

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	—	—

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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

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