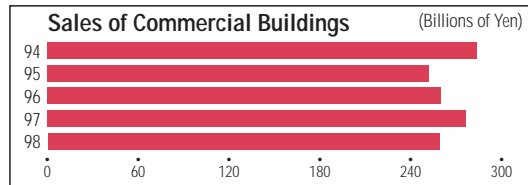


Commercial Buildings

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).



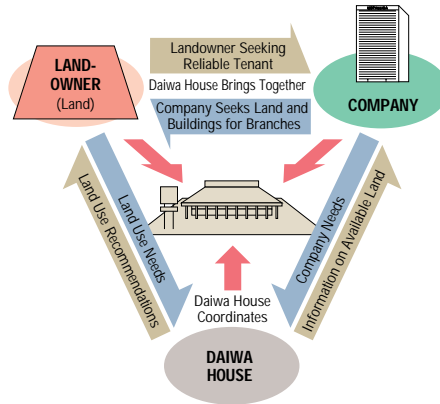
LOC Shopping Town Bungotakada, a commercial complex featuring a large supermarket and household goods stores, opened in September 1997.



“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.

