

2005 Interim Report

April 1 - September 30, 2004

Building Your Dreams

Daiwa House[®] group

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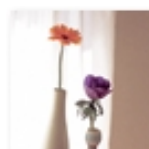


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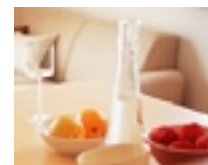
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Forward-looking statements :

Statements contained in this report regarding the Company's plans, strategies, and expectations for future performance fall into the category of "forward-looking statements," which are based on information available to the Company's management at the time of writing.

They are therefore subject to a number of uncertainties and unknowable factors, and actual results may thus substantially differ from those projected.

Financial Results



Group Results Summary

(Millions of yen/Thousands of U.S. dollars)

	Sep. 2004			Sep. 2003
Order	¥652,250	5.8%	\$5,876,126	¥616,372
Sales	¥626,562	4.9%	\$5,644,703	¥597,199
Order backlog	¥448,601	6.7%	\$4,041,450	¥420,370

Consolidated Financial Highlights

(Millions of yen/Thousands of U.S. dollars)

	Sep. 2004		Sep. 2003	Mar. 2004	Mar. 2005 (estimate)
Sales	¥626,562	\$5,644,703	¥597,199	¥1,224,648	¥1,330,000
Operating income	29,125	262,387	26,705	59,661	65,800
Net income (loss)	16,214	146,072	15,194	37,257	36,000
Per share of common stock (in yen and dollars)					
Basic net income	29.68	0.27	27.79	68.16	65.90
Shareholders' equity (yen)	910.08	8.20	914.89	902.32	—
Dividends (yen)	—	—	—	15	—
Total assets	1,269,444	11,436,433	1,113,793	1,087,658	—
Shareholders' equity	497,132	4,478,668	500,136	493,050	—
ROE (%) conversion at an annual rate	6.5	—	6.2	7.6	—
Shareholders' equity ratio (%)	39.2	—	44.9	45.3	—

Note: The U.S. dollar amounts represent translations of Japanese yen for convenience only at the approximate exchange rate on Sep. 30, 2004 of ¥111=U.S.\$1.

Overview

- Total assets rose ¥181.8 billion from the end of the previous term as a result of the inclusion of Daiwa Kosho Lease Co., Ltd., within the scope of consolidation (¥204.4 billion).
- The gross profit on sales rose 4.4% year on year, to ¥132,998 million due to sales growth, despite a 0.1 percentage point rise in the cost of sales as a percentage of sales.
- Operating income rose 9.1% year on year to ¥29,125 million, due to efforts to curb selling, general and administrative expenses.
- Net income increased 6.7% to ¥16,214 million, despite the posting of other expenses for the amortization of prior service cost resulting from the Company's adoption of a new welfare pension system.

Full-Term Outlook

- The Daiwa House Group will place more emphasis on integrating groupwide management to create a group that can fully meet customers' needs at every stage of their lives.
- Net sales are projected at ¥1,330 billion on a consolidated basis, up 8.6% from the previous year. The figure includes sales of Daiwa Kosho Lease Co., Ltd., Osaka Marubiru Co., Ltd., Royal Bix Co., Ltd. (tentative name) and others.
- The full-year forecasts indicate year-on-year declines in net income. This reflects the non-repetition of an actuarial gain of ¥9.4 billion on retirement benefits that was recorded in the previous term.

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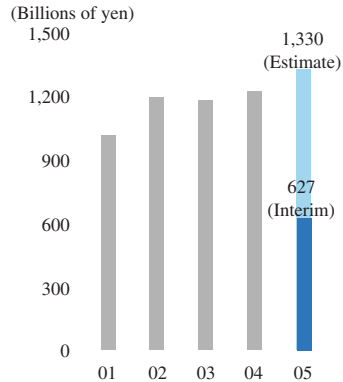
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group

Financial Indicator

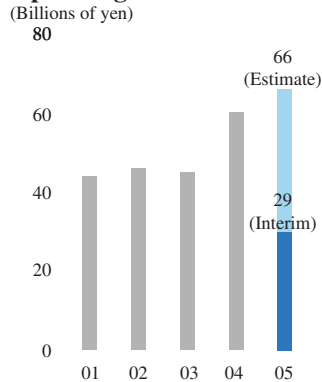


Note: 05 shown in graphs is the six-month term ended September 30, 2004, unless otherwise indicated.

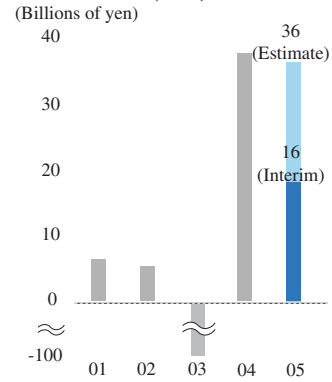
Sales



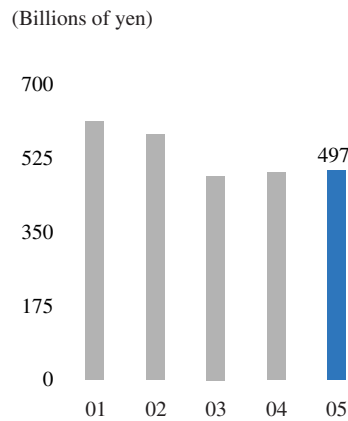
Operating income



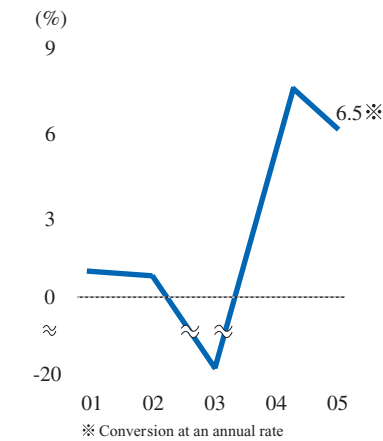
Net income (loss)



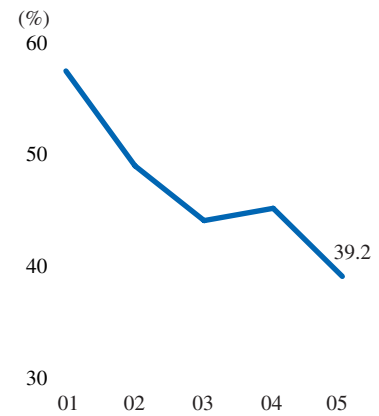
Shareholders' equity



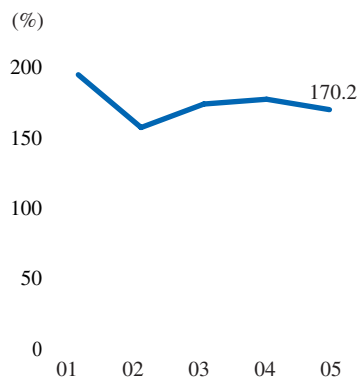
ROE



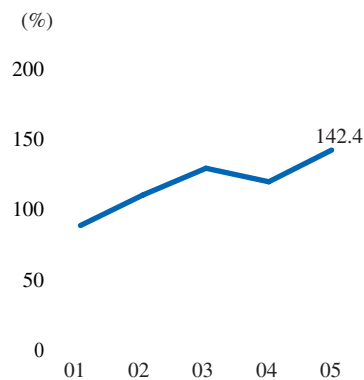
Shareholders' equity to total assets



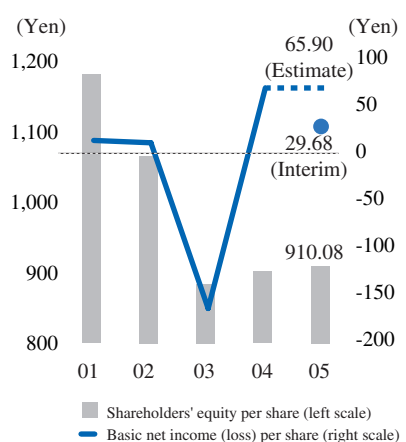
Liquid ratio



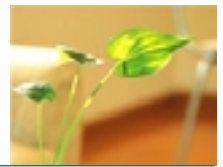
Fixed assets to shareholders' equity



Per share data

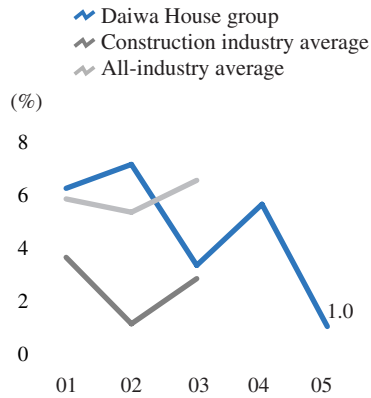


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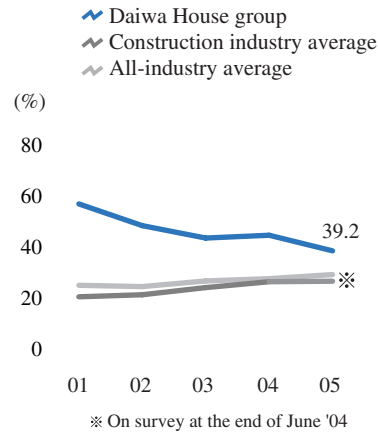


Note: 05 shown in graphs is the six-month term ended September 30, 2004, unless otherwise indicated.

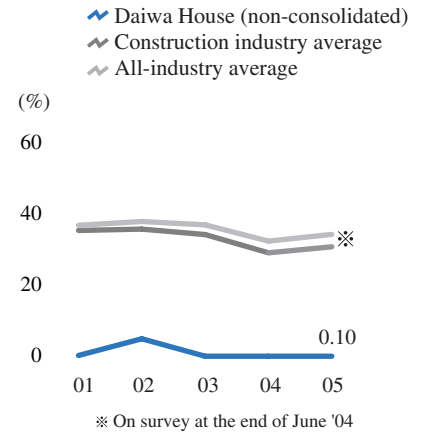
Ratio of cash flows from operating activities to net sales



Shareholders' equity ratio



Ratio of interest-bearing debt to total assets

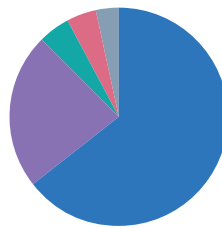


Segment Information



(Interim of fiscal year ending March 31, 2005)

Sales by Segment



- Housing 64.4%
- Commercial construction 23.1%
- Resort hotels 4.7%
- Home center business 4.4%
- Other businesses 3.4%

Note: Percentage is share of net sales after eliminating intercompany transactions.

Results by Segment

● Housing



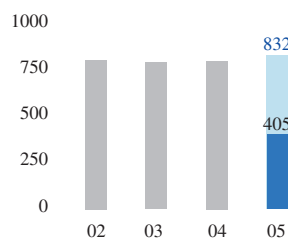
The single-family house division is committed to providing quality products to bolster sales in urban districts. During the six-month period under review, this division introduced a two-story house with a simple and stylish design, as well as an urban three-story wooden home with a stylish exterior. The latter model proposes a dynamic living space.

The rental apartment housing division released a new three-story apartment building for rental use that can be built on the sites located in the densely populated residential districts in urban areas as well as small, irregularly shaped lots. This upscale model features an extensive selection of exterior designs.

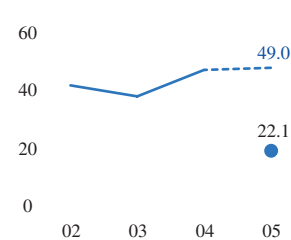
The condominium division introduced a system for assessing the market value of condominiums. Under this system, the Company systematically collects data regarding the quality and performance of condominiums at the time of sale, and also keeps records of after-sale maintenance. This system will enable residents and potential buyers of the condominiums to make a more objective assessment of the market value of the condominiums.

As a result, the housing business segment's sales rose 3.6% to ¥405,498 million, and operating income increased 5.2% to ¥22,090 million.

Sales (Billions of yen/Light colors show the estimate '05)



Operating income (Billions of yen/●=Interim, ---=Estimate)



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Results by Segment

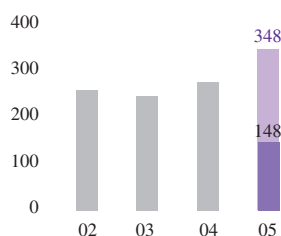
● Commercial Construction



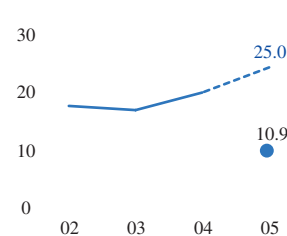
The commercial construction division effectively used the know-how the Company had accumulated as a housing manufacturer to improve its exterior designs, plans and equipment. During the period under review, the division introduced a two-story nursing care facility, drawing on the wealth of knowledge and technology of our Silver Age Research Center, which specializes in research on medical care and nursing care for the elderly. In addition, the general construction division focused on projects related to the development of large-scale commercial complexes consisting of numerous specialty stores, bars and restaurants in suburban locations.

As a result, both sales and operating income for this segment grew, with sales rising 11.2% to ¥148,277 million, and operating income increasing 12.0% to ¥10,904 million.

Sales (Billions of yen/Light colors show the estimate '05)



Operating income (Billions of yen/●=Interim, ---=Estimate)



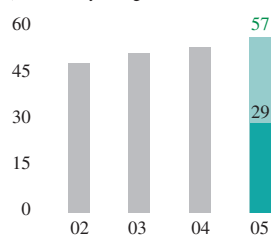
● Resort Hotels



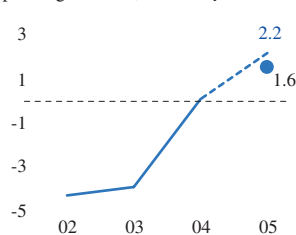
Our resort hotels division developed new events aimed at attracting customers. Culinary competitions were held in our hotels around the country. In this series, chefs from different hotels demonstrated their techniques to the hotel guests. We also expanded our training program for hotel staff, which contributed to an upgrading of our services. By enhancing our products and services in this way, we aim to increase customer satisfaction.

Consequently, this segment generated sales of ¥29,159 million, up 9.0% year-on-year. It also posted operating income of ¥1,637 million, which is 29 times the amount reported for the corresponding period of the previous term.

Sales (Billions of yen/Light colors show the estimate '05)



Operating income (Billions of yen/●=Interim, ---=Estimate)



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Results by Segment

● Home Center Business

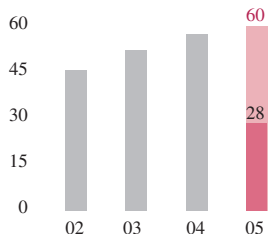


On April 1, 2004, Daiwa House Industry Co., Ltd. spun off the home center business to create Royal Home Center Co., Ltd. In the reporting first-half period, two new shops were established.

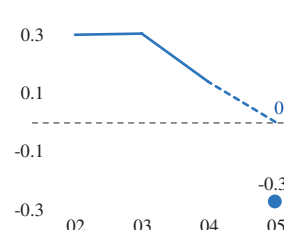
Although consumer spending showed a mild recovery trend, revenues per customer declined, due not only to intensified competition from rivals within the industry and new entrants from other sectors, but also the adoption of a new pricing system, which entails the inclusion of the consumption tax in the displayed retail price.

Consequently, the segment suffered an operating loss of ¥273 million, although sales grew 0.6% year-on-year, to ¥28,487 million.

Sales (Billions of yen/Light colors show the estimate '05)



Operating income (Billions of yen/●=Interim, ---=Estimate)



● Other Businesses



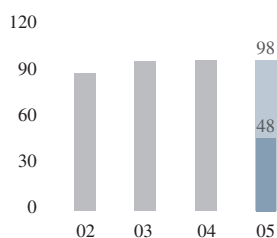
The building material manufacturing and selling division introduced a number of new products, including an indoor staircase, and actively marketed its furniture and interior fixtures. The distribution business began constructing a series of large-scale distribution centers to efficiently process orders for third-party distribution in response to rising customer demand. In other business divisions, Daiwa Royal Co., Ltd. began operating Daiwa Roynet Hotels, employing its own unique hotel management system.



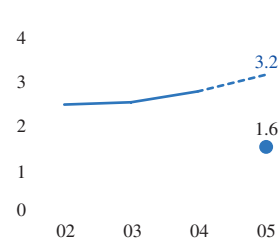
As a result, this segment saw sales rise 1.7% year-on-year, to ¥47,583 million. Operating income also increased, surging 34.7%, to ¥1,589 million.



Sales (Billions of yen/Light colors show the estimate '05)

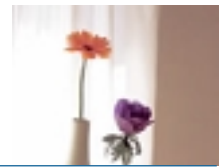


Operating income (Billions of yen/●=Interim, ---=Estimate)



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Stock information



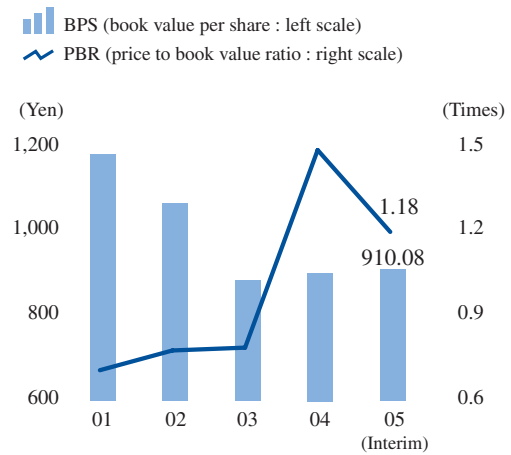
Common Stock

¥110,120 million

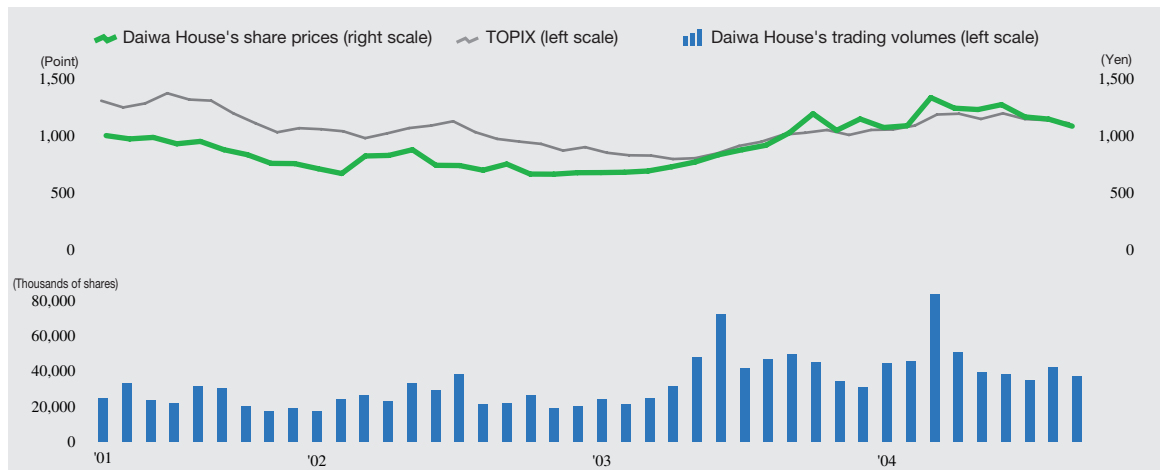
Shares

Authorized	1,900,000,000
Issued and outstanding	550,664,416
Number of shareholders	29,848

BPS and PBR

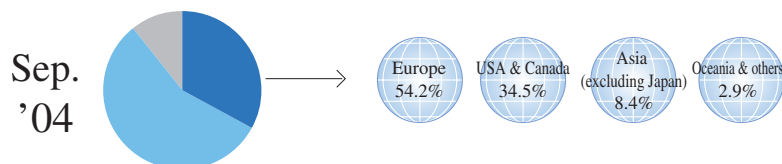


Share Prices and Trading Volumes



Foreign Shareholding Ratio

Type of shareholders	March 31, 2004	Sep. 30, 2004	Change from the previous period
Overseas individuals and corporations	33.39%	32.91%	- 0.48% ↓
Domestic corporations	55.86%	56.39%	+ 0.53% ↑
Domestic individuals and others	10.75%	10.70%	- 0.05% ↓



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Daiwa House[®]
group

Consolidated balance sheet (Unaudited)

Daiwa House Industry Co., Ltd. and Subsidiaries

September 30, 2004

Assets	Millions of yen	Thousands of U.S. dollars
	2004 Interim of FYE 3/2005	2004 Interim of FYE 3/2005
Current assets:		
Cash and cash equivalents	¥ 118,592	\$ 1,068,396
Marketable securities	65	586
Short-term investments	279	2,513
Receivables:		
Trade notes	6,780	61,081
Trade accounts	59,944	540,036
Allowance for doubtful receivables	(1,941)	(17,486)
Inventories	316,334	2,849,856
Deferred tax assets	22,347	201,324
Prepaid expenses and other current assets	39,048	351,784
Total current assets	<u>561,448</u>	<u>5,058,090</u>
Property, plant and equipment:		
Land	231,209	2,082,964
Buildings and structures	452,123	4,073,180
Accumulated depreciation	(307,328)	(2,768,721)
Machinery and equipment	76,833	692,189
Accumulated depreciation	(54,741)	(493,162)
Furniture and fixtures	35,669	321,343
Accumulated depreciation	(29,370)	(264,595)
Construction in progress	6,043	54,442
Net property, plant and equipment	<u>410,438</u>	<u>3,697,640</u>
Investments and other assets:		
Investment securities	49,855	449,144
Investments in and advances to affiliates	5,708	51,423
Long-term loans	5,958	53,676
Deferred tax assets	85,325	768,694
Lease deposits and other assets	159,630	1,438,108
Allowance for doubtful accounts	(8,918)	(80,342)
Total investments and other assets	<u>297,558</u>	<u>2,680,703</u>
Total	<u>¥1,269,444</u>	<u>\$11,436,433</u>

Note: The U.S. dollar amounts represent translations of Japanese yen for convenience only at the approximate exchange rate on September 30, 2004 of ¥111=U.S.\$1.

Consolidated balance sheet (Unaudited)

Daiwa House Industry Co., Ltd. and Subsidiaries

September 30, 2004

Liabilities and shareholders' equity

	Millions of yen	Thousands of U.S. dollars
	2004 Interim of FYE 3/2005	2004 Interim of FYE 3/2005
Current liabilities:		
Short-term bank loans	¥ 300	\$ 2,703
Current portion of long-term debt	51	460
Payables:		
Trade notes	28,117	253,306
Trade accounts	120,997	1,090,063
Deposits received from customers	45,857	413,126
Income taxes payable	14,258	128,451
Accrued bonuses	14,917	134,387
Provision for product warranties	4,706	42,396
Accrued expenses and other current liabilities	100,608	906,378
Total current liabilities	<u>329,811</u>	<u>2,971,270</u>
Long-term liabilities:		
Long-term bank loans	885	7,973
Liability for employees' retirement benefits	116,468	1,049,261
Long-term deposits received from Company's club members	59,242	533,712
Lease deposits and other long-term liabilities	195,827	1,764,207
Total long-term liabilities	<u>372,422</u>	<u>3,355,153</u>
Minority interests	<u>70,079</u>	<u>631,342</u>
Shareholders' equity		
Common stock, ¥50par value—authorized, 1,900,000,000 shares; issued and outstanding 550,664,416 shares in 2004	110,120	992,072
Additional paid-in capital	147,758	1,331,153
Retained earnings	316,885	2,854,820
Land revaluation difference	(84,193)	(758,495)
Net unrealized gain(loss) on available-for-sale securities	11,502	103,622
Foreign currency translation adjustments	(913)	(8,225)
Treasury stock—at cost	(4,027)	(36,279)
Total shareholders' equity	<u>497,132</u>	<u>4,478,668</u>
Total	<u>¥1,269,444</u>	<u>\$11,436,433</u>

Note: The U.S. dollar amounts represent translations of Japanese yen for convenience only at the approximate exchange rate on September 30, 2004 of ¥111=U.S.\$1.

Consolidated statement of income (Unaudited)

Daiwa House Industry Co., Ltd. and Subsidiaries

Six months ended September 30, 2004

	Millions of yen	Thousands of U.S. dollars
	2004 Interim of FYE 3/2005	2004 Interim of FYE 3/2005
Net sales	¥626,562	\$5,644,703
Cost of sales	<u>493,564</u>	<u>4,446,523</u>
Gross profit	132,998	1,198,180
Selling, general and administrative expenses	<u>103,873</u>	<u>935,793</u>
Operating income	<u>29,125</u>	<u>262,387</u>
Other income (expenses):		
Interest income and dividends	473	4,261
Interest expense	(203)	(1,829)
Amortization of unrecognized prior service cost for employees' retirement benefit	(2,282)	(20,559)
Other-net	<u>1,281</u>	<u>11,541</u>
Other income (expenses) -net	<u>(731)</u>	<u>(6,586)</u>
Income before income taxes and minority interests	28,394	255,801
Income taxes:		
Current	12,154	109,495
Deferred	(570)	(5,135)
Total	<u>11,584</u>	<u>104,360</u>
Minority interests in net income of subsidiaries	<u>(596)</u>	<u>(5,369)</u>
Net income	<u>¥ 16,214</u>	<u>\$ 146,072</u>
	<u>Yen</u>	<u>U.S. dollars</u>
Per share of common stock:		
Net income	¥29.68	\$0.27
Diluted net income	—	—

Note: The U.S. dollar amounts represent translations of Japanese yen for convenience only at the approximate exchange rate on September 30, 2004 of ¥111=U.S.\$1.

Consolidated statements of shareholders' equity (Unaudited)

Daiwa House Industry Co., Ltd. and Subsidiaries

Six months ended September 30, 2004

	Thousands		Millions of yen					
	Issued number of shares of common stock	Common stock	Capital surplus	Retained earnings	Land revaluation difference	Net Unrealized gain on available-for-sale securities	Foreign currency translation adjustments	Treasury stock
Balance, April 1, 2003	550,664	¥110,120	¥147,755	¥289,840	¥(60,409)	¥777	¥(881)	¥(3,518)
Net income				37,257				
Cash dividends, ¥10.0 per share				(5,457)				
Transfer due to sales of land				(8,425)	8,425			
Devaluation of deferred tax assets on land revaluation and other					(34,216)			
Net increase in unrealized gain on available-for-sale securities						12,181		
Foreign currency translation adjustments							(36)	
Net increase in treasury stock			2					(365)
Balance, March 31, 2004	<u>550,664</u>	<u>¥110,120</u>	<u>¥147,757</u>	<u>¥313,215</u>	<u>¥(86,200)</u>	<u>¥12,958</u>	<u>¥(917)</u>	<u>¥(3,883)</u>
Net income				16,214				
Cash dividends, ¥15.0 per share				(8,185)				
Transfer due to sales of land				(1,960)	1,960			
Change in increase/decrease of subsidiaries				(2,399)	47			
Net increase in unrealized gain on available-for-sale securities						(1,456)		
Foreign currency translation adjustments							4	
Net increase in treasury stock			1					(144)
Balance, September 30, 2004	<u>550,664</u>	<u>¥110,120</u>	<u>¥147,758</u>	<u>¥316,885</u>	<u>¥(84,193)</u>	<u>¥11,502</u>	<u>¥(913)</u>	<u>¥(4,027)</u>

	Thousands of U.S. dollars							
	Common stock	Capital surplus	Retained earnings	Land revaluation difference	Net unrealized gain on available-for-sale securities	Foreign currency translation adjustments	Treasury stock	
Balance, April 1, 2003	\$992,072	\$1,331,126	\$2,611,171	\$(544,225)	\$7,000	\$(7,937)	\$(31,694)	
Net income			335,649					
Cash dividends, ¥10.0 per share			(49,162)					
Transfer due to sales of land			(75,901)	75,901				
Devaluation of deferred tax assets on land revaluation and other				(308,252)				
Net increase in unrealized gain on available-for-sale securities					109,739			
Foreign currency translation adjustments						(324)		
Net increase in treasury stock			18				(3,288)	
Balance, March 31, 2004	<u>992,072</u>	<u>1,331,144</u>	<u>2,821,757</u>	<u>(776,576)</u>	<u>116,739</u>	<u>(8,261)</u>	<u>(34,982)</u>	
Net income			146,072					
Cash dividends, \$15.0 per share			(73,739)					
Transfer due to sales of land			(17,658)	17,658				
Change in increase/decrease of subsidiaries			(21,612)	423				
Net increase in unrealized gain on available-for-sale securities					(13,117)			
Foreign currency translation adjustments						36		
Net increase in treasury stock			9				(1,297)	
Balance, September 30, 2004	<u>\$992,072</u>	<u>\$1,331,153</u>	<u>\$2,854,820</u>	<u>\$(758,495)</u>	<u>\$103,622</u>	<u>\$(8,225)</u>	<u>\$(36,279)</u>	

Note: The U.S. dollar amounts represent translations of Japanese yen for convenience only at the approximate exchange rate on September 30, 2004 of ¥111=U.S.\$1.

Consolidated statement of cash flows (Unaudited)

Daiwa House Industry Co., Ltd. and Subsidiaries

Six months ended September 30, 2004

	Millions of yen	Thousands of U.S. dollars
	2004 Interim of FYE 3/2005	2004 Interim of FYE 3/2005
Operating activities:		
Income before income taxes and minority interests	¥ 28,394	\$ 255,802
Adjustments to reconcile net income before income taxes and minority interests to net cash provided by operating activities:		
Income tax–paid	(13,274)	(119,586)
Depreciation and amortization	7,640	68,829
Equity in earnings of affiliates	(968)	(8,721)
Provision for employees' retirement benefits, net of payments	3,295	29,685
Decrease (increase) in receivables	(1,984)	(17,874)
Decrease (increase) in inventories	(43,598)	(392,775)
Increase (decrease) in payable trade	16,571	149,288
Increase (decrease) in current deposits received	6,204	55,892
Other–net	4,286	38,613
Total adjustments	(21,828)	(196,649)
Net cash provided by operating activities	6,566	59,153
Investing activities:		
Purchases of property, plant and equipment	(15,283)	(137,685)
Purchases of marketable and investment securities	(6,557)	(59,072)
Proceeds from purchases of investments in subsidiaries	7,926	71,405
Proceeds from sales of investments in subsidiaries	639	5,757
Proceeds from sales of marketable and investment securities	472	4,252
Proceeds from sales of property, plant and equipment	337	3,036
Increase in lease deposits	(4,465)	(40,225)
Net increase in other assets	(3,822)	(34,432)
Net cash used in investing activities	(20,753)	(186,964)
Financing activities:		
Net decrease in short-term bank loans	(250)	(2,252)
Net decrease in long-term bank loans	(25)	(225)
Net decrease in purchase and sales of treasury stock	(54)	(487)
Dividends paid	(8,438)	(76,018)
Net cash used in financing activities	(8,767)	(78,982)
Net increase in cash and cash equivalents	(22,954)	(206,793)
Cash and cash equivalents, April 1, 2004	141,546	1,275,189
Cash and cash equivalents, September 30, 2004	¥118,592	\$1,068,396

Note: The U.S. dollar amounts represent translations of Japanese yen for convenience only at the approximate exchange rate on September 30, 2004 of ¥111=U.S.\$1.