

Summary of Financial Results
for the First Quarter of the Fiscal Year Ending March 31, 2009
(From April 1, 2008 to June 30, 2008)

August 1, 2008

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
Representative: Kenji Murakami, President and COO
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Scheduled Date of Filing Quarterly Report: August 13, 2008

(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 First Quarter of the Fiscal Year Ending March 31, 2009
(From April 1, 2008 to June 30, 2008)

(1) Consolidated Results of Operation (cumulative) (% 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	%
1st quarter ended June 30, 2008	354,629	—	4,716	—	5,362	—	2,257	—
1st quarter ended June 30, 2007	344,680	16.2	6,719	—	7,826	694.7	3,889	860.4

	Basic net income per share	Diluted net income per share
	Yen	Yen
1st quarter ended June 30, 2008	3.90	—
1st quarter ended June 30, 2007	6.62	—

(2) Consolidated Financial Conditions

	Total assets	Equity	Equity ratio	Equity per share
	Millions of yen	Millions of yen	%	Yen
As of June 30, 2008	1,830,801	642,537	34.2	1,080.64
As of 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: June 30, 2008: 625,953 million yen; March 31, 2008: 632,571 million yen

2. Dividends

(Record date)	Dividend per share				
	End of 1st quarter (June 30, 2008)	End of 2nd quarter (Sept. 30, 2008)	End of 3rd quarter (Dec. 31, 2008)	Fiscal year-end (March 31, 2009)	Annual
	Yen	Yen	Yen	Yen	Yen
Fiscal year ended March 31, 2008	—	0.00	—	24.00	24.00
Fiscal year ending March 31, 2009	—	—	—	—	—
Fiscal year ending March 31, 2009 (forecasts)	—	0.00	—	24.00	24.00

Note: Revision of the dividend forecasts in the first quarter of the fiscal year ending March 31, 2009: None

3. Consolidated Business Forecasts for the Fiscal Year Ending March 31, 2009 (From April 1, 2008 to March 31, 2009)

(% 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, 2008	820,000	—	32,000	—	30,000	—	16,500	—	28.49
Fiscal year ending March 31, 2009	1,750,000	2.4	95,000	6.6	93,500	52.6	52,000	297.6	89.77

Note: Revision of the business forecasts in the first quarter of the fiscal year ending March 31, 2009: None

4. Others

- (1) Changes in significant subsidiaries during the period
(changes in specified subsidiaries associated with changes in the scope of consolidation): None
- (2) Application of simplified accounting methods and/or accounting methods unique to the preparation of the quarterly consolidated financial statements: None
- (3) Changes in accounting policies, procedures and methods of presentation for the preparation of quarterly consolidated financial statements (items recorded under changes under Basic Significant Matters Regarding Preparation of Quarterly Consolidated Financial Statements)
 - 1) Changes due to amendment of accounting standards: Yes
 - 2) Changes due to reasons other than 1): Yes

Note: For details, please refer to “4. Others of [Qualitative Information and Financial Statements]” on page 4.
- (4) Number of issued shares (common stock)
 - 1) Number of issued shares at the end of period (including treasury stock)

As of June 30, 2008:	599,921,851 shares
As of March 31, 2008:	599,921,851 shares
 - 2) Number of treasury stock at the end of period

As of June 30, 2008:	20,677,520 shares
As of March 31, 2008:	20,665,458 shares
 - 3) Average number of shares during the period (cumulative quarterly consolidated accounting period)

First quarter ended June 30, 2008:	579,250,491 shares
First quarter ended June 30, 2007:	587,142,076 shares

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

1. The above 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 “3. Qualitative Information Regarding Consolidated Business Forecasts of [Qualitative Information and Financial Statements]” on page 4 for details.
2. Commencing fiscal year 2008, “Accounting Standard for Quarterly Financial Statements” (ASBJ Statement No. 12) and “Implementation Guidance for Accounting Standards for Quarterly Financial Statements” (ASBJ Guidance No. 14) are applied. Quarterly consolidated financial statements are prepared according to the “Regulations Concerning Quarterly Consolidated Financial Statements.”

Qualitative Information and Financial Statements

1. Qualitative Information Regarding Consolidated Business Results

The Japanese economy in the first quarter consolidated accounting period for fiscal year 2008, ending March 31, 2009, is continuing to follow a slowdown trend. Against the backdrop of a changing environment, characterized by rising prices of raw materials as a consequence of the soaring price of crude oil, and fluctuations in both the stock markets and foreign exchange markets, there are noticeable weaknesses in the economy, mainly in the corporate sector where exports and corporate earnings are under a cloud, and there are also concerns over drops in consumer spending. In the housing industry, while the impact from the enforcement of the revised Building Standard Law faded, the number of new housing starts continued at a low level as a result of lackluster housing demand symptomatic of worsening external conditions such as soaring material prices and rising interest rates on housing loans.

Amid such a economic environment, the Daiwa House Group started the three-year “Daiwa House Group 2nd Medium-Term Management Plan—Challenge 2010” (for fiscal years 2008 to 2010) in April with the main themes of “improve profit structure” and “nurture new future earnings drivers.” As part of the 2nd Medium-Term Management Plan, in the first quarter period, the Group made efforts to expand its sales, exerting its energies into new projects such as the “Happy Hug Model” in the Single-Family Houses Division. This model has been developed in collaboration with Benesse Corporation to realize our concept for enhancing living environments for raising children by utilizing the “xevo” brand of our housing products.

Moreover, aiming to “strengthen the comprehensive real estate business,” a basic strategy outlined in the 2nd Medium-Term Management Plan, in the first quarter period we endeavored to advance development of mainly high-rise rental housing and commercial facilities to secure a revenue source outside the contracting business.

In addition, as part of our environmental measures, we have been working to “prevent global warming,” one of the Groups basic policies in the 2nd Medium-Term Management Plan. For example, to promote the sustainable development of our forest resources, we have decided to move on from using recycled paper and introduce our concept for original paper, which is certified as being produced from forest plantations that have acquired suitable forest management certification.

As a result of these factors, consolidated net sales increased 2.9% year on year to 354,629 million yen. With respect to earnings, the soaring material prices led to a higher cost of sales ratio, and an increase in selling, general and administrative expenses, which led to ordinary income decreasing 31.5% year on year to 5,362 million yen, and net income decreasing 42.0% year on year to 2,257 million yen.

2. Qualitative Information Regarding Consolidated Financial Conditions

At the end of the first quarter consolidated accounting period for fiscal year 2008, ending March 31, 2009, total assets stood at 1,830,801 million yen, an increase of 39,749 million yen compared with 1,791,052 million yen at the end of fiscal year 2007. The main contributing factors were the acquisition of property, plant and equipment such as high-rise rental housing and commercial facilities and the increase in fixed assets due to a rise in the market value of investment securities held by the Group.

Total liabilities at the end of the first quarter period stood at 1,188,263 million yen, an increase of 46,652 million yen compared with the 1,141,611 million yen at the end of fiscal year 2007. The main contributing factors were the procurement of funds through both short-term bank loans and commercial paper issuance, and the increase in deposits received from customers.

Concerning total equity, although net income for the first quarter was 2,257 million yen, because of the payment of shareholder dividends for fiscal year 2007, total equity was 642,537 million yen, a decrease of 6,903 million yen compared with the end of fiscal year 2007.

3. Qualitative Information Regarding Consolidated Business Forecasts

Although consolidated net sales for the first quarter period rose year on year, earnings decreased year on year due to factors such as a higher cost of sales ratio, resulting from the soaring construction material prices etc., and an increase in selling, general and administrative expenses.

Concerning the consolidated business forecasts for the cumulative business results of the second quarter (results of the first six months of fiscal year 2008), the Group announced a revision to consolidated business forecasts on June 20, 2008, as a result of the decision by Daiwa House REIT Investment Corporation to withdraw plans for the issuance and offering for sale of shares in funds. Since that time, no changes have occurred.

Concerning the full-year consolidated business forecasts for fiscal year 2008, there are no changes to the full-year consolidated business forecasts that were announced on May 13, 2008.

4. Others

- (1) Changes in significant subsidiaries during the period (changes in specified subsidiaries associated with changes in the scope of consolidation): None
- (2) Application of simplified accounting methods and/or accounting methods unique to the preparation of quarterly consolidated financial statements: None
- (3) Changes in accounting policies, procedures and methods of presentation for the preparation of quarterly consolidated financial statements
 - Changes in accounting standards

1) Application of “Accounting Standard for Quarterly Financial Statements”

Commencing fiscal year 2008, “Accounting Standard for Quarterly Financial Statements” (ASBJ Statement No. 12) and “Implementation Guidance for Accounting Standards for Quarterly Financial Statements” (ASBJ Guidance No. 14) are applied. Quarterly consolidated financial statements are prepared according to the “Regulations Concerning Quarterly Consolidated Financial Statements.”

2) Changes to the valuation standard and valuation method for inventories

Before this change, a cost method based on identified cost method was used, but beginning this first quarter period, a cost method based on identified cost method based on the “Accounting Standard for Measurement of Inventories” (ASBJ Statement No. 9) (a write-down method based on falling profitability as measured by the balance sheet) has been used for the calculation of inventories. The impact of these changes on profit or loss is insignificant.

3) Application of “Practical Solution on Unification of Accounting Policies Applied to Foreign Subsidiaries for Consolidated Financial Statements”

Beginning this first quarter period, “Practical Solution on Unification of Accounting Policies Applied to Foreign Subsidiaries for Consolidated Financial Statements” (ASBJ PITF No. 18) are applied, and necessary amendments have been made to the consolidated settlement of accounts. The impact of these changes on profit or loss is insignificant.

4) Application of “Accounting Standard for Lease Transactions”

Before this change, the accounting method that was applied to finance and lease transactions that did not involve transfer of ownership was different depending on the method for lease transaction. However because of the “Accounting Standard for Lease Transactions” (ASBJ Statement No.13) and the “Guidance on Accounting Standard for Lease Transactions” (ASBJ Guidance No.16) are applied ahead of schedule, beginning this first quarter period, the accounting method has been the same as that for regular sales transactions. Finance and lease transactions, not involving transfer of ownership, with the starting date of the lease transaction predating the fiscal year in which the accounting standard for lease transactions is first applied, are accounted for in the same method as that for the normal operating lease transactions. The impact of these changes on profit or loss is insignificant.

5. Quarterly Consolidated Financial Statements
(1) Consolidated Balance Sheets

	(Millions of yen)	
	Current reporting period (as of June 30, 2008)	Previous fiscal year (as of March 31, 2008)
Assets		
Current assets		
Cash and cash equivalents	81,159	100,354
Trade notes and accounts receivable	63,988	63,337
Marketable securities	20	20
Construction projects in progress	67,879	72,602
Merchandise and finished goods	12,748	12,444
Work in process	17,409	10,497
Raw materials and supplies	5,217	4,325
Real estate for sale	322,940	325,891
Real estate for sale in process	61,767	66,009
Land for development	3,841	3,841
Other	106,024	103,450
Allowance for doubtful receivables	(962)	(897)
Total current assets	742,033	761,877
Fixed assets		
Property, plant and equipment		
Buildings and structures	481,457	460,762
Accumulated depreciation	(225,978)	(223,306)
Buildings and structures, net	255,479	237,455
Land	355,272	341,407
Other	157,952	144,309
Accumulated depreciation	(82,030)	(80,356)
Other, net	75,922	63,952
Net property, plant and equipment	686,674	642,816
Intangible fixed assets	12,724	12,410
Investments and other assets		
Investment securities	110,188	98,283
Lease deposits	167,754	164,956
Other	120,545	119,490
Allowance for doubtful accounts	(9,118)	(8,781)
Total investments and other assets	389,369	373,948
Total fixed assets	1,088,767	1,029,175
Total assets	1,830,801	1,791,052

(Millions of yen)

	Current reporting period (as of June 30, 2008)	Previous fiscal year (as of March 31, 2008)
Liabilities		
Current liabilities		
Trade notes and accounts payable	166,642	189,860
Short-term bank loans	20,178	11,918
Current portion of long-term debt	1,614	1,595
Commercial paper	90,000	20,000
Income taxes payable	2,148	23,163
Deposits received from customers	72,775	58,628
Accrued bonuses	11,204	21,167
Provision for product warranties	6,940	6,572
Other	162,519	151,418
Total current liabilities	534,024	484,323
Long-term liabilities		
Long-term debt	193,196	193,376
Lease deposits received	207,293	204,287
Liability for employees' retirement benefits	121,697	124,169
Negative goodwill	1,145	264
Other	130,907	135,189
Total long-term liabilities	654,239	657,287
Total liabilities	1,188,263	1,141,611
Equity		
Shareholders' equity		
Common stock	110,120	110,120
Capital surplus	226,824	226,824
Retained earnings	369,431	381,479
Treasury stock	(19,543)	(19,534)
Total shareholders' equity	686,832	698,891
Valuation and translation adjustments		
Net unrealized gain on available-for-sale securities	19,310	13,432
Land revaluation difference	(78,748)	(79,195)
Foreign currency translation adjustments	(1,441)	(556)
Total valuation and translation adjustments	(60,879)	(66,320)
Minority interests	16,584	16,869
Total equity	642,537	649,440
Total liabilities and equity	1,830,801	1,791,052

(2) Consolidated Statement of Income

(Millions of yen)

	Current reporting period (From April 1, 2008 to June 30, 2008)
Net sales	354,629
Cost of sales	284,710
Gross profit	69,918
Selling, general and administrative expenses	65,202
Operating income	4,716
Other income	
Interest income	343
Dividends	790
Equity in earnings of associated companies	251
Gain on settlement of derivatives	242
Gain on valuation of derivatives	2,653
Miscellaneous income	1,218
Total other income	5,500
Other expenses	
Interest expense	1,129
Loss on settlement of derivatives	116
Loss on valuation of derivatives	2,864
Miscellaneous expenses	743
Total other expenses	4,854
Ordinary income	5,362
Extraordinary income	
Gain on sales of property, plant and equipment	498
Other	1
Total extraordinary income	500
Extraordinary losses	
Loss on sales of property, plant and equipment	89
Loss on disposal of property, plant and equipment	180
Impairment loss	17
Write-down of marketable and investment securities	247
Provision of allowance for doubtful accounts	316
Other	34
Total extraordinary losses	885
Income before income taxes and minority interests	4,976
Income taxes – current	3,800
Income taxes – deferred	(774)
Minority interests in net loss of subsidiaries	(306)
Net income	2,257

Commencing fiscal year 2008, “Accounting Standard for Quarterly Financial Statements” (ASBJ Statement No. 12) and “Implementation Guidance for Accounting Standards for Quarterly Financial Statements” (ASBJ Guidance No. 14) are applied. Quarterly consolidated financial statements are prepared according to the “Regulations Concerning Quarterly Consolidated Financial Statements.”

(3) Notes on premise of going concern

Not applicable.

(4) Notes on significant changes in the amount of shareholders' equity

Not applicable.

(Reference)

Financial statement concerning the first quarter of the previous fiscal year
(Summarized) Consolidated statement of income for the first quarter

Items	1st quarter of the previous fiscal year (From April 1, 2007 to June 30, 2007)
	Amount (millions of yen)
I Net sales	344,680
II Cost of sales	274,750
Gross profit	69,929
III Selling, general and administrative expenses	63,209
Operating income	6,719
IV Other income	3,228
Interest income and dividends	991
Equity in earnings of associated companies	25
Other income	2,212
V Other expenses	2,122
Interest expense	718
Other expenses	1,403
Ordinary income	7,826
VI Extraordinary income	134
VII Extraordinary losses	1,108
Income before income taxes and minority interests	6,851
Income taxes – current	3,546
Income taxes – deferred	(385)
Minority interests in net loss of subsidiaries	(198)
Net income	3,889

Disclaimer:

This English translation has been prepared for general reference purposes only. The Company shall not be responsible for any consequence resulting from the use of the English translation in place of the original Japanese text. In any legal matter, readers should refer to and rely upon the original Japanese text released August 1st, 2008.