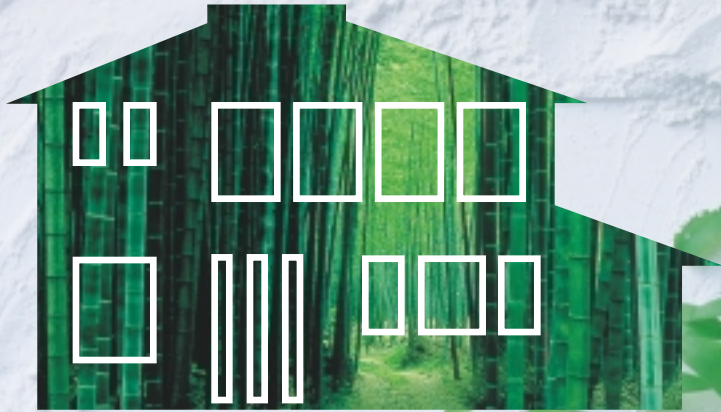


A N N U A L



R E P O R T



1 9 9 9

YEAR ENDED MARCH 31, 1999



DAIWA HOUSE INDUSTRY CO., LTD.

COMPANY PROFILE

- The history of Daiwa House Industry Co., Ltd. is one of opening up uncharted territory. Since its establishment in 1955, Daiwa House has been a leader in the “industrialization” of construction in Japan, and has developed a constant stream of superior housing products that have revolutionized the housing industry in terms of quality, construction time, and value for money. We have also applied our unique industrialization technology to the construction of shops and office buildings, and have played a major role in the development of Japan’s housing and general construction industry.
- Moreover, responding to changes in lifestyles, we have been carrying out resort operations and opening home centers across the country. Thanks to this far-seeing business expansion policy, Daiwa House has been building up a strong, stable management base that has put it at the forefront of the industry.
- Today, Daiwa House is making full use of the extensive and integrated range of abilities it has perfected over its many years’ experience in the housing business. As a “comprehensive life-related company” that offers people a truly comfortable living environment, it is poised for still more dramatic growth in the 21st century.
- Daiwa House’s long-term bonds, which are subject to the strictest assessment of all corporate securities, have been rated AA by Japanese rating agencies, the highest rating within the Japanese housing industry. Our bonds were also awarded the industry’s highest rating by Moody’s as of September 30, 1998.

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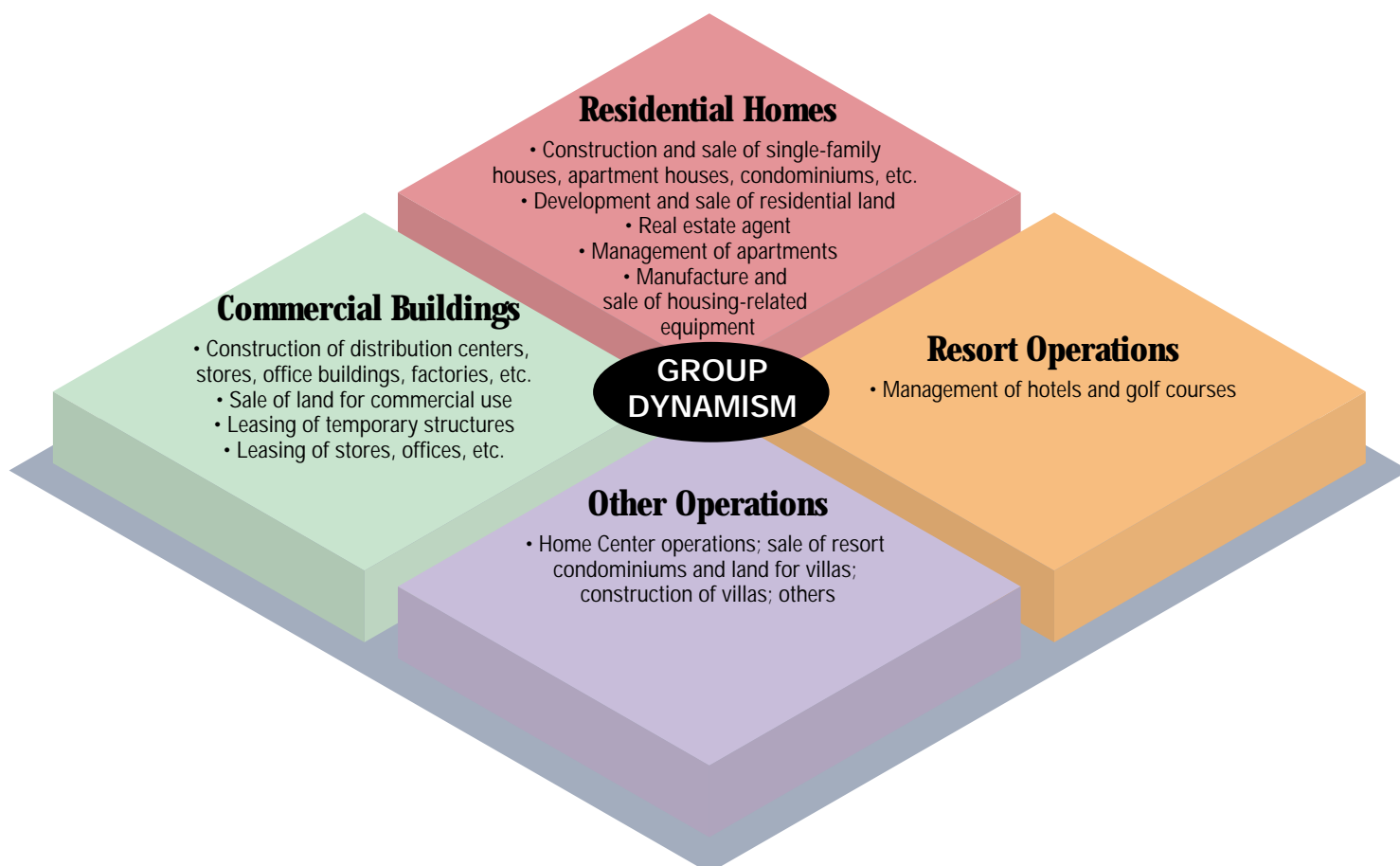
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FINANCIAL HIGHLIGHTS

CONSOLIDATED

Years ended March 31, 1999, 1998 and 1997	Millions of yen			Thousands of U.S. dollars
	1999	1998	1997	1999
Net sales	¥896,006	¥1,069,789	¥1,188,295	\$7,405,008
Net income	16,699	20,373	42,452	138,008
Per share of common stock (in yen and dollars):				
Net income	31.88	38.89	82.76	0.26
Diluted net income		37.91	79.89	
Cash dividends applicable to the year	17.00	17.00	17.00	0.14
Capital expenditures	47,545	28,700	34,133	392,934
Depreciation and amortization	18,453	18,710	19,961	152,504
Total assets	950,701	1,013,072	1,145,944	7,857,033
Shareholders' equity	603,060	595,429	584,157	4,983,967

Note: The U.S. dollar amounts represent translations of Japanese yen for convenience only at the approximate exchange rate on March 31, 1999 of ¥121 =U.S.\$1.



At a Cabinet meeting in January 1999, as part of its medium-to-long-term measures to revitalize the Japanese economy, the government adopted a “Strategic Plan for Doubling Living Space” aimed at improving the standard of living of the population. The target for housing construction starts in fiscal 2000 has been raised to 1,300,000 units, and the government has announced that housing will be assigned priority in the national budget over the next five years. In October 1998, the mortgage rate charged by Housing Loan Corporation reached a historical low of 2%, and since January 1999, home buyers taking out a mortgage have been eligible for tax relief. In this way, the authorities have positioned housing policies at the core of their overall economic stimulus measures. Daiwa House does not intend to let this golden opportunity slip from its grasp. We are not only exerting our full efforts to expand the volume of orders received, we are also strengthening our marketing power and product range, and have adopted a unique strategy with the aim of obtaining the No. 1 share in the housing market.

Achieving cost savings of over ¥30 billion thanks to rationalization measures

Q: The number of new housing starts in fiscal 1999 fell below the 1,200,000 mark for the first time in 15 years, to 1,170,000 units, leading to unfavorable accounts settlements for all the home builders. Could you first of all give us your evaluation of your business results in the term under review?

As the number of new housing starts in the previous term was 1,340,000 units, the fiscal 1999 figure represents a decline of approximately 13%. Even in the field of general construction, there was no recovery in demand, in spite of the increase in public works resulting from the government’s economic stimulus measures, owing to a sharp fall in private-sector capital investment. As a result, consolidated net sales fell 16.2% from the previous year, to ¥896,006 million (US\$7,405 million), income before income taxes declined 56.1% to ¥21,351 million (US\$176 million), and net income was down 18.0% to ¥16,699 million (US\$138 million).

These results are very regrettable, and we are making determined efforts to significantly improve the Company’s management efficiency and cost competitiveness. In particular, we have been quick to initiate streamlining measures, and we are confident that the cost reduction of over ¥30,000 million achieved during the term under review will contribute to strengthening the Company’s earnings from here onward.

Full-fledged entry into home renovation business via a product strategy that distinguishes Daiwa House from its competitors

Q: What measures have you adopted and implemented to deal with deteriorating market conditions?

It is becoming increasingly important to speedily pinpoint changes in the business environment and in market needs, and rapidly take the appropriate countermeasures. With the goal of bolstering our marketing capabilities, we launched a new business division system in April 1998, and in July 1998 we became the first major home builder to adopt an executive officer system. Specifically, we reduced the number of directors from 26 to 10. The new, smaller board of directors is able to make decisions much more swiftly.

The crucial element in product development is the extent to which we can satisfy our customers more fully than our competitors. For this reason, in fiscal 1999, Daiwa House became the first company in the industry to adopt “Healthy Housing Specifications,” in which the use of formaldehyde has been eliminated not only from finishing materials such as wall coverings, but also from backing materials for floors and walls, as the standard specifications for all housing products. This distinguished our products still more from those of our rivals.

Among the housing products to which these new health specifications have been applied are “Le Grand Socie,” launched in September 1998. This house model, which has proved very popular, comes in a wide variety of exterior designs, is priced in a



Takeshi Togo
*Representative Director &
President*

reasonable range, and can be adapted to the climatic conditions of different parts of Japan, thus meeting the most exacting customer requirements.

We also developed a “21st century-type” solar power housing product, the “Whole-Roof Solar Energy System”—the first in the industry to utilize amorphous materials, which are more environmentally friendly than conventional materials—and launched single-family houses featuring this system.

Home renovation service also begun at home centers

Q: Daiwa House’s strength is that, as well as its housing operations, it possesses additional earnings bases in its home centers and resort operations. How do you see the current trends and future prospects of these divisions?

Sales by other operations, notably home centers, increased 8.9% in fiscal 1999 over the previous year. In the home center business, which we started up in 1980, three new outlets were opened in fiscal 1999, bringing the total to 37 outlets at term-end. Moreover, to add an extra dimension to these operations, and in response to customer demands in the field of home renovation, we started a “Renovation Support System.” I believe that we can look forward to considerable future growth through cooperation between the Company’s residential home operations and its home centers. We aim to stress those features that distinguish our outlets from those of the competition, namely, our specialization in home renovation, do-it-yourself goods, gardening products and similar items.

Turning to the Company’s resort operations, the Kushimoto Royal Hotel, our 30th hotel, was opened in April 1998. With this, we have attained our projected target, and can look forward to maintaining or even increasing earnings from this source. At the same time, we aim to strengthen our marketing by emphasizing the special features of our membership-type resort hotels.

Fail-safe measures to solve the Y2K problem

Q: The Year 2000 (Y2K) Problem is an issue of worldwide concern. What progress are you making in your Y2K countermeasures, and what are your cost projections?

We began reconstructing our information systems in 1994, and we have been taking countermeasures against the Y2K problem in parallel with this. Work on our core system was completed in March 1999, and we plan to complete confirmation tests on all other in-house information systems and dispersed systems, including PCs, by September 1999. We are receiving progress reports on Y2K compliance work from our principal affiliated companies, and on the basis of the information we have received, we do not expect the occurrence of any problem sufficiently serious to disrupt business operations.

Because much of the cost of work to achieve Y2K compliance was contained in the budget for reconstructing our information systems, we are unable to accurately calculate costs attributable solely to Y2K compliance. We do not anticipate that Y2K-related expenditure will have a significant impact on our business operations or results. We will continue to conduct risk analysis, and to create a crisis management system capable of coping with any contingency.

Aiming at top market share by cementing good relationship with customers

Q: What are your forecasts for business results in the current term?

We expect the government's implementation of tax relief measures for home buyers taking out a mortgage to trigger an upsurge in demand. In fact, thanks to the lowering of Housing Loan Corporation's mortgage rate and the mortgage-linked tax relief, we have seen definite signs of a revival in demand since the start of this business term. We at Daiwa House see this as an ideal chance to expand our share of the market, and we are exhorting all our staff to conduct aggressive marketing. We project this term's net consolidated sales at ¥980,000 million (US\$8,099 million) and net income at ¥36,000 million (US\$298 million).

Q: There seems little cause for hope of a large increase in new housing starts over the medium-to-long term. In these circumstances, how do you intend to go about expanding sales and income?

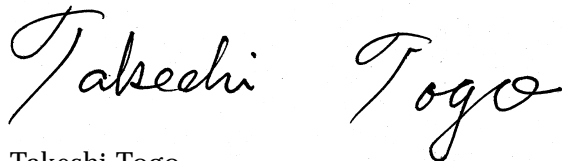
The decline in housing demand is not due solely to economic conditions, but is tied to the fact that the total number of dwellings in Japan already exceeds the number of families.

The only ray of light amid this overall slump in housing demand is the growth in demand for house expansion and renovation. We expect home owners from here on to constantly seek to increase the value of their real estate assets through extension and renovation. Although there will probably be sluggish growth in the number of first-time buyers, the development of the replacement market is likely to become our main business approach in the future.

Q: Could you tell us something about your marketing strategy regarding the replacement market, and your overall business strategy?

During the second half of the term under review, we split up our residential homes operations into three specialized divisions—general housing, subdivision housing, and housing renovation. With the goal of securing the top market share for each of these divisions, we will be strengthening our sales organization. I have ordered the Company's marketing staff to clarify the customer categories to be targeted by each of these new divisions, and to focus their sales efforts on these categories. For this purpose, we must reinforce our relationship with our customers by putting in place a thorough system of regular checks and long-term diagnosis. In my view, it is vitally important to create a lifelong relationship between Daiwa House and its customers in this manner.

Regarding our "Other Operations," too, our basic policy is to concentrate management resources on our areas of particular competence without allowing ourselves to be shackled by traditional values or concepts, and to capture new markets by the development of techniques and services that make Daiwa House stand out from the herd. The Company and its group intend to join forces and boldly confront the challenges posed by the current severe business environment and emerge a victor from the stiff competition.



Takeshi Togo
Representative Director & President



Osaka Head Office



Tokyo Office

New buildings completed in Osaka and Tokyo

Construction of the Company's new head office in Osaka (23 stories above ground and 3 basement floors) and an office building in Tokyo (23 stories above ground and 2 basement floors) was completed during the term under review. Moreover, focusing all the know-how it has accumulated over the years, the Company handled everything relating to these two buildings itself, from land development through design to execution. The buildings conform to the Company's key themes of environmental friendliness, energy conservation, health and safety, and high quality.

Paying particular attention to environmental friendliness, we fitted these buildings with co-generation systems, which re-use the heat produced in the initial combustion process, and with the "Ice Storage Air Conditioning System," which utilizes ice produced at night (using inexpensive off-peak electric power) to cool the buildings during the day. The buildings also feature an advanced recycling-type waste disposal system.

Three plants awarded ISO14001 certification

Daiwa House has adopted an 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." In line with this, the whole Company is working to achieve the goal of "zero emissions." Thanks to these efforts, during the term under review, our Mie, Sapporo, and Shikoku plants were awarded ISO14001 certification for environmental management.

All three plants have achieved major results in reducing the burden on the environment over a wide field of activities, including lowering electric power consumption so as both to save energy and cut CO₂ emissions, improving cleaning tank and waste disposal systems, reducing the volume of waste products, and doing away with wrappings for materials during transportation to building sites.



Mie Plant



Sapporo Plant



Shikoku Plant

Even more environmentally friendly "Whole-Roof Solar Energy System" launched

In August 1998, Daiwa House began selling single-family houses fitted with its "Whole-Roof Solar Energy System." This system is the first in the "industrialized" construction sector to use amorphous materials, which are less harmful to the environment than conventional crystal-type solar power generation systems.

Solar power generation systems using amorphous materials are more environmentally friendly than crystal-type systems because they have a shorter energy payback time (EPT) and the manufacturing process emits less CO₂. As Daiwa House's system is designed as an integral part of the roof, it harmonizes with the external appearance of the house. Moreover, because it requires no frame to fix it to the roof, nor any separate panels, unlike conventional systems, installation time is reduced, thereby cutting costs. For these reasons, it is a commercially very competitive product.

Daiwa House tackles the four main themes for 21st century living—environmentally friendly; safe & healthy; barrier-free; and energy-saving

Company-wide effort to confront environmental problems

In October 1997, Daiwa House established the Environmental Technology Division to promote environmental protection activities across the whole Company. We also set up the Environmental Promotion Committee to lead vigorous Company-wide environmental protection efforts. Six subcommittees were also established to specialize in the areas of energy consumption, waste products, environmental pollutants, lifestyle information, the workplace, and environmental assessment. These subcommittees draw up medium-to-long-term policies, in accordance with which each division drafts and implements an environmental action plan every year. The Environmental Promotion Committee checks the results of the whole Company's environmental activities and exerts its full efforts to ensure the achievement of the plans. For example, the Residential Homes Division is setting up a recycling system for waste products on building sites in an effort to reduce the volume of waste that needs to be disposed of, while at the same time they are introducing a system of recycling usable materials from houses that have been demolished.

Safety and health are the main themes

Daiwa House was the first company in the housing industry to formulate measures to deal with the problem of formaldehyde, a harmful organic compound. Our "Healthy Housing Specifications," which address this problem, are applied to all products, and are eloquent testimony to the emphasis placed on environmental and health issues in the housing that we offer. "Basia 21," the first house model built according to the "Healthy Housing Specifications," utilizes materials that give off very little formaldehyde. In addition, each room is fitted with a heat-exchanger fan that expels VOC (Volatile Organic Compounds) into the outside air without lowering the efficiency of heaters and air-conditioners. Furthermore, almost all internal fittings and fixtures, including "unit baths," combined wash-hand basins and cosmetic cabinets, kitchen counters, toilets, interior door handles, and colored flooring materials are all treated with antibacterial agents.

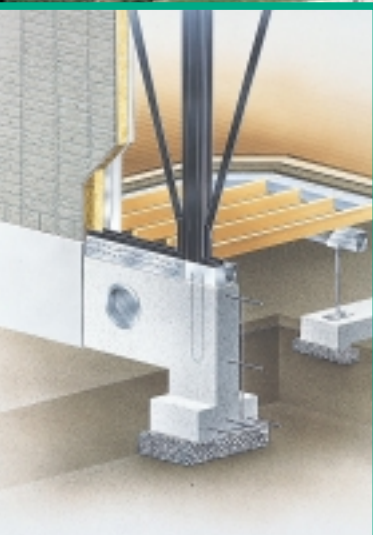
The careful attention we pay to safety is also one of the major distinguishing features of our housing products. Our "Triple United System" steel framework, in which three beams are joined together as one unit, is

Based on its concept of the "industrialization" of construction, Daiwa House has developed an extensive series of new technologies and construction methods, applied to the construction of both houses and office buildings, that lead to labor saving, energy conservation, and high product quality. As we move into the 21st century, the whole Company is directing its efforts toward environmental protection activities focused on those environmental problems that affect all mankind. Simultaneously, the Company's staff are aiming to achieve an overall technological revolution in pursuit of the functions that will be demanded of housing in the future—safety and health, barrier-free living space, and energy saving.

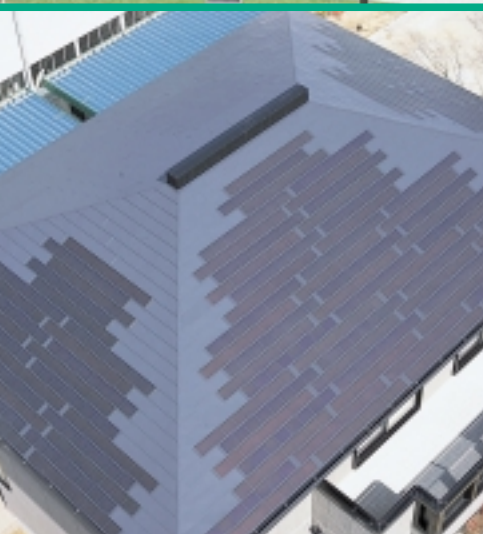


Our research into the needs of the aging society enables us to offer housing that takes into consideration the problems, such as moving in and out of bed, encountered by aged and disabled people as well as care workers.





In our unique Triple United System, the steel columns that form the core of a building's structural framework are joined to two load-resistant panels, one on each side, making an extremely strong single unit.



Our amorphous thin-film solar energy cells have a maximum power output of 4.75 kw, and can supply the full needs of the average family. On sunny days, when power output is high, surplus power can be sold to utility companies.

extremely strong and durable, and vividly demonstrated its ability to withstand earthquakes in the Great Hanshin Earthquake in January 1995.

Barrier-free housing helps elderly and disabled people

Thanks to our research into housing that meets the needs of a graying society, we are able to offer housing that takes into consideration the problems encountered by aged and disabled people, as well as care workers. These housing units feature wheelchair-accessible system kitchens, extra-large handles that make it easier for elderly people to open and close doors, "kick plates," which lessen the shock when a wheelchair bangs against a wall, and many other items of equipment. Moreover, these houses, whether 2-story or 3-story, are provided with a space measuring 3.3m² in which an elevator large enough for wheelchair access can be installed.

In October 1998, Daiwa House and a partner company jointly developed a system, dubbed "Senior Pose," which simulates the infirmities associated with old age. While assisting us in our development of housing for the elderly, this product is also being sold to care and welfare facilities for use in training and research, as well as to other housing makers and housing equipment manufacturers for use as a product development support tool.

Energy conservation

Daiwa House is promoting the reduction of energy consumption in its offices and factories, and on its building sites, and is also tackling the problems associated with energy saving in the home. Beginning with insulation measures that easily clear Housing Loan Corporation's insulation work standards, we offer a wide range of products that help to save energy, including solar power generation systems and equipment designed to use less water. In addition, we employ materials that are easily recyclable. Our "Whole-Roof Solar Energy System," which has been on sale since August 1998, attached to single-family houses, is the most representative example of our range of energy-saving products. This system, which is a unique type that comes already fixed to the steel roofing material, uses thin-film solar cells made from amorphous materials, which are environmentally friendly. The system can supply a household with all the electric power it needs.

In February 1999, Daiwa House began testing a pilot "all-electric house" in Niigata Prefecture. This new model of house utilizes surplus night-time electricity to supply hot water for central heating, and as a new approach to "ecological coexistence" in housing, is attracting considerable interest.

The prolonged recession created even more severe conditions for single-family homes and rental apartments than in the previous year. Under the Company's new business division system, we worked to boost sales by emphasizing our "Healthy Housing Specifications" as the aspect in which our products excel those of our competitors. Unfortunately, the sharp slump in demand led to a decline in sales of residential homes by 16.1% from the previous year, to ¥611,857 million (US\$5,057 million).

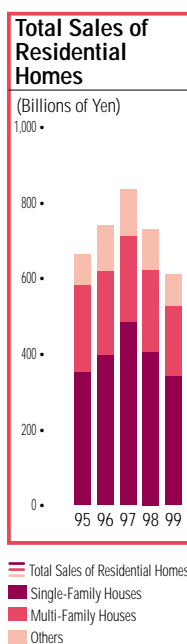
With a view to the expected needs of the 21st century, Daiwa House has devoted great efforts to the development of high-quality housing with long-term asset value, and has launched a large variety of products, principally housing, onto the market. In the field of 2-story homes, our pioneering Basia 21 exemplifies our focus on health, safety, energy saving, barrier-free design, and environmental protection. In addition, "Le Grand Socie," launched in response to buyers' need for a well-made house at a reasonable price, proved very popular. In view of the growth in sales of 3-story houses on inner-city sites, which are popular because of the high price of land in such districts, we marketed "New Yutorie 3," which is based on an existing popular design but offers new value-added features by taking into account the factors of health and environmental friendliness, among others. We responded to replacement demand in urban areas by launching "Le Grand Grandy 3," which offers superior basic functions and better value for money. By these means, we made vigorous efforts to expand sales.

In the field of apartment buildings, we have been developing new products in a bid to create a new target market for our products, while increasing the attractiveness to prospective owners of managing apartment buildings. These new products feature a variety of design specifications and services tailored to specific buyer categories. For example, we added "Séjour ME3," a 3-story apartment building to our product lineup. This model is designed to meet the needs of newlyweds, particularly stressing healthy living. In this way, we made efforts to expand sales by introducing new models, while simultaneously upgrading existing products.

Turning to the prospects for fiscal 2000, in view of the mortgage-linked tax

relief measures included in the government's emergency economic stimulus package, which is expected to boost housing purchases, as well as the implementation of a system providing subsidies amounting to 30% of the construction cost of high-durability apartment buildings, Daiwa House is devoting its full efforts, on a company-wide scale, to the goal of obtaining the top share in the market, principally through the development and marketing of competitive new products.

Turning to overseas operations, in May 1998 we opened the Tianjin Jiuhu International Village in the major Chinese city of Tianjin. The International Village is targeted at the staff (and their families) of overseas companies, principally Japanese, which have established a presence in the area. Offering a high-class living environment, the village contains 10 resort villa-type buildings and 1 condominium building, complete with such attractions as heated swimming pools, gyms, restaurants and shops. The village has proved very popular.



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- 1 Séjour ME3 features a refined, modern exterior design that nevertheless gives a very cosy feeling.
- 2 Le Grand Socie is a reasonably priced 2-story house offered in a wide choice of designs.
- 3 Le Grand Grandy 3 offers a comfortable living environment with maximum use of natural light and ventilation.
- 4 With its loft space, New Yutorie 3 is a 3-story house for the price of a 2-story one.

P rivate sector

fixed capital

investment dropped

sharply during the term

under review, due to

depressed corporate

business results. Owing

to this, the market was

sluggish for all cate-

gories of commercial

buildings—retail out-

lets, office buildings,

factories, warehouses

and others. Sales in the

term were down 22.3%

to ¥201,414 million

(US\$1,665 million). In

response to this, we

are attempting to raise

the value added level of

our products and con-

centrate our efforts on

areas in which we have

particular strength in a

bid to reorganize our

commercial buildings

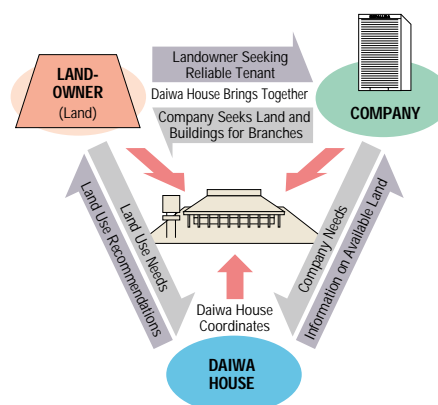
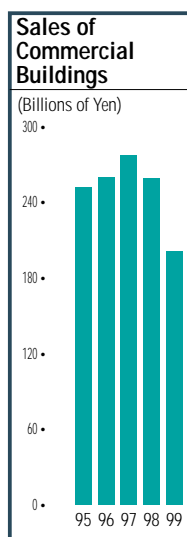
operations.

In our commercial buildings operations, we do not simply undertake construction work, but also offer a unique, total-support system, named the Daiwa House LOC (Land-Owner-Company) System, which brings together landowners seeking the optimum utilization of their land and prospective tenants looking for new business locations. The Company offers the landowner a choice of plans featuring different funding schemes and building designs. For the prospective corporate tenant, we have a total consulting service encompassing market analysis, store-opening plans, and management strategies. Over 20,000 cases throughout Japan have been successfully handled by this system.

The Company has created a new business area for the LOC System by teaming up with major supermarket operator Jusco to establish a joint venture development company, LOC Kaihatsu Co., Ltd. Plans are under way for the construction of three shopping centers in fiscal 2000.

Taking into account the increased likelihood of securitization of commercial facilities, we plan to utilize the LOC System to conduct development that improves the value and safety of real estate as form of collateral backing securities.

In the field of general construction, we are reinforcing our marketing of products that are particularly competitive, such as tax-saving structures, construction systems employing H-section steel beams (which allow reductions in both costs and erection time), and exterior wall panels that combine the advantages of concrete and steel.





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- ◆ 1 The Uni-Qlo clothing warehouse, located alongside a heavily trafficked road
- ◆ 2 The Sports Plaza Ibaraki in Osaka Prefecture, an example of the effective utilization of urban land
- ◆ 3 Jagar Green in Osaka Prefecture, one of our multipurpose commercial facilities
- ◆ 4 The Rock Shopping Center Kamiita, Tokushima Prefecture, boasts an area of over 40,000m².

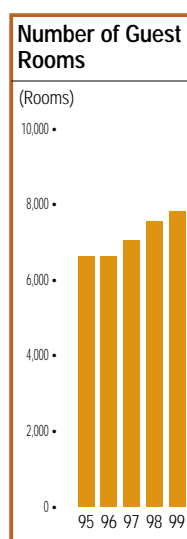
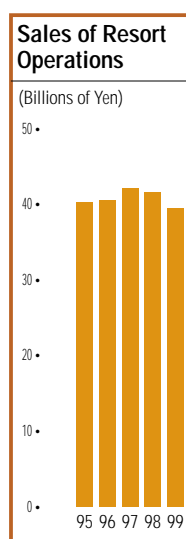
The Company's resort operations center on the "Daiwa Royal Hotels" chain of membership resort hotels, one of the largest in Japan. As of the end of the term, we operated 30 hotels and 4 golf courses across the country. Sales in the term were down 5.1% to ¥39,473 million (US\$326 million), owing to a decline in demand for corporate training programs and conventions.

Daiwa House's development of resort hotels is based on the concept of "putting people in touch with nature and culture," whereby we offer unique amenity spaces that make the most of the regional characteristics of each location. Daiwa House aims to raise the value-added level of this business by focusing on campaigns that advertise our resort hotels as ideal venues for the holding of international conventions, training courses, conferences, wedding ceremonies, parties, and so on, thanks to the beauty of their natural surroundings.

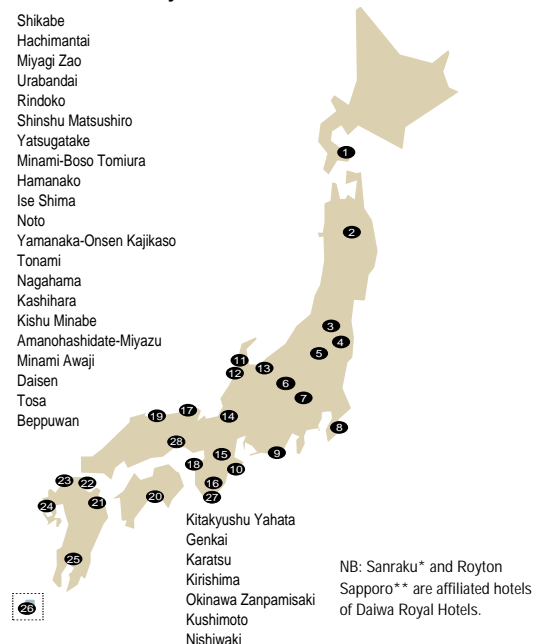
In April 1998 we opened our 30th hotel, the Kushimoto Royal Hotel, in Wakayama Prefecture. This was a milestone event in the history of our resort operations. From the standpoint of promoting company-wide environmental activities, our key policy is to build hotels that are not only comfortable for all our guests, but are also environmentally friendly. For example, with the interests of elderly and disabled guests in mind, we take great care to ensure that our hotels are barrier-free; we employ interior decoration materials that do not emit harmful substances; and we actively tackle the problems of waste disposal by separating waste into different categories to allow easy recycling or reuse.

At the same time as offering our guests, who come both from Japan and overseas, a true resort-style living environment, our hotels make a valuable contribution to the economies of their local regions, particularly by employing local staff.

Daiwa House's 30-hotel chain is not merely an important company asset, it is also one of our stable earnings sources. We will make the utmost efforts to increase our marketing activities in this field, emphasizing the uniqueness of our hotels, which are designed to meet diversifying leisure needs, so as to bolster the chain's customer drawing power.



Network of Daiwa Royal Hotels





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- 1 Tonami Royal Hotel, with an elegant, spacious entrance hall
- 2 Kushimoto Royal Hotel, with outdoor pool and bars
- 3 Yatsugatake Royal Hotel, a mountain resort hotel that offers spectacular views of the surrounding countryside

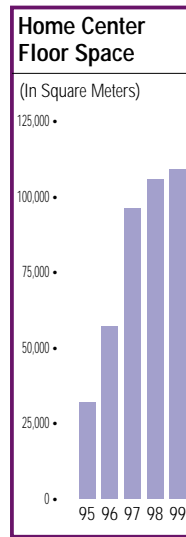
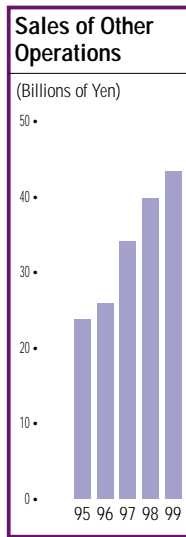
OTHER OPERATIONS

This segment covers the Company's home center operations, which registered steady growth in the term under review, and the development and subdivision of resort villas and condominiums. Total sales for this segment in fiscal 1999 rose 8.9% to ¥43,262 million (US\$357 million).

Right from the start, the Company's chain of "Royal Home Centers," which has now grown to 37 outlets (as of March 31, 1999), did not simply sell DIY goods, but also sponsored courses in home renovation and related subjects, which drew extensively on Daiwa House's construction and installation know-how. These efforts successfully distinguished our home centers from the competition, and have allowed us to build up a large regular customer base. To further solidify this area of the Company's strength, we began opening outlets specializing in DIY products and services in fiscal 1999.

During the term, we opened one store in Miyagi Prefecture and two in Osaka City. These outlets feature a new "construction service system" that provides support in the areas of installation, assembly, finishing, and so on

to customers who have purchased products for use in home renovation. We intend to steadily expand this service to existing outlets, in parallel with our policy of transforming these stores into specialist outlets for DIY goods, including gardening goods and interior decoration products. Through this unique policy, Daiwa House aims to demonstrate its superiority over its competitors even more clearly.



◆Royal Home Center Mozume in Kyoto Prefecture.



◆Royal Home Center Kawachinagano in Osaka Prefecture.



◆Royal Home Center Nishikanmuri in Osaka Prefecture.

CONTRIBUTING TO SOCIETY

Central Research Laboratory—a facility open to the local community

The Company's Central Research Laboratory is located in Kansai Science City amid lush green surroundings. The staff of the laboratory conduct research mainly on the theme of state-of-the-art home lifestyles, while at the same time maintaining an environment open to the public under the catchphrase "Two-Way Communication." To this end, conducted tours of the facility are offered, and symposia are held with the aim of encouraging active communication with users and members of the general public.

The Central Research Laboratory houses an Information Library containing a large amount of data on construction and homes; a Museum Floor where models of traditional houses from around the world, as well as modern "environmental-coexistence" houses, can be viewed; and a Concept Floor where visitors can view explanatory videos made at the laboratory. Thanks to these attractions, the laboratory welcomes a large number of visitors every day.

Life Research Center—a home-related think tank

The Life Research Center conducts a wide variety of surveys into matters relating to homes and lifestyles, and communicates the results of its research



The Information Library at Daiwa House Industry's Central Research Laboratory stores specialized books and videos on construction and homes



A laboratory introduction video is shown at the Community Hall at Daiwa House Industry's Central Research Laboratory.

As a corporate member of society, Daiwa House's objective is to make a valuable contribution to social goals on both the local and national levels. For this purpose, we are making constant efforts to play a valuable role in social life via scientific and cultural activities concerning the living environment for the next generation, by such means as holding seminars open to the general public, mainly at the Company's Central Research Laboratory and Life Research Center.



Daiwa House Industry's Central Research Laboratory consists of the Main Building, the Techno Laboratory and the Experimental House.

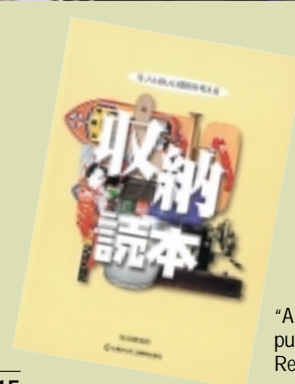
to the public via PR releases and over the Internet. One of the center's publications, a booklet entitled "A Storage Handbook," contains a wealth of advice on how to store and put away household possessions—always a problem in cramped Japanese living quarters—thereby improving the quality of one's living space.

In fiscal 1999, Life Research Center announced the results of two major surveys: "A Survey on the Relationship Between Home and Nature," which was aimed at discovering the ideal relationship between man and nature; and "A Survey on Household Waste," which attempted to ascertain the current status of garbage-related problems and find solutions to them.

Once every two months, the Life Research Center holds a seminar open to the general public called "Life, Living, and the Home." This seminar, which takes up problems related to daily life, a subject of immediate interest to everyone, is extremely popular. In the summer of 1998, subjects covered included: ways to prevent exposure to ultra-violet rays; how to make nutritional meals that help reduce stress; the psychological benefits of using aromatic herbs in the home; creating one's own picture postcards; how to wrap presents attractively; enjoying afternoon tea, and many others. The seminars were very well attended and led to lively discussions.



Many people attended an open seminar on picture postcards.



"A Storage Handbook" published by the Life Research Center



Takeshi Togo
Representative Director & President



Katsumi Morimoto
Representative Director & Executive Vice President



Takao Tsuda
Representative Director & Executive Managing Director



Katsuhiko Ohgita
Executive Managing Director



Sadao Yoshii
Managing Director



Kazuharu Kimoto
Managing Director



Tamio Ishibashi
Managing Director



Yoshikazu Tano
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Hiromitsu Yamada
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Minoru Fujita
Mutsuo Kajimoto
Takeshi Kajimoto
Kenji Murakami
Takeshi Ito

Corporate Auditors

Hiromasa Kobayashi
Toshihiko Emi
Tetsuji Ogawa
Kohei Nakabo

*Representative Director

(As of June 29, 1999)

■ **Established**

April 5, 1955

■ **Common Stock**

¥108,781 million (US\$899,017 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 Mitsubishi Trust and Banking Corporation (Trust Banking Account)	18,785
The Mitsui Trust and Banking Company, Limited	16,024
The Dai-ichi Mutual Life Insurance Company	15,736
Nippon Life Insurance Company	14,501
Morgan Stanley Japan Limited	10,925
Sumitomo Life Insurance Company	10,500
The Chase Manhattan Bank, N.A., London	9,341

(As of March 31, 1999)

■ **Securities Traded**

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

■ **Auditors**

Deloitte Touche Tohmatsu

■ **Subsidiaries and Affiliates**

24 consolidated subsidiaries, 18 affiliates under the equity method and 1 affiliates under the non-equity method.

■ **Domestic Offices**

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Central Research Laboratory

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

Phone: (0742) 70-2110

Branch Offices

Sapporo, Iwate, Aomori, Akita, Sendai, Yamagata, Fukushima, Gunma, Utsunomiya, Ibaraki, Chiba, Saitama, Yokohama, Atsugi, Nagano, Niigata, Gifu, Shizuoka, Numazu, Hamamatsu, Mie, Kanazawa, Fukui, Toyama, Shiga, Kyoto, Nara, Wakayama, Kobe, Himeji, Okayama, San-in, Hiroshima, Fukuyama, Yamaguchi, Takamatsu, Tokushima, Kochi, Ehime, Fukuoka, Saga, Nagasaki, Kita-Kyushu, Oita, Kumamoto, Miyazaki, Kagoshima and 126 other offices.

■ **Plants**

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

■ **Overseas Subsidiaries and Affiliates**

Daiwa House (Australia) Pty. Ltd.

Suite 4, Level 3, Cavill Park 46, Cavill Avenue,

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Phone: (075) 92-3544

Fax: (075) 92-0039

Beijing East Palace Apartment Co., Ltd.

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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

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Fax: (21) 275-0031

Tianjin Jiuhue 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

Dalian Acacia Town Villa Co., Ltd.

Longjiang lu, Economic & Technical Development Zone,

Dalian, China

Phone: (411) 761-7584

Fax: (411) 761-7594

Dalian Fujiazhuang International Villa Co., Ltd.

63, Binhai xi lu, Dalian, China

Phone: (411) 238-1156

Fax: (411) 267-1154