

Sun City Co., Ltd.

Annual Report

1 January 2007 ~ 31 December 2007

Translation

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The Financial Product Trading Act, previously known as The Securities Act, decrees that the Company publishes its annual result in a format defined therein known as Annual Report or Yuka Shoken Hokokusho (有価証券報告書) no later than 2 months after the Company's fiscal year end.

This document has been prepared as a translation from the original Annual Report submitted to the Kanto Finance Office. Whilst an effort was made to maintain the layout of the original Annual Report in Japanese, emphasis has been placed on highlighting information which generally reflects negatively on the Company. The level of interest bearing debt, negative operating cash flows and a surge in the level of inventories with declining cash position are clearly presented. Where appropriate, some additional explanations have been added for non-Japanese investors who may be unfamiliar with the Company or property development business in Japan in general.

1 Summary Information

This section summarises the overall state of the Company.

1.1 Selected Consolidated Financial Data

Fiscal Year	2007	2006	2005	2004	2003
Revenue	69,591	43,747	35,178	21,600	17,360
Gross Margin	12,618	8,168	7,142	4,855	3,947
Operating Income	6,272	4,131	3,442	1,916	1,407
Recurring Income	5,245	3,557	2,932	1,680	1,275
Net Income	2,934	2,066	1,759	952	720
Asset, Inventories	53,163	33,448	13,857	11,728	7,251
Asset, Cash	15,282	23,560	17,918	8,747	9,816
Total Asset	79,882	60,945	35,233	24,413	19,986
Short Term Liabilities	33,640	27,519	16,449	15,030	15,589
Long Term Liabilities	25,001	12,840	7,932	4,683	2,220
Total Liabilities	58,642	40,360	24,381	19,713	17,810
Cash Flow from Operating Activities	-7,684	-13,394	2,361	-6,493	2,965
Cash Flow from Investment Activities	-3,431	-299	-69	24	-8
Cash Flow from Borrowing and Equity Financing	2,837	19,346	6,879	5,389	407
Net Asset, Shareholder Equity	21,239	20,585	10,852	4,699	2,176

1.2 Segmentation

In an Annual Report, we are obliged to enlist the operations we conduct as a single entity and as a group including subsidiaries where appropriate. We have two subsidiaries CHIKEN and Sun City Build and the table below shows three different operations and entities operating them.

Operation	Description	Entity Operating
Residential Apartment for Families and Individuals	There are four product lines. Sunduell and Urban City are apartments with 3 bedrooms, a living room, a dining room/space and a full kitchen, with some variations. Avant T'Allez are like bedsits for unmarried professionals. Sun Vario is the name given to residential complexes which have combinations of different types of apartments mentioned above. We purchase the plots and appoint construction companies to have them build the complexes according to our specifications. As soon as the project is launched, we aggressively start marketing by directly approaching potential buyers through advertising and telemarketing. Our Revenue representatives often pay visits to potential buyers as well for further explanation and solicitation. It is common that buyers qualify for mortgages before the construction is completed and a fair percentage of the apartments are sold before completion.	Sun City CHIKEN
Large Developments for Institutional Buyers	We buy larger plots for commercial complexes such as shopping centres which we sell to institutional buyers such as REITs and corporate investors. They tend to be much larger in value therefore one cancellation can have a catastrophic effect on our overall profit.	Sun City
Other	<p><u>Renting Apartments where We are the Landlord</u> We sometimes decide not to sell the whole residential complex and keep all the apartments for ourselves to rent them out.</p> <p><u>Earthquake Resistant Renovation</u> Sun City Build, our subsidiary, offers earthquake resistant renovation for detached houses.</p> <p><u>Interior Decoration</u> Sun City Build also offers interior installation services to construction companies working on residential complexes and detached houses.</p> <p><u>Selling Detached Houses</u> Sun City Build purchases plots and build detached houses on them for sale. Sun City provides the financing.</p> <p><u>Sales and Marketing</u> Our sales and marketing departments sometimes enter agreements with other developers to sell their apartments using our sales and marketing staff. Sun City has the reputation of having strong sales and marketing departments in the eastern part of Japan therefore other developers sometimes call Sun City for assistance. Sun City charge them marketing fees accordingly.</p>	Sun City Sun City Build CHIKEN

1.3 Subsidiaries

We own two subsidiaries as shown below.

Name	Location	Capitalisation millions of Yen	Operations ¹	Sun City's Stake	Miscellaneous
CHIKEN	Numazu, Shizuoka	21	Residential Apartments for Families and Individuals Other	100%	Sun City provides financing facilities. Two Sun City's employees the Members of the Board.
Sun City Build	Sendai, Miyagi	10	Other	100%	Sun City provides financing facilities. Three Sun City's employees are the Members of the Board.

The Tokyo Stock Exchange decrees that if a subsidiary's revenue equals to or exceeds 10% of the consolidated revenue, the parent company must disclose its own profit and losses. CHIKEN's revenue exceeds 10% of our consolidated revenue. Its revenue and income are as follows.

(1) Revenue	10,298
(2) Recurring Income	1,335
(3) Net Income	768
(4) Equity	3,244
(5) Total Asset	15,520

(in millions of Japanese Yen.)

1.4 Employees

As of 31, December 2007, the numbers of employees assigned to each registered operation is as follows.

Operation	No. of Employees
Residential Apartment for Families and Individuals	250
Large Developments for Institutional Buyers	12
Other ²	41
Maintenance, the Subsidiaries	5
Maintenance, the Parent Company	10
Total	318

The number of employees at Sun City, the Parent Company, and the average age, average duration of employment and average annual income are as follows.

No. of Employees	Average Age	Average Duration of Service	Average Annual Income
234	31.93 years	3.43 years	5,004,754 yen

Sun City has no workers unions at present. The same applies to the subsidiaries.

¹ Please refer to **1.2 Segmentation**.

² Please see **1.2 Segmentation** for the actual operations coming under "Other".

2 Business

2.1 Notes on the Financial Result for 2007

The so called “Sub-Prime Loan Crisis” in the United States combined with the rising prices of commodities are believed to have a negative impact on the global economy. It is therefore generally perceived that we should not be optimistic on the economy in Japan, even if the statistics on capital expenditures by large businesses and labour demand appear to be holding.

The Tankan by the Bank of Japan in December 2007 shows that the DI, Diffusion Index, is 19 points, down 9 points from September 2007, the first time down in three quarters. The labour demand figures show that the index for large manufacturing businesses is minus 7 points, still suggesting a strong demand for workers, and the index for non-manufacturing shows an increasing demand for workers for the first time in three quarters. The labour demand appears to be still strong but the survey on business outlook suggests that both large and small businesses are not so optimistic.

In the property development sector as a whole, various surveys suggest that the companies in the said sector are not so optimistic on the prospect. The number of new houses started in 2007 was 1.06 million, down 17.8% year on year, the lowest in 40 years since 1967. The number of houses started in December 2007 was 87,214, down 19.2% year on year, still showing a double figure decrease, but there is a sign that it may be improving. For apartments, the figure shows a decrease of 49.7%, making the businesses feel very cautious on the future outlook.

In this tough business environment, Sun City acquired CHIKEN based in Shizuoka in April 2007 which expanded our client base from Aomori down to Hokuriku, roughly covering half the nation. As a result, in 2007, we sold 1,239 apartments, up 3.8% from the previous year.

As for Large Developments for Institutional Buyers, we sold 18 projects, bringing in ¥37.535 billion revenue, up 121.3% from the previous year, making a large contribution to the overall revenue stream, despite the postponement of purchase of one project due to client side procedural delay.

The overall revenue including all the subsidiaries was ¥69.591 billion, up 59.1% from the previous year. The operating income was ¥6.272 billion, up 51.8% from the previous year, recurring income was ¥5.245 billion, up 47.4%, net income after tax was ¥2.934 billion, up 42.1%. This result marks the 16th consecutive increase of revenue and income.

2.1.1 Residential Apartment for Families and Individuals

In 2007, we were able to purchase plots suited to residential complexes in good locations putting us in a relatively easy position to sell the apartments. The apartments built and sold by CHIKEN, our subsidiary, added to our overall revenue stream from April 2007, pushing up the overall number accordingly. The total revenue from selling the residential apartments was ¥29.57 billion, up 16.5% year on year, and the operating profit was ¥3.63 million by Sun City as a single entity, down 81.6% year on year, ¥9.4 million by CHIKEN as a single entity, giving the overall figure of ¥1.303 billion, down 33.9% year on year. The cause for the lower profitability will be given separately.

2.1.2 Large Developments for Institutional Buyers

A large commercial complex facing the eastern side of JR Koriyama Station which was scheduled to be sold in the previous fiscal year was sold this fiscal year. We also developed a large shopping centre in the City of Morioka and sold it to an institutional buyer. These are the notable large ones. Including smaller ones, we sold 18 developments in all, creating revenue of ¥37.535 billion, up 121.3% from the previous year, an operating income of ¥4.965 billion, up 99.2% from the previous year, making a substantial contribution to the combined operating income, masking the disappointing profitability of the residential

business. It is clear that only a few projects made up for a large proportion of the consolidated operating income, giving almost a false impression on Sun City's growth pattern.

2.1.3 Other

The operations coming under this category "Other" are listed in **1.2 Segmentation**. The revenue generated by the operations in this category was ¥2.485 billion, up 77.9% from the previous year. The corresponding operating income was ¥3.62 million, making an improvement from the previous year, where we made an operating loss of ¥2 million in this category. A large part of the revenue came from interior decoration business and selling of detached houses.

2.1.4 Cash Flows

Our cash balance was ¥15.282 billion as of the fiscal year end, down ¥8.278 billion. The qualitative breakdown of cash flow streams is as follows. In **5. Accounts**, itemised lists are given.

Flow from Operating Activities

The pre-tax income of ¥5.238 billion was surpassed by the payment ¥8.409 billion and payable ¥1.557 for building the inventories. There was an interest payment of ¥1.062 billion and corporate tax of ¥2.116 billion further eroding the operating cash flow. Netting of all the items resulted a negative operating cash flow of ¥7.684 billion.

Cash Flow from Investment Activities

The acquisition of CHIKEN incurred an outward cash flow of ¥3.728 billion.

Cash Flow from Borrowing and Equity Finance

¥5.248 billion of short term liabilities³ and ¥29.130 billion of long term liabilities⁴ were paid back but ¥36.546 billion of new long term debt was arranged. Together with the payment of ¥1.367 billion for the stock buy-back and ¥9.10 million for the dividend payment, the net cash flow in this category was ¥2.837 billion into the accounts.

2.1.5 Contracts

The following is the breakdown of inventories sold within the fiscal year to which this Annual Report pertains. The inventories deferred to the next fiscal year are also shown.

	Fiscal Year 2007 1, January 2007 ~ 31, December 2007					
	Contracts Closed Within This Fiscal Year			Deferred Contracts		
	No. of Client Contracts Approved	Value billion	Year on Year %	No. of Client Contracts	Value billion	Year on Year %
Residential Apartments for Families and Individuals	1,085	¥26.294	-2.8	184	¥4.973	83.8
Large Developments for Institutional Buyers	20	¥37.020	65.9	3	¥7.004	-6.8
Other	159	¥1.173	3.8	16	¥0.263	72.5

The value does not include the consumption tax.

³ In Japan, generally speaking, when a debt is stated as short term, it matures in 12 months.

⁴ A long term loan matures 12 months after undertaking the loan.

2.1.6 Consolidated Revenue Segmentation

The following shows the breakdown of revenues from the registered operations.

Operation	Fiscal Year 2007 1, January 2007 ~ 31, December 2007	Year on Year %
Residential Apartments for Families and Individuals	¥29.570	16.5
Large Developments for Institutional Buyers	¥37.535	121.3
Other	¥2.485	77.9
Total	¥69.591	59.1

Please note that the amounts sold do not include the consumption tax.

1,239 residential apartments were sold and registered for this Fiscal year's revenue. 18 large developments were sold and registered for this Fiscal year's revenue.

The following shows all the clients to each of which more than 10% of the revenue on consolidated basis is attributable.

Buyer	Money Amount	Proportion %
Ri Ko Ri Su Corp.	¥9.200 billion	13.2
New City Corporation NCAT2 Japan SPC	¥7.600 billion	10.9

2.1.7 The SEC Penalty

The SEC officially announced on 22, January 2008 that one of our directors who had been a member of the Board had undertaken a transaction in breach of Securities Act. A fine has been levied on this director. We are very embarrassed by this incidence and feel that we as a company should make an apology to all the shareholders. We will make a conscious effort to enhance awareness amongst our staff of laws and regulations and ensure adherence to them expected of a listed company.

2.2 General Risk Considerations

We are obliged to list the following risk elements related to our financial performance shown in this Annual Report.

2.2.1 Skewed Revenue Pattern

Property development in general takes time and we tend to sell more towards the end of each fiscal year as opposed to selling constantly and evenly every month. Whilst we aim to sell all the projects scheduled to be sold within a given fiscal year, unexpected delay with construction or buyer's circumstance may force the delivery to be deferred to the following fiscal year, possibly forcing us to announce a downgrade on our revenue and income forecast.

2.2.2 Policy Change on Depreciation and Amortization of Asset

The amortization of a goodwill tends to be spread over a period perceived to be appropriate for the cash flow which the company we purchased with the goodwill is expected to generate. A sudden change in business circumstance may lead to a complete amortization in one year or a large write-down, reducing the profit by a very large amount. We have one subsidiary CHIKEN we acquired with a substantial goodwill and such a policy change may be called for by our external auditor according to their judgment and accounting standard at the time. Should it occur, we will have to announce a large extraordinary loss.

2.2.3 High Dependency on Interest Bearing Debt

Property development business is generally very capital intensive. We depend heavily on our lenders and have in total an interest bearing debt of ¥39.603 billion which is 49.6% of our total asset. Whilst we have nothing to report on the relationships with our lenders, some sudden change in market climate, such as an acute and pervasive decline in land prices or a surge in interest rates, may exert a negative impact on our financial health and performance.

2.2.4 License

Property transactions require certain licenses according to their nature and are governed by various laws and regulations. Commercial developments too are governed by certain laws and regulations mainly to protect small businesses. Changes can be made to such laws and regulations without notice and any negative effect on our profitability resulting from such changes may be unavoidable and beyond our own means. Some unforeseen event may also disqualify us from renewing the licenses we need to conduct our existing business. Should it ever occur, it will have a negative impact on our financial performance.

2.2.5 Purchasing of Plots

Whilst we make all possible effort to avoid purchasing plots with problems and defects such as contaminations, it is still possible that we may purchase and pay for a plot with defects. Contracts we enter all state seller's responsibilities and obligations but we may not be able to annul the contract or receive compensations from the seller. In such a circumstance, the project will be delayed, unexpected extra costs may incur including large legal fees for litigation. All these cost items will weigh on profitability, deteriorating our financial performance.

2.2.6 Deliberate and Illegal Compromise on Structural Specifications

Investors may be aware from the recent publicity that some companies and individuals responsible for structural calculations deliberately and illegally compromised some structural specifications defined by relevant laws and regulations of some buildings, raising grave concerns on safety within the whole industry and authorities. Prompted by the first series of investigations by the authorities in November 2005, we re-examined the structural specifications and their implementations of 8,374 apartments we built and sold up to May 2006. We are happy to confirm that none of our apartments had any relation to any of the accused companies or individuals.

2.2.7 Re-examination of Structural Descriptions

Every building has a structural description prepared by at least one qualified expert and it is filed to the local authority prior to construction. Although none of our apartments had any connections to any of the accused companies and individuals, we felt that we had to investigate whether any of the companies and individual we used had maintained strict compliance to the legal specifications. We first asked them to submit letters to us confirming strict compliance to the relevant laws and regulations. We then forwarded the Structural Descriptions prepared by them to independent institutions to have them re-examined. We are happy to confirm that none of the independent institutions raised any concerns. There were, however, some apartments for which the Structural Descriptions were prepared by companies and individuals not accused of the breach as reported but the Descriptions were submitted to the examining institutions which reportedly failed to uncover the breach hidden by the accused parties. Those Descriptions were re-examined by different institutions and we are happy to confirm that no concern was raised.

2.2.8 Countermeasures for Possible Breach in Future

We inserted another safety check procedure involving another independent institution on top of the existing one. The authorities have closed down the loopholes in the software used therefore we are not anticipating another outbreak of deliberate breach.

2.2.9 Effect of New and Tighter Regulations

In response to such serious incidences, the authorities reviewed the laws and regulations governing constructions and a new set of laws and regulations were made effective in June 2007. Tightened measures resulted greater workload both for those who prepare the filings and those who examine them. Consequently, building permits are now taking much longer to be issued but we are expecting the situation to be normalized once the new routines become well established. It is, however, possible that the

situation does not become normalized, and should it not normalize, our financial performance may be adversely affected.

2.3 Important Contracts

None to be reported as to any possible effect of great importance pertaining to the Company's going concern or financial performance.

2.4 Research and Developments

None to be reported as to any possible effect of great importance pertaining to the Company's going concern or financial performance.

2.5 Assets, Liabilities, Revenues and Incomes

s

2.5.1 Balance Sheet

As of the close of the Fiscal Year to which this Annual Report pertains, the total asset was ¥79.882 billion, up ¥18.936 billion from the previous year, largely due to the acquisition of CHIKEN and purchases of plots for residential and large commercial developments. The total interest bearing debt was ¥58.642 billion, up ¥18.232 billion from the previous year, again largely due to the acquisition of CHIKEN and purchases of plots for residential and large commercial developments.

Liquid Asset

The total liquid asset was ¥72.225 billion, up ¥12.307 billion from the previous year, largely due to the reduction of the cash balance ¥8.228 billion offset by the increase of the liquid asset ¥19.715 attributable to the build up of the inventories and acquisition of CHIKEN.

Fixed Asset

As of the close of the Fiscal Year to which this Annual Report pertains, the total fixed asset was ¥7.656 billion, up ¥6.628 billion from the previous year, largely due to the rebooking of some of the inventories to fixed asset and acquisition of CHIKEN.

Short Term Debt

As of the close of the Fiscal Year to which this Annual Report pertains, the total short term debt was ¥33.640 billion, up ¥6.120 billion from the previous year, largely due to the increase of ¥7.345 billion in borrowing to build up the inventories and acquisition of CHIKEN.

Long Term Debt

As of the close of the Fiscal Year to which this Annual Report pertains, the total long term debt was ¥25.001 billion, up ¥12.161 billion from the previous year, largely due to the increase of ¥11.002 billion in borrowing to build up the inventories and acquisition of CHIKEN.

2.5.2 Revenue and Income

As of the close of the Fiscal Year to which this Annual Report pertains, the total revenue was ¥69.591 billion, up 59.1% from the previous year, operating income was ¥6.272 billion, up 51.8%, recurring income before tax was ¥5.245 billion, up 47.4%, net income was ¥2.934, up 42.1%. As stated earlier, this set of results mark the 16th consecutive increase of revenue and profit.

Revenue

The increase is attributable to the acquisition of CHIKEN adding to our consolidated statement and large developments found good clients.

Operating Income

Amortization and various cost items added to the overall cost by ¥2.309 billion which was positively offset by the revenue increase.

Recurring Income Before Tax

We had rent coming from our own properties amounting to ¥5.62 million. The commissions paid to the property transactions and interest on the bank loans amounted to ¥1.014 billion. Together with the increase in the operating income of ¥ 2.140 billion from the previous year, the recurring income before tax was ¥5.245 billion.

Net Income

We paid ¥9.05 million more tax from the previous year and the net income was ¥2.934 billion.

The descriptions above are intended for being merely qualitative. Please see the full breakdown of the revenue and incomes for more details.

3 Capital Expenditure and Fixed Asset

We paid for some renovations on residential properties we own and let out and for offices of CHIKEN, a company we had acquired, during the Fiscal Year to which this Annual Report pertains. The total amount paid was ¥11 million approximately.

We sold a property housing Odawara Office of CHIKEN. It was sold for ¥42 million.

3.1 Sun City

The followings are the facilities we use to conduct our operations.

Facility Location	Dedicated to:	Type of Use	Book Value Millions of Yen				Assigned Personnel
			Structures Used	Area Occupied	Other	Total	
Head Office Sendai	Residential Business for Families and Individuals Large Developments For Institutions	Office Supervisory Functions	¥8		¥3	¥12	111
Tokyo Office Tokyo	Residential Business for Families and Individuals Large Developments For Institutions	Office	¥4		¥1	¥6	33
Koriyama Office Fukushima	Residential Business for Families and Individuals	Office	¥2		¥1	¥3	21
Morioka Office Iwate	Residential Business for Families and Individuals	Office	¥1		0	¥1	23
Omiya Office Saitama	Residential Business for Families and Individuals	Office	¥1		0	¥2	34
Akita Office Akita	Residential Business for Families and Individuals	Office	¥1		¥1	¥2	12
Sun Vario Onahama Fukushima	Let Out	Rental Apartments	¥67	¥22 589.47 m ²		¥90	
Sun City Kita Yoban Cho Sendai	Let Out	Rental Apartments	¥24	¥13 59.23 m ²		¥38	
Best Life Higashi Sapporo Hokkaido	Let Out	Rental Apartments	¥691	¥209 4,000.38 m ²		¥900	

Together with the facilities listed above, we are renting or using the followings under the terms of finance lease. The rent per

annum and the annual fee paid for the financing lease are as follows.

Office Location	Type of Facilities	Annual Rent or Fee for Leasing Millions of Yen
Head Office	General Office Installations	¥51
	Installations for Supervisory Functions	
	Vehicles and Other Transportations	¥8
	Electronics and Telecommunications	¥13
Tokyo Office	General Office Installations	¥42
	Vehicles and Other Transportations	¥1
	Electronics and Telecommunications	¥1
Koriyama Office	General Office Installations	¥11
	Vehicles and Other Transportations	¥1
	Electronics and Telecommunications	¥1
Morioka Office	General Office Installations	¥9
	Vehicles and Other Transportations	¥2
	Electronics and Telecommunications	¥1
Omiya Office	General Office Installations	¥26
	Vehicles and Other Transportations	¥3
	Electronics and Telecommunications	¥1
Akita Office	General Office Installations	¥5
	Vehicles and Other Transportations	¥2
	Electronics and Telecommunications	¥1

3.2 Subsidiaries

The Installations occupied and/or used by subsidiaries are as follows.

Subsidiary	Location	Segment ⁵	Nature of Use	Book Value in millions of Yen unless otherwise stated				No. of Employees Assigned
				No. of Installations	Land Area in m ²	Other	Total	
Sun City Build	Sendai	Other	Head Office, General Operation	¥16	¥24 1,431.30	0	¥41	26
CHIKEN	Numazu	Residential Apartments , Other	Head Office, General Operation	¥76	¥135 1,028.73	¥7	¥220	53
CHIKEN	Fujinomiya	Other	Let Out Pachinko Parlour	¥341	¥651 21,058.99	-	¥992	
CHIKEN	Mishima	Other	Let Out Residential Apartment	¥20	¥153 1,371.44	-	¥174	
CHIKEN	Numazu	Other	Let Out	¥30	¥56 345.77	0	¥87	
CHIKEN	Ueda	Other	Let Out Shops	¥16	¥145 1,293.06	-	¥161	
CHIKEN	Numazu	Other	Let Out	¥15	¥6	-	¥22	
CHIKEN	Atami	Other	Let Out Car Parks	-	¥161 1,348.77	-	¥161	
CHIKEN	Atami	Other	Let Out Car Parks	-	¥59 479.00	-	¥59	

We are renting the followings.

Subsidiary Location	Item	Fees for Renting or Finance Lease In millions of Yen
Sun City Build Sendai	Vehicles and Other Transportation	¥3
	Office Utilities	¥4

Subsidiary Location	Item	Fees for Renting or Finance Lease In millions of Yen
CHIKEN Numazu, Shizuoka	Vehicles for transportation	¥2
	Office Utilities	¥3

3.3 Acquisition or Divestiture of Facilities

We have no facilities which will be added or removed from our balance sheet statement or extended or modified in any ways.

⁵ Segmentation according to **1.2 Segmentation**

4 Company Shares

4.1 Sun City

Share Type	Authorized Number of Shares
Common	1,243,392
Total	1,243,392

Share Type	Total Shares Outstanding 31, December 2007	Total Shares Outstanding 27, March 2008	Listing	Description
Common Share	537,356.70	537,868.70	Tokyo Stock Exchange	-
Total	537,356.70	537,868.70		-

4.1.1 Stock Options

The stock options issued in adherence to the Article 280, 20 and 280, 21 of the Commercial Code before the recent amendments are as follows.

	As of the End of the Fiscal Year 31, December 2007	As of the End of the Month Before the Date of Report 29, February 2008
No of Stock Options	5,024	4,512
No of Stock Options Held by the Company	-	-
Shares To Be Issued upon Exercising the Options	Common Shares	Common Shares
No of Shares To Be Issued upon Exercising the Options	5,024	4,512
Exercise Price	¥8,200	¥8,200
Option Lifetime	1, April 2005 31, March 2008	1, April 2005 31, March 2008
Issue Price upon Exercise	¥8,200	¥8,200
Paid-in Capital per Share	¥4,100	¥4,100
Terms of Exercise	① No partial exercise. ② Recipients must be employees or directors of the Company upon exercise. ③ The amount to be paid in shall not exceed ¥12 million during each period starting 1, January ending 31, December. ④ Other terms may be defined in the Term Sheet between the Company and each Recipient.	
Transfer of Options	① Recipients shall not divest their options in any manner and only recipients themselves may exercise the options granted. Recipients shall not treat the options granted as liens.	
Proxy Payment	-	-
Issuance of Options in Relations to Organizational Changes	-	-

Notes on Stock Options

1. One common share is attached to each option.
2. The Board passed the resolution on 19, October 2004 to split our common shares in 2:1 ratio effective on 14, January 2005 therefore the number of shares per option, the amount to be paid in upon exercise and the paid-in capital per share were adjusted accordingly.
3. The Board passed the resolution on 14, November and on 5, December 2005 to split our common shares in 2:1 ratio effective on 1, February 2006 therefore the number of shares per option, the amount to be paid in upon exercise and the paid-in capital per share were adjusted accordingly.

4.1.2 Total Shares Outstanding and Paid-in Capital

Year and Date	Change in Total Shares Outstanding	Total Shares Outstanding	Change in Paid-in Capital in millions of Yen	Paid-in Capital	Change in Capital reserve	Capital Reserve
8, May 2003 (1)	200	9,514	7	316	7	198
15, Aug 2003 (2)	9,514	19,028	-	316	-	198
30, Aug 2003 (3)	400	19,428	7	323	7	205
16, Aug 2004 (4)	58,248	77,712	-	323	-	205
30, Sep 2004 (5)	8,000	85,712	867	1,191	867	1,073
14, Jan 2005 (6)	85,712	171,424	-	1,191	-	1,073
26, Sep 2005 ~ 11, Oct 2005 (7)	353,377.35	206,801.35	2,249	3,441	2,249	3,323
30, Sep 2005 ~ 31, Dec 2005 (8)	7,584	214,385.35	62	3,503	62	3,385
1, Feb 2006 (9)	214,385.35	428,770.70	-	3,503	-	3,385
1, Jan 2006 ~ 31, Dec 2006 (10)	576	429,346.70	2	3,503	2	3,387
31, Aug 2006 ~ 13, Nov 2006 (11)	107,402	536,748.70	3,999	7,505	3,999	7,387
1, Jan 2007 ~ 31, Dec 2007 (12)	608	537,356.70	2	7,505	2	7,390

1. The Convertible Bond, 2nd Issue were allocated to Hajime Sato, a Member of the Board. He converted to shares at ¥75,000 and the amount paid in was ¥37,500 per share.
2. The Board met on 12 May 2003 and passed the resolution to split the shares in 2:1 ratio effective 15, August 2003.
3. Convertible Bond, 2nd Issue were allocated to Taiji Hoshiyama, a Member of the Board. He converted to shares at ¥37,500 and the amount paid in was

¥18,750 per share.

4. The Board met on 19 April 2004 and passed the resolution to split the shares in 4:1 ratio effective 16, August 2004.
5. A public offering was completed where new shares were issued at ¥229,890 per share and the amount paid in was ¥108,428 per share. The total capital raised was ¥1,734 million.
6. The Board met on 19 October 2004 and passed the resolution to split the shares in 2:1 ratio effective 14, January 2005.
7. The Convertible Bond, 1st Issue under the new terms, were allocated to Nomura. The bond was partially converted to shares at ¥127,200 and the amount paid in was ¥63,600 per share.
8. The Stock Options, 1st Issue, were exercised.
9. The Board met on 14 November 2005 and on 5 December 2005 and passed the resolution to split the shares in 2:1 ratio effective 1, February 2006.
10. The Stock Options, 1st Issue, were exercised.
11. The Convertible Bond, 2nd Issue were allocated to Nomura. The bond was partially converted to shares as follows.
 - 31, August 2006
 - 15, September 2006
 - Converted at ¥73,800, Paid-in Capital per share ¥36,900
 - 20, October 2006
 - Converted at ¥74,900, Paid-in Capital per share ¥37,450
 - 26, October, 2006
 - 10 November 2006
 - 13, November 2006
 - Converted at ¥74,800, Paid-in Capital per share ¥37,400
12. The Stock Options, 1st Issue, were exercised.
13. Between 1, January 2008 and 29, February 2008, some stock options were exercised and 512 shares were issued as a result. The Paid-in Capital and Capital Reserve increased by ¥2 million accordingly.

The Convertible Bond, 2nd Issue was issued in accordance with the old Commercial Code.

4.1.3 Shareholders

	Shareholder Types								Shares smaller than unity
	Governments and Municipalities	Financial Institutions	Financial Products Brokers and Dealers	Corporations	Overseas		Retail Other	Total	
					Non-Retails	Retails			
No. of Holders	-	29	27	65	90	11	9,035	9,257	-
Shares Held	-	86,875	9,008	54,463	106,706	137	280,167	537,356	0.7
Relative Stake %	-	16.17	1.68	10.14	19.86	0.02	52.13	100.0	-

The Company also holds 26,866.70 shares in treasury.

4.1.4 Major Shareholders

Name	Shares Held	% of Total Shares Outstanding
Koide, Yasuhiro	76,022	14.15
Master Trust Bank	40,857	7.60
Hoshiyama, Taiji	24,465	4.55
Morgan Stanley and Company Inc.	22,742	4.23
Sato, Hajime	21,461	3.99
Sereno Co., Ltd.	19,920	3.71
TY Corporation YK	19,200	3.57
Japan Trustee Service	14,422	2.68
Goldman Sachs International	12,271	2.28
Northern Trust Company	10,598	1.97
Total	261,958	

4.1.5 Voting Rights

Share Type	No of Shares	No of Votes	Notes
Voting Rights Removed			
Voting Rights Restricted, Treasury			
Voting Rights Restricted, Other			
Common Shares, Treasury	26,866		
Common Shares, Other	510,490	510,490	
Shares Smaller than Unity	0.70		
Total Shares Outstanding	537,356.70		
No. of Effective Votes		510,490	

4.2 Corporate Governance

4.2.1 Fundamental Principles

As a listed company, we face heavy responsibilities to ensure that what is being decided by the management and how they are implemented are made transparent to outside. Decisions made by the management need to be correct and prompt. It is also important to maintain good oversight on them. Only after fulfilling these responsibilities are we able to create what is so called "corporate values". As well as maintaining good relationships with our shareholders, other companies we do business with, local communities and our staff, we feel that we are expected to honour shareholder democracy ever more than before. As we pay attention to the subjects brought up by activist funds, we feel that we are certainly in the age of shareholder democracy.

4.2.2 Board and Executive Decisions

The Board consists of nine members and meet at least once a month. As and when an urgent matter arises, a Board Meeting is convened. The Board has no external director at present therefore we invite professional legal counsels for their advice and opinions. We do not treat internal auditor as sinecure. At least one of our internal auditors attends every meeting and the Board does treat his opinion with strictest respect. We also believe that our external auditor, Shin Nihon, offer unbiased opinions on the state of our finance and bookkeeping and there is always a correct level of tension between us. The tension manifests in the recent downgrade of our projections for 2008 where we unreservedly accepted their opinions on the negative factors associated with the state of our balance sheet.

4.2.3 Vested Interests

We have three internal auditors. Yoshitaka Kondo and Masao Watanabe holds a few shares of the Company and there is no vested interest they have we need to report. Nobuyuki Hanashima is a licensed attorney at law and currently acting in the capacity of custodian by court appointment for the bankruptcies filed by Mitsugu Seto and Seto Kogyosho. Our business relations with these bankrupt individual and company are disclosed in **5. Accounts**.

4.2.4 Last 12 Months

In order to respond to the growing need for transparencies to investors, we set up Department of Investor Relations and Department of Management Strategies at our Tokyo Office. We will endeavour to maintain sufficient level of disclosure in English where all the translations are done personally by Tadao Nakai.

4.2.5 Statutory External Auditor

We had to appoint a different audit firm as our previous audit firm Misuzu went into voluntary termination as an audit firm effective 31 July 2007. Our new audit firm is Shin Nihon and the chartered accountants assigned are shown below.

Chartered Accountants Assigned	Affiliation
Ogawa, Takahiro	Misuzu
Arikura, Daisuke	
Nasu, Kazuyoshi	Shin Nihon
Ogawa, Takahiro	
Arikura, Daisuke	

The number of chartered accountants assigned in assistant capacity in addition to those named above is as follows.

	Misuzu	Shin Nihon
Chartered Accountants	5	4
Other	1	3

4.2.6 Board Compensation

The remunerations received by the members of the Board and by our internal auditors are as follows.

The members of the Board, in total ¥200 million

The internal auditors, in total ¥ 7 million

The amount ¥200 million does not contain performance-related bonus.

4.2.7 The Fees to the Audit Firm

The fees we paid to the audit firms are as follows.

Misuzu	Shin Nihon	Total
¥12 million	¥17 million	¥30 million

Apart from the fees shown above, we paid the audit firm fees for advice we received for mergers and acquisitions and how we should be preparing for the Japanese version of Sarbanes and Oxley Act.

Misuzu	Shin Nihon	Total
¥24 million	¥3 million	¥27 million

5 Accounts

5.1 Consolidated Balance Sheet

The consolidated balance sheet is as follows.

	Notes	Year 2006		Year 2007	
		in millions of Yen		in millions of Yen	
			%		%
Asset					
I Current Asset					
1. Cash and Deposits		¥23,570		¥15,342	
2. Receivables		¥1,475		¥1,585	
3. Inventories		¥33,448		¥53,163	
4. Other		¥1,451		¥2,200	
Irrecoverable Receivables		¥27		¥65	
Total Current Asset		¥59,918	98.3	¥72,225	90.4
II Fixed Asset					
1. Tangible Fixed Asset					
(1) Buildings, Other Structures				¥1,482	
Accumulated Amortisation				¥158	
(2) Land		¥60		¥1,653	
(3) Other		¥176		¥58	
Amortized, Cumulative		¥34		¥39	
Total Tangible Fixed Asset		¥202	0.3	¥2,996	3.8
2. Intangible Fixed Asset					
(1) Goodwill				¥3,727	
(2) Other		¥61		¥11	
Total Intangible Fixed Asset		¥61	0.1	¥3,738	4.7
3. Investment and Other Asset					
Securities		¥324		¥332	
Other		¥468		¥666	
Irrecoverable Receivables		¥28		¥78	
Total Investment and Other Asset		¥764	1.3	¥921	1.1
Total Fixed Asset		¥1,027	1.7	¥7,656	9.6
Total Asset		¥60,945	100.0	¥79,882	100.0

	Notes	Year 2006		Year 2007	
		in millions of Yen	%	in millions of Yen	%
Liabilities					
I	Current Liabilities				
	1. Cheques and Payables	¥13,155		¥13,641	
	2. Short Term Liabilities	¥5,902		¥3,054	
	3. Long Term Liabilities, Payable within One Year	¥5,614		¥12,959	
	4. Corporate Tax to be paid	¥1,140		¥1,565	
	5. Other	¥1,707		¥2,419	
	Total Current Liabilities	¥27,519	45.1	¥33,640	42.1
II	Long Term Liabilities				
	1. Bonds			262	
	2. Long Term Interest Bearing Debt	¥12,587		¥23,589	
	3. Other	¥252		¥1,149	
	Total Long Term Liabilities	¥12,840	21.1	¥25,001	31.3
	Total Liabilities	40,360	66.2	¥58,642	73.4
Net Asset					
I	Shareholders' Equity				
	1. Common Shares	¥7,505	12.3	¥7,508	9.4
	2. APIC	¥7,387	12.1	¥7,390	9.2
	3. Retained Earnings	¥5,706	9.4	¥7,729	9.7
	4. Treasury Shares			¥1,367	1.7
	Total Shareholders' Equity	¥20,599	33.8	¥21,260	26.6
II	Adjustments				
	1. Securities	¥2		¥10	
	2. P&L on Hedge	¥11		¥9	
	Total Adjustments	¥14		¥20	
	Total Net Asset	¥20,585	33.8	¥21,239	26.6
	Total Liabilities + Net Asset	¥60,945	100.0	¥79,882	100.0

5.2 Consolidated Statement on Revenue and Income

		Notes	Year 2006		Year 2007	
			in millions of Yen		in millions of Yen	
				%		%
Profit and Loss						
I	Revenue		¥43,747	100.0	¥69,591	100.0
II	Cost of Revenue		¥35,579	81.3	¥56,973	81.9
	Gross Profit		¥8,168	18.7	¥12,618	18.1
III	Sales, Administrations, Other Expenses		¥4,036	9.3	¥6,345	9.1
	Operating Income		¥4,131	9.4	¥6,272	9.0
IV	Non-Operating Income					
	1. Interests Received		¥3		¥33	
	2. Penalties Received		¥27		¥93	
	3. Rents Received		¥185		¥572	
	4. Other		¥36	0.6	¥116	1.2
V	Non-Operating Expense					
	1. Interests Paid		¥457		¥1,062	
	2. Commissions and Fees		¥247		¥582	
	3. Cost of Rent		¥49		¥131	
	4. Other		¥73	1.9	¥66	2.7
	Recurring Income		¥3,557	8.1	¥5,245	7.5
VI	Extraordinary Profit					
	1. Recovered Loan Loss Reserve		¥25	0.1		
VII	Extraordinary Loss					
	1. Fixed Asset, Marked Down		¥3			
	2. Fixed Asset, Realised Loss		¥3	0.0	¥6	
	Net Income, Before Tax		¥3,580	8.2	¥5,238	7.5
	Corporate Tax, Local Tax, Business Tax		¥1,487		¥2,392	
	Adjusted Tax Payment		¥26	3.5	¥88	3.3
	Net Income, After Tax		¥2,066	4.7	¥2,934	4.2

5.3 Consolidated Cash Flow Statement

	Notes	2006 in millions of Yen	2007 in millions of Yen
I Cash Flow from Operating Activities			
Net Income Before Tax		¥3,580	¥5,238
Depreciation and Amortisation		¥9	¥30
Amortisation of Goodwill		¥29	¥343
P&L on Hedge		¥3	¥38
Unrealised Loss on Investment into Anonymous Partnerships		¥11	¥28
Decrease in Loan Loss Reserve		¥52	¥76
Increase in Reserve for Bonus		¥6	¥5
Reserve for Retirement Package, Directors'		¥36	¥10
Reserve for Retirement Package			¥4
Decrease in Interests and Dividends Received		¥4	¥30
Interests Paid		¥457	¥1,062
Cost of Bond Issuance		¥16	
Fixed Asset, Unrealised Loss		¥3	0
Fixed Asset , Realised Loss			¥6
Decrease in Receivables		¥1,001	¥109
Increase in Inventories		¥19,632	¥8,409
Increase in Payables Paid in Advance		¥560	¥474
Increase in Liabilities for Inventories		¥3,484	¥1,557
Decrease in Receivables Received in Advance		¥60	¥660
Increase in Other Asset		¥280	¥239
Increase in Other Liabilities		¥623	¥209
Directors Compensation Paid		¥12	
Other Items			0
Tax		¥1,558	¥2,116
Net Total		¥13,394	¥7,648

			2006	2007
		Notes	in millions of Yen	in millions of Yen
II	Cash Flow from Investment Activities			
	Deposit into Saving Accounts		¥110	¥144
	Withdrawals from Saving Accounts		¥10	¥422
	Acquisition of Tangible Fixed Assets		¥23	¥8
	Divestiture of Tangible Fixed Assets			¥44
	Acquisition of Intangible Fixed Assets		0	0
	Acquisition of Securities		¥201	0
	Acquisition of Subsidiaries with Goodwill		¥24	¥3,728
	Lending Cash		0	¥47
	Loans Redeemed		¥10	¥21
	Distribution from Investment in Anonymous Partnerships			¥26
	Other Investments		¥24	¥102
	Recovering Other Investments		¥14	¥82
	Net Total		¥299	¥3,431

	Notes	2006 in millions of Yen	2007 in millions of Yen
III Cash Flow from Financing Activities			
Short Term Loan		¥5,186	¥5,248
Long Term Loan		¥25,310	¥39,546
Redemption of Long Term Loan		¥18,828	¥29,130
Redemption of Bonds			¥58
Issuance of Bonds		¥7,983	
New Shares		¥4	¥4
Stock Buy Back			¥1,367
Dividend Payment		¥309	¥910
Net Total		¥19,346	¥2,837
Net Change of Cash Position		¥5,652	¥8,278
Start of the Fiscal Year		¥17,908	¥23,560
End of the Fiscal Year		¥23,560	¥15,282

5.4 Notes on Asset Valuation

Each asset is registered into the balance sheet statement at the price it was purchased.

5.5 Notes on Subsidiary's Asset Valuation

Each asset held by our subsidiary is registered at its market value.

5.6 Notes on Depreciation and Amortisation

The goodwill is amortised over a ten year period by equal amount.

5.7 Secured Liabilities, Consolidated

Notes	2006	2007
(1) The following assets have been taken in to secure our liabilities by the lenders.		The following assets have been taken in to secure our liabilities by the lenders.
	(in millions of Yen)	(in millions of Yen)
Projects Past Twelve Months since Completion	¥4,212	Bank Deposit, Saving
Projects Past Less than Twelve Months since Completion	¥8,527	¥50
Buildings and Other Structures	¥69	Projects Past Twelve Months since Completion
Plots	¥22	¥391
	Total	Projects Past Less than Twelve Months since Completion
	¥12,832	¥22,459
		Buildings and Other Structures
		¥523
		Plots
		¥1,282
		Total
		¥24,707
The breakdown of liabilities according to their maturities is as follows.		The breakdown of liabilities according to their maturities is as follows.
	(in millions of Yen)	(in millions of Yen)
Short Term Liabilities	¥2,500	Short Term Liabilities
Long Term Liabilities, Maturing in Twelve Months	¥1,467	¥351
Long Term Liabilities	¥7,265	Long Term Liabilities, Maturing in Twelve Months
	Total	¥6,239
	¥11,232	Long Term Liabilities
		¥19,730
		Total
		¥26,321
Liabilities with Unregistered Collaterals		Liabilities with Unregistered Collaterals
Short Term Liabilities	¥1,700	Short Term Liabilities
Long Term Liabilities, Maturing in Twelve Months	¥3,959	¥1,631
Long Term Liabilities	¥2,554	Long Term Liabilities, Maturing in Twelve Months
	Total	¥5,751
	¥8,312	Long Term Liabilities
		¥3,435
		Total
		¥10,817
Unregistered Collaterals Pledged		Unregistered Collaterals Pledged
Projects Past Twelve Months since Completion	¥1,854	Projects Past Twelve Months since Completion
Projects Past Less than Twelve Months since Completion	¥5,138	¥1,194
	Total	Projects Past Less than Twelve Months since Completion
	¥6,992	¥9,139
		Completion
		Total
		¥10,333

5.8 Itemised List of Consolidated Operating Expense

2006		2007	
In millions of Yen		In millions of Yen	
Wages and Salaries	¥841	Wages and Salaries	¥962
Reserve for Bonus	¥18	Reserve for Bonus	¥26
Reserve for Retirement Payout, Directors	¥36	Reserve for Retirement Payout, Directors	¥29
Retirement Payout	¥45	Retirement Payout	¥69
Advertising	¥1,147	Advertising	¥1,665
Promotion	¥205	Commissions	¥1,085
Commissions	¥302	Depreciation and Amortisation	¥16
Depreciation and Amortisation	¥7		
Total	¥2,601	Total	¥3,852

5.9 Bonds Issued by Subsidiary

Subsidiary	Issue	Issued Date	Amount in millions of Yen	Yield %	Collateral	Redemption
CHIKEN	CHIKEN 4 th Issue Non-Collateralised	31 March 2004	¥59 (¥17)	0.91	None	31 March 2011
CHIKEN	CHIKEN 6 th Issue Non-Collateralised	25 November 2005	¥100	1.27	None	25 November 2010
CHIKEN	CHIKEN 7 th Issue Non-Collateralised	26 June 2006	¥120	1.83	None	26 June 2011
Total			¥279 (¥17)			

The amounts in () are to be redeemed within one year from the date of this Annual Report.

The amounts to be redeemed in the next five years are as follows. They are given in millions of Yen.

Within One Year	2009 ~ 2010	2010 ~ 2011	2011 ~ 2012	2012 ~ 2013
¥17	¥17	¥117	¥128	-

5.10 Consolidated Interest Bearing Liabilities

The breakdown of other interest bearing liabilities is as follows. It includes those undertaken by Sun City itself as well as those undertaken by its subsidiaries.

	Amounts Outstanding as of the End of 2006	Amounts Outstanding as of the End of 2007	Average Interest Rates VWAP	Redemption
Short Term Liabilities	¥5,902	¥3,054	2.1	
Long Term Liabilities, to be Redeemed within One Year	¥5,614	¥12,959	2.2	
Long Term Liabilities	¥12,587	¥23,589	2.3	31 Jan 2009 ~ 1 Aug 2020
Total	¥24,104	¥39,603		

Of the long term liabilities, the amounts to be redeemed in the next five years are as follows. They are given in millions of Yen.

2009 ~ 2010	2010 ~ 2011	2011 ~ 2012	2012 ~ 2013
¥7,065	¥8,655	¥4,361	¥2,341

5.11 Balance Sheet, Parent Company

	Notes	Year 2006		Year 2007		
		in millions of Yen		in millions of Yen		
			%		%	
Asset						
I Current Asset						
1. Cash and Deposits		¥23,514		¥13,414		
2. Receivables		¥940		¥516		
3. Projects Past Twelve Month	*1	¥16,573		¥13,104		
4. Projects Past Less than Twelve Month	*1	¥16,799		¥28,825		
5. Goods in Storage		¥4		¥6		
6. Deposit Payment		¥672		¥1,146		
7. Advance Payment for Expense		¥234		¥188		
8. Deferred Tax Asset		¥108		¥128		
9. Other		¥433		¥300		
Loss Reserve		¥23		¥25		
Total Current Asset		¥59,258	98.2	¥57,605	86.8	
II Fixed Asset						
(1) Tangible Fixed Asset						
1. Buildings	*1	¥127		¥820		
Accumulated Amortisation		¥12	¥114	¥17	¥802	
2. Other Structures	*1	0		0		
Accumulated Amortisation		0		0	0	
3. Utility Items		¥21		¥25		
Accumulated Amortisation		¥13	¥8	¥16	¥8	
4. Plots of Land			¥36		¥245	
Total Tangible Fixed Asset		¥159	0.3	¥1,057	1.6	
(2) Intangible Fixed Asset						
1. Trade Mark			¥1		¥1	
2. Telephone Numbers			¥9		¥9	
Total Intangible Fixed Asset			¥10		¥10	
(3) Investment and Other Asset						
1. Investment Securities			¥323		¥315	
2. Subsidiary Shares			0		¥6,500	
3. Cash Investment			¥1		¥1	
4. Long Term Loan			¥41		¥61	
5. Long Term Loan to Affiliates			¥150		¥462	
6. Advance Payment for Expense, Long Term			¥22		¥17	
7. Deferred Tax Asset			¥109		¥118	
8. Other			¥289		¥310	
Loss Reserve			¥28		¥57	
Total Investment and Other Asset			¥909	1.5	¥7,728	11.6
Total Fixed Asset			¥1,079	1.8	¥8,796	13.2
Total Asset			¥60,338	100.0	¥66,401	100.0

Liabilities					
I Current Liabilities					
1. Promissory Notes		¥10,899		¥10,615	
2. Payables for Construction		¥1,680		¥122	
3. Short Term Loan		¥5,902		¥1,560	
4. Long Term Loan Maturing within 12 Months		¥5,596		¥9,761	
5. Other Payables		513		¥1,365	
6. Unpaid Expense		90		¥101	
7. Deferred Tax		¥1,140		¥1,043	
8. Deferred Consumption Tax				¥55	
9. Deposit		¥25		¥47	
10. Refundable Deposit		¥932		¥481	
11. Refundable Profit		¥91		¥23	
12. Reserve for Bonus		¥17		¥21	
13. Other		¥1		¥8	
Total Current Liabilities		¥26,891	44.5	¥25,206	38
II Fixed Liabilities					
1. Long Term Loan		¥12,519		¥20,036	
2. Retirement Reserve, Directors		¥209		¥192	
3. Other		¥43		¥103	
Total Fixed Liabilities		¥12,771	21.2	¥20,331	30.6
Total Liabilities		¥39,662	65.7	¥45,538	68.6
Net Asset					
I Shareholder Equity					
1. Common Shares		¥7,505	12.4	¥7,508	11.3
2. Capital Surplus					
(1) Additional Paid-in Capital	¥7,387			¥7,390	
Total Capital Surplus		¥7,387	12.3	¥7,390	11.1
3. Retained Profit					
(1) Reserves	¥16			¥16	
(2) Other Retained Items					
Cumulative Retained Earnings	¥2,900			¥4,100	
Retained Earnings	¥2,880			¥3,233	
Total Retained Profit		¥5,796	9.6	¥7,349	11.1
4. Treasury Shares				¥1,367	2.1
Total Shareholder Equity		¥20,689	34.3	¥20,880	31.4
II Adjustments					
1. Securities		¥2		¥7	
2. Hedge		¥11		¥9	
Total Adjustments		¥14		¥17	
Total Net Asset		¥20,675	34.3	¥20,863	31.4
Total Liabilities + Total Net Asset		¥60,338	100.0	¥66,401	100.0

5.12 Revenue and Income, Parent Company

	Notes	Year 2006		%	Year 2007		%
		in millions of Yen			in millions of Yen		
Profit and Loss							
I	Revenue						
1.	Property Transactions	¥42,350			¥57,355		
2.	Other Operations	¥346	¥42,697	100.0	¥429	¥57,785	100.0
II	Cost of Revenue						
1.	Property Transactions	¥34,340			¥47,631		
2.	Other Operations	¥249	¥34,589	81.0	¥224	¥47,856	82.8
	Gross Profit		¥8,107	19.0		¥9,928	17.2
III	Sales, Administrations, Other Expenses		¥3886	9.1		¥4,760	8.3
	Operating Income		¥4,221	9.9		¥5,168	8.9
IV	Non-Operating Income						
1.	Interests Received	¥4			¥32		
2.	Penalties Received	¥27			¥13		
3.	Rents Received	¥185			¥571		
4.	Other	¥35	¥252	0.6	¥59	¥677	1.2
V	Non-Operating Expense						
1.	Interests Paid	¥456			¥886		
2.	Commissions and Fees	¥247			¥582		
3.	Cost of Rent	¥49			¥131		
4.	Other	¥72	¥826	2.0	¥36	¥1,637	2.8
	Recurring Income		¥3,646	8.5		¥4,208	7.3
VI	Extraordinary Profit						
1.	Recovered Loan Loss Reserve	¥25	¥25	0.1			
VII	Extraordinary Loss						
1.	Fixed Asset, Marked Down	¥3	3				
	Net Income, Before Tax		¥3,669	8.6		¥4,208	7.3
	Corporate Tax, Local Tax, Business Tax	¥1,487			¥1,768		
	Adjusted Tax Payment	¥26	¥1,513	3.6	¥26	¥1,742	3.0
	Net Income, After Tax		¥2,155	5.0		¥2,466	4.3

5.13 Cost of Revenue, Parent Company

Item	Notes	2006		2007	
		Amounts in millions of Yen	%	Amounts in millions of Yen	%
I Cost of Land		¥4,017	11.7	¥2,936	6.2
II Contractors		¥14,849	43.2	¥11,635	24.4
III Other Expense		¥1,313	3.8	¥959	2.0
IV				¥400	0.9
V Large Development, Cost of Land		¥2,873	8.4	¥9,142	19.2
VI Large Development, Contractors		¥4,242	12.4	¥9,679	20.3
VII Large Development, Other Expense		¥559	1.6	¥1,591	3.3
VIII Large Development, Commercial Complexes		¥6,483	18.9	¥11,286	23.7
Total Cost of Revenue		¥34,340		¥47,631	

1. The figures are the result of summing up the costs of each development project.

5.14 Cost of Revenue for Other Operations

Item	Notes	2006		2007	
		Amounts in millions of Yen	%	Amounts in millions of Yen	%
I Cost of Rent		¥194	77.9	¥195	86.9
II Cost of Operations, Other than All Above		¥54	22.1	¥29	13.1
Total		¥249	100.0	¥224	100.0

5.16 Itemised List of Operating Expense, Parent Company

2006		2007	
In millions of Yen		In millions of Yen	
Directors' Compensation	¥213	Wages and Salaries	¥790
Wages and Salaries	¥796	Reserve for Bonus	¥16
Bonus	¥92	Retirement Payout	¥58
Reserve for Bonus	¥13	Reserve for Retirement Payout, Directors	¥21
Retirement Payout	¥45	Advertising	¥1,300
Reserve for Retirement Payout, Directors	¥36	Commissions	¥897
Statutory Benefits	¥101	Depreciation and Amortisation	¥6
Advertising	¥1,129	Loan Loss Reserves	¥7
Commissions	¥304		
Promotion	¥205		
Depreciation and Amortisation	¥6		
Total	¥2,940	Total	¥3,095

5.17 List of Creditors

5.17.1 Promissory Notes

Issued to :-	Amounts in millions of Yen
Rinkai Nissan	¥2,581
Fujita Corp.	¥2,014
Saitama Kogyo	¥1,326
Oriental Shiraishi Corp.	¥974
Miyagi Kensetsu	¥946
Others	¥2,771
Total	¥10,615

5.17.2 Settlement Amount by Month

Notes Settled in :-	Amounts in millions of Yen
Jan 2008	¥258
Feb 2008	¥3,524
Mar 2008	¥946
Apr 2008	¥5,886
Total	¥10,615

5.17.3 Payables to Contractors for Engineering and Construction

Issued to :-	Amounts in millions of Yen
Kaneda	¥19
Fujita Corp.	¥10
Rinkai Nissan	¥9
Taiho Kensetsu	¥8
Michinoku Kikaku	¥8
Others	¥66
Total	¥122

5.17.4 Short Term Liabilities

Lenders	Amounts in millions of Yen
The Bank of Tokyo Mitsubishi UFJ, Ltd.	¥905
The 77 Bank, Ltd.	¥465
Aozora Bank, Ltd.	¥150
	¥1,560

5.17.5 Long Term Liabilities Payable within One Year

Lenders	Amounts in millions of Yen
Resona Bank, Ltd	¥4,350
Sumitomo Mitsui Banking Corporation	¥1,354
Chuo Mitsui Asset Trust and Banking Company, Limited	¥1,020
Mizuho Bank, Ltd.	¥910
THE FUKUSHIMA BANK, LIMITED	¥856
ASHIKAGA BANK	¥840
	¥440
	¥9,761

5.17.6 Long Term Liabilities

Lenders	Amounts in millions of Yen
Sumitomo Mitsui Banking Corporation	¥7,048
Aozora Bank, Ltd.	¥6,900
Mizuho Bank, Ltd.	¥3,185
Resona Bank, Ltd	¥1,278
Chuo Mitsui Asset Trust and Banking Company, Limited	¥1,050
The Bank of Yokohama, Ltd.	¥575
	¥20,036