

| *Message from
the president*

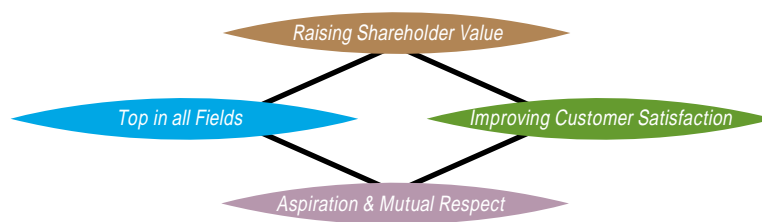


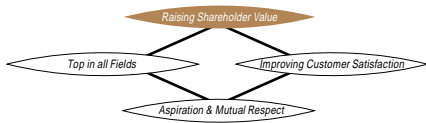
Speed & Truthfulness

I believe that the principal concepts that will dominate the business world in the 21st century are “speed” and “innovation.” Based on this belief, I am placing top management priority on speed in all aspects of our business, including decision making, asset turnover, and construction time. At the same time, I am emphasizing the necessity for the truthful and transparent conduct of management, in which realistic goals are set and the utmost efforts are made to attain them. By shedding conventional ways of thought and basing managerial decisions on data fresh from the marketing front line, we aim to create a new-look Daiwa House management that can give precise, numerical replies to any question about business performance. To help thoroughly imbue our management style with an understanding of the overriding importance of speed and profitability, from fiscal 2001 we have reduced the term of office of directors from 2 years to one.

Moreover, with the start of the new century, Japanese industry is entering the full-scale age of consolidated accounting. In response, from April 2001, Daiwa House established a Consolidated Management Supervision Department, under the direct control of the Company’s president, to strengthen the group’s financial position and ensure strict risk management.

I have drawn up the four goals detailed below and am aiming to realize non-consolidated sales and operating income of ¥1,300 billion and ¥90 billion, and consolidated sales and operating income of ¥1,420 billion and ¥99 billion, respectively, in fiscal 2003.





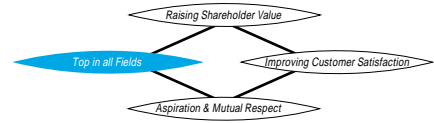
Goal 1

Raising Shareholder Value

The first goal is to remold Daiwa House's corporate structure in a more profit-oriented direction, using the two principal tools of expansion of orders received and reduction of expenses. In short, we will set out clear, realizable numerical targets and achieve them without fail. Specifically, our short-term targets are as follows.

For the current term we are targeting ¥1,130 billion in net sales and ¥19 billion in net income on a non-consolidated basis, and a ratio of gross profit to net sales on a consolidated basis of 22.0%. For fiscal 2003, the net income target on a non-consolidated basis is ¥50 billion, and the target on a consolidated basis is ¥54.4 billion, with a per-share dividend of ¥20. By fiscal 2004, we intend to repay all interest-bearing debt, which has swollen to ¥134 billion as a result of the recent merger with Daiwa Danchi, and establish the Company's management on a debt-free basis.

The Company's overall goal for fiscal 2003 is to become the leading enterprise in every business field in which it is engaged. We aim to attain this goal by meeting the following sales targets (on a non-consolidated basis): Total Residential operations sales of ¥880 billion, broken down into ¥510 billion for single-family houses, ¥220 billion for low-rise apartment buildings, and ¥150 billion for condominium buildings; Commercial buildings operations sales of ¥300 billion; Resort operations sales of ¥63 billion; and Home center operations sales of ¥57 billion. I intend to exert my full efforts to maximize shareholder value by rapidly achieving improved business performance and higher share prices, and by pursuing profit-focused management.



Goal 2

Top in all Fields

The second goal is to be the leading company in each business field in which Daiwa House is engaged. In our mainstay sector of housing, new housing starts are expected to decline to around 800,000 within the next ten years. However, Daiwa House will do its utmost to obtain a 10% share of that market. Looking at the example of other industries, there is every reason to believe that Daiwa House has sufficient potential for expansion. To help attain our sales target of ¥1,300 billion per annum on a non-consolidated basis, we plan to expand our nationwide network of sales offices to 90 three years from now.

The expansion of orders received depends on three key factors – marketing capability, product development capability, and quality of service. Thanks to the merger with Daiwa Danchi, we now possess the largest sales force in the industry, and we plan to make full use of this in further strengthening our system of marketing closely tailored to the particular needs of each region. We moved our marketing headquarters to Tokyo last year to reinforce our marketing system in the Kanto region, Japan’s largest housing market. In July this year, we set up 8 regional sales subsidiaries across the country to further bolster our marketing network. From here onward, to provide support to this expanded marketing system from the product supply side, we will be directing the main thrust of our efforts into speeding up the supply of products to the market by shortening construction times and raising the ratio of products prefabricated in our factories.

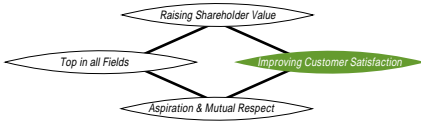
Turning to product development, the Company’s strong point, we further refined our unique technological know-how to develop the first prefabricated house in Japan utilizing earthquake vibration-dampening technology. This new product, launched in April this year, has helped to raise our competitive superiority over our rivals still further.

In addition, we have ascertained that the house market is polarizing into two separate trends. First-time home buyers give preference to houses with superior cost-performance, while older home owners who wish to have their existing houses demolished and replaced show a preference for high-quality houses. We have therefore expanded our product lineup to meet these needs. We have also stationed specialist staff members in charge of house design at all our showrooms, thereby bolstering our ability to make design proposals to prospective customers.

Targeting
10% share
in new housing starts

Meanwhile, in the field of condominium buildings, which is the specialty of the former Daiwa Danchi Co., Ltd., now part of Daiwa House Industry, we are looking forward to enjoying the benefits of the merger at an early date. If the marketing know-how of Daiwa Danchi can be combined with Daiwa House’s extensive data collection capability and financial resources, there is no reason why the Company could not double its sales of condominium buildings over the next 5 years.

We are also planning to increase the number of marketing offices and staff in non-housing operations such as commercial buildings and the home center business.



Goal 3

Improving Customer Satisfaction

Recognizing that improved customer satisfaction is the key to business success, we have positioned it as a top management priority. Through the pursuit of this policy, we aim to raise the proportion of new customers introduced to us by existing customers from the current 40% to 70%. As means of improving customer satisfaction, we have established a flexible and fast-acting after-sales service system, have set up 24-hour customer advice centers, and have started a house spot-check service that customers can utilize for up to 40 years after construction under the Company's unique long-term guarantee system, called the 21st Century Support System.

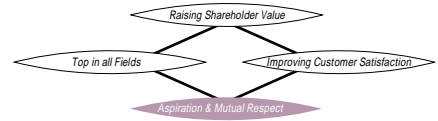
In addition to the superior abilities that Daiwa House possesses in marketing, product development, and construction technology, the Company is also making use of its high-quality services to secure a high success rate in competition for orders from small-scale builders in provincial regions of Japan.

We regard one-to-one communication with customers utilizing information technology as a crucial factor in achieving the desired level of customer satisfaction. In February of 2001, we set up a new home planning consultation page on our main website, and then in June of the same year we set up a separate, specialist website for buyers of our single-family houses. In these ways, we are catering to the wide variety of housing-related needs, including new-house buying, renovation, and complete demolition-and-rebuilding work.

In addition, we have been developing housing that incorporates information technology. This ground-breaking technology allows home owners to use their mobile phones as remote control devices for locking or unlocking the door, or for switching on/off or adjusting electric appliances when not at home.

Meanwhile, amid ever-growing concern over environmental issues, Daiwa House takes its responsibilities as a corporate citizen very seriously. We have drawn up a Voluntary Environment Action Plan, under which we have set environmental targets to be attained over a 5-year period starting from 2000. The specific targets set under the plan range over a wide field including reduction of greenhouse gas emissions and the promotion of energy conservation. In June this year we acquired ISO 14001 environmental management systems certification for all our factories, and we aim to reduce emissions of harmful substances to zero by fiscal 2005. Moreover, over the next 2-3 years, we plan to install in-house power generation facilities utilizing "clean energy" fuels at all our factories, hotels, and home centers. This will enable considerable cost savings.

Targeting
70% ratio
for customer referrals



Goal 4

Aspiration & Mutual Respect

Our policy is to ensure that Daiwa House is not only an organization dedicated to successfully competing in the markets, but is also the stage on which its employees can realize their aspirations.

The management of Daiwa House believes that, by applying the practical knowledge gained at various work sites, the Company's staff can overcome any difficulties. With this in mind, we ensure that all foremen, section leaders, branch managers and other employees placed in command over subordinates are fully aware of their responsibilities as individuals. They are required to show the essential qualities of leadership, including fairness and a realistic assessment of their own and their subordinates' capabilities, and the ability to fire their staff's imaginations with a concrete vision of the Company's future.

We encourage all our employees to frankly discuss their work with their colleagues and superiors, thereby creating a working environment that is both friendly and efficient. Daiwa House's traditional corporate spirit of tackling any challenge without fear of failure is now more essential than ever before. By creating a corporate environment in which our employees are happy to work, and which provides each of them with motivation and the opportunity to display their abilities to the maximum, Daiwa House is confident of emerging as one of the survivors from the current period of intense competition.

In conclusion, I would like to affirm that the Company is actively tackling the task of building a corporate structure that will receive high marks from our shareholders. We will keep shareholders and investors thoroughly informed of developments through all forms of conventional public relations media in addition to our websites and the holding of small meetings with analysts. In this way, we will maintain our policy of prompt disclosure of all important management information.