

October 20, 2008

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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Notification of an Absorption-Type Company Split
between Consolidated Subsidiaries

Daiwa Lease Co., Ltd. and Daiwa Living Co., Ltd., 100%-owned consolidated subsidiaries of Daiwa House Industry Co., Ltd. have decided to transfer the rental house management business of Daiwa Lease Co., Ltd. to Daiwa Living Co., Ltd. by a company split, as part of the restructuring and streamlining of the duplicated business operations of the Daiwa House Group.

1. Purpose of the company split

Daiwa Lease Co., Ltd. has been operating a rental house management business, but this business will be transferred to Daiwa Living Co., Ltd. on April 1, 2009 as part of the restructuring and streamlining of the duplicated business operations of the Daiwa House Group.

2. Summary of the company split

(1) Schedule for the company split

Meetings of the Boards of Directors to make a resolution on the company split:

July 25, 2008 (Daiwa Lease Co., Ltd.)

October 20, 2008 (Daiwa Living Co., Ltd.)

Date of conclusion of the contract for the company split: October 20, 2008

Effective date of company split: April 1, 2009 (planned)

* Because this company split fulfills the requirements for simple absorption-type company splits laid out in Article 796.3 of the Company Law at both the splitting

company and successor company, the split will be carried out without requiring a resolution approved by either company's General Meeting of Shareholders.

(2) Split method

Absorption-type company split with Daiwa Living Co., Ltd. as the successor company and Daiwa Lease Co., Ltd. as the splitting company

(3) Increased capital due to succession

There will be no increase in capital due to the succession of the business.

(4) Rights and obligations that the successor company will inherit

Daiwa Living Co., Ltd. will inherit the assets, liabilities, contractual positions and all rights and obligations generated based on these contracts that Daiwa Lease Co., Ltd. possesses in relation to the business concerned in this company split.

(5) Forecast for the discharge of liabilities

Daiwa Lease Co., Ltd. and Daiwa Living Co., Ltd. have judged that there is a good prospect for the discharge of the liabilities that each company will bear following this company split.

3. Overview of the companies concerned in the split (as of June 30, 2008)

(1) Business name	Daiwa Lease Co., Ltd. (splitting company)	Daiwa Living Co., Ltd. (successor company)
(2) Description of business	Leasing and sale of prefabricated buildings, buildings such as commercial facilities, etc., and all types of vehicles, etc.	Rental house management business, etc.
(3) Date of establishment	June 22, 1959	October 26, 1988
(4) Head office address	2-1-36 Noninbashi, Chuo-ku, Osaka	3-13-1 Iidabashi, Chiyoda-ku, Tokyo
(5) Name and position of representative	Shunsaku Morita, President and Representative Director	Atsushi Kanakubo, President and Representative Director
(6) Capital	¥21,768 million	¥140 million
(7) Total number of issued and outstanding shares	149,837,999 shares	2,800,000 shares

(8) Equity	¥102,970 million (non-consolidated)	¥15,323 million (non-consolidated)
(9) Total assets	¥275,037 million (non-consolidated)	¥51,800 million (non-consolidated)
(10) Date of settlement of accounts	March 31	March 31
(11) Principal shareholder and percentage of holdings	Daiwa House Industry Co., Ltd.: 100%	Daiwa House Industry Co., Ltd.: 100%

4. Overview of business division to be transferred

(1) Description of business of the division to be transferred

Rental house management business

(2) Business results of the division to be transferred

	Period ended March 2008 Business to be transferred (a)	Period ended March 2008 Daiwa Lease Co., Ltd. (b)	Ratio (a/b)
Net sales	¥3,213 million	¥137,038 million	2.3%

(3) Value of assets and liabilities to be transferred (forecast for end-March 2009)

About ¥7,000 million in real estate for rental houses, and its associated assets and liabilities will be transferred.

5. Status of the Company after the transfer

(1) Business name, description of business, head office address, name and position of representative, capital, date of settlement of accounts

There will be no changes to any of these items due to the company split.

(2) Forecast of the impact on results due to the company split

The impact on consolidated results of the Company due to this company split is forecast to be minor.

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Remarks on appropriate use of forecasted results of operation and other special matters:

The above consolidated business forecasts are based on assumptions in light of the information available as of the date of announcement of this material and the factors of uncertainty that may possibly impact the future results of operation. The Company's actual results may differ significantly from those presented herein as a consequence of numerous factors such as economic conditions, competitor situations and fluctuations in land prices.

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 October 20, 2008.