



News Release (Translation only)

April 22, 2011

Company: Daiwa House Industry Co., Ltd.
(Code number: 1925,
First Section of the Tokyo Stock Exchange
and the Osaka Securities Exchange)
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Daiwa House's Response to Advisory Notice from the Labor Standards Inspection Office

On January 27, 2011, the Company received a written Advisory Notice from the Tenma Labor Standards Inspection Office relating to management of overtime work. The Company undertook an investigation covering all Group members, and as a result, it found uncovered wage arrears totaling some ¥3.2 billion.

Accordingly, we are making public this investigation and report regarding measures for preventing recurrence of these problems and regarding in-house sanctions, as described below.

1. Investigation and Report relating to the Advisory Notice

The Company has been advised by the Tenma Labor Standards Inspection Office that it has not met legal standards for overtime pay (“extra wage pay” in Japanese labor law), and has been instructed to make payments to cover shortfalls in “extra wage pay” over the past two years.

Under the direction of the Labor Standards Inspection Office, investigations were carried into not only the offices that received the Advisory Notice but also all other Company offices and plants. In addition, all member companies in the Group were investigated, revealing approximately ¥3.2 billion in arrears for the year ended March 31, 2011. The arrears payments will be added to April salaries.

【Findings of the Investigation 】 (Covering all 32 Group companies)

Period of the investigation	January 2009 to December 2010
Number of personnel investigated	25,025
Number of personnel entitled to arrears	9,387
Number of hours of arrears to be paid for	Approx. 1,514,458 hours (an average of approx. 6.7 hours per month per recipient employee)
Total of arrears payments	Approx. ¥3,206,140,000 (approx. ¥14,000 per month per recipient employee)

2. Preventing Recurrence of the Problem

The Company has established a range of support mechanisms to ensure employees enjoy a better work-life balance and has made changes to its working-hour schedules, lockout regime (under which Company premises are locked between 21:00 and 07:30 hours) and other systems. It has also launched a Companywide “Smart Biz” initiative soliciting suggestions from employees for productivity improvements, and has undertaken radical operational changes at each work unit. Following receipt of this Advisory Notice, we are implementing the following extra measures to ensure more rigorous due management of working hours.

(1) Better attendance management

We are improving the attendance management system to enable more accurate recording of work start and finish times, and more accurate reporting of overtime hours and work on holidays.

(2) Better employee awareness and guidance

- 1) We are taking measures to ensure that managers give clear advance notice of any need for overtime.
- 2) By compiling and circulating a “Time Management Guidebook” outlining our overall approach to work scheduling, we aim to encourage a more careful attitude to time management among all employees.

3) Review of evaluation mechanisms

We are undertaking an overhaul of process flows and operations, with incorporation of productivity into our performance evaluation benchmarks.

3. In-house Sanctions

We treat this Advisory Notice with the utmost seriousness. To clarify responsibility at the managerial level, all Directors and Executive Officers, and all Directors at subsidiaries of the Company in question, shall be subject to three-month salary reductions (of 6% on average).

4. Impact on Business Forecast for the Fiscal Year Ended March 31, 2011

We are currently compiling the Company's performance results for the fiscal year ended March 31, 2011. We will release the figures as soon as possible in the event that a revision of the business forecasts is required.

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Disclaimer

This English translation has been prepared for general reference purposes only. The Company shall not be responsible for any consequence resulting from the use of the English translation in place of the original Japanese text. In any legal matter, readers should refer to and rely upon the original Japanese text of the press release dated April 22, 2011.