

New Housing for a New Japan

Daiwa House[®]

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 a segmental basis :

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



Building Your Dreams



In JAPAN

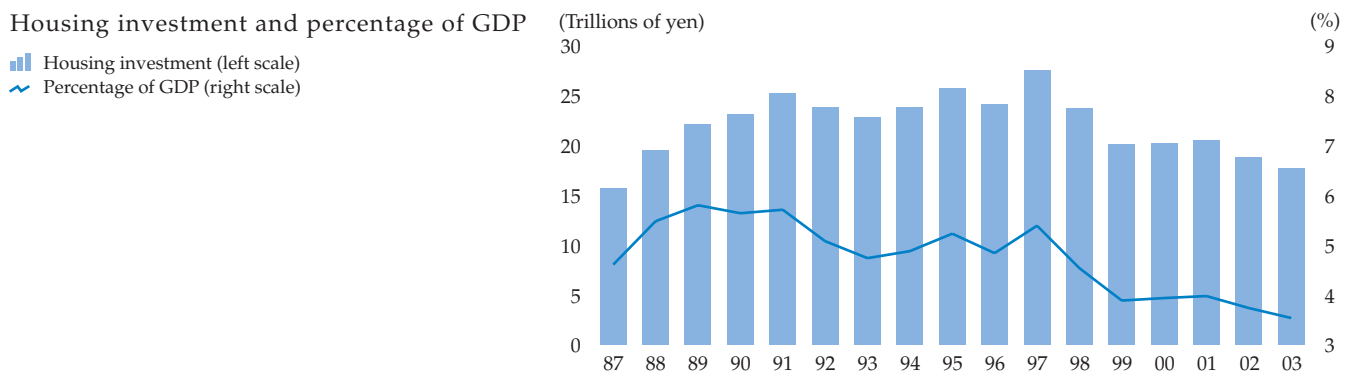
Introduction — economic and housing developments in Japan in fiscal 2002

Japan's nominal GDP fell by 0.7% in fiscal 2002 for the second year-on-year decline in a row. The deflationary process continued to take its toll, with stock prices dropping to 20% of their peak level at the end of the 1980s bubble, and land prices slipping to 57% of their all-time high. Corporate bankruptcies during the term were the fourth-highest since World War II, while unemployment reached 5.4% in calendar 2002, the highest level since 1948, when compilation of statistics began.

Performances differed from one industry to another. Export-oriented sectors such as manufacturing, particularly the automotive industry, were supported by strong overseas demand. In contrast, industries with little or no export presence were severely affected by the economy's sluggishness. Among these was the construction industry, including housing, in which the Daiwa House group operates, where the market shrank yet again during the reporting period. Overall construction investment was down 7.1% from the previous term, while new housing construction starts stood at 1,145,553 units, the lowest level since fiscal 1983. Construction of owner-occupied housing posted a third consecutive year of decline (down 3.1% at 365,507 houses), and construction of condominiums — was previously held up the housing market as a whole — slumped 11.0% to 198,432. In contrast to this evident further decline in housing acquisition by individual consumers, construction of housing units for rent continues to grow — by 2.8% year-on-year to 454,505 in the term under review — against the backdrop of low interest rates, declining land prices, and a weak stock market.

The near-future outlook for our group's business environment is generally gloomy, but thanks to the improvements we have achieved over the past two years, we have good hopes of pursuing rewarding business operations even amid a stagnant economic situation. We now have the sort of efficient corporate structure in place that will allow us to make major strides in business performance once Japan's economy gets properly back on the road to recovery.

Please see our annual report for further details of performance in this and other operational segments.

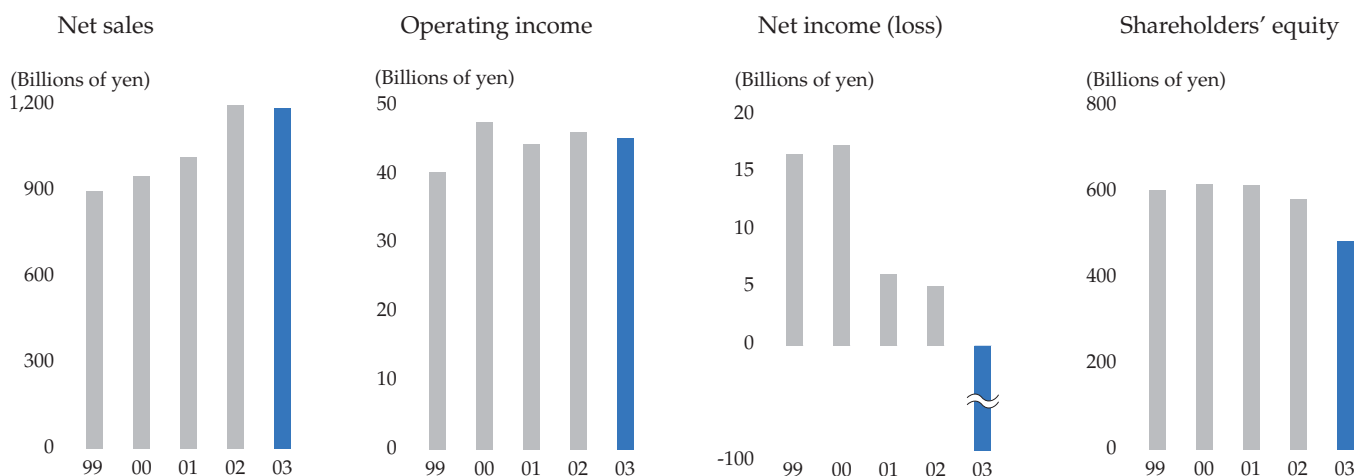


Consolidated financial highlights

Daiwa House Industry Co., Ltd. and Subsidiaries
Years ended March 31, 2003, 2002 and 2001

	Millions of yen			Thousands of U.S. dollars
	2003	2002	2001	2003
Net sales	¥1,184,544	¥1,197,925	¥1,016,237	\$9,871,200
Operating income	45,272	46,031	44,290	377,267
Other income (expenses)	(200,429)	(36,493)	(31,494)	(1,670,242)
Net income (loss)	(91,388)	5,217	6,256	(761,567)
Per share of common stock (in yen and dollars):				
Basic net income (loss)	(167.06)	9.55	12.05	(1.39)
Shareholders' equity	884.55	1,066.63	1,182.01	7.37
Cash dividends applicable to the year	10	10	17	0.08
Total assets	1,094,441	1,187,127	1,066,457	9,120,342
Shareholders' equity	483,684	582,438	613,867	4,030,700
Return on equity (%)	(18.89)	0.85	1.02	
Equity ratio (%)	44.19	49.06	57.56	

Note: The U.S. dollar amounts represent translations of Japanese yen for convenience only at the approximate exchange rate on March 31, 2003 of ¥120 = U.S.\$1.



Group performance highlights (on a consolidated basis)

As of March 31, 2003

Cash flow from operating activities

40 billion yen
or more

Interest coverage ratio*

50.1

Equity ratio

44.2%

* Cash flow from operating activities divided by interest payable

- About **¥90** billion in unrecognized retirement benefit obligations were amortized in lump-sum
- Extraordinary depreciation of land and other property was implemented in the amount of about **¥75** billion
- The equity ratio declined by only **4.9%** to 44.2%
- Net cash provided by marketing activities exceeded **¥40** billion in spite of more than ¥150 billion in losses before income taxes

Positive factors affecting fiscal 2002 performance

Overall housing industry

- The tax-exemption limit on gifts was raised to ¥35 million, and the maximum rate of inheritance tax was lowered.
- A new grading system for existing housing was inaugurated with the aim of promoting the sale of existing housing units

The Daiwa House group

- Reorganization of affiliates, including amalgamation and liquidation, was carried out to raise management efficiency and strengthen the group's financial and marketing base
- The ratio of debt (including bonds) to total assets on a consolidated basis declined to a mere 0.6% from 4.8% for the previous term

Negative factors affecting fiscal 2002 performance

Overall housing industry

- Official land prices fell for the 12th year in a row, and the year-on-year margin of decline widened
- New housing construction starts dropped below 1.15 million for the first time in 19 years

The Daiwa House group

- Profitability on sales of landholdings deteriorated still further as the gap between fair value prices and book values widened even more
- Sales of housing to first-time home buyers was favorable, in line with projections, but the ratio of rebuilding of existing houses declined owing to generally bearish attitude of home owners toward major investments

Investor information

As of March 31, 2003

Common stock

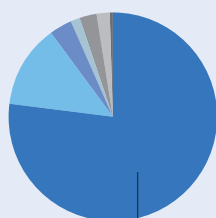
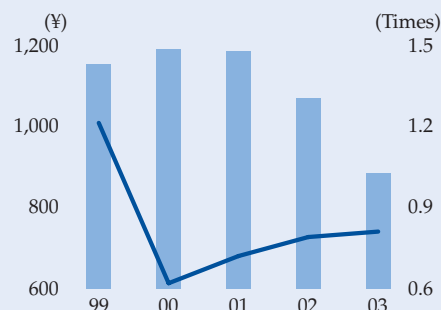
¥110,120 million (US\$917,667 thousand)

Shares

Authorized	1,900,000,000
Issued and outstanding	550,664,416
Number of shareholders	32,828

BPS and PBR

■ BPS (book value per share; left scale)
 ~ PBR (price to book value ratio; right scale)



Ratio of shareholding by scale

	(Thousands of shares)	(%)
1 million or more	423,974	76.99
100 thousand or more	70,946	12.88
10 thousand or more	19,383	3.52

	(Thousands of shares)	(%)
5 thousand or more	7,919	1.44
2 thousand or more	14,590	2.65
1 thousand or more	11,226	2.04
Less than 1 thousand	2,622	0.48

Principal shareholders

	(Thousands of shares)
Japan Trustee Services Bank, Limited (trust account)	26,070
The Master Trust Bank of Japan, Ltd. (trust account)	26,047
Sumitomo Mitsui Banking Corporation	23,532
UFJ Bank, Limited	23,032
Mizuho Corporate Bank, Ltd.	22,209
Nippon Life Insurance Company	15,839
The Chuo Mitsui Trust and Banking Company, Limited	15,817
The Dai-ichi Mutual Life Insurance Company	15,807
UFJ Trust Bank Limited (trust account A)	10,237
The Daiwa House Employee Shareholder's Association	9,849

Foreign shareholding ratio

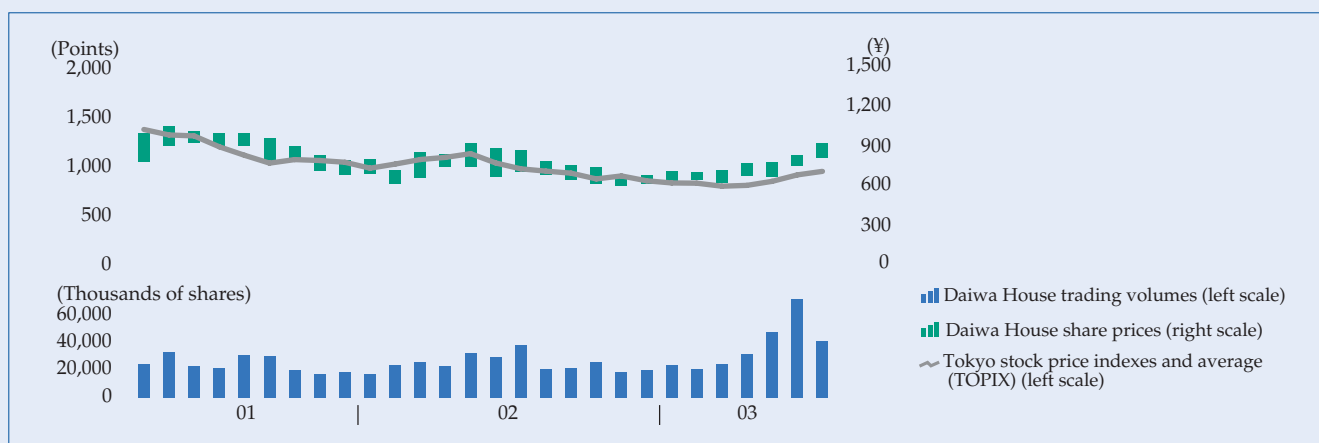
Overseas individuals and corporations	23.51%
Domestic corporations	64.28%
Domestic individuals and others	12.21%



Average for foreign shareholding ratio among all domestic listed companies : 17.7%

Source: National Conference of Stock Exchanges

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



Daiwa House Industry Co., Ltd.

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Contact

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Daiwa House Financial Affairs Department

Phone: +81-6-6342-1400 Fax: +81-6-6342-1419 e-mail: konno105@ms.po.daiwahouse.co.jp

Daiwa House Homepage

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

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

English site: http://www.daiwahouse.co.jp/tops/top0_english.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

Dear shareholders



Ready for growth

In spite of a continued difficult business environment as a result of the ongoing legacy of the bursting of Japan's economic bubble in the early 1990s, the Daiwa House group managed to secure sales and operating income levels not far removed from the initial targets. Sales came to ¥1,184,544 million (US\$9,871.2 million) on a consolidated basis, up 3% over the initial target, and operating income came to ¥45,272 million (US\$377.2 million), down 6.7% from the target.

The management of the Daiwa House group, however, gives priority to laying the foundations of future growth. We see it as particularly important to use this period of business recession to strengthen our financial position. In line with this, we are forced to report that net income fell short of the initial target as a result of the posting of one-off expenses including losses on the extraordinary amortization of property in the amount of ¥212,734 million, leading to a net loss for the term of ¥91,388 million. These one-off expenses break down into ¥90,400 million in expenses provisions for retirement benefits, ¥75,183 million in extraordinary depreciation on property such as hotels and golf courses, valuation losses of ¥22,900 million on real estate held for sale, with the aim of housing developments, ¥9,773 million in valuation loss on investment securities, ¥7,421 million in provisions for possible loan losses on large-scale development projects, and ¥2,145 million in losses stemming from the liquidation of subsidiaries.

During the term under review, we took various measures for future expansion. We carried out a reorganization of the parent company and the group with the goal of realizing higher efficiency in group management. At the parent company, with the primary goal of strengthening grass-roots marketing operations for the housing business, we introduced a new area-based management organization focused on the individual branches. Company-wide environmental preservation initiatives were pursued, thanks to which our 13 factories in Japan all reached the zero-emission target for specified pollutants. On the finance side, in a continuation from the previous term of our policy of reducing interest-bearing debt, we succeeded in repaying all remaining debts (amounting to ¥52,000 million) at the non-consolidated level, thus realizing our goal of a debt-free parent company. Against this background, we once again declared payment of an annual dividend of ¥10 per share for the reporting term. With the starting line marked out by the management's definitive decision in the term under review, we have now embarked on a program of expansion of the group's operations via the pursuit of a number of group management themes, i.e., improved profitability, legal and ethical compliance, struggling for the leadership in our industry, and establishing a sound relationship with our stakeholders characterized by strong ties of trust. We hope that our shareholders will continue to show us the same level of support and encouragement.


Takeo Higuchi
President

In memory of our founder



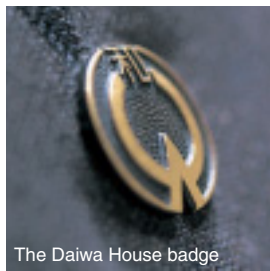
Senior Advisor Nobuo Ishibashi, the founder of Daiwa House Industry, passed away on February 21, 2003 at the age of 81. Mr. Ishibashi was born in 1921, the son of a forester in the village of Kawakami in Nara Prefecture. He set up the Company in 1955, and in addition to pioneering the use of steel pipes in place of wood for the structural framework of houses, he developed a prefabricated housing system with shorter completion times and an improved cost performance compared with existing systems. In this way, by helping to supply Japanese society with a sufficient supply of affordable housing, the Company played an important supporting role in Japan's achievement of high economic growth during the sixties and seventies.

Mr. Ishibashi was also the pivotal figure in the expansion of the sphere of operations of our group — under the concept of the “industrialization of construction” — from specialization in residential construction to construction of commercial facilities and the operation of resort hotels and a chain of home centers, as well as other businesses on the periphery of the central housing business.

He was also instrumental in contributing to the development of the housing industry, helping to grow prefabricated housing into a major industry and serving successively as chairman of the Japan Prefabricated Construction Suppliers & Manufacturers Association and the Japan Federation of Housing Organizations. In his capacity as a representative director, Mr. Ishibashi remained the leader of our group right up to the end. Even on his sickbed, he expressed his fervent hope for the further development of the Japanese economy and the Company's business. He revealed his inextinguishable pioneer spirit by urging us to continue working for the further growth of our group.

In recognition of his sterling work on behalf of the Japanese housing industry, Mr. Ishibashi was posthumously awarded the Second Grade of the Third Rank of Honor and the Grand Cordon of the Order of the Sacred Treasure on March 28, 2003.

Never Stop Growing



Message from the president

Confidently working to realize our future vision

The management of the Daiwa House group has worked boldly to create a strong financial base, thus enabling the group to play a major part in laying the foundations for the creation of a prosperous future for the Japanese housing industry.

Social and economic conditions are changing rapidly in Japan. The values that underpinned consumption patterns in the age of mass production and mass consumption are being transformed, with greater emphasis on quality of life rather than simply the acquisition of more and better material goods. Our business is the creation of homes and lifestyle services, which are truly the keystone of the quality of life being sought by the consumer. We must closely examine the values of today's society, and on this basis confidently draw up a clear vision of the living environment of the future. Our corporate mission, or role within society, will never change, no matter what future prospects we face.

We always try to put ourselves in the place of the customer. We will continue our sincere quest to help people realize their dreams and aspirations, and will further improve the quality of our products and services with the aims of contributing universally to the good of society and enhancing customer satisfaction. We aim to become the No. 1 comprehensive supplier of housing products and housing-related services to the Japanese market. With this goal in mind, we have formulated three key words to encapsulate the principles that should guide our group activities. They are: "trust," "challenge," and "creation." In keeping with the spirit behind these principles, we have set ourselves the twin challenges of achieving net sales on a consolidated basis of ¥1.5 trillion by fiscal 2005 and ¥2 trillion by fiscal 2010.





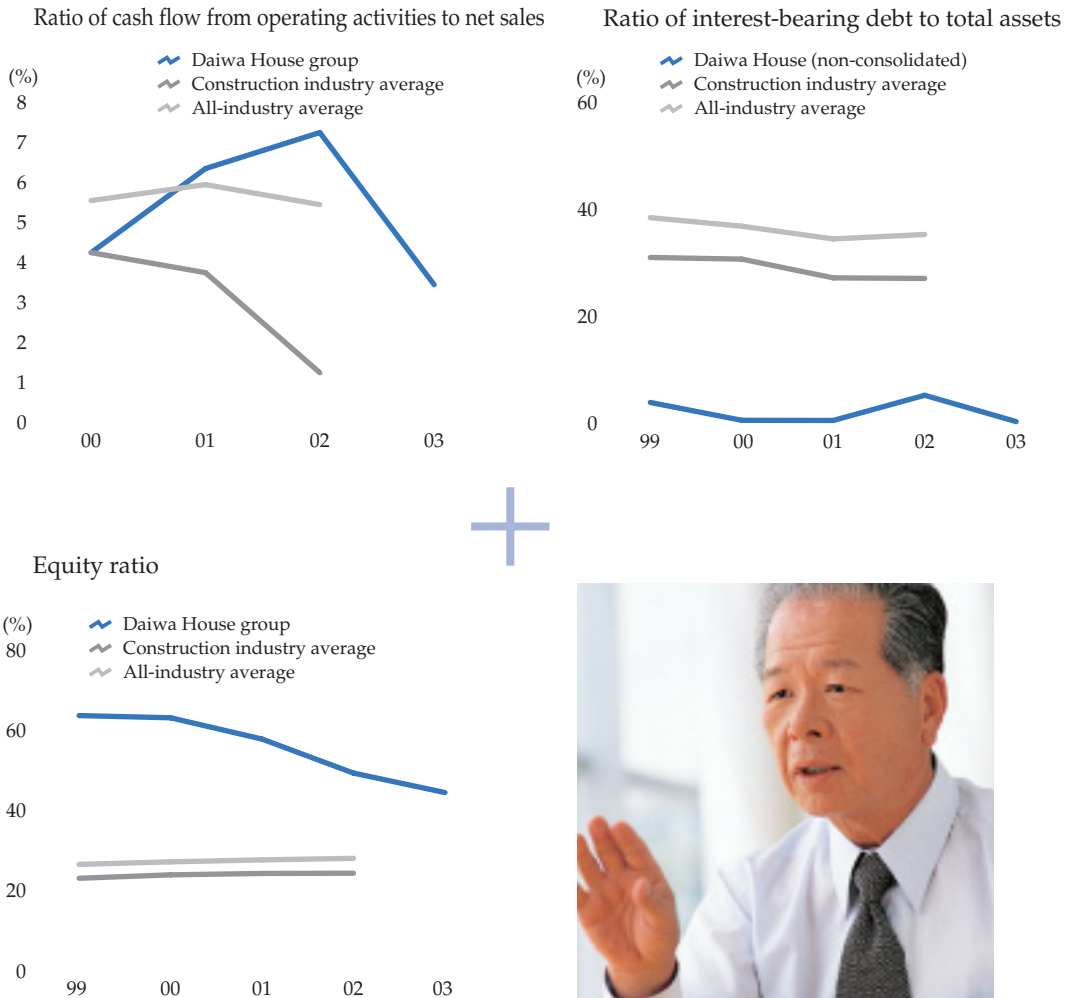
Trust

Fulfilling our corporate mission to forge stronger bonds of trust



To play its proper role as a responsible corporate citizen in this newly unfolding age, the Daiwa House group takes its corporate mission very seriously. We believe that our mission is threefold: to earn the trust of the public through sincerity and truthfulness; to provide a long-term and reliable supply of products and services with high added value; and to secure the growth of our corporate group through close cooperation with our customers. By pursuing these goals, we are confident of achieving continued long-term growth.

To this end, we have openly declared our intention to pursue the strengthening of our financial position and the improvement of corporate transparency through improved management disclosure, with the goal of building stronger bonds of trust with our stakeholders. Thus, the repayment of interest-bearing debt and reduction of expenses, as well as the lump-sum amortization of liabilities on retirement benefits and elimination of unrealized losses during the term, were all means to strengthen our financial position. As a result, despite the repayment of interest-bearing debt and elimination of unrealized losses, we still managed to keep our equity ratio at the high level of 44.2%, and have built a firm management base from which we can face the future with confidence.



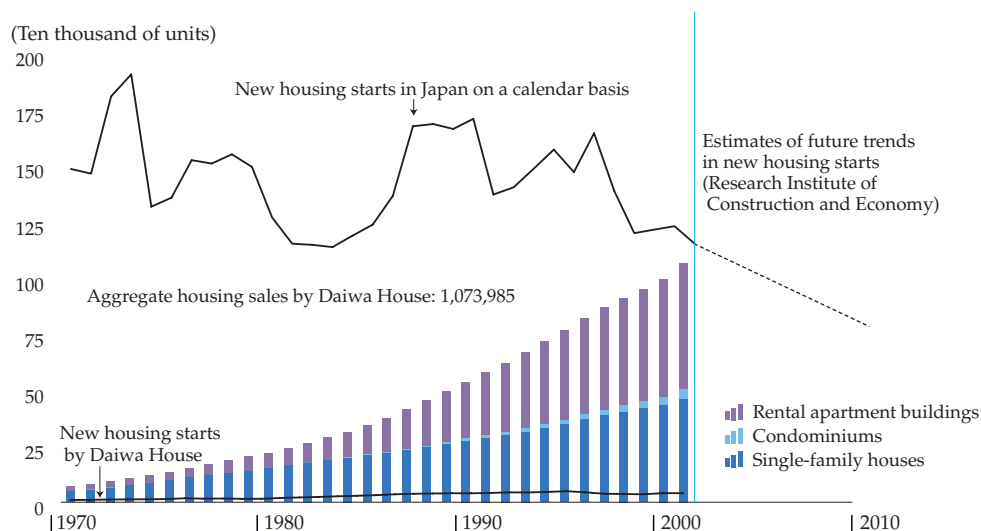
In addition to a strong financial position, we continue to place emphasis on cash flow and on realizing a constantly high shareholders' value through investment from the long-term perspective. To this end, amid the current continuing downward trend in land prices, we are making efforts to improve our turnover of land assets still further from the viewpoint both of lightening landholding risk and reducing inventories. Our policy is to maintain the annual inventory turnover rate for land for the construction of single-family houses to 2, and the rate for condominiums to 1. We are also registering valuation losses on land held for sale, which frees us to engage in more aggressive land selling operations.

Compared with the majority of companies in the construction industry, which is heavily dependent on bank loans, the Daiwa House group has succeeded in building a relatively strong financial base. With this as the cornerstone of our future growth strategy, we are working to improve our earning power and realize a stable level of corporate value on a long-term basis.

Challenge

Injecting new value into the housing industry

Net new housing starts in Japan : past & future



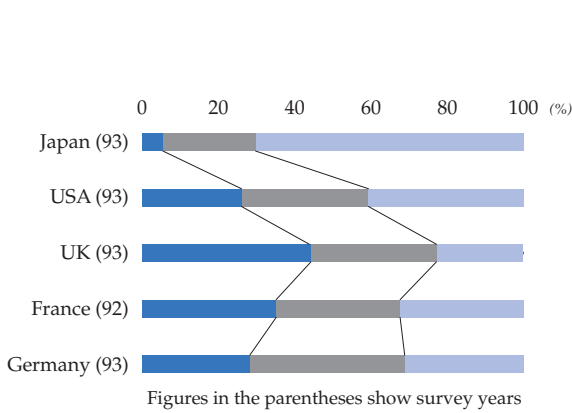
The Daiwa House group occupies a significant position within the Japanese housing industry, with a 3.6% share of the total market for new housing construction starts — the number two position in both single-family houses and apartment buildings. Each year, the group supplies approximately 40,000 housing units to the market, including single-family houses, rental apartments, and condominiums. Since the Company's establishment, it has built an aggregate of 1,070,000 housing units. Housing operations account for approximately 66.6% of the group's total net sales.

As is well-known, Japan now has enough houses and condominiums to meet demand. In comparison with other advanced industrialized countries, however, the situation is still unsatisfactory in terms of housing floorspace per person and the average useful life of single-family houses.

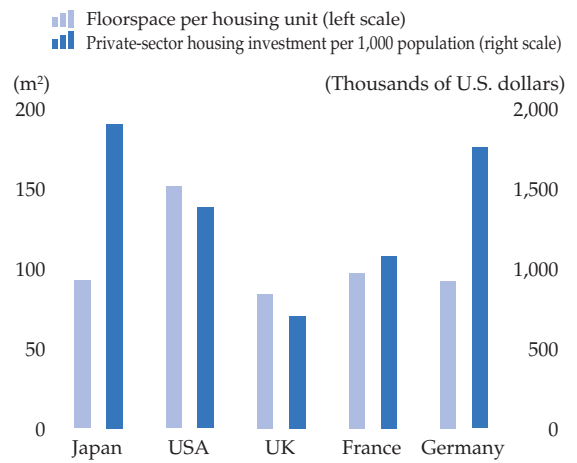
Looking at prospects for the near future, although the number of children as a percentage of the total population is decreasing, while the ratio of elderly people is rising, the children of the baby boomers are now starting to buy their own homes. There is thus an urgent need for home construction that precisely meets the requirements of both the new housing market and the demand for renovation and rebuilding of existing homes, and we are responding proactively to this situation.

In response to demand for new housing, we are offering high-quality, long-lasting housing that can be passed on to the next generation, featuring the fruits of our proprietary technologies such as earthquake dampening systems and efficient insulation for outer walls. To further strengthen the Company's marketing system, which is designed to cater to the differing needs of local regions, we are planning to increase the number of offices from 86 at present to 100 by the end of fiscal 2005. In addition, we will make efforts to more effectively support the growth of our seven sales subsidiaries. With regard to the rental apartment business, where demand

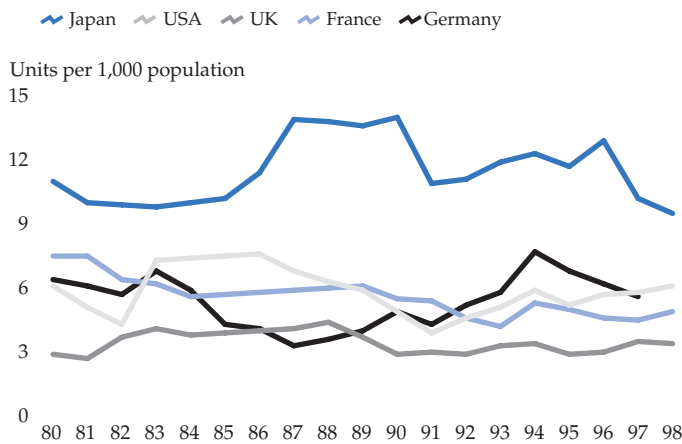
Breakdown of existing housing by period of construction



Average housing space and investment



Number of housing units constructed per 1,000 population



is on the rise, the Company is introducing new types of apartment building that offer even higher asset value to landowners. At the same time, we are collaborating with our affiliate Daiwaliving, which manages apartment buildings. We are aggressively marketing innovative land utilization plans for landowners under such systems as fixed-term land-lease contracts and land-lease contracts with building purchase riders, as these methods reduce investment risk. In these ways, we are broadening our field of business operation.

With respect to the stock of existing housing, we are in the process of setting up home renovation centers at all the Company's branches nationwide to tap the large potential market represented by the one million customers on our books, and thereby cultivate a fruitful new market. Over the long haul, we have good hopes of growing this business into a major earnings source. In the field of commercial building construction, we are more actively marketing services focused on individually tailored customer solutions. In particular, our LOC (Land Owner Company) system, an asset management system that ties together the needs of landowners and companies wishing to open wholesale or retail outlets, has already proven its strong competitiveness with a track record to date of over 21,000 contracts. The system addresses equally the need by landowners for earnings from land assets and the need for profit expansion by retailing industry companies through the opening of new stores. Thanks to the high-level expertise of our staff and our extensive network of contacts, this service has gained an excellent reputation, and business is projected to continue improving for the foreseeable future.

Through the measures described above, the Daiwa House group is injecting new, added value into the Japanese housing industry and other related industrial sectors. Our short-term goals are to gain a 10% share of the new housing market and become the leading corporate group in the supply of comprehensive housing-related services.

C r e a t i o n

Making new dreams come true

The most outstanding intangible quality of the Daiwa House group is its pioneering spirit. We were the pioneers in the introduction of prefabricated housing to the Japanese market, and since then we have constantly pursued new products and new ways of doing business, including marketing incorporating mortgage loans, resort hotels, and the home center business, among others. As our history clearly shows, while seeking innovation, we have always centered our business on housing and closely related operations, and we will never deviate from this policy in the slightest. This is because we recognize that the home is where the heart is — all dreams start here. To help home buyers realize their dreams, we have positioned four focal themes for the 21st century: welfare, the environment, health, and telecommunications.

Regarding welfare, back in 1986 we foresaw today's rapidly aging society and opened a nursing care home for senior citizens, and in 1989 we set up the Silver Age Research Center for the investigation of issues related to housing and care for the elderly. Based on the center's findings, we have set up more than 700 nursing care facilities and *Day service* centers for the elderly. Nursing care facilities, including communal dwellings (protected accommodation), constitute a promising market in which we can effectively utilize the know-how possessed by the Center in both equipment and services, and good growth is expected in the future.

With regard to environmental concerns, we are cooperating closely with universities and companies in other industrial sectors to pursue research into electricity generation through renewable energy such as solar power and wind power, facilities for the disposal of industrial waste or the recycling of waste materials, and so on, with a view to turning them into commercially viable projects.

Health and telecommunications are the most important themes intertwined with lifestyles. The rapidly growing popularity of broadband Internet access means that the interconnection between housing and IT, particularly telecommunications, will become stronger than ever. Moreover, increasing demand is projected for at-home health monitoring and easy communication with hospitals or clinics, as well as the provision of medical care at home.

From here onward, home buyers will become increasingly demanding, and there will be a growing focus on quality and various value-added aspects. We must therefore respond by creating a stimulating and liberal working environment that facilitates the optimization of our employees' creativity. This will include a new pay and promotion system, which we are now designing. By these means, we will be able to pool the expertise and research of all our staff. The intelligence and creativity of our group staff are a valuable intangible intellectual asset that does not appear in our balance sheet but which lies behind the group's brand image, technological capabilities, and superiority



in design. We will protect and foster this intangible asset with the same care that we devote to more conventional, tangible assets.

Setting new goals, dreaming new dreams. We are creating a new corporate culture focused on intelligence and creativity. Our corporate mission is to make our customers' dreams come true.

In the foregoing pages, I have described my vision of the Daiwa House group's future, and I hope you share my aspirations and enthusiasm. Now, in fiscal 2003, we once again take on new challenges on the road to carving out a bright future for Japan's housing industry.

We are now committed to making progress in our initiatives in the areas of corporate governance and risk management. We also plan to issue quarterly reports. Through these means, and by realizing an ever-growing corporate value, we are determined to properly fulfill our duties as a responsible corporate citizen to all our stakeholders. We look forward to your continued support, and hope that you will help us to make new dreams come true.

Takeo Higuchi
President

Main Improvements Effectuated in FY2001–2002

	FY2001	FY2002
Management	<ul style="list-style-type: none"> •Directors' term of office cut from 2 years to 1 year •Middle management staff cut by 50% •Risk management bolstered 	<ul style="list-style-type: none"> •Change from division-based to branch-based organization •Introduction of performance-linked pay system for branch managers •Reduced number of group companies for more customer-focused management •Introduction of points system into calculation for lump-sum payment at employees' retirement
Operations	<ul style="list-style-type: none"> •Aggregate housing sales pass one-million unit mark •First prefabricated house featuring earthquake-dampening system launched •Insulation method for outer walls adopted •Launch of wooden house series •ISO 14001 certification acquired by factories and purchasing divisions •Seven local sales companies established 	<ul style="list-style-type: none"> •Marketing, design, product development functions reorganized on regional lines •Renovation & rebuilding services expanded •Voluntary Environmental Action Plan drawn up •All 13 factories reached zero-emission targets
Financial position	<ul style="list-style-type: none"> •Interest-bearing debt reduced by ¥80.1 billion •¥59.9 billion unrealized loss recorded on land revaluation •SG&A expenses reduced 	<ul style="list-style-type: none"> •Changes in accounting policies for retirement benefits •Total elimination of unrealized loss on land •Debt-free management achieved on non-consolidated basis •Termination of agency service for state-run employee pension fund •Loss recognized on liquidation of affiliates •Extraordinary depreciation of property in the amount of about ¥75 billion etc.

Traditional
scale of
corporate
values



The new
Daiwa House
group

Report by Executive Managing Director (financial affairs)



For the past three years I have been heading a drive to reform the financial structure of the Daiwa House group, principally through a focus on improving cash flows, with the ultimate goal of maximizing shareholder value. The Japanese economy has stagnated to the point where many companies exhibit chronic indebtedness, and the total interest-bearing debt burden of the private sector has been reduced by a mere 13% over the last six years. In this situation, it is all the more vital for us to strengthen our operating cash flow to build the sort of firm financial base that allows for further development of our group. Only by so doing can we achieve our top-priority goal of raising our earning power.

Over the last few years, we have pushed through a wide range of measures to realize improved financial health, including the recognition of more than ¥80 billion in extraordinary losses, mainly from the write-down of inventories and securities holdings, the revaluation of landholdings at fair market prices, the repayment of short- and long-term bank borrowings, and drastic cost-cutting. In the reporting period, we set further milestones on the road to financial health with two bold management decisions.

Firstly, in the face of the present severe business conditions against the backdrop of a decline in profitability on landholdings, we took vigorous steps to dispose of land and buildings held for sale, thanks to which we succeeded in achieving our target of debt-free management at the non-consolidated accounts level.

Secondly, we applied stricter standards to the valuation of real estate, equities, and accounts receivable. In doing this, we have completely eliminated a major negative factor that would have affected our business performance in the future. As a result, we posted ¥210 billion under extraordinary loss account including loss on retirement benefits. We carried out lump-sum amortization of unrecognized actuarial shortfall and changed other accounting policies on discount rates of plan assets.

The Japanese economy is likely to remain sluggish for the foreseeable future. However, we intend to put this difficult period to good use by harnessing the excellent management and staff morale that result from target achievement, and by leveraging our sound balance sheet — with its low risk of price fluctuation on assets — to expand our sphere of corporate activity with more sincerity and further enhance our business performance.

Tetsuji Ogawa
Executive Managing Director (financial affairs)

Our consolidated financial statements at a glance

Consolidated balance sheets 2003		Consolidated statements of operations 2003		Consolidated statements of cash flows 2003	
(Millions of yen)		(Millions of yen)		(Millions of yen)	
Current assets:		Net sales		Operating activities:	
Inventories	¥ 267,199	Cost of sales	936,861	Income (loss) before income taxes and minority interests	¥(155,157)
Total current assets	468,296	Gross profit	247,683	Write-down of marketable and investment securities	9,773
Property, plant and equipment:		Selling, general and administrative expenses	202,411	Extraordinary depreciation for property, plant and equipment	75,183
Land	212,312	Operating income	45,272	Provision for employees' retirement benefits, net of payments	85,002
Buildings and structures	380,978	Other income (expenses):		Decrease (increase) in inventories	32,872
Accumulated depreciation	(259,286)	Write-down of marketable and investment securities	(9,773)	Other – net	(7,214)
Machinery and equipment	51,264	Write-down of inventories	(22,900)	Net cash provided by operating activities	40,459
Accumulated depreciation	(42,205)	Amortization of transitional obligation for employees' retirement benefits	(8,780)	Net cash used in investing activities	(27,316)
Furniture and fixtures	36,695	Actuarial loss on retirement benefits	(49,888)	Net cash used in financing activities	(57,713)
Accumulated depreciation	(31,116)	Actuarial loss due to a change of discount rate	(31,733)	Cash and cash equivalents, end of year	¥ 103,950
Construction in progress	1,004	Extraordinary depreciation for property, plant and equipment	(75,183)		
Net property, plant and equipment	349,646	Other – net	(318)		
Investments and other assets:		Other income (expenses) – net	(200,429)		
Investment securities	25,988	Income (loss) before income taxes and minority interests	(155,157)		
Investments in and advances to associated companies	25,900	Net income (loss)	¥ (91,388)		
Total investments and other assets	276,499				
Total	1,094,441				
Current liabilities:					
Total current liabilities	268,811				
Long-term liabilities:					
Liability for employees' retirement benefits	136,480				
Total long-term liabilities	319,189				
Minority interests	22,757				
Shareholders' equity:					
Retained earnings	289,840				
Total shareholders' equity	483,684				
Total	¥1,094,441				

Corporate management

As of June 27, 2003

Board of directors and corporate auditors



Takeo Higuchi*
President



Sadao Yoshii*
Executive Vice President



Tamio Ishibashi*
Executive Vice President



Mitsuo Funatsu*
Executive Vice President



Masanori Nishio
Executive Managing Director



Yuzo Kawahara
Managing Director



Kimitaka Komatsu
Managing Director



Naotake Ohno
Managing Director

*Representative Director

Presidents of principal subsidiaries and affiliates



Mutsuo Kajimoto
*DAIWA KOSHŌ 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.*



Masayasu Enomoto
*DAIWA INFORMATION
SERVICES CO., LTD.*



Tetsuji Ogawa
Executive Managing Director



Kenji Murakami
Executive Managing Director



Takuya Ishibashi
Executive Managing Director

Directors

- Munemitsu Kimura
- Tsuyoshi Natsume
- Tadashi Murakaku
- Shigeo Ohtsuka
- Osami Nishikawa
- Tatsushi Nishimura



Takashi Uzui
Managing Director



Takeshi Kajimoto
Managing Director



Hiroshi Azuma
Managing Director

**Corporate Auditors
(standing)**

- Kohei Nakabo
- Hiomasa Kobayashi
- Toshihiko Emi
- Eiichi Takeda

Corporate Auditor

- Hiromi Doi



Mikio Sasai
*NIHON JYUTAKU
RYUTU CO., LTD.*



Isamu Shakudo
*DAIWAROYAL
CO., LTD.*



Shigekazu Matsuo
*LOC DEVELOPMENT
CO., LTD.*



Jun-aki Matsuoka
*ROYAL HOME
CENTER CO., LTD.*



Keiichi Honda
*DAIWARESORT
CO., LTD.*

Corporate Governance

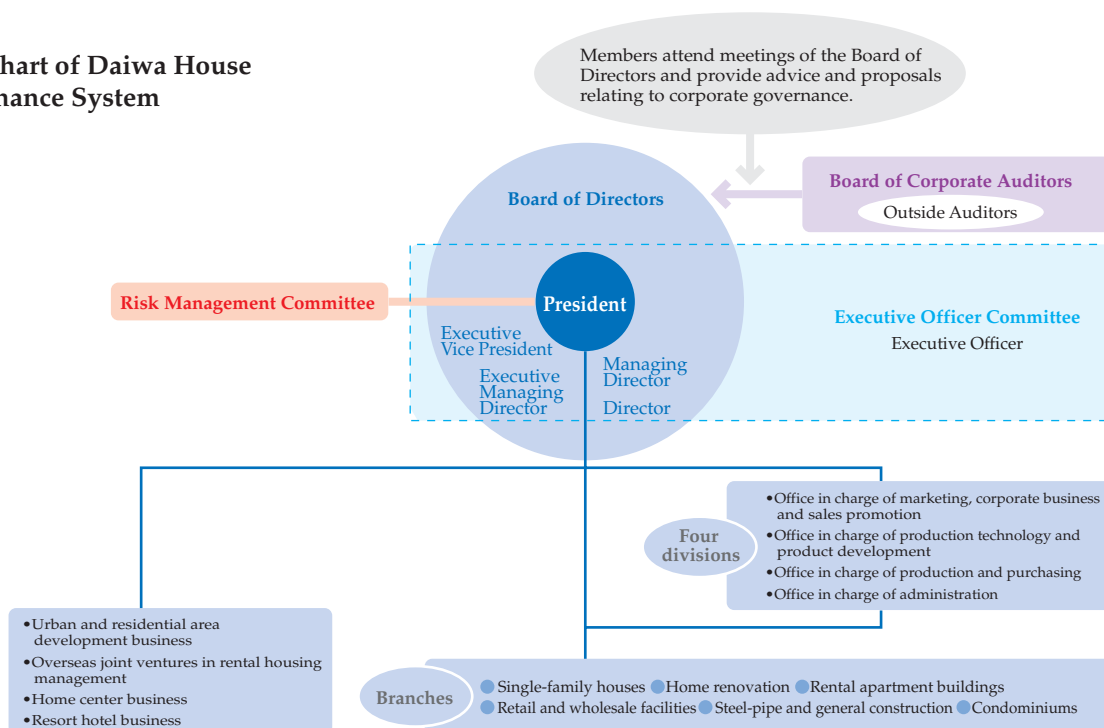
Our stance on corporate governance

The management of Daiwa House positions corporate governance as an issue of the utmost importance. From the viewpoint of earning the confidence of all our stakeholders — notably our shareholders, customers, and employees — it is vital that we put in place a system ensuring swift and accurate decision-making so as to produce a management system characterized by a high degree of efficiency and transparency.

Measures to realize effective corporate governance

- (1) In June 1999, the Company adopted an executive officer system as part of an overall program aimed at strengthening the whole corporation through increased management efficiency. This was followed in June 2002 by the shortening of the term of office of members of the Board of Directors to one year. These two measures both facilitate faster management decision-making and clarify individual responsibilities.
- (2) To ensure transparent and fair conduct of management, with effect from June 2003 we have increased the number of outside auditors from 2 to 3, giving us a board of corporate auditors of 5 members in all. This measure both strengthens the management’s auditing functions and facilitates the provision of objective advice to our top management.
- (3) To secure greater public trust through enhanced transparency via the prompt and appropriate disclosure of management information, we will continue to reexamine and refine our disclosure methods.
- (4) As an important part of our compliance efforts, we recognize it as our duty to take preemptive steps to minimize the risks inherent in our business operations, and in the event of the materialization of risks, to take prompt and effective remedial action. To facilitate these objectives, in April 2002 we set up the Risk Management Committee. By ensuring that all management and staff are thoroughly acquainted with the risks attendant on the Company’s business operations and the means of avoiding and minimizing the said risks, we aim to ensure the smooth operation of our business as a prerequisite to the vigorous and financially sound development of our group.

Organizational Chart of Daiwa House Corporate Governance System





Our Business Domain

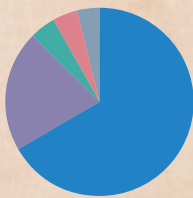
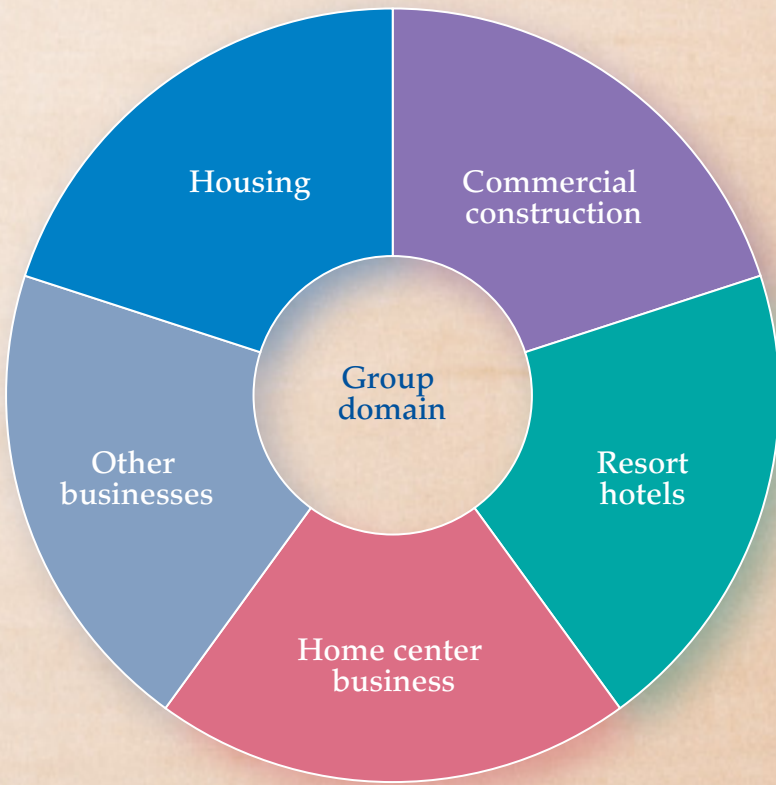
C o n t e n t s

<i>Business outline</i>	24
<i>Housing</i>	26
<i>Commercial construction</i>	32
<i>Resort hotels</i>	34
<i>Home center business</i>	36
<i>Other businesses</i>	38



Business outline

The Daiwa House group comprises 41 companies in Japan and overseas engaging in a comprehensive range of businesses relating to the living environment: from homes to lifestyles. Its business domain is divided into five segments, and the parent company accounts for 88.0% of total Group sales.



Sales by segment

- Housing 66.6%
- Commercial construction 20.8%
- Resort hotels 4.4%
- Home center business 4.3%
- Other businesses 3.9%

Business Overview

Housing



Commercial construction



Resort hotels



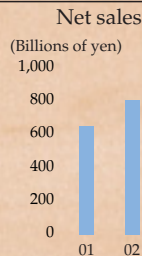
Home center business



Other businesses



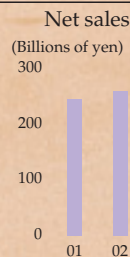
Housing operations constitute the Group's core business, accounting for 66.6% of sales. They encompass a wide array of businesses relating to the homes people live in, ranging from the contract construction of housing and the sale of houses and residential lots, to the building of apartments for rental use, the development and sale of condominiums and so on.



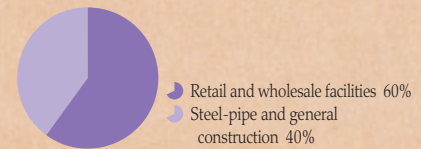
Sales breakdown
(non-consolidated, buildings only)



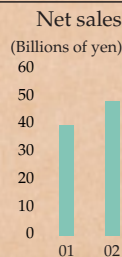
Commercial construction to meet business demand is another pillar of the Group's construction activities, contributing 20.8% of total sales. This segment is divided into two categories: the construction of commercial facilities located in suburban areas for retailers, and steel-pipe and general construction, principally office buildings, factories, and nursing and welfare facilities.



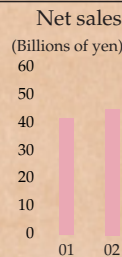
Sales breakdown
(non-consolidated)



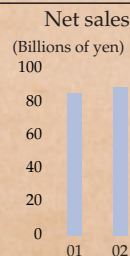
This segment involves the operation of 29 Daiwa Royal Hotels and 10 golf courses around Japan. It accounts for 4.4% of sales on a consolidated basis, and within this total the ratio of sales generated by hotels and golf courses is 9:1. In the Japanese hotel industry, these hotels are classified as resort hotels.



In this segment we operate 38 home centers nationwide. These offer an average of 50,000 items, primarily DIY products for interior and exterior use, and including outdoor and leisure goods and pet supplies. We also devote considerable effort to the field of renovation. On a consolidated basis, the segment accounts for 4.3% of sales.



These businesses are primarily the responsibility of Group subsidiaries and affiliates. There are 15 categories, ranging from corporate-oriented business such as the manufacture and sale of construction materials and goods distribution, to services for end-users, including removals and the operation of *Super sento* bathhouses. Together, these contribute 3.9% of sales.



Breakdown by business category
(number of companies)





Housing

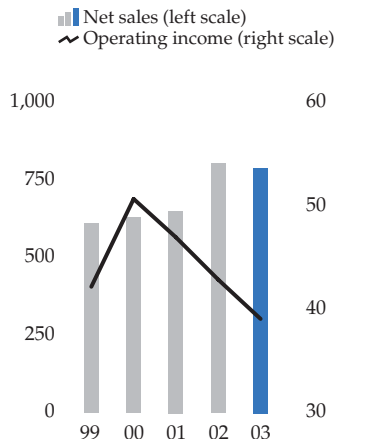
Aiming to win the largest share of the newly built housing market



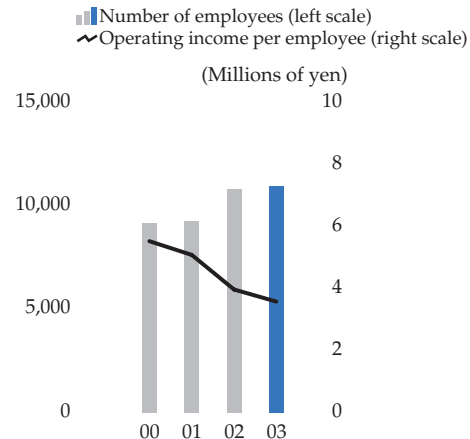
Maintained unit sales at over 40,000 units on a non-consolidated basis (up by 1.7% year-on-year)

Fiscal 2002 was another sluggish year for the housing market, demonstrated by the 2.4% year-on-year decline in overall housing starts. Notwithstanding this situation, in our non-consolidated housing operations we achieved a 1.7% rise in unit sales, topping 40,000 units for the second successive year and maintaining our No. 2 share in the market for newly constructed houses and apartment buildings. Nevertheless, factors such as falls in land prices and deflation had an adverse impact, causing net sales to slip by 1.7%, to ¥791,981 million and operating income to decline by 8.8%, to ¥39,135 million, both on a consolidated basis.

Net sales / Operating income
(Billions of yen)



Number of employees /
Operating income per employee





The field of single-family houses is a pivotal one for our group. Ever since our establishment we have pioneered prefabricated housing, constantly pursuing improvement of single-family houses in terms of both space and functionality. Unit sales fell by 5.9%, to 12,909 units by the parent company, generating sales revenue of ¥329.6 billion, down by 5.4%.



The market for newly built apartments in fiscal 2002 expanded by 2.8% from the previous year, but we outpaced that, boosting unit sales on a non-consolidated basis by 8.8% to 24,392 units, and posting sales revenues of ¥208.0 billion, up by 7.5%. We have built a cumulative total of more than 570,000 units.



In fiscal 2002, construction starts declined for the first time in four years. Sales fell 7.0% to 4,253 units on a consolidated basis and 11.4% to 3,669 units on a non-consolidated basis. We predict that changes in lifestyles and sizes of families, and greater diversity in the ways people work, will lead to the expansion of new segments of demand, and so we are taking steps to supply residences of a kind that go beyond the conventional standard.





Housing

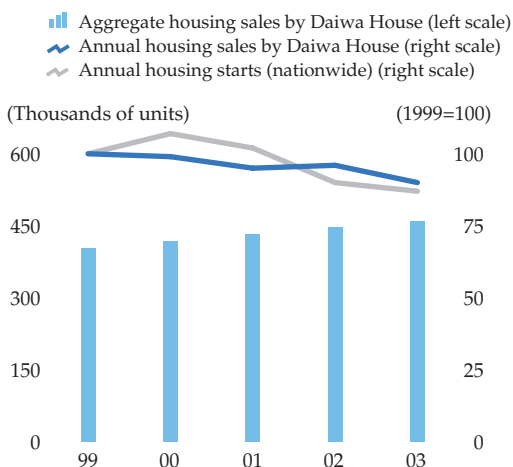
» Single-family houses

Every year around half a million single-family houses are newly built in Japan, a large proportion being traditional wooden houses. Major wellsprings of our business strength are our 460,000 residences, similar in number to the annual number of nationwide starts, and the know-how in the preparation and development of residential sites we have accumulated from large-scale residential developments (new towns).

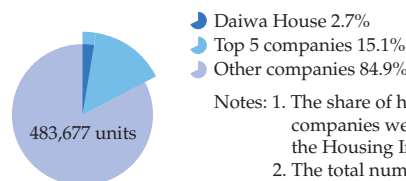
With respect to Japan, with its frequent earthquakes and high temperatures and humidity, earthquake resistance and durability are of particular importance. In the previous fiscal year Daiwa House launched the first prefabricated earthquake-proof house, and we intend to reduce its cost further and to ensure market diffusion. In addition, we launched a product using an exterior insulation method designed to enhance durability, and others limited to use in specific regions, taking local climatic conditions and lifestyles into consideration. The sphere of health and safety is another key consideration. Since burglary is becoming a social problem, the need for crime-prevention measures for housing is increasing, so we have enhanced the defenses that dwellings have against crime, through the use of such materials as multilayer glass to prevent entry by burglars. Also, to make houses healthier places, we as a matter of policy do our best to exclude harmful substances from our building materials. Steps taken to achieve that include the introduction of a system of long-term 40-year* warranties, the conduct of regular inspections by our customer advice centers, and the making of suggestions for renovation by our designated centers for house enlargement and reconstruction. We will continue vigorously to foster good customer relations and to enhance the value of this business. * As of May 2003, the warranties are applied to wooden structure houses built using traditional methods as well as to steel-frame houses.



Housing sales & construction starts



Share of single-family house market (FY2001)



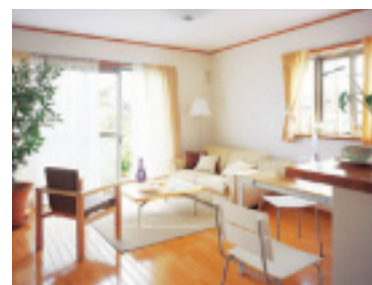
Notes: 1. The share of houses for Daiwa House and the top 5 companies were taken from the "White Paper on the Housing Industry," by the Yano Research Institute Ltd.
2. The total number was quoted from "Statistics on Building Construction Started," by the Ministry of Land, Infrastructure and Transport.

Orders & sales

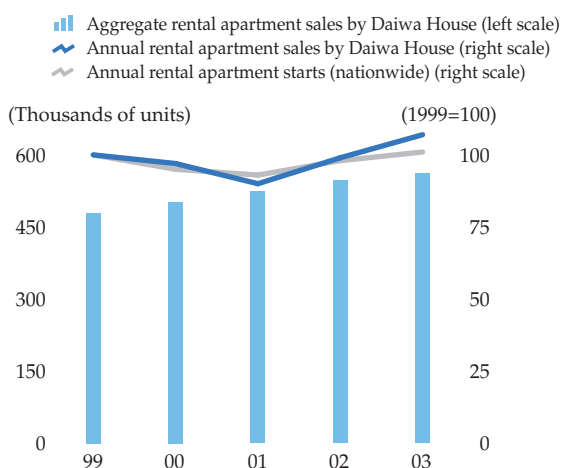
	2003	2002	2001	2000	1999
House orders received (Units)	12,895	13,332	12,577	14,345	14,213
Houses sold (Units)	12,909	13,725	13,705	14,234	14,362
Sales (Billions of yen)	¥329	¥348	¥343	¥350	¥330

» Rental apartment buildings

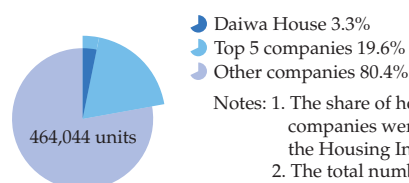
Backed by its solid base in the field of sales of rental apartment buildings, Daiwa House has continued to improve its performance in this segment. In the term under review it achieved an 8.8% year-on-year increase in unit sales, which rose to 24,392 units, and 7.5% growth in sales revenue, which reached ¥208.0 billion on a non-consolidated basis. With respect to products, we have catered to the increasingly diverse tastes of residents by launching new models designed with the distinctive characteristics of individual localities in mind. On the marketing side we not only ensure very close contacts with local communities, but also engage vigorously in proactive marketing of our apartment management service, which utilizes leasehold rights incorporating a special agreement for the transfer of buildings. The cumulative number of these properties has reached 1,100. Great importance is also attached to the sphere of after-sales service, such as the solicitation of tenants and management, maintenance, and repairs. In conjunction with our subsidiary Daiwaliving we provide long-term, comprehensive owner support covering up to a maximum of 40 years of long-term building diagnoses and guarantees, 24-hour tenant handling, and asset-management consulting. As a result, the number of buildings under its management rose by 16.8% during the term under review, to 66,934.



Rental apartment sales & construction starts



Share of rental apartment market (FY2001)



Notes: 1. The share of houses 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 & sales

	2003	2002	2001	2000	1999
Apartment orders received (Units)	25,140	23,222	19,835	21,366	23,584
Apartments sold (Units)	24,392	22,416	20,490	22,031	22,754
Sales (Billions of yen)	¥208	¥193	¥176	¥186	¥186



Housing

» Condominiums

As urban land prices fall in Japan, the development and sale of new condominiums is being concentrated increasingly in the central parts of urban areas. The market for newly built condominiums declined for the first time in four years, as in spite of the greater popularity of large ultra-high-rise properties in urban areas, there was slack demand for condominiums in regional and suburban areas. Non-consolidated sales of condominiums fell by 11.4% to 3,669 units.

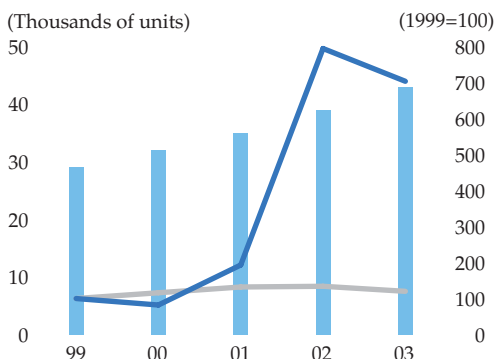
The majority of condominiums in Japan are concentrated on Tokyo and the surrounding area, whereas Daiwa House's condominium sales are nationwide. In the Tokyo area, during the term under review Daiwa House focused its efforts on urban-type compact condominiums with a floor space of 30–50 square meters, for which new demand is arising, particularly among people living alone, senior citizens, SOHO workers, and people wanting them for investment purposes. In regional cities we developed and sold high-quality condominiums designed to meet local requirements. With respect to products, we strengthened our uniform D' Series brand, and standardized and enhanced aspects such as performance criteria by classifying products in four groups according to location and size. Of particular note was our active nationwide adoption of the skeleton infill (SI) design, in which structure and interiors are designed separately.

Daiwa Service continued its steps to enhance its 24-hour unit-specific management system and its long-term 40-year repair plan. As a result, it increased the number of units under management by 6.0% to 36,207.

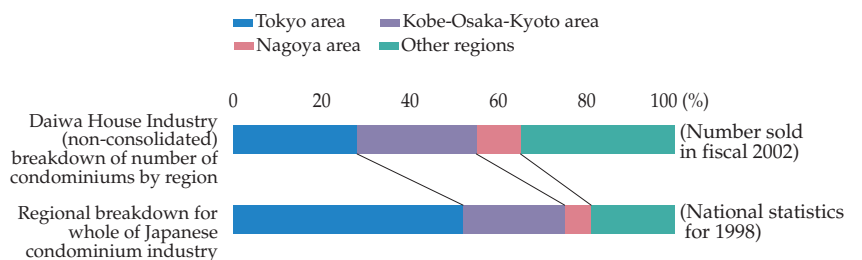


Condominium sales & construction starts

- Aggregate condominium sales by Daiwa House (left scale)
- ▲ Annual condominium sales by Daiwa House (right scale)
- ~ Annual condominium starts (nationwide) (right scale)



Features of Daiwa House's condominium business



Orders

	2003	2002	2001	2000	1999
Condominium orders received (Units)	3,333	3,864	1,409	620	560
Condominiums sold (Units)	3,669	4,143	1,009	429	522



Also moving into newly expanding growth fields

The market for newly built houses is maturing, while the closely allied renovation and intermediary service markets are expanding.

Renovation business

A 1.07 million-unit base for ongoing expansion

The renovation market totaled ¥7,368.4 billion in 2002, and is projected to expand to ¥8,080 billion by 2005 and to ¥9,350 billion by 2010. In Japan the stock of 50.25 million housing units exceeds the number of households, and the effective use of these has become increasingly important. We have sold more than one million housing units, which we classify as customer assets, and so in October 2000 we established an operating division dedicated to the renovation business. The number of bases and staff are being increased, and business is expanding. The number of personnel has been almost doubled since April 2001 and we have built a network of 69 bases, giving almost complete nationwide coverage, and positioning us to make the optimum proposals to each individual customer. Revenue of the division dedicated to the renovation business in the term under review on a non-consolidated basis grew 70% year-on-year, to ¥16.9 billion.

Real estate intermediary services

Taking advantage of the Group network

The nature of the market for used housing is becoming more diverse, as the lifespan of newly built houses lengthens, and a certification system for high-quality used condominiums has been established. Intermediary services constitute an attractive field for the Daiwa House group, which with its comprehensive range of housing and lifestyle businesses can take advantage of its sound reputation, the strength of our nationwide network, and its capacity to act quickly. In the term under review there was a reorganization of Group companies with the aim of enhancing operating efficiency and establishing a stronger base for the expansion of this business. It involved the integration of Daiwa Jutaku Ryutsu and Daiwa Nichiju Hanbai into a single subsidiary, Nihon Jyutaku Ryutsu.



Commercial construction

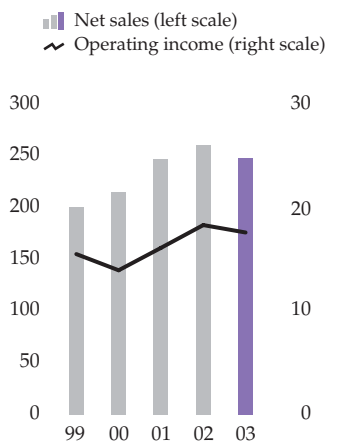
*Landowner customers
exceed 20,000*



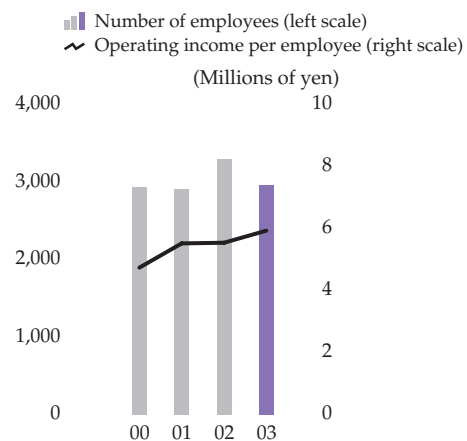
The number of buildings constructed under the LOC (Land Owner Company) system topped 21,000 and orders increased 4.5% to ¥225.0 billion, on a non-consolidated basis.

Construction investment in Japan fell below ¥60 trillion in fiscal 2002, to 67.3% of its peak level. However, in the term under review our orders grew by 4.5% on a non-consolidated basis, to ¥225.0 billion, and the number of buildings constructed under the LOC system topped 21,000, principally large-scale commercial facility complexes and retail outlets located in suburban areas, and commercial buildings in urban locations. Regrettably, on a consolidated basis our net sales fell by 4.9% to ¥248,014 million, and operating income was down by 3.9% at ¥17,631 million.

Net sales / Operating income
(Billions of yen)



Number of employees /
Operating income per employee





» Retail and wholesale facilities

Based on the conditions for property location and our market research and analysis, we undertake the coordination for an extensive range of facilities, including large-scale commercial facilities, roadside stores, showrooms, and amusement facilities. The number of our landowner customers now exceeds 20,000 nationwide, and companies that have opened facilities under this scheme number 3,140. We have 4,300 members of our landowners club, and 36,000 companies are on our waiting list to open facilities. In the term under review, large-scale commercial facilities we developed include Shonan Mall Fill, close to Tokyo, and the Ashibinaa outlet mall in Okinawa.

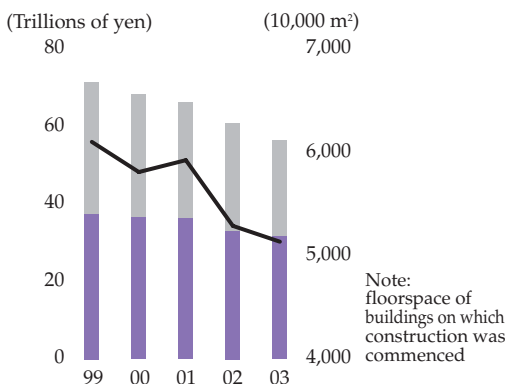


» Steel-pipe and general construction

In the sphere of factories and office buildings, goods-distribution centers, and a wide range of other business facilities, we have achieved a strong track record in buildings that require special designs considerations, for example HACCP (Hazard Analysis and Critical Control Point)-certified food processing centers and hospitals and other medical-care facilities. In the field of nursing and health-care facilities, which are increasing sharply with the aging of society, we have become market leaders, having constructed more than 700 of these facilities under the auspices of the Daiwa House Silver Age Research Center.

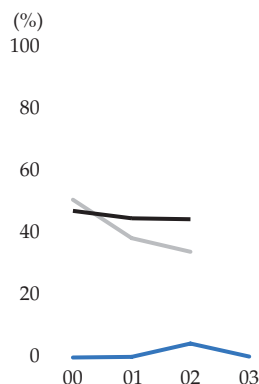
Value of private and public investment in construction, and floorspace of commercial premises

■ Government construction investment (left scale)
 ■ Private construction investment (left scale)
 ~ Floorspace of commercial construction starts (right scale)

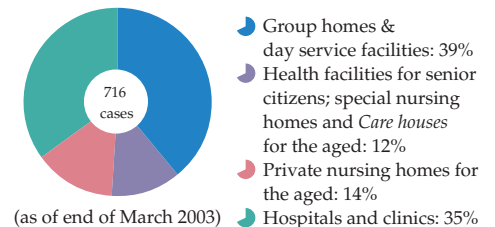


Ratio of interest-bearing debt to net sales

~ Daiwa House group
 ~ Major construction companies
 ~ All-industry average



Facilities planned by Silver Age Research Center





Resort hotels

Network of 29

Daiwa Royal Hotels Nationwide

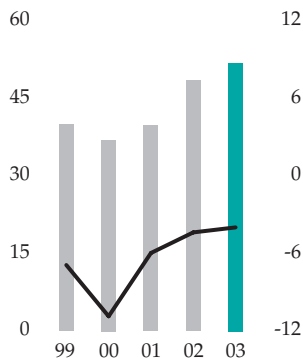


Guest numbers increased 13.9%, to 2.7 million, and revenue rose 7.0%, to ¥51,903 million.

In the Japanese hotel industry we have continued to see the opening of new establishments, paralleled by the closure of traditional inns and old-established hotels. During the term under review, in our hotel operations the number of guests increased by 13.9% to 2.7 million, and the room occupancy rate rose by 5.5 percentage points, to 45.3%. These figures reflect an improvement in performance in the term, as was the case in the previous year. As a result, overall revenue rose by 7.0% to ¥51,903 million, and operating loss decreased 8.9% from the previous term to ¥3,969 million.

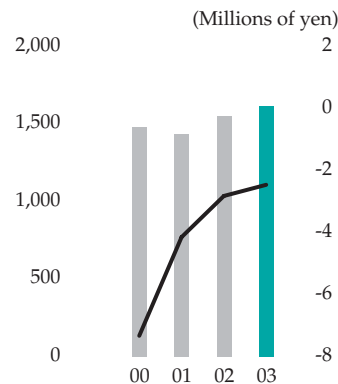
Net sales / Operating income
(Billions of yen)

■ Net sales (left scale)
~ Operating income (right scale)



Number of employees /
Operating income per employee

■ Number of employees (left scale)
~ Operating income per employee (right scale)

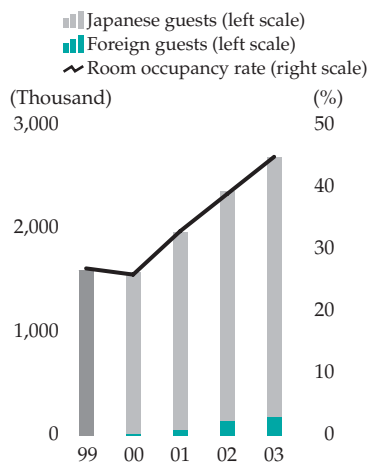




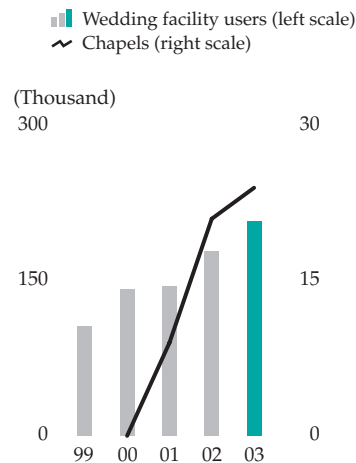
In our hotel operations we placed emphasis on individuality, devising plans unique to each hotel to cover accommodations, meals, and banquets and other functions. With respect to accommodations we refined our Internet reservation system and took active steps to attract more guests from overseas, with the result that the number of foreign guests rose to around 180,000, accounting for 6.5% of the total. Meanwhile the resort wedding business was buoyant, and we continued with the building of wedding chapels to cater to this market. The number of users of our wedding services rose by a substantial 16.1%, to 207,222. In regard to sales of goods, deliveries of traditional Japanese *Osechi ryori* New Year dishes to people's homes were brisk, our hotels selling an aggregate number of about 18,000 meals containing large proportions of local delicacies, up by 40% from the previous year. In the golf course business, customized planning for each course was enhanced, including by improving the Internet reservation system and introducing a new system of green fees that vary according to the day of the week and time of day. In consequence, the number of course users increased by 2.9% to 367,237, though as the average fee per user was lowered by 8.4% to ¥12,387, total revenue from this business fell by 5.4% to ¥4,727 million.



Number of guests and room occupancy rates



Number of wedding facility users and number of chapels





Home center business

38 Royal Home Centers throughout Japan

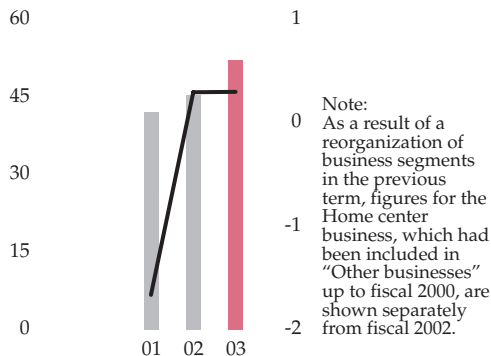


Number of store visits up 21.1% at 20,430 thousand and sales up 14.7% at ¥52,159 million.

The home center business is a growth field within the retailing sector in Japan. During the term we opened four new stores and closed two existing ones that were insufficiently profitable, in order to enhance the efficiency of store operations. Aggregate floor space was expanded by 13.7% to 166,239 square meters, and the number of store visits during the term grew by 21.1%, topping 20 million for the first time. As a result, annual sales rose by a substantial 14.7% year-on-year, to ¥52,159 million, and operating income grew by 1.4% to ¥305 million.

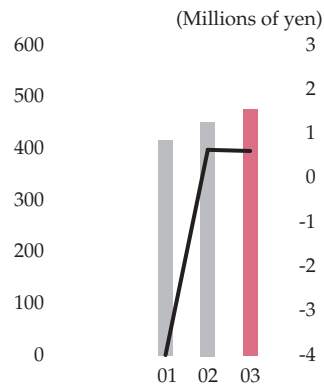
Net sales / Operating income
(Billions of yen)

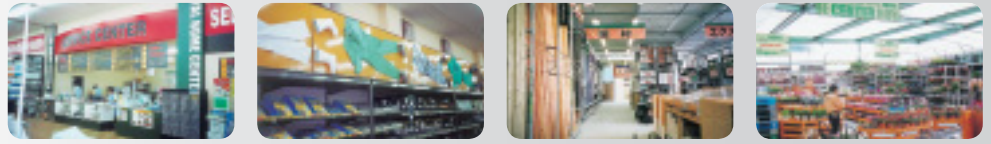
■ Net sales (left scale)
~ Operating income (right scale)



Number of employees /
Operating income per employee

■ Number of employees (left scale)
~ Operating income per employee (right scale)

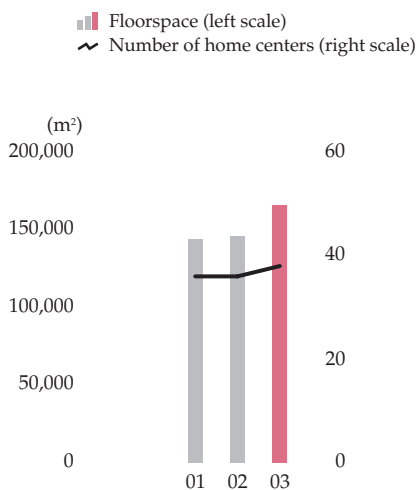




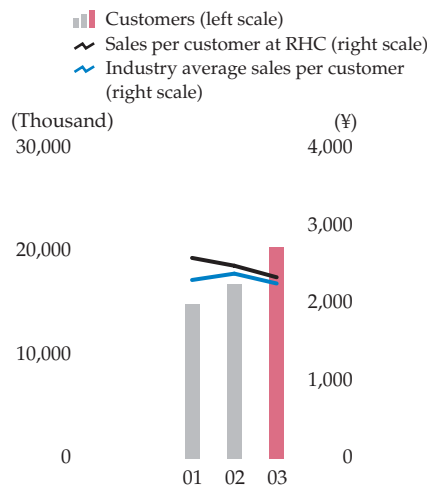
Our home centers stock an average of 50,000 products, well above the industry average in Japan of approximately 31,000 items. These range from interior and exterior goods to gardening and outdoor products, pet supplies, leisure goods, and daily necessities, and include many environmentally friendly items with Ecomark certification and private-brand products. DIY is given strong emphasis, with an extensive range of items both for the general user as well as materials and tools for professionals. A characteristic of our stores is the large number of carpenters and other building professionals who use them. We also took steps to cater to the burgeoning renovation market. We stepped up the display and sale of household fixtures and fittings, and advisory services in which customers receive advice from experts in fields such as building, interiors, and garden design. We intend to continue to expand this business into a 50-store network by fiscal 2005. This will be distinguished from rival stores by offering a product range that takes advantage of the economies of scale of a nationwide chain, but at the same time being managed in a way that ensures that each center is attuned to the needs of the locality it serves.



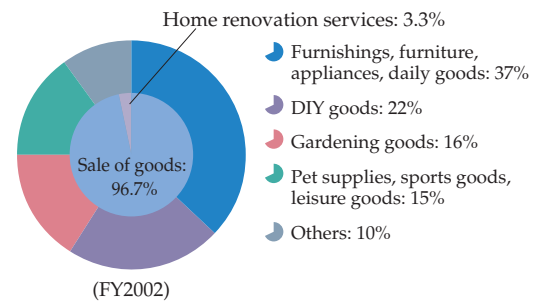
Number of home centers and floorspace



Number of customers and average sales per customer



Breakdown of sales at Royal Home Centers





Other businesses



15 business categories

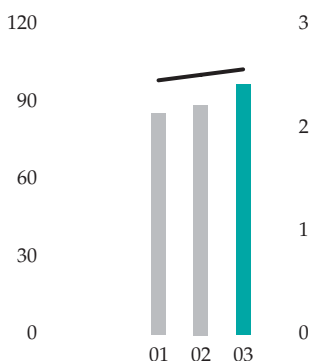
Operating income rose 2.1% to ¥2,573 million, on sales of ¥97,117 million, up 8.8%.

In 2002, among household finances the rate of increase in spending on services reached 5.3 times the level of spending on goods, and a large proportion of spending on goods was in the spheres of education, entertainment, and communications, to individualize and enhance lifestyles. This had a strong bearing on this business segment.

Among these totals, Daiwa Rakuda Industry, which engages in the manufacture of construction materials and sale of furniture, devoted particular efforts to sales of interior goods such as original curtains and folding room dividers, and exterior goods such as balconies. This resulted in 3.9% growth in net sales, to ¥38,232 million, and a 1.6% increase in operating income, which reached ¥880 million. Meanwhile Daiwa Logistics, which engages in goods distribution, implemented measures such as the amalgamation or closure of temporary warehouses and the relocation of distribution centers. As a result, it was able to improve its performance in contrast to the general sluggishness in the transportation industry, posting net sales of ¥23,078 million, up by 6.7% year-on-year, and operating income of ¥1,089 million, up by 2.6%. In addition Yamatonoyu, which operates *Super sento* bathhouses, opened four new outlets during the term, bringing its network to a total of 13 directly-managed outlets, the largest in its industry. The average number of visitors to each of these complexes reached some 37,000 per month, marking another year of consistent growth since the company's establishment.

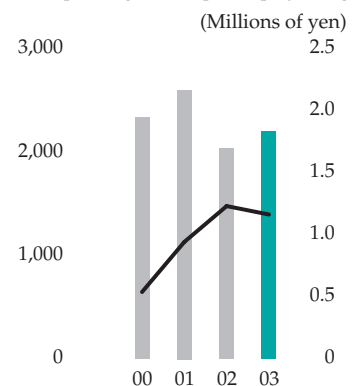
Net sales / Operating income
(Billions of yen)

■ Net sales (left scale)
~ Operating income (right scale)



Number of employees /
Operating income per employee

■ Number of employees (left scale)
~ Operating income per employee (right scale)





Daiwa House[®]

group

Principal group companies

DAIWA HOUSE INDUSTRY CO., LTD.
3-3-5 Umeda, Kita-ku, Osaka 530-8241
Phone: +81-6-6346-2111
URL: 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

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

LOC DEVELOPMENT CO., LTD.
Development and management of
shopping centers
7-14-4 Ueno, Taito-ku, Tokyo 110-0005
Phone: +81-3-5828-5501
URL: www.loc-kaihatsu.co.jp

DAIWA KOSHO LEASE CO., LTD.
Leasing of buildings and vehicles
5-20 Honmachibashi, Chuo-ku,
Osaka 540-0029
Phone: +81-6-6942-8011
URL: 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

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

ROYAL HOME CENTER CO., LTD.
Sale of DIY, gardening, and interior goods
3-3-5 Umeda, Kita-ku, Osaka 530-0001
Phone: +81-6-6342-1676
URL: www.royal-hc.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

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

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

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

Housing sales companies

DAIWAHOUSE KANSAI CORPORATION
6 other companies

Others

SHINWA AGENCY CO., LTD. (Advertising and travel agency), DAIWA TECHNICA CO., LTD. (Manufacture and sale of household equipment), NIC CO., LTD. (Manufacture of interior doors), DAIWA ENERGY CO., LTD. (Energy conservation support), MEDIA TECH INC. (Information systems), JUKEIKAI Co., Ltd. (Operation of homes for the aged), NARA ACE CO., LTD. (Management of golf courses), TECH·R&DS CO., LTD. (Market research), SYNCHROLLER CO., LTD. (Manufacture of housing materials), DAIWA ESTATE CO., LTD. (Real estate agents), GREENFARM KAIHATSU CO., LTD. (Sale of tomatoes)

Overseas affiliated companies

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), BEIJING EAST PALACE APARTMENT CO., LTD. (Management of rental housing), DALIAN ACACIA TOWN VILLA CO., LTD. (Management of rental housing), DALIAN FUJIAZHANG INTERNATIONAL VILLA CO., LTD. (Management of rental housing), TIANJIN JIUHE INTERNATIONAL VILLA CO., LTD. (Management of rental housing), DALIAN CIVIL AVIATION HOTEL CO., LTD. (Management of Royal Hotel at Dalian), BENCHMARK-TECH CORPORATION (Management of conference center)

Environmental measures

New targets drafted for stricter environmental management

Daiwa House Industry had previously been pursuing targets for the reduction of the environmental burden of its corporate activities under a plan covering the 5-year period from the term ended March 31, 2001 to the term ending March 31, 2005 (term ending March 31, 2006 for the final waste materials disposal target only). As a result of the merger with Daiwa Danchi Co., Ltd. in April 2001, we have drawn up a new, three-year plan with targets based on the fiscal 2001 figures as the new benchmarks, to further strengthen our environmental burden reduction initiatives.



Notes: 1. Figures for FY 2000 are for Daiwa House alone, prior to the merger with Daiwa Danchi.
 2. The quantities in the graphs marked *1, *2 and *3 are numerical values per non-consolidated sales of ¥1 million.

Research and development

Focusing on housing in Japan today and tomorrow

Surrounded by four tectonic plates, the Japanese archipelago is an earthquake-prone zone crisscrossed by as many as 2,000 active faults in an area of only 377,800 square kilometers. In recent years it has experienced serious earthquakes of magnitude 7 or above. Earthquake resistance and earthquake proofing in homes and other buildings are thus vital objects of research for the purpose of saving lives and preventing property damage.

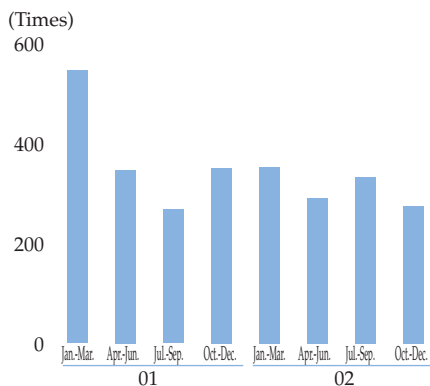
Japan also lies in the path of heavy rain and high winds caused by typhoons. In consequence, another important focus is that of giving buildings resistance to wind, and making them airtight and watertight.

Primarily through our Central Research Laboratory, we are working to enhance the structures and capabilities of housing so that it can resist direct assaults by the forces of nature. Our focus is that of improving products and technologies by means of experiments to confirm the performance of our products with the use of facilities such as full-size experimentation chambers able to reproduce a variety of climatic conditions; equipment for testing environmental factors such as the ground, the strength of materials, light, heat, and sound; and trial structures for which actual dwellings are used.

Research is also conducted into the space within dwellings, and into next-generation housing adapted for compatibility with the immediate environment, and incorporating energy conservation and information technology features. In ways such as these we undertake comprehensive research into the house and home as it is today and it will become tomorrow.

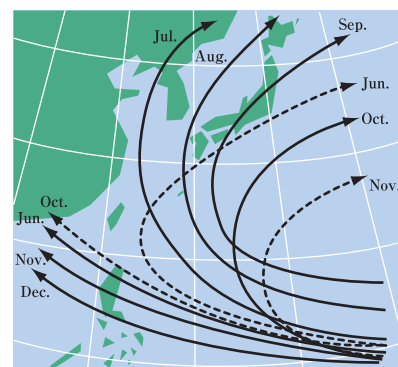


Number of perceptible earthquakes



Paths of typhoons

(Solid lines—most common; dotted lines—less common)



Group network

Group network

As of June 1, 2003

● Head office

● Tokyo office

● Branches: 84

● Factories: 13

* The above places of business are directly operated by Daiwa House.

● Daiwa Royal Hotels: 29

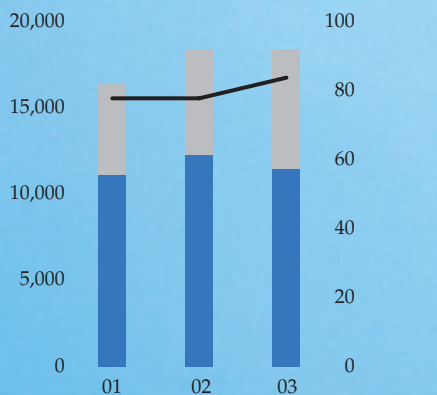
* Daiwa Resort Co., Ltd. also manages the Royton Sapporo, and the Lake Yamanaka Fujisan Royal Cottages. It also operates a branch office in Seoul (marked with ●).

● Royal Home Centers: 39

■ Overseas affiliates: 9

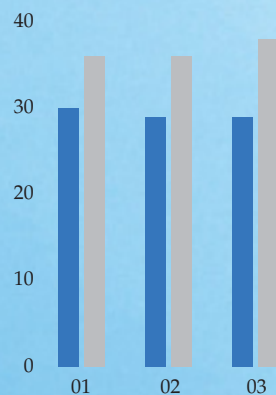
Number of employees of Daiwa House group / Number of branch offices of Daiwa House

■ Daiwa House (left scale)
 ■ Daiwa House group (left scale)
 ~ Daiwa House branch offices (right scale)



Daiwa Royal Hotels / Royal Home Centers

■ Hotels
 ■ Home centers





MANCHURIA

NORTH KOREA

JAPAN

The history of the 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.



Daiwa House corporate data

Founding:	April 5, 1955 (Establishment: March 4, 1947)
Paid-in capital:	¥110,120,483,981
Employees:	11,750
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
Branches:	84
Factories:	13
Research center:	Central Research Laboratory (Nara city)
Training centers:	Osaka, Tokyo and Nara

(As of April 1, 2003)

Source and photo caption

Source

- P1 Economic and Social Research Institute, Cabinet Office, Government of Japan/Annual Report of National Accounts
P13 Ministry of Finance/Annual report on corporate statistics
Development Bank of Japan/Handbook of Industrial Financial Data 2002
P14 Ministry of Land, Infrastructure and Transport/Statistics on Building Construction Started
P15 Housing Policy Division, Housing Bureau, Ministry of Land, Infrastructure and Transport/Housing Industry Data; FY2002 Yearbook
Notes: 1. Floor space per housing unit (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)
P28-30 Ministry of Land, Infrastructure and Transport/Statistics on Building Construction Started
P30 Statistics Bureau, Ministry of Public Management, Home Affairs, Posts and Telecommunications/Statistics on Housing and Land
P33 Ministry of Land, Infrastructure and Transport/Statistics on Building Construction Started; Construction Investment Forecast
Ministry of Finance/Annual report on corporate statistics
P37 Home Center Institute/Home Center Directory
P41 Japan Meteorological Agency/Annual report by Japan Meteorological Agency

Explanations of photographs (in cases of multiple number of photos on one page, explanations apply from the left or the top)

- P24 I-wish Treview '03/LOC shopping town Kamiita/Minamiawaji Royal Hotel/Royal Home Center Suita/Truck loading at DAIWA LOGISTICS CO., LTD.
P26 D001 ER
P27 Yutorie avance/Séjour Willmore/D' Restia Korigaoka/I-wish Treview '01/I-wish Treview '03/D001 ER/Séjour Willcourt
P28 Wood Collection "gen fū kei"/I-wish Treview '03
P29 Séjour monarie/Paseo Placido EX
P30 D' Granse Josui/Entrance hall
P31 I-wish (Minoo No.1 housing exhibition space)
P32 Shonan Mall Fill
P33 YKK AP Co., Ltd. showroom/Casual clothes shop/East Japan Logistics Center (Happinet Corporation)/Swangarden Azumino/Welfare Kitazono Watanabe hospital/Osaka College of Music
P34 Oizumikogen-Yatsugatake Royal Hotel
P35 Kirishima Royal Hotel (Western-Style Wedding Chapel "FLORESTA")/Yamanakaonsen-Kajikaso Royal Hotel/Takachiho Country Club/Kushimoto Royal Hotel (Special Japanese-Style Banquet Hall "HASHIGUI")/Ise-Shima Country Club/Bepuwan Royal Hotel (Seaview Chapel)
P36 Royal Home Center Chibakita
P37 Royal Home Center Chibakita (left and 2nd from left)/Royal Home Center Tsukaguchi/Royal Home Center Fujisawa/Exterior display space and Home renovation advice corner/Royal Home Center Chibakita
P38 The Okayama Distribution Center (DAIWA LOGISTICS CO., LTD.)/Original curtains (DAIWA RAKUDA INDUSTRY CO., LTD.)/Yamatonyu Warabi-ten (YAMATONOUYU CO., LTD.)
P40 Wind-powered electricity generation facility (Okinawa Zanpamisaki Royal Hotel)
P41 Central Research Laboratory/Earthquake test table/Environmental simulation lab./Structural testing lab.
P44 D001/The Okayama Neopolis

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

HOME (Japanese)
HOME (English)

Corporate Data
History
Annual Report
Financial Fact Book
For Shareholders

Annual Report Library

Daiwa House
GROUP

Japanese >

2003 Annual Report

Our 2003 annual report in English will be posted at the end of August on our website. It will be available in both the hard format and as a PDF file that can be downloaded.

PDF Japanese *** Financial Fact Book (PDF English) ***

*****NEW!

2002 Annual Report

Daiwa House's 2002 annual report won high praise in two international annual report contests.

CFD Asia (Hong Kong)
12th in "The Best Annual Reports"
Click on the icon at the right to download the ranking tables as a PDF file. (12064)

Registered with permission from CFD Asia. Copyright CFD Publishing Corporation 2003. www.cfda.com

Entreprise.com (Belgium)
25th out of 30 in "Starline Report on Annual Reports 2002-2003"
Click on the icon at the right to download the ranking tables as a PDF file. (17266)

2001 Annual Report

HTML Japanese *** PDF English ***

2000 Annual Report

PDF English ***

1999 Annual Report

PDF English ***

1998 Annual Report

PDF English ***

Daiwa House
GROUP

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Daiwa House[®]
group

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Please give us your views on the English-language version of the 2003 annual report for the Daiwa House group by answering the questions below.

The Daiwa House group publishes an English-language version of its annual report each year for the convenience of overseas investors. The 2002 edition (for the fiscal 2001 business term) placed 12th in the rankings of the Hong Kong magazine CFO Asia in the category of "Best Asian Annual Report," while the Belgian company Enterprise.com ranked it 25 out of 50 in its interim list of annual reports.

We would be grateful if you could give us your views, below, on various aspects of our 2003 Annual Report. The information will be used, in the strictest confidence, to help us produce even better investor information in the future.

1. What was your overall impression of the Daiwa House group 2003 Annual Report?

very good good average poor

2. Please rate the individual sections of the report by ticking one of each set of three boxes.

	Comprehensibility			Investor usefulness		
	Very clear	Average	Unclear	Very useful	Average	Not very useful
● Consolidated financial highlights	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
● Group performance highlights	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
● Investor information	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
● Dear shareholders	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
● Message from the president	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
● Report by Executive Managing Director (financial affairs)	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
● Corporate governance	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
● Our business domain	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
● Environmental measures	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
● Research and Development	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
● Group network	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

3. Please indicate here any particular requests you may have regarding future annual reports.

4. Please indicate your nationality.

Nationality:

Thank you for your cooperation.
We would appreciate it if you would send us your completed form
to the fax number shown below.

FAX +81-6-6342-1591

Consolidated Management Supervision Department
Daiwa House Industry Co., Ltd.
3-3-5 Umeda, Kita-ku Osaka 530-8241, Japan