



## Consolidated Financial Results for the Fiscal Year Ended July 2006

September 5, 2006

Company name: Ardepro Co., Ltd. Listing: TSE Mothers Market  
 Stock code: 8925 Head office location: Tokyo  
 (URL: <http://www.ardepro.co.jp>)  
 Representative: Tatsuya Akimoto, Chief Executive Officer  
 Contact: Reiji Kubo, Chief Financial Officer, Managing Director Tel: +81-3-5367-2001 (main)  
 Board meeting for approving: September 5, 2006  
 Adoption of US GAAP: Not adopted

### 1. Financial Results for the Fiscal Year Ended July 2006 (August 1, 2005 – July 31, 2006)

#### (1) Consolidated Results of Operations

(All amounts are rounded down to the nearest million yen)

	Sales		Operating profit		Recurring profit	
	Million yen	%	Million yen	%	Million yen	%
Year ended July 2006	43,001	216.6	7,171	239.8	6,698	251.5
Year ended July 2005	13,583	-	2,110	-	1,905	-

	Net income		Net income per share (basic)	Net income per share (diluted)	ROE	Recurring profit to total assets	Recurring profit to sales
	Million yen	%	Yen	Yen	%	%	%
Year ended July 2006	3,739	246.8	5,572.12	5,511.23	50.3	30.9	15.6
Year ended July 2005	1,078	-	1,763.17	1,652.97	36.1	27.6	14.0

Notes: 1. Equity in earnings (losses) of affiliates: July 2006: - million yen July 2005: - million yen  
 2. Average number of shares (consolidated): July 2006: 671,065 shares July 2005: 609,332 shares  
 3. A 10-for-1 stock split was conducted on December 20, 2004. Average number of shares and net income per share are retroactively adjusted for the stock split to the beginning of the period.  
 4. Changes in accounting principles applied: Yes  
 5. Percentages for sales, operating profit, recurring profit and net income represent year-on-year percentage change.

#### (2) Consolidated Financial Position

	Total assets	Net assets	Equity ratio	Net assets per share
	Million yen	Million yen	%	Yen
Year ended July 2006	33,130	10,835	32.7	15,694.78
Year ended July 2005	10,187	4,035	39.6	6,080.47

Note: Number of shares outstanding (consolidated): July 31, 2006: 690,379 shares July 31, 2005: 663,120 shares

#### (3) Consolidated Cash Flow Position

	Cash flows from operating activities	Cash flows from investing activities	Cash flows from financing activities	Cash and cash equivalents at end of the period
	Million yen	Million yen	Million yen	Million yen
Year ended July 2006	(7,463)	(1,390)	15,509	8,639
Year ended July 2005	(3,097)	(973)	4,487	1,983

#### (4) Scope of Consolidation and the Application of Equity Method

Consolidated subsidiaries: 3 Non-consolidated subsidiary under the equity method: - Affiliates under the equity method: -

#### (5) Change in Scope of Consolidation and the Application of Equity Method

Consolidated subsidiaries (Newly added): 3 (Excluded): 1 Equity-method affiliates (Newly added): - (Excluded): -

### 2. Consolidated Forecast for the Fiscal Year Ending July 2007 (August 1, 2006 - July 31, 2007)

	Sales	Recurring profit	Net income
	Million yen	Million yen	Million yen
First half	27,857	4,230	2,225
Full year	55,715	8,460	4,451

Reference: Estimated net income per share for the full year: 1,289.43 yen

\* Forecasts regarding future performance in these materials are based on judgments made in accordance with information available at the time this presentation was prepared. Actual results may differ significantly from these forecasts for a number of factors. Please refer to page 10 of the attached document regarding the forecast shown above.

Ardepro is currently undergoing an audit concerning the scope of consolidation.

## 1. The Corporate Group

The Ardepro Group (the Group) is made up of Ardepro Co., Ltd. (the Company) and its subsidiaries (Japan Realty Supervision Co., Ltd. (JRS), Ardepro Property Management Co., Ltd. (APM), and Odaka Denko Co., Ltd.).

The business activities of the Group and the roles of the Company and its related companies are presented below.

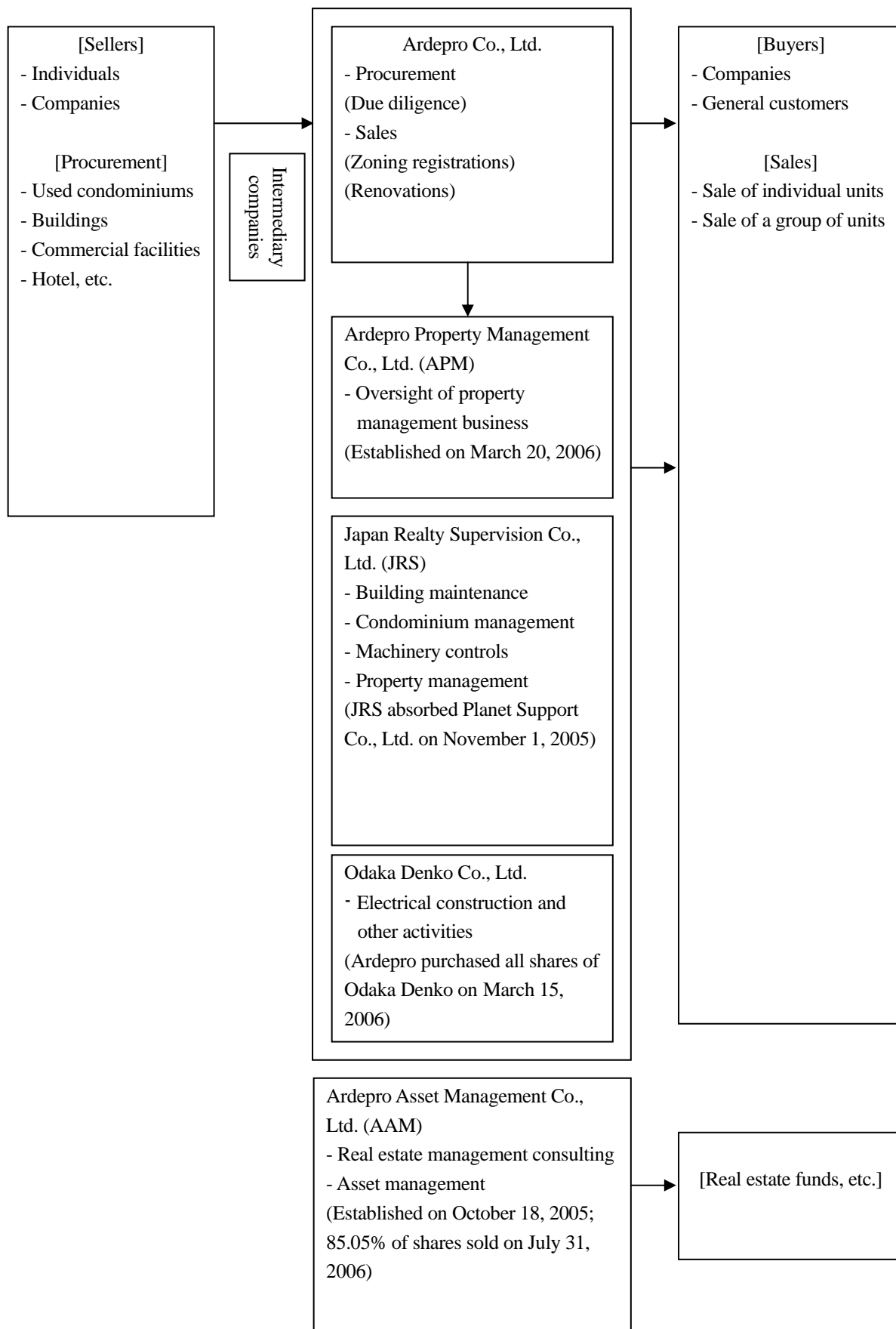
JRS absorbed Planet Support Co., Ltd. on November 1, 2005. In addition, the Company established APM on March 20, 2006 as a wholly owned subsidiary. Furthermore, the Company purchased all shares of Odaka Denko on March 15, 2006. The Company established Ardepro Asset Management Co., Ltd. (AAM), a wholly owned subsidiary, on October 18, 2005, and on July 31, 2006, 1,701 shares of this company (85.05% of all shares issued) were sold to Platinum Advisors Co., Ltd. As a result, AAM is no longer a consolidated subsidiary of the Company.

On July 21, 2006, the Tokyo branch office operations of JRS were transferred to APM. In addition, the Company sold all of its JRS shares to APM on July 31, 2006.

Segment	Business
Condominium revitalization business	This business is engaged in the revitalization and liquidity enhancement of used condominiums. The Company purchases condominiums owned by individuals and companies as well as company housing structures owned by companies. In some cases, a large number of units in a single unit are purchased. The units are then sold individually or in groups for use as owner-occupied condominiums (see note 1) or as investment properties. The Company performs exhaustive due diligence investigations prior to making a purchase. Following a purchase, units are registered individually if necessary, actions are taken to add value to the property (renovations, establishment of management association, etc.), and the property is then sold.
Real estate sales business	This business is engaged in the purchase of company-owned office buildings, commercial facilities, hotels, and other used properties for resale to investors.
Other businesses	This business provides services associated with the condominium revitalization business and the real estate sales business. Other businesses also include an electrical construction business. Specific activities are (1) renovations of properties for sale (performed by APM); (2) collection of rent from tenants at company-owned properties until their sale; (3) agency commission income for the management of leased properties (performed by APM); (4) building management and condominium management services (performed by JRS); (5) electrical construction (performed by Odaka Denko); and (6) Other activities that generate fee income.

Note 1: We referred a condominium purchased for occupancy by an “owner-occupied condominium”

A flowchart of the Group's business activities is presented below.



## **2. Management Policy**

### **(1) Fundamental Management Policy**

#### 1) Fundamental stance

The Ardepro Group is dedicated to the pursuit of three forms of fulfillment: economic, physical and spiritual.

Our corporate philosophy is based on the lifetime goals of an individual. We want to keep the corporate vector and the employee vector in complete alignment. Furthermore, this philosophy goes beyond Ardepro executives and employees to include customers, shareholders, and all other stakeholder constituencies. We also want these stakeholders to have a full understanding of the Ardepro Group's business model and management strategies. Moreover, we believe that the pursuit of this corporate philosophy along with the resulting pursuit of profits, which is the pursuit of "spiritual and profit" goals, will contribute to growth in shareholder value.

Based on this corporate philosophy, we have been conducting the condominium revitalization business with the goal of becoming Japan's leader in the market for used condominiums. But today, our growth strategies are no longer restricted to the goal of leadership in the used condominium market. As a result, our objective is to grow as a "real estate industry innovator" that can be a constant source of innovation in a broad range of real estate business domains.

#### 2) A real estate industry innovator

Until recently, the Ardepro Group has concentrated a management strategy with the goal of becoming Japan's leader in the market for used condominiums. We worked hard on expanding a business that involves the revitalization (renovation and energizing) of used condominiums, a real estate market that was not well known in Japan. In March 2004, we became Japan's first publicly owned used condominium revitalization company when trading of our shares began on the Tokyo Stock Exchange Mothers Market. Through these accomplishments, we have slowly raised awareness of the used condominium market and contributed to progress in the used condominium revitalization business. We believe that our success is demonstrated by the growth in the number of shareholders from 5,015 as of July 31, 2005 to 22,237 (about 4.4 times) as of July 31, 2006.

We have revised our goal from a focus on leadership in the used condominium market to gaining recognition as a real estate industry innovator. Real estate innovation requires going beyond the conventional bounds of real estate activities: purchases and sales, brokerage, leasing and management. By constantly seeking opportunities in related industries, we want to be a pioneer rebuilding the real estate business value chain.

#### 3) Philosophy-driven management

As explained above, the Ardepro Group's objective is to be a real estate industry innovator. But we have an even higher priority: increasing shareholder value through sound management, quick decision-making, and the use and constant improvement of effective business execution and supervision systems. Unfair and inefficient business practices not only erode shareholder value, but also create irreparable barriers to the Company's ability to grow.

Our corporate philosophy is rooted in the "three Ss": customer satisfaction, employee satisfaction and shareholder satisfaction (see note 1). These three elements are the foundation for all our corporate activities.

To ensure that this philosophy guides our operations, our directors, executive officers and other managers take the lead in raising the Group's motivation and self-discipline, and in enhancing compliance systems and the spirit of compliance. In addition, management conducts extensive conversations with employees so that everyone is working to execute the same management strategies. All these activities are aimed at raising shareholder value.

In line with the "pursuit of the three forms of fulfillment," which is in line with the lifetime goals of an individual, we are determined to adhere to our corporate philosophy based on the "three Ss." Through this stance, our objective is to reinforce our reputation as a company devoted to the fulfillment of our social obligations as a corporate citizen.

(Note 1) The three Ss

- a. CS – Customer Satisfaction
- b. ES – Employee Satisfaction
- c. SS – Shareholder Satisfaction

## **(2) Basic Policy Regarding Distribution of Profits**

We position the return of profits to shareholders as an important management issue, viewing it as one specific means of achieving our corporate philosophy of the “pursuit of the three forms of fulfillment.” To maximize corporate value over the long term, we will determine earnings distributions based on the need for growth-oriented investments. These investments are needed for inventories, which are essential to future growth, upgrading internal administrative systems to strengthen our operating framework, and for other requirements.

In accordance with this policy, we have established the goal of a dividend payout ratio of at least 30%. This provides a specific target as one means of translating our “three Ss” corporate philosophy into concrete actions.

In line with this policy of paying a dividend that reflects operating results, we plan to pay a dividend per share of 1,350 yen applicable to the fiscal year that ended on July 31, 2006.

## **(3) Policy of Lowering of Trading Stock Unit**

We view a reduction in the trading unit as an effective means of raising the number of shareholders and the liquidity of our stock. Following the March 18, 2004 listing of Ardepro stock on the Tokyo Stock Exchange Mothers Market, we conducted a four-for-one split on June 18, 2004, a ten-for-one split on December 20, 2004, and a five-for-one split on August 1, 2006 in order to attract more shareholders and enhance trading liquidity. We will continue to make it easy for investors to purchase our stock so that even more companies and individuals can become shareholders. For this purpose, we will consider stock splits and other actions to lower the investment unit based on benefits relative to the related expenses.

## **(4) Targeted Performance Indicators**

With regard to “the pursuit of economic fulfillment,” which is one element of our corporate philosophy, we position the recurring profit margin (recurring profit as a percentage of sales) as a key performance indicator. Our goal is recurring profit margin of 15%. We selected this indicator because recurring profit is the source of earnings that can be distributed to shareholders. Recurring profit is also the source of our ability to achieve fulfillment for employees. Furthermore, and most importantly, we believe that recurring profit is an essential base for our sustained growth. By maintaining a recurring profit margin of 15%, we believe that we can gain recognition among investors and all other stakeholders as a corporate group that is a “real estate industry innovator.”

## **(5) Medium to Long-term Management Strategies**

1) Cultivate internal strategies

i) Real estate development projects

Until now, the Company has concentrated on the revitalization of used condominiums. Looking ahead, we plan to start conducting development projects for newly constructed condominiums and other properties.

ii) Strengthen and expand the network of branch and sales offices

As of July 31, 2006, the Company had nine branch offices and 20 sales offices covering all areas of Japan. During the fiscal year ending in July 2007, we plan to open 10 more sales offices, creating a network of nine branch offices and 30 sales offices. With this larger and more powerful infrastructure, we will further enlarge our used condominium revitalization activities as well as gather all types of real estate-related information in order to increase sales.

iii) Internet sales

Ardepro constantly has real estate for sale with a total value of about 10 billion yen on the Mother’s Auction of IDU Corporation. We believe this sales channel offers high profit margins because of the auction format the ability to use personnel efficiently. Our long-term goal is to raise Internet sales to half of total sales.

iv) Investment property sales

Interest rates in Japan are expected to climb following the end of the Bank of Japan's zero interest rate policy. Under the zero interest rate environment, investors searching for attractive investments placed a substantial amount of funds in publicly owned REITs, private funds and other real estate investments. However, now that the yield on Japanese government bonds is edging closer to 2%, the yield gap between these bonds and REITs and private funds is narrowing. In this environment, we plan to take advantage of our ability to supply properties with an NOI exceeding 6%, and to aggressively sell properties to investors.

v) Use alliance with Dia-Kensetsu Co., Ltd. to increase earnings

Due to the recent earthquake resistance data falsification scandal, concerns about condominium earthquake resistance are growing. Ardepro plans to aggressively purchase properties conforming to the old earthquake resistance standards and then demolish and rebuild these buildings so they can be sold. To rebuild these structures, we will use an alliance with Dia-Kensetsu, which constructs the Dia-Palace TM Cube Series of buildings designed to last 100 years. Through this alliance, we plan to capture new synergies by combining the revitalization and development of real estate.

vi) Use alliance with Alive Community Co., Ltd. to strengthen the PM business

Subsidiary APM plans to rapidly increase the number of properties under management by establishing business and equity alliances with prominent property management (PM) firms throughout Japan.

By using alliances with condominium developers and condominium management companies, Alive Community offers total life care services focusing on wall coatings, renovations and interior product sales for condominium units.

APM handles renovations for properties acquired by Ardepro. By forming an alliance with Alive Community, APM can standardize the quality of its renovations and perform renovations faster. This is expected to enhance customer satisfaction. Furthermore, APM and its PM firm alliance partners can offer a nationwide renovation service for the properties they manage in all areas of Japan. This nationwide scale is expected to lower the cost of renovations.

vii) Use of alliance with Japan Best Rescue System Co., Ltd. to strengthen the PM business

Japan Best Rescue System offers a nationwide "household ambulance" service that solves a variety of household problems on a 24-hour/365-day basis. Assistance covers automobiles and motorcycles, broken glass, water leaks, locks, computers and many other items. This company also has a variety of membership-based support services to solve problems.

As is explained above, subsidiary APM plans to form business and equity alliances with prominent PM firms throughout Japan to achieve rapid growth in the number of properties under management.

The business alliance with APM will position Japan Best Rescue System to better expand its "household ambulance" service throughout Japan.

APM wants to ensure that residents can live in these properties with no worries. For this purpose, APM plans to offer residents the household problem-solving services of Japan Best Rescue System for healthcare services, appliance malfunctions and other requirements. APM believes this will help make its services more competitive. In addition, APM believes that this added value service will significantly lower vacancies at leased properties under management.

2) Expansion of external strategies

i) PM business

As the Ardepro Group increases its operations on a nationwide scale, the PM business will become more important with regard to managing properties purchased by Ardepro and other activities. As is explained above, subsidiary APM plans to enlarge its network by forming business and equity alliances with PM firms throughout Japan. This is expected to add more value to the properties owned by the Group throughout Japan. Alliances are also expected to contribute to earnings at partner companies.

## ii) M&A strategy

Ardepro will aggressively enter into equity alliances with other companies to achieve its business objectives. When forming these alliances, we will not use hostile takeovers, which have recently made headlines in Japan. Instead, our aim is to assemble a commune that share our corporate philosophy based on “the pursuit of the three forms of fulfillment.”

In general, the purpose of equity alliances is to reinforce the accompanying business alliance. To accomplish this, the two partners hold a certain number of each other’s stock to underscore their commitment to the business alliance. Forming an integrated organization of companies that share our corporate philosophy is an extremely important aspect of our M&A strategy. Consequently, we first determine the type of multilevel structure we can form with respect to our corporate philosophy and management strategies. We also consider how the alliance may affect the scope of activities of executives and employees, the individuals responsible for making the alliance successful.

## **(6) Key Issues**

### 1) Enhance brand equity

The Ardepro Group’s condominium revitalization business is involved in the provision of housing, a vital element of customers’ lives. As a result, success requires earning the trust of customers. To earn this trust, we must not only supply quality products, but also make the brand linked with our products even more powerful. By extending our brand from the Tokyo area to cover all areas of Japan, we want to firmly link the Ardepro Group with used condominium revitalization in the minds of a broad spectrum of individuals. To accomplish this, we plan to raise awareness of our Saint Elmo brand.

### 2) Reinforce internal management systems

The Ardepro Group currently has a nationwide network of nine branch offices in major cities for the purpose of conducting its condominium revitalization business and real estate sales business on a nationwide scale. Furthermore, we plan to open more sales offices in prefectural capital cities and other large cities throughout Japan. To perform sales activities at these sales offices, and prepare for conducting sales activities, individuals are assigned to these offices from the head office and new employees are recruited locally. At subsidiaries, employees have been trained just as Ardepro’s own employees are and we build rigorous compliance and internal control systems.

We are building internal management and internal control frameworks to match the speed of growth of the branch and sales office network as well as the establishment of subsidiaries. In particular, we are placing priority on developing a workforce that understands our corporate philosophy and has outstanding skills, and on building a company-wide corporate governance framework.

### 3) Heighten presence in related businesses

The Ardepro Group conducts its condominium revitalization business by leveraging know-how gained from its predecessor company in building management (hardware) and leasing management (software). Looking ahead, we plan to use subsidiary APM to reinforce our property management operations. This will allow us to offer a broad range of real estate services, including building maintenance, leasing management, and other services.

By taking these initiatives, we aim to assemble an operational structure that is largely immune to economic fluctuations and changes in interest rates.

## **(7) Item Concerning Parent Company, etc.**

No reportable information.

## **(8) Other Important Matters**

Ardepro CEO Tatsuya Akimoto has guaranteed loans extended to the Company, but makes no payments for this guarantee. As of August 31, 2006, Mr. Akimoto was guarantor for loans totaling 7,050,000 yen. The plan is to gradually reduce these loan guarantees until they are eliminated.

### **3. Results of Operations and Financial Position**

#### **(1) Results of Operations**

During the fiscal year that ended in July 2006, Japan's economy continued to stage a moderate recovery. With consumers generally more willing to make purchases, consumer spending posted solid growth as income levels slowly climbed. Furthermore, rising corporate earnings and demand for various products led to growth in capital expenditures. An improving employment picture also contributed to economic growth. However, concerns remain about the outlook for Japan's economy, notably due to the high cost of crude oil and a possible increase of interest by the end of the Bank of Japan's zero interest rate policy.

Competition in the real estate industry, the principal area of Ardepro's operations, is intensifying due to a booming high-rise condominium market, particularly in central Tokyo, and increasing investments by real estate funds. As the appraised value of land at almost all the survey points in the nation's three major metropolitan areas was either flat or higher than the previous year, Japan seems to be finally breaking away of the asset deflationary cycle. On the other hand, demand for J-REITs and private placement real estate funds is showing signs of change as concerns are rising over higher interest rates ahead, now that the Bank of Japan has abandoned its zero-interest rate policy.

In this environment, Ardepro, the core member of the Ardepro Group, focused on increasing sales of used condominiums to individuals and of investment properties to corporate buyers. By region, the existing Tokyo area operations contributed to sales, but performance was also strong at the nine branches throughout Japan.

Subsidiary JRS posted generally strong results in its building management, condominium management and renovation businesses.

Due to these items, consolidated sales amounted to 43,001 million yen, 216.6% higher than one year earlier. There were sales of 2,415 residences and 211 buildings. Recurring profit increased 251.5% to 6,698 million yen and net income was up 246.8% to 3,739 million yen.

Results by business segment were as follows.

##### **1) Condominium Revitalization Business**

In this segment, which is the Ardepro Group's core business, the Group recorded strong sales of residences to individuals for personal use by selling properties at low prices to first-time buyers. Sales of properties to companies were also strong. The result was a 174.8% increase in segment sales to 26,279 million yen and a 215.3% increase in operating profit to 4,195 million yen.

##### **2) Real Estate Sales Business**

Sales of commercial buildings remained strong in the fiscal year that ended in July 2006. As a result, segment sales rose 307.1% to 14,364 million yen and operating profit was up 305.8% to 3,099 million yen.

##### **3) Other Businesses**

This segment comprises the property management business, including building maintenance, condominium management, leasing management and other services incidental to the condominium revitalization business and real estate sales business. Most of these businesses were buoyant, with aggregate segment operating profit rising 51.6% to 457 million yen on a sales gain of 441.3% to 2,672 million yen.

#### **(2) Financial Position**

Due to aggressive sales activities, income before income taxes and minority interests totaled 6,685 million yen, but we acquired a substantial volume of real estate to support future growth in sales. Due to these acquisitions, assets as of July 31, 2006 totaled 33,130 million yen, 225.2% more than one year earlier, and net assets increased 168.5% to 10,835 million yen. As a result, the equity ratio was 32.7%.

#### Current assets

Current assets totaled 30,685 million yen, 232.4% more than one year earlier. This was primarily attributable to real estate for sale of 19,597 million yen as we made substantial property acquisitions to support future growth in sales.

#### Fixed assets

Fixed assets totaled 2,445 million yen, 155.9% more than one year earlier. This was mainly due to investment securities rising to 964 million yen, a reflection of growth in the number of subsidiaries and investments, and goodwill of 973 million yen resulting from the acquisition of consolidated subsidiaries.

#### Current liabilities

Current liabilities totaled 21,807 million yen, 256.5% more than one year earlier. This was primarily attributable to an increase in short-term borrowings to 16,674 million yen. We use loans from financial institutions to fund property acquisitions. Consequently, as the purchase of properties increased, short-term borrowings rose to become a large share of current liabilities.

#### Long-term liabilities

Long-term liabilities totaled 487 million yen, 1,293.6% more than one year earlier. This was mostly due to the sale of 450 million yen in bonds on November 29, 2005.

#### Net assets

Net assets totaled 10,835 million yen, 168.5% more than one year earlier (compared to the "total shareholders' equity" under the previous accounting method). Common stock rose to 2,930 million yen, the capital surplus to 2,771 million yen and retained earnings to 5,126 million yen.

### **Cash Flows**

Cash and cash equivalents as of July 31, 2006 totaled 8,639 million yen, 6,655 million yen more than one year earlier. This increase was mainly attributable to income before income taxes and minority interests associated with the higher sales and to growth in short-term borrowings and other fund procurement activities.

#### Cash flows from operating activities

Net cash used in operating activities was 7,463 million yen, compared with net cash used of 3,097 million yen one year earlier. Although income before income taxes and minority interests was 6,685 million yen, there was an increase of 13,446 million yen in inventories because of the large volume of property acquisitions to support future growth in sales.

#### Cash flows from investing activities:

Net cash used in investing activities was 1,390 million yen, compared with net cash used of 973 million yen one year earlier. There were payments of 2,506 million yen for the purchase of investment securities and 631 million yen for the purchase of subsidiary stock with changes in scope of consolidation. Offsetting this somewhat was proceeds of 1,572 million yen from the sale of investment securities.

#### Cash flows from financing activities:

Net cash provided by financing activities was 15,509 million yen, compared with net cash provided of 4,487 million yen one year earlier. The major sources of cash were a net increase of 12,142 million yen in short-term borrowings and proceeds of 3,481 million yen from the issuance of stock.

Trends in cash flow indicators were as follows:

	Year ended July 2005 (As of July 31, 2005)	Year ended July 2006 (As of July 31, 2006)
Shareholders' equity ratio (%)	39.6	32.7
Shareholders' equity ratio based on market cap (%)	427.6	308.1
Years of debt redemption (year)	-	-
Interest coverage ratio	-	-

Shareholders' equity ratio: Shareholders' equity / Total assets

Shareholders' equity ratio based on market cap: Market capitalization / Total assets

Debt to annual cash flow: Interest-bearing debt / Operating cash flow

Interest coverage ratio: Operating cash flow / Interest payments

\* All indices are calculated based on consolidated figures.

\* Market cap is computed by multiplying the closing price of stock on the balance sheet date by the number of shares outstanding on the balance sheet date. The number of shares has been adjusted to reflect the five-for-one stock split with a record date of July 31, 2006.

\* Operating cash flow is calculated using the figures for "net cash provided by (used in) operating activities" in the consolidated cash flow statements. Interest-bearing debt includes all liabilities on the consolidated balance sheets that incur interest. Interest payments are calculated from the consolidated cash flow statements of "interests paid".

\* Years of debt redemption and interest coverage ratio for fiscal years ended July 2005 and 2006 is not presented since we reported negative cash flows.

### (3) Outlook for the Next Fiscal Year

In the fiscal year ending in July 2007, the gradual increase in land prices in Japan's metropolitan areas is expected to continue. Additionally, the number of newly completed condominium units is expected to remain high. Regarding the financial outlook, interest rates are likely to increase following the end of quantitative easing and a zero interest rate policy. Due to these trends, Ardepro believes that it must pay close attention to trends in the real estate investment market.

In this operating environment, Ardepro will focus on conducting operations with the aim of becoming a "real estate industry innovator" in line with its medium- to long-term management strategy.

In the fiscal year ending in July 2007, the Company is forecasting consolidated sales of 55,715 million yen, recurring profit of 8,460 million yen, and net income of 4,451 million yen. For non-consolidated performance, the Company is forecasting sales of 53,541 million yen, recurring profit of 8,477 million yen, and net income of 4,468 million yen.

### (4) Business Risks and Other Risks

The following is a list of major items that may have the possibility of becoming sources of risk in the development of the Group's business. We are aware of the possibility that these risks may occur, and are working to forestall their occurrence or to take the appropriate response in the event that they occur. Moreover, forward-looking statements in the document are based on the judgments of the Group's management as of the end of the consolidated accounting period.

#### I Industry Trends

##### 1) Legal Regulations in the Industry

The Group is positioned within the real estate industry, and within that industry is particularly subject to legal regulations regarding the condominium transaction business, including the Building Lots and Buildings Transaction Business Law, the Law Regarding Sectional Ownership of Buildings, the Land and House Lease Law, the Building Standards Law, and the City Planning Law. As a real estate broker, we act in accordance with these regulations and are licensed under the Building Lots and Buildings Transaction Business Law to engage in real estate revitalization and rental businesses. As a result, revision or elimination of the above laws, or enactment of new laws, could have an effect on the Group's business results.

## 2) Effect of Economic Trends on the Group's Business

Business conditions in the real estate industry can be generally affected by economic trends, interest rate trends, land price trends, tax regulations, and legal regulations. In regards to sale of used condominiums to individual buyers, we concentrate mainly on customers who live in rented residences. Demand for used condominiums can go into relative decline when prices of condominiums or interest rates are rising, and this could affect the Group's business results.

## 3) Competitors and Price Competition

The Group mainly targets first-time buyers for owner-occupied condominiums, and corporations or individuals for investment properties, supplying used condominiums that are generally lower priced than new condominiums.

While the Group continues to accumulate know-how and has plans to expand its business, the possibility of increased competition cannot be ruled out. A decline in the number of units sold due to heightened competition, or deteriorating profits due to a decline in the number of condominiums available for procurement or to price competition, could have an effect on the Group's business results.

## II Business Activities

### 1) Inventory Risk

The Group draws up sales strategies based on comprehensive consideration of the number and prices of condominiums to be put up for sale and other relevant factors. In addition, the Group is striving to build a dynamic sales structure that can quickly and precisely assesses the sales achievement rate, and aggressively move to review and revise its sales strategy if sales are not proceeding in accordance with the initial plan, in order to achieve efficient sales. However, if due diligence is not reasonably conducted in property acquisition, or sales do not otherwise proceed as planned, so that inventory builds up, it could have an effect on the Group's business performance and financial condition.

### 2) Dependence on Interest-bearing Debt

Because the Group finances acquisition of real estate for real estate projects mainly by loans obtained from financial institutions, the ratio of interest-bearing debt to total assets is high, and the Group's business performance and financial condition could be affected by interest rate fluctuations.

In regards to fund procurement, the Group is not dependent on particular financial institutions, but instead negotiates with financial institutions for financing on a case-by-case basis, and proceeds with a project after approval for financing has been obtained. If, however, for some reason fund procurement is insufficient or unsuccessful, property acquisition may not proceed as planned, which could have an effect on the Group's business performance and financial condition.

	Thousand yen	
	Year ended July 2005 (As of July 31, 2005)	Year ended July 2006 (As of July 31, 2006)
Balance of interest-bearing debt (A)	4,644,232	17,132,340
Total assets (B)	10,187,601	33,130,822
Debt-to-equity ratio (A/B)	45.6%	51.7%

### 3) Intellectual Property Rights

The Group uses the Saint Elmo brand in case it acquires and sales an entire condominium building. Trademark rights have already been obtained for the brand, and the Group plans to provide further protections in the future as needed, such as application for registration of intellectual property rights. While the Group has not actually had any serious trouble up to the present time regarding the brand, if such trouble were to occur it could have an effect on the Group's business performance and future business development.

#### 4) Litigation

Defects in condominiums sold, built or under management of the Group, claims from customers regarding management conditions, problems with tenants at time of renting or vacating and trouble regarding sales methods, can all be reasons or causes resulting in litigation or other claims. Depending on the type or result of such litigation, there could be an effect on the Group's business performance and financial condition.

#### 5) Customer Information

Customer information obtained by the Group in the course of sales activities is stored in the Group's in-house computer system. While the Group exercises extreme care in the management of customer information, if its server were to be intruded by illicit external access and customer information leaked to outsiders, it would damage trust in the Group, and could have an effect on the Group's business performance.

### III Business Organization

#### 1) Expansion of Group

As of July 31, 2006, we had a relatively small organization of five executives, three auditors, and 145 employees, and the internal control structure was scaled to that organization size. In future, however, the Group plans to expand beyond its current business of reinvigoration of used condominiums, and the accompanying sale, brokerage, renting, management, and businesses related to boosting the liquidity of real estate and real estate securitization, into a wider business domain. Toward this goal, the Group's operations framework and its internal controls and checks system are being strengthened and expanded. Nevertheless, a failure to adequately strengthen internal controls and checks system as the Group's businesses are expanded could have an effect on the Group's business performance.

#### 2) Securing Personnel Resources

The Group's business is founded on its human resources, and hiring qualified personnel consistence with the Group growth is an important management issue.

Positioning agreement with the Group's management philosophy as an important element, the Group engages in recruiting activities that center on hiring people in mid-career from diverse industries and sectors, and on hiring new college graduates.

Furthermore, implementation of the management philosophy throughout the Group allows employees to transfer freely between departments, to achieve the most effective utilization of personnel resources. Nevertheless, failure of the Group to acquire adequate human resources, or outflow of existing human resources resulting in failure to maintain required levels of human resources, could have an effect on the Group's business performance and on future business development.

### IV Other

The Group has introduced an incentive program for directors and employees to motivate them to improve the Group's business performance. This program grants stock subscription rights pursuant to Articles 280-20 and 280-21 of the Pre-commercial Code of Japan. Stock subscription rights were granted to directors, employees and other outside cooperating individuals in accordance with the special resolutions approved at general shareholders' meetings held on May 16, 2003, July 28, 2003, June 23, 2004, and October 26, 2005. As of July 31, 2006, the Company had a total of 690,379 shares outstanding, while the total number of shares to be issued assuming that all stock subscription rights outstanding as of July 31, 2006 are exercised was 4,512 shares.

If these share subscription rights were exercised, the value of the Company's shares would be diluted. Furthermore, the Group is studying implementation of other incentive plans such as stock options, and these could also have the effect of diluting the share price.

#### 4. Consolidated Financial Statements and Notes

##### (1) Consolidated Financial Statements

##### 1) Consolidated Balance Sheets

Thousand yen

Account	Note	Year ended July 2005 (As of July 31, 2005)		Year ended July 2006 (As of July 31, 2006)		Change	
		Amount	%	Amount	%	Amount	
Assets							
I Current assets							
1. Cash and deposits	*2	2,069,503		8,801,345		6,731,842	
2. Trade notes and accounts receivable	*5	188,587		800,489		611,901	
3. Marketable securities		-		50,326		50,326	
4. Real estate for sale	*2	6,245,580		19,597,304		13,351,724	
5. Work in process		45,010		149,267		104,257	
6. Advances		188,906		534,308		345,402	
7. Deferred tax assets -current		43,938		245,501		201,562	
8. Others		491,455		571,895		80,439	
Allowance for doubtful accounts		(41,149)		(64,969)		(23,820)	
Total current assets		9,231,832	90.6	30,685,468	92.6	21,453,636	
II Fixed assets							
1. Tangible fixed assets							
(1) Buildings and structures	*2	31,285		53,475		22,189	
(2) Machinery and vehicles		13,816		15,689		1,873	
(3) Tools, furniture and fixtures		17,686		60,838		43,151	
(4) Land	*2	82,223		64,073		(18,150)	
Total tangible fixed assets	*1	145,012	1.4	194,076	0.6	49,064	
2. Intangible fixed assets							
(1) Goodwill		-		973,661		973,661	
(2) Business rights		78,734		-		(78,734)	
(3) Consolidation adjustment account		574,514		-		(574,514)	
(4) Others		14,862		21,901		7,039	
Total intangible fixed assets		668,112	6.6	995,562	3.0	327,450	
3. Investments and other assets							
(1) Investment securities		25,000		964,787		939,787	
(2) Deferred tax assets -fixed		4,429		44,099		39,669	
(3) Others		113,215		246,827		133,612	
Total investments and other assets		142,645	1.4	1,255,714	3.8	1,113,069	
Total fixed assets		955,769	9.4	2,445,354	7.4	1,489,585	
Total assets		10,187,601	100.0	33,130,822	100.0	22,943,220	

Thousand yen

Account	Note	Year ended July 2005 (As of July 31, 2005)		Year ended July 2006 (As of July 31, 2006)		Change	
		Amount	%	Amount	%	Amount	
<b>Liabilities</b>							
<b>I Current liabilities</b>							
1. Trade accounts payable		116,286		228,259		111,972	
2. Short-term borrowings	*2,4	4,532,372		16,674,920		12,142,548	
3. Current portion of long-term borrowings		4,440		4,440		-	
4. Current portion of corporate bonds		100,000		-		(100,000)	
5. Accrued income taxes		616,773		2,797,811		2,181,038	
6. Allowance for employees' bonuses		18,977		32,176		13,198	
7. Allowance for directors' bonuses		-		3,850		3,850	
8. Others		727,780		2,066,338		1,338,557	
Total current liabilities		6,116,630	60.0	21,807,795	65.8	15,691,165	
<b>II Long-term liabilities</b>							
1. Corporate bonds		-		450,000		450,000	
2. Long-term borrowings		7,420		2,980		(4,440)	
3. Allowance for retirement benefits		26,998		34,695		7,696	
4. Others		576		-		(576)	
Total long-term liabilities		34,995	0.3	487,675	1.5	452,680	
Total liabilities		6,151,625	60.4	22,295,471	67.3	16,143,845	
<b>Minority interest</b>							
Minority interests		46	0.0	-	-	(46)	
<b>Shareholders' equity</b>							
<b>I Common stock</b>							
I Common stock	*3	1,178,930	11.6	-	-	(1,178,930)	
<b>II Capital surplus</b>							
II Capital surplus		1,019,900	10.0	-	-	(1,019,900)	
<b>III Retained earnings</b>							
III Retained earnings		1,837,099	18.0	-	-	(1,837,099)	
Total shareholders' equity		4,035,929	39.6	-	-	(4,035,929)	
Total liabilities, minority interests and shareholders' equity		10,187,601	100.0	-	-	(10,187,601)	
<b>Net assets</b>							
<b>I Shareholders' equity</b>							
1. Common stock		-	-	2,930,948	8.8	2,930,948	
2. Capital surplus		-	-	2,771,918	8.4	2,771,918	
3. Retained earnings		-	-	5,126,905	15.5	5,126,905	
Total shareholders' equity		-	-	10,829,771	32.7	10,829,771	
<b>II Minority interests</b>							
II Minority interests		-	-	5,579	0.0	5,579	
Total net assets		-	-	10,835,351	32.7	10,835,351	
Total liabilities and net assets		-	-	33,130,822	100.0	33,130,822	

## 2) Consolidated Income Statements

Thousand yen

Account	Note	Year ended July 2005 (Aug. 1, 2004 – Jul. 31, 2005)		Year ended July 2006 (Aug. 1, 2005 – Jul. 31, 2006)		Change			
		Amount	%	Amount	%	Amount			
I Sales	*1		13,583,791	100.0		43,001,471	100.0	29,417,679	
II Cost of sales			10,475,202	77.1		33,648,697	78.3	23,173,494	
Gross profit			3,108,589	22.9		9,352,773	21.7	6,244,184	
III Selling, general and administrative expenses			998,373	7.4		2,181,252	5.1	1,182,878	
Operating profit			2,110,215	15.5		7,171,521	16.7	5,061,306	
IV Non-operating income									
1. Interest income			870			1,976		1,106	
2. Others			8,757	9,627	0.1	70,930	72,907	0.2	62,173
63,279									
V Non-operating expenses									
1. Interest expenses		98,081			305,437		207,355		
2. Commissions paid		44,019			68,113		24,093		
3. Consumption tax adjustment loss		50,636			76,069		25,433		
4. New share issue expenses		20,181			22,647		2,465		
5. Others		1,450	214,368	1.6	73,978	546,245	1.3	72,528	
331,876									
Recurring profit			1,905,474	14.0		6,698,183	15.6	4,792,708	
VI Extraordinary gains									
1. Gain on sales of affiliate stock		-			51,918		51,918		
2. Gain on transfer of businesses		-			1,904		1,904		
3. Reversal of allowance for doubtful accounts		-			6,216		6,216		
4. Gain on sales of land		-			32,043		32,043		
5. Prior year income adjustments		-	-	-	6,058	98,141	0.1	6,058	
98,141									
VII Extraordinary losses									
1. Loss on removal of fixed assets	*2	332			9,184		8,852		
2. Loss on sales of fixed assets		-			35		35		
3. Head office relocation expenses		-			8,842		8,842		
4. Prior year loss adjustments		-			6,403		6,403		
5. Provision of allowance for doubtful accounts		-			19,052		19,052		
6. Bad debts loss		-			1,968		1,968		
7. Loss on transfer of businesses		-			17,371		17,371		
8. Amortization of goodwill		-			28,571		28,571		
9. Structural and other tests of real estate for sale		-	332	0.0	19,719	111,148	0.3	19,719	
110,816									
Income before income taxes and minority interests			1,905,141	14.0		6,685,175	15.5	4,780,034	
Current income taxes		840,566			3,185,175		2,344,608		
Deferred income taxes		(13,628)	826,938	6.1	(238,577)	2,946,597	6.9	(224,949)	
Loss on minority interests			-			(683)	0.0	(683)	
Net income			1,078,203	7.9		3,739,261	8.7	2,661,057	

### 3) Consolidated Surplus Statements

Thousand yen

Account	Year ended July 2005 (Aug. 1, 2004 – Jul. 31, 2005)	
	Amount	
Capital surplus		
I Balance at beginning of the period		450,200
II Increase in capital surplus		
1. New share issuance for capital increase	569,700	569,700
III Balance at end of the period		1,019,900
Retained earnings		
I Balance at beginning of the period		883,446
II Increase in retained earnings		
1. Net income	1,078,203	1,078,203
III Decrease in retained earnings		
1. Dividends	82,768	
2. Interim dividends	41,781	124,549
IV Balance at end of the period		1,837,099

## Consolidated Statements of Change in Shareholders' Equity

Year ended July 2006 (Aug. 1, 2005 – Jul. 31, 2006)

	Shareholders' equity				Minority interests	Total net assets
	Common stock	Capital surplus	Retained earnings	Total shareholders' equity		
Balance as of July 31, 2005 (thousand yen)	1,178,930	1,019,900	1,837,099	4,035,929	-	4,035,929
Changes in the consolidated fiscal year						
Issuance of new share	1,752,018	1,752,018	-	3,504,036	-	3,504,036
Dividend of surplus	-	-	(451,741)	(451,741)	-	(451,741)
Directors' bonuses paid	-	-	(3,850)	(3,850)	-	(3,850)
Net income	-	-	3,739,261	3,739,261	-	3,739,261
Changes (net) in items other than shareholders' equity	-	-	-	-	5,579	5,579
Increase in surplus due to decrease in subsidiaries	-	-	6,136	6,136	-	6,136
Total changes in the consolidated fiscal year (thousand yen)	1,752,018	1,752,018	3,289,805	6,793,841	5,579	6,799,421
Balance as of July 31, 2006 (thousand yen)	2,930,948	2,771,918	5,126,905	10,829,771	5,579	10,835,351

#### 4) Consolidated Cash Flow Statements

Thousand yen

Account	Note	Year ended July 2005	Year ended July 2006	Change
		(Aug. 1, 2004 – Jul. 31, 2005)	(Aug. 1, 2005 – Jul. 31, 2006)	Amount
		Amount	Amount	Amount
I Cash flows from operating activities				
Income before income taxes and minority interests		1,905,141	6,685,175	4,780,034
Depreciation and amortization		6,783	22,940	16,157
Amortization of goodwill		-	168,950	168,950
Amortization of consolidation adjustment account		6,208	-	(6,208)
Increase (decrease) in allowance for doubtful accounts		9,940	22,077	12,137
Increase (decrease) in allowance for employees' bonuses		10,137	12,935	2,798
Increase (decrease) in allowance for directors' bonuses		-	3,850	3,850
Increase in allowance for retirement benefits		1,613	(626)	(2,240)
Interest and dividend income		(870)	(1,976)	(1,106)
Interest expenses		98,081	305,437	207,355
New share issue expenses		20,181	22,647	2,465
Corporate bond issue expenses		-	8,550	8,550
Gain on sales of affiliate stock		-	(51,918)	(51,918)
Gain on sales of land		-	(32,043)	(32,043)
Loss on removal of fixed assets		332	9,184	8,852
Loss on sales of fixed assets		-	35	35
Head office relocation expenses		-	8,842	8,842
Decrease (increase) in trade receivable		(11,135)	(561,896)	(550,761)
Decrease (increase) in inventories		(4,489,564)	(13,446,224)	(8,956,659)
Decrease (increase) in advances		(114,358)	(345,402)	(231,043)
Decrease (increase) in other current assets		(15,153)	(293,879)	(278,726)
Increase (decrease) in trade payable		840	(201)	(1,042)
Increase (decrease) in accrued consumption taxes		(76,244)	(3,701)	72,542
Increase (decrease) in advances received		11,057	132,914	121,856
Increase (decrease) in other current liabilities		294,251	1,226,297	932,045
Others		1,125	(2,677)	(3,802)
Subtotal		(2,341,630)	(6,110,708)	(3,769,078)
Interests and dividends received		433	1,976	1,542
Interests paid		(119,581)	(305,437)	(185,855)
Income taxes paid		(636,479)	(1,040,087)	(403,607)
Head office relocation expenses paid		-	(8,842)	(8,842)
Net cash used in operating activities		(3,097,257)	(7,463,098)	(4,365,841)

Thousand yen

Account	Note	Year ended July 2005	Year ended July 2006	Change
		(Aug. 1, 2004 – Jul. 31, 2005)	(Aug. 1, 2005 – Jul. 31, 2006)	Amount
		Amount	Amount	Amount
<b>II Cash flows from investing activities</b>				
Payments for time deposits		(49,003)	(71,657)	(22,654)
Proceeds from time deposits		-	24,003	24,003
Proceeds from acquisition of subsidiary stock		51,762	-	(51,762)
Proceeds from sales of subsidiary stock with changes in scope of consolidation	*3	-	78,640	78,640
Payments from acquisition of subsidiary stock		(520,926)	6,216	527,142
Payments from acquisition of subsidiary stock with changes in scope of consolidation	*2	-	(631,773)	(631,773)
Payments for purchase of investment securities		(25,000)	(2,506,350)	(2,481,350)
Proceeds from sale of investment securities		-	1,572,000	1,572,000
Proceeds from sale of tangible fixed assets		-	50,193	50,193
Payments for purchase of tangible fixed assets		(30,664)	(90,674)	(60,010)
Payments for purchase of intangible fixed assets		(4,490)	(7,666)	(3,176)
Payments for guarantee deposits		(89,735)	(199,151)	(109,415)
Proceeds for return of guarantee deposits		5,650	65,539	59,889
Payments for loans receivable		(320,000)	(250,000)	70,000
Proceeds from collections of loans receivable		9,361	570,000	560,638
Others		(105)	474	579
Net cash used in investing activities		(973,151)	(1,390,206)	(417,055)
<b>III Cash flows from financing activities</b>				
Net increase (decrease) in short-term borrowings		3,495,600	12,142,548	8,646,948
Repayments of long-term borrowings		(4,440)	(4,440)	-
Proceeds from corporate bond issuance		-	441,450	441,450
Payments for redemption of corporate bonds		-	(100,000)	(100,000)
Proceeds from new share issuance		1,119,248	3,481,388	2,362,140
Cash dividends paid		(123,362)	(451,741)	(328,379)
Net cash provided by financing activities		4,487,045	15,509,205	11,022,159
<b>IV Increase (decrease) in cash and cash equivalents</b>		416,636	6,655,900	6,239,263
<b>V Cash and cash equivalents at beginning of the period</b>		1,567,363	1,983,999	416,636
<b>VI Cash and cash equivalents at end of the period</b>	*1	1,983,999	8,639,899	6,655,900

### Significant Accounting Policies in the Preparation of Consolidated Financial Statements

Item	Year ended July 2005 (Aug. 1, 2004 - Jul. 31, 2005)	Year ended July 2006 (Aug. 1, 2005 - Jul. 31, 2006)				
1. Scope of consolidation	<p>Consolidated subsidiaries: 2  Name of consolidated subsidiaries:  Planet Support Co., Ltd.  Japan Realty Supervision Co., Ltd.  All subsidiaries are consolidated.  On September 7, 2004, Planet Support Co., Ltd. was included in the consolidation following the purchase by the Company of all its shares.  Japan Realty Supervision Co., Ltd. was included in the consolidation due to acquisition stock of 91.3 % on July 29, 2005.</p>	<p>Consolidated subsidiaries: 3  Name of consolidated subsidiaries:  Japan Realty Supervision Co., Ltd.  Ardepro Property Management Co., Ltd.  Odaka Denko Co., Ltd.  All subsidiaries are consolidated.  Effective on November 1, 2005, Planet Support Co., Ltd. was absorbed by Japan Realty Supervision Co., Ltd.  Ardepro Property Management Co., Ltd. was established on March 20, 2006 as a wholly owned subsidiary and Odaka Denko Co., Ltd. became a subsidiary on March 15, 2006 following the purchase by the Company of all its shares.  On October 18, 2005, Ardepro Asset Management Co., Ltd. was established as a wholly owned subsidiary and the Company sold its 85.05% of equity stake on July 31, 2006.</p>				
2. Equity method of accounting	The Company has not any non-consolidated subsidiaries or affiliates.	The Company has not any non-consolidated subsidiaries or affiliates.				
3. Accounting period of consolidated subsidiaries	The fiscal year of consolidated subsidiaries ends on the closing date of consolidated financial statements.	<p>The consolidated financial statements include the accounts of a following consolidated subsidiary, of which the fiscal year ends on a different day.</p> <table border="1" data-bbox="919 1021 1441 1093"> <thead> <tr> <th data-bbox="919 1021 1219 1059">Name</th> <th data-bbox="1219 1021 1441 1059">Closing date</th> </tr> </thead> <tbody> <tr> <td data-bbox="919 1059 1219 1093">Odaka Denko Co., Ltd.</td> <td data-bbox="1219 1059 1441 1093">May 31</td> </tr> </tbody> </table> <p>The Company prepares provisional accounts for the subsidiary as of the fiscal-year financial results reporting date in order to prepare consolidated financial statements.  The Company makes necessary consolidation adjustments to account for any major transactions that occur before the consolidated closing date.</p>	Name	Closing date	Odaka Denko Co., Ltd.	May 31
Name	Closing date					
Odaka Denko Co., Ltd.	May 31					
4. Significant accounting policies (1) Valuation criteria and methods for principal assets	<p>1. Securities  1) Other securities  Securities with market quotations:  _____</p> <p>Securities without market quotations  Securities without market quotations are stated at cost, cost being determined by the moving-average method.</p> <p>2. Inventories  1) Real estate for sale and work in process  Real estate for sale and work in process are stated at cost, cost being determined by the specific identification method.</p>	<p>1. Securities  1) Other securities  Securities with market quotations:  Securities with market quotations are carried at fair value on the balance sheet date. Changes in unrealized holding gain or loss are included directly in shareholders' equity. The cost of securities sold is determined primarily by the moving-average method.</p> <p>Securities without market quotations:  Same as on the left.</p> <p>2. Inventories  1) Real estate for sale and work in process  Same as on the left.</p>				

Item	Year ended July 2005 (Aug. 1, 2004 - Jul. 31, 2005)	Year ended July 2006 (Aug. 1, 2005 - Jul. 31, 2006)																						
(2) Depreciation and amortization method of principal assets	<p>2) Supplies Supplies are stated at cost, cost being determined by the method of most recent purchase price.</p> <p>1. Tangible fixed assets Depreciation of tangible fixed assets is calculated by the declining-balance method. Depreciation of buildings (excluding attached equipment) acquired on and after April 1, 1998 is calculated by the straight-line method. Useful lives of major items are as follows (years):</p> <table data-bbox="379 600 882 763"> <tr><td>Buildings</td><td>28</td></tr> <tr><td>Buildings and attached structures</td><td>9-22</td></tr> <tr><td>Machinery equipment</td><td>9-15</td></tr> <tr><td>Vehicles</td><td>2-6</td></tr> <tr><td>Tools, furniture and fixtures</td><td>4-20</td></tr> </table> <p>2. Intangible fixed assets</p> <p>1) Software Software development costs are amortized over an expected useful life of five years by the straight-line method.</p> <p>2) Goodwill Goodwill is amortized by the straight-line method over a period of up to five years.</p> <p>3. Long-term prepaid expenses Long-term prepaid expenses are amortized by the straight-line method.</p>	Buildings	28	Buildings and attached structures	9-22	Machinery equipment	9-15	Vehicles	2-6	Tools, furniture and fixtures	4-20	<p>2) Raw materials and supplies Raw materials and supplies are stated at cost, cost being determined by the method of most recent purchase price.</p> <p>1. Tangible fixed assets Same as on the left.</p> <p>Useful lives of major items are as follows (years):</p> <table data-bbox="930 600 1433 792"> <tr><td>Buildings</td><td>15-28</td></tr> <tr><td>Buildings and attached structures</td><td>3-22</td></tr> <tr><td>Structures</td><td>9-20</td></tr> <tr><td>Machinery equipment</td><td>9-15</td></tr> <tr><td>Vehicles</td><td>2-6</td></tr> <tr><td>Tools, furniture and fixtures</td><td>3-20</td></tr> </table> <p>2. Intangible fixed assets</p> <p>1) Software Same as on the left.</p> <p>2) Goodwill _____</p> <p>3. Long-term prepaid expenses Same as on the left.</p>	Buildings	15-28	Buildings and attached structures	3-22	Structures	9-20	Machinery equipment	9-15	Vehicles	2-6	Tools, furniture and fixtures	3-20
Buildings	28																							
Buildings and attached structures	9-22																							
Machinery equipment	9-15																							
Vehicles	2-6																							
Tools, furniture and fixtures	4-20																							
Buildings	15-28																							
Buildings and attached structures	3-22																							
Structures	9-20																							
Machinery equipment	9-15																							
Vehicles	2-6																							
Tools, furniture and fixtures	3-20																							
(3) Accounting for significant allowances	<p>1. Allowance for doubtful accounts To prepare for credit losses on receivables, an allowance equal to the estimated amount of uncollectible receivables is provided for general receivables based on the historical write-off ratio, and bad receivables based on a case-by-case determination of collectibility.</p> <p>2. Allowance for employees' bonuses To provide for employee bonus obligation, an amount accrued for the fiscal year among the estimated future obligations is designated in the reserve account.</p> <p>3. Allowance for directors' bonuses _____</p> <p>4. Allowance for retirement benefits To provide for accrued employees' retirement benefits, an allowance is provided in the amount deemed to have accrued at the end of fiscal year based on projected benefit obligations.</p>	<p>1. Allowance for doubtful accounts Same as on the left.</p> <p>2. Allowance for employees' bonuses Same as on the left.</p> <p>3. Allowance for directors' bonuses To provide for director bonus obligation, an amount accrued for the fiscal year among the estimated future obligations.</p> <p>4. Allowance for retirement benefits Same as on the left.</p>																						

Item	Year ended July 2005 (Aug. 1, 2004 - Jul. 31, 2005)	Year ended July 2006 (Aug. 1, 2005 - Jul. 31, 2006)
(4) Accounting for leases	Finance leases other than those, which are deemed to transfer the ownership of the leased assets to the lessees, are accounted for by a method similar to that applicable to ordinary operating leases.	Same as on the left.
(5) Other significant accounting policies	1. Accounting for consumption taxes Consumption taxes and local consumption taxes are accounted by the tax-exclusion method.	1. Accounting for consumption taxes Same as on the left.
5. Valuations on assets and liability of consolidated subsidiaries	Assets and liabilities of the consolidated subsidiaries are valued at market.	Same as on the left.
6. Amortization of goodwill	_____	Goodwill is amortized by the straight-line method over five years, the estimated period for which economic benefits are expected to flow to the Company based on the actual condition of the subsidiary. However, if the amount of goodwill is insignificant, it is amortized as a lump sum in the consolidated fiscal year in which it is recognized.
7. Amortization of consolidation adjustment account	Consolidation adjustment account is amortized by the straight-line method, the estimated period for which economic benefits are expected to flow to the Company based on the actual condition of the subsidiary. However, if the amount of consolidation adjustment account is insignificant, it is amortized as a lump sum in the consolidated fiscal year in which it is recognized.	_____
8. Appropriation of retained earnings	The consolidated surplus statements show decided appropriation of profit during the current consolidated fiscal year.	_____
9. Cash and cash equivalents in the cash flow statements	Cash and cash equivalents in the cash flow statements consist of vault cash, deposits that can be withdrawn on demand, and short-term investments, generally with original maturities of three months or less, that are readily convertible to known amounts of cash and are so near maturity that they present insignificant risk of change in value.	Same as on the left.

### Changes in the Accounting Policies

Year ended July 2005 (Aug. 1, 2004 - Jul. 31, 2005)	Year ended July 2006 (Aug. 1, 2005 - Jul. 31, 2006)
<p style="text-align: center;">—————</p>	<p>(Accounting standard for impairment of fixed assets) Effective from the current consolidated fiscal year, the Company has adopted “Accounting Standard for Impairment of Fixed Assets” (Statement of Opinion: Business Accounting Council, August 9, 2002) and “Guidance on Accounting Standards for Impairment of Fixed Assets” (ASBJ Guidance No. 6: Accounting Standards Board of Japan, October 31, 2003) The effect of this change on financial statements is insignificant.</p>
	<p>(Accounting standard for directors’ bonuses) Effective from the current consolidated fiscal year, the Company has adopted “Accounting Standard for Directors’ Bonuses” (ASBJ Statement No. 4: Accounting Standards Board of Japan, November 29, 2005) The effect of this change was to decrease operating profit, recurring profit and income before income taxes and minority interests by 3,850,000 yen respectively, compare to the previous method.</p>
	<p>(Accounting standard for presentation of net assets on balance sheet) Effective from the current consolidated fiscal year, the Company has adopted “Accounting Standard for Presentation of Net Assets in the Balance Sheet” (ASBJ Statement No. 5: Accounting Standards Board of Japan, December 9, 2005) and “Guidance on Accounting Standards for Presentation of Net Assets in Balance Sheet” (ASBJ Guidance No. 8: Accounting Standards Board of Japan, December 9, 2005) The effect of this change is insignificant.</p> <p>Changes in presentation in consolidated balance sheets to conform to the revision of the regulations of consolidated financial statements:</p> <ol style="list-style-type: none"> <li>1. Effective from the current consolidated fiscal year, the Shareholders’ Equity section is renamed Net Assets section. The Net Assets section comprises Shareholders’ Equity, Valuation and Translation Adjustments, etc.</li> <li>2. Effective from the current consolidated fiscal year, Common Stock, Capital Surplus, Retained Earnings, stated as line items in prior periods, is presented under Shareholders’ Equity.</li> </ol>

**Reclassifications**

Year ended July 2005 (Aug. 1, 2004 - Jul. 31, 2005)	Year ended July 2006 (Aug. 1, 2005 - Jul. 31, 2006)
—————	<p>(Consolidated balance sheets) Effective from the current consolidated fiscal year, Consolidation Adjustment Account, stated as a separate item in the prior periods, is presented as Goodwill due to conform to the revision of the regulations of consolidated financial statements.</p> <p>(Consolidated cash flow statements) Effective from the current consolidated fiscal year, Amortization of Consolidation Adjustment Account, stated as a separate item in the prior periods, is presented as Amortization of Goodwill due to conform to the revision of the regulations of consolidated financial statements.</p>

**Supplementary Information**

Year ended July 2005 (Aug. 1, 2004 - Jul. 31, 2005)	Year ended July 2006 (Aug. 1, 2005 - Jul. 31, 2006)
—————	<p>(Contingent liabilities) The Company on July 3, 2006 received a formal notice from Tozai Asset Management demanding 178,634,000 yen as damages for breach of contract regarding referral of real estate. We are examining the justification of the claim. However, at the moment, we are the opinion that there is no need to pay.</p>

## Notes to Consolidated Financial Statements

### Notes to Consolidated Balance Sheets

Thousand yen

Year ended July 2005 (As of July 31, 2005)	Year ended July 2006 (As of July 31, 2006)
*1. Accumulated depreciation of tangible fixed assets 44,582	*1. Accumulated depreciation of tangible fixed assets 84,352
*2. Assets pledged as collateral and corresponding liabilities Assets pledged as collateral Real estate for sale 4,415,855	*2. Assets pledged as collateral and corresponding liabilities Assets pledged as collateral Real estate for sale Buildings Land Cash and deposits Total 17,130,921 5,265 1,506 150,000 17,287,694
Corresponding liabilities Short-term borrowings 4,299,000	Corresponding liabilities Short-term borrowings 16,357,120
*3. Number of shares outstanding Common stock 663,120 shares	*3. _____
*4. The Company has an overdraft facility and commitment line agreements with its bankers. The balance of unused credit lines under these agreements as of the end of year was as follows: Current account overdraft Credit used Credit available 300,000 96,000 204,000	*4. The Company has an overdraft facility and commitment line agreements with its bankers. The balance of unused credit lines under these agreements as of the end of period was as follows: Current account overdraft Credit used Credit available 3,200,000 2,234,190 965,810
*5. _____	*5. Notes receivable endorsed 10,400

### Notes to Consolidated Income Statements

Thousand yen

Year ended July 2005 (Aug. 1, 2004 - Jul. 31, 2005)	Year ended July 2006 (Aug. 1, 2005 - Jul. 31, 2006)
*1. Major items of "Selling, general and administrative expenses" Sales commissions Directors remunerations Salaries and bonuses Provision of allowance for employees' bonuses Retirement benefit expenses 159,561 58,550 287,294 14,230 1,764	*1. Major items of "Selling, general and administrative expenses" Sales commissions Provision of allowance for doubtful accounts Directors remunerations Provision of allowance for directors' bonuses Salaries and bonuses Provision of allowance for employees' bonuses Retirement benefit expenses Amortization of goodwill 182,442 12,972 117,070 3,850 699,851 24,882 2,096 121,074
*2. Breakdown of "Loss on removal of fixed assets" Software 332	*2. Breakdown of "Loss on removal of fixed assets" Buildings Tools, furniture and fixtures 6,619 2,565
*3. _____	*3. Breakdown of "Loss on sales of fixed assets" Telephone rights 35

## Notes to Consolidated Statements of Changes in Shareholders' Equity

Year ended July 2006 (Aug. 1, 2005 - Jul. 31, 2006)

### 1. Outstanding shares

Type of share	Number of shares as of July 31, 2005	Increase during the current fiscal year	Decrease during the current fiscal year	Number of shares as of July 31, 2006
Common shares (Shares)	663,120	27,259	-	690,379

Outline of changes:

Increase in the number of shares (itemized)

Due to issuance of private placement of stock: 21,339 shares

Due to exercise of stock options: 5,920 shares

### 2. Dividends

#### (1) Dividend payment

Resolution	Type of share	Total amount of dividend (Thousand yen)	Dividend per share (Yen)	Record date	Effective date
Annual meeting of shareholders on October 26, 2005	Common shares	285,141	430	July 31, 2005	October 27, 2005
Board of Directors meeting on March 1, 2006	Common shares	166,600	250	January 31, 2006	April 3, 2006

#### (2) Dividends with a record date in the current fiscal year but an effective date in the following fiscal year

Resolution	Type of share	Source of funds	Total amount of dividend (Thousand yen)	Dividend per share (Yen)	Record date	Effective date
Annual meeting of shareholders on October 29, 2006	Common shares	Retained earnings	932,011	1,350	July 31, 2006	October 31, 2006

**Notes to Consolidated Cash Flow Statements**

Thousand yen

Year ended July 2005 (Aug. 1, 2004 - Jul. 31, 2005)	Year ended July 2006 (Aug. 1, 2005 - Jul. 31, 2006)																																																								
<p>*1. Reconciliation of cash and cash equivalents of the cash flows statements and cash and deposits of balance sheets for the period is made as follows:</p> <p style="text-align: right;">(As of July 31, 2005)</p> <table style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 80%;">Cash and deposits</td> <td style="text-align: right;">2,069,503</td> </tr> <tr> <td>Time deposits with maturities longer than three months</td> <td style="text-align: right;">(85,503)</td> </tr> <tr> <td>Cash and cash equivalents</td> <td style="text-align: right; border-top: 1px solid black; border-bottom: 3px double black;">1,983,999</td> </tr> </table>	Cash and deposits	2,069,503	Time deposits with maturities longer than three months	(85,503)	Cash and cash equivalents	1,983,999	<p>*1. Reconciliation of cash and cash equivalents of the cash flows statements and cash and deposits of balance sheets for the period is made as follows:</p> <p style="text-align: right;">(As of July 31, 2006)</p> <table style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 80%;">Cash and deposits</td> <td style="text-align: right;">8,801,345</td> </tr> <tr> <td>Time deposits with maturities longer than three months</td> <td style="text-align: right;">(211,771)</td> </tr> <tr> <td>Money Management Fund</td> <td style="text-align: right;">50,326</td> </tr> <tr> <td>Cash and cash equivalents</td> <td style="text-align: right; border-top: 1px solid black; border-bottom: 3px double black;">8,639,899</td> </tr> </table>	Cash and deposits	8,801,345	Time deposits with maturities longer than three months	(211,771)	Money Management Fund	50,326	Cash and cash equivalents	8,639,899																																										
Cash and deposits	2,069,503																																																								
Time deposits with maturities longer than three months	(85,503)																																																								
Cash and cash equivalents	1,983,999																																																								
Cash and deposits	8,801,345																																																								
Time deposits with maturities longer than three months	(211,771)																																																								
Money Management Fund	50,326																																																								
Cash and cash equivalents	8,639,899																																																								
<p>*2. Assets and liabilities of newly consolidated subsidiaries through acquisition of their shares</p> <p>Assets and liabilities at the time of consolidation, purchase price of stock and deduction from income related to the acquisition of stock of Planet Support Co., Ltd. and Japan Realty Supervision Co., Ltd. (JRS) included in consolidation due to the acquisition of their shares.</p> <p>(1) Planet Support Co., Ltd.</p> <table style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 80%;">Current assets</td> <td style="text-align: right;">71,998</td> </tr> <tr> <td>Fixed assets</td> <td style="text-align: right;">22,228</td> </tr> <tr> <td>(including difference in revaluation of land)</td> <td></td> </tr> <tr> <td>Consolidation adjustment account</td> <td style="text-align: right;">6,208</td> </tr> <tr> <td>Current liabilities</td> <td style="text-align: right;">(90,435)</td> </tr> <tr> <td>Purchase price for Planet Support</td> <td style="text-align: right;">10,000</td> </tr> <tr> <td>Cash and cash equivalents of Planet Support</td> <td style="text-align: right;">(61,762)</td> </tr> <tr> <td>Difference:</td> <td></td> </tr> <tr> <td>Gain (net) on purchase of Planet Support's stock</td> <td style="text-align: right; border-top: 1px solid black; border-bottom: 3px double black;">51,762</td> </tr> </table> <p>(2) Japan Realty Supervision Co., Ltd.</p> <table style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 80%;">Current assets</td> <td style="text-align: right;">243,953</td> </tr> <tr> <td>Fixed assets</td> <td style="text-align: right;">129,095</td> </tr> <tr> <td>Consolidation adjustment account</td> <td style="text-align: right;">574,514</td> </tr> <tr> <td>Current liabilities</td> <td style="text-align: right;">(349,303)</td> </tr> <tr> <td>Long-term liabilities</td> <td style="text-align: right;">(23,215)</td> </tr> <tr> <td>Minority interests</td> <td style="text-align: right;">(46)</td> </tr> <tr> <td>Purchase price for JRS</td> <td style="text-align: right;">575,000</td> </tr> <tr> <td>Cash and cash equivalents of JRS</td> <td style="text-align: right;">(54,073)</td> </tr> <tr> <td>Difference:</td> <td></td> </tr> <tr> <td>Outlays (net) for purchase of JRS's stock</td> <td style="text-align: right; border-top: 1px solid black; border-bottom: 3px double black;">(520,926)</td> </tr> </table>	Current assets	71,998	Fixed assets	22,228	(including difference in revaluation of land)		Consolidation adjustment account	6,208	Current liabilities	(90,435)	Purchase price for Planet Support	10,000	Cash and cash equivalents of Planet Support	(61,762)	Difference:		Gain (net) on purchase of Planet Support's stock	51,762	Current assets	243,953	Fixed assets	129,095	Consolidation adjustment account	574,514	Current liabilities	(349,303)	Long-term liabilities	(23,215)	Minority interests	(46)	Purchase price for JRS	575,000	Cash and cash equivalents of JRS	(54,073)	Difference:		Outlays (net) for purchase of JRS's stock	(520,926)	<p>*2. Assets and liabilities of newly consolidated subsidiaries through acquisition of their shares</p> <p>Assets and liabilities at the time of consolidation, purchase price of stock and deduction from income related to the acquisition of stock of Odaka Denko Co., Ltd. included in consolidation due to the acquisition of its shares.</p> <p>(1) Odaka Denko Co., Ltd.</p> <table style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 80%;">Current assets</td> <td style="text-align: right;">630,031</td> </tr> <tr> <td>Fixed assets</td> <td style="text-align: right;">20,364</td> </tr> <tr> <td>Goodwill</td> <td style="text-align: right;">489,362</td> </tr> <tr> <td>Current liabilities</td> <td style="text-align: right;">(131,435)</td> </tr> <tr> <td>Long-term liabilities</td> <td style="text-align: right;">(8,323)</td> </tr> <tr> <td>Purchase price for Odaka Denko</td> <td style="text-align: right;">1,000,000</td> </tr> <tr> <td>Cash and cash equivalents of Odaka Denko</td> <td style="text-align: right;">(368,226)</td> </tr> <tr> <td>Difference:</td> <td></td> </tr> <tr> <td>Outlays (net) for purchase of Odaka Denko's stock</td> <td style="text-align: right; border-top: 1px solid black; border-bottom: 3px double black;">631,773</td> </tr> </table>	Current assets	630,031	Fixed assets	20,364	Goodwill	489,362	Current liabilities	(131,435)	Long-term liabilities	(8,323)	Purchase price for Odaka Denko	1,000,000	Cash and cash equivalents of Odaka Denko	(368,226)	Difference:		Outlays (net) for purchase of Odaka Denko's stock	631,773
Current assets	71,998																																																								
Fixed assets	22,228																																																								
(including difference in revaluation of land)																																																									
Consolidation adjustment account	6,208																																																								
Current liabilities	(90,435)																																																								
Purchase price for Planet Support	10,000																																																								
Cash and cash equivalents of Planet Support	(61,762)																																																								
Difference:																																																									
Gain (net) on purchase of Planet Support's stock	51,762																																																								
Current assets	243,953																																																								
Fixed assets	129,095																																																								
Consolidation adjustment account	574,514																																																								
Current liabilities	(349,303)																																																								
Long-term liabilities	(23,215)																																																								
Minority interests	(46)																																																								
Purchase price for JRS	575,000																																																								
Cash and cash equivalents of JRS	(54,073)																																																								
Difference:																																																									
Outlays (net) for purchase of JRS's stock	(520,926)																																																								
Current assets	630,031																																																								
Fixed assets	20,364																																																								
Goodwill	489,362																																																								
Current liabilities	(131,435)																																																								
Long-term liabilities	(8,323)																																																								
Purchase price for Odaka Denko	1,000,000																																																								
Cash and cash equivalents of Odaka Denko	(368,226)																																																								
Difference:																																																									
Outlays (net) for purchase of Odaka Denko's stock	631,773																																																								
	<p>*3. Assets and liabilities of the subsidiary excluded from the consolidation due to sale of equity interest</p> <p>Assets and liabilities at the time of sale, value of stock sold and deduction from income related to the sale of stock of Ardepro Asset Management Co., Ltd. excluded from consolidation due to divestiture of stock holding.</p> <p>(1) Ardepro Asset Management Co., Ltd. (AAM)</p> <table style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 80%;">Current assets</td> <td style="text-align: right;">725,790</td> </tr> <tr> <td>Fixed assets</td> <td style="text-align: right;">24,496</td> </tr> <tr> <td>Current liabilities</td> <td style="text-align: right;">(691,331)</td> </tr> <tr> <td>Minority interests</td> <td style="text-align: right;">(8,813)</td> </tr> <tr> <td>Gain on sale of stock</td> <td style="text-align: right;">51,918</td> </tr> <tr> <td>Sales value for AAM</td> <td style="text-align: right;">102,060</td> </tr> <tr> <td>Cash and cash equivalents of AAM</td> <td style="text-align: right;">(23,419)</td> </tr> <tr> <td>Difference:</td> <td></td> </tr> <tr> <td>Gain (net) on sales of AAM's stock</td> <td style="text-align: right; border-top: 1px solid black; border-bottom: 3px double black;">78,640</td> </tr> </table>	Current assets	725,790	Fixed assets	24,496	Current liabilities	(691,331)	Minority interests	(8,813)	Gain on sale of stock	51,918	Sales value for AAM	102,060	Cash and cash equivalents of AAM	(23,419)	Difference:		Gain (net) on sales of AAM's stock	78,640																																						
Current assets	725,790																																																								
Fixed assets	24,496																																																								
Current liabilities	(691,331)																																																								
Minority interests	(8,813)																																																								
Gain on sale of stock	51,918																																																								
Sales value for AAM	102,060																																																								
Cash and cash equivalents of AAM	(23,419)																																																								
Difference:																																																									
Gain (net) on sales of AAM's stock	78,640																																																								

## (2) Segment Information

### 1. Operating segment information

Year ended July 2005 (Aug. 1, 2004 - Jul. 31, 2005)

Thousand yen

	Condominium revitalization business	Real estate sales business	Other businesses	Total	Elimination or corporate	Consolidation
<b>I. Sales and operating profit</b>						
Sales						
(1) External sales	9,562,053	3,528,093	493,645	13,583,791	-	13,583,791
(2) Inter-segment sales and transfers	-	-	-	-	-	-
Total	9,562,053	3,528,093	493,645	13,583,791	-	13,583,791
Operating expenses	8,231,476	2,764,356	191,825	11,187,658	285,918	11,473,576
Operating profit	1,330,577	763,736	301,819	2,396,133	(285,918)	2,110,215
<b>II. Assets, depreciation and capital expenditure</b>						
Assets	3,614,980	2,651,854	469,166	6,736,001	3,451,600	10,187,601
Depreciation	-	-	325	325	6,458	6,783
Capital expenditure	-	-	1,080	1,080	34,074	35,154

Notes: 1. Method for division of business activities

Businesses are divided in accordance with categories used for the internal management of earnings.

2. Major categories of business activities

(1) Condominium revitalization business: Sales of used condominiums

(2) Real estate sales business: Sales of office buildings, commercial facilities, hotels and other properties

(3) Other businesses: Real estate leasing income, renovation services, fees and commissions, others

3. Operating expenses (285,918,000 yen) included in elimination or corporate consist primarily of operating expenses related to the administration division.

4. Corporate assets (4,036,600,000 yen) included in elimination or corporate consist primarily of cash and deposits, and investment securities related to the administration division.

Year ended July 2006 (Aug. 1, 2005 - Jul. 31, 2006)

Thousand yen

	Condominium revitalization business	Real estate sales business	Other businesses	Total	Elimination or corporate	Consolidation
<b>I. Sales and operating profit</b>						
Sales						
(1) External sales	26,279,054	14,314,164	2,408,251	43,001,471	-	43,001,471
(2) Inter-segment sales and transfers	-	50,193	263,808	314,001	(314,001)	-
Total	26,279,054	14,364,358	2,672,059	43,315,472	-	43,001,471
Operating expenses	22,083,467	11,265,092	2,214,545	35,563,104	266,844	35,829,949
Operating profit	4,195,587	3,099,266	457,514	7,752,368	(580,846)	7,171,521
<b>II. Assets, depreciation and capital expenditure</b>						
Assets	9,786,782	9,952,945	27,493	19,767,221	13,363,600	33,130,822
Depreciation	-	-	84,711	84,711	12,270	96,981
Capital expenditure	-	-	7,783	7,783	90,557	98,341

Notes: 1. Method for division of business activities

Businesses are divided in accordance with categories used for the internal management of earnings.

2. Major categories of business activities

(1) Condominium revitalization business: Sales of used condominiums

(2) Real estate sales business: Sales of office buildings, commercial facilities, hotels and other properties

(3) Other businesses: Real estate leasing income, renovation services, fees and commissions, others

3. Operating expenses (547,771,000 yen) included in elimination or corporate consist primarily of operating expenses related to the administration division.

4. Corporate assets (14,293,518,000 yen) included in elimination or corporate consist primarily of cash and deposits, and investment securities related to the administration division.

## 2. Geographical segment information

Year ended July 2005 (Aug. 1, 2004 - Jul. 31, 2005)

No reportable information since the Company had no consolidated subsidiaries or branch offices in countries and regions other than Japan.

Year ended July 2006 (Aug. 1, 2005 - Jul. 31, 2006)

No reportable information since the Company had no consolidated subsidiaries or branch offices in countries and regions other than Japan.

## 3. Overseas sales

Year ended July 2005 (Aug. 1, 2004 - Jul. 31, 2005)

No reportable information since the Company had no overseas sales.

Year ended July 2006 (Aug. 1, 2005 - Jul. 31, 2006)

No reportable information since the Company had no overseas sales.

### (3) Lease Transaction

Thousand yen

Year ended July 2005 (Aug. 1, 2004 - Jul. 31, 2005)	Year ended July 2006 (Aug. 1, 2005 - Jul. 31, 2006)
1. Finance lease transactions not involving the transfer of title to lessee	1. Finance lease transactions not involving the transfer of title to lessee
1) Acquisition cost, accumulated depreciation and year-end balance equivalents of the leased property	1) Acquisition cost, accumulated depreciation and year-end balance equivalents of the leased property
<i>Tools, furniture and fixtures</i>	<i>Tools, furniture and fixtures</i>
Acquisition cost	Acquisition cost
Accumulate depreciation	Accumulate depreciation
Year-end balance	Year-end balance
<i>Total</i>	<i>Total</i>
Acquisition cost	Acquisition cost
Accumulate depreciation	Accumulate depreciation
Year-end balance	Year-end balance
2) Outstanding lease commitments and the year-end balance equivalents	2) Outstanding lease commitments and the year-end balance equivalents
Due within one year	Due within one year
Due over one year	Due over one year
Total	Total
3) Lease payments, depreciation and interest equivalents	3) Lease payments, depreciation and interest equivalents
Lease payments	Lease payments
Depreciation equivalents	Depreciation equivalents
Interest equivalents	Interest equivalents
4) Calculation of depreciation equivalents	4) Calculation of depreciation equivalents
Depreciation is based on the straight-line method, assuming the lease period to be the useful life and no residual value.	Same as on the left.
5) Calculation of interest equivalents	5) Calculation of interest equivalents
Interest equivalents are defined as the difference between the total lease payments and acquisition cost equivalents and are allocated for each period using the simple-interest method.	Same as on the left.

#### (4) Related Party Transactions

Year ended July 2005 (Aug. 1, 2004 - Jul. 31, 2005)

Directors and major individual shareholders etc.

Types of related party	Director	Director	Director	
Name	Kenichi Sato	Reiji Kubo	Mitsuyoshi Nakagawa	
Address	-	-	-	
Capital or investment (Thousand yen)	-	-	-	
Business or occupation	CEO of Ardepro	Director of Ardepro	Director of Ardepro	
Share of voting rights (%)	(Owned) Direct 0.24%	(Owned) Direct 0.31%	(Owned) Direct 0.12%	
Relationship	Directors	-	-	
	Business	-	-	
Types of transaction	Loans guarantee (Note 1)	Exercise of stock options (Note 2)	Exercise of stock options (Note 2)	Exercise of stock options (Note 2)
Transaction amount (Thousand yen)	11,860	2,640	2,640	1,740
Account	-	-	-	-
Ending balance (Thousand yen)	-	-	-	-

Transaction terms or method of determining transaction terms:

Notes: 1. Kenichi Sato, CEO, guarantees Ardepro's bank borrowings and there is no guarantee payment.

Loans guarantee as of September 30, 2005 amounted 11,120,000 yen.

2. These exercise are based on the agreement for allocation of stock options.

Year ended July 2006 (Aug. 1, 2005 - Jul. 31, 2006)

Directors and major individual shareholders etc.

Types of related party	Director	
Name	Tatsuya Akimoto	
Address	-	
Capital or investment (Thousand yen)	-	
Business or occupation	CEO of Ardepro	
Share of voting rights (%)	(Owned) Direct 59.2%	
Relationship	Directors	-
	Business	-
Types of transaction	Loans guarantee (Note 1)	
Transaction amount (Thousand yen)	7,420	
Account	-	
Ending balance (Thousand yen)	-	

Transaction terms or method of determining transaction terms:

Notes: 1. Tatsuya Akimoto, CEO, guarantees Ardepro's bank borrowings and there is no guarantee payment.

Loans guarantee as of August 31, 2006 amounted 7,050,000 yen.

**(5) Deferred Tax Accounting**

Thousand yen

Year ended July 2005 (As of July 31, 2005)	Year ended July 2006 (As of July 31, 2006)
1. Major components of deferred tax assets	1. Major components of deferred tax assets
Deferred tax assets	Deferred tax assets
Allowance for doubtful accounts in excess of maximum amount allowed for provision	Allowance for doubtful accounts in excess of maximum amount allowed for provision
1,452	27,437
Allowance for employees' bonuses	Allowance for employees' bonuses
5,830	13,103
Allowance for retirement benefits in excess of maximum amount allowed for provision	Allowance for retirement benefits in excess of maximum amount allowed for provision
1,551	14,040
Lump-sum amortized assets in excess of limit for inclusion in expenses	Lump-sum amortized assets in excess of limit for inclusion in expenses
1,529	6,401
Long-term prepaid expenses in excess of depreciation	Long-term prepaid expenses in excess of depreciation
2,924	5,676
Accrued enterprise tax denied	Accrued enterprise tax denied
35,084	194,728
Total deferred tax assets	Amortization of goodwill denied
<u>48,367</u>	25,392
	Accrued insurance fees
	1,473
	Difference in valuation of marketable securities
	(306)
	Other
	1,651
	Total deferred tax assets
	<u>289,600</u>
Deferred tax assets are included in the consolidated balance sheets as following items:	Deferred tax assets are included in the consolidated balance sheets as following items:
Current assets: Deferred tax assets –current	Current assets: Deferred tax assets –current
43,938	245,501
Fixed assets: Deferred tax assets -fixed	Fixed assets: Deferred tax assets -fixed
4,429	44,099
2. Significant sources of difference between the statutory and effective tax rates	2. Significant sources of difference between the statutory and effective tax rates
Statutory tax rate	Statutory tax rate
40.7%	40.7%
(Adjustments)	(Adjustments)
Entertainment expenses not to be included in expenses indefinitely	Entertainment expenses not to be included in expenses indefinitely
0.0%	0.1%
Per capita residential tax	Per capita residential tax
0.4%	0.4%
Tax on reserved income of family-owned companies	Tax on reserved income of family-owned companies
1.6%	2.4%
Difference in changes of tax rates	Others
0.8%	0.5%
Others	Effective tax rate
<u>(0.1)%</u>	<u>44.1%</u>
Effective tax rate	
<u>43.4%</u>	

## (6) Securities

Year ended July 2005 (As of July 31, 2005)

### 1. Securities without market quotations

Thousand yen

Item	Carrying value
Other securities	
Unlisted stock	25,000
Total	25,000

Year ended July 2006 (As of July 31, 2006)

### 1. Other securities with market quotations

Thousand yen

	Acquisition cost	Carrying value	Unrealized gain (loss)
Securities with carrying value exceeding acquisition cost			
1) Equity	-	-	-
2) Bonds	-	-	-
3) Others	-	-	-
Subtotal	-	-	-
Securities with carrying value not exceeding acquisition cost			
1) Equity	4,294	4,294	-
2) Bonds	-	-	-
3) Others	-	-	-
Subtotal	4,294	4,294	-
Total	4,294	4,294	-

### 2. Sales of other securities during the period

Thousand yen

Sales amount	Aggregate gain	Aggregate loss
1,674,060	51,918	-

### 3. Securities without market quotations

Thousand yen

Item	Carrying value
Other securities	
1) Investment partnership	850,000
2) Unlisted stock	110,492
3) Money Management Fund	50,326
Total	1,010,819

## (7) Derivatives

Year ended July 2005 (Aug. 1, 2004 - Jul. 31, 2005)

No reportable information since the Company did not enter into any derivative transactions.

Year ended July 2006 (Aug. 1, 2005 - Jul. 31, 2006)

No reportable information since the Company did not enter into any derivative transactions.

## (8) Retirement Benefits

Thousand yen

Year ended July 2005 (Aug. 1, 2004 - Jul. 31, 2005)	Year ended July 2006 (Aug. 1, 2005 - Jul. 31, 2006)
1. Retirement benefit plans The Company and its consolidated subsidiaries have defined benefit plans, i.e., lump-sum payment plan.	1. Retirement benefit plans Same as on the left.
2. Projected benefit obligation	2. Projected benefit obligation
1) Projected benefit obligation 26,998	1) Projected benefit obligation 34,695
2) Allowance for retirement benefits 26,998	2) Allowance for retirement benefits 34,695
3. Retirement benefit expenses	3. Retirement benefit expenses
1) Retirement benefit expenses 1,764	1) Retirement benefit expenses 2,096
4. The assumptions used in accounting for projected benefit obligation, etc. The Company and its consolidated subsidiaries use the simple method for assessing benefit obligations.	4. The assumptions used in accounting for projected benefit obligation, etc. Same as on the left.

## (9) Stock Options, etc.

No reportable information since the Company discloses information of stock options on EDINET.

**(10) Per Share Data**

Yen

	Year ended July 2005 (Aug. 1, 2004 - Jul. 31, 2005)	Year ended July 2006 (Aug. 1, 2005 - Jul. 31, 2006)
Net assets per share	6,080.47	15,694.78
Net income per share (basic)	1,763.17	5,572.12
Net income per share (diluted)	1,652.97	5,511.23

Note: Basis for calculation:

## 1) Net assets per share

Thousand yen

	Year ended July 2005 (Aug. 1, 2004 - Jul. 31, 2005)	Year ended July 2006 (Aug. 1, 2005 - Jul. 31, 2006)
Total net assets on the consolidated balance sheets		10,835,351
Net assets applicable to common stock	-	10,835,351
Difference between the amounts of total net assets on the consolidated balance sheets and net assets applicable to common stock used in calculation of net assets per share	-	-
Number of shares outstanding (common stock)	-	690,379 shares
Number of treasury stock (common stock)	-	-
Number of common stock used in calculation of net assets per share	-	690,379 shares

## 2) Net income per share (basic) and net income per share (diluted)

Thousand yen

Item	Year ended July 2005 (Aug. 1, 2004 - Jul. 31, 2005)	Year ended July 2006 (Aug. 1, 2005 - Jul. 31, 2006)
Net income on the consolidated income statements	1,078,203	3,739,261
Amount not belonging to common shareholders (of which bonuses to directors in the appropriation of retained earnings)	3,850 (3,850)	- (-)
Net income applicable to common stock	1,074,353	3,739,261
Average number of shares outstanding	609,332 shares	671,065 shares
Increase in the number of common stock used in calculation of net income per share (diluted) (of which stock acquisition rights)	40,623 shares (40,623 shares)	7,415 shares (7,415 shares)
Summary of non-dilutive stock equivalents not used in calculation of net income per share (diluted)	-	-

## (11) Subsequent Events

Year ended July 2005 (Aug. 1, 2004 - Jul. 31, 2005)	Year ended July 2006 (Aug. 1, 2005 - Jul. 31, 2006)															
<p><b>I. Acquiring certain operations of Millefirm Corporation</b> On July 11, 2005, the Company signed an agreement with Millefirm Corporation to purchase certain operations of this company. The transfer of these operations took place on August 1, 2005.</p> <p><b>1. Reason for acquisition</b> The condominium revitalization business is the core business of the Company. To establish a sound presence in Japan's rapidly changing real estate industry, the Company believes that it is important to enter new business fields to enlarge the scope of its operations, thus reducing its reliance on the condominium revitalization business. In the Tokyo area, the number of newly constructed condominium units each year has increased for six consecutive years to the current level of more than 80,000 units. In response, the Company reached a basic agreement to purchase certain operations of Millefirm Corporation. This company's main activities are the sale of newly condominiums that have been completed but remain unsold, and the sale of investment properties, mainly one-room condominiums. By acquiring these businesses without making Millefirm Corporation a subsidiary, the Company will be able to capture synergies concerning business domains and sales methods associated with its condominium revitalization business. In addition, this purchase will allow the Company to add the business of sales of used properties as investments, a market that is expected to grow significantly. The Company believes these benefits will contribute to the further growth of its business activities.</p> <p><b>2. Details of the acquisition</b></p> <p>(1) Business to be acquired Operations of Millefirm Corporation involving newly constructed condominiums</p> <p>(2) Sales of the business to be acquired 4.5 billion yen (year ended July 31, 2004)</p> <p>(3) Assets of the business to be acquired Vehicles: 191,000 yen</p> <p>(4) Price and method of acquisition The payment of 30 million yen will be made in cash on July 21, 2005.</p> <p><b>3. Summary of Millefirm Corporation</b></p> <p>(1) Name                   Millefirm Corporation</p> <p>(2) Main business       Real estate ownership; sales of condominiums and houses; purchase of land for construction of urban residences; planning, leasing and management activities</p> <p>(3) Established         April 13, 2000</p> <p>(4) Head office         6-28-8 Shinjuku, Shinjuku-ku, Tokyo</p> <p>(5) Representative     Tatsuya Kataura, President</p> <p>(6) Capital             50,000,000 yen</p> <p>(7) Employees         25</p> <p>(8) Major shareholder   Tatsuya Kataura (1,000 shares, 100%)</p> <p>(9) Relationship       Not applicable</p>	<p><b>I. Regarding stock split</b> The Company's Board of Directors on June 1, 2006 approved a resolution to issue new shares through a stock split on August 1, 2006. Details are as follows:</p> <p><b>1. Method of split</b> For shareholders and beneficial shareholders, as well as registered shareholders, of record as of July 31, 2006, each share will be split into 5 shares.</p> <p><b>2. Increase in the number of shares</b> The number of total issued common shares outstanding as of July 31, 2006 increased by a factor of four.</p> <p>The following table shows per share information, if the stock split had been conducted at the beginning of the previous fiscal year.</p> <table style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th colspan="2"></th> <th style="text-align: right;">Yen</th> </tr> <tr> <th style="text-align: center;">Previous fiscal year</th> <th colspan="2" style="text-align: center;">Current fiscal year</th> </tr> </thead> <tbody> <tr> <td style="text-align: center;">Net assets per share</td> <td style="text-align: center;">1,216.09</td> <td style="text-align: center;">Net assets per share 3,138.95</td> </tr> <tr> <td style="text-align: center;">Net income per share (basic)</td> <td style="text-align: center;">352.63</td> <td style="text-align: center;">Net income per share (basic) 1,114.42</td> </tr> <tr> <td style="text-align: center;">Net income per share (diluted)</td> <td style="text-align: center;">330.59</td> <td style="text-align: center;">Net income per share (diluted) 1,102.24</td> </tr> </tbody> </table>			Yen	Previous fiscal year	Current fiscal year		Net assets per share	1,216.09	Net assets per share 3,138.95	Net income per share (basic)	352.63	Net income per share (basic) 1,114.42	Net income per share (diluted)	330.59	Net income per share (diluted) 1,102.24
		Yen														
Previous fiscal year	Current fiscal year															
Net assets per share	1,216.09	Net assets per share 3,138.95														
Net income per share (basic)	352.63	Net income per share (basic) 1,114.42														
Net income per share (diluted)	330.59	Net income per share (diluted) 1,102.24														

Year ended July 2005 (Aug. 1, 2004 - Jul. 31, 2005)	Year ended July 2006 (Aug. 1, 2005 - Jul. 31, 2006)
<p>4. Schedule</p> <p>June 9, 2005: Board of Directors resolution  July 11, 2005: Signing of transfer contract  August 1, 2005: Transfer of business</p> <p>II. Merger of subsidiaries</p> <p>On August 29, 2005, consolidated subsidiary Japan Realty Supervision Co., Ltd. and consolidated subsidiary Planet Support Co., Ltd. signed an agreement to merge on November 1, 2005.</p> <p>1. Purpose of merger</p> <p>Japan Realty Supervision Co., Ltd. is based in the city of Kyoto and has offices in Osaka city (Osaka), Otsu city (Shiga) and Mitaka city (Tokyo). A property management firm, this company is mainly engaged in building maintenance and condominium management. The building maintenance and management industry is made up of a large number of small companies. Japan Realty Supervision Co., Ltd. has a competitive edge due to the ability to use data collected over many years to evaluate properties, manage properties and provide cost-competitive property management services. As a result, this company has core competences that its competitors cannot easily match.</p> <p>Planet Support Co., Ltd. is a property management company, with operations that include real estate leasing and management, based in Shinjuku-ku (Tokyo).</p> <p>Although both companies are engaged in property management, their primary operations do not overlap. Each company has different strengths concerning customer segments and geographic areas served.</p> <p>Combining the two companies is expected to make it easier to extend their respective core operations to other areas in a strategic manner, thus producing significant synergies. Furthermore, in Japan's relatively new real estate financial market, real estate funds and asset management companies are the most important clients for building maintenance and management services. This merger will improve the ability of these companies to provide comprehensive solutions for this important customer segment including customers of the Company's used condominium business.</p> <p>2. Summary of merger</p> <p>(1) Timetable</p> <p>Board of Directors to approve merger contract: August 29, 2005  Signing of merger contract: August 29, 2005  Shareholders' meeting to approve merger contract:  September 15, 2005</p> <p>Merger date: November 1, 2005</p> <p>(2) Merger method</p> <p>Japan Realty Supervision Co., Ltd., which shall be the surviving company, shall absorb Planet Support Co., Ltd., which shall be dissolved.</p> <p>(3) Merger ratio</p> <p>Japan Realty Supervision Co., Ltd. shall exchange one half of a share of its stock for each share of Planet Support Co., Ltd.</p> <p>(4) Payment due to merger</p> <p>No monetary payment shall be made.</p>	

Year ended July 2005 (Aug. 1, 2004 - Jul. 31, 2005)	Year ended July 2006 (Aug. 1, 2005 - Jul. 31, 2006)
3. Summary of merging companies (As of July 31, 2005)	
	Amalgamation company
(1) Name	Japan Realty Supervision Co., Ltd.
(2) Main business	Building maintenance, condominium management, machinery controls, construction, residential property transactions
(3) Established	Oct. 22, 2001 (Predecessor formed in Dec. 1981)
(4) Head office	8 Nishitakatsukasa-cho, Nishiiru, Muromachi, Shimochojamachi Dori, Kamigyo-ku, Kyoto
(5) Representative	Ryohei Higashiguchi, President
(6) Capital	122.5 million yen
(7) Fiscal year end	July 31
(8) Employee	74
(9) Major shareholder	Ardepro Co., Ltd. 91.3%
(10) Property under management	About 23,300 units
	Predecessor company
(1) Name	Planet Support Co., Ltd.
(2) Main business	Real estate transactions and leasing; along with agency, brokerage and management services associated with these activities
(3) Established	Aug. 4, 1998
(4) Head office	6-28-8 Shinjuku, Shinjuku-ku, Tokyo
(5) Representative	Takaya Akimoto, President
(6) Capital	10 million yen
(7) Fiscal year end	July 31
(8) Employee	6
(9) Major shareholder	Ardepro Co., Ltd. 100.0%
(10) Property under management	833 units
4. Post-merger profile	
(1) Company name	Japan Realty Supervision Co., Ltd.
(2) Main business	Building maintenance, condominium management, machinery controls, construction, residential property transactions, real estate transactions and leasing along with agency, brokerage and management services associated with these activities
(3) Head office	8 Nishitakatsukasa-cho, Nishiiru, Muromachi, Shimochojamachi Dori, Kamigyo-ku, Kyoto
(4) Representative	Ryohei Higashiguchi, President
(5) Capital	204.64 million yen (increased by 82,140,000 yen due to August 30, 2005 private placement of stock (all shares purchased by the Company))
(6) Fiscal year end	July 31

Year ended July 2005 (Aug. 1, 2004 - Jul. 31, 2005)	Year ended July 2006 (Aug. 1, 2005 - Jul. 31, 2006)																
<p>III. Alliance formed with IDU Corporation</p> <p>On September 5, 2005, the Company and IDU Corporation formed a business alliance concerning the real estate auction (called the Mother's Auction) conducted by IDU.</p> <p>1. Description of alliance Properties revitalized by the Company will be sold through the Mothers Auction of IDU.</p> <p>2. Purpose of alliance The Ardepro Group operates a condominium revitalization business on a nationwide scale. In the current fiscal year, consolidated sales totaled about 13.5 billion yen and sales are expected to increase about 75% to 23.7 billion yen in the fiscal year ending July 2006. Until now, the Company has sold properties by setting up model rooms at properties for sale to allow prospective buyers to see properties for themselves. Currently, the Internet accounts for more than half of sales at some of Japan's major real estate sales companies. Therefore, the Company established the Internet Distribution Division to study methods and conduct trial operations aimed at diversifying sales methods. The Company has thus established an internal infrastructure for new sales methods and added this business alliance with the Mothers Auction of IDU. The Company believes that the seamless addition of this powerful Internet sales infrastructure will contribute to its sales growth. Since its establishment, IDU has been growing as a provider of a real estate auction infrastructure that uses the Internet. The aims are to create a real estate market that is more fair, transparent, economically efficient and reliable. IDU's real estate auction business had a volume of 17.3 billion yen in the first half of the current fiscal year. IDU had been seeking a real estate company partner able to supply quality properties that can contribute to further growth of its real estate auction business. Through this business alliance, the Ardepro Group has established a new sales channel for its revitalized properties and IDU can offer a larger number of quality properties to real estate buyers, thus expanding its real estate auction business. Furthermore, Ardepro Group believes that the alliance will contribute to progress in the real estate securitization market, thus raising the liquidity of real estate in Japan.</p> <p>3. Summary of Ardepro and IDU</p> <table border="1" data-bbox="151 1585 783 2027"> <thead> <tr> <th data-bbox="151 1585 371 1630">Company name</th> <th data-bbox="371 1585 783 1630">Ardepro Co., Ltd.</th> </tr> </thead> <tbody> <tr> <td data-bbox="151 1630 371 1843">(1) Main business</td> <td data-bbox="371 1630 783 1843">Revitalization of used condominiums, commercial facilities, hotels and other properties; building maintenance; condominium management; real estate transactions and leasing along with agency, brokerage and management services associated with these activities</td> </tr> <tr> <td data-bbox="151 1843 371 1877">(2) Established</td> <td data-bbox="371 1843 783 1877">March 1, 1988</td> </tr> <tr> <td data-bbox="151 1877 371 1910">(3) Head office</td> <td data-bbox="371 1877 783 1910">Shinjuku-ku, Tokyo</td> </tr> <tr> <td data-bbox="151 1910 371 1944">(4) Representative</td> <td data-bbox="371 1910 783 1944">Tatsuya Akimoto, CEO</td> </tr> <tr> <td data-bbox="151 1944 371 1977">(5) Capital</td> <td data-bbox="371 1944 783 1977">1,178.93 million yen</td> </tr> <tr> <td data-bbox="151 1977 371 2011">(6) Employee</td> <td data-bbox="371 1977 783 2011">176 (As of July 31, 2005)</td> </tr> <tr> <td data-bbox="151 2011 371 2027">(7) Fiscal year end</td> <td data-bbox="371 2011 783 2027">July</td> </tr> </tbody> </table>	Company name	Ardepro Co., Ltd.	(1) Main business	Revitalization of used condominiums, commercial facilities, hotels and other properties; building maintenance; condominium management; real estate transactions and leasing along with agency, brokerage and management services associated with these activities	(2) Established	March 1, 1988	(3) Head office	Shinjuku-ku, Tokyo	(4) Representative	Tatsuya Akimoto, CEO	(5) Capital	1,178.93 million yen	(6) Employee	176 (As of July 31, 2005)	(7) Fiscal year end	July	
Company name	Ardepro Co., Ltd.																
(1) Main business	Revitalization of used condominiums, commercial facilities, hotels and other properties; building maintenance; condominium management; real estate transactions and leasing along with agency, brokerage and management services associated with these activities																
(2) Established	March 1, 1988																
(3) Head office	Shinjuku-ku, Tokyo																
(4) Representative	Tatsuya Akimoto, CEO																
(5) Capital	1,178.93 million yen																
(6) Employee	176 (As of July 31, 2005)																
(7) Fiscal year end	July																

Year ended July 2005 (Aug. 1, 2004 - Jul. 31, 2005)		Year ended July 2006 (Aug. 1, 2005 - Jul. 31, 2006)
Company name	IDU Corporation	
(1) Main business	Planning and operation of real estate auctions; consulting for the effective use of real estate; real estate operations	
(2) Established	September 2, 1999	
(3) Head office	Kita-ku, Osaka	
(4) Representative	Yoshinori Ikezoe, CEO	
(5) Capital	3,788.01 million yen	
(6) Employee	94 (As of July 1, 2005)	
(7) Fiscal year end	August	
<p>*Notes 1: There is no relationship between the Company and IDU concerning business activities, equity or personnel.</p> <p>*Notes 2: The Company's major activities and number of employees are listed in the section concerning the corporate group.</p> <p>4. Alliance date September 5, 2005</p> <p>5. Other events As a first step, beginning in September 2005, the Company plans to submit about 40 properties for sale on the Mothers Auction of IDU. The number of properties is to be increased to about 100 per year.</p> <p>IV. Establishment of subsidiary The Board of Directors approved a resolution on October 6, 2005 to establish a subsidiary, which was established on October 18, 2005.</p> <p>1. Descriptions (1) Reason for establishing subsidiary As is stated in the "Ardepro Group Medium-term Management Plan (Revised)" that was announced on June 10, 2005, the Ardepro Group plans to enter the real estate financial market as one means of enlarging its business domains. Accordingly, the decision was made to establish Ardepro Asset Management Co., Ltd. as a wholly owned subsidiary and work on making its operations profitable and stable. The objective is to target growing real estate financial market by providing consulting and asset management services to REITs and other real estate funds concerning the management of their properties. In addition, an asset management business will be conducted to securitize and sell properties owned by the Company and establish funds. Japan Realty Supervision Co., Ltd. became a subsidiary of the Ardepro Group in order to strengthen property management services. The establishment of this asset management subsidiary will strengthen the Ardepro Group's financial operations and provide substantial mutual synergies with the property management business. The Company believes this will create a stronger base for long-term earnings stability, thus contributing to the growth of the Ardepro Group. The Company will focus on maximizing returns for investors by increasing business opportunities, stabilizing earnings and improving profitability across the entire Ardepro Group.</p>		

Year ended July 2005 (Aug. 1, 2004 - Jul. 31, 2005)	Year ended July 2006 (Aug. 1, 2005 - Jul. 31, 2006)
<p>(2) Specific actions</p> <p>Plans call for establishing a fund with assets of about 100 billion yen by January 2007. The Company will establish funds and offer fund consulting for the long-term management of blind-pool funds from overseas institutional investors. By concentrating on fund establishment and consulting involving the management of funds that are large and have a long-term perspective, the Company aims to generate a stable, long-term revenue stream that is not affected by short-term market cycles. Furthermore, the Company hopes to achieve the listing of a J-REIT in about three years.</p> <p>2. Summary of the subsidiary</p> <p>Name: Ardepro Asset Management Co., Ltd.  Head office: 2-4-1 Nishi-shinjuku, Shinjuku-ku, Tokyo  Established: October 18, 2005  Capital: 100,000,000 yen  (number of shares outstanding: 2,000 shares)  Representative: Jun Watanabe, CEO  Major shareholder: Ardepro Co., Ltd.  (ownership: 100%)  Main business: Establishment, sales and other activities involving real estate funds</p>	

## 5. Purchases and Sales

### (1) Purchases

Thousand yen

Segment	Year ended July 2005 (Aug. 1, 2004 - Jul. 31, 2005)		Year ended July 2006 (Aug. 1, 2005 - Jul. 31, 2006)	
	Amount	YoY change (%)	Amount	YoY change (%)
Condominium revitalization business	8,732,528	-	27,074,488	310.1
Real estate sales business	5,047,434	-	15,446,956	306.0
Other businesses	31,387	-	-	-
Total	13,811,351	-	42,521,444	207.9

Notes: 1. Amounts do not include consumption taxes.

2. "YoY change" figures for the year ended July 2005 is not presented since the Company started preparing consolidated financial statements from that period.

### (2) Sales

Thousand yen

Segment	Year ended July 2005 (Aug. 1, 2004 - Jul. 31, 2005)		Year ended July 2006 (Aug. 1, 2005 - Jul. 31, 2006)	
	Amount	YoY change (%)	Amount	YoY change (%)
Condominium revitalization business	9,562,053	-	26,228,861	174.3
Real estate sales business	3,528,093	-	14,314,164	305.7
Other businesses	493,645	-	2,458,445	398.0
Total	13,583,791	-	43,001,471	216.6

Notes: 1. Amounts do not include consumption taxes.

2. "YoY change" figures for the year ended July 2005 is not presented since the Company started preparing consolidated financial statements from that period.

3. The following table indicates sales from major customers and its ratio of total sales.

Thousand yen

Segment	Year ended July 2005 (Aug. 1, 2004 - Jul. 31, 2005)		Year ended July 2006 (Aug. 1, 2005 - Jul. 31, 2006)	
	Amount	Share (%)	Amount	Share (%)
AK Homes Co., Ltd.	3,035,568	22.3	10,944,305	25.5
MG Arch SPC	-	-	6,786,994	15.8
Hunet Inc.	3,177,561	23.4	-	-
SEBON Corporation	1,574,019	11.6	-	-

\* This financial report is solely a translation of Japanese "Kessan Tanshin" (including attachments), which has been prepared in accordance with accounting principles and practices generally accepted in Japan, for the convenience of readers who prefer English translation.