

Consolidated financial results

For the business year ending December 2006

Described below is the English abstract of the financial results (Tanshin Report) that was released today in Japan. The translation is prepared and provided for readers' convenience only. Therefore, all readers are strongly advised to refer to the original version in Japanese for complete and accurate information. In the event of any discrepancy between this translated document and the original Japanese document, the original document shall prevail.

Listed company name :	Secured Capital Japan Co.,Ltd.
Stock code :	2392
URL :	http://www.securedcapital.co.jp/
Listed stock market :	Tokyo Stock Exchange, Mothers Market
Company domicile :	Tokyo
President :	Katsuya Takanashi
Contact :	Takeshi Sugai, CFO&CAO
Telephone :	+81-3-5776-1300
Date of board of directors meeting for the approval :	February 15, 2007
Application of U.S.GAAP :	N/A

1. Consolidated annual financial results (January 1, 2006-December 31, 2006)

(1) Consolidated financial results

(Amounts rounded down to millions of yen)

	Revenue		Operating income		Ordinary income	
	¥ millions	Increase (%)	¥ millions	Increase (%)	¥ millions	Increase (%)
Year ended December 2006	6,247	42.6	3,370	54.9	3,379	54.6
Year ended December 2005	4,380	50.5	2,176	79.9	2,185	88.0

	Net income		Earnings per share	Diluted earnings per share
	¥ millions	Increase (%)	¥	¥
Year ended December 2006	2,003	63.9	16,628.27	14,248.98
Year ended December 2005	1,222	85.8	10,433.81	8,787.49

	Return on shareholders' equity	Ordinary income to total assets	Ordinary income to sales
	%	%	%
Year ended December 2006	35.7	34.3	54.1
Year ended December 2005	30.6	41.9	49.9

Notes : 1. Equity in earnings of non-consolidated subsidiaries

Year ended December 2006 : -0 millions of yen

Year ended December 2005 : N/A

2. Average number of shares outstanding during the year

Year ended December 2006 : 120,460 shares

Year ended December 2005 : 117,160 shares

3. Changes in accounting method : N/A

4. Percentage figures shown for revenue, operating income, ordinary income and net income represent increase from the corresponding period of the previous year.

(2) Consolidated financial position

	Total assets	Shareholders' equity	Shareholders' equity ratio	Shareholders' equity per share
	¥ millions	¥ millions	%	¥
As of December 31, 2006	13,724	8,581	48.0	54,291.48
As of December 31, 2005	6,005	4,637	77.2	39,077.31

Note : Number of shares outstanding at the end of the year

As of December 31, 2006 : 121,371 shares

As of December 31, 2005 : 118,671 shares

(3) Consolidated cash flows position

	Net cash provided by operating activities	Net cash used in investing activities	Net cash provided by financing activities	Cash and cash equivalents at year ended
	¥ millions	¥ millions	¥ millions	¥ millions
Year ended December 2006	1,534	-7,055	4,515	889
Year ended December 2005	1,465	-2,170	57	1,854

(4) Scope of consolidation and the application of the equity method

Consolidated subsidiaries : 12 entities

Non-consolidated subsidiaries : N/A

Affiliates accounted for the equity method : 2 entities

(5) Changes in consolidated subsidiaries and affiliates accounted for the equity method

Consolidated subsidiaries :

Newly added : 8 entities

Excluded : 1 entity

Affiliates accounted for the equity method :

Newly added : 4 entities

Excluded : 2 entities

2. Forecast for the fiscal year ending December 2007

	Revenue	Ordinary income	Net income
	¥ millions	¥ millions	¥ millions
Full Year	8,300	4,600	2,550

Reference : Estimated net income per share for the full year : 21,009.96 yen

Note : The above forecast was made by our company based on currently available information. The actual results may differ from those forecasts since our business is affected by various uncertain factors. Please refer to page 3 for details on the above forecasts.

3. Consolidated financial statements

[1] Consolidated balance sheets

(Thousands of yen)

	As of December 31,2005		As of December 31,2006		Increase / (Decrease)
	Amount	%	Amount	%	Amount
(Assets)					
I Current assets					
1 Cash and cash equivalents	1,854,397		889,139		-965,257
2 Accounts receivable	863,681		974,367		110,685
3 Operating loan	-		293,071		293,071
4 Other receivables	173,185		129,454		-43,731
5 Deferred income taxes	166,207		96,284		-69,922
6 Other assets	96,403		389,332		292,929
Total current assets	3,153,875	52.5	2,771,649	20.2	-382,225
II Non-current assets					
1 Tangible assets					
(1) Building	60,168		60,837		
Accumulated depreciation	-13,572	46,595	-20,203	40,633	-5,962
(2) Furniture and equipment	80,393		82,669		
Accumulated depreciation	-41,587	38,805	-53,702	28,967	-9,838
Total tangible assets		85,401		69,600	-15,800
2 Intangible assets		9,551		9,060	-490
3 Investments and other assets					
(1) Securities *1		2,315,459		5,534,674	3,219,214
(2) Securities of subsidiaries *1		-		963,510	963,510
(3) Long-term loan receivable		-		3,812,394	3,812,394
(4) Security deposits		245,620		458,123	212,503
(5) Others assets *1		195,935		105,231	-90,703
Total investments and other assets		2,757,015	45.9	10,873,935	8,116,919
Total non-current assets		2,851,968	47.5	10,952,596	8,100,628
Total assets		6,005,843	100.0	13,724,246	7,718,402

(Thousands of yen)

	As of December 31,2005		As of December 31,2006		Increase / (Decrease)
	Amount	%	Amount	%	Amount
(Liabilities)					
I Current liabilities					
1 Short-term debt	-		3,561,480		3,561,480
2 Accrued expense	125,388		366,151		240,762
3 Income tax payable	712,481		802,564		90,082
4 Deferred tax liabilities	7		-		-7
5 Deposits payable	179,684		212,330		32,646
6 Bonus reserve	25,000		42,000		17,000
7 Other liabilities	321,902		149,100		-172,802
Total current liabilities	1,364,463	22.7	5,133,626	37.4	3,769,162
II Non-current liabilities					
1 Deferred tax liabilities	4,036		8,689		4,653
Total non-current liabilities	4,036	0.1	8,689	0.1	4,653
Total liabilities	1,368,500	22.8	5,142,315	37.5	3,773,815
(Shareholders' equity)					
I Common stock *4	1,173,200	19.5	-	-	-1,173,200
II Additional paid-in capital	1,141,691	19.0	-	-	-1,141,691
III Retained earnings	2,321,549	38.7	-	-	-2,321,549
IV Unrealized gains on securities	6,363	0.1	-	-	-6,363
V Treasury stock *5	-5,461	-0.1	-	-	5,461
Total shareholders' equity	4,637,343	77.2	-	-	-4,637,343
Total liabilities and shareholders' equity	6,005,843	100.0	-	-	-6,005,843

(Thousands of yen)

	As of December 31,2005		As of December 31,2006		Increase / (Decrease)
	Amount	%	Amount	%	Amount
(Net assets)					
I Shareholders' equity					
1 Common stock	-		1,199,465	8.7	1,199,465
2 Additional paid-in capital	-		1,167,441	8.5	1,167,441
3 Retained earnings	-		4,197,111	30.6	4,197,111
Total shareholders' equity	-		6,564,019	47.8	6,564,019
II Unrealized valuations and re-measurement					
1 Unrealized gains on available for sale securities	-		12,852	0.1	12,852
2 Foreign currency translation adjustments	-		12,540	0.1	12,540
Total unrealized valuations and re-measurement	-		25,392	0.2	25,392
III Stock option	-		2,332	0.0	2,332
IV Minority interest	-		1,990,186	14.5	1,990,186
Total net assets	-		8,581,930	62.5	8,581,930
Total liabilities and net assets	-		13,724,246	100.0	13,724,246

Note: The above consolidated financial statements contain figures and accounting terms in Japanese that have been prepared in accordance with accounting principles generally accepted in Japan. Accounting terms in English are for the convenience of readers only.

[2] Consolidated statements of income

(Thousands of yen)

	Year ended (January 1, 2005-December 31,2005)		Year ended (January 1, 2006-December 31, 2006)		Increase / (Decrease)		
	Amount	%	Amount	%	Amount		
	I Revenues		4,380,878	100.0	6,247,793	100.0	1,866,915
II Selling, general and administrative expenses							
1 Director's salaries	188,847			192,350			
2 Wages	777,961			991,824			
3 Bonus – paid	312,110			432,540			
4 Bonus – accrued	25,000			42,000			
5 Professional expense	54,747			179,652			
6 Rent	143,284			189,975			
7 Other expense	702,744	2,204,695	50.3	849,255	2,877,598	46.1	672,902
Operating income		2,176,182	49.7		3,370,195	53.9	1,194,013
III Non-operating income							
1 Interest income	2,113			470			
2 Dividend income	-			5,000			
3 Exchange gain	11,469			13,350			
4 Others	691	14,274	0.3	1,622	20,444	0.4	6,169
IV Non-operating expenses							
1 Interest expense	375			10,638			
2 Stock issuance expense	4,589			-			
3 Loss allocation from using the equity method	-			384			
4 Others	-	4,964	0.1	193	11,216	0.2	6,251
Ordinary income		2,185,492	49.9		3,379,423	54.1	1,193,930
V Extraordinary gain							
1 Gain from sales of fixed assets *1	159	159	0.0	-	-	-	-159
VI Extraordinary loss							
1 Loss on retirement of fixed assets *2	2,015			482			
2 Loss on sales of investment in subsidiaries	569			-			
3 Loss on dissolution of investment in subsidiaries	-	2,585	0.1	1,142	1,625	0.0	-959
Income before silent partnership distribution and income taxes		2,183,066	49.8		3,377,798	54.1	1,194,731
Income allocations to silent partnership		88,762	2.0		-	-	-88,762
Income before income taxes		2,094,303	47.8		3,377,798	54.1	1,283,494
Income taxes-current	988,596			1,346,229			
Deferred income taxes	-116,722	871,873	19.9	70,013	1,416,243	22.7	544,369
Gain/Loss from minority interest		-	-		-41,478	-0.7	-41,478
Net income		1,222,429	27.9		2,003,033	32.1	780,603

Note: The above consolidated financial statements contain figures and accounting terms in Japanese that have been prepared in accordance with accounting principles generally accepted in Japan. Accounting terms in English are for the convenience of

readers only.

[3] Proposed appropriation of retained earnings

(Thousands of yen)

	Year ended (January 1, 2005-December 31,2005)	
	Amount	
(Additional paid-in capital)		
I Beginning Balance		1,109,760
II Increase		
Additional issuance of common stock	31,930	31,930
III Ending balance		1,141,691
(Retained earnings)		
I Beginning balance		1,099,119
II Increase		
Net income	1,222,429	1,222,429
III Ending balance		2,321,549

[4] Consolidated statements of changes in shareholders' equity

Year ended (January 1, 2006 - December 31, 2006)

(Thousands of yen)

	Shareholders' equity				
	Common stock	Additional paid-in capital	Retained earnings	Treasury stock	Total shareholders' equity
Balance as of December 31, 2005	1,173,200	1,141,691	2,321,549	-5,461	4,630,979
Amount of change					
New shares issued	26,265	25,749	-	-	52,015
Dividend paid	-	-	-118,671	-	-118,671
Decrease from consolidation exclusion	-	-	-3,338	-	-3,338
Net income	-	-	2,003,033	-	2,003,033
Retirement of treasury stock	-	-	-5,461	5,461	-
Amount of change other than shareholders' equity	-	-	-	-	-
Total amount of change	26,265	25,749	1,875,562	5,461	1,933,039
Balance as of December 31, 2006	1,199,465	1,167,441	4,197,111	-	6,564,019

(Thousands of yen)

	Unrealized valuations and re-measurement			Stock option	Minority Interest	Total equity
	Unrealized gains on available for sale securities	Foreign currency translation adjustments	Total unrealized valuations and re-measurement			
Balance as of December 31, 2005	6,363	-	6,363	2,850	-	4,640,194
Amount of change						
New shares issued	-	-	-	-	-	52,015
Dividend paid	-	-	-	-	-	-118,671
Decrease from consolidation exclusion	-	-	-	-	-	-3,338
Net income	-	-	-	-	-	2,003,033
Retirement of treasury stock	-	-	-	-	-	-
Amount of change other than shareholders' equity	6,488	12,540	19,028	-518	1,990,186	2,008,696
Total amount of change	6,488	12,540	19,028	-518	1,990,186	3,941,736
Balance as of December 31, 2006	12,852	12,540	25,392	2,332	1,990,186	8,581,930

[5] Consolidated statements of cash flows

(Thousands of yen)

	Year ended (January 1, 2005-December 31,2005)	Year ended (January 1, 2006-December 31, 2006)
	Amount	Amount
I Cash flows from operating activities		
Income before taxes	2,094,303	3,377,798
Depreciation	20,194	25,158
Increase in employee bonus accrual	10,000	17,000
Interest and dividend income	-2,113	-5,470
Exchange gain	-	-13,350
Interest expense	375	10,638
Stock issuance expense	4,589	-
Loss on retirement of fixed assets	2,015	482
Loss on dissolution of investment in subsidiaries	-	1,142
Increase (decrease) in accounts receivable	-142,248	-111,726
Increase (decrease) in operating loan	-	-293,071
Increase (decrease) in other receivable	-3,681	52,110
Increase (decrease) in interest receivable	-	-36,724
Increase (decrease) in other current assets	-	-170,522
Increase (decrease) in accounts payable	-27,989	243,981
Increase (decrease) in deposit payable	9,947	34,081
Increase (decrease) in deferred revenue	224,603	-224,781
Increase (decrease) in consumption tax payable	-	46,720
Silent partnership expense	-132,619	-37,292
Silent partnership distribution	88,762	-
Others	22,483	-51,190
Sub total	2,168,622	2,864,984
Interest and dividend received	2,104	4,597
Interest paid	-375	-6,944
Cash received from silent partnerships	400,336	-
Cash distributed to silent partnerships	-379,683	-
Income taxes refunded	244	61,853
Income taxes paid	-725,255	-1,389,638
Net cash provided by operating activities	1,465,994	1,534,852

(Thousands of yen)

	Year ended (January 1, 2005-December 31,2005)	Year ended (January 1, 2006-December 31, 2006)
	Amount	Amount
II Cash flows from investing activities		
Acquisition of fixed assets	-59,328	-8,404
Acquisition of software	-8,415	-2,136
Purchase of securities	-1,611,575	-2,375,417
Proceeds from return of securities	68,845	1,712,629
Purchase of subsidiaries' securities	-	-2,008,390
Proceeds from sales and return of subsidiaries' securities	-	180,661
Investment in silent partnership	-67,975	-313,789
Proceeds from redemption of investment in silent partnership	75,779	67,003
Acquisition of subsidiaries and affiliates	-201,598	-157,314
Proceeds from sale and transfer of subsidiaries and affiliates	94,532	53,324
Investment in money trust	-377,300	-416,735
Proceeds from redemption from money trust	5,619	180,847
Security deposits made	-103,469	-217,095
Loans made	-722,150	-1,374,571
Collection of loans	719,150	186,026
Purchase of loans	-	-3,817,672
Proceeds from sales of loans	-	1,251,392
Others	17,734	4,382
Net cash used in investing activities	-2,170,150	-7,055,259
III Cash flows from financing activities		
Proceeds from borrowing of short-term debt	-	3,561,480
Proceeds from issuance of common shares	59,289	51,308
Proceeds from issuance of common shares to minority interest	-	1,035,377
Dividends paid	-	-118,671
Dividends paid to minority interest	-	-13,780
Others	-1,760	-
Net cash provided by financing activities	57,529	4,515,715
IV Foreign currency translation adjustments in cash and cash equivalents	-	157
V Net increase (decrease) in cash and cash equivalents	-646,626	-1,004,534
VI Cash and cash equivalents at beginning of year	2,501,024	1,854,397
VII Increase by addition of newly consolidated subsidiaries	-	60,122
VIII Decrease by exclusion of previously consolidated subsidiary	-	-20,845
IX Cash and cash equivalents at end of year	1,854,397	889,139

Basis of presenting the consolidated financial statements

1. Scope of consolidation

Year ended (January 1, 2005-December 31,2005)	Year ended (January 1, 2006-December 31, 2006)
<p>(1) Number of consolidated subsidiaries: 5 entities</p> <p>Names of the consolidated subsidiaries are as follows:</p> <p>SCJ Servicing Co., Ltd. SCJ Investment Management Co., Ltd. SCJ VM Y.K. 3A Investment Corporation Y.K. SCJREP GP Investor Y.K.</p>	<p>(1) Number of consolidated subsidiaries: 12 entities</p> <p>Names of the consolidated subsidiaries are as follows:</p> <p>SCJ Servicing Co., Ltd. SCJ Investment Management Co., Ltd. SCJ VM Y.K. SCJREP GP Investor Y.K. SCJ-M-B Investment LPS SCJ REP NK Partnership SCJ REP II NK Partnership SCJ REP Asia NK Partnership SCJ Real Estate Mezzanine Partners I Investment LPS Ashwood II Y.K. SCJ-RMF-B Investment LPS SRF Toranomom Chukan Hojin</p> <p>The amount of total assets and the profit or loss from 3A Investment Corporation Y.K. became immaterial to the consolidated financial statements taken as a whole. Thus, it is excluded from the consolidated financial statements.</p> <p>The company's influence on SCJ-M-B Investment LPS, Ashwood II Y.K., SCJ-M-RMF-B Investment LPS and SRF Toranomom Chukan Hojin is deemed no longer temporary. Thus, it is included in the consolidated financial statements since this year.</p> <p>SCJ REP NK Partnership, SCJ REP II NK Partnership and SCJ REP Asia NK Partnership are included in the consolidated financial statements since this year.</p> <p>SCJ Real Estate Mezzanine Partners I Investment LPS is established in this year and included in the consolidated financial statements.</p>
<p>(2) Names of the main unconsolidated subsidiaries are as follows:</p> <p>Mountain Recovery Fund I Y.K. SRFA Chukan Hojin MRF 2 Y.K.</p> <p>Mountain Recovery Fund I Y.K. and MRF 2 Y.K. maintain loan portfolios for silent partners. Our substantial share of assets, net income or loss in the entity has no material effect on the consolidated statements taken as a whole. Therefore, Mountain Recovery Fund I Y.K. and MRF 2 Y.K. are not included in the consolidated financial statements in</p>	<p>(2) Names of the main unconsolidated subsidiaries are as follows:</p> <p>Mountain Recovery Fund I Y.K. SRFA Chukan Hojin MRF 2 Y.K.</p> <p>Same as on the left</p>

<p>accordance with Japanese Accounting Standards for the consolidated financial statements No.5-1-2.</p> <p>The total assets, revenues, net income and retained earnings (based on ownership interest) of the other unconsolidated subsidiaries have no material effects on the consolidated statements. Therefore activities from other unconsolidated subsidiaries are not included in the consolidated financial statements.</p>	
---	--

2. Use of equity method

Year ended (January 1, 2005-December 31,2005)	Year ended (January 1, 2006-December 31, 2006)
<p>(1) Affiliated companies accounted for using the equity method.</p> <p>N/A</p>	<p>(1) Affiliated companies accounted for using the equity method.</p> <p>J-Star K.K. J-STAR No.1 Investment LPS</p> <p>J-Star K.K. and J-Star No.1 Investment LPS are established this year and accounted for using the equity method.</p> <p>China Real Estate I Ltd. and China Real Estate V Ltd. were established this year and accounted for using the equity method. However, these companies were sold during the year and the equity method is no longer applied.</p>
<p>(2) Unconsolidated subsidiaries accounted for using the equity method.</p> <p>N/A</p>	<p>(2) Unconsolidated subsidiaries accounted for using the equity method.</p> <p>N/A</p>
<p>(3) The following unconsolidated subsidiaries are not accounted for using the equity method.</p> <p>Mountain Recovery Fund I Y.K. SRFA Chukan Hojin MRF 2 Y.K.</p> <p>Net income and retained earnings of the unconsolidated subsidiaries have no material effect on the consolidated statements. Therefore the above companies are not accounted for using equity method.</p>	<p>(3) The following unconsolidated subsidiaries are not accounted for using the equity method.</p> <p>Mountain Recovery Fund I Y.K. SRFA Chukan Hojin MRF 2 Y.K.</p> <p>Same as on the left</p>

3. Fiscal year of consolidated subsidiaries

Year ended (January 1, 2005-December 31,2005)	Year ended (January 1, 2006-December 31, 2006)
<p>Each consolidated subsidiary has the same fiscal year end as the parent company.</p>	<p>The fiscal year end for SCJ Real Estate Mezzanine Partners I Investment LPS and SRF Toranomom Chukan Hojin is the end of January of each year. However, these subsidiaries are consolidated based on their financial statements as of the end of December.</p>

	Other consolidated subsidiaries have the same fiscal year end as the parent company.
--	--

4. Summary of significant accounting policies

Year ended (January 1, 2005-December 31,2005)	Year ended (January 1, 2006-December 31, 2006)
<p>(1) Significant asset valuation method</p> <p style="text-align: center;">_____</p> <p>b) For securities without fair market value The purchase cost of the securities is used. (For the US dollar denominated securities, these securities are re-measured into the Japanese Yen using the prevailing market rate at the fiscal year end. The unrealized difference is recorded under the stockholders' equity section. Thus, there is no impact to the earnings for the year.)</p> <p>(Refer 4-7-a for the treatment of the investment in silent partnership)</p> <p>(The capital contributions made to limited liability partnership and similar partnerships are treated as "securities" on the balance sheet in the amount proportional to the contribution made to the partnerships. The changes in the company's share of the interests in the partnerships are adjusted based on the company's share accordingly.)</p> <p style="text-align: center;">_____</p>	<p>(1) Significant asset valuation method</p> <p>a) For securities with fair market value Valuation is based on the market value at each year end. (The unrealized gain/loss is recorded in the shareholders' equity section.)</p> <p>b) For securities without fair market value The purchase cost of the securities is used. (For the US dollar denominated securities, these securities are re-measured into the Japanese Yen using the prevailing market rate at the fiscal year end. The unrealized gain/loss is recorded in the shareholders' equity section.)</p> <p>(Refer 4-7-a for the treatment of the investment in silent partnership)</p> <p>(The capital contributions made to limited liability partnerships and similar partnerships are treated as "securities" on the balance sheet in the amount proportional to the contributions made to the partnerships. The changes in the company's share of the interests in the partnerships are adjusted based on the company's share accordingly.)</p> <p>c) Derivatives Evaluation is based on the market value.</p>
<p>(2) Depreciation method of significant depreciable assets</p> <p>a) Tangible assets: Tangible assets are depreciated by declining balance method. However, buildings acquired on and after April 1, 1998 are depreciated by straight-line method, except for building attachments.</p> <p>The useful life of principal assets is as follows: Buildings: 15 years Automobile: 6 years Furniture and equipment: 4-8 years</p> <p>b) Intangible assets: Intangible assets are depreciated by straight-line method.</p> <p>Software for internal use is depreciated by straight-</p>	<p>(2) Depreciation method of significant depreciable assets</p> <p>a) Tangible assets: Same as on the left</p> <p>The useful life of principal assets is as follows: Buildings: 15 years Furniture and equipment: 4-8 years</p> <p>b) Intangible assets: Same as on the left</p>

line method over the expected available periods of five years.	
(3) Amortization method of significant deferred assets: a) Stock issuance expenses: Stock issuance costs are expensed as incurred.	(3) Amortization method of significant deferred assets: a) Public offering related expenses: Public offering related costs are expensed as incurred.
(4) Accounting for significant allowances and reserves: a) Allowance for doubtful accounts: For general receivables, general allowances are provided using a rate determined by our past bad debt history. Specific allowances are provided for estimated amounts considered to be uncollectible after the reviewing the individual collectibility of certain doubtful accounts. b) Allowance for bonus payments: The company properly accrues estimated incentive payments for employees that have been vested during the current year.	(4) Accounting for significant allowances and reserves: Same as on the left
(5) Translation of foreign currency: Foreign currency denominated payables and receivables are re-measured into the Japanese Yen using the prevailing market rate at the year end.	(5) Translation of foreign currency: Same as on the left
(6) Accounting treatment for significant leases: All finance leases, except for those leases with a transfer of ownership, are treated as operating leases.	(6) Accounting treatment for significant leases: Same as on the left
(7) Other significant accounting policies: a) Accounting for investment in silent partnership: Investment in silent partnership is accounted as 'Securities' on the balance sheet in the amount proportional to the contribution of the assets to the silent partnership which is recorded at the time such investment is made. The change in company's share of equity interests in the silent partnership is accounted as 'Sales' and the equivalent amount of increases/decreases as 'Securities'. A distribution from the company's investee is accounted as a redemption of the investment which decreases the amount of investment in silent partnership. 'Securities' redemption of investment in capital from the operator. b) Accounting for silent partnership contribution received:	(7) Other significant accounting policies: a) Accounting for investment in silent partnership: Same as on the left b) Accounting for silent partnership contribution received:

<p>The company acts as an operator of the silent partnership. Since all assets of silent partnership belong to the operator, the consolidated financial statements include aggregate assets of the silent partnership.</p> <p>Contributions received for investment in the silent partnership are accounted as 'Silent partnership contributions received'. Income distributions to silent partners (Profit distribution received from the silent partnership) are recorded as 'Sales', and the equivalent amount offsets 'Silent partnership contribution received'</p> <p>Redemption of the contribution offsets the 'Silent partnership contribution received'.</p> <p>c) Accounting for the consumption taxes: The consumption tax and the local consumption tax are excluded from transaction amounts.</p> <hr/>	<hr/> <p>c) Accounting for the consumption taxes: Same as on the left</p> <p>d) Accounting for operating loan: Collection of operating loan offsets the 'Operating loan' and difference from purchase price is recorded as 'Sales'.</p>
---	---

5. Valuation method used for consolidated subsidiaries' assets and liabilities

Year ended (January 1, 2005-December 31,2005)	Year ended (January 1, 2006-December 31, 2006)
The fair market value method is adopted fully for the valuation of assets and liabilities of the consolidated subsidiaries.	Same as on the left

6. Appropriation of retained earnings

Year ended (January 1, 2005-December 31,2005)	Year ended (January 1, 2006-December 31, 2006)
Statement of consolidated retained earnings is based on the appropriation of retained earnings determined during the fiscal year of the consolidated statements.	<hr/>

7. Definition of cash and cash equivalents in the consolidated statements of cash flows

Year ended (January 1, 2005-December 31,2005)	Year ended (January 1, 2006-December 31, 2006)
Cash and cash equivalents are "short-term highly liquid investments" that will mature within three months or less after being acquired.	Same as on the left

Change in accounting policy

Year ended (January 1, 2005-December 31,2005)	Year ended (January 1, 2006-December 31, 2006)
<p>The income generated from our investments made into the asset managed by SCJ group was recorded as other income in the prior years. Effective January 1, 2005, the income from such investments are recorded as a part of our revenue.</p> <p>As a result, the sales amount increased by ¥169,517 thousand in comparison to the sales amount using the old account policy.</p>	<p>_____</p>
<p>_____</p>	<p>Starting this year, the impairment accounting has been applied to fixed assets. This application has no material effect on the statements of income.</p>
<p>_____</p>	<p>Starting this year, certain changes were made to the shareholders' equity section to be compliant to the new accounting rules. The amount of the total shareholders' equity based on the old accounting rule is ¥6,589,411 thousand.</p>
<p>_____</p>	<p>Starting this year, certain changes were made to the scope of consolidation about regarding the limited liability partnerships. The application of the new rule has no material effect on the statements of income.</p>

Change in indication

Year ended (January 1, 2005-December 31,2005)	Year ended (January 1, 2006-December 31, 2006)
<p>_____</p>	<p>Consolidated balance sheets:</p> <p>According to newly enacted company law announced in the current year, the investment in Y.K., known as Yugen Kaisha, is accounted as securities.</p> <p>On the consolidated balance sheets as of December 31, 2005, the investment in Y.K. was included in 'Other assets' in the investments in other assets section and the balance was ¥74,700 thousand.</p> <p>In the current year, it is included in 'Securities' in the investments in other assets section. As a result, the balance of 'Securities' increased by ¥59,700 thousand in comparison to the balance using the old account policy.</p>
<p>Consolidated statements of cash flows:</p> <p>Cash flows from operating activities: 'Increase (decrease) in deferred revenue' is indicated independently due to its importance from year ended December 2005.</p> <p>Cash flows from investing activities: 'Entrustment of security deposits' is indicated independently due to its importance from year ended December 2005.</p>	<p>Consolidated statements of cash flows:</p> <p>The investment in Y.K. on the consolidated statements of cash flows is reclassified from proceeds and payments of affiliates into securities for the year ended December 2006.</p> <p>The payment amount of the investment in Y.K. based on the old accounting rule is ¥45,000 thousand. The proceeds amount based on the old accounting rule is ¥76,857 thousand.</p>

Additional information

Year ended (January 1, 2005-December 31,2005)	Year ended (January 1, 2006-December 31, 2006)
<p>Starting this year, the enterprise tax was reported as a part of operating expenses. In the prior years, the enterprise tax was recorded as a part of the income tax provisions.</p> <p>As a result, the selling, general and administrations expense increased by ¥17,748 thousand and operating income, ordinary income, income before income allocations & taxes and income before income taxes, each decreased by the amount.</p>	<p>—————</p>

Notes

Consolidated balance sheets

Year ended (January 1, 2005-December 31,2005)	Year ended (January 1, 2006-December 31, 2006)
<p>(1) Capital establishment in non-consolidated companies is as follows:</p> <p style="padding-left: 40px;">¥195,935 thousand</p>	<p>(1) Capital establishment of non-consolidated companies are as follows:</p> <p style="padding-left: 40px;">Securities ¥85,315 thousand Securities of subsidiaries ¥963,510 thousand Investments and other assets ¥87,866 thousand</p>
<p>(2) The company and its subsidiaries have an overdraft agreement with a bank.</p> <p style="padding-left: 40px;">The total amount of overdraft agreement ¥1,300,000 thousand</p> <p style="padding-left: 40px;">Over-drafted balance as of December 31, 2005 N/A</p>	<p>(2) The company and its subsidiaries have an overdraft agreement and a commitment line agreement with banks.</p> <p style="padding-left: 40px;">The total amount of overdraft and commitment agreements ¥3,600,000 thousand</p> <p style="padding-left: 40px;">Over-drafted balance as of December 31, 2006 N/A</p>
<p>(3) Contingent liabilities</p> <p style="padding-left: 40px;">Penalty for not purchasing the property specified in a purchase agreement ¥255,000 thousand</p>	<p>_____</p>
<p>(4) Stock</p> <p style="padding-left: 40px;">118,679.85 shares</p>	<p>_____</p>
<p>(5) Number of treasury stocks</p> <p style="padding-left: 40px;">The consolidated companies owns the following number of shares: Common stock: 8.85 shares</p>	<p>_____</p>

Consolidated statements of income

Year ended (January 1, 2005-December 31,2005)	Year ended (January 1, 2006-December 31, 2006)
<p>(1) Detail of the gain from sale of fixed assets</p> <p style="padding-left: 40px;">Vehicle ¥159 thousand</p>	<p>_____</p>
<p>(2) Detail of the loss on retirement of fixed assets</p> <p style="padding-left: 40px;">Furniture and equipment ¥2,015 thousand</p>	<p>(2) Detail of the loss on retirement of fixed assets</p> <p style="padding-left: 40px;">Furniture and equipment ¥482 thousand</p>

Statements of changes in shareholders' equity

Year ended (January 1, 2006 - December 31, 2006)

1. Type and number of outstanding stocks and treasury stocks

	Beginning of the year	Number of shares increased	Number of shares decreased	End of the year	Description
Issued stock (common stock)	118,679.85 shares	2,700 shares	8.85 shares	121,371 shares	*1
Treasury stock (common stock)	8.85 shares	-	8.85 shares	-	*2

- Notes:
1. The increase of issued stock (2,700 shares) was due to exercise of stock options.
 2. Decrease of treasury stock (8.85 shares) was due to retirement.

2. Stock options

	Detail	Balance as of December 31, 2006
Secured Capital Japan Co., Ltd.	Stock option	¥2,332 thousand

3. Dividend paid

Resolution	Share type	Total amount of dividend	Dividend per share	Record date	Effective date
Annual shareholders' meeting on March 30, 2006	Common stock	¥118,671 thousand	¥1,000	December 31, 2005	March 31, 2006

Dividend recorded on this year ended December 2006 and expected to be effective on next year ending December 2007

Resolution	Share type	Total amount of dividend	Source	Dividend per share	Record date	Effective date
Annual shareholders' meeting on March 28, 2007	Common stock	¥182,056 thousand	Retained earnings	¥1,500	December 31, 2006	March 29, 2007

Consolidated statements of cash flows

Year ended (January 1, 2005-December 31, 2005)	Year ended (January 1, 2006-December 31, 2006)
Cash and cash equivalents at the end of the year and their relevant items posted in the balance sheet and their amount.	Cash and cash equivalents at the end of the year and their relevant items posted in the balance sheet and their amount.
Cash on hand and in banks <u>¥1,854,397 thousand</u>	Cash on hand and in banks <u>¥889,139 thousand</u>
Cash and cash equivalents <u>¥1,854,397 thousand</u>	Cash and cash equivalents <u>¥889,139 thousand</u>

1. Accounting for leases

Year ended (January 1, 2005-December 31,2005)	Year ended (January 1, 2006-December 31, 2006)
Finance lease transactions other than those, which are deemed to be an ownership transfer of the leased asset to lessees	Finance lease transactions other than those, which are deemed to be an ownership transfer of the leased asset to lessees
Information is omitted due to its immateriality.	Same as on the left

2. Securities

Year ended (January 1, 2005 - December 31, 2005)

a) Those securities which are not valued at the fair market value at December 31, 2005

Securities	Appropriated on consolidated financial statements
Foreign securities without readily available fair market value	¥167,127 thousand
Money trust	¥532,280 thousand
Investment in silent partnership	¥88,026 thousand
Investment in limited liability partnerships and similar partnerships	¥1,528,024 thousand
Total	¥2,315,459 thousand

Year ended (January 1, 2006 - December 31, 2006)

a) Those securities which are valued at the fair market value at December 31, 2006

(Thousands of yen)

	Security type	Purchase price	Appropriated on consolidated financial statement	Difference
Fair market value exceeds purchase price	Bond	189,700	198,180	8,480
Fair market value is below the purchase price	Bond	2,303,964	2,298,500	-5,464
Total		2,493,664	2,496,680	3,015

b) Those securities which are not valued at the fair market value at December 31, 2006

Securities	Book value on consolidated financial statements
Stock without readily available fair market value	¥84,000 thousand
Foreign securities without readily available fair market value	¥466,262 thousand
Money trust	¥2,051,580 thousand
Investment in silent partnership	¥350,836 thousand
Total	¥2,952,678 thousand

Investment in subsidiaries	¥164,876 thousand
Investment in affiliated companies	¥883,950 thousand
Total	¥1,048,826 thousand

c) Those securities which are expected to be amortized

(Thousands of yen)

Security type	Amortized within 1 year	Amortized in 1 to 5 years	Amortized in 5 to 10 years	Amortized over 10 years
Bond	-	1,500,000	700,000	-
Total	-	1,500,000	700,000	-

3. Derivatives

Year ended (January 1, 2005-December 31,2005)	Year ended (January 1, 2006-December 31, 2006)
<p>No derivative transactions are made during the fiscal year ended December 31, 2005.</p>	<p>(1) Detail and purpose of the transaction: One of the consolidated subsidiaries (Investment limited liability partnership) has an interest rate swap transaction in order to avoid the interest rate risk.</p> <p>(2) Policy: The purpose of the swap is to convert the cash receipts based on the fixed interest rates into floating rate based cash receipts. Speculative purpose or highly leveraged derivatives are not planned to be used.</p> <p>(3) Risks: Derivative's risk mainly consists of the market and credit risks. The market risk is mainly due to the change in interest rates. The credit risk is deemed minimal since the counter party of the contract is a highly credited financial institution.</p> <p>(4) Risk management for the transaction: The derivative transaction is planned in according to "Guide lines of investment" of the consolidated subsidiary. It can be exercised only after the transaction is approved by the investment committee which consists of the company's directors. After the execution, its condition is reported to the investment committee quarterly.</p>

This derivative is transacted as follows:

(Thousands of yen)

Year ended (January 1, 2005-December 31,2005)				Year ended (January 1, 2006-December 31, 2006)			
Contract price	Contract price (over 1 year)	Fair market value	Valuation gain(loss)	Contract price	Contract price (over 1 year)	Fair market value	Valuation gain(loss)
-	-	-	-	380,000	380,000	5,860	582

- Notes :
1. The market price of the interest rate swap is based on the price obtained from the financial institution (counterparty).
 2. Above principal amount doesn't indicate the amount of the market risk for the derivative transaction.

4. Stock option

Year ended (January 1, 2006 - December 31, 2006)

Scale and changes in stock option

	1st	2nd	3rd
Classification and number of grantees	Directors, employees and advisors (Total : 31 persons)	13 employees	13 employees
Number and class of shares under subscription rights	Common stock 20,466 shares	Common stock 756 shares	Common stock 6,156 shares
Issue date of subscription rights	August 15, 2002	January 22, 2003	July 23, 2003
Terms and conditions of exercise	Must continually be an employee, advisor, or a director of the company until the day that subscription rights are given. (*1)	Must continually be an employee, advisor, or a director of the company until the day that subscription rights are given. (*1)	Must continually be an employee, advisor, or a director of the company until the day that subscription rights are given. (*1)
Exercise period for subscription rights	August 15, 2002 – August 14, 2012	January 22, 2003 – January 21, 2013	July 23, 2003 – July 22, 2013

	4th	5th	6th
Classification and number of grantees	1 director and 1 employee	2 directors	2 employees
Number and class of shares under subscription rights	Common stock 6,750 shares	Common stock 600 shares	Common stock 1,797 shares
Issue date of subscription rights	January 15, 2004	April 1, 2005	October 3, 2005
Terms and conditions of exercise	Must continually be an employee, advisor, or a director of the company until the day that subscription rights are given. (*2)	N/A	Must continually be an employee, advisor, or a director of the company until the day that subscription rights are given. (*3)
Exercise period for subscription rights	January 15, 2004 – January 14, 2014	October 1, 2005 – September 30, 2011	March 30, 2007 – September 30, 2011

	7th	8th	9th
Classification and number of grantees	40 employees	6 employees	4 employees
Number and class of shares under subscription rights	Common stock 2,310 shares	Common stock 1,290 shares	Common stock 1,100 shares
Issue date of subscription rights	October 3, 2005	March 1, 2006	April 28, 2006
Terms and conditions of exercise	Must continually be an employee, advisor, or a director of the company until the day that subscription rights are given. (*3)	Must continually be an employee, advisor, or a director of the company until the day that subscription rights are given. (*3)	Must continually be an employee, advisor, or a director of the company until the day that subscription rights are given. (*3)
Exercise period for subscription rights	March 30, 2007 – September 30, 2011	March 30, 2007 – September 30, 2011	March 31, 2008 – September 30, 2012

- Notes
1. Subscription rights are accrued semi-annually over 3 years from the issue date unless the grantee resigns the company during the period. Other terms and conditions are as set forth in the Subscription Rights Allocation Agreement between the Company and grantees.
 2. Subscription rights are accrued annually over 2-3 year periods from the issue date unless the grantee resigns the company during the period. Other terms and conditions are as set forth in the Subscription Rights Allocation Agreement between the Company and grantees.
 3. Subscription rights are not exercisable by the heirs of grantees. Other terms and conditions are as set forth in the Subscription Rights Allocation Agreement for execution by and between the Company and grantees.

The numbers of stock options are converted into the exercisable number of shares.

(Share)

	1st	2nd	3rd	4th	5th	6th	7th	8th	9th
<u>Non-vested rights</u>									
Balance as of December 2005	-	324	1,944	5,130	234	1,797	2,310	-	-
Issuance	-	-	-	-	-	-	-	1,290	1,100
Expiration	-	-	-27	-	-	-	-555	-	-
Rights vested	-	-324	-1,917	-3,159	-156	-	-	-	-
Balance of non-vested rights as of December 2006	-	-	-	1,971	78	1,797	1,755	1,290	1,100
<u>Vested rights</u>									
Balance as of December 2005	10,476	-	2,187	1,620	366	-	-	-	-
Rights vested	-	324	1,917	3,159	156	-	-	-	-
Exercised	-1,323	-270	-1,107	-	-	-	-	-	-
Balance of non-executed rights as of December 2006	9,153	54	2,997	4,779	522	-	-	-	-

(Yen)

	1st	2nd	3rd	4th	5th	6th	7th	8th	9th
Exercise price	19,075	19,075	19,075	19,075	323,289	264,075	264,075	485,205	459,948
Average market price at the time of execution	444,980	455,700	403,049	-	-	-	-	-	-
Fair value as of issue date	-	-	-	-	-	-	-	-	-

- These stock options were issued before the enactment of the new company law. Thus, the estimated value of options is omitted.
- It is difficult to estimate the number of rights to be expired. Thus, the actual number of vested rights is used.
- These stock options were issued before the enactment of the new company law and should not be expensed. Therefore, it has no material effect on the consolidated financial results.

5. Income taxes

Year ended (January 1, 2005-December 31,2005)	Year ended (January 1, 2006-December 31, 2006)																																																														
<p>(1) Significant components of deferred tax assets and liabilities at December 31, 2005 are as follows:</p> <p><u>Deferred tax assets</u></p> <p>(Current assets)</p> <table style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 80%;">Enterprise tax</td> <td style="text-align: right;">¥51,176 thousand</td> </tr> <tr> <td>Expenses not deductible for income tax purposes</td> <td style="text-align: right;">¥8,909 thousand</td> </tr> <tr> <td>Amount of employee bonus not allowed for deduction in the current fiscal year</td> <td style="text-align: right;">¥10,175 thousand</td> </tr> <tr> <td>Deferred revenue</td> <td style="text-align: right;">¥95,202 thousand</td> </tr> <tr> <td>Others</td> <td style="text-align: right;">¥743 thousand</td> </tr> <tr> <td style="border-top: 1px solid black;">Total current deferred tax assets</td> <td style="text-align: right; border-top: 1px solid black;">¥166,207 thousand</td> </tr> </table> <p>(Non-current assets)</p> <table style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 80%;">Depreciation in excess of tax allowance</td> <td style="text-align: right;">¥295 thousand</td> </tr> <tr> <td>Amount to offset against the deferred tax liability</td> <td style="text-align: right;">¥-295 thousand</td> </tr> <tr> <td style="border-top: 1px solid black;">Total non-current deferred tax assets</td> <td style="text-align: right; border-top: 1px solid black;">- thousand</td> </tr> </table> <p><u>Deferred tax liabilities</u></p> <p>(Current liabilities)</p> <table style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 80%;">Refund of enterprise taxes</td> <td style="text-align: right;">¥7 thousand</td> </tr> </table> <p>(Non-current liabilities)</p> <table style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 80%;">Unrealized gains on available for sale securities</td> <td style="text-align: right;">¥4,331 thousand</td> </tr> <tr> <td>Amount to offset against the deferred tax asset</td> <td style="text-align: right;">¥-295 thousand</td> </tr> <tr> <td style="border-top: 1px solid black;">Total non-current deferred tax liabilities</td> <td style="text-align: right; border-top: 1px solid black;">¥4,036 thousand</td> </tr> </table>	Enterprise tax	¥51,176 thousand	Expenses not deductible for income tax purposes	¥8,909 thousand	Amount of employee bonus not allowed for deduction in the current fiscal year	¥10,175 thousand	Deferred revenue	¥95,202 thousand	Others	¥743 thousand	Total current deferred tax assets	¥166,207 thousand	Depreciation in excess of tax allowance	¥295 thousand	Amount to offset against the deferred tax liability	¥-295 thousand	Total non-current deferred tax assets	- thousand	Refund of enterprise taxes	¥7 thousand	Unrealized gains on available for sale securities	¥4,331 thousand	Amount to offset against the deferred tax asset	¥-295 thousand	Total non-current deferred tax liabilities	¥4,036 thousand	<p>(1) Significant components of deferred tax assets and liabilities at December 31, 2006 are as follows:</p> <p><u>Deferred tax assets</u></p> <p>(Current assets)</p> <table style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 80%;">Enterprise tax</td> <td style="text-align: right;">¥68,595 thousand</td> </tr> <tr> <td>Expenses not deductible for income tax purposes</td> <td style="text-align: right;">¥6,318 thousand</td> </tr> <tr> <td>Amount of employee bonus not allowed for deduction in the current fiscal year</td> <td style="text-align: right;">¥17,094 thousand</td> </tr> <tr> <td>Investment in silent partnership</td> <td style="text-align: right;">¥2,772 thousand</td> </tr> <tr> <td>Others</td> <td style="text-align: right;">¥1,777 thousand</td> </tr> <tr> <td style="border-top: 1px solid black;">Amount to offset against the deferred tax liability</td> <td style="text-align: right; border-top: 1px solid black;">¥-272 thousand</td> </tr> <tr> <td style="border-top: 1px solid black;">Total current deferred tax assets</td> <td style="text-align: right; border-top: 1px solid black;">¥96,284 thousand</td> </tr> </table> <p>(Non-current assets)</p> <table style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 80%;">Depreciation in excess of tax allowance</td> <td style="text-align: right;">¥209 thousand</td> </tr> <tr> <td>Unrealized gains on available for sale securities</td> <td style="text-align: right;">¥94 thousand</td> </tr> <tr> <td>Amount to offset against the deferred tax liability</td> <td style="text-align: right;">¥-209 thousand</td> </tr> <tr> <td style="border-top: 1px solid black;">Total non-current deferred tax assets</td> <td style="text-align: right; border-top: 1px solid black;">¥94 thousand</td> </tr> </table> <p><u>Deferred tax liabilities</u></p> <p>(Current liabilities)</p> <table style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 80%;">Refund of enterprise taxes</td> <td style="text-align: right;">¥200 thousand</td> </tr> <tr> <td>Others</td> <td style="text-align: right;">¥72 thousand</td> </tr> <tr> <td style="border-top: 1px solid black;">Amount to offset against the deferred tax asset</td> <td style="text-align: right; border-top: 1px solid black;">¥-272 thousand</td> </tr> <tr> <td style="border-top: 1px solid black;">Total current deferred tax liabilities</td> <td style="text-align: right; border-top: 1px solid black;">- thousand</td> </tr> </table> <p>(Non-current liabilities)</p> <table style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 80%;">Unrealized gains on available for sale securities</td> <td style="text-align: right;">¥8,898 thousand</td> </tr> <tr> <td>Amount to offset against the deferred tax asset</td> <td style="text-align: right;">¥-209 thousand</td> </tr> <tr> <td style="border-top: 1px solid black;">Total non-current deferred tax liabilities</td> <td style="text-align: right; border-top: 1px solid black;">¥8,689 thousand</td> </tr> </table>	Enterprise tax	¥68,595 thousand	Expenses not deductible for income tax purposes	¥6,318 thousand	Amount of employee bonus not allowed for deduction in the current fiscal year	¥17,094 thousand	Investment in silent partnership	¥2,772 thousand	Others	¥1,777 thousand	Amount to offset against the deferred tax liability	¥-272 thousand	Total current deferred tax assets	¥96,284 thousand	Depreciation in excess of tax allowance	¥209 thousand	Unrealized gains on available for sale securities	¥94 thousand	Amount to offset against the deferred tax liability	¥-209 thousand	Total non-current deferred tax assets	¥94 thousand	Refund of enterprise taxes	¥200 thousand	Others	¥72 thousand	Amount to offset against the deferred tax asset	¥-272 thousand	Total current deferred tax liabilities	- thousand	Unrealized gains on available for sale securities	¥8,898 thousand	Amount to offset against the deferred tax asset	¥-209 thousand	Total non-current deferred tax liabilities	¥8,689 thousand
Enterprise tax	¥51,176 thousand																																																														
Expenses not deductible for income tax purposes	¥8,909 thousand																																																														
Amount of employee bonus not allowed for deduction in the current fiscal year	¥10,175 thousand																																																														
Deferred revenue	¥95,202 thousand																																																														
Others	¥743 thousand																																																														
Total current deferred tax assets	¥166,207 thousand																																																														
Depreciation in excess of tax allowance	¥295 thousand																																																														
Amount to offset against the deferred tax liability	¥-295 thousand																																																														
Total non-current deferred tax assets	- thousand																																																														
Refund of enterprise taxes	¥7 thousand																																																														
Unrealized gains on available for sale securities	¥4,331 thousand																																																														
Amount to offset against the deferred tax asset	¥-295 thousand																																																														
Total non-current deferred tax liabilities	¥4,036 thousand																																																														
Enterprise tax	¥68,595 thousand																																																														
Expenses not deductible for income tax purposes	¥6,318 thousand																																																														
Amount of employee bonus not allowed for deduction in the current fiscal year	¥17,094 thousand																																																														
Investment in silent partnership	¥2,772 thousand																																																														
Others	¥1,777 thousand																																																														
Amount to offset against the deferred tax liability	¥-272 thousand																																																														
Total current deferred tax assets	¥96,284 thousand																																																														
Depreciation in excess of tax allowance	¥209 thousand																																																														
Unrealized gains on available for sale securities	¥94 thousand																																																														
Amount to offset against the deferred tax liability	¥-209 thousand																																																														
Total non-current deferred tax assets	¥94 thousand																																																														
Refund of enterprise taxes	¥200 thousand																																																														
Others	¥72 thousand																																																														
Amount to offset against the deferred tax asset	¥-272 thousand																																																														
Total current deferred tax liabilities	- thousand																																																														
Unrealized gains on available for sale securities	¥8,898 thousand																																																														
Amount to offset against the deferred tax asset	¥-209 thousand																																																														
Total non-current deferred tax liabilities	¥8,689 thousand																																																														
<p>(2) A reconciliation of the combined statutory tax rates for the year ended December 31, 2005 to the effective rates of income taxes reflected in the accompanying consolidated statements of income is as follows:</p> <p>The difference between the statutory tax rate and the effective tax rate is less than 5/100 of the statutory tax rate. Thus, no reconciliation disclosure is required.</p>	<p>(2) A reconciliation of the combined statutory tax rates for the year ended December 31, 2006 to the effective rates of income taxes reflected in the accompanying consolidated statements of income is as follows:</p> <p>Same as on the left</p>																																																														

6. Segment information

a) Business segment information

Year ended (January 1, 2005 - December 31, 2005)

(Thousands of yen)

	Property acquisition and asset management	Loan acquisition and management	Total	Eliminations or non-allocatable expenses	Consolidated total
Revenue and operating income					
Revenue					
(1) Revenue to external customers	1,922,469	2,458,408	4,380,878	-	4,380,878
(2) Inter-segment revenue and transfers	-	-	-	-	-
Total	1,922,469	2,458,408	4,380,878	-	4,380,878
Operating expenses	1,182,733	784,089	1,966,822	237,873	2,204,695
Operating income (loss)	739,736	1,674,319	2,414,055	-237,873	2,176,182
Assets depreciation expense and capital expenditure					
Assets	1,896,394	3,189,415	5,085,809	920,034	6,005,843
Depreciation expense	7,757	2,756	10,514	9,679	20,194
Capital expenditure	24,235	8,922	33,158	35,775	68,933

Notes

- Primary operations of the respective business segments are as follows:
 Property Acquisition and Asset Management:
 Consists of the acquisition and asset management of real estate properties.
 Loan Acquisition and Management:
 Consists of the acquisition and servicing of secured and unsecured loans.
- Unallocated operating expenses included in the eliminations and corporate components of operating expenses in 2005 amounted to ¥237,873 thousand. These expenses primarily represent administrative expenses of the Company.
- The total amount of assets, ¥920,034 thousand for the corporate section mainly represents cash equivalents, receivables and security deposits.

Year ended (January 1, 2006 - December 31, 2006)

(Thousands of yen)

	Property acquisition and asset management	Loan acquisition and management	Total	Eliminations or non-allocatable expenses	Consolidated total
Revenue and operating income					
Revenue					
(1) Revenue to external customers	2,891,443	3,356,350	6,247,793	-	6,247,793
(2) Inter-segment revenue and transfers	-	-	-	-	-
Total	2,891,443	3,356,350	6,247,793	-	6,247,793
Operating expenses	1,668,355	865,856	2,534,212	343,385	2,877,598
Operating income (loss)	1,223,087	2,490,494	3,713,581	-343,385	3,370,195
Assets depreciation expense and capital expenditure					
Assets	11,299,437	1,069,887	12,369,325	1,354,921	13,724,246
Depreciation expense	9,023	3,321	12,345	12,813	25,158
Capital expenditure	2,889	1,063	3,952	5,397	9,350

Notes

- Primary operations of the respective business segments are as follows:
 Property Acquisition and Asset Management:
 Consists of the acquisition and asset management of real estate properties.
 Loan Acquisition and Management:
 Consists of the acquisition and servicing of secured and unsecured loans.
- Unallocated operating expenses included in the eliminations and corporate components of operating expenses in 2006 amounted to ¥343,385 thousand. These expenses primarily represent administrative expenses of the Company.
- The total amount of assets, ¥1,354,921 thousand for the corporate section mainly represents cash equivalents, receivables and security deposits.

b) Geographical segment information

Year ended (January 1, 2005 - December 31, 2005) N/A

Year ended (January 1, 2006 - December 31, 2006) N/A

c) Overseas sales

Year ended (January 1, 2005 - December 31, 2005) N/A

Year ended (January 1, 2006 - December 31, 2006) N/A

7. Related party transactions

Year ended (January 1, 2005 - December 31, 2005)

Name	Relationship	% of voting rights	Description of the transaction	Transaction amount (Thousands of yen)	Subject	Balance as of December 2005 (Yen)
Jon-Paul Toppino	Managing director	Direct 5.5%	Rent	22,460 (*1)	Prepaid expense	2,700
Jon-Paul Toppino	Managing director	Direct 5.5%	Medical insurance	1,200 (*2)	Accrued expenses	122
Jon-Paul Toppino	Managing director	Direct 5.5%	Expat home leave expense	1,121 (*2)	Accrued expenses	1,121
Kazuo Wakairo	Statutory auditor	-	Grant of stock options	- (*3)	-	-
Koichi Uno	Statutory auditor	-	Grant of stock options	- (*3)	-	-

Notes Consumption tax is excluded from the amounts above and included in the balance as of December 2005.

1. The company shares the director's rent expense in accordance with the individual agreement. The director's share of the rent is ¥9,674 thousand annually.
2. The company is responsible for the welfare expense in accordance with the agreement with the director.
3. The annual shareholders' meeting and the board of directors meeting on March 30, 2005 granted the following stock options:

Name	Number of shares	Exercise price (Yen)
Kazuo Wakairo	150 shares	145,479,900
Koichi Uno	50 shares	48,493,300

Effective August 19, 2005, the company made a 3 to 1 stock split. The number of common shares to be issued was adjusted accordingly.

Year ended (January 1, 2006 - December 31, 2006)

Name	Relationship	% of voting rights	Description of the transaction	Transaction amount (Thousands of yen)	Subject	Balance as of December 2006 (Yen)
Jon-Paul Toppino	Managing director	Direct 5.1%	Rent	21,060 (*1)	Prepaid expense	2,700
Jon-Paul Toppino	Managing director	Direct 5.1%	Medical insurance	1,477 (*2)	Accrued expenses	131
Jon-Paul Toppino	Managing director	Direct 5.1%	Expat home leave expense	965 (*2)	-	-

Notes Consumption tax is excluded from transaction amount and included in balance as of December 2006.

1. The company shares the director's rent expense in accordance with the individual agreement. The director's share of the rent is ¥11,340 thousand annually.
2. The company is responsible for the welfare expense in accordance with the agreement with the director.

Earnings per share data

	Year ended (January 1, 2005-December 31,2005)	Year ended (January 1, 2006-December 31, 2006)
Shareholders' equity per share	¥39,077.31	¥54,291.48
Earnings per share	¥10,433.81	¥16,628.27
Diluted earnings per share	¥8,787.49	¥14,248.98

Items used to calculate earnings per share:

	Year ended (January 1, 2005-December 31,2005)	Year ended (January 1, 2006-December 31, 2006)
Amount of shareholders' equity	-	¥8,581,930 thousand
Amount of deductions	-	¥1,992,518 thousand
Stock option	-	¥2,332 thousand
Minority interest	-	¥1,990,186 thousand
Amount of shareholders' equity relevant to common stock	-	¥6,589,411 thousand
Number of common stock at the year ended	-	121,371 shares

Items used to calculate earnings per share and diluted earnings per share:

	Year ended (January 1, 2005-December 31,2005)	Year ended (January 1, 2006-December 31, 2006)
Net income	¥1,222,429 thousand	¥2,003,033 thousand
Amount not allocable to common shareholders	-	-
Net income available for common stock shareholders	¥1,222,429 thousand	¥2,003,033 thousand
Number of average shares outstanding during the year	117,160 shares	120,460 shares
Details of net income adjustments included in the calculation of diluted earnings per share	-	-
Details of increased number of shares included in the calculation of diluted earnings per share	Stock option 21,950 shares	Stock option 20,114 shares
Details of anti-dilutive items not included in the calculation of diluted earnings per share	Stock option 600 shares (Authorized as of March 30, 2005)	Stock option 1,290 shares (Authorized as of March 30, 2005)
		Stock option 1,100 shares (Authorized as of March 30, 2006)

Subsequent events

Year ended (January 1, 2005-December 31,2005)	Year ended (January 1, 2006-December 31, 2006)
<p>(Grant of stock options)</p> <p>The board of directors meeting held on February 24, 2006 approved a proposal to obtain an approval to issue stock options at the general shareholders meeting to be held on March 30, 2006. The details of the issuance are as follows:</p> <ol style="list-style-type: none">1. Number and the kind of the shares to be issued 3,000 shares maximum2. Number of stock options to be issued 3,000 options maximum3. Issuance price of stock options None4. Exercise price The exercise price of a share is based on the average price determined using the daily-end price published by the Tokyo Stock Exchange of each transaction day during one month prior to the grant date multiplied by 1.05. Less than one yen function in the price will be rounded up. In case there is no daily-end price available during a day period, an available daily-end price of the nearest prior day will be used. However, if the determined exercise price by the method mentioned is less than the available daily-end price of the day prior to the date of the stock option issuance day, the price will be used as the exercise price.5. Exercise period Board of directors meeting may chose an exercise period from the period between October 1, 2006 and September 30, 2012.6. Terms and conditions for the exercise<ol style="list-style-type: none">① Grantees' heirs cannot exercise options② The board of directors resolution can decide any other conditions or requirements7. Transferability of the stock options A transfer of a stock option requires the board of directors resolution.	<hr/>

[6] Present Circumstances of Productions, Order and Sales

1. Productions

N/A

2. Order

N/A

3. Sales

Sales by business segment information are as follows:

	Year ended (January 1, 2005-December 31,2005)	Year ended (January 1, 2006-December 31, 2006)	Comparison
Property acquisition and asset management	¥1,922,469 thousand	¥2,891,443 thousand	50.4%
Loan acquisition and management	¥2,458,408 thousand	¥3,356,350 thousand	36.5%
Total	¥4,380,878 thousand	¥6,247,793 thousand	42.6%

Major customers and their percentages to the gross sales are as follows:

	Year ended (January 1, 2005-December 31,2005)		Year ended (January 1, 2006-December 31, 2006)	
	Amount (Thousand of yen)	Portion (%)	Amount (Thousand of yen)	Portion (%)
AN Capital Y.K.	575,081	13.1	46,303	0.7
Azabu Credit Management Co., Ltd.	315,674	7.2	1,724,296	27.6

Notes The consumption taxes are excluded from the transaction amounts above.