

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

Renovation Business

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

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

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

Real Estate Agency Services

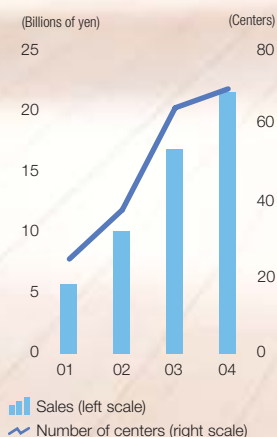
New housing construction starts*¹ in Japan are about twice the level in the United States, while circulation of resale houses*² is approximately one-fifth. In the United States, a resident changes houses seven times in a lifetime, and the appraisal value of the house does not fall substantially, even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

*¹ Per thousand households (as of 1997)

*² Per thousand households (Japan, 1994; USA, 1996)

*³ Appraised values can vary, depending on the property.

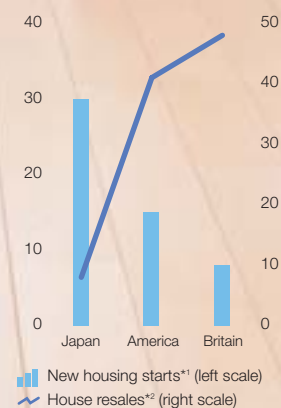
Renovations by Daiwa House
Renovation Centers



Scale and prospects for
Japan's housing renovation market



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



*¹ as of 1997

*² Japan, 1994; USA & UK, 1996