

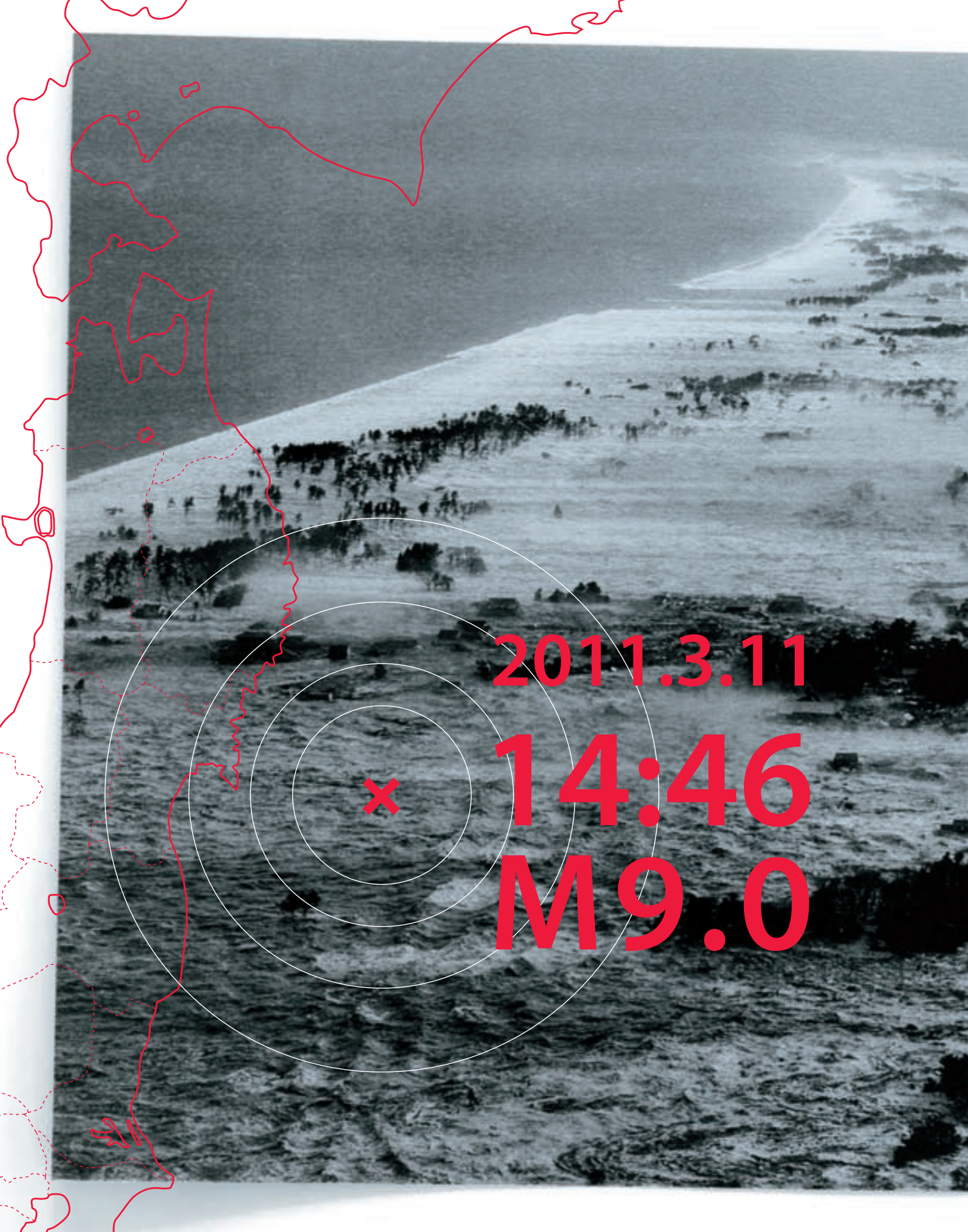


Daiwa House®
Group

One Heart, One Tomorrow

2012 Annual Report





2011.3.11

14:46

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First came the earthquake, and then a massive tsunami



engulfed us. >> The tsunami swept everything away, leaving





nothing but rubble. We were powerless in the face of nature.





» No, we won't give up! Let the sounds of reconstruction ring





out! Our hearts are as one. >> People help one another.



Let's build new houses

and reclaim our normal





everyday lives. >> Hope is what keeps people going. Let's



rebuild our communities, and begin creating a new and better




future right now. Let's get back into business.





» One Heart,
One Tomorrow



The whole town has been swept away. But people do their best to smile,
keeping the grief hidden inside them.

What has happened is in the past. People move on.

Let's reclaim our happy, productive daily lives. Let's build towns
that can withstand natural disasters and establish new industries.

Their dream is our dream.

A dream not only for Japan, but for the whole world.

When you have a dream, it can lead to a better future for society.

Let's work together — with one heart — to build a brighter tomorrow.




Daiwa House®
Group

Message from the CEO

Motivated by our fundamental policy of “co-creating a brighter future,” we have invested the Group’s management resources to the maximum possible extent in supporting the reconstruction and recovery of communities along the eastern coast of the Tohoku region, which was devastated by the massive earthquake and tsunami of March 11, 2011. In fiscal 2011 we were given an opportunity to demonstrate our belief in the dictum of our founder, Nobuo Ishibashi: “A company is a public organ of society.” At the same time, the problems faced by the disaster-hit communities — realizing a harmonious coexistence with nature, making the transition from fossil fuels to renewable energy sources, finding solutions to the rising average age of the population, ensuring job security, and so on — are problems also faced by Japan as a whole. Indeed, during the reporting term we were strongly reminded that these issues are common to the whole world, particularly our neighbors on the Asian mainland.

Full-scale reconstruction of the devastated communities has only just begun. At the Daiwa House Group, we will continue exerting our full efforts to support the reconstruction work. We will take a broad perspective in determining what Japan and the world will need in the near future, and will continue to grapple with these issues over the long term. We aim to realize our founder’s dream by becoming a corporate group that displays the sort of nobility and worth that society demands. This is both our duty and our pledge to society.

**We
Believe in
the Power
of Heart**

A thin red horizontal line spans the width of the page, positioned below the word "Heart".



Inheriting our founder's spirit, pursuing his dream

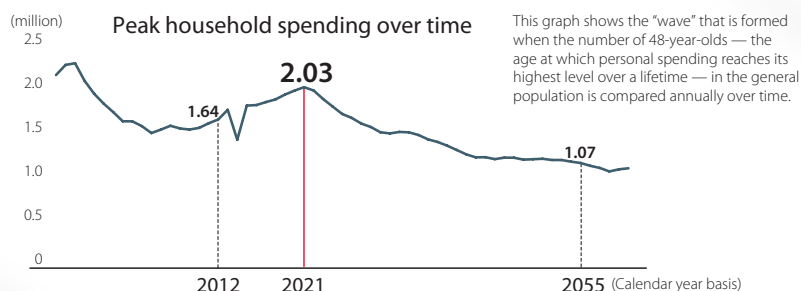
At the Daiwa House Group, we have just commenced the 58th year since the founding of Daiwa House Industry. To ensure that the Group continues to be indispensable to society, we need to realize further growth. And this is also the dream of our founder Nobuo Ishibashi, the realization of which he entrusted to us, his successors, of becoming a Group with annual sales of ¥10 trillion by the Company's 100th anniversary. A business enterprise, which is a public organ of society, is required to display nobility and vision in proportion to its growth: it is a company's mission to provide society with products and services of real value.

In 1955, during a period when Japan was suffering from severe deforestation, Daiwa House Industry was founded simultaneously with the development of the Pipe House, whose structural framework employed steel pipes. This product was developed to save the forests of Japan from destruction, and it was followed by the development of the Midget House, an inexpensive children's study room that could be erected in a mere three hours. This product's launch coincided with the Baby Boom children reaching elementary school age, and many homes at that time just didn't have enough space for children to study properly. The Midget House was the start of full-scale construction of prefabricated structures, which brought considerable value to society. What sort of future should we, who are Nobuo Ishibashi's successors, aim to bring about? What should we do now for the sake of future generations? If Mr. Ishibashi were alive today, how would he view society's future prospects, and what sort of value would he have created? We must take to our hearts the basic spirit we have inherited from our founder — the spirit that is the wellspring of the Company's very existence — and must steadily plant the seeds of new businesses to realize sustainable growth.





Meeting tomorrow's needs today

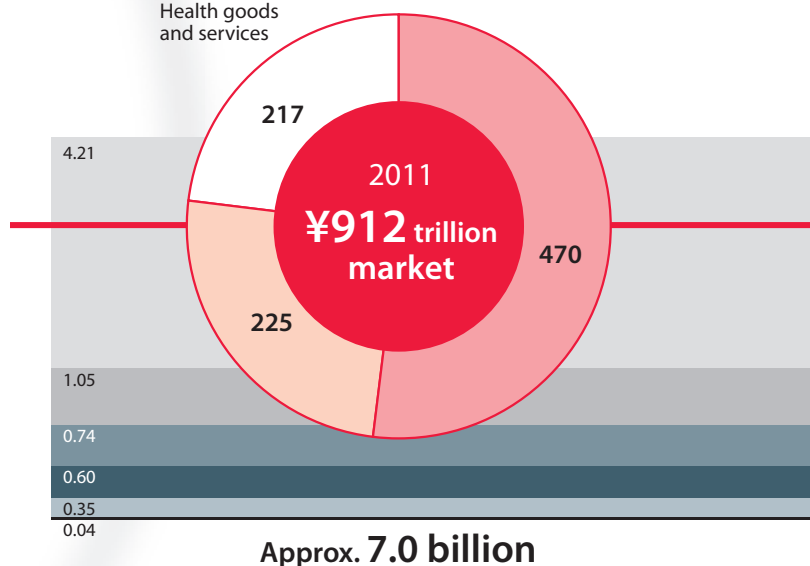
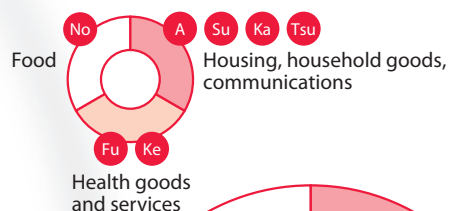


New business fields of Daiwa House Group



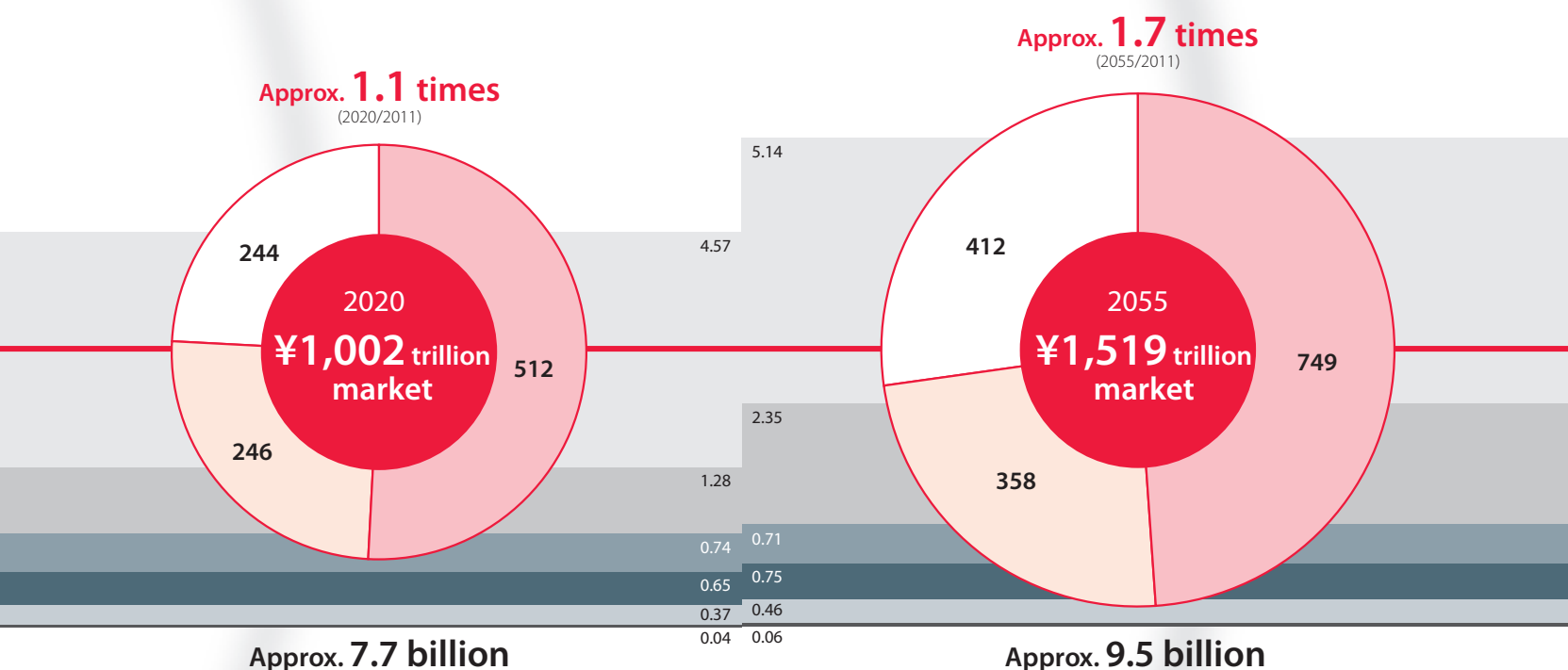
Household spending in major countries of the world (Daiwa House estimates)*

Key items in household spending related to new business fields of Daiwa House Group



The year 2055 will see the 100th anniversary of the founding of Daiwa House Industry, and by then the global population, now at seven billion, is expected to have topped nine billion. It is clear that the scale of the market and of the economy itself will be much greater than at present, and amidst this long-term trend, we must identify demand trends as accurately as possible and steadily ramp up the Group's growth. In Japan, despite a projected population decline, demographic statistics by age group and estimates of household expenditure allow us to project continued growth up to around 2021. In this intervening period, we will work to raise the market share of all our businesses so as to reinforce our domestic management base while speeding up our global development, particularly in markets in Asia and elsewhere with good growth potential.

The growth of the global population will have the positive effect of creating a larger market and economy, but on the downside, it will also give rise to social problems. Demand for natural resources and food will increase sharply, and environmental issues are likely to become still more acute. All countries will suffer from population aging, and the pace of this aging trend will become sharper in China, South Korea, and Japan in particular. As the Group's 100th anniversary in 2055 comes ever closer, we are giving thought to what will be indispensable to society in the future. At the same time, under our "Asu Fukaketsuno" concept, we are promoting a wide variety of businesses in new fields to provide for the world's future needs. This key term "Asu Fukaketsuno," which means "indispensable for tomorrow," is comprised of the initial syllables of the Japanese words for safety & comfort, speed/stock, welfare, the environment, health, ICT, and agriculture. I will now explain some aspects of this vision of the future.



* The household spending of ¥912 trillion in 2011 is based on figures for 11 major countries (Japan, China, Vietnam, Malaysia, Indonesia, Australia, India, United States, Germany, Brazil and Nigeria). Figures for 2020 and 2055 are Daiwa House estimates based on population growth rate projections up to 2055, compared with 2011.

Reconciling environmental preservation with economic growth

In response to rising demand, a new attitude toward energy is emerging all over the world. In Japan, the need to switch to renewable energy sources has become even more compelling in the wake of the recent nuclear power plant disaster. The public's interest in renewable energy and its awareness of the need for energy conservation, has strengthened considerably following power shortages due to the shutdown of nuclear plants. Meanwhile, the Japanese government is devising measures to promote renewable energy in the hope that this will lead to sustainable economic growth. In July 2012, the authorities introduced a feed-in tariff system covering power generated from photovoltaic systems as well as wind power and hydroelectric generation, and the existing system of subsidies for the installation of renewable energy systems was reinforced.

At the Daiwa House Group, we have speeded up the application of environmental protection technology to the construction of homes and other structures. In 2011, we launched the SMAxEco ORIGINAL smart house, fitted with lithium ion storage batteries, a photovoltaic power generation system, and our proprietary D-HEMS home energy management system. In the same year, we also launched D's SMART OFFICE, an eco-friendly office product that offers a maximum 50% reduction in CO₂ emissions. Both these products are the fruit of R&D efforts undertaken since the 1990s. Another notable development in fiscal 2011 was that around 60% of our newly constructed homes came with photovoltaic systems. We also renovated existing commercial facilities and business facilities involving the installation of photovoltaic systems, and constructed a large number of solar power generation facilities nationwide.

We are creating a system that will enable us to construct and operate large-scale photovoltaic facilities, often called "mega solar projects." Also, in June 2012, ELIY Power Co., Ltd., in which we hold a majority interest, constructed a plant for the manufacture of lithium ion batteries for home use, and work is underway on a mass-production system.

The global market for environment-related equipment and services has been estimated at ¥600 trillion in recent years. We will continue working tirelessly to fulfill our mission in this field — to provide solutions to energy-related problems in Japan and the rest of the world.

Renewable energy
Low-carbon related fields
Traditional environmental fields

- Solar cells
- Wind and geothermal power
- Biomass
- Eco-housing
- Electric vehicles
- Car-sharing
- Soil and water purification equipment
- Regeneration and recycling
- Waste treatment

Global energy consumption

20,715 million tons
(crude equivalent)

2050

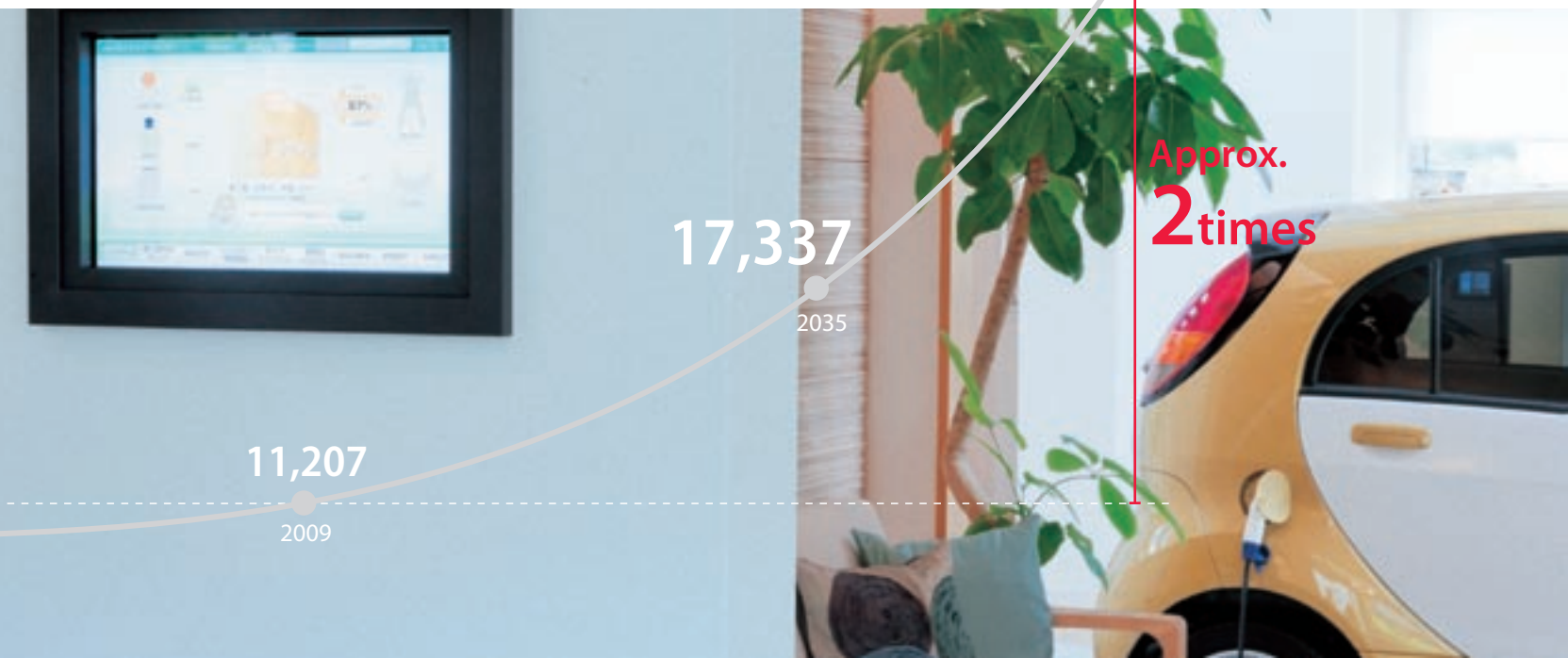
Approx.
2 times

17,337

2035

11,207

2009



Turning the aging of Japan into a source of strength

Japan has the highest proportion of elderly citizens among all the world's countries, but the problem is not unique to this country: it is occurring at a rapid pace in other East Asian countries, including China, South Korea, and Indonesia, and the same phenomenon is forecast for other major countries such as the United States and India. As Japan's population aging rate outweighs all others, I believe we should be able to take the lead in identifying and meeting the needs of senior citizens, and in constructing a business model for both elderly people and nursing care providers.

In fiscal 2011 we focused efforts on developing and providing serviced housing for senior citizens, enabling them to continue living in the neighborhoods with which they are familiar. In June 2012 we aggressively expanded our operations into the field of fee-based assisted-living homes for the elderly with the acquisition of all shares in a nursing care service operator. We now offer the full range of support services for everyone from healthy individuals to those in need of nursing care. CYBERDYNE Inc. a company in which we hold an equity stake, manufactures the Robot Suit HAL®, a self-support assistive robotic suit for use in nursing and other welfare facilities. HAL® helps rehabilitate patients who have suffered a brain infarction and other kinds of stroke.

Meanwhile, the unemployment rate for young Japanese in the 15–24 age group currently stands at 8.2%, or one in twelve. An increase in the number of facilities for the care of the elderly will be of some help in providing employment for such young people, while an increase in the birthrate would serve to slow down the rate of population aging. In 2011 the Japanese birthrate stood at 1.39 — far below the replacement rate — and it is a matter of urgency to raise this and provide conditions that make it easier for young couples to bring up children. The shopping centers that the Daiwa House Group constructs and operates all over the country function to support couples with children, and also help to inject vitality into the life of regional communities.

Our customers range in age from young to old, and our business operations span many different areas, but all our businesses are linked in one way or another, and I am convinced that they can and will demonstrate valuable synergy.



Preparing for the future with the “industrialization of agriculture”

With the world population projected to surpass nine billion by 2050, it is clear that demand for food will grow sharply over the next few decades. Unfortunately, Japan’s food self-sufficiency rate is under 40%, and all it would take to seriously impact the country’s food imports would be a poor harvest following a period of bad weather, or a rise in market prices caused by increased demand for biofuels. In fact, the severe North American Drought of 2012 is believed to be pushing up the prices of Japanese-made processed food and animal feed, in spite of the yen’s strength. Population aging is an especially serious problem for the rural regions that are Japan’s agricultural powerhouses, and the farming population is in serious decline. In this context, the impact of the Fukushima nuclear disaster on Japan’s food safety has been the focus of enormous concern.

Against this background, we at the Daiwa House Group believe that the “industrialization of agriculture” is essential to solve our food security issues. Industrialized farming methods can produce more food safely and efficiently with only a small workforce, and without being affected by bad weather or natural disasters. In April 2012 we launched the “agri-cube,” a hydroponic vegetable-grower unit whose construction employs our prefabricated housing technology. The container-type agri-cube can be installed in just one parking space, and all that is required for the cultivation of vegetables is to connect the cultivation racks with a circulating source of water plus liquid fertilizer. This system lets people with no experience of farming grow vegetables easily, and has the attraction for restaurants, for example, of providing customers with a 100%-traceable source of fresh greens, from the soil to the table. We have received hundreds of inquiries since announcing the “agri-cube,” and this has shown us the tremendous future potential of such vegetable-grower units.

In the early years of Daiwa House, the Company was a pioneer in the industrialization of construction and the mass-production of structures boasting a reliable quality level. In a similar way, we regard it as our duty to forge ahead in the “industrialization of agriculture.”

Vegetable grower
Urban agriculture
Industrial methods in agriculture
Zero-waste farming
Local production for local consumption,
less energy used in getting food home
Pesticide-free and low-pesticide produce
Improved livestock-breeding
Frozen vegetables
Innovation in storage and distribution technologies
Bioethanol

Production system
Distribution
Distribution and demand

World grain consumption

3,010 million tons

2050

Approx.
1.4 times

2,677

2030

2,228

2010



Takeo Higuchi

Takeo Higuchi
Chairman and CEO



The Daiwa House Group — inheritors of a dream

Daiwa House founder Nobuo Ishibashi used to tell me about the dreams he had for the Company. He would say: “We must find out what the country needs, what society needs, what the public need. That is where the focus of new businesses should lie.” One of his milestone dreams was to build up the Group so that we attain annual sales of ¥10 trillion by the Company’s 100th anniversary in 2055. We have inherited this dream, therefore, I believe that the Group should aim to capture the leading share in its various markets in Japan, and that we should use the products and technologies we have developed in response to natural disasters and the population aging phenomenon to expand our operations overseas. In China, where we are promoting the export of Japanese prefabricated housing and the construction of housing using Japanese methods, we are enjoying a very favorable response to the high-quality, value-creating housing products we offer. In this way, I am convinced that by realizing a higher appraisal of our “invisible assets” — our expertise in construction technology, our high-quality human resources, and our corporate trustworthiness — the Group can compete successfully in the global market. And we must never forget that a company is a group of people, and that the growth and development of any corporation depends on the quality of its human resources.

The technological innovations and new products required to open up new markets also depend on skilled and highly motivated human resources. Only 2.7% of all Japanese companies have been in existence for 100 years. To ensure that Daiwa House is not only still in existence but fulfilling a vital social role in 2055 when it reaches its 100th anniversary, both the Group’s top management and each individual employee must make decisions conducive to the Group’s continued growth, and follow through on those decisions with firm action.

After the earthquake and tsunami of March 11, 2011, under the banner of our “Endless Heart” Group symbol, all the employees of the Daiwa House Group put their utmost efforts into assisting the reconstruction of the devastated region for the sake of the region’s residents and of the country as a whole. We were greatly heartened by the fact that our efforts in support of the reconstruction were recognized by our stakeholders, by the Japanese public, and by many people overseas. The spirit that lies behind our Endless Heart symbol is one imbued with a strong need to be of service to others, and we were reinvigorated by sharing a common purpose with so many other members of society. From here onward, the mission of the Daiwa House Group will be to contribute to society transcending national boundaries — over a wide field of endeavor and for as long as the Group exists.

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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 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.

2012 Results

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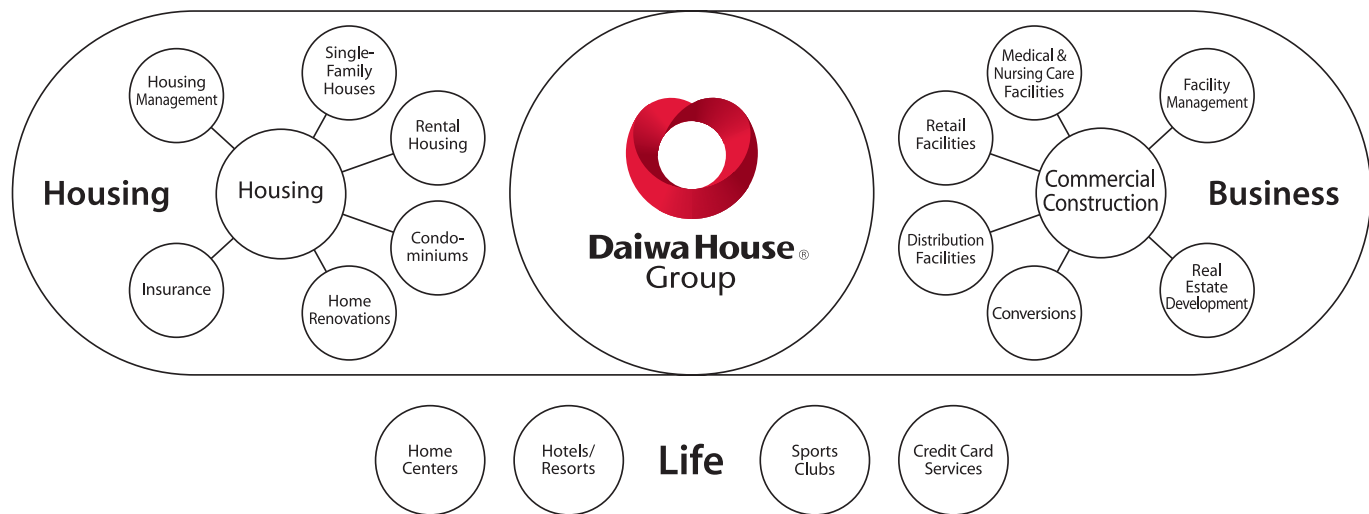
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About the Daiwa House Group

The Daiwa House Group, as a group that co-creates value for individuals, communities, and people's lifestyles, is working to create new value for society as a whole through the development of wide-ranging businesses in the three areas of Housing, Business and Life.

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



Our customer base

(As of March 31, 2012)

Units completed by the Residential Business

Approx. **1,451,000** 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. **1,187,000** 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. **39,000** 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

173 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. **3,117,000** guests

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



Single-Family Houses

Underpinned by the Group's technological strengths, we operate a contracting business for the construction of made-to-order houses and a subdivision business for built-for-sale houses that place a strong focus on attractive neighborhoods and the individual customer.



Rental Housing

We offer a wide range of rental housing products, including housing with additional security features. For residents, we offer a comfortable living environment, and for owners, all-round support to help them generate a reliable cash flow from rental property.



Condominiums

Drawing on the combined strengths of the Group, 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, which enables comfortable living environments for many years, and our real estate agency service, which helps house-seekers find secure high-quality used homes, facilitate the passing on of housing stock, to the next generation.



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 to ensure the effective use of land assets.



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 leisure and sports facilities including resort hotels, golf courses, and sports clubs where people can enjoy their leisure time. These services and our network of nursing homes for the elderly help people live longer, healthier lives.



Other Businesses

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



JAP



Daiwa House®
Dalian

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



Daiwa House®
Suzhou

Daiwa House (Suzhou)
Real Estate Development
Co., Ltd.



Daiwa House®
Daiwa House Group

Daiwa House Industry
Co., Ltd.



Daiwa Lease®
Daiwa House Group

Daiwa Lease Co., Ltd.



Daiwa Rakuda®
Daiwa House Group

Daiwa Rakuda
Industry Co., Ltd.



Daiwa Logistics®
Daiwa House Group

Daiwa Logistics
Co., Ltd.



Daiwa House®
China-INVESTMENT

Daiwa House (China)
Investment Co., Ltd.



Daiwa House®
Wuxi

Daiwa House (Wuxi)
Real Estate Development
Co., Ltd.



Daiwa LifeNext®
Daiwa House Group
Life Amenity COMPANIES

Daiwa LifeNext
Co., Ltd.



Daiwa Info.Service®
Daiwa House Group

Daiwa Information
Service Co., Ltd.



Daiwa Royal®
Daiwa House Group

Daiwa Royal Co., Ltd.



Daiwa House®
Changzhou

Daiwa House
(Changzhou) Real Estate
Development Co., Ltd.



Daiwa Logistics®
Shanghai

Daiwa Logistics
(Shanghai) Co., Ltd.



Daiwa Lantec®
Daiwa House Group

Daiwa Lantec Co., Ltd.



Daiwa REIT®
Daiwa House Group

Daiwa House REIT
Management Co., Ltd.



Daiwa House Asset Mgt.®
Daiwa House Group

Daiwa House Asset
Management Co., Ltd.



Daiwa Insurance®
Daiwa House Group

Daiwa House
Insurance Co., Ltd.



Daiwa House®
Vietnam

Daiwa House Vietnam
Co., Ltd



Royal Home Center Co., Ltd.



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



Daiwa Royal Golf Co., Ltd.



Jukeikai Co., Ltd.



Daiwa Core Factory
Co., Ltd.



Shinwa Agency Co., Ltd.



Media Tech Inc.



EneServe Corporation

AN

Go East



Daiwa Living Mgt.
Daiwa House Group

Daiwa Living COMPANIES

Daiwa Living
Management Co., Ltd.



Daiwa Living
Daiwa House Group

Daiwa Living COMPANIES

Daiwa Living Co., Ltd.



Daiwa Estate
Daiwa House Group

Daiwa Living COMPANIES

Daiwa Estate Co., Ltd.



Daiwa Service
Daiwa House Group

Life Amenity COMPANIES

Daiwa Service Co., Ltd.



Daiwa House
USA

Daiwa House USA Inc.



Daiwa House
Guam

Daiwa House Guam
Co., Ltd.



Nihon Jyutaku Ryutu
Daiwa House Group

Nihon Jyutaku Ryutu
Co., Ltd.



Daiwa Renew
Daiwa House Group

Daiwa House Renew
Co., Ltd.



Daiwa Energy
Daiwa House Group

Daiwa Energy Co., Ltd.



Daiwa House
California

Daiwa House
California



Daiwa House
Australia

Daiwa House Australia
Pty Ltd



Daiwa Life Support
Daiwa House Group

Daiwa House Life
Support Co., Ltd.

大阪マルビル
Daiwa House Group

Osaka Marubiru Co., Ltd.

西脇ロイヤルホテル
Daiwa House Group

Nishiwaki Royal Hotel
Co., Ltd.

SPORTS CLUB NAS
Daiwa House Group

Sports Club NAS Co., Ltd.

大和ハウスフィナンシャル
Daiwa House Group

Daiwa House Financial
Co., Ltd.

Global Community
Daiwa House Group
Life Amenity COMPANIES

Global Community
Co., Ltd.

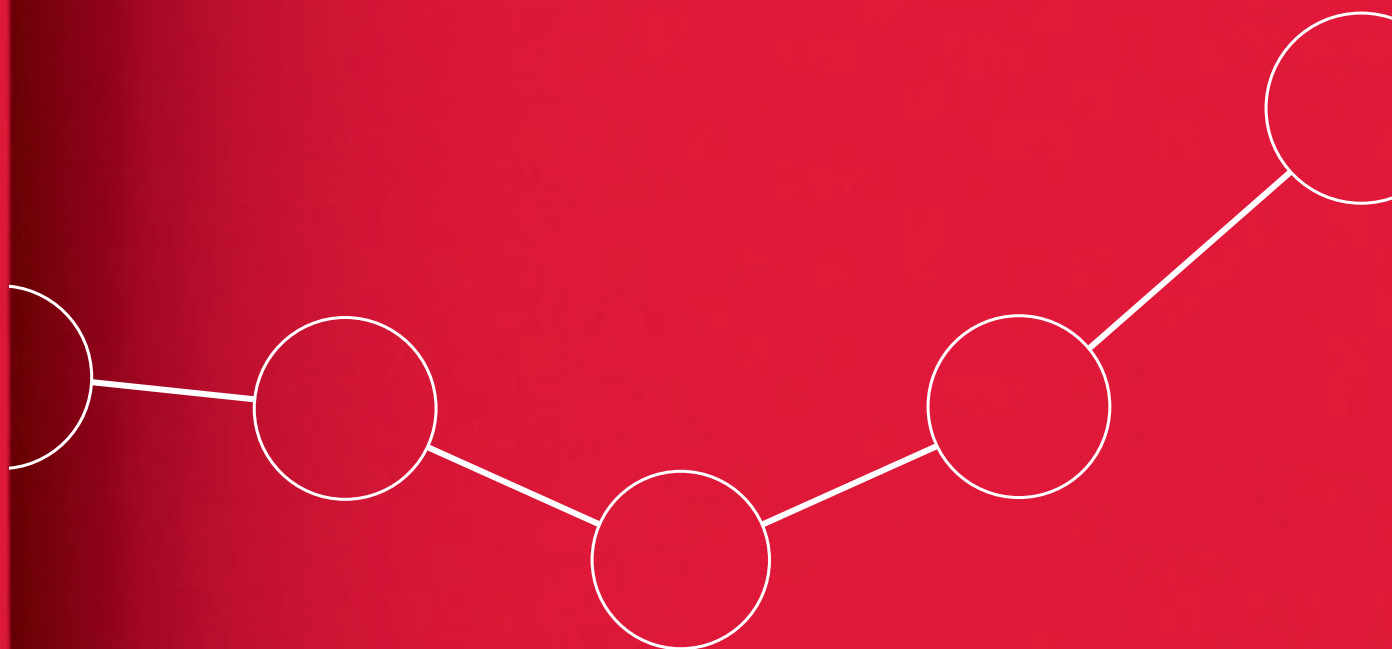
東富士
Daiwa House Group

Higashi-Fuji Co., Ltd.

大和小田急建設
Daiwa House Group

Daiwa Odakyu
Construction Co., Ltd.

2012 Results



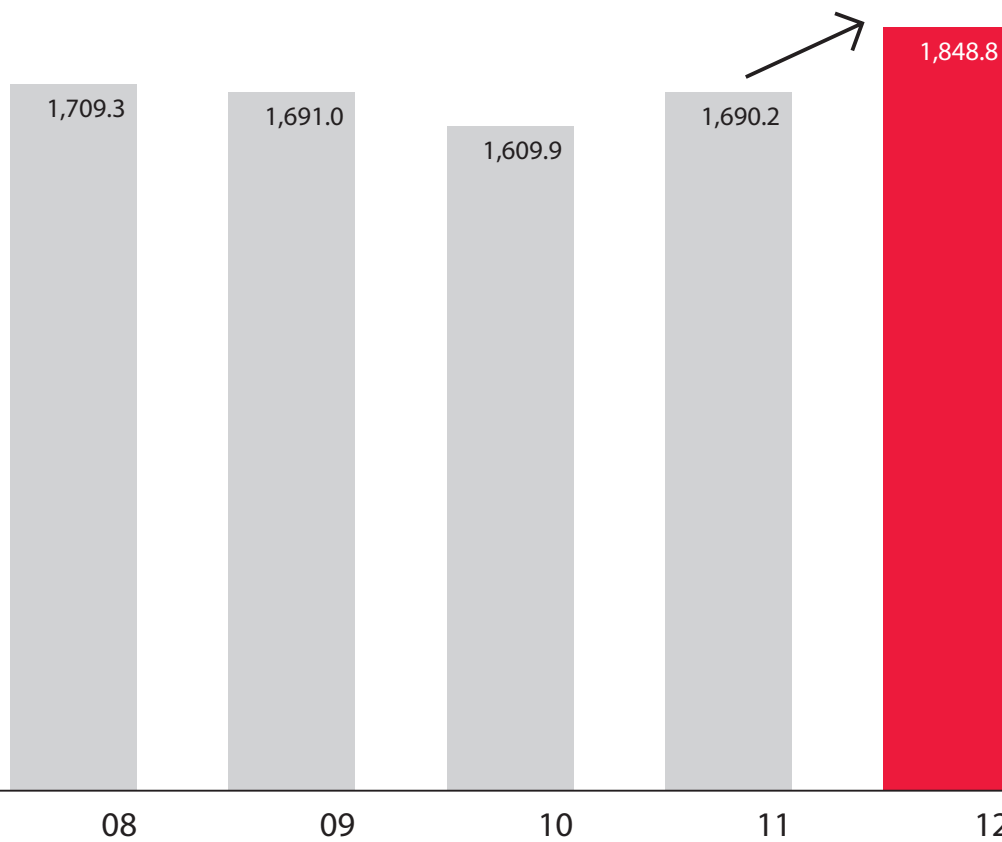
Net sales for the fiscal year ended March 31, 2012 rose by 9.4% over the previous fiscal year to ¥1,848.8 billion (US\$22,546 million), operating income rose by 31.1% to ¥115.0 billion (US\$1,402 million) and net income rose by 21.8% to ¥33.2 billion (US\$405 million) — making fiscal 2011 an excellent year for Daiwa House Group.

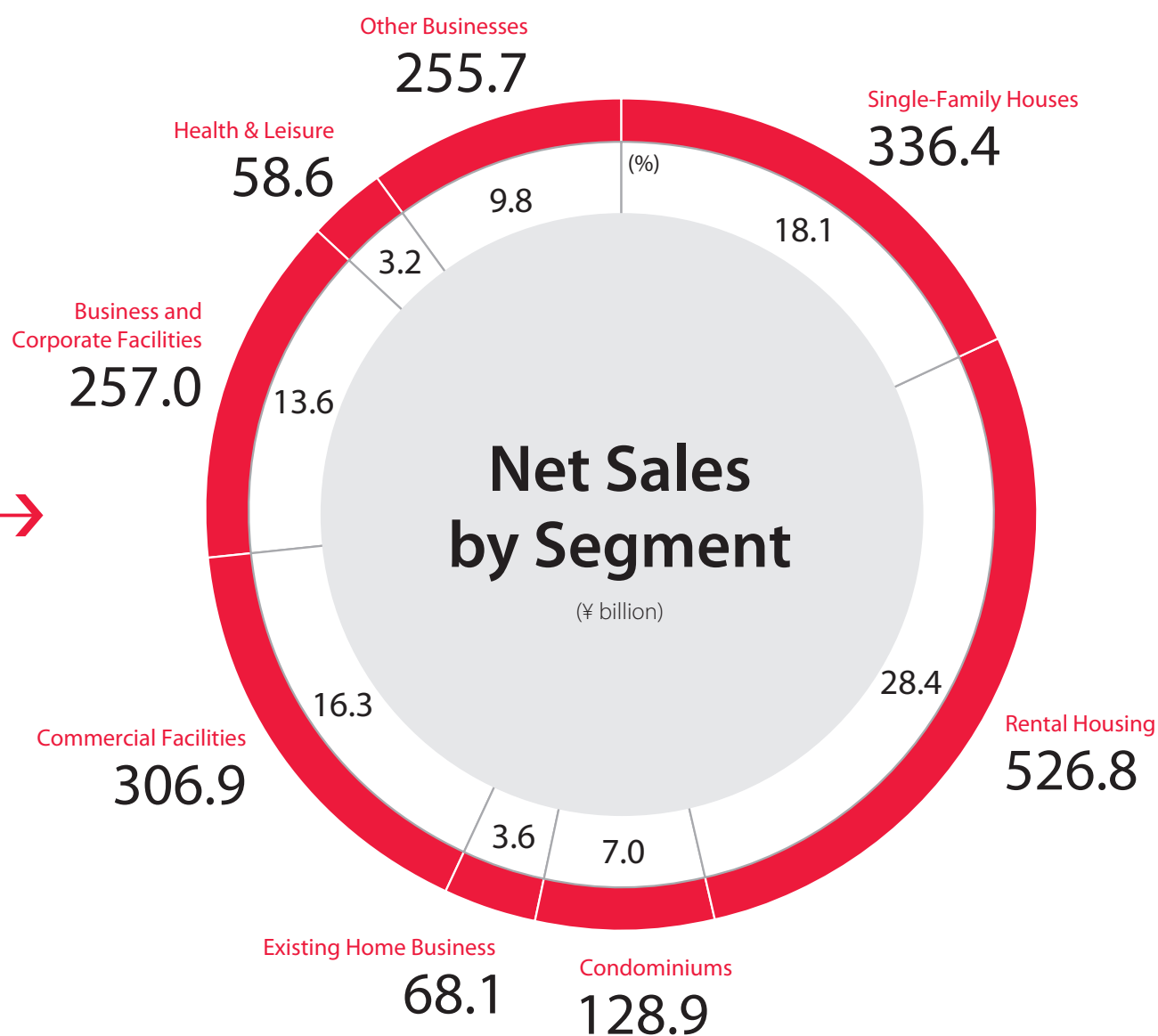
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Net Sales

¥1,848.8 billion

up 9.4%



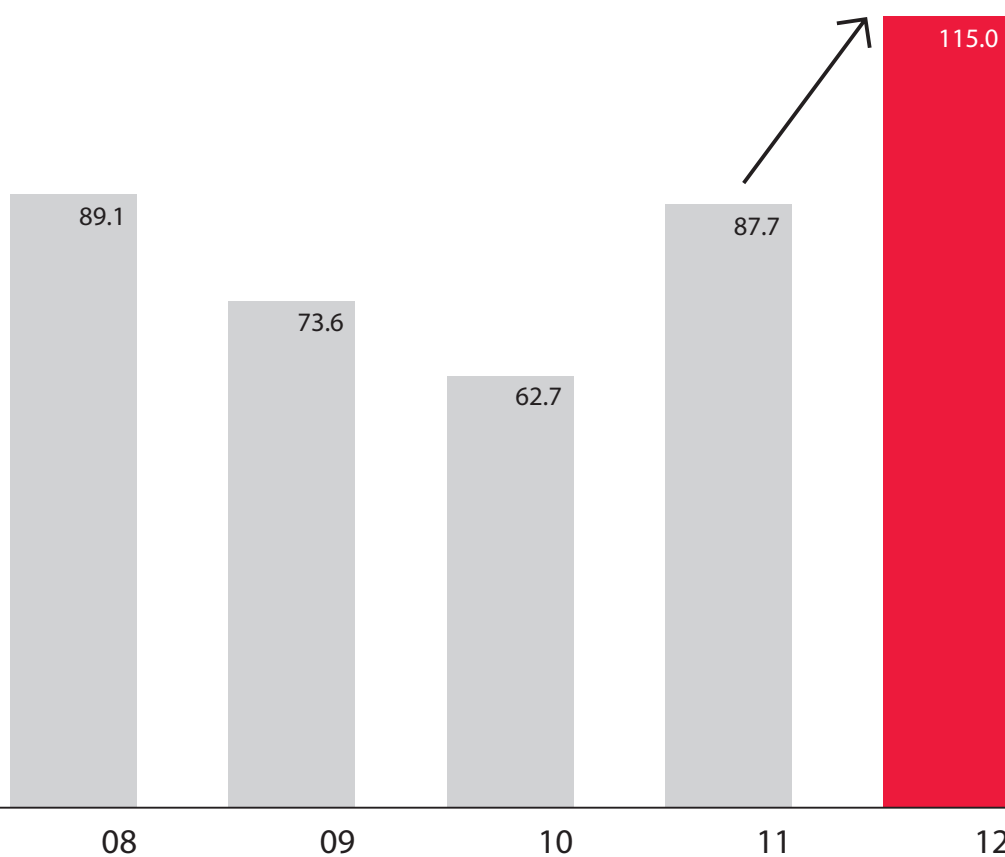


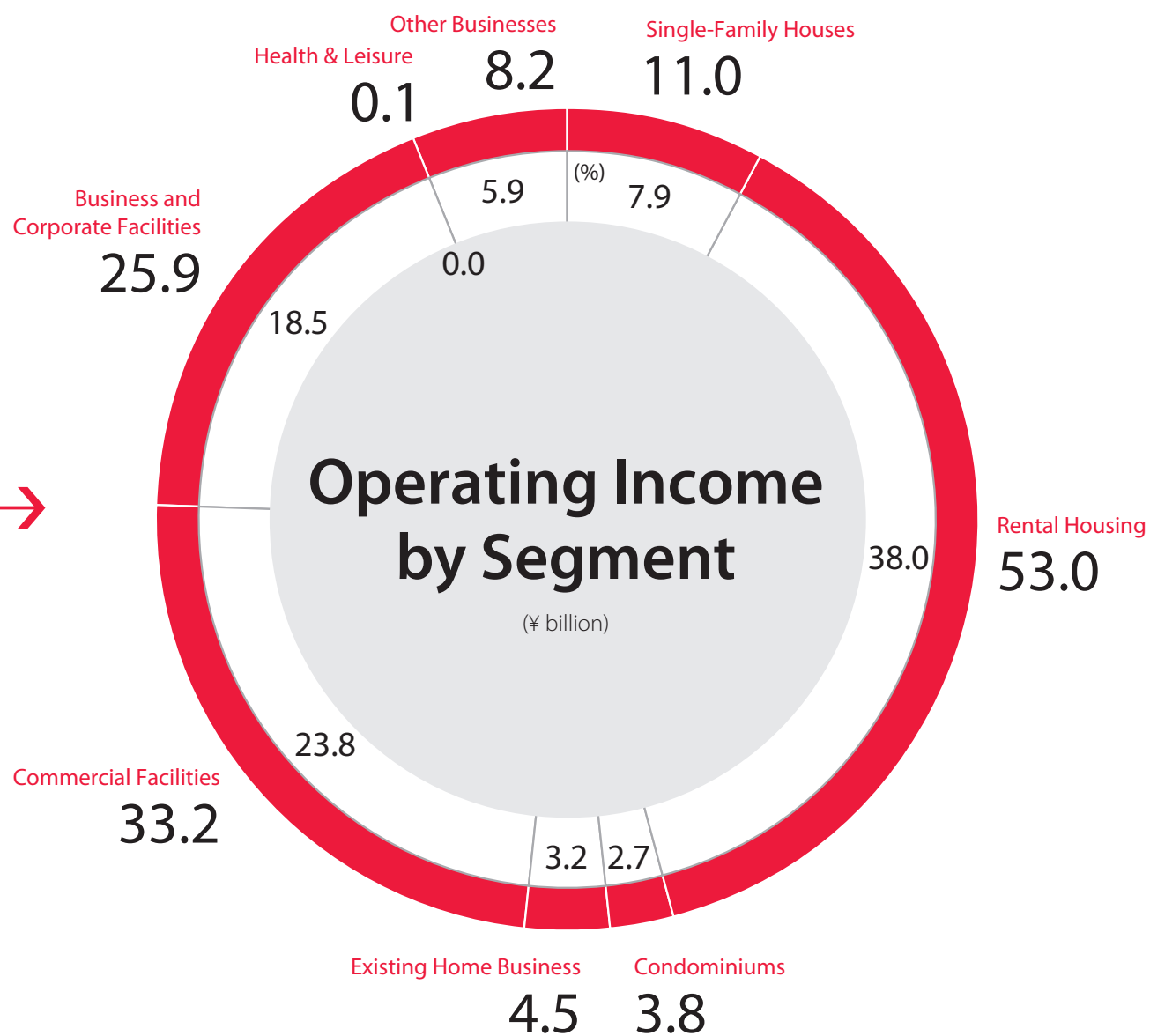
Note: The percentage figures for breakdown of net sales by segment are exclusive of internal transactions, whereas the net sales monetary values are inclusive of internal transactions.

Operating Income

¥115.0 billion

up 31.1%

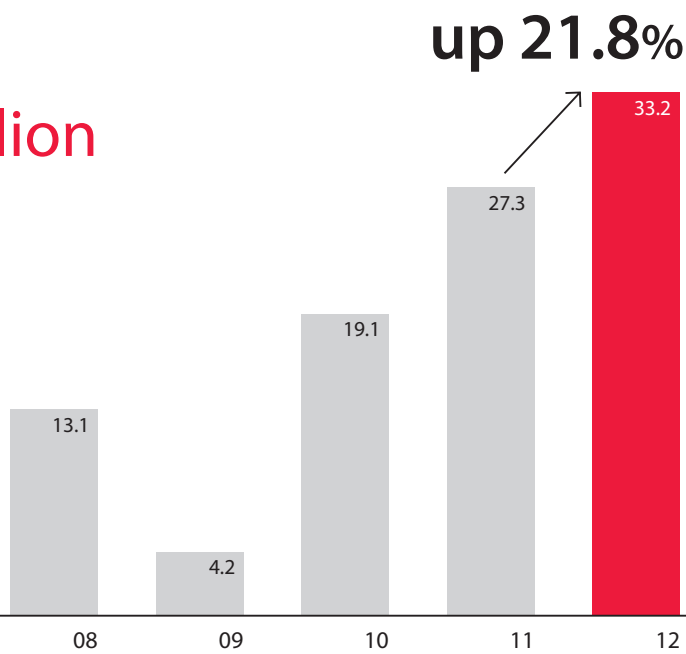




Note: The percentage figures for breakdown of operating income by segment are calculated for eight segments inclusive of internal transactions.

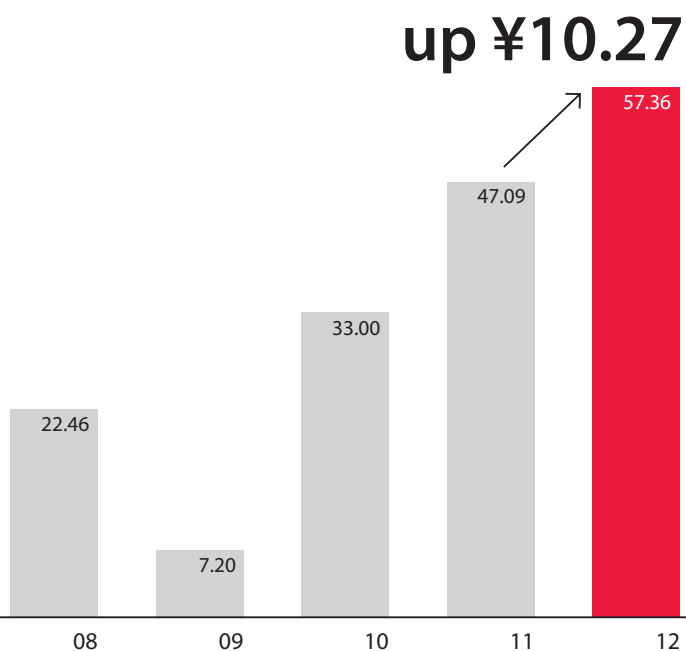
Net Income

¥33.2 billion



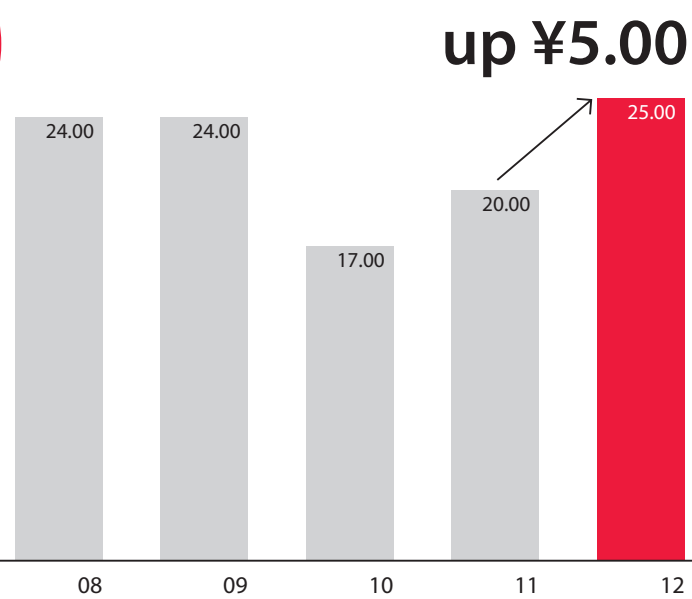
Net Income per Share

¥57.36



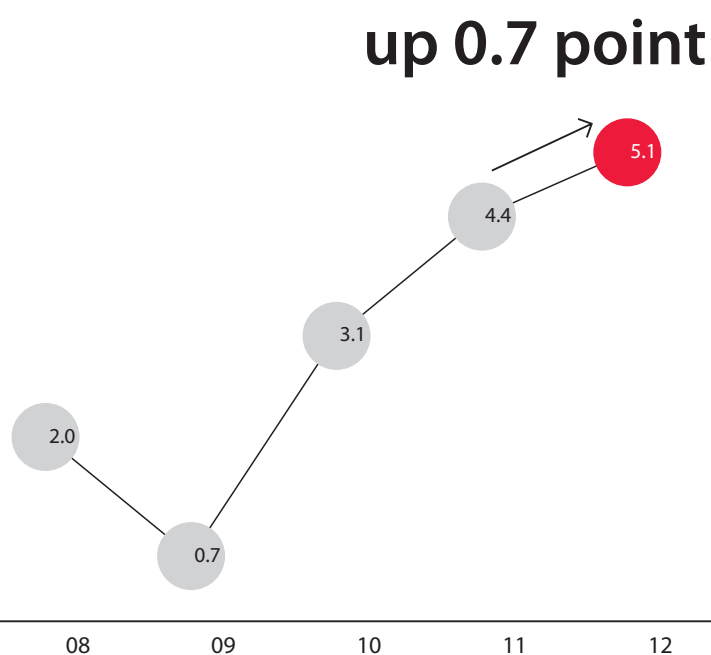
Cash Dividends per Share

¥25.00



ROE

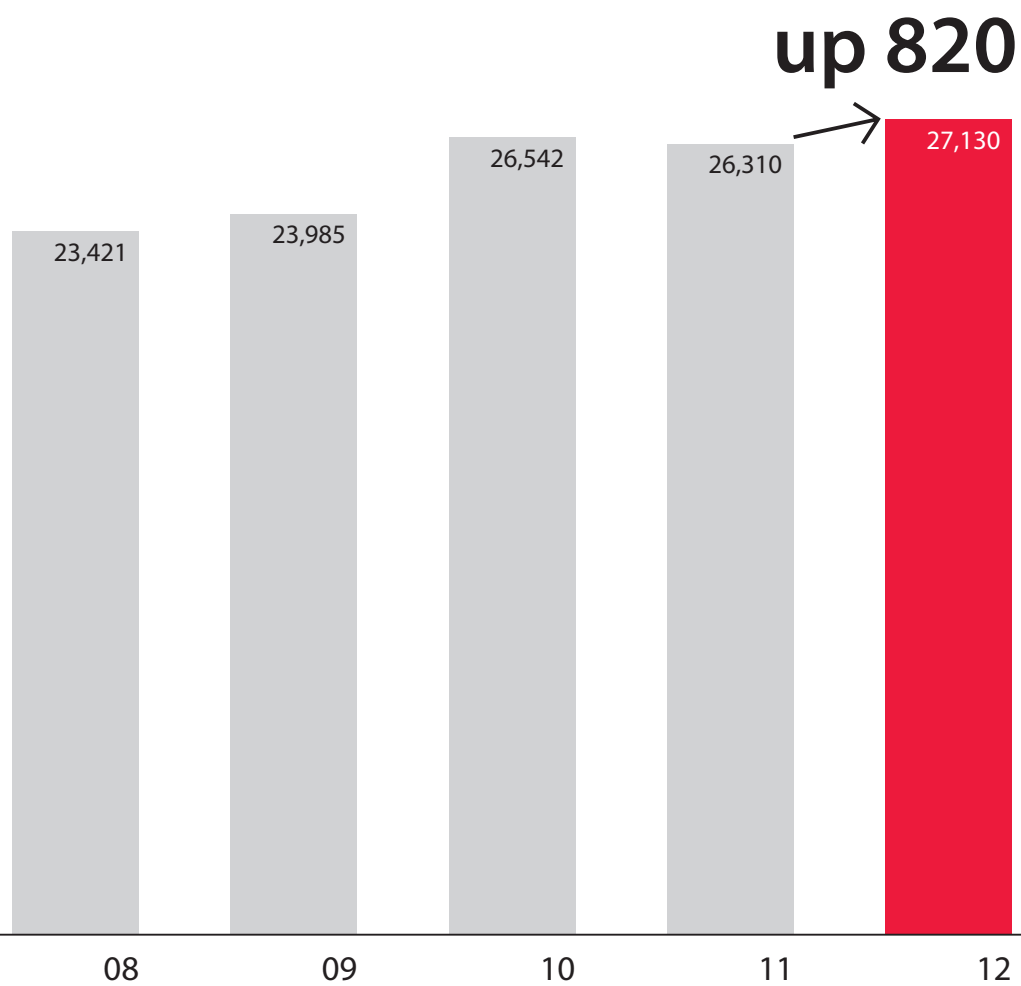
5.1%



Number of Employees

(Regular employees only)

27,130



Group Highlights

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

	(Millions of Yen)			(Change)
	2012	2011	2010	2012/2011
Net sales	1,848,797	1,690,151	1,609,884	+9.4%
Operating income	114,956	87,698	62,714	+31.1%
Net income	33,200	27,268	19,113	+21.8%
Total assets	2,086,097	1,934,236	1,916,928	+7.9%
Equity	657,891	635,186	617,770	+3.6%
Net income per share (in yen)	57.36	47.09	33.00	+10.27
Equity per share (in yen)	1,135.46	1,095.62	1,065.15	+39.84
Cash dividend per share (in yen)	25.00	20.00	17.00	+5.00
Payout ratio (%)	43.6	42.5	51.5	+1.1 points
Return on equity (ROE) (%)	5.1	4.4	3.1	+0.7 point
Return on assets (ROA) (%)	1.7	1.4	1.0	+0.3 point
Equity to total assets (%)	31.5	32.8	32.2	-1.3 points
Number of employees*1	27,130	26,310	26,542	+820
Number of consolidated subsidiaries*2	74	62	59	+12
Consolidated to non-consolidated net sales ratio (times)	1.66	1.60	1.56	+0.06 point
Proportion of single-family houses fitted with photovoltaic power generation systems (%)	56.3	47.1	27.6	+9.2 points
CO ₂ Reduction Indicator (times)	5.3	3.7	—*3	+1.6 points
CO ₂ emissions from business operations (thousand t-CO ₂)	332	341	—*3	-2.6%
CO ₂ savings from delivery of products & services (thousand t-CO ₂)	1,751	1,277	—*3	+37.1%

*1 Regular employees only.

*2 As of March 31 each year.

*3 Not recorded due to changes in parameters and method of calculation.

The Year in Review

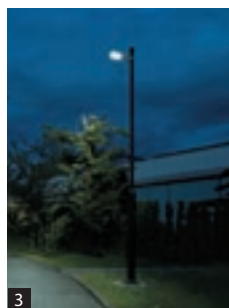
2011



1



2



3



4

4

● Donations made to support recovery of earthquake devastated regions

The Daiwa House Group donated a total of ¥160 million for the relief of communities devastated by the March 11 earthquake and tsunami (¥59.8 million individual donations from executives and employees, and approximately ¥100 million directly from the Group).

● Photovoltaic power generation systems sold at special low price to assist reconstruction of region hit by earthquake and tsunami of March 2011

We offered the installation of 2kW photovoltaic power generation systems (limited to system 3kW and higher) in newly constructed houses in our xevo series, either in the Tohoku region, or in the Kanto region when the owner possesses a disaster victim certificate*1.

*1 If housing is damaged by a natural disaster, decision and authorization depends on criteria set by each municipality.

5

● Housing Reconstruction Consultation Centers opened, xevo K single-family house launched

On May 2 we opened Daiwa House Housing Reconstruction Consultation Centers at several locations in the region hit by the March 11 disaster. These centers provide advice to customers looking to build new houses, rebuild existing ones, or carry out renovation work. At the same time, we put on the market the xevo K, a low-priced single-family house model specially designed to meet the needs of the disaster-hit region, featuring superior earthquake resistance and a short construction period.

1 2

● LED street lights donated to disaster-hit areas in Tohoku region

Daiwa House donated 30,000 LED street lights to the local governments of Miyagi, Fukushima, and Iwate prefectures. LED lights save energy and help reduce CO₂ emissions.

3

6

● FOLEO Osaka Dome City opened — a shopping center that presents new lifestyle possibilities

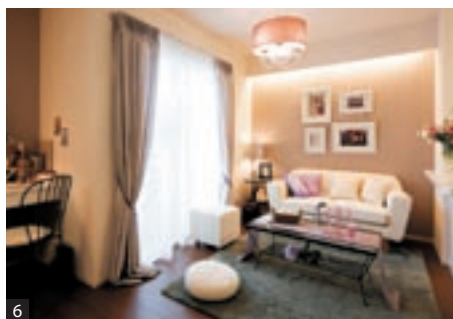
Directly connected with the Kyocera Dome Osaka baseball stadium, the FOLEO Osaka Dome City is a commercial complex focused on the themes of health and sports, featuring restaurants, clothing stores, a fitness club and other attractions. We aim to take advantage of the center's excellent location, with its easy transportation accessibility, and make it an integral part of local community life.

4

● PARO® therapeutic robot baby seals donated

To help in the psychological care of elderly victims of the March 2011 disaster, we loaned 50 PARO® therapeutic robots to nursing facilities free-of-charge for a two-year period. PARO® robots, which are designed to look and behave like baby harp seals, provide needed emotional support, and are now in use at hospitals and facilities for the elderly in more than 30 countries worldwide.

5



7

8

● Rental housing products with anti-burglary features launched

In August 2010 we launched two new models in our series of rental housing products, targeting female tenants. The Séjour WIT-SW (2 stories) and the Séjour OTT'S-SW (3 stories) both boast anti-burglary features as well as a full range of other features designed to appeal mainly to women.

6

● D's SMART OFFICE launched

We launched D's SMART OFFICE, an eco-friendly office with the potential for a maximum reduction in CO₂ emissions of about 50%*². This leading-edge product for corporate customers can be easily adapted to fit the requirements of different industries and business formats, as well as the scale of each company's business.

7

● Jointly developed house construction industrialization method receives recognition from Chinese housing industry

A method of industrializing the construction of houses*³, jointly developed by Daiwa House Industry and the Baoye Group of China, has received recognition on the international level with the award of a "Certificate of Recognition of Technological Achievement in the Construction Industry." This has opened up the way for Daiwa House and the Baoye Group to construct houses manufactured with industrialized methods all over China using the "Brace-Type Lightweight Steel-Frame Structure."

● Industrial park to be established in suburbs of Ho Chi Minh City

Daiwa House Industry, Sojitz Corporation, and Kobelco Eco-Solutions Co., Ltd. have reached an agreement to jointly develop the Long Duc Industrial Park in Dong Nai Province in the southeastern region of Vietnam. The park will have a total area of 270 hectares, and the total project cost is estimated at roughly US\$100 million. Situated between central Ho Chi Minh City and the city's port, the park's location is seen as ideal from both the manufacturing and logistical perspectives.

*² Comparison with previous Daiwa House products (calculation by Daiwa House)

*³ Official name of method: Pycnostyle brace-type low-rise steel-frame system for industrialization of house construction



9

● Grand opening of CARGOES shopping mall on International Boulevard, Naha

CARGOES is a large commercial facility located on International Boulevard, Naha, Okinawa, that offers things for the enjoyment of locals and tourists — restaurants, stores selling fashionable apparel and household goods, the largest bookstore in Okinawa Prefecture, and more.

8

● Pipe House and Midget House Honored by Science Museum

Pipe House, the first product launched by Daiwa House Industry in 1955, and Midget House, launched in 1959, and the source for all the Company's subsequent prefabricated housing products, have been registered by the National Science Museum as important landmarks in the earliest days of prefabricated housing.

9 10

10

● SMA×Eco ORIGINAL launched — industry's first smart house fitted with lithium ion storage batteries controlled by HEMS

For further details ▶ P.81

● Daiwa House Group given priority by Sakai City in negotiations over development of Harumidai Eco-Model Town project

All 65 houses will be fitted with equipment making them into "net zero energy" houses*⁴. This development will thus be the first net zero energy residential neighborhood in Japan*⁵, with a zero CO₂ emission level.

● Office opened in Taiwan for Group's logistics operations

At the 2011 Taiwan Business Alliance Conference, Daiwa House became the first Japanese home builder to sign a letter of intent with the Ministry of Economic Affairs of the ROC. Not only will the Company make use of the Taiwan government's information and investment support systems, but will also work to bring Taiwanese land owners together with prospective Japanese corporate tenants and tenants from many other countries, notably Taiwan, with the aim of aggressively developing roadside retail outlets in Taiwan.

12

● DIY materials and tools provided to residents of temporary housing

Daiwa House Group member Royal Home Center Co., Ltd. has provided residents of temporary housing in the city of Tagajo, Miyagi Prefecture with the timber materials and tools needed for DIY projects.

● Eco-friendly office experiment conducted at Daiwa House Aichi-Kita Bldg.

As our second "Smart-Eco Project," we made use of our know-how in the field of environment-friendly technology to conduct an experiment at a Company-owned building in Aichi, involving the operation of offices that realize a 50% or more reduction*⁶ in CO₂ emissions.

11

*⁴ A zero net energy house is a term for a home with zero or close to zero net energy consumption annually, due to improved energy-saving features in structure and amenities and recycling of energy.

*⁵ This was the first project proposal in Japan in an initiative by local governments to create a "zero net energy" community. Based on our own research.

*⁶ Percentage reduction by comparison with the building's performance when constructed in 1990 (calculation by Daiwa House).

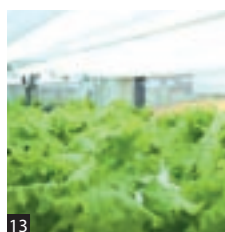


Daiwa House[®]
Group

2012



12



13



13

1

● Launched xevo 03, a three-story house for cramped urban sites

Targeting home owners who want to rebuild their houses, which are located on cramped sites in urban areas, we developed and launched the xevo 03, a three-story house offering optimum utilization of available space as well as advanced safety (i.e. earthquake resistance) features. Thanks to our development of a new construction system, this model offers both improved protection against earthquake damage and enhanced flexibility in room layout using a very free design.

12

2

● Daiwa House chosen as one of 100 most sustainable companies in the world for second straight year

The Canadian corporate ranking companies including Corporate Knights have listed Daiwa House Industry in its "2012 Global 100 Most Sustainable Corporations in the World." This is the second year in a row that the Company has been chosen, and, at No.57, it is the only Japanese home builder to be included in this list.

3

● Launched "agri-cube" hydroponic vegetable-grower unit

As the first product in our "industrialization of agriculture" initiative, in April 2012 we began selling our "agri-cube" hydroponic vegetable-grower units to commercial facilities. This is the first such product to be developed and marketed by a Japanese home builder.

For further details ▶ P.123

13

Activities to support the region affected by the Great East Japan Earthquake

■ Supplied emergency temporary housing units*7:

11,041



■ Constructed temporary stores, plants, and warehouses*8:

481



■ Constructed school, government, and medical facilities*8:

251



■ Damage checks performed at customer properties:

157,100

(Kanto and further north, areas with a seismic intensity scale (shindo) reading of 5-lower or more)

■ Support personnel sent to affected areas:

23,727

*7 Excluding some nursing care facilities

*8 The figures for temporary stores, plants and warehouses, and school and government buildings, are from data available as of March 15, 2012

Group Network

As of August 1, 2012

● Living Salons **114**
(As of August 31, 2012)



■ Property Developments **83**



■ Commercial Facilities **302**



● Resort Hotels **30**



■ Golf Courses **10**



● Sports Clubs **53**



● Home Centers **50**



● City Hotels **36**



Daiwa House Industry
(As of April 1, 2012)

Head Office/Offices/Branches **83**

Overseas Office **1**

Factories **10**

Laboratory **1**



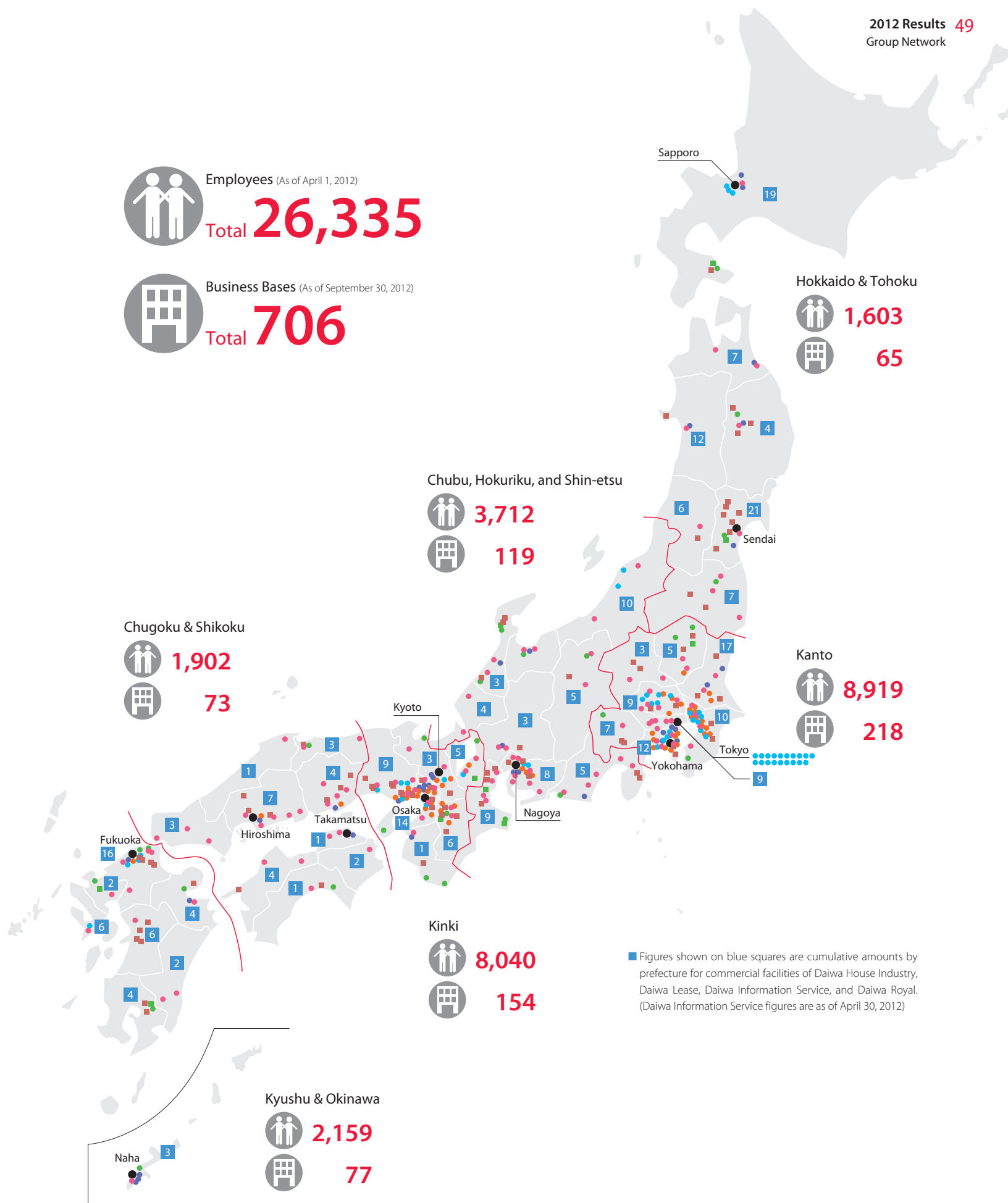
Employees (As of April 1, 2012)

Total **26,335**



Business Bases (As of September 30, 2012)

Total **706**



Share Information

As of March 31, 2012

Common stock **¥110,120 million**
(US\$1,342,927 thousand)

Shares	Authorized	1,900,000,000
	Issued	599,921,851
	Number of shareholders	32,945

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

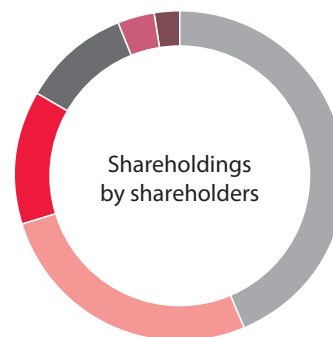
Shareholder registry administrator

Sumitomo Mitsui Trust Bank, Limited
1-4-1, Marunouchi, Chiyoda-ku, Tokyo

Securities traded Tokyo and Osaka stock exchanges

Securities code 1925

Note: The Chuo Mitsui Trust and Banking Company, Limited, the shareholder registry administrator until March 31, 2012, merged with the Sumitomo Trust and Banking Company, Limited and Chuo Mitsui Asset Trust and Banking Company, Limited on April 1, 2012 to form Sumitomo Mitsui Trust Bank, Limited.

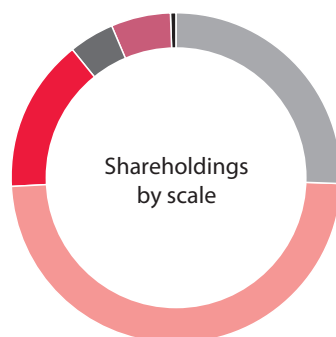


	%
Financial institutions	43.7
Foreign investors	26.6
Individuals and others	13.2
Other corporations	10.6
Treasury stock	3.5
Securities companies	2.4

Key share data

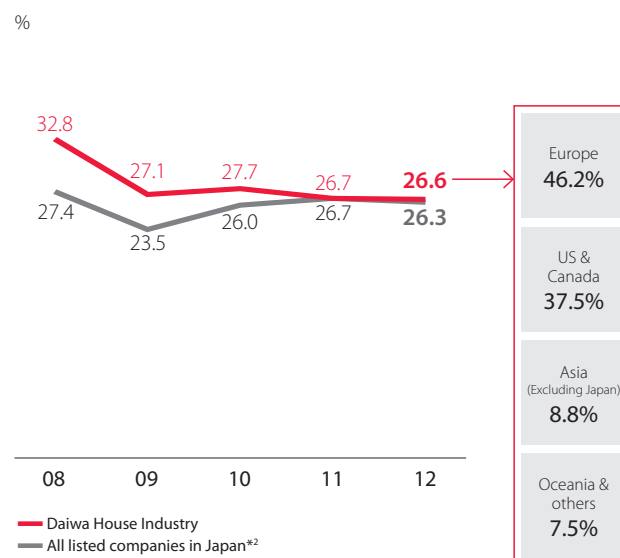
	2012	2011	2010	2012/2011
Issued and outstanding shares (thousands of shares)*1	578,716	578,807	579,092	-0.02%
Average number of shares outstanding during the fiscal year (thousands of shares)	578,782	579,009	579,134	-0.04%
Net income per share (in yen)	57.36	47.09	33.00	+10.27
Equity per share (in yen)	1,135.46	1,095.62	1,065.15	+39.84
Cash dividends per share (in yen)	25.00	20.00	17.00	+5.00
Dividend payout ratio (%)	43.6	42.5	51.5	+1.1 points
Dividend on equity ratio (%)	2.2	1.9	1.6	+0.3 point
Dividend yield (%)	2.3	2.0	1.6	+0.3 point
Price earnings ratio (times)	19.07	21.70	31.97	-2.63 points
Price to book value ratio (times)	0.96	0.93	0.99	+0.03 point

*1 Excluding treasury stock



	Shares	%
■ 10 million or more	154,317,304	25.7
■ 1 million or more	292,066,476	48.7
■ 100 thousand or more	89,151,480	14.9
■ 10 thousand or more	26,457,405	4.4
■ 1 thousand or more	35,011,431	5.8
■ Less than 1 thousand	2,917,755	0.5

Foreign shareholdings



*2 Fiscal 2009 and 2008 include companies listed on the JASDAQ stock exchange.

Principal shareholders

	Thousands of shares	Equity stake (%)
The Master Trust Bank of Japan, Ltd. (trust account)	32,606	5.6
Japan Trustee Services Bank, Ltd. (trust account)	29,279	5.1
Sumitomo Mitsui Banking Corporation	16,117	2.8
The Bank of Tokyo-Mitsubishi UFJ, Ltd.	15,470	2.7
Nippon Life Insurance Company	14,930	2.6
Daiwa House Industry Employee Shareholders Association	13,494	2.3
SSBT OD05 OMNIBUS ACCOUNT-TREATY CLIENTS (Standing proxy: Tokyo Branch of The Hongkong Shanghai Banking Corporation Limited)	11,213	1.9
The Chuo Mitsui Trust and Banking Company, Limited	9,701	1.7
Japan Trustee Services Bank, Ltd. (trust account 9)	9,287	1.6
Aioi Nissay Dowa Insurance Co., Ltd.	8,765	1.5

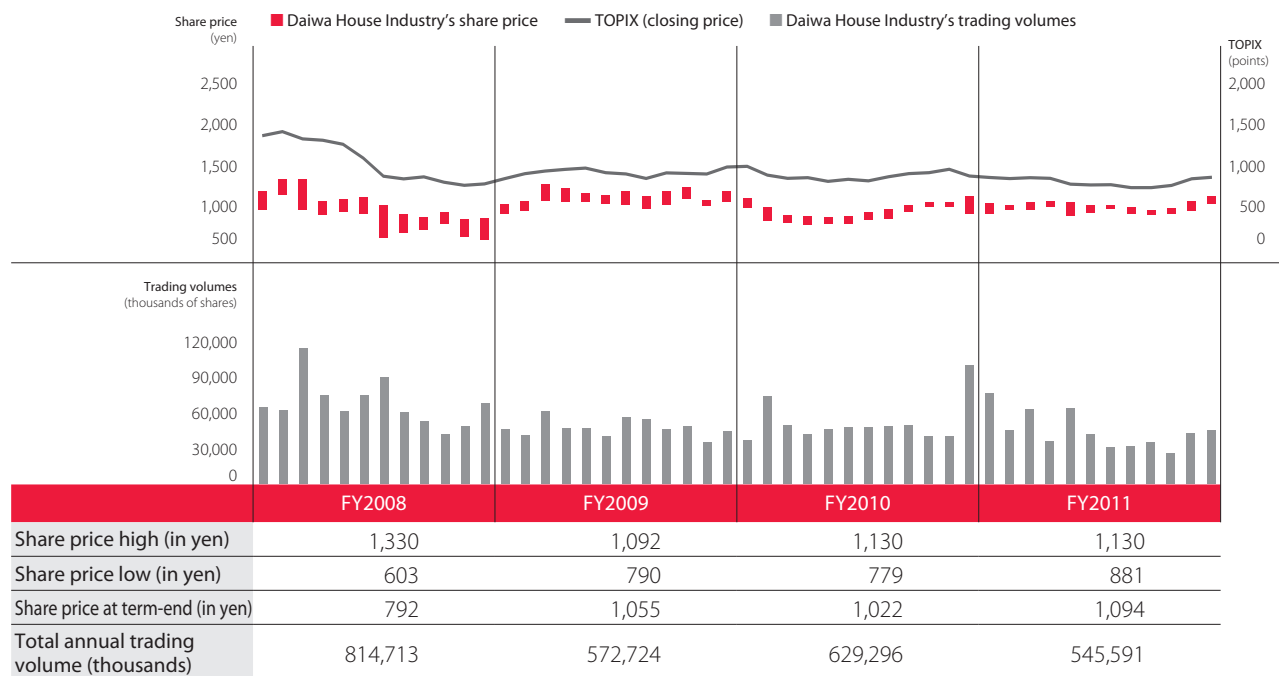
Notes: 1. Number of shares held is rounded down to the nearest thousand.

2. The Company holds 21,206 thousand shares of treasury stock, but these are not included in the above list.

3. Shareholding computations exclude treasury stock.

4. Effective April 1, 2012, the Chuo Mitsui Trust and Banking Company, Limited merged with The Sumitomo Trust and Banking Company, Limited and Chuo Mitsui Asset Trust and Banking Company, Limited to form Sumitomo Mitsui Trust Bank, Limited.

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

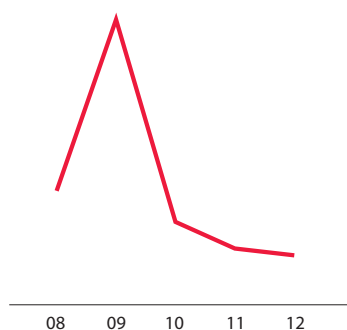


Stock price movements in fiscal 2011

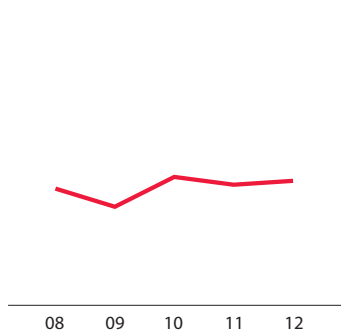
In early fiscal 2011, Japanese stock markets were unsettled by the aftermath of the Great East Japan Earthquake, but the TOPIX remained above the 800 point mark and the Nikkei Stock Average temporarily recovered to the ¥10,000 level, with both markets holding up relatively well on prospects of rebuilding demand. However, from August 2011, the European debt crisis worsened and concerns about a slowdown in the global economy intensified. This was compounded by a return to negative growth for the Japanese economy after the flooding in Thailand and the yen's rapid appreciation. As a result, in November 2011, the TOPIX slumped to 703 points and the Nikkei fell through the ¥8,200 level. In early 2012, there were growing expectations of an upturn in the US economy and concerns about the European debt crisis receded. The yen also saw a correction after the Bank of Japan announced stepped up monetary easing measures in February 2012. Consequently, the TOPIX recovered to 854 points by the end of the fiscal year and the Nikkei ended the fiscal year at ¥10,083.

Against this backdrop, the price of Daiwa House stock tracked conditions in the wider market, falling from ¥1,022 at the end of the previous fiscal year to a fiscal-year low of ¥881 in August. However, the stock price rebounded to ¥900 in November, holding up well during the stock market's weakest period on the back of positive news such as second quarter earnings that exceeded guidance announced in June. The stock price recovered to the ¥1,000 level in mid-February, partly helped by the upturn in the wider market, and reached a fiscal-year high of ¥1,130 in March.

Price earnings ratio

times 43.94 110.01 31.97 21.70 **19.07**


Price to book value ratio

times 0.90 0.76 0.99 0.93 **0.96**


Dividend on equity ratio

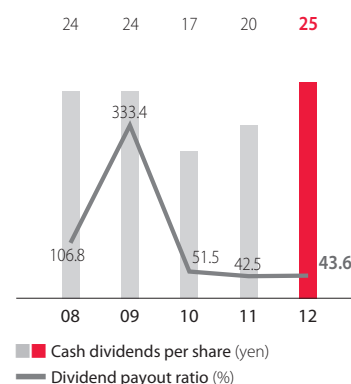
% 2.2 2.2 1.6 1.9 **2.2**


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.

Cash dividends per share and dividend payout ratio



Inclusion in SRI indexes

SRI (Socially Responsible Investment) indexes are designed to give investors a means of evaluating companies based on their efforts in CSR (Corporate Social Responsibility) such as environmental and community initiatives, rather than their level of profitability. As of January 2012, Daiwa House was a member of the Japanese domestic SRI index, Morningstar Socially Responsible Investment Index (MS-SRI).



Morningstar Socially Responsible
Investment Index

Group Performance

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Message from the COO



Hearts in Action

Over one year has now passed since Japan suffered its worst-ever disaster — the massive earthquake and tsunami that occurred on March 11, 2011. Under our catchphrase “With Hearts as One,” we unstintingly invested the Group’s management resources and worked to reconstruct the basic livelihood infrastructure of the devastated region as the vital first step toward ultimate recovery. We made a significant contribution to society in the field of construction — our area of greatest strength — by building 11,041 emergency temporary housing units, 481 commercial facilities, factories and warehouses, 127 schools, 99 local government offices, and 25 medical and nursing care facilities. A total of 23,727 Group employees were dispatched to the disaster-hit region.

Under our “Endless Heart” symbol, all the management staff and employees of the Group came together in the conviction that the devastated communities could and would be fully rebuilt, and that it was our mission to make this possible. We succeeded in overcoming the difficulties that lay in our path, but true reconstruction has hardly yet begun, and we still have a long way to go. As in the past, we will spare no effort. We will work energetically and continuously to realize complete reconstruction, and at the same time, the Group will come together to create new value.

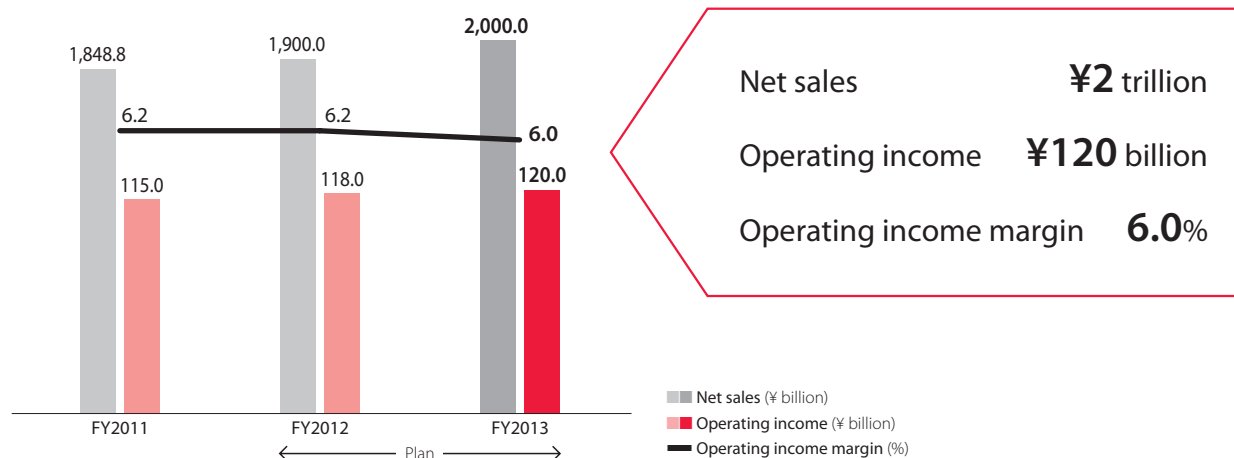
The Third Medium-Term Management Plan

At the Daiwa House Group, we have drawn up a new three-year plan, our Third Medium-Term Management Plan “3Gs” for New Growth (fiscal 2011 through fiscal 2013). These three Gs are the initial letters of Group, Global, and Great, keywords that define our management policy under the plan. We will work to achieve growth with the target of ¥2 trillion in annual net sales by the Group; we will expand our market share through Group growth and speed up the pace of our global development activities; and we will aim to become a “great” corporate group. Below, I discuss the principal measures we took in fiscal 2011, a year of addressing social change.

Basic policies “3Gs” for New Growth



Business targets (fiscal 2013)



Speed up reform of businesses in Japan, based on regional links

Japan is currently experiencing a declining birthrate and a growing proportion of elderly people. In addition, ever since the March 11, 2011 disaster, people have started to question the basic assumptions that underlie our lifestyle amid a wide range of social issues. As the pace of population-aging continues to rise, single-person households are estimated to increase from 4.65 million in 2010 to 6.31 million in 2020. Against this backdrop, changes in the systems and structure of facilities for the elderly, as well as the necessity to make changes in our way of life, have become pressing issues. Moreover, against the background of recent electric power shortages, the movement to encourage electricity conservation is causing major changes in people's values, to the point where we can no longer go on using electricity without a second thought, as we have done for so many years. Energy issues have now become a part of everyday life. At the Daiwa House Group, we are giving very serious thought to such questions as how we should interpret these times, and what we must leave behind for the next generation. We must devise operational strategies that take as their starting point the concept of "contributing to society," which also sums up the spirit in which Daiwa House Industry was founded. Under the four strategies of "community-based," "eco-friendly," "dealing with population-aging," and "Group strength," we intend to press ahead with the reinvention of our existing business operations, and provide solutions to social problems.

The four key concepts for reform of our businesses

Community-based

Develop products that make the most of regional characteristics, better targeted marketing

Percentage of population in urban areas versus provinces 1950: 37.3% vs 62.7%; 2005: 86.3% vs 13.7%
Proportion of owner-occupied houses to total new housing construction starts in FY2011 — 22.3% in Tokyo area, 49.0% in the provinces (outside major metropolitan areas)
Total fertility rate in 2010 — 1.27 in Tokyo area, 1.39 nationwide

Eco-friendly

Strengthen development and sales promotion of eco-friendly products

Domestic renewable energy market — ¥10 trillion in 2020
Percentage of newly constructed single-family houses fitted with photovoltaic power generation systems — from 15% in FY2008 to 52% in FY2010
Forecast of future global waste volume — from 10.47 billion tons in 2010 to 22.31 billion tons in 2050

Dealing with population-aging

Enhance Group's involvement in expanding healthy seniors market through both products and services

Elderly people living alone — from 4.65 million in 2010 to 6.31 million in 2020
Baby Boomer generation (6.6 million people) now 65 or over
Elderly population rate — from 23.3% in 2011 to 39.9% in 2060

Group strength

Make maximum use of unique features of each Group member, and leveraging comprehensive Group strength to expand market share

Ratio of consolidated to non-consolidated net sales — from 1.25 times in FY2004 to 1.66 times in FY2011
Number of consolidated subsidiaries — from 38 in FY2004 to 74 in FY2011
Number of Group employees — from 19,770 in FY2004 to 27,130 in FY2011

Now let me explain our four business strategies.

First, as part of the “community-based” concept, we will aim to expand our market share, with prime focus on major metropolitan area, in our single-family houses and rental housing businesses by opening marketing offices with strong roots in their respective local communities and wider areas, through the development of products tailored to the preferences and needs of each particular area. In the commercial facilities business, we will strengthen our relationships with tenants and land owners in each area to capture more construction orders.

Under the concept of “eco-friendly,” we plan to raise our competitiveness by effectively employing environmental technology. We will enhance our capabilities in the development of smart houses (single-family houses) fitted with photovoltaic power generation systems and lithium ion storage batteries for home use, and eco-friendly condominiums, and in the marketing of smart offices (business and corporate facilities business) and smart stores (commercial facilities business). We also plan to involve ourselves in the development of “eco-model towns” and to design next-generation communities.

With respect to “dealing with population-aging,” this is a field in which we can make considerable use of our accumulated know-how, and where society’s needs are especially high. In the three business areas of rental housing, commercial facilities, and business and corporate facilities, we will transcend barriers between different businesses to expand our operations in the construction of facilities for senior citizens. We will also become actively involved in facility management, and we believe that this combination of facility construction and management services will yield an effective synergy.

Additionally, we aim to leverage the Group’s comprehensive strength to expand business services relating to the stock of housing and facilities that we have constructed in the past. In particular, we hope to further speed up the Group’s growth by the creation of a system for acquiring contracts for the management of our stock of rental housing (approx. 300,000 units) and condominiums (approx. 280,000 units), and orders for renovation work in collaboration with our home center business.

Final year targets in the third medium-term management plan

	Sales		Operating income		Operating income ratio (%)	
	FY2011 (results)	FY2013 (plan)	FY2011 (results)	FY2013 (plan)	FY2011 (results)	FY2013 (plan)
● Single-Family Houses	336.4	380.0	11.0	19.0	3.3	5.0
● Rental Housing	526.8	610.0	53.0	55.0	10.1	9.0
● Condominiums	128.9	150.0	3.8	7.0	2.9	4.7
● Existing Home Business	68.1	85.0	4.5	6.0	6.7	7.1
● Commercial Facilities	306.9	340.0	33.2	37.0	10.8	10.9
● Business and Corporate Facilities	257.0	210.0	25.9	14.0	10.1	6.7
● Health & Leisure	58.6	65.0	0.1	0.5	0.1	0.8
● Other Businesses	255.7	265.0	8.2	10.0	3.2	3.8
Eliminations/corporate	(89.6)		(24.7)			
Total	1,848.8	2,000.0	115.0	120.0	6.2	6.0

Strategy by business segment and principal measures in fiscal 2012

Business segments	Key concepts	Principal measures	
Single-Family Houses	Community-based, Eco-friendly	<ul style="list-style-type: none"> Expand network of marketing offices, with focus on major metropolitan area Strengthen product planning ability to meet local needs Promote sales of eco-friendly product SMAXEco ORIGINAL Develop new products that conserve energy, are highly durable and seismic resistant 	P 78
Rental Housing	Community-based, Dealing with population-aging, Group strength	<ul style="list-style-type: none"> Expand number of medium- to high-rise properties Expand contracts for construction of serviced housing for senior citizens; strengthen building management, and services master lease Aim to expand number of units under management; create system enabling companies to leverage their strengths Expand orders for rental housing with anti-burglary features; expand development of medium- to high-rise properties 	P 82
Condominiums	Eco-friendly, Group strength	<ul style="list-style-type: none"> Adopt eco-friendly specifications for all properties Expand share of condominium management market through mergers and acquisitions of management companies Strengthen capabilities in acquisition of prime sites in Tokyo area 	P 86
Existing Home Business	Group strength	<ul style="list-style-type: none"> Enter general homecare market through collaboration with home center and real estate agency businesses Expand orders for renovation work on rental housing Expand size of workforce 	P 90
Commercial Facilities	Community-based, Dealing with population-aging	<ul style="list-style-type: none"> Strengthen marketing to key tenants on area basis Strengthen relationships with land owners who are already our customers Strengthen development in urban areas Expand orders for construction of serviced housing for senior citizens 	P 98
Business and Corporate Facilities	Eco-friendly, Dealing with population-aging	<ul style="list-style-type: none"> Strengthen marketing of eco-friendly products (offices, factories) Expand orders for construction of serviced housing for senior citizens Strengthen development of multi-tenant logistics centers 	P102
Health & Leisure	Dealing with population-aging	<ul style="list-style-type: none"> Strengthen construction and marketing of fee-based homes for the elderly Enhance appeal of resort hotels and fitness clubs 	P110
Other Businesses	Group strength	<ul style="list-style-type: none"> Enhance proposal capabilities in renovation for energy conservation, new energy sources, and energy storage Promote development of new stores and hotels 	P114

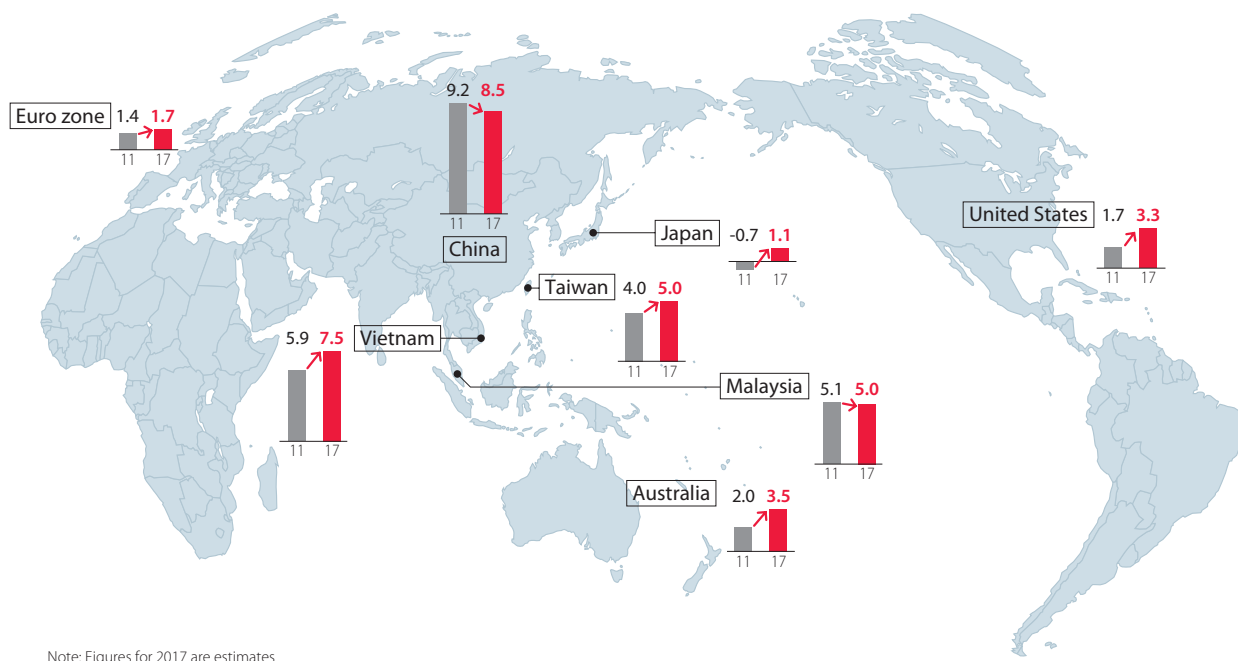
Expanding our operations globally, centered on Asia

As part of the Group's plans for global expansion, we aim not only to expand our geographical operational area, but also to increase the number of business fields in which we engage, and with greater speed. Currently, overseas markets account for less than 1% of the Group's total sales, but we plan to raise this proportion and grow into a truly global group. Firstly, in the development of condominiums in China, we have completed a large-scale project in Suzhou funded entirely by the Group, and this has made a contribution to sales. Steady progress is also being seen in a combined condominium and commercial facility project in Dalian. We also have solely Group-funded projects on the drawing board in Wuxi and Changzhou. Although the frenetic pace of expansion in the Chinese real estate market has slowed, we view it as a market with high potential, and plan to steadily expand our operations there.

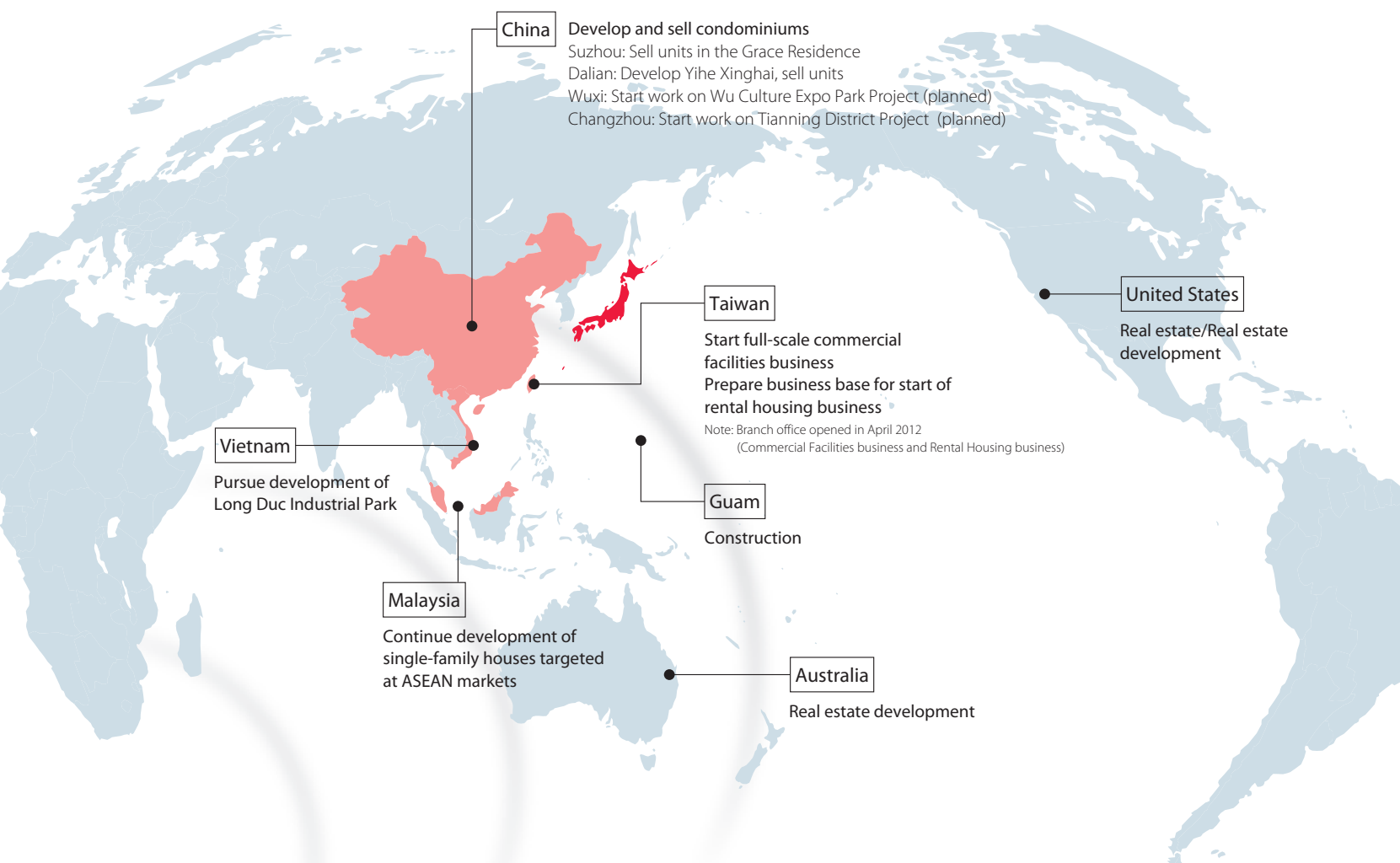
In addition to China, we have also started up a fully fledged commercial facilities business in Taiwan, and in Vietnam preparatory work has begun on an industrial park. In all these markets, we are confident of making a social contribution through the creation of new value, leveraging our track record in Japan and the expertise in construction technology that we have built up here as well as the excellent reputation of our business models. In fiscal 2012, we established a local subsidiary — Daiwa House Vietnam — and engaged in the design outsourcing business.

Over the next three years we will be laying the groundwork for future globalization at a faster pace. We plan to nurture human resources overseas, build a network of business bases, and steadily create a solid management base so as to become a corporate group with a vital role in the global economy.

Prospects for the global economy (underlying growth rates 2011 → 2017)



Main overseas initiatives planned



Yihe Xinghai (Dalian, China)



Rental housing (California, United States)

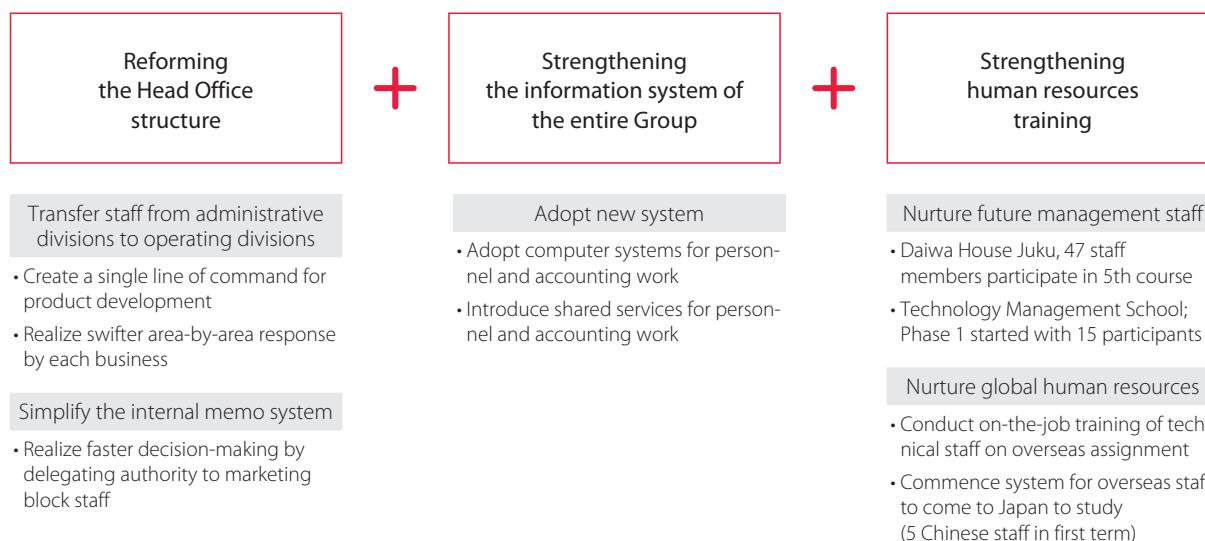
By strengthening Group fundamentals, generate further growth for people and organizations

The Daiwa House Group's greatest asset has always been, and will continue to be, our employees. When the March 11, 2011 disaster occurred, we were once again forcefully reminded of the importance of solidarity within an organization. Only the efforts of our more than 40,000 staff in Japan and overseas will open up the road to new growth in the future. What we have to do now is to go back to our starting point and focus efforts on nurturing our human resources and strengthening our management base. By strengthening our business base now, we will lay the groundwork for the still-faster growth and global expansion of the Group.

In our ongoing Head Office restructuring, we aim to clarify the functions of the Company's various administrative and operating divisions, optimally reassign personnel, and speed up decision-making. To ensure that our area-based marketing strategy is effective, we will delegate further levels of authority to the staff in each area. We will also strengthen our information systems base by promoting the sharing of administrative services between the Company and other Group members for greater operational efficiency, and will restructure our core information system to create a management base that will support the entire Group. In the field of human resources training and education, we will focus our efforts particularly on those staff who can be expected to form the Group's core in the future. In addition to the Daiwa House Juku — our ongoing program for the training of the next generation of management staff — we will work to further broaden our staff training and education programs, including courses for technological staff and programs allowing overseas employees to come and study in Japan.

By expanding and improving the Group support functions and human resources nurturing programs I have described here, we will build a corporate infrastructure allowing us to aggressively and boldly direct the Group along the path of vigorous growth and expansion.

Policies for strengthening fundamentals (organizations, core systems, human resources)



A Group that continues to grow, in Japan and overseas

Fiscal 2012 is the second year in our current three-year plan, the Third Medium-Term Management Plan. This is an extremely important year for the achievement of our target for the final year under the plan — ¥2 trillion in annual net sales. Under the banner of our “3Gs” keywords — Group (growth by the Group), Global (global development) and Great (becoming a “great” enterprise) — we are working to build a management base that will assure us of growth. Improving the competitiveness of our operations within Japan will depend on how effectively we can leverage both our excellent track record and the reforms we are currently pursuing. In our overseas operations we will work steadily to establish footholds in new markets, expand our sphere of operations into new geographical areas and new business fields, and create future earnings generators.

The Daiwa House Group is not simply a business enterprise, it functions as a valuable public organ of society, and we therefore have a social duty to ensure its continuity and sustain its growth. We will work to make a positive contribution to society through a management style that effectively balances “offensive” strategies to promote growth against “defensive” strategies centered on the nurturing of our human resources, while paying due attention to legal compliance and risk management. We will be resolute and proactive, or cautious and reliable, as the situation demands, and the employees and management of the Group will work together to help realize a better society. I would like to request our stakeholders’ continued support for our future endeavors.

Naotake Ohno

Naotake Ohno
President and COO





One Heart, One Tomorrow

What do people need?

Those on the front line have the know-how — they can find the solutions.

As employees of the Daiwa House Group, we share a single goal —
to build a better world.

In Japan and around the globe, we should listen to the workers
in the factories and on the building sites, and take up the challenge of
developing new products and opening up new markets.



Eco-Model Town

Kazusuke Ohmagari

*Osaka Urban Development Dept.
Daiwa House Industry*

Harumidai is a housing development that is planned to be a “net zero energy town.” We aim to bring into being an attractive community where our customers can live securely and with peace of mind. I hope to create a truly valuable residential development where people will want to live.

For further details ▶ P.80



Senior Citizens

Rika Suzuki

*General Manager of Mominoki, Suginami
Daiwa House Life Support*

When first moving in to a home for the elderly, many people suffer anxiety because of the sudden change in their living environment. We do our best to ensure their days pass as pleasantly as possible. With our highly motivated staff, we aim to be the best nursing home for seniors in Japan.

For further details ▶ P.113



Overseas

Shinichi Chono

*Section Manager of Construction Dept.
Daiwa House Industry*

I am working on the Daiwa House Group's first overseas industrial park development project. I am confident that Japanese enterprises — including SMEs — will make this park their point of departure into the global market, and that it will assist the economic development of Japan and the whole world. Through the success of this project, I hope to help the overseas operations of the whole Group grow strongly.

For further details ▶ P.134



Agriculture

Mamoru Yoshimura

*Senior Manager of Agriculture Dept.
Daiwa House Industry*

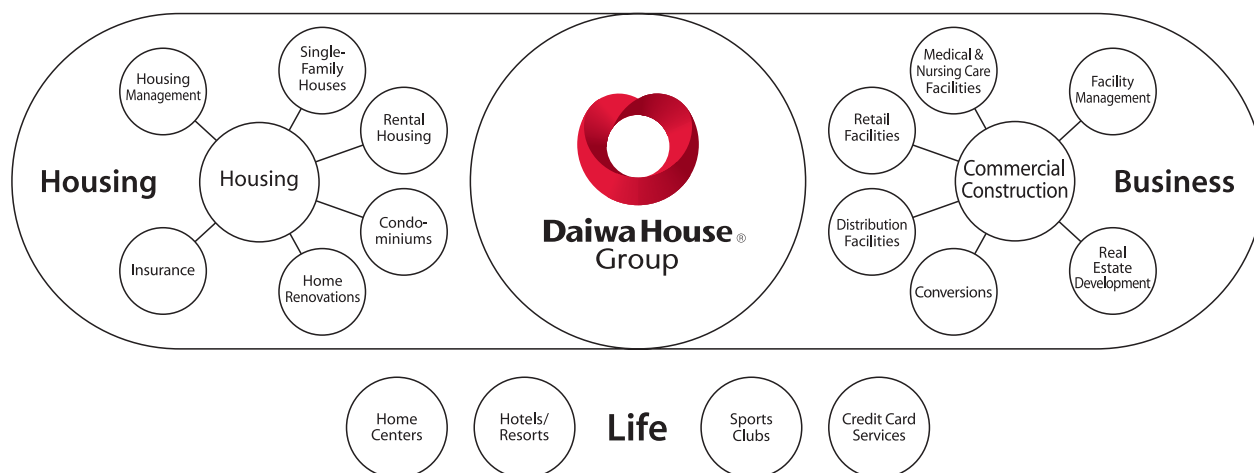
Japanese agriculture suffers from an aging of the farming population and a lack of successors. If we can help solve the succession problem, we would both prevent an increase in the acreage of uncultivated land and preserve biodiversity. The Group is putting its full resources behind its agriculture business with the goal of improving Japan's farming scene and ensuring a stable supply of food.

For further details ▶ P.123

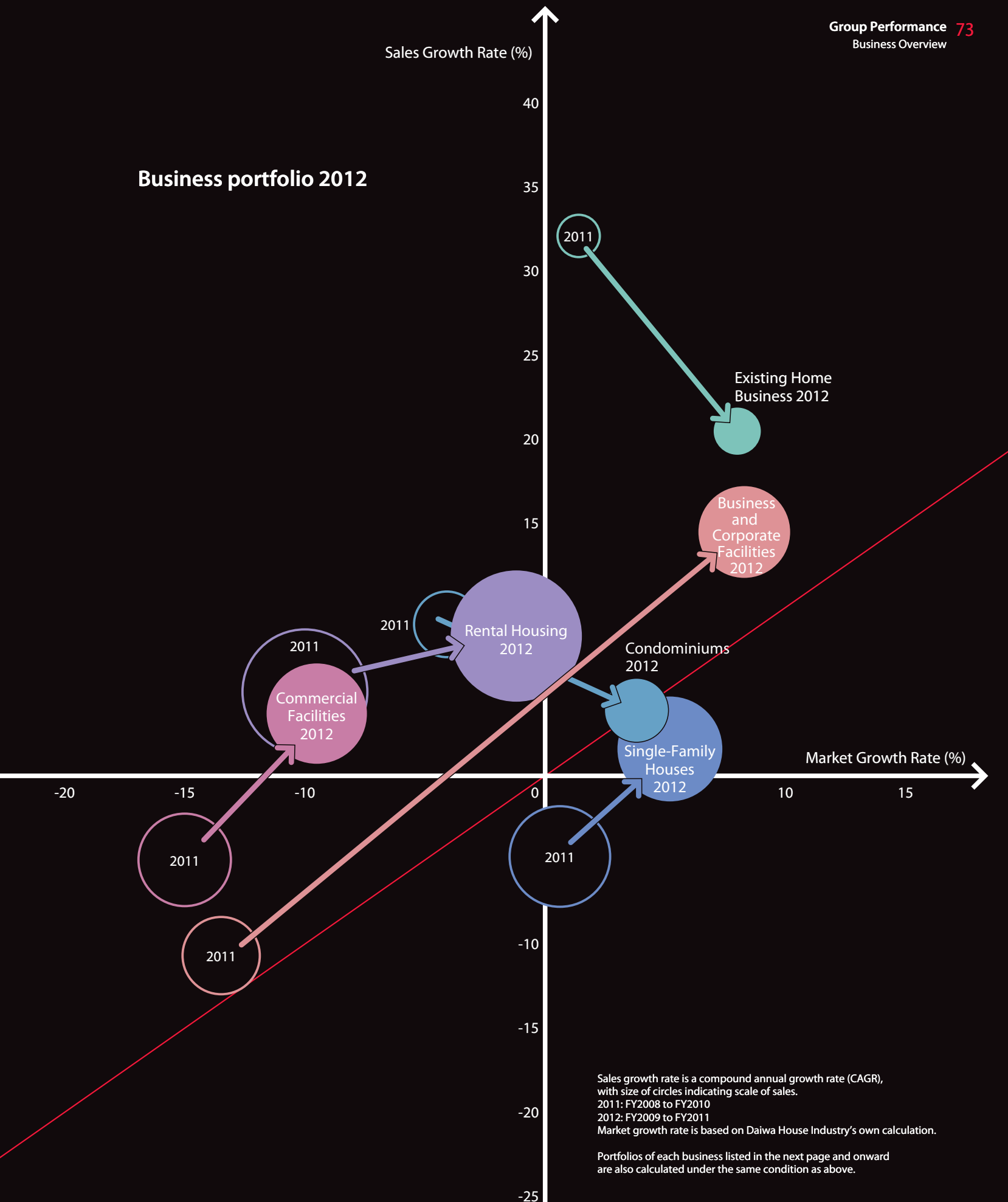
Business Overview

The Daiwa House Group, as a group that co-creates value for individuals, communities, and people's lifestyles, is working to create new value for society as a whole through the development of wide-ranging businesses in the three areas of Housing, Business and Life.

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



Business portfolio 2012





Daiwa House®
Daiwa House Group

Daiwa House Industry
Co., Ltd.

Presidents of
Group
Companies*



* Presidents of principal subsidiaries
and associated companies.



Daiwa Living Mgt.TM

Daiwa House Group

Daiwa Living COMPANIES

Daiwa Living Management Co., Ltd.

Businesses related to rental housing



Daiwa Service[®]

Daiwa House Group

Life Amenity COMPANIES

Daiwa Service Co., Ltd.

Management of condominiums & buildings/Moving services



Daiwa LifeNext[®]

Daiwa House Group

Life Amenity COMPANIES

Daiwa LifeNext Co., Ltd.

Management of condominiums & buildings



Nihon Jyutaku Ryutu[®]

Daiwa House Group

Nihon Jyutaku Ryutu Co., Ltd.

Real estate agency & property management services/Appraisals/Renovation work



Masaru Akashi

Born in 1963
1985: Joins Daiwa House Industry
2011: President of Daiwa Living, Daiwa Estate
2012: President of Daiwa Living Management

This company supports long-term stable property management by owners of rental housing, and forms a business entity with Daiwa Living, which provides a comfortable living environment to residents, and Daiwa Estate, which helps people to find places to live. We three companies together are aiming to be the leading companies in the industry under the name "Daiwa Living Companies."



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.



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 design & execution/
Property inspection



Daiwa Lantec Co., Ltd.
Foundation assessment &
reinforcement



Daiwa Core Factory Co., Ltd.
Manufacture of housing parts &
materials



Global Community Co., Ltd.
Management of condominiums &
buildings



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.



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.



Syuji Oda

Born in 1953
1990: Joins Daiwa House Industry
2011: President of Synchroller
(Currently Daiwa Core Factory)

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.



Takashi Yamada

Born in 1952
1995: Joins Daiichi Building
Management (Currently Global
Community)
2006: President of Daiichi Building
Management (Currently Global
Community)

As can be seen from the name of this company, we provide diverse services widely (globally), and we aim to form good local societies (communities) with everyone through our building management.



Single-Family Houses

Contracting Business / Subdivisions

Aiming at the top market share in each region

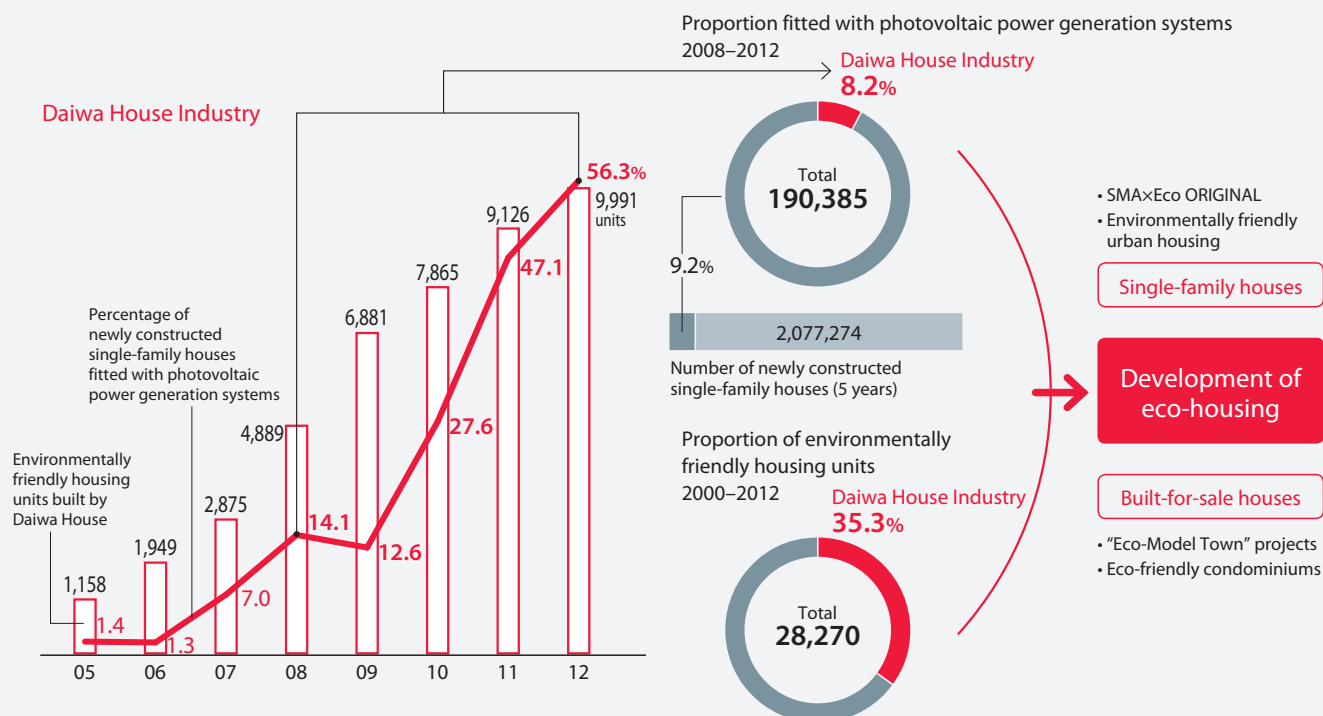


Daiwa House®
Daiwa House Group

Daiwa House Industry Co., Ltd.

Housing construction and sales

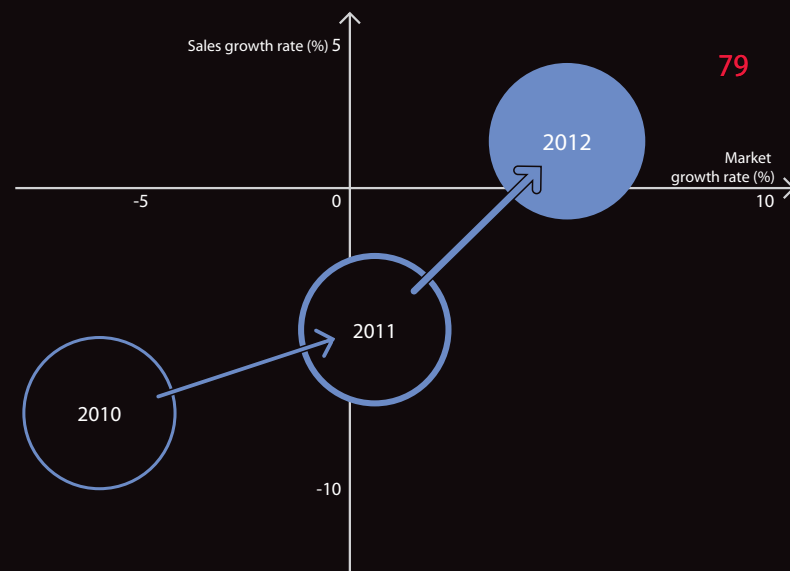
Helping build up Japan's stock of environmentally friendly housing





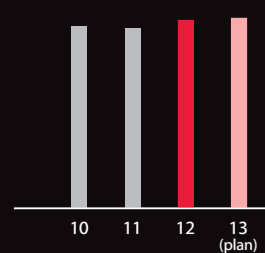
Fiscal 2011 saw a year-on-year increase of 2.7% in the number of new housing construction starts to 841,246, for the second consecutive increase.

In our single-family house business, we posted increases of 4.3% in sales and 52.7% in operating income, thanks to success in expanding sales of our mainstay xevo series of single-family house models. The standard specifications for xevo models satisfy the criteria for the government's high-quality long-term housing certification, and qualify for application of housing acquisition subsidies. We also realized an improved cost-to-sales ratio through restructuring.



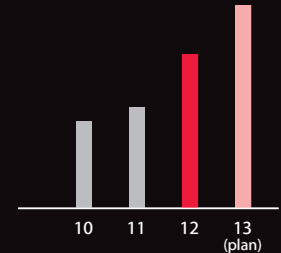
Sales
¥336.4 billion

¥ billion 325.9 322.5 **336.4** 340.0

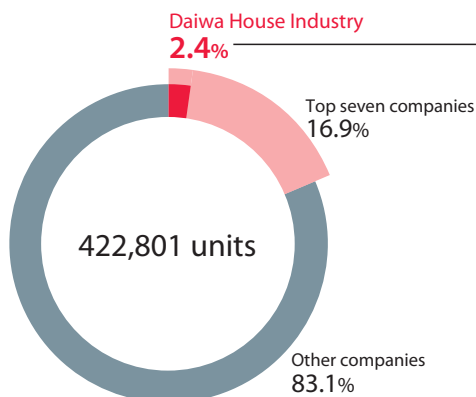


Operating income
¥11.0 billion

¥ billion 6.2 7.2 **11.0** 14.5



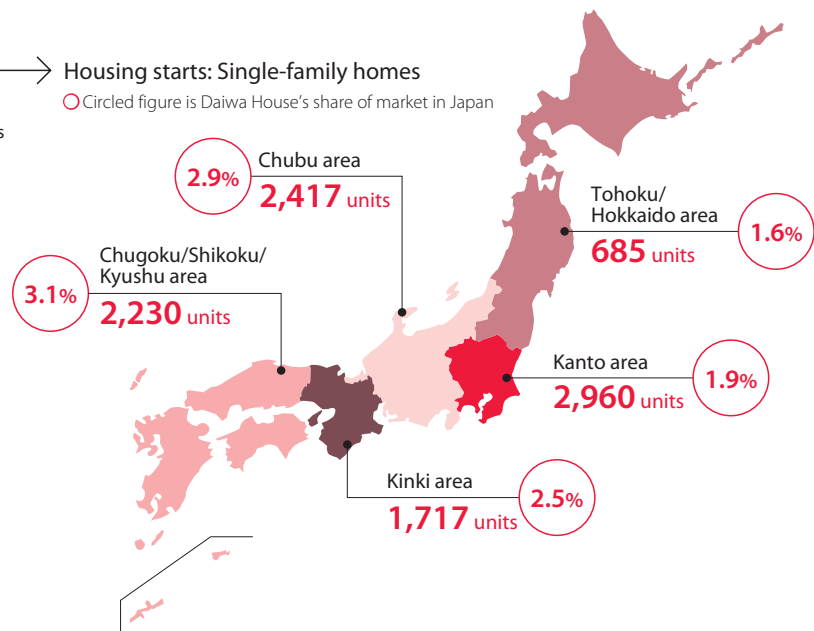
Market for new housing in fiscal 2011



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

Housing starts: Single-family homes

○ Circled figure is Daiwa House's share of market in Japan





Year 2012

Series of high value-added products launched

During the reporting term, the Japanese government maintained its support for housing acquisition, but amid uncertain economic prospects the overall number of new housing starts in fiscal 2011 was low, falling short of the previous year's level during the five months up to January 2012.

In our single-family house operations we divided the country into blocks, and worked to expand our share in each region by putting down roots in each local community. In particular, we focused on the Tokyo area, where population density is high and demand for housing robust, and were rewarded with brisk business in Tokyo and the adjacent Saitama Prefecture. Over the country, we recorded a 5.5% year-on-year increase in house sales as a result of our focused marketing. Among products released during the term, in October we launched our SMAxEco ORIGINAL, a smart house fitted with lithium ion storage batteries, a photovoltaic power generation system, and the D-HEMS home energy management system. We also launched the xevo Li, aimed at two-income family-oriented households. Finally, we launched the xevo 03, a three-story house targeted at home owners on cramped urban sites who wish to rebuild. These new products were all very well received.

We also launched two models intended to support victims of the March 11 earthquake and tsunami along with recovery efforts. These models are the xevo K – Kizuna (emotional bonds or ties), a quickly assembled, low-priced quake-resistant home, and the K II – Kizuna, which offers additional features.

Beyond 2013

Aiming at the No.1 position in the housing industry

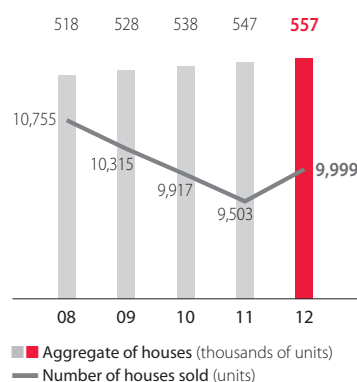
A central feature of the Company's current marketing strategy is to increase the number of sales offices and marketing staff, with a special focus on the Tokyo area. We have delegated increased authority over product development to individual sales offices around the country, enabling them to more easily develop and market products specifically customized to local conditions and available only in those areas. In addition, we made improvements to our business methods based on opinion surveys of customers who purchased our houses. We also enhanced the cost-competitiveness of our houses through new construction methods, and are aiming to obtain the top market share in Japan's housing industry.

As part of our product strategy, we developed and launched the improved SMAxEco ORIGINAL, and plan to make it the focus of our marketing initiatives. In October 2011, the Daiwa House Group was given priority by Sakai City in Osaka Prefecture in negotiations over the development of the Harumidai Eco-Model Town Project. This project is to contain 65 houses with photovoltaic power generation systems, home energy management systems, and lithium ion storage batteries, and charging points for electric vehicles. This will be the first net zero energy residential neighborhood in Japan with zero CO₂ emissions.

Regarding our overseas developments, we are continuing to conduct research into the differing single-family house markets. We opened a representative office in Kuala Lumpur, Malaysia in April 2012 and began research into local housing with a dedicated staff.

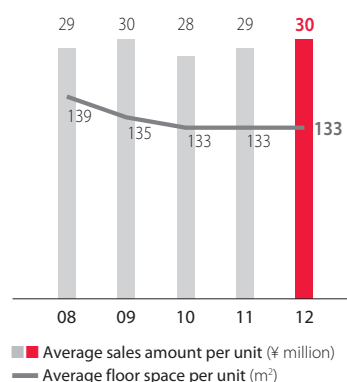
Aggregate of houses and number of houses sold

(Daiwa House Industry, non-consolidated)



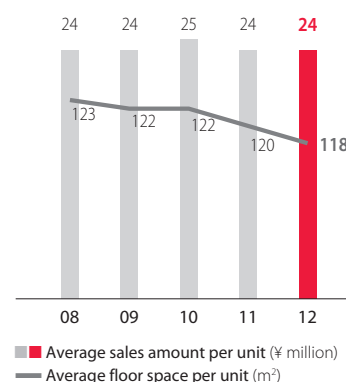
Average sales amount and floor space per unit

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



Average sales amount and floor space per unit

(Subdivisions, Daiwa House Industry, non-consolidated)





SMAxEco ORIGINAL launched

In July 2010 we commenced a project to develop, by 2020, an energy self-sufficient home with zero CO₂ emissions and utility costs — a home that offers its owners an improved quality of life despite imposing no environmental burden.

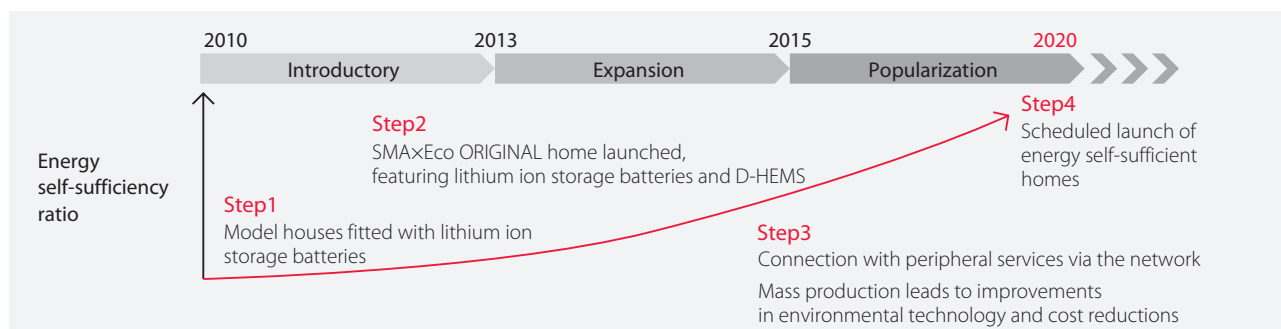
As the first step in achieving this goal, in July 2010 we began verification tests on demonstration models of our SMAxEco HOUSE, Japan's first home fitted with lithium ion storage batteries. On the basis of data gained from these tests, we developed the SMAxEco ORIGINAL and launched it on the market in October 2011. This model is based on the xevo design, but incorporates 2.5kWh lithium ion storage batteries, which are utilized together with a photovoltaic power generation system, the whole being controlled by the Company's D-HEMS proprietary home energy management system. In this way, we have enabled sharp reductions in home energy usage, and the batteries and photovoltaic system will keep the lights on in a disaster blackout.

With the SMAxEco ORIGINAL we have made it possible — without unreasonable power-saving efforts — to reduce energy

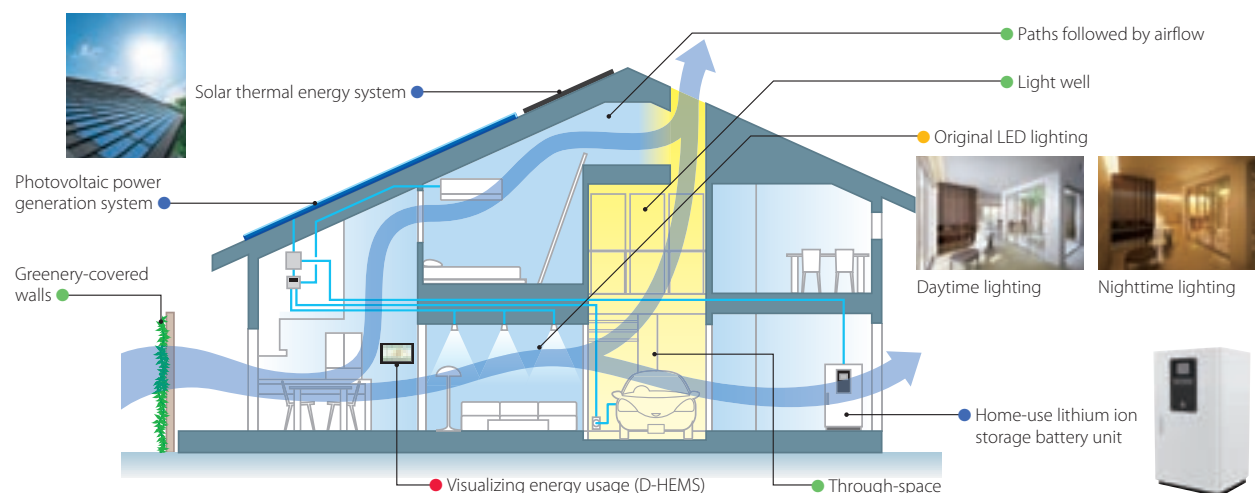
use by 78% and CO₂ emissions by 70% compared with homes conforming to the previous energy conservation standards. Under normal circumstances, the lithium ion batteries store electricity generated at night for discharge during the daytime when power demand is at its highest, while in the event of a power cut, the system automatically switches to battery-output mode. The home owner can control the system using an iPad*, and with our D-HEMS we have achieved the industry's first system allowing battery output control and easy visualization of electricity usage data. This lets the owner see at a glance how much power the home is consuming.

In the near future, we aim to achieve further advances on the technology embodied in the SMAxEco ORIGINAL, including an increase in the capacity of storage batteries, effective utilization of passive energy methods that make optimum use of natural airflow and sunlight, and the more widespread adoption of LED lighting, which contributes to energy conservation.

* iPad is a trademark of Apple Inc. registered in the United States and other countries.



The SMAxEco HOUSE — new residential proposal featuring leading-edge energy technology, and a lifestyle in harmony with nature



Rental Housing

Developing a system that allows each company to optimally leverage its business characteristics



Daiwa House®
Daiwa House Group



Daiwa Living Mgt.™
Daiwa House Group
Daiwa Living COMPANIES



Daiwa Living®
Daiwa House Group
Daiwa Living COMPANIES



Daiwa Estate®
Daiwa House Group
Daiwa Living COMPANIES

Daiwa House Industry Co., Ltd.
Construction of rental housing

Daiwa Living Management Co., Ltd.
Business related to rental housing

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

Daiwa Estate Co., Ltd.
Real estate agency

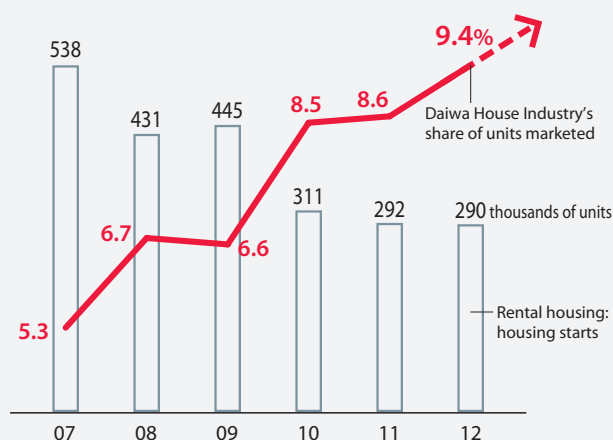
Becoming a total support provider for rental housing

Expand share by product development tailored to needs

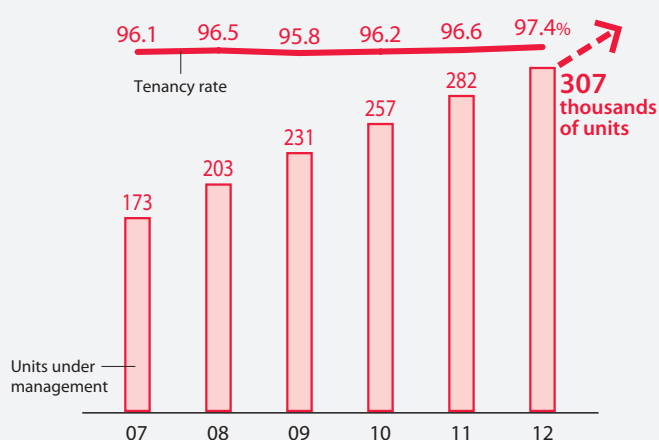


Leveraging the strengths of the Group's three condominium companies to increase units under management

Rental housing market and our share of units marketed



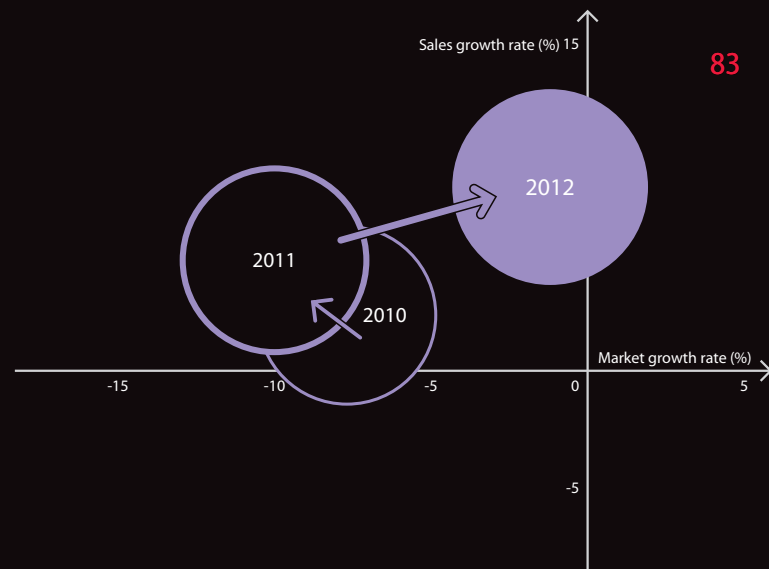
Rental housing:
Total of units managed by the Group and tenancy rates





In fiscal 2011, the proportion of rental housing to total new housing starts in Japan declined for the third consecutive year, down 0.7% from the previous year to 289,762 units.

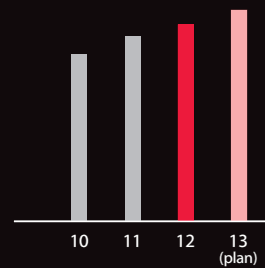
In the rental housing business we expanded sales of rental housing products featuring home security as standard, launched new products targeting female tenants, and strengthened our management services marketing to expand the number of units under management. As a result, net sales increased 6.2% and operating income increased 12.8% over the previous year.



Sales

¥526.8 billion

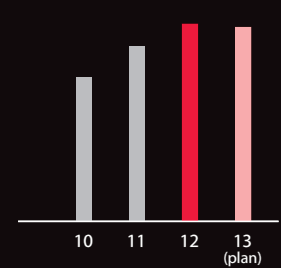
¥ billion 449.0 496.2 **526.8** 566.0



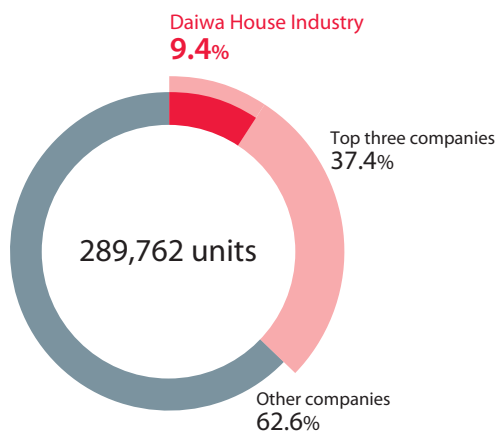
Operating income

¥53.0 billion

¥ billion 38.7 47.0 **53.0** 52.0

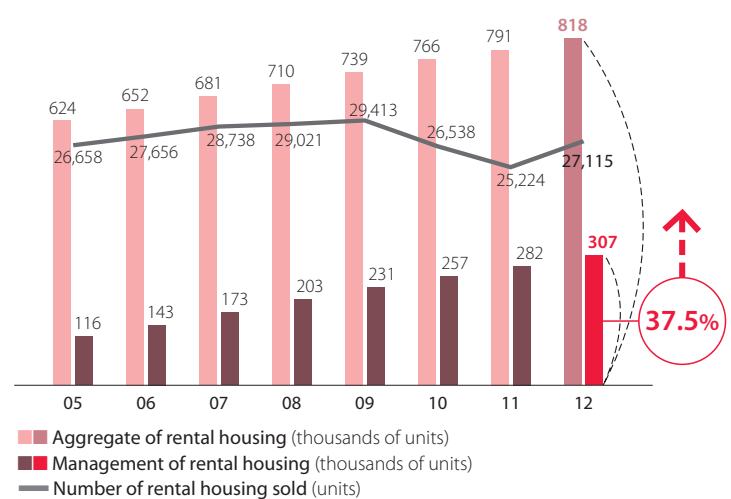


Market for new rental housing in fiscal 2011



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

Rental housing: Daiwa House Industry's share of units marketed and units under management*



* Units under management is total for Daiwa House Group

Note: The circled figure is units under management by Group as a percentage of the total



Year 2012

Development and sale of new products targeting women

At a time when the overall market is contracting, we strengthened our sales system by transferring staff, mostly to the Tokyo area, which accounts for approximately 40% of the market, and by opening nine new marketing offices.

Regarding our products, we saw continued brisk sales of the Séjour WIT-S and Séjour OTT's-S rental housing products featuring enhanced security, which we launched last year. Additionally, based on these products we developed and launched the Séjour WIT-SW and Séjour OTT's-SW products for female tenants and sold them aggressively, for example by uploading videos presenting the products to internet video sites. This led to a sharp overall increase in orders. In medium- and high-rise rental housing, we continued realizing liquidity by selling two properties, including Royal Parks Hanakoganei to Daiwa House Residential Investment Corporation.

The members of the Daiwa House Group are united in their determination to strengthen rental housing management and operation services, and the number of rental housing units under management by the entire Group as of the end of March 2012 rose 8.9% from the previous year to 306,586 units, while the occupancy rate rose by 0.8 of a percentage point, to 97.4%.

Beyond 2013

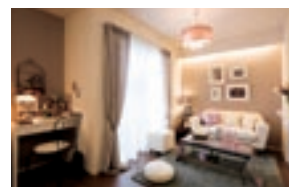
Strengthening measures to expand orders

We plan to strengthen our marketing capabilities through a continued increase in staff as well as by opening additional marketing offices, primarily in the Tokyo area. We have opened the Rental Housing Products Hands-on Experience Hall at our Central Research Laboratory. The hall is mainly intended for land owners, and enables them to actually experience the features of the products including security, sound insulation, and so on, and we expect this to lead to increased orders. Moreover, in the development of medium- and high-rise rental housing, we will continue to focus on urban areas while closely monitoring movements in the land price market and selecting sites carefully. Regarding assisted-living rental housing for senior citizens, for which demand is growing, we are involved in construction and have also commenced management and operation services with Community Net Co., Ltd. of nursing care providers in which Daiwa House has invested. Going forward, we will aim to expand orders for the overall Group by strengthening management, services and master leases in the business to support the lifestyles of senior citizens, through the rental housing management company Daiwa Living.

Our medium- to long-term initiatives include further strengthening our relationships with land owners and identifying rebuilding needs. Meanwhile, overseas we are advancing preparations for developing our business in Taiwan.

Development of rental housing products for women with extra security features

According to the 2009 National Survey of Family Income and Expenditure published by the Ministry of Internal Affairs and Communications, the average monthly disposable income of women exceeded that of men for the first time in the case of women under 30 years of age living alone. We believe that the number of women living alone with a relatively comfortable lifestyle will increase along with the social advancement and the increasing tendency to marry later, and that women are seeking rental housing where they can live safely, comfortably, and with peace of mind. We strengthened the security specifications beyond the level of conventional standard home security, adopted room layouts placing importance on beauty and storage space, and introduced specifications focusing on design. These housing units have already become flagship products in their first year after launch.



The D-room Plaza Hall in the Rental Housing Products Hands-on Experience Hall

The D-room Plaza Hall is a facility that gives everyone from children to adults an opportunity to have fun experiencing security, anti-seismic design, sound insulation and other specifications. In order to help land owners understand security-focused rental housing from the perspective of their tenants, Rental Housing Products Hands-on Experience Hall offers short performances by employees comically recreating the lives of tenants, and features attractions such as the sound insulation experience room — from autumn 2012 — where visitors can compare floors fitted with effective sound insulation with floors made of wood or steel frames.



Group Synergy

Aiming to be a company that offers total support for rental housing

Daiwa Living is responsible for over 90% of the rental housing units under management by the Daiwa House Group (approximately 290,000 units). We established Daiwa Living in 1989 as a management and operations company, and subsequently established Daiwa Estate in 1999 as a specialist real estate agency that recruits tenants. Then, in 2012 we reorganized and split up our businesses in Daiwa Living to establish Daiwa Living Management, which took over the sub-leasing business, and launched the “Daiwa Living Companies,” a business entity comprised of the above three companies.

Currently, consumer requirements for rental housing are becoming more detailed and complex, primarily with respect

to room layouts and facilities, as well as daily management. Going forward, we will develop systems to strengthen our management business so that each of the three companies can utilize the characteristics of their respective businesses to the maximum extent, and we will be able to expand the number of units under management.

We are also aiming to utilize collaboration among the three companies to offer total support for rental housing, including support for long-term stable property management by the owners, and the provision of safe, secure and comfortable living environments for the tenants.



Condominiums

Leveraging Group strengths to expand market share through sale of high value-added condominiums

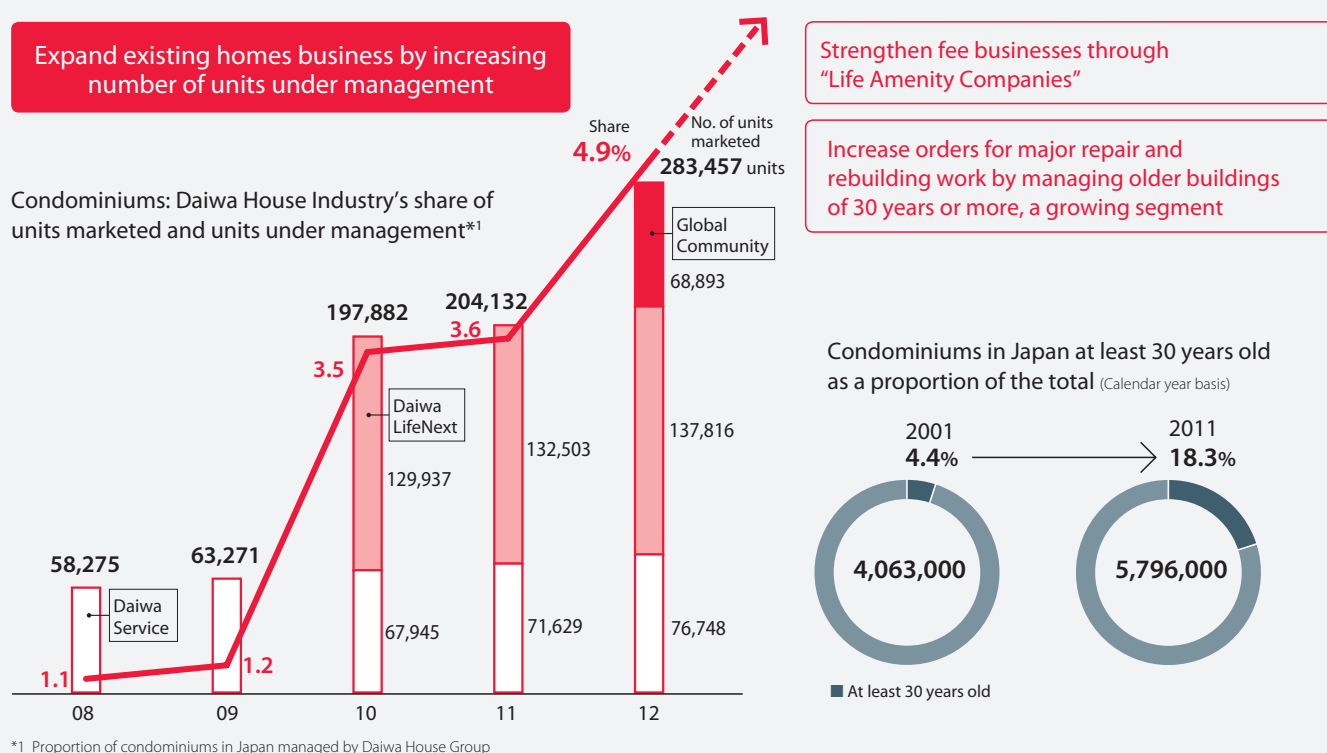


Daiwa House Industry Co., Ltd.
Condominium development & sale

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

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

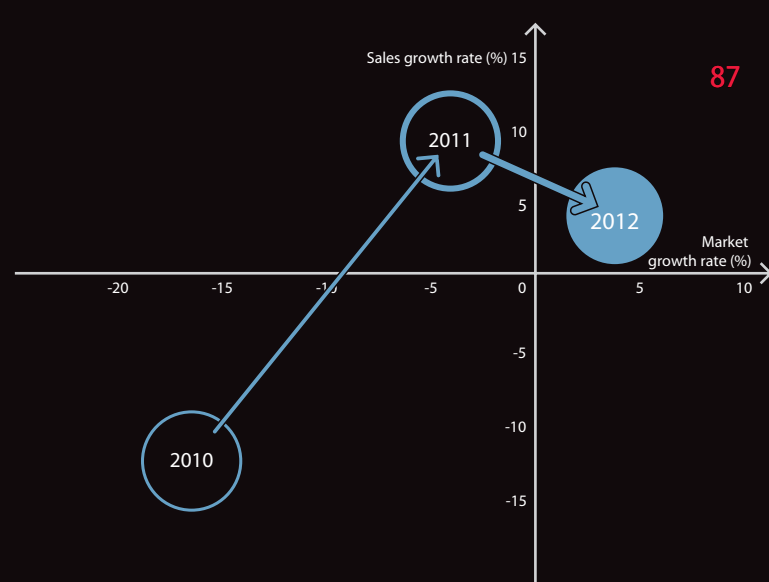
Global Community Co., Ltd.
Management of condominiums & buildings





New construction starts on condominiums in fiscal 2011 rose 22.8% to 120,092 individual home units, for the second year-on-year increase in a row.

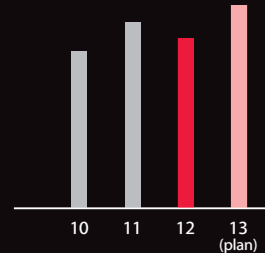
In our Condominiums Business, we put efforts into developing and marketing new eco-friendly condominiums during fiscal 2011, and we also acquired a condominium management company to expand the number of condominiums under our management. As a result of the March 11 disaster, however, sales recorded a year-on-year decrease of 8.6%, while operating income fell by 29.8%.



Sales

¥128.9 billion

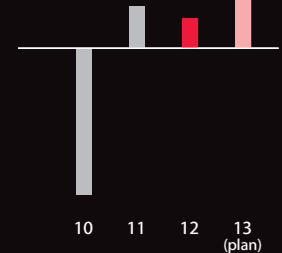
¥ billion 119.3 140.9 128.9 154.0



Operating income (loss)

¥3.8 billion

¥ billion -18.3 5.4 3.8 7.0

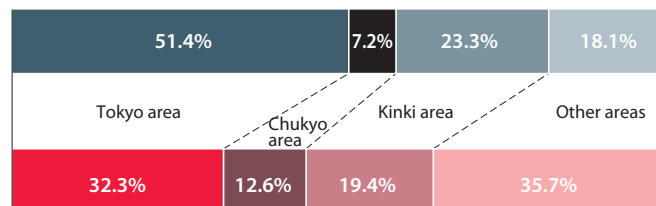


Area breakdown of condominiums

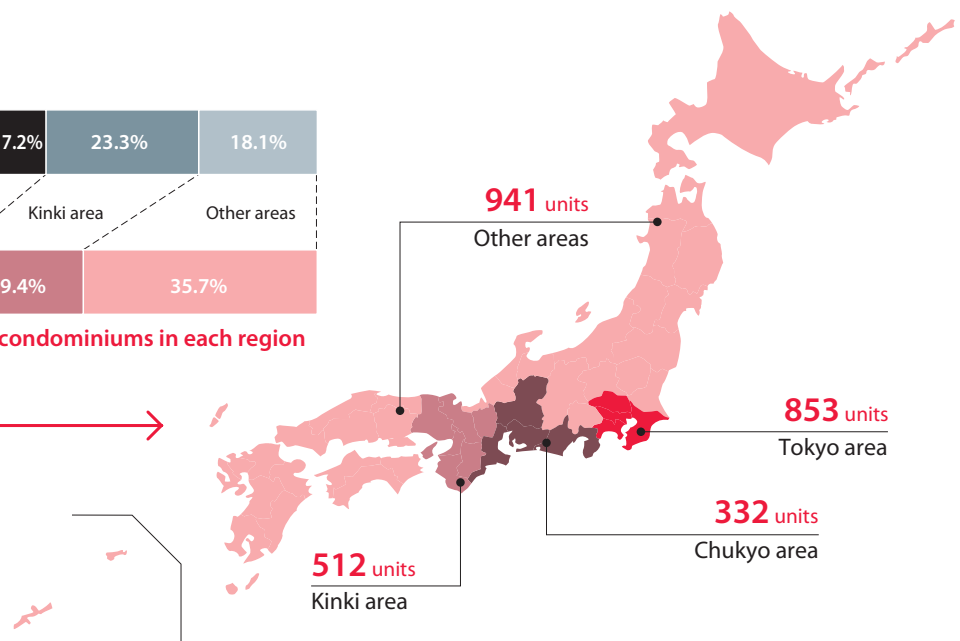
(Calendar year basis)

2011

Condominiums built nationwide



Daiwa House Industry's share of condominiums in each region





Year 2012

Popularizing eco-friendly condominiums

The number of condominiums put on the market during fiscal 2011 in Japan rose for the second straight year, as a strong performance in the regions more than offset sluggishness in the Tokyo area. While the Group's condominium operations were affected by the March 11 disaster, sales of condominiums held firm, partly thanks to the introduction in fiscal 2009 of our four-block condominium marketing system for greater flexibility and efficiency.

During the reporting term, we focused efforts on developing and marketing eco-friendly condominiums featuring new thermal insulation materials and methods conforming to next-generation energy conservation standards, as well as high-efficiency water heaters and LED lighting. Of the condominiums on which we started construction during fiscal 2011, 76.0% incorporated such features. At the Premist Inage-Kaigan condominium in Chiba we included new energy sources and conservation systems, including a photovoltaic power generation system and a gas cogeneration system*². In fiscal 2011 we acquired Global Holding Co., Ltd., as a result of which we also acquired Global Community, an unaffiliated condominium management company. This brought the total number of condominium individual home units managed by the entire Group over 280,000 as of the end of March 2012.

*² This cogeneration system burns natural gas to generate electric power and simultaneously captures and makes use of the heat given off.

Beyond 2013

Group displays comprehensive capabilities from development to management

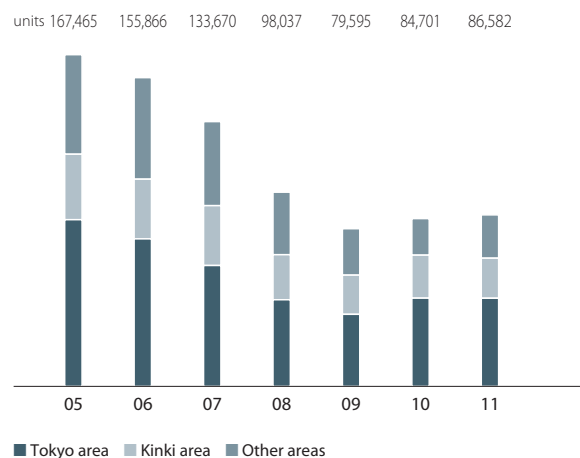
Regarding new condominium developments, we are making efforts to acquire sites with easy transportation access in the central areas of cities in Japan's regions to tap growing demand by elderly people who wish to move to more convenient locations. We are continuing to popularize eco-friendly condominiums. Among these products are Premist Minami-Senri Tsukumodai Park Front and Park Breeze. This development features Japan's largest*³ photovoltaic power generation system, with an output of 177kW. The power generated is used mainly for lighting, etc. in the common areas, but around 10 percent is also supplied to certain individual condo units. Emergency backup power can be supplied in the event of a blackout. The portion of power supplied to individual condo units can either be used within the home or sold as surplus power to the utilities company. This system can cut energy bills.

We will continue to focus on high value-added condominiums, centered on environmental friendliness. In addition, our three condominium management companies, together with the marketing, technology, and customer satisfaction units of Daiwa House Industry, will collaborate to create an organizational structure that assures of full satisfaction. In this way, we aim to expand our share in the market for new condominiums and in the condominium management market.

*³ Based on Daiwa House research as of September 2011.

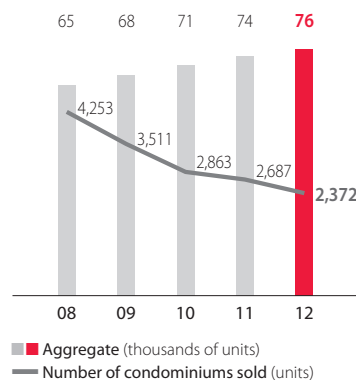
Number of condominiums sold in Japan

(Calendar year basis)



Number of condominium units sold

(Daiwa House Industry, non-consolidated)



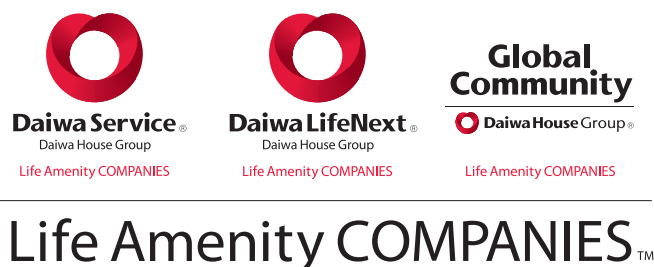
Group Synergy

Aiming to expand business in existing condominium market

The Group's condominium management operations are conducted by Daiwa Service and Daiwa LifeNext (made a subsidiary in 2009), in addition to Global Community, which became a member of the Group in 2012. The total number of individual home units managed as of the end of March 2012 was over 280,000, making the Group's operations the fourth-largest in Japan.

Against the background of Japan's declining population, among other factors, there is little likelihood of a significant growth in demand for condominium development in the domestic market. On the other hand, the nation's stock of existing condominiums constitutes an expanding market for such

services as rebuilding, large-scale repair work, and renovation work on individual home units. In view of this, the Group has positioned the expansion of the existing condominium business as a major pillar in its overall condominium operations. In the near future we plan to establish "Life Amenity Companies" that will act as joint operational units for the Group's three condominium management companies. The three companies will amalgamate their business bases and pool their accumulated know-how to strengthen their competitiveness in the condominium management field. They will also aggressively develop newly managed properties to increase the total number of units under management.



Daiwa Service Co., Ltd.
President
Hiromi Yamane (right)

Daiwa LifeNext Co., Ltd.
President
Yoshinori Watanabe (left)

Global Community Co., Ltd.
President
Takashi Yamada (center)



Existing Home Business

Home Renovation / Real Estate Agency Services

Enhancing our brand image, expanding operations



Daiwa House Industry Co., Ltd.

Renovation proposals

Daiwa House Renew Co., Ltd.

Renovation design & execution/
Property inspection

Nihon Jyutaku Ryutu Co., Ltd.

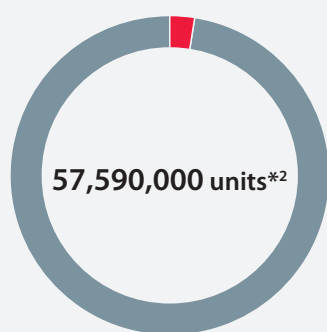
Real estate agency & property management
services/Appraisals/Renovation work

Royal Home Center Co., Ltd.

DIY/Gardening/Interior items

Existing homes market in Japan and shares

Daiwa House Group*¹
About 2.5%



**Strengthening Group
alliances and winning
new customers**

0.2% of Japanese households are members of Daiwa Family Club*³

Members of Daiwa Family Club: **100,000**

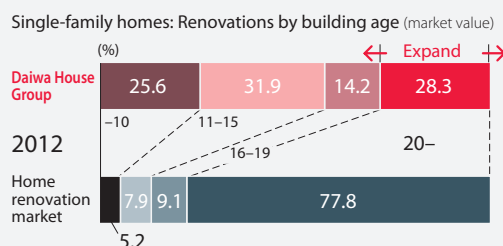
Total of households in Japan: 50 million

*1 As of March 31, 2012

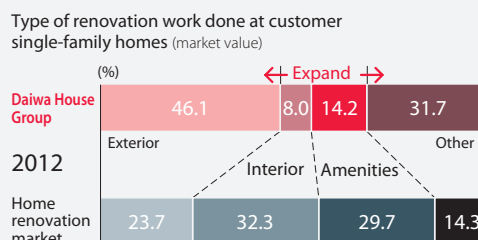
*2 2008 Housing and Land Survey

*3 A home and lifestyle-oriented website for owners of Daiwa House Industry properties and users of our services.

**Amid strong demand for home renovation,
increase orders for 20-year and older buildings**

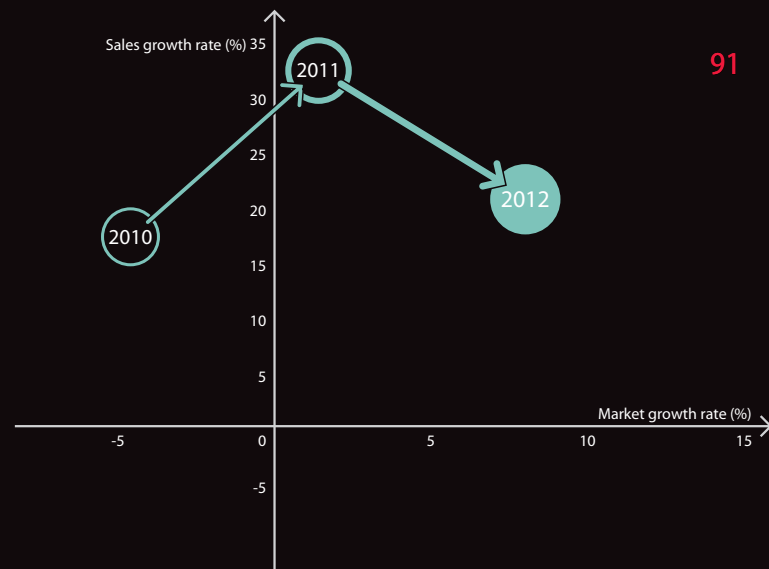


**Interior decoration and refurbishment,
a main target of renovation demand**



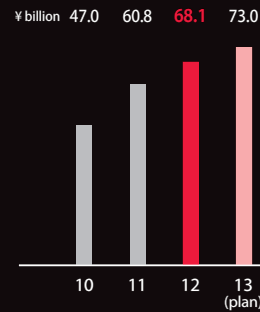


After peaking at around ¥9 trillion in 1996, the scale of Japan's home renovation market has been holding roughly flat at about ¥6 trillion per annum over the last few years. Expenditure on renovation accounted for 28.1% of total housing investment in fiscal 2010. This rate remains very low compared with other industrialized countries such as the United Kingdom (57.2%), France (57.0%) and Germany (76.8%). In this market environment, sales of the Company's Existing Home Business for the reporting term posted a year-on-year increase of 12.1%, while operating income rose 7.1%.



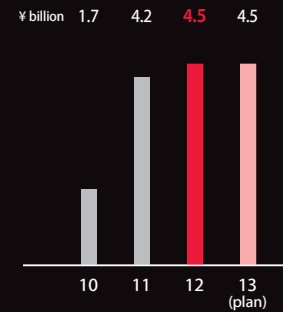
Sales

¥68.1 billion



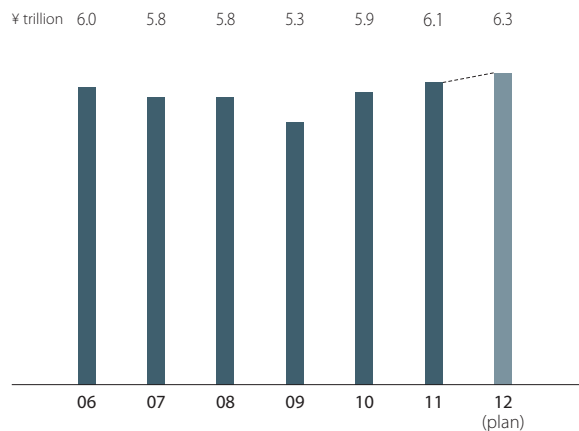
Operating income

¥4.5 billion

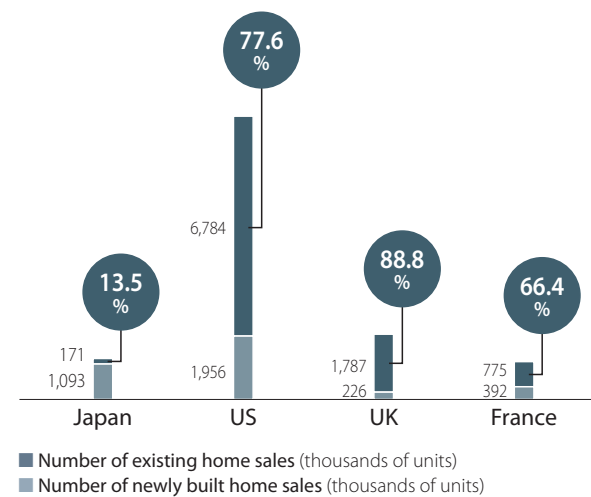


Scale of home renovation market

(Calendar year basis)



International comparison of existing home sales as percentage of total home sales



Survey time frames: Japan, 2008 US, 2006 UK, 2004 France, 2000/2005



Year 2012

Bolstered intra-Group collaboration, strengthened marketing

The Daiwa House Group's home renovation business is conducted through collaboration among the Renovation Promotion Department of Daiwa House Industry and Group companies Daiwa House Renew, Nihon Jyutaku Ryutu, and Royal Home Center. Together, we work not only to provide renovation services to customers who previously purchased single-family houses or rental housing units from the Group, but also to obtain and expand orders from new customers in the general housing renovation market.

In fiscal 2011 we supported the reconstruction and recovery of the region devastated by the March 11 earthquake and tsunami by strengthening our system for the inspection of buildings and homes followed by repair and renovation work. We also met the needs of customers outside the affected region, offering individually customized proposals to help protect asset values through earthquake resistance diagnoses and seismic retrofitting services. We also conducted a successful "Solar Power Renovation" campaign, installing many photovoltaic power generation systems at a special bargain price.

In the field of single-family houses, we took steps to reinforce our relationships with existing customers by increasing the number of marketing staff and making greater use of manuals. Thanks to this, we saw a rise in the percentage of orders from customers who had purchased their homes less than 15 years ago.

In rental housing, the business environment became more difficult, with a decline in the value of orders for photovoltaic

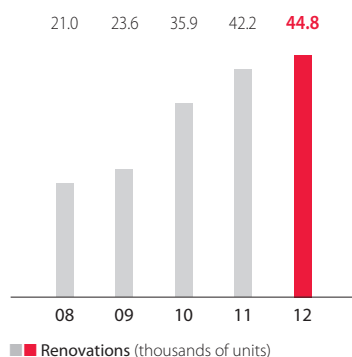
power generation systems and orders utilizing the Housing Safety Net Project (subsidies for renovation of housing for senior citizens, persons with disabilities, and low income earners). Despite these adverse factors, we succeeded in expanding overall orders thanks to increased orders for interior decoration work, for replacement and upgrading of kitchen sinks and bathroom fittings, and for revisions to room layouts (floor plans) and replacement of facilities at rental housing properties managed by our subsidiary Daiwa Living to solve excess vacancy issues.

In the general home renovation market, we worked to acquire new customers by publicizing our track record as a home builder and the extensive know-how we have accumulated, with a special focus on earthquake-resistant construction. We succeeded in developing new customer segments through enhanced cooperation among Group companies, including increased marketing collaboration between Daiwa House Renew and Royal Home Center, acquiring home renovation orders via Nihon Jyutaku Ryutu during the provision of real estate agency services, and offering customers renovation loans via Daiwa House Financial.

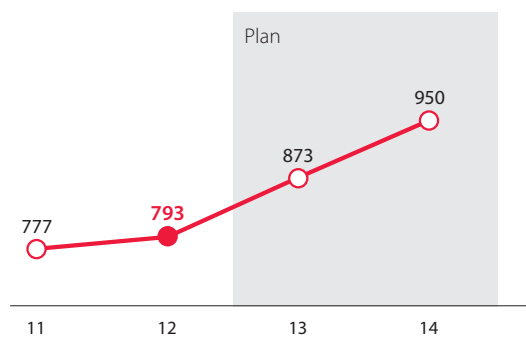
In the real estate agency services business we conducted stronger marketing campaigns in the major metropolitan area, and took various steps to maximize earnings, such as making real estate market data available to all Group members. In fiscal 2011 we began a condominium renovation project in Tokyo's Chuo Ward.

Number of renovations

(Daiwa House Industry, non-consolidated)



Number of staff in sales*



* Excluding Nihon Jyutaku Ryutu and Royal Home Center



Beyond 2013

Leveraging our proposal design capability and technological expertise in home building

In March 2012 the Ministry of Land, Infrastructure, Transport and Tourism (MLIT) announced its Existing Housing and Home Renovation Total Plan, which is aimed at transforming the housing market from one dominated by new construction into one in which the nation's stock of housing is recycled through buying and selling. The plan aims to utilize renovation work to raise the average quality and improve the features of existing housing. The MLIT hopes to double the scale of the housing resale and renovation market from the current ¥10 trillion to ¥20 trillion per annum by 2020.

In home renovation, we hope to take advantage of government measures of this kind to expand orders through a continued increase in the hiring of marketing personnel. We will take a particularly positive stance on appointing female marketing staff, whom we believe to be especially effective in the home renovation field, and will also be hiring new graduates. We aim to gain the long-term trust of our customers by putting a system in place that enables us to provide individually tailored and continuous customer services.

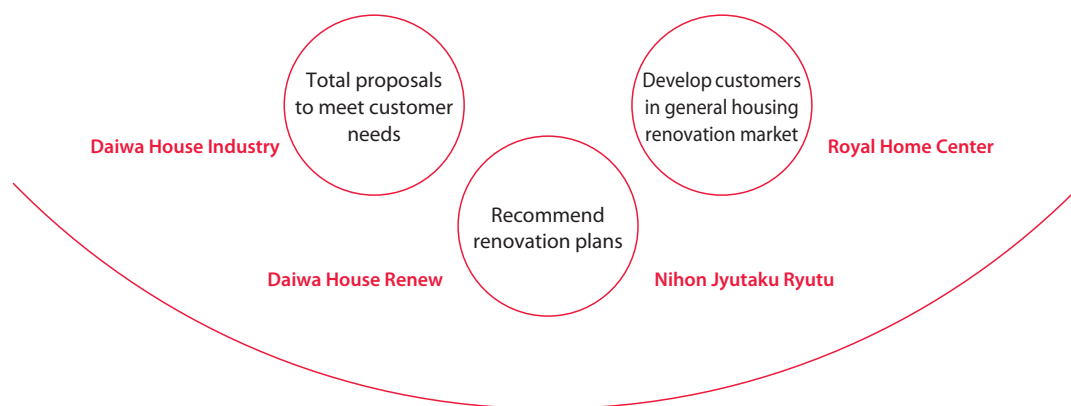
For existing customers, we will continue to strengthen our relationships with owners of homes built more than 20 years ago, which is where the majority of renovation demand lies. In this way, we plan to shift the focus of orders to interior decoration as well as kitchen sinks and bathroom fittings.

For rental housing, we will deepen our collaboration with our rental housing management subsidiary Daiwa Living in periodic

inspection services, general diagnosis services, and in finding solutions to excess vacancies through room remodeling and renovation. To enhance our abilities in renovation proposals such as those involving bathroom fittings and kitchen sinks, we will continue training to upgrade employee skill levels, and draw up manuals for all aspects of our operations. We also plan to aggressively market our renovation services to owners of properties built by other companies.

In the general housing renovation market, we will develop eco-friendly home renovation proposals and advertise these through special marketing campaigns. We will also develop new customers by strengthening collaboration with corporate alliance partners and Group companies. In particular, we plan to increase the number of Daiwa House Renew marketing staff stationed within the home centers operated by Royal Home Center from the present 36 to more than 100, as a means of advertising our technological expertise in the home renovation field as a leading home builder.

In the real estate agency business, we plan to reinforce our marketing power in the major urban areas such as Tokyo and Osaka, where there are more large-scale properties, which carry a higher unit value per real estate intermediation contract. In the Tokyo area, we will promote increased data-sharing among Group companies to gain a foothold in the field of condominium resale intermediation services by revitalizing existing properties through renovation, and establish a business model for the previously owned home resale business.



Business



Daiwa House®
Daiwa House Group

Daiwa House Industry
Co., Ltd.

Presidents of
Group
Companies*



* Presidents of principal subsidiaries
and associated companies.



Daiwa Lease®
Daiwa House Group

Daiwa Lease Co., Ltd.
Building & vehicle leasing/
Land utilization/Maintenance &
operation of commercial facilities/
Environmental greening



Daiwa Logistics®
Daiwa House Group

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



Daiwa Info.Service®
Daiwa House Group

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



Daiwa Royal®
Daiwa House Group

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



Shunsaku Morita

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

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, for example, by combining urban greening to help preserve the global environment, with environmental energy services.



Katsuyoshi Tateno

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

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.



Katsuyuki Fujita

Born in 1951
1970: Joins Daiwa House Industry
2012: President of Daiwa Information Services

We utilize the property management capabilities we have accumulated through our lease business centering on commercial facilities, and by operating and managing large-scale shopping centers, to provide high-quality building operation and management to our customers and further expand our businesses through collaboration with existing businesses.



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/
Power generation business/
Facility installation



Daiwa House REIT Management Co., Ltd.
Asset management



Daiwa House Asset Management Co., Ltd.
Asset management



Eneserve Corporation
Comprehensive energy services



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 large-scale photovoltaic power generation facilities, wind power, building equipment design and construction, 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.



Hirotaka Najima

Born in 1961
1983: Joins Daiwa House Industry
2012: 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.



Yuji Yamada

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

We manage the assets of Daiwa House Residential Investment Corporation, which has more than ¥200 billion in assets, and invest in residential and commercial facilities. With the cooperation of the Daiwa House Group, our goal is the growth of funds in trust and the development of the J-REIT market.



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



Daiwa Odakyu Construction Co., Ltd.
General construction/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.

Atsushi Kanakubo

Born in 1952
1976: Joins Daiwa House Industry
2012: President of 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

Strengthening cooperation within the Group
to leverage advantages of scale



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/
Maintenance & operation of commercial
facilities/Environmental greening

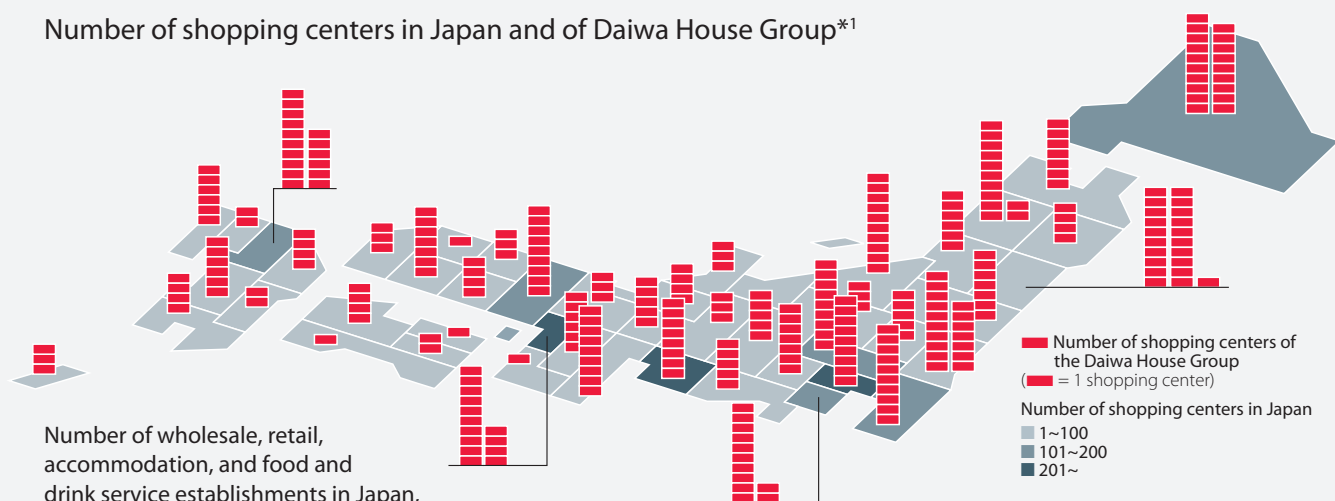
Daiwa Information Service Co., Ltd.

Land utilization/Maintenance &
operation of commercial facilities

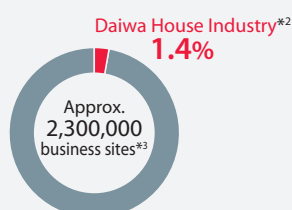
Daiwa Royal Co., Ltd.

Rental of commercial facilities

Number of shopping centers in Japan and of Daiwa House Group*¹



Number of wholesale, retail,
accommodation, and food and
drink service establishments in Japan,
and our share of construction



Develop commercial
facilities that meet
everyday living needs

Shopping centers

- Suburban shopping centers
- Urban shopping centers

Roadside stores

- Convenience stores
- Drugstores
- Clothing stores
- Opticians
- Car-accessories stores
- Family restaurants, etc.

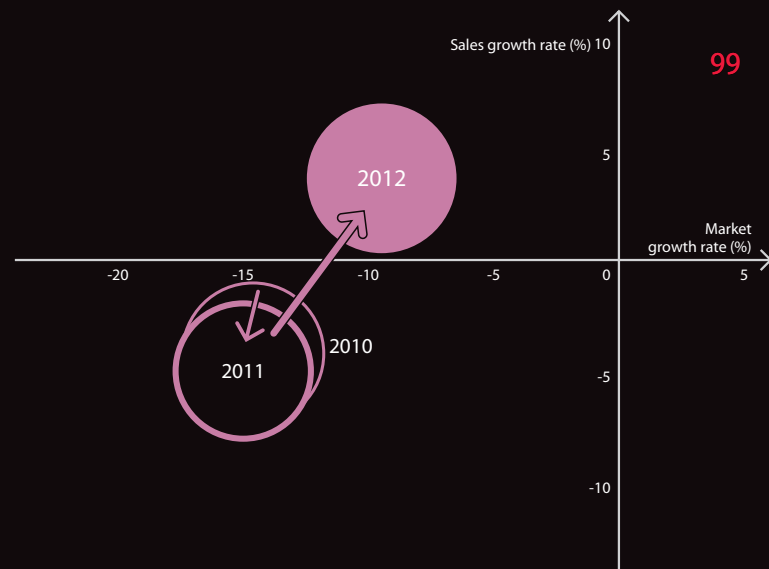
*¹ Number of shopping centers in Japan meeting the official definition of "shopping center" as of December 31, 2011. Daiwa House Group shopping centers are as of August 1, 2012.
Daiwa Information Service shopping centers are as of April 30, 2012

*² As of March 31, 2012 *³ 2009 Economic Census and Basic Research



According to Japanese statistics on building construction started for fiscal 2011, although the total floor area of construction starts for all buildings was up 4.1% year on year, by building use, store construction starts were down 9.7%.

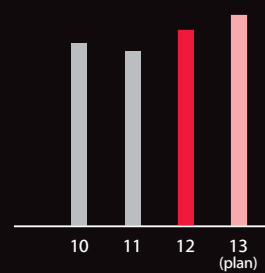
In the Commercial Facilities business, sales increased 12.0% year on year due to initiatives such as the strengthening of planning- and proposal-based sales focused on roadside shops. However, operating income decreased 1.2% due in part to the deterioration in the cost of goods ratio.



Sales

¥306.9 billion

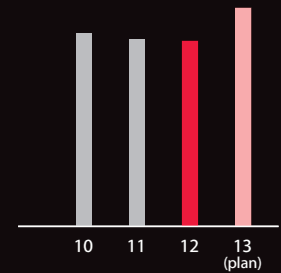
¥ billion 285.7 274.1 **306.9** 330.0



Operating income

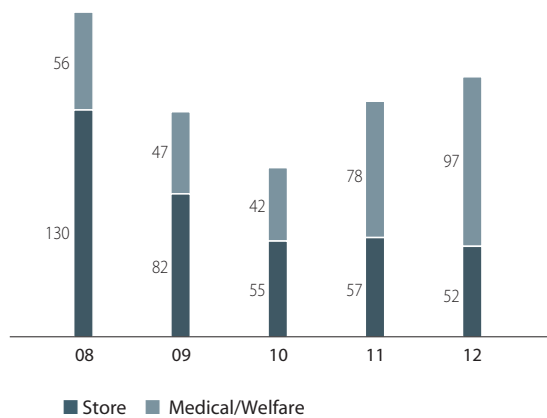
¥33.2 billion

¥ billion 34.4 33.6 **33.2** 39.0



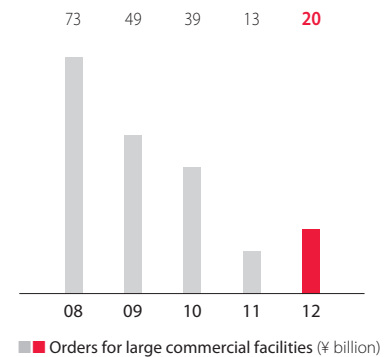
Floor space of construction starts by facility type in Japan

100 thousand m²



Orders for large commercial facilities*4

(Daiwa House Industry, non-consolidated)



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



Year 2012

Focus on increasing orders, particularly for roadside shops

According to Japanese statistics on building construction started, store construction starts shifted from a year-on-year increase to a decrease of 9.7% as the overall market contracted.

In the Commercial Facilities business, although the store opening plans of tenant companies were conservative overall, business was robust for product retailers such as convenience stores, drug stores, and consumer electronic stores that operate throughout Japan. Due to this factor and pro-active sales activities focused on supermarkets aimed at mainly local residents, the Group managed to increase orders. In addition, facility openings were strong for medical and nursing care sector tenants, which was one of the leading fields for Group orders overall. There were also orders for new education facilities such as day care centers and nurseries in the Kanto area, where many children are on waiting lists^{*5}.

In terms of directly operated Group facilities, the new shopping center FOLEO Osaka Dome City (Osaka) was opened, and Daiwa Lease opened the open-mall-type commercial facilities Frespo Kunitachi Minami (Tokyo) and Tomiya Akashidai Shopping Center (Miyagi Pref.).

^{*5} Children that want to attend day care centers but cannot due to over capacity are put on waiting lists. There were 25,556 children throughout Japan on these waiting lists as of April 1, 2011.

Beyond 2013

Strengthening relationships with land owners

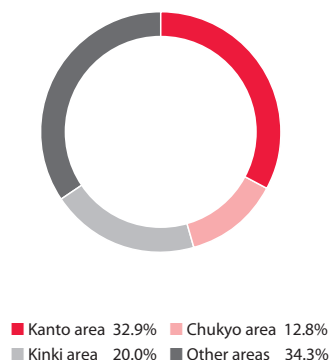
The Group aims to strengthen its sales capabilities in the large urban centers, centered on the Tokyo Metropolitan Area, while focusing on information collection, planning, and proposals based on the types of stores opened by major tenants. Moreover, the Group will work towards the systemization of relationships with over 30,000 successful land owners through steps such as starting to send direct mail advertisements and establishing dedicated managers for these clients to consult with them. In addition, the Group will offer renovation and reconstruction proposals for properties with contracts that have reached their term, and it will also work to strengthen its recycling business.

In directly operated facilities, the Group will aim to strengthen tenant leasing in existing facilities to improve and increase profits, while it focuses on attracting new tenants by strengthening cooperation within the Group to achieve economies of scale.

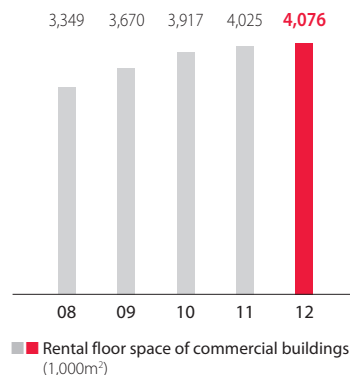
Additional medium to long-term initiatives include strengthening sales capabilities in the large urban centers as the Group pro-actively conducts urban development, and the launch of business in Taiwan as a first step in expansion overseas.

Area breakdown of commercial facilities sales

(Daiwa House Industry, non-consolidated)

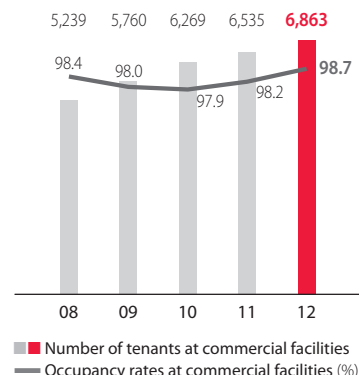


Rental floor space of commercial buildings^{*6}



^{*6} Total of Daiwa Lease, Daiwa Information Service and Daiwa Royal.

Number of tenants at commercial facilities^{*6} and occupancy rates at commercial facilities^{*6}





Topics

Development and promotion of eco-friendly products

In the Commercial Facilities business, the Group is actively involved in the development and promotion of use of eco-friendly products such as stores that take into consideration resource reuse and waste elimination.

For roadside stores that are typified by repeated demolition and construction accompanying the withdrawal of tenants from stores, the Group is promoting its Restore and Rebuild System that facilitates moving and reconstruction. This system helps to reduce waste and promote the efficient use of resources, and it also contributes to price stabilization and a reduction in the construction period on-site. The system was applied to 128 stores during fiscal 2011, for a cumulative total of 456 stores since fiscal 2005. During fiscal 2011, the eco-friendly system Daiwa Frest, intended mainly for stores and business premises, was adopted by McDonald's Company (Japan), Ltd., which has many branches throughout Japan, and was used in the construction of 12 branches. With a view to future applications, field tests were launched for D's SMART STORE, next-generation eco-friendly stores.

In directly operated facilities, 90% of the common area lighting for spaces such as hallways, toilets, and parking lots was fitted with LED lighting at four major commercial facilities after a review of basic illumination levels. As a result, total annual power consumption at the four facilities was reduced by approximately 3 million kWh and annual CO₂ emissions were reduced by approximately 990 tons. Daiwa Information Service covered the roof of Across Mall Moriya (Ibaraki Pref.) with approximately 1,000 solar panels as it installed a photovoltaic power generation system with a capacity of 200kW. The system is expected to generate 200,000kWh per year, which will all be used within the mall to reduce the amount of CO₂ emitted. Monitors have been installed within the mall that display the level of power generated by the photovoltaic power generation system, which will lead to a better awareness of environmental issues among visiting customers.

In addition to LED lighting and photovoltaic power generation, the Group plans to promote the adoption of BEMS*7 in the future as it works together with tenants in energy-saving activities.

*7 Building and Energy Management System

D's SMART STORE

D's SMART STORE are one of the products that were developed in the Smart-Eco Project*8. These stores are next-generation eco-friendly stores that achieve a CO₂ emission reduction of up to approximately 50% compared to buildings constructed by Daiwa House in 1990. Field tests were launched in May 2012 at HAC Drug Kozuka (Aichi Pref.) that is operated by CFS Corporation on a combination of energy management that uses passive control which takes advantage of the power of nature and active control which conducts new energy sources and energy conservation. In the future, eco-friendly technologies that are proven as applicable and effective in these field tests will be adopted in the retail stores (such as drug stores and consumer electronic stores) constructed by Daiwa House.



HAC Drug Kozuka

*8 This project aims to reduce the environmental load (zero CO₂ emissions during operation) of buildings for corporate customers to zero by 2020.

Business and Corporate Facilities

Distribution Facilities / Medical and Nursing Care Facilities / Corporate Facilities

Strengthening proposal capabilities in each specialized field to increase orders



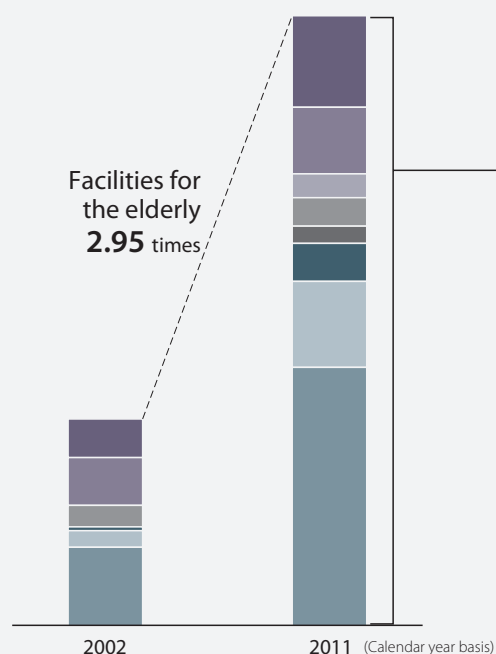
Daiwa House Industry Co., Ltd.
Construction of business facilities/
Real estate development

Daiwa Lease Co., Ltd.
Building & vehicle leasing/Land utilization/
Maintenance & operation of commercial
facilities/Environmental greening

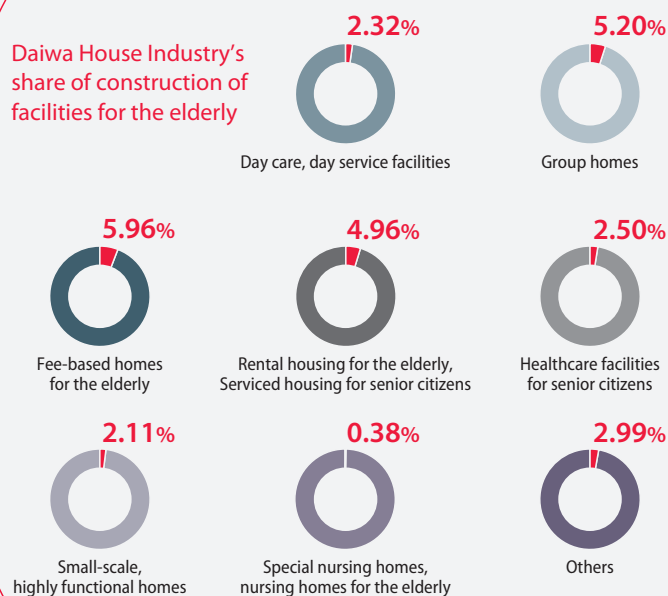
Higashi-Fuji Co., Ltd.
Real estate development/
Sale of commercial real estate

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

Facilities for the elderly in Japan



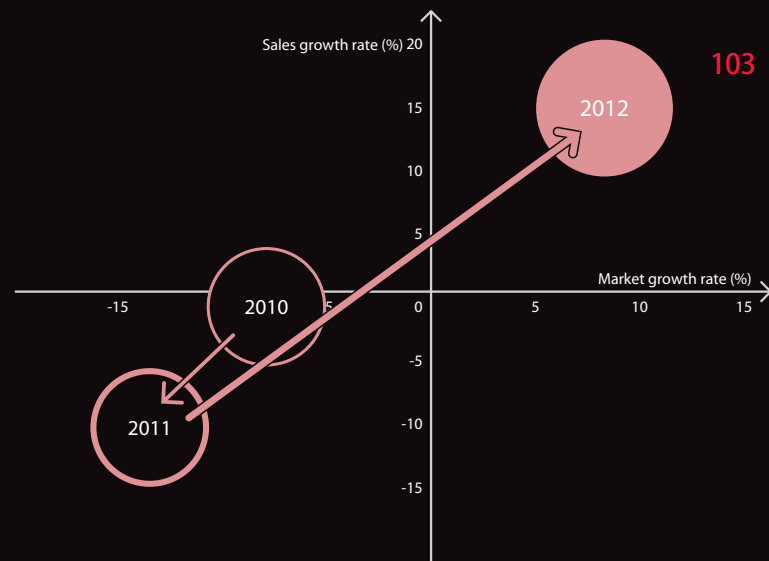
Expansion of orders for various facilities for the elderly





According to Japanese statistics on building construction starts for fiscal 2011, the floor area of construction starts by building use was up year on year for each of the fields of offices, factories, warehouses, medical facilities, and social welfare facilities.

In our Business and Corporate Facilities business, sales and operating income were up 32.3% and 124.9% year on year, respectively, thanks to solution proposals aimed at the consolidation of bases and production facilities in the distribution facilities business, and enhanced marketing based on our strength in proposal capabilities in each field.

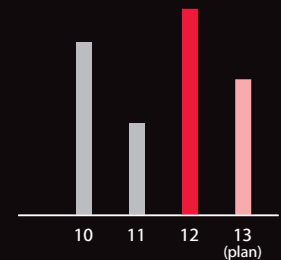
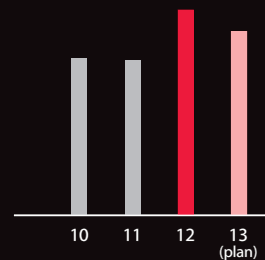


Sales
¥257.0 billion

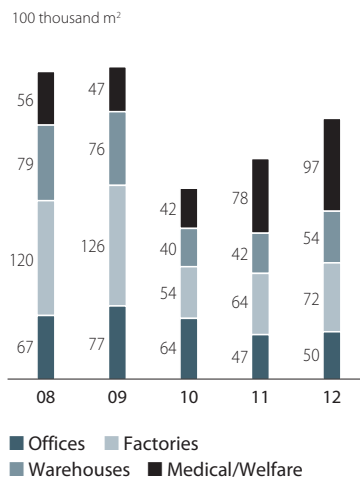
Operating income
¥25.9 billion

¥ billion 196.3 194.3 **257.0** 230.0

¥ billion 21.8 11.5 **25.9** 17.0



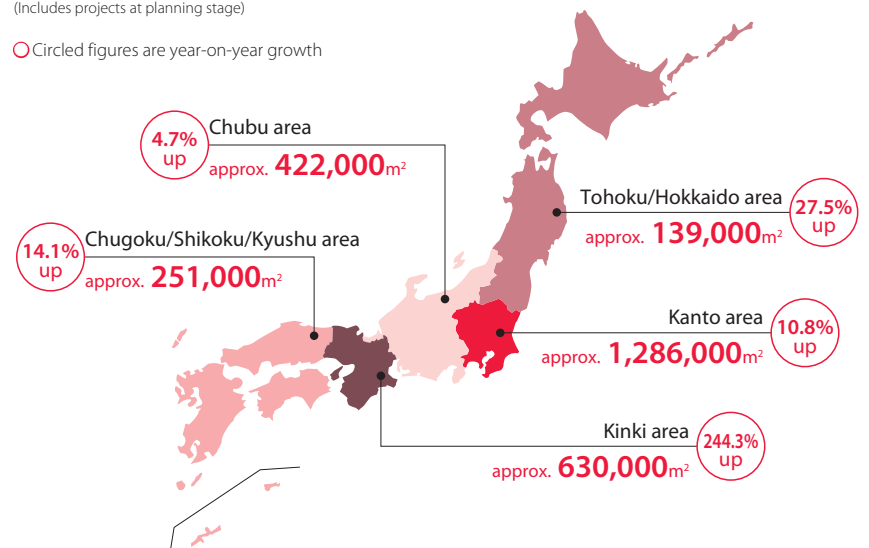
Floor space of construction starts by facility type in Japan



Area of development sites of Daiwa House Industry's major logistics projects

(Includes projects at planning stage)

○ Circled figures are year-on-year growth



(As of July 31, 2012)



Year 2012

Focusing on the development and sale of eco-friendly offices

In the distribution facilities business, we actively rolled out the D Project, a business scheme for constructing and providing dedicated distribution facilities for consignor companies, focused on the continually expanding mail-order market. In addition, we worked to increase orders among “online supermarkets” for distribution facilities with advanced or specialized features, such as specialized cold storage centers capable of both refrigerated and chilled storage. While demand for new facilities in the distribution industry overall contracted, the Group strengthened its solution proposals aimed at the consolidation of distribution bases and production facilities in response to customer needs for streamlining and distribution cost reductions.

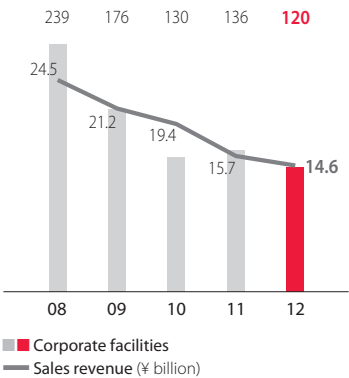
In the medical and nursing care facilities business, a registration system has been launched for assisted-living housing for senior citizens with the revision of the Act for the Stable Living of the Elderly, and demand has been robust. The Group has worked to increase orders by actively conducting seminars at each of its sales offices targeted at healthcare corporations and nursing care businesses, covering topics such as the content of health and welfare programs and the support provided through subsidies, taxes, and financing by the country and government. In addition, orders have increased for the short stay program,

which allows tenants to wait for an opportunity to enter special nursing homes. Furthermore, we have worked to strengthen our sales capabilities targeted at expanding markets through measures such as specialized training for area managers.

In the field of support services for corporate facilities, we have developed and marketed D’s SMART OFFICE. These offices allow users to continually reduce their environmental load without excessive effort. In addition, we have striven to increase orders through the development of products with improved environmental performance, and by launching field tests on these products at our own Daiwa House Aichi-Kita Building for use as a showroom. The Group will leverage these field tests and verify eco-friendly technologies in the development of next-generation offices. In addition, at Hokusetsu-Sanda Techno Park II, a large-scale industrial park in Hyogo Prefecture, we have worked together with the government of Hyogo Prefecture and Sanda City for the consolidation of offices following relocations due to the aging of facilities and business restructuring, as well as office relocation in response to business continuity planning. We utilized the information gained through these activities as we actively approached businesses.

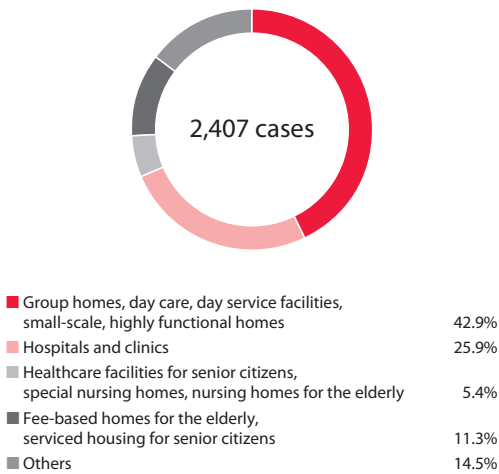
Number of corporate facilities and sales revenue

(Daiwa House Industry, non-consolidated)



Breakdown of Silver Age Research Center projects

(As of June 30, 2012)





Beyond 2013

Strengthening development of multi-tenant logistics centers

In the distribution facilities business, we continued working to: develop customers in the mail-order market; acquire more orders for facilities with advanced or specialized features, such as those with freezing, refrigeration, or improved energy-saving specifications; and develop standard consignor-dedicated specifications. In the Tokyo area, as a new initiative to secure temporary relocation facilities in response to short-term needs, reconstruction, and consolidation projects, we strengthened the development of multi-tenant logistics centers that feature lease contracts for single buildings that are rotated among multiple consignors. In addition, we conducted market research in regions all across the country with the aim of developing business with high-quality local companies and increasing new orders.

In the medical and nursing care facilities business, we will actively conduct business proposals to expand orders, focusing on the expanding housing for senior citizens market, such as assisted-living housing for senior citizens, group homes, and fee-based homes for the elderly. In the market for assisted-living housing for senior citizens, demand for which is expected to dramatically increase, we will focus on new proposals by strengthening sales activities throughout the Group and continually holding seminars for business owners across Japan.

In addition, for medical facilities, we plan to increase orders by leveraging medical funds that Daiwa House is invested in.

In the field of support services for corporate facilities, we will strengthen the Group's relationships with companies that have operations throughout Japan and focus on making proposals to companies that are reviewing the allocation of their business locations or planning to consolidate or rebuild. We will strengthen solution-based proposals as we work to increase orders for D's SMART OFFICE, and proceed with the development and marketing of D's SMART FACTORY, an eco-friendly product targeted at factories. At Hokusetsu-Sanda Techno Park II, we will continue to proactively approach companies to increase sales.

Overseas, we will develop an industrial park in Vietnam and continue to actively approach companies.

D's SMART OFFICE

As a first step in the Smart-Eco Project, D's SMART OFFICE are eco-friendly offices that achieve a CO₂ emission reduction of up to approximately 50% compared to standard offices constructed by Daiwa House. These offices use a combination of eco-friendly technology for external walls and exterior structures for passive control, which takes advantage of the power of nature; photovoltaic power generation systems, high-performance air-conditioning and lighting for active control aimed at new energy sources and energy conservation; and smart management that conducts integrated electricity use management through human motion and daylight sensors for lighting adjustment, and BEMS for the purpose of reducing the environmental load.



Mitani Sangyo Co., Ltd.



Life



Daiwa House
Daiwa House Group

Daiwa House Industry
Co., Ltd.

Presidents of
Group
Companies*



* Presidents of principal subsidiaries
and associated companies.



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



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



Royal Home Center Co., Ltd.
DIY/Gardening/Interior items



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



Masato Shima

Born in 1950
1974: Joins Daiwa House Industry
2012: 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.



Masaaki Nakayama

Born in 1959
1983: Joins Daiwa House Industry
2012: 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.



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.

ネオ・サミット

Daiwa House Group

Jukeikai Co., Ltd.

Fee-based homes for the elderly

ダイワロイヤルゴルフ

Daiwa House Group

Daiwa Royal Golf Co., Ltd.

Golf course operation



Daiwa Life Support
Daiwa House Group

Daiwa House Life Support Co., Ltd.

Fee-based homes for the elderly

大阪マルビル

Daiwa House Group

Osaka Marubiru Co., Ltd.

Management of hotels/Rental of commercial facilities

SPORTS CLUB NAS

Daiwa House Group

Sports Club NAS Co., Ltd.

Fitness clubs



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.



Toshinori Inaguchi

Born in 1948
1972: Joins Daiwa Danchi
2004: President of Jukeikai
2012: President of Daiwa House Life Support

The Group's businesses for the elderly comprise two organizations, Daiwa House Life Support's Mominoki series of homes for those needing nursing care, and Jukeikai's Neo Summit private home for the still active. This gives us an integrated care service system spanning independent senior citizens through to end-of-life cases. We aim to expand this business in the Tokyo metropolitan area.



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 based on the theme of "hospitality" and to reduce energy consumption in the building.



Yoshinari Shibayama

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

Fitness clubs is Japan's ultimate service-sector business. Based on our management policy of "more health, more kids, more beauty, and more amusement," we create 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



Shinwa Agency Co., Ltd.
Advertising & travel agency



Media Tech Inc.
Data systems/Data services



Nishiwaki Royal Hotel Co., Ltd.
Hotel



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.



Nobuyuki Otsuji

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

We are professional communicators. Shinwa Agency enables communication in the fields of advertising and travel based on the theme of "creating customer satisfaction." We offer new value that results from connecting people with people and people with things and opening them up to ever greater possibilities.



Mitsuo Adachi

Born in 1951
1971: Joins Daiwa House Industry
2012: 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.



Hideaki Tomiyama

Born in 1949
2011: General manager of the Nishiwaki Royal Hotel
2012: President of Nishiwaki Royal Hotel

Nishiwaki Royal Hotel has been a member of the Group since April 2012. We will aim to earn the trust and support of everyone in our community and build a company in which our employees can work with peace of mind. We will revitalize our hotel with stylish and delicious cuisine and the best hospitality in the business and work hard to contribute to society and the Group.

Health & Leisure

Resort Hotels / Sports Clubs / Nursing Care and Welfare

Attracting more hotel customers over the Internet, and opening distinctive health clubs



Daiwa House Group®



Daiwa House Group®



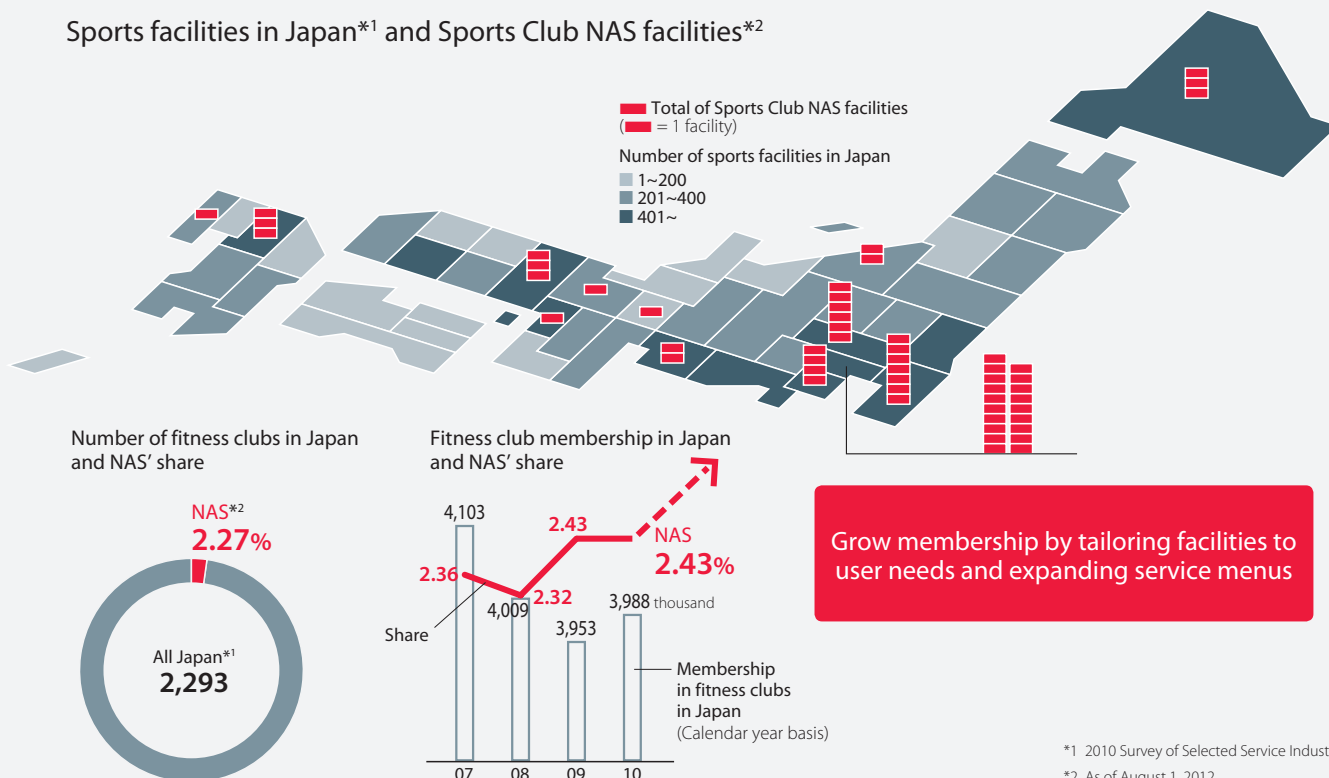
Daiwa House Group®

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

Daiwa Royal Golf Co., Ltd.
Golf course operation

Sports Club NAS Co., Ltd.
Fitness clubs

Sports facilities in Japan*1 and Sports Club NAS facilities*2



*1 2010 Survey of Selected Service Industries

*2 As of August 1, 2012

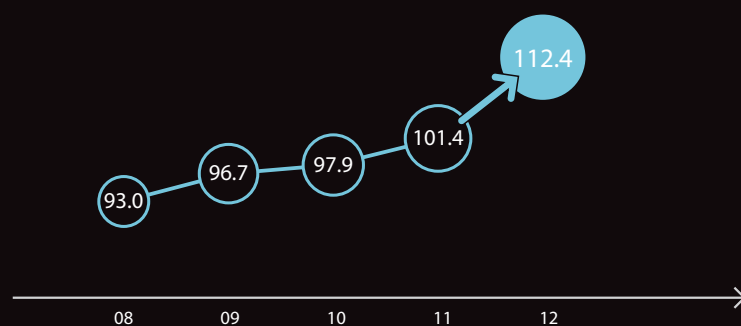


In our Resort operations, despite a negative impact on the number of customers from the aftereffects of the March 2011 disaster, as well as typhoons, many customers used our services thanks to steps taken to provide high-quality service and strengthen our marketing structure.

In our Sports Life operations, we opened four distinctive fitness clubs and renovated two fitness club facilities.

As a result, sales were up 1.0% year on year in Health & Leisure, while we once again recorded operating income for the year under review, following an operating loss for the previous fiscal year.

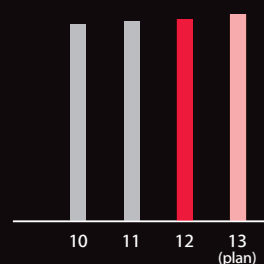
Sports club NAS: Number of members (thousands)



Sales

¥58.6 billion

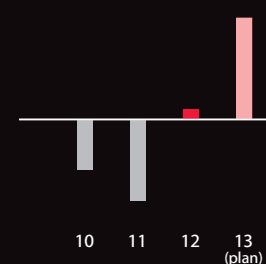
¥ billion 57.1 58.0 **58.6** 60.0



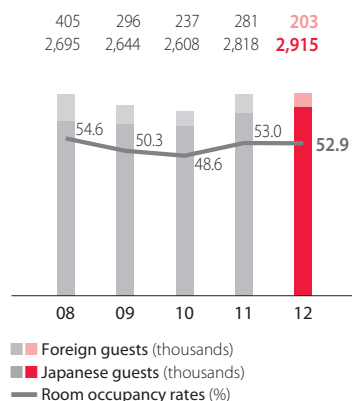
Operating income (loss)

¥0.1 billion

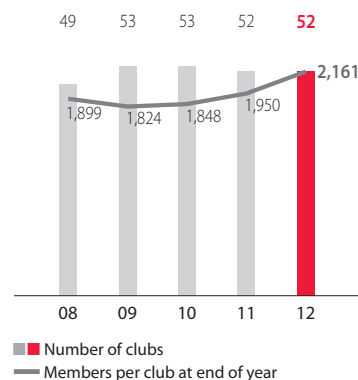
¥ billion -0.5 -0.8 **0.1** 1.0



Daiwa Royal Hotels: Number of guests and room occupancy rates



Sports club NAS: Total members and members per club at end of year





Year 2012

Four NAS sports clubs opened

In our Resort operations, the number of tourists from overseas decreased in the wake of the Great East Japan Earthquake and the Fukushima Daiichi nuclear power disaster. The Group's operating environment was also made difficult by the typhoon that hit Wakayama Prefecture in September 2011. In response, the Group conducted aggressive sales campaigns, including consecutive stay proposals and initiatives leading to increased unit prices.

In our Fitness Club operations, we opened NAS Shinkawasaki (Kanagawa Prefecture) as a large-scale integrated fitness facility, NAS Osaka Dome City (Osaka) and NAS Meinohama (Fukuoka Prefecture), all health clubs annexed to shopping malls, as well as Gaien Bijin NAS Aesthetic Salon (Tokyo), which offers highly skilled services at reasonable prices. In addition, NAS Kachidoki (Tokyo) and NAS Nagaoka (Niigata Prefecture) were renovated.

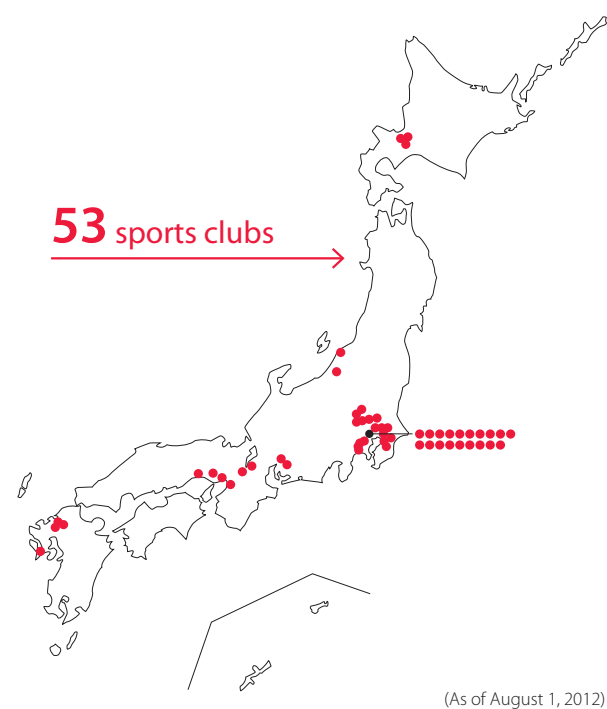
Beyond 2013

Expanding fee-based nursing care facilities for the elderly

In our Resort operations, although we cannot hope for any significant increase in the number of hotel guests, we will respond by changing guest room specifications to adapt to regional characteristics, and by developing products tailored to different customer age groups and preferences. We will also renew our website, aiming for increased use by individual customers, and will provide even higher quality service to improve the repeat rate.

In our Fitness Club operations, we hope to improve our earnings strength by scrapping poorly-performing clubs and focusing on introducing new clubs and renovating existing ones. We plan to continue opening three to four new health clubs per year, and to work towards differentiating our health clubs from those of other operators.

In our Nursing Care Facilities operations, we expanded the scope of our nursing care business by making Toden Life Support Co., Ltd. — which provides fee-based nursing care facilities for the elderly — into a subsidiary under the name of Daiwa House Life Support.





Topics

Evolving our health clubs

The Gaien Bijin NAS Aesthetic Salon was opened in Tokyo, offering highly skilled services at reasonable prices based on the concept of providing beauty at an affordable price. This is an aesthetic salon exclusively for women, separate from existing health clubs.

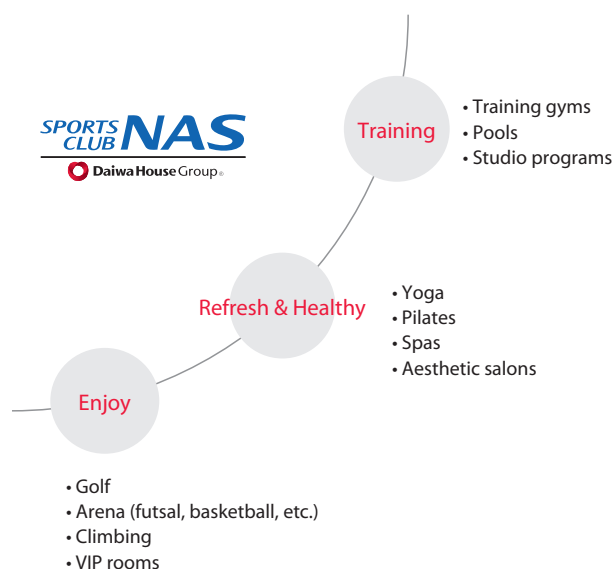
In addition, the super large-scale NAS Nishinipori was opened on a site close to Nishinipori Station in August 2012. This eight-floor fitness facility is our largest yet. We provide a full range of fitness facilities, spa zones, and new services at this facility, as well as a floor dedicated to eateries and other relaxation facilities that recreate the fondly remembered 1960s in Japan.

In addition, we are constantly renovating our existing health clubs based on local needs by means such as expanding training gyms, updating machines, and building hot yoga studios.

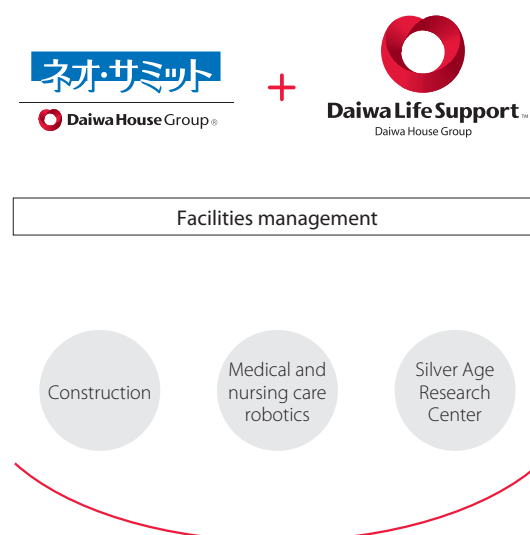
Developing businesses to meet the needs of a super aging society

The Group is working to expand the scope of its operations by creating various new types of business in response to the needs of a super aging society. In the area of welfare for the aged, the Group company Jukeikai Co., Ltd. has operated the Neo Summit Yugawara fee-based nursing care facilities for the elderly in Atami, Shizuoka Prefecture since 1986, and in November 2012 Jukeikai will open Neo Summit Chigasaki. In the area of construction, the Silver Age Research Center was founded in 1989. The Center conducts a proposal-based business consisting of construction plus facilities management services. Toden Life Support was made into a subsidiary of Daiwa House Group in June 2012 under the name Daiwa House Life Support, and it now operates the fee-based nursing care facility Mominoki at three locations in the Tokyo area (Nerima and Suginami in Tokyo, and Yokohama in Kanagawa Prefecture). In the future, the Group will leverage the know-how obtained by the subsidiary acquisition and services in the two areas of construction and facilities management.

Opening health clubs customized to local needs



Expansion of the nursing care business



Other Businesses

Home Centers / City Hotels / Others

Developing unique businesses in fields
such as Home Centers and Environment & Energy

ロイヤルホームセンター

 Daiwa House Group®

ダイワロイネットホテル

 Daiwa House Group®

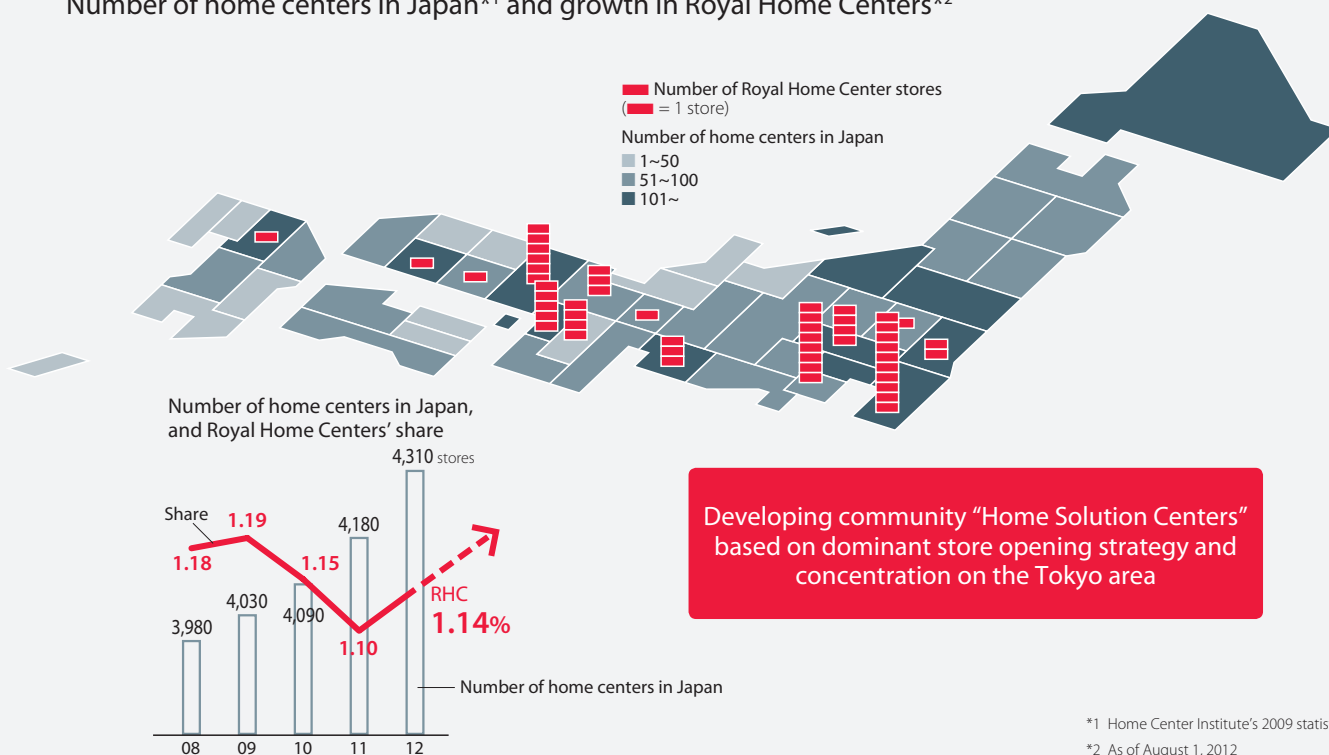
Royal Home Center Co., Ltd.

DIY/Gardening/Interior items

Daiwa Royal Co., Ltd.

Daiwa Roynet Hotels

Number of home centers in Japan*¹ and growth in Royal Home Centers*²



*1 Home Center Institute's 2009 statistics

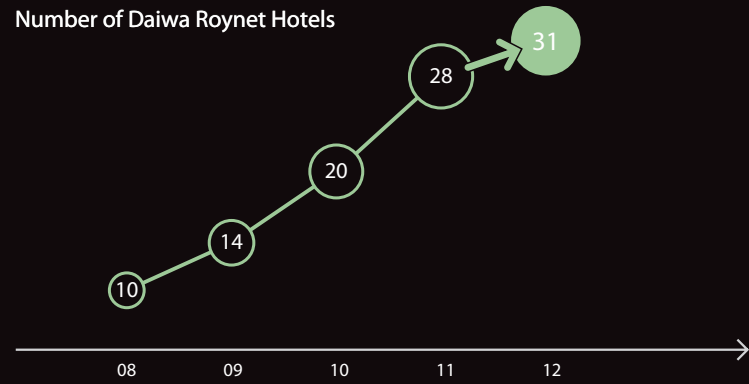
*2 As of August 1, 2012



In our Home Center business, we opened four new centers, bringing the total to 49, while in our City Hotel operations we opened three new hotels, bringing the total to 33.

In our Environment & Energy business, demand grew for energy saving measures and business continuity planning. In our Overseas business, business was robust, typified by the start of condominium delivery in Suzhou. As a result, sales were up 14.3% year on year in other businesses, while operating income grew 124.4% year on year.

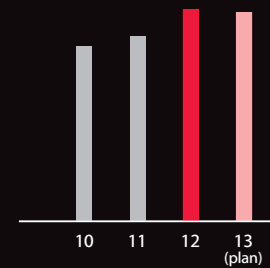
Number of Daiwa Roynet Hotels



Sales

¥255.7 billion

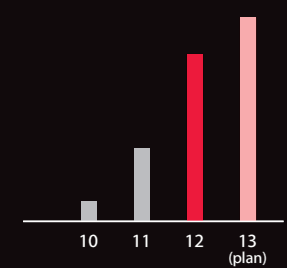
¥ billion 210.9 223.7 255.7 252.0



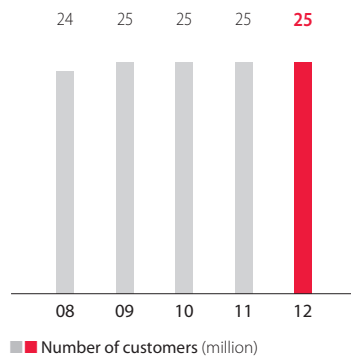
Operating income

¥8.2 billion

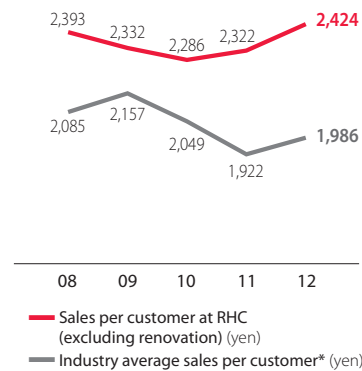
¥ billion 1.0 3.6 8.2 10.0



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

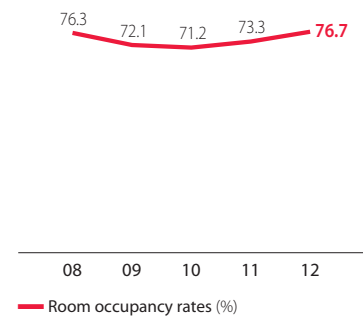


Royal Home Center (RHC):
Average sales per customer



* Calendar year basis.

Daiwa Roynet Hotels:
Room occupancy rates





Year 2012

Opened four Royal Home Centers

In our Home Center business, although we were forced to close one center due to the March 11 tsunami, we opened three centers in Chiba Prefecture and one in Nara Prefecture. The Group's dominant position in Chiba Prefecture has helped it reduce distribution costs. In addition, we launched a new sales structure with annex centers that specialize in wholesale sales to builders based on a membership system.

In the Environment & Energy business, we offered comprehensive solutions encompassing energy conservation (such as LEDs and high-efficiency lighting and air-conditioning systems), renewable energy sources (photovoltaic power generation systems, etc.), and energy storage technologies (lithium ion batteries).

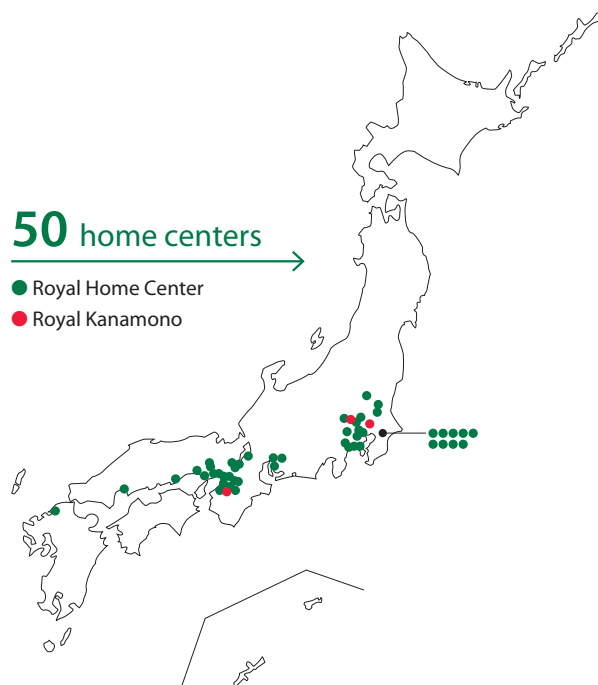
In our City Hotel operations, we opened Daiwa Roynet Hotel Hamamatsu, Daiwa Roynet Hotel Naha Kokusaidoori, and Daiwa Roynet Hotel Naha Omoromachi, bringing the total number of

hotels in Japan to 33, and the total number of hotel rooms to 7,453. Room occupancy rates, which fell following the March 2011 disaster, have also gradually recovered.

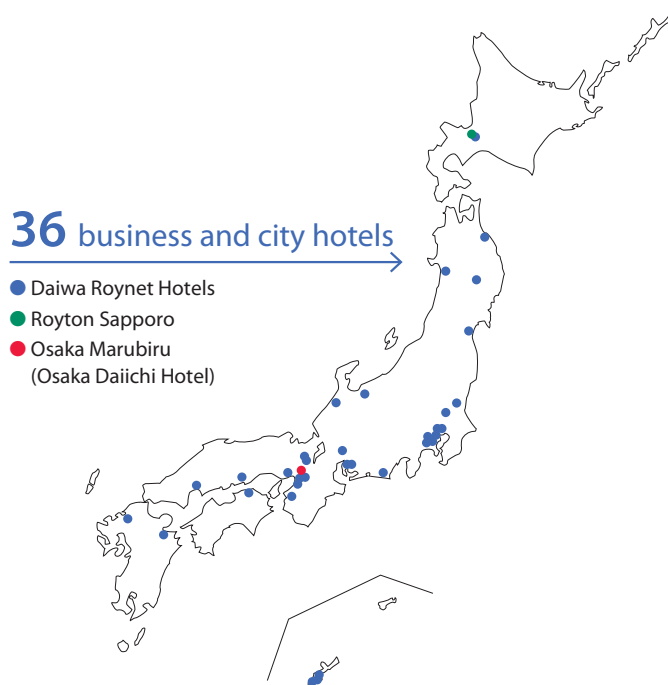
In the Asset Management business, the Group sponsors Daiwa House Residential Investment Corporation*, the assets of which are managed by Daiwa House Asset Management. Performance was strong for this investment corporation as medium- and high-rise rental house properties were sold off.

In our Construction Support operations, we increased the number of interior coordinators in our interiors business and rolled out our "dia collection" stores to Okinawa, Nagoya, and Tokyo. The "dia collection" stores are interior coordination centers that feature carefully selected luxury furniture.

* The trade name of BLife Investment Corporation was changed to Daiwa House Residential Investment Corporation on December 1, 2011.



(As of August 1, 2012)



(As of August 1, 2012)



Beyond 2013

Building home solution centers

In our Home Center business, we aim to expand sales by opening a large-scale center in Chuo-ku, Osaka (Royal Home Center Morinomiya). In addition, we will be meeting the growing demand for home repairs and improvements for older houses, including extensions and alterations. As a Group, we aim to work together to leverage our reputation for reliability as a leading home builder to transform our home centers into home solution centers boasting product and service lineups that meet the needs of both homeowners and builders.

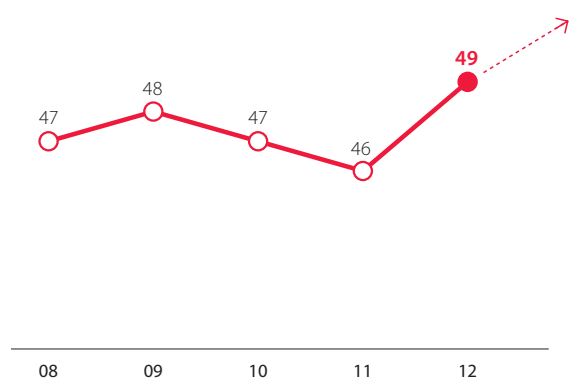
In the Environment & Energy business, we will launch a mega solar business to help reduce society's reliance on fossil fuels through the utilization of renewable energy.

In our City Hotel operations, we will continue opening new hotels in city-center locations. We opened two hotels in April 2012 and one in July 2012. We will continue to consider regional characteristics and secure convenient locations as we expand our network of hotels, so that we will be the hotel of first choice for our customers.

In the Asset Management business, we will work together with Daiwa House Residential Investment Corporation while keeping a close watch on market conditions as we strive to improve the market liquidity of our property portfolio.

Number of Royal Home Centers

(End of fiscal year)



Opening new Royal Home Centers



The Group opened new Royal Home Centers in areas with high latent demand and few competitors where it could gain a dominant position, including seven new centers in Chiba Prefecture, and six in Kanagawa Prefecture.

Shift to home solution centers



We aim to support the needs of contractors by operating at early working hours and providing a wide product lineup, and by establishing renovation contact points for Daiwa House Renew to meet the renovation demands of general customers.

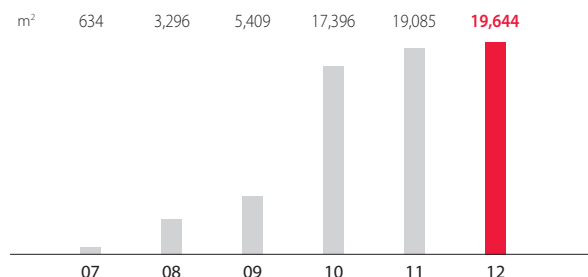
Environmental Greening

To ensure the earth's abundant resources benefit future generations, the Daiwa House Group is working to help realize an eco-friendly society by promoting the greening of a wide range of buildings.

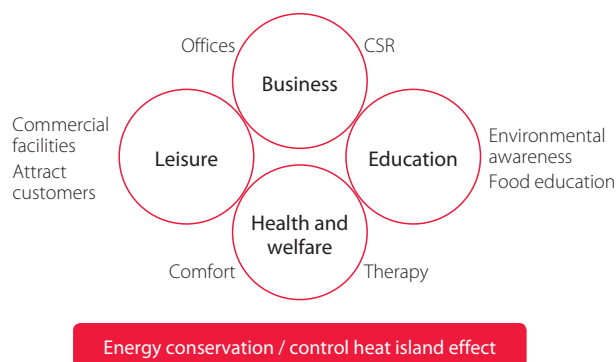
Greening for the community and daily living

With the future of the environment in mind, the Group works to offer products and services that are eco-friendly. In recent years, changes in the environment such as climate change and rising temperatures have been having a growing impact on society. This means that companies and the public need to step up efforts to reduce their impact on the environment. At Daiwa House, we believe our greening initiatives aimed at increasing the amount of trees, shrubs and other plants in urban environments will play an important role in protecting our way of life for future generations. The greening business operated by Daiwa Lease under the "ECOLOGREEN" brand develops and proposes integrated greening solutions for a wide range of buildings such as offices, retail facilities, warehouses and schools. Plants can be added to roof spaces, walls and indoor areas and throughout exterior structures and adjoining car parks. These measures alleviate the urban heat island effect and reduce CO₂ emissions by improving the insulation of buildings. We are also focusing on the greening of buildings as a way of creating lifestyles that are in harmony with the environment.

Area of greened building space



Greening business needs and benefits



1 Greened building:
Osaka Hanabyobu
(Shin-Osaka Station)

2 Green wall (Tokyo)

3 ECOLOGREEN Parking (Osaka)



Responding to environmental needs with our greening business

In September 2011, Daiwa Lease became the first Japanese company to sign a license agreement in green wall technology with French company Canevaflor. Canevaflor is known as a pioneer in green walls and is recognized worldwide for its technology in the field. Under the agreement, Daiwa Lease will work with Canevaflor to accelerate the uptake of greening technology, with Canevaflor sharing its expertise, particularly in green wall systems, and Daiwa Lease bringing its strengths in marketing, sales channels and technology.

The ECOLOGREEN Parking facility in Osaka was completed in August 2012. This vertical facility incorporates a range of advanced environmental features, such as greened walls, LED lighting, solar power generation systems, energy recovery systems, and lithium ion batteries. We plan to use this kind of building with green walls and other features to meet society's environmental needs.

Integrated greening solutions for a wide range of situations

In high-density urban environments where land prices are high, planting shrubs and grasses on the roofs of buildings is attracting attention as a way of creating green spaces.

Green walls offer a number of potential benefits, such as better insulation in summer and winter, controlled building deterioration, fire breaks, and energy conservation.

Green roofs

Indoor greening

Indoor greening can improve the comfort of indoor spaces by creating cleaner air and optimum levels of humidity. Indoor plants also help create a more relaxing atmosphere and attract customers by enhancing the appeal of indoor environments.

Green walls

External greening/
car park greening

Greening the external areas of buildings and adjoining car parks to reduce environmental impact and for landscapes and aesthetics



Environmental Energy

We combine our traditional expertise in construction with newly developed technologies in the fields of energy conservation, new energy sources, and energy storage to provide solutions to issues facing our customers and society as a whole, such as energy cost reduction and curtailment of CO₂ emissions.

Energy conservation and new energy sources

In the wake of the massive earthquake and tsunami that struck Japan in March 2011, the country has been suffering from electric power shortages. Against this background, we are making comprehensive proposals in the field of environmental energy, centered on the renovation of buildings for improved energy conservation and the utilization of new energy sources. In fiscal 2011, we made use of government subsidy systems to reinforce our marketing of building renovation services and environmental equipment. Thanks to these efforts, we increased orders. During the term we recorded firm sales of SOLAR STORAGE, which combines a photovoltaic power generation system with the POWER YIILE system, which we have been marketing as an effective solution for business continuity planning. In the Tohoku region, we have been designing photovoltaic power generation systems and large-size (industrial-use) lithium ion storage batteries, and installing them in public facilities such as elementary schools to reinforce emergency evacuation centers.

In July 2012 the Japanese government's Feed-in Tariff system commenced operation with the aim of encouraging the generation of energy from renewable sources. As a result, a major expansion is expected in the construction of large-scale photovoltaic facilities, often called "mega solar projects." The Daiwa House Group plans to leverage its comprehensive capabilities — from planning through design and construction to management — to capture increased orders for mega solar projects.

Mega solar power generation started

In response to the start of the Feed-in Tariff system, plans for mega solar projects are being pursued by local governments and companies all over Japan. Plans are being drawn up for the construction of large-scale photovoltaic power generation projects utilizing the roofs of existing warehouses, or idle and unused land owned by local governments and business corporations. As the Group's first initiative in this field, in July 2012 we completed construction of the largest photovoltaic power generation system in Kyushu — with an output of 2MW — on the roof of the Hibiki International Logistics Center (owned by Daiwa House), located in the city of Kitakyushu in Fukuoka Prefecture. The estimated annual output of this system would be sufficient to supply the power needs of around 420 households. We have also commenced operations at the Okayama No.2 Plant, a new, environment-friendly manufacturing plant with an 816kW photovoltaic power generation system installed on the roof. Utilizing the Feed-in Tariff system, we plan to begin selling the power produced in the near future.

The Daiwa House Group is pursuing electricity generation from renewable energy sources. The Group as a whole is estimated to generate 10MW of power in fiscal 2012, and our goal for fiscal 2014 is to raise the amount generated by photovoltaic power systems and wind-power systems combined to 70MW. We are also putting considerable efforts into the popularization of power generation from other types of renewable energy sources, such as small-scale hydroelectric power.



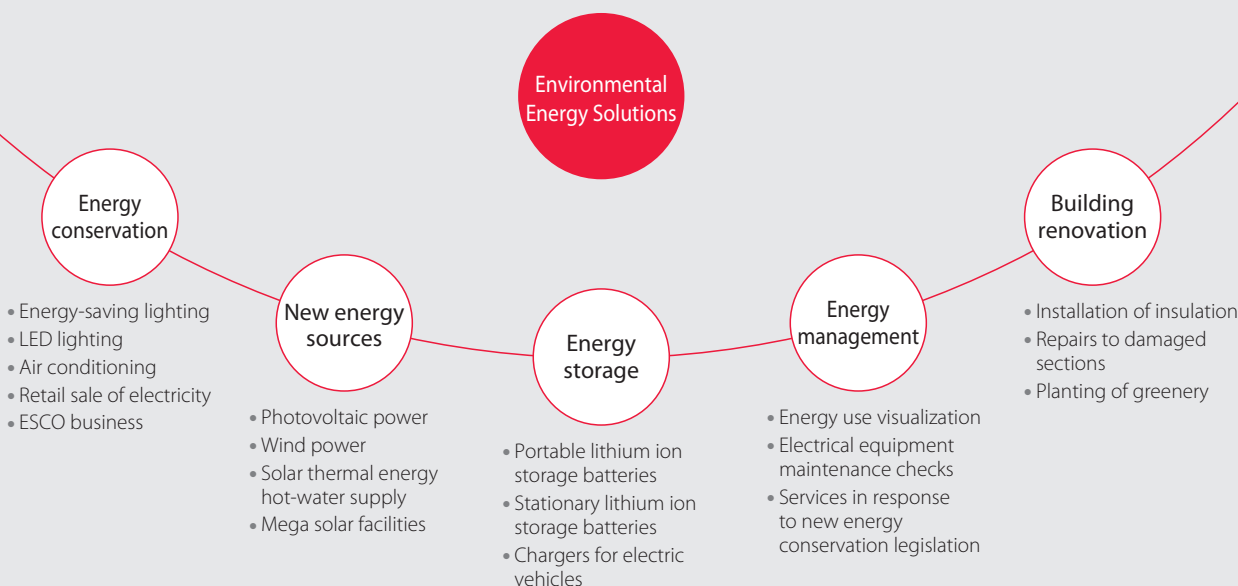
1



2



Environmental energy products and services



1 POWER YIILE

2 A mega solar project in Niigata Prefecture designed by Daiwa House and incorporating our proprietary technology

3 Hibiki International Logistics Center (artist's impression)

4 Wind-power electricity generation facilities at Sadamisaki



Human Care

Through an integrated approach using its medical care and nursing care facility construction business and nursing care robotics business, the Human Care Division is aiming to create a society where the elderly can still lead independent lives despite losing some of their physical mobility.

Increase in orders for serviced housing for senior citizens

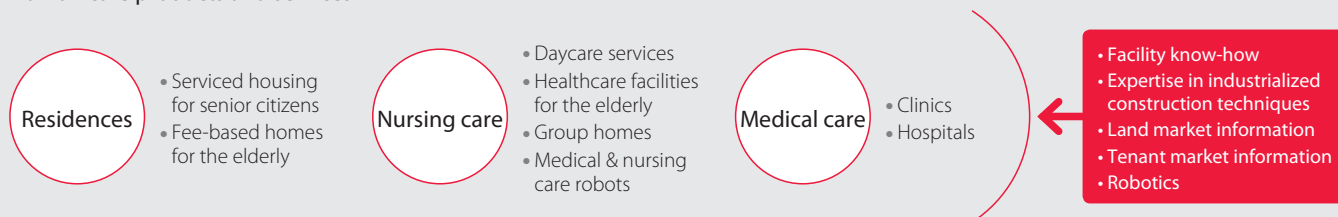
In October 2011, the Ministry of Land, Infrastructure, Transport and Tourism introduced a registration system for businesses that provide nursing care and medical services through serviced housing for senior citizens. This system is aimed at ensuring the fast-growing elderly population has access to places to live and also at revitalizing areas where the population is aging and declining. In light of this government initiative, the Human Care Division's Medical/Nursing Care Support Unit worked closely with each business in the division to boost orders of housing for the elderly, particularly serviced housing for senior citizens.

Looking ahead, we aim to carry out research into facilities for the retired who remain active in daily life, and develop services that provide them with peace of mind.

Aiming to become a provider of "lifestyle assistance robots"

The Robotics Business Promotion Unit in the Human Care Division has continued to win orders for the lease and rental of Robot Suit HAL® welfare-type, a self-support assistive robotic suit. There has been an increase in case reports at academic conferences about the use of these suits in stroke patient rehabilitation, and the number of suits delivered to nursing care facilities has reached 200 units. We also started renting PARO® through Daiwa Lease in 2011, in addition to existing outright sales. PARO®, a robot shaped like a seal, is used for therapeutic purposes and has been certified as a medical device by the Food and Drug Administration of the United States. PARO® is showing great promise in helping to improve the cognitive functions of patients with dementia. We have also hired sales staff with physiotherapist qualifications as part of efforts to strengthen links with medical and nursing care facilities.

Human care products and services



1



2

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

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

The Industrialization of Agriculture

Group Performance 123

Business Overview

Human Care

The Industrialization of Agriculture

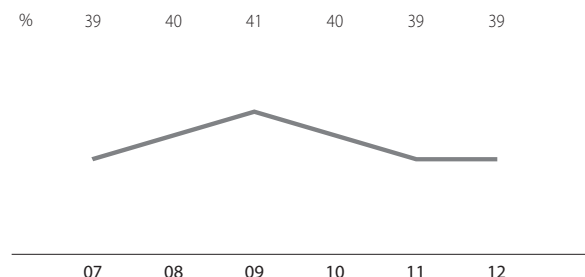
Leveraging the experience of our founder in the “industrialization of construction,” we are tackling the “industrialization of agriculture” to raise Japan’s food self-sufficiency rate.

“agri-cube” vegetable growers launched to “industrialize” the growing of food

In light of the issues facing Japanese agriculture — principally the country’s declining food self-sufficiency rate and the high average age of farmers — in April 2012 we launched the “agri-cube,” the first vegetable-grower unit to be developed and sold by a company in the home building industry. This small self-contained greenhouse unit incorporates all the equipment needed for hydroponic culture of vegetables, particularly leaf vegetables. The unit is small enough for installation in the parking lots of restaurants, commercial facilities, and so on. The vegetables grown would be sold on the spot. As the units are made from the same materials and parts employed in the Group’s housing, we have been able to keep costs down. In this way, we have applied our expertise in construction industrialization technology to agriculture.

The launch of the agri-cube aroused considerable interest, and we have received hundreds of inquiries from around Japan and overseas. We have established the Agricultural Business Promotion Office to serve as the sales contact point, and integrated manufacture takes place at a factory operated by Daiwa Lease. Looking further ahead, we plan to pursue agriculture-related businesses through collaboration by all Group members. In the immediate future, we will expand the lineup of vegetable grower units, and further promote the industrialization of agriculture by developing new products and businesses in this field and nurturing it into one of the Group’s core operations.

Japan’s food self-sufficiency (calorie base)



Nutrient ratio comparison of vegetables grown in grower units with field-grown vegetables

(Values for 100 grams of salad greens)

Vitamin C (μg)



Carotene (μg)



Source: Especmic Corp.



Research & Development

We conduct multifaceted research and development to provide solutions to social issues, under the themes of safety & comfort, speed/stock, welfare, the environment, health, Information-Communication Technology, and agriculture.

Creating technologies and products to generate new business value

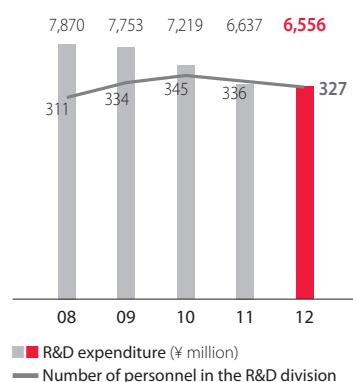
At the Central Research Laboratory, we conduct research and development activities aimed at generating new business value in response to issues including shortages of energy and resources, the aging society, and the decline in the food self-sufficiency ratio.

Among our technology focus areas, we have seen significant progress in the development of eco-friendly technology. In October 2011, we launched sales of the "SMAxEco ORIGINAL" smart house incorporating photovoltaic power generation, a home-use lithium-ion battery, and Daiwa House's proprietary D-HEMS system (Home Energy Management System). Going forward, we plan to develop D-HEMS into an even more efficient energy management system for the control of home electrical appliances and equipment such as air-conditioners, water heaters and lighting, thereby expanding the possibilities of the smart house.

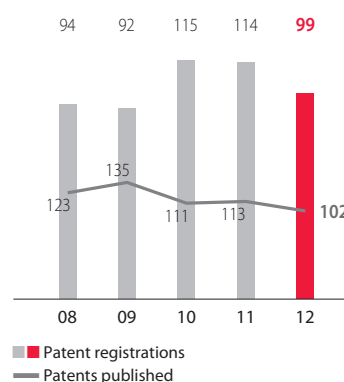
Development of eco-friendly products with zero environmental impact

Daiwa House has launched a project in connection with buildings for its corporate customers, with the goal of realizing buildings with "zero" environmental impact by the year 2020 (zero CO₂ emissions during operation). As the first step, in July 2011 we launched sales of "D's SMART OFFICE," an eco-friendly office that facilitates a reduction in CO₂ emissions of up to 50%. As the second step, in December 2011 we commenced verification tests of a next-generation eco-friendly office in the Daiwa House Aichi-Kita Building. We aim to achieve a reduction in CO₂ emissions of around 55% as compared with Daiwa House buildings of the 1990s, including appropriate energy control using BEMS (Building and Energy Management System), and reduced power consumption. We will utilize the eco-friendly technologies validated through these verification tests in the development of our next-generation offices.

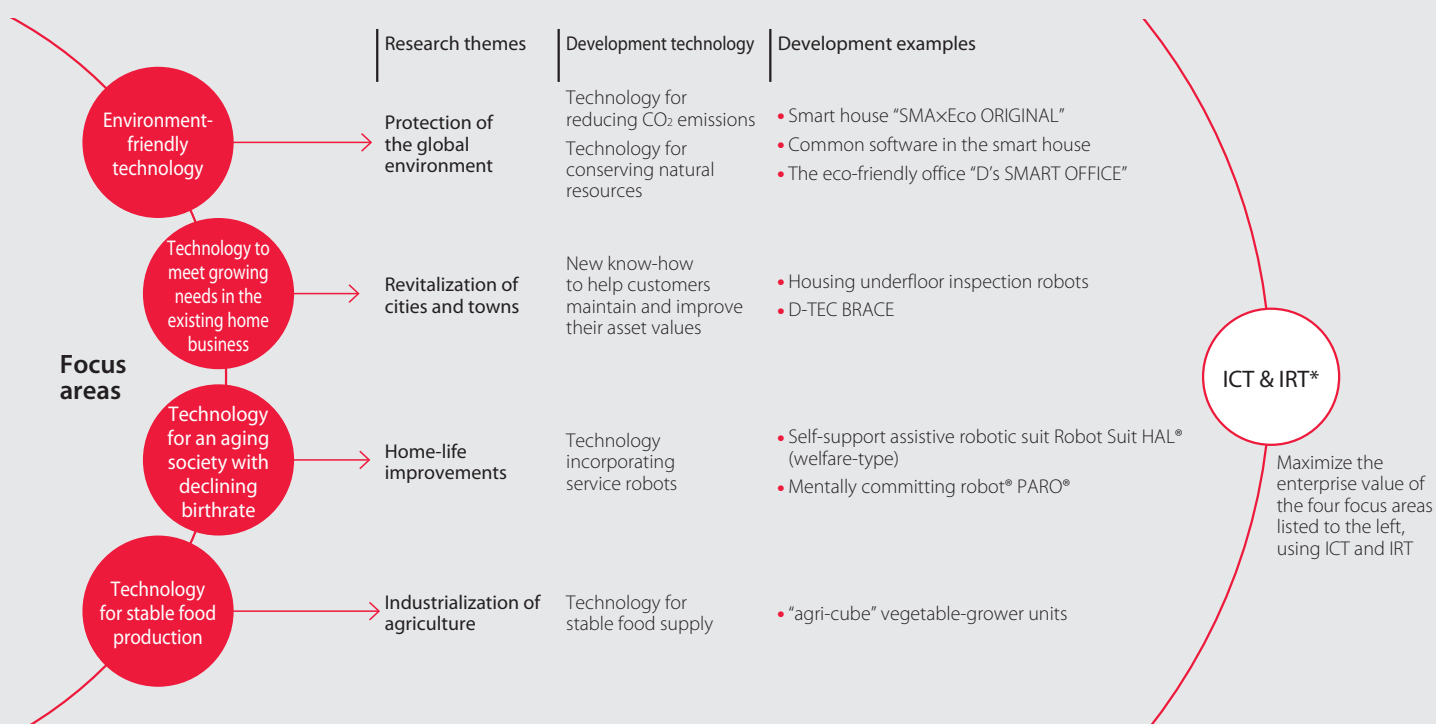
R&D expenditure, and number of personnel in the R&D division



Patent registrations and patents published



The focus areas of technology research, and related initiatives



* ICT: Information and Communication Technology
IRT: Information Robot Technology



The Central Research Laboratory

Global





**DH (Dalian) Administrative
Management Consulting Center
Co., Ltd.**
Business process outsourcing (BPO)
business



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



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



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



In-Gyong Lee

Born in 1971
1994: Joins the Dalian Office of Daiwa
House Industry
2001: Launched DH (Dalian)
Administrative Management
Consulting Center and became
director of the center
2012: Chief executive officer

In the BPO business, based on the track record within the Group of production design of prefabricated houses, we are aiming to utilize our technical capabilities in the CAD field, which is our greatest strength, to expand our business. Moreover, as the Group develops globally we are helping and supporting outstanding human resources active in a wide range of 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
2011: President of Daiwa House
(Changzhou) Real Estate
Development

We offer home buyers high-quality residential environments based on the key features of safety, security, comfort, environment-friendly, energy saving, and disaster prevention. We seek to contribute to the local region through community-based business operations, while steadily building up the reputation of Daiwa House Group as a trustworthy brand.



Daiwa Logistics™
Shanghai

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



Daiwa House®
Guam

Daiwa House Guam Co., Ltd.
Construction



Daiwa House®
California

Daiwa House California
Real estate/Real estate development



Daiwa House®
Australia

Daiwa House Australia Pty Ltd
Real estate development



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.



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.



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.



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.



Daiwa House
Vietnam

Daiwa House Vietnam Co., Ltd
Construction/Business process
outsourcing (BPO) business



Hideyuki Iwamoto

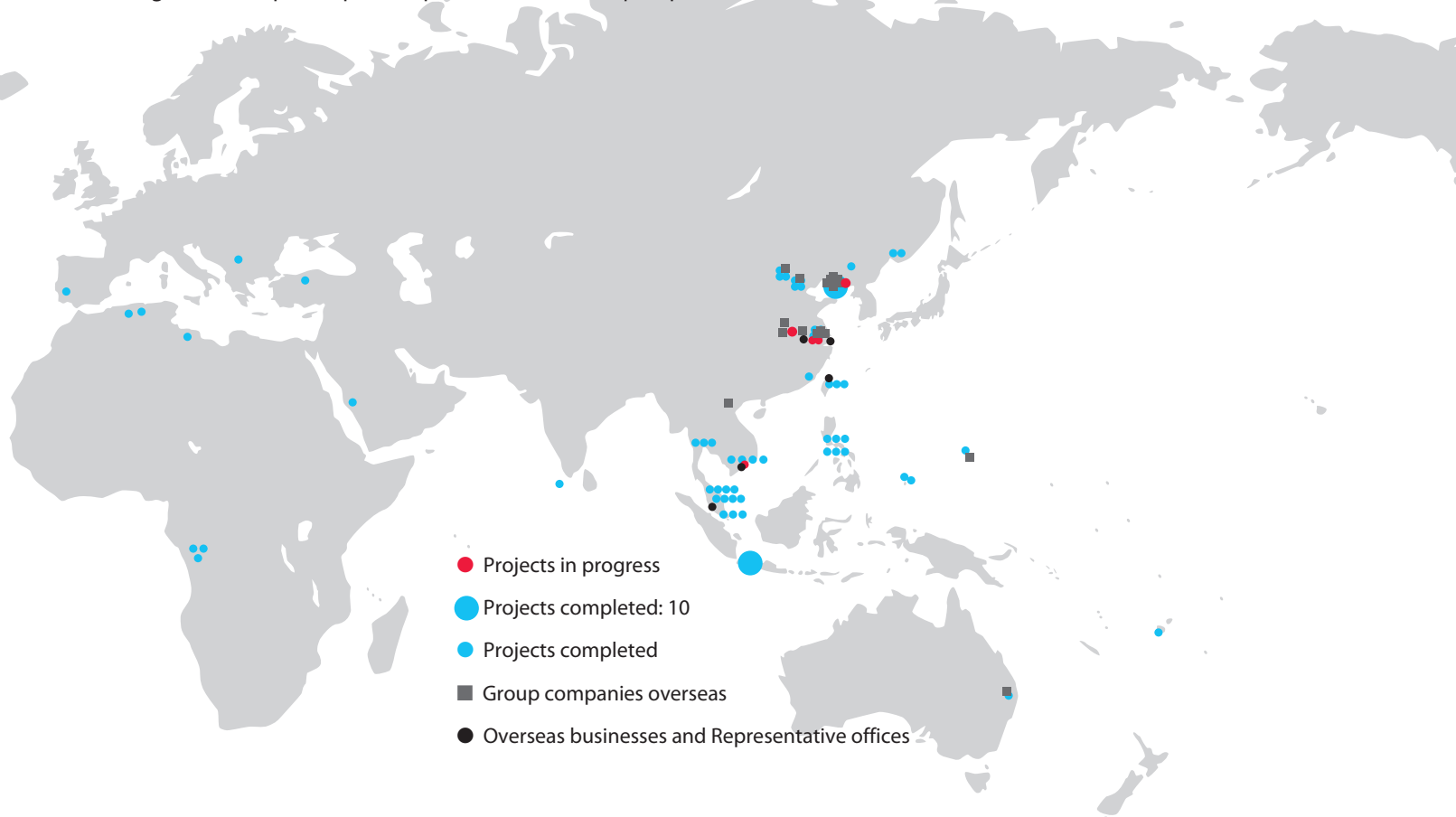
Born in 1966
1989: Joins Daiwa House Industry
2012: General Director of Daiwa House
Vietnam

We are moving our business forward with two sites: Hanoi and Ho Chi Minh. We are aiming to create corporate value in Vietnam and build the brand of the Daiwa House Group by becoming an irreplaceable partner to our customers and a company that is trusted and chosen by its stakeholders.



Global Expansion

The Daiwa House Group's overseas operations began in the 1960s, and since then we have expanded our business to countries all around the world. Currently, the entire Group is working to create new businesses that will serve to support the growth of its operations overseas in the future. Since we started our expansion overseas in China in 1972, we have been involved in large-scale condominium development projects, and have also focused on establishing business bases overseas, mainly in the Asia-Pacific region. We are steadily expanding the scope of our business in this region as we speed up the expansion of the Group's operations overseas.



The Daiwa House Group — Overseas Business Bases

Overseas subsidiaries,
Associated companies,
Representative offices

(As of June 30, 2012)

25
Companies &
Offices

Regular employees only

(As of March 31, 2012)

975
Employees





Current Projects

2007	
China	Dalian: Yihe Champs-Elysees (Yihe Xiangxie) construction started
2009	
China	Suzhou: local subsidiary Daiwa House (China) Investment established
China	Suzhou: The Grace Residence construction started Dalian: Yihe Xinghai construction started
2011	
China	Shanghai: Daiwa Logistics (Shanghai) established.
USA	Delaware: local subsidiary Daiwa House USA established San Jose, California: local subsidiary Daiwa House California established
Australia	Brisbane: local subsidiary Daiwa House Australia established
Taiwan	LOI (letter of intent) signed with Taiwan Ministry of Economic Affairs
Vietnam	Dong Nai Province: Long Duc Industrial Park development project launched
2012	
Taiwan	Taipei: Taiwan Branch opened (retail and wholesale sales office and rental housing sales office)
Vietnam	Hanoi: local subsidiary Daiwa House Vietnam established
Malaysia	Kuala Lumpur: Representative Office opened
China	Wuxi: Wuxi China Wu Culture Expo Park Project (tentative name) construction start planned
2013	
China	Changzhou: Changzhou Tianning District Project (tentative name) construction start planned

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 business in China and future developments

Development and sale of condominiums

The Group started business in China in 1983 when it began exporting houses and erecting them on site. In 1985, we commenced the construction and management of rental housing for expat tenants (mostly Japanese) in Shanghai, and in 1986 we launched hotel, condominium, and rental office businesses, as we leveraged China's growth to expand our business.

As the pace of globalization of its business speeds up, the Group is currently engaged in the development and sale of condominiums and retail outlets at five locations in the four cities of Dalian, Suzhou, Wuxi, and Changzhou. In 2005, we began development of the Yihe Champs-Elysees project in Dalian, a project consisting of 852 condominiums and 111 commercial facilities that was launched through a 50:50 joint venture with a local company. Construction was completed in June 2009, and most units have been sold. The Group is also involved in the Grace Residence project in Suzhou. This project is the first development project in China to be financed entirely by a Japanese company. In contrast with the standard condominiums in China, which are sold without interior decoration or fittings, all 902 units at the Grace Residence are fully fitted with high-quality interior furnishings and household equipment. These condominiums have achieved strong popularity among high-income consumers since sales were launched in May 2010, thanks to the high-level quality associated with Japanese brands. In

addition, we are engaged in the Yihe Xinghai development in Dalian, which is the second 50:50 joint venture with a local company in that city. We began selling units of this complex facility — consisting of 2,124 condominiums plus commercial facilities and serviced apartments — in August 2010.

In Jiangsu Province in the Yangtze River Delta area, where steady economic growth is projected, we will pursue two projects entirely financed by Daiwa House Industry. In the city of Wuxi, in December 2012 we plan to start construction on a project tentatively named the Wuxi China Wu Culture Expo Park Project, comprising 295 condominiums and 141 resort villas. In addition, in the city of Changzhou, there are plans to start construction in March 2012 on a project tentatively named the Changzhou Tianning District Project, consisting of 1,185 condominiums and commercial facilities. The Chinese government is currently implementing price restriction measures in response to skyrocketing real estate prices, and as a result the residential market is beginning to go through an adjustment period. However, the housing shortage will remain a major issue, and for this reason the market is likely to continue growing over the medium-to-long term. We will continue to expand our business in China while keeping a close watch on market conditions.



Yihe Xinghai/Dalian

Completion	In 2012 & 2016 (planned)
Developers	Dalian Dahezongsheng Estate Co., Ltd. * Daiwa House Industry; 50% stake
Facilities	Condominiums, commercial facilities and serviced apartments
Number of units sold	2,124 (Condominiums)



Wuxi China Wu Culture Expo Park Project (tentative name)/Wuxi

Completion	2014 (planned)
Developers	Daiwa House (Wuxi) Real Estate Development Co., Ltd. * Wholly owned by Daiwa House Industry
Facilities	Resort villas, condominiums
Number of units	436 Resort villas 141 Condominiums 295



Changzhou Tianning District Project (tentative name)/Changzhou

Completion	2016 (planned)
Developers	Daiwa House (Changzhou) Real Estate Development Co., Ltd. * Wholly owned by Daiwa House Industry
Facilities	Condominiums, commercial facilities
Number of units	1,185

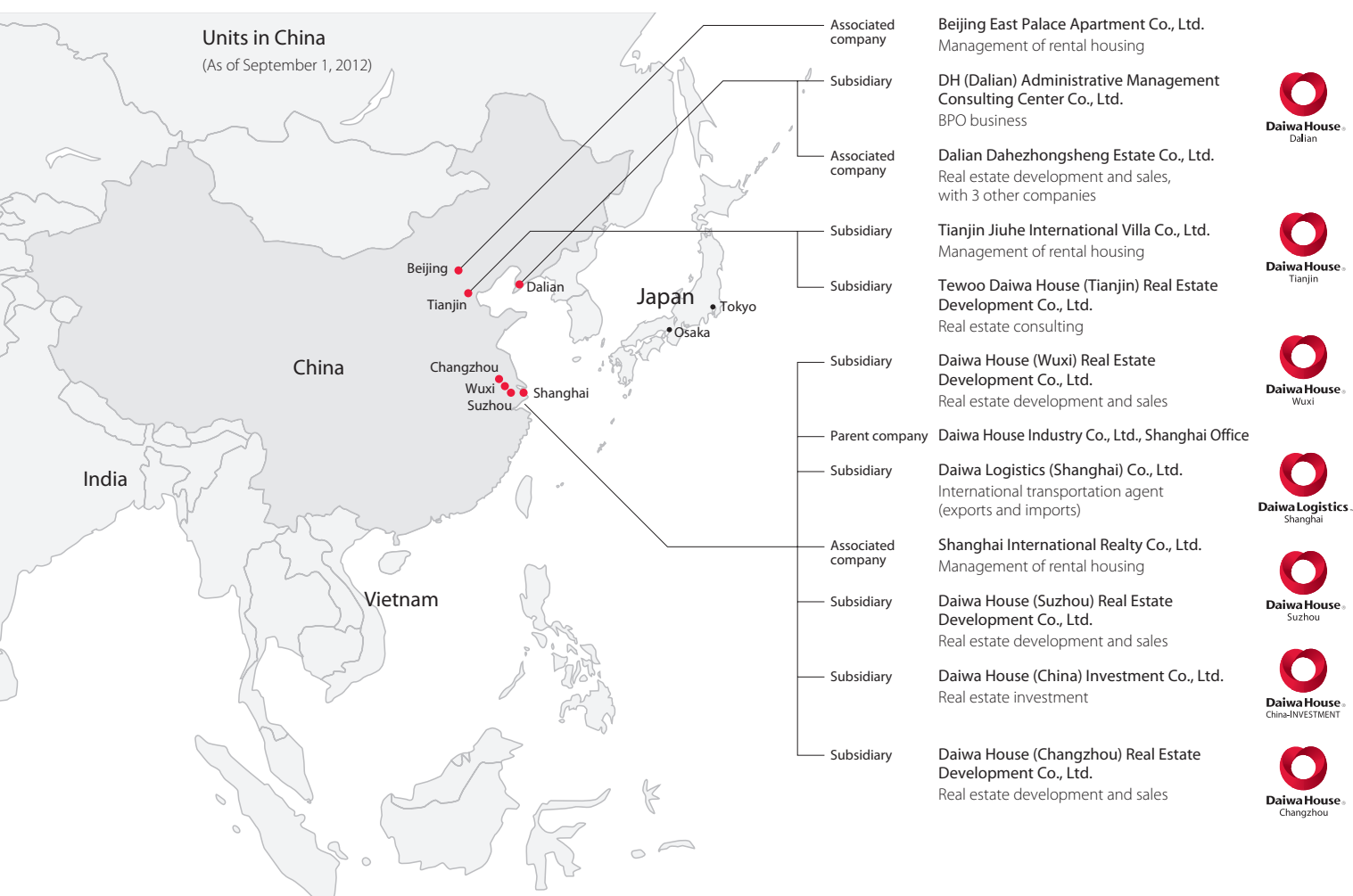
Developing industrialized housing in China

The Daiwa House Group, together with the Baoye Group of China, launched a joint development project in March 2006 aimed at the industrialization of housing in China. In July 2011, a Certificate of Recognition of Technological Achievement in the Construction Industry was obtained, demonstrating that the comprehensive housing efficiency of this project had reached globally advanced levels. As a result, it has become possible for the Group and the Baoye Group to construct low-rise housing via industrialized methods throughout China in the future. During development, R&D and continual improvements through trial construction were conducted based on structures generally used in Japan and in accordance with China's earthquake resistance construction standards. The safety of the structures — developed in response to large-scale earthquakes — was analyzed with the cooperation of China's Tongji University, and safety was also confirmed through full-scale loading tests at the Baoye Group's R&D centers. Fireproofing performance tests and thermal insulation performance tests

were conducted on the newly-developed external walls, and tests such as watertight performance tests and endurance tests on structural steel were conducted to confirm the performance of these features. In addition, the structures developed are in accordance with the environmental policies and industrialization policies promoted by the Chinese government, including energy saving and materials saving.

Logistics business based in Shanghai

Group company Daiwa Logistics established the subsidiary Daiwa Logistics (Shanghai) in April 2011 as a first step towards full-scale overseas operations. Daiwa Logistics (Shanghai) conducts an import and export business, shipping goods such as building materials, construction equipment, apparel, and production equipment between Japan and China, with business focused on Japanese enterprises. Improving the quality of domestic shipping in China is a major issue for many consignors.



Business developments in Vietnam

Establishment of industrial park near Ho Chi Minh City

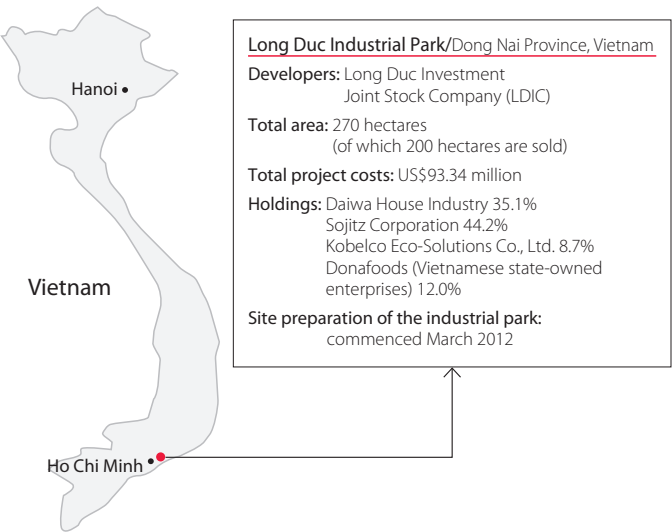
In 2006 Daiwa House set up an office in Hanoi and began collecting information in preparation for expanding its business in Vietnam. In August 2011, Daiwa House, Sojitz Corporation, and Kobelco Eco-Solutions Co., Ltd. agreed to establish the Long Duc Industrial Park in Dong Nai Province in Southern Vietnam. The three companies acquired 88% of the shares of Long Duc Investment Joint Stock Company (LDIC), an industrial park business company, with Daiwa House Industry's current equity stake becoming 35.1%. The total area is 270 hectares, of which 200 hectares are sold. The site preparation of the industrial park started in March 2012, and the infrastructure is scheduled to be completed some time in the summer of 2013. There are plans to approach mainly Japanese enterprises. We will pro-actively approach firms as we aim to acquire construction orders.

Vietnam has maintained GDP growth exceeding 5% in recent years supported by strong demand, and it has a young workforce, with 75% of the population aged 44 years and under. Many companies are considering expansion into Vietnam, and the Long Duc Industrial Park has already received inquiries from more than 50 firms, including many Japanese manufacturers. The Park is located in the Long Thanh District of Dong

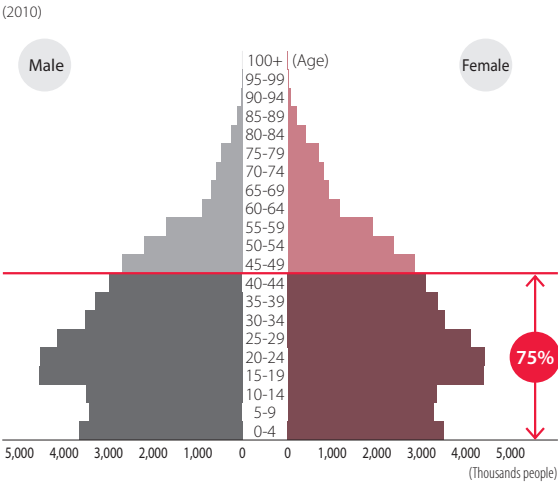
Nai Province, approximately 40km east of Ho Chi Minh City, Vietnam's largest city in terms of commerce and tourism. This industrial park is ideal for a manufacturing site or logistics base as it is located just 33km from Cai Mep-Thi Vai Port, a key port in Vietnam where large ships can dock, and at the halfway point between central Ho Chi Minh City and the port. In addition, the site is only about five minutes by car from an interchange of the North-South Expressway, which is scheduled to open in 2014, and only eight km from Long Thanh International Airport, which is scheduled to open in 2020, providing extremely convenient domestic and overseas transport access.

Establishment of a local subsidiary in Vietnam

Daiwa House Vietnam was established as a local subsidiary in Hanoi 2012. The subsidiary's business will focus on the outsourcing of design work, a business in which Group company DH (Dalian) Administrative Management Consulting Center in Dalian, China is also engaged. Our aim is to disperse the Centers' operations across borders.



Population composition by age group in Vietnam



Expanding business into the Pacific Rim markets

Starting a commercial facilities business in Taiwan

In Taiwan, we signed a LOI (letter of intent) with the Taiwan Ministry of Economic Affairs at the 2011 Taiwan Investment Summit for the purpose of launching retail and wholesale facilities development. This has enabled the Group to use the Taiwanese government's information and investment support systems. In the Commercial Facilities business, the Group has been involved with over 30,000 wholesale development projects across Japan together with land owners and tenant companies. We aim to use this experience and know-how in the future to develop roadside retail and wholesale facilities for the creation of close and convenient shopping environments

in Taiwan. In April 2012, Daiwa House set up a branch in Taipei and launched operations. We plan to develop business with Taiwanese land owners who wish to effectively use their real estate holdings and develop commercial complexes and stores. We will launch proposal activities to create more business with Japanese tenant companies that are existing clients, local tenant companies in Taiwan, as well as tenant companies elsewhere in Asia and other parts of the world. We will also accept subcontracting orders for construction of roadside stores and multipurpose commercial facilities in Taiwan.



Expanding rental housing and single-family house businesses overseas

In our Rental Housing business, a sales office was opened at the Taiwan Branch where a commercial facilities business was launched. We have begun studying business models for this market.

In the Single-Family Houses business, a representative office was established in Kuala Lumpur, Malaysia in April 2012. Specialized staff have commenced R&D on single-family houses suitable for the local region.

Establishment of local subsidiaries in the US and Australia

In 2011, Daiwa House California was established in San Jose, California. Daiwa House California has purchased rental condominiums to launch a real estate business, and is also engaged in market research. Although the real estate market in the US remains weak, we are making preparations for the anticipated future recovery.

In addition to the US, the Group is also engaged in business in Australia, another developed nation with a growing population. Daiwa House Australia was established in Brisbane in 2011, and this company has commenced market research with the goal of developing a real estate development business.

One Heart, One Tomorrow

At the Daiwa House Group, our employees have high aspirations, both for people as individuals and for society as a whole.

They work to make a contribution to society both through our business operations and through volunteer activities.

The Group is proud of them.

We share their aspirations, and will work to fulfill our social responsibilities so that we remain an enterprise essential to society.





People

Yukie Toriu

*Section Manager of Personnel Dept.
Wave Heart Promotion Section (Diversity Promotion)
Daiwa House Industry*

We are working particularly to support the careers of female employees, so as to encourage workplace diversity and create a corporate culture where staff can harness their individuality to fully display their abilities. Japan has been slow to adopt the international consensus on abolishing the gender-specific division of roles in the workplace, and I believe that if each executive and employee could change his or her attitude in this respect, it would help the Group to grow on the global stage.

For further details ▶ P.149



Partners

Sohsuke Sakaue

*Representative Director
Naigai Ryokuken Co., Ltd.*

As a member of the Daiwa House Group's Confederation of Partner Companies, we undertake landscaping work, including exterior structures such as fences. While our first consideration is customer satisfaction, from the broader perspective our future growth depends on contributing to society. As a partner, we have a unique relationship with the Group, and I look forward to our continued mutual growth.

For further details ▶ P.151





Environment

Shinsuke Tatsumi

*Head of Operations
Mount Yoshino Protection Society Hoshoukai*

We work to protect the famous cherry trees on the slopes of Mount Yoshino in Nara Prefecture. These cherry trees bequeathed to us by our ancestors — one of Japan's national treasures — have suffered much damage from abnormal weather and natural disasters, but we are determined to pass them on to future generations. The Daiwa House Group shares our aims, and has given us much support and cooperation. I hope to continue working together toward eventual victory.





Community

Eiji Miyase

President

NGO Association of Following Wind

I believe we should work to realize a society where ordinary people can help those who are suffering. Our NGO is mainly involved in educational assistance for Cambodian children, and most of our members are company employees and students. Together with the Daiwa House Group, which supports our activities, we hope to become a "following wind" for disadvantaged children, and are working to realize a society where all children can have hope.

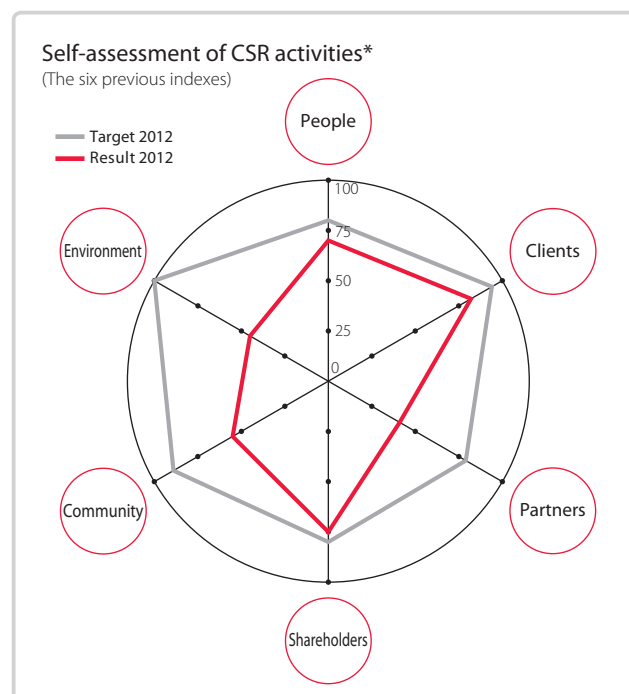
Corporate Citizenship

At the Daiwa House Group we carry out our day-to-day activities in the belief that it is our duty, as a responsible corporate citizen, to find solutions to social issues through our business operations. We are confident that by doing so we will receive recognition from society, and that this will generate further business opportunities for the Group. We will continue working to create the new value that society needs.

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.

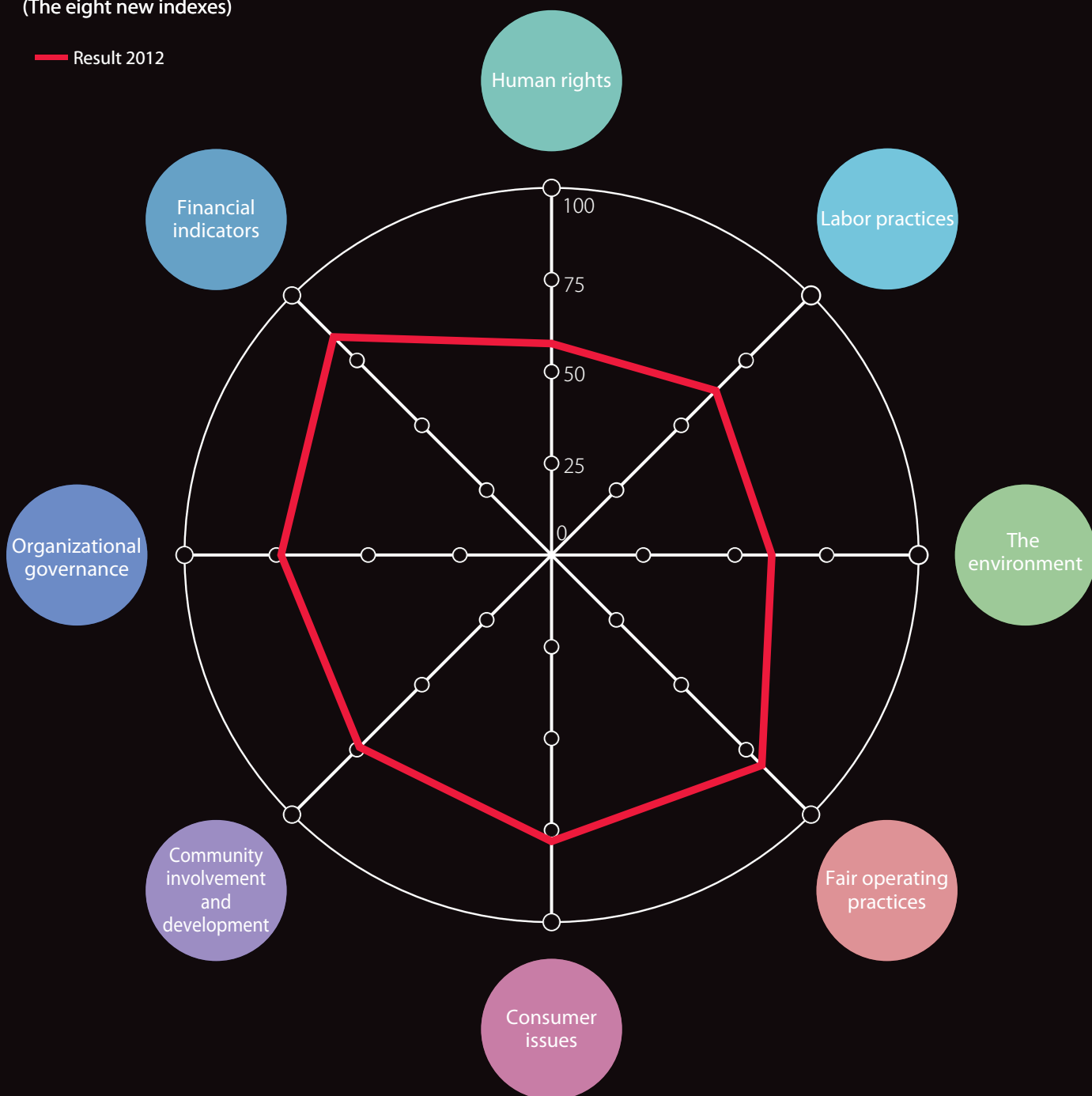
In fiscal 2011 we revised our previous indexes based on six separate stakeholder categories, and formulated new theme-based indexes reflecting the ISO 26000 social responsibility guidelines. We commenced CSR management utilizing these new indexes from the start of fiscal 2012.



* Full marks = 100 points

→ **Self-assessment of CSR activities***
(The eight new indexes)

— Result 2012



CSR Overview

Setting new CSR indexes

In line with the increasing globalization of the Daiwa House Group's business, we have applied international standards to evaluate our CSR activities. Using these standards, we have verified the status of our CSR efforts and improved them. In order to build an even higher quality CSR management system, we established an index based on ISO 26000 and initiated a new CSR management system.

In determining our new CSR indexes, we deemed that out of the seven core themes in the ISO 26000 standards, organizational governance was the most crucial for ensuring the stability of a company's management base, and that it must be tackled on a priority basis. We also identified 35 issues from the other six themes, of which 12 issues were selected for priority treatment. To determine the order of priority for these 12 issues, we held meetings where we sought our stakeholders' opinions, and after examination of the issues by an in-house deliberative panel, we drew up a materiality map and positioned as top-priority issues the six issues identified as having the greatest importance for both the Group and its stakeholders. The new indexes are composed of these 12 issues plus six themes (including financial indicators to represent the economic dimension of our operations), for a total of 18 issues.

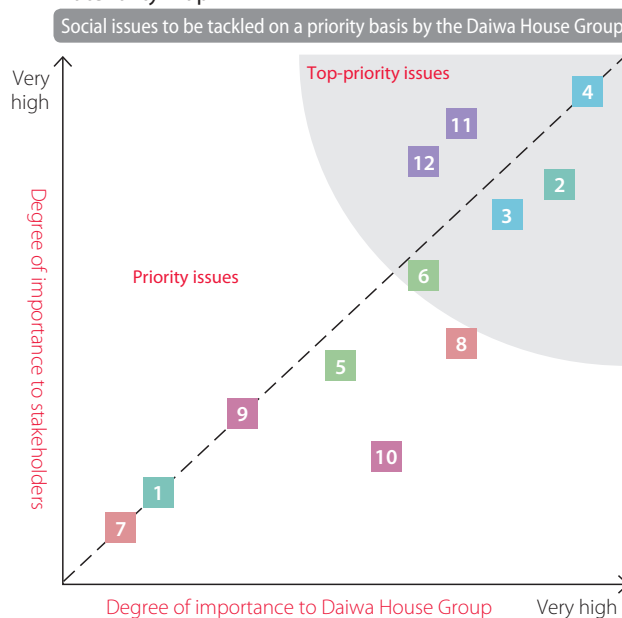
12 priority issues

- 1 Successfully handle human rights complaints
- 2 Eliminate discrimination and offer equal opportunities
- 3 Provide safe and healthy working environment
- 4 Nurture human resources (employee training)
- 5 Prevent environmental pollution (water, atmosphere, soil, etc.)
- 6 Reduce CO₂ emissions and help retard global warming
- 7 Ensure fair competition
- 8 Act responsibly toward business partners and users
- 9 Guarantee product safety
- 10 Provide adequate after-sales service, and respond appropriately to complaints
- 11 Realize active involvement and cooperation in development of communities
- 12 Invest in development of local communities

7 core themes



Materiality map



Stakeholder Meetings

Summary of 8th stakeholder meeting

Date held: November 23, 2011

Facilitator: Yoshinari Koyama

(Professor, College of Economics, Kanto Gakuin University)

Participating stakeholders: 25

(4 employees, 4 customers, 4 business partners, 4 shareholders, 4 NPOs, 5 local community representatives)



Social issues to be tackled by Daiwa House Industry on a priority basis



At the 8th Stakeholder Meeting, with regard to the Company's adoption of the ISO 26000 social responsibility standards as a guideline for its CSR management, the stakeholders were divided into six groups, which each held separate meetings. Each group decided the order of priority for 12 agenda items, and a consensus was subsequently achieved at the main meeting. Below, we report on the results of the separate deliberations by the top five groups, and provide a selection of opinions.

Employees

Order of priority **4 11 12 2 3**

Based on the principle that a company is a group of people, to realize sustainable growth for both the Daiwa House Group and society as a whole, an order of priority was determined for the 12 issues after dividing them into "offensive strategies" (laying the groundwork for growth) and "defensive strategies" (putting full efforts into everything, every day, and taking preventive measures to ensure that growth is stable).

Customers

Order of priority **4 9 10 5 8**

In matters that involve the Company, an employee represents the Company, and his or her actions directly affect the Company's public image. We therefore gave higher priority to issues more closely linked to the reputation of the Company and the Group.

Business partners

Order of priority **4 3 8 10 7**

As business partners of the Group, we placed the highest priority on issues involving manufacturing, including construction. The top four priority issues are closely interrelated, and we believe they are of approximately equal importance.

Shareholders

Order of priority **6 5 11 12 9**

An order of priority was determined by examining the issues from several perspectives, i.e. (1) Does the issue affect only the Company itself, or does its impact reach outside the Company? (2) What is the extent of the impact, and how serious is it? (3) To what degree does the Daiwa House Group have the ability to influence the outcome?

NPOs

Order of priority **2 1 4 3 9**

We determined our order of priority from the perspective of "people." Human rights issues ought to be given precedence over all others. Everyone involved should recognize that human rights are on a different level from other issues, and we have assigned No.1 priority to the elimination of discrimination, as this is particularly all-embracing.

Local communities

Order of priority **11 12 6 4 10**

We believe that the Daiwa House Group has the capability to do more than it has. In line with this, we set our order of priorities on the basis of the extent to which the Group can make optimal use of its strengths through active development.

Results and targets by stakeholder

Human rights

Social issues	Specific indicators	Result 2012	Target 2013
Successfully handle human rights complaints	Operation of corporate ethics and human rights helpline (resolution rate)	—	80% or more
	Rate of familiarity with corporate ethics and human rights helpline	—	70%
Eliminate discrimination and offer equal opportunities	Human rights education* ¹	a) 87.4% b) 74.9%	a) 100% b) 100%
	Disabled persons hiring rate	1.82%	2.00%
	Percentage of female managers (% of target level)* ²	66.7%	100%

*1 a) Rate of staff attending human rights education sessions at Daiwa House Industry,

b) Percentage of 28 Group companies implementing human rights education

*2 This figure shows the percentage attainment of the 1.5% target level set for FY2015 on April 1 of the year following the setting of the target.

Labor practices

Social issues	Specific indicators	Result 2012	Target 2013
Provide safe and healthy working environment	Number of industrial accidents at building sites (yoy % change)	1.6%	-30%
	Rate of taking paid leave	34.7%	38.0%
	Employee satisfaction surveys	81.6%	80%
Nurture human resources	Rate of acquisition of qualifications among young staff*	a) 9% b) 32%	a) 15% b) 35%
	Companywide training, number of courses per employee	0.84	0.84
	External assessment of candidates for management positions (number of candidates assessed above a certain level)	15	15

* Staff within three years of joining Company; a) examination pass rate for Real Estate Transaction Specialist; b) pass rate for Second-Class Architect

The environment

Social issues	Specific indicators	Result 2012	Target 2013
Reduce CO ₂ emissions and help retard global warming	Contributed amount of CO ₂ reduction	1,751 thousand t-CO ₂	1,819 thousand t-CO ₂
	Percentage reduction in CO ₂ emissions compared with FY2010	2.6%	3.0%
	In-house biodiversity standards applied (product development, urban redevelopment; %)*	a) 92.4% b) 61.9%	a) 90% b) 70%
Prevent environmental pollution	Percentage reduction in construction waste per unit of sales compared with FY2010	-15.0%	6.7%
	Release & transfer of PRTR-listed substances compared with FY2010	-20.7%	3.0%

* a) In-house standards applied to product development, b) In-house standards applied to urban development

Fair operating practices

Social issues	Specific indicators	Result 2012	Target 2013
Ensure fair competition	Response to reports from business partners on subcontracting issues (resolution rate)	100%	80% or more
	Survey of business partners on performance of Company employees*	a) 63.8% b) 71.0%	a) 60% b) 73%
Act responsibly toward business partners and users	Control of actions (incl. remedial steps) with respect to business partners and in purchasing operations, based on in-house standards	score: 59.26	score: 70
	Appropriateness of contractual work with respect to business partners, based on in-house standards	75.4%	100%

* a) Response rate, b) Rate of "No problems" response

Consumer issues

Social issues	Specific indicators	Result 2012	Target 2013
Guarantee product safety	Earthquake resistance of single-family homes (achieved top rating)	91.8%	93.0%
	Rate of implementation of inspections of product performance and specifications	90.6%	100%
Provide adequate after-sales service, and respond appropriately to complaints	Satisfaction rate among single-family house owners	95.7%	100%
	Satisfaction rate among rental housing owners	63.2%	100%

Community involvement and development

Social issues	Specific indicators	Result 2012	Target 2013
Active involvement and cooperation in development of local communities	Social contribution activities* ¹	a) 81 cases b) 94.7%	a) 50 cases b) 100%
	Opportunities for collaboration with NPOs & NGOs* ¹	a) 18 cases b) 6.4%	a) 20 cases b) 15%
	Opportunities for cooperation with local organizations* ¹	a) 26 cases b) 35.1%	a) 30 cases b) 50%
Investment in the development of local communities	Cost of social contribution activities* ²	2.32%	1.0% or more
	Donations & fund-raising activities (% of employees participating)	26.4%	50.0%
	% of employees taking special paid leave to do volunteer work	12.5%	20.0%

*1 a) Head office involvement, b) Implemented by local offices or plants

*2 Ratio of costs of social contribution activities to ordinary income (average for 5 years up to FY2010)

Organizational governance

Social issues	Specific indicators	Result 2012	Target 2013
Realize management transparency	External evaluation of Company's Annual Report	A	A+
	External evaluation of Company's CSR Report	score: 74.3	score: 75
	External evaluation of IR website	score: 5.42	score: 5.5
Ethical behavior	In-house survey of CSR awareness	score: 75.96	score: 79.75
Engagement with stakeholders	Stakeholder Meeting (attendee satisfaction)*	a) 87% b) 66%	a) 90% b) 70%
Respect for the rule of law	Companywide ethics and compliance training; average number of courses attended per employee	0.69	0.68
Awareness of social responsibility	Degree of compliance of CSR reporting with GRI (Global Reporting Initiative) guidelines	67.7%	75.0%

* a) Percentage of stakeholders who reported that it was easy to make one's views heard in the discussion,

b) percentage of stakeholders who reported that the Company's explanations were easy to understand

Financial indicators

Social issues	Specific indicators	Result 2012	Target 2013
	Financial profitability* ¹	score: 65	score: 75
	Financial growth* ²	score: 85	score: 90
	Financial soundness* ³	score: 100	score: 100

*1 Score determined on basis of average return on assets (ROA) and operating income margin (OPM) over past three years, expressed as points out of 100

*2 Average growth of sales and cash flow from operating activities over past three years, expressed as points out of 100

*3 Score determined on basis of interest coverage ratio

Interest coverage ratio = (earnings before tax + interest expenses) ÷ interest expenses, expressed as points out of 100

People

We firmly believe that a company's human resources are its greatest asset. Based on this thinking, and guided by a key element of our Company Philosophy, "the cultivation of people through our businesses," our human resources system is designed to nurture self-reliant decision-makers.

We have introduced an OJT Veteran-Guidance System and other initiatives to cultivate a new generation of employees to drive the next phase of growth.



Personnel training designed to give employees hands-on skills

All our training courses are more than just about classroom based learning, because the curriculums have a hands-on focus to help all employees at every level in the Group acquire practical skills for the workplace.

First, new hires take part in a year-long training program that gives them basic skills to become members of society and Daiwa House employees. After being assigned to their respective business offices, they also participate in training programs on construction sites, regardless of whether they are in sales, design, engineering, management or other divisions, to help them acquire a basic understanding about manufacturing and construction. In addition, the new hires then participate in further training programs every three months to give them practical knowledge and skills and assess their level of understanding. They are also given support to secure qualifications in tandem with their studies.

Next, mid-level managers, who are directly involved at the work site level, participate in a range of different training programs to boost their expertise and skills. Also, as part of initial training, candidates for leadership positions have to provide guidance to new hires in work site situations (known as the OJT Veteran-Guidance System). To provide back-up support to the OJT

Veteran-Guidance System, head office personnel visit each business site and work with the OJT Veterans and local site managers to improve the training environment (known as the Back-up Support System).

In addition to specific training for leadership personnel, we established the Daiwa House Juku in 2008. This Groupwide management skills development course is designed to nurture the next generation of business leaders for the Group. The course has produced 175 graduates so far, including three Group company presidents and 33 directors and executive officers.

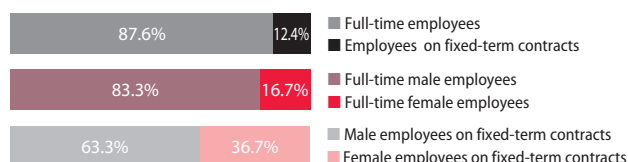
In July 2011, we introduced a new training component aimed at promoting greater awareness of good manners and the principle of "putting full efforts into everything, every day." The course is aimed at all employees at every business site, including manager-grade personnel, and is designed to instill in them basics such as greetings and bowing. Based on the idea that the Company is responsible for the discipline of its employees, specialist instructors from the Human Resources Training Center visit business sites nationwide to ensure the principles of the course are deeply engrained at the work site level.



Daiwa House Industry's system for nurturing employees

Eligible staff	Educational programs for each employee level		Cultivation of successors to current management	Educational programs tailored to each division and job specialty	Separate training for each place of business	Support for personal development
	Primary staff training	Courses for management staff and future leaders				
Executives			Interaction course for management leaders			
Management-level staff		Training for newly promoted branch office managers	Daiwa House Juku			
		Training for newly promoted managers	Branch manager application and training system			
Mid-career staff / general staff		OJT Veteran-Guidance System		Specialist training for separate divisions/ job descriptions	Training in "putting full efforts into everything, every day," as well as manners	Support for language learning, acquisition of qualifications, etc.
		Training for team leaders				
Junior staff	Follow-up training					
	OJT					
	Training in basics					

Employee breakdown (As of April 1, 2012)



Creating pleasant working environments

In fiscal 2005, we introduced a Work Area Selection System in order to attract and retain key personnel over the medium- and long-term and alleviate some of the pressures associated with Japan's declining birthrate and aging population. This allows employees with "national employee" status, who could be posted to other parts of the country, to change their status to "regional employee," allowing them to remain in their local areas where they are raising children or looking after elderly relatives.

In order to promote a better work-life balance for our workforce, we also run a Home Holiday program, which encourages employees to take paid leave in a planned manner to help out at home or just recharge their batteries. In fiscal 2011, 12,255 employees took advantage of this program.

To manage employee work loads, the Personnel Department began carrying out regular checks of each business site from 2011. A new system was also introduced in 2012 that restricts the use of PCs outside working hours for personnel that do not submit appropriate overtime and holiday application forms. This is part of our wider efforts to reduce unpaid overtime by increasing awareness about overtime issues and creating more robust work management systems.

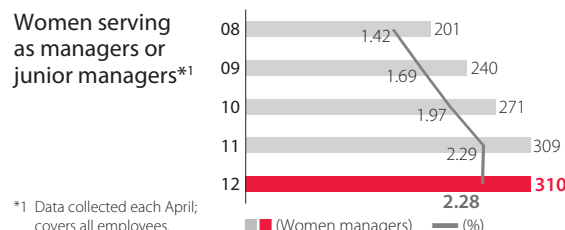
Utilization of Company personnel systems (Number of users)

Program	2011	2012
Child care leave program	103	126
Reduced work hours program	197	223
Nursing care leave program	3	1
Lump-sum payment for development of the next generation*2	689	687
Paid leave accumulation program (users/days)	131/4,092	128/3,692
Work Area Selection System	34	25*3

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

*3 The number of employees re-categorized from "national" status to "local" status was 20, while five were re-categorized from "local" status to "national" status.

Women serving as managers or junior managers*1



*1 Data collected each April; covers all employees.

Promoting workforce diversity

We are improving workplace diversity by employing a wider cross-section of people, creating an environment that allows everybody to work to the best of their abilities, employing older people and people with disabilities, and increasing the number of female employees in executive positions. With respect to the re-employment of older employees, in April 2012 we rehired 123 employees, equivalent to 75.0% of those reaching the mandatory retirement age. As of April 1, 2012, people with disabilities accounted for 1.82% of our total workforce, which is above the statutory requirement of 1.8%. We run a number of programs to give women greater opportunities in the workplace. These include courses for women selected as candidates for managerial jobs, training programs for female sales staff, and courses to help regional female employees enhance their career opportunities as potential future leaders in the organization.

We also conduct courses to raise awareness of human rights throughout the Daiwa House Group. These courses include mandatory human rights awareness programs for all employees, as well as specific courses for executives and managers and courses tailored for specific objectives.

Status of human rights education (Result 2012)

Education program	Candidates	Number of times	Total number of participants
Education at each business location	All employees	339	26,376
Education by rank/objective	Managers/Senior staff/ Assistant managers/ New hires	27	1,584

Clients

To ensure the Daiwa House Group retains the trust of customers, we place great importance on treating each customer as an individual, incorporating this concept into our behavioral code and reflecting customer feedback in all our business activities. We use information collected from targeted after-sales support based on customer surveys and call center contact to improve our technologies and services.



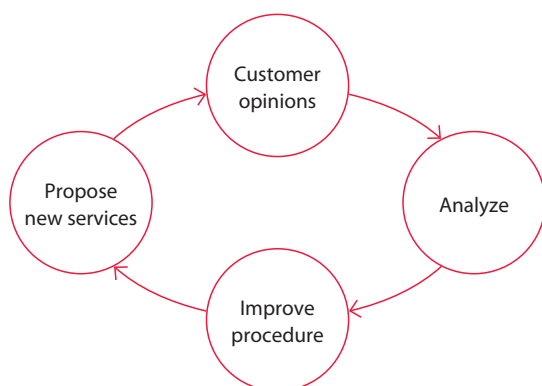
Incorporating customers' opinions into our improvement activities

Aiming to further increase the satisfaction of our customers, we have established a Customer Satisfaction Division at head office and customer satisfaction committees at head office and all business sites to carry out continuous improvement activities. Feedback that we collect from questionnaires filled in by purchasers of our homes and from our call centers is shared throughout the Company, enabling us to implement Companywide improvements and conduct targeted and ongoing improvement activities tailored to conditions in each region. In fiscal 2011, we made various improvements and developed new services and products based on feedback from customers. Our concept of treating each customer as an individual has resulted in the development of a number of new products, such as rental housing with enhanced security to meet rising demand for women living alone, and safer sliding doors that do not trap children's fingers. In fiscal 2011, we also visited and phoned people that had purchased our houses and had been affected by the Great East Japan Earthquake. We also carried out inspections of their homes. This support to help them get back on their feet after the disaster was well received.

After-sales services and quality assurance systems

The Daiwa House Group cooperates closely on after-sales services to maintain good relationships with customers even after the keys to their homes have been handed over. We provide long-term guarantees and after-sales services through our AQ Asset service, aimed at owners of single-family houses, and our Easy-Life Support-DAPS service (DAPS = Daiwahouse Apartment-house Partnership System), aimed at owners of rental housing. We also run a Good Relations system, through which our staff pay regular visits to commercial and business facilities we have constructed and handed over. We use a number of other ways to maintain relationships with customers, including contact websites for owners of our houses and apartments and seminars for owners of our rental housing and commercial facilities. In order to reflect feedback from customers in quality control, we operate our own quality management systems in production divisions and drive ongoing improvements with business efficiency tools such as systems that enable employees and managers to understand internal audits and quality control processes in a visual way.

Improvement activities based on customers' opinions



Daiwa Family Club

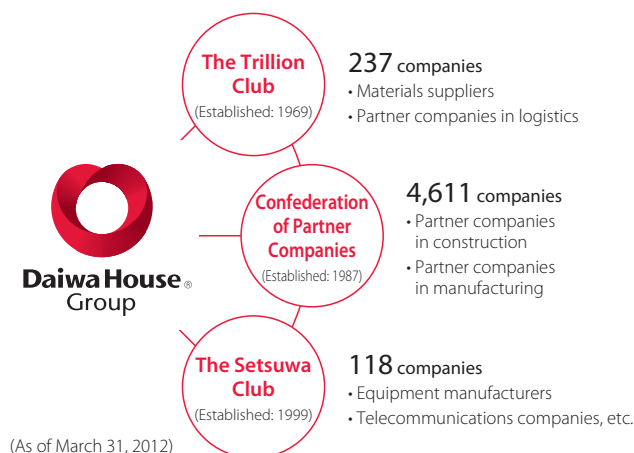
Partners

Our relationships with our partner companies are crucial to efficient business operations, and we make great efforts always to treat our business partners fairly and equitably in the spirit of mutual prosperity. We take steps to ensure legal compliance by our partner companies through regular staff training to familiarize them with legislation relating to our business transactions, and we respond promptly to revisions of laws and ordinances by ensuring that all our partners are fully informed.

Working with our partners

Our Confederation of Partner Companies comprises approximately 4,600 members engaged in manufacturing or erection and installation work on behalf of the Group in the fields of single-family houses, rental housing, and commercial facilities. The key words that governed the Confederation's activities in fiscal 2011 were "challenge," "achievement," and "passion." To direct our collaborative efforts, we also designated five focal themes — safety, quality, the environment, sales promotion, and education. In addition, to ensure that all our partner companies build strong management bases and work constantly to offer new skills, technologies, and efficient operating methods, the Confederation engaged in a variety of support activities in collaboration with the Group. Together with the Trillion Club, which is composed of our materials suppliers, we worked to maintain healthy relationships with all the member companies, to lower the environmental burden of our business operations — such as by using less packaging materials — and to educate the staff of member companies in environmental preservation concepts.

We are strengthening our collaboration with the Setsuwa Club, composed of manufacturers of equipment and materials, through technological seminars as well as product and technology exhibitions, with the goal of raising quality and technical skill levels in specialized equipment fields.



Building fair and equitable relationships

To build and maintain permanent partnerships we follow a basic policy of treating our business partners fairly and equitably. Prior to 2010 we had established the Partners Hotline service, enabling our business partners to report any problems involving relationships between themselves and Daiwa House employees, and in January 2010 we expanded the scope of this service to include the business partners of other Group companies. In addition, we send out a questionnaire once a year to members of the Confederation of Partner Companies. In fiscal 2011 we received 2,972 replies to this questionnaire, for a 63.8% response rate, and incorporated our partners' opinions into measures to improve our operational methods.

As part of business continuity management efforts, the number of members of the Confederation using an employee safety confirmation service in the event of a natural disaster has grown to 1,046 individuals. The Confederation is also working to create a post-disaster reconstruction support structure.

In line with our fundamental stance that "safety is our undertaking to society," the Daiwa House Group works to improve workplace safety not only within the Group, but also at our business partners. As one example, based on our annual plan, we implement safety training for both the owners and employees of partner companies.



The Ninth Products and Technology Exhibition (Osaka)

The Daiwa House Group works together with its business partners to raise product quality and technical skill levels through seminars and exhibitions.



Training support for staff involved in home building operations (once every six months)

We seek to raise awareness levels with regard to safety issues through safety education for employees of the Group and our business partners.

Shareholders

In our investor relations activities we build and maintain a long-term relationship of trust with our shareholders and market investors in general through proactive two-way communication. Through the timely disclosure of corporate information, the executive management of Daiwa House personally leads and promotes the Company's IR activities and takes the opinions of shareholders and investors very seriously by incorporating them in management policies while working to raise shareholder value.



Proactive investor relations

Our investor relations (IR) activities in fiscal 2011 were partially affected by the aftereffects of the Great East Japan Earthquake. The announcement of our Third Medium-Term Management Plan, which had originally been scheduled for May, was delayed until November, and we were forced to cancel a number of overseas IR events. Nevertheless, as we do each year, we undertook an active program of meetings with individual investors, results briefings over the telephone, and visits to the offices of investors in Japan. We also actively cultivated two-way communication with the investment community, placing priority on attending conferences in Japan organized by securities companies and financial institutions, and making efforts to provide regular opportunities for direct meetings with investors.

As for account settlement announcements by the Company, the number of persons participating in conference calls held by us on the day of announcement of accounts settlement and in management briefing sessions during fiscal 2011 totaled 573.

In March 2012, we held our second information session for individual investors, with an attendance of 246. The purpose of the session was to stimulate increased interest in Daiwa House Group, and to encourage positive and constructive examination of investment options. A speech was given by President and COO Naotake Ohno. In the plaza in front of the venue, we set up an exhibition booth showcasing the operations of all the Group's business divisions, with explanations provided directly by staff to give investors a more detailed understanding of our activities and thereby stimulate interest in investment.

We resumed overseas investor relations activities in the second half of fiscal 2011, holding "roadshows" overseas in the United States, Singapore, and Hong Kong, and participating in business conferences. We plan to continue holding further roadshows overseas in Europe, the United States, and Asia in fiscal 2012.

The Group's investor relations calendar

Events	2012										2013				
	Apr.	May	Jun.	Jul.	Aug.	Sep.	Oct.	Nov.	Dec.	Jan.	Feb.	Mar.	Apr.	May	
Announcement of accounts settlement for FY2011		●													
Management policy briefing for FY2011		●													
Annual General Meeting of Shareholders			●												
Business report and special benefit plan sent to shareholders			●												
Announcement of accounts settlement for FY2012 Q1					●										
Publication of Annual Report						●									
Announcement of accounts settlement for FY2012 Q2								●							
Announcement of accounts settlement for FY2012 Q3										●					
Announcement of accounts settlement for FY2012 and management policy briefing														●	

Note: The schedule is subject to change without notice.

Number of institutional investors (companies) attending our IR activities



Tours of building sites organized

We conduct guided tours of our building sites and projects for institutional investors as a way to improve understanding of the Group's business operations. Our operations in China attract considerable interest, and in fiscal 2011 we held seven tours of our projects in Dalian and Suzhou. We also held a guided tour of the Ashibinaa outlet mall in Okinawa, which is managed by Daiwa Information Service. In April 2012, we conducted a tour of D-Project Takashimadaira, an eco-friendly logistics facility in Tokyo. The tour was held with the cooperation of the center's tenant Ricoh Logistics System Co., Ltd., and focused on the facility's unique aspects, including environment-friendly features such as a photovoltaic power generation system, the use of LED lighting throughout, and a green roof, as well as a seismic isolation system. We will continue seeking opportunities to showcase the uniqueness and superiority of the Group's business operations.

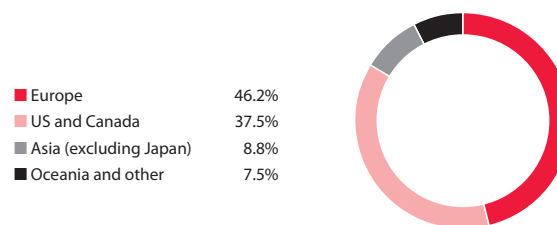


Guided tour of logistics facility

Our guided tour of the D-Project Takashimadaira, an eco-friendly logistics facility, received high praise from the participants. They particularly appreciated being able to observe the leading-edge logistics equipment in operation, and were pleased to confirm the competitiveness of the facility and the ability of the management to propose effective solutions to user needs. They also appreciated being able to directly listen to the opinions of the tenant company.



Percentage of investors abroad by region (As of March 31, 2012)



External evaluations and self-assessments

In fiscal 2011, we conducted surveys at each of our IR events to get participant feedback and requests to help us improve our IR activities. Following the information session for individual investors held in March 2012, we received an overwhelmingly favorable assessment of President Ohno's character, as well as a positive response to his handling of the Q&A session. 66 percent of attendees expressed their satisfaction with the way the meeting went, and a majority indicated eagerness to invest in the Company. In the future, too, we will proactively seek the opinions of our shareholders and of market investors in general.



Information session for individual investors

In March 2012 we held our second information session for individual investors, at which we succeeded in stimulating greater interest in the Group's operations. An exhibition booth was set up outside the event venue, where staff members from each division provided detailed explanations directly to individual investors. The booth received high marks from visitors.



Community

Just over a year has passed since the Great East Japan Earthquake caused the loss of lifeline infrastructure and local communities. The Daiwa House Group devoted its collective efforts to the construction of temporary housing and facilities, which are the basis for restoring everyday life. We will continue to support the recovery effort over the long term and promote social contribution activities as a member of the community.



Overview of social contribution activities

The environment, welfare, and education form the basis for our social contribution activities, and we implement these activities across eight fields, having added “activities to support the devastated areas” to our fields of activity since fiscal 2011. In fiscal 2011, Daiwa House was engaged in 656 activities, a 21% increase year on year, while the number of Groupwide activities fell 11% to 1,532 activities. Following the Great East Japan Earthquake, we provided humanitarian and other support for the devastated areas, in addition to which our educational support increased to 26.2% of all activities.

Utilization of the system of allowing time off for volunteer activities was more or less unchanged at 12.5%, which was short of our 20% target. However, we were actively involved in supporting the areas affected by the earthquake, through operations including the construction of temporary housing. The performance of our Endless Fund, which accepts donations from employees each month, fell short of our target.

In fiscal 2012, we will continue with our activities to support the devastated areas, in cooperation with NPOs, NGOs, and regional organizations, as well as activities that make the maximum use of our core operations.

Activities to support the recovery effort

Immediately after the Great East Japan Earthquake, we mobilized a Group internal organization and devoted our collective efforts to supporting the recovery effort, drawing on our experience of playing a central role in the construction of temporary housing at the time of events such as the Great Hanshin-Awaji Earthquake.

The Group as a whole supplied 11,051 temporary homes, around one-third of the total. As of March 15, 2012, in areas that experienced tremors of magnitude 5 or higher on the Japan Meteorological Agency seismic intensity (shindo) scale, we had built 481 temporary commercial facilities/plants/warehouses, etc., 127 temporary schools, 99 temporary government buildings, etc., and 25 temporary healthcare facilities, etc. The number of personnel dispatched to the disaster-hit area reached a total of 23,727 persons.

The Group as a whole provided relief funds totaling ¥160 million, donated funds for education, provided relief supplies including blankets and water, and loaned “PARO®” therapeutic robot baby seals to facilities for the elderly, among other support activities. We will continue to support the recovery of the devastated areas over the long term.

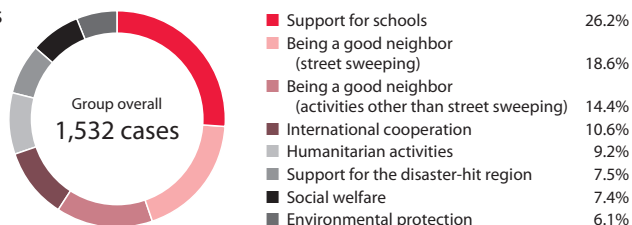


Principal activities by the Daiwa House Group in support of the reconstruction of the disaster-hit region

Donations (Matching Gift System*)	We gave donations in the amount of ¥160 million via the Osaka Chamber of Commerce and the Japanese Red Cross Society
We give donations to the Momokaki Orphans Fund (donations scheduled every year from FY2011 to FY2015)	¥1,000 donated for each house sold (Daiwa House Industry) ¥500 donated for each new vehicle leasing contract (Daiwa Lease) (For FY2011, ¥9,999,000 donated by Daiwa House Industry, ¥897,500 donated by Daiwa Lease)
Delivering relief supplies	We delivered 1,400 blankets, 7,000 bottles of water, and 4,300 size AA batteries, among other supplies
Green Curtain Project	We participated in the planning of this project with an NPO, and provided support for the installation of green curtains at temporary housing sites.
DIY Project	We provided tools and materials to enable DIY work such as making shelves and benches.
Donation of LED streetlights	We donated 29,871 streetlights for installation in the devastated region
Loaning of PARO® therapeutic robot baby seals	Fifty PARO® robots were loaned free-of-charge to facilities for the elderly in the disaster-hit region

* Matching Gift System: Under this system, the Company matches each donation made by an employee with a donation of the same amount.

Community support activities



Supporting children in Japan and Asia

In fiscal 2011, we conducted educational activities to support learning opportunities for children in a way that facilitates independent thought.

Since February 2007, Daiwa Energy has provided elementary school children with the opportunity for on-site, hands-on learning about the environment. Our Sendai branch has taken part in an educational support project, run by the Ministry of Economy, Trade & Industry since 2007 and entrusted to regional coordinators, in which business people visit schools to bring learning to life with their “real world” experience. To date, we have visited around 20 elementary schools in Miyagi Prefecture to hold special science-related events.

Since fiscal 2007, we have also taken part in Shanti-International Charity’s “Campaign to Deliver Picture Books” to support children in Cambodia, Myanmar and Laos, sending 208 picture books in fiscal 2011. In Cambodia, we made a donation for the construction of a school in fiscal 2011, following the construction of a school in fiscal 2008. Following the school’s opening in March 2012, we plan to implement a project, in cooperation with an NGO, to deepen international understanding with junior high school children in Miyagi Prefecture, one of the areas affected by the 2011 earthquake.



Campaign to Deliver Picture Books

Photo courtesy of Shanti-International Charity

Contributing to the greening of local areas

As part of our social contribution activities focused on the environment, we are engaged in various environmental protection activities around Japan with the goal of living in harmony with nature. Among these activities, in fiscal 2010 we launched the SAKURA PROJECT. In this project, for each “xevo” eco-friendly single-family house that is built, a portion of the sales is used for the planting of cherry (Sakura) trees by staff together with children at local kindergartens and elementary schools. In fiscal 2011, this project was carried out at our six branches.

Since May 2011, our Yokohama branch has been involved in the Smile School Project that promotes the greening of elementary schools. The cost of tree planting is donated by staff, and in fiscal 2011 trees were planted at three schools. We will continue to protect Japan’s natural scenery and further extend activities that contribute to the greening of local areas.



SAKURA PROJECT



Smile School Project

Environment

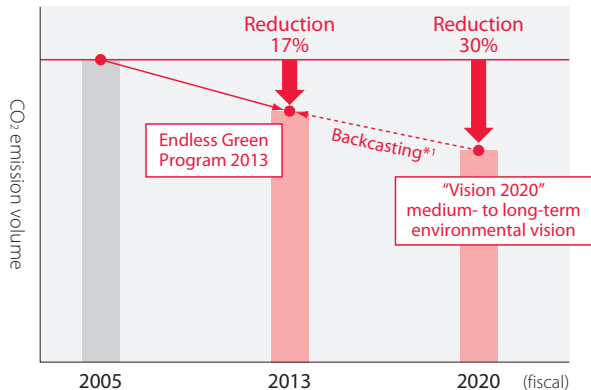
The Daiwa House Group has drawn up its “Vision 2020” medium- to long-term environmental vision. The central message is “to live in harmony with the environment, to work toward the realization of a society in which people can live rich and truly fulfilling lives, and to aim at lowering the environmental burden of the homes and buildings we construct to zero over their whole life cycle.” This can not be attained through a simple extension of our current path: we have set ourselves a higher and more difficult target.



Endless Green Program 2013

The current “Endless Green Program 2013,” an environmental action program commenced in fiscal 2011, aims to bring us closer to targets under the “Vision 2020” medium- to long-term environmental vision. The program’s top-priority themes are realizing more efficient energy usage and helping retard global warming. By FY2013, the total CO₂ emissions of the Group are to be reduced by 17% from FY2005. At the same time, we have also set a priority target of raising the contribution to CO₂ emissions reduction made by housing and other structures constructed by the Group to six times or more the actual volume of CO₂ emissions from the Group’s business operations.

In line with this, at the Daiwa House Group, we are pioneering the reduction of CO₂ emissions across the Group’s business operations, as well as developing and popularizing eco-friendly products. In fiscal 2011 we launched the SMAxEco ORIGINAL house, the industry’s first model fitted with lithium ion storage batteries controlled by a home energy management system (HEMS). In Sakai City, Osaka Prefecture, we have begun development of a “net zero energy town” with net CO₂ emissions of zero.



***1 Backcasting:**
Backcasting is a method of setting goals by first defining a desirable future, and then working backward to identify the measures necessary to realize such a future.

Environmental Management Policies

- Increasing sales of eco-friendly products by strengthening CO₂ savings proposals**
— Turning the environment into the driving force behind business expansion —
- Establishing leading environment-friendly brand by realizing examples of CO₂ savings**
— Early realization of ZEH & ZEB*2 —

*2 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.

Basic policies	Priority strategies
Seek further global warming countermeasures	Develop energy conservation programs based on Groupwide 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, new energy sources, 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



The Premist Inage-Kaigan eco-friendly condominium



Eco-friendly office: Frame-type "green curtains" fitted to the south side of our Aichi-Kita branch office

Combating global warming through our products

The private sector — homes, shops, offices, etc. — accounts for a sharply growing percentage of total energy consumption in Japan, and there is a pressing need for the development of eco-friendly single-family houses and condominiums. In February 2012 we began selling residential units at the Premist Inage-Kaigan (Mihama Ward, Chiba), the first condominium to incorporate our system combining new energy sources with energy conservation measures. In this condominium, the cost of supply of utilities — electricity, gas, and water — is held down through the use of Japan's first^{*3} comprehensive energy management service, realizing lower energy bills. The condominium features a system combining photovoltaic power generation and gas cogeneration, enabling partial electric power self-sufficiency

together with energy conservation. We have also developed a "smart office" incorporating the latest environmental technology, and are conducting practical tests by employing it as one of our actual offices. At our Aichi-Kita branch office, constructed in December 2011, as interior lighting we have installed LEDs with light guide plates, thereby achieving a 54.7% reduction in CO₂ emissions compared with an office building constructed to 1990 specifications. Meanwhile, Group member Daiwa Lease has begun leasing "frame-type wall greening systems."

^{*3} Based on Tokyo Gas Co., Ltd. study
(for existing and newly built condominiums as of Dec. 2010)

Helping preserve biodiversity through products and services

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 the basic principles and behavior guidelines. Based on the biodiversity guidelines covering product development and urban development, we propose communities created by people and nature.

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 CO₂ emissions by more than the amount of CO₂ emitted as a result of our business operations. As a gauge, we have devised the "CO₂ Reduction Indicator"^{*4}.

In fiscal 2011, both CO₂ emissions from the Group's business processes and the contribution to reduction in CO₂ emissions made by our products and services exceeded our target levels, and thus the CO₂ Reduction Indicator recorded a sharp improvement over the previous year, at 5.3 times. This result is attributable to energy conservation and power-saving efforts at offices, shopping centers, and other facilities, as well as growth in the installation and operation of housing equipment that reduces CO₂ emissions.

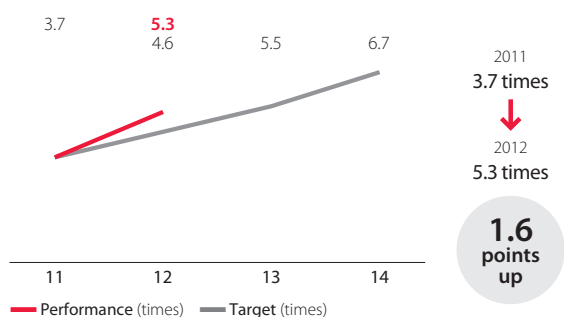
^{*4} Contribution (volume) made by products and services to reduction of CO₂ emissions ÷ CO₂ emissions volume from business processes

Protection of resources

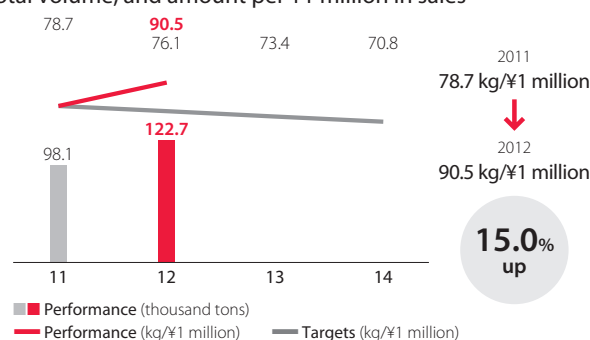
To reduce the environmental load from the disposal of industrial waste and make the most effective use of limited natural resources, the Group is promoting the 3Rs, Reduce, Reuse, and Recycle, as our way of helping realize a more sustainable society.

In fiscal 2011, to reduce the volume of waste generated from construction work, we promoted the increased use of pre-cut plasterboard and roof tiles at our building sites for both houses and buildings. At our materials manufacturing plants we took steps to raise production yield rates, as well as to find applications for left-over materials such as wood chips and exterior wall materials. Despite these efforts, the volume of waste from construction work rose by 15% over the previous year, due to the construction of temporary housing following the earthquake and tsunami on March 11.

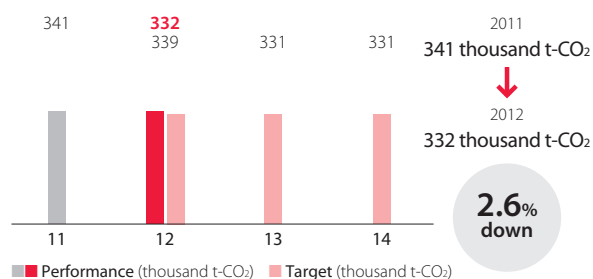
CO₂ Reduction Indicator^{*4}



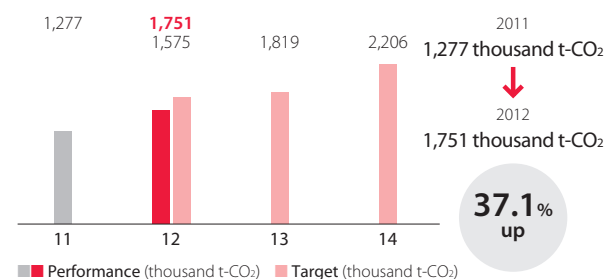
Volume of waste from construction work — total volume, and amount per ¥1 million in sales



CO₂ emissions from business operations



CO₂ savings from delivery of products & services



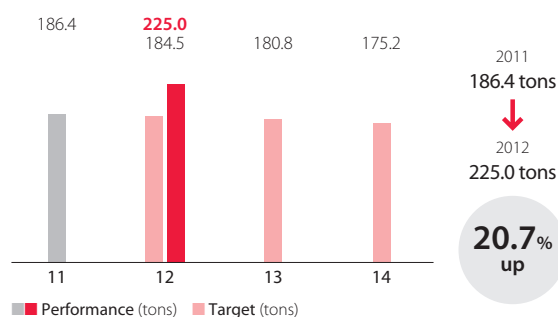
Preventing pollution by harmful chemical substances

We are taking steps to reduce our use of harmful chemical substances and to either adopt 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 cutting down highly toxic substances such as VOCs (volatile organic compounds) and heavy metals.

In fiscal 2011 we made progress in the use of alternative substances for spray-painting stairways, and reduced the emission and movement volume of such substances. At Daiwa Lease, however, demand rose for building materials for use in post-disaster reconstruction, and thus the volume of paints and similar substances used registered an increase. As a result, the volume of harmful substances listed in the PRTR*⁵ used by the Group in fiscal 2011 increased 20.7% over the previous year.

*⁵ 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.

PRTR environment release and transfer figures

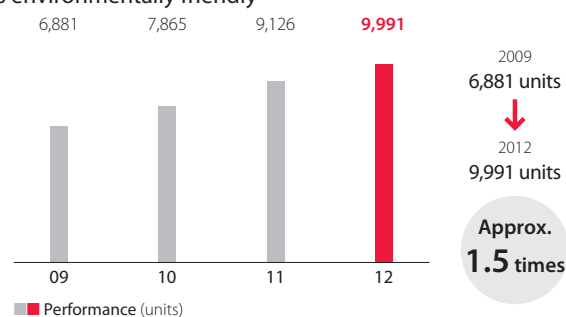


Harmonizing our activities with the natural environment

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 biodiversity needed by such ecosystems. In this way, we believe, we will also contribute to the sustainability of human societies.

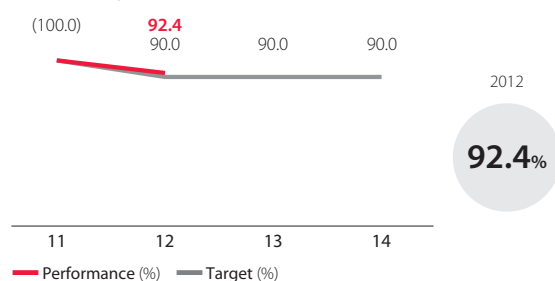
In fiscal 2011, thanks to our efforts to acquire certifications of environmental friendliness for products in our single-family house subdivision development and condominium businesses, the number of housing units certified as environmentally friendly came to 865. With this, Daiwa House took first place in the Japanese home building industry (in all housing categories) for the fifth consecutive year. For fiscal 2011, the Company's Product Development Division recorded a 92.4% rate of conformity with our voluntary biodiversity standards, while the Urban Development Division recorded a rate of 61.9%. Both figures were on target.

Cumulative number of housing units certified as environmentally friendly

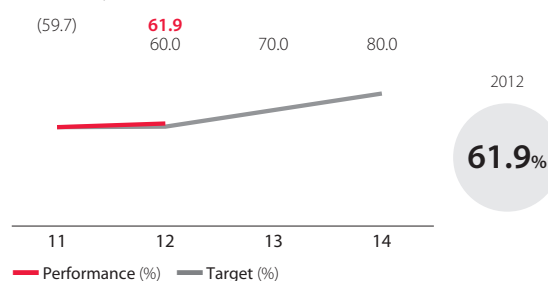


Rates of conformity with voluntary biodiversity standards*⁶

Product Development



Urban Development



*⁶ The figures in brackets are results of sample surveys.



jelly baby

The girl became a princess
when she put on the crown of a rose

richard living
Perished Expression
Vividly colored
She is a fragrance
of the weed
flower

The vividly colored garden
The brilliant flower
Dear remembrance revives



Financial Report

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Message from the CFO

Strategy to drive continued growth

Overview of fiscal 2011

The most significant development in fiscal 2011 was the mobilization of the Group's resources to support recovery and reconstruction efforts in the wake of the massive earthquake and tsunami of March 11, 2011. On the management front, fiscal 2011 was the first year under the Group's Third Medium-Term Management Plan, and to enable us to respond to the rapid structural changes that the market is undergoing, we designed strategies from a new perspective to expand our market share. In support of these efforts, we focused on strengthening the Group's finances.

As a result, the Company's overall consolidated business performance for fiscal 2011 was shored up by the Rental Housing, Commercial Facilities, and Business and Corporate Facilities businesses. Net sales came to ¥1,848.8 billion and operating income to ¥115.0 billion, both all-time highs. This achievement puts us well on the way to attaining our goals for fiscal 2013 under the current medium-term plan, of ¥2,000 billion in net sales and ¥120 billion in operating income.

The main factors include favorable sales of rental housing products with anti-burglary features, and the success of our marketing proposals with respect to logistics facilities and residences for the elderly. In addition, our core operations such as the single-family houses business have enjoyed a steady growth.

Aggressive investment will be needed in new businesses and overseas operations to ensure medium-to-long term growth. To that end, it is vital that we generate free cash flow, especially an ample operating cash flow. To accomplish that, we will rigorously promote community-based sales and follow a policy of aggressive investment to raise competitiveness, as well as construct high value-added business operations in fields where our strengths can be fully leveraged.

Investment strategies under the Third Medium-Term Management Plan

We have decided to invest a total of ¥500 billion under the Third Medium-Term Management Plan, to precisely identify market trends and proactively lay the groundwork for future growth. With regard to investments in real estate development, we plan to invest in promising development projects centered on the rental housing, commercial facilities, and business and corporate facilities businesses. We adopt 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.

With respect to M&A activities and investment in new businesses, we have been focusing on expanding our investments to cover not only the building of new homes and other properties but also lifestyle-related services involving existing housing stock. In the rental housing business, we launched Daiwa Living Companies, an entity composed of three Daiwa House Group companies and raised the total number of housing units managed by the Group by 8.9%, to 306,586 (as of March 31, 2012) as well as the occupancy rate to 97.4%.

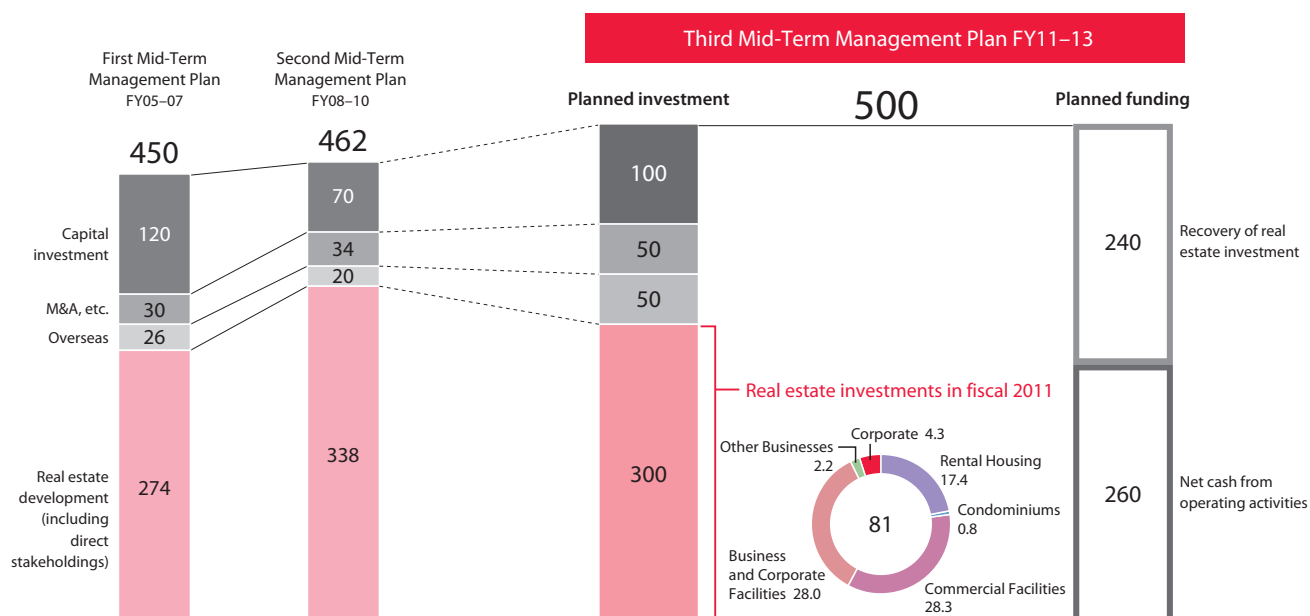
In the condominiums business, with the acquisition of Global Holding Co., Ltd., Kansai-based Global Community was turned into a subsidiary, raising the total number of our condominium housing units to the fourth-largest in the industry.

In the provision of nursing care facilities, we acquired all shares of Toden Life Support Co., Ltd. and have begun operating the nursing care facilities owned by this company. By combining the Group's expertise in construction with its know-how in the field of facility operation, we hope to enable the new company — Daiwa House Life Support — to offer continued high-quality services.

We also plan to continue investing aggressively in renewable energy fields such as large-scale photovoltaic power generation systems ("mega solar systems") and storage batteries, with the goal of expanding our business scale.



Investment plan and results (¥ billion)



Fiscal 2011 financial highlights

① Cash and deposits increased by ¥101.2 billion, but the financial impact of the payment of construction contracts on the following month due to the final day of the reporting term falling on a bank holiday was ¥54.3 billion. In addition, real estate for sale also recorded an increase. As a result, total assets rose by ¥151.9 billion compared with the previous term-end.

② Interest-bearing debt declined by ¥11.9 billion from the repayment of loans and corporate bonds, but due to the fact that the final day of the reporting term fell on a bank holiday, accounts payable, including payments for construction work performed, were deferred until the following month. The consequent increase in accounts payable pushed up total liabilities by ¥129.2 billion over the previous term-end.

③ As a result of an increase in the net sales of the business and corporate facilities, commercial facilities, rental housing and an improvement in the cost-to-sales ratio, both revenues and earnings posted year-on-year increases. All-time highs were recorded for net sales and operating income.

④ Income taxes — deferred posted an increase of ¥14.0 billion due to the change in the corporate income tax rate. As a result, net income for the reporting term recorded a year-on-year increase of ¥5.9 billion, or 21.8%.

⑤ Net cash provided by operating activities amounted to ¥248.8 billion as a result of the posting of income before income taxes and minority interests in the amount of ¥93.0 billion and an increase in trade payables, including accounts payable for construction work and deposits received from customers.

⑥ Net cash used in investing activities came to ¥117.2 billion as a result of the acquisition of property, plant and equipment such as real estate for rental, as well as continued investment in real estate development projects.

⑦ Net cash used in financing activities came to ¥28.8 billion as a result of the payment of dividends to shareholders for the previous fiscal year and the repayment of debt.

— Cash provided by
— Cash used in

Consolidated balance sheets

(Millions of Yen)

	2012	2011	YoY change
Assets:			
Current assets	844,757	681,261	163,496
Property, plant and equipment	748,549	760,124	(11,575)
Investments and other assets	492,791	492,851	(60)
① Total assets	2,086,097	1,934,236	151,861
Liabilities and equity:			
② Current liabilities	631,872	389,706	242,166
② Long-term liabilities	796,334	909,344	(113,010)
Equity	657,891	635,186	22,705
Total liabilities and equity	2,086,097	1,934,236	151,861

Consolidated statements of income

(Millions of Yen)

	2012	2011	YoY change
③ Net sales	1,848,797	1,690,151	158,646
Cost of sales	1,468,844	1,352,937	115,907
Gross profit	379,953	337,214	42,739
Selling, general and administrative expenses	264,997	249,516	15,481
③ Operating income	114,956	87,698	27,258
Other expenses — net	(21,934)	(46,985)	25,051
Income before income taxes and minority interests	93,022	40,713	52,309
Income taxes	59,854	13,371	46,483
④ Net income	33,200	27,268	5,932

Cash flows from operating activities

(Millions of Yen)

	2012	2011
5 Net cash provided by operating activities	248,772	127,957
Income before income taxes and minority interests	93,022	40,713
Depreciation	43,791	44,614
Provision for employees' retirement benefits, net of payments	12,629	11,822
Loss on sales and disposal of property, plant and equipment	1,348	3,992
Impairment loss on property, plant and equipment	9,812	18,769
Increase in allowance for investment loss	—	3,672
Loss on adjustment for changes in accounting standard for asset retirement obligations	—	2,805
Loss on prior periods adjustment	—	1,416
Decrease (increase) in receivables	1,707	(19,871)
Decrease (increase) in inventories	(33,833)	(5,858)
Increase (decrease) in payables — trade	75,251	17,118
Increase (decrease) in deposits received from customers	16,902	4,324
Other — net	28,143	4,441

Cash flows from investing activities

(Millions of Yen)

	2012	2011
6 Net cash used in investing activities	(117,226)	(83,595)
Purchases of property, plant and equipment	(98,825)	(61,352)
Proceeds from sales of property, plant and equipment	785	562
Purchases of investment securities	(9,745)	(12,583)
Proceeds from sales and redemption of investment securities	1,102	3,614
Other — net	(10,543)	(13,836)

Cash flows from financing activities

(Millions of Yen)

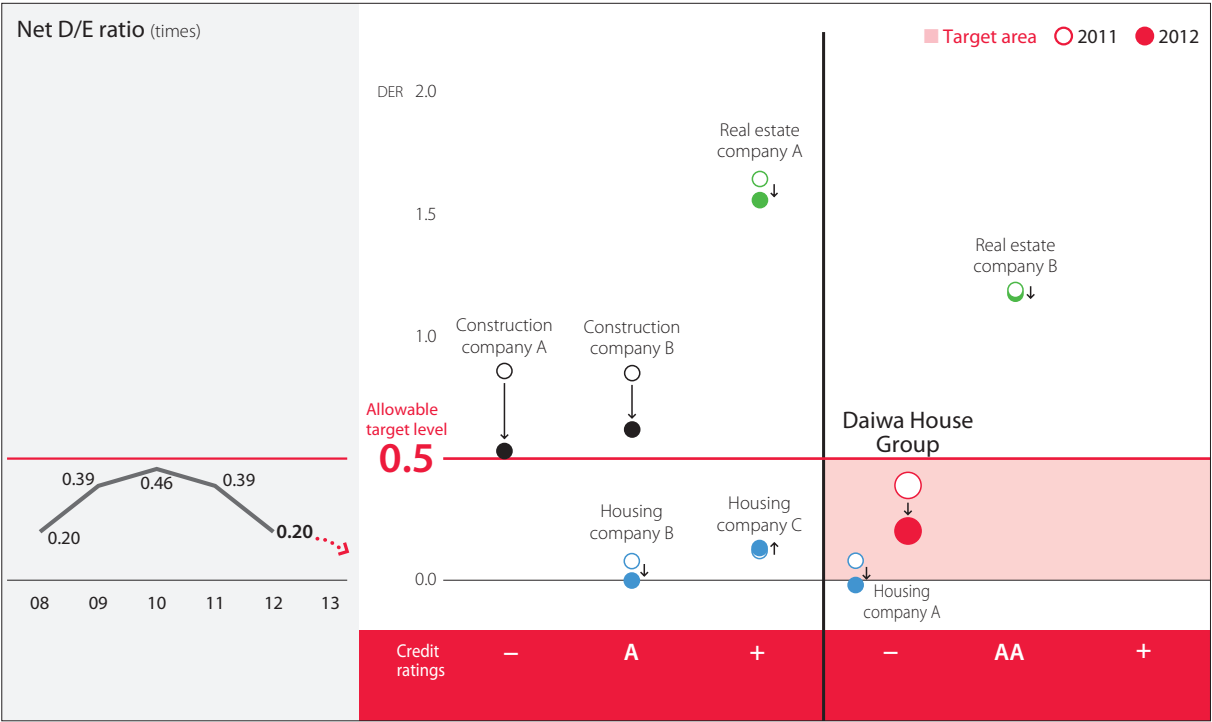
	2012	2011
7 Net cash used in financing activities	(28,767)	(77,834)
Net decrease in short-term bank loans	(6,577)	(5,635)
Proceeds from long-term debt	45,250	41,693
Repayments of long-term debt	(47,812)	(99,312)
Proceeds from issuance of bonds	500	500
Dividends paid to shareholders	(11,576)	(9,845)
Remittance to trust of receivables collected	(1,812)	(3,697)
Other — net	(6,740)	(1,538)

Strengthening the Company’s ability to generate cash flows

The Daiwa House Group, which is greatly expanding its operations from housing construction to the construction of commercial facilities, medical and nursing care facilities, and distribution facilities, as well as the management of resort hotels, sports clubs, and home centers, is pursuing a financial strategy that leverages its strength as a complex business entity. Business diversification distributes risk associated with market changes, and stable profits that are not significantly affected by economic ups and downs are expected. It also enables us to make large-scale real estate development investments while controlling interest-bearing debt through the repayment of funds by selling off development property and through securitization. As for our planned investment of ¥500 billion in our Third Medium-Term Management Plan, we expect to cover it with ¥260 billion in operating cash flows and ¥240 billion in the recovery of real estate investment. We intend to maintain our traditional strict fiscal discipline with a benchmark net D/E ratio of 0.5. With strict cash flow management and a reduction in interest-bearing debt, we will continue our virtually loan-free management policy that has existed since Daiwa House’s founding and build a strong financial foundation that will lead to future growth.

With the goal of maintaining and raising our current ‘AA’ class rating, we will diversify our future methods of financing by further strengthening our financial standing.

One method of financing is recovery of real estate investment. Therefore we will continue to keep a close eye on the REIT market and take steps to create a better exit strategy. The assets of Daiwa House Residential Investment Corporation, which invests in rental housing, exceed ¥210 billion (as of January 2012) and it will continue to increase its assets, principally of Daiwa House properties. Moreover, we will create properties that appeal to investors through real estate development that leverages the collective strengths of the Daiwa House Group, such as the various private placement funds set up as funds for distribution and commercial facilities of Daiwa House REIT Investment Corporation and funds primarily for distribution facilities.



Aggressively investing in overseas market entry

We aim to invest a total of ¥50 billion overseas under the Third Medium-Term Management Plan. This will be a considerably higher figure than under the previous two medium-term plans (¥26 billion and ¥20 billion, respectively).

Overseas, we have already invested in large-scale real estate development projects in China, including condominiums and commercial facilities in Dalian and Suzhou, and our proposals for the construction of high-quality housing are meeting with a very favorable reception. We are continuing to strictly screen new investment projects, and are scheduled to commence two projects in the Yangtze River Delta, where economic growth is particularly fast. Thanks to a collaboration in fiscal 2011 with the Baoye Group of China, we have received the green light to construct houses made with industrialized manufacturing methods in all parts of China. We will continue to enhance the Group's public profile within China.

In Vietnam, where the GDP growth rate has exceeded 5% in recent years, we developed an industrial park. As we have already received inquiries about entering the market from many Japanese companies, we look forward to obtaining orders for facility development. In Taiwan we have commenced a commercial facilities development business, and are planning to apply our unique Land Owner and Company system for the effective utilization of land.

In overseas markets, we are investing in business operations that make full use of the Company's proprietary technology. We intend to secure sufficient human resources, research the local economy, culture, and legal framework, and establish businesses that will make a valuable contribution to the development of each country in which we operate.

A trustworthy corporate group — now and in the future

Under the Plan, we will steadily pursue a management policy informed by our three catchwords — Group, Global, and Great ("Growth by the Group," "Global Development," and "Realizing a Great Company").

As a result of business expansion, the number of companies in the Daiwa House Group has grown to 89 as of the end of fiscal 2011. We have positioned corporate governance as an important management issue to ensure the continued enhancement of enterprise value, and to strengthen the bonds of trust between the Group and its shareholders and all other stakeholders.

In my capacity as chairman of the Risk Management Committee, I seek to strengthen our management system to protect against more diversified and complex risks by consolidating information about risks that arise at business offices and Group companies and spreading information concerning decisions about specific countermeasures throughout the entire Group.

Additionally, starting in fiscal 2012, hoping to obtain access to opinions regarding the Company's management from an objective perspective, we have appointed two outside directors to the Board of Directors of Daiwa House Industry.

In these ways, we intend to maintain for many years to come the solid financial position for which Daiwa House Group is trusted throughout the world.



Tetsuji Ogawa
Executive Vice President and CFO



Financial Overview

Consolidated Seven-Year Summary

Daiwa House Industry Co., Ltd. and Consolidated Subsidiaries
Years Ended March 31, 2006 to 2012

(Millions of Yen)

	2012	2011	2010	2009	2008	2007	2006
Net sales	¥1,848,797	¥1,690,151	¥1,609,884	¥1,690,956	¥1,709,254	¥1,618,450	¥1,528,983
Cost of sales	1,468,844	1,352,937	1,303,881	1,357,821	1,360,348	1,283,587	1,213,644
Selling, general and administrative expenses	264,997	249,516	243,289	259,555	259,785	249,184	235,267
Operating income	114,956	87,698	62,714	73,580	89,121	85,679	80,072
Operating income margin (%)	6.2	5.2	3.9	4.4	5.2	5.3	5.2
Income before income taxes and minority interests	93,022	40,713	38,069	13,721	24,862	76,449	82,155
Net income	33,200	27,268	19,113	4,170	13,080	46,394	45,184
Total assets	2,086,097	1,934,236	1,916,928	1,810,573	1,791,052	1,630,022	1,475,197
Equity*1	657,891	635,186	617,770	607,428	649,441	661,145	576,534
Property, plant and equipment	748,549	760,124	778,610	728,953	642,816	602,260	505,471
Capital investments	103,605	93,875	99,786	160,601	103,856	136,171	110,144
Depreciation	43,791	44,614	43,917	39,318	35,622	29,536	26,815
Net cash provided by operating activities	248,772	127,957	133,315	109,811	(15,738)	136,061	90,482
Net cash used in investing activities	(117,226)	(83,595)	(138,237)	(199,679)	(123,297)	(172,074)	(107,857)
Net cash provided by (used in) financing activities	(28,767)	(77,834)	79,269	96,503	135,797	14,318	(9,264)
Issued and outstanding shares (thousands of shares)	578,716	578,807	579,092	579,171	579,256	587,158	546,916
Stock prices at the end of term (in yen)	1,094	1,022	1,055	792	987	1,933	2,040
Per share of common stock (in yen):							
Basic net income	57.36	47.09	33.00	7.20	22.46	81.15	81.88
Equity	1,135.46	1,095.62	1,065.15	1,047.50	1,092.04	1,122.88	1,053.37
Price earnings ratio (PER) (times)	19.07	21.70	31.97	110.01	43.94	23.82	24.91
Price to book value ratio (PBR) (times)	0.96	0.93	0.99	0.76	0.90	1.72	1.94
Return on equity (ROE) (%)	5.1	4.4	3.1	0.7	2.0	7.5	8.2
Equity to total assets (%)	31.5	32.8	32.2	33.5	35.3	40.4	39.1
Current ratio (%)	133.7	174.8	197.0	177.4	157.3	136.1	145.1
Fixed ratio (%)	188.9	197.3	200.4	189.2	158.5	145.8	148.3
Number of employees*2	27,130	26,310	26,542	23,985	23,421	22,240	21,016
Consolidated to non-consolidated net sales ratio (times)	1.66	1.60	1.56	1.47	1.48	1.37	1.34
Consolidated to non-consolidated net income ratio (times)	1.84	2.14	1.47	0.75	1.76	1.21	1.28

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

*2 Regular employees only.

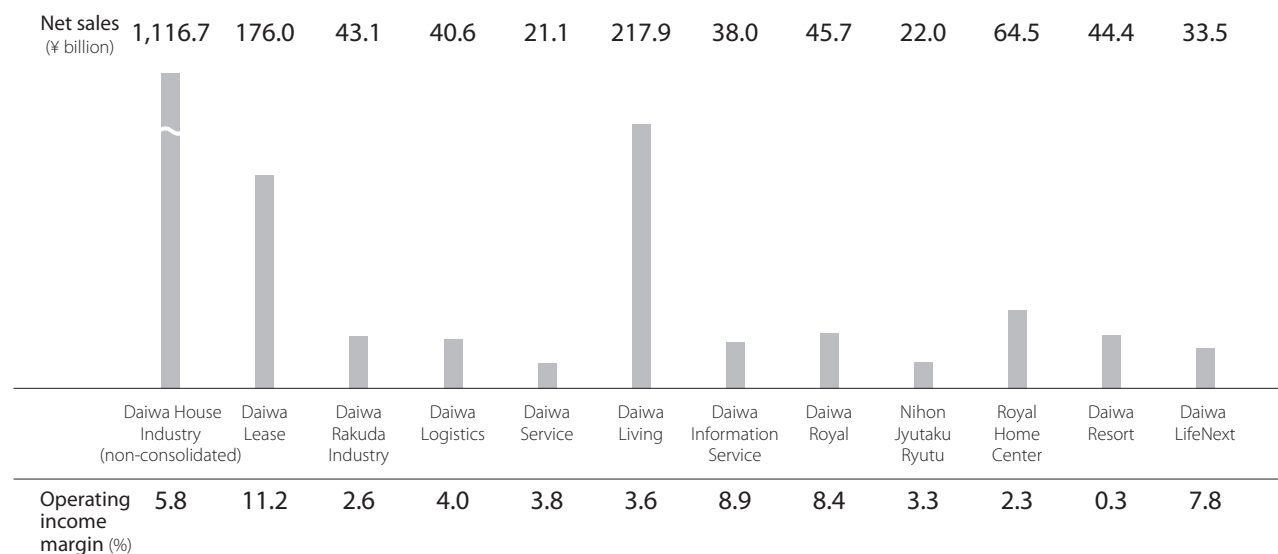
Performance Indicators of Major Companies

(Millions of Yen)

Company name (Voting rights)	Capital		Net sales	Operating income	Net income	Total assets	Equity	Interest- bearing debt*
Daiwa Lease (100%)	¥21,768	11/03	¥128,594	¥ 7,647	¥1,709	¥307,367	¥105,122	¥43,100
		12/03	175,989	19,648	9,619	328,366	114,577	29,700
Daiwa Rakuda Industry (100%)	¥450	11/03	39,983	586	130	36,241	20,633	—
		12/03	43,112	1,107	455	37,042	21,104	—
Daiwa Logistics (100%)	¥3,764	11/03	34,978	1,530	594	39,369	16,555	8,537
		12/03	40,616	1,627	1,471	39,665	17,866	6,237
Daiwa Service (100%)	¥130	11/03	20,471	654	422	11,604	6,480	—
		12/03	21,120	793	474	13,083	6,828	900
Daiwa Living (100%)	¥100	11/03	195,278	5,247	2,691	66,963	20,169	426
		12/03	217,875	7,882	4,330	76,371	23,732	1,133
Daiwa Information Service (100%)	¥200	11/03	37,246	3,288	529	76,388	8,183	2,474
		12/03	37,986	3,393	1,544	78,058	9,568	1,464
Daiwa Royal (100%)	¥500	11/03	40,838	2,764	999	95,138	9,359	17,270
		12/03	45,672	3,824	1,543	102,172	10,602	17,270
Nihon Jyutaku Ryutu (100%)	¥730	11/03	22,281	614	(159)	15,457	3,319	3,475
		12/03	22,024	732	172	15,815	3,491	1,569
Royal Home Center (100%)	¥100	11/03	62,363	1,706	189	44,644	33,530	1,000
		12/03	64,457	1,482	624	44,978	34,097	—
Daiwa Resort (100%)	¥10,084	11/03	45,073	23	(3,298)	56,719	6,960	—
		12/03	44,388	118	(3,743)	52,438	3,217	—
Daiwa LifeNext (100%)	¥520	11/03	32,404	2,624	1,464	12,519	7,188	—
		12/03	33,471	2,614	1,495	14,448	8,285	—

* Excluding lease obligations.

Net sales and operating income margin of major Daiwa House Group companies in 2012



Management's Discussion and Analysis

Results 2012

Group outline

As of the fiscal 2011 year-end (March 31, 2012), the Daiwa House Group comprised Daiwa House Industry, 74 consolidated subsidiaries (a net increase of 12 from the previous fiscal year-end) 13 associated companies (unchanged: includes addition of one company and divestment of another), and one unconsolidated subsidiary (unchanged) for a total of 89 companies.

Summary of business operations

A trend toward recovery was seen in the Japanese economy in fiscal 2011, as private-sector production activity picked up thanks to the stimulus provided by reconstruction operations in the wake of the massive earthquake and tsunami that hit northeastern Japan on March 11, 2011. Overall, however, the outlook remained unclear against the backdrop of high crude oil prices, shortfalls in electric power supply due to the shut-down of many of the country's nuclear power stations, and the European sovereign debt crisis, among other factors.

The housing industry benefited from measures taken by the government to stimulate home acquisition, including post-disaster reconstruction support, and continuation of the eco-point system for housing and the Flat 35S long-term fixed-interest home mortgage package. However, these positive factors were more than offset by the tendency of prospective home buyers to put off a decision in view of the economy's uncertain outlook. As a result, new housing construction starts fell short of the previous year's level for five consecutive months up to January 2012.

In the face of this difficult situation, the Daiwa House Group has formulated its Third Medium-Term Management Plan, under the name of "3Gs for New Growth," whose core idea is to pave the way to a new growth phase. The "3Gs" in question are the initial letters of the first words in three mottos: "Group — Sustained Growth," "Great — Groundwork for Growth," and "Global — Pathway to Growth."

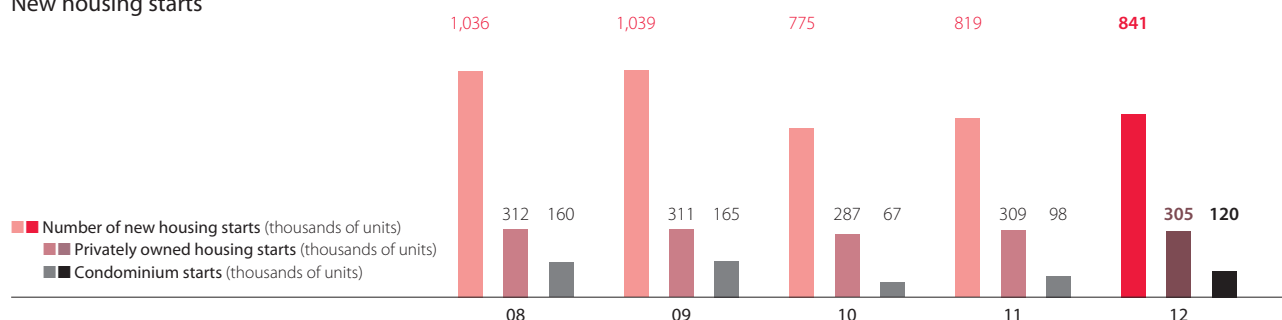
In line with the motto "Group — Sustained Growth," during fiscal 2011 we reinforced our efforts to meet customer needs in product planning, and launched the SMAxEco ORIGINAL, a single-family house model fitted with lithium ion storage batteries.

Group companies



	2008	2009	2010	2011	2012
Daiwa House Industry Co., Ltd.	1	1	1	1	1
Consolidated subsidiaries	55	57	59	62	74
Associated companies	13	13	13	13	13
Unconsolidated subsidiaries	1	1	1	1	1
Total	70	72	74	77	89

New housing starts



In line with the motto "Great — Groundwork for Growth," we transferred a certain degree of authority to our marketing blocks throughout Japan to speed up management decision-making and at the same time help nurture the Company's future core management staff. In these ways, we have begun laying the foundations of the Group's management in the future.

Finally, in line with the motto "Global — Pathway to Growth," we have set up overseas subsidiaries — Daiwa House (Changzhou) Real Estate Development in China, Daiwa House USA and Daiwa House California in the United States, and Daiwa House Australia. We also opened a branch office in Taiwan, where we aim to leverage the know-how we have acquired through our Japanese operations to develop commercial facilities. We have thus been laying down a network of business bases in preparation for full-scale overseas expansion in the near future.

Thanks to our efforts, we recorded net sales for fiscal 2011 of ¥1,848.8 billion (US\$22,546 million), a year-on-year increase of 9.4%, and operating income of ¥115.0 billion (US\$1,402 million), up 31.1% year on year.

Change in corporate income tax rate

Two pieces of legislation relating to the Japanese taxation system were promulgated on December 2, 2011 — the "Law for Revision of the Income Tax Act for the Purpose of Creating a New Taxation System in Response to Changes in the Economy and Society" (Law No.114 of 2011), and the "Special Measures Law to Secure Funding Necessary to Achieve Reconstruction following the Great East Japan Earthquake" (Law No.117 of 2011). As a result, the corporate income tax rate applicable to fiscal 2012, commencing on April 1, 2012, will be lowered, and a special Corporate Income Tax for Post-Disaster Reconstruction will be levied.

In line with these changes, the statutory effective tax rate employed in the calculation of deferred tax assets and deferred tax liabilities will be lowered from the previous rate of 40.6% to the following rates:

- a) 38.0% in the event that the temporary difference is expected to be deducted during the fiscal year starting from April 1, 2012 up to the fiscal year starting from April 1, 2014
- b) 35.6% in the event that the temporary difference is expected to be deducted in the fiscal year starting from April 1, 2015 or later

Summary of income statement

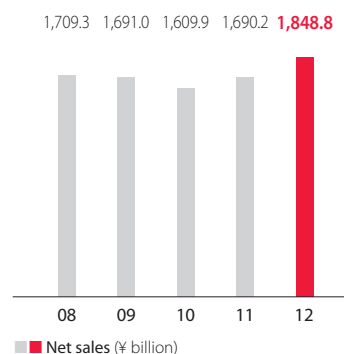
	(Billions of Yen)		
	2011	2012	YoY change
Net sales	1,690.2	1,848.8	158.6
Cost of sales	1,352.9	1,468.8	115.9
Gross profit	337.2	380.0	42.8
Selling, general and administrative expenses	249.5	265.0	15.5
Operating income	87.7	115.0	27.3
Income before income taxes and minority interests	40.7	93.0	52.3
Net income	27.3	33.2	5.9

As a result of this change in the tax rate, the amount of deferred tax assets (the amount after deduction of deferred tax liabilities) decreased by ¥13,425 million, and the amount of income taxes — deferred increased by ¥14,093 million. In addition, as a result of reassessment, deferred tax liabilities decreased by ¥3,408 million, and this amount was transferred to offset differences in revaluation of land. As a result, differences in revaluation of land classified as “other comprehensive income” increased by ¥3,408 million.

Net sales

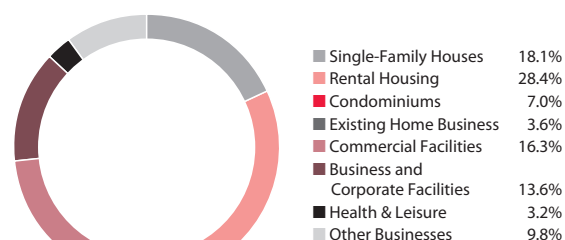
Net sales for the fiscal year under review rose by ¥158.6 billion over the previous fiscal year to ¥1,848.8 billion (US\$22,546 million), for a year-on-year increase of 9.4%. Sales of the Business

Net sales



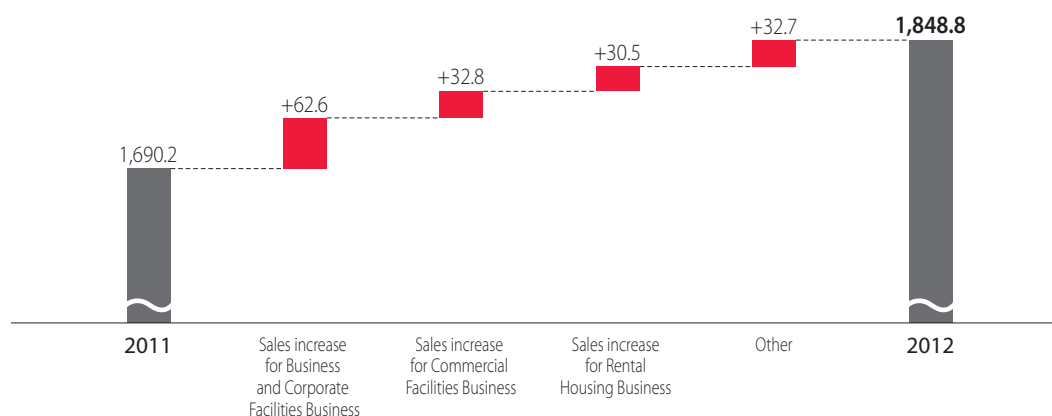
Net sales by segment

	(Billions of Yen)		
	2011	2012	YoY change
Net sales	1,690.2	1,848.8	158.6
Single-Family Houses	322.5	336.4	13.9
Rental Housing	496.2	526.8	30.6
Condominiums	140.9	128.9	-12.0
Existing Home Business	60.8	68.1	7.3
Commercial Facilities	274.1	306.9	32.8
Business and Corporate Facilities	194.3	257.0	62.7
Health & Leisure	58.0	58.6	0.6
Other Businesses	223.7	255.7	32.0
(Adjustments)	(80.3)	(89.6)	-9.3



Note: The percentage figures for breakdown of net sales by segment are exclusive of internal transactions, whereas the net sales monetary values are inclusive of internal transactions.

Changes in net sales (¥ billion)



and Corporate Facilities Business (including the construction of temporary housing for victims of the Great East Japan Earthquake) and the Commercial Facilities Business increased over the previous year, and contributions to the total consolidated sales increase were also made by sales increases posted by Daiwa Living in the Rental Housing Business, by sales of eco-friendly models in the Single-Family Houses Business, and by overseas sales. The increase in net sales, less the amount of impact of the application of the Percentage of Completion (PoC) method for the posting of earnings from construction contracts, was ¥205.3 billion.

Cost of sales, and selling, general and administrative expenses

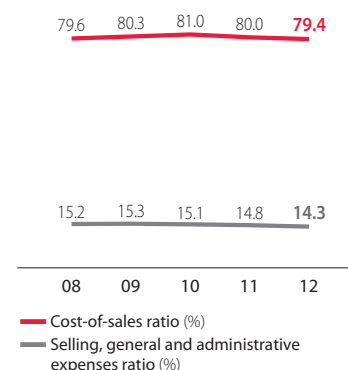
Cost of sales for the term under review increased by ¥115.9 billion, or 8.6%, from the previous fiscal year, to ¥1,468.8 billion (US\$17,913 million). Thanks to steps taken in each business segment to improve the cost-of-sales ratio, the ratio of cost of sales declined by 0.6 of a percentage point, to 79.4%. Gross profit rose by ¥42.7 billion to ¥380.0 billion (US\$4,634 million), for a year-on-year increase of 12.7%.

Selling, general and administrative (SG&A) expenses posted an increase of ¥15.5 billion to ¥265.0 billion (US\$3,232 million), a year-on-year increase of 6.2%. 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 SG&A expenses to sales declined by 0.5 of a percentage point, to 14.3%.

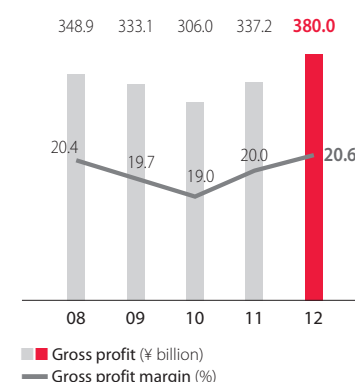
Operating income

Operating income for the fiscal year under review rose ¥27.3 billion to ¥115.0 billion (US\$1,402 million), a year-on-year increase of 31.1%. Principal factors behind this performance included a contribution of ¥34.8 billion from the increase in net sales, as well as the improvement in the cost-of-sales ratio. In a breakdown by segment, operating income of the Rental Housing Business rose ¥5.9 billion and that of the Business and Corporate Facilities Business rose ¥14.3 billion. Subtracting the impact of application of the PoC accounting method, the increase in operating income was ¥37.6 billion. As a result, the operating income margin rose by 1.0 of a percentage point, to 6.2%.

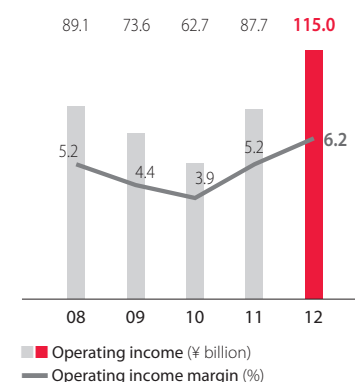
Cost-of-sales, and selling, general and administrative expenses ratios



Gross profit and gross profit margin



Operating income and operating income margin



Other income and expenses

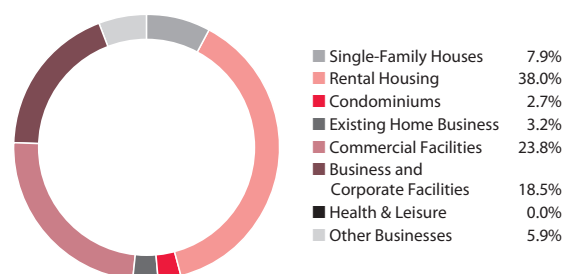
Net other expenses came to ¥21.9 billion, a ¥25.1 billion year-on-year decrease. Principal factors in this decrease included an impairment loss on property, plant and equipment of ¥9.0 billion and losses from natural disaster in the amount of ¥8.0 billion. In addition, amortization of actuarial loss for employees' retirement benefits came to ¥3.3 billion, while loss on sales and disposal of property, plant and equipment amounted to ¥2.6 billion. Both figures constitute a decline from the previous fiscal year.

Income before income taxes and minority interests

Income before income taxes and minority interests rose ¥52.3 billion to ¥93.0 billion, for a year-on-year increase of 128.5%. This was principally due to the sharp increase in operating income and a significant reduction in extraordinary loss.

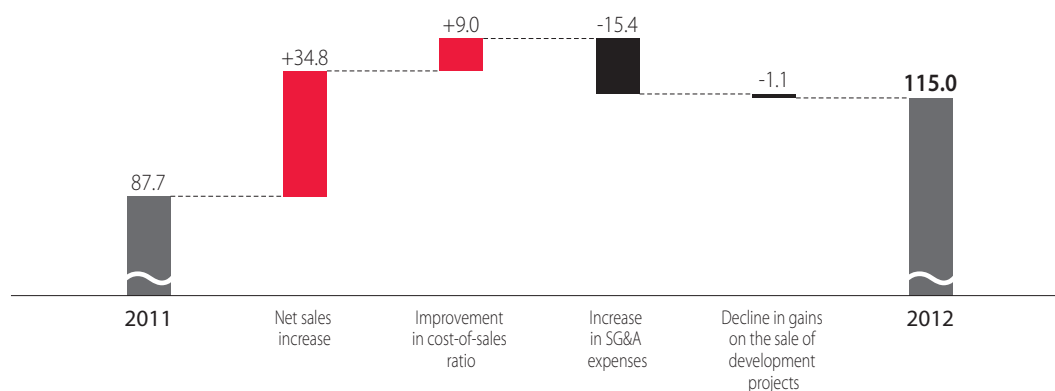
Operating income by segment

	(Billions of Yen)		
	2011	2012	YoY change
Operating income	87.7	115.0	27.3
Single-Family Houses	7.2	11.0	3.8
Rental Housing	47.0	53.0	6.0
Condominiums	5.4	3.8	-1.6
Existing Home Business	4.2	4.5	0.3
Commercial Facilities	33.6	33.2	-0.4
Business and Corporate Facilities	11.5	25.9	14.4
Health & Leisure	(0.8)	0.1	0.9
Other Businesses	3.6	8.2	4.5
(Adjustments)	(24.0)	(24.7)	-0.6



Note: The percentage figures for breakdown of operating income by segment are calculated for eight segments inclusive of internal transactions.

Changes in operating income (¥ billion)



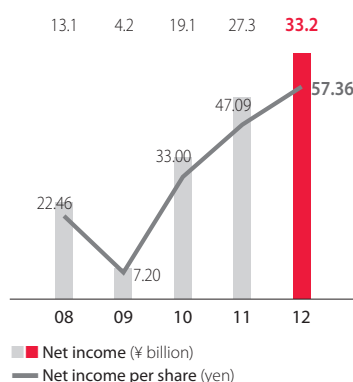
Net income

Despite a ¥34.2 billion year-on-year increase in income taxes-deferred due to changes in income tax rates, the net income of the Daiwa House Group rose ¥5.9 billion to ¥33.2 billion (US\$405 million), for a year-on-year increase of 21.8%. The ratio of net income to sales rose by 0.2 of a percentage point, to 1.8%. Net income per share rose by ¥10.27 to ¥57.36, for a year-on-year increase of 21.8%.

Impairment loss on property, plant and equipment

	2011	2012	YoY Change
(Millions of Yen)			
Hotels	2,717	42	-2,675
Golf courses	—	1,938	1,938
Assets used under sublease agreements	15,100	5,139	-9,961
Idle assets	26	859	833
Home centers	97	261	164
Fitness clubs	680	12	-668
Offices, factories and others	149	1,465	1,316
Others	—	96	96

Net income and net income per share



Assets

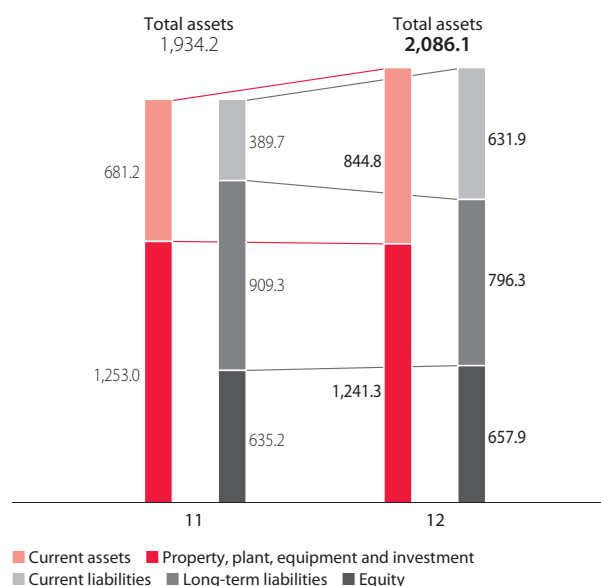
Total assets at the end of the fiscal year under review amounted to ¥2,086.1 billion (US\$25,440 million), for an increase of ¥151.9 billion, or 7.9%, over the previous fiscal year-end. The principal factors behind this were an increase in cash and deposits, and the acquisition of real estate for sale, mainly in the Condominium Business. Current assets at the end of the fiscal year amounted ¥844.8 billion (US\$10,302 million), for a year-on-year increase of ¥163.5 billion, or 24.0%. Net property, plant and equipment and investments and other assets decreased by ¥11.6 billion to ¥1,241.3 billion, for a year-on-year decline of 0.9%.

Liabilities

Total liabilities at the end of the fiscal year under review increased by ¥129.2 billion, or 9.9%, from the previous fiscal year-end, to ¥1,428.2 billion (US\$17,417 million). This is principally attributable to steps taken to reduce interest-bearing debt, including loans and corporate bonds, as well as the fact that the final day of the accounting term fell on a bank holiday. This

Summary of consolidated balance sheets (2011/2012)

(¥ billion)



delayed payments for construction work performed, and other payments, to the following month, as a result of which accounts payable for construction contracts posted an increase.

Current liabilities increased by ¥242.2 billion over the previous fiscal year-end, to ¥631.9 billion (US\$7,706 million), for a year-on-year increase of 62.1%, while long-term liabilities decreased by ¥113.0 billion to ¥796.3 billion, for a year-on-year decline of 12.4%. In current liabilities, the current portion of long-term debt increased by ¥120.3 billion, or 478.9%, to ¥145.4 billion, while in long-term liabilities, long-term debt recorded a decrease of ¥121.9 billion, or 47.7%, from the previous fiscal year-end.

As a result, total interest-bearing debt came to ¥383.6 billion, down by ¥11.9 billion, or 3.0%, from the previous fiscal year-end. The D/E ratio declined by 0.04 of a percentage point, at 0.58 times, while the net D/E ratio was down by 0.19 of a percentage point, at 0.20 times.

Equity

Equity at the end of the fiscal year under review rose ¥22.7 billion over the previous fiscal year-end, to ¥657.9 billion, for a year-on-year increase of 3.6%. The principal reason for this increase was the posting of ¥33.2 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 31.5%, little changed from the 32.8% at the previous fiscal year-end. The return on equity (ROE) rose by 0.7 of a percentage point, to 5.1%, as a result of the increase in net income.

Working capital

Working capital (current assets minus current liabilities) recorded a decrease of ¥78.7 billion from the previous fiscal year-end, to ¥212.9 billion, down 27.0% 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 to 133.7% from 174.8% at the previous fiscal year-end, an adequate level of financial liquidity was nonetheless secured.

Inventories

	2011	2012	YoY change
(Billions of Yen)			
Finished residential homes and condominiums	23.6	40.1	16.5
Construction projects in progress	15.3	14.4	-0.9
Residential homes and condominiums in process	30.0	31.9	1.9
Land held:			
For resale	208.2	257.3	49.1
Under development	6.6	9.1	2.5
Undeveloped	2.2	1.4	-0.9
Merchandise, construction materials and others	16.1	17.7	1.7
Total	302.0	371.9	69.9

Capital investments

Capital investments in the fiscal year under review rose ¥9.7 billion to ¥103.6 billion, for a year-on-year increase of 10.4%. In a breakdown by business segment, capital investment amounted to ¥3.4 billion for the Single-Family Houses segment, ¥20.3 billion for the Rental Housing segment, ¥3.7 billion for the Condominium segment, ¥0.5 billion for the Existing Home Business segment, ¥25.9 billion for the Commercial Facilities segment, ¥29.2 billion for the Business and Corporate Facilities segment, ¥3.9 billion for the Health & Leisure segment, and ¥16.2 billion for the Other Businesses segment.

In fiscal 2012, we plan to make capital investments in the amount of ¥110.0 billion, for a year-on-year increase of ¥6.3 billion, or 6.2%. By business segment, capital investments are planned in the amounts of ¥1.8 billion for the Single-Family Houses segment, ¥14.5 billion for the Rental Housing segment, ¥3.5 billion for the Condominium segment, ¥1.2 billion for the Existing Home Business segment, ¥25.7 billion for the Commercial Facilities segment, ¥34.5 billion for the Business and Corporate Facilities segment, ¥7.1 billion for the Health & Leisure segment, and ¥22.0 billion for the Other Businesses segment.

Property, plant and equipment

(Billions of Yen)

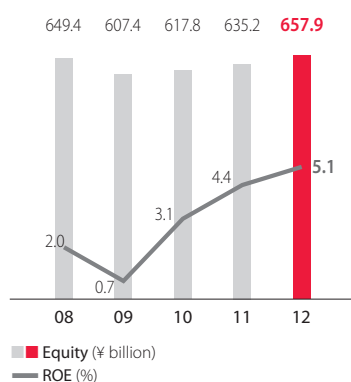
	2011	2012	YoY change
Land	387.3	365.0	-22.3
Buildings and structures — net	327.8	334.3	6.5
Other — net	45.0	49.2	4.2
Total	760.1	748.5	-11.6

Interest-bearing debt

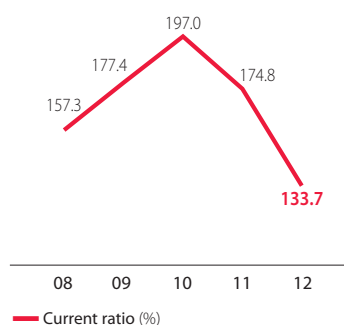
(Billions of Yen)

	2011	2012	YoY change
Short-term bank loans	9.2	2.6	-6.6
Current portion of bonds	4.5	1.4	-3.1
Current portion of long-term debt	25.1	145.4	120.3
Bonds	101.3	100.7	-0.6
Long-term debt	255.5	133.5	-122.0
Total interest-bearing debt	395.6	383.6	-12.0
Debt/Equity ratio	0.62	0.58	-0.04
Net Debt/Equity ratio	0.39	0.20	-0.19

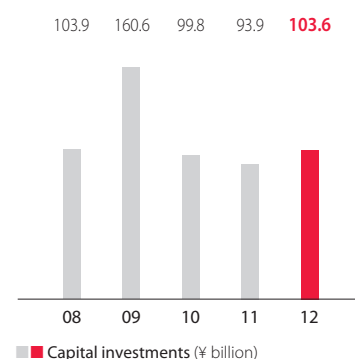
Equity and ROE



Current ratio



Capital investments



Cash flows

Cash and cash equivalents at the end of the fiscal year under review amounted to ¥248.7 billion (US\$3,033 million), for a year-on-year increase of ¥102.5 billion, or 70.1%.

Net cash provided by operating activities amounted to ¥248.8 billion (US\$3,034 million), up ¥120.8 billion year-on-year, or 94.4%. This was principally the result of the posting of income before income taxes and minority interests in the amount of ¥93.0 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 ¥117.2 billion (US\$1,430 million), compared with net cash used of ¥83.6 billion for the previous fiscal year. This was mainly attributable to the acquisition of property, plant and equipment in the form of real estate for rental, as well as investments in real estate development projects.

Net cash used in financing activities amounted to ¥28.8 billion (US\$351 million), compared with net cash used of ¥77.8 billion for the previous fiscal year. This is mainly attributable to the payment of dividends for the previous fiscal year and the repayment of long-term debt.

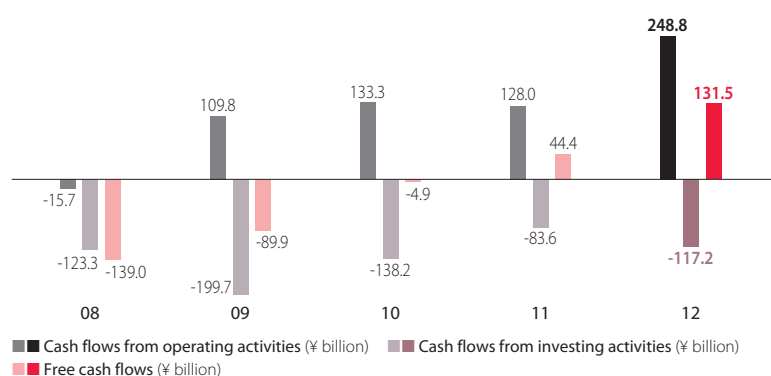
As a result of the above, free cash flow, which is the sum of cash flows from operating and investing activities, amounted to ¥131.5 billion.

Basic policies regarding profit distribution

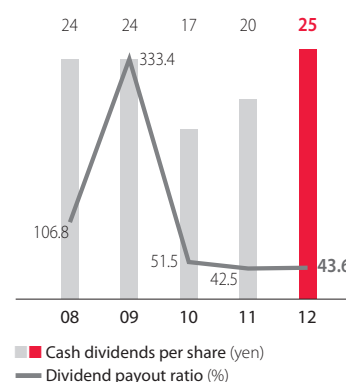
In determining its dividend payments, the Daiwa House Group follows a basic policy of taking into account the need to maintain a good balance between the appropriation of profits to shareholders on the one hand, and the necessity of securing sufficient retained earnings for future business expansion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

On this basis, in appropriating profit for the fiscal year ended March 31, 2012, we plan to offer an annual dividend of ¥25 (US\$0.30) per share. The total dividend value will be ¥14.5 billion.

Free cash flows



Cash dividends per share and dividend payout ratio



Outlook 2013

Management policy and outlook for fiscal 2012

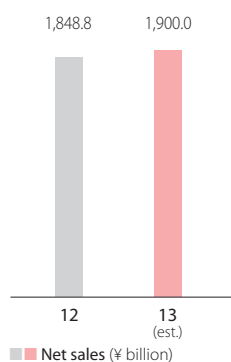
Japan's economic environment is expected to remain difficult for some time to come, in view of the aftereffects of the Great East Japan Earthquake, but there are hopes for an economic recovery against the backdrop of improving exports thanks to a lull in the upward drive of the yen's exchange rate, as well as the effects of the government's various measures. At the same time, the economy's prospects remain as unclear as ever in view of a list of factors including the resurgence of the European sovereign debt crisis, the rising price of crude oil, and increases in electric power charges and possible power shortages in the summer — both stemming from the shutdown of the nation's nuclear power stations.

In the Company's principal operating sector, the housing industry, we can look forward to a positive turnaround in orders as the economy recovers. However, preferential interest rates for Flat 35S Eco housing loans expires in October 2012, and in view of a probable increase in the consumption tax, among other negative factors, the operating environment is likely to remain uncertain. Amid these circumstances, the Daiwa House Group is exerting its utmost efforts to support the recovery of

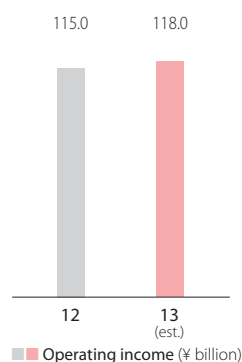
the region devastated by the earthquake and tsunami of March 2011 and thereby fulfill its social mission as a member of the construction industry.

In addition, viewing the currently ongoing restructuring of the market as a business opportunity, we aim to expand our market share by developing new customer segments, and for that purpose we will provide new products and services that maximally leverage the Group's unique strengths. Through these activities, for fiscal 2012 we hope to register net sales of ¥1,900 billion, operating income of ¥118 billion, an operating income margin of 6.2%, and net income of ¥58 billion.

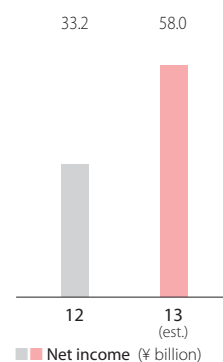
Net sales



Operating income



Net income



Financial Statements

Consolidated Balance Sheet

Daiwa House Industry Co., Ltd. and Consolidated Subsidiaries
March 31, 2012

Assets		Millions of Yen		Thousands of U.S. Dollars ¹
		2012	2011	2012
Current assets:				
^{2 d 8 20}	Cash and cash equivalents	¥ 248,713	¥ 146,243	\$ 3,033,085
^{2 e 3 20}	Marketable securities	6	6	73
^{2 j 19 20}	Investments in lease	21,904	16,959	267,122
^{2 f 20}	Short-term investments	1,937	3,137	23,622
^{8 20}	Receivables:			
	Trade notes	6,744	5,528	82,244
	Trade accounts	87,061	90,000	1,061,720
	Unconsolidated subsidiaries and associated companies	69	159	841
	Allowance for doubtful receivables	(1,604)	(1,380)	(19,561)
^{2 g 4}	Inventories	371,939	301,988	4,535,842
^{2 o 16}	Deferred tax assets	29,575	46,173	360,671
⁸	Prepaid expenses and other current assets	78,413	72,448	956,256
	Total current assets	844,757	681,261	10,301,915
Property, plant and equipment:				
^{2 h 7}	Land	364,955	387,343	4,450,671
^{5 6 8}	Buildings and structures	630,130	605,561	7,684,512
	Accumulated depreciation	(295,824)	(277,752)	(3,607,610)
^{6 8}	Machinery and equipment	89,258	90,347	1,088,512
	Accumulated depreciation	(65,436)	(62,481)	(798,000)
⁶	Furniture and fixtures	37,481	36,575	457,085
	Accumulated depreciation	(30,345)	(29,013)	(370,061)
^{6 19}	Lease assets	12,664	8,561	154,439
	Accumulated depreciation	(3,154)	(1,716)	(38,463)
	Construction in progress	8,820	2,699	107,561
	Net property, plant and equipment	748,549	760,124	9,128,646
Investments and other assets:				
^{2 e 3 20}	Investment securities	99,674	101,046	1,215,537
^{2 e 20}	Investments in unconsolidated subsidiaries and associated companies	48,349	49,168	589,622
	Advances to unconsolidated subsidiaries and associated companies	222	205	2,707
^{2 e}	Long-term loans receivable	7,915	7,327	96,524
^{8 20}	Lease deposits	186,657	189,608	2,276,305
^{2 o 16}	Deferred tax assets	107,318	117,685	1,308,756
⁶	Other assets	49,852	40,305	607,951
	Allowance for doubtful accounts	(7,196)	(8,821)	(87,756)
	Allowance for investment loss		(3,672)	
	Total investments and other assets	492,791	492,851	6,009,646
	Total	¥2,086,097	¥1,934,236	\$25,440,207

See notes to consolidated financial statements.

Liabilities and equity		Millions of Yen		Thousands of U.S. Dollars ¹
		2012	2011	2012
Current liabilities:				
⁸ ²⁰	Short-term bank loans	¥ 2,559	¥ 9,136	\$ 31,207
⁸ ²⁰	Current portion of bonds	1,353	4,500	16,500
⁸ ²⁰	Current portion of long-term debt	145,436	25,122	1,773,610
²⁰	Payables:			
	Trade notes	23,341	21,956	284,646
	Trade accounts	181,964	106,579	2,219,073
	Unconsolidated subsidiaries and associated companies	4,937	927	60,207
	Other accounts	78,474	76,756	957,000
¹⁹	Current portion of long-term lease obligations	2,312	1,782	28,195
	Deposits received from customers	48,993	32,091	597,476
²⁰	Income taxes payable	24,826	6,675	302,756
	Accrued bonuses	26,996	22,165	329,220
	Provision for product warranties	6,225	6,304	75,915
² ¹ ¹⁰	Asset retirement obligations	1,622	1,780	19,780
	Accrued expenses and other current liabilities	82,834	73,933	1,010,171
Total current liabilities		631,872	389,706	7,705,756
Long-term liabilities:				
⁸ ²⁰	Bonds	100,720	101,300	1,228,293
⁸ ²⁰	Long-term debt	133,557	255,498	1,628,744
¹⁹	Long-term lease obligations	22,868	15,215	278,878
² ^k ⁹	Liability for employees' retirement benefits	188,400	175,533	2,297,561
⁵	Deferred tax liabilities on land revaluation	24,184	29,076	294,927
	Long-term deposits received from the Company's club members	37,293	38,730	454,793
²⁰	Lease deposits received	218,479	226,316	2,664,378
² ¹ ¹⁰	Asset retirement obligations	22,614	21,673	275,780
	Other long-term liabilities	48,219	46,003	588,036
Total long-term liabilities		796,334	909,344	9,711,390
Equity:				
	Common stock, authorized, 1,900,000,000 shares; issued, 599,921,851 shares in both 2012 and 2011	110,120	110,120	1,342,927
	Capital surplus	226,825	226,825	2,766,159
²⁴	Retained earnings	380,751	362,282	4,643,305
	Treasury stock — at cost, 21,206,006 shares in 2012 and 21,115,009 shares in 2011	(19,944)	(19,875)	(243,220)
	Accumulated other comprehensive income:			
² ^e	Unrealized gain on available-for-sale securities	7,567	7,582	92,281
⁵	Land revaluation difference	(40,738)	(47,315)	(496,805)
² ^r	Foreign currency translation adjustments	(7,470)	(5,468)	(91,098)
Total		657,111	634,151	8,013,549
	Minority interests	780	1,035	9,512
Total equity		657,891	635,186	8,023,061
Total		¥2,086,097	¥1,934,236	\$25,440,207

Consolidated Statement of Income

Daiwa House Industry Co., Ltd. and Consolidated Subsidiaries
Year Ended March 31, 2012

	Millions of Yen			Thousands of U.S. Dollars ^①
	2012	2011	2010	2012
Net sales	¥1,848,797	¥1,690,151	¥1,609,884	\$22,546,305
Cost of sales	1,468,844	1,352,937	1,303,881	17,912,732
Gross profit	379,953	337,214	306,003	4,633,573
^⑦ Selling, general and administrative expenses	264,997	249,516	243,289	3,231,671
Operating income	114,956	87,698	62,714	1,401,902
Other income (expenses):				
Interest income and dividends	4,758	4,463	3,104	58,025
Interest expense	(6,369)	(7,208)	(6,869)	(77,671)
Write-down of investment securities	(3,921)	(1,013)	(9,650)	(47,817)
Loss on sales and disposal of property, plant and equipment	(1,348)	(3,992)	(1,599)	(16,439)
^⑨ Gain on amortization of prior service cost			205	
^⑨ Amortization of actuarial gain (loss) for employees' retirement benefits	(5,111)	(8,421)	473	(62,329)
^⑥ Impairment loss on property, plant and equipment	(9,812)	(18,769)	(10,905)	(119,658)
^⑬ Reversal of liability for loss on disaster		1,303		
^⑭ Losses from a natural disaster		(7,974)		
^⑮ Other — net	(131)	(5,374)	596	(1,598)
Other expenses — net	(21,934)	(46,985)	(24,645)	(267,487)
Income before income taxes and minority interests	93,022	40,713	38,069	1,134,415
^② ^⑰ Income taxes:				
Current	33,269	21,076	35,492	405,720
Deferred	26,585	(7,705)	(16,559)	324,207
Total	59,854	13,371	18,933	729,927
Net income before minority interests	33,168	27,342	19,136	404,488
Minority interests in net loss (income) of subsidiaries	32	(74)	(23)	390
Net income	¥ 33,200	¥ 27,268	¥ 19,113	\$ 404,878

	Yen			U.S. Dollars ^①
	2012	2011	2010	2012
^② ^⑲ Per share of common stock:				
Basic net income	¥57.36	¥47.09	¥33.00	\$0.70
Cash dividends applicable to the year	25.00	20.00	17.00	0.30

See notes to consolidated financial statements.

Consolidated Statement of Comprehensive Income

Daiwa House Industry Co., Ltd. and Consolidated Subsidiaries
Year Ended March 31, 2012

	Millions of Yen			Thousands of U.S. Dollars ¹
	2012	2011	2010	2012
Net income before minority interests	¥33,168	¥27,342	¥19,136	\$404,488
23 Other comprehensive income:				
Unrealized gain on available-for-sale securities	85	1,012	4,317	1,036
Land revaluation difference	3,407			41,549
Foreign currency translation adjustments	(401)	(648)	103	(4,890)
Share of other comprehensive income (loss) in associates	(1,667)	(177)	582	(20,329)
Total other comprehensive income	1,424	187	5,002	17,366
23 Comprehensive income	¥34,592	¥27,529	¥24,138	\$421,854
23 Total comprehensive income attributable to:				
Owners of the parent	¥34,624	¥27,455	¥24,115	\$422,244
Minority interests	(32)	74	23	(390)

See notes to consolidated financial statements.

Consolidated Statement of Cash Flows

Daiwa House Industry Co., Ltd. and Consolidated Subsidiaries
Year Ended March 31, 2012

	Millions of Yen			Thousands of U.S. Dollars ¹
	2012	2011	2010	2012
Operating activities:				
Income before income taxes and minority interests	¥ 93,022	¥ 40,713	¥ 38,069	\$1,134,415
Adjustments to reconcile income before income taxes and minority interests to net cash provided by operating activities:				
Income taxes — paid	(12,300)	(40,986)	(17,942)	(150,000)
Depreciation	43,791	44,614	43,917	534,037
Write-down of investment securities	3,921	1,013	9,650	47,817
Loss on sales and disposal of property, plant and equipment	1,348	3,992	1,599	16,439
Impairment loss on property, plant and equipment	9,812	18,769	10,905	119,658
Equity in losses (earnings) of associated companies	1,431	(992)	(1,242)	17,451
Provision for employees' retirement benefits, net of payments	12,629	11,822	3,110	154,012
Increase in allowance for investment loss		3,672		
Loss on adjustment for changes in accounting standard for asset retirement obligations		2,805		
Loss on prior periods adjustment		1,416		
Changes in certain assets and liabilities, net of consolidation:				
Decrease (increase) in receivables	1,707	(19,871)	(22,872)	20,817
Decrease (increase) in inventories	(33,833)	(5,858)	97,761	(412,597)
Increase (decrease) in payables — trade	75,251	17,118	(22,445)	917,695
Increase (decrease) in deposits received from customers	16,902	4,324	(33,668)	206,122
Other — net	35,091	45,406	26,473	427,939
Total adjustments	155,750	87,244	95,246	1,899,390
Net cash provided by operating activities	248,772	127,957	133,315	3,033,805
Investing activities:				
Purchases of property, plant and equipment	(98,825)	(61,352)	(93,548)	(1,205,183)
Purchases of investment securities	(9,745)	(12,583)	(9,342)	(118,841)
Increase in investments in and advances to unconsolidated subsidiaries and associated companies	(5,112)	(13,228)	(360)	(62,341)
Decrease in investments in and advances to unconsolidated subsidiaries and associated companies	1,743			21,256
Proceeds from sales and redemption of investment securities	1,102	3,614	950	13,439
Proceeds from sales of property, plant and equipment	785	562	262	9,573
Purchases of investments in subsidiaries	(732)	(12)	(85)	(8,927)
¹⁸ Payments for purchases of shares of newly consolidated subsidiaries	(5,811)		(13,323)	(70,866)
Proceeds from purchases of shares of newly consolidated subsidiaries	22		1,636	268
Increase in lease deposits			(19,952)	
Decrease in lease deposits	3,230	1,768		39,390
¹⁸ Proceeds from transfer of business		280		
¹⁸ Proceeds from acquisition of business		3,194		
New payments for acquisition of business	(248)			(3,024)
Net increase in other assets	(3,635)	(5,838)	(4,475)	(44,329)
Net cash used in investing activities	(117,226)	(83,595)	(138,237)	(1,429,585)

(Continued)

	Millions of Yen			Thousands of U.S. Dollars ¹
	2012	2011	2010	2012
Financing activities:				
Net decrease in short-term bank loans	¥ (6,577)	¥ (5,635)	¥ (1,637)	\$ (80,207)
Proceeds from long-term debt	45,250	41,693	27,587	551,829
Repayments of long-term debt	(47,812)	(99,312)	(31,464)	(583,073)
Proceeds from issuance of bonds	500	500	105,300	6,098
Redemption of bonds	(4,500)			(54,878)
Repayments of finance lease obligations	(2,151)	(1,257)	(737)	(26,232)
Purchase of treasury stock	(112)	(306)	(93)	(1,366)
Proceeds from disposal of treasury stock	23	25	17	280
Dividends paid to shareholders	(11,576)	(9,845)	(13,900)	(141,171)
Remittance to trust of receivables collected	(1,812)	(3,697)	(5,804)	(22,098)
Net cash provided by (used in) financing activities	(28,767)	(77,834)	79,269	(350,818)
Foreign currency translation adjustments on cash and cash equivalents	(309)	(29)	16	(3,768)
Net increase (decrease) in cash and cash equivalents	102,470	(33,501)	74,363	1,249,634
Cash and cash equivalents, beginning of year	146,243	179,744	105,381	1,783,451
Cash and cash equivalents, end of year	¥248,713	¥146,243	¥179,744	\$3,033,085

See notes to consolidated financial statements.

(Concluded)

Consolidated Statement of Changes in Equity

Daiwa House Industry Co., Ltd. and Consolidated Subsidiaries
Year Ended March 31, 2012

	Thousands					Millions of Yen					
	Number of Shares of Common Stock Outstanding	Common Stock	Capital Surplus	Retained Earnings	Treasury Stock	Accumulated Other Comprehensive Income			Total	Minority Interests	Total Equity
						Unrealized Gain on Available-for- Sale Securities	Land Revaluation Difference	Foreign Currency Translation Adjustments			
Balance, April 1, 2009	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
Balance, March 31, 2010	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
Balance, March 31, 2011	578,807	110,120	226,825	362,282	(19,875)	7,582	(47,315)	(5,468)	634,151	1,035	635,186
Net income				33,200					33,200		33,200
Cash dividends, ¥20.0 per share				(11,576)					(11,576)		(11,576)
Transfer due to sales and impairment of land				(3,135)			3,135				
Net increase in land revaluation difference							3,442		3,442		3,442
Purchase of treasury stock	(115)				(112)				(112)		(112)
Disposal of treasury stock	24			(20)	43				23		23
Net change in the year						(15)		(2,002)	(2,017)	(255)	(2,272)
Balance, March 31, 2012	578,716	¥110,120	¥226,825	¥380,751	¥(19,944)	¥7,567	¥(40,738)	¥(7,470)	¥657,111	¥ 780	¥657,891

	Thousands of U.S. Dollars ¹									
	Common Stock	Capital Surplus	Retained Earnings	Treasury Stock	Accumulated Other Comprehensive Income			Total	Minority Interests	Total Equity
					Unrealized Gain on Available-for- Sale Securities	Land Revaluation Difference	Foreign Currency Translation Adjustments			
Balance, March 31, 2011	\$1,342,927	\$2,766,159	\$4,418,073	\$(242,378)	\$92,463	\$(577,012)	\$(66,683)	\$7,733,549	\$12,622	\$7,746,171
Net income			404,878					404,878		404,878
Cash dividends, \$0.24 per share			(141,171)					(141,171)		(141,171)
Transfer due to sales and impairment of land			(38,231)			38,231				
Net increase in land revaluation difference						41,976		41,976		41,976
Purchase of treasury stock				(1,366)				(1,366)		(1,366)
Disposal of treasury stock			(244)	524				280		280
Net change in the year					(182)		(24,415)	(24,597)	(3,110)	(27,707)
Balance, March 31, 2012	\$1,342,927	\$2,766,159	\$4,643,305	\$(243,220)	\$92,281	\$(496,805)	\$(91,098)	\$8,013,549	\$ 9,512	\$8,023,061

See notes to consolidated financial statements.

Notes to Consolidated Financial Statements

Daiwa House Industry Co., Ltd. and Consolidated Subsidiaries
Year Ended March 31, 2012

① Basis of presentation of 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 accounting principles generally accepted in Japan ("Japanese GAAP"), which are different in certain respects as to the 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.

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. In addition, certain reclassifications have been made in the 2011 and 2010 consolidated financial statements to conform to the classifications used in 2012.

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 ¥82 to \$1, the approximate rate of exchange at March 31, 2012. 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, 2012 include the accounts of the parent company and its 75 significant (63 in 2011 and 2010) 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 (14 in 2011 and 13 in 2010) 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 that represents the excess of the cost of an acquisition over the fair value of the net assets of an 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 also eliminated.

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.

During the year ended March 31, 2012, Global Community Co., Ltd. and 13 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 liquidation or merger.

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

The Accounting Standards Board of Japan (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 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; and 5) exclusion of minority interests from net income, if contained in net income.

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

The ASBJ issued ASBJ Statement No.16, "Accounting Standard for Equity Method of Accounting for Investments." The 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 such 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 of America 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 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; and 5) exclusion of minority interests from net income, if contained in net income.

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 the 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 ¥7 million (\$85 thousand), ¥32 million (\$390 thousand) and ¥16 million (\$195 thousand), respectively, as of March 31, 2012.

Investment securities deposited in accordance with the Act on Assurance of Performance of Specified Housing Defect Warranty were ¥2,065 million (\$25,183 thousand) as of March 31, 2012.

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 ¥43 million (\$524 thousand) as of March 31, 2012.

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 circumstances indicate that 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.

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 consolidated 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.

All other leases are accounted for as operating leases.

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.

All other leases are accounted for as operating leases.

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 the 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 and income before income taxes and minority interests by ¥4,319 million, respectively, for the year ended March 31, 2011.

m. Construction contracts

Under ASBJ Statement No.15, "Accounting Standard for Construction Contracts" and ASBJ Guidance No.18, "Guidance on Accounting Standard for Construction Contracts," 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.

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 statement 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 consolidated statement of income to the extent that they are not hedged by forward exchange contracts.

r. Foreign currency financial statements

The consolidated 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, 2012, 2011 and 2010 were 578,782 thousand, 579,009 thousand and 579,134 thousand, respectively.

Diluted net income per share of common stock for the years ended March 31, 2012, 2011 and 2010 were not disclosed due to the absence of dilutive securities.

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

u. Accounting changes and error corrections

In December 2009, the 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.

3 Marketable and investment securities

Marketable and investment securities as of March 31, 2012 and 2011 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2012	2011	2012
Current:			
Government and corporate bonds	¥ 6	¥ 6	\$ 73
Non-current:			
Equity securities	¥61,362	¥ 62,448	\$ 748,317
Government and corporate bonds	2,584	2,205	31,512
Investments in limited liability partnership	6,686	8,404	81,537
Preferred fund certificates	28,898	27,839	352,415
Other	144	150	1,756
Total	¥99,674	¥101,046	\$1,215,537

The costs and aggregate fair values of marketable and investment securities at March 31, 2012 and 2011 were as follows:

Millions of Yen				
2012				
	Cost	Unrealized Gains	Unrealized Losses	Fair Value
Securities classified as:				
Available-for-sale:				
Equity securities	¥38,520	¥15,034	¥1,392	¥52,162
Debt securities	500		12	488
Other	117	27	1	143
Held-to-maturity	2,065	61	1	2,125

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

Thousands of U.S. Dollars				
2012				
	Cost	Unrealized Gains	Unrealized Losses	Fair Value
Securities classified as:				
Available-for-sale:				
Equity securities	\$469,756	\$183,341	\$16,976	\$636,121
Debt securities	6,098		146	5,952
Other	1,427	329	12	1,744
Held-to-maturity	25,183	744	12	25,915

The impairment losses on available-for-sale equity securities for the years ended March 31, 2012, 2011 and 2010 were ¥3,921 million (\$47,817 thousand), ¥1,013 million and ¥9,650 million, respectively.

4 Inventories

Inventories at March 31, 2012 and 2011 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2012	2011	2012
Finished residential homes and condominiums	¥ 40,140	¥ 23,538	\$ 489,512
Construction projects in progress	14,362	15,307	175,147
Residential homes and condominiums in process	31,883	30,010	388,817
Land held:			
For resale	257,343	208,180	3,138,329
Under development	9,087	6,634	110,817
Undeveloped	1,379	2,237	16,817
Merchandise, construction materials and others	17,745	16,082	216,403
Total	¥371,939	¥301,988	\$4,535,842

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, 2012 and 2011, the carrying amount of the land after the above one-time revaluation exceeded the market value by ¥18,751 million (\$228,671 thousand) and ¥21,869 million, respectively.

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, 2012, 2011 and 2010.

2012				
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 and land	Tochigi Prefecture and others	¥ 42	\$ 512
Golf courses	Land	Mie Prefecture and others	1,938	23,634
Assets used under sublease agreements	Buildings and structures, machinery and equipment, furniture and fixtures, land, intangible assets and lease assets	Osaka Prefecture and others	5,139	62,671
Idle assets	Buildings and structures, machinery and equipment, furniture and fixtures and land	Mie Prefecture and others	859	10,475
Home center	Buildings and structures, machinery and equipment and furniture and fixtures	Kanagawa Prefecture and others	261	3,183
Fitness clubs	Furniture and fixtures, land and lease assets	Kanagawa Prefecture	12	146
Offices, factories and others	Buildings and structures, machinery and equipment and land	Kagawa Prefecture and others	1,465	17,866
Others	Buildings and structures, furniture and fixtures and land	Hyogo Prefecture	96	1,171
Total			¥9,812	\$119,658

2011			
Classification of Company	Type of Assets	Location	Millions of Yen
Hotel	Buildings and structures, machinery and equipment, furniture and fixtures, land and lease assets	Wakayama Prefecture and others	¥ 2,717
Assets used under sublease agreements	Buildings and structures, machinery and equipment, furniture and fixtures, land and lease assets	Fukuoka Prefecture and others	15,100
Idle assets	Land	Yamanashi Prefecture and others	26
Home center	Buildings and structures, machinery and equipment, furniture and fixtures and lease assets	Osaka Prefecture and others	97
Fitness clubs	Buildings and structures, furniture and fixtures, lease assets and other assets	Tokyo Prefecture and others	680
Offices, factories and others	Buildings and structures, furniture and fixtures, land, lease assets and other assets	Akita Prefecture and others	149
Total			¥18,769

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

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

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, and impairment loss for those rental properties were ¥15,464 million (\$188,585 thousand), ¥497 million (\$6,061 thousand), and ¥3,722 million (\$45,390 thousand), respectively, for the year ended March 31, 2012. 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, ¥3,296 million, ¥13,392 million, and ¥1,096 million, respectively, for the 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 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, 2011	Increase/Decrease	March 31, 2012	March 31, 2012
¥407,090	¥(12,060)	¥395,030	¥395,949

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

Thousands of U.S. Dollars			
Carrying Amount		Fair Value	
April 1, 2011	Increase/Decrease	March 31, 2012	March 31, 2012
\$4,964,512	\$(147,073)	\$4,817,439	\$4,828,646

Notes:

- 1) Carrying amount recognized in the consolidated balance sheet is net of accumulated depreciation and accumulated impairment losses, if any.
- 2) Increase during the year ended March 31, 2012 primarily represents the acquisition of certain properties of ¥67,447 million (\$822,524 thousand) and decrease primarily represents depreciation of ¥15,879 million (\$193,646 thousand), and the transfer to inventories of ¥51,896 million (\$632,878 thousand).
- 3) Increase during the year ended March 31, 2011 primarily represents the acquisition of certain properties of ¥37,938 million, and decrease primarily represents depreciation of ¥16,491 million and the transfer to inventories of ¥44,468 million.
- 4) The fair value of properties was 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 1.00% to 3.00% and ranged from 0.38% to 1.53% at March 31, 2012 and 2011, respectively.

Bonds at March 31, 2012 and 2011 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2012	2011	2012
Unsecured bonds, 0.68% to 0.91% (0.68% to 1.19% in 2011), due on various dates through 2013	¥ 1,300	¥ 5,300	\$ 15,854
Unsecured 0.73% bonds, due 2015	100,000	100,000	1,219,512
Unsecured 0.44% bonds, due 2017	273		3,329
Collateralized 2.06% bonds, due 2021	500	500	6,098
Total	102,073	105,800	1,244,793
Less current portion	1,353	4,500	16,500
Bonds, net of current portion	¥100,720	¥101,300	\$1,228,293

Long-term debt at March 31, 2012 and 2011 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2012	2011	2012
Loans from banks, 0.20% to 4.86% (0.20% to 4.86% in 2011), due on various dates through 2040:			
Collateralized	¥ 15,819	¥ 16,537	\$ 192,915
Unsecured	263,174	264,083	3,209,439
Total	278,993	280,620	3,402,354
Less current portion	145,436	25,122	1,773,610
Long-term debt, net of current portion	¥133,557	¥255,498	\$1,628,744

Annual maturities of bonds at March 31, 2012, were as follows:

Years Ending March 31	Millions of Yen	Thousands of U.S. Dollars
2013	¥ 1,353	\$ 16,500
2014	53	646
2015	100,053	1,220,159
2016	53	646
2017	61	744
2018 and thereafter	500	6,098
Total	¥102,073	\$1,244,793

Annual maturities of long-term debt at March 31, 2012, were as follows:

Years Ending March 31	Millions of Yen	Thousands of U.S. Dollars
2013	¥145,436	\$1,773,610
2014	33,627	410,085
2015	67,098	818,268
2016	21,317	259,964
2017	1,331	16,232
2018 and thereafter	10,184	124,195
Total	¥278,993	\$3,402,354

At March 31, 2012, assets pledged as collateral for secured long-term debt were as follows:

	Millions of Yen	Thousands of U.S. Dollars
Cash and cash equivalents	¥ 929	\$ 11,329
Receivables	14,843	181,012
Buildings and structures	4,992	60,878
Machinery and equipment	72	878
Land	581	7,085
Lease deposits	234	2,854
Accrued income (Other current assets)	105	1,281
Total	¥21,756	\$265,317

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 (\$6,098 thousand) at March 31, 2012.

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 and defined contribution pension plans covering most of their employees. The liability for employees' retirement benefits at March 31, 2012 and 2011 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2012	2011	2012
Projected benefit obligation	¥389,210	¥359,741	\$4,746,463
Fair value of plan assets	(200,810)	(184,208)	(2,448,902)
Net liability	188,400	175,533	2,297,561
Liability for employees' retirement benefits	¥188,400	¥175,533	\$2,297,561

The components of net periodic benefit costs are as follows:

	Millions of Yen			Thousands of U.S. Dollars
	2012	2011	2010	2012
Service cost	¥18,693	¥18,438	¥17,842	\$227,963
Interest cost	8,937	8,382	7,861	108,988
Expected return on plan assets		(4,308)	(3,867)	
Gain on amortization of prior service cost			(205)	
Recognized actuarial loss (gain)	5,111	8,421	(473)	62,329
Special contribution to the multiemployer pension plan of a subsidiary	325			3,964
Other	104	56	27	1,268
Net periodic benefit costs	¥33,170	¥30,989	¥21,185	\$404,512

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, 2012 and 2011 are set forth as follows:

	2012	2011
Discount rate	Principally 2.5%	Principally 2.5%
Expected rate of return on plan assets	Principally 0.0%	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 years ended March 31, 2012 and 2011 were as follows.

	Millions of Yen		Thousands of U.S. Dollars
	2012	2011	2012
Balance at beginning of year	¥23,453	¥22,583	\$286,012
Additional provisions associated with the acquisition of property, plant and equipment	1,562	1,611	19,048
Reconciliation associated with passage of time	471	453	5,744
Reduction associated with settlement of asset retirement obligations	(1,250)	(1,194)	(15,244)
Balance at end of year	¥24,236	¥23,453	\$295,560

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, 2012, 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 here-under as required.

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 orders of single-family houses and sales of a packages of a new houses with land. The Rental Housing Business consists of the Company's 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								
2012								
Reportable Segment								
	Single-Family Houses	Rental Housing	Condominiums	Existing Home Business	Commercial Facilities	Business & Corporate Facilities	Health & Leisure	Total
Sales:								
Sales to external customers	¥334,716	¥525,435	¥128,870	¥66,383	¥302,028	¥251,063	¥58,518	¥1,667,013
Intersegment sales or transfers	1,649	1,320	2	1,757	4,906	5,937	119	15,690
Total	336,365	526,755	128,872	68,140	306,934	257,000	58,637	1,682,703
Segment profit	11,010	52,997	3,771	4,537	33,164	25,895	61	131,435
Segment assets	185,239	202,770	196,451	19,672	409,740	353,192	87,429	1,454,493
Other:								
Depreciation	2,217	6,197	1,202	381	12,362	4,616	2,371	29,346
Increase in property, plant and equipment and other assets	3,353	20,296	3,721	548	25,900	29,199	3,946	86,963

Millions of Yen				
2012				
	Other	Total	Reconciliations	Consolidated
Sales:				
Sales to external customers	¥181,784	¥1,848,797		¥1,848,797
Intersegment sales or transfers	73,898	89,588	¥(89,588)	
Total	255,682	1,938,385	(89,588)	1,848,797
Segment profit	8,177	139,612	(24,656)	114,956
Segment assets	346,311	1,800,804	285,293	2,086,097
Other:				
Depreciation	13,840	43,186	605	43,791
Increase in property, plant and equipment and other assets	16,153	103,116	489	103,605

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								
2012								
Reportable Segment								
	Single-Family Houses	Rental Housing	Condominiums	Existing Home Business	Commercial Facilities	Business & Corporate Facilities	Health & Leisure	Total
Sales:								
Sales to external customers	\$4,081,902	\$6,407,744	\$1,571,586	\$809,549	\$3,683,268	\$3,061,744	\$ 713,634	\$20,329,427
Intersegment sales or transfers	20,110	16,098	24	21,427	59,830	72,402	1,451	191,342
Total	4,102,012	6,423,842	1,571,610	830,976	3,743,098	3,134,146	715,085	20,520,769
Segment profit	134,268	646,305	45,988	55,330	404,439	315,792	744	1,602,866
Segment assets	2,259,012	2,472,805	2,395,744	239,902	4,996,829	4,307,220	1,066,207	17,737,719
Other:								
Depreciation	27,037	75,573	14,659	4,646	150,756	56,293	28,915	357,879
Increase in property, plant and equipment and other assets	40,890	247,512	45,378	6,683	315,854	356,086	48,122	1,060,525

Thousands of U.S. Dollars				
2012				
	Other	Total	Reconciliations	Consolidated
Sales:				
Sales to external customers	\$2,216,878	\$22,546,305		\$22,546,305
Intersegment sales or transfers	901,195	1,092,537	\$(1,092,537)	
Total	3,118,073	23,638,842	(1,092,537)	22,546,305
Segment profit	99,719	1,702,585	(300,683)	1,401,902
Segment assets	4,223,305	21,961,024	3,479,183	25,440,207
Other:				
Depreciation	168,780	526,659	7,378	534,037
Increase in property, plant and equipment and other assets	196,988	1,257,513	5,963	1,263,476

Notes:

1) Other businesses include construction support, city hotels, overseas businesses and others.

2) Reconciliations to segment profit of ¥24,656 million (\$300,683 thousand), ¥24,016 million and ¥22,295 million include intersegment eliminations of ¥656 million (\$8,000 thousand), ¥1,668 million and ¥884 million, the amortization of goodwill of ¥716 million (\$8,732 thousand), ¥720 million and ¥963 million, and the corporate expenses not allocated to each business segment of ¥24,716 million (\$301,415 thousand), ¥23,068 million and ¥22,374 million for the years ended March 31, 2012, 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 ¥285,293 million (\$3,479,183 thousand), ¥223,570 million and ¥273,904 million include intersegment eliminations of ¥123,271 million (\$1,503,305 thousand), ¥125,168 million and ¥101,874 million, and the corporate assets of ¥408,564 million (\$4,982,488 thousand), ¥348,737 million and ¥375,778 million for the years ended March 31, 2012, 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 ¥605 million (\$7,378 thousand), ¥730 million and ¥909 million include intersegment eliminations of ¥386 million (\$4,707 thousand), ¥506 million and ¥491 million, and the depreciation attributable to corporate assets of ¥991 million (\$12,085 thousand), ¥1,236 million and ¥1,400 million for the years ended March 31, 2012, 2011 and 2010, respectively.

Reconciliations to increase in property, plant and equipment and other assets of ¥489 million (\$5,963 thousand), ¥1,997 million and ¥560 million include intersegment eliminations of ¥297 million (\$3,622 thousand), ¥3,993 million and ¥1,159 million, and the headquarter's capital investments in properties and equipment of ¥786 million (\$9,585 thousand), ¥1,996 million and ¥599 million for the years ended March 31, 2012, 2011 and 2010, respectively.

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

Impairment losses of assets

Millions of Yen

2012										
	Single-Family Houses	Rental Housing	Condominiums	Existing Home Business	Commercial Facilities	Business & Corporate Facilities	Health & Leisure	Other	Elimination/ Corporate	Consolidated
Impairment losses of assets	¥761	¥671	¥192	¥131	¥5,079	¥340	¥2,127	¥394	¥117	¥9,812

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

Thousands of U.S. Dollars										
2012										
	Single-Family Houses	Rental Housing	Condominiums	Existing Home Business	Commercial Facilities	Business & Corporate Facilities	Health & Leisure	Other	Elimination/ Corporate	Consolidated
Impairment losses of assets	\$9,280	\$8,183	\$2,341	\$1,598	\$61,939	\$4,146	\$25,939	\$4,805	\$1,427	\$119,658

Amortization of goodwill

Millions of Yen

2012										
	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	¥(1)		¥ (130)		¥ 829
Goodwill at March 31, 2012		(128)	16,847		5,764	(8)		(9,182)		13,293

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

2012										
	Single-Family Houses	Rental Housing	Condominiums	Existing Home Business	Commercial Facilities	Business & Corporate Facilities	Health & Leisure	Other	Elimination/Corporate	Consolidated
Amortization of goodwill		\$ (98)	\$ 6,854		\$ 4,951	\$(12)		\$ (1,585)		\$ 10,110
Goodwill at March 31, 2012		(1,561)	205,451		70,293	(98)		(111,976)		162,109

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 the year ended March 31, 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 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, 2012, 2011 and 2010 consisted of the following:

	Millions of Yen			Thousands of U.S. Dollars
	2012	2011	2010	2012
Real estate acquisition tax and other taxes	¥ (815)	¥ (416)	¥(1,859)	\$ (9,939)
Gain (loss) on sales of investment securities	(670)	1,640		(8,171)
Allowance for doubtful accounts	(607)	(432)	(949)	(7,402)
Equity in earnings (losses) of associated companies	(1,431)	992	1,242	(17,451)
Loss on adjustment for changes in accounting standard for asset retirement obligations		(2,805)		
Loss on prior period adjustment		(1,416)		
Provision of allowance for investment loss		(3,672)		
Salaries and allowance for prior periods		(2,027)		
Amortization of negative goodwill			181	
Gain on reversal of allowance for losses from a natural disaster	640			7,804
Other — net	2,752	2,762	1,981	33,561
Total	¥ (131)	¥(5,374)	¥ 596	\$ (1,598)

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 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, discrepancy between the actual working hours and the registered hours was found and unpaid overtime salaries were recognized in 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, 2012, 2011 and 2010.

The tax effects of significant temporary differences and tax loss carryforwards which resulted in deferred tax assets and liabilities at March 31, 2012 and 2011 are as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2012	2011	2012
Current:			
Deferred tax assets:			
Write-down of land held for resale	¥ 6,589	¥ 23,573	\$ 80,354
Accrued bonuses	10,027	8,794	122,280
Accrued enterprise tax	1,930	561	23,537
Other	11,115	13,361	135,549
Less valuation allowance	(86)	(116)	(1,049)
Deferred tax assets	¥ 29,575	¥ 46,173	\$ 360,671
Deferred tax liabilities — other		¥ (0)	
Net deferred tax assets	¥ 29,575	¥ 46,173	\$ 360,671
Non-current:			
Deferred tax assets:			
Employees' retirement benefits	¥ 68,474	¥ 71,299	\$ 835,049
Unrealized gains on sales of property, plant and equipment	8,862	9,048	108,073
Excess of depreciation of property, plant and equipment	22,128	23,973	269,854
Loss carryforwards	5,915	6,952	72,134
Other	37,008	38,754	451,317
Less valuation allowance	(23,251)	(19,787)	(283,549)
Deferred tax assets	¥119,136	¥130,239	\$1,452,878
Deferred tax liabilities:			
Retained earnings appropriated for tax allowable reserves	¥ (1,667)	¥ (1,924)	\$ (20,329)
Net unrealized gain on available-for-sale securities	(4,370)	(5,004)	(53,293)
Other	(6,201)	(5,877)	(75,622)
Deferred tax liabilities	¥ (12,238)	¥ (12,805)	\$ (149,244)
Net deferred tax assets	¥106,898	¥117,434	\$1,303,634

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, 2012, 2011 and 2010 is as follows:

	2012	2011	2010
Normal effective statutory tax rates	40.6%	40.6%	40.6%
Increase (decrease) in tax rates due to:			
Permanently non-deductible expenses	1.6	3.2	3.3
Non-taxable dividend income	(0.3)	(0.6)	(0.5)
Per capita levy	1.1	2.5	2.7
Equity in earnings of associated companies	0.6	(1.0)	(1.3)
Increase in valuation allowance	6.9	17.1	3.9
Tax credit for corporate tax	(0.3)	(0.6)	(0.5)
Reversal of land revaluation difference	(2.5)	(29.0)	(0.4)
Effect of tax rate reduction	15.2		
Other — net	1.4	0.6	1.9
Actual effective tax rates	64.3%	32.8%	49.7%

On December 2, 2011, new tax reform laws were enacted in Japan, which changed the normal effective statutory tax rate from approximately 40.6% to 38.0% effective for the fiscal years beginning on or after April 1, 2012 through March 31, 2015, and to 35.6% afterwards. The effect of this change was to decrease deferred tax assets, net of deferred tax liabilities, in the consolidated balance sheet as of March 31, 2012 by ¥13,425 million (\$163,720 thousand), to increase income taxes — deferred in the consolidated statement of income for the year then ended by ¥14,093 million (\$171,866 thousand), to decrease deferred tax liabilities on land revaluation by ¥3,408 million (\$41,561 thousand) and to increase land revaluation difference by the same amount, ¥3,408 million (\$41,561 thousand), in the consolidated balance sheet as of March 31, 2012.

At March 31, 2012, certain subsidiaries have tax loss carryforwards aggregating approximately ¥17,241 million (\$210,256 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
2014	¥ 140	\$ 1,707
2015	12,482	152,219
2016	45	549
2017	234	2,854
2018 and thereafter	4,613	56,256
Total	¥17,514	\$213,585

17 Research and development costs

Research and development costs charged to income were ¥6,556 million (\$79,951 thousand), ¥6,637 million and ¥7,219 million for the years ended March 31, 2012, 2011 and 2010, 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
	2011
Gain on transfer of business	¥280
Proceeds from transfer of business	¥280

In the year ended March 31, 2012, Global Community Co., Ltd. and three companies were acquired. Assets and liabilities of these companies at the time of consolidation, cash paid for the capital and cash paid in conjunction with the purchases of consolidated subsidiaries were as follows:

	Millions of Yen	Thousands of U.S. Dollars
	2012	2012
Assets	¥3,380	\$41,220
Liabilities	(2,739)	(33,402)
Goodwill	7,008	85,463
Minority interests	(34)	(415)
Cash paid for the capital	7,615	92,866
Cash and cash equivalents of consolidated subsidiaries	1,804	22,000
Payments for purchases of shares of newly consolidated subsidiaries	¥5,811	\$70,866

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

	Millions of Yen
	2011
Assets	¥4,641
Liabilities	(4,641)
Goodwill	0
Cash paid for the capital	0
Cash and cash equivalents	3,194
Proceeds from acquisition of business	¥3,194

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
Liabilities	(7,506)
Goodwill	11,175
Cash paid for the capital	16,021
Cash and cash equivalents of consolidated subsidiaries	2,698
Payments for purchases of shares of 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 ¥25,803 million (\$314,671 thousand), ¥27,627 million, and ¥28,872 million for the years ended March 31, 2012, 2011 and 2010, respectively.

The amount of imputed interest expense included in the above-mentioned lease payments, which is computed using the interest method, was ¥10,571 million (\$128,915 thousand), ¥11,547 million and ¥12,416 million for the years ended March 31, 2012, 2011 and 2010, 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 consolidated 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 consolidated 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				
2012				
	Buildings and Structures	Machinery and Equipment	Furniture and Fixtures	Total
Acquisition cost	¥303,636	¥2,049	¥1,106	¥306,791
Accumulated depreciation	126,946	1,142	792	128,880
Accumulated impairment loss	5,862	8	10	5,880
Net leased property	¥170,828	¥ 899	¥ 304	¥172,031

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

Thousands of U.S. Dollars				
2012				
	Buildings and Structures	Machinery and Equipment	Furniture and Fixtures	Total
Acquisition cost	\$3,702,878	\$24,988	\$13,488	\$3,741,354
Accumulated depreciation	1,548,122	13,927	9,659	1,571,708
Accumulated impairment loss	71,488	97	122	71,707
Net leased property	\$2,083,268	\$10,964	\$ 3,707	\$2,097,939

Obligations under finance leases as of March 31, 2012 and 2011 were as follows:

Millions of Yen			Thousands of U.S. Dollars
	2012	2011	2012
Due within one year	¥ 22,285	¥ 25,422	\$ 271,768
Due after one year	179,005	195,865	2,182,988
Total	¥201,290	¥221,287	\$2,454,756

Allowance for impairment loss on leased property of ¥4,572 million (\$55,756 thousand) and ¥3,812 million as of March 31, 2012 and 2011, respectively, is not included in obligation under finance leases.

Reversals of allowance for impairment loss on leased properties were ¥732 million (\$8,927 thousand), ¥683 million and ¥454 million for the years ended March 31, 2012, 2011 and 2010, respectively.

Depreciation expense relating to the leased assets under finance lease arrangements mentioned above was ¥15,232 million (\$185,756 thousand), ¥16,623 million and ¥17,995 million for the years ended March 31, 2012, 2011 and 2010, respectively.

The Company recorded an impairment loss of ¥1,492 million (\$18,195 thousand), ¥1,234 million and ¥856 million on certain leased property held under finance leases for the years ended March 31, 2012, 2011 and 2010, 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 consolidated statement of income, is computed by the straight-line method.

(Lessor)

The net investments in lease are summarized as follows:

Millions of Yen			Thousands of U.S. Dollars
	2012	2011	2012
Gross lease receivables	¥26,955	¥19,818	\$328,720
Unguaranteed residual values	1,860	1,301	22,683
Unearned interest income	(6,911)	(4,160)	(84,281)
Investments in lease, current	¥21,904	¥16,959	\$267,122

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
2013	¥ 3,948	\$ 48,147
2014	3,479	42,427
2015	2,743	33,451
2016	2,173	26,500
2017	1,734	21,146
2018 and thereafter	12,878	157,049
Total	¥26,955	\$328,720

Total rental income under finance leases that are not deemed to transfer ownership of the leased property to the lessee was ¥1,525 million (\$18,598 thousand), ¥2,284 million and ¥2,993 million for the years ended March 31, 2012, 2011 and 2010, respectively.

The amounts of imputed interest income included in the above-mentioned rental income, which is computed using the interest method, were ¥85 million (\$1,037 thousand), ¥195 million and ¥360 million for the years ended March 31, 2012, 2011 and 2010, respectively.

Property and equipment leased to customers under finance lease arrangements mentioned above consisted of the following at March 31, 2012 and 2011.

Machinery and Equipment			
	Millions of Yen		Thousands of U.S. Dollars
	2012	2011	2012
Acquisition cost	¥4,693	¥8,251	\$57,231
Accumulated depreciation	3,759	5,961	45,841
Net leased property	¥ 934	¥2,290	\$11,390

Future rental income under finance leases at March 31, 2012 and 2011 was as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2012	2011	2012
Due within one year	¥ 726	¥1,448	\$ 8,854
Due after one year	278	1,018	3,390
Total	¥1,004	¥2,466	\$12,244

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 ¥1,157 million (\$14,110 thousand), ¥1,808 million and ¥2,397 million for the years ended March 31, 2012, 2011 and 2010, respectively.

Operating leases:

Obligations and future rental income under non-cancellable operating leases as of March 31, 2012 and 2011 were as follows:

(Lessee)

	Millions of Yen		Thousands of U.S. Dollars
	2012	2011	2012
Due within one year	¥ 41,459	¥ 39,930	\$ 505,598
Due after one year	433,290	432,204	5,284,024
Total	¥474,749	¥472,134	\$5,789,622

(Lessor)

	Millions of Yen		Thousands of U.S. Dollars
	2012	2011	2012
Due within one year	¥ 2,884	¥ 2,235	\$ 35,171
Due after one year	170,396	168,800	2,078,000
Total	¥173,280	¥171,035	\$2,113,171

20 Financial instruments and related disclosures

(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 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 received 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. Some 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 details of fair value for derivatives and derivatives risk.

(a) Fair value of financial instruments

Millions of Yen			
2012			
	Carrying Amount	Fair Value	Unrealized Gain/Loss
Cash and cash equivalents	¥248,713	¥248,713	
Investments in lease	21,904		
Allowance for doubtful receivables	(107)		
	21,797	21,797	
Short-term investments	1,937	1,937	
Receivables	93,874		
Allowance for doubtful receivables	(902)		
	92,972	92,044	¥ (928)
Marketable and investment securities:			
Held-to-maturity	2,065	2,125	60
Investments in unconsolidated subsidiaries and associated companies	2,900	1,526	(1,374)
Available-for-sale	52,793	52,793	
Lease deposits	186,657		
Allowance for doubtful accounts	(437)		
	186,220	174,638	(11,582)
Total	¥609,397	¥595,573	¥(13,824)
Short-term bank loans	¥ 2,559	¥ 2,559	
Payables	288,716	288,716	
Income taxes payable	24,826	24,826	
Bonds	102,073	103,260	¥ 1,187
Long-term debt	278,993	281,556	2,563
Lease deposits received	218,479	205,959	(12,520)
Total	¥915,646	¥906,876	¥ (8,770)
Derivatives	¥ 995	¥ 995	

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	

Thousands of U.S. Dollars			
2012			
	Carrying Amount	Fair Value	Unrealized Gain/Loss
Cash and cash equivalents	\$ 3,033,085	\$ 3,033,085	
Investments in lease	267,122		
Allowance for doubtful receivables	(1,305)		
	265,817	265,817	
Short-term investments	23,622	23,622	
Receivables	1,144,805		
Allowance for doubtful receivables	(11,000)		
	1,133,805	1,122,488	\$ (11,317)
Marketable and investment securities:			
Held-to-maturity	25,183	25,915	732
Investments in unconsolidated subsidiaries and associated companies	35,366	18,609	(16,757)
Available-for-sale	643,817	643,817	
Lease deposits	2,276,305		
Allowance for doubtful accounts	(5,329)		
	2,270,976	2,129,732	(141,244)
Total	\$ 7,431,671	\$ 7,263,085	\$(168,586)
Short-term bank loans	\$ 31,207	\$ 31,207	
Payables	3,520,926	3,520,926	
Income taxes payable	302,756	302,756	
Bonds	1,244,793	1,259,268	\$ 14,475
Long-term debt	3,402,354	3,433,610	31,256
Lease deposits received	2,664,378	2,511,695	(152,683)
Total	\$11,166,414	\$11,059,462	\$(106,952)
Derivatives	\$ 12,134	\$ 12,134	

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
	2012	2011	2012
Equity securities	¥54,649	¥55,090	\$666,451
Preferred fund certificates	28,898	27,839	352,415
Investments in limited liability partnership and other	6,724	8,605	82,000

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

Millions of Yen				
2012				
	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	¥248,713			
Investments in lease	3,948	¥10,129	¥ 6,098	¥ 6,780
Short-term investments	1,937			
Receivables	79,828	4,263	5,484	4,299
Marketable and investment securities:				
Held-to-maturity			2,274	11
Available-for-sale securities with contractual maturities	6	25	6	500
Lease deposits	15,698	54,418	62,895	63,158
Total	¥350,130	¥68,835	¥76,757	¥74,748

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

Thousands of U.S. Dollars				
2012				
	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	\$3,033,085			
Investments in lease	48,147	\$123,524	\$ 74,366	\$ 82,683
Short-term investments	23,622			
Receivables	973,512	51,988	66,878	52,427
Marketable and investment securities:				
Held-to-maturity			27,732	134
Available-for-sale securities with contractual maturities	73	305	73	6,098
Lease deposits	191,439	663,634	767,012	770,219
Total	\$4,269,878	\$839,451	\$936,061	\$911,561

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, 2012 and 2011 were as follows:

Type of Transaction	Thousands of Barrels				Millions of Yen				Thousands of U.S. Dollars	
	2012		2011		2012		2011		2012	
	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	240	120	360	240	¥1,367	¥1,367	¥2,056	¥2,056	\$16,671	\$16,671
Receive fixed pay floating	240	120	360	240	(372)	(372)	(571)	(571)	(4,537)	(4,537)
Total	480	240	720	480	¥ 995	¥ 995	¥1,485	¥1,485	\$12,134	\$12,134

Derivative transactions to which hedge accounting was applied at March 31, 2012 and 2011 were as follows:

	Hedged Item	Millions of Yen				Millions of Yen				Thousands of U.S. Dollars	
		2012		2011		2012		2011		2012	
		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	Fair Value
Interest rate swaps: (fixed rate payment, floating rate receipt)	Long-term debt	¥157,538	¥26,619	—	¥189,153	¥179,738	—	\$1,921,195	\$324,622	—	—

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, 2012, contingent liabilities for notes endorsed with recourse and loans guaranteed in the ordinary course of business amounted to ¥729 million (\$8,890 thousand) and ¥35,147 million (\$428,622 thousand), respectively. Included in loans guaranteed were customers' housing loans from banks in the amount of ¥18,996 million (\$231,659 thousand).

23 Comprehensive income

The components of other comprehensive income for the year ended March 31, 2012 were as follows:

	Millions of Yen	Thousands of U.S. Dollars
	2012	2012
Unrealized gain on available-for-sale securities:		
Losses arising during the year	¥ (912)	\$(11,122)
Reclassification adjustments to profit or loss	(102)	(1,244)
Amount before income tax effect	(1,014)	(12,366)
Income tax effect	1,099	13,402
Total	¥ 85	\$ 1,036
Land revaluation difference:		
Income tax effect	¥ 3,407	\$ 41,549
Foreign currency translation adjustments:		
Adjustments arising during the year	¥ (401)	\$(4,890)
Share of other comprehensive loss in associates:		
Losses arising during the year	¥(1,690)	\$(20,610)
Reclassification adjustments to profit or loss	23	281
Total	¥(1,667)	\$(20,329)
Total other comprehensive income	¥ 1,424	\$ 17,366

The corresponding information for the year ended March 31, 2011 was not required under the accounting standard for presentation of comprehensive income as an exemption for the first year of adopting that standard and not disclosed herein.

24 Subsequent event

Appropriations of retained earnings

The following appropriation of retained earnings at March 31, 2012 was approved at the parent company's shareholders meeting held on June 28, 2012:

	Millions of Yen	Thousands of U.S. Dollars
Year-end cash dividends, ¥25.00 (\$0.30) per share	¥14,468	\$176,439

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of Daiwa House Industry Co., Ltd.:

We have audited the accompanying consolidated balance sheet of Daiwa House Industry Co., Ltd. and consolidated subsidiaries as of March 31, 2012, and the related consolidated statements of income, comprehensive income, changes in equity, and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information, all expressed in Japanese yen.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in conformity with accounting principles generally accepted in Japan, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatements, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in conformity with auditing standards generally accepted in Japan. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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, 2012, and the consolidated results of their operations and their cash flows for the year then ended in conformity with accounting principles generally accepted in Japan.

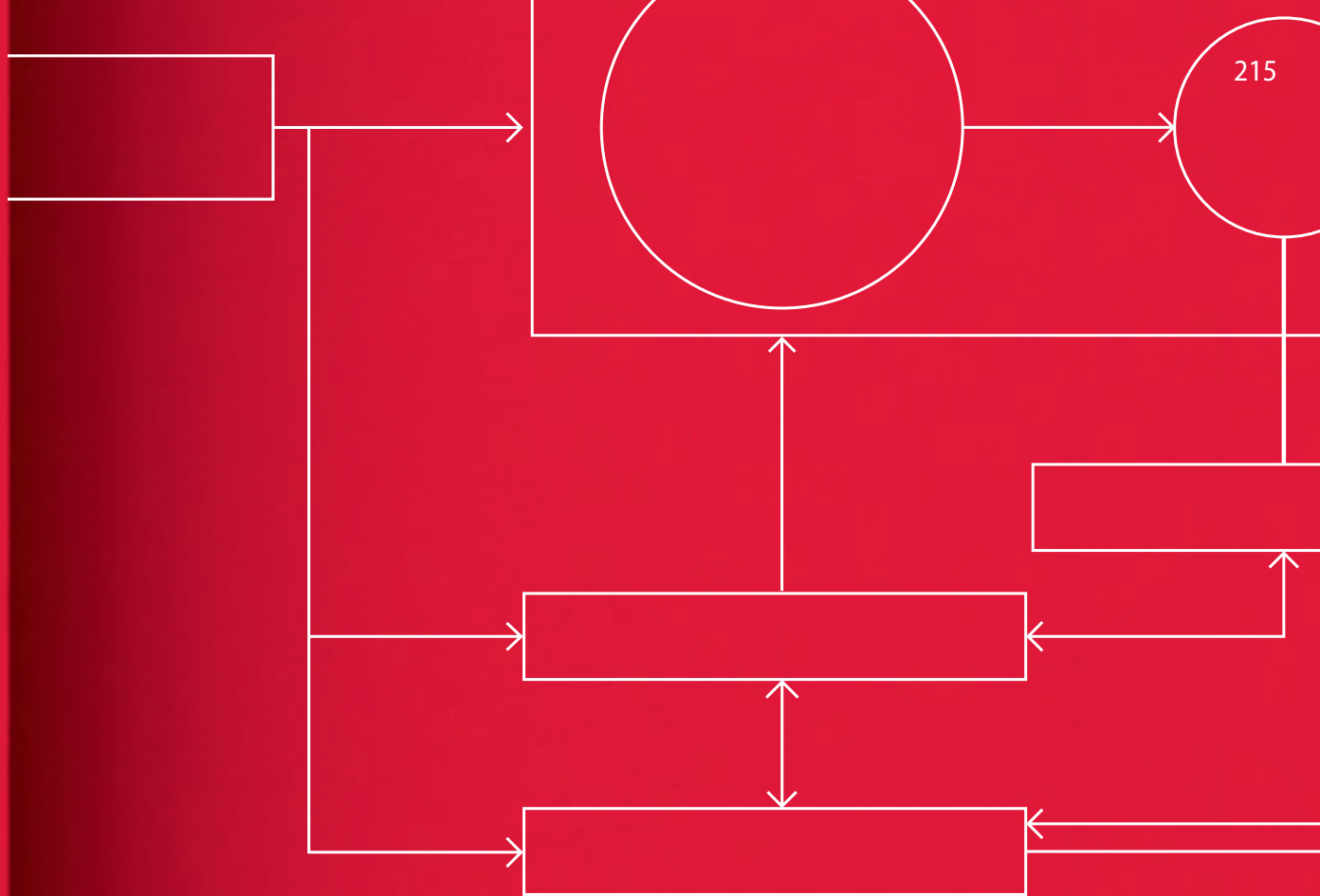
Convenience Translation

Our audit 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.



June 28, 2012

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Board of Directors

As of July 1, 2012

* Representative Director

Takeo Higuchi*

Age 74

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 (currently serving)

2005: Vice Chairman of The Osaka Chamber of Commerce and Industry (currently serving)

2006: Operating Chairman of the Osaka Symphony Orchestra (currently serving)

2009: Chairman of Japan Federation of Housing Organizations (currently serving)

Naotake Ohno*

Age 63

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 (currently serving)

Tetsuji Ogawa*

Age 70

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 (currently serving)

Tamio Ishibashi*

Age 56

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 (currently serving)

Tatsushi Nishimura*

Age 62

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 (currently serving)

Takashi Uzui*

Age 64

Director and Senior Managing Executive Officer

Head of Marketing Division
Head of General Housing Operations



As Director and Senior Managing Executive Officer and Head of Marketing Division, Mr. Uzui is responsible for all the Company's marketing and single-family house operations. His goal is to put the customer first and to enrich people's living environments so they can live in security and comfort and realize an environmentally-friendly society, by improving customer satisfaction (improved quality of people, products, and work methods) and developing community-based marketing.

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

Takuya Ishibashi

Age 58

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 (currently serving)

Katsutomo Kawai

Age 63

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 (currently serving)

Takashi Hama

Age 58

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 (currently serving)

Shigeru Numata

Age 62

Director and Managing Executive Officer

Head of Kanto Block

Head of Housing Operations (East Japan, Kanto area)



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
(currently serving)

Kazuto Tsuchida

Age 59

Director and Managing Executive Officer

Deputy Head of Technology Headquarters

Head of Safety

Head of Technology, Overseas Business



As Director and Managing Executive Officer, Mr. Tsuchida is responsible for executing our technology strategies, and is Head of the Safety Administration Department. In order to implement the policy of "quality is our undertaking to our customers; safety is our undertaking to society," he is committed to taking the view of employees on the front line carefully into account and he nurtures a staff of technical experts. In the overseas business, he is aiming to build the technology of the Daiwa House brand in real estate development and construction work in China and Southeast Asia, areas which are continuously growing.

Born in 1952

1976: Joins Daiwa House Industry

2009: Director and Senior Executive Officer

2010: Director and Managing Executive Officer
(currently serving)

Makoto Yamamoto

Age 58

Director and Managing Executive Officer

Head of Tokyo Branch

Joint Head of Marketing Support Department

Supervisor, Advertising Department

Head of External Relations



Mr. Yamamoto is head of our Tokyo Branch, and also in charge of the Marketing Support Department and External Relations, and he supervises the Advertising Department, which develops our 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
(currently serving)

Fukujiro Hori

Age 61

Director and Managing Executive Officer

General Manager, Rental Apartment Building Operations (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, urban development projects, 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

2012: Director and Managing Executive Officer
(currently serving)

Takeshi Kousokabe

Age 55

Director and Managing Executive Officer

Head of Administration Department, Management Administration



Mr. Kousokabe, who holds the post of Director and Managing Executive Officer, is Head of the Administration 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.

Born in 1957

1980: Joins Daiwa House Industry

2010: Director and Senior Executive Officer

2012: Director and Managing Executive Officer
(currently serving)

Keiichi Yoshii

Age 54

Director and Senior Executive Officer

General Manager, Overseas Business

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

(currently serving)

Masahiro Kiguchi

Age 62

Director and Senior Executive Officer

General Manager, Rental Apartment Building Operations (West Japan)



Mr. Kiguchi is Head of the Company's Rental Apartment Building operations in West Japan. He aims to utilize and develop the land of primarily individual landowners and also companies, the national government, local governments, and independent administrative institutions to provide the rental housing that society needs.

Born in 1949

1974: Joins Daiwa House Industry

2012: Director and Senior Executive Officer
(currently serving)

Osamu Fujitani

Age 61

Director and Senior Executive Officer

General Manager, Retail and Wholesale Facilities Operations (East Japan, Kinki area, Chugoku area, Shikoku area)

Head of Retail and Wholesale Facilities Division



Mr. Fujitani 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 1951

1974: Joins Daiwa House Industry

2012: Director and Senior Executive Officer
(currently serving)

Koichi Kamikawa

Age 57

Director and Senior Executive Officer

Head of Osaka Honten Branch

Head of Kansai Block

Head of Housing Operations (West Japan)



As Head of Osaka Honten Branch and Head of Kansai Block, Mr. Kamikawa develops and promotes marketing strategies for the Kansai area. Furthermore, as head of Housing Operations in West Japan, he aims to expand sales based on individual customer satisfaction from the perspective of "home building" rooted in the local community.

Born in 1954

1977: Joins Daiwa House Industry

2012: Director and Senior Executive Officer
(currently serving)

Kenji Murakami

Age 64

Director

Mr. Murakami concurrently serves as the chairman of two of the group companies, and aims to promote collaboration by 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 the synergies of the 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

2012: Director (currently serving)

Representative Director and Chairman of Daiwa Rakuda Industry (currently serving)
Representative Director and Chairman of Daiwa Logistics (currently serving)

Kazuyoshi Kimura

Age 68

Outside Director

As an outside (independent) director, Mr. Kimura has the viewpoint and wisdom that come from experience in different industries, and makes recommendations and performs checks from the perspective of working for society in the same way he does as a top executive. He is involved from an angle that has a different character from the other directors, and he aims to contribute to sustainable growth and repay the trust placed in the company by the shareholders.

Born in 1943

1967: Joins The Nikko Securities Inc.

2000: Director and Vice-President of The Nikko Securities Inc.

2001: Director and President of Nikko Asset Management Co., Ltd.

2005: Chairman of (Former) Nikko Cordial Securities, Inc.

2008: Director and Co-chairman of Nikko Citi Holdings Inc.

2009: Director and Chairman of (New) Nikko Cordial Securities, Inc.

2010: Adviser (current SMBC Nikko Securities Inc.)

2012: Director and Chairman of Ra Holdings K.K. (currently serving)

Adviser to BIC CAMERA INC. (currently serving)
Director (currently serving)

Yutaka Shigemori

Age 63

Outside Director

Based on his 38 years of experience in the financial industry, Mr. Shigemori states his expert and frank views and utilizes the connections he has cultivated to contribute to the growth of the company. Furthermore, he co-creates value without forgetting the client perspectives that he learned when he was in positions that involved constant interaction with the clients.

Born in 1949

1974: Joins Yasuda Life Insurance Company

2002: Director and Ginza Branch Manager of Yasuda Life Insurance Company

2004: Executive Officer of Meiji Yasuda Life Insurance Company

2006: Managing Executive Officer (*Shikko-yakuin*) of Meiji Yasuda Life Insurance Company
Managing Executive Officer (*Shikko-yaku*) of Meiji Yasuda Life Insurance Company

2009: Representative Director and President of Meiji Yasuda Life General Insurance Co., Ltd.

2012: Director (currently serving)

Corporate Auditors

As of July 1, 2012



Kiyoshi Arase

Corporate Auditor

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



Ryoza 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



We will ensure thorough legal compliance and fulfill the core mission of a business corporation — to contribute to society

Following the devastating earthquake and tsunami of March 2011, the entire Group pooled its efforts to assist in the reconstruction of the disaster-hit region. The Corporate Auditors took steps to obtain adequate information on the activities of the Disaster Countermeasures Headquarters, and on the progress of temporary housing construction, and paid visits to the region to conduct audits. The Group worked under emergency conditions. I believe that our efforts were adequately successful.

Turning to other matters, from fiscal 2011 through fiscal 2012 a number of irregularities came to light that resulted in a forced temporary suspension of business operations at certain Group members. In recent years we have seen a number of examples within Japan of problems stemming from inadequate corporate governance, and there have been strong calls for reform, not only of the auditing system but also of the governance structure of Japanese companies. Against this background, in June 2012 Daiwa House Industry appointed two external directors as a first step toward stronger governance. Together with the previously existing post of external corporate auditor, this gives the Company three independent officers at the executive level, and we notified the Tokyo Stock Exchange to this effect. I look forward to the external directors exercising a supervisory function from an independent standpoint, and I believe that this will enhance the efficiency of the Company's management and contribute to an improved and more ethical.

We are committed to the full observance of all laws and regulations, and take the stance that even one instance of non-compliance is one too many. In the event of a violation or the risk of one, we conduct investigations at the division or place of business in question to obtain a complete picture of the sequence of events and determine the cause. Where structural problems are encountered, we go back to basics, making recommendations to the Company's top management calling for rigorous enforcement of the fundamental rules and application of preventive measures to all other divisions and Group companies. Also, to ensure that the corporate auditors at the Group's other companies fulfill their responsibilities, we hold workshops at which we present actual cases drawn from the experience of the Legal Department and Internal Audit Office, making participants fully aware that a scandal at one Group company will have repercussions across the entire Group. We stress that when a problem arises, the auditors must report it without delay. The core mission of every business corporation is to make a contribution to society, and the basic premise for this is that the company must abide by society's rules. All members of the management and staff of the Daiwa House Group must keep this at the forefront of their minds during the day-to-day performance of their duties.

Basic policies

The management of the Daiwa House Group puts 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 increasing 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 based on that swift execution of decisions made, together with an effective system for monitoring the conduct of management.

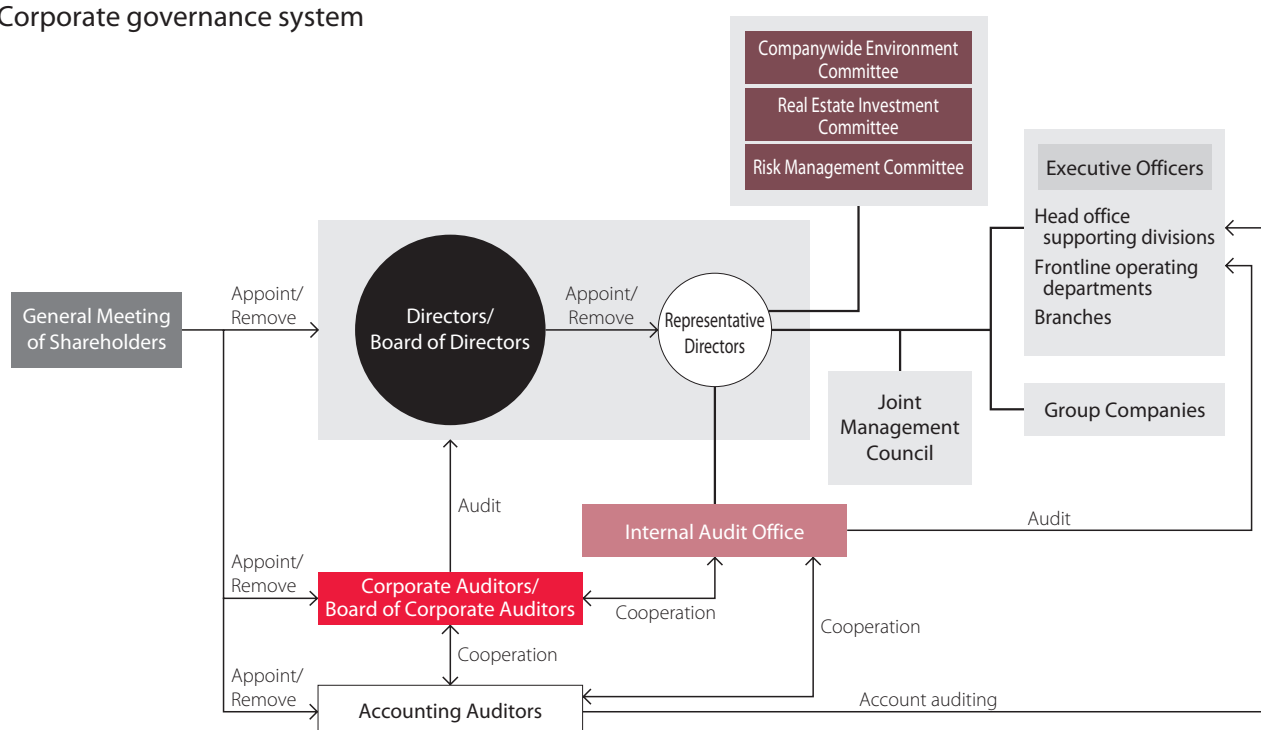
Status of corporate governance system

The Company has adopted a corporate auditor (Board of Corporate Auditors) system to ensure the enhancement of monitoring and supervision functions and the transparency of decision-making by making sure that management monitoring by the corporate auditors and external auditors functions sufficiently well.

The Company has determined that the system of the Company based on this management monitoring by the corporate auditors is functioning effectively and appropriately, but in addition to this we newly appointed external directors in June 2012 in order to further improve the effectiveness of the management supervision and the transparency of decision-making by the Board of Directors.

We believe that our new corporate governance system founded on a Board of Directors that includes external directors and a Board of Corporate Auditors with 50 percent external auditors is consistent with the overriding objective of the Company of "a management system characterized by efficiency and transparency, through swift and accurate decision-making, swift execution of decisions made, together with an effective system for monitoring the conduct of management." Moreover, as an initiative for the enhancement of corporate governance, with the objective of contributing to appropriate and mobile decision-making by the representative directors and the Board of Directors, we have established committees in each sector that examine and consult on management issues.

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 2011, 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 size of the role and the scope of responsibilities of each job title, 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 (excl. external directors)	19	642	18	238	880
Corporate auditors (excl. external auditors)	3	75	3	24	99
External directors and corporate auditors (external auditors)	3	32	3	10	42

Notes: 1. The above figures for the number of persons receiving basic compensation and the amounts paid include one director who retired as of the conclusion of the Company's 72nd Ordinary General Meeting of Shareholders, held on June 29, 2011. As of the end of March 2012, 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: ¥139 million (five 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 19 assistants (13 certified public accountants and six assistant accountants and others). Details of executive staff are as follows.

Hirofumi Kawasaki (continuous auditing experience: four years)

Akihisa Watanabe (continuous auditing experience: five years)

Takashige Ikeda (continuous auditing experience: four years)

Breakdown of compensation for auditing services

Compensation for services in the preparation of the audit report:

¥179 million (¥180 million for fiscal 2010)

Compensation for non-auditing services:

¥28 million (¥8 million for fiscal 2010)

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.

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 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 further corporate value through measures such as establishing management practices with a greater emphasis on shareholders and fulfilling our corporate social responsibilities.

Independence of external officers

The Company considers the “supervision functions” of sound management to be an important element of company management, so we have developed a system under which both the Board of Directors and the Board of Corporate Auditors include external officers and each body can fulfill its supervision functions. Furthermore, the Company is aware of the fact that reflecting in management judgments various views and insights from perspectives that have no risk of leading to conflicts of interest with general shareholders is important for increasing the transparency of management, so we have ensured that the external officers are comprised of several officers in positions that are independent from the management.

For the standards of independence we referred to the standards of the independent officer system designated by the Financial Instruments Exchange, and as of June 28, 2012 three of our five external officers (two external directors and one external auditor) are designated independent officers.

Relationship between the company and independent officers

Our three independent officers have no special interests in the Company.

Functions and roles of external officers

External directors

Kazuyoshi Kimura (Appointed June 2012)

The Company appointed Mr. Kimura because we expect that he will utilize his strong knowledge of business management cultivated over his many years of experience as a business manager in securities companies and consulting companies and will supervise the management of the Company from an independent perspective.

Yutaka Shigemori (Appointed June 2012)

The Company appointed Mr. Shigemori because we expect that he will utilize his strong knowledge of business management cultivated over his many years of experience as a business manager in life insurance companies and non-life insurance companies and will supervise the management of the Company from an independent perspective.

External auditors

Kazuhiro Iida (Appointed June 2005)

The Company appointed Mr. Iida because we expect that he will utilize his specialized knowledge, many years of experience, and wide-ranging insights related to corporate legal affairs as a lawyer in audits of the Company.

Kiichiro Iwasaki (Appointed June 2005)

The Company appointed Mr. Iwasaki because we expect that he will utilize his strong knowledge of business management cultivated over his many years of experience as a business manager in securities companies and consulting companies to perform audits of the Company.

Yukinori Kuwano (Appointed June 2008)

The Company appointed Mr. Kuwano because we expect that he will utilize his strong knowledge of business management cultivated over his many years of experience as a business manager in leading electrical appliance manufacturers and other companies, and will perform audits of the Company from an independent perspective.

Initiatives to Strengthen Corporate Governance

Year	Initiative
1999	Establishment of the Risk Management Committee
2001	The term of office of directors shortened to one year in order to clarify the management responsibilities of the directors
2006	J-SOX Law Project Department (Currently the J-SOX Law Department) launched
2007	The new executive officer system adopted to clarify the responsibilities, roles and specific duties of directors and executive officers
2008	Establishment of the Real Estate Investment Committee
2010	Establishment of the Companywide Environment Committee
2012	Appointment of external directors to improve the effectiveness of management supervision and the transparency of decision-making

Organizations and committees: their roles and members

(As of June 28, 2012)

Directors/Board of Directors	Members
<p>In line with the law, the articles of incorporation and the Board of Directors Regulations, and other company rules, the Board of Directors makes decisions on matters of importance, and also supervises the execution of duties by the directors. To increase the mobility and flexibility of management and clarify the management responsibilities of the directors for each business year, in June 2001 the term of office of directors was set at one year. Furthermore, we adopted a new executive officer system to clarify the responsibilities, roles and specific duties of directors and executive officers within a framework of a Board of Directors that includes external directors and a Board of Corporate Auditors. The Board of Directors met 15 times during fiscal 2011, with an average rate of attendance at board meetings of 99% amongst directors and 100% amongst corporate auditors.</p> <p>Supervision by External Directors, Interconnections with Other Audits, and the Relationship to the Internal Control Division</p> <p>The Company is working to strengthen functions to supervise management by building a system under which the external directors can receive reports on internal audits, audits by corporate auditors, accounting audits and internal control, and state the necessary views as appropriate, mainly through attendance at the meetings of the Board of Directors and the Joint Management Council. Furthermore, we are providing support for the external directors in their work, including gathering and organizing company information as needed and explaining draft resolutions for meetings of the Board of Directors.</p>	<p>Directors: 19 External directors: 2 Corporate auditors (internal): 3 Corporate auditors (external): 3</p>
Corporate Auditors/Board of Corporate Auditors	Members
<p>In line with the Board of Corporate Auditors Regulations and the Auditing Standards for the Corporate Auditors, corporate auditors attend meetings of the Board of Directors and other important management meetings as deemed necessary, receive business reports from the directors, peruse documents relating to significant Board decisions, and 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. Through these activities, they perform audits of the correctness of the execution of duties by the directors. The Board of Corporate Auditors met 14 times during fiscal 2011, with an average rate of attendance of 100%.</p> <p>Audits by the External Auditors, Interconnections with Other Audits, and the Relationship to the Internal Control Division</p> <p>The external auditors cooperate with the corporate auditors (internal) at all times and share the information necessary for the monitoring and supervision of management, including the content of reports from the Internal Control Division and the accounting auditors. Furthermore, the Corporate Auditors' Office reports the results of major audits to the external auditors. Through these kinds of information and attendance at meetings of the Board of Directors, the Joint Management Council, and other bodies, the external auditors receive reports on internal audits, audits by corporate auditors, accounting audits and internal control, and state the necessary views.</p> <p>Coordination with Accounting Auditors</p> <p>Our corporate auditors meet with the Company's accounting auditors on a regular basis for briefings and discussion sessions regarding matters such as financial audit plans for the relevant fiscal year (outline of auditing system and methods) and end-of-year financial audits (details of offices subject to auditing, audit procedure, etc.). Meetings regarding other specific matters are also held as and when necessary, along with briefings and discussion sessions regarding changes to auditing systems and other alterations.</p>	<p>Corporate auditors (internal): 3 Corporate auditors (external): 3</p>

Coordination with Internal Audit Departments	
Our corporate auditors work in close cooperation with internal audit departments and receive additional briefings whenever an audit is carried out, via channels such as written or verbal audit reports. In addition to carefully examining audit report findings and making supplementary suggestions as necessary, our corporate auditors also evaluate audit systems and submit review requests to the Company's directors.	
Joint Management Council	Members
The members of the Joint Management Council are the directors, executive officers and corporate auditors. The council discusses and gives reports on major matters related to implementing the business of the Company, and performs assessments of internal control, risk management, and other aspects. In fiscal 2011 the Joint Management Council met 10 times.	Directors: 19 External directors: 2 Executive officers: 25 Corporate auditors (internal): 3 Corporate auditors (external): 3
Risk Management Committee	Members
With the head of Management Administration as chair, and as committee members the heads of the 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 2011.	Risk Management Committee members: 63 (Standing Committee members: 37)
Real Estate Investment Committee	Members
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 10 times in fiscal 2011 to assess 16 projects.	Representative directors: 6 Directors: 2 Corporate auditor: 1 Regular employees: 10
Companywide Environment Committee	Members
Chaired by the officer in charge of the environment, this committee meets twice yearly to discuss and determine the strategic direction, priority strategies and issues 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.	Officer in charge of the environment: 1 Standing Committee members: 12 Non-standing Committee members: 20
Internal Audit Office	Members
The Company has set up an Internal Audit Office under the direct control of the President, with the responsibility of checking whether the Company's administrative processes and systems are working correctly, and proposing remedial action when deemed necessary. The office gives instructions to audited divisions or departments for improvements on the basis of the audit results, and requests status reports on measures taken after the audit to ensure that the auditing process is conducted correctly and efficiently. Furthermore, the Internal Audit Office and the accounting auditors cooperate closely, by providing each other with information about scope, results, present conditions, and other matters as necessary.	Regular employees: 15
Corporate Auditors' Office	Members
We have set up a Corporate Auditors' Office with specialist staff to support the corporate auditors in their work. Such staff are responsible for gathering and organizing company information as needed and giving support in tasks such as explaining draft resolutions for meetings of the Board of Auditors and Board of Directors.	Regular employees: 4

Internal Control

We have systems in place to ensure that directors perform their duties in accordance with the law, as stipulated under the Japanese Companies Act and the Financial Instruments and Exchange Act (J-SOX Act), as well as the Company's articles of incorporation, and to ensure the legitimacy of other corporate operations. Our Basic Policies with Regard to the Creation of an Internal Control System and Management Guidelines for Internal Controls in Relation to Financial Reporting are both approved by the Board of Directors as part of our ongoing efforts to further reinforce corporate governance and ensure compliance.

Basic policies and developmental status of internal control system

1

System to ensure that the performance of their duties by the directors and employees of the Company conforms to laws and regulations as well as the Company's own articles of incorporation

We have established the Code of Ethics of the Daiwa House Group as part of our resolve to ensure that all aspects of our corporate activities comply with laws and regulations. Representative directors convey this resolve to Daiwa House Group management and lead by example. The following system has been established.

- (1) From among the directors, one director is assigned responsibility for overall compliance (the Risk Management Committee Chairperson) to orchestrate the compliance system across the Daiwa House Group and identify problem areas.
- (2) One person from each division is assigned responsibility for the analysis of compliance and risk issues particular to that division. Specific response measures are devised, and the necessary compliance education and training related to enacted and revised laws and regulations is conducted.
- (3) In the event that directors, corporate auditors or those responsible for compliance discover compliance-related problems, the problems are immediately reported to the Risk Management Committee Chairperson.
- (4) In order to gather information related to compliance, a Corporate Ethics Hotline has been set up in the CSR Office. The CSR Office investigates the details of reports, and discusses and decides on recurrence prevention measures in conjunction with the respective division. If it is determined that a director or directors are intimately involved or if there is a serious violation of laws or regulations, the problem is reported to the Risk Management Committee, the Board of Directors or the Board of Auditors, depending on the situation.
- (5) The Internal Audit Office has been established to audit various process- and work-related matters, identify as well as prevent misconduct, and improve work-related processes.
- (6) The Company's corporate auditors, CSR Office, Internal Audit Office, Consolidated Management Administration Department, and Legal Department routinely collaborate to identify any problems in the compliance system of the Daiwa House Group.
- (7) Disciplinary Guidelines are established to deal with conduct that violates laws and regulations or our Articles of Incorporation. These matters are handled fairly, based on the respective guidelines.

2

System to store and manage information related to the performance of their duties by the directors of the Company

From among its directors, one director is assigned responsibility for the storage and management of information related to the performance of their duties by directors and employees. The following system has been established.

- (1) Document Management Guidelines have been drawn up and published. Information that relates to director or employee performance of duties is appropriately recorded and stored in written documents or electronic media (hereafter, "documents, etc.").
- (2) Directors and corporate auditors may view these documents, etc. at any time.
- (3) Management of information is handled in accordance with guidelines related to information security and the Company's basic policy on the protection of personal information.

3

Crisis management system (for minimization of losses)

From among the Daiwa House Group directors, one director is assigned responsibility for risk management (the Risk Management Committee Chairperson) to orchestrate the risk management organization across the Daiwa House Group, defined as follows, and to take preventive measures against the materialization of risks.

- (1) Risk management for the Daiwa House Group is systematically prescribed in the Risk Management Guidelines.
- (2) Based on the Risk Management Guidelines, the Risk Management Committee Chairperson promptly relays the appropriate information in the event of a contingency corresponding to an assumed risk and organizes the emergency setup. (This includes the establishment of an emergency task force in the event of a large-scale accident, natural disaster or scandal.)
- (3) In addition, the Risk Management Committee has been established: the committee regularly checks the status of system development in (2) as well as makes improvements to the overall system by investigating specific cases.
- (4) The Risk Management Committee Administration Office has been set up within the Legal Department as the administrative division of the Risk Management Committee.

- (5) One staff member responsible for risk management is designated in each division, with the responsibility for continuously monitoring risks in his or her division. In addition, serious scandals or accidents occurring within the Daiwa House Group or at other companies are quickly made public, and the necessary education and training conducted.
- (6) In conjunction with the corporate auditors, the Internal Audit Office routinely monitors the status of risk management in each division.
- (7) Items related to risk management in (3) and (6) are regularly reported to the Board of Directors and Board of Auditors.
- (8) The Risk Information Hotline has been set up to enable employees who discover risks or potential risks at the Company to directly contact the Risk Management Committee.

4 System to ensure efficient performance of duties by directors

Through implementation of the following management system, the Daiwa House Group ensures the efficient performance of their duties by the Company's directors.

- (1) Companywide objectives shared among directors and employees are set out and made well known, and a medium-term management plan is formulated based on these objectives.
- (2) To execute the medium-term management plan, the Board of Directors establishes performance objectives and budgets for each business division each term, based on the plan. In principle, the respective priority levels of R&D, investment in facilities and new businesses are determined on the basis of the estimated degree of contribution to achieving the objectives of the medium-term management plan. At the same time, human resources are efficiently allocated to each business division.
- (3) Directors determine the organization to realize efficient performance of duties, including specific measures to be implemented by respective divisions and the division of authority.
- (4) Actively utilizing IT, performance is quickly turned into management accounting data on a monthly basis and reported to the respective director as well as the Board of Directors.
- (5) The Board of Directors assesses results on a monthly basis. The respective director analyzes the factors that resulted in objectives not being attained, and must report on improvement measures designed to reduce and/or eliminate these factors, revising the objectives as necessary.
- (6) On the basis of the results of the analysis carried out in (5), the director makes improvements to the system or procedures to facilitate the efficient performance of duties, including specific measures to be implemented by the respective division and the division of authority.

5 System to ensure fair business practices by the corporate group (Group companies)

From among the directors, one director is assigned responsibility for ensuring that the business practices of the Daiwa House Group are fair. The following system has been established.

- (1) In conjunction with Group companies, related divisions of the Company implement measures to enhance the effectiveness of internal controls at Group companies as well as to give instructions and assistance to Group companies as necessary.
- (2) In conjunction with Group companies, related divisions of the Company ascertain the status of internal controls at Group companies and give instructions to make improvements as necessary.
- (3) The Internal Audit Office conducts internal audits of Group companies.
- (4) The staff member holding overall responsibility reports to the Board of Directors on the status of internal controls at the respective Group company on an as-needed basis.

6 System for the management of employees requested to assist the corporate auditors, and items related to the independence of the said employees from the Company's directors

We have put in place the following systems for employees assigned to assist corporate auditors.

- (1) The Auditors Office has been set up to serve as a department to assist the corporate auditors. Employees are exclusively assigned to it at the request of corporate auditors.
- (2) The Board of Auditors receives a report in advance from the director in charge of human resources regarding transfers of personnel to the Auditors Office. Accompanied by appropriate reasons, the Board of Auditors can also make requests to the director in charge of human resources for personnel changes on an as-needed basis.
- (3) In the case of disciplinary action against an employee or employees assigned to assist the auditors, the director in charge of human resources must obtain the approval of the Board of Auditors in advance.

7

System for the Board of Directors and employees to report to the Board of Auditors and other related systems

1) The Board of Directors reports the following prescribed items to the Board of Auditors.

- (1) Items that may result in significant losses to the Company
- (2) Important items related to monthly management status
- (3) Important items related to status of internal audits and risk management
- (4) Serious violations of laws, regulations and the Articles of Incorporation
- (5) Status and details of Corporate Ethics Hotline and Risk Information Hotline reports
- (6) Other important items related to compliance

2) In the event that an employee discovers incidents related to the aforementioned (1) and (4), the employee may report directly to 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.

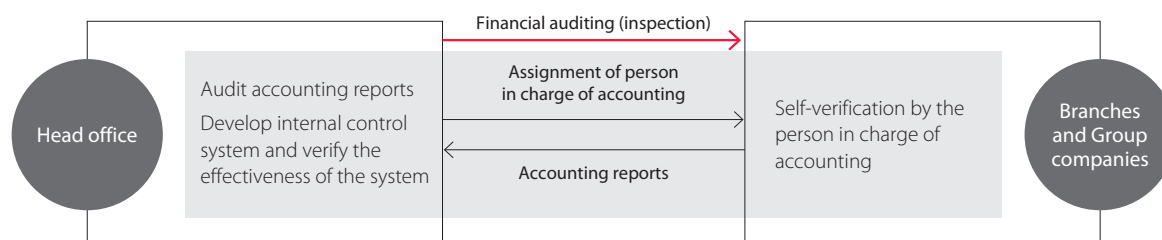
- (1) In the case of a request for an interview by a corporate auditor, directors and employees must comply.
- (2) Corporate auditors receive reports on the status of implementation of internal audits, and may request additional audits, formulation of improvement measures or other matters as necessary.
- (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 addition, we strengthened monitoring functions in fiscal 2011, by verifying internal controls at 12 Group companies, and conducting interviews with eight into general IT management, including operating and maintenance of core operating systems. Our head office also introduced the new core personnel and accounting system DG-CORE, to streamline core administration radically for expansion of business at home and abroad and ahead of adoption of International Financial Reporting Standards (IFRS). This will be steadily introduced at Group companies, centralizing our accounting operations and enabling us to manage internal controls using IT.

Accounting process (summary)



Reinforcing compliance

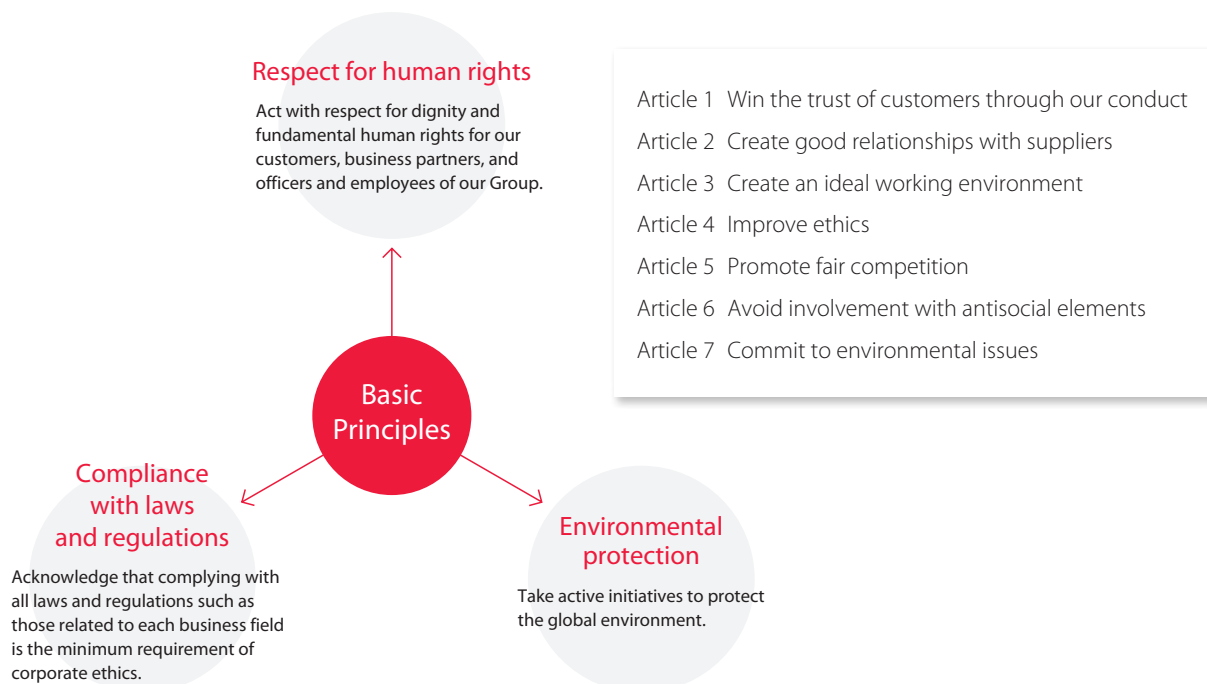
We formulated the Daiwa House Group Code of Ethics and supplementary Behavioral Guidelines in April 2004 with the aim of clearly defining the necessary principles of conduct in order to put our corporate philosophy and policy into practice. In the same year, we created the Daiwa House Group Casebook educational booklet and distributed copies to all Group employees. The booklet contains details about our Code of Ethics, Behavioral Guidelines, Case Studies and Corporate Ethics Hotline. With the second edition of the booklet, published in 2006, we began including a pledge that all employees are required to sign, encouraging them to carry out their duties in accordance with the Code of Ethics.

The Group also organizes participatory training sessions for all employees, including part-timers and those from temporary agencies, using the group discussion format, with themes such as improving the organizational culture and dealing with ethical dilemmas, to prevent scandals from arising. In fiscal 2011, we held 97 training sessions in all, attended by a total of 4,684 employees. When attendees were surveyed at the end of the fiscal year regarding their satisfaction with the sessions, 85.8% described the training as “useful,” compared with our target of 80% for participant satisfaction.

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 related regulations to protect whistle-blowers that use the hotline. We received a total of 143 inquiries and reports over the course of fiscal 2011, mainly related to working environments and sexual and other forms of harassment. Of these cases, 84.2% were resolved within one month. In April 2012, we changed the name to the Corporate Ethics and Human Rights Helpline, aiming to gather more sensitive information relating to human rights. We also operate the Partners Hotline, which allows business partners to report any issues regarding their dealings with the Group. The hotline helps us to rapidly identify and resolve any potential legal violations in relationships between employees and business partners, enhancing our ability to eradicate issues internally before they become more serious. We received 12 reports via this hotline in fiscal 2011. We will continue to operate these systems with the aim of resolving any issues that arise, as well as implement employee training to build better relationships with our business partners and raise awareness of the Partners Hotline.

Daiwa House Group Code of Ethics



Risk Management

Risk management

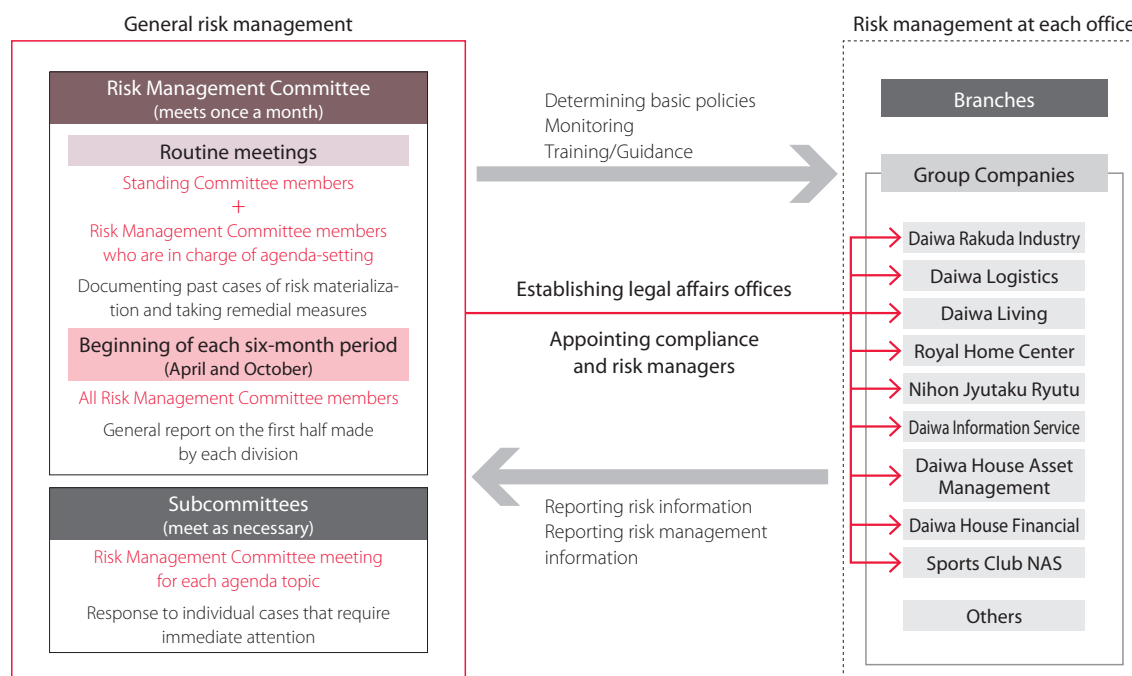
On the basis of the Daiwa House Group Risk Management Guidelines, the Risk Management Committee, chaired by the head of Management Administration, is positioned as the controlling body for risk management activities across the entire Group. The Committee works to maintain and enhance the Group's risk 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.

In fiscal 2011, we partially revised the operational procedures of our Risk Management Committee to reinforce its role as the controlling body for risk management issues. Specifically, the Risk Management Committee Secretariat is responsible for handling reports into risk incidents. It now requests reports on investigations and responses for each incident and then submits details to the committee at the next monthly meeting as part of a wider overhaul of procedures into how risk management issues are handled. Risk management committees at each business site and Group companies are now required to provide recommendations and proposals for improvements to rules in reports they submit. They present these points to the Risk Management Committee when submitting their report. These points are also raised with related divisions and their responses are submitted to and collected by the Risk Management Committee.

Going forward, we will continue to strengthen our risk management framework while clarifying responsibilities and jurisdiction for risk issues. At the same time, we will build a system to support our overseas operations as we seek to expand worldwide.

An overview of the system linking risk management departments (As of April 1, 2012)



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 2011

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. Separate courses are conducted for each employee rank. In fiscal 2011, we held 114 training sessions about risk management at the Company's offices and plants and at Group companies. The sessions were attended by a total of 5,349 employees. We also hold regular seminars about Japanese corporate law for the Joint Management Council, which is made up of directors and executive officers. 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.

Based on the fiscal 2010 findings of our working group to examine the Company's relationships with its business partners, we implemented new regulations in areas that required improvement and propagated the regulations Companywide to raise awareness of them.

Risk information trends

In fiscal 2011, there were a total of 336 risk incidents at the Company's business bases and Group companies (197 cases at the Company and 139 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.

We seek to build a more effective risk management system through the establishment of risk management policies and other measures.

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.

Quality assurance initiatives

We created a Quality Assurance Promotion Department in the Customer Satisfaction (CS) Division in 2007 to pass on customer feedback to all business sites and step up improvements to quality and operation procedures. This department shares information with the CS Division, which is responsible for raising the level of customer satisfaction, while promoting quality control at all stages of the product lifecycle, from design and development right through to production, construction and after-sales services. Below is a list of our main quality assurance initiatives:

1. Design and development inspections

Our Central Research Laboratory looks at quality assurance issues from a number of angles during the product development phase. However, given the importance of ensuring quality at the earliest phase of the product lifecycle, the Quality Assurance Promotion Department also screens the laboratory's findings and examines product design and development processes.

2. Procurement specification inspections

Standard parts and materials procured from suppliers are only used in our products after undergoing performance and specification checks. Quality management systems at suppliers are also verified.

3. Technician training

We place priority on education and training in worksite operations. Only employees who have passed our technical training courses are allowed to carry out particularly important work.

4. Inspections and building work supervision

To ensure quality during the construction phase, members of the Quality Assurance Promotion Department supervise building work and screen quality records, supplementing self-inspections carried out by construction contractors and construction project managers.

5. Quality Improvement Committee meetings

Business sites hold quality management meetings and the head office convenes meetings of the Quality Improvement Committee to rapidly resolve any quality issues that owners may have and implement quality improvements.

6. Compliance and risk assessments

The Quality Assurance Promotion Department provides guidance to business sites regarding quality, cost, processes, morale, safety and industrial waste disposal during the design and construction phases.

Preventing workplace incidents at worksites

We formulate health and safety plans for all our business sites throughout Japan in accordance with our basic health and safety promotion policy, which we update each year. These plans include targets aimed at reducing worksite health and safety risks and continuous steps are taken to improve worksite health and safety in line with monthly action plans. These activities succeeded in reducing the number of incidents through to fiscal 2009. However, although there were no serious incidents in fiscal 2010 and fiscal 2011, the number of incidents increased,

mainly reflecting a rise in the number of employees affected by heatstroke during summer heat waves. Summer in fiscal 2012 is also forecast to be very hot, so we are giving employees advice on how to prevent heatstroke. We are also stepping up our efforts to improve worksite health and safety by identifying the cause of all workplace incidents and taking steps to prevent any reoccurrence.

Complying with environmental laws and regulations

The Environment Department is responsible for ensuring all divisions comply with relevant environmental laws and regulations, and rules. In the Production Division, which must comply with a large number of environmental laws and regulations, the production department is responsible for integrated oversight of environmental compliance. The department trains and places employees at each factory to handle legal issues as part of efforts to reinforce compliance with environmental laws and regulations, including bylaws. When regulations are revised, the responsible department updates each business site about the revisions and measures to be taken. They also handle any queries that business sites may have about the revised regulations. The production department has also defined the procedures that need to be followed in the unlikely event that environmental regulations are infringed, an accident with environmental impact occurs, or the Company receives a complaint about environmental issues. It also conducts regular education and training sessions to ensure the highest level of readiness. In fiscal 2011, there were no serious infringements of environmental regulations or related lawsuits.

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.

BCM* (Business Continuity Management)

As part of its risk management activities, the Daiwa House Group has developed a BCP (business continuity plan) to minimize damage to the Company in the event of a major disaster or other crisis causing significant damage in order to fulfill its corporate social responsibility to all stakeholders. The Group BCM Committee met twice in fiscal 2011. Following the Great East Japan Earthquake in March 2011, the committee focused on reviewing initial disaster response systems, employee safety confirmation systems, and distribution systems for relief supplies. The committee also revised existing standards for emergency stockpiling for disasters. It worked to identify any potential issues in tsunami response measures, customer support measures and BCPs for each factory. Going forward, the committee will overhaul the Company's response manual for major disasters and reinforce BCM across the Group.

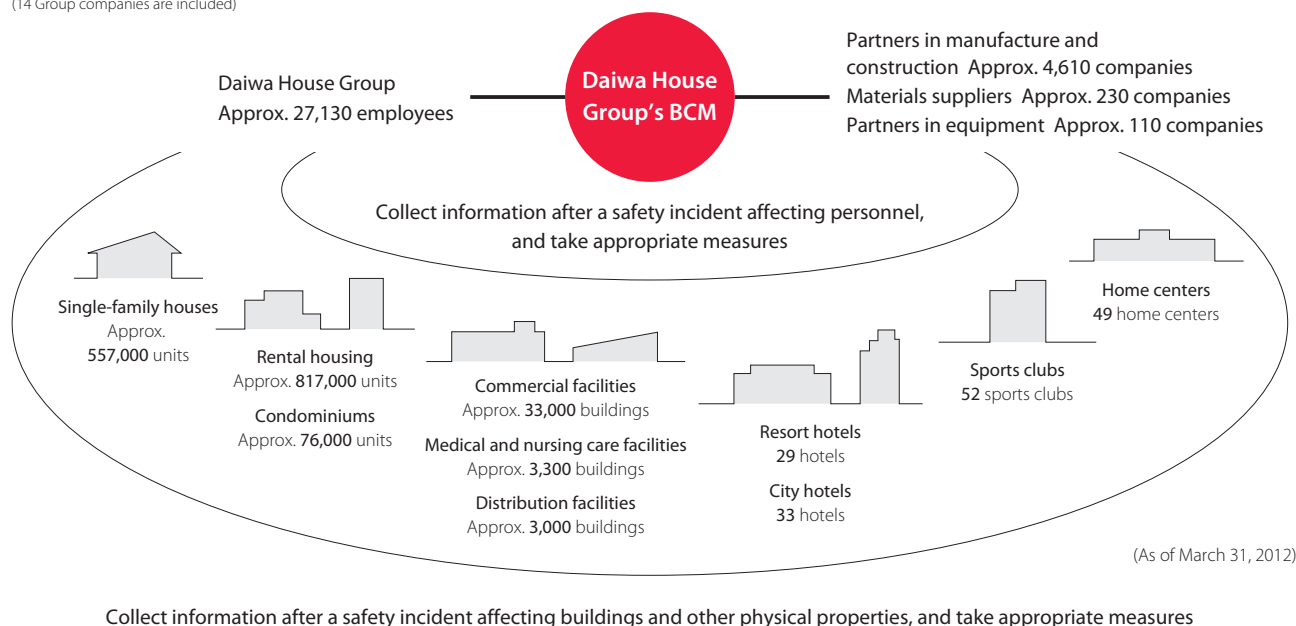
* BCM (Business Continuity Management): A management system that drafts, operates and reviews the plan (Business Continuity Plan) that stipulates what actions need to be taken in the event of an emergency in order to sustain core operations or allow early recovery while minimizing damage to business 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 2011
<ul style="list-style-type: none"> Upgraded emergency stockpiling at head office Drafted new standards for emergency stockpiling at business offices Created stockpiling at all business sites (scheduled for completion in September 2012) Designated evacuation zones in the event of a disaster and displayed evacuation routes (tsunami response measure) at all business sites Increased the number of Group companies with employee safety confirmation systems (11 companies to 16 companies)
Fiscal 2012 and beyond
<ul style="list-style-type: none"> Developed response plans for disasters that cause secondary and wide-area damage Reinforced disaster-response equipment (concentrate stockpiling at factories, increase items useful for members of the public struggling to return home and for customers) Conducted disaster-response training (Initial disaster-response drill, etc.) Created a BCP system based on closer cooperation with Group companies

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, 2012.

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.

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

'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)

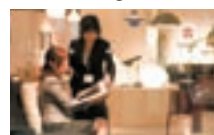
Tentakubin (current Daiwa Service) established

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

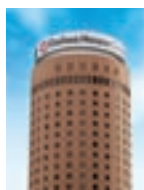
2004

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



Daiwa House®
Group

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)



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



2012

Daiwa Living Management founded

Global Holding Co., Ltd. became a consolidated subsidiary of Daiwa Service

Principal Subsidiaries and Associated Companies

As of August 1, 2012

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/
Maintenance & operation of commercial facilities/
Environmental greening
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 Management Co., Ltd. (100%)

Businesses related to rental housing
www.daiwaliving-mgt.co.jp

Daiwa Living Co., Ltd. (100%)

Management/Operation of rental housing
www.daiwaliving.co.jp

Daiwa Estate Co., Ltd. (100%)

Real estate agency
www.daiwaestate.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

Global Community Co., Ltd. (100%)

Management of condominiums & buildings
www.glob-com.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 House Renew Co., Ltd. (100%)

Renovation design & execution/
Property inspection
www.daiwahouse-renew.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 Energy Co., Ltd. (100%)

ESCO business/Power generation business/
Facility installation
www.daiwa-energy.com

Eneserve Corporation (100%)

Comprehensive energy services
www.eneserve.co.jp

Daiwa Lantec Co., Ltd. (100%)

Foundation assessment & reinforcement
www.daiwalantec.jp

Jukeikai Co., Ltd. (100%)

Fee-based homes for the elderly
www.neo-summit.com

Daiwa House Life Support Co., Ltd. (100%)

Fee-based homes for the elderly
www.mominoki-life.com

Osaka Marubiru Co., Ltd. (96.7%)

Management of hotels/Rental of commercial
facilities
www.marubiru.com

Nishiwaki Royal Hotel Co., Ltd. (100%)

Hotels
www.nishiwaki-royalhotel.jp

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

Daiwa Core Factory 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

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

Overseas

DH (Dalian) Administrative Management

Consulting Center Co., Ltd. (100%)
Business process outsourcing (BPO) business

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

Daiwa House Vietnam Co., Ltd (100%)

Construction/Business process outsourcing (BPO)
business

Corporate Data

As of April 1, 2012

Corporate name:	Daiwa House Industry Co., Ltd.	Branches:	76
Founding:	April 5, 1955 (Established: March 4, 1947)	Factories:	10
Paid-in capital:	¥110,120,483,981	Research center:	Central Research Laboratory (Nara)
Employees:	13,592	Training centers:	Nara, Osaka and Tokyo
Head office:	3-3-5 Umeda, Kita-ku, Osaka 530-8241, Japan Phone: +81-6-6346-2111	Overseas offices/ Representative offices:	Shanghai (China), Taipei (Taiwan), Ho Chi Minh (Vietnam), Kuala Lumpur (Malaysia)
Tokyo office:	3-13-1 Iidabashi, Chiyoda-ku, Tokyo 102-8112, Japan Phone: +81-3-5214-2111	Contact:	Daiwa House Industry Co., Ltd. IR Department, Management Administration Headquarters Phone: +81-6-6342-1400 Fax: +81-6-6342-1419 e-mail: dh.ir.communications @daiwahouse.jp
Nagoya office:	1-20-22 Aoi, Naka-ku, Nagoya 460-8491, Japan Phone: +81-52-933-2703	Daiwa House website:	Daiwa House Group: http://www.daiwahouse.com/English Daiwa House Industry Co., Ltd.: http://www.daiwahouse.co.jp/English
Yokohama office:	14,15F/ Minatomirai Center Building, 3-6-1 Minatomirai, Nishi-ku, Yokohama 220-8620, Japan Phone: +81-45-650-5200	Securities traded:	Tokyo and Osaka stock exchanges
Chiba office:	3-19-4 Oyumino, Midori-ku, Chiba 266-0031, Japan Phone: +81-43-291-9633	Securities code:	1925
Saitama office:	3-261-2 Onari-cho, Omiya-ku, Saitama 330-9558, Japan Phone: +81-48-663-8211		
Sendai office:	3-8-1 Izumi-Chuo, Izumi-ku, Sendai 981-3133, Japan Phone: +81-22-375-5111		
Fukuoka office:	2-11-24 Kamimuta, Hakata-ku, Fukuoka 812-0006, Japan Phone: +81-92-473-0833		

Sources

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P22	World energy consumption: Estimates by the Institute of Energy Economics, Japan	P90	Housing stock in Japan; total number of households: 2008 Statistical Survey of Housing and Land
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P51	Rate of ownership by foreign investors of stocks in listed Japanese companies 2011: Shareownership Survey (Japanese Stock Exchanges Conference)	P102	Number of facilities for care of the elderly in Japan: Elderly Care Facility Market 2011: Yano Research Institute, Ltd.
P62	Real economic growth rate: IMF: World Economic Outlook Database	P103	Breakdown of construction starts in Japan by usage; floorspace trends by usage: Report on Construction Starts — FY2011 Statistics (MLIT)
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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 • Keisuke Kondo
Japanese writers • Kazutaka Morimoto/Daiwa House; Yumi Minobe
Editors • Kazutaka Morimoto/Daiwa House; Noriko Suzuki • Masatoshi Hizawa/D & Join Inc.
English translator • Stephen Lloyd English editor • Ian Channing/D & Join Inc.
Coordinator • Katsuya Iwado/D & Join Inc.
Assistant directors • Ken Furusyo • Mariko Marui • Nao Kishigami • Azusa Matsumoto • Tetsuo Kubo •
Dongwei Wu • Jingya Pei • Haruka Morita/Daiwa House







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