

Dear Shareholders

Continued Focus on Enterprise Value

In fiscal 2002, the Daiwa House group recorded a net loss for the first time since it was established. This was a reflection of our strong determination to strengthen our financial position in preparation for significant growth in the future. In fiscal 2003, we began to translate this commitment into action.

During the term, consolidated sales reached a new record high of ¥1,224,648 million (US\$11,553 million), rising 3.4% over the previous term. Operating income amounted to ¥59,661 million (US\$563 million), up 31.8%, while net income was ¥37,257 million (US\$351 million), returning the group to the black. As chairman & CEO of the Daiwa House group, I would like to express my sincere gratitude to our shareholders for their continuing support.

With respect to our financial position, following a careful review of asset quality we posted a loss on valuation of real estate held for sale and an impairment loss on property, as one-time losses. We reduced the remaining balance of interest-bearing debt by ¥4,525 million, to ¥1,512 million on a consolidated basis, by the end of the term, moving closer to our goal of eliminating debt.

Given the results, we increased our annual dividend by ¥5 per share, to ¥15 for the term. We also reviewed the contents of our shareholder special benefit plan, which had been temporarily suspended, and resumed it. The Daiwa House group has successfully responded to the expectations of its shareholders, by growing at a clip that outpaces the Japanese economic recovery. As a consequence, our share price is twice as high as the level at the end of the previous term.

We will continue to strengthen our management structure in the following term. In my capacity as chairman and CEO, I will remain focused on increasing value for shareholders, in cooperation with Kenji Murakami, president and COO, and Tetsuji Ogawa, executive vice president and CFO. We will pursue consistent growth in enterprise value by focusing on improved profitability, maintaining a sincere approach to management and developing new technologies and businesses. Specifically, we plan to achieve consolidated sales of ¥1.5 trillion by fiscal 2005, reaching ¥2 trillion by fiscal 2010. We also intend to attain ROE of 15%, putting us on a par with the world's leading companies.



Takeo Higuchi
Chairman and CEO

