

2004  
Annual Report

*Building Your Dreams*

**Daiwa House<sup>®</sup>**  

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**group**

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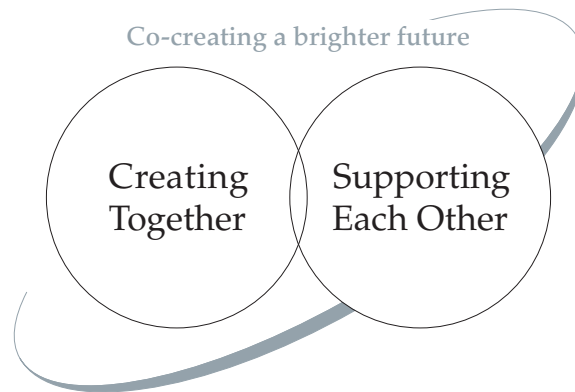
About this report ..... Years shown in graphs are fiscal years ending March 31 unless otherwise indicated.

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 differ substantially from those projected.

Sales statements on ..... Segment sales figures shown in this annual report are totals of sales to external customers and inter-segment sales and transfers.  
a segmental basis                      Segment sales ratios, however, are calculated solely on the basis of sales to external customers.

**Toward a brighter future**





In the fifty years since Daiwa House Industry Co., Ltd. was established in 1955, Japanese society has experienced remarkable change. The nation has experienced high economic growth, an economic bubble and a prolonged recession after that bubble burst. Daiwa House Industry has also expanded its operations substantially, from housing into commercial construction, resort hotels and home center businesses. It has grown to become a group of 43 companies in domestic and overseas markets and sales in excess of ¥1 trillion.

Over the last few years, we have been putting into place a new group management structure that enables the company to adapt to Japan's constantly changing social climate. Viewing this as an opportunity, we aim to win enduring customer loyalty for our brand and raise our profile among the general public. As we work to realize our ambitions for the future, we will retain the pioneer spirit we cultivated at our founding, and will uphold our commitment to co-creating a brighter future, constantly aware of the crucial social impact of our housing and construction operations. In this way, we will rise to meet the challenges facing Japanese society.

# In Japan

## Japanese Economy in Fiscal 2003

Economic growth abroad had positive implications for the Japanese economy, and corporate earnings recovered, especially in export-oriented manufacturers. The number of corporate bankruptcies and the unemployment rate fell year on year. While Japanese real GDP ultimately rose 3.2% from the previous term, achieving the highest rate of growth since fiscal 1996, and evidenced the recovery of the economy, housing and construction market have still kept shrinking.

Breakdown of real GDP in fiscal 2003



Gross fixed capital formation	26%	Private non-residential investment	67%
Consumption	71%	Private residential investment	13%
Net export, etc.	3%	Public investment, etc.	20%

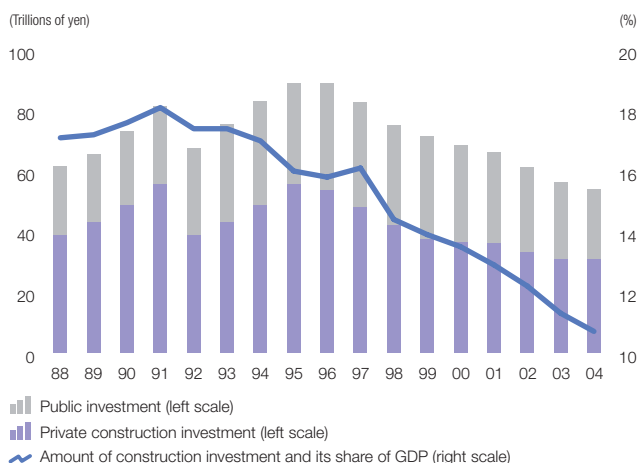
## Construction and Housing Market in Japan

After peaking at ¥84 trillion in fiscal 1992, the construction market in Japan fell consistently throughout fiscal 2003, dropping to ¥53,850 billion. As a percentage of GDP, construction investment also fell from a high of 20% to around 10%. In particular, government outlays on construction fell by a substantial margin of roughly 10% for the second consecutive year, significantly impacted by cutbacks in public works spending. In contrast, construction orders began showing signs of recovery, supported by rising capital spending, mainly in manufacturing.

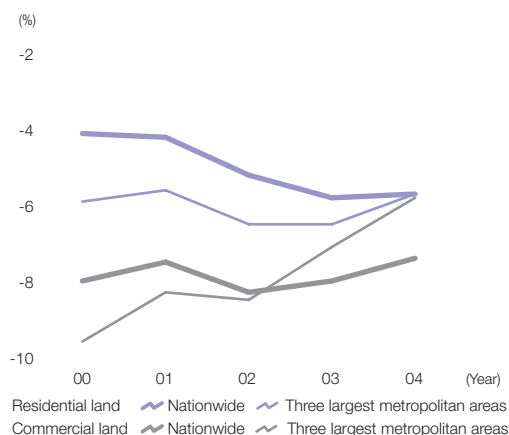
Private housing investment also continued to fall from its most recent peak of ¥28 trillion in fiscal 1996, reaching ¥17,880 billion during the term, or just two thirds of its peak level. New housing construction starts, which mainly consisted of private demand, did in fact reach 1,173,649 units. This represented a rise of 2.5% from the previous term — the first increase in four years — on the strength of positive factors such as the front-loading of housing demand before the revision of housing-related tax reduction, falling land prices and low interest rates. Still, the figure fell 30% short of the level in fiscal 1996, when the housing construction jumped ahead of the consumption tax hike. Market expansion remains difficult given the aging population, combined with a declining birthrate and a rise in the housing stock.

Although land prices in Japan fell for the thirteenth straight year, the rate of decline (in publicly assessed land prices) shrank 0.2 percentage point, as of January 2004 to 6.2% year-on-year. This was the first such improvement in six years, and primarily reflected signs of a bottoming-out in commercial districts in downtown Tokyo and residential areas in the 23-ward central part of Tokyo. The dichotomy between the three megalopolises and other parts of the country became more evident as residents returned to the center of Tokyo and other large cities, where redevelopment projects offered greater convenience and attracted an influx of investment capital.

Construction investment in Japan (unadjusted figures)



Rate of change in land prices in Japan (publicly assessed prices)



# 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



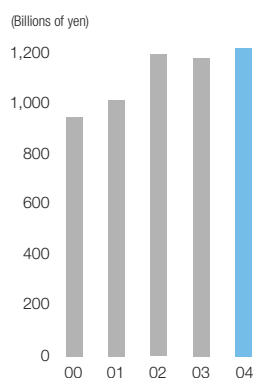
# Consolidated Financial Highlights

Daiwa House Industry Co., Ltd. and subsidiaries  
Years ended March 31, 2004, 2003 and 2002

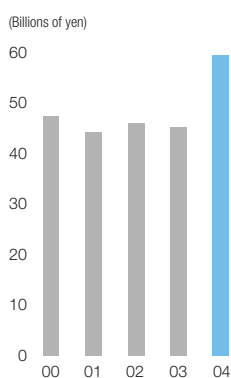
	Millions of yen			Thousands of U.S. dollars
	2004	2003	2002	2004
Net sales	¥1,224,648	¥1,184,544	¥1,197,925	\$11,553,283
Operating income	59,661	45,272	46,031	562,840
Other income (expenses)	8,236	(200,429)	(36,493)	77,698
Net income (loss)	37,257	(91,388)	5,217	351,481
Per share of common stock (in yen and dollars)				
Basic net income (loss)	68.16	(167.06)	9.55	0.64
Shareholders' equity	902.32	884.55	1,066.63	8.51
Cash dividends applicable to the year	15.00	10.00	10.00	0.14
Total assets	1,087,658	1,094,441	1,187,127	10,260,925
Shareholders' equity	493,050	483,684	582,438	4,651,415
Return on equity (%)	7.63	(17.14)	0.85	
Return on asset (%)	3.41	(8.01)	0.46	
Equity ratio (%)	45.33	44.19	49.06	

Note: The U.S. dollar amounts represent translations of Japanese yen for convenience only at the approximate exchange rate on March 31, 2004 of ¥106 = U.S.\$1.

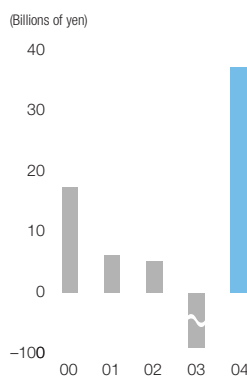
**Net Sales**



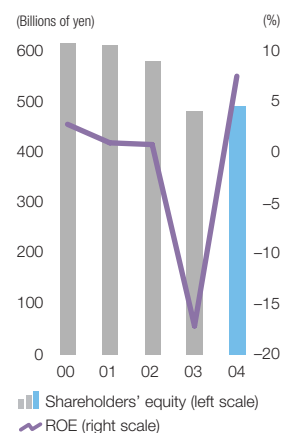
**Operating income**



**Net income (loss)**

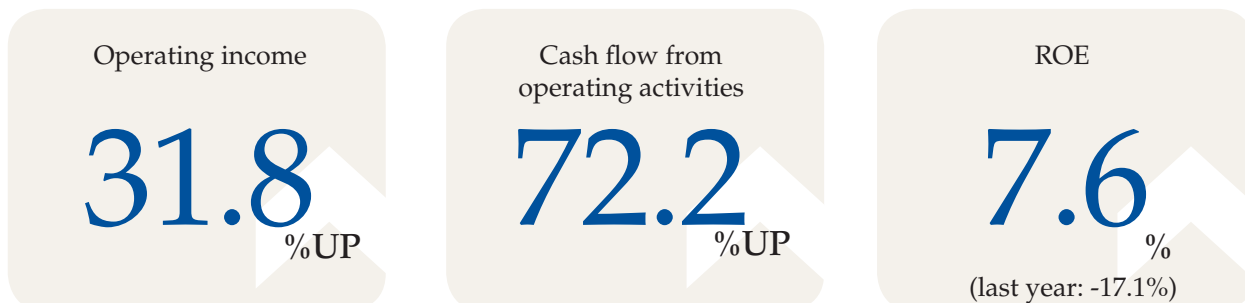


**Shareholders' equity/ROE**



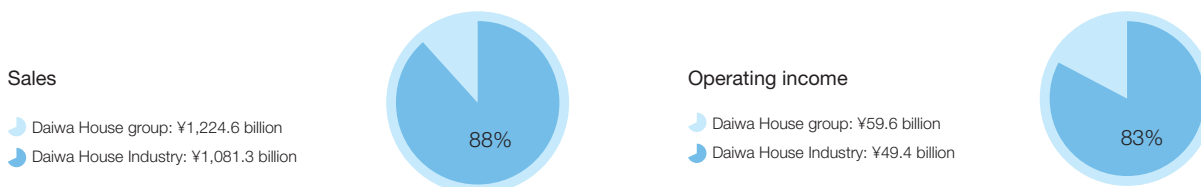
# Group Results Summary

As of March 31, 2004



Thanks to a sharp recovery in profits, the equity ratio rose **1.1** percentage points to **45.3%**  
 Approximately **¥25 billion** lump-sum payment to Company's welfare pension fund  
 Non-operating income increased due to **¥9.5 billion** actuarial gain on retirement benefits  
 Interest-bearing liabilities reduced by **¥4.5 billion** to **¥1.5 billion** at term-end

## The parent company's share of the group total



## Positive factors for fiscal 2003

### Housing industry as a whole

Private-sector capital investment (in real terms) rose 12% year-on-year, topping the 10% growth mark for the first time in five years.

Current reduced tax amount on mortgage loans extended by one year.

### Daiwa House group

The gross profit margin on land rose 6.6 percentage points. (Daiwa House non-consolidated figure)

The group's resort hotel business moved back into the black.

## Negative factors for fiscal 2003

### Housing industry as a whole

Although the margin of decline in the publicly assessed land price shrank, and a bottoming out of the downward trend was seen in certain quarters, the overall market situation remained weak.

The proportion of prefabricated housing as a percentage of total new housing construction starts declined for the fourth consecutive year, falling as far as 13.5%.

### Daiwa House group

One-time expenses relating to the closure of home centers and other cost factors were recorded in the amount of ¥11.3 billion.

Sales of lot-subdivision single-family houses declined from the previous term, both in number of units and amount on a non-consolidated basis.

# Investor Information

As of March 31, 2004

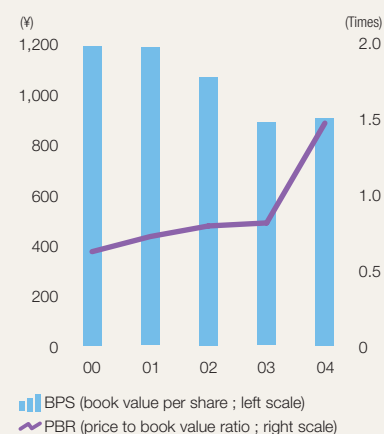
## Common stock

¥110,120 million (US\$1,038,868 thousand)

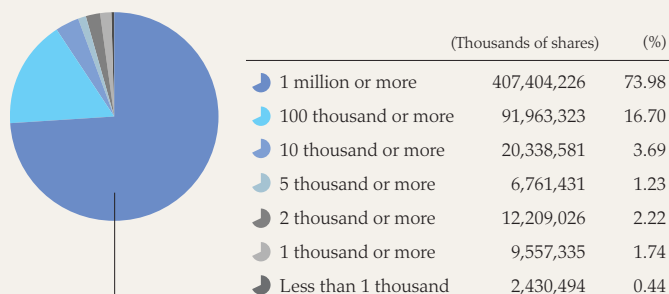
## Shares

Authorized	1,900,000,000
Issued and outstanding	550,664,416
Number of shareholders	29,621

## BPS and PBR



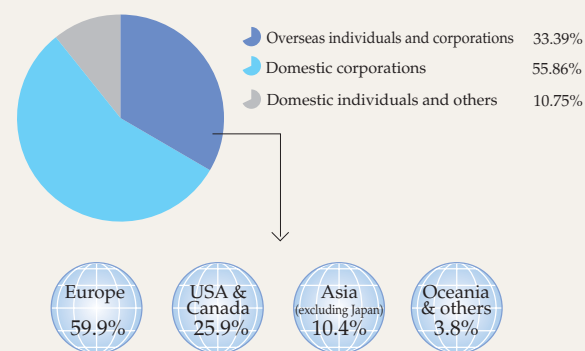
## Shareholding by scale



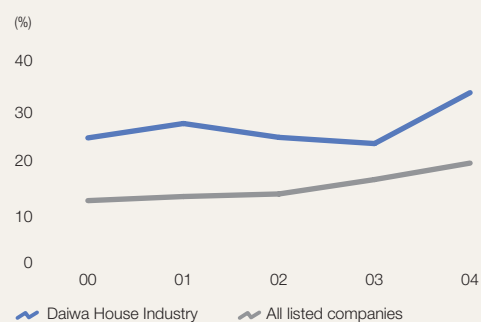
### Principal shareholders

	(Thousands of shares)
Japan Trustee Services Bank, Limited (trust account)	47,368
The Master Trust Bank of Japan, Ltd. (trust account)	34,430
The Chase Manhattan Bank NA, London	17,434
Nippon Life Insurance Company	12,839
The Dai-ichi Mutual Life Insurance Company	11,065
State Street Bank and Trust Company	10,471
UFJ Bank, Limited	10,032
Sumitomo Mitsui Banking Corporation	10,000
The Chuo Mitsui Trust and Banking Company, Limited	9,499
The Daiwa House Employee Shareholders' Association	9,336

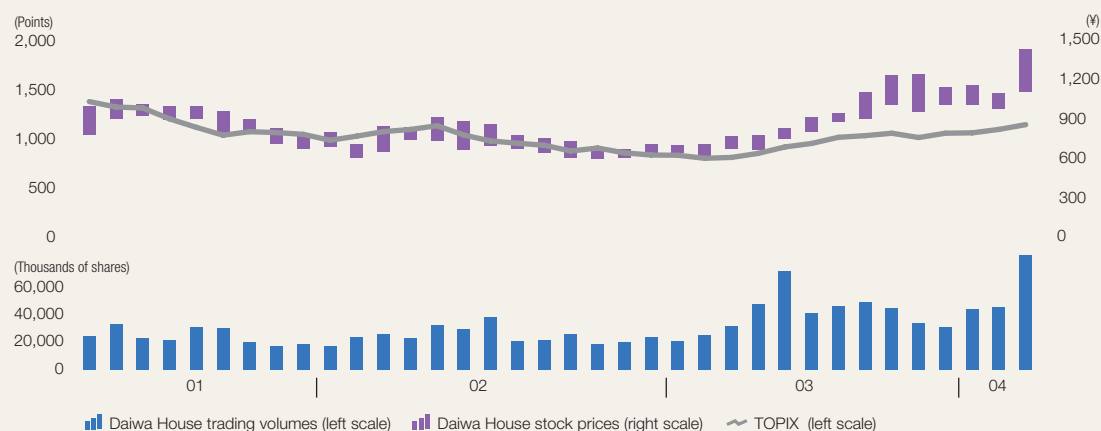
## Foreign shareholding ratio



## Foreign shareholdings over time



## Daiwa House's stock prices and trading volumes on the Tokyo Stock Exchange



## Daiwa House Industry Co., Ltd.

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Phone: +81-6-6346-2111 Fax: +81-6-6342-1399

## Contact

Should you have any inquiries or need further information, please contact us at the numbers below:

Daiwa House Financial Affairs Department

Phone: +81-6-6342-1400 Fax: +81-6-6342-1419

e-mail: [zaimubu@daiwahouse.jp](mailto:zaimubu@daiwahouse.jp)

## Daiwa House website

Daiwa House offers information on its latest corporate performance, annual report etc. on our website.

Japanese site: <http://www.daiwahouse.co.jp>

English site: <http://www.daiwahouse.co.jp/English/index.html>

## Term-end

March 31 every year

## Ordinary general meeting of shareholders

Held in Osaka at the end of June, which is within 3 months of the date of settlement of accounts for each year

## Transfer agent

The Chuo Mitsui Trust and Banking Co., Ltd.

3-33-1 Shiba, Minato-ku, Tokyo

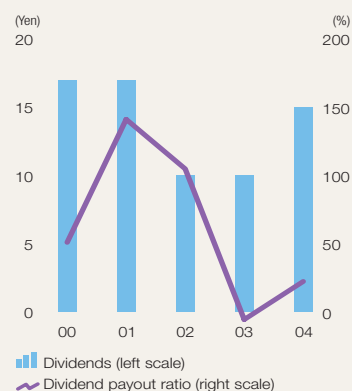
## Securities traded

Osaka and Tokyo stock exchanges

## Securities code

1925

## Dividends and dividend payout ratio



## **Daiwa House Industry**

Takeo Higuchi (middle)  
Chairman and CEO

Kenji Murakami (left)  
President and COO

Tetsuji Ogawa (right)  
Executive Vice President and CFO



A photograph of a modern building interior. The space is characterized by large, multi-paned windows that offer a view of a lush green landscape with trees and a paved area. The floor is highly reflective, mirroring the windows and the surrounding environment. Two prominent, cylindrical wooden pillars stand in the foreground, adding to the architectural design. The overall atmosphere is bright and open.

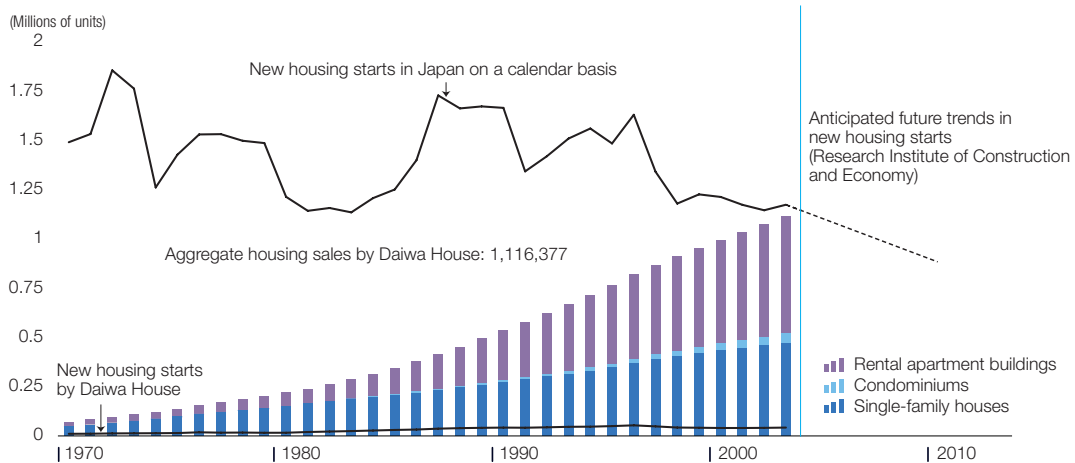
*Acting for All Our Stakeholders*

## Message from the CEO



# **Toward a Brighter Future for Housing in Japan**

## Total housing starts and Daiwa House aggregate sales



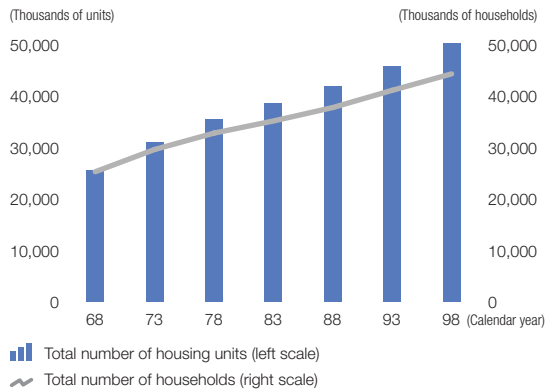
The mission of the Daiwa House group is to inspire new value in the housing industry in Japan. Our aim is to generate demand and explore a brighter future together with all of our stakeholders.

In step with socioeconomic change, housing needs in Japan have also experienced a number of phases during the 20th century, from a shortage of housing to a satisfaction of basic housing needs. We have now entered a period in which homeowners demand quality and affluence. During the period of high economic growth, the emphasis was on the value of goods, and the source of growth for the Daiwa House group was the market for new housing construction.

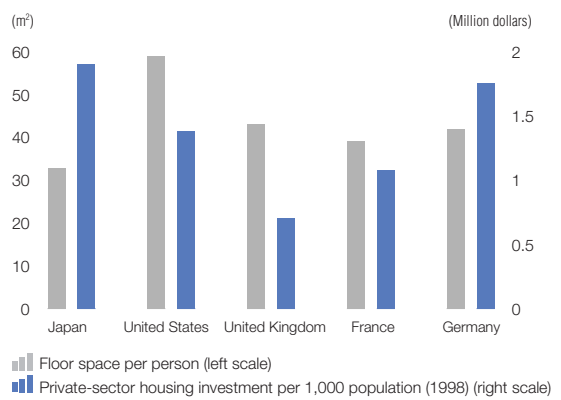
But in the more mature society that has emerged following the bursting of the economic bubble, the concept of housing is also changing dramatically, as the characteristics of the social environment shift from population growth to an aging population with a declining birthrate, and from lifelong employment to labor market liquidity.

As a pioneer, Daiwa House has continuously contributed to the development of prefabricated housing in the Japanese market, which first came into being in the immediate postwar period. Since then, we have constructed approximately 1.12 million housing units, and have grown into a major player in Japan's housing industry. I believe that the basis for future growth in our maturing society is to continue to provide long-lasting value for individual customers, by properly understanding their lifestyles. I want to paint a brighter future for housing as the first group of companies in Japan to build a bridge between "housing" and "lifestyles," by expanding our business portfolio into new lifestyle support businesses, from our traditional operations focused on new housing construction oriented operations. This is because I strongly believe that creating new value for living, and realizing that value in our group, will lead to a new era for the housing industry.

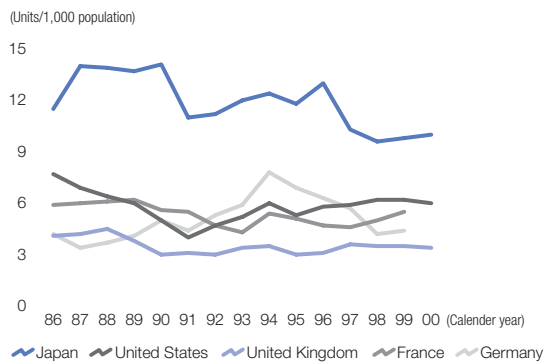
**Housing in Japan and the number of households**



**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.



## **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.

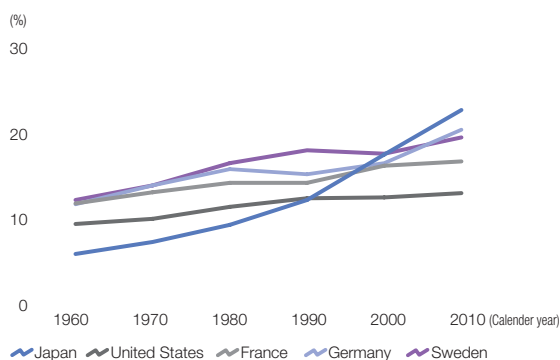
## FuKaKeTsu – The Byword for Growth in New Markets

From the time of its founding, Daiwa House has consistently identified ways to achieve growth in every area of housing. Our sources of growth are an innovative spirit that generates ideas and a willingness to invest our resources in creating demand for these ideas. We believe that the key word for exploring new markets and achieving growth in the future Japanese market is *FuKaKeTsu* (meaning “essential”).

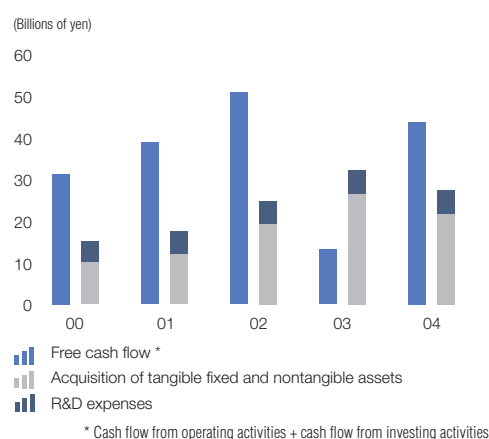
The first syllable *Fu* stands for *Fukushi*, denoting medicine and welfare. We have an excellent track record in this area, having completed 970 healthcare projects, ranging from facilities for the elderly to cutting-edge multifunction nursing homes under the auspices of the Daiwa House Silver Age Research Center, which plays a leading role in the nursing and healthcare construction segment. We aim to dominate the medical care and welfare market on the strength of the advanced consulting capability we have developed in the construction and management of nursing and healthcare-related facilities.

The second syllable *Ka* is for *Kankyō*, the environment, a field where great technological development is expected. We will seek to find and take advantage of opportunities for new environmental businesses by promoting technological research in cooperation with other industries, governments or universities. This research will focus on reducing the burden on the environment with longer building life, developing wind and solar-generated electricity, recycling waste building materials, and offering rooftop gardening.

Global comparison of aging populations



In-house capital investment





The third syllable *Ke* stands for *Kenko*, healthcare. We will bolster our competitive edge through research into next-generation facilities enable people to manage their health in the home. Our products will also incorporate developments related to the housing environment, such as air ventilation, air quality, natural lighting and illumination.

The last syllable *Tsu* represents *Tsuushin*, namely information and communication technology (ICT) and telecommunications. With more than 30% of Japanese households now enjoying broadband access, we are experimenting with practical applications of ICT in the home by incorporating an internal network into a model house.

We will strengthen the function of our Central Research Laboratory and vigorously invest in intellectual property. We plan to bolster research and development expenses 12% from the previous term, to ¥6.3 billion in fiscal 2004, and we will expand this budget to ¥20 billion in the future, to ensure that sales of the Daiwa House group reach ¥10 trillion.

### Main Improvements Made in FY2001–2003

### New Group Management Structure

	FY2001-2002	FY2003
Management	<ul style="list-style-type: none"> <li>• Directors' term of office cut from 2 years to 1 year</li> <li>• Middle management workforce reduced by 50%</li> <li>• Risk management bolstered</li> <li>• Change from division-based to branch-based organization</li> <li>• Introduction of performance-linked pay system for branch managers</li> <li>• Reduced number of companies for more customer-focused management</li> <li>• Introduction of points system to calculation for lump-sum payment at employees' retirement</li> <li>• Establishment of risk management committee</li> <li>• Online disclosure of invitations to shareholders' meetings (Japanese/English); online execution of voting rights (Japanese only)</li> </ul>	<ul style="list-style-type: none"> <li>• Introduction of in-house entrepreneur system</li> <li>• 1 corporate auditor (outside) added, making 5 corporate auditors</li> <li>• Pressing ahead with reinforced initiatives in the field of CSR</li> <li>• Support for purchase of low-emission vehicles by employees (cars owned by staff who visit clients and used both for work and private use)</li> </ul>
Operations	<ul style="list-style-type: none"> <li>• Aggregate housing sales pass 1-million unit mark</li> <li>• First prefabricated house featuring earthquake-dampening system launched</li> <li>• Insulation method for outer walls adopted</li> <li>• Launch of wooden house series</li> <li>• ISO14001 certification acquired by factories and purchasing divisions</li> <li>• Seven local sales companies established</li> <li>• Marketing, design, product development functions reorganized along regional lines</li> <li>• Renovation &amp; rebuilding services expanded</li> <li>• Voluntary Environmental Action Plan drawn up</li> <li>• All 13 factories reach zero-emission targets</li> </ul>	<ul style="list-style-type: none"> <li>• Earthquake-dampening system improved and costs reduced</li> <li>• Crime-prevention specifications installed as standard equipment</li> <li>• Meeting standards stipulated in the revised Building Standard Law to prevent the sick house phenomenon</li> <li>• New construction method for wooden houses developed</li> <li>• Companies specializing in housing loans and renovation established</li> <li>• Resort hotel business returns to profitability</li> </ul>
Financial position	<ul style="list-style-type: none"> <li>• Interest-bearing debt reduced by ¥80.1 billion</li> <li>• An unrealized loss of ¥59.9 billion recorded on land revaluation</li> <li>• SG&amp;A expenses reduced</li> <li>• Changes in accounting policies for retirement benefits</li> <li>• Total elimination of unrealized loss on land</li> <li>• Debt-free management achieved on a non-consolidated basis</li> <li>• Termination of agency service for government-run employee pension fund</li> <li>• Loss recognized on liquidation of affiliates</li> <li>• Extraordinary depreciation of property exceeding about ¥75 billion</li> </ul>	<ul style="list-style-type: none"> <li>• Early application of impairment loss evaluation for fixed assets</li> <li>• Resumption of shareholder special benefit plan</li> <li>• Contribution of about ¥25 billion to the welfare pension fund</li> <li>• Disclosure of quarterly results begin</li> </ul>

From traditional value standards

Toward a brighter future

## Creating an Exciting Future Together

What do you think of our plans and our vision of the future?

After a long slump, Japan has begun to look for a new way to move ahead. I am convinced that one powerful means of opening up new opportunities for Japan is to encourage a sense of values in which the dreams and the life of each individual are cherished. My aspiration is to make the Daiwa House group into the first choice of ordinary citizens, because it provides them with a truly high quality product and a valuable service and combines our dreams with theirs. I want to contribute to Japanese society by proposing new value for the housing industry, based on a pioneering spirit and an ambition of “co-creating a brighter future.” This proposal would reflect both contemporary and future Japan, recognizing that society is constantly evolving.

We will continue to promote disclosure and will remain dedicated to our environmental and social contribution activities. We will also stay committed to building a sincere relationship with all of our stakeholders. Our aim is to be a leading company in Japan with a strong group brand that has the ongoing trust and support of society.

We hope that we can count on your continued support as we strive to create an exciting future.

**Takeo Higuchi**  
*Chairman and CEO*



# Never Stop Growing

In January 2004, a statue in memory of Daiwa House founder Nobuo Ishibashi was dedicated and unveiled on the grounds of the Noto Royal Hotel. Mr. Ishibashi was the pioneer in the development of the Japanese prefabricated housing industry in the years immediately following the end of WWII. By opening up a whole new era of growth in the housing industry, Mr. Ishibashi made a significant contribution to Japan's socioeconomic development, and it is our firm resolve to carry on in the same pioneering spirit.



Statue of Nobuo Ishibashi, the founder of Daiwa House (Noto Royal Hotel, Ishikawa)

## Message from the COO



# Inspiring Dreams, and Becoming No.1 in Housing Business



Daiwa House Industry is a leading housing manufacturer in Japan, constructing over 40,000 housing units, including rental apartment buildings and condominiums every year and holding a cumulative total of approximately 1,120,000 housing units of our customers. Our housing business accounts for 65.1% of our total sales on a consolidated basis. However, our share of the market for annual new housing construction starts is now only 3.6%, dropping us to second place from our previous position as leader of the prefabrication housing industry. After focusing on a wide range of lifestyle and commercial businesses under a strategy of diversification, it is time for us to concentrate on regaining our leadership position in the housing industry, especially now that we have our new group management structure in place.

One of the key requirements for achieving this goal is to expand our market share in the Kanto region. Of particular importance is Tokyo, the largest market in Japan and home to a large number of high-income individuals. Single-family house construction starts in Tokyo account for 9.1%\*<sup>1</sup> of the nation's total, and the rate of growth is high, at 10.6%\*<sup>2</sup>. As a company that operates nationwide, Tokyo for us is an area where we can expand our market share. To do that, we will boost both quality and quantity in both our products and organization. On the product side, we will increase sales by introducing new offerings, including three-story houses that respond to urban land and construction realities. We will also set up a housing exhibition space for mid-to-high-end products that make a greater contribution to profits. With respect to single-family houses for sale, we will develop and provide competitive products from single-family housing for smaller city center development sites to housing for larger, suburban sites, taking advantage of our outstanding technology in developing housing sites to respond to an anticipated return to city centers and strong demand from the younger cohorts of the baby boomer generation. In organizational aspects, we will expand our service capability based on a community-oriented organizational structure. For example, we will open new offices and promote the training of personnel, strategic personnel transfers and faster decision-making.

Another important issue is the improvement of after-sales service. We will redouble our focus on maintaining and improving customer satisfaction and asset value, for example by providing a system of long-term 40-year warranties\*<sup>3</sup>, having our customer advice centers conduct regular inspections and visits, and making routine calls on users, particularly those living in large-scale residential estates (new towns) developed by our home enlargement and reconstruction centers. We will improve our services in every phase of the relationship with our customers, from the first meeting through to contract and delivery. Our aim is to become No.1 in Japan in the housing business — our core field of operations — by offering products and services with stronger appeal than those of our competitors.

\*1: Total for custom-made and lot-subdivision houses for sale

\*2: Average for custom-made and lot-subdivision houses for sale

\*3: Applied to housing and rental apartment buildings (depending on method of construction)

## Targeting the Commercial Construction Business with Outstanding Consulting Capabilities

Commercial construction is our second-largest business (accounting for 22.0% of overall sales) behind housing. While construction investment in Japan has fallen to two thirds of the peak level recorded in fiscal 1992, creating a difficult environment in which approximately 1% of industry players fail each year, our commercial construction business is widely respected for its state-of-the-art technology and for its consulting capabilities. This enabled us to post an 11.7% increase in sales on a consolidated basis in fiscal 2003, making a significant contribution of profits.

In the retail and wholesale facilities business, we have 22,000 constructed facilities, 3,160 companies opening outlets and approximately 5,000 land-owning members, based on our asset consulting services, which provide a link between land owners and companies seeking to open outlets. We are vigorously encouraging corporations to use their idle land and we are promoting the construction of large-scale commercial facilities, employing comprehensive support that starts with land inspection, and moves on through a business plan and the introduction of tenants, to the construction and management of facilities. We are also focusing on using the stock to generate new businesses, such as the renovation and reconstruction of retail outlets.

In the steel-pipe and general construction business, we have a strong track record in diverse buildings, including plants, retail outlets, office buildings, warehouses, schools and hospitals. As market needs have recently tended to focus more on areas requiring specialist expertise and technology, such as the consolidation of distribution facilities and the expansion of their functions, the renewal of office buildings, health and safety at food plants and the new opening of clinics, the number of business areas in which we excel has been rising. In addition, as nursing care and welfare related demand increases and diversifies in response to demographic change in Japan, our Silver Age Research Center finds increasing ways to taking advantage of its own specialty. We will enhance our competitiveness in this area even further, by improving our consulting capability, a strength that we have developed over many years.

The most valuable assets that we have are our employees. We will break down artificial boundaries set by age, sex and physical ability, and improve education and training. We will actively promote capable people to supervisory positions to develop a strong, highly regarded team of professionals. My aim is for our customers to feel attached to Daiwa House Industry, the core company of the group, and for our employees to be proud of working with us.



**Kenji Murakami**  
*President and COO*



## Message from the CFO



The financial reforms that we instituted in fiscal 2002 enabled us to record a strong operating performance in fiscal 2003. The rates of growth we achieve in both sales and profit outpaced the average for listed companies\*<sup>1</sup> and we raised ROE to more than 7% for the first time in seven years. These achievements came despite the fact that the construction and real estate industry continued to suffer from a high reliance on debt, as construction costs rose, although the Japanese economy entered its third recovery since the bursting of the economic bubble. The price of shares in our parent company was double the level recorded at the end of the previous term, and we increased our annual dividend by ¥5 to ¥15, giving us a payout ratio of 25.6%. As the CFO of the Daiwa House group, I would like to express my sincere gratitude for the consistent support our shareholders have shown us.

In fiscal 2003, we further strengthened our balance sheet and posted a one-time loss of ¥11,327 million, mainly reflecting a reexamination of real estate held for sale, the early application of impairment loss evaluation on fixed assets, the disposal of certain home centers and the reduction of deferred tax assets related to the revaluation of lands. As a result, shareholders' equity ratio rose 1.1 percentage points from the previous term, to 45.3%, well above the 30.2% average for fiscal 2003 for Japanese companies closing their books between January and March.

\*1: 1,382 Japanese companies listed on the Tokyo Stock Exchange, consolidated basis: Sales +1.8%, Operating income +14.5%

\*2: Resolution at the general meeting of shareholders on the settlement of accounts for fiscal 2003.

## Our consolidated financial statements at a glance

Consolidated statement of operations		Millions of yen	
Account title	2004	Yoy Change	
Net sales	1,224,648	40,104	
Operating income	59,661	14,389	
Other income	8,236	208,665	
Amortization of actuarial gain (loss) for employees' retirement benefits	15,460	20,385	
Income before income taxes	67,897	223,054	
Net income	37,257	128,645	

Consolidated statement of cash flows		Millions of yen	
Account title	2004	Yoy Change	
Income before income taxes	67,897	223,054	
Depreciation	15,165	(6,221)	
Provision for employees' retirement benefits, net of payments	(30,067)	(115,069)	
Net cash provided by operating activities	69,659	29,200	
Net cash used in investing activities	(25,937)	1,379	
Net cash used in financing activities	(6,126)	51,587	

Consolidated balance sheets		Millions of yen	
Account title	2004	Yoy Change	
Current assets	496,291	27,995	
Property, plant and equipment	344,268	(5,378)	
Investments and other assets	247,099	(29,400)	
Investment securities	45,801	19,813	
Investments in and advances to associated companies*	46,921	21,021	
Total	1,087,658	(6,783)	
Current liabilities	279,453	10,642	
Long-term liabilities	295,762	(23,427)	
Liability for employees' retirement benefits	103,237	(33,243)	
Shareholders' equity	493,050	9,366	
Retained earnings	313,215	23,375	
Net unrealized gain on available-for-sale securities	12,958	12,181	
Total	1,087,658	(6,783)	

- ① Increase in operating income with a reduction of depreciation expenses
- ② Increase in net cash provided by operating activities through an increase in profit
- ③ Decrease in liability for employees' retirement benefits with a good performance on pension investment and a lump-sum payment of contribution to welfare pension fund
- ④ Enhancement of capital through a V-shaped recovery of profit
- ⑤ Expansion of capital with the increase in the market value of stockholdings

\* Investments in associated companies amount to ¥30,289 million.

We also made a lump-sum contribution of approximately ¥25 billion to our welfare pension fund, the public portion of which we returned to the government, to compensate for the shortfall in the reserve. We plan to make an additional contribution in September 2004 to ensure that our pension financing is sound.

With respect to capital strategy, we revised the Articles of Incorporation\*<sup>2</sup> to make decisions on the purchase of our own shares subject only to resolutions of the Board of Directors. This will enable us to make decisions more flexibly, especially in the context of mergers and acquisitions, from a group management perspective.

The Daiwa House group will work towards its aim of a bright future based on the group management structure. I will promote financial strategies that emphasize cash flow based on a sound debt-free balance sheet and will strive to increase value for shareholders over the long term, using as an indicator profitability that is on a par with that of the world's leading companies, notably an ROE of about 15%.

**Tetsuji Ogawa**  
Executive Vice President and CFO

# Corporate Management

As of June 29, 2004

## Board of directors and corporate auditors



**Takeo Higuchi\***  
*Chairman and CEO*



**Kenji Murakami\***  
*President and COO*



**Mitsuo Funatsu\***  
*Executive Vice President*



**Tamio Ishibashi\***  
*Executive Vice President*



**Kimitaka Komatsu**  
*Managing Director*



**Takashi Uzui**  
*Managing Director*



**Hiroshi Azuma**  
*Managing Director*



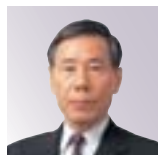
**Osami Nishikawa**  
*Managing Director*

\*Representative Director

## Presidents of principal subsidiaries and affiliates



**Mutsuo Kajimoto**  
*DAIWA KOSHO LEASE  
CO., LTD.*



**Kenji Ito**  
*DAIWA RAKUDA  
INDUSTRY CO., LTD.*



**Katsuyoshi Tateno**  
*DAIWA LOGISTICS  
CO., LTD.*



**Isao Kusunoki**  
*DAIWA LIVING  
CO., LTD.*



**Norihisa Oda**  
*DAIWA SERVICE  
CO., LTD.*



**Minoru Fujita**  
*NIHON JYUTAKU  
RYUTU CO., LTD.*



Tetsuji Ogawa\*  
Executive Vice President and CFO



Takuya Ishibashi  
Executive Managing Director



Naotake Ohno  
Executive Managing Director



Takeshi Kajimoto  
Managing Director



Shigeo Otsuka  
Managing Director



Tatsushi Nishimura  
Managing Director



Yoshiaki Takamura  
Managing Director

**Directors**

Munemitsu Kimura  
Tsuyoshi Natsume  
Tadashi Murakaku  
Seiki Nishi  
Tsugio Hamada  
Chiyohiro Aoyagi

**Corporate Auditors (standing)**

Kohei Nakabo  
Hiromasa Kobayashi  
Toshihiko Emi  
Eiichi Takeda

**Corporate auditor**

Hiromi Doi



Masanori Nishio  
ROYAL HOME CENTER  
CO., LTD.



Tsuyoshi Ochi  
DAIWAROYAL CO., LTD.



Masayasu Enomoto  
DAIWA INFORMATION  
SERVICES CO., LTD.



Toshihiro Yokota  
LOC DEVELOPMENT  
CO., LTD.



Keiichi Honda  
DAIWARESORT  
CO., LTD.



Co-creating a brighter future

Creating  
Together

Supporting  
Each Other

The companies of the Daiwa House group operate in a broad range of businesses extending outward from our core field of homebuilding and office construction to encompass a wide swathe of lifestyle-related customer needs. We will continue building up Japan's social capital in our core business fields while providing various lifestyle support and enhancement services. Going forward, we will provide a solid business infrastructure, which is said to be essential to the future prosperity of Japanese society. By raising the quality level of our products and services to provide value-added lifestyle-related assets that meet with full customer satisfaction, we will continue to forge ahead on our path toward a brighter future for all.

<b>Business Outline</b>	<b>30</b>
Housing	32
Commercial Construction	38
Resort Hotels	42
Home Center Business	44
Other Businesses	46

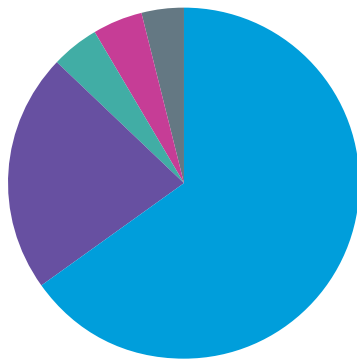


# Business Outline

*Building Your Dreams*

## Daiwa House<sup>®</sup> group

Sales by segment



- 🏠 Housing 65.1%
- 🏢 Commercial construction 22.0%
- 🏨 Resort hotels 4.4%
- 🏪 Home center business 4.6%
- 🚚 Other businesses 3.9%

Housing



Commercial  
Construction



Resort  
Hotels



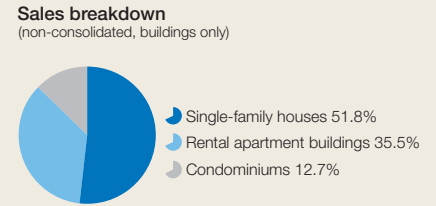
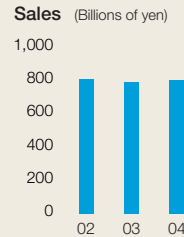
Home  
Center  
Business



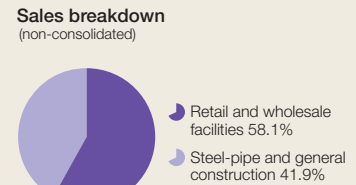
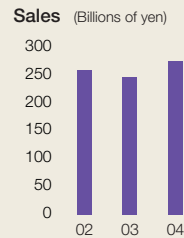
Other  
Businesses



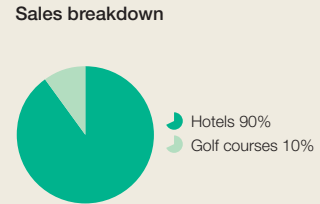
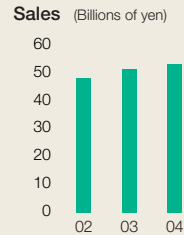
Housing operations constitute the group's core business field, accounting for 65.1% of sales. These core businesses encompass a broad array of operations that relate to the home, and range from the construction of houses under contract and the sale of houses, and condominiums and residential lots, to the building of apartments for rental use, renovations, a real estate agent service, and housing management. This segment has a cumulative total of more than 1,100,000 customer housing units.



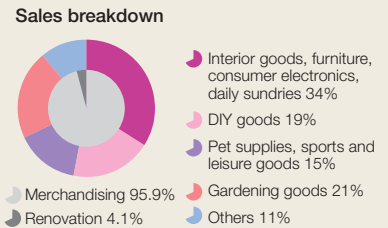
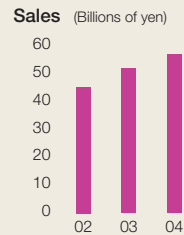
Commercial construction is another pillar of the group's construction activities, accounting for 22.0% of total sales. In this segment, we identify demand for business facilities using our impressive store of land information and our construction consulting capabilities. The division is divided into two categories: the construction of commercial facilities located in suburban areas for retailers and wholesalers, and steel-pipe and general construction that includes the planning, construction and management of office buildings, distribution facilities, and medical and nursing-care facilities.



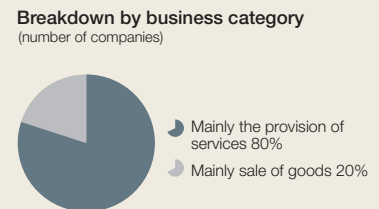
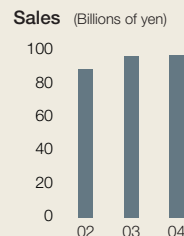
Our resort hotels segment involves the operation of 29 Daiwa Royal Hotels and 10 golf courses throughout Japan, from Hokkaido to Okinawa. This segment accounts for 4.4% of sales on a consolidated basis. In the Japanese hotel industry, these hotels are classified as resort hotels, as we operate both hotels and golf courses in harmony with their natural environment. Within the segment, the ratio of sales generated by hotels to sales from our golf courses is approximately 9:1.



Our home center segment operates 35 home centers nationwide. These centers stock an average of 50,000 items each, primarily do-it-yourself products, and including interior and exterior, outdoor and leisure goods and pet supplies. We also have a considerable focus on renovations, calling on our background as a housing manufacturer. On a consolidated basis, the segment accounts for 4.6% of sales.



Our other businesses primarily include the lifestyle-related services which group subsidiaries and affiliates provide, and contribute 3.9% of consolidated sales. There are mainly 15 categories related to business and lifestyles, ranging from corporate-oriented business such as the manufacture and sale of construction materials, goods distribution, the lease of buildings and automobiles and Energy Service Companies (ESCO) operations, to services for end-users, including removals and the operation of business hotels, insurance services and a travel agency.



# Aiming to be the leader in the housing industry in Japan

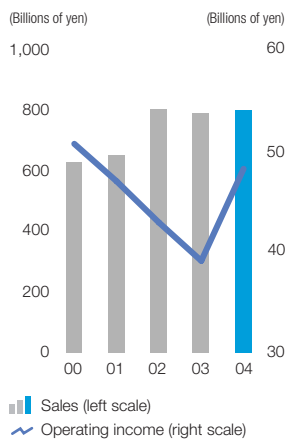
Unit sales came to more over 42,000 units on a non-consolidated basis, rising 3.5% from the previous year



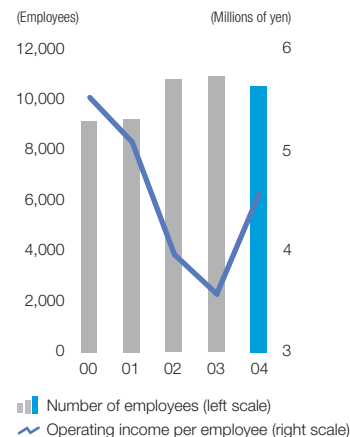
In fiscal 2003, new housing construction starts rose 2.5% over the previous term, the first upturn in four years. In our housing business, while sales reached ¥800,631 million on a consolidated basis, rising 1.1%, operating income jumped 23.3% to ¥48,266 million. Although unit sales\* also rose 3.6%, this was mainly because of the increase in rental apartment buildings and condominiums, which suggested that the key task for achieving future growth will be to expand our market share in sales of single-family houses in the Tokyo region. We aim to be the leader in the Japanese housing industry in terms of both quantity and quality, by bolstering our performance in the new housing construction market and improving our services.

\*On a non-consolidated basis

Sales and operating income



Number of employees and operating income per employee



# Housing

## Single-Family Houses



- Two-story houses\*
- Three-story houses\*
- One-story houses\*
- Wooden houses
- Region-specific products
- Built-to-order houses

\*Steel frame construction

## Rental Apartment Buildings



- Central staircase type
- Side corridor type
- Duplex type
- Stack-on type\*

\*Self contained apartments with private access from the ground floor

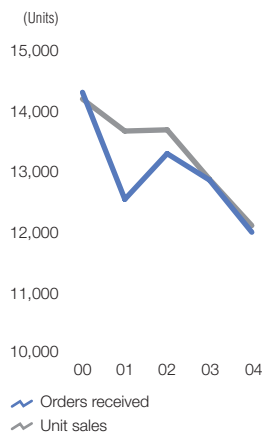
## Condominiums



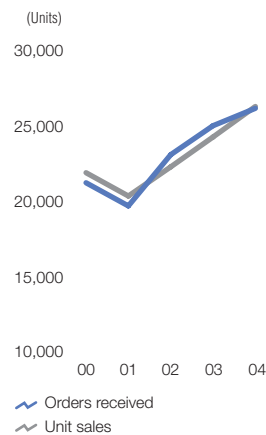
- Luxury condominiums
- Urban-type buildings
- Multi-building type
- Highrise buildings
- Suburban type

### Orders and sales (non-consolidated)

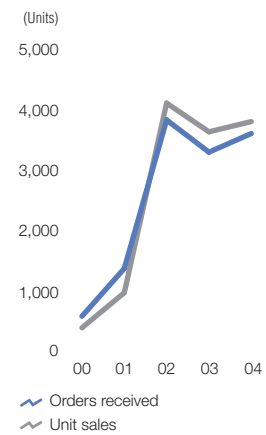
#### Single-family houses



#### Rental apartment buildings



#### Condominiums



## Single-Family Houses



### Our 470,000 residences constitute the wellspring of our business strength

Since its establishment, the Daiwa House group has been a pioneer and a leader in the Japanese housing industry. Single-family houses are our core business. Every year we build more than 10,000 houses, employing a broad lineup that ranges from prefabricated to traditional wooden houses, and construction that employs the two-by-four method. We are also able to call on advanced planning capabilities and sophisticated technologies, as well as a strong track record in preparing and developing residential sites.

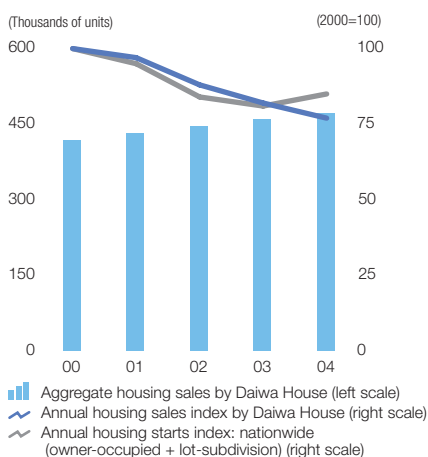
In fiscal 2003, the market for newly constructed single-family houses improved, after a few years of decline. Construction of owner-occupied houses increased 2.1% to 373,015 units, while houses built for sale were up 11.9% to 129,327 units. We not only continued to improve the basic performance of our houses, especially responding to demands for better protection against natural disasters, and a variety of climatic conditions. We also answered social needs for functions to protect against the increasing incidence of housebreaking and for more environmentally-friendly designs. The quake-dampening system that we pioneered three years ago was improved, and is now available as an option in all of our two-story prefabricated houses at a reasonable cost.

Daiwa House Industry became the first manufacturer in the industry to build all single-family houses to tough crime-prevention standards, equipping them with double-glazing windows on the first floor, a video door phone and windows with double locks to achieve a higher security level. In addition, as a response to the so-called "sick house" phenomenon, we introduced new in-house standards in the summer of 2003. These standards are stricter than the revised Building Standard Law and will improve the air environment, which has been adversely impacted by high insulation. Daiwa House Industry was ranked number one in constructing environmentally-friendly housing\* in fiscal 2003.

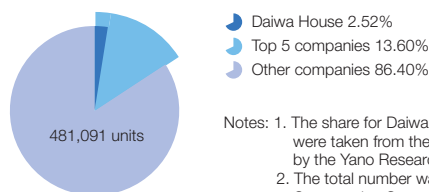
However, revenue from the construction of owner-occupied houses fell slightly (0.7%) from the previous term, to 10,378 units on a non-consolidated basis. Lot-subdivision house sales declined 28.1%, to 1,765 units.

\*Certified by the Institute for Building Environment and Energy Conservation. We constructed 322 environmentally-friendly houses (system supply-type).

#### Housing sales and construction starts



#### Share of single-family house market (FY2002)



Notes: 1. The share for Daiwa House and the top 5 companies were taken from the White Paper on the Housing Industry, by the Yano Research Institute Ltd.  
2. The total number was quoted from Statistics on Building Construction Started, by the Ministry of Land, Infrastructure and Transport.

#### Orders received, unit sales, and sales of single-family houses (non-consolidated)

	2004	2003	2002	2001	2000
Orders received	12,033	12,859	13,332	12,577	14,345
Unit sales	12,143	12,909	13,725	13,705	14,234
Sales (Billions of yen)	¥326	¥329	¥348	¥343	¥350

## Rental Apartment Buildings



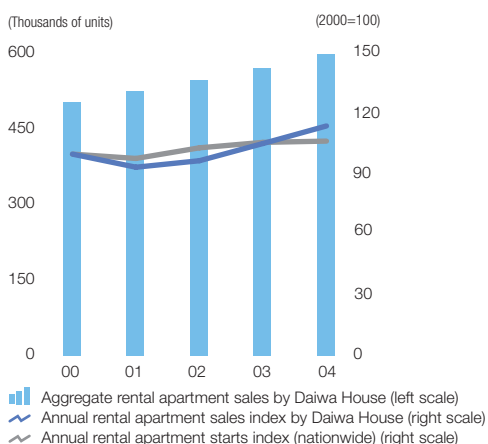
Unit sales rose a healthy 8.3% to 26,411 units, while the number of buildings under management jumped 27.0% to 90,263 units\*

The market for newly constructed apartment buildings remained brisk, thanks to lower interest rates and the upcoming removal of the liquid deposit guarantee. New construction starts rose 0.9% from the previous term, to 458,708 units, the third consecutive year-on-year increase. The trend from ownership to utilization also became more evident: the percentage of survey respondents who believe that ownership is not necessary reached a record high (11.8%), while those who think that real estate is a more advantageous asset than deposits and stock fell to the lowest-ever level (33.2%). In cooperation with our subsidiary Daiwaliving, we have catered to the increasingly diverse lifestyles of residents by providing apartment buildings with a high asset value, which would be the first choice of tenants, while offering comprehensive owner support in every stage from business plan through construction, rental management and the solicitation of tenants.

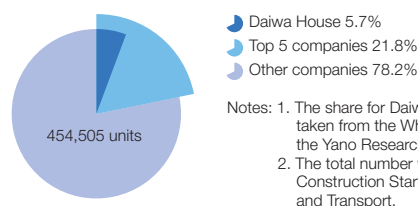
In fiscal 2003, we launched a popular series of new maisonette-style products, which offer the feel of a single-family house. We also vigorously improved our consulting capability in the market for large-scale residential developments offering a pleasant living environment with multiple apartment buildings. The number of such developments showed a substantial rise of 62% from the previous term, to 932 units, as we used fixed-term land leasehold method to reduce the burden on the land owner and sought to deliver high levels of satisfaction to residents. As a part of our unique asset consulting service, we organized a landowners club nationwide, and number of members exceeded 12,000 in fiscal 2003. We advertised rental apartment buildings constructed by the Company on our web site, to attract tenants and thus to enhance our support to landowners. Consequently, sales rose 7.6%, to ¥223,800 million on a non-consolidated basis, and sales of Daiwaliving also demonstrated a significant increase of 22.8% to ¥58,022 million.

\*Total number of units under management by Daiwaliving

### Rental apartment sales and construction starts



### Share of rental apartment market (FY2002)



Notes: 1. The share for Daiwa House and the top 5 companies were taken from the White Paper on the Housing Industry, by the Yano Research Institute Ltd.  
2. The total number was quoted from Statistics on Building Construction Started, by the Ministry of Land, Infrastructure and Transport.

### Orders received, unit sales, and sales of rental apartments (non-consolidated)

	2004	2003	2002	2001	2000
Orders received	26,288	25,140	23,222	19,835	21,366
Unit sales	26,411	24,392	22,416	20,490	22,031
Sales (Billions of yen)	¥223	¥208	¥193	¥176	¥186

## Condominiums



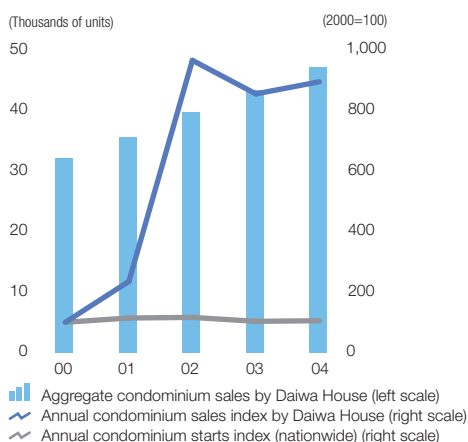
Unit sales on a non-consolidated basis rose 4.6%, to 3,838 units, while the number of buildings under management was up 6.9%, at 38,694 units

After declining for the last two years, the condominium market in fiscal 2003 staged a slight rebound, expanding 2.0% to 202,376 units, aided by the housing loan tax reduction and the growth in demand in Tokyo spurred by declining land prices. With the return to city centers becoming increasingly evident, we focused on supplying urban-type condominiums and condominiums in high-rise buildings, in addition to products geared to their location and the characteristics peculiar to cities. We also introduced functions and equipment such as crime prevention and broadband facilities, to raise the added value of our products.

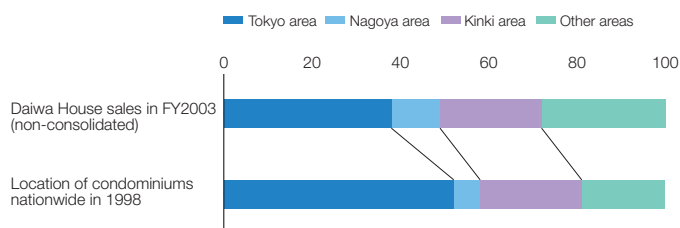
Other new systems such as a biometrics (fingerprint) key, a remote control system using a mobile phone to confirm doors and windows are locked, and a kerosene cogeneration system (a first for Japan) were also introduced in a condominium in Sapporo. In Kobe, which in 1995 was devastated by the Great Hanshin Earthquake, we are constructing the tallest condominium building in Japan employing a quake-dampening structure.

With an increasing number of condominium residents (roughly half) now viewing their condominium as a permanent residence, it is becoming more important to provide daily living support and proper maintenance and management of the condominium as an asset. Our subsidiary, Daiwa Service, which provides a comprehensive management service, continued to take steps to bolster management operations with such measures as a 24-hour unit-specific management system (introduced at about 30,000 units) and the acquisition of ISO9001. We hope to revitalize the market for resale condominiums in Japan in cooperation with our subsidiary Nihon Jyutaku Ryutu, while building an inspection history file for self-developed condominiums to maintain their asset values, as well as a free-of-charge inspection service at the time of sale, and a quality assurance system based on the inspections.

Condominium sales and construction starts



Area breakdown of condominium sales



Orders received, unit sales, and sales of condominiums (non-consolidated)

	2004	2003	2002	2001	2000
Orders received	3,640	3,333	3,864	1,409	620
Unit sales	3,838	3,669	4,143	1,009	429
Sales (Billions of yen)	¥121	¥120	¥132	¥27	

# Creating a dependable business model connecting the new housing construction and renovation & resale house markets

## Renovation Business

Our main response to the dramatic changes in the Japanese housing market will be to focus on the growing demand for home renovation, making use of our strengths, which include our long relationships with our customers, a long-term 40-year warranty\*, comprehensive after-sales service, and expertise in a wide variety of construction methods.

Daiwa House Industry operates home renovation centers through a nationwide network of 70 branches. Both the size of the operation and its results have improved: the number of employees increased 32.2% from the previous term, to 386, and sales were up 27.9%, at ¥21,585 million. We are concentrating on visits to users living in large-scale housing developments built by us, as roughly 50% of residents prefer consulting on maintenance issues with the company that built their home. We have also received a number of orders from general customers (whose houses were constructed by other companies). These customers currently account for about 30% of total sales in this business, and we will be seeking to raise this figure.

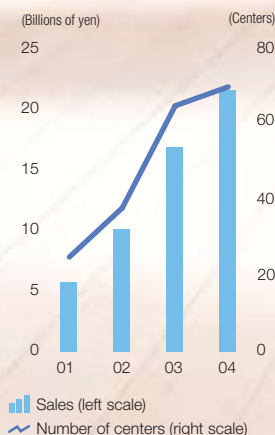
\*Applied to housing and rental apartment buildings (depending on method of construction)

## Real Estate Agency Services

New housing construction starts\*<sup>1</sup> in Japan are about twice the level in the United States, while circulation of resale houses\*<sup>2</sup> is approximately one-fifth. In the United States, a resident changes houses seven times in a lifetime, and the appraisal value of the house does not fall substantially, even after many years of use. In contrast, the purchase of a house is close to once in a lifetime in Japan, and the appraisal value\*<sup>3</sup> falls to nearly zero over 20 years. Daiwa House has begun to develop approaches that will increase the asset value of our customers' houses and enable appropriate appraisal of the condominiums that we sell. These measures include proper maintenance and management, including after-sales services. Our subsidiary Nihon Jyutaku Ryutu operates a unique system that provides renovation and intermediary services as a set. This approach has proven popular with vendors and purchasers alike, and user numbers are rising.

\*1 Per thousand households (as of 1997)  
 \*2 Per thousand households (Japan, 1994; USA, 1996)  
 \*3 Appraised values can vary, depending on the property.

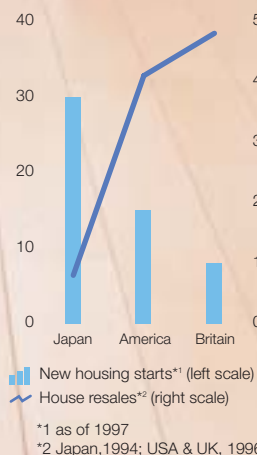
Renovations by Daiwa House Renovation Centers



Scale and prospects for Japan's housing renovation market



Comparison of circulation of resale houses (per 1,000 households)



\*1 as of 1997  
 \*2 Japan, 1994; USA & UK, 1996

# Technology and consulting capability lead business construction in Japan

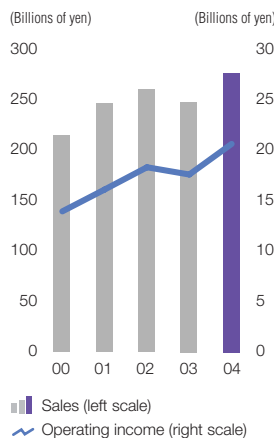
Sales in this segment increased 11.7% (to ¥277.0 billion), while operating income climbed 17.2% (to ¥20.7 billion)



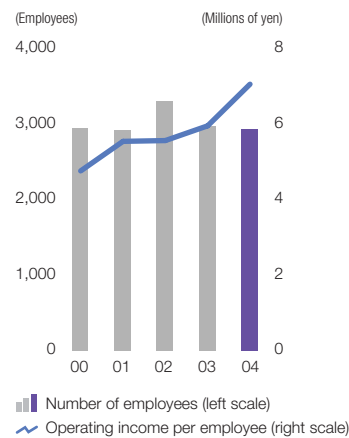
In fiscal 2003, construction investment in Japan declined for the seventh consecutive year. While government outlays on construction fell by about 10% and orders received by the 50 major construction companies rose only 0.2% on average, orders logged by the Daiwa House group increased 6.3%\*. These results were led by the construction of major commercial complexes in suburban areas as well as other facilities requiring special know-how and technology, such as group homes and day service centers — areas in which demand is growing rapidly — as well as distribution facilities and sophisticate warehouses. As a consequence of this performance, we also posted a substantial rise in profits.

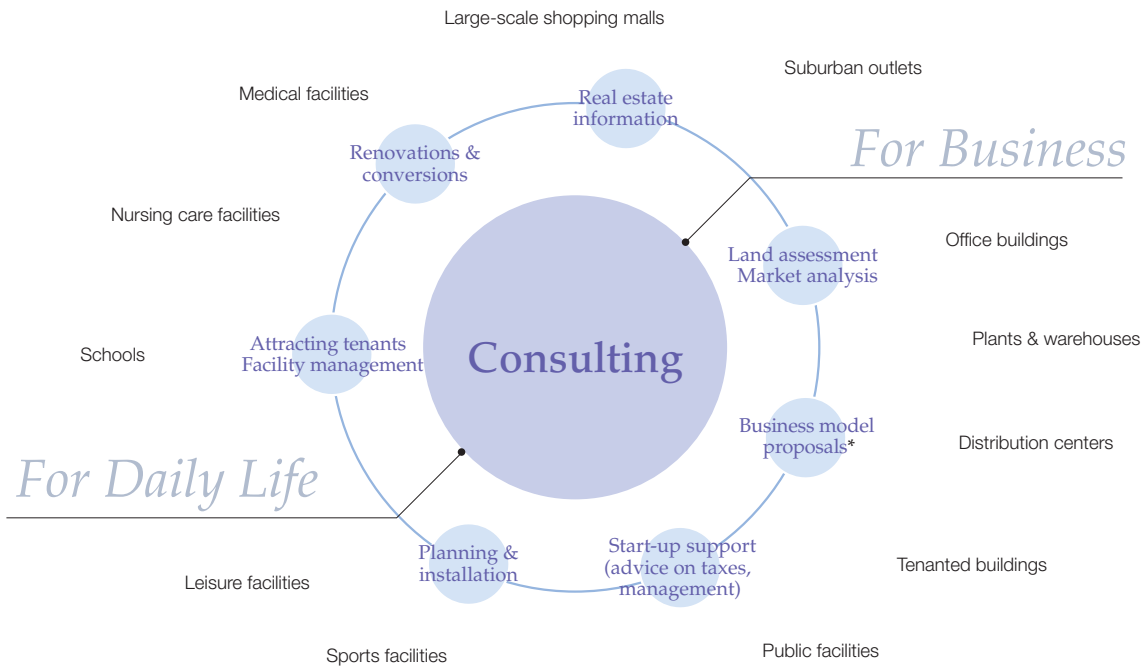
\*Excluding intra-group sales

Sales and operating income



Number of employees and operating income per employee

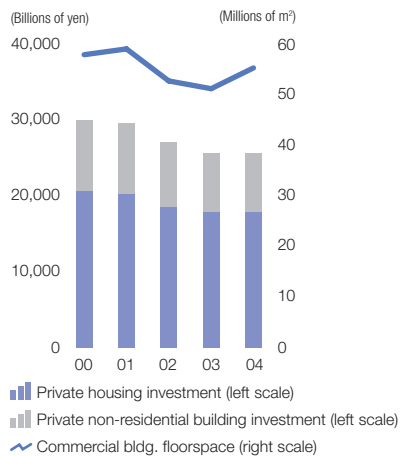




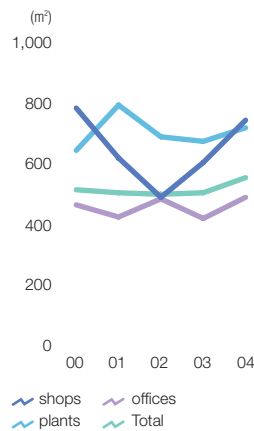
\*Utilizing new methods including fixed-term tenancy, special-purpose company schemes, and private finance initiatives



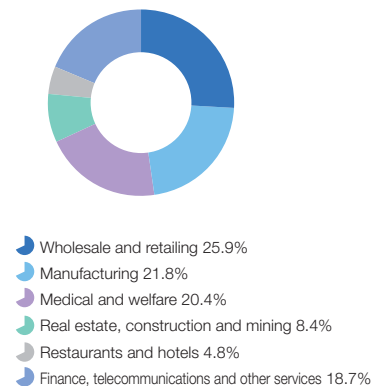
Private construction investment and floorspace of commercial structures



Scale trends of non-residential buildings (floorspace per unit)



Large-scale buildings in Japan (breakdown by use; FY2003)



## Retail and Wholesale Facilities



The number of buildings constructed under the LOC system reached 22,000, while our Landowners Club now has 4,600 members

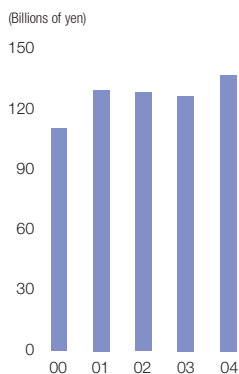
Our retail and wholesale facilities segment operates an asset management business for private and corporate customers and businesses that promote the revitalization of towns. Sales in this segment increased 8.2%, to ¥136,900 million, on a non-consolidated basis.

The chances of a full recovery in consumer spending have increased, given the domestic economic recovery. This in turn has encouraged rising construction of retail outlets in suburban areas, notably in the restaurant and distribution industries. In addition, new demand has been generated in the area of support for store openings in better locations with lower costs. This demand has come from retailers, such as the growing number of home centers and pharmacies, as well as apparel and food supermarkets, which are taking demand from department stores and specialty stores. With our unique Land Owner Company (LOC) system, we provide a link between landowners and companies seeking to open outlets. This system supplies a comprehensive consulting service, which ranges from market research, planning and support for approval and license, to design, construction, and management and administration of facilities. The number of buildings constructed under the LOC system has reached 22,000, and we now have more than 21,000 land-owner customers.

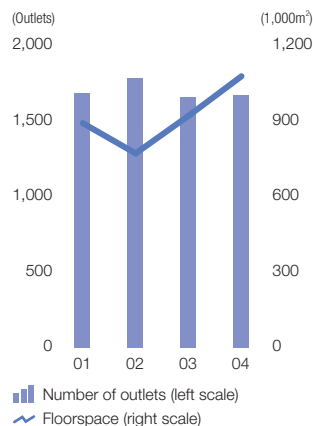
The number of visitors to the Ashibinaa, Okinawa's first outlet mall which opened in fiscal 2002, reached 1,750,000 in its first year, substantially exceeding our projections. The mall contains a large number of outlets for foreign brands making their debut in Japan, and has proved very popular with local residents and tourists.

We will seek to promote new businesses by constructing an innovative model that uses existing retail outlets. We will also improve our consulting capabilities, to increase profitability for landowners and develop expertise in special techniques, such as the securitization of land.

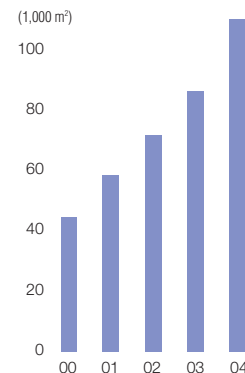
**Sales of retail and wholesale facilities segment (non-consolidated)**



**Retail and wholesale outlets (number of outlets and floorspace) (non-consolidated)**



**Sublease areas of commercial construction**



## Steel-Pipe and General Construction

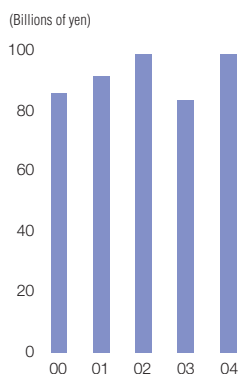


We erect a wide range of buildings, from distribution facilities to medical & nursing care facilities

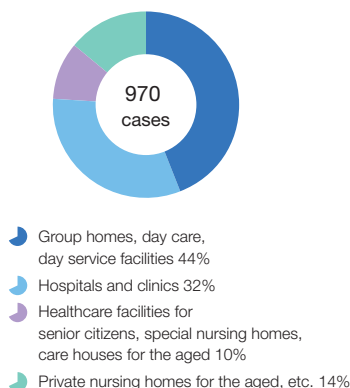
An upturn in capital investment, combined with the consolidation and increasing complexity of distribution facilities, plus the growing trend toward the introduction of Hazard Analysis and Critical Control Point (HACCP) protocols to food plants to enhance health and safety, have generated new demand for the construction of business facilities. In response to the growing need for improved efficiency in goods distribution, Daiwa House put efforts into marketing proposals for distribution center expansion projects and new facility construction as part of the reorganization of distribution networks, and sales increased by the substantial margin of 18.4% (to ¥98,800 million) from the previous term. In particular, we focused on building warehouses in the apparel industry, which demands strict temperature and quality control, and large-scale distribution centers for the foodstuffs wholesaling sector.

Our Silver Age Research Center provides a set of business consulting services, from surveys of medicine, nursing and healthcare for elderly people to the design, planning, construction and management planning of facilities. The Center has been involved in the establishment of 970 hospitals, clinics and healthcare facilities for the elderly, the number rising 35.5% from the previous year, and recorded sales of about ¥35 billion. The number of people aged 65 or higher is expected to account for 22% of the total Japanese population by 2010, while the number of elderly persons suffering from senile dementia will be 1.45 times the figure in 2000. This will translate into greater demand for high quality nursing care services and facilities, especially as the size of the average family unit contracts. In particular, new kinds of nursing care facilities will continue to emerge, such as small, highly functional facilities providing a day service or temporary stays for 24 hours as defined by Ministry of Health, Labor and Welfare policies last year. With our outstanding consultation capabilities and construction technology, we will continue to provide diverse, comfortable facilities for the elderly that will blend with their surrounding environment. These facilities will include our renowned assisted-living private nursing homes for the aged, group homes, day service centers, and new multifunctional homes.

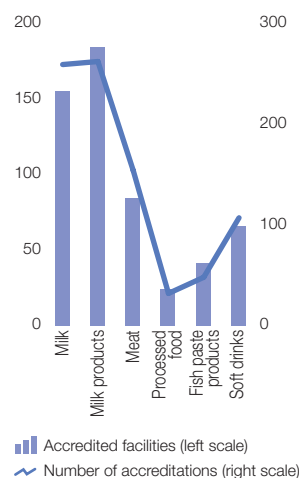
Sales in steel-pipe and general construction (non-consolidated)



Projects of the Silver Age Research Center (as of end of March 2004)



Construction incorporating the HACCP method (as of June 1, 2004)



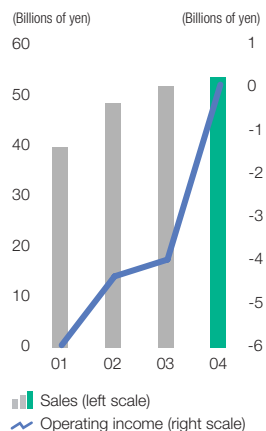
# A network of 29 resort hotels and 10 golf courses nationwide

Annual guest numbers topped 4 million, and revenue rose 3.3%, to ¥53,612 million

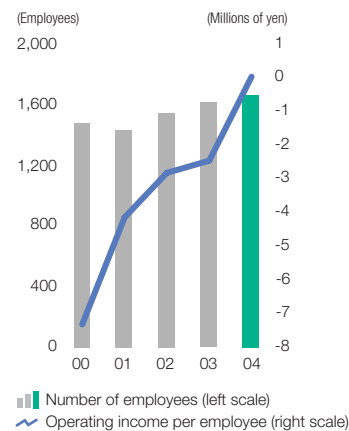


In fiscal 2003, the Japanese hotel industry was once again marked by the opening of new establishments by foreign-affiliated and business hotel chains, paralleled by the closure of traditional inns and old-established hotels in local regions. The number of domestic sightseeing tours and their average length continued to fall, a reflection of continued declines in disposable income. Despite these circumstances, guest numbers were up 5.4% (at 2,847,510) in our hotel operations, while we enjoyed a 2.1 percentage-point rise in room occupancy. Although both the number of guests and the amount of spending per guest decreased in our golf course business, overall operating income in the resort hotels operations rose to ¥81 million.

Sales and operating income



Number of employees and operating income per employee

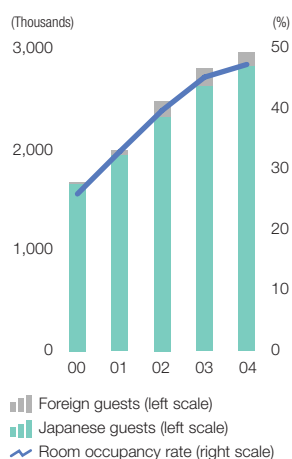




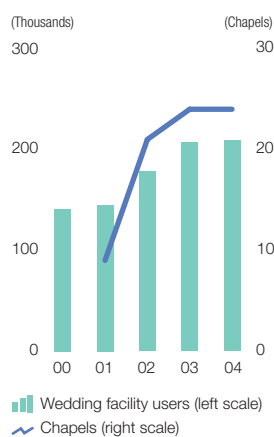
In our hotel business, we placed emphasis on individuality, devising plans unique to each hotel to cover accommodation, meals, banquets and other functions in response to the increasing number of guests from overseas and the change to resort lifestyles. With the aim of adding new value, we provided services such as the New Western-Style Banquet, which is a new style of feast with improved presentation, service and food, as well as dishes using local ingredients, an open-air café and a chapel in the woods. Looking at the sale of goods, home deliveries of traditional Japanese *Osechi ryori* New Year dishes, which feature generous proportions of local delicacies, were brisk, reaching about 21,300 sets (up 22% from the previous term), among the highest in this market. Although the domestic wedding market continued to contract as the number of Japanese of marriageable age declined further, the number of wedding guests at our hotels increased 1.1%, to 209,420, thanks to the popularity of our chapel wedding service. Some 4 million guests used our hotels in the reporting term, making our commitment to Corporate Social Responsibility (CSR) especially important in this business. As part of this commitment, we improved our risk management capability, preparing for the unexpected crises such as Severe Acute Respiratory Syndrome (SARS), which had a significant impact at the beginning of the term. We also provided support (accommodation) for sporting events for mentally disabled athletes, with the aim of creating a barrier-free society.

In our golf course business, we sought to respond to the increasingly diverse needs of our guests. For example, we improved our shop operation, especially with respect to products for senior players, based on a concept of making golf more accessible to women and seniors. We also hosted the Naraken Open (Cyprés Country Club) and the Kyushu Open (Saga Royal Golf Club) golf tournaments, inviting professional players.

**Number of guests and room occupancy rates**



**Number of wedding facility users and number of chapels**



**Distribution of hotels and golf courses**



# 35 Royal Home Centers

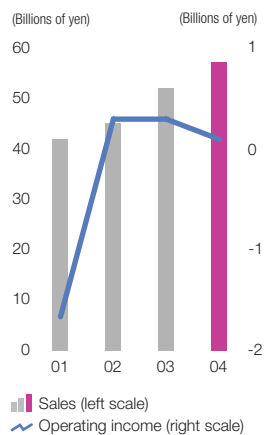
## operating with a community orientation

Number of store visits up 12.8% at 23,060 thousand with sales rising 9.7% to ¥57,227 million

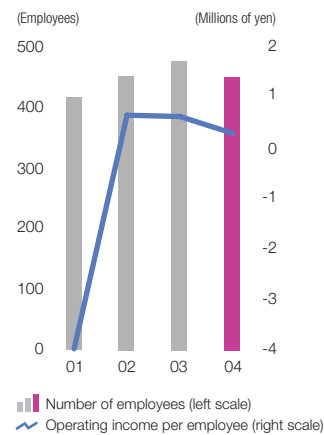


In the 2003 calendar year, the home center market expanded to a new record scale of ¥3.5 trillion, and the number of home centers increased 2.5% from the previous year, to more than 3,600. The market was, however, experiencing a period of change, with a number of mergers, acquisitions and capital alliances. We opened two large new stores and closed five existing stores that were not sufficiently profitable. The number of store visits during the term grew 12.8%, topping 23 million, while sales increased 9.7%, substantially outpacing the industry growth of 2.9%, to ¥57,227 million. However, operating income decreased 54.4%, to ¥139 million, as unit prices declined in the face of deflation.

Sales and operating income



Number of employees and operating income per employee





The home center industry has traditionally been characterized by the regional dominance of key players. Recently, however, the industry has been impacted by the emergence of new trends. One example is the declines in goods and distribution costs caused by deflation and the diversification of consumer needs. Another is the expansion of store sizes, in response to the entry of large foreign-affiliated retailers. And yet another is the clutch of reorganization and alliances that have taken place. In a market in which it is vital to differentiate oneself from other home centers, Royal Home Centers stock an average of 50,000 products per center, including do-it-yourself products, gardening goods, consumer electronics, interior goods, pet supplies, daily commodities as well as construction materials and tools for professionals. That figure is well above the industry average in Japan of approximately 32,000 items. We also focused on bolstering our services in the renovation business, aiming at a sales ratio of 10% by strengthening our advisory service, which is provided by experts such as first-class architects in areas including home additions and improvements.

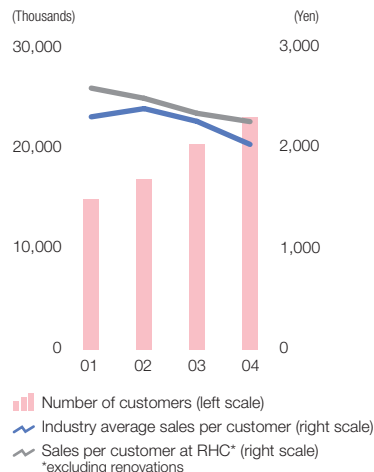
As with our *Engeikan* specialized gardening section at our Narashino Home Center and the *Pet Kan* at our Oyama Home Center which caters to all the needs of pet owners, we set up or expanded sales floors for special items that are likely to enjoy growing demand. We also stepped up product development and expanded our lineup (to include pharmaceuticals and rice, for example), taking advantage of nationwide economies of scale.

We will concentrate the opening of new home centers with a floor space of more than 8,250 m<sup>2</sup> in the Tokyo and Kobe-Osaka-Kyoto areas to improve distribution efficiency and expand sales in these areas, where consumption is greatest. By fiscal 2005, we expect to have expanded this business into a 50-store network.

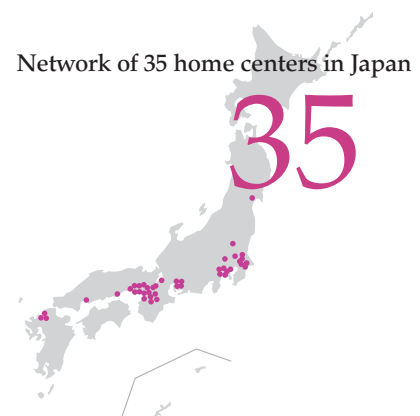
Number of home centers and floorspace



Number of customers and average sales per customer



Distribution of Royal Home Centers



## Extending into personal lifestyles with 15 business categories

Operating income rose 9.7% to ¥2,823 million, on sales of ¥97,766 million, up 0.7%



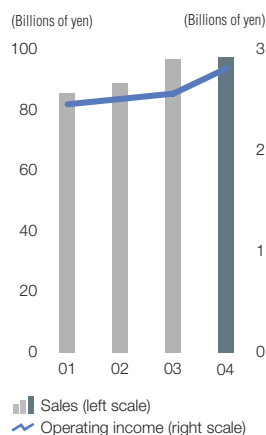
The other businesses segment operates in mainly 15 categories, ranging from the production and distribution of materials and equipment that support the group's core business to lifestyle-related services such as home-removals, insurance, travel agency and business hotels. These categories have the potential for new growth as the business environment and lifestyles change.

In our subsidiary Daiwa Rakuda Industry, sales increased 0.6% from the previous term, to ¥38,470 million, although operating income was down 19% at ¥713 million. The company introduced new original curtain products and strengthened its contract interior design service for model condominiums. It also reorganized its production system and streamlined its operations.

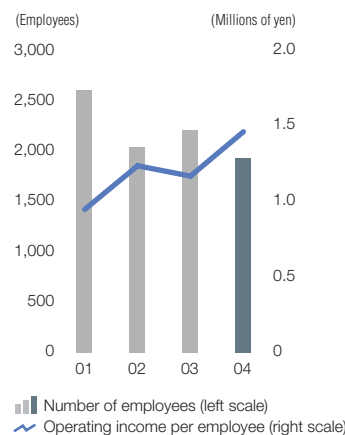
At Daiwa Logistics, which boasts particular strength in the distribution of housing materials and equipment, both sales and profits were higher, notwithstanding the declining volume of freight being handled by the transportation industry. Daiwa Logistics registered sales of ¥25,650 million, rising 11.1% from the previous term, while operating income reached ¥1,156 million, a 6.2% increase. These results were primarily attributable to its advisory activities — part of a comprehensive distribution system that also encompasses a proprietary joint transportation system and procurement of physical distribution — as well as to a new turnkey service that the company introduced on a commission basis to cover all processes involving fixtures and furniture, from their delivery to retail outlets to installment and maintenance.

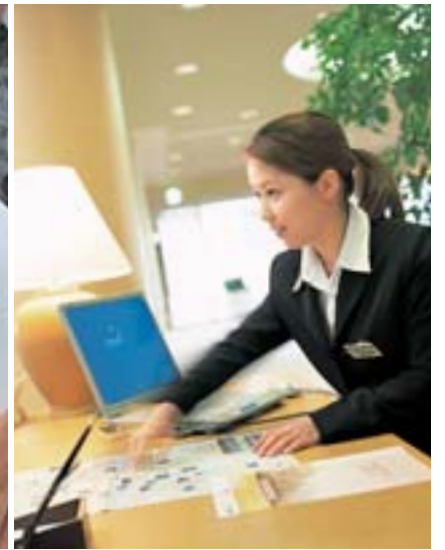
Meanwhile, room occupancy rates at city-type hotels (Roynet Hotels, Royton Sapporo) rose 4.1 percentage points from the previous term. Costs were reduced to improve operational efficiency. During the term, we also established The Mortgage Corporation of Japan as a joint venture to take advantage of the expanding housing loan market ahead of the anticipated abolishment of the Government Housing Loan Corporation in the future.

Sales and operating income

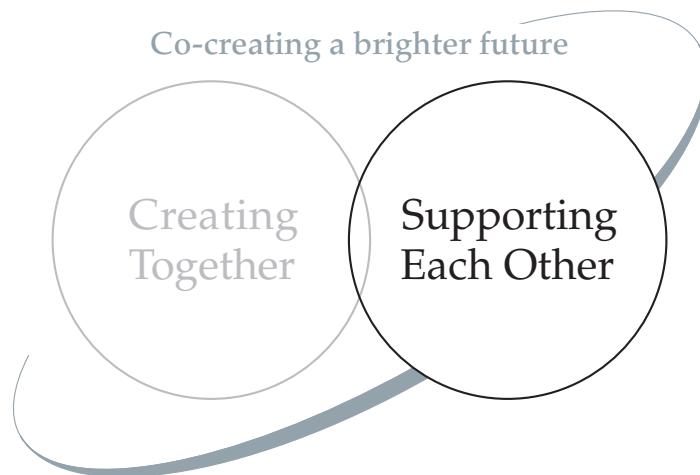


Number of employees and operating income per employee









Ever since the establishment of Daiwa House, we have striven to interact with society as a whole in a spirit of sincerity expressed through all our business activities. Our corporate philosophy remains unchanged – to work for the good of society through our construction activities, and to help create a better life for our customers through the comprehensive range of services we offer. This is what we call “co-creating a brighter future.” We believe that the realization of a higher quality of life is what is most needed in today’s society. Treasuring the relationships of trust we have built up with our customers and other stakeholders, we will work to realize mutual prosperity and a brighter future for all.



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- Environmental Measures 51
- Recruitment and Education 52
- Social Contribution Activities 52
- Corporate Governance 53

Research and Development 54

# Corporate Social Responsibility

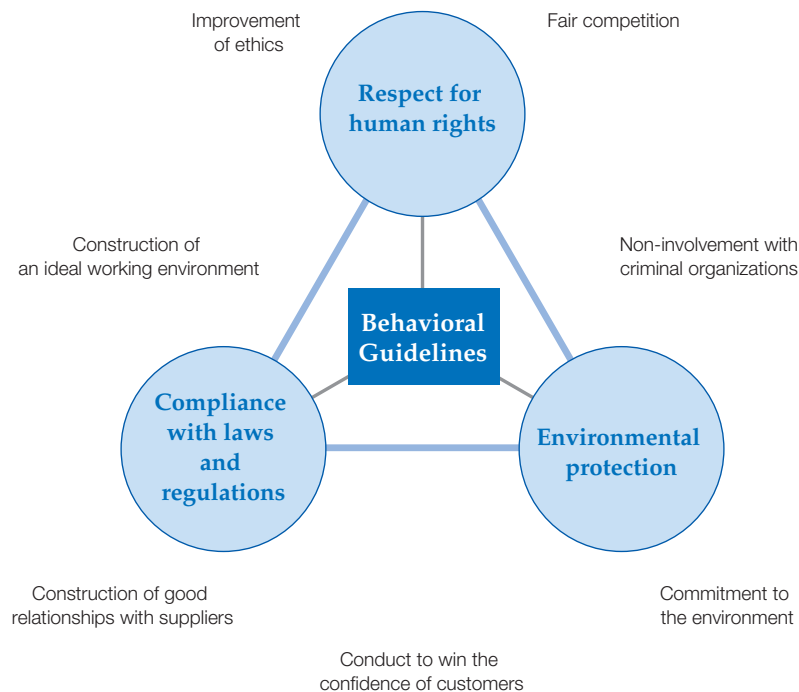
## Compliance

Improving compliance is the most important managerial task for anybody whose business is closely connected with daily life. In April 2004, we prepared the Corporate Ethics Guidelines of the Daiwa House group and the Behavioral Guidelines\*, which will serve as our rules for ethics and the conduct of the group. We also developed an internal reporting system, including a help line, for corporate ethics. We are united in reconfirming our commitment to compliance with all laws and regulations and the practice of fair and sincere conduct that meets social standards as our group develops and grows.

With respect to risk management, an issue of increasing importance, we established the Risk Management Committee at Daiwa House Industry in April 2002. We have also taken preemptive steps to avoid the risks inherent in the operations of the group, and to enable a prompt and proper response to any risks that arise. In addition, we have drafted internal rules to protect personal information, and we will begin using this rule when the Law Concerning the Protection of Personal Information Registered in the Government Computer System comes into effect in 2005.

\* Available on Daiwa House's web site

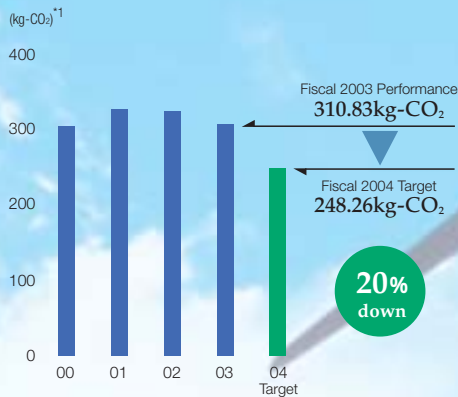
Corporate Ethics Guidelines of the Daiwa House group



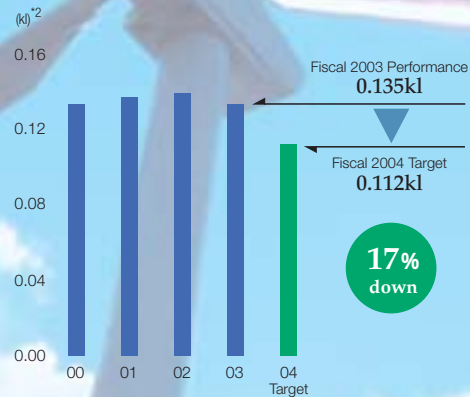
## Environmental Measures

Daiwa House Industry has been pursuing targets that will reduce the burden on the environment imposed by its corporate activities, based on a plan that covers the five-year period from fiscal 2000 to fiscal 2004 (fiscal 2005 for the final waste materials disposal target). We are committed to achieving our targets by closely monitoring our progress.

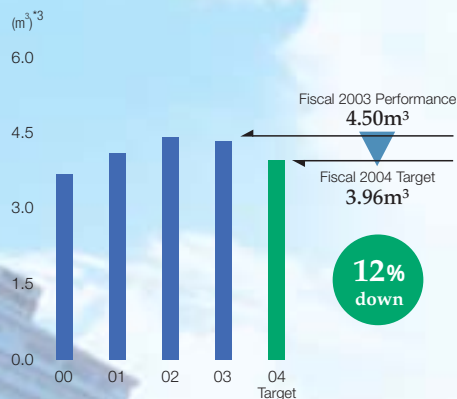
CO<sub>2</sub> emissions



Energy used



Water used



Final waste disposal rate



Notes: 1. Figures for fiscal 2000 are non-consolidated figures for Daiwa House Industry (i.e., not including the figures for Daiwa Danchi)

2. The units marked with asterisks in the graphs above are equivalents per ¥1 million in sales by Daiwa House Industry on a non-consolidated basis.

## Recruitment and Education

Human resources are the key to growth for the Daiwa House group. We aim to place the right people in the right jobs to take best advantage of the abilities of our 18,000 group employees. To achieve this aim, each group company conducts seminars for each level and each job. We will provide management level employees with training to increase their awareness of the need to create a better working environment that respects the rights, health and safety of our employees, and that also provides them with greater motivation. We are also creating a system for general employees, which will enable them to develop their capabilities and talent on their own by selecting career paths and jobs themselves.

In recruitment, we are actively recruiting new graduates and mid-career workers based on a policy of respecting personal qualities regardless of age, sex and physical ability. Indeed, Daiwa House Industry has achieved a higher rate of employment (1.92%) of disabled people than both the legal employment rate of 1.8% and the average among private companies of 1.48%. We will also promote the rehiring of retired employees with special skills within the group, and employ them to hand down and share technology and know-how, to provide better customer service.

## Social Contribution Activities

The Daiwa House group contributes to society in a number of ways, for example by providing reconstruction assistance after earthquake disasters as well as humanitarian and safety aid, and providing educational support. These contributions complement our business operations, which enhance the nation's housing infrastructure, improve construction technology and promote regional development through resort construction.

In recent years, as an educational support program for Japan's future leaders, we have actively hosted children's tours of the Central Research Laboratory and D-TEC Plaza\*. We also offer housing environment study themes on our website and provide study materials to elementary, junior-high and high schools. During fiscal 2003, the number of participants in these tours of the facilities came to 10,488 individuals in 1,362 groups, with school officials accounting for one-fifth of all participants. The information on our website was used in classes at 536 schools nationwide, and study materials are provided to diverse institutions, including schools, education committees and NPOs.

On the operation side, we have continued to improve the safety and comfort of the environments we create, for instance, by designing barrier-free spaces. As a result, our hotels are used for meetings of groups of persons with impaired eyesight and as accommodation for competitors in sports events for the mentally handicapped.

\* A facility for experiencing advanced home technologies



## Corporate Governance

Daiwa House Industry has been improving corporate governance, adopting a basic policy of establishing a transparent and efficient management system that facilitates fast and accurate decision-making. We will enhance our decision-making and internal controlling systems to set a basic direction for corporate management as the core company of the group.

### Major initiatives to improve corporate governance

#### Faster decision making and clearer management responsibility

- June 1999 Introduction of an executive officer system
- June 2001 Directors' term of office shortened from 2 years to 1 year
- June 2004 Revision of the Articles of Incorporation to allow the acquisition of Company's own shares solely by resolution of the Board of Directors

#### Improved disclosure and accountability

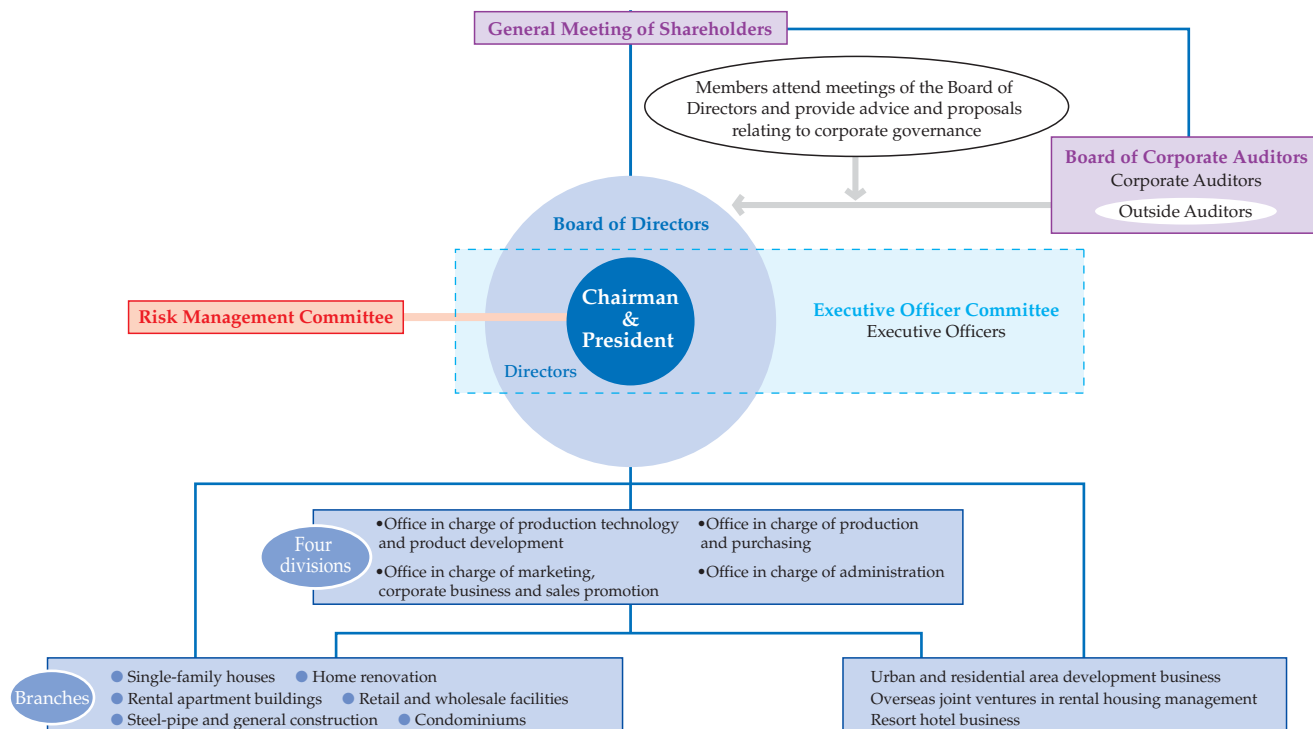
- June 2002 Online disclosure of invitations to shareholders' meetings (Japanese/English) ; online execution of voting rights (Japanese only)
- First quarter of fiscal 2003 Disclosure of business performance data

#### Improvement in management transparency

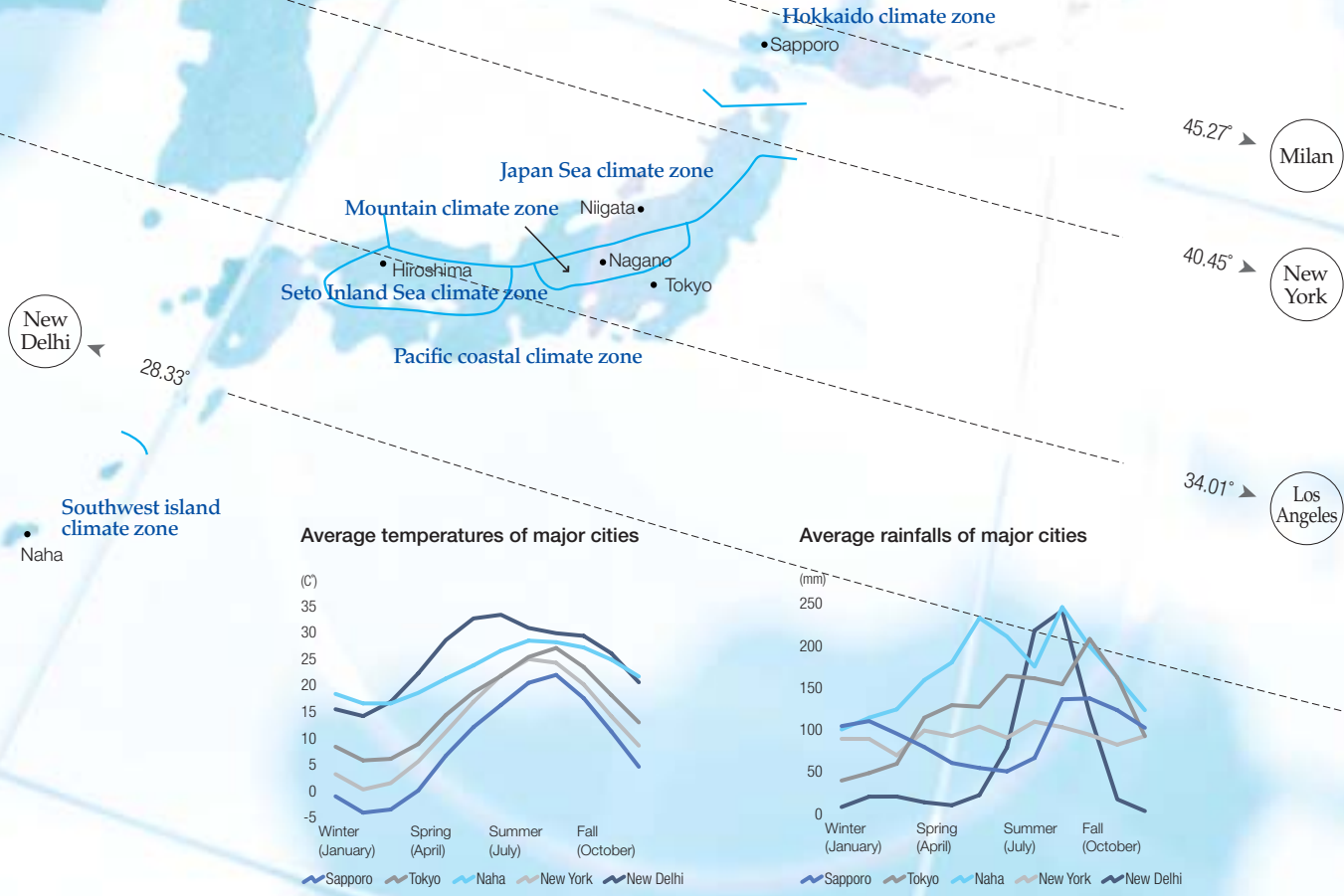
- June 2003 One outside auditor added to the board of corporate auditors, making five members (three of whom are outside auditors)

### Organizational chart of Daiwa House corporate governance system

As of June 30, 2004



# Research and Development



## Living in Land of Climate Disparity and Frequent Earthquakes

Japan is an archipelago with an arc-like shape and a landmass of approximately 380,000 km<sup>2</sup>. Its islands extend off the eastern coast of the Eurasian continent. With 4 main islands and about 7,000 small islands, Japan runs for about 3,000 km north to south. It has a mild oceanic climate and clearly demarcated seasons, with a comparatively heavy rainfall. Climate in Japan does, however, vary significantly, between north and south and between inland and coastal regions. Unlike most other countries, Japan features three climate zones cool, warm and subtropical within its territory, and has areas subject to heavy rain and areas that receive heavy snow. East Asia is frequently subject to typhoons, an average of 27 per year, 40% of which approach Japan. From time to time, these typhoons cause enormous damage. Located at the meeting place of four plates, Japan is also one of the most earthquake-prone countries in the world, with a highly active crust under its surrounding oceans and many active faults lying beneath its own surface.

Japan is richly blessed with the beautiful natural environment provided by its four seasons and a diversity of landscapes. But it can also be subject to the harsher side of nature. Indeed, nature expresses itself in many different ways in Japan.

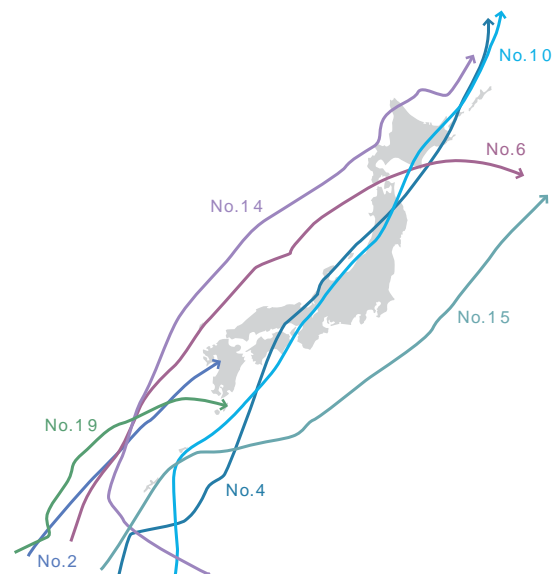


Major typhoons between 2001 and 2003

Year	Typhoon number	Month	Top wind speed (mph)	Regions affected	
2003	14	Sept.	165	Miyakojima Island (Okinawa)	Torrential rain, Storm-force winds
	10	Aug.	154	Whole country	Torrential rain, Storm-force winds
2002	21	Oct.	118	Tokyo area, Northern Japan	Storm-force winds
	6*	July	103	Boso peninsula	Torrential rain, Storm-force winds
2001	16	Sept.	113	Okinawa	Torrential rain
	15	Sept.	95	Tokyo area	Torrential rain
	11	Aug.	85	Kii Peninsula	Torrential rain

\*Together with seasonal rain front

The paths of major typhoons in 2003



## The Birth of Prefabricated Housing Able to Withstand Typhoons

Japanese people have been living in close harmony with nature since early times. We harvest the bounties of nature, often without stopping to think of the relationship that people have with the natural environment. Because of its geographical and climatic conditions, Japan is prone to natural disasters. Typhoons bringing with them heavy wind and rain hit Japan three times a year on average, and preparedness in this regard has been the most importance issue in Japanese housing.

Half a century ago, in a search for superior wind resistance, the founder of Daiwa House Industry was inspired by the hollow structure of plant stems. This marked the birth of the prefabricated housing industry and the first steps of our Company in the prefabricated industry. In the fifty years since then, we have been consistently focused on developing new technologies to protect human life from natural threats. That focus has translated into a broad array of excellent construction methods, from prefabricated housing to the traditional wooden frame house and the two-by-four method. Our R&D initiatives still adhere to the original thinking left to us by our founder: recognize and respect the potential of nature and protect the lives of people by developing new technologies that enable strong structure and outstanding performance.



## Functions and Technology to Support a Better Lifestyle

### Earthquake-Resistance

#### Essential to the Land of Earthquakes

We have developed a system in which lateral force exerted by a quake is dissipated throughout the entire house, and a unique quake-absorbing feature. In the Great Hanshin Earthquake of 1995, which had a magnitude of 7.3, this would have reduced the shaking to one-eighth or one-eleventh of the level experienced by residents at the time\*. This would not only alleviate the shock of an earthquake itself, but also reduce risk of secondary accidents caused by toppling furniture or damage to the house. As an additional benefit, we have reduced the cost of our quake-absorbing construction system by approximately 30%.

\* Value based on quake simulation tests by Daiwa House Industry

### Crime Prevention

#### Becoming Increasingly Important

The number of home break-ins in Japan has increased by a factor of 1.5 over the past five years. With the aim of making our houses more difficult targets, we have now developed our own unique crime-prevention specification by adopting double-glazing (24 times as strong as single-pane windows) for all windows on the first floor, along with a door featuring a pick-resistant lock. We have also combined a sensor light and a video door phone. This equipment comes as standard in our single-family house products.

### Energy Conservation

#### Considering Environment in Our Daily Lives

As environmental protection has been gathering attention, we must consider the environment in our daily lives. Daiwa House has introduced a number of initiatives designed to save energy and conserve resources. For example, we have ensured that our products meet next-generation energy conservation standards. This means that our products can cut heating and air-conditioning costs by half, compared with houses that meet the existing energy saving standard. Also, we are facilitating the use of wind- and solar-power generation systems in our products.

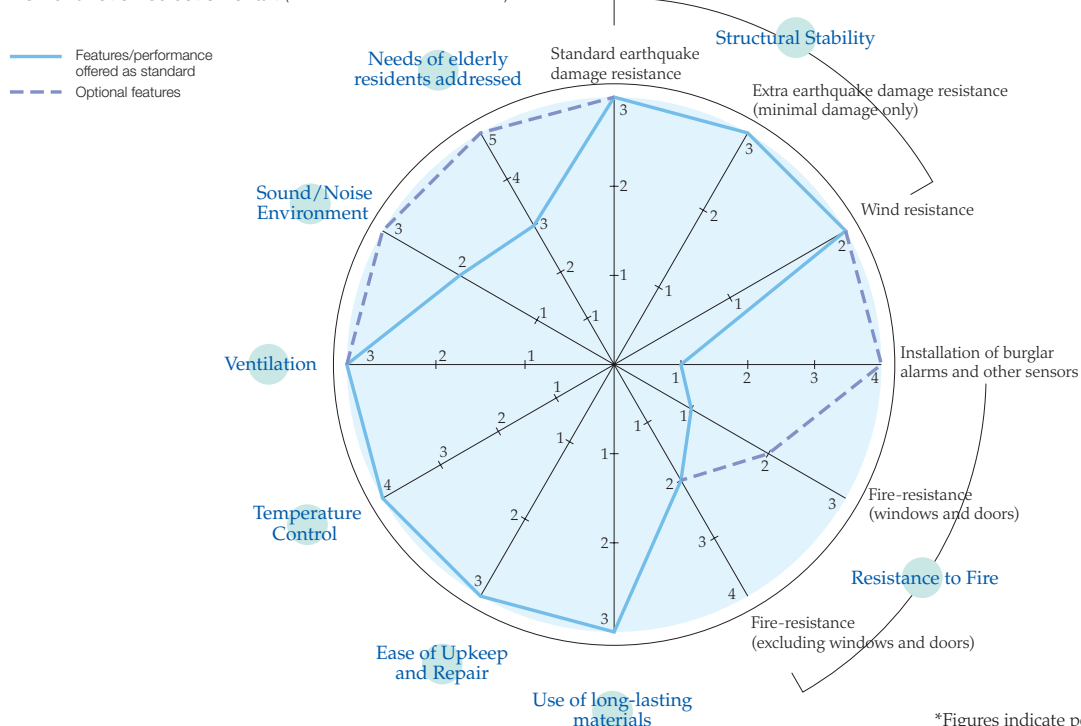
### "Sick House" Phenomenon

#### Realizing a Healthy and Safe Environment

At Daiwa House, we were adopting interior materials that meet the RAL standard\* of Germany, the world's highest standard, for our products even before the law to prevent the "sick house" phenomenon was introduced. In the summer of 2003, we took this commitment a step further and set in-house standards that are tougher than those established under the revised Building Standard Law. We select only the highest-grade building materials with extremely low toxic emissions for all of our interior materials including base sheets, which are not regulated in the Law.

\* RAL: The German Institute for Product Quality Labeling

Home function selection chart (for the I-wish series of houses)



\*Figures indicate performance



## R&D for the Future of Home Building in Japan

### Living in an Aging Society

Japanese society is now aging extremely quickly, indeed at the fastest pace in the world. The number of people aged 65 or higher accounts for one-fifth of the total population. The population of centenarians has doubled over the past five years. As we age, our senses and physical capabilities decline, leading to a greater risk of accidents in the home.

The Daiwa House group has long anticipated the problems of today's aging society. We not only established the Silver Age Research Center in 1989 but we have also been investigating universal designs for both products and services in our Central Research Laboratory. For example, we are researching a safe circulation line for housework, user-friendly equipment, a full-flat floor for wheelchairs, and space planning designed to facilitate nursing care. Our research uses our experimental house for the elderly and our "Senior Pose"\*.

\*An aging simulation system

### City Living

Japan is increasingly witnessing a return to city center living. This has created demand for single-family houses in urban areas. These houses must feature structure and performance that can overcome restrictions peculiar to cities, such as limited land, difficult natural lighting, noise, and vibration.

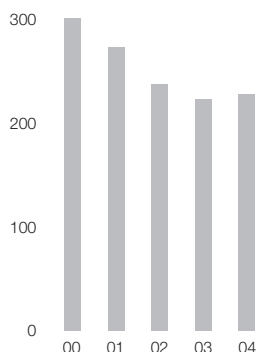
We have developed a shake-control technology that reduces vibration caused by traffic, as well as a load-bearing wall boasting high earthquake resistance that enables small land lots to be effectively utilized. In cooperation with universities, we are also studying natural lighting that employs a top-light.

The effective use of old office buildings is another important issue. Daiwa House is looking at converting these buildings from commercial to residential use, and for this purpose is engaged in extensive research with the aim of developing refurbishment and renovation technologies that meet the required standards.

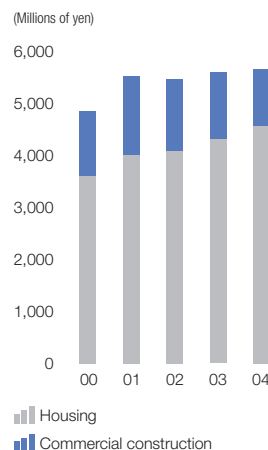
### Exploring the Future

We will continue to create better products and services and work towards a brighter future for housing in Japan. In cooperation with other industries, the government and universities, we are developing exciting technologies in a number of fields that will enable us to realize our dream of exploring the future. These include environmentally friendly house construction methods that conserve natural resources, and in which waste materials are recycled as far as possible; next-generation housing equipment that employs information and communications technology (ICT); and the application of fuel cells to home use.

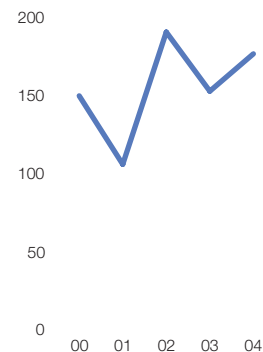
Number of personnel in the R&D division



R&D expenditure



Number of patent applications by Daiwa House (publicly announced, non-consolidated basis)



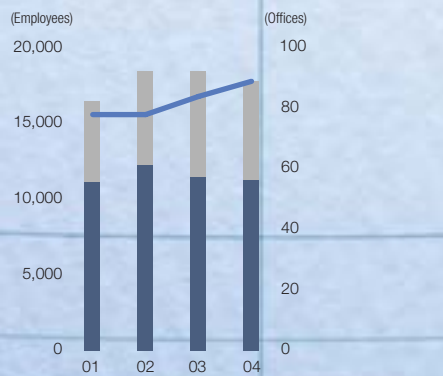
# Group Network

As of April 1, 2004

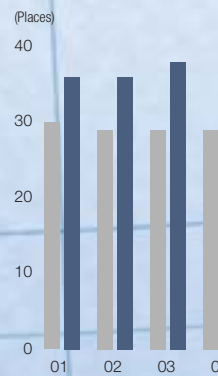
- Head office
- Tokyo office
- Offices/Branches: 89
- Factories: 13  
(The above places of business are directly operated by Daiwa House.)
- Golf courses: 10
- Daiwa Royal Hotels: 29
- Royal Home Centers: 35  
Daiwa Resort Co., Ltd. also manages the Royton Sapporo, and the Lake Yamanaka Fujisan Royal Cottages (marked with ★). It also operates a branch office in Seoul (marked with ●).
- Overseas subsidiaries and affiliates: 9



Number of employees of Daiwa House group / Number of branch offices of Daiwa House



Daiwa Royal Hotels / Royal Home Centers



■ Daiwa House (left scale)  
 ■ Other Group companies (left scale)  
 — Daiwa House offices (right scale)

■ Daiwa Royal Hotels  
 ■ Royal Home Centers

*Building Your Dreams*

# Daiwa House®

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## group

### Principal group companies

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#### **DAIWA HOUSE INDUSTRY CO., LTD.**

3-3-5 Umeda, Kita-ku, Osaka 530-8241  
Phone: +81-6-6346-2111  
URL: [www.daiwahouse.co.jp](http://www.daiwahouse.co.jp)

#### **DAIWA LOGISTICS CO., LTD.**

Transportation of goods; warehousing;  
logistics services

1-5-16 Awaza, Nishi-ku, Osaka 550-0011  
Phone: +81-6-4968-6355  
URL: [www.daiwabutsuryu.co.jp](http://www.daiwabutsuryu.co.jp)

#### **NIHON JYUTAKU RYUTU CO., LTD.**

Real estate agency (including property  
management, asset appraisal, housing  
renovation, etc.)

1-1-3-800 Umeda, Kita-ku, Osaka 530-0001  
Phone: +81-6-6344-6356  
URL: [www.jyutaku.co.jp](http://www.jyutaku.co.jp)

#### **DAIWA INFORMATION SERVICES CO., LTD.**

Land development; management of commercial  
facilities

7-14-4 Ueno, Taito-ku, Tokyo 110-0005  
Phone: +81-3-5828-8891  
URL: [www.dis-net.jp](http://www.dis-net.jp)

#### **DAIWA KOSHO LEASE CO., LTD.**

Leasing of buildings and vehicles; business  
leasing

5-20 Honmachibashi, Chuo-ku, Osaka  
540-0029  
Phone: +81-6-6942-8011  
URL: [www.daiwakosho.co.jp](http://www.daiwakosho.co.jp)

#### **DAIWALIVING CO., LTD.**

Management of rental housing

3-13-1 Iidabashi, Chiyoda-ku, Tokyo 102-0072  
Phone: +81-3-5214-2330  
URL: [www.daiwaliving.co.jp](http://www.daiwaliving.co.jp)

#### **ROYAL HOME CENTER CO., LTD.**

Sale of do-it-yourself, gardening, and interior  
goods

3-3-5 Umeda, Kita-ku, Osaka 530-0001  
Phone: +81-6-6342-1676  
URL: [www.royal-hc.co.jp](http://www.royal-hc.co.jp)

#### **LOC DEVELOPMENT CO., LTD.**

Development and management of shopping  
centers

67 Kanda-Sakumagashi, Chiyoda-ku, Tokyo  
101-0026  
Phone: +81-3-3864-0609  
URL: [www.loc-kaihatsu.co.jp](http://www.loc-kaihatsu.co.jp)

#### **DAIWA RAKUDA INDUSTRY CO., LTD.**

Sale of household equipment and furniture;  
insurance agency

1-5-16 Awaza, Nishi-ku, Osaka 550-0011  
Phone: +81-6-6536-6111  
URL: [www.daiwarakuda.co.jp](http://www.daiwarakuda.co.jp)

#### **DAIWA SERVICE CO., LTD.**

Management of office & condominium  
buildings; staff dispatch; house-moving service

1-5-16 Awaza, Nishi-ku, Osaka 550-0011  
Phone: +81-6-6536-6270  
URL: [www.daiwaservice.co.jp](http://www.daiwaservice.co.jp)

#### **DAIWAROYAL CO., LTD.**

Rental of commercial facilities; hotel operations

7-14-4 Ueno, Taito-ku, Tokyo 110-0005  
Phone: +81-3-3844-8357  
URL: [www.daiwaroyal.com](http://www.daiwaroyal.com)

#### **DAIWARESORT CO., LTD.**

Management of hotels and golf courses

3-3-5 Umeda, Kita-ku, Osaka 530-0001  
Phone: +81-6-6342-1731  
URL: [www.daiwaresort.co.jp](http://www.daiwaresort.co.jp)

### Housing sales companies

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#### **DAIWAHOUSE KANSAI CORPORATION**

6 other companies

### Others

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**GREENFARM KAIHATSU CO., LTD.** (Sale of tomatoes)

**JUKEIKAI CO., LTD.** (Operation of homes for the aged)

**SYNCHROLLER CO., LTD.** (Manufacture of housing materials)

**SHINWA AGENCY CO., LTD.** (Advertising and travel agency)

**DAIWA ESTATE CO., LTD.** (Real estate agents)

**DAIWA ENERGY CO., LTD.** (Energy conservation support)

**DAIWA TECHNICA CO., LTD.** (Manufacture and sale of household equipment)

**DAIWA HOUSE RENEW CO., LTD.** (House renovation)

**TECH·R&DS CO., LTD.** (Market research)

**NARA ACE CO., LTD.** (Management of golf courses)

**NIC CO., LTD.** (Manufacture of interior doors)

**THE MORTGAGE CORPORATION OF JAPAN, LTD.** (Finance of housing loan)

**MEDIA·TECH CO., LTD.** (Information systems)

### Overseas affiliated companies

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**SHANGHAI HAPPY HOUSE DECORATION CO., LTD.** (Design and installation of housing interiors)

**DH (DALIAN) ADMINISTRATIVE MANAGEMENT CONSULTING CENTER CO., LTD.** (Clerical work outsourcing provider)

**SHANGHAI INTERNATIONAL REALTY CO., LTD.** (Management of rental housing)

**DALIAN FUJIAZHUANG INTERNATIONAL VILLA CO., LTD.** (Management of rental housing)

**DALIAN ACACIA TOWN VILLA CO., LTD.** (Management of rental housing)

**DALIAN CIVIL AVIATION HOTEL CO., LTD.** (Management of Royal Hotel at Dalian)

**TIANJIN JIUHE INTERNATIONAL VILLA CO., LTD.** (Management of rental housing)

**BEIJING EAST PALACE APARTMENT CO., LTD.** (Management of rental housing)

**BENCHMARK-TECH CORPORATION** (Management of conference center)

# The History of Daiwa House Group

**1955**

Daiwa House Industry Co., Ltd. established; first house model, the "Pipe House," launched on market

**1957**

Steel pipe structure used for warehouse at sake brewery receives certification from Japan Lightweight Iron Construction Association as first such structure in Japan

**1959**

Daiwa Kosho (current Daiwa Kosho Lease Co., Ltd.) and Daiwa Konpo (current Daiwa Logistics Co., Ltd.) established; "Midget House" pilot prefabricated house model launched on market

**1961**

Daiwa Danchi established (merged with Daiwa House in April 2001); stock listed on Osaka, Tokyo and Nagoya stock exchanges

**1965**

Nara Factory constructed, Japan's first specialist plant for production of prefabricated houses

**1971**

Daiwa Jutakukiki (current Daiwa Rakuda Industry Co., Ltd.) established

**1978**

Resort hotels business started with opening of Noto Royal Hotel

**1979**

Tentakubin (current Daiwa Service Co., Ltd.) established

**1980**

First Royal Home Center opened in Nara City

**1983**

Full-scale start of construction business in China at Shanghai, Dalian, and elsewhere

**1986**

Daiwa Information Services Co., Ltd. established

**1989**

Daiwaliving Co., Ltd. established

**1994**

Daiwa House Central Research Laboratory opened in Kansai Science City

**2001**

Daiwa House Industry Co., Ltd. merged with Daiwa Danchi Co., Ltd.

**2004**

Home center business spun-off



## Corporate Data

As of April 1, 2004

**Founding:** April 5, 1955 (Established: March 4, 1947)

**Paid-in capital:** ¥110,120,483,981

**Employees:** 11,698

**Head office:** 3-3-5 Umeda, Kita-ku, Osaka 530-8241

Phone: +81-6-6346-2111

**Tokyo office:** 3-13-1 Iidabashi, Chiyoda-ku,

Tokyo 102-8112

Phone: +81-3-5214-2111

**Offices/branches:** 89

**Factories:** 13

**Research center:** Central Research Laboratory (Nara city)

**Training centers:** Osaka, Tokyo and Nara



A wind generator in Noto Royal Hotel

## Source

- P2 Economic and Social Research Institute, Cabinet Office, Government of Japan/Annual Report of National Accounts
- P3 Economic and Social Research Institute, Cabinet Office, Government of Japan/Annual Report of National Accounts  
Ministry of Land, Infrastructure and Transport/Construction Investment Forecast; Land Price Publication 2004
- P8 Securities Markets in Japan/Survey on Distribution of Shares
- P13 Ministry of Land, Infrastructure and Transport/Statistics on Building Construction Started
- P15 Jutaku Sangyo Shimbun-sya/Housing Industry Data; FY2003 Yearbook  
Notes: 1. Floor space per person (owner-occupied and rental housing) is uniformly calculated based on the inside measurement of each room plus half the thickness of each wall.  
2. Japan (1998 figures); U.S.A. (1999 figures); Great Britain (1996 figures); France (1996 figures); Germany (1998 figures)
- P16 Statistics Bureau, Ministry of Public Management, Home Affairs, Posts and Telecommunications/Population Census of Japan  
National Institute of Population and Social Security Research/Population Projections for Japan: 2001-2050  
United Nations/World Population Prospects: The 1996 Revision
- P34, 35, 36 Ministry of Land, Infrastructure and Transport/Statistics on Building Construction Started
- P36 Statistics Bureau, Ministry of Public Management, Home Affairs, Posts and Telecommunications/Statistics on Housing and Land
- P37 Yano Research Institute Ltd./Trends in housing improvement market scale  
The Housing Loan Promotion Association/Current Data on Overseas Housing
- P39 Ministry of Land, Infrastructure and Transport/Estimate of Construction Investment  
Japan Federation of Construction Contractors/Kensetsu-gyo handbook 2004  
Ministry of Land, Infrastructure and Transport/Statistics on Building Construction Started
- P41 Ministry of Agriculture, Forestry and Fisheries/Progress Report on Measures under Law Relating to Emergency Measures to Improve Controls on food Processing (Law on Support for HACCP Method Utilization)
- P54 Japan Meteorological Agency/Nihon Kikohyo  
Statistics Bureau, Ministry of Public Management, Home Affairs, Posts and Telecommunications/Global Weather Statistics (International Statistical Compendium)
- P55 Japan Meteorological Agency website: Data on Weather-Caused Disasters

<http://www.daiwahouse.co.jp/English/annual/index.html>

**DAIWA HOUSE** Annual Report Library ENGLISH

Company Profile  
 Company Data  
 History  
 Investor Relations  
 Annual Report  
 Financial Performance  
 Home

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 group

**What's New**

- We have now published the "2004 Annual Report". This document is available in both the HTML format and as a PDF file that can be downloaded.
- Daiwa House's 2003 Annual Report won a Silver award in the "Homebuilding" category presented by the 2004 International ARC Awards Competition - the Oscars of the annual report world.

**2004 Annual Report Building a Brighter Future**

- Visual version English
- PDF version English
- Concise Annual Report 2.5MB
- Financial Report 2.5MB

**2003 Annual Report**

- Visual version English **Building your dreams**
- PDF version English
- Concise Annual Report 2.5MB
- Financial Report 2.5MB

Daiwa House won an award for its 2003 annual report at America's most prestigious AR competition. In a European context, meanwhile, our 2003 annual report achieved an even higher ranking than we had enjoyed the previous year.

<b>USA</b>	MerComm, Inc. "2004 International ARC Awards"	
	<b>Silver</b> award in Overall Annual Report - Homebuilding	Click on the icon at the right to download the working tables as a PDF file.
<b>Europe</b>	Enterprise.com (Belgium)	
	<b>14th</b> in "Sector Top 50 of Annual Reports 2003"	English 494KB
	<b>84th</b> in "The Global Report 2003"	English 500B

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**group**