

News Release (Translation only)

December 10, 2007

Company: Daiwa House Industry Co., Ltd.
(Code number: 1925,
First Section of the Tokyo Stock Exchange
and the Osaka Securities Exchange)
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Contact: Eiichi Takeda, Director and Managing Executive Officer
Tel: +81-6-6342-1398

Company: Odakyu Construction Co., Ltd.
(Code number: 1834,
First Section of the Tokyo Stock Exchange)
Representative: Masahide Yukitake, President and Representative
Director
Contact: Kenji Nakazawa, Manager of Administration Division
Tel: +81-3-3376-3101

Company: Odakyu Electric Railway Co., Ltd.
(Code number: 9007,
First Section of the Tokyo Stock Exchange)
Representative: Yorihiro Osuga, Executive President
Contact: Toshiro Yamamoto, Manager, IR Department
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**Concerning a Basic Agreement on a Capital and Business Alliance
(Notification of a Capital and Business Alliance and Share Transfer Entailing a
Transfer of Subsidiary at Odakyu Electric Railway Co., Ltd.)**

Daiwa House Industry Co., Ltd. (hereinafter referred to as “Daiwa House Industry”), Odakyu Construction Co., Ltd. (hereinafter referred to as “Odakyu Construction”) and Odakyu Electric Railway Co., Ltd. (hereinafter referred to as “Odakyu Electric Railway”) hereby announce that they have agreed today to carry out a capital and business alliance (hereinafter referred to as “this capital and business alliance”) with the involvement of all three companies and have concluded a Basic Agreement on a Capital and Business Alliance.

At the same time as this capital and business alliance, Odakyu Construction and Odakyu Electric Railway will restructure their railway maintenance operations, but for details, please refer to the document “Concerning the Restructuring of Railway Maintenance Operations (Notification of a Share Transfer and Company Split Entailing a Transfer of Subsidiary at Odakyu Construction)”.

1. Purpose

Daiwa House Industry is working on the strengthening of its construction business and also on the strengthening of its business infrastructure in the Tokyo metropolitan region, where an increase in orders is anticipated in the future. Meanwhile, Odakyu Construction is aware that it needs to improve its corporate value through further strengthening of its business operations in a severe environment where the competition for orders is increasing due to the contraction of public works, etc.

With both companies participating in a capital and business alliance in such an environment, Daiwa House Industry would be able to build cooperative relationships with Odakyu Construction related to construction work, and also strengthen its business infrastructure in the Tokyo metropolitan region, while apart from being able to incorporating Daiwa House Industry's management know-how, including sales capabilities and material purchasing power, etc., Odakyu Construction would be able to see opportunities to receive orders expand. Both companies could thus expect improvements in business results.

Daiwa House Industry and Odakyu Electric Railway have agreed to advance investigations in the future in regard to a capital and business alliance aimed at contributing to further business expansion at both companies.

2. Details of the basic agreement

(1) Regarding the capital and business alliance between Daiwa House Industry and Odakyu Construction

① Regarding the capital alliance

Daiwa House Industry will acquire 7,168 thousand shares in Odakyu Construction from Odakyu Electric Railway (hereinafter referred to as "this share transfer") aiming at deepening the relations of trust and cooperation between Daiwa House Industry and Odakyu Construction and at promoting the business alliance smoothly. By this share transfer, Daiwa House Industry will newly become the largest shareholder in Odakyu Construction, and Odakyu Construction will work on the further improvement of corporate value as a member of the Daiwa House Group. Meanwhile, Odakyu Electric Railway will continue its cooperative relationship with Odakyu Construction in operating terms.

This share transfer will entail a transfer of subsidiary for Odakyu Electric Railway and will fall under the category of a change of holding company (etc.) for Odakyu Construction.

(a) Overview of the subsidiary (Odakyu Construction) to be transferred

Refer to "3. Overview of the companies concerned"

(b) Number of shareholder voting rights held (number of shares held) and proportion of shareholder voting rights held before and after this share transfer

Name of shareholder	Before the transfer (as of the end of September 2007)			After the transfer		
	Number of shareholder voting rights (Number of shares held)	Proportion	Shareholder position	Number of shareholder voting rights (Number of shares held)	Proportion	Shareholder position
Daiwa House Industry	—	—	—	14,336 votes (7,168,000 shares)	33.1%	1 st
Odakyu Electric Railway	19,056 votes (9,528,255 shares)	44.0%	1 st	4,720 votes (2,360,255 shares)	10.9%	2 nd

※ The transfer (acquisition) price is scheduled for determination at the time of conclusion of the share transfer contract.

※ In association with this share transfer and the restructuring of railway maintenance operations, Odakyu Construction and Kenkey Kogyo Co., Ltd., a subsidiary of Odakyu Construction, will be removed from the consolidated results of Odakyu Electric Railway, and are scheduled to become associated companies (equity method applied) of Daiwa House Industry.

※ Including the indirectly held portion, the proportion of the total number of issued and outstanding shares in Odakyu Construction held by Odakyu Electric Railway is 47.2% before the transfer and is planned at 14.2% after the transfer.

② Regarding the business alliance

Both companies will advance the details of the business alliance in discussions centered on the following matters.

- The construction of a cooperative relationship related to construction work
- The strengthening of Odakyu Construction's business operations based on receiving the benefits of management know-how from Daiwa House Industry (sales capabilities, material purchasing power, etc.), etc.

(2) Regarding the business alliance between Daiwa House Industry and Odakyu Electric Railway

Both companies will advance the details of the business alliance in discussions centered on the following matters.

- Cooperation and promotion in development business, etc.
- The acquisition of new customers through information exchange, etc.

3. Overview of the companies concerned (as of the end of September 2007)

(1) Daiwa House Industry

Business name	Daiwa House Industry Co., Ltd.
Representative	Kenji Murakami, President and COO
Address	3-3-5 Umeda, Kita-ku, Osaka
Founding	April 5, 1955
Description of main business	Residential housing, commercial construction, etc
Month of settlement	March
Number of employees (consolidated)	23,679 people
Main business locations	Head Office (Osaka City), Tokyo Branch (Chiyoda-ku, Tokyo)
Equity (consolidated)	¥668,066 million
Total assets (consolidated)	¥1,720,362 million
Net sales (consolidated)	¥1,618,450 million (the fiscal year ended March 2007)

(2) Odakyu Construction

Business name	Odakyu Construction Co., Ltd.
Representative	Masahide Yukitake, President and Representative Director
Address	4-32-22 Nishi Shinjuku, Shinjuku-ku, Tokyo
Date of establishment	January 26, 1939
Description of main business	Contractor for construction work and civil engineering project
Month of settlement	March
Number of employees (consolidated)	1,049 people
Main business locations	Head Office (Shinjuku-ku, Tokyo), Yokohama Branch (Yokohama City, Kanagawa Prefecture)
Equity (consolidated)	¥8,832 million
Total assets (consolidated)	¥63,467 million
Net sales (consolidated)	¥91,891 million (the fiscal year ended March 2007)

(3) Odakyu Electric Railway

Business name	Odakyu Electric Railway Co., Ltd.
Representative	Yorihiko Osuga, Executive President
Address	2-28-12 Yoyogi, Shibuya-ku, Tokyo
Date of establishment	June 1, 1948

Description of main business	Transportation and real estate
Month of settlement	March
Number of employees (consolidated)	14,333 people
Main business locations	Head Office (Shinjuku-ku, Tokyo)
Equity (consolidated)	¥217,936 million
Total assets (consolidated)	¥1,338,970 million
Net sales (consolidated)	¥623,092 million (the fiscal year ended March 2007)

4. Schedule

December 10, 2007: Conclusion of a basic agreement on a capital and business alliance

March 2008 (planned): Conclusion of a capital and business alliance contract
Conclusion of a share transfer contract (shares in Odakyu Construction)

April 1, 2008 (planned): Date for share transfer (shares in Odakyu Construction)

5. Impact on business results

Impact on business results will be announced as the details of this capital and business alliance and this share transfer are determined.

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

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

Disclaimer:

This English translation has been prepared for general reference purposes only. The Company shall not be responsible for any consequence resulting from the use of the English translation in place of the original Japanese text. In any legal matter, readers should refer to and rely upon the original Japanese text of the press release dated December 10, 2007.