

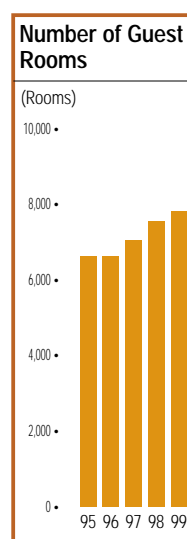
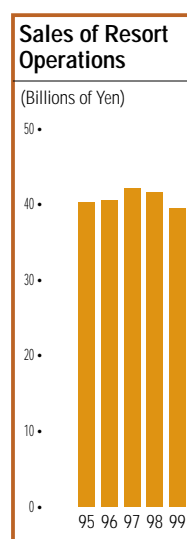
The Company's resort operations center on the "Daiwa Royal Hotels" chain of membership resort hotels, one of the largest in Japan. As of the end of the term, we operated 30 hotels and 4 golf courses across the country. Sales in the term were down 5.1% to ¥39,473 million (US\$326 million), owing to a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

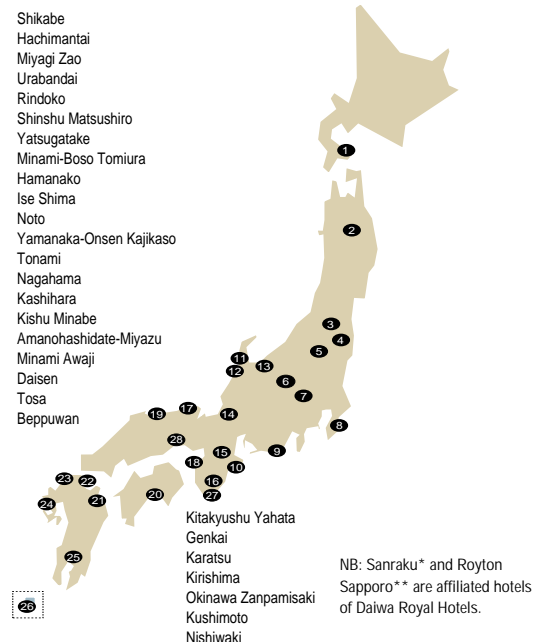
In April 1998 we opened our 30th hotel, the Kushimoto Royal Hotel, in Wakayama Prefecture. This was a milestone event in the history of our resort operations. From the standpoint of promoting company-wide environmental activities, our key policy is to build hotels that are not only comfortable for all 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



1



2



3



- 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