

(Translation)

【Front Cover】

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Place where this Statement is Available:	K.K. DaVinci Advisors (Location: 2-1, Ginza 6-chome, Chuo-ku, Tokyo, Japan) Tokyo Stock Exchange, Inc. (Location: 2-1 Nihombashi Kabutocho, Chuo-ku, Tokyo)

Notes:

1. In this Statement, the “Tender Offeror” or the “Company” means K.K. DaVinci Advisors.
2. In this Statement, the “Target Company” means TOC Co., Ltd.
3. In any tables in this Statement, the amount indicated in the total column may not always coincide with the sum of all relevant figures, due to rounding adjustments.
4. In this Statement, the “SEL” means the Securities and Exchange Law (Law No. 25 of 1948, as amended).
5. In this Statement, the “Enforcement Order” means the Enforcement Order of the Securities and Exchange Law (Cabinet Order No. 321 as amended).
6. In this Statement, the “Cabinet Order” means the Cabinet Order Concerning Disclosure on Tender Offer for Shares, Etc. by Non-Issuer (Ministry of Finance Ordinance No. 38 of 1990, as amended).
7. In this Statement, the number of days or day/time means the number of days or day/time in Japan. All procedures related to this tender offer related to this Statement (the “Tender Offer”) shall be undertaken in the Japanese language, unless otherwise specifically stated herein. Where some documents are prepared in the English language in connection with this Tender Offer and there is any discrepancy between such English documents and the Japanese documents, the Japanese documents shall prevail.
8. This Tender Offer is made for the shares of common stock of the Target Company which is a company established under the Japanese Law. The shares of common stock of the Target Company are not registered or to be registered with the U.S. Securities and Exchange Commission. Section 14(d) of the U.S. Securities Exchange Act of 1934 and regulations thereunder do not apply to the Tender Offer, and the Tender Offer is not being conducted pursuant to the procedures and standards set forth therein. It may be difficult

for you to enforce your rights and any claim you may have arising under the federal securities laws, since the Tender Offeror is located in a foreign country, and some or all of its officers and directors are residents of a foreign country. You may not be able to sue a foreign company or its officers or directors in a foreign court for violations of the U.S. securities laws. It may be difficult to compel a foreign company and its affiliates to subject themselves to a U.S. court's judgment.

I. Terms and Conditions of Tender Offer

1 Name of Target Company

TOC Co., Ltd.

2 Class of Stocks to be Purchased

Common Stock

3 Purposes of Tender Offer

The Tender Offeror was incorporated as a company conducting real estate investment advisory business in August 1998.

Since its establishment, the Company has been entrusted fund management by domestic and foreign institutional investors, pension funds, foundations and others, and has set up, managed and administered real estate investment funds, under a management policy of “growing together with our investors”. Also, since its listing on the NASDAQ Japan exchange (which has since been renamed the Hercules exchange) in 2001, the Company has realized increases in revenues and profits for six consecutive fiscal years. The Company believes that this was achieved not only as a result of its achieving considerable returns on investment based on its accumulation of significant experience and know-how in real estate investment, but also because its management policy of “growing together with our investors” has been well received by U.S., European and other institutional investors. Under this management policy, the Company is conducting its business with an aim to increase corporate value by maximizing investors’ interests and shareholder value.

The Tender Offeror is conducting this Tender Offer with an aim of acquiring a majority of the voting rights of the common stock of the Target Company for the purpose described below.

The purpose of this Tender Offer is to acquire a majority of the voting rights of the common stock of the Target Company and to enhance its shareholders’ value together with the other shareholders. The Tender Offeror believes that, if the proposed business plan (as described below) is implemented based on the Target Company’s high-quality real estate assets, employees and customers, there is a possibility of a significant increase in shareholder value as a result of increased profitability.

The Tender Offeror’s vision for realizing a significant increase in shareholder value after the consummation of this Tender Offer is as follows.

The current operation of the Target Company by its current management does not make effective use of the unrealized gains related to its real estate assets and overly relies on the Nishi Gotanda TOC Building, which is an old building in need of preparation for redevelopment. The two main points to the Tender Offeror’s proposed business plan regarding the Target Company are as follows:

1. Apply the effect of leverage based on the utilization of the unrealized gains on real estate assets.

Obtain loans that utilize the unrealized gains on the Target Company's real estate assets, while maintaining a sufficient level of shareholders' equity that is consistent with industry standards, and acquire revenue-producing real estate assets to increase revenues.

2. Replace the Nishi Gotanda TOC Building with revenue-producing real estate assets to prevent a decrease in revenues during the redevelopment of such building.

We assume that the Target Company's current management realizes that, unlike other businesses, it is possible for real estate businesses to scrap and build an existing asset while maintaining revenues through the replacement of the asset. However, if it is difficult to procure revenue-producing real estate assets with a value comparable to the Nishi Gotanda TOC Building, then it may be possible for the Company to procure replacement assets from the large number of real estate assets held by real estate funds that are advised by the Company.

The following is an explanation of the history that led up to this Tender Offer: a part of the current management of the Target Company decided to attempt a management buyout (the "MBO") (Note); Y.K. Otani Fund TO (the "Otani Fund") incorporated by a part of the current management of the Target Company and related parties thereof launched a tender offer for ordinary shares of the Target Company at 800 Yen per share on April 9, 2007; the board of directors of the Target Company resolved to support the tender offer on April 6 and submitted an Opinion Report stating its support on April 9.

The Tender Offeror has examined the tender offer by Otani Fund in detail because Y.K. Algarve ("Algarve"), a consolidated subsidiary of the Tender Offeror, owned 10% of the shares of the Target Company. Because the purchase price proposed by Otani Fund does not include the value of the proper utilization of real estate owned by the Target Company or reflect the unrealized gains related thereto, the Company concluded that there was a high possibility that a buyout at the proposed purchase price would lead to the monopolization by the Otani Fund of profits that should inherently be enjoyed by all Target Company shareholders. Consequently, on April 25, 2007, the Company suggested to the management of the Target Company a tender offer targeting shares of common stock of the Target Company at 1,100 yen per share, subject to approval of the management of the Target Company, for the purpose of protecting shareholder value and then requested entering into detailed discussions. The Company requested the board of directors to support the proposal of the Tender Offeror and seek to extend the original tender offer period to allow a sufficient period for the shareholders of the Target Company to decide which is desirable, the proposal by Otani Fund or that by the Tender Offeror.

In response, the Target Company, without responding to the suggestion of discussions between the Tender Offeror and the Target Company, submitted questions in writing dated May 3, 2007 (received on May 7, 2007) to the Tender Offeror that referred to administrative sanctions that were issued against K.K. daVinci Select ("daVinci Select"), a subsidiary of the Tender Offeror, and asked about the facts that were the subject of such administrative sanctions, the compliance structure of the Tender Offeror and the status of its implementation. On May 8, the Tender Offeror responded in writing with answers regarding: the facts that were the subject of such administrative sanctions; the specific content of such administrative sanctions; the compliance structure of daVinci Select and the status of its implementation; the status of oversight of daVinci Select's compliance practices by the Tender Offeror; and the compliance structure of the Tender Offeror and the status of its implementation. The Tender Offeror also met with the management of the Target Company in person to explain using various specific written materials and at the same time made a proposal that would protect shareholder value for all shareholders of the Target Company in a friendly, sincere and dogged manner. Because

the Target Company asked additional questions to the Tender Offeror in writing dated May 10 regarding the compliance structure and implementation thereof for group companies of the Tender Offeror other than daVinci Select and the Tender Offeror, the Tender Offeror on May 15 delivered to the Target Company a proposed draft of a confidentiality agreement, upon which the Target Company requested in writing dated May 17 to first disclose matters that are not related to confidential business matters. As set forth in the Tender Offeror's press release dated May 17, the Tender Offeror intends to continue to respond in a sincere manner.

Regarding the tender offer by Otani Fund at a purchase price of 800 yen, the purchase price was clearly regarded as too low by the market given that the share price of the Target Company remained at a level greatly over 800 yen from immediately after the launch of such tender offer. As a result, the tender offer ended up in failure. This demonstrates that the tender offer by Otani Fund could not obtain the support of a large majority of shareholders of the Target Company. As stated above, the Tender Offeror made a proposal for a purchase price that is clearly higher than that of Otani Fund, responded in good faith to questions from the Target Company, and then requested support from the management of the Target Company for the proposal of the Tender Offeror, arrangement of a meeting for detailed presentation and discussion on a concrete plan for enhancing shareholder value of the Target Company, as well as extension of the tender offer period by Otani Fund. However, the tender offer period by Otani Fund was not extended. While the Target Company's management is believed to be continuing its consideration of whether to support the proposal by the Tender Offeror, the Target Company has not presented a concrete management policy that would benefit the interests of all shareholders of the Target Company, and no specific discussions with the Tender Offeror regarding the enhancement of shareholder value have been held up until the time of launch of this Tender Offer.

Furthermore, although the board of directors of the Target Company agreed that the Target Company should go private through an MBO and thus decided to withdraw from the capital markets, after a tender offer by the Tender Offeror was proposed, they announced in a press release on May 7, 2007 that they will consider conducting an equity financing. Considering how the Target Company has not conducted equity financing since its original listing, the Tender Offeror is deeply concerned that the consideration of an equity financing that could dilute the per-share shareholder value at this time while avoiding the substantive discussion of enhancing shareholder value could lead to the impairment of shareholder value by the Target Company's management in neglect of its obligation to protect the interests of all shareholders.

The Tender Offeror, subject to obtaining the support of the Target Company's management as stated previously, proposed conducting a tender offer for the common stock of the Target Company for 1,100 yen per share on April 25, 2007. There are investors who subsequently acquired the shares of the Target Company at a price approaching our proposal on the expectation that such proposal and the proposal from Otani Fund would be compared and the proposal of the Tender Offeror would be agreed by the Target Company's management. Considering the moral responsibility of the Tender Offeror towards such investors, the Tender Offeror believes that such investors should be given an opportunity to sell their shares. The Tender Offeror has concluded that this Tender Offer needs to be commenced, even though the approval for this Tender Offer has not yet obtained from the Target Company's management, considering the risk of any delays leading to impairment to the Target Company's shareholder value in light of how the Tender Offeror has not been given an opportunity for detailed discussions with the Target Company's management and how the Target Company announced after a tender offer by the Tender Offeror was proposed that it will consider conducting equity financing even though its management had agreed to withdraw from the capital markets by going private through an MBO. Of course, the Tender Offeror intends to make continued efforts to obtain support for this Tender Offer from the Target Company's management.

As for the price proposed by Otani Fund stated previously, it reflected a premium based on the 655 yen average of the published closing price for shares of the Target Company over the 6

months ending April 5, 2007 on the Tokyo Stock Exchange. In contrast, the price for this Tender Offer would represent an approximately 67.9% premium with reference to the same 655 yen average of the closing price for shares of the Target Company for the 6 months ending April 5, 2007, an approximately 44.7% premium to the closing price for shares of the Target Company on April 5, 2007, and an approximately 2.2% premium to the closing price for shares of the Target Company on May 17, 2007, and this would fairly provide all shareholders of the Target Company an opportunity to benefit from the proper current shareholder value based on the Tender Offeror's significant track record in managing real estate investments. In addition, the offer price (1,100 yen) for this Tender Offer is consistent with the level of the highest trading price for the shares of the Target Company in recent years, so the Tender Offeror believes this will provide all shareholders of the Target Company a favorable opportunity for sale.

If the Tender Offer completes successfully, the Tender Offeror will be a holder of a majority of voting rights. If the management of the Target Company agrees to support the Tender Offer within tender offer period, we plan to have the current management continue participating in the operation of the Target Company after the Tender Offer. Even in such case, however, the Tender Offeror's intention is to appoint a majority of the Board members. In any case, because the Tender Offeror prefers to successfully complete the Tender Offer with the support of the current management of the Target Company, it will continue to seek specific discussions to obtain the support from such management.

Algarve (head office: Chuo-ku, Tokyo; Yoshimasa Kimura, Director), a consolidated subsidiary of the Tender Offeror, holds 10.02% of the voting rights of the common stock of the Target Company. Algarve has agreed in principle to tender a certain portion of such shares in the Tender Offer and to exercise the voting and other rights as shareholders of the Target Company jointly with the Tender Offeror.

The number of shares scheduled to be purchased pursuant to the Tender Offer is 68,440,500 shares (50.001% of the issued shares). If the aggregate number of shares tendered is less than 68,440,500, the Tender Offeror will not purchase any of the tendered shares. If the aggregate number of shares tendered exceeds the aggregate of the scheduled 68,440,500 shares and the scheduled excess shares of 1,559,500 shares (the "Excess Shares"), or 70,000,000 shares (the "Expected Number of Shares"), the Tender Offeror will not purchase all or a portion of such excess shares, and the delivery and other settlement with respect to the purchase of shares will be performed pursuant to the pro rata method as prescribed in Paragraph 5 of Article 27-13 of the SEL. The Tender Offeror, in its letter dated April 25, 2007, subject to the support of management of the Target Company, suggested a tender offer for the shares of the Target Company without upper limitation on the number of shares, but because we have not been able to obtain the support of management of the Target Company, this Tender Offer adopts an upper limitation as described above. The Tender Offeror has chosen to target acquisition of a majority of voting rights of the common stock of the Target Company and to make the Target Company a subsidiary of the Tender Offeror.

The Target Company is listed on the First Section of the Tokyo Stock Exchange. If this Tender Offer is successful, the Tender Offeror currently intends to maintain the listing of the common shares of the Target Company while holding a majority of the voting rights of the common stock of the Target Company. However, depending on the circumstances in which shares are tendered pursuant to this Tender Offer and the circumstances in which shareholders continue to hold shares after the consummation of this Tender Offer, it is possible that a cause for delisting could arise under the rules of the Tokyo Stock Exchange.

(Note) "MBO" is an abbreviation of Management Buy Out, which is a transaction in which the management or the employees of a target company acquire such target company through the acquisition of the shares thereof and other methods.

4 Period of Tender Offer, Offer Price, Number of Shares to be Purchased

(1) Period of Purchase

① Initial Tender Offer Period

Period of Purchase	From May 21, 2007 to July 18, 2007 (42 business days)
Date of Public Notice	May 21, 2007
Name of Newspaper that Publishes such Public Notice	Public notice will be made by way of electronic public notice, via the internet, and the fact of such public notice has been made in the <i>Nihon Keizai Shimbun</i> . Address for electronic public notice: (https://info.edinet.go.jp/EdiHtml/main.htm)

(2) Offer Price

Shares	1,100 yen per share
Certificates of Stock Acquisition Rights	—
Bonds with Stock Acquisition Rights	—
Depository Receipts for Shares, etc. ()	—
Basis of Calculation	<p>The Tender Offeror has calculated the offering price based on the current market value of the real estate owned by the Target Company. In reviewing and calculating the current market value of the real estate owned by the Target Company, the Tender Offeror has utilized its rich experience of evaluation of real estate developed throughout the years. The Tender Offeror has experience in real estate investments in which the Tender Offeror provided advice on more than 200 real estate transactions through real estate funds, which had an aggregate transaction value of 1.2 trillion yen.</p> <p>Under the circumstances, in calculating the current market value of the 11 principle real estate assets owned by the Target Company, the Tender Offeror concluded that an increase in the value of the assets could be achieved by improving the profitability as to 10 premises, and the remaining 1 premise could be evaluated as vacant land using the discounted cash flow method. In the same calculation, absent the opportunity to conduct due diligence of the Target Company's real estate, the Tender Offeror has used analysis and considerations based on certain conditions and risk factors with respect to uncertainties, such as renovation costs and reserves therefor that would be</p>

	<p>required in the future, the amount of capital expenditures set aside for aging buildings and facilities, the terms of lease agreements with tenants, etc. After taking such analysis into consideration in a comprehensive manner, the Tender Offeror reached the conclusion that the range of the current market value of the real estate owned by the Target Company would be from 230 billion yen to 280 billion yen.</p> <p>Taking into consideration as a whole the revised asset value per share as calculated based on the current market value of the real estate owned by the Target Company and other factors, the Tender Offeror arrived at the Offer Price of 1,100 yen per share.</p>
<p>Process of Calculation</p>	<p>Certain members of the current management of the Target Company decided to propose a management buyout. Such management members and their affiliates established the Otani Fund, which commenced a tender offer bid to purchase common stock of the Target Company for 800 yen per share on April 9, 2007. The board of directors of the Target Company approved the management buyout by a resolution on April 6, and submitted an opinion report on April 9, 2007.</p> <p>Since Algarve, a consolidated subsidiary of the Tender Offeror, owned approximately 10% of the issued and outstanding shares of the target, the Tender Offeror reviewed and studied the proposal of the Otani Fund in detail, and concluded that the purchase price proposed by the Otani Fund did not reflect the proper value of and unrealized gains on the real estate assets owned by the Target Company, thereby leading to a high possibility that the profits that should be enjoyed by all the shareholders of the Target Company would become monopolized by the Otani Fund.</p> <p>Therefore, for the purpose of protecting the interests of all of the shareholders, the Tender Offeror requested discussion with and the support of the management of the Target Company as to its proposal of a tender offer for the purchase of common stock of the Target Company for 1,100 yen per share on April 25, 2007, and extension of the Otani Fund's tender offer period to allow a sufficient period for the shareholders to decide which of the proposals made by the Tender Offeror and the Otani Fund is desirable. However a meeting with the management of the Target Company to discuss the Tender Offeror's proposal was never held and the Otani Fund's tender offer period was not</p>

extended, and as a result the tender offer by the Otani Fund ended unsuccessfully on May 11, 2007.

As stated above, the Tender Offeror submitted on April 25, 2007 the proposal of its tender offer bid for the purchase of common stock of the Target Company for 1,100 yen per share subject to the support of the management of the Target Company. As of this date, the Tender Offeror has not received any opportunity for discussion with management. The Tender Offeror has concluded that this Tender Offer needs to be commenced, even though the approval for this Tender Offer has not yet obtained from the Target Company's management.

The Tender Offeror examined the market price trends of shares of the Target Company and obtained the results that the simple arithmetic average of the closing share price of the Target Company during the past six-months ended on April 5, 2007 (the day immediately prior to the date on which the Otani Fund offered the MBO) on the Tokyo Stock Exchange was 655 yen (rounded to the nearest yen). The simple arithmetic average of the closing share price during the past three months ended on April 5, 2007 was 710 yen (rounded to the nearest yen) and the simple arithmetic average of the closing share price during the past one month ended on April 5, 2007 was 743 yen (rounded to the nearest yen), and the simple arithmetic average of the closing share price during the past six-months ended on May 17, 2007 (two business days prior to the commencement of the Tender Offer) on the Tokyo Stock Exchange was 737 yen (rounded to the nearest yen), the simple arithmetic average of the closing share price during the past three-months was 847 yen (rounded to the nearest yen) and the simple arithmetic average of the closing share price during the past one-month was 1,003 yen (rounded to the nearest yen). The offer price per share of 1,100 yen represents approximately 67.9%, 54.9% and 48.0% of the average closing share price of the Target Company on the Tokyo Stock Exchange for the six month-, three month- and one month-periods ending April 5, 2007 (the day before Otani Fund's MBO proposal) and approximately 49.3%, 29.9% and 9.7% of the average closing share price for the six month-, three month- and one month-periods ending May 17, 2007.

(3) Number of Shares to be Purchased

Minimum Number of Shares Scheduled to be Purchased (in terms of shares)	Excess Number of Shares that may be Purchased (in terms of shares)	Aggregate of Minimum Number of Shares Scheduled to be Purchased and Excess Number of Shares that may be Purchased (in terms of shares)
68,440,500 (shares)	1,559,500 (shares)	70,000,000 (shares)

(Note 1) If the total number of tendered shares is less than the minimum number of shares scheduled to be purchased (68,440,500 shares) (the “Minimum Number of Shares”), none of the tendered shares will be purchased. If the total number of tendered shares exceeds the total of the Minimum Number of Shares and the additional number of shares that may be purchased (1,559,500 shares) for a total of 70,000,000 shares (the “Expected Number of Shares”), all or a portion of the excess shares will not be purchased, and delivery and other settlement concerning purchase of shares will be performed pursuant to the pro rata method (the “Pro Rata Method”) as prescribed in Article 27-13, Paragraph 5 of the SEL and Article 32 of the Cabinet Order.

(Note 2) The treasury shares owned by the Target Company will not be purchased through the Tender Offer.

(Note 3) Shares less than one unit (*tangen-miman-kabushiki*) also fall within the scope of this Tender Offer; provided, however, that the share certificates must be submitted upon tendering the shares (if shares less than one unit are registered by Japan Securities Depository Center, Inc. (the “JASDEC”) through the tender offer agent (Japan Asia Securities Co., Ltd., as specified in 7 “Procedures for Tendering the Shares and Cancellation” (1) “Procedure for Tendering the Shares” below), the tender of share certificates is not required).

5. Ownership Percentage of Shares after Tender Offer

Category	Number of voting rights
Number of Voting Rights with Respect to Shares Scheduled to be Purchased Pursuant to the Tender Offer(a)	140,000
Number of Voting Rights Represented by Underlying Shares included in (a)(b)	-
Number of Voting Rights Represented by Depository Receipt for Shares included in (b).....(c)	-
Number of Voting Rights Represented by the Shares Held by the Tender Offeror as of the Date Hereof.....(d)	1
Number of Voting Rights Represented by Underlying Shares included in (d)(e)	-
Number of Voting Rights Represented by Depository Receipt for Shares included in (e).....(f)	-
Number of Voting Rights Represented by the Shares held by Special Related Parties as of the Date Hereof.....(g)	27,279

Number of Voting Rights Represented by Underlying Shares included in (g).....(h)	-
Number of Voting Rights Represented by Depository Receipt for Shares included in (h).....(i)	-
Total Number of Voting Rights of All Shareholders of Target Company (as of September 30, 2006).....(j)	270,760
Percentage of Number of Voting Rights with respect to Shares Scheduled to be Purchased Pursuant to the Tender Offer to Total Number of Voting Rights of All Shareholders: ((a)/(j)) (%)	51.40
Ownership Percentage of Shares after Tender Offer: ((a+d+g)/(j+(b-c)+(e-f)+(h-i))×100) (%)	61.42

(Note 1) “Number of Voting Rights with Respect to the Shares Scheduled to be Purchased Pursuant to the Tender Offer (a)” is the number of voting rights represented by the aggregate of the Minimum Number of Shares (68,440,500 shares) and the Excess Shares (1,559,500 shares), which together constitute the Expected Number of Shares (70,000,000 shares).

(Note 2) “Number of Voting Rights Represented by the Shares held by Special Related Parties as of the Date Hereof (g)” indicates the total number of shares held by a special related party.

(Note 3) The “Total Number of Voting Rights of All Shareholders of Target Company (j)” indicates the number of voting rights of all of the shareholders as of September 30, 2006 as described in the semi-annual report of the Target Company for the period ending on September 30, 2006 (the 41st Fiscal Year) (filed on December 22, 2006). However, since shares less than one unit (*tangen-miman-kabushiki*) also fall within the scope of this Tender Offer, “Ownership Percentage of Shares before Tender Offer” and “Ownership Percentage of Shares after Tender Offer” are calculated based on the assumption that “Total Number of Voting Rights of All Shareholders of the Target Company (j)” is 272,376, which is calculated by adding 1,616, which is the total number of voting rights related to individual shares less than one unit (*tangen-miman-kabushiki*) as of September 30, 2006 as stipulated in the semi-annual report above (such number of shares less than one unit (*tangen-miman-kabushiki*) is 808,067, excluding 285 which is the number of such shares held as treasury shares), thereto. (The number of shares that form one unit is 500.)

(Note 4) “Ownership Percentage of Shares after Tender Offer” indicates the percentage, if the Tender Offeror purchases none of the “Number of Voting Rights Represented by the Shares held by Special Related Parties (g)”. If the Tender Offeror purchases all of the “Number of Voting Rights Represented by the Shares held by Special Related Parties (g)”, such percentage will be 51.40%.

(Note 5) “Percentage of Number of Voting Rights with respect to Shares Scheduled to be Purchased Pursuant to the Tender Offer to Total Number of Voting Rights of All Shareholders” and “Ownership Percentage of Shares after Tender Offer” are rounded to two decimal points.

6. Permission etc. concerning Acquisition of Shares

None.

7. Procedures for Tendering the Shares and Cancellation of Agreement

(1) Procedure for Tendering the Shares

- ① Tender Offer Agent:
Japan Asia Securities Co., Ltd.
1-7-9, Kakigara-cho, Nihonbashi, Chuo-ku, Tokyo 103-0014
- ② Please fill out the required items in the designated “Tender Offer Acceptance Form” and submit such form together with the relevant share certificates to the head office or a domestic branch office (except for the Ginza Branch) of the Tender Offer Agent, on or before 3:30 p.m. of the last day of the Tender Offer period (Wednesday, July 18, 2007) (“Tender Offer Period”). Please prepare your seal when submitting the Tender Offer Accepting Form. If share certificates are deposited to the Tender Offer Agent (or JASDEC through the Tender Offer Agent), the submission of such shares is not required. When depositary certificates were issued, these depositary certificates must be submitted together.
- ③ In this Tender Offer, no tenders through securities companies other than the Tender Offer Agent will be received.
- ④ When opening a new account in the Tender Offer Agent, identification documents (Note 1) are also required. Even persons having account(s) in the Tender Offer Agent can be required to provide identification documents. The Tender Offer Agent will provide detailed information regarding identification documents.
- ⑤ Any tender by a foreign resident shareholder (including a corporate shareholder) who does not have a dealing account in the Tender Offer Agent (“Non-Japanese Shareholders”) shall be made through a standing proxy in Japan. Please refer to “(8) Others” under “11. Other Conditions and Methods of Purchase” below.
- ⑥ For an individual shareholder resident in Japan, the difference between the price of the shares sold pursuant to this Tender Offer and the purchase cost of such shares will be, as a general rule, subject to the self-assessment taxation with regard to capital gains of the shares recognized from the disposition of shares, on the basis separate from other income (Note 2).
- ⑦ Upon acceptance of the tenders, a tender receipt will be issued to the accepting shareholders by the Tender Offer Agent.
- ⑧ In case the tender offer of the all or the part of tendered shares is withdrawn, the share certificates in respect of which the tender offer are withdrawn shall be returned to the accepting shareholders. The share certificates submitted to the Tender Offer Agent is deposited to the JASDEC upon the consent of the applicant, therefore the name of the returned share certificates will be differ from the name of the submitted share certificates. Moreover, please note that, among the deposited share certificates, the share certificates of shares less than one unit cannot be returned as the certificate.

(Note 1) Identification Documents

The following identification documents will be required when any shareholders open a new account with the Tender Offer Agent. Moreover, even if you have already possessed the account, personal identification documents may be required. The Tender Offer Agent will provide detailed information regarding identification documents.

Individual Shareholder:

A copy of the individual’s residence certificate (the original must be issued within the past six months), health insurance card, or driver’s license, etc. (documents by which the name, address and

the date of birth can be confirmed).

Corporate Shareholder: A certificate of corporate registry or documents issued by the government (issued within the past six months and proving both the name and location of the head office of main office of such corporation)

In addition to the identification documents of the relevant corporation, identification documents of the person(s) in charge (if the representative of the corporation is in charge, those of the representative) are required.

Non-Japanese Shareholder: In the case of foreigners, excluding residents in Japan, and corporations whose head office or main office is located outside of Japan, a document issued by a foreign government or an authorized international institution approved by the Japanese government or other similar documents, which are equivalent to the identification documents for a Japanese resident.

(Note 2) Self-assessment separate taxation regarding capital gains etc. of the shares recognized from the disposition of shares (for individual shareholders only)
Individual shareholders are, in principle, subject to the self-assessment separate taxation with regard to capital gains of the shares from the disposition of shares. Shareholders should consult their own tax advisors and other specialists as to specific tax-related questions and should make their own decisions.

(2) Procedure for Cancellation of Agreement

Any tendering shareholder may cancel any agreement to tender shares in the Tender Offer at any time during the Tender Offer Period. For the termination of an agreement to sell shares pursuant to the Tender Offer, documents concerning such cancellation and a tender receipt (the "Cancellation Documents") must be delivered or sent by mail to the main office or domestic branch offices (except for the Ginza Branch) of the Tender Offer Agent, on or prior to 3:30 p.m. of the last day of the Tender Offer Period. The termination of an agreement shall become effective when the Cancellation Documents are delivered to or received by the Tender Offer Agent. Therefore, when sending by mail, please be informed that the cancellation will not be made if the Cancellation Documents do not reach the Tender Offer Agent by 3:30 p.m. of the last day of the Tender Offer Period.

Entities authorized to receive the Cancellation Documents are:

Japan Asia Securities Co., Ltd.

1-7-9, Kakigara-cho, Nihonbashi, Chuo-ku, Tokyo 103-0014

(or any other domestic branch offices of Japan Asia Securities Co., Ltd., except the Ginza branch office)

(3) Procedure for Returning Share Certificates

If an tendering shareholder cancels the agreement to sell shares pursuant to this Tender Offer in accordance with "(2) Procedure for Cancellation of Agreement" above, share certificates will be returned promptly after the completion of the cancellation procedures in accordance with "(4) Procedure for Returning Shares" under "10. Settlement Procedures" below.

(4) Name and Location of the Head Office of Securities Company/Bank, etc. for Handling and Safekeeping and Return of Share Certificates

8. Funds Required for the Tender Offer

(1) Funds, etc. Required for the Tender Offer

Purchase Price (in yen) (a)	77,000,000,000
Type of Consideration other than Cash	N/A
Total Number of Consideration other than Cash	N/A
Commission (b)	358,000,000
Other (c)	5,000,000
Total of (a)+(b)+(c)	77,363,000,000

(Note 1) The above Purchase Price (a) is calculated by using the aggregate of the Minimum Number of Shares (68,440,500 shares) and the Excess Shares (1,559,500 shares), which together constitute the Expected Number of Shares (70,000,000 shares), and multiplying by the Offer Price per share (1,100 yen).

(Note 2) “Commission” (b) is comprised of estimated commissions payable to the Tender Offer Agent.

(Note 3) “Other” (c) is comprised of estimated fees and expenses for placing public notices in newspapers, printing the Tender Offer Explanatory Statement and other various costs.

(Note 4) Although there are other expenses such as reimbursements of payments to the Tender Offer Agent and attorney’s fee, etc., the actual amount thereof will not be determined until the completion of the Tender Offer.

(Note 5) The above amounts do not include consumption tax.

(2) Deposits or Loan Proceeds to be Applied for Funds Required for Purchase etc.

- ① Deposit balances as of the day immediately preceding the date hereof or the day prior to such day

Type	Amount (in thousand yen)
N/A	----
Total (a)	----

- ② Loan proceeds as of the day preceding the date hereof

(a) Financial institution

	Category of Business of Lender	Name, etc. of Lender	Terms of Loan Agreement	Amount (in thousand yen)
1	----	----	----	----
2	----	----	----	----
Total				----

(b) Institutions other than financial institutions

Category of	Name, etc. of	Terms of Loan	Amount (in thousand yen)
-------------	---------------	---------------	--------------------------

Business of Lender	Lender	Agreement	
----	----	----	----
----	----	----	----
Total			----

③ Funds to be borrowed after the date hereof

(a) Financial institutions

	Category of Business of Lender	Name, etc. of Lender	Terms of Loan Agreement	Amount (in thousand yen)
1	----	----	----	----
2	----	----	----	----
Total				----

(b) Institutions other than financial institutions

Category of Business of Lender	Name, etc. of Lender	Terms of Loan Agreement	Amount (in thousand yen)
Moneylender	BNP PARIBAS Principal Investment Japan <i>kabushiki kaisha</i>	Borrowing for the funds required for the Tender Offer	90,000,000
----	----	----	----
Total			90,000,000

(Note) The timing, method, interest or other conditions for the borrowing will be determined through separate discussion. The Tender Offeror obtained from BNP PARIBAS Principal Investment Japan *kabushiki kaisha* a certificate stating that it is ready to make a loan up to 90 billion yen as an evidence of the financing of the above amount.

④ Other methods of funding

Terms	Amount (in thousand yen)
----	----
----	----
Total (d)	----

⑤ Total of the amount of deposits and loan proceeds to be applied for funds required for the purchase

90,000,000 Thousand Yen ((a)+(b)+(c)+(d))

(3) Relationship between the Tender Offeror and the Company Issuing Securities to be Used as a Consideration of the Tender Offer

None.

9. The Company Issuing Securities to be Used as a Consideration for the Tender Offer

None.

10. Method of Settlement

- (1) Name and Address of Head Office of Securities Company/Bank etc. in Charge of Settlement

Japan Asia Securities Co., Ltd.
1-7-9, Kakigara-cho, Nihonbashi, Chuo-ku, Tokyo 103-0014

- (2) Commencement Date of Settlement

Thursday, August 2, 2007

- (3) The Method of Settlement

A notice of purchase will be mailed to the addresses of the tendering shareholders (or the standing proxy in the case of Non-Japanese Shareholders) without delay after the end of the Tender Offer Period. Payment of the Purchase Price will be made in cash. The Tender Offer Agent will remit without delay after the commencement date of settlement the Purchase Price with respect to the tendered shares to the place designated by the tendering shareholders.

- (4) Method of Returning Shares

In the event that all or a part of the tendered shares are not purchased under the terms set forth in the subsections titled “(1) Conditions set forth in each Item of Article 27-13, Paragraph 4 of the SEL” or “(2) Conditions of Withdrawal of the Tender Offer, the Details thereof and Method of Disclosure of Withdrawal” of the section below titled “11. Other Conditions and Methods of Purchase”, with respect to the shares to be returned to the tendering shareholders, the Tender Offer Agent will without delay after the commencement date of settlement (in the case of the withdrawal of the Tender Offer, after the date of such withdrawal), at the direction of the tendering shareholders:

(1) in the case of share certificates that were delivered to the Tender Offer Agent, deliver or send by mail the share certificates to be returned to the tendering shareholders (in the case of Non-Japanese Shareholders, to their standing proxy) or

(2) return such shares to their original states of custody as of the time of the tender in the case of share certificates originally on deposit with the Tender Offer Agent (or JASDEC through the Tender Offer Agent).

11. Other Conditions and Methods of Purchase

- (1) Conditions set forth in each Item of Article 27-13, Paragraph 4 of the SEL

If the total number of tendered shares is less than the Minimum Number of Shares, none of the tendered shares will be purchased. If the total number of tendered shares exceeds the Expected Number of Shares, all or a portion of such excess shares will not be purchased. Delivery and other settlements concerning purchase of shares shall be performed based on the Pro Rata Method. (In the case where a number of shares less than one unit is included in the number of shares tendered by a shareholder and the Pro Rata Method is applied, the upper limit of the number of shares that may be purchased from such tendering shareholder shall be the number of shares actually tendered by such tendering shareholder.)

When the total of the number of shares to be purchased from each tendering shareholder calculated by having rounded off the number of shares less than 1 unit (500 shares) using the Pro Rata Method is less than the Expected Number of Shares, one unit of shares of the tendering shareholders with a greater number of shares omitted as a result of rounding down shall be purchased one by one (when the number of tendered shares is exceeded if one unit is purchased by the addition, then only up to the number of tendered shares) per each tendering shareholder until the total number of shares to be purchased reaches the Expected Number of Shares. If the Expected Number of Shares is exceeded by purchasing shares from all of the tendering shareholders in respect of whom the omitted number of shares are equal using the above method, the shareholders from whom shares are to be purchased shall be decided by lot from among the relevant tendering shareholders within the range in which the number of shares to be purchased does not fall below the Expected Number of Shares.

When the total of the number of shares to be purchased from each tendering shareholder calculated by having rounded up the number of shares less than one unit in the calculation based on the Pro Rata Method is greater than the Expected Number of Shares, the shares of tendering shareholders with a greater number of shares included as a result of rounding up shall be decreased one by one by one unit (if, after application of the Pro Rata Method, the number of shares to be purchased is less than one unit, such shares shall be excluded from the number of shares to be purchased) per each tendering shareholder until such number that does not fall below the Expected Number of Shares. If the number of shares goes below the Expected Number of Shares due to decreasing from all the tendering shareholders in respect of whom the omitted number of shares are equal using the above method, the shareholders whose shares must be so decreased shall be decided by lot from among the relevant tendering shareholders within the range in the number of shares to be purchased does not fall below the Expected Number of Shares.

(2) Conditions of Withdrawal of Tender Offer, Details thereof and Method of Disclosure of Withdrawal

Upon the occurrence of any event listed in Article 14, Paragraph 1, Items 1.1 through 1.9 and Items 1.11 through 1.17, Item 2, Items 3.1 through 3.8, Item 5 and Article 14, Paragraph 2, Items 3 through 6 of the Enforcement Order, the Tender Offeror may withdraw its offer.

In the event that the Tender Offeror decides to withdraw the Tender Offer, it shall give public notice electronically, and publish the fact that such public notice has been made in the *Nihon Keizai Shimbun*; provided, however, if it is deemed impractical to place such public notice by the last day of the Tender Offer Period, the Tender Offeror shall make a public announcement pursuant to Article 20 of the Cabinet Order and forthwith give public notice.

(3) Conditions of Reduction of the Purchase Price, Details thereof and Method of Disclosure of Reduction

If the Target Company conducts any of the acts listed in Article 13, Paragraph 1 of the Enforcement Order, pursuant to Article 27-6, Paragraph 1, Item 1 of the SEL, the Purchase Price may be reduced in accordance with the criteria under Article 19, Paragraph 1 of the Cabinet Order.

In the event that the Tender Offeror decides to reduce the Purchase Price, it shall give public notice electronically, and publish the fact that such public notice has been made in the *Nihon Keizai Shimbun*; provided, however, if it is deemed impractical to place such public notice by the last day of the Tender Offer Period, the Tender Offeror shall make a public announcement pursuant to Article 20 of the Cabinet Order and forthwith place public notice. The Tender Offeror will purchase shares for which the tender was made prior to the date of such public

notice in accordance with the changed terms and conditions.

(4) Matters concerning Tendering Shareholders' Right to Cancel the Agreement

Any tendering shareholder may cancel any agreement to tender shares in the Tender Offer at any time during the Tender Offer Period. For the termination of an agreement to sell shares pursuant to the Tender Offer, documents concerning such cancellation and a tender receipt (the "Cancellation Documents") must be delivered or sent by mail to the main office or domestic branch offices (except for the Ginza Branch) of the Tender Offer Agent, on or prior to 3:30 p.m. of the last day of the Tender Offer Period. The termination of an agreement shall become effective when the Cancellation Documents are delivered to or received by the Tender Offer Agent. Therefore, when sending by mail, please be informed that the cancellation will not be made if the Cancellation Documents do not reach the Tender Offer Agent by 3:30 p.m. of the last day of the Tender Offer Period.

The Tender Offeror will not claim the payment for any damage or penalty to the tendering shareholders, etc. even in case the cancellation is made. Any cost needed for the return of deposited share certificate, etc. will be borne by the Tender Offeror.

(5) Method of Disclosure in the Event the Conditions, etc. of Tender Offer are Changed

The Tender Offeror may change the terms and conditions of the Tender Offer during the Tender Offer Period unless otherwise prohibited by the provisions of Paragraph 1, Article 27-6 of the SEL. In the event the Tender Offeror intends to change the terms and conditions of the Tender Offer, a public notice providing the details of the change shall first be issued electronically and then a public notice to such effect shall be published in the *Nihon Keizai Shimbun*. However, when it is impractical to issue such public notice before the last day of the Offer Period, the Tender Offeror shall first make a public announcement in accordance with the procedures described in Article 20 of the Cabinet Order and shall release a public notice immediately thereafter. The Tender Offeror will purchase shares tendered prior to the date of such public notice in accordance with the changed terms and conditions.

(6) Method of Disclosure if Amendment Statement is Filed

In the event an Amendment to the Registration Statement is filed with the Director of the Kanto Local Finance Bureau in Japan, the Tender Offeror shall publicly and promptly announce the contents of the Amendment to the Registration Statement to the extent it relates to information in the Public Notice of the Commencement of the Tender Offer, in a manner prescribed in Article 20 of the Cabinet Order. The Tender Offeror shall also promptly amend the Tender Offer Explanatory Statement and deliver the amended Tender Offer Explanatory Statement to the tendering shareholders who have received the Tender Offer Explanatory Statement prior to the amendment. However, if the amendments are limited to minor sections in the Tender Offer Explanatory Statement, the Tender Offeror will amend the Tender Offer Explanatory Statement by delivering to the tendering shareholders a document stating the reasons for such amendments, the items that have been amended, and the contents of the amendments.

(7) Method of Disclosure of Results of Tender Offer

The results of the Tender Offer will be publicly announced in accordance with the procedures prescribed in Article 9-4 of the Enforcement Order and in Article 30-2 of the Cabinet Order on the date immediately following the last day of the Tender Offer Period.

II. Tender Offeror

1. Summary Description of the Tender Offeror

(1) General Information of the Tender Offeror

① History of the Tender Offeror

- August, 1998: DaVinci Advisors Japan, Ltd. incorporated as a specialty company conducting the business of a real estate investment advisor with stated capital of JPY 10 million at 3-4, 1-chome, Nishiazabu, Minato-ku, Tokyo.
- November, 1998: Relocated head office to 5-1, 1-chome, Shinjuku, Shinjuku-ku, Tokyo.
- January, 2000: Changed company name to K.K. DaVinci Advisors.
- March, 2000: Increased capital amount to JPY 40 million.
- June, 2000: Increased capital amount to JPY 100 million.
- June, 2000: Increased capital amount to JPY 270 million.
- November, 2000: Relocated head office to 24-14, 2-chome, Higashinohbashi, Chuo-ku, Tokyo.
- December, 2000: Increased capital amount to JPY 670 million.
- May, 2001: Incorporated K.K. daVinci Select.
- December, 2001: Listed on the NASDAQ Japan exchange (at present, the Hercules exchange). Capital increase was made by public offering (10,000 shares) and capital increased to JPY 1,222 million.
- March, 2003: Added investment business to its business.
- September, 2003: Made equity investment in The Arts Securities Co., Ltd.
- November, 2003: Relocated head office to 2-1, 6-chome, Ginza, Chuo-ku, Tokyo.
- May, 2004: Issued convertible bonds in aggregate amount of JPY 3,075 million.
- October, 2004: Changed the name of K.K. daVinci Select to K.K. daVinci REALTY.
- October, 2004: Incorporated K.K. daVinci Select as managing corporation of REIT (Real estate Investment Trust) which was planned to be established.
- November, 2004: Transferred shares of The Arts Securities Co., Ltd. in full to a third party.

② Purpose of the Company and its Business

1) Purpose of the Company

Purpose of the Company is to operate businesses as follows:

1. Sale and purchase of real estate, brokerage, lease, management and other real estate related consulting
2. Advisory service and entrustment service involving investment decision and transaction proxy in relation to real estate investments
3. Advisory service and entrustment service involving investment decision and transaction proxy in relation to portfolio investments
4. Sale of trust beneficiary interest and agency or brokerage thereof
5. Investment in real estate and lending, borrowing and funding cash in relation to real estate
6. Acquisition, possession, disposition, lease and appraisal of real estate
7. Holding, management and investment of securities such as stocks and bonds, etc., and holding, sale, purchase, brokerage and administration of mortgage securities
8. Purchase of accounts receivable and monetary claims and investment related thereto
9. Development, creation and sale of residential land and industrial land, etc.
10. Construction and sale of residential housing
11. Management of hotel and restaurant
12. Mortgage loan and other money lending
13. Other businesses incidental or relating to the foregoing

2) Business Activities

Our business group operates “real estate investment advisory business”, “real estate investment business” and “other business”.

According to application of “Practical Solution on Application of Control Criteria and Influence Criteria to Investment Associations” (September 8, 2006, Practical Issue Task Force No. 20), from the fiscal year ended in December, 2006, the fund established and managed by our group which was treated as an unconsolidated subsidiary before has become to be a consolidated subsidiary. As a result of a review of business segmentation in connection with the foregoing, the three segments consisting of “real estate investment advisory business” “investment business” and “other business” were changed to the three segments consisting of “real estate investment advisory business” “real estate investment business” and “other business”.

Description of Business

① Real Estate Investment Advisory Business

(Fund Management)

Our business begins with proposing “Investment Business Model and Plan” suitable for investors’ needs and establishing a real estate investment fund which invests in revenue-earning real estate and real estate related securities.

(Asset Management)

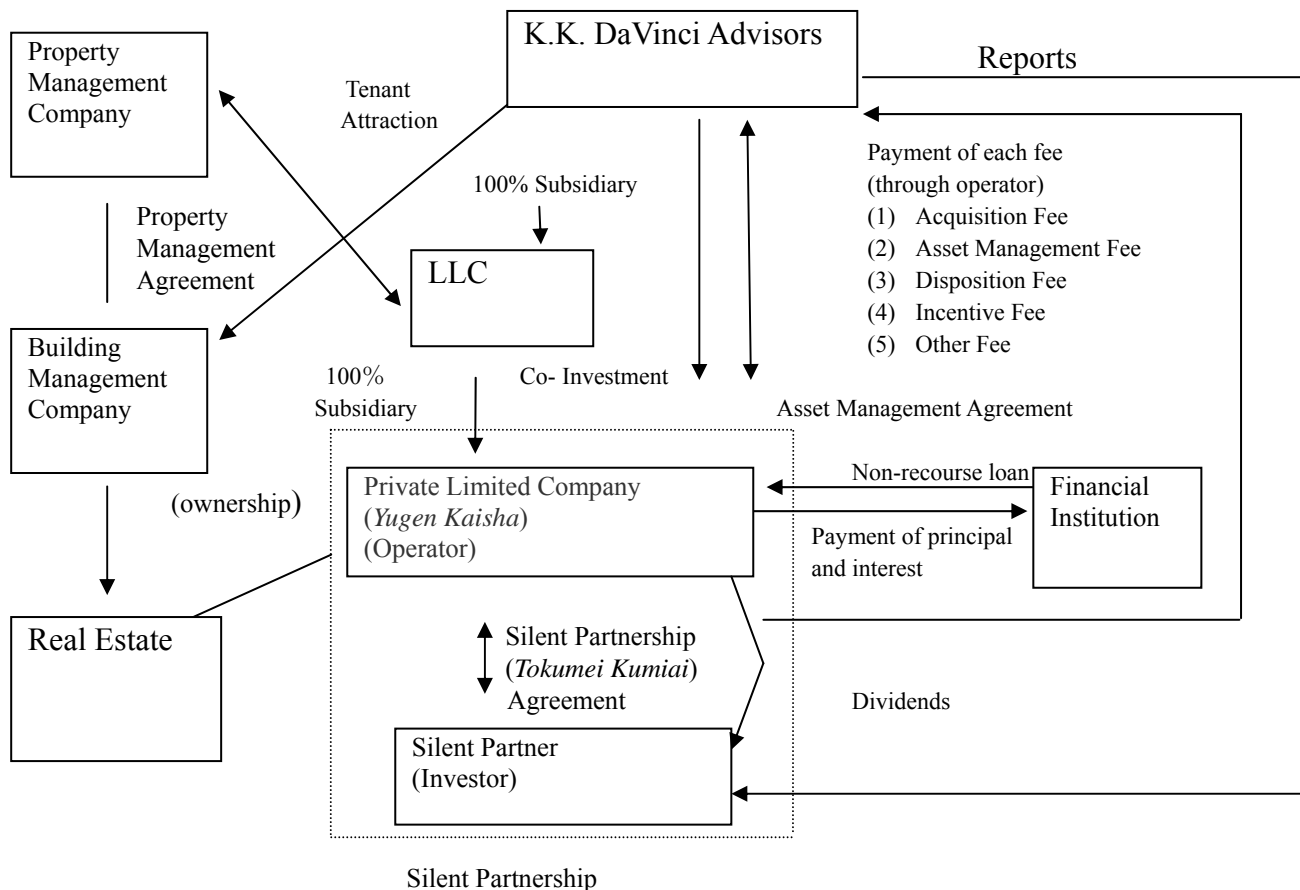
We effectively implement plans such as increasing the value of buildings, reviewing rent and tenant attraction plans determined in advance to improve the profitability of real estate acquired by the fund to increase the value of such real estate. In addition, we arrange fund raising by way of non-recourse loans to increase investment efficiency. We conduct asset management business to increase the value of real estate through both hard and soft approaches.

(Co-investment Business)

We conduct co-investment business in a portion of our funds of roughly 3% to 20% of total investment amount. This is required by other investors so that the Company does not act only as an advisor, but also invests its own resources and is in the same position as other investors. This is a well-established business practice in Europe and the Unites States.

Business Schematic Diagram

Though the structure of funds established and managed by us are each different from each other, the basic structure is as follows:



The fund scheme of our company uses “Silent Partnership” (*Tokumei Kumiai*) (Note 1) under the Commercial Code.

In general, between the private limited company (*Yugen Kaisha*) as operator of a “Silent Partnership” and our company, a limited liability company under Delaware law (the “LLC”) is inserted. (Note 2)

(Note 1) “Silent Partnership” means a partnership relation between an operator conducting business and a silent partner providing capital. Since the person conducting the business is the operator, the silent partner does not participate in management but acts only as an investor. Unless there is any supplementary contract, a silent partner shall never bear any amount beyond initial investment.

(Note 2) There are some cases where “Limited Liability Intermediate Corporation (*Yugen Sekinin Chukan Houjin*)”, an entity used for bankruptcy remoteness purposes, is established instead of LLC.

(Note 3) “bankruptcy remoteness” generally means, in case of bankruptcy of originator, the avoidance of the rights of a transferee of an asset (SPV) from being impeded by creditors of originator or bankruptcy trustee. In case of our company, we are able to block off the bankruptcy risk, etc., of each private limited company by inserting each LLC, and the silent partner does not bear the risk beyond its investment amount. In addition, this “bankruptcy remoteness” function enables financial institutions as lenders of non-recourse loans to preclude other creditors from collateral assets (real estate).

Each private limited company conducts the businesses set forth below as an operator of a silent partnership under the Commercial Code.

A. To solicit investment from general investors, enter into silent partnership agreements and acquire real estate with such invested amounts and borrowings from financial

institutions

- B. To acquire and register real estate in the name of the operator (each private limited company)
- C. To select tenants and lease to them
- D. To obtain rental income from tenants. To sell real estate and obtain profit on sale upon termination of silent partnership agreement or when price appreciation is expected even prior to termination
- E. To make distribution of money and distribution of earnings generated from lease business and sale of real estate

Also, each private limited company conducts businesses set forth in the foregoing subject to advice under asset management agreement with us.

In addition, actual real estate management is entrusted to a professional company.

The professional company reports monthly to each private limited company regarding the administration of properties, cash flow of properties and situation of the contracts with tenants, and each private limited company pays an administration fee from rental income, etc., of buildings in possession as consideration for providing aforesaid services.

② Real Estate Investment Business

As a result of the application of “Practical Solution on Application of Control Criteria and Influence Criteria to Investment Associations” (September 8, 2006, Practical Issue Task Force No. 20) from the fiscal year ended in December 2006, the funds established and managed by our group which were previously treated as unconsolidated subsidiaries became consolidated subsidiaries. Consequently, business in relation to investment in real estate, etc., conducted by funds that became consolidated subsidiaries became an independent business segment called “Real Estate Investment Business”.

③ Other Business

Until acquired real estate and real estate trust beneficiary interests are transferred to a fund that has not yet been established, or until turning the acquired real estate into a trust beneficiary interest and incorporating it in a fund already under management, a 100% subsidiary of ours may hold them temporarily. During such temporary holding, property management and tenant management are conducted by us, and though revenues and expenses are generated, such as rental income, these revenues and expenses are temporary, with no continuity until they are incorporated in the fund.

③ Amount of Stated Capital and Total Number of Issued Shares of the Company

As of December 31, 2006

Amount of Stated Capital (in yen)	Total Number of Issued and Outstanding Shares (shares)
2,385,875,000	1,566,174

④ Major Shareholders

As of December 31, 2006

Name	Address	Number of Shares Held (shares)	Shareholding Percentage against All Issued and Outstanding Shares (%)
Osamu Kaneko	Musashino-shi, Tokyo	416	26.6
Bank of New York GCM Client Accounts EISG Standing Proxy The Bank of Tokyo Mitsubishi UFJ, Ltd.	PETERBOROUGH COURT 133 FLEET STREET LONDON EC4A 2BB, UNITED KINGDOM 2-7-1, Marunouchi, Chiyoda-ku, Tokyo	76	4.9

Goldman Sachs International Standing Proxy Goldman Sachs Securities	133 FLEET STREET LONDON EC4A 2BB, U. K. Roppongi Hills Mori Tower, 6-10-1, Roppongi, Minato-ku, Tokyo	76	4.9
Investors Bank Standing Proxy Standard Chartered Bank	200 CLARENDON STREET P. O. BOX 9130 BOSTON, MA 02117-9130 Sanno Park Tower 21st floor, 2-11-1, Nagata-cho, Chiyoda-ku, Tokyo	30	2.0
The Bank of New York Treaty Jasdec Account Standing Proxy The Bank of Tokyo Mitsubishi UFJ, Ltd.	AVENUE DES ARTS,35 KUNSTLAAN, 1040 BRUSSELS, BELGIUM 2-7-1, Marunouchi, Chiyoda-ku, Tokyo	27	1.8
Japan Trustee Services Bank, Ltd. (Trust Account)	1-8-11, Harumi, Chuo-ku, Tokyo	24	1.6
Morgan Stanley and Company International Limited Standing Proxy Morgan Stanley Securities Limited	25 CABOT SQUARE, CANARY WHARF, LONDON E14 4QA ENGLAND EBISU Garden Place, 4-20-3, Ebisu, Shibuya-ku, Tokyo	21	1.4
Morgan Stanley and Company Inc. Standing Proxy Morgan Stanley Securities Limited	1585 BROADWAY NEW YORK, NEW YORK 10036, U.S.A. EBISU Garden Place, 4-20-3, Ebisu, Shibuya-ku, Tokyo	19	1.2
Osaka Securities Finance Company, Ltd.	2-4-6, Kitahama, Chuo-ku, Osaka-shi, Osaka	16	1.1
State Street Bank and Trust Company Standing Proxy Mizuho Corporate Bank, Ltd.	P.O. BOX 351 BOSTON MASSACHUSETTS 02101 U.S.A. 6-7, Kabuto-cho, Nihonbashi, Chuo-ku, Tokyo	15	1.0
Total	---	726	46.4

(Note 1) Holdings of less than 1,000 shares have been rounded down.

(Note 2) The number of shares held by Japan Trustee Services Bank, Ltd. is wholly related to its trust services.

(Note 3) The treasury shares held by our Company were omitted from the list of major shareholders.

(Note 4) The companies listed in the table below have submitted a change in large shareholding report in fiscal 2006 and reported that they hold shares as shown; however, we can not confirm the number of shares held in the name of such corporation as of the end of fiscal 2006, and therefore, they are not considered to be “Major Shareholders” for purposes of the foregoing table.

Name	Address	Number of Shares Held (1,000 shares)	Shareholding Percentage against All of the Issued and Outstanding Shares (%)
Goldman Sachs International	Peterborough Court, 133 Fleet Street, London EC4A 2BB UK	63	4.1
Goldman Sachs & Co.	85 Broad Street, New York, New York, 10004, U.S.A.	30	1.9

(Note 1) Holdings of less than 1,000 shares have been omitted.

⑤ Business Background and Number of Shares Held by Directors and Statutory Auditors.

As of December 31, 2006

Position	Title	Name	Date of Birth	History	Number of Shares held in the Tender Offeror (1,000 shares)
Representative Director		Osamu Kaneko	June 21, 1947	<p>Sept. 1971 Joined Pacific Trading</p> <p>Oct. 1972 Established Overseas Land Corporation (Hawaii), Representative Director of it</p> <p>Sept. 1976 Joined Hasegawa Koumuten (at present, HASEKO Corporation) (USA), Inc.</p> <p>Oct. 1986 Established KOAR Group Inc., Representative Director</p> <p>Jun. 1992 Established Signature Resorts, Inc. (at present, Sunterra Corporation), Representative Director</p> <p>Aug. 1998 Established DaVinci Advisors Japan, Ltd. (at present, K.K. DaVinci Advisors), Representative Director</p> <p>Oct. 1998 Outside Director of Signature Resorts, Inc. (at present, Sunterra Corporation)</p> <p>Jan. 2000 Representative Director of the Company (current)</p>	416
Director	Chief Financial Officer	Takatsugu Arakawa	March, 30, 1953	<p>Apr. 1977 Joined Tanuma CPA firm</p> <p>Apr. 1981 Joined Citicorp Credit, Ltd.</p> <p>Jul. 1987 Joined James Kapel Securities, Tokyo branch</p> <p>Mar. 2000 Joined Merrill Lynch Securities, Co., Ltd.</p> <p>Mar. 2003 Joined us as a finance director</p> <p>Mar. 2004 Director, Chief Financial Officer (current)</p>	---
Director		Yukihiro Yoshida	February 5, 1966	<p>Jul. 1989 Joined Citicorp Credit, Ltd.</p> <p>Feb. 1991 Finance Department, Personal Finance Section of Citibank, N. A.</p> <p>Jun. 1992 International Finance Department, Investment Securities Group, Global Finance Section of the same</p> <p>Feb. 2003 Joined us as Head of the Internal Audit division</p> <p>Mar. 2006 Director of our company (current)</p>	---
Full-time		Jun Nakanishi	May 25,	Mar. 1990 Finance Director of	---

Auditor			1943	May 1992 Citibank. N. A. Tax Service Director of the same Sep. 1993 Director of BOJ and Finance Ministry Report Preparing Department of the same Jan. 1997 Management Director of Management Administration Division of CitiTrust and Banking, Ltd. Aug. 2002 Operation Service Director of Operation and Management Division of the same Nov. 2005 Joined us as Internal Auditing Manager Mar. 2006 Corporate Auditor of our company (current)	
Auditor		Shigenori Funabashi	May 27, 1965	Apr. 1993 Registered as a lawyer (Tokyo Bar Association), joined in Sakura Kyodo Law Offices Jan. 2000 Established Noiest Law Office (current) Jun. 2000 Corporate Auditor of our company (current)	---
Auditor		Koichi Yasuda	October 30, 1966	Oct. 1988 Joined Minato Auditing Firm (at present, KPMG Azusa & Co.) Mar. 1991 Pass the third exam of CPA May 2000 Established Yasuda Auditing Firm (current) Jun. 2000 Corporate Auditor of our company (current)	---
Sum					417

(Note 1) Holdings of less than 1,000 shares have been rounded down.

(Note 2) Shigenori Funabashi, Corporate Auditor and Koichi Yasuda, Corporate Auditor are outside corporate auditors set forth in Article 2, clause 16 of the Corporate Law of Japan

(2) [Accounting Policies]

1 Preparation of Consolidated Financial Statements and Financial Statements

The consolidated financial statements of the Company have been prepared under the Regulation for Terminology, Forms and Preparation of Consolidated Financial Statements (Finance Ministry Ordinance No. 28, 1976, the "Regulation for Consolidated Financial Statements").

In addition, the consolidated financial statements of the preceding consolidated fiscal year (for the period from January 1, 2005 to December 31, 2005) and the current consolidated fiscal year (for the period from January 1, 2006 to December 31, 2006) have been prepared under the pre-amendment Regulation for Consolidated Financial Statements and the post-amendment Regulation for Consolidated Financial Statements, respectively.

Provided, however, that the consolidated financial statements of the preceding consolidated fiscal year (for the period from January 1, 2005 to December 31, 2005) have been prepared under the unrevised Regulation for Consolidated Financial Statements pursuant to the proviso in Article 2 of

the supplementary provision of the Cabinet Office Ordinance Amending Part of the Regulation for Terminology, Forms and Preparation of Financial Statements (Cabinet Office Ordinance No. 5, on January 30, 2004) .

2 Audit Certificate

The Company, under the provisions of Paragraph 193-2 of the Securities and Exchange Law, has been subject to audit of its consolidated financial statements of the preceding consolidated fiscal year (for the period from January 1, 2005 to December 31, 2005) and the current consolidated fiscal year (for the period from January 1, 2006 to December 31, 2006) by our independent auditor, KPMG AZSA & Co.

3 Change of Denominations

Previously, line items and other items in the consolidated financial statements of the Company had been stated in units of 1,000 yen; however, they are stated in units of 1,000,000 yen beginning in the current consolidated fiscal year. To facilitate comparability, the consolidated financial statements for the preceding consolidated fiscal year have been restated using units of millions of yen.

1 [Consolidated Financial Statements]

(1) [Consolidated Financial Statements]

① [Consolidated Balance Sheet]

(millions of yen)

Accounts	Notes	Previous Fiscal Year (as of December 31, 2005)		Current Fiscal Year (as of December 31, 2006)	
		Amounts	(%)	Amounts	(%)
Assets					
I Current Assets:					
1 Cash and Bank Deposits		6,120		28,236	
2 Trust Deposits	※2	—		41,038	
3 Notes and Accounts Receivable		558		708	
4 Real Estate for Sale in Trust	※2	—		738,603	
5 Deferred Tax Assets		518		731	
6 Others		1,020		12,436	
Total Current Assets		8,218	24.2	821,754	93.6
II Fixed assets:					
1 Tangible Fixed Assets					
(1) Buildings and Texture		59		91	
Accumulated Depreciation		11	48	19	72
(2) Furniture and Fixtures		105		128	
Accumulated Depreciation		46	59	68	59
Total Tangible Fixed Assets		108	0.3	132	0.0
2 Intangible Assets					
Software		24		42	
Trademark Rights		1		2	
Total Intangible Assets		26	0.1	44	0.0
3 Investments and Other Assets:					
(1) Investment Securities	※2	3,767		5,333	
(2) Other Affiliates' Securities	※1	4,888		15	
(3) Investments in Affiliates	※1	3,265		541	
(4) Cash in Trust	※2	11,740		38,595	
(5) Silent Partnership Investment by Affiliated Companies		337		—	
(6) Long-term Loans	※5	1,111		238	
(7) Long-term Prepaid Expenses		—		10,729	
(8) Others	※1	425		948	
Total Investments and other Assets		25,536	75.4	56,402	6.4
Total Fixed Assets		25,671	75.8	56,579	6.4
Total Assets		33,889	100.0	878,333	100.0

(millions of yen)

Accounts	Notes	Previous Fiscal Year (as of December 31, 2005)		Current Fiscal Year (as of December 31, 2006)	
		Amounts	(%)	Amounts	(%)
Liabilities					
I Current Liabilities:					
1 Short-term Debt	※2,3	6,645		25,809	
2 Long-term Debt repayable within one year		1,560		1,560	
3 Income Taxes Payable		1,725		5,377	
4 Other Current Liabilities		2,286		12,011	
Total Current Liabilities		12,216	36.0	44,758	5.1
II Fixed Liabilities:					
1 Long-term borrowings	※2,3	4,115		615,045	
2 Specified Bonds		—		28,911	
3 Guarantee Deposits Received		—		28,019	
4 Silent Partnership Investment Deposits		5,879		—	
5 Other Fixed Liabilities		106		8,821	
Total Fixed Liabilities		10,101	29.8	680,798	77.5
Total Liabilities		22,317	65.8	725,556	82.6
Minority Interest		86	0.3	—	—
Shareholders' Equity					
I Capital Stock	※4	2,385	7.0	—	—
II Additional Paid-in Capital		2,516	7.4	—	—
III Retained Earnings		8,009	23.7	—	—
IV Unrealized Gains (Losses) on Other Securities		△67	△0.2	—	—
V Foreign Currency Translation Adjustment		34	0.1	—	—
VI Treasury Stock	※4	△1,392	△4.1	—	—
Total Shareholders' Equity		11,485	33.9	—	—
Total Liabilities, Minority Interest and Shareholders' Equity		33,889	100.0	—	—
Shareholders' Equity					
I Shareholders' Equity:					
1 Stated Capital		—	—	2,385	0.3
2 Additional Paid-in Capital		—	—	2,516	0.3
3 Retained Earnings		—	—	17,134	1.9
4 Treasury Stock		—	—	△1,392	△0.1
Total Shareholders' Equity		—	—	20,644	2.4
II Valuation and Conversion Differences:					
1 Unrealized Gains (Losses) on Other Securities		—	—	256	0.0
2 Deferred Hedge Gain and Loss		—	—	△9	△0.0
3 Foreign Currency Translation Adjustment		—	—	46	0.0
Total Valuation and Conversion Differences		—	—	293	0.0
III Minority Interest	※6	—	—	131,839	15.0
Total Shareholders' Equity		—	—	152,777	17.4

Accounts	Notes	Previous Fiscal Year (as of December 31, 2005)		Current Fiscal Year (as of December 31, 2006)		
		Amounts	(%)	Amounts	(%)	
Total Liabilities and Shareholders' Equity			—	—	878,333	100.0

② 【Consolidated Income Statement】

Accounts	Notes	Previous Fiscal Year (from January 1, 2005 to December 31, 2005)		Current Fiscal Year (from January 1, 2006 to December 31, 2006)	
		Amounts	Ratio (%)	Amounts	Ratio (%)
		(millions of yen)		(millions of yen)	
I Net Sales		9,502	100.0	136,021	100.0
II Cost of Sales		1,666	17.5	89,962	66.1
Gross Profit		7,836	82.5	46,059	33.9
III Selling, General and Administrative Expenses	※1	811	8.5	2,015	1.5
Operating Income		7,025	74.0	44,043	32.4
IV Other Income:					
1 Interest Income		2		14	
2 Investment Return under Equity Method		12		—	
3 Dividend Revenue		—		110	
4 Proceeds from Factoring		79		—	
5 Others		21	1.2	56	0.1
V Other Expenses:					
1 Interest Expense		154		9,835	
2 Commissions Paid		—		3,185	
3 Others		11	1.8	701	10.1
Ordinary Income		6,973	73.4	30,501	22.4
Net Income before Taxes and other Adjustments and before Earnings Distribution from Silent Partnership Investments		6,973	73.4	—	—
Earnings Distribution from Silent Partnership Investments		16	0.2	—	—
Net Income before Taxes and other Adjustments		6,990	73.6	30,051	22.4
Income, Inhabitant and Business Tax		2,450		6,960	
Income Tax, etc., Adjustment		61	26.4	△410	4.8
Minority Interest in Net Income (Loss)		2	0.0	△14,827	△10.9
Net Income		4,481	47.2	9,124	6.7

③ Consolidated Statement of Retained Earnings and Consolidated Statement of Changes in Shareholders' Equity

Consolidated Statement of Retained Earnings

(millions of yen)

Accounts	Notes	Previous Fiscal Year (from January 1, 2005 to December 31, 2005)	
		Amounts	
Additional Paid-in Capital			
I Additional Paid-in Capital at the beginning of the year			2,516
II Additional Paid-in Capital at the end of the year			2,516
Retained Earnings			
I Retained Earnings at the beginning of the year			3,528
II Decrease in Retained Earnings			
Net Income		4,481	4,481
III Retained Earnings at the end of the year			8,009

Consolidated Statement of Changes in Shareholders' Equity

Current Fiscal Year

(from January 1, 2006 to December 31, 2006)

(millions of yen)

	Shareholders' Equity				
	Common Stock	Additional Paid-in Capital	Retained Earnings	Treasury Stock	Total Shareholders' Equity
Balance as of December 31, 2005	2,385	2,516	8,009	△1,392	11,519
Increase (decrease) in the period					
Net Income			9,124		9,124
Net change in items excluding Shareholders' Equity during the period (net amount)					
Total Increase (Decrease) in the period	—	—	9,124	—	9,124
Balance as of December 31, 2006	2,385	2,516	17,134	△1,392	20,644

(millions of yen)

	Valuation and Conversion Differences				Minority Interest	Total Shareholders' Equity
	Valuation Adjustment, Other Marketable Securities	Deferred Hedge Gain and Loss	Foreign Currency Translation Adjustment	Total Valuation and Conversion Differences		
Balance as of December 31, 2005	△67	—	34	△33	86	11,571
Increase (Decrease) in the period						
Net Income						9,124
Net change in items excluding Shareholders' Equity during the period (net amount)	324	△9	11	327	131,753	132,080
Total Increase (Decrease) in the period	324	△9	11	327	131,753	141,205
Balance as of December 31, 2006	256	△9	46	293	131,839	152,777

④ [Consolidated Statements of Cash Flows]

Accounts	Note	Previous Fiscal Year (from January 1, 2005 to December 31, 2005)	Current Fiscal Year (from January 1, 2006 to December 31, 2006)
		Amounts (millions of yen)	Amounts (millions of yen)
I Cash Flows from Operating Activities			
Income before income taxes and other adjustment		6,990	30,501
Loss (Gain) on Co-investment included in Sales		△833	99
Interest Income included in Sales		△76	—
Profit on Sale of Real Estate included in Sales		△179	—
Loss (Gain) on Investment in Silent Partnership (Sales)		△572	—
Loss (Gain) on Cash Trust Investments		△36	—
Interest Expenses within Cost of Sales		85	161
Depreciation and Amortization		35	67
Depreciation Equivalent for Real Estate for Sale		41	—
Depreciation Equivalent for Real Estate for Sale in Trust		32	—
Amortization Prepaid Expenses		136	—
Interest Income and Dividend Revenue		△2	△124
Payments of Interest		154	9,835
Investment Loss (Gain) on Equity Method		△12	66
Foreign Exchange Loss (Gain)		△0	—
Proceeds from Factoring		△79	—
Increase (Decrease) on Trade Receivables		△140	—
Payments for Acquisition of Specified Cash Trusts		△250	—
Proceeds from Repayment of Specified Cash Trusts		543	—
Payments for Cash Trusts		△10,367	—
Increase (Decrease) of Cash Trusts		—	△30,637
Payments for Acquisition of Real Estate for Sale		△2,932	—
Proceeds from sale of assignment of Real Estate for Sale		3,002	—
Payments for Acquisition of Real Estate for Sale in Trust		△7,373	—
Proceeds from Sale of the Trust Sale of Real		7,404	—

		Previous Fiscal Year (from January 1, 2005 to December 31, 2005)	Current Fiscal Year (from January 1, 2006 to December 31, 2006)
Accounts	Note	Amounts	Amounts
		(millions of yen)	(millions of yen)
Estate			
Increase (Decrease) in Real Estate for Sale in Trust		—	△377,254
Proceeds from Repayment of Investment in Affiliated Silent Partnership Investments		1,266	—
Proceeds from Sale of Investment in Affiliated Silent Partnership Investments		105	—
Payments for Acquisition of Investment Securities		△3,521	—
Payments for Repayment of Investment Securities		346	—
Increase (Decrease) in Investment Securities		—	△915
Payments for Acquisition of Other Affiliates' Stock		△4,546	—
Payments for Repayment of Other Affiliates' Stock		1,494	—
Proceeds from Assignment of Affiliates' Stock		4,129	—
Increase (Decrease) in other Current Assets		△648	—
Increase (Decrease) in Long-term Prepaid Expenses		—	△9,381
Increase (Decrease) in Unpaid Consumption Tax, etc.		210	—
Increase (Decrease) in other Current Liabilities		1,773	—
Increase (Decrease) in Guarantee Deposits Received		—	14,024
Increase (Decrease) in Trust Deposits		—	△22,903
Other		—	△9,163
Subtotal		△3,821	△395,624
Proceeds from Interest and Dividends		99	137
Payments of Interest		△234	△10,042
Payments of Income Tax, etc.		△1,926	△4,745
Cash Flows from Operating Activities		△5,882	△410,274
II Cash Flows from Investing Activities			
Proceeds from Repayments of Term Deposits		1,355	—
Payments for the Purchase of Tangible Fixed Assets		△60	—
Payments for the Purchase of Intangible Fixed Assets		△17	—
Payment for Loans Receivable	※2	△314	—
Proceeds from the Recovery of Loans Receivable	※2	3,052	45
Payments for Affiliates' Stock and Capital Contribution		△1,098	△489
Proceeds from Sale of Affiliates' Stock and Capital Contribution		28	—
Payments for Foundation of Intermediary Corporations		△3	—
Payments for Guarantee Deposits		△29	△230
Proceeds from Repayment of Guarantee Deposits		1	—
Others		—	△110
Cash Flows from Investing Activities		2,911	△784
III Cash Flows from Financing Activities			
Proceeds from Short-term Borrowings		18,391	—
Repayments of Short-term Borrowings		△14,916	—
Increase or Decrease in Short-term Borrowings		—	18,296

		Previous Fiscal Year (from January 1, 2005 to December 31, 2005)	Current Fiscal Year (from January 1, 2006 to December 31, 2006)
Accounts	Note	Amounts	Amounts
		(millions of yen)	(millions of yen)
Proceeds from Long-term Debt		1,000	576,024
Repayments of Long-term Debt		△735	△214,553
Proceeds from Receipt of Silent Partnership Investment Deposit		4,710	—
Proceeds from Investment Contribution by investors for Silent Partnership Investment		—	100,317
Payments for Repayment to Investors of Silent Partnership Investment		—	△61,584
Proceeds from Specified Bonds		—	7,518
Payments for Redemption of Specified Bonds		—	△2,356
Payments for Acquisition of Treasury Stock		△1,363	—
Others		—	376
Cash Flows from Financing Activities		7,087	424,039
IV Effect of Exchange Rate Changes on Cash and Cash Equivalents		0	0
V Increase in Cash and Cash Equivalents		4,116	12,980
VI Cash and Cash Equivalents at the beginning of the period		2,004	6,120
VII Cash and Cash Equivalents from newly Consolidated Subsidiaries		—	9,134
VIII Cash and Cash Equivalents at the end of the period	※1	6,120	28,236

Basis of Presentation for Consolidated Financial Statements

Item	Preceding Fiscal Year (From January 1, 2005 to December 31, 2005)	Current Fiscal Year (From January 1, 2006 to December 31, 2006)
1. Scope of Consolidation	<p>(1) Number of consolidated subsidiaries: 61 Names of consolidated subsidiaries: K.K. daVinci Select K.K. daVinci Realty Waxford Holdings Y.K. Waxford daVinci Guam Hotel, Inc. daVinci-GRE, LLC Y.K. GANGAN Y.K. Cordoba Y.K. Plato daVinci Waikiki Lofts, Inc. Urban Loft Investors, LLC and 50 other companies</p> <p>Siena, LLC and 23 other companies were newly established in the current fiscal year. Ballista, LLC and 5 other companies have been included in consolidation from the beginning of the current fiscal year because they increased in importance. In addition, Tuscany, LLC and 6 other companies that were consolidated subsidiaries in the preceding fiscal year have not been included in consolidation because they went into liquidation.</p>	<p>(1) Number of consolidated subsidiaries: 193 (including 35 silent partnerships) Names of consolidated subsidiaries: K.K. daVinci Select K.K. daVinci Realty K.K. daVinci Plus daVinci Guam Hotel, Inc. daVinci-GRE, LLC daVinci Waikiki Lofts, Inc. Urban Loft Investors, LLC Urban Loft Development, LLC Y.K. MOONCOIN Y.K. Kadobe T.K. MOONCOIN T.K. Kadobe and 181 other companies</p> <p>K.K. daVinci Plus and 31 other companies were newly established in the current fiscal year. The provisions of the Practical Solution on Application of Control Criteria and Influence Criteria to Investment Associations (No. 20, September 8, 2006) have been applied since the current fiscal year. As a result, 103 companies (including 35 Silent Partnerships) have been included in consolidation. Nicola Japan, LLC and 4 other companies that were consolidated subsidiaries in the preceding fiscal year have not been included in consolidation because their liquidation was finalized. Urban Loft Development, LLC and 3 other companies have been included in consolidation from the beginning of the current fiscal year because they increased in importance.</p>

Item	Preceding Fiscal Year (From January 1, 2005 to December 31, 2005)	Current Fiscal Year (From January 1, 2006 to December 31, 2006)																																																																																																																		
	<p>Y.K. Plato makes domestic investment in equity as an investment vehicle providing a property investment advisory business.</p> <p>For the purpose of the condensed consolidated balance sheet and the condensed consolidated profit and loss statement, Y.K. Plato is not treated as a consolidated subsidiary and the equity method is applied to it as in the case of other investment vehicles.</p> <p style="text-align: center;">(Condensed Consolidated Balance Sheet)</p> <table border="1"> <thead> <tr> <th style="text-align: center;">Classification</th> <th style="text-align: center;">Amount (millions of yen)</th> </tr> </thead> <tbody> <tr><td>I Current assets</td><td style="text-align: right;">7,938</td></tr> <tr><td>II Fixed assets</td><td style="text-align: right;">14,872</td></tr> <tr><td>1 Tangible assets</td><td style="text-align: right;">108</td></tr> <tr><td>2 Intangible assets</td><td style="text-align: right;">26</td></tr> <tr><td>3 Investments and other assets</td><td style="text-align: right;">14,738</td></tr> <tr><td>Total assets</td><td style="text-align: right;">22,810</td></tr> <tr><td>I Current liabilities</td><td style="text-align: right;">7,207</td></tr> <tr><td>II Long-term liabilities</td><td style="text-align: right;">4,145</td></tr> <tr><td>Total liabilities</td><td style="text-align: right;">11,352</td></tr> <tr><td>Minority interests</td><td style="text-align: right;">86</td></tr> <tr><td>Total shareholders' equity</td><td style="text-align: right;">11,372</td></tr> <tr><td>Total liabilities, minority interests and total shareholders' equity</td><td style="text-align: right;">22,810</td></tr> </tbody> </table> <p style="text-align: center;">(Condensed Consolidated Income Statement)</p> <table border="1"> <thead> <tr> <th style="text-align: center;">Classification</th> <th style="text-align: center;">Amount (millions of yen)</th> </tr> </thead> <tbody> <tr><td>I Sales</td><td style="text-align: right;">9,502</td></tr> <tr><td>II Cost of Sales</td><td style="text-align: right;">1,666</td></tr> <tr><td>Gross profit</td><td style="text-align: right;">7,836</td></tr> <tr><td>III Sales, general and administrative expenses</td><td style="text-align: right;">806</td></tr> <tr><td>Operating income</td><td style="text-align: right;">7,029</td></tr> <tr><td>IV Non-operating income</td><td style="text-align: right;">114</td></tr> <tr><td>V Non-operating expense</td><td style="text-align: right;">154</td></tr> <tr><td>Ordinary income</td><td style="text-align: right;">6,990</td></tr> <tr><td>VI Special profit</td><td style="text-align: center;">—</td></tr> <tr><td>VII Extraordinary loss</td><td style="text-align: center;">—</td></tr> <tr><td>Net income before taxes and other adjustments</td><td style="text-align: right;">6,990</td></tr> <tr><td>Income tax, residential tax and business-use tax</td><td style="text-align: right;">2,449</td></tr> <tr><td>Income taxes-deferred</td><td style="text-align: right;">61</td></tr> <tr><td>Minority interest in net loss</td><td style="text-align: right;">2</td></tr> <tr><td>Net income</td><td style="text-align: right;">4,481</td></tr> </tbody> </table> <p>(2) Name of principal unconsolidated subsidiary: Ballista Corp., Y.K. Y.K. Marques Y.K. Rhodes</p>	Classification	Amount (millions of yen)	I Current assets	7,938	II Fixed assets	14,872	1 Tangible assets	108	2 Intangible assets	26	3 Investments and other assets	14,738	Total assets	22,810	I Current liabilities	7,207	II Long-term liabilities	4,145	Total liabilities	11,352	Minority interests	86	Total shareholders' equity	11,372	Total liabilities, minority interests and total shareholders' equity	22,810	Classification	Amount (millions of yen)	I Sales	9,502	II Cost of Sales	1,666	Gross profit	7,836	III Sales, general and administrative expenses	806	Operating income	7,029	IV Non-operating income	114	V Non-operating expense	154	Ordinary income	6,990	VI Special profit	—	VII Extraordinary loss	—	Net income before taxes and other adjustments	6,990	Income tax, residential tax and business-use tax	2,449	Income taxes-deferred	61	Minority interest in net loss	2	Net income	4,481	<p>CH Orkney Limited and one other company have not been included in consolidation from the beginning of the current fiscal year because they are small and their net assets, proceeds, net profit or loss and accumulated profit do not have a material influence on the consolidated financial statements.</p> <p>In addition, for the purpose of the following condensed consolidated balance sheet and the condensed consolidated profit and loss statement, (all investment vehicles are not treated as consolidated subsidiaries and the equity method has been applied according to their pro rata capital contribution are as follows:</p> <p style="text-align: center;">(Condensed Consolidated Balance Sheet)</p> <table border="1"> <thead> <tr> <th style="text-align: center;">Classification</th> <th style="text-align: center;">Amount (millions of yen)</th> </tr> </thead> <tbody> <tr><td>I Current Assets</td><td style="text-align: right;">26,958</td></tr> <tr><td>II Fixed Assets</td><td style="text-align: right;">29,867</td></tr> <tr><td>1 Tangible assets</td><td style="text-align: right;">132</td></tr> <tr><td>2 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3 Investments and other assets	29,697																																																																																																																			
Total assets	56,826																																																																																																																			
I Current liabilities	15,997																																																																																																																			
II Long-term liabilities	19,794																																																																																																																			
Total liabilities	35,792																																																																																																																			
Total shareholders' equity	21,033																																																																																																																			
Total liabilities and total shareholders' equity	56,826																																																																																																																			
Classification	Amount (millions of yen)																																																																																																																			
I Sales	20,474																																																																																																																			
II Cost of Sales	3,096																																																																																																																			
Gross profit	17,377																																																																																																																			
III Sales, general and administrative expenses	1,730																																																																																																																			
Operating income	15,646																																																																																																																			
IV Non-operating income	130																																																																																																																			
V Non-operating expense	403																																																																																																																			
Ordinary income	15,374																																																																																																																			
VI Special profit	—																																																																																																																			
VII Extraordinary loss	—																																																																																																																			
Net income before taxes and other adjustments	15,374																																																																																																																			
Income tax, residential tax and business-use tax	6,646																																																																																																																			
Income taxes-deferred	△391																																																																																																																			
Minority interest in net loss	5																																																																																																																			
Net income	9,124																																																																																																																			

Item	Preceding Fiscal Year (From January 1, 2005 to December 31, 2005)	Current Fiscal Year (From January 1, 2006 to December 31, 2006)
	<p>Y.K. MOONCOIN Y.K. Portrush Y.K. Mikonos Y.K. Crete Y.K. Toscana Y.K. Faro Y.K. Nimes Y.K. Highland Y.K. Labuan Y.K. Albany Y.K. Akasaka International Y.K. Granada T.K. Toledo Y.K. Huron Urban Loft Development, LLC and 43 other companies</p> <p>(reason for exclusion from consolidation) Ballista Corp., Y.K. and 36 other companies have not been included in consolidation under the provisions of Item 2, Article 1 of Paragraph 5 of the Regulation for Consolidated Financial Statements because they are members of an association mainly carrying on a real-estate business based on silent partnership contracts, and their assets, profit and loss are insignificant.</p> <p>Y.K. Sevilla and 23 other companies have not been included in consolidation under the provisions of Item 2, Article 1 of Paragraph 5 of the Regulation for Consolidated Financial Statements because they are companies providing tenant management services (“Master Lessee”), and Master Lessees only function as intermediary companies between tenants and funds (equity method affiliates) and are actually equity method affiliates of the Company.</p> <p>Silent Partnership T.K. Asahi Renovation has not been included in consolidation because it transferred its Silent Partnership interests in the current fiscal year.</p> <p>Urban Loft Development, LLC has not been included in consolidation because it is owned on a temporary basis.</p>	<p>CH Algarve Limited CH Cardiff Limited and 22 other companies (reason for exclusion from consolidation) Orkney and 24 other companies have not been included in consolidation because they are small and their net assets, proceeds, net profit or loss and accumulated profit do not have a material influence on the consolidated financial statements.</p>
2. Scope of the Use of Equity Accounting	<p>(1) Number of unconsolidated subsidiaries accounted for by the equity method: 61</p> <p>Name of subsidiary: Ballista Corp., Y.K. Y.K. Marques Y.K. Mikonos Y.K. Crete Y.K. Rhodes Y.K. MOONCOIN Y.K. Portrush T.K. Toledo Y.K. Toscana Y.K. Faro Y.K. Nimes Y.K. Highland Y.K. Labuan Y.K. Albany Y.K. Akasaka International Y.K. Granada Urban Loft Development, LLC Y.K. Huron and 43 other companies</p>	<p>(1) Number of unconsolidated subsidiaries accounted for by the equity method: 4</p> <p>Name of subsidiary: Y.K. Shannon Y.K. Avila K.K. New Tottori Hotel K.K. Niigata City Hotel</p> <p>K.K. New Tottori Hotel and one other company were newly established in the current fiscal year.</p> <p>The Company has applied the provisions of the Practical Solution on Application of Control Criteria and Influence Criteria to Investment Associations (No. 20, September 8, 2006) since the current fiscal year. As a result, Y.K. MOONCOIN and 57 other companies that were unconsolidated subsidiaries accounted for by the equity method have been included in consolidation.</p> <p>Urban Loft Development, LLC has been included in consolidation from the beginning of the current fiscal year because it increased in importance.</p>

Item	Preceding Fiscal Year (From January 1, 2005 to December 31, 2005)	Current Fiscal Year (From January 1, 2006 to December 31, 2006)
	<p>Y.K. Siena and 28 other companies were newly established in the current fiscal year.</p> <p>T.K. Asahi Renovation transferred its silent partnership interests in the current fiscal year.</p> <p>Y.K. Toscana and three other companies have become unconsolidated subsidiaries accounted for by the equity method from the beginning of the current fiscal year because they increased in importance.</p> <p>Modello Corp., Y.K. and Valencia Y.K. went into liquidation in the current fiscal year.</p> <p>Y.K. Plato was an unconsolidated subsidiary accounted for by the equity method in the preceding fiscal year but became a consolidated subsidiary from the beginning of the current fiscal year because it increased in importance.</p> <p>(2) Number of affiliates accounted for by the equity method: 9 Name of company: T.K. daVinci EX1 T.K. Legend Investment T.K. PV Investment T.K. RH Investment DaVinci-RP Hotel Investors, LLC DaVinci-RP Operating Lessee, Inc. Limerick TMK Orkney TMK T.K. MD Properties</p> <p>Limerick TMK has been included as an equity method affiliate since the current fiscal year because it increased in importance.</p> <p>Orkney TMK and T.K. MD Properties were newly established in the current fiscal year.</p> <p>(3) Number of non-equity-method unconsolidated subsidiaries: 4 Name of company: Y.K. Kadobe Y.K. KDB Pension O.H. DJREP4 Y.K. Luiss</p> <p>Limerick Property Holdings and Limerick Jingumae L.P. have been included in consolidation from the beginning of the current fiscal year because they increased in importance.</p> <p>Y.K. Toscana and three other companies have been included in an applicable scope of the equity method since the current fiscal year because they increased in importance.</p>	<p>(2) Number of affiliates accounted for by the equity method: 10 Name of company: T.K. RH Investment DaVinci-RP Hotel Investors, LLC DaVinci-RP Operating Lessee, Inc Japan Single-residence Asset Management Corp. Hokkaido Property Trust Co., Ltd and 5 other companies</p> <p>T.K. PV Investment transferred its silent partnership interests in the current fiscal year.</p> <p>Y.K. Tioman and one other company were newly established in the current fiscal year.</p> <p>Hokkaido Property Trust Co., Ltd. and three other companies were newly purchased in the current fiscal year.</p> <p>The Company has applied the provisions of the Practical Solution on Application of Control Criteria and Influence Criteria to Investment Associations (No. 20, September 8, 2006) since the current fiscal year. As a result, T.K. MD Properties and 3 other companies that were affiliates accounted for by the equity method have been included in consolidation.</p> <p>(3) Number of non-equity-method unconsolidated subsidiaries: 21 Name of company: CH Orkney Limited CH Algarve Limited CH Milos Limited and 18 other companies</p> <p>CH Milos Limited and seven other companies were newly established in the current fiscal year.</p> <p>Y.K. Kadobe and two other companies have been included in consolidation since the current fiscal year because they increased in importance.</p> <p>CH Orkney Limited and 11 other companies have not been included as equity method affiliates because they have little influence on the consolidated net profit or loss and accumulated profit, and the companies as a whole became less important.</p> <p>Orkney and 24 other companies have not been included in consolidation because they are small and their net assets, proceeds, net profit or loss and accumulated profit do not have a material influence on</p>

Item	Preceding Fiscal Year (From January 1, 2005 to December 31, 2005)	Current Fiscal Year (From January 1, 2006 to December 31, 2006)
		the consolidated financial statements.

	(Reason for not applying the equity method) The equity method has not been applied to Kadobe, Ltd. and three other subsidiaries because their influence on the consolidated net loss and consolidated accumulated income is minor.	(Reason for not applying the equity method) Milos, LLC. and other 20 subsidiaries because their influence on the consolidated net loss and consolidated accumulated income is minor.
3 Matters concerning the account closing date of consolidated subsidiaries, etc.	The account closing date of consolidated subsidiaries K.K. daVinci Select and K.K. daVinci Realty is March 31. For the purpose of preparation of the consolidated financial statements, we used the financial statements of these subsidiaries, based on the provisional settlement of accounts as of the consolidated account closing date. The account closing date of Plato, Ltd. and other two consolidated subsidiaries is November 30. For the purpose of preparation of the consolidated financial statements, we used the financial statements of these subsidiaries as of the consolidated account closing date, after making necessary amendments to reflect important transactions entered into by such consolidated account closing date. The account closing date of other consolidated subsidiaries is the same as the consolidated account closing date.	The account closing dates of consolidated subsidiaries are as follows: the last day of : December 95 subsidiaries January 38 subsidiaries March 2 subsidiaries August 2 subsidiaries November 56 subsidiaries As to the subsidiaries for which the account closing date is the last day of March, we used the financial statements based on the provisional settlement of account as of the consolidated account closing date. As to the subsidiaries for which the account closing date is the last day of January, we used the financial statements based on the provisional settlement of accounts as of the last day of October. As to the subsidiaries for which the accounts closing date is the last day of August, we used the financial statements based on the provisional settlement of account as of the last day of November. As to the subsidiaries for which the account closing date is the last day of November, we used the financial statements as of the last day of November, after making necessary amendments to reflect important transactions entered into by the consolidated account closing date.
4 Matters concerning the basis for account processing		
(1) Valuation of important assets and valuation method	(a) Securities (1) Shares of subsidiaries and affiliates Stated at cost as determined by the moving average method.	(a) Securities (1) Shares of subsidiaries and affiliates (Same as left)
	(2) Other securities Securities with market value: Stated using the mark-to-market method based on the market price at the consolidated account closing date (valuation differences are directly recorded in shareholders' equity, and the cost of marketable securities sold is computed based on the moving average method). Securities with no market value: Stated at cost as determined by the moving average method. Investment in an investment limited partnership or other similar partnership (which is deemed to be a security in the meaning prescribed in Paragraph 2 of Article 2 of the Securities and Exchange Law) is accounted for by incorporating an amount equal to the interest in net amount, based on latest available statement of	(2) Other securities Securities with market value: Stated using the mark-to-market method based on the market price at the consolidated account closing date (valuation differences are directly recorded in shareholders' equity, and the cost of marketable securities sold is computed based on the moving average method). Securities with no market value: (Same as left)

	accounts which may be obtained following the date for publication of accounts prescribed in the partnership agreement.	
	(b) Derivatives Stated using the mark-to-market method.	(b) Derivatives (Same as left)
	(c) Cash trusts Cash trusts as investment: Stated using the mark-to-market method. Other cash trusts: Same method as prescribed under “Marketable securities with no market value” in (a) (2) above.	(c) Cash trusts Cash trusts other than as investment: Stated using the same method as prescribed under “Marketable securities with no market value” in (a) (2) above.
	—	(d) Property for sale and property for sale as trust Stated at cost determined by specific cost method.
(2) Treatment of depreciation of major depreciable assets	(a) Tangible fixed assets Stated using the declining balance method. The estimated major useful lives are as follows: Building fixtures 15-18 years Tools and equipment 4-20 years	(a) Tangible fixed assets Stated using the declining balance method. The estimated major useful lives are as follows: Building fixtures 15-18 years Tools and equipment 4-20 years
	(b) Intangible fixed assets Stated using the straight-line method. The estimated major useful lives are as follows: Trademarks: 10 years Software for company use: 5 years	(b) Intangible fixed assets (Same as left)
	(c) Long-term pre-paid expenses Depreciated evenly.	(c) Long-term pre-paid expenses (Same as left)
	(d) Entrusted buildings in connection with beneficial interest of real estate trust Stated using the straight-line method.	(d) —
(3) Standards for treatment of important reserves	Allowance for doubtful receivables For general receivables, an amount is provided according to the historical percentage of uncollectables, and for specific receivables for which there is some concern regarding collectability, an amount is recorded by investigating the possibility of collection for each individual account.	Allowance for doubtful receivables (Same as left)
(4) Treatment of important lease transactions	Finance leases are accounted for using the method applicable to ordinary operating leases, apart from those in which the ownership rights in the leased property are permitted to be transferred to the lessee.	(Same as left)
(5) Principal accounting methods for hedge transactions	(a) Hedge accounting method The deferred hedge method is used. Special accounting methods are used for interest rate swaps that satisfy the conditions for special accounting.	(a) Hedge accounting method (Same as left)
	(b) Hedge methods and hedge targets Hedge method: interest rate swaps Hedge target: borrowings	(b) Hedge methods and hedge targets (Same as left)
	(c) Hedge policy The Group enters into interest rate swap transactions to reduce the interest rate volatility risk of borrowings. The appreciation for hedge targets is calculated separately for each contract.	(c) Hedge policy (Same as left)
	(d) Methods for evaluating the effectiveness of hedges	(d) Methods for evaluating the effectiveness of hedges

	Verification is made by analysis of the ratio between the accumulated fluctuations of cash flow for the hedge target and the accumulated fluctuations of cash flow for the hedge method.	(Same as left)
(6) Other important items regarding the preparation of consolidated financial statements	(a) Treatment of consumption tax, etc. Consumption tax is accounted for by the tax deducted method.	(a) Treatment of consumption tax, etc. (Same as left)
	(b) Accounting treatment of investment in silent partnerships Out of the profit and loss of a silent partnership in which the Company invests, such part as belongs to the Company is accounted for as net sales. At the same time investment securities, other securities of affiliates, funds invested in silent partnerships by affiliates are adjusted. In the consolidated statement of cash flows, the payment or repayment of funds to be invested in a silent partnership is accounted for as cash flows by business operations.	(b) —
5 Matters concerning the valuation of assets and liabilities of consolidated subsidiaries	The valuation of assets and liabilities of consolidated subsidiaries is made by the whole valuation at market value.	(Same as left)
6 Matters concerning the depreciation of goodwill (consolidated adjustment account)	A consolidated adjustment account is depreciated in lump sum within the fiscal year when such account occurred.	Goodwill is depreciated in lump sum within the fiscal year when such goodwill was accrued.
7 Matters concerning the treatment of items for profit appropriation	The consolidated statement of retained earnings is prepared in accordance with the profit appropriation of consolidated subsidiaries that is confirmed during the fiscal year.	—
8 Scope of funds in the consolidated statement of cash flows	The funds (cash and cash equivalents) in the consolidated statement of cash flows consist of cash on hand, deposits available for withdrawal from time to time and short-term investments redeemable within three (3) months from the acquisition date which can be easily converted into cash and which present only a minimal risk with regard to fluctuation of value.	(Same as left)

Changes in Accounting Policy

Previous Fiscal Year (From January 1, 2005 to December 31, 2005)	Current Fiscal Year (From January 1, 2006 to December 31, 2006)
—	(Accounting Standards Relating to Impairment Loss on Fixed Assets) Beginning with the current fiscal year, we have applied the “Accounting Standards Relating to Impairment Loss on Fixed Assets” (“Opinion on Setting Accounting Standards Relating to Impairment Loss on Fixed Assets”, (The Business Accounting Council, August 9, 2002)) and the “Application Guideline of Accounting Standards Relating to Impairment Loss on Fixed Assets” (No. 6 of the Application Guideline of Business Accounting Standards, October 31, 2003). This has not affected the results of operations for the current fiscal year.
—	(Accounting Standards Relating to Representation of Shareholders’ Equity on Balance Sheet) Beginning with the current fiscal year, we have applied the “Accounting Standards Relating to Representation of Shareholders’ Equity in Balance Sheet” (No.5 of the Business Accounting Standards, December 9, 2005) and the “Application Guideline of Accounting Standards, etc. Relating to Representation of Shareholders’ Equity on Balance Sheet” (No. 8 of the Application Guideline of Business Accounting Standards, December 9, 2005). The amount equivalent to total of the existing Shareholders’ Equity is 20,947 million yen. The Shareholders’ Equity on the balance sheet of the current fiscal year were prepared pursuant to the Regulations on Consolidated Financial Statements (as amended).
—	(Scope of Consolidation Relating to Investment Partnerships, etc.) Beginning with the current fiscal year, we have applied the “Practical Handling Relating to Application of Control and Influence Standards to Investment Partnerships” (No. 20 of the Practical Response Report, September 8, 2006). Because of this application, total assets increased by 783,794 million yen, shareholders’ equity by 131,749 million yen, sales by 114,843 million yen, gross profit by 28,311 million yen, operating income by 28,058 million yen, ordinary income by 14,792 million yen, net income before taxes and other adjustments by 15,239 million yen. This application has no effect on the net income for the current fiscal year. The effect on the segment information is specified in the relevant part. This change of accounting policy was made in the second half of the current fiscal year, because the “Practical Handling Relating to the Application of Control and Influence Standards to Investment Partnerships” was published on September 8, 2006.

Change of Presentation Method

Previous Fiscal Year (From January 1, 2005 to December 31, 2005)	Current Fiscal Year (From January 1, 2006 to December 31, 2006)
(Consolidated Balance Sheet) The “deferred tax assets” in investments and other assets (balance at the end of this period was 151 million yen), which had been so classified and specified in the previous fiscal year, are included and specified in “others” in investments and other assets from this fiscal year, because they are below one hundredth of total assets and have less importance monetarily. The “deposit received for guarantee” (balance at the end of this period was 30 million yen), which had been so classified and specified in the previous fiscal year, is included and	(Consolidated Balance Sheet) The “deposit received for guarantee”, which had been included in “others” in long-term liabilities in the previous fiscal year, is so classified and specified, because it exceeded one hundredth of total of liabilities and net assets in the current fiscal year. The “deposit received for guarantee” recorded in the previous fiscal year was 30 million yen.

Previous Fiscal Year (From January 1, 2005 to December 31, 2005)	Current Fiscal Year (From January 1, 2006 to December 31, 2006)
specified in "others" in long-term liabilities from the current fiscal year, because it is below one hundredth of total of liabilities, minority shareholders' interests and capital and is of less monetary significance.	
—	(Consolidated Income Statement) The "payment fees" which had been included in "others" under non-operating expenses in the previous fiscal year, are so classified and specified in the current fiscal year, because they exceeded ten percent of non-operating expenses. No "payment fees" were recorded in the previous fiscal year.
—	(Consolidated Statement of Cash Flows) Beginning with the current fiscal year, we have applied the "Practical Handling Relating to Application of Control and Influence Standards to Investment Partnerships" (No. 20 of the Practical Response Report, September 8, 2006). With this application, we changed the specified items under cash flows to ones which present a more realistic picture as a result of a review of the items. Because of this change, items which had been classified and specified as "interest income included in sales", "foreign exchange loss (gain)", "increase (decrease) on trade receivables", "proceeds from repayment of investment in affiliated silent partnership investments" under operating cash flows, are included and specified in "others" under operating cash flows from the current fiscal year. The "interest income included in sales", "foreign exchange loss (gain)", "increase (decrease) on trade receivables", "proceeds from repayment of investment in affiliated silent partnership investments" and "increase (decrease) in unpaid consumption tax, etc." for the current fiscal year are $\Delta 3$ million yen, $\Delta 0$ million yen, 413 million yen, 337 million yen and $\Delta 3,836$ million yen, respectively. The "payments for the purchase of tangible fixed assets" and "payments for the purchase of intangible fixed assets" within cash flows from investment activities are included and specified in "others" within cash flows from investment activities from the current fiscal year. The "payments for the purchase of tangible fixed assets" and "payments for the purchase of intangible fixed assets" of the current fiscal year are $\Delta 60$ million yen and $\Delta 18$ million yen, respectively.

Additional Information

Previous Fiscal Year (From January 1, 2005 to December 31, 2005)	Current Fiscal Year (From January 1, 2006 to December 31, 2006)
With the promulgation of the "Law Concerning the Partial Amendment of the Local Tax Law" (Law No. 9 of 2003) on March 31, 2003 and the introduction of the pro forma standard taxation system from the fiscal year commencing after April 1, 2004, the added value allocation of corporate enterprise tax and capital allocation are included in selling and general administrative expenses, pursuant to the "Practical Handling Relating to Representation of Pro Forma Standard Taxation Parts in Corporate Enterprise Tax in Income Statement" (February 13, 2004, the Business Accounting Standards Committee, No. 12 of the Practical Response Report) from the current fiscal year.	—

Explanatory Notes (Related to the Consolidated Balance Sheet)

Previous Fiscal Year (as of December 31, 2006)	Current Fiscal Year (as of December 31, 2006)
*1 —	*1 868 million yen for non-consolidated subsidiaries and affiliated companies

Previous Fiscal Year (as of December 31, 2006)	Current Fiscal Year (as of December 31, 2006)																												
<p>*2 Pledged assets and secured debt (pledged assets)</p> <table style="width: 100%;"> <tr> <td>Investment securities</td> <td style="text-align: right;">902 million yen</td> </tr> <tr> <td>Cash trust</td> <td style="text-align: right;">11,740 million yen</td> </tr> </table> <p>(secured debt)</p> <table style="width: 100%;"> <tr> <td>Short-term borrowings</td> <td style="text-align: right;">5,500 million yen</td> </tr> </table>	Investment securities	902 million yen	Cash trust	11,740 million yen	Short-term borrowings	5,500 million yen	<p>*2 Pledged assets and secured debt (pledged assets)</p> <table style="width: 100%;"> <tr> <td>Trust account</td> <td style="text-align: right;">41,038 million yen</td> </tr> <tr> <td>Investment securities</td> <td style="text-align: right;">1,560 million yen</td> </tr> <tr> <td>Cash trust</td> <td style="text-align: right;">38,595 million yen</td> </tr> <tr> <td>Real estate for sale in trust</td> <td style="text-align: right;">733,541 million yen</td> </tr> </table> <p>(secured debt)</p> <table style="width: 100%;"> <tr> <td>Short-term borrowings</td> <td style="text-align: right;">24,100 million yen</td> </tr> <tr> <td>Long-term loans</td> <td style="text-align: right;">600,090 million yen</td> </tr> </table>	Trust account	41,038 million yen	Investment securities	1,560 million yen	Cash trust	38,595 million yen	Real estate for sale in trust	733,541 million yen	Short-term borrowings	24,100 million yen	Long-term loans	600,090 million yen										
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Short-term borrowings	24,100 million yen																												
Long-term loans	600,090 million yen																												
<p>*3 The unused portions of loans based on overdraft agreements with banks for the current fiscal year are as follows:</p> <table style="width: 100%;"> <tr> <td colspan="2">Total commitment amount for overdraft</td> </tr> <tr> <td></td> <td style="text-align: right;">1,600 million yen</td> </tr> <tr> <td><u>Total withdrawn balance</u></td> <td style="text-align: right;"><u>1,000 million yen</u></td> </tr> <tr> <td>Balance</td> <td style="text-align: right;">600 million yen</td> </tr> </table> <p>Also, we entered into a specific loan commitment agreement (syndicated commitment line) with our bank account for the efficient procurement of operating funds. The total amount of loan commitment agreement and total amount borrowed for the current fiscal year are as follows:</p> <table style="width: 100%;"> <tr> <td>Total amount of loan commitment agreements</td> <td style="text-align: right;">5,300 million yen</td> </tr> <tr> <td><u>Total amount borrowed</u></td> <td style="text-align: right;"><u>--million yen</u></td> </tr> <tr> <td>Balance</td> <td style="text-align: right;">5,300 million yen</td> </tr> </table>	Total commitment amount for overdraft			1,600 million yen	<u>Total withdrawn balance</u>	<u>1,000 million yen</u>	Balance	600 million yen	Total amount of loan commitment agreements	5,300 million yen	<u>Total amount borrowed</u>	<u>--million yen</u>	Balance	5,300 million yen	<p>*3 The unused portions of loans based on overdraft agreements with banks for the current fiscal year are as follows:</p> <table style="width: 100%;"> <tr> <td colspan="2">Total commitment amount for overdraft</td> </tr> <tr> <td></td> <td style="text-align: right;">6,500 million yen</td> </tr> <tr> <td><u>Total withdrawn balance</u></td> <td style="text-align: right;"><u>5,000 million yen</u></td> </tr> <tr> <td>Balance</td> <td style="text-align: right;">1,500 million yen</td> </tr> </table> <p>Also, we entered into a loan commitment agreement with our bank account for the efficient procurement of operating funds. The total amount of loan commitment agreement and total amount borrowed for the current fiscal year are as follows:</p> <table style="width: 100%;"> <tr> <td>Total amount of loan commitment agreements</td> <td style="text-align: right;">93,100 million yen</td> </tr> <tr> <td><u>Total amount borrowed</u></td> <td style="text-align: right;"><u>34,140 million yen</u></td> </tr> <tr> <td>Balance</td> <td style="text-align: right;">58,959 million yen</td> </tr> </table>	Total commitment amount for overdraft			6,500 million yen	<u>Total withdrawn balance</u>	<u>5,000 million yen</u>	Balance	1,500 million yen	Total amount of loan commitment agreements	93,100 million yen	<u>Total amount borrowed</u>	<u>34,140 million yen</u>	Balance	58,959 million yen
Total commitment amount for overdraft																													
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<u>Total amount borrowed</u>	<u>34,140 million yen</u>																												
Balance	58,959 million yen																												
<p>*4 Treasury stock holdings</p> <p>Shares of our treasury stock held by our consolidated subsidiaries are as follows:</p> <table style="width: 100%;"> <tr> <td>Common stock</td> <td style="text-align: right;">6,008.8 shares</td> </tr> </table> <p>The total amount of our issued shares is 313,234.8 common stock.</p>	Common stock	6,008.8 shares	<p>*4 —</p>																										
Common stock	6,008.8 shares																												
<p>*5 Long-term loans are mainly for private limited companies which are the operators of silent partnerships to co-invest, and corresponding gains and losses (interest income and interest expense of borrowed money) are included in sales amount and sales cost.</p>	<p>*5 —</p>																												
<p>*6 —</p>	<p>*6 Including silent partnership investment deposits of 131,726 million yen.</p>																												
<p>*7 Market value of financial assets received as collateral which can be disposed of freely.</p> <table style="width: 100%;"> <tr> <td>Securities received as collateral</td> <td style="text-align: right;">383 million yen</td> </tr> <tr> <td>Re-collateralized securities pledged</td> <td style="text-align: right;">383 million yen</td> </tr> </table>	Securities received as collateral	383 million yen	Re-collateralized securities pledged	383 million yen	<p>*7 Market value of financial assets received as collateral which can be disposed of freely.</p> <table style="width: 100%;"> <tr> <td>Securities received as collateral</td> <td style="text-align: right;">184million yen</td> </tr> <tr> <td>Re-collateralized securities pledged</td> <td style="text-align: right;">184 million yen</td> </tr> </table>	Securities received as collateral	184million yen	Re-collateralized securities pledged	184 million yen																				
Securities received as collateral	383 million yen																												
Re-collateralized securities pledged	383 million yen																												
Securities received as collateral	184million yen																												
Re-collateralized securities pledged	184 million yen																												

(Related to the Consolidated Income Statement)

Previous fiscal year (from January 1, 2005 to December 31, 2005)	Current fiscal year (from January 1, 2006 to December 31, 2006)
*1 Major items under expenses and the amount of selling and general administrative expenses are as follows: Executive compensation 241 million yen Salaries 154 million yen	*1 Major items of expenses and the amount of selling and general administrative expenses are as follows: Executive compensation 396 million yen Salaries 261 million yen Foreign market research fees 286 million yen

(Related to the Consolidated Statement of Changes in Shareholders' Equity)

Current Fiscal Year (from January 1, 2006 to December 31, 2006)

Items regarding class and total number of issued stock and class and number of treasury stock

(unit : share)

	Number of shares at the end of the previous fiscal year	Number of shares increased during current fiscal year	Number of shares decreased during current fiscal year	Number of shares at the end of the current fiscal year
Issued stock				
Common stock (*1)	313,234.8	1,252,939.2	--	1,566,174
Total	313,234.8	1,252,939.2	--	1,566,174
Treasury stock				
Common stock (*2)	6,008.8	24,035.2	--	30,044
Total	6,008.8	24,035.2	--	30,044

Notes: 1. Increase of common stock in issued stock (1,252,939.2) is due to the 5-for-1 stock split on April 3, 2006.
2. Increase of common stock in treasury stock (24,035.2) is due to the 5-for-1 stock split on April 3, 2006.

(Related to the Consolidated Statement of Cash Flows)

Previous fiscal year (from January 1, 2005 to December 31, 2005)	Current fiscal year (from January 1, 2006 to December 31, 2006)
*1 Relation between cash and cash equivalents and the amount of the item stated on the consolidated balance sheet: Cash and bank deposits 6,120 million yen Cash and cash equivalents 6,120 million yen	*1 Relation between cash and cash equivalents and the amount of the item stated on the consolidated balance sheet: Cash and bank deposits 28,236 million yen Cash and cash equivalents 28,236 million yen
*2 Payments for loans receivable and proceeds from the recovery of loans receivable due mainly to co-investment. (refer to Note 5 related to the consolidated balance sheet)	*2 —

(Related to Lease Transactions)

Previous fiscal year (from January 1, 2005 to December 31, 2005)

Note regarding finance lease transactions other than those in which ownership of leased property is deemed to be transferred to the borrower:

Since the transactions are of little importance, and the amount per transaction was small, the description was omitted according to Article 15-3 of the consolidated financial statement rule and to Article 8-6, Paragraph 6 of the financial statement rule.

Current Fiscal Year (from January 1, 2006 to December 31, 2006)

Current Fiscal Year (from January 1, 2006 to December 31, 2006)			
1. Finance lease transactions other than one which ownership of leased property is deemed to be transferred to the borrower (borrower side)			
(1) Acquisition price equivalent of lease property, accumulated depreciation equivalent, accumulated impaired loss equivalent and term end balance equivalent			
	Acquisition price equivalent of lease property	Accumulated depreciation equivalent	Term end balance equivalent
Instrument and equipment	3	0	3
Total	3	0	3
(2) Term end balance equivalent of prepaid lease fees, etc.			
Term end balance equivalent of prepaid lease fees			
	Within 1 year	1 million yen	
	<u>Beyond 1 year</u>	<u>2 million yen</u>	
	Total	3 million yen	
(3) Lease fees paid, reversal amount of lease property impaired account, depreciation equivalent, interest expense equivalent and impaired loss			
	Lease fees paid	1 million yen	
	Depreciation equivalent	1 million yen	
	Interest expense equivalent	0 million yen	
(4) Method of calculation of depreciation equivalent			
Using fixed amount method taking term of lease as durable year and residual value as zero			
(5) Method of calculation of interest equivalent			
Interest equivalent shall be the balance of total lease fee and acquisition price of lease property, and its distribution of each term shall be made according to the interest method.			
2. Operating lease transaction (lender side)			
Prepaid lease fee			
	Within 1 year	574 million yen	
	<u>Beyond 1 year</u>	<u>16,520 million yen</u>	
	Total	17,094 million yen	
(Regarding impaired loss)			
There is no impaired loss distributed to lease property.			

(Securities)

Previous fiscal year (from January 1, 2005 to December 31, 2005)

1. Other securities with market value

	Category	Acquisition cost (millions of yen)	Value on the consolidated balance sheet (millions of yen)	Balance
Value on the consolidated balance sheet not exceeding the acquisition cost	Other securities	3,521	3,217	△304

2. Contents of principal valuable securities which have no market value

	Value on the consolidated balance sheet (millions of yen)
Investment securities	550
Other affiliates' securities	4,888

Current fiscal year (from January 1, 2006 to December 31, 2006)

1. Other securities with market value

	Category	Acquisition cost (millions of yen)	Value on the consolidated balance sheet (millions of yen)	Balance (millions of yen)
Value on the consolidated balance sheet not exceeding the acquisition cost	Other securities	3,521	4,336	814

2. Contents of principal securities which have no market value

	Value on the consolidated balance sheet (millions of yen)
Unlisted shares	985
Other affiliates' securities	15
Subsidiaries' shares and affiliates' shares	311

(Cash Held in Trust)

Previous fiscal year (from January 1, 2005 to December 31, 2005)

Other cash held in trust

	Acquisition cost (millions of yen)	Value on consolidated balance sheet (millions of yen)	Balance (millions of yen)
Other cash held in trust	10,367	11,740	1,373

Note: Only the unrealized gains (losses) on other securities attributable to the Company and consolidated affiliates are stated. Unrealized gains (losses) on other securities attributable to silent partnerships (1,185 million yen (before tax effect allowance)) is deposited as silent partnership investment deposit.

Current fiscal year (from January 1, 2006 to December 31, 2006)

Cash held in trust other than for investment purpose

	Acquisition cost (millions of yen)	Value on consolidated balance sheet (millions of yen)	Balance (millions of yen)
Cash held in trust other than for investment purpose	40,901	38,595	△2,305

Note: Only the unrealized gains (losses) on other securities attributable to the Company and consolidated affiliates are stated. Unrealized gains (losses) on other securities attributable to silent partnerships (△1,922 million yen (before tax effect allowance)) is deposited as minority shareholders' interest.

(Related to Derivatives)

1. Items regarding the circumstances of transactions

Previous fiscal year (from January 1, 2005 to December 31, 2005)	Current fiscal year (from January 1, 2006 to December 31, 2006)
<p>(1) Nature and purpose of transactions</p> <p>We use interest rate swaps and securities index futures transactions/securities option transactions (hereinafter “futures and option transactions”). For interest rate swaps, the purpose is to avoid future interest volatility risk related to borrowed money. We basically use futures and option transactions for a hedging purpose related to securities trading and incorporate it into our own trading.</p>	<p>(1) Nature and purchase of transactions</p> <p>We use interest rate swaps and interest rate caps. For interest rate swaps and interest rate caps, the purpose is to avoid future interest volatility risk related to borrowed money.</p>
<p>(2) Policy approach on trading</p> <p>Interest rate swaps are made only for the purpose of hedging transactions, and for futures and option transactions, we set a cap on the maximum amount of trading. We have no plans to conduct any speculative trades.</p>	<p>(2) Policy approach on trading</p> <p>Interest rate swaps and interest rate caps are made only for hedging purposes, and we have no plans to conduct any speculative trades.</p>
<p>(3) Details of risks related to trades</p> <p>For futures and option transactions, there is the risk of market changes and the risk that the value of the position will increase or decrease.</p> <p>We believe that there is almost no credit risk of a default of contract as we only enter into derivatives agreements with major financial institutions with good credit.</p>	<p>(3) Details of risks related to trades</p> <p>We believe that there is almost no credit risk of a default of contract as we only enter into derivatives agreements with major financial institutions with good credit.</p>

Previous fiscal year (from January 1, 2005 to December 31, 2005)	Current fiscal year (from January 1, 2006 to December 31, 2006)
(4) Risk management system on trades We carry out thorough daily risk management by loss-cut rules, etc. to minimize risks on futures and option transactions. And, based on the risk management rule, position and profit and loss check is performed daily by an independent department which improves our risk management structure.	(4) Risk management system on trades For the execution/management of derivatives, the responsible department authorizes the individual responsible for settlement in accordance with internal rules which specify trade authorizations, etc.

2. Items regarding the market value of transactions

Previous fiscal year (from January 1, 2005 to December 31, 2005)						Current fiscal year (from January 1, 2006 to December 31, 2006)					
Classifi- cation	Cate- gory	Contract amount, etc. (millions of yen)	Contracts among contract amount, etc., with terms exceeding one year (millions of yen)	Current price	Unrealized profit or loss (millions of yen)	Classifi- cation	Cate- gory	Contract amount, etc., (millions of yen)	Contracts among contract amount, etc. with terms exceeding one year (millions of yen)	Current price	Unrealized profit or loss (millions of yen)
Trade other than market trade	Interes t rate swap	620	620	△15	△15	Trade other than market trade	Interest rate swap	620	620	△6	△6
							Interest cap swap	364,489	364,489	2,099	△1,279
Total		620	620	△15	△15	Total		365,109	365,109	2,092	△1,286
Note: 1. Current value calculation method Calculation is based on the amount given by trading financial institutions. 2. Derivatives to which hedge accounting is applied are excluded.						Note: 1. Current value calculation method Calculation is based on the amount given by trading financial institutions. 2. Derivatives to which hedge accounting is applied are excluded.					

(Related to Retirement Benefits)

Previous fiscal year (from January 1, 2005 to December 31, 2005)

None.

Current fiscal year (from January 1, 2006 to December 31, 2006)

None.

(Related to Stock Options, etc)

Current fiscal year (from January 1, 2006 to December 31, 2006)

None.

(Related to tax effect accounting)

Previous fiscal year (from January 1, 2005 to December 31, 2005)	Current fiscal year (from January 1, 2006 to December 31, 2006)

Previous fiscal year (from January 1, 2005 to December 31, 2005)	Current fiscal year (from January 1, 2006 to December 31, 2006)
<p>1. Breakdown of principal causes for deferred tax asset and deferred tax liability</p> <p>Deferred tax asset (flow)</p> <p>Incentive return including income</p> <p style="text-align: right;">403 million yen</p> <p>Accrued business tax</p> <p style="text-align: right;">108 million yen</p> <p>Others</p> <p style="text-align: right;"><u>6 million yen</u></p> <p>Deferred tax asset (flow) total</p> <p style="text-align: right;">518 million yen</p> <p>Deferred tax asset (fixed)</p> <p>Investment valuation</p> <p style="text-align: right;">15 million yen</p> <p>Silent partnership investment valuation</p> <p style="text-align: right;">13 million yen</p> <p>Other securities valuation balance</p> <p style="text-align: right;"><u>123 million yen</u></p> <p>Deferred tax asset (fixed) total</p> <p style="text-align: right;">151 million yen</p> <p>Deferred tax liability (fixed)</p> <p>Other securities valuation balance</p> <p style="text-align: right;"><u>76 million yen</u></p> <p>Deferred tax liability (fixed) total</p> <p style="text-align: right;"><u>76 million yen</u></p> <p>Net deferred tax asset</p> <p style="text-align: right;">593 million yen</p>	<p>1. Breakdown of principal causes for deferred tax asset and deferred tax liability</p> <p>Deferred tax asset (flow)</p> <p>Incentive return including income</p> <p style="text-align: right;">288 million yen</p> <p>Accrued business tax</p> <p style="text-align: right;">408 million yen</p> <p>Others</p> <p style="text-align: right;"><u>34 million yen</u></p> <p>Deferred tax asset (flow) total</p> <p style="text-align: right;">731 million yen</p> <p>Deferred tax asset (fixed)</p> <p>Investment valuation</p> <p style="text-align: right;">181 million yen</p> <p>Silent partnership investment valuation</p> <p style="text-align: right;">155 million yen</p> <p>Other securities valuation balance</p> <p style="text-align: right;"><u>32 million yen</u></p> <p>Deferred tax asset (fixed) total</p> <p style="text-align: right;">368 million yen</p> <p>Deferred tax debt (fixed)</p> <p>Other securities valuation balance</p> <p style="text-align: right;"><u>330 million yen</u></p> <p>Deferred tax liability (fixed) total</p> <p style="text-align: right;"><u>330 million yen</u></p> <p>Net deferred tax asset</p> <p style="text-align: right;">770 million yen</p>
<p>2. Breakdown of principal items that cause differences between the normal effective statutory tax rate and tax burden of corporation tax after tax effect accounting are applied.</p> <p>Normal effective statutory tax rate</p> <p style="text-align: right;">40.5%</p> <p>(reconciliation)</p> <p>Income adjustment item in equity method application</p> <p style="text-align: right;">△5.1%</p> <p>Others</p> <p style="text-align: right;"><u>0.5%</u></p> <p>Tax burden of corporation tax after tax effect <u>accounting is applied</u></p> <p style="text-align: right;">35.9%</p>	<p>2. Breakdown of principal items that cause differences between the normal effective statutory tax rate and tax burden of corporation tax after tax effect accounting are applied.</p> <p>Normal effective statutory tax rate</p> <p style="text-align: right;">40.5%</p> <p>(reconciliation)</p> <p>Adjustment in distribution amount of silent partnerships included in minority shareholders profit and losses</p> <p style="text-align: right;">△19.7%</p> <p>Others</p> <p style="text-align: right;"><u>0.7%</u></p> <p>Tax burden of corporation tax after tax effect <u>accounting is applied</u></p> <p style="text-align: right;">21.5%</p>

(Segment information)

[Segment information by type of business]

Previous fiscal year (from January 1, 2005 to December 31, 2005)

	Real estate investment advisory business (millions of yen)	Investment business (millions of yen)	All other business (millions of yen)	Total (millions of yen)	Inter-segment elimination/ corporate (millions of yen)	Consolidated (millions of yen)
I. Net revenues and operating profit						
(1) Sales to external customers	8,792	243	466	9,502	—	9,502
(2) Inter-segment sales and transfers	—	—	—	—	—	—
Total	8,792	243	466	9,502	—	9,502
Operating expenses	1,789	45	266	2,101	375	2,477
Operating income	7,002	197	200	7,400	(375)	7,025
II. Assets, depreciation and capital expenditure						
Assets	26,433	270	1,338	28,042	5,846	33,889
Depreciation and amortization	27	0	2	30	5	35
Capital expenditure	64	1	—	65	12	78

Note: 1 Method for classification of business segments

Business is classified considering market similarities.

2 Principal business belonging to each segment

Business segments	Principal business
Real estate investment advisory business	Establishment, administration and management of real estate investment fund
Investment business	Buying and selling of securities, investment in loan assets and real estate, etc.
Other business	Others

3 In operating expenses, unallocatable operating expenses (375 million yen) set out in the column of elimination/corporate are mainly the expenses of the administration departments, such as the general affairs department etc., of the parent company's headquarters.

- 4 In assets, the amount of the whole company's assets set out in elimination/unallocated column is 5,846 million yen, and this amount mainly includes the assets of the operating and management department.

Current fiscal year (from January 1, 2005 to December 31, 2005)

	Real estate investment advisory business (millions of yen)	Real estate investment business (millions of yen)	All other business (millions of yen)	Total (millions of yen)	Inter-segment elimination/corporate (millions of yen)	Consolidated
I. Net revenues and operating profit						
(1) Sales to external customers	2,230	132,976	814	136,021	—	136,021
(2) Inter-segment sales and transfers	13,739	—	—	13,739	(13,739)	—
Total	15,970	132,976	814	149,761	(13,739)	136,021
Operating expenses	3,307	101,245	394	104,948	(12,970)	91,978
Operating income	12,662	31,731	419	44,813	(769)	44,043
II. Assets, depreciation and capital expenditure						
Assets	33,178	824,300	8,962	866,441	11,892	878,333
Depreciation	36	0	22	58	9	67
Capital expenditure	69	0	—	69	16	86

Note: 1 Method for classification of business segments

Business is classified considering market similarities.

- 2 Principal business belonging to each segment

Business segments	Principal business
Real estate investment advisory business	Establishment, administration and management of real estate investment funds
Real estate investment business	Investment to real estate, etc. by real estate investment fund etc.
Other business	Others

- 3 In operating expenses, unallocatable operating expenses (769 million yen) set out in the column of inter-segment elimination/corporate are mainly the expenses of the administration departments such as the general affairs department etc., of the parent company's headquarters.
- 4 In assets, the amount of the whole company's assets set out in the column of inter-segment elimination/corporate is 11,892 million yen, and this amount mainly includes the assets of operating and management department.

- 5 Change in the method for classification of business segment
Business segments were classified as “real estate investment advisory business”, “investment business” and “other business” before, but have been changed to “real estate investment advisory business”, “real estate investment business” and “other business” from the current consolidation accounting year. This change is due to the review we made on our business segments by the application of “Practical Handling Regarding Application of Power Standard and Influence Standard to Investment Business Association” (Jitsumu Taio Houkoku No.20 2006.9.8). The investment business sales amount in the current consolidation accounting year is 17 million yen and operating loss is 37 million yen.
- 6 By applying “Practical Handling Regarding Application of Power Standard and Influence Standard to Investment Business Association” (Jitsumu Taio Houkoku No.20 2006.9.8), the amount of real estate investment business increased by 132,976 million yen in sales amount, 101,245 million yen in operating expense, 31,731 million yen in operating profit, 824,300 million yen in assets, 0 million yen in depreciation and 0 million yen in capital expenditure.

[Geographical segment information]

Previous fiscal year (from January 1, 2005 to December 31, 2005)

Geographical segment information is omitted as domestic sales and domestic assets account for over 90% of the total sales amount and total assets amount of all segments.

Current fiscal year (from January 1, 2006 to December 31, 2006)

Geographical segment information is omitted as domestic sales and domestic assets account for over 90% of the total sales amount and total assets amount of all segments.

[International sales amount]

Previous fiscal year (from January 1, 2005 to December 31, 2005)

The statement for international sales amount is omitted as international sales accounted for less than 10% of consolidated net sales.

Current fiscal year (from January 1, 2006 to December 31, 2006)

The statement for international sales amount is omitted as international sales accounted for less than 10% of consolidated net sales.

Dealings with Affiliated Parties
 Preceding Fiscal Year (From January 1, 2005 to December 31, 2005)

1. Directors and Major Individual Shareholders

Position	Name of company etc.	Address	Capital Fund or invested amount (in million yen)	Contents of business or job	Owning or Owned ratio of voting rights (%)	Details of Relation		Contents of Transaction	Transacted Amount (in million yen)	Class	Balance at end of year (in million yen)
						Director's additional post etc.	Relation on business				
Director	Takashi Abe	-	-	Director of our company	Owning directly 0.2	-	-	Investment in silent partnerships	0	Investment in silent partnerships	2
								Repayment of Investment	6		
								Distribution of profit and losses in partnership	3		
	Takatsugu Arakawa	-	-	Director of our company	Owning directly 0.0	-	-	Investment in silent partnership	0	Investment in silent partnerships	5
								Repayment of Investment	4		
								Distribution of profit and losses in partnership	2		
	Norito Makimoto	-	-	Director of our company	Owning directly 0.2	-	-	Investment in silent partnerships	27	-	-
								Repayment of Investment	9		

(Note) 1. Takashi Abe and Takatsugu Arakawa, who are the directors of our Company, have invested in funds that our company established by silent partnership contracts. This is not only to provide incentives to the directors who conduct investments but also to attempt to conform interests between the directors who bear key roles in management of the funds and the investors of the funds.

2. Since the term of office of Norito Makimoto who was a director of our company expired at the shareholders' meeting on March 30, 2005, dealings for the relevant period are indicated.

2. Subsidiaries etc.

Position	Name of company etc.	Address	Capital Fund or invested amount (millions of yen)	Contents of business or job	Owning or Owned ratio of voting rights (%)	Details of Relation		Contents of Transaction	Transacted Amount (millions of yen)	Class	Balance at end of year (millions of yen)
						Director overlap, etc.	Relation on business				
Subsidiaries	Ballista, LLC	Chuo-ku Tokyo	3	Real Estate advisory business	Owned indirectly 100	One	Service providee	Rendering of service	1,075	Account receivables	2
								Lending of money	53	Long-term loan	-
								Repayment of loan	1,391		
	Y.K. Mikonos	Chuo-ku Tokyo	3	Real Estate advisory business	Owned directly 100	One	Service providee	Rendering of service	546	Account receivable	42
								Lending of money	31	Long-term loan	681
								Repayment of loan	467		
Leonardo Corp., Y.K.	Chuo-ku Tokyo	3	Real Estate advisory business	Owned indirectly 100	One	Investor in silent partnership	Repayment of Investment	1,200	Investments in affiliated companies and silent partnerships	337	

Position	Name of company etc.	Address	Capital Fund or invested amount (millions of yen)	Contents of business or job	Owning or Owned ratio of voting rights (%)	Details of Relation		Contents of Transaction	Transacted Amount (millions of yen)	Class	Balance at end of year (millions of yen)	
						Director overlap, etc.	Relation on business					
	Y.K. MOONCOIN	Chuo-ku Tokyo	3	Real Estate advisory business	Owned directly 100	One	Investor in silent partnership	Investment in silent partnerships	5,096	Other securities of affiliated companies	3,831	
								Repayment of Investment	948			
								Service providee	Rendering of service	1,380	Account receivables	94
									Additional Investments	500	Investments in affiliated companies	698
	T.K. daVinci EX1	Chuo-ku Tokyo	-	Real Estate advisory business	N/A	N/A	Investor in silent partnership	Repayment of Investment	107	Other securities of affiliated companies	789	
								Distribution of profit and losses in partnership	31			

(Note) 1. Consumption tax is not included in the transaction amount, but is included in the balance at the end of year.

2. Trading conditions and determination policy of trading conditions:

The trading conditions are determined in a similar fashion as general trading conditions by taking market prices, etc. into consideration.

3. Important matters are indicated in accordance with the Practical Solution for Auditing on Disclosure of Information concerning Dealings with Affiliates (Audit Committee Report No. 62)

Current Fiscal Year (from January 1, 2006 to December 31, 2006)

None.

(Information per share)

Items	Preceding Fiscal Year (from January 1, 2005 to December 31, 2005)	Current Fiscal Year (from January 1, 2006 to December 31, 2006)
Net asset amount per share	37,384.75 yen	13,629.96 yen
Current net income per share	14,501.96 yen	5,940.14 yen
Current net income per share after dilution adjustments	Since there were no dilutive shares, the current net income per share after dilution adjustments was not indicated.	Since there were no dilutive shares, the current net income per share after dilution adjustments was not indicated. Our company performed a share split of five shares per share on March 4, 2006. Per share information for the preceding fiscal year, assuming that the share split was performed at the beginning of previous year, is as follows: Shareholders' equity per share: 7,476.95 Current net income per share: 2,900.39

(Note) Basic for the calculation of current net income per share

Items	Preceding Fiscal Year (from January 1, 2005 to December 31, 2005)	Current Fiscal Year (from January 1, 2006 to December 31, 2006)
Net income (millions of yen)	4,481	9,124
The amount which does not belong to common stockholders (in millions of yen)	—	—
Net income on common shares (millions of yen)	4,481	9,124
Average number of common shares during the term (shares)	309,034	1,536,130

(Important subsequent events)

Preceding Fiscal Year (From January 1, 2005 to December 31, 2005)

Our company issued new shares through a share split based on the resolution of the board of directors held on January 17, 2006.

The details of the share split are as follows:

1. The number of shares listed in the final shareholders' register and beneficial shareholders' register dated March 3, 2006 was divided by five shares per share on March 4, 2006.
2. Increase in number of shares as a result of the share split: 1,252,939.20 shares of common shares
3. Initial date in reckoning of distribution: January 1, 2006

Per share information for the current fiscal year, assuming that the share split was performed at the

beginning of the current fiscal year, is as follows:

Preceding Fiscal Year (From January 1, 2005 to December 31, 2005)		Current Fiscal Year (From January 1, 2006 to December 31, 2006)	
Shareholders' equity per share :	5,382.54 yen	Shareholders' equity per share :	7,476.95 yen
Net income per share:	1,192.82 yen	Net income per share:	2,900.39 yen

Current Fiscal Year (From January 1, 2006 to December 31, 2006)

None.

2. In the case where the Tender Offeror is an Association other than a Corporation

Not applicable.

3. In the case of where the Tender Offeror is an Individual

Not applicable.

III. Breakdown of Shares Owned and/or Traded by the Tender Offeror and Special Related Persons

1. Breakdown of Ownership of Shares as of the Date hereof

(1) Ownership of Shares of the Tender Offeror and Special Related Persons (aggregated)

	Number of shares owned	Number of shares subject to Order Article 7 Par 1 Item 2	Number of shares subject to Order Article 7. Par 1 Item 3
Share Certificates	500 (shares)	— (shares)	13,639,500 (shares)
Stock Acquisition Right Certificates	—	—	—
Bond Certificates with Stock Acquisition Rights	—	—	—
Depository Receipts for Shares ()	—	—	—
Total:	500	—	13,639,500
Total No. of Shares Owned	500	—	13,639,500
(Total No. of Underlying Shares Owned)	—	—	—

(2) Ownership of Shares of Tender Offeror

	Number of shares owned	Number of shares subject to Ordin. Article 7. Par 1 Item 2	Number of shares subject to Ordin. Article 7. Par 1 Item 3
Share Certificates	500 (shares)	— (shares)	— (shares)
Stock Acquisition Right Certificates	—	—	—

	Number of shares owned	Number of shares subject to Ordin. Article 7. Par 1 Item 2	Number of shares subject to Ordin. Article 7. Par 1 Item 3
Bond Certificates with Stock Acquisition Rights	—	—	—
Depository Receipts for Shares ()	—	—	—
Total	500	—	—
Total No. of Shares Owned	500	—	—
(Total No. of Underlying Shares Owned)	—	—	—

(3) Ownership of Shares of Each Special Related Person (aggregated)

	Number of shares owned	Number of shares subject to Order Article 7 Par 1 Item 2	Number of shares subject to Order Article 7. Par 1 Item 3
Share Certificates	— (shares)	— (shares)	13,639,500 (shares)
Stock Acquisition Right Certificates	—	—	—
Bond Certificates with Stock Acquisition Rights	—	—	—
Depository Receipts for Shares ()	—	—	—
Total	—	—	13,639,500
Total No. of Shares Owned	—	—	13,639,500
(Total No. of Underlying Shares Owned)	(—)	—	—

(Note) Y.K. Algarve sold 500 of its shares to the Tender Offeror in a direct transaction on May 7, 2007, and as a result, the number of shares as of the date hereof equals the number of shares as set forth in the Tender Offeror's extraordinary securities report dated May 9, 2007 (13,640,000 shares) minus 500 shares, or 13,639,500 shares.

(4) Ownership of Shares of Special Related Person (breakdown)

1. Special Related Person

Name	Y.K. Algarve Yoshimasa Kimura, Director
Address	2-1, Ginza 6-chome, Chuo-ku, Tokyo
Job or contents of business	Acquisition, holding, disposition and sale and purchase of securities
Contact	Contact person: Yoshimasa Kimura Director Y.K. Algarve Contact place: 2-1, Ginza 6-chome, Chuo-ku, Tokyo Telephone Number: 81-3-6215-8160
Relationship to the Offeror	A person that has agreed with the Offeror to exercise its voting rights and other rights as a shareholder in accordance with the Offeror

2 Number of shares owned by Special Related Persons

	Number of shares owned	Number of shares subject to Order Article 7 Par. 1 Item 2	Number of shares subject to Order Article 7 Par. 1 Item 3
Share Certificates	— (shares)	— (shares)	13,639,500 (shares)
Stock Acquisition Right Certificates	—	—	—
Bond Certificates with Stock Acquisition Rights	—	—	—
Depository Receipts for Shares ()	—	—	—
Total	—	—	13,639,500
Total No. of Shares Owned	—	—	13,639,500

	Number of shares owned	Number of shares subject to Order Article 7 Par. 1 Item 2	Number of shares subject to Order Article 7 Par. 1 Item 3
(Total No. of Underlying Shares Owned)	(—)	—	—

2. Recent Trading of Shares of the Target

(1) Trading within 60 days prior to the filing date

Name	Classes of shares	Increased Number	Decreased Number	Net
Y.K. Algarve	Share Certificates (Common Stock)	500 Shares (500 Shares)	—	500 Shares

(Note) 500 Shares acquired by the Target were acquired from Y.K. Algarve through a negotiated transaction.

3. Material Agreements Relating to Shares of the Target

The Tender Offeror and Algarve have entered into an agreement which provides that they intend to cooperate regarding the holding of the Target's Shares and the exercise of the voting rights of the Target's Shares.

4. Existing Agreements Providing for the Purchase of Shares of the Target after the Filing of the Statement

None.

IV. Transactions between the Tender Offeror and the Target

1. Transactions between the Tender Offeror and the Target, or its Directors and Officers, and the Details Thereof

None.

2. Agreements between the Tender Offeror and the Target, or its Directors and Officers, and the Details Thereof.

None.

V. Conditions of the Target

1. Results of Operations for the Previous Three Years

(1) Results of Operations

Fiscal year	Fiscal year ended March 31, 2004 (38th Fiscal Term)	Fiscal year ended March 31, 2005 (39th Fiscal Term)	Fiscal year ended March 31, 2005 (40th Fiscal Term)
Sales (millions of yen)	13,721	13,443	13,637
Cost of sales (millions of yen)	6,759	6,533	6,895
Selling, general and administrative expenses (millions of yen)	1,476	1,401	1,586
Non-operating income (millions of yen)	113	112	242
Non-operating expenses (millions of yen)	303	254	334

Fiscal year	Fiscal year ended March 31, 2004 (38th Fiscal Term)	Fiscal year ended March 31, 2005 (39th Fiscal Term)	Fiscal year ended March 31, 2005 (40th Fiscal Term)
Net profit (millions of yen)	2,589	2,481	2,865

(Note 1) The figures for Sales are exclusive of consumption tax.

(Note 2) The information set forth above (including Note 1) is cited from the annual securities reports of Target for the 38th Fiscal Year (filed on June 29, 2004), the 39th Fiscal Year (filed on June 29, 2005) and the 40th Fiscal Year (filed on June 29, 2006).

(2) Per Share Information

Fiscal Year	Fiscal year ended March 31, 2004 (38th Fiscal Term)	Fiscal year ended March 31, 2005 (39th Fiscal Term)	Fiscal year ended March 31, 2005 (40th Fiscal Term)
Net Income Per Share (yen)	39.32	37.62	21.18
Dividends Per Share (Amount of interim distribution) (yen)	11.00 (5.50)	11.00 (5.50)	5.75 (2.75)
Net Assets Per Share (yen)	851.98	878.80	448.24

(Note 1) The shares of the Target were split at the rate of one share to 2.05 shares as of July 11, 2005.

(Note 2) The information set forth above (including Note 1) is cited from the annual securities reports of Target for the 38th Fiscal Year (filed on June 29, 2004), the 39th Fiscal Year (filed on June 29, 2005) and the 40th Fiscal Year (filed on June 29, 2006).

2. Status of Share Price

Names of Stock Exchange or Securities Dealers Association		Tokyo Stock Exchange, Inc. First Division						
Month /Year		11/2006	12/2006	1/2007	2/2007	3/2007	4/2007	5/2007
Share price (Yen)	High	647	618	675	809	788	1,083	1,100
	Low	518	571	573	654	688	732	1,005

(Note) The information for May 2007 is based on the stock price through May 18, 2007.

3. Status of Shareholders

(1) Ownership Status

(as of March 31, 2006)

Description	Status of Shares (the number of shares consisting of one unit :1,000 shares)								Status of Fractional Shares
	National and Local Governments	Financial Institution	Total	Other Entities	Foreign Entities, etc.	Foreign Individuals	Individuals and Others	Total	
Number of Shareholders	–	42	26	130	120	3	2,545	2,863	–
Number of Shares Owned (unit)	–	39,222	490	43,477	33,622	20	18,849	135,660	1,219,352
Shareholding Ratio (%)	–	28.91	0.36	32.05	24.78	0.01	13.90	100	–

(Note 1) Treasury shares of 674,103 are separately included as 674 units in “Individuals and Others” and 103 shares less than one unit (*Tangen-miman-kabushiki*) in “Status of Fractional Shares”, accordingly there is no inconsistency with the actual holding number.

(Note 2) The number of shares consisting of one unit was scheduled to be reduced to 500 from 1,000 as of July 3, 2006 pursuant to a resolution of a Board meeting held on April 25, 2006.

(Note 3) The above information, including Note 1 and Note 2, is cited from the annual securities report of the Target for the 40th Fiscal Year filed on June 29, 2006.

(2) Number of Shares held by Major Shareholders and Officers

① Major Shareholders

(As of March 31, 2006)

Name	Address	Number of Shares Held (1,000 shares)	% of Total Shares Issued
New Otani Co., Ltd.	4-1, Kioi-cho, Chiyoda-ku, Tokyo	17,354	12.67
Y.K. Otani Kosan	4-1, Kioi-cho, Chiyoda-ku, Tokyo	13,165	9.61
The Master Trust Bank of Japan Ltd. (Trust Account)	11-3, Hamamatsucho 2-chome, Minato-ku, Tokyo	12,541	9.15
Japan Trustee Services Bank, Ltd. (Trust Account)	8-11, Harumi 1-chome, Chuo-ku, Tokyo	6,427	4.69
Y.K. Otani Fund	22-17, Nishi-Gotanda 7-chome, Shinagawa-ku, Tokyo	6,426	4.69
Nippon Life Insurance Company (Special Pension Fund Account)	6-6 Marunouchi 1-chome, Chiyoda-ku, Tokyo	3,640	2.65
Masako Otani	Chiyoda-ku, Tokyo	3,628	2.65
Japan Trustee Services Bank, Ltd. (Trust Account 4)	8-11, Harumi 1-chome, Chuo-ku, Tokyo	3,458	2.52
JP Morgan Chase Bank 385050 (Standing Proxy: Mizuho Corporate Bank Kabuto-cho branch clearing division)	Woolegate House, Coleman Street London EC2D 2HD, England (6-7, Nihonbashi-kabuto-cho, Chuo-ku, Tokyo)	3,044	2.22
The Chase Manhattan Bank N.A.. London S.L. Omnibus Account (Standing Proxy: Mizuho Corporate Bank, Ltd. Kabuto-cho branch clearing division)	Woolegate House, Coleman Street London EC2D 2HD, England (6-7, Nihonbashi-kabuto-cho, Chuo-ku, Tokyo)	2,919	2.13
Total	—	72,604	53.04

(Note 1) The number of shares held above in connection with the trust business is as follows:

The Master Trust Bank of Japan Ltd. (Trust Account) 12,218 (thousand shares)

Japan Trustee Services Bank, Ltd. (Trust Account) 4,798 (thousand shares)

The Master Trust Bank of Japan Ltd. (Trust Account 4) 3,458 (thousand shares)

(Note 2) The above information is cited from the annual securities report of the Target for the 40th Fiscal Year filed on June 29, 2006.

(Note 3) The Target filed on December 22, 2006 the 41st Fiscal Year Semi-Annual Securities Report. Based on such report, the status of the major shareholders as of September 30, 2006 is as follows:

(As of September 30, 2006)

Name	Address	Number of Shares Held (1,000 shares)	% of Total Shares Issued
New Otani Co., Ltd.	4-1, Kioi-cho, Chiyoda-ku, Tokyo	17,354	12.67
Y.K. Otani Kosan	4-1, Kioi-cho, Chiyoda-ku, Tokyo	13,165	9.61
Japan Trustee Services Bank, Ltd. (Trust Account)	8-11, Harumi 1-chome, Chuo-ku, Tokyo	11,143	8.36
The Master Trust Bank of Japan Ltd. (Trust Account)	11-3, Hamamatsucho 2-chome, Minato-ku, Tokyo	7,946	5.80
Y.K. Otani Fund	22-17, Nishi-gotanda 7-chome, Shinagawa-ku, Tokyo	6,426	4.69
Nippon Life Insurance Company	6-6, Marunouchi 1-chome, Chiyoda-ku, Tokyo	3,640	2.65
Masako Otani	Chiyoda-ku, Tokyo	3,628	2.65
Japan Trustee Services Bank, Ltd. (Trust Account4)	8-11, Harumi 1-chome, Chuo-ku, Tokyo	3,438	2.51
State Street Bank and Trust Company (Standing Proxy: Mizuho Corporate Bank Kabuto-cho branch clearing division)	P.O. BOX 351 BOSTON MASSACHUSETTS 02101 USA (6-7, Nihonbashi-kabuto-cho, Chuo-ku, Tokyo)	2,853	2.08
Mizuho Corporate Bank, Ltd. (Standing Proxy: Mizuho Corporate Bank, Ltd. Kabuto-cho branch clearing division)	3-3, Marunouchi 1-chome, Chiyoda-ku, Tokyo	2,630	1.92
Total	—	72,527	52.989

(Note 4) The number of shares held above relevant to trust business is as follows:
The Master Trust Bank of Japan Ltd. (Trust Account) 7,624 (thousand shares)
Japan Trustee Services Bank, Ltd. (Trust Account) 4,391 (thousand shares)
Japan Trustee Services Bank, Ltd. (Trust Account4) 3,438 (thousand shares)

(Note 5) Schroder Investment Management (Japan) Limited and Fidelity Investments Japan Limited filed Large Shareholding Reports as of October 13, 2006 to the Minister of the Kanto Local Finance Bureau. Although Schroder Investment Management (Japan) Limited and Fidelity Investments Japan Limited reported that they are holding the following shares, we did not include such information because we have not yet confirmed the actual shareholdings.

(Note 6) The information included above in Note 4 and Note 5 was taken from the Target's 41st Fiscal Year Semi-Annual Securities Report filed on December 22, 2006.

The contents of the Large Shareholding Reports (including any amendment report of large shareholding reports) and Extraordinary Reports of the Target are as follows:

Name	Address	Number of Shares Held (1,000 shares)	% of Total Shares Issued
Fidelity Investments Japan Limited	3-1, Toranomon 4-chome, Minato-ku, Tokyo	14,076,500	10.28
Y.K. Algarve	2-1, Ginza 6-chome, Chuo-ku, Tokyo	13,640,000	9.96
Credit Suisse (Hong Kong) Limited and its three co-shareholding shareholders	Two Exchange Square 45&46F 8 Connaught Place Central Hong Kong	8,891,600	6.50
Schroder Investment Management (Japan) Limited and its three co-shareholding shareholders	11-1, Marunouchi 1-chome, Chiyoda-ku, Tokyo	5,856,850	4.28

Name	Address	Number of Shares Held (1,000 shares)	% of Total Shares Issued
Mizuho Corporate Bank, Ltd. and its two co-shareholding shareholders	3-3, Marunouchi 1-chome, Chiyoda-ku, Tokyo	5,391,592	3.94

(Note 7) The amendment report to the large shareholding report dated May 1, 2007 states that Fidelity Investments Japan Limited owns 14,076,500 shares of the Target, which represents 10.28% of the total shares issued of the Target.

(Note 8) The extraordinary report dated May 7, 2007 states that, as of April 10, 2007, Algarve held shares which represented 27,280 voting rights of the Target, and owns 13,639,500 shares of the Target, which represents 9.96% of the total shares issued of the Target.

(Note 9) The large shareholding report dated May 9, 2007 states that Credit Suisse (Hong Kong) Limited and its three and its three co-shareholding shareholders owns 8,891,600 shares of the Target, which represents 6.50% of the total shares issued of the Target.

(Note 10) The amendment report to the large shareholding report dated May 9, 2007 states that Schroder Investment Management (Japan) Limited and its three co-shareholding shareholders own 5,856,850 shares of the Target, which represents 4.28% of the total shares issued of the Target.

(Note 11) The amendment report to the large shareholding report dated April 20, 2007 states that Mizuho Corporate Bank, Ltd. and its two co-shareholding shareholders own 5,391,592 shares of the Target, which represents 3.94% of the total shares issued of the Target.

② Officers

(as of June 29, 2006)

Name	Title	Position	Number of Shares Held	% of Total Shares Issued
Kazuhiko Otani	Director and Chairman (Representative Director)		1,543	1.13
Takuo Otani	Director and President (Representative Director)		323	0.24
Takashi Ikeda	Managing Director	Supervisor of Facilities, including Buildings, Management Department and Supervisor of Safety Promotion Department	16	0.01
Kazuhiro Habiro	Director	Supervisor of Office Management Department and Manager of Medical Business Department	10	0.01
Yoshinori Matsuzaki	Director	Officer of TOC Business Department and Manager of Agent Service Department	10	0.01
Masao Ohashi	Director	Head of Financial Planning Department and Head of Commercial Facilities Business Division	4	0.00
Kazuo Iwai	Director	Head of Exposition Facilities Department	6	0.00
Hirofumi Inaba	Director		5	0.00
Shuji Nagatani	Full-time Corporate Auditor		2	0.00
Masataka Terasawa	Corporate Auditor		-	-
Kazunori Kawashima	Corporate Auditor		-	-
Total	-	-	1,922	1.40

- (Note 1) Director Hirofumi Inaba is an outside director as defined in Article 2, clause 15 of the Company Law of Japan.
- (Note 2) Full-time Auditor Shuji Nagatani, Auditor Terasawa Masataka and Auditor Kazunori Kawashima are external auditors as defined in Article 2, clause of the Company Law of Japan.
- (Note 3) The above information, excluding the percentage of total shares issued, is cited from the annual securities report of the Target for the 40th Fiscal Year filed on June 29, 2006.
- (Note 4) The percentage of total shares issued is rounded to the second decimal place.
- (Note 5) According to the semi-annual securities report of the Target for the first half year (during the 41st Fiscal Year) filed as of December 22, 2006, no directors changed their positions from the submission date of the annual securities report for the 40th Fiscal Year (June 29, 2006) until the submission date of the semi-annual securities report for the 41st Fiscal Year (December 22, 2006).

4. Others

- (1) The Target Company has submitted a semi-annual securities report as of December 22, 2006. According to such report, the interim results of operations of the Target Company are as follows:

1) Profit and Loss

	For the semi-annual period ended September, 2006 (during 41st Fiscal Term) (millions of yen)
Sales	6,640
Cost of sales	3,492
Selling, general and administrative expenses	748
Non-operating income	86
Non-operating expenses	259
Net income	1,204

2) Per Share Information

	For the semi-annual period ended September, 2006 (during 41st Fiscal Term) (millions of yen)
Net Income Per Share	8.84
Dividends Per Share (Amount of interim distribution)	3.00
Shareholders' Equity Per Share	452.69