



## Consolidated Financial Results for the First Half of Fiscal Year Ending July 31, 2007

March 6, 2007

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: Reishi Kubo, Chief Financial Officer, Managing Director

Tel: +81-3-5367-2001

Board meeting for approving: March 6, 2007

Adoption of US GAAP: Not adopted

### 1. Financial Results for the Interim Period Ended January 31, 2007 (August 1, 2006 – January 31, 2007)

#### (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	%
Interim period ended January 2007	38,523	113.3	6,859	132.4	6,239	125.8
Interim period ended January 2006	18,059	194.2	2,952	210.9	2,763	220.2
Year ended July 2006	43,001	-	7,171	-	6,698	-

	Net income		Net income per share (basic)	Net income per share (diluted)
	Million yen	%	Yen	Yen
Interim period ended January 2007	3,537	148.2	1,023.90	1,019.95
Interim period ended January 2006	1,425	205.6	2,140.28	2,111.40
Year ended July 2006	3,739	-	5,572.12	5,511.23

Notes: 1. Equity in earnings (losses) of affiliates:

January 2007: - million yen

January 2006: - million yen

July 2006: - million yen

2. Average number of shares (consolidated):

January 2007: 3,454,699 shares

January 2006: 665,833 shares

July 2006: 671,065 shares

3. A 5-for-1 stock split was conducted on August 1, 2006.

4. Changes in accounting principles applied: None

5. Percentages for sales, operating profit, recurring profit and net income represent year-on-year percentage change.

#### (2) Consolidated Financial Position

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

	Total assets	Net assets	Equity ratio	Net assets per share
	Million yen	Million yen	%	Yen
Interim period ended January 2007	41,915	13,390	31.9	3,870.13
Interim period ended January 2006	16,111	5,174	32.1	7,764.80
Year ended July 2006	33,130	10,835	32.7	15,694.78

Note: Number of shares outstanding (consolidated):

January 2007: 3,458,595 shares

January 2006: 666,400 shares

July 2006: 690,379 shares

#### (3) Consolidated Cash Flow Position

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

	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
Interim period ended January 2007	(4,355)	(554)	4,965	8,694
Interim period ended January 2006	(2,021)	103	3,722	3,788
Year ended July 2006	(7,463)	(1,390)	15,509	8,639

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

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

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

	Sales	Recurring profit	Net income
	Million yen	Million yen	Million yen
Full year	75,208	12,057	6,573

Reference: Estimated net income per share for the full year: 1,900.48 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, "3. Results of Operations and Financial Position (3) Outlook for the Fiscal Year".

## 1. The Corporate Group

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

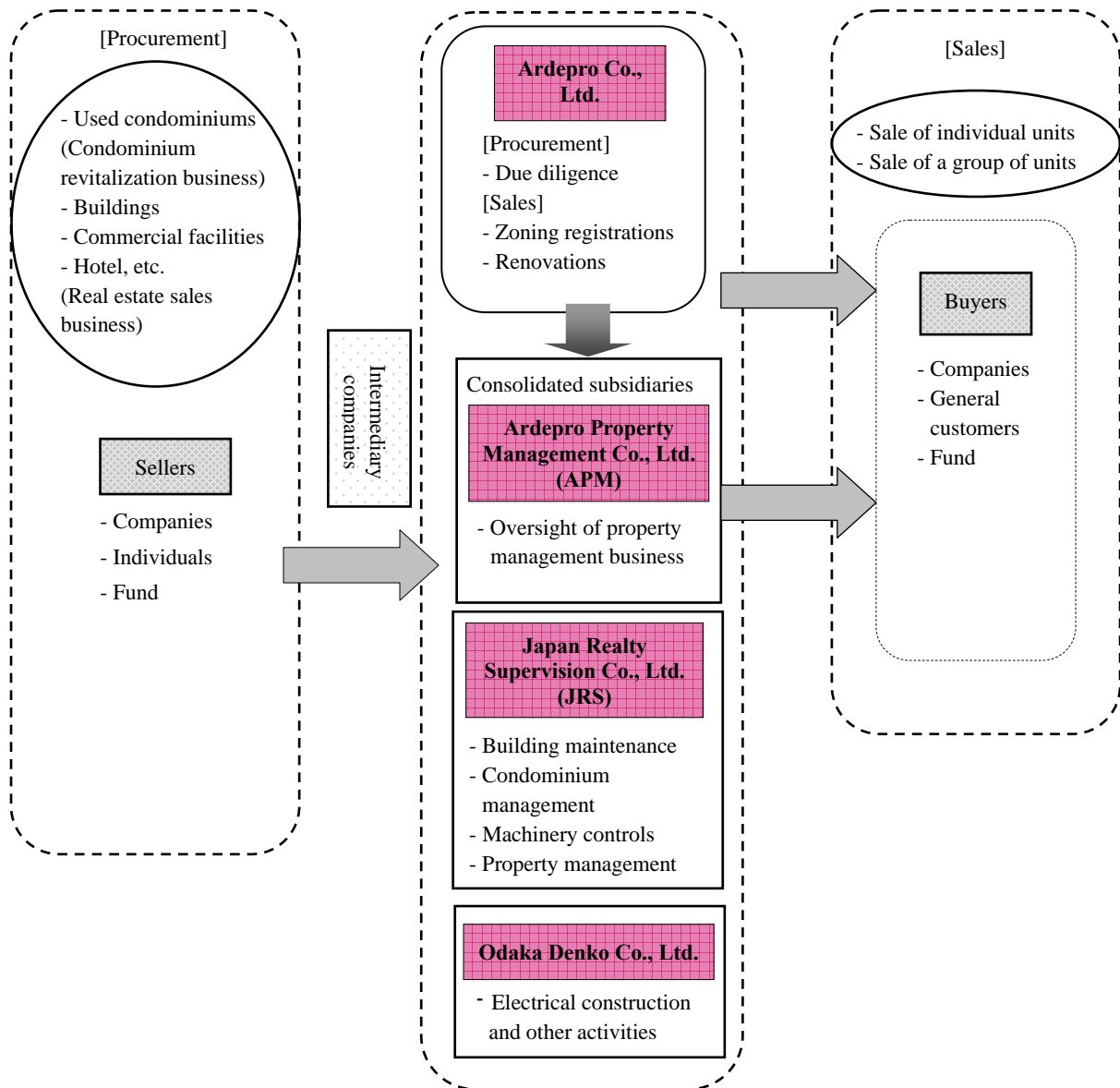
The business activities of the Group and the roles of the Company and its related companies are presented below.

Segment	Business
Condominium revitalization business	<p>This business is engaged in the revitalization and liquidity enhancement of used condominiums.</p> <p>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.</p>
Real estate sales business	<p>This business is engaged in the purchase of company-owned office buildings, commercial facilities, hotels, and other used properties for resale to investors.</p>
Other businesses	<p>This business provides services associated with the condominium revitalization business and the real estate sales business. Other businesses also include an electrical construction business.</p> <p>Specific activities are</p> <ol style="list-style-type: none"><li>(1) Renovations of properties for sale (performed by APM)</li><li>(2) Leasing condominiums to tenants of purchased properties until their sale</li><li>(3) Agency commission income for the management of leased properties (performed by APM)</li><li>(4) Building management and condominium management services (performed by JRS)</li><li>(5) Electrical construction (performed by Odaka Denko)</li><li>(6) Other activities that generate fee income.</li></ol>

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.

[Business Flowchart]



## **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 executive and 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.

#### 2) In search of the creation of cyclic type real estate

Since our stocks has been listed in the Tokyo Stock Exchange Mothers Market, we have been expanding our business to become the leading company of the used condominium market, which we stated clearly in our management strategies before. In addition to our group, many other real estate companies, who are paying attention to used houses, securitization of real estate, and revitalization, were listed also in the stock markets. As a result, recognition on used housing market has remarkably been improved.

Taking our businesses expansion into consideration and not sticking to the conventional bounds of real estate business: purchases, sales, brokerage, leasing, and management, we are constantly seeking additional opportunities in related industries to be the real estate industry innovator who will be a pioneer in rebuilding the real estate business value chain.

In order for us to be the real estate industry innovator, we use Housing Basic Law enacted on June 8, 2006. There was a housing shortage of 4.2 million units right after World War II. Japan's housing policy has been to support quantity expansion based upon Housing Construction Planning Law enacted in 1966. As a result, as of October 1, 2003, there were 53.89 million housing units available for the total of 47.26 million households. This means that the total number of available housing units far exceeded that of all the households.

Housing Basic Law takes into consideration the Japan's current overstock condition of housing units, the transition from quantity to quality, and an aging society with a declining birthrate. The law's fundamental concept is to supply quality housing units as a basis for the people's dwelling lives now and in the future. The law orders the national and municipal public bodies to promote the necessary supports for attaining and improving the dwelling lives. On top of that, the fair housing trading environment orderliness for housing market for the smoother distribution is incorporated, thus the law helps expand the business we have been dealing with. In this environment, we will work on the revitalization of used condominiums and office buildings "In Search of the Creation of Cyclic Type Real Estate" going forward.

#### 3) Philosophy-driven management

The Ardepro Group has a priority on 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. 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.

## **(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 and returning earnings to shareholders, we plan to pay a dividend per share of 280 yen applicable to the interim period that ended on January 31, 2007.

## **(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 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. Internal Growth**

#### **i) Real estate development projects**

Until now, we have 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 March 6, 2007, we have divided the nation into six areas and have covered all areas of Japan with nine branch offices and 28 sales offices. During the current fiscal year, we plan to increase the number of branch offices and sales offices to a total of 40 including head office. 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) Procurement and sale of the entire used condominium building**

Considering the current condition of the critical declining birthrate and from the viewpoint of providing aid to child-raising households, the dwelling life basic plan incorporated the supply support of rented residences for families, residences with adjunct child-raising facilities, etc. while utilizing current stock of housing units. On top of this, as aging is becoming prevalent, we believe that due consideration such as barrier-free remodeling to senior peoples' houses will be indispensable.

On January 11, 2007, we opened five sales offices, in metropolitan areas, namely in Shibuya, Ikebukuro, Ueno, Kichijoji, and Toyocho. As for the individual remodeling of used condominiums in metropolitan areas, we will try to offer real estate which satisfies the requirements stated in these measures.

iv) Revitalization of used single-family residences

The declining birthrate is a nationwide problem. There is a big room left in the used single-family residence market in local cities. Also there should be big requirements for houses suitable for families with a small number of children. We will aggressively tap the used single-family residence market.

v) Revitalization of used office buildings

Real estate business is expanding its business domains rapidly. And the business already includes dealing of office buildings and commercial facilities. This kind of business should have a continually growing market. We see a big future in the business of selling remodeled used office buildings. We will make this business a nationwide one.

vi) Stock-type business model

As the economy gradually recovered, Bank of Japan lifted its quantitative monetary ease policy on March 9, 2006, and then lifted no interest-rate policy on July 14, 2006. At the time of deflation, owing real estate might be risky from the viewpoint of declining asset value. But when the economy recovered from the deflation and the inflation is expected to come in the near future, owing real estate is likely to be advantageous. Real estate industry up to now utilized SPC to actively deal real estate as liquid capital, but from now on, owing real estate and making a profit out of it can be a good business model. We will work on this type of business.

vii) Franchising

We will try to make royalty income from growth in franchised sales agents.

viii) Internet business

We have been putting real estate for sale up for auction on Mother's Auction of IDU Corporation. From now on, we will put our real estate for sale on our own website and conduct our Internet business. Our long-term goal is to raise Internet sales to half of total sales.

## 2. External growth

i) Property management business

As we increase our operations on a nationwide scale, the Property management (PM) business will become more important with regard to managing properties purchased by us and other activities. Subsidiary Ardepro Property Management Co., Ltd. plans to enlarge its network 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

In order for us to expand our business, we will invest in other companies and actively promote M&A. Our target M&A candidate business segments are property management, developers, single-family houses, apartments, and other real estate related businesses.

iii) Business alliances

We will actively promote not only capital tie-ups but also business tie-ups. Mortgage financing, especially is expected to be a growing business market. We believe that mortgage financing will take a strategically important position of our future business.

## **(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 consolidated 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 and JRS 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 had guaranteed loans extended to the Company, as of January 31, 2007, however, the Company has repaid the debt in full and the loan guarantee has eliminated on the same day.

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

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

During this interim period ended January 31, 2007, Japanese economy has progressed at the moderate recovering pace by reflecting favorable overall profits increase of industries, increasing capital investment, and a moderate increase of personal consumption accelerated by the improved employment situation.

As for the real estate industry, the principal area of the Group's operations, the number of the transactions slightly increased by reflecting the current strong economic trend. Particularly in central Tokyo, the number of the successful transactions of used condominiums in 2006 surpassed that of the previous year. This trend has been continuing for the past four years. The vacancy percentage has been lowered, and the increasing trend of the rent standard has continued in conjunction with the increasing need for office buildings prompted by the improvement of business performance of the industry. In this environment, various kinds of Japanese and overseas funds such as REITs and private placement real estate funds have continued to flow in on a much bigger scale. Those funds have made the real estate investment market to grow even faster.

Ardepro Co., Ltd, the core member of the Ardepro Group, has been focusing on increasing sales of used condominiums to individuals as well as investment properties to corporate buyers for leveraging the booming market. Especially in the sales of investment properties, the private placement real estate funds have been playing a key role.

In addition to this, among our subsidiaries, Ardepro Property Management Co., Ltd. and Japan Realty Supervision Co., Ltd. which are in the leasing and building management service businesses have been showing continued favorable business performances. The business of Odaka Denko Co., Ltd. in the electrical construction has also been firm.

Due to these items, interim consolidated sales amounted to 38,523 million yen, 113.3% higher than one year earlier. Recurring profit increased 125.8% to 6,239 million yen and net income was up 148.2% to 3,537 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. Demand from corporate buyers was also strong. The result was a 34.6% increase in segment sales to 14,364 million yen and a 59.1% increase in operating profit to 2,560 million yen.

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

In the real estate sales business, the sales of office building for profit making and others targeted for corporate buyers and private placement real estate funds have remained strong. As a result, segment sales rose 254.2% to 22,206 million yen and operating profit was up 262.7% to 5,116 million yen.

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

Leasing management service and property management business such as building management service business as well as electrical construction business and others have been firm. As a result, these segment sales rose 103.8% to 2,449 million yen and operating profit was up 333.2% to 912 million yen.

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

Due to aggressive sales activities, income before income taxes and minority interests totaled 6,216 million yen, but we acquired a substantial volume of real estate to support future growth in sales. Due to these acquisitions, assets as of January 31, 2007 totaled 41,915 million yen, 26.5% more than as of July 31, 2006, and net assets increased 23.6% to 13,390 million yen. As a result, the equity ratio was 31.9%.

#### Current assets

Current assets totaled 39,330 million yen, 28.2% more than at the end of previous fiscal year. This was primarily attributable to inventories of 27,170 million yen as we made substantial property acquisitions to support future growth in sales.

#### Fixed assets

Fixed assets totaled 2,584 million yen, 5.7% more than at the end of previous fiscal year. This was mainly due to equity investments of 800 million yen, investment securities of 223 million yen, and deposits of 181 million yen.

#### Current liabilities

Current liabilities totaled 28,006 million yen, 28.4% more than at the end of previous fiscal year. This was primarily attributable to an increase in short-term borrowings to 22,535 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 518 million yen, 6.3% more than at the end of previous fiscal year. This was mainly due to the sale of 450 million yen in bonds on November 29, 2005.

#### Net assets

Net assets totaled 13,390 million yen, 23.6% more than at the end of previous fiscal year. Common stock rose to 2,937 million yen, capital surplus to 2,778 million yen and retained earnings to 7,732 million yen.

#### **Cash Flows**

Cash and cash equivalents as of January 31, 2007 totaled 8,694 million yen, 54 million yen more than from as of July 31, 2006. This increase was mainly attributable to income before income taxes and minority interests associated with the higher sales and other activities.

#### Cash flows from operating activities

Net cash used in operating activities was 4,355 million yen, compared with net cash used of 2,021 million yen one year earlier. There was an increase of 7,424 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 554 million yen, compared with net cash provided of 103 million yen. There were payments of 850 million yen for the purchase of equity investment and 800 million yen for the capital investment, 235 million yen for the purchase of securities and 255 million yen for the payment of guarantee deposits.

#### Cash flows from financing activities:

Net cash provided by financing activities was 4,965 million yen, compared with net cash provided of 3,722 million yen one year earlier. The major sources of cash were a net increase of 5,860 million yen in short-term borrowings.

Trends in cash flow indicators were as follows:

	Interim period ended Jan. 2006 (As of Jan. 31, 2006)	Interim period ended Jan. 2007 (As of Jan. 31, 2007)	Year ended July 2006 (As of July 31, 2006)
Shareholders' equity ratio (%)	32.1	31.9	32.7
Shareholders' equity ratio based on market cap (%)	868.6	337.1	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.

\* 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 each period are not presented since we reported negative cash flows.

### **(3) Outlook for the Fiscal Year (August 1, 2006 – July 31, 2007)**

Regarding the financial outlook, the growing economy of industry is expected to influence household consumption also and the overall economy is projected to recover gradually. In the real estate industry, in addition to the increase of land prices in the central areas of three big cities, bottoming out of land prices nationwide, and increase of land prices in major local cities are expected. Housing Basic Law that got into effect in June 2006 calls for the improvement of the distribution share of existing houses from 13% in 2003 to 23% in 2015. The Group expects that the backing of government policy and the economic recovery will continue to increase the number of used housing transactions in the future.

The Group is willing to take advantage of this favorable business environment and will participate in much bigger market of real estate business in addition to the selling of condominiums and office buildings. In this fiscal year, we plan to open the total of 30 sales offices and establish the nationwide real estate information network to increase our sales. Also, as we stated in our medium-term management plan, we will further promote M&A to widen our business domains.

In the fiscal year ending in July 31, 2007, the Company is forecasting consolidated sales of 75,208 million yen, recurring profit of 12,057 million yen, and net income of 6,573 million yen. For non-consolidated performance, the Company is forecasting sales of 72,210 million yen, recurring profit of 12,033 million yen, and net income of 6,613 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. Below we discuss potential risk factors for the Group, as well as items we think investors should be made aware of before making investment decisions. It is also noted that the following descriptions may not address all the risks that the Group faces. 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 interim period. 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.

##### **(1) 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 and office building 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.

Also, the Group makes it a rule to comply fully with these laws and regulations and conducts law risk management control. We can say that a revision or an elimination of the above laws, the enactment of new laws, or violation of applicable laws, could have an effect on the Group's operations and 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.

The Group also sells investment properties for profit making. The projected lease income from the investment properties and the real estate prices calculated based on the lease income and the business's gain and loss are closely related to each other. The lease income tends to be under the influence of economic conditions, consequently the Group's business performance will be affected in case a drastic economic condition change occurs.

###### **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. For example, as for the purchases of real estate properties from the public auction are getting more difficult because of the increasing number of bidders. Also in the real estate property distribution market, the economic recovery and the flow of surplus funds into the real estate market, the fast increase of J-REITs and the private placement real estate funds are making the competition for the purchases much severer. The Group conducts due diligence at the time of purchase of real estate properties and adds property values before their sales. But in the future, 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.

## (2) 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. An availability ratio and leasing income of properties for profit making 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 if the availability ratio is lowered, leasing income declined and the attractiveness of the investment properties from the profit-making standpoint decreases, 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 conditions.

### 2) Dependence on Interest-bearing Debt

Because the Group finances acquisition of real estate for real estate project 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

	Interim period ended Jan. 2006 (As of January 31, 2006)	Interim period ended Jan. 2007 (As of January 31, 2007)	Year ended July 2006 (As of July 31, 2006)
Balance of interest-bearing debt (A)	8,657,500	23,026,844	17,132,340
Total assets (B)	16,111,754	41,915,193	33,130,822
Debt-to-equity ratio (A/B)	53.7%	54.9%	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.

### **(3) Business Organization**

#### 1) Expansion of Group

As of January 31, 2007, we had a relatively small organization of seven directors, 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.

### **(4) 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 acquisition rights pursuant to Articles 280-20 and 280-21 of the Pre-commercial Code of Japan. Stock acquisition 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 January 31, 2007, the Company had a total of 3,458,595 shares outstanding, while the total number of shares to be issued assuming that all stock acquisition rights outstanding as of January 31, 2007 are exercised was 9,015 shares.

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

## 5. Interim Consolidated Financial Statements and Notes

### (1) Interim Consolidated Financial Statements

#### 1) Consolidated Balance Sheets

Thousand yen

Account	*	Interim period ended Jan. 2006 (As of January 31, 2006)		Interim period ended Jan. 2007 (As of January 31, 2007)		Year ended July 2006 Summary (As of July 31, 2006)	
		Amount	%	Amount	%	Amount	%
Assets							
I Current assets							
1. Cash and deposits	*2	3,910,456		9,132,352		8,801,345	
2. Trade notes and accounts receivable		517,337		162,960		800,489	
3. Inventories	*2			27,170,628			
4. Real estate for sale	*2	9,754,355		-		19,597,304	
5. Work in process		126,574		-		149,267	
6. Advances		491,568		-		534,308	
7. Others		279,515		2,883,640		867,722	
Allowance for doubtful accounts		(34,726)		(19,359)		(64,969)	
Total current assets		15,045,081	93.4	39,330,221	93.8	30,685,468	92.6
II Fixed assets							
1. Tangible fixed assets	*1,2	185,436		188,977		194,076	
2. Intangible fixed assets		601,832		944,797		995,562	
3. Investments and other assets		279,404		1,451,197		1,255,714	
Total fixed assets		1,066,672	6.6	2,584,972	6.2	2,445,354	7.4
Total assets		16,111,754	100.0	41,915,193	100.0	33,130,822	100.0

Thousand yen

Account	*	Interim period ended Jan. 2006 (As of January 31, 2006)		Interim period ended Jan. 2007 (As of January 31, 2007)		Year ended July 2006 Summary (As of July 31, 2006)	
		Amount	%	Amount	%	Amount	%
<b>Liabilities</b>							
<b>I Current liabilities</b>							
1. Trade notes and accounts payable		142,036		247,616		228,259	
2. Short-term borrowings	*2,3	8,097,860		22,535,594		16,674,920	
3. Current portion of long-term borrowings		4,440		9,000		4,440	
4. Current portion of corporate bonds		100,000		-		-	
5. Accrued income taxes		1,355,761		2,753,977		2,797,811	
6. Advances received		34,928		-		-	
7. Allowance for employees' bonuses		28,228		37,460		32,176	
8. Allowance for directors' bonuses		-		3,775		3,850	
9. Others		684,165		2,419,442		2,066,338	
Total current liabilities		10,447,420	64.8	28,006,866	66.8	21,807,795	65.8
<b>II Long-term liabilities</b>							
1. Corporate bonds		450,000		450,000		450,000	
2. Long-term borrowings		5,200		32,250		2,980	
3. Allowance for retirement benefits		27,570		35,915		34,695	
4. Others		449		-		-	
Total long-term liabilities		483,220	3.0	518,165	1.2	487,675	1.5
Total liabilities		10,930,641	67.8	28,525,031	68.1	22,295,471	67.3
<b>Minority interest</b>							
Minority interests		6,648	0.0	-	-	-	-
<b>Shareholders' equity</b>							
<b>I Common stock</b>							
I Common stock		1,180,160	7.3	-	-	-	-
<b>II Capital surplus</b>							
II Capital surplus		1,021,130	6.3	-	-	-	-
<b>III Retained earnings</b>							
III Retained earnings		2,973,174	18.5	-	-	-	-
Total shareholders' equity		5,174,464	32.1	-	-	-	-
Total liabilities, minority interests and shareholders' equity		16,111,754	100.0	-	-	-	-
<b>Net assets</b>							
<b>I Shareholders' equity</b>							
1. Common stock		-	-	2,937,965	7.0	2,930,948	8.8
2. Capital surplus		-	-	2,778,935	6.6	2,771,918	8.4
3. Retained earnings		-	-	7,732,160	18.4	5,126,905	15.5
Total shareholders' equity		-	-	13,449,060	32.1	10,829,771	32.7
<b>II Valuation and translation adjustments</b>							
1. Unrealized holding gain (loss) on other securities		-	-	(63,831)	(0.2)	-	-
Total valuation and translation adjustments		-	-	(63,831)	(0.2)	-	-
<b>III Minority interests</b>							
III Minority interests		-	-	4,932	0.0	5,579	0.0
Total net assets		-	-	13,390,162	31.9	10,835,351	32.7
Total liabilities and net assets		-	-	41,915,193	100.0	33,130,822	100.0

## 2) Consolidated Income Statements

Thousand yen

Account	*	Interim period ended Jan. 2006 (Aug. 1, 2005 - Jan. 31, 2006)		Interim period ended Jan. 2007 (Aug. 1, 2006 - Jan. 31, 2007)		Year ended July 2006 Summary (Aug. 1, 2005 - July 31, 2006)	
		Amount	%	Amount	%	Amount	%
I Sales		18,059,744	100.0	38,523,371	100.0	43,001,471	100.0
II Cost of sales		14,023,815	77.7	29,131,594	75.6	33,648,697	78.3
Gross profit		4,035,929	22.3	9,391,776	24.4	9,352,773	21.7
III Selling, general and administrative expenses	*1	1,083,433	6.0	2,532,175	6.6	2,181,252	5.0
Operating profit		2,952,495	16.3	6,859,601	17.8	7,171,521	16.7
IV Non-operating income							
1. Interest and dividend income		1,834		1,121		1,976	
2. Others		27,705	29,539	43,919	45,040	70,930	72,907
0.2							
V Non-operating expenses							
1. Interest expenses		133,187		384,466		305,437	
2. Commissions paid		27,098		163,892		68,113	
3. Consumption tax adjustment loss		33,514		96,467		76,069	
4. New share issue expenses		1,925		-		22,647	
5. Stock issue expenses		-		19,243		-	
6. Corporate bond issue expenses		8,550		-		-	
7. Others		13,932	218,207	885	664,954	73,978	546,245
1.2							
Recurring profit		2,763,827	15.3	6,239,687	16.2	6,698,183	15.6
VI Extraordinary gains	*2						
1. Gain on sales of affiliate stock		-		-		51,918	
2. Gain on transfer of businesses		-		-		1,904	
3. Reversal of allowance for doubtful accounts		-		29,030		6,216	
4. Gain on sales of fixed assets		-		923		32,043	
5. Prior year income adjustments		-	-	-	29,953	6,058	98,141
0.1							
VII Extraordinary losses	*3						
1. Loss on removal of fixed assets		9,184		1,617		9,184	
2. Loss on sales of fixed assets		-		-		35	
3. Head office relocation expenses		8,842		-		8,842	
4. Prior year loss adjustments		-		-		6,403	
5. Provision of allowance for doubtful accounts		-		24,655		19,052	
6. Bad debts loss		-		-		1,968	
7. Loss on transfer of businesses		-		-		17,371	
8. Amortization of goodwill		28,571		-		-	
9. Amortization of goodwill (revised standard)		-		-		28,571	
10. Structural and other tests of real estate for sale		19,450		-		19,719	
11. Impairment loss	*4	-		7,786		-	
12. Loss on valuation of investment securities		-	66,048	18,924	52,983	-	111,148
0.4							
Net income before income taxes and minority interests		2,697,778	14.9	6,216,658	16.1	6,685,175	15.5
Current income taxes		1,345,827		2,721,959		3,185,175	
Deferred income taxes		(73,500)	1,272,326	(43,197)	2,678,761	(238,577)	2,946,597
7.0							
Minority interests (loss)			385		629		(683)
0.0							
Net income		1,425,066	7.9	3,537,266	9.2	3,739,261	8.7

### 3) Consolidated Surplus Statements

Thousand yen

	Interim period ended Jan. 2006 (Aug. 1, 2005 - Jan. 31, 2006)	
Account	Amount	
Capital surplus		
I Balance at beginning of the period		1,019,900
II Increase in capital surplus		
1. New share issuance for capital increase	1,230	1,230
III Balance at end of the period		1,021,130
Retained earnings		
I Balance at beginning of the period		1,837,099
II Increase in retained earnings		
1. Net income	1,425,066	1,425,066
III Decrease in retained earnings		
1. Dividends	285,141	
2. Interim dividends	-	
3. Directors' bonuses	3,850	288,991
IV Balance at end of the period		2,973,174

## Consolidated Statements of Change in Shareholders' Equity

Interim period ended Jan. 2007 (Aug. 1, 2006 - Jan. 31, 2007)

Thousand yen

	Shareholders' equity			
	Common stock	Capital surplus	Retained earnings	Total shareholders' equity
Balance as of July 31, 2006	2,930,948	2,771,918	5,126,905	10,829,771
Changes during the period				
Issuance of new share	7,017	7,017	-	14,034
Dividend of surplus	-	-	(932,011)	(932,011)
Net income	-	-	3,537,266	3,537,266
Changes (net) in items other than shareholders' equity	-	-	-	-
Total changes during the period	7,017	7,017	2,605,255	2,619,289
Balance as of Jan. 31, 2007	2,937,965	2,778,935	7,732,160	13,449,060

	Valuation and translation adjustments		Minority interests	Total net assets
	Unrealized holding gain (loss) on other securities	Total valuation and translation adjustments		
Balance as of July 31, 2006	-	-	5,579	10,835,351
Changes during the period				
Issuance of new share	-	-	-	14,034
Dividend of surplus	-	-	-	(932,011)
Net income	-	-	-	3,537,266
Changes (net) in items other than shareholders' equity	(63,831)	(63,831)	(646)	(64,477)
Total changes during the period	(63,831)	(63,831)	(646)	2,554,811
Balance as of Jan. 31, 2007	(63,831)	(63,831)	4,932	13,390,162

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

Thousand yen

	Shareholders' equity				Minority interests	Total net assets
	Common stock	Capital surplus	Retained earnings	Total shareholders' equity		
Balance as of July 31, 2005	1,178,930	1,019,900	1,837,099	4,035,929	46	4,035,976
Changes in the 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)
Increase in surplus due to decrease in subsidiaries	-	-	6,136	6,136	-	6,136
Net income	-	-	3,739,261	3,739,261	-	3,739,261
Changes (net) in items other than shareholders' equity	-	-	-	-	5,533	5,533
Total changes in the fiscal year	1,752,018	1,752,018	3,289,805	6,793,841	5,533	6,799,375
Balance as of July 31, 2006	2,930,948	2,771,918	5,126,905	10,829,771	5,579	10,835,351

#### 4) Consolidated Cash Flow Statements

Thousand yen

		Interim period ended Jan. 2006 (Aug. 1, 2005 – Jan. 31, 2006)	Interim period ended Jan. 2007 (Aug. 1, 2006 – Jan. 31, 2007)	Year ended July 2006 Summary (Aug. 1, 2005 – July 31, 2006)
Account	*	Amount	Amount	Amount
I Cash flows from operating activities				
Income before income taxes and minority interests		2,697,778	6,216,658	6,685,175
Depreciation and amortization		9,489	18,365	22,940
Amortization of goodwill		67,938	-	-
Amortization of consolidated adjustment account		60,537	-	-
Amortization of goodwill (revised standard)		-	72,771	168,950
Increase (decrease) in allowance for doubtful accounts		(207)	(45,609)	22,077
Increase (decrease) in allowance for employees' bonuses		9,250	5,284	12,935
Increase (decrease) in allowance for directors' bonuses		-	(75)	3,850
Increase (decrease) in allowance for retirement benefits		572	1,219	(626)
Head office relocation expenses		8,842	-	8,842
Interest and dividend income		(1,834)	(1,121)	(1,976)
Interest expenses		133,187	384,446	305,437
Loss on valuation of investment securities		-	18,924	-
Stock issue expenses		1,925	19,243	22,647
Loss on removal of fixed assets		9,184	1,617	9,184
Gain (loss) on sales of fixed assets		-	(923)	35
Gain on sales of affiliate stock		-	-	(51,918)
Corporate bond issue expenses		8,550	-	8,550
Gain on sales of land		-	-	(32,043)
Decrease (increase) in trade receivable		(350,722)	637,528	(561,896)
Decrease (increase) in inventories		(3,591,062)	(7,424,056)	(13,446,224)
Decrease (increase) in advances		(302,661)	(1,369,862)	(345,402)
Decrease (increase) in other current assets		(63,620)	(83,804)	(293,879)
Increase (decrease) in trade payable		25,750	19,356	(201)
Increase (decrease) in accrued consumption taxes		29,720	(4,446)	(3,701)
Increase (decrease) in advances received		19,648	(37,903)	132,914
Increase (decrease) in other current liabilities		(14,768)	363,495	1,226,297
Others		(16,636)	(1,471)	(2,677)
Subtotal		(1,259,139)	(1,210,364)	(6,110,708)
Interests and dividends received		1,834	1,121	1,976
Interests paid		(145,657)	(385,872)	(305,437)
Income taxes paid		(610,156)	(2,760,846)	(1,040,087)
Head office relocation expenses paid		(8,842)	-	(8,842)
Net cash used in operating activities		(2,021,961)	(4,355,962)	(7,463,098)

Thousand yen

		Interim period ended Jan. 2006 (Aug. 1, 2005 – Jan. 31, 2006)	Interim period ended Jan. 2007 (Aug. 1, 2006 – Jan. 31, 2007)	Year ended July 2006 Summary (Aug. 1, 2005 – July 31, 2006)
Account	*	Amount	Amount	Amount
<b>II Cash flows from investing activities</b>				
Payments for time deposits		(36,352)	(365,653)	(71,657)
Proceeds from time deposits		-	89,140	24,003
Proceeds from sales of subsidiary stock with changes in scope of consolidation	*3	-	-	78,640
Payments from acquisition of subsidiary stock		(24,642)	-	6,216
Payments from acquisition of subsidiary stock with changes in scope of consolidation	*2	-	-	(631,773)
Payments for purchase of equity investments		-	(800,000)	-
Proceeds from sale of equity investments		-	850,000	-
Payments for purchase of investment securities		(59,400)	(235,480)	(2,506,350)
Proceeds from sale of investment securities		-	-	1,572,000
Proceeds from sale of tangible fixed assets		-	1,504	50,193
Payments for purchase of tangible fixed assets		(53,806)	(23,463)	(90,674)
Payments for purchase of intangible fixed assets		(2,857)	-	(7,666)
Payments for guarantee deposits		(80,495)	(255,922)	(199,151)
Proceeds for return of guarantee deposits		41,333	174,014	65,539
Payments for loans receivable		(250,000)	(888)	(250,000)
Proceeds from collections of loans receivable		570,000	266	570,000
Others		(128)	11,487	474
Net cash provided by (used in) investing activities		103,651	(554,993)	(1,390,206)
<b>III Cash flows from financing activities</b>				
Net increase (decrease) in short-term borrowings		3,565,488	5,860,674	12,142,548
Proceeds from long-term borrowings		-	45,000	-
Repayments of long-term borrowings		(2,220)	(11,170)	(4,440)
Proceeds from corporate bond issuance		441,450	-	441,450
Payments for redemption of corporate bonds		-	-	(100,000)
Proceeds from new share issuance		534	14,034	3,481,388
Cash dividends paid		(282,342)	(923,798)	(451,741)
Others		-	(19,243)	-
Net cash provided by financing activities		3,722,910	4,965,495	15,509,205
<b>IV Increase (decrease) in cash and cash equivalents</b>		<b>1,804,600</b>	<b>54,540</b>	<b>6,655,900</b>
<b>V Cash and cash equivalents at beginning of the period</b>		<b>1,983,999</b>	<b>8,639,899</b>	<b>1,983,999</b>
<b>VI Cash and cash equivalents at end of the period</b>	*1	<b>3,788,600</b>	<b>8,694,440</b>	<b>8,639,899</b>

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

Item	Interim period ended Jan. 2006 (Aug. 1, 2005 – Jan. 31, 2006)	Interim period ended Jan. 2007 (Aug. 1, 2006 – Jan. 31, 2007)	Year ended July 2006 (Aug. 1, 2005 – July 31, 2006)								
1. Scope of consolidation	<p>Consolidated subsidiaries: 2 Name of consolidated subsidiaries: Japan Realty Supervision Co., Ltd. Ardepro Asset Management Co., Ltd.</p> <p>All subsidiaries are consolidated. On October 18, 2005, Ardepro Asset Management Co., Ltd. was established as a wholly owned subsidiary. Effective on November 1, 2005, Planet Support Co., Ltd. was absorbed by Japan Realty Supervision Co., Ltd.</p>	<p>Consolidated subsidiaries: 3 Name of consolidated subsidiaries: Japan Realty Supervision Co., Ltd. Ardepro Property Management Co., Ltd. Odaka Denko Co., Ltd.</p> <p>All subsidiaries are consolidated.</p>	<p>Consolidated subsidiaries: 3 Name of consolidated subsidiaries: Japan Realty Supervision Co., Ltd. Ardepro Property Management Co., Ltd. Odaka Denko Co., Ltd.</p> <p>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 does not have any non-consolidated subsidiaries or affiliates.	Same as on the left.	Same as on the left.								
3. Accounting period of consolidated subsidiaries	The accounting period 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 interim period ends on a different day.</p> <table border="1"> <thead> <tr> <th>Name</th> <th>Closing date</th> </tr> </thead> <tbody> <tr> <td>Odaka Denko Co., Ltd.</td> <td>November 30</td> </tr> </tbody> </table> <p>The Company prepares provisional accounts for the subsidiary as of the period-end 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.	November 30	<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"> <thead> <tr> <th>Name</th> <th>Closing date</th> </tr> </thead> <tbody> <tr> <td>Odaka Denko Co., Ltd.</td> <td>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.	November 30										
Name	Closing date										
Odaka Denko Co., Ltd.	May 31										

Item	Interim period ended Jan. 2006 (Aug. 1, 2005 – Jan. 31, 2006)	Interim period ended Jan. 2007 (Aug. 1, 2006 – Jan. 31, 2007)	Year ended July 2006 (Aug. 1, 2005 – July 31, 2006)																																				
4. Significant accounting policies																																							
(1) Valuation criteria and methods for principal assets	<p>1. Securities</p> <p>1) Other securities</p> <p>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</p> <p>1) Real estate for sale, and work in process</p> <p>Stated at cost, cost being determined by the specific identification method.</p> <p>2) Supplies</p> <p>Stated at cost, cost being determined by the method of most recent purchase price.</p>	<p>1. Securities</p> <p>1) Other securities</p> <p>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 net assets. 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</p> <p>1) Real estate for sale, and work in process</p> <p>Same as on the left.</p> <p>2) Raw materials and supplies</p> <p>Stated at cost, cost being determined by the method of most recent purchase price.</p>	<p>1. Securities</p> <p>1) Other securities</p> <p>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 net assets. 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</p> <p>1) Real estate for sale, and work in process</p> <p>Same as on the left.</p> <p>2) Raw materials and supplies</p> <p>Same as on the left.</p>																																				
(2) Depreciation and amortization method of principal assets	<p>1. Tangible fixed assets</p> <p>Depreciation of tangible fixed assets is calculated by the declining-balance method.</p> <p>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 border="0"> <tr> <td>Buildings</td> <td>28</td> </tr> <tr> <td>Buildings and attached structures</td> <td>3-22</td> </tr> <tr> <td>Structures</td> <td>10-15</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</p> <p>Software development costs are amortized over an expected useful life of five years by the straight-line method.</p> <p>2) Goodwill</p> <p>Goodwill is amortized by the straight-line method over a period of up to five years.</p>	Buildings	28	Buildings and attached structures	3-22	Structures	10-15	Machinery equipment	9-15	Vehicles	2-6	Tools, furniture and fixtures	3-20	<p>1. Tangible fixed assets</p> <p>Same as on the left.</p> <table border="0"> <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</p> <p>Same as on the left.</p> <p>_____</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	<p>1. Tangible fixed assets</p> <p>Same as on the left.</p> <table border="0"> <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</p> <p>Same as on the left.</p> <p>_____</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
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Item	Interim period ended Jan. 2006 (Aug. 1, 2005 – Jan. 31, 2006)	Interim period ended Jan. 2007 (Aug. 1, 2006 – Jan. 31, 2007)	Year ended July 2006 (Aug. 1, 2005 – July 31, 2006)
(3) Accounting for significant allowances	<p>3. Long-term prepaid expenses Long-term prepaid expenses are amortized by the straight-line method.</p> <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 current interim period 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 current interim period based on projected benefit obligations.</p>	<p>3. Long-term prepaid expenses Same as on the left.</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 current interim period among the estimated future obligations is designated in the reserve account.</p> <p>4. Allowance for retirement benefits Same as on the left.</p>	<p>3. Long-term prepaid expenses Same as on the left.</p> <p>1. Allowance for doubtful accounts Same as on the left.</p> <p>2. Allowance for employees' bonuses To provide for employee bonus obligation, an amount accrued for the current fiscal year among the estimated future obligations is designated in the reserve account.</p> <p>3. Allowance for directors' bonuses To provide for director bonus obligation, an amount accrued for the current fiscal year among the estimated future obligations is designated in the reserve account.</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 current fiscal year based on projected benefit obligations.</p>
(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.	Same as on the left.
(5) Other significant accounting policies	1. Accounting for consumption taxes Consumption taxes are accounted by the tax-exclusion method.	1. Accounting for consumption taxes Same as on the left.	1. Accounting for consumption taxes Same as on the left.
5. 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.	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.

## Changes in the Accounting Policies

Interim period ended Jan. 2006 (Aug. 1, 2005 – Jan. 31, 2006)	Interim period ended Jan. 2007 (Aug. 1, 2006 – Jan. 31, 2007)	Year ended July 2006 (Aug. 1, 2005 – July 31, 2006)
<p>(Accounting standard for impairment of fixed assets)</p> <p>Effective from the current interim period, the Company has adopted “Statement of Opinion, Accounting for Impairment of Fixed Assets” (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).</p> <p>The effect of this change on financial statements is insignificant.</p>	<p>—————</p>	<p>(Accounting standard for impairment of fixed assets)</p> <p>Effective from the current fiscal year, the Company has adopted “Statement of Opinion, Accounting for Impairment of Fixed Assets” (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).</p> <p>The effect of this change on financial statements is insignificant.</p>
<p>—————</p>	<p>(Accounting standard for directors’ bonuses)</p> <p>The Company has adopted “Accounting Standard for Directors’ Bonuses” (ASBJ Statement No. 4: Accounting Standards Board of Japan, November 29, 2005) for the current interim period.</p> <p>The effect of this change was to decrease operating profit, recurring profit and net income before income taxes and minority interests by 7,475,000 yen respectively, compare to the previous method.</p>	<p>(Accounting standard for directors’ bonuses)</p> <p>Effective from the current fiscal year, the Company has adopted “Accounting Standard for Directors’ Bonuses” (ASBJ Statement No. 4: Accounting Standards Board of Japan, November 29, 2005).</p> <p>The effect of this change was to decrease operating profit, recurring profit and net income before income taxes and minority interests by 3,850,000 yen respectively, compare to the previous method.</p>
<p>—————</p>	<p>(Accounting standard for presentation of net assets on balance sheet)</p> <p>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) for the current interim period.</p> <p>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 interim period, “Shareholders’ equity” section is renamed “Net assets” section. “Net assets” section comprises “Shareholders’ equity,” and “Valuation and translation adjustments,” etc.</li> <li>2. Effective from the current interim period, “Common stock,” “Capital surplus,” “Retained earnings,” stated as line items in prior periods, is presented under “Shareholders’ equity.”</li> </ol>	<p>(Accounting standard for presentation of net assets on balance sheet)</p> <p>Effective from the current 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).</p> <p>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 fiscal year, “Shareholders’ equity” section is renamed “Net assets” section. “Net assets” section comprises “Shareholders’ equity.”</li> <li>2. Effective from the current fiscal year, “Common stock,” “Capital surplus,” “Retained earnings,” stated as line items in prior periods, is presented under “Shareholders’ equity.”</li> </ol>

## Reclassifications

Interim period ended Jan. 2006 (Aug. 1, 2005 – Jan. 31, 2006)	Interim period ended Jan. 2007 (Aug. 1, 2006 – Jan. 31, 2007)	Year ended July 2006 (Aug. 1, 2005 – July 31, 2006)
<p style="text-align: center;">—————</p>	<p>(Consolidated balance sheets)</p> <p>Goodwill Effective from the current interim period, “Consolidation adjustment account,” stated as a separate item under intangible fixed assets in the prior periods, is presented as “Goodwill” due to conform to the revision of the regulations of interim consolidated financial statements.</p> <p>Advances Effective from the current interim period, “Advances,” presented as a separate line item in previous periods, is reclassified and included in “Others” under current assets since the amount of “Advances” declined to less than 5% as a percentage of total assets. In the previous interim period, “Advances” amounted to 1,904,171,000 yen.</p> <p>Real estate for sale Effective from the current interim period, “Real estate for sale,” presented as a separate line item in previous periods, is reclassified and included in “Inventories” under current assets. In the previous interim period, “Real estate for sale” amounted to 26,879,372,000 yen.</p> <p>Work in process Effective from the current interim period, “Work in process,” presented as a separate line item in previous periods, is reclassified and included in “Inventories” under current assets since the amount of “Real estate for sale” declined to less than 5% as a percentage of total assets. In the previous interim period, “Work in process” amounted to 291,256,000 yen.</p>	<p>(Consolidated balance sheets)</p> <p>Effective from the current fiscal year, “Consolidation adjustment account,” stated as a separate item under intangible fixed assets in the prior periods, is presented as “Goodwill” due to conform to the revision of the regulations of consolidated financial statements.</p> <p style="text-align: center;">—————</p>
<p style="text-align: center;">—————</p>	<p>(Consolidated cash flow statements)</p> <p>Effective from the current interim period, “Amortization of consolidation adjustment account,” stated as a separate item under cash flows from operating activities in the prior periods, is presented as “Amortization of goodwill” due to conform to the revision of the regulations of interim consolidated financial statements.</p>	<p>(Consolidated cash flow statements)</p> <p>Effective from the current fiscal year, “Amortization of consolidation adjustment account,” stated as a separate item under cash flows from operating activities 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

Interim period ended Jan. 2006 (Aug. 1, 2005 – Jan. 31, 2006)	Interim period ended Jan. 2007 (Aug. 1, 2006 – Jan. 31, 2007)	Year ended July 2006 (Aug. 1, 2005 – July 31, 2006)
_____	(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.	(Contingent liabilities) Same as on the left.

## Notes to Interim Consolidated Financial Statements

### Notes to Consolidated Balance Sheets

Thousand yen

Interim period ended Jan. 2006 (As of January 31, 2006)	Interim period ended Jan. 2007 (As of January 31, 2007)	Year ended July 2006 (As of July 31, 2006)
*1. Accumulated depreciation of tangible fixed assets <span style="float: right;">49,119</span>	*1. Accumulated depreciation of tangible fixed assets <span style="float: right;">94,241</span>	*1. Accumulated depreciation of tangible fixed assets <span style="float: right;">84,352</span>
*2. Assets pledged as collateral and corresponding liabilities Assets pledged as collateral Real estate for sale <span style="float: right;">8,170,468</span> Buildings <span style="float: right;">5,312</span> Land <span style="float: right;">1,506</span>  Corresponding liabilities Short-term borrowings <span style="float: right;">7,710,160</span>	*2. Assets pledged as collateral and corresponding liabilities Assets pledged as collateral Cash and deposits <span style="float: right;">150,000</span> Real estate for sale <span style="float: right;">19,411,849</span> Buildings <span style="float: right;">5,125</span> Land <span style="float: right;">64,073</span>  Corresponding liabilities Short-term borrowings <span style="float: right;">20,793,860</span>	*2. Assets pledged as collateral and corresponding liabilities Assets pledged as collateral Cash and deposits <span style="float: right;">150,000</span> Real estate for sale <span style="float: right;">17,130,921</span> Buildings <span style="float: right;">5,265</span> Land <span style="float: right;">1,506</span>  Corresponding liabilities Short-term borrowings <span style="float: right;">16,357,120</span>
*3. 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 <span style="float: right;">3,500,000</span> Credit used <span style="float: right;">2,136,260</span> <hr/> Credit available <span style="float: right;">1,363,740</span>	*3. 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 <span style="float: right;">3,200,000</span> Credit used <span style="float: right;">978,000</span> <hr/> Credit available <span style="float: right;">2,222,000</span>	*3. 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 fiscal year was as follows: Current account overdraft <span style="float: right;">3,200,000</span> Credit used <span style="float: right;">2,234,190</span> <hr/> Credit available <span style="float: right;">965,810</span>
4. _____	4. _____	4. Notes receivable endorsed <span style="float: right;">10,400</span>
5. Contingent liabilities  _____	5. Contingent liabilities Guarantees for loans from financial institutions Japan Realty Supervision Co., Ltd. <span style="float: right;">45,000</span>	5. Contingent liabilities  _____

## Notes to Consolidated Income Statements

Thousand yen

Interim period ended Jan. 2006 (Aug. 1, 2005 – Jan. 31, 2006)	Interim period ended Jan. 2007 (Aug. 1, 2006 – Jan. 31, 2007)	Year ended July 2006 (Aug. 1, 2005 – July 31, 2006)																																																																
<p>*1. Major items of “Selling, general and administrative expenses”</p> <table> <tr> <td>Sales commissions</td> <td>85,145</td> </tr> <tr> <td>Directors remunerations</td> <td>59,190</td> </tr> <tr> <td>Salaries and bonuses</td> <td>296,697</td> </tr> <tr> <td>Provision of allowance for employees’ bonuses</td> <td>11,299</td> </tr> <tr> <td>Retirement benefit expenses</td> <td>1,498</td> </tr> </table>	Sales commissions	85,145	Directors remunerations	59,190	Salaries and bonuses	296,697	Provision of allowance for employees’ bonuses	11,299	Retirement benefit expenses	1,498	<p>*1. Major items of “Selling, general and administrative expenses”</p> <table> <tr> <td>Sales commissions</td> <td>357,511</td> </tr> <tr> <td>Directors remunerations</td> <td>64,743</td> </tr> <tr> <td>Salaries and bonuses</td> <td>638,318</td> </tr> <tr> <td>Provision of allowance for employees’ bonuses</td> <td>38,559</td> </tr> <tr> <td>Retirement benefit expenses</td> <td>1,110</td> </tr> <tr> <td>Provision of allowance for directors’ bonuses</td> <td>7,475</td> </tr> <tr> <td>Repairing expense</td> <td>312,751</td> </tr> </table> <p>*2. Breakdown of “Gain on sales of fixed assets”</p> <table> <tr> <td>Vehicles</td> <td>923</td> </tr> </table> <p>*3. Breakdown of “Extraordinary losses”</p> <table> <tr> <td>Loss on removal of fixed assets</td> <td></td> </tr> <tr> <td>Buildings and attached structures</td> <td>6,619</td> </tr> <tr> <td>Tools, furniture and fixtures</td> <td>2,565</td> </tr> </table>	Sales commissions	357,511	Directors remunerations	64,743	Salaries and bonuses	638,318	Provision of allowance for employees’ bonuses	38,559	Retirement benefit expenses	1,110	Provision of allowance for directors’ bonuses	7,475	Repairing expense	312,751	Vehicles	923	Loss on removal of fixed assets		Buildings and attached structures	6,619	Tools, furniture and fixtures	2,565	<p>*1. Major items of “Selling, general and administrative expenses”</p> <table> <tr> <td>Sales commissions</td> <td>182,442</td> </tr> <tr> <td>Provision of allowance for doubtful accounts</td> <td>12,972</td> </tr> <tr> <td>Directors remunerations</td> <td>117,070</td> </tr> <tr> <td>Provision of allowance for directors’ bonuses</td> <td>3,850</td> </tr> <tr> <td>Salaries and bonuses</td> <td>699,851</td> </tr> <tr> <td>Provision of allowance for employees’ bonuses</td> <td>24,882</td> </tr> <tr> <td>Retirement benefit expenses</td> <td>2,096</td> </tr> <tr> <td>Amortization of goodwill</td> <td>121,074</td> </tr> </table> <p>*2. Breakdown of “Prior year income adjustments”</p> <table> <tr> <td>Accrued social insurance premiums</td> <td>6,058</td> </tr> </table> <p>*3. Breakdown of “Extraordinary losses”</p> <table> <tr> <td>Loss on removal of fixed assets</td> <td></td> </tr> <tr> <td>Buildings</td> <td>6,619</td> </tr> <tr> <td>Tools, furniture and fixtures</td> <td>2,565</td> </tr> <tr> <td>Loss on sales of fixed assets</td> <td></td> </tr> <tr> <td>Telephone rights</td> <td>35</td> </tr> <tr> <td>Prior year loss adjustments</td> <td></td> </tr> <tr> <td>Prior period tax in arrears</td> <td>6,403</td> </tr> </table>	Sales commissions	182,442	Provision of allowance for doubtful accounts	12,972	Directors remunerations	117,070	Provision of allowance for directors’ bonuses	3,850	Salaries and bonuses	699,851	Provision of allowance for employees’ bonuses	24,882	Retirement benefit expenses	2,096	Amortization of goodwill	121,074	Accrued social insurance premiums	6,058	Loss on removal of fixed assets		Buildings	6,619	Tools, furniture and fixtures	2,565	Loss on sales of fixed assets		Telephone rights	35	Prior year loss adjustments		Prior period tax in arrears	6,403
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	<p>4. Impairment losses</p> <p>Impairment losses on fixed assets at the Group for the current interim period as follows.</p> <table border="1"> <thead> <tr> <th>Location</th> <th>Primary use</th> <th>Type</th> <th>Amount</th> </tr> </thead> <tbody> <tr> <td>Kinki Region</td> <td>Other businesses</td> <td>Buildings and attached structures Tools, furniture and fixtures</td> <td>7,786</td> </tr> </tbody> </table> <p>In principle, we group its group’s operating assets on the basis of business segments and rental assets on the individual asset basis. As for the other businesses, some properties were found idle. Consequently, we lowered the book values of these assets to the recoverable amounts. Then we recognized the reduced amounts as an impairment loss as an extraordinary loss. Although we have used utility value as the recoverable value for these assets, we have written off their entire book value because of our forecast for negative future cash flow. In the meantime, we estimated net sales proceeds of these assets to be nil.</p>	Location	Primary use	Type	Amount	Kinki Region	Other businesses	Buildings and attached structures Tools, furniture and fixtures	7,786																																																									
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## Notes to Consolidated Statements of Changes in Shareholders' Equity

Interim period ended Jan. 2007 (Aug. 1, 2006 – Jan. 31, 2007)

### 1. Outstanding shares

Type of share	Number of shares as of July 31, 2006	Increase during the period	Decrease during the period	Number of shares as of January 31, 2007
Common shares (Shares)	690,379	2,768,216	-	3,458,895

Outline of changes:

Increase in the number of shares (itemized)

Due to issuance of new shares through a stock split (5-for-1): 2,761,516 shares

Due to exercise of stock options: 6,700 shares

### 2. Dividends

#### (1) Dividend payment

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

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

Resolution	Type of share	Source of funds	Total amount of dividend (Thousand yen)	Dividend per share (Yen)	Record date	Effective date
Board of Directors meeting on March 6, 2007	Common shares	Retained earnings	968,406	280	January 31, 2007	April 6, 2007

Year ended July 2006 (Aug. 1, 2005 - July 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

Interim period ended Jan. 2006 (Aug. 1, 2005 – Jan. 31, 2006)	Interim period ended Jan. 2007 (Aug. 1, 2006 – Jan. 31, 2007)	Year ended July 2006 (Aug. 1, 2005 – July 31, 2006)																																																										
<p>*1. Reconciliation of cash and cash equivalents of the cash flows statements and balance sheet items for the current interim period is made as follows:</p> <p style="text-align: right;">(As of January 31, 2006)</p> <table style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 80%;">Cash and deposits</td> <td style="text-align: right;">3,910,456</td> </tr> <tr> <td>Time deposits with maturities longer than three months</td> <td style="text-align: right;"><u>(121,856)</u></td> </tr> <tr> <td>Cash and cash equivalents</td> <td style="text-align: right;"><u>3,788,600</u></td> </tr> </table>	Cash and deposits	3,910,456	Time deposits with maturities longer than three months	<u>(121,856)</u>	Cash and cash equivalents	<u>3,788,600</u>	<p>*1. Reconciliation of cash and cash equivalents of the cash flows statements and balance sheet items for the current interim period is made as follows:</p> <p style="text-align: right;">(As of January 31, 2007)</p> <table style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 80%;">Cash and deposits</td> <td style="text-align: right;">9,132,352</td> </tr> <tr> <td>Time deposits with maturities longer than three months</td> <td style="text-align: right;">(488,284)</td> </tr> <tr> <td>Money Management Fund under “Securities”</td> <td style="text-align: right;"><u>50,372</u></td> </tr> <tr> <td>Cash and cash equivalents</td> <td style="text-align: right;"><u>8,694,444</u></td> </tr> </table>	Cash and deposits	9,132,352	Time deposits with maturities longer than three months	(488,284)	Money Management Fund under “Securities”	<u>50,372</u>	Cash and cash equivalents	<u>8,694,444</u>	<p>*1. Reconciliation of cash and cash equivalents of the cash flows statements and balance sheet items for the current fiscal year 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 under “Securities”</td> <td style="text-align: right;"><u>50,326</u></td> </tr> <tr> <td>Cash and cash equivalents</td> <td style="text-align: right;"><u>8,639,899</u></td> </tr> </table> <p>*2. 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> <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;"><u>(8,323)</u></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;"><u>(368,226)</u></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;"><u>631,773</u></td> </tr> </table> <p>*3. 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> <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;"><u>(8,813)</u></td> </tr> <tr> <td>Gain on sale of stock</td> <td style="text-align: right;">50,141</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;"><u>(23,419)</u></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;"><u>78,640</u></td> </tr> </table>	Cash and deposits	8,801,345	Time deposits with maturities longer than three months	(211,771)	Money Management Fund under “Securities”	<u>50,326</u>	Cash and cash equivalents	<u>8,639,899</u>	Current assets	630,031	Fixed assets	20,364	Goodwill	489,362	Current liabilities	(131,435)	Long-term liabilities	<u>(8,323)</u>	Purchase price for Odaka Denko	1,000,000	Cash and cash equivalents of Odaka Denko	<u>(368,226)</u>	Difference:		Outlays (net) for purchase of Odaka Denko’s stock	<u>631,773</u>	Current assets	725,790	Fixed assets	24,496	Current liabilities	(691,331)	Minority interests	<u>(8,813)</u>	Gain on sale of stock	50,141	Sales value for AAM	102,060	Cash and cash equivalents of AAM	<u>(23,419)</u>	Difference:		Gain (net) on sales of AAM’s stock	<u>78,640</u>
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## Lease Transaction

Interim period ended Jan. 2006 (Aug. 1, 2005 – Jan. 31, 2006)	Interim period ended Jan. 2007 (Aug. 1, 2006 – Jan. 31, 2007)	Year ended July 2006 (Aug. 1, 2005 – July 31, 2006)
Finance lease transactions not involving the transfer of title to lessee	Finance lease transactions not involving the transfer of title to lessee	Finance lease transactions not involving the transfer of title to lessee
1) Acquisition cost, accumulated depreciation and period-end balance equivalents of the leased property	1) Acquisition cost, accumulated depreciation and period-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>	<i>Tools, furniture and fixtures</i>
Acquisition cost 7,000	Acquisition cost 7,000	Acquisition cost 7,000
Accumulate depreciation 1,516	Accumulate depreciation 2,916	Accumulate depreciation 2,216
<hr/> Period-end balance 5,483	<hr/> Period-end balance 4,083	<hr/> Year-end balance 4,783
<i>Total</i>	<i>Total</i>	<i>Total</i>
Acquisition cost 7,000	Acquisition cost 7,000	Acquisition cost 7,000
Accumulate depreciation 1,516	Accumulate depreciation 2,916	Accumulate depreciation 2,216
<hr/> Period-end balance 5,483	<hr/> Period-end balance 4,083	<hr/> Year-end balance 4,783
2) Outstanding lease commitments and the period-end balance equivalents	2) Outstanding lease commitments and the period-end balance equivalents	2) Outstanding lease commitments and the year-end balance equivalents
Due within one year 1,378	Due within one year 1,401	Due within one year 1,390
Due over one year 4,152	Due over one year 2,750	Due over one year 3,454
<hr/> Total 5,531	<hr/> Total 4,152	<hr/> Total 4,844
3) Lease payments, depreciation and interest equivalents	3) Lease payments, depreciation and interest equivalents	3) Lease payments, depreciation and interest equivalents
Lease payments 729	Lease payments 729	Lease payments 1,458
Depreciation equivalents 699	Depreciation equivalents 699	Depreciation equivalents 1,399
Interest equivalents 48	Interest equivalents 36	Interest equivalents 90
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.	4) Calculation of depreciation equivalents Same as on the left.	4) Calculation of depreciation equivalents Same as on the left.
5) Calculation of interest equivalents Interest equivalents are defined as the difference between the total lease payments and acquisition cost equivalents and is allocated for each period using the simple-interest method.	5) Calculation of interest equivalents Same as on the left.	5) Calculation of interest equivalents Same as on the left.

## Securities

Interim period ended Jan. 2006 (As of Jan. 31, 2006)

### 1. Securities without market quotations

Thousand yen

Item	Carrying value
Other securities	
Unlisted stock	84,400
Total	84,400

Interim period ended Jan. 2007 (As of Jan. 31, 2007)

### 1. Other securities with market quotations

Thousand yen

	Acquisition cost	Carrying value	Unrealized gain (loss)
Securities with carrying value exceeding acquisition cost			
1) Equity	2,361	3,495	1,133
2) Bonds	-	-	-
3) Others	-	-	-
Subtotal	2,361	3,495	1,133
Securities with carrying value not exceeding acquisition cost			
1) Equity	233,180	124,976	(108,203)
2) Bonds	-	-	-
3) Others	-	-	-
Subtotal	233,180	124,976	(108,203)
Total	235,542	128,472	(107,069)

### 2. Securities without market quotations

Thousand yen

Item	Carrying value
Other securities	
1) Unlisted stock	91,568
2) Money Management Fund	50,372
3) Stock acquisition rights	3,480
Total	145,420

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 fiscal year

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

**Derivatives**

Interim period ended Jan. 2006 (Aug. 1, 2005 - Jan. 31, 2006)

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

Interim period ended Jan. 2007 (Aug. 1, 2006 - Jan. 31, 2007)

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

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

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

## Segment Information

### 1. Operating segment information

Interim period ended Jan. 2006 (Aug. 1, 2005 - Jan. 31, 2006)

Thousand yen

	Condominium revitalization business	Real estate sales business	Other businesses	Total	Elimination or corporate	Consolidation
Sales						
(1) External sales	10,670,840	6,269,119	1,119,784	18,059,744	-	18,059,744
(2) Inter-segment sales and transfers	-	-	82,390	82,390	(82,390)	-
Total	10,670,840	6,269,119	1,202,174	18,142,135	(82,390)	18,059,744
Operating expenses	9,062,115	4,858,485	991,483	14,912,084	195,163	15,107,248
Operating profit	1,608,725	1,410,634	210,690	3,230,050	(277,554)	2,952,495

Notes: 1. Method for division of business activities

Businesses are divided in accordance with similarities in the types of products, the nature of business activities, sales methods and other items, as well as on categories for calculating earnings, the assets used and other items.

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 (277,554,000 yen) included in elimination or corporate consist primarily of operating expenses related to the administration division.

Interim period ended Jan. 2007 (Aug. 1, 2006 - Jan. 31, 2007)

Thousand yen

	Condominium revitalization business	Real estate sales business	Other businesses	Total	Elimination or corporate	Consolidation
Sales						
(1) External sales	14,364,959	22,206,700	1,951,710	38,523,371	-	38,523,371
(2) Inter-segment sales and transfers	-	-	497,899	497,899	(497,899)	-
Total	14,364,959	22,206,700	2,449,610	39,021,271	(497,899)	38,523,372
Operating expenses	11,804,933	17,089,837	1,536,840	30,431,611	1,232,158	31,663,769
Operating profit	2,560,026	5,116,863	912,770	8,589,659	(1,730,058)	5,859,601

Notes: 1. Method for division of business activities

Businesses are divided in accordance with similarities in the types of products, the nature of business activities, sales methods and other items, as well as on categories for calculating earnings, the assets used and other items.

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 (1,740,790,000 yen) included in elimination or corporate consist primarily of operating expenses related to the administration division.

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

Thousand yen

	Condominium revitalization business	Real estate sales business	Other businesses	Total	Elimination or corporate	Consolidation
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	(314,001)	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

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.

## 2. Geographical segment information

Interim period ended Jan. 2006 (Aug. 1, 2005 - Jan. 31, 2006)

Geographical segment information is not presented since the Company has no consolidated subsidiaries or branch offices in countries and regions other than Japan.

Interim period ended Jan. 2007 (Aug. 1, 2006 - Jan. 31, 2007)

Geographical segment information is not presented since the Company has no consolidated subsidiaries or branch offices in countries and regions other than Japan.

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

Geographical segment information is not presented since the Company has no consolidated subsidiaries or branch offices in countries and regions other than Japan.

## 3. Overseas sales

Interim period ended Jan. 2006 (Aug. 1, 2005 - Jan. 31, 2006)

No reportable information since the Company had no overseas sales.

Interim period ended Jan. 2007 (Aug. 1, 2006 - Jan. 31, 2007)

No reportable information since the Company had no overseas sales.

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

No reportable information since the Company had no overseas sales.

## Per Share Data

Yen

Interim period ended Jan. 2006 (Aug. 1, 2005 – Jan. 31, 2006)	Interim period ended Jan. 2007 (Aug. 1, 2006 – Jan. 31, 2007)	Year ended July 2006 (Aug. 1, 2005 – July 31, 2006)																
Net assets per share 7,764.80	Net assets per share 3,870.13	Net assets per share 15,694.78																
Net income per share (basic) 2,140.28	Net income per share (basic) 1,023.90	Net income per share (basic) 5,572.12																
Net income per share (diluted) 2,111.40	Net income per share (diluted) 1,019.95	Net income per share (diluted) 5,511.23																
<p>The Company implemented a 5-for-1 stock split on August 1, 2006. Assuming the stock split was implemented at the start of the previous fiscal year, per share data for each period would be as follows:</p> <table border="1" style="margin-left: auto; margin-right: auto;"> <thead> <tr> <th colspan="2">Interim period ended Jan. 2006</th> </tr> </thead> <tbody> <tr> <td>Net assets per share</td> <td>1,552.96</td> </tr> <tr> <td>Net income per share (basic)</td> <td>428.5</td> </tr> <tr> <td>Net income per share (diluted)</td> <td>422.28</td> </tr> </tbody> </table> <table border="1" style="margin-left: auto; margin-right: auto;"> <thead> <tr> <th colspan="2">Year ended July 2006</th> </tr> </thead> <tbody> <tr> <td>Net assets per share</td> <td>3,138.95</td> </tr> <tr> <td>Net income per share (basic)</td> <td>1,114.42</td> </tr> <tr> <td>Net income per share (diluted)</td> <td>1,102.24</td> </tr> </tbody> </table>			Interim period ended Jan. 2006		Net assets per share	1,552.96	Net income per share (basic)	428.5	Net income per share (diluted)	422.28	Year ended July 2006		Net assets per share	3,138.95	Net income per share (basic)	1,114.42	Net income per share (diluted)	1,102.24
Interim period ended Jan. 2006																		
Net assets per share	1,552.96																	
Net income per share (basic)	428.5																	
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Year ended July 2006																		
Net assets per share	3,138.95																	
Net income per share (basic)	1,114.42																	
Net income per share (diluted)	1,102.24																	

Note: Basis for calculation:

1) Net assets per share

Thousand yen

Item	Interim period ended Jan. 2006 (Aug. 1, 2005 – Jan. 31, 2006)	Interim period ended Jan. 2007 (Aug. 1, 2006 – Jan. 31, 2007)	Year ended July 2006 (Aug. 1, 2005 – July 31, 2006)
Total net assets on the consolidated balance sheets	-	13,390,162	10,835,351
Net assets applicable to common stock	-	13,360,162	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)	-	3,458,595 shares	690,379 shares
Number of treasury stock (common stock)	-	-	-
Number of common stock used in calculation of net assets per share	-	3,458,595 shares	690,379 shares

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

Thousand yen

Item	Interim period ended Jan. 2006 (Aug. 1, 2005 – Jan. 31, 2006)	Interim period ended Jan. 2007 (Aug. 1, 2006 – Jan. 31, 2007)	Year ended July 2006 (Aug. 1, 2005 – July 31, 2006)
Net income per share			
Net income	1,425,066	3,537,266	3,739,261
Amount not belonging to common shareholders	-	-	-
Net income applicable to common stock	1,425,066	3,537,266	3,739,261
Average number of shares outstanding (common stock)	665,833 shares	3,454,699 shares	671,065 shares
Net income per share (diluted)			
Adjusted net income	-	-	-
Increase in common stock (of which stock acquisition rights)	9,105 shares (9,105 shares)	6,700 shares (6,700 shares)	7,415 shares (7,415 shares)
Summary of non-dilutive stock equivalents not used in calculation of net income per share (diluted)	-	-	-

## Subsequent Events

Interim period ended Jan. 2006 (Aug. 1, 2005 – Jan. 31, 2006)	Interim period ended Jan. 2007 (Aug. 1, 2006 – Jan. 31, 2007)	Year ended July 2006 (Aug. 1, 2005 – July 31, 2006)																		
<p>I. Establishment of subsidiary</p> <p>The Board of Directors approved a resolution on March 13, 2006 to establish a subsidiary, which was established on March 20, 2006.</p> <p>1. Descriptions</p> <p>(1) Reason for establishing subsidiary</p> <p>Our consolidated subsidiary of Property Management Division, Japan Realty Supervision Co., Ltd. headquartered in Kyoto City in Kyoto and other consolidated subsidiary, Planet Support Co., Ltd. headquartered in Shinjuku-ku in Tokyo signed an agreement to merge on November 1, 2005. The remaining company is named Japan Realty Supervision Co., Ltd. The major business domains of these two companies do not duplicate. The two companies showed their respective marketing strength in customers' bases and major business areas. The synergy of the merger started to bear fruit.</p> <p>In addition to the nine branch offices that were opened in the July 2005 fiscal year, the Company already has 12 sales offices. The Company is planning to open eight more sales offices in the major cities of the nation in the July 2006 fiscal year. In accordance with the fact that the Company's business domains are expecting to spread nationwide, the Company believes that the mobile and smooth management of the nationwide property management business is a key management issue to promote the synergy of our Group.</p> <p>In order to perform the property management business on a nationwide scale from now on, the Company came to realize the need for a new company that is responsible to consolidate this nationwide business in addition to Japan Realty Supervision Co., Ltd that conducts this business in Kyoto and Tokyo.</p>	<p style="text-align: center;">—————</p>	<p>I. Regarding stock split</p> <p>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>1. Method of split</p> <p>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>2. Increase in the number of shares</p> <p>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 border="1" data-bbox="1029 913 1444 1227" style="margin-left: auto; margin-right: auto;"> <thead> <tr> <th colspan="2" style="text-align: right;">Yen</th> </tr> <tr> <th colspan="2" style="text-align: center;">Previous fiscal year</th> </tr> </thead> <tbody> <tr> <td>Net assets per share</td> <td style="text-align: right;">1,216.09</td> </tr> <tr> <td>Net income per share (basic)</td> <td style="text-align: right;">352.63</td> </tr> <tr> <td>Net income per share (diluted)</td> <td style="text-align: right;">330.59</td> </tr> </tbody> </table> <table border="1" data-bbox="1029 1261 1444 1552" style="margin-left: auto; margin-right: auto;"> <thead> <tr> <th colspan="2" style="text-align: center;">Current fiscal year</th> </tr> </thead> <tbody> <tr> <td>Net assets per share</td> <td style="text-align: right;">3,138.95</td> </tr> <tr> <td>Net income per share (basic)</td> <td style="text-align: right;">1,114.42</td> </tr> <tr> <td>Net income per share (diluted)</td> <td style="text-align: right;">1,102.24</td> </tr> </tbody> </table>	Yen		Previous fiscal year		Net assets per share	1,216.09	Net income per share (basic)	352.63	Net income per share (diluted)	330.59	Current fiscal year		Net assets per share	3,138.95	Net income per share (basic)	1,114.42	Net income per share (diluted)	1,102.24
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Current fiscal year																				
Net assets per share	3,138.95																			
Net income per share (basic)	1,114.42																			
Net income per share (diluted)	1,102.24																			

Interim period ended Jan. 2006 (Aug. 1, 2005 – Jan. 31, 2006)	Interim period ended Jan. 2007 (Aug. 1, 2006 – Jan. 31, 2007)	Year ended July 2006 (Aug. 1, 2005 – July 31, 2006)														
<p>The newly founded company named Ardepro Property Management Co., Ltd is responsible for leasing management, sub-leasing, renovations, and leasing, etc. In case of property management business, business characteristics and contract practices, etc. varies from locality to locality. Consequently, the Company plans to form business and equity alliances with property management companies that are thoroughly familiar with the locality characteristics throughout Japan to strengthen real estate service line-up and service offering capabilities on a nationwide scale. This will better facilitate the provision of comprehensive solutions to real estate fund companies and asset management companies that are our major customers in the real estate financial market.</p> <p>In the beginning, the Company was in the used condominium revitalization business. Nowadays, the Company handles the real estate sales business and the newly built housing sales business. At this time, the Group became a trinity of a general real estate company consisting of its consolidated subsidiaries, Ardepro Asset Management Co., Ltd., and a newly founded company, Ardepro Property Management Co., Ltd. and the Company. In this line-up, the Group strives to become a substantial entity in the real estate market by further accelerating the medium-term management plan and executes corporate social responsibility (CSR).</p> <p>2. Summary of established companies</p> <table border="0"> <tr> <td>Name</td> <td>Ardepro Property Management Co., Ltd.</td> </tr> <tr> <td>Head office</td> <td>Shinjuku-ku, Tokyo</td> </tr> <tr> <td>Established</td> <td>March 20, 2006</td> </tr> <tr> <td>Capital</td> <td>100,000,000 yen (Outstanding shares: 2,000 shares)</td> </tr> <tr> <td>Representative</td> <td>Takashi Niiyama, President (Senior managing director of Ardepro)</td> </tr> <tr> <td>Major shareholder</td> <td>Ardepro Co., Ltd. 100%</td> </tr> <tr> <td>Main business</td> <td>Leasing management, property management, sub-leasing, renovations, leasing, etc.</td> </tr> </table>	Name	Ardepro Property Management Co., Ltd.	Head office	Shinjuku-ku, Tokyo	Established	March 20, 2006	Capital	100,000,000 yen (Outstanding shares: 2,000 shares)	Representative	Takashi Niiyama, President (Senior managing director of Ardepro)	Major shareholder	Ardepro Co., Ltd. 100%	Main business	Leasing management, property management, sub-leasing, renovations, leasing, etc.		
Name	Ardepro Property Management Co., Ltd.															
Head office	Shinjuku-ku, Tokyo															
Established	March 20, 2006															
Capital	100,000,000 yen (Outstanding shares: 2,000 shares)															
Representative	Takashi Niiyama, President (Senior managing director of Ardepro)															
Major shareholder	Ardepro Co., Ltd. 100%															
Main business	Leasing management, property management, sub-leasing, renovations, leasing, etc.															

Interim period ended Jan. 2006 (Aug. 1, 2005 – Jan. 31, 2006)	Interim period ended Jan. 2007 (Aug. 1, 2006 – Jan. 31, 2007)	Year ended July 2006 (Aug. 1, 2005 – July 31, 2006)
<p>II. Purchase of Odaka Denko Co., Ltd.'s shares (Subsidization)</p> <p>Ardepro Co., Ltd. announced that the Board of Directors on March 13, 2006 approved a resolution to purchase all shares of Odaka Denko Co., Ltd., which is an electrical construction firm, hereinafter called Odaka Denko. And the Company made Odaka Denko a wholly owned subsidiary on March 15, 2006 following the purchase of all its shares.</p> <p>1. Outline of acquisition</p> <p>(1) Number of shares to be acquired 200,000 shares (All outstanding shares)</p> <p>(2) Acquisition date March 15, 2006</p> <p>(3) Shares to be acquired from Katsutaka Odaka, Fumie Odaka and Katsumasa Odaka</p> <p>(4) Acquisition cost 1,000 million yen</p> <p>(5) Reason for acquisition</p> <p>1) With the addition of Odaka Denko that has much experience and technology regarding electrical communication, fire-fighting facilities, plumbing installation into the Group, the Group can drastically increase its total group power.</p> <p>2) Odaka Denko has much experience and performed many orders in electrical construction work for public office and local government agencies and large general contractors and has excellent customer bases supported by the good mutual relationship for a long time.</p> <p>3) Up to this time, the Group has been outsourcing all facility related work even though the number of purchased real estate properties has kept increasing. From now on, the Group can finish the work internally, thus contributing the cost reduction and securing the steady income basis for Odaka Denko.</p> <p>4) Since its foundation in 1973, Odaka Denko has concentrated on nothing but its own business. As a result, Odaka Denko has a high equity ratio and is in financially very sound condition.</p>		

Interim period ended Jan. 2006 (Aug. 1, 2005 – Jan. 31, 2006)	Interim period ended Jan. 2007 (Aug. 1, 2006 – Jan. 31, 2007)	Year ended July 2006 (Aug. 1, 2005 – July 31, 2006)
<p>2. Summary of Odaka Denko Co., Ltd.</p> <p>(1) Name Odaka Denko Co., Ltd.</p> <p>(2) Representative Katsumasa Odaka, President</p> <p>(3) Head office 1106-2 Tabeta-cho, Wakaba-ku, Chiba</p> <p>(4) Established November 1973</p> <p>(5) Capital 100 million yen</p> <p>(6) Outstanding shares 200,000 shares</p> <p>(7) Main business Electrical construction, installation of fire prevention equipment, installation of machinery and equipment, plumbing work</p> <p>(8) Licenses of construction business Governor of Chiba (Toku-14) No. 40455 Governor of Chiba (Han-14) No. 40455</p> <p>(9) Fiscal year end May 31</p> <p>(10) Employee 16</p> <p>(11) Operating results, total assets and net assets from the most recent fiscal year</p> <p>As of May 31, 2005 (Thousand yen)</p> <p>1) Sales 784,629</p> <p>2) Operating profit 13,323</p> <p>3) Recurring profit 14,068</p> <p>4) Net income 7,917</p> <p>5) Total assets 720,288</p> <p>6) Shareholders' equity 500,457</p>		

## 6. Purchases and Sales

### (1) Purchases

Purchases by segment for the current interim period are as follows.

Segment	Thousand yen	
	Interim period ended Jan. 2007 (Aug. 1, 2006 – Jan. 31, 2007)	
	Amount	YoY change (%)
Condominium revitalization business	13,190,621	96.3
Real estate sales business	20,811,661	957.4
Other businesses	235,359	192.4
Total	34,237,641	214.2

Note: 1. Amounts do not include consumption taxes.

### (2) Sales

Sales by segment for the current interim period are as follows.

Segment	Thousand yen	
	Interim period ended Jan. 2007 (Aug. 1, 2006 – Jan. 31, 2007)	
	Amount	YoY change (%)
Condominium revitalization business	14,364,959	134.6
Real estate sales business	22,206,700	354.2
Other businesses	1,951,710	174.3
Total	38,523,371	213.3

Notes: 1. The following table indicates sales from major customers and its ratio of total sales.

Segment	Thousand yen			
	Interim period ended Jan. 2006 (Aug. 1, 2005 – Jan. 31, 2006)		Interim period ended Jan. 2007 (Aug. 1, 2006 – Jan. 31, 2007)	
	Amount	Share (%)	Amount	Share (%)
Sea Capital Co., Ltd.	-	-	9,503,834	24.8
MG Arch SPC	-	-	8,790,019	22.8
AK Homes Co., Ltd.	6,286,321	34.8	-	-
Blackburn Assets SPC	2,548,911	14.1	-	-

2. Amounts do not include consumption taxes.

*\* 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.*