corporate auditors (excl. external auditors)	3	74	3	18	93
External directors and corporate auditors (external auditors)	3	31	3	8	39

Notes: 1. The above figures for the number of persons receiving basic compensation and the amounts paid include three directors who retired as of the conclusion of the Company's 71st Ordinary General Meeting of Shareholders, held on June 29, 2010. As of the end of March 2011, 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: ¥127 million (six 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. Financial audits of the Company by Tohmatsu are conducted via three designated executive staff members, along with a team of 17 assistants (seven certified public accountants and 10 assistant accountants and others). Details of executive staff are as follows.

Hirofumi Kawasaki (continuous auditing experience: three years)

Akihisa Watanabe (continuous auditing experience: four years)

Takashige Ikeda (continuous auditing experience: three years)

Breakdown of compensation for auditing services

Compensation for services in the preparation of the audit report:

¥179 million (¥182 million for fiscal 2009)

Compensation for non-auditing services:

¥7 million (¥10 million for fiscal 2009)

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 page 210).

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. In order to give investors sufficient time to consider matters before exercising their voting rights, we post shareholder convocation notices as early as possible (roughly three weeks prior to the General Meeting of Shareholders) and provide a voting platform for institutional investors to exercise their voting rights. We also post shareholder convocation notices 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 29, 2011)

Directors/Board of Directors	Members
<p>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 14 times during fiscal 2010, with an average rate of attendance at board meetings of 97% amongst directors and 100% amongst corporate auditors.</p>	<p>Directors: 18 Corporate auditors (internal): 3 Corporate auditors (external): 3</p>
Corporate Auditors/Board of Corporate Auditors	Members
<p>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 2010, with an average rate of attendance of 98%.</p>	<p>Corporate auditors (internal): 3 Corporate auditors (external): 3</p>
<p>1. Relationship between the Company and External Auditors</p>	
<p>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: 16,000 shares, Kiichiro Iwasaki: 12,000 shares, Yukinori Kuwano: 6,000 shares; figures as of June 29, 2011). 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.</p>	
<p>2. Coordination with Accounting Auditors</p>	
<p>Our corporate auditors meet with the Company's accounting auditors 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.</p>	

3. Coordination with Internal Audit Departments	
<p>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.</p>	
Joint Management Council	Members
<p>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 10 times.</p>	<p>Directors: 18 Executive officers: 24 Corporate auditors (internal): 3 Corporate auditors (external): 3</p>
Risk Management Committee	Members
<p>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 2010.</p>	<p>Risk Management Committee members: 52 (Standing Committee members: 30)</p>
Real Estate Investment Committee	Members
<p>Comprising representative directors, directors and corporate auditors, as well as expert observers from administrative departments such as the Legal Department and from the Environment Department, this committee discusses and examines real estate investment projects above a certain value based on assessments of business viability and risk. The committee met 14 times in fiscal 2010 to assess 22 projects.</p>	<p>Representative directors: 7 Directors: 2 Corporate auditors: 1 Regular employees: 11</p>
Companywide Environment Committee	Members
<p>Chaired by the Head of Technology, this committee meets twice yearly to discuss and determine the strategic direction of the Group's environmental activities. Under the committee are 11 specialist subcommittees, each chaired by the director with responsibility for the respective field of the subcommittee. These subcommittees convene every three months for review meetings to implement improvements to environmental measures based on PDCA cycles. The Companywide Environment Committee met twice in fiscal 2010.</p>	<p>Standing Committee members: 20 Non-standing Committee members: 20</p>
Internal Audit Office	Members
<p>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.</p>	<p>Regular employees: 14</p>
Corporate Auditors' Office	Members
<p>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.</p>	<p>Regular employees: 4</p>

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 the 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.

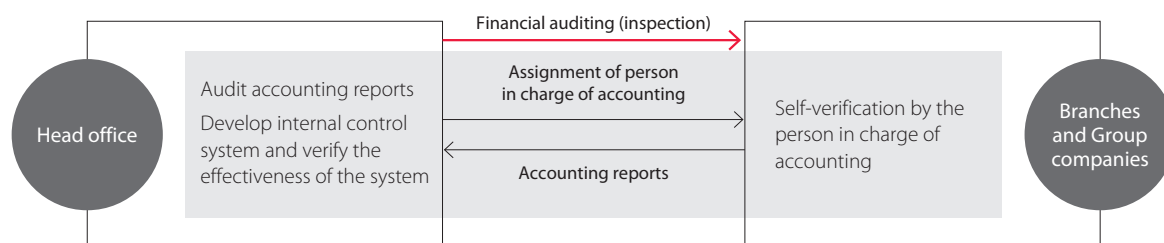
- (1) In the case of a request for an interview by a corporate auditor, directors and employees must comply.
- (2) Corporate auditors receive reports on the status of implementation of internal audits, and may request additional audits, formulation of improvement measures or other matters as necessary.
- (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 controls on 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, the Companywide internal control system and its operation are evaluated, and after analyzing particular relevant business processes, 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 with respect to the basic elements of internal control. 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 complete 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 2010 Daiwa LifeNext, which was acquired through an M&A procedure, was included in the scope of evaluation. In addition, we applied Accounting Standards for Asset Retirement Obligations, and conducted effective disclosure of corporate information to investors. In November 2010 it was revealed that our consolidated subsidiary Daiwa Lease had employed inappropriate accounting procedures. To prevent a recurrence of such a practice, we increased the frequency of internal audits of Group companies carried out in accordance with an auditing plan, and took other steps to strengthen monitoring functions.

Accounting process (summary)



Reinforcing compliance

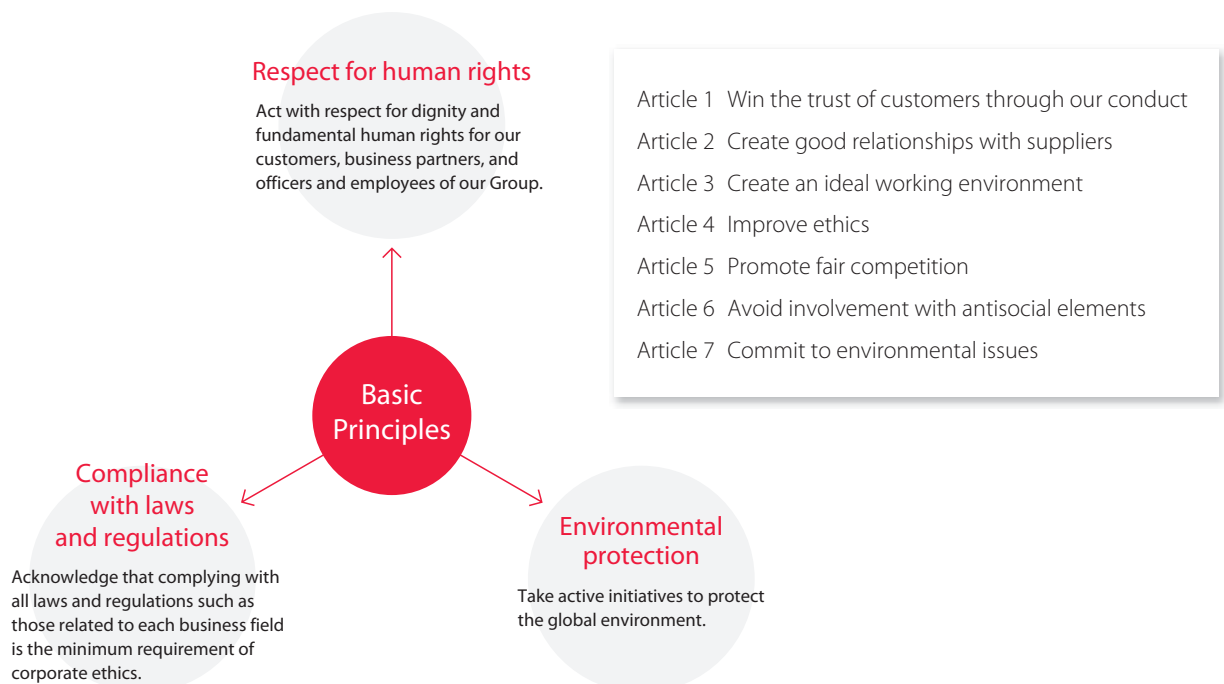
We formulated the Daiwa House Group Code of Ethics and a more detailed set of supplementary Behavioral Guidelines with the aim of clearly specifying principles of conduct in order to put our corporate philosophy and policy into practice. In April 2010, we published the 4th edition of our Daiwa House 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 2010, a total of 70 training sessions were held by Group companies, with the attendance of 2,763 employees. In a survey, 87.5% 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 or identified in any way as a result of filing a report. We were able to obtain information from a total of 131 inquiries and reports over the course of fiscal 2010, mainly relating to working environments and harassment. 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 2010, we achieved a resolution rate of 93.4%. In addition, to ensure fair and equitable relationships with our business partners, we set up the Partners Hotline for the reporting of issues by partner companies, and in fiscal 2010 we received 11 reports via this hotline. We will continue to operate these systems with the aim of resolving all issues that arise, and will implement employee training to build better relationships with our business partners.

Daiwa House Group Code of Ethics



Risk Management

Risk management

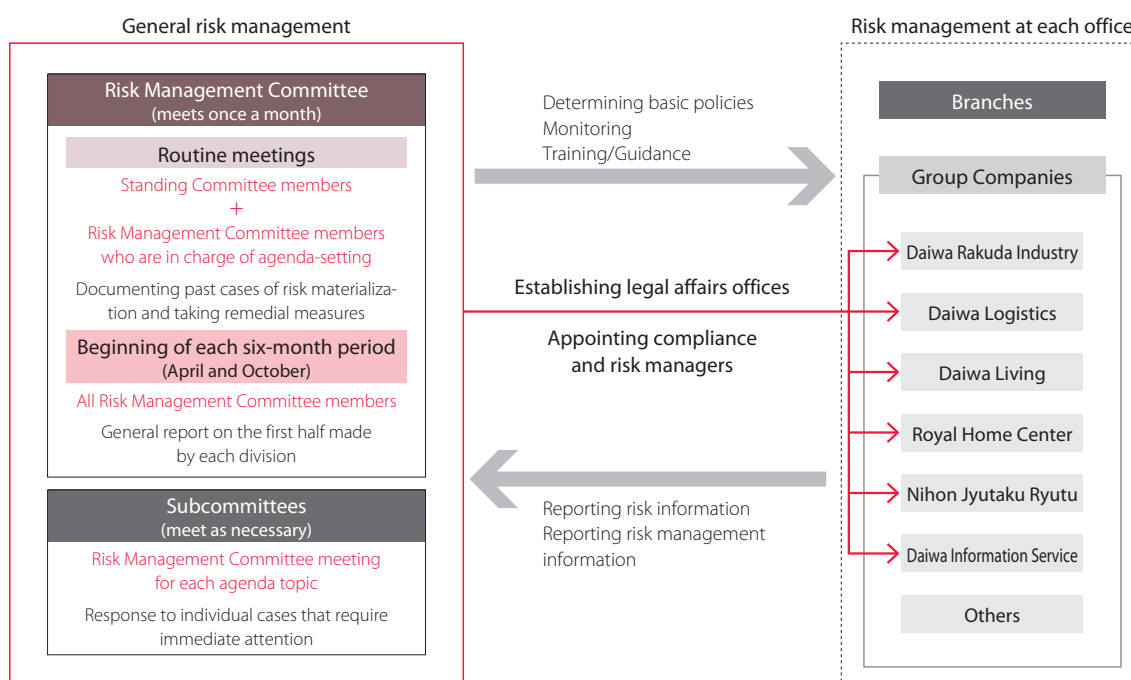
On the basis of the Daiwa House Group Risk Management Guidelines, the Risk Management Committee, chaired by the head of Management Administration, is positioned as the controlling body for risk management activities across the entire Group. The Committee works to maintain and enhance the Group's risk management system, prevent the materialization of risks, document past cases of risk materialization, devise specific countermeasures, and improve the risk situation in problem areas during operations. The Risk Management Committee meets once a month. Lively discussion at Committee meetings is ensured by limiting members to standing members, comprising core members who participate in 10 out of 12 meetings per year, as well as 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. We have also reinforced risk management activities at Group companies by positioning risk management evaluation as a performance evaluation category. Items evaluated include measures implemented by each company's risk management committee, operation of a risk management system including

progress management of individual risk cases and preventive measures, implementation of staff training courses in compliance, and real-time reporting of cases of risk materialization.

Risk management and compliance were positioned as priority tasks under the Group's Second Medium-Term Management Plan, which ended in March 2011, and we achieved a certain degree of success in accomplishing these tasks. We worked to build an adequate Groupwide risk management organization, increasing the total number of legal staff throughout the Group to 66 and establishing legal departments staffed with specialists at the six principal Group companies where the creation of a new risk management system was deemed necessary. We also made thorough efforts to educate the Group's employees in compliance and risk management issues.

From this point onward we will continue working to strengthen our risk management while clarifying responsibilities and powers in the event of materialization of a risk. At the same time, we will build a system to support our overseas operations as we seek to expand around the globe.

An overview of the system linking risk management departments (As of August 1, 2011)



Collecting and responding to risk information

Risk information relating to accidents, incidents and major problems arising at the Group is reported to the Risk Management Committee Secretariat (within the Legal Department) by each department and Group company. In fiscal 2009 we introduced a standardized format for such reports: this has increased the number of reports and improved their immediacy. 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 minimizes the extent of losses and 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.

Activities in fiscal 2010

We organize training programs and other initiatives to ensure that all members of the Group, from new hires to executives, are fully aware of the importance and necessity of risk management, and separate courses are conducted for each employee rank. In fiscal 2010, 83 such study sessions were held, with the attendance of 3,753 employees of the Company, while 116 sessions were held at 27 Group companies. In addition, we have made it mandatory for the parent company's offices and factories, and for Group companies, to submit reports on a monthly basis regarding such risk management activities as the creation of risk management systems, meetings held by their risk management committees, and employee training sessions. The average ratio of submission of such reports in fiscal 2010 exceeded 90%.

To enable us to monitor the Company's relationships with its business partners with respect to ordering, payments, and sales made through introductions by business partners, and to allow us to respond to challenges and draw up plans for improvement, we have set up three working groups to handle these three issues. These working groups, staffed by members from each of the Company's departments, report on their once-a-month activities to the Risk Management Committee in April and October.

Risk information trends

In fiscal 2010, there were a total of 439 risk incidents at the Company's business bases and Group companies (264 cases at the Company and 175 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.

Measures relating to intellectual property

In recent years it has become accepted wisdom that a company's intellectual property is a vital contributory factor in management. Technological development is crucial to any company's continued existence and growth, and for Daiwa House Industry, the establishment of a right to the fruits of such development is important in securing the freedom to put technologies to practical use and in expanding their sphere of application. It is important for us not only to steadily secure patents on technologies developed by us, but also to raise our employees' awareness of the importance of intellectual property, and to create an organization and system that keeps our employees motivated to discover and implement improvements. Moreover, we believe that one of the foundation stones of compliance is to keep ourselves informed as to the rights held by other companies, and to respect those rights.

Intellectual property acquisition process

The acquisition of intellectual property normally commences with the filling out of an "invention disclosure form" by the inventor or inventors. The procedures between the application for a patent and its acquisition are the responsibility of the Intellectual Property Group, but at the Company, we place the greatest weight on the development support provided up to the point of application. We believe it is important to provide useful information to the department involved in the technical development in question, and for the whole Company to explore the direction of the development efforts so as to realize a useful product that will be welcomed by society.

Intellectual Property Group

Infringements of intellectual property rights have become increasingly common in recent years, and the Company's Intellectual Property Group, which is attached to the Legal Department, is responsible for making the necessary legal checks. In the event that a lawsuit is brought against the Company, the staff of the Intellectual Property Group work to effect a speedy resolution. Staff dedicated to intellectual property issues are also stationed at the Company's Central Research Laboratory in view of the necessity to maintain a close liaison between the Laboratory and the Product Development Department.

Inventions Committee

The Inventions Committee is responsible for all decisions relating to intellectual property held by the Company, including applications and registrations for patents or copyright, maintenance of patent rights or copyright, and waiver of rights. The committee comprises the heads of the Company's Research and Development, Product Development, and Production

Development departments, among others, and is chaired by the Head of Technology. The Intellectual Property Group serves as secretariat to the Inventions Committee.

Regulations on inventions

In 1990, simultaneously with the establishment of the Intellectual Property Group, we instituted the Regulations on Inventions, which stipulate the Company's approach to the rights of an employee to an invention. Then, in fiscal 2006, we revised the Regulations to conform to the revision of the Japanese Patent Act in 2004, whereby, in addition to the existing "compensation for patent" paid to the inventor (including compensation for transfer), employees also became eligible for a "patent license payment." The Regulations on Inventions were further revised in fiscal 2009, and the FY2009 edition remains in force at present.

Coordination with Group companies

Intellectual property measures

To build intellectual property management systems at each Group company and reinforce collaboration and coordination with the parent company, we are creating a unified employee's invention system. We are also conducting inspections of the methods by which the Group companies manage intellectual property rights in order to effect improvements. In the future, we are planning to implement the shared use throughout the Group of an intellectual property database. By educating our employees in intellectual property rights matters, we will raise the level of awareness of intellectual property issues throughout the Group, inspire our employees to search for improvements, and at the same time contribute to the more rigorous practice of legal compliance.

Use of trademarks, logos, etc.

In the course of all the Group's varied business activities, we take care to differentiate our products and services from those of other companies by the use of unique names. In 2007, we carried out an inspection of all Group companies to ascertain if they had systems in place to ensure that, prior to employing a trademark, brand name, or logo, etc., they carried out an investigation to avoid infringement of existing trademarks, etc. owned by other companies, and that the correct procedures were followed in registering trademarks, etc. We also set up a "naming bank"* to strengthen the Group's management of registered trademarks, etc., and are encouraging flexibility in the mutual use of registered trademarks among Group members.

* The "naming bank" is a database containing the registered trademarks of all Group companies, which has been constructed to facilitate centralized trademark management and inventory-taking, as well as the effective utilization of Group trademarks.

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. Of these 14 Group companies, 11 now have employee safety confirmation systems after one company introduced the system during fiscal 2010.

The Group had planned to focus on conducting drills and training from fiscal 2010, but following the Great East Japan Earthquake in March 2011, efforts from fiscal 2011 will focus on reviewing disaster prevention plans, including tsunami response measures and emergency stockpiling at each business site.

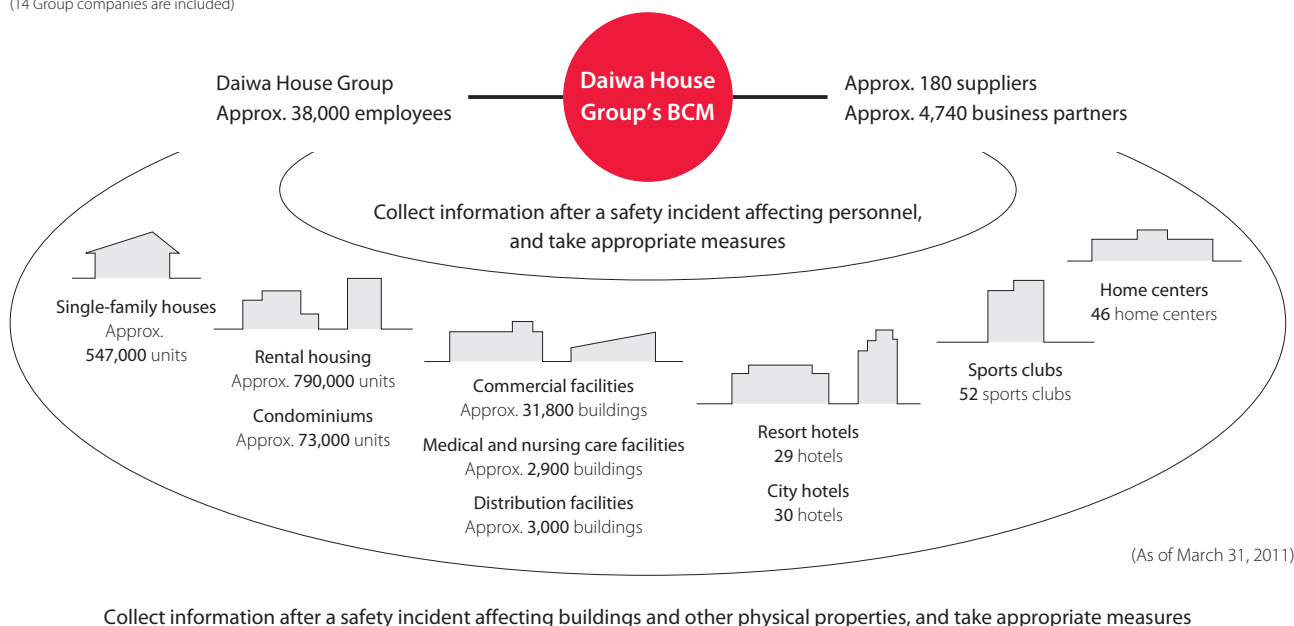
* BCM (Business Continuity Management): A management system that drafts, operates and reviews the plan (Business Continuity Plan) that stipulates what actions need to be taken in the event of an emergency in order to sustain core operations or allow early recovery while minimizing damage to business 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 2010
Initial disaster response drill conducted based on the scenario of an earthquake with a seismic intensity of 6 (strong) in the 0 – 7 Japanese scale directly under the head office area
Fiscal 2011 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
d) Partially revise disaster prevention plans: Formulate measures based on the impact of the Great East Japan Earthquake

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, 2011.

1) Risks associated with changes in government policies and the tax system with respect to housing

The possibility exists that demand for housing may decrease as a result of changes in government measures to stimulate said demand, such as preferential interest rates on home mortgages and the eco-point system for housing. Moreover, in the event that the buyer's tax burden on purchasing a home were to increase following reform of the taxation system resulting in a higher rate of consumption tax or other relevant taxes, this could cause a decline in demand for single-family houses and other forms of housing, leading to a negative impact on the business performance of Daiwa House Industry or the Group.

2) 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 Companies Act, 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.

3) Risks associated with rises in the prices of raw materials, construction materials, etc.

Rises in the market prices of raw materials, construction materials, and so on would cause an increase in the Group's purchase prices, and in the event that the Group is unable to pass on

the said increase to its customers by raising its selling prices, this could exert a negative impact on the Group's business performance and financial conditions.

4) Risks associated with a rise in interest rates

A rise in interest rates would cause a corresponding increase in the Group's fund procurement costs, and would also make it more expensive for prospective buyers to purchase a home or building by taking out a loan. Such a situation could lead to decreased demand for properties, thereby negatively affecting the Group's business performance and financial conditions.

5) Risks associated with vacancies in real estate properties for rent, etc., and a decline in the level of rents

Increased competition for the acquisition of tenants could make it impossible to acquire tenants or to set rent levels as planned. Thus, in the event that existing tenants leave, the premises for rent could remain unoccupied for a considerable period of time before new tenants move in, causing a sharp deterioration in the utilization rate of the Group's real estate assets. Such a situation could oblige the Group to lower its rent levels in order to attract new tenants, and this could cause a deterioration in the Group's business performance and financial conditions.

6) Risks associated with changes in value of real estate and fixed assets

The Daiwa House Group is engaged in real estate operations across the length and breadth of Japan, including the acquisition, development, and sale of real estate assets, and consequently, a deterioration in the real estate market could negatively impact the Group's business performance and financial conditions.

A rise in land prices could discourage prospective home buyers who do not already possess the requisite land from purchasing single-family houses, while a decline in land prices and rents could force the Group to write down the value of its real estate holdings.

The risk of asset impairment also exists with respect to fixed assets held by the Group other than real estate, and such an impairment could cause a deterioration in the Group's business performance and financial conditions.

7) 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.

8) Risks relating to overseas business operations

The Daiwa House Group is engaged in overseas business operations, primarily in China, and the Group's business is therefore subject to risks arising from a variety of possible events, including: a sudden upturn in inflation or a sharp change in the exchange rate of the yen; the occurrence of riots, civil insurrection, or war as a result of political and economic circumstances; delay or suspension in the execution of business or the collection of proceeds due to litigation risk; or the risk of a sharp decline in demand for the purchase of real estate as a result of changes in the legal framework, such as the passage of legislation to restrain transactions in the real estate market.

9) 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.

10) 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 through 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.

11) 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.

12) Risks associated with natural disasters

The Daiwa House Group owns and operates offices, factories, research and development centers and other facilities, both in Japan and overseas. In the event of a large-scale natural disaster such as an earthquake, tsunami, typhoon, or volcanic eruption, employees of the Group may suffer injury or loss of life, while material damage may be directly caused to the Group's facilities and equipment. In addition, indirect financial damage may be suffered as a result of the disruption or severing of information systems and telecommunications networks, as well as distribution lines and supply chains. Such an event would lead to expenses for the repair and reconstruction of damaged facilities and the posting of losses due to the suspension of business activities, as well as expenses involved in inspecting the damage to customers' properties and effecting emergency repairs, and expenditures on activities in support of the community. Such expenses could negatively impact the Group's business performance and financial conditions.



Daiwa House