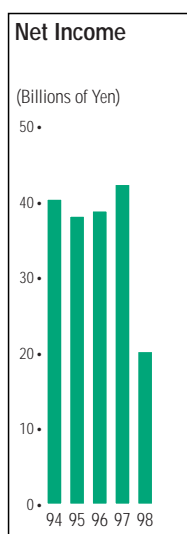
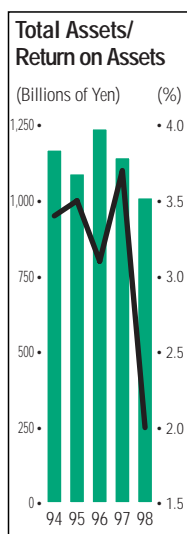
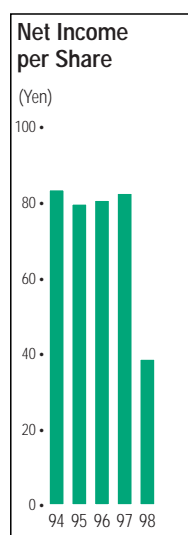
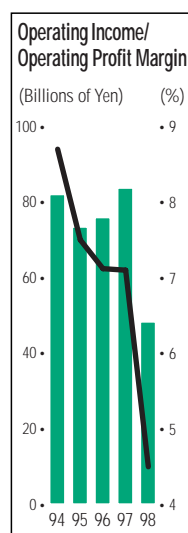
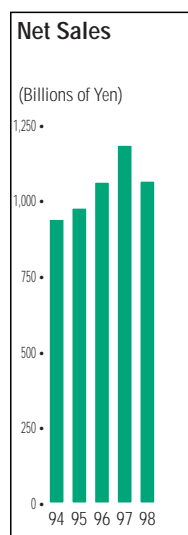


Financial Review



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).

