Summary of Financial Results for the Fiscal Year Ended March 31, 2012 [Consolidated]
(From April 1, 2011 to March 31, 2012)
[Japanese GAAP]

May 10, 2012

Name of Listed Company: Daiwa House Industry Co., Ltd.
Code No.: 1925
URL: http://www.daiwahouse.co.jp/
Listed Exchanges: First section of the Tokyo Stock Exchange; First section of the Osaka Securities Exchange
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Scheduled Date of Ordinary General Meeting of Shareholders: June 28, 2012
Scheduled Date of Commencement of Dividend Payment: June 29, 2012
Scheduled Date of Filing Securities Report: June 28, 2012
Supplemental documents for the financial results provided: Yes
Results briefing for the period under review provided: Yes (for institutional investors and securities analysts)

(Amounts below one million yen are omitted)

1. Consolidated Results of Operation for the Fiscal Year Ended March 31, 2012 (From April 1, 2011 to March 31, 2012)

(1) Consolidated Business Results

(% figures represent year-on-year change)

	Net sales		Operating income		Ordinary income		Net income	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
Fiscal year ended March 31, 2012	1,848,797	9.4	114,955	31.1	108,506	37.3	33,200	21.8
Fiscal year ended March 31, 2011	1,690,151	5.0	87,697	39.8	79,049	31.7	27,267	42.7

Note: Comprehensive income
Fiscal year ended March 31, 2012: 34,592 million yen (25.7%); Fiscal year ended March 31, 2011: 27,528 million yen (14.0 %)

	Basic net income per share	Diluted net income per share	Return on equity (ROE)	Ordinary income to total assets ratio	Operating income to net sales ratio
	Yen	Yen	%	%	%
Fiscal year ended March 31, 2012	57.36	—	5.1	5.4	6.2
Fiscal year ended March 31, 2011	47.09	—	4.4	4.1	5.2

(Reference) Equity in earnings of affiliates
Fiscal year ended March 31, 2012: (1,431) million yen; Fiscal year ended March 31, 2011: 992 million yen

(2) Consolidated Financial Conditions

	Total assets	Net assets	Net assets ratio	Net assets per share
	Millions of yen	Millions of yen	%	Yen
March 31, 2012	2,086,097	657,891	31.5	1,135.46
March 31, 2011	1,934,236	635,186	32.8	1,095.62

(Reference) Net assets ratio = (Net assets – Minority interests)/Total assets
(Net assets – Minority interests) is as follows. March 31, 2012: 657,111 million yen; March 31, 2011: 634,151 million yen

(3) Consolidated Cash Flows

	Cash flows from operating activities	Cash flows from investing activities	Cash flows from financing activities	Cash and cash equivalents, end of the year
	Millions of yen	Millions of yen	Millions of yen	Millions of yen
Fiscal year ended March 31, 2012	248,771	(117,226)	(28,766)	248,712
Fiscal year ended March 31, 2011	127,957	(83,594)	(77,834)	146,243

2. Dividends

(Record date)	Dividend per share					Total dividends (annual)	Dividend payout ratio (consolidated)	Dividends to net assets ratio (consolidated)
	End of 1st quarter (June 30)	End of 2nd quarter (Sept. 30)	End of 3rd quarter (Dec. 31)	Fiscal year-end (March 31)	Annual			
	Yen	Yen	Yen	Yen	Yen	Millions of yen	%	%
Fiscal year ended March 31, 2011	—	0.00	—	20.00	20.00	11,576	42.5	1.9
Fiscal year ended March 31, 2012	—	0.00	—	25.00	25.00	14,467	43.6	2.2
Fiscal year ending March 31, 2013 (forecasts)	—	0.00	—	30.00	30.00		29.9	

Note: Cash dividends for the fiscal year ended March 31, 2011 comprise: ¥17.00 per share as an ordinary dividend, and ¥3.00 per share as a commemorative dividend, making its 55th year in business.

3. Consolidated Business Forecasts for the Fiscal Year Ending March 31, 2013 (From April 1, 2012 to March 31, 2013)

(% figures represent year-on-year change)

	Net sales		Operating income		Ordinary income		Net income		Basic net income per share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
Six months ending September 30, 2012	—	—	—	—	—	—	—	—	—
Fiscal year ending March 31, 2013	1,900,000	2.8	118,000	2.6	111,000	2.3	58,000	74.7	100.22

Notes:

(1) Changes in Significant Subsidiaries during the Fiscal Year (Changes in specified subsidiaries associated with changes in the scope of consolidation): None

(2) Changes of Accounting Policies Applied, Changes in Accounting Estimates and Retrospective Restatement

1) Changes of accounting policies applied due to amendment of accounting standards: None

2) Changes of accounting policies due to reasons other than 1): None

3) Changes in accounting estimates: None

4) Retrospective restatement: None

(3) Number of Issued and Outstanding Shares (Common Stock)

1) Number of shares at the end of the period (including treasury stock)

As of March 31, 2012	599,921,851 shares	As of March 31, 2011	599,921,851 shares

2) Number of treasury stock at the end of the period

As of March 31, 2012	21,206,006 shares	As of March 31, 2011	21,115,009 shares

3) Average number of shares during the period (for the nine months under review)

Fiscal year ended March 31, 2012	578,781,747 shares	Fiscal year ended March 31, 2011	579,009,313 shares

Note: For the number of shares used as the basis of calculating basic net income per share (consolidated), please refer to “Per Share Information” on page 27.

(Reference) Summary of Non-Consolidated Results of Operation

Non-Consolidated Results of Operation for the Fiscal Year Ended March 31, 2012 (From April 1, 2011 to March 31, 2012)

(1) Non-Consolidated Business Results

(% figures represent year-on-year changes)

	Net sales		Operating income		Ordinary income		Net income	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
Fiscal year ended March 31, 2012	1,116,665	5.5	64,840	10.9	65,081	12.6	18,077	42.2
Fiscal year ended March 31, 2011	1,058,103	2.2	58,458	50.7	57,817	48.1	12,713	(2.0)

	Basic net income per share	Diluted net income per share
	Yen	Yen
Fiscal year ended March 31, 2012	31.23	—
Fiscal year ended March 31, 2011	21.96	—

(2) Non-Consolidated Financial Conditions

	Total assets	Net assets	Net assets ratio	Net assets per share
	Millions of yen	Millions of yen	%	Yen
March 31, 2012	1,524,407	558,358	36.6	964.82
March 31, 2011	1,400,310	549,017	39.2	948.53

(Reference) Net assets: March 31, 2012: 558,358 million yen; March 31, 2011: 549,017 million yen

*** Status of auditing procedures**

As of the time when the financial results for the period under review are disclosed, the Group had not completed auditing procedures for the consolidated financial statements as laid down by the Financial Instruments and Exchange Law.

*** Remarks on appropriate use of forecasted results of operation and other special matters**

(Notes regarding forward-looking statements)

Consolidated and non-consolidated business forecasts are based on assumptions in light of the information available as of the date of announcement of this material and the factors of uncertainty that may possibly impact the future results of operation. These statements do not mean that the Company pledges to realize such statements. Actual results may differ significantly from those presented herein as a consequence of numerous factors such as financial markets, economic conditions, competitor situations and fluctuations in land prices.

Please refer to the section of “(1) Analysis on Business Results” in “1. Business Results” of “the Attached Material” on page 7 for the suppositions that form the assumptions for business forecasts.

(Obtaining supplementary explanatory materials)

The Company plans to hold a briefing for institutional investors and securities analysts on May 10, 2012. Relevant financial statements to be handed out at the briefing will be posted on our official website at the same time.

Contents of the Attached Material

<Reference Material> Key Performance Indicators

1. Performance Indicators

Fiscal years	Fiscal year ended March 31, 2009	Fiscal year ended March 31, 2010	Fiscal year ended March 31, 2011	Fiscal year ended March 31, 2012	Forecast for the fiscal year ending March 31, 2013
Net sales (millions of yen)	1,690,956	1,609,883	1,690,151	1,848,797	1,900,000
Cost of sales (millions of yen)	1,357,820	1,303,881	1,352,937	1,468,844	1,504,000
Selling, general and administrative expenses (millions of yen)	259,555	243,288	249,516	264,996	278,000
Operating income (millions of yen)	73,580	62,714	87,697	114,955	118,000
Ordinary income (millions of yen)	39,855	60,036	79,049	108,506	111,000
Net income (millions of yen)	4,170	19,113	27,267	33,200	58,000
Basic net income per share (yen)	7.20	33.00	47.09	57.36	100.22
Return on equity (ROE) (%)	0.7	3.1	4.4	5.1	—
Ordinary income to total assets ratio (%)	2.2	3.2	4.1	5.4	—
Dividend per share (yen) (of which interim dividend per share)	24 (—)	17 (—)	20 (—)	25 (—)	30 (—)
Total annual dividends (millions of yen)	13,900	9,844	11,576	14,467	—
Dividend payout ratio (%)	333.4	51.5	42.5	43.6	29.9
Dividends to net assets ratio (%)	2.2	1.6	1.9	2.2	—
Total assets (millions of yen)	1,810,573	1,916,927	1,934,236	2,086,097	—
Net assets (millions of yen)	607,427	617,769	635,186	657,891	—
Net assets ratio (%)	33.5	32.2	32.8	31.5	—
Net assets per share (yen)	1,047.50	1,065.15	1,095.62	1,135.46	—
Depreciation (millions of yen)	39,318	43,917	44,613	43,790	47,000
Net increase in property, plant and equipment and intangible assets (millions of yen)	160,600	99,786	93,874	103,604	110,000
Cash flows from operating activities (millions of yen)	109,810	133,314	127,957	248,771	—
Cash flows from investing activities (millions of yen)	(199,679)	(138,237)	(83,594)	(117,226)	—
Cash flows from financing activities (millions of yen)	96,503	79,269	(77,834)	(28,766)	—
Cash and cash equivalents, end of year (millions of yen)	105,381	179,743	146,243	248,712	—

2. Sales and Operating Income by Segment

(Millions of yen)

Fiscal years		Fiscal year ended March 31, 2009	Fiscal year ended March 31, 2010	Fiscal year ended March 31, 2011	Fiscal year ended March 31, 2012	Forecast for the fiscal year ending March 31, 2013
Net sales		1,690,956	1,609,883	1,690,151	1,848,797	1,900,000
Sales by segment	Residential Business	959,026	941,528	—	—	—
Sales by segment	Commercial Construction Business	545,141	480,520	—	—	—
Sales by segment	Resort Hotels and Sports Life Business	60,107	56,079	—	—	—
Sales by segment	Home Center Business	63,505	61,211	—	—	—
Sales by segment	Other Businesses	143,978	137,997	—	—	—
Sales by segment	Eliminations/Corporate	(80,802)	(67,452)	—	—	—
Sales by new segment*	Single-Family Houses	—	325,908	322,479	336,364	340,000
Sales by new segment*	Rental Housing	—	449,006	496,158	526,755	566,000
Sales by new segment*	Condominiums	—	119,308	140,933	128,872	154,000
Sales by new segment*	Existing Home Business	—	46,974	60,781	68,140	73,000
Sales by new segment*	Commercial Facilities	—	285,679	274,066	306,934	330,000
Sales by new segment*	Business & Corporate Facilities	—	196,270	194,306	257,000	230,000
Sales by new segment*	Health & Leisure	—	57,131	58,048	58,636	60,000
Sales by new segment*	Other Businesses	—	210,901	223,664	255,682	252,000
Sales by new segment*	Adjustments	—	(81,297)	(80,288)	(89,588)	(105,000)
Operating income		73,580	62,714	87,697	114,955	118,000
Operating income by segment	Residential Business	28,533	29,110	—	—	—
Operating income by segment	Commercial Construction Business	66,181	55,291	—	—	—
Operating income by segment	Resort Hotels and Sports Life Business	(1,115)	(531)	—	—	—
Operating income by segment	Home Center Business	1,153	780	—	—	—
Operating income by segment	Other Businesses	2,504	(262)	—	—	—
Operating income by segment	Eliminations/Corporate	(23,677)	(21,674)	—	—	—
Operating income by new segment*	Single-Family Houses	—	6,204	7,210	11,010	14,500
Operating income by new segment*	Rental Housing	—	38,655	46,999	52,997	52,000
Operating income by new segment*	Condominiums	—	(18,323)	5,370	3,770	7,000
Operating income by new segment*	Existing Home Business	—	1,739	4,237	4,536	4,500
Operating income by new segment*	Commercial Facilities	—	34,431	33,564	33,163	39,000
Operating income by new segment*	Business & Corporate Facilities	—	21,768	11,516	25,895	17,000
Operating income by new segment*	Health & Leisure	—	(505)	(828)	61	1,000
Operating income by new segment*	Other Businesses	—	1,039	3,644	8,176	10,000
Operating income by new segment*	Adjustments	—	(22,295)	(24,016)	(24,655)	(27,000)

Note: New segments* are based on a management approach in accordance with the "Accounting Standard for Disclosures about Segments of an Enterprise and Related Information" (ASBJ Statement No. 17, issued on March 27, 2009), and "Guidance on Accounting Standard for Disclosures about Segments of an Enterprise and Related Information" (ASBJ Guidance No. 20, issued on March 21, 2008.)

1. Business Results

(1) Analysis on Business Results

(Qualitative Information Regarding Consolidated Business Results)

During fiscal 2011 (the year ended March 31, 2012), the Japanese economy enjoyed moderate recovery momentum as production gradually recovered, on the back of reconstruction demand following the Great East Japan Earthquake disaster and other positives. However, the outlook remains uncertain amid fears of rising crude oil prices and power shortages due to the suspension of operations at nuclear reactors in Japan, as well as persistent debt crisis worries in Europe.

In the housing industry, the government continued its measures to encourage home buying, by relaunching the housing eco-points system to assist reconstruction in areas hit by the earthquake and tsunami of March 11, as well as the Flat 35S ECO preferential interest rate mortgage loan. However, home buyers are still tending to put off purchase decisions due to growing economic uncertainty. As a result, in the five months from September 2011 to January 2012, new housing starts as a whole were weak and fell below the corresponding period of the previous year.

Amid these circumstances, the Daiwa House Group drew up its 3rd Medium-Term Management Plan, beginning in fiscal 2011, under the name “3 Gs for New Growth.” The three Gs in this name are the initial letters of “Group” (sustained growth), “Great” (groundwork for growth), and “Global” (pathway to growth), and reflect the Group’s basic policies. Under this plan, we are creating new business portfolios to realize the plan’s central theme of “New Growth.”

In the theme of “Group－sustained growth,” we have worked to clarify strategic themes for each of our business segments. During the fiscal year under review, we have taken steps to strengthen our product planning to meet our customers’ needs, and as a result we were able to launch on the market the “SMA×Eco Original,” an eco-friendly home fitted with lithium-ion storage batteries.

In terms of “Great－groundwork for growth,” we aim to speed up management decision-making by delegating more responsibility and authority to managers in charge of each autonomous marketing area. In Group infrastructure moves, we strengthened our human resource development to effectively train the core talent for the next generation of managers.

With regard to “Global－pathway to growth,” we have established Daiwa House (Changzhou) Real Estate Development Co., Ltd. in the city of Changzhou in China, Daiwa House USA Inc. and Daiwa House California in the United States, and in Australia Daiwa House Australia Pty. Ltd. We have also opened a branch in Taiwan, where we intend to leverage the know-how we have built up in Japan to start commercial facilities businesses. We have now set up key bases for a full entry into international markets.

In corporate social responsibility (CSR) activities during fiscal 2011, we have carried out programs that enable us to contribute to society through our business activities, such as providing support for the installation of “greenery curtains” (which are effective in cooling rooms by blocking the sun’s rays and cutting down on electricity consumption) at temporary housing units for victims of the March 11 earthquake and tsunami. In our “Sakura” (cherry tree) campaign, we also worked to protect the cherry trees of Mount Yoshino in Nara Prefecture, and, under our Sakura Project, promoted the planting of cherry-tree saplings in the grounds of elementary schools. We worked proactively to disseminate information about the Group and strengthen ties with our stakeholders, including through publication of our CSR Report 2011 (in Japanese, English and Chinese) summarizing the Group’s activities in this field, and the holding of meetings at which application for participation was open to any stakeholder.

As a result of the above, the Daiwa House Group posted consolidated net sales in the period under review of 1,848,797 million yen, up 9.4% year-on-year. Operating income was 114,955 million yen, up 31.1% year-on-year. Ordinary income was 108,506 million yen, up 37.3 % year-on-year. Net income amounted to 33,200 million yen, up 21.8 % year-on-year.

Results by business segment are as follows.

Single-Family Houses Business

In the Single-Family Houses Business, we worked to expand sales of our xevo range of single-family houses, Our xevo models feature standard specifications that satisfy the certification criteria of the High Quality Long-Term Housing Model and dovetail with the government's home buyer support measures.

Turning to new products, we marketed the “SMA×Eco Original” smart house fitted with household-use lithium ion storage batteries (2.5 kWh) and photovoltaic power generation systems, as well as the D-HEMS (Daiwa Home Energy Management System). We also launched the “SMA×Eco Original” energy usage monitoring program, by providing the system at promotional prices to spur sales. Also rolled out was the xevo Li, designed for working-couple households in which fathers are keen to help with child-rearing and household work, and the xevo 03, a three-storey house which optimizes use of plot and living space for homeowners planning rebuilds in Japan’s cramped inner cities.

In measures to support the disaster-hit areas of northeast Japan and spur recovery, we launched the xevo K “Kizuna” and xevo KII series of single-family houses.

As a result, sales of this segment amounted to 336,364 million yen, up 4.3% year-on-year, and operating income was 11,010 million yen, up 52.7% year-on-year.

Rental Housing Business

The Rental Housing Business rolled out products to support the wide range of land-use needs of landowners and lifestyle aspirations of tenants. Sales of apartment properties, such as Séjour WIT-SW and Séjour OTT’s-SW homes, were strong. The specifications of these models, designed especially for female tenants, continued to prioritize crime prevention, including home security equipment found in earlier models in this range as standard features. Superior storage capacity and design in fixtures and fittings to meet female tenants’ requirements were added. Also we posted a popular online promotional video of these models.

As a result of more rigorous management across the Group, the number of rental housing units under the management of Daiwa Living Co., Ltd. stood at 292,478 as of March 31, 2012, up around 9% year on year.

As a result, sales of this segment amounted to 526,755 million yen, up 6.2 % year-on-year, and operating income was 52,997 million yen, up 12.8 % year-on-year.

Condominiums Business

New launches in the Condominiums Business included eco-friendly units equipped with photovoltaic power generation systems and high-efficiency water heaters, helping this business provide condominiums with higher asset worth and value-added for both the public and the customer, in line with the Group commitment to creating “value for individuals, communities and people’s lifestyles.”

In March 2012, Daiwa Service Co., Ltd., a unit of this business engaged in condominium management, converted Global Holding Co., Ltd. into a subsidiary. Global Holding has increased the number of condominium units under its management in the Kansai region. This acquisition will bolster the competitiveness of the Condominiums Business. The total of condominium units under Daiwa House Group management was 283,457 at the end of March 2012.

As a result, sales of this segment amounted to 128,872 million yen, down 8.6 % year-on-year, and operating income was 3,770 million yen, down 29.8% year-on-year.

Existing Home Business

The Existing Home Business focused on supporting the reconstruction effort in the areas hit by the Great East Japan Earthquake and on longer-term recovery, by strengthening rebuilding and renovation project organization based on building inspections. Outside the earthquake-hit areas, we proposed finely tailored solutions featuring earthquake resistance diagnosis and seismic retrofitting, to maintain asset value and enable customers to enjoy their cherished homes for longer.

It also launched a promotional discount campaign (the “solar renovation campaign”) for photovoltaic power generation systems, leading to their popularity with customers.

As a result, sales of this segment amounted to 68,140 million yen, up 12.1% year-on-year, and operating income was 4,536 million yen, up 7.1% year-on-year.

Commercial Facilities Business

During the year under review, the Commercial Facilities Business continued to pursue proposal-driven sales centered on roadside store development, by leveraging its abundant land-related data and expertise in store-opening support for tenant businesses, in addition to developing facilities all over Japan using a style of management firmly geared to locality. The Business set up a branch in Taiwan, and, drawing on its impressive track record and expertise in store opening, decided to launch a commercial facilities business in that country. In addition, Daiwa Lease Co., Ltd., which manages commercial facilities, promoted the nationwide deployment of Frespo open mall commercial facilities. In November, Frespo Kunitachi Minami opened (Tokyo), and in December Tomiya Akashidai Shopping Center (Miyagi). Outlet mall ASHIBINAA (Okinawa), operated by Daiwa Information Service Co., Ltd., expanded its sales floor space for new tenants and reopened after a renovation.

As a result, sales of this segment amounted to 306,934 million yen, up 12.0% year-on-year, and operating income was 33,163 million yen, down 1.2% year-on-year.

Business and Corporate Facilities Business

In the year, the Business and Corporate Facilities Business strengthened its solution proposal portfolio for customers wishing to consolidate multiple logistics and production facilities, for greater efficiency and lower logistics costs, and also aggressively marketed housing products and facilities for senior citizens, including private nursing homes and serviced rental housing.

New product launches included D’s Smart Office, an eco-friendly office that can halve CO_2 emissions during working hours. In December 2011, this system went into operation at the Aichi Kita Branch, having demonstrated its effectiveness in trials in reducing CO_2 emissions by at least 50%.

As a result, sales of this segment amounted to 257,000 million yen, up 32.3% year-on-year, and operating income was 25,895 million yen, up 124.9% year-on-year.

Health & Leisure Business

Customers flocked to Resort Hotels Division facilities in the Golden Week holidays, the summer vacation period, and the autumn travel period. This success was the result of all-out efforts to ensure quality guest service and step up marketing efforts, to reverse the sharp fall in customer patronage following the Great East Japan Earthquake and typhoon damage.

In the Fitness Clubs Division, a large-scale general fitness center, Sports Club NAS Shin-Kawasaki was opened in Kanagawa Prefecture in June 2011, to be followed in July by the Division’s first club in Osaka, Sports Club NAS Osaka Dome City, and Fukuoka’s third club, Sports Club NAS Meinohama. And in December, the new “Gaien bijin” NAS esthetic salon, offering highly skilled services and reasonable prices, opened in Tokyo. The Division renovated Sports Club NAS Kachidoki (Tokyo) in December, and Sports Club NAS Nagaoka (Niigata) in March.

As a result, sales of this segment amounted to 58,636 million yen, up 1.0% year-on-year, and operating income was 61 million yen, compared with the loss of 828 million yen for the previous fiscal year.

Other Businesses

The Environment and Energy Business Division continued to meet a wide range of energy-related customer needs, such as LEDs and other high-efficiency lighting, air conditioning systems and installation of insulation (energy-saving), photovoltaic power generation systems (energy-generating), and lithium ion batteries (energy storage). In the months following the Great East Japan Earthquake, this business delivered a variety of products to help customers save power and upgrade business continuity plans, such as “reFbo” highly efficient reflector boards, “reFbo Light” lighting for highly efficient reflectors, and POWER YIILE portable lithium ion energy storage systems.

In the year, the City Hotels Division increased its total number of hotels to 33 and total number of guestrooms to 7,453, with the openings of Daiwa Roynet Hotel Hamamatsu (Shizuoka), and in Okinawa Daiwa Roynet Hotel Naha-Kokusaidori and Daiwa Roynet Hotel Naha-Omoromachi. Occupancy rates that slumped in the wake of the Great East Japan Earthquake, gradually recovered.

In the Overseas Business Division, we completed the construction of the Grace Residence condominium building in Suzhou (100% Daiwa House-owned), and have begun delivering units.

As a result, sales of this segment amounted to 255,682 million yen, up 14.3% year-on-year, and operating income was 8,176 million yen, up 124.4% year-on-year.

Business Prospects for Fiscal 2012

Although business conditions in Japan remain harsh in the wake of the Great East Japan Earthquake, the economy is expected to pick up on the back of the recovery in export orders after the easing of yen appreciation, as well as the government’s economic stimulus measures. However, we expect uncertainty to persist due to concerns such as a resurgence of the debt crisis in Europe, soaring crude oil prices, and rising electricity bills and summer power shortages in Japan due to the suspension of operations of nuclear power stations.

In the housing sector, uncertainty likewise lingers, amid worries such as the government's decision to end the support program for home buyers at the end of October 2012 and a controversial planned possible increase in the consumption tax, despite recent recovery momentum in the economy, which is expected to boost orders.

Against this backdrop, the Group will once more unite around its public mission as a construction company, and work to spur economic regeneration in areas devastated by the Great East Japan Earthquake, based on the “Connecting Hearts” management vision. We will also expand market share by leveraging structural change in our markets to develop new customer segments, and deliver new products and services by using the expertise we have built up over the years.

As a result of the above, for fiscal 2012, we expect to record sales of 1,900,000 million yen, operating income of 118,000 million yen, ordinary income of 111,000 million yen, and net income of 58,000 million yen.

(2) Analysis on Financial Conditions

1. Financial Position

Total assets at the end of the fiscal year under review increased by 151,860 million yen from 1,934,236 million yen at the end of the previous fiscal year, to 2,086,097 million yen. This was mainly attributable to an increase in cash and deposits, and increased purchases of real estate for sale, chiefly in the Condominiums Business.

Total liabilities at the end of the fiscal year under review increased by 129,156 million yen from 1,299,049 million yen at the end of the previous fiscal year, to 1,428,206 million yen. This was mainly attributable to an increase in accounts payable for construction contracts and other, due to the last day of the fiscal year falling on a weekend day, when financial institutions were closed, which bumped settlement of accounts payable for construction contracts and other to the following month, despite a decrease in interest-bearing debt on loans payable and bonds payable.

Total net assets at the end of the fiscal year under review increased by 22,704 million yen from 635,186 million yen at the end of the previous fiscal year, to 657,891 million yen. This result principally reflected the recording of net income in the amount of 33,200 million yen for the fiscal year under review, despite the recording of cash dividends paid for the previous fiscal year.

The net assets ratio as of March 31, 2012 was 31.5%, virtually unchanged from 32.8% at the end of the previous fiscal year.

2. Cash Flows During the Fiscal Year Under Review

With regard to cash and cash equivalents for the fiscal year under review (“cash”), net cash provided by operating activities stood at 248,771 million yen, while net cash used in investing activities came to 117,226 million yen, and net cash used in financing activities was 28,766 million yen. In total, the net increase in cash and cash equivalents was 102,469 million yen. Consequently, cash and cash equivalents at the end of the fiscal year under review amounted to 248,712 million yen.

(Cash flows from operating activities)

During the fiscal year under review, net cash provided by operating activities stood at 248,771 million yen, up 94.4% year-on-year from the end of the previous fiscal year. This was mainly the result of the recording of income before income taxes and minority interests in the amount of 93,021 million yen for the fiscal year under review, an increase in notes and accounts payable-trade for construction contracts and other and an increase in advances received on uncompleted construction contracts.

(Cash flows from investing activities)

During the fiscal year under review, net cash used in investing activities was 117,226 million yen (compared with 83,594 million yen used in the previous fiscal year). This was as a result of purchase of property, plant and equipment including real estate for rental, as well as ongoing investments in real estate developments.

(Cash flows from financing activities)

During the fiscal year under review, net cash used in financing activities was 28,766 million yen (compared with 77,834 million yen used in the previous fiscal year). This was primarily the result of dividend payments in the previous fiscal year and repayment of long-term loans payable.

3. Cash Flow Indicators

	Fiscal year ended March 31, 2010	Fiscal year ended March 31, 2011	Fiscal year ended March 31, 2012
Net assets ratio	32.2%	32.8%	31.5%
Net assets ratio on market-value basis	31.9%	30.6%	30.3%
Repayment years of interest-bearing debt	3.5 (year)	3.1 (year)	1.5 (year)
Interest coverage ratio	30.0	22.9	56.0

*The standards for the indicators are as follows. All have been computed based on consolidated financial figures.
Net assets ratio: (Net assets – Minority interests)/Total assets
Net assets ratio on market-value basis: Total market capitalization/Total assets
Repayment years of interest-bearing debt: Interest-bearing liabilities/Operating cash flows
Interest coverage ratio: Operating cash flows/Interest expenses

Total market capitalization: Closing stock price at the fiscal year-end × Number of shares issued at the fiscal year-end (after deduction of treasury stock)

Operating cash flows: Net cash provided by (used in) operating activities on the Consolidated Statements of Cash Flows

Interest expenses: Interest expenses paid on the Consolidated Statements of Cash Flows

4. Outlook on Financial Conditions for the Fiscal Year Ending March 31, 2013 (Consolidated)

The Company estimates for the fiscal year ending March 31, 2013, 110 billion yen in capital investments and 47 billion yen in depreciation.

2. Management policy

(1) Basic Management Policy of the Group

The Company was founded in 1955 under the principle of the “industrialization of construction,” and since then has continued to grow as a prefabricated housing manufacturer in line with the expansion of demand for housing. We have promoted business diversification to meet our customers’ needs, and have expanded the size of our corporate group as a “comprehensive lifestyle industry.”

In fiscal 2005, we launched a new Group management vision called “Connecting Hearts” to mark our 50th anniversary and created a new group symbol, the “Endless Heart.” Under this vision, we clarified our corporate mission as a multi-business enterprise that co-creates, enhances and makes use of new value with customers to help realize a society in which people can enjoy more enriched lives, and made a fresh start toward our 100th anniversary.

The Daiwa House Group is engaged in a wide range of businesses, including the construction of single-family houses, rental housing, as well as condominiums, and the existing home business, mainly renovation and real estate agency (“Housing”). We also undertake activities that support the business sector through commercial facilities business, and the business and corporate facilities business, such as logistics and medical and nursing care facilities (“Business”), and those that support people’s everyday lives, such as our Health and Leisure Business and Other Businesses (“Life”). By pursuing these various business activities, the Group, working as one, is committed to honoring its relationship with each and every customer, and to promoting partnerships with customers to share joy throughout our customers’ whole lives and build long-lasting ties of trust.

As described above, our management vision “Connecting Hearts” and our Group symbol “Endless Heart” signify enduring ties with our stakeholders, including our customers, shareholders, business partners, employees and local communities. As a “Group that co-creates value for individuals, communities and people’s lifestyles,” we will continue to offer reliable, environmental-friendly products and relaxing, pleasant spaces.

(2) Medium to Long-Term Management Strategy of the Group

Fiscal 2011 was the first year of the 3rd Medium-Term Management Plan for the Group, laying out basic policies under the name “3 Gs for New Growth.” The three Gs are the initial letters of “Group” (sustained growth), “Great” (groundwork for growth), and “Global” (pathway to growth). The plan has an overarching central theme of “New Growth,” under which Daiwa House Group aims to expand market share in the face of radical structural change in its markets through new approaches to creating strategies and by developing new customer segments.

The 3Gs will drive this performance. To achieve sustained growth for the Group, we will raise competitiveness of core businesses and seek out new earnings opportunities; to lay the groundwork for growth, we will upgrade management infrastructure and strengthen human resource development; and to gird for pathway to growth, we will build up our overseas bases and expand our business portfolio in overseas markets.

(3) Issues Facing the Group

Despite the ongoing severe economic conditions in Japan following the Great East Japan Earthquake, we expect to see recovery in the months ahead against a background of wide-ranging government stimulus policies. However, we expect uncertainty to persist amid concerns such as a resurgence of the debt crisis in Europe, soaring crude oil prices, and rising electricity bills and summer power shortages in Japan due to the suspension of operations of nuclear power stations.

In the housing sector, uncertainty likewise lingers, amid worries such as the government's decision to end the support program for home buyers at the end of October 2012 and a controversial planned possible increase in the consumption tax, despite recent recovery momentum in the economy, which is expected to boost orders.

Against this background, and based on our group management vision “Connecting Hearts,” the Group renewed its commitment to its public mission as a construction company, of supporting economic recovery in the areas affected by the earthquake disaster. We will provide product development and service proposals to respond to the diversifying needs of our customers. In addition, we plan to expand market share by cultivating new customer segments by leveraging opportunities provided by structural change in our markets.

3. Consolidated Financial Statements
(1) Consolidated Balance Sheets

(Millions of yen)

	Previous fiscal year (as of March 31, 2011)	Reporting fiscal year (as of March 31, 2012)
Assets		
Current assets		
Cash and deposits	149,379	250,649
Notes receivable, accounts receivable from completed construction contracts and other	95,686	93,874
Lease investment assets	16,959	21,903
Short-term investment securities	6	6
Costs on uncompleted construction contracts	15,307	14,361
Real estate for sale	231,716	297,483
Real estate for sale in process	31,821	34,968
Land for development	2,237	1,378
Merchandise and finished goods	10,321	12,333
Work in process	4,822	6,002
Raw materials and supplies	5,760	5,411
Deferred tax assets	46,173	29,575
Other	72,447	78,412
Allowance for doubtful accounts	(1,379)	(1,604)
Total current assets	681,261	844,757
Noncurrent assets		
Property, plant and equipment		
Buildings and structures	605,561	630,129
Accumulated depreciation	(277,752)	(295,823)
Buildings and structures, net	327,808	334,305
Machinery, equipment and vehicles	90,347	89,258
Accumulated depreciation	(62,481)	(65,436)
Machinery, equipment and vehicles, net	27,865	23,822
Tools, furniture and fixtures	36,574	37,480
Accumulated depreciation	(29,012)	(30,345)
Tools, furniture and fixtures, net	7,561	7,135
Land	387,343	364,954
Lease assets	8,560	12,663
Accumulated depreciation	(1,716)	(3,154)
Lease assets, net	6,844	9,509
Construction in progress	2,699	8,820
Total property, plant and equipment	760,123	748,548
Intangible assets	21,491	32,056
Investments and other assets		
Investment securities	117,718	118,334
Long-term loans receivable	7,532	8,137
Lease and guarantee deposits	189,607	186,657
Deferred tax assets	117,685	107,318
Other	51,309	47,484
Allowance for doubtful accounts	(8,821)	(7,195)
Allowance for investment loss	(3,672)	—
Total investments and other assets	471,360	460,735
Total noncurrent assets	1,252,975	1,241,340
Total assets	1,934,236	2,086,097

(Millions of yen)

	Previous fiscal year (as of March 31, 2011)	Reporting fiscal year (as of March 31, 2012)
Liabilities		
Current liabilities		
Notes payable, accounts payable for construction contracts and other	129,462	210,241
Short-term loans payable	9,136	2,559
Current portion of bonds payable	4,500	1,353
Current portion of long-term loans payable	25,122	145,436
Lease obligations	1,782	2,311
Accounts payable-other	76,755	78,474
Income taxes payable	6,675	24,826
Advances received on uncompleted construction contracts	32,090	48,993
Provision for bonuses	22,164	26,995
Provision for warranties for completed construction	6,304	6,224
Asset retirement obligations	1,780	1,621
Other	73,932	82,834
Total current liabilities	389,705	631,872
Noncurrent liabilities		
Bonds payable	101,300	100,720
Long-term loans payable	255,498	133,556
Lease obligations	15,214	22,867
Deposits received from members	38,730	37,293
Long-term lease and guarantee deposited	226,315	218,479
Deferred tax liabilities for land revaluation	29,076	24,184
Provision for retirement benefits	175,532	188,400
Asset retirement obligations	21,672	22,613
Other	46,002	48,219
Total noncurrent liabilities	909,343	796,334
Total liabilities	1,299,049	1,428,206
Net assets		
Shareholders' equity		
Capital stock	110,120	110,120
Capital surplus	226,824	226,824
Retained earnings	362,281	380,751
Treasury stock	(19,874)	(19,944)
Total shareholders' equity	679,351	697,751
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	7,582	7,566
Revaluation reserve for land	(47,314)	(40,738)
Foreign currency translation adjustment	(5,467)	(7,469)
Total accumulated other comprehensive income	(45,200)	(40,640)
Minority interests	1,035	779
Total net assets	635,186	657,891
Total liabilities and net assets	1,934,236	2,086,097

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

(Consolidated Statements of Income)

(Millions of yen)

	Previous fiscal year (From April 1, 2010 to March 31, 2011)	Reporting fiscal year (From April 1, 2011 to March 31, 2012)
Net sales	1,690,151	1,848,797
Cost of sales	1,352,937	1,468,844
Gross profit	337,213	379,952
Selling, general and administrative expenses		
Sales commission	12,012	12,620
Advertising expenses	20,453	22,381
Promotion expenses	5,243	4,956
Provision of allowance for doubtful accounts	1,739	1,722
Directors' compensations	2,574	2,543
Employees' salaries and allowances	94,924	99,481
Provision for bonuses	13,670	16,622
Retirement benefit expenses	14,599	17,320
Legal welfare expenses	13,719	15,378
Stationery expenses	7,539	7,090
Correspondence and transportation expenses	13,128	14,186
Rents	10,445	10,114
Depreciation	6,568	6,382
Tax and dues	11,859	12,448
Other	21,037	21,746
Total selling, general and administrative expenses	249,516	264,996
Operating income	87,697	114,955
Non-operating income		
Interest income	2,372	3,013
Dividends income	2,090	1,745
Equity in earnings of affiliates	992	—
Miscellaneous income	5,876	6,843
Total non-operating income	11,331	11,601
Non-operating expenses		
Interest expenses	7,207	6,368
Tax and dues	415	815
Provision of allowance for doubtful accounts	431	606
Amortization of actuarial loss for employee's retirement benefits	8,421	5,111
Equity in losses of affiliates	—	1,431
Miscellaneous expenses	3,503	3,717
Total non-operating expenses	19,980	18,051
Ordinary income	79,049	108,506

(Millions of yen)

	Previous fiscal year (From April 1, 2010 to March 31, 2011)	Reporting fiscal year (From April 1, 2011 to March 31, 2012)
Extraordinary income		
Gain on sales of noncurrent assets	134	103
Gain on sales of investment securities	1,718	612
Gain on reversal of allowance for loss on disaster	—	640
Gain on sales of investments in capital of subsidiaries and affiliates	170	—
Gain on transfer of business	280	—
Gain on sales of golf club memberships	0	—
Reversal of liability for loss on disaster	1,303	—
Total extraordinary income	3,606	1,356
Extraordinary losses		
Loss on sales of noncurrent assets	3,431	247
Loss on retirement of noncurrent assets	695	1,204
Impairment loss	18,768	9,811
Loss on sales of investment securities	78	1,282
Loss on valuation of investment securities	1,013	3,921
Provision of allowance for investment loss	3,672	—
Loss on adjustment for changes of accounting standard for asset retirement obligations	2,804	—
Loss on prior periods adjustment	1,415	—
Salaries and allowance for prior periods	2,027	—
Loss on disaster	7,973	—
Other	61	373
Total extraordinary losses	41,942	16,840
Income before income taxes and minority interests	40,713	93,021
Income taxes-current	21,076	33,268
Income taxes-deferred	(7,704)	26,584
Total income taxes	13,371	59,853
Income before minority interests	27,341	33,167
Minority interests in income (loss)	74	(32)
Net income	27,267	33,200

(Consolidated Statements of Comprehensive Income)

(Millions of yen)

	Previous fiscal year (From April 1, 2010 to March 31, 2011)	Reporting fiscal year (From April 1, 2011 to March 31, 2012)
Income before minority interests	27,341	33,167
Other comprehensive income		
Valuation difference on available-for-sale securities	1,012	84
Revaluation reserve for land	—	3,407
Foreign currency translation adjustment	(647)	(401)
Share of other comprehensive income of associates accounted for using equity method	(177)	(1,666)
Total other comprehensive income	186	1,424
Comprehensive income	27,528	34,592
(Comprehensive income attributable to)		
Comprehensive income attributable to owners of the parent	27,455	34,624
Comprehensive income attributable to minority interests	73	(32)

(3) Consolidated Statements of Changes in Net Assets

(Millions of yen)

	Previous fiscal year (From April 1, 2010 to March 31, 2011)	Reporting fiscal year (From April 1, 2011 to March 31, 2012)
Shareholders' equity		
Capital stock		
Balance at the begining of the period	110,120	110,120
Changes of items during the period		
Total changes of items during the period	—	—
Balance at the end of the period	110,120	110,120
Capital surplus		
Balance at the begining of the period	226,824	226,824
Changes of items during the period		
Total changes of items during the period	—	—
Balance at the end of the period	226,824	226,824
Retained earnings		
Balance at the begining of the period	375,154	362,281
Changes of items during the period		
Dividends from surplus	(9,844)	(11,576)
Net income	27,267	33,200
Reversal of revaluation reserve for land	(30,274)	(3,135)
Disposal of treasury stock	(21)	(19)
Total changes of items during the period	(12,873)	18,469
Balance at the end of the period	362,281	380,751
Treasury stock		
Balance at the begining of the period	(19,615)	(19,874)
Changes of items during the period		
Purchase of treasury stock	(306)	(111)
Disposal of treasury stock	46	42
Total changes of items during the period	(259)	(69)
Balance at the end of the period	(19,874)	(19,944)
Total shareholders' equity		
Balance at the begining of the period	692,484	679,351
Changes of items during the period		
Dividends from surplus	(9,844)	(11,576)
Net income	27,267	33,200
Reversal of revaluation reserve for land	(30,274)	(3,135)
Purchase of treasury stock	(306)	(111)
Disposal of treasury stock	25	22
Total changes of items during the period	(13,132)	18,400
Balance at the end of the period	679,351	697,751

(Millions of yen)

	Previous fiscal year (From April 1, 2010 to March 31, 2011)	Reporting fiscal year (From April 1, 2011 to March 31, 2012)
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities		
Balance at the begining of the period	6,696	7,582
Changes of items during the period		
Net changes of items other than shareholders' equity	885	(15)
Total changes of items during the period	885	(15)
Balance at the end of the period	7,582	7,566
Revaluation reserve for land		
Balance at the begining of the period	(77,593)	(47,314)
Changes of items during the period		
Net changes of items other than shareholders' equity	30,278	6,576
Total changes of items during the period	30,278	6,576
Balance at the end of the period	(47,314)	(40,738)
Foreign currency translation adjustment		
Balance at the begining of the period	(4,765)	(5,467)
Changes of items during the period		
Net changes of items other than shareholders' equity	(702)	(2,001)
Total changes of items during the period	(702)	(2,001)
Balance at the end of the period	(5,467)	(7,469)
Total accumulated other comprehensive income		
Balance at the begining of the period	(75,662)	(45,200)
Changes of items during the period		
Net changes of items other than shareholders' equity	30,462	4,559
Total changes of items during the period	30,462	4,559
Balance at the end of the period	(45,200)	(40,640)
Minority interests		
Balance at the begining of the period	948	1,035
Changes of items during the period		
Net changes of items other than shareholders' equity	86	(255)
Total changes of items during the period	86	(255)
Balance at the end of the period	1,035	779
Total net assets		
Balance at the begining of the period	617,769	635,186
Changes of items during the period		
Dividends from surplus	(9,844)	(11,576)
Net income	27,267	33,200
Reversal of revaluation reserve for land	(30,274)	(3,135)
Purchase of treasury stock	(306)	(111)
Disposal of treasury stock	25	22
Net changes of items other than shareholders' equity	30,549	4,304
Total changes of items during the period	17,416	22,704
Balance at the end of the period	635,186	657,891

(4) Consolidated Statements of Cash Flows

(Millions of yen)

	Previous fiscal year (From April 1, 2010 to March 31, 2011)	Reporting fiscal year (From April 1, 2011 to March 31, 2012)
Net cash provided by (used in) operating activities		
Income before income taxes and minority interests	40,713	93,021
Depreciation and amortization	44,613	43,790
Increase (decrease) in provision for retirement benefits	11,821	12,628
Interest and dividends income	(4,463)	(4,758)
Interest expenses	7,207	6,368
Equity in (earnings) losses of affiliates	(992)	1,431
Loss (gain) on sales and retirement of noncurrent assets	3,992	1,348
Impairment loss	18,768	9,811
Loss (gain) on valuation of investment securities	1,013	3,921
Increase (decrease) in allowance for investment loss	3,672	—
Loss on adjustment for changes of accounting standard for asset retirement obligations	2,804	—
Loss on prior periods adjustment	1,415	—
Decrease (increase) in notes and accounts receivable-trade	(19,870)	1,706
Decrease (increase) in inventories	(5,858)	(33,833)
Increase (decrease) in advances received on uncompleted construction contracts	4,324	16,902
Increase (decrease) in notes and accounts payable-trade	17,118	75,251
Other, net	45,396	35,277
Subtotal	171,677	262,868
Interest and dividends income received	2,850	2,646
Interest expenses paid	(5,585)	(4,442)
Income taxes paid	(40,985)	(12,300)
Net cash provided by (used in) operating activities	127,957	248,771
Net cash provided by (used in) investing activities		
Purchase of property, plant and equipment and intangible assets	(61,351)	(98,824)
Proceeds from sales of property, plant and equipment	562	785
Purchase of investment securities	(13,841)	(14,857)
Proceeds from sales and redemption of investment securities	3,614	2,845
Purchase of investments in subsidiaries	(12)	(731)
Proceeds from purchase of investments in subsidiaries resulting in change in scope of consolidation	—	21
Purchase of investments in subsidiaries resulting in change in scope of consolidation	—	(5,811)
Proceeds from transfer of business	280	—
Proceeds from acquisition of business	3,193	—
Payments for acquisition of business	—	(248)
Proceeds from collection of lease and guarantee deposits	1,768	3,230
Other, net	(17,807)	(3,634)
Net cash provided by (used in) investing activities	(83,594)	(117,226)

(Millions of yen)

	Previous fiscal year (From April 1, 2010 to March 31, 2011)	Reporting fiscal year (From April 1, 2011 to March 31, 2012)
Net cash provided by (used in) financing activities		
Net increase (decrease) in short-term loans payable	(5,635)	(6,577)
Proceeds from long-term loans payable	41,692	45,250
Repayment of long-term loans payable	(99,312)	(47,812)
Proceeds from issuance of bonds	500	500
Redemption of bonds	—	(4,500)
Repayments of finance lease obligations	(1,257)	(2,150)
Purchase of treasury stock	(306)	(111)
Proceeds from sales of treasury stock	25	22
Cash dividends paid	(9,844)	(11,576)
Repayments of payables under fluidity lease receivables	(3,697)	(1,811)
Net cash provided by (used in) financing activities	(77,834)	(28,766)
Effect of exchange rate change on cash and cash equivalents	(29)	(309)
Net increase (decrease) in cash and cash equivalents	(33,500)	102,469
Cash and cash equivalents at the beginning of the period	179,743	146,243
Cash and cash equivalents at the end of the period	146,243	248,712

(5) Notes on Premise of Going Concern

Not applicable.

(6) Additional Information

Reporting fiscal year (From April 1, 2011 to March 31, 2012)
(Application of accounting standards relating to accounting changes and error corrections) Accounting changes and error corrections in previous accounting statements have been carried out from the beginning of the reporting term, and were undertaken in line with “Accounting Standard for Accounting Changes and Error Corrections” (ASBJ Statement No. 24, issued on December 4, 2009) and “Guidance on Accounting Standard for Accounting Changes and Error Corrections” (ASBJ Guidance No. 24, issued on December 4, 2009). (Impact of changes in income tax rates) Following the promulgation on December 2, 2011 of the partially amended Law to Revise the Income Tax, in Order to Construct a Tax System Addressing Changes in the Socio-Economic Structure (Law No. 114, 2011) and Act on Special Measures relating to the securing of necessary financial resources for implementation of policies for recovery in areas affected by the Great East Japan earthquake (Law No. 117, 2011), the income tax rate was lowered and a special corporate tax to support earthquake disaster recovery was introduced, effective from the fiscal year starting in April 1, 2012. As a result of this change, the statutory effective tax rate (used for calculation of deferred tax assets and liabilities) has been decreased from 40.6% to 38.0% with regard to temporary differences, for which reconciliation is anticipated in the two years between the fiscal year starting April 1, 2012 and the fiscal year starting April 1, 2014; and to 35.6% for temporary differences, for which reconciliation is anticipated from the fiscal years beginning April 1, 2015. As a result of this change in the tax rate, deferred tax assets (total after deduction of the deferred tax liabilities) declined by 13,425 million yen and income taxes-deferred increased by 14,093 million yen. In addition, deferred tax liabilities for land revaluation declined by 3,407 million yen and the same amount was transferred and recorded as revaluation reserve for land. As a result, revaluation reserve for land in other comprehensive income increased by 3,407 million yen.

(7) Notes to Consolidated Financial Statements

(Segment Information)

a. Segment Information

1. Outline of reportable business segments

The reportable business segments of the Group consist of those for which separate financial information is available within the Group’s structural units. Segments are also subject to regular reviews as the Management determines the allocation of management resources and assesses the business performance.

The Daiwa House Group engages in a comprehensive business across a broad range of fields, including the construction of residential housing and commercial buildings. The Group established eight business segments, set up a comprehensive strategy for each business segment and operates to enhance competitiveness with prompt decision-making and sophisticated expertise, integrating its value chain and sharing its customer base.

Accordingly, our business segments consist of different products and services, based on their business domains. Excluding the Other Businesses segment, there are seven reportable business segments: Single-Family Houses Business, Rental Housing Business, Condominiums Business, Existing Home Business, Commercial Facilities Business, Business and Corporate Facilities Business, and Health and Leisure Business segments.

In the Single-Family Houses Business segment, we engage in construction by order of single-family houses and sale of a package of a new house with lands. In Rental Housing Business segment, the Group conducts rental housing development, construction, management, operation, and real estate agency services. In the Condominium Business segment, we develop, sell, and manage condominiums. In the Existing Home Business segment, the Group engages in renovation and real estate agency services. The Commercial Facilities Business segment develops, builds, manages, and operates commercial facilities. The Business and Corporate Facilities Business segment develops and builds logistics and manufacturing facilities, and medical and nursing-care facilities, and builds, manages, and operates temporary facilities. The Health and Leisure Business segment engages in the management and operation of resort hotels, golf courses, fitness clubs and nursing-care facilities.

2. Sales and operating income (losses), assets and others by reportable business segment

Previous fiscal year (From April 1, 2010 to March 31, 2011)

(Millions of yen)

	Reportable Business Segments					
	Single-Family Houses	Rental Housing	Condominiums	Existing Home Business	Commercial Facilities	Business & Corporate Facilities
Sales (1) Sales to customers	321,634	494,848	140,932	60,691	269,560	189,246
(2)Inter-segment sales or transfers	845	1,310	0	90	4,506	5,060
Total	322,479	496,158	140,933	60,781	274,066	194,306
Operating income (loss)	7,210	46,999	5,370	4,237	33,564	11,516
Assets	176,762	192,794	171,097	20,673	432,725	301,557
Others Depreciation	2,484	6,474	1,296	414	12,756	4,328
Net increase in property, plant and equipment, and intangible assets	6,184	15,938	2,930	964	30,053	18,402

	Reportable Business Segments		Other Businesses (Note: 1)	Subtotal	Adjustment (Note: 2)	Amounts on the consolidated financial statements
	Health & Leisure	Total				
Sales (1) Sales to customers	58,019	1,534,932	155,218	1,690,151	—	1,690,151
(2)Inter-segment sales or transfers	28	11,842	68,445	80,288	(80,288)	—
Total	58,048	1,546,774	223,664	1,770,439	(80,288)	1,690,151
Operating income (loss)	(828)	108,069	3,644	111,713	(24,016)	87,697
Assets	89,407	1,385,018	325,647	1,710,666	223,569	1,934,236
Others Depreciation	2,618	30,373	13,510	43,883	730	44,613
Net increase in property, plant and equipment, and intangible assets	3,967	78,443	17,428	95,871	(1,996)	93,874

Notes: 1. Other Businesses include construction support, city hotels, overseas businesses and others.

2. Adjustment:

(1) 24,016 million yen in adjustments to operating income (loss) by business segment includes 1,667 million yen in elimination within business segments, 719 million yen in the impairment loss on the amortization of goodwill, and 23,067 million yen in corporate expenses not allocated to each business segment. Corporate expenses mainly consist of general and administrative expenses and experiment and research expenses not attributable to reportable business segments.

(2) 223,569 million yen in adjustments to assets by business segment includes 125,167 million yen in elimination within business segments, and 348,737 million yen in the Group assets. Group assets mainly consist of the Company’s surplus funds (cash and cash equivalents), the Company’s long-term investment funds (investment securities), and the assets associated with Administration Headquarters of the Company.

(3) 730 million yen in adjustments to depreciation by business segment includes 506 million yen in elimination within business segments, and 1,236 million yen in the depreciation attributable to Group assets.

(4) 1,996 million yen in adjustments to net increase in property, plant and equipment, and intangible assets by business segment includes 3,992 million yen in elimination within business segments, and 1,996 million yen in Headquarters’ capital investment of the Company, such as properties and equipment.

3. Operating income (loss) by business segment is adjusted to correspond to operating income in the consolidated statements of income.

Reporting fiscal year (From April 1, 2011 to March 31, 2012)

(Millions of yen)

	Reportable Business Segments					
	Single-Family Houses	Rental Housing	Condominiums	Existing Home Business	Commercial Facilities	Business & Corporate Facilities
Sales (1) Sales to customers	334,715	525,434	128,870	66,383	302,028	251,062
(2)Inter-segment sales or transfers	1,649	1,320	1	1,756	4,906	5,937
Total	336,364	526,755	128,872	68,140	306,934	257,000
Operating income	11,010	52,997	3,770	4,536	33,163	25,895
Assets	185,239	202,769	196,451	19,671	409,740	353,192
Others Depreciation	2,216	6,197	1,201	380	12,362	4,616
Net increase in property, plant and equipment, and intangible assets	3,353	20,296	3,720	548	25,899	29,199

	Reportable Business Segments		Other Businesses (Note: 1)	Subtotal	Adjustment (Note: 2)	Amounts on the consolidated financial statements
	Health & Leisure	Total				
Sales (1) Sales to customers	58,517	1,667,012	181,784	1,848,797	—	1,848,797
(2)Inter-segment sales or transfers	118	15,690	73,897	89,588	(89,588)	—
Total	58,636	1,682,703	255,682	1,938,385	(89,588)	1,848,797
Operating income	61	131,435	8,176	139,611	(24,655)	114,955
Assets	87,428	1,454,493	346,310	1,800,804	285,293	2,086,097
Others Depreciation	2,371	29,345	13,839	43,185	604	43,790
Net increase in property, plant and equipment, and intangible assets	3,945	86,962	16,153	103,115	489	103,604

Notes: 1. Other Businesses include construction support, city hotels, overseas businesses and others.

2. Adjustment:

(1) 24,655 million yen in adjustments to operating income by business segment includes 656 million yen in elimination within business segments, 716 million yen in the impairment loss on the amortization of goodwill, and 24,715 million yen in corporate expenses not allocated to each business segment. Corporate expenses mainly consist of general and administrative expenses and experiment and research expenses not attributable to reportable business segments.

(2) 285,293 million yen in adjustments to assets by business segment includes 123,270 million yen in elimination within business segments, and 408,563 million yen in the Group assets. Group assets mainly consist of the Company's surplus funds (cash and cash equivalents), the Company's long-term investment funds (investment securities), and the assets associated with Administration Headquarters of the Company.

(3) 604 million yen in adjustments to depreciation by business segment includes 386 million yen in elimination within business segments, and 991 million yen in the depreciation attributable to Group assets.

(4) 489 million yen in adjustments to net increase in property, plant and equipment, and intangible assets by business segment includes 297 million yen in elimination within business segments, and 786 million yen in Headquarters' capital investment of the Company, such as properties and equipment.

3. Operating income by business segment is adjusted to correspond to operating income in the consolidated statements of income.

b. Information regarding impairment loss on noncurrent assets, by reportable business segment

Previous fiscal year (from April 1, 2010 to March 31, 2011)

(Millions of yen)

	Single-Family Houses	Rental Housing	Condo-miniums	Existing Home Business	Commercial Facilities	Business & Corporate Facilities	Health & Leisure	Other Businesses (*)	Eliminations/ Corporate	Total
Impairment loss	—	1,384	0	0	12,793	919	3,422	242	4	18,768

(*) Amounts are construction-support related.

Reporting fiscal year (from April 1, 2011 to March 31, 2012)

(Millions of yen)

	Single-Family Houses	Rental Housing	Condo-miniums	Existing Home Business	Commercial Facilities	Business & Corporate Facilities	Health & Leisure	Other Businesses (*)	Eliminations/ Corporate	Total
Impairment loss	760	671	192	131	5,079	339	2,127	393	116	9,811

(*) Amounts are construction-support related.

c. Information regarding amortization of goodwill, and unamortized balances of goodwill, by reportable business segment

Previous fiscal year (from April 1, 2010 to March 31, 2011)

(Millions of yen)

	Single-Family Houses	Rental Housing	Condo-miniums	Existing Home Business	Commercial Facilities	Business & Corporate Facilities	Health & Leisure	Other Businesses (*)	Eliminations/ Corporate	Total
Amortization of goodwill	—	(8)	562	—	406	(3)	5	(641)	—	321
Unamortized balance of goodwill	—	(136)	10,400	—	6,170	(8)	—	(10,273)	—	6,152

(*) Amounts are construction-support related.

Reporting fiscal year (from April 1, 2011 to March 31, 2012)

(Millions of yen)

	Single-Family Houses	Rental Housing	Condo-miniums	Existing Home Business	Commercial Facilities	Business & Corporate Facilities	Health & Leisure	Other Businesses (*)	Eliminations/ Corporate	Total
Amortization of goodwill	—	(8)	562	—	406	(0)	—	(130)	—	829
Unamortized balance of goodwill	—	(128)	16,847	—	5,764	(7)	—	(9,182)	—	13,292

(*) Amounts are construction-support related.

d. Information regarding gain on negative goodwill, by reportable business segment

Previous fiscal year (from April 1, 2010 to March 31, 2011)

Not applicable.

Reporting fiscal year (from April 1, 2011 to March 31, 2012)

Not applicable.

(Per Share Information)

	Previous fiscal year (From April 1, 2010 to March 31, 2011)	Reporting fiscal year (From April 1, 2011 to March 31, 2012)
Net assets per share	1,095.62 yen	1,135.46 yen
Basic net income per share	47.09 yen	57.36 yen
Diluted net income per share	— yen	— yen

Notes: 1. Diluted net income per share is not disclosed because the Company does not issue warrants with dilutive effects.

2. The basis of calculation for basic net income per share is as follows.

	Previous fiscal year (From April 1, 2010 to March 31, 2011)	Reporting fiscal year (From April 1, 2011 to March 31, 2012)
Basic net income per share		
Net income (millions of yen)	27,267	33,200
Amount not belonging to general shareholders (millions of yen)	—	—
Basic net income related to common stock (millions of yen)	27,267	33,200
Average amount of common stock during the year (thousand shares)	579,009	578,781

(Significant Subsequent Events)

Not applicable.

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