Financial Report

For the Fiscal Year Ended March 31, 2008 - Consolidated

May 12, 2008

Company name: Takara Leben Co., Ltd.

Shares listed on: First Section of the Tokyo Stock Exchange

Security code: 8897

URL: http://www.leben.co.jp

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Scheduled date of Regular General Meeting of Shareholders: June 24, 2008 Scheduled date of Securities Report (*Yuka Shoken Hokoku-sho*) release: June 24, 2008 Scheduled date of dividend payment commencement: June 25, 2008

1. CONSOLIDATED FINANCIAL RESULTS FOR THE FISCAL YEAR ENDED MARCH 31, 2008 (April 1, 2007 to March 31, 2008)

(1) Operating Results

(Amounts rounded down to millions of yen)

	Net sales		Operating income		Ordinary income	
	Million yen	%	Million yen %		Million yen	%
Year ended March 31, 2008	64,778	11.7	7,272	17.8	6,205	10.3
Year ended March 31, 2007	58,007	1.5	6,174	4.9	5,626	5.1

	Net income		Net income per share	Diluted net income per share
	Million yen	%	Yen	Yen
Year ended March 31, 2008	3,506	11.0	210.34	209.03
Year ended March 31, 2007	3,157	20.5	187.77	182.80

	Net income to shareholders' equity	Recurring profit to total assets	Operating profit to net sales
	%	%	%
Year ended March 31, 2008	19.5	6.8	11.2
Year ended March 31, 2007	20.6	7.6	10.6

Note: Equity in profit (loss) of unconsolidated subsidiaries and affiliates:

Fiscal year ended March 31, 2008: (¥—million) Fiscal year ended March 31, 2007: (¥—million) (2) Financial Position (consolidated)

	Total assets	Total net assets	Equity ratio	Net assets per share
	Million yen	Million yen	%	Yen
Year ended March 31, 2008	99,842	19,318	19.3	1,166.76
Year ended March 31, 2007	82,635	16,577	20.1	988.59

Notes: Shareholders' equity:

Fiscal year ended March 31, 2008: ¥19,318 million Fiscal year ended March 31, 2007: ¥16,577 million

(3) Cash Flow Position (consolidated)

	Cash flows from operating activities	Cash flows from investing activities	Cash flows from financing activities	Cash and cash equivalents at the end of the period
	Million yen	Million yen	Million yen	Million yen
Year ended March 31, 2008	(1,841)	(7,615)	12,584	12,896
Year ended March 31, 2007	(17,848)	(6,431)	17,383	9,768

2. DIVIDENDS

	Γ	Dividends per sha	re	Total dividends	Dividend payout ratio	Net assets-to- dividend ratio
	Interim	Year-end	Total annual	(annual)	(consolidated)	(consolidated)
	Yen	Yen	Yen	Million yen	%	%
Fiscal year ended March 31, 2007	11.00	11.00	22.00	371	11.7	2.4
Fiscal year ended March 31, 2008	12.00	12.00	24.00	397	11.4	2.2
Fiscal year ending March 31, 2009 (forecast)	12.00	12.00	24.00	_	17.3	_

3. CONSOLIDATED RESULTS FORECAST FOR FISCAL YEAR ENDING MARCH 31, 2009 (From April 1, 2008 to March 31, 2009)

Percentage figures for the full fiscal year represent the change from the previous fiscal year, while percentage figures for the interim period represent the change from the previous interim period.

	Net sales	S Operating income		Recurring profit		Net income		Net income per share	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Yen
Interim	36,600	14.1	3,000	(21.8)	2,350	(29.4)	1,300	(28.5)	78.51
Full-year	76,500	18.1	5,450	(25.1)	4,100	(33.9)	2,300	(34.4)	138.91

4. OTHER

(1) Changes in the status of material subsidiaries during the current fiscal year (changes in the scope of consolidation as a result of changes in the status of specific subsidiaries)

- $(2) \ Changes \ to \ consolidated \ financial \ statement \ principles, \ preparation \ processes, \ disclosure \ methods, \ etc.$
 - $(Description\ of\ changes\ to\ important\ items\ fundamental\ to\ financial\ statement\ preparation)$
 - a. Changes accompanying amendment of accounting principles: Yes
 - b. Changes other than "a.": None
- (3) Number of outstanding shares (common stock)
 - a. Outstanding shares at period-end (including treasury stock)

Fiscal year ended March 31, 2008: 17,540,333 shares

Fiscal year ended March 31, 2007: 17,203,091 shares

b. Treasury stock at period-end

Fiscal year ended March 31, 2008: 982,642 shares Fiscal year ended March 31, 2007: 433,945 shares

Reference: Non-consolidated Earnings Overview

1. Non-consolidated Financial Results for Year Ended March 31, 2008 (April 1, 2007 to March 31, 2008)

(1) Non-consolidated Operating Results

The percentage figures shown in the net sales, operating income, ordinary income, and net income columns represent year-on-year changes.

	Net sales		Operating income		Ordinary income	
	Million yen	%	Million yen %		Million yen	%
Year ended March 31, 2008	58,256	6.7	6,881	14.8	5,838	6.4
Year ended March 31, 2007	54,614	(0.5)	5,992	6.6	5,487	6.8

	Net income		Net income per share	Diluted net income per share
	Million yen	%	Yen	Yen
Year ended March 31, 2008	3,301	6.1	198.07	196.84
Year ended March 31, 2007	3,111	24.6	185.05	180.15

(2) Non-consolidated Financial Position

	Total assets	Net assets	Equity ratio	Net assets per share
	Million yen	Million yen	%	Yen
Year ended March 31, 2008	96,565	18,758	19.4	1,132.91
Year ended March 31, 2007	80,036	16,221	20.3	967.36

2. Non-consolidated Earnings Forecasts for the Fiscal Ending March 31, 2009 (April 1, 2008 to March 31, 2009)

Percentage figures for the full fiscal year represent the change from the previous fiscal year, while percentage figures for the interim period represent the change from the previous interim period.

	Net sale	es	Operating income		Recurring profit		Net income		Net income per share
	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Yen
Interim	33,450	15.4	2,750	(24.1)	2,100	(32.7)	1,150	(32.9)	69.45
Full-year	69,300	19.0	4,900	(28.8)	3,550	(39.2)	2,000	(39.4)	120.79

Explanation of the proper use of these earnings forecasts and other matters:

The above forecasts are estimated based on information available at the time of the release of this report. Actual results may differ from these forecasts due to various factors in the future.

1. Operating Results

(1) Analysis of Operating Results

Overview

Over time, minor problems propagating like amoebas in various fields have imperceptibly grown into a huge mass of problems that threatens to gush like magma from a volcano, and historic efforts are being made to deal with the problems and preclude the eruption. It is, therefore, thought that the current period of time may be one of major transition.

Looking at the global economy, the prospect of a U.S. recession spurred by a credit contraction is raising concerns among other countries. Moreover, unstoppable flows of speculative funds are boosting raw materials prices to levels quite remote from levels that accord with conditions in the real economy, and these prices are threatening to promote global inflation. If this happens, it may be that we are standing on the brink of a period in which the lessons of history are disregarded and a major wave of stagflation sweeps over the world despite the efforts of individual countries made through cooperative frameworks.

Regarding the Japanese economy, the Japanese government authorities can perceive these worldwide developments but are not undertaking countermeasures or displaying effective leadership. Consequently, it is expected that the authorities will only sluggishly implement measures to resolve problems in Japan and address the issue of countering the many global problems that are suddenly assaulting Japan from diverse angles, and it is expected that they will make little progress with those measures. In view of this situation, it may be that Japanese individuals will have to take their own self-protective crisis management measures based on their understanding that the cumulative damage from the global problems may be incomparably greater in Japan than in many other countries.

Largely due to its own mistakes, Japan's real estate industry has faced deteriorating market conditions earlier than other Japanese industries. In light of this current situation, the industry must clearly recognize and correct its past errors and directly address its real challenges. If the industry does not make the adjustments required to optimize its operations in line with its original mission, it is feared that the prospect of a new growth era will remain distant.

With respect to such economic problems as systemic divergence from underlying economic realities, misalignment with the desires of the people, and ignorance of customer needs, people are now asking whether we should just give up or whether we should do our best to resolve the problems as quickly as possible.

Against this background, the Takara Leben Group sustained its efforts in accordance with its long-standing marketing concept of offering affordably priced Leben Heim-series condominiums that it designs to meet the needs of prospective first-time buyers.

① Operating Results during the Year

a) Performance Overview

On a non-consolidated basis, parent company Takara Leben undertook some built-for-sale condominium projects in outlying regions and resort areas but maintained its traditional emphasis on projects in Tokyo and Saitama Prefecture, which continued to account for approximately 70% of its built-for-sale condominium development projects. A total of more than 250 units were delivered while sustaining high gross profit margins at two large-scale projects—one in Tokyo's Adachi Ward and one in Saitama's Kawaguchi City. As a result of the completion of these and many other high-profit-margin development projects, the Company recorded a high 25.2% gross profit margin on its operations as a whole.

Regarding sales of newly built detached houses, deliveries proceeded approximately in accordance with plans, and a high 24.9% gross profit margin was maintained.

With respect to sales of pre-owned residences including Le Art Series items, delivery of a portion of items was postponed to the current fiscal year and a slight decline was seen in unit sales as well as revenue during the fiscal year under review. During the current fiscal year, however, plans call for completing the sale and delivery of all pre-owned residences for which refurbishment work was completed during the period. Moreover, the smoothness of pre-owned residence procurement during the current fiscal year has increased expectations regarding the growth of related business.

In the real estate rental business, the Company purchased eight additional rental properties and began operating a large-scale commercial facility, supporting a large 50.8% rise in total revenue from the level in the previous fiscal year.

Under such circumstances, compared with the previous fiscal year, the Company's nonconsolidated sales were up 6.7%. Operating income rose 14.8% year on year, reflecting a decrease in selling, general and administrative expenses that was achieved despite a rise in advertising and sales promotion expenses and that was facilitated by a lack of special accounting factors, such as those that affected performance in the previous year. Despite a general rise in interest rates, ordinary income was up 6.4% and net income grew 6.1%. Thus, increases were achieved in all profit indicators. Compared with the Company's performance projections, a decline in condominium unit deliveries kept net sales 1.9% below the anticipated level, but all profit indicators exceeded the anticipated levels.

Regarding consolidated subsidiaries, Leben Community Co., Ltd., increased the number of residential units under its commissioned management to 16,297, considerably surpassing its target level of 15,000 units. A particularly large rise was seen in the number of units newly managed on behalf of other companies, which surged 81.5% from the level in the previous year. This and a rise in the number of units managed on behalf of other companies, which rose to account for almost 50% of newly managed units during the fiscal year under review, both reflect Leben Community's strong marketing efforts. Steady progress was also made regarding such fields as renovation and remodeling work, property sales, and work orders as well as peripheral business fields. Consequently, Leben Community's overall consolidated net sales surged to a level 24.0% higher than in the previous fiscal year, although the rise in consolidated net income was restrained to

15.2%, owing to measures taken to strengthen internal systems through the hiring of additional personnel and the creation of additional corporate infrastructure components.

TAFUKO CO., LTD., sustained stable commission income in its financial business as well as peripheral business fields and was, therefore, able to develop its operations in accordance with plans.

Takara Live Net Co., Ltd., expanded its real estate sales agent services business but was unable to expand its inventory for pre-owned residence marketing business as quickly as projected. Consequently, its net sales were lower than in the previous fiscal year, although all profit indicators exceeded the anticipated levels.

Regarding the nursing care business of As Partners Co., Ltd., during the fiscal year under review, that company had an 80% average occupancy rate at its five facilities, which include a newly opened facility in the Hakusan district of Tokyo's Bunkyo Ward. As a result, it has smoothly enhanced its profitability and cleared its breakeven point while greatly increasing its revenue.

As a result, double-digit growth was achieved in all principal consolidated performance indicators for the Takara Leben Group as a whole, including rises of 11.7% in net sales, 17.8% in operating income, 10.3% in ordinary income, and 11.0% in net income.

Compared with the Company's performance projections, net sales were slightly below the anticipated level, but the level of operating income, ordinary income, and net income each exceeded the anticipated levels.

b) Consolidated Performance by Business Segment

(Real Estate Sales Business)

Revenues from the real estate sales business amounted to ¥59,111 million, up 9.5% from the previous fiscal year, reflecting ¥52,966 million in net sales from the sale of 1,625 built-for-sale condominium units in 23 condominium buildings and ¥6,145 million in net sales from the sale of newly built detached houses, pre-owned condominiums, and other properties.

(Real Estate Rental Business)

In the real estate rental business, revenues came to \(\xi\)1,252 million, up 67.2% from the previous fiscal year. This reflected the Company's proactive efforts to obtain additional rental condominium units and office and store spaces for rent, which boosted leasing revenues.

(Management Services Business)

In the management services business, revenues totaled ¥1,439 million, up 17.9% from the previous fiscal year, from the management of 316 condominium buildings with 15,192 condominium units.

(Other Businesses)

Revenues from other businesses came to ¥2,975 million, up 44.2% from the previous fiscal year, mainly from the nursing care business, from orders for optional construction work associated with condominium sales, and real estate sales agency commissions.

c) Consolidated Performance by Performance Indicator

(Net Sales)

Net sales amounted to ¥64,778 million, up 11.7% from the previous fiscal year, reflecting ¥52,966 million in net sales from the sale of 1,625 built-for-sale condominium units in 23 condominium buildings; ¥6,145 million in net sales from the sale of newly built detached houses, pre-owned condominiums, and other properties; ¥1,252 million in net sales from the rental fees of rental condominium units and office and store spaces; and ¥1,439 million in net sales from management services business. Net sales from other businesses, mainly from the nursing care business and from orders for optional construction work associated with condominium sales, amounted to ¥2,975 million.

(Cost of Sales)

Cost of sales came to ¥48,893 million, up 11.9% from the previous fiscal year, mainly reflecting the cost of sales associated with built-for-sale condominium units and newly built detached houses. As large-scale, highly profitable projects were delivered during the fiscal year under review, the cost of sales ratio was 75.5%, approximately the same level as in the previous fiscal year.

(Selling, General and Administrative Expenses)

Selling, general and administrative expenses totaled ¥8,612 million, up 6.0% from the previous fiscal year, reflecting increases in the number of employees of consolidated subsidiaries as well as an increase in costs associated with the strengthening of internal control systems.

(Non-Operating Income and Expenses)

Non-operating income came to \(\frac{\pmathbf{4}}{315}\) million, up 4.7% from the previous fiscal year, due to a rise in dividends on an investment fund, while non-operating expenses totaled \(\frac{\pmathbf{4}}{1,382}\) million, up 62.8% from the previous fiscal year. The rise in non-operating expenses reflected a rise in interest expense associated with higher borrowings to fund projects.

(Extraordinary Gains and Losses)

Net extraordinary losses were \u255 million, up 34.4% from the previous fiscal year, mainly reflecting inventory valuation losses and investment security valuation losses.

Thus, consolidated sales at the Group totaled ¥64,778 million, up 11.7% from the previous fiscal year. Ordinary income rose 10.3% year on year, to ¥6,205 million, and net income increased 11.0%, to ¥3,506 million.

② Outlook for Current Fiscal Year (The 37th Fiscal Year or the Fiscal Year Ending March 31, 2009)

During the past three fiscal years, although the Company generally exercised appropriate self-restraint regarding the pursuit of excessive profit, the Company strongly regrets that it also in some cases procured inventory assets and fixed assets in volumes that may be considered excessive when compared with the Company's business development resources and drafted marketing plans that included some elements that were not sufficiently in accord with actual market conditions.

Although the Company's markets are only beginning to enter a period of deteriorating conditions, the Company is taking this opportunity to make appropriate adjustments to its growth plans. We see a need to comprehensively evaluate our assets and expeditiously deal with any unwanted assets at an early stage. Another requirement we are focusing on is the need to eliminate unwarranted worries regarding the entire Japanese construction industry by clearly explaining our financial and operational soundness. In addition, with an eye to quickly taking our initial steps toward a new era of business development, we have decided to take the steps described below.

The Company has already undertaken a reevaluation of its lineup and appropriate pricing for the current (37th) and upcoming (38th) fiscal years and made associated adjustments to its profitability assumptions. Having drafted a plan to dispose of all other inventory assets not incorporated in our profit plan as quickly as possible during these two fiscal years, we anticipate an approximately 40% drop in profitability during the 37th fiscal year. We plan to restore our original profitability assumptions during the 38th fiscal year. We expect that we have more than a 95% probability of attaining our performance targets for the 37th fiscal year and an approximately 75% probability of attaining our performance targets for the 38th fiscal year. As a secondary result of these efforts, we anticipate a dramatic improvement in our asset structure.

Due to the complete disposal of current inventory assets during the next two fiscal years, the Company is planning its operations in the 39th and subsequent fiscal years based on a blank slate. While there is a possibility that it will be necessary to procure new assets from as early as some time during the 37th fiscal year, we believe that such procurement must be based on new business concepts that are not constrained by previously existing business concepts. As a result, the entire Company is expected to undergo great changes.

Based on the reappraisal and adjustments described above, the Company is reevaluating its internal systems and endeavoring to build new management systems that are unchanging insofar as they are firmly grounded in sound management practices but are new insofar as they are adapted to deal with conditions in the emerging new era. Plans call for correcting excessive concentrations of decision-making authority and increasing the standardization of authority allocation, and implementing these plans will require some transfers of authority. In addition, we believe it is necessary to reorganize management departments with an

eye to creating strong-willed units that are not unduly influenced by temporary market trends.

The asset disposal measures expected to temporarily reduce profitability relate to the parent company alone, and the parent company's subsidiaries will comprehensively strive to play a complementary or counterbalancing role.

The outlook for each of the Takara Leben Group's businesses is as follows:

• In the real estate sales business, regarding built-for-sale condominiums, because of a decrease in the number of contracts concluded during the fiscal year under review and the Company's plan to maintain a 50% contracted ratio (the ratio of contracts signed versus the delivery forecast for all property categories in a given fiscal year), the number of condominium units sold during the 37th fiscal year is expected to fall to 1,400 even if sales plans are executed exactly as planned.

The Company's business in newly built detached houses has always played a complementary or counterbalancing role, and the benefits of this role will be particularly large during the current fiscal year. While 88 newly built detached houses were delivered in the fiscal year under review, plans call for delivering 135 newly built detached houses, including an additional 27 houses in Oami, Chiba Prefecture, and an additional 85 houses in Ogawamachi, Saitama Prefecture.

The Company has engaged in business marketing pre-owned residences centered on Le Art Series items for three years, and as it approaches its fourth year, it appears to have reached a stage at which it can be projected to generate stable levels of sales and profitability. Therefore, the supply plan calls for approximately 120 houses, of which it is projected that 80 will be delivered during the fiscal year.

- In the real estate rental business series, the Company has proactively acquired profitable properties during a three-year period, thereby augmenting real estate rental revenues. At the same time, however, the acquisition initiatives caused a tendency for excessive increases in the ratios of fixed assets to total assets and borrowings to total assets. Because this business is expected to play a complementary or counterbalancing role during the current fiscal year, plans call for it to maintain approximately the same level of assets despite continuing to repeatedly undertake asset sales and replacement purchases. Consequently, it is projected that the stock of property holdings will stay at approximately the same level as in the fiscal year under review, and these holdings are expected to generate stable rental revenue during the current fiscal year.
- In the management services business, the number of condominium units under management is expected to rise to 19,000. Additional measures will be taken to strengthen systems for the commissioned management of condominiums on behalf of other companies as well as internal management systems, and plans call for expanding operations from the management services business into peripheral derivative business fields.
- Regarding other businesses, the Company is striving to increase the average occupancy rate at its existing five nursing care facilities to 90%. Moreover, during the latter half of the current fiscal year, plans call for opening a new residential type nursing care facility in Kawagoe, Saitama Prefecture, which will be within a complex that also includes facilities for day nursing services, nurse visit services, and other services. As a result, the nursing care business is expected to realize an increasingly stable performance and augment the

size of its contribution to consolidated performance.

Consequently, the consolidated performance projections for the fiscal year ending March 31, 2009 are as follows:

Net sales	¥76,500 million	(up 18.1% YOY)
Operating income	¥5,450 million	(down 25.1% YOY)
Ordinary income	¥4,100 million	(down 33.9% YOY)
Net income	¥2,300 million	(down 34.4% YOY)

③ Progress in Implementing the Medium-Term Management Plan, Etc.

• Target Attainment for the Previous Medium-Term Management Plan

In line with the previous medium-term management plan, which covered the three years through the fiscal year under review, the Company expanded its operations by initiating full-scale business in diverse fields, shifted from non-consolidated management orientation to integrated Group management systems, and worked to build new organizational systems suitable for operations in the emerging new era.

Regarding business field diversity, the Company has increased its portfolio of rental properties and seen a corresponding rise in the profit contribution of rental real estate business. Moreover, it has begun full-scale business in newly built detached houses and initiated business marketing pre-owned residences centered on Le Art Series items.

With respect to Group management, the Company has created Group companies specialized in real estate management services, nursing care services, and condominium-related peripheral services. These companies make independent efforts in their respective fields, and the Group management systems seek to promote increased synergies among these and other Group companies.

To improve the Group's organizational structure, measures were taken to relocate head office functions and increase the transparency of those functions. Several internal initiatives were made to strengthen the Group's resources with respect to mid-level managers, such as the introduction of a Group system and a leader system within marketing departments. Further, the Company's Business Strategy Office began full-scale operations, with the goal of facilitating greater information sharing among business divisions and thereby promoting capabilities for gaining a better overall grasp of the Group's operations.

In addition, the new "Building Project" was initiated in preparation for full-scale brand-building efforts that are to start in the current fiscal year, and the preparation measures were generally completed.

• New Medium-Term Management Plan

Principal elements of the new medium-term management plan are as follows:

- —Establish systems to further increase the stability of condominium unit supply capabilities in core real estate sales business
- —Further implement the "Building Project" as a means of building up the Takara Leben brand, increasing recognition of that brand, and leveraging the brand to foster still-stronger customer loyalty

- —Proceed with the reevaluation of inventory asset holdings as a major element of overall corporate strategy and endeavor to quickly enhance the quality of the Company's asset structure
- —Promote greater organizational flatness and transparency, reallocate decision-making authority, and also seek to clarify the definition of individual employees' responsibilities and roles
- —Strive to increase information exchanges and arrange synergies among Group units with the goal of expanding overall Group profitability

The following are the corporate vision and corporate mission specified in Takara Leben's new medium-term management plan.

Takara Leben's New Corporate Vision: The Way We Should Be

Thinking of Happiness. Making Happiness.

As a builder, we take your happiness more seriously than anyone else; When we build for you, we build to make your living dreams come true.

When we develop, we consider the well-being of the community more deeply than anyone else, the world gets new towns where all people live in comfort.

To build a happy future, we plan and work more fruitfully than anyone else; we propose earth-friendly, sustainable development for the environment.

Thinking of Happiness. Making Happiness.
That's Takara Leben's corporate vision.

Creating Together

with Eager Minds

Putting our heads together with customers, eagerly, to think up and create new market values.

with Sincere Efforts

Prizing the sincere efforts of our partners, for the comfort and security of living together.

with Ample Talent

Prizing the talents of every corporate member, for the rich and seamless development of a shared tomorrow.

4 Attaining Targets for Management Metrics

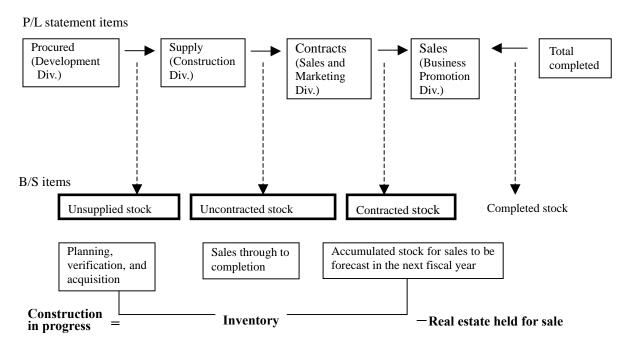
a) Reasons for Selected Metrics

Management's present policy is to focus on return on shareholders' equity (ROE) and return on assets (ROA) as the main management metrics. As our management objective is to ensure efficiency in how we manage funds in our operations, these main metrics will change during the course of our efforts to pursue this objective.

To raise the turnover of total capital used, a key component of both ROE and ROA, it is important to shorten the inventory turnover period, as it has an especially large impact on turnover of total capital used in the real estate sector. However, the stability and balance of this indicator are more important than lowering the inventory turnover period per se. To accomplish this, the Group has developed a proprietary balance factor chart for more effective inventory management.

This chart below tracks the linear progression of inventories from procurement to sales, and helps to ensure the proper balance by avoiding excessive buildups at each stage. The Group believes that the checks and balances mechanism embedded in the chart is one form of corporate governance.

b) Structure of the Balance Factor Chart



Since the terms in the above chart have been defined in previous operating results reviews we have issued, we make only the following brief explanatory comments.

- All items (both those from the income statement and balance sheet) in the process are wholly linked;
- The income statement and balance sheet items in the schematic on the previous page in effect provide for a system of multiple checks and balances;
- This chart is used as the Group's management organization scheme for the interrelationships between respective divisions;
- This chart is used as a tool for time management adjustments both from a long-term and short-term perspective and for volume adjustments; and
- In addition to medium- and long-term management with annual charts, a monthly balance chart is used to make unit adjustments on a half-yearly and quarterly basis through the respective divisions. The Group is using these tools together with a progress chart that sets out specific projects to manage activities, and is gradually making progress in standardizing how the relevant items are recorded.

c) Specific Performance

(Units: Condominiums)

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	FY06	FY07	FY08
Procured	2,104	3,459	1,350
Delivered	1,978	1,400	1,484
Contracted	1,745	1,491	1,257
Sold	1,631	1,520	1,625

Unsupplied Stock	1,064	3,123	2,989
Uncontracted Stock	940	849	1,076
Contracted Stock	1,097	1,068	700
Total Completed Stock	3,101	5,040	4,765
Total Completed Units	22	139	200
Contracted Ratio	72.2%	65.7%	50.0%

(Figures for numbers of units are for newly built condominium units only.)

Evaluation of Balance Coefficients for the Fiscal Year under Review

- Because of procurement adjustments undertaken based on the reconsideration of a considerable procurement surplus in the previous period that greatly undermined the overall balance, the inventory asset turnover period was improved from 39.8 months to 35.2 months, but plans call for further shrinking this period to the 20- to 30-month range.
- Regarding supply, factors including the impact of the building standards law revision caused a lengthening
 of the supply period and slackened growth in housing unit supply volume, thereby leading to a decline in the
 number of contracts concluded. While special factors are involved and although management capabilities are
 strong, the inability to rapidly respond to the supply decline over two fiscal years appears to reflect
 continued internal systems issues.
- While the new-contract decline is due to the above-mentioned supply decline, it is an important goal to examine the causes in greater detail and strengthen the marketing system with an eye to recovering the 1,600-unit new-contract level.
- Regarding the inventory of 200 completed units, the uncontracted portion of 110 units was approximately the same level as in the previous fiscal year. With respect to factors causing the rise, however, there is an ongoing shift during the current fiscal year from marketing area-related factors to factors related to large-scale developments that cause marketing period outlook issues. Accordingly, plans call for efforts to maintain a balanced allocation of marketing system resources based on due consideration of the special characteristics of products.
- Regarding the share of contracted units within the completed unit inventory, plans call for maintaining a 50% share, which is the minimum level of the target range, and increasing the ratio during the current fiscal

year is an important objective. In addition, rebuilding efforts are required to maintain a higher target level of 60%.

ROE Trends

• Looking at the three main elements that determine ROE, the progressive decline in ROE on a consolidated basis during the three years through the fiscal year under review—from 21.3% to 20.8% and 18.9%—and the continued decline in the current fiscal year reflects the fact that, although the ratio of ordinary income to net sales has been maintained, it was not sufficient to compensate for decreases in the equity ratio and in the asset turnover ratio.

ROA Trends

• During the three years through the fiscal year under review, ROA on a consolidated basis has declined from 8.8% to 7.6% and 6.6%. This reflects the inability of a strong ratio of ordinary income to net sales to compensate for a decrease in the asset turnover ratio.

Trends in ROE and ROA also indicate the need to shrink inventory assets in the next fiscal year and subsequently.

Management Based on Consideration of a Set of These and Other Indicators

• Management measures are being undertaken based on a balanced consideration of a set of indicators that include the components of the balance coefficient chart along with trends in the equity ratio, cash flows, and the Company's share price and credit rating.

(2) Analyses Related to Financial Position

① Financial Position at the End of the Fiscal Year under Review

a) Financial Position Analysis

At the end of the fiscal year under review, the Group's total assets amounted to ¥99,842 million, up 20.8% from the end of the previous fiscal year. This was primarily because of increases in inventory assets and tangible fixed assets.

(Current assets)

Current assets totaled ¥75,589 million, up 12.1% from the end of the previous fiscal year, reflecting a rise in the procurement of land for future development and the shift of one building in large-scale development to the category of real estate for sale.

(Fixed assets)

Fixed assets rose to \(\frac{\pmathbf{Y}}{24,253}\) million, an increase of 59.5% from the end of the previous fiscal year on an increase in tangible fixed assets due to the acquisition of income-generating properties.

(Current liabilities)

Current liabilities amounted to ¥49,641 million, 23.1% higher than at the end of the previous fiscal year, reflecting growth in notes payable and in the current portion of long-term debt as well as the issuance of commercial paper.

(Fixed liabilities)

Fixed liabilities stood at ¥30,882 million, a rise of 20.1% from the end of the previous fiscal year, reflecting a rise in borrowings in connection with the procurement of land for future development and the acquisition of income-generating properties as well as a rise in guarantee deposits in connection with the acquisition of income-generating properties.

(Net Assets)

As a result of the accumulation of net income and of growth in capital due to the exercise of warrants associated with an issue of convertible bond-type bonds with warrants, net assets rose to ¥19,318 million, up 16.5% from the end of the previous fiscal year.

b) Cash Flow Analysis

Cash and cash equivalents amounted to ¥12,896 million at the end of the fiscal year, representing an increase of ¥3,127 million from the end of the previous fiscal year.

(Cash flows from operating activities)

(Cash flow from investing activities)

Net cash used in investing activities came to ¥7,615 million (as compared with ¥6,431 million in the previous fiscal year), primarily due to an increase in tangible fixed assets resulting from purchases of income-generating properties.

(Cash flows from financing activities)

Net cash provided by financing activities totaled ¥12,584 million (as compared with ¥17,383 million in the previous fiscal year). This is mainly attributable to increased borrowings to finance projects.

2 Indicators Related to Cash Flow

	FY2006	FY2007	FY2008
Shareholders' Equity Ratio (%)	21.6	20.1	19.3
Shareholders' Equity Ratio at Market Value (%)	46.5	33.8	9.0
Debt Repayment from Cash Flow (Years)	9.0		_
Interest Coverage Ratio (Times)	4.6	_	_

Shareholders' Equity Ratio (%): Shareholders' Equity / Total Assets

Shareholders' Equity Ratio at Market Value (%): Equity Market Capitalization / Total Assets

Debt Repayment from Cash Flow (Years): Interest-Bearing Debt / Operating Cash Flow

Interest Coverage Ratio (Times): Operating Cash Flow / Interest Expense

3 Outlook for the Current Fiscal Year

(Cash flows from operating activities)

Net cash provided by operating activities is anticipated owing to plans for decreases in inventory assets.

(Cash flows from investing activities)

Net cash used in investing activities is anticipated to result from the acquisition of tangible fixed assets.

(Cash flows from financing activities)

Net cash used in financing activities is anticipated, as plans call for the repayment of borrowings due to the reduction of inventory assets.

As a result, cash and cash equivalents at the end of the current fiscal year are projected to amount to approximately ¥10.5 billion.

(3) Fundamental Policy on Profit Distribution/Dividends Applicable to the Fiscal Year under Review and the Current Fiscal Year

Considering the provision of shareholder returns to be among the most important of its tasks, the Company has the fundamental policy of striving to sustain stable levels of dividends at levels deemed appropriate based on due consideration of corporate performance trends and of the amount of internally retained funds required to expand and strengthen business operations.

With respect to "corporate life cycle" (growth process) stages, the Company views itself as moving from a period of rapid growth, transitioning through a period of stable growth, and then moving forward to an additional period of rapid growth. During the current (37th) fiscal year, plans call for resolving various issues the Company faces so that the Company can streamline its operations in preparation for the advance

^{*}These indicators are all calculated using consolidated financial data.

^{*}Interest-bearing debt is defined to include all debt recorded on the consolidated balance sheet on which interest is paid.

^{*}Since cash flows from operating activities were negative in fiscal 2007 and fiscal 2008, there is no calculation for the Debt Repayment from Cash Flow for these interim periods in the above table.

to an additional period of rapid growth. Although this approach is expected to reduce profit during the 37th fiscal year, it should be understood that the Company is maintaining its fundamental emphasis on stable management operations and that the Company intends to maintain stable dividend levels for the current fiscal year in accordance with its fundamental stance with respect to profit distribution.

Specifically, plans call for dividends to be set at the following levels.

(Yen)

		1H	FY-End	Total
FY09	Ordinary	12.0	12.0	24.0
(Forecast)	dividend	12.0	12.0	24.0
FY08	Ordinary	12.0	12.0	24.0
(Actual)	dividend	12.0	12.0	24.0

Rather than focusing exclusively on dividend payout ratio levels, basic decisions regarding dividend levels are made based on a comprehensive evaluation of dividend payout ratio levels along with such various other factors as dividends on equity (DOE) and dividend yield, and dividend levels are set with an eye to long-term stability rather than short-term optimization. Moreover, the Company is aiming to build a company that is highly appealing to shareholders who maintain their shareholdings over the long term regardless of fluctuations in share prices.

2. The Takara Leben Group

The Takara Leben Group, consisting of Takara Leben Co., Ltd., and its four consolidated subsidiaries, is developing real estate business in a region centered on Tokyo and on Saitama, Chiba, and Kanagawa prefectures.

The parent company mainly engages in the planning, development, and marketing of Leben Heim-series condominium units, detached houses, and other properties.

Consolidated subsidiary Leben Community Co., Ltd., primarily engages in comprehensive management services for condominium buildings.

Consolidated subsidiary TAFUKO CO., LTD., primarily arranges bridge financing for approved housing loan borrowers.

Consolidated subsidiary Takara Live Net Co., Ltd., primarily provides real estate sales agent services and remarketing services for previously owned properties.

Consolidated subsidiary As Partners Co., Ltd., primarily operates residential facilities with nursing capabilities for elderly people.

(1) Real Estate Sales Business

The parent company undertakes the planning, development, and marketing of Leben Heim-series condominium units, detached houses, and other properties in the greater Tokyo metropolitan area, including Tokyo as well as Saitama, Chiba, and Kanagawa prefectures.

(2) Real Estate Rental Business

The parent company owns rental apartment and rental condominium units, primarily in Tokyo and Saitama Prefecture, as well as other rental store and rental office properties, and it conducts rental business with these properties.

(3) Real Estate Management Business

Consolidated subsidiary Leben Community Co., Ltd., provides a comprehensive range of management services for condominium buildings, including cleaning and security management services.

(4) Financial Agency Business

Consolidated subsidiary TAFUKO CO., LTD., arranges bridge financing for approved housing loan borrowers to cover the period until housing loans are executed.

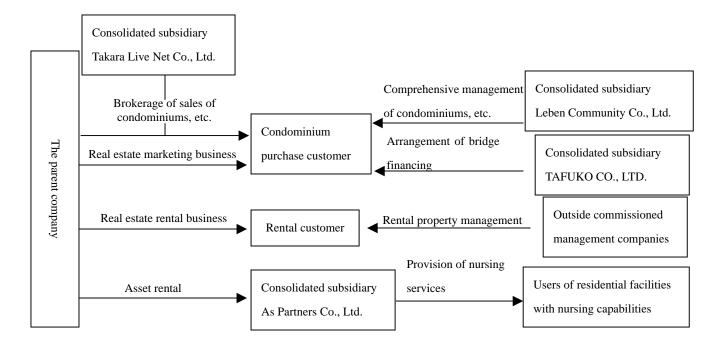
(5) Nursing Care Business

Consolidated subsidiary As Partners Co., Ltd., operates residential facilities with nursing capabilities for elderly people.

(6) Other Business

The Group also engages in such other businesses as commissioned real estate marketing agency business.

The Group's businesses are organized as follows.



3. Management Policies

(1) The Company's Fundamental Management Policies

< Management Principles >

The Takara Leben Group helps people realize their dreams by providing affordable residences that first-time buyers and others can buy with confidence.

< Management Policies >

(1) Stable Growth

Rather than abrupt growth, the Group is aiming for stable growth.

2 Always Maintaining Balance to Be Prepared for Any Eventuality

The Group is intent on keeping highly aware of its own capabilities and the market and always considering the possibility of unforeseen eventualities while undertaking well-balanced area operations and investment decisions.

Because of the large numbers of units handled in its core condominium and detached housing businesses, the Group must create systems predicated on the assumption that there will be unsold units. In this regard, proactively making direct appeals to customers and winning customers' trust are extremely important.

3 Contrarianism

When conditions are favorable, the Group will exercise self-restraint in preparation for unfavorable conditions. When conditions are challenging, the Group will concertedly leverage its wisdom to proactively create and provide improved products.

④ Fostering Employees' Creativity (Assigning Five People to Do the Work of Four) and Strength in the Face of Adversity

A key to creating a strong company is to provide employees during ordinary times with comfortable working conditions so that they can make use of their imaginations while also fostering the development of employees who never give up in the face of difficult challenges during difficult times.

⑤ Consciousness of the Group's Value in Society

Rather than stubbornly focusing on our own desires, we do our utmost to maintain long-term relationships with clients while always considering what is best for them and thereby earn the recognition of our value throughout society at large.

The Group has maintained an unchanging ethical foundation in the form of these management principles and policies since its establishment. During the period of the current medium-term management plan, the Group also intends to promote its new vision and mission, which center on relatively specific action principles.

(2) The Company's Medium-to-Long-Term Management Policies

<Overview of Strategies>

The current medium-term management plan also contains a long-term strategy for stable growth. On the one hand, the strategy places emphasis on a strengthened product strategy with cyclic elements that supplement core operations in condominiums with diverse detached housing, pre-owned housing, and real estate rental operations. On the other hand, the strategy calls for each Group company handling these products to make fuller use of the products' potential value to further increase their own value and cooperatively provide an array of excellent products that inspire customer loyalty. In this way, the Group can create loyal fans and gain recognition of its value throughout society.

<Specific Strategies>

A. Overview

- The Company is always seeking to move ahead on the path of stable growth while giving due attention to the possibility of periods of market adjustment. However, when excesses are noted in corporate operations, they are to be quickly corrected while at the same time taking proactive measures to develop new business operations. Currently, it is recognized that the market has already entered an adjustment period, and the Company is determined to move quickly ahead with reforms so that corrective adjustments can be completed within two years.
- The Company's policy is to allow operations and Group companies in each business segment to allocate resources and grow in line with the circumstances of each business segment. Just as the condominium business is not to grow independently without consideration of overall Group operations, however, the operations in each segment are not to grow independently but are to strive to grow while maximizing synergies with other Group units.
- During the two-year "Building Project," plans call for working to ensure the entire Group is pervaded by its new comprehensive vision and mission as measures are taken to build the foundations for future growth.

B. Individual Strategies

① Product Strategies

a) Area Strategies

Amid excessive competition, there has been a rise in temporary projects in areas outside the greater Tokyo metropolitan area and resort-related projects, and some projects offer high gross profitability in early project stages. Since there may be a need to somewhat restrict supply in the future, however, we have once again reevaluated our business region centered on Saitama Prefecture, where we are particularly strong. As a result, we have concluded to adopt a fundamental stance of allocating approximately 40% of our business to Saitama Prefecture and approximately 20% to Tokyo. We see a need to rebuild our operations based on this

fundamental geographic business structure without allowing major fluctuations.

b) Product Scale Strategies

Large-scale projects tend to attract greater attention because they offer advantages regarding cost efficiency and the ease of attracting customers. Takara Leben has also had a tendency to favor large-scale projects, but must approach such projects prudently based on due consideration to the relatively great time-period risk of large-scale projects regarding the size of completed product inventories. In fact, projects that harmonize with their surrounding areas and offer high-quality residential units will earn customer support regardless of whether they are small- or large-scale projects. In view of this, going forward, the Company will emphasize a well-balanced business structure created based on constant attention to the appropriateness of products and the dispersion of risks.

c) Price Strategies

High condominium unit selling prices during the past two fiscal years have generated unusually high levels of gross profits, but they have also led to some divergence of some market trends from real market needs and therefore caused a slowdown in new contracts. Future business growth will be difficult unless these problematic situations are recognized and resolved. Moreover, the Company has long emphasized the provision of housing at appropriate prices for first-time housing buyers. It is important to reconfirm this philosophy and its ability to support stable business growth over the long term.

② Sales Strategies

Takara Leben is doing its utmost to move forward in step with customers for many years to come by planning and marketing products that make people feel comfortably confident and safe when buying.

a) Sales Systems

Although Takara Leben is leveraging Group synergies and maintaining strong marketing capabilities that have contributed to strong performance, market trends and special external factors have made it impossible to make full use of the Company's original marketing strengths, and the number of new contracts has decreased. In view of this, it cannot yet be said that the Company has a stable marketing system, and it should be recognized that many marketing staff have not yet reformed their mind-sets. Because Takara Leben's traditional encouragingly empathetic way of relating to customers has proven effective even amid the current conditions that make attracting new customers difficult, the Company will continue emphasizing efforts to employ its marketing capabilities to foster and increase customer loyalty. There is a need to reconfirm the absolute correctness of this strategy and maintain a high level of pride in it.

b) Internet Marketing

Amid conditions that make it increasingly difficult to attract customers to model rooms, Takara Leben has

upgraded the content on its web pages that introduce potential customers to residential units. During the fiscal year under review, the upgrade increased the number of access hits to more than 2.3 million, a level 54.1% higher than in the previous fiscal year. The Company is continuing to make good use of the Internet, as is reflected in the 36.8% of new contracts that are based on initial customer contacts via the Internet.

c) Leben Club

Takara Leben's current three-year plan calls for increasing the number of Leben Club members to 50,000. At the end of the fiscal year under review, the number of members was 13,600, a considerably higher level than that at the end of the previous fiscal year. This growth reflects the Company's steady progress in increasing its name recognition. Among related efforts are measures to renovate the content on web pages reserved exclusively for club members and to supply each individual member with the information they require in a timely manner. Plans call for providing members with services that encourage them to support the Company's products. By arranging additional corporate alliances allowing for the placement of advertisements on corporate intranets, we have expanded the potential readership of such ads to encompass four million people working in 135 corporate groups. In addition to supporting model room-based marketing operations, the Company is conducting research into more-effective usage methods and is aiming to increase the share of new contracts arranged based on such methods to above 10%.

d) Construction Planning Strategy

Amid rising construction costs, Takara Leben has already confirmed its construction plan for the 37th fiscal year and approximately half of its construction plan for the 38th fiscal year. The remaining portion of the construction plan for the 38th fiscal year will be drafted with due consideration of current trends in construction costs. Because the current level of construction costs would make providing the market with stable supplies of housing difficult going forward, however, we believe there is a need to work together with construction contractors to find new ways of cooperating and creating markets.

Regarding product planning, during the current fiscal year, Takara Leben will launch the first units of a new kind of product that offers ideal living conditions in the form of the LUIC PROJECT, which centers on the theme of "water" as a fundamental motivating force in lifestyles. As a part of efforts to further improve customer service, the Company has created a new quality management section that supplements the Construction Section and the Customer Service Center to form a three-unit system for ensuring customer satisfaction. We are providing products and seeking to ensure customer satisfaction based on this system.

C. Product Diversification Strategy

① Detached Houses Strategy

Regarding detached houses, Takara Leben is aiming to supply approximately 200 units annually, or approximately 10% of the market in its main operating regions. Plans call for continuing to provide the current supplies of outer-suburb-type products, but there is also a need to concurrently revise the current

strategy with an eye toward entering new geographic areas and pursuing new pricing methods. In connection with this, it will be important to further strengthen the coordination of procurement, construction planning, and marketing operations.

2 Pre-Owned Condominium Strategy

In pre-owned condominiums, Takara Leben is also aiming to handle a volume of units corresponding to approximately 10% of the market in its main operating regions. Just as in newly constructed condominium business, the Company considers it crucial to, beginning from the procurement stage, plan products that will have enduring attractiveness at distribution stages. Moreover, while the pre-owned condominium market currently can be seen as mainly supplementing the new condominium market, we are expecting pre-owned condominiums to assume a central role within the overall condominium market in the future. In view of this and the many different ways to procure pre-owned condominiums, we see a need to closely monitor related developments. As a part of our pre-owned condominium business strategy, we have begun business purchasing and reselling residences of owners who are planning to purchase our condominiums, and we also believe it is important to proactively approach customers who have already purchased our condominiums regarding the possibility that they may want to trade up to a new housing unit. Regarding the procurement of completed residential units, also, we consider it necessary to take action in line with a speedy marketing strategy.

③ Income-Generating Properties Strategy

Takara Leben has procured income-generating properties with excessive speed over the past three fiscal years and now must take steps to correct the impact of those properties on the Company's asset balance. However, the Company believes it is necessary to establish as stable "stock-type" business, and currently plans to develop stable income-generating properties business accompanied by some procurement and sales transactions that have the effect of further increasing the profitability of that business.

D. Group Strategy

Takara Leben's medium-term management strategy calls for continued efforts to build a still-stronger public company while increasing information exchanges among Group units so as to more effectively generate mutually beneficial synergies. Because the Company's main business developing and marketing condominiums is a "flow-type" business, plans call for supplementing it with "stock-type" businesses—including income-generating properties business, property management services, and nursing services businesses—and creating a multidimensional service company that engages in cyclical marketing operations and generates various kinds of synergies between its various components.

Leben Community Co., Ltd., is aiming to increase the number of buildings it manages to 30,000 over the medium term and appears likely to attain its target for the current fiscal year of 19,000 buildings. It plans to offer a full range of services required by its customers and play a central role in enabling the Group to develop "stock-type" business operations. It serves as a contact point with customers that have already purchased properties from the Group, and it is expected to serve as a collector of various kinds of

information with potential business development applications.

Takara Live Net Co., Ltd., is working to make better use of its real estate sales agent service capabilities as well as taking experimental measures to extend its distribution network.

TAFUKO CO., LTD., is smoothly expanding its clientele while playing a linking role among Group units, and it is currently considering additional business development initiatives.

As Partners Co., Ltd., has developed stable operations centered on the operation of residential facilities with nursing capabilities, and in the current fiscal year it is undertaking a new kind of business centered on complexes that include residential facilities with nursing capabilities as well as other kinds of facilities. Plans call for it to be operating approximately 10 projects in the near future.

Regarding real estate consulting business, plans call for using the research results accumulated over many years to develop new kinds of businesses with the potential for further integrating the operations of Group units.

4. Consolidated Financial Statements

(1) Consolidated Balance Sheets

(Million yen)

	Marc	As of h 31, 2007	(A)	Marc	As of h 31, 2008		(B)-(A)
	Amo	ount	%	Amo	ount	%	
Assets							
 Current assets Cash and cash equivalents Notes and accounts receivable, trade Marketable securities Inventories Deferred income taxes Other Allowance for doubtful accounts 		9,835 146 35 51,098 295 6,032 (19)			12,935 438 34 56,269 529 5,391 (10)		
Total current assets		67,425	81.6		75,589	75.7	8,164
II Fixed assets 1. Tangible fixed assets (1) Buildings and structures Allowance for doubtful accounts (2) Furniture and fixtures Allowance for doubtful accounts (3) Land (4) Construction in progress	6,434 1,858 183 128	4,576 54 7,905		7,443 2,151 192 151	5,292 41 16,209		
Total tangible fixed assets		12,536	15.2		21,620	21.7	9,083
2. Intangible fixed assets (1) Consolidation goodwill (2) Other Total intangible fixed assets 3 Investments and other assets (1) Investment securities (2) Long-term loans (3) Deferred tax assets		8 504 512 1,074 42 366	0.6		7 498 506 896 34 485	0.5	(6)
(4) Other Allowance for doubtful accounts Total investments and other assets Total fixed assets Total assets		694 (17) 2,160 15,210 82,635	2.6 18.4 100.0		724 (14) 2,126 24,253 99,842	2.1 24.3 100.0	(34) 9,042 17,207
Liabilities							
Current liabilities 1. Notes and accounts payable, trade 2. Short-term borrowings		6,981 14,916			9,151 11,886		
3. Long-term debt due within one year		10,275			19,931		
		10,273			-		
4. Commercial paper		1 222			2,000		
5. Income taxes payable		1,322			1,522		
6. Advances		4,910			2,952		
7. Reserve for bonuses		214			225		
8. Reserve for directors' bonuses		61			60		
9. Other		1,658			1,911		
Total current liabilities		40,342	48.8		49,641	49.7	9,299

II Fixed liabilities					
Convertible bonds	345		_		
2. Long-term loans	24,646		29,607		
3. Reserve for employees' retirement benefits	83		96		
4. Reserve for directors' retirement benefits	52		53		
5. Other	588		1,124		
Total fixed liabilities	25,715	31.1	30,882	31.0	5,166
Total liabilities	66,057	79.9	80,524	80.7	14,466

	As of March 31, 2007 (A)			As of March 31, 2008 (B)			(B)-(A)
	Ar	nount	%	Amo	ount	%	
Net assets							
I Shareholders' capital							
1 Common stock		2,270	2.8		2,442	2.4	172
Additional paid-in capital		2,400	2.9		2,572	2.6	172
3. Retained earnings		12,426	15.0		15,549	15.6	3,122
4. Treasury stock		(675)	(0.8)		(1,294)	(1.3)	(619)
Total shareholders' capital		16,421	19.9		19,269	19.3	2,848
II Valuation and translation adjustments							
Net unrealized holding gains on other securities		156	0.2		48	0.0	(107)
Total valuation and translation adjustments		156	0.2		48	0.0	(107)
III Minority interests		_	_		-	_	_
Total net assets		16,577	20.1		19,318	19.3	2,741
Total liabilities and net assets		82,635	100.0		99,842	100.0	17,207

(2) Consolidated Profit and Loss Statement

(Million yen) Year ended Fiscal year ended (B)-(A)March 31, 2007 (A) March 31, 2008 (B) Amount Amount Amount 58,007 100.0 I Net sales 64,778 100.0 6,771 43,706 II Cost of sales 75.3 48,893 75.5 5,187 Gross profit 14,300 24.7 24.5 1,583 15,884 III Selling, general and administrative 14.1 8,612 13.3 8,126 486 expenses 6,174 7,272 1,097 Operating income 10.6 11.2 IV Non-operating income 1. Interest income 14 8 2 Dividend income 7 6 96 95 3. Commissions received 4. Compensation received for 111 121 seconded employees 5. Miscellaneous income 73 301 0.6 82 315 0.5 14 V Non-operating expenses 1. Interest paid 804 1,284 45 2. Miscellaneous losses 849 1.5 97 1,382 2.1 533 Ordinary income 5,626 9.7 6,205 9.6 578 VI Extraordinary gains 1. Gain on sale of investment 5 5 0.0 (5)securities VII Extraordinary losses 1. Loss on disposal of fixed assets 79 16 2. Inventory asset valuation losses 145 3. Impairment losses 63 4. Office relocation expense 43 5. Investment securities valuation 83 losses 6. Other 3 189 0.3 9 255 0.4 65 Income before income taxes 5,442 9.4 5,950 9.2 508 Income tax, inhabitants tax and 2,403 2,723 enterprise tax Income tax adjustments (108)2,295 4.0 (278)2,444 3.8 148 Minority interests in loss of 11 0.0 (11)consolidated subsidiary 3,157 5.4 348 Net income 3,506 5.4

(3) Consolidated Statement of Changes in Shareholders' Capital

Fiscal year ended March 31, 2007 (April 1, 2006 – March 31, 2007)

(Million yen)

		Shareholders' capital						
	Common stock	Additional paid-in capital	Retained earnings	Treasury stock	Total shareholders' capital			
Balance as of March 31, 2006	2,116	2,246	9,678	(247)	13,794			
Changes during the period:								
Issuance of new shares (Note 1)	153	153			307			
Distribution of retained earnings			(353)		(353)			
Directors' bonuses (Note 2)			(55)		(55)			
Net income			3,157		3,157			
Purchase of treasury stock				(428)	(428)			
Net change in items other than shareholders' capital during the period								
Total changes during the period	153	153	2,748	(428)	2,626			
Balance as of March 31, 2007	2,270	2,400	12,426	(675)	16,421			

	Valuation and adjustme			
	Net unrealized holding gains/losses on other securities	Total valuation and translation adjustments	Minority interests	Total net assets
Balance as of March 31, 2006	288	288	5	14,088
Changes during the period:				
Issuance of new shares (Note 1)				307
Distribution of retained earnings				(353)
Directors' bonuses (Note 2)				(55)
Net income				3,157
Purchase of treasury stock				(428)
Net change in items other than shareholders' capital during the period	(131)	(131)	(5)	(137)
Total changes during the period	(131)	(131)	(5)	2,489
Balance as of March 31, 2007	156	156	_	16,577

Notes:

- 1. Of the ¥353 million decrease due to distribution of retained earnings, ¥167 million was in connection with the earnings distribution decision of the regular general meeting of shareholders held in June 2006.
- 2. This was in connection with the earnings distribution decision of the regular general meeting of shareholders held in June 2006.

Fiscal year ended March 31, 2008 (April 1, 2007 – March 31, 2008)

(Million yen)

		Shareholders' capital						
	Common stock	Additional paid-in capital	Retained earnings	Treasury stock	Total shareholders' capital			
Balance as of March 31, 2007	2,270	2,400	12,426	(675)	16,421			
Changes during the period:								
Issuance of new shares	172	172			345			
Distribution of retained earnings			(383)		(383)			
Net income			3,506		3,506			
Purchase of treasury stock				(619)	(619)			
Net change in items other than shareholders' capital during the period								
Total changes during the period	172	172	3,122	(619)	2,848			
Balance as of March 31, 2008	2,442	2,572	15,549	(1,294)	19,269			

	Valuation and adjustme			
	Net unrealized holding gains/losses on other securities	Total valuation and translation adjustments	Minority interests	Total net assets
Balance as of March 31, 2007	156	156		16,577
Changes during the period:				
Issuance of new shares				345
Distribution of retained earnings				(383)
Net income				3,506
Purchase of treasury stock				(619)
Net change in items other than shareholders' capital during the period	(107)	(107)	_	(107)
Total changes during the period	(107)	(107)	I	2,741
Balance as of March 31, 2008	48	48	1	19,318

(4) Consolidated Statements of Cash Flows

			fillion yen)
	Year ended	Year ended	(B)-(A)
	March 31, 2007 (A)	March 31, 2008 (B)	(D)-(A)
	Amount	Amount	Amount
I Cash flows from operating activities			
Income before income taxes	5,442	5,950	
Depreciation and amortization	255	361	
Valuation loss on real estate held for sale	63	_	
Inventory asset valuation losses	_	145	
Amortization of goodwill	1	1	
Increase in reserves	152	15	
Interest and dividend income	(20)	(15)	
Dividend on investment fund	(111)		
Gain on sale of investment securities		(121)	
	(5)	_	
Investment securities valuation losses	_	83	
Interest expense	804	1,284	
Loss on disposal of fixed assets	62	16	
Office relocation expense	43	_	
Increase in accounts receivable, trade	(50)	(292)	
Increase in loans, trade	(188)	(332)	
Increase in inventories	(15,930)	(3,029)	
Increase in joint project investments	(2,584)	(3,288)	
Increase (decrease) in accounts payable, trade	(3,547)	2,169	
Increase (decrease) in advances	1,044	(1,958)	
Payment of directors' bonuses	(55)		
Other	707	1,295	
Subtotal	(13,914)	2,285	16,200
Interest and dividend received	16	27	10,200
Interest paid	(1,283)	(1,621)	
Income taxes paid	(2,666)	(2,533)	
Net cash used in operating activities	(17,848)	(1,841)	16,006
II Cash flows from investing activities	(17,0.0)	(1,011)	10,000
Placements in time deposits	(64)	(12)	
Withdrawals from time deposits	48	40	
Net increase (decrease) in short-term loans	(790)	1,108	
Long-term loans made	(770)	(2)	
Proceeds from collection of long-term loans	80	0	
Purchase of bonds	(35)	(34)	
Proceeds from redemption of bonds	39	35	
Purchase of investment securities	(18)		
	` ′	(55)	
Sale of investment securities, etc.	9	(0.7(7)	
Purchase of tangible fixed assets	(5,685)	(8,767)	
Purchase of intangible fixed assets	(18)	(14)	
Other	4	86	(1.100)
Net cash used in investing activities	(6,431)	(7,615)	(1,183)
III Cash flows from financing activities	0.074	(2.020)	
Net increase (decrease) in short-term loans	9,076	(3,029)	
Increase in commercial paper	_	2,000	
Redemption of corporate bonds	(100)	_	
Proceeds from long-term borrowings	27,871	23,909	
Repayment of long-term borrowings	(18,680)	(9,292)	
Payment for purchase of treasury stock	(428)	(619)	
Dividend payment	(354)	(382)	
Net cash provided by financing activities	17,383	12,584	(4,799)
IV Increase (decrease) in cash and cash equivalents	(6,896)	3,127	10,024
V Cash and cash equivalents at the beginning of the			
period	16,664	9,768	(6,896)
VI Cash and cash equivalents at the end of the period	9,768	12,896	3,127

5. Other

Production, Orders, and Sales

(1) Contracted units

(Million yen)

	(ivilinoii yeii					
	Fiscal year ended March 31, 2007		Fiscal year ended March 31, 2008		Y-O-Y Change (%)	
	Units	Amount	Units	Amount	Change (70)	
Real estate sales	1,691	56,820	1,391	44,038	77.5	
Total	1,691	56,820	1,391	44,038	77.5	

Note: The above figures are stated net of consumption tax.

(2) Outstanding contracts

(Million yen)

	Fiscal year ended March 31, 2007		Fiscal year ended March 31, 2008		Y-O-Y Change (%)
	Units	Amount	Units	Amount	Change (70)
Real estate sales	1,109	37,032	720	21,959	59.3
Total	1,109	37,032	720	21,959	59.3

Note: The above figures are stated net of consumption tax.

(3) Net sales by business segment

(Million yen)

	(William Jer					
	Fiscal year ended March 31, 2007		Fiscal year ended March 31, 2008		Y-O-Y Change (%)	
	Amount	%	Amount	%	Change (70)	
Real estate sales	53,974	93.0	59,111	91.3	109.5	
Real estate rental	748	1.3	1,252	1.9	167.2	
Management service	1,220	2.1	1,439	2.2	117.9	
Other businesses	2,063	3.6	2,975	4.6	144.2	
Total	58,007	100.0	64,778	100.0	111.7	

Note: The above figures are stated net of consumption tax.