Summary of Financial Results for the Fiscal Year Ended March 31, 2009
(From April 1, 2008 to March 31, 2009)

May 13, 2009

Name of Listed Company: Daiwa House Industry Co., Ltd.
Code No.: 1925
URL: http://www.daiwahouse.co.jp/
Listed Exchanges: First section of the Tokyo Stock Exchange; First section of the Osaka Securities Exchange
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Scheduled Date of Ordinary General Meeting of Shareholders: June 26, 2009
Scheduled Date of Commencement of Dividend Payment: June 29, 2009
Scheduled Date of Filing Securities Report: June 26, 2009

(Amounts below one million yen are omitted)
(The preparation of this report is not based on US GAAP.)

1. Consolidated Results of Operation for the Fiscal Year Ended March 31, 2009 (From April 1, 2008 to March 31, 2009)

(1) Consolidated Results of Operation

(% figures represent year-on-year change)

	Net sales		Operating income		Ordinary income		Net income	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
Fiscal year ended March 31, 2009	1,690,956	(1.1)	73,580	(17.4)	39,855	(35.0)	4,170	(68.1)
Fiscal year ended March 31, 2008	1,709,254	5.6	89,120	4.0	61,290	(31.4)	13,079	(71.8)

	Basic net income per share	Diluted net income per share	Return on equity (ROE)	Ordinary income to total assets ratio	Operating income to net sales ratio
	Yen	Yen	%	%	%
Fiscal year ended March 31, 2009	7.20	—	0.7	2.2	4.4
Fiscal year ended March 31, 2008	22.46	—	2.0	3.6	5.2

(Reference) Gain on equity in earnings of associated companies
Fiscal year ended March 31, 2009: 542 million yen; Fiscal year ended March 31, 2008: 315 million yen

(2) Consolidated Financial Conditions

	Total assets	Equity	Equity ratio	Equity per share
	Millions of yen	Millions of yen	%	Yen
March 31, 2009	1,810,573	607,427	33.5	1,047.50
March 31, 2008	1,791,052	649,440	35.3	1,092.04

(Reference)
Equity ratio = (Equity – Minority interests)/Total assets
(Equity – Minority interests) is as follows. March 31, 2009: 606,682 million yen; March 31, 2008: 632,571 million yen

(3) Consolidated Cash Flows

	Cash flows from operating activities	Cash flows from investing activities	Cash flows from financing activities	Cash and cash equivalents, end of the year
	Millions of yen	Millions of yen	Millions of yen	Millions of yen
Fiscal year ended March 31, 2009	109,810	(199,679)	96,503	105,381
Fiscal year ended March 31, 2008	(15,738)	(123,296)	135,796	98,888

2. Dividends

(Record date)	Dividend per share					Total dividends (annual)	Dividend payout ratio (consolidated)	Dividends to equity ratio (consolidated)
	End of 1st quarter (June 30)	End of 2nd quarter (Sept. 30)	End of 3rd quarter (Dec. 31)	Fiscal year-end (March 31)	Annual			
	Yen	Yen	Yen	Yen	Yen	Millions of yen	%	%
Fiscal year ended March 31, 2008	—	0.00	—	24.00	24.00	13,902	106.8	2.2
Fiscal year ended March 31, 2009	—	0.00	—	24.00	24.00	13,900	333.4	2.2
Fiscal year ending March 31, 2010 (forecasts)	—	0.00	—	17.00	17.00		46.9	

3. Consolidated Business Forecasts for the Fiscal Year Ending March 31, 2010 (From April 1, 2009 to March 31, 2010)

(% figures represent year-on-year change)

	Net sales		Operating income		Ordinary income		Net income		Basic net income per share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
Six months ending September 30, 2009	779,000	(5.2)	20,000	(43.0)	20,000	(43.3)	9,000	(49.8)	15.54
Fiscal year ending March 31, 2010	1,565,000	(7.4)	45,000	(38.8)	45,000	12.9	21,000	403.6	36.26

4. Others

(1) Changes in Significant Subsidiaries during the Fiscal Year (Changes in specified subsidiaries associated with changes in the scope of consolidation): None
Note: Please refer to “Corporate Group” on page 12.

(2) Changes in Accounting Policies, Procedures and Methods of Presentation for the Preparation of Consolidated Financial Statements (Items recorded under changes under Basic Significant Matters Regarding Preparation of Consolidated Financial Statements)
1) Changes due to amendment of accounting standards: Yes
2) Changes due to reasons other than 1): None
Note: For details, please refer to “(6) Basic Significant Matters Regarding Preparation of Consolidated Financial Statements” on page 24, and “(7) Change in Basic Significant Matters Regarding Preparation of Consolidated Financial Statements” on page 28.

(3) Number of Issued and Outstanding Shares (Common stock)
1) Number of shares at fiscal year-ends (including treasury stock)
Fiscal year ended March 31, 2009 599,921,851 shares
Fiscal year ended March 31, 2008 599,921,851 shares
2) Number of treasury stock at fiscal year-ends
Fiscal year ended March 31, 2009 20,750,714 shares
Fiscal year ended March 31, 2008 20,665,458 shares
Note: For the number of shares used as the basis of calculating basic net income per share (consolidated), please refer to “Per Share Information” on page 42.

(Reference) Summary of Non-Consolidated Results of Operation

1. Non-Consolidated Results of Operation for the Fiscal Year Ended March 31, 2009 (From April 1, 2008 to March 31, 2009)

(1) Non-Consolidated Results of Operation

(% figures represent year-on-year changes)

	Net sales		Operating income		Ordinary income		Net income	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
Fiscal year ended March 31, 2009	1,152,431	(0.5)	47,503	(24.9)	28,320	(43.3)	5,578	(25.1)
Fiscal year ended March 31, 2008	1,157,660	(2.4)	63,245	3.7	49,959	(23.9)	7,446	(80.6)

	Basic net income per share	Diluted net income per share
	Yen	Yen
Fiscal year ended March 31, 2009	9.63	—
Fiscal year ended March 31, 2008	12.79	—

(2) Non-Consolidated Financial Conditions

	Total assets	Equity	Equity ratio	Equity per share
	Millions of yen	Millions of yen	%	Yen
March 31, 2009	1,337,500	542,193	40.5	936.15
March 31, 2008	1,333,538	561,255	42.1	968.92

(Reference) Equity: March 31, 2009: 542,193 million yen; March 31, 2008: 561,255 million yen

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

Consolidated and non-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.

Please refer to the section of "(1) Analysis on Business Results" of "1. Business Results" on page 5 for the assumptions and other factors on which the business forecasts are based.

<Reference Material (1)>
Key Performance Indicators

Fiscal years		Fiscal year ended March 31, 2006	Fiscal year ended March 31, 2007	Fiscal year ended March 31, 2008	Fiscal year ended March 31, 2009	Forecast for the fiscal year ending March 31, 2010
Net sales (millions of yen)		1,528,983	1,618,450	1,709,254	1,690,956	1,565,000
Sales by segment	Residential Business (millions of yen)	909,587	965,898	1,004,365	959,026	908,000
	Commercial Construction Business (millions of yen)	445,251	477,692	512,734	545,141	451,000
	Resort Hotels and Sports Life Business (millions of yen)	66,482	67,762	63,701	60,107	61,500
	Home Center Business (millions of yen)	63,273	62,241	62,623	63,505	60,800
	Other Businesses (millions of yen)	121,982	124,646	143,346	143,978	151,000
	Eliminations/Corporate (millions of yen)	(77,594)	(79,790)	(77,517)	(80,802)	(67,300)
Operating income (millions of yen)		80,072	85,678	89,120	73,580	45,000
Operating income by segment	Residential Business (millions of yen)	50,965	53,166	53,738	28,533	21,500
	Commercial Construction Business (millions of yen)	39,517	46,933	50,507	66,181	40,000
	Resort Hotels and Sports Life Business (millions of yen)	635	1,013	40	(1,115)	0
	Home Center Business (millions of yen)	1,106	1,771	1,807	1,153	1,200
	Other Businesses (millions of yen)	4,558	4,373	4,560	2,504	4,000
	Eliminations/Corporate (millions of yen)	(16,711)	(21,579)	(21,533)	(23,677)	(21,700)
Ordinary income (millions of yen)		103,073	89,356	61,290	39,855	45,000
Net income (millions of yen)		45,184	46,393	13,079	4,170	21,000
Basic net income per share (yen)		81.88	81.15	22.46	7.20	36.26
Return on equity (ROE) (%)		8.2	7.5	2.0	0.7	—
Ordinary income to total assets ratio (%)		7.3	5.8	3.6	2.2	—
Dividend per share (yen) (of which interim dividend per share)		20 (—)	20 (—)	24 (—)	24 (—)	17 (—)
Total annual dividends (millions of yen)		10,999	11,743	13,902	13,900	—
Dividend payout ratio (%)		24.4	24.6	106.8	333.4	46.9
Dividends to equity ratio (%)		2.0	1.8	2.2	2.2	—
Total assets (millions of yen)		1,475,197	1,630,022	1,791,052	1,810,573	—
Equity (millions of yen)		576,534	661,145	649,440	607,427	—
Equity ratio (%)		39.1	40.4	35.3	33.5	—
Equity per share (yen)		1,053.37	1,122.88	1,092.04	1,047.50	—
Depreciation (millions of yen)		26,814	29,536	35,621	39,318	43,000
Capital investments (millions of yen)		110,143	136,171	103,856	160,600	121,000
Cash flows from operating activities (millions of yen)		90,482	136,060	(15,738)	109,810	—
Cash flows from investing activities (millions of yen)		(107,857)	(172,074)	(123,296)	(199,679)	—
Cash flows from financing activities (millions of yen)		(9,263)	14,317	135,796	96,503	—
Cash and cash equivalents, end of year (millions of yen)		123,822	102,126	98,888	105,381	—

Note: In the fiscal year ended March 31, 2006, minority interests have been excluded in equity.

1. Business Results

(1) Analysis on Business Results

During the consolidated fiscal year 2008, ended March 31, 2009, the Japanese economy was impacted by a global economic downturn sparked by a financial sector failure in the United States. Corporate earnings deteriorated, and the latter half of the year was marked by sharp declines in production levels and cutbacks in capital investments. Employment figures turned rapidly for the worse, and the general business situation became extremely severe.

In the housing industry, the number of new housing starts remained at a low level, casting a dark shadow over the business environment as customers' motivation to purchase was weakened by uncertainty about the future and deteriorating employment and income conditions.

Amid this business environment, the Daiwa House Group took initiatives to improve the performance of each of its businesses under the main themes of improving profit structures and nurturing new future earnings drivers. This was in accordance with the basic strategies outlined in the "Daiwa House Group 2nd Medium-Term Management Plan ― Challenge 2010," which started from this fiscal year.

Against this background, in the Daiwa House Group's Residential Business, we took further steps to expand the product lineup in our mainstay "xevo" series of single-family houses, and launched new energy-efficient house models, which help to reduce atmospheric CO_2 levels. We enthusiastically participated in the "Ultra-Long-Term Housing Model Project" organized by the Japanese government, which is aimed at promoting the use of housing built to last. (The name of this project was changed in 2009 to "Pioneering Model Project for High-Quality, Long-Term Housing.")
In the field of low-rise rental housing, we launched a new type of townhouse to meet the needs of both owners and tenants.

With respect to our plans to strengthen our comprehensive real estate business, one of the basic policies of the Plan, we took active measures to advance the development of high-rise rental housing, commercial facilities and logistics facilities, among others. In particular, in the area of large-scale commercial complexes we opened large-scale shopping centers in October and November in Tsukuba (Ibaraki), Sapporo (Hokkaido) and Otsu (Shiga), and worked towards securing a revenue source that leverages the comprehensive capabilities of the Group.

In the area of corporate social responsibility, we conducted various initiatives in Japan and overseas, including raising funds for the construction of a school in Cambodia. In the field of environmental protection, we developed new products whose production processes impose a lower environmental burden, and involved ourselves in eco-friendly town planning projects.

In spite of the efforts described above, the rapid downturn in the domestic economy led to net sales and operating income, on a consolidated basis, of 1,690,956 million yen (a 1.1% year-on-year decrease) and 73,580 million yen (a 17.4% year-on-year decrease), respectively. In addition, as a result of the amortization of actuarial loss for employees' retirement benefits, which was necessitated by the deterioration of the pension fund operating environment, ordinary income came to 39,855 million yen (a 35.0% year-on-year decrease), and net income to 4,170 million yen (a 68.1% year-on-year decrease), respectively.

Results by business segment are as follows.

Residential Business
In the Single-Family House Division, we launched a new model in our "xevo" series, the "xevoC," which incorporates a new concept for flexible room layout. Using a "room-plan kit" which is included with our catalogs, families can have fun together, making different room arrangements to suit their particular needs. Another new model, the "xevoWW," is a wooden-structure house that offers considerable freedom of design for customers who want to tailor the house's external appearance to their own tastes.

We also targeted new customer demographics by expanding our lineup of home planning proposals, including the “Happy Hug Model” for couples at child-raising, and the “Edible Garden” model, which features space for growing vegetables on balconies and the roof.

We have announced models under our concept of “Ultra-Long-Term Housing,” which can serve as properties that will be lived in over several generations, and we built show houses in actual residential areas as part of our simultaneous nationwide sales campaign promoting more durable house construction. Our efforts with respect to ultra-long-term housing were adopted by the Ministry of Land, Infrastructure, Transport and Tourism of Japan entitled “2008 Pioneering Model Project For Ultra-Long-Term Housing.”

In the Rental Housing Division, the Group strengthened its business in city-center areas and expanded the marketing of three-story rental housing in convenient locations for a comfortable life. Meanwhile, we pursued large-scale developments in major cities. As a new product, we put on the market during the reporting term the “Séjour Modern Court J” two-story rental townhouse, which allows buyers to choose from a wide range of modern exterior designs.

In the Condominium Division, faced with an increasingly difficult market, we took steps to ensure post-sale safety and security for buyers, and promoted a framework enabling condominium buyers to maintain the asset value of their properties. We also designed and developed lot-subdivision projects incorporating extensive greenery to harmonize with their local environments.

In the Home Renovation Division, the Group focused on services offering customers more attractive living environments. We improved and strengthened our marketing system, and made renovation proposals to maintain/increase the value of customers’ buildings, such as environment-friendly renovations including the installation of housing equipment meeting eco-friendly specifications.

In spite of these measures, however, owing to the downturn in the domestic economy affected by a financial sector failure in the United States, and deterioration in the condominium market, sales in this business segment decreased by 4.5% year on year to 959,026 million yen, while operating income decreased by 46.9% year on year to 28,533 million yen.

Commercial Construction Business

In the Commercial Facilities Division, the Group made use of planning and proposal-driven sales centered on road-side shop developments, leveraging its abundant land-related data and store-opening support know-how for tenant businesses. We also focused on developing large-scale commercial complexes. In particular, we opened “Iias Tsukuba (Ibaraki),” Iias Sapporo (Hokkaido),” and “Foleo Ichiriyama (Shiga),” for which a management and support system was put in place.

The Distribution, Medical/Nursing Care and Corporate Facilities Division undertook construction of large-scale logistics centers, production sites and foodstuff logistics facilities. We also developed solutions for distribution and real estate management, involving undertaking the entire process from design and construction to quality control management and maintenance tasks for the facilities of logistics companies. In the field of medical and nursing care facilities, we made proposals — mainly to healthcare corporations — concerning housing for the elderly, such as private housing-type homes and rental housing for the aged. In the field of corporate facilities, we provided support for the development of sales hubs by constructing showrooms, offices and other structures for corporate customers operating nationwide.

As a result, sales in this business segment increased by 6.3% year on year to 545,141 million yen, and an operating income increased by 31.0% year-on-year to 66,181 million yen.

Resort Hotels and Sports Life Business

In the Resort Hotels Division, although some hotels were affected by the Iwate-Miyagi Nairiku Earthquake of June 2008, the Noto Royal Hotel, which suffered immense damage due to the impact of the Noto Peninsula Earthquake of March 2007, was reopened and a large number of customers, mostly families, stayed there during the summer season. Due to the sudden economic downturn since the latter half of September, both individuals and companies have been cutting back sharply on expenditure, and the number of customers has decreased. Nevertheless, we are doing our best to encourage repeat stays at our hotels by putting a strong focus on safety, security and service so as to realize customer satisfaction.

In the Sports Life Division, we rebuilt the existing NAS Sunmarche (Aichi) and opened new branches including the NAS Niigata (Niigata), NAS Wellness & Spa Club Shibaura Island (Tokyo), NAS Higashi Sapporo (Hokkaido) and NAS Otsu Ichiriyama (Shiga). We implemented a wide range of innovative measures to attract customers, including new membership formats to exploit particular demand niches at existing facilities, such as memberships in which sportswear, shoes and towels are provided by the health club, so that members do not have to lug heavy bags around, and special memberships for women only. We were also able to attract new members to our special short-term courses for adults (NAS Open College).

Despite these measures, however, as a result of the large negative impact by the plunge in the number of overseas travelers owing to the appreciation of the yen in the Resort Hotel Division, and increased expenses for opening of new sports club facilities in the Sports Life Division, sales in this segment decreased by 5.6% year on year to 60,107 million yen, and an operating loss was recorded in the amount of 1,115 million yen, although an operating income of the previous fiscal year was 40 million yen.

Home Center Business

In the Home Center Segment, we refurbished the Royal Pro Ikawadani (Hyogo), Royal Home Center Kishiwada (Osaka), Royal Home Center Kawachinagano (Osaka), Royal Home Center Kakogawa (Hyogo), Royal Home Center Moriyama (Shiga), Royal Home Center Chikko (Okayama), and Royal Home Center Koshigaya (Saitama) to revitalize business at our existing outlets. In February 2009 we opened our 48th home center – the Royal Kanamono Matsudo Minoridai (Chiba) , a new type of a store, especially for products and hardware for builders.

Sales in this business segment increased by 1.4% year on year to 63,505 million yen, however, the sharp rise in the clued oil and material prices during the first half of the fiscal year under review led to operating income decreasing by 36.2% year on year to 1,153 million yen.

Other Businesses

In the Housing Construction Material Manufacturing and Marketing Division, we enhanced the lineup of building materials and interior products offered to housing manufacturers and regional house builders. Specifically, we introduced a wide range of new ideas for residents' convenience in the area of closets, such as walk-in closets. We also introduced a "unit corridor" for three-story apartment buildings which offers fire resistance for up to 60 minutes. To widen home-buyers' choice of lifestyles, we launched products and services such as novel types of lighting fittings and a new brand of order-made furniture called the "Smart Furniture System." We also launched a new plan that enables customers to lease high-quality furniture. In addition, we expanded our business in such planning/proposal-based areas as interior renovation of large-scale commercial facilities and hotels, renovation work on commercial exteriors, including signs, and made-to-order furniture.

In the Logistics Division, we opened three new facilities to expand our "Asset-Type Third Party Logistics" business. These were the Osaka Port Logistics Center II (Osaka), opened in August 2008 to serve new customers, and the No. 3 Ota Logistics Center (Gunma) and No. 2 Chubu Logistics Center (Aichi), both of which were opened in September 2008 to serve existing customers. Construction of the Machida Logistics Center (Tokyo), which will serve new customers, was begun during the term under review, and is expected to be completed in May 2009. We also opened two satellite centers for joint housing construction materials transportation — one in Ebina (Kanagawa) to serve the Kanto region and one in Tonami (Toyama) to serve the Hokuriku region.

In the City Hotels Division, we opened the Daiwa Roynet Hotel Nagoya-Ekimae (Aichi), the Daiwa Roynet Hotel Shin-Yokohama (Kanagawa), the Daiwa Roynet Hotel Oita (Oita), and the Daiwa Roynet Hotel Kawasaki (Kanagawa), and, accordingly, total sales also increased. This brought our Daiwa Roynet Hotel locations to 14 in total. Combined with the Osaka Daiichi Hotel (Osaka) and Royton Sapporo (Hokkaido), we now operate a total of 16 city hotels nationwide.

As a result, sales for this business segment increased by 0.4% year on year to 143,978 million yen. Operating income, however, plunged by 45.1% year on year to 2,504 million yen, due to the costs by opening of city hotels and establishment of new businesses.

Business Prospects for Fiscal 2009

Business conditions in Japan are expected to remain difficult for at least the next couple of years. Although some improvement is expected in the housing market, thanks primarily to the expansion of the scope of application of tax reductions on mortgage loans, which has been recently implemented, no significant improvement in the operating environment is likely in view of the bleak of prospects for employment and income figures.

Against this backdrop, we predict declines in both revenues and earnings from our two principal business fields of housing and commercial construction. Amid these circumstances, we will work to improve the earnings structure and financial position of the Daiwa House Group through groupwide efforts to cut costs while ensuring a sufficient level of cash flow.

In consideration of the factors described above, we forecast net sales of 1,565 billion yen, operating income of 45 billion yen, ordinary income of 45 billion yen, and net income of 21 billion yen for fiscal 2009.

(2) Analysis on Financial Conditions

1. Financial Position

Total assets on a consolidated basis at the reporting term-end stood at 1,810,573 million yen, for an increase of 19,520 million yen over the 1,791,052 million yen at the previous term-end. This is mainly attributable to increases in property, plant and equipment, especially for acquirement of high-rise rental apartment buildings and commercial facilities, and investments in real estate development projects.

Total liabilities as of the reporting term-end stood at 1,203,145 million yen, up by 61,534 million yen over the 1,141,611 million yen recorded at the previous term-end. This is mainly attributable to fund procurement through long-term bank loans to assure sufficient funds amid a deteriorating business environment, as well as an increase in provisions for employees' retirement benefits.

Despite the posting of net income in the amount of 4,170 million yen for the reporting period, net assets at the term-end came to 607,427 million yen, for a decline of 42,013 million yen from the previous term-end. This is mainly attributable to the payment of dividends for the previous term, a decrease in unrealized gains on available-for-sale securities due to substantial stock price declines, and a decrease in minority interests stemming from the conversion of Eneserve Corporation into a wholly-owned subsidiary.

2. Cash Flows During the Fiscal Year Under Review

With regard to cash and cash equivalents (hereinafter as "cash") for the fiscal year under review, net cash provided by operating activities stood at 109,810 million yen, and net cash used in investing activities came to 199,679 million yen, while net cash provided by financing activities was 96,503 million yen. In total, net increase in cash and cash equivalents was 6,492 million yen, and consequently, cash and cash equivalents at the end of the fiscal year amounted to 105,381 million yen, up 6.6% year on year from the end of the previous fiscal year.

(Cash flows from operating activities)
During the fiscal year under review, net cash provided by operating activities stood at 109,810 million yen (15,738 million yen used in the previous fiscal year). This was mainly as a result of a decrease in inventories such as real estate for sale.

(Cash flows from investing activities)
During the fiscal year under review, net cash used in investing activities was 199,679 million yen (123,296 million yen used in the previous fiscal year). This was as a result of purchase of property, plant and equipment including real estate for large-scale commercial facilities and rental housing in our residential and commercial construction businesses, and investments in the real estate development business.

(Cash flows from financing activities)
During the fiscal year under review, net cash provided by financing activities was 96,503 million yen, down 28.9% year on year from the previous year. This was primarily as a result of funds procurement through long-term debt to provide for investing activities.

3. Cash Flow Indicators

	Fiscal year ended March 31, 2007	Fiscal year ended March 31, 2008	Fiscal year ended March 31, 2009
Equity ratio	40.4%	35.3%	33.5%
Equity ratio on market-value basis	69.6%	31.9%	25.3%
Repayment years of interest-bearing debt	0.4 (year)	—	3.1 (year)
Interest coverage ratio	267.5	—	31.5

*The standards for the indicators are as follows. All have been computed based on consolidated financial figures.

Equity ratio: (Equity – Minority interests)/Total assets
Equity ratio on market-value basis: Total market capitalization/Total assets
Repayment years of interest-bearing debt: Interest-bearing liabilities/Operating cash flows
Interest coverage ratio: Operating cash flows/Interest expense
Total market capitalization: Closing stock price at the fiscal year-end × Number of shares issued at the fiscal year-end (after deduction of treasury stock)
Operating cash flows: Net cash provided by (used in) operating activities on the Consolidated Statements of Cash Flows
Interest expense: Interest expense paid on the Consolidated Statements of Cash Flows

As operating cash flows for the fiscal year ended March 31, 2008 resulted in a use of 15,738 million yen, there is no description on repayment years of interest-bearing debt and interest coverage ratio.

4. Outlook on Financial Conditions for the Fiscal Year Ending March 31, 2010 (Consolidated)

The Company estimates for the fiscal year ending March 31, 2010, 121 billion yen in capital investments and 43 billion yen in depreciation.

(3) Basic Policies on Profit Distribution and Dividends for the Fiscal Year under Review and the Fiscal Year Ending March 31, 2010

The Company, in the interest of maintaining a good balance between the appropriation of profits to shareholders and securing sufficient retained earnings for future business expansion and the reinforcement of the business base, operates on the basic policy to pay out dividends. With the goal of enhancing our corporate base by investing in research and development and production facilities and expanding our business premises to raise our competitiveness and improve profitability, we will endeavor to strengthen our financial soundness and target a dividend payout ratio of at least 30%. Simultaneously, by pursuing acquisition of treasury stock as necessary, we will make efforts to flexibly offer profit distributions.

In appropriating the profits for the fiscal year ended March 31, 2009, we plan on offering an annual dividend of 24 yen per share as initially planned.

For the fiscal year ending March 31, 2010, owing to the expected continuance of difficult operating conditions, we plan on offering an annual dividend of 17 yen per share.

(4) Risks Associated with Businesses

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, 2009.

1) Risks associated with changes in the business environment
Businesses operated by the Daiwa House Group are exposed to a possible impact from the uncertain nature of external factors such as the prices of raw and construction materials and the volatility of land prices and interest rates, which could result in an adverse effect on business performance and financial conditions.

2) Risks associated with declined values of real estate and fixed assets
The Daiwa House Group is engaged in acquisition, development and sales of real estate in all parts of the country. Deterioration in the real estate market may have an adverse effect on the Group's business performance and financial conditions.

In case there is a drop in land and rental prices, the Group may be required to apply impairment accounting for the losses on revaluation of real estate owned by the Group.

In addition to real estate, fixed assets owned by the Group are also exposed to the risk of impairment loss, which could have an adverse effect on Group's business performance and financial conditions.

3) 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.

4) Risks associated with foreign businesses
The Daiwa House Group is engaged in foreign businesses primarily in China and is exposed to the risk of a delay or suspension in the execution of business or the collection of proceeds due to political and economic situation in each country or region.

5) 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.

6) Risks associated with legal regulations
The Daiwa House Group is engaged not only in construction and real estate-related businesses in the

country, 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 Corporate Law, 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.

7) 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 though 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.

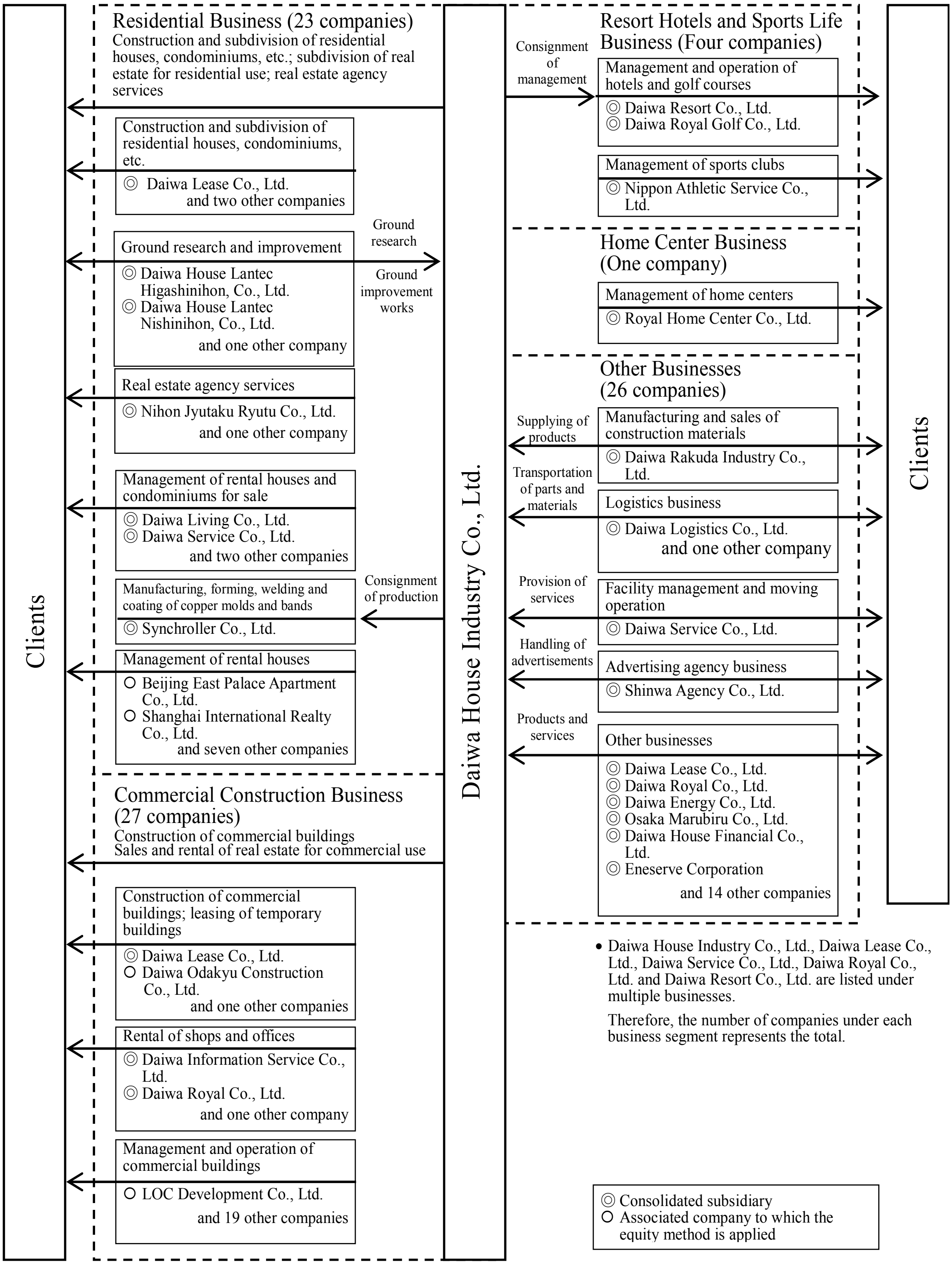
8) Risks associated with workplace safety and environmental protection

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.

2. Corporate Group

The Daiwa House Group consists primarily of Daiwa House Industry Co., Ltd. (the Company), 58 consolidated subsidiaries and 13 associated companies (as of March 31, 2009). The Group is engaged in wide range of business related to people's daily lives such as the residential business pillared on construction and subdivision of residential houses, development and sales of residential land, the commercial construction business focused on construction of commercial buildings such as shops and offices, the resort hotels and sports life business mainly involving management of resort hotels, golf courses and sports clubs and the home center business.

(1) Business Organization Chart



(2) Associated Companies

(As of March 31, 2009)

Name	Address	Capital (millions of yen)	Major Business	Voting Rights Holding Ratio (%)	Relationship
(Subsidiary) Daiwa Lease Co., Ltd. *1	Chuo-ku, Osaka	21,768	Residential Business Commercial Construction Business Other Businesses	100	Dispatch of construction orders for temporary buildings and leasing of automobiles Rental of buildings owned by the Company Lending of funds Concurrent assignment of directors: Yes
Daiwa Rakuda Industry Co., Ltd.	Nishi-ku, Osaka	450	Other Businesses	100	Purchase of construction materials and leasing of buildings for exhibitions Rental of buildings owned by the Company Concurrent assignment of directors: Yes
Daiwa Logistics Co., Ltd.	Nishi-ku, Osaka	3,764	Other Businesses	100	Transportation of products of the Company's production plants Rental of buildings owned by the Company Concurrent assignment of directors: Yes
Daiwa Service Co., Ltd.	Nishi-ku, Osaka	130	Residential Business Commercial Construction Business Other Businesses	100 (50.0)	Security and cleaning of offices of the Company; security of construction sites Rental of buildings owned by the Company Concurrent assignment of directors: None
Daiwa Living Co., Ltd.	Chiyoda-ku, Tokyo	140	Residential Business	100	Rental of buildings owned by the Company Concurrent assignment of directors: Yes
Daiwa Information Service Co., Ltd.	Taito-ku, Tokyo	200	Commercial Construction Business	100	Rental of buildings owned by the Company Concurrent assignment of directors: Yes
Daiwa Royal Co., Ltd.	Taito-ku, Tokyo	500	Commercial Construction Business Other Businesses	100	Rental of buildings owned by the Company Lending of funds Concurrent assignment of directors: None
Nihon Jyutaku Ryutu Co. Ltd.	Kita-ku, Osaka	729	Residential Business	100	Rental of buildings owned by the Company Concurrent assignment of directors: Yes
Royal Home Center Co., Ltd.	Nishi-ku, Osaka	100	Home Center Business	100	Rental of buildings owned by the Company Lending of funds Concurrent assignment of directors: Yes
Daiwa Resort Co., Ltd.	Chuo-ku, Osaka	10,084	Resort Hotels and Sports Life Business Other Businesses	100	Consignment of operation & management of hotels of the Company Rental of buildings owned by the Company Concurrent assignment of directors: Yes
48 other companies					
(Associated Companies) LOC Development Co., Ltd.	Chiyoda-ku, Tokyo	100	Commercial Construction Business	50.0	Concurrent assignment of directors: None
Daiwa Odakyu Construction Co., Ltd. *2	Shinjuku-ku, Tokyo	1,086	Commercial Construction Business	33.0	Concurrent assignment of directors: Yes
11 other companies					

Notes: 1. Under the "Major Business" column, business segment categories are indicated.
2. Figures in parenthesis under the "Voting Rights Holding Ratio" column represent the inclusive indirect holding ratio.
3. *1 Applicable as a specified subsidiary.
4. *2 The firm is listed on the first section of the Tokyo Stock Exchange.

3. Management Policy

(1) Basic Management Policy of the Company

The Company was founded in 1955 under the principle of the "industrialization of construction," and since then has continued to grow as a prefabricated housing manufacturer in line with the expansion of demand for housing. We have promoted business diversification to meet our customers' needs, and have expanded the size of our corporate group as a "comprehensive lifestyle industry."

Against the backdrop of a sluggish housing market, we launched a new management vision called "Connecting Hearts" in fiscal 2005, our 50th anniversary, and created a new Group symbol, the "Endless Heart." Under this vision, we clarified our corporate mission as a multi-business enterprise that co-creates, enhances and makes use of new value with customers to help realize a society in which people can enjoy more enriched lives, and made a fresh start toward our 100th anniversary.

The Daiwa House Group is engaged in a wide range of housing-related activities that support people's "Housing," including the construction of single-family houses and rental housing, subdivision development for single-family houses and condominiums, and the home renovation business. We also undertake activities that support "Business," such as the development of commercial facilities, logistic centers and medical/nursing care facilities, and those that support people's everyday "Life, " such as our resort hotels business, home center business, and fitness club management business. By pursuing these various business activities, the Group, working as one, is committed to honoring its relationship with each and every customer, and to promoting partnerships with customers to share joy throughout our customers' whole lives and build long-lasting ties of trust.

As described above, our new management vision "Connecting Hearts" and our new Group symbol "Endless Heart" signify enduring ties with our stakeholders, including our customers, shareholders, business partners, employees and local communities. As a "Group that co-creates value for individuals, communities and people's lifestyles," we will continue to offer reliable, environmental-friendly products and relaxing, pleasant spaces.

(2) Performance Indicators and Targets

The performance indicators that serve as the Daiwa House Group's primary targets: net sales, operating income, operating income ratio (ratio of operating income to sales) and ROE. Net sales and operating income signify growth from the perspective of earnings while the operating income ratio and ROE indicate business efficiency.

Under "Challenge 2010," our 2nd Medium-Term Management Plan covering the three years to March 2011, we set the following targets for fiscal 2010, the final year of the three-year plan: net sales of 1,850 billion yen on a consolidated basis, operating income of 115 billion yen, operating income ratio of 6.2% and ROE of 9.0%.

However, there are no indications of an economic turnaround in sight. This will likely have a significant impact on the markets for housing and real estate, but we are not yet able to forecast it accurately. More time is therefore required before we can revise our targets for fiscal 2010. On this occasion, we announce the targets (net sales, operating income, and operating income ratio) solely for fiscal 2009, the fiscal year ending March 31, 2010.

Results of fiscal 2008 and targets for 2009 are as follows:

	Results of FY2008 (the fiscal year ended March 31, 2009)	Targets for FY2009 (the fiscal year ending March 31, 2010)
Net sales:	1,690.9 billion yen	1,565 billion yen
Operating income:	73.5 billion yen	45 billion yen
Operating income ratio:	4.4%	2.9%

(3) Medium to Long-Term Management Strategy of the Company

The Daiwa House Group has drawn up its 2nd Medium-Term Management Plan "Challenge 2010," which went into effect in fiscal 2008. Anticipating increasing difficulties in the business environment surrounding the domestic housing market due to a declining trend in both the Japanese population and the number of households, as well as a decrease in new housing starts, the Group aims to raise its enterprise value through the implementation of the basic policies specified in the Plan: 1) realizing further growth through closer collaboration within the Group; 2) nurturing new future earnings drivers; 3) conducting R&D into the growing renovation market and nursing care business as well as taking steps to help prevent global warming; and 4) reinforcing our business base.

As part of efforts to realize further growth through closer collaboration within the Group, we will employ strategies to reorganize business units, expedite decision-making processes and reinforce our value chain as a whole, as well as promote the sharing of customer bases to raise the competitiveness of our businesses. We will leverage the strengths of our Group while focusing on comprehensively enhancing the real estate business in terms of development, ownership, management and operation. To nurture new future earnings drivers, we will continue undertaking aggressive investments in robot- and green energy-related businesses.

One of our highest-priority issues is the prevention of global warming. We will make utmost efforts to reduce carbon dioxide emissions in all of our business processes and promote the market penetration of products and services with that significantly help to reduce the level of carbon dioxide in the atmosphere, to contribute to the realization of a sustainable society.

(4) Issues to be Resolved by the Company

The Japanese economy is expected to remain sluggish, making for a challenging business environment. In the housing industry, we anticipate that the broader application of tax cuts for mortgage loans will have a positive impact on sales. However, improvements in employment and income levels are unlikely in the foreseeable future. Thus, operating conditions will likely remain severe.

The Group will continue to implement management reforms with the aim of providing a swift and efficient response to changes in the business environment.

As businesses targeted for "value restoration" (restructuring of strategies relating to products, areas, selling, and others), the single-family house and condominium businesses must implement radical reforms in their cost structures, primarily through the streamlining of business functions, to improve profitability.

With regard to the promising home renovation market, we are reallocating a substantial portion of management resources to this area. In addition to conventional single-family houses, we are widening the scope of renovation operations to include rental houses and condominiums, which will accelerate the growth of the renovation business.

Regarding the development of high-rise rental units and commercial and logistics facilities, although we are cutting back on previously planned investments, we will continue to invest in developments to ensure a sufficient level of cash flow.

In addition, we will integrate our branches and factories and revise employee work schedules as part of across-the-board efforts to reduce costs and further strengthen our earnings structure.

Initiatives to nurture future earnings drivers include the commencement in the current fiscal year of full-scale entry into the "green energy" business. Nationwide, we will provide customers with eco-friendly solutions that include LED lighting products and other high-efficiency lighting, the generation of power through solar panels, and lithium-ion batteries. Leveraging synergistic benefits with existing businesses, we will work to quickly grow this segment into a new core business.

Through the steady implementation of the abovementioned measures, we aim to stabilize management and achieve business expansion and sustainable growth in the near future.

4. Consolidated Financial Statements

(1) Consolidated Balance Sheets

(Millions of yen)

	Previous fiscal year (As of March 31, 2008)	Current fiscal year (As of March 31, 2009)
Assets		
Current assets		
Cash and cash equivalents	100,354	105,840
Trade notes and accounts receivable	63,337	51,445
Lease investment assets	—	5,627
Marketable securities	20	—
Construction projects in progress	72,602	57,444
Land for sale	308,055	—
Buildings for sale	87,686	—
Other inventories	27,268	—
Real estate for sale	—	263,444
Real estate for sale in process	—	46,962
Land for develop	—	3,789
Merchandise and finished goods	—	11,622
Work in process	—	8,729
Raw materials and supplies	—	4,450
Deferred tax assets	40,769	35,717
Other	62,681	67,455
Allowance for doubtful accounts	(897)	(1,342)
Total current assets	761,877	661,187
Fixed assets		
Property, plant and equipment		
Buildings and structures	460,762	553,389
Accumulated depreciation	(223,306)	(237,715)
Buildings and structures (net)	237,455	315,673
Machinery and equipment	92,877	93,671
Accumulated depreciation	(56,755)	(57,910)
Machinery and equipment (net)	36,121	35,761
Furniture and fixtures	33,759	35,340
Accumulated depreciation	(23,600)	(24,637)
Furniture and fixtures (net)	10,158	10,703
Land	341,407	356,002
Lease assets	—	1,645
Accumulated depreciation	—	(184)
Lease assets (net)	—	1,460
Construction in progress	17,672	9,351
Net property, plant and equipment	642,816	728,953
Intangible fixed assets	12,410	13,176
Investments and other assets		
Marketable and investment securities	98,283	98,743
Long-term loans receivable	8,652	6,977
Leased deposits	164,956	170,681
Deferred tax assets	77,159	104,947
Other assets	33,678	34,630
Allowance for doubtful accounts	(8,781)	(8,725)
Total investments and other assets	373,948	407,255
Total fixed assets	1,029,175	1,149,385
Total assets	1,791,052	1,810,573

(Millions of yen)

	Previous fiscal Year (As of March 31, 2008)	Current fiscal year (As of March 31, 2009)
Liabilities		
Current liabilities		
Trade notes and accounts payable	189,860	129,843
Short-term bank loans	11,918	16,407
Current portion of long-term debt	1,595	5,610
Commercial paper	20,000	—
Lease obligations	—	431
Other accounts payable	92,430	70,173
Income taxes payable	23,163	6,962
Deposits received from customers	58,628	61,054
Accrued bonuses	21,167	17,855
Provision for product warranties	6,572	6,895
Accrued expenses and other current liabilities	58,988	57,401
Total current liabilities	484,323	372,636
Long-term liabilities		
Long-term debt	193,376	319,956
Lease obligations	—	2,128
Long-term deposits received from the Company's club members	45,793	43,094
Lease deposits received	204,287	217,860
Deferred tax liabilities on land revaluation	27,902	28,433
Provision for employees' retirement benefits	124,169	160,202
Other long-term liabilities	61,757	58,834
Total long-term liabilities	657,287	830,509
Total liabilities	1,141,611	1,203,145
Equity		
Shareholders' equity		
Common stock	110,120	110,120
Capital surplus	226,824	226,824
Retained earnings	381,479	370,240
Treasury stock	(19,534)	(19,553)
Total shareholders' equity	698,891	687,632
Valuation and Translation Adjustments		
Net unrealized gain on available-for-sale securities	13,432	2,034
Land revaluation difference	(79,195)	(77,878)
Foreign currency translation adjustments	(556)	(5,105)
Total valuation and translation adjustments	(66,320)	(80,949)
Minority Interests	16,869	744
Total equity	649,440	607,427
Total liabilities and equity	1,791,052	1,810,573

(2) Consolidated Statements of Income

(Millions of yen)

	Previous fiscal year (From April 1, 2007 to March 31, 2008)	Current fiscal year (From April 1, 2008 to March 31, 2009)
Net sales	1,709,254	1,690,956
Cost of sales	1,360,348	1,357,820
Gross profit	348,905	333,135
Selling, general and administrative expenses		
Sales commission	12,114	11,946
Advertising expenses	25,768	24,759
Promotion expenses	7,785	6,745
Provision of allowance for doubtful accounts	1,980	1,432
Directors' compensations	2,889	2,895
Employees' salaries and allowances	94,333	96,072
Provision for bonuses	14,883	11,453
Retirement benefit expenses	11,745	13,369
Legal welfare expenses	13,820	13,856
Stationery expenses	10,016	9,508
Correspondence and transportation expenses	15,232	14,913
Rents	11,321	11,532
Depreciation	7,027	7,411
Tax and dues	10,702	11,067
Other	20,162	22,591
Total selling, general and administrative expenses	259,784	259,555
Operating income	89,120	73,580
Other income		
Interest income	1,261	1,470
Dividends	1,340	1,370
Equity in earnings of associated companies	315	542
Gain on settlement of derivatives	722	855
Gain on valuation of derivatives	1,145	2,143
Miscellaneous income	5,390	6,281
Total other income	10,176	12,663
Other expenses		
Interest expense	3,371	5,160
Taxes and dues	1,197	1,160
Provision of allowance for doubtful accounts	239	413
Amortization of actuarial loss for employees' retirement benefits	26,410	31,495
Loss on settlement of derivatives	221	354
Loss on valuation of derivatives	1,539	2,794
Miscellaneous expenses	5,027	5,008
Total other expenses	38,006	46,388
Ordinary income	61,290	39,855

(Millions of yen)

		Previous fiscal year (From April 1, 2007 to March 31, 2008)		Current fiscal year (From April 1, 2008 to March 31, 2009)
Extraordinary income				
Gain on sales of property, plant and equipment		309		566
Gain on sales of marketable and investment securities		898		3
Gain on sales of golf club memberships		—		1
Reversal of provision of retirement benefits for directors		—		472
Reversal of allowance for doubtful accounts		—		1
Prior service benefit		499		—
Total extraordinary income		1,708		1,046
Extraordinary expenses				
Loss on sales of property, plant and equipment		329		303
Loss on disposal of property, plant and equipment		1,253		1,757
Impairment loss on property, plant and equipment	*1	1,654	*1	14,892
Loss on valuation of land for sale		1,491		—
Loss on valuation of buildings for sale		140		—
Loss on sublease agreements		209		—
Provision of retirement benefits for directors		378		—
Write-down of marketable and investment securities		7,859		7,533
Write-down of golf club membership		53		97
Loss on sales of golf club memberships		2		1
Loss on liquidation of subsidiaries and associates		—		22
Salaries and allowance for prior periods		226		248
Loss on development businesses		24,536		—
Loss on disaster		—		2,014
Bad debts written off		—		311
Total extraordinary expenses		38,135		27,181
Income before income taxes and minority interests		24,862		13,720
Income taxes – current		37,190		24,891
Income taxes – deferred		(25,121)		(14,861)
Total income taxes		12,068		10,029
Minority interests in net loss of subsidiaries		(285)		(479)
Net income		13,079		4,170

(3) Consolidated Statements of Changes in Equity

(Millions of yen)

	Previous fiscal year (From April 1, 2007 to March 31, 2008	Current fiscal year (From April 1, 2008 to March 31, 2009
Shareholders' equity		
Common stock		
Balance at the end of previous period	110,120	110,120
Changes of items during the period		
Total changes of items during the period	—	—
Balance at the end of current period	110,120	110,120
Capital surplus		
Balance at the end of pervious period	226,834	226,824
Changes of items during the period		
Disposal of treasury stock	(9)	—
Total changes of items during the period	(9)	—
Balance at the end of current period	226,824	226,824
Retained earnings		
Balance at the end of previous period	387,842	381,479
Effect of changes in accounting policies applied to foreign subsidiaries	—	41
Changes of items during the period		
Dividends from surplus	(11,743)	(13,902)
Net income	13,079	4,170
Change of scope of consolidation	—	(141)
Reversal of revaluation reserve for land	(7,693)	(1,346)
Disposal of treasury stock	(5)	(61)
Total changes of items during the period	(6,362)	(11,281)
Balance at the end of current period	381,479	370,240
Treasury stock		
Balance at the end of previous period	(7,692)	(19,534)
Changes of items during the period		
Purchase of treasury stock	(11,909)	(138)
Disposal of treasury stock	68	119
Total changes of items during the period	(11,841)	(19)
Balance at the end of current period	(19,534)	(19,553)
Total shareholders' equity		
Balance at the end of previous period	717,104	698,891
Effect of changes in accounting policies applied to foreign subsidiaries	—	41
Changes of items during the period		
Dividends from surplus	(11,743)	(13,902)
Net income	13,079	4,170
Change of scope of consolidation	—	(141)
Reversal of revaluation reserve for land	(7,693)	(1,346)
Purchase of treasury stock	(11,909)	(138)
Disposal of treasury stock	53	57
Total charges of items during the period	(18,212)	(11,300)
Balance at the end of current period	698,891	687,632

(Millions of yen)

	Previous fiscal year (From April 1, 2007 to March 31, 2008)	Current fiscal year (From April 1, 2008 to March 31, 2009)
Valuation and translation adjustments		
Net unrealized gain on available-for-sale securities		
Balance at the end of previous period	29,873	13,432
Change of items during the period		
Net changes of items other than shareholders' equity	(16,441)	(11,397)
Total changes of items during the period	(16,441)	(11,397)
Balance at the end of current period	13,432	2,034
Land revaluation difference		
Balance at the end of previous period	(86,847)	(79,195)
Changes of items during the period		
Net changes of items other than shareholders' equity	7,651	1,317
Total changes of items during the period	7,651	1,317
Balance at the end of current period	(79,195)	(77,878)
Foreign currency translation adjustment		
Balance at the end of previous period	(821)	(556)
Changes of items during the period		
Net changes of items other than shareholders' equity	264	(4,548)
Total changes of items during the period	264	(4,548)
Balance at the end of current period	(556)	(5,105)
Total valuation and translation adjustments		
Balance at the end of previous period	(57,795)	(66,320)
Changes of items during the period		
Net changes of items other than shareholders' equity	(8,524)	(14,629)
Total changes of items during the period	(8,524)	(14,629)
Balance at the end of current period	(66,320)	(80,949)
Minority interests		
Balance at the end of previous period	1,837	16,869
Changes of items during the period		
Net changes of items other than shareholders' equity	15,032	(16,125)
Total changes of items during the period	15,032	(16,125)
Balance at the end of current period	16,869	744
Total equity		
Balance at the end of previous period	661,145	649,440
Effect of changes in accounting policies applied to foreign subsidiaries	—	41
Changes of items during the period		
Dividends from surplus	(11,743)	(13,902)
Net income	13,079	4,170
Change of scope of consolidation	—	(141)
Reversal of land revaluation difference	(7,693)	(1,346)
Purchase of treasury stock	(11,909)	(138)
Disposal of treasury stock	53	57
Net changes of items other than shareholders' equity	6,508	(30,754)
Total changes of items during the period	(11,704)	(42,055)
Balance at the end of current period	649,440	607,427

(4) Consolidated Statements of Cash Flows

(Millions of yen)

	Previous fiscal year (From April 1, 2007 to March 31, 2008)	Current fiscal year (From April 1, 2008 to March 31, 2009)
Operating activities		
Income before income taxes and minority interests	24,862	13,720
Depreciation	35,621	39,318
Increase (decrease) in provision for employees' retirement benefits	30,107	36,032
Interest and dividends income	(2,602)	(2,840)
Interest expense	3,371	5,160
Equity in (earnings) losses of associated companies	(315)	(542)
Loss on property, plant and equipment	1,582	—
Loss (gain) on sales and disposal of property, plant and equipment	—	1,493
Impairment loss on property, plant and equipment	1,654	14,892
Loss (gain) on valuation of marketable and investment securities	7,859	7,533
Write-down of golf club membership	53	97
Loss on development businesses	24,536	—
Decrease (increase) in receivables	(2,151)	11,579
Decrease (increase) in inventories	(87,401)	71,622
Increase (decrease) in advances received on uncompleted construction contracts	(4,242)	2,410
Increase (decrease) in payables – trade	(48,548)	(65,520)
Other, net	30,492	17,947
Total	14,881	152,904
Interest and dividends received	1,952	2,186
Interest expense paid	(2,278)	(3,480)
Income tax paid	(30,293)	(41,799)
Net cash provided by (used in) operating activities	(15,738)	109,810
Investing activities		
Purchases of property, plant and equipment and intangible fixed assets	(93,037)	(153,736)
Proceeds from sales of property, plant and equipment	1,522	2,488
Purchases of marketable and investment securities	(18,218)	(26,715)
Proceeds from sales of marketable and investment securities	2,894	376
Purchases of investments in subsidiaries	(389)	(12,443)
Proceeds from purchases of investments in subsidiaries resulting in change in scope of consolidation	11,817	595
Purchases of investments in subsidiaries resulting in change in scope of consolidation	(1,760)	(157)
Payments in leased deposits	(8,230)	(5,882)
Other, net	(17,895)	(4,204)
Net cash provided by (used in) investing activities	(123,296)	(199,679)
Financing activities		
Net increase (decrease) in short-term bank loans	985	3,739
Increase (decrease) in commercial paper	20,000	(20,000)
Proceeds from long-term debt	153,690	132,850
Repayments of long-term debt	(13,119)	(2,255)
Repayments of finance lease obligations	—	(208)
Net of purchases and proceeds from sales of treasury stock	(11,856)	—
Purchase of treasury stock	—	(138)
Proceeds from sales of treasury stock	—	57
Dividends paid	(11,743)	(13,902)
Proceeds from receivables sold to trust	5,000	3,005
Remittance to trust of receivables collected	(7,161)	(6,645)
Net cash provided by (used in) financing activities	135,796	96,503
Effect of exchange rate change on cash and cash equivalents	—	(142)
Net increase (decrease) in cash and cash equivalents	(3,238)	6,492
Cash and cash equivalents, beginning of year	102,126	98,888
Cash and cash equivalents, end of year	*1 98,888	*1 105,381

(5) Events and Conditions on Premise of Going Concern

No items to report.

(6) Basic Significant Matters Regarding Preparation of Consolidated Financial Statements

	Previous consolidated fiscal year (From April 1, 2007 to March 31, 2008)	Current consolidated fiscal year (From April 1, 2008 to March 31, 2009)
1. Scope of consolidation	(1) Number of subsidiaries All 55 subsidiaries including 7 companies that were newly included during the fiscal year under review are consolidated subsidiaries. (2) Names, etc. of non-consolidated subsidiaries (Name of non-consolidated subsidiary) Daiwa House REIT Investment Corporation (Reasons for exclusion from the scope of consolidation) Control over the non-consolidated subsidiary was considered to be temporary, and the firm's total assets, sales, net income/loss (the amount corresponding to the equity) and retained earnings (the amount corresponding to the equity) all did not have material impact on the consolidated financial statements.	(1) Number of subsidiaries All 59 subsidiaries including 9 companies that were newly included during the fiscal year under review are consolidated subsidiaries. (2) Names, etc. of non-consolidated subsidiaries (Name of non-consolidated subsidiary) Same as left (Reasons for exclusion from the scope of consolidation) Same as left
2. Application of the equity method	(1) Number of associated companies to which the equity method is applied The Company applies the equity method on 13 associated companies including the three that were newly affiliated during the fiscal year under review. (2) The non-consolidated subsidiary (Daiwa House REIT Investment Corporation) to which the equity method is not applied, was excluded from the application of the equity method as such exclusion did not have material impact on the consolidated financial statements in terms of the firm's net income/loss (the amount corresponding to the equity) and retained earnings (the amount corresponding to the equity).	(1) Number of associated companies to which the equity method is applied The Company applies the equity method on 13 associated companies. (2) Same as left
3. Fiscal years of consolidated subsidiaries	Of the subsidiaries, the fiscal year-end of Royal Parks Co., Ltd. is September 30, that for Royal Parks Toyosu Co., Ltd. is November 30, that for DH (Dalian) Administrative Management Consulting Center Co., Ltd. and three other companies is December 31, that for DH Property One Joint Company and two other companies is January 31, and that for Shinmisato Development One Special Purpose Company and one other company is February 29. In preparing the consolidated financial statements, the financial statements for DH (Dalian) Administrative Management Consulting Center Co., Ltd. were provisionally closed for the purpose of consolidation as of March 31. For Royal Parks Co., Ltd. and one other company, the financial statements provisionally closed as of December 31 were applied while for other subsidiaries the financial statements as of their respective fiscal closing dates were used. Appropriate adjustments have been made for significant transactions that took place between the respective fiscal year-ends of subsidiaries and the date of the Company's consolidated fiscal year-end of March 31.	Of the subsidiaries, the fiscal year-end of Royal Parks Co., Ltd. is September 30, that for Royal Parks Toyosu Co., Ltd. is November 30, that for DH (Dalian) Administrative Management Consulting Center Co., Ltd. and three other companies is December 31, that for DH Property One Joint Company and three other companies is January 31, and that for Shinmisato Development One Special Purpose Company is February 28. In preparing the consolidated financial statements, the financial statements for DH (Dalian) Administrative Management Consulting Center Co., Ltd. were provisionally closed for the purpose of consolidation as of March 31. For Royal Parks Co., Ltd. and one other company, the financial statements provisionally closed as of December 31 were applied while for other subsidiaries the financial statements as of their respective fiscal closing dates were used. Appropriate adjustments have been made for significant transactions that took place between the respective fiscal year-ends of subsidiaries and the date of the Company's consolidated fiscal year-end of March 31.

	Previous consolidated fiscal year (From April 1, 2007 to March 31, 2008)	Current consolidated fiscal year (From April 1, 2008 to March 31, 2009)
4. Accounting policies	The following accounting policies served as the basis of presenting the consolidated financial statements. (1) Valuation standards and methods for major assets [1] Marketable securities Held-to-maturity debt securities Amortization by the cost method Available-for-sale securities Securities with market value Fair value method based primarily on the average quoted market price over the one month preceding the financial close date (the net unrealized gain on available-for-sale securities is booked directly to equity and the cost of securities sold is calculated using the moving average method) Securities without market value Cost method based on the moving average method [2] Derivatives Fair value method [3] Inventories Construction projects in progress Cost method based on the identified cost method Land and buildings for sale Cost method based on the identified cost method (Except in the case of residential land developed by the Company, where the cost method based on the periodic average method by project is employed) Other inventories (work in progress) Cost method based on the identified cost method Other inventories (raw materials and supplies) Cost method based on the periodic average method Other inventories (products) Cost method based on the retail method	The following accounting policies served as the basis of presenting the consolidated financial statements. (1) Valuation standards and methods for major assets [1] Marketable securities Held-to-maturity debt securities Same as left Available-for-sale securities Securities with market value Same as left Securities without market value Same as left [2] Derivatives Same as left [3] Inventories Revaluation standard is the cost method (Write-down method based on falling profitability in the amount on the balance sheets) Construction projects in progress Identified cost method Real Estate for sale Identified cost method (Except in the case of residential land developed by the Company, where the periodic average method by project is employed) Real estate for sale in process Identified cost method Land for develop Identified cost method Merchandise and finished goods Mainly retail method Work in progress Identified cost method Raw materials and supplies Periodic average method (Change in accounting policies for the valuation of inventories) Beginning the current consolidated accounting period, the "Accounting Standard for Measurement of Inventories" (ASBJ Statement No. 9, released on July 5, 2006) has been applied for the calculation of inventories. As a result of this change, operating income, ordinary income and income before income taxes each decreased by 7,881 million yen. The impact of these changes on business segment information is described in the section in question.

	Previous consolidated fiscal year (From April 1, 2007 to March 31, 2008)	Current consolidated fiscal year (From April 1, 2008 to March 31, 2009)
	(2) Method of depreciation for major assets [1] Property, plant and equipment Primarily by the declining-balance method Provided however, the Company applies the straight-line method on buildings (excluding structures attached to the building) acquired on and after April 1, 1998. (Change in accounting policies) In accordance with the revisions to the Corporate Tax Law, the Company and its domestic subsidiaries as of the fiscal year under review, has adopted the method of depreciation provided for under the revised Law with regard to property, plant and equipment acquired on and after April 1, 2007. The impact of this change on operating income, ordinary income and income before income taxes and minority interests is insignificant. [2] Intangible fixed assets Straight-line method	(2) Method of depreciation for major assets [1] Property, plant and equipment (excluding lease assets) Primarily by the declining-balance method Provided however, the Company applies the straight-line method on buildings (excluding structures attached to the building) acquired on and after April 1, 1998. [2] Intangible fixed assets Same as left [3] Lease assets Finance and lease transactions, not involving the transfer of ownership Lease assets are depreciated using the straight-line method on the assumption that the lease term is the useful life of the assets and the residual value is zero. However, for finance and lease transactions not involving the transfer of ownership, lease transaction terms commenced on or prior to March 31, 2008 are accounted for using the same method as applied to ordinary operating lease transactions.
	(3) Accounting for major allowances and reserves [1] Allowance for doubtful accounts To provide for possible losses arising from default on trade receivable, loan, etc., the Company studies the possibility of recovery based on the default ratio of general loans in case of a general receivable and on an item-by-item review in case of a doubtful account or other special receivables, and records the anticipated unrecoverable amount. [2] Accrued bonuses Reserve for employee bonuses is provided to prepare for future bonus payments in the amount of estimated bonuses. [3] Provision for product warranties To provide for indemnification under the liability to offer guarantee against any defect in the Company's products, the amount based on the actual indemnification associated with the completed constructions of the past is recorded. [4] Provision for employees' retirement benefits The Company provides for the payment of employee retirement benefits in the amount estimated based on the projected retirement benefit obligation and the fair value of pension plan assets at the end of the consolidated fiscal year under review. Unrecognized actuarial differences are recorded lump-sum in the consolidated fiscal year the transactions took place.	(3) Accounting for major allowances and reserves [1] Allowance for doubtful accounts Same as left [2] Accrued bonuses Same as left [3] Provision for product warranties Same as left [4] Provision for employees' retirement benefits Same as left

	Previous consolidated fiscal year (From April 1, 2007 to March 31, 2008)	Current consolidated fiscal year (From April 1, 2008 to March 31, 2009)
	(4) Handling of major lease transactions Financial leases excluding those in which the ownership of the property is transferred to the lessee, are accounted for in the same method as that for the normal operating lease transactions. (5) Method of hedge accounting [1] Method of hedge accounting The Company applies deferred hedge accounting. For interest rate swap transactions that satisfy the conditions for special treatment, the special treatment is applied. [2] Hedging instruments and hedge targets Hedging instruments: interest rate swaps Hedge targets: borrowings [3] Hedge policy The Company conducts hedging activities to reduce interest rate risks and improve its financial base. [4] Method of assessing hedge effectiveness The Company assesses the effectiveness of hedges based on the data derived by comparing the accumulated gains or losses on volatility of hedged targets and hedging instruments during the period between the commencement of the hedges and the time of assessment of effectiveness. The assessment is omitted for transactions applicable to the special treatment. (6) Accounting for consumption tax, etc. All figures are net of consumption tax and local consumption tax. Deductible consumption tax and local consumption tax are accounted for as period expenses.	(4) Method of hedge accounting [1] Method of hedge accounting Same as left [2] Hedging instruments and hedge targets Same as left [3] Hedge policy Same as left [4] Method of assessing hedge effectiveness Same as left (5) Other significant matters regarding preparation of consolidated financial statements [1] Accounting for consumption tax, etc. Same as left [2] Revenue and expense recognition Recognition of revenues from finance lease transactions Revenues and cost of revenues are recognized at the time of lease payments.
5. Valuation of assets and liabilities of consolidated subsidiaries	All assets and liabilities of consolidated subsidiaries are valued based on fair value.	Same as left
6. Amortization of goodwill and negative goodwill	For goodwill and negative goodwill, the effective period is estimated and equally amortized over a rational period of 20 years or less. Amounts of immaterial impact have been amortized on a lump-sum basis during the fiscal year of occurrence.	Same as left
7. Scope of cash on the consolidated statements of cash flows	The scope of cash consists of cash on hand, deposits available for withdrawal at any time and short-term investments that are easily convertible to cash and which bear minimal risk in terms of market volatility and whose maturity arrives within three months of the date of purchase.	Same as left

(7) Change in Basic Significant Matters Regarding Preparation of Consolidated Financial Statements

Previous consolidated fiscal year (From April 1, 2007 to March 31, 2008)	Current consolidated fiscal year (From April 1, 2008 to March 31, 2009)
―――――――――	(Practical Solution on Unification of Accounting Policies Applied to Foreign Subsidiaries for Consolidated Financial Statements) Beginning the current consolidated accounting period, “Practical Solution on Unification of Accounting Policies Applied to Foreign Subsidiaries for Consolidated Financial Statements” (ASBJ PITF No. 18 on May 17, 2006) is applied, and necessary amendments have been made to the consolidated settlement of accounts. The impact of these changes on profit or loss is insignificant.
―――――――――	(Accounting Standard for Lease Transactions) Before this change, the accounting method that was applied to finance and lease transactions that did not involve the transfer of ownership differed depending on the accounting method of lease transaction. However, because the “Accounting Standard for Lease Transactions” (ASBJ Statement No.13 on June 17, 1993 (First Session, Business Accounting Council, amended on March 30, 2007)) and the “Guidance on Accounting Standard for Lease Transactions” (ASBJ Guidance No.16 on January 18, 1994 (Accounting System Committee, JICPA, amended on March 30, 2007)) are applied to the consolidated financial statements for the current consolidated accounting period beginning April 1, 2008, the same accounting method as for regular sales transactions has been applied. However, finance and lease transactions not involving the transfer of ownership, whose lease terms commenced prior to the first fiscal year to which the accounting standard for lease transactions was applied, are accounted for using the same method as applied to ordinary operating lease transactions. The impact of these changes on profit or loss is insignificant.

(8) Change in Methods of Presentation

Previous consolidated fiscal year (From April 1, 2007 to March 31, 2008)	Current consolidated fiscal year (From April 1, 2008 to March 31, 2009)
―――――――――	(Consolidated Balance Sheets) In line with the mandatory application of new classifications for use in financial statements and the consequent revision of the methods of preparation of said statements, issued by the Cabinet Office (Cabinet Office Ordinance No. 50, August 7, 2008), the following changes have been made to the classifications employed in the financial statements on a consolidated basis for the Company for the fiscal year ended March 31, 2009. Inventories that were classified under the categories of “land for sale,” “buildings for sale,” and “other inventories,” employed in the Company’s previous financial statements have been reclassified under the categories of “real estate for sale,” “real estate for sale in process,” “land for develop,” “merchandise and finished goods,” “work in progress,” and “raw materials and supplies” with effect from the financial statements for the fiscal year ended March 31, 2009. The amounts for the categories: “real estate for sale,” “real estate for sale in process,” “land for develop,” “merchandise and finished goods,” “work in progress,” and “raw materials and supplies” that were included within the former categories of “land for sale,” “buildings for sale,” and “other inventories” in the financial statements for fiscal 2007 came to, respectively, 325,891 million yen, 66,009 million yen, 3,841 million yen, 12,444 million yen, 10,497 million yen, and 4,325 million yen.

Notes

(Notes to Consolidated Balance Sheets)

	Previous consolidated fiscal year (March 31, 2008)		Current consolidated fiscal year (March 31, 2009)
1	Debt guarantee (1) The Company has guaranteed the short-term bank loans of the following company. DH (Dalian) Administrative Management Consulting Center Co., Ltd. 1,430 million yen (100,000 thousand RMB) Aomi Development SPC (Specialpurppose company) 240 Total 1,670 [RMB: Chinese Ren Min Bi] (2) The Company has provided financial institutions with guarantees for purchasers of housing loans. 26,815 million yen (3) The Company provides employees with guarantees for their loans from banks under the employee home-ownership plan. 58 million yen (4) The Company provides guarantees for employees' loans from financial institutions. 184 million yen (5) The Company provides guarantees for deposits and guarantees paid to landlords by financial institutions as agents. 7,145 million yen (6) The Company provides leasing companies with guarantees for obligations of clients under leasing agreements. 21 million yen	1	Debt guarantee (1) The Company has guaranteed the short-term bank loans of the following company. DH (Dalian) Administrative Management Consulting Center Co., Ltd. 1,438 million yen (100,000 thousand RMB) Daiwa House REIT Management Co., Ltd. 15,000 Total 16,438 [RMB: Chinese Ren Min Bi] (2) The Company has provided financial institutions with guarantees for purchasers of housing loans. 23,718 million yen (3) The Company provides employees with guarantees for their loans from banks under the employee home-ownership plan. 44 million yen (4) The Company provides guarantees for employees' loans from financial institutions. 183 million yen (5) The Company provides guarantees for deposits and guarantees paid to landlords by financial institutions as agents. 7,586 million yen (6) The Company provides leasing companies with guarantees for obligations of clients under leasing agreements. 3 million yen
2	Balance of notes endorsed and transferred 1,324 million yen	2	Balance of notes endorsed and transferred 1,385 million yen

(Notes to Consolidated Statements of Income)

Previous consolidated fiscal year (From April 1, 2007 to March 31, 2008)

*1 In the consolidated fiscal year under review, the Group recognized an impairment loss on the assets described below:

Purposes	Items	Places	Amount (millions of yen)
Hotels	Buildings and structures; machinery and equipment; furniture and fixtures; and land	Tochigi Pref. and others	744
Golf course	Buildings and structures; machinery and equipment; furniture and fixtures; and land	Hokkaido Pref.	114
Assets used under sublease agreements	Buildings and structures; and land	Wakayama Pref. and others	220
Idle assets	Buildings and structures; and land	Sizuoka Pref. and others	254
Home center	Buildings and structures; furniture and fixtures; and lease assets	Osaka Pref. and others	132
Other	Buildings and structures; machinery and equipment; furniture and fixtures; and lease assets	Chiba Pref. and others	189

Principally, the Group classified the property, plant and equipment by management accounting control unit such as branch office, plant, business office, and each property leased, which controls its revenue and expenditure continuously.
Book value of the above assets were written down to the recoverable amounts due to decreases in the land prices and significant declines in profitability caused by severe competition and the decrease in question is recorded under impairment loss (1,654 million yen) on the extraordinary expenses.
The breakdown of the impairment loss is 451 million yen in building and structures, 40 million yen in machinery and equipment, 25 million yen in furniture and fixtures, 1,093 million yen in land, and 43 million yen in lease assets, respectively.
The recoverable amount of assets is mainly measured by its discount cash flow in use and its net selling price based on real estate appraisal standards.

Current consolidated fiscal year (From April 1, 2008 to March 31, 2009)

*1 In the consolidated fiscal year under review, the Group recognized an impairment loss on the assets described below:

Purposes	Items	Places	Amount (millions of yen)
Hotels	Buildings and structures; machinery and equipment; furniture and fixtures; land; and lease assets	Fukuoka Pref. and others	4,879
Golf course	Buildings and structures; machinery and equipment; furniture and fixtures; and land	Miyagi Pref. and others	3,497
Assets used under sublease agreements	Buildings and structures; furniture and fixtures; land; lease assets; and intangible assets	Chiba Pref. and others	5,391
Idle assets	Land	Niigata Pref. and others	48
Home center	Buildings and structures; furniture and fixtures; and lease assets	Chiba Pref. and others	83
Sports facilities	Buildings and structures; furniture and fixtures; lease assets; and intangible assets	Tokyo Pref. and others	608
Offices and Plants, and others	Buildings and structures; machinery and equipment; furniture and fixtures; land; and lease assets	Ishikawa Pref. and others	383

Principally, the Group classified the property, plant and equipment by management accounting control unit such as branch office, plant, business office, and each property leased, which controls its revenue and expenditure continuously.
Book value of the above assets were written down to the recoverable amounts due to decreases in the land prices and significant declines in profitability caused by severe competition and the decrease in question is recorded under impairment loss (14,892 million yen) on the extraordinary expenses.
The breakdown of the impairment loss is 6,238 million yen in building and structures, 311 million yen in machinery and equipment, 250 million yen in furniture and fixtures, 7,174 million yen in land, 484 million yen in lease assets, and 432 million yen in intangible assets, respectively.
The recoverable amount of assets is mainly measured by its discount cash flow in use and its net selling price based on real estate appraisal standards.

(Notes to Consolidated Statements of Changes in Equity)

Previous consolidated fiscal year (From April 1, 2007 to March 31, 2008)

1. Type and total number of issued shares and type and number of treasury stock

	Number of shares at the end of previous consolidated fiscal year (1,000 shares)	Increased number of shares for consolidated fiscal year under review (1,000 shares)	Decreased number of shares for consolidated fiscal year under review (1,000 shares)	Number of shares at the end of consolidated fiscal year under review (1,000 shares)
Number of shares issued				
Common stock	599,921	—	—	599,921
Total	599,921	—	—	599,921
Treasury stock				
Common stock	12,763	7,938	36	20,665
Total	12,763	7,938	36	20,665

Notes: 1. Breakdown of increase in treasury stock of common stock
Increase as a result of purchase based on the resolution reached at the board of directors meeting on August 20, 2007 — 7,801 thousand shares
Increase as a result of purchase of odd-lots — 137 thousand shares
2. Breakdown of decrease in treasury stock of common stock
Decrease due to request for additional purchase of odd-lots — 36 thousand shares

2. Subscription rights and matters related to subscription rights
Not applicable

3. Dividends
(1) Dividend payment amount

Date of resolution	Type of stock	Total dividends (millions of yen)	Dividend per share (yen)	Record date	Effective date
Ordinary general meeting of shareholders on June 28, 2007	Common stock	11,743	20.0	March 31, 2007	June 29, 2007

(2) Of the dividends for which the record date falls during the term under review, such dividends the effective date of which arrives in the following fiscal period

Date of resolution	Type of stock	Total dividends (millions of yen)	Source of dividend	Dividend per share (yen)	Record date	Effective date
Ordinary general meeting of shareholders on June 27, 2008	Common stock	13,902	Retained earnings	24.0	March 31, 2008	June 30, 2008

Current consolidated fiscal year (From April 1, 2008 to March 31, 2009)

1. Type and total number of issued shares and type and number of treasury stock

	Number of shares at the end of previous consolidated fiscal year (1,000 shares)	Increased number of shares for consolidated fiscal year under review (1,000 shares)	Decreased number of shares for consolidated fiscal year under review (1,000 shares)	Number of shares at the end of consolidated fiscal year under review (1,000 shares)
Number of shares issued				
Common stock	599,921	—	—	599,921
Total	599,921	—	—	599,921
Treasury stock				
Common stock	20,665	152	66	20,750
Total	20,665	152	66	20,750

Notes:
1. Breakdown of increase in treasury stock of common stock
   Increase as a result of purchase of odd-lots 152 thousand shares
2. Breakdown of decrease in treasury stock of common stock
   Decrease due to request for additional purchase of odd-lots 66 thousand shares

2. Subscription rights and matters related to subscription rights
   Not applicable

3. Dividends
   (1) Dividend payment amount

Date of resolution	Type of stock	Total dividends (millions of yen)	Dividend per share (yen)	Record date	Effective date
Ordinary general meeting of shareholders on June 27, 2008	Common stock	13,902	24.0	March 31, 2008	June 30, 2008

   (2) Of the dividends for which the record date falls during the term under review, such dividends the effective date of which arrives in the following fiscal period
   The Company plans on reaching a resolution as follows.

Date of scheduled resolution	Type of stock	Total dividends (millions of yen)	Source of dividend	Dividend per share (yen)	Record date	Effective date
Ordinary general meeting of shareholders on June 26, 2009	Common stock	13,900	Retained earnings	24.0	March 31, 2009	June 29, 2009

(Notes to Consolidated Statements of Cash Flows)

Previous consolidated fiscal year (From April 1, 2007 to March 31, 2008)	Current consolidated fiscal year (From April 1, 2008 to March 31, 2009)
*1 Balance of cash and cash equivalents at year-end and relevance to the amounts of items recorded on the consolidated balance sheets (As of March 31, 2008) Cash and deposits 100,354 million yen Time deposits with terms in excess of three months (1,465) Cash and cash equivalents 98,888	*1 Balance of cash and cash equivalents at year-end and relevance to the amounts of items recorded on the consolidated balance sheets (As of March 31, 2009) Cash and deposits 105,840 million yen Time deposits with terms in excess of three months (458) Cash and cash equivalents 105,381

(Notes on Marketable Securities)

I Previous consolidated fiscal year

1. Held-to-maturity debt securities with market value (March 31, 2008)

	Balance on consolidated balance sheets (millions of yen)	Market value (millions of yen)	Difference (millions of yen)
(Market value exceeds the amount recorded on the consolidated balance sheets)			
Japanese government bonds, local government bonds, etc.	26	27	1
(Market value does not exceed the amount recorded on the consolidated balance sheets)			
Japanese government bonds, local government bonds, etc.	5	4	(0)
Total	31	32	0

2. Available-for-sale securities with market value (March 31, 2008)

	Acquisition cost (millions of yen)	Balance on consolidated balance sheets (millions of yen)	Difference (millions of yen)
(Balance on the consolidated balance sheets exceeds the acquisition cost)			
Equity securities	21,189	47,475	26,285
Others	86	147	61
(Balance on the consolidated balance sheets does not exceed the acquisition cost)			
Equity securities	22,122	20,318	(1,803)
Japanese government bonds, local government bonds, etc.	720	688	(31)
Others	50	44	(5)
Total	44,167	68,673	24,506

Note: Impairment accounting has been applied on marketable securities worth 7,859 million yen (available-for-sale securities with market value: 7,831 million yen and available-for-sale securities without market value: 27 million yen)

3. Available-for-sale securities sold during the consolidated fiscal year under review (From April 1, 2007 to March 31, 2008)

Amount sold (millions of yen)	Total gain on sales of securities (millions of yen)	Total loss on sales of securities (millions of yen)
1,168	898	—

4. Major securities that are not marked-to-market and balances on the consolidated balance sheets (March 31, 2008)

Available-for-sale securities		
Non-listed equity securities	4,287	million yen
Preferred securities	14,533	
Investments in limited liability partnership	3,115	
Total	21,935	

5. Available-for-sale securities with maturity and scheduled due amounts of held-to-maturity debt securities (March 31, 2008)

	Due within a year (millions of yen)	Due in one to five years (millions of yen)	Due in five to ten years (millions of yen)	Due after ten years (millions of yen)
Debt securities				
Japanese government bonds, local government bonds, etc.	20	200	26	473
Total	20	200	26	473

II Current consolidated fiscal year

1. Held-to-maturity debt securities with market value (March 31, 2009)

	Balance on consolidated balance sheets (millions of yen)	Market value (millions of yen)	Difference (millions of yen)
(Market value exceeds the amount recorded on the consolidated balance sheets)			
Japanese government bonds, local government bonds, etc.	5	5	0
(Market value does not exceed the amount recorded on the consolidated balance sheets)			
Japanese government bonds, local government bonds, etc.	—	—	—
Total	5	5	0

2. Available-for-sale securities with market value (March 31, 2009)

	Acquisition cost (millions of yen)	Balance on consolidated balance sheets (millions of yen)	Difference (millions of yen)
(Balance on the consolidated balance sheets exceeds the acquisition cost)			
Equity securities	16,753	25,814	9,060
Others	119	127	7
(Balance on the consolidated balance sheets does not exceed the acquisition cost)			
Equity securities	20,512	17,194	(3,318)
Japanese government bonds, local government bonds, etc.	500	475	(24)
Total	37,886	43,612	5,725

Note: Impairment accounting has been applied on marketable securities worth 7,533 million yen (available-for-sale securities with market value: 7,525 million yen and available-for-sale securities without market value: 7 million yen)

3. Held-to-maturity debt securities sold during the consolidated fiscal year under review (From April 1, 2008 to March 31, 2009)

	Amount sold (millions of yen)	Cost amount sold (millions of yen)	Gain/loss on sales of securities (millions of yen)
Debt securities			
Japanese government bonds, local government bonds, etc.	27	27	0
Total	27	27	0

Note: A consolidated subsidiary held the Japanese government bonds for the purpose of depositing as operational guarantee funds for real estate businesses, however, because of the business restructure, it did not need to deposit and sold them.

4. Available-for-sale securities sold during the consolidated fiscal year under review (From April 1, 2008 to March 31, 2009)

Amount sold (millions of yen)	Total gain on sales of securities (millions of yen)	Total loss on sales of securities (millions of yen)
5	3	—

5. Major securities that are not marked-to-market and balances on the consolidated balance sheets (March 31, 2009)

Available-for-sale securities	
Non-listed equity securities	6,888 million yen
Preferred securities	26,502
Investments in limited liability partnership	7,717
Non-listed debt securities	270
Total	41,378

6. Available-for-sale securities with maturity and scheduled due amounts of held-to-maturity debt securities (March 31, 2009)

	Due within a year (millions of yen)	Due in one to five years (millions of yen)	Due in five to ten years (millions of yen)	Due after ten years (millions of yen)
Debt securities				
Japanese government bonds, local government bonds, etc.	—	245	25	481
Total	—	245	25	481

(Notes on Retirement Benefits)

I Previous consolidated fiscal year

1. Outline of retirement benefit plan adopted

The Company and certain domestic consolidated subsidiaries adopt a corporate pension fund system or approved retirement pension system and lump-sum severance payment system as defined benefits. Additional severance payment may be provided upon an employee's retirement, etc. In addition, the Company adopts a retirement benefit trust.

2. Projected benefit obligation (March 31, 2008)

(1)	Projected benefit obligation	(291,037)	million yen
(2)	Fair value of pension plan assets	164,959	
(3)	Retirement benefit trust	1,908	
(4)	Liability for employees' retirement benefits	(124,169)	
(5)	Provision for employees' retirement benefits	(124,169)	

Note: Certain consolidated subsidiaries adopt the simplified method in calculating projected benefit obligation.

3. Components of net periodic benefit costs (From April 1, 2007 to March 31, 2008)

(1)	Service cost (Note 1)	15,762	million yen
(2)	Interest cost	6,765	
(3)	Expected return on plan assets	(4,350)	
(4)	Recognized actuarial loss	26,410	
(5)	Prior service benefit (Note 2)	(499)	
(6)	Net periodic benefit costs	44,088	

Notes: 1. Net periodic benefit costs of consolidated subsidiaries adopting the simplified method are recorded under "(1) Service cost."
2. Prior service benefit of 499 million yen resulting from the adoption of the revised benefit plan concerning the lump-sum severance payments by certain consolidated subsidiaries has been booked to extraordinary income.

4. Basis of calculation of projected benefit obligation (From April 1, 2007 to March 31, 2008)

(1)	Methods of allocation of projected severance benefit	Fixed amount method for corporate pension fund system and approved retirement pension system; Point method for lump-sum severance payment system of the Company and certain consolidated subsidiaries; fixed amount method for lump-sum severance payment system of the other consolidated subsidiaries
(2)	Discount rate	Mainly 2.5%
(3)	Expected rate of return on plan assets	Mainly 2.5%
(4)	Recognized period of actuarial gain/loss	One year (Recorded lump-sum in the fiscal year transactions took place)

II Current consolidated fiscal year

1. Outline of retirement benefit plan adopted

The Company and certain domestic consolidated subsidiaries adopt a corporate pension fund system or approved retirement pension system and lump-sum severance payment system as defined benefits. Additional severance payment may be provided upon an employee's retirement, etc. In addition, the Company adopts a retirement benefit trust.

2. Projected benefit obligation (March 31, 2009)

(1)	Projected benefit obligation	(315,784)	million yen
(2)	Fair value of pension plan assets	154,952	
(3)	Retirement benefit trust	629	
(4)	Liability for employees' retirement benefits	(160,202)	
(5)	Provision for employees' retirement benefits	(160,202)	

Note: Certain consolidated subsidiaries adopt the simplified method in calculating projected benefit obligation.

3. Components of net periodic benefit costs (From April 1, 2008 to March 31, 2009)

(1)	Service cost (Note)	17,166	million yen
(2)	Interest cost	7,261	
(3)	Expected return on plan assets	(4,120)	
(4)	Recognized actuarial loss	31,495	
(5)	Net periodic benefit costs	51,804	

Note: Net periodic benefit costs of consolidated subsidiaries adopting the simplified method are recorded under "(1) Service cost."

4. Basis of calculation of projected benefit obligation (From April 1, 2008 to March 31, 2009)

(1)	Methods of allocation of projected severance benefit	Fixed amount method for corporate pension fund system and approved retirement pension system; Point method for lump-sum severance payment system of the Company and certain consolidated subsidiaries; fixed amount method for lump-sum severance payment system of the other consolidated subsidiaries
(2)	Discount rate	Mainly 2.5%
(3)	Expected rate of return on plan assets	Mainly 2.5%
(4)	Recognized period of actuarial gain/loss	One year (Recorded lump-sum in the fiscal year transactions took place)

(Matters related to stock option, etc.)

No items to report.

(Notes on Tax Effect Accounting)

Consolidated fiscal year under review (March 31, 2008)		Consolidated fiscal year under review (March 31, 2009)	
1. Breakdown of major causes of deferred tax assets and deferred tax liabilities		1. Breakdown of major causes of deferred tax assets and deferred tax liabilities	
(1) Current		(1) Current	
Deferred tax assets		Deferred tax assets	
Write-down of land held for resale	21,956 million yen	Write-down of land held for resale	20,748 million yen
Accrued bonuses	8,032	Accrued bonuses	7,249
Accrued enterprise tax	1,967	Accrued enterprise tax	770
Other	8,813	Other	6,948
Total deferred tax assets	40,769	Total deferred tax assets	35,717
Deferred tax liabilities		Deferred tax liabilities	
Other	(49) million yen	Other	(0) million yen
Total deferred tax liabilities	(49)	Total deferred tax liabilities	(0)
Net deferred tax assets	40,720 million yen	Net deferred tax assets	35,717 million yen
(2) Non-Current		(2) Non-Current	
Deferred tax assets		Deferred tax assets	
Employees' retirement benefits	50,569 million yen	Employees' retirement benefits	64,982 million yen
Unrealized gains on sales of property, plant and equipment	8,162	Unrealized gains on sales of property, plant and equipment	8,937
Extraordinary depreciation for property, plant and equipment	7,622	Extraordinary depreciation for property, plant and equipment	6,707
Loss carryforwards	5,753	Loss carryforwards	7,697
Other	25,214	Other	32,613
Total	97,322	Total	120,938
Less valuation allowance	(8,483)	Less valuation allowance	(11,719)
Total deferred tax assets	88,838	Total deferred tax assets	109,219
Deferred tax liabilities		Deferred tax liabilities	
Retained earnings appropriated for tax allowable reserves	(1,997) million yen	Retained earnings appropriated for tax allowable reserves	(1,988) million yen
Net unrealized gain on available-for-sale securities	(9,918)	Net unrealized gain on available-for-sale securities	(2,319)
Other	(249)	Other	(191)
Total deferred tax liabilities	(12,165)	Total deferred tax liabilities	(4,499)
Net deferred tax assets	76,673 million yen	Net deferred tax assets	104,719 million yen

Consolidated fiscal year under review (March 31, 2008)			Consolidated fiscal year under review (March 31, 2009)		
2. Breakdown of major items causing the difference between the normal effective statutory tax rates and the actual effective rate of corporate tax, etc. after the application of tax effect accounting.			2. Breakdown of major items causing the difference between the normal effective statutory tax rates and the actual effective rate of corporate tax, etc. after the application of tax effect accounting.		
Normal effective statutory tax rates	40.6	%	Normal effective statutory tax rates	40.6	%
(Adjustment)			(Adjustment)		
Permanently non-deductible expenses, including entertainment expenses	4.7		Permanently non-deductible expenses, including entertainment expenses	9.3	
Non-taxable dividend income	(1.0)		Non-taxable dividend income	(0.3)	
Inhabitant tax (corporation, flat rate)	3.7		Inhabitant tax (corporation, flat rate)	7.4	
Equity in earnings of associated companies	(0.5)		Equity in earnings of associated companies	(1.6)	
Unrealized profit in inventories	(4.3)		Increase in valuation allowance	23.1	
Increase in valuation allowance	7.9		Special deduction in corporate tax	(1.5)	
Special deduction in corporate tax	(1.1)		Reversal of land revaluation difference	(3.8)	
Reversal of land revaluation difference	(0.4)		Other	(0.1)	
Other	(1.1)		Actual effective tax rates after the application of tax effect accounting	73.1	
Actual effective tax rates after the application of tax effect accounting	48.5				

(Segment Information)

a. Information by business segment

Previous consolidated fiscal year (From April 1, 2007 to March 31, 2008)

	Residential Business (millions of yen)	Commercial Construction Business (millions of yen)	Resort Hotels and Sports Life Business (millions of yen)	Home Center Business (millions of yen)	Other Businesses (millions of yen)	Total (millions of yen)	Eliminations /Corporate (millions of yen)	Consolidated (millions of yen)
I Sales and operating income								
Sales								
(1) Sales to customers	1,001,156	503,718	63,675	60,878	79,825	1,709,254	—	1,709,254
(2) Inter-segment sales or transfers	3,209	9,016	26	1,745	63,521	77,517	(77,517)	—
Total sales	1,004,365	512,734	63,701	62,623	143,346	1,786,771	(77,517)	1,709,254
Operating expenses	950,627	462,226	63,661	60,815	138,786	1,676,117	(55,983)	1,620,133
Operating income	53,738	50,507	40	1,807	4,560	110,654	(21,533)	89,120
II Assets, depreciation and capital investments								
Assets	656,479	616,756	101,561	45,319	192,464	1,612,581	178,470	1,791,052
Depreciation	6,956	10,923	2,579	875	13,085	34,421	1,200	35,621
Capital investments	10,484	71,060	2,794	733	18,719	103,793	63	103,856

Notes:

1. Method of industry segmentation
   The Company has defined industry segments based on the currently adopted sales classifications: Residential Business, Commercial Construction Business, Resort Hotels and Sports Life Business, Home Center Business and Other Businesses.
2. Major business components of each industry segment
   [1] Residential Business
   Construction, subdivision and rental of single-family houses, residential complexes (including dormitories, corporate housing and apartments) and condominiums;
   Subdivision of real estate for residential use;
   Real estate agency services;
   Rental and management of residential complexes;
   Management of condominiums
   [2] Commercial Construction Business
   Construction, rental and management of commercial buildings such as distribution facilities, shops, offices and factories;
   Sales and rental of real estate for commercial use
   [3] Resort Hotels and Sports Life Business
   Operation of resort hotels, golf courses and sports facilities
   [4] Home Center Business
   Operation of home center business
   [5] Other Businesses
   Manufacture and sales of construction materials; logistics business; operation of city-type hotels; other
3. Under operating expenses, the amount of unallocated expenses included in eliminations/corporate totaled 22,998 million yen, consisting principally of expenses for corporate image advertisements and general corporate expenses incurred by the Administration Headquarters of the Company.
4. Under assets, the amount of corporate assets included in elimination/corporate totaled 227,513 million yen, consisting primarily of surplus funds (cash and cash equivalents), long-term invested funds (investment securities) and assets associated with the Administration Headquarters of the Company.

Current consolidated fiscal year (From April 1, 2008 to March 31, 2009)

	Residential Business (millions of yen)	Commercial Construction Business (millions of yen)	Resort Hotels and Sports Life Business (millions of yen)	Home Center Business (millions of yen)	Other Businesses (millions of yen)	Total (millions of yen)	Eliminations /Corporate (millions of yen)	Consolidated (millions of yen)
I Sales and operating income								
Sales								
(1) Sales to customers	957,188	530,108	60,077	61,744	81,837	1,690,956	—	1,690,956
(2) Inter-segment sales or transfers	1,838	15,032	29	1,761	62,141	80,802	(80,802)	—
Total sales	959,026	545,141	60,107	63,505	143,978	1,771,758	(80,802)	1,690,956
Operating expenses	930,492	478,959	61,223	62,351	141,474	1,674,501	(57,125)	1,617,376
Operating income	28,533	66,181	(1,115)	1,153	2,504	97,257	(23,677)	73,580
II Assets, depreciation and capital investments								
Assets	607,233	705,606	91,825	44,895	201,081	1,650,642	159,930	1,810,573
Depreciation	7,248	13,979	2,859	980	13,190	38,258	1,059	39,318
Impairment loss	198	5,507	8,985	83	9	14,784	107	14,892
Capital investments	50,112	89,259	2,378	1,074	19,424	162,249	(1,648)	160,600

Notes:

1. Method of industry segmentation

   The Company has defined industry segments based on the currently adopted sales classifications: Residential Business, Commercial Construction Business, Resort Hotels and Sports Life Business, Home Center Business and Other Businesses.

2. Major business components of each industry segment

   [1] Residential Business

   Construction, subdivision and rental of single-family houses, residential complexes (including dormitories, corporate housing and apartments) and condominiums;
   Subdivision of real estate for residential use;
   Real estate agency services;
   Rental and management of residential complexes;
   Management of condominiums

   [2] Commercial Construction Business

   Construction, rental and management of commercial buildings such as distribution facilities, shops, offices and factories;
   Sales and rental of real estate for commercial use

   [3] Resort Hotels and Sports Life Business

   Operation of resort hotels, golf courses and sports facilities

   [4] Home Center Business

   Operation of home center business

   [5] Other Businesses

   Manufacture and sales of construction materials; logistics business; operation of city-type hotels; other

3. Under operating expenses, the amount of unallocated expenses included in eliminations/corporate totaled 24,238 million yen, consisting principally of expenses for corporate image advertisements and general corporate expenses incurred by the Administration Headquarters of the Company.

4. Under assets, the amount of corporate assets included in elimination/corporate totaled 222,418 million yen, consisting primarily of surplus funds (cash and cash equivalents), long-term invested funds (investment securities) and assets associated with the Administration Headquarters of the Company.

5. Change in the accounting policies

   (Change in accounting policies for the valuation of inventories)

   As described in the Basic Significant Matters Regarding Preparation of Consolidated Financial Statements, beginning the current consolidated accounting period, the “Accounting Standard for Measurement of Inventories” (ASBJ Statement No. 9, released on July 5, 2006) has been applied for the calculation of inventories.

   As a result of this change, operating income decreased by 7,586 million yen for the Residential Business, by 106 million yen for the Commercial Construction Business, by 0 million yen for the Resort hotels and Sports Life Business, by 179 million yen for the Home Center Business, and by 8 million yen for the Other Businesses, respectively.

b. Segment information by geographic region

Previous consolidated fiscal year (From April 1, 2007 to March 31, 2008)

Description has been omitted as the ratio of Japan to the total segment sales and to the total segment assets exceeded 90% respectively.

Consolidated fiscal year under review (From April 1, 2008 to March 31, 2009)

Description has been omitted as the ratio of Japan to the total segment sales and to the total segment assets exceeded 90% respectively.

c. Overseas sales

Previous consolidated fiscal year (From April 1, 2007 to March 31, 2008)

Description has been omitted as the ratio of overseas sales to the consolidated net sales was below 10%.

Consolidated fiscal year under review (From April 1, 2008 to March 31, 2009)

Description has been omitted as the ratio of overseas sales to the consolidated net sales was below 10%.

(Per Share Information)

Previous consolidated fiscal year (From April 1, 2007 to March 31, 2008)			Current consolidated fiscal year (From April 1, 2008 to March 31, 2009)		
Equity per share	1,092.04	yen	Equity per share	1,047.50	yen
Basic net income per share	22.46	yen	Basic net income per share	7.20	yen
Diluted net income per share	—	yen	Diluted net income per share	—	yen
1. Diluted net income per share is not disclosed because the Company does not issue warrants with dilutive effects.			1. Diluted net income per share is not disclosed because the Company does not issue warrants with dilutive effects.		
2. The basis of calculation for basic net income per share is as follows.			2. The basis of calculation for basic net income per share is as follows.		
Net income (millions of yen)	13,079		Net income (millions of yen)	4,170	
Amount not belonging to general shareholders (millions of yen)	—		Amount not belonging to general shareholders (millions of yen)	—	
Basic net income related to common stock (millions of yen)	13,079		Basic net income related to common stock (millions of yen)	4,170	
Average number of common stock during the year (thousand shares)	582,292		Average number of common stock during the year (thousand shares)	579,216	

(Significant Subsequent Event)

No item to report

(Omission of Disclosure)

Disclosure of information concerning consolidated statements of income, lease transactions, transactions with associated parties, derivatives transactions, and business consolidations has been omitted, due to the insignificance of disclosure of such information in the summary of financial statements.

(Orders Received and Sales)

Orders received

	Previous consolidated fiscal year (From April 1, 2007 to March 31, 2008)		Current consolidated fiscal year (From April 1, 2008 to March 31, 2009)		YoY	
	Amount (millions of yen)	Composition ratio (%)	Amount (millions of yen)	Composition ratio (%)	Amount (millions of yen)	Ratio of increase (decrease) (%)
Residential Business	974,375	57.4	883,305	55.4	(91,070)	(9.3)
Commercial Construction Business	519,833	30.6	508,643	31.9	(11,189)	(2.2)
Resort Hotels and Sports Life Business	63,675	3.7	60,077	3.7	(3,598)	(5.7)
Home Center Business	60,878	3.6	61,744	3.9	866	1.4
Other Businesses	79,825	4.7	81,837	5.1	2,011	2.5
Total orders received	1,698,588	100	1,595,608	100	(102,979)	(6.1)

Sales

	Previous consolidated fiscal year (From April 1, 2007 to March 31, 2008)		Current consolidated fiscal year (From April 1, 2008 to March 31, 2009)		YoY	
	Amount (millions of yen)	Composition ratio (%)	Amount (millions of yen)	Composition ratio (%)	Amount (millions of yen)	Ratio of increase (decrease) (%)
Residential Business	1,001,156	58.6	957,188	56.6	(43,968)	(4.4)
Commercial Construction Business	503,718	29.5	530,108	31.3	26,390	5.2
Resort Hotels and Sports Life Business	63,675	3.7	60,077	3.6	(3,598)	(5.7)
Home Center Business	60,878	3.5	61,744	3.7	866	1.4
Other Businesses	79,825	4.7	81,837	4.8	2,011	2.5
Total sales	1,709,254	100	1,690,956	100	(18,298)	(1.1)

Orders outstanding

	Previous consolidated fiscal year (As of March 31, 2008)		Current consolidated fiscal year (As of March 31, 2009)		YoY	
	Amount (millions of yen)	Composition ratio (%)	Amount (millions of yen)	Composition ratio (%)	Amount (millions of yen)	Ratio of increase (decrease) (%)
Residential Business	331,605	69.6	257,722	67.6	(73,882)	(22.3)
Commercial Construction Business	144,979	30.4	123,514	32.4	(21,464)	(14.8)
Resort Hotels and Sports Life Business	—	—	—	—	—	—
Home Center Business	—	—	—	—	—	—
Other Businesses	—	—	—	—	—	—
Total orders outstanding	476,584	100	381,236	100	(95,347)	(20.0)

Note: Figures of orders received, sales and orders outstanding represent those pertaining to customers.