

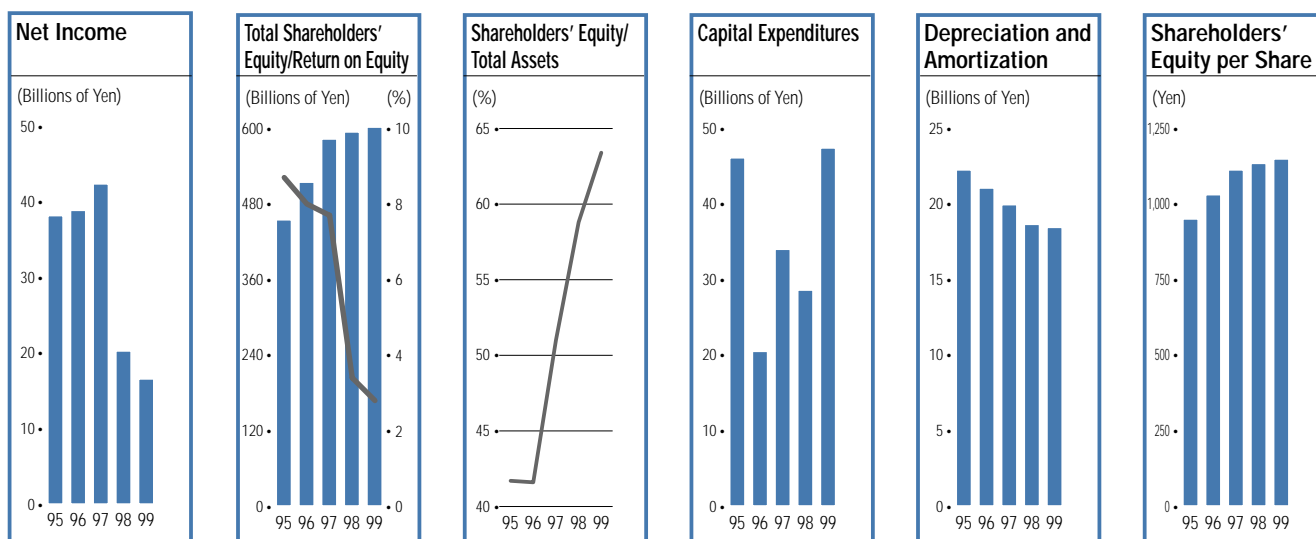
Operating Results

Net sales for the fiscal year ended March 31, 1999, came to ¥896.0 billion (US\$7,405 million), a fall of 16.2% from the previous year. The ratio of cost of sales to net sales decreased 0.8 of a percentage point to 77.2%. Selling, general and administrative expenses decreased ¥22,459 million, or 12.0%, to ¥164.5 billion (US\$1,359 million). This represented 18.4% of net sales, up 0.9 percentage points from the previous year.

As a result, operating income fell 17.0% to ¥40.2 billion (US\$332 million). The operating profit margin remained the same as the previous year, at 4.5%. Income before income taxes and translation adjustment declined 56.1% to ¥21.4 billion (US\$176 million). Net income for the year dropped 18.0% to ¥16.7 billion (US\$138 million), with net income per share at ¥31.88 (US\$0.26).

In a breakdown of sales by segment, residential housing fell

16.1%, commercial buildings fell 22.3%, resort operations fell 5.1%, and sales in other operations rose 8.9%. Turning to operating income (loss), residential housing saw income fall 4.8% to ¥42.2 billion (US\$349 million), due to sluggish housing investment. Income from commercial buildings fell 11.9% to ¥15.5 billion (US\$128 million), owing to stagnation in capital investment by the private sector. Resort operations saw a loss of ¥6.7 billion (US\$55 million), exceeding the previous year's loss by 13.0%, due to an increase in depreciation expenses caused by shortening the useful lives in line with the Japanese Corporate Tax Law amendment. Other operations saw a loss of ¥2.0 billion (US\$17 million), exceeding the previous year's loss by 25.8%, against the background of a shrinking profit margin caused by intensified competition in the Home Center business sector.



Financial Position

As of March 31, 1999, total assets were ¥950.7 billion (US\$7,857 million), down 6.2% from the previous year-end. Current assets were ¥423.6 billion (US\$3,501 million), down 11.8%. Property, plant and equipment rose 5.5% to ¥365.5 billion (US\$3,021 million).

The total of current liabilities and long-term liabilities stood at ¥347.4 billion (US\$2,871 million), down 16.8%. Current liabilities fell 26.5% to ¥205.4 billion (US\$1,698 million) due to a decrease in commercial paper.

Shareholders' equity stood at ¥603.1 billion (US\$4,984 million), up 1.3% from the previous year-end, and the shareholders' equity ratio rose from 58.8% to 63.4%. Return on assets for the year was 1.8%, compared with 2.0% for the previous year. Return on equity was 2.8%, compared with 3.4% for the previous year.

Cash Flows

Net cash provided by operating activities for the year came to ¥67.6 billion (US\$558 million), up from ¥24.8 billion in the previous year. This was mainly due to a decrease in payables-trade.

Net cash used in investing activities was ¥32.2 billion (US\$266 million), up from the previous year's ¥24.8 billion. This was primarily due to an increase in capital expenditures.

Net cash used in financing activities came to ¥43.3 billion (US\$358 million), down from ¥75.1 billion in the previous year. This was mostly due to a reduction in commercial paper.

Capital Expenditures

Looking at capital investment during the year, due to the construction of office buildings in Osaka and Tokyo, capital expenditure was up 65.7% from the previous year at ¥47,545 million (US\$393 million).