



## Financial Results for the Fiscal Year Ended July 31, 2008

September 12, 2008

Company name: ARDEPRO Co., Ltd.

Stock code: 8925

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Listing: TSE Mothers Market

URL: <http://www.ardepro.co.jp>

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

### 1. Consolidated Financial Results for the Fiscal Year Ended July 31, 2008 (August 1, 2007 – July 31, 2008)

#### (1) Consolidated results of operations

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

|                      | Sales       |        | Operating profit |        | Recurring profit |        |
|----------------------|-------------|--------|------------------|--------|------------------|--------|
|                      | Million yen | %      | Million yen      | %      | Million yen      | %      |
| Year ended July 2008 | 64,638      | (17.3) | 3,166            | (74.7) | 1,129            | (90.3) |
| Year ended July 2007 | 78,184      | 81.8   | 12,505           | 74.4   | 11,617           | 73.4   |

  

|                      | Net income  |      | Net income per share (basic) | Net income per share (diluted) |
|----------------------|-------------|------|------------------------------|--------------------------------|
|                      | Million yen | %    | Yen                          | Yen                            |
| Year ended July 2008 | (8,613)     | -    | (2,070.00)                   | -                              |
| Year ended July 2007 | 6,512       | 74.2 | 1,884.08                     | 1,878.23                       |

  

|                      | ROE    | Recurring profit to total assets | Operating profit to sales |
|----------------------|--------|----------------------------------|---------------------------|
|                      | %      | %                                | %                         |
| Year ended July 2008 | (42.3) | 1.6                              | 4.9                       |
| Year ended July 2007 | 49.6   | 28.5                             | 16.0                      |

#### (2) Consolidated financial position

|                      | Total assets | Net assets  | Equity ratio | Net assets per share |
|----------------------|--------------|-------------|--------------|----------------------|
|                      | Million yen  | Million yen | %            | Yen                  |
| Year ended July 2008 | 88,856       | 25,312      | 28.5         | 6,000.09             |
| Year ended July 2007 | 48,488       | 15,494      | 31.9         | 4,468.84             |

Reference: Equity at end of period July 2008: ¥25,307 million July 2007: ¥15,455 million

#### (3) Consolidated cash flow position

|                      | Cash flows from operating activities | Cash flows from investing activities | Cash flows from financing activities | Cash and cash equivalents at end of the period |
|----------------------|--------------------------------------|--------------------------------------|--------------------------------------|--|
|                      | Million yen                          | Million yen                          | Million yen                          | Million yen                                    |
| Year ended July 2008 | (55,038)                             | (2,883)                              | 53,210                               | 3,226  |
| Year ended July 2007 | (8,140)                              | 2,402                                | 5,352                                | 8,253  |

### 2. Dividends

| (Record date)                    | Dividend per share |          |        | Total dividends (Annual) | Payout ratio (Consolidated) | Dividend on equity (Consolidated) |
|----------------------------------|--------------------|----------|--------|--------------------------|-----------------------------|-----------------------------------|
|                                  | Interim            | Year-end | Annual |                          |                             |                                   |
|                                  | Yen                | Yen      | Yen    | Million yen              | %                           | %                                 |
| Year ended July 2007             | 280.00             | 280.00   | 560.00 | 1,936                    | 29.7                        | 12.3                              |
| Year ended July 2008             | 230.00             | 0.00     | 230.00 | 970                      | -                           | 4.4                               |
| Year ending July 2009 (forecast) | -                  | -        | -      | -                        | -                           | -                                 |

Note: The fiscal 2009 dividends have not been decided. See page 5 for more information.

### 3. Consolidated Forecast for the Fiscal Year Ending July 31, 2009 (August 1, 2008 – July 31, 2009)

Drastically changing real estate industry conditions are increasingly skewing the Company's earnings according to when inventory properties were sold, making it more difficult than ever to forecast future earnings. In light of this difficulty, the Company's earnings forecasts for next year are under careful review. Since we consider proper and timely disclosure to investors to be part of our mission as a publicly listed company, we will return to making regular earnings forecasts announcements to investors when conditions in the real estate industry have stabilized enough to permit them. See page 3 for more information.

**4. Others**

- (1) Changes in significant subsidiaries during the period (changes in specified subsidiaries resulting in changes in scope of consolidation): Yes  
Newly added: - Excluded: 7
- (2) Changes in accounting principles, procedures and presentation methods for preparation of interim consolidated financial statements  
1) Changes caused by revision of accounting standards: No  
2) Other changes: No
- (3) Number of shares outstanding (common shares)  
1) Number of shares outstanding at end of period (including treasury stock):  
July 2008: 4,217,839 shares July 2007: 3,458,595 shares  
2) Number of treasury stock at end of period:  
July 2008: 0 shares July 2007: 0 shares

**(Reference) Summary of Non-consolidated Financial Results****1. Non-consolidated Financial Results for the Fiscal Year Ended July 31, 2008 (August 1, 2007 – July 31, 2008)**

## (1) Non-consolidated results of operations

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

|                      | Sales       |        | Operating profit |        | Recurring profit |        |
|----------------------|-------------|--------|------------------|--------|------------------|--------|
|                      | Million yen | %      | Million yen      | %      | Million yen      | %      |
| Year ended July 2008 | 60,799      | (19.7) | 3,396            | (72.7) | 1,338            | (88.4) |
| Year ended July 2007 | 75,745      | 83.0   | 12,431           | 70.9   | 11,560           | 70.0   |

|                      | Net income  |      | Net income per share (basic) | Net income per share (diluted) |
|----------------------|-------------|------|------------------------------|--------------------------------|
|                      | Million yen | %    | Yen                          |                                |
| Year ended July 2008 | (8,554)     | -    | (2,055.72)                   | -                              |
| Year ended July 2007 | 6,745       | 77.5 | 1,951.50                     | 1,945.44                       |

## (2) Non-consolidated financial position

|                      | Total assets | Net assets  | Equity ratio | Net assets per share |
|----------------------|--------------|-------------|--------------|----------------------|
|                      | Million yen  | Million yen | %            | Yen                  |
| Year ended July 2008 | 87,956       | 25,251      | 28.7         | 5,986.77             |
| Year ended July 2007 | 47,016       | 15,734      | 33.5         | 4,549.29             |

Reference: Equity at end of period July 2008: ¥25,251 million July 2007: ¥15,734 million

**Special items**

Since some audit procedures are not finished, our accounting auditors have not completed the audit work required for the disclosure. Until annual securities reports have been submitted, information disclosed in these statements is therefore subject to change.

## 1. Results of Operations

### (1) Analysis of Results of Operations

#### Summary of the fiscal year

Despite positive signs such as improving corporate earnings and a rise in capital investment, Japan's economy was marked by a lack of clarity in fiscal 2008 (ended July 31, 2008) due to oil price jumps, global disruption of financial markets stemming from the US sub-prime loan problem, and fears of a US economic slowdown. Conditions in the real estate industry (the Group's industry) were demanding during the year. Amendments to the Building Standard Law decreased the number of new housing starts, consumers put off buying homes due to a rise in home prices from surging construction costs, and financial institutions approached real estate financing more cautiously.

The Group responded to these challenges by focusing on our main business area of real estate revitalization, an activity that raises the market liquidity of high-quality previously owned real estate. Anticipating growing medium- and long-term demand in this area, Ardepro Co., Ltd. (the Group's core company) focused its management resources on the large number of high-quality properties in the Tokyo area. While it endeavored to reduce the number of properties in its inventory, earnings were poor due to falling profit ratios caused by delays and other difficulties buyers had in procuring capital for purchases. The Company also posted extraordinary losses such as a loss on valuation of real estate for sale of 4,246 million yen, contract cancellation penalties of 2,650 million yen, a provision of allowance for doubtful accounts of 801 million yen, and business realignment expenses of 807 million yen.

To selectively focus management resources, the Group sold off the stock of several subsidiaries during the year. Three remained at fiscal year ended July 31, 2008: Japan Realty Supervision Co., Ltd. (a building maintenance and machinery security service), Opus Co., Ltd. (a construction materials vendor) and Sawaken Home Co., Ltd. (a general construction, design and building contractor). Earnings of these subsidiaries were generally solid.

The developments above resulted in consolidated sales of 64,638 million yen for fiscal 2008 (down 17.3% from the previous year), and a non-negative consolidated recurring profit of 1,129 million yen (down 90.3%) despite the year's difficult conditions. However, the extraordinary losses mentioned resulted in a net loss for the year of 8,613 million yen. The consolidated financial results of each of the Group's business segments for fiscal 2008 are described below.

#### i. Real estate revitalization

Hampered by the delays and failures that buyers encountered in procuring capital from financial institutions, the real estate revitalization business unit (the Group's main business unit) had to contend with lower sales of previously owned condominiums and previously owned office buildings to buyers seeking investment properties. As a result of reducing inventory properties, the profit ratio also dropped. However, there was persistent demand for individual owner-occupied condominiums during the year, and sales remained generally solid. These sales enabled low-priced sales of previously owned condominiums, mainly to primary acquirers<sup>\*1</sup>. These developments resulted in sales of 59,079 million yen (down 20.4%), and operating profit of 6,024 million yen (down 62.1%).

#### ii. Other business areas

The Group's other business areas include property management services for real estate revitalization, sales of construction materials, and general construction, design and building contracting. These areas had sales of 5,558 million yen (up 39.2%), and operating profit of 2,053 million yen (up 31.6%).

\*1: First-time home buyers

#### Outlook for next year

The lack of clarity in Japan's economy is expected to continue next year, driven by surging oil prices and materials costs, continued credit tightening as the sub-prime loan problem becomes prolonged, and fears of a US economic slowdown. Drastic changes have been taking place in the real estate industry since the start of 2008. Financial institutions are becoming increasingly cautious in their approach to real estate financing, and real estate investment demand from small and medium-sized real estate funds is dwindling due to the difficulty of procuring investment capital. A large number of changing factors which affect the real estate industry is becoming conspicuous recently: falling real estate prices, a lack of high-quality income properties, increasingly selective buyers, and income

erosion from rising construction costs. The properties held by the Company are becoming increasingly susceptible to these market effects.

However, sovereign funds in Asia and the Middle East are generally oriented toward long-term investment, and are seeking opportunities to invest in properties in Japan. In future, a rise in returns caused by lower income property prices could cause a recovery in investment demand.

These drastic changes in real estate industry conditions are increasingly skewing the Company's earnings according to when inventory properties were sold. While we will continue our earnest endeavors to sell the properties in our inventory, earnings forecasts require particularly careful review in this drastically changing real estate market. We are therefore planning to delay the announcement of our second-quarter and yearly earnings forecasts. We will announce them as soon as they have been decided.

Since we consider proper and timely disclosure to investors to be part of our mission as a publicly listed company, we will return to making regular earnings forecast announcements to investors when conditions in the real estate industry have stabilized enough to permit them.

### **Progress of medium-term management plan**

Due to the currently demanding conditions in the real estate industry, our earnings are not meeting the targets we set forth in the third revision of the medium-term management plan we announced in February 2007.

## **(2) Analysis of Financial Position**

### **Assets, liabilities, net assets and cash flows**

#### **i. Assets**

At the end of fiscal 2008, total assets were 88,856 million yen (up 83.3% from the end of fiscal 2007). Current assets accounted for 87,540 million yen (up 91.3%) of this figure, and fixed assets for 1,316 million yen (down 51.6%). The main item was inventories, at 70,681 million yen (up 135.7%).

#### **ii. Liabilities**

Total liabilities were 63,544 million yen (up 92.6%) at the end of fiscal 2008. This increase came primarily from short-term loans, which increased to 46,535 million yen (up 93.3%) due to an increase in inventories. On August 28 2007, Ardepro raised 10,002 million yen through its first issue of unsecured convertible bonds with stock acquisition rights.

#### **ii. Net assets**

Total net assets were 25,312 million yen (up 63.4%) at the end of fiscal 2008. This figure was mainly the result of issuing new stock through a private placement on August 28 2007, raising capital to 12,944 million yen (up 340.6%) and capital surplus to 12,785 million yen (up 360.1%).

#### **iv. Cash flow from operating activities**

Net cash used in operating activities was 55,038 million yen (8,140 million yen in the previous year). This decrease was mainly caused by recording net loss before income taxes of 8,135 million yen and a 45,114 million yen increase in inventories.

#### **v. Cash flow from investing activities**

Net cash used in investing activities was 2,883 million yen (net cash provided of 2,402 million yen in the previous year). The rise primarily reflected a 2,850 million yen increase in loan expenditures.

#### **vi. Cash flow from financing activities**

Net cash provided by financing activities was 53,210 million yen (5,352 million yen in the previous year). This gain came mainly from a 22,459 million yen increase in short-term loans to finance property purchases. It also reflects 20,012 million yen in income from issuing new stock through a private placement on August 28 2007, and 10,223 million yen in income from issuing unsecured convertible bonds with stock acquisition rights through a private placement on the same date.

## Reference: Trends in cash flow indicators

|  | Year ended July 2005<br>(As of July 31, 2005) | Year ended July 2006<br>(As of July 31, 2006) | Year ended July 2007<br>(As of July 31, 2007) | Year ended July 2008<br>(As of July 31, 2008) |
|--|---|---|---|---|
| Shareholders' equity ratio (%)                     | 39.6%   | 32.7%   | 31.9%   | 28.5%   |
| Shareholders' equity ratio based on market cap (%) | 427.6%  | 308.1%  | 237.5%  | 20.6%   |
| Interest-bearing debt to cash flow ratio           | -   | -   | -   | -   |
| Interest coverage ratio                            | -   | -   | -   | -   |

Shareholders' equity ratio: Shareholders' equity / Total assets

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

Interest-bearing debt to cash flow ratio: Interest-bearing debt / Operating cash flow

Interest coverage ratio: Operating cash flow / Interest payments

\* All indices are calculated based on consolidated figures.

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

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

\* Interest-bearing debt to cash flow ratio and interest coverage ratio for fiscal 2005, 2006, 2007 and 2008 are not presented since we reported negative operating cash flows in these periods.

### (3) Basic Policy Regarding Distribution of Profits and Dividends for the Current and Next Fiscal year

The Company considers returning profits to shareholders to be an important management task, and one embodiment of our 'Three Riches' management philosophy. In determining the amount of profits to return to shareholders, we endeavor to maximize long-term shareholder value. We consider factors such as the inventory investment indispensable to our future business growth, and investment in growth to augment our internal management system and boost our management quality. These considerations have led us to target a dividend payout ratio of over 30%, under the 'Three S'<sup>\*1</sup> policy we have created to further concretize our management philosophy. However, this year's lackluster earnings unfortunately prevent us from paying a year-end dividend, so the total dividend payment for fiscal 2008 will only be the 230 yen midyear dividend. As indicated on page 4, our earnings forecasts are still under careful review, so the dividends for fiscal 2009 have not yet been decided. We plan to announce these dividends when we announce our earnings forecasts.

\*1: 'Three S'

Customer Satisfaction, Employee Satisfaction and Shareholder Satisfaction

## 2. Medium to Long-term Management Strategies

### (1) Medium-term outlook

Over the medium term, the Company expects to grow the value of its mainstay business area, real estate revitalization. This growth will come mainly from recovering demand for legal compliance services for previously owned real estate and from rising occupancy rates for these properties. We are aiming to increase their market liquidity, and demand for property revitalization should become solid as the previously owned real estate distribution market expands moving forward.

Listed below are the main reasons the Company anticipates medium-and long-term growth in the used real estate distribution market, and accompanying growth in revitalization business.

i. Despite the current environment, rents and occupancy rates for previously owned real estate are relatively solid.

Rents and occupancy rates for used real estate have been relatively stable compared to new properties.

ii. There are many superannuated properties that should support higher rents and occupancy rates once their facilities are updated.

Since the supply of new properties has dropped greatly since the burst of the real estate bubble in the early 1990s, many corporate-owned properties in Japan are at least 20 years old.

iii. Real estate prices in Japan are lower than overseas when appraised by the earnings capitalized approach.

Since Tokyo and other major Japanese cities have a high cap rate relative to other major world cities such as New York and London, Japanese earning properties should continue to be important investment targets for both Japanese and foreign investors.

iv. Many used properties have Building Standard Law compliance issues, so it's mandatory to increase value in

order to enhance market liquidity.

Real estate revitalization has become more important due to today's more stringent legal compliance review standards for properties underlying real estate trust beneficiary rights and real estate financing.

## **(2) Growth strategy**

Given the potential investor demand for previously owned Japanese real estate, the market's liquidity should greatly improve once the sub-prime loan problem dies down and financial institutions start to relax their cautious attitude toward real estate financing.

Moving forward, the Company's strategy for growth will be to focus management resources on revitalizing medium to large-scale income properties in the Tokyo metropolitan area, after verifying that financial institutions are more willing to provide financing to potential buyers of ARDEPRO's properties for sale. Although the Company's performance is now at temporarily plateau, we feel we can achieve breakthroughs over the medium term for the following reasons:

- i. The real properties owned by the Company are located mainly in major metropolitan areas, and with their solid occupancy rates and stable rent income, they provide the Company with a steady stream of interested potential real estate buyers.
- ii. Demand for owner-occupied properties (properties the buyer-to-be intends to live in) has been solid since they are more attractively priced than new condominiums, and buyers can actually experience the property and neighborhood before purchasing.
- iii. To create a leaner organization, we are continuing the efforts we began last year to streamline our branches and offices, mentioned in the announcement of our Nagoya and Osaka branch closings. Streamlining in fiscal 2008 cut the number of employees from 200 at the beginning of the year to 105 by year-end, resulting in greatly lowered fixed costs such as labor costs and office rents. A major reorganization and restructuring of Group subsidiaries has also succeeded in greatly lowering management costs.
- iv. As mentioned in the announcement regarding the issuance of convertible bonds with stock acquisition rights through a private placement on August 6 2008, we have finalized the second issue of unsecured convertible bonds with stock acquisition rights (the 'Second CB Issue') underwritten by GS TK Holdings Four Joint Limited (Godogaisha), a wholly-owned investment unit of Goldman Sachs. The total issue amount will be the same as our first issue of unsecured convertible bonds with stock acquisition rights (the 'First CB Issue'). The income generated by the Second CB Issue offset the repayments for the First CB Issue, which matured on August 27, 2008. The Company also receives financing from many financial institutions throughout Japan, and we expect to receive their continued support.

## **(3) Issues facing the Company**

The global disruption of the financial markets stemming from the sub-prime loan problem that began in mid-2007 has created a lack of clarity in Japan's domestic real estate market, with financial institutions taking a more cautious approach to real estate financing. But despite the demanding conditions, the Company feels that demand for previously owned real estate revitalization remains solid (as previously mentioned). We are focusing management resources on the Tokyo metropolitan area, and working aggressively on real estate revitalization. By reducing the properties in our inventory and our outstanding short-term loan balance, we plan to improve our balance sheet.

## 4. Consolidated Financial Statements

## (1) Consolidated Balance Sheets

Thousand yen

| Account                                | Note | Year ended Jul. 2007<br>(As of Jul. 31, 2007) |       | Year ended Jul. 2008<br>(As of Jul. 31, 2008) |       | Change      |
|--|------|---|-------|---|-------|-------------|
|  |      | Amount  | %     | Amount  | %     | Amount      |
| Assets                                 |      |   |       |   |       |             |
| I Current assets                       |      |   |       |   |       |             |
| 1. Cash and deposits                   | *3   | 8,232,508                                     |       | 3,266,423                                     |       |             |
| 2. Trade notes and accounts receivable | *5   | 280,483                                       |       | 170,090                                       |       |             |
| 3. Marketable securities               |      | 50,452  |       | -   |       |             |
| 4. Inventories                         | *3   | 29,987,587                                    |       | 70,681,317                                    |       |             |
| 5. Advances                            |      | 5,457,968                                     |       | 6,678,754                                     |       |             |
| 6. Deferred tax assets                 |      | 593,159                                       |       | 45,422  |       |             |
| 7. Others                              |      | 1,202,001                                     |       | 7,656,129                                     |       |             |
| Allowance for doubtful accounts        |      | (36,615)                                      |       | (957,494)                                     |       |             |
| Total current assets                   |      | 45,767,546                                    | 94.4  | 87,540,643                                    | 98.5  | 41,773,097  |
| II Fixed assets                        |      |   |       |   |       |             |
| 1. Tangible fixed assets               | *2   |   |       |   |       |             |
| (1) Buildings                          | *3   | 300,372                                       |       | 158,274                                       |       |             |
| (2) Machinery and vehicles             |      |   |       | 12,310  |       |             |
| (3) Tools, furniture and fixtures      |      | 94,843  |       | 83,646  |       |             |
| (4) Land                               | *3   | 97,258  |       | 87,442  |       |             |
| Total tangible fixed assets            |      | 519,693                                       | 1.1   | 341,674                                       | 0.4   | (178,018)   |
| 2. Intangible fixed assets             |      |   |       |   |       |             |
| (1) Goodwill                           |      | 1,547,884                                     |       | 420,387                                       |       |             |
| (2) Others                             |      | 69,729  |       | 30,194  |       |             |
| Total intangible fixed assets          |      | 1,617,614                                     | 3.3   | 450,582                                       | 0.5   | (1,167,031) |
| 3. Investments and other assets        |      |   |       |   |       |             |
| (1) Investment securities              | *1   | 130,674                                       |       | 21,000  |       |             |
| (2) Deferred tax assets                |      | 71,472  |       | 24,240  |       |             |
| (3) Others                             |      | 381,726                                       |       | 478,711                                       |       |             |
| Total investments and other assets     |      | 583,873                                       | 1.2   | 523,951                                       | 0.6   | (59,921)    |
| Total fixed assets                     |      | 2,721,180                                     | 5.6   | 1,316,209                                     | 1.5   | (1,404,971) |
| Total assets                           |      | 48,488,727                                    | 100.0 | 88,856,852                                    | 100.0 | 40,368,124  |

Thousand yen

| Account   | Note | Year ended Jul. 2007<br>(Aug. 1, 2006 - Jul. 31, 2008) |       | Year ended Jul. 2008<br>(Aug. 1, 2007 - Jul. 31, 2008) |       | Change       |
|---|------|--|-------|--|-------|--------------|
|   |      | Amount   | %     | Amount   | %     | Amount       |
| <b>Liabilities</b>                                    |      |  |       |  |       |              |
| <b>I Current liabilities</b>                          |      |  |       |  |       |              |
| 1. Trade accounts payable                             |      | 518,108  |       | 808,042  |       |              |
| 2. Short-term borrowings                              | *3   | 24,080,404   |       | 46,535,996   |       |              |
| 3. Current portion of long-term borrowings            | *4   | 32,016   |       | 126,996  |       |              |
| 4. Current portion of corporate bonds                 | *3   | 30,000   |       | 10,032,720   |       |              |
| 5. Accrued income taxes                               |      | 3,741,384  |       | 40,656   |       |              |
| 6. Allowance for employees' bonuses                   |      | 19,554   |       | 17,031   |       |              |
| 7. Allowance for directors' bonuses                   |      | 18,000   |       | -  |       |              |
| 8. Allowance for completed production compensation    |      | 7,104  |       | 8,765  |       |              |
| 9. Allowance for legal damages                        |      | 119,000  |       | 362,000  |       |              |
| 10. Others  |      | 3,649,273  |       | 2,295,208  |       |              |
| Total current liabilities                             |      | 32,214,845   | 66.4  | 60,227,417   | 67.8  | 28,012,572   |
| <b>II Long-term liabilities</b>                       |      |  |       |  |       |              |
| 1. Corporate bonds                                    |      | 560,000  |       | 730,000  |       |              |
| 2. Long-term borrowings                               | *3   | 120,331  |       | 2,510,100  |       |              |
| 3. Allowance for retirement benefits                  |      | 38,289   |       | 32,553   |       |              |
| 4. Negative goodwill                                  |      | 45,295   |       | 34,260   |       |              |
| 5. Others   |      | 15,158   |       | 10,250   |       |              |
| Total long-term liabilities                           |      | 779,075  | 1.6   | 3,317,163  | 3.7   | 2,538,087    |
| Total liabilities                                     |      | 32,993,921   | 68.0  | 63,544,581   | 71.5  | 30,550,659   |
| <b>Net assets</b>                                     |      |  |       |  |       |              |
| <b>I Shareholders' equity</b>                         |      |  |       |  |       |              |
| 1. Common stock                                       |      | 2,937,965  | 6.1   | 12,944,169   | 14.6  | 10,006,204   |
| 2. Capital surplus                                    |      | 2,778,935  | 5.7   | 12,785,139   | 14.4  | 10,006,204   |
| 3. Retained earnings                                  |      | 9,739,058  | 20.1  | (419,529)  | (0.5) | (10,158,588) |
| Total shareholders' equity                            |      | 15,455,958   | 31.9  | 25,309,778   | 28.5  | 9,853,820    |
| <b>II Valuation and translation adjustments</b>       |      |  |       |  |       |              |
| 1. Unrealized holding gain (loss) on other securities |      | (40)   | (0.0) | (2,372)  | (0.0) | (2,331)      |
| Total valuation and translation adjustments           |      | (40)   | (0.0) | (2,372)  | (0.0) | (2,331)      |
| <b>III Minority interests</b>                         |      |  |       |  |       |              |
|   |      | 38,888   | 0.0   | 4,863  | 0.0   | (34,024)     |
| Total net assets                                      |      | 15,494,806   | 32.0  | 25,312,270   | 28.5  | 9,817,464    |
| Total liabilities and net assets                      |      | 48,488,727   | 100.0 | 88,856,852   | 100.0 | 40,368,124   |

## (2) Consolidated Income Statements

Thousand yen

| Account   | Note | Year ended Jul. 2007<br>(Aug. 1, 2006 - Jul. 31, 2008) |            | Year ended Jul. 2008<br>(Aug. 1, 2007 - Jul. 31, 2008) |           | Change      |        |              |
|---|------|--|------------|--|-----------|-------------|--------|--------------|
|   |      | Amount   | %          | Amount   | %         | Amount      |        |              |
| I Sales   |      |  | 78,184,006 | 100.0  |           | 64,638,319  | 100.0  | (13,545,687) |
| II Cost of sales                                      |      |  | 60,076,591 | 76.8   |           | 55,395,329  | 85.7   | (4,681,262)  |
| Gross profit  |      |  | 18,107,415 | 23.2   |           | 9,242,990   | 14.3   | (8,864,425)  |
| III Selling, general and administrative expenses      | *1   |  | 5,602,377  | 7.2  |           | 6,075,991   | 9.4    | 473,614      |
| Operating profit                                      |      |  | 12,505,038 | 16.0   |           | 3,166,998   | 4.9    | (9,338,039)  |
| IV Non-operating income                               |      |  |            |  |           |             |        |              |
| 1. Interest income                                    |      |  | 4,959      |  |           | 28,066      |        |              |
| 2. Commissions income                                 |      |  | 113,400    |  |           | 116,771     |        |              |
| 3. Contract cancellation income                       |      |  | 130,324    |  |           | -           |        |              |
| 4. Others   |      |  | 73,134     |  |           | 74,272      |        |              |
|   |      |  | 321,858    | 0.4  |           | 219,110     | 0.3    | (102,747)    |
| V Non-operating expenses                              |      |  |            |  |           |             |        |              |
| 1. Interest expenses                                  |      |  | 746,086    |  |           | 1,307,842   |        |              |
| 2. Commissions paid                                   |      |  | 260,439    |  |           | 557,396     |        |              |
| 3. Consumption tax adjustment loss                    |      |  | 168,310    |  |           | 181,235     |        |              |
| 4. Stock issue expenses                               |      |  | 21,492     |  |           | 93,118      |        |              |
| 5. Others   |      |  | 13,122     |  |           | 116,720     |        |              |
|   |      |  | 1,209,451  | 1.5  |           | 2,256,313   | 3.5    | 1,046,862    |
| Recurring profit                                      |      |  | 11,617,444 | 14.9   |           | 1,129,796   | 1.7    | (10,487,648) |
| VI Extraordinary gains                                |      |  |            |  |           |             |        |              |
| 1. Gain on sales of affiliate stock                   |      |  | -          |  |           | 2,469       |        |              |
| 2. Gain on sales of fixed assets                      | *2   |  | 923        |  |           | 1,816       |        |              |
| 3. Gain on sales of investment securities             |      |  | -          |  |           | 35,024      |        |              |
| 4. Reversal of allowance for doubtful accounts        |      |  | 11,296     |  |           | -           |        |              |
| 5. Contract cancellation penalties income             |      |  | 50,000     |  |           | -           |        |              |
| 6. Cash gift income                                   |      |  | 400,000    |  |           | -           |        |              |
| 7. Others   |      |  | -          |  |           | 5,767       |        |              |
|   |      |  | 462,219    | 0.6  |           | 45,077      | 0.1    | (417,142)    |
| VII Extraordinary losses                              |      |  |            |  |           |             |        |              |
| 1. Loss on removal of fixed assets                    | *3   |  | 2,276      |  |           | 19,018      |        |              |
| 2. Loss on sales of fixed assets                      | *4   |  | 2,410      |  |           | 2,554       |        |              |
| 3. Provision of allowance for doubtful accounts       |      |  | 2,474      |  |           | 801,369     |        |              |
| 4. Bad debts loss                                     |      |  | 22,250     |  |           | -           |        |              |
| 5. Provision of allowance for legal damages           |      |  | 119,000    |  |           | 362,000     |        |              |
| 6. Loss on valuation of investment securities         |      |  | 219,530    |  |           | 43,973      |        |              |
| 7. Impairment loss                                    | *6   |  | 211,564    |  |           | 343,480     |        |              |
| 8. Business realignment expenses                      | *5   |  | -          |  |           | 807,003     |        |              |
| 9. Loss on sales of investment securities             |      |  | -          |  |           | 4,537       |        |              |
| 10. Loss on valuation of real estate for sale         |      |  | -          |  |           | 4,246,843   |        |              |
| 11. Contract cancellation penalties                   |      |  | -          |  |           | 2,650,000   |        |              |
| 12. Others  |      |  | -          |  |           | 30,000      |        |              |
|   |      |  |            |  |           | 9,310,779   | 14.4   | 8,731,271    |
| Net income before income taxes and minority interests |      |  | 11,500,156 | 14.7   |           | (8,135,905) | (12.6) | (19,636,062) |
| Current income taxes                                  |      | 5,320,344  |            |  | 46,461    |             |        |              |
| Reversal of the prior year's income taxes             |      |  |            |  | (123,343) |             |        |              |
| Deferred income taxes                                 |      | (334,843)  | 4,985,500  | 6.4  | 555,172   | 478,291     | 0.7    | (4,507,209)  |
| Income (loss) on minority interests                   |      |  | 2,085      | Δ0.0   |           | (307)       | 0.0    | (2,392)      |
| Net income  |      |  | 6,512,571  | 8.3  |           | (8,613,890) | (13.3) | (15,126,461) |

## (3) Consolidated Statements of Change in Net Assets

Year ended Jul. 2007 (Aug. 1, 2006 — Jul. 31, 2007)

Thousand yen

|  | Shareholders' equity |                 |                   |                            | Valuation and translation adjustments              | Minority interests | Total net assets |
|--|----------------------|-----------------|-------------------|----------------------------|--|--------------------|------------------|
|  | Common stock         | Capital surplus | Retained earnings | Total shareholders' equity | Unrealized holding gain (loss) on other securities |                    |                  |
| Balance as of July 31, 2006                            | 2,930,948            | 2,771,918       | 5,126,905         | 10,829,771                 | -  | 5,579              | 10,835,351       |
| Changes during the period                              |                      |                 |                   |                            |  |                    |                  |
| Issuance of new share                                  | 7,017                | 7,017           | -                 | 14,034                     | -  | -                  | 14,034           |
| Dividend of surplus                                    | -                    | -               | (1,900,418)       | (1,900,418)                | -  | -                  | (1,900,418)      |
| Net income   | -                    | -               | 6,512,571         | 6,512,571                  | -  | -                  | 6,512,571        |
| Changes (net) in items other than shareholders' equity | -                    | -               | -                 | -                          | (40)   | 33,308             | 33,267           |
| Total changes during the period                        | 7,017                | 7,017           | 4,612,152         | 4,626,186                  | (40)   | 33,308             | 4,659,454        |
| Balance as of July 31, 2007                            | 2,937,965            | 2,778,935       | 9,739,058         | 15,455,958                 | (40)   | 38,888             | 15,494,806       |

Year ended Jul. 2008 (Aug. 1, 2007 — Jul. 31, 2008)

Thousand yen

|  | Shareholders' equity |                 |                   |                            | Valuation and translation adjustments              | Minority interests | Total net assets |
|--|----------------------|-----------------|-------------------|----------------------------|--|--------------------|------------------|
|  | Common stock         | Capital surplus | Retained earnings | Total shareholders' equity | Unrealized holding gain (loss) on other securities |                    |                  |
| Balance as of July 31, 2007                                      | 2,937,965            | 2,778,935       | 9,739,058         | 15,455,958                 | (40)   | 38,888             | 15,494,806       |
| Changes during the period  |                      |                 |                   |                            |  |                    |                  |
| Issuance of new share  | 10,006,204           | 10,006,204      | -                 | 20,012,408                 | -  | -                  | 20,012,408       |
| Dividend of surplus  | -                    | -               | (1,938,509)       | (1,938,509)                | -  | -                  | (1,938,509)      |
| Net income   | -                    | -               | (8,613,890)       | (8,613,890)                | -  | -                  | (8,613,890)      |
| Changes in scope of consolidation or equity method of accounting | -                    | -               | 393,811           | 393,811                    | -  | -                  | 393,811          |
| Changes (net) in items other than shareholders' equity           | -                    | -               | -                 | -                          | (2,331)  | (34,024)           | (36,356)         |
| Total changes during the period                                  | 10,006,204           | 10,006,204      | (10,158,588)      | 9,853,820                  | (2,331)  | (34,024)           | 9,817,464        |
| Balance as of July 31, 2008                                      | 12,944,169           | 12,785,139      | (419,529)         | 25,309,778                 | (2,372)  | 4,863              | 25,312,270       |

**(4) Consolidated Cash Flow Statements**

Thousand yen

| Account   | Note | Year ended Jul. 2007           | Year ended Jul. 2008           | Change       |
|---|------|--------------------------------|--------------------------------|--------------|
|   |      | (Aug. 1, 2006 - Jul. 31, 2007) | (Aug. 1, 2007 - Jul. 31, 2008) |              |
|   |      | Amount                         | Amount                         | Amount       |
| <b>I</b> Cash flows from operating activities           |      |                                |                                |              |
| Net income before income taxes and minority interests   |      | 11,500,156                     | (8,135,905)                    |              |
| Depreciation and amortization                           |      | 49,582                         | 114,080                        |              |
| Amortization of goodwill                                |      | 145,542                        | 285,061                        |              |
| Impairment losses                                       |      | 211,564                        | 343,480                        |              |
| Business realignment expenses                           |      | -                              | 807,003                        |              |
| Loss on valuation of real estate for sale               |      | -                              | 4,246,843                      |              |
| Increase (Decrease) in allowance for doubtful accounts  |      | (44,690)                       | 940,680                        |              |
| Increase (Decrease) in allowance for employees' bonuses |      | (19,306)                       | 13,243                         |              |
| Increase (Decrease) in allowance for directors' bonuses |      | 14,150                         | (18,000)                       |              |
| Cash gift income  |      | (400,000)                      | -                              |              |
| Increase in allowance for retirement benefits           |      | 3,594                          | 4,030                          |              |
| Interest and dividend income                            |      | (4,959)                        | (28,195)                       |              |
| Interest expenses                                       |      | 746,086                        | 1,307,842                      |              |
| Gain on sale of investment securities                   |      | -                              | (35,024)                       |              |
| Loss on valuation of investment securities              |      | 219,530                        | 43,973                         |              |
| Loss on sale of investment securities                   |      | -                              | 4,537                          |              |
| Stock issue expenses                                    |      | 21,492                         | 93,118                         |              |
| Amortization of bond issue expenses                     |      | -                              | 8,819                          |              |
| Gain on sales of affiliate stock                        |      | -                              | (2,469)                        |              |
| Gain on sale of fixed assets                            |      | -                              | (1,816)                        |              |
| Loss on removal of fixed assets                         |      | 2,276                          | 19,018                         |              |
| Loss on sales of fixed assets                           |      | 2,410                          | 2,554                          |              |
| (Increase) Decrease in trade receivable                 |      | 597,511                        | (79,997)                       |              |
| Increase in inventories                                 |      | (10,009,448)                   | (45,114,061)                   |              |
| Increase in advances                                    |      | (4,920,454)                    | (1,220,786)                    |              |
| (Increase) Decrease in other current assets             |      | 341,212                        | (4,772,625)                    |              |
| Increase (Decrease) in trade payable                    |      | 115,082                        | 511,107                        |              |
| Decrease in accrued consumption taxes                   |      | (399,063)                      | (351,387)                      |              |
| Increase (Decrease) in advances received                |      | (149,514)                      | 189,566                        |              |
| Increase (Decrease) in other current liabilities        |      | 1,994,790                      | (158,550)                      |              |
| Others  |      | (3,421,578)                    | 926,217                        |              |
| Subtotal  |      | (3,404,029)                    | (50,057,642)                   | (46,653,612) |
| Interests and dividends received                        |      | 4,959                          | 28,195                         |              |
| Interests paid  |      | (747,461)                      | (1,273,471)                    |              |
| Income taxes paid                                       |      | (4,393,944)                    | (3,735,693)                    |              |
| Proceed from cash gift income                           |      | 400,000                        | -                              |              |
| Net cash used in operating activities                   |      | (8,140,477)                    | (55,038,612)                   | (46,898,135) |

Thousand yen

| Account   | Note | Year ended Jul. 2007           | Year ended Jul. 2008           | Change      |
|---|------|--------------------------------|--------------------------------|-------------|
|   |      | (Aug. 1, 2006 - Jul. 31, 2008) | (Aug. 1, 2007 - Jul. 31, 2008) | Amount      |
|   |      | Amount                         | Amount                         | Amount      |
| II Cash flows from investing activities   |      |                                |                                |             |
| Payments for time deposits  |      | (29,030)                       | (1,209,585)                    |             |
| Proceeds from time deposits   |      | 211,771                        | 1,170,949                      |             |
| Proceeds from sales of subsidiary stock with changes in scope of consolidation      | *3   | 52,021                         | 67,337                         |             |
| Payments for acquisition of subsidiary stock with changes in scope of consolidation | *2   | (716,475)                      | -                              |             |
| Payments for purchase of equity investments   |      | (800,000)                      | -                              |             |
| Proceeds from collection of equity investments                                      |      | 850,000                        | -                              |             |
| Payments for purchase of investment securities                                      |      | (239,480)                      | -                              |             |
| Proceeds from sale of investment securities   |      | -                              | 86,812                         |             |
| Proceeds from sale of tangible fixed assets   |      | 580                            | 15,812                         |             |
| Payments for purchase of tangible fixed assets                                      |      | (149,966)                      | (57,987)                       |             |
| Proceeds from sale of intangible fixed assets                                       |      | -                              | 854                            |             |
| Payments for purchase of intangible fixed assets                                    |      | (9,826)                        | (6,661)                        |             |
| Payments for guarantee deposits   |      | (299,023)                      | (324,057)                      |             |
| Proceeds for return of guarantee deposits   |      | 286,475                        | 49,641                         |             |
| Payments for loans receivable   |      | (913)                          | (2,850,000)                    |             |
| Proceeds from collection of loans receivable  |      | 757                            | 137,905                        |             |
| Others  |      | 3,245,363                      | 35,483                         |             |
| Net cash provided by (used in) investing activities                                 |      | 2,402,254                      | (2,883,493)                    | (5,285,748) |
| III Cash flows from financing activities  |      |                                |                                |             |
| Net increase in short-term borrowings   |      | 7,220,484                      | 22,459,592                     |             |
| Proceeds from long-term borrowings  |      | 45,000                         | 2,617,726                      |             |
| Repayments of long-term borrowings  |      | (15,670)                       | (41,016)                       |             |
| Proceeds from corporate bond issuance   |      | -                              | 10,223,901                     |             |
| Payment for redemption of corporate bond  |      | -                              | (30,000)                       |             |
| Proceeds from new share issuance  |      | 14,034                         | 20,012,408                     |             |
| Others  |      | (21,492)                       | (93,118)                       |             |
| Cash dividends paid   |      | (1,890,101)                    | (1,938,509)                    |             |
| Net cash provided by financing activities   |      | 5,352,253                      | 53,210,984                     | 47,858,730  |
| IV Increase (Decrease) in cash and cash equivalents                                 |      | (385,968)                      | (4,711,121)                    | (4,325,152) |
| VI Cash and cash equivalents at beginning of the period                             |      | 8,639,899                      | 8,253,931                      | (385,968)   |
| V Decrease in cash and cash equivalents due to exclusion of consolidation           |      | -                              | (315,951)                      | (315,951)   |
| VII Cash and cash equivalents at end of the period                                  | *1   | 8,253,931                      | 3,226,858                      | (5,027,073) |

## Notes

## Notes to Consolidated Balance Sheets

Thousand yen

| Year ended Jul. 2007<br>(As of July 31, 2007)   | Year ended Jul. 2008<br>(As of July 31, 2008)   |
|---|---|
| *1. The following items are applicable to affiliates  |   |
| Investment securities (stock) 4,000   |   |
| *2. Accumulated depreciation of tangible fixed assets 154,174   | *2. Accumulated depreciation of tangible fixed assets 168,716   |
| *3. Assets pledged as collateral and corresponding liabilities  | *3. Assets pledged as collateral and corresponding liabilities  |
| Assets pledged as collateral  | Assets pledged as collateral  |
| Cash and deposits 150,000   | Cash and deposits 582,131   |
| Real estate for sale 21,987,450   | Real estate for sale 67,175,552   |
| Buildings 5,125   | Buildings 4,849   |
| Land 64,037   | Land 64,073   |
| Total 22,206,649  | Total 67,826,607  |
| Corresponding liabilities   | Corresponding liabilities   |
| Short-term borrowings 22,684,400  | Short-term borrowings 44,538,496  |
| Deposits 967,000  | Current portion of long-term borrowings 108,000   |
| Total 23,651,400  | Long-term liabilities 1,983,000   |
|   | Total 46,629,496  |
| *4. The Company has an overdraft facility and commitment line agreements with its bankers. The balance of unused credit lines under these agreements as of the end of fiscal year was as follows: | *4. The Company has an overdraft facility and commitment line agreements with its bankers. The balance of unused credit lines under these agreements as of the end of fiscal year was as follows: |
| Current account overdraft 8,000,000   | Current account overdraft 8,838,000   |
| Credit used 2,825,000   | Credit used 6,561,496   |
| Credit available 5,175,000  | Credit available 2,276,503  |
| *5. Notes receivable endorsed 12,265  |   |
| *6. Rent guarantees   |   |
| The total amount of rent guarantees provided by ARDEPRO PROPERTY MANAGEMENT Co., Ltd. was 512,839 yen as of July 31, 2007.  |   |

## Notes to Consolidated Income Statements

Thousand yen

| Year ended Jul. 2007<br>(Aug. 1, 2006 - Jul. 31, 2007)   | Year ended Jul. 2008<br>(Aug. 1, 2007 - Jul. 31, 2008) |                                    |  |       |   |        |                      |           |   |        |                             |       |                               |         |                          |         |          |     |           |       |                               |     |                  |    |       |              |           |       |             |      |         |             |                                   |                                    |        |          |                                    |          |                       |          |                            |                     |                                |  |                   |        |  |         |                      |         |   |        |                             |       |                               |         |                      |         |                          |         |                                   |       |       |              |           |        |                               |     |                                   |     |       |               |                                   |       |                            |       |       |              |                                  |         |                                  |        |        |        |       |                |             |      |         |        |          |                |
|--|--|------------------------------------|--|-------|---|--------|----------------------|-----------|---|--------|-----------------------------|-------|-------------------------------|---------|--------------------------|---------|----------|-----|-----------|-------|-------------------------------|-----|------------------|----|-------|--------------|-----------|-------|-------------|------|---------|-------------|-----------------------------------|------------------------------------|--------|----------|------------------------------------|----------|-----------------------|----------|----------------------------|---------------------|--------------------------------|--|-------------------|--------|--|---------|----------------------|---------|---|--------|-----------------------------|-------|-------------------------------|---------|----------------------|---------|--------------------------|---------|-----------------------------------|-------|-------|--------------|-----------|--------|-------------------------------|-----|-----------------------------------|-----|-------|---------------|-----------------------------------|-------|----------------------------|-------|-------|--------------|----------------------------------|---------|----------------------------------|--------|--------|--------|-------|----------------|-------------|------|---------|--------|----------|----------------|
| <p>*1. Major items of "Selling, general and administrative expenses"</p> <table border="0"> <tr><td>Sales commissions</td><td style="text-align: right;">636,042</td></tr> <tr><td>Provision of allowance for doubtful accounts</td><td style="text-align: right;">5,695</td></tr> <tr><td>Provision of allowance for directors' bonuses</td><td style="text-align: right;">18,000</td></tr> <tr><td>Salaries and bonuses</td><td style="text-align: right;">1,446,239</td></tr> <tr><td>Provision of allowance for employees' bonuses</td><td style="text-align: right;">18,833</td></tr> <tr><td>Retirement benefit expenses</td><td style="text-align: right;">3,620</td></tr> <tr><td>Management and other expenses</td><td style="text-align: right;">919,826</td></tr> <tr><td>Amortization of goodwill</td><td style="text-align: right;">145,542</td></tr> </table> <p>*2. Breakdown of "Gain on sales of fixed assets"</p> <table border="0"> <tr><td>Vehicles</td><td style="text-align: right;">923</td></tr> </table> <p>*3. Breakdown of "Loss on removal of fixed assets"</p> <table border="0"> <tr><td>Buildings</td><td style="text-align: right;">1,617</td></tr> <tr><td>Tools, furniture and fixtures</td><td style="text-align: right;">592</td></tr> <tr><td>Telephone rights</td><td style="text-align: right;">66</td></tr> <tr><td>Total</td><td style="text-align: right;"><u>2,276</u></td></tr> </table> <p>*4. Breakdown of "Loss on sales of fixed assets"</p> <table border="0"> <tr><td>Buildings</td><td style="text-align: right;">2,410</td></tr> </table> <p>5. _____</p> <p>*6. Impairment losses<br/>Impairment losses on fixed assets at the Group for the current fiscal year were as follows.<br/>(1) Impairment losses on assets</p> <table border="1"> <thead> <tr> <th>Primary use</th> <th>Type</th> <th>Company</th> </tr> </thead> <tbody> <tr> <td>Idle assets</td> <td>Buildings and Machinery equipment</td> <td>Japan Realty Supervision Co., Ltd.</td> </tr> <tr> <td rowspan="4">Others</td> <td>Goodwill</td> <td>Japan Realty Supervision Co., Ltd.</td> </tr> <tr> <td>Goodwill</td> <td>Kinjyu Life Co., Ltd.</td> </tr> <tr> <td>Goodwill</td> <td>Devex Management Co., Ltd.</td> </tr> <tr> <td>Goodwill equivalent</td> <td>Maple Living Service Co., Ltd.</td> </tr> </tbody> </table> <p>(2) Recognition of impairment loss<br/>An impairment loss was recognized as there is no prospect of realizing previously expected income.<br/>Impairment losses were recognized on goodwill and goodwill equivalents, since the investment recovery period is expected to be longer than expected in view of the business performance of affiliates in which the Company has invested.</p> | Sales commissions                                      | 636,042                            | Provision of allowance for doubtful accounts | 5,695 | Provision of allowance for directors' bonuses | 18,000 | Salaries and bonuses | 1,446,239 | Provision of allowance for employees' bonuses | 18,833 | Retirement benefit expenses | 3,620 | Management and other expenses | 919,826 | Amortization of goodwill | 145,542 | Vehicles | 923 | Buildings | 1,617 | Tools, furniture and fixtures | 592 | Telephone rights | 66 | Total | <u>2,276</u> | Buildings | 2,410 | Primary use | Type | Company | Idle assets | Buildings and Machinery equipment | Japan Realty Supervision Co., Ltd. | Others | Goodwill | Japan Realty Supervision Co., Ltd. | Goodwill | Kinjyu Life Co., Ltd. | Goodwill | Devex Management Co., Ltd. | Goodwill equivalent | Maple Living Service Co., Ltd. | <p>*1. Major items of "Selling, general and administrative expenses"</p> <table border="0"> <tr><td>Sales commissions</td><td style="text-align: right;">40,149</td></tr> <tr><td>Provision of allowance for doubtful accounts</td><td style="text-align: right;">113,322</td></tr> <tr><td>Salaries and bonuses</td><td style="text-align: right;">599,972</td></tr> <tr><td>Provision of allowance for employees' bonuses</td><td style="text-align: right;">29,274</td></tr> <tr><td>Retirement benefit expenses</td><td style="text-align: right;">5,253</td></tr> <tr><td>Management and other expenses</td><td style="text-align: right;">146,666</td></tr> <tr><td>Advertising expenses</td><td style="text-align: right;">850,598</td></tr> <tr><td>Amortization of goodwill</td><td style="text-align: right;">285,061</td></tr> </table> <p>*2. Breakdown of "Gain on sales of fixed assets"</p> <table border="0"> <tr><td>Mechanical equipment and vehicles</td><td style="text-align: right;">1,816</td></tr> <tr><td>Total</td><td style="text-align: right;"><u>1,816</u></td></tr> </table> <p>*3. Breakdown of "Loss on removal of fixed assets"</p> <table border="0"> <tr><td>Buildings</td><td style="text-align: right;">17,948</td></tr> <tr><td>Tools, furniture and fixtures</td><td style="text-align: right;">639</td></tr> <tr><td>Mechanical equipment and vehicles</td><td style="text-align: right;">430</td></tr> <tr><td>Total</td><td style="text-align: right;"><u>19,018</u></td></tr> </table> <p>*4. Breakdown of "Loss on sales of fixed assets"</p> <table border="0"> <tr><td>Mechanical equipment and vehicles</td><td style="text-align: right;">1,139</td></tr> <tr><td>Real estate for investment</td><td style="text-align: right;">1,415</td></tr> <tr><td>Total</td><td style="text-align: right;"><u>2,554</u></td></tr> </table> <p>5. Breakdown of "Business realignment expenses"</p> <table border="0"> <tr><td>Loss on sales of affiliate stock</td><td style="text-align: right;">679,050</td></tr> <tr><td>Loss on liquidation of affiliate</td><td style="text-align: right;">54,712</td></tr> <tr><td>Others</td><td style="text-align: right;">73,241</td></tr> <tr><td>Total</td><td style="text-align: right;"><u>807,003</u></td></tr> </table> <p>*6. Impairment losses<br/>Impairment losses on fixed assets at the Group for the current fiscal year were as follows.<br/>(1) Impairment losses on assets</p> <table border="1"> <thead> <tr> <th>Primary use</th> <th>Type</th> <th>Company</th> </tr> </thead> <tbody> <tr> <td>Others</td> <td>Goodwill</td> <td>Opus Co., Ltd.</td> </tr> </tbody> </table> <p>(2) Recognition of impairment loss<br/>An impairment loss was recognized as there is no prospect of realizing previously expected income.<br/>Impairment losses were recognized on goodwill, since the investment recovery period is expected to be longer than expected in view of the business performance of affiliates in which the Company has invested.</p> | Sales commissions | 40,149 | Provision of allowance for doubtful accounts | 113,322 | Salaries and bonuses | 599,972 | Provision of allowance for employees' bonuses | 29,274 | Retirement benefit expenses | 5,253 | Management and other expenses | 146,666 | Advertising expenses | 850,598 | Amortization of goodwill | 285,061 | Mechanical equipment and vehicles | 1,816 | Total | <u>1,816</u> | Buildings | 17,948 | Tools, furniture and fixtures | 639 | Mechanical equipment and vehicles | 430 | Total | <u>19,018</u> | Mechanical equipment and vehicles | 1,139 | Real estate for investment | 1,415 | Total | <u>2,554</u> | Loss on sales of affiliate stock | 679,050 | Loss on liquidation of affiliate | 54,712 | Others | 73,241 | Total | <u>807,003</u> | Primary use | Type | Company | Others | Goodwill | Opus Co., Ltd. |
| Sales commissions  | 636,042  |                                    |  |       |   |        |                      |           |   |        |                             |       |                               |         |                          |         |          |     |           |       |                               |     |                  |    |       |              |           |       |             |      |         |             |                                   |                                    |        |          |                                    |          |                       |          |                            |                     |                                |  |                   |        |  |         |                      |         |   |        |                             |       |                               |         |                      |         |                          |         |                                   |       |       |              |           |        |                               |     |                                   |     |       |               |                                   |       |                            |       |       |              |                                  |         |                                  |        |        |        |       |                |             |      |         |        |          |                |
| Provision of allowance for doubtful accounts   | 5,695  |                                    |  |       |   |        |                      |           |   |        |                             |       |                               |         |                          |         |          |     |           |       |                               |     |                  |    |       |              |           |       |             |      |         |             |                                   |                                    |        |          |                                    |          |                       |          |                            |                     |                                |  |                   |        |  |         |                      |         |   |        |                             |       |                               |         |                      |         |                          |         |                                   |       |       |              |           |        |                               |     |                                   |     |       |               |                                   |       |                            |       |       |              |                                  |         |                                  |        |        |        |       |                |             |      |         |        |          |                |
| Provision of allowance for directors' bonuses  | 18,000   |                                    |  |       |   |        |                      |           |   |        |                             |       |                               |         |                          |         |          |     |           |       |                               |     |                  |    |       |              |           |       |             |      |         |             |                                   |                                    |        |          |                                    |          |                       |          |                            |                     |                                |  |                   |        |  |         |                      |         |   |        |                             |       |                               |         |                      |         |                          |         |                                   |       |       |              |           |        |                               |     |                                   |     |       |               |                                   |       |                            |       |       |              |                                  |         |                                  |        |        |        |       |                |             |      |         |        |          |                |
| Salaries and bonuses   | 1,446,239  |                                    |  |       |   |        |                      |           |   |        |                             |       |                               |         |                          |         |          |     |           |       |                               |     |                  |    |       |              |           |       |             |      |         |             |                                   |                                    |        |          |                                    |          |                       |          |                            |                     |                                |  |                   |        |  |         |                      |         |   |        |                             |       |                               |         |                      |         |                          |         |                                   |       |       |              |           |        |                               |     |                                   |     |       |               |                                   |       |                            |       |       |              |                                  |         |                                  |        |        |        |       |                |             |      |         |        |          |                |
| Provision of allowance for employees' bonuses  | 18,833   |                                    |  |       |   |        |                      |           |   |        |                             |       |                               |         |                          |         |          |     |           |       |                               |     |                  |    |       |              |           |       |             |      |         |             |                                   |                                    |        |          |                                    |          |                       |          |                            |                     |                                |  |                   |        |  |         |                      |         |   |        |                             |       |                               |         |                      |         |                          |         |                                   |       |       |              |           |        |                               |     |                                   |     |       |               |                                   |       |                            |       |       |              |                                  |         |                                  |        |        |        |       |                |             |      |         |        |          |                |
| Retirement benefit expenses  | 3,620  |                                    |  |       |   |        |                      |           |   |        |                             |       |                               |         |                          |         |          |     |           |       |                               |     |                  |    |       |              |           |       |             |      |         |             |                                   |                                    |        |          |                                    |          |                       |          |                            |                     |                                |  |                   |        |  |         |                      |         |   |        |                             |       |                               |         |                      |         |                          |         |                                   |       |       |              |           |        |                               |     |                                   |     |       |               |                                   |       |                            |       |       |              |                                  |         |                                  |        |        |        |       |                |             |      |         |        |          |                |
| Management and other expenses  | 919,826  |                                    |  |       |   |        |                      |           |   |        |                             |       |                               |         |                          |         |          |     |           |       |                               |     |                  |    |       |              |           |       |             |      |         |             |                                   |                                    |        |          |                                    |          |                       |          |                            |                     |                                |  |                   |        |  |         |                      |         |   |        |                             |       |                               |         |                      |         |                          |         |                                   |       |       |              |           |        |                               |     |                                   |     |       |               |                                   |       |                            |       |       |              |                                  |         |                                  |        |        |        |       |                |             |      |         |        |          |                |
| Amortization of goodwill   | 145,542  |                                    |  |       |   |        |                      |           |   |        |                             |       |                               |         |                          |         |          |     |           |       |                               |     |                  |    |       |              |           |       |             |      |         |             |                                   |                                    |        |          |                                    |          |                       |          |                            |                     |                                |  |                   |        |  |         |                      |         |   |        |                             |       |                               |         |                      |         |                          |         |                                   |       |       |              |           |        |                               |     |                                   |     |       |               |                                   |       |                            |       |       |              |                                  |         |                                  |        |        |        |       |                |             |      |         |        |          |                |
| Vehicles   | 923  |                                    |  |       |   |        |                      |           |   |        |                             |       |                               |         |                          |         |          |     |           |       |                               |     |                  |    |       |              |           |       |             |      |         |             |                                   |                                    |        |          |                                    |          |                       |          |                            |                     |                                |  |                   |        |  |         |                      |         |   |        |                             |       |                               |         |                      |         |                          |         |                                   |       |       |              |           |        |                               |     |                                   |     |       |               |                                   |       |                            |       |       |              |                                  |         |                                  |        |        |        |       |                |             |      |         |        |          |                |
| Buildings  | 1,617  |                                    |  |       |   |        |                      |           |   |        |                             |       |                               |         |                          |         |          |     |           |       |                               |     |                  |    |       |              |           |       |             |      |         |             |                                   |                                    |        |          |                                    |          |                       |          |                            |                     |                                |  |                   |        |  |         |                      |         |   |        |                             |       |                               |         |                      |         |                          |         |                                   |       |       |              |           |        |                               |     |                                   |     |       |               |                                   |       |                            |       |       |              |                                  |         |                                  |        |        |        |       |                |             |      |         |        |          |                |
| Tools, furniture and fixtures  | 592  |                                    |  |       |   |        |                      |           |   |        |                             |       |                               |         |                          |         |          |     |           |       |                               |     |                  |    |       |              |           |       |             |      |         |             |                                   |                                    |        |          |                                    |          |                       |          |                            |                     |                                |  |                   |        |  |         |                      |         |   |        |                             |       |                               |         |                      |         |                          |         |                                   |       |       |              |           |        |                               |     |                                   |     |       |               |                                   |       |                            |       |       |              |                                  |         |                                  |        |        |        |       |                |             |      |         |        |          |                |
| Telephone rights   | 66   |                                    |  |       |   |        |                      |           |   |        |                             |       |                               |         |                          |         |          |     |           |       |                               |     |                  |    |       |              |           |       |             |      |         |             |                                   |                                    |        |          |                                    |          |                       |          |                            |                     |                                |  |                   |        |  |         |                      |         |   |        |                             |       |                               |         |                      |         |                          |         |                                   |       |       |              |           |        |                               |     |                                   |     |       |               |                                   |       |                            |       |       |              |                                  |         |                                  |        |        |        |       |                |             |      |         |        |          |                |
| Total  | <u>2,276</u>   |                                    |  |       |   |        |                      |           |   |        |                             |       |                               |         |                          |         |          |     |           |       |                               |     |                  |    |       |              |           |       |             |      |         |             |                                   |                                    |        |          |                                    |          |                       |          |                            |                     |                                |  |                   |        |  |         |                      |         |   |        |                             |       |                               |         |                      |         |                          |         |                                   |       |       |              |           |        |                               |     |                                   |     |       |               |                                   |       |                            |       |       |              |                                  |         |                                  |        |        |        |       |                |             |      |         |        |          |                |
| Buildings  | 2,410  |                                    |  |       |   |        |                      |           |   |        |                             |       |                               |         |                          |         |          |     |           |       |                               |     |                  |    |       |              |           |       |             |      |         |             |                                   |                                    |        |          |                                    |          |                       |          |                            |                     |                                |  |                   |        |  |         |                      |         |   |        |                             |       |                               |         |                      |         |                          |         |                                   |       |       |              |           |        |                               |     |                                   |     |       |               |                                   |       |                            |       |       |              |                                  |         |                                  |        |        |        |       |                |             |      |         |        |          |                |
| Primary use  | Type   | Company                            |  |       |   |        |                      |           |   |        |                             |       |                               |         |                          |         |          |     |           |       |                               |     |                  |    |       |              |           |       |             |      |         |             |                                   |                                    |        |          |                                    |          |                       |          |                            |                     |                                |  |                   |        |  |         |                      |         |   |        |                             |       |                               |         |                      |         |                          |         |                                   |       |       |              |           |        |                               |     |                                   |     |       |               |                                   |       |                            |       |       |              |                                  |         |                                  |        |        |        |       |                |             |      |         |        |          |                |
| Idle assets  | Buildings and Machinery equipment                      | Japan Realty Supervision Co., Ltd. |  |       |   |        |                      |           |   |        |                             |       |                               |         |                          |         |          |     |           |       |                               |     |                  |    |       |              |           |       |             |      |         |             |                                   |                                    |        |          |                                    |          |                       |          |                            |                     |                                |  |                   |        |  |         |                      |         |   |        |                             |       |                               |         |                      |         |                          |         |                                   |       |       |              |           |        |                               |     |                                   |     |       |               |                                   |       |                            |       |       |              |                                  |         |                                  |        |        |        |       |                |             |      |         |        |          |                |
| Others   | Goodwill   | Japan Realty Supervision Co., Ltd. |  |       |   |        |                      |           |   |        |                             |       |                               |         |                          |         |          |     |           |       |                               |     |                  |    |       |              |           |       |             |      |         |             |                                   |                                    |        |          |                                    |          |                       |          |                            |                     |                                |  |                   |        |  |         |                      |         |   |        |                             |       |                               |         |                      |         |                          |         |                                   |       |       |              |           |        |                               |     |                                   |     |       |               |                                   |       |                            |       |       |              |                                  |         |                                  |        |        |        |       |                |             |      |         |        |          |                |
|  | Goodwill   | Kinjyu Life Co., Ltd.              |  |       |   |        |                      |           |   |        |                             |       |                               |         |                          |         |          |     |           |       |                               |     |                  |    |       |              |           |       |             |      |         |             |                                   |                                    |        |          |                                    |          |                       |          |                            |                     |                                |  |                   |        |  |         |                      |         |   |        |                             |       |                               |         |                      |         |                          |         |                                   |       |       |              |           |        |                               |     |                                   |     |       |               |                                   |       |                            |       |       |              |                                  |         |                                  |        |        |        |       |                |             |      |         |        |          |                |
|  | Goodwill   | Devex Management Co., Ltd.         |  |       |   |        |                      |           |   |        |                             |       |                               |         |                          |         |          |     |           |       |                               |     |                  |    |       |              |           |       |             |      |         |             |                                   |                                    |        |          |                                    |          |                       |          |                            |                     |                                |  |                   |        |  |         |                      |         |   |        |                             |       |                               |         |                      |         |                          |         |                                   |       |       |              |           |        |                               |     |                                   |     |       |               |                                   |       |                            |       |       |              |                                  |         |                                  |        |        |        |       |                |             |      |         |        |          |                |
|  | Goodwill equivalent                                    | Maple Living Service Co., Ltd.     |  |       |   |        |                      |           |   |        |                             |       |                               |         |                          |         |          |     |           |       |                               |     |                  |    |       |              |           |       |             |      |         |             |                                   |                                    |        |          |                                    |          |                       |          |                            |                     |                                |  |                   |        |  |         |                      |         |   |        |                             |       |                               |         |                      |         |                          |         |                                   |       |       |              |           |        |                               |     |                                   |     |       |               |                                   |       |                            |       |       |              |                                  |         |                                  |        |        |        |       |                |             |      |         |        |          |                |
| Sales commissions  | 40,149   |                                    |  |       |   |        |                      |           |   |        |                             |       |                               |         |                          |         |          |     |           |       |                               |     |                  |    |       |              |           |       |             |      |         |             |                                   |                                    |        |          |                                    |          |                       |          |                            |                     |                                |  |                   |        |  |         |                      |         |   |        |                             |       |                               |         |                      |         |                          |         |                                   |       |       |              |           |        |                               |     |                                   |     |       |               |                                   |       |                            |       |       |              |                                  |         |                                  |        |        |        |       |                |             |      |         |        |          |                |
| Provision of allowance for doubtful accounts   | 113,322  |                                    |  |       |   |        |                      |           |   |        |                             |       |                               |         |                          |         |          |     |           |       |                               |     |                  |    |       |              |           |       |             |      |         |             |                                   |                                    |        |          |                                    |          |                       |          |                            |                     |                                |  |                   |        |  |         |                      |         |   |        |                             |       |                               |         |                      |         |                          |         |                                   |       |       |              |           |        |                               |     |                                   |     |       |               |                                   |       |                            |       |       |              |                                  |         |                                  |        |        |        |       |                |             |      |         |        |          |                |
| Salaries and bonuses   | 599,972  |                                    |  |       |   |        |                      |           |   |        |                             |       |                               |         |                          |         |          |     |           |       |                               |     |                  |    |       |              |           |       |             |      |         |             |                                   |                                    |        |          |                                    |          |                       |          |                            |                     |                                |  |                   |        |  |         |                      |         |   |        |                             |       |                               |         |                      |         |                          |         |                                   |       |       |              |           |        |                               |     |                                   |     |       |               |                                   |       |                            |       |       |              |                                  |         |                                  |        |        |        |       |                |             |      |         |        |          |                |
| Provision of allowance for employees' bonuses  | 29,274   |                                    |  |       |   |        |                      |           |   |        |                             |       |                               |         |                          |         |          |     |           |       |                               |     |                  |    |       |              |           |       |             |      |         |             |                                   |                                    |        |          |                                    |          |                       |          |                            |                     |                                |  |                   |        |  |         |                      |         |   |        |                             |       |                               |         |                      |         |                          |         |                                   |       |       |              |           |        |                               |     |                                   |     |       |               |                                   |       |                            |       |       |              |                                  |         |                                  |        |        |        |       |                |             |      |         |        |          |                |
| Retirement benefit expenses  | 5,253  |                                    |  |       |   |        |                      |           |   |        |                             |       |                               |         |                          |         |          |     |           |       |                               |     |                  |    |       |              |           |       |             |      |         |             |                                   |                                    |        |          |                                    |          |                       |          |                            |                     |                                |  |                   |        |  |         |                      |         |   |        |                             |       |                               |         |                      |         |                          |         |                                   |       |       |              |           |        |                               |     |                                   |     |       |               |                                   |       |                            |       |       |              |                                  |         |                                  |        |        |        |       |                |             |      |         |        |          |                |
| Management and other expenses  | 146,666  |                                    |  |       |   |        |                      |           |   |        |                             |       |                               |         |                          |         |          |     |           |       |                               |     |                  |    |       |              |           |       |             |      |         |             |                                   |                                    |        |          |                                    |          |                       |          |                            |                     |                                |  |                   |        |  |         |                      |         |   |        |                             |       |                               |         |                      |         |                          |         |                                   |       |       |              |           |        |                               |     |                                   |     |       |               |                                   |       |                            |       |       |              |                                  |         |                                  |        |        |        |       |                |             |      |         |        |          |                |
| Advertising expenses   | 850,598  |                                    |  |       |   |        |                      |           |   |        |                             |       |                               |         |                          |         |          |     |           |       |                               |     |                  |    |       |              |           |       |             |      |         |             |                                   |                                    |        |          |                                    |          |                       |          |                            |                     |                                |  |                   |        |  |         |                      |         |   |        |                             |       |                               |         |                      |         |                          |         |                                   |       |       |              |           |        |                               |     |                                   |     |       |               |                                   |       |                            |       |       |              |                                  |         |                                  |        |        |        |       |                |             |      |         |        |          |                |
| Amortization of goodwill   | 285,061  |                                    |  |       |   |        |                      |           |   |        |                             |       |                               |         |                          |         |          |     |           |       |                               |     |                  |    |       |              |           |       |             |      |         |             |                                   |                                    |        |          |                                    |          |                       |          |                            |                     |                                |  |                   |        |  |         |                      |         |   |        |                             |       |                               |         |                      |         |                          |         |                                   |       |       |              |           |        |                               |     |                                   |     |       |               |                                   |       |                            |       |       |              |                                  |         |                                  |        |        |        |       |                |             |      |         |        |          |                |
| Mechanical equipment and vehicles  | 1,816  |                                    |  |       |   |        |                      |           |   |        |                             |       |                               |         |                          |         |          |     |           |       |                               |     |                  |    |       |              |           |       |             |      |         |             |                                   |                                    |        |          |                                    |          |                       |          |                            |                     |                                |  |                   |        |  |         |                      |         |   |        |                             |       |                               |         |                      |         |                          |         |                                   |       |       |              |           |        |                               |     |                                   |     |       |               |                                   |       |                            |       |       |              |                                  |         |                                  |        |        |        |       |                |             |      |         |        |          |                |
| Total  | <u>1,816</u>   |                                    |  |       |   |        |                      |           |   |        |                             |       |                               |         |                          |         |          |     |           |       |                               |     |                  |    |       |              |           |       |             |      |         |             |                                   |                                    |        |          |                                    |          |                       |          |                            |                     |                                |  |                   |        |  |         |                      |         |   |        |                             |       |                               |         |                      |         |                          |         |                                   |       |       |              |           |        |                               |     |                                   |     |       |               |                                   |       |                            |       |       |              |                                  |         |                                  |        |        |        |       |                |             |      |         |        |          |                |
| Buildings  | 17,948   |                                    |  |       |   |        |                      |           |   |        |                             |       |                               |         |                          |         |          |     |           |       |                               |     |                  |    |       |              |           |       |             |      |         |             |                                   |                                    |        |          |                                    |          |                       |          |                            |                     |                                |  |                   |        |  |         |                      |         |   |        |                             |       |                               |         |                      |         |                          |         |                                   |       |       |              |           |        |                               |     |                                   |     |       |               |                                   |       |                            |       |       |              |                                  |         |                                  |        |        |        |       |                |             |      |         |        |          |                |
| Tools, furniture and fixtures  | 639  |                                    |  |       |   |        |                      |           |   |        |                             |       |                               |         |                          |         |          |     |           |       |                               |     |                  |    |       |              |           |       |             |      |         |             |                                   |                                    |        |          |                                    |          |                       |          |                            |                     |                                |  |                   |        |  |         |                      |         |   |        |                             |       |                               |         |                      |         |                          |         |                                   |       |       |              |           |        |                               |     |                                   |     |       |               |                                   |       |                            |       |       |              |                                  |         |                                  |        |        |        |       |                |             |      |         |        |          |                |
| Mechanical equipment and vehicles  | 430  |                                    |  |       |   |        |                      |           |   |        |                             |       |                               |         |                          |         |          |     |           |       |                               |     |                  |    |       |              |           |       |             |      |         |             |                                   |                                    |        |          |                                    |          |                       |          |                            |                     |                                |  |                   |        |  |         |                      |         |   |        |                             |       |                               |         |                      |         |                          |         |                                   |       |       |              |           |        |                               |     |                                   |     |       |               |                                   |       |                            |       |       |              |                                  |         |                                  |        |        |        |       |                |             |      |         |        |          |                |
| Total  | <u>19,018</u>  |                                    |  |       |   |        |                      |           |   |        |                             |       |                               |         |                          |         |          |     |           |       |                               |     |                  |    |       |              |           |       |             |      |         |             |                                   |                                    |        |          |                                    |          |                       |          |                            |                     |                                |  |                   |        |  |         |                      |         |   |        |                             |       |                               |         |                      |         |                          |         |                                   |       |       |              |           |        |                               |     |                                   |     |       |               |                                   |       |                            |       |       |              |                                  |         |                                  |        |        |        |       |                |             |      |         |        |          |                |
| Mechanical equipment and vehicles  | 1,139  |                                    |  |       |   |        |                      |           |   |        |                             |       |                               |         |                          |         |          |     |           |       |                               |     |                  |    |       |              |           |       |             |      |         |             |                                   |                                    |        |          |                                    |          |                       |          |                            |                     |                                |  |                   |        |  |         |                      |         |   |        |                             |       |                               |         |                      |         |                          |         |                                   |       |       |              |           |        |                               |     |                                   |     |       |               |                                   |       |                            |       |       |              |                                  |         |                                  |        |        |        |       |                |             |      |         |        |          |                |
| Real estate for investment   | 1,415  |                                    |  |       |   |        |                      |           |   |        |                             |       |                               |         |                          |         |          |     |           |       |                               |     |                  |    |       |              |           |       |             |      |         |             |                                   |                                    |        |          |                                    |          |                       |          |                            |                     |                                |  |                   |        |  |         |                      |         |   |        |                             |       |                               |         |                      |         |                          |         |                                   |       |       |              |           |        |                               |     |                                   |     |       |               |                                   |       |                            |       |       |              |                                  |         |                                  |        |        |        |       |                |             |      |         |        |          |                |
| Total  | <u>2,554</u>   |                                    |  |       |   |        |                      |           |   |        |                             |       |                               |         |                          |         |          |     |           |       |                               |     |                  |    |       |              |           |       |             |      |         |             |                                   |                                    |        |          |                                    |          |                       |          |                            |                     |                                |  |                   |        |  |         |                      |         |   |        |                             |       |                               |         |                      |         |                          |         |                                   |       |       |              |           |        |                               |     |                                   |     |       |               |                                   |       |                            |       |       |              |                                  |         |                                  |        |        |        |       |                |             |      |         |        |          |                |
| Loss on sales of affiliate stock   | 679,050  |                                    |  |       |   |        |                      |           |   |        |                             |       |                               |         |                          |         |          |     |           |       |                               |     |                  |    |       |              |           |       |             |      |         |             |                                   |                                    |        |          |                                    |          |                       |          |                            |                     |                                |  |                   |        |  |         |                      |         |   |        |                             |       |                               |         |                      |         |                          |         |                                   |       |       |              |           |        |                               |     |                                   |     |       |               |                                   |       |                            |       |       |              |                                  |         |                                  |        |        |        |       |                |             |      |         |        |          |                |
| Loss on liquidation of affiliate   | 54,712   |                                    |  |       |   |        |                      |           |   |        |                             |       |                               |         |                          |         |          |     |           |       |                               |     |                  |    |       |              |           |       |             |      |         |             |                                   |                                    |        |          |                                    |          |                       |          |                            |                     |                                |  |                   |        |  |         |                      |         |   |        |                             |       |                               |         |                      |         |                          |         |                                   |       |       |              |           |        |                               |     |                                   |     |       |               |                                   |       |                            |       |       |              |                                  |         |                                  |        |        |        |       |                |             |      |         |        |          |                |
| Others   | 73,241   |                                    |  |       |   |        |                      |           |   |        |                             |       |                               |         |                          |         |          |     |           |       |                               |     |                  |    |       |              |           |       |             |      |         |             |                                   |                                    |        |          |                                    |          |                       |          |                            |                     |                                |  |                   |        |  |         |                      |         |   |        |                             |       |                               |         |                      |         |                          |         |                                   |       |       |              |           |        |                               |     |                                   |     |       |               |                                   |       |                            |       |       |              |                                  |         |                                  |        |        |        |       |                |             |      |         |        |          |                |
| Total  | <u>807,003</u>   |                                    |  |       |   |        |                      |           |   |        |                             |       |                               |         |                          |         |          |     |           |       |                               |     |                  |    |       |              |           |       |             |      |         |             |                                   |                                    |        |          |                                    |          |                       |          |                            |                     |                                |  |                   |        |  |         |                      |         |   |        |                             |       |                               |         |                      |         |                          |         |                                   |       |       |              |           |        |                               |     |                                   |     |       |               |                                   |       |                            |       |       |              |                                  |         |                                  |        |        |        |       |                |             |      |         |        |          |                |
| Primary use  | Type   | Company                            |  |       |   |        |                      |           |   |        |                             |       |                               |         |                          |         |          |     |           |       |                               |     |                  |    |       |              |           |       |             |      |         |             |                                   |                                    |        |          |                                    |          |                       |          |                            |                     |                                |  |                   |        |  |         |                      |         |   |        |                             |       |                               |         |                      |         |                          |         |                                   |       |       |              |           |        |                               |     |                                   |     |       |               |                                   |       |                            |       |       |              |                                  |         |                                  |        |        |        |       |                |             |      |         |        |          |                |
| Others   | Goodwill   | Opus Co., Ltd.                     |  |       |   |        |                      |           |   |        |                             |       |                               |         |                          |         |          |     |           |       |                               |     |                  |    |       |              |           |       |             |      |         |             |                                   |                                    |        |          |                                    |          |                       |          |                            |                     |                                |  |                   |        |  |         |                      |         |   |        |                             |       |                               |         |                      |         |                          |         |                                   |       |       |              |           |        |                               |     |                                   |     |       |               |                                   |       |                            |       |       |              |                                  |         |                                  |        |        |        |       |                |             |      |         |        |          |                |

Thousand yen

| Year ended Jul. 2007<br>(Aug. 1, 2006 - Jul. 31, 2007)  | Year ended Jul. 2008<br>(Aug. 1, 2007 - Jul. 31, 2008)  |
|---|---|
| (3) Impairment losses (Total 211,564,000 yen)   | (3) Impairment losses: 343,480 yen  |
| 1) Japan Realty Supervision Co., Ltd.   |   |
| Buildings   |   |
| 1,639   |   |
| Machinery equipment   |   |
| 6,147   |   |
| Goodwill  |   |
| 110,460   |   |
| <u>118,246</u>  |   |
| 2) Kinjyu Life Co., Ltd.  |   |
| Goodwill  |   |
| 29,613  |   |
| <u>29,613</u>   |   |
| 3) Devex Management Co., Ltd.   |   |
| Goodwill  |   |
| 50,912  |   |
| <u>50,912</u>   |   |
| 4) Maple Living Service Co., Ltd.   |   |
| Goodwill equivalent   |   |
| 12,791  |   |
| <u>12,791</u>   |   |
| (4) Asset grouping method   | (4) Asset grouping method   |
| The ARDEPRO Group applies impairment accounting. Operating assets are grouped according to management accounting standards and on the basis of business segments.   | The ARDEPRO Group applies impairment accounting. Operating assets are grouped according to management accounting standards and on the basis of business segments.   |
| (5) Estimating recoverable value  | (5) Estimating recoverable value  |
| The ARDEPRO Group estimates the recoverable value of properties on the basis of estimated net sales value and the utility value of such properties. The net sales value is calculated on the basis of the estimated proceeds from sale of a property. The utility value is calculated based on future cash flow from the property discounted by 4.71% | The ARDEPRO Group estimates the recoverable value of properties on the basis of estimated net sales value and the utility value of such properties. The net sales value is calculated on the basis of the estimated proceeds from sale of a property. The utility value is calculated based on future cash flow from the property discounted by 4.71% |

## Notes to Consolidated Statements of Changes in Net Assets

Year ended July 2007 (Aug. 1, 2006 — Jul. 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 July 31, 2007 |
|------------------------|--------------------------------------|----------------------------|----------------------------|--------------------------------------|
| Common shares (Shares) | 690,379                              | 2,768,216                  | -                          | 3,458,595                            |

Outline of changes:

Increase in the number of shares (itemized)

Due to exercise of stock options: 6,700 shares

Due to issuance of new shares through a stock split (5-for-1): 2,761,516 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 |
| Board of Directors meeting on March 6, 2007        | Common shares | Retained earnings | 968,406                                 | 280                      | January 31, 2007 | April 6, 2007    |

## (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 25, 2007 | Common shares | Retained earnings | 968,406                                 | 280                      | July 31, 2007 | October 26, 2007 |

Year ended July 2008 (Aug. 1, 2007 — Jul. 31, 2008)

## 1. Outstanding shares

| Type of share          | Number of shares as of July 31, 2007 | Increase during the period | Decrease during the period | Number of shares as of July 31, 2008 |
|------------------------|--------------------------------------|----------------------------|----------------------------|--------------------------------------|
| Common shares (Shares) | 3,458,595                            | 759,244                    | -                          | 4,217,839                            |

Outline of changes:

Increase in the number of shares (itemized)

Due to issuance of private placement of stock: 756,144 shares

Due to exercise of stock options: 3,100 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 25, 2007 | Common shares | 968,406                                 | 280                      | July 31, 2007    | October 26, 2007 |
| Board of Directors meeting on March 14, 2008       | Common shares | 970,102                                 | 230                      | January 31, 2008 | April 14, 2008   |

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

None.

## Notes to Interim Consolidated Cash Flow Statements

Thousand yen

| Year ended Jul. 2007<br>(Aug. 1, 2006 - Jul. 31, 2007)  | Year ended Jul. 2008<br>(Aug. 1, 2007 - Jul. 31, 2008) |           |  |          |  |               |                           |                  |                |        |              |        |          |         |                     |           |                       |          |                    |                 |                               |        |   |                 |   |                 |                |         |              |         |          |         |                     |           |                       |                  |                               |           |   |                  |   |                |   |                   |           |  |                 |                           |                  |                |           |              |         |          |         |                     |           |                       |         |                   |         |                    |                |                        |           |                               |         |   |                  |   |               |
|---|--|-----------|--|----------|--|---------------|---------------------------|------------------|----------------|--------|--------------|--------|----------|---------|---------------------|-----------|-----------------------|----------|--------------------|-----------------|-------------------------------|--------|---|-----------------|---|-----------------|----------------|---------|--------------|---------|----------|---------|---------------------|-----------|-----------------------|------------------|-------------------------------|-----------|---|------------------|---|----------------|---|-------------------|-----------|--|-----------------|---------------------------|------------------|----------------|-----------|--------------|---------|----------|---------|---------------------|-----------|-----------------------|---------|-------------------|---------|--------------------|----------------|------------------------|-----------|-------------------------------|---------|---|------------------|---|---------------|
| <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, 2007)</p> <table> <tr> <td>Cash and deposits</td> <td style="text-align: right;">8,232,508</td> </tr> <tr> <td>Time deposits with maturities longer than three months</td> <td style="text-align: right;">(29,030)</td> </tr> <tr> <td>Money Management Fund under "Securities"</td> <td style="text-align: right;"><u>50,452</u></td> </tr> <tr> <td>Cash and cash equivalents</td> <td style="text-align: right;"><u>8,253,931</u></td> </tr> </table> <p>*2. Assets and liabilities of newly consolidated subsidiaries through acquisition of their shares</p> <p>Assets and liabilities at the time of consolidation, purchase price of stock and deduction from income related to the acquisition of stock of Matching Navi Co., Ltd. included in consolidation due to the acquisition of its shares.</p> <p>(Proceeds from acquisition of subsidiary stock)</p> <table> <tr> <td>Current assets</td> <td style="text-align: right;">90,302</td> </tr> <tr> <td>Fixed assets</td> <td style="text-align: right;">97,384</td> </tr> <tr> <td>Goodwill</td> <td style="text-align: right;">112,414</td> </tr> <tr> <td>Current liabilities</td> <td style="text-align: right;">(178,457)</td> </tr> <tr> <td>Long-term liabilities</td> <td style="text-align: right;">(79,144)</td> </tr> <tr> <td>Minority interests</td> <td style="text-align: right;"><u>(32,500)</u></td> </tr> <tr> <td>Purchase price for subsidiary</td> <td style="text-align: right;">10,000</td> </tr> <tr> <td>Cash and cash equivalents of subsidiary</td> <td style="text-align: right;"><u>(62,021)</u></td> </tr> <tr> <td>Difference: Proceeds (net) from acquisition of subsidiary stock</td> <td style="text-align: right;"><u>(52,021)</u></td> </tr> </table> <p>*3. Assets and liabilities of newly consolidated subsidiaries through acquisition of their shares</p> <p>Assets and liabilities at the time of consolidation, purchase price of stock and deduction from income related to the acquisition of stock of Opus Co., Ltd. included in consolidation due to the acquisition of its shares.</p> <p>(Payments from acquisition of subsidiary stock)</p> <table> <tr> <td>Current assets</td> <td style="text-align: right;">720,053</td> </tr> <tr> <td>Fixed assets</td> <td style="text-align: right;">264,182</td> </tr> <tr> <td>Goodwill</td> <td style="text-align: right;">792,810</td> </tr> <tr> <td>Current liabilities</td> <td style="text-align: right;">(505,397)</td> </tr> <tr> <td>Long-term liabilities</td> <td style="text-align: right;"><u>(183,891)</u></td> </tr> <tr> <td>Purchase price for subsidiary</td> <td style="text-align: right;">1,087,758</td> </tr> <tr> <td>Cash and cash equivalents of subsidiary</td> <td style="text-align: right;"><u>(371,282)</u></td> </tr> <tr> <td>Difference: Proceeds (net) from acquisition of subsidiary stock</td> <td style="text-align: right;"><u>716,475</u></td> </tr> </table> | Cash and deposits                                      | 8,232,508 | Time deposits with maturities longer than three months | (29,030) | Money Management Fund under "Securities" | <u>50,452</u> | Cash and cash equivalents | <u>8,253,931</u> | Current assets | 90,302 | Fixed assets | 97,384 | Goodwill | 112,414 | Current liabilities | (178,457) | Long-term liabilities | (79,144) | Minority interests | <u>(32,500)</u> | Purchase price for subsidiary | 10,000 | Cash and cash equivalents of subsidiary | <u>(62,021)</u> | Difference: Proceeds (net) from acquisition of subsidiary stock | <u>(52,021)</u> | Current assets | 720,053 | Fixed assets | 264,182 | Goodwill | 792,810 | Current liabilities | (505,397) | Long-term liabilities | <u>(183,891)</u> | Purchase price for subsidiary | 1,087,758 | Cash and cash equivalents of subsidiary | <u>(371,282)</u> | Difference: Proceeds (net) from acquisition of subsidiary stock | <u>716,475</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, 2008)</p> <table> <tr> <td>Cash and deposits</td> <td style="text-align: right;">3,266,423</td> </tr> <tr> <td>Time deposits with maturities longer than three months</td> <td style="text-align: right;"><u>(39,565)</u></td> </tr> <tr> <td>Cash and cash equivalents</td> <td style="text-align: right;"><u>3,226,858</u></td> </tr> </table> <p>*2. Assets and liabilities of former consolidated subsidiaries through sale of their shares</p> <p>With the sale of stock of Ardepro Property Management Co., Ltd., Odaka Denko Co., Ltd., ART Toshi Kaihatsu Co., Ltd., Nihon Investor Service Inc., Matching Navi Co., Ltd. and Devex Management Co., Ltd., these companies are no longer consolidated subsidiaries. The breakdown of the assets and liabilities of these former subsidiaries at the time of their sale, their stock sale value, and the income generated from each sale are given below.</p> <p>(Proceeds from sale of subsidiary stock)</p> <table> <tr> <td>Current assets</td> <td style="text-align: right;">1,171,071</td> </tr> <tr> <td>Fixed assets</td> <td style="text-align: right;">178,346</td> </tr> <tr> <td>Goodwill</td> <td style="text-align: right;">511,359</td> </tr> <tr> <td>Current liabilities</td> <td style="text-align: right;">(766,062)</td> </tr> <tr> <td>Long-term liabilities</td> <td style="text-align: right;">(9,767)</td> </tr> <tr> <td>Negative goodwill</td> <td style="text-align: right;">(2,469)</td> </tr> <tr> <td>Minority interests</td> <td style="text-align: right;"><u>(2,037)</u></td> </tr> <tr> <td>Gain on sales of stock</td> <td style="text-align: right;">1,080,439</td> </tr> <tr> <td>Purchase price for subsidiary</td> <td style="text-align: right;">746,719</td> </tr> <tr> <td>Cash and cash equivalents of subsidiary</td> <td style="text-align: right;"><u>(679,381)</u></td> </tr> <tr> <td>Difference: Proceeds (net) from acquisition of subsidiary stock</td> <td style="text-align: right;"><u>67,337</u></td> </tr> </table> | Cash and deposits | 3,266,423 | Time deposits with maturities longer than three months | <u>(39,565)</u> | Cash and cash equivalents | <u>3,226,858</u> | Current assets | 1,171,071 | Fixed assets | 178,346 | Goodwill | 511,359 | Current liabilities | (766,062) | Long-term liabilities | (9,767) | Negative goodwill | (2,469) | Minority interests | <u>(2,037)</u> | Gain on sales of stock | 1,080,439 | Purchase price for subsidiary | 746,719 | Cash and cash equivalents of subsidiary | <u>(679,381)</u> | Difference: Proceeds (net) from acquisition of subsidiary stock | <u>67,337</u> |
| Cash and deposits   | 8,232,508  |           |  |          |  |               |                           |                  |                |        |              |        |          |         |                     |           |                       |          |                    |                 |                               |        |   |                 |   |                 |                |         |              |         |          |         |                     |           |                       |                  |                               |           |   |                  |   |                |   |                   |           |  |                 |                           |                  |                |           |              |         |          |         |                     |           |                       |         |                   |         |                    |                |                        |           |                               |         |   |                  |   |               |
| Time deposits with maturities longer than three months  | (29,030)   |           |  |          |  |               |                           |                  |                |        |              |        |          |         |                     |           |                       |          |                    |                 |                               |        |   |                 |   |                 |                |         |              |         |          |         |                     |           |                       |                  |                               |           |   |                  |   |                |   |                   |           |  |                 |                           |                  |                |           |              |         |          |         |                     |           |                       |         |                   |         |                    |                |                        |           |                               |         |   |                  |   |               |
| Money Management Fund under "Securities"  | <u>50,452</u>  |           |  |          |  |               |                           |                  |                |        |              |        |          |         |                     |           |                       |          |                    |                 |                               |        |   |                 |   |                 |                |         |              |         |          |         |                     |           |                       |                  |                               |           |   |                  |   |                |   |                   |           |  |                 |                           |                  |                |           |              |         |          |         |                     |           |                       |         |                   |         |                    |                |                        |           |                               |         |   |                  |   |               |
| Cash and cash equivalents   | <u>8,253,931</u>                                       |           |  |          |  |               |                           |                  |                |        |              |        |          |         |                     |           |                       |          |                    |                 |                               |        |   |                 |   |                 |                |         |              |         |          |         |                     |           |                       |                  |                               |           |   |                  |   |                |   |                   |           |  |                 |                           |                  |                |           |              |         |          |         |                     |           |                       |         |                   |         |                    |                |                        |           |                               |         |   |                  |   |               |
| Current assets  | 90,302   |           |  |          |  |               |                           |                  |                |        |              |        |          |         |                     |           |                       |          |                    |                 |                               |        |   |                 |   |                 |                |         |              |         |          |         |                     |           |                       |                  |                               |           |   |                  |   |                |   |                   |           |  |                 |                           |                  |                |           |              |         |          |         |                     |           |                       |         |                   |         |                    |                |                        |           |                               |         |   |                  |   |               |
| Fixed assets  | 97,384   |           |  |          |  |               |                           |                  |                |        |              |        |          |         |                     |           |                       |          |                    |                 |                               |        |   |                 |   |                 |                |         |              |         |          |         |                     |           |                       |                  |                               |           |   |                  |   |                |   |                   |           |  |                 |                           |                  |                |           |              |         |          |         |                     |           |                       |         |                   |         |                    |                |                        |           |                               |         |   |                  |   |               |
| Goodwill  | 112,414  |           |  |          |  |               |                           |                  |                |        |              |        |          |         |                     |           |                       |          |                    |                 |                               |        |   |                 |   |                 |                |         |              |         |          |         |                     |           |                       |                  |                               |           |   |                  |   |                |   |                   |           |  |                 |                           |                  |                |           |              |         |          |         |                     |           |                       |         |                   |         |                    |                |                        |           |                               |         |   |                  |   |               |
| Current liabilities   | (178,457)  |           |  |          |  |               |                           |                  |                |        |              |        |          |         |                     |           |                       |          |                    |                 |                               |        |   |                 |   |                 |                |         |              |         |          |         |                     |           |                       |                  |                               |           |   |                  |   |                |   |                   |           |  |                 |                           |                  |                |           |              |         |          |         |                     |           |                       |         |                   |         |                    |                |                        |           |                               |         |   |                  |   |               |
| Long-term liabilities   | (79,144)   |           |  |          |  |               |                           |                  |                |        |              |        |          |         |                     |           |                       |          |                    |                 |                               |        |   |                 |   |                 |                |         |              |         |          |         |                     |           |                       |                  |                               |           |   |                  |   |                |   |                   |           |  |                 |                           |                  |                |           |              |         |          |         |                     |           |                       |         |                   |         |                    |                |                        |           |                               |         |   |                  |   |               |
| Minority interests  | <u>(32,500)</u>  |           |  |          |  |               |                           |                  |                |        |              |        |          |         |                     |           |                       |          |                    |                 |                               |        |   |                 |   |                 |                |         |              |         |          |         |                     |           |                       |                  |                               |           |   |                  |   |                |   |                   |           |  |                 |                           |                  |                |           |              |         |          |         |                     |           |                       |         |                   |         |                    |                |                        |           |                               |         |   |                  |   |               |
| Purchase price for subsidiary   | 10,000   |           |  |          |  |               |                           |                  |                |        |              |        |          |         |                     |           |                       |          |                    |                 |                               |        |   |                 |   |                 |                |         |              |         |          |         |                     |           |                       |                  |                               |           |   |                  |   |                |   |                   |           |  |                 |                           |                  |                |           |              |         |          |         |                     |           |                       |         |                   |         |                    |                |                        |           |                               |         |   |                  |   |               |
| Cash and cash equivalents of subsidiary   | <u>(62,021)</u>  |           |  |          |  |               |                           |                  |                |        |              |        |          |         |                     |           |                       |          |                    |                 |                               |        |   |                 |   |                 |                |         |              |         |          |         |                     |           |                       |                  |                               |           |   |                  |   |                |   |                   |           |  |                 |                           |                  |                |           |              |         |          |         |                     |           |                       |         |                   |         |                    |                |                        |           |                               |         |   |                  |   |               |
| Difference: Proceeds (net) from acquisition of subsidiary stock   | <u>(52,021)</u>  |           |  |          |  |               |                           |                  |                |        |              |        |          |         |                     |           |                       |          |                    |                 |                               |        |   |                 |   |                 |                |         |              |         |          |         |                     |           |                       |                  |                               |           |   |                  |   |                |   |                   |           |  |                 |                           |                  |                |           |              |         |          |         |                     |           |                       |         |                   |         |                    |                |                        |           |                               |         |   |                  |   |               |
| Current assets  | 720,053  |           |  |          |  |               |                           |                  |                |        |              |        |          |         |                     |           |                       |          |                    |                 |                               |        |   |                 |   |                 |                |         |              |         |          |         |                     |           |                       |                  |                               |           |   |                  |   |                |   |                   |           |  |                 |                           |                  |                |           |              |         |          |         |                     |           |                       |         |                   |         |                    |                |                        |           |                               |         |   |                  |   |               |
| Fixed assets  | 264,182  |           |  |          |  |               |                           |                  |                |        |              |        |          |         |                     |           |                       |          |                    |                 |                               |        |   |                 |   |                 |                |         |              |         |          |         |                     |           |                       |                  |                               |           |   |                  |   |                |   |                   |           |  |                 |                           |                  |                |           |              |         |          |         |                     |           |                       |         |                   |         |                    |                |                        |           |                               |         |   |                  |   |               |
| Goodwill  | 792,810  |           |  |          |  |               |                           |                  |                |        |              |        |          |         |                     |           |                       |          |                    |                 |                               |        |   |                 |   |                 |                |         |              |         |          |         |                     |           |                       |                  |                               |           |   |                  |   |                |   |                   |           |  |                 |                           |                  |                |           |              |         |          |         |                     |           |                       |         |                   |         |                    |                |                        |           |                               |         |   |                  |   |               |
| Current liabilities   | (505,397)  |           |  |          |  |               |                           |                  |                |        |              |        |          |         |                     |           |                       |          |                    |                 |                               |        |   |                 |   |                 |                |         |              |         |          |         |                     |           |                       |                  |                               |           |   |                  |   |                |   |                   |           |  |                 |                           |                  |                |           |              |         |          |         |                     |           |                       |         |                   |         |                    |                |                        |           |                               |         |   |                  |   |               |
| Long-term liabilities   | <u>(183,891)</u>                                       |           |  |          |  |               |                           |                  |                |        |              |        |          |         |                     |           |                       |          |                    |                 |                               |        |   |                 |   |                 |                |         |              |         |          |         |                     |           |                       |                  |                               |           |   |                  |   |                |   |                   |           |  |                 |                           |                  |                |           |              |         |          |         |                     |           |                       |         |                   |         |                    |                |                        |           |                               |         |   |                  |   |               |
| Purchase price for subsidiary   | 1,087,758  |           |  |          |  |               |                           |                  |                |        |              |        |          |         |                     |           |                       |          |                    |                 |                               |        |   |                 |   |                 |                |         |              |         |          |         |                     |           |                       |                  |                               |           |   |                  |   |                |   |                   |           |  |                 |                           |                  |                |           |              |         |          |         |                     |           |                       |         |                   |         |                    |                |                        |           |                               |         |   |                  |   |               |
| Cash and cash equivalents of subsidiary   | <u>(371,282)</u>                                       |           |  |          |  |               |                           |                  |                |        |              |        |          |         |                     |           |                       |          |                    |                 |                               |        |   |                 |   |                 |                |         |              |         |          |         |                     |           |                       |                  |                               |           |   |                  |   |                |   |                   |           |  |                 |                           |                  |                |           |              |         |          |         |                     |           |                       |         |                   |         |                    |                |                        |           |                               |         |   |                  |   |               |
| Difference: Proceeds (net) from acquisition of subsidiary stock   | <u>716,475</u>   |           |  |          |  |               |                           |                  |                |        |              |        |          |         |                     |           |                       |          |                    |                 |                               |        |   |                 |   |                 |                |         |              |         |          |         |                     |           |                       |                  |                               |           |   |                  |   |                |   |                   |           |  |                 |                           |                  |                |           |              |         |          |         |                     |           |                       |         |                   |         |                    |                |                        |           |                               |         |   |                  |   |               |
| Cash and deposits   | 3,266,423  |           |  |          |  |               |                           |                  |                |        |              |        |          |         |                     |           |                       |          |                    |                 |                               |        |   |                 |   |                 |                |         |              |         |          |         |                     |           |                       |                  |                               |           |   |                  |   |                |   |                   |           |  |                 |                           |                  |                |           |              |         |          |         |                     |           |                       |         |                   |         |                    |                |                        |           |                               |         |   |                  |   |               |
| Time deposits with maturities longer than three months  | <u>(39,565)</u>  |           |  |          |  |               |                           |                  |                |        |              |        |          |         |                     |           |                       |          |                    |                 |                               |        |   |                 |   |                 |                |         |              |         |          |         |                     |           |                       |                  |                               |           |   |                  |   |                |   |                   |           |  |                 |                           |                  |                |           |              |         |          |         |                     |           |                       |         |                   |         |                    |                |                        |           |                               |         |   |                  |   |               |
| Cash and cash equivalents   | <u>3,226,858</u>                                       |           |  |          |  |               |                           |                  |                |        |              |        |          |         |                     |           |                       |          |                    |                 |                               |        |   |                 |   |                 |                |         |              |         |          |         |                     |           |                       |                  |                               |           |   |                  |   |                |   |                   |           |  |                 |                           |                  |                |           |              |         |          |         |                     |           |                       |         |                   |         |                    |                |                        |           |                               |         |   |                  |   |               |
| Current assets  | 1,171,071  |           |  |          |  |               |                           |                  |                |        |              |        |          |         |                     |           |                       |          |                    |                 |                               |        |   |                 |   |                 |                |         |              |         |          |         |                     |           |                       |                  |                               |           |   |                  |   |                |   |                   |           |  |                 |                           |                  |                |           |              |         |          |         |                     |           |                       |         |                   |         |                    |                |                        |           |                               |         |   |                  |   |               |
| Fixed assets  | 178,346  |           |  |          |  |               |                           |                  |                |        |              |        |          |         |                     |           |                       |          |                    |                 |                               |        |   |                 |   |                 |                |         |              |         |          |         |                     |           |                       |                  |                               |           |   |                  |   |                |   |                   |           |  |                 |                           |                  |                |           |              |         |          |         |                     |           |                       |         |                   |         |                    |                |                        |           |                               |         |   |                  |   |               |
| Goodwill  | 511,359  |           |  |          |  |               |                           |                  |                |        |              |        |          |         |                     |           |                       |          |                    |                 |                               |        |   |                 |   |                 |                |         |              |         |          |         |                     |           |                       |                  |                               |           |   |                  |   |                |   |                   |           |  |                 |                           |                  |                |           |              |         |          |         |                     |           |                       |         |                   |         |                    |                |                        |           |                               |         |   |                  |   |               |
| Current liabilities   | (766,062)  |           |  |          |  |               |                           |                  |                |        |              |        |          |         |                     |           |                       |          |                    |                 |                               |        |   |                 |   |                 |                |         |              |         |          |         |                     |           |                       |                  |                               |           |   |                  |   |                |   |                   |           |  |                 |                           |                  |                |           |              |         |          |         |                     |           |                       |         |                   |         |                    |                |                        |           |                               |         |   |                  |   |               |
| Long-term liabilities   | (9,767)  |           |  |          |  |               |                           |                  |                |        |              |        |          |         |                     |           |                       |          |                    |                 |                               |        |   |                 |   |                 |                |         |              |         |          |         |                     |           |                       |                  |                               |           |   |                  |   |                |   |                   |           |  |                 |                           |                  |                |           |              |         |          |         |                     |           |                       |         |                   |         |                    |                |                        |           |                               |         |   |                  |   |               |
| Negative goodwill   | (2,469)  |           |  |          |  |               |                           |                  |                |        |              |        |          |         |                     |           |                       |          |                    |                 |                               |        |   |                 |   |                 |                |         |              |         |          |         |                     |           |                       |                  |                               |           |   |                  |   |                |   |                   |           |  |                 |                           |                  |                |           |              |         |          |         |                     |           |                       |         |                   |         |                    |                |                        |           |                               |         |   |                  |   |               |
| Minority interests  | <u>(2,037)</u>   |           |  |          |  |               |                           |                  |                |        |              |        |          |         |                     |           |                       |          |                    |                 |                               |        |   |                 |   |                 |                |         |              |         |          |         |                     |           |                       |                  |                               |           |   |                  |   |                |   |                   |           |  |                 |                           |                  |                |           |              |         |          |         |                     |           |                       |         |                   |         |                    |                |                        |           |                               |         |   |                  |   |               |
| Gain on sales of stock  | 1,080,439  |           |  |          |  |               |                           |                  |                |        |              |        |          |         |                     |           |                       |          |                    |                 |                               |        |   |                 |   |                 |                |         |              |         |          |         |                     |           |                       |                  |                               |           |   |                  |   |                |   |                   |           |  |                 |                           |                  |                |           |              |         |          |         |                     |           |                       |         |                   |         |                    |                |                        |           |                               |         |   |                  |   |               |
| Purchase price for subsidiary   | 746,719  |           |  |          |  |               |                           |                  |                |        |              |        |          |         |                     |           |                       |          |                    |                 |                               |        |   |                 |   |                 |                |         |              |         |          |         |                     |           |                       |                  |                               |           |   |                  |   |                |   |                   |           |  |                 |                           |                  |                |           |              |         |          |         |                     |           |                       |         |                   |         |                    |                |                        |           |                               |         |   |                  |   |               |
| Cash and cash equivalents of subsidiary   | <u>(679,381)</u>                                       |           |  |          |  |               |                           |                  |                |        |              |        |          |         |                     |           |                       |          |                    |                 |                               |        |   |                 |   |                 |                |         |              |         |          |         |                     |           |                       |                  |                               |           |   |                  |   |                |   |                   |           |  |                 |                           |                  |                |           |              |         |          |         |                     |           |                       |         |                   |         |                    |                |                        |           |                               |         |   |                  |   |               |
| Difference: Proceeds (net) from acquisition of subsidiary stock   | <u>67,337</u>  |           |  |          |  |               |                           |                  |                |        |              |        |          |         |                     |           |                       |          |                    |                 |                               |        |   |                 |   |                 |                |         |              |         |          |         |                     |           |                       |                  |                               |           |   |                  |   |                |   |                   |           |  |                 |                           |                  |                |           |              |         |          |         |                     |           |                       |         |                   |         |                    |                |                        |           |                               |         |   |                  |   |               |