

Improvements made, and new Group structure

	By FY2003	FY2004 and after
Management	<ul style="list-style-type: none"> • Introduction of in-house entrepreneur system • One corporate auditor (external) added, making five corporate auditors • Pressing ahead with reinforced initiatives in the field of CSR • Support for purchase of low-emission vehicles by employees (cars owned by staff who visit clients and used both for work and private use) 	<ul style="list-style-type: none"> • Creation of new management vision and new group symbol • Drafting of "Challenge 2005" medium-term management plan • Creation of CS Promotion Department • Creation of CSR Promotion Preparatory Office, and reorganization in fiscal 2005 into CSR Promotion Office • Creation of Quality Assurance Department
Operations	<ul style="list-style-type: none"> • New, cost-cutting earthquake-absorbing system developed • Burglar-proofing specifications installed as standard • Meeting standards stipulated in the revised Building Standard Law to prevent sick house syndrome • New construction method for wooden houses developed • Companies specializing in housing loans and renovation established • Resort hotel business returns to profitability 	<ul style="list-style-type: none"> • Strengthening consulting functions in the Commercial construction business • Promotion of development of complex-type and large-scale commercial facilities • Reinforcement of land development investment business • Introduction of customer asset value assessment system • Spin-off of home center business as Royal Home Center Co., Ltd. • Conversion of Royal Bix Co., Ltd. into a consolidated subsidiary • Conversion of Daiwa Kosho Lease Co., Ltd. into a consolidated subsidiary • Investment in Osaka Marubiru Co., Ltd.
Financial Position	<ul style="list-style-type: none"> • Lump-sum disposal of differences resulting from actuarial computation of unrecognized retirement benefit obligations • Total elimination of unrealized losses on land • Debt-free management achieved on a non-consolidated basis • Return of pension fund assets to the government • Posting of loss on liquidation of affiliates • ¥75.2 billion provisional write-off of fixed assets 	<ul style="list-style-type: none"> • Posting of record consolidated sales • Improvement of SG&A ratio

*New Group
Structure*



Our “Heart” is with our stakeholders

We have established a medium-term management plan, entitled “Challenge 2005,” which begins in fiscal year 2005. Running over three years, the plan is designed to reinforce our presence as a Group that co-creates value for people, communities and their lifestyles. Under the plan, we aim to achieve net sales of ¥1.7 trillion, recurring profit of ¥100 billion and return on equity of 9% or more on a consolidated basis for fiscal 2007.

In an industry with a strong dependency on borrowings, we will establish a healthy financial position and make active disclosure of corporate information. We will bolster our financial position, improve transparency and maintain a management focus on cash flow. We will also sustain and strengthen our environmental and social contribution and endeavor to construct a sincere relationship with all stakeholders.

To achieve all this, we will develop a labor environment and educational and human resources systems through

which each employee at the Daiwa House Group will be able to maximize his or her creativity. This reflects our recognition that creativity is the very origin of the Daiwa House Group and the source of our enterprise value, and is something that will contribute to building intangible assets such as brands, technical strength, and design capability, all important elements that do not appear in the financial statements.

The future of the Daiwa House Group lies with our stakeholders. It is our hope that our stakeholders will create the future of Japanese society together with the Daiwa House Group by connecting their hearts.

Takeo Higuchi
Chairman and CEO