



News Release (Translation only)

May 31, 2011

Company: Daiwa House Industry Co., Ltd.  
(Code number: 1925,  
First Section of the Tokyo Stock Exchange  
and the Osaka Securities Exchange)

Representative: Naotake Ohno, President and COO

Contact: Takeshi Kousokabe  
Director and Senior Executive Officer  
General Manager, Accounting Department,  
Management Administration Headquarters  
(Email to: dh.ir.communications@daiwahouse.jp)

### **Notice Concerning the Incidence of Prior Fiscal Year Income Taxes**

Daiwa House Industry Co., Ltd. underwent an audit of income and other taxes paid for the fiscal years ended March 31, 2005 through 2010 by the Osaka Regional Taxation Bureau. In spite of discrepancies in certain views, the Company acknowledged the need for improvement in specific areas. Accordingly, the Company accepted the findings of the Taxation Bureau, lodged an amended tax return and today received a notice of determination for additional tax assessment.

#### **Main Points of Audit Issues**

- Certain sales commissions relating to construction work orders identified as honoraria (a portion subject to additional taxation)
- Certain original software provided free of charge to a Chinese subsidiary identified as donations (subject to additional taxation)
- Consumption tax of certain rental condominiums which was recorded in full as a tax deduction on purchases at the time of its acquisition has not been accepted to be deducted because they were not yet sold.

The Company lodged an appropriate return with amended amounts for income, income tax and consumption tax of ¥423 million, ¥127 million and ¥217 million, respectively. Payment including additional taxes has already been made.

Daiwa House Industry takes this incident with the utmost gravity. In addition to implementing measures aimed at preventing a recurrence, the Company is taking steps to further strengthen internal control while adhering strictly to a process of compliance education.

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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 May 31, 2011.