

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).

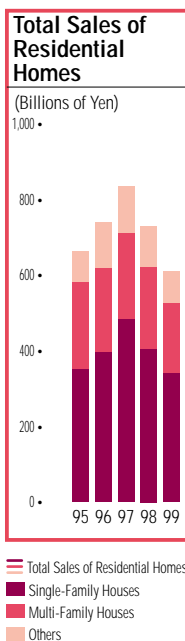
With a view to the expected needs of the 21st century, Daiwa House has devoted great efforts to the development of high-quality housing with long-term asset value, and has launched a large variety of products, principally housing, onto the market. In the field of 2-story homes, our pioneering Basia 21 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.



1



3



2



4

- 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.