

Consolidated Financial Results for the Fiscal Year Ended March 31, 2008



April 30, 2008

Company Name: Heiwa Real Estate Co., Ltd.
 Code Number: 8803
 (URL: <http://www.heiwa-net.co.jp/>)
 Stock Exchange Listing: Tokyo, Osaka, Nagoya, Fukuoka, Sapporo
 Representative: Sakutaro Kimbara, Director and President
 Scheduled date of Ordinary General Shareholders' Meeting: June 26, 2008
 Scheduled date to submit the Annual Securities Report: June 27, 2008
 Scheduled date to commencement of dividend payments: June 27, 2008

(Figures are rounded down to the nearest million yen)

1. Consolidated Financial Results for the Fiscal Year Ended March 31, 2008 (From April 1, 2007 to March 31, 2008)

(1) Consolidated Results of Operations (% indicates changes from the previous term)

	Operating revenue		Operating income		Ordinary income		Net income	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
Year ended March 31, 2008	31,384	(1.7)	9,205	(4.5)	7,176	(12.1)	3,737	(17.6)
Year ended March 31, 2007	31,912	(12.8)	9,637	11.7	8,164	7.9	4,534	7.9

	Net income per share	Fully diluted net income per share	Return on equity	Ordinary income to total assets	Operating income to operating revenue
	Yen	Yen	%	%	%
Year ended March 31, 2008	25.56	22.58	5.6	2.8	29.3
Year ended March 31, 2007	31.90	30.39	7.0	4.1	30.2

(Reference) Equity in earnings (losses) of affiliated companies: Year ended March 31, 2008: ¥45 million
 Year ended March 31, 2007: ¥28 million

(2) Consolidated Financial Position

	Total assets	Net assets	Equity ratio	Net assets per share
	Millions of yen	Millions of yen	%	Yen
Year ended March 31, 2008	298,728	70,456	22.6	460.24
Year ended March 31, 2007	213,298	67,014	31.4	461.01

(Reference) Equity: Year ended March 31, 2008: ¥67,428 million
 Year ended March 31, 2007: ¥66,968 million

(3) Consolidated Cash Flows

	Cash flows from operating activities	Cash flows from investing activities	Cash flows from financing activities	Cash and cash equivalents at end of period
	Millions of yen	Millions of yen	Millions of yen	Millions of yen
Year ended March 31, 2008	(10,237)	(56,878)	68,332	5,670
Year ended March 31, 2007	8	(17,181)	17,872	4,118

2. Dividends

(Record date)	Cash dividends per share					Total dividends paid (annual) Million Yen	Payout ratio (consolidated) %	Dividends to net assets (consolidated) %
	End of 1Q	First half	End of 3Q	Year-end	Annual			
Year ended March 31, 2007	Yen 0.00	Yen 5.00	Yen 0.00	Yen 5.00	Yen 10.00	1,435	31.3	2.2
Year ended March 31 2008	0.00	7.00	0.00	5.00	12.00	1,757	46.9	2.6
Year ending March 31 2009 (Forecast)	0.00	6.00	0.00	6.00	12.00	–	32.4	–

(Note) Breakdown of first-half and year-end dividends for the year ended March 31, 2008:
Commemorative dividends for our 60th anniversary: ¥2.00

3. Forecast of Consolidated Financial Results for Fiscal Year Ending March 31, 2009 (From April 1, 2008 to March 31, 2009)

(% indicates changes from the previous corresponding term)

	Operating revenue		Operating income		Ordinary income		Net income		Net income per share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
First half	14,500	11.4	4,000	(18.2)	2,500	(39.4)	1,400	(40.1)	9.40
Full year	54,500	73.7	12,500	35.8	9,700	35.2	5,500	47.2	37.00

4. Others

- (1) Significant changes of subsidiaries during period under review (affecting specific subsidiaries due to changes in scope of consolidation): Not applicable
- (2) Changes in the accounting principles, accounting procedures, presentation, etc., related to preparation of consolidated financial statements (those to be described as Changes in Significant Matters that are the Basis for Preparing Consolidated Financial Statements)
 - 1) Changes due to the revision of accounting standards, etc.: Yes
 - 2) Any changes other than 1) above: Yes
- (3) Total number of issued shares (common stock)
 - 1) Total number of issued shares at the end of fiscal year (including treasury stock):
 - Year ended March 31, 2008: 147,084,095 shares
 - Year ended March 31, 2007: 145,770,261 shares
 - 2) Total number of treasury shares at the end of fiscal year:
 - Year ended March 31, 2008: 578,396 shares
 - Year ended March 31, 2007: 507,762 shares

(Reference) Summary of Non-consolidated Financial Results

1. Non-consolidated Financial Results for the Fiscal Year Ended March 31, 2008 (From April 1, 2007 to March 31, 2008)

(1) Non-consolidated Results of Operations

(% indicates changes from the previous term)

	Operating revenue		Operating income		Ordinary income		Net income	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
Year ended March 31, 2008	28,212	1.8	8,644	(8.2)	6,854	(15.2)	3,691	(18.0)
Year ended March 31, 2007	27,721	(20.7)	9,411	12.5	8,078	8.8	4,505	9.0

	Net income per share	Fully diluted net income per share
	Yen	Yen
Year ended March 31, 2008	25.25	22.30
Year ended March 31, 2007	31.69	30.20

(2) Non-consolidated Financial Position

	Total assets	Net assets	Equity ratio	Net assets per share
	Millions of yen	Millions of yen	%	Yen
Year ended March 31, 2008	282,981	67,137	23.7	458.25
Year ended March 31, 2007	209,650	66,537	31.7	458.04

(Reference) Equity: Year ended March 31, 2008: ¥67,137 million
Year ended March 31, 2007: ¥66,537 million

2. Forecast of Non-consolidated Financial Results for Fiscal Year Ending March 31, 2009 (From April 1, 2008 to March 31, 2009)

(% indicates changes from the previous corresponding term)

	Operating revenue		Operating income		Ordinary income		Net income		Net income per share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
First half	13,000	14.5	3,800	(18.6)	2,500	(37.3)	1,400	(39.7)	9.40
Full year	51,200	81.5	12,000	38.8	9,500	38.6	5,500	49.0	37.00

The information stated in this reference material was compiled based on data considered reasonable as of the date of compilation of this reference material, and is subject to various uncertain factors. Accordingly, we do not ensure or promise the accuracy or completeness of the information, and may revise the information without notice. We also bear no liability for any deficiencies or errors of the data or expressions used in this reference material.

For information on the above forecasts, see page 5.

1. Operating Results

1. Analysis of operating results

(1) Outline of operations (for the period from April 1, 2007 to March 31, 2008)

During the fiscal year ended March 31, 2008, corporate performance in Japan remained strong, with exports and capital expenditure rising. Personal consumption also revived and trended favorably. Nonetheless, fluctuations in global capital markets touched off by the sub-prime mortgage debacle in the United States, soaring crude oil prices, and the strengthening of the yen had rapidly introduced a growing sense of unpredictability and uncertainty about the immediate future.

Under these circumstances, strong corporate demand kept rents high and vacancy rates low overall in the building leasing sector of the real estate industry, despite disparities depending on sites and other conditions.

In the Housing Division, the number of residential starts fell steeply under the impact of the implementation of the revised Building Codes; the number of new condominium units declined in the Tokyo metropolitan area. Land prices have continued to rise, on average, nationwide, for both residential and commercial property, with rises particularly large in the three major metropolitan areas, Tokyo, Osaka, and Nagoya. That rise, increased construction costs, delays in construction approvals, and other factors have pushed up housing prices. As a result, the market sentiment changed from the latter half of the last year in spite of the deep-rooted demand and thus entered adjustment phase as contrast rates declined due to potential customers holding off from making purchases.

Against the backdrop of the sub-prime mortgage debacle in the U.S., the financial market has been fluctuated severely and the real estate securitization market in Japan has been impacted by the tightened of inflow funds. The operating results for the respective divisions of the Company under these circumstances are as summarized below.

(2) Operating results for the divisions

(Building Leasing Division)

In the Building Leasing Division, the Nagoya Stock Exchange Building was completed in August of 2007 and has had full occupancy since it opened. The improved occupancy rate for the Uchisaiwaicho Heiwa Building and increased rental income due to newly acquired properties in Tokyo, Nagoya, Fukuoka, Sapporo, and Sendai contributed substantially to increased revenues overall.

As a result, the Company earned ¥5,156 million in Stock Exchange Market Place Leasing Income, down by ¥18 million (0.4%) compared with the previous period. General Leasing Income rose to ¥8,794 million, up by ¥712 million (8.8%) compared with the previous period. Commercial Facilities Leasing Income increased to ¥3,587 million, up by ¥275 million (8.3%) compared with the previous period. Building Leasing Income, including the above incomes and Land Leasing Income, totaled ¥17,717 million, up by ¥1,018 million (6.1%) compared with the previous period.

The vacancy rate of the Company's leased buildings (on a parent company basis) was 1.5% at the end of the fiscal year ended March 31, 2008.

(Housing Division)

In the Housing Division, the Company sold fewer condominium units than forecast, for a total of 97 units, including SHINKA CITY (residential square) (40 units; Saiwai-ku, Kawasaki-city, Kanagawa) and Sakuradutsumi Faithia (22 units; Musashino-city, Tokyo). Condominium income totaled ¥4,873 million, down by ¥33 million (0.7%) from the previous period.

Housing Leasing Income amounted to ¥728 million, up by ¥311 million (74.9%) compared with the previous period, as a result of the Company's efforts to expand the housing leasing business. Housing Income amounted to ¥5,752 million, up by ¥315 million (5.8%) compared with the previous period.

(Asset Development and Securitization Division)

Income from the real estate development and management businesses amounted to ¥5,423 million, down by ¥1,998 million (26.9%) compared with the previous period.

(Other Divisions)

In the Real Estate Brokerage Business, sales activities in relation to corporations and investment funds produced ¥335 million in revenue in the Real Estate Brokerage Business, down by ¥45 million (11.9%) from the revenue reported during the previous period.

Income from the Contract Construction Business and Building Management Business increased to ¥1,744 million, up by ¥142 million (8.9%) compared with the previous period. Income from the Private Nursing Home Business increased to ¥346 million, up by ¥18 million (5.7%) compared with the previous period. With the other sales added to the above, Other Divisions operating revenue for the fiscal year ended March 31, 2008, increased by ¥136 million (5.8%) to ¥2,490 million.

(3) Overall Operating Results of the Group

The operating results of the Company group for the fiscal year ended March 31, 2008, are summarized below: Operating Revenue amounted to ¥31,384 million, down by ¥527 million (1.7%) compared with the previous period. Operating Costs totaled ¥18,480 million, down by ¥600 million (3.1%) compared with the previous period, while Selling, General and Administrative Expenses totaled ¥3,698 million, up by ¥506 million (15.9%) compared with the previous period.

Consequently, Operating Income for the fiscal year ended March 31, 2008, reached ¥9,205 million, down by ¥432 million (4.5%) compared with the previous period, while Ordinary Income reached ¥7,176 million, down by ¥988 million (12.1%) compared with the previous period. Net income reached ¥3,737 million, down by ¥796 million (17.6%) compared with the previous period.

(4) Financial Prospects for the Next Period

Under the impact of soaring prices for crude oil and other raw materials, the Japanese economy is at a marking time, with corporate revenues, while remaining at high levels, struggling to grow. In this context, capital expenditure and personal consumption are expected to level off, while downside risk is viewed as rising due to fears of an economic recession in the United States. With exports expected, however, to continue to grow mildly and housing construction likely to improve, there is promise of an economic recovery.

Under these circumstances, the Building Leasing Division of the Group is expected, with the contributions to revenues of the Nagoya Stock Exchange Building, completed in August, 2007, and other properties newly acquired in Tokyo, Nagoya, Fukuoka, and other locations, to earn operating revenues of ¥27.1 billion, up by ¥9.3 billion (53.0%) compared with the previous period.

In the Housing Division, the Group expects to record revenues of ¥10.2 billion, up by ¥5.3 billion (109.3%) compared with the previous period, from condominium sales in the greater Tokyo and Osaka areas. The revenue for the housing leasing business is forecasted to reach ¥0.7 billion, down by ¥0.0 billion (3.8%). Operating revenues for the Housing Division are expected to total ¥11.0 billion, up by ¥5.2 billion (91.2%) compared with the previous period.

In the Asset Development and Securitization Division, the Group will aggressively expand its development projects, utilizing special-purpose companies and other mechanisms, while endeavoring to develop properties suitable for investment funds and generate revenues from asset and fund management. Operating revenues from this division are expected to reach ¥13.8 billion, up by ¥8.3 billion (154.5%) compared with the previous period.

Operating Revenue for the Company group, totaling revenue from the above three divisions and revenue from other divisions (including the Real Estate Brokerage Business, Contract Construction Business and Building Management Business, and Private Nursing Home Business), is expected to stand at ¥54.5 billion, an increase of ¥23.1 billion (73.7%) compared with the previous period.

Further, Operating Income is expected to reach ¥12.5 billion, up by ¥3.2 billion (35.8%), Ordinary Income is expected to reach ¥9.7 billion, up by ¥2.5 billion (35.2%) and net income is expected to be ¥5.5 billion, up by ¥1.7 billion (47.2%) compared with the previous period.

2. Status of Financing

(1) Assets, Liabilities and Net Assets as of the end of the fiscal year ended March 31, 2008

- 1) Total assets increased, mainly due to an increase in current assets of ¥48,646 million from investments in the housing business and asset development and securitization business and an increase in fixed assets of ¥36,647 million from investments in the building leasing business and housing leasing business.
- 2) Total liabilities increased, mainly due to an increase in long-term loans payable of ¥48,765 million.
- 3) Net assets increased, mainly due to an increase in minority shareholders' equity of ¥2,982 million.

(Consolidated)

(In millions of yen)

	As of the end of the fiscal year ended March 31, 2008	Comparison with the previous fiscal year
Total Assets	298,728	85,430
Total Liabilities	228,272	81,988
Net Assets	70,456	3,441
Interest-bearing Liabilities	191,780	78,848

(Non-consolidated)

(In millions of yen)

	As of the end of the fiscal year ended March 31, 2008	Comparison with the previous fiscal year
Total Assets	282,981	73,331
Total Liabilities	215,844	72,730
Net Assets	67,137	600
Interest-bearing Liabilities	180,480	70,018

4. Consolidated Financial Statements

(1) Consolidated Balance Sheets

(In millions of yen)

Account item	Previous fiscal year (As of March 31, 2007)		Current fiscal year (As of March 31, 2008)		Year-on- Year
	Amount	Composi- tion ratio (%)	Amount	Composi- tion ratio (%)	
(Assets)					
I Current assets					
1 Cash and deposits		3,157		3,184	27
2 Accounts receivable – trade		216		1,462	1,246
3 Marketable securities		1,037		2,568	1,531
4 Inventories		24,222		48,467	24,244
5 Beneficiary right of real estate in trust		—		13,153	13,153
6 Operating investment		—		7,179	7,179
7 Deferred tax assets		754		49	(704)
8 Other		605		2,617	2,012
Allowance for doubtful accounts		(12)		(55)	(42)
Total current assets		29,981	14.1	78,628	26.3
II Fixed assets					
1 Tangible fixed assets					
Buildings, building fixtures and structures	124,662		131,352		
Accumulated depreciation	48,202	76,460	50,188	81,164	4,703
Machinery, equipment and vehicles	1,224		1,360		
Accumulated depreciation	583	640	691	668	28
Furniture and fixtures	1,097		1,248		
Accumulated depreciation	686	410	764	483	72
Land		87,617		119,883	32,265
Construction in progress		554		2	(551)
Total tangible fixed assets		165,684	77.7	202,202	67.7
2 Intangible fixed assets					
Leasehold rights		3,715		5,681	1,965
Goodwill		—		48	48
Other		50		57	7
Total intangible fixed assets		3,766	1.7	5,787	2.0
3 Investments and other assets					
Investment in securities		11,165		9,810	(1,354)
Long-term loans to employees		14		12	(2)
Deferred tax assets		73		652	579
Other		2,614		1,500	(1,114)
Allowance for doubtful accounts		(0)		(0)	0
Total investments and other assets		13,867	6.5	11,975	(1,892)
Total fixed assets		183,317	85.9	219,964	36,647
III Deferred assets					
1 Bond-issuing expenses		—		135	135
Total deferred assets		—	—	135	135
Total assets		213,298	100.0	298,728	85,430

(In millions of yen)

Account item	Previous fiscal year (As of March 31, 2007)		Current fiscal year (As of March 31, 2008)		Year-on- Year Increase/ Decrease
	Amount	Composi- tion ratio (%)	Amount	Composi- tion ratio (%)	
(Liabilities)					
I Current liabilities					
1 Notes and accounts payable – trade	1,382		3,492		2,109
2 Current portion of bonds	10,000		—		(10,000)
3 Current portion of convertible bonds (with stock acquisition rights)	—		1,170		1,170
4 Short-term loans payable	20,970		24,850		3,880
5 Current portion of long-term loans	10,100		6,910		(3,190)
6 Accrued corporation and other taxes	1,985		84		(1,901)
7 Accrued consumption taxes	138		49		(88)
8 Deferred tax liabilities	—		13		13
9 Accrued bonuses for directors and statutory auditors	52		54		1
10 Accrued bonuses	214		241		26
11 Other	2,869		2,730		(139)
Total current liabilities	47,712	22.4	39,595	13.2	(8,117)
II Long-term liabilities					
1 Bonds	40,000		60,000		20,000
2 Convertible bonds (with stock acquisition rights)	1,777		20,000		18,223
3 Long-term loans payable	30,085		78,850		48,765
4 Deposits received	4,419		4,117		(302)
5 Deposits of landlord	16,345		18,609		2,263
6 Deferred tax liabilities	917		28		(888)
7 Deferred tax liabilities concerning revaluation	4,338		6,192		1,853
8 Reserve for retirement allowances for directors and statutory auditors	409		431		22
9 Accrued severance indemnities for employees	276		445		168
10 Negative goodwill	2		3		0
Total long-term liabilities	98,571	46.2	188,677	63.2	90,105
Total liabilities	146,284	68.6	228,272	76.4	81,988
(Net assets)					
I Shareholders' equity					
1 Common stock	14,935	7.0	15,238	5.1	303
2 Additional paid-in capital	13,162	6.1	13,466	4.5	303
3 Retained earnings	31,726	14.9	30,897	10.4	(829)
4 Treasury stock, at cost	(284)	(0.1)	(340)	(0.1)	(55)
Total shareholders' equity	59,540	27.9	59,262	19.9	(278)
II Valuation and translation adjustments					
1 Unrealized gain on securities	1,104	0.5	(859)	(0.3)	(1,964)
2 Revaluation surplus of land	6,323	3.0	9,025	3.0	2,701
Total valuation and translation adjustments	7,428	3.5	8,165	2.7	737
III Minority shareholders' equity	45	0.0	3,027	1.0	2,982
Total net assets	67,014	31.4	70,456	23.6	3,441
Total liabilities and net assets	213,298	100.0	298,728	100.0	85,430

(2) Consolidated Statements of Profit and Loss

(In millions of yen)

Account item	Previous fiscal year (From April 1, 2006 to March 31, 2007)		Composi- tion ratio (%)	Current fiscal year (From April 1, 2007 to March 31, 2008)		Composi- tion ratio (%)	Year-on- Year Increase/ Decrease
	Amount			Amount			
I Operating revenue		31,912	100.0		31,384	100.0	(527)
II Cost of sales		19,081	59.8		18,480	58.9	(600)
Gross profit		12,830	40.2		12,903	41.1	73
III Selling, general and administrative expenses							
Real estate selling and administration expenses	470			598			
Salaries and allowances	810			907			
Provision of accrued bonuses for directors and statutory auditors	52			54			
Provision of accrued bonuses	151			169			
Provision of reserve for retirement allowances for directors and statutory auditors	79			83			
Severance indemnities for employees cost	43			137			
Other	1,585	3,192	10.0	1,748	3,698	11.8	506
Operating income		9,637	30.2		9,205	29.3	(432)
IV Non-operating income							
Interest income	10			26			
Dividends earned	123			158			
Gain on investment in partnerships	1			—			
Amortization of negative goodwill	1			1			
Equity in net income of affiliates	28			45			
Subsidy income	—			52			
Miscellaneous non-operating income	43	209	0.7	24	309	1.0	99
V Non-operating expenses							
Interest expense	1,571			2,288			
Bond-issuing expenses	94			—			
Amortization of bond-issuing expenses	—			18			
Provision of allowance for doubtful accounts	0			—			
Miscellaneous non-operating expenses	15	1,682	5.3	31	2,338	7.4	655
Ordinary income		8,164	25.6		7,176	22.9	(988)
VI Special gains							
Reversal of allowance for doubtful accounts	—			0			
Reversal of accrued bonuses	1			0			
Gain on sale of fixed assets	—			338			
Gain on sale of investment securities	30	31	0.1	9	349	1.1	317
VII Special losses							
Loss on revaluation of inventories	398			—			
Loss on sale of fixed assets scrapped	—			48			
Loss on disposal of fixed assets	29			599			
Dismantling expense of buildings and building fixtures	—			160			
Loss on revaluation of investment securities	—	428	1.4	71	878	2.8	450

(In millions of yen)

Account item	Previous fiscal year (From April 1, 2006 to March 31, 2007)			Current fiscal year (From April 1, 2007 to March 31, 2008)			Year-on- Year Increase/ Decrease
	Amount		Composi- tion ratio (%)	Amount		Composi- tion ratio (%)	
Income before income taxes		7,767	24.3		6,646	21.2	(1,121)
Corporation, inhabitants and enterprise taxes	3,334			214			
Deferred income taxes	(105)	3,229	10.1	2,548	2,763	8.8	(466)
Minority interests		4	0.0		146	0.5	141
Net income		4,534	14.2		3,737	11.9	(796)

(3) Consolidated Statement of Changes in Net Assets
 Current fiscal year (From April 1, 2007 to March 31, 2008)

(In millions of yen)

	Shareholders' equity				
	Common stock	Additional paid-in capital	Retained earnings	Treasury stock	Total shareholders' equity
Balance as of March 31, 2007	14,935	13,162	31,726	(284)	59,540
Change during the period					
Issuance of stock	303	303			606
Distribution of surplus			(1,751)		(1,751)
Net income			3,737		3,737
Decrease resulting from increase of the number of consolidated subsidiaries			(113)		(113)
Acquisition of treasury stock				(55)	(55)
Reversal of revaluation surplus of land			(2,701)		(2,701)
Net change in items other than shareholders' equity during the period					
Total change during the period	303	303	(829)	(55)	(278)
Balance as of March 31, 2008	15,238	13,466	30,897	(340)	59,262

(In millions of yen)

	Valuation and translation adjustments			Minority shareholders' equity	Total net assets
	Unrealized gain on securities	Revaluation surplus of land	Total valuation and translation adjustments		
Balance as of March 31, 2007	1,104	6,323	7,428	45	67,014
Change during the period					
Issuance of stock					606
Distribution of surplus					(1,751)
Net income					3,737
Decrease resulting from increase of the number of consolidated subsidiaries					(113)
Acquisition of treasury stock					(55)
Reversal of revaluation surplus of land					(2,701)
Net change in items other than shareholders' equity during the period	(1,964)	2,701	737	2,982	3,720
Total change during the period	(1,964)	2,701	737	2,982	3,441
Balance as of March 31, 2008	(859)	9,025	8,165	3,027	70,456

(4) Consolidated Statements of Cash Flows

(In millions of yen)

	Previous fiscal year (From April 1, 2006 to March 31, 2007)	Current fiscal year (From April 1, 2007 to March 31, 2008)
	Amount	Amount
I. Cash flows from operating activities		
Income before income taxes	7,767	6,646
Depreciation	4,436	5,153
Loss on revaluation of inventories	398	—
Amortization of negative goodwill	(1)	—
Loss on revaluation of investment securities	—	71
Gain on investment in partnerships	(1)	—
Loss on disposal of fixed assets	29	599
Increase in allowance for doubtful accounts	5	42
Increase (decrease) in accrued bonuses	(5)	19
Increase in accrued bonuses for directors and statutory auditors	52	1
Increase (decrease) in accrued severance indemnities for employees	(68)	168
Increase (decrease) in reserve for retirement allowances for directors and statutory auditors	74	(12)
Interest income and dividends earned	(134)	(185)
Interest expense	1,571	2,288
Amortization of bond-issuing expenses	—	18
Gain on sale of investment securities	(30)	(9)
Gain on sale of fixed assets	—	(338)
Loss on sale of fixed assets	—	48
Decrease in short-term loans	14	—
Decrease (increase) in notes and accounts receivable – trade	85	(1,208)
Increase in inventories	(11,617)	(14,839)
Decrease (increase) in beneficiary right of real estate in trust	1,523	(825)
Increase in operating investment	—	(5,664)
Increase in accrued expenses	(95)	(94)
Decrease (increase) in accounts receivable– other	425	(240)
Increase (decrease) in notes and accounts payable – trade	(399)	1,837
Increase in advances received	433	555
Decrease in accrued consumption taxes	(364)	(94)
Increase in deposits received and deposits of landlord	1,132	1,433
Payments for bonuses to directors and statutory auditors	(59)	—
Other	426	104
Subtotal	5,601	(4,524)
Interest and dividends income received	134	184
Interest expenses paid	(1,543)	(2,282)
Corporation and other taxes paid	(4,184)	(3,615)
Net cash provided by (used in) operating activities	8	(10,237)

(In millions of yen)

	Previous fiscal year (From April 1, 2006 to March 31, 2007)	Current fiscal year (From April 1, 2007 to March 31, 2008)
	Amount	Amount
II. Cash flows from investing activities		
Net decrease in time deposits	45	5
Proceeds from sales and redemption of marketable securities	—	10
Purchase of investment securities	(3,727)	(5,681)
Proceeds from sales and redemption of investment securities	1,713	1,040
Acquisition of subsidiaries' stock due to changes in scope of consolidation	—	(125)
Proceeds from return of investment in partnerships	82	1,172
Purchase of tangible fixed assets	(14,976)	(53,283)
Proceeds from sales of tangible fixed assets	0	2,171
Purchase of intangible fixed assets	(5)	(2,013)
Proceeds from sales of intangible fixed assets	—	0
Increase in Long-term prepaid expenses	(112)	(75)
Payments of long-term loans to employees	(4)	—
Collection of long-term loans to employees	5	—
Payments for guarantee deposits	(191)	(288)
Proceeds from return of guarantee deposits	11	165
Purchase of insurance funds	(21)	—
Proceeds from cancellation of insurance funds	—	21
Other	—	3
Net cash used in investing activities	(17,181)	(56,878)
III. Cash flows from financing activities		
Increase in short-term loans payable	14,470	3,880
Proceeds from long-term loans payable	10,200	47,500
Repayment of long-term loans payable	(5,114)	(10,675)
Proceeds from issuance of bonds	20,000	20,000
Redemption of bonds	(20,000)	(10,000)
Proceeds from issuance of convertible bonds (with stock acquisition rights)	—	20,000
Purchase of treasury stock	(99)	(39)
Payments of dividends	(1,486)	(1,750)
Payments of dividends to minority shareholders	(2)	(206)
Repayments of investment in partnerships to minority shareholders	—	(222)
Other	(94)	(153)
Net cash provided by financing activities	17,872	68,332
IV. Effect of exchange rate changes on cash and cash equivalents	—	—
V. Increase in cash and cash equivalents	699	1,216
VI. Balance of cash and cash equivalents at beginning of period	3,217	4,118
VII. Balance of cash and cash equivalents of newly consolidated subsidiaries at beginning of period	202	336
VIII. Balance of cash and cash equivalents at end of period	4,118	5,670

Business Segment Information

Current fiscal year (From April 1, 2007 to March 31, 2008)

(In millions of yen)

	Building Leasing	Housing	Asset Development and Securitization	Other	Total	Eliminations or Corporate	Consolidated
I Operating revenues and expenses							
Operating revenue							
(1) Operating revenue from external customers	17,717	5,752	5,423	2,490	31,384	—	31,384
(2) Intersegment revenue and transfer	30	—	266	1,216	1,514	(1,514)	—
Total	17,747	5,752	5,690	3,707	32,898	(1,514)	31,384
Operating expenses	10,144	5,323	3,523	3,454	22,445	(265)	22,179
Operating income	7,603	429	2,167	252	10,453	(1,248)	9,205
II Assets, depreciation and capital expenditure							
Assets	196,377	38,230	46,993	1,623	283,225	15,502	298,728
Depreciation	4,649	223	240	38	5,152	1	5,153
Capital expenditure	47,442	3,435	4,278	167	55,323	(55)	55,268

Notes:

- Business segments are classified according to the types of business transactions.
- Contents of principal businesses of the Group:
 - Building LeasingLeasing, management and operation of buildings, facilities, and real estate
 - HousingDevelopment, sales, and leasing of residential real estate
 - Asset Development and SecuritizationDevelopment of profitable real estate and operation and management of assets
 - Other.....Real estate brokerage business, management and renovation of buildings, facilities, etc., insurance agency business, and private nursing home enterprise
- Of the operating expenses, the amount of unallocatable costs included in “Eliminations or corporate” was ¥1,270 million, and this consisted mainly of expenses incurred by the head office administration division of the companies submitting the consolidated financial statements.
- Of the assets, the amount of corporate assets included in “Eliminations or corporate” was ¥17,711 million, this consisted mainly of cash, deposits, marketable securities, and investment securities of the companies submitting the consolidated financial statements.
- The above amounts are exclusive of consumption tax.
- Change in accounting principles

The depreciation method prescribed by the taxation system after the revision of the Corporate Tax Law of 2007 is applied for depreciable fixed assets acquired on or after April 1, 2007, starting from the current fiscal year.

As a result of this change, operating expense for the Building Leasing increased by ¥94 million and the operating income decreased by the same amount. The same applies to the increase in depreciation expense. The impact of the change in other sectors was minimal.
- Additional information

In accordance with the revision of the Corporate Tax Law of 2007, the Company will continue to apply the depreciation method to existing tangible fixed assets acquired on or prior to March 31, 2007 in accordance with the Corporate Tax Law before the revision, and after depreciation to the ceiling value of 5% of the acquisition amount, will depreciate the amount of difference between 5% of the acquisition amount and the memorandum amount, in equal amounts over a period of 5 years beginning from the next consolidated

fiscal year.

As a result of this change, operating expenses for the Building Leasing Division increased ¥139 million and the operating income decreased by the same amount. The same applies to the increase in depreciation expense. The impact of the change in other sectors was minimal.