

RESORT OPERATIONS

The Company's leading position as Japan's largest resort hotel operator rests on the Daiwa Royal Hotels chain, with 30 high-quality hotels nationwide and 4 golf courses in operation. Despite extensive marketing efforts, however, performance for the term was marred by slack consumer spending, which cut revenues 6.9% to ¥37,308 million (US\$352 million), and with a resulting operating loss of ¥8,539 million (US\$81 million) betrayed our best intentions.

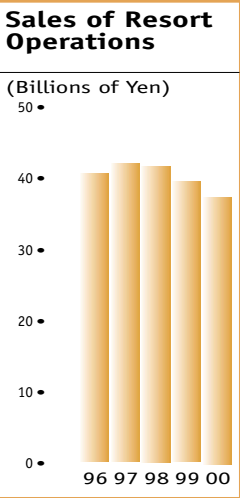
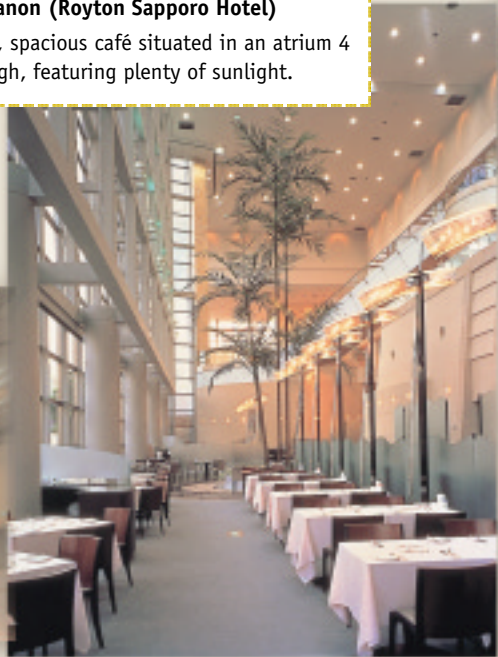


Royton Sapporo
The Royton Sapporo Hotel offers comfortable accommodation, as well as facilities where guests may gather and socialize.

Café Trianon (Royton Sapporo Hotel)
An open, spacious café situated in an atrium 4 floors high, featuring plenty of sunlight.



Royton Hall (Royton Sapporo Hotel)
The largest convention hall in Sapporo, with a floorspace of 1,774m², and ceiling height of 8m.



As a resort hotel, Daiwa Royal Hotels is grounded in the concept of “Harmony between people, nature, and culture,” with each hotel offering an individualized, comfortable environment highlighting the characteristic features of the specific location. In addition to service improvements introduced to all hotels, whose number reached 30 in the term, facility enhancements and renewals were carried out to achieve a yet closer match with user needs. Flagging consumer spending, however, led to difficult operating conditions.

Daiwa Resort, the group member company in charge of managing these facilities, promotes their use for conventions, and training courses as well as for wedding receptions, in addition to

recreational purposes by club members and visitors. Moreover, barrier-free spaces for the aged and disabled are being set up, accompanied by steps towards energy conservation and segregated refuse disposal as part of a group-wide endeavor.

As a measure to increase the number of hotel customers, and with the participation of all Daiwa House Group operations, preparations are currently under way to establish the “Gourmet Circle,” which targets 30,000 members per hotel and 1 million members nationwide. Beginning in April 2000, the scope of member privileges was widened and services further upgraded with a view to quickly restoring positive incomes from these valuable assets.

Miyagi Zao Royal Hotel

The Miyagi Zao Royal Hotel offers year-round enjoyment of nature.



Lobby (Okinawa Zanpamisaki Royal Hotel)

The hotel features a sunlit lobby with a high ceiling.



Royal Hall (Miyagi Zao Royal Hotel)

This banquet hall accommodates up to 800 people.

Okinawa Zanpamisaki Royal Hotel

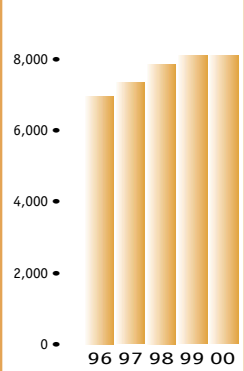
The Okinawa Zanpamisaki Royal Hotel is situated on a cape surrounded by clear blue sea. The hotel is 13 stories high and has 501 guest rooms.



Making the most of our very competitive position as a nationwide resort hotel operator, we will continue to work towards a stable earnings basis.

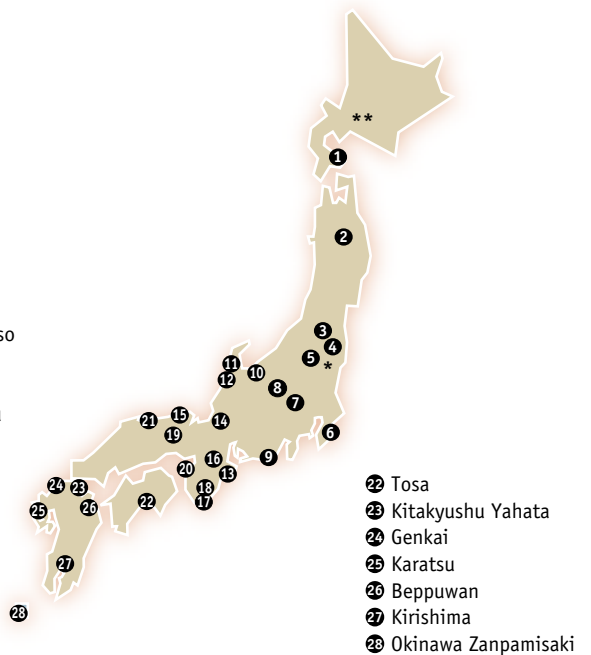
Number of Guest Rooms

(Rooms)
10,000



Network of Daiwa Royal Hotels

- ① Shikabe
- ② Hachimantai
- ③ Miyagi Zao
- ④ Urabandai
- ⑤ Rindoko
- ⑥ Minami-Boso Tomiura
- ⑦ Yatsugatake
- ⑧ Shinshu Matsushiro
- ⑨ Hamanako
- ⑩ Tonami
- ⑪ Noto
- ⑫ Yamanaka-Onsen Kajikaso
- ⑬ Ise Shima
- ⑭ Nagahama
- ⑮ Amanohashidate-Miyazu
- ⑯ Kashihara
- ⑰ Kushimoto
- ⑱ Kishu Minabe
- ⑲ Nishiwaki
- ⑳ Minami Awaji
- ㉑ Daisen



NB: Sanraku* and Royton Sapporo** are affiliated hotels of Daiwa Royal Hotels.