

Consolidated Financial Results for the Fiscal Year Ended March 31, 2010



April 28, 2010

Company Name: Heiwa Real Estate Co., Ltd.
 Code Number: 8803
 (URL: <http://www.heiwa-net.co.jp/>)
 Stock Exchange Listing: Tokyo, Osaka, Nagoya, Sapporo, Fukuoka
 Representative: Sakutaro Kimbara, Director and President
 Scheduled date of Ordinary General Shareholders' Meeting: June 25, 2010
 Scheduled date to submit the Annual Securities Report: June 28, 2010
 Scheduled date to commence dividend payments: –

(Figures are rounded down to the nearest million yen)

1. Consolidated Financial Results for the Fiscal Year Ended March 31, 2010 (From April 1, 2009 to March 31, 2010)

(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, 2010	42,004	(19.1)	6,145	(31.7)	2,895	(53.1)	(8,706)	–
Year ended March 31, 2009	51,935	65.5	8,998	(2.2)	6,178	(13.9)	862	(76.9)

	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, 2010	(58.50)	–	(13.8)	0.9	14.6
Year ended March 31, 2009	5.81	5.12	1.3	2.0	17.3

(Reference) Equity in earnings (losses) of affiliated companies: Year ended March 31, 2010: (¥2) million
 Year ended March 31, 2009: (¥66) 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, 2010	303,456	58,764	19.2	392.14
Year ended March 31, 2009	317,439	70,598	21.3	454.57

(Reference) Equity: Year ended March 31, 2010: ¥58,359 million
 Year ended March 31, 2009: ¥67,661 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, 2010	16,399	(5,740)	(3,104)	36,610
Year ended March 31, 2009	17,711	(12,081)	17,754	29,055

2. Dividends

	Cash dividends per share					Total dividends paid (annual)	Payout ratio (consolidated)	Dividends to net assets (consolidated)
	End of 1Q	End of 2Q	End of 3Q	Year-end	Annual			
	Yen	Yen	Yen	Yen	Yen	Million Yen	%	%
Year ended March 31, 2009	–	6.00	–	6.00	12.00	1,786	206.9	2.6
Year ended March 31 2010	–	3.00	–	0.00	3.00	446	–	0.7
Year ending March 31 2011 (Forecast)	–	2.00	–	2.00	4.00		29.9	

3. Forecast of Consolidated Financial Results for Fiscal Year Ending March 31, 2011 (From April 1, 2010 to March 31, 2011)

(% 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	12,800	(9.9)	3,100	(15.5)	1,300	(38.3)	700	27.4	4.68
Full year	28,500	(32.2)	7,200	17.2	3,600	24.3	2,000	–	13.38

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.: Not applicable
 - 2) Any changes other than 1) above: Not applicable
- (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, 2010: 149,503,980 shares
 - Year ended March 31, 2009: 149,503,980 shares
 - 2) Total number of treasury shares at the end of fiscal year:
 - Year ended March 31, 2010: 682,986 shares
 - Year ended March 31, 2009: 657,579 shares

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 4.

1. Operating Results

1. Analysis of operating results

(1) Outline of operations (for the period from April 1, 2009 to March 31, 2010)

During the fiscal year ended March 31, 2010, the Japanese economy remained stagnant as the momentum of autonomous recovery in personal consumption was weak with both employment and income conditions remaining sluggish, despite a hint of recovery in both export and production in some segment of the economy due to an improvement in the external economic environment.

Under these circumstances, although disturbance in the real estate industry derived from the global financial crisis is being stabilized, market conditions have kept slowing down as land prices went down in both residential and business districts across the country.

In the office building market, weak market conditions became all too clear as vacant inventories kept increasing because of the shrinking demand for office space as impacted by the sluggish real economy along with an increase in the floor space on offer through the new supply of office buildings, resulting in an even more fierce competition for tenants.

On the other hand, performance in the housing market including sales of condominiums largely remained solid, thanks to the ongoing adjustment of inventories and sales prices, while housing starts and sales remained low due to continuously severe conditions of employment and income.

The real estate investment market where supply of fund has been tight for a while, has been moving to a recovery trend such as the recent cases of acquisitions of properties through the issuance of investment corporation bond or public stock offerings as observed since the start of the year.

The operating results for the respective divisions of the Company under these circumstances are as summarized below.

(2) Operating results for the divisions

(Building Division)

In this Division, while the construction of CentRise Sakae (Naka-ku, Nagoya-city) was completed in this February, its revenue and leasing revenue were badly decreased resulting from such measures as sales of buildings owned in the previous fiscal year.

As a result, the Company earned ¥5,144 million in Stock Exchange Market Place Leasing Income, up by ¥2 million (0.0%) compared with the previous period. General Office Leasing Income decreased to ¥9,302 million, down by ¥412 million (4.2%) compared with the previous period. Commercial Facilities Leasing Income decreased to ¥3,140 million, down by ¥425 million (11.9%) compared with the previous period. Building Income, including Land Leasing Income, totaled ¥17,963 million, down by ¥7,671 million (29.9%) compared with the previous period.

The vacancy rate of the Company's leased buildings (on a parent company basis) was 3.3% at the end of the fiscal year ended March 31, 2010. Overall vacancy rate of existing leased buildings excluding CentRise Sakae was 2.1%.

(Housing Division)

In the Housing Division, condominium income amounted to ¥11,413 million, up by ¥4,064 million (55.3%) compared with the previous period, by achieving the sales of 242 units in all including those at Shinka City Station Suite (Saiwai-ku, Kawasaki-city).

Housing Leasing Income decreased to ¥774 million, down by ¥9 million (1.2%) compared with the previous period. Housing Income, including other income, amounted to ¥12,337 million, up by ¥2,766 million (28.9%) compared with the previous period.

(Asset Development Division)

In the Asset Development Division, operating revenue from the real estate development and management businesses decreased by ¥5,513 million (37.7%) to ¥9,095 million, mainly due to a decrease in the sales of real estate development.

(Other Divisions)

In the Real Estate Brokerage Business, sales activities in relation to corporations and investment funds produced ¥461 million in revenue in the Real Estate Brokerage Business, up by ¥34 million (8.2%) from the revenue reported during the previous period.

Income from the Contract Construction Business and Building Management Business increased to ¥1,645 million, up by ¥435 million (36.0%) compared with the previous period. Income from the Private Nursing Home Business increased to ¥417 million, up by ¥33 million (8.9%) compared with the previous period. Other Divisions operating revenue for the fiscal year ended March 31, 2010, increased by ¥487 million (23.0%) to ¥2,608 million.

(3) Overall Operating Results of the Group

The operating results of the Company group for the fiscal year ended March 31, 2010, are summarized below: Operating Revenue decreased to ¥42,004 million, down by ¥9,930 million (19.1%) compared with the previous period. Operating Costs totaled ¥31,515 million, down by ¥6,210 million (16.5%) compared with the previous period, as a result of the write-down of inventories, while Selling, General and Administrative Expenses totaled ¥4,343 million, down by ¥868 million (16.7%) compared with the previous period.

Consequently, Operating Income for the fiscal year ended March 31, 2010, reached ¥6,145 million, down by ¥2,852 million (31.7%) compared with the previous period, while Ordinary Income reached ¥2,895 million, down by ¥3,283 million (53.1%) compared with the previous period.

For this fiscal year net loss of ¥8,706 million was recorded as a result of ¥18,335 million extraordinary loss derived from loss on revaluation of fixed assets and operating investment, offsetting ¥2,734 million extraordinary income derived from the transfer of buildings owned in an effort to reinforce REIT operation, etc.

(4) Financial Prospects for the Next Period

Although the world is seeing its economic disorder caused by the global financial crisis coming to an end, Japan is still experiencing a changing business environment. Going forward, while a modest and gradual recovery is expected, economic uncertainty is likely to remain for some time.

Under these circumstances, the Building Division is expected to earn operating revenues of ¥17.3 billion, down by ¥0.6 billion (3.7%) compared with the previous period, mainly due to the decrease of revenue from the sale of buildings owned recorded in the current period.

In the Housing Division, the Group expects to record revenues of ¥6.4 billion, down by ¥5.1 billion (44.7%) compared with the previous fiscal year, due to a decrease in houses and condominiums sales.

The revenue for the housing leasing business is forecasted to reach ¥0.8 billion, up by ¥0.0 billion (3.3%). Operating revenues for the Housing Division are expected to total ¥7.2 billion, down by ¥5.1 billion (41.6%) compared with the previous period.

In the Asset Development Division, the revenue is expected to reach ¥2.3 billion, down by ¥6.7 billion (74.7%) compared with the previous period due to a decrease in sales of real estate development.

Operating Revenue for the Company group, the total of revenue from the above three divisions plus revenue from other divisions (including the Real Estate Brokerage Business, Contract Construction Business, Building Management Business, and Private Nursing Home Business), is expected to stand at ¥28.5 billion, down by ¥13.5 billion (32.2%) compared with the previous period.

Further, Operating Income is expected to reach ¥7.2 billion, up by ¥1.0 billion (17.2%), Ordinary Income is expected to reach ¥3.6 billion, up by ¥0.7 billion (24.3%), and net income is expected to be ¥2.0 billion.

2. Status of Financing

(1) Assets, Liabilities and Net Assets as of the end of the fiscal year ended March 31, 2010

- 1) Total assets decreased, mainly due to a decrease in tangible fixed assets of ¥15,424 million.
- 2) Total liabilities decreased, mainly due to a decrease in straight bonds of ¥4,990 million.
- 3) Net assets decreased, mainly due to a decrease in retained earnings of ¥15,783 million.

(Consolidated)

(In millions of yen)

	As of the end of the fiscal year ended March 31, 2010	Comparison with the previous fiscal year
Total Assets	303,456	(13,982)
Total Liabilities	244,691	(2,149)
Net Assets	58,764	(11,833)
Interest-bearing Liabilities	208,872	(1,420)

(Non-consolidated)

(In millions of yen)

	As of the end of the fiscal year ended March 31, 2010	Comparison with the previous fiscal year
Total Assets	295,641	(6,360)
Total Liabilities	237,456	3,091
Net Assets	58,185	(9,452)
Interest-bearing Liabilities	203,322	4,030

4. Consolidated Financial Statements

(1) Consolidated Balance Sheets

(In millions of yen)

	Previous fiscal year (As of March 31, 2009)	Current fiscal year (As of March 31, 2010)
Assets		
Current assets		
Cash and deposits	22,267	16,066
Accounts receivable – trade	1,399	822
Marketable securities	7,075	21,554
Real estate for sale	22,275	19,708
Real estate for sale in process	16,723	7,755
Operating investment	11,547	3,841
Other inventories	2	3
Deferred tax assets	186	4,029
Other	584	2,179
Allowance for doubtful accounts	(38)	(73)
Total current assets	82,023	75,888
Fixed assets		
Tangible fixed assets		
Buildings and structures	138,638	138,988
Accumulated depreciation	(54,894)	(57,490)
Buildings and structures, net	83,744	81,497
Machinery, equipment and vehicles	1,460	1,541
Accumulated depreciation	(925)	(1,007)
Machinery, equipment and vehicles, net	535	533
Tools, furniture and fixtures	1,282	1,360
Accumulated depreciation	(898)	(1,010)
Tools, furniture and fixtures, net	383	350
Land	133,470	121,428
Construction in progress	1,557	458
Total tangible fixed assets	219,691	204,267
Intangible fixed assets		
Leasehold rights	5,681	5,681
Goodwill	39	191
Other	74	111
Total intangible fixed assets	5,795	5,984
Investments and other assets		
Investment in securities	6,473	10,706
Long-term loans to employees	13	7
Deferred tax assets	1,096	3,777
Other	2,978	3,392
Allowance for doubtful accounts	(841)	(848)
Total investments and other assets	9,718	17,036
Total fixed assets	235,205	227,288
Deferred assets		
Bond-issuing expenses	209	279
Total deferred assets	209	279
Total assets	317,439	303,456

(In millions of yen)

	Previous fiscal year (As of March 31, 2009)	Current fiscal year (As of March 31, 2010)
Liabilities		
Current liabilities		
Notes and accounts payable – trade	2,673	1,487
Current portion of bonds	20,370	18,250
Short-term loans payable	26,120	28,900
Current portion of long-term loans	24,024	26,438
Accrued corporation and other taxes	1,176	79
Accrued consumption taxes	699	55
Accrued bonuses for directors and statutory auditors	6	–
Accrued bonuses	247	210
Other	2,422	2,196
Total current liabilities	77,739	77,616
Long-term liabilities		
Bonds	44,430	39,440
Convertible bonds (with stock acquisition rights)	20,000	20,000
Long-term loans payable	75,348	75,844
Long-term deposits received and deposits of landlord	21,939	20,742
Deferred tax liabilities	28	26
Deferred tax liabilities concerning revaluation	6,249	10,185
Long-term accounts payable	454	279
Accrued severance indemnities for employees	618	533
Negative goodwill	33	23
Total long-term liabilities	169,101	167,075
Total liabilities	246,840	244,691
Net assets		
Shareholders' equity		
Common stock	15,797	15,797
Additional paid-in capital	14,025	14,025
Retained earnings	30,046	14,263
Treasury stock, at cost	(366)	(373)
Total shareholders' equity	59,503	43,713
Valuation and translation adjustments		
Unrealized gain on securities	(950)	(200)
Revaluation surplus of land	9,109	14,846
Total valuation and translation adjustments	8,158	14,645
Minority shareholders' equity	2,936	405
Total net assets	70,598	58,764
Total liabilities and net assets	317,439	303,456

(2) Consolidated Statement of Profit and Loss

(In millions of yen)

	Previous fiscal year (From April 1, 2008 to March 31, 2009)	Current fiscal year (From April 1 2009 to March 31, 2010)
Operating revenue	51,935	42,004
Cost of sales	37,725	31,515
Gross profit	14,209	10,489
Selling, general and administrative expenses		
Selling expenses	909	833
Salaries and allowances	1,089	1,133
Provision of accrued bonuses for directors and statutory auditors	6	–
Provision of accrued bonuses	167	149
Provision of reserve for retirement allowances for directors and statutory auditors	23	–
Severance indemnities for employees cost	155	30
Commission fee	–	692
Provision of allowance for doubtful accounts	807	37
Other	2,052	1,466
Total selling, general and administrative expenses	5,211	4,343
Operating income	8,998	6,145
Non-operating income		
Interest income	17	22
Dividends earned	227	218
Amortization of negative goodwill	1	9
Interest on refund	57	–
Miscellaneous non-operating income	27	40
Total non-operating income	331	291
Non-operating expenses		
Interest expense	2,966	3,270
Amortization of bond-issuing expenses	27	68
Equity in net loss of affiliates	66	2
Provision of allowance for doubtful accounts	18	6
Miscellaneous non-operating expenses	72	193
Total non-operating expenses	3,150	3,541
Ordinary income	6,178	2,895
Extraordinary income		
Reversal of allowance for doubtful accounts	1	1
Gain on sale of fixed assets	10	2,481
Gain on sale of investment securities	–	235
Other	–	14
Total extraordinary income	11	2,734
Extraordinary loss		
Loss on sale of fixed assets	–	1,640
Loss on disposal of fixed assets	133	1,269
Dismantling expense of buildings and building fixtures	192	192
Loss on revaluation of investment securities	3,765	–
Loss on revaluation of operating investment	–	4,607
Impairment loss	–	10,626
Other	244	–
Total extraordinary loss	4,335	18,335
Income (loss) before income taxes	1,855	(12,706)
Corporation, inhabitants and enterprise taxes	1,307	105
Deferred income taxes	(463)	(3,032)
Total income taxes	844	(2,927)
Minority interests in income (loss)	148	(1,072)
Net income (loss)	862	(8,706)

(3) Consolidated Statement of Changes in Net Assets

(In millions of yen)

	Previous fiscal year (From April 1, 2008 to March 31, 2009)	Current fiscal year (From April 1 2009 to March 31, 2010)
Shareholders' equity		
Common stock		
Balance at the end of previous period	15,238	15,797
Change during the period		
Issuance of stock	558	–
Total change during the period	558	–
Balance at the end of current period	15,797	15,797
Additional paid-in capital		
Balance at the end of previous period	13,466	14,025
Change during the period		
Issuance of stock	558	–
Total change during the period	558	–
Balance at the end of current period	14,025	14,025
Retained earnings		
Balance at the end of previous period	30,897	30,046
Change during the period		
Distribution of surplus	(1,625)	(1,339)
Net income (loss)	862	(8,706)
Disposal of treasury stock	(4)	(0)
Reversal of revaluation surplus of land	(83)	(5,737)
Total change during the period	(851)	(15,783)
Balance at the end of current period	30,046	14,263
Treasury stock		
Balance at the end of previous period	(340)	(366)
Change during the period		
Acquisition of treasury stock	(34)	(7)
Disposal of treasury stock	8	0
Total change during the period	(25)	(6)
Balance at the end of current period	(366)	(373)
Total shareholders' equity		
Balance at the end of previous period	59,262	59,503
Change during the period		
Issuance of stock	1,117	–
Distribution of surplus	(1,625)	(1,339)
Net income (loss)	862	(8,706)
Acquisition of treasury stock	(34)	(7)
Disposal of treasury stock	3	0
Reversal of revaluation surplus of land	(83)	(5,737)
Total change during the period	241	(15,790)
Balance at the end of current period	59,503	43,713

(In millions of yen)

	Previous fiscal year (From April 1, 2008 to March 31, 2009)	Current fiscal year (From April 1 2009 to March 31, 2010)
Valuation and translation adjustments		
Unrealized gain on securities		
Balance at the end of previous period	(859)	(950)
Change during the period		
Net change in items other than shareholders' equity during the period	(90)	750
Total change during the period	(90)	750
Balance at the end of current period	(950)	(200)
Revaluation surplus of land		
Balance at the end of previous period	9,025	9,109
Change during the period		
Net change in items other than shareholders' equity during the period	83	5,737
Total change during the period	83	5,737
Balance at the end of current period	9,109	14,846
Total valuation and translation adjustments		
Balance at the end of previous period	8,165	8,158
Change during the period		
Net change in items other than shareholders' equity during the period	(7)	6,487
Total change during the period	(7)	6,487
Balance at the end of current period	8,158	14,645
Minority shareholders' equity		
Balance at the end of previous period	3,027	2,936
Change during the period		
Net change in items other than shareholders' equity during the period	(91)	(2,530)
Total change during the period	(91)	(2,530)
Balance at the end of current period	2,936	405
Total net assets		
Balance at the end of previous period	70,456	70,598
Change during the period		
Issuance of stock	1,117	–
Distribution of surplus	(1,625)	(1,339)
Net income (loss)	862	(8,706)
Acquisition of treasury stock	(34)	(7)
Disposal of treasury stock	3	0
Reversal of revaluation surplus of land	(83)	(5,737)
Net change in items other than shareholders' equity during the period	(98)	3,956
Total change during the period	142	(11,833)
Balance at the end of current period	70,598	58,764

(4) Consolidated Statement of Cash Flows

(In millions of yen)

	Previous fiscal year (From April 1, 2008 to March 31, 2009)	Current fiscal year (From April 1 2009 to March 31, 2010)
Cash flows from operating activities		
Income (loss) before income taxes	1,855	(12,706)
Depreciation	5,666	5,054
Loss (gain) on revaluation of investment securities	3,765	–
Loss on disposal of fixed assets	133	1,269
Loss (gain) on revaluation of operating investment	–	4,607
Impairment loss	–	10,626
Increase (decrease) in allowance for doubtful accounts	824	41
Increase (decrease) in accrued bonuses	5	(37)
Increase (decrease) in accrued bonuses for directors and statutory auditors	(48)	(6)
Increase (decrease) in accrued severance indemnities for employees	173	(87)
Increase (decrease) in reserve for retirement allowances for directors and statutory auditors	23	–
Interest income and dividends earned	(244)	(240)
Interest expense	2,966	3,270
Amortization of bond-issuing expenses	27	68
Loss (gain) on sale of investment securities	–	(235)
Loss (gain) on sale of fixed assets	(10)	(841)
Decrease (increase) in notes and accounts receivable – trade	(759)	772
Decrease (increase) in inventories	10,154	11,385
Decrease (increase) in operating investment	(4,368)	3,098
Decrease (increase) in accrued expenses	2	193
Decrease (increase) in accounts receivable– other	539	(258)
Increase (decrease) in notes and accounts payable – trade	(984)	(794)
Increase (decrease) in advances received	(494)	(288)
Increase (decrease) in accrued consumption taxes	649	(648)
Increase (decrease) in deposits received and deposits of landlord	(771)	(1,096)
Other	135	(1,039)
Subtotal	19,241	22,107
Interest and dividends income received	244	240
Interest expenses paid	(2,979)	(3,215)
Income taxes (paid) refund	1,205	(2,731)
Net cash provided by operating activities	17,711	16,399

(In millions of yen)

	Previous fiscal year (From April 1, 2008 to March 31, 2009)	Current fiscal year (From April 1 2009 to March 31, 2010)
Cash flows from investing activities		
Net decrease (increase) in time deposits	(100)	(248)
Purchase of marketable securities	(100)	(600)
Proceeds from sales and redemption of marketable securities	19	124
Purchase of investment securities	(703)	(3,510)
Proceeds from sales and redemption of investment securities	32	454
Acquisition of subsidiaries' stock due to changes in scope of consolidation	–	(397)
Purchase of tangible fixed assets	(10,496)	(7,754)
Proceeds from sales of tangible fixed assets	115	6,949
Purchase of intangible fixed assets	(31)	(59)
Purchase of long-term prepaid expenses	(523)	(341)
Payments for guarantee deposits	(439)	(527)
Proceeds from collection of guarantee deposits	158	356
Proceeds from cancellation of insurance funds	3	–
Other	(16)	(185)
Net cash used in investing activities	(12,081)	(5,740)
Cash flows from financing activities		
Increase (decrease) in short-term loans payable	1,270	2,780
Proceeds from long-term loans payable	21,000	28,700
Repayment of long-term loans payable	(7,387)	(25,790)
Proceeds from issuance of bonds	5,000	16,000
Redemption of bonds	–	(17,810)
Cancellation by purchase of bonds	(200)	(5,322)
Redemption of convertible bonds (with stock acquisition rights)	(52)	–
Purchase of treasury stock	(34)	(4)
Payments of dividends	(1,627)	(1,339)
Payments of dividends to minority shareholders	(72)	(178)
Repayments of investments in capital to minority shareholders	(43)	–
Other	(97)	(139)
Net cash provided by (used in) financing activities	17,754	(3,104)
Effect of exchange rate changes on cash and cash equivalents	–	–
Increase (decrease) in cash and cash equivalents	23,384	7,554
Balance of cash and cash equivalents at beginning of period	5,670	29,055
Balance of cash and cash equivalents at end of period	29,055	36,610

Business Segment Information

Current fiscal year (From April 1, 2009 to March 31, 2010)

(In millions of yen)

	Building	Housing	Asset Development	Other	Total	Eliminations or Corporate	Consolidated
I Operating revenues and expenses							
Operating revenue							
(1) Operating revenue from external customers	17,963	12,337	9,095	2,608	42,004	–	42,004
(2) Intersegment revenue and transfer	26	0	162	1,532	1,721	(1,721)	–
Total	17,989	12,337	9,258	4,140	43,726	(1,721)	42,004
Operating expenses	9,893	14,116	8,428	4,024	36,463	(604)	35,858
Operating income (loss)	8,096	(1,778)	829	116	7,263	(1,117)	6,145
II Assets, depreciation, impairment loss and capital expenditure							
Assets	192,964	29,445	27,655	1,575	251,641	51,815	303,456
Depreciation	4,483	199	326	43	5,053	1	5,054
Impairment loss	3,325	–	7,301	–	10,626	–	10,626
Capital expenditure	10,218	412	586	5	11,223	(3,372)	7,850

Notes:

- Business segments are classified according to the types of business transactions.
- Contents of principal businesses of the Group:
 - Building.....Leasing, management and operation of buildings, facilities, and real estate
 - HousingDevelopment, sales, and leasing of residential real estate
 - Asset DevelopmentDevelopment 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 ¥1,184 million, and this consisted mainly of expenses incurred by the head office administration division of the Company.
- Of the assets, the amount of corporate assets included in “Eliminations or corporate” was ¥52,663 million, this consisted mainly of cash, deposits, marketable securities, and investment securities of the Company.
- The above amounts are exclusive of consumption tax.