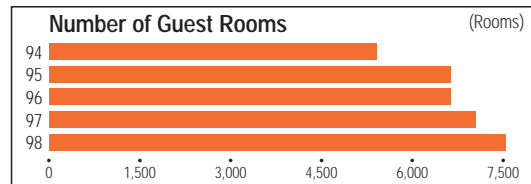
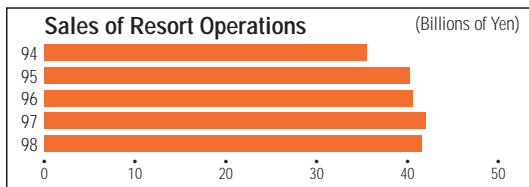


## Resort Operations

*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.

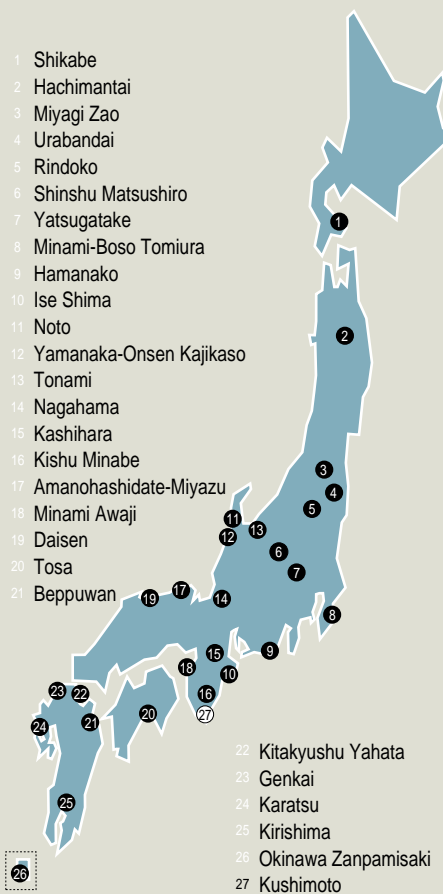
Daiwa House’s chain of hotels does not merely offer a comfortable and full leisure experience to guests, but by

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.