



**Daiwa House®**  
Group

***Heart me  
up!***

**2011** Annual Report







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








A photograph of a building at night, likely a school or community center, with several windows glowing with warm orange light. In the foreground, there are large, dark silhouettes of cherry blossom trees with some white flowers visible. The sky is a deep blue with some light clouds. The overall mood is quiet and contemplative.

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 silhouettes of hills and a small boat with bright lights on the left, and a few small lights on the right.

## *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*

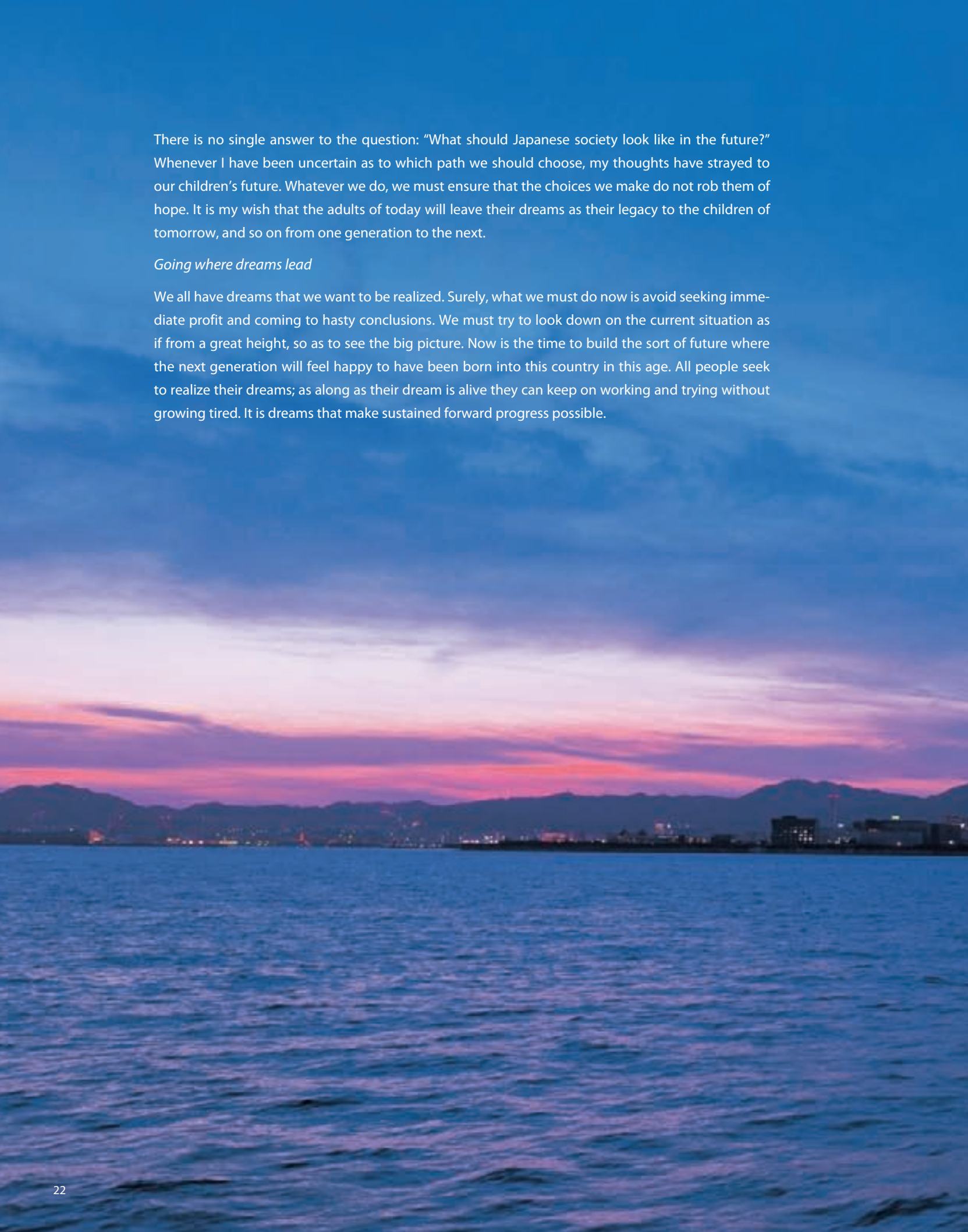
Despite the informatization of society and the fact that it is seemingly possible to live from day to day without contact with other people, one cannot live by the Internet alone. A person can only achieve emotional fulfillment through interaction with others. Even the seemingly materialistic economy 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

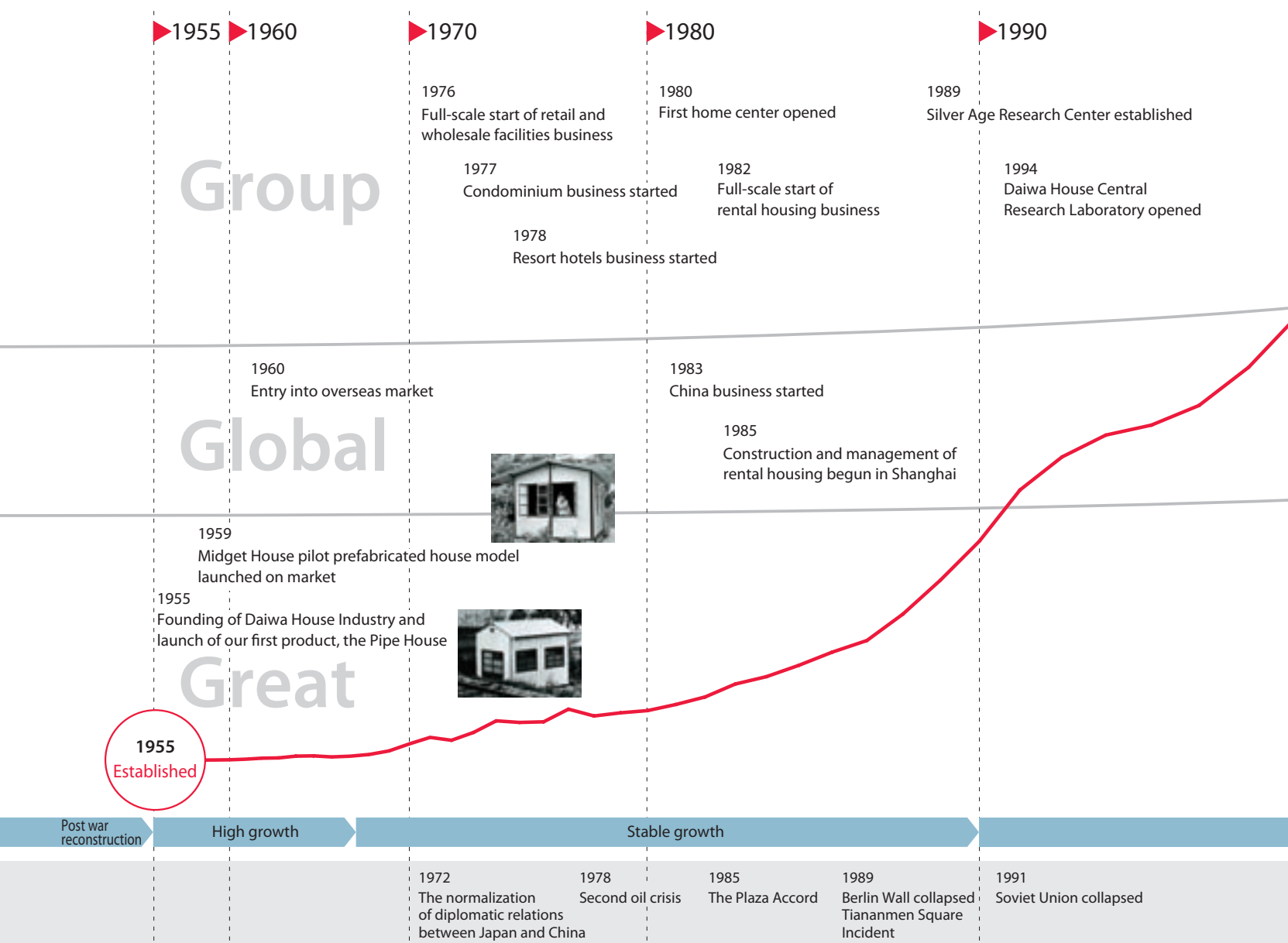


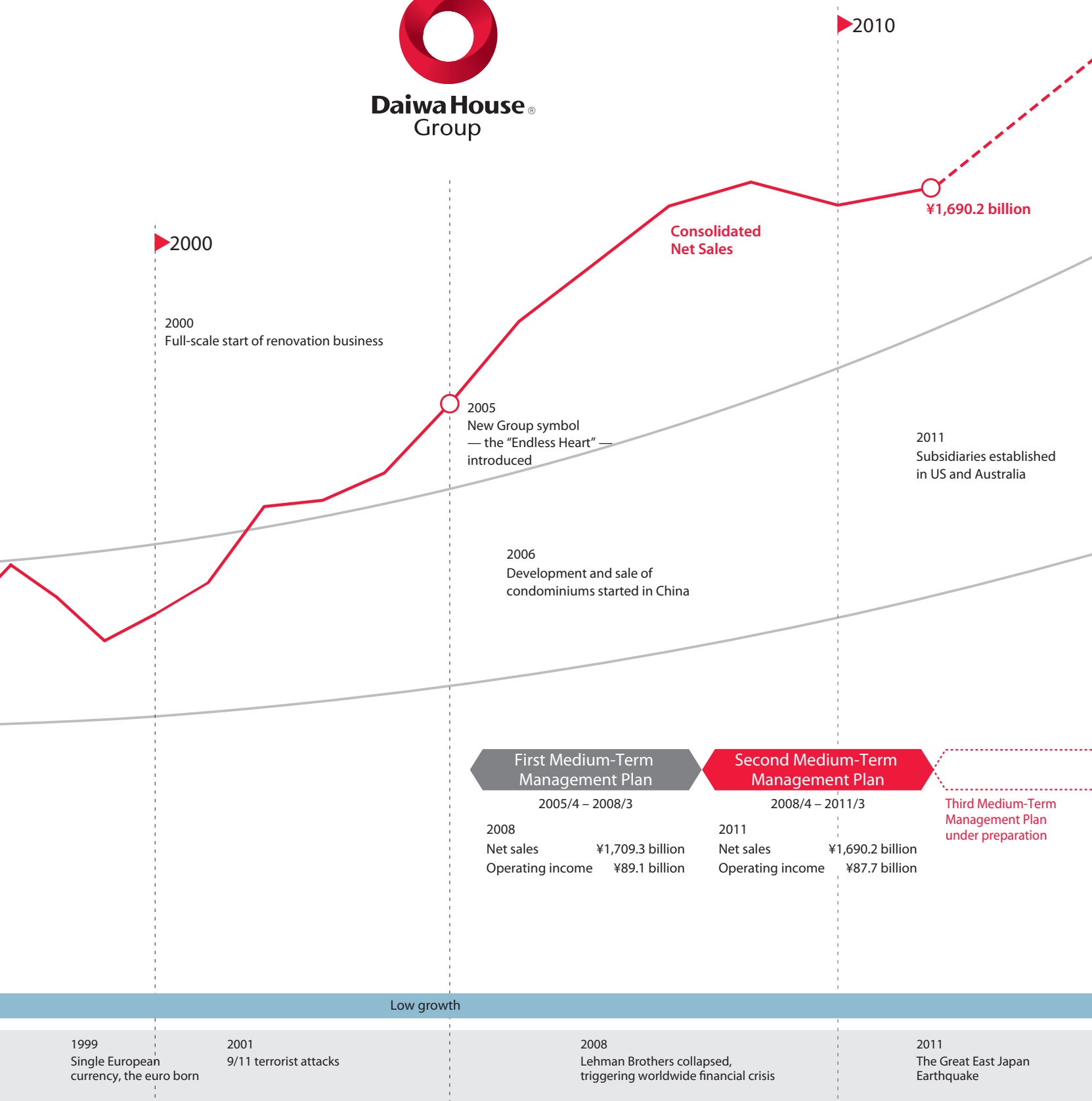


# Never Stop Growing

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

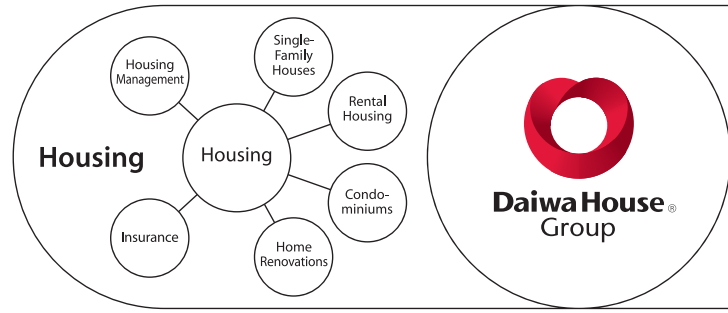
### Annual total of guests at our resort hotels

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

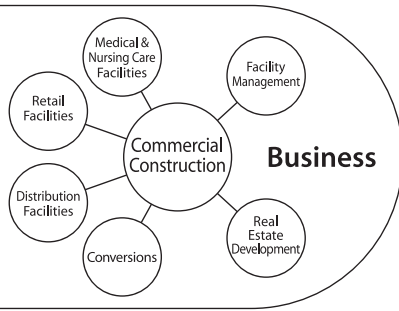


Go West

JAPAN

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



Osaka Marubiru Co., Ltd.



Sports Club NAS Co., Ltd.



Daiwa House Financial  
Co., Ltd.



Higashi-Fuji Co., Ltd.



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



#### Notes to financial data and graphs

1. Unless otherwise specified, annual figures in the graphs are for years ending March 31.
2. Figures for sales and operating income for each segment in this Annual Report include intersegment transactions.
3. Sales percentages for each segment in this Annual Report refer only to sales to outside customers.

#### Forward-looking statements

This Annual Report contains future estimates, targets, plans and strategies by the Company and the Daiwa House Group. They are based on judgments made using information available at the time of writing. For various reasons, actual results may differ substantially from these estimates.

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# Key Data for 2011

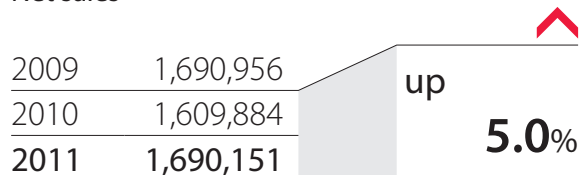
## Consolidated financial highlights

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

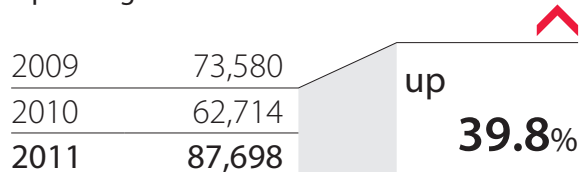
### Operating performance

(Millions of Yen)

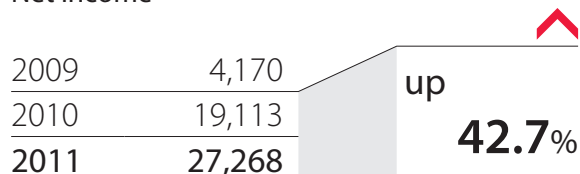
#### Net sales



#### Operating income



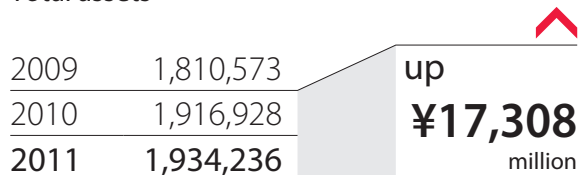
#### Net income



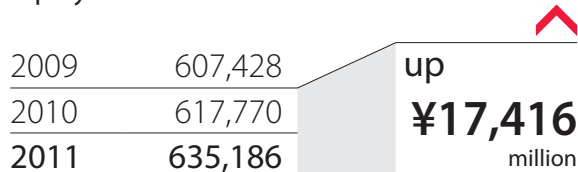
### Financial position

(Millions of Yen)

#### Total assets

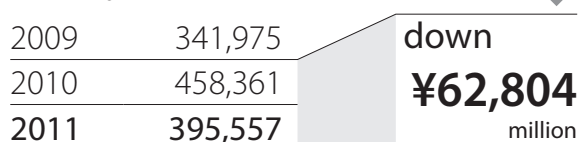


#### Equity

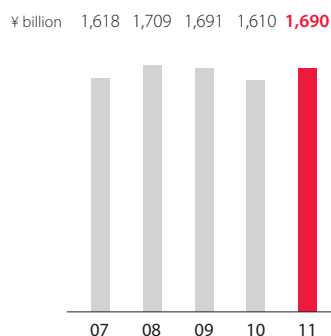


#### Interest-bearing debt

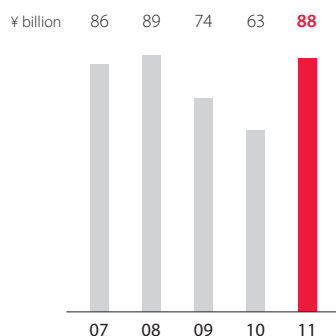
(excl. lease obligations)



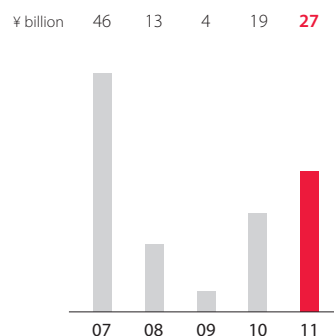
#### Net sales



#### Operating income



#### Net income



## Per share data

(Yen)

### Net income per share

2009	7.20	up <b>¥14.09</b>
2010	33.00	
2011	47.09	

### Equity per share

2009	1,047.50	up <b>¥30.47</b>
2010	1,065.15	
2011	1,095.62	

### Cash dividends per share

2009	24.00	up <b>¥3.00</b>
2010	17.00	
2011	20.00	

## Ratios

(% )

### ROE (Return on equity)

2009	0.7	up <b>1.3</b> point
2010	3.1	
2011	4.4	

### ROA (Return on assets)

2009	0.2	up <b>0.4</b> point
2010	1.0	
2011	1.4	

### Equity to total assets

2009	33.5	up <b>0.6</b> point
2010	32.2	
2011	32.8	

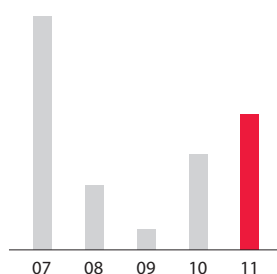
### ROE (Return on equity)

% 7.5 2.0 0.7 3.1 **4.4**



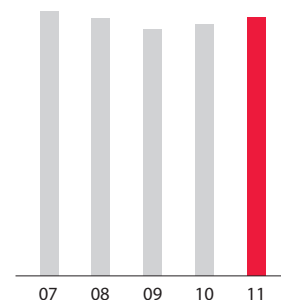
### Net income per share

¥ 81.2 22.5 7.2 33.0 **47.1**



### Equity per share

¥ 1,122.9 1,092.0 1,047.5 1,065.2 **1,095.6**





# Segment Overview

As of March 31, 2011



## ■ Single-Family Houses

We operate a contracting business for construction of made-to-order houses, and a subdivision business for built-for-sale houses that places a strong focus on creating attractive neighborhoods that meet the needs of each individual customer.



## ■ Rental Housing

We offer a wide range of rental housing products. For the residents we offer a comfortable living environment, and for the owners we offer all-round support to achieve a reliable cash flow from rental property operations.



## ■ Condominiums

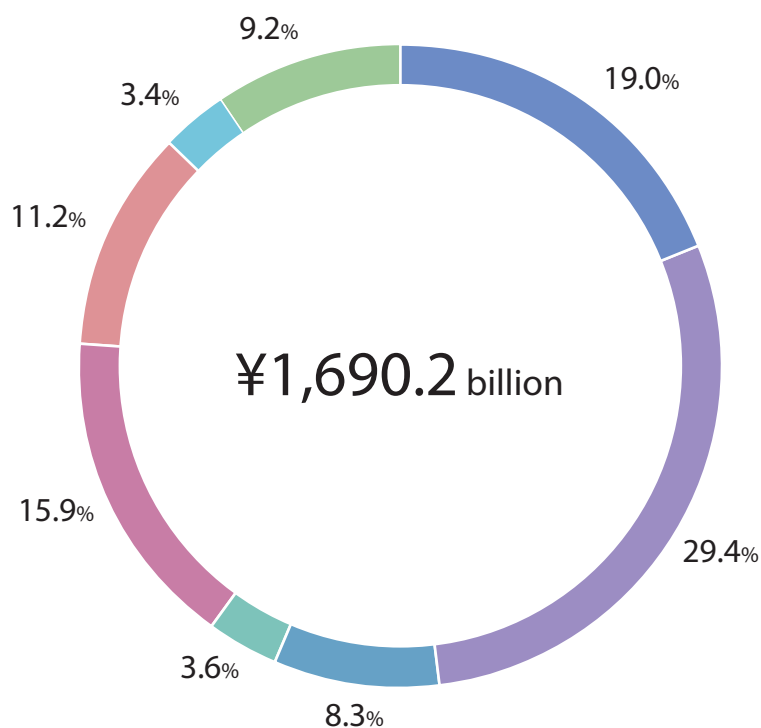
We develop highly safe and secure condominiums, carry out subdivision sales, and provide after-sales management services as well as unique support services to maintain asset value.



## ■ Existing Home Business

Our home renovation service along with our real estate agency service, which helps house-seekers find comfortable high-quality used homes, facilitate the passing on of housing stock, an important social asset, to the next generation.

## Net sales



Single-Family Houses	down ▼
322.5 billion	1.1%
Rental Housing	up ▲
496.2 billion	10.5%
Condominiums	up ▲
140.9 billion	18.1%
Existing Home Business	up ▲
60.8 billion	29.4%
Commercial Facilities	down ▼
274.1 billion	4.1%
Business and Corporate Facilities	down ▼
194.3 billion	1.0%
Health & Leisure	up ▲
58.0 billion	1.6%
Other Businesses	up ▲
223.7 billion	6.1%



#### Commercial Facilities

Our Commercial Facilities business serves as a link between landowners and tenant enterprises in the design, development, and management of shopping malls and specialist retailer facilities.



#### Business and Corporate Facilities

Leveraging its comprehensive database on land for sale or rent, as well as specialized knowledge in certain industry fields, the Daiwa House Group designs and constructs distribution, medical and nursing care, and corporate welfare facilities.



#### Health & Leisure

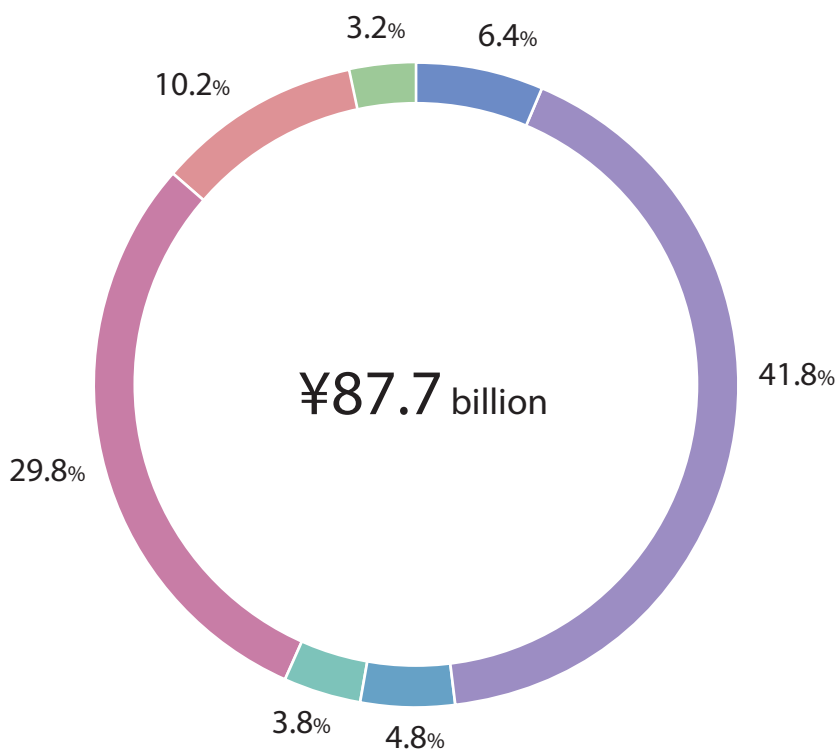
We operate a nationwide network of leisure and sports facilities including resort hotels, golf courses, and sports clubs. These services contribute to helping the citizens live longer, healthier lives.



#### Other Businesses

We utilize the Group's comprehensive expertise to develop a variety of businesses, including a home center business, a construction support business, a credit card business, and a chain of city hotels.

## Operating income\*<sup>1</sup>



Single-Family Houses	up	7.2 billion	16.2%
Rental Housing	up	47.0 billion	21.6%
Condominiums* <sup>2</sup>		5.4 billion	—
Existing Home Business	up	4.2 billion	143.6%
Commercial Facilities	down	33.6 billion	2.5%
Business and Corporate Facilities	down	11.5 billion	47.1%
Health & Leisure* <sup>2</sup>		-0.8 billion	—
Other Businesses	up	3.6 billion	250.7%

\*<sup>1</sup> Operating income percentages include intra-company transactions with regard to totals for seven segments excluding Health & Leisure, which posted loss of ¥0.8 billion.

\*<sup>2</sup> Since Condominiums and Health & Leisure incurred operating losses in the previous fiscal year, no year-on-year comparison is given.

# The Year in Review

4

## ■ Daiwa House issues “xevo eco-points” to mark 55th anniversary of founding

From April 5 to the end of May in 2010, we issued “xevo eco-points” worth ¥600,000 to each customer purchasing one of our xevo single-family house models.

6

## ■ We designed and built convenience stores conforming to the requirements of the “Next-Generation CO<sub>2</sub> Model for Convenience Stores” proposed by the Ministry of Land, Infrastructure, Transport and Tourism (MLIT) as one of its FY2009 model projects (1st Round) for CO<sub>2</sub> emissions reduction in housing and buildings, and this was selected for the project by the MLIT.

For further details ▶ P106 Environmental Energy



## ■ We opened the SMAxEco HOUSE, a model house fitted with lithium ion storage batteries — the first such in Japan — and commenced testing to demonstrate the effectiveness of this system.

In addition to the use of photovoltaic power generation systems, LED lighting, and lithium ion storage batteries, the SMAxEco HOUSE is a futuristic eco-friendly home featuring HEMS\*<sup>1</sup> technology, which allows owners to monitor their home’s energy usage for optimally efficient energy management.

\*1 HEMS is a home energy management system utilizing ICT.

For further details ▶

P104 The Energy Self-sufficient Home



10



## ■ We became the first condominium developer in Japan to issue and sell Renewable Energy Certificates (RECs), thanks to the use of a solar thermal power central heating system at our D'Grafort Lake Town development.

To reduce greenhouse gas emissions and partially offset energy use for water heating and air conditioning at 500 homes at D'Grafort Lake Town, we installed solar powered residential central heating systems. The green heat\*<sup>2</sup> generated by this system has enabled us to issue and market Japan's first “Green Heat Certificates” for condominium developments.

\*2 Naturally sourced heat energy refers to solar and biomass heat energy.

## 2010

7

## ■ “Daiwa House Child Allowances” issued

To provide support for the healthy growth of children who will become the driving force of society in the next generation, we began issuing “Daiwa House Child Allowances” to customers who purchased one of our single-family houses and who have children of up to junior high school age.

## ■ Flexible-design two-generation house xevo YU launched on market

The xevo YU is a two-generation house that incorporates what we call “life cycle planning,” enabling adaptation to future changes in the makeup of the owner’s family and different stages of their life cycle, and making it possible for one family to live in the house for several generations.



## ■ xevo EDDI wins prize at International Architecture Awards 2010

Our xevo EDDI is a “designer’s eco-friendly house,” combining superior basic functions such as durability and energy conservation with an elegant design by renowned architect Edward Suzuki. This model has won praise for making optimal use of natural breezes and sunlight inside the home, creating a pleasant interior that has the “feel” of the natural world outside.



8



## ■ Séjour WIT-S and Séjour OTT's-S rental housing models launched in collaboration with ALSOK, featuring security system as standard

For further details ▶ P125 Rental Housing



11

■ Single-family house and condominium development project commenced in Wuxi, China

This project is the first in Wuxi to be financed by a Japanese enterprise. Daiwa House's fourth real estate development project in China, this large-scale project will consist primarily of single-family houses, plus condominiums, for a total of approximately 400 homes, with completion scheduled for FY2013.

For further details ▶

P96 Future business developments in China

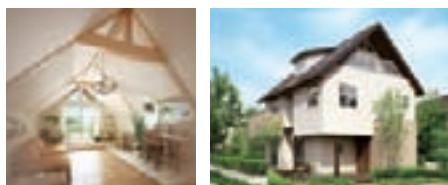


**Daiwa House®  
Group**

1

■ xevo SORA launched — 3-story house at same price per square meter as 2-story models

This single-family house model features a loft that can be used as a regular room, maximizing living space and realizing a pleasant home environment that makes best use of window openings.



2011

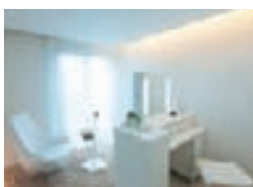
12

■ xevo CLEVA home launched, targeting double-income households

We launched the xevo CLEVA as a home that helps the woman of the house maintain her beauty while offering an attractive living environment for the whole family. As a standard fitting, this home model features a new type of space with make-up facilities, called the Cocoom Space, specially designed for women. This was developed in collaboration with the premium skin-care brand SK-II.

■ Daiwa House awarded Eco-Ship Mark Certification

The Eco-Ship Mark Certification System (operated by the Committee for Implementation of Eco-Ship Modal Shift Operations) is designed to encourage manufacturers to effect a "modal shift" (change in mode of transportation) from road vehicles or railways to marine vessels, which emit comparatively little CO<sub>2</sub> and can realize major reductions in energy use. The certification is awarded to cargo owners and goods distribution companies that conduct marine transportation operations above a specified scale.



2

■ Daiwa House listed as one of "100 most sustainable corporations"

In the 2011 list of the Global 100 Most Sustainable Corporations, published by the Canadian publishing company Corporate Knights Inc., Daiwa House Industry was the sole company chosen from the Japanese home-building industry, coming in at number 53. The Company was selected on the basis of the wide-ranging environmental protection measures incorporated in its business operations, as well as the safety features boasted by its products, its innovativeness, and the high level of transparency of its information disclosure via CSR reports and other means.



3

■ Support for reconstruction of disaster-hit areas

We are working to make it possible for our customers in the areas devastated by the massive earthquake and tsunami of March 11 to resume normal life as soon as possible, by inspecting buildings that have been damaged, and conducting repairs where needed. We have also begun erecting temporary housing in Rikuzentakata, Iwate Pref., and this work will continue.

# Share Information

As of March 31, 2011

## Common stock ¥110,120 million (US\$1,326,747 thousand)

<b>Shares</b>	Authorized	1,900,000,000
	Issued	599,921,851
	Number of shareholders	33,949

**Term-end** March 31 every year

### Ordinary general meeting of shareholders

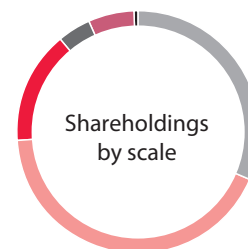
Held in Osaka by the end of June, which is within 3 months from the day following the balance sheet date for each year

### Administrator of shareholders' register

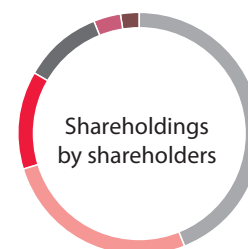
The Chuo Mitsui Trust and Banking Company, Limited 3-33-1 Shiba, Minato-ku, Tokyo

**Securities traded** Tokyo and Osaka stock exchanges

**Securities code** 1925



	Shares	%
10 million or more	188,767,399	31.5
1 million or more	255,583,584	42.6
100 thousand or more	90,359,087	15.0
10 thousand or more	26,975,029	4.5
1 thousand or more	35,130,276	5.9
Less than 1 thousand	3,106,476	0.5



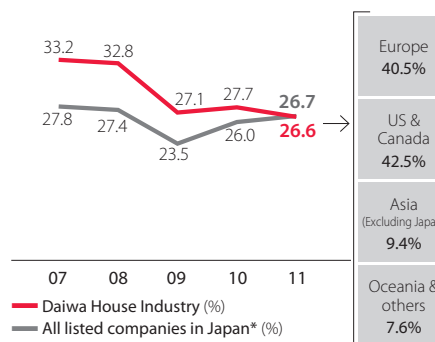
	%
Financial institutions	43.9
Foreign investors	26.6
Individuals and others	12.9
Other corporations	10.7
Treasury stock	3.5
Securities companies	2.4
National and local governments	0.0

### Principal shareholders

	Thousands of shares	Equity stake (%)
The Master Trust Bank of Japan, Ltd. (trust account)	38,998	6.7
Japan Trustee Services Bank, Ltd. (trust account)	31,441	5.4
Sumitomo Mitsui Banking Corporation	16,117	2.8
Moxley & Co.	16,093	2.8
The Bank of Tokyo-Mitsubishi UFJ, Ltd.	15,470	2.7
Nippon Life Insurance Company	14,930	2.6
Daiwa House Industry Employee Shareholders Association	12,732	2.2
The Dai-ichi Mutual Life Insurance Company, Limited	11,501	2.0
SSBT OD05 OMNIBUS ACCOUNT-TREATY CLIENTS	10,367	1.8
The Chuo Mitsui Trust and Banking Company, Limited	9,521	1.6

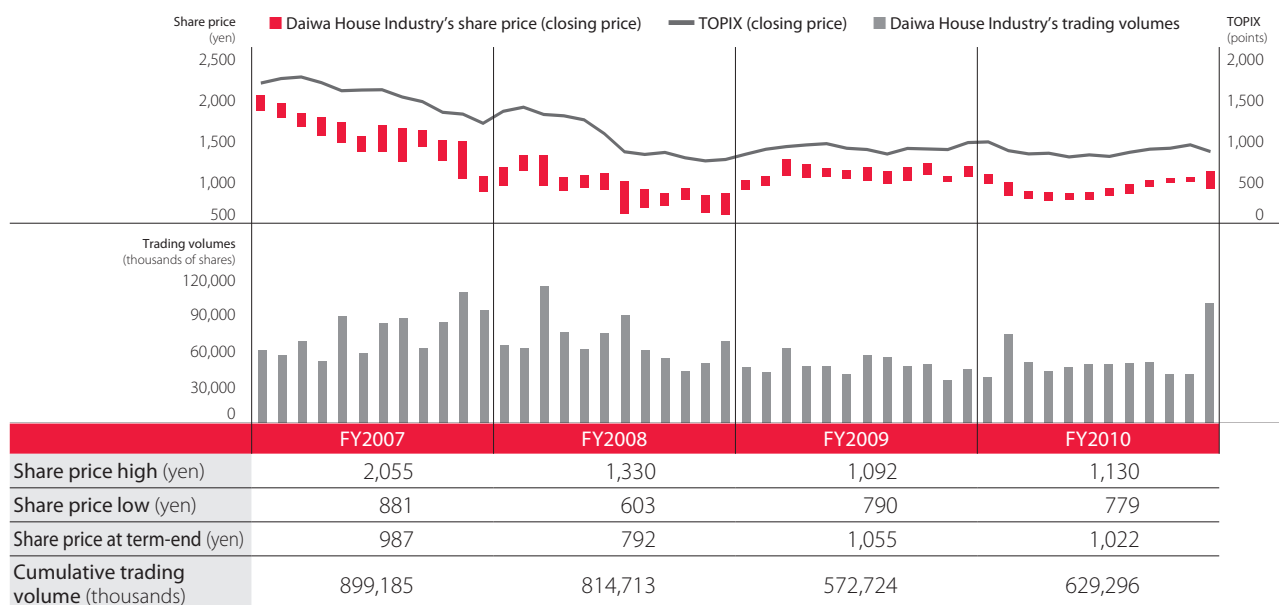
Notes: 1. Number of shares held is rounded down to the nearest thousand.  
2. The Company holds 21,115 thousand shares of treasury stock.  
3. Shareholding computations exclude treasury stock.

### Foreign shareholdings



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

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



### Stock price movements in fiscal 2010

In early 2010 the global economy was carried by the emerging markets, and in April the TOPIX peaked for fiscal 2010, at 998 points, on improved earnings by Japanese corporations. From summer, global economic activity appeared to be slowing down due to sovereign debt instability in Europe and the fact that the U.S. government's economic stimulation measures had run out of steam. The yen began to appreciate, and the Japanese economy's recovery decelerated. The Nikkei Stock Average had ended fiscal 2009 at ¥11,089, but the index temporarily fell below the ¥8,800 mark at the end of August.

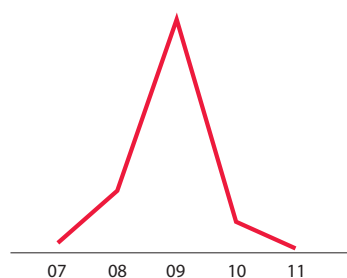
Thereafter, in response to intervention in the foreign exchange markets by the Bank of Japan as well as additional monetary easing by the Japanese and U.S. governments, the Nikkei turned upward in the second half of fiscal 2010, hitting ¥10,891 on February 17, 2011.

The Great East Japan Earthquake of March 11 undermined business confidence, with the TOPIX falling temporarily below the 800-point mark but rallying to end the fiscal year at 869 points.

The price of Daiwa House stock followed a recovery path during the second half of fiscal 2010, reaching a high of ¥1,130 per share in March.

### Price earnings ratio

23.82 43.94 110.01 31.97 **21.70**



— Price earnings ratio (times)

### Price to book value ratio

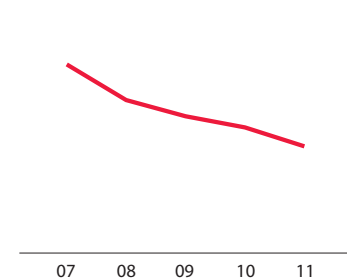
1.72 0.90 0.76 0.99 **0.93**



— Price to book value ratio (times)

### Price cash-flow ratio

14.55 11.80 10.55 9.69 **8.23**



— Price cash-flow ratio (times)





# Management Report

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# Message from the COO

## New value creation starts here

### Second Medium-Term Management Plan (2008/4 – 2011/3)

Net sales

down **1.1%** ▼

2011.3/2008.3  
¥1,690.2 billion/¥1,709.3 billion

Operating income

down **1.6%** ▼

2011.3/2008.3  
¥87.7 billion/¥89.1 billion

ROE

up **2.4 points** ▲

2011.3/2008.3  
4.4%/2.0%

### Basic strategy self-evaluation

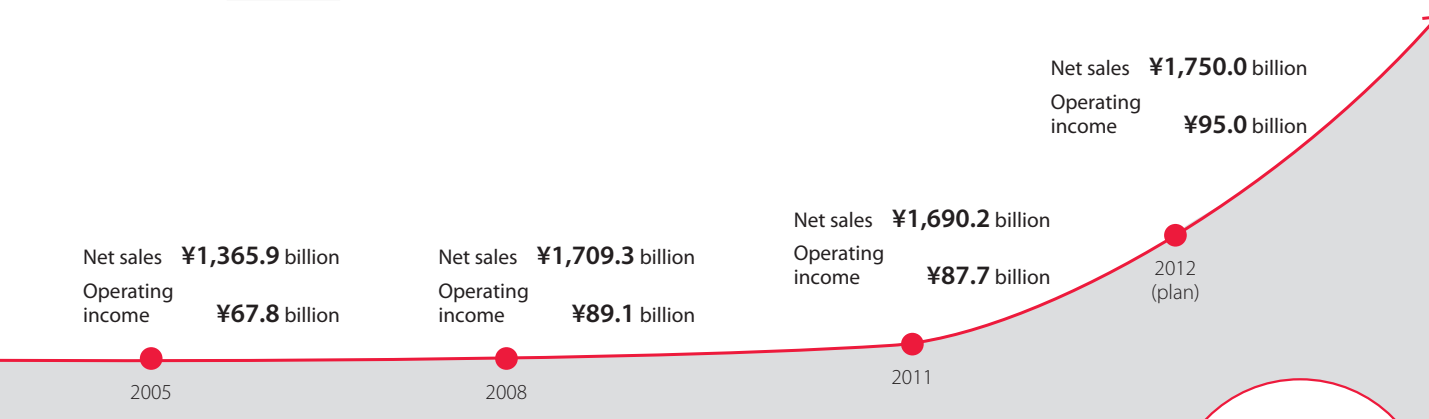
(March 2008 → March 2011)

#### Results

- Improved operating income margin of single-family house and condominium businesses > Single-family houses: 1.8% → **2.2%**  
Condominiums: 3.3% → **3.8%**
- Proportion of subsidiaries in the black for the full term rose > **37 out of 55 (67.3%) → 51 out of 63 (81.0%)**
- Expanded businesses involving existing housing stock > Rental housing units under management rose: **203,000 → 282,000**  
Condominiums under management rose: **58,000 → 204,000**
- Started real estate development projects in Dalian and Suzhou
- Implemented quarterly settlements, leading to leveling-out of operational volume and improved profit structure > Proportion of annual sales posted for 1st and 3rd quarters combined rose: **42.9% → 45.4%**
- Continued training of prospective managers > **129 staff** have taken Daiwa House Juku course for three quarters, with **23** becoming directors/executive officers

#### Issues

- Declining productivity > Sales per employee (consolidated basis) down **¥73 million → ¥64 million**
- Increased interest-bearing debt > Up from **¥228.4 billion → ¥395.6 billion**
- Need to strengthen overseas operations and nurture new core businesses



First Medium-Term Management Plan  
(2005/4 – 2008/3)

Expanded scale of sales

Second Medium-Term Management Plan  
(2008/4 – 2011/3)

Improved profit structure

Third Medium-Term Management Plan  
under preparation





Naotake Ohno  
President and COO

I assumed the post of President and COO of Daiwa House Industry in April 2011, and I would like firstly to take this opportunity to express my deepest condolences to all those who lost loved ones and suffered material damage as a result of the earthquake and tsunami of March 11. At the same time, I would like to assure everyone that in my capacity as President of Daiwa House, I shall exert my utmost efforts to mobilize the Company's resources in assisting the early reconstruction of the devastated region.

Fiscal 2010 was the third and final year under the Company's Second Medium-Term Management Plan "Challenge 2010." During this three-year period, we worked to effect management reforms under the twin themes of improving our profit structure and nurturing new future earnings drivers. As a result of our efforts under the plan, we have seen improved profit margins in our business segments involving the construction of new properties, particularly housing, which made a major contribution to the Company's overall profits. We also realized sales growth in business lines related to the home renovation business, which is a growing market, thanks to a restructuring of our marketing system. Thus, we have achieved good results in both the new construction field and services related to existing properties. Results were favorable overseas, too, where we succeeded in laying the foundations for future business expansion.

We believe that fiscal 2011 will turn out to be the start of a new period in which the Daiwa House Group will create new societal value. While working to realize the reconstruction of the earthquake- and tsunami-devastated region as quickly as possible, we are determined to achieve further growth for the Group. To that end, we have assigned top priority to two themes — expanding our share of markets in Japan, and increasing the pace of our global development. I hope to lead the way for all the executives and other employees of the Daiwa House Group — under the Group's Endless Heart symbol — in vigorously and boldly taking up the challenge of attaining our target of ¥2 trillion in annual net sales.

## Toward the reconstruction of Japan

On March 11 of this year Japan experienced a disaster of unprecedented magnitude. The northeast of the country was visited with an earthquake and consequent tsunami stronger than anyone could have imagined, and the damage sustained by the Fukushima Daiichi Nuclear Power Station led to extensive secondary and tertiary damage. What Japanese society must now avoid is an economic recession brought on by a slump in consumer confidence, which would make reconstruction very much more difficult. For this purpose, we must do our utmost to rebuild and revive the affected region as soon as possible.

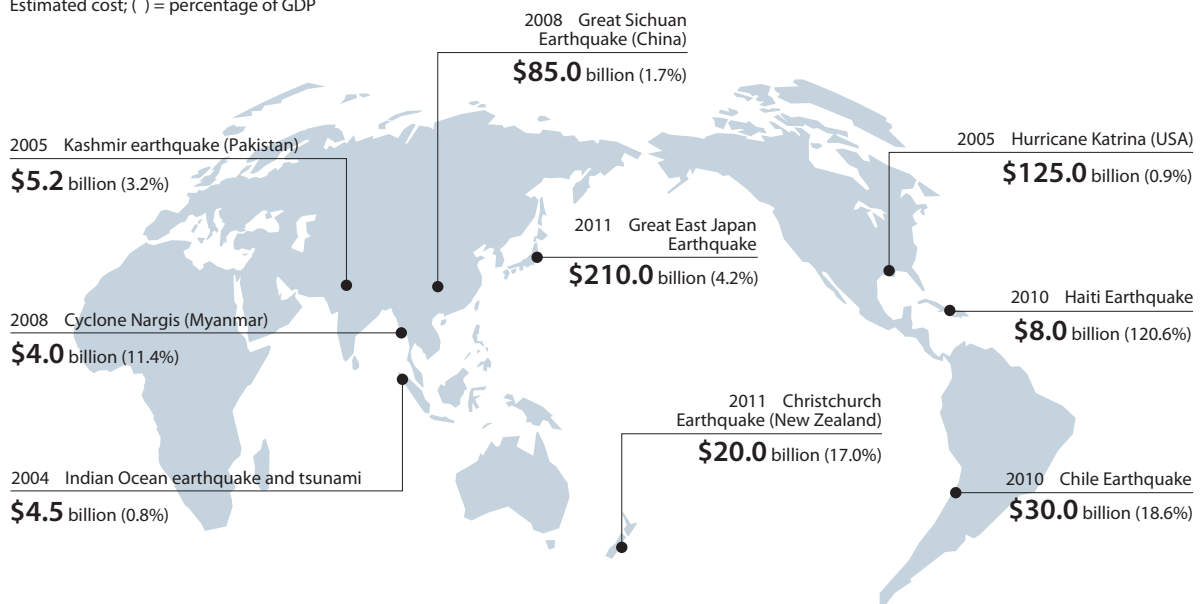
The earthquake and tsunami affected a very wide area of Japan, and as a result, as of August 1, the National Police Agency reports a total of 20,631 people killed or missing as a result of the disaster. The cost of the damage inflicted is estimated at US\$210 billion, or more than 4.2% of the country's GDP. In the face of this unparalleled disaster, we at the Daiwa House Group feel very strongly that it is our social mission to do our best to assist in the reconstruction of the affected areas.

With regard to our customers in the affected areas, in terms of homes and facilities constructed by the Group, these amount to 142,105 residences (single-family houses and rental housing units), 148 condominium buildings, and 14,847 commercial and corporate facilities. Immediately after the earthquake, we conducted checks on the damage sustained by our customers, with our staff at the Disaster Countermeasures Headquarters and our Customer Center maintaining close liaison with staff on the front line in the affected areas to ensure the safety of our customers. The Daiwa House Group has considerable experience in the supply of temporary housing following previous natural disasters, and in keeping with our position as a leading enterprise in Japan's housing industry, we have been working flat out to build temporary housing. Insofar as feasible, we have invested the Group's resources in securing the required lifeline infrastructure for the victims of this terrible disaster.

The road to recovery will certainly not be short, and we shall all have to slog steadily onward through whatever difficulties fate throws in our way. At the Daiwa House Group, we are determined to tackle the rebuilding of individual residences and whole communities, and to help revive the livelihoods of the population in the disaster-hit region. In so doing, we will create new value for society and contribute to the reconstruction of Japan.

### Principal natural disasters around the globe in recent years

Estimated cost; ( ) = percentage of GDP



**Main damage suffered  
by Daiwa House Group facilities** (As of May 31, 2011)

	Number of facilities
Commercial facilities	303
Home centers	22
Resort hotels	6
Golf courses	2

**Number of completed properties  
in affected area** (As of May 31, 2011)

	Number of properties
Single-Family Houses, and Rental housing	142,105
Condominiums	148
Commercial facilities, and Business and corporate facilities	14,847
Total	157,100

**Tsunami-caused damage** (As of May 31, 2011)

	Completely destroyed	Partially destroyed	Flood damage
Single-Family Houses, and Rental housing	89	39	304
Commercial facilities, and Business and corporate facilities	13	23	60
Total	102	62	364



**Construction of temporary  
housing by the Group**

(As of September 2, 2011)

Number of homes  
built or under construction

Noda	128
Iwaizumi	143
Miyako	57
Yamada	149
Otsuchi	886
Kamaishi	252
Rikuzentakata	1,279
Kesennuma	389
Minami-Sanriku	243
Sendai	662
Higashi-Matsushima	518
Ishinomaki	3,272
Shiogama	48
Shichigahama	106
Tagajyo	224
Natori	282
Watari	558
Yamamoto	112
Shinchi	321
Fukushima	112
Souma	415
Minami-Souma	138
Kawamata	160
Nihonmatsu	298
Otama	234
Sakae	55
Total	11,041

Nagano Pref.



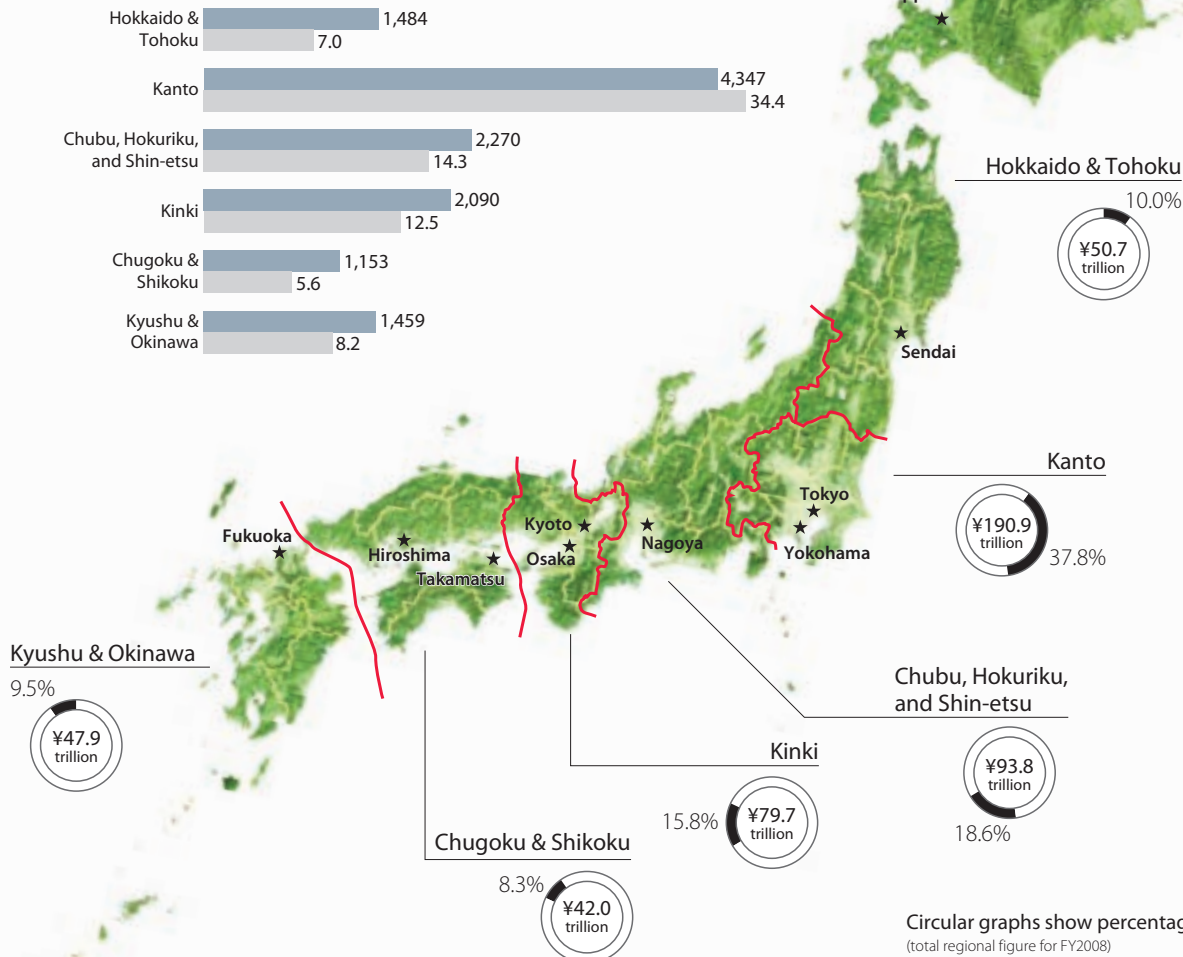
## Expanding our share of markets in Japan

Japan is afflicted by various social problems, such as a declining population, a birthrate that is shrinking at a growing pace, a rise in the average age, and a growing population of people living alone — including unmarried younger people and senior citizens — as a result of which the number of single-person households is on the rise. Japanese society thus appears to be on the brink of a major turning point. It seems to us that the key to securing a larger share of domestic markets lies in finding ways to create new value for society. As a priority strategy, we will be putting particular effort into developing housing products predicated on the current major social trends — the aging of the population and the increase in the number of single-person households. These products will include serviced housing for senior citizens, and compact condominium units for people living alone. In addition, we plan to speed up our development, which is already underway, of eco-friendly housing incorporating the “smart house” concept.

We have therefore divided up Japan into six blocks for marketing purposes, each block featuring certain unique regional characteristics. We believe that by developing new products that take advantage of these characteristics, and by drawing up price strategies and strengthening our relationships with our customers, we will be able to win their trust ahead of our competitors and attain the position of No.1 in market share in regional markets, leading to a larger share of the nationwide market.

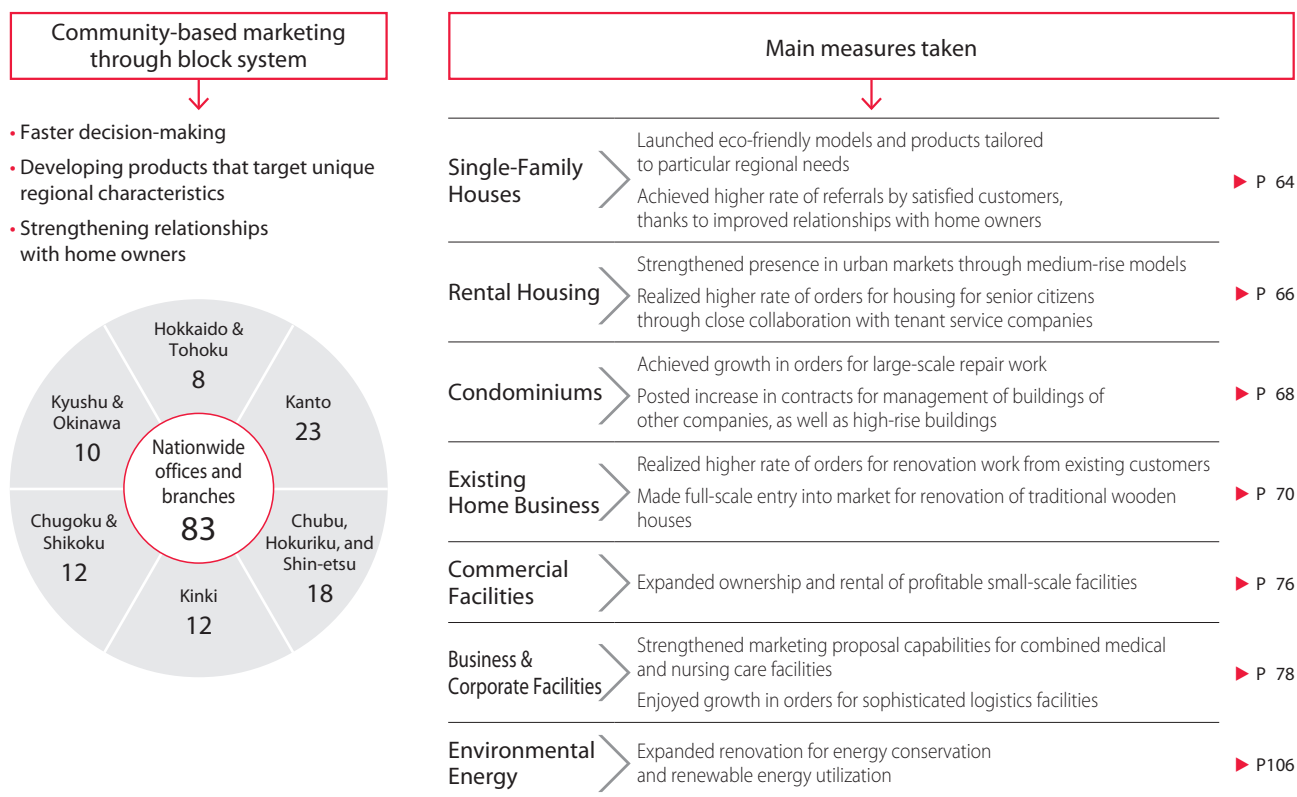
### Regional Markets

■ Population (10,000) ■ New housing starts (10,000)  
(As of October 1, 2010) (FY2010)



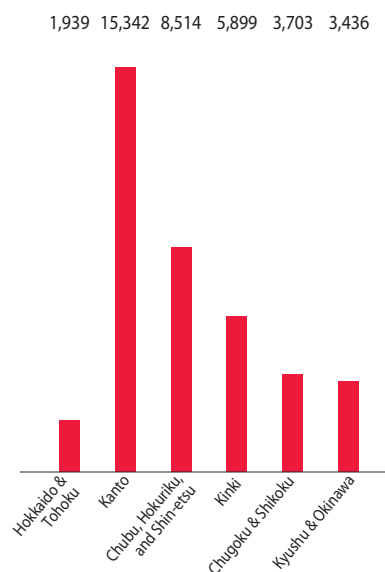
Circular graphs show percentage of GDP  
(total regional figure for FY2008)

## Expanding market shares by strengthening community-based marketing systems

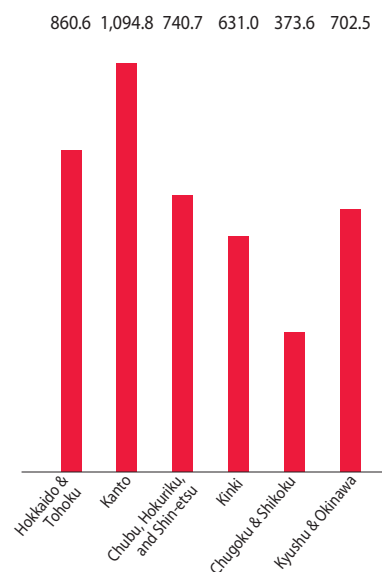


## Main performance results by Daiwa House Group for fiscal 2010

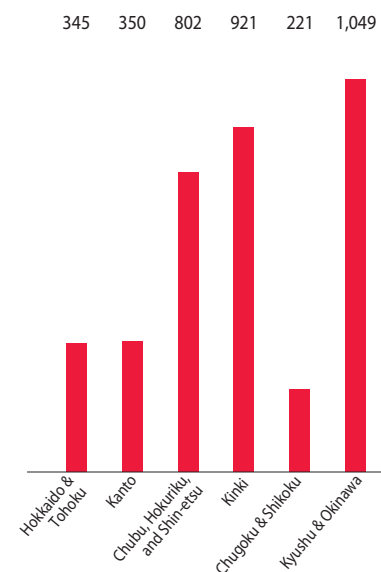
**Sale of homes** (number of individual homes)  
(total of single-family houses, condominiums, and rental housing)



**Rentable floorspace of commercial structures**  
(1,000m<sup>2</sup>)



**Annual number of guests at resort hotels**  
(1,000)  
(total of day-trippers and overnight-stay guests)



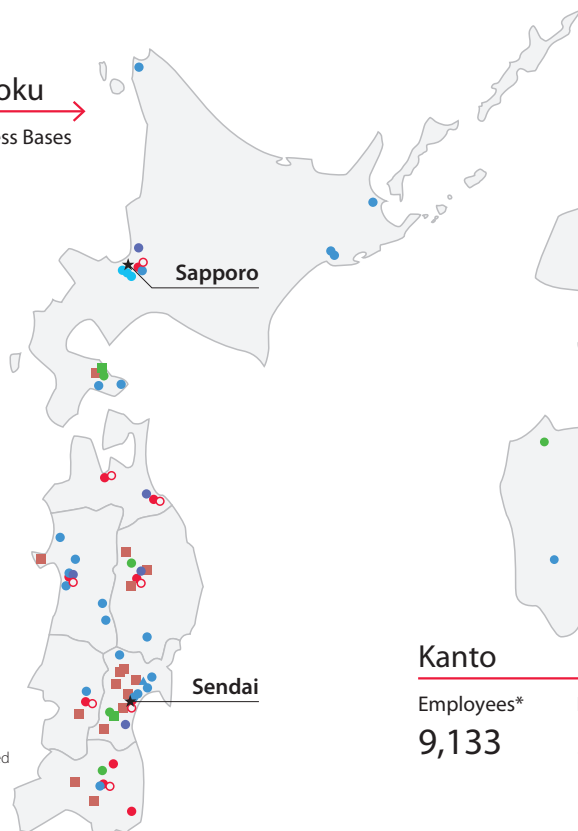
As future new earnings drivers, we are working to nurture new businesses in the fields of welfare, the environment, health, information-communication technology, and agriculture. We have taken the initial syllables on the Japanese terms for these five fields to create our key phrase “Asu Fukaketsuno” (Indispensable for Tomorrow). This catchphrase defines our main theme, which is to devise and develop business operations that address society’s future needs. In addition, in our existing business fields we have been assigning a growing number of staff to operations involving existing properties, such as our home renovation business where social needs are on the increase, to strengthen our organization capabilities in these areas. We are working to enhance the Group’s functions by generating synergy among the different individual strengths of Group members, as we transform ourselves from a simple home builder to a provider of wide-ranging residential and real estate-related services. Our aim is to build a robust management base by closely adapting our marketing systems to local conditions in every region, by nurturing new businesses into solid earnings sources, and by strengthening our operations in the field of existing real estate properties.

(As of August 1, 2011)

	Hokkaido & Tohoku	Kanto	Chubu, Hokuriku, and Shin-etsu	Kinki	Chugoku & Shikoku	Kyushu & Okinawa	Total
● Living Salons	10	27	29	17	21	13	117
■ Property Developments	15	15	14	19	9	11	83
● Commercial Facilities	21	24	13	11	14	16	99
● Resort Hotels	4	4	6	7	2	6	29
■ Golf Courses	2	1	3	2		2	10
● Sports Clubs	3	37	4	6		4	54
● Home Centers		23	3	18	2	1	47
● City Hotels	5	8	6	7	2	4	32
Daiwa House Industry	<div>■ Head Office</div> <div>▲ Offices</div> <div>○ Branches</div> <div>▲ Factories</div> <div>■ Laboratory</div>						1
		4	1				
	8	19	17	12	12	10	
	1	2	3	2	1	1	
				1			
Group Companies		11	3	16	1		

## Hokkaido & Tohoku

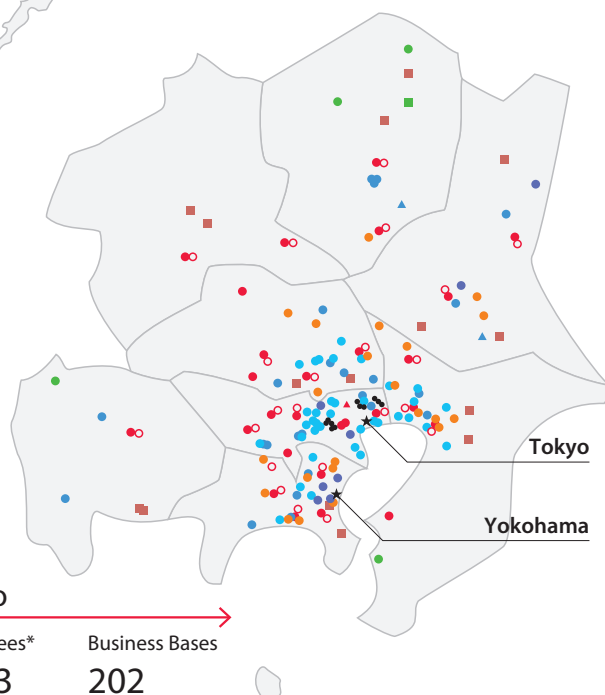
Employees\* 1,621  
Business Bases 74



\* Major Group companies  
(Excluding employees contracted for specific periods of time)

## Kanto

Employees\* 9,133  
Business Bases 202



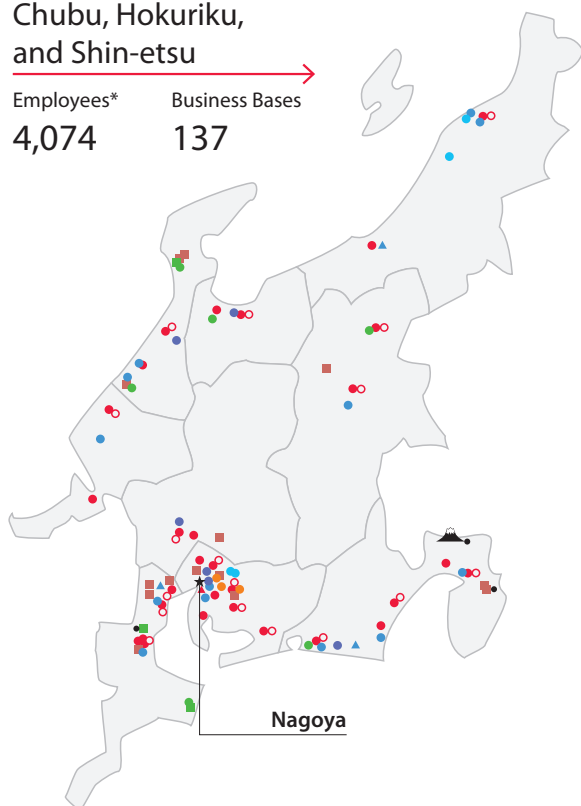


(As of August 1, 2011)

### Chubu, Hokuriku, and Shin-etsu

Employees\*  
4,074

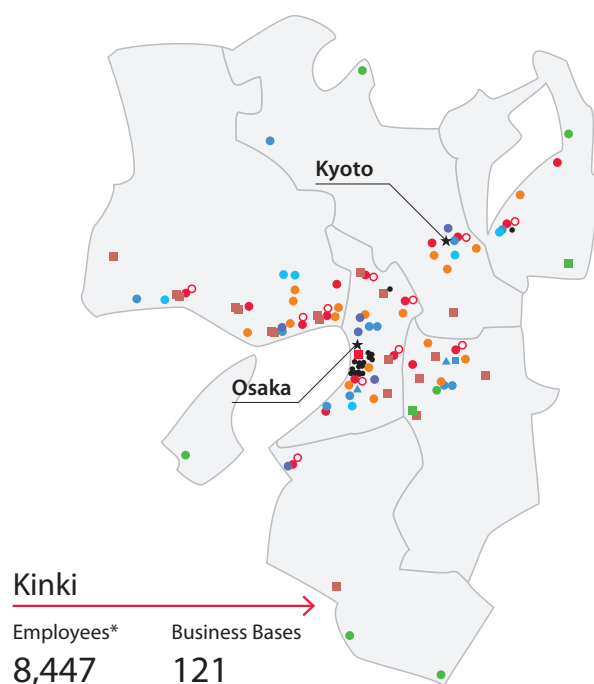
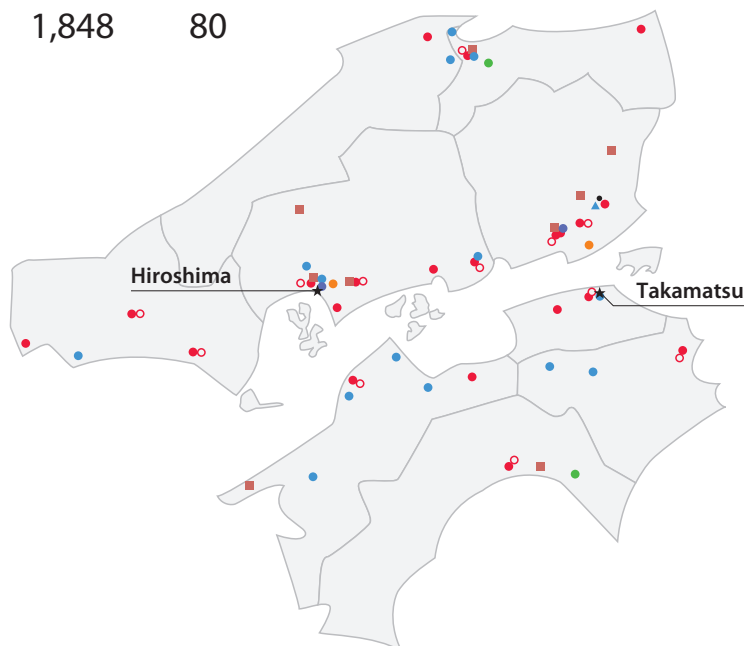
Business Bases  
137



### Chugoku & Shikoku

Employees\*  
1,848

Business Bases  
80



### Kinki

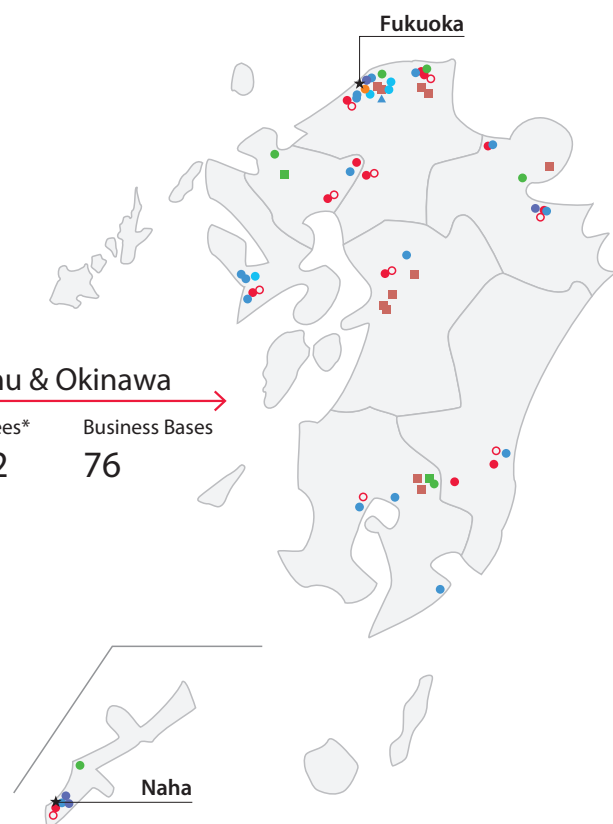
Employees\*  
8,447

Business Bases  
121

### Kyushu & Okinawa

Employees\*  
2,342

Business Bases  
76



## Speeding up the globalization process

Another important theme that we are pursuing is the transformation of the Daiwa House Group into a global enterprise. The ratio of overseas sales to the Group's total sales will be less than 1% for fiscal 2011, and we are committed to raising this ratio. In China, we are aggressively pursuing real estate projects such as condominium developments. Our two development projects in Dalian and our condominium project in Suzhou, which was financed entirely by the Group, have won considerable praise from informed local sources, and have established our "made-in-Japan" products as a trusted standard in China. We have been able to begin projects in the cities of Wuxi and Changzhou, also financed entirely by us, and on the back of this growing reputation we are now working to develop new markets in China.

In the countries of ASEAN, where high economic growth rates and growing populations are forecast for the near future, we hope to effect a technological revolution by importing the anti-seismic technology and quality management techniques we have developed in Japan, and thereby to make a welcome social contribution in those countries.

In the United States we have established three subsidiaries — Daiwa House USA, Daiwa House California, and Daiwa House Guam, and in Australia we have set up Daiwa House Australia. This is part of our initiative to steadily expand our global reach with the aim of creating new earnings drivers for the Group. To establish the Group as an essential element in the global economy, we are promoting the training of employees who will display their capabilities to the full on the global stage, and are also putting our efforts into building a solid management base that will support an accelerated pace of globalization in the future.



For further details ► P88 Global Vision

Estimated changes in nominal GDP per person between 2009 and 2016

(US\$)	2009	2016 (est.)	Rate of increase (times)
Japan	39,459	51,861	1.3
USA	45,934	57,320	1.2
Korea	17,074	31,826	1.9
China	3,739	8,117	2.2
Taiwan	16,326	30,497	1.9
Thailand	4,151	7,529	1.8
Vietnam	1,068	2,050	1.9
Singapore	36,112	55,674	1.5
Malaysia	6,917	11,594	1.7
Indonesia	2,327	5,277	2.3
Australia	44,999	70,877	1.6



## Working to toward the Group's dream

To realize our dream of ¥10 trillion in annual sales by the year 2055, when the Company will celebrate its 100th anniversary, we must first pass the hurdle of ¥2 trillion in sales. For this purpose, we will be steadily pursuing the two principal themes of expanding our share of markets in Japan and speeding up the pace of globalization of our operations. At the same time, we will put efforts into nurturing new businesses under our catchphrase of Asu Fukaketsuno (Indispensable for Tomorrow). We will pursue a management policy that we call "The Three Gs" in order to build a base for further growth. 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."

The devastating earthquake and tsunami of March 11 wiped out many elements of the infrastructure that makes day-to-day life possible for the people of the communities affected, including homes, workplaces, and even entire towns. What sort of criteria do we have for describing a way of life as "affluent" or "comfortable?" What do people want from a home? Now is the time for us to ask ourselves questions like these — to question our basic assumptions about what it really means to live, and to rethink our views of the future. We must revise our values and put our full efforts into creating the sort of new value that the society of the future will need. The members of the Daiwa House Group are united in their determination to leverage the ties that bind human beings together so as to build a better future for us all. I would like to ask for the support of all our stakeholders in these endeavors.

*Naotake Ohno*

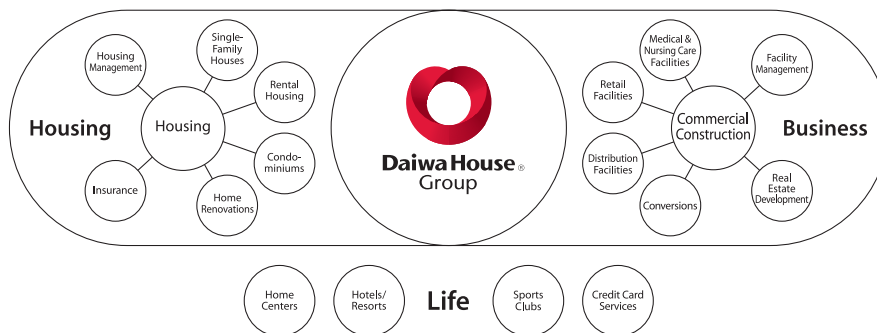
Naotake Ohno  
President and COO



# Group Strategy

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

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

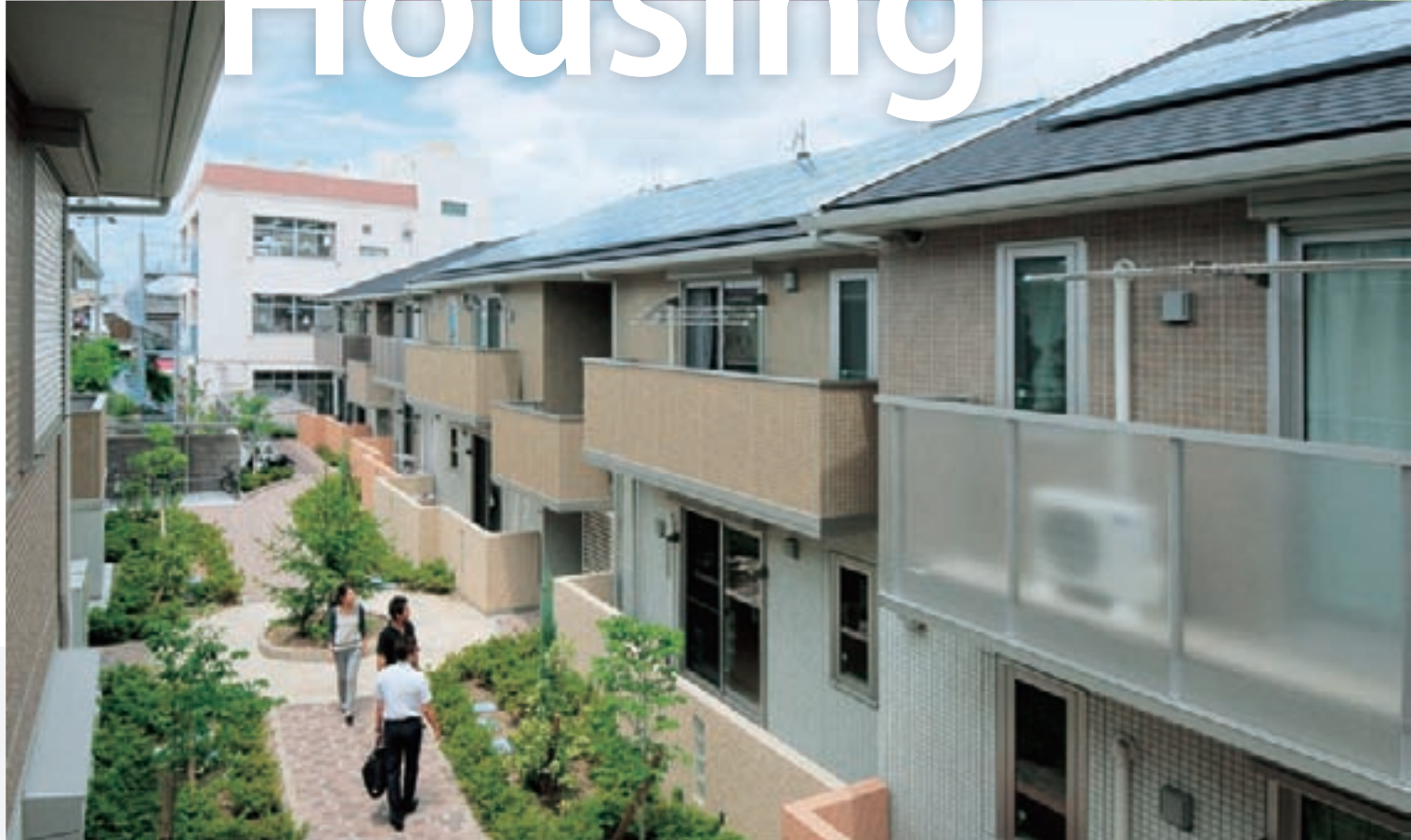




**Daiwa House**®  
Group



# Housing







Daiwa House Industry Co., Ltd.



Daiwa Living Co., Ltd.  
Management/Operation of rental housing



Daiwa Service Co., Ltd.  
Management of condominiums & buildings/Moving services



Daiwa LifeNext Co., Ltd.  
Management of condominiums & buildings

Presidents of Group Companies\*



Masaru Akashi

Born in 1963  
1985: Joins Daiwa House Industry  
2011: President of Daiwa Living, Daiwa Estate

Aiming to be Japan's No.1 rental housing management enterprise, Daiwa Living provides customers of all ages and circumstances with housing that offers security and comfort. We also work as a partner for the owners of rental housing, providing them with long-term support and ensuring stable property management.



Hiromi Yamane

Born in 1955  
1989: Joins Daiwa Total Service  
2005: President of Daiwa Service

We pass on valuable assets to the next generation by maintaining and managing condominiums, office buildings and commercial facilities. At the same time, we also aim to be a company that will earn the gratitude of people in a hundred years' time, by expanding our new business operations of environmentally friendly renovations and repairs and enhancing disaster prevention capabilities for condominium residents.



Yoshinori Watanabe

Born in 1956  
1979: Joins Japan Recruit Center (Currently Recruit)  
2005: Becomes President of Cosmos Life (Currently Daiwa LifeNext)

We support individuals, communities, and people's lifestyles through our management services for condominiums, dormitories, company housing, schools, office buildings, and others. We are dedicated to raising the value of our customers' precious assets. Our aim is to go that extra mile to provide customers with an unsurpassed level of product quality and service throughout their lives.

\* Presidents of principal subsidiaries and affiliates





**Nihon Jyutaku Ryutu Co., Ltd.**  
Real estate agency & property  
management services/Appraisals/  
Renovation work



**Minoru Fujita**

Born in 1948  
1967: Joins Daiwa House Industry  
2004: President of Nihon Jyutaku Ryutu

We aim to be a comprehensive real estate company that always delivers reliable services and property evaluations. We are actively engaged in purchasing and selling existing properties, in addition to our core businesses of real estate agency services, property management services, and real estate appraisals.



**Daiwa House Renew Co., Ltd.**  
Renovation work



**Junichi Sugiura**

Born in 1950  
1973: Joins Daiwa House Industry  
2006: President of Daiwa House Renew

We specialize in home renovations, aiming to satisfy our customers through our technologies for renovation design, works and inspections. We also respond to changes in society by actively working to make renovations that take environmental considerations into account, as well as promoting the anti-seismic technologies of our traditional wooden houses.



**Daiwa Lantec Co., Ltd.**  
Foundation assessment &  
reinforcement



**Chiyohiro Aoyagi**

Born in 1950  
1969: Joins Daiwa House Industry  
2010: President of Daiwa Lantec

As a team of technical professionals in areas such as geological surveys, soil improvement, the exterior structures of buildings, and landscaping, we strive to present proposals with added value. We are aiming to be a company that earns the trust of its customers by developing products that are environmentally friendly, to meet the needs of the age.



**Synchroller Co., Ltd.\***  
Manufacture of housing parts &  
materials



**Syuji Oda**

Born in 1953  
1990: Joins Daiwa House Industry  
2011: President of Synchroller

As befits a member of the Daiwa House Group, all our employees are thorough professionals committed to the manufacture of high-quality products at a reasonable cost and with no delays. We are creating a strong corporate structure capable of adapting to any and all changes in the business environment.

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









## Single-Family Houses

### Our Group Strategy

Aiming at the top market share in the housing industry



Daiwa House Industry Co., Ltd.  
Housing construction and sales

Launched eco-friendly models and products tailored to particular regional needs

Achieved higher rate of referrals by satisfied customers,  
thanks to improved relationships with home owners

### Year 2011

#### Series of popular new products launched

Fiscal 2010 saw a slight recovery in the number of new housing construction starts (excluding rental housing), thanks to the government's continued measures to stimulate the housing market. In our single-family house operations, we enjoyed a strong increase in the number of new home buyers referred to us by satisfied customers, thanks to our continued efforts to reinforce relationships with existing home owners and put down roots in local communities. We were thus successful in creating an efficient marketing structure. Among new product offerings, we launched the xevo CLEVA, which features as standard the Cocoom Space, a special makeup-application corner for the lady of the house. This idea is the fruit of a collaboration with SK-II, a leading brand of high-class skincare products, and has proved very popular with working women in their forties.

We also marketed the xevo YU as a two-generation home that can be flexibly adapted to future changes in family makeup. By fitting this model with a photovoltaic power generation system with a maximum output of 9.6kW, we succeeded in quickly responding to the government's call for realization of a "net zero energy house."<sup>\*1</sup> We also exhibited the SMAxEco HOUSE<sup>\*2</sup> — Japan's first home model fitted with lithium ion storage batteries — at three locations around the country. The advanced technology on display in this model house has drawn considerable praise from both Japanese and overseas visitors.

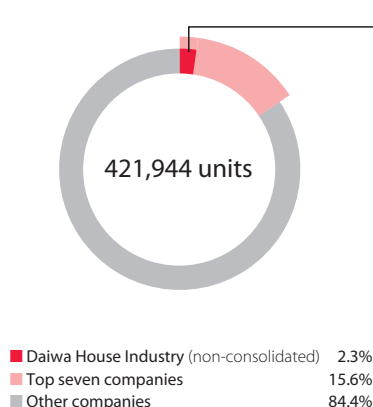
<sup>\*1</sup> They produce at least as much energy as they consume.

<sup>\*2</sup> For further details ▶ P104 The Energy Self-sufficient Home

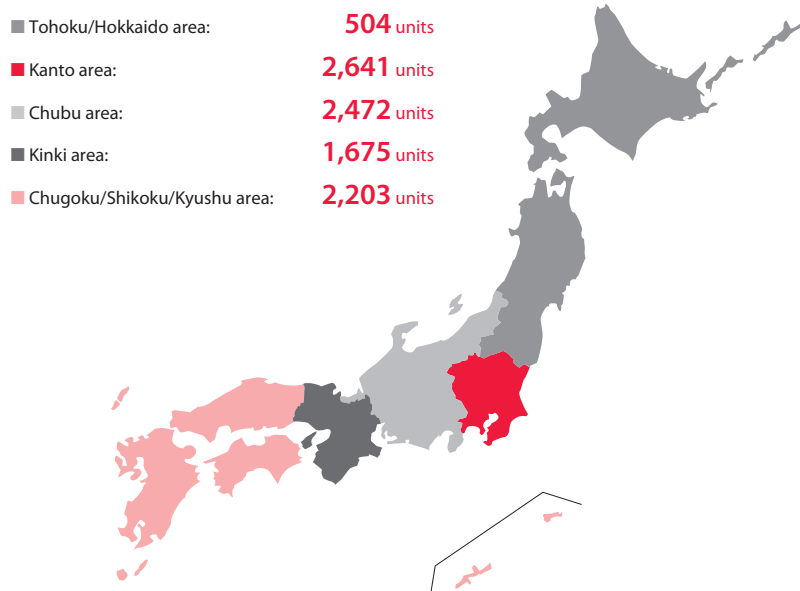


xevo

Share of single-family house market  
(FY2010)



Breakdown of single-family houses built



## Beyond 2012

### Getting closer to the community

As of July 31, 2011, we had established eleven “housing reconstruction consultation centers” in Iwate, Miyagi, and Fukushima prefectures to assist in the reconstruction of housing destroyed by the earthquake and tsunami of March 11. Staff provide visitors with advice on home building, rebuilding or repairs, and we will be setting up more centers in the near future.

We have also launched the xevo K — Kizuna (*kizuna* means emotional bonds or ties), which is a quickly assembled, low-priced, quake-resistant home that meets the urgent needs of the region that was devastated on March 11. Subsequently, we launched the xevo K-II — Kizuna, which offers batteries plus water- and food-storage facilities as an insurance against the severing of essential services in an earthquake, and also features a photovoltaic power generation system as standard. In these ways, we are assisting in the reconstruction of the quake-hit region by providing people with assurance of safety in the event of an emergency.

We also reorganized our marketing system, dividing up our 83 nationwide branches into six blocks and delegating a specified degree of authority to each block. This will allow us to develop and market products tailored to the specific needs of each local area, avoiding the tendency toward heedless nationwide uniformity. It will also enable us to concentrate marketing activities on specific sub-segments of each marketing block, as part of our efforts to become the market leader in each local community by raising the referral rate. We are also working to develop new construction methods to improve our cost-competitiveness, with the additional target of becoming No.1 in terms of new housing construction starts.

We have set up a dedicated unit to conduct market research in other Asian countries as well as North America and Australia, with a view to future expansion into those markets. This unit has already begun collecting data on overseas markets.

## Rental Housing

### Our Group Strategy

More competitive homes strengthen  
Daiwa House in the big cities



**Daiwa House®**  
Daiwa House Group



**Daiwa Living®**  
Daiwa House Group



**Daiwa Estate®**  
Daiwa House Group

Daiwa House Industry Co., Ltd.

Construction of rental housing

Daiwa Living Co., Ltd.

Management/  
Operation of rental housing

Daiwa Estate Co., Ltd.

Rental housing agency

Strengthened presence in urban markets through medium-rise models

Realized higher rate of orders for housing for senior citizens through  
close collaboration with tenant service companies

### Year 2011

#### Development and sale of rental housing fitted with security system

Thanks to the continuation of the government's eco-point system for housing and subsidies to encourage the installation of photovoltaic power generation systems, the rental housing market followed a recovery trend, driven mainly by demand for rebuilding as well as general demand in Japan's three major metropolitan areas — the Tokyo, Kinki, and Chubu regions. Against this backdrop, we strengthened our sales system by increasing our marketing staff, particularly in the Tokyo area.

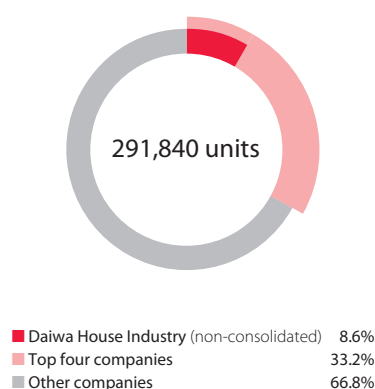
In collaboration with Sohgo Security Services Co., Ltd. (ALSOK) we launched the rental housing products Séjour WIT-S and Séjour OTT's-S, which come with ALSOK's 24-hour home security service. This is the Japanese housing industry's first rental housing product to address the rising importance of security as a criterion in choosing a residence. Sales have been brisk, especially in urban areas, pushing up the value of orders as a whole.

Additionally, against the background of growing concern with environmental issues among rental housing owners, we have seen a growth in orders for options on existing products, such as photovoltaic power generation systems or high-efficiency water heaters, as well as all-electric rental housing units.



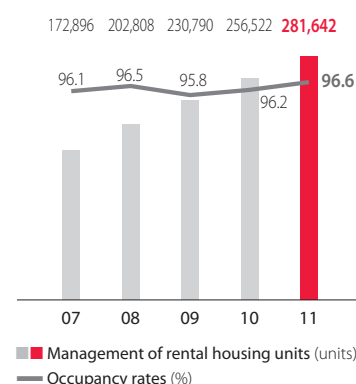


Share of rental housing market  
(FY2010)

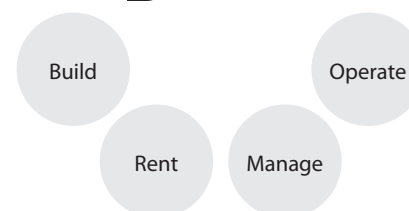


Note: Total shares based on statistics by the Ministry of Land, Infrastructure, Transport and Tourism. The shares for Daiwa House Industry and top four companies are based on our estimates.

Management of rental housing units and occupancy rates



## D-room



D-room is a safe, worry-free, comfortable rental housing format

## Beyond 2012

### Raising occupancy rates through higher product quality

In Japan's three major metropolitan areas, where demand is expected to continue recovering, we plan to strengthen our marketing capabilities through a continued increase in staff as well as the number of marketing offices. Regarding product strategies, we will focus our development and marketing efforts on product concepts that reflect the current needs of tenants. This will include the launch of rental housing products featuring security services, targeted at female tenants. In these ways, we aim to differentiate Daiwa House from its competitors.

The occupancy rates of rental housing units built by Daiwa House are already the highest in the industry, and we aim to raise them still further by focusing on the sale of high-quality rental housing such as units with special security features or eco-friendly features. Demand for serviced housing for elderly people is growing fast as a result of the aging of Japan's

population, and we are reinforcing our collaboration with companies that provide services for tenants, to develop such housing products. To raise the occupancy rates at existing housing built by Daiwa House, we intend to focus on strengthened collaboration with Daiwa Living, which manages rental housing, and aim to propose renovation plans to the owners, including the reorganization of facilities and room layouts. We will continue to offer seminars on the rental housing management business to owners who are already our customers, to forge still stronger relationships.

## Condominiums

### Our Group Strategy

Aiming to optimally leverage strengths of Group  
and brand image for expanded market share



**Daiwa House®**  
Daiwa House Group



**Daiwa Service®**  
Daiwa House Group



**Daiwa LifeNext®**  
Daiwa House Group

Daiwa House Industry Co., Ltd.  
Condominium development & sale

Daiwa Service Co., Ltd.  
Management of condominiums &  
buildings/Moving services

Daiwa LifeNext Co., Ltd.  
Management of condominiums &  
buildings

Achieved growth in orders for large-scale repair work  
Posted increase in contracts for management of buildings of other companies,  
as well as high-rise buildings

### Year 2011

#### Popularizing high value-added condominiums

The reporting term saw signs of a recovery in demand for condominiums, particularly in the Tokyo area, and the number of condominiums put on the market in Japan in fiscal 2010 exceeded the year-before level for the first time in five years.\* Against this background, we continued to put efforts into selling our inventory of completed condominiums, and worked to supply high value-added condominiums to the market to meet today's needs for properties fitted with seismic vibration-dampening capabilities and various eco-friendly features.

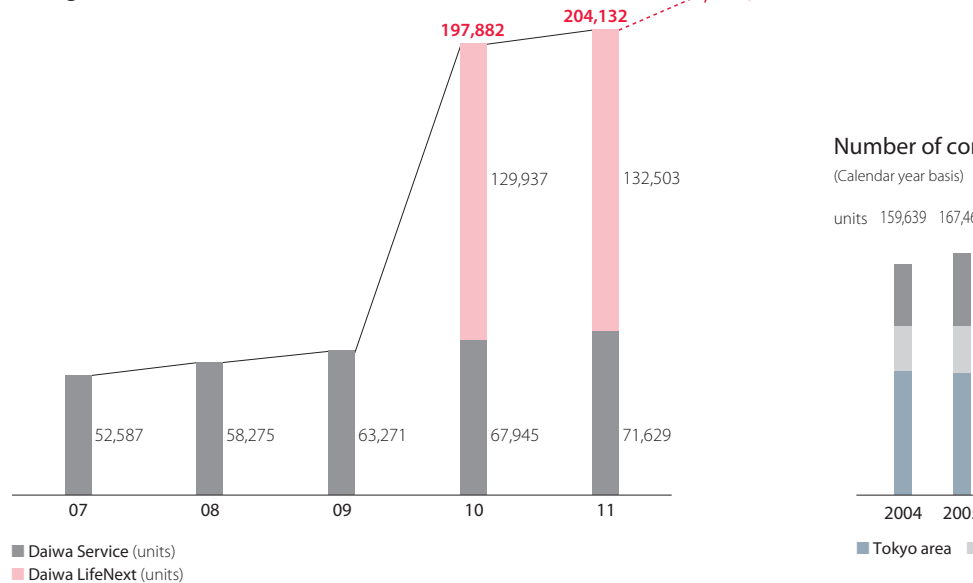
We became the first condominium developer in Japan to issue and sell Renewable Energy Certificates (RECs), thanks to the use of a solar thermal power central heating system at our D'Grafort Lake Town development. This is one of the ways in which Daiwa House is raising the added environmental value of its condominiums. We also made good progress during the term in improving the profitability of our condominium operations, with the inventory of completed units at the end of fiscal 2010 falling to a mere 334, compared with 834 at the end of fiscal 2009.

In the field of condominium management operations, we are not limiting ourselves to buildings constructed by Daiwa House, but are also actively seeking orders for management operations and large-scale repair projects at condominium buildings constructed by other companies. During the reporting term we managed to increase the number of condominium units under management by 3.2% over the previous year. In May 2010 the condominium management company Daiwa Service opened the Knowledge Center, a facility for training condominium concierges. This move is part of the Group's plans to differentiate itself from its rivals.

\* Source: *Nationwide Condominium Market Trends for 2010*: Real Estate Economic Institute Co., Ltd.

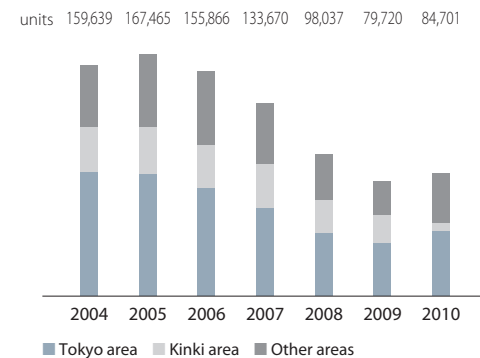


### Management of condominium units



### Number of condominiums sold in Japan

(Calendar year basis)



## Beyond 2012

### Expand stock business by increasing total of units under management

Regarding the development of new properties, we plan to strengthen our acquisition of land in the Tokyo area while closely monitoring movements on the land price market, and will be taking a proactive stance on joint development and large-scale projects. In other parts of Japan, we will focus our development efforts on the most attractive projects in each region. We will continue to popularize eco-friendly condominiums, and plan to raise the ratio of development of compact condominiums — 1LDK and 2LDK units with 40 – 60m<sup>2</sup> floorspace — particularly in urban locations such as the Tokyo area. We also aim to expand the Group's share of the domestic market by strengthening our brand name. This will be done by applying a consistent business philosophy across all operational stages from land procurement through product planning, condominium management and operation, and real estate agency work, and by raising the overall quality of our operations through clarification of our selection criteria.

In condominium management operations, we will optimally leverage our greatest strength — our possession of subsidiaries that specialize in condominium management, real estate agency services, and construction — to expand outward from the condominium management business to offer comprehensive solutions encompassing rebuilding, large-scale repair work, and internal renovation work on individual condominium units. We expect this to be effective in increasing the total number of condominiums under management.



# Home Renovation / Real Estate Agency Services

Existing Home Business

## Our Group Strategy

### Aiming to acquire new customer segments



Daiwa House Industry Co., Ltd. Renovation proposals	Daiwa House Renew Co., Ltd. Renovation work	Nihon Jyutaku Ryutu Co., Ltd. Real estate agency & property management services/Appraisals/Renovation work	Royal Home Center Co., Ltd. DIY/Gardening/Interior items
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Realized higher rate of orders for renovation work from existing customers  
Made full-scale entry into market for renovation of traditional wooden houses

## Year 2011

### Integrated development with Group companies

In the home renovation business we have been reinforcing collaboration between Daiwa House and its subsidiaries, particularly Daiwa House Renew, in pursuit of increased order volume. In renovation work on single-family houses, using the eco-point system for housing, we focused our marketing on renovating properties for improved energy conservation and eco-friendliness, as well as seismic retrofitting. For rental housing, we shared data with subsidiary Daiwa Living to offer renovation proposals for asset value maintenance and improvement through installation of photovoltaic systems and other features.

We also strengthened our relationships with existing customers — home owners (single-family houses), and owners of rental housing constructed by the Company. Thanks to this, we were able to raise the proportion of orders for renovation work from existing customers to 33% for single-family houses (up 3 points from the previous year) and 29% for rental housing (up 13 points). Meanwhile, we took measures to develop new

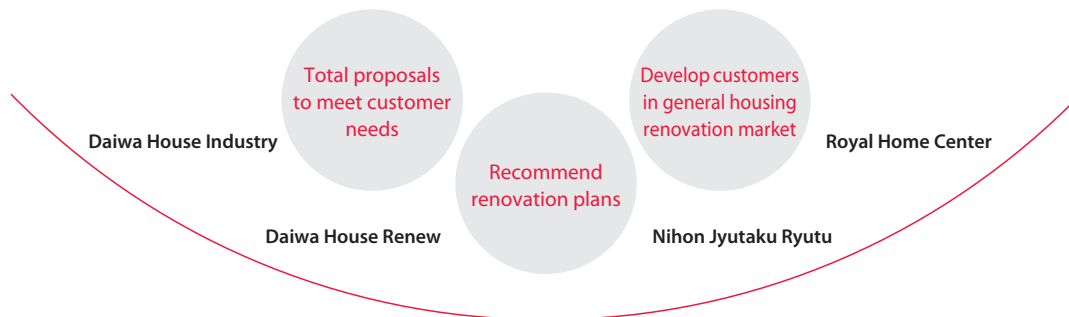
customer relationships, such as setting up more home renovation service counters in our Royal Home Centers and stationing Existing Home Business marketing staff at the counters.

In the real estate agency services business, in the field of single-family houses we made effective use of the AQ Re-Support Agency System\*<sup>1</sup> (part of our AQ ASSET Service\*<sup>2</sup>) to offer agency services to guarantee peace of mind for home owners. For condominiums, we leveraged the strengths of our D's Bridge\*<sup>3</sup> asset valuation system to expand our services for existing home owners. We also established businesses for the purchase of real estate and the resale of previously owned homes in a linkage with our real estate agency services.

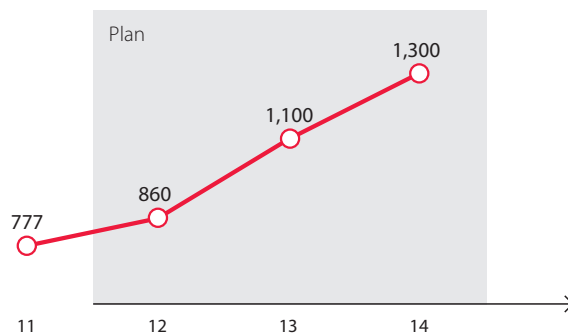
\*<sup>1</sup> The AQ Re-Support Agency System enables homes whose warranty period has expired to be re-guaranteed for necessary inspection and maintenance work.

\*<sup>2</sup> The AQ ASSET Service is a lifelong support system that lets owners of single-family houses maintain their home's asset value. We provide home owners with solutions for home asset value maintenance and management.

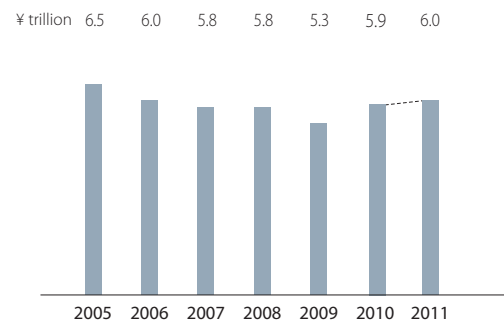
\*<sup>3</sup> D's Bridge is an asset value support system developed by Daiwa House Industry and its Group companies Daiwa Service and Nihon Jyutaku Ryutu.



Number of staff in sales



Outlook for home renovation market  
(overall size) in Japan (Calendar year basis)



## Beyond 2012

### Strengthen our brand in renovation market

In home renovation, we aim to build up a lifelong relationship of trust with our customers by rigorously managing our existing customer database in the field of single-family houses and by conducting initial and longer-term inspection programs. Regarding new service products, we plan to meet owners' needs through total packages including retrofitting for energy conservation and barrier-free design, as well as photovoltaic systems. In this way, we expect to raise the average value of orders received for a single home. For rental housing, we will market renovation services that emphasize the benefits to tenants of the Housing Safety Net Project.\*<sup>4</sup> As a strategy to expand the volume of orders, we will make proposals to owners of rental apartment buildings managed by Daiwa Living that have multiple vacancies. These proposals will be based on site location analyses, and will include plans for changes in room arrangements (floor plans) and the upgrading of equipment and facilities.

We also intend a full-scale entry into the general housing renovation market. As a basic strategy, we will employ our

earthquake resistance diagnosis service, targeting wooden-structure houses, advertising our wealth of experience and know-how as a home builder. We will also boost staff at our Royal Home Centers, and reinforce collaboration among Group members. For example, when concluding real estate agency services, Nihon Jyutaku Ryutu will introduce customers to our renovation services.

In our real estate agency business, we aim to expand the number of our staff working in the Tokyo area, and centralize the handling of real estate data within the Group. We will also strengthen liaison between the Existing Home Business and the Condominium Division so as to establish a business model for the previously owned home resale business, including our real estate acquisition business.

\*<sup>4</sup> The MLIT's Housing Safety Net Project: This is a system under which the government provides direct subsidies for a certain percentage of the cost of renovating vacant rental housing for use by senior citizens, persons with disabilities, and low-income earners. The renovation work covered by the system includes retrofitting for seismic resistance, barrier-free use, and energy conservation performance.



# Business







Daiwa House Industry Co., Ltd.



Daiwa Lease Co., Ltd.  
Building & vehicle leasing/  
Land utilization



Daiwa Logistics Co., Ltd.  
Transportation/Warehouse & storage



Daiwa Information Service Co., Ltd.  
Land utilization/Maintenance &  
operation of commercial facilities

Presidents of  
Group  
Companies\*



Shunsaku Morita

Born in 1955  
1979: Joins Daiwa Kosho Lease  
(currently Daiwa Lease)  
2008: President of Daiwa Lease



Katsuyoshi Tateno

Born in 1946  
1969: Joins Daiwa House Industry  
2001: President of Daiwa Logistics



Osao Fukushima

Born in 1946  
1973: Joins Daiwa House Industry  
2008: President of Daiwa Information  
Service

In our principal business areas of the leasing of temporary structures and vehicles and the development of commercial facilities, we are working to adapt the company to a changing market environment while developing new business models for continued growth into the next generation, such as urban greening to help preserve the global environment, and environmental energy services.

Since the company was founded 50 years ago, we have specialized in logistics for both residential dwellings and for construction and building materials. We aim to be a strategic logistics partner that supports customers' business growth from the logistics perspectives, and an integrated logistics company, working to create logistics services with high added value, based on extensive expertise and experience.

We contribute to society via a lease business centering on commercial facilities, and by operating and managing large-scale shopping centers. We are working to develop and provide facilities and services based on our motto, "Improvement in quality starts with improving ourselves," aiming to become a company that fulfills our social responsibility with environmentally friendly efforts.

\* Presidents of principal subsidiaries and affiliates.





**Daiwa Royal Co., Ltd.**  
Rental of commercial facilities/  
Daiwa Roynet Hotels



**Ken Harada**

Born in 1953  
1982: Joins Daiwa House Industry  
2010: President of Daiwa Royal

With a focus on community-building with our customers, we develop and operate commercial facilities that are valued by local people and city hotels with an accent on hospitality. At the same time, we nurture new businesses to meet the needs of changing times.



**Daiwa Energy Co., Ltd.**  
ESCO business/Environmental  
equipment/Facility installation



**Hidekazu Matsushima**

Born in 1949  
1973: Joins Daiwa House Industry  
2003: President of Daiwa Energy

We use the experience that we have cultivated in a wide range of business areas as an energy service company (in wind power, photovoltaic power generation, renewable energy, environmental devices, facilities and products) to provide value-added products and services that deliver three types of savings to our customers: energy savings, resource savings and cost savings.



**Daiwa House REIT Management Co., Ltd.**  
Asset management



**Kenjiro Matsutake**

Born in 1959  
1983: Joins Daiwa House Industry  
2009: President of Daiwa House REIT Management

Our company aims to create a more stable revenue base for the Daiwa House REIT Investment Corporation by maximizing collaboration with other companies in the Daiwa House Group.



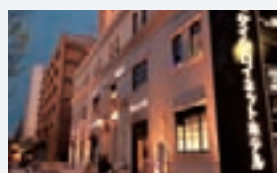
**Daiwa Asset Mgt. Co., Ltd.**  
Asset management



**Yuji Yamada**

Born in 1960  
1983: Joins Daiwa House Industry  
2011: President of Daiwa House Morimoto Asset Management (Currently Daiwa House Asset Management)

We have been entrusted with the task of asset management for the BLife Investment Corporation, which invests in residential and commercial facilities. We take full advantage of the Group's experience in developing and operating real estate properties in order to focus our energies on the growth of funds in trust and the development of the J-REIT market.





**Eneserve Corporation**  
Comprehensive energy services



**Yoshio Kinoshita**

Born in 1944  
1999: Joins Eneserve  
2007: President of Eneserve

We contribute to society in many ways, as electricity specialists who provide critical protection to corporations through solution-oriented comprehensive energy services. We do this by guaranteeing the security of electrical facilities, reducing energy costs, and contributing to the protection of the global environment.



**Higashi-Fuji Co., Ltd.**  
Real estate development/  
Sale of commercial real estate



**Masamichi Yagita**

Born in 1959  
1983: Joins Daiwa House Industry  
2010: President of Higashi-Fuji

We aim to be a company that is trusted by the local community. It is essential to have marketing skills that can precisely grasp customers' requirements and technical skills that can respond to these requirements, from residential housing to commercial construction and medical and nursing facilities as well as logistics and industrial facilities.



**Daiwa Odakyu Construction Co., Ltd.**  
General construction/Real estate



**Yoshiaki Takamura**

Born in 1942  
1965: Joins Daiwa Danchi  
2008: President of Odakyu Construction  
(Currently Daiwa Odakyu Construction)

We are working to enhance our enterprise value by evolving into a comprehensive construction business that offers customers solutions based on our own development and proposal capabilities. We hope to raise the brand power of both the Daiwa House Group and the Odakyu Group. We will foster new core competencies and help enrich people's lives.





## Commercial Facilities

### Our Group Strategy

Reassigning staff to strengthen marketing power in Tokyo area



**Daiwa House®**  
Daiwa House Group



**Daiwa Lease®**  
Daiwa House Group



**Daiwa Info.Service®**  
Daiwa House Group



**Daiwa Royal®**  
Daiwa House Group

Daiwa House Industry Co., Ltd.

Construction, management and  
operation of commercial facilities

Daiwa Lease Co., Ltd.

Building & vehicle leasing/  
Land utilization

Daiwa Information Service Co., Ltd.

Land utilization/Maintenance &  
operation of commercial facilities

Daiwa Royal Co., Ltd.

Rental of commercial facilities

Expanded ownership and rental of profitable small-scale facilities

### Year 2011

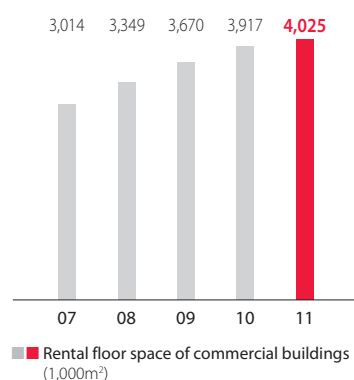
#### Focus on development of neighborhood shopping centers

Demand for shopping centers as a whole continued to decline during the reporting term against the background of weak consumer confidence, and the operating environment in this business field was difficult. As a result, the number of large-scale commercial facility openings declined, but demand for neighborhood shopping centers (NSCs) with a total floor space of less than 10,000m<sup>2</sup> remained firm. Among large-scale shopping centers, we undertook a major renovation of the QiZ Mall Hakata (Fukuoka Pref.), welcoming two new core tenant companies and changing the name to Foleo Hakata to reflect the center's new focus on local produce and the unique preferences of local customers.

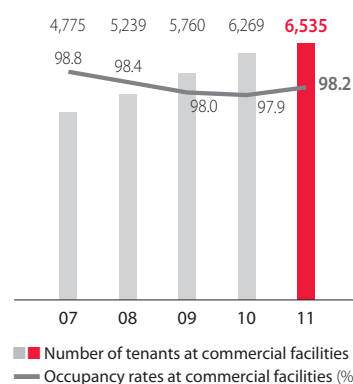
We also opened the Foleo Shobu shopping center (Saitama Pref.). In commercial facilities operated by the Group, we opened shopping centers across the country as part of our focus on operations strongly rooted in the local community. These included Frespo Houki (Tottori Pref.), Frespo Seifushinto (Hiroshima Pref.), Frespo Rokuchonome (Miyagi Pref.), Frespo Yokote II (Akita Pref.), the Isesaki Shopping Center (Gunma Pref.), and the Rinkan Mall (Kanagawa Pref.).



### Rental floor space of commercial buildings\*



### Number of tenants at commercial facilities\* and occupancy rates at commercial facilities\*



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

## Beyond 2012

### Offering unique eco-features as standard

At the moment, there are no clear prospects of a full-scale economic recovery, and in view of current market trends we plan to rethink our area marketing dominance strategies and increase the number of our business centers in Japan's urban areas, particularly Tokyo and the surrounding region. We aim to bolster our proposal capabilities in urban districts by increasing the number of mid-career employees assigned to them.

We will focus on differentiating ourselves from our competitors through the use of low-cost, fast-erection construction systems to build high-quality, cost-competitive commercial facilities with eco-friendly features as standard. In the field of roadside stores, we will leverage our extensive fund of data on land availability and prices, as well as our know-how in the area of support services for tenants opening new outlets. In this way, we hope to raise the ratio of successful contracts, centering on

business sectors where companies are continuing to open new outlets at a brisk pace, such as the convenience store, drugstore, and fast food restaurant chains.

With the aim of expanding orders, we will continue making renovation or rebuilding proposals to tenant companies that are approaching the end of their current leases, and at the same time will take steps to strengthen our relationships with our landowner clients.

# Distribution Facilities / Medical and Nursing Care Facilities / Corporate Facilities

Business and Corporate Facilities

## Our Group Strategy

Leveraging specialist know-how in wide range of fields to win more orders



Daiwa House Industry Co., Ltd.

Construction of business facilities/  
Real estate development

Daiwa Lease Co., Ltd.

Building & vehicle leasing/  
Land utilization

Higashi-Fuji Co., Ltd.

Real estate development/  
Sale of commercial real estate

Daiwa Odakyu Construction Co., Ltd.

General construction/Real estate

Strengthened marketing proposal capabilities for combined  
Medical and Nursing Care Facilities

Enjoyed growth in orders for sophisticated logistics facilities

## Year 2011

### Construction of distribution facilities with eco-friendly features

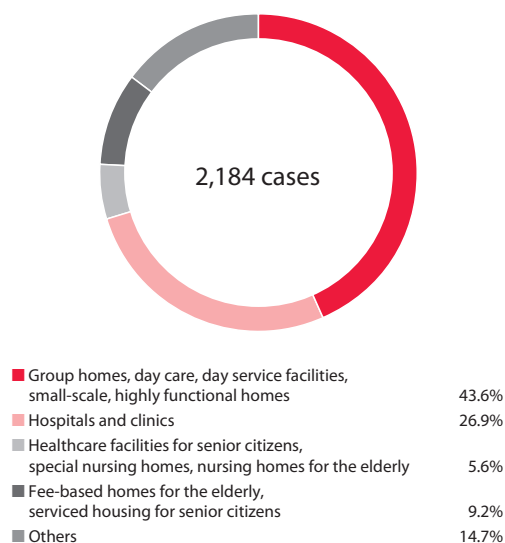
In our Distribution Facilities operations, the reporting term saw an end to the previous oversupply situation in the distribution sector with the warehouse occupancy rate improving. Conversely, the sector began to suffer from a shortage of warehouse space, and our D Project real estate investment business recorded a steady stream of development projects. Amid growing concern with the protection of the natural environment, we completed construction of the D Project Takashimadaira. This eco-friendly distribution facility features a seismic vibration dampening structure, photovoltaic power generation systems, LED lighting, and a green roof, and is expected to serve as a model case for environmentally friendly distribution facilities in the future.

We have taken steps to acquire data relating to Internet shopping from online service providers and goods suppliers, enabling us to investigate trends in this business, which is posting rapid growth. In our Medical and Nursing Care Facilities operations, against the backdrop of a growing market due to the aging of the population, we took steps to expand our orders for serviced housing for senior citizens, combined medical care and nursing care facilities operated by healthcare corporations, and fee-based homes for the elderly, especially in the Tokyo area. In the field of support services for corporate facilities, we made good use of our accumulated know-how and extensive database to offer consulting services, and commenced work on the construction of Hokusetsu-Sanda Techno Park II, a large-scale industrial park in Hyogo Pref.

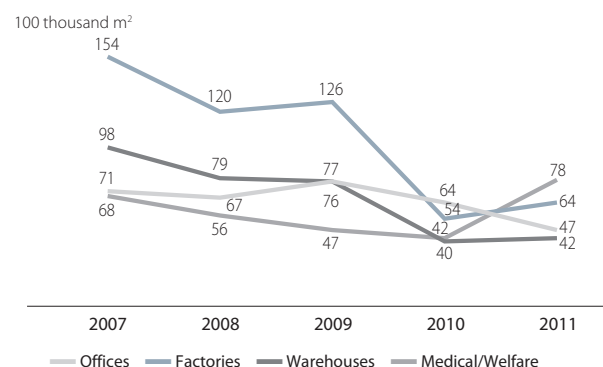




## Projects by the Silver Age Research Center



## Floor space of construction starts by facility type in Japan



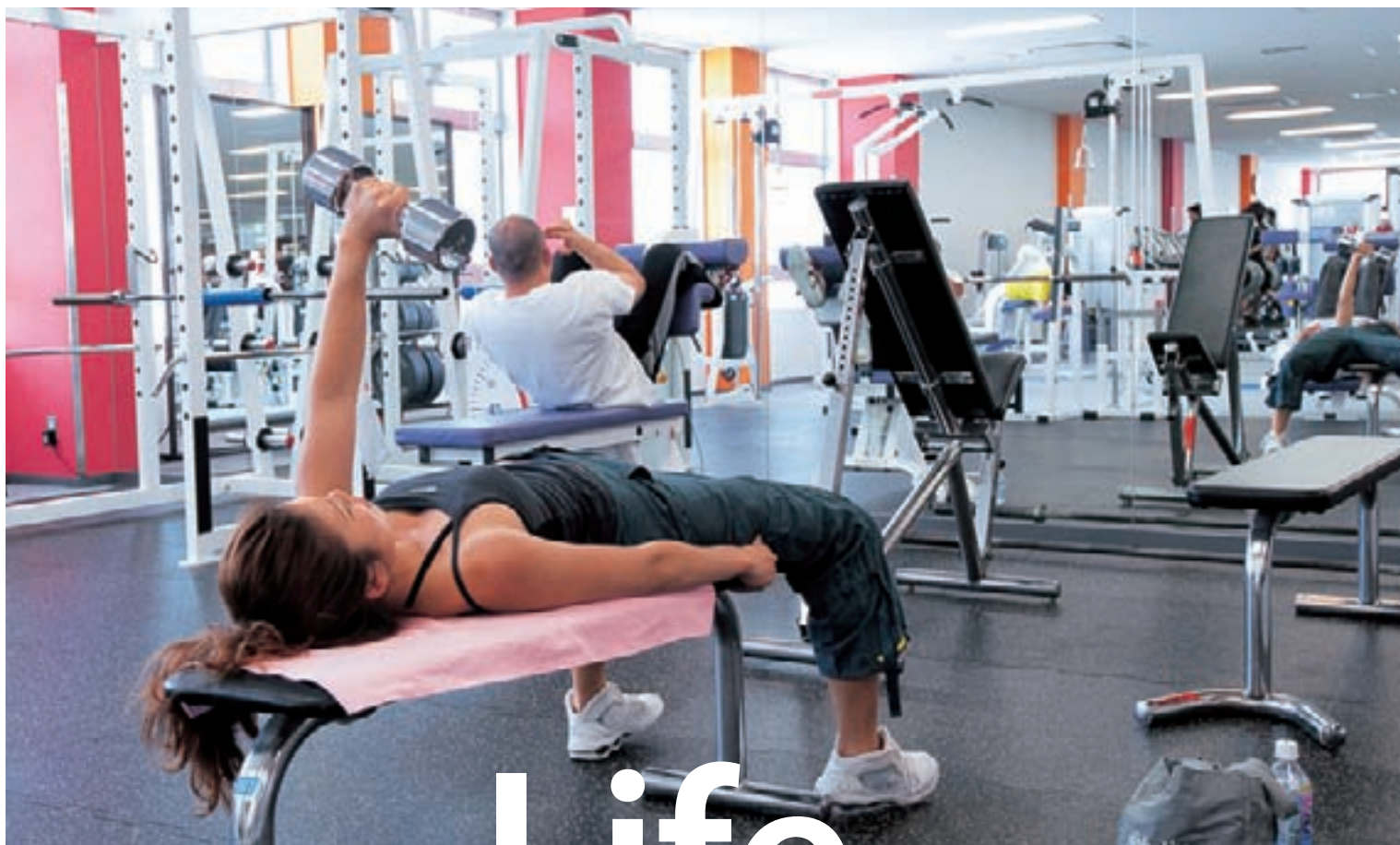
## Beyond 2012

### Expanding logistics orders through advanced features

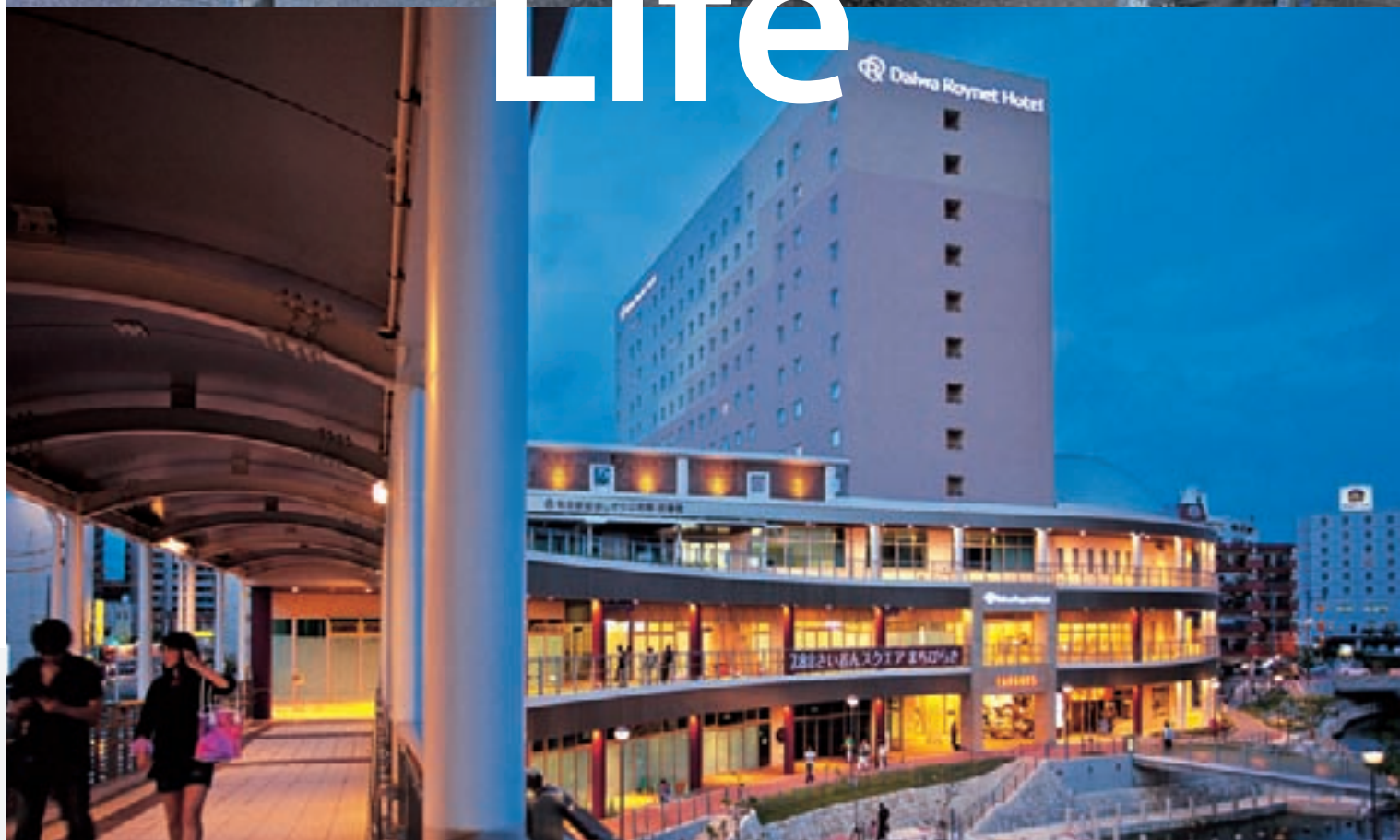
In our Distribution Facilities operations, we will work to enhance our range of products and services in the field of eco-friendly distribution facilities, and will also attempt to win more orders for distribution facilities with advanced or specialized features, such as cold storage centers capable of both refrigerated and chilled storage. In line with the increasing production presence of Japanese corporations in China and other Asian countries, we plan full-scale preparations for entry into those markets to take advantage of their growing distribution facility needs.

In Medical and Nursing Care Facilities operations, we will bolster our marketing activities targeted at healthcare corporations and other private-sector operators, and will focus efforts on gathering data regarding hospital rebuilding needs, and on proposals for new hospital sites. We aim also to expand orders received by leveraging the know-how possessed by our Silver Age

Research Center to enhance our marketing abilities in the field of combined medical care and nursing care facilities, as well as for serviced housing for senior citizens. In the field of support services for corporate facilities, we will boost our order receipts by focusing on information-gathering in relation to demand for new facilities among companies that are integrating and closing existing facilities under mergers or business restructuring, and will also make aggressive efforts to attract companies to the Hokusetsu-Sanda Techno Park II.



# Life





Daiwa House Industry Co., Ltd.



Daiwa Rakuda Industry Co., Ltd.  
Interior and office items/Leasing



Daiwa House Insurance Co., Ltd.  
Non-life insurance agency



Royal Home Center Co., Ltd.  
Home center business

Presidents of  
Group  
Companies\*



Takao Miyakogawa

Born in 1950  
1973: Joins Daiwa House Industry  
2010: President of Daiwa Rakuda Industry

As a team of interior design professionals with expertise in design for housing, offices and commercial facilities, we contribute to the creation of environments for pleasant and comfortable lifestyles. We aim to further improve our key strengths in planning, design, and technical expertise.



Shigeru Sasashita

Born in 1954  
1976: Joins Daiwa House Industry  
2008: President of Daiwa House Insurance

We aim to be an excellent agency that can contribute to society by delivering insurance solutions that meet the needs of customers who have relationships with the Group, as well as delivering insurance solutions that upgrade the risk management strategies of each Group company and enhance benefit programs for employees.



Tetsuya Tamura

Born in 1962  
1986: Joins Daiwa House Industry  
2009: President of Royal Home Center

In addition to selling products that help make houses more functional and comfortable, we also serve as a "home solutions center," proposing and providing a wide range of services to home owners, including advice, and installation or replacement of equipment. Our aim is to become Japan's leading company in this field.

\* Presidents of principal subsidiaries and affiliates.







**Daiwa Resort Co., Ltd.**  
(Daiwa Royal Hotels)  
Resort hotels



**Seiji Kushida**

Born in 1949  
1972: Joins Daiwa House Industry  
2009: President of Daiwa Resort

We are hospitality professionals who value communication with our guests. Treating each guest as an individual, we seek more than mere customer satisfaction. We want each guest to remember their stay with us with real fondness. Daiwa Resort aims to operate community-based hotels that customers will return to again and again.



**Daiwa Royal Golf Co., Ltd.**  
Golf course operation



**Seishu Umaoka**

Born in 1949  
1973: Joins Daiwa Danchi  
2007: President of Daiwa Royal Golf

We aim to create golf courses that customers can genuinely enjoy, and we work to provide services that can satisfy our customers — flawless course management, polite reception and high-level caddy services, and delicious food.



**Jukeikai Co., Ltd.**  
(Neo Summit Yugawara)  
Homes for the aged



**Toshinori Inaguchi**

Born in 1948  
1972: Joins Daiwa Danchi  
2004: President of Jukeikai

As a leader in the area of welfare for the aged, we will fulfill our social mission by promoting our care services for senior citizens to meet the needs of a rapidly aging population. In our facility operations, we work to provide high-quality service, following our philosophy of improving the satisfaction of our residents.



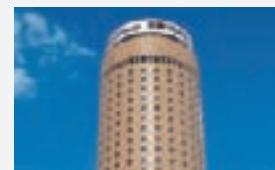
**Osaka Marubiru Co., Ltd.**  
Management of hotels/Rental of commercial facilities



**Haruyuki Yoshimoto**

Born in 1949  
1978: Joins Osaka Marubiru  
1998: President of Osaka Marubiru

Osaka Marubiru is well known for the landmark circular high-rise building in front of JR Osaka station. Our company is actively working to raise customer satisfaction and reduce energy consumption through our management of the Osaka Dai-ichi Hotel.





Sports Club NAS Co., Ltd.  
Fitness clubs



Yoshinari Shibayama

Born in 1960  
1984: Joins Daiwa Danchi  
2009: President of Nippon Athletic  
Service (Currently Sports Club NAS)

Fitness clubs constitute Japan's largest service-sector business. Our motto is "paradigm shift," and we try to think outside the box and be open to new ideas of what a fitness club should be, creating clubs that give our customers unparalleled enjoyment. All the executives and employees of Sports Club NAS are working together to bring about a revolution in the world of fitness clubs.



Daiwa House Financial Co., Ltd.  
Credit card operations



Hiroshi Osada

Born in 1956  
1979: Joins Daiwa House Industry  
2011: President of Daiwa House Financial

Our company is the Group's first finance and loan subsidiary to be in charge of credit card and lending operations. We seek to expand our business and meet the demands of a new age by connecting customers and the Group, and by contributing to society with our Heart One Card.



Shinwa Agency Co., Ltd.  
Advertising & travel agency



Nobuyuki Otsuji

Born in 1954  
1986: Joins Shinwa Agency  
2010: President of Shinwa Agency

Through our advertising and travel agency businesses we aim to reach our customers' hearts and give them a truly enjoyable time that will remain in their memories forever. Our mission is to help people discover new possibilities in their lives. Shinwa Agency is ready to help.



Media Tech Inc.  
Data systems/Data services



Mitsuyoshi Koga

Born in 1950  
1972: Joins Daiwa House Industry  
2010: President of Media Tech

Media Tech is the sole dedicated IT company in the Daiwa House Group. Our role is to further develop the Group's expertise in information technology to help Group companies serve as valuable partners for our customers.



## Resort Hotels / Sports Clubs

Health & Leisure

### Our Group Strategy

Raising the percentage of repeat hotel guests,  
and implementing a differentiation strategy for  
our health clubs



Daiwa Resort Co., Ltd.  
(Daiwa Royal Hotels)

Resort hotel

Daiwa Royal Golf Co., Ltd.

Golf course operation

Sports Club NAS Co., Ltd.

Fitness clubs

### Year 2011

Focus on attracting overseas guests to hotels;  
opening of new-type health clubs

In our Resort operations, we opened new sales offices to strengthen our direct sales system, bringing the total to 22. In particular, we increased the number of marketing staff involved in international operations to boost our ability to attract foreign tourists, and opened an additional international tourism office in Fukuoka alongside our existing offices in Tokyo and Osaka. We also introduced a new concept in which marketing staff pay visits to members of the Daiwa Royal Members' Club to explain our various sales campaigns and listen directly to members' requests. This lets us further enhance the quality of our services to club members. Regarding online sales, we worked to ensure repeat visits to our hotels by sending out e-mails to customers containing up-to-date information on the various scenic locales in Japan as well as events, seasonal delicacies, and so on.

At the Okinawa-Zanpamisaki Royal Hotel we opened the largest convention hall in Okinawa Pref., capable of holding 600 people. This gives the hotel the facilities to host international conferences, and as a result, we have recently fielded a growing number of inquiries from overseas.

In our Sports Life operations, we worked to design and construct health club facilities that would take maximum advantage of each local market's unique features. In central Tokyo we opened two innovative city-center facilities that diverge from the conventional health club concept — the Premium Sports Club NAS Ginza and the Premium Sports Club NAS Roppongi.





29 hotels

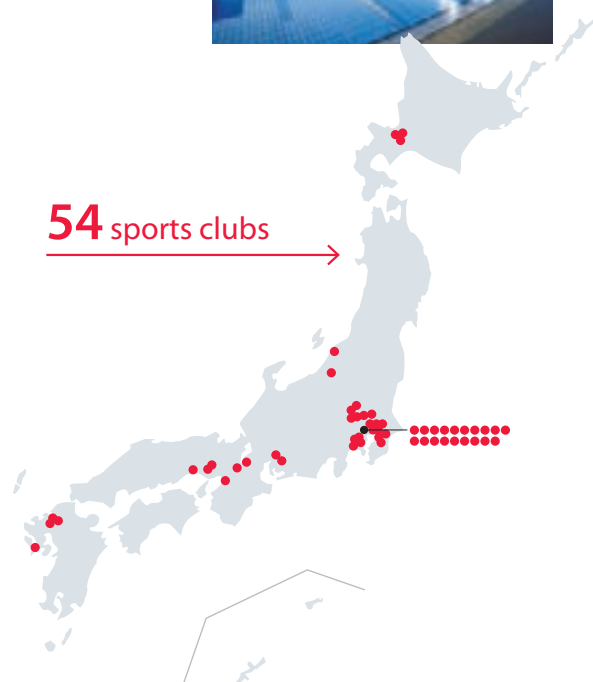


10 golf courses



(As of August 1, 2011)

54 sports clubs



(As of August 1, 2011)

## Beyond 2012

### Localizing hotels, and opening more sports clubs in cities

In our Resort operations we cannot hope for any significant increase in the number of hotel guests, and we will concentrate our efforts on product development to encourage a greater number of guests to stay with us for a number of days rather than just overnight. The Japanese government is pursuing an initiative to transform resorts from places that most people visit just for an overnight stay to places that guests visit for longer vacations. In line with the main purport of the Tourism Zone Development Act, we will be devising measures to involve our hotels more closely in the life of their local communities, including the development of tourism packages featuring visits to sightseeing destinations in the vicinity of the hotels to encourage more guests to stay for several days.

We will also be putting even more effort into existing customer management, including new services and the timely

dissemination of information to members of the Daiwa Royal Members' Club. We plan to continue taking steps to raise customer satisfaction and encourage a higher rate of repeat visits, such as improving our hotel restaurant menus. We will also be redesigning our website for greater user convenience, and creating a system whereby we can satisfy our customers' diverse needs through Internet services.

In our Sports Life operations, we plan to rigorously analyze the particular requirements of each individual location so as to differentiate our health clubs from those of other operators. We aim to continue opening three to four new health clubs per year, mainly in metropolitan areas.

## Home Centers / City Hotels / Others

Other Businesses

### Our Group Strategy

Create distinctive businesses in each division



Royal Home Center Co., Ltd.

DIY/Gardening/Interior items

Daiwa Royal Co., Ltd.

Daiwa Roynet Hotels

### Year 2011

#### Eight new hotels opened in the Daiwa Roynet Hotel chain

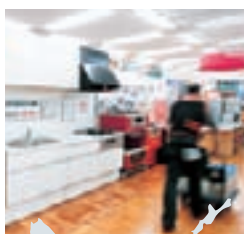
In our Home Center business, we conducted sales promotion campaigns to mark the 30th anniversary of the Company's founding, and developed new products in our RoyValue private brand to meet consumers' needs in the areas of quality and price.

In the Environment & Energy business, we offered comprehensive solutions encompassing energy conservation (such as LEDs and high-efficiency lighting and air-conditioning systems), new energy sources (photovoltaic power generation systems, etc.), and energy storage technologies (lithium ion batteries). We also launched the POWER YILE portable rechargeable lithium ion storage battery on the market.

In our City Hotel operations, we expanded the benefits offered to individual club members and succeeded in attracting more guests, particularly in the metropolitan areas. We carried out an aggressive new hotel opening strategy, focused on city-center

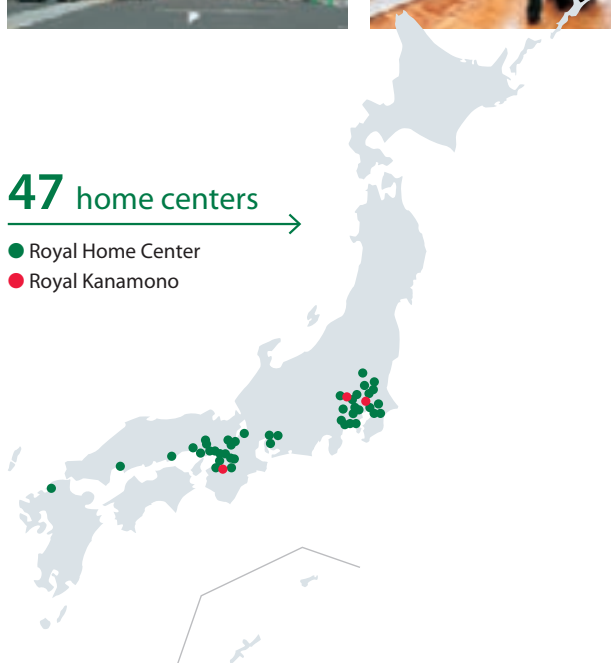
locations, with eight new hotels opened during the reporting term, bringing the total to 30.

In the Asset Management business, we concluded a tie-up with New City Residence Investment Corp., thereby expanding the scale of our portfolio and boosting the business's market capitalization. A major improvement in the quality of the portfolio was seen, thanks to an improved operating rate following the tie-up. This resulted from a reshuffling of real estate assets, as well as investments aimed at raising enterprise value, among other measures.



## 47 home centers

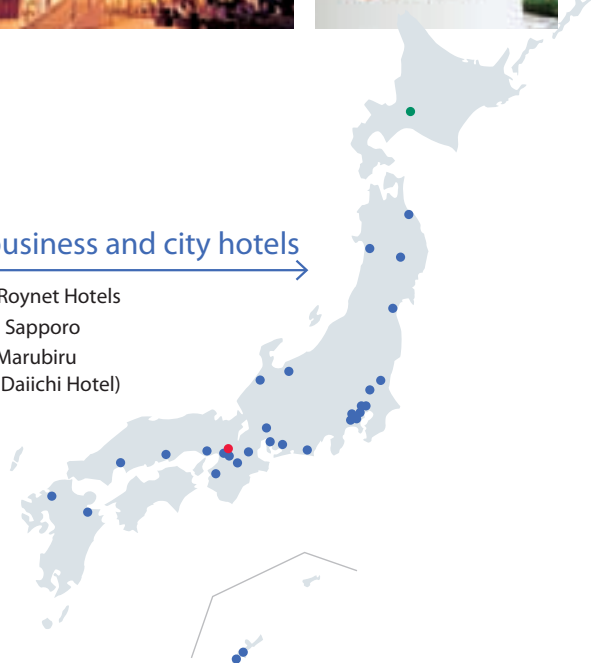
- Royal Home Center
- Royal Kanamono



(As of August 1, 2011)

## 32 business and city hotels

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



(As of August 1, 2011)

## Beyond 2012

### Aiming to create "home solution" centers

In our Home Center business, we will be taking steps to meet growing demand for home repairs and improvements, including extensions and alterations. This demand has been growing over the past few years against the backdrop of the aging population and an increasing number of houses constructed 20 or more years ago. We aim to leverage our reputation for reliability as a leading home builder to expand and enhance our home centers' product lineups in housing equipment, building materials, tools, and general hardware. We plan to transform our home centers into "home solution" centers boasting product and service lineups that meet the needs of both homeowners and builders.

In the Environment & Energy business, in response to the need for repair work as part of the reconstruction of areas devastated by the earthquake and tsunami of March 11, we have dispatched technical staff from our Head Office to the affected

areas. In other parts of Japan, too, we are aggressively marketing POWER YIILE portable lithium ion storage batteries as a solution to corporate needs in the field of business continuity planning, particularly the need to prepare for possible planned power outages, and as a means of supplying extra electricity to get around the constraints of the current restrictions on consumption of power from the power utility companies.

In our City Hotel operations, we will continue opening new hotels in city-center locations, and will be conducting promotional campaigns to attract groups such as businesspeople and people on corporate training courses. We will also offer special services for female guests and families with babies and infants.



# 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.







## Presidents of Group Companies\*

\* Presidents of principal subsidiaries and affiliates.



**Daiwa House®**  
大和房屋集團

DH (Dalian) Administrative  
Management Consulting Center  
Co., Ltd.  
Provision of outsourced administrative work



**Daiwa House®**  
大和房屋集團

Daiwa House (Suzhou) Real  
Estate Development Co., Ltd.  
Real estate development and sales



**Daiwa House®**  
大和房屋集團

Daiwa House (Wuxi) Real Estate  
Development Co., Ltd.  
Real estate development and sales



**Daiwa House®**  
大和房屋集團

Daiwa House (Changzhou) Real  
Estate Development Co., Ltd.  
Real estate development and sales



**Keiichi Yoshii**

Born in 1958  
1990: Joins Daiwa House Industry  
2011: President of DH (Dalian)  
Administrative Management  
Consulting Center

We have drawn up and commenced our first medium-term (three-year) management plan, under which our first target is to lower our sales dependency on the Daiwa House Group from the present 95% to 70%. Our second target is to train our talented human resources so that they can display their abilities in a variety of business fields.



**Hiroaki Okuno**

Born in 1965  
1991: Joins Daiwa House Industry  
2011: President of Daiwa House  
(Suzhou) Real Estate  
Development

Our company works on the front line of the Daiwa House Group's overseas operations, and is involved in condominium development projects in China financed entirely by the Group. Our projects offer home buyers safe, comfortable homes with all the basic residential features, and they have already gained a trustworthy reputation among the Chinese public.



**Kazuya Sawamoto**

Born in 1967  
2007: Joins Daiwa House Industry  
2011: President of Daiwa House (Wuxi)  
Real Estate Development

Our company is responsible for development of part of the China Wu Culture Expo Park, a historical theme park/industrial zone near the city of Wuxi. This project is extremely important for the future of Wuxi, and it is hoped that state-of-the-art know-how in residential environments and the cultural attractions of this original center of the ancient Wu will bring new value to this area.



**Wei Li**

Born in 1963  
1996: Joins Daiwa House Industry  
2009: President of Daiwa House (China)  
Investment  
2011: President of Daiwa House  
(Changzhou) Real Estate  
Development

We offer home buyers high-end, safe and comfortable residential environments, and aim to make a contribution to our local region through community-based business operations, while steadily building up the reputation of Daiwa House as a trustworthy brand.





**Daiwa Logistics (Shanghai)  
Co., Ltd.**  
International transportation agent  
(exports and imports)



**Masanori Chatani**

Born in 1969  
1991: Joins Daiwa Logistics  
2011: President of Daiwa Logistics  
(Shanghai)

The company was established in January 2011 to act as a strategic logistics partner for companies seeking to enter Asian markets, particularly China, or to expand their activities in the global market. We aim to effectively leverage the more than 50 years of experience and know-how possessed by the Daiwa House Group to support our customers' business development.



**Daiwa House Guam Co., Ltd.**  
Construction



**Masao Doi**

Born in 1951  
1975: Joins Daiwa House Industry  
2011: President of Daiwa House Guam

Guam is a United States territory with a population of about 180,000. Around the same size as Japan's Awaji Island, many Japanese tourists are attracted to Guam, which is noted for its low crime rate. The island is expected to enjoy good future development thanks to its geopolitical importance, and our company hopes to make a valuable contribution to the creation of pleasant residential environments.



**Daiwa House California**  
Real estate/Real estate development



**Takeshi Wakita**

Born in 1972  
1995: Joins Daiwa House Industry  
2011: President of Daiwa House  
California

With its motto of "Creating Dreams, Building Hearts," the Daiwa House Group has a dream of transforming itself from the best in Japan to the best in the world, and the first step in this was the establishment of Daiwa House California. We believe that what people here want most of all is "heart," and we are exerting our full efforts to satisfy our customers through wide-ranging products and services centered on the real estate business.



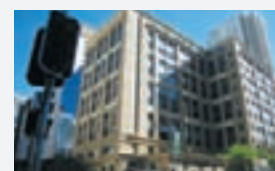
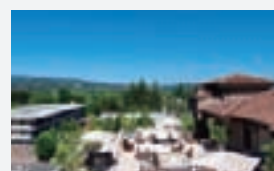
**Daiwa House Australia Pty Ltd**  
Real estate development



**Masaomi Yamadaira**

Born in 1965  
1987: Joins Daiwa House Industry  
2011: President of Daiwa House  
Australia

Australia is a very attractive market thanks to the country's robust economy, its sophisticated and stable business and political environment, and its mature legal system. We are approaching our tasks in an entrepreneurial spirit, confident that our company will play an important role in the global development of the Daiwa House Group.





# Global Expansion

## Expanding our global operations

The Daiwa House Group's overseas operations began in the 1960s, long before the present age of globalization. Starting in Southeast Asia, we widened our sphere of activities to Brazil, the United States, and Europe. We commenced business operations in China in 1972, the year in which relations between Japan and China were normalized, and in the subsequent four decades we have pursued locally based business activities while expanding the scale of our operations and improving the quality of our products and services. In recent years we have commenced lot-subdivision development projects in China, and our "made-in-Japan" brand of superior-quality housing, offering high asset value, has met with a very favorable reception in local markets, particularly in the fast-growing urban areas. In the near future we hope to leverage our track record in China to further expand operations in other promising markets in the Asia-Pacific region.



## The Daiwa House Group — Overseas Business Bases

**20** Companies & Offices  
Overseas subsidiaries, Affiliates,  
Representative offices  
(As of July 1, 2011)

**866** Employees  
Regular employees only  
(As of March 31, 2011)

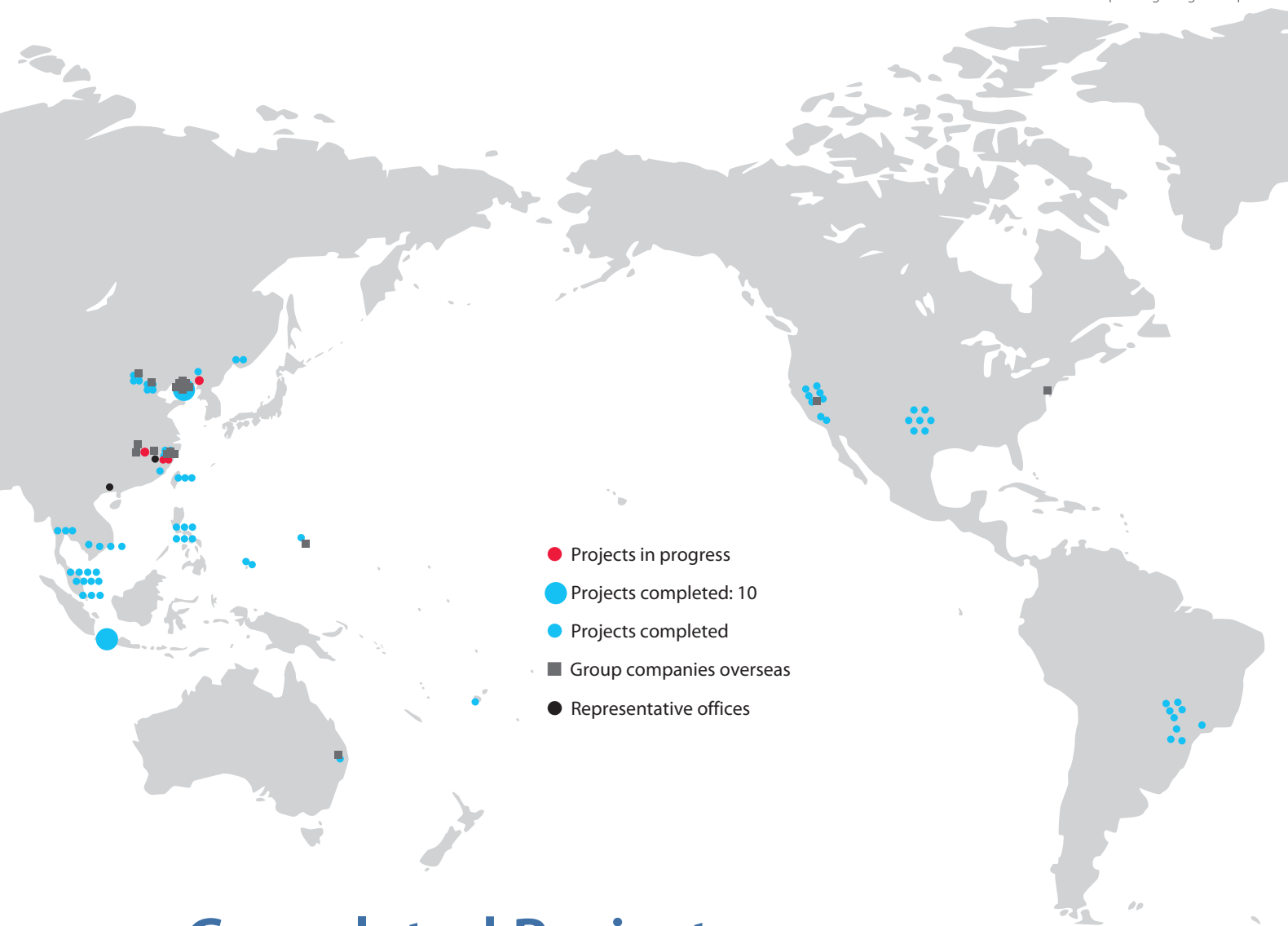
## Current Projects

As of August 2011

China	Suzhou	condominiums
	Dalian	condominiums, commercial facilities, hotels
	Wuxi	town houses, condominiums
	Changzhou	condominiums, commercial facilities



The Yihe Xinghai project under construction in Dalian



## Completed Projects

Breakdown by region & country; 1962 – 1999

### Asia-Pacific

Australia	condominiums
Cambodia	hospitals
China	housing units, restaurants, hotels, offices, airport lounges, factories, warehouses
Fiji	factories
Guam	employee dormitories, warehouses
Indonesia	factories, warehouses, employee dormitories, offices
Malaysia	factories, gymnasiums
Maldives	showrooms
Palau	housing units, warehouses
Philippines	housing units, factories, schools, warehouses, offices
Saudi Arabia	employee dormitories
Singapore	factories
Taiwan	housing units

Thailand	factories, warehouses
Vietnam	housing units, medical clinics
The Americas	
Brazil	housing units, condominiums, factories, retail outlets, hotels
United States	housing units, condominiums
Europe	
Portugal	housing units
Russia	warehouses, port facilities
Serbia	housing units
Turkey	housing units
Africa	
Algeria	factories, employee dormitories
Republic of the Congo	factories
Libya	warehouses



## Current state of the Group's business in China

China



## Continuing to record steady growth

In 1983 we began exporting houses to China and erecting them on site, and in 1985 we commenced the construction and management of rental housing for expat tenants (mostly Japanese) in the fast-growing cities of Beijing, Shanghai, Dalian, and Tianjin. Currently, we are engaged in the development of condominiums and retail outlets in five locations in the four cities of Dalian, Suzhou, Wuxi, and Changzhou.

In 2009 we established Daiwa House (China) Investment, a wholly owned subsidiary, in Suzhou, for the purpose of streamlining our real estate development operations in China. The company was set up to take charge of the procurement of funds needed for new development projects and existing real estate projects in the Suzhou area, enabling more efficient fund management and expanding the Group's reputation for creditworthiness in the local market. From here on, too, we intend to invest aggressively in the acquisition of ideally located real estate assets in cities that are forecast to post steady economic growth. For China as a whole, we are planning real estate development projects on the scale of ¥300 billion over the next 10 years.

## Condominiums continue to sell briskly

Our Yihe Champs-Elysees project in Dalian, a combined condominium and commercial facility, was completed in June 2009. This was the first condominium development in Dalian by a Japanese-owned enterprise, and was accomplished through a 50:50 joint venture with a local company. All the condominium units had been sold by May 2010, and the commercial units (shops, restaurants, etc.) are also selling well. The sale of condominium units in The Grace Residence in Suzhou commenced in May 2010. This is the first development project in China to be financed entirely by a Japanese company. As of the end of March this year, the contract ratio had reached 95.6%.

In October 2010 we began selling units in the Yihe Xinghai development in Dalian, a project now under construction that will consist of 2,145 condominium units plus commercial facilities and a hotel, and sales have been brisk right from the start. The secret of our developments' popularity lies in our adoption of Japanese standards for the construction methods projects. Moreover, in contrast to the standard practice in China, where condominiums are sold without interior decoration or fittings, which are chosen and purchased separately by the owner, all our units are fully fitted with interior furnishings and household equipment made in Japan, which enjoy a high reputation in China for safety and reliability. Our offerings of high-quality, trustworthy housing are receiving strong support from high-income consumers in China.



### Yihe Champs-Elysees/Dalian

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



### The Grace Residence/Suzhou

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



### Yihe Xinghai/Dalian

<b>Completion</b>	In 2011 & 2014
<b>Developers</b>	Dalian Dahezhongsheng Estate Co., Ltd. * Daiwa House Industry; 50% stake
<b>Facilities</b>	Condominiums, retail facilities and hotels
<b>Number of units sold</b>	2,145 (Condominiums)



# Future business developments in China

## Pursuing two projects in the Yangtze River Delta\*1

In the city of Wuxi (Jiangsu Province) in the Yangtze Delta area on China's east coast, we have started construction of a lot-subdivision project, under the tentative name of the Wuxi China Wu Culture Expo Park, consisting of approximately 400 homes, mostly single-family houses in addition to condominiums. In the city of Changzhou, also in the central part of the Yangtze Delta area, we are pursuing our fifth real estate development project in China, tentatively named the Changzhou Tianning District Project. This project will involve approximately 1,260 condominium units and commercial facilities on a site of approximately 75,000m<sup>2</sup>. Both projects will be financed entirely by Daiwa House Industry, and we intend to ensure that they

become showpieces for the superior know-how and technological expertise we have accumulated in our many years of experience in the construction of houses, condominiums, and commercial facilities in Japan. In this way, we are planning to pursue a wide range of real estate development operations in China's eastern coastal belt,\*2 particularly the Yangtze Delta area, where steady economic growth is projected for many years to come.

\*1 Shanghai, China and the region centered on the Yangtze Delta in Jiangsu Province and Zhejiang Province. The region's population is approximately 140 million and has an area of about 210,000km<sup>2</sup>.

\*2 Eastern China area (Shanghai, Jiangsu Province and Zhejiang Province).



Wuxi China Wu Culture Expo Park (tentative name)/Wuxi		
Completion	2013	
Developers	Daiwa House (Wuxi) Real Estate Development Co., Ltd. * Wholly owned by Daiwa House Industry	
Facilities	Town houses, condominiums	
Number of units	approx. 400	
	Town houses	150
	Condominiums	250



Changzhou Tianning District Project (tentative name)/Changzhou		
Completion	2014	
Developers	Daiwa House (Changzhou) Real Estate Development Co., Ltd. * Wholly owned by Daiwa House Industry	
Facilities	Condominiums, commercial facilities	
Number of units	approx. 1,260	

## Units in China (As of July 1, 2011)



Affiliate

Beijing East Palace Apartment Co., Ltd.  
Management of rental housing

Subsidiary

DH (Dalian) Administrative Management Consulting Center Co., Ltd.  
Provision of outsourced administrative work

Affiliate

Dalian Dahezongsheng Estate Co., Ltd.  
Real estate development and sales, with 3 other companies

Subsidiary

Tianjin Jiuhe International Villa Co., Ltd.  
Management of rental housing

Affiliate

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

Subsidiary

Daiwa House (Wuxi) Real Estate Development Co., Ltd.  
Real estate development and sales

Parent company

Daiwa House Industry Co., Ltd., Shanghai Office

Subsidiary

Daiwa Logistics (Shanghai) Co., Ltd.  
International transportation agent (exports and imports)

Affiliate

Shanghai International Realty Co., Ltd.  
Management of rental housing

Subsidiary

Daiwa House (Suzhou) Real Estate Development Co., Ltd.  
Real estate development and sales

Subsidiary

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

Subsidiary

Daiwa House (Changzhou) Real Estate Development Co., Ltd.  
Real estate development and sales



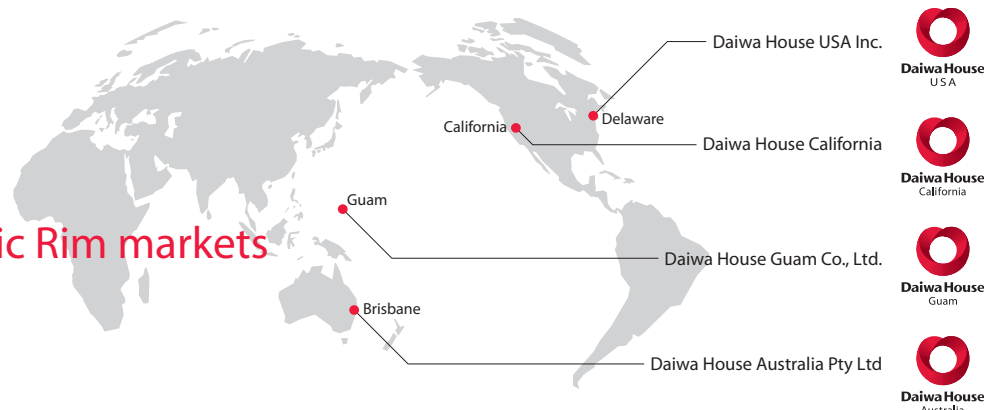
## Daiwa Logistics (Shanghai) Co., Ltd.

In January 2011, Daiwa Logistics, a wholly owned subsidiary of Daiwa House, established a subsidiary in Shanghai (Daiwa Logistics (Shanghai)) as a first step toward full-scale overseas operations. For the time being, the company will engage in research into logistics issues faced by goods owners and the needs of tenants, centered on overseas business bases of Daiwa House. Over the longer term, it will seek to act as a strategic logistics partner for global enterprises setting up in business in Asia.

## Continuing surveys and research in Vietnam and other markets

In 2006 Daiwa House set up an office in Hanoi and began collecting information on Vietnam, which is expected to make progress in creating regional economic relationships that transcend national borders. In other Asia-Pacific economies such as India and Indonesia, too, we are conducting fully fledged market surveys and research activities with a view to future real estate developments. In these and other ways, the Group is preparing for further expansion of its overseas operations.

## Entry into Pacific Rim markets



## Re-entry into US and Australian markets

We have established subsidiaries and have begun conducting full-scale market surveys in the United States and Australia, which are both advanced industrialized countries but also have good prospects of population increase and further economic growth. The Group was initially involved in business operations in the US for nine years — from 1976 to 1984 — when we set up subsidiaries in California and Texas and constructed roughly 10,000 single-family houses.

Subsequently, however, we withdrew from the country due to the real estate slump, but in April 2011 we established two holding companies — Daiwa House USA (Delaware) and Daiwa House California (California). These companies have begun research into the local real estate market, and we plan to resume real estate development operations in the US in the near future. In Australia, where Daiwa House has a track record in the field of condominium development, in May 2011 we set up Daiwa House Australia in Brisbane.

## Group opens booth at Little Tokyo Design Week festival in Los Angeles

Daiwa House opened a display booth at the Little Tokyo Design Week (LTDW) 2011 festival, held in the Little Tokyo district of Los Angeles on July 14 – 17. Our aim in participating in this design festival was to showcase the Group's leading-edge anti-earthquake and eco-friendly technologies, which we have developed as a pioneer in the industrialization of housing, as well as to introduce our initiatives to supply temporary housing to the regions devastated by the Great East Japan Earthquake. At the LTDW, we displayed the EDV-01 emergency disaster relief unit designed and built by Daiwa Lease. This is the world's first housing unit that can provide emergency shelter for one month without need for external lifeline services such as electricity, water, or food supplies. At the LTDW, we also showcased our seal-shaped therapy robot PARO®, which is being put to use in the areas hit by the earthquake and tsunami of March 11. We also took the opportunity to publicize our plans for business operations in California in the near term.

# *Heart to Heart!*

The welfare-use Robot Suit HAL,<sup>®</sup> which is leased out by Daiwa House, helps the mobility-impaired use their lower limbs and walk properly. Responding to demand for this kind of mobility solution, we at Daiwa House are proud to be able to give those who cannot easily stand up or walk the joy of physical movement again.





A young girl with dark hair and bangs, wearing a yellow shirt, is holding a white, fluffy robotic pet that resembles a seal. An adult with dark hair, wearing a black shirt with white trim, is also holding the robot. They are outdoors, with a blurred background of greenery and a blue sky. The title 'Take Heart!' is overlaid in large, bold, black serif font.

# *Take Heart!*

We delivered PARO,<sup>®</sup> our therapeutic robot modeled after a baby seal,<sup>\*</sup> to areas devastated by the earthquake, in the hope if only slightly to cheer up those individuals affected by the disaster. In responding to calls and the gentle stroke of a hand, PARO<sup>®</sup> can bring comfort while soothing hearts and minds. It is our wish that PARO<sup>®</sup> will convey to all sufferers our thoughts and prayers.

\* Daiwa House has loaned free-of-charge 50 units of PARO<sup>®</sup> for a period of two years to facilities for the elderly. This initiative is one of several support activities aimed at helping the aged living in devastated areas.



# Human Care

According to recent forecasts, 40% of the Japanese population will be aged 65 or over by the year 2055. To meet the welfare needs of such an aging population, our Human Care Division is working to expand the Group's operations in construction of medical care and nursing care facilities for elderly people, and in nursing care robotics.

## Construction activities focus on residences for the fast-growing elderly population

In the fields of medical and nursing care services for the elderly, as well as residences for senior citizens, the staff at the Human Care Division's Medical/Nursing Care Support Unit, operating out of Daiwa House's head office and in collaboration with our other operating divisions, take the lead in directing the construction of medical and nursing care facilities as well as rental housing. These operations make optimal use of the Group's accumulated planning and construction know-how, building technology, and data on land use and tenants provided by our operating divisions. The Human Care Division carries out marketing of all sizes of facility from large to small, in Daiwa House's unique planning- and proposal-based format.

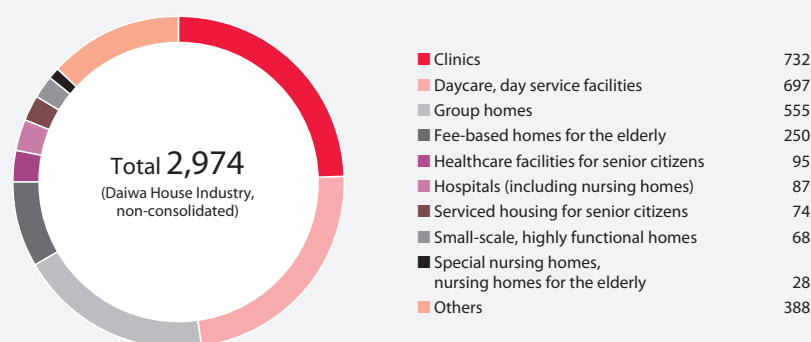
In the field of residences, we are receiving a growing number of orders for homes for elderly people against the background of measures taken by the government to promote such housing. These include fee-based homes for the elderly and serviced housing for senior citizens. This is an area where the Group's long experience in housing construction truly shows its worth. In fiscal 2011, we will enhance our marketing activities in the Kanto region, where demand is particularly strong, as well as in the nation's other major urban regions such as Osaka and

Nagoya, which we have designated as priority areas. And in collaboration with Group companies Jukeikai and Daiwa Living, we have begun making preparations for entry into this market overseas, particularly in China.



Comfortable living space

## Medical and nursing care facilities constructed by the Group





Robot Suit HAL® (welfare-type)  
Developed and manufactured by CYBERDYNE Inc.  
General sales agent: Daiwa House Industry Co., Ltd.

## Sale of “lifestyle assistance robots,” with prime focus on medical and nursing care

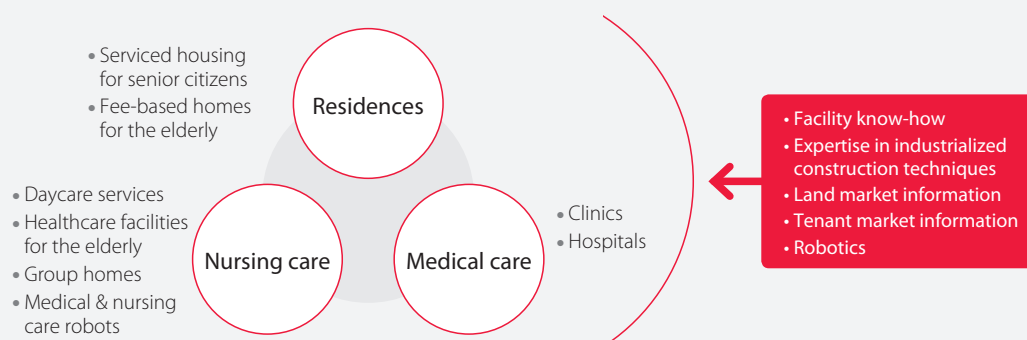
The market for robots in Japan is estimated to grow to a value of ¥9.7 trillion by 2035. The staff of the Robotics Business Promotion Unit within our Human Care Division is working to transform Daiwa House into a provider of “lifestyle assistance robots.” In the market for medical and nursing care robotics, which is forecast to grow to ¥404.3 billion by the year 2035, we are focusing our efforts on the leasing and rental of the Robot Suit HAL® (for use in nursing homes and other welfare facilities), a self-support assistive robotic suit developed by CYBERDYNE Inc. Over the three-year period from 2009 we will have taken delivery of approximately 100 HAL® suits for medical and nursing care facilities all over Japan.

We have also commenced the supply of PARO®, a robot shaped like a seal, which is used for therapeutic purposes. PARO® has been certified as a medical device by the Food and Drug Administration of the United States, and is being used in homes for the elderly and hospitals in over 30 countries. Also, in April 2011 our marketing offices started full-scale operation of “moogle,” the housing industry’s first compact robot for underfloor inspections.



Mentally committing robot® PARO®  
Manufactured and marketed by Intelligent System Co., Ltd.  
Sales agent: Daiwa House Industry Co., Ltd.

### Human care products and services







# *Have Heart!*

Through its greening business encompassing building walls and rooftops, the Daiwa House Group is engaging in activities aimed at increasing greenery throughout urban areas. Greenery has the power of significantly changing and improving the face of cities resulting in the return of fauna including birds and insects. Interacting with nature helps heal the mind contributing to a vibrant tomorrow.



A photograph of a modern interior space. In the foreground, the rear of a yellow car is visible, with a white charging cable plugged into its charging port. The car is parked on a light-colored tiled floor. In the background, a person wearing a patterned dress and yellow shoes is walking past a set of white stairs with wooden treads. The overall atmosphere is clean and modern.

# *From the Heart!*

Daiwa House commenced verification tests and exhibited SMA×Eco HOUSE, a model house fitted with lithium ion storage batteries, as a part of efforts to realize an energy self-sufficient home that boasts zero environmental load. As owners increasingly recognize our heartfelt wish of harmonious coexistence with nature, the SMA×Eco HOUSE initiative has the promise of providing an infinite number of bases that help protect the environment.

# The Energy Self-sufficient Home

Harnessing energy conservation, renewable energy and energy storage technologies together with our ICT expertise, we will pursue the development of next-generation leading eco-friendly construction.

## Undertaking self-sufficient home development in earnest

Amid the pressing need to incorporate environmental and energy concerns into housing and building development and construction, Daiwa House combined proprietary environment and energy technologies with the power storage expertise of ELIY Power, in which we have invested, and commenced verification tests on the SMAXeco HOUSE, a model house which is the first in Japan to be fitted with lithium ion storage batteries.

Amid government calls for the realization of a “net zero energy house (ZEH)\*1” by 2020, Daiwa House was quick off the mark with the release of the eco-friendly xevo YU in July 2010. Looking ahead, every effort will be made to promote widespread ZEH use through the application of passive building design,\*2 which makes effective use of natural solar energy and wind, together with energy conservation and renewable energy technologies. At the same time, steps will be taken to promote the development and construction of next-generation housing, resulting in the sale of homes that are completely energy self-sufficient. In this manner, and through the application of energy storage technologies and energy management systems, energies will

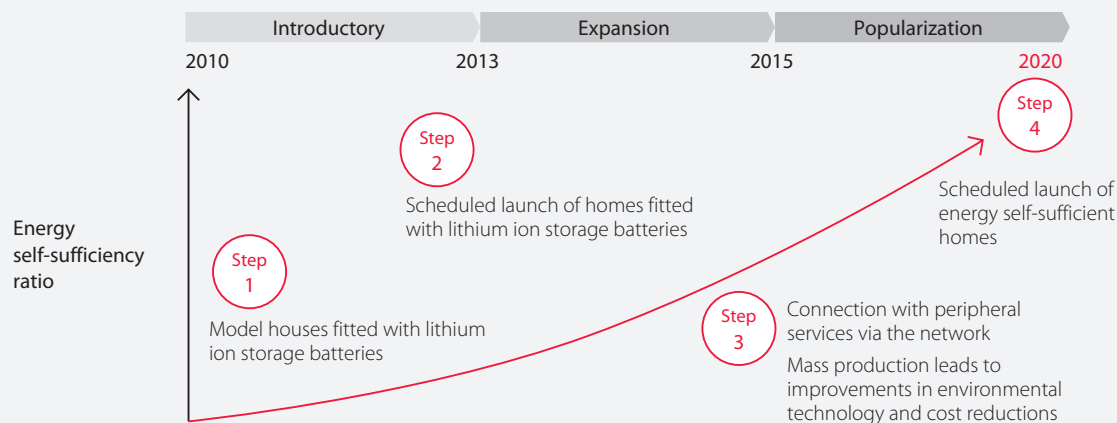
be channeled toward the sale of self-sufficient homes that realize zero CO<sub>2</sub> emissions and utility costs by 2020.

\*1 ZEHs (net zero energy houses) produce at least as much energy as they consume; net energy consumption is thus zero.

\*2 Designs that use natural resources (sunlight, breezes, etc.).



The SMAXeco HOUSE at our Yagoto display site, Aichi Pref.





## Proposing advanced energy technologies together with new lifestyles in harmony with the natural environment

### ● Visualization of environmental energy

Our SMAxEco HOUSE comes with D-HEMS,\* a proprietary energy management system that makes effective use of ICT. Coupled with advanced facilities including a photovoltaic power generation system and storage batteries, this house enables the owners to adjust energy used in the home to perfectly match the family's particular lifestyle. And the system's "visualization" feature lets the owners clearly see a breakdown of their energy usage.

\* D-HEMS stands for "Daiwa Home Energy Management System."

### ● Generating and storing energy

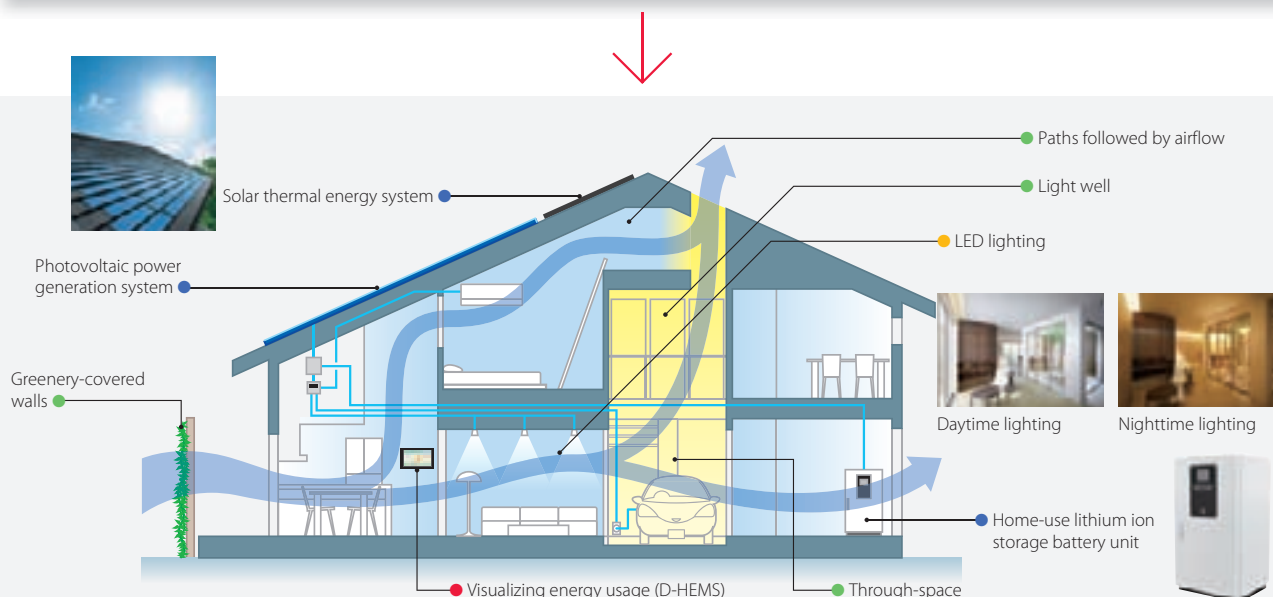
We have installed renewable energy utilization systems at our Senri display site. In addition, we utilize lithium ion storage batteries which can accumulate the electric power generated by photovoltaic power generation systems during the day for use at night. Through these means, we are endeavoring to achieve zero CO<sub>2</sub> emissions and utility costs.

### ● Energy-saving LED lights

We called on renowned lighting engineer and designer, Shozo Toyohisa, to supervise the installation of original LED lighting. LED lighting systems allow easy adjustment of brightness to match the time of day, while at the same time eliminating the generation of unnecessary light for more effective energy conservation. This helps create illumination that is almost as easy on the eye as natural light.

### ● Bringing nature indoors

Natural breezes and sunlight vary according to the season or the time of the day. After extensive studies of these natural environmental factors, we have designed living spaces where they can be harnessed without dependence on mechanical equipment. For example, we have planned elements of a house to facilitate effective airflow. This includes spaces that run straight through the house, letting in sunlight and natural breezes, as well as dynamic sloping ceiling designs that channel airflows from the dining area up to the loft. In this manner, we are looking to eliminate dependence on air-conditioning systems.





# Environmental Energy

The environmental preservation movement is gaining increased momentum throughout the world, while in Japan, energy issues have come under closer scrutiny following the earthquake and tsunami on March 11.

Daiwa House Industry works actively to meet the world's needs in the environmental energy field.

## Leveraging proprietary technologies in the environmental energy solutions business

Our Environment and Energy Business Division works to offer customers solutions to the environmental and energy-related issues they face, principally in the areas of renovation for energy conservation and new energy sources, including energy cost reduction, curtailment of CO<sub>2</sub> emissions, renovation of superannuated equipment, beautification of buildings, and installation of thermal insulation. To provide these solutions, we combine our traditional expertise in construction with our newly developed technologies in the fields of energy conservation, new energy sources, and energy storage.

In April 2011 we began selling SOLAR STORAGE, which combines a photovoltaic power generation system with the POWER YILE portable lithium ion storage battery system manufactured by ELIY Power. The market launch of this product, which has been designed as a renewable energy source solution to companies' needs in the area of business continuity planning, drew a very favorable reaction.

The "Next-Generation CO<sub>2</sub> Model for Convenience Stores" designed and constructed by the Group and selected by the Ministry of Land, Infrastructure, Transport and Tourism (MLIT) as one of its model projects for the reduction of CO<sub>2</sub> emissions from

the construction and use of housing and other buildings, has achieved a major reduction in CO<sub>2</sub> emissions of around 17%. This was made possible by the combined use of photovoltaic power generation systems, LED lighting, lithium ion storage batteries, and energy management systems. These convenience stores are expected to prove invaluable as local community rallying points in the event of a major earthquake or other natural disaster.

The Daiwa House Group will continue to harness its comprehensive power in the active pursuit of the environmental energy solutions business across a wide variety of fields.



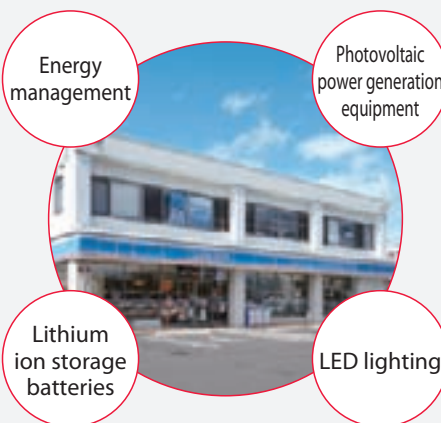
SOLAR STORAGE

## Next-Generation CO<sub>2</sub> Model for Convenience Stores

- System aims at energy conservation through centralized energy management at company headquarters, using meters installed at all stores for easy visualization of energy consumption.



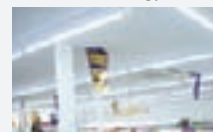
- Lithium ion storage batteries ensure uninterrupted power supply to stores even after a major natural disaster.



- Photovoltaic power generation panels reduce store's CO<sub>2</sub> emissions.



- LED lighting fixtures help conserve energy.





## Growth planned in mega solar business, and intra-Group collaboration to realize expanded operational scope

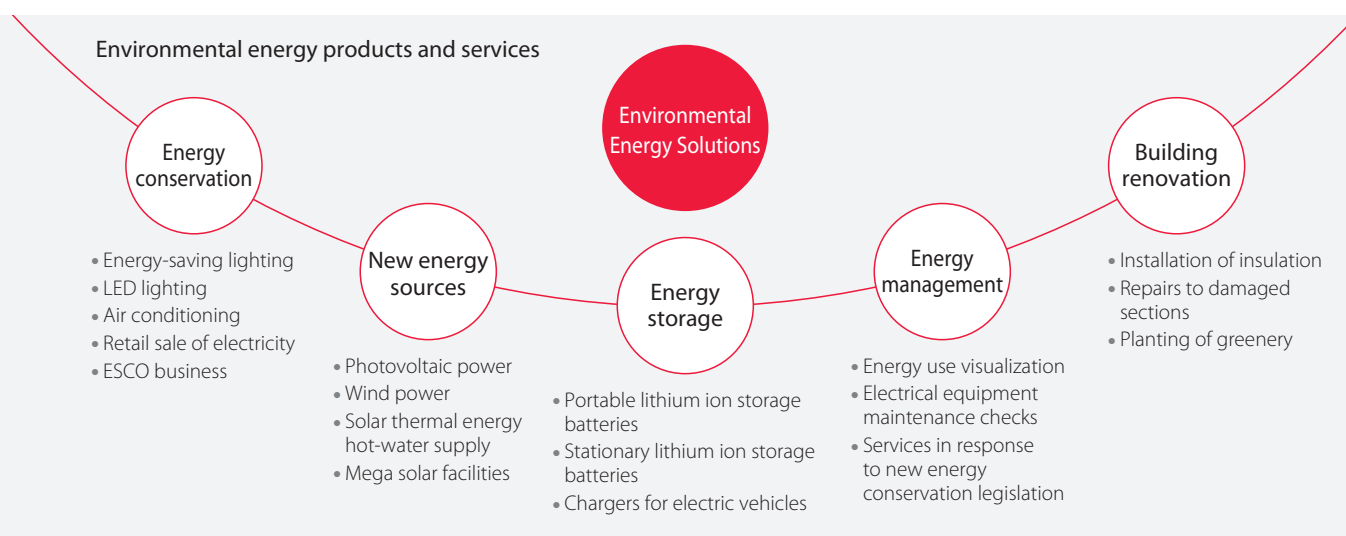
Against the background of the shortfall in electric power generation capacity in the wake of the earthquake and tsunami of last March, and in anticipation of forthcoming legislation that would make it obligatory for the power utilities to purchase electricity from renewable energy sources, a number of plans are being drawn up for the construction of large-scale photovoltaic power generation facilities, often called “mega solar projects.”

The staff of our Environment and Energy Business Division has been investigating the possibilities of large-scale photovoltaic power generation projects from an early stage, and work on the design and construction of such facilities is ongoing in Niigata Pref. At Daiwa House, we boast considerable advantages in the field of mega solar facility construction, thanks to the technological know-how we have accumulated since our establishment in the construction of prefabricated and steel-pipe structures, as well as the economies of scale made possible by such large-scale facilities. The planning of mega solar facilities is currently proceeding in all parts of Japan, and we intend to involve ourselves actively in these projects.

Under the Group’s longer-term vision, we will be working to expand the scope of our environmental energy operations. The Environment and Energy Business Division of Daiwa House Industry, subsidiaries Daiwa Energy and Eneserve, and ELIY Power, in which we have invested, will collaborate in marketing, and a dedicated organization will be set up to sow the seeds of growth in this business field over the medium to long term. We believe these efforts will realize effective synergy, leading to operational expansion.



Conceptual illustration of a mega solar facility



# Research & Development

To create the value needed by future generations, we conduct research and development into advanced technologies that promise to realize a sustainable society, under the themes of safety & comfort, speed/stock, welfare, the environment, health, Information-Communication Technology, and agriculture.

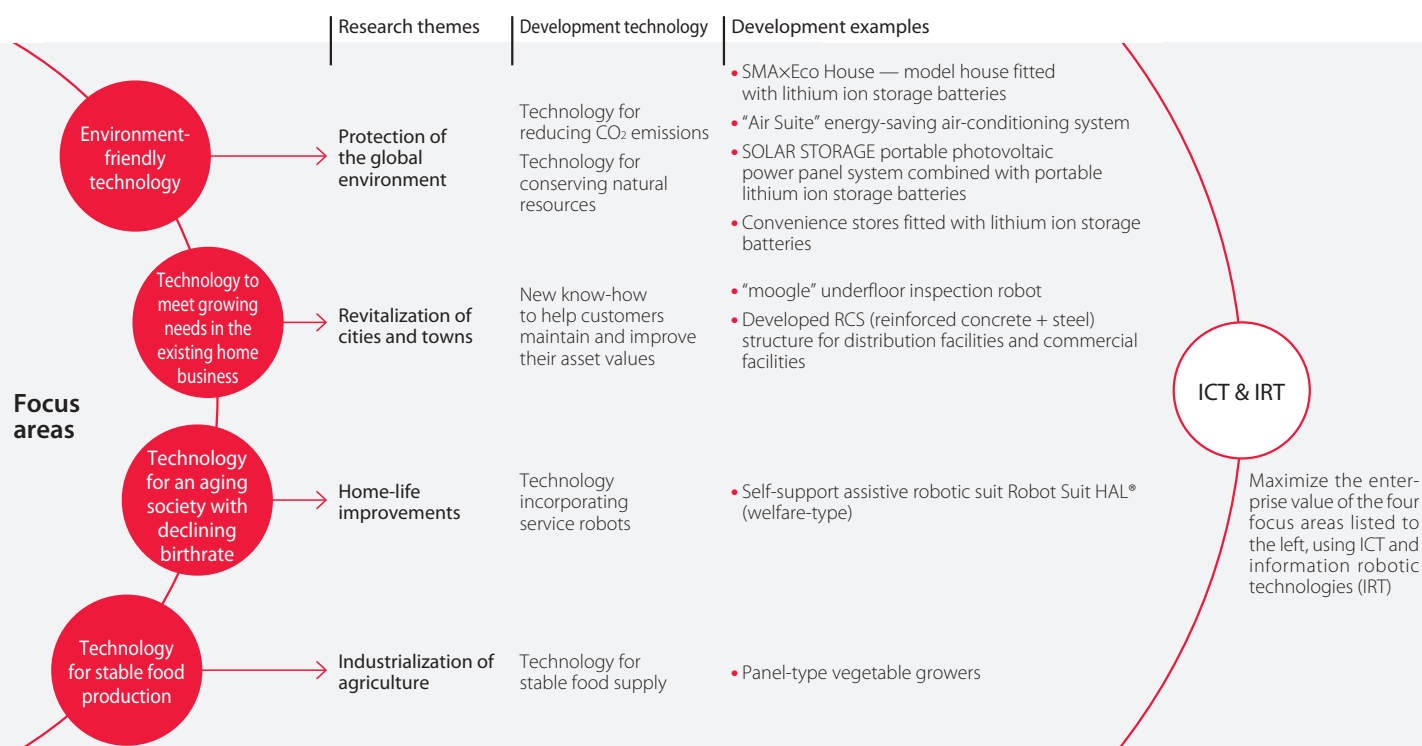
## Combining new technologies with fundamental technologies to create new business value

At the Central Research Laboratory, our staff carries out research and development over a broad spectrum of technology fields in search of the breakthroughs that will be required by tomorrow's society. On the global stage, these include environmental degradation and energy shortages, while in Japan the principal issues are the declining birthrate and the aging of the population. In fiscal 2010 we put effort into research in the field of environmental energy technology (such as lithium ion storage batteries), in combination with our extensive fund of expertise in construction as well as the leading-edge technology fields of information and communication technology (ICT) and information robotic technologies (IRT). By these means, we succeeded in developing technologies and products to inject new value into the Group's business in the future.

We also added another priority R&D field — “technology to ensure stable food supplies,” and have been tackling the industrialization of agriculture as a promising means of improving the food supply process.

In April 2011, to facilitate the development of new technologies, strengthen our capabilities in fundamental technologies, and focus our activities on the needs of the general consumer, we reorganized our R&D structure, which comprises three laboratories and two research centers. From here onward we will be increasing the number of our research staff, with a particular focus on new technology fields, and will put additional effort into the training of the human resources we need for greater specialization and the development of more advanced technologies.

## The focus areas of technology research, and related initiatives







The Central Research Laboratory



Panel-type vegetable growers

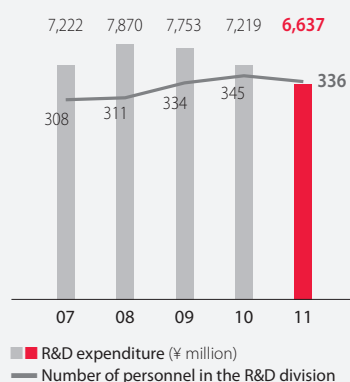
## Developing technologies and products that address social issues

In the priority R&D field of environmental energy technology, our sustained research efforts have borne fruit. Our “Air Suite” air-conditioning system is a centrally controlled system based on the new concept of adapting the home’s temperature conditions to changes in the residents’ lifestyle and in the makeup of their families. And in April 2011 we began selling the SOLAR STORAGE power generation system, which combines portable lithium ion storage batteries developed by our affiliated company ELIY Power with Daiwa House’s photovoltaic power panels. This system has attracted considerable interest from local governments, as well as from companies worried about business continuity planning in the event of a natural disaster. We are continuing to focus R&D efforts on the commercialization in the near future of home energy control systems for “smart houses,” as well as home networking solutions (home

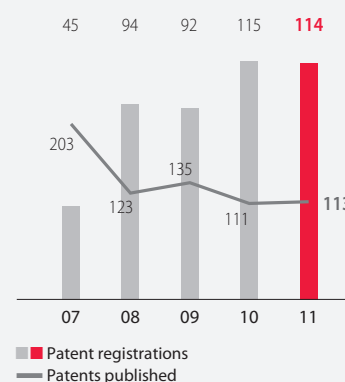
gateway systems) that enable home owners to easily visualize the impact of their energy conservation measures.

In the field of technology for ensuring the stable supply of food, we are aiming to replicate our founder’s achievement in the “industrialization of construction” with a parallel industrialization of agriculture that will stabilize the production of foodstuffs. We have developed panel-type “vegetable growers,” in which farm produce is grown inside buildings using converted containers, and have been publicizing our efforts and the advantages of this method. From here on, too, the Central Research Laboratory will lead the way, in collaboration with Group companies, in conducting joint research focused on society’s future needs, together with companies from other industrial sectors as well as government organizations and universities.

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



Patent registrations and patents published





# *Touching Hearts!*

Japan's food self-sufficiency ratio continues to exhibit prolonged decline. Global-scale shortages in the supply of food are also of major concern as populations continue to grow. Through its "vegetable growers" initiative, the Daiwa House Group is providing hope to the nation as well as the world by promoting a vision of the future that is underpinned by the stable supply of safe and edible food produce that does not use agrochemicals.





# *Helping Hearts!*

As a Group that has constructed many temporary housing units during periods of disaster both in and outside Japan, we have witnessed relief workers toiling under the harshest of conditions. Looking to support these valiant people, and thinking long and hard how best to harness our experience and expertise, we are striving to realize the future commercialization of EDV-01, an emergency rescue unit that serves as a self-sufficient frontline base that incorporates all the essential life-line infrastructure elements such as telecommunications and energy functions.



# Private Finance Initiative

The private finance initiative (PFI) is a procurement method that uses private sector financial resources and expertise to deliver public sector infrastructure or services, and the Daiwa House Group is making the most of its experience and track record by taking part in PFI projects. We are tackling the construction and operation of public facilities through such projects in our belief that it is our corporate responsibility to provide the infrastructure that society needs.

## Contributing to society through PFI projects

The use of PFI projects in Japan is growing for the construction of public facilities or privately operated facilities of a public nature. PFI is becoming the financing mode of choice because it is seen as an effective way of reducing the cost of high-quality public services or of projects undertaken by local governments. In addition, the buildings and other structures constructed as social capital during Japan's high economic growth period are now aging seriously, and are in need of replacement, and for this reason the government's policy is to encourage the use of PFI projects. The staff of the Private Sector Vitality Research Center\*<sup>1</sup> at Daiwa Lease, a member of the Daiwa House Group, is taking the lead in focusing efforts on the construction of official buildings (city halls and so on) and educational facilities for local governments through PFI projects. As a result, Daiwa Lease boasts the No. 6 position in terms of orders received out of the 164 companies involved in PFI projects nationwide.\*<sup>2</sup> Daiwa Lease has been able to achieve this thanks to its specialist expertise in project management, which is essential for the employment of the PFI method, and because the company is perceived by the public authorities as a highly reliable enterprise, due to its extensive previous involvement in the construction and operation of public facilities.

The Group's involvement in projects of a public nature does not stop at the construction of public facilities, but also includes multi-element proposals encompassing existing and new services such as leasing of facilities or vehicles, energy conservation and renewable energy services, and the planting of greenery.

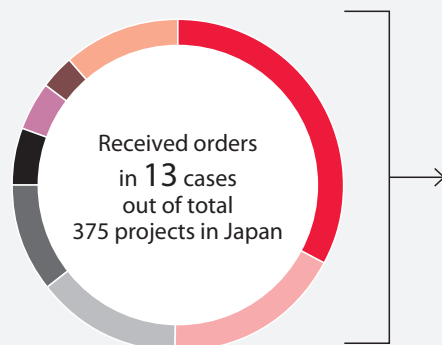
\*<sup>1</sup> A dedicated team set up in 2004, involved in PFI and PPP (Public Private Partnership) projects.

\*<sup>2</sup> Taken from the PFI Yearbook (FY2010 Edition) published by the Japan PFI/PPP Association (figures as of April 15, 2010).



The Hotel Uminpia, Seaside Spa Oi-no-Yu, part of a multipurpose interchange facility project in the town of Oicho

Breakdown of number of PFI projects in Japan\*<sup>3</sup>



Breakdown by type of facility, with examples

Educational/cultural	→ Elementary, junior high, and high schools, colleges	123
Health & environment	→ Hospitals, waste-to-energy facilities	66
Public buildings, dormitories	→ Government offices, dormitories	53
Urban development	→ Parking lots, public housing	40
Public safety	→ Police and fire stations, etc.	21
Welfare	→ Nursing homes for the elderly	17
Industry	→ Distribution facilities, tourist facilities	13
Others	→ Multipurpose facilities, "Roadside Stations" (highway rest areas)	42

(As of December 31, 2010)

\*<sup>3</sup> Based on figures published on the website of the PFI Promotion Office, Cabinet Office, Government of Japan.



## Fulfilling our responsibilities as a member of local society through the construction of educational facilities

Out of 22 PFI projects undertaken thus far nationwide for the construction of schools, Daiwa Lease has received orders in five cases. The company made good use of the experience it has amassed in its proposal for the rebuilding of the school buildings of the Nonoichi Elementary School, a municipal school in Nonoichi-cho, a town in Ishikawa Pref. The proposal was praised for the layout of the school buildings, as well as the buildings' safety and other features focused on creating a superior education environment. Daiwa Lease received the order.

During the construction of the school buildings, the construction site was designated as an object of course study, and Daiwa Lease organized guided tours of the site and hands-on construction workshops for the children and their parents as well as teachers. The Nonoichi Tsubaki PFI Project, a special-purpose company set up by Daiwa Lease to take charge of the construction of the Nonoichi Elementary School buildings, will be conducting regular inspection and maintenance work at the school for many years after completion. In this and other ways, the Group plays a valuable part in creating and preserving the nation's education infrastructure: in so doing, we fulfill our duty as a member of local communities around the country, which are responsible for ensuring our children's future.



Nonoichi Municipal Elementary School, Nonoichi-cho

## Other initiatives by Daiwa Lease

### Prototype emergency rescue unit developed for use after a natural disaster

The Daiwa House Group has provided temporary housing for the victims of numerous natural disasters both in Japan and overseas, most recently after the earthquake and tsunami that hit Eastern Japan on March 11 of this year. The staff of Daiwa Lease, which plays the central role in these efforts, has come to realize the overriding importance of facilities that can be used on the front line, so to speak, in order to quickly provide victims of a disaster with assistance and a safe place of refuge. They therefore poured their experience in temporary and prefabricated housing technology into the development of a prototype emergency rescue unit, dubbed the EDV-01. The unit is of the same dimensions as a standard container for easy transport, and does not require erection at site. It incorporates all the essential survival necessities such as electric power, water supply, and telecommunications functions. We plan to develop the unit as a commercial product, and it is expected to prove invaluable as part of overall assistance efforts in the event of a major disaster.







# Financial Report

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# Message from the CFO

## Strategy for renewed growth

### Overview of the Second Medium-Term Management Plan

Looking back on the operating environment during the period of the Company's Second Medium-Term Management Plan starting from fiscal 2008, the nation's GDP growth rate declined by 0.6 of a percentage point — from 1.0% for fiscal 2007 to 0.4% for fiscal 2010 — while the yen's exchange rate against the US dollar strengthened by approximately 20% from ¥103.87 in April 2008 to ¥83.15 in March 2011. During the same three-year period, the ratio of private-sector jobs to applicants declined by 0.46 of a point, from 1.02 in fiscal 2007 to 0.56 in fiscal 2010. The Daiwa House Group was thus faced with difficult circumstances in all the wide range of industries in which it operates.

In housing and real estate, consumer confidence and investor sentiment in Japan and overseas showed an overall decline. This was due to the US financial crisis that began in the first year of the medium-term plan and led to a wider financial crisis, as well as the European currency crisis. In fiscal 2009, the number of new housing construction starts fell below the 800,000 mark for the first time in the 35 years since 1974. Although we had foreseen this development, the weakness of the economy seemed destined to last for quite some time. As the Group's Chief Financial Officer, I followed a financial policy aimed at enabling the Group to ride out this difficult period. Specifically, I assigned priority to two themes — patiently nurturing the seeds of future growth, and further enhancing the quality of the Group's healthy financial base built up over many years.

Under the Second Medium-Term Management Plan we pursued two main themes — improving the Group's profit structure, and nurturing new future earnings drivers. To realize these aims, we disposed of assets that were expected to become a burden in the future, including unprofitable commercial facilities and resort developments. In addition, in fiscal 2010 we registered our best figures for operating income and net income during the three-year plan period. This was a truly significant achievement. In spite of the extremely difficult operating environment, I am proud to say that I put my whole effort into steadily raising the Company's enterprise value. By succeeding in this, I fulfilled my role as CFO.

### Investment performance

Firstly, with regard to real estate development in the Japanese market, at Daiwa House we realized early on that the market was deteriorating as a result of the global recession that began in the latter half of fiscal 2008, and we therefore focused our investment activities on properties in Japan's major cities, where economic recovery was comparatively advanced. We emphasized profitability and realizable investment returns, and adopted stringent investment criteria, making it a condition that projects generate a yield of at least 7.0% on a net operating income (NOI) basis and at least 8.5% on an internal rate of return (IRR) basis. As a result of the revision of our investment strategy, the initially planned investment figure of ¥580 billion over the three-year plan was reduced to ¥441.5 billion, but on the other hand, I believe we were able to realize more stable fund management.

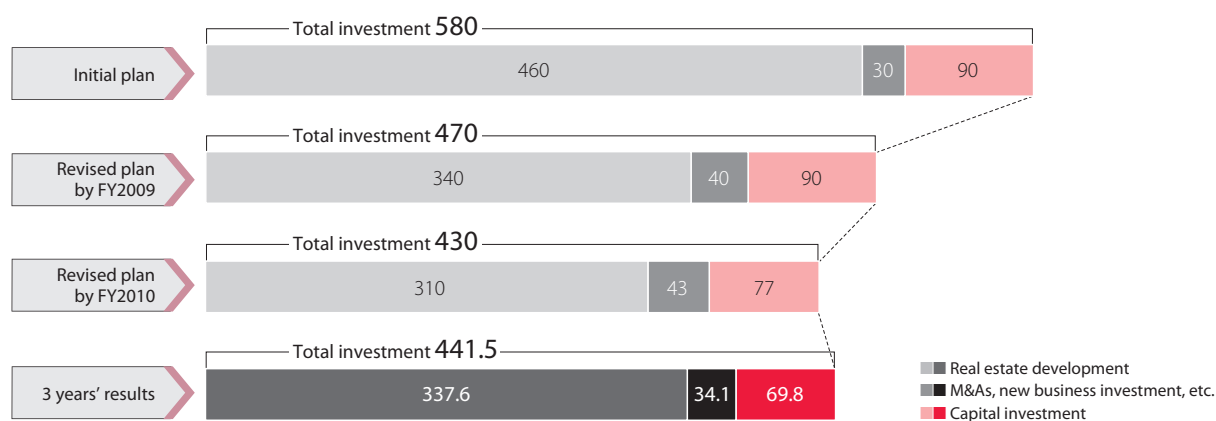
With regard to our goal of nurturing new future earnings drivers, we aggressively invested in M&As and established new business ventures with a view to reaping the fruits of this investment over the medium to long term. We focused efforts on shifting our investment emphasis from the building of new homes and other properties to lifestyle-related services involving existing housing stock, to build a better-balanced business portfolio across the whole Group, and were able to create a more stable management structure that is strongly resistant to the impact of economic fluctuations.

With respect to our condominium management business, in September 2009 we made Cosmos Life into a consolidated subsidiary under the name of Daiwa LifeNext, bringing the total number of condominium units managed by the Group to



approximately 200,000 and putting us in fifth place in the Japanese market (in terms of orders received in fiscal 2010 for comprehensive condominium management services). Along with the expansion of our customer base, this acquisition made a major contribution to the Group's business performance for fiscal 2010. From here onward, too, we plan to make active investments in building high value-added businesses in related fields where we can leverage our strengths in existing business operations.

### Investment plan and results (¥ billion)





## Fiscal 2010 financial highlights

- ① With respect to its noncurrent assets held, the Company recorded extraordinary losses. Principal components included an impairment loss of ¥18.8 billion, due to the decline in real estate prices and the deterioration in profitability resulting from increasingly severe competition, as well as losses amounting to ¥8.0 billion owing to the Great East Japan Earthquake.
- ② Despite an upswing in condominiums sold, inventory assets increased by ¥2.0 billion compared with the previous fiscal year-end due to purchases of land for sale. In addition, growth in trade notes and accounts receivable and other positives outweighed the decrease in cash and deposits owing to the repayment of long-term debt. As a result, current assets rose by ¥2.5 billion.
- ③ Property, plant and equipment declined by ¥18.5 billion compared with the end of the previous fiscal year. This was attributable to the sale of real estate held for leasing purposes and other factors.
- ④ Total interest-bearing debt was down by ¥62.8 billion compared with the previous fiscal year-end. This reflected such factors as the repayment of long-term debt totaling ¥99.3 billion.

Consolidated statements of income	Millions of Yen	YoY change
Net sales	1,690,151	80,267
Cost of sales	1,352,937	49,056
Gross profit	337,214	31,211
Selling, general and administrative expenses	249,516	6,227
Operating income	87,698	24,984
Other expenses — net	(46,985)	(22,340)
Net income	27,268	8,155

Consolidated balance sheets	Millions of Yen	YoY change
Assets:		
Current assets	681,261	2,503
Property, plant and equipment	760,124	(18,486)
Investments and other assets	492,851	33,291
Total assets	1,934,236	17,308
Liabilities and equity:		
Current liabilities	389,706	45,104
Long-term liabilities	909,344	(45,212)
Equity	635,186	17,416
Total liabilities and equity	1,934,236	17,308

Other expenses	Millions of Yen	YoY change
Impairment loss on property, plant and equipment	(18,769)	(7,864)
Write-down of investment securities	(1,013)	8,637
Other — net	(27,203)	(23,113)
Other expenses — net	(46,985)	(22,340)

Inventories	Millions of Yen	YoY change
Finished residential homes and condominiums	23,538	(6,585)
Construction projects in progress	15,307	209
Residential homes and condominiums in process	30,010	5,847
Land held:		
For resale	208,180	10,460
Under development	6,634	(5,342)
Undeveloped	2,237	(1,524)
Merchandise, construction materials and others	16,082	(1,080)
Total	301,988	1,985

Property, plant and equipment	Millions of Yen	YoY change
Land	387,343	(2,244)
Buildings and structures	327,809	(5,922)
Other — net	44,972	(10,320)
Net property, plant and equipment	760,124	(18,486)

Interest-bearing debt	Millions of Yen	YoY change
Short-term bank debt	9,136	(5,635)
Current portion of bonds	4,500	4,500
Current portion of long-term debt	25,122	22,220
Bonds	101,300	(4,000)
Long-term debt	255,498	(79,890)
Total interest-bearing debt	395,557	(62,804)



Cash flows from operating activities	Millions of Yen
2011	127,957
Income before income taxes and minority interests	40,713
Depreciation	44,614
Provision for employees' retirement benefits, net of payments	11,822
Loss on sales and disposal of property, plant and equipment	3,992
Impairment loss on property, plant and equipment	18,769
Increase in allowance for investment loss	3,672
Loss on adjustment for changes of accounting standard for asset retirement obligations	2,805
Loss on prior periods adjustment	1,416
Decrease (increase) in receivables	(19,871)
Decrease (increase) in inventories	(5,858)
Increase (decrease) in payables — trade	17,118
Increase (decrease) in deposits received from customers	4,324
Other — net	4,441

Cash flows from investing activities	Millions of Yen
2011	(83,595)
Purchases of property, plant and equipment	(61,352)
Proceeds from sales of property, plant and equipment	562
Purchases of investment securities	(12,583)
Proceeds from sales and redemption of investment securities	3,614
Other — net	(13,836)

Cash flows from financing activities	Millions of Yen
2011	(77,834)
Net increase (decrease) in short-term bank loans	(5,635)
Proceeds from long-term debt	41,693
Repayments of long-term debt	(99,312)
Proceeds from issuance of bonds	500
Dividends paid to shareholders	(9,845)
Remittance to trust of receivables collected	(3,697)
Other — net	(1,538)

## Financial policies for renewed growth

We are fully aware that the next few years, starting from the current fiscal year, during which we will be working toward the resumption of growth, will be even more crucial to the Group's success than hitherto. Because our goal is to resume growth, our need for funds will be strong. However, since we have decided to maintain our policy of a debt-equity ratio of 0.5% as the benchmark, we have no intention of increasing our total investments by raising the amount of interest-bearing debt significantly above this level. Regarding the Group's future demand for funds, we plan to speed up the cycle of fund reutilization by making increased use of gains from the sale of investment projects to finance new projects. This is in line with our policy of maintaining the Company's tradition of debt-free management.

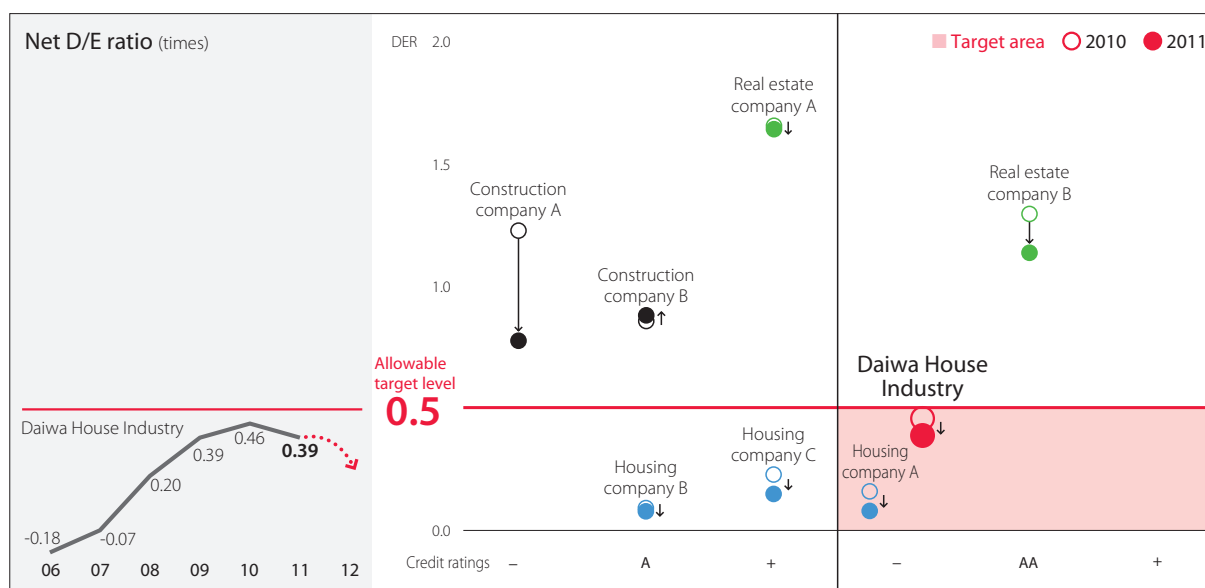
In addition, as a form of exit strategy, we will continue to keep a close watch on the REIT market, and will ensure strict cash flow management. Regarding our portfolio of residential properties, at BLife Investment Corporation,\* relaunched through a merger in April 2010, we are starting to see improved profitability and reduced costs.

In February 2011 we set up a privately placed fund, among other initiatives, to expand our business in the area of distribution industry facilities. From here onward, we will leverage the Company's expertise in development and operation to create residential properties and distribution and commercial facilities that will be attractive to investors, to prepare the way for eventual listing on the J-REIT market.

\* Subject to approval at the general meeting of investors on November 30, 2011, BLife Investment Corporation will be renamed Daiwa House Residential Investment Corporation.

## Strategically expanding our investments on a global scale

Japanese society has entered a period of full-scale decline in the birthrate and an increasingly aging population, leading eventually to population decline. For this reason, we can no longer hope for economic growth of the type that accompanies growth in the volume of goods produced and consumed, as in Japan's former high-growth era. In this situation, to secure its own growth prospects, the Group must begin full-scale strategic investments on the global stage.





In 2006, 40 years after commencing business operations in China, we began engaging in large-scale real estate development projects in that country. Large-scale condominium projects commenced in fiscal 2009 in Suzhou and Dalian are scheduled for completion in 2011, and our “made-in-Japan” brand has built up a strong reputation for trustworthiness in the local market. We have also invested in projects in Wuxi and Changzhou, and plan strategic real estate developments in China as a whole, totaling ¥300 billion by the year 2020.

To leverage the know-how we have acquired in our Chinese operations, we are also examining new investment possibilities in other Asian countries such as Vietnam, as well as the United States and Australia. We plan to make strategic decisions in real estate development possibilities in countries all over the world, and to invest promptly in top-quality projects when they appear.

## Medium- to long-term issues

Major changes are occurring in societies and economies all over the globe. On a global scale, we are faced with a host of issues such as environmental degradation, population growth, and food shortages. At the Daiwa House Group, we believe it is our mission to tackle these social problems head-on by creating and expanding business operations that will make valuable contributions to societies around the world.

For this purpose, our duty as a business corporation is to identify society's needs and conscientiously create business enterprises that supply those needs. As the CFO of the Daiwa House Group, my role is to build a strong financial position that will enable the Group to compete in markets all over the world, while at the same time actively engaging in information disclosure so as to raise the transparency of the Group's management. The International Financial Reporting Standards (IFRS) are likely to be introduced in Japan in the near future, and as our response to this change will also be one step toward the level of transparency required of us, we are making all the necessary preparations.

We are currently working to realize financial stability over the long term, as only in this way can the Group vigorously achieve the renewed growth at which we aim from fiscal 2011 onward. For this purpose, we are following 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 policy, we will move steadily forward to forge unbreakable bonds of trust with our stakeholders.

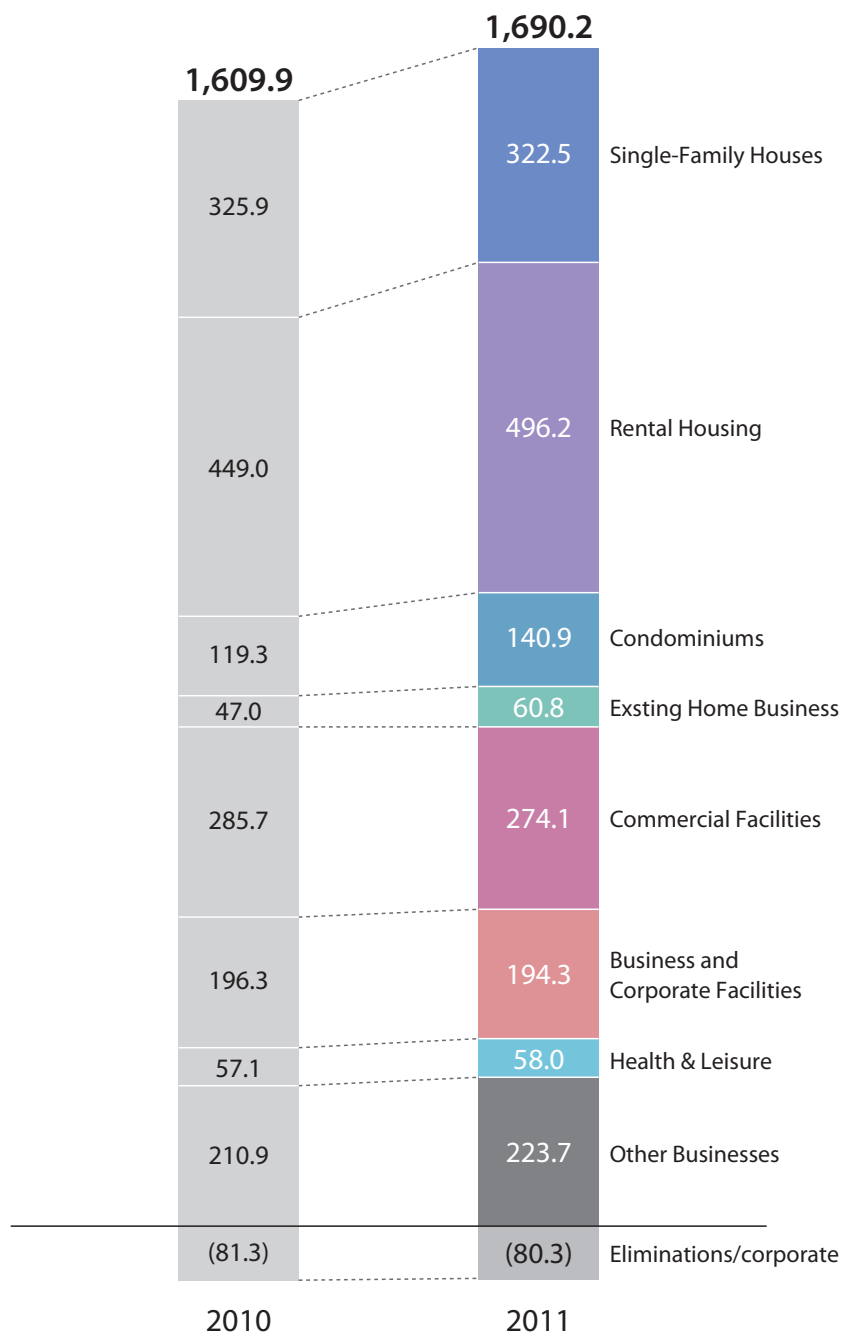


Tetsuji Ogawa  
*Executive Vice President and CFO*

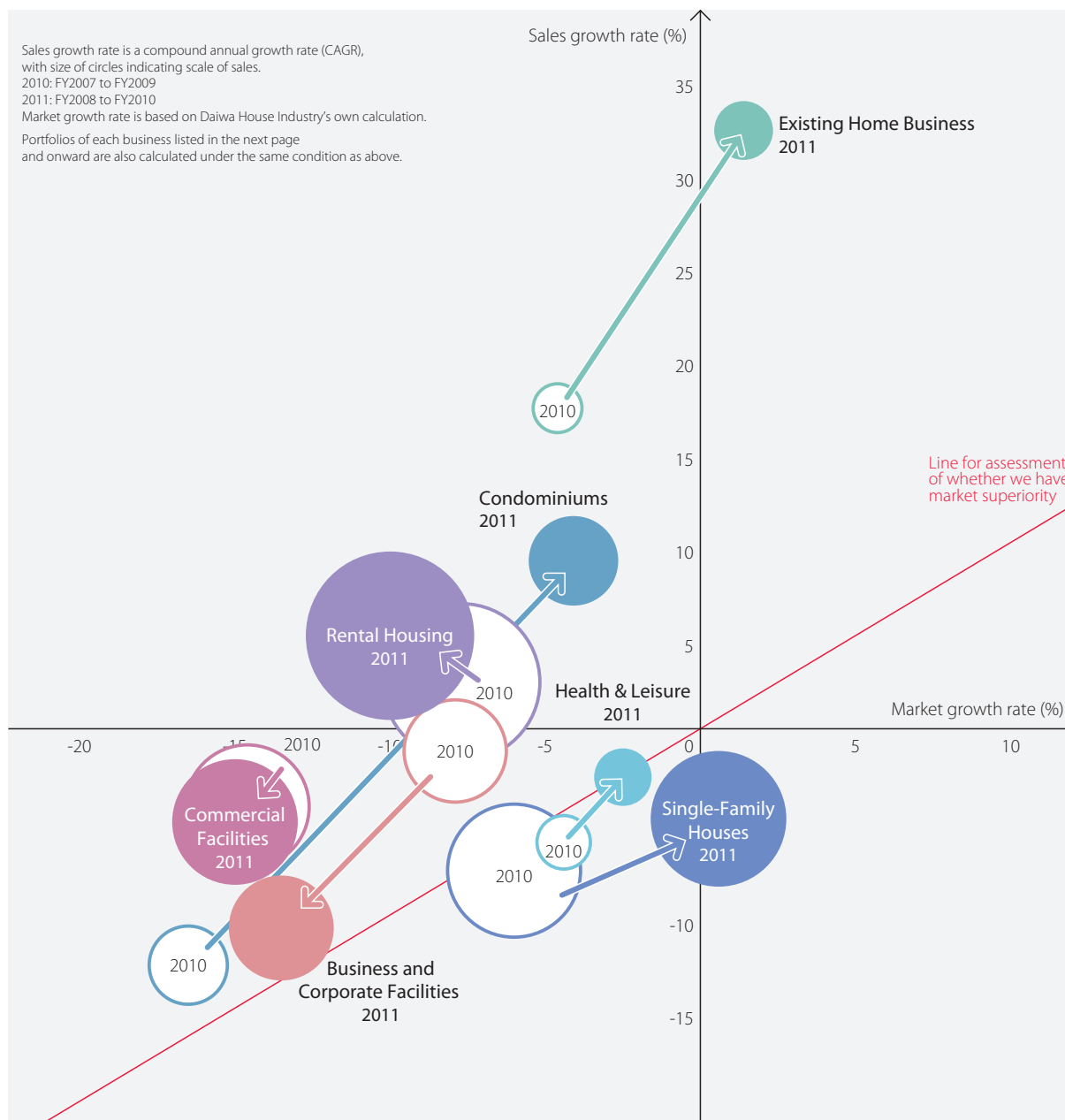


# Business Results

## Net sales (¥ billion)



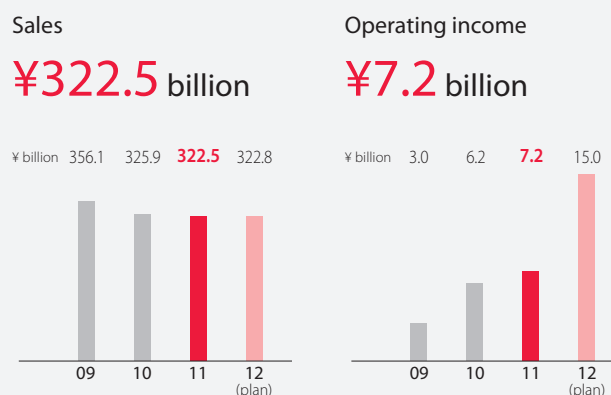
## Business portfolio 2011



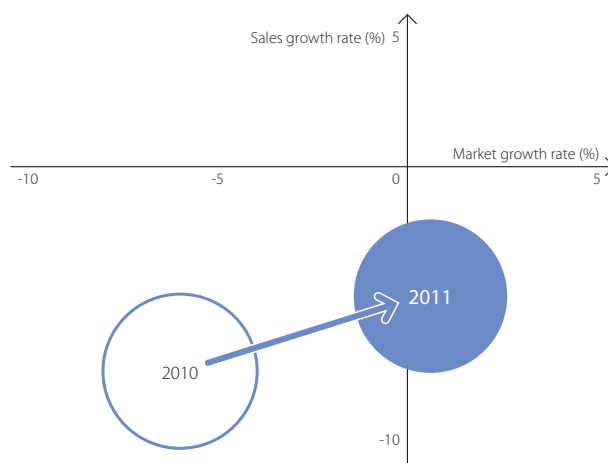


# Single-Family Houses

Contracting Business / Subdivisions

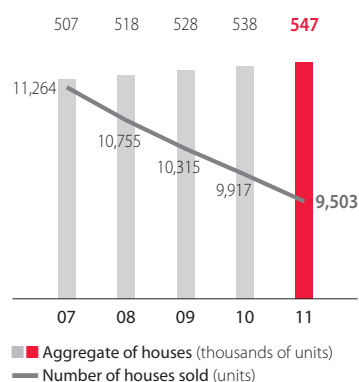


During the reporting term we worked to expand sales of our mainstay xevo series. The standard specifications for our xevo models satisfy the criteria for the government's high-quality long-term housing certification and qualify for application of the eco-point system for housing. Buyers can also take advantage of the government's measures to encourage home acquisition. As a result of the Great East Japan Earthquake, however, sales declined, but the cost-to-sales ratio improved by 2.5 points thanks to our continued restructuring efforts. We also succeeded in curbing fixed costs, leading to an increase in operating income.



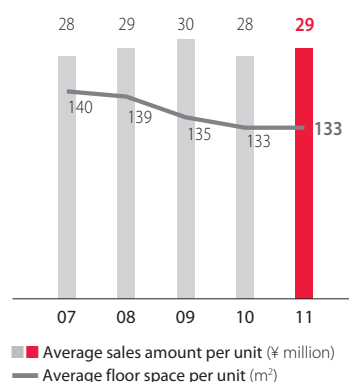
## Aggregate of houses and number of houses sold

(Daiwa House Industry, non-consolidated)



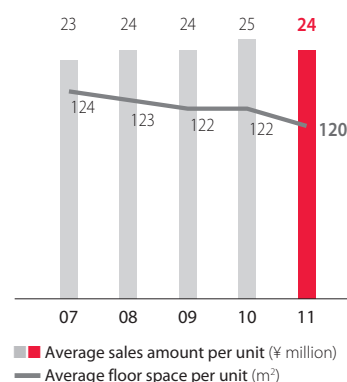
## Average sales amount and floor space per unit

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



## Average sales amount and floor space per unit

(Subdivisions, Daiwa House Industry, non-consolidated)

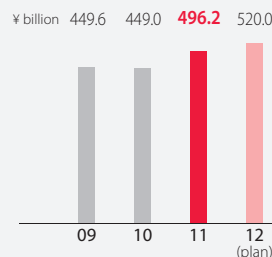


## Rental Housing



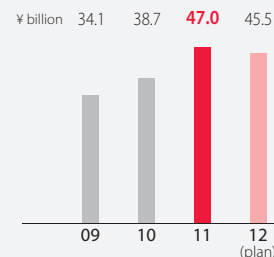
### Sales

¥496.2 billion

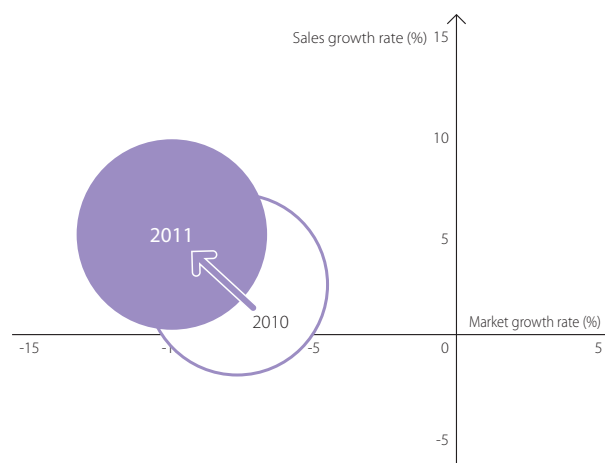


### Operating income

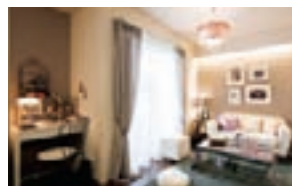
¥47.0 billion



During the reporting term we continued marketing two- and three-story rental housing models fitted with home security systems as standard, and launched a new four-story model that can easily be adapted to meet the diverse needs and lifestyles of landowners and tenants. Both sales and operating income rose as a result of the sale of properties, an increase in the number of dwelling units managed by Daiwa Living, and a higher profit margin thanks to an improved vacancy ratio.



The Séjour WIT-S (Stack-on-type with a hallway on the first floor for all households)



Featuring colors and designs that are popular with female tenants

### Rental housing featuring security system as standard

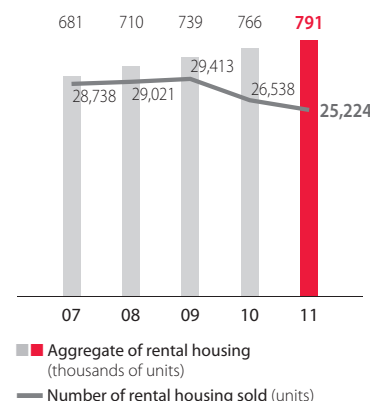
We have launched on the market our Séjour WIT-S and Séjour OTT's-S rental housing products, which are fitted with a security system. When sensors report the door or windows being forced open, the nearest ALSOK guard center is alerted, and security staff are dispatched to the scene. If the security staff confirm that a successful or attempted break-in has occurred, the emergency contact number is rung and the tenant informed of the facts. The security system provides tenants with effective anti-crime measures around the clock, when they are at home, too, and even after they have gone to bed.

### Rental housing with focus on security and featuring items designed to appeal to female tenants

Our Séjour WIT-SW and Séjour OTT's-SW models have been developed to meet female tenants' needs regarding safety and security, beauty, storage space, and design, all of which are important criteria when choosing a rental home. These models come with a security system and lights fitted with timer-switches as standard, and the storage space accounts for 10% of the apartment's floorspace. To attract female tenants, each apartment also features a special makeup-application space, with carefully designed vanity table and other items provided.

### Aggregate of rental housing and number of rental housing units sold

(Daiwa House Industry, non-consolidated)

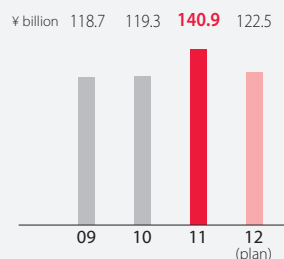


# Condominiums



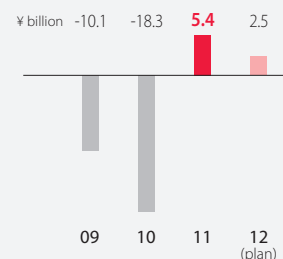
## Sales

¥140.9 billion

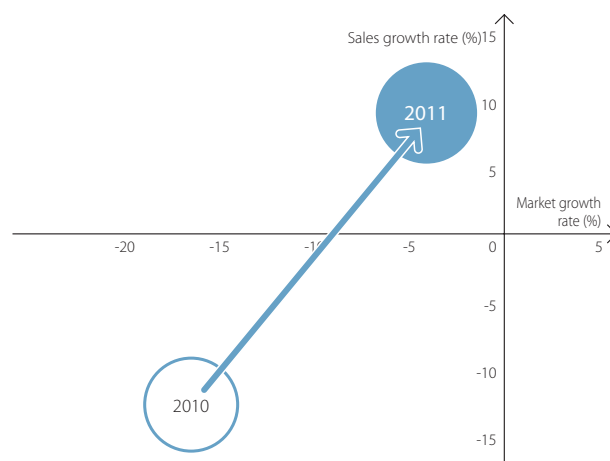


## Operating income (loss)

¥5.4 billion

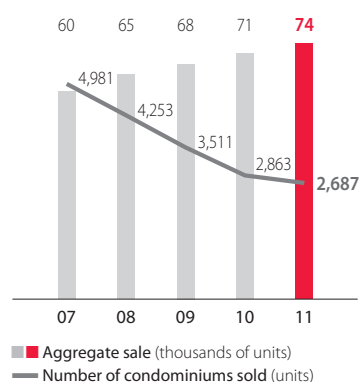


During the reporting term we sold units in super high-rise twin-tower condominiums featuring vibration dampening, high-class common facilities and superior services, as well as high value-added condominiums with eco-friendly features. Major increases were recorded in both sales and operating income, thanks to a recovery by the Tokyo and Osaka condominium markets and the full-term contribution of the business results of Daiwa LifeNext (a Group subsidiary since September 2009).



## Number of condominium units sold

(Daiwa House Industry, non-consolidated)



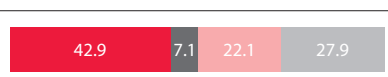
## Area breakdown of condominiums

(FY2010)

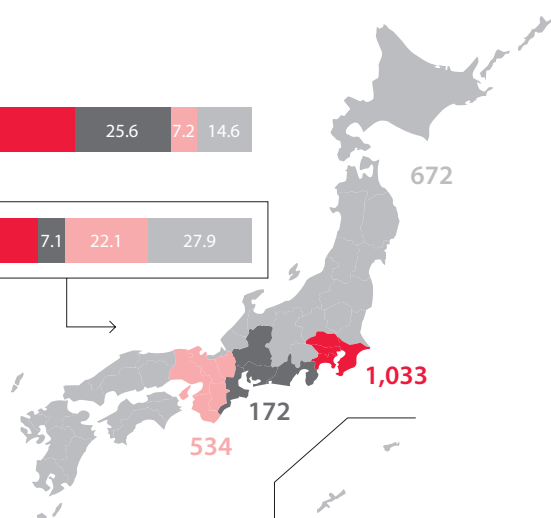
### Condominiums built nationwide (%)



### Daiwa House Industry sales (non-consolidated) (%)



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



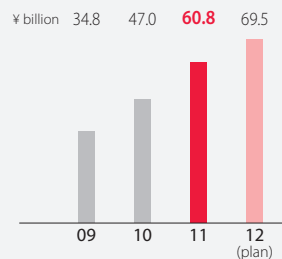
## Existing Home Business

Home Renovation / Real Estate Agency Services



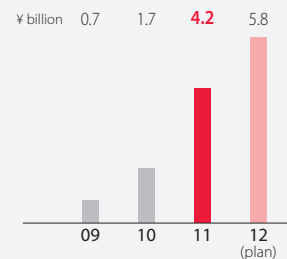
Sales

¥60.8 billion



Operating income

¥4.2 billion

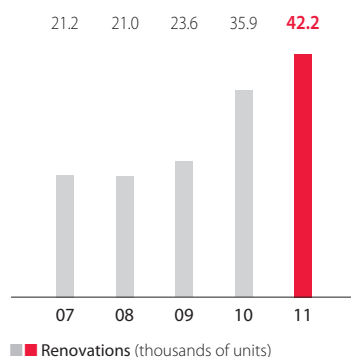


During the term we worked to improve our overall proposal capabilities by strengthening collaboration among Group members and revamping our marketing, design, and construction systems. We also conducted home renovation marketing campaigns to take advantage of the government's housing safety net promotion initiative as well as the rising interest in solar power generation, and posted particularly good business results in renovation work on condominiums and rental apartment buildings. Sales were up 29.4% year on year, and operating income soared 143.6%.



### Number of renovations

(Daiwa House Industry, non-consolidated)



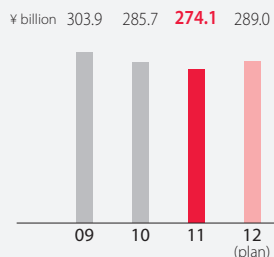


## Commercial Facilities



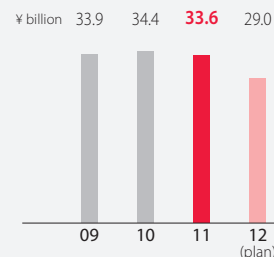
### Sales

¥274.1 billion

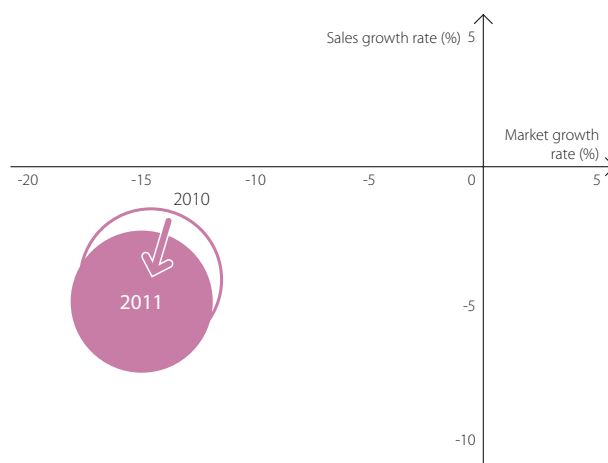


### Operating income

¥33.6 billion

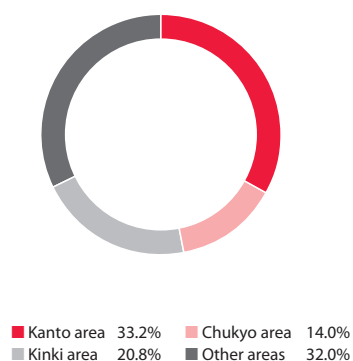


We made optimum use of our extensive fund of information relating to land availability and our know-how in support of new store openings by tenant companies to pursue planning- and proposal-driven marketing centered on roadside store developments. We are developing open-mall-type commercial facilities serving small retail trading zones around Japan, and opened six more such facilities during the term as part of our policy of operating facilities with deep roots in their local communities. However, in line with the declining popularity of suburban shopping centers, we acquired fewer orders for large-scale facilities, leading to a slight decrease in both sales and operating income.



### Area breakdown of commercial facilities sales

(Daiwa House Industry, non-consolidated)



### Orders for large commercial facilities\*

(Daiwa House Industry, non-consolidated)



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

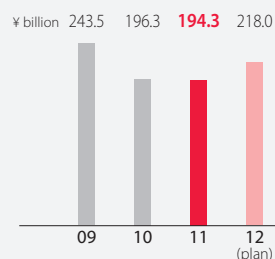
# Business and Corporate Facilities

Distribution Facilities / Medical and Nursing Care Facilities / Corporate Facilities



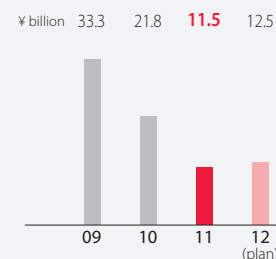
## Sales

**¥194.3 billion**

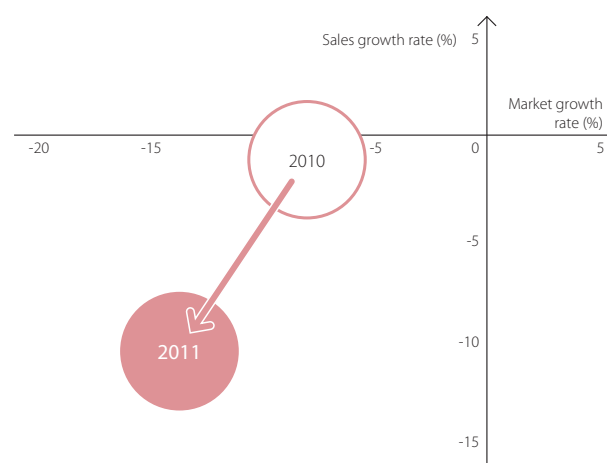


## Operating income

**¥11.5 billion**

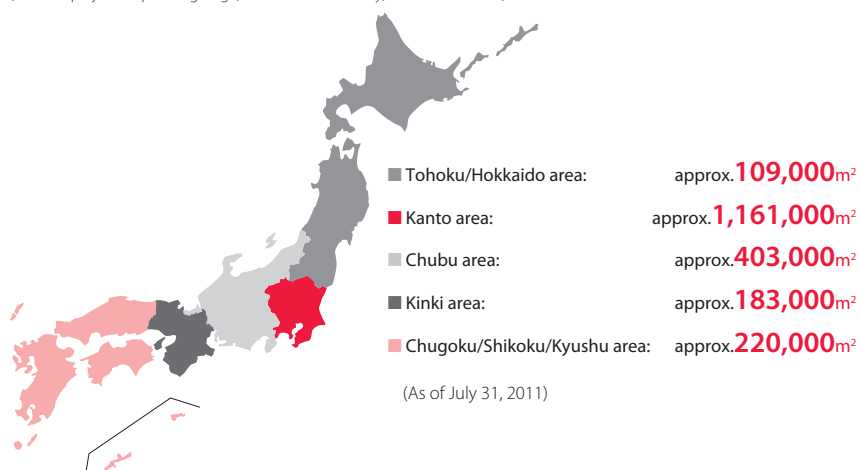


During the term we constructed large-scale distribution centers, marketing and production facilities needed as a result of corporate scrap-and-build policies, and production facilities for food processing companies. We also aggressively marketed housing products for senior citizens, including fee-based homes for the elderly and serviced housing for elderly persons. We also leveraged our consulting capabilities based on our accumulated know-how and data to commence the development of large-scale industrial parks. Owing to a deterioration in the cost-to-sales ratio on the back of rising steel prices, operating income of this domain recorded a sharp year-on-year decline.



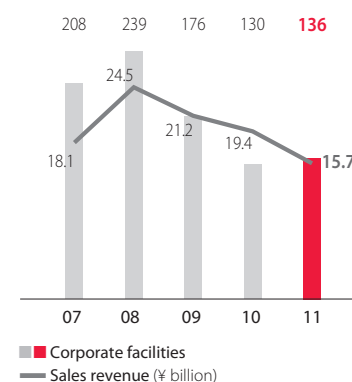
## Major logistics projects: Total area of development sites

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



## Number of corporate facilities and sales revenue

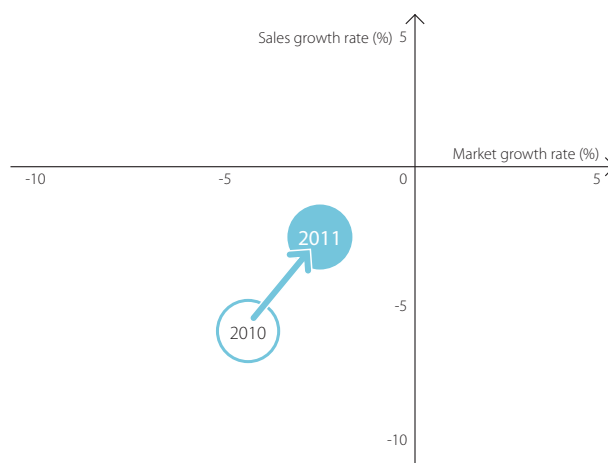
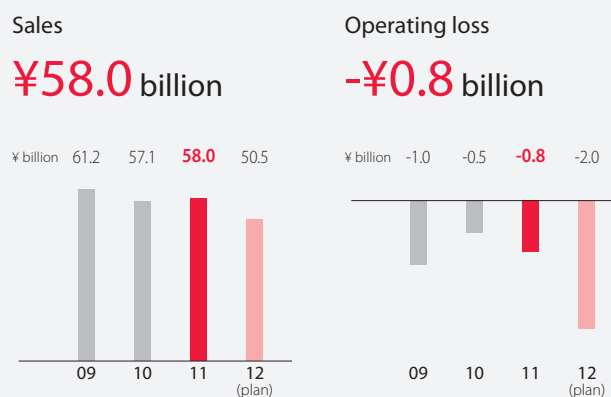
(Daiwa House Industry, non-consolidated)



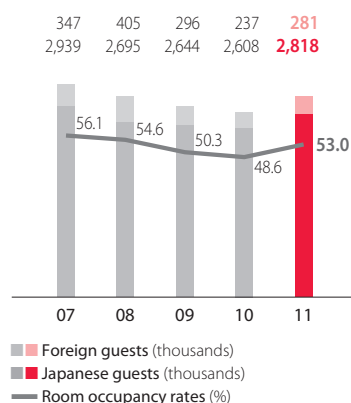
## Health & Leisure



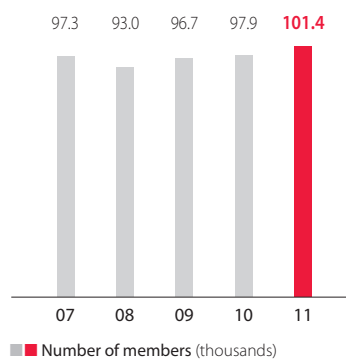
In the Resort Hotels operations, our efforts to offer high-quality services led to an increased number of guests, particularly during the Golden Week holidays, the summer vacation season, and the autumn travel season. In our Sports Life operations, we opened two new urban-type facilities in Tokyo. However, following the massive earthquake in March we were forced to close some facilities to conduct safety checks and to shorten operating hours to accommodate the planned power outages. As a result, sales of the Health & Leisure posted a year-on-year decrease.



**Daiwa Royal Hotels: Number of guests and room occupancy rates**



**Sports club NAS: Number of members**



## Other Businesses

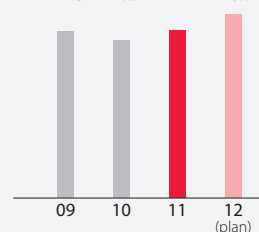
Home Centers / Construction Support / Credit Cards / City Hotels / Others



### Sales

¥223.7 billion

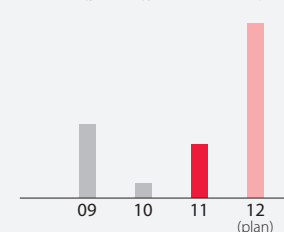
¥ billion 222.3 210.9 223.7 245.0



### Operating income

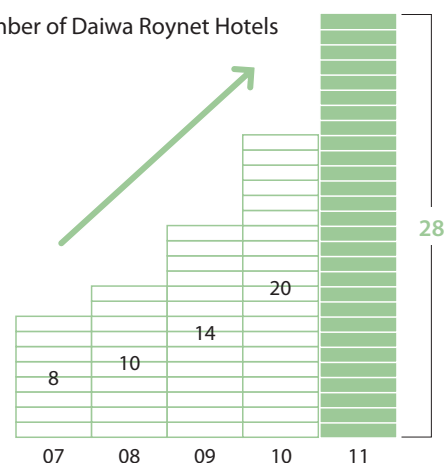
¥3.6 billion

¥ billion 4.9 1.0 3.6 11.7

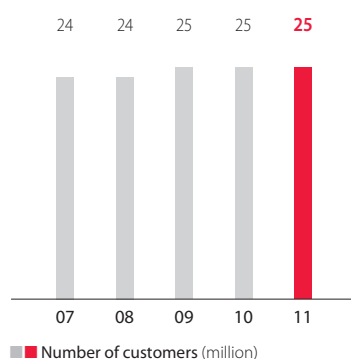


In the Home Center business, we conducted sales promotion campaigns to mark the Company's 30th anniversary, and further developed private-brand products to meet consumers' needs for both quality and reasonable prices. Our home center at Shiogama in Miyagi Pref. was forced to close temporarily due to damage caused by the tsunami of March 11, and other extraordinary losses were posted as a result of earthquake-caused damage to stores in the Eastern Japan region. In our City Hotels operations, we opened eight new hotels, bringing the total to 30.

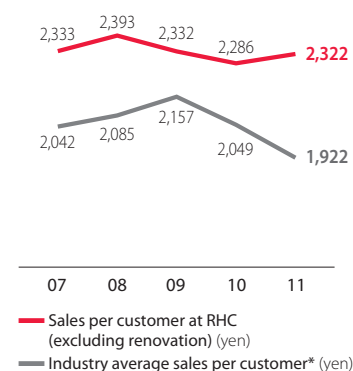
### Number of Daiwa Roynet Hotels



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

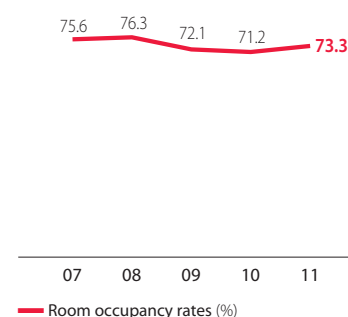


### Royal Home Center (RHC): Average sales per customer



\* Calendar year basis.

### Daiwa Roynet Hotels: Room occupancy rates





# Financial Overview

## Consolidated seven-year summary

Daiwa House Industry Co., Ltd. and Consolidated Subsidiaries  
Years Ended March 31, 2005 to 2011

(Millions of Yen)

	2011	2010	2009	2008	2007	2006	2005
Net sales	¥1,690,151	¥1,609,884	¥1,690,956	¥1,709,254	¥1,618,450	¥1,528,983	¥1,365,914
Cost of sales	1,352,937	1,303,881	1,357,821	1,360,348	1,283,587	1,213,644	1,082,133
Selling, general and administrative expenses	249,516	243,289	259,555	259,785	249,184	235,267	215,932
Operating income	87,698	62,714	73,580	89,121	85,679	80,072	67,849
Operating income margin (%)	5.2	3.9	4.4	5.2	5.3	5.2	5.0
Income before income taxes and minority interests	40,713	38,069	13,721	24,862	76,449	82,155	63,108
Net income	27,268	19,113	4,170	13,080	46,394	45,184	40,262
Total assets	1,934,236	1,916,928	1,810,573	1,791,052	1,630,022	1,475,197	1,358,807
Equity*1	635,186	617,770	607,428	649,441	661,145	576,534	524,110
Property, plant and equipment	760,124	778,610	728,953	642,816	602,260	505,471	441,388
Capital investments	93,875	99,786	160,601	103,856	136,171	110,144	56,696
Depreciation	44,614	43,917	39,318	35,622	29,536	26,815	19,243
Net cash provided by (used in) operating activities	127,957	133,315	109,811	(15,738)	136,061	90,482	56,095
Net cash used in investing activities	(83,595)	(138,237)	(199,679)	(123,297)	(172,074)	(107,857)	(53,069)
Net cash provided by (used in) financing activities	(77,834)	79,269	96,503	135,797	14,318	(9,264)	5,889
Issued and outstanding (thousands)	578,807	579,092	579,171	579,256	587,158	546,916	546,223
Stock prices at the end of term (in yen)	1,022	1,055	792	987	1,933	2,040	1,232
Per share of common stock (in yen):							
Basic net income	47.09	33.00	7.20	22.46	81.15	81.88	73.26
Equity	1,095.62	1,065.15	1,047.50	1,092.04	1,122.88	1,053.37	959.08
Price earnings ratio (PER) (times)	21.70	31.97	110.01	43.94	23.82	24.91	16.82
Price to book value ratio (PBR) (times)	0.93	0.99	0.76	0.90	1.72	1.94	1.28
Return on equity (ROE) (%)	4.4	3.1	0.7	2.0	7.5	8.2	7.9
Equity to total assets (%)	32.8	32.2	33.5	35.3	40.4	39.1	38.6
Current ratio (%)	174.8	197.0	177.4	157.3	136.1	145.1	159.0
Fixed ratio (%)	197.3	200.4	189.2	158.5	145.8	148.3	142.4
Number of employees*2	26,310	26,542	23,985	23,421	22,240	21,016	19,770
Consolidated to non-consolidated net sales ratio (times)	1.60	1.56	1.47	1.48	1.37	1.34	1.25
Consolidated to non-consolidated net income ratio (times)	2.14	1.47	0.75	1.76	1.21	1.28	1.17

\*1 Beginning with the fiscal year ended March 31, 2007 minority interests are included in equity.

\*2 Regular employees only.

## Performance indicators of major companies

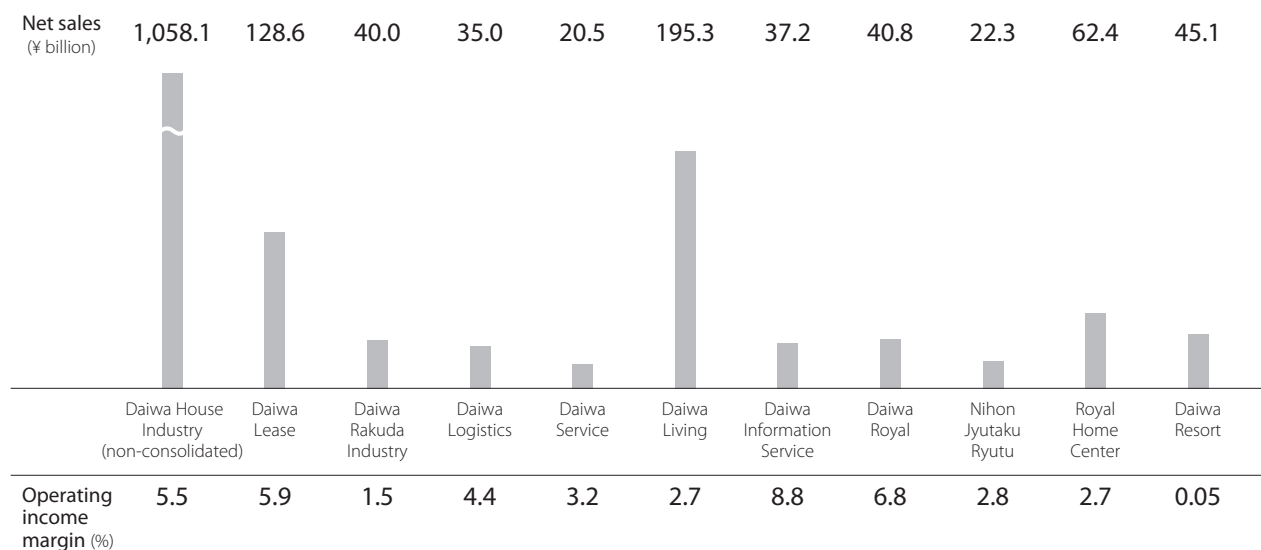
(Millions of Yen)

Company name (Voting rights)	Capital		Net sales	Operating income	Net income	Total assets	Equity	Interest- bearing debt*2
Daiwa Lease (100%)	¥21,768	10/03	¥127,797	¥7,628	¥3,070	¥307,007	¥104,371	¥41,900
		11/03	128,594	7,647	1,709	307,367	105,122	43,100
Daiwa Rakuda Industry (100%)	¥450	10/03	38,672	746	437	35,694	20,662	—
		11/03	39,983	586	130	36,241	20,633	—
Daiwa Logistics (100%)	¥3,764	10/03	31,707	1,442	747	30,476	16,200	8,337
		11/03	34,978	1,530	594	39,369	16,555	8,537
Daiwa Service (50%*)	¥130	10/03	22,631	1,000	976	11,618	6,351	—
		11/03	20,471	654	422	11,604	6,480	—
Daiwa Living (100%)	¥140	10/03	176,050	3,766	2,789	60,078	18,315	—
		11/03	195,278	5,247	2,691	66,963	20,169	426
Daiwa Information Service (100%)	¥200	10/03	35,711	2,943	1,515	72,102	8,108	2,433
		11/03	37,246	3,288	529	76,388	8,183	2,474
Daiwa Royal (100%)	¥500	10/03	35,811	2,127	1,102	79,555	8,691	12,270
		11/03	40,838	2,764	999	95,138	9,359	17,270
Nihon Jyutaku Ryutu (100%)	¥729	10/03	20,453	440	220	15,182	3,544	3,838
		11/03	22,281	614	(159)	15,457	3,319	3,475
Royal Home Center (100%)	¥100	10/03	61,211	1,095	(483)	42,890	33,341	1,500
		11/03	62,363	1,706	189	44,644	33,530	1,000
Daiwa Resort (100%)	¥10,084	10/03	44,811	136	(3,665)	61,520	10,258	—
		11/03	45,073	23	(3,298)	56,719	6,960	—

\*1 Figures in parentheses are equity stake held by the Group as a whole.

\*2 Excluding lease obligations.

## Net sales and operating income margin of major Daiwa House Group companies in 2011



# Management's Discussion and Analysis

## Results 2011

### Group outline

As of the fiscal 2010 year-end (March 31, 2011), the Daiwa House Group comprised Daiwa House Industry, 62 consolidated subsidiaries (a net increase of three from the previous fiscal year-end), 13 associated companies (unchanged), and one unconsolidated subsidiary (unchanged), for a total of 77 companies (an increase of three).

### Summary of business operations

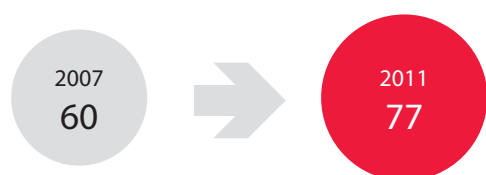
In fiscal 2010 the Japanese economy was impacted by a steep appreciation of the yen and a slowdown in the global economy, while the effects of the government's economic stimulus measures petered out, and both exports and production activity went through a temporary period of stagnancy. The second half of the term saw an upturn in private-sector production and employment figures, and the economy appeared to be heading for a recovery. However, oil prices rose against the backdrop of political and social unrest in the Middle East, and then on March 11 Eastern Japan was hit by a massive earthquake and subsequent tsunami, which stalled production activity at many

companies and completely clouded the outlook for the economy. The housing industry benefited from a number of measures taken by the government to stimulate demand, including expansion of the scope of tax exemptions for home buyers, implementation of the Flat 355 long-term fixed-interest home mortgage package, and initiation of the eco-point system for housing. As a result, new housing construction starts (excluding rental housing starts) showed a slight recovery trend.

Amid these circumstances, the Daiwa House Group worked to achieve its targets under the Second Medium-Term Management Plan "Challenge 2010," under which fiscal 2010 was the third and final year. Specifically, we took steps to: 1) reinforce our capabilities in proposal-based marketing in our core business operations, 2) expand the scale of our operations in growth markets, and 3) promote real estate development operations in China.

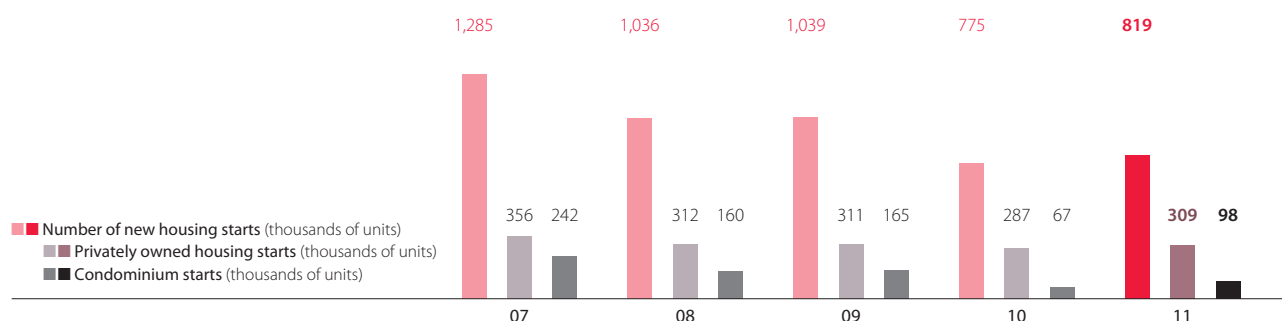
With regard to reinforcing our capabilities in proposal-based marketing in our core business operations, in our single-family house operations we developed new eco-friendly models including the SMAxEco HOUSE, Japan's first home fitted with lithium ion storage batteries. We opened models of the

### Group companies



	2007	2008	2009	2010	2011
Daiwa House Industry Co., Ltd.	1	1	1	1	1
Consolidated subsidiaries	48	55	57	59	62
Associated companies	11	13	13	13	13
Unconsolidated subsidiaries	—	1	1	1	1
Total	60	70	72	74	77

### New housing starts



SMAxEco HOUSE for public viewing, and began conducting tests. We also developed and launched the xevo YU, a net zero energy house, as well as the xevo CLEVA, which is targeted at two-income households and features as standard the Cocoom Space, a special make-up space for the woman of the house. Another newly launched product was the xevo SORA, which is a three-story wooden-frame house priced the same per square meter as a two-story house and featuring a large loft that can be used as a regular room.

With the goal of expanding the scale of our operations in growth markets, in our businesses involved with Japan's stock of existing housing we reinforced intra-Group collaboration to centralize information use and achieve more efficient operations.

We also promoted real estate development operations in China, commencing a housing subdivision project in the city of Wuxi in Jiangsu Province on the country's east coast. Comprising town houses and condominiums, the project will have a total of approximately 400 homes.

As a result of our efforts, net sales for fiscal 2010 came to ¥1,690.2 billion (US\$20,363 million), a year-on-year increase of 5.0%, while operating income was ¥87.7 billion (US\$1,057 million) for a sharp year-on-year growth of 39.8%.

As a result of the Great East Japan Earthquake, damage was sustained by marketing offices, factories, commercial facilities and hotels belonging to the Group and located in the Tohoku and Kanto regions. Repair work has proceeded smoothly, and these facilities have been brought smoothly back online. To cope with the extensive damage caused by the earthquake and tsunami, we have set up a Disaster Response Headquarters and are taking all possible measures to ensure the smooth operation of our after-sales service system in the disaster-hit areas. We are also cooperating extensively with the authorities in the erection of temporary housing, as part of overall Group efforts to support the reconstruction of the devastated region.

### Changes in accounting standards

With effect from fiscal 2010 the Group applies the Accounting Standards for Asset Retirement Obligations and the Guidance on Accounting Standards for Asset Retirement Obligations. As a result, operating income decreased by ¥1.5 billion, and net income before income taxes and minority interests decreased by ¥4.3 billion. The change in asset retirement obligations resulting from the application of these standards and guidelines amounted to ¥22.6 billion.

### Summary of income statement

	2010	2011	YoY change
Net sales	1,609.9	1,690.2	80.3
Cost of sales	1,303.9	1,352.9	49.0
Gross profit	306.0	337.2	31.2
Selling, general and administrative expenses	243.3	249.5	6.2
Operating income	62.7	87.7	25.0
Income before income taxes and minority interests	38.1	40.7	2.6
Net income	19.1	27.3	8.2

(Billions of Yen)



## Net sales

Net sales for the fiscal year under review rose ¥80.3 billion over the previous fiscal year, to ¥1,690.2 billion (US\$20,363 million), for a year-on-year increase of 5.0%. Compared with the previous fiscal year, the application of the Percentage of Completion (PoC) method for the posting of earnings from construction contracts caused a decrease of ¥7.1 billion. However, sales on a consolidated accounts basis were pushed up by revenue from the sale of developments in the Rental Housing Business, as well as by increased sales posted by Daiwa Living and in the Existing Home Business, and in the Condominium Business the contribution made by the inclusion of Daiwa LifeNext in the scope of consolidation. Small year-on-year increases were registered by the Health & Leisure and Other Businesses, whereas a decline in revenue was recorded by the Single-Family Houses, Commercial Facilities, and Business and Corporate Facilities Businesses. The impact of application of the PoC accounting method on sales posted was ¥9.2 billion for Single-Family Houses, ¥11.4 billion for Rental Housing, ¥1.6 billion for Commercial Facilities, and ¥9.2 billion for Business and Corporate Facilities.

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

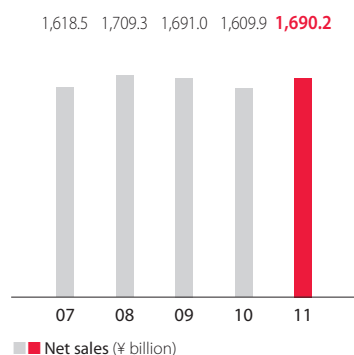
Cost of sales for the term under review increased by ¥49.0 billion, or 3.8%, from the previous fiscal year, to ¥1,352.9 billion (US\$16,300 million). Thanks to steps taken in each business segment to improve the cost-of-sales ratio, the ratio of cost of sales

declined by 1.0 percentage point to 80.0%. Gross profit rose by ¥31.2 billion to ¥337.2 billion (US\$4,063 million), for a year-on-year increase of 10.2%. Selling, general and administrative (SG&A) expenses posted an increase of ¥6.2 billion to ¥249.5 billion (US\$3,006 million), a year-on-year increase of 2.6%. This is mainly attributable to increases in labor expenses (including employee benefit costs) as well as advertising and sales promotion expenses. As a result, the ratio of selling, general and administrative expenses to sales declined by 0.3 of a percentage point, to 14.8%.

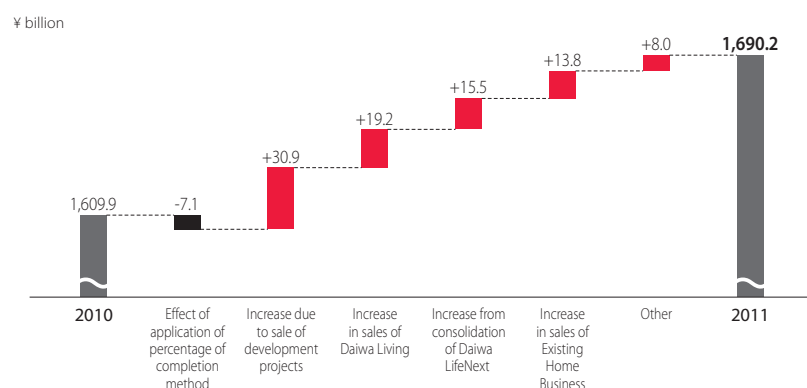
## Operating income

Operating income for the fiscal year under review rose ¥25.0 billion to ¥87.7 billion (US\$1,057 million), a year-on-year increase of 39.8%. Negative factors included a decline in earnings posted of ¥2.2 billion from the adoption of the PoC method, and an increase of ¥6.2 billion in SG&A expenses, but these were more than offset by an increase of ¥11.2 billion in sales, a contribution of ¥15.3 billion from the improvement in the cost-of-sales ratio, and an increase of ¥4.5 billion from the sale of development projects. As a result, the operating income margin rose by 1.3 percentage points, to 5.2%. The impact of application of the PoC accounting method on operating income was ¥2.4 billion for Single-Family Houses, ¥2.6 billion for Rental Housing, and ¥0.5 billion for Business and Corporate Facilities.

## Net sales



## Changes in net sales



## Other income and expenses

Net other expenses came to ¥47.0 billion, a ¥22.3 billion year-on-year increase. Despite such positive factors of a ¥1.4 billion increase in interest income and dividends and an ¥8.6 billion decrease in write-down of investment securities, the increase was mainly attributable to a ¥2.4 billion increase in loss on sales and disposal of property, plant and equipment, an ¥8.9 billion increase in amortization of actual gain (loss) for employees' retirement benefits, a ¥7.9 billion higher impairment loss on property, plant and equipment, and ¥8.0 billion in losses from natural disaster.

## Income before income taxes and minority interests

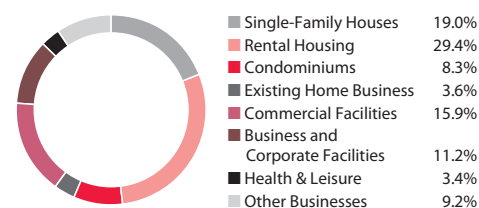
Income before income taxes and minority interests rose ¥2.6 billion to ¥40.7 billion, for a year-on-year increase of 6.9%. The main factor behind this was the sharp increase in operating income.

## Net income

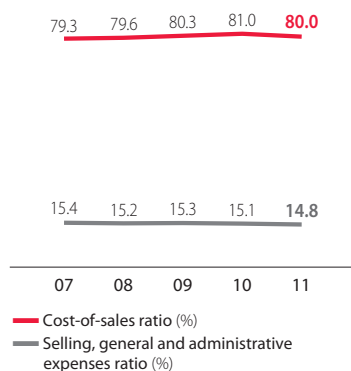
As a result of the above, the net income of the Daiwa House Group rose ¥8.2 billion to ¥27.3 billion (US\$329 million), for a year-on-year increase of 42.7%. The ratio of net income to sales rose by 0.4 of a percentage point, to 1.6%. Net income per share rose by ¥14.09 to ¥47.09, for a year-on-year increase of 42.7%.

## Net sales by segment

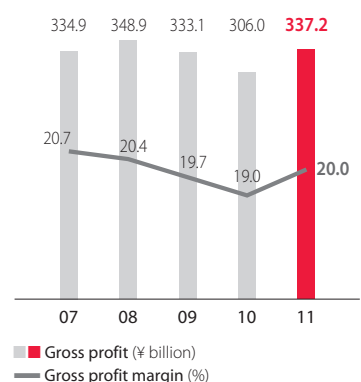
	2010	2011	YoY change
(Billions of Yen)			
<b>Net sales</b>	<b>1,609.9</b>	<b>1,690.2</b>	<b>80.3</b>
Single-Family Houses	325.9	322.5	-3.4
Rental Housing	449.0	496.2	47.2
Condominiums	119.3	140.9	21.6
Existing Home Business	47.0	60.8	13.8
Commercial Facilities	285.7	274.1	-11.6
Business and Corporate Facilities	196.3	194.3	-2.0
Health & Leisure	57.1	58.0	0.9
Other Businesses	210.9	223.7	12.8
Eliminations/corporate	(81.3)	(80.3)	1.0



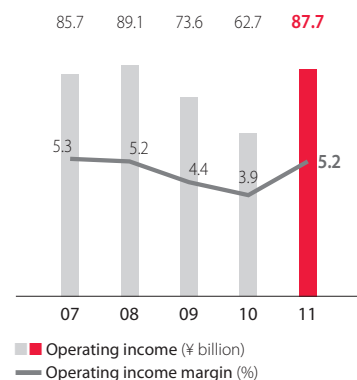
## Cost-of-sales, and selling, general and administrative expenses ratios



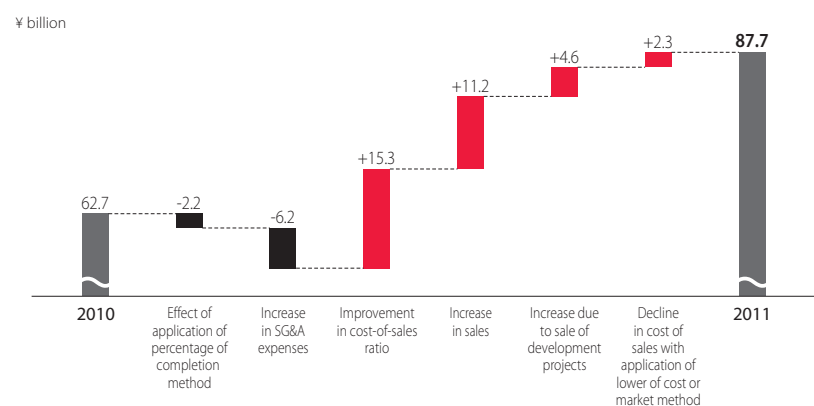
## Gross profit and gross profit margin



## Operating income and operating income margin



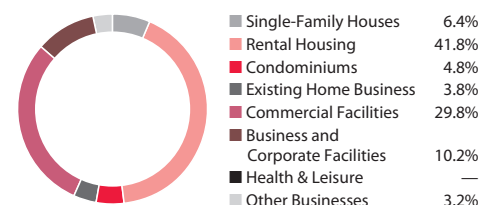
## Changes in operating income



## Operating income by segment

	2010	2011	YoY change
<b>Operating income</b>	<b>62.7</b>	<b>87.7</b>	<b>25.0</b>
Single-Family Houses*	6.2	7.2	1.0
Rental Housing	38.7	47.0	8.3
Condominiums	(18.3)	5.4	23.7
Existing Home Business	1.7	4.2	2.5
Commercial Facilities	34.4	33.6	-0.8
Business and Corporate Facilities	21.8	11.5	-10.3
Health & Leisure	(0.5)	(0.8)	-0.3
Other Businesses	1.0	3.6	2.6
Eliminations/corporate	(22.3)	(24.0)	-1.7

\* Including the valuation loss of ¥7.7 billion on Inventories.

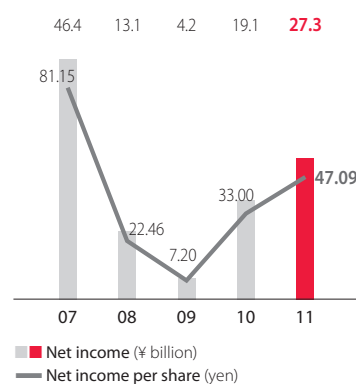


\* Operating income includes intra-company transactions with regard to totals for seven segments excluding Health & Leisure, which posted losses of ¥0.8 billion.

## Impairment loss on property, plant and equipment

	2010	2011	YoY Change
Hotels	3,746	2,717	-1,029
Assets used under sublease agreements	4,737	15,100	10,363
Idle assets	322	26	-296
Home centers	982	97	-885
Fitness clubs	3	680	677
Offices, factories and others	1,115	149	-966

## Net income and net income per share



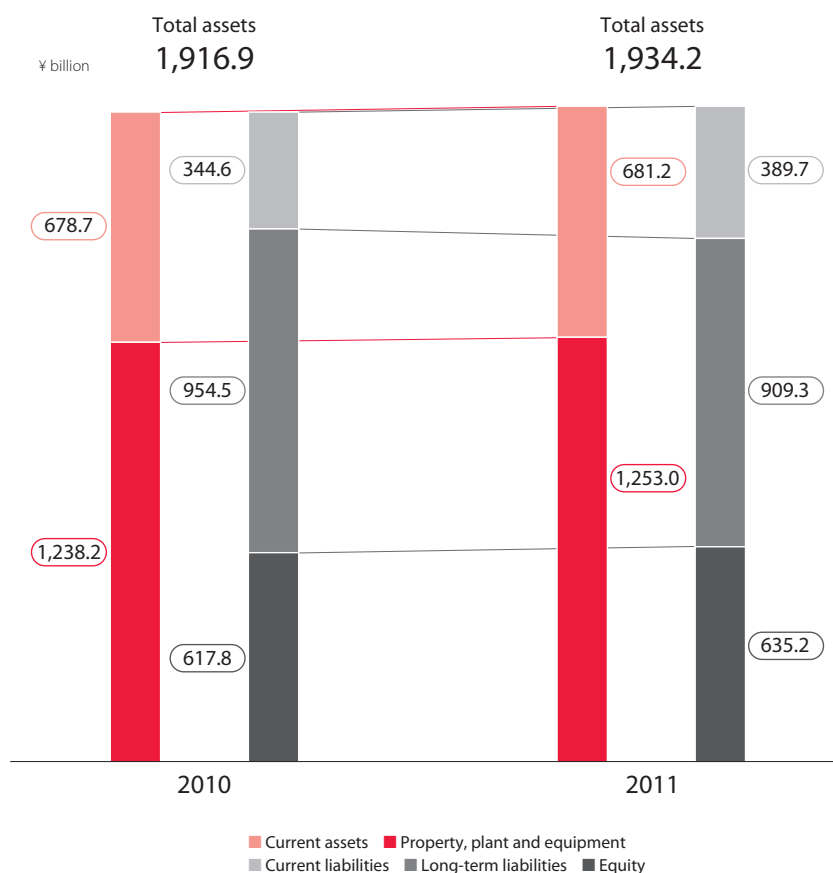
## Assets

Total assets at the end of the fiscal year under review amounted to ¥1,934.2 billion (US\$23,304 million), for an increase of ¥17.3 billion, or 0.9%, over the previous fiscal year-end. The principal factors behind this were an increase in accounts receivable-trade and increase in investment securities, which more than offset a decline in cash and deposits resulting from the repayment of long-term debt payable. Current assets at the end of the fiscal year rose by ¥2.6 billion to ¥681.2 billion, for a year-on-year increase of 0.4%, and net property, plant and equipment and investments and other assets rose by ¥14.8 billion to ¥1,253.0 billion, for a year-on-year increase of 1.2%.

## Liabilities

Total liabilities as of the end of the fiscal year under review declined slightly from the previous fiscal year-end, by ¥0.1 billion, to ¥1,299.0 billion (US\$15,651 million). This is principally attributable to the payment of income taxes and the repayment of loans, which more than offset the posting of asset retirement obligations in line with the application of Accounting Standards for Asset Retirement Obligations and an increase in accounts payable-trade. Current liabilities increased by ¥45.1 billion over the previous fiscal year-end, to ¥389.7 billion (US\$4,695 million), for a year-on-year increase of 13.1%, while noncurrent liabilities decreased by ¥45.2 billion to ¥909.3 billion (US\$10,956 million), for a year-on-year decline of 4.7%.

Summary of consolidated balance sheets (2010/2011)





In current liabilities, income taxes payable decreased, but an increase was recorded in notes payable and accounts payable for construction contracts and other, and in the current portion of long-term debt payable. Regarding noncurrent liabilities, increases were recorded in lease obligations and in provisions for retirement benefits, but long-term debt payable decreased by ¥79.9 billion, or 23.8%, from the previous fiscal year-end. As a result, total interest-bearing debt came to ¥395.6 billion, down by ¥62.8 billion from the previous fiscal year-end, for a year-on-year decrease of 13.7%. The D/E ratio declined by 0.12 of a percentage point to 0.62, while the net D/E ratio was down by 0.06 of a percentage point, at 0.39.

## Inventories

	(Billions of Yen)		
	2010	2011	YoY change
Finished residential homes and condominiums	30.1	23.6	-6.5
Construction projects in progress	15.1	15.3	0.2
Residential homes and condominiums in process	24.2	30.0	5.8
Land held:			
For resale	197.7	208.2	10.5
Under development	12.0	6.6	-5.4
Undeveloped	3.7	2.2	-1.5
Merchandise, construction materials and others	17.2	16.1	-1.1
Total	300.0	302.0	2.0

## Property, plant and equipment

	(Billions of Yen)		
	2010	2011	YoY change
Land	389.6	387.3	-2.3
Buildings and structures	333.7	327.8	-5.9
Other — net	55.3	45.0	-10.3
Total	778.6	760.1	-18.5

## Interest-bearing debt

	(Billions of Yen)		
	2010	2011	YoY change
Short-term bank loans	14.8	9.2	-5.6
Current portion of bonds	—	4.5	4.5
Current portion of long-term debt	2.9	25.1	22.2
Bonds	105.3	101.3	-4.0
Long-term debt	335.4	255.5	-79.9
Total interest-bearing debt	458.4	395.6	-62.8
Debt/Equity ratio	0.74	0.62	-0.12
Net Debt/Equity ratio	0.45	0.39	-0.06

## Equity

Equity at the end of the fiscal year under review rose ¥17.4 billion over the previous fiscal year-end, to ¥635.2 billion (US\$7,653 million), for a year-on-year increase of 2.8%. The principal reason for this increase was the posting of ¥27.3 billion in net income, which more than offset the payment of dividends for the previous fiscal year. As a result, the equity ratio at the end of the fiscal year stood at 32.8%, little changed from the 32.2% at the previous fiscal year-end. The return on equity (ROE) rose 1.3 percentage points year on year, to 4.4%, as a result of the substantial increase in net income.

## Working capital

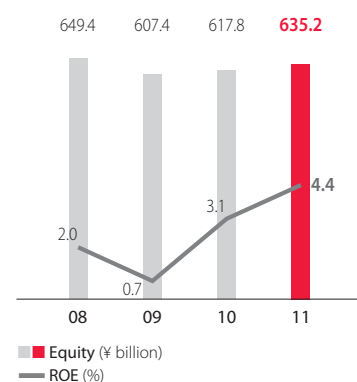
Working capital (current assets minus current liabilities) recorded a decrease of ¥42.6 billion from the previous fiscal year-end, to ¥291.6 billion, down 12.7% year on year. This was due to an increase in the current portion of long-term debt payable. Although the ratio of current assets to current liabilities declined from 197.0% at the previous fiscal year-end, to 174.8%, an adequate level of financial liquidity was nonetheless secured.

## Capital investments

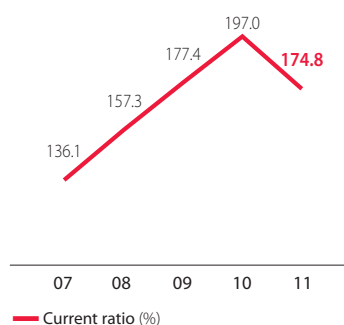
Capital investments (including increases in asset values resulting from the application of the Accounting Standards for Asset Retirement Obligations) in the fiscal year under review decreased by ¥5.9 billion to ¥93.9 billion, for a year-on-year decline of 5.9%. In a breakdown by business segment, capital investment amounted to ¥6.2 billion for the Single-Family Houses segment, ¥15.9 billion for the Rental Housing segment, ¥2.9 billion for the Condominium segment, ¥1.0 billion for the Existing Home Business segment, ¥30.1 billion for the Commercial Facilities segment, ¥18.4 billion for the Business and Corporate Facilities segment, ¥4.0 billion for the Health & Leisure segment, and ¥17.4 billion for the Other Businesses segment.

In fiscal 2011, we plan to make capital investments in the amount of ¥85.0 billion, for a year-on-year decrease of ¥8.9 billion, or 9.5%. By business segment, capital investments are planned in the amounts of ¥3.5 billion for the Single-Family Houses segment, ¥11.7 billion for the Rental Housing segment, ¥3.2 billion for the Condominium segment, ¥0.8 billion for the Existing Home Business segment, ¥24.0 billion for the Commercial Facilities segment, ¥21.2 billion for the Business and Corporate Facilities segment, ¥4.9 billion for the Health & Leisure segment, and ¥16.0 billion for the Other Businesses segment.

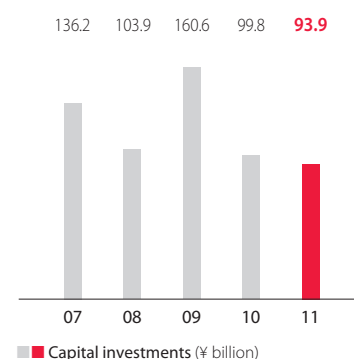
Equity and ROE



Current ratio



Capital investments



## Cash flows

Cash and cash equivalents at the end of the fiscal year under review amounted to ¥146.2 billion (US\$1,762 million), for a year-on-year decrease of ¥33.5 billion, or 18.6%.

Net cash provided by operating activities amounted to ¥128.0 billion (US\$1,542 million), down ¥5.3 billion year on year, or 4.0%. This was principally the result of the posting of income before income taxes and minority interests in the amount of ¥40.7 billion, as well as increases in notes and accounts payable-trade for construction contracts and deposits received from customers.

Net cash used in investing activities amounted to ¥83.6 billion (US\$1,007 million), which compares with net cash provided in the amount of ¥138.2 billion for the previous fiscal year. This was the result of the acquisition of property, plant and equipment in the form of real estate for rental, hotels, and others, as well as ongoing investment in real estate development projects.

Net cash used in financing activities amounted to ¥77.8 billion (US\$938 million), compared with net cash provided in the amount of ¥79.3 billion for the previous fiscal year. This consisted principally of expenditures for the payment of dividends for the previous fiscal year, and for the repayment of long-term debt payable.

As a result of the above, free cash flow, which is the sum of cash flows from operating and investing activities, amounted to ¥44.4 billion.

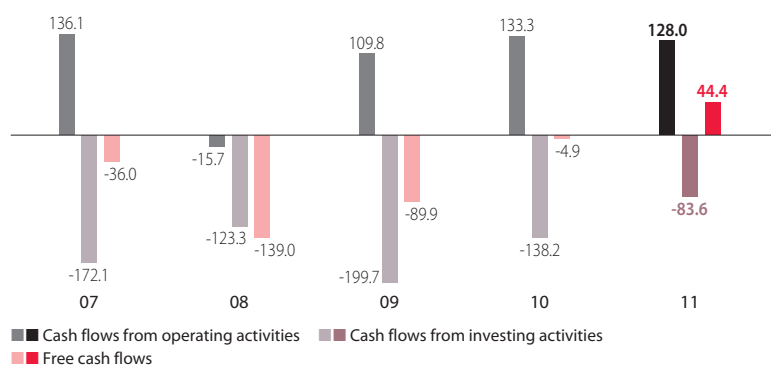
## Basic policies regarding profit distribution

In determining its dividend payments, the Daiwa House Group takes into account the need to maintain a good balance between the appropriation of profits to shareholders on the one hand, and the necessity of securing sufficient retained earnings for future business expansion and the reinforcement of the Group's business base on the other. In addition, we endeavor to strengthen our financial soundness, broaden our base of operations by investing in research and development and production facilities, and expand our business premises to raise our competitiveness and improve profitability. Taking these factors into account, we have set a dividend payout ratio target of 30%, and will adopt a flexible stance on shareholder returns by pursuing acquisition of our own shares for inclusion in treasury stock as appropriate.

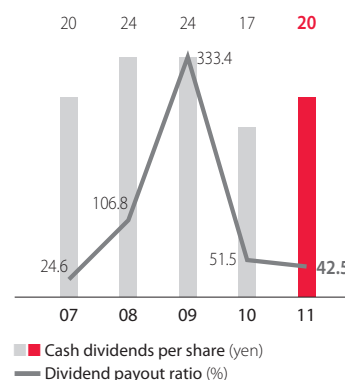
On this basis, in appropriating profit for the fiscal year ended March 31, 2011, we plan to offer an annual dividend of ¥17 per share in addition to a special commemorative dividend of ¥3 per share to mark the 55th anniversary of the Company's founding, for a total per-share dividend of ¥20 (US\$0.24). The total dividend value will be ¥11.6 billion.

## Free cash flows

¥ billion



## Cash dividends per share and dividend payout ratio



## Outlook 2012

### Management policy and outlook for fiscal 2011

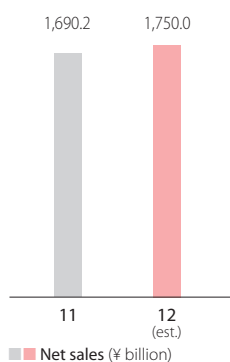
The Great East Japan Earthquake, which occurred on March 11, 2011, has had an extremely major impact on the economy in the form of damage to factories, disruption of distribution networks and supply chains, and a shortfall in electric power generation capacity, among other effects. Overseas, meanwhile, prices of crude oil and various raw materials remain high due to political unrest in the Middle East. Against this background, the outlook for the Japanese economy continues to be very uncertain, and the situation is likely to remain difficult.

In the Company's principal operational sectors, the housing industry, sales of homes continue to benefit from a number of measures taken by the government to stimulate demand, including expansion of the scope of tax exemptions for home buyers and tax breaks for renovations. However, the earthquake and tsunami in March have had an adverse impact in the form of a shortage of building materials and weak consumer sentiment, and it is feared that this situation will continue. In any event, future developments are impossible to predict, and this is likely to remain so for some time. Amid these circumstances, the Daiwa House Group will continue to put priority on the reconstruction of the areas devastated by the earthquake and tsunami, and will work as fast as possible to erect temporary housing in the affected areas.

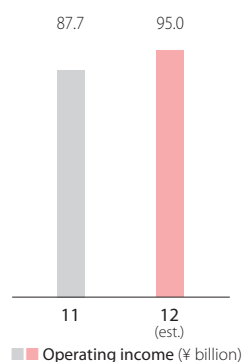
At the same time, we intend to strengthen our network of community-based marketing offices, to develop products and services that precisely match our customers' diverse range of requirements, and to continue offering homes that provide their owners with safety and comfort. In parallel with this, in overseas markets with good growth prospects, we will continue to investigate and analyze a range of possibilities for future business development.

The Daiwa House Group had originally planned to unveil its Third Medium-Term Management Plan, "Challenge 2013," in April 2011. As the name indicates, this plan was to have run for three years from fiscal 2011 to fiscal 2013. However, the major negative economic impact of the earthquake and tsunami in March has forced us to reconsider our plans in this regard. With respect to the Group's business performance for fiscal 2011, we project net sales of ¥1,750 billion, operating income of ¥95 billion, an operating income margin of 5.4%, and net income of ¥47 billion.

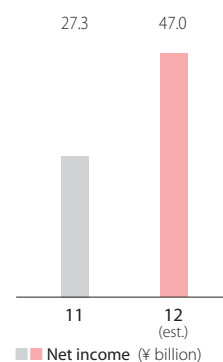
Net sales



Operating income



Net income





# Financial Statements

## Consolidated Balance Sheets

Daiwa House Industry Co., Ltd. and Consolidated Subsidiaries  
March 31, 2011 and 2010

Assets	Millions of Yen		Thousands of U.S. Dollars <sup>1</sup>
	2011	2010	2011
<b>Current assets:</b>			
<sup>2 d 8 20</sup> Cash and cash equivalents	¥ 146,243	¥ 179,744	\$ 1,761,964
<sup>2 e 3 20</sup> Marketable securities	6	6	72
<sup>2 j 19 20</sup> Investments in lease	16,959	9,741	204,325
<sup>2 f 20</sup> Short-term investments	3,137	49	37,795
<sup>8 20</sup> Receivables:			
Trade notes	5,528	6,157	66,603
Trade accounts	90,000	69,372	1,084,337
Unconsolidated subsidiaries and associated companies	159	286	1,916
Allowance for doubtful receivables	(1,380)	(2,690)	(16,627)
<sup>2 g 4</sup> Inventories	301,988	300,003	3,638,410
<sup>2 o 16</sup> Deferred tax assets	46,173	46,681	556,301
<sup>8</sup> Prepaid expenses and other current assets	72,448	69,409	872,868
Total current assets	681,261	678,758	8,207,964
<b>Property, plant and equipment:</b>			
<sup>5 6 8</sup> Land	387,343	389,587	4,666,783
<sup>6 8</sup> Buildings and structures	605,561	594,317	7,295,916
Accumulated depreciation	(277,752)	(260,586)	(3,346,410)
<sup>6 8</sup> Machinery and equipment	90,347	93,242	1,088,518
Accumulated depreciation	(62,481)	(59,922)	(752,783)
<sup>6</sup> Furniture and fixtures	36,575	36,611	440,663
Accumulated depreciation	(29,013)	(27,413)	(349,554)
<sup>6 19</sup> Lease assets	8,561	4,587	103,144
Accumulated depreciation	(1,716)	(745)	(20,675)
Construction in progress	2,699	8,932	32,518
Net property, plant and equipment	760,124	778,610	9,158,120
<b>Investments and other assets:</b>			
<sup>2 e 3 20</sup> Investment securities	101,046	89,568	1,217,422
<sup>2 e 20</sup> Investments in unconsolidated subsidiaries and associated companies	49,168	35,990	592,385
Advances to unconsolidated subsidiaries and associated companies	205	158	2,470
<sup>2 e</sup> Long-term loans receivable	7,327	7,006	88,277
<sup>8 20</sup> Lease deposits	189,608	190,024	2,284,434
<sup>2 o 16</sup> Deferred tax assets	117,685	109,605	1,417,892
<sup>6</sup> Other assets	40,305	35,842	485,602
Allowance for doubtful accounts	(8,821)	(8,633)	(106,277)
Allowance for investment loss	(3,672)		(44,241)
Total investments and other assets	492,851	459,560	5,937,964
Total	¥1,934,236	¥1,916,928	\$23,304,048

See notes to consolidated financial statements.



Liabilities and equity		Millions of Yen		Thousands of U.S. Dollars <sup>1</sup>
		2011	2010	2011
<b>Current liabilities:</b>				
<sup>8 20</sup> Short-term bank loans		¥ 9,136	¥ 14,771	\$ 110,072
<sup>8 20</sup> Current portion of bonds		4,500		54,217
<sup>8 20</sup> Current portion of long-term debt		25,122	2,902	302,675
<sup>20</sup> Payables:				
Trade notes		21,956	21,213	264,530
Trade accounts		106,579	90,355	1,284,084
Unconsolidated subsidiaries and associated companies		927	2,240	11,169
Other accounts		76,756	71,849	924,771
<sup>19</sup> Current portion of long-term lease obligations		1,782	1,113	21,470
Deposits received from customers		32,091	27,404	386,638
<sup>20</sup> Income taxes payable		6,675	24,037	80,422
Accrued bonuses		22,165	21,161	267,048
Provision for product warranties		6,304	6,770	75,952
<sup>2 l 10</sup> Asset retirement obligations		1,780		21,446
Accrued expenses and other current liabilities		73,933	60,787	890,759
Total current liabilities		389,706	344,602	4,695,253
<b>Long-term liabilities:</b>				
<sup>8 20</sup> Bonds		101,300	105,300	1,220,482
<sup>8 20</sup> Long-term debt		255,498	335,388	3,078,289
<sup>19</sup> Long-term lease obligations		15,215	5,994	183,313
<sup>2 k 9</sup> Liability for employees' retirement benefits		175,533	163,711	2,114,855
<sup>5</sup> Deferred tax liabilities on land revaluation		29,076	28,540	350,313
Long-term deposits received from the Company's club members		38,730	40,749	466,627
<sup>20</sup> Lease deposits received		226,316	226,322	2,726,699
<sup>2 l 10</sup> Asset retirement obligations		21,673		261,121
Other long-term liabilities		46,003	48,552	554,253
Total long-term liabilities		909,344	954,556	10,955,952
<b>Equity:</b>				
Common stock, authorized, 1,900,000,000 shares; issued, 599,921,851 shares in both 2011 and 2010		110,120	110,120	1,326,747
Capital surplus		226,825	226,825	2,732,831
<sup>24</sup> Retained earnings		362,282	375,155	4,364,843
Treasury stock — at cost, 21,115,009 shares in 2011 and 20,829,959 shares in 2010		(19,875)	(19,616)	(239,458)
Accumulated other comprehensive income:				
<sup>2 e</sup> Unrealized gain on available-for-sale securities		7,582	6,696	91,350
<sup>5</sup> Land revaluation difference		(47,315)	(77,593)	(570,060)
<sup>2 r</sup> Foreign currency translation adjustments		(5,468)	(4,766)	(65,880)
Total		634,151	616,821	7,640,373
Minority interests		1,035	949	12,470
Total equity		635,186	617,770	7,652,843
Total		¥1,934,236	¥1,916,928	\$23,304,048

# Consolidated Statements of Income

Daiwa House Industry Co., Ltd. and Consolidated Subsidiaries  
Years Ended March 31, 2011, 2010 and 2009

Millions of Yen				Thousands of U.S. Dollars <sup>1</sup>
	2011	2010	2009	2011
Net sales	¥1,690,151	¥1,609,884	¥1,690,956	\$20,363,265
Cost of sales	1,352,937	1,303,881	1,357,821	16,300,446
Gross profit	337,214	306,003	333,135	4,062,819
<sup>17</sup> Selling, general and administrative expenses	249,516	243,289	259,555	3,006,217
Operating income	87,698	62,714	73,580	1,056,602
Other income (expenses):				
Interest income and dividends	4,463	3,104	2,841	53,771
Interest expense	(7,208)	(6,869)	(5,161)	(86,843)
Write-down of investment securities	(1,013)	(9,650)	(7,534)	(12,205)
Loss on sales and disposal of property, plant and equipment	(3,992)	(1,599)	(1,493)	(48,096)
<sup>9</sup> Gain on amortization of prior service cost		205		
<sup>9</sup> Amortization of actuarial gain (loss) for employees' retirement benefits	(8,421)	473	(31,495)	(101,458)
<sup>6</sup> Impairment loss on property, plant and equipment	(18,769)	(10,905)	(14,892)	(226,133)
Loss on disaster			(2,015)	
<sup>13</sup> Reversal of liability for loss on disaster	1,303			15,699
<sup>14</sup> Losses from a natural disaster	(7,974)			(96,072)
<sup>15</sup> Other — net	(5,374)	596	(110)	(64,747)
Other expenses — net	(46,985)	(24,645)	(59,859)	(566,084)
Income before income taxes and minority interests	40,713	38,069	13,721	490,518
<sup>2</sup> <sup>16</sup> Income taxes:				
Current	21,076	35,492	24,892	253,928
Deferred	(7,705)	(16,559)	(14,862)	(92,832)
Total	13,371	18,933	10,030	161,096
Net income before minority interests	27,342			329,422
Minority interests in net (income) loss of subsidiaries	(74)	(23)	479	(892)
Net income	¥ 27,268	¥ 19,113	¥ 4,170	\$ 328,530

Yen				U.S. Dollars <sup>1</sup>
	2011	2010	2009	2011
<sup>2</sup> <sup>t</sup> Per share of common stock:				
Basic net income	¥47.09	¥33.00	¥ 7.20	\$0.57
Cash dividends applicable to the year	20.00	17.00	24.00	0.24

See notes to consolidated financial statements.

# Consolidated Statement of Comprehensive Income

Daiwa House Industry Co., Ltd. and Consolidated Subsidiaries  
Year Ended March 31, 2011

	Millions of Yen	Thousands of U.S. Dollars <sup>1</sup>
	2011	2011
Net income before minority interests	¥27,342	\$329,422
<b>23</b> Other comprehensive income:		
Unrealized gain on available-for-sale securities	1,012	12,193
Foreign currency translation adjustments	(648)	(7,807)
Share of other comprehensive income (loss) in associates	(177)	(2,133)
Total other comprehensive income	187	2,253
<b>23</b> Comprehensive income	¥27,529	\$331,675
<b>23</b> Total comprehensive income attributable to:		
Owners of the parent	¥27,455	\$330,783
Minority interests	74	892

See notes to consolidated financial statements.



# Consolidated Statements of Cash Flows

Daiwa House Industry Co., Ltd. and Consolidated Subsidiaries  
Years Ended March 31, 2011, 2010 and 2009

	Millions of Yen			Thousands of U.S. Dollars <sup>1</sup>
	2011	2010	2009	2011
<b>Operating activities:</b>				
Income before income taxes and minority interests	¥ 40,713	¥ 38,069	¥ 13,721	\$ 490,518
Adjustments to reconcile income before income taxes and minority interests to net cash provided by operating activities:				
Income taxes — paid	(40,986)	(17,942)	(41,799)	(493,807)
Depreciation	44,614	43,917	39,318	537,518
Write-down of investment securities	1,013	9,650	7,534	12,205
Write-down of golf club memberships	61	17	97	735
Loss on sales and disposal of property, plant and equipment	3,992	1,599	1,493	48,096
Impairment loss on property, plant and equipment	18,769	10,905	14,892	226,133
Equity in earnings of associated companies	(992)	(1,242)	(542)	(11,952)
Provision for employees' retirement benefits, net of payments	11,822	3,110	36,033	142,434
Increase in allowance for investment loss	3,672			44,241
Loss on adjustment for changes of accounting standard for asset retirement obligations	2,805			33,795
Loss on prior periods adjustment	1,416			17,060
Changes in certain assets and liabilities, net of consolidation:				
Decrease (increase) in receivables	(19,871)	(22,872)	11,579	(239,410)
Decrease (increase) in inventories	(5,858)	97,761	71,622	(70,578)
Increase (decrease) in payables — trade	17,118	(22,445)	(65,520)	206,241
Increase (decrease) in deposits received from customers	4,324	(33,668)	2,410	52,097
Other — net	45,345	26,456	18,973	546,325
Total adjustments	87,244	95,246	96,090	1,051,133
Net cash provided by operating activities	127,957	133,315	109,811	1,541,651
<b>Investing activities:</b>				
Purchases of property, plant and equipment	(61,352)	(93,548)	(153,737)	(739,181)
Purchases of investment securities	(12,583)	(9,342)	(20,271)	(151,602)
Increase in investments in and advances to unconsolidated subsidiaries and associated companies	(13,228)	(360)	(10,654)	(159,373)
Proceeds from sales and redemption of investment securities	3,614	950	377	43,542
Proceeds from sales of property, plant and equipment	562	262	2,488	6,771
Purchases of investments in subsidiaries	(12)	(85)	(12,443)	(145)
<sup>18</sup> Payments for purchases of shares of newly consolidated subsidiaries		(13,323)	(158)	
Proceeds from purchases of shares of newly consolidated subsidiaries		1,636	596	
Increase in lease deposits		(19,952)	(5,882)	
Decrease in lease deposits	1,768			21,301
<sup>18</sup> Proceeds from transfer of business	280			3,373
<sup>18</sup> Proceeds from acquisition of business	3,194			38,482
Net decrease (increase) in other assets	(5,838)	(4,475)	5	(70,337)
Net cash used in investing activities	(83,595)	(138,237)	(199,679)	(1,007,169)

(Continued)

	Millions of Yen			Thousands of U.S. Dollars <sup>1</sup>
	2011	2010	2009	2011
<b>Financing activities:</b>				
Net increase (decrease) in short-term bank loans	¥ (5,635)	¥ (1,637)	¥ 3,740	\$ (67,892)
Proceeds from long-term debt	41,693	27,587	132,850	502,326
Repayments of long-term debt	(99,312)	(31,464)	(2,255)	(1,196,530)
Proceeds from issuance of bonds	500	105,300		6,024
Net decrease in commercial paper			(20,000)	
Repayments of finance lease obligations	(1,257)	(737)	(208)	(15,145)
Purchase of treasury stock	(306)	(93)	(139)	(3,687)
Proceeds from disposal of treasury stock	25	17	58	301
Dividends paid to shareholders	(9,845)	(13,900)	(13,902)	(118,614)
Proceeds from receivables sold to trust			3,004	
Remittance to trust of receivables collected	(3,697)	(5,804)	(6,645)	(44,542)
Net cash provided by (used in) financing activities	(77,834)	79,269	96,503	(937,759)
<b>Foreign currency translation adjustments on cash and cash equivalents</b>	(29)	16	(143)	(350)
<b>Net increase (decrease) in cash and cash equivalents</b>	(33,501)	74,363	6,492	(403,627)
<b>Cash and cash equivalents, beginning of year</b>	179,744	105,381	98,889	2,165,591
<b>Cash and cash equivalents, end of year</b>	¥146,243	¥179,744	¥105,381	\$1,761,964

See notes to consolidated financial statements.

(Concluded)

# Consolidated Statements of Changes in Equity

Daiwa House Industry Co., Ltd. and Consolidated Subsidiaries  
Years Ended March 31, 2011, 2010 and 2009

	Thousands					Millions of Yen					
	Number of Shares of Common Stock Outstanding	Common Stock	Capital Surplus	Retained Earnings	Treasury Stock	Unrealized Gain on Available-for- Sale Securities	Land Revaluation Difference	Foreign Currency Translation Adjustments	Total	Minority Interests	Total Equity
<b>Balance, April 1, 2008</b>	579,256	¥110,120	¥226,825	¥381,480	¥(19,534)	¥13,432	¥(79,195)	¥ (557)	¥632,571	¥16,870	¥649,441
<b>2</b> b Adjustment of retained earnings due to an adoption of PITF No.18				42					42		42
Net income				4,170					4,170		4,170
Cash dividends, ¥24.0 per share				(13,902)					(13,902)		(13,902)
Change in scope of consolidation				(142)					(142)		(142)
Transfer due to sales and impairment of land				(1,346)			1,346				
Net increase in land revaluation difference							(29)		(29)		(29)
Purchase of treasury stock	(152)				(139)				(139)		(139)
Disposal of treasury stock	67			(61)	119				58		58
Net change in the year						(11,397)		(4,549)	(15,946)	(16,125)	(32,071)
<b>Balance, March 31, 2009</b>	579,171	110,120	226,825	370,241	(19,554)	2,035	(77,878)	(5,106)	606,683	745	607,428
Net income				19,113					19,113		19,113
Cash dividends, ¥24.0 per share				(13,900)					(13,900)		(13,900)
Transfer due to sales and impairment of land				(285)			285				
Purchase of treasury stock	(97)				(93)				(93)		(93)
Disposal of treasury stock	18			(14)	31				17		17
Net change in the year						4,661		340	5,001	204	5,205
<b>Balance, March 31, 2010</b>	579,092	110,120	226,825	375,155	(19,616)	6,696	(77,593)	(4,766)	616,821	949	617,770
Net income				27,268					27,268		27,268
Cash dividends, ¥17.0 per share				(9,845)					(9,845)		(9,845)
Transfer due to sales and impairment of land				(30,274)			30,274				
Net increase in land revaluation difference							4		4		4
Purchase of treasury stock	(312)				(306)				(306)		(306)
Disposal of treasury stock	27			(22)	47				25		25
Net change in the year						886		(702)	184	86	270
<b>Balance, March 31, 2011</b>	578,807	¥110,120	¥226,825	¥362,282	¥(19,875)	¥ 7,582	¥(47,315)	¥(5,468)	¥634,151	¥ 1,035	¥635,186

	Thousands of U.S. Dollars <sup>1</sup>										
					Accumulated Other Comprehensive Income						
	Common Stock	Capital Surplus	Retained Earnings	Treasury Stock	Unrealized Gain on Available-for- Sale Securities	Land Revaluation Difference	Foreign Currency Translation Adjustments	Total	Minority Interests	Total Equity	
Balance, March 31, 2010	\$1,326,747	\$2,732,831	\$4,519,940	\$(236,337)	\$80,675	\$(934,856)	\$(57,422)	\$7,431,578	\$11,434	\$7,443,012	
Net income			328,530					328,530		328,530	
Cash dividends, \$0.20 per share			(118,614)					(118,614)		(118,614)	
Transfer due to sales and impairment of land			(364,748)			364,748					
Net increase in land revaluation difference						48		48		48	
Purchase of treasury stock				(3,687)				(3,687)		(3,687)	
Disposal of treasury stock			(265)	566				301		301	
Net change in the year					10,675		(8,458)	2,217	1,036	3,253	
Balance, March 31, 2011	\$1,326,747	\$2,732,831	\$4,364,843	\$(239,458)	\$91,350	\$(570,060)	\$(65,880)	\$7,640,373	\$12,470	\$7,652,843	

See notes to consolidated financial statements.

# Notes to Consolidated Financial Statements

Daiwa House Industry Co., Ltd. and Consolidated Subsidiaries

## ① Basis of presenting consolidated financial statements

The accompanying consolidated financial statements have been prepared from the consolidated financial statements issued for domestic reporting purposes in accordance with the provisions set forth in the Japanese Financial Instruments and Exchange Act. Daiwa House Industry Co., Ltd. (the "parent company") and its domestic subsidiaries maintain their accounts and records in accordance with the provisions set forth in the Companies Act of Japan (the "Companies Act") and in conformity with generally accepted accounting principles in Japan ("Japanese GAAP"), which are different in certain respects as to application and disclosure requirements of International Financial Reporting Standards. Foreign subsidiaries maintain their accounts and records in conformity with those of their countries of domicile.

Under Japanese GAAP, a consolidated statement of comprehensive income is required from the fiscal year ended March 31, 2011 and has been presented herein. Accordingly, accumulated other comprehensive income is presented in the consolidated balance sheet and the consolidated statement of changes in equity. Information with respect to other comprehensive income for the year ended March 31, 2010 is disclosed in Note 23. Pursuant to Article 12 of the Accounting Standards Board of Japan (the "ASBJ") Statement No.25, the information with respect to other comprehensive income for the year ended March 31, 2009 under the new accounting standard is not disclosed in Note 23. In addition, "net income before minority interests" is disclosed in the consolidated statement of income from the year ended March 31, 2011.

In preparing these consolidated financial statements, certain reclassifications and rearrangements have been made to the consolidated financial statements issued domestically in order to present them in a form which is more familiar to readers outside Japan.

The consolidated financial statements are stated in Japanese yen, the currency of the country in which the parent company is incorporated and operates. The translations of Japanese yen amounts into U.S. dollar amounts are included solely for the convenience of readers outside Japan and have been made at the rate of ¥83 to \$1, the approximate rate of exchange at March 31, 2011. Such translations should not be construed as representations that the Japanese yen amounts could be converted into U.S. dollars at that or any other rate.

## ② Summary of significant accounting policies

### a. Consolidation

The consolidated financial statements as of March 31, 2011 include the accounts of the parent company and its 63 significant (63 in 2010, 59 in 2009) subsidiaries (together, the "Company").

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

Investments in 14 (13 in 2010 and 2009) associated companies are accounted for by the equity method.

Investments in the remaining unconsolidated subsidiaries are stated at cost. If the equity method of accounting had been applied to the investments in these companies, the effect on the accompanying consolidated financial statements would not be material.

Goodwill represents the excess of the cost of an acquisition over the fair value of the net assets of the acquired subsidiary at the date of acquisition.

The excess of the cost of an acquisition over the fair value of the net assets of the acquired subsidiary at the date of acquisition is being amortized over a period of 20 years.

All significant intercompany balances and transactions have been eliminated in consolidation. All material unrealized profit included in assets resulting from transactions within the Company is eliminated.

During the year ended March 31, 2009, DAIWA HOUSE MORIMOTO ASSET MANAGEMENT Co., Ltd. and eight subsidiaries, have been included in the consolidation as a result of new formation or acquisition and five subsidiaries have been excluded from the consolidation as a result of merger.

During the year ended March 31, 2010, DAIWA LIFENEXT CO., LTD. (formerly COSMOS LIFE CO., LTD.) and five subsidiaries, have been included in the consolidation as a result of new formation or acquisition and two subsidiaries have been excluded from the consolidation as a result of the sale of their shares or liquidation.

During the year ended March 31, 2011, Daiwa House (Wuxi) Real Estate Development Co., Ltd. and four subsidiaries, have been included in the consolidation as a result of new formation and five subsidiaries have been excluded from the consolidation as a result of liquidation or merger.



#### **b. Unification of accounting policies applied to foreign subsidiaries for the consolidated financial statements**

In May 2006, the ASBJ issued ASBJ Practical Issues Task Force (PITF) No.18, "Practical Solution on Unification of Accounting Policies Applied to Foreign Subsidiaries for the Consolidated Financial Statements." PITF No.18 prescribes: (1) the accounting policies and procedures applied to a parent company and its subsidiaries for similar transactions and events under similar circumstances should in principle be unified for the preparation of the consolidated financial statements, (2) financial statements prepared by foreign subsidiaries in accordance with either International Financial Reporting Standards or the generally accepted accounting principles in the United States of America tentatively may be used for the consolidation process, (3) however, the following items should be adjusted in the consolidation process so that net income is accounted for in accordance with Japanese GAAP unless they are not material: 1) amortization of goodwill; 2) scheduled amortization of actuarial gain or loss of pensions that has been directly recorded in the equity; 3) expensing capitalized development costs of R&D; 4) cancellation of the fair value model accounting for property, plant, and equipment and investment properties and incorporation of the cost model accounting; 5) recording the prior years' effects of changes in accounting policies in the income statement where retrospective adjustments to financial statements have been incorporated; and 6) exclusion of minority interests from net income, if contained. PITF No.18 was effective for fiscal years beginning on or after April 1, 2008.

The Company applied this accounting standard effective April 1, 2008. The impact on the consolidated statement of income for the year ended March 31, 2009 from the adoption was not material. In addition, the Company adjusted the beginning balance of retained earnings at April 1, 2008, as if this accounting standard had been retrospectively applied.

#### **c. Unification of accounting policies applied to foreign associated companies for the equity method**

In March 2008, the ASBJ issued ASBJ Statement No.16, "Accounting Standard for Equity Method of Accounting for Investments." The new standard requires adjustments to be made to conform the associate's accounting policies for similar transactions and events under similar circumstances to those of the parent company when the associate's financial statements are used in applying the equity method unless it is impracticable to determine adjustments. In addition, financial statements prepared by foreign associated companies in accordance with either International Financial Reporting Standards or the generally accepted accounting principles in the United States

tentatively may be used in applying the equity method if the following items are adjusted so that net income is accounted for in accordance with Japanese GAAP unless they are not material: 1) amortization of goodwill; 2) scheduled amortization of actuarial gain or loss of pensions that has been directly recorded in the equity; 3) expensing capitalized development costs of R&D; 4) cancellation of fair value model accounting for property, plant, and equipment and investment properties and incorporation of cost model accounting; 5) recording the prior years' effects of changes in accounting policies in the income statement where retrospective adjustments to the financial statements have been incorporated; and 6) exclusion of minority interests from net income, if contained. This standard was applicable to the equity method of accounting for fiscal years beginning on or after April 1, 2010.

The Company applied this accounting standard effective April 1, 2010.

#### **d. Cash and cash equivalents**

Cash equivalents are short-term investments that are readily convertible into cash and that are exposed to insignificant risk of changes in value. Cash equivalents include time deposits, all of which mature or become due within three months of the date of acquisition.

#### **e. Marketable and investment securities**

Marketable and investment securities are classified and accounted for, depending on management's intent, as follows: i) held-to-maturity debt securities, which are expected to be held to maturity with the positive intent and ability to hold to maturity are reported at amortized cost and ii) available-for-sale securities, which are not classified as held-to-maturity.

Marketable available-for-sale securities are stated at fair value estimated by using the average market prices during last month of the fiscal year, with unrealized gains and losses, net of applicable taxes, reported in a separate component of equity. The costs of their sales are determined by the moving average method.

Non-marketable available-for-sale securities are stated at cost, determined by the moving-average method. For other than temporary declines in fair value, investment securities are reduced to net realizable value by a charge to income.

Investment securities, investments in unconsolidated subsidiaries and associated companies and long-term loans receivable pledged as collateral for an associated company and other items were ¥5 million (\$60 thousand), ¥31 million (\$373 thousand) and ¥18 million (\$217 thousand), respectively, as of March 31, 2011.

Investment securities deposited in accordance with Act on Assurance of Performance of Specified Housing Defect Warranty was ¥1,539 million (\$18,542 thousand) as of March 31, 2011.

#### **f. Short-term investments**

Short-term investments are time deposits, all of which mature or become due later than three months after the date of acquisition. Time deposits pledged as collateral as substitutes for deposits for certain construction and advertisement contracts were ¥49 million (\$590 thousand) as of March 31, 2011.

#### **g. Inventories**

Inventories of land, residential homes and condominiums, and construction projects in progress are stated at the lower of cost, determined by the specific identified cost method, or net selling value. Construction materials and supplies are stated at the lower of cost, determined by the average method, or net selling value.

#### **h. Property, plant and equipment**

Property, plant and equipment are stated at cost. Depreciation is computed substantially by the declining-balance method while the straight-line method is applied to buildings acquired after April 1, 1998. Lease assets are depreciated by the straight-line method over the respective lease periods. The range of useful lives is principally from 15 to 50 years for buildings and structures, from 10 to 13 years for machinery and equipment, from 5 to 15 years for furniture and fixtures and from 3 to 20 years for lease assets.

#### **i. Long-lived assets**

The Company reviews its long-lived assets for impairment whenever events or changes in circumstance indicate the carrying amount of an asset or asset group may not be recoverable. An impairment loss would be recognized if the carrying amount of an asset or asset group exceeds the sum of the undiscounted future cash flows expected to result from the continued use and eventual disposition of the asset or asset group. The impairment loss would be measured as the amount by which the carrying amount of the asset exceeds its recoverable amount, which is the higher of the discounted cash flows from the continued use and eventual disposition of the asset or the net selling price at disposition.

#### **j. Leases**

In March 2007, the ASBJ issued ASBJ Statement No.13, "Accounting Standard for Lease Transactions," which revised the previous accounting standard for lease transactions issued in June 1993. The revised accounting standard for lease transactions was effective for fiscal years beginning on or after April 1, 2008.

ASBJ Guidance No.16, "Guidance on Accounting Standard for Lease Transactions," clarifies the accounting treatment for lease transactions involving real estate. The Company adopted the guidance on April 1, 2008, and therefore, lease transactions commencing on or after April 1, 2008 are accounted for in accordance with ASBJ Guidance No.16. In preparing the note to the financial statements as of March 31, 2009, the Company applied ASBJ Guidance No.16 to leases involving real estate which commenced before April 1, 2008 to determine whether they would be classified as finance lease transactions or operating lease transactions. Regarding a lease of real estate in which both land and buildings are leased together, the Company reconsidered the portion attributable to the land and the portion attributable to the buildings in accordance with ASBJ Guidance No.16, and as a result, certain lease transactions involving real estate which had previously been accounted for and disclosed as operating lease transactions are disclosed as finance lease transactions as of March 31, 2009.

#### **Lessee**

Under the previous accounting standard, finance leases that were deemed to transfer ownership of the leased property to the lessee were capitalized. However, other finance leases were permitted to be accounted for as operating lease transactions if certain "as if capitalized" information was disclosed in the note to the lessee's financial statements. The revised accounting standard requires that all finance lease transactions be capitalized to recognize lease assets and lease obligations in the balance sheet. In addition, the revised accounting standard permits leases which existed at the transition date and do not transfer ownership of the leased property to the lessee to continue to be accounted for as operating lease transactions.

The Company applied the revised accounting standard effective April 1, 2008. In addition, the Company accounted for leases which existed at the transition date and do not transfer ownership of the leased property to the lessee as operating lease transactions.

### **Lessor**

Under the previous accounting standard, finance leases that were deemed to transfer ownership of the leased property to the lessee were treated as sales. However, other finance leases were permitted to be accounted for as operating lease transactions if certain “as if sold” information was disclosed in the note to the lessor’s financial statements. The revised accounting standard requires that all finance leases that are deemed to transfer ownership of the leased property to the lessee be recognized as lease receivables, and all finance leases that are not deemed to transfer ownership of the leased property to the lessee be recognized as investments in lease.

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

### **k. Retirement and pension plans**

The parent company and certain of its subsidiaries have unfunded retirement benefit plans and non-contributory funded pension plans.

Liability for employees’ retirement benefits is provided based on the projected benefit obligations and plan assets at the balance sheet date.

### **l. Asset retirement obligations**

In March 2008, the ASBJ published ASBJ Statement No.18, “Accounting Standard for Asset Retirement Obligations” and ASBJ Guidance No.21, “Guidance on Accounting Standard for Asset Retirement Obligations.” Under this accounting standard, an asset retirement obligation is defined as a legal obligation imposed either by law or contract that results from the acquisition, construction, development and the normal operation of a tangible fixed asset and is associated with the retirement of such tangible fixed asset.

The asset retirement obligation is recognized as the sum of the discounted cash flows required for the future asset retirement and is recorded in the period in which the obligation is incurred if a reasonable estimate can be made. If a reasonable estimate of the asset retirement obligation cannot be made in the period the asset retirement obligation is incurred, the liability should be recognized when a reasonable estimate of asset retirement obligation can be made. Upon initial recognition of a liability for an asset retirement obligation, an asset retirement cost is capitalized by increasing the carrying amount of the related fixed asset by the amount of the liability. The asset retirement cost is subsequently allocated to expense through depreciation over the remaining useful life of the asset. Over time, the liability is accreted to its present value each period. Any subsequent revisions to the timing or the amount of the original estimate

of undiscounted cash flows are reflected as an increase or a decrease in the carrying amount of the liability and the capitalized amount of the related asset retirement cost. This standard was effective for fiscal years beginning on or after April 1, 2010.

The Company applied this accounting standard effective April 1, 2010. The effect of this change was to decrease operating income by ¥1,515 million (\$18,253 thousand) and income before income taxes and minority interests by ¥4,319 million (\$52,036 thousand), respectively, for the year ended March 31, 2011.

### **m. Construction contracts**

In December 2007, the ASBJ issued ASBJ Statement No.15, “Accounting Standard for Construction Contracts” and ASBJ Guidance No.18, “Guidance on Accounting Standard for Construction Contracts.” Under the previous Japanese GAAP, either the completed-contract method or the percentage-of-completion method was permitted to account for construction contracts. Under this new accounting standard, the construction revenue and construction costs should be recognized by the percentage-of-completion method, if the outcome of a construction contract can be estimated reliably. When total construction revenue, total construction costs and the stage of completion of the contract at the balance sheet date can be reliably measured, the outcome of a construction contract can be estimated reliably. If the outcome of a construction contract cannot be reliably estimated, the completed-contract method should be applied. When it is probable that the total construction costs will exceed total construction revenue, an estimated loss on the contract should be immediately recognized by providing for a loss on construction contracts. This standard is applicable to construction contracts and software development contracts and was effective for fiscal years beginning on or after April 1, 2009. The Company applied the new accounting standard effective April 1, 2009. The effect of this change was to increase net sales by ¥38,574 million, operating income and income before income taxes by ¥7,633 million, respectively, for the year ended March 31, 2010.

### **n. Revenue and profit recognition derived from finance lease transaction**

The Company recognizes revenues and cost of sales from finance lease transactions at the time of receiving lease payments.

### **o. Income taxes**

The provision for income taxes is computed based on the pretax income included in the consolidated statements of income. The asset and liability approach is used to recognize deferred tax assets and liabilities for the expected future tax consequences of temporary differences between the carrying

amounts and the tax bases of assets and liabilities. Deferred taxes are measured by applying currently enacted tax laws to the temporary differences.

#### **p. Appropriations of retained earnings**

Appropriations of retained earnings at each year end are reflected in the financial statements of the following year after shareholders' approval has been obtained.

#### **q. Foreign currency transactions**

All short-term and long-term monetary receivables and payables denominated in foreign currencies are translated into Japanese yen at the exchange rates at the balance sheet date. The foreign exchange gains and losses from translation are recognized in the statements of income.

#### **r. Foreign currency financial statements**

The balance sheet accounts of the consolidated foreign subsidiaries and associated companies are translated into Japanese yen at the current exchange rate as of the balance sheet date except for equity, which is translated at the historical exchange rate. Revenue and expense accounts of the consolidated foreign subsidiaries and associated companies are translated into yen at the current exchange rate.

Differences arising from such translation are shown as "Foreign currency translation adjustments" under accumulated other comprehensive income in a separate component of equity in the consolidated balance sheet.

#### **s. Derivatives and hedging activities**

The Company uses derivative financial instruments to manage its exposures to fluctuations in foreign exchange interest rates and commodity prices. Interest rate swaps are utilized by the Company to reduce interest rate risks. Commodity swaps are utilized by a subsidiary to reduce fuel price risk. The Company does not enter into derivatives for trading or speculative purposes.

The interest rate swaps which qualify for hedge accounting and meet specific matching criteria are not remeasured at market value but the differentials paid or received under the swap agreements are recognized and included in interest expenses or income.

#### **t. Per share information**

Basic net income per share is computed by dividing net income available to common shareholders, by the weighted-average number of common shares outstanding for the year.

The weighted-average number of common shares outstanding for the years ended March 31, 2011, 2010 and 2009 were 579,009 thousand, 579,134 thousand and 579,216 thousand, respectively.

Diluted net income per share of common stock for the years ended March 31, 2011, 2010 and 2009 were not disclosed due to the absence of dilutive securities.

Cash dividends per share presented in the accompanying consolidated statements of income are dividends applicable to the respective years including dividends to be paid after the end of the year.

#### **u. New accounting pronouncements**

##### ***Accounting changes and error corrections***

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

##### ***(1) Changes in accounting policies***

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

##### ***(2) Changes in presentations***

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

##### ***(3) Changes in accounting estimates***

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

##### ***(4) Corrections of prior period errors***

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

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

#### **v. Reclassifications**

Certain reclassifications have been made in the 2010 and 2009 financial statements to conform to the classifications used in 2011.



### 3 Marketable and investment securities

Marketable and investment securities as of March 31, 2011 and 2010 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2011	2010	2011
<b>Current:</b>			
Government and corporate bonds	¥ 6	¥ 6	\$ 72
<b>Non-current:</b>			
Equity securities	¥ 62,448	¥62,994	\$ 752,386
Government and corporate bonds	2,205	1,296	26,566
Investments in limited liability partnership	8,404	7,378	101,253
Preferred fund certificates	27,839	17,737	335,410
Other	150	163	1,807
<b>Total</b>	<b>¥101,046</b>	<b>¥89,568</b>	<b>\$1,217,422</b>

The costs and aggregate fair values of marketable and investment securities at March 31, 2011 and 2010 were as follows:

Millions of Yen				
2011				
	Cost	Unrealized Gains	Unrealized Losses	Fair Value
Securities classified as:				
Available-for-sale:				
Equity securities	¥38,969	¥16,274	¥1,623	¥53,620
Debt securities	500		29	471
Other	120	32	2	150
Held-to-maturity	1,539	16	3	1,552

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

Thousands of U.S. Dollars				
2011				
	Cost	Unrealized Gains	Unrealized Losses	Fair Value
Securities classified as:				
Available-for-sale:				
Equity securities	\$469,506	\$196,072	\$19,554	\$646,024
Debt securities	6,024		349	5,675
Other	1,446	385	24	1,807
Held-to-maturity	18,542	193	36	18,699

The impairment losses on available-for-sale equity securities for the years ended March 31, 2011 and 2010 were ¥1,013 million (\$12,205 thousand) and ¥9,650 million, respectively.

### 4 Inventories

Inventories at March 31, 2011 and 2010 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2011	2010	2011
Finished residential homes and condominiums	¥ 23,538	¥ 30,123	\$ 283,590
Construction projects in progress	15,307	15,098	184,422
Residential homes and condominiums in process	30,010	24,163	361,566
Land held:			
For resale	208,180	197,720	2,508,193
Under development	6,634	11,976	79,928
Undeveloped	2,237	3,761	26,952
Merchandise, construction materials and others	16,082	17,162	193,759
<b>Total</b>	<b>¥301,988</b>	<b>¥300,003</b>	<b>\$3,638,410</b>

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

### 5 Land revaluation

Under the "Law of Land Revaluation," the parent company and certain subsidiaries elected a one-time revaluation of their own-use land to a value based on real estate appraisal information as of March 31, 2002.

The resulting land revaluation difference represents unrealized depreciation of land and is stated, net of income taxes, as a component of equity. There was no effect on the consolidated statement of income. Continuous readjustment is not permitted unless the land value subsequently declines significantly such that the amount of the decline in value should be removed from the land revaluation difference account and related deferred tax liabilities.

As at March 31, 2011 and 2010, the carrying amount of the land after the above one-time revaluation exceeded the market value by ¥21,869 million (\$263,482 thousand) and ¥22,288 million, respectively.

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

## 6 Long-lived assets

The Company recognized impairment losses on property, plant and equipment for the following group of assets in the years ended March 31, 2011, 2010 and 2009, respectively.

2011				
Classification of Company	Type of Assets	Location	Millions of Yen	Thousands of U.S. Dollars
Hotel	Buildings and structures, machinery and equipment, furniture and fixtures, land and lease assets	Wakayama Prefecture and others	¥ 2,717	\$ 32,735
Assets used under sublease agreements	Buildings and structures, machinery and equipment, furniture and fixtures, land and lease assets	Fukuoka Prefecture and others	15,100	181,928
Idle assets	Land	Yamanashi Prefecture and others	26	313
Home center	Buildings and structures, machinery and equipment, furniture and fixtures and lease assets	Osaka Prefecture and others	97	1,169
Fitness clubs	Buildings and structures, furniture and fixtures, lease assets and other assets	Tokyo Prefecture and others	680	8,193
Offices, factories and others	Buildings and structures, furniture and fixtures, land, lease assets and other assets	Akita Prefecture and others	149	1,795
Total			¥18,769	\$226,133

2010			
Classification of Company	Type of Assets	Location	Millions of Yen
Hotel	Buildings and structures, machinery and equipment, furniture and fixtures, land and lease assets	Kyoto Prefecture and others	¥ 3,746
Assets used under sublease agreements	Buildings and structures, machinery and equipment, furniture and fixtures, land and lease assets	Osaka Prefecture and others	4,737
Idle assets	Buildings and structures, machinery and equipment, furniture and fixtures, and land	Shizuoka Prefecture and others	322
Home center	Buildings and structures, machinery and equipment, furniture and fixtures, lease assets and other assets	Kanagawa Prefecture and others	982
Fitness clubs	Buildings and structures, furniture and fixtures, and lease assets	Kanagawa Prefecture	3
Offices, factories and others	Buildings and structures, machinery and equipment, furniture and fixtures, land and other assets	Osaka Prefecture and others	1,115
Total			¥10,905

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

The Company classified the fixed assets by business control unit such as branch office, plant, and each property leased, which controls its revenue and expenditure.

Book values of the above assets were written down to recoverable amounts due to decreases in the land prices or significant declines in profitability caused by severe competition.

The recoverable amount was measured at its net selling price determined by quotation from a third-party appraiser.

## 7 Investment property

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

The Company owns rental properties such as rental housing, commercial facilities and business facilities in Tokyo and other areas. Rental income, net of operating expenses; loss on sales and disposal, impairment loss for those rental properties and losses from a natural disaster were ¥15,249 million (\$183,723 thousand), ¥3,296 million (\$39,711 thousand), ¥13,392 million (\$161,349 thousand) and ¥1,096 million (\$13,205 thousand), respectively, for the fiscal year ended March 31, 2011. Rental income, net of operating expenses, loss on sales and disposal and impairment loss for those rental properties were ¥9,879 million, ¥219 million and ¥4,323 million, respectively, for the fiscal year ended March 31, 2010.

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

Millions of Yen			
Carrying Amount		Fair Value	
April 1, 2010	Increase/Decrease	March 31, 2011	March 31, 2011
¥427,484	¥(20,394)	¥407,090	¥401,292

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

Thousands of U.S. Dollars			
Carrying Amount		Fair Value	
April 1, 2010	Increase/Decrease	March 31, 2011	March 31, 2011
\$5,150,410	\$(245,711)	\$4,904,699	\$4,834,843

Notes:

- 1) Carrying amount is net of accumulated depreciation and accumulated impairment losses, if any.
- 2) Increase during the fiscal year ended March 31, 2011 primarily represents the acquisition of certain properties for ¥37,938 million (\$457,084 thousand), and decrease primarily represents depreciation of ¥16,491 million (\$198,687 thousand), and the transfer to inventories of ¥44,468 million (\$535,759 thousand).
- 3) Increase during the fiscal year ended March 31, 2010 primarily represents the acquisition of certain properties for ¥63,489 million, and decrease primarily represents depreciation of ¥16,441 million.
- 4) Fair value of properties as of March 31, 2011 and 2010 are primarily measured by the Company in accordance with its Real-estate Appraisal Standard.

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

The annual interest rates for the short-term bank loans ranged from 0.38% to 1.53% and ranged from 0.42% to 1.65% at March 31, 2011 and 2010, respectively.

Bonds at March 31, 2011 and 2010 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2011	2010	2011
1.19% (1.24% in 2010) bonds, due 2011	¥ 4,500	¥ 4,500	\$ 54,217
0.68% bonds, due 2013	800	800	9,639
0.73% bonds, due 2015	100,000	100,000	1,204,819
2.06% bonds, due 2021	500		6,024
Total	105,800	105,300	1,274,699
Less current portion	4,500		54,217
Bonds, net of current portion	¥101,300	¥105,300	\$1,220,482

Long-term debt at March 31, 2011 and 2010 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2011	2010	2011
Loans from banks, 0.20% to 4.86% (0.72% to 4.86% in 2010), due on various dates through 2040:			
Collateralized	¥ 16,537	¥ 18,770	\$ 199,241
Unsecured	264,083	319,520	3,181,723
Total	280,620	338,290	3,380,964
Less current portion	25,122	2,902	302,675
Long-term debt, net of current portion	¥255,498	¥335,388	\$3,078,289

Annual maturities of bonds at March 31, 2011, were as follows:

Years Ending March 31	Millions of Yen	Thousands of U.S. Dollars
2012	¥ 4,500	\$ 54,217
2013	800	9,639
2015	100,000	1,204,819
2017 and thereafter	500	6,024
Total	¥105,800	\$1,274,699

Annual maturities of long-term debt at March 31, 2011, were as follows:

Years Ending March 31	Millions of Yen	Thousands of U.S. Dollars
2012	¥ 25,122	\$ 302,675
2013	155,191	1,869,771
2014	45,273	545,458
2015	46,066	555,012
2016	782	9,422
2017 and thereafter	8,186	98,626
Total	¥280,620	\$3,380,964

At March 31, 2011, assets pledged as collateral for secured long-term debt were as follows:

	Millions of Yen	Thousands of U.S. Dollars
Cash and cash equivalents	¥ 856	\$ 10,313
Receivables	11,214	135,109
Buildings and structures	8,537	102,855
Machinery and equipment	81	976
Land	7,511	90,494
Lease deposits	684	8,241
Accrued income (Other current assets)	92	1,108
Total	¥28,975	\$349,096

Pursuant to Article 128 of the Law Concerning Liquidation of Assets (Law No.105, 1998), DH Makishi, an SPC (special purpose company), has pledged assets as security for special corporate bonds totaling ¥500 million (\$6,024 thousand) at March 31, 2011.

As is customary in Japan, a company maintains substantial deposit balances with banks with which it has borrowings. Such deposit balances are not legally or contractually restricted as to withdrawal. In addition, collateral must be provided if requested by the lending banks and certain banks have the right to offset cash deposited with them against any bank loan or obligation that becomes due and, in case of default and certain other specified events, against all other debt payable to the bank concerned. The Company has never received any such request.

## 9 Retirement and pension plans

Under the unfunded employees' retirement benefit plan, employees of the parent company and certain subsidiaries terminating their employment are entitled, in most circumstances, to lump-sum severance payments determined by reference to wage rates at the time of termination and years of service. In addition, the parent company, together with certain subsidiaries and associated companies, has adopted non-contributory funded defined benefit pension plans covering most of their employees. The liability for employees' retirement benefits at March 31, 2011 and 2010 consisted of the following:

	Millions of Yen	Thousands of U.S. Dollars
	2011	2010
Projected benefit obligation	¥359,741	¥337,160
Fair value of plan assets	(184,208)	(173,449)
Net liability	175,533	163,711
Liability for employees' retirement benefits	¥175,533	¥163,711

The components of net periodic benefit costs are as follows:

	Millions of Yen	Thousands of U.S. Dollars
	2011	2010
Service cost	¥18,438	¥17,842
Interest cost	8,382	7,861
Expected return on plan assets	(4,308)	(3,867)
Gain on amortization of prior service cost		(205)
Recognized actuarial loss (gain)	8,421	(473)
Other	56	27
Net periodic benefit costs	¥30,989	¥21,185

Gain on amortization of prior service cost for the year ended March 31, 2010 represents a decrease in the benefit obligation of ¥205 million from the adoption of the revised benefit plan concerning the lump-sum severance payments of certain subsidiaries.

Assumptions used for the years ended March 31, 2011 and 2010 are set forth as follows:

	2011	2010
Discount rate	Principally 2.5%	Principally 2.5%
Expected rate of return on plan assets	Principally 2.5%	Principally 2.5%
Recognition period of actuarial gain/loss	1 year	1 year

## 10 Asset retirement obligations

The changes in asset retirement obligations for the year ended March 31, 2011 were as follows.

	Millions of Yen	Thousands of U.S. Dollars
Balance at beginning of year	¥22,583	\$272,084
Additional provisions associated with the acquisition of property, plant and equipment	1,611	19,410
Reconciliation associated with passage of time	453	5,458
Reduction associated with meeting asset retirement obligations	(1,194)	(14,385)
Balance at end of year	¥23,453	\$282,567



## 11 Equity

Japanese companies are subject to the Companies Act. The significant provisions in the Companies Act that affect financial and accounting matters are summarized below:

### a. Dividends

Under the Companies Act, companies can pay dividends at any time during the fiscal year in addition to the year-end dividend upon resolution at the shareholders meeting. For companies that meet certain criteria such as: (1) having a Board of Directors, (2) having independent auditors, (3) having a Board of Corporate Auditors, and (4) having the term of service of the directors prescribed as one year rather than two years of normal term by its articles of incorporation, the Board of Directors may declare dividends (except for dividends in kind) at any time during the fiscal year if the company has prescribed so in its articles of incorporation. The parent company meets all the above criteria.

The Companies Act permits companies to distribute dividends-in-kind (non-cash assets) to shareholders subject to a certain limitation and additional requirements.

Semiannual dividends may also be paid once a year upon resolution by the Board of Directors if the articles of incorporation of the company so stipulate. The Companies Act provides certain limitations on the amounts available for dividends or the purchase of treasury stock. The limitation is defined as the amount available for distribution to the shareholders, but the amount of net assets after dividends must be maintained at no less than ¥3 million.

### b. Increases/decreases and transfer of common stock, reserve and surplus

The Companies Act requires that an amount equal to 10% of dividends must be appropriated as a legal reserve (a component of retained earnings) or as additional paid-in capital (a component of capital surplus) depending on the equity account charged upon the payment of such dividends until the total of aggregate amount of legal reserve and additional paid-in capital equals 25% of the common stock. Under the Companies Act, the total amount of additional paid-in capital and legal reserve may be reversed without limitation. The Companies Act also provides that common stock, legal reserve, additional paid-in capital, other capital surplus and retained earnings can be transferred among the accounts under certain conditions upon resolution of the shareholders.

### c. Treasury stock and treasury stock acquisition rights

The Companies Act also provides for companies to purchase treasury stock and dispose of such treasury stock by resolution of the Board of Directors. The amount of treasury stock purchased cannot exceed the amount available for distribution to the shareholders which is determined by specific formula. Under the Companies Act, stock acquisition rights are presented as a separate component of equity. The Companies Act also provides that companies can purchase both treasury stock acquisition rights and treasury stock. Such treasury stock acquisition rights are presented as a separate component of equity or deducted directly from stock acquisition rights.

## 12 Segment information

### *For the years ended March 31, 2011 and 2010*

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

The segment information for the year ended March 31, 2010 under the revised accounting standard is also disclosed hereunder as required.

Pursuant to Article 36 of ASBJ Statement No.17, the segment information for the year ended March 31, 2009 under the revised accounting standard is not disclosed. Instead of the segment information under the revised accounting, the segment information under the previous accounting standard for the year ended March 31, 2009 is disclosed hereunder.

### 1. Description of reportable segments

The Company's reportable segments are those for which separate financial information is available and regular evaluation by the parent company's management is being performed in order to decide how resources are allocated among the Company. Therefore, the Company consists of the segments Single-Family Houses Business, Rental Housing Business, Condominiums Business, Existing Home Business, Commercial Facilities Business, Business and Corporate Facilities Business, Health and Leisure Business and Other Businesses. The Single-Family Houses Business consists of order of single-family houses and sale of a package of a new house with land. The Rental Housing Business consists of the Company operations in rental housing development, construction, management, operation, and real estate agency services. The Condominiums Business consists of development, sale, and management of condominiums. The

Existing Home Business consists of renovation and real estate agency services. The Commercial Facilities Business consists of development, construction, management, and operation of commercial facilities. The Business and Corporate Facilities Business consists of development and construction of logistics and manufacturing facilities and medical and nursing-care facilities, and building, management and operation of temporary facilities. The Health and Leisure Business consists of the management and operation of resort hotels, golf courses, fitness clubs and nursing-care facilities.

### 2. Methods of measurement for the amounts of sales, profit (loss), assets and other items for each reportable segment

The accounting policies for each reportable segment are consistent with those disclosed in Note 2, "Summary of Significant Accounting Policies."

### 3. Information about sales, profit (loss), assets and other items is as follows.

Millions of Yen								
2011								
Reportable Segment								
	Single-Family Houses	Rental Housing	Condominiums	Existing Home Business	Commercial Facilities	Business & Corporate Facilities	Health & Leisure	Total
Sales:								
Sales to external customers	¥321,635	¥494,848	¥140,932	¥60,692	¥269,560	¥189,246	¥58,019	¥1,534,932
Intersegment sales or transfers	845	1,311	1	90	4,506	5,060	29	11,842
Total	322,480	496,159	140,933	60,782	274,066	194,306	58,048	1,546,774
Segment profit (loss)	7,210	47,000	5,370	4,237	33,564	11,517	(828)	108,070
Segment assets	176,762	192,794	171,098	20,674	432,726	301,558	89,407	1,385,019
Other:								
Depreciation	2,485	6,475	1,297	414	12,756	4,328	2,619	30,374
Increase in property, plant and equipment and other assets	6,185	15,938	2,931	965	30,054	18,403	3,968	78,444

Millions of Yen				
2011				
	Other	Total	Reconciliations	Consolidated
Sales:				
Sales to external customers	¥155,219	¥1,690,151		¥1,690,151
Intersegment sales or transfers	68,446	80,288	¥ (80,288)	
Total	223,665	1,770,439	(80,288)	1,690,151
Segment profit (loss)	3,644	111,714	(24,016)	87,698
Segment assets	325,647	1,710,666	223,570	1,934,236
Other:				
Depreciation	13,510	43,884	730	44,614
Increase in property, plant and equipment and other assets	17,428	95,872	(1,997)	93,875

Millions of Yen								
2010								
Reportable Segment								
	Single-Family Houses	Rental Housing	Condominiums	Existing Home Business	Commercial Facilities	Business & Corporate Facilities	Health & Leisure	Total
Sales:								
Sales to external customers	¥324,730	¥448,065	¥119,309	¥46,864	¥280,533	¥190,754	¥57,096	¥1,467,351
Intersegment sales or transfers	1,179	942		110	5,146	5,516	35	12,928
Total	325,909	449,007	119,309	46,974	285,679	196,270	57,131	1,480,279
Segment profit (loss)	6,204	38,656	(18,323)	1,739	34,431	21,769	(506)	83,970
Segment assets	173,487	192,941	170,419	16,077	425,883	287,596	92,463	1,358,866
Other:								
Depreciation	2,593	5,792	1,044	358	12,519	4,198	2,641	29,145
Increase in property, plant and equipment and other assets	4,338	26,344	2,416	635	19,634	26,528	2,585	82,480

Millions of Yen				
2010				
	Other	Total	Reconciliations	Consolidated
Sales:				
Sales to external customers	¥142,533	¥1,609,884		¥1,609,884
Intersegment sales or transfers	68,369	81,297	¥ (81,297)	
Total	210,902	1,691,181	(81,297)	1,609,884
Segment profit (loss)	1,039	85,009	(22,295)	62,714
Segment assets	284,158	1,643,024	273,904	1,916,928
Other:				
Depreciation	13,863	43,008	909	43,917
Increase in property, plant and equipment and other assets	17,866	100,346	(560)	99,786

Thousands of U.S. Dollars								
2011								
Reportable Segment								
	Single-Family Houses	Rental Housing	Condominiums	Existing Home Business	Commercial Facilities	Business & Corporate Facilities	Health & Leisure	Total
Sales:								
Sales to external customers	\$3,875,121	\$5,962,024	\$1,697,976	\$731,229	\$3,247,711	\$2,280,072	\$ 699,024	\$18,493,157
Intersegment sales or transfers	10,181	15,795	12	1,084	54,289	60,964	349	142,674
Total	3,885,302	5,977,819	1,697,988	732,313	3,302,000	2,341,036	699,373	18,635,831
Segment profit (loss)	86,868	566,265	64,699	51,048	404,385	138,759	(9,976)	1,302,048
Segment assets	2,129,663	2,322,819	2,061,422	249,084	5,213,566	3,633,229	1,077,193	16,686,976
Other:								
Depreciation	29,940	78,012	15,626	4,988	153,687	52,145	31,554	365,952
Increase in property, plant and equipment and other assets	74,518	192,024	35,313	11,627	362,096	221,723	47,807	945,108

Thousands of U.S. Dollars				
2011				
	Other	Total	Reconciliations	Consolidated
Sales:				
Sales to external customers	\$1,870,108	\$20,363,265		\$20,363,265
Intersegment sales or transfers	824,651	967,325	\$ (967,325)	
Total	2,694,759	21,330,590	(967,325)	20,363,265
Segment profit (loss)	43,903	1,345,951	(289,349)	1,056,602
Segment assets	3,923,458	20,610,434	2,693,614	23,304,048
Other:				
Depreciation	162,771	528,723	8,795	537,518
Increase in property, plant and equipment and other assets	209,976	1,155,084	(24,060)	1,131,024

Notes:

- 1) Other Businesses include construction support, city hotels, overseas businesses and others.
- 2) Reconciliations to segment profit (loss) of ¥24,016 million (\$289,349 thousand) and ¥22,295 million include intersegment eliminations of ¥1,668 million (\$20,096 thousand) and ¥884 million, the amortization of goodwill of ¥720 million (\$8,675 thousand) and ¥963 million, and the corporate expenses not allocated to each business segment of ¥23,068 million (\$277,928 thousand) and ¥22,374 million for the years ended March 31, 2011 and 2010, respectively. Corporate expenses mainly consist of general and administrative expenses and experiment and research expenses not attributable to any reportable business segments.

Reconciliations to segment assets of ¥223,570 million (\$2,693,614 thousand) and ¥273,904 million include intersegment eliminations of ¥125,168 million (\$1,508,048 thousand) and ¥101,874 million, and the corporate assets of ¥348,737 million (\$4,201,662 thousand) and ¥375,778 million for the years ended March 31, 2011 and 2010, respectively. Corporate assets mainly consist of the Company's

surplus funds (cash and cash equivalents), the Company's long-term investment funds (investment securities), and the assets associated with Administration Headquarters of the Company.

Reconciliations to depreciation of ¥730 million (\$8,795 thousand) and ¥909 million include intersegment eliminations of ¥506 million (\$6,096 thousand) and ¥491 million, and the depreciation attributable to corporate assets of ¥1,236 million (\$14,891 thousand) and ¥1,400 million for the years ended March 31, 2011 and 2010, respectively.

Reconciliations to increase in property, plant and equipment and other assets of ¥1,997 million (\$24,060 thousand) and ¥560 million include intersegment eliminations of ¥3,993 million (\$48,108 thousand) and ¥1,159 million, and the Headquarter's capital investments in properties and equipment of ¥1,996 million (\$24,048 thousand) and ¥599 million for the years ended March 31, 2011 and 2010, respectively.

- 3) Consolidated amounts of segment profit (loss) above correspond to the amounts of operating income in the consolidated statements of income.

## Impairment losses of assets

Millions of Yen										
2011										
	Single-Family Houses	Rental Housing	Condominiums	Existing Home Business	Commercial Facilities	Business & Corporate Facilities	Health & Leisure	Other	Elimination/Corporate	Consolidated
Impairment losses of assets		¥1,385	¥1	¥1	¥12,794	¥919	¥3,422	¥243	¥4	¥18,769

Thousands of U.S. Dollars										
2011										
	Single-Family Houses	Rental Housing	Condominiums	Existing Home Business	Commercial Facilities	Business & Corporate Facilities	Health & Leisure	Other	Elimination/Corporate	Consolidated
Impairment losses of assets		\$16,687	\$12	\$12	\$154,145	\$11,072	\$41,229	\$2,928	\$48	\$226,133

## Amortization of goodwill

Millions of Yen										
2011										
	Single-Family Houses	Rental Housing	Condominiums	Existing Home Business	Commercial Facilities	Business & Corporate Facilities	Health & Leisure	Other	Elimination/Corporate	Consolidated
Amortization of goodwill		¥ (8)	¥ 562		¥ 406	¥(4)	¥6	¥ (641)		¥ 321
Goodwill at March 31, 2011		(137)	10,401		6,170	(9)		(10,273)		6,152

Thousands of U.S. Dollars										
2011										
	Single-Family Houses	Rental Housing	Condominiums	Existing Home Business	Commercial Facilities	Business & Corporate Facilities	Health & Leisure	Other	Elimination/Corporate	Consolidated
Amortization of goodwill		\$ (96)	\$ 6,771		\$ 4,891	\$ (48)	\$72	\$ (7,723)		\$ 3,867
Goodwill at March 31, 2011		(1,651)	125,313		74,337	(108)		(123,771)		74,120



***For the years ended March 31, 2010 and 2009 under the previous accounting standard***

The Company operates in the following industries:

Residential: consists of construction of single/multi-family houses and condominiums, sales of real estate for residential use, real estate commissions, rental of residential complexes and management of condominiums.

Commercial: consists of construction of commercial buildings, sales and rental of real estate for commercial use and management of commercial buildings.

Resort and Sports: consists of operation of resort type hotels, golf courses and fitness clubs.

Home Center: consists of operation of "do-it-yourself" hardware centers.

Other: consists of manufacture and sales of building materials, logistics and operation of city type hotels.

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

**a. Sales and operating income**

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

Millions of Yen							
2009							
	Residential	Commercial	Resort and Sports	Home Center	Other	Eliminations/ Corporate	Consolidated
Sales to customers	¥957,188	¥530,108	¥60,078	¥61,745	¥ 81,837		¥1,690,956
Intersegment sales	1,838	15,033	29	1,761	62,141	¥(80,802)	
Total sales	959,026	545,141	60,107	63,506	143,978	(80,802)	1,690,956
Operating expenses	930,493	478,959	61,223	62,352	141,474	(57,125)	1,617,376
Operating income (loss)	¥ 28,533	¥ 66,182	¥ (1,116)	¥ 1,154	¥ 2,504	¥(23,677)	¥ 73,580

**b. Total assets, depreciation, impairment loss and capital investments**

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

Millions of Yen							
2009							
	Residential	Commercial	Resort and Sports	Home Center	Other	Eliminations/ Corporate	Consolidated
Total assets	¥607,233	¥705,606	¥91,825	¥44,896	¥201,082	¥159,931	¥1,810,573
Depreciation	7,249	13,980	2,859	981	13,190	1,059	39,318
Impairment loss	199	5,507	8,986	83	10	107	14,892
Capital investments	50,113	89,259	2,379	1,074	19,425	(1,649)	160,601

Notes:

As discussed in Note 2-m, effective April 1, 2009, the Company applied ASBJ Statement No.15, "Accounting Standard for Construction Contracts" and ASBJ Guidance No.18 "Guidance on Accounting Standard for Construction Contracts." The effect of this change was to increase net sales of Residential by ¥14,444 million, net sales of Commercial by ¥23,940 million, net sales of Other by ¥190 million, and operating income of Residential by ¥3,467 million, operating income of Commercial by ¥4,146 million, and operating income of Other by ¥20 million for the year ended March 31, 2010.

Eliminations/Corporate include unallocated operating expenses, principally consisting of general corporate expenses incurred by the administration headquarters of the Company.

Corporate assets are principally cash and cash equivalents, marketable securities and investment securities.

### 13 Reversal of liability for loss on disaster

The estimated remediation cost for damages caused by the heavy oil leakage incident that occurred on the site of our

former Sapporo Factory in December 2009 was ¥2,000 million. It was recognized as loss on disaster in the other expenses in the income statement and the same amount was also included and recognized in other long-term liabilities in the balance sheet as of and for the year ended March 31, 2010. Since the construction for the recovery was completed in December 2010, the difference between the estimated cost and the actual cost of ¥1,303 million (\$15,699 thousand) was recognized as other income in the income statement for the year ended March 31, 2011.

### 14 Losses from a natural disaster

The reconstruction expenses for the damage to inventories and noncurrent assets caused by the Great East Japan Earthquake of March 2011 were recognized as losses from a natural disaster in other expenses.

### 15 Other income (expenses): Other — net

"Other income (expenses): Other — net" for the years ended March 31, 2011, 2010 and 2009 consisted of the following:

	Millions of Yen			Thousands of U.S. Dollars
	2011	2010	2009	2011
Real estate acquisition tax and other taxes	¥ (416)	¥(1,859)	¥(1,161)	\$ (5,012)
Reversal of accounts payable for retirement benefits for directors of subsidiaries			473	
Gain on sales of investment securities	1,640		4	19,759
Gain on sales of investments in unconsolidated subsidiaries and associated companies	170			2,048
Allowance for doubtful accounts	(432)	(949)	(414)	(5,205)
Equity in earnings of associated companies	992	1,242	542	11,952
Gain on transfer of business	280			3,374
Write-down of golf club membership	(61)	(17)	(97)	(735)
Loss on sales of golf club membership	0	(1)		0
Interest on commercial paper	(11)	(86)	(662)	(133)
Loss on adjustment for changes of accounting standard for asset retirement obligations	(2,805)			(33,795)
Loss on prior period adjustment	(1,416)			(17,060)
Provision of allowance for investment loss	(3,672)			(44,241)
Salaries and allowance for prior periods	(2,027)		(248)	(24,422)
Gain on settlement of derivatives		501	856	
Loss on settlement of derivatives			(355)	
Loss on liquidation of subsidiaries and affiliates			(22)	
Bad debt expenses	(12)		(312)	(145)
Amortization of negative goodwill		181		
Other — net	2,396	2,085	1,787	28,868
Total	¥(5,374)	¥ 596	¥ (110)	\$(64,747)

Notes:

#### Loss on prior period adjustment

Auto & Leasing Division of Daiwa Lease Co., Ltd., ("Daiwa Lease"), a wholly-owned subsidiary, found incorrect accounting records relating to the allocation of prepaid expenses in the previous fiscal year. As a result of investigations by the parent company and Daiwa Lease, the amount of ¥1,416 million (\$17,060 thousand) was overstated in other assets of current assets and recognized as loss on prior period adjustment in other expenses in the income statement for the year ended March 31, 2011.

#### Salaries and allowance for prior periods

The parent company received a written Advisory Notice from the Labor Standards Inspection Office relating to employees' overtime work. As a result of the Company's investigation, the discrepancy between the actual working hours and the registered one was found and unpaid overtime salaries were recognized in the other expenses in the income statement for the year ended March 31, 2011.

## 16 Income taxes

The parent company and its domestic subsidiaries are subject to Japanese national and local income taxes which, in the aggregate, resulted in a normal effective statutory tax rate of approximately 40.6% for the years ended March 31, 2011, 2010 and 2009.

The tax effects of significant temporary differences and tax loss carryforwards which resulted in deferred tax assets and liabilities at March 31, 2011 and 2010 are as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2011	2010	2011
<b>Current:</b>			
Deferred tax assets:			
Write-down of land held for resale	¥ 23,573	¥ 24,629	\$ 284,012
Accrued bonuses	8,794	8,360	105,952
Accrued enterprise tax	561	2,025	6,759
Other	13,361	11,855	160,976
Less valuation allowance	(116)	(188)	(1,398)
Deferred tax assets	¥ 46,173	¥ 46,681	\$ 556,301
Deferred tax liabilities — other	¥ (0)	¥ (1)	\$ (0)
Net deferred tax assets	¥ 46,173	¥ 46,680	\$ 556,301
<b>Non-current:</b>			
Deferred tax assets:			
Employees' retirement benefits	¥ 71,299	¥ 66,494	\$ 859,024
Unrealized gains on sales of property, plant and equipment	9,048	9,177	109,012
Excess of depreciation of property, plant and equipment	23,973	21,289	288,831
Loss carryforwards	6,952	7,546	83,759
Other	38,754	23,774	466,916
Less valuation allowance	(19,787)	(12,765)	(238,398)
Deferred tax assets	¥130,239	¥115,515	\$1,569,144
Deferred tax liabilities:			
Retained earnings appropriated for tax allowable reserves	¥ (1,924)	¥ (1,974)	\$ (23,181)
Net unrealized gain on available-for-sale securities	(5,004)	(3,977)	(60,289)
Other	(5,877)	(267)	(70,807)
Deferred tax liabilities	¥ (12,805)	¥ (6,218)	\$ (154,277)
Net deferred tax assets	¥117,434	¥109,297	\$1,414,867

A reconciliation between the normal effective statutory tax rate and the actual effective tax rate reflected in the accompanying consolidated statements of income for the years ended March 31, 2011, 2010 and 2009 is as follows:

	2011	2010	2009
Normal effective statutory tax rates	40.6%	40.6%	40.6%
Increase (decrease) in tax rates due to:			
Permanently non-deductible expenses	3.2	3.3	9.3
Non-taxable dividend income	(0.6)	(0.5)	(0.3)
Per capita levy	2.5	2.7	7.4
Equity in earnings of associated companies	(1.0)	(1.3)	(1.6)
Increase in valuation allowance	17.1	3.9	23.1
Tax credit for corporate tax	(0.6)	(0.5)	(1.5)
Reversal of land revaluation difference	(29.0)	(0.4)	(3.8)
Other — net	0.6	1.9	(0.1)
Actual effective tax rates	32.8%	49.7%	73.1%

At March 31, 2011, certain subsidiaries have tax loss carryforwards aggregating approximately ¥18,441 million (\$222,181 thousand) which are available to be offset against taxable income of such subsidiaries in future years. These tax loss carryforwards, if not utilized, will expire as follows:

Years Ending March 31	Millions of Yen	Thousands of U.S. Dollars
2013	¥ 188	\$ 2,265
2014	110	1,325
2015	13,777	165,988
2016	2,897	34,904
2017 and thereafter	1,469	17,699
Total	¥18,441	\$222,181

## 17 Research and development costs

Research and development costs charged to income were ¥6,637 million (\$79,964 thousand), ¥7,219 million and ¥7,753 million for the years ended March 31, 2011, 2010 and 2009, respectively.

## 18 Supplemental cash flow information

In the year ended March 31, 2011, Daiwa Service Co., Ltd. (a wholly-owned subsidiary) transferred the business of temporary staffing to a third party. No related assets and liabilities were transferred in this transaction.

	Millions of Yen	Thousands of U.S. Dollars
	2011	2011
Gain on transfer of business	¥280	\$3,373
Proceeds from transfer of business	¥280	\$3,373

In the year ended March 31, 2011, DH Leasing consolidated company (a wholly-owned subsidiary) acquired a business. The acquired assets and liabilities and proceeds from acquisition of business were as follows:

	Millions of Yen	Thousands of U.S. Dollars
	2011	2011
Assets	¥4,641	\$55,916
Liabilities	(4,641)	(55,916)
Goodwill	0	0
Cash paid for the capital	0	0
Cash and cash equivalents	3,194	38,482
Proceeds from acquisition of business	¥3,194	\$38,482

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

	Millions of Yen
	2010
Assets	¥12,352
Goodwill	11,175
Liabilities	(7,506)
Cash paid for the capital	16,021
Cash and cash equivalents of consolidated subsidiaries	2,698
Payments for purchases of shares of the newly consolidated subsidiaries	¥13,323

## 19 Leases

### Finance leases:

#### (Lessee)

Total lease payments under finance leases that are not deemed to transfer ownership of the leased property to the lessee were ¥27,627 million (\$332,855 thousand), ¥28,872 million, and ¥29,330 million for the years ended March 31, 2011, 2010 and 2009, respectively.

The amount of imputed interest expense included in the above lease payments, which is computed using the interest method, was ¥11,547 million (\$139,120 thousand), ¥12,416 million and ¥12,438 million for the years ended March 31, 2011, 2010 and 2009, respectively.

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

ASBJ Statement No.13, "Accounting Standard for Lease Transactions" requires that all finance lease transactions be capitalized to recognize lease assets and lease obligations in the balance sheet. However, ASBJ Statement No.13 permits leases without ownership transfer of the leased property to any lessee whose lease inception was before March 31, 2008 to continue to be accounted for as operating lease transactions if certain "as if capitalized" information is disclosed in the notes to the financial statements. The Company applied ASBJ Statement No.13 effective April 1, 2008 and accounted for such leases as operating lease transactions. Pro forma information regarding leased property whose lease inception was before March 31, 2008 was as follows:

	Millions of Yen			
	2011			
	Buildings and Structures	Machinery and Equipment	Furniture and Fixtures	Total
Acquisition cost	¥318,063	¥2,319	¥2,174	¥322,556
Accumulated depreciation	121,729	1,180	1,483	124,392
Accumulated impairment loss	4,767	8	17	4,792
Net leased property	¥191,567	¥1,131	¥ 674	¥193,372



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

Thousands of U.S. Dollars				
2011				
	Buildings and Structures	Machinery and Equipment	Furniture and Fixtures	Total
Acquisition cost	\$3,832,084	\$27,940	\$26,193	\$3,886,217
Accumulated depreciation	1,466,614	14,217	17,868	1,498,699
Accumulated impairment loss	57,434	96	205	57,735
Net leased property	\$2,308,036	\$13,627	\$ 8,120	\$2,329,783

Obligations under finance leases as of March 31, 2011 and 2010 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2011	2010	2011
Due within one year	¥ 25,422	¥ 22,210	\$ 306,289
Due after one year	195,865	220,955	2,359,819
Total	¥221,287	¥243,165	\$2,666,108

Allowance for impairment loss on leased property of ¥3,812 million (\$45,928 thousand) and ¥3,261 million as of March 31, 2011 and 2010, respectively, is not included in obligation under finance leases.

Reversals of allowance for impairment loss on leased properties were ¥683 million (\$8,229 thousand), ¥454 million and ¥4 million for the years ended March 31, 2011, 2010 and 2009, respectively.

Depreciation expense relating to the leased assets under finance lease arrangements mentioned above was ¥16,623 million (\$200,277 thousand), ¥17,995 million and ¥18,787 million for the years ended March 31, 2011, 2010 and 2009, respectively.

The Company recorded an impairment loss of ¥1,234 million (\$14,867 thousand), ¥856 million and ¥430 million on certain leased property held under finance leases for the years ended March 31, 2011, 2010 and 2009, respectively.

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

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

#### (Lessor)

The net investments in lease is summarized as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2011	2010	2011
Gross lease receivables	¥19,818	¥11,551	\$238,771
Unguaranteed residual values	1,301	689	15,675
Unearned interest income	(4,160)	(2,499)	(50,121)
Investments in lease, current	¥16,959	¥ 9,741	\$204,325

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

Years Ending March 31	Millions of Yen	Thousands of U.S. Dollars
2012	¥ 3,071	\$ 37,000
2013	2,964	35,711
2014	2,472	29,783
2015	1,756	21,156
2016	1,221	14,711
2017 and thereafter	8,334	100,410
Total	¥19,818	\$238,771

Total rental income under finance leases that are not deemed to transfer ownership of the leased property to the lessee were ¥2,284 million (\$27,518 thousand), ¥2,993 million and ¥3,950 million for the years ended March 31, 2011, 2010 and 2009, respectively.

The amounts of imputed interest income included in the above rental income, which is computed using the interest method, were ¥195 million (\$2,349 thousand), ¥360 million and ¥585 million for the years ended March 31, 2011, 2010 and 2009, respectively.

Property and equipment leased to customers under finance lease arrangements mentioned above consisted of the following at March 31, 2011 and 2010.

Machinery and Equipment			
	Millions of Yen		Thousands of U.S. Dollars
	2011	2010	2011
Acquisition cost	¥8,251	¥11,593	\$99,409
Accumulated depreciation	5,961	7,268	71,819
Net leased property	¥2,290	¥ 4,325	\$27,590

Future rental income under finance leases at March 31, 2011 and 2010 was as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2011	2010	2011
Due within one year	¥1,448	¥2,119	\$17,446
Due after one year	1,018	2,517	12,265
Total	¥2,466	¥4,636	\$29,711

Imputed interest income is excluded from the amount of rental income under finance leases.

Depreciation expense relating to the leased assets under finance lease arrangements mentioned above was ¥1,808 million (\$21,783 thousand), ¥2,397 million and ¥2,626 million for the years ended March 31, 2011, 2010 and 2009, respectively.

#### Operating leases:

Obligations and future rental income under non-cancellable operating leases as of March 31, 2011 and 2010 were as follows:

##### (Lessee)

	Millions of Yen		Thousands of U.S. Dollars
	2011	2010	2011
Due within one year	¥ 39,930	¥ 39,874	\$ 481,084
Due after one year	432,204	455,377	5,207,277
Total	¥472,134	¥495,251	\$5,688,361

##### (Lessor)

	Millions of Yen		Thousands of U.S. Dollars
	2011	2010	2011
Due within one year	¥ 2,235	¥ 2,237	\$ 26,928
Due after one year	168,800	168,984	2,033,735
Total	¥171,035	¥171,221	\$2,060,663

## 20 Financial instruments and related disclosures

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

### (1) Company policy for financial instruments

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

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

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

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

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

With respect to floating-rate long-term debt, the Company enters into interest rate swap contracts to hedge interest rate fluctuations.

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

### (3) Fair values of financial instruments

Fair values of financial instruments are based on quoted price in active markets. If quoted price is not available, other rational valuation techniques are used instead. Also please see Note 21 for the detail of fair value for derivatives. Also please see Note 21 for more detail about derivatives risk.

#### (a) Fair value of financial instruments

Millions of Yen			
	2011		
	Carrying Amount	Fair Value	Unrealized Gain/Loss
Cash and cash equivalents	¥146,243	¥146,243	
Investments in lease	16,959		
Allowance for doubtful receivables	(35)		
	16,924	16,924	
Short-term investments	3,137	3,137	
Receivables	95,687		
Allowance for doubtful receivables	(841)		
	94,846	93,897	¥ (949)
Marketable and investment securities:			
Held-to-maturity	1,539	1,552	13
Investments in unconsolidated subsidiaries and associated companies	2,906	1,785	(1,121)
Available-for-sale	54,241	54,241	
Lease deposits	189,608		
Allowance for doubtful accounts	(437)		
	189,171	173,310	(15,861)
Total	¥509,007	¥491,089	¥(17,918)
Short-term bank loans	¥ 9,136	¥ 9,136	
Payables	206,218	206,218	
Income taxes payable	6,675	6,675	
Bonds	105,800	106,313	¥ 513
Long-term debt	280,620	284,752	4,132
Lease deposits received	226,316	208,198	(18,118)
Total	¥834,765	¥821,292	¥(13,473)
Derivatives	¥ 1,485	¥ 1,485	

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

Thousands of U.S. Dollars

	2011		
	Carrying Amount	Fair Value	Unrealized Gain/Loss
Cash and cash equivalents	\$ 1,761,964	\$1,761,964	
Investments in lease	204,325		
Allowance for doubtful receivables	(421)		
	203,904	203,904	
Short-term investments	37,795	37,795	
Receivables	1,152,856		
Allowance for doubtful receivables	(10,133)		
	1,142,723	1,131,289	\$ (11,434)
Marketable and investment securities:			
Held-to-maturity	18,542	18,699	157
Investments in unconsolidated subsidiaries and associated companies	35,012	21,506	(13,506)
Available-for-sale	653,506	653,506	
Lease deposits	2,284,434		
Allowance for doubtful accounts	(5,265)		
	2,279,169	2,088,072	(191,097)
Total	\$ 6,132,615	\$5,916,735	\$(215,880)
Short-term bank loans	\$110,072	\$ 110,072	
Payables	2,484,554	2,484,554	
Income taxes payable	80,422	80,422	
Bonds	1,274,699	1,280,880	\$6,181
Long-term debt	3,380,964	3,430,747	49,783
Lease deposits received	2,726,699	2,508,410	(218,289)
Total	\$10,057,410	\$9,895,085	\$(162,325)
Derivatives	\$ 17,892	\$ 17,892	

*Cash and cash equivalents and short-term investments*

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

*Investments in lease*

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

*Receivables*

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

*Marketable and investment securities*

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

*Lease deposits*

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

*Short-term bank loans, payables and income taxes payable*

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

*Bonds*

The fair values of financial instruments are based on quoted price in active markets.

*Long-term debt*

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

*Lease deposits received*

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

*Derivatives*

The information regarding the fair value for derivatives is included in Note 21.



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

	Carrying Amount		
	Millions of Yen		Thousands of U.S. Dollars
	2011	2010	2011
Equity securities	¥55,090	¥45,212	\$663,735
Preferred fund certificates	27,839	17,737	335,410
Investments in limited liability partnership and other	8,605	7,428	103,674

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

	Millions of Yen			
	2011			
	Due in One Year or Less	Due after One Year through Five Years	Due after Five Years through Ten Years	Due after Ten Years
Cash and cash equivalents	¥146,243			
Investments in lease	3,071	¥ 8,413	¥ 3,819	¥ 4,515
Short-term investments	3,137			
Receivables	84,323	3,636	4,087	3,641
Marketable and investment securities:				
Held-to-maturity			1,720	10
Available-for-sale securities with contractual maturities	6	25	13	500
Lease deposits	15,282	52,949	54,660	76,986
Total	¥252,062	¥65,023	¥64,299	¥85,652

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

	Thousands of U.S. Dollars			
	2011			
	Due in One Year or Less	Due after One Year through Five Years	Due after Five Years through Ten Years	Due after Ten Years
Cash and cash equivalents	\$1,761,964			
Investments in lease	37,000	\$101,361	\$ 46,012	\$ 54,398
Short-term investments	37,795			
Receivables	1,015,940	43,808	49,241	43,867
Marketable and investment securities:				
Held-to-maturity			20,723	121
Available-for-sale securities with contractual maturities	72	301	157	6,024
Lease deposits	184,121	637,940	658,554	927,542
Total	\$3,036,892	\$783,410	\$774,687	\$1,031,952

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

## 21 Derivatives

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

It is the Company's policy to use derivatives only for the purpose of reducing market risks associated with assets and liabilities.

Derivatives are subject to market risk and credit risk. Because the counterparties to those derivatives are limited to major international financial institutions, the Company does not anticipate any losses arising from credit risk.

The Company implemented a risk control system for derivatives primarily to control the purpose, limitation and selection of counterparties. The system's primary function is to avoid excess risks associated with derivatives. Each derivative transaction, which is based on these internal policies, is reported to the Director of the Financing Department, and the execution and control of derivatives are managed by the Finance Section of the Company.

Derivative transactions to which hedge accounting was not applied at March 31, 2011 and 2010 were as follows:

Type of Transaction	Thousands of Barrels				Millions of Yen				Thousands of U.S. Dollars	
	2011		2010		2011		2010		2011	
	Contract Amount	Due over One Year	Contract Amount	Due over One Year	Fair Value	Unrealized Gain (Loss)	Fair Value	Unrealized Gain (Loss)	Fair Value	Unrealized Gain (Loss)
Commodity swap:										
Receive floating pay fixed	360	240	480	360	¥2,056	¥2,056	¥2,359	¥2,359	\$24,771	\$24,771
Receive fixed pay floating	360	240	480	360	(571)	(571)	(396)	(396)	(6,879)	(6,879)
Total	720	480	960	720	¥1,485	¥1,485	¥1,963	¥1,963	\$17,892	\$17,892

Derivative transactions to which hedge accounting was applied at March 31, 2011 and 2010 were as follows:

	Hedged Item	Millions of Yen			Millions of Yen			Thousands of U.S. Dollars		
		Contract Amount	Contract Amount Due after One Year	Fair Value	Contract Amount	Contract Amount Due after One Year	Fair Value	Contract Amount	Contract Amount Due after One Year	Fair Value
Interest rate swaps: (fixed rate payment, floating rate receipt)	Long-term debt	¥189,153	¥179,738	—	¥190,065	¥189,153	—	\$2,278,952	\$2,165,518	—

The above interest rate swaps which qualify for hedge accounting and meet specific matching criteria are not remeasured at market value but the differentials paid or received under the swap agreements are recognized and included in interest expense or income. In addition, the fair value of such interest rate swaps in Note 20 is included in that of hedged items (i.e. long-term debt).

## 22 Contingencies

At March 31, 2011, contingent liabilities for notes endorsed with recourse and loans guaranteed in the ordinary course of business amounted to ¥1,140 million (\$13,735 thousand) and ¥36,600 million (\$440,964 thousand), respectively. Included in loans guaranteed were customers' housing loans from banks in the amount of ¥22,269 million (\$268,301 thousand).

## 23 Comprehensive income

Other comprehensive income for the year ended March 31, 2010 consists of the following:

	Millions of Yen
Other comprehensive income:	
Unrealized gain on available-for-sale securities	¥4,317
Foreign currency translation adjustments	103
Share of other comprehensive income in associates	582
Total other comprehensive income	¥5,002

Total comprehensive income for the year ended March 31, 2010 comprises the following:

	Millions of Yen
Total comprehensive income attributable to:	
Owners of the parent	¥24,115
Minority interests	23
Total comprehensive income	¥24,138

## 24 Subsequent event

### Appropriations of retained earnings

The following appropriation of retained earnings at March 31, 2011 was approved at the parent company's shareholders' meeting held on June 29, 2011:

	Millions of Yen	Thousands of U.S. Dollars
Year-end cash dividends, ¥20.00 (\$0.24) per share	¥11,576	\$139,470

## INDEPENDENT AUDITORS' REPORT

To the Board of Directors of Daiwa House Industry Co., Ltd.:

We have audited the accompanying consolidated balance sheets of Daiwa House Industry Co., Ltd. and consolidated subsidiaries (the "Company") as of March 31, 2011 and 2010, and related consolidated statements of income for each of the three years in the period ended March 31, 2011, consolidated statement of comprehensive income for the year ended March 31, 2011, and related consolidated statements of changes in equity, and cash flows for each of the three years in the period ended March 31, 2011, all expressed in Japanese yen. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in Japan. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Daiwa House Industry Co., Ltd. and consolidated subsidiaries as of March 31, 2011 and 2010, and the consolidated results of their operations and their cash flows for each of the three years in the period ended March 31, 2011, in conformity with accounting principles generally accepted in Japan.

Our audits also comprehended the translation of Japanese yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made in conformity with the basis stated in Note 1. Such U.S. dollar amounts are presented solely for the convenience of readers outside Japan.

*Deloitte Touche Tohmatsu LLC*

June 29, 2011





**Daiwa House**  
大和ハウスグループ

**ダイワハウス**

**Living Salon**  
リビングサロン

大和ハウス工業株式会社  
久留米支店



大和リビング株式会社



**Daiwa House**

# 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 PFIs, developing programs for realizing liquidity in the real estate market, and supervising the construction of high-quality rental housing for Group companies.

Born in 1950

1969: Joins Daiwa House Industry

2010: Director and Senior Executive Officer

## 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)

# Message from the Corporate Auditor

*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.

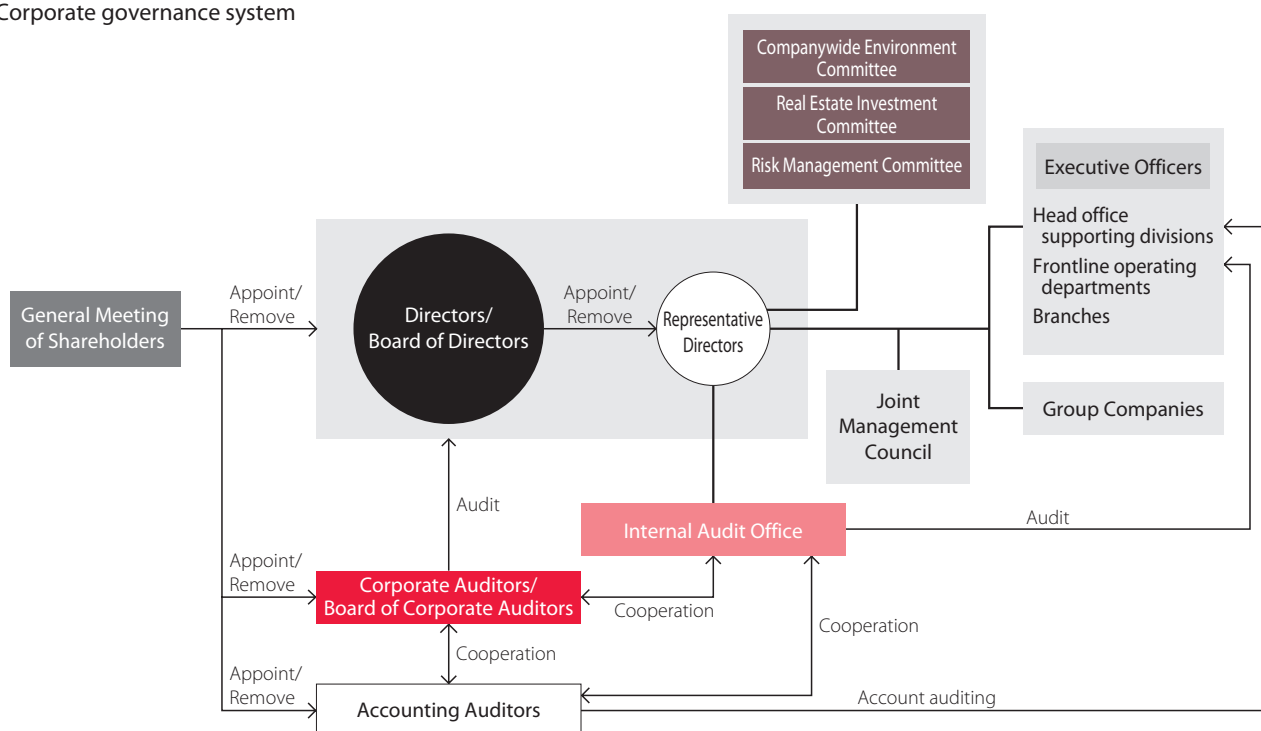
## Status of corporate governance system

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><b>1. Relationship between the Company and External Auditors</b></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><b>2. Coordination with Accounting Auditors</b></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>	<p>Corporate auditors (internal): 3 Corporate auditors (external): 3</p>

<h3>3. Coordination with Internal Audit Departments</h3> <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>	
<b>Joint Management Council</b>	<b>Members</b>
<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>
<b>Risk Management Committee</b>	<b>Members</b>
<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>
<b>Real Estate Investment Committee</b>	<b>Members</b>
<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>
<b>Companywide Environment Committee</b>	<b>Members</b>
<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>
<b>Internal Audit Office</b>	<b>Members</b>
<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>
<b>Corporate Auditors' Office</b>	<b>Members</b>
<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.

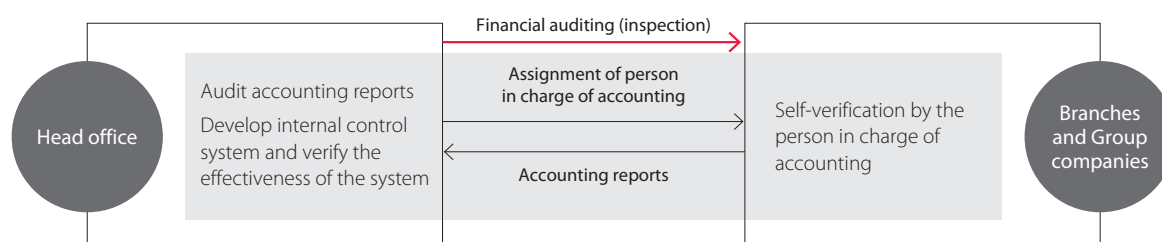
- (1) In the case of a request for an interview by a corporate auditor, directors and employees must comply.
- (2) Corporate auditors receive reports on the status of implementation of internal audits, and may request additional audits, formulation of improvement measures or other matters as necessary.
- (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

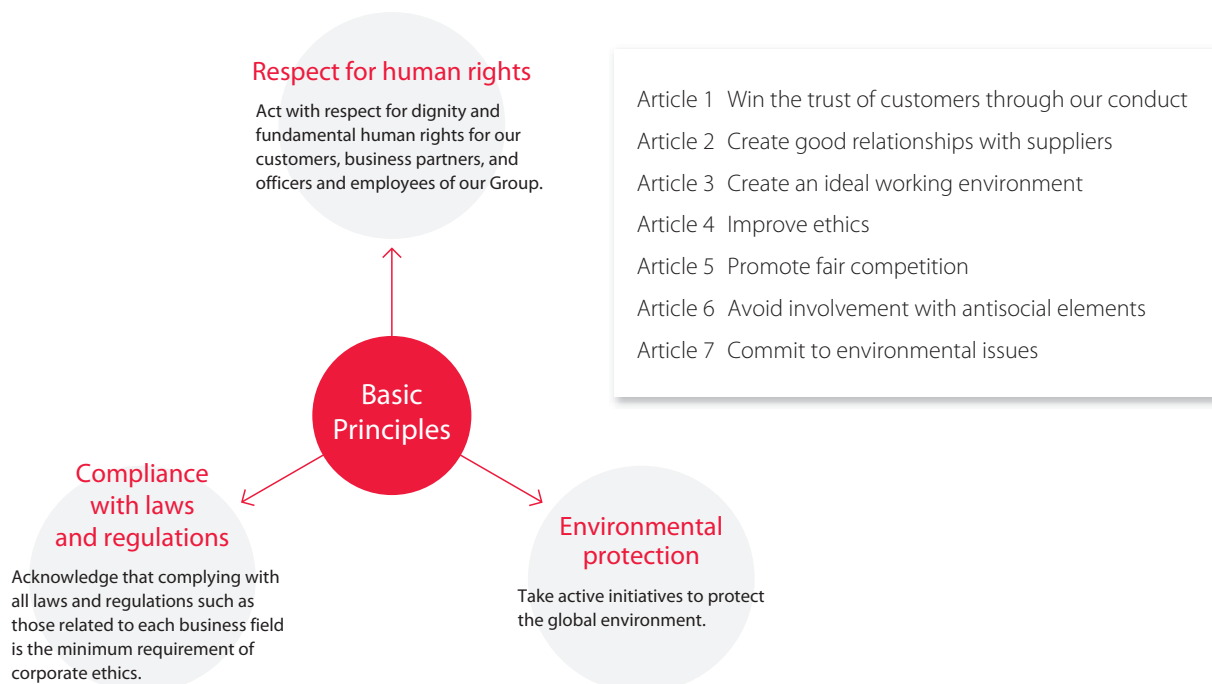
We formulated the Daiwa House Group Code of Ethics and a more detailed set of supplementary Behavioral Guidelines with the aim of clearly specifying principles of conduct in order to put our corporate philosophy and policy into practice. In April 2010, we published the 4th edition of our Daiwa House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

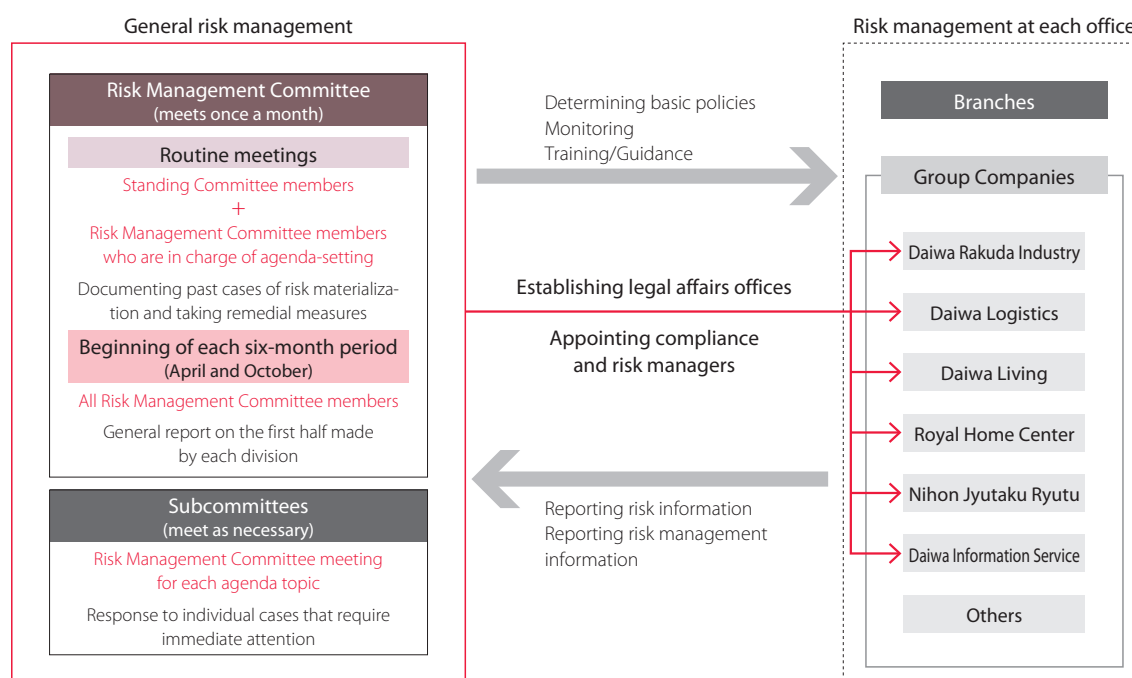
On the basis of the Daiwa House Group Risk Management Guidelines, the Risk Management Committee, chaired by the head of Management Administration, is positioned as the controlling body for risk management activities across the entire Group. The Committee works to maintain and enhance the Group's risk 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.

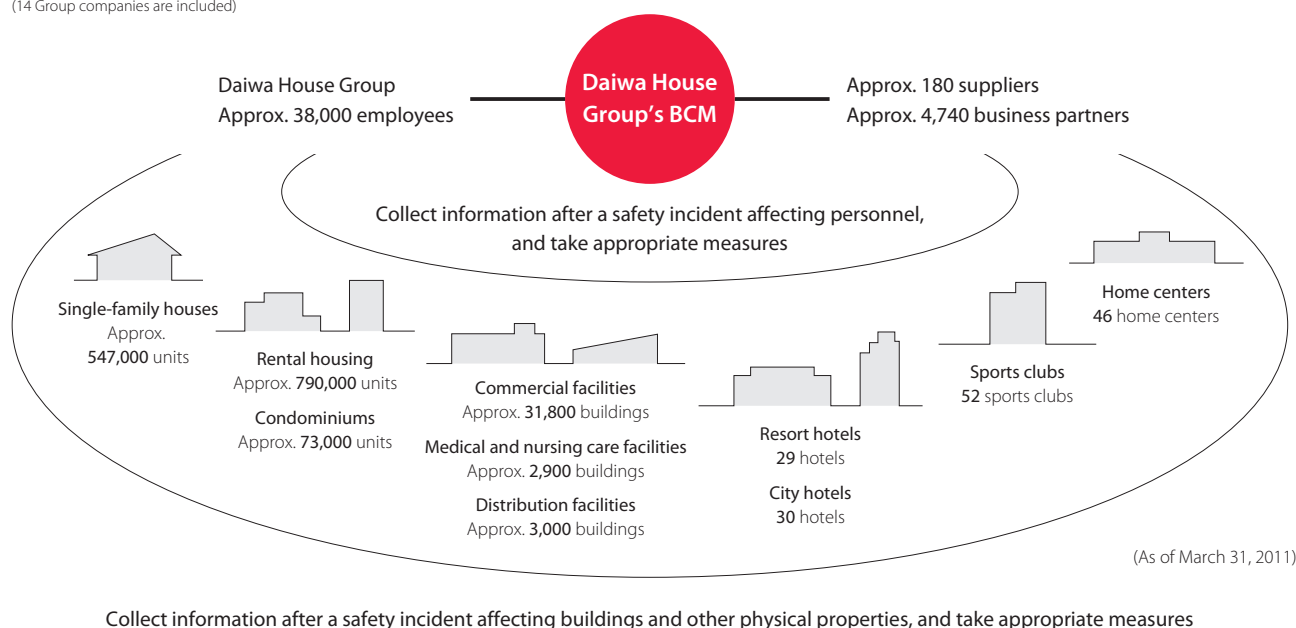
\* BCM (Business Continuity Management): A management system that drafts, operates and reviews the plan (Business Continuity Plan) that stipulates what actions need to be taken in the event of an emergency in order to sustain core operations or allow early recovery while minimizing damage to business 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
<ul style="list-style-type: none"> <li>a) Promote preparations for disaster countermeasures: Ensure adequate disaster-response equipment; stockpile emergency provisions to enable employees to return home</li> <li>b) Implement disaster-response drills: Practice setting up disaster-response headquarters; conduct drills on employees' return home</li> <li>c) In-house education: Provide education in basic disaster-response knowledge</li> <li>d) Partially revise disaster prevention plans: Formulate measures based on the impact of the Great East Japan Earthquake</li> </ul>

## 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.





# Corporate Citizenship

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# CSR Overview

Ever since the foundation of Daiwa House Industry, we have made sincere efforts to understand and respond to the social changes that have constantly unfolded. At the Daiwa House Group, in our design and implementation of new businesses, we continue to ask ourselves two questions: “Will it benefit society?” and “Will it be needed in the future?” As each employee of the Group constantly keeps in mind our “5+1 Criteria” when making business decisions, we believe that our mission is to connect ourselves with the hearts of all our stakeholders and to realize the dream of co-creating a brighter future.

## The 5+1 Criteria

- ❶ Will it benefit the customer?
- ❷ Will it benefit society?
- ❸ Will it benefit the Company's employees?
- ❹ Will it benefit the Company's shareholders?
- ❺ Will it benefit the Company?



Will it benefit future generations?

## Indicators for self-assessment of CSR activities

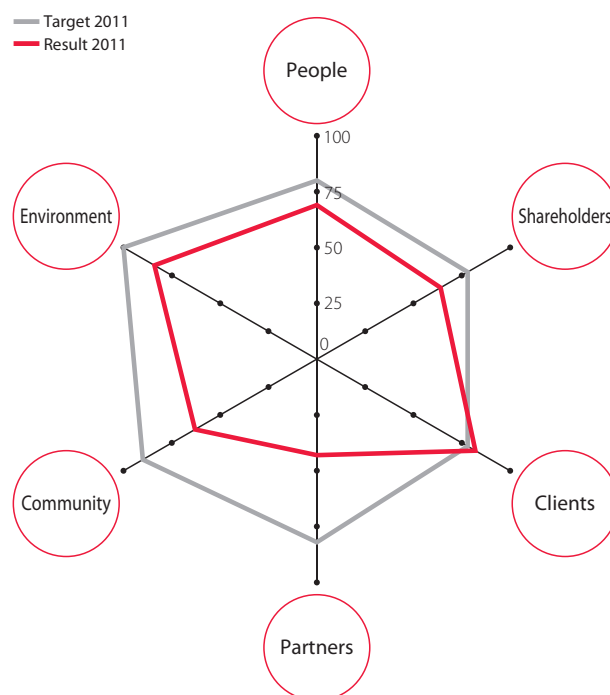
To enable us to quantitatively assess the success of our efforts to satisfy our stakeholders, we have created an index that allows us to evaluate our own performance. This index shows whether or not our business operations are being carried out in a balanced manner, and lets us evaluate our success in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

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

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

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

## Self-assessment of CSR activities by stakeholder category\*



\* Full marks = 100 points



## Stakeholder Meetings

### Summary of 7th Stakeholder Meeting

Date held: November 23, 2010

Facilitator: Yoshinari Koyama

(Professor, College of Economics, Kanto Gakuin University)

Participating stakeholders: 23

(2 customers, 6 company representatives, 2 business partners, 3 NPOs/NGOs, 4 students, 2 research/educational institutions, 1 employee of Daiwa House, 3 others)

#### Theme

1. The "Energy Self-sufficient Home" as the next-generation eco-friendly home
2. Protecting biodiversity  
(Corporate social contributions and use of Company-owned forests)
3. Protecting biodiversity  
(Wooden materials procurement criteria)



We hold stakeholder meetings every year. This is just one of the measures we take to fulfill the Daiwa House Group's mission as a corporate citizen, to foster a sense of community while striving constantly to enrich people's lives. At these meetings, we report to our stakeholders on the Group's day-to-day business operations as well as our CSR activities, so that we can advantageously incorporate our stakeholders' frank opinions into our future activities. At the 7th Stakeholder Meeting, we presented reports on three themes and received a considerable number of opinions and questions from the 23 participants. Below, we present a selection of those questions, together with our answers.

#### Theme No.1

**Q** Equipment such as storage batteries, incorporating leading-edge technology, is important, but so is passive building design, surely?

**A** At the Daiwa House Group, we are fully aware of the importance of passive building design, which makes effective use of natural solar energy and wind, and we have already incorporated wind flow, heat exhaust techniques, and greenery into our home designs as a way of controlling solar heat. From here onward we plan to make proposals for the active use of natural energy in the home for an even more pleasant living environment.

#### Theme No.2

**Q** Could you not make use of Company-owned forests to provide some sort of added value as a special benefit for purchasers?

**A** With the aim of making the best use of Company-owned forests in line with our social contribution stance, we are examining various ways of enabling the participation of a wide range of stakeholders, including not just our employees, but also our customers, business partners, and shareholders. We are currently collecting information and debating the most effective methods.

#### Theme No.3

**Q** Does not the development of an energy self-sufficient home require an approach to the entire energy environment, including the local community?

**A** In the belief that the future will require systems that realize an optimal balance between energy supply and demand, since fiscal 2009 we have been participating in the "Fiscal 2009 Smart House Test Project" conducted by METI, and have been putting effort into the development of housing capable of taking full advantage of the "smart grid" that is expected to become reality in the near future.

#### Theme No.3

**Q** Would it not be a good idea to re-examine your criteria for wooden materials procurement within the context of the overall value chain?

**A** To raise the sustainability of our procurement of wooden materials, we have to implement a strategy to achieve greater understanding on the part of our customers, and we also need the cooperation of our suppliers. We plan to thoroughly examine the current state of our wooden materials procurement, and on that basis to devise optimal procurement methods within the context of the entire value chain.



## Results and targets by stakeholder

### People

Social issues	Specific indicators	2011		Rating	2012 Target
		Target	Result		
Promotion of diversity	Percentage of physically disabled people hired*	1.85%	1.83%	●	1.85%
Human resource training	Percentage of attendance at employee human rights training	100%	94.0%	●	100.0%
	Number of employees holding certifications: a) first-class architects, b) first-class building operation and management engineer and c) registered real-estate transaction manager	a) 1,930 b) 2,370 c) 5,000	a) 1,910 b) 2,339 c) 4,902	●	a) 1,950 b) 2,380 c) 5,020
Promotion of work-life balance	Percentage of paid vacation days taken	38.0%	34.0%	●	38.0%
Improved benefits (Support for employees' home acquisition)	Percentage of employees over age 30 who own homes	56.0%	57.4%	●	56.0%
Objective evaluations of business activities	Surveys on employees' satisfaction with the workplace	80.0%	79.0%	●	80.0%

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

### Shareholders

Social issues	Specific indicators	2011		Rating	2012 Target
		Target	Result		
Financial profitability	Profitability (Assign points to operating income margin calculations)	score: 70	score: 60	●	score: 70
Financial growth	Growth (Assign points to net sales and growth rate of operating cash flow)	score: 70	score: 60	●	score: 70
Financial soundness	Stability or safety (Assign points to interest burden capacity)	score: 80	score: 80	●	score: 80
Financial soundness/efficiency	ROE (Return on equity)	9.0%*1	4.4%	○	—*2
Objective evaluations of business activities	Assign points to the scores of surveys conducted by external organizations	score: 67	score: 74.5	●	score: 78

\*1 Target figure for final year (FY2010) of the Group's Second Medium-Term Management Plan, "Challenge 2010."

\*2 Undisclosed, as the Group's Third Medium-Term Management Plan is still being drawn up.

### Clients

Social issues	Specific indicators	2011		Rating	2012 Target
		Target	Result		
Marketing the optimal number of housing units	Number of units sold (Residential/Rental Housing/Condominiums) (YoY % change)	-0.9%	-4.8%	○	20.0%
Improved home quality	Owner (tenant) satisfaction (Based on questionnaire analysis)	100%	95.6%	●	100%
	Percentage of referral sales from owners (tenants) (Residential/Rental Housing) (YoY % change)	2.0%	36.7%	●	2.0%
Safe/Worry-free homes	Earthquake resistance (Residential)* (Ratio of highest class certification)	95.0%	91.0%	●	95.0%
Long-term home occupancy	Renovation business orders (YoY % change)	36.1%	23.0%	●	28.8%

\* Depending on requirements of residents, equipment for the highest class certification may not be installed.

#### Rating\*

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

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

## Partners

Social issues	Specific indicators	2011		Rating	2012 Target
		Target	Result		
Supply chain (Improved occupational health and safety)	Number of work-related accidents (construction sites) (YoY % change)	-30%	14.5%	○	-30%
	Number of work-related accidents (factories) (YoY % change)	-30%	0.0%	○	-30%
Supply chain (Environmental initiatives)	Percentage of environmental management system adoption in factories	100%	100%	●	100%
Fair business practices	Percentage of cases resulting in settlement (resolution rate) after partner made complaints under the Act against Delay in Payment of Subcontract Proceeds, etc. to Subcontractors	80% or more	100%	●	80% or more
Business continuity in times of emergency	BCM (business continuity management) initiatives (Use of a system for confirming the survival)	80%	72.0%	◐	80%
Objective evaluation of business activities	Partner surveys regarding company employee actions (Assign points to survey results)*	a) 50% b) 70%	a) 57.1% b) 63.4%	◐	a) 50% b) 70%

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

## Environment

Social issues	Specific indicators	2011		Rating	2012 Target
		Target	Result		
Prevention of global warming	Contribution to CO <sub>2</sub> emissions reduction	100%	85.8%	◐	100%
Reduction in waste output	Construction materials waste output	100%	114.9%	●	100%
Reduction in harmful substance use	Volume of PRTR harmful chemical substances used	100%	80.8%	◐	100%
Harmony with natural environment	Ratio of certification for environmentally friendly houses (subdivisions)	100%	48.0%	○	100%
Widening the scope of environmental protection	Green purchasing ratio (major six items)	100%	92.9%	◐	100%

## Community

Social issues	Specific indicators	2011		Rating	2012 Target
		Target	Result		
Contribute to the local/international community	Community service activities, cooperation with NPOs/NGOs, community service expenses*1	a) head: 30 cases, other: 92.0% b) head: 10 cases, other: 15.0% c) 1.0%	a) head: 30 cases, other: 95.7% b) head: 10 cases, other: 17.2% c) 2.19%	●	a) head: 30 cases, other: 100.0% b) head: 10 cases, other: 15.0% c) 1.0% or more
	Percentage of paid leave taken for volunteer activities	20%	13.4%	○	20.0%
	Donation, collection activities (employee participation rate)	50%	70.8%	●	50%
Information security (Protect personal information)	Year-on-year percentage change in number of incidents of possible leakage of customer information (theft/lost)	75% or less	150.0%	○	75% or less
Response to risk	Response to company ethics helpline reports (resolution rate)	80% or more	98.6%	●	80% or more
More information disclosure/opportunities for interchange	Stakeholder meetings (satisfaction as measured through survey evaluations)*2	a) 85% b) 65%	a) 65% b) 61%	○	a) 70% b) 70%

\*1 a) Community service activities: Number of head office activities; Percentage of other offices that are implementing activities, b) Cooperation with NPO/NGO: Number of head office activities; Percentage of other offices that are implementing activities, c) Community service expenses: as a percentage of recurring income (5-year average up to the previous period).

\*2 Questionnaire survey results a) As a percentage of "atmosphere encouraging active discussion" to total participants, b) As a percentage of "easy-to-understand explanation" to total participants.

# People



We firmly believe that a company's human resources are its greatest asset. Therefore, to foster employees' individuality and maximize their latent abilities, we implement a range of measures. We believe it is essential for the further growth of the Company and the Group that our employees feel satisfaction in performing their jobs, and a purpose in life, and we take steps to maintain their high level of motivation.

## Overview 2011

- OJT Veteran-Guidance System started for training of new hires
- Commenced system allowing staff to take paid leave in multiples of one-hour units
- Extended period for employees to take leave for nursing care, and abolished limit on number of times system can be used

## Development of human resources

We conduct staff training at separate levels under three principal themes: corporate ethics for our new hires; professional skill development for our middle-level staff; and management capability strengthening for our management staff.

In fiscal 2010 we revised our system for training new hires. Up until then, we had entrusted our younger staff with the task of training newly entered employees, but under the new system, called the OJT Veteran-Guidance System, new hires are paired with an older employee with around seven years' work experience, who acts as the instructor. The training of each new hire is carried out by a team, centered on the instructor, and including senior staff and an OJT network comprising other departments. We also implement training for the instructor himself or herself, and expect him or her to think about the curriculum. We believe that by providing such training and support for new hires, they will grow into the next generation of leaders. In fiscal 2010, 231 new hires participated in this training system.

In fiscal 2010 we began a program of practical construction

training for all new hires in all departments of the Company. This training is carried out at our training centers, and involves the actual construction of a single-family house. Whatever subject the new hire may have majored in at college, we insist that he or she acquires experience in our core business of construction. We believe that this basic knowledge will help all our new employees to more deeply understand our business operations.

To foster the next generation of managers, in 2008 we established the Daiwa House Juku, a management skills development course. In its three years of operation, the Daiwa House Juku has produced 23 directors and executive officers, and 47 staff members participated in the course in FY2010. We also operate programs to train self-reliant decision-makers. In FY2010, 12 employees took advantage of our In-House Open Application System, while six employees made use of the Job Selection ("Free Agent") System. Up to now, a total of 255 staff have completed our Branch Manager Application and Training System, of whom 37 have been appointed as branch managers.

## Employee training programs

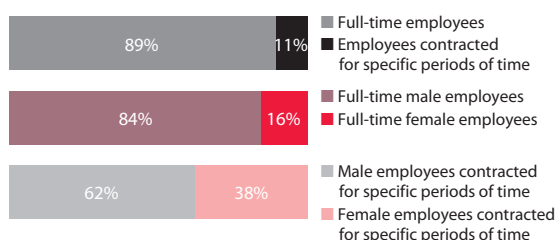
Three themes	Candidates	Main programs
Enhancement of management capabilities	Managers (including junior section chief-level managers)	<ul style="list-style-type: none"> <li>• Daiwa House Juku</li> <li>• Branch managers application and training system</li> <li>• Management skills development training</li> </ul>
Professional skill development	Experienced employees	<ul style="list-style-type: none"> <li>• Di-Q examination (sales)</li> <li>• Special training programs tailored to each segment</li> </ul>
Thorough understanding of corporate ethics	Newly hired employees	<ul style="list-style-type: none"> <li>• New-hire training</li> <li>• OJT Veteran-Guidance System</li> </ul>



### Training in house construction for new hires

Participants survey the soil conditions, after which they lay the foundations, erect the steel frame, and conduct interior finishing work. Inspections are conducted at each stage. This training course lets them experience the basics of construction.

## Employee breakdown (As of April 1, 2011)



## Improving employees' work-life balance

Daiwa House is actively adopting personnel programs that motivate its employees at work while helping them make the most of their personal time in line with their particular lifestyle. We have introduced the Home Holiday program, in which employees are encouraged to take paid leave in a planned manner for such purposes as attending the Parents' Day at their children's school, or simply to spend more time with their families. In fiscal 2010, 12,559 employees, or a majority of our staff, took advantage of this program.

With regard to amendments to our existing personnel support programs, in May 2010 we introduced a program that allows employees to take paid leave in multiples of one-hour units, so that they can take time off work for child-rearing, nursing care, and so on. And in June we amended our nursing care leave program, extending the total period that employees can take for nursing care purposes, and abolishing the limit on the number of times the program can be used. These are some of the steps we have taken to improve the work environment at Daiwa House.

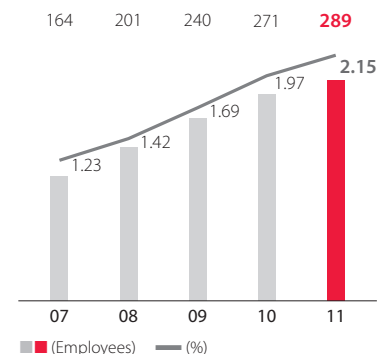
## Utilization of Company personnel systems (Number of users)

Program	2010	2011
Child care leave program	95	103
Reduced work hours program	156	197
Nursing care leave program	0	3
Lump-sum payment for development of the next generation*2	631	686
Paid leave accumulation program (users/days)	98/2,890	131/4,092
Work Area Selection System	34	34

\*2 The Company pays out ¥1 million per child to any employee who gives birth.

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

\*1 Data collected each April; covers all employees.



## Promoting workforce diversity

Against the backdrop of a decline in the birthrate and the aging of the population, companies will soon face serious difficulties in securing adequate human resources. To make the most of diversity within our workforce, we are expanding the number of female employees in executive positions, and are also promoting the employment of older persons and persons with disabilities. With respect to the re-employment of older employees, in April 2011 we rehired 115 employees (55.8% of those reaching the mandatory retirement age). As of April 1, 2011, persons with disabilities accounted for 1.83% of our total workforce, which is above the statutory requirement of 1.8%.

All employees of Daiwa House are required to attend courses aimed at raising human rights awareness. Through these courses, we foster awareness of the importance of respect for human rights under the slogan "don't discriminate, don't let others discriminate, oppose discrimination." We have also made consultation services related to human rights available to our employees, and the consultation desk dealt with 39 cases in fiscal 2010.

## Status of human rights education (Result 2011)

Education program	Candidates	Number of times	Total number of participants
Education at each business location	All employees	412	26,658
Education by rank/objective	Managers/Senior staff/ Assistant managers/ New hires	17	772
Promotion leader training	Promotion staff	6	325
Group companies (support)	Group company employees	9	280



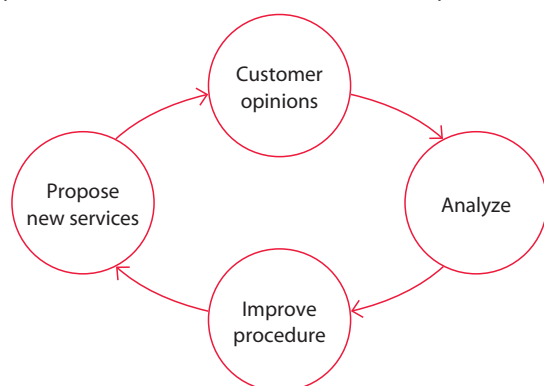
# Clients

We place great importance on satisfying each customer's particular preferences, and have included this concept in our behavioral code. We pay great attention to the opinions of each customer and attempt to reflect them in the development of our products, technologies, and services. And we continue to build relationships of trust with our customers through our thoughtful after-sales services.

## Incorporating customers' opinions into our business activities

To keep abreast of our customers' opinions, we send questionnaires to purchasers of our homes, and also operate a 24/7 call center. To ensure that the customer opinions we receive lead to improved products and services, customer satisfaction committees conduct continuous improvement activities. Serious complaints are reported to the Risk Management Committee, and the resources of the whole Company are marshaled to ensure that such issues are dealt with on a priority basis, leading to significant improvements in our operations. Amid today's market, where customers' lifestyles are diversifying, we aim to incorporate the concept of "treating each customer as an individual" into the marketing and development of products. Thus, we have developed and launched on the market a house model designed for double-income households and featuring a special make-up space so that the lady of the house can maintain her beauty and nurture her individuality. We also pay close attention to the safety of children in the design of our houses. All these products were made possible by our concept of treating each customer as an individual.

### Improvement activities based on customers' opinions



### Overview 2011

- Daiwa House's single-family houses and services won awards in five categories at the Kids Design Award 2010\*
- We launched house models targeting double-income households, as well as net zero energy houses

## Maintaining a relationship of trust through superior after-sales service

To maintain a good relationship with a buyer after handing over the keys to the home, we put great effort into providing excellent after-sales services. Through our AQ ASSET service, which helps owners of single-family houses maintain the asset value of their homes, and our Easy-Life Support-DAPS service (DAPS = Daiwahouse Apartment-house Partnership System), which helps rental housing owners maintain asset values and manage their apartments, we provide long-term support up to a maximum of 50 years for single-family houses and 40 years for rental housing.

With regard to commercial and business facilities, we operate the Good Relations system, in which our staff pay regular visits to our customers to offer proposals for reducing life cycle costs or extending the useful lives of the buildings. We also hold consultation sessions throughout Japan for tenants of facilities built by the Group.



Functional wall fabrics



Finger-safe door

We employ functional wall fabrics that are manufactured from natural materials with no harmful chemicals, and are safe both for people and the environment. Our houses are also fitted with Finger-safe doors, whose design prevents accidents where children's fingers become trapped between the door and the door-frame. In the field of single-family houses, our products and services designed to help home owners raise children safely and without worry have won awards at the Kids Design Award\* show for three consecutive years.

\* An annual show held by the Kids Design Association, an NPO, with support from METI.



We operate separate and unique systems of cooperation with our partner companies in construction, our materials suppliers, and our construction equipment suppliers, and undertake continuous improvement activities relating to both products and technologies. We also adopt a proactive stance on fulfilling our corporate social responsibilities in relation to environmental issues.

## Overview 2011

- Expanded “Partners Hotline” to cover business partners of Group companies
- Thanks to our measures to improve occupational health and safety, no employee fatalities were reported for fiscal 2010

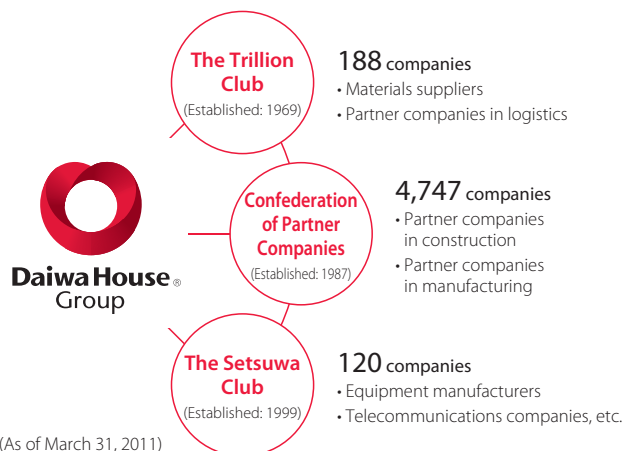
## Working with our partners

Our Confederation of Partner Companies has approximately 4,750 members engaged in manufacturing or erection/installation work in the Group’s principal business areas of single-family houses, rental housing, and commercial facilities. The key words that governed the Confederation’s activities in fiscal 2010 were “ecology,” “improvement,” and “challenge.” To direct our efforts, we also designated five focal themes — safety, quality, the environment, sales promotion, and education. Thanks to measures taken in fiscal 2010 to prevent workplace injuries, such as steps to minimize the possibility of heat stroke amid the record-setting summer heat wave, there were no fatalities for that year. In addition, to ensure a high level of quality in construction processes, we continue to hold lectures and training sessions for our partner companies in construction to raise the degree of precision of their voluntary inspections.

In cooperation with the members of the Trillion Club, which is composed of our suppliers in the fields of iron and steel materials, we promoted the use of joint materials transportation as well as methods to reduce waste.

## Building fair and equitable relationships

To build and maintain permanent relationships in the spirit of mutual prosperity, we make great efforts always to treat our business partners fairly and equitably. In fiscal 2010 we expanded the scope of coverage of our Partners Hotline service to include not only the business partners of Daiwa House Industry, but also those of other Group members. This enables those partners to report any problems involving relationships between themselves and Daiwa House employees. In addition, we send out a questionnaire once a year to members of the Confederation of Partner Companies, and from fiscal 2010 this survey was expanded to include eight business partners of Group members, with the goal of building more transparent and equitable relationships with those companies. We are also building a system of collaboration to create a post-disaster reconstruction support structure. This includes the expansion to 468 firms of the number of members of the Confederation required to apply our system of employee safety confirmation following a natural disaster, as well as the holding of disaster drills three times a year.



### Inspector certification system

We conduct courses to impart the necessary technical knowledge and other know-how needed to perform in-house inspections at building companies, and those who pass the course are certified as inspectors. These qualifications must be renewed every three years.



### Rest areas for prevention of heat stroke

We take special measures to improve the working environment during the summer by providing shaded rest areas equipped with misting fans and supplies of beverages to replace water and salts lost through perspiration.

# Shareholders



At Daiwa House, we work continuously to effect fair and prompt disclosure of corporate information, to realize two-way communication with our shareholders, as well as market investors in general. We work to raise the Company's enterprise value and shareholder value by communicating the Group's strengths — including details of our business operations and our future vision — to a wide audience.

## Overview 2011

- Held first results briefing for individual investors in April
- Held presentations on our Chinese operations, which are attracting growing interest, as well as guided tours of our development sites in China
- Conducted IR activities in Europe, the US, and Asia

## Proactive investor relations

In a new departure for us, in April 2010 we held our first information session for individual investors. This was an opportunity for us to stimulate increased interest in Daiwa House and the Group, and the session was attended by some 270 individual investors. We also took other steps targeting a wider circle of investors, including publishing articles introducing Group members in a magazine targeted at individual investors. We also actively participated in business conferences in Japan and overseas, and took the opportunity to talk directly with representatives of institutional investors by holding separate meetings at conferences in Japan. We held 288 investor relations sessions for institutional investors in FY2010.

In FY2010 we also recommenced full-scale IR activities overseas, on which we had substantially cut back following the global financial crisis. We conducted IR "roadshows" in the United Kingdom, the United States, Singapore, and Hong Kong, featuring top members of Daiwa House management, and also participated actively in business conferences. The Group's real estate

development projects in China in FY2010 attracted considerable interest both within the housing industry and outside it. At a management strategy briefing session in May we conducted a presentation focusing on the progress of our development projects and our investment policy. We also held seven guided tours of our project sites in Dalian and Suzhou, and took part in a conference for investors organized by a securities company to introduce companies planning business developments in China. In our existing business fields, we displayed a new house model fitted with lithium ion storage batteries, as well as a rental housing product with advanced security features.

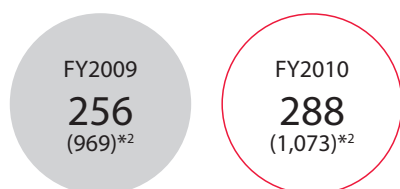
During the term under review we introduced a number of new IR tools to increase understanding of our business operations: these included providing supplementary results briefing materials that included an analysis of the factors behind our performance, and the disclosure of detailed data on each of our business segments.

## The Group's investor relations calendar

Events	2011										2012				
	Apr.	May	Jun.	Jul.	Aug.	Sep.	Oct.	Nov.	Dec.	Jan.	Feb.	Mar.	Apr.	May	
Announcement of accounts settlement for FY2010		●													
Management policy briefing for FY2011			●												
Annual General Meeting of Shareholders			●												
Business report and special benefit plan sent to shareholders			●												
Announcement of accounts settlement for FY2011 Q1					●										
Publication of Annual Report						●									
Announcement of accounts settlement for FY2011 Q2 and management policy briefing								●							
Announcement of accounts settlement for FY2011 Q3										●					
Announcement of accounts settlement for FY2011 and management policy briefing														●	

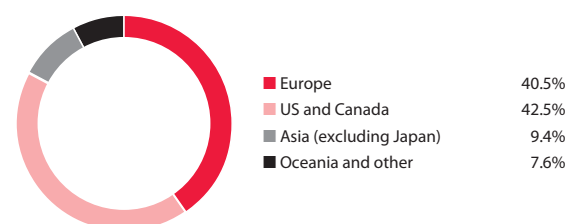
Note: The schedule is subject to change without notice.

### Number of institutional investors (companies) attending our IR activities



\*2 Number of participants at IR sessions for institutional investors.

### Percentage of investors abroad by region (As of March 31, 2011)



### Dividend policy

In determining its dividend payments, the Daiwa House Group takes into account the need to maintain a good balance between the appropriation of profits to shareholders on the one hand, and the necessity of securing sufficient retained earnings for future business expansion and the reinforcement of the Group's business base on the other. In addition, we endeavor to strengthen our financial soundness, broaden our base of operations by investing in research and development and production facilities, and expand our business premises to raise our competitiveness and improve profitability. We have set a dividend payout ratio target of 30%, and will appropriate profits to our shareholders in the form of a term-end dividend, subject to approval at the annual general meeting of shareholders, taking into account the Company's annual earnings on a consolidated accounts basis.

We will also adopt a flexible stance on shareholder returns by pursuing acquisition of our own shares for inclusion in treasury stock as appropriate.

### External evaluations

The Securities Analysts Association of Japan publishes a list of companies that it deems to have engaged in excellent disclosure activities. At Daiwa House, we are enhancing our IR activities in order to improve our ranking, which we regard as an important external evaluation. In FY2010 Daiwa House was listed fourth out of 21 companies in terms of overall ranking in the construction, housing, and real estate divisions, up from 12th in the previous year. We were also selected from among 225 Japanese companies for "notable improvement in disclosure." This was achieved thanks to the Association's high evaluation of the Company's proactive stance toward investor relations, as well as the accumulation of large amounts of reliable information by our IR staff and the segmentation of the Group's business, which realistically conforms to our fields of business. In addition, we have conducted a "perception gap study\*1" to determine the gap between perceptions of the Company among analysts and the reality, and are planning to further enhance our IR activities on the basis of the opinions revealed by this study.

\*1 This study was carried out to ascertain the image of the Company among our shareholders and market investors, as well as their expectations, in the hope of narrowing the gap between perception and reality.

### Inclusion status in SRI\*3 indexes (As of April 2011)



Morningstar Socially Responsible Investment Index



FTSE4Good Index Series

\*3 Socially Responsible Investments (SRI): These are investments in which the Company not only pursues profit, but socially responsible activities with environmental considerations as well.



### Participation in IR conferences

At the CLSA Japan Forum held in February 2011, we discussed the future direction of business and growth strategies at Group companies.



# Community



At the Daiwa House Group we carry out many community-based activities with the goal of assisting in the development of regional society and improving the living environment. These activities also afford us excellent opportunities for dialogue with our many and varied stakeholders. From here on, too, we hope to continue helping to build a better society while reflecting our stakeholders' opinions in our activities.

## Overview 2011

- Individual social contribution activities numbered 1,724, for a year-on-year increase of 15.9%
- Sakura Project started, in which the number of cherry trees planted is linked to the number of xevo series eco-friendly houses sold

## Social contribution activities

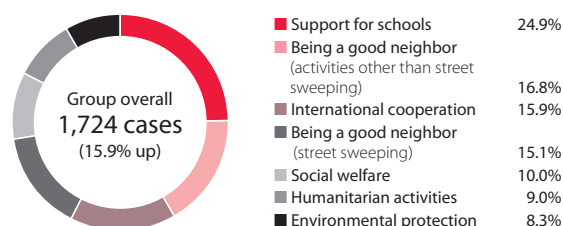
Our social contribution activities are mainly concentrated on the environment, welfare, and education. In fiscal 2010 the number of individual activities held at our business premises totaled 541, roughly the same as the previous year. However, the number of activities conducted by the Group as a whole increased by 15.9%, to 1,724. We put particular effort into work-experience courses, in which we made good use of our main line of business, and we also held more workshop-type educational activities. This type of support accounted for 24.9% of all activities. To enable our employees to participate in social contribution initiatives, we allow time off work for volunteer activities (up to five days per year), and the rate of utilization\* of this system was approximately the same as the previous year, at 13.4%, short of our target level of 20%. In addition, our Endless Fund, which accepts donations from employees each month, totaled ¥8,431,777. Our Heart Fund, for communities hit by the Great East Japan Earthquake and other disasters, totaled ¥203,263,599.

\* The rate of utilization = number of days off work divided by the number of days off to be taken by all personnel at term-end.

## The environment, welfare, and education

Since 2008, we have been tree-planting on Mount Rokko in Hyogo Pref. In the year under review we carried out tree-thinning and underbrush-clearing, among other work. In addition, to protect and utilize the Company-owned forests as a Satoyama (border zone between hills and arable land) that can be enjoyed both by the rare animals and birds that live there and by people, we cleared brush and weeds and pruned branches along the hiking paths. In the field of welfare, Group employees served as volunteer staff in the Hearty Night special nighttime event for disabled people and their families or carers put on by the Maruyama Zoo in Sapporo. Lastly, in the field of education we provided work-experience courses for school children to help nurture an understanding of the world of work and the attraction of a career. At our Dorikamu work-experience education sessions, we helped students plan and make presentations on themes closely involved with the Group's business operations, such as the construction of houses or school buildings, which are familiar to them. We held examinations followed by an awarding ceremony.

## Community support activities



### Forest preservation activities

We manage a forest of mixed trees on the slopes of Mount Rokko in Hyogo Pref., at a site we have named the "Nagomi no Mori" (Peaceful Forest), to help prevent soil erosion and consequent landslides.



### Work-experience courses

We offer work-experience courses for middle-school students to give them an idea of the processes involved in building a house, and to let them feel for themselves the hard work involved but also the rewards of achievement.



## Highlights of the year's sakura (cherry tree) protection activities on Mount Yoshino

2010	2011	 Cherry trees on Mount Yoshino
<b>May</b> <ul style="list-style-type: none"> <li>Daiwa House acted as an official sponsor of the URBIO (Urban Biodiversity &amp; Design) 2010 International Conference, where we presented our activities on Mount Yoshino</li> <li>Planted cherry trees on the International Day for Biological Diversity</li> </ul>	<b>July</b> <ul style="list-style-type: none"> <li>Collected cherry seeds for nurturing saplings</li> <li>Held study session</li> </ul> <b>August</b> <ul style="list-style-type: none"> <li>Underbrush-clearing</li> </ul> <b>November</b> <ul style="list-style-type: none"> <li>Removed and pruned dead or damaged trees</li> </ul>	

### Protecting cherry trees on the slopes of Mount Yoshino

Mount Yoshino in Nara Pref. is a national park and is registered as a World Heritage site. Some 30,000 cherry trees crowd the slopes, but environmental damage has made action necessary to protect these beautiful trees. In April 2008 the Group was asked by the Mount Yoshino Hosho-Kai, a local volunteer group, for cooperation. As Nobuo Ishibashi, the founder of Daiwa House Industry, grew up close to Mount Yoshino, we place considerable importance on our ties with the people of this area, and we therefore commenced activities to protect the trees. On May 22, 2010, which is the International Day for Biological Diversity, we collaborated with the Mount Yoshino Hosho-Kai and the Nara Prefectural Yoshino High School in planting cherry tree saplings. We also acted as the main sponsor of the URBIO (Urban Biodiversity & Design) 2010 International Conference held in Nagoya, where we held a poster display to introduce our activities on Mount Yoshino. We plan to continue our activities on the mountain, including nurturing saplings and planting trees, with our employees and local citizens.



Clearing underbrush on Mt. Yoshino

For a well-managed forest, an important task in the summer is clearing the underbrush that grows in and around the woods. Company employees together with staff from other Group companies cut down the weeds close to the saplings that we have planted.



Planting trees in the Sakura Project

One by one, the students shovel soil on top of the saplings' roots while hoping that they will grow into healthy and beautiful cherry trees. We believe this sort of experience helps cultivate an appreciation for the importance of nature.

### The Sakura Project

In September 2010 we commenced the Sakura Project with the aim of planting cherry trees (sakura) that will grow and flourish when our children have grown up, to help teach children the importance of protecting nature. In this project the number of cherry trees planted is linked to the number of houses in our xevo series of eco-friendly single-family houses that have been sold. The trees are planted in the grounds of kindergartens and elementary schools. In fiscal 2010 the staff of three of our branches took part in this project, with employees and children planting the trees together. We plan to maintain this project for a specific period and in certain regions, successively spreading these activities all over Japan.

#### Support activities in Cambodia

In collaboration with NGOs in Japan and Cambodia, the Group is providing support for Cambodian children. We are continuing to send picture books, which is something we started in 2007, and in 2008 we donated an elementary school and a well. In the construction of the school we received the collaboration of young people bringing up children, who had attended our explanatory session on housing plans. We requested customers to give us their signatures in agreement with our activities, and for each signature we donated ¥100. Added to the donations received from our employees, the total came to around ¥4.53 million. This money was donated to the construction of a school where 290 children could study.

We will continue to carry out such support activities, and are currently examining various possibilities for financing post-construction maintenance.

# Environment



At the Daiwa House Group we try always to keep the future in mind when thinking about environmental issues. As a wide-ranging business enterprise grouping, we therefore work actively together with stakeholders to realize environmental preservation activities where the bar is set higher than usual. We believe that in so doing, we will assure ourselves of sustainable growth and development.

## Overview 2011

- Once again reached "CO<sub>2</sub> Double Score" target
- Launched ZEH (net zero energy house) on the market
- Started verification tests on energy self-sufficient home
- Drew up Biodiversity Declaration

## Environmental management

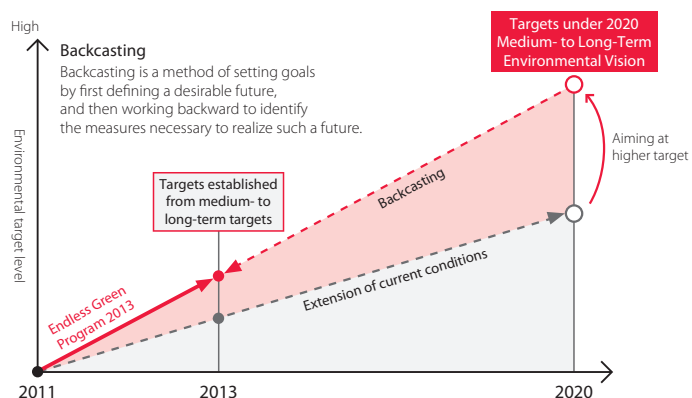
Under the Group's "Vision 2020" medium- to long-term environmental vision, every three years we draw up an environmental action plan called the "Endless Green Program." Environmental activities are conducted in pursuit of specific targets set for each business and department. To enable the Group as a whole to pursue coordinated environmental activities, we operate the Group Environmental Management System.

We also work to raise the environmental awareness of Group staff through general education in environmental matters for all employees, as well as specialist training with a focus on specific environmental risks. At our 10 factories, we have drawn up environmental impact assessment standards in conformity with the ISO 14001 environmental management standard, and conduct continual monitoring and improvement of environmental management systems. We also carry out environmental audits once every six months.

## Endless Green Program 2013

The theme of our efforts in the 2008 – 2010 period was moving "from environmental preservation to environmental management." Under this, we expanded the scope of the program to 13 major Group companies, and the prime focus was global warming. From fiscal 2011 our theme will be "combining environmental measures and business management," and we have further expanded the scope of the program to encompass 28 important Group members. We aim to expand sales of eco-friendly products, and our basic policy will involve taking further measures to mitigate global warming and making progress in biodiversity initiatives. We will also conduct initiatives in the new fields of Eco-Friendly Technologies and Eco-Friendly Communications, and will be conducting technological development toward the realization of net zero energy houses (ZEHs)\* and net zero energy buildings (ZEBs)\* while also focusing on effective disclosure to our stakeholders.

\* ZEHs (net zero energy houses) and ZEBs (net zero energy buildings; they produce at least as much energy as they consume) net energy consumption is thus zero.



## Environmental Management Policies of Endless Green Program 2013

**Increasing sales of eco-friendly products by strengthening CO<sub>2</sub> savings proposals**

— Turning the environment into the driving force behind business expansion —

**Establishing leading environment-friendly brand by realizing examples of CO<sub>2</sub> savings**

— Early realization of ZEH & ZEB —

## Measures to combat global warming

Energy consumption in Japan is showing a particularly marked rising trend in the home, retail outlet, and office sectors, compared with industry or transportation. The development and popularization of net zero energy houses and buildings (ZEHs & ZEBs) is thus an urgent priority. Amid this situation, we developed large-scale photovoltaic power generation systems for installation on houses, and launched the xevo YU single-family house model in July 2010. The xevo YU, which we are currently marketing, is a net zero energy house. With regard to our plans to realize an energy self-sufficient home by 2020, since July 2010 we have been conducting verification tests on the SMAxEco HOUSE, a model house which is the first in Japan to be fitted with lithium ion storage batteries. Our target date for commercialization of net zero energy buildings is 2030, and to this end we have started up a project to develop eco-friendly construction systems.

For further details ► P104 The Energy Self-sufficient Home

## Basic Policies of Endless Green Program 2013

Basic policies	Priority strategies
Seek further global warming countermeasures	Develop energy conservation programs based on Group-wide energy management system Expand handling of eco-friendly products across all business segments
Pursue measures to protect biodiversity	Propose communities created by people and nature Utilize natural resources with consideration for ecosystems
Conduct technological development for realization of ZEH & ZEB	Combine energy conservation, renewable energy utilization, and energy storage technologies Develop new eco-friendly products in the construction field
Engage in effective communication with stakeholders	Employ communication strategies that involve stakeholders in the Group's activities Raise the level of environmental awareness among all directors and employees and practice environmental action

## Daiwa House Group Biodiversity Declaration

In October 2010 the Group drew up its Biodiversity Declaration, in which we pledged to work toward a society where people and nature could live together in harmony. We also formulated basic principles and behavioral guidelines, as well as more specific guidelines to enable us to ascertain whether or not our principles and guidelines were being properly observed at the operational level.

### Basic Principles

As a member of global society, the Daiwa House Group recognizes that a healthy natural environment characterized by a high level of biodiversity is a blessing for mankind. We therefore pledge to take ecological considerations carefully into account in all our business operations, with the goal of helping to create a society capable of sustainable development, where people and nature can live together in harmony.

### Behavioral Guidelines

1. Pursue business operations that enable people and nature to live together in harmony
2. Propose communities created by people and nature
3. Use natural resources carefully, mindful of the impact on the ecosystem
4. Contribute to biodiversity through research and development
5. Communicate and collaborate with our stakeholders

### Specific Biodiversity Guidelines

#### Development & community creation

1. Ascertain the potential of the natural environment
2. Preserve and plant greenery
3. Be careful to preserve sufficient natural environment as a habitat for small animals
4. Take care to create a connected network of habitable environments for the ecosystem
5. Take steps to minimize the environmental impact of construction work
6. Pay adequate consideration to ecological maintenance and management

#### Procurement of wooden materials

Wooden materials in the following categories may be procured:

1. Certified forest timber (timber certified by an independent third-party institution)
2. Recycled wooden materials (materials recycled from construction-site waste)
3. Wooden materials recommended by the Company (wood from sources other than 1. and 2. above that is deemed to reach acceptable levels of legality and sustainability)



## Priority environmental activity themes, and principal measures taken

### Countermeasures against global warming

At the Daiwa House Group, we have committed ourselves to reducing CO<sub>2</sub> emissions by more than the amount of CO<sub>2</sub> emitted as a result of our business operations. As a gauge to measure the degree of contribution, we have devised the "CO<sub>2</sub> Reduction Contribution."<sup>\*1</sup>

In fiscal 2010, although we reached our CO<sub>2</sub> Double Score<sup>\*2</sup> target, both CO<sub>2</sub> emissions from the Group's business processes and, conversely, the contribution (in volume terms) to reduction in CO<sub>2</sub> emissions made by our products and services failed to reach their targets. As a result, the CO<sub>2</sub> Reduction Contribution rose only slightly from the fiscal 2009 level. In the field of products, we benefited from the government's introduction of the eco-point system for housing, and while CO<sub>2</sub> conservation-type housing products gained in popularity, proposals for eco-friendly commercial facilities failed to make adequate headway among our customers.

<sup>\*1</sup> Contribution (volume) made by products and services to reduction of CO<sub>2</sub> emissions ÷ CO<sub>2</sub> emissions volume from business processes

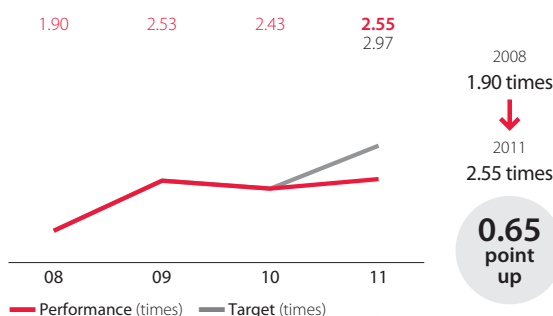
<sup>\*2</sup> The Double Score refers to setting the CO<sub>2</sub> Reduction Contribution at twice the volume of CO<sub>2</sub> emissions.

### Protection of resources

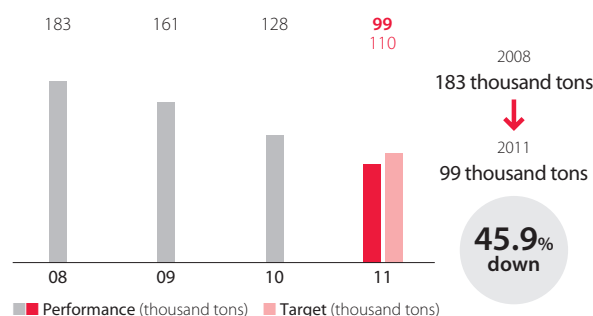
To reduce the environmental load posed by the disposal of industrial waste as well as to make the most effective use of the world's limited natural resources, the Group is promoting the so-called 3Rs, i.e., Reduce, Reuse, and Recycle, as our way of helping realize a more sustainable society, where resource recycling will play a crucial role.

In fiscal 2010, to assist us in reducing industrial waste associated with construction, at our housing construction sites we promoted the increased use of pre-cut plasterboard and roof tiles. In the construction of commercial facilities, particularly using prefabricated systems, we introduced pre-cut interior materials, and also reduced the amount of packaging materials used on office automation floors. As a result, the volume of waste generated from construction work was reduced sharply, by 45.9% from the fiscal 2007 level.

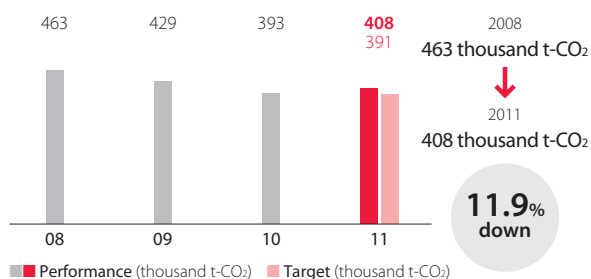
#### CO<sub>2</sub> savings on operations



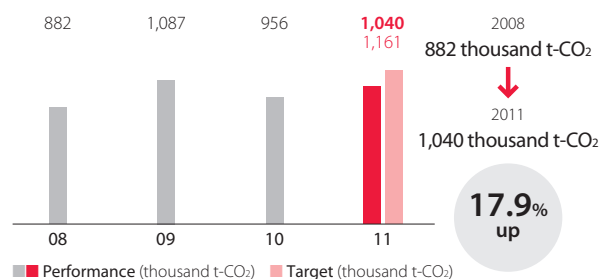
#### Waste output (construction)



#### CO<sub>2</sub> emissions from business operations



#### CO<sub>2</sub> savings from delivery of products & services



## Preventing pollution by harmful chemical substances

We are taking steps to reduce our use of harmful chemical substances and to either replace them with harmless alternatives or to manage their use carefully to avoid accidents. With the aim of reducing the amount of harmful substances contained in the paints and adhesives employed in the production of materials for home-building and other construction, we are putting a high priority on reducing the use of materials that contain highly toxic substances such as VOCs (volatile organic compounds) and heavy metals.

In fiscal 2010, to reduce the volume of harmful chemical substances listed in the PRTR\*, we switched to the use of weak-solvent paints in our housing construction operations, while in the construction of commercial facilities we adopted the universal use of lead-free paints, and took steps to switch to less harmful paints at Group members Daiwa Lease and Daiwa Rakuda Industry. Consequently, the volume of PRTR-listed harmful substances used by the Group was reduced by 21.9% compared with fiscal 2007.

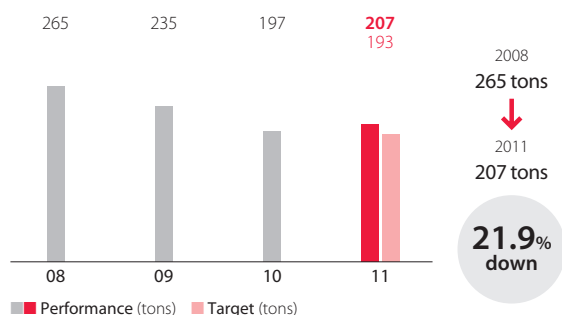
\* PRTR is the abbreviation of Pollutant Release and Transfer Register. Under this system, companies are required to report to the authorities once each year on the environmental release and transfer of harmful chemical substances. The authorities collate and publish this information.

## Harmonizing our activities with the natural environment

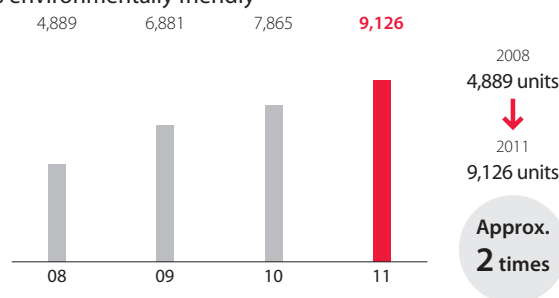
The Daiwa House Group has drawn up a Biodiversity Declaration and commenced comprehensive measures to preserve the biological diversity of ecosystems. From here onward, in the process of procurement of natural resources by the Group for use in urban development or the construction of homes, we will take great care to protect ecosystems and help maintain the biodiversity that is required for the healthy functioning and sustainability of such ecosystems. In this way, we believe, we will also contribute to the sustainability of human societies.

Among the single-family house subdivision developments that we built in fiscal 2010, the proportion of housing certified as environmentally friendly was 47.1%, which represents a decline of 5.9 points from the fiscal 2007 level. In the fields of made-to-order houses and condominiums, however, our efforts to secure this certification resulted in an increase in the number of certified homes by 277 over the FY2009 level, to 1,261 units. This puts the Group in first place overall in the Japanese home building industry for the fourth straight year.

Volume of PRTR harmful chemical substances used



Cumulative number of housing units certified as environmentally friendly





# **Daiwa House**® Group

Looking toward the heavens, the sky that we see is linked to the sky covering disaster-stricken areas. Bringing together as one the hearts of all individuals both here and there, we are sure to attract a new and bright future. We at the Daiwa House Group will continue to pursue our management vision of “Connecting hearts.” Respecting nature and caring for humankind, we will create a bright future for all who live in harmonious co-existence under the one sky.

# Creating Dreams, Building Hearts





# The Story of the Daiwa House Group

**'50s**

**1955**

Founding of Daiwa House Industry and launch of our first product, the Pipe House



**1957**

Steel pipe structure used for warehouse at sake brewery receives certification from Japan Lightweight Iron Construction Association as first such full-fledged structure in Japan

**1959**

Daiwa Kosho (current Daiwa Lease) and Daiwa Konpo (current Daiwa Logistics) established

Midget House pilot prefabricated house model launched on market

**'90s**

**1994**

Daiwa House Central Research Laboratory opened in Kansai Science City



**'60s**

**1961**

Daiwa Danchi established (merged with Daiwa House Industry in April 2001)

Stock listed on Osaka, Tokyo and Nagoya stock exchanges

**1962**

Daiwa Danchi developed Habikino Neopolis, our first housing complex



**1965**

Nara Factory constructed, Japan's first specialist plant for production of prefabricated houses

**'70s**

**1971**

Daiwa Jutakukiki (current Daiwa Rakuda Industry) established

**1975**

Opening of the Daiwa House Group's first golf course at the Shikabe Country Club

**1976**

Full-scale start of retail and wholesale facilities business



**1977**

Condominium business started



**1978**

Resort hotels business started with opening of Noto Royal Hotel, the first Daiwa Royal Hotel



**1979**

Real Estate Information centers set up within each of the Company's offices as first step in developing the used housing market

**'80s**

**1980**

First Royal Home Center opened in Nara City

**1982**

Full-scale start of rental housing business



**1983**

Manufacture of high-end prefabricated houses for export to China (a first for Japan)

Tentakubin (current Daiwa Service) established

**1986**

Daiwa Information Service established

**1989**

Daiwa Living established



Silver Age Research Center established



**2000**

Full-scale start of renovation business

**2001**

Daiwa House Industry merged with Daiwa Danchi

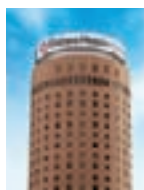
**2004**

Home center business split off from Daiwa House Industry



The Daiwa House Group drew up its Corporate Ethics Guidelines and Behavioral Guidelines

Osaka Marubiru became consolidated subsidiary



**2005**

The Daiwa House Group drew up new management vision and Employee Charter to mark 50th anniversary

New Group symbol — the “Endless Heart” — introduced

NAS (Nippon Athletic Service) became consolidated subsidiary (current Sports Club NAS)



**Daiwa House®**  
Group

**2006**

Group management integration through share exchange transactions between Daiwa House Industry and Daiwa Kosho Lease (current Daiwa Lease), Daiwa Rakuda Industry, and Daiwa Logistics, by which the subsidiaries became wholly owned subsidiaries of Daiwa House Industry

Daiwa House Financial, Daiwa House Insurance, and Daiwa House REIT Management founded

**2007**

Daiwa Royal Golf founded



The resort hotel business split off from Daiwa House Industry

Nobuo Ishibashi Memorial Museum opened



Eneserve became consolidated subsidiary

**2008**

Daiwa House Industry formed capital alliance with Odakyu Construction (current Daiwa Odakyu Construction)

Eneserve became wholly owned subsidiary

Morimoto Asset Management became consolidated subsidiary (current Daiwa House Asset Management)

**2009**

Cosmos Life became consolidated subsidiary (current Daiwa LifeNext)

Daiwa House (China) Investment established



**2010**

Business tie-up with Yukiguni Maitake Co., Ltd.

# Principal Subsidiaries and Affiliates

As of August 1, 2011

The figure in parentheses is the equity stake held by the Group as a whole.

## Japan

### Daiwa House Industry Co., Ltd.

Housing/Commercial facilities/  
Urban development, etc.  
www.daiwahouse.co.jp

### Daiwa Lease Co., Ltd. (100%)

Building & vehicle leasing/Land utilization  
www.daiwalease.co.jp

### Daiwa Rakuda Industry Co., Ltd. (100%)

Interior and office items/Leasing  
www.daiwarakuda.co.jp

### Daiwa Logistics Co., Ltd. (100%)

Transportation/Warehouse & storage  
www.daiwabutsuryu.co.jp

### Daiwa Living Co., Ltd. (100%)

Management/Operation of rental housing  
www.daiwaliving.co.jp

### Daiwa Service Co., Ltd. (100%)

Management of condominiums & buildings/  
Moving services  
www.daiwaservice.co.jp

### Daiwa LifeNext Co., Ltd. (100%)

Management of condominiums & buildings  
www.daiwalifenext.co.jp

### Daiwa Information Service Co., Ltd. (100%)

Land utilization/Maintenance & operation of  
commercial facilities  
www.dis-net.jp

### Nihon Jyutaku Ryutu Co., Ltd. (100%)

Real estate agency & property management services/  
Appraisals/Renovation work  
www.jyutaku.co.jp

### Daiwa Royal Co., Ltd. (100%)

Rental of commercial facilities/  
Daiwa Roynet Hotels  
www.daiwaroyal.com

### Royal Home Center Co., Ltd. (100%)

DIY/Gardening/Interior items  
www.royal-hc.co.jp

### Daiwa Resort Co., Ltd.

(Daiwa Royal Hotels) (100%)  
Resort hotels  
www.daiwaresort.co.jp

### Daiwa Royal Golf Co., Ltd. (100%)

Golf course operation  
www.daiwaroyalgolf.jp

### Daiwa House Renew Co., Ltd. (100%)

Renovation work  
www.daiwahouse-renew.co.jp

### Daiwa Energy Co., Ltd. (100%)

ESCO business/Environmental equipment/  
Facility installation  
www.daiwa-energy.com

### Daiwa Estate Co., Ltd. (100%)

Real estate agency  
www.daiwaestate.jp

### Daiwa Lantec Co., Ltd. (100%)

Foundation assessment & reinforcement  
www.daiwalantec.jp

### Jukeikai Co., Ltd.

(Neo Summit Yugawara) (100%)  
Homes for the aged  
www.neo-summit.com

### Osaka Marubiru Co., Ltd. (96.7%)

Management of hotels/  
Rental of commercial facilities  
www.marubiru.com

### Sports Club NAS Co., Ltd. (100%)

Fitness clubs  
www.nas-club.co.jp

### Daiwa House REIT

Management Co., Ltd. (100%)  
Asset management

### Daiwa House Asset

Management Co., Ltd. (100%)  
Asset management  
www.dh-am.com

### Daiwa House Financial Co., Ltd. (70%)

Credit card operations  
www.daiwasaisoncard.com

### Daiwa House Insurance Co., Ltd. (100%)

Non-life insurance agency  
www.daiwahouse-ins.jp

### Synchroller Co., Ltd.\* (100%)

Manufacture of housing parts & materials

### Shinwa Agency Co., Ltd. (100%)

Advertising & travel agency  
www.go-to-s.com

### Media Tech Inc. (100%)

Data systems/Data services  
www.mediatech.jp

### Eneserve Corporation (100%)

Comprehensive energy services  
www.eneserve.co.jp

### Higashi-Fuji Co., Ltd. (75.4%)

Real estate development/  
Sale of commercial real estate

### Daiwa Odakyu Construction Co., Ltd. (33%)

General construction/Real estate  
www.daiwaodakyu.co.jp

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

## Overseas

### DH (Dalian) Administrative Management Consulting Center Co., Ltd. (100%)

Provision of outsourced administrative work

### Dalian Dahezongsheng Estate Co., Ltd. (50%)

Real estate development and sales

### Shanghai International Realty Co., Ltd. (30%)

Management of rental housing

### Dalian Yihe Property Management Co., Ltd. (50%)

Management of condominiums

### Daiwa House (Suzhou) Real Estate Development Co., Ltd. (100%)

Real estate development and sales

### Dalian Acacia Town Villa Co., Ltd. (42.5%)

Management of rental housing

### Beijing East Palace Apartment Co., Ltd. (40%)

Management of rental housing

### Tewoo Daiwa House (Tianjin) Real Estate Development Co., Ltd. (70%)

Real estate consulting

### Dalian Civil Aviation Hotel Co., Ltd. (50%)

Management of hotels, condominiums &  
office buildings

### Tianjin Jiuhe International Villa Co., Ltd. (90%)

Management of rental housing

### Daiwa House (China)

Investment Co., Ltd. (100%)  
Real estate investment

### Daiwa House (Wuxi) Real Estate Development Co., Ltd. (100%)

Real estate development and sales

### Daiwa House (Changzhou) Real Estate Development Co., Ltd. (100%)

Real estate development and sales

### Daiwa Logistics (Shanghai) Co., Ltd. (100%)

International transportation agent  
(exports and imports)

### Daiwa House USA Inc. (100%)

Real estate investment

### Daiwa House California (100%)

Real estate/Real estate development

### Daiwa House Guam Co., Ltd. (100%)

Construction

### Daiwa House Australia Pty Ltd (100%)

Real estate development

# Corporate Data

As of April 1, 2011

Principal Subsidiaries and Affiliates  
Corporate Data

<b>Corporate name:</b>	Daiwa House Industry Co., Ltd.	<b>Branches:</b>	78
<b>Founding:</b>	April 5, 1955 (Established: March 4, 1947)	<b>Factories:</b>	10
<b>Paid-in capital:</b>	¥110,120,483,981	<b>Research center:</b>	Central Research Laboratory (Nara)
<b>Employees:</b>	13,482	<b>Training centers:</b>	Osaka, Tokyo and Nara
<b>Head office:</b>	3-3-5 Umeda, Kita-ku, Osaka 530-8241, Japan Phone: +81-6-6346-2111	<b>Overseas offices:</b>	Shanghai, Hanoi
<b>Tokyo office:</b>	3-13-1 Iidabashi, Chiyoda-ku, Tokyo 102-8112, Japan Phone: +81-3-5214-2111	<b>Contact:</b>	Daiwa House Industry Co., Ltd. IR Department, Management Administration Headquarters Phone: +81-6-6342-1400 Fax: +81-6-6342-1419 e-mail: dh.ir.communications @daiwahouse.jp
<b>Nagoya office:</b>	1-20-22 Aoi, Naka-ku, Nagoya 460-8491, Japan Phone: +81-52-933-2703	<b>Daiwa House website:</b>	Daiwa House Group: <a href="http://www.daiwahouse.com/English">http://www.daiwahouse.com/English</a> Daiwa House Industry Co., Ltd.: <a href="http://www.daiwahouse.co.jp/English">http://www.daiwahouse.co.jp/English</a>
<b>Yokohama office:</b>	15F/ Minatomirai Center Building, 3-6-1 Minatomirai, Nishi-ku, Yokohama 220-8620, Japan Phone: +81-45-650-5200	<b>Securities traded:</b>	Tokyo and Osaka stock exchanges
<b>Chiba office:</b>	3-19-4 Oyumino, Midori-ku, Chiba 266-0031, Japan Phone: +81-43-291-9633	<b>Securities code:</b>	1925
<b>Saitama office:</b>	3-261-2 Onari-cho, Omiya-ku, Saitama 330-9558, Japan Phone: +81-48-663-8211		

## Sources

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### Foreign shareholdings in listed companies in Japan:

Securities exchanges in Japan, Survey into distribution of shares in fiscal 2010

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### Principal natural disasters around the globe in recent years:

Centre for Research on the Epidemiology of Disasters (CRED)/  
International Disaster Database, IMF/World Economic Outlook Database

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### GDP:

Cabinet Office, Government of Japan,  
Economic statistics by prefecture (population-based)

### Population:

Ministry of Internal Affairs and Communications, Census

### New housing starts:

Ministry of Land, Infrastructure, Transport and Tourism, housing start statistics

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### Estimated changes in nominal GDP per person between 2009 and 2016:

IMF/World Economic Outlook Database

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### Number of condominiums sold in Japan:

Real Estate Economic Institute Co., Ltd., Condominium Market Trends in Japan

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### Outlook for home renovation market (overall size) in Japan:

Yano Research Institute Ltd., Home Renovation Market 2011

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### Floor space of construction starts by facility type in Japan:

Ministry of Land, Infrastructure, Transport and Tourism,  
Construction starts (by floor space)

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### Net D/E ratio:

Compiled by Daiwa House Industry based on the flash report of each company,  
and Rating and Investment Information (R&I) (as of June 30, 2011)

Overall responsibility • Tetsuji Ogawa/Daiwa House Producer & creative director • Keisuke Izumoto/Daiwa House  
Director • Noriyuki Sugimoto/Daiwa House Art director • Hiroaki Kitagawa/Nippon Arts Inc.  
Designer • Mayumi Makino/D & Join Inc. Operator • Kohji Abe/D & Join Inc.  
Photographer • Kazumasa Kondo Assistant photographer • Ken Furusyo/Daiwa House  
Japanese writers • Kazutaka Morimoto/Daiwa House; Yumi Minobe  
Editors • Kazutaka Morimoto/Daiwa House; Kenji Murai • Noriko Suzuki/D & Join Inc.  
English translator • Stephen Lloyd English editor • Ian Channing/D & Join Inc.  
Coordinator • Katsuya Iwado/D & Join Inc.  
Assistant directors • Atsumi Kimura • Mariko Marui • Nao Kishigami • Tetsuo Kubo/Daiwa House





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