

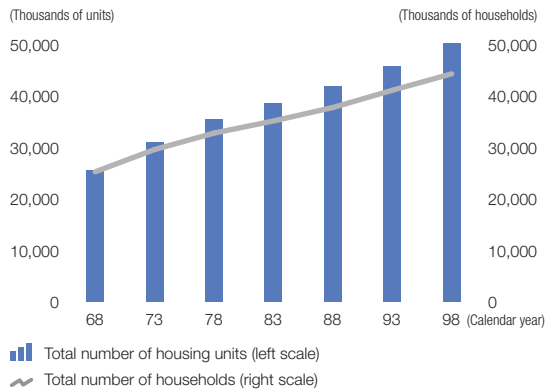


Integrating Group Businesses to Provide Comfortable Housing and Gracious Living

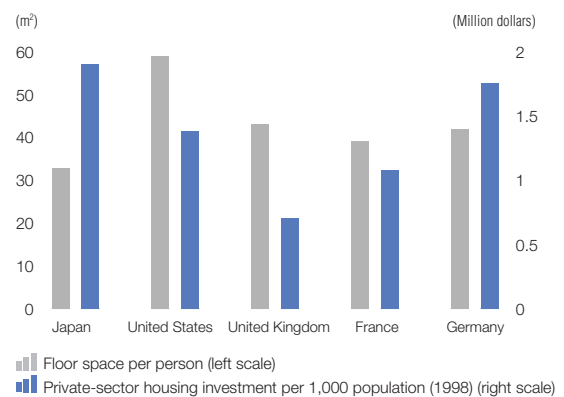
The Japanese housing market is still marked by a significant gap between demand and supply. The housing stock of 50,250,000 units substantially exceeds the total number of households of 44,360,000. While new housing construction starts are relatively high at approximately 1,100 thousand units per year compared with the United States and Europe (1.7 times the figure in the United States per 1,000 population), the average size of a house is small, with space per person considerably smaller than in the United Kingdom, Germany, France and the United States. The changing nature of the Japanese family and its lifestyle has brought dramatic change to the housing market. For example, Japan is the most rapidly aging nation in the world, with elderly people now accounting for 19% of the total population, and the average household has shrunk to just 2.67 persons, half the pre-war level. I will endeavor to ensure that the Daiwa House group is able to provide new value to customers, by correctly identifying the needs in both the flow and stock housing markets.

In new housing construction, consumers are not satisfied with the functions and performance of a house that has an effective life of just 25 to 30 years. We will therefore develop and build houses that have high asset value and that provide a home for many years. We will strive to increase our market share based on our outstanding technologies, which are geared for the future society and for the environment, while taking local characteristics into account. These technologies include a quake-dampening system — vital for earthquake-prone Japan — energy saving and crime-prevention functions, a universal design, and a skeleton-infill design.

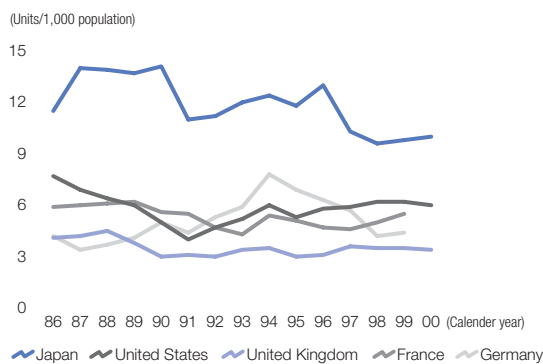
Housing in Japan and the number of households



Average housing space and investment



New housing starts per 1,000 population



For commercial structures, including retail and wholesale facilities, plants, and office buildings, we will provide value added to the businesses of customers in the private and public sectors alike, through our unique asset management consulting system and leading-edge construction technology, centering on a steel-pipe structure. We can offer advanced asset management services that help our corporate customers invigorate their businesses by effectively utilizing their idle real estate, supporting their office-opening strategies, and renovating their production and distribution facilities. Besides our leading construction technology, we can also call on our unique and unmatched consulting capability, in areas such as Hazard Analysis Critical Control Point (HACCP) for safety at food processing plants, and support for the opening of medical-care facilities.

In the housing stock market, we have approximately 3 million customers in about 1,120,000 households, combined with roughly 4 million hotel users per year. We will be proactive in offering services that improve quality of life for these customers. Home enlargement and renovation, the management of condominiums and the intermediary business are all promising areas with the potential to bolster asset value for our customers. We will also step up our focus on the home center and hotel businesses, as these can broaden and enrich lifestyles. In addition, we will ensure that our service businesses — which include leasing, renting, house-moving, insurance, travel agency, and temporary staffing — play a greater role in daily business and personal lives.