Consolidated Financial Statements (Japanese Accounting Standards)

November 4, 2011

(For the six months ended September 30, 2011)

Name of Company Listed: **Leopalace21 Corporation**
Stock Listing: Tokyo Stock Exchange
Code Number: 8848
Location of Head Office: Tokyo
(URL: http://eg.leopalace21.com)
Representative: Position: President and CEO Name: Eisei Miyama
Contact Person: Position: General Manager Name: Bunya Miyao
Telephone: +81-3-5350-0216

Scheduled Date of Filing of Quarterly Report: November 11, 2011
Scheduled Date of Commencement of Dividend Payments: –
Supplemental Explanatory Material Prepared: Yes
Results Briefing Held: Yes (for institutional investors and analysts)

1. Results for the Six Months Ended September 30, 2011 (April 1, 2011 through September 30, 2011)

(1) Consolidated financial results

(Amounts less than one million yen are omitted)
(Percentages represent changes from the same period last year)

	Net sales		Operating loss		Recurring loss		Net loss	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
Six months ended September 30, 2011	**223,044**	**(10.2)**	**(2,191)**	**–**	**(6,187)**	**–**	**(5,203)**	**–**
Six months ended September 30, 2010	248,315	(20.0)	(12,594)	–	(19,273)	–	(17,555)	–

Note: Comprehensive loss: Six months ended September 30, 2011: (1,789) million yen, –%;
SIx months ended September 30, 2010: (14,060) million yen, –%

	Net loss per share	Diluted net income (loss) per share
	Yen	Yen
Six months ended September 30, 2011	**(30.82)**	**–**
Six months ended September 30, 2010	(115.48)	–

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio	Equity per share
	Million yen	Million yen	%	Yen
As of September 30, 2011	**270,295**	**31,304**	**11.6**	**185.10**
As of March 31, 2011	298,274	33,040	11.1	195.91

Note: Shareholders' equity: As of September 30, 2011: 31,285 million yen; As of March 31, 2011: 33,025 million yen

2. Dividend Status

	Dividend per share				
(Base date)	End of 1st quarter	End of 2nd quarter	End of 3rd quarter	End of FY	Annual
	Yen	Yen	Yen	Yen	Yen
FY ended March 31, 2011	–	0.00	–	0.00	0.00
FY ending March 31, 2012	–	0.00	–	–	–
FY ending March 31, 2012 (Forecast)	–	–	–	0.00	0.00

Note: Restatement of most recent dividend forecast (Y/N): None

3. Estimation of Business Results for the Fiscal Year Ending March 31, 2012 (April 1, 2011 through March 31, 2012)

(Amounts less than one million yen are omitted)
(Percentages represent changes compared with the previous full-year)

	Net sales		Operating income		Recurring income		Net income		Net income per share
	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Yen
FY ending March 31, 2012	499,900	3.2	3,200	—	1,800	—	3,000	—	17.75

Note: Restatement of most recent consolidated business results forecasts (Y/N): None

4. Other

(1) Changes in major subsidiaries during the period (Change in specific subsidiaries as a result of a change in the scope of consolidation): None

(2) Use of accounting procedures specific to the preparation of quarterly financial statements: Yes

(3) Changes in accounting policies, changes in accounting estimates, restatements
- (i) Changes in accounting policies accompanying revision of accounting standards, etc.: None
- (ii) Changes in accounting policies other than (i) above: None
- (iii) Changes in accounting estimates: None
- (iv) Restatements: None

(4) Total number of outstanding shares (Common stock)
- (i) Total number of outstanding shares at term end (Include treasury stock)
  - As of September 30, 2011: 175,443,915 shares
  - As of March 31, 2011: 175,443,915 shares
- (ii) Total treasury stock at term end
  - As of September 30, 2011: 6,427,689 shares
  - As of March 31, 2011: 6,867,850 shares
- (iii) Average number of outstanding shares during the period
  - For the six months ended September 30, 2011: 168,844,627 shares
  - For the six months ended September 30, 2010: 152,024,317 shares

Indication regarding the status of quarterly review procedures:

These financial statements are not subject to quarterly review procedures under the Financial Instruments and Exchange Act. The review of these financial statements in accordance with the Financial Instruments and Exchange Act completed at the time of disclosure.

Note on the proper use of the business forecasts contained in this report, and other disclaimers:

The business forecasts and other forward-looking statements contained in this report are based on information currently available to the Company and on certain assumptions that Leopalace21 has judged to be reasonable. Readers should be aware that a variety of factors might cause actual results to differ significantly from these forecasts.

Supplemental Explanatory Material on quarterly financial statements is scheduled to be posted on the Company’s homepage on November 7, 2011.

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1. Qualitative Information on Financial Results for the First Half of the Fiscal Year Ending March 31, 2012

(1) Qualitative information on consolidated business results

(Million yen)

	Six months ended September 30, 2010	Six months ended September 30, 2011	change
Net Sales	248,315	223,044	(25,271)
Operating loss	(12,594)	(2,191)	10,402
Recurring loss	(19,273)	(6,187)	13,085
Net loss	(17,555)	(5,203)	12,352

During the first half under review, the Japanese economy showed signs of emerging from the slump that followed the Great East Japan Earthquake, yet retained considerable uncertainty, reflecting the appreciation of the yen, falling share prices, and concerns that the economies in Europe and the United States would perform more poorly than projected. Although new housing starts increased 6.1% year on year in the housing industry, rental housing failed to enjoy a full-scale recovery as construction increased only 0.6% year on year.

In this environment, the Leopalace Group executed a number of initiatives and sought to comprehensively reduce costs to adopt a more stable earnings profile and quickly move its leasing business into the black. The Group also contributed to the recovery from the Great East Japan Earthquake by constructing temporary housing and providing rental housing at discounted rents.

As a result, net sales for the first half under review amounted to ¥223,044 million (down 10.2% year on year), mainly attributable to a fall in net sales in the construction business associated with the shift to the leasing business. The Company posted an operating loss of ¥2,191 million (improving ¥10,402 million year on year), aided by management improvements including stronger earnings in the leasing business and cuts to selling, general, and administrative expenses. The recurring loss was ¥6,187 million (improving ¥13,085 million year on year), primarily reflecting foreign exchange losses of ¥3,906 million due to the revaluation of overseas subsidiaries, etc. at the end of the period. The net loss was ¥5,203 million (improving ¥12,352 million year on year).

The business performance of the Group tends to be subject to seasonal fluctuations. This reflects the facts that many of the contract agreements in the apartment construction subcontracting business are those that require the completion of the apartment in the fourth quarter, the peak season for demand for moving into apartments, and that the number of units under management increases with the completion of apartments in the leasing business.

(Million yen)

	Net sales			Operating Income (loss)		
	Six months ended September 30, 2010	Six months ended September 30, 2011	change	Six months ended September 30, 2010	Six months ended September 30, 2011	change
Leasing Division	170,038	184,194	14,155	(19,568)	(2,200)	17,368
Apartment Construction Subcontracting Division	67,733	30,885	(36,848)	9,276	2,352	(6,924)
Hotel Resort Division	3,444	3,052	(392)	(556)	(696)	(139)
Elderly Care Division	3,768	4,345	576	(850)	(435)	415
Others	3,329	565	(2,763)	301	57	(243)
Adjustments	–	–	–	(1,196)	(1,269)	(73)
Total	248,315	223,044	(25,271)	(12,594)	(2,191)	10,402

(i) Leasing Business

The occupancy rate at the end of the first half under review was 81.05% (up 1.27 points from the end of the previous fiscal year). This was primarily the result of controlling the number of units supplied, as well as increasing contacts to attract customers through the expansion of franchise offices (Leopalace Partners) and boosting corporate sales.

In the leasing business, the Company continued to focus on expanding franchise offices and acquiring corporate contracts. It also took other action, such as improving rent per apartment by installing apartment security and other systems, expanding auxiliary income, reviewing the master lease rent based on market rents, and reducing costs through the review of programmed property management services.

The number of units under management at the end of the first half under review was 572,000 (increasing 200 from the end of the previous fiscal year), and the number of direct offices was 163 (decreasing 1). The number of franchise offices was 158 (increasing 37).

As a result of the above, net sales amounted to ¥184,194 million (up 8.3% year on year), and operating loss was ¥2,200 million (improving ¥17,368 million).

(ii) Apartment Construction Subcontracting Business

Orders received in the first half under review were ¥3,355 million (down 89.5% year on year), and orders received outstanding were ¥94,875 million (down 35.9%).

In the apartment construction subcontracting business, the Company focused its activities to win orders in areas where solid demand for apartments was anticipated, aiming to contribute to higher income in the leasing business. It also promoted sales of built-for-sale products that did not have an impact on the number of units supplied, as well as the installation of a solar power system, etc. that would increase product value.

The Company meanwhile took steps to reduce costs by lowering material procurement costs and reviewing the deployment of offices and personnel. The number of offices at the end of the first half under review was 51 (down 24 from the end of the previous fiscal year).

As a result, net sales came to ¥30,885 million (down 54.4% year on year), and operating income was ¥2,352 million (down 74.6%).

(iii) Hotel Resort Business

Net sales in resort facilities in Guam and hotels in Japan were ¥3,052 million (down 11.4% year on year), and the operating loss was ¥696 million (increasing ¥139 million in loss)

(iv) Elderly Care Business

Net sales were ¥4,345 million (improving 15.3% year on year), and operating loss was 435 million (improving ¥415 million).

(v) Other Businesses

In other businesses such as the small-claims and short-term insurance business, the residential sales business and the finance business, net sales were ¥565 million (down 83.0% year on year), and the operating loss was ¥57 million (down 80.8% year on year) .

(2) Qualitative information on consolidated financial position

(Million yen)

	As of March 31, 2011	As of September 30, 2011	change
Total Assets	298,274	270,295	(27,978)
Total liabilities	265,233	238,990	(26,242)
Net Assets	33,040	31,304	(1,736)

Total assets at the end of the first half under review declined ¥27,978 million from the end of the previous fiscal year, to ¥270,295 million. This was mainly attributable to decreases in cash and cash equivalents of ¥10,819 million, trade receivables of ¥1,834 million, prepaid expenses of ¥2,301 million, and long-term prepaid expenses of ¥8,235 million.

Total liabilities decreased ¥26,242 million from the end of the previous fiscal year, to ¥238,990 million. This primarily reflected an increase of ¥7,995 million in the balance of interest-bearing debt, to ¥51,853 million, and decreases in accounts payable for completed projects of ¥1,894 million, unpaid expenses of ¥2,564 million, short- and long-term advances received of ¥18,686 million, reserve for apartment vacancy loss of ¥6,110 million, and lease/guarantee deposits received of ¥2,058 million.

Net assets were down ¥1,736 million from the end of the previous fiscal year, to ¥31,304 million, chiefly due to a decline of ¥3,508 million in the negative balance of foreign currency translation adjustments and a fall of ¥5,203 million in retained earnings because of the posting of a net loss. The ratio of shareholders' equity to assets rose 0.5 points from the end of the previous fiscal year, to 11.6%.

(Cash flows)

Cash used in operating activities was ¥15,430 million (a decline of ¥23,946 million in cash used year on year). This was primarily attributable to a fall of ¥10,646 million in long-term prepaid expenses, foreign exchange losses of ¥3,906 million, and a decline of ¥2,873 million in accounts receivable, as well as a decrease of ¥18,686 million in advances received, a fall of ¥6,110 million in the reserve for apartment vacancy loss, and a loss before income taxes of ¥5,111 million.

Cash used in investing activities was ¥3,664 million (compared to cash provided of ¥1,749 million in the same period of the previous fiscal year). The major factors included payments for time deposits of ¥517 million (after subtracting the proceeds from withdrawal) and other payments of ¥2,478 million (long-term money trusts, etc.).

Cash provided by financing activities was ¥7,857 million (a decline of ¥5,840 million in cash used year on year), mainly reflecting proceeds from borrowings of ¥8,421 million (after subtracting the repayment of borrowings and redemption of bonds).

As a result, the balance of cash and cash equivalents at the end of the first half under review came to ¥29,154 million, declining ¥6,853 million from the end of the first half of the previous fiscal year.

(3) Qualitative information on consolidated results forecasts

Consolidated results forecasts announced in the consolidated financial statements published on May 13, 2011 remain unchanged.

The results forecasts are the estimates of the Company based on information available at the time of announcement of this document. Actual results may differ materially from these forecasts due to various factors.

(4) Events that could have a significant impact on the Company's management

The Group had recorded an operating loss and a net loss for two fiscal years in a row until the previous fiscal year and ultimately posted an operating loss of ¥2,191 million and a net loss of ¥5,203 million in the first half under review as well, although results improved significantly. To improve this situation, the Group is executing a number of measures to steadily improve its operations and is pursuing the following initiatives to rapidly achieve profitability:

- Expand and strengthen the offices of Leopalace Partners, while improving the occupancy rate and increasing net sales by strengthening corporate sales, etc.
- Improve the value of products and increase income by installing apartment security systems and solar power systems, etc.
- Reduce property management costs by reviewing propane gas charges, routine cleaning costs, and outsourcing costs of water-purifier tanks, etc.
- Reduce selling, general, and administrative expenses by reviewing the deployment of offices and personnel and launching strategies for more efficient advertisement and sales promotion
- Strengthen marketing and business planning and improve efficiency in administrative divisions by streamlining the organizational arrangement

2. Matters relating to summary information (other)

(1) Changes in significant subsidiaries during the first half under review

Not applicable

(2) Application of accounting methods specific to the preparation of quarterly consolidated financial statements

Tax expenses are calculated by multiplying net income before income taxes by a reasonably estimated effective tax rate, after applying the tax effect accounting to net income before income taxes for the consolidated fiscal year that includes the first half under review.

As taxable income is not expected to arise in the current consolidated fiscal year, the amount equivalent to a half of the estimated annual amount of corporate inhabitant tax on per capita basis is recorded as tax expenses for the first half under review.

(3) Changes in accounting policies and changes, revisions and restatement of accounting estimates

Not applicable

3. Consolidated financial statements

(1) Consolidated Balance Sheets

(Million yen)

	September 30, 2011	March 31, 2011
<Assets>		
Current assets		
Cash and cash equivalents	29,854	40,674
Trade receivables	4,425	6,259
Accounts receivable for completed projects	1,800	2,117
Operating loans	3,805	4,311
Real estate for sale/property inventories	13	13
Real estate for sale in process	85	104
Payment for construction in progress	502	586
Raw materials and supplies	497	457
Prepaid expenses	21,576	23,878
Deferred tax assets	3,712	3,712
Other accounts receivable	741	1,234
Other	9,242	11,872
Allowance for doubtful accounts	(1,056)	(1,005)
Total	**75,202**	**94,219**
Fixed assets		
Property, plant and equipment		
Buildings and structures (net)	57,547	59,191
Land	84,720	84,851
Leased assets (net)	3,100	3,510
Construction in progress	202	66
Other (net)	2,273	2,665
Total	**147,845**	**150,284**
Intangible assets	7,421	7,588
Investments and other assets		
Investment securities	6,626	6,534
Long-term loans	580	601
Bad debt	4,487	4,452
Long-term prepaid expenses	25,987	34,222
Deferred tax assets	2,334	2,269
Other	4,856	3,102
Allowance for doubtful accounts	(5,116)	(5,077)
Total	**39,756**	**46,105**
Total fixed assets	**195,023**	**203,979**
Deferred assets	**68**	**75**
Total assets	**270,295**	**298,274**

(Million yen)

	September 30, 2011	March 31, 2011
<Liabilities>		
Current liabilities		
Accounts payable	2,735	2,699
Accounts payable for completed projects	10,739	12,634
Short-term borrowings	45,043	34,502
Bonds due within one year	560	560
Lease obligations	1,261	1,230
Unpaid expenses	9,121	11,685
Accrued expenses	3	4
Accrued income taxes	214	426
Advances received	81,298	97,154
Customer advances for projects in progress	5,479	4,055
Reserve for warranty obligations on completed projects	88	133
Reserve for fulfillment of guarantees	200	135
Reserve for disaster losses	467	1,189
Reserve for switch to terrestrial digital broadcasts	543	1,188
Asset retirement obligations	30	30
Other	4,440	6,090
Total	**162,229**	**173,719**
Long-term liabilities		
Bonds	2,320	2,600
Long-term debt	387	2,227
Lease obligations	2,280	2,738
Retirement benefit reserves	7,920	7,873
Reserve for apartment vacancy loss	26,494	32,605
Lease/guarantee deposits received	23,976	26,035
Asset retirement obligations	46	47
Long-term advances received	11,999	14,830
Long-term other payable	13	1,210
Other	1,320	1,344
Total	**76,760**	**91,513**
Total liabilities	**238,990**	**265,233**
<Net assets>		
Shareholders' equity		
Common stock	56,562	56,562
Capital surplus	34,031	34,334
Retained earnings	(51,755)	(46,552)
Treasury stock	(5,149)	(5,502)
Total	**33,689**	**38,842**
Accumulated other comprehensive income		
Net unrealized gains on “other securities”	106	204
Deferred gains or losses on hedges	–	(3)
Foreign currency translation adjustments	(2,510)	(6,018)
Total	**(2,404)**	**(5,817)**
Share subscription rights	**19**	**15**
Total net assets	**31,304**	**33,040**
Total liabilities and net assets	**270,295**	**298,274**

(2) Consolidated Statements of Operations and Consolidated Statements of Comprehensive Income

Consolidated Statements of Operations

(Million yen)

	Six months ended September 30, 2011 (Apr. 2011–Sep. 2011)	Six months ended September 30, 2010 (Apr. 2010–Sep. 2010)
Net sales	**223,044**	**248,315**
Cost of sales	**201,135**	**232,012**
Gross profit	**21,908**	**16,303**
Selling, general and administrative expenses	**24,100**	**28,897**
Operating loss	**(2,191)**	**(12,594)**
Non-operating income		
Interest income	27	35
Income from the sale of investment real estate	–	97
Gain on bad debt recovered	418	–
Gain on adjustment of accounts payable	411	–
Other	236	364
Total	**1,093**	**497**
Non-operating expenses		
Interest expenses	635	852
Commission fee	316	536
Foreign exchange loss	3,906	5,409
Equity in losses of affiliated companies	117	102
Other	112	275
Total	**5,089**	**7,176**
Recurring loss	**(6,187)**	**(19,273)**
Extraordinary income		
Gain on sale of property, plant and equipment	0	201
Reversal of allowance for doubtful receivables	–	136
Reversal of allowance for employees’ bonuses	–	2,605
Reversal of share subscription rights	–	82
Reversal of provision for accrued retirement benefit for directors	1,185	–
Total	**1,185**	**3,025**
Extraordinary losses		
Loss on sale of property, plant and equipment	–	14
Loss on disposal of property, plant and equipment	29	66
Impairment loss	75	308
Loss on sale of investment securities	–	51
Transfer to allowance for bad debt	–	56
Loss on cancellation of structured deposits	–	707
Disaster loss	4	–
Total	**109**	**1,205**

	Six months ended September 30, 2011 (Apr. 2011–Sep. 2011)	Six months ended September 30, 2010 (Apr. 2010–Sep. 2010)
Loss before income tax	**(5,111)**	**(17,452)**
Income taxes	91	102
Net loss	**(5,203)**	**(17,555)**

Consolidated Statements of Comprehensive Income

(Million yen)

	Six months ended September 30, 2011 (Apr. 2011–Sep. 2011)	Six months ended September 30, 2010 (Apr. 2010–Sep. 2010)
Net loss	**(5,203)**	**(17,555)**
Other comprehensive income		
Net unrealized gains on “other securities”	(98)	(82)
Foreign currency translation adjustments	3,508	3,576
Share of other comprehensive income of associates	3	1
Total	**3,413**	**3,494**
Comprehensive income	(1,789)	(14,060)
(Breakdown)		
Comprehensive income attributable to shareholders of the parent entity	(1,789)	(14,060)

(3) Consolidated Statements of Cash Flows

(Million yen)

	Six months ended September 30, 2011 (Apr. 2011–Sep. 2011)	Six months ended September 30, 2010 (Apr. 2010–Sep. 2010)
Cash flows from operating activities		
Loss before income tax	(5,111)	(17,452)
Depreciation	3,018	3,209
Increase (decrease) in allowance for doubtful accounts	134	(27)
Increase (decrease) in reserve for apartment vacancy loss	(6,110)	(52)
Increase (decrease) in reserve for accrued retirement benefit for directors	(1,185)	–
Increase (decrease) in reserve for disaster losses	(722)	–
Increase (decrease) in reserve for switch to terrestrial digital broadcasts	(644)	–
Interest expense	635	852
Foreign exchange loss (gain)	3,906	5,409
Equity in losses (earnings) of affiliated companies	117	102
Loss (gain) on sale of property, plant and equipment	(0)	(187)
Write-offs of property, plant and equipment	29	66
Impairment loss	75	308
Loss (gain) on sale of investment securities	–	108
Decrease (increase) in accounts receivable	2,873	7,060
Decrease (increase) in real estate for sale	19	2,463
Decrease (increase) in payment for construction in progress	84	490
Decrease (increase) in long-term prepaid expenses	10,646	9,669
Increase (decrease) in accounts payable	(2,979)	(25,068)
Increase (decrease) in customer advances for projects in progress	1,424	(3,426)
Increase (decrease) in advances received	(18,686)	(16,676)
Increase (decrease) in guarantee deposits received	(2,246)	(3,766)
Increase (decrease) in accrued consumption taxes	(1,576)	1,169
Other	1,938	(1,354)
Subtotal	(14,357)	(37,100)
Interest and dividends received	67	77
Interest paid	(725)	(851)
Income taxes paid	(415)	(1,502)
Net cash provided by (used in) operating activities	**(15,430)**	**(39,376)**

(Million yen)

	Six months ended September 30, 2011 (Apr. 2011–Sep. 2011)	Six months ended September 30, 2010 (Apr. 2010–Sep. 2010)
Cash flows from investing activities		
Payment for purchase of property, plant and equipment	(430)	(1,062)
Proceeds from sale of property, plant and equipment	6	1,421
Payment for purchase of intangible assets	(206)	(1,664)
Payment for purchase of investment securities	(100)	(19)
Proceeds from sale of investment securities	30	989
Payment for loans	(11)	(4)
Proceeds from collection of loans	43	208
Payments for time deposits	(600)	(3,680)
Proceeds from withdrawal of time deposits	82	5,890
Other	(2,478)	(328)
Net cash provided by (used in) investing activities	**(3,664)**	**1,749**
Cash flows from financing activities		
Proceeds from short-term borrowings	12,953	16,500
Repayment of short-term borrowings	(622)	(1,030)
Repayment of long-term debt	(3,629)	(12,677)
Payment for redemption of bonds	(280)	(280)
Repayment of finance lease obligations	(613)	(589)
Proceeds from disposal of treasury stock	50	94
Payment for purchase of treasury stock	(0)	(0)
Net cash provided by (used in) financing activities	**7,857**	**2,016**
Effect of exchange rate changes on cash and cash equivalents	**(99)**	**(413)**
Net increase (decrease) in cash and cash equivalents	**(11,337)**	**(36,023)**
Cash and cash equivalents at beginning of period	**40,492**	**72,031**
Cash and cash equivalents at end of period	**29,154**	**36,008**

(4) Notes Regarding the Premise of the Company as a Going Concern

There are no relevant items.

(5) Segment Information

Segment Information by Business Type

i Six Months Ended September 30, 2010 (April 1, 2010 through September 30, 2010)
Operating Revenues and Earnings (or Loss) by Reportable Segment

(Million yen)

	Reportable Segment					Others (Note 1)	Total	Adjustments (Note 2)	Consolidated Total (Note 3)
	Leasing Division	Apartment Construction Subcontracting Division	Hotel Resort Division	Elderly Care Division	Segment Total				
Net sales									
(1) Sales to customers	170,038	67,733	3,444	3,768	244,985	3,329	248,315	–	248,315
(2) Inter-segment sales and transfers	176	–	1,017	–	1,194	20	1,214	(1,214)	–
Total	170,215	67,733	4,461	3,768	246,179	3,350	249,530	(1,214)	248,315
Segment earnings (loss)	(19,568)	9,276	(556)	(850)	(11,699)	301	(11,397)	(1,196)	(12,594)

Notes: 1. The “Others” classification is the business segment not included in reportable segments, and comprises such businesses as the small-claims and short-term insurance business, residential sales business and financing businesses.

2. The segment profit (loss) adjustment of (¥1,196) million includes (¥28) million in inter-segment eliminations, and (¥1,225) million in corporate expenses not allocated to reportable segments. Corporate expenses consist mainly of general administrative expenses for administrative departments that are not part of reportable segments.

3. Segment profit (loss) is adjusted to the operating loss figure on the Consolidated Statements of Operations.

ii Six Months Ended September 30, 2011 (April 1, 2011 through September 30, 2011)
(1) Operation Revenue and Earnings (or Loss) by Reportable Segment

(Million yen)

	Reportable Segment					Others (Note 1)	Total	Adjustments (Note 2)	Consolidated Total (Note 3)
	Leasing Division	Apartment Construction Subcontracting Division	Hotel Resort Division	Elderly Care Division	Segment Total				
Net sales									
(1) Sales to customers	181,194	30,885	3,052	4,345	222,478	565	223,044	–	223,044
(2) Inter-segment sales and transfers	342	–	613	–	956	30	986	(986)	–
Total	184,536	30,885	3,665	4,345	223,434	595	224,030	(986)	223,044
Segment earnings (loss)	(2,200)	2,352	(696)	(435)	(979)	57	(921)	(1,296)	(2,191)

Notes: 1. The “Others” classification is the business segment not included in reportable segments, and comprises such businesses as the small-claims and short-term insurance business, residential sales business and financing businesses.

2. The segment profit (loss) adjustment of (¥1,269) million includes (¥3) million in inter-segment eliminations, and (¥1,273) million in corporate expenses not allocated to reportable segments. Corporate expenses consist mainly of general administrative expenses for administrative departments that are not part of reportable segments.

3. Segment profit (loss) is adjusted to the operating loss figure on the Consolidated Statements of Operations.

(2) Change in Reportable Segment

The “Elderly Care Division” had been included in the “Others” category until the previous period (for the three months ended June 30, 2011), but is classified in a reportable segment from the subject period because its quantitative importance has increased.

The “Residential Sales Division” business had been a reportable segment until the previous fiscal year, but is included in the “Others” category from the previous period (for the three months ended June 30, 2011) because its importance has diminished due to contraction of the business. Sales amounted to ¥2,811 million and segment earnings amounted to ¥195 million during the six months ended September 30, 2010, and sales amounted to ¥46 million and segment earnings amounted to ¥27 million during the six months ended September 30, 2011 in the “Residential Sales Division” business.

Accordingly, the numbers for the six months ended September 30, 2010 were reclassified appropriately.

(6) Note Regarding Significant Changes in Shareholders’ Equity

There are no relevant items.