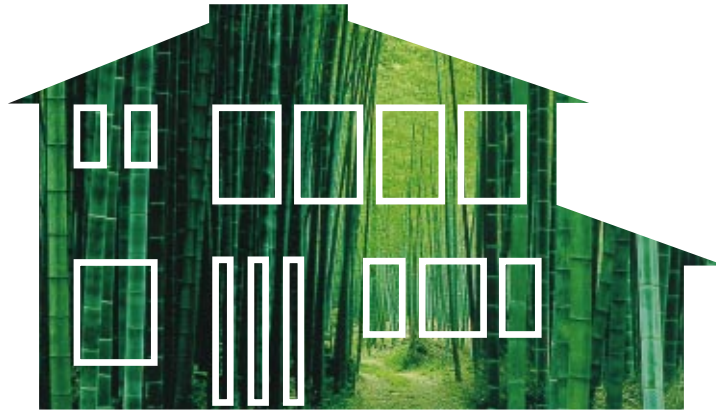


A N N U A L



R E P O R T



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YEAR ENDED MARCH 31, 1998



DAIWA HOUSE INDUSTRY CO., LTD.

Company Profile

Daiwa House Industry Co., Ltd., is a pioneer in the “industrialization” of construction in Japan, and since it was established in 1955, it has been developing and supplying high-quality housing that stresses the needs of the inhabitants. Today it has grown into one of Japan’s leading home builders. It has a wide range of business developments, centered around housing and extending to the construction of shops and office buildings, and it also includes the Company’s own special brand of resort operations and retail do-it-yourself home centers.

In this way we are following our own distinctive path as a “comprehensive life-related company” that creates rich, comfortable lifestyles. Daiwa House boasts a strong management base and a sound financial condition.

As of March 31, 1998, the Company had consolidated net sales of ¥1,070 billion (US\$8,104 million), a shareholders’ equity ratio of 58.8%, and total assets of ¥1,013 billion (US\$7,675 million).

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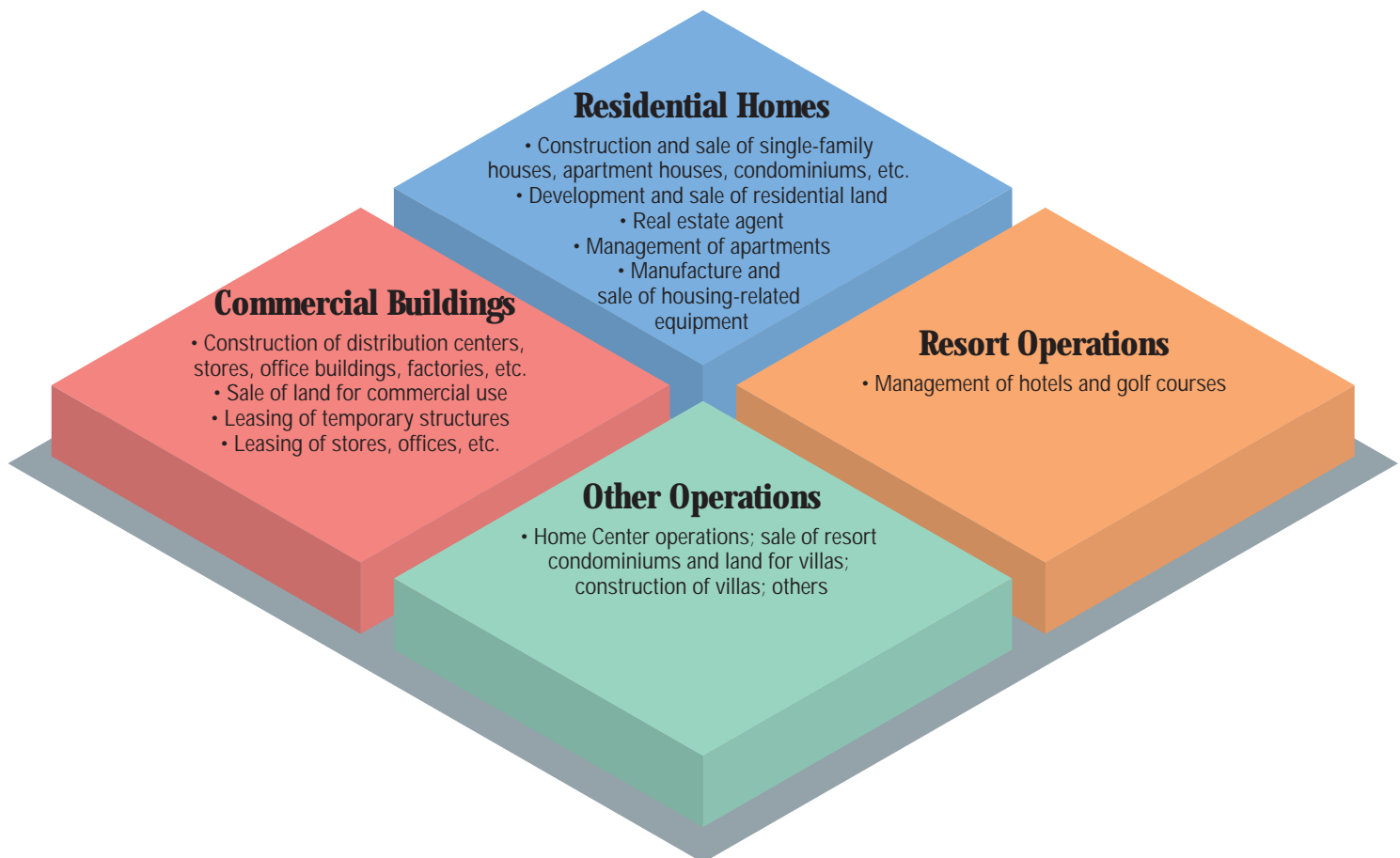
Financial Highlights

CONSOLIDATED

Years ended March 31, 1998, 1997 and 1996	Millions of yen			Thousands of U.S. dollars
	1998	1997	1996	1998
Net sales	¥1,069,789	¥1,188,295	¥1,066,218	\$8,104,462
Net income	20,373	42,452	38,992	154,341
Per share of common stock (in yen and dollars):				
Net income	38.89	82.76	80.91	0.29
Diluted net income	37.91	79.89	77.66	0.29
Cash dividends applicable to the year	17.00	17.00	17.00	0.13
Capital expenditures	28,700	34,133	20,640	217,424
Depreciation and amortization	18,710	19,961	21,060	141,742
Total assets	1,013,072	1,145,944	1,241,217	7,674,788
Shareholders' equity	595,429	584,157	515,745	4,510,825

Note: The U.S. dollar amounts represent translations of Japanese yen for convenience only at the approximate exchange rate on March 31, 1998 of ¥132 =U.S.\$1.

Group Dynamism



Interview with the Management

Focusing on developing distinctive products amid harsh management conditions

Q: *In the term under review, the housing industry saw a bigger than expected drop, suffering from the accumulated effects of a hike in the consumption tax rate in April 1997 and growing economic uncertainty caused by the collapse of major financial institutions. How did you cope with these difficult conditions?*

A: The slump in spending after the hike in the consumption tax included housing demand entering a downward trend. The number of new housing starts during the term was 1,340,000, down 18% from the previous year. Further, general construction was sluggish, reflecting the still cautious attitude toward capital investment in many sectors. As a result, consolidated net sales fell 10.0% from the previous period, to ¥1,069,789 million (US\$8,104 million), income before income taxes and translation adjustment was down 42.5% to ¥48,643 million (US\$369 million), and net income fell 52.0% to ¥20,373 million (US\$154 million), all of which are less than satisfactory results. We, the management, take these results very seriously, and we will pour all our energies into efforts to strengthen our corporate structure so that it can win through in an era of competition.

Q: *Sluggish demand for housing is likely to lead to even fiercer competition within the industry. What measures have been taken as a strategy to distinguish Daiwa House from its competitors?*

A: The Company will push forward with developing products on the premise that the main features of housing should reflect the four concepts of health, comfort, safety, and peace of mind. We believe that quality and environmental awareness will be major turning points in the coming battle for sales. Therefore in March 1998 we implemented measures against volatile organic compounds emitted from building materials in all our single-family housing and apartment building products. We are the one of the first in the industry to take this stand, and we are convinced that this will have a large influence on customer choice.

On the sales front we focused our energies on supplying a wide range of products and plans that offer a great deal of variety in order to accurately respond to diverse customer needs. Among the term's new products, "Le Grand Cher," a 2-story house that offers quality at an affordable price, was chosen as a Good Design Product by the Ministry of International Trade and Industry. We also launched "Le Grand

Sylphe," a 2-story free-design house that allows customers to choose from a copious array of exteriors, interiors, and fittings. Further, we responded speedily to deregulation, under which 3-story apartment buildings can be freely erected, even in large cities, if they meet fire-prevention standards, by improving the fireproofing of our 3-story apartment building "High Camour ST," which has thus become the first product in the prefabricated housing industry to be certified as a quasi-fireproof construction.

Promoting high-quality management that pays attention to the environment from product development to the production site

Q: *With 12 of the Company's domestic plants receiving ISO9002 certification for quality assurance and quality control, Daiwa House is taking a lead in the industry. What progress was seen in quality assurance and production systems during the term under review?*

A: In November 1997 our technical development divisions obtained ISO9001 certification for quality assurance. This means that everything from the Company's research and development to its production divisions is recognized as being of world-class quality. Daiwa House is committed not to merely achieving quality in line



Nobuo Ishibashi (Center)
Representative Director &
Senior Adviser
Keiichi Uemura (Left)
Representative Director &
Chairman of the Board
Nobuyasu Ishibashi (Right)
Representative Director &
President

with domestic and international standards, but to creating its own customer-oriented standards by doing the utmost to do business from the customer's point of view. Turning to supply systems, work was completed on the Okayama Plant, which is to act as central manufacturing base for prefabricated housing components, and it began shipping components to nearby plants and construction sites in October 1997. It will create an efficient production system and further strengthen operational capabilities.

Q: In November 1997 the Company launched an environmental policy under the theme of "aiming to be an even more fruitful 'comprehensive life-related enterprise' by pressing ahead with the 'industrialization' of construction while being in harmony with the environment." Could you elaborate on this?

A: As an enterprise involved in the manufacturing and construction

of housing, we believe that it is necessary for the Company not only to set up its own environmental standards, but also to offer products that meet standards in areas such as environmental friendliness, low energy consumption, health and safety, and creating a barrier-free environment. The Environmental Technology Division, which was established in October, carries out environmental appraisals on any given material, and sets its own appraisal standards. In concrete terms, our goal is to bring about what we call "Century Housing," easy-maintenance, high-performance housing that can be recycled or reused and can last a hundred years.

Furthermore, we are vigorously expanding our environmental activities of reducing consumption of resources and energy across the whole company, including at head office, the plants, branch offices, display sites, and construction sites. Over the medium to long term, we have a policy that calls for the complete elimination of emissions and waste products

from production and other corporate activities. As part of this, in April 1998 the Mie Plant was granted ISO14001 certification for environmental management and inspection. Preparations are underway to achieve this certification at the other 12 plants at the earliest opportunity.

Home center operations — on track for substantial growth

Q: What trends were seen in home center operations, which is to become a major core business in the future, and resort operations, which center on the Daiwa Royal Hotels?

A: Our home center operations are growing year by year, and it is a business area that holds a great deal of future promise. We opened 3 new branches during the term under review, bringing the total number of stores to 35 nationwide. Each store is trying to increase its appeal to customers not only by offering a plentiful assortment of lifestyle and housing

related goods, but also with various other measures, including developing store complexes together with retailers in other sectors, and offering house remodeling seminars.

Looking at resort operations during the term, we opened the Yatsugatake Royal Hotel in Yamanashi Prefecture and the Tonami Royal Hotel in Toyama Prefecture, bringing the total number of resort hotels to 29. With the opening of the Kushimoto Royal Hotel in Wakayama Prefecture in April 1998, we have achieved our preliminary goal of creating a nationwide chain of 30 hotels. We will strive to maintain stable earnings by accelerating the expansion of home centers across the country and strengthening the marketing capabilities of our resort operations by, for example, attracting corporate training sessions and conventions.

Pushing forcefully ahead with strengthening marketing capabilities and responding to environmental concerns, based on a new corporate structure that will allow us to win out against the competition

Q: In closing, could you tell us about the Company's business directions for the years ahead?

A: Although the government's comprehensive stimulus measures are expected to buoy the economy, a real recovery in

housing investment is still likely to be some way off, and the economic environment will probably remain harsh throughout the current term. Faced with such severe conditions, we have made expanding sales to beat the competition our top priority. Thus we are pushing ahead with enhancing our marketing capabilities, based on our business division system, which was partially revised in April 1998, and with rationalizing and strengthening our corporate structure so that we can respond promptly to customer needs.

In residential housing, we are working to develop sales and product strategies that are tailored to the customer, such as initial acquisition, rebuilding, and moving house, by carefully studying with local needs. In addition, we are involved in expanding the extension and remodeling business, a market with future growth potential. In April 1998 we launched a new 2-story house, which features high levels in areas such as the control of volatile organic compounds, environmental conservation, reducing energy consumption, and creating a barrier-free environment. It is a truly pioneering product in environmentally friendly housing, and as such it is gaining a great deal of attention in the industry.

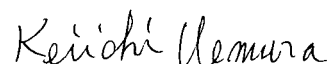
In home center operations, we have established our own standards in all areas such as products, store development, store

facilities, and store management, under the concept of being friendly to people and the environment, and we opened a model store that offers the customer the latest in comfort.

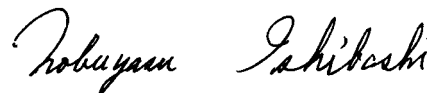
We intend to pour our efforts into improving results and maximizing earnings by expanding sales and further strengthening our competitive power across all business activities, while at the same time further strengthening our systems for dealing with environmental issues ahead of the competition.



Nobuo Ishibashi
*Representative Director &
Senior Adviser*



Keiichi Uemura
*Representative Director &
Chairman of the Board*



Nobuyasu Ishibashi
*Representative Director &
President*

Highlights of the Year

Start of operations at the Okayama Plant

The Okayama Plant, where construction work had been proceeding for some time, was completed, and on October 1, 1997, it began shipping components. The Okayama Plant is the Company's 13th. On a site covering 420,000 m², and with a floor space of 46,165 m², it is a central manufacturing base for components for single-family houses and apartment buildings. Located a mere 20 minutes from an expressway interchange, it supplies four surrounding plants, as well as carrying out centralized supply to construction sites. This plant will help the Company to further improve its quality and productivity.



Okayama Plant

3-story apartment building wins quasi- fireproof certification

Under deregulation measures that came into force in September 1997, 3-story apartment buildings can be built even in quasi fire-preventive districts, which are mostly in large cities, if they meet fire prevention standards. In response, the Company improved the fire-resistant properties of its existing 3-story apartment building "High Camour ST," which was subsequently



"High Camour ST"

granted quasi-fireproof construction certification, allowing it to be erected in quasi fire-preventive districts. This was the first-product in the prefabricated housing industry to be certified, and it is sure to help us increase orders for 3-story apartment buildings in large cities, where there are many quasi fire-preventive districts.

Shinshu Matsushiro Royal Hotel assists Nagano Olympics as an NOC hotel

The Nagano Winter Olympics was an event that produced many records and scenes of great emotion. The Company's Shinshu Matsushiro Royal Hotel played its part in the Olympics as the residential hotel for National Olympic Committees (NOCs) from many countries and regions, playing host to VIPs from all over the world, including the chairpersons and officials of each NOC. During the games, the hotel hosted receptions and parties almost every day, and the entire staff made an all-out effort to offer the highest-quality service, and the hotel fulfilled its important role as one more venue for the Olympics.



Shinshu Matsushiro Royal Hotel

ISO9001 certification for technical development divisions

In November 1997 the Company's technical development divisions (the development divisions of Technical Headquarters and the Central Research Laboratory) were awarded ISO9001 certification for quality assurance by the Japan Quality Assurance Organization. This certification came in recognition of the fact that planning and development of our industrialized single-family housing, apartment building, and systematized architecture products, and our basic technology research and development systems, meet international standards. We will use this as an opportunity to further strengthen our research and development system with a view to creating both world-class quality and high productivity.



ISO9001 certificate

Daiwa House — aiming for the perfect interfaces between housing and nature, and between housing and people

Creating a company-wide organization centered around the Environmental Technology Division

On October 1, 1997, the Company established the Environmental Technology Division as a research section to work exclusively on environmental issues. In November we launched a new environmentally-oriented management policy under the theme of “aiming to be an even more fruitful ‘comprehensive life-related enterprise’ by pressing ahead with the ‘industrialization’ of construction while being in harmony with the environment.”

Based on this policy, we set up the “Environmental Promotion Committee,” with President Ishibashi as general chairman, and by establishing six subcommittees on reducing energy consumption, waste products, environmental pollutants, lifestyle-related information, the workplace, and environmental assessment, we have lined up a full-fledged promotion system. In particular, with its own special standards and ways of thinking that take a global viewpoint, it will promote house-building and urban development that achieves comprehensive reductions in energy consumption. In addition, we are making vigorous efforts to expand environmental conservation activities at head office, the plants, display sites, and construction sites, with the medium to long-term aim of completely eliminating emissions and waste products.



Through experimental housing we are aiming to develop housing that is in harmony with the environment, based on three themes.

“Healthy Housing Specifications” used as standards for all products to deal with chemicals

As part of our environmental measures, we have been applying our “Healthy Housing Specifications” to all our single-family housing and apartment building products since the plant shipments of March 1, 1998. These specifications are designed to deal with formaldehyde, a chemical that can be given off by building materials and other substances into the atmosphere and can cause dizziness, headaches, and other symptoms.

In July 1996 we led the industry by eliminating formaldehyde from adhesives used on wall coverings. Now we have implemented comprehensive measures to remove it from everything from backing materials for floors and walls to finishing

materials. Again, we are one of the first in the housing industry to try this.

Carrying on from this, we began to apply the specifications to sink housings and other built-in storage units from the June shipments onwards. As a measure to deal with the problem of dioxins, we are successively replacing approximately 400 cloth products that we use by non-PVC “eco-cloths,” and we will replace carpet backing materials with non-PVC products as soon as the manufacturers change their production systems.

Further, we are working to develop products that can respond to all the various issues surrounding the environment, by, for example, reusing and recycling housing components, and developing construction methods that eliminate the production of waste material at construction sites.



In addition to using flooring materials with low emissions of volatile organic compounds, we apply anti-bacterial specifications.

Daiwa House Industry Co., Ltd. has been making vigorous efforts in comprehensive technical innovation toward environmental conservation, based on its four key themes of environmental friendliness, health and safety, creating a barrier-free environment, and low energy consumption. Now, however, we have established our own environmental targets, and the Daiwa House group of companies will put all its energies into becoming an enterprise that contributes to a sustainable society in all business activities, including product development, production and construction, and building maintenance and administration.

Toward the development of “low-energy housing”

The question of reducing energy consumption is closely related to the environment, and is an important theme for Daiwa House. In particular, we are focusing on the functions and safety of housing itself, with the aim of developing housing that allows a comfortable lifestyle using only a quarter of the energy currently used, under the theme of “low-energy housing” that makes excellent use of natural light and wind.

With attention being paid to solar energy, which is clean and limitless, in July 1997 we began sales of “low-energy housing” equipped with a solar power generator. The generator has a capacity of about 3 kilowatts, which is enough to meet the electricity consumption needs of the average family, and it is possible to sell surplus power generated on particularly sunny days back to an electricity supply company. Such housing not only receives government aid, but also falls under the premium financing system of Housing Loan Corporation.

We also offer a heat-exchanger based on a 24-hour air circulation system that exchanges the air inside with outside air while preserving all of the energy-saving advantages of good insulation and draft-proofing. Instead of merely exchanging



Our 24-hour air circulation system keeps indoor air fresh, while preserving all the benefits of good insulation and draft-proofing.

the air, it brings the temperature of the incoming air close to that in the room, thus reducing heat loss and allowing great savings in heating and cooling bills.

Mie Plant awarded ISO14001 certification

We are actively implementing environmental protection and energy consumption reduction measures at our plants, including the development of production methods for steel frames and panels that do not release harmful substances and carbon dioxide, which damage the environment.

In addition, we have addressed a wide range of related issues, including testing for harmful emissions, educating workers about the environment, reducing energy consumption by 15% at offices and production facilities, appraising the environmental impact of materials purchased, and reducing packaging materials, all with the aim of making the Company a “circulatory enterprise” that reduces wastes and emissions and promotes reuse and recycling.

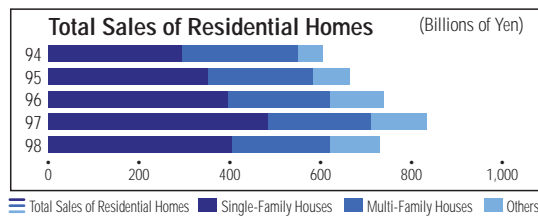
Amid these emission reduction efforts, in April 1998 the Company’s Mie Plant was awarded ISO14001 certification for environmental management and inspection. We are planning to spread the world-class environmental management systems employed at Mie to all the Company’s plants.



The Mie Plant, which has been awarded ISO14001 certification for its world-class environmental management systems.

Residential Homes

The term under review saw new housing starts fall to below 1,400,000, the lowest level for six years, while new starts of condominiums and apartment buildings for rent were stagnant. Faced with these severe conditions, the Company strove to strengthen its marketing capabilities, while responding to a broad array of customer needs by enhancing the specifications of existing products and developing new ones in an effort to improve sales. However, the Company was unable to avoid being hit by the slump in demand, and as a result, sales of residential housing fell 12.7% to ¥729,305 million (US\$5,525 million).



“Le Grand Cher,” with its enhanced performance and ventilation systems, is a comfortable home that meets next-generation standards.

“Le Grand Sylphe” is a free-design product that offers a wide range of external finishes, floor plans, interiors, and fixtures and fittings.





In single-family housing, we worked to develop new products that take respect for environmental concerns and health as their theme. We launched “Le Grand Cher,” a 2-story house that was chosen as a Good Design product by the Ministry of International Trade and Industry, and “Le Grand Sylphe,” a free-design product with a host of choices of exteriors and fittings. We strove to strengthen our marketing capabilities in response to intensifying sales competition by, for example, extending our sales system that can pinpoint target groups, based on the analysis of customer needs and market conditions by city.

Turning to apartment buildings, we improved the fireproofing of our 3-story apartment building “High Camour ST” in order to increase orders for apartment buildings in large cities, where there are many quasi fire-preventive districts. In addition, our affiliate Daiwa Danchi Co., Ltd. launched a new apartment building product for the rental sector that uses two-by-four construction methods, in a bid to expand sales.

The March 1998 factory shipments were the first that came under the new measures to deal with volatile organic compounds, which apply to all single-family housing and apartment building

products, and in April we launched “Basia 21,” a 2-story house that offers the furthest advances yet in dealing with volatile organic compounds, as well as offering reductions in carbon dioxide emissions and lowering heating and cooling bills by improving insulation. It can also be equipped with solar power systems or solar water heaters. It is a product that is truly in the vanguard of environmental friendliness and low energy consumption, and we expect much of it as our strategic product from the current term onwards.



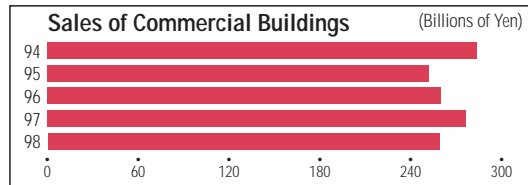
By reducing formaldehyde to the lowest possible levels and eliminating other volatile organic compounds, “Basia 21” offers an even better living environment.

The simple yet functional design of “Le Grand Crea R” makes housework easier, reducing the burden placed on housewives.



Commercial Buildings

Retail stores, office buildings, factories, warehouses, and other commercial buildings were generally depressed, reflecting the harsh economic conditions faced by businesses. As a result, sales were down 6.4% to ¥259,161 million (US\$1,963 million).



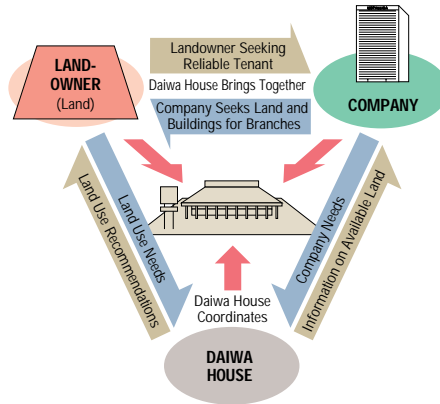
LOC Shopping Town Bungotakada, a commercial complex featuring a large supermarket and household goods stores, opened in September 1997.



“Royment Sendai” takes advantage of its good location to achieve highly efficient use of city center land, with its restrictions on floor space expansion.

Looking at retail stores, the Daiwa House LOC (Land-Owner-Company) System, a total support system whereby the Company brings together landowners seeking the optimum utilization of their land and prospective tenants in search of new business locations, undertakes construction, and then offers management consultation services, was further extended across the nation, and now boasts over 20,000 successful cases.

The Company has created a new business area for the LOC system by teaming up with major supermarket operator Jusco to establish the joint venture LOC Kaihatsu Co., Ltd., which operates 8 neighborhood shopping centers across Japan. In September 1997,



it opened LOC Shopping Town Bungotakada, a commercial complex consisting of a large supermarket, a home center, fashion stores, household goods stores, and others. LOC Kaihatsu is currently planning to construct a new

shopping town in Sasebo, Nagasaki Prefecture.

Although commercial buildings have suffered from the slump in demand, as part of its efforts to invigorate the economy, in the fall of 1997 the government passed a total of 120 emergency economic stimulus measures, which included deregulation and policies to improve the liquidity of land. In order to stimulate the replacement of buildings in city centers, deregulation was announced, under which the floor-area ratio of city-center commercial districts can be raised by up to 1,300%. This is expected to lead to future growth.



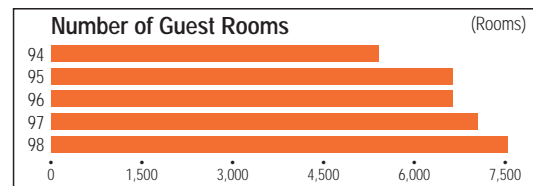
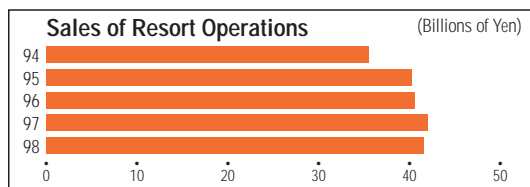
By developing sites in a way that takes account of the features of the region and the commercial environment, we can increase the value of assets.

"Snow Brand Access"
We have leased this entire building to a high-quality corporate tenant that is looking to expand its business bases.



Resort Operations

In addition to expanding the “Daiwa Royal Hotels” chain of membership resort hotels across the country, from Hokkaido in the north to Okinawa in the south, the Company also operates golf courses. During the term, we opened 2 new hotels and worked to attract conventions, training programs, wedding receptions, and others to our existing facilities in an effort to improve performance irrespective of room occupancy rates. However, the slump in consumer spending meant that total sales were down 1.1% to ¥41,593 million (US\$315 million).



“Yatsugatake Royal Hotel,” a mountain resort hotel that offers spectacular views of the surrounding countryside.

The superbly located “Tonami Royal Hotel” is Daiwa House’s 29th hotel.





“Daiwa Royal Hotels” develops high-class hotels across Japan, and is expected to see major growth on the back of expansion in the leisure market and increasing regional development. In August 1997 we opened the “Yatsugatake Royal Hotel” at the foot of Mt. Yatsugatake in Yamanashi Prefecture, the largest mountain resort hotel in the prefecture, and in March 1998 we opened the “Tonami Royal Hotel” in Toyama Prefecture, a hotel fully equipped with comfortable resort facilities. This

brings our hotel chain to 29 (26 Daiwa Royal Hotels and 3 affiliated hotels).

When the Company began its resort operations, it had a plan to construct a nationwide chain of 30 big resort hotels. With the opening of our 30th hotel in April 1998, the Kushimoto Royal Hotel in Wakayama Prefecture, we have attained our goal of many years.

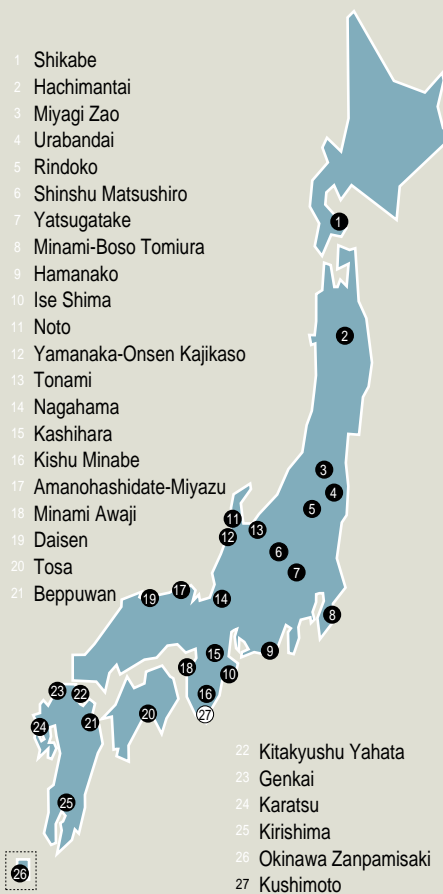
Daiwa House’s chain of hotels does not merely offer a comfortable and full leisure experience to guests, but by

stimulating the regional economy and promoting employment, it also contributes to sound regional development. We have now entered a period of reaping the full rewards of investment, and we will strive to improve earnings by strengthening our marketing capabilities, in particular by attracting conventions.



The Company opened its 30th hotel, “Kushimoto Royal Hotel,” in the scenic town of Kushimoto, which lies on the southernmost point of Honshu.

Network of Daiwa Royal Hotels

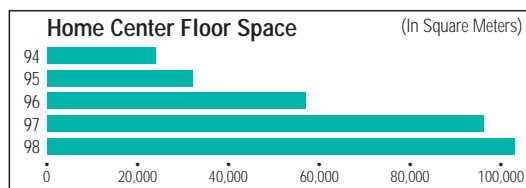
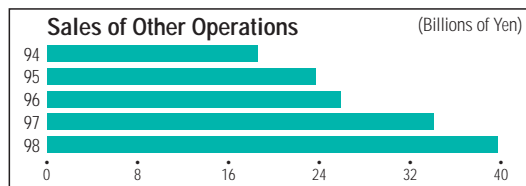


NB: Sanraku*, Royton Sapporo** and Nishiwaki Royal Hotel*** are affiliated hotels of Daiwa Royal Hotels.

Other Operations

This segment covers the development of resort villa and condominium projects and the operation of home center retail outlets, which are frequently sited in suburban areas with good road access. Home center operations are one of the most prominent areas of growth within the Company, and we are forging ahead with their further development. During the term we opened 3 new stores, mainly in western Japan, bringing the total number of stores to 35 nationwide. Total sales for this segment during the term rose 16.4% to ¥39,730 million (US\$301 million).

Under the theme of “an even more comfortable living environment,” “Royal Home Centers” focus not just on home improvement, housekeeping, and home furnishings, but also on home leisure activities. Their line-up of over 50,000 shelf items includes do-it-yourself supplies, interior design supplies, and outdoor goods. In addition, they hold DIY classes and other activities in order to “offer a more comfortable lifestyle,” not to merely supply goods. In this way they offer the happiness of creating one’s own lifestyle both in terms of equipment and information. Three new stores were opened during the term: the “Royal Home Center Fukuyama Nishi” in Hiroshima Prefecture in April 1997; the “Royal Home Center Nishi Biwajima” in Aichi Prefecture in May 1997; and the “Royal Home Center Mozume”



Our store interiors have high ceilings and are very spacious.

in Kyoto Prefecture in March 1998. Further, we opened the “Royal Home Center Shiogama” in Miyagi Prefecture under the concept of a store that is in harmony with the environment.

Turning to resort condominiums, we continued sales of units in “Royal Ventvert Shima-Matoya Bay,” which started in October 1996, and in July 1997 we began selling units in “Royal Ventvert Shima-Daiozaki,” also in Shimagun, Mie Prefecture. This development lies in a region with a temperate, maritime climate, and it offers a huge variety of leisure facilities, such as all manner of marine sports, and the opportunity to enjoy a round of golf at the Company’s “Ise-Shima Country Club,” which lies nearby.



Royal Home Center Fukuyama Nishi



Royal Home Center Mozume

Contributing to Society

Daiwa House makes steady contributions to society both technically and culturally, by, for example, holding symposia and open seminars on the subjects of lifestyle and the home at its Central Research Laboratory and the Life Research Center, and holding cultural classes for local customers at Royal Home Centers.

The Central Research Laboratory is situated in Kansai Science City, and under the key phrase of two-way communication with the customer, it publicizes the fruits of its research to a broad public by setting up a great number of visitor facilities, with an eye to becoming a friendly research center that is open to local society.

Further, it holds public symposia throughout the year, with one held

Public symposia at the Central Research Laboratory



on the subject of “Housing that is Comfortable for the Elderly” during the term. Researchers and technicians at the forefront of this field were invited on the panel, and there was a lively discussion about such topics as care in the home and the impaired vision of the elderly. The results of these symposia are of real use in the Company’s efforts to develop new housing that is kind to the resident.

The Life Research Center holds a regular seminar called “Life, Living, and the Home” every two months, open to consumers, that tackles familiar issues related to living and housing. Each time a lecturer is invited to give a talk on a wide range of familiar themes related to basic necessities, and the seminars are very popular with those attending.

In addition to holding these seminars, the Life Research Center draws up reports based on the results of all kinds of investigative activities, and releases this information to the mass media and the general

The Life Research Center with think-tank functions



public. During the term, the Center carried out a survey into safety in the home to shed light on city dwellers’ awareness and response to safety and crime prevention. In addition, we published the results of a survey into remodeling, which discovered how people are remodeling their homes up and down the country.

Further, four times a year we publish “Take Off,” a magazine loaded with all manner of useful information for daily life, and around 15,000 copies are distributed to Daiwa House customers.



Board of Directors



Nobuo Ishibashi



Keiichi Uemura



Nobuyasu Ishibashi



Katsumi Morimoto



Takeshi Togo



Takeshi Murakami



Katsuhiko Ohgita



Takao Tsuda



Sadao Yoshii



Tamio Ishibashi



Yasuhiko Miyake



Mitsuo Funatsu



Moritsugu Kawai



Kentaro Yoshida



Kazuharu Kimoto



Tetsuya Ishikawa



Kimitaka Komatsu

Senior Adviser

Nobuo Ishibashi*

Chairman of the Board

Keiichi Uemura*

President

Nobuyasu Ishibashi*

Executive Vice Presidents

Katsumi Morimoto*

Takeshi Togo*

Executive Managing Directors

Takeshi Murakami

Katsuhiko Ohgita

Takao Tsuda

Sadao Yoshii

Tamio Ishibashi

Managing Directors

Yasuhiko Miyake

Mitsuo Funatsu

Moritsugu Kawai

Kentaro Yoshida

Kazuharu Kimoto

Tetsuya Ishikawa

Kimitaka Komatsu

Directors

Shunichi Ishibashi

Masao Suzuki

Yoshikazu Tano

Jiro Torio

Hiromitsu Yamada

Yuzo Kawahara

Katsuaki Handa

Hiroshi Azuma

Minoru Fujita

Katsuyoshi Tateno

Sachio Obata

Mutsuo Kajimoto

Toshio Tanaka

Tokuji Ishino

Takeshi Kajimoto

Kenji Murakami

Corporate Auditors

Yoshihiro Awata

Hiroshi Hasuike

Hiromasa Kobayashi

Osamu Hirayama

*Representative Director

(As of June 26, 1998)

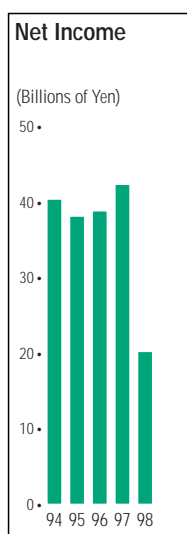
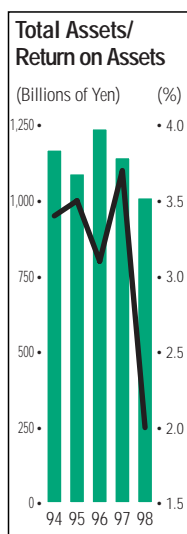
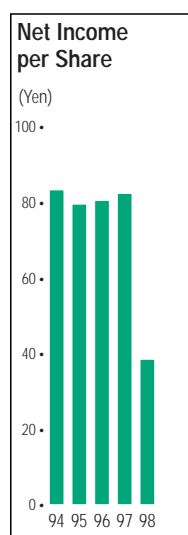
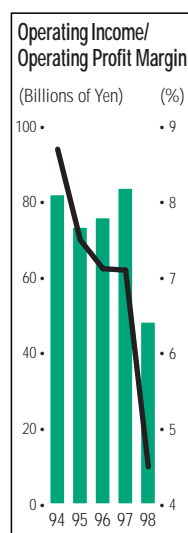
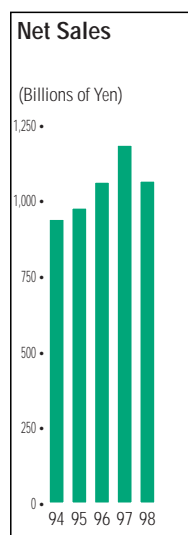
FINANCIAL SECTION

Daiwa House Industry Co., Ltd. and Subsidiaries

Five-Year Summary

Years ended March 31	Millions of yen				
	1998	1997	1996	1995	1994
Net sales	¥1,069,789	¥1,188,295	¥1,066,218	¥ 980,620	¥ 943,188
Income before income taxes and translation adjustment	48,643	84,557	76,948	77,125	82,956
Net income	20,373	42,452	38,992	38,257	40,063
Per share of common stock (in yen):					
Net income	38.89	82.76	80.91	79.94	83.71
Diluted net income	37.91	79.89	77.66	76.95	—
Shareholders' equity	1,136.55	1,115.04	1,032.96	952.68	890.19
Capital expenditures	28,700	34,133	20,640	46,213	35,608
Property, plant and equipment, less accumulated depreciation	346,543	338,166	322,436	312,896	300,664
Total assets	1,013,072	1,145,944	1,241,217	1,092,496	1,171,185
Shareholders' equity	595,429	584,157	515,745	455,958	426,047

Financial Review



Operating Results

Net sales for the fiscal year ended March 31, 1998, came to ¥1,069.8 billion (US\$8,104 million), a fall of 10.0% from the previous year. The ratio of cost of sales to net sales rose 0.4 of a percentage point to 78.0%. Selling, general and administrative expenses rose ¥4,913 million (US\$37 million), or 2.7%, to ¥186.9 billion (US\$1,416 million). This represented 17.5% of net sales, up 2.2 percentage points from the previous year.

As a result, operating income fell 42.2% to ¥48.5 billion (US\$367 million). The operating profit margin fell 2.6 percentage points to 4.5%. Income before income taxes and translation adjustment declined 42.5% to ¥48.6 billion (US\$369 million). Net income for the year dropped 52.0% to ¥20.4 billion (US\$154 million), with net income per share at ¥38.89 (US\$0.29).

By segment, sales in residential housing fell 12.7%, sales in commercial buildings fell 6.4%, sales in resort operations fell 1.1%, and sales in other operations rose 16.4%. Turning to operating income (loss) before adjustment of enterprise tax by segment, residential housing saw income fall 44.6% to ¥44.4 billion (US\$336

million), due to an increase in fixed costs resulting from our vigorous efforts to allocate staff to this segment and a drop in profitability due to intensified competition. Commercial buildings saw income rise 6.5% to ¥17.6 billion (US\$134 million) as a result of an improvement in the ratio of cost of sales to net sales and cost reductions from the redeployment of staff. Resort operations saw a loss of ¥5.9 billion (US\$45 million), a 9.5% improvement over the previous year, due to a reduction in depreciation expenses and other cost reductions. Other operations saw a loss of ¥1.6 billion (US\$12 million), a 27.8% improvement, on the back of profits from the sale of resort mansions and villas.

Financial Position

As of March 31, 1998, total assets were ¥1,013.1 billion (US\$7,675 million), down 11.6% from the previous year-end. Current assets were ¥480.3 billion (US\$3,638 million), down 23.3%. Property, plant and equipment rose 2.5% to ¥346.5 billion (US\$2,625 million).

The total of current liabilities and long-term liabilities stood at ¥417.6 billion (US\$3,165 million),

down 25.7%. Current liabilities fell 36.0% to ¥279.5 billion (US\$2,117 million) due to the redemption of warrant bonds and convertible bonds. Further, in March 1998 the Company issued ¥30.0 billion (US\$227 million) in commercial paper, with the aim of procuring working capital.

Shareholders' equity stood at ¥595.4 billion (US\$4,511 million), up 1.9% from the previous year-end, and the shareholders' equity ratio rose from 51.0% to 58.8%. Return on assets for the year was 2.0%, as compared with 3.7% for the previous year. Return on equity was 3.4%, as compared with 7.3% for the previous year.

Cash Flows

Net cash provided by operating activities for the year came to ¥24.8 billion (US\$188 million), down from ¥72.7 billion in the previous year. This was mainly due to a ¥22.1 billion drop in net income and a fall in current deposits received.

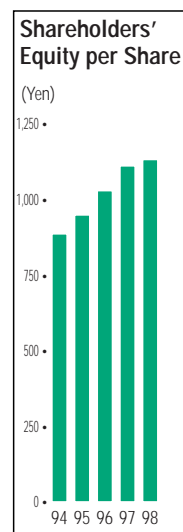
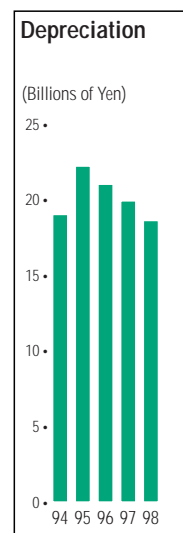
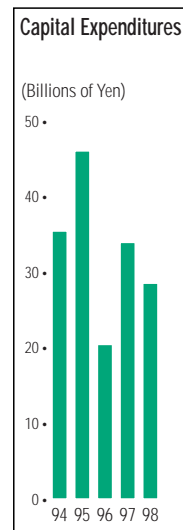
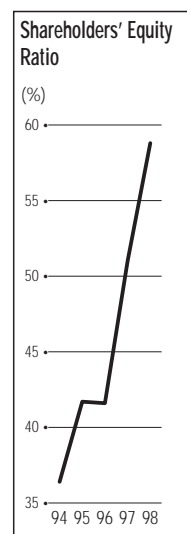
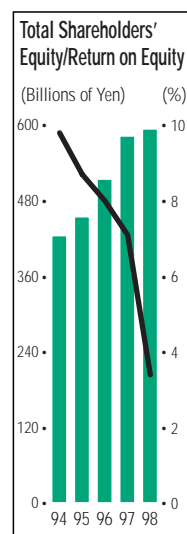
Net cash used in investing activities was ¥24.8 billion (US\$188 million), down from the previous year's ¥38.9 billion. This was primarily due to a reduction in the purchase of marketable and

investment securities.

Net cash used in financing activities came to ¥75.1 billion (US\$569 million), down from ¥95.1 billion in the previous year. This was mostly due to a reduction in the repayments of long-term debt. While ¥34.6 billion was provided from the exercise of warrants in the previous year, there was no such exercise of warrants during the year under review. However, ¥30.0 billion (US\$227 million) in cash was provided by the aforementioned issue of commercial paper.

Capital Expenditures

Looking at capital investment during the year, operations began at the Okayama Plant in October 1997, and construction work continued at the new Tokyo and Osaka head office buildings and at two hotels. Capital expenditures were down 15.9% from the previous year at ¥28.7 billion (US\$217 million).



Consolidated Balance Sheets

March 31, 1998 and 1997

ASSETS

	Millions of yen		Thousands of U.S. dollars (Note 1)
	1998	1997	1998
Current assets:			
Cash and cash equivalents (Notes 2-b and 5):			
Cash	¥ 46,137	¥ 62,026	\$ 349,523
Time deposits	94,535	153,820	716,174
Marketable securities (Note 3)	5,464	8,765	41,394
Receivables:			
Trade notes	5,908	8,398	44,758
Trade accounts	47,312	62,517	358,424
Allowance for doubtful receivables	(2,050)	(1,457)	(15,530)
Inventories (Note 4)	273,104	320,536	2,068,970
Prepaid expenses and other current assets	9,852	11,248	74,636
Total current assets	<u>480,262</u>	<u>625,853</u>	<u>3,638,349</u>
Property, plant and equipment:			
Land	156,989	155,238	1,189,311
Buildings and structures	255,477	249,017	1,935,432
Machinery and equipment	45,787	43,395	346,871
Furniture and fixtures	28,533	27,247	216,159
Construction in progress	16,886	9,137	127,924
Total	503,672	484,034	3,815,697
Accumulated depreciation	(157,129)	(145,868)	(1,190,371)
Net property, plant and equipment	<u>346,543</u>	<u>338,166</u>	<u>2,625,326</u>
Investments and other assets:			
Investment securities (Note 3)	62,359	64,061	472,417
Investments in and advances to associated companies (Note 3)	52,205	49,971	395,492
Long-term loans	23,671	23,673	179,326
Lease deposits and other assets	48,331	44,480	366,143
Allowance for doubtful accounts	(1,095)	(848)	(8,295)
Total investments and other assets	185,471	181,337	1,405,083
Translation adjustments	796	588	6,030
Total	<u>¥1,013,072</u>	<u>¥1,145,944</u>	<u>\$7,674,788</u>

See notes to consolidated financial statements.

LIABILITIES AND SHAREHOLDERS' EQUITY			Thousands of U.S. dollars (Note 1)
	Millions of yen		
	1998	1997	1998
Current liabilities:			
Short-term bank loans (Note 5)	¥ 38,315	¥ 37,687	\$ 290,265
Commercial paper (Note 5)	30,000		227,273
Current portion of long-term debt (Note 5)	448	109,571	3,394
Payables:			
Trade notes	60,809	84,346	460,674
Trade accounts	52,003	72,043	393,962
Construction	7,839	4,461	59,386
Deposits received (Note 6)	50,949	75,191	385,978
Income taxes payable	11,062	20,042	83,803
Accrued expenses and other current liabilities (Note 5)	28,025	33,547	212,311
Total current liabilities	<u>279,450</u>	<u>436,888</u>	<u>2,117,046</u>
Long-term liabilities:			
Long-term debt (Note 5)	2,843	3,236	21,538
Employees' retirement benefits (Note 7)	17,130	16,076	129,773
Long-term deposits received (Note 6)	118,016	105,326	894,061
Other long-term liabilities	204	261	1,545
Total long-term liabilities	<u>138,193</u>	<u>124,899</u>	<u>1,046,917</u>
Commitments and contingencies (Notes 12, 13 and 14)			
Shareholders' equity (Notes 5, 8 and 15):			
Common stock, ¥50 par value — authorized, 1,900,000,000 shares; issued and outstanding, 523,893,045 shares in 1998 and 523,891,198 shares in 1997	108,781	108,780	824,098
Additional paid-in capital	122,041	122,040	924,553
Legal reserve	12,718	11,800	96,348
Retained earnings	351,891	341,538	2,665,841
Total	<u>595,431</u>	<u>584,158</u>	<u>4,510,840</u>
Treasury stock — at cost	(2)	(1)	(15)
Total shareholders' equity	<u>595,429</u>	<u>584,157</u>	<u>4,510,825</u>
Total	<u>¥1,013,072</u>	<u>¥1,145,944</u>	<u>\$7,674,788</u>

Consolidated Statements of Income

Years ended March 31, 1998, 1997 and 1996

	Millions of yen			Thousands of U.S. dollars (Note 1)
	1998	1997	1996	1998
Net sales:				
Construction	¥ 850,265	¥ 960,226	¥ 877,343	\$6,441,402
Real estate	142,432	155,828	128,143	1,079,030
Other	77,092	72,241	60,732	584,030
Total net sales	<u>1,069,789</u>	<u>1,188,295</u>	<u>1,066,218</u>	<u>8,104,462</u>
Cost of sales:				
Construction.....	651,346	736,300	674,751	4,934,439
Real estate	126,747	138,098	112,357	982,932
Other	53,314	47,989	40,895	403,894
Total cost of sales	<u>834,407</u>	<u>922,387</u>	<u>828,003</u>	<u>6,321,265</u>
Gross profit	<u>235,382</u>	<u>265,908</u>	<u>238,215</u>	<u>1,783,197</u>
Selling, general and administrative expenses	<u>186,932</u>	<u>182,019</u>	<u>162,148</u>	<u>1,416,152</u>
Operating income	<u>48,450</u>	<u>83,889</u>	<u>76,067</u>	<u>367,045</u>
Other income (expenses):				
Interest and dividends.....	2,513	2,509	3,106	19,038
Interest expense (Note 5)	(1,160)	(1,621)	(2,927)	(8,788)
Other — net (Notes 5 and 10)	(1,160)	(220)	702	(8,788)
Other income — net.....	<u>193</u>	<u>668</u>	<u>881</u>	<u>1,462</u>
Income before income taxes and translation adjustment	<u>48,643</u>	<u>84,557</u>	<u>76,948</u>	<u>368,507</u>
Income taxes (Note 11)	<u>28,270</u>	<u>42,105</u>	<u>37,955</u>	<u>214,166</u>
Translation adjustment			(1)	
Net income	<u>¥ 20,373</u>	<u>¥ 42,452</u>	<u>¥ 38,992</u>	<u>\$ 154,341</u>
		Yen		U.S. dollars
Per share of common stock (Note 2-n):				
Net income	¥38.89	¥82.76	¥80.91	\$0.29
Diluted net income	37.91	79.89	77.66	0.29
Cash dividends applicable to the year	17.00	17.00	17.00	0.13

See notes to consolidated financial statements.

Consolidated Statements of Shareholders' Equity

Years ended March 31, 1998, 1997 and 1996

	Thousands	Millions of yen			
	Outstanding number of shares of common stock	Common stock	Additional paid-in capital	Legal reserve	Retained earnings
Balance, April 1, 1995	478,608	¥ 76,900	¥ 90,163	¥ 10,084	¥ 278,811
Net income.....					38,992
Cash dividends, ¥17.0 per share.....					(8,136)
Bonuses to directors and corporate auditors					(191)
Transfer to legal reserve.....				842	(842)
Shares issued on conversion of convertible bonds.....	32	1	1		
Shares issued on exercise of warrants.....	20,650	14,559	14,558		
Translation adjustment					3
Balance, March 31, 1996	499,290	91,460	104,722	10,926	308,637
Net income.....					42,452
Cash dividends, ¥17.0 per share.....					(8,487)
Bonuses to directors and corporate auditors					(190)
Transfer to legal reserve.....				874	(874)
Shares issued on conversion of convertible bonds....	9	7	7		
Shares issued on exercise of warrants.....	24,592	17,313	17,311		
Balance, March 31, 1997	523,891	108,780	122,040	11,800	341,538
Net income.....					20,373
Cash dividends, ¥17.0 per share.....					(8,906)
Bonuses to directors and corporate auditors					(196)
Transfer to legal reserve.....				918	(918)
Shares issued on conversion of convertible bonds....	2	1	1		
Balance, March 31, 1998	523,893	¥108,781	¥122,041	¥12,718	¥351,891

	Thousands of U.S. dollars (Note 1)			
	Common stock	Additional paid-in capital	Legal reserve	Retained earnings
Balance, March 31, 1997	\$824,090	\$924,545	\$89,393	\$2,587,409
Net income				154,341
Cash dividends, \$0.13 per share				(67,469)
Bonuses to directors and corporate auditors.....				(1,485)
Transfer to legal reserve			6,955	(6,955)
Shares issued on conversion of convertible bonds.....	8	8		
Balance, March 31, 1998	\$824,098	\$924,553	\$96,348	\$2,665,841

See notes to consolidated financial statements.

Consolidated Statements of Cash Flows

Years ended March 31, 1998, 1997 and 1996

	Millions of yen			Thousands of U.S. dollars (Note 1)
	1998	1997	1996	1998
Operating activities:				
Net income	¥ 20,373	¥ 42,452	¥ 38,992	\$ 154,341
Adjustments to reconcile net income to net cash provided by operating activities:				
Depreciation and amortization	18,710	19,961	21,060	141,742
Loss (gain) on sales of marketable and investment securities	(114)	431	651	(864)
Write-down of marketable and investment securities....	555	268		4,205
Provision for doubtful receivables and accounts	998	670	57	7,561
Loss on sales and disposal of property, plant and equipment	2,055	1,664	3,651	15,568
Equity in earnings of associated companies, less dividends	306	(849)	(1,955)	2,318
Gain resulting from associated company's public offering of stock (Note 10)			(615)	
Provision for employees' retirement benefits, net of payments	1,054	1,216	1,038	7,985
Amortization of deferred exchange gains		(2,455)	(4,914)	
Changes in certain assets and liabilities:				
Decrease (increase) in receivables	17,540	50,651	(6,561)	132,879
Decrease (increase) in inventories	44,756	(6,235)	(37,031)	339,061
Decrease (increase) in prepaid expenses and other current assets	1,396	2,319	(1,632)	10,576
Increase (decrease) in payables — trade	(43,577)	(35,660)	52,888	(330,129)
Increase (decrease) in current deposits received	(24,242)	6,662	22,179	(183,652)
Increase (decrease) in income taxes payable	(8,980)	(8,847)	6,249	(68,030)
Increase (decrease) in accrued expenses and other current liabilities	(5,516)	(196)	2,083	(41,788)
Other — net	(509)	638	(547)	(3,856)
Total adjustments	4,432	30,238	56,601	33,576
Net cash provided by operating activities	24,805	72,690	95,593	187,917
Investing activities:				
Capital expenditures	(28,700)	(34,133)	(20,640)	(217,424)
Purchases of marketable and investment securities	(25,724)	(43,761)	(54,731)	(194,879)
Net increase in lease deposits and other assets	(4,785)	(9,023)	(4,156)	(36,250)
Increase in investments in and advances to associated companies	(2,497)	(2,494)	(654)	(18,916)
Increase in long-term loans			(25)	
Proceeds from sales of marketable and investment securities	30,279	48,591	54,815	229,386
Proceeds from sales of property, plant and equipment ...	6,546	1,757	583	49,591
Decrease in investments in and advances to associated companies	46	92	317	348
Decrease in long-term loans	2	59	3,882	15
Net cash used in investing activities	(24,833)	(38,912)	(20,609)	(188,129)
Financing activities:				
Net increase in commercial paper	30,000			227,273
Net increase in long-term deposits received	12,690	9,521	6,866	96,136
Net increase (decrease) in short-term bank loans	628	(13)	454	4,757
Proceeds from long-term debt	13			98
Shares issued on exercise of warrants		34,624	29,117	
Repayments of long-term debt	(109,571)	(130,730)	(293)	(830,083)
Dividends paid	(8,906)	(8,487)	(8,136)	(67,469)
Net cash provided by (used in) financing activities	(75,146)	(95,085)	28,008	(569,288)
Net increase (decrease) in cash and cash equivalents ...	(75,174)	(61,307)	102,992	(569,500)
Cash and cash equivalents, beginning of year	215,846	277,153	174,161	1,635,197
Cash and cash equivalents, end of year	¥140,672	¥215,846	¥277,153	\$1,065,697
Additional cash flow information:				
Interest paid	¥ 1,934	¥ 6,592	¥ 6,863	\$ 14,652
Income taxes paid	37,250	50,952	31,706	282,197
Noncash financing activities:				
Convertible bonds converted into common stock	2	14	2	16

See notes to consolidated financial statements.

Notes to Consolidated Financial Statements

1. Basis of Presenting Consolidated Financial Statements

The accompanying consolidated financial statements have been prepared from the consolidated financial statements issued for domestic reporting purposes in accordance with the provisions set forth in the Japanese Securities and Exchange Law. Daiwa House Industry Co., Ltd. (the "Company") and its domestic subsidiaries maintain their accounts and records in accordance with the provisions set forth in the Japanese Commercial Code (the "Code") and in conformity with accounting principles and practices generally accepted in Japan, which are different in certain respects as to application and disclosure requirements of International Accounting Standards, and its foreign subsidiaries in conformity with those of each country of their domicile. The consolidated statements of cash flows are not required as a part of the basic consolidated financial statements in Japan but are presented herein as additional information.

In preparing these consolidated financial statements, certain reclassifications and rearrangements have been made to the consolidated financial statements issued domestically in order to present them in a form which is more familiar to readers outside Japan. In addition, the notes to the consolidated financial statements include information which is not required under accounting principles generally accepted in Japan but is presented herein as additional information.

The consolidated financial statements are stated in Japanese yen, the currency of the country in which the Company is incorporated and operates. The translations of Japanese yen amounts into U.S. dollar amounts are included solely for the convenience of readers outside Japan and have been made at the rate of ¥132 to \$1, the approximate rate of exchange at March 31, 1998. Such translations should not be construed as representations that the Japanese yen amounts could be converted into U.S. dollars at that or any other rate.

2. Summary of Significant Accounting Policies

a. Consolidation

The consolidated financial statements include the accounts of the Company and all subsidiaries (together the "Companies"). All significant intercompany balances and transactions have been eliminated in consolidation. All material unrealized profit included in assets resulting from transactions within the Companies is eliminated.

Investments in significant associated companies (20% - 50% ownership) are accounted for by the equity method.

The differences between the cost and underlying net equity of investments in subsidiaries and associated companies at acquisition are amortized over five years.

b. Cash and cash equivalents

For purposes of the statements of cash flows, the Companies consider all time deposits to be cash equivalents. Time deposits have original maturities of one year or less and are withdrawable on demand with no diminution of principal.

Time deposits pledged as collateral as substitutes of deposits for certain construction contracts were ¥20 million (\$152 thousand) at both March 31, 1998 and 1997.

c. Marketable and investment securities

Marketable and investment securities are stated at cost determined by the average method. However, appropriate write-downs are recorded for securities with values considered to have been permanently or substantially impaired.

d. Inventories

Inventories are stated at cost. Inventories of land, residential homes and condominiums, and construction projects in progress include all costs of land, land development and construction. The cost of construction materials and supplies is determined by the average method.

e. Property, plant and equipment

Property, plant and equipment are stated at cost. Depreciation is computed by the declining-balance method at rates based on the estimated useful lives of the assets. The range of useful lives is principally from 15 to 47 years for buildings and structures, from 10 to 13 years for machinery and equipment and from 5 to 15 years for furniture and fixtures.

f. Leases

All leases are accounted for as operating leases. Under Japanese accounting standards for leases, finance leases that are deemed to transfer ownership of the leased property to the lessee are to be capitalized, while other finance leases are permitted to be accounted for as operating lease transactions if certain “as if capitalized” information is disclosed in the notes to the lessee’s financial statements. The disclosure requirements of these standards are being applied on a step-by-step basis beginning with fiscal years starting on or after April 1, 1996, with full implementation required for fiscal years starting on or after April 1, 1998.

g. Retirement and pension plans

The Company and its domestic subsidiaries provide for employees’ retirement benefits based on Japanese tax regulations. The liability balances represented 40% of the amounts which would have been required if all employees voluntarily terminated at each balance sheet date. Retirement benefits to directors and corporate auditors are subject to the approval of the shareholders and are charged to expense when paid.

In addition, the Company and certain subsidiaries have a trustee pension plan for which the policy is to fund and charge to expense, normal costs as accrued on the basis of an accepted actuarial method.

h. Revenue and profit recognition

Sales and related profits are generally recorded when sales contracts are closed and customers have satisfied the down payment and other requirements stipulated by the contracts. Land and land development costs are allocated to units sold based upon relative area. Payments received from customers prior to the recording of a sale are accounted for as current deposits received (see Note 6).

i. Income taxes

Income taxes are provided for amounts currently payable for each year. The tax effect of temporary differences between tax and financial reporting purposes is not recorded.

j. Appropriations of retained earnings

Appropriations of retained earnings at each year end are reflected in the financial statements of the following year after shareholders’ approval has been obtained.

k. Foreign currency transactions

Short-term receivables and payables denominated in foreign currencies are translated into Japanese yen at the current exchange rates at each balance sheet date. Long-term receivables and payables denominated in foreign currencies are translated into Japanese yen at historical exchange rates except for short- and long-term receivables and payables which are translated using the exchange rates set forth in the applicable forward exchange contracts.

In the case where there is significant fluctuation of currencies with possible exchange losses, long-term receivables or payables denominated in foreign currencies are translated at the current exchange rates in effect at the balance sheet date.

The exchange gains arising from forward exchange contracts are deferred and recognized as income ratably over the term of the contract period. Other exchange gains and losses are recognized in the fiscal periods in which they occur.

l. Foreign currency financial statements

Effective for the year ended March 31, 1997, the balance sheet accounts of the overseas subsidiaries and associated companies are translated into Japanese yen at current exchange rates as of the balance sheet date except for shareholders’ equity, which is translated at historical exchange rates. Differences arising from such translation are shown as “Translation adjustments” in the accompanying consolidated balance sheets. Revenue and expense accounts of the overseas subsidiaries and associated companies are translated into Japanese yen at the current exchange rates.

In 1996, financial statements of overseas subsidiaries and associated companies were translated into Japanese yen at year-end-rates for monetary current assets and liabilities and retained earnings, and at historical rates for other balance sheet accounts. The average rate for each year was used for translation of income and expenses, except that certain costs and expenses relating mainly to inventories and depreciable assets were translated at historical rates, and net income or loss was translated at year-end rates. Adjustments due to the translation were included in the respective financial statements.

m. Reclassifications

Certain reclassifications have been made to the 1997 and 1996 financial statements to conform to the classifications used in 1998.

n. Per share information

The computation of net income per share is based on the weighted average number of shares of common stock outstanding during each year. The average number of common shares used in the computation was 523,891 thousand shares for 1998, 512,975 thousand shares for 1997 and 481,926 thousand shares for 1996.

Diluted net income per share of common stock assumes full conversion of the outstanding convertible bonds at the beginning of the year (or at the date of issuance) with an applicable adjustment for related interest expense, net of tax, and full exercise of outstanding warrants.

Cash dividends per share presented in the accompanying consolidated statements of income are dividends applicable to the respective years including dividends to be paid after the end of the year.

3. Marketable and Investment Securities

Carrying amounts and aggregate market values of current and non-current marketable securities at March 31, 1998 and 1997 were as follows:

	Millions of yen				Thousands of U.S. dollars	
	1998		1997		1998	
	Carrying amount	Aggregate market value	Carrying amount	Aggregate market value	Carrying amount	Aggregate market value
Current:						
Marketable securities	¥ 5,464	¥ 4,997	¥ 8,755	¥ 10,214	\$ 41,394	\$ 37,856
Treasury stock	2	2	1	1	15	15
Non-current:						
Investment securities	61,264	53,058	63,050	68,852	464,121	401,955
Investments in associated companies	41,861	34,711	42,077	58,787	317,129	262,962
Total	<u>¥108,591</u>	<u>¥92,768</u>	<u>¥113,883</u>	<u>¥137,854</u>	<u>\$822,659</u>	<u>\$702,788</u>

The difference between the above carrying amounts and the amounts shown in the balance sheets with respect to marketable securities, investment securities and investments in associated companies consisted of unlisted securities, for which market value amounts are not available.

4. Inventories

Inventories at March 31, 1998 and 1997 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	1998	1997	1998
Finished residential homes and condominiums	¥ 30,560	¥ 22,454	\$ 231,515
Construction projects in progress	29,176	58,171	221,031
Residential homes and condominiums in process	9,228	24,118	69,909
Land held:			
For resale	154,057	163,346	1,167,099
Under development	20,445	15,777	154,886
Undeveloped	20,742	26,350	157,136
Construction materials and supplies	8,896	10,320	67,394
Total	<u>¥273,104</u>	<u>¥320,536</u>	<u>\$2,068,970</u>

The Companies engage in two principal business activities. They manufacture and construct prefabricated houses and structures and also engage in various contracted construction projects, primarily for the construction of large-scale commercial and residential buildings. To further such business, the Companies purchase land for development and resale.

5. Short-term Bank Loans, Commercial Paper and Long-term Debt

Short-term bank loans at March 31, 1998 and 1997 consisted principally of bank overdrafts. The annual interest rates for the short-term bank loans ranged from 0.9% to 1.6% at March 31, 1998 and 1997, respectively. The annual interest rates for commercial paper ranged from 0.8% to 0.9% at March 31, 1998.

Long-term debt at March 31, 1998 and 1997 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	1998	1997	1998
Bonds with detachable stock purchase warrants —			
1.0% U.S. dollar bonds due 1998		¥ 79,571	
Convertible bonds:			
0.8% convertible bonds due 1998		30,000	
2.0% convertible bonds due 1999	¥ 448	448	\$ 3,394
2.0% convertible bonds due 2002	2,450	2,453	18,561
Unsecured loans from banks	393	335	2,977
Total	3,291	112,807	24,932
Less current portion	448	109,571	3,394
Long-term debt, net of current portion	¥2,843	¥ 3,236	\$21,538

Annual maturities of long-term debt at March 31, 1998 were as follows:

Year ending March 31:	Millions of yen	Thousands of U.S. dollars
1999	¥ 448	\$ 3,394
2000	393	2,977
2002	2,450	18,561
Total	¥3,291	\$24,932

As is customary in Japan, the Companies maintain deposit balances with banks with which they have borrowings. Such deposit balances are not legally or contractually restricted as to withdrawal.

General agreements with the respective banks provide, as is customary in Japan, that collateral must be provided under certain circumstances if requested by such banks and that certain banks have the right to offset cash deposited with them against any short-term or long-term debt or obligation that becomes due and, in case of default and certain other specified events, against all other debt payable to the banks. The Companies have never been requested to provide any additional collateral.

All outstanding 1.0% U.S. dollar bonds with warrants due in 1998 were redeemed during the fiscal year ended March 31, 1998. As the Company had purchased forward exchange contracts for these bonds with warrants at the time of issuance, the remaining unamortized portions of the related exchange gains which were recorded as "Accrued expenses and other current liabilities" have been fully recognized in the consolidated statement of income for the year ended March 31, 1998. The amortization of deferred exchange gains was credited to interest expense related to these bonds and remaining portions were recorded as exchange gains or offset with exchange losses in "Other income (expenses): Other — net" in the consolidated statements of income (see Note 10).

All outstanding convertible bonds of the Company at March 31, 1998 were convertible into 1,785 thousand shares of the Company's common stock. The convertible bonds may be redeemed prior to maturity in whole or in part at prices ranging from 104% to 100% of the principal amounts. The conversion prices of the convertible bonds at March 31, 1998 were as follows, subject to anti-dilutive provisions:

	Conversion price
2.0% convertible bonds due 1999	¥1,623.4
2.0% convertible bonds due 2002	1,623.4

The agreements for certain convertible bonds contain restrictions with respect to the payment of cash dividends and other matters. The amount of retained earnings free from such restrictions was ¥325,390 million (\$2,465,076 thousand) at March 31, 1998 (see Note 8).

6. Current and Long-term Deposits Received

Current deposits received at March 31, 1998 and 1997 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	1998	1997	1998
Advances from customers on signed or future sales contracts	¥37,522	¥56,392	\$284,258
Deposits from customers, primarily for incidental costs such as registration fees, etc.	12,015	17,049	91,023
Other	1,412	1,750	10,697
Total	<u>¥50,949</u>	<u>¥75,191</u>	<u>\$385,978</u>

Long-term deposits received at March 31, 1998 and 1997 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	1998	1997	1998
Deposits from the Company's club members	¥ 80,158	¥ 71,279	\$607,258
Deposits from members of golf courses	8,810	9,482	66,742
Deposits from sales agents and subcontractors	8,626	8,435	65,349
Deposits from lessee	20,360	16,067	154,242
Other	62	63	470
Total	<u>¥118,016</u>	<u>¥105,326</u>	<u>\$894,061</u>

The Companies operate resort complexes that include hotels with adjacent golf courses, vacation homes and other resort facilities. Members of the "Daiwa Royal Members Club" pay non-interest bearing refundable deposits to the Company and in return have certain rights in relation to the use of all the Company's resort hotels.

7. Retirement and Pension Plans

Under the unfunded retirement benefit plan, employees terminating their employment are entitled, in most circumstances, to lump-sum severance payments determined by reference to wage rates at the time of termination, years of service and certain other factors. In addition, the Company, Daiwa Housing Co., Ltd., Daiwa Resort Co., Ltd., Royal Home Center Co., Ltd. and Daiwa Living Co., Ltd. have adopted a trustee pension plan covering most employees of the Company and the aforementioned subsidiaries. At March 31, 1997 and 1996 (the most recent available valuation dates), the assets of the plan amounted to ¥87,936 million (\$666,182 thousand) and ¥79,208 million, respectively. Prior service cost is being amortized over 20 years.

Total charges to expense for the retirement and pension plans were ¥5,487 million (\$41,568 thousand), ¥5,843 million and ¥4,767 million for the years ended March 31, 1998, 1997 and 1996, respectively.

8. Shareholders' Equity

The Code requires at least 50% of the issue price of new shares, with a minimum of the par value thereof, to be designated as stated capital as determined by resolution of the Board of Directors. Proceeds in excess of amounts designated as stated capital are credited to additional paid-in capital.

The Code also requires companies to appropriate from retained earnings to a legal reserve an amount at least equal to 10% of all cash payments which are made as an appropriation of retained earnings until such reserve equals 25% of the stated capital. This reserve is not available for dividends but may be used to reduce a deficit by resolution of the shareholders.

The Company may transfer portions of additional paid-in capital and legal reserve to stated capital by resolution of the Board of Directors. The Company may also transfer portions of unappropriated retained earnings, available for dividends, to stated capital by resolution of the shareholders.

Under the Code, the Company may issue new common shares to existing shareholders without consideration as a stock split pursuant to resolution of the Board of Directors. The Company may make such a stock split to the extent the aggregate par value of the shares outstanding after the stock split does not exceed the stated capital. However, the amount calculated by dividing the total amount of shareholders' equity by the number of outstanding shares after the stock split shall not be less than ¥50.

At March 31, 1998, retained earnings recorded on the books included ¥323,413 million (\$2,450,098 thousand) designated as general reserves but available for future dividends and bonuses to directors and corporate auditors subject to approval by the shareholders and legal reserve requirements (see Note 5 with respect to restrictions under convertible debt agreements).

Dividends are approved by shareholders at a meeting held subsequent to the fiscal year to which the dividends are applicable. Semiannual interim dividends may also be paid upon resolution of the Board of Directors, subject to certain limitations imposed by the Code.

9. Segment Information

Information about operations in different industry segments of the Companies for the years ended March 31, 1998, 1997 and 1996 is as follows:

Sales and operating income

	Millions of yen					
	1998					
	Residential	Commercial	Resort	Other	Eliminations	Consolidated
Sales to customers	¥729,305	¥259,161	¥41,593	¥39,730		¥1,069,789
Intersegment sales		1,361	705	768	¥ (2,834)	
Total sales	729,305	260,522	42,298	40,498	(2,834)	1,069,789
Operating expenses	684,906	242,875	48,191	42,097	9,414	1,027,483
Operating income (loss) before adjustment of enterprise tax	¥ 44,399	¥ 17,647	¥(5,893)	¥(1,599)	¥(12,248)	42,306
Enterprise tax (income tax) included in operating expenses						(6,144)
Operating income						¥ 48,450
	Thousands of U.S. dollars					
	1998					
	Residential	Commercial	Resort	Other	Eliminations	Consolidated
Sales to customers	\$ 5,525,038	\$ 1,963,341	\$315,098	\$300,985		\$8,104,462
Intersegment sales		10,311	5,341	5,818	\$ (21,470)	
Total sales	5,525,038	1,973,652	320,439	306,803	(21,470)	8,104,462
Operating expenses	5,188,682	1,839,962	365,083	318,917	71,318	7,783,962
Operating income (loss) before adjustment of enterprise tax	\$ 336,356	\$ 133,690	\$ (44,644)	\$ (12,114)	\$ (92,788)	320,500
Enterprise tax (income tax) included in operating expenses						(46,545)
Operating income						\$ 367,045
	Millions of yen					
	1997					
	Residential	Commercial	Resort	Other	Eliminations	Consolidated
Sales to customers	¥835,112	¥276,990	¥42,072	¥34,121		¥1,188,295
Intersegment sales		864	563	681	¥ (2,108)	
Total sales	835,112	277,854	42,635	34,802	(2,108)	1,188,295
Operating expenses	754,939	261,278	49,146	37,016	11,012	1,113,391
Operating income (loss) before adjustment of enterprise tax	¥ 80,173	¥ 16,576	¥ (6,511)	¥ (2,214)	¥ (13,120)	74,904
Enterprise tax (income tax) included in operating expenses						(8,985)
Operating income						¥ 83,889

	Millions of yen					
	1996					
	Residential	Commercial	Resort	Other	Eliminations	Consolidated
Sales to customers	¥739,563	¥260,167	¥40,591	¥25,897		¥ 1,066,218
Intersegment sales		851	513	626	¥ (1,990)	
Total sales	739,563	261,018	41,104	26,523	(1,990)	1,066,218
Operating expenses	667,756	243,272	48,874	28,022	10,166	998,090
Operating income (loss) before adjustment of enterprise tax	¥ 71,807	¥ 17,746	¥ (7,770)	¥ (1,499)	¥ (12,156)	68,128
Enterprise tax (income tax) included in operating expenses						(7,939)
Operating income						¥ 76,067
Assets, depreciation and capital investments						
	Millions of yen					
	1998					
	Residential	Commercial	Resort	Other	Corporate	Consolidated
Assets	¥363,580	¥105,191	¥186,569	¥70,088	¥287,644	¥1,013,072
Depreciation	5,628	1,907	9,029	1,191	101	17,856
Capital investments	6,746	6,761	12,226	958	7,371	34,062
	Thousands of U.S. dollars					
	1998					
	Residential	Commercial	Resort	Other	Corporate	Consolidated
Assets	\$2,754,394	\$ 796,901	\$1,413,402	\$530,970	\$2,179,121	\$7,674,788
Depreciation	42,636	14,447	68,402	9,023	765	135,273
Capital investments	51,106	51,220	92,621	7,257	55,841	258,045
	Millions of yen					
	1997					
	Residential	Commercial	Resort	Other	Corporate	Consolidated
Assets	¥422,653	¥129,466	¥182,646	¥69,918	¥341,262	¥1,145,945
Depreciation	6,278	2,125	9,587	806	120	18,916
Capital investments	9,366	10,455	10,085	2,633	8,497	41,036
	Millions of yen					
	1996					
	Residential	Commercial	Resort	Other	Corporate	Consolidated
Assets	¥441,559	¥142,725	¥181,400	¥67,936	¥407,597	¥1,241,217
Depreciation	6,940	2,200	10,031	560	240	19,971
Capital investments	13,471	3,880	7,628	1,683	8,110	34,772

The industry segments consisted of the following:

Components of net sales in the consolidated statements of income	Industry Segment			
	Residential	Commercial	Resort	Other
Construction	Construction of single/multi-family homes and condominiums	Construction of commercial buildings		Construction of resort villas
Real estate	Sales of real estate for residential use	Sales and rental of real estate for commercial use		Sales of land lots for resort villas
	Real estate commissions			
	Rental of residential complexes			
Other			Operations of hotels and golf courses	Operations of "do-it-yourself" hardware centers

Eliminations include unallocated operating expenses, principally consisting of general corporate expenses incurred by the administration headquarters of the Company.

Corporate assets are principally cash and cash equivalents, marketable securities and investment securities.

10. Other Income (Expenses): Other — Net

"Other income (expenses): Other — net" for the years ended March 31, 1998, 1997 and 1996 consisted of the following:

	Millions of yen			Thousands of U.S. dollars
	1998	1997	1996	1998
Equity in earnings of associated companies	¥ 449	¥1,516	¥2,627	\$ 3,401
Exchange gains (see Note 5)	1,047	466	826	7,932
Gain resulting from associated company's public offering of stock ..			615	
Loss on sales and disposal of property, plant and equipment.....	(2,055)	(1,664)	(3,651)	(15,568)
Gain (loss) on sales of marketable and investment securities.....	114	(431)	(651)	864
Real estate acquisition tax and other taxes.....	(414)	(718)	(513)	(3,136)
Write-down of marketable and investment securities	(555)	(268)		(4,205)
Other — net	254	879	1,449	1,924
Total	¥(1,160)	¥ (220)	¥ 702	\$ (8,788)

Daiwa Logistics Co., Ltd. ("DLC"), an associated company, made a public offering of 1 million shares in September 1995. The Company did not subscribe to any shares and as a result of the offering the Companies' ownership in DLC decreased from 47.2% to 40.4%. However, the Companies' interest in DLC's net assets increased because of the proceeds from shares issued to the public. The gain from the increase in the Companies' investment in DLC is presented as "Gain resulting from associated company's public offering of stock" separate from "Equity in earnings of associated companies" as shown above.

11. Income Taxes

The Companies are subject to a number of taxes based on income. The effective income tax rates of the Companies for the years ended March 31, 1998, 1997 and 1996 differ from the normal statutory rates for the following reasons:

	1998	1997	1996
Normal statutory income tax rates	51.2%	51.2%	51.2%
Increase (decrease) in tax rates due to:			
Permanently non-deductible expenses	2.4	1.4	1.5
Temporary differences	1.8	(0.3)	(1.9)
Equity in earnings of associated companies, less dividends	0.3	(0.5)	(1.3)
Gain resulting from associated company's public offering of stock			(0.4)
Other — net	2.4	(2.0)	0.2
Effective income tax rates	<u>58.1%</u>	<u>49.8%</u>	<u>49.3%</u>

12. Leases

Total lease payments under finance leases that are not deemed to transfer ownership of the leased property to the lessee were ¥5,713 million (\$43,280 thousand) and ¥3,937 million for the years ended March 31, 1998 and 1997, respectively.

Obligations under such finance leases as of March 31, 1998 are as follows:

	Millions of yen	Thousands of U.S. dollars
Due within one year	¥ 5,854	\$ 44,349
Due after one year	<u>9,666</u>	<u>73,227</u>
Total	<u>¥15,520</u>	<u>\$117,576</u>

The amount of obligations under finance leases includes the imputed interest expense portion.

Obligations and future rental income under non-cancellable operating leases as of March 31, 1998 are as follows:

Lessee	Millions of yen	Thousands of U.S. dollars
Due within one year	¥ 11,980	\$ 90,757
Due after one year	<u>130,558</u>	<u>989,076</u>
Total	<u>¥142,538</u>	<u>\$1,079,833</u>

Lessor	Millions of yen	Thousands of U.S. dollars
Due within one year	¥ 5,436	\$ 41,182
Due after one year	<u>69,562</u>	<u>526,985</u>
Total	<u>¥74,998</u>	<u>\$568,167</u>

13. Derivatives

The Company has entered into foreign exchange forward contracts to hedge market risk from the changes in foreign exchange rates associated with liabilities denominated in foreign currencies.

It is the Company's policy to use derivatives only for the purpose of reducing market risks associated with liabilities.

The execution and control of derivatives are controlled by the Finance Department. Each derivative transaction is reported to management and the Accounting Department monthly.

As of March 31, 1998, the Company did not have any forward exchange contracts. As of March 31, 1997, the total forward exchange contracted amount which was not reflected on the balance sheet was as follows:

1997	Contract amount (in thousands)	Millions of yen	
		Amount in equivalent of yen valued at forward exchange rate	Amount in equivalent of yen valued at spot rate as of March 31, 1997
Buying U.S. dollars forward	US\$7,909	<u>¥853</u>	<u>¥982</u>
		Thousands of U.S. dollars	
		Amount in equivalent of yen valued at forward exchange rate	Amount in equivalent of yen valued at spot rate as of March 31, 1997
		<u>\$6,879</u>	<u>\$7,909</u>

14. Commitments and Contingencies

Capital expenditure commitments — Commitments for capital expenditures outstanding at March 31, 1998 aggregated approximately ¥9,577 million (\$72,553 thousand).

Contingencies — At March 31, 1998, contingent liabilities for notes endorsed with recourse and loans guaranteed in the ordinary course of business amounted to ¥4,374 million (\$33,136 thousand) and ¥113,258 million (\$858,015 thousand), respectively. Included in loans guaranteed were customers' housing loans from banks in the amount of ¥108,714 million (\$823,591 thousand).

15. Subsequent Event

(1) The following appropriations of retained earnings at March 31, 1998 were approved at the Company's shareholders' meeting held on June 26, 1998:

	Millions of yen	Thousands of U.S. dollars
Year-end cash dividends, ¥17.0 (\$0.13) per share	¥8,906	\$67,469
Bonuses to directors and corporate auditors	150	1,136
Transfer to legal reserve	910	6,894

(2) At the general shareholders' meeting held on June 26, 1998, the Company's shareholders approved the purchase of treasury stock for retirement and related reduction of retained earnings. The Company is authorized to repurchase, at management's discretion, up to 50 million shares of the Company's stock for the purpose of canceling the shares by charging costs of repurchase to retained earnings. Any such amounts charged to retained earnings would not be available for future distribution to shareholders.

Independent Auditors' Report

**Deloitte Touche
Tohmatsu**



Tohmatsu & Co.

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3-13, Azuchimachi 2-chome
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To the Board of Directors and Shareholders of
Daiwa House Industry Co., Ltd.:

We have examined the consolidated balance sheets of Daiwa House Industry Co., Ltd. and subsidiaries as of March 31, 1998 and 1997, and the related consolidated statements of income, shareholders' equity, and cash flows for each of the three years in the period ended March 31, 1998, all expressed in Japanese yen. Our examinations were made in accordance with auditing standards generally accepted in Japan and, accordingly, included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the consolidated financial statements referred to above present fairly the financial position of Daiwa House Industry Co., Ltd. and subsidiaries as of March 31, 1998 and 1997, and the results of their operations and their cash flows for each of the three years in the period ended March 31, 1998 in conformity with accounting principles generally accepted in Japan applied on a consistent basis.

Our examinations also comprehended the translation of Japanese yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made in conformity with the basis stated in Note 1. Such U.S. dollar amounts are presented solely for the convenience of readers outside Japan.

Deloitte Touche Tohmatsu

June 26, 1998

**Deloitte Touche
Tohmatsu
International**

Corporate Data

■ Established

April 5, 1955

■ Common Stock

¥108,781 million (US\$824,098 thousand)

■ Authorized Shares

1,900,000,000 shares

■ Principal Shareholders

	(thousands of shares)
The Sumitomo Bank, Limited	23,930
The Tokai Bank, Limited	23,930
The Fuji Bank, Limited	23,930
The Dai-ichi Mutual Life Insurance Company	23,209
The Mitsui Trust and Banking Company, Limited	16,489
The Mitsubishi Trust and Banking Corporation	14,528
Nippon Life Insurance Company	14,501
Nippon Steel Corporation	13,120
Caisse Nationale de Credit Agricole Jasdec Account	11,126
The Toyo Trust and Banking Company, Limited	10,586

(As of March 31, 1998)

■ Securities Traded

Tokyo, Osaka, Nagoya, Sapporo, Niigata, Kyoto, Hiroshima, and Fukuoka Stock Exchanges

■ Auditors

Deloitte Touche Tohmatsu

■ Subsidiaries and Affiliates

26 consolidated subsidiaries, 17 affiliates under the equity method and 3 affiliates under the non-equity method.

■ Domestic Offices

Head Office

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Phone: (06) 532-5111

Fax: (06) 532-5806

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Fax: (03) 3281-3252

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Phone: (052) 933-2703

Fax: (052) 933-4484

Central Research Laboratory

6-2, 6-chome, Sakyo, Nara 631-0801

Phone: (0742) 70-2110

Branch Offices

Sapporo, Iwate, Aomori, Akita, Sendai, Yamagata, Fukushima, Joto, Meguro, Shinjuku, Tama, Gunma, Utsunomiya, Ibaraki, Chiba, Funabashi, Matsudo, Saitama, Kawagoe, Yokohama, Shonan, Atsugi, Nagano, Niigata, Aichi-Kita, Okazaki, Gifu, Shizuoka, Numazu, Hamamatsu, Mie, Yokkaichi, Kanazawa, Fukui, Toyama, Shiga, Kyoto, Hokusetsu, Osaka-Chuo, Sakai, Nara, Wakayama, Kobe, Akashi, Himeji, Okayama, Kurashiki, Yonago, Hiroshima, Fukuyama, Yamaguchi, Takamatsu, Tokushima, Kochi, Ehime, Fukuoka, Kurume, Saga, Nagasaki, Kita-Kyushu, Oita, Kumamoto, Miyazaki, Kagoshima and 123 other offices.

■ Plants

Sapporo, Tohoku, Niigata, Tochiginomiya, Ryugasaki, Chubu, Mie, Nara, Sakai, Okayama, Shikoku, Kyushu, Kyushu No.2

■ Overseas Subsidiaries and Affiliates

La Tour-Wilshire Development Company, Inc.

2082, Business Centre Drive, Suite 170, Irvine, CA 92715, U.S.A.

Phone: (714) 955-0992

Fax: (714) 955-1039

Daiwa House (Australia) Pty. Ltd.

Suite 4, Level 3, Cavill Park 46, Cavill Avenue, Surfers Paradise, QLD 4217, Australia

Phone: (075) 92-3544

Fax: (075) 92-0039

Beijing East Palace Apartment Co., Ltd.

25, Zaoying lu, Chaoyang District, Beijing, China

Phone: (10) 467-8811

Fax: (10) 467-8006

Shanghai International Realty Co., Ltd.

Room 1507, Shanghai International Trade Centre 2200, Yanan xi lu, Shanghai, China

Phone: (21) 275-9646

Fax: (21) 275-0031

Tianjin Jiuhé International Villa Co., Ltd.

140, Weiguo Road, Hedong District, Tianjin, China

Phone: (22) 434-7645

Fax: (22) 434-7647

Dalian Civil Aviation Hotel Co., Ltd.

143, Zhongshan lu, Dalian, China

Phone: (411) 363-3111

Fax: (411) 363-8211

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